Greater Nottingham Housing Market & Economic Prospects

Broxtowe Borough Council, Erewash Borough Council, Gedling Borough Council, Nottingham City Council, Rushcliffe Borough Council

Final Report: November 2012

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Contents

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NON-TECHNICAL SUMMARY

Housing delivery has reached a historical low point. At one level this means there is good potential for recovery. But over what period and at what pace might a recovery in the housing market and housebuilding take place?

The profile of housing market recovery from previous recessions differs. There was a very limited recovery in the private sector market from the mid 1970s recession in the latter part of the decade; and similarly private housing delivery remained relatively low in a historical context in much of the 1990s. However the private sector market responded quite quickly from the early 1980s recession. This said the combination of tight lending conditions (to both developers and households) coupled with an expected slow and protracted economic recovery (influenced by austerity measures and muted global growth) points towards a gradual rather than rapid recovery in the housing market and housing delivery.

It is notable that affordable housing construction has held up quite well over the last few years. However cuts to public subsidy for housing, linked to the Government's austerity programme, means that a reduction in affordable housing delivery over the period to 2015 is likely. This can be expected to have an off-setting effect on improvements in private sector housebuilding.

In 2012 effective demand for and supply of market homes in the Nottingham HMA appear to be broadly in balance, with if anything a slight excess of supply which is driving moderate falls in prices in real terms. Sales trends are a key demand indicator, and across the HMA in 2011 were 44% down on pre-2008 levels. Within the HMA, the higher value areas have fared better reflecting an older buyer profile typically with equity in existing homes and a dwelling stock focused towards larger properties. The differences are however marginal. Rushcliffe is the only authority within the Greater Nottingham HMA which supports notably above average house prices.

A significant improvement in housing delivery will need to be driven by the private sector market and increased 'effective demand' for market homes. The following are necessary to support this:

1. Improved economic conditions – the economy needs to begin to recover from a deep economic recession, and support employment growth. Economic conditions are expected to improve but are expected to be muted until 2015;
2. Improved household savings – inflation has been falling and this will support growth in real earnings, and households' ability to save. This is important in allowing households to put down a deposit on a new home;
3. Sustained low costs of servicing debt – low interest rates can be expected to play a continuing important role in supporting the housing market;

4. Improved access to mortgage finance – increasing bank lending is a key factor which will be necessary to support sustained recovery in the housing market, and housing delivery. It seems likely that we will see a moderate improvement over time but this is likely to remain a significant restriction on market demand.

The most likely scenario is these factors will support a gradual recovery in the housing market, with sales returning to nearer long-term averages over a period of between 4 – 6 years. It seems unlikely that we will see a return to the level of market activity seen at the peak of the last cycle (2002-8) – the combination of conditions which supported this, in terms of accessibility of mortgage finance, strong and sustained macro-economic stability and growth, low interest rates and strong investment demand, are unlikely to return. However this is not necessarily true of completions.

Given the substantial reduction in effective demand, the new-build market in the Greater Nottingham HMA has held up more strongly than might have been expected. There is some evidence - both at a national level, looking at long-term trends, and at a local level, benchmarking housing delivery with wider areas – which suggests that the market in the HMA as a whole could support levels of new-build completions above from those seen over the last 20 years. It will take house prices longer to recover to previous peaks, in real terms, than sales.

It is uncertain whether we will see a return to the 'flatted boom' which we saw between 2000-08. This was supported by a number of factors – including strong investment demand, easy access to mortgage finance and a policy focus on brownfield, previously-developed sites. Market recovery and improved access to development finance can be expected to help to support some recovery in this market over time. However there is uncertainty regarding the extent to which investment demand may recover. This will affect the profile of sites which need to be identified to support market demand – with the expectation of lower delivery of higher-density flatted development schemes relative to levels achieved between 2002-8, and a greater focus on traditional family housing.

There is no robust evidence that there will be a time lag between recovery in the housing market and improved housebuilding levels as a result of any limitations on capacity and skills within the building industry. There is notable capacity in the labour market, and whilst there are risks associated with loss of skills, we live in very dynamic and international labour market and there is potentially a significant pool of construction labour across the EU which can be drawn on.
On the basis of the above, the report has considered the housing trajectories set out in the five authorities emerging Core Strategies.

At a headline level the level of housing provision proposed across the Greater Nottingham HMA seems feasible if ambitious. It assumes that the housing market will recovery relatively quickly; and that we will see some pent up demand released to support strong housing delivery at the end of this decade. However the overall housing growth rates proposed are not unreasonable set against past delivery across the region in the pre-recession decade (which is relatively modest when considered against longer-term trends). We can thus say with reasonable confidence that the levels of housing provision proposed across the HMA over the period to 2026/28 could be supported should the profile of housing market recover as currently expected. There are clearly both upside and downside risks – on the downside these include the prospect of continued turmoil or collapse of the Eurozone, sustained restrictions in Bank lending, or continued weak economic performance. All are quite real prospects – most commentators in 2010 would have forecast that economic recovery over the last couple of years would have been stronger than has occurred.

Turning to individual authorities within the HMA, we have identified some specific concerns regarding the deliverability of specific development schemes or the trajectories in specific Boroughs. Rushcliffe's housing trajectory is particularly ambitious – but the Borough contains some of the highest value areas within the HMA. We consider that there are risks to the high levels of housing delivery proposed in the 2016-20 period, and that the pace of delivery of the South of Clifton Urban Extension will need to be supported by multiple start points and be delivered at a sufficient pace to create its own market and develop quality of place. The latter warrants more detailed consideration.

Erewash's housing trajectory seems achievable when assessed against past housing delivery in the Borough. However the key delivery risk is that almost a third of housing provision in the Borough over the period to 2028 is expected to be delivered on the Stanton Regeneration Site. Any delay in bringing forward this brownfield site could influence the deliverability of the housing trajectory. In more general terms, market circumstances might result in lower delivery in the 2014-17 period than indicated however it is feasible that any under-provision could be recovered later in the plan period.

Our review of Broxtowe's housing trajectory has highlighted a relatively high level of housing delivery at Eastwood, where values are below average; however housing is proposed close to higher value parts of the settlement which has historically supported reasonably strong housing delivery. Across the Borough as a whole there is a broad spread of sites and the overall housing trajectory looks deliverable.

We see moderately greater risks to housing delivery in Nottingham City than in other areas. This partly relates to the characteristics of the City and its land supply. Like many other authorities at the heart of larger conurbations across the country, the nature of the land supply supports higher density development with a focus on brownfield sites. There are some risks linked to the pace and nature of recovery in the mainstream market for flats for sale. However it should be recognised that delivery of student flats has remained relatively strong over the last few years and is likely to contribute to housing delivery in the short-to-medium term. Recognising the risk of dependency on the flatted sector, we would advice the City Council to seek to reduce the reliance on flatted development in the short-to-medium term.

The Aligned Core Strategy specifically seeks to address this, in identifying larger sites and regeneration areas which can support a mix of dwellings; in its policies for development densities; and in continuing to encourage student development for which the market in the short-term has held up well. The Council also has some flexibility in which sites are allocated for development and the form and density of development promoted through the preparation of its Site Allocations Development Plan Document.

In Gedling we have some concerns regarding the scale and pace of delivery anticipated at Calverton, although the figures for the Borough as a whole could be seen as ambitious but not necessarily unrealistic.

Currently the housing trajectory for the HMA projects year-on-year growth in housing delivery over the period to 2018. Should the housing market recover less strongly, there is some potential to re-profile the trajectory with stronger delivery over the 2021-28 period. However significant under-delivery against the trajectory in the period to 2021 could reduce the scope for re-profiling delivery to meet the targets set within the plan period. Overall we consider that the trajectory is ambitious but could be delivered.

Land supply is just one of a number of factors which may influence overall housing delivery rates and the recovery in housing delivery. The authorities within the HMA recognise that a balanced portfolio of sites is required to support improved housing delivery rates. Evidence suggests that in the short-term there are a number of sites which are available and deliverable within the HMA where no developer has currently been identified; and also a number of sites with planning permission and development interest but which are not progressing because of wider economic factors. The authorities within the HMA are developing various Development Plan Documents which will allocate sites for housing and provide greater planning certainty to support housing delivery. These can reflect changing market circumstances over time, as they are brought forward. Emerging plans (such as the Aligned Core Strategies) also include a review mechanism which can come into play in line with a 'plan, monitor and manage' approach to address any emerging under-provision against the housing trajectory.

The analysis also points to a need for continued Government support and initiatives to stimulate the housing market, alongside provision of an appropriate supply of residential land, and the critical role which improved economic conditions and access to mortgage finance must play in supporting a sustained recovery in housebuilding.

1 INTRODUCTION

1.1 The Nottingham Core Housing Market Area (HMA) covers the local authority areas of Broxtowe, Erewash, Gedling, Nottingham City and Rushcliffe. Hucknall, which falls within Ashfield District, is functionally part of the Nottingham Core HMA but administratively defined as the Nottingham Outer HMA[1].

1.2 Broxtowe Borough Council, Erewash Borough Council, Gedling Borough Council, Nottingham City Council and Rushcliffe Borough Council ('the Councils') have been working together to plan for future housing provision across the Housing Market Area. National planning policy encourages councils to work together to plan for housing across Housing Market Areas.

1.3 The HMA authorities have been working together to prepare Local Development Framework (LDF) Core Strategies which will set out future housing requirements in each area. The Councils have each published a 'publication version for representations' which proposes provision of 30,550 dwellings in Broxtowe, Gedling and Nottingham and 6,250 dwellings in Erewash between 2011-28. With the inclusion of Rushcliffe Core Strategy's provision of dwellings 41,900 homes are proposed across the five authorities over the 2011-26 period with the equivalent of 47,450 homes proposed between 2011-28[2].

1.4 The level of housing provision planned falls notably short of the Government's latest official household projections[3]. However the Councils consider that planning to meet these 2008-based projections is inappropriate given that these projections are based on long-term assumptions about household formation and are particularly informed by strong international migration and student growth between 2003-8, which is less likely to occur moving forward. The Councils have undertaken their own analysis of the projections, informed by more up-to-date local information on household headship rates. They further conclude that the delivery of the CLG projections is unrealistic. The Councils consider that the levels of housing provision proposed meet their objectively-assessed needs.

1.5 The Councils consider that the level of housing provision proposed across the Greater Nottingham HMA in the emerging Core Strategies – equivalent to an average of 2790 homes a year - is extremely challenging to deliver in the context of past delivery rates. This compares to average completions of 2,448 between 2001-11 and is a level which has only been exceeded in 4 of the last

[1] The remainder of Ashfield District falls within the 'Nottingham Outer' Housing Market Area
[2] Based on extending the requirement in Rushcliffe from 2026 to 2028 on a pro-rata basis
[3] CLG 2008-based household projections indicate 71,700 homes

10 years. It is thus considered that an early (and rapid) housing market recovery would be needed to support its delivery.

1.6 The report has been commissioned to consider further the prospects for recovery in the housing market and wider economy, and thus prospects of delivering the proposed housing provision in Greater Nottingham over the timescale of the plan periods to 2026 and 2028[4]. This report is particularly focused on assessing the ***deliverability*** of the level of housing provision proposed in the Councils Core Strategies over the plan periods. It does not address the appropriate level of provision, as this is set out in the published Core Strategies.

1.7 The report includes analysis of trends in housing delivery in Hucknall, which functionally forms part of the Nottingham Core HMA. Hucknall however falls within Ashfield District. The remainder of the District falls within the Nottingham Outer HMA. Where possible information is included within this report relating to Hucknall, however at the time of writing, Ashfield District Council was undertaking consultation on its Preferred Approach Local Plan 2010-23 and detailed information about the trajectory of future housing delivery in Hucknall was not available.

1.8 The report is specifically structured around addressing the following core questions identified by the Councils:

A. **Do the housing completions in Greater Nottingham between 2001 and 2011 reflect national trends?**
B. **When is the housing market likely to recover (from a local and national perspective)?**
C. **When it does recover, how quickly can the house building sector increase capacity and how long will it take to achieve pre-recession levels of house building?**
D. **What confidence should we have on the delivery of the Core Strategy Housing figures (as shown in Policy 2 of the Core Strategies) based on this?**

[4] The plan periods in the Core Strategies for Nottingham City, Broxtowe, Gedling and Erewash are to 2028. The Rushcliffe Core Strategy is to 2026.

2 ASSESSING TRENDS IN HOUSING COMPLETIONS

2.1 This chapter considers the first of the research questions: **do the housing completions in Greater Nottingham between 2001-11 reflect national trends?**

2.2 The level of housing completions in an area will be affected by a range of factors including demand side factors, such as demographic trends, economic performance and the strength of the housing market together with the supply of land for housing (and in particular the supply of deliverable sites) and the viability of residential development.

2.3 In this section we first consider trends in housebuilding (housing completions) at a national and regional level. We then consider how trends in housebuilding in the Greater Nottingham HMA correlate with this, and with trends in surrounding areas and other comparable English cities.

2.4 We also try and get under the skin of housebuilding trends in the Greater Nottingham HMA, considering (where the data is available) the profile of development of different types or sizes of homes which have historically been delivered in different areas (including for instance the proportion of housebuilding which has been of flats). This aims to develop understanding of how economic conditions affecting different segments of the housing market or the viability of different types of residential development schemes might have influenced housebuilding trends.

2.5 As levels of housebuilding will vary between different sized areas, we in some cases have benchmarked levels of housebuilding relative to the existing housing stock in different areas. Rates of housing development are thus expressed in some cases in terms of the percentage annual growth in the housing stock which they would support. The analysis is based on national statistics for Communities and Local Government on housing delivery at a national and regional level together with planning monitoring data on net housing completions at a local authority and sub-regional level. The national and regional data are for gross housebuilding. At the local and sub – regional levels, net completions has been used, based on the availability of data and to ensure consistent analysis.

2.6 The national level data, we understand, is based on building control returns and could marginally undercount completions. However, we do not consider these factors will unduly influence the analysis of long term trends or performance.

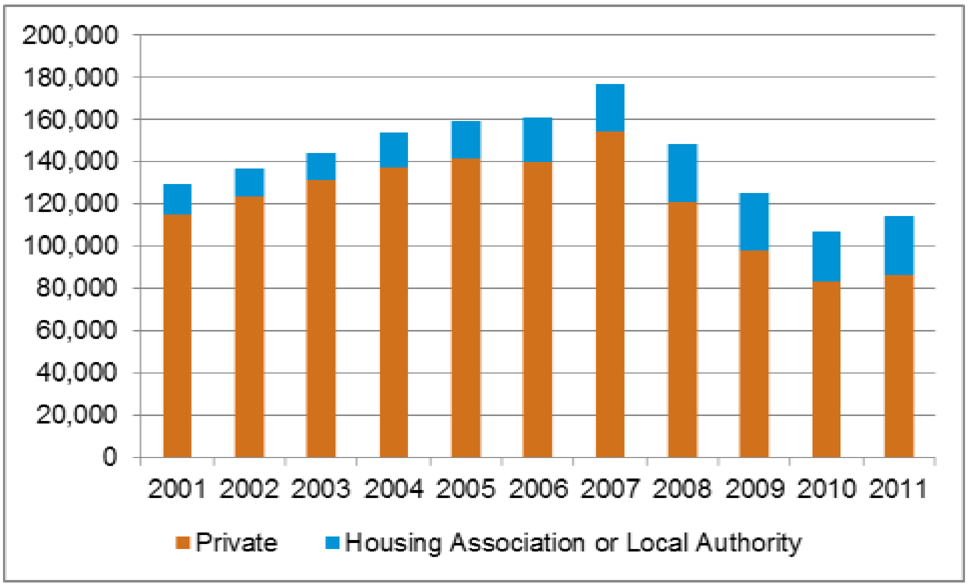
HOUSEBUILDING TRENDS AT A NATIONAL LEVEL

2.7 The level of housebuilding across England increased year-on-year between 2001-2007, increasing by 36% from delivery of 129,510 homes in 2001 to 176,640 in 2007 as Figure 2.1 indicates. This growth in housebuilding was supported by:

- A period of sustained economic growth;
- Strong availability of mortgage finance;
- Historically low interest rates; and
- Attractiveness of housing as an investment.

2.8 Effective demand for housing over this period increased strongly. Housing supply increased but was unable to keep pace with the rapid growth in demand, and as a result we saw strong growth in house prices. We consider market dynamics in further detail in the next section.

Figure 2.1: Housebuilding Trends across England, 2001-11



Source: CLG Table 244

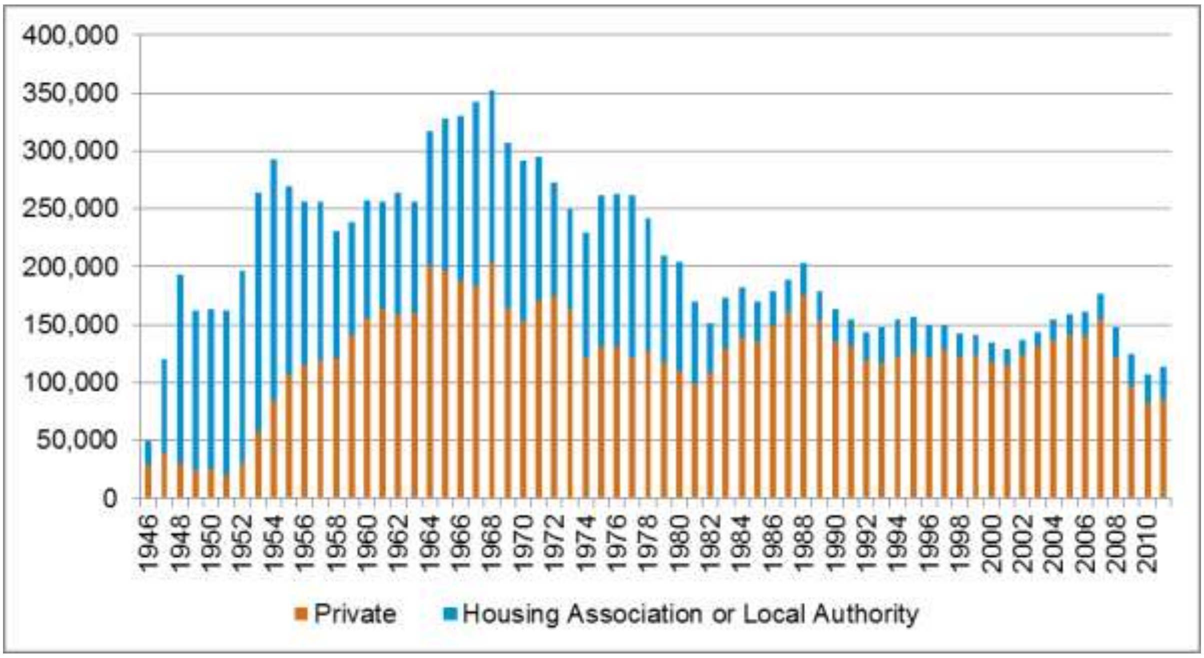
2.9 Over this 2001-7 period, private sector housebuilding increased by 31%. This was eclipsed by a 53% growth in development by local authorities and housing associations (primarily development by housing associations). Housebuilding by local authorities and housing associations was however in many areas offset by significant losses of affordable housing particularly through right-to-buy sales. Since 2007, as Figure 2.1 shows, levels of housebuilding - and particularly private sector housebuilding - have fallen quite significantly.

2.10 Whilst the increase in housebuilding between 2001-7 is notable, it is useful to assess it in a longer-term context. Figure 2.2 profiles housebuilding across England since 1946. This highlights that:

- The peak delivery of 176,640 homes achieved in 2007 falls below levels of housing delivered each year between 1952 and 1980, and between 1986 and 1989; although it was the strongest level of housing delivery achieved for over 15 years;
- However previous periods of higher housing delivery have been supported by a strong programme of housebuilding by local authorities (and New Town Corporations). The level of private sector housing delivery achieved in 2007 has been exceeded in just 15 of the preceeding 50 years.

2.11 The peak periods of private sector housing delivery in the past were in the mid 1960s when delivery of new homes nudged just over 200,000 a year. In 1988 it peaked at 176,000 as the market recovered from the early 1980s recession.

Figure 2.2: Trends in Housebuilding in England, 1946-2011



Source: CLG Table 244

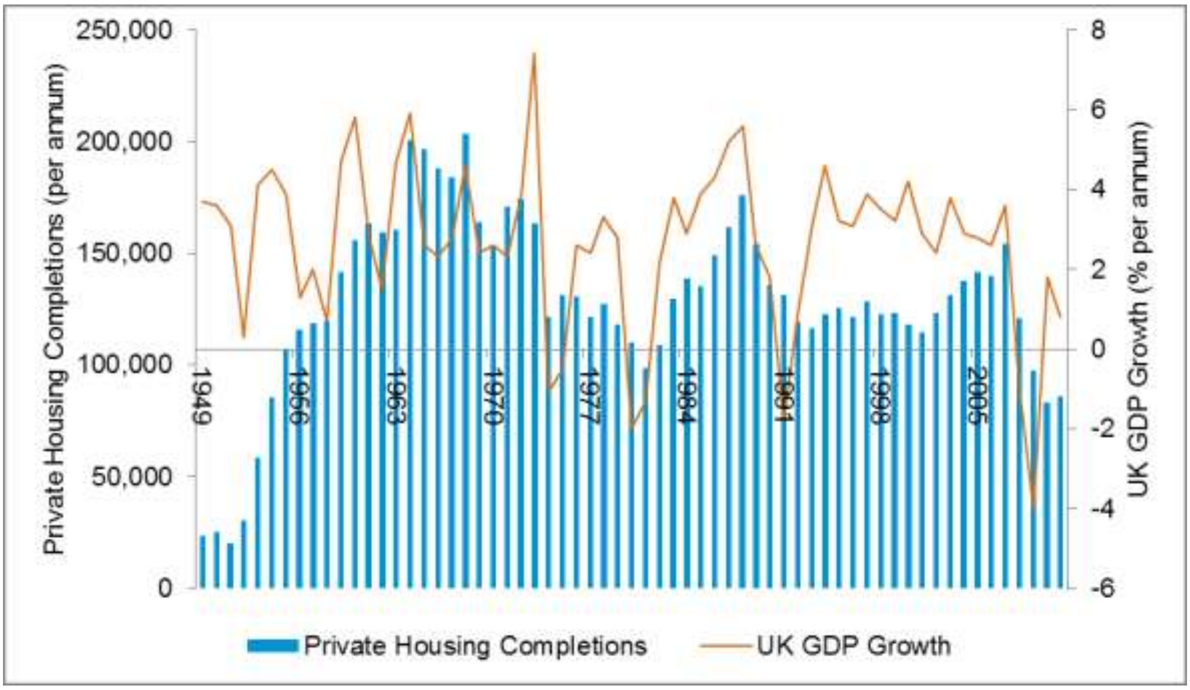
2.12 A significant housebuilding programme by local authorities and housing associations clearly supported high overall housing delivery through the 1960s and 1970s. Private sector delivery was higher but less notably so: average private sector housebuilding per annum between 1960-73 was on average 33% above that in the 1998-2007 decade whilst delivery by local authorities and housing associations was almost seven times greater in the 1960-73 period relative to 1998-2007.

2.13 Since 1980, delivery of new homes by housing associations and local authorities has been notably more limited. Development of homes by local authorities fell from a peak of 154,500 across England in 1967 to 74,840 in 1980 (a decline of more than half). By 1987 it had fallen to 16,620 and fell further through during the course of the Thatcher and Major Governments to delivery of just 290 homes across England in 1997. This was only partly offset by delivery of new homes by housing associations.

2.14 Overall delivery of new homes by housing associations or local authorities fell from an average of 166,200 homes per year in the 1970s to 44,000 in the 1980s and 26,000 in the 1990s. This was an important contributing factor to the overall decline in housing delivery from the late 1960s peak. Thus while housebuilding by housing associations and local authorities grew quite strongly between 2001-7, it was from a very low base (in a historical context).

2.15 Figure 2.3 seeks to set the increase in private sector housebuilding in England between 2001-7 in a historical context. It compares annual private sector housebuilding to UK economic output to understanding how private sector completions have been influenced by previous recessions.

Figure 2.3: Private Sector Housebuilding in England, 1946-2011



Source: CLG Table 244, ONS National Accounts

2.16 Previous UK recessions are as follows:

- 1973-5: triggered by the 1973 Oil Crisis, it took 11 quarters for the UK economy to recover to pre-recession levels after a double-dip;

- 1980-2: triggered by a US savings and loan crisis, this recession was deeper with the UK economy taking 11 quarters to recover to pre-recession levels;
- 1990-2: a UK recession linked to inflationary pressures and monetary policy which lasted 1 ½ years, it took 9 quarters for the economy to recover to pre-recession levels;
- Late 2000s: the recent recession, triggered by the credit crunch; this has been the deepest recession in the post-war period. Sixteen quarters on since the start of the recession in 2008 UK economic output remains 4.5% below the pre-recession peak.

2.17 The mid 1970s recession had a significant impact on private housebuilding, which declined rapidly by 30% from delivery of 173,990 homes across England in 1972 to 121,490 in 1974. Despite improved economic performance the late 1970s saw little real recovery in private sector housing delivery, with completions each year over the remainder of the decade remaining below 132,000.

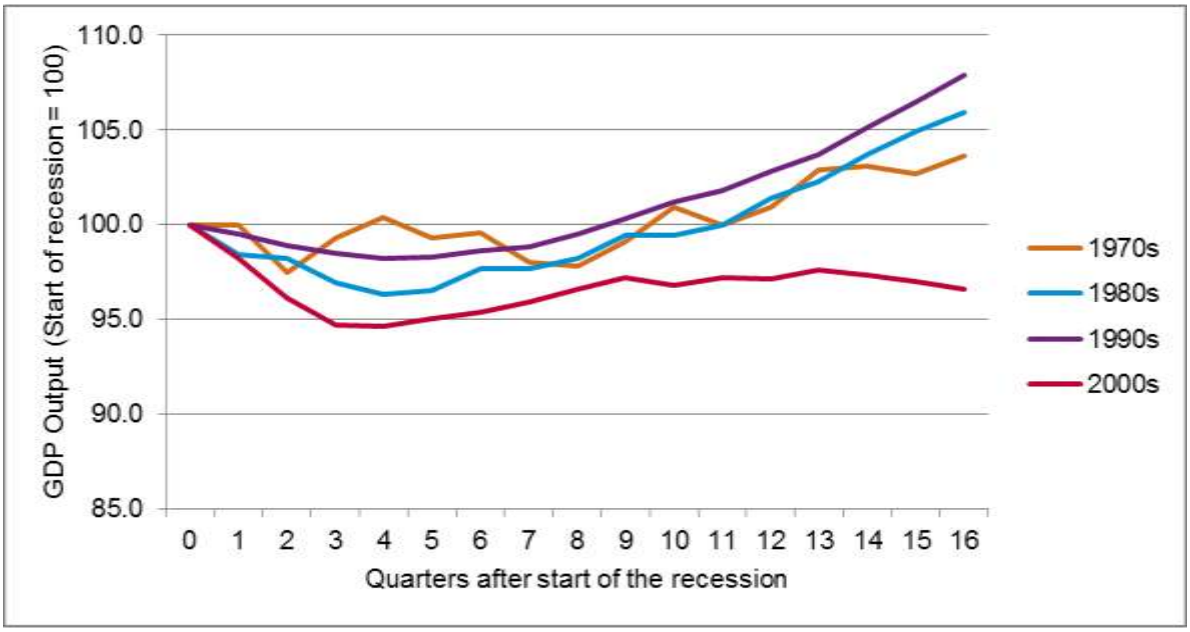
2.18 The early 1980s recession had a further downward impact on private housebuilding which fell to 98,900 in 1981 – the then lowest since 1954 (although private housebuilding fell below this level in 2010 and 2011). However the recovery in private housebuilding was relatively strong, with delivery increasing 51% over the five year period to 1986 to reach 148,890. The recovery was thus notably stronger than that in the 1970s.

2.19 With a further recession in the early 1990s, private housebuilding again fell. Between 1989-1993 a 24% drop in private housebuilding occurred from delivery of 154,000 to 116,630 homes. While we saw some recovery, private sector housing delivery remained below 130,000 a year until 2003. The 1989 peak delivery of private sector was not achieved again until 2007.

2.20 What is clear however is both that the current recession is the longest and deepest of the post-war recessions in the UK; and that this correlates with a substantial reduction in private sector housing delivery to levels not previously seen post 1955.

2.21 Sixteen quarters on from the onset of the recession, UK economic output is still 4.5% below the pre-recession peak. It is against this context that private sector housing delivery has fallen.

Figure 2.4: Changes in Economic Output from Pre-Recession Peak, UK

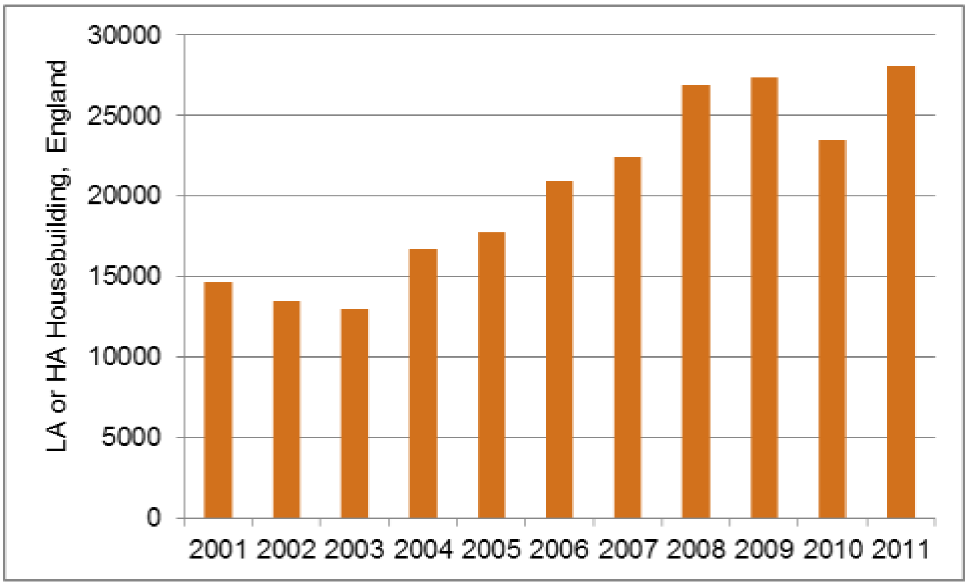


Source: ONS Economic Review, July 2012

2.22 Private sector housebuilding in England fell from 154,210 in 2007 by over 70,000 to a low point of 83,280 in 2010 – the lowest level of private sector housing delivery since 1954 (when the country was recovering from the Second World War). This represented a 46% reduction in private sector delivery from the 2007 peak (as Figure 2.1 indicated). 2011 saw a modest increase to 86,050 but with housebuilding remaining 34% below average annual delivery in the pre-recession decade (1998-2007) and 37% below the long-term average (1955-2011).

2.23 In contrast development by housing associations or local authorities has held up relatively better: average completions between 2008-11 running at 26,450 dwellings – the highest since the mid 1990s.

