The English Housing Market Renewal Pathfinders under the present market conditions

André Mulder
Department of Real Estate and Housing, Faculty of Architecture, Delft University of Technology, the Netherlands

Abstract

Housing Market Renewal Pathfinders (HMRPs) were specifically designed to trigger of market improvement in areas in England where housing was in weak demand. This phenomenon could show itself by (sometimes extremely) low housing prices and an abundance of empty properties. The HMRP policy initiative, announced in 2003 and fully operational from 2005, included funding by central government and the setting up of new (local) government organisations. Early evaluation reports show that HMRPs were reasonably successful in rising prices and tackling vacancies, although there also was some mention of possibly unwanted side effects (higher prices meant that new buyers could not enter the market; the demolishing of existing dwellings may destroy communities). Also, with continuously rising housing prices in the UK as a whole, it was not easy to decide if better performing local markets were the result of the introduction of the pathfinders, or that there was an overspill effect from areas in high demand.
Now that the housing market is in crisis, it will be interesting to see if HMRP policies still work.
This paper will begin with describing the main features of HMRP areas at the start of the program and a short description of what happened between then and the beginning of the worldwide housing market crisis. It will then explore in what ways these areas in general and HMRP policies in special are affected by the present crisis. To end with, the question will be asked what can be done and what is being done to redress negative effects the crisis may have on these areas and policies.
This paper will be based on evaluation reports, written by the Audit Commission amongst others, and a visit to one particular HMRP area: Manchester/Salford.

Keywords: housing, credit crunch, recession, market renewal, regeneration, low demand, policy tools

Introduction

The effects of the present credit crunch and related housing market crisis can be seen everywhere. The number of buildings that are completed tends to fall; the number of projects that are started seems to decline even further. Many people who would like to move house can’t get a mortgage anymore. Other people are affected by falling house prices, unemployment etc. And although some local housing markets are doing better than others, this seems to be the general picture. Urban regeneration also suffers from falling investment and the subsequent diminishing number of dwellings to be built or refurbished. But what exactly is going on here? In this paper, the consequences of the present recession (a term to be used throughout this paper when the slowing down of the economy in general and the housing market in particular are meant) for one type of urban regeneration, the English Housing Market Renewal Pathfinders (HMRPs) will be described. Some examples for two of these HMRPs, the one in Manchester and Salford and the one in East Lancashire, both in the Northwest of England, will be given.

The HMRPs are a way to deal with housing that is in low demand. This can result in dwellings being empty, high turn over rates esp. in the rented sector and very low and decreasing property values in the owner-occupied sector. Although smaller areas in low demand exist all over the country, larger clusters are almost exclusively to be found in northern regions (the Northeast; the Northwest; and Yorkshire and the Humber) and the West Midlands. In 2003, 4.5 % of the English housing stock was considered as being in low demand, in the Northwest this figure was almost three times higher (13 %). Local authority housing was relatively often in low demand, the figure being 10.5 % for England as a whole and as high as 24.9 % in the Northwest. Figures for dwellings let by housing associations are very close to the average for all dwellings, both in England as a whole and in most regions. Private sector housing (both private rented and owner-occupied) seems to do much better (3.6 % of dwellings in this sector in England are in low demand; in the Northwest this is still as high as 11.7 %). However, we must remember that this sector is much bigger than the social rented sector. 'In absolute terms … the majority – more than 600,000 dwellings – of low demand housing is in the (much larger) private sector. It appears, then, that the phenomenon is 'tenure blind'. It is concentrated at the sub-regional and neighbourhood level where it affects all tenure types.' (Hall and Hickman, 2004) Indeed, the HMRPs include dwellings in the social rented sector and in the private sector (see for instance: Mulder, 2008).

We will now continue with an overview of the successes and criticisms of HMRPs so far. Following this, a short description and explanation of the present recession will be given, focusing on the housing market. In the next section, we will see what effects the recession has had on regeneration in the HMRP areas. The final section of this paper consists of a brief discussion of the national and local policy response to the new challenge posed by the recession.

