

# Affordable Housing and the Private Residential Market

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## Keywords:

## SUMMARY

This paper explores the relationship between urban policy for affordable inner city housing and the dynamics of the private housing market. It is based on case studies of three inner city housing schemes developed in the last ten years in Sheffield, a city in the north of the United Kingdom. The schemes are:-

*Broomsprings* A low rise mixed tenure development promoted by the City Council to provide owner occupied property alongside socially rented housing.

*West One* A multi storey block of modern city living apartments at the upper end of the private market.

*Nether Edge* A conversion of a former hospital to create a gated community again at the upper end of the market.

National and local planning policy is intended to promote inner city residential development in mixed use schemes as part of the agenda for sustainable patterns of urban life. The intention of several strands of policy is to create mixed balanced communities.

The research shows that there is some tension between these stated aims and the way in which economic forces play out in the private housing market. The City Council's encouragement of inner city residential schemes has contributed to the regeneration of the centre, re-using brownfield land and enhancing the value of surrounding property. The private sector West One scheme has contributed to a rise in the value of property in the nearby mixed Broomsprings estate encouraging the transfer of property from lower end owner occupiers to private investors buying to rent. It is likely that these dynamics will generate a shift from the original intentions of a socio economic mix of occupiers and move the estate up-market.

The Nether Edge scheme fulfils the policy intentions of reusing brownfield sites and vacated property with high density residential development. However, again the economic forces affecting developers and occupiers mitigate against the creation of a balanced community. Rather than insisting on its policy that 20% of the housing should be "affordable" the Council accepted a financial contribution resulting in a single class mainly owner occupied up-market estate.

As urban policy gentrifies inner city areas making them attractive to higher income residents the market makes the housing less accessible to the less well off making mixed, balanced, sustainable communities less likely. The paper explores these dynamics in more detail by explaining the way in which property values have driven the changes.

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## 1. INTRODUCTION

In the post war period there has been a major restructuring of housing provision in the UK. Owner occupation is now the dominant tenure and the role of the public sector has declined dramatically. The latest national figures show that in England seventy per cent of the population are owner-occupiers, ten per cent rent from a private landlord, and twenty per cent are social tenants (DETR, 2000). This last group rent from the local authority, or from a Registered Social Landlord (RSL, a private, often charitable, not-for-profit organization funded through the Housing Corporation). The role of local authorities as majority landlords has declined dramatically since the 1980s, when the Right to Buy was introduced for council tenants (see Cole and Furbey, 1994). Successive governments have promoted housing RSL's as alternative social landlords, but the whole social rented sector has become marginalized and is now often seen as the tenure of 'last resort' (Dean and Hastings, 2000; Stephens et al, 2002). One indication of this is that sixty-eight per cent of local authority tenants receive Housing Benefit, while the comparable figure for housing association tenants has risen from fifty-six per cent in 1989 to seventy-three per cent (DETR, 1998a). Government policy has addressed this marginalisation by encouraging mixed tenure developments, both newbuild and by adding in other tenures and other landlords to existing social rented housing estates.

Previous research (Blandy and Parsons 2003) suggested that there was likely to be some resistance from the private sector to the inclusion of socially rented housing in primarily owner occupied schemes. Our original hypothesis was that this resistance was likely to be driven by house prices and the intention of the research at the outset was to explore the relationship between socially mixed schemes and property values using three case studies in inner Sheffield. As the work progressed the focus became broader. It became apparent that the dynamics of the housing markets for owner occupation and as investments for buy to let property were the major determinants of the prospects for achieving socially mixed developments, at least in inner Sheffield. This paper attempts to come to an understanding of these broader dynamics.