Figure 2.5: Housebuilding by Local Authorities or Housing Associations in England, 2001-11



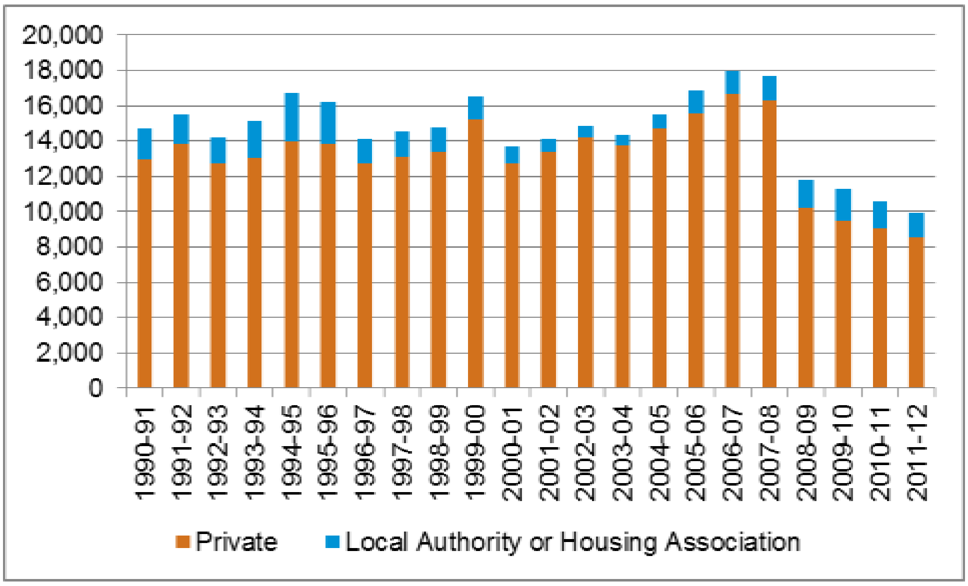
Source: CLG Table 244

HOUSEBUILDING TRENDS IN THE EAST MIDLANDS

2.24 Figure 2.6 profiles housing delivery trends across the East Midlands. The data is for gross completions (i.e. the number of new homes built rather than net changes in the housing stock which take account of demolitions and changes of use). It excludes development of student accommodation.

2.25 Data is available at a regional level since 1990. Typically over this period housing delivery has been between 14,000 – 17,000 homes a year across the region. Delivery exceeded 17,000 homes a year only at the peak of the market between 2005-8.

Figure 2.6: Housebuilding Trends in the East Midlands, 1990-2011



Source: CLG Table 232

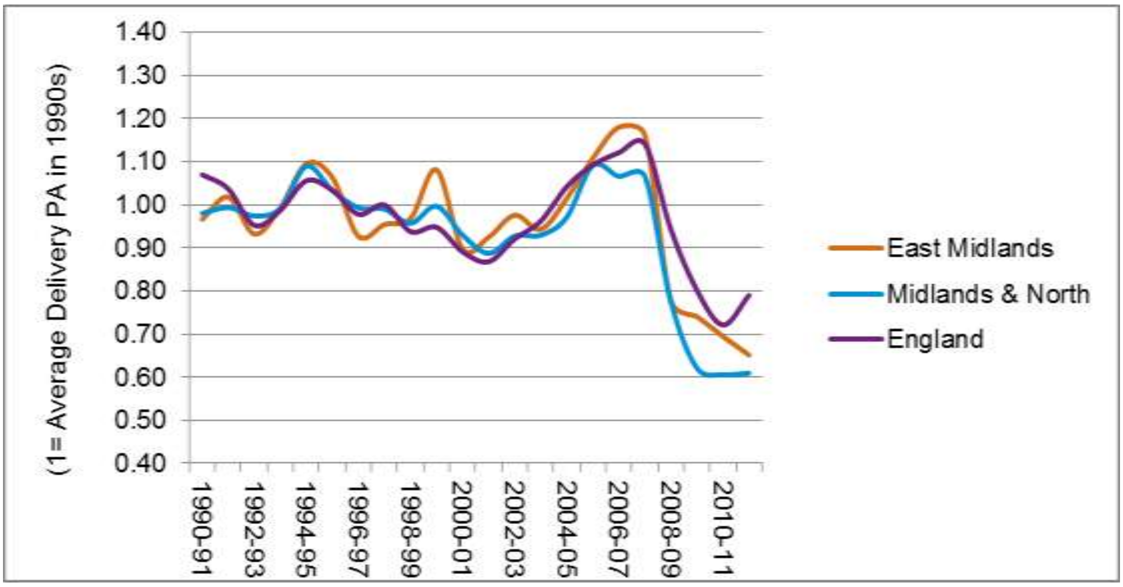
2.26 As Figure 2.6 shows, housing delivery however dropped dramatically in 2008-9, falling to 11,290 homes from 17,840 at the peak of the market the previous year (a 37% reduction). We have seen gradual year-on-year reductions since (driven by declining private sector delivery). In 2011 9,930 new homes were delivered – the lowest level over the period since 1990 for which data is available and 36% down on the pre-recession average (1990-2008).

2.27 We can compare this trend to housing delivery to trends at a national level using an indexed analysis. Figure 2.7 uses an index where 1.0 is the average annual housebuilding in the 1990s and compares trends across the East Midlands, Midlands/Northern England (comprising the East Midlands, West Midlands, North East, North West, Yorkshire and Humber) and England.

2.28 For all three of these geographies, completions fell during the 1990s but climbed from 2001 to the peak of the market between 2001-6. The East Midlands saw the strongest relative delivery at the peak of the market in 2007-8 (relative to the 1990s). Housebuilding in the region in 2011-12 at 45% below the 1990s average suggests that the housing market is faring slightly better than the Midlands and North as a whole, but worse than England. We expect that the trend for England is partly influenced by the continued strength of the market in London and the Home Counties.

2.29 To some extent, the trends and relative performance of the East Midlands region over the last decade are influenced by stronger housing delivery in the south of the region which fell within the Milton Keynes South Midlands (MKSM) Growth Area[5].

Figure 2.7: Comparative Trends in Housebuilding, 1990-2011

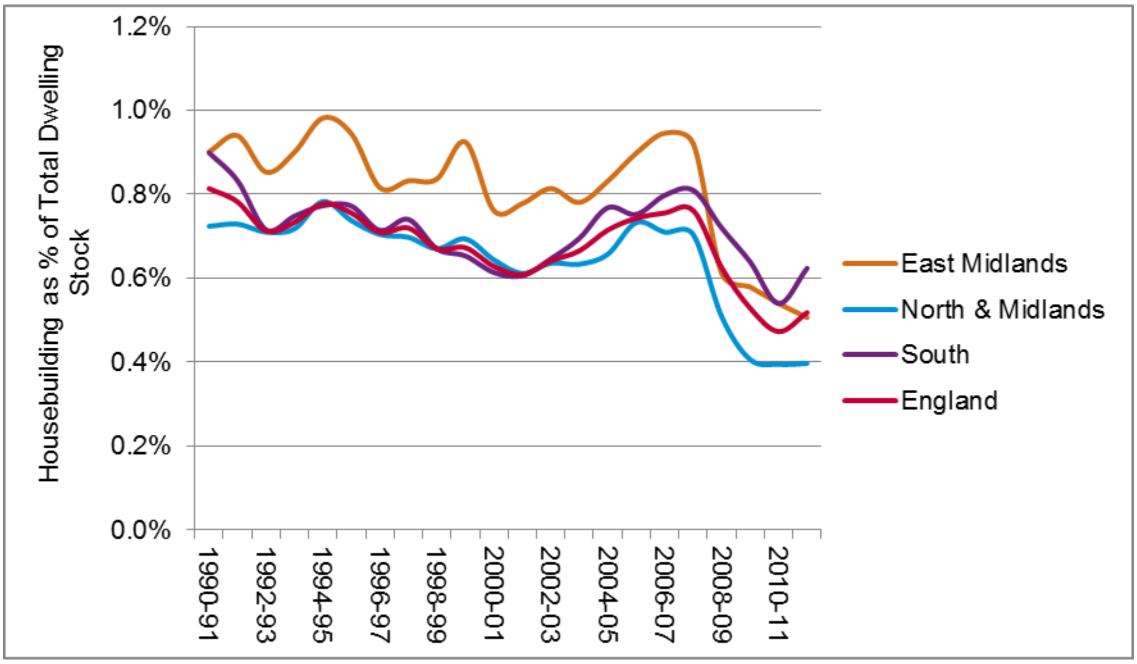


Source: Based on CLG Data from Table 232

2.30 We can use similar data to consider growth rates in the housing stock (expressing housebuilding as a proportion of the existing housing stock). This analysis is shown in Figure 2.8 below. It shows that housing delivery in the region in the pre-recession period was comparatively stronger (relative to the existing dwelling stock) than at a national level (or indeed for the Southern regions). However in line with national trends it has fallen since the onset of the credit crunch in 2008.

[5] Of the 10 authorities in the region which experienced the fastest growth in dwelling stock between 2001-10, half were in the MKSM Growth Area

Figure 2.8: Housebuilding as Proportion of Existing Dwelling Stock, 1990-2012



Source: GLH Analysis based on CLG Tables 109 and 232

2.31 Housebuilding in the region in 2011-12 was similar to national trends. It appears that the recovery in housing delivery is being led by the Southern regions (as might be expected) with a slight improvement recorded in 2011-12 on the previous year.

2.32 Figure 2.9 provides an analysis of average housing delivery rates on this basis pre- and post- the credit crunch.

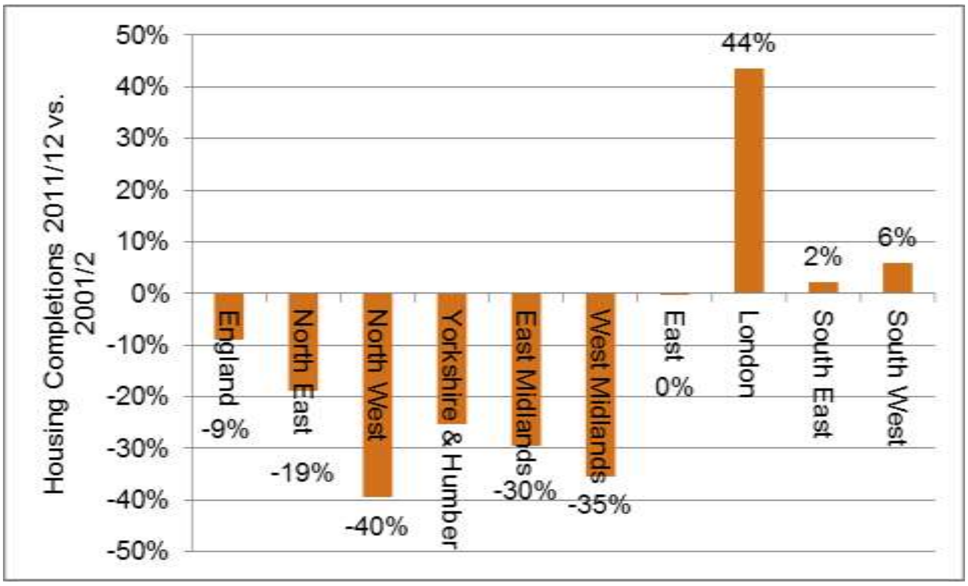
Figure 2.9: Comparative Housing Delivery Rates

	East Midlands	North & Midlands	South	England
1999-08	0.8%	0.7%	0.7%	0.7%
2009-12	0.5%	0.4%	0.6%	0.5%

Source: GLH Analysis based on CLG Tables 109 and 232

2.33 Figure 2.10 analyses how housing completions in 2011-12 compared to those a decade previously in 2001-2. London, the South East and South West have actually delivered more homes in 2011/12 than in 2001/2 (and notably so in the case of London), reflecting relative market strength. In contrast, housing delivery is lower than a decade previously in the Midlands and North. In the East Midlands, housing delivery in 2011/12 was 30% below that in 2001-2.

Figure 2.10: Housing Completions in 2011/12 compared to 2001/2



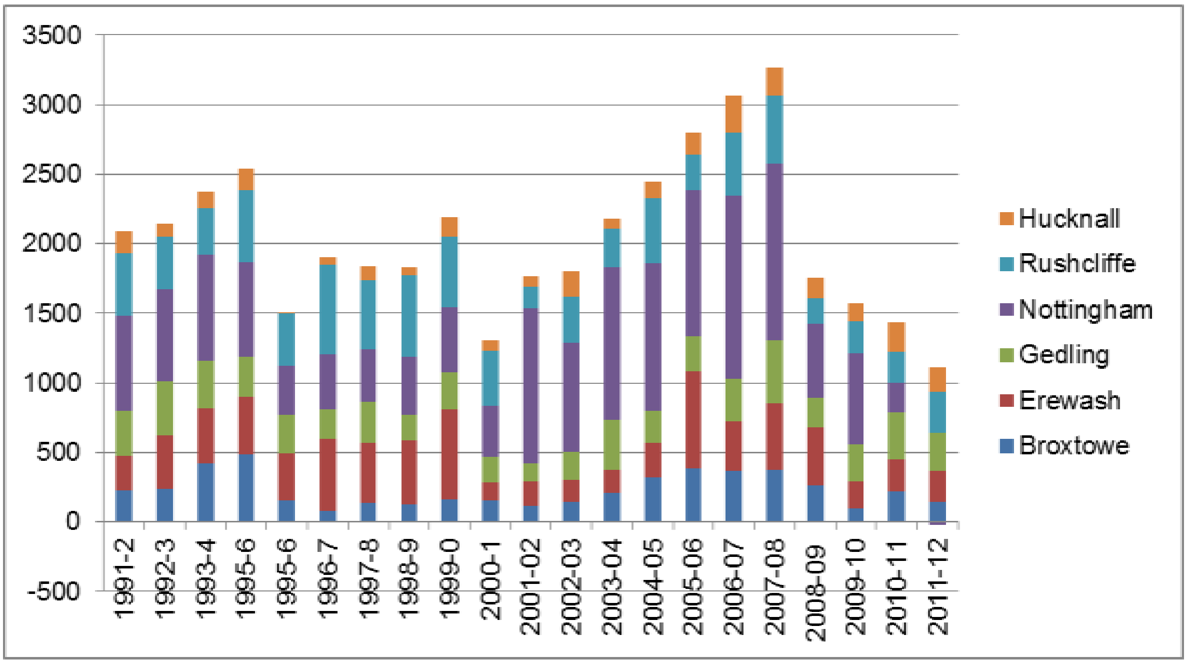
Source: CLG Table 232

HOUSEBUILDING TRENDS IN THE GREATER NOTTINGHAM HMA

2.34 Next we can examine trends in housing delivery in the Greater Nottingham HMA. This analysis considers trends primarily in net completions, with the exception of Nottingham City where net and gross completions are considered together with the impacts of delivery of student accommodation.

2.35 Figure 2.11 tracks trends in net completions since 1991. Across the Greater Nottingham HMA net housing completions averaged 1,972 dwellings per year between 1991-2001. Between 2001-2 to 2007-8 net completions across the HMA increased from 1,770 to 3,772 a year. This substantial growth (85%) exceeded that regionally or nationally, with strong housing delivery maintained until 2008. However 2008-9 saw a notable drop-off in completions across the HMA of 46% on the previous year (with a decrease in completions in all areas). Completions have continued to fall year-on-year since, with 1,094 net completions recorded in 2011-12 across the HMA.

Figure 2.11: Net Housing Completions across Greater Nottingham HMA, 2001/2 – 2011/12

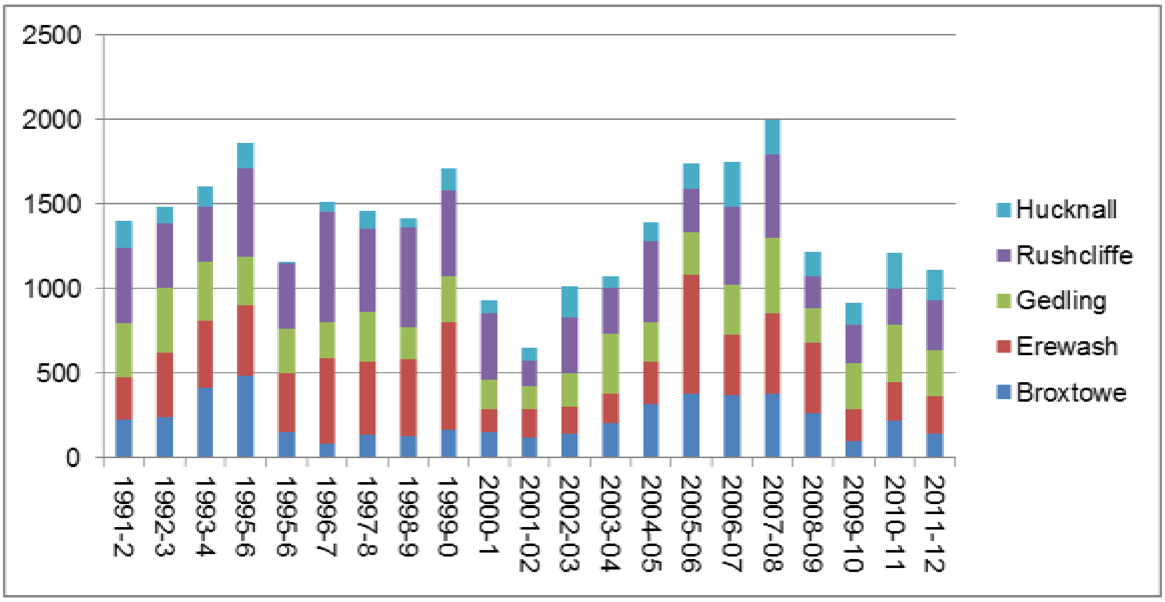


Source: Greater Nottingham HMA Authorities (Note: figures for Nottingham City exclude student housing)

2.36 The decline in completions in the period since 2007-8 is most marked in Nottingham City, which has historically recorded the largest number of completions. Across the HMA net completions in the HMA in 2011-12 were 13% lower than in 2001-2

2.37 Figure 2.12 strips Nottingham City out of the analysis to consider trends across the other four authorities as well as Hucknall. The overall profile is similar, with growth in net completions over the period from 2001/2 - 2007-8 and a notable drop-off since. However completions volumes over the last four years, when Nottingham City is excluded, are more stable. Indeed completions levels in 2011-12 across these four authorities were 71% higher than those recorded a decade earlier in 2001-2 and above those recorded in 2002-3 and 2003-4. The completions volumes achieved at the peak of the market when Nottingham City is excluded were not dissimilar to those in 1995-6 or 1999-2000.

Figure 2.12: Net Completions – Greater Nottingham HMA excluding Nottingham City, 1991/2 – 2011/12



Source: Greater Nottingham HMA Authorities

2.38 Figure 2.13 profiles net completions in each authority. In this analysis the figures for Nottingham City include the development of student housing.

Figure 2.13: Net Completions – Authorities in the Greater Nottingham HMA

	Rushcliffe	Nottingham	Gedling	Erewash	Broxtowe	Hucknall	Nottingham HMA
2001-2	157	1124	133	168	119	75	1776
2002-3	333	1065	202	156	145	182	2083
2003-4	273	1332	355	170	206	70	2406
2004-5	474	1186	236	251	315	118	2580
2005-6	261	2057	244	705	381	150	3798
2006-7	456	1523	296	362	367	270	3274
2007-8	493	1360	447	482	376	202	3360
2008-9	191	750	204	414	268	139	1966
2009-10	227	912	274	193	95	136	1837
2010-11	216	314	341	223	222	212	1528
2011-12	294	422	275	223	140	184	1538

Source: Greater Nottingham HMA Authorities[6]

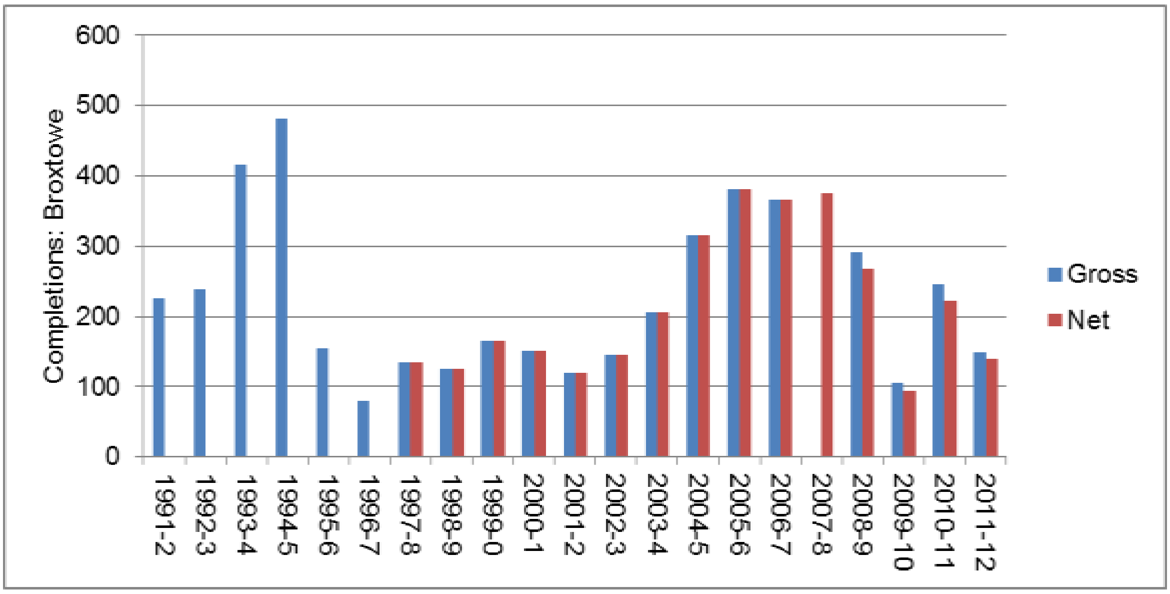
[6] These figures include development of student accommodation in Nottingham

2.39 We analyse below trends in net completions in authorities with the exception of Nottingham City where net and gross completions are considered together with the impacts of delivery of student housing on the numbers. The analysis here varies to some degree depending on monitoring systems and the availability of data.

Broxtowe

2.40 Figure 2.14 tracks gross and net completions in Broxtowe. Completions broadly ranged between 120-170 homes per annum between 1997-2003 (representing growth in the housing stock of 0.3%-0.4% per year). Against a context of strong housing market conditions from 2002-7 housing completions grew strongly increasing to over 350 per annum between 2005-8. This equated to a 0.7%-0.8% growth rate in the housing stock per annum. However they have dropped notably over the last four years, and have averaged 152 homes per annum between 2009-12 (a 0.3% growth rate per annum). Delivery rates over the last decade were exceeded in the mid 1990s, with delivery of 416 homes in 1993-4 and 481 in 1994-5.

Figure 2.14: Net Completions – Broxtowe



Source: Broxtowe BC Monitoring Data (N.B. Net completions data not available pre-1997-8. No gross completions data available for 2007-8).

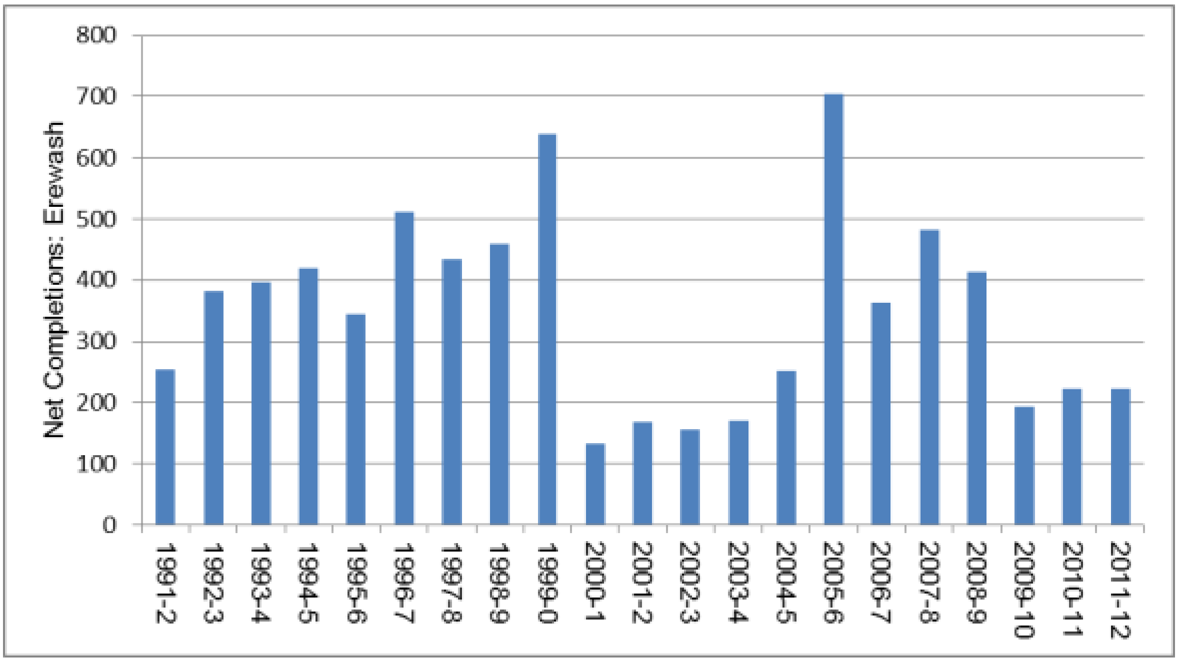
2.41 Over the last four years (the period for which data is available), 72% of completions have been of houses and 28% of flats. A strong 58% of housing delivered over this 2008-12 period have been of larger 3 and 4 bedroom properties. Despite the relatively limited exposure to the flatted market, completions levels have fallen.

Erewash

2.42 Net completions in Erewash have fluctuated quite significantly over the last 20 years. Delivery of homes increased through the 1990s to a peak of delivery of 640 homes in 1999-0. In the early 2000s they dropped off notably to an average of 157 in 2000-4 (a 0.4% growth rate). Completions peaked at 705 in 2005-6 (1.0% growth) and overall there was a general upward trend in housing delivery between 2003-8. Completions have however tailed off since, with an average delivery of 213 homes per annum over the past 3 years, representing a growth rate of 0.4% in the housing stock.

2.43 A number of major residential permissions were granted by the Borough Council in early 2000's, coinciding with a review of the 1994 Local Plan undertaken between 2001-5. This contributed to the upward trend in completions over the 2001-8 period. The peak of completions in 2005-6 was supported by a significant level of flatted development.

Figure 2.15: Net Completions – Erewash



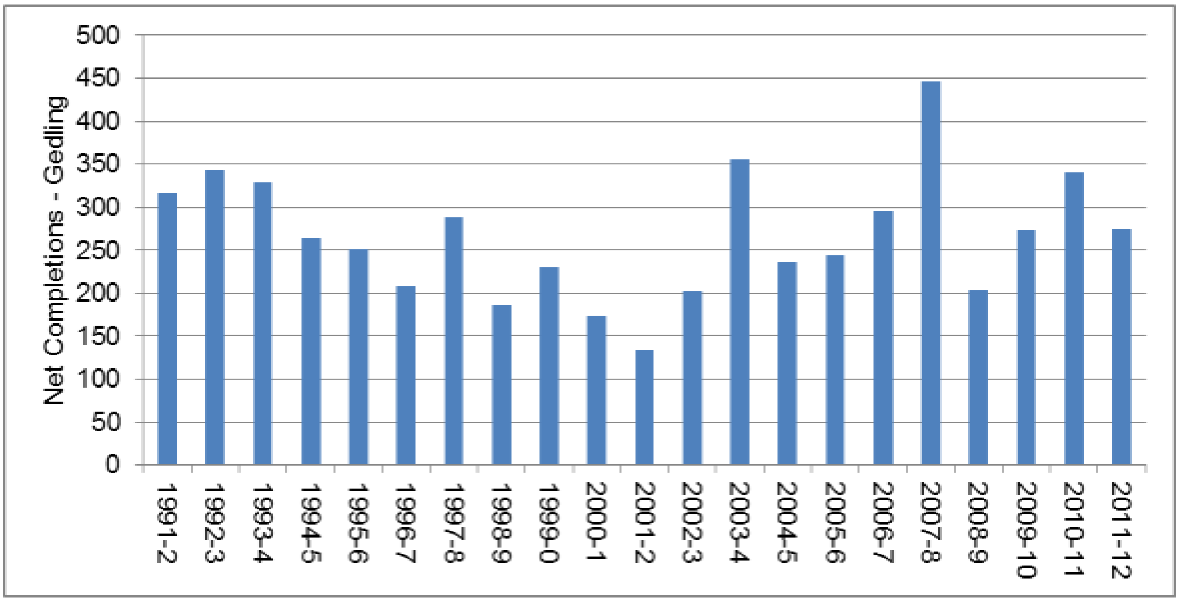
Source: Erewash BC Monitoring Data

2.44 Over the last two years (the period for which detailed data is available), 86% of completions have been of houses with 14% flats/ apartments. A substantial 69% of completions have been of 3 or 4 bedroom properties. As with Broxtowe, there has been relatively little development of flats/apartments over the last few years albeit that the flatted market did support the peak of completions in 2005-6.

Gedling

2.45 There was a general upward trend in completions in Gedling between 2001-2008, with completions rising from 133 to 447 homes per year over this period. This followed a general downward trend in housing delivery over the previous decade, when completions fell from 344 in 1992-3 to 133 in 2001-2. Completions between 2004-8 averaged 306 homes a year. Although completions fell off in 2008-9, levels have stood up relatively well over the last few years. Average net completions levels over the last three years (297 per annum) are similar to those over the 2004-7 period.

Figure 2.16: Net Completions – Gedling

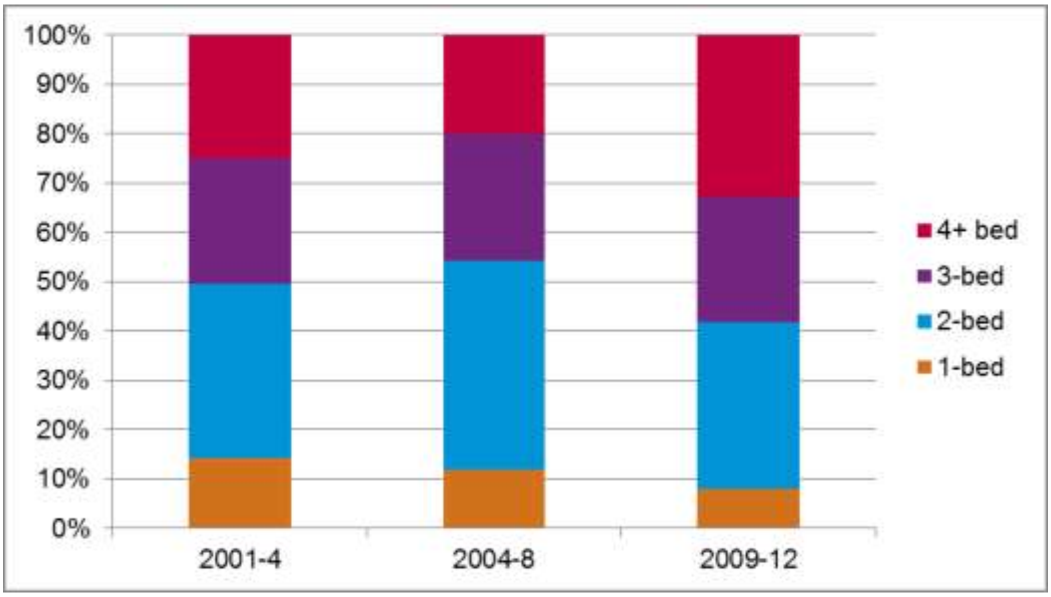


Source: Gedling BC Monitoring Data

2.46 Net completions over the last three years (2009-12) have supported an average of 0.6% growth per annum in the housing stock. This compares with an average of 0.5% over the 2001-9 period.

