

Recent Housing Market Trends in the NewHeartlands intervention area

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1.0 Introduction

- 1.1 The Evaluation of the NewHeartlands Programme contains resources for a Housing Market Report every two years. The first was produced in 2006 and it will be updated in 2008. This short paper provides an update on Market Trends using data supplied by NewMIS (LAMP, WAMP and SAMP). This analysis explores recent trends in vacancies and house prices so that the spatial dynamics of change can be observed. Additional information in respect of affordability and social housing demand is also provided at a district level. The data also assists with the capture of adjacency and displacement effects and complements a survey of residents within the intervention area which has provided information on the social impact of the HMRI.
- 1.2 The 2006 Market Report highlighted a number of features to the operation of the market within the NewHeartlands area. These included:
- A persistent Housing Surplus in the inner core of Merseyside, and particularly in Liverpool.
 - Relatively large increases in house prices since 2003.
 - Very substantial increases in the value of sales in the terraced sector.
 - A corresponding increase in the unusual sale of vacant properties i.e. the resale of property within twelve months. These sales were highly correlated with the HMRI intervention and gave a clear indication of speculative activity.
- 1.3 This paper builds on this analysis, and the next section briefly updates the house price trends with 2006/07 data. Section three explores the changing pattern of vacancies, and section four looks at adjacency and displacement. Section five sets out the conclusions.
- 1.4 Maps showing the HMRI and intervention areas for each of the three local authorities are included for reference below.