The first section reviews government policy on urban development, housing mix and affordability. This suggests that the broad intentions are to regenerate inner cities by the development of high density, mixed schemes through the re-use of brownfield land. Housing policies suggest that this should be achieved through mixed tenure developments which include affordable housing creating sustainable, socially balanced schemes. The paper then moves on to Sheffield, a formerly industrial city in the north of England with a population of just over half a million where planning policies and grant assistance are aimed at an economic recovery from industrial decline and regenerating the inner city. The dynamics of the housing market are then investigated by a review of house prices, case studies of three inner city estates and interviews with key players.

This work suggests that the objectives of national policy are not necessarily compatible. As inner city housing has become more popular, rental levels have increased, attracting funds from investors purchasing housing to let out. This has interacted with growing demand for owner occupied housing in the inner city leading to rising capital values. Both rented and owner occupied property in the area around the city centre is becoming less affordable. While tenure is becoming more mixed through the combination of owner occupied and privately rented property, this is not likely to result in socially balanced schemes which include affordable housing.

Potential occupiers at the bottom end of both markets are likely to be priced out. Private developers are likely to resist the inclusion of socially rented housing in new schemes and rising land values will make it more difficult for RSL's to promote mixed schemes.

The general conclusion is that market forces, driven by the interests of occupiers, developers and investors will tend to resist the development of socially mixed schemes and that greater public intervention in the market will be required if this objective is to be achieved.

## **2. GOVERNMENT POLICY ON HOUSING MIX AND AFFORDABILITY**

The concept of mixed or inclusive communities has been taken up by many influential policy-makers since it was first promoted as a way of avoiding the creation of problem areas (Page 1993). It is now a dominant feature of current government policy documents. For example, the Housing Green Paper (DETR/DSS 2000) encourages mixed communities as a way of sustaining housing areas. Mixed tenure is generally seen as the means of achieving social balance in regeneration practice (see, for example, DETR 2000b).

The Housing Policy Statement, The Way Forward for Housing was published on 13 December 2000. The main aim of the range of policies included is to ensure that:

"everyone has the opportunity of a decent home"

The policies and proposals most directly relevant are expressed in the statement as follows

"Promoting more affordable housing, in particular through a starter home initiative"

This is seen as part of the government's emphasis on "sustainable communities".

"We support sustainable home ownership. This means a framework where owners can afford the commitments of ownership in the longer term."

Another key feature of current urban policy is the need to revitalise city centres (Urban Task Force 1999). The Urban White Paper (DETR 2000a) combines these two issues, noting with approval the emerging evidence of re-population of the urban core, and stressing the importance of 'inclusive communities'. Britain is currently facing an unprecedented demand for housing in some areas. The preferred way to meet this need is through development of high density housing on brownfield sites, seen as a better alternative both to building on

greenfield sites and to suburban sprawl. Many brownfield sites are in inner city neighbourhoods. The Urban Task Force recommended to the government that these

"New urban developments should seek diversity; encouraging a mix of activities, services, incomes and tenures within neighbourhoods" (Urban Task Force 1999).

The relevant Planning Policy Guidance Note 3: Housing (known as places emphasis on the good design of high density developments on brownfield sites. In line with current urban policy, paragraph 10 of PPG3 states that:

"The government believes that it is important to help create mixed and inclusive communities, which offer a choice of housing and lifestyle. ... Local planning authorities should encourage the development of mixed and balanced communities" (DETR 2000c).

The companion guide to PPG3, Better Places to Live by Design (DTLR 2001), is primarily concerned with design, but echoes the emphasis on mixed tenure and social balance:

"Mixed neighbourhoods of people of different ages and economic status and with different lifestyles ... can provide a number of important community benefits. ... Much recent housing has provided a limited range of tenure choices, often focusing on a narrow market segment or particular housing need."

Section 106 of the Town and Country Planning Act 1990 enables local planning authorities to require developers to build an element of affordable housing in all larger residential developments, or to accept a sum of money in lieu. Crook et al (2001) found in their survey of local planning authorities that eighty-nine per cent have affordable housing policies in their development plans, which means that section 106 agreements will be a common outcome of the development control process. The survey suggested that commuted payments are accepted across a range of authorities, notably in areas where there is an overall shortage of land for housing. This demonstrates the reluctance of private developers to include affordable housing unless they are forced to do so.

