

9 FUTURE SCENARIOS

Introduction

9.01 This section considers the key social and economic factors that will influence the HPDD Sub-Area market in the future and identifies alternative scenarios that could produce different housing market outcomes for the HPDD Sub-Area. Policy makers and delivery agents can use this assessment to provide them with an early warning about the trends or developments that might impact upon the housing market in the HPDD Sub-Area. To achieve this, the section considers:

- **Drivers of change:** These are the key features of the HPDD Sub-Area, presented in Sections 2-7, that have a major influence on the housing market and the key challenges and issues that this presents for the HPDD Sub-Area.
- **Emerging trends:** These are the potential trends and changes identified by DTZ and the steering group and through discussions with stakeholders at two stakeholder conferences that could impact upon housing market outcomes in the future.
- **Future scenarios:** DTZ has developed a number of broad scenarios that consider different ways in which these drivers and trends might play out in the HPDD Sub-Area and the implications of these for the housing market.

Drivers of Change in the Housing Market

9.02 From the evidence presented in Sections 2-7 report it is possible to highlight three key characteristics of the HPDD Sub-Area that are critical in shaping patterns of change in the housing market:

Economic Structure

- Chapter 5 revealed that the economic structure of the HPDD Sub-Area is dichotomous. There is a net workplace outflow of 12,400, and the substantial population of out-commuters tend to earn significantly more than those who work within the HPDD Sub-Area and are willing to endure a longer than average commute. Conversely, those whose workplace is within the HPDD Sub-Area tend to be in low paid jobs located near home – the economy of the HPDD Sub-Area is akin to much of the East Midlands – high economic activity masking lower than average earnings (around £22,000 per annum, compared to £23,444 for Great Britain¹). There is no evidence to suggest that this pattern might change to any significant degree.

Demographic Change

- There has been an increase in the numbers of elderly households, particularly those over 75. The HPDD Sub-Area has an older than average population and has seen a large increase in single person households, mainly elderly. There has been a significant net out-migration of 16-30 year olds and in-migration of 30-50 year olds, which has served to reduce the working age population.
- This suggests that young people in the area may move out in search of employment, education, broader horizons and higher wages and some are dissuaded from returning because of the lack of affordable homes and appropriate employment opportunities.

¹ Annual Survey of Hours and Earnings 2006

The increased number of larger households within the 30-50 age group may indicate families are moving from outside the sub region, relocating to enjoy the rural quality of life but continuing employment outside the region.

Supply of Housing

- The supply of new housing has been restricted within the HPDD Sub-Area for a number of reasons, principally due to the lack of suitable development sites and restrictive planning policies, including those that allow very restricted development within the National Park. House prices exceed the regional average and are slightly below the national average. House price inflation is in line with national increases. These facts, combined with the relatively low average household incomes, mean there is a significant issue of affordability in terms of housing for local people.
- The limited number of suitable development opportunities also restricts the range of tenure and type of housing. There is also a second homes market, which has an impact on the supply and price of housing in certain villages.

9.03 These drivers give rise to a number of outcomes, as highlighted in previous sections of this SHMA.

- Housing is not affordable to the majority of residents, with owner occupation in the most affordable location in the HPDD Sub-Area, Glossop, Hadfield and Gamesley, only being accessible to 33% of households, and as low as 18% in Bakewell, Matlock, Middleton and Darley Dale.
- The range of tenure and type of housing is restricted since there are high levels of owner occupation and a small social rented sector. The private sector rental sector is small and does not provide a wide range of renting options.
- There is likely to be a significant reduction in the working age population
- There is significant out-commuting to employment opportunities outside the sub-region.
- There is an increasing demand on the infrastructure such as the transport networks. Road transport results in heavy congestion in some areas such as Glossop as commuters travel significant distances to work outside the area
- Those employed within the region tend to be in less well paid jobs and consequently a large majority are not able to find affordable housing.
- There is an increasingly elderly population within HPDD Sub-Area.
- Recruiting key workers and other staff is made more difficult since affordable housing is not available and house prices mean that potential new staff cannot afford to buy. This directly impacts on the ability of employers to take full advantage of economic up-turns in the sub-region and the desirability of the region as a place to set up or continue business activity.

9.04 Development will need to reflect the requirements of a variety of households in terms of size of housing and the overall tenure mix. The decisions facing the HPDD Sub-Area planning authorities are challenging.