Figure 1.1 Wirral HMRI and Intervention areas

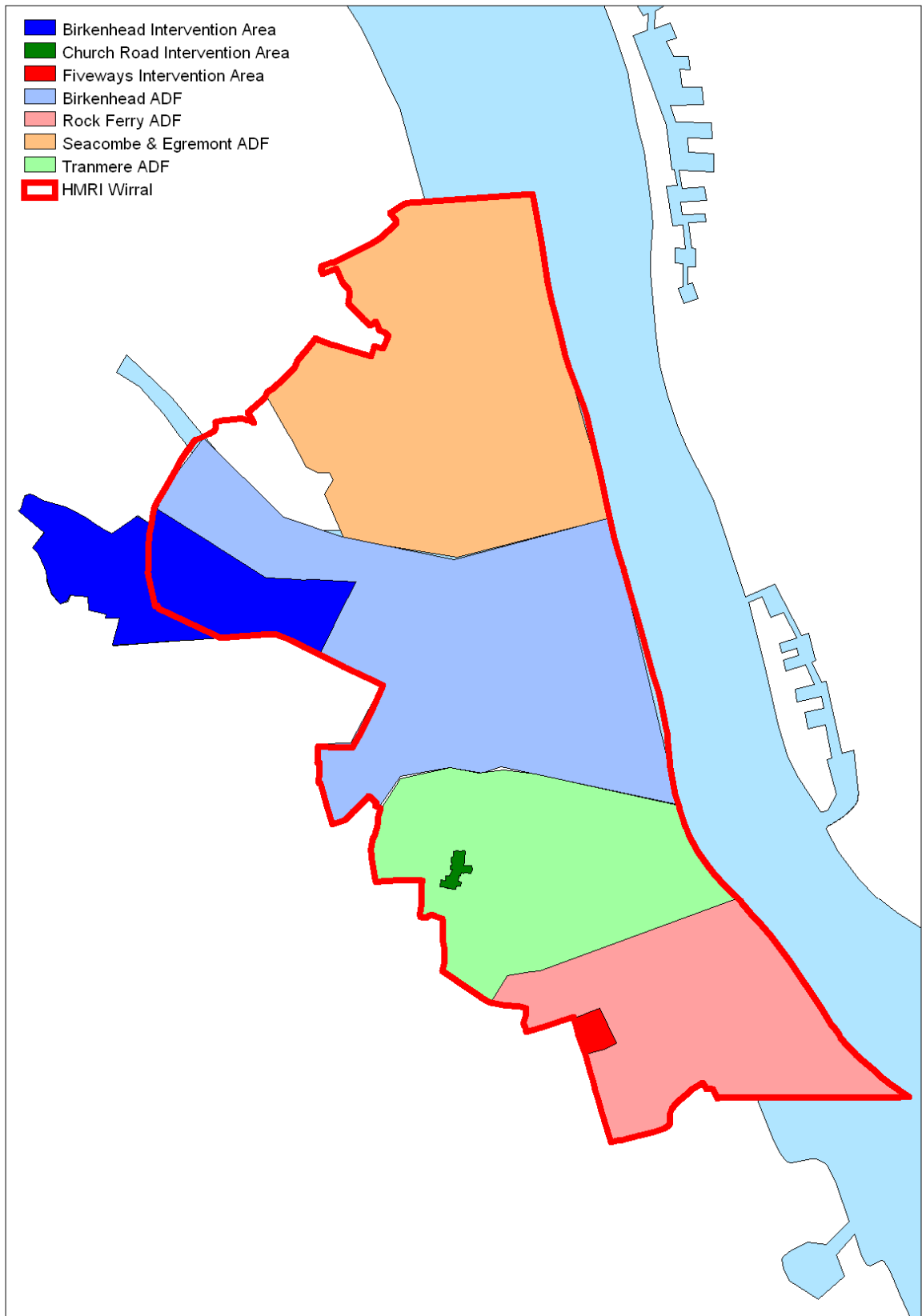


Figure 1.2 Sefton HMRI and intervention areas

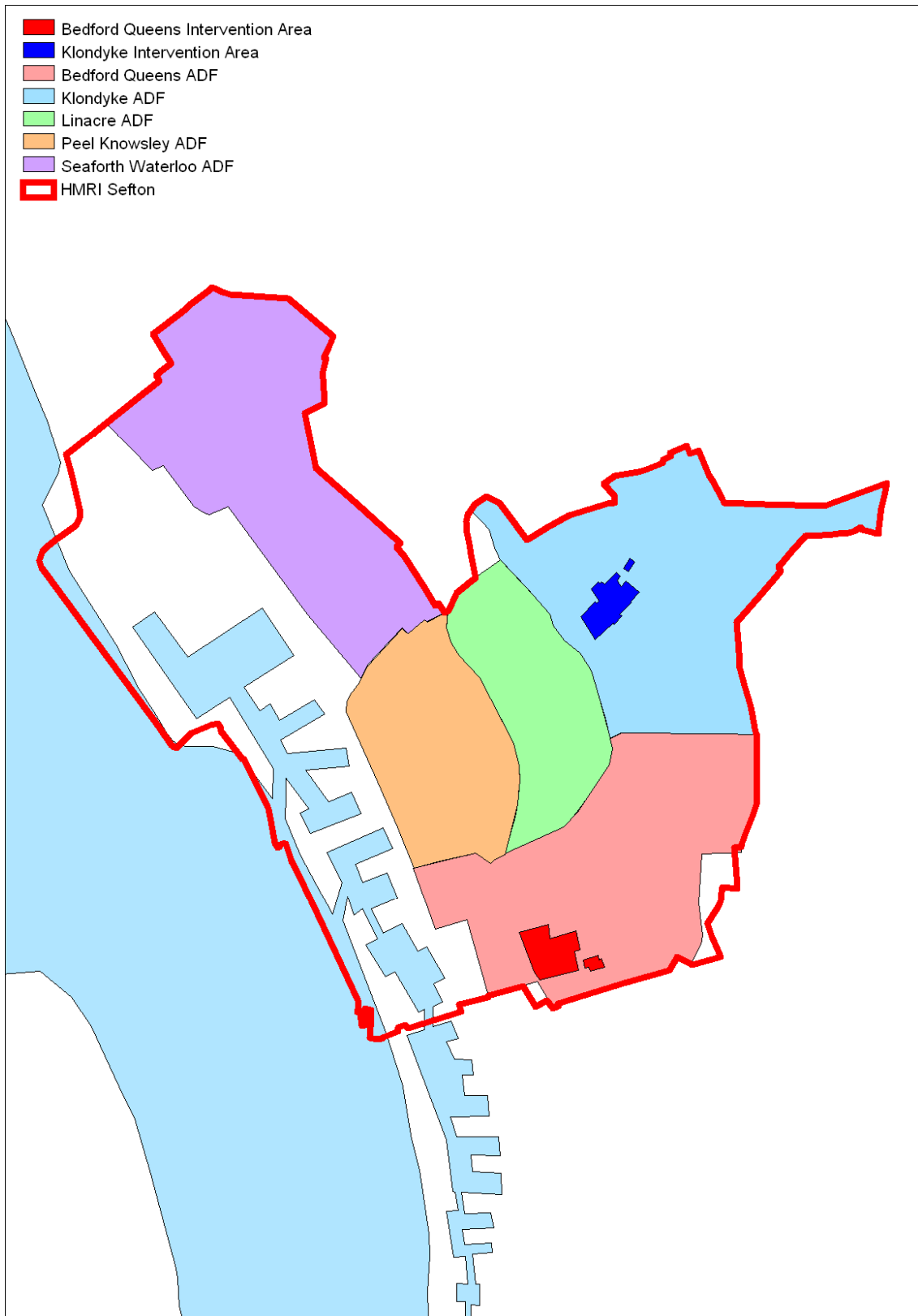
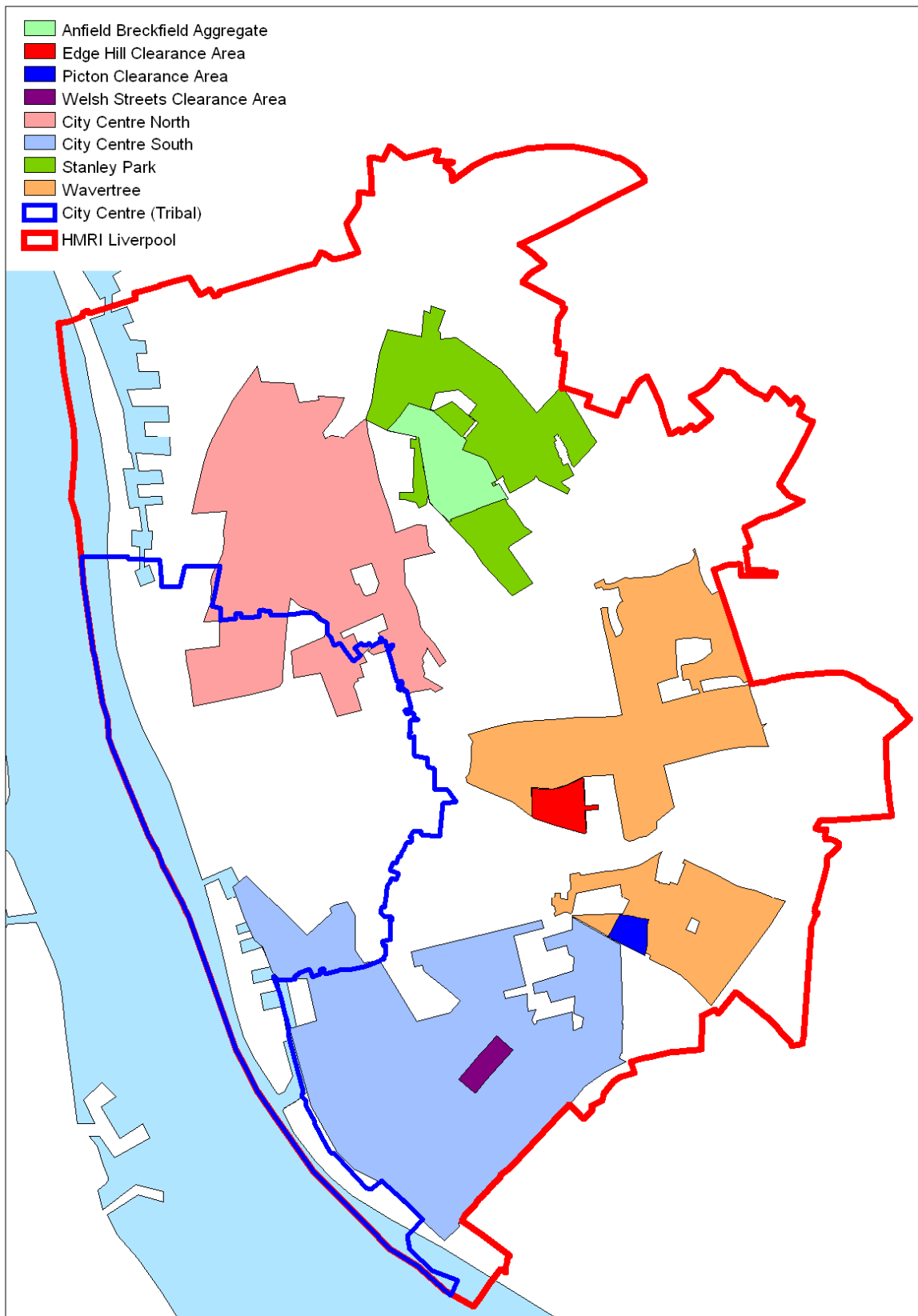


Figure 1.3 Liverpool HMRI and Intervention areas



2.0 House Prices

- 2.1 Figure 2.2 shows the percentage change in house prices in Merseyside and its hinterland in the period 2002-2006. This pattern of change confirms previous analysis and shows that the most deprived areas of Wirral, Sefton and Liverpool as well as Knowsley registered the largest increases in price over this period. This trend is evident throughout the North and Midlands during this period and this reflects a growing national trend for more affluent groups to acquire property for the Buy to Let Market. Research recently completed by ECOTEC has shown that the Private Rented Sector has grown from 15.8% in 1991, to 19% by 2001, and subsequently is now estimated to be 25% in the NewHeartlands area.
- 2.2 The NewHeartlands area remains a comparatively low value housing market despite the recent large increases in prices. This is demonstrated in figures 2.3 and 2.4 which map average house prices in Merseyside for 2002 and 2006. However while the intervention areas in Wirral and Sefton remain exclusively in the lowest quintile for prices, the situation has changed in Liverpool. It can be noted from figure 2.3 that higher house price areas have now appeared in the city centre, North along the waterfront and in inner south Liverpool.
- 2.3 In Table 2.2 house price growth is broken down by area and property type over the period 2000-2007. In all areas the trend in prices for terraced property has been upwards. In Wirral the average prices in the Borough increased by 161% while in their HMRI area the figure was 217.1% (a 56% differential). In Sefton the figures were 166.8% for the Borough and 206.8% for the HMRI (a 40% differential) and in Liverpool the figures were 180.9% and 200.8% (a 20% differential).

