



TEES VALLEY LOCAL HOUSING MARKETS

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We remain, of course, entirely responsible for the findings and opinions put forth in this report and for any inaccuracies or omissions within it.

— Ed Ferrari and Karl Dalgleish

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Foreword

Following the publication of the findings of the Commission for Housing in the North in December 2016, the NHC has worked to progress one of the key recommendations – that in the North, new forms of regeneration are needed to address the broken housing markets.

Evidence from the Commission found that there are a series of common issues facing neighbourhoods in the North. While many of the symptoms are common, often the causes will vary from place to place and so the tools and strategies needed to make progress will also vary. Within the context of the Government's Industrial Strategy White Paper with 'place' as one of the foundations of productivity, this approach will require a high degree of local flexibility in policy and investment prioritisation consolidated around place-making.

In partnership with the local Tees Valley housing providers, we have worked with the UK Collaborative Centre for Housing Evidence (CaCHE) to establish a body of evidence in the Tees Valley from which we could work to develop a set of aspirations for politicians, decision takers at local and regional level and other key influencers to take forward as part of their local economic strategies.

Angela Lockwood North Star said, *"The messages in the report contribute towards a well-informed evidence base about the area's housing market to support and inform local industrial strategy development."*

CaCHE considered the primary housing challenges and opportunities facing the Tees Valley and, gathering all of the current data, formulated this research, evidencing what may be needed to rise to the challenge and to deliver positive outcomes, for people in economically disconnected communities.

Chris Smith Thirteen said, *"This evidence provides thought provoking messages – decisions on housing policy must align to the economic and infrastructure needs for the area and there are some key issues for us to take away from this work."*

We know that when done well and in the right places, housing-led regeneration delivers substantial benefits, including increasing the scope for widening housing choices.

It is our intention that this research will help to underline the importance of housing-led regeneration activity in a positive way.

Northern Housing Consortium in partnership with
 Tees Valley Combined Authority, Darlington Borough Council, Hartlepool Borough Council,
 Middlesbrough Borough Council, Redcar & Cleveland Borough Council, Stockton-on-Tees
 Borough Council, Thirteen Housing Group, North Star Housing Group and Beyond Housing.

Executive Summary

The question of economic productivity and growth is closely linked to the question of the future of housing markets. Clear plans for economic growth in Tees Valley need to be partnered with a strong strategy for the area's housing market.

- Tees Valley's current housing markets are the product of long run social and economic change in the area. Understanding these changes is critical to understanding how its future will play out, and in making the case for an investment strategy and policy response that is tailored to Tees Valley and recognises its unique challenges and opportunities. This report considered those challenges and opportunities by five themes: **Built environment:** Low densities and a dispersed spatial structure present some specific demands on infrastructure and public services. The legacy of heavy industry is development land that has significant constraints and viability challenges. But large sites offer significant regeneration potential and can allow integration between housing and an economic offer. Tees Valley also has a variety of different residential location types, many of which are very successful.
- **Housing market segments.** Despite a range of settlements, comparatively few of the market segments that might be found in a large conurbation are present in Tees Valley. There are big gaps between high price and low price areas; and core areas suffer from low-value, unpopular stock. The housing market underperforms in comparison to national and regional benchmarks. There are particular concerns about quality in the Private Rented Sector. But there are many very successful parts of the Tees Valley's housing markets, and there are opportunities to further develop new urban archetypes supported by a better cultural offer and placemaking.
- **Household characteristics.** Tees Valley has very high levels of social deprivation, but it is also a very divided area and areas of significant affluence are also present. A significant proportion of households, however, have very low incomes and have very few resources within the housing market. They are being hit particularly hard by welfare reforms.
- **Employment dynamics.** It is not entirely clear that the labour market is fully integrated and connected, partly as a result of a decentralised pattern of jobs creation. Raising skills and connecting low income households to jobs in the new economy will remain a challenge – and the challenges of providing good quality and reliable public transport in a dispersed and low density area will be particularly acute. The area benefits from very significant locational and infrastructure assets which will help drive growth in some economic sectors. But there are also significant economic uncertainties ahead and the area's population will need help transitioning to whatever new economy is the result.
- **Population change.** The population and the number of households in Tees Valley will continue to rise, but growth in both will be driven to a great extent by an ageing population and a rise in the number of single person households. Requirements for housing suitable for older people will increase greatly. As well as ensuring that local plans provide enough housing in broad terms, the strategic planning policy framework in Tees Valley will need to pay equal attention to the questions of *what* is provided and *where*.

Significant policy coordination and investment in regeneration will be needed to improve the way the Tees Valley housing markets work and support long term aspirations for positive economic change. The response will need to be sensitive to local contexts and existing communities, but in many parts of the area will require broadening the mix of housing types, tenures and price points and complementary investment in physical, social and community infrastructure.

1

Introduction

This report by the Centre for Regional, Social and Economic Research (CRESR) at Sheffield Hallam University in association with Kada Research offers an impartial view of the Tees Valley Housing Market. It takes a long-term perspective and reflects on the factors affecting the supply of and demand for housing in the Tees Valley.

Objectives

This report is designed to provide a preliminary 'think piece' to inform investment decisions that might support the growth and renewal of housing markets within Tees Valley. The project's objectives were to:

- Review the challenges and opportunities of the Tees Valley housing markets
- Focus on neighbourhoods where demand is low and stock is unpopular
- Identify gaps in data
- Draw initial conclusions and recommendations, to inform the case for future investment, and
- In light of the above, provide the basis for Tees Valley partners to further develop the case for future investment

Why housing markets matter

Britain has a productivity problem.

Tees Valley was central to the industrial revolution that made Britain's one of the most productive economies on the planet. Communities were built on the back of that prosperity, and families thrived because of it. Throughout much of the 20th Century, Tees Valley's economic strengths supported broad based social and cultural progress.

The future of Tees Valley will be a return to productivity and prosperity in the new global economy, but solving the productivity problem of Britain requires maximising the potential of all parts of the country, including Tees Valley. In Tees Valley, that means focusing on everything that makes up the economy. That includes attracting firms and jobs, and raising skills and aspirations, but it also includes focusing on the communities and families that are the area's future and on the places they live in now and will want to live in tomorrow.

So, the productivity problem is also a problem of housing markets.

A long run perspective

Our work in this think-piece is set against a backdrop of industrial decline and renewal over several decades. This backdrop is not unique to Tees Valley, though some of the fundamental economic shifts have been felt more sharply here than in other parts of the country. These shifts in society, policy, demographics and economy have over time had profound effects on the make-up of the housing market, which has had to adapt to changing patterns of demand. In some parts of Tees Valley there has been for some time a growing disconnect between housing and the needs and demands placed on it, including the aspirations of different populations.

Tees Valley has a rich industrial heritage renowned for its process, power, steel and engineering industries. It is home to the largest integrated chemical complex in the UK¹. The area's built environment and infrastructure legacy reflects a period of industrialisation followed by decentralisation in the 1980's and subsequent response to industrial decline. Decentralisation has occurred in neighbouring areas too, in the County Durham new towns for instance. The response to industrial decline included the work of the Teesside Development Corporation (TDC). While it helped attract private sector investment, create jobs and remediate land,² it also helped usher in a new 'spatial structure' - a particular spatial arrangement of jobs and houses across the sub-regional geography. This new spatial structure emerged from developments like Teesside Development Park as well as new employment sites, housing developments and road infrastructure enabled by TDC and its successors in English Partnerships (now Homes England) and the former Regional Development Agency (One NorthEast).

Tees Valley continues to change. Following the establishment of the Tees Valley Local Enterprise Partnership (LEP) in 2011 and the government's 'devolution revolution', new opportunities are being developed by the South Tees Development Corporation – the country's first Mayoral Development Corporation outside London – in the Tees Valley Enterprise Zones, the new Tees Advanced Manufacturing Park, and Central Park in Darlington, a major hub for healthcare and life sciences businesses. The area offers an attractive low-cost investment location with rents and rates at around half of most major cities, and a quarter of those in London, wage rates around 12% lower than the national average and financial incentives available on sites and premises. While these factors underpin the area's economic development offer, they also shape its housing market.

The Tees Valley Combined Authority (TVCA) has an ambitious Strategic Economic Plan³ (SEP) to grow the local economy with the creation of 25,000 new jobs in the region over the next ten years. Tees Valley has an established infrastructure and supply chain in the offshore, advanced manufacturing and engineering, chemicals and process and logistics sectors. Key emerging sectors include life sciences, digital, energy and renewable and business services (see Chapter Two).

The SEP also includes an ambitious focus on place. TVCA's jobs creation plans are matched also by a need to deliver more housing. Around 22,000 new homes are expected to be required in the period 2016-2026, an increase of around a quarter on recent past delivery trends. But it is not the quantity of housing delivery that presents the greatest strategic challenge. As the SEP acknowledges, there are significant areas of poor quality housing, deprivation and social exclusion throughout Tees

¹ Tees Valley Strategic Economic Plan, 2016-2022, p10

² National Audit Office (2002) *The Operation and Wind-up of Teesside Development Corporation*. Report by the Comptroller and Auditor General, HC 640, Session 2001-2002. London: The Stationery Office.

³ TVCA (2016) *Tees Valley Strategic Economic Plan - the Industrial Strategy for Tees Valley, 2016-2016*.

Valley, where a fragmented pattern of ownership and custodianship makes large-scale intervention extremely difficult. The profile of new housing completions - the vast majority being homes for owner occupation - is somewhat at odds with a current tenure structure whereby nearly two in five households in Tees Valley rent. At the same time, the private rented sector (PRS) has grown significantly and now dominates provision in some neighbourhoods. While a healthy PRS is an important part of any flexible economy, some parts of the sector provide poor quality accommodation and demonstrate poor custodianship of the local built environment.

Despite its economic strengths, the last few decades have witnessed the emergence of serious gaps in the economy both within Tees Valley as well as between Tees Valley and elsewhere. This report identifies a two- or three-track housing market (see next chapter) that has emerged in response. These separate, and only weakly connected, *multiple* housing markets are the key feature that drives the narrative through this report and which shapes our assessment of the case for investment.

How the housing market works

The housing market does not operate in isolation. It is deeply embedded within local economies and labour markets; the pattern and quality of local services, including education; health, wellbeing, and wider social deprivation. Market fundamentals - that is, the demographics that underpin the demand for housing - tell only part of the story. Housing is a unique commodity that responds economically in a different way to most other commodities. It is geographically immobile, relatively fixed (notwithstanding that it can be improved and invested in, or disinvested), and highly heterogeneous in quality and character. Most important of all, it is an illiquid commodity, the supply of which is relatively inelastic to demand shocks and other exogenous factors, and it plays a very important role as a social good. This is why the housing stock is often slow to adapt to economic change or changing social or cultural preferences. As an asset class, the value of housing is mostly derived not from *what it is* (i.e., 'bricks and mortar'), but from *where it is, the land it is on and the wider services and amenities it affords access to*.