Government guidance is that planning policies

"should not be expressed in favour of any particular form of tenure. Therefore, the terms 'affordable housing' or 'affordable homes' encompass both low-cost market and subsidised housing (irrespective of tenure, ownership - whether exclusive or shared - or financial arrangements) that will be available to people who cannot afford to rent or buy houses generally available on the open market." (DETR 1998a, para. 4).

Crook et al (2001) found that local authorities in the north of England were more likely to accept low cost market housing as a suitable way to meet local affordable housing needs. Research carried out for the government suggests that 31% of local authorities who have an affordable housing policy in their plan have received a financial contribution towards affordable housing provision, as an alternative to on-site affordable housing provision. (ODPM, 2002, para. 9.3.2).

A new optional planning charge is soon to be established by legislation, to provide an alternative to negotiated Section 106 agreements. (Ministerial statement - Office of the Deputy Prime Minister,17/06/2004). This will make no difference to current government policy which encourages a mix of market and social housing on the same site. Research has established that there is less physical separation between the two where the affordable housing takes the form of discounted market or low cost market housing. However, rented housing is normally grouped together and may be on a physically distinct part of the site. (Crook et al, 2001). Rather than promoting mutual support and understanding and improving relations between different social classes, these mini-ghettos of public housing alongside wealthier neighbours can lead to tensions, resentment and distrust. Private owners fear vandalism and crime from social tenants, where planners restrict private and social housing to different roads and blocks. Research showed that residents of more integrated communities, with mixed streets, were more satisfied with life on their estate and perceived fewer problems with noise, vandalism and litter. (Jupp, 1999).

From the above review it can be seen that the overall thrust of urban policy is to revitalise inner cities by encouraging the development of high density, mixed schemes to create sustainable communities. Within these broad objective three strands of housing policy emerge:

- Affordable housing
- Mixed tenure
- Mixed/balanced communities

Previous research into the development of the Nether Edge gated community (Blandy and Parsons 2003) and the national survey above (Crooke et al.2001) suggested that private developers may generally be reluctant to include socially rented housing. It seemed that this was likely to be driven by commercial considerations concerned with property values. If that were to be the case, and the dynamics of the property market tend to work against the development of social housing and owner occupied housing on the same site, this would be at odds with the intentions of government policy set out above. This research explores the relationship between the dynamics of the housing market in inner Sheffield and the objectives of policy using three case studies. The schemes are all high density developments on brownfield land and conform to the guidance above in this respect. They differ in terms of architectural style, house types and management regime. The next sections describe the estates

### **3. SHEFFIELD PLANNING POLICY AND PRACTICE**

In Sheffield city centre, council housing was constructed at various times during the twentieth century on slum clearance sites, but this all eventually came to have at best a mixed reputation. No private or housing association development occurred until the 1980's when the first blocks of housing association flats were built. In 1988 a notorious council housing estate, Broomhall Flats, was demolished. Its five-hectare site was redeveloped in a partnership between the city council and a housing association, to form the Broomsprings Estate. Two hundred and seventy dwellings were built, including thirty-two for sale. The popularity of

this estate established that there was a market for housing for sale in the City Centre, and the first private developments were built for sale in 1996 and 1999. (Sheffield City Council (2004). The housing association which developed the estate still owns and manages one hundred and thirty rented properties there, which range from one bedroom flats to four bedroom houses. These rented houses are all at one end of the estate, but in interview the housing manager said that the estate was extremely popular and there was “no them and us” feelings between owners and tenants. The housing association tenants did not have the Right to Buy, and there were no plans by the landlord to sell off their rented properties, which must have increased enormously in value over the past few years. That increase in value cannot be fully reflected in the rents charged to social tenants.