2.4 These global figures mask significant and localised changes in price which are highly correlated with HMRI interventions so for example:

Bedford Queens ADF 199.6%

Bedford Queens Intervention Area 268.1%

Klondyke ADF 256.8%

Klondyke Intervention Area 264.2%

Welsh Street Clearance Area 260.1%

2.5 There is therefore a tendency for intervention areas to experience higher price increases than the larger areas within which they are located. This is partly related to the speculative activity referred to earlier, but also related to significant refurbishment work being invested by the Market Renewal fund to improve the quality of the remaining stock and the wider environment.

2.6 In addition to data relating to terraced housing Tables 2.1 and 2.2 also contain data relating to flats, semi-detached and detached properties. In respect of flatted property there is a much more diverse picture in relation to the change in average values, with performance being very place sensitive. Obviously high performing areas are Liverpool City Centre, Klondyke and Bedford Queens and Birkenhead where new build has occurred, and more suburban areas such as Waterloo and Seacombe. Flats in more depressed neighbourhoods such as Wavertree and those located in the Edwardian core of Liverpool have experienced only a third to a quarter of average house price growth over the same period.

2.7 In respect of semi-detached property, the performance is significantly better than flatted property. Whereas the increase in the value of flats was 115% across Merseyside, in the Merseyside HMRI it was only 58%. The biggest increases in the value of semi-detached property were outside of Liverpool, in the Wirral and Sefton HMRI areas. This position is reversed again, for detached property. In the Merseyside HMRI prices grew by just 74.7% compared to 138% for the sub region.

2.8 Table 2.1 and Figure 2.1 show how prices have changed in absolute terms for all properties. This shows that whilst the cash gap between the average price for a property in NewHeartlands compared to elsewhere has increased in

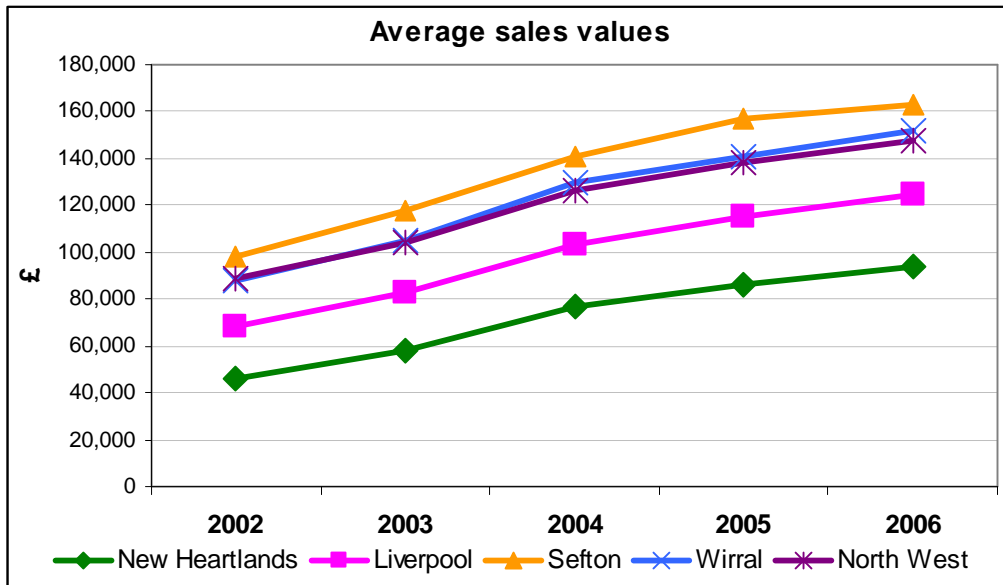
proportionate terms the gap has been falling. Comparing 2002 with 2006 the price of a NewHeartlands property compared to the average for Sefton fell from a ratio of 2.12 to 1.74, while for Liverpool and Wirral the figures were 1.49 to 1.32 and 1.87 to 1.62 respectively. Compared to the North West region the average price of a NewHeartlands property was 53% of the regional average in 2002, rising to 63% in 2006.

Table 2.1 Average prices

	Average price				
	2002	2003	2004	2005	2006
New Heartlands	45887	58412	76903	86262	93448
Liverpool	68502	82589	103497	115577	124187
Sefton	97734	117575	140957	157153	163055
Wirral	88262	104593	130094	140720	151425
North West	88372	104427	126131	137803	147736