The Housing Market Renewal Pathfinders so far: a success?

The recent record from a series of independent assessments is 'positive overall about the progress that HMR Pathfinders have made'. One report 'showed that between 2002 and 2006 low demand for properties in HMR areas fell by 42 per cent, compared with 44 per cent in England as a whole. Given that demand in most Pathfinder areas was spiralling downwards at a rapid rate when the programme was established, this represented a major turn round in the fortunes of these neighbourhoods.' (Cole, 2008). The Northern regions of England do not seem to have been left out of the economic upturn in England as a whole and the subsequent higher demand and ability to pay higher prices for housing. The percentage of empty dwellings has fallen in all English regions between 2002 and 2007, although in 2008 the percentage is slightly higher again in many areas. The Northwest still has the highest proportion of empty homes, as compared to the total stock, but this went down from 4.5 % in 2002 to 4.3 % in 2007 and 4.2 % in 2008 (Audit Commission, 2009). In England as a whole, the percentage of empty homes was 3.4 % in 2002, 2.9 % in 2007 and 3.1 % in 2008. Manchester and Salford remain well above both the English and Northwest average, with 6.2 and 5.6 % of empty homes respectively in 2008.

The Audit Commission, an independent watchdog, comes to the conclusion that the Manchester Salford Pathfinder (MSP) has been performing strongly overall. MSP makes extensive use of market intelligence data; effective master-planning is in place; and the MSP has a focus on achieving value for money. Property prices across the pathfinder area have increased by an average of 186 % compared wit 102 % in Greater Manchester as a whole. However, there are some concerns about decision making concerning the numbers of affordable housing to be included in the plans and the phase in which these dwellings are being built. This seems to be due to promises made to the local population about the possibility to return to an area after regeneration. As a result, there may be too many affordable dwelling at an early stage, especially if people choose not to return. At the same time, in some areas affordability of homes for lower income groups is becoming a problem. (Audit Commission, 2008).
Ordsall in Salford has shown a remarkable recovery. While demand for owner-occupied housing was virtually non existent a few years ago, new dwellings recently were being sold for £ 100,000 and more. 40 % of all buyers are new to the area, which used to have a really bad name. However, 'most new people are living here because it is close to Manchester. They may not know that they live in Salford until the have to pay council tax', a tax that must be paid to the local municipality. A high number of well paid jobs in Manchester city centre is the reason for the influx of new people. At the same time, Salford Quays, the regenerated docklands of Salford, that is very close to Ordsall, has also shown a big increase in jobs. This trend will continue, even with the present economic crisis, as the BBC (public radio, television and other media) will be moving to Salford Quays, probably bringing with it a number of smaller companies to relocate into what is now called 'Media City'. The total number of new jobs is estimated as being at least 10,000 to 12,000. (Information based on an interview with a neighbourhood manager working for the municipality of Salford).

The overall picture is that HMRPs are performing well, although quite often it is not exactly clear what improvements are being caused by the pathfinders and what is caused by a (until recently) booming economy or local developments that are not a direct result of the pathfinder (like the BBC moving to Salford).
However, some people and organisations look at the HMRPs through more critical or even suspicious eyes. Some claim the pathfinders are not based on in depth analysis of the underlying causes of low demand for housing. Others find that the pathfinders are too much about the demolishing of homes, saying that communities and cultural heritage are

been destroyed. Another point for concern is the question if the present, often deprived, population of pathfinder areas really is better of.