This is important because it means two things for Tees Valley. First, housing (and housing policy and patterns of investment in and supply of housing) can act as an **engine of inequality**.⁴ Housing can also help to solve poverty.⁵ Poverty is of deep concern to policymakers not least because it acts as a significant brake on economic prosperity and growth,⁶ and more equal societies are generally happier, healthier and more productive.⁷ Second, it means that a **focus on neighbourhoods** is essential for any strategic response to housing market problems or any programme of housing investment. Neighbourhoods -- their characteristics, strengths and weaknesses -- are what drive the market's own assessment of value within the housing system to a greater or lesser extent. More than that, though, it is at the neighbourhood level that the interactions between different parts of the housing market become apparent and it is from neighbourhoods that people conceptualise of the relationship between housing, the services they use, labour markets and other important institutions, whether they are on their doorstep or not. As we note in this report, there is considerable variation in the housing market fortunes of different neighbourhoods in Tees Valley, sometimes even those that are cheek-by-jowl.

⁴ Mark Stephens (2011) *Tackling Housing Market Volatility in the UK*, Report of the Housing Market Taskforce, Joseph Rowntree Foundation.

⁵ Mark Stephens et al. (2015), *What Will the Housing Market Look Like in 2040?*, Joseph Rowntree Foundation.

⁶ Joseph Stiglitz, *The Price of Inequality*, 2012.

⁷ Richard Wilkinson and Kate Pickett, *The Spirit Level*, 2009.

Themes for consideration

From the above, it follows that any analysis of local housing markets must be:

- sufficiently granular to recognise and foreground the patterns of difference and divergence that occur within the markets locally
- capable of integrating the influence of a range of important contextual and external factors

With this in mind, this report is structured according to six important themes which our work suggests are important determinants of the overall trajectory of housing market change in Tees Valley. These are:

- **The built environment:** The spatial structure of the housing market, the land it operates with and the built environment it operates within, and the hard infrastructure that binds it together.
- **Market segments:** The distinctive housing market segments that are apparent within local markets, how they interrelate, the types of market 'offer' they represent to participants in the housing system, and the dynamics of value within these segments.
- **Market change:** The changing shape of the market, how tenures interact, and how the housing market responds to policy and exogenous factors including economic and social.
- **Households:** The fundamental units of demand within housing markets, their composition and how the number and configuration of households might be expected to change in the future, both as a result of demographic change and shifts in migration; the resources they have now and in the future. The '*income challenge*' among households in weaker city-regional economies.
- **Employment:** Employment and the '*connectivity challenge*', in particular how housing relates geographically to the jobs and economic activities that provide the wages that support housing market demand.
- **Demography:** The make-up of the population and '*support challenge*' inherent within an aging population.

These themes are explored in more depth in the following chapters.

2

The Built Environment

The industrial legacy of the Tees Valley has led to a built environment characterised by large sites offering strategic opportunities for development subject to specific planning requirements, accompanying funding to ensure viability and matching infrastructure. Enterprise Zones offer an excellent opportunity to restructure housing markets alongside local economic development. There is a diverse range of locations and settlements in the Tees Valley but the area is large and spread out, meaning that the connections between different parts of the housing market could be stronger. There are also challenges for service delivery that arise from very low residential density.

Figure 2.1. Aerial view of part of Tees Valley centred on the A19/A66 interchange.



Source: Google Maps

An Industrial Economy

Located in the north-east of England, the Tees Valley City Region comprises five local authority areas (Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees) with a combined population of 672,500,⁸ and a broad range of physical, industrial and other infrastructure assets (see Figure 2.1). The City Region has been shaped by its traditional industries of steel, shipbuilding, oil, gas, chemicals, process engineering and pharmaceuticals), and its emerging industries such as digital, creative, biologics, health sciences and the low carbon economy.⁹ Some sectors such as petrochemicals remain very important to the local economy (see Chapter 5), but others have faced serious challenges. More than 2,000 workers lost their jobs with the closure of Redcar steelworks in October 2015, which brought to an end more than 140 years of steelmaking.¹⁰ This and other closures have resulted in big land use changes, including along the Tees itself. Figure 2.2 shows the South Tees Development Corporation area towards the North Sea, a site of some 4,500 acres. This includes the former Redcar steelworks site fronting onto the Tees estuary.

The legacy of these industrial changes has been felt not just economically but in terms of the physical and social conditions found within Tees Valley's residential areas and in the way their housing markets operate. In this chapter we review the specific challenges of land, the configuration of the built environment, the physical characteristics of the area's housing, and the economic regeneration initiatives that will also provide opportunities for new and improved housing.

The Challenge of Land Remediation

One of the challenges that affects the Tees Valley is the reluctance by developers to invest due to the remediation and access costs of some sites, general market uncertainty and low commercial returns.¹¹ A similar market failure is evident in the office market which, unless addressed, could impact negatively on growth plans for business services, digital and creative industries and town centre renewal.¹² This, combined with surplus brownfield sites, has knock on effects for town centre living and the provision of new sites for housing.

The challenges of brownfield remediation in an area like Tees Valley, with its large, polluted sites that are distant from urban services, are obvious. Combined with weak economic fundamentals, this yields significant viability gaps in relation to market development on previously developed land. Case Study 1 (Appendix A) shows how working in partnership with other agencies such as Homes England can help overcome specific site challenges.

Strategic planning plays a critical role in guiding development - both through the allocation of sites and through policies to restrict development in certain types of location. In a decentralised housing market like Tees Valley with functional market areas that span several adjacent local authority areas, the need for coordination is great.

⁸ ONS Population estimates (2017)

⁹ Peter O'Brien, Mike Coombes, Stuart Dawley, Lewis Evans and Andy Pike (2017) *How to Create Great Jobs: Towards a Regional Industrial Strategy for Tees Valley*. Report for the Trades Union Congress. Centre for Urban and Regional Development Studies, Newcastle University.

¹⁰ <https://www.gazettelive.co.uk/business/business-news/impact-redcar-steelworks-closure-uk-11317024>

¹¹ Tees Valley Strategic Economic Plan, 2016-2022, p22

¹² Op. cit.

No part of Tees Valley is designated as green belt, although a small portion of Redcar and Cleveland, approximately south of Guisborough, the A171 road and Loftus, forms part of the North Yorkshire Moors National Park. Consequently, green field land availability is generally high, and constraints on such land are generally low. This, coupled with the challenge of land remediation on the area's many brownfield sites, explains the relatively high proportion of new housing that is provided on green field sites (Figure 2.3). This varies from 39% in Middlesbrough to 77% in Redcar and Cleveland. By way of comparison, the most recent data shows that on average 44% of new housing in England is built on green field land.¹³

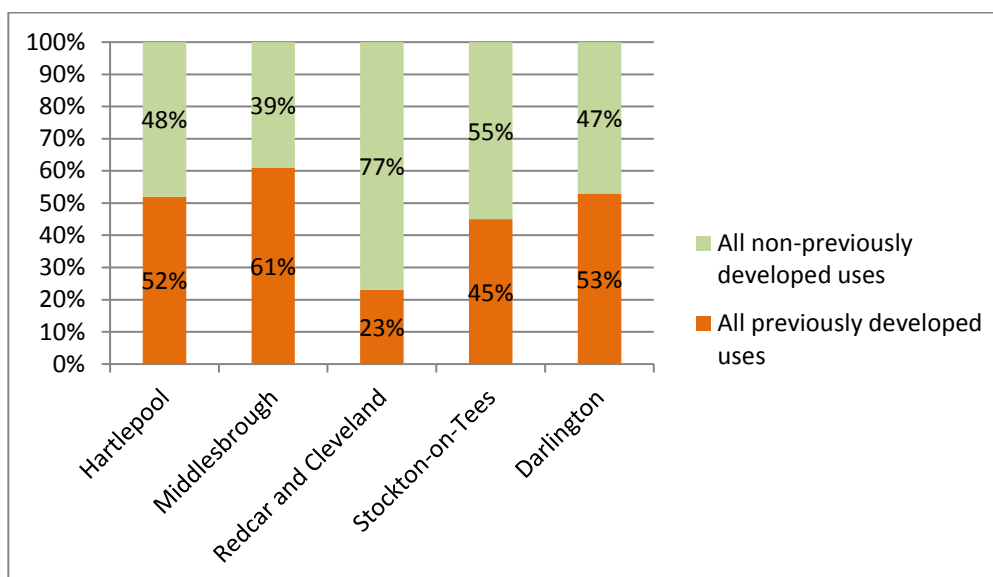
Figure 2.2: South Tees Development Corporation site.



Source: South Tees Regeneration Masterplan, Consultation Draft, October 2017

Figure 2.3. New residential addresses by previous land use, 2013-17.

¹³ MHCLG Land Use Change Statistics live table P300 for 2016-17.



Source: DCLG Land Use Change Statistics live table P302.

Density

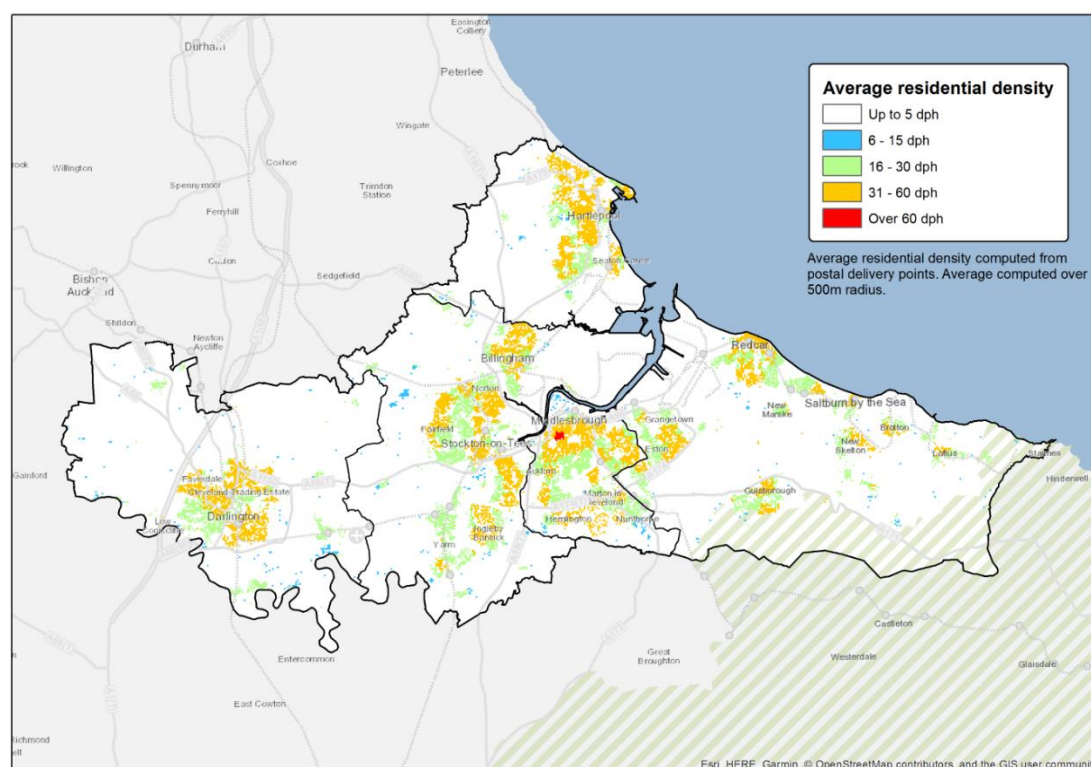
Despite its heavy concentrations of industry the Tees Valley has very low residential densities on average. To illustrate this, it has a similar population (672,500) to the city of Glasgow (621,000)¹⁴ but extends over more than four times its land area (795km² against 175km²). The density of the Tees Valley is 844 pp/km² compared to Glasgow at 3,555 pp/km². Even the urbanised Glasgow City Region,¹⁵ with a population of 1.5 million, has a density of nearly 1,000 pp/km². In other words the built environment of Tees Valley is comparatively spread out, covers a wide geography and is not concentrated around a clear nucleus.