Source: HM Land Registry, LAMP

Figure 2.1 Average sales values 2002 - 2006



Source HM land registry LAMP

Figure 2.2 Percent Change in Average Prices

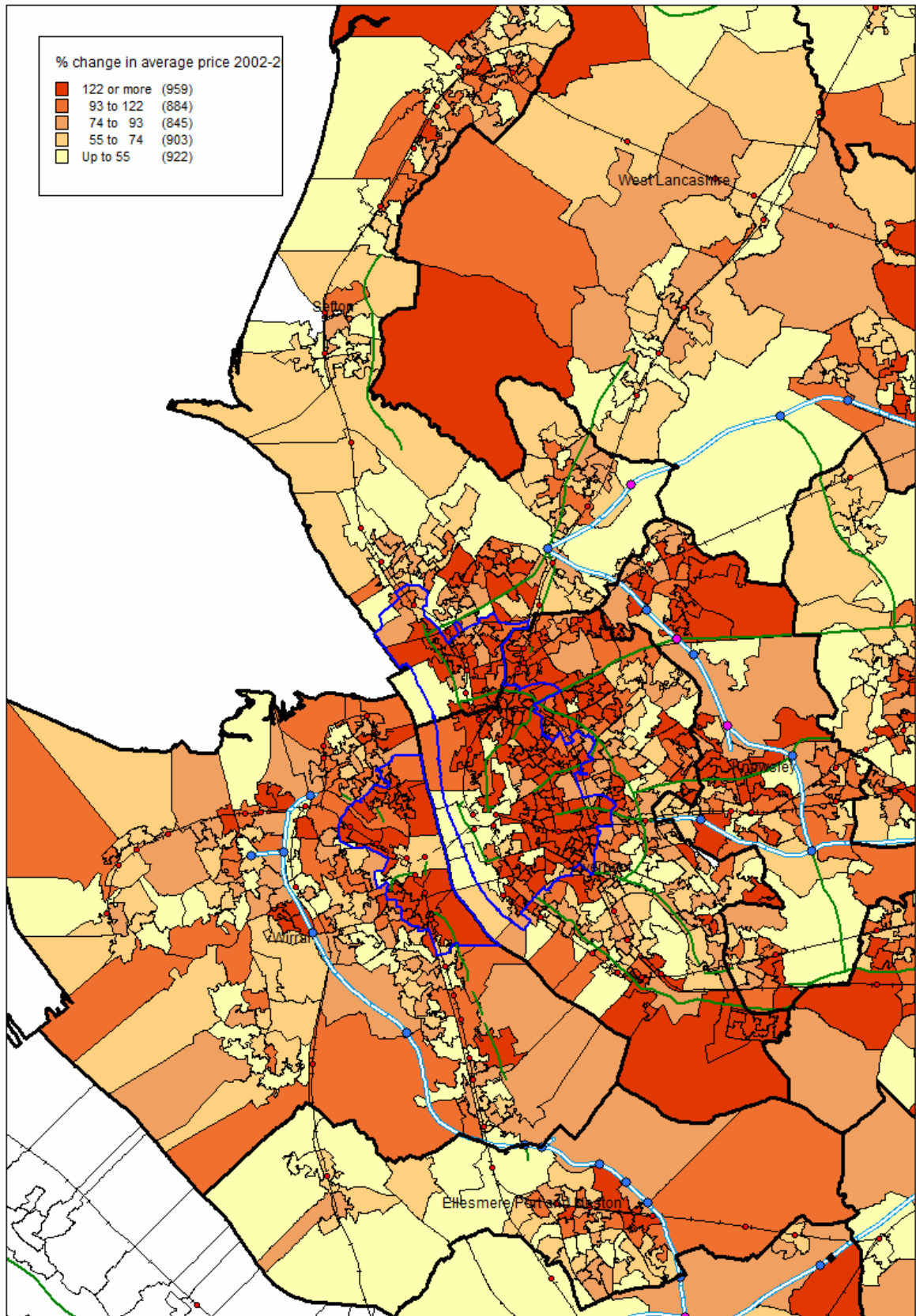


Figure 2.3 2002 Average sales values in the Merseyside area

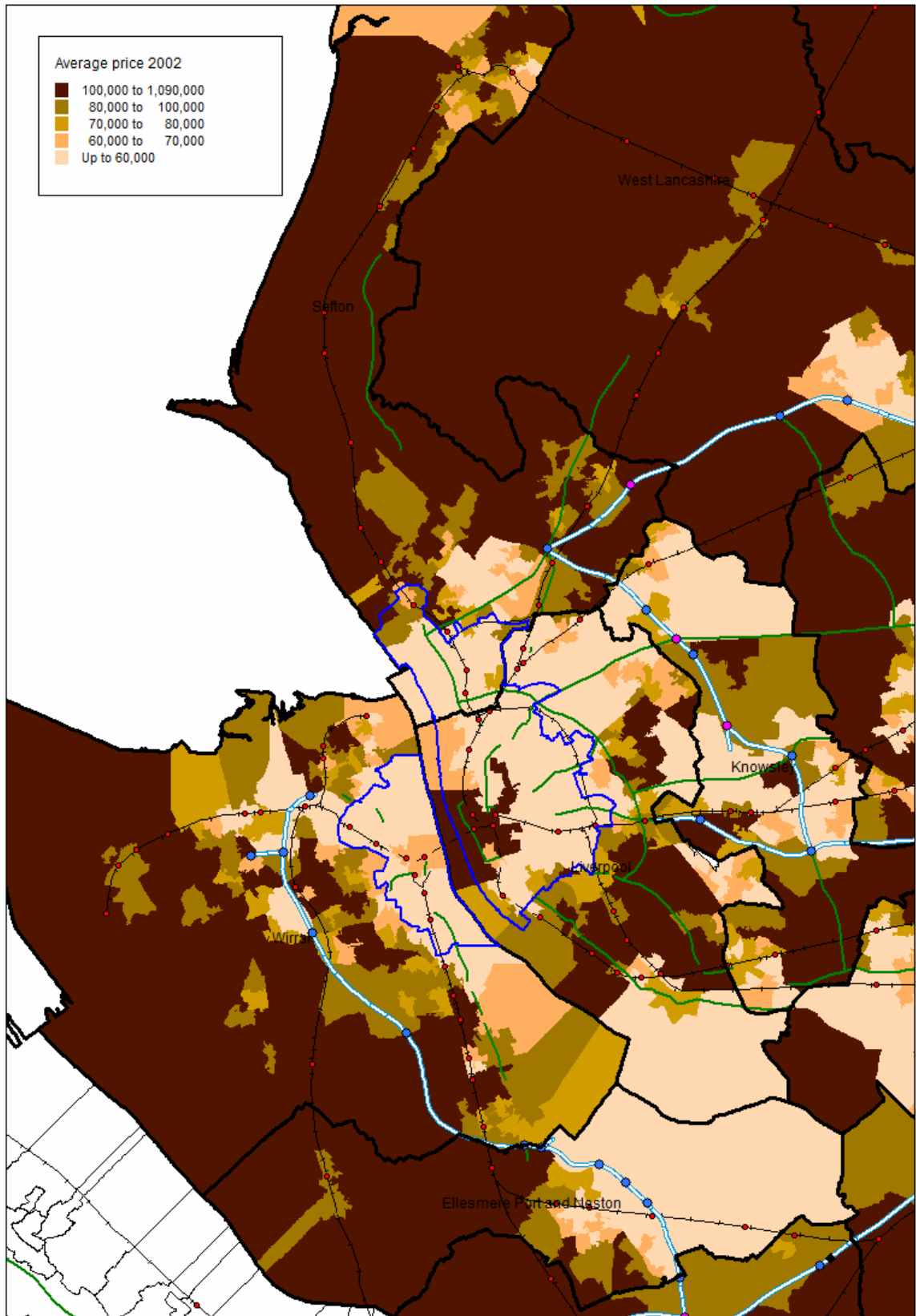


Figure 2.4 2006 Average Sales Values in the Merseyside Area

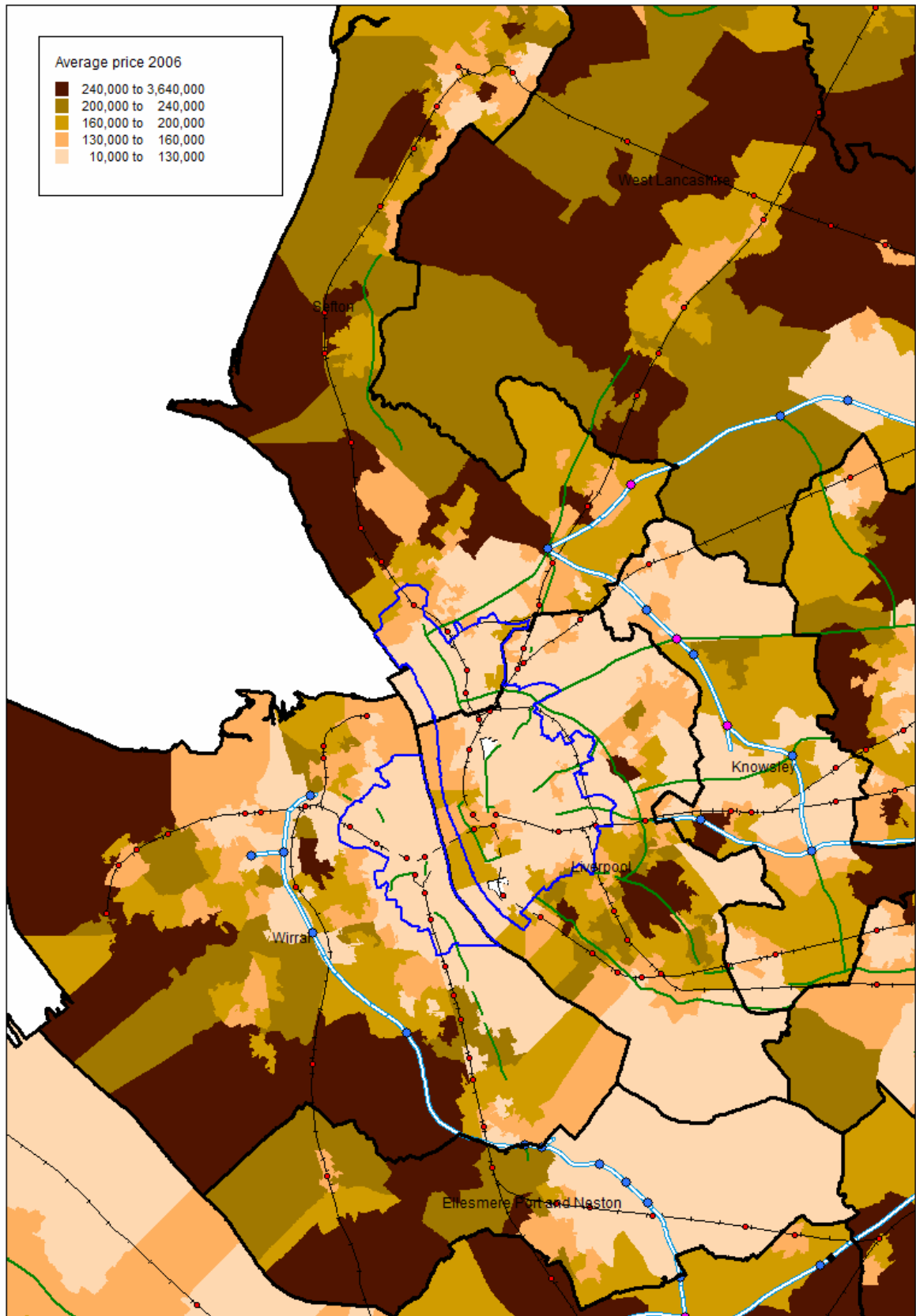


Table 2.2 House price change

Percentage increase in prices

Area	Terraced				Flat/apartment				Semi-detached				Detached			
	2000-07		2006-07		2000-07		2006-07		2000-07		2006-07		2000-07		2006-07	
	mean	median	median	median	mean	median	median	median	mean	median	median	median	mean	median	median	median
Anfield Breckfield aggregate	239.6	288.3	0.7	-2.0					451.7	451.7						
Bedford Queens ADF	199.6	200.0	9.7	15.7	202.8	193.2	-5.1	-11.0	227.6	210.6	46.7	45.2				
Bedford Queens Intervention Area	268.1	269.5	34.3	54.5												
Birkenhead ADF	216.7	255.3	21.5	21.7	179.8	152.9	-22.4	-35.1	232.0	308.5	12.6	29.6				
Birkenhead Intervention Area (HMR part only)	224.5	211.1	25.7	24.4												
Church Road Intervention Area																
City Centre (Tribal)	451.5	571.3	87.6	131.4	79.6	82.9	6.2	0.4	5.4	-1.1	3.6	0.7				
City Centre North	188.3	254.8	0.5	-0.9	183.8	184.7	-18.4	-18.9								
City Centre South	212.5	233.3	12.7	7.7	175.4	232.0	23.3	27.9	179.8	128.8	88.5	31.7				
Edge Hill aggregate	213.5	276.8	-14.6	-12.1												
Fiveways Intervention Area	169.4	169.4	-21.5	-15.4												
HMRI Liverpool	200.8	201.0	15.6	10.7	66.7	74.5	-0.2	-0.9	149.5	220.5	17.5	8.7	23.9	53.3	-40.4	-28.1
HMRI Liverpool non ADF	196.6	210.8	16.0	13.2	68.9	78.8	1.3	0.0	155.2	194.5	13.6	-0.4	55.3	53.3	-40.0	-28.1
Klondyke ADF	256.8	282.2	0.3	7.5	625.0	625.0	10.2	10.2	147.3	152.5	0.9	12.1				
Klondyke Intervention Area	264.2	281.6	-4.3	-3.3												
Linacre ADF	159.0	186.7	7.4	5.9			110.0	110.0								
Liverpool	180.9	179.7	12.0	13.3	106.6	84.3	5.2	-5.6	152.4	159.6	14.4	13.8	113.4	144.4	-2.9	4.8
MERSEYSIDE	170.3	167.6	9.8	9.6	115.6	110.5	0.6	-4.0	149.0	150.2	9.0	7.4	138.0	142.3	3.9	9.3