After analysing government policy documents, Hall and Hickman come to the conclusion that the Labour governments, that have been in power from 1997, have been reluctant to see the problems of disadvantaged regions and neighbourhoods in the light of the English space economy as a whole. Low demand for housing in the North and high demand in the South are seen as different challenges that require different solutions. The government has not recognised that these features can be seen as the product of a single problem, caused by macro-economic developments. While the North and Midlands suffer from the effect of deindustrialisation, the growing financial and service industries are concentrated in the South. They argue 'that the government's strategy is flawed in that it has sought to address the spatial mismatch in housing and jobs through a strategy that focuses on the supply side of regional housing markets rather than the national demand side factors that give rise to these inequalities in the first instance.' (Hall and Hickman, 2004)

SAVE (www.savebritainsheritage.org) claims that many traditional terraced homes and other buildings representing the cultural heritage of English towns and cities will be demolished and has been fighting many proposals within HMRP areas. Indeed, many people may only have heard of the pathfinders because of a few controversial demolition schemes, which got a lot of media attention. 'Yet to equate HMR with demolition is extremely misleading. … Between 2002 and 2008 some 40,000 homes have been refurbished, compared to fewer than 10,000 that have been demolished. Prior to the recent downturn, it was estimated that new development would rise to around 10,000 new homes per year, or 1.5 per cent of the total stock in Pathfinder areas, by 2009/10.' (Cole, 2008)

Although economic problems and low demand for housing are often seen as a result of a North-South divide, disparities within cities are equally important. Manchester is quite often seen as a success story, with parts of the centre being redeveloped for city living, attracting a new population that would two decades ago probably never have dreamt of moving there. This went hand in hand with the creation of new jobs in the service and creative industries. The BBC moving to nearby Salford can be considered as being the next step in this continuing trend. At the same time, many areas, some of them just outside the city centre, still belong to the nation's most deprived. Indeed, the municipality of Manchester has an employment rate of only 62.7 % compared to 74.5 % for England as a whole (and 71.4 % for the urban conurbation of Greater Manchester). (The employment rate is the proportion of the adult population below retirement age that is in paid employment.) The average wage level is way below the national average. Furthermore, Greater Manchester has the highest disparity between the most affluent and the most deprived neighbourhoods of all English cities (Cities Outlook, 2009).

This is a problem that must not be underestimated. While many cities, that for many decades showed a shrinking population, are now growing again, in many cases this is mainly caused by immigrants (e.g. from Eastern Europe) or a growing ethnic minority population, both groups often being dominated by lower numbers in higher education and better paid jobs. People who are doing well, as far as education and jobs are concerned, still tend to move away from bigger cities, especially if they are starting a family. So the population gain of most cities is the net result of immigration from abroad (and sometimes growth of ethnic minority groups) and the moving out of people in better jobs and with higher levels of education. Indeed, if immigration is excluded, most cities would have a net migration loss. (See: Champion and Coombes, 2006)

Of course, big projects like the HMRPs require a lot of planning and preparation before results can be seen in full. ‘In 2007/08, pathfinders have shown a clear transition from start-up to delivery phase, with most starting to make the switch from land acquisition to the delivery of high quality new homes. Over 7,000 homes were constructed or converted in HMR pathfinder areas in 2007/08 – a one-year figure broadly comparable to the total achieved over the five previous years. In many respects therefore, the market downturn could not have come at a worse time.’ (Audit Commission, 2009).
The next section of this paper is about the character of the present recession, especially the role of housing financing in causing the recession and the consequences for the housing market.

What can be learned from earlier crises?

‘House prices and [rising] home ownership trends were regarded by government as signs of economic success… . A booming market combined with government policy to create an atmosphere favourable to rising house prices. Home price increases (and capital gains) were taken as evidence of likely future trends and as an argument for higher expenditure. A rising market encouraged softening of the standards set for housing credit. More generous and more readily available credit was further encouraged by financial deregulation. Building societies and banks competed. They eased credit standards and provided mortgages that were increasingly generous in relation to earnings.’ This may look like a good description of the events leading to the 2008 recession. Only it is not, this is about the 1989 recession, as is the following section. ‘Rising house prices in the 1980s created what appeared to be a virtuous circle. It proved to be an illusion. With little thought of the possibility that the boom was fragile, households committed higher and higher proportions of their income to mortgage repayments. … Spreading home ownership and the rise in real house prices combined to make housing the most important part of personal wealth.’ (Audas and MacKay, 1997) Increasingly, mortgages were being used to buy other consumption goods. As a result, when house prices started to drop, consumption went down as well. Not only the building industry, but other industries as well started to suffer from the effects of the recession. Also, larger numbers of low paid people and people in unsteady jobs had become home owners. They tend to be early victims during an economic downturn.
Usually during a crisis, in Britain at least, there is regional divergence. Regions that had already high unemployment, like the North and the Midlands, are relatively worse of. In regions that were doing relatively well, like the Southeast, the depression will be milder. This was the case for all major crises and recessions in Britain during the 20th century, except for the 1989 one. London was now one of the regions that found itself in deep trouble. The reasons for this are twofold. Firstly, the financial industry, banks and building societies in particular, became under a lot of strain during the 1989 recession, as some people struggled to pay back mortgages and as business as a whole was falling. Job losses in traditional Northern industries (like coal mining, steel and textile industry) had