The planning authority’s current guidance states that “there is considerable potential for a rich mix of housing types and tenures in the City Centre and this is something the City and its partners are keen to promote and support. Mixed tenure developments in which renters and owner-occupiers, social and private live side by side have a record of creating more robust, flexible and sustainable communities as the success of the Broomsprings development in the Devonshire Quarter or many of the City’s Victorian inner suburbs demonstrate.” (Sheffield City Council (2004). However, the planning guidance concludes that “because of the amount of available social housing stock in and around the City Centre, there will be no requirement for developers of new housing in the City Centre to include an affordable element within their schemes.” So there will be no planning obligation that new developments must be mixed tenure. Instead, any new city centre housing developments for developments of five or more dwellings, must either provide public open space or make a financial contribution “towards provision or enhancement of open space in the city centre” through section 106 agreements (Sheffield City Council 2004).

#### **4. BROOMSPRINGS**

This is a development of terraced and semi detached houses and blocks of four storey flats is described above. It was developed during the late 1980's through a development competition managed by the by the City Council who owned the land. The intention from the outset was to create a mixed community through mixed tenure and this was incorporated into the competition brief, which called for schemes by partnerships of developers building for private sale and Registered Social Landlords who would rent their property. Now some of the property is owner occupied, some is managed by Housing Associations and there is an increasing amount of property being bought by private investors for sale. It houses a community of families and individuals of mixed socio economic characteristics and ethnic background. The estate has no central security system but forms part of the public highway and pedestrian circulation system.

#### **5. WEST ONE**

This is a seven storey apartment block within two hundred yards of Broomsprings designed to appeal to the growing "City Living" market. It is a landmark building on the fringe of the centre and the complex includes internal roof gardens, "designer" retail outlets, a gym and up-market bars and restaurants. The five hundred flats are targeted at the top end of the

market with high specification public areas and internal fittings, secure access and a concierge system. Of the three phases, two are complete. It houses mainly young middle class professionals.

## **6. NETHER EDGE**

The former Nether Edge hospital site has been redeveloped with some conversions to flats and apartments and some new-build houses. It is priced at the top end of the market. The original walls have been retained and security gates separating the private roads within the estate from the public highway network have been installed creating a gated community. Private security services are provided by a CCTV system which is staffed 24 hours per day and the scheme incorporates a private leisure complex. On the face of it this style of development would seem to be contrary to the aims of mixed /balanced inclusive communities.

## **7. PROPERTY PRICE DATA**

This section reviews data on property prices comparing average values for housing in Sheffield City Centre and each of the case study estates. We then move on to a more detailed study of advertised sale prices for a four week period in 2004 for the areas around each of the estates.

The intention was to carry out a statistical analysis of the data to isolate the impact of the inclusion of socially rented housing on property values. The original hypothesis was that the reason that private sector developers are reluctant to include an element of RSL housing is that it tends to reduce the sale value of owner occupied property in the same estate. As the research developed however it seemed unlikely that a quantitative approach would be capable of interpreting the complexities of the dynamics involved. For instance the data on average prices does show that values in the Broomspring estate which is the only one to include RSL housing, are lower than those in the other two. However it does not necessarily follow that this is attributable to the mix of tenures.

Interviews with occupiers and agents reported later demonstrate the wide range of variables which influence values within each estate and between estates. The relative influence of each variable would be difficult to quantify and this may well vary between estates. In addition to this problem of interpretation there are difficulties with the availability of data.

In America it has been possible to apply hedonic price models to data of actual house sales, and to conclude that a general factor such as gating does add (some) value to house prices (see LaCour-Little and Malpezzi; Bible and Hsieh). In England, comparable data is simply not available. The Land Registry will provide records of sales in a particular postcode sector, and these are set out below, but not by individual address. Therefore the characteristics of each property sold are not available (not even size or number of rooms), and it is not possible to obtain data at the level of one housing development. The results of the review of prices are set out below.