Merseyside HMRF	205.7	210.0	15.0	10.7	58.0	63.4	-8.1	-8.9	165.7	184.0	13.7	11.1	74.7	53.1	-13.8	-22.2
Peel Knowsley ADF	262.9	264.7	15.4	5.1			-12.3	-6.7								
Picton clearance area	253.7	426.1	6.2	10.0												
Rock Ferry ADF	191.8	163.6	11.3	24.3	34.1	48.7	-14.6	-5.3	227.6	212.1	68.7	65.6				
Seaforth Waterloo ADF	234.7	221.7	22.1	18.7	176.8	185.1	19.0	4.7	220.7	221.2	14.5	26.5	155.3	313.7	-0.8	-0.8
Sefton	166.8	165.8	10.9	14.1	149.6	121.2	4.2	-2.9	145.5	154.0	9.9	10.3	173.6	149.5	17.7	21.3
Sefton HMRI	206.8	215.4	15.4	17.1	124.1	76.1	-0.5	-20.0	201.5	181.4	22.8	24.8	183.9	172.6	53.1	27.2
South Seacombe & Egremont ADF	212.4	205.6	10.3	7.6	264.1	259.3	24.6	23.0	213.0	173.6	9.8	-8.8	266.7	266.7	16.5	16.5
Stanley Park	187.9	206.8	18.3	12.5					181.7	239.0	61.3	66.8				
Tranmere ADF	237.5	229.8	12.4	7.6					122.4	165.1	-26.7	-21.7	235.7	235.7	17.5	17.5
Wavertree	239.3	240.7	14.6	3.3	57.1	53.5	27.9	15.0	137.6	268.6	12.5	47.4				
Welsh Streets Clearance Area	260.1	225.0	21.4	4.0												
Wirral	161.3	163.5	9.7	12.1	114.4	114.0	-4.1	-10.1	154.9	146.9	6.4	ECOTEC	135.5	122.2	-4.8	0.0
Wirral HMRI	217.1	221.6	11.6	12.7	100.7	78.5	-18.7	5.0	199.2	194.6	5.9	3.3	88.6	233.3	13.9	14.7

Blank sales mean that there were no sales in one or more of the years in question

Affordability

2.9 These increases in prices have had an inevitable impact upon affordability. Table 2.3 shows the ratio of lower quartile income by district from 1997. This highlights how in Liverpool, Sefton and Wirral the ratios have nearly doubled within a decade, with both Wirral and Sefton having a greater affordability problem than the region as a whole. These official measurements of affordability do however have to be interpreted with a degree of caution. The figures are based upon earnings, rather than household incomes, with the results that they do underestimate the ability to pay housing costs. Additionally by definition they exclude the economically inactive, a huge issue in the core of Merseyside, where for many existing residents a market based housing solution is not viable.