been considerable, especially during the 1970s, but this trend had by now come to an end and the local economic situation was more stable than it used to be (although still with high levels of unemployment).
What does this mean for the present recession? Indeed, London and the Southeast seem again to be in the danger zone, with no-one being able to predict exactly what the long term effects of the economic crisis will be. However, this does not necessarily mean that the traditional North-South divide will be reversed. (Cities Outlook, 2009) Some cities in the North, like Leeds, have also become increasingly dependent on the private sector. Other cities have boomed because of public sector investment, but the present recession will probably lead to huge spending cuts, making these cities vulnerable as well. What, for instance, would happen to Media City in Salford, now being completed, if the BBC (largely dependent on taxpayers' money) had to implement cuts in the level of people employed?

The bubble and the crisis

For a better understanding of the present recession, we will now have a look at the bubble that preceded and probably caused it. All over the developed world, with a very few exceptions, house prices have been rising continuously between 1995 and 2006. Price rises even accelerated during the second half of this period. It seems that fast rising house prices were the normal state of affairs, only in countries where something special was going on, prices did not rise that way. In Germany, for instance, the housing market, and indeed the real estate market as a whole, was strongly influenced by the abundance of underused and badly maintained properties in the East, which prevented prices to rise significantly in many parts of the country. But this is more or less an exception to the rule. In many countries, including the UK, house prices became higher and higher. Indeed, just like in the running up to the 1989 recession, almost everyone believed that this process would continue almost indefinitely. Until the bubble did finally burst.
But what exactly were the causes of this global house price boom? So why was there a boom and why was it happening at the same time almost all over the world? Kim and Renaud mention three key factors: transformation of the global economy, improved access to mortgage financing and expectations that the price rise would continue.
From the early 1980s, the global economy has been transformed radically. Both the financial markets and international trade were rapidly liberalised, which means that there was far less intervention and supervision by national governments and national and international institutions. The globalisation of trade and of the financial markets was also made possible by the information technology revolution. For two decades, global trade showed a rapid growth.
The liberalisation of the financial markets in its turn opened the possibility for financial innovation, including the invention of new mortgage products. This in its turn made it possible for banks and building societies to offer more attractive packages to their prospective clients. Also as a consequence of national governments stimulating home ownership, there was a growing demand for mortgages and the market could provide these on what looked at first sight as being very attractive terms. However, many households did not really understand the way these newly developed mortgage offers

really worked, especially what would be the future costs. Banks at the same time showed less restraint in lending to households on lower incomes. There did not seem to be much reason to be cautious, as house prices, and in many cases wages as well, were rising anyway. Competition among different types of lenders reduced interest margins and thereby interest rates for borrowers, making it even more profitable to take a mortgage, even to finance non housing related goods or services.
Under normal circumstances, house prices would develop according to population and income growth on the demand side and the availability of land and building capacity on the supply side. These can be called housing market fundamentals. However, 'a third key driver of house price booms is expectations about house price increases, where house prices feed on themselves rather than being driven by fundamentals. … A bubble is said to exist if the price of an asset is higher than what so-called market fundamentals would justify.' (Kim and Renaud, 2009) And this is exactly what seemed to be the case.
It could probably be justified to say that the bubble burst as a consequence of the same key drivers that had caused its existence:

- 'recognition that prices have in many places been getting badly out of line and the resultant downward adjustment' (Kim and Renaud, 2009)
- mortgage and interest payments that could not be paid anymore (for instance because of divorce or loss of job) and a lack of understanding, even with bankers, of the financial products that had been developed, including the risks they implied for the banking sector as a whole and who exactly owned those risks; leading to
- huge problems for the financial sector and the building industry, resulting in the sudden slowdown of the global economy, which in its turn lead to higher unemployment and thus lower ability to pay high house prices

While trust (in house prices continuing to rise and the global economy continuing to grow) was causing the housing boom, lack of trust has caused its demise.

When Urban Renaissance met the Credit Crunch

As we have seen above, many areas in the North of England had started to be doing much better than before during the first years of the 21st century. City living became fashionable again, at least amongst certain groups of the population, employment started to rise and diversify and the Housing Market Renewal Pathfinder (HMRP) programme was gaining momentum, with large numbers of homes being refurbished or newly built. What will be happening now?
For a better understanding, we will first have a look at some examples of what is going on in Manchester and Salford. After this, a more coherent picture will be given about recent developments in HMRP areas nationwide.

Chimney Pot Park is a flagship development in central Salford. Terraced family houses are completely refurbished, with only their facades being retained. New family houses, with parking facilities under the gardens and open spaces at first floor level, feature 'upside down' layouts, with bedrooms at the ground floor and an open plan kitchen at the second floor (see also: Mulder, 2008). They are specifically aimed at first-time buyers

and people wanting to return to the area (e.g. former residents of the old dwellings) Phase 1 was completed in 2008 and consists of 108 dwellings. Official figures are unknown, but during a site visit in March 2009 at least 17 of these were standing empty, with some more looking suspicious (with closed curtains or blinds on a not very sunny day). Work on phase 2 is officially going on, but at the time only very few persons were there and it was not very clear what they were doing. Indeed, there was hardly any sign of progress being made since an earlier site visit in November 2007. The proportion of empty properties in phase 1 of the scheme would amount to 15.7 % (if all properties labelled 'unsure' are indeed inhabited), which is much higher than the national average of 3.1 % and 4.4 % for the Northwest (2008 figures; Audit Commission, 2009). What would explain this?
Many new housing projects in England show a high proportion of empty properties, because they were bought as in investment with the owners wanting to let them on short term rental contracts. Due to oversupply, esp. of apartments, and unfavourable rental contracts, many of these so called 'buy to let' dwellings are standing empty (Mulder, 2008). However, by aiming at first time buyers and people returning to the area, 'buy to let' should not have a big impact on Chimney Pot Park. So either the allocation system did not work properly, or there must be another reason for the large proportion of empty properties. Could it be the recession? We have to remember that in this area of Salford house prices could be as low as £ 7,000 only a few years ago, meaning that there was virtually no demand.

Ordsall, another part of central Salford, 'has a development framework [the Ordsall Development Agreement], this is one of the regeneration projects. Part of this is a contract between LPC Living [a private partner] and the council. The deal works as follows. The council sells land to LPC Living and uses the revenue to provide services. LPC Living gets planning permission and builds accordingly. They have a mortgage starting scheme for local people. For the first two weeks properties are not on the open market, so local people get a chance to show their interest first. … [Due to the crisis] some projects have been delayed. The Ordsall Development Agreement was due to end May 2011; it has now been extended to May 2013. There are still plenty of enquiries, but people can't get a mortgage. LPC Living does not want to move on to the next building site, before the other one has sold completely.' (Interview with a Neighbourhood Manager working for the municipality of Salford).