- The Housing Needs Survey suggests a quantum of over 604 units of affordable housing is required each year (under the most favourable of circumstances). However, it is recommended that 248 units per annum would be a more realistic target. It calculated that to achieve this target would require 70% of the anticipated capacity of sites without planning permission and above the 15 threshold over the period 2006/7 to 2010/11.
- There is a considerable challenge to be faced, however, in maintaining the momentum longer term as housing land supply reduces and the need to increase the proportion of affordable housing developed makes profit on remaining sites more marginal. Indeed, planned development and further identified capacity across the jurisdiction of the three HPDD Sub-Area planning authorities (part of which lies outwith the HPDD Sub Area) amounts to 8,780 over the period 2006 to 2026², or 439 completions a year, which is 61 less per year than the Secretary of State's Proposed RSS target.
- We have suggested that a higher proportion than suggested in the HNS of new affordable housing be of three and four bedrooms, in order to create letting chains and hence increase letting opportunities for smaller housing. Such a mix would necessarily be more costly per unit to deliver than one with a higher proportion of smaller units.

Emerging Trends

- 9.05 We have worked with the SHMA Steering Group to identify and consider future scenarios for the sub-region. The factors identified, which may influence the future, are set out in Figure 9.1. This is by no means an exhaustive list but it begins to highlight key issues and concerns that might affect the housing market in the future.
- 9.06 Within the planning policy framework, overall, it is important to note that the pace of housing development and hence of population and household growth will depend in the main on macro-economic factors. The pace of economic growth, the level of employment and interest rates are the key determinants of the pace of development and affordability. The main influences of these economic factors are actually external to the UK economy, reflecting international trade volumes, market confidence, political issues, and energy prices.
- 9.07 UK interest rates have traditionally had a major bearing on the housing market. However, despite major interest rate cuts, it is fair to say that recent changes in the supply of mortgage products have placed more demanding requirements on first time buyers. For example, the United Kingdom's largest building society, Nationwide, increased the minimum deposit for new customers in October, to 15%, and also cut the amount it will lend – introducing a lending ceiling of 4.1 times a single or joint income; so whilst the constraints on overall supply of credit worldwide may be easing, the terms of access would seem to be tightening.
- 9.08 The other key dimension that will influence the pace of housing growth and potentially the type of housing in demand, including the scale of need, is the pattern of migration. Migration at the regional and sub-regional level is particularly influenced primarily by changing patterns of employment, house price differentials between areas, and the lifestyle offer of different areas, particularly those within the same broad regional labour catchment

² Updated Appendix 2 with HMA Housing Trajectories, Core Doc HOU43, East Midlands Regional Assembly

area. But migration is inherently difficult to predict. Patterns of movement can change quite significantly at different stages of the economic and housing market cycles.

9.09 Moreover, international migration can be particularly hard to predict. Since the expansion of the European Union in 2004, the number of EU citizens migrating to the UK has increased five-fold. In 2003 the inflow of EU citizens was around 14,000. In 2004, this rose to around 74,000 – 80% of this increase is attributed to migrants from the ten accession states.^{3 4} The latest Government figures state that around 447,000 migrants from these states registered for work in the UK between May 2004 and the end of June 2006, of which 265,000 were Polish migrants⁵. A recent survey by the Centre for Research on Nationalism, Ethnicity and Multiculturalism indicates that these figures may understate the true level of migration.⁶

9.10 The issue for policy is that the macro economy and the pattern of job growth will affect the pace of development. It could also affect development economics, and ultimately affect the tenure, type and mix of housing it is appropriate to provide. The rest of this section considers this in further detail by examining the economic, social, environmental, technological and political influences that could affect the HPDD Sub-Area in the future.

Figure 9.1: Emerging Trends

	Short Term	Medium Term	Long Term
Social	<ul style="list-style-type: none"> • ‘Buying a lifestyle’ – home becomes a place of work, place for friends and family to visit or even lodge • Divorce Rates and family breakdown – both parents may have access to children at different times and need family space • Impact of higher education - accommodation, ability to retain graduates 	<ul style="list-style-type: none"> • Care for elderly – home based care may be preferred • Inheritance tax and equity release may reduce inter-generational help onto the housing ladder for next generation 	<ul style="list-style-type: none"> • How far will the projected growth in single households arise? • EU migration could have long term implications for the housing market and employment base
Economic	<ul style="list-style-type: none"> • Migrant labour from the EU been increasing over recent years • Interest rate rises, and consequent implications for affordability (recent rise in rate of repossessions) • Skills and capacity constraints in the construction sector • Potential for economic shocks e.g. closure of a major employer • Expansion or sudden dislocation of the Buy-to- 	<ul style="list-style-type: none"> • Home working, part time working and self employment – placing demands on living space and travel to work needs • Globalisation of the property market, with growing numbers of people owning property assets abroad • Impact of global competition on established local businesses 	<ul style="list-style-type: none"> • Pensions gap (housing as asset and for equity release and a significant factor in the expansion of the BTL market) • Ageing workforce and longer years of working life

³ ONS 2004

⁴ The 2004 accession states were Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

⁵ Home Office (2006) Accession Monitoring Report – Note that this records the **cumulative** number of people who have register to work. It does not represent net migration.