Tables 1 to 5 below set out house price data for the second quarter of 2004 from the online statistics of HM Land Registry for South Yorkshire, the County within which Sheffield is located, for Sheffield and for the areas which most closely correspond to the three case study three estates.

**Table 1: South Yorkshire**

	Detached		Semi-Detached		Terraced		Flat/Maisonette		Overall	
Region/Area	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales
SOUTH YORKSHIRE	170571	1028	92749	1840	67799	1782	101859	301	100481	4951

(Source, online statistics HM Land Registry 2004)

**Table 2: Sheffield**

	Detached		Semi-Detached		Terraced		Flat/Maisonette		Overall	
Region/Area	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales
SHEFFIELD	194300	317	110272	638	85381	637	109097	248	115973	1840

(Source, online statistics HM Land Registry 2004)

**Table 3: Postal Code sector S11 9: Area including Nether Edge Hospital site**

	Detached		Semi-Detached		Terraced		Flat/Maisonette		Overall	
Region/Area	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales
S11 9EL	306194	13	220362	8	0	0	147845	13	225453	34

(Source, online statistics HM Land Registry 2004)

**Table 4: Postal code sector S1 4: Area including West One Complex**

	Detached		Semi-Detached		Terraced		Flat/Maisonette		Overall	
Region/Area	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales
S1 4JL	0	0	0	0	0	0	123388	26	123388	26

(Source, online statistics HM Land Registry 2004)



**Table 5:** Postal code sector S3 7 : Area including Broomsprings

	Detached		Semi-Detached		Terraced		Flat/Maisonette		Overall	
Region/Area	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales	Av Price £	Sales
S3 7	0	0	0	0	0	0	99760	45	99760	45

(Source, online statistics HM Land Registry 2004)

Time series data on the same basis from the same source has also been gathered. However given the problems of lack of information on factors likely to influence prices such as size, quality of finish and location etc. within the schemes and the difficulties of analysis described above this data is not reproduced here.

The influence on values of gating the Nether Edge scheme is assessed in the table below.

*Comparative information from estate agents on property prices within the Nether Edge gated development (NE) and prices for similar ungated properties in the same neighbourhood, 27.3.02*

4/5 bed detached in same area	NE show house / gate house	Large 4/5b terrace, Barkers Road	NE 4/5b 'town houses'	Small flat in Fountside (new development)	NE small apartment
£225,000 – £250,000	£330,000	£135,000 - £150,000	£250,000	£65,000 - £75,000	£95,000 - £180,000

This general data on average house prices was supplemented by a more detailed review of advertised prices in the Sheffield Property Guide over a four week period in May/June 2004 . This showed a much wider variation in prices. For instance two bedroom flats in West One varied between £179,950 and £285,000. Prices in Broomsprings were more constant as both the one bedroom flats on the market were in the region of £100,000. The only property being marketed in Nether Edge was a three bedroom town house which was advertised for £295,000. . Rental levels for a one bedroom property in West One were around £550 per month and in Broomsprings around £500. Clearly this data is inadequate for analysing the impact of different variables on prices A much larger sample over a longer time frame preferably based on actual transactions rather than advertised prices would be required.

The intention for later research is to plot price changes over time and explore whether the development of West One and the gentrification of the surrounding area coincided with a marked increase in the value of Broomsprings property and how this compared to changes in Sheffield generally and other inner city estates.

While we have not fulfilled the original intention of isolating the impact of the inclusion of socially rented housing on the value of owner occupied property in the same estate, it does seem possible to draw some tentative conclusions which are useful to set the context for the further work described below.

The value of property in Sheffield is higher than that of the County of South Yorkshire.

The value of the property in recently developed inner city housing estates is higher than average values for Sheffield.