The map in Figure 2.4 demonstrates this. Excepting small rural villages and hamlets, the majority of neighbourhoods in Tees Valley fall within a medium density urban archetype with between 31-60 dwellings per hectare (dph), or a very low density suburban archetype of between 16-30 dph. Only a small area of central Middlesbrough approaches the densities (over 60 dph) associated with major urban areas. This relatively low density but polycentric form makes investment in place and transport investment a challenge, and undermines the economic basis for public service delivery.

¹⁴ National Records of Scotland (NRS) Population estimates (2017)

¹⁵ To make this comparison we have excluded South Lanarkshire because of its very large predominantly rural area.

Figure 2.4. Residential Density



Source: Authors' analysis of ONS Postcode Directory (ONSPD) data

Recent housing delivery has done little to reverse a pattern of residential de-densification in Tees Valley. Table 2.1 shows that the average density of new residential addresses in the four years 2013-17 varied between 25 dph in Stockton and 34 dph in Hartlepool. The average in England is around 32 dph, although in major urban areas densities are typically over 40 dph, and are over 100 dph in central London.¹⁶ As might be expected, housing densities are typically higher on previously developed land.

Table 2.1. Density of new housing 2013-17.

Local authority area	Average density (dwellings per hectare)		
	Previously developed land	Non-previously developed land	All
Hartlepool	35	33	34
Middlesbrough	32	23	29
Redcar and Cleveland	33	26	27
Stockton-on-Tees	29	23	25
Darlington	29	23	26

Source: MHCLG Land Use Change Statistics live table P331.

¹⁶ MHCLG Land Use Change Statistics live table P330.

Residential Settlements

The density and settlement pattern within Tees Valley results in an interesting pattern of residential development with some attractive housing options and also areas of poor condition or unpopular housing. Arguably more could be made of the diversity on offer in parts of the area, while attention needs to be paid to ensuring a range of residential archetypes and price points are available throughout the area and -- given the area's polycentricity -- *within constituent spatial submarkets at the locality level*.

Middlesbrough, Hartlepool, Stockton and Darlington are the obvious choices for urban living; small towns like Yarm and Guisborough offer housing of character. Suburban living is on offer in many parts of the Teesside conurbation as well as around Darlington and in separate settlements like Eaglescliffe, and Norton. Coastal living can be found in Redcar, around Saltburn-by-the-Sea and in Hartlepool. Villages such as Ingleby Barwick and Wynyard have witnessed substantial suburban expansion characterised by upscale property. There are also rural villages with a range of housing types in East Cleveland. Locations such as Guisborough and Yarm have become much sought-after property locations. There is competition from North Yorkshire and parts of County Durham. North Yorkshire offers traditional seaside resorts, more remote rural communities and historic market towns and cities.

Whilst it will be important to maintain a diverse residential offer, there remains a clear imperative to tackle poor housing conditions. All five local authorities have identified problems with property conditions, especially within cheaper private rented sector submarkets, within their housing strategies and have objectives aimed at tackling these. There are significant localised pockets of deprivation and poor stock conditions, especially within areas that have a high proportion of back-of-pavement terraced housing and disproportionate levels of housing in the private rented sector. Such areas have identified issues with housing management provided by private landlords and insufficient custodianship of the wider built environment, and poor stock and environmental conditions affect demand and investor confidence. The 2002-2010 Housing Market Renewal (HMR) programme in Tees Valley sought to address these and related structural housing market problems as part of a 15-20 year programme of investment, but progress was affected by the cancellation of the national HMR fund in 2011.

Regenerating the property market

As we have seen the structure of land supply in the Tees Valley is a function of its economic past and yet is a big determinant of how its housing market operates. The nature of land development opportunities and the need for significant land remediation presents some significant challenges to regenerating the property market. Cuts to specific government grants for decontaminating land together with significant incentive regimes for new housing delivery arguably impact on the ability to demonstrate deliverability on more sustainable locations.

Yet there are also economic tools available to regenerate property. Enterprise Zones represent one of the main tools for tackling market failure in the property market. In Tees Valley there are 12 Enterprise Zone sites covering 450 acres. The degree to which the zones make explicit links with housing markets varies considerably. There are three main types of Enterprise Zone each with different characteristics and incentive packages.

Supply-chain sites offering Business Rate Relief

Four sites offer **Business Rate Relief** of up to £55,000 per year for five years (£275,000). These are aimed at SMEs that are part of the supply chain for heavy industry (petrochemicals, renewable energy and advanced engineering), or which are part of the emerging and growing digital and professional services sector. They include:

- Belasis Business Park (Billingham) offers small self-contained units (174-355 m²/1,900-3,800ft²) for office, laboratory or technology use with competitive rents at £4 per SQF.
- Kirkleatham Business Park is aimed at heavy industry with plots from 0.40 ha (1 acre) to as much as 4.1 ha (10.24 acres). 2 miles west of Redcar town centre and 2 miles from the sea front close to Wilton International Complex with chemical and process industries (Lotte, Sabic and Huntsman). The Park is established and home to a variety of industrial/office occupiers.
- TeesAMP: Available from Spring 2019 offering units from 3,000ft² to 50,000ft², the 11 hectare £22.6m Tees Valley Manufacturing Park (TeesAMP, see image) will offer a new location for innovative manufacturing companies. Less than a mile from Middlesbrough city centre, the first phase will create 180,000ft² of accommodation across 10 buildings creating up to 1,000 jobs. It is home to The Welding Institute's (TWI) £10.8m research, technology training, and certification base, for process industries.



- Queens Meadow Business Park (see next image) is a development by the HCA (now Homes England) comprising of 21 workshops/industrial units from 847ft² to 1,852ft².



Large sites with capital allowances

Four more substantial sites have **capital allowances**:

- Home to international companies such as Heerema and JDR Cables, over 57 hectares (140 acres) of seafront land for the offshore wind sector at Hartlepool Port Estates.
- The New Energy and Technology Park at Seal Sands has experienced some difficulties when US Air Products site announced it was pulling out of its TV1 and TV2 energy-from-waste projects due to costs and restructuring.
- An area of 164 hectares has been identified for development in Renewable Energy and Advanced Engineering at South Bank Wharf adjacent to Teesport, the UK's largest exporting port with river frontage.
- Wilton International, has five plots with a total area of 164 hectares available. The sites are located within the fully serviced chemical complex at Wilton International with extensive infrastructure including power, steam and water. It has 130 acres of Greenfield land with outline planning permission for heavy industry, 200 acres of brownfield and 230 acres for light industrial.

Mixed-use sites with business rate discounts.

Four more Tees Valley sites with **business rate discounts** are available at:

- Central Park - a 74-acre mixed use development in close proximity to Darlington Town Centre and Station. Home to Teesside University, Darlington College, the Centre for Subsea Technology Awareness, Training and Education, the £6.6m Business Central and the £38m National Biologics Manufacturing Centre. Keepmoat Homes is working with Darlington Borough Council and Homes England to bring forward a first phase of new housing development of 327 two, three and four-bedroom homes aimed at first time buyers, families and professionals including Help to Buy.
- Muse worked with the HCA (now Homes England) and Stockton Borough Council on a 56-acre extension to the town centre. The Northshore development offers 450,000ft² of new commercial development and 200 family houses. This sustainable mixed-use community provides up to 2,000 new jobs and homes for up to 500 people: Northshore Phase 1 'Vivo', was completed in 2012 delivering 50 contemporary family riverside homes. Phase 2 followed in 2013 (76 homes) and Phase 3 comprises a further 80 homes (2018). It includes a new 43,000ft² HQ for Thirteen Group, a Hampton Hotel

and a 36,000ft² Innovation Centre for up to 60 SMEs in the digital, scientific and creative sectors.

- The Oaksway Industrial Estate in Hartlepool is allocated in the Local Plan for 38ha of employment land, with 18ha currently available for development. The site is home to successful international businesses in the manufacturing sector which are looking to expand and also has the potential to be a base for the supply chain in the offshore wind sector. There are current proposals from Homes England for a mixed use housing/employment development on the site.¹⁷
- The Hilda's Area site includes high quality office space for SMEs operating in digital and creative sectors in Middlesbrough.

In summary, the TVCA-supported Enterprise Zones, which are typically mixed-use and town centre based, tend to integrate housing into their thinking. Northshore is perhaps an exemplar in this respect. EZs with business relief (the first four listed) could perhaps be more explicit in their consideration of housing implications. Tees Valley AMP workers for instance might consider moving to the area if they were assured that the housing choice on offer would meet their requirements. Other EZ sites with capital allowances tend to be promoting more intensive industrial use. Whilst they may not be suitable locations for housing development, new workers at the sites will be well paid and highly skilled and seeking high quality housing and education.

Challenges	Opportunities
<ul style="list-style-type: none"> • Low densities - transport and local service provision. • A dispersed spatial structure places heavy demands on infrastructure. • Development constraints and viability problems arising from the need for land remediation and access. 	<ul style="list-style-type: none"> • The scale of development land on offer. • Building on the successes evident in some parts of the housing market, including its diversity of suburban, rural and coastal locations. • More explicitly integrating housing into the Enterprise Zone offer.

¹⁷ These proposals are subject to outline planning permission.