2.47 Since 2008 we have however seen the profile of housing delivery shift notably towards 3 and 4 bedroom homes. In the 2001-4 period 50% of completions in Gedling Borough were of 3 and 4 bedroom properties. The proportion declined slightly to 46% in the 2004-8 period, but has increased to an average of 58% over the last three years (2009-12). Between 2003-8, 1 and 2 bed flats accounted for 45% of completions – this has fallen to 31% over the past three years.

Figure 2.17: Profile of Gross Completions by Size (Selected Periods), Gedling Borough



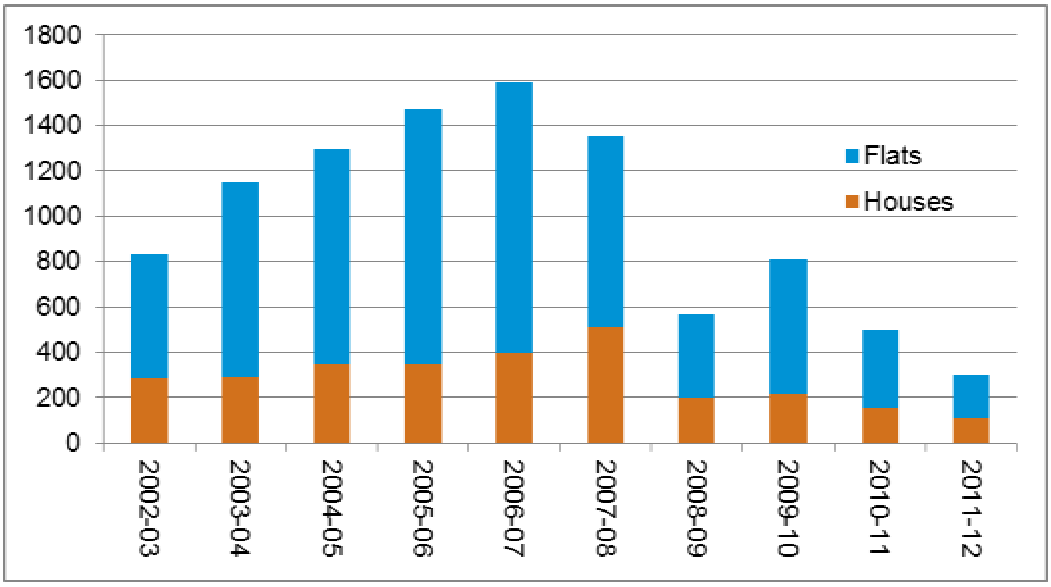
Source: Gedling BC Monitoring Data

Nottingham City

2.48 In this sub-section we consider trends in completions in Nottingham City, examining trends in net and gross completions and the impact of development of student accommodation on the figures.

2.49 The particular feature of completions trends in Nottingham City is the significant focus on flatted development. Over the last 10 years, 71% of housing delivery (gross completions) has been of flats.

Figure 2.18: Gross Completions of Flats & Houses, Nottingham City

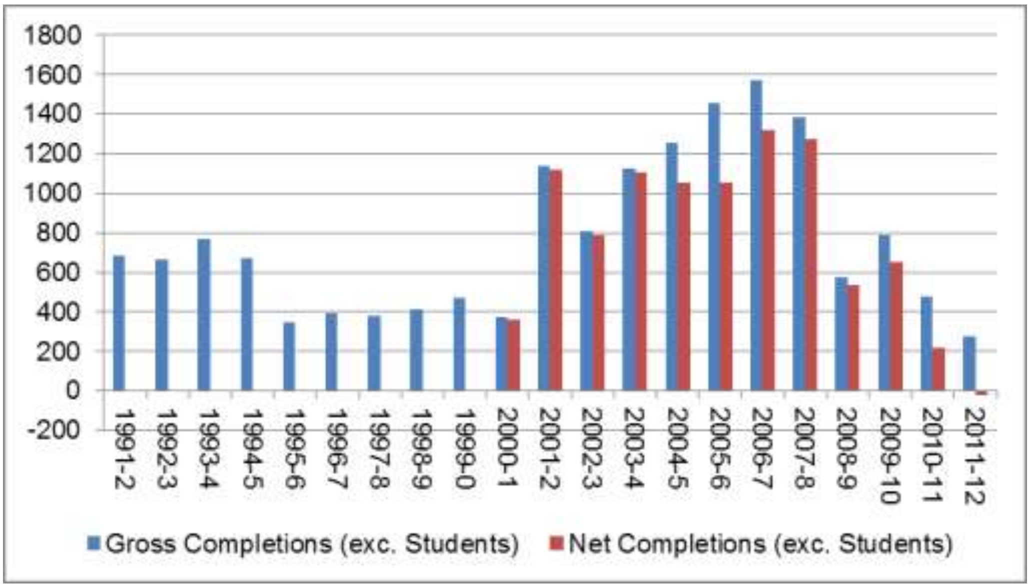


Source: Nottingham CC Monitoring Data (Note: figures exclude student housing)

2.50 Figure 2.19 profiles the trend in net and gross completions across Nottingham City. This analysis excludes development of student accommodation. Between 1997-2001 an average of 410 homes (gross) per annum were delivered. This increased significantly post 2011 with delivery of an average of 1248 homes per year over the 2001-8 period There has been a notable drop off in housing delivery in the City since 2008, with an average of 529 homes delivered per year over the 2008-12 period.

2.51 In terms of net growth in the housing stock, housing delivery over the 2001-8 period averaged 1,100 homes a year representing growth in the housing stock of 0.9% per annum. This dropped off to an average of 347 homes a year between 2008-12 representing a growth rate of 0.3% per annum. In net terms (excluding student accommodation) there was a reduction in the housing stock of -22 dwellings in 2011-12. This shows the effect of the City's programme of demolition on selected sites.

Figure 2.19: Net Completions – Nottingham City

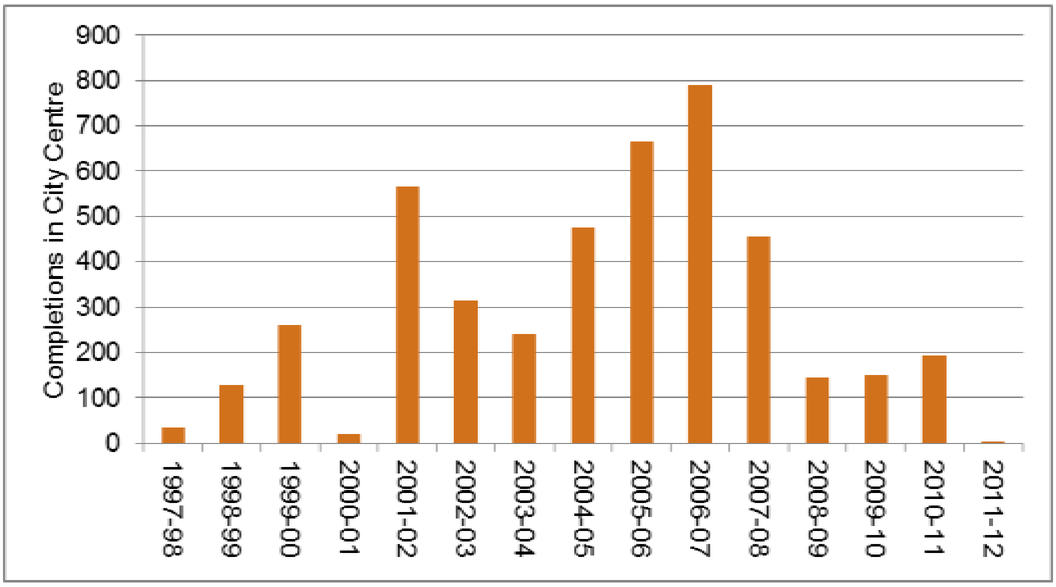


Source: Nottingham CC Monitoring Data (Note: figures exclude student housing)

2.52 A particular feature of strong housing delivery in the 2001-8 period was the development of the City Centre residential market, which accounted for 40% of all housing delivered over this period (excluding student accommodation). This market has effectively disappeared – development volumes have reduced each year since 2008 with just three units delivered in 2011-12. This has been counter-balanced to some extent over the last few years by continued development of student housing schemes.

2.53 In the 1997-2004 period the City Centre market accounted for a third (33%) of total housing completions in the City. With strong delivery in the 2004-8 period this increased to 42%. However it has tailed off significantly and accounted for 23% of completions between 2008-12.

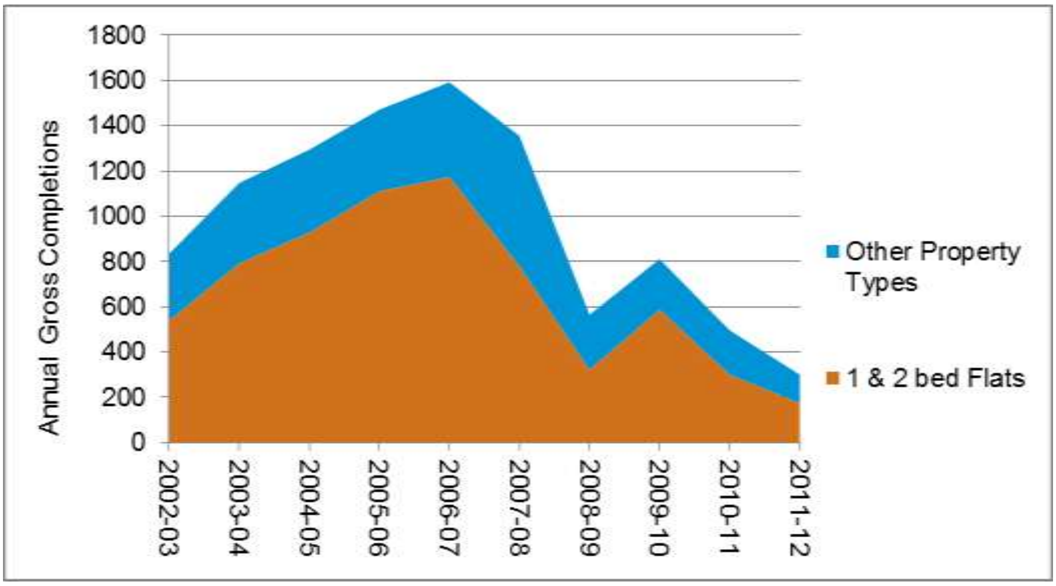
Figure 2.20: Gross Completions in Nottingham City Centre



Source: Nottingham CC Monitoring Data (Note: figures exclude student housing and demolitions but include losses through conversions and changes of use)

2.54 Overall 1 and 2 bed flats are a key element of the market in the City. In the 2002-8 period (prior to the credit crunch) more than two thirds (69%) of housing delivered was 1 and 2 bed flats. This has reduced slightly, however 1 and 2 bed flats still accounted for 66% of completions over the 2009-12 period. Demand for (and the viability of development of) one and two-bed flats thus has a key impact on the market in Nottingham City in particular. Market conditions have had a notable impact on overall housing delivery.

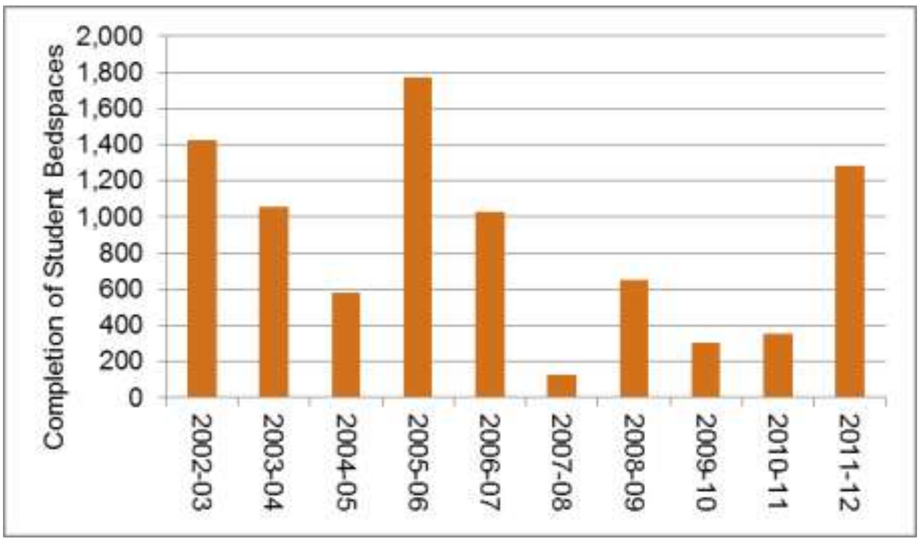
Figure 2.21: Influence of 1 & 2 Bed Flats on Nottingham City Housing Delivery Trends



Source: Nottingham CC Monitoring Data (Note: figures exclude student housing)

2.55 In Nottingham City there has also been a notable level of development of student accommodation. Over the last 10 years (2002-12) a total of 8,586 student bedspaces have been delivered (an average of 859 per annum). Student accommodation has delivered an average of 295 dwellings a year over this period (thus with an average 2.9 bedspaces per dwelling). The trends vary year-on-year, as Figure 2.22 indicates; but strong delivery in 2011-12 suggests that this market has remained relatively healthy in recent years.

Figure 2.22: Completions of Student Bedspaces, Nottingham City



Source: Nottingham CC Monitoring Data

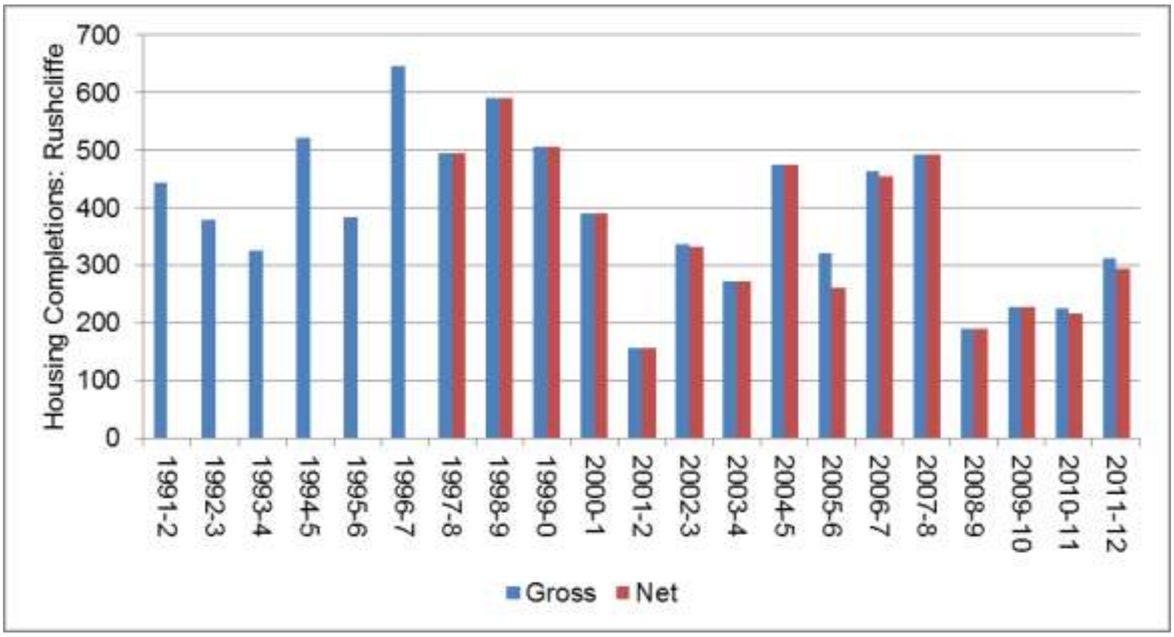
2.56 The student market has continued to support development of flats in Nottingham City Centre since 2008. There is a continuing pipeline of student accommodation which is expected to be delivered in the City and this can be expected to support housing delivery in Nottingham City in the short-term to 2017.

Rushcliffe

2.57 Historically housing delivery in Rushcliffe has been relatively strong. Between 1997-2000 net completions averaged 530 homes per annum. This dropped to 157 in 2001-2, but over the 1997-2008 period completions averaged 403 homes a year, equating to a 0.9% annual growth rate in the housing stock. Net completions have however declined notably since 2008, with an average of 246 homes delivered over the last three years (2009-12) representing a growth rate of 0.5% per annum.

2.58 Average gross completions over the 2001-11 decade were 300 homes a year. This compared to an average of 468 completions per year over the previous decade (1991-2001).

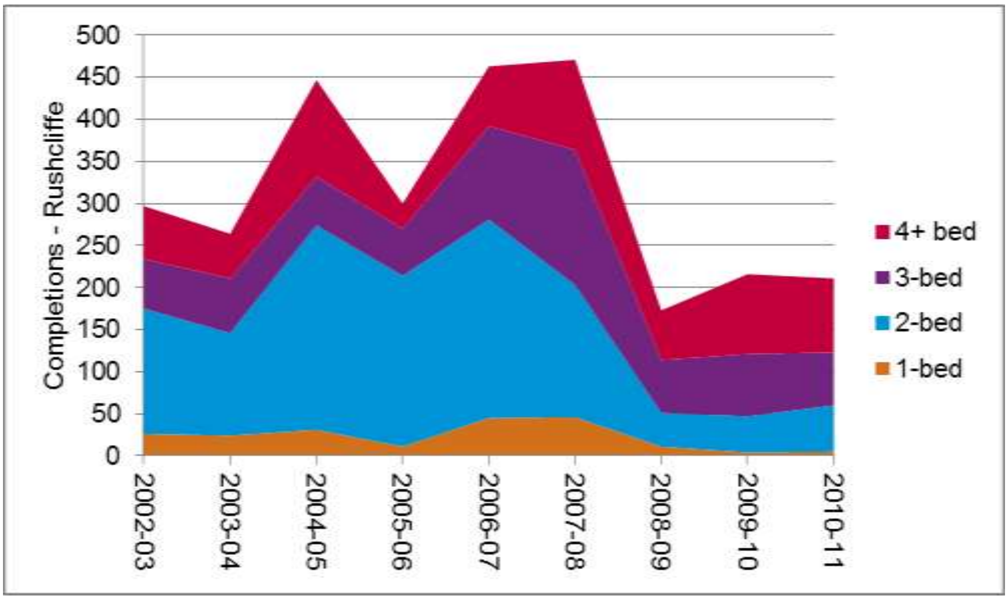
Figure 2.23: Housing Completions – Rushcliffe



Source: Rushcliffe BC Monitoring Data (N.B. Net completions data not available pre 1997. Gross completions data not available for 2001-2 and 2011-12).

2.59 The drop off in housing completions since 2008 partly reflects the dynamics of the flatted market. Between 2002-8, 43% of completions in Rushcliffe Borough were of 1 and 2 bed flats (161 per annum). However since 2008, just eight new 1 and 2 bed flats have been completed (4% of total completions). The significant drop-off in delivery of 1 and 2 bed flats contrasts with a reduction of just -10% in the completion of other property types.

Figure 2.24: Completions by Bed Size – Rushcliffe



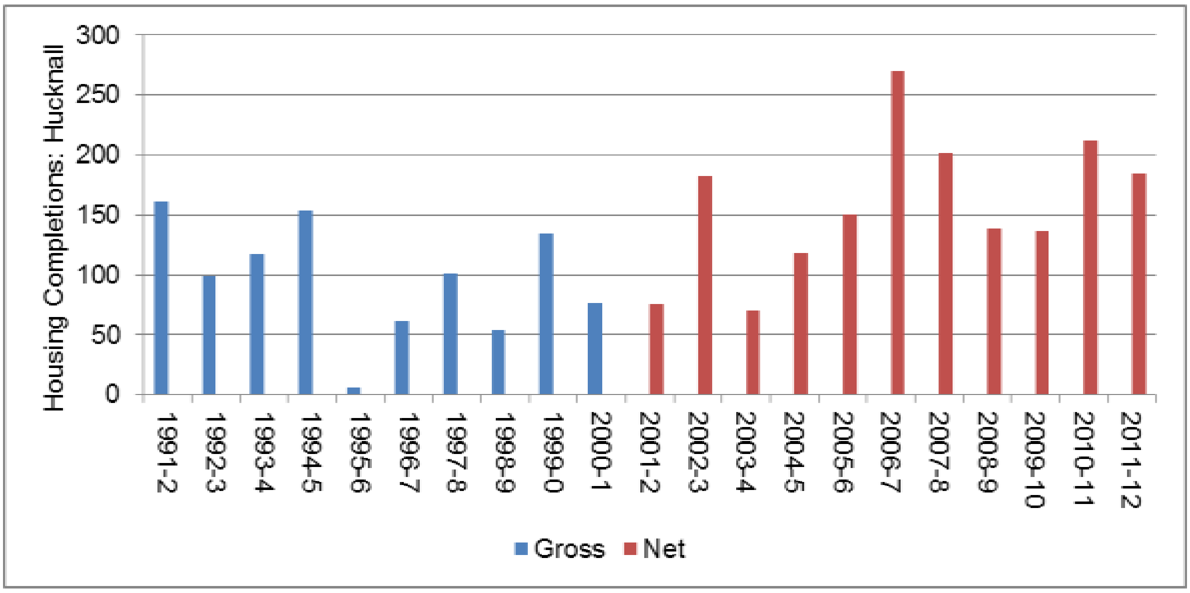
Source: Rushcliffe BC Monitoring Data

Hucknall

2.60 Hucknall, within Ashfield District, forms part of the Greater Nottingham HMA. Gross completions over the 1991-2001 decade averaged 96 dwellings per annum in Hucknall.

2.61 Housing completions (in net terms) increased between 2001-2007, peaking with delivery of 270 dwellings in 2006-7. Over the 2001-11 decade, net housing completions averaged 155 per year. They have remained relatively strong in recent years, with net completions of 184 in Hucknall in 2011-12.

Figure 2.25: Housing Completions in Hucknall



Source: Nottinghamshire HMA Monitoring Data / Nottinghamshire County Council

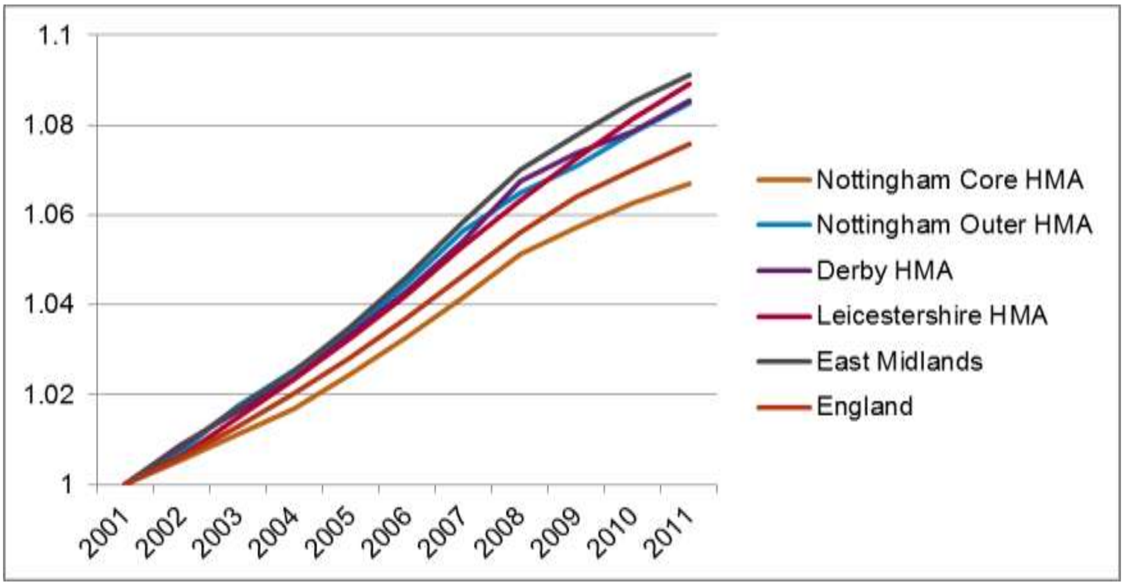
Comparing Housing Delivery in the Greater Nottingham HMA with Other Areas

2.62 In this section we analyse a range of data to consider how housing delivery rates in the Greater Nottingham HMA compare to other nearby HMAs and to other Core Cities in the Midlands and North of England.

2.63 Figure 2.26 uses an indexed analysis to consider how the total housing stock has changed over the 2001-11 decade. It suggests that over the last decade housing delivery in the Greater Nottingham HMA (in net terms) relative to the existing housing stock has fallen in relation to' the national and regional average. In contrast, the Nottingham Outer, Leicester and Leicestershire and Derby HMAs have all supported housing growth of above the national average – although in each case housing delivery over the second half of the decade has fallen below the regional average.

2.64 Figure 2.26 demonstrates that across all areas, the rate of housing growth post 2008 has slowed.

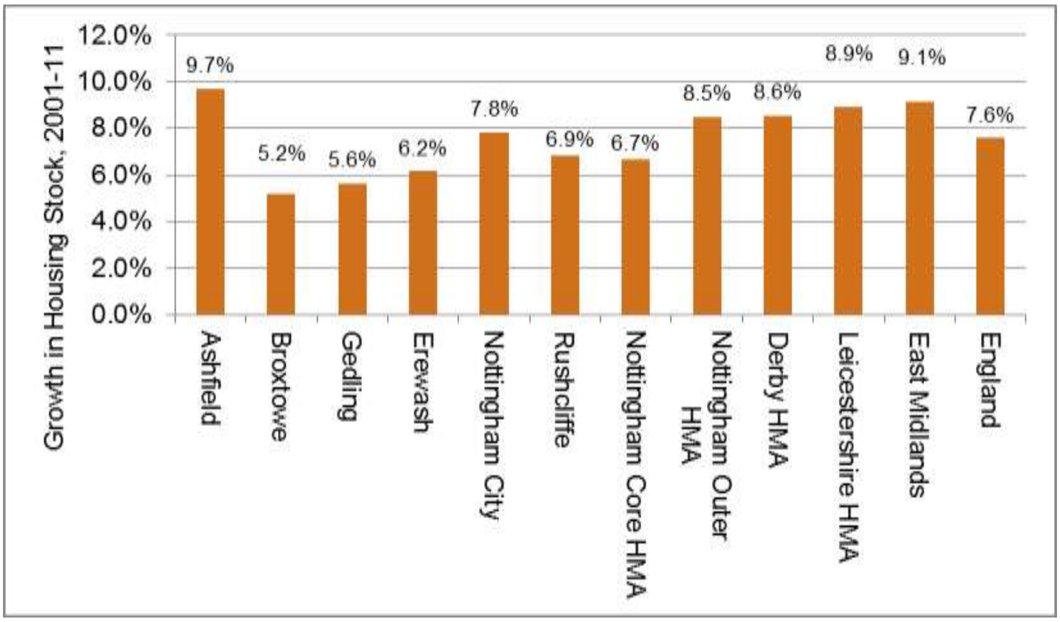
Figure 2.26: Net Changes in Housing Stock in Selected HMAs, 2001-11



Source: GLH Analysis of CLG Table 125

2.65 Figure 2.27 summarises the changes in housing stock over this decade. It is notable that housing growth over the 2001-11 decade was below the regional average in all of the authorities in the Greater Nottingham HMA. It should be noted, however, that the regional figures are influenced by strong housing delivery in the south of the region in this period within the Milton Keynes South Midlands (MKSM) Growth Area.

Figure 2.27: Change in Housing Stock (LAs and Selected HMAs), 2001-11

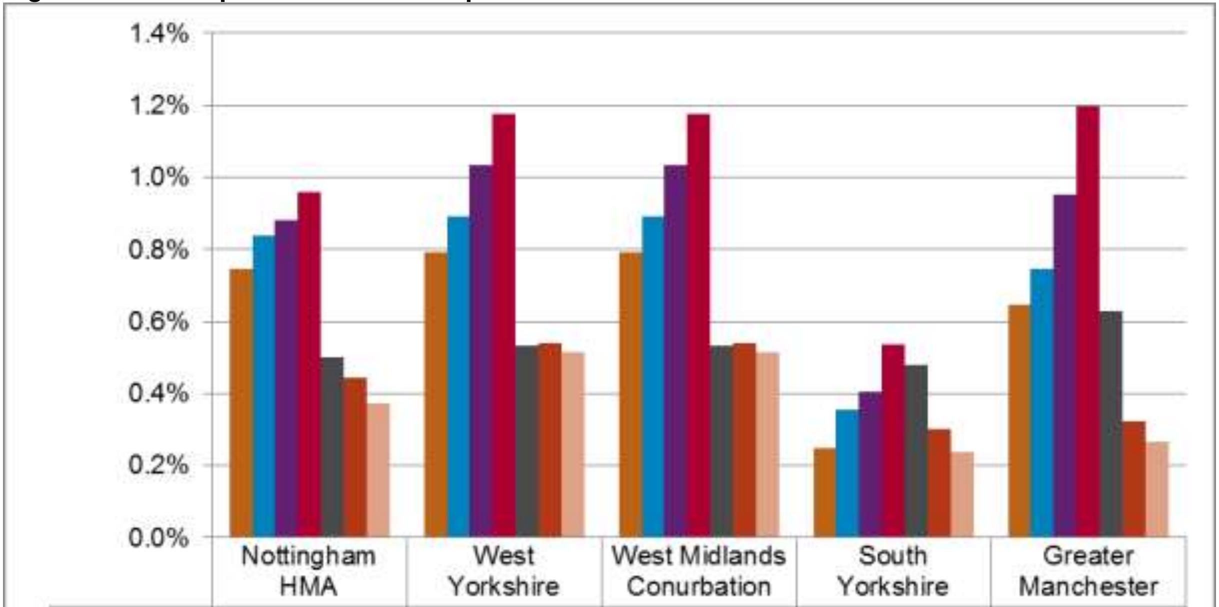


Source: GLH Analysis of CLG Table 125

2.66 We have also sought to analyse how housing growth rates in the Greater Nottingham HMA compare to other Core Cities and their hinterlands. Figure 2.28 below analyses completions in the Greater Nottingham HMA compared to West and South Yorkshire, Greater Manchester and the former West Midlands Metropolitan County. Completions are expressed in terms of the percentage growth in the housing stock.

2.67 In each of the areas examined, completions increased year-on-year in the period from 2004-8. Over this period the strongest growth in completions was in Greater Manchester, peaking at 1.2% growth in the housing stock in 2007-8. Growth in completions in the Greater Nottingham HMA over this period was not as strong as in West Yorkshire, the West Midlands Conurbation or Greater Manchester – with the rate of housing growth peaking at 1.0% in 2007-8 compared to 1.2% against these other areas. However as a result the drop-off in completions has been slightly more moderate.