Of the three case study estates, the mixed community of Broomsprings has the lowest values while the gated community of Nether Edge has the highest. The interview with the developer of Nether Edge reported below shows that he believed that gating contributed to a premium of some 15% compared with the immediate vicinity of the scheme.

We are not confident that the causal factors driving these differences can be isolated from the data or that their relative influences can be reliably tested using statistical techniques. However the following general questions were explored using qualitative research based on national surveys and interviews with the key players; occupiers, developers, investors and agents.

What are the attitudes of developers, occupiers and investors to socially mixed schemes?

What is the impact of gating and social mix on value?

How does a rising market for inner city housing interact with the prospects for mixed schemes and socially balanced communities, promoted by the public or private sector?

What are the main factors affecting value and through what dynamics do they operate?

## **8. INTERVIEWS WITH DEVELOPERS**

Two interviews with developers of private housing schemes were carried out. Both suggested that developers were reluctant to include social housing in private schemes. One explained that in his most recent development it was impossible to tell which of the property was privately rented and which was owner occupied. However he would not have liked to include socially rented housing as the tenants would have an adverse effect on the up-market feel of the scheme.

"It's not the sort of feel you want to create." He felt that these tenants would be less likely to maintain their property than owner occupiers. "You can always tell when someone has bought their council house. The gardens are looked after and you start seeing improvements like double glazing."

The developer of the Nether Edge estate elaborated on this, using experience of regeneration projects elsewhere to illustrate the incompatibility between owner occupiers and socially renting tenants.

“The trouble is, the home-buying public, that’s not, they don’t have a social conscience, they’re worried about their car being stolen so they will say, yes I will buy on the edge of a council estate, or an area of deprivation, but I will want a 6 foot high wall.”

He did suggest however that these dynamics may change over time

"We do find on bigger regeneration (developments) we’re doing, that in a 5-year project, we know that in the first 3 years you will go from social rent to social rent plus an amount of equity shares. And then in years 3 through 5, you’ll go from equity shares to private ownership. Again though, that’s a development of something like a thousand houses."

An interview with development director of large housing association with an ‘entrepreneurial’ reputation showed that mixed schemes are becoming more difficult to promote by SLR’s .

“We have completed a number of developments in several cities in the Midlands over the past seven to eight years. These have included properties for sale or rent, for students, young professionals, key workers, social tenants, and also mixed-use sites including buildings for commercial or community use. In a typical development we will build 10% for sale (aimed at owner-occupiers rather than investors), use the profit from this to have another proportion for low cost ownership (through shared ownership schemes) and the remainder would be let at market rents and managed by us as landlord.

Developments by housing associations have got more difficult over the period that my housing association has been active, mainly because of competition from the private sector. Seven years ago private developers were not interested in building in the city centre. However, now a syndicate market has emerged, whereby the developer sells off-plan at a 15% discount to a syndicate of buy-to-let investors who each pay a 5% deposit. In two years time when the scheme is completed, most of the syndicate will sell their property and never rent them out. I call it the ‘buy-to-sell’ rather than the ‘buy-to-let’ market. It has pushed up the costs enormously. Three years ago we could plan on the basis of £10k per plot; now it’s more like £25k. There have been massive increases in land values, raw materials, and the building costs due to more restrictive building regulations. In addition, particularly in Sheffield, the obligatory contributions to public urban space under s.106 agreements are massive.”

Very similar dynamics were identified by the Chief Executive of the Housing Corporation which is the Central Government body responsible for funding RSL’s:

"The simple fact is that we - the Corporation and English Partnership - cannot ourselves balance housing markets. We probably can't even get close. The macro- and microeconomic

forces that drive housing market development are complex and highly dynamic - an inseparable and incommensurable mix of the global and the very local.

Now you might say to me that there's not much point in urban design training if the only land you can get hold of is the fag end of a private sector scheme through a section 106 agreement. And it's a fair point.