3

Housing Market Segments

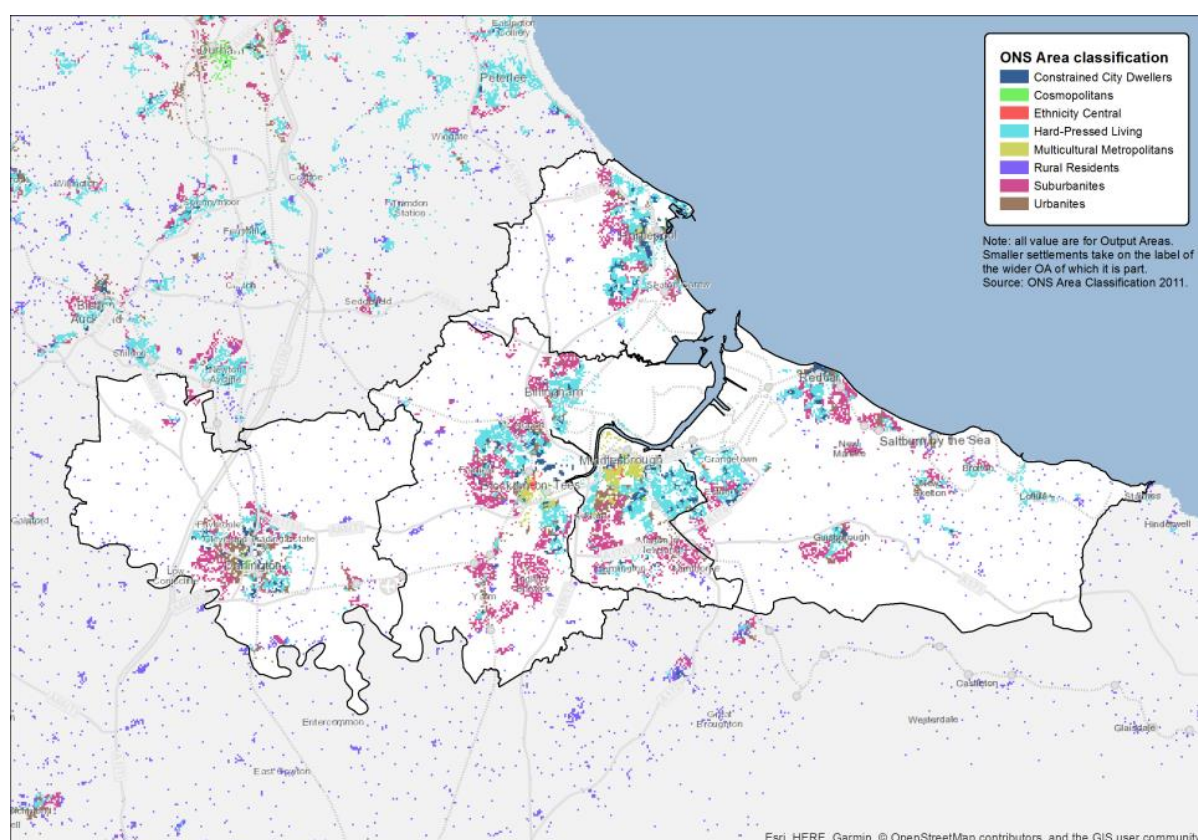
Like all housing markets the local market in Tees Valley is segmented. There are three different broad market segments in Tees Valley: a 'high value distinctive' segment comprising rural and emerging cosmopolitan urban neighbourhoods; a 'comfortable suburban' segment; and a 'constrained households' segment with a mix of inner-urban and disconnected rural neighbourhoods. Not all areas have had the same fortunes. Understanding how markets interact or the effects of disconnected markets is important. For instance, the estimated scale and cost of the improvement and maintenance of stock in the private sector is one of the greatest challenges facing the Tees Valley. With action required on a number of fronts local authorities have had to be pragmatic about what they can achieve with limited resources. The scale of the challenge means that the payoffs from a consistent and comprehensive approach to the improvement of property and management standards in the private rented sector could be significant.

Neighbourhood Types

The neighbourhood scale is critically important within the housing market. Sociological evidence tells us two important things. First is that the influence of family backgrounds, social groups and classes embedded within neighbourhoods, are powerful influences of, and constraints on, life choices. Second is that those with any degree of choice within the housing market will often orient a large part of their decision making around the frame of the neighbourhood, assessing different locational attributes carefully, even perhaps - consciously or not - seeking to 'subscribe' to a particular lifestyle that might be associated with a neighbourhood type (e.g. a 'rural lifestyle').

Neighbourhoods are complex bundles of attributes, with a close relationship to the housing stock and the characteristics of the occupants of that housing. Critically, neighbourhoods are the scale at which many local public services which drive housing market activity - such as primary and secondary education, retail, and primary healthcare - vary most markedly. Seeing the housing market as a set of neighbourhood types offers a powerful way of segmenting it. Most large metropolitan housing markets, which may extend over functional economic areas, will comprise a wide range of neighbourhood types and segments. These enable households to adjust their housing situation in response to changes in their personal or economic circumstances - often enabling the exercise of a degree of choice but sometimes also having to work within significant constraints. A well-functioning market provides a range of price/rent points and tenure, and an appropriate number of entry points, and is able to respond to a range of spatial and labour market drivers.

Figure 3.1. Neighbourhood types in Tees Valley.



Source: Authors' analysis of ONS Classification of Output Areas.

The map in Figure 3.1 provides a geo-demographic classification using data on consumer habits and resources alongside neighbourhood types. It shows that in Tees Valley there are effectively two main archetypes, with perhaps a third important rural archetype as shown in Box 1. Whilst it is generally the case that rural settlements fall into the 'rural residents' neighbourhood type, it is important to note that in some rural parts of Tees Valley, especially East Cleveland villages such as Loftus and Boosbeck, are characterised more by the 'hard-pressed living' neighbourhood type.

The first two archetypes dominate the Tees Valley housing market. There is a tiny pocket of 'cosmopolitans' in Darlington but regionally this market archetype responds more to the pull exerted by Durham City. There is little of the multiculturalism and diversity associated with big cities except for very small pockets in Middlesbrough and Stockton.

House Prices

Despite its size, Tees Valley is connected to a set of wider regional housing markets, specifically in North Yorkshire and the rest of the North East region (namely, County Durham, Tyne and Wear, and Northumberland (which we refer to as the 'reference area'). The pattern of travel to work that we discuss later in Section 5 bears these connections out: commuters in relatively large numbers are finding substitutable homes for options within the Tees Valley, or properties and neighbourhood archetypes that are otherwise unavailable in Tees Valley.

Box 1. Three distinctive market segments dominate Tees Valley¹⁸

Suburban. These neighbourhoods are most likely to be located on the urban outskirts. Their residents are more likely to own their own home and live in semi-detached or detached properties. The population tends to be a mixture of those above retirement age and middle-aged parents with school age children. The number of residents who are married or in civil partnerships is above average. Individuals are likely to have higher-level qualifications, with the levels of unemployment below the national average. There is lower representation of non-white ethnic groups. People are more likely to work in the information and communication, financial, public administration, and education sectors, and use private transport to get to work.

‘Hard pressed living’. This group is most likely to be found in urban surroundings, predominately in northern England and southern Wales. There is less non-white ethnic group representation than in other urban contexts. Rates of divorce and separation are above average and households are more likely to have non-dependent children and live in semi-detached or terraced properties, and to socially rent. There is a smaller proportion of people with higher level qualifications, with rates of unemployment above the national average. Those in employment are more likely to be employed in the mining, manufacturing, energy, wholesale and retail, and transport related industries. In Tees Valley this can be characterised by low-income private renters in work but struggling to make ends meet.

Rural. The population of this supergroup live in rural areas that are far less densely populated compared with elsewhere in the country. They tend to live in large detached properties which they own, and they may work in the agriculture, forestry and fishing industries. They have lower unemployment and multiple motor vehicles (their preferred method of transport to their places of work) and tend to be older, married and well educated. An above average proportion of the population in these areas provide unpaid care and an above average number of people live in communal establishments. There is less ethnic integration.

House sales data over the last two decades demonstrates the divergent fortunes of these different neighbourhood archetypes. As shown in Figure 3.2, the reference area has exhibited long-run divergence into three distinct price sectors:

- **High value distinctive.** Until around 2012 higher value rural sales essentially formed a market on its own. In the vicinity of Tees Valley this also includes many parts of North Yorkshire. But over the last six years such high value rural areas have been joined by properties in a set of 'cosmopolitan' neighbourhoods. Most significantly in terms of Tees Valley's wider sphere of influence, this has been represented by parts of Durham City. Price performance in this sector was resilient to the downturn and has sharply pulled away from the rest of market in the last few years.

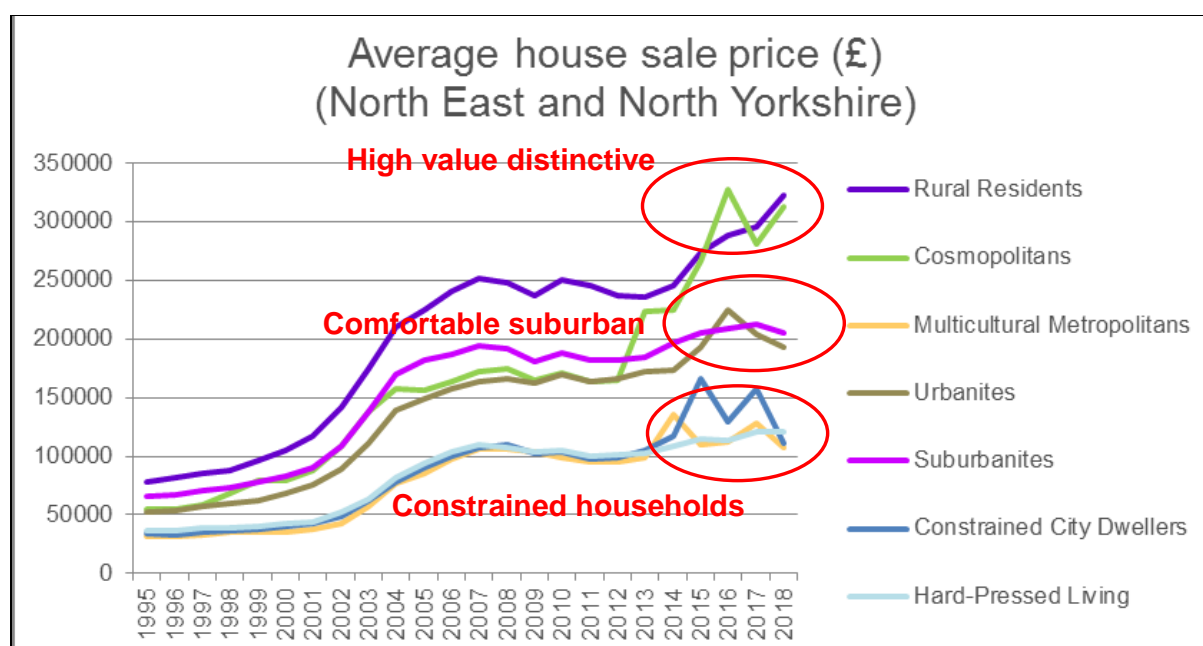
¹⁸ These area descriptions are based on ONS (2015) *Pen Portraits for the 2011 Area Classification for Output Areas*. Newport: Office for National Statistics.