Figure 2.28: Comparison of Net Completions with Other Conurbations



	Nottingham HMA	West Yorkshire	West Midlands Conurbation	South Yorkshire	Greater Manchester
2004-2005	0.7%	0.8%	0.8%	0.2%	0.6%
2005-2006	0.8%	0.9%	0.9%	0.4%	0.7%
2006-2007	0.9%	1.0%	1.0%	0.4%	1.0%
2007-2008	1.0%	1.2%	1.2%	0.5%	1.2%
2008-2009	0.5%	0.5%	0.5%	0.5%	0.6%
2009-2010	0.4%	0.5%	0.5%	0.3%	0.3%
2010-2011	0.4%	0.5%	0.5%	0.2%	0.3%

Source: GLH based on Annual Monitoring Report data

2.68 Housing completions in 2009-10 and 2010-11 in the Greater Nottingham HMA would support 0.4% growth in the housing stock per annum. This is slightly below the levels in West Yorkshire and the West Midlands conurbation; but is above levels in South Yorkshire and Greater Manchester.

Drawing the Analysis Together

2.69 Reviewing the analysis, we can draw a number of initial conclusions:

- Housing completions in the Greater Nottingham HMA did increase substantially in the 2001-7 period. Whilst growth in the housing stock was more moderate than that seen regionally or nationally, or indeed in surrounding HMAs, it is similar to those in other conurbations in the North and the Midlands;
- If we look at trends at a national level since 2007, whilst private sector housebuilding has dropped sharply; development by housing associations in particular has remained relatively consistent. It is thus the scope for private sector recovery which we need to focus on;
- At the national level, the peak of housebuilding in 2007 looks relatively moderate when considered in a long-term context looking back over 50 years. Taking out the impacts of public spending on housebuilding, private sector delivery has exceeded 2007 peaks consistently during the 1960s and early 1970s, as well as in the late 1980s albeit that the planning regime and

housing development models were different. It is reasonable to assume that housebuilding could again exceed the 2007 peak;

- There is also evidence, looking back, at the housing market recovering relatively strongly from the previous most significant 'dip' in housebuilding in 1981, with private housebuilding increasing from 98,200 dwellings in 1981 across England to 176,020 in 1988 (which was slightly higher than the 2007 peak);
- Combined the evidence does suggest that theoretically housebuilding could recover and grow quite substantially over a 5-7 year period *if the economic conditions were right* – the national trends in the 1980s demonstrate this;
- However a recovery in housebuilding is dependent on stronger economic conditions and improved access to mortgage finance, with housing market performance in the late 1970s demonstrating that the market does not necessarily bounce back immediately following a recession;
- The length of the recent economic recession and market downturn could influence the potential recovery. The pipeline of housing with planning permission may well reduce in the short-term as extant planning permission lapse. This could influence the pace of recovery in housing delivery;
- A number of the authorities in the HMA[7] have seen rates of housing delivery in the pre-2008 period fall below regional and national averages. There are however sound reasons for this in some instances, such as strategic development constraints;
- Over the longer-term the Greater Nottingham HMA could potentially support higher housing delivery levels than achieved in the 2001-7 period if the right economic and market conditions were in place;
- The detailed completions analysis indicates that a significant factor in the drop off in completions has been a reduction in flatted development. This has had an acute impact on completions in Nottingham City in particular, but also in other areas. It is a factor which is common to other conurbations in the North and the Midlands. The degree of dependency on and strength of the flatted market will influence housing delivery moving forward.

[7] Broxtowe, Erewash, Gedling

3 WHEN IS THE HOUSING MARKET LIKELY TO RECOVER?

3.1 This section is focused on considering the second research question – when is the housing market likely to recover? It focuses on considering the timing and pace of recovery in the housing market and housebuilding.

3.2 The analysis is structured to consider initially key 'drivers' which influence the housing market and housebuilding before examining key housing market indicators relating to the Greater Nottingham HMA. We then consider various forecasts for future housing market performance and use this to develop scenarios for recovery in the housing market.

Understanding Recent Housing Market Trends

Overview of Housing Market Drivers

3.3 The housing market is complex. It is influenced by the economy at both a macro-economic level, in terms of interest rates and mortgage availability, as well as economic performance and prospects (which influence market sentiment). It is also influenced by the economy at both regional and local levels, recognising that employment trends will influence migration patterns (as people move to and from areas to access jobs), and that the nature of employment growth and labour demand will influence changes in earnings (which affects what households' can afford).

3.4 Over the longer-term changes in the size and structure of the population influence housing need and demand, and the nature of demand for different products. There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. These include quality of place, school performance and the catchments of good schools, the accessibility of areas including to employment centres (with transport links being an important component of this), and the existing housing market and local market conditions. These factors influence the demand profile and pricing, against a context in which households compete within the market for housing.

Overview of Housing Market Trends over the Last Decade

3.5 In assessing housing market prospects moving forward, it is important to understand the context to what has happened over the last decade.

3.6 Housing market dynamics between 2003-8 need to be understood in terms of the economic backdrop of a strong, stable and growing economy; a growing population, low interest rates in a historical context; and strong competition in the mortgage market. As a result despite strong growth in house prices (albeit with a blip in 2005), households' ability to buy a home improved. Sustained growth in prices, the attractiveness of housing vs. other forms of investment), together with the availability of buy-to-let mortgages, also supported (supply-led) growth in the private rented sector.

3.7 Since 2008 market conditions have been markedly different. The downturn in the world economy was led by the sub-prime lending crisis in the United States. This resulted in a fundamental shift in the way banks lend money between themselves, through wholesale money markets, and to their customers (including home purchasers, landlords and developers).

3.8 From the second half of 2007, banks begun to increase the inter-bank lending rate (LIBOR) and sought to adjust their exposure to risk by adopting much more cautious lending practices. The net effect of this was to reduce liquidity in the financial markets and credit available (resulting in a 'credit crunch') and in tightening lending criteria for current and prospective homeowners. This tightening of lending criteria increased 'barriers' to entry for marginal mortgage applicants by reducing loan to value ratios (LTVs), increasing costs associated with obtaining mortgages and reducing the income multiples accepted. The tight lending criteria initiated by the 'credit crunch' are very much still with us in 2012 – this is a key restriction on housing market activity.

3.9 The impact of tightening lending criteria had a significant and sharp impact on the ability to secure mortgage finance, with the most noticeably affected being would-be 'first-time buyers' (FTBs) and buy-to-let (BTL) investors who were particularly reliant on more flexible lending criteria. The level of both has dropped dramatically. As a result 'effective' demand for market housing and market activity have also decreased significantly.

3.10 Key issues affecting the ability of households and investors to secure mortgage finance are:

- Savings and Capital: the ability to raise a deposit;
- Earnings and Interest Rates: affecting the ability to afford repayments;
- Lending Criteria: key criteria which have to be met to secure finance.

3.11 Since the credit crunch, the level of capital required to secure a mortgage has been a significant constraint on the housing market. As the availability of mortgage finance increased between 2003-6, the average deposit paid by a first-time buyer fell from 23.1% to 16.4% nationally, improving the affordability of and access to home ownership and support strong effective demand for market housing. However since the onset of the credit crunch in 2007, deposit requirements have grown significantly; and stood on average at 19% in July 2012 for first-time buyers.

3.12 Younger buyers (particularly those under 30) are heavily reliant in the current market on parents and other relatives for financial support in getting on the housing ladder (the so called 'bank of mum and dad').

3.13 For those with a sufficient deposit, housing is now actually relatively affordable given the reductions in the value of homes since the peak of the market in 2007 and low interest rates. Thus the key constraint on the market is not the affordability of housing in terms of the ability of households to cover mortgage repayments[8], but the ability of households to raise a sufficient deposit and to meet lending criteria to secure mortgage finance.

3.14 This has been compounded by wider economic recession from late 2008 through 2009 and weak economic conditions since. House price falls have restricted movement for buyers close to the top of the market without significant equity/ savings. The impact has been a significant reduction in 'effective' demand for market housing. Sales volumes in the first half of 2011 were 46% down on levels in the decade to 2007 across the Greater Nottingham HMA.

3.15 Price trends need to be understood in terms of the balance between supply and demand; for instance house price stability/growth in 2011 has been remarkable given the level of demand as supply has also been weak.

Buy-to-Let Lending

3.16 Buy-to-let ('BTL') lending remains significantly below pre-credit crunch levels achieved before 2007. BTL lenders financed 66,000 new home purchases in 2011 - less than 8% of total purchases. This was however better than in the previous few years.

3.17 With growth in rents and lower capital costs for house purchases, housing represents an improved investment proposition. There is evidently occupier demand from a combination of demographics, limited new-build and restrictions on home purchases.

3.18 However access to finance remains restricted and is restraining effective demand from investors. The availability of buy-to-let mortgage finance did improve in early 2011 but towards the end of the year gross lending turned downwards as the escalating debt crisis in the Eurozone resulted in a reduction in banks' access to wholesale funding.

Mortgage Repossessions

3.19 Despite wider economic conditions, mortgage repossessions have been falling (no doubt supported by low interest rates). In 2011, 36,500 properties were taken into repossessions – the lowest level since 2007. The trend in mortgage arrears is also downwards. However worsening unemployment and the continuing pressures on real incomes mean that the Council for Mortgage Lenders predicts an increase in repossessions to 45,000 in 2012.

[8] Notwithstanding that there are likely to be some repossessions associated with high unemployment

Local Housing Market Performance

3.20 We next turn to consider local level dynamics. As we will show, local level trends in house prices and sales relate strongly to national and regional trends. This indicates the importance of the macro-economic dynamics and drivers described above in influencing housing market conditions in the Greater Nottingham HMA. We consider key market indicators – sales (as indicative of 'effective' market demand) and house prices (which reflect the balance between supply and demand).

House Prices

3.21 Figure 3.1 profiles trends in the price of a standard property across the East Midlands and the UK using the Halifax House Price Index. The Index indicates that the price of a standard property in the East Midlands increased by 98% between Q2 2001 – Q2 2004 (over just a three year period) as effective demand from both owner occupiers and investors grew rapidly (and faster than supply). This strong growth in prices was influenced by:

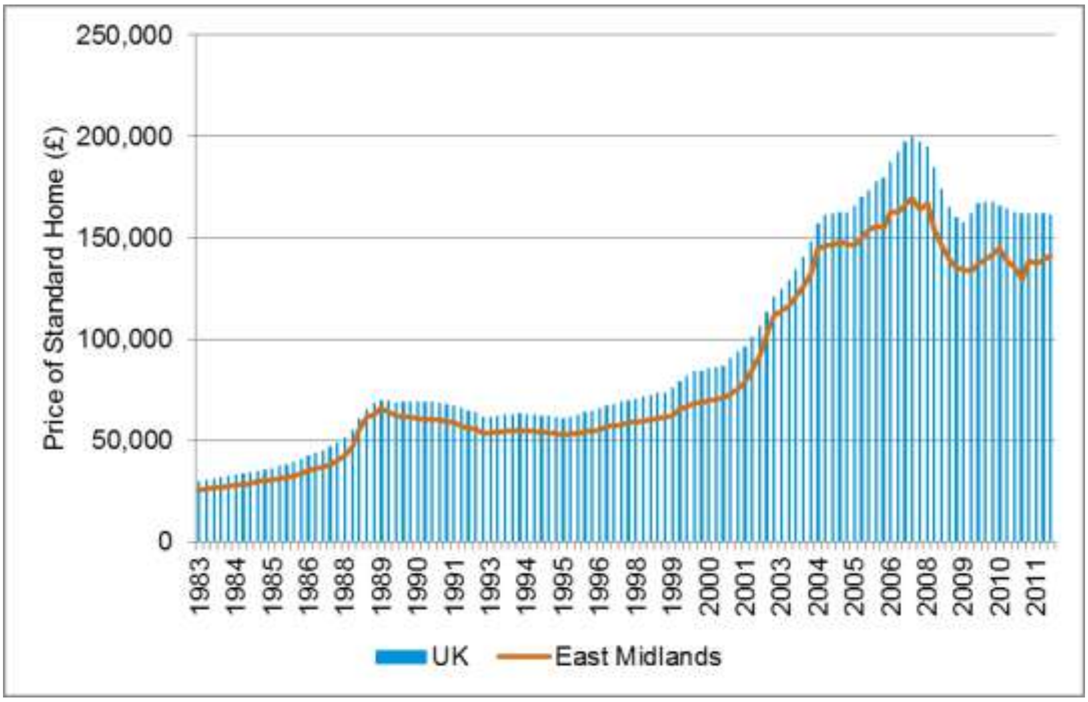
- Low interest rates;
- Competition in the mortgage market, with increasing range of mortgage products;
- A stable, growing economy; and
- The relative inelasticity of housing supply, which did not increase as fast as demand.

3.22 Between Q2 2004 and the peak of the market in 2007, house prices in the region grew by a more modest 17%.

3.23 House prices in the region and nationally have since fallen. In Q2 2012 the price of a standard property in the East Midlands stood at £141,139, 17% below its previous peak in nominal terms. This is similar to prices in mid 2004 (although it would be lower if 'inflation-adjusted') and 5.4% above the low-point of house prices in 2009.

3.24 Indeed the price of a standard property in the region has fallen by 15.1% over the past five years (2007-2012). A fall in house prices is indicative of greater supply than effective demand for housing over this period, for the reasons described above.

Figure 3.1: Price of Standard Property, East Midlands and UK



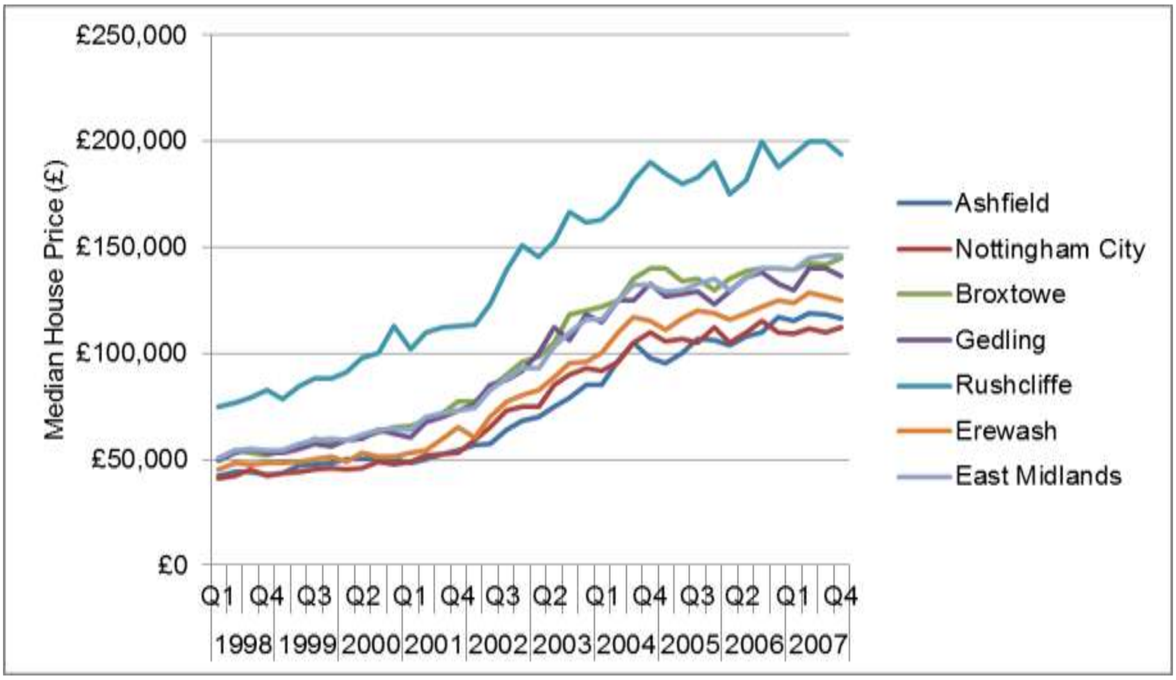
Source: Halifax House Price Index

3.25 Looking at house price dynamics at a more local level within the Greater Nottingham HMA, we have analysed trends in house prices for two time periods – the decade to 2007; and the period since 2007.

3.26 Median house prices showed continuous growth between 1998 and 2007. Across the East Midlands over this period, house prices increased by 170% compared to 173% growth across the UK. All of the HMA authorities experienced a similar trend – highlighting the importance of macro-economic influences on the housing market. Over this decade, house price increases were highest in Broxtowe (179%) and lowest in Rushcliffe (135%) although prices in Rushcliffe on average remain notably higher than in the other authorities in the HMA.

3.27 As Figure 3.2 below shows, house price growth was strongest between 2001-2004. For example, between Q4 2001- Q4 2004 house price growth was highest in Nottingham City (108%) with an average of 81% for the East Midlands and 85% across the UK.

Figure 3.2: Median House Price Trends, 1998-2007[9]



Source: HM Land Registry/ CLG ***(****Table 582)*

3.28 However, price trends from the start of 2008 have been much less positive, as the chart below illustrates. Since the first quarter of 2008, house prices have been primarily static and have shown little growth (particularly in real terms, once inflation is stripped out).

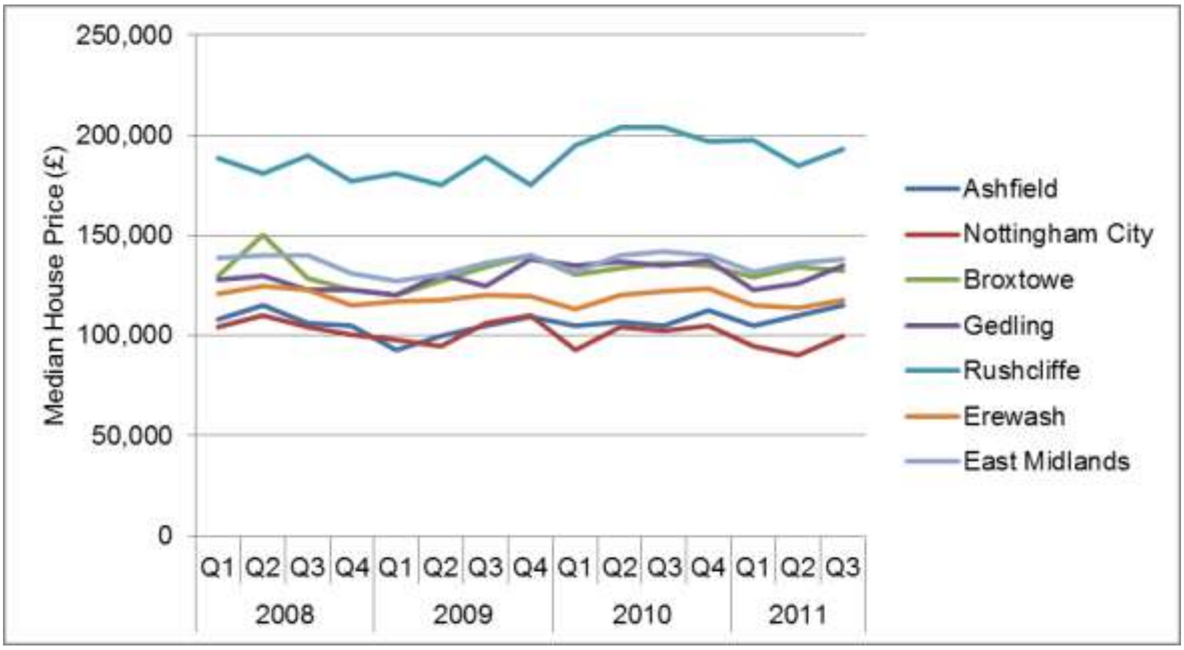
3.29 Within the Greater Nottingham HMA, growth in average house prices between 2008-11 has ranged between 5% in Gedling to -4% in Nottingham City as Figure 3.3 shows. Average growth across the Greater Nottingham HMA is 2% from 2008-2011. This compares with a median house price growth of 0% across the East Midlands.

3.30 Nottingham City has shown the greatest fall in the median house price, with house prices in 2011 being £4000 below the median house price in 2008, closely followed by Erewash with median house prices in 2011 being £3,250 lower than in 2008. In contrast, house prices across the East Midlands have fallen by just £500 over this period. In Gedling average house prices have grown by £7,000 between 2008-2011.

3.31 The relatively static house prices over the last few years suggest a reasonable balance between supply and effective demand for market homes.

[9] Note Ashfield District falls within the Nottingham Outer HMA however Hucknall, which falls within Ashfield District, is functionally part of the Nottingham Core HMA

Figure 3.3: Median House Price Trends, 2008 – 2011[10]

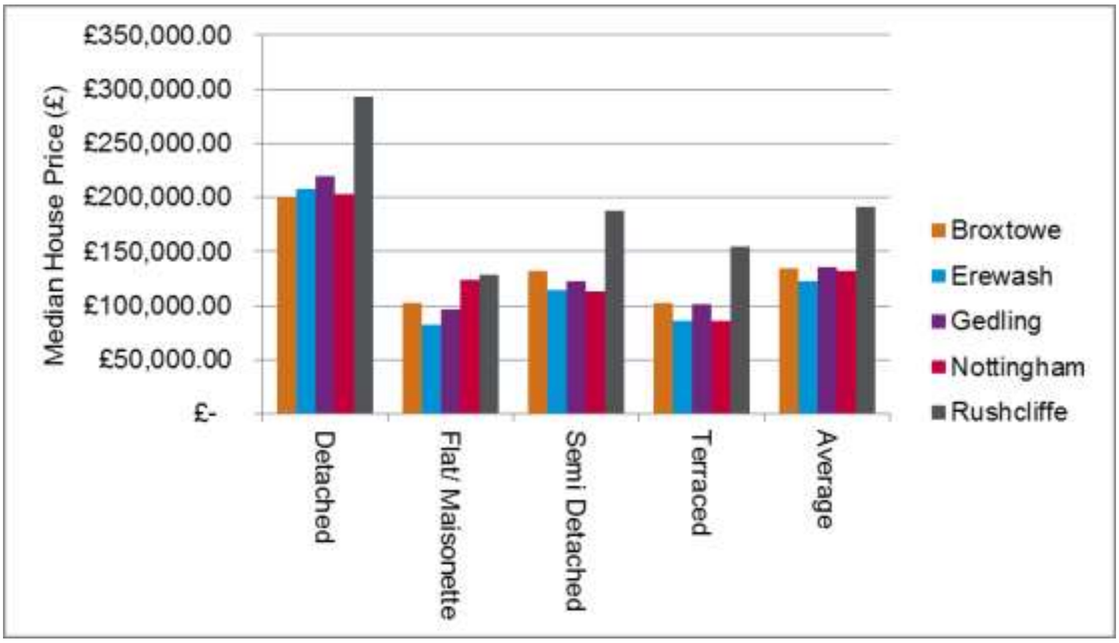


Source: HM Land Registry/ CLG (Table 582)

3.32 Average house prices are influenced by the mix of homes sold. Figure 3.4 shows average prices of properties sold in 2011 by type. With the exception of Rushcliffe, the analysis indicates that house prices by type do not vary that significantly between the five authorities, particularly compared to the differences in housing costs between different types of property. That said, there is evidently a stronger flatted market (with stronger flatted prices) in Nottingham City and Rushcliffe – that correlates with stronger completions of flats in these areas.

10 Note Ashfield District falls within the Nottingham Outer HMA however Hucknall, which falls within Ashfield District, is functionally part of the Nottingham Core HMA

Figure 3.4: Average House Price by Type, 2011



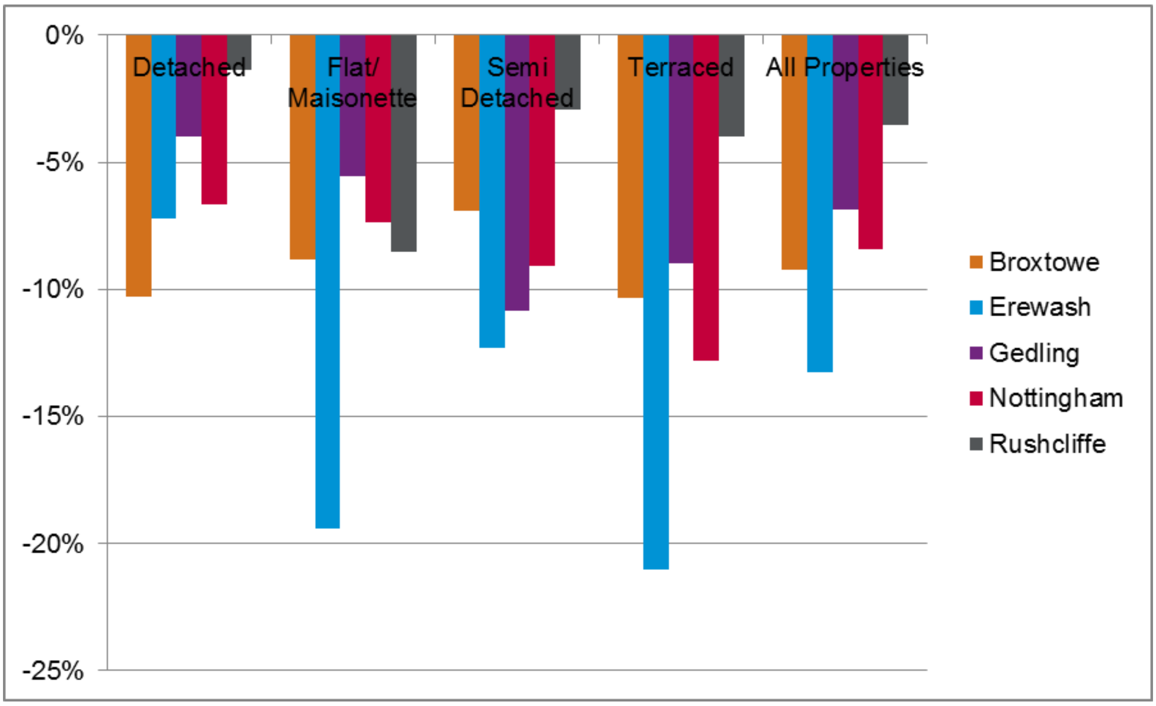
Source: HM Land Registry/ Hi4em[11]

3.33 Figure 3.5 profiles changes in house prices between 2007-2011 by property type. Across the HMA, terraced and flatted properties have seen the strongest reductions in values. In contrast detached properties (for which the buyer profile is generally older with equity in existing homes) have held their value best.

3.34 Across housing types, the greatest change in house prices has been in flats/ maisonettes, semi-detached and terraced properties. The extent of the changes in mean house prices varies across the different local authority areas within the Greater Nottingham HMA. Terraced housing has the highest range of change in mean prices at 17% (with Erewash at 21% and Rushcliffe at 4%). Changes in detached properties is highest in Broxtowe, with an average decrease of 10%, compared with an overall average decrease of 4% The chart shows that the value of flats and terraced housing has decreased significantly in Erewash. Overall Rushcliffe has seen the least reduction in overall house prices over the 2007-11 period.

[11] Data for Hucknall is not available

Figure 3.5: Change in Mean House Prices by Type, 2007-2011



Source: HM Land Registry/ Hi4EM/ GLH[12]

3.35 Overall the analysis indicates that prices for terraced housing and flats have fallen more dramatically than for detached or semi-detached homes. It suggests that the lower end of the market has seen a more substantial reduction in demand which is likely to relate to a reduction in investment and first-time buyer demand which makes up a strong element of demand for these products. While the market for detached and semi-detached homes has been clearly affected by overall market conditions, as buyers often have capital in their existing properties they are less susceptible to current constraints on mortgage finance.

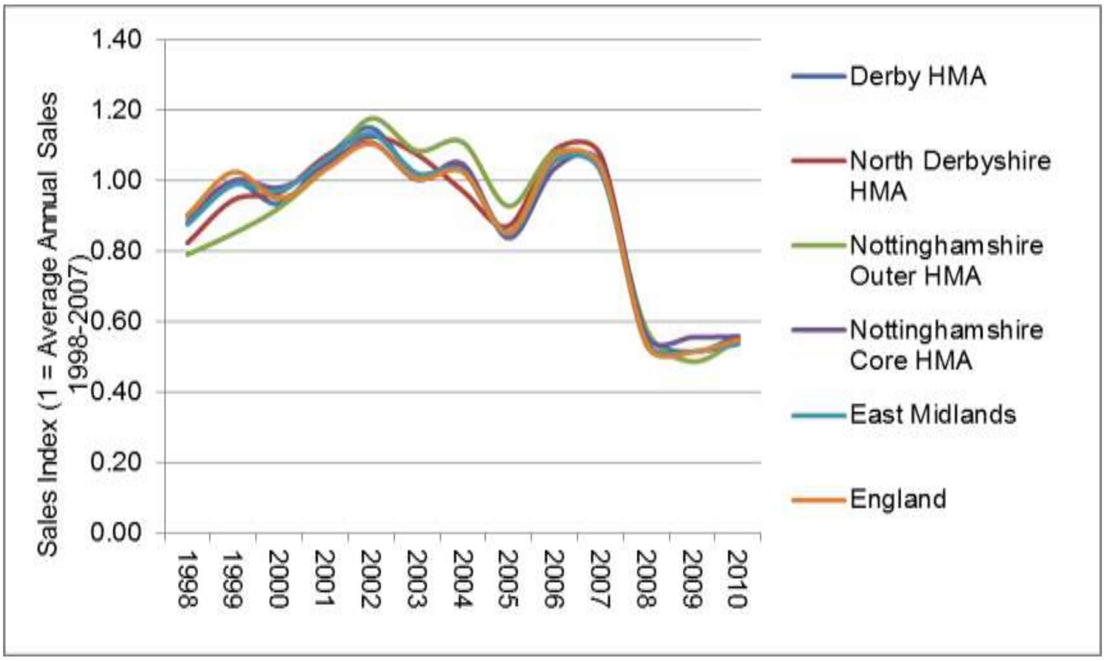
3.36 We turn next to consider sales trends. As discussed above, we consider sales trends to be a key indicator of 'effective' market demand for homes.

3.37 Figure 3.6 benchmarks sales rates between 1998-2010 in the Greater Nottingham HMA and surrounding Housing Market Areas. It uses an indexed analysis where 1 is the average annual volume of sales between 1998-2007. The analysis indicates that sales volumes dropped dramatically in 2008 and there has been very limited subsequent recovery.

[12] Data for Hucknall is not available

3.38 Sales in 2010 in the Greater Nottingham HMA were 44% down on pre-recession levels, which was broadly consistent with the picture across the East Midlands (-46%) and England (-45%). The similarity between trends indicates the importance of macro-level factors in influencing effective market demand.