Table 2.3 Affordability: ratio of lower quartile house price to lower quartile income by district, from 1997

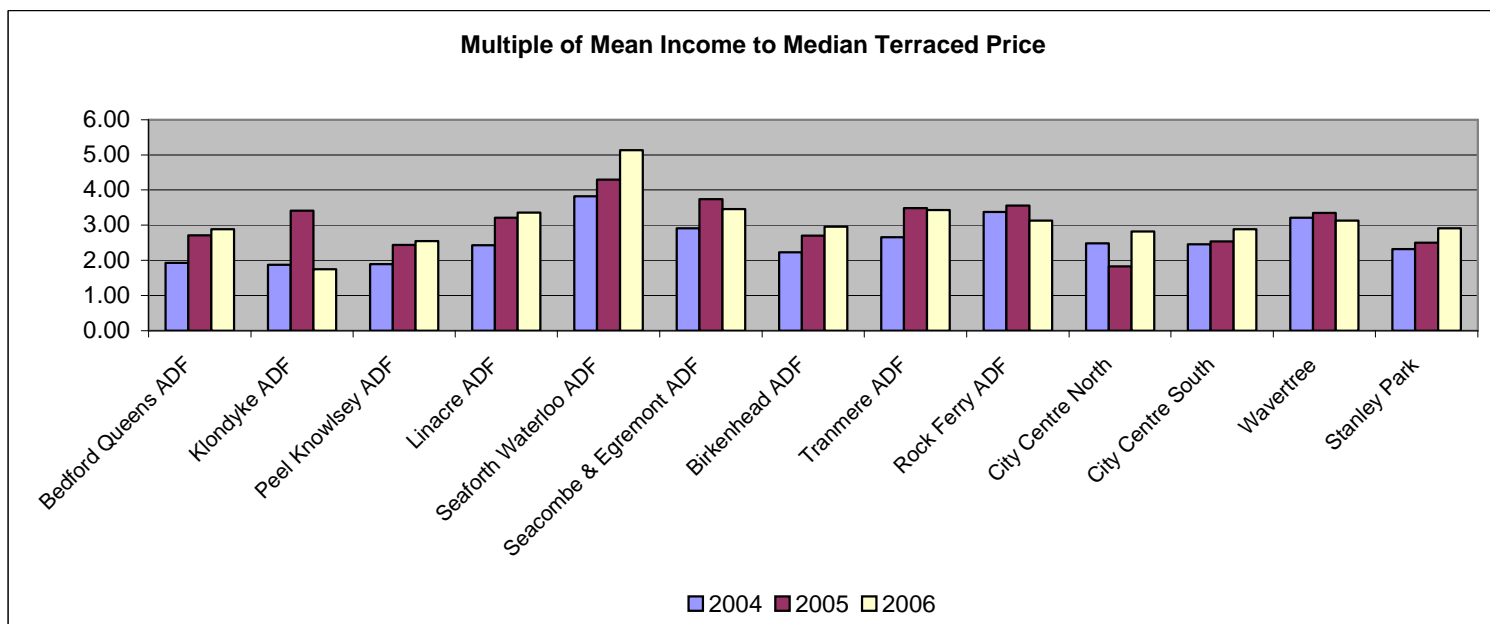
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
England	3.65	3.65	3.84	3.98	4.22	4.72	5.23	6.27	6.82	7.12
North West	2.99	2.95	2.96	2.90	2.95	3.10	3.28	4.42	5.00	5.61
Liverpool	2.32	2.13	2.30	2.28	2.42	2.32	2.10	3.36	3.87	4.62
Sefton	3.80	3.70	3.79	3.93	3.94	4.33	4.87	5.34	6.47	7.26
Wirral	2.92	2.98	3.05	2.96	3.17	3.38	3.56	4.66	5.23	5.96

Source : DCLG, based on HM Land Registry and Annual Survey of Hours and Earnings

2.10 Data available at the sub-district level on house prices and mean household income data (from CACI) can be compared to examine trends in affordability within the NewHeartlands pathfinder. The CACI income data is based on gross household income. The ratio of mean income to the median price of a terraced home is shown in figure 2.4. When mean household income is compared to terraced house prices at this level the picture varies between areas. Over the three years for which data is available the affordability gap has grown year on year in the Seaforth Waterloo area of Sefton where income, although the highest compared to the other areas, has not kept pace with price rises. Mean incomes have increased year on year since 1994 within all the Liverpool ZOOS which look to have mitigated to some extent the impact of price rises on affordability. The Sefton and Wirral ADFs show a slightly different trend in

relation to income, with mean incomes rising in the Sefton ADFs between 2004 and 2005 with the level sustained in 2006 and later income increases in Wirral (2005 to 2006) following little change in household income levels between 2004 and 2005. Affordability across Merseyside at the small area level is mapped in Figure 2.5.

Figure 2.5 Household mean income compared to terraced median price



Source: CACI & HMLR (NewMIS)

2.11 In addition to higher prices across the low value sector, there have also been radical changes in the supply of social housing. Tables 2.4 and 2.5 illustrate how the waiting lists and the annual supply of social housing has changed in recent years.

Table 2.4 Housing Register

	1999	2000	2001	2002	2003	2004	2005	2006
	Number on register							
Liverpool	4430	6249	4696	5276	7012	6376	11366	12924
Sefton	4810	4693	4605	4520	7867	9846	11637	12694
Wirral	5725	6824	7861	10604	8795	8215	15524	13252
	As % of SRS stock							
Liverpool	6.5	9.2	6.9	7.9	10.5	9.9	18.1	21.3
Sefton	23.3	22.7	22.3	22.5	39.9	51.2	62.3	73.5
Wirral	23.0	27.4	31.6	42.4	36.9	36.0	66.3	59.5

Source: HSSA Returns

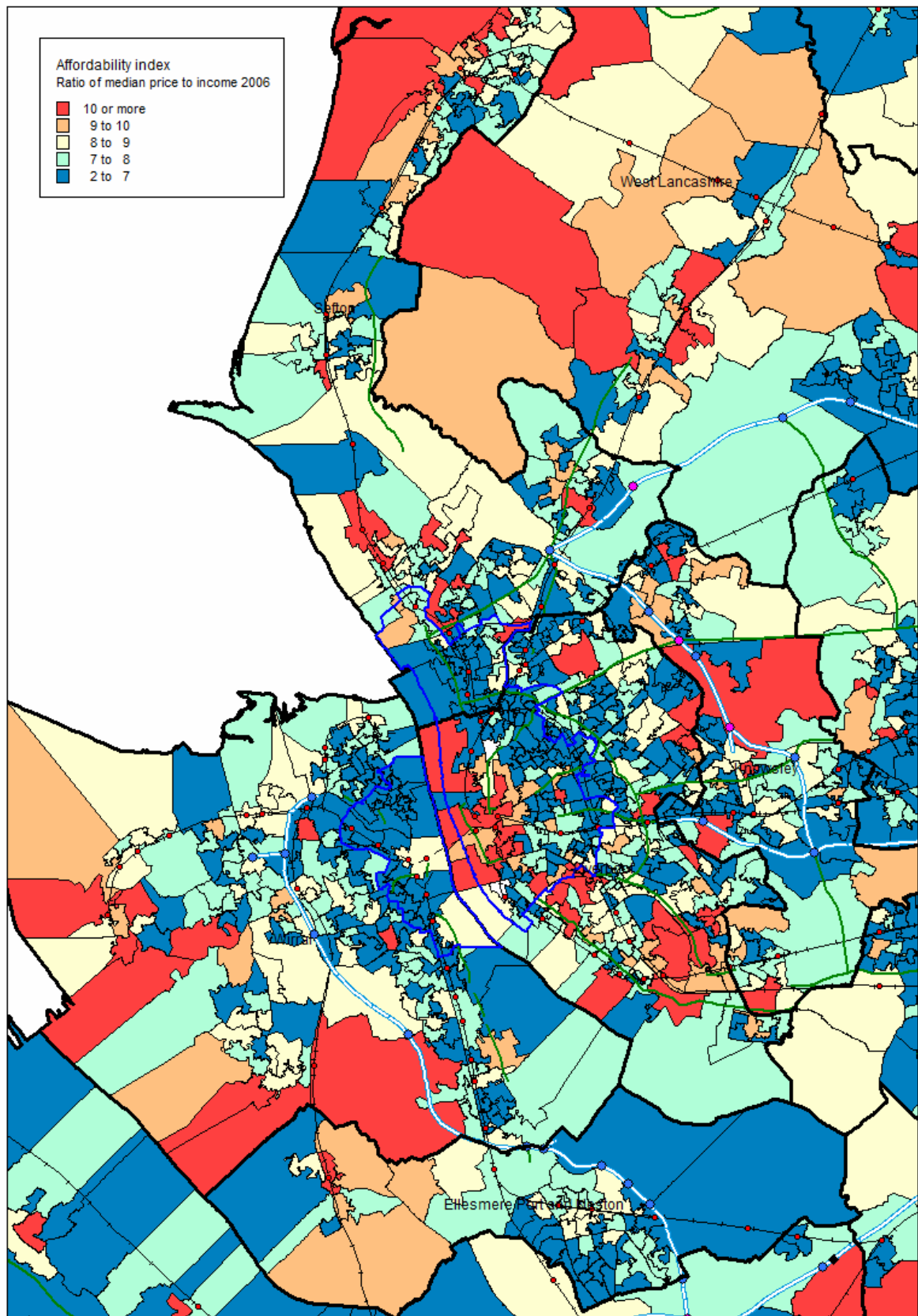
Table 2.5 LA plus RSL lettings excluding transfers