That is why the Corporation will only invest resources in section 106 schemes where we have been involved in discussions from the outset and are convinced that we will be investing in a sustainable community where the residents in affordable homes are not treated like second class citizens. That is what I mean by proactive procurement.

We will be seeking only to invest in well designed mixed use, mixed tenure neighbourhoods with a sensible management regime that prioritises resident involvement."

The Planning Brief (Sheffield City Council 1997) for the site included the request of the Director of Housing that approximately 20% of the housing on site should be affordable for people on low incomes, preferably in the form of social rented housing rather than low-cost housing for sale. The planning department did have the power to impose a degree of mixed tenure when deciding on planning permission. Instead, it entered into a section 106 agreement and accepted half a million pounds as a commuted sum from the developer, to support the building of affordable housing elsewhere. Interviewees in the Planning Department pointed out that the houses were so highly priced that the normal operation of the housing market was sufficient to ensure that the housing would be occupied by one class of resident. As the developer said,

“we knew our target audience was going to be upper-market.”

(for more on the planning process at Nether Edge, see Blandy and Parsons, 2004).

## **9. INTERVIEWS WITH RESIDENTS**

The main reasons for residents' decisions to move into the Nether Edge gated community are set out in the table below. This shows that the prime motivation was the belief that the scheme would perform well in terms of property values

**Purchasers' reasons for moving to the Nether Edge development (n = 23)**

<b>Rating of reasons for moving</b>	<b>Very important</b>	<b>Important</b>	<b>Total of first two columns</b>	<b>Neutral</b>	<b>Not important</b>	<b>Not important at all</b>
<b>Reasons for moving (not mutually exclusive)</b>	<b>Percentage (number) of questionnaire respondents who expressed this view</b>					
<b>Property values</b>	69.6% (16)	17.4% (4)	<b>87%</b> <b>(20)</b>	4.3% (1)	4.3% (1)	0% (0)
<b>Security features</b>	26.1% (6)	43.5% (10)	<b>69.6%</b> <b>(16)</b>	26.1% (6)	4.3% (1)	0% (0)
<b>Leisure facilities</b>	21.7% (5)	39.1% (9)	<b>60.8%</b> <b>(14)</b>	26.2% (6)	8.7% (2)	4.3% (1)
<b>Moving into a community</b>	34.8% (8)	17.4% (4)	<b>52.2%</b> <b>(12)</b>	21.7% (5)	13% (3)	8.7% (2)

(Blandy and Lister, forthcoming)

Owner occupiers in West One were also motivated by the prospect of capital appreciation though the price of the property meant that it would be beyond the means of the majority of first time buyers.

“This has been a great investment, but I couldn’t have done it if my dad hadn’t put up half the money”

A distinction between private tenants, owner occupiers and those renting from RSLs was mentioned by an owner occupier interviewed in the Broomsprings estate

"You can tell the ones that aren't private. They're OK - the kids can be a bit wild but we get on fine with them, they all know Ted”

In contrast a resident of West One said there was little difference between owner occupiers and those privately renting property.

"I don't know which of my neighbours are renting and which own."

One Nether Edge resident interviewed described the development as

"a private enclave where the middle classes can feel comfortable with themselves.”

This indicates that a mixed tenure estate would not be acceptable, even though the same interviewee disapproved of what he referred to as

"the security gates and all this nonsense."

It would seem from these interviews that privately rented housing is more compatible with owner occupied housing than the inclusion of RSL provision. This corresponds with the research mentioned above by Jupp ( 1999)

## **10. INTERVIEWS WITH AGENTS AND INVESTORS**

The main agent for West One pointed out that the inclusion of privately rented property was unlikely to lead to a mixed community in terms of occupation or income.

"People on low wages couldn't afford the rents and people on benefits would be screened out by the checks we do on income."