In neighbouring Manchester the following trends have been noted:

- homebuyers looking for a mortgage are expected to find a higher level of deposit, which puts property out-of-reach to many potential first time buyers
- this results in lower demand for housing, leading to falling house prices, a decreasing number of sales and subsequently a lower supply of new homes and a reduction in planning applications
- the number of vacant properties is rising, with the exception of city centre flats, where a reduction of vacancies takes place; probably because owners who did not let their properties but just waited for price rises to happen, before selling again, have now changed their minds; however, the vacancy level is still very high

- As a large proportion of affordable homes (both to let and for sale) are being realised through agreements between the municipality and private partners, it becomes more difficult to increase the number of affordable homes.

At the same time, 'the reduction in employment opportunities and, increasingly, redundancies in the construction, banking and related industries could increase the number of households in mortgage arrears or who are struggling to access affordable accommodation, despite falling prices. A series of recent announcements of job losses both locally and nationally will undoubtedly have an impact on the local economy. It is this 'multiplier effect', which makes it difficult to make any informed predictions about the length and depth of the downturn.' (Manchester City Council, 2008)

So the recession does appear to bite, and regeneration seems to become more difficult. But does this happen everywhere? Or, to be more precise, can areas and kinds of projects be pointed out that are more at risk than others?
As figure 1 shows regeneration projects outside London and the Southeast are more affected than those in these areas, with the Northwest doing particularly bad. This can partly be explained by the huge number of dwellings that has been built here over the last couple of years. Many city centre apartments have been built here, but now many projects have been delayed or withdrawn. Private developers seem to concentrate on areas and projects that are considered to be of lower risk, which is often outside designated renewal areas. Affordable housing, esp. in the rented sector, is still being built, both by housing associations (that sometimes have acquired sites or buildings where private development came to a halt), but increasingly also by private developers. Waiting lists for social housing, which exist in many areas, the availability of subsidies, and the low risk of lending money to a housing association, can probably explain this. At the same time, mixed tenure developments in which profits on the sale of dwellings are being used to cross-subsidise social housing are under threat. As mortgages have become less readily available, esp. for first time buyers and for buy-to-let landlords, demand for housing has been falling. Some schemes where housing is mixed with other facilities, esp. where they include retail, go ahead while many schemes that include housing only have been halted. Generally speaking, schemes that are already underway will probably go ahead, while projects that are still in the planning phase may be delayed or scrapped altogether.

For the Housing Market Renewal Pathfinders in particular, the following trends can be noticed:
- a falling numbers of sales esp. at the lower end of the market
- falling house prices, also mainly at the lower end of the market
- difficulties for buyers to access mortgages, esp. for first time buyers
- difficulties for smaller buy-to-let landlords to get a mortgage
- an increased number of repossessions, because people can not afford their mortgage payments anymore
- a slow down in the development of schemes, esp. where building not has started
- falling land values

(Table 1; for a more complete overview, see: Parkinson et al, 2009)

HMRP boards and local authorities have responded by:

- promoting mortgage schemes, like those provided by central government, that help first time buyers and those on low incomes (see below)
- investing in neighbourhood management projects to improve safety and quality of place, esp. where physical renewal is becoming delayed
- reviewing master plans, e.g. replacing apartment blocks in favour of family homes
- increasing value for money by renegotiating contracts with developers and acquiring land and buildings
- re-phasing developments, usually by delaying the later phases of projects or by bringing forward retail and leisure developments in advance of some of the residential developments

(Audit Commission, 2009)

National Government response to the housing market crisis, that are not exclusively aimed at HMRP areas, consists of:

- 'HomeBuy Direct': a support package for first-time buyers, providing an equity loan of up to 30 percent of market value; these are co-funded by the Government and by scheme developers on equal terms and will be provided free of charge for the first five years (a charge will apply after this period)
- 'Mortgage Rescue': a rescue package to help vulnerable households who can not pay back their mortgages, including, in special circumstances, the offer to buy the property and rent it back to the former owners
- bringing forward affordable housing spending from the 2010-11 budget to 2009-10, which could deliver up to 5,500 additional new social rented homes over the next 18 months
- support for key regeneration schemes: schemes that are under threat by the recession, esp. schemes that have already started, and that are considered as being of key importance to the area