⁶ The survey of 500 Poles in the UK found that 64% had signed the workers register

	Short Term	Medium Term	Long Term
	Let market, implications for town centres	• Infrastructure forthcoming	
Environmental	<ul style="list-style-type: none"> • Trade off between housing development and environmental goals becoming acute, particularly in the National Park • Opposition to growth, with potential to slow down the development process 	<ul style="list-style-type: none"> • National road pricing – impact on commuting and household movements • Increased energy efficiency standards in homes (Code for Sustainable Homes) • CO2 emissions targets – what effect on design and cost of housing? 	<ul style="list-style-type: none"> • Climate change – flood risk and household insurance costs • Increased congestion and high fuel prices • Impact on migration patterns
Technological	<ul style="list-style-type: none"> • IT/ telecommunications enable flexible working • Continued scope for flexible working – e.g. effective video-conferencing from home 	<ul style="list-style-type: none"> • Modern methods of construction • Environmental innovation for housing design 	
Political	<ul style="list-style-type: none"> • Impact of PPS3 Housing and forthcoming Code for Sustainable Homes 	<ul style="list-style-type: none"> • How far will commitment to growth remain? 	<ul style="list-style-type: none"> • Change of administration likely between 2006 and 2026, though should not be material to continued National Park designation

Social and Demographic Influences

- 9.11 There are two key influences that stakeholders highlighted (see Figure 9.1) and that we consider could have significant implications for housing in the future. These same issues have been raised during the course of our SHMA work in other areas.
- 9.12 The first is the anticipated growth in single person households, particularly elderly people living alone. The decisions taken by these households in the future will have implications for the housing market. However, the location, type and size of housing chosen by these households will not necessarily be a product of their need for housing. It may relate more closely to other socio-economic needs. For example, in the future, single elderly people may choose home-based care rather than sheltered housing, residential or nursing homes as they get older or as their health deteriorates. This may mean that they continue to live in the family home rather than down sizing and this will limit the flow of larger properties onto the market for those wanting to trade up.
- 9.13 However, the availability of home-based care will depend on policy decisions made in other areas as well as whether carers are available – which may well be a function of whether carers can afford to live in the sub-region. Another factor that these households may consider in their decision about whether to remain in their home or to down-size and move will be how the home, as an asset, is viewed. Increasing numbers of older people may use equity release schemes to top up a pension or to help finance their children or grandchildren to buy a home or to fund care costs. This may become a more significant driver in the future.

- 9.14 It is also quite probable that one may see a market driven and public sector policy driven response to such issues. Private developers and private health care providers may well start to develop a wider range of privately funded integrated housing and care provision that has little in common with current provision. This reflects the fact that it will be expensive to provide more than low level care to people in their own homes, (and the difficulty in recruiting staff will push up costs). Given that households are increasingly going to have to fund care from their own resources, moving to new types of integrated and care facilities may be an increasingly attractive option for some older people.
- 9.15 The behaviour of other single households in relation to their housing choices will also be dependent on factors outside the housing market. Many in-migrants to the HPDD Sub-Area are likely to be either single or two person / couple households, A high proportion of the membership of both these groups is likely to be of an age where they are likely to aspire to start a family. The housing stock needs to be capable of meeting their aspirations, which is more likely to be for a house or larger flat in neighbourhoods with schools and a range of facilities for families.
- 9.16 On the other hand, those committed to single life are often highly flexible with their living arrangements – moving in and out of shared dwellings, perhaps then buying a property and living alone for a while but ensuring they have extra space for taking in a friend or lodger as and when they desire. Those able to access housing in the open market are able to choose housing solutions that meet their wider needs for space for visitors or entertaining or even home-working.
- 9.17 The need for extra space is not limited to households active in the housing market. Households in need of affordable housing may also have requirements for more space than their household size would suggest. For example, parents that have separated may have access to their children on a regular basis and need extra space to accommodate them.
- 9.18 There are also other significant socio-economic trends that would impact on the housing market of the HPDD Sub-Area. A notable example is the ‘pensions gap’, which is affecting the decisions, and actions, of those in the owner occupied sector. Property is increasingly seen as an asset that offers some security against the possibility of a declining income in later life, as well as a place to live. Furthermore, this has been a prime motivation amongst landlords entering the Buy-to-Let market. The second dimension to this is that people will have to work for longer to secure their pension with the result that they may delay decisions to relocate or downsize when they may have done so in the past and freed up housing for those wanting to trade up.
- 9.19 There is the added implication that older workers may take up new jobs created in the economy of the sub-region. Half of all new jobs created in the UK economy in 2005 were taken by those above the retirement age. This may mean that the contribution of in-migrants to the growth of the economy is less than anticipated which may also limit the opportunity to diversify or improve the skills base of the HPDD Sub-Area. These consequences serve to illustrate how the impact of policy decisions elsewhere could have significant impacts upon housing choices.