- **'Comfortable' suburban markets.** These are effectively suburban markets - which are very heavily represented in Tees Valley - and a distinctive but equally robust more urban segment, comprised of well located, relatively generously proportioned housing within older suburbs close to urban cores. This sector has been broadly resilient albeit that it flat-lined in the immediate aftermath of the financial crisis in 2008. Given its size, there will be variation within this sector, and specific localities and property attributes will have determined price performance, as will have the potential impact of oversupply e.g. of suburban housing at a time when purchaser finance seized up. Prices have recovered modestly in the past five years or so, although recently this has looked more uncertain.
- **Poorly performing 'constrained' localities.** Such localities comprise three types of area: neighbourhoods home to 'constrained city dwellers' and those described as 'hard pressed', where renting socially and from landlords offering relatively low rents is more common. These areas are a mix of traditional terraced housing and municipal housing of all types, including interwar estates and post-war flats. There are also a number of rural settlements, especially in East Cleveland, which have comparatively high levels of deprivation. Within Tees Valley traditional housing styles and layouts tend to predominate in this price sector although clearly there are some examples of higher density forms. Within this price sector there is also a high density urban and multicultural segment, which is relatively underrepresented in the reference area and Tees Valley in particular.

As Figure 3.3 demonstrates there are even sharper distinctions in the Tees Valley. Most of the archetypes present in the reference area are also found in the Tees Valley, with the exception of any significant cosmopolitan segment beyond a small area of Darlington town centre. The constrained segment has experienced notable price volatility, partly on account of having a relatively low number of sales but presumably also because it is most sensitive to the key economic and market shocks that have impacted the area (including Brexit, welfare reforms and social housing policy, changes in PRS taxation and regulation).

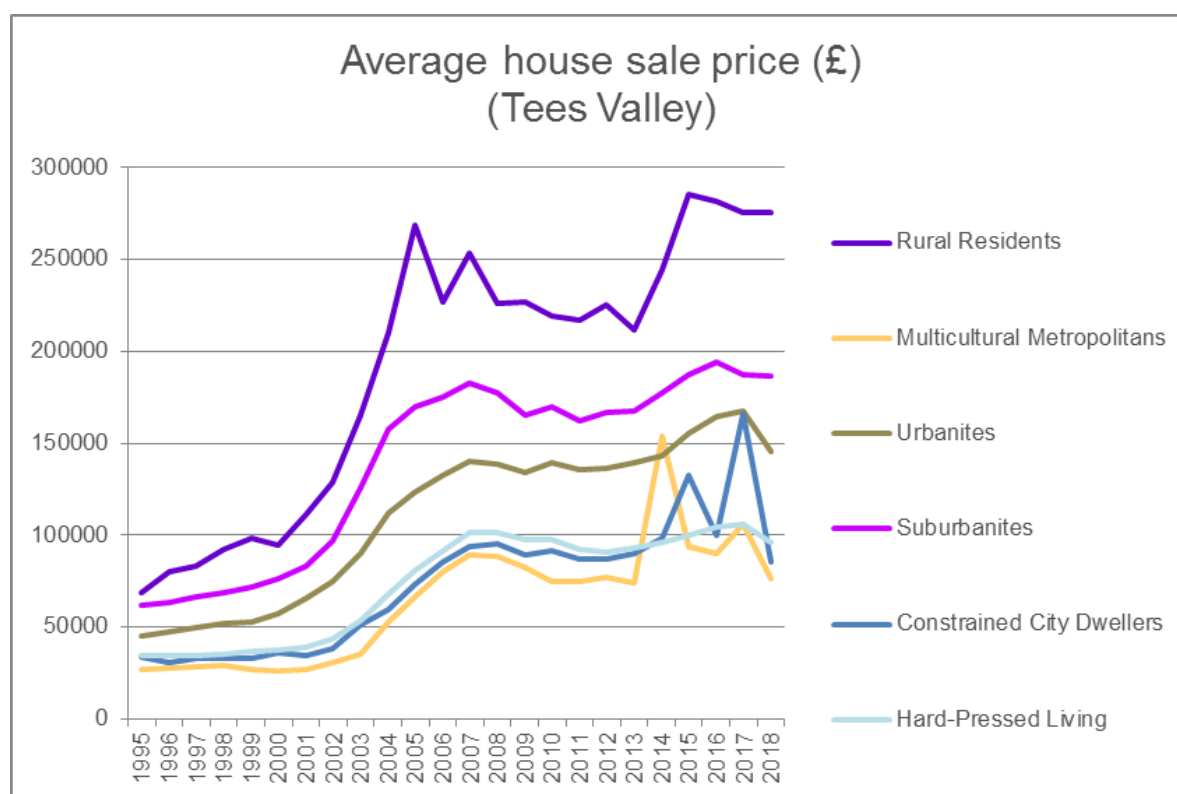
Figure 3.4 depicts average price increases since the recession in each market segment, for both Tees Valley and the reference area. The key market types in Tees Valley have fared a little worse than in the wider reference area, but increases are higher in three neighbourhood types: rural, 'urbanites' (relatively comfortable households seeking a more urban offer) and 'constrained city dwellers'.

Figure 3.2. Average house sale price by segment, 1995-2018 (reference area).



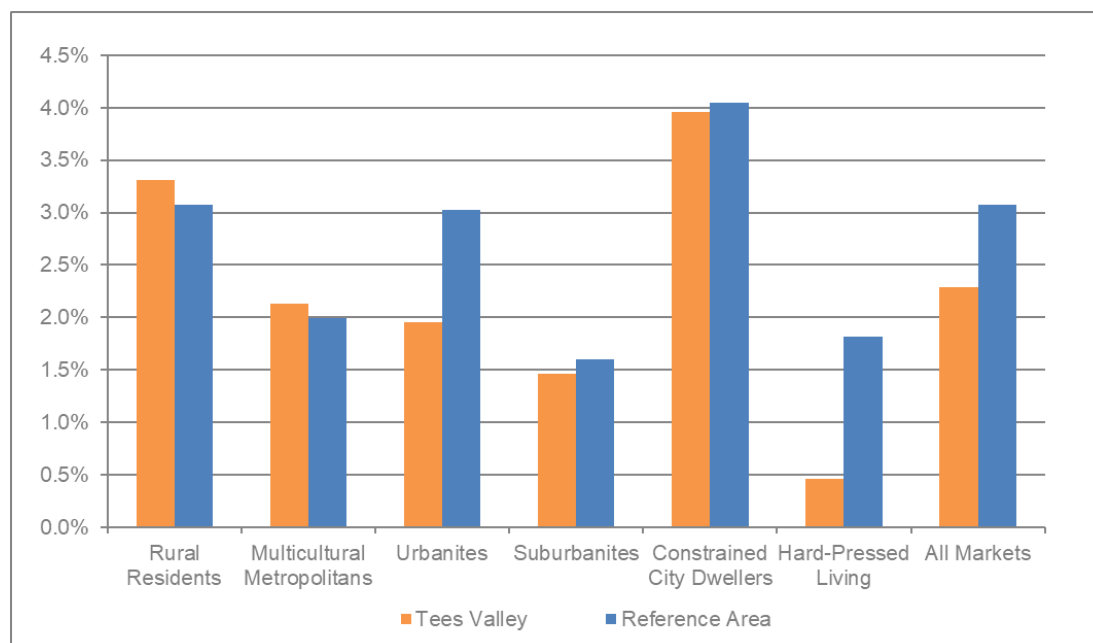
Source: Author's analysis of HM Land Registry 'price paid' data and ONS Classification of Output Areas 2011.

Figure 3.3. Average house sale price by segment, 1995-2018 (Tees Valley).



Source: Author's analysis of HM Land Registry 'price paid' data and ONS Classification of Output Areas 2011.

Figure 3.4. Modelled increase in house sale prices per annum, 2008-2018.



Source: Author's analysis of HM Land Registry 'price paid' data and ONS Classification of Output Areas 2011.

Private sector

The estimated scale and cost of the improvement and maintenance of stock in the private sector is one of the greatest challenges facing Tees Valley. Private sector renewal was a key focus of the Housing Market Renewal (HMR) programme until it was cancelled in 2010; since then there has been an absence of significant dedicated funding streams aimed at tackling market failure. But there are also recent examples where partnership working to diversity the local housing market offer and provide new homes and wider regeneration activity is paying off (see Case Study 2 in Appendix A).

A review of the local authorities' Strategic Housing Market Assessments (SHMAs) shows that authorities continue to aspire to improve the condition of the private rented sector using a range of approaches to tackle a diversity of private sector housing challenges. Problems within the local PRS markets are of particular concern, as noted not only in the SHMAs but in Tees Valley's Strategic Economic Plan (SEP). Challenges across the PRS include housing market failure, poor quality housing, fuel poverty, and the high incidence of empty homes. Local authorities have had to take a pragmatic approach to respond to these, ranging from strategic acquisitions and selective demolitions to licencing and warmth action plans. Box 2 provides a brief review of some of the approaches adopted by Tees Valley authorities and their partners.

Box 2. Responding to regeneration challenges in private housing

Objective 3 of **Darlington's** Housing Strategy (2012-2017) aimed to improve conditions in the PRS by increasing the number of landlords who are accredited, and increasing the number of houses in multiple occupation which are free from Category 1 hazards¹⁹. It also sought to reduce the number of non-decent homes, prepare and adopt a Private Rented Strategy and reduce the number of empty homes (of around 800 **long-term empty properties** in the borough, 60 had been brought back into use by March 2015).

The proportion of households in **Hartlepool** who rent privately or socially are higher than the national average. Within this group, conditions within the PRS are of particular concern with **35% of the private stock estimated to be non-decent** and some 21% of households in fuel poverty. Hartlepool aims to improve management standards and housing quality and choice in the PRS, and to improve energy efficiency and tackle fuel poverty across all tenures. It also aims to reduce the number of long-term empty homes as part of the council's Empty Homes Purchase Strategy and the ongoing expansion of its own affordable housing stock through the Housing Revenue Account.

Redcar and Cleveland also aim to encourage improving the standards of existing housing and revitalise neighbourhoods. The council operates a **Landlord Charter** scheme and is committed to its expansion, and is reviewing how more use can be made of private rented housing to meet its duties under the Homelessness Reduction Act. The council wants to work with landlords and owners to improve property conditions, and is also examining how best it can use its powers to drive up standards in the sector. A **selective licensing scheme** has been established in South Bank and evaluation of this will help inform further development of this approach in the borough. The council is also actively seeking to reduce the incidence of empty homes, and it is working with RP partners as well as the Redcar and Cleveland Community Safety Partnership to identify areas where improvements and regeneration activity can help to revitalise neighbourhoods.

Middlesbrough's housing strategy includes a key focus on **improving the life opportunities of residents** in areas of poor quality housing and deprivation. The approach to these challenges includes selective licensing and community planning in North Ormesby, the experience of which will then be applied in other neighbourhoods. The local authority is also working with partners to tackle fuel poverty through developing and implementing the Affordable Warmth Partnership Action Plan.