Figure 3.6: Indexed Analysis of Sales Trends (1998 – 2010), Housing Market Areas

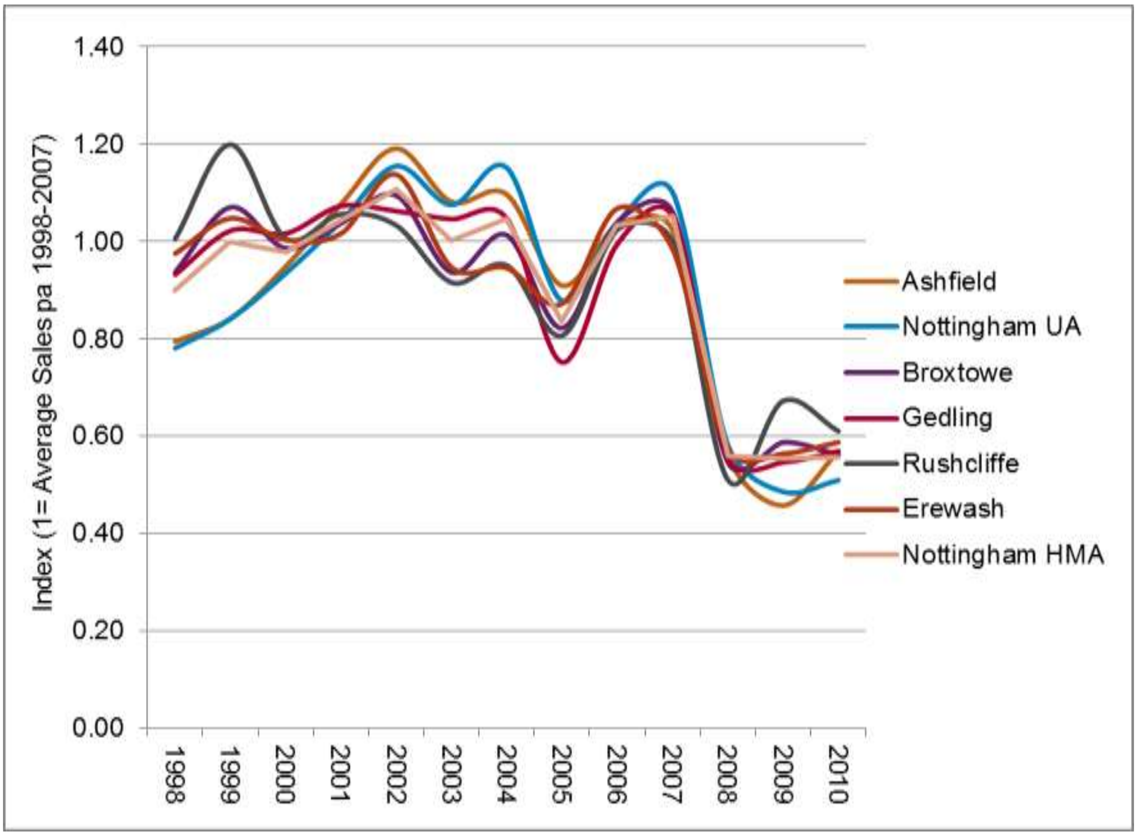


Source: HL Land Registry/ CLG/ GLH

3.39 Macro-economic dynamics clearly influence sales trends in each of the local authorities in the HMA, as Figure 3.7 indicates. We can see a similar trend in each area.

3.40 In 2010 sales volumes across the Greater Nottingham HMA were 46% down on the pre-2008 average – a very substantial reduction in sales and effective demand for market housing. Rushcliffe and Erewash performed slightly better than average with sales 39% and 41% down respectively. Sales were down 43% in Gedling, but the market had been most significantly affected by the credit crunch and changed economic conditions in Nottingham City where sales were 49% down on the average in the pre-2008 decade.

Figure 3.7: Indexed Sales Trends (1998 – 2010), Greater Nottingham HMA Local Authorities



Source: CLG

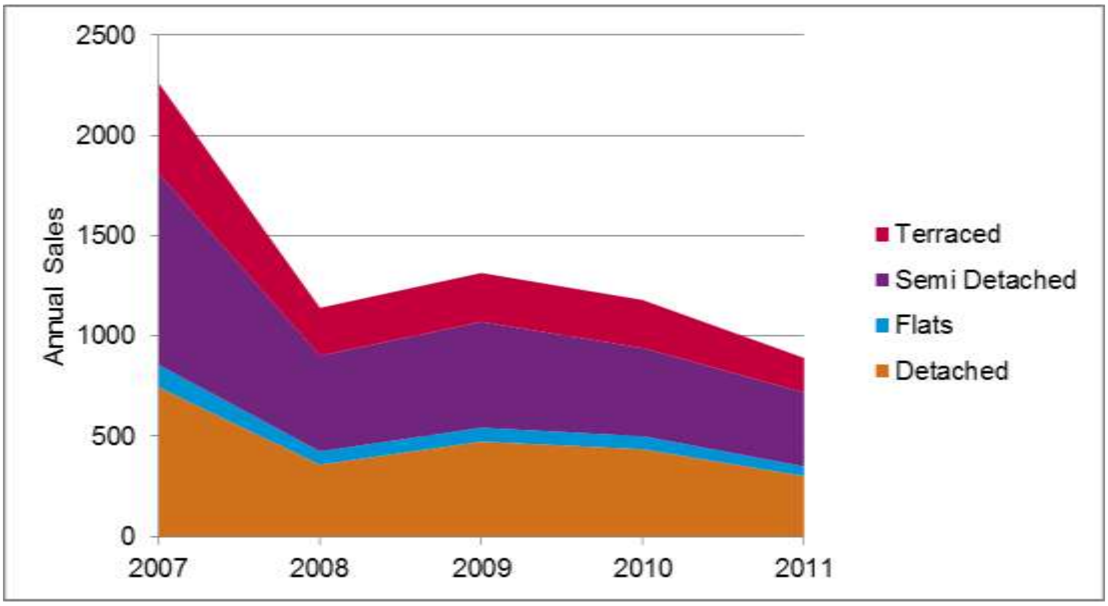
3.41 Next we move on to consider the profile of sales of different types of property across the HMA.

Broxtowe

3.42 In Broxtowe, the changes in sales by type are fairly similar across all property types with each declining by around 60%. It is clear from the data that the market is dominated by detached and semi-detached properties.

Figure 3.8: Sales by Type in Broxtowe, 2007 to 2011

Sales by Type in Broxtowe			
	2007	2011	% Change
Detached	745	302	-59%
Flats	112	48	-57%
Semi Detached	955	369	-61%
Terraced	451	172	-62%
Totals	2263	891	-60%



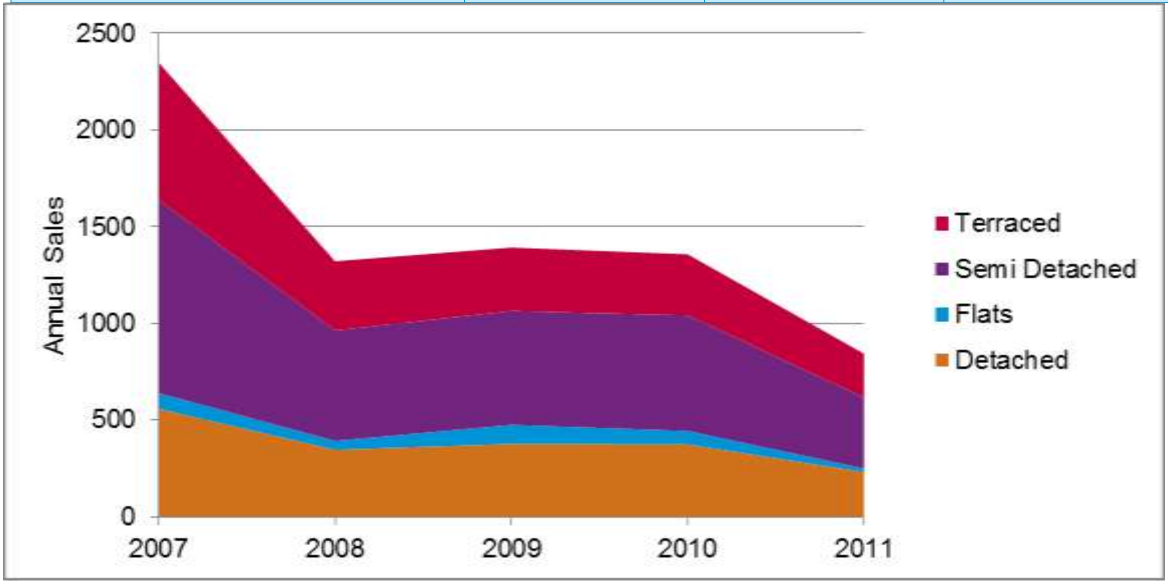
Source: HM Land Registry/ Hi4em

Erewash

3.43 Looking at Erewash, the change in sales types is more varied across property types than for Broxtowe. The volume of sales of detached housing has reduced the least compared with other property types (-59%). In contrast, we have seen a much stronger decrease in flatted (-78%). The volume of sales for semi- detached and terraced houses have also reduced noticeably at -63% and -68% respectively.

Figure 3.9: Sales by type in Erewash

Sales by type in Erewash			
	2007	2011	% Change
Detached	558	231	-59%
Flats	81	18	-78%
Semi Detached	999	367	-63%
Terraced	710	227	-68%
Totals	2348	843	-64%



Source: HM Land Registry/ Hi4em

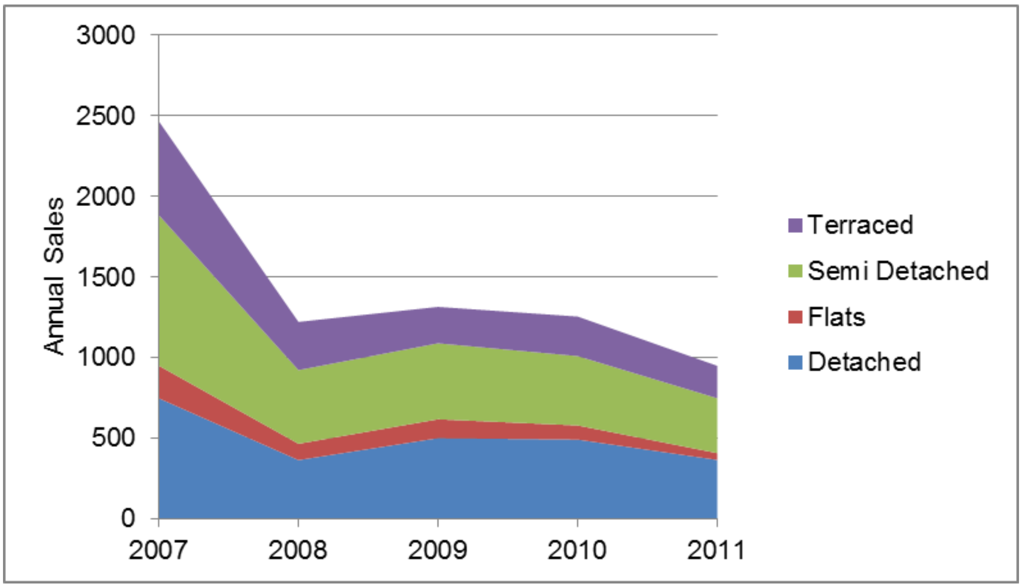
3.44 However the number of flatted sales in Erewash is relatively limited, and the most substantial reduction in sales over this period in absolute terms has been of semi-detached and terraced properties.

Gedling

In Gedling, the profile of the change in sales types is fairly similar to Erewash. The decrease in sales of flats (-79%) is considerably higher than other property types, especially when compared with the lower percentage decrease in detached housing (-51%). The decrease in the volumes of sales of semidetached housing (-64%) and terraced housing (-65%) is less severe than the decrease in flats but is still considerable.

Figure 3.10: Sales by type in Gedling

Sales by Type in Gedling			
	2007	2011	% Change
Detached	749	367	-51%
Flats	202	42	-79%
Semi Detached	934	340	-64%
Terraced	582	201	-65%
All Properties	2467	950	-61%

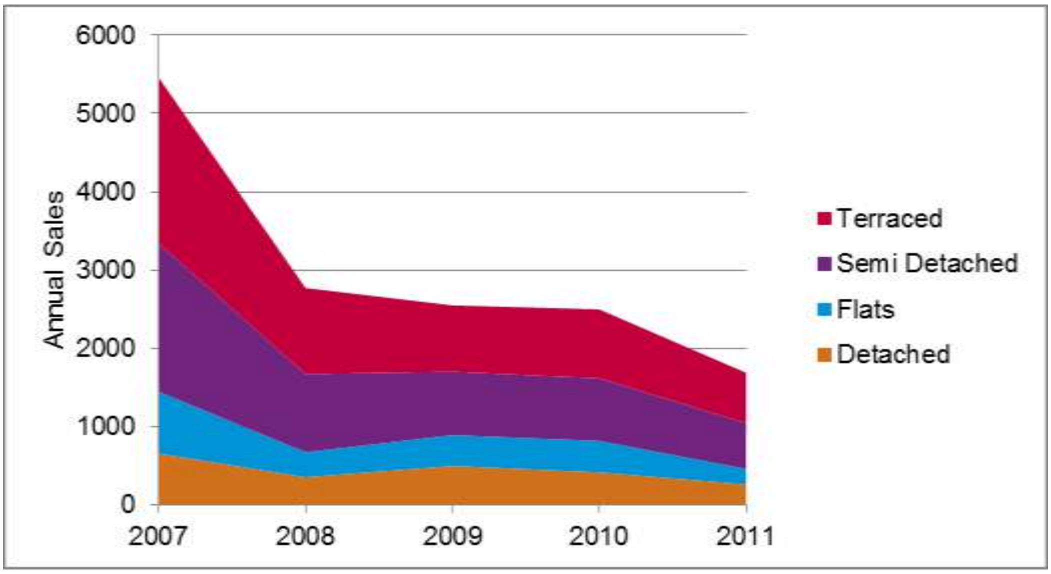


Nottingham City

3.45 As with other parts of the HMA, the number of detached sales in Nottingham City have reduced less than other housing types (-61%) whilst flats have shown the greatest proportional reduction in sales (-75%).The decrease in sales of terraces is also high (-70%) highlighting the influence of the first-time buyer and investment market as components of demand for terraced properties.

Figure 3.11: Sales by Type in Nottingham City

Sales by type in Nottingham City			
	2007	2011	% Change
Detached	654	258	-61%
Flats	789	198	-75%
Semi Detached	1898	585	-69%
Terraced	2118	644	-70%
Totals	5,459	1,685	-69%



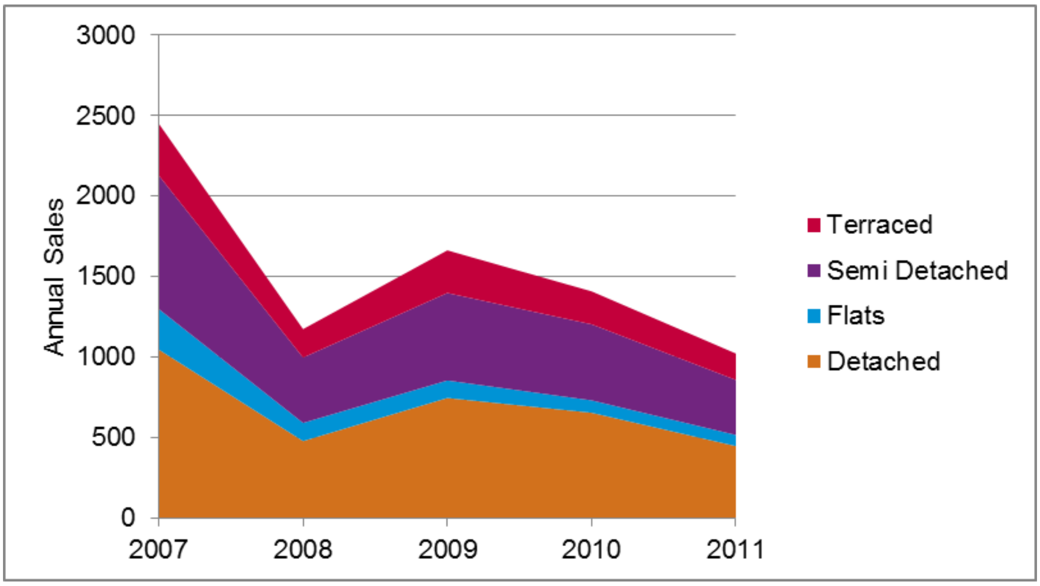
Source: HM Land Registry/ Hi4em

Rushcliffe

3.46 Rushcliffe's stronger overall sales performance reflects a market with a higher proportion of detached and semi-detached properties, and higher values. As a result it is less influenced by first-time buyer and investment purchases. Overall sales in 2011 were down 58% on 2007 levels, with a particular reduction (-73%) in sales of flats.

Figure 3.12: Sales by type in Rushcliffe

Sales by type in Rushcliffe			
	2007	2011	% Change
Detached	1046	446	-57%
Flats	252	69	-73%
Semi Detached	830	342	-59%
Terraced	322	164	-49%
Totals	2450	1021	-58%



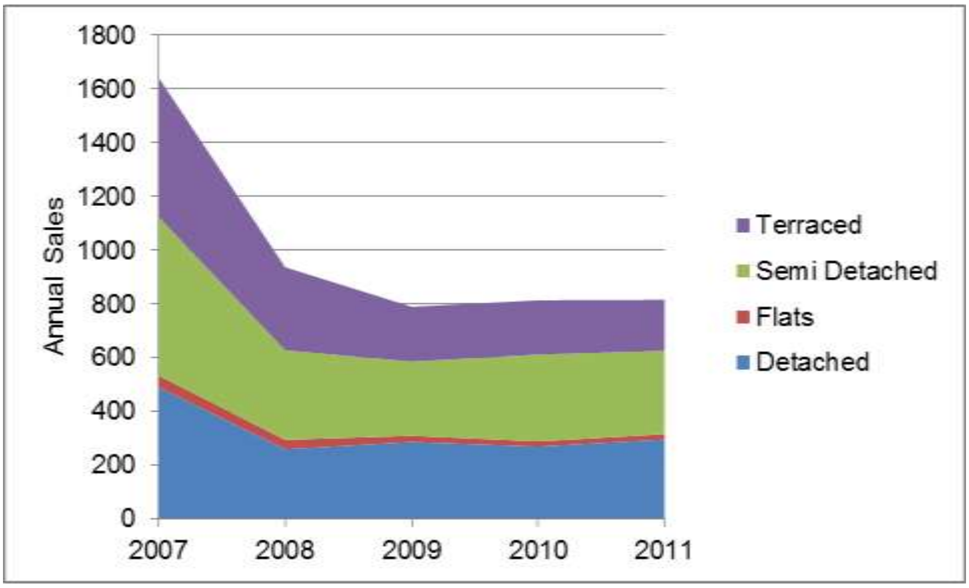
Source: HM Land Registry/ Hi4em

Ashfield

3.47 Sales in Ashfield District have declined between 2007-11 by a similar proportion to those in Rushcliffe (-58%). In proportional terms we again see a stronger reduction in sales for flats and terraced properties relative to other types.

Figure 3.13: Sales by type in Ashfield

Sales by type in Ashfield			
	2007	2011	% Change
Detached	491	296	-40%
Flats	43	20	-53%
Semi Detached	590	310	-47%
Terraced	518	190	-63%
Totals	1642	816	-58%



Source: HM Land Registry/ Hi4em

3.48 What the sales analysis particularly demonstrates is that across the HMA and in each authority, there has been a significant reduction in ‘effective demand’ for market housing. Sales in 2011 were generally 40%+ down on pre-2008 levels. A key influence on a recovery in housebuilding is thus likely to be predicated to some extent on increased demand for market housing in a context in which public sector housing delivery programmes are unlikely to increase output significantly given funding available and austerity measures.

Looking Forwards – Key Economic Drivers

3.49 In making judgements about the future timing and pace of economic recovery, it is necessary to identify and assess key drivers. We consider that key economic drivers of the housing market are:

- Economic dynamics;
- Inflation and households' ability to save;
- Interest rates and the cost of debt;
- Access to mortgage finance;
- Market confidence/sentiment.

3.50 Our focus in this report is on considering housing delivery, and thus the key issue is how these factors are influenced (and may influence moving forward) housing transactions levels (sales) including new-build sales within this.

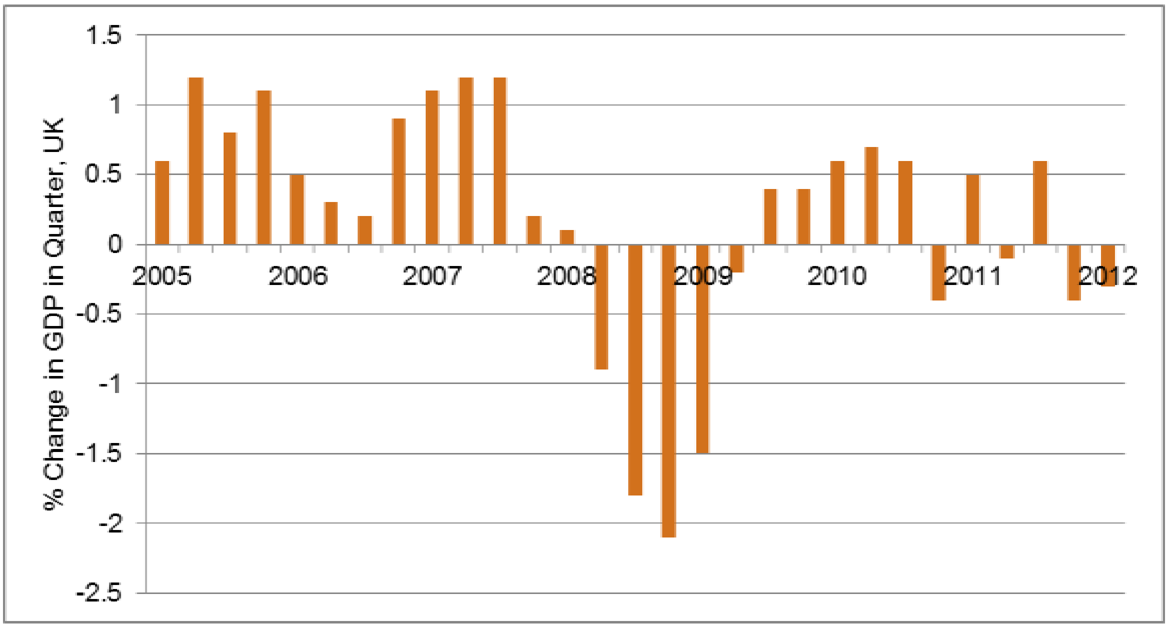
3.51 In this section we provide an overview of key drivers, drawing on a review of recent market commentaries and other relevant publications.

Macro-Economic Dynamics

3.52 Much has been written over the last few years about economic performance and outlook. The UK economy, as well as a number of the major global economies, experienced an economic recession which lasted five quarters from Q2 2008 until Q3 2009. This was triggered by the 'credit crunch' and restricted bank lending.

3.53 The economy began to recover in 2010 however the recovery has been much weaker than the previous four UK recessions (as Figure 3.14 indicated) and the economy effectively flat-lined in 2011. In early 2012, with two quarters of negative growth, it officially returned to recession (albeit with only a moderate contraction in economic output).

Figure 3.14: UK Economic Growth, 2007-2011



Source: ONS

3.54 The weak economic outlook has affected employment and earnings growth and unemployment levels, feeding through into housing demand. As Jones Lang LaSalle's *Residential Eye*[13] identifies, "a major drag on transactions levels are the relatively weak economic, employment and household finance environments."

3.55 It is reasonable to argue that **a growing economy is to some extent a precursor to a significant improvement in housing market conditions**. A return to a period of consistent economic growth will support the housing market through improved employment opportunities and reducing unemployment, which will feed through into household finances. Improved economic confidence at the macro-level will also encourage householders' and landlords to invest.

3.56 We can consider prospects for economic recovery with regard to official economic forecasts. The latest forecasts from the independent Office for Budget Responsibility dated from March 2012 and can be now regarded as somewhat optimistic (they for instance predicted that the economy would narrowly avoid a return to recession). They are shown below:

[13] *Jones Lang LaSalle (2012)*

Figure 3.15: OBR Forecasts, March 2012

	2012	2013	2014	2015	2016
GDP Growth	0.8%	2.0%	2.7%	3.0%	3.0%
CPI Inflation	2.8%	1.9%	1.9%	2.0%	2.0%
Employment (million)	29.1	29.2	29.4	29.7	30.0
ILO Unemployment (%)	8.7	8.6	8.0	7.2	6.3
Claimant Unemployment (million)	1.65	1.64	1.52	1.35	1.19

Source: OBR Economic & Fiscal Outlook, March 2012

3.57 HM Treasury has published more recent 'consensus forecasts.' The latest medium-term forecasts data from August 2012. They are summarised below:

Figure 3.16: Treasury Consensus Forecasts, August 2012

	2012	2013	2014	2015	2016
GDP Growth	-0.4%	1.1%	1.9%	2.3%	2.4%
CPI Inflation	2.5%	1.8%	1.9%	2.1%	2.1%
RPI Inflation	2.9%	2.3%	2.6%	3.0%	3.1%
Claimant Unemployment (million)	1.62	1.68	1.61	1.51	1.37

Source: HM Treasury, Forecasts for the UK Economy Aug 2012

3.58 As a comparison of the two forecasts demonstrates, economic prospects in the short and medium-term have been 'downgraded.' The economy is forecast to contract overall in 2012 and grow relatively weakly in 2013. Growth will improve thereafter but remain below the long-term average (2.7%) in the medium-term.

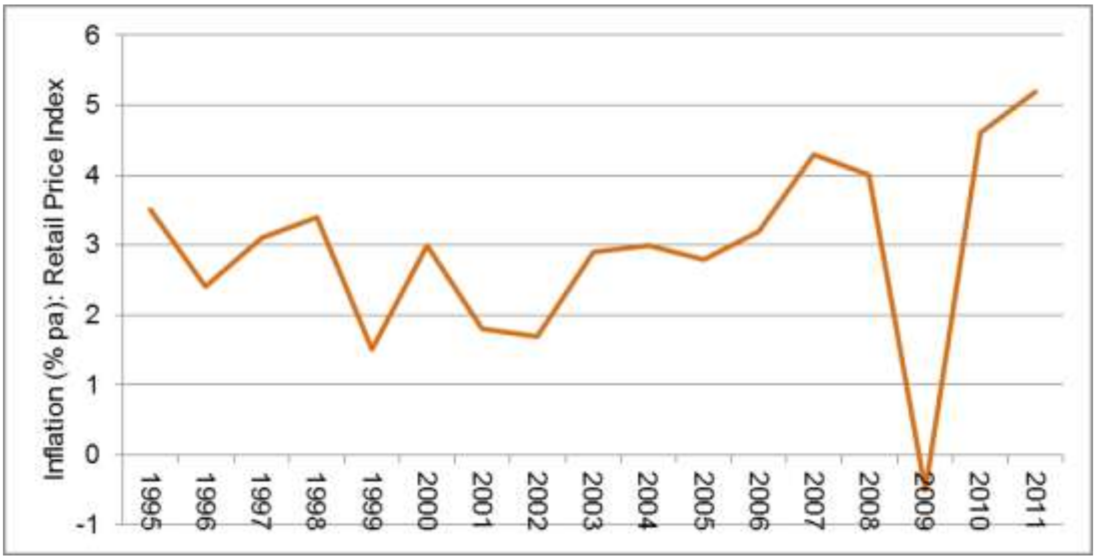
3.59 The Treasury Forecasts expect claimant unemployment to increase over the next year, but to decline thereafter.

Inflation & Households Ability to Save

3.60 Inflationary pressures in the economy over the last couple of years have eroded households' real earnings and their ability to save. This for instance influences households' ability to raise a deposit on a new home and can place pressure on household finances, affecting their ability to maintain mortgage payments.

3.61 To assess inflation we have used the Retail Price Index (RPI) as this includes housing costs. Figure 3.16 indicates annual inflation rates using this measure. Over the last decade, RPI has averaged 3.0% per annum. Whilst the drop in house prices and interest rates clearly had an impact in 2009, inflation in recent years has been above average.

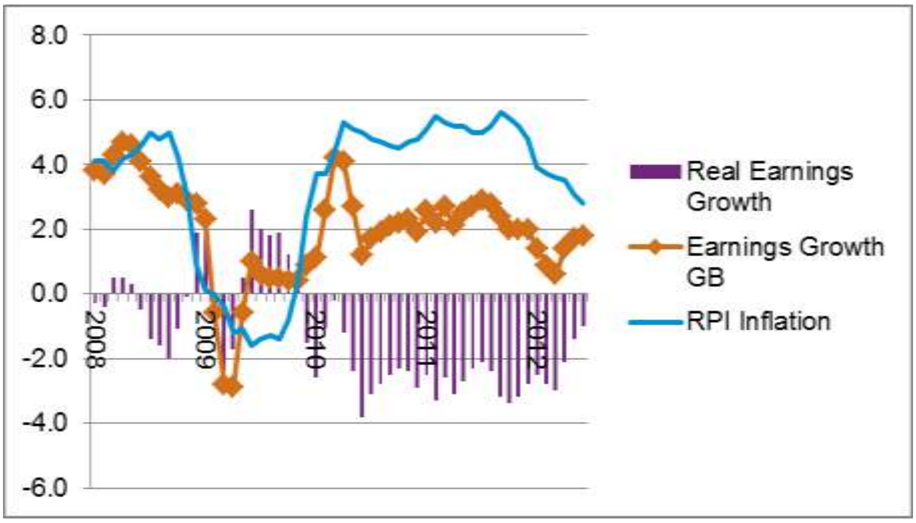
Figure 3.17: Inflation (Retail Price Index)



Source: ONS

3.62 Figure 3.18 compares inflation to earnings growth since 2008. As the graph indicates inflationary pressures have led to a decline in real earnings over much of this period. This has put pressure on household finances and significantly influenced households' ability to save.

Figure 3.18: Assessing Growth in Earnings in Real Terms



Source: GLH Analysis of ONS RPI and Monthly Wages & Salaries Survey Data

3.63 Inflation (currently running at 2.6% using CPI in Sept 2012) is forecast to return to below the Government's 2.0% from 2013 onwards. **A reduction in inflation can be expected to ease pressure on households' finances, supporting their ability to save and to afford mortgage**

repayments. Over time this will support the housing market. **This driver can be expected to improve from 2013.**

Interest Rates & the Cost of Debt

3.64 Interest rates affect the cost of servicing a mortgage and thus are a significant factor in influencing the affordability of mortgage finance.

3.65 Interest rates have fallen significantly as the Bank of England has sought to support the economy. Trends in interest rates are indicated in Figure 3.19. The reduction in interest rates in late 2008 helped to support the growth in house prices in 2010 (following a substantial drop in 2009). Indeed since March 2009 the Bank of England Base Rate has been just 0.5% - as low as it has even been. This compares for instance to a Base Rate of between 10.4% - 13.4% in 1991.

3.66 The interest rate for a standard tracker mortgage currently stands at 4.34% (as at the end of July 2012). A 2-year fixed rate deal is available at a rate of 3.67%.

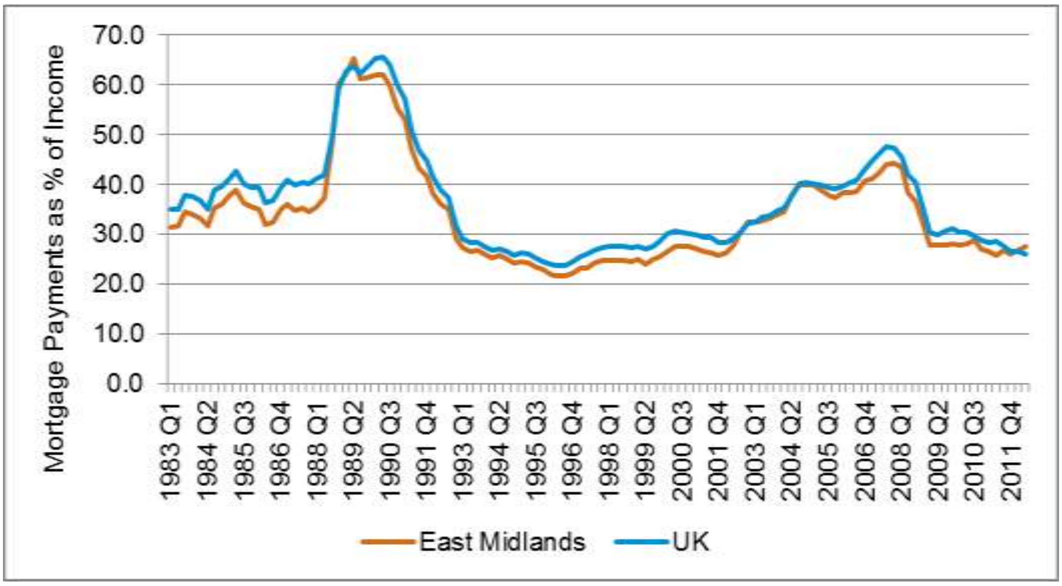
Figure 3.19: Interest Rates since the Onset of the Credit Crunch

Source: Bank of England

3.67 The reduction in interest rates helped to support the housing market and house prices in 2010. However by 2011, as Knight Frank put it, “the support from ultra-low interest rates has become insufficient to offset the increasing pressure on household finances as unemployment rose and wages lagged inflation.”