Economic Influences

- 9.20 As outlined earlier in this section, the underlying performance of the economy of the HPDD Sub-Area has been one of the key factors that has shaped the housing market and had an impact on patterns of migration and on the socio-economic structure of the area. In thinking about the future, it is, therefore, relevant to consider the prospects for economic

development for the HPDD Sub-Area and with relevance to this, the adjacent housing market areas which also have significant plans for economic and housing growth.

- 9.21 We assess the future economic prospects of the HPDD Sub-Area's economy by considering the positioning of the area in relation to the three drivers of local economic performance:
- **Availability of skilled labour**
 - **Infrastructure**
 - **Quality of Life.**
- 9.22 The three drivers must be considered within the context of the Nathaniel Lichfield and Partners Employment Land Review (ELR) for the Peak Sub-Region (including the HPDD Sub-Area⁷) of August 2008, which predicts there will be a period of continued decline in the key manufacturing sector. Given the area's (especially High Peak's) reliance on manufacturing, the ELR advises the management of such decline, and the promotion of diversification to minimise impact.
- 9.23 The ELR recognises the need to diversify the economic base and create a range of employment opportunities for local residents in different sectors and skill levels, and suggests a strategy based on the *following themes* that would support sectoral shift and aid the enhancement of the general productivity of firms:
- Support development of the indigenous business base
 - Encourage growth of embryonic industries, including creative industries, food & drink, and tourism
 - Actively pursue appropriate relocations
 - Secure public sector funding to improve existing employment areas, or unlock sites with potential for provision for incubation units and premises for knowledge based industries.
- 9.24 Each element of the strategy would be unlikely on its own to be sufficient.
- 9.25 **Availability of Labour:** The importance of ensuring an appropriate supply of affordable housing in order for the HPDD Sub-Area economy to grow at a pace that continues to meet the needs of the population, is highlighted by the findings of the Nathaniel Lichfield and Partners Employment Land Review (ELR) for the Peak Sub-Region (including the HPDD Sub-Area⁸) of August 2008, and the JHA Housing Needs Study of 2007.
- 9.26 The ELR also considered recruitment difficulties to be a significant threat to the sub-regional economy. To this end, we would suggest that the path of the housing market has an important role in the diversification of the HPDD Sub-Area economy, and the management of the decline of the manufacturing sector:

^{7 8}Whilst this SHMA has previously noted (See Section 1) that the borders of the HPDD Sub-Area and the Peak Sub-Region are not conterminous, the dominance of the HPPD Sub –Area within the Sub-Region in terms of population and area is such that it is reasonable for general conclusions regarding employment land the Peak Sub-Region to be taken as applying to the HPPD Sub-Area.

- *Through ensuring a supply of affordable housing sufficient to accommodate an enhanced graduate labour pool.* The drive to broaden the economic base will be underpinned by an enhancement of the representation of knowledge based industries, which will require a good pool of graduate labour (the Employment Land Review highlighted the good supply of people in the Peak Sub-Region qualified to the equivalent of NVQ Level 4 or above – though the net loss of young people from the HPDD Sub-Area suggests that membership here is likely to be disproportionately skewed to older age groups). *Anecdotal evidence collected by the ELR suggests that many graduates are precluded from returning due to their inability to afford housing in the Peak Sub-Region.*
- *Through ensuring a supply of affordable housing sufficient to allow the area's strongest manufacturing firms to thrive.* Whilst the manufacturing sector in the HPDD Sub-Area is contracting, there are a number of specialist sub-sectors that are thriving, according to the ELR, and whose future path is based on growth through enhanced productivity. The results of primary and secondary research undertaken as part of the ELR and the Housing Needs Study suggest that such productivity led growth may be compromised by an inability to recruit and retain both specialist skilled workers (HNS), and the destabilising effect of not being able to fill lower paid posts that become vacant through natural labour (HNS) churn (which might, according to the Ashbourne Economic Assessment cited in the ELR, force companies to relocate elsewhere); both recruitment problems having the inaccessibility of the housing market as a key factor.

9.27 **Infrastructure:** Whilst certain aspects of what might be termed, the “soft civil infrastructure” of the HPDD Sub-Area, such as schools, are strong drivers for economic development, the economy of the HPDD Sub-Area is at risk of being debilitated by the quality of the employment land supply. The Nathaniel Lichfield and Partners Employment Land Review (ELR) for the Peak Sub Region (including the HPDD Sub-Area⁹) revealed a number of issues, which will only be resolvable in the medium to long term.