Stockton's SHMA notes that almost half of households privately renting are in receipt of housing benefit (49%), though around one fifth (2,200) are aspirant owner occupiers.

¹⁹ That is it poses a serious threat to the health or safety of people living in or visiting your home. Examples include: exposed wiring or overloaded electrical sockets.

Collectively it is clear that the local authorities' housing strategies signal an aspiration to move towards a more consistent approach to the improvement of property and management standards in the PRS. Engaging with landlords to effect change can also be a challenge owing to the large number of individual landlords and their varied motivations. Given the scale of the challenge in some neighbourhoods, a more interventionist approach is doubtless justified. This will require commitment and resourcing from a range of partners, including beyond the housing sector.

Challenges	Opportunities
<ul style="list-style-type: none"> • Relatively few market archetypes. • Prevalence of low-value, unpopular stock in some core areas. • Tees Valley is generally underperforming in all market segments in comparison to its wider reference area. • Strategic concerns in the private rented sector including housing market failure, poor quality housing, fuel poverty, and empty homes. 	<ul style="list-style-type: none"> • Price resilience (and more) is evident in popular markets which includes Tees Valley's well established and robust suburban offer. • 'Cosmopolitan' areas and more urban archetypes showing some growth – these segments need a broad cultural and placemaking offer, supported by high quality services. • Addressing concerns within the private rented sector using a multi-agency approach.

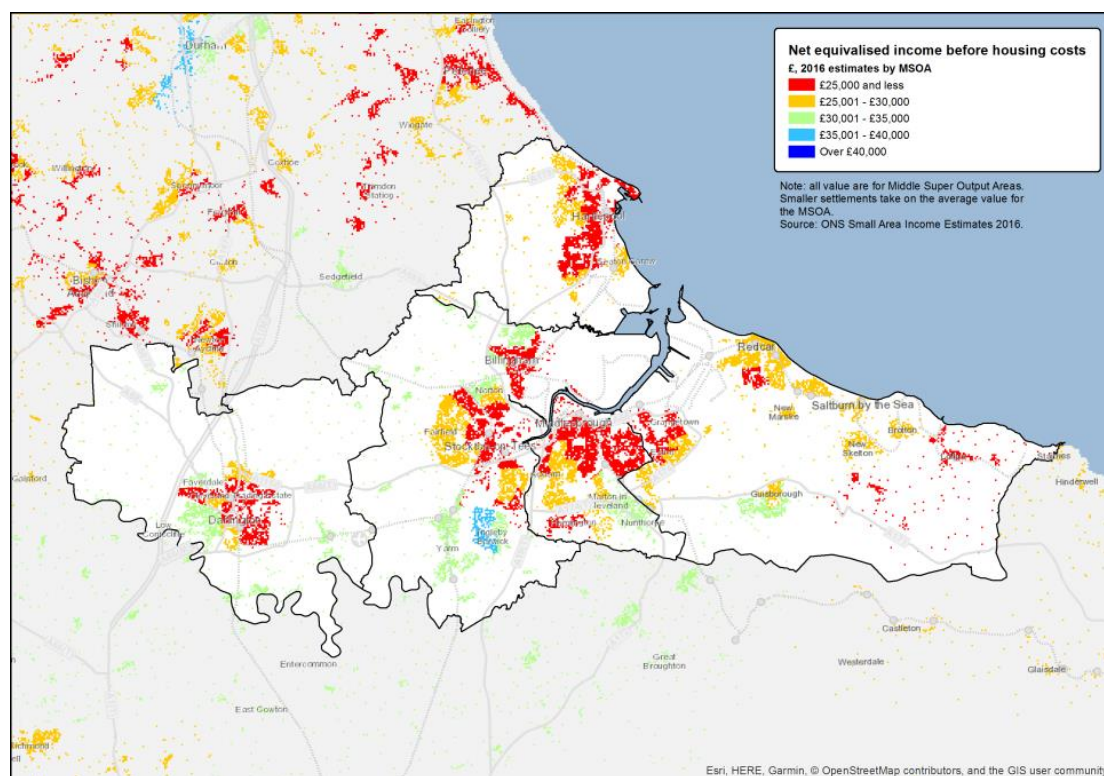
Household Characteristics

There is a high degree of income segregation in Tees Valley. Low household incomes are putting a brake on access to high quality housing and many of the most deprived neighbourhoods are disconnected from work locations. This places importance on the public transport network in being able to connect isolated communities. A policy challenge is to make transport more affordable or to improve transport options for those who do not own a car. Household projections have implications for housing supply in terms of the future size and mix of tenure sought. There is scope to further promote the conditions and opportunities that support healthy lifestyles. Another challenge is to ensure that suitable housing options are available to people on welfare combined with support to help them navigate the system.

Household Income

The differentiation in housing market segments and the built form identified in the previous chapter is mirrored to a very great extent by the geographic distribution of household incomes in Tees Valley. Whilst in average terms incomes in Tees Valley are low, there are identifiable pockets of significant affluence. But as Figure 4.1 demonstrates, the general picture is of a relatively high degree of spatial segregation by income, which closely correlates with the three market segments we identified in Chapter 3.

Figure 4.1. Net equivalised household income before housing costs by neighbourhood.



Source: ONS Small Area Income Estimates 2016.

The inner cores of the major urban settlements, which are dominated by the 'Hard Pressed Living' segment we identified in Chapter 3, have the lowest household incomes -- always averaging less than £25,000 per annum. Whilst predominantly urban in nature, these low-income neighbourhoods also include a number of smaller rural settlements in East Cleveland.

With a number of notable exceptions, the suburban segment has higher incomes, up to £30,000 p.a. on average in most neighbourhoods. While this remains relatively low it is important to factor in also the relatively affordability of owner occupied housing in the Tees Valley for those that are able to access it. The exceptions are a number of important localities which are more affluent in character and provide the top range in the 'suburban' segment - places like Yarm, Nunthorpe, and large urban extensions to the north of Billingham, south of Guisborough and west of Darlington. The expansion of the village of Ingleby Barwick over several decades has yielded what is probably now Tees Valley's most significant enclave of higher income households.

Yet, as noted, in general Tees Valley's housing markets are characterised by a demand side that is comprised of relatively low income households. Even in a housing market which may respond to this, people with lower incomes will, as consumers, generally have less choice than people with higher incomes²⁰. Not only do they face tighter budget constraints with a higher proportion of their expenditure

²⁰ Markets and Households on Low Incomes Europe Economics and New Policy Institute September 2010, Office of Fair Trading.

devoted to the essentials of food, clothing, housing and energy but they are also less likely to have savings to cover unexpected expenditure and are also less likely to have access to key products such as bank accounts, personal transport and the internet which act as 'enabling' products by improving access to and choice of products in other markets²¹. Crucially, they are also less able to afford a deposit for a house (see Chapter 6) or afford the transaction costs associated with house purchase and/or relocation. This helps in part to explain the significance of the PRS in Tees Valley and the relatively high level of polarisation between the market for owning and renting.

Among the general UK population the amount spent on transport is very high. Households spent an average of £79.70 a week on transport, an increase of £5.40 in real terms when compared with the previous year; this makes transport now the top spending category in typical UK household budgets, even compared to housing²². Although this is an average case, we know that the most affluent households spend more on transport than housing, while for poorer households the opposite is true.²³ For Tees Valley this is significant because the urban structure and built environment we discussed in Chapter 2 and the location of jobs and employment (which we will discuss later in this report) impose higher transport demands on households than would be the case in other city regions of comparable size, and this imposes further barriers on the overall affordability of different housing options especially for those on lower incomes.

Household Projections

The household is the base unit of demand in any housing market, and the numbers and characteristics of households represent a key market fundamental. Within Tees Valley, household projections show that there are predicted increases in all household types except multi-person adult households. There is likely to be a significant increase in single person households in particular – 11,000 more by 2039, an increase of 12% (see Figure 4.2). This will have implications for housing supply in terms of the size and mix of tenure sought. There is also a relationship here to household incomes which plays out in the demand and need for tenures of different types. For instance, evidence shows that people living alone are less likely than couples to be owner occupiers, and are more likely to be social renters and (for working age at least) private renters²⁴. For these reasons and also the erosion of the value of pensions and retirements savings, fiscal austerity and increases in the cost of living, it is reasonable to expect that, in general, future generations of older people will be less wealthy than those in the recent past.

On the whole, according to these projections Tees Valley can expect to have 313,000 households by 2039 if past demographic and socioeconomic trends continue. This would represent an increase of 27,000 households (+9%), or approximately 1,080 additional households per annum.

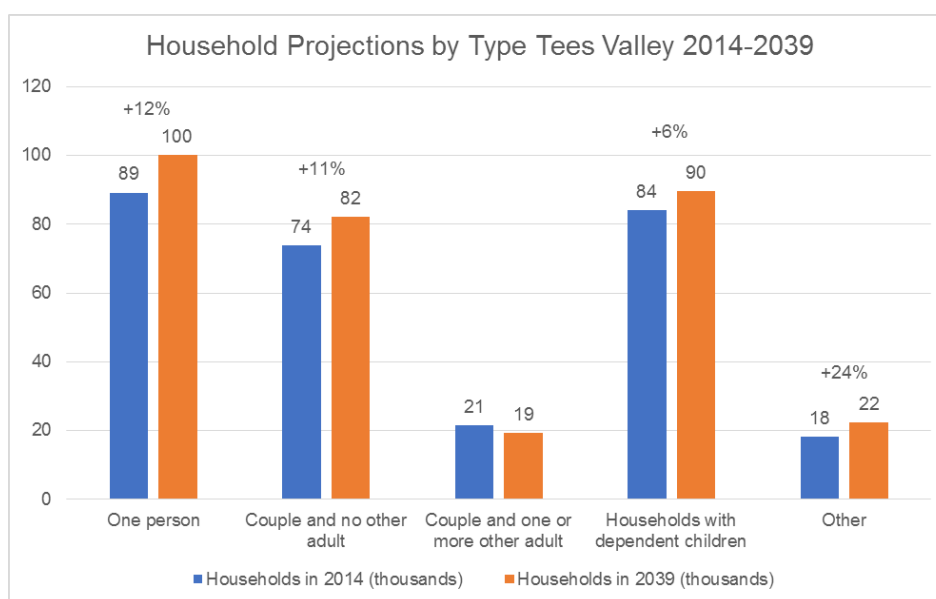
²¹ Op. Cit.

²² Family spending in the UK: Financial year ending 2017 An insight into the spending habits of UK households, broken down by household characteristics and types of spending, ONS.

²³ Op. Cit.

²⁴ Guy Palmer (2006) *Single Person Households and Social Policy: Looking Forwards*. York: Joseph Rowntree Foundation.