(www.communities.gov.uk)

Broadly speaking, the national government is putting extra money in to help tackling problems, although much of this was already there in the long term housing and regeneration budget and has only been brought forward. Local government bodies, including HMRP boards, are mainly responding by trying to seize the opportunities that the present market situation offer, by buying cheap land and buildings and by diminishing the proportion of apartments in favour of family homes. Many local government officials had already come to the conclusion that too many apartments were being built and that too many of these were left empty, esp. in the buy-to-let sector (Mulder, 2008).
So the present market conditions do not only offer threats, but opportunities also. However, it would be too optimistic to see the recession as a blessing in disguise. 'We can expect to see difficult conditions through 2009 and into 2010. But ambitious efficiency plans have been set in train, and from 2011, pressure on government finances will mean overall spending will shrink. The HMR programme will be affected and pathfinders will need to adjust in the light of these new conditions.' (Audit Commission, 2009) And the situations may actually even be worse. The money that has been brought forward from later years of the housing and regeneration budget can come handy now,

but will not be available in the future. Furthermore, it is generally expected that the 2010 general elections will lead to the end of Labour control, which started in 1997. Assuming that the Conservatives will win the elections, it would be interesting to know if they are committed to the pathfinder programme, which was intended to last until 2015. However, so far their position is not known.

Conclusion

The Housing Market Renewal Pathfinders (HMRPs) are usually considered as being a success, with increasing demand for properties and house and land values rising in areas where they were very low. Visible improvements to many areas are taking place. However, as the HMRP programme has coincided with an economic upturn, it is difficult to say exactly how much it has really contributed to market improvement. Furthermore, some critics believe that the programme fails to understand the underlying causes of weak housing markets, like the economic decline in many traditional industrial cities. Others say that the programme, esp. in its early stages, was too much about demolishing dwellings, destroying cultural heritage and tearing apart local communities.

Rising house prices nationwide (and in most other developed countries as well) may have helped regeneration of deprived areas in the recent past, but proved to be unsustainable in the end. When the housing market bubble burst, people and institutions lost confidence. Banks stopped giving mortgage loans at the favourable terms that had become general practice, which led to a sharp fall in housing sales, as many people could not afford to buy anymore. Falling numbers of jobs, e.g. in the building industry and the banking business, make it difficult for many households to keep up mortgage repayments, in some cases leading to repossessions. Uncertainty about future earnings and a virtual end to the possibility to use relatively cheap mortgage loans to pay for other goods and services means that consumer spending has slowed down.

The results for the HMRPs can be seen everywhere. Many projects have been postponed. Schemes that seem to be worse off are those

- outside London and the Southeast, with the Northwest particularly badly hit
- in areas that are considered by developers as being risky
- exclusively or mainly developed by the private sector
- consisting (almost) exclusively of housing, as opposed to mixed schemes
- featuring flats, esp. smaller city centre apartments
- having a large proportion of private rented dwellings, including buy-to-let
- consisting mainly of dwellings for sale, esp. when aiming at first-time buyers
- where building has not started yet

So far, housing associations have continued to develop and build, even taking over some projects that were to be realised by the private sector. Local authorities have in some cases been able to acquire buildings or land for low prices, which can help future regeneration. National government has brought forward investment from later years of the housing and regeneration budget, but if the market does not pick up, this may make problems worse in the future. Spending cuts and, possibly, new government policies from 2010 onward could even lead to the end of the HMRP programme long before the original date of 2015, which may have grave consequences for areas where regeneration has just started.