The agent had noticed a change in tenure as the West One scheme was completed. Most of the flats were originally bought off-plan by investors. It was first marketed around three years ago when a one bedroom flat was worth around £60,000 and would now be worth over £100,000. The equivalent prices for two bedroom flats would be £100,000 and £150,000. As the scheme has proved very popular with occupiers the original investors tend to be selling to owner occupiers. A major motivation for private investors in West One has been the capital appreciation. The flats were marketed up to two years before completion and a deposit of 10% of the price was paid to secure the flat. At that time house price inflation was running nationally at some 15% and slightly higher levels in Sheffield. Thus, for example, investment of £7,500 could provide capital appreciation for two years at a rate of 15% on a capital sum of £75,000. As one agent interviewed said

"Many of the original investors who bought off plan sold on to owner occupiers when the scheme was complete. Potential owner occupiers want the place to be available immediately if they have the finance available"

One of these investors said

"I'm not bothered with the hassle of letting it out, I'll make enough when I sell it."

The large scale, character and popularity of the West One scheme has reinforced existing processes of gentrification in this fringe of the City Centre. As one agent said:

"When the marketing suite opened, nobody knew where Fitzwilliam Street was, now everybody knows West One."

Another agent active in the same market attributed this to the popularity of the scheme.

"It is all driven by its popularity as the place to live. We have customers queuing up; investors, occupiers and renters. We have to review the prices every month."

This has had a knock on effect on the nearby Broomspring development where the processes seem to be driving a shift from owner occupation to purchase by investors for private renting. There are currently two properties for sale on the market but eight available for rent from private landlords.

The reason for this was explained by an agent who himself has bought over ten of the properties.

"The effect of West One has meant that people want to live here. It's just as close to town and every flat has a parking space .... It's better from an investment point of view. The rents are close but capital values are lower. You get a better product with West One but the return on Broomsprings is 6% to 7% compared with 5% for West One."

## 11. CONCLUSIONS

As this research has developed the focus has shifted from the impact of mixed tenure and social balance on property prices to a broader assessment of the interaction between housing market dynamics, the policy objectives of the provision of affordable housing, and the creation of balanced communities in mixed tenure inner city housing schemes.

The objectives of high density housing development of brownfield land have been achieved by the three case study developments.

Capital appreciation is a key motive in the decisions of both owner occupiers and buy to let/sell investors.

The creation of gated communities tends to generate a premium in capital value and this form of development seems to be at odds with the broad objectives of mixed/balanced communities.

The interaction between the market for investors and owner occupiers varies from area to area. In West One the dynamics are leading to a shift from investor ownership to owner occupation while in Broomsprings the reverse is the case.

In both cases the result has been a wider tenure mix. In neither case has it led to a wider mix in terms of social balance.

The dynamics involved are unlikely to lead to the generation of socially mixed communities. As house prices and subsequently land values increase, the market will tend to resist the inclusion of RSL housing in predominantly private schemes due to the attitudes of both potential owners and developers. As inner city development builds a momentum, land prices will increase making it difficult for RSL's to promote mixed schemes.

## 12. POLICY IMPLICATIONS

If the intention of policy is to create socially balanced inner city communities, greater levels of public intervention in the housing market will be required. Under present policies this would take the form of stronger insistence through section 106 agreements, that private schemes should include RSL housing. Schemes promoted by RSL's would then be likely to require higher levels of subsidy to make mixed developments achievable.

If attractive subsidised housing is to be provided in mixed schemes for low income residents on what basis would the property be allocated to occupiers?

If greater public subsidy were to be provided, how would capital appreciation be managed? If affordable housing is provided in the form of subsidised owner occupied property this is likely to be sold on as values increase with the result that the original social balance will be lost. A possible way forward would be a requirement that occupiers would be required to sell the property back to the SLR.

There is the prospect that the provision of gated communities will become a driving force in the housing market. This feeds in to the aspirations of both developers and occupiers which seem to be at odds with the policy objectives of balanced communities and social inclusion.

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