Figure 4.2. Household projections by household type, Tees Valley 2014-2039.



Source: MHCLG 2014-based household projections (table 420)

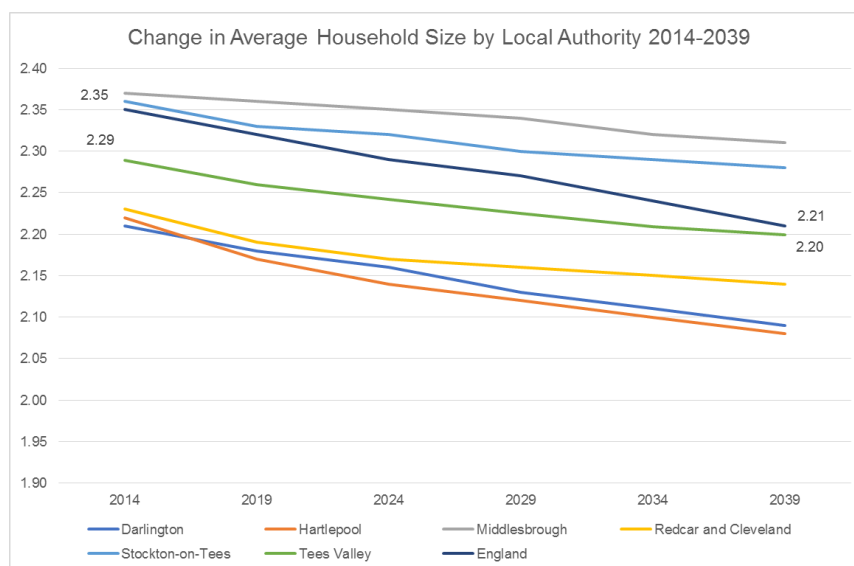
Household Size

The average size of households continues to fall. The average household in Tees Valley has 2.29 persons, below the England average of 2.35 persons. Middlesbrough and Stockton have a higher average household size, while Darlington, Hartlepool and Redcar and Cleveland are significantly below the Tees Valley average (Figure 4.3).

The continuation of the trend towards smaller household sizes reflects ongoing changes in lifestyle and demographics and, to a lesser degree, opportunities within the housing market. According to the demographic projections Tees Valley is expected to converge to the England average by around 2040. A significant demographic driver of this change is projected increases in the number of older people. Whilst a national trend, this is particularly apparent in areas with an older population profile such as Redcar and Cleveland, where 22% of the population is aged over 65.²⁵

As we noted previously house prices will on average represent a higher proportion of income for single people (one earner) than for couples (two potential earners) and partly because living alone is more common among those aged under 30 (who typically have lower incomes) than among those aged 30 to 65 (often on higher incomes)²⁶.

Figure 4.3. Projected Change in Average Household Size, 2014-2039.



Source: MHCLG 2014-based household projections (table 420)

²⁵ ONS (2017) *Overview of the UK Population: July 2017*. Data are for 2016, projected using 2014-based population estimates. Comparable figures for elsewhere in Tees Valley are: Darlington 20%; Hartlepool 19%; Stockton 18%; and Middlesbrough 16%. The UK average is 18%.

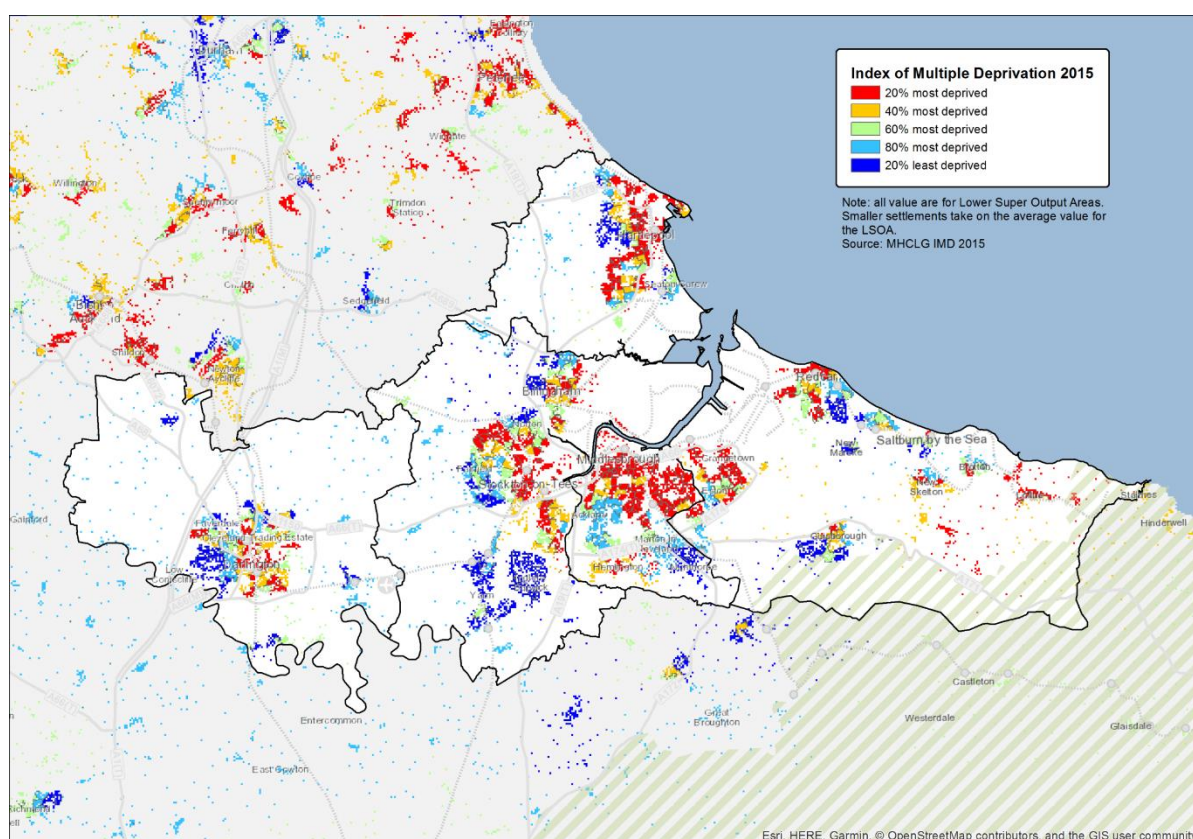
²⁶ Guy Palmer (2006) *Single Person Households and Social Policy: Looking Forwards*. York: Joseph Rowntree Foundation.

Spatial Segregation and Poverty

Tees Valley is both a poor and an affluent area. It is common to find large city regions with a range of levels of poverty and deprivation. But in Tees Valley's case, the extremes in this range are more pronounced. Moreover the spatial pattern of deprivation does not adhere closely to the classic 'doughnut' pattern that might be expected in monocentric city regions -- rather, the polycentric nature of Tees Valley's urban structure means that both poverty and affluence are noticeably more 'pepper potted', with areas of high deprivation lying in relatively close geographic proximity to much more affluent localities. That said, at the level of the individual towns, there is a distinctive suburban dimension to affluence, and an urban dimension to poverty.

The map in Figure 4.4 illustrates this. Tees Valley's very significant level of spatial segregation by socio economic conditions is manifest in the stark overrepresentation of both the poorest and most affluent neighbourhoods in the country (red and dark blue, respectively, on the map). Middlesbrough is the most income-deprived area in England, with 49% of its LSOAs being in the top 10% most deprived nationally. 140,000 people are income-deprived in Tees Valley, and more than one in four live in poverty²⁷. At the same time, many neighbourhoods are in the least deprived quintile nationally. Comparatively few neighbourhoods occupy the middle ground; we would contend that this is both demonstrative and a function of the comparatively polarised housing market, and lack of opportunities to trade up and down in achievable steps.

Figure 4.4. Map of socioeconomic deprivation in Tees Valley



²⁷ <https://www.jrf.org.uk/report/inclusive-growth-tees-mayor>

Source: Authors' mapping of DCLG Indices of Deprivation 2015.

The response to these challenges will be necessarily multifaceted. In housing terms, there is a clear need to develop products and neighbourhoods that attend to a wider range of needs and price points in Tees Valley's constituent local markets - both at the level of affordable housing and market housing. This is not just a question of housing supply but also of place-making and public services. But in addition, there is clearly an important economic dimension. The demand side of the housing market is conditioned by economic performance, and Tees Valley needs both to create more jobs and also to fill out participation in the labour market. This will require the creation of both better jobs *and* better connections to the labour market. Inward investment and skills strategies will be important dimensions to this, to be sure. But the spatial segregation and challenges of the built environment that we have noted mean that many of the most deprived neighbourhoods in Tees Valley are dislocated from work, placing importance on improved public transport, infrastructure, and better spatial planning in being able to connect isolated communities.

Transport, connectivity and healthy lives

Despite its spread out spatial structure, levels of car ownership in Tees Valley are low. At the most recent population census, 30% of households had no access to a car or van. Such low access to private transport acts as a significant barrier to employment to those living in many neighbourhoods, and a major constraint on housing market choice given the area's dispersed spatial structure. Tees Valley is not alone in suffering from relatively poor quality public transport,²⁸ but the problems it poses are perhaps more acutely felt here than in many other places given overall poverty levels and the decentralisation of jobs. For low income households these problems (and indeed the limits they place on housing choices) can be exacerbated by the limited frequency and timetable constraints of public transport which can make it difficult for people to coordinate work, childcare and other activities²⁹. In an era of cutbacks there is a policy challenge to make transport higher quality and more affordable. In low density areas like Tees Valley this will require a very flexible and creative approach.

The Tees Valley Combined Authority has attracted more than £3 million from the Sustainable Travel Access Fund to encourage more people to cycle, walk and use public transport. The Connect Tees Valley project will raise awareness and provide encouragement to households in the use of alternative transport modes. The fund will be used to provide information, training, support and equipment to help people to travel to work, training and other destination on foot, by bike or on public transport³⁰. Building on this there is scope to further promote the conditions and opportunities that support healthy lifestyles. This requires a physical and built environment that supports health, recreation and well-being, safety, social interaction, and easy mobility that is accessible to the needs of all its citizens.

²⁸ See Crisp et al. (2018) Tackling transport-related barriers to employment in low-income neighbourhoods. York: Joseph Rowntree Foundation.