3.68 A combination of the drop in house prices and low interest rates does however mean that market housing is now relatively 'affordable' for those who can raise the necessary deposit.. Figure 3.20 provides a long-term analysis of mortgage repayments expressed as a percentage of monthly incomes. In 2012 Q2 the average mortgage repayment in the East Midlands takes-up 27.6% of a households' income. As a measure of affordability this is similar to 2000-1. It is a more sophisticated measure of the affordability of market housing for sale than price-income ratios.

Figure 3.20: Mortgage Repayments as a Percentage of Income



Source: HBOS

3.69 However it should be recognised that moving forward any rise in interest rates could have a dampening effect on growth in housing demand. Sustained high inflation and wider macro-economic conditions could justify increasing the Bank Rate over time.

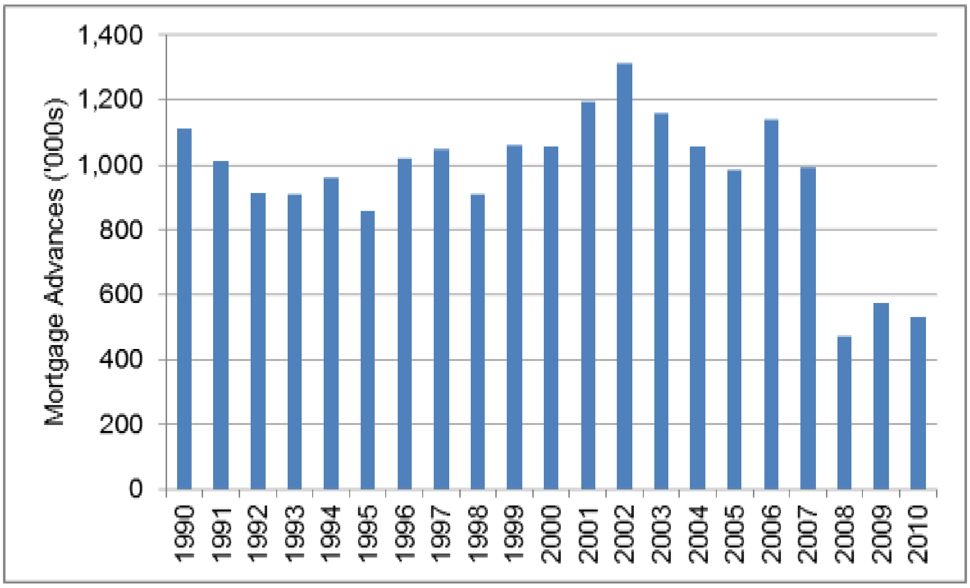
Access to Mortgage Finance

3.70 The final key driver is access to mortgage finance. As we have discussed the credit crunch led to a significant reduction in the level of mortgage products available, changes to the loan-to-value ratios accepted requiring households' to have a larger deposit, and introduction of a much tighter set of lending criteria. The impact of these factors has been significant, Savills commenting that: *"the imposition of very low loan-to-value rations and stringent qualification of applicants has created a major barrier to housing accessibility. The costs of deposits has overtaken the cost of debt repayments as the key issue determining affordability.[14]"*

[14] Savills (2012) *Residential Property Focus Q2 2012*

3.71 Figure 3.21 profiles longer-term trends in mortgage approvals across the UK. These peaked at 1.3 million in 2003, and stood at 991,000 in 2007 but have since declined dramatically.

Figure 3.21: Mortgage Advances, UK

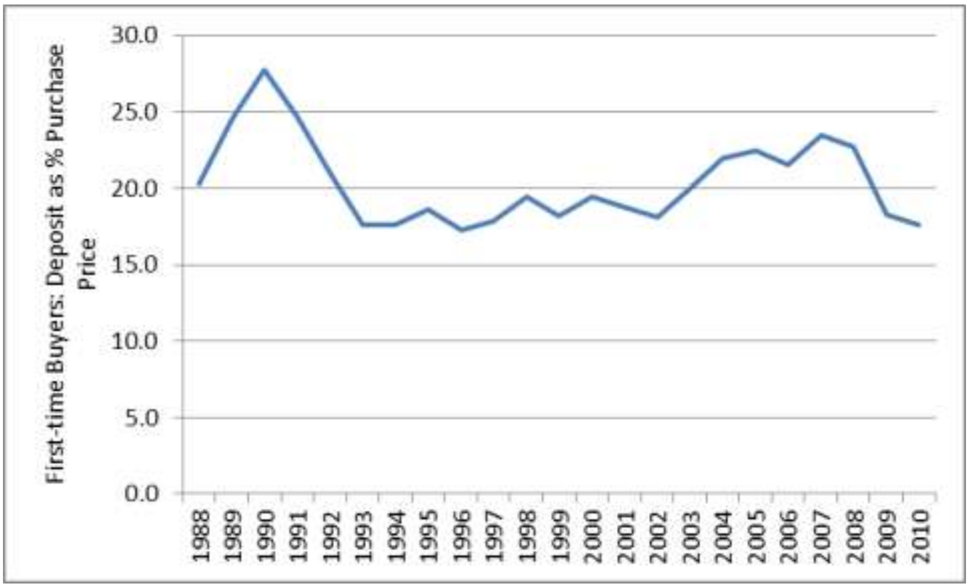


Source: Bank of England Regulated Mortgage Survey

3.72 Gross mortgage lending at loan-to-value ratios of 90% or more has fallen by 95% since Summer 2007. The average deposit paid by first-time buyers has more than doubled over this period. Loans for households' without a sufficient deposit or existing equity are generally at less competitive rates.

3.73 Council for Mortgage Lenders (CML) data from July 2012 indicates that the average deposit paid on a home stands at 31%, with an average figure of 19% for first-time buyers. The average first-time buyer household borrowed 3.21 times their income (broadly consistent with figures a year previously). The average first-time buyer deposit edged below 20% for the first time in three years – suggesting a slight improvement in access to finance. Figure 3.22 profiles longer-term trends in first-time buyer deposits.

Figure 3.22: Deposit as % of Purchase Price, UK



Source: CLG Table 539/ Regulated Mortgage Survey

Sales Market Forecasts

3.74 In this section we summarise forecasts for the sales market.

RICS

3.75 The latest RICS Housing Market Survey (June 2012) showed a worsening trend in price expectations and the agreed sales net balance, with 22% more surveyors recording price falls rather than rises. The survey also suggested that market activity also contracted following the spike in March associated with the expiry of the stamp duty exemptions. The survey reported a decline in both new buyer enquiries and vendor instructions. The trend in sales volumes was also down.

3.76 The RICS Survey forecast that the outlook for the next three months remains broadly unchanged, with sales expectations turning slightly more positive but price expectations negative. Overall over the next year sales volumes are expected to remain static. East Midlands surveyors expected prices to fall.

3.77 RICS' Economic Overview (July 2012) forecasts UK housing transactions of 890,000 in 2012 compared to 868,000 in 2011 – a moderate 2.5% improvement.

Knight Frank

3.78 Knight Frank's view (UK Housing Market, Q4 2011) is that the mainstream market over the next few years will improve slowly. The forecast is of continuing low transactions in the medium-term; prices falls in nominal and real terms in 2012 followed by low nominal growth but real term falls in 2013 and 2014; before a slow recovery in prices and sales volumes post 2015. However a number of alternative scenarios are presented:

- An upside scenario is presented whereby rapid global economic recovery feeds through to improve UK economic conditions and household finances. Prices stabilise with a return to nominal and real growth, and a related upswing in transactions. However Knight Frank ascribed a likelihood of this scenario occurring of just 1 in 20.
- The downside scenario presented is one of a 'sharp correction.' In this scenario, a trigger event such as a collapse of the Eurozone or a serious sovereign debt crisis in the UK or US results in conditions similar to those in 2008 with a seizure of inter-bank lending and credit availability. In this scenario prices could fall further; and transaction volumes could fall even further from their already depressed levels. Knight Frank suggest than a prolonged spike in inflation resulting in a rapid rise in interest rates could be an alternative trigger. Knight Frank in Q4 2011 assessed the probability of this scenario as 20%.

3.79 Looking over the longer-term, Knight Frank forecast that interest rates will rise from 2013 but will remain low in a historical context. Critically they suggest that "*it also seems reasonable to assume that, despite a government desire to regulate the sector, there will be more relaxed access to mortgage market funding in the future.*"

3.80 However they predict that nominal price growth moving forward will be noticeably lower than the trend seen historically, as they expect household income growth to remain subdued over the long-term impacting on what households' can afford. On this basis their forecasts for house prices show little convincing growth until 2015. Furthermore post 2016 the long-term growth forecast for UK house prices of 4.8% per annum nationally remains below the long-term average of 6% per annum, reflecting the continuing impact of the credit crunch.

Figure 3.23: Knight Frank House Price Forecasts, Q4 2011

Source: Knight Frank Residential Research

3.81 Knight Frank forecast that in nominal terms house prices nationally will not return to their 2007 levels again until 2018. The East Midlands is however forecast to fare slightly better, with prices achieving their 2007 peak in 2017. In regard to sales, Knight Frank forecast as follows:

"we expect a gradual rise in overall housing transactions from next year [2012], but do not foresee a return to pre-2007 levels in the next five years."

3.82 They forecast that transactions will return to nearer the long-term 20 year average (1991-2011) and maintain at this level form 2016.

Savills

3.83 Savills note that housing transactions nationally remain 46% below their pre-credit crunch average. Their latest forecasts[15] comment that "*with little sign of improvement in the availability of mortgage finance and an increase in the standard variable rate of interest charged by some lenders, there seems little prospect of a sustained improvement in mainstream market activity over the next two years at least."*

[15] Savills (2012) *Residential Property Focus Q2 2012*

3.84 Savills forecast a decline in house prices in 2012 with growth thereafter. Growth in house prices of 9.2% over the five year period to 2016 is forecast in the East Midlands.

Figure 3.24: Savills House Price Forecasts, Q2 2012

	Change from Peak to 2011	2012	2013	2014	2015	2016	5 Years to 2016
Prime Midlands/ North	-24.1%	-6.0%	2.0%	2.0%	4.5%	5.0%	7.3%
Mainstream East Midlands	-11.0%	-1.5%	0.5%	2.0%	3.0%	5.0%	9.2%
Mainstream UK	-10.5%	-1.5%	0.5%	1.0%	2.0%	4.5%	6.0%

Jones Lang LaSalle

3.85 Jones Lang LaSalle's *Residential Eye*[16] reiterates the impact which a lack of finance and economic conditions are having on the housing market. They highlight that although transactions levels over the past four years have been the lowest of record they show little signs of improving – and that this is having a notable effect on levels of housing development.

3.86 JLL's housing market forecasts are for static prices across the UK in 2012, with London performing well but house price falls in the Midlands and South. House price growth is forecast from 2013 onwards, with real term (i.e. above inflation) growth from 2014. For the UK as a whole their forecasts are more optimistic than Savills.

Figure 3.25: JLL Price Growth Forecasts, Q2 2012

	2012	2013	2014	2015	2016
Midlands & North	-2%	1%	3%	5%	7%
UK	0%	3%	5%	6%	5%

3.87 Transactions are forecast to increase from 925,000 across the UK in 2012 by 12% over the period to 2016. In 2016 they would thus likely remain below long-term averages. Housing completions in England are forecast by JLL to increase by a slightly stronger 27% over this four year period to 140,000.This is similar to average completions between 1997-2003.

16 JLL (2012) *Residential Eye – Summer 2012*

Figure 3.26: JLL Transactions Forecasts, Q2 2012

	2012	2013	2014	2015	2016
UK Transactions	925000	950000	975000	1050000	1125000
UK Mortgage Lending	625000	650000	680000	750000	825000
England Housing Completions	110000	115000	120000	125000	140000

Rental Market Forecasts

3.88 In addition to looking at the sales market, it is relevant to explore trends in the rental market. The private rented sector has been the key growth sector in the housing market over the last decade.

3.89 Savills Residential Property Focus Q2 2012 provides forecasts for the rental sector, setting out that:

"We [Savills] estimate that £200 billion of investment is required in the next five years, if the demand for private renting is to be met. But banks remain much more constrained in their buy to let mortgage lending, and it's expected that only £50 billion of the required investment will take the form of buy to let loans. Attention is therefore increasingly focused on the attractions of the private rental market for institutional and investment funds, and to a lesser extent, those private investors with equity."

3.90 In increasing institutional investment, a key factor is the relative return on the investment compared with other income-producing asset classes. Historically the net yields have been comparatively weak. However, as Savills set out, the market fundamentals have been changing.

3.91 Rental demand has clearly been outstripping supply in recent years fuelling growth in rents. Savills for instance indicate that rents across the UK rose by an average of 5.2% in 2011. Moving forward Savills forecast that this will continue: "*rental demand is expected to continue to outstrip supply in the coming five years, keeping rents under upward pressure*."

3.92 The attractiveness of housing for investment purposes in the short-to-medium term is thus primarily related to the rental return on the investment (yield) rather than the capital growth in the value of the asset. As the forecasts for house prices set out show, the prospects of rapid growth in house prices look relatively weak. According to Savills, the average gross income yield now stands at 5.8% nationally. In the East Midlands the average is 5.9% (with yields varying between 4.9% - 6.8% depending on the property, location etc.). The yield from large scale investors buying properties in bulk can be higher still (where properties can be bought at a discount). Once maintenance costs and void periods are considered, Savills data indicates a typical net yield for a private landlord of around 4.1% across the UK.

3.93 Savills forecast total returns[17] over the 2011-21 period from private rented properties of between 7.0 – 7.5% in Nottingham. This is similar to Bristol, Northampton and Leicester; but below those in London and key towns in the Greater South East such as Brighton and Hove or Reading with a strong rental market.

3.94 Growth in the size of the sector is forecast. It has increased almost 50% in the five years to 2011 from 3.4 to 4.8 million households across the UK. Savills forecast that it will increase further to 5.9 million in 2016.

3.95 Savills' view is that over the next few years, the rental sector will become increasingly attractive for corporate investors. Jones Lang LaSalle forecast growth in both buy-to-let investment and corporate investment in the sector.

3.96 JLL point to the prospect of the removal of legislative barriers to residential Real Estate Investment Trusts (REITs) through the 2012 Finance Bill, as well as other changes to the status and interest cover of REITs as supporting the potential expansion of institutional investment in the sector. However they conclude that *"there is still a huge leap to be made before residential investment by large landlords and institional investors becomes anywhere near significant for either the private rented sector or housing supply in the UK. As a result, we do not believe that the Government can expect institutions to help boost housebuilding volumes in any meaningful way unless radical new policies are put in place."*

Scenarios for Housing Market Recovery

3.97 Forecasting future housing market performance is inherently uncertain. Drawing together the preceeding analysis we can identify a number of alternative scenarios for recovery in the housing market. These are examined below.

Scenario 1: Rapid Recovery in the Housing Market

3.98 This scenario would be driven by a marked improvement in economic conditions in the short-term, with a very swift recovery from recession. In this scenario the risk of default of a Eurozone economy (and break-up of the Eurozone) reduces in the short-term.

3.99 The housing market responds relatively strongly, with a rapid recovery in the mortgage market resulting in increased choice and availability of mortgage products, with increasing choice and better terms for loans with higher LTV ratios. This helps to spur a relatively swift recovery in the sales market, which feeds through to new-build development.

[17] The net annual income generated as a percentage of the capital outlay

3.100 In this scenario we could see a spike in demand as latent (or pent-up) demand is released, which provides a short-term driver of growth in house prices.

Scenario 2: Base Scenario

3.101 This scenario sees economic growth return in 2013 but remain moderate over the period to 2017, linked to low global and European economic growth and the impact of austerity measures.

3.102 In this scenario the housing market recovers gradually, supported by some growth in the availability of mortgage finance and from would-be buyers deciding that purchases or moves cannot be put off further. However there is no return to the levels of choice of mortgage products and terms which were supported in the early 2000s in this decade.

3.103 Housing sales in this scenario return to levels close to long-term averages between 2016-18.

Scenario 3: No Recovery

3.104 This scenario explores the potential for a long-term structural shift in economic conditions. In this scenario current housing market conditions continue to persist over a sustained period, with historically low transactions levels.

3.105 New-build development in this scenario continues to be curtailed by a combination of stagnant economic conditions (with little economic growth), little improvement in employment levels, continuing mortgage and development finance restrictions, and continued uncertainty and risks associated with Eurozone performance.

Scenario 4: Collapse

3.106 The final scenario explores the impact of a Eurozone nation defaulting. This has a cascading impact on economic confidence and investment, to which the UK and local economies are not immune. A further credit crunch and retrenchment of bank lending occurs.

3.107 In this scenario, housing market activity falls further from its already subdued levels. A sharp drop in demand triggers a further and more marked price correction. The recovery is particularly protracted and occurs over a number of years.

Evaluation of Scenarios

3.108 We consider that all of the above scenarios represent alternative, and feasible, outlooks for the housing market. However some are more likely than others. At the time of writing, the base scenario is considered the most likely scenario. However there are notable downside risks to this which should be addressed. A rapid recovery in the housing market in the period to 2016 currently seems unlikely. However, in policy terms, it is important no significant impediments exists to better performance than in the base scenario.

3.109 We could equally foresee linked scenarios for different parts of the housing market. For instance for the rental market, one scenario might see long-term growth in demand (linked to continuing restrictions to purchasing homes). This is a perfectly feasible scenario. However there is uncertainty regarding how supply might respond – with one scenario seeing supply improve, linked to the growth in new investment models and buy-to-let lending. In an alternative scenario, rental supply fails to keep pace with demand. It is currently unclear which is the more realistic of these two scenarios.

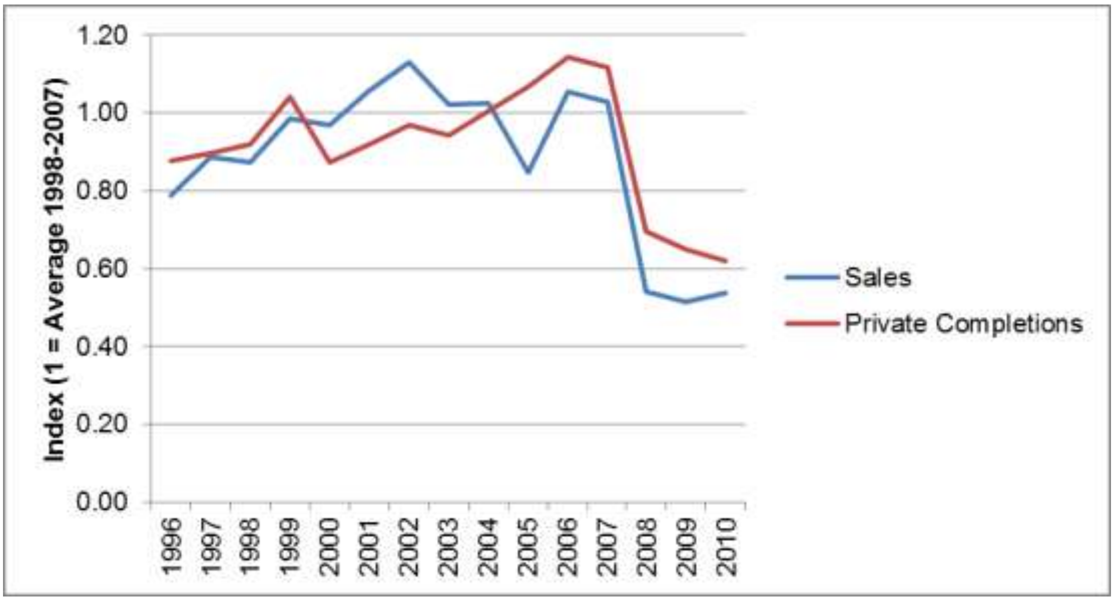
3.110 Equally for flatted development, there are a number of key factors and drivers which may influence the recovery of this market (as identified). These include the extent and pace of recovery in investment demand and the emergence of new investment models – for investors of varying scales. Similarly finance costs and criteria and changes in values for flats will influence development viability.

3.111 A key issue for this report is the how this will play through into housing delivery. There is a strong correlation between the reduction in overall sales volumes and the reductions in housebuilding. Given that in most areas new-build sales are less than 10% of overall sales in a given period, it is clear that **effective market demand for housing needs to improve to stimulate an increase in housebuilding rather than an increase in land supply.** This is not to say that there is some potential benefit of improving land supply (looking regionally or nationally), but this alone is unlikely to result in a meaningful improvement in housing delivery.

3.112 This can be highlighted through comparison of trends in housing delivery (gross) and housing sales (of all properties) across the region, as shown in Figure 3.27.

3.113 The analysis highlights that, although there are some time lag effects between increased demand and improvements in housing completions, there is a clear relationship between sales of all properties and the new-build completions data.

Figure 3.27: Comparison of Trends in Private Completions and House Sales, East Midlands 1996-2010 (Indexed Analysis)



Source: HMLR / CLG Tables 232 & 588

3.114 A critical issue for any recovery in the housing market is mortgage finance constraints. None of the evidence presented suggests that there will be a rapid improvement in access to mortgage finance or a significant loosening of lending criteria. In the immediate term the risk of breakup of the Eurozone continues to create uncertainty in financial markets. Moreover attitudes to lending have shifted. This said in the medium-term it is not unreasonable to assume that there is some relaxation of mortgage and lending terms – although it seems unlikely that we will return where we were in the early and middle part of the last decade (the 2000s).

3.115 More widely the economic outlook will need to improve to support a recovery in effective housing market demand. The Treasury's latest forecasts point to 2015 before we really see economic recovery gather pace. It is against this context in which it seems reasonable to consider that a gradual rather than rapid improvement in housing market conditions is most likely. JLL's forecasts of relatively moderate improvements in sales and housing supply in the period to 2014, with more rapid improvement in 2015 and 2016 therefore has some basis.

3.116 There are however some notable risks. A key risk is of a Eurozone country defaulting on its debts, which could have significant implications on the UK and indeed the World economy, and could result in a drop in housing sales and completions from even current, historically low levels. A further risk is of continuing strong inflationary pressures, which would put pressure on the Bank of England to raise interest rates; and would erode households' abilities to save.

3.117 The prospect of continuing growth in rental demand seems highly likely. The question here however is the extent to which this will support supply levels. It seems likely that access to mortgage finance will limit, to some degree, the scope for growth in buy-to-let lending. Whilst there are number of policy initiatives emerging to support institutional investment in the private rented sector, these are currently embryonic. In addition, policy initiatives are unlikely to overcome the significant impacts of wider macro-factors on market dynamics. We foresee some growth in institutional investment (which may help to support the flatted market in the HMA) but this will have a moderate effect on overall housebuilding.

4 POTENTIAL FOR RAPID RECOVERY IN HOUSEBUILDING

4.1 This section reviews the potential for recovery in the housing delivery. It is focused on addressing the following core questions:

- How rapidly has the housing market recovered from previous recessions, and are there differences in the expected profile of recovery in this recession from previous recessions;
- What impact might policy measures have in contributing to a recovery in housing delivery, considering both demand- and supply-side measures;
- How quickly might the housebuilding industry be able to respond to an improvement in market conditions? Is there likely to be a lag factor?
- Could the market in the Greater Nottingham HMA post stronger housing delivery rates than those achieved towards the peak of the market?

Profile of Housing Market Recovery from Previous Recessions

4.2 In Section 2 we profiled the pace of recovery from previous recessions at a national level. This analysis highlighted a mixed picture:

- The scale of recovery in private housebuilding from the mid 1970s recession was relatively muted, with housing delivery rates remaining below 132,000 each year over the remainder of the decade relative to delivery of 174,000 in 1972 immediately prior to the recession;
- Similarly the early 1990s recession saw private housebuilding drop from 154,000 to 117,000 between 1989-1992; and remained below 130,000 a year over the period to 2003; but
- In contrast following a sustained period of relatively low housing delivery in the late 1970s running into the early 1980s recession, private housebuilding responded relatively strongly increasing from a low point of 99,000 in 1981 to reach 149,000 in 1986.

4.3 The analysis highlights that we have seen sustained periods of relatively modest housing delivery between 1974-1983 and 1992-2002 when private completions each year fell below 130,000 nationally. In each case these lasted the best part of a decade.

4.4 A particular feature of this recession is the large budget deficit. This could well impact on delivery of affordable housing in the short-term, which could influence overall improvements in housing delivery. It is clear that affordable housing has played an important role in supporting housing delivery over the last few years.

4.5 In 2012 we are now four years on from the start of the recession. As Figure 2.4 highlights, economically we have a very muted economic recovery to date with economic output remaining some way below that at this point (16 quarters from the onset of recession) following previous recessions. Furthermore we have a specific set of factors around constraints to bank lending and mortgage finance. This would suggest that recovery could be drawn out over some years.

4.6 This picture is reinforced by the sales evidence, as presented in Section 3, which suggests levels of effective demand remain 40% or more below long-term trends (based on averages over the pre-recession decade). The forecasts from Jones LangLaSalle suggested housing transactions would increase from 925,000 across the UK by 12% over the period to 2016 (but at this point would still remain below long-term averages. Knight Frank forecast that sales would return to near the long-term average (1991-2011) and maintain this level from 2016. This forecast was however in late 2012.

4.7 In our view it seems reasonable, on balance, to assume that sales volumes will recover to achieve levels similar to long-term averages at some point between 2016-18.

4.8 This protracted recovery in market conditions takes account of the economic outlook (with muted World and Eurozone Growth and the UK Government's fiscal austerity measures impacting on economic performance). It assumes that we do not see a collapse of the Euro currency and that access to mortgage finance / bank lending improves over this period.

What impact might policy measures have in contributing to housing market recovery?

4.9 The second issue relates to policy announcements from Government aimed at stimulating recovery in the housing market.

4.10 We summarise in the table below key Government initiatives in 2011 and 2012 which aim to support the housing market.

Figure 4.1: Government Initiatives to Support the Housing Market

Area	Initiative	Key Points
Consumer Finance	**Mortgage Indemnity Guarantees**	95% loan-to-value mortgages available on new-build properties, guaranteed by Government.
Consumer Finance	**First Buy**	A scheme to help first-time buyers by providing an equity loan of up to 20% of property value.
Consumer Finance	**Funding for Lending Scheme**	A Bank of England scheme providing incentives to lenders to increase lending.
Development Finance	**Institutional Investment in Private Rented Sector (PRS)**	PRS Taskforce announced together with a £10 billion debt guarantee scheme which will reduce borrowing costs. 2012 Finance Act will abolish 2% charge on

		market value of assets in Real Estate Investment Trusts (REITs), helping to make rental property more attractive to institutional investment.
Development Finance	**Affordable Housing Finance**	Additional finance for affordable housing schemes including £10 billion debt guarantee scheme which should reduce borrowing costs for developing Registered Providers.
Scheme Viability	**Get Britain Building**	A £570 million scheme to help unlock stalled sites.
Scheme Viability	**Growing Places**	A fund aimed at Local Enterprise Partnerships to support infrastructure delivery.
Scheme Viability	**Reconsidering S106**	Proposed legislation allowing appeal of affordable housing on viability grounds for three years; and allowing renegotiation of S106 entered into pre April 2010.
Speeding Up Planning	**Streamlined Planning on Larger Sites**	Use of Planning Performance Agreements on larger sites and/or partnership approaches between applicants and the Local Planning Authority.
Increasing Land Supply	**National Planning Policy Framework**	Provides streamlined national planning policy guidance and measures aimed to boost housing supply, such as requirements for a buffer of 5% or 20% to the 5 Year Land Supply based on housing delivery performance.
Increasing Land Supply	**New Homes Bonus**	New Homes Bonus rewards authorities financially for delivering new homes. However the consensus is that the measure has not had a notable impact on LPA decision-making.
Increasing Land Supply	**Public Sector Land Disposals**	Release of public sector land to support housing development, but there are often significant lead-in time for larger sites limiting the short-term impacts of this measure

4.11 The range of measures set out seek to both address demand barriers, and to improve land supply. We consider that the demand-side measures, including the funding for lending scheme, support to first-time buyers and measures to support access to development finance are particularly relevant in supporting housing delivery in the short-term. Land supply measures will be more relevant over longer time frames. A recovery in housing sales will not be supported in the short-term just by allocating more land for development. Indeed within the HMA, there are a number of strategic land opportunities for which there is not (at the time of writing) a development partner with an interest in the land and other sites with planning permission and a developer on board but where development is not currently progressing.

How quickly might the housebuilding industry be able to respond?

4.12 The next relevant question is how the housebuilding industry might respond to an improvement in market demand and whether there will be any time-lag associated with recovery.

4.13 Overall sales volumes in 2010-11 were around 45% down on the pre-recession period in the Nottingham HMA[18] (based on average sales over the 1998-2008 period). Undertaking a similar analysis for completions, these were 37% down on averages over the 1998-2008 period suggesting that the new-build market is performing moderately better than the market as a whole. Differences in individual authorities can reflect site-specific delivery factors, however the overall order of change across the HMA is similar. This strongly suggests that the downturn in housing delivery is related to demand-side factors.