- That many allocated employment sites are constrained by physical site limitations (topography, flooding, limited site infrastructure and, in some cases, the need for improved site access), which may prevent their coming forward for development due to development viability issues. The study considered that public funding from EMDA for the appropriate remediation would probably not be forthcoming due to the non-strategic nature of the sites, and suggested that residential development could have an enabling role at some sites
- A high number of developed sites that were in use by a single firm, and which had been developed to meet the specific needs of the firm. The site survey undertaken as part of the study revealed a number of issues and quality, access and proximity to other uses that might serve to debilitate their future use as an employment site once that firm had departed, and de-allocation might be considered in some cases.
- Notwithstanding development constraints, the Employment Land review also considered that there was a shortage of sites that met the needs of high technology businesses and the growth sectors of other knowledge based and creative industries

⁹ Whilst this SHMA has previously noted (See Section 1) that the borders of the HPDD Sub-Area and the Peak Sub-Region are not conterminous, the dominance of the HPPD Sub –Area within the Sub-Region in terms of population and area is such that it is reasonable for general conclusions regarding employment land the Peak Sub-Region to be taken as applying to the HPPD Sub-Area.

- 9.28 Overall, the ELR suggests that the appropriate sites and premises must be available and proposes the rationalisation of the employment land supply on the basis that a moderate number of good sites meeting needs was more effective than a large number of sites of varying quality, and which would be difficult to bring forward given site constraints, low rent levels and limited public funding opportunities. The ELR considers the lack of appropriate sites to be a threat to the long term health of the sub-regional economy.
- 9.29 **Quality of Life:** Our assessment is that the HPDD Sub-Area provides a good quality of life. The rural nature of the area with attractive countryside and good schools provides an environment that many people aspire to live in. This quality of life contributes to the growth of leisure pursuits within the HPDD Sub-Area. This is seen in the increase in the number of jobs in industries such as catering, hotels and restaurants. The quality of life in the HPDD Sub-Area also contributes to the second home ownership market as individuals seek quiet rural settings as a break from urban life.
- 9.30 It is important to consider what the impact on the housing market might be with a different economic outlook. The notable level of net out-commuting means that the HPDD housing market is much influenced by the economic performance of other sub-regions - witness how workplace incomes (Chapter 5) in the HPDD Sub-Area are so out of step with the residential based incomes that have driven house price growth.
- 9.31 The economic development path set out by the Regional Spatial Strategy suggests a level of economic development in the sub-area that is consistent with the needs of the population (i.e. not one that seeks to attract additional labour to service such growth, and hence fuels economic driven in-migration). Such a path might be one that provides the appropriate number of new jobs to meet the employment needs of the local population, and of those better paid jobs in superior [Gross Value Added] sectors. The path would stem from a local economic development led, supply-side, restructuring of the HPDD Sub-Area economy as advocated in the Employment Land Review.
- 9.32 This economic development path could reduce the gap between residential and workplace income in the HPDD Sub-Area, especially in a period when the wider regional and national economies are slowing down due to demand side contractions (as is happening at present). However, as discussed above, there are structural impediments to this path, which suggest that the required sectoral shift can only occur over the long term. Indeed, the nature of the current economic downturn (see the paragraphs on Impact of Housing Market Cycle and Possible Downturn, at the end of this section) means that overall affordability prospects for first time buyers might actually get worse, despite falling house prices. It has been reported by the Council of Mortgage Lenders that recent interest rate rises have already led to an increased rate of repossessions.

Environmental Influences

- 9.33 Environmental issues have, generally, become a greater consideration in development decisions at the national and local level, over the last 20 years. The perceived trade-off between housing development and environmental protection is becoming a bigger issue, even though the net environmental impacts of housing are not straightforward. It is important to bear in mind that there are likely to be adverse environmental impacts associated with not building enough new homes, for example, worsening affordability and longer car based journeys to work¹⁰.

¹⁰ ODPM (2005) A sustainability impact study of additional housing scenarios in England

- 9.34 Nevertheless, the opposition to growth is likely to remain in many areas, with consequences for the delivery of housing objectives. Successful outcomes for the housing market will depend on how far the commitment to delivery remains within Government and amongst local partners in the HPDD sub area, as well as how far growth can be achieved in a sustainable manner, and in a way that does not compromise the fundamental environmental protection tenets of the Peak District National Park. A key dimension of Government commitment will be its willingness to fund new infrastructure.
- 9.35 There are a number of possible technological innovations that have the potential to improve the environmental performance of housing. How far increased energy efficiency standards are taken up will depend on how far Government is prepared to enforce rather than merely encourage them. The Code for Sustainable Homes has now been published, but it is a voluntary scheme, and is unlikely to be taken up on schemes that do not require any direct public financial assistance to make the development of the scheme / delivery of social housing viable.
- 9.36 The key technological influence worth highlighting is the change to working patterns made possible by developments in Internet, broadband and telecommunications. These are fundamentally changing the options available in how work is organised. Evidence suggests that increasing numbers of people in the South East of England are working from home one or more days a week and part time working arrangements are also increasing¹¹. This has implications for how people choose and use living space. For many the home is becoming at least a part-time work place.
- 9.37 A second, likely, development is the near certainty that, while road congestion is viewed as a serious issue now, it is likely to become much more significant over the next decade across the HPDD Sub-Area. There are few schemes planned that will have any significant impact on this in the next decade. The technology exists for a national road-pricing scheme to be introduced, but the political will to introduce such a system is unlikely to exist in the next decade.
- 9.38 The introduction of a national road pricing system will have profound but uncertain effects on patterns of mobility and migration, and much may depend on how in practice, the scheme is implemented (e.g. differential pricing for the most congested roads and the least congested, variable charging at different times of day etc). There is also much uncertainty about whether the system would be revenue neutral, or generate revenue and, if so, whether that would be hypothecated to support public transport.