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Number of lettings					
Liverpool	6,743	5,775	5847	4808	4595	4071
Sefton	2,174	1,931	1857	1685	1590	1392
Wirral	3,263	3,066	2092	2868	2635	1538
	As % of SRS stock					
Liverpool	9.9	8.6	8.8	7.5	7.3	6.7
Sefton	10.5	9.6	9.4	8.8	8.5	8.1
Wirral	13.1	12.3	8.8	12.6	11.3	6.9

Source: HSSA Returns

- 2.12 Table 2.4 shows that for each of the three local authority areas there has been a large increase in waiting lists for social housing. These increases are more significant in Sefton and Wirral because these authorities had a much smaller social rented sector than Liverpool at the beginning of the time series.
- 2.13 Table 2.5 highlights changes in the annual supply of social housing lettings, this shows significant falls in lettings caused by the demolition of high turnover stock, Right to Buy sales, and a general decline in mobility caused by higher prices elsewhere in the housing stock. In Liverpool, there is little evidence that these changes have occurred because of shifts in demand. The waiting list has increased by 8,500 however the cumulative reduction in relets has been 8,600 over the same period. Additionally the decline in social housing relets has to be seen in the context of a rapidly growing private rented sector in the city.
- 2.14 In respect of the situation in Wirral and Sefton there would appear to have been an increase in demand. In Wirral and Sefton the waiting list increased by more than 7,000 each while reductions in supply could only account for around 60% of this increase.

Figure 2.6 Affordability at small area level – Merseyside 2006



3.0 Vacancies

3.1 Table 3.1 shows the trend in vacancies, by local authority and by intervention area over the period 2001-2007. The data is not complete for each local authority, reflecting the relatively recent expansion of the LAMP initiative to Sefton and Wirral.

3.2 Data on vacancies was not provided to the research team in a consistent format for the three local authorities as treatment of acquisitions and the calculation of long term and overall vacancies varied in the information provided by each district. The data below is derived from the vacancy information provided to provide a picture which is comparable across the local authorities. Acquisitions have been excluded from the vacancy rates shown in table 3.1 however it is important to recognise that any properties acquired but not yet demolished are still part of the surplus.

Table 3.1 Net vacancies – data available June 2007 (acquisitions excluded)

Area	01/04/2001	01/04/2002	01/04/2003	01/04/2004	31/03/2005	30/09/2005	31/03/2006	30/09/2006	01/04/2007
	%								
Liverpool	7.64	7.58	7.24	6.82	6.58	6.52	6.06	6.10	6.30
HMRI Liverpool	10.82	10.96	10.39	9.73	9.09	9.00	8.52	8.84	9.17
Non ADF HMRI	8.82	8.99	8.73	8.65	8.19	8.03	7.84	8.14	8.49
City Centre North	16.10	15.64	14.81	13.07	10.19	9.28	9.33	8.69	13.42
City Centre South	13.12	13.16	12.13	10.37	9.81	10.02	9.39	9.20	10.00
Stanley Park	11.37	12.04	10.65	10.06	9.90	10.33	8.61	9.88	8.79
Wavertree	12.72	12.78	12.78	11.74	11.11	11.05	10.06	10.86	9.75
Anfield Breckfield Aggregate	13.08	13.34	12.58	11.36	10.31	12.00	6.63	9.99	6.96
Edge Hill Aggregate	12.90	16.13	24.54	29.64	18.00	15.63	15.34	19.16	18.95
Picton Clearance Area	28.86	30.46	22.57	15.38	17.99	16.83	14.47	20.82	17.14
Welsh Streets	15.88	10.00	8.30	9.68	15.03	19.44	14.98	25.12	25.28
City Centre (Tribal)	10.67	14.49	14.87	13.31	13.88	12.55	12.51	13.36	18.01
Sefton								3.49	4.08
HMRI Sefton								6.22	6.37
Bedford Queens ADF								7.12	7.23
Klondyke ADF								4.80	5.52
Peel Knowsley ADF								7.57	6.14
Linacre ADF								5.97	6.50
Seaforth Waterloo ADF								5.99	6.33
Bedford Queens Intervention Area								31.55	23.67
Klondyke Intervention Area								15.06	20.00
Wirral					4.18	4.34	4.23	4.32	4.33
HMRI Wirral					6.19	6.06	6.40	6.47	6.61
Seacombe & Egremont ADF					5.48	5.31	5.98	5.85	6.15
Birkenhead ADF					7.63	6.92	7.26	7.36	6.70
Tranmere ADF					6.10	6.83	6.43	6.94	6.64
Rock Ferry ADF					5.69	5.40	6.27	5.62	6.12
Fiveways Interevention Area					9.77	6.64	13.91	6.09	6.09
Church Road Intervention Area					8.80	11.57	7.54	6.53	7.04
Birkenhead Intervention Area (only HMR part)					5.53	5.28	5.14	5.42	7.69

3.3 The overall vacancy rate across the NewHeartlands pathfinder (based on an aggregation of data provided by the three districts) was 8.2% (excluding acquisitions) at April 2007.

3.4 The data illustrates that the problem of vacant property in Wirral and Sefton is highly localised and at the local authority level there is not a surplus of accommodation. In Wirral the vacancy rate is stable or falling in the most problematic neighbourhoods. The data for Sefton is substantially incomplete and so trends in vacancies cannot be estimated.

3.5 The most complete data set relates to Liverpool and this is an important asset for the evaluation team as the city has the most serious and large scale problems associated with its housing market and it experiences the most dynamic urban environment of the three local authority areas. The vacancy rate for Liverpool, with acquisitions included, is shown in table 3.2.