Figure 4.2: Comparative Completions Analysis[19]

	Broxtowe	Erewash	Gedling	Nottingham	Rushcliffe	Hucknall	Nottingham Core HMA
Average Completions 1998-2008	235	353	255	897	393	133	2266
Average Completions 2008-2012	181	263	274	347	232	166	1463
% Change	-23%	-25%	7%	-61%	-41%	25%	-35%
2010-11 as % 1998-08	-6%	-37%	34%	-76%	-45%	59%	-37%
Reduction in Overall Sales 2010-11 as % 1998-2008	-42%	-43%	-41%	50%	-39%		-45%

4.14 To assess how the housing market might respond moving forward, we have drawn on a number of sources. These include:

- Experian Construction Forecasting and Research: Foresight East Midlands (Autumn 2012); and

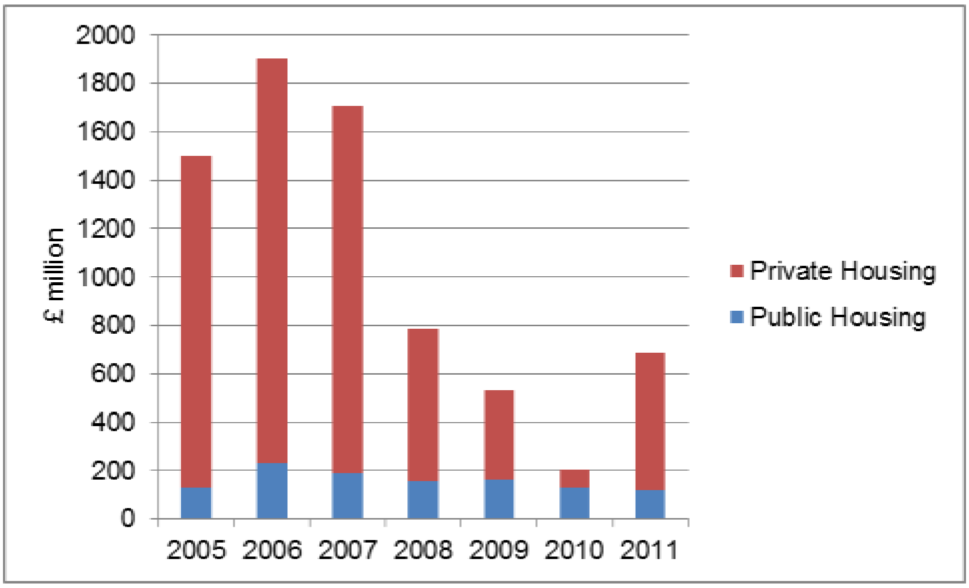
18 This analysis is based on local authorities as a whole and thus excludes Hucknall
19 The completions figures in this table exclude student housing

- NHBC Foundation: *Prospects for the UK Housing Industry (*March 2012).

4.15 Experian forecast that at the macro-economic level, the East Midlands economy will begin to recover from 2013, posting 1.0% growth in 2013, 2.0% growth in 2013 and an average of 2.3% growth per annum between 2014-18. Annual employment growth over the 2014-18 period is expected to average 1.1% a year.

4.16 Figure 4.3 indicates the historical trend in new construction orders (by value) for private and public housing projects. Private housing orders rose by 35% between 2010 and 2011, whilst public housing new orders increased by 18%.

Figure 4.3: New Construction Orders in the East Midlands, Public and Private Housing 2005-11



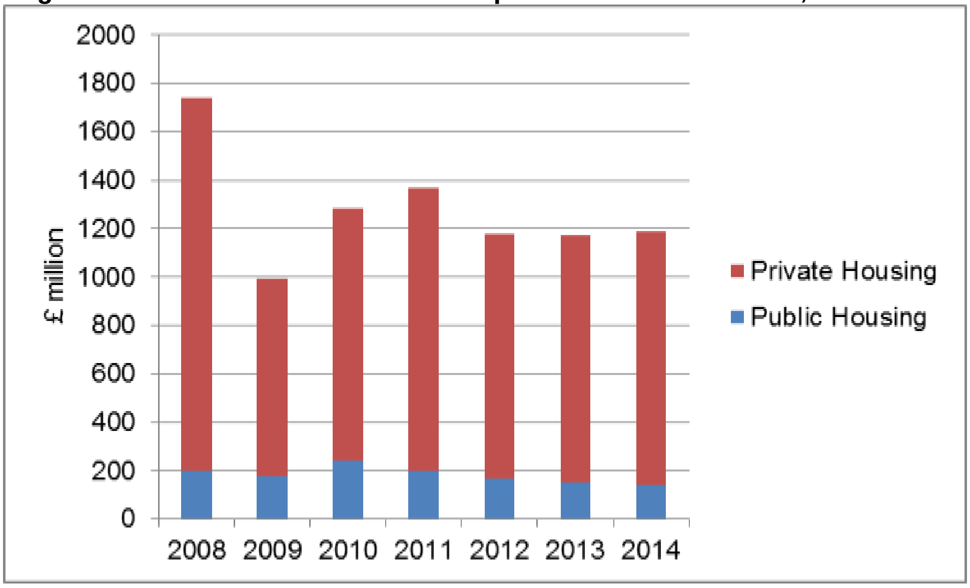
Source: Experian Foresight East Midlands Report, Autumn 2012

4.17 Looking forward, Experian forecast construction output by sector to 2014. Construction output is expected to fall back in 2012 declining by 14% following a 7% increase in 2011 on the previous year. It is then expected to remain relatively stable with a -1% reduction in output forecast in 2013 followed by 2% growth in 2014.

4.18 Within this forecast, a very moderate growth is forecast in private housing construction of 1% in 2013 and 2% in 2014 (following a -14% fall in 2012); however this is offset by a continuing decline in public sector housing delivery, with a fall in output of 15% forecast in 2012, with a further -10% fall in 2013 and -5% in 2014. These are however from very strong output figures for public housing in 2011.

4.19 The key issue for affordable housing delivery is not one of housing need (i.e. a lack of demand) or a lack of supply in the short-term, but one of the availability of funding and funding models which help to make development viable and allow Registered Providers to compete in the market for land.

Figure 4.4: Forecast Construction Output in the East Midlands, 2012-14



Source: Experian Foresight East Midlands Report, Autumn 2012

4.20 The fall in affordable housing delivery forecast particularly reflects the substantial reduction in funding for affordable housing in the 2011-15 National Affordable Housing Programme. However it should be noted that given the very strong growth in affordable housing delivery in recent years, output in 2014 is expected to be higher than its annual average over the decade to 2005 according to Experian.

4.21 Looking in more detail at the private sector, output from the sector in the East Midlands rose 13% to a total of a little under £1.2 billion in current prices. While this was the highest for three years, it stood 46% below the peak level achieved in 2007. However Experian's data indicates that this positive trend reversed in the first half of 2012.

4.22 Experian quote the HBF's latest *Housing Market Report* which indicated that in July 2012 net reservations for new homes had declined for a second month, despite heavy sales incentives; although on balance housebuilders expect home sales in the region to be higher in 2012 than 2011.

4.23 Experian's forecast moving forward is as follows:

4.24 *"With mortgage approvals and loans remaining flattish at the national level, and demand affected by continued weakness in the wider economy, it is not surprising that the outlook for the private housing sector this year (2012) is poor with an estimated decline of 14% in output. A negligible* *increase in output is forecast for 2013, as conditions start to stabilise before a slightly stronger pick-up in growth in 2014, as there is some improvement in demand."*

4.25 The NHBC Foundation Report entitled *Prospects for the UK house building industry* (NHBC, March 2012) takes a more detailed look at factors which might influence housebuilding trends. The research was based on a survey of senior house building managers, social housing providers and industry experts.

4.26 The report sets out that against a context of stalled recovery in the housing market, there is uncertainty amongst buyers and builders regarding market prospects. It outlines that "while the revival is hard to forecast, there is a threat that it could be weak for some time to come. There is a history of slow recovery. For example, house prices lagged general economic recovery by a number of years after the last major downturn in the early 1990s and there are reasons to expect a slow and muted response this time as well. In any case economic revival is expected to be weak and uncertain." This mirrors the picture presented by the review of wider evidence herein.

4.27 The analysis sets out that "sustained upward change in housing market transactions will only happen when the economy as a whole shows more signs of growth."

4.28 The analysis in regard to housebuilding is quite interesting. The report, prepared by Michael Ball and Laura Dosanjh at Henley Business School, University of Reading, argues that there has been a historic under-provision of homes in recent years and identifies the reasons for this as planning induced constraints on land supply (using evidence pointing to per capita house building being low and supply responsiveness to rising prices poor).

4.29 However one of the impacts of this has been that the UK housing market did not suffer the large overhang of properties that continues to blight other markets such as in Ireland and Spain. On this basis it argues that "it has not been a supply glut that has pushed down prices but rather a severe lack of demand."

4.30 Looking forward, the report argues that the larger firms are better placed to take advantage of recovery "because of their spatial and product diversification and their better access to debt and equity finance." It points to a loss of firms in the housebuilding sector which is proportional to the scale of loss of output. Looking across the industry the report does point to some loss of capacity:

> *"A bigger concern is the loss of productivity capacity represented by the reduction in firms and regional subsidiaries. Management teams, entrepreneurship and professional skills are lost as well as skilled labour and dedicated equipment in such cutbacks. This loss of capacity could represent a considerable break on increasing output in the future."*

4.31 The NHBC Report includes a survey of participants in the housebuilding sector. This included housebuilders of varying sizes, housing associations and other experts and interested bodies. Key survey findings were as follows:

- In 2016 those surveyed on average forecast 153,000 starts across Great Britain. Whilst this represents some recovery from forecast levels of nearer 120,000 in 2012 it remains nearly 30% below previous peak levels. On average the housebuilders were more bullish forecasting starts of 160,000.
- For housing associations the lower levels of funding available through the National Affordable Housing Programme were expected to impact on housing delivery. 88% said the reduction in AHP funding would have a fairly negative or negative impact on their organisation. The market response from some may be to build more homes for market sale;
- Respondents were asked to score factors in terms of their importance to holding up housing supply. The top four factors point all related to housing and the economy – these being mortgage availability (including first-time buyer deposits), instability in financial markets, consumer confidence and availability of debt finance. These are clearly the most important issues in driving a recovery in housing delivery;
- However the next four most important factors identified all related to land availability and planning. These were S106 and CIL requirements, the speed of processing planning applications, levels of permissioned land and planning confidence. These do point to the importance of planning in helping to support market recovery.

4.32 The report also highlights that housebuilders' corporate strategies are responding to changes in market circumstances, with respondents comments suggesting a greater focus on certain regions (presumably those with higher values) and those demographic groups with equity and access to finance. These approaches included "building fewer flats and more houses; targeting older age profiles with less emphasis on first-time buyers; and consolidating in regions where the economy is stronger."

4.33 The survey provided evidence of a move from flats towards family housing. On average private firms in the sample said that their current mix was 34% flats and 66% houses; with a half suggesting that this had changed in the last three years. However 30% of firms surveyed said they expect this new mix once again to change – some predicting a resurgent market for flats, with others seeing more of a sea change with permanently less investor demand for flats.

4.34 Drawing the analysis together, the report concludes that the industry is capable of expanding production rapidly "if given the demand, the resources and the conditions in which viable returns can be made." However it does reveal significant pessimism in the industry about the raising supply by substantial amounts without significant stimulus to demand and a positive planning and regulatory environment.

Drawing Together

4.35 Drawing the analysis together, it seems that there is a strong relationship between the demand-side indicators (sales) and levels of housebuilding. The critical issues which will need to drive and support a recovery in the housing market are:

- Improvements in access to mortgage finance (particularly loan to value ratios);
- Improved economic performance; and
- Sustained low interest rates and below target inflation.

4.36 We have seen limited improvements in access to mortgage finance to date, however it seems reasonable to assume some movement here in the medium-term. Economic performance in 2013 is expected to be relatively weak, with some improvements thereafter. However the continuing impacts of austerity measures and Eurozone weakness suggest that this will provide a gradual rather than rapid stimulus to the market.

4.37 On this basis it seems reasonable to assume that housebuilding trends will recover to reach nearer long-term averages between 2016-18. It seems likely that they will however recover to more normal levels – rather than those seen at the peak of the market.

4.38 One relevant factor here however is the mix of sites. There are a complex set of dynamics here, relating to the relative viability of different types of development land. In general terms, smaller sites for family homes in higher value areas are likely to be the most viable in the short-term. Finance costs for flatted development are higher. For larger strategic sites, the high upfront costs of site preparation and infrastructure delivery can influence the viability of the scheme and the ability to secure bank finance. The risk profile is also stronger.

4.39 In terms of the construction industry's potential to respond to improved demand, the evidence is somewhat inconclusive. Trends in private housing delivery in the early 1980s do suggest that housebuilding levels could respond quite positively if supported by a strong economic recovery – the issue is that this does not appear likely. It seems unlikely that, with recovery in sales/ housebuilding spread over a period of 4-6 years, capacity issues will play a particular role in holding back a recovery in the housing market in the region or the HMA.

5 DEGREE OF CONFIDENCE IN DELIVERABILITY OF COUNCIL'S CORE STRATEGIES

5.1 In this final section we consider the housing trajectories in the councils' respective Core Strategies, comprising:

- Greater Nottingham Aligned Core Strategies, Publication Version June 2012 (Broxtowe Borough, Gedling Borough and Nottingham City);
- Rushcliffe Core Strategy, Publication Version March 2012; and
- Erewash Core Strategy, Submission Version June 2012.

5.2 We address each of the five authorities in turn before turning draw some strategic points relating to the Nottingham HMA as a whole.

5.3 The analysis is based on consideration of market factors and does not specifically address inter-relationships and dependencies between infrastructure and housing delivery, either in the aggregate or in regard to key sites.

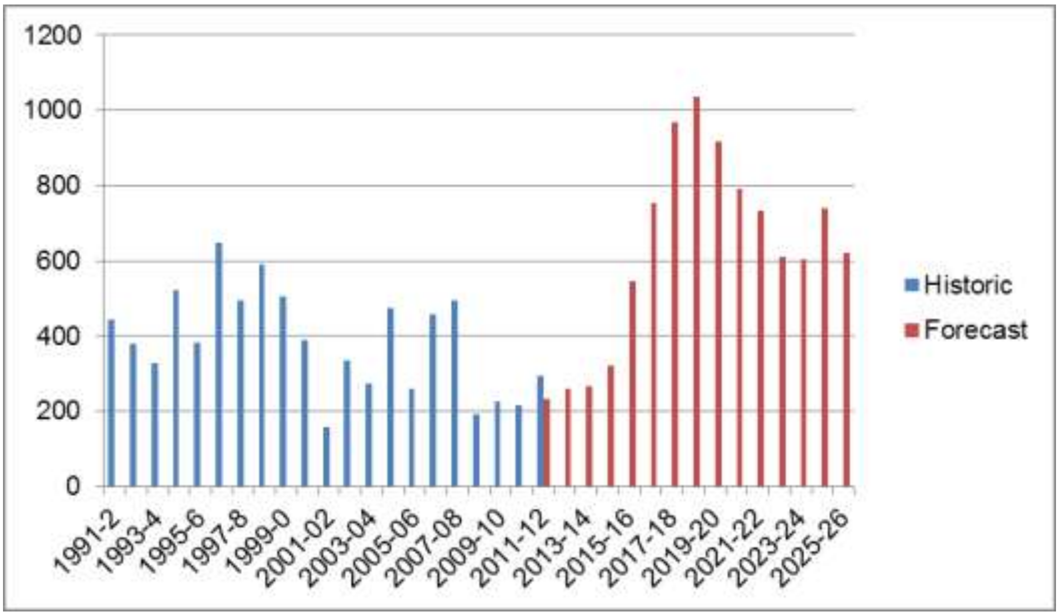
Rushcliffe

5.4 Rushcliffe Borough's Publication Core Strategy makes provision for 9,400 homes between 2011-26. Figure 5.1 sets out forecast completions based on the housing trajectory in the Core Strategy (Appendix D). The trajectory indicates:

- Relatively modest levels of housing delivery in the period to 2015;
- Stronger growth in housing delivery from 2015 to 2018;
- Housing delivery of over 900 homes per annum between 2017-2020;
- Housing delivery rates remaining above 600 homes per annum between 2020-2026.

5.5 Housing delivery over the previous 20 years peaked at 647 dwellings (net) in 1996-7, the only year in which housing delivery exceeded 600 homes in a year.

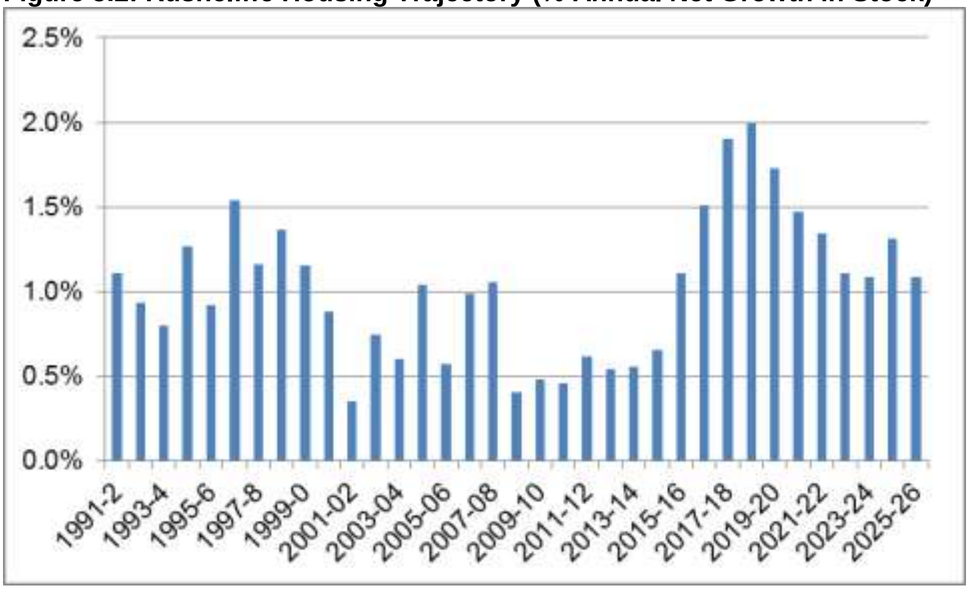
Figure 5.1: Housing Trajectory, Rushcliffe



5.6 As we set out in Section 2, housing delivery in Rushcliffe in the 1997-2008 decade averaged 0.9% per annum growth in the housing stock. Housing delivery over this period averaged 403 homes per year.

5.7 Figure 5.2 expresses completions in terms of the percentage annual growth in the housing stock.

Figure 5.2: Rushcliffe Housing Trajectory (% Annual Net Growth in Stock)



5.8 Reviewing the headline trajectory profile in Figure 5.2, we would draw the following conclusions:

- Rushcliffe does command the highest values in the HMA. It has seen a less pronounced reduction in sales relative to other areas. It is thus reasonable to assume that it could support stronger rates of housing delivery moving forward relative to other parts of the HMA;
- There are risks that economic conditions will not support housing delivery levels representing over 1.5% growth in the housing stock between 2017-20, however it may be possible to recoup any under-provision in this period in the latter part of the plan period.

5.9 Drilling down into the strategy for housing provision in the Borough, this comprises:

- Sustainable Urban Extension South of Clifton: 2,500 homes;
- Sustainable Urban Extension on land off Melton Road, Edwalton: 1,200 homes;
- Approximately 5,000 homes beyond the main built up areas of Nottingham, including:
  - North of Bingham: 1000 homes;
  - Former RAF Newton: 550 homes;
  - Former Cotgrave Colliery: 470 homes;
  - In or adjoining East Leake: 400+ homes;
  - In or adjoining Keyworth: 400+ homes;
  - In or adjoining Radcliffe on Trent: 400+ homes;
  - In or adjoining Ruddington: 250+ homes.

5.10 There is a broad spread of sites in different locations within the Borough. This can be expected to help support housing delivery rates.

5.11 Development is proposed at a number of locations across the Borough, including through both extensions to the Nottingham Urban Area and to smaller settlements within the Borough. At the locations listed above, delivery is expected to be spread over between 6-11 years in the housing trajectory.

5.12 The highest levels of housing growth anticipated on individual sites comprise:

- Delivery of 250 homes a year between 2017-2026 on Land South of Clifton; and
- Delivery of 150 homes a year between 2016 – 2021 on Land at Melton Road, Edwalton.

5.13 Both of these represent urban extensions to the Nottingham Urban Area. They will effectively provide family housing in locations reasonably close to Nottingham City Centre and a housing offer (focused more towards family housing) which is complimentary to that in Nottingham City. It is reasonable to expect that these sites could thus support sales of between 3-5 sales per week, particularly as their scale may support delivery by multiple housebuilders with more than one start point. However the ability to achieve these peak volumes pre-2018 may be influenced by the pace of market recovery.

5.14 We note that existing values in Clifton are notably lower than in other parts of the Borough but that delivery of the Nottingham Express Transit extension to Clifton will support strong access to the City Centre from this location. The scale of development at this location will also help the development to create its own market. For the South of Clifton scheme, the A453 Upgrade is expected to be completed by late 2014 or early 2015 providing a key element of infrastructure to support development. We understand that road links through the South of Clifton area will help to support multiple start points within the scheme.

5.15 All other sites are expected to support delivery rates of 100 homes per year or less, equating to 2 or less sales per week. This seems broadly feasible.

5.16 We conclude overall that the housing trajectory is ambitious but could be deliverable, albeit that the pace of market recovery may lead to some of the numbers proposed in the 2016-20 period being shifted more towards the back of the plan period.

Erewash

5.17 Erewash Borough's Submission Draft Core Strategy makes provision for 6,250 homes over the 2011-28 period as a minimum. This is to be distributed within the Borough as follows:

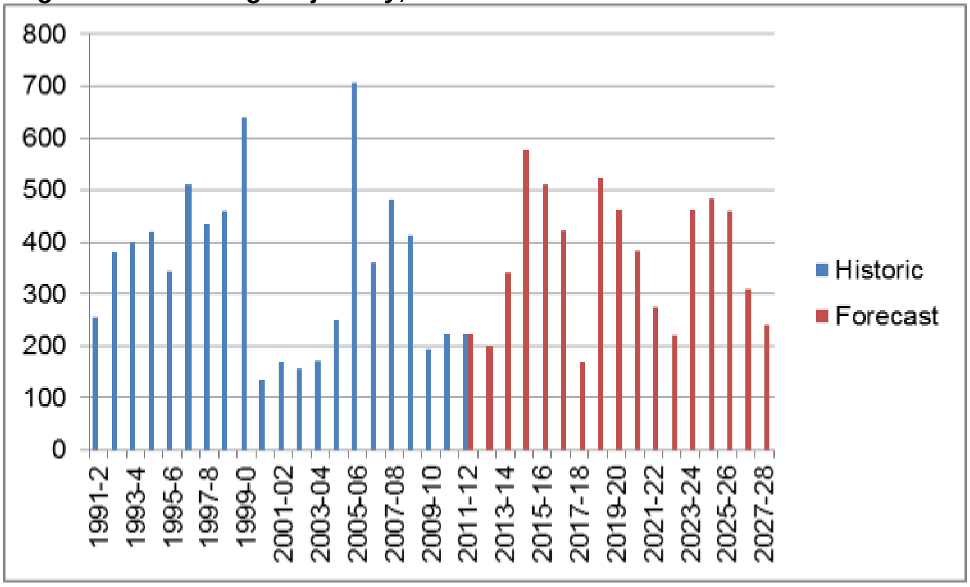
- c. 4,500 homes in/adjoining Ilkeston urban area, including 2,000 at Stanton Regeneration Site;
- c. 1,450 homes in/adjoining Long Eaton urban area; and
- c. 300 homes within rural settlement boundaries.

5.18 The overall level of provision is based on the regional plan figures (in terms of average annual levels of provision).

5.19 The key strategic site in the Borough is the Stanton Regeneration Site, with provision made for 2000 homes at this location. The housing trajectory in the Submission Draft Erewash Core Strategy (Appendix C) expects this to be delivered between 2018-28 with annual delivery of 200 homes.

5.20 Figure 5.3 sets out past completions trends and the housing trajectory. The graph indicates that over the plan period to 2028 delivery of over 400 homes per year is expected in three periods 2014-17, 2018-21, and 2023-26. It also indicates that historically there have been a number of periods when similar levels of housing delivery were achieved in the Borough including 1996-2000 and between 2006-9.

Figure 5.3: Housing Trajectory, Erewash



5.21 We understand that strong delivery between 2005 and 2009 was influenced not just by strong market conditions, but the granting of a number of large-scale major residential planning permissions in the early 2000s.

5.22 The peak of delivery in 2005-6 of 705 dwellings included sizeable levels of flats/maisonettes which has some impact in saturating the local market, and affected delivery of flats in the subsequent years.

5.23 The 2005 Local Plan was adopted with no allocated residential sites, and in addition to market factors there is potentially some impact from available land supply on recent completions trends since 2009.

5.24 The housing requirement over the plan period annualised equates to delivery of an average of 368 homes a year over the 2011-28 period. This is 21% above average delivery levels over the last decade (2001-11) but 7% below those achieved in the previous decade (1991-01).

5.25 The level of housing provision over the plan period represents an average growth rate in the housing stock of 0.7% per annum. Whilst this is marginally above the 0.6% achieved across the Borough over the last decade, it is below the 0.9% per annum achieved in the 1990s.

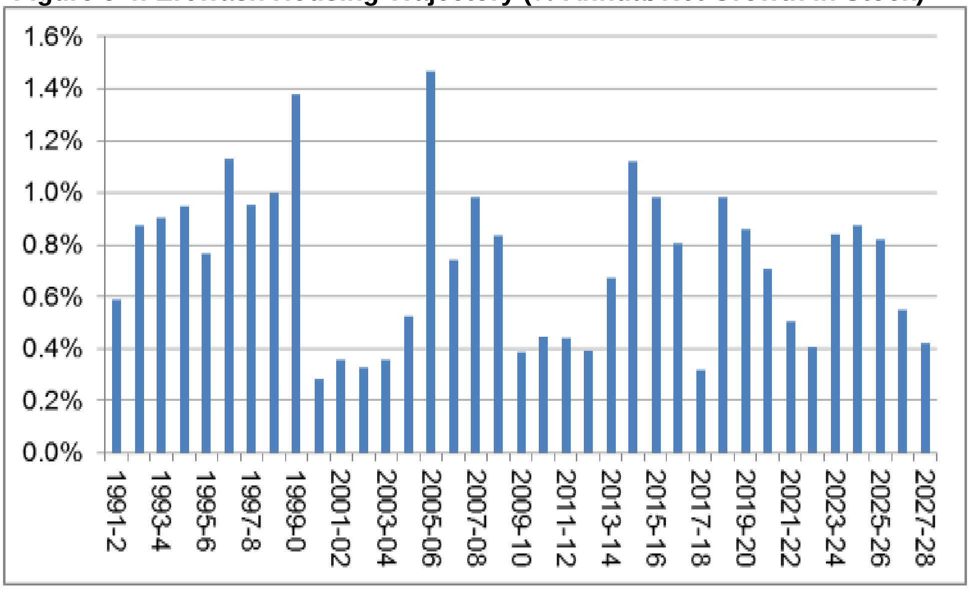
5.26 This can be seen through Figure 5.3 which sets housing growth rates in the trajectory in a historical context.

5.27 The housing growth rate of 0.7% achieved over the 1999-2008 period was marginally below the East Midlands average, 0.8% per annum, with the region in many years achieving a slightly higher growth rate than this. The lower growth rate in Erewash Borough most likely reflects the specific strategic development constraints which exist – particularly the limited scope for extension to Long Eaton given its proximity to the M1, the Green Belt boundary and the Trent floodplain; coupled with Green Belt strategic constraints elsewhere in the Borough.

5.28 The evidence in Section 3 suggested that sales volumes in the Borough in 2010 remained relatively similar to the Greater Nottingham wide profile and that sales are focused towards houses (as opposed to flats). House prices are average relative to the HMA as a whole. Average housing delivery of 0.7% per annum growth in the housing stock seems reasonable against this context.

5.29 The evidence together suggests that levels of housing provision proposed over the plan period would appear quite realistic. The profile of housing delivery to be slightly 'smoother' with potentially lower housing delivery between 2014-17 than indicated (particularly 2014-16) depending on the pace of market recovery; and less substantial peaks and troughs in the trajectory. This however is based on a high level assessment taking account of market factors, rather than detailed interrogation of the potential phasing of delivery of specific development sites.

Figure 5.4: Erewash Housing Trajectory (% Annual Net Growth in Stock)



5.30 We conclude overall that the housing trajectory can be regarded as deliverable. There are some risks in market terms to the level of delivery indicated in the 2014-16 period however it is entirely realistic for any under-provision in these years to be accommodated in the remainder of the plan period.

Broxtowe

5.31 Housing provision policies for Broxtowe Borough are set out in the Greater Nottingham Publication Aligned Core Strategies (June 2012). This makes provision for 6,150 dwellings over the 2011-28 period (362 dwellings per year).

5.32 The Aligned Core Strategy plans for the majority of Broxtowe's housing provision to be provided within or adjoining the main built-up area of Greater Nottingham. The plan proposes:

- 3,600 homes adjoining the existing built up area of Nottingham within the Borough, to include:
  - Severn Trent and Boots Site: 550 homes;
  - Sustainable Urban Extension at Field Farm, north of Stapleford: 450 homes;
- Housing elsewhere within the borough, in or adjoining key settlements, of:
  - Awsworth: up to 350 homes;
  - Brinsley: up to 200 homes;
  - Eastwood: up to 1400 homes; and
  - Kimberley: up to 600 homes.

5.33 Looking at the mix of sites proposed, 22% of housing provision is expected to come forward through SHLAA sites in the Nottingham Urban Area, 17% through allocations and 16% through the strategic urban extensions to the Nottingham Urban Area. In total, 59% of the housing provision is expected in areas within/adjoining the Nottingham Urban Area.

5.34 The balance between housing provision in/adjoining the Nottingham Urban Area and other parts of the Borough seems reasonable and will cater to different sub-markets within the Borough.

5.35 A significant 1,400 homes are proposed at Eastwood. This is an area of lower value homes and weaker relative housing demand, albeit that the range of services which the settlement provides make it a sustainable location for housing provision. Delivery of SHLAA sites in Eastwood is expected to be strongest, according to the housing trajectory, between 2013-2016 with delivery of around 140 homes a year (equivalent to an average of 2.7 sales per week). This includes a number of sites which are expected to be delivered simultaneously, the majority of which are either allocated or have planning consent. We would see some risks to the phasing of housing delivery in Eastwood in this early part of the plan period given expected prevailing housing market conditions.

5.36 Looking at the two proposed strategic allocations, the Field Farm site is relatively modest in scale (450 dwellings), with delivery of a maximum of 100 dwellings per annum expected in the trajectory. This seems reasonable. The Boots/Severn Trent site comprises 1,150 dwellings with delivery expected to peak with delivery of 205 dwellings per year between 2021-23 (across Nottingham City and Broxtowe). At the peak this would equate to delivery of 4 sales per week. The scale of the site would likely support delivery by multiple housebuilders and it is not unrealistic to assume that this site is fully built out during the plan period with commencement in 2018/19 when market conditions should have recovered somewhat.

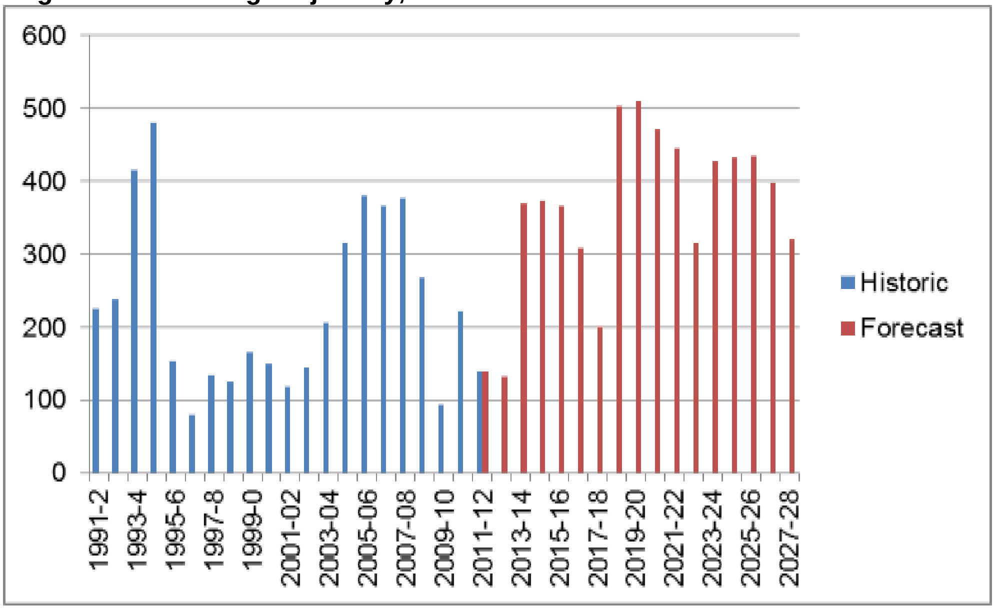
5.37 Looking at the strategy for housing provision overall, there is not an over-reliance on delivery of key sites. From this there should be some confidence in the ability to deliver the trajectory.