Political Influences

- 9.39 There are obvious risks to policy continuity of a change in administration or leadership at the local or national level. A strong evidence base around housing issues can go some way to mitigating the impact of any such changes. Moreover, recent articles reporting on the Conservative Party's proposed housing and planning policies suggest that there is some degree of a consensus around the need for more housing. The impact of this is likely to be less so in the National Park compared to areas outside it, and, in any event, the political imperative given to National Park designation and purposes seems unlikely to change significantly.
- 9.40 There are also local economic factors, which could influence the housing market. We consider these in the Scenarios section, below.

¹¹ DTZ study for SEEDA on Changing Working Practices in the South East.

Scenarios

9.41 We have considered the following, broad scenarios, which could have implications for the housing market of the HPDD Sub-Area:

The Continued Growth of the Second Homes Market

- The second homes market is currently relatively small in the HPDD HMA compared with other similar regions such as Cornwall and the Lake District. However, the high house price rises in these other regions and the fact that the growth of the second homes market has been relatively small to date may indicate that the potential for growth is larger here than elsewhere nationally.
- If the second homes market was to grow in the medium to long term, the implications for the housing market in the HPDD Sub-Area would be considerable. Reviewing the current impact on the second home hot spots such as Devon and Cornwall, it is clear that increases in the second home market may mean further and more significant increases in house prices as demand outstrips supply. This has knock on effects on the affordability for local people and subsequently the retention of the economically active population. The impact could also mean an increase in dormitory villages where homes are only occupied at weekends. This may cause increased conflict between second home owners and full-time residents.
- Where the number of second home owners in a particular village is significant, the impact on the infrastructure could mean reduced school rolls forcing reviews of the viability of village schools. The impact could also be felt on local shops and businesses as the numbers of residents spending locally may be reduced.
- However, an increase in second home-owners may also provide additional income for the local economy in terms of spending on tourism and leisure pastimes such as restaurants, hotels, and leisure pursuits and local shops and businesses.

Continued Land Restrictions Outside and Within the National Park

9.42 The RSS policy approach to the Peak Sub-Region, and one supported by the Secretary of State, is driven by the principles of protecting the unique environmental quality of the sub-region, coupled with supporting the regeneration of the adjacent urban sub-regions of Greater Manchester and Sheffield / Rotherham. These are important objectives. However, the expression of these objectives by way of the influence on housing allocations, does not sit comfortably with the affordable housing requirements suggested by the Housing Needs Study; if land availability continues to be restrained in line with the policy, the impact on the housing supply and consequently prices is likely to be significant, with a particularly acute effect on the ability of the two local housing authorities to meet the identified housing need, according to the Housing Needs Study.

- This could compromise the efforts of locally based firms to recruit and retain workers, which could erode the local economic base, and reduce employment opportunities.
- The current out-flow of economically active individuals is likely to continue, the increase in the age of the population will continue and the HPDD Sub-Area might become less economically active. This could exacerbate the problem of attracting skilled workers to an area where affordable housing is limited
- Restrictions on the supply of land puts greater pressure on existing potential development sites. The market value of these sites is likely to increase as the demand

exceeds supply. The sites available for development are likely to remain as small infill and refurbishment sites in urban centres or exception sites in rural areas.

- The tighter restrictions within the Park increase pressure on areas outside the Park. However, it needs to be considered that the absence of a regional allocation for the National Park should not be read as zero development. For whilst it indicates that the National Park is not expected to contribute to regional and sub-regional totals, the National Park Authority can still, through the rural exemption route, address locally arising needs in a manner that is compatible with conservation and enhancement. The unambiguous nature of the policy strengthens the rural exemption policy route, acting as a device to deter rural exception site land owners from holding on for higher land values (hope value) in the hope of securing market housing on the site.
- Over the 16 years leading to 2006/7, the average completion rate in the Peak District National Park was “inflated” by a succession of large schemes on sites suitable for, or in need of development, and schemes involving the conservation led conversion of a number of historic buildings; these opportunities have been recognised as finite¹². This trend will put more burden on the role of small to medium exception sites in delivering affordable housing. Whilst much good work has been done in bringing forward a supply of affordable housing in the National Park through rural exception sites, additional thought needs to be given as to the means of meeting both the backlog and newly arising needs.