Table 3.2 Liverpool vacancy rates – all vacancies

Area	01-Apr-01	01-Apr-02	01-Apr-03	01-Apr-04	31-Mar-05	30-Sep-05	31-Mar-06	30-Sep-06	01-Apr-07
	%								
Liverpool	7.64	7.58	7.35	7.00	6.93	6.87	6.60	6.64	7.02
HMRI Liverpool	10.82	10.96	10.67	10.18	9.95	9.86	9.85	10.16	10.89
Non ADF HMRI	8.82	8.99	8.74	8.69	8.26	8.10	7.95	8.25	8.64
City Centre North	16.10	15.64	14.81	13.07	10.19	9.28	9.37	8.73	13.49
City Centre South	13.12	13.16	13.13	11.82	11.34	11.55	11.47	11.30	12.65
Stanley Park	11.37	12.04	11.05	10.70	12.39	12.80	13.72	14.93	15.72
Wavertree	12.72	12.78	13.18	12.58	13.55	13.50	13.52	14.32	14.24
Anfield Breckfield Aggregate	13.08	13.34	13.29	12.70	16.42	18.00	19.83	22.79	25.16
Edge Hill Aggregate	12.90	16.13	24.54	30.84	34.63	32.71	37.42	40.28	44.96
Picton Clearance Area	28.86	30.46	31.12	27.25	31.46	30.52	32.73	37.90	41.53
Welsh Streets	15.88	10.00	8.30	9.68	16.21	20.55	27.08	35.77	48.02
City Centre (Tribal)	10.67	14.49	14.87	13.31	13.88	12.55	12.53	13.37	18.03

3.6 Overall the data for Liverpool shows a broadly stable vacancy rate for the city and for the HMRI area. However these aggregate figures mask significant changes at a small area level. For example the vacancy rates within the proposed clearance areas have increased dramatically over the time series, as has the vacancy rate within the city centre market which, while fluctuating somewhat, has climbed from 10.6% in 2001 to 18% in 2007.

3.7 From the data available vacancy rates look to be accelerating in the clearance areas and the city centre. There is a danger that these increases are masking

significant changes elsewhere. So for example if the city centre is excluded from the HMRI area then the vacancy rate falls to 7.8% in 2007. Furthermore the vacancy rates in the inner core of Liverpool (outside of the City Centre) which were not designated as an ADF fell from 8.5% in 2001 to 5.7% in 2006. This fall is highly significant in suggesting that the policy of intervening in the worst neighbourhoods and increasing vacancies in these in advance of clearance has increased demand in adjacent neighbourhoods. The vacancy rates in these adjacent neighbourhoods are now approaching a level which might be considered to be normal in inner city neighbourhoods in the Midlands and the North.

- 3.8 Conversely, there remains a serious problem of demand in the four zones of opportunity in Liverpool. Currently the vacancy rate for these areas is just around 13.8%. The areas zoned for clearance activity in Liverpool contain around 3,200 properties and have a vacancy rate of 32.8%. Even after the current clearance is finished the remaining 36,000 properties in the zones will have a vacancy rate of around ten percent. This data tends to validate the choice that was made to prioritise these neighbourhoods, but also confirms the long term nature of the interventions needed to bring supply and demand back into balance in these areas.
- 3.9 Excluding the City Centre, vacancies have fallen by 10.2% in Liverpool HMRI during the last six years. However this fall has been off set by increases in vacancies in the city centre. Nearly one in seven vacancies in the City of Liverpool (13.3% including acquisitions – 14.8% if excluded) are located within the Central Business District. Currently available evidence suggests that this market is disconnected from other residential markets within the City (with the exception of the student market). It is also unusual because much of it is owned by institutional investors and landlords who may be more interested in capital growth rather than the rental stream. However there is a danger that eventually oversupply in the city centre will force down rents and values, and the property may then become a substitute for existing property in city, thereby exacerbating problems for some neighbourhoods.
- 3.10 The City Centre Market has not yet matured and therefore it is not possible to predict how future changes in the use of its stock will affect the overall housing market in the city. However if the city centre stock is excluded from the tables, then the vacancy rate for Liverpool falls to 6.4% (including current acquisitions).

If five percent is taken as the 'natural' rate for a city which has a large student population, and significant inflows and outflows of households then 3,000 demolitions would achieve that rate. Since 2003 1,600 properties have been acquired for clearance in Liverpool. Therefore outside of the City Centre, it is possible to envisage that with a further ten years of intervention within the zones of opportunity that NewHeartlands and the city council will have achieved a reasonable balance between the supply and demand for property.

4.0 Adjacency and Displacement

4.1 The analysis in sections two and three of this paper illustrate some of the physical issues relating to adjacency and displacement, and these can be summarised as:

- There has been some displacement of demand from the intervention areas to other parts of inner Liverpool. This has had the impact of strengthening those adjacent neighbourhoods.
- There is no evidence that the price of housing in or adjacent to clearance areas has been blighted. In fact it is the reverse with some of the largest price rises being located in these areas.
- There is evidence that higher value areas are appearing along the waterfront and south of the City Centre. It is unclear at this stage whether these areas will displace investment which would otherwise go to different parts of the HMRI.

4.2 In addition to the housing and investment issues there are also social and community issues to consider.

These issues are set out in a separate paper entitled, "Adjacency and Displacement Effects of the NewHeartlands HMR Pathfinder."

5.0 Conclusions

- 5.1 After many decades of relative and absolute decline in the Housing market in the inner core of Merseyside there are now positive signs of new activity and improvements in underlying market conditions in many (but not all) neighbourhoods.
- 5.2 House prices have increased across all areas and these increases have been particularly pronounced for terraced property. The housing market report produced for NewHeartlands noted that there were speculative investors operating in these markets, and in addition to this there was a demand from investors seeking to enter the Buy to Let market.
- 5.3 These findings have been confirmed by research conducted for NewHeartlands by ECOTEC into the growth of the Private Rented Sector. This research has shown a dramatic (30%) increase in the PRS in the Market Renewal Area since 2001. Additionally this paper has highlighted how the price increases for terraced housing are positively related to the declaration of intervention/clearance areas. This is highly suggestive of speculative purchase as it contradicts the accepted wisdom of the impact upon property of a CPO declaration.
- 5.4 There remain however some unexplained variations in price between the local authority areas. Wirral and Sefton have higher rates of price increase within their inner areas than Liverpool. Additionally there is evidence that demand for social housing in Sefton and Wirral is rising while supply is falling. In Liverpool there has been a reduction in supply with demand remaining constant.
- 5.5 The data for the city of Liverpool is more robust and therefore it is easier to see how the market is changing. In the next phase of NewHeartlands research we would suggest that a mini housing market study should be conducted for each of these areas so we may better understand the dynamics which are leading to change.
- 5.6 In respect of Liverpool, there is now a highly dynamic series of markets developing. The regeneration and renewal activity which has been pursued for

the last seven years is starting to make inroads into the surplus of low value housing which existed at the turn of the century. The vacancy rate for the older inner core is starting to decline, but more fundamentally it is being reduced in the neighbourhoods outside of the intervention areas. A case of positive displacement, as households have moved out of areas which will be restructured.

5.7 In public policy terms this is a very positive outcome, as the widespread nature of vacancies which had developed was difficult to address through targeted intervention. The concentration of vacancies has also been to the benefit of previously marginal neighbourhoods which now have increasing demand. Conversely this paper also illustrates the scale of the task still to be undertaken to restructure parts of the Zones of Opportunity. Realistically this task may take another ten years to complete.

5.8 Finally one area of change which we have not been able to comment upon definitively is the growth of the City centre market. The increases in vacancy rates here are a cause for concern, and the market will need to be monitored very closely to provide early warning of changes which may either adversely or positively effect the regeneration of the core of Merseyside. As part of this monitoring it is important that data for Liverpool HMRI is made available with the city centre excluded.