5.38 Turning to look at housing numbers at a more strategic (borough) level, housing delivery in the 1999-2008 decade averaged 235 dwellings per year (0.5% growth in the housing stock pa). However been 2005-8 more than 350 dwellings per year were delivered (a 0.8% pa growth rate).

5.39 The housing trajectory indicates:

- A relatively rapid recovery in housing completions, with around 370 homes a year delivered between 2013-16, with a slight fall in delivery in the two subsequent years;
- A notable upswing in housing delivery from 2018 with over 500 homes per annum delivered in 2018-20 – exceeding the level achieved in any year over the period examined;
- Continued strong housing delivery post 2021 with delivery averaging almost 400 homes per annum, similar to levels achieved at the peak of the market (2005-8).

Figure 5.5: Housing Trajectory, Broxtowe

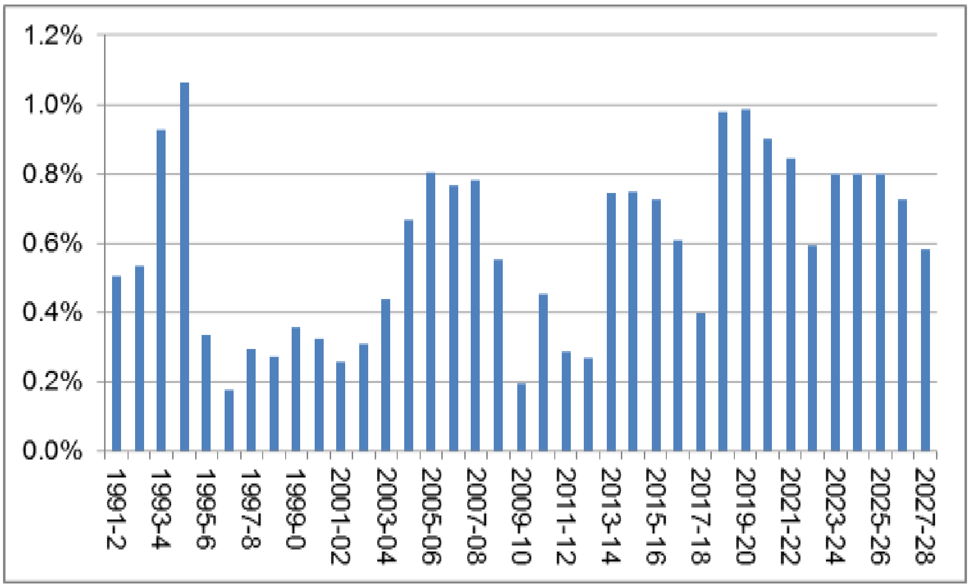


5.40 However it is important to set these numbers in context. Housing delivery in the pre-recession decade equated to 0.5% per annum growth in the housing stock, however the borough has supported nearer 0.8% growth in the housing stock between 2005-8 and levels of provision higher than this in the mid 1990s.

5.41 House prices suggest market demand is biased more towards mid-market houses. Housing sales are biased towards houses rather than flats. Completions data for the last few years suggests relatively limited exposure of the Borough to the flatted market.

5.42 Over the plan period as a whole, the level of housing provision proposed equates to an average of 0.7% per annum growth in the housing stock. This is below what the East Midlands as a whole achieved in the pre-recession decade.

Figure 5.6: Broxtowe Housing Trajectory (% Annual Net Growth in Stock)



5.43 In no year over the plan period is housing delivery expected to exceed 1.0% growth in the housing stock. Looking back over the 2000-10 decade there are many authorities within the region which have achieved stronger rates of housing delivery than this. Moving forward there is also the potential for the Enterprise Zone to support housing delivery within the Borough.

5.44 **Overall we conclude that the housing numbers proposed in the Aligned Core Strategy for Broxtowe over the plan period to 2028 look deliverable.**

Nottingham

5.45 Housing provision policies for Nottingham City are set out in the Publication Aligned Core Strategy (June 2012). This makes provision for 17,150 dwellings over the 2011-28 period (1010 per annum). This is all to be provided within/adjoining the existing built-up area.

5.46 The Core Strategy identifies the following strategic sites:

- Boots Site: 600 dwellings (of total of 1150 in Nottingham City and Broxtowe);

- Stanton Tip, Hempshill Vale: 500 homes;
- Waterside Regeneration Zone: 3,000 homes.

5.47 Both Stanton Tip and Waterside Regeneration Zone were previously allocated in the City's adopted Local Plan (2005).

5.48 Early provision of housing is expected to be through existing deliverable sites, with the strategic locations at the Waterside Regeneration Zone and Stanton Tip expected to take longer to deliver, with limited delivery early in the plan period. Housing development on the Boots site will be supported by infrastructure which is expected to be delivered as part of the Enterprise Zone.

5.49 These strategic sites include sites suitable for family housing, which together with proposed strategic policies seek to deliver 60% of properties with three or more bedrooms, should help to improve the proportion of family housing provision which can be accommodated in the City in the future.

5.50 The figures for dwellings include provision of student accommodation within Nottingham City.

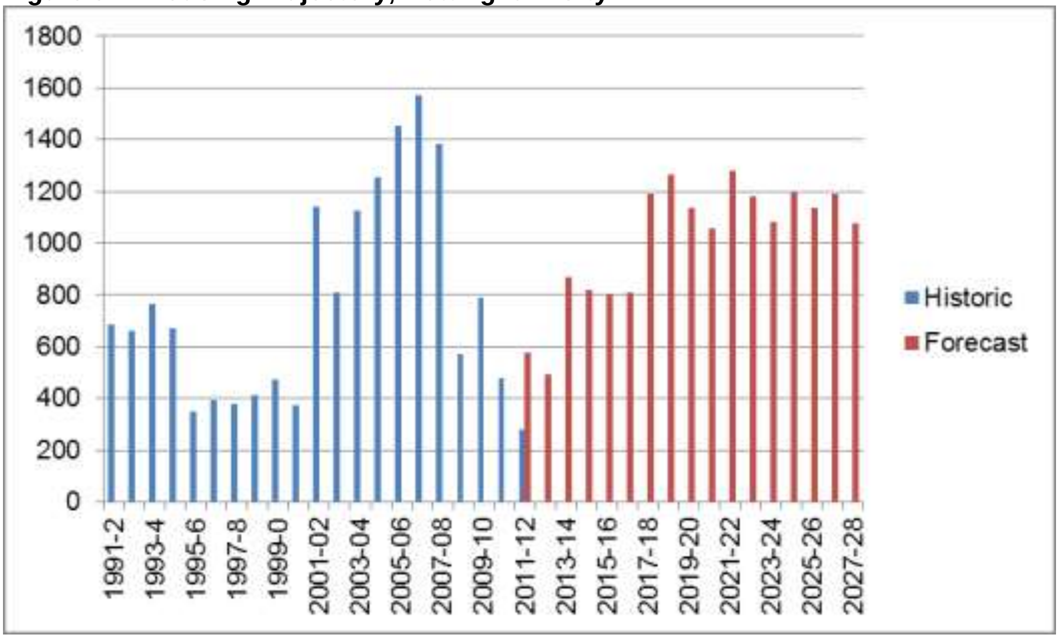
5.51 In interpreting the deliverability of the housing trajectory for Nottingham City, there are three particular issues of relevant:

- when and to what extent we might see a recovery in the market for flatted development;
- the influence of student development on the figures; and
- in the short to medium term delivery in the City will continue to be affected by a programme of on-going demolition. However, on-going redevelopment albeit at a lower density, will support housing delivery

5.52 Over the 2002-12 an average of 295 dwellings a year of student accommodation have been delivered. In contrast to the private market for flats, this market has held up relatively well through the recession.

5.53 As the analysis in Section 2 set out, flatted development makes up a substantial proportion of development in the City – over the 2002-12 period, 71% of gross completions were on flatted schemes. The City Centre market is an important component of this, with 40% of all housing delivered in the 2001-8 period in the City (excluding student accommodation) delivered in the City Centre. This market has been particularly affected by reductions in first-time buyers and investors, changes in property values and development finance, albeit that delivery of student accommodation schemes has held up well.

Figure 5.7: Housing Trajectory, Nottingham City



N.B. This analysis includes student development schemes

5.54 It is relevant to consider what the key factors affecting the mainstream flatted market are:

- A significant reduction in demand from first-time buyers and investors which are particularly important components of demand for flatted development, influenced in part by access to mortgage finance;
- A reduction in market activity which impacts on the rates of sales and increases finance costs associated with development;
- Reduction in values for flatted properties;
- Issues around access to finance, particularly for smaller/ niche developers and on flatted schemes where the risk profile is higher; and
- The combined impact of the above factors, together with reductions in sales values, on the viability of flatted development (particularly of brownfield sites).

5.55 Looking at the whole market (new and resale properties), sales volumes have fallen significantly by 69% across the City between 2007-11, with the greatest decline in sales (-75%) of flats. Across the City there were less than 200 transactions of flats in 2011.

5.56 Market commentators are currently divided on the pace and timing of recovery in the flatted market. The NHBC Foundation Study[20] indicates a mixed response from developers, but suggested that the view was that there was permanently less investor demand for flats.

5.57 However there are a number of drivers which over time could support the resurgence in this market. Most market commentators expect some recovery in house prices, access to mortgage finance,

[20] NHBC Foundation (March 2012) *Prospects for the UK house building industry*

sales volumes and first-time buyer levels in the medium-term. This should support some recovery in the flatted market, albeit that we may not see a return to the pace of development achieved between 2001-8.

5.58 Delivery of houses averaged 285 a year over the 2002-12 period but nearer 340 in the period before 2008. It seems reasonable to assume that at least 300 homes per annum over the plan period will be of houses rather than flats. Delivery on the strategic sites, including Stanton Tip, Boots and Chalfont Drive can be expected to help support this. Some family housing can also be expected at the Waterside. The expected dwelling profile and target of seeking 60% of properties with 3 or more bedrooms has influenced density assumptions in the trajectory.

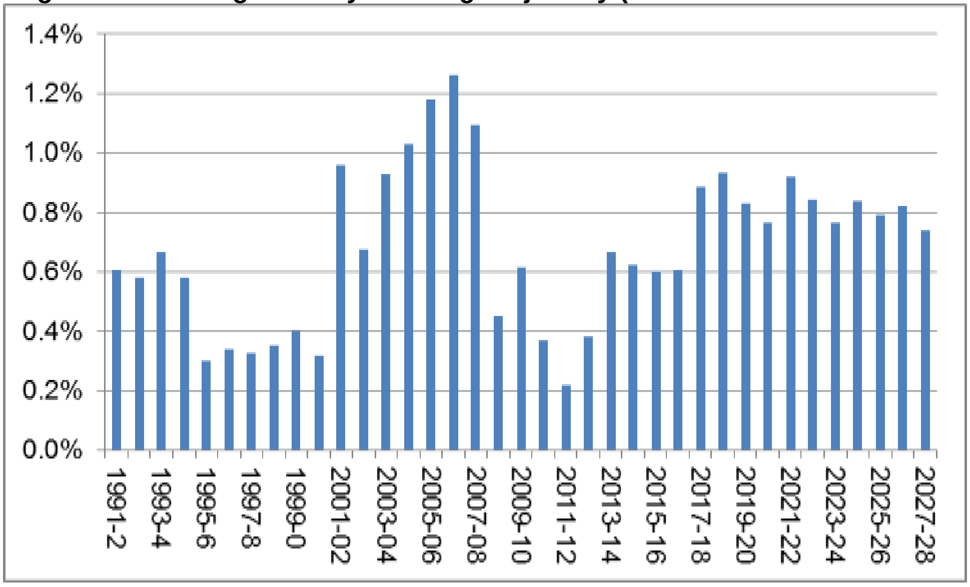
5.59 Thus delivery of the trajectory might require delivery of 400-500 flats per year over the 2013-17 period and over 750 per year post 2017. Delivery of student accommodation will help to support this.

5.60 It is particularly difficult to be specific about what pace of development the market might support given uncertainty about the extent of recovery in the flatted market and the influence of this on the potential trajectory. The trajectory assumes that this market recovers from 2016 onwards.

5.61 However given that delivery of 850 flats in the City per annum was only really achieved towards the peak of the market between 2004-8, we consider that the housing trajectory may be considered quite ambitious.

5.62 However this does not necessarily mean that it is one which is not achievable. The level of housing provision proposed in the Core Strategy represents a growth rate in dwellings of 0.7% per year over the 2011-28 plan period. At its peak it represents delivery of 0.9% growth per annum.

Figure 5.8: Nottingham City Housing Trajectory (% Annual Net Growth in Stock)



5.63 We can compare these growth rates with those planned in other central urban authorities in cities in the Midlands and North:

- Manchester's adopted Core Strategy plans for 60,000 dwellings over the 2009-27 plan period, equivalent to 3,333 dwellings per annum. This would represent a growth rate of 1.6% in the housing stock per annum;
- Sheffield's adopted Core Strategy makes provision for 28,325 dwellings over the 2004-2026 plan period, with provision for 1,425 dwellings per annum post 2009. This equates to a growth rate of 0.6% in the housing stock;
- Leeds Publication Draft Core Strategy makes provision for 70,000 dwellings over the plan period from 2012/13 – 2016/17. This equates to a growth rate of 1.1% per annum in the housing stock; and
- Leicester's adopted Core Strategy makes provision for 25,600 homes over the 2006-26 plan period. This equates to a growth rate of 1.0% in the housing stock.

5.64 Whilst Core Strategies in these large urban authorities have been taken forward over different periods, an average growth rate of 0.7% in the housing stock in the City is not unfeasible.

5.65 Overall we consider that the City's housing trajectory is ambitious and would attach a greater risk to delivery of it than for those in some other parts of the HMA. However the City Council is implementing through the Aligned Core Strategy a series of measures which seek to broaden the range of markets to which new-build development is targeted and to address delivery risks. These include carefully considering the mix of sites to be allocated for development in the Site Allocations DPD.

Gedling

5.66 Housing provision policies for Gedling Borough are set out in the Publication Aligned Core Strategy (June 2012). This makes provision for 7,250 dwellings over the 2011-28 period (426 per annum).

5.67 Key strategic sites proposed are:

- 2,840 homes are expected to be delivered in or adjoining the existing built-up area of Nottingham;
- 1,600 homes are to be delivered sustainable urban extensions to Hucknall, comprising 600 homes north of Papplewick Lane, and 1,000 homes at Top Wighay Farm;
- Up to 579 homes at Bestwood Village, comprising 79 on existing commitments and up to 500 through new allocations;
- Up to 1,518 homes at Calverton, comprising 218 on existing commitments and up to 1,300 through new allocations;
- Up to 446 homes at Ravenshead, comprising 116 on existing commitments and up to 330 through new allocations; and
- Up to 260 homes in other villages to meet local needs.

5.68 In addition to the above, Gedling Colliery/ Chase Farm is identified as an area of future housing development. The Core Strategy sets out that "the current economic difficulties mean that comprehensive redevelopment is not considered achievable in the short-term but the site remains available and suitable."

5.69 Delivery at Top Wighay Farm, adjoining the Nottingham built-up area, is expected to commence in 2018/19 but with relatively modest delivery forecast pre-2021. Development North of Papplewick Lane is expected to span the 2021-27 period[21]. The scale of development on these sites seems reasonable with a maximum of 140 homes a year anticipated at Top Wighay Farm, and 100 a year North of Papplewick. There are no major infrastructure issues which it is currently anticipated might hold back delivery of these sites.

5.70 Of the smaller settlements where proposed allocations are proposed, significant development is proposed at Calverton. We would identify some risks to the expected pace of delivery of development at Calverton envisaged in the Aligned Core Strategy which anticipates delivery of over 200 dwellings per year in the village over the 2019-24 period. However the housing trajectory for the Aligned Core Strategy shows that annual completions rates for Calverton would only be over 200 for the years 2020/21, 2021/22 and 2022/23. Furthermore we note that the plan makes

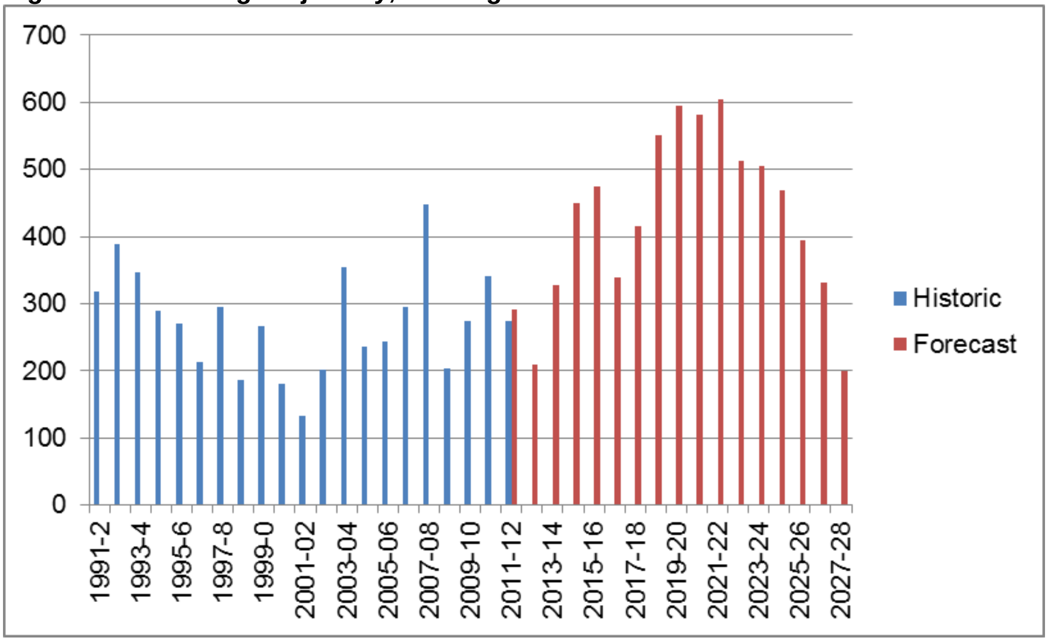
[21] At the time of finalising this report, we understand that Gedling Borough Council was reviewing the delivery timescales for North of Papperwick Lane in consultation with the landowners. It is now anticipated that development of the site may commence within 5 years of the adoption of the Core Strategy (albeit towards the end of the first 5 years). Whilst this may place additional delivery pressures at the beginning of the plan period, it may provide scope for more challenging sites to be delivered later on.

provision for “up to” a maximum level of provision for Calverton and other identified key settlements beyond the Nottingham Built-Up Area and Hucknall.

5.71 Figure 5.9 looks at the overall trajectory. Over the last 20 years, peak delivery of 447 dwellings was achieved in 2007-8. The housing trajectory envisages delivery of over 400 homes a year between 2014-16 and 2017-25, with delivery of almost 600 homes a year envisaged between 2019-22.

5.72 The trajectory we understand is based on standard density assumptions of around 30 dwellings per hectare. It assumes thus a limited exposure to the flatted market.

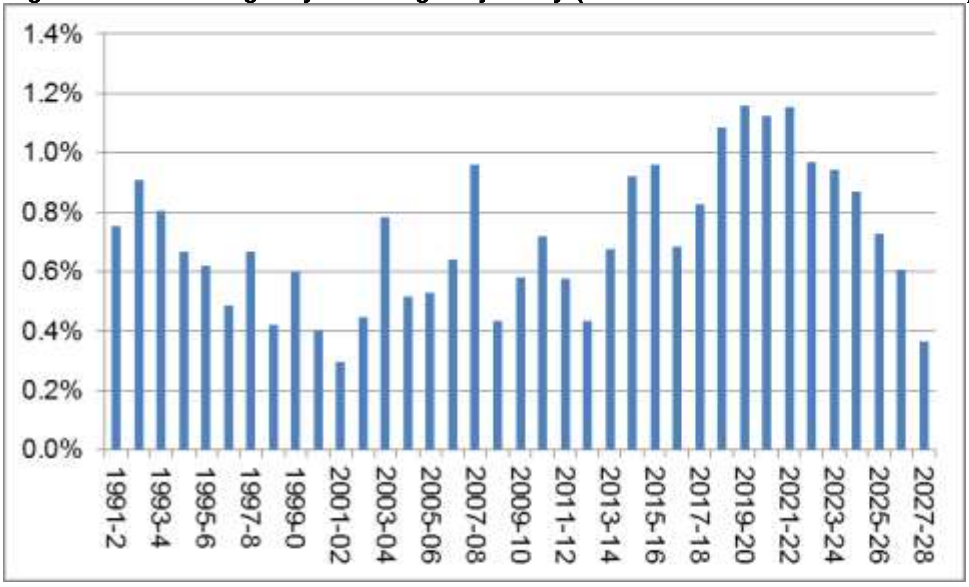
Figure 5.9: Housing Trajectory, Gedling



5.73 What is noticeable about the past completions trend is that this has not been significantly affected by the market downturn since 2008. The drop off in housing sales between 2007-11 has been moderately lower in Gedling than average across the HMA. House prices, on average across the Borough, are also the second highest in the HMA following Rushcliffe. This provides some confidence in the market’s ability to support higher completions than achieved historically.

5.74 Figure 5.10 assesses completions in terms of growth rates in the housing stock.

Figure 5.10: Gedling City Housing Trajectory (% Annual Net Growth in Stock)



5.75 The level of housing growth proposed in the Aligned Core Strategy would represent a growth rate of 0.8% per annum over the plan period. This is consistent with the East Midlands average in the pre-recession period. Delivery would peak marginally below 1.2% growth per annum between 2018-22. This is lower than peak completions rates expected in Rushcliffe and those achieved historically in a number of authorities across the region.

5.76 We conclude overall that the housing trajectory is ambitious but could be deliverable. The level of homes forecast to be delivered in 2014-16 could be challenging depending on the nature and pace of housing market recovery, however it is feasible that any under-provision in these years can be accommodated later in the plan period.

Hucknall

5.77 Delivery of 2,284 homes in Hucknall between 2010-23 is proposed in Ashfield District Council's Local Plan Preferred Option. This is equivalent to 176 dwellings per annum.

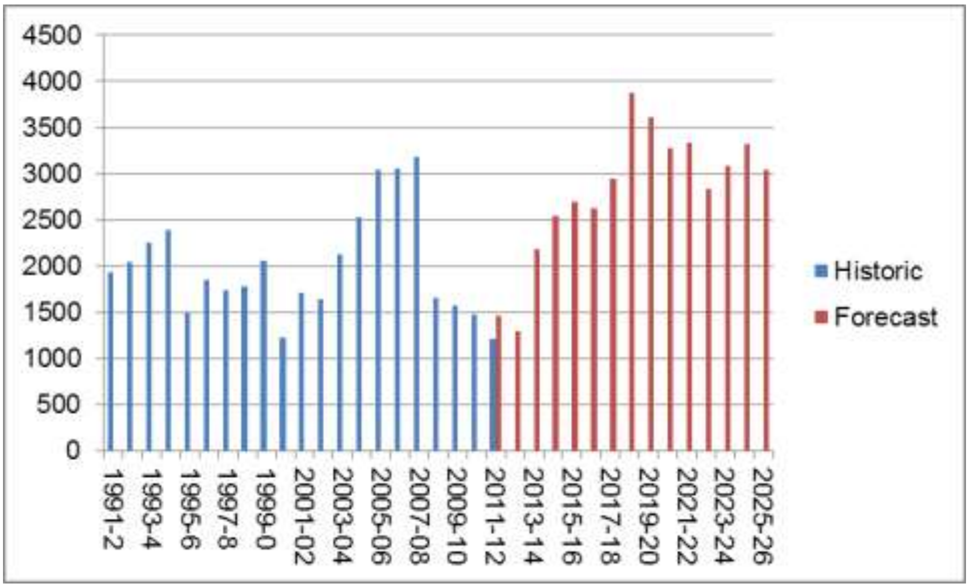
5.78 Historically over the last 20 years, an average of 128 dwellings per annum gross have been delivered in Hucknall. Over the last decade (2002-12) net completions have been stronger and averaged 166 dwellings per annum.

5.79 The proposed rate of housing delivery of 176 dwellings per annum would represent a growth rate of around 1.2% per annum (as a proportion of the dwelling stock in 2012). This is broadly consistent to the rate of growth achieved in Hucknall on average over the last decade (2002-12).

Nottingham HMA

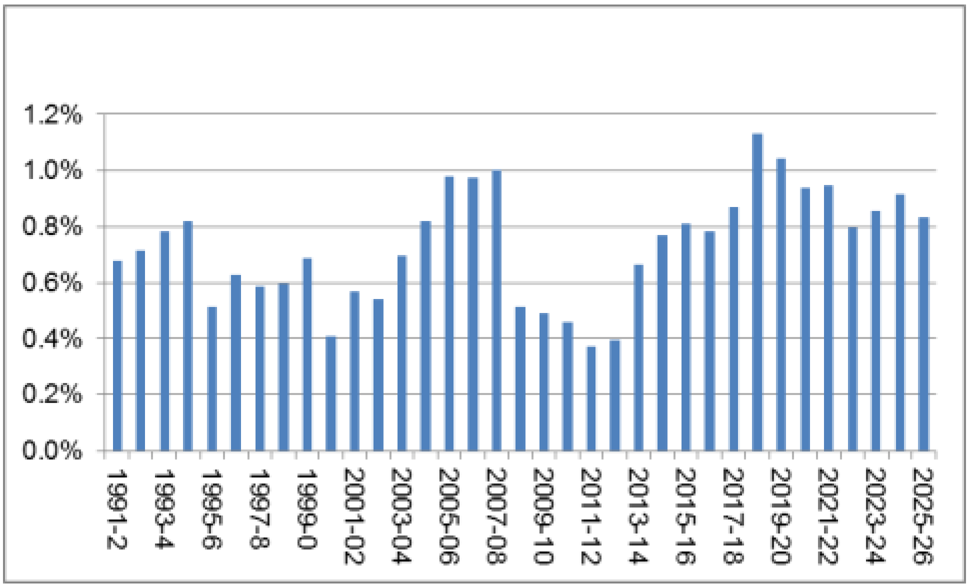
5.80 At a headline level the level of housing provision proposed across the Greater Nottingham HMA seems feasible if ambitious. It assumes that the housing market will recover relatively quickly; and that we will see some pent up demand released to support strong housing delivery at the end of this decade. However, the overall housing growth rates proposed are not unreasonable set against past delivery across the region in the pre-recession decade (which is relatively modest when considered against longer-term trends) albeit that this was supported by strong delivery in the MKSM Growth Area.

Figure 5.11: Housing Trajectory, Greater Nottingham



5.81 We can thus say with reasonable confidence that the levels of housing provision proposed across the HMA over the period to 2026/28 could be supported should the profile of housing market recover as currently expected. There are clearly both upside and downside risks – on the downside these include the prospect of continued turmoil or collapse of the Eurozone, sustained restrictions in Bank lending, or continued weak economic performance. All are quite real prospects – most commentators in 2010 would have forecast that economic recovery over the last couple of years would have been stronger than has occurred.

Figure 5.12: Rates of Housing Growth, Greater Nottingham HMA



5.82 Turning to individual authorities within the HMA, we have identified some specific concerns regarding the deliverability of specific development schemes or the trajectories in specific Boroughs.

5.83 Rushcliffe's housing trajectory is particularly ambitions – but the Borough contains some of the highest value areas within the HMA. Its emerging Core Strategy proposes development on a range of sites across the Borough. We consider that there are risks to the high levels of housing delivery proposed in the 2016-20 period, and that the delivery of the South of Clifton Urban Extension will need to be supported by multiple start points and be delivered at a sufficient pace to create its own market and develop quality of place. The latter warrants more detailed consideration.

5.84 Erewash's housing trajectory seems achievable when assessed against past housing delivery in the Borough. Delivery in the 2014-17 period might be lower than indicated, linked to market conditions, however it is feasible that any under-provision could be recovered later in the plan period.

5.85 Our review of Broxtowe's housing trajectory has highlighted a relatively high level of housing delivery at Eastwood, where values are below average; however housing is proposed close to higher value parts of the settlement which has historically supported reasonably strong housing delivery. Across the Borough as a whole there is a broad spread of sites and the overall housing trajectory looks deliverable.

5.86 We see moderately greater risks to housing delivery in Nottingham City than in other areas. This partly relates to the characteristics of the City and its land supply. Like many other authorities at the heart of larger conurbations across the country, the nature of the land supply supports higher density development with a focus on brownfield sites. There are some risks linked to the pace and nature of recovery in the mainstream market for flats for sale. However it should be recognised that delivery of student flats has remained relatively strong over the least few years and is likely to contribute to housing delivery in the short-to-medium term. Recognising the risk of dependency on the flatted sector, we would advise the City Council to seek to reduce the reliance on flatted development in the short-to-medium term.

5.87 The Aligned Core Strategy specifically seeks to address this, in identifying larger sites and regeneration areas which can support a mix of dwellings; in its policies for development densities; and in continuing to encourage student development for which the market in the short-term has held up well. The Council also has some flexibility in which sites are allocated for development, and the form and density of development promoted, through the preparation of its Site Allocations Development Plan Document. Nottingham City Council's on-going programme of demolition to recycle sites will also support growth.

5.88 In Gedling we have some concerns regarding the scale and pace of delivery anticipated at Calverton, although the figures for the Borough as a whole could be seen as ambitious but not necessarily unrealistic.

5.89 Currently the housing trajectory for the HMA projects year-on-year growth in housing delivery over the period to 2018. Should the housing market not recover over the period to 2018 as strongly as expected, there is some potential to re-profile the trajectory with stronger delivery over the 2021-28 period. However significant under-delivery against the trajectory in the period to 2021 could reduce the scope for re-profiling delivery to meet the targets set within the plan period. Overall we consider that the trajectory is ambitious but could be delivered.

5.90 As we have set out, land supply is just one of a number of factors which may influence overall housing delivery rates and the recovery in housing delivery. The authorities within the HMA recognise that a balanced portfolio of sites is required to support improved housing delivery rates. They are developing various Development Plan Documents which will allocate sites for housing and provide greater planning certainty to support housing delivery. These can reflect changing market circumstances over time, as they are brought forward. Emerging plans (such as the Aligned Core Strategy) also a review mechanism which can come into play in line with a 'plan, monitor and manage' approach to address any emerging under-provision against the housing trajectory.

5.91 The analysis also points to a need for continued Government support and initiatives to stimulate the housing market, alongside provision of an appropriate supply of residential land, and the critical role which improved economic conditions and access to mortgage finance must play in supporting a sustained recovery in housebuilding.