Relationship with other Areas (Particularly with Manchester and the North of the District)

9.43 The popularity of the HPDD Sub-Area as a place to live for commuters to the surrounding conurbations has been well documented in this SHMA; families with relatively high incomes are moving into the area to occupy larger family houses, attracted by the perceived lifestyle package (low levels of crime, quality of schools and general quality of life).

- What also needs to be considered is the long term effects of existing and potential households that are being “priced out” of the market.
- Different markets exist within the HPDD Sub-Area for different types of household and levels of affordability.
- The quality and availability of a range of housing to suit different markets, and the flexibility of this market to meet changing demands as households change over time, is important in order to provide a sufficient labour supply for the economy of the HPDD to grow at a level that is consistent with serving the needs of its population. The extent to which this quality and range of housing is developed in the medium to long term will impact on the economic prospects of the HPDD Sub-Area.
- The HPDD Sub-Area currently competes with other areas particularly to the North, for example, in Manchester and Sheffield. Individuals will compare housing and employment opportunities within the region against those outside in terms of availability of well-paid employment and housing opportunities. Value for money and the life style available in alternative locations will be major considerations in the decision making process.
- The composition and development of housing markets outside the region are important to the sub-regional market since increasingly people also look further afield for a place to live whilst still being within commuting distance to work. It is

¹² Peak District National Park Annual Housing Report 2007

clear that people who cannot afford housing in the HPDD Sub-Area will look at alternatives outside the area and these economically active individuals may never return. The HPDD Sub-Area will have to compete on a number of grounds, not only on the housing factors such as affordability, quality, type, tenure and the range of housing options, but also on the availability of a range of employment opportunities and leisure attractions such as bars, health clubs, cafes and restaurants. The availability of land for development to enable an increase in the numbers of affordable housing units supplied is limited. The scope of stakeholders to target sites has been limited since there has been no HPDD Sub-Area wide mapping of land availability. The SHLAA is currently underway and should address this situation. Likewise, the Plan review that this SHMA contributes to are intended to update land availability.

Impact of the Housing Market Cycle and Possible Downturn

9.44 Precipitated by the recent major contraction in the financial lending market, aka “*the Credit Crunch*”, the current market downturn marks the end the unprecedented period of house price growth that began in the late 1990s. This could have several effects on the HHPD Housing Market Area:

- Despite falling sales values, home ownership is becoming less affordable for many. This is because, due to the “credit crunch”, demand for homes, especially first time buyer homes, has become uncoupled from sales price movement. The withdrawal by lenders of previously favourable mortgage products, requirements for deposits increasing and mortgage lending rates increasing despite Bank of England Base Rate cuts, are all factors that are raising the cost of home ownership in the face of falling sales prices.
- Values might not fall in the HPDD HMA to the same degree as they are elsewhere, on the basis that a significant driver of the housing market here is in migration of existing home owners, many of whom might be “equity rich”, and so less reliant on mortgage financing.
- The credit crunch has particularly affected the financing of apartment building, and many housebuilders have intimated that they are moving away from apartment building in non-metropolitan locations in favour of small two bed houses. Whilst apartment developments have not traditionally been an important supplier of housing in the HPDD Sub-Area, it is still the case that if such a view is realised then apartment development is one less tool that can be used to assist making the development economics of marginally viable development schemes “stack up”, through raising development densities. This SHMA has already highlighted (see Section 6) that the build rate in the HPDD Sub-Area might slow as the supply of sites reduces, and the need to increase the proportion of affordable housing developed makes profit on remaining sites more marginal.
- The house building industry is in a state of flux, with many suspending or running down their land acquisition and development programmes. Given the long run in times of housing developments, this hiatus could have long term effects on the rate of house building in the HPDD Sub-Area, and hence the delivery of affordable housing.

9.45 The latter two points suggest an increasingly important role of public finance in bringing forward the development of sites for affordable housing.