References

Audas, Richard P. and R. Ross Mackay (1997). *A tale of two recessions.* In: Regional Studies, vol. 31, no. 9

Audit Commission (2008). *Market Renewal Performance Review 2008: Manchester Salford Pathfinder (October 2008)*

Audit Commission (2009). *Housing Market Renewal: Programme review.* National Housing Report, May 2009

Champion, Tony and Mike Coombes (2007). *Using the 2001 Census to Study Human Capital Movements Affecting Britain's Largest Cities: Insights and issues.* In: Journal of the Royal Statistics Society (series A), vol. 170, part 2

Chartered Institute of Housing (2008). *Housing and the Credit Crunch: CIH's response to the enquiry.* Report to the Communities and Local Government Select Committee (UK Parliament)

Cole, Ian (2008). *The Housing Market Programme in Perspective: Maintaining momentum through difficult times.* A report to the Chairs and Directors of HMR Partnerships

Hall, Stephen and Paul Hickman (2004). *Bulldozing the North and Concreting over the South? The United Kingdom Government's Sustainable Communities Plan.* In: Géocarrefour, vol. 79, no. 2

Kim, Kyung-Hwan and Bertrand Renaud (2009). *The Global House Price Boom and its Unwinding: An analysis and a commentary.* In: Housing Studies, vol. 24, no. 1

Manchester City Council (2008). *Housing Market Credit Crunch Update Report.* Report of the Director of Housing to the Community & Neighbourhoods Overview and Scrutiny Committee

Mulder, André (2008). *Housing Market Renewal Pathfinders: The Right Answer for Shrinking Cities*. Paper presented to the 2008 ENHR-conference in Dublin

Parkinson, Michael, Michael Ball, Neil Blake and Tony Key. *The Credit Crunch and Regeneration: Impact and implications.* An independent report to the Department for Communities and Local Government

Interview with a Neighbourhood Manager working for the municipality of Salford (24 March 2009)

www.communities.gov.uk (last consulted on 23 June 2009)

www.savebritainsheritage.org (last consulted on 17 June 2009)

Table 1: Overview of the impact of the recession on regeneration projects in England

Characteristics of projects	*Impact of recession*
Region	
London and the Southeast	Regeneration projects doing better than elsewhere
Rest of England	Regeneration projects badly hit, esp. in the Northwest
Location within city	
City centre	Steep decline in house building in areas that have seen a boom in city centre apartment construction
Inner city and suburban	Less investment by private companies in areas that are considered to be risky Due to increased supply of dwellings for sale, less demand in areas considered to be risky
Developer	
Private sector	Private developers are cutting back on schemes considered to be at higher risk, most of all residential led regeneration, esp. in less prosperous areas Residential multi-phase schemes that rely on sales from early phases to cross-subsidise further developments struggling because of stagnant sales Some private developers are now shifting to affordable housing
Housing association	Mixed schemes with dwellings for sale and rented properties under threat, because of difficulties to attract buyers When financing assured, projects go ahead Have acquired some unsold private sector dwellings for resale or conversion to renting
Municipality	Publicly funded projects more viable than other Credit crunch has raised the cost of short and long-term borrowing, which makes it more difficult to fund projects, provide services etc. Chances to acquire land cheaper than before
Type of development	
Mixed use (housing & other)	Some reduction of mixed developments, but generally doing better than residential developments Retail and commercial developments that have already secured pre-lets will continue
Only housing	Large reduction in new developments

Type of dwelling	
Apartments	Many projects scrapped, esp. city apartments
Family homes	Some attempts to revise masterplan and replace smaller apartments by family homes
Tenure	
Social rented	Section 106 agreements (affordable housing provided or paid for by private developers as part of planning deal) hard to achieve, because of decreasing number of private sector developments and lower profits in the private sector Increasing number of people on waiting list
Private rented	Some landlords folding because they can no longer finance their investment More demand because households find it impossible to buy Less new buy-to-let, because it is difficult to get a loan
Owner-occupied	Difficult to find buyers, with esp. first time buyers finding it hard to get a loan Schemes aiming at first time buyers most affected Sharp decline in demand for shared ownership properties
Phase	
Started	Long term schemes with fixed credit rates usually go ahead
Not started, with planning permission	Many sites have been mothballed
Not started, without planning permission	Some housing associations now focus on land acquisition, as prices are low, but wait to develop sites

Sources: Audit Commission (2009); Chartered Institute of Housing (2008); Cole (2008); Parkinson et al (2009)