- 9.46 There are signs that the credit market, following the recent unprecedented intervention by national governments worldwide in their respective financial markets, is beginning to stabilise; a good proxy for the health of the credit market is the London Interbank Offered Rate (LIBOR), and is essentially the rate of interest at which banks can borrow marketable funds from each other, in the London interbank market.
- 9.47 The value of LIBOR index as a proxy for the state of the credit market is by virtue of it reflecting the confidence banks have in each other for lending purposes. In recent months, as the exposure of the financial markets to the credit crunch became gradually more apparent, the LIBOR rates increased significantly – a tangible sign of the diminishing confidence banks had in each other. Now, following the recapitalising of financial systems by governments across the world, interbank confidence is rising, and the LIBOR rate has been falling. There has also been a global co-ordinated easing in monetary policy, and further Bank of England Base Rate cuts are widely perceived as being likely over the coming twelve months. Credit may become less scarce, and indeed, reflecting the October Base Rate cut, Halifax, Lloyds TSB, RBS, Barclays and Britannia all cut their standard variable rates by 0.5% in early October.
- 9.48 However, whilst the “credit crunch” may well be easing, it leaves a vastly changed mortgage lending market in its wake and has possibly precipitated a worldwide recession. Both of these factors will have a significant bearing on the housing market over possibly the next four years or more.
- 9.49 First, with regard to the lending markets, the United Kingdom’s largest building society, Nationwide, increased the minimum deposit for new customers in October, to 15%, and has also cut the amount it will lend – introducing a lending ceiling of 4.1 times a single or joint income; so whilst the constraints on overall supply of credit worldwide may be easing, the terms of access would seem to be tightening.
- 9.50 Second, with regard to a possible recession, the Bank of England Monetary Policy Committee in October 2008 perceived a risk of a sharp slowdown in the economy, associated with weak real income growth and the tightening supply of credit, and this was material in its decision to cut the Bank Rate to 4.5% in October and to 3% in November. Indeed, DTZ Research forecast year on year growth of only 1.1% in 2008, and 0.5% in 2009. DTZ now anticipates a period of negative growth and recession over early 2009, with a low growth environment expected to follow throughout the remainder of next year and into 2010.
- 9.51 DTZ then expect the economy to rebound by mid 2010 as falls in interest rates start to work through the economy. There are concerns that the impact of rising energy and food prices will contribute to continued inflationary pressures, but these are likely to be offset into 2009 by the economic slowdown and falling oil and commodity prices, which should help curb wage inflation and enhance price competition in the market place, leading to lower consumer price increases than would otherwise have been the case.
- 9.52 With regard to the possible implications of a UK wide recession, and generally more demanding terms of mortgage credit, on the housing market of the HPDD Sub-Area, this may only be speculated on at a very high level; there are many imponderable factors that will have a material impact and which cannot be considered in this SHMA.
- 9.53 We have already pointed out (See 9.44, above), how values, in a national housing market downturn, might not fall in the HPDD Sub-Area to the same degree as they are elsewhere, on the basis that a significant driver of the housing market here is in migration of existing

home owners, many of whom might be “equity rich”, and so less reliant on mortgage financing.

- 9.54 A cross sector recession may have slightly more complex effects on the housing market of the HPDD Sub-Area. A recession might reduce (in the course of its duration) the migration of commuter households to the HPDD Sub Area, particularly to High Peak Borough from Greater Manchester, where a strong travel to work relationship underpins a high level of household migration (See Section 2).
- 9.55 In Derbyshire Dales District we have previously noted the significance of the migration of empty nester and / or retired households, many of whom are making cash purchases, and so who might be considered relatively “more recession proof”; over the course of a recession this sector of the population may be notable by their higher “rate of activity” relative to other purchaser groups. However, as to how the recent steep fall in pension fund values affects the behaviour of “empty nesters” of pre-pensionable age is another factor to take into consideration; this is a significant “imponderable factor” making analysis of future behaviour amongst “empty nesters” particularly hard to judge; the effect might be that purchaser activity amongst this group in Derbyshire Dales District actually falls spectacularly.
- 9.56 In a housing market downturn, one might expect housing to become more affordable, as house prices fall in relation to households ability to purchase. However, a housing market downturn driven by a recession and a tightening in the conditions of credit will put a downward pressure on households ability to buy; there are two key factors at work here:
- The recession will lead to an increasingly competitive labour market¹³, curbing wage inflation
 - Changes in the nature of supply of mortgages is pointing towards higher deposits and reduced lending ratios
- 9.57 How house prices in different areas react to these important demand side factors will depend on the proportion of existing and potential households exposed to these factors, and their degree of exposure.
- 9.58 This SHMA understands that a significant proportion of migration to High Peak Borough is comprised of professional, family, households; whilst these households might be considered to be wealthy, their exposure to recessionary factors may have a bearing on the timing of major life events such as a housemove, and many who might have been planning a move to a property in High Peak Borough may make alternative plans.
- 9.59 We have already highlighted how the response of the housing market in Derbyshire Dales to a recession is particularly hard to call. Activity in a “less affected” (in relation to the overall population) empty nester market may mitigate house price falls at a time when the size of mortgage many households are able to access is falling in absolute terms; it is quite possible that housing may become less, rather than more, affordable for many in Derbyshire Dales District during the course of the impending recession. The opposite may be true in a scenario were fears over future retirement income make empty nesters more cautious, significantly reducing purchaser activity.

¹³ It is not possible within this SHMA to gauge the specific likely impact of a recession on the vitality of businesses, and hence labour market demand, within the HPDD Sub-Area