²⁹ Transport and Poverty A review of the evidence Helena Titheridge et al, UCL, Nicola Christie, 1 July 2014

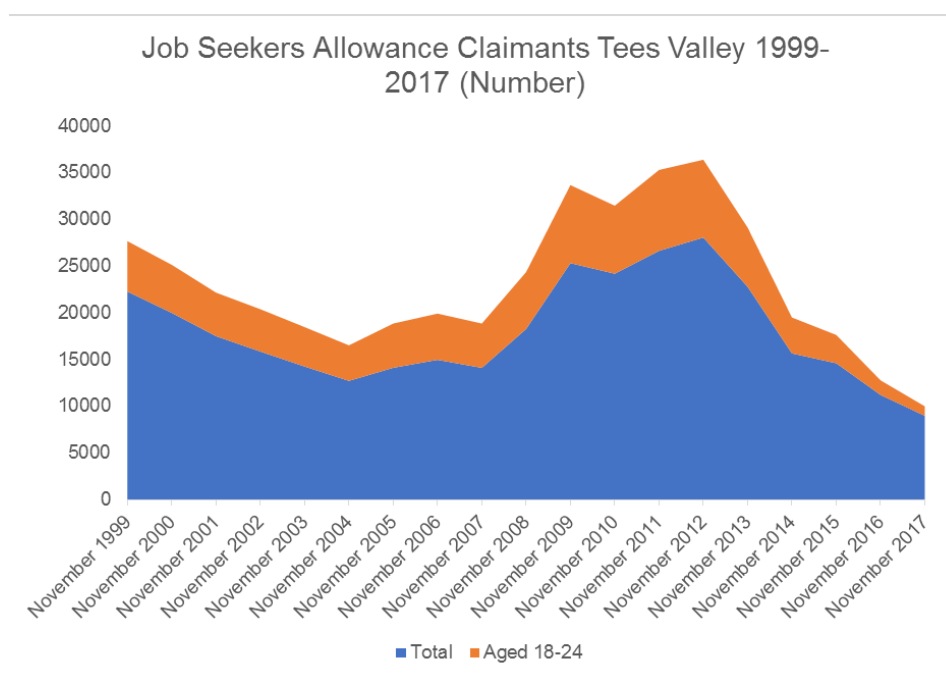
³⁰ TVCA (2017) Access Fund for Sustainable Travel Revenue Competition - Application to Department for Transport.

Welfare Reform

An important structural issue which underlies many of the housing market challenges in Tees Valley is the government's ongoing reforms to the welfare benefits regime. Changes in levels of employment in the area must be read alongside shifts in the nature of work and the economy.

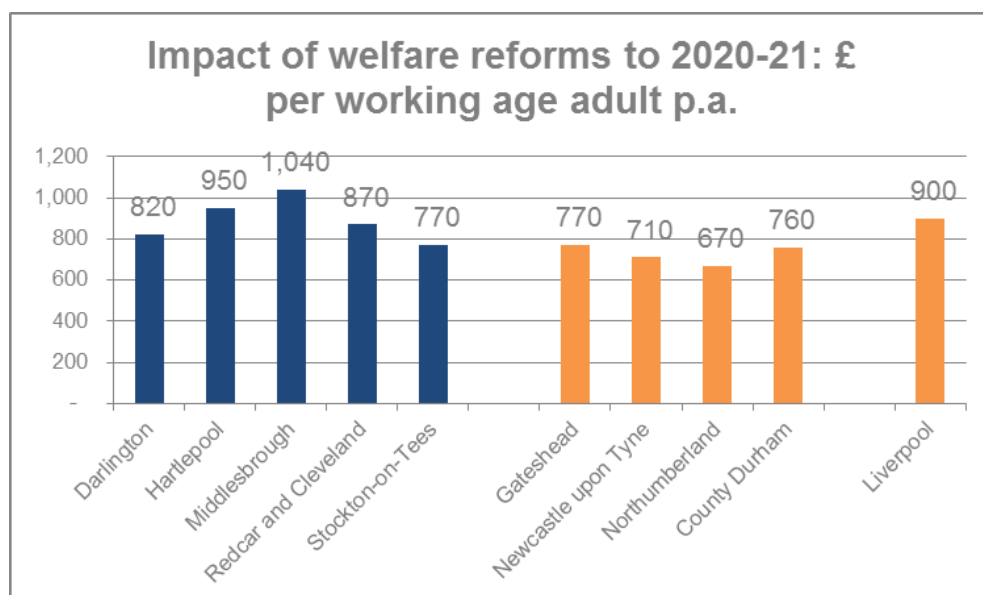
Figure 4.5 exhibits the headline statistic that the number of claimants of Job Seekers Allowance has reached recent historic lows in Tees Valley. This is a positive broad position and is indicative that aspects of the economy are moving in the right direction. But it would be a mistake to conclude that this rising tide will lift all boats.

Figure 4.5. JSA claimants, Tees Valley, 1999-2017.



Source: NOMIS

Figure 4.6. Impact of welfare reforms for Tees Valley and selected comparator areas.



Source: Beatty & Fothergill (2016) *Hitting the Poorest Hardest*.

Historic low levels of claimants mask structural changes that have occurred in employment and the effects of welfare reform. The nature of employment is changing, and so is the nature of poverty. The Taylor review³¹ of working practices in 2017 made it clear that, while there are economic benefits to a flexible labour market, there is still work to do to ensure that the quality of employment matches its quantity. Even more recently, the Institute for Fiscal Studies have drawn attention to the profound increase in *in-work* poverty: nationally, some 70% of children in poverty live in a household where at least one member is in work.³² We discuss the nature of employment and jobs creation in Tees Valley in the next chapter of this report.

Changes to benefits and eligibility criteria are hitting hard and, in effect, acting as a fiscal transfer away from the Tees Valley economy. Like other older industrial areas, the Tees Valley has experienced some of the highest per capita losses in the country. As Figure 4.6 makes plain, each working age adult in Tees Valley is predicted to have lost between £770 and £1,040 per annum by 2020-21. This includes all working age adults and not only those in receipt of benefits - for claimants, the figures will be significantly higher. These losses impose a fiscal constraint on achievable rents within the housing market. Changes to welfare benefits have been having an impact on the financial viability of some housing providers.³³

Beatty and Fothergill (2016) note a clear and unambiguous relationship between the level of deprivation within a local authority area and size of the financial hit (p19). They continue, “*the loss of benefit income, which is often large, will have knock-on consequences for local spending and thus for local employment*” (p19). One of the challenges is to ensure that suitable housing options are available to people on welfare combined with support to help them navigate the system. Social Lettings Agencies such as that operated by the Ethical Housing Company in Redcar provide

³¹ Matthew Taylor (2017) *Good Work: The Taylor Review of Modern Working Practices*. London: Department for Business, Environment and Industrial Strategy.

³² Joyce and Norris Keiler (2018) *Poverty and Low Pay in the UK*, IFS.

³³ Hickman, Pattison and Preece (2018) *The impact of welfare reforms on housing associations*, UK Collaborative Centre for Housing Evidence, Glasgow.

one potential model, supporting landlords and tenants to navigate the private rented sector.

Challenges	Opportunities
<ul style="list-style-type: none"> • High levels of social deprivation: Tees Valley is second most deprived LEP area and Middlesbrough is the most deprived local authority in England. • Very low household incomes and access to resources constrain housing options with welfare reforms biting very hard and high levels of income segregation. • Projected increases in households will not necessarily come with more income. 	<ul style="list-style-type: none"> • Comparatively low housing costs mitigate the affordability pressures caused by low incomes. • Tees Valley also has many high earning households – with the potential to capture this in regenerative potential. • Supporting landlords and tenants to navigate and invest in the private rented sector.

6

Employment Dynamics

The housing aspirations of people working in new knowledge-based industries include securing home ownership, high quality urban living with open space and good local facilities, and affordable family housing in safe neighbourhoods. The creation and maintenance of a viable public transport network and over reliance on the car presents a considerable challenge. There is a need to sustain recent skills improvements and ensure the workforce is prepared for the jobs of the future.

Employment in Tees Valley

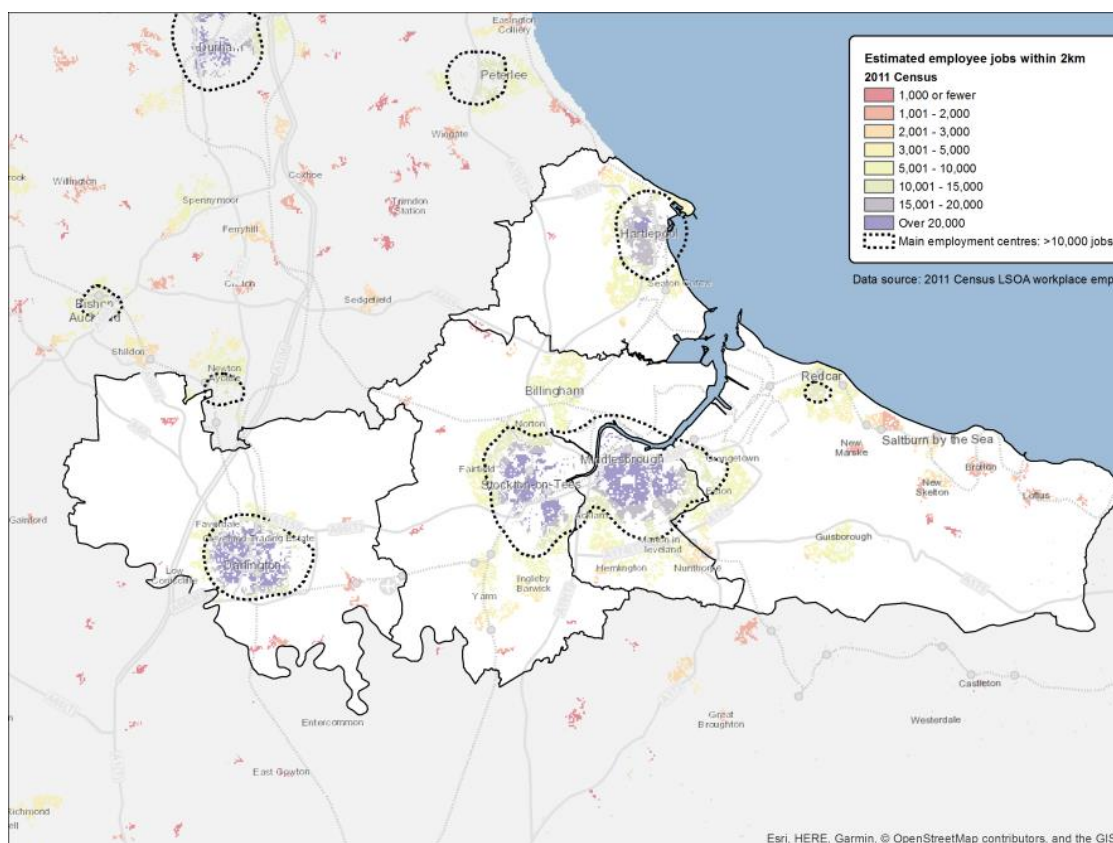
The strength of local economies underpins security of employment and household incomes and, through these, wider prosperity and investor confidence. These are crucial demand-side factors for local housing markets. The fortunes of Tees Valley's housing markets are intimately connected to the economic trajectory of the region.

For several decades Tees Valley has been through a period of deep economic restructuring. This has had profound consequences socially and in terms of the housing market. Despite jobs losses some of the area's traditional industries are still very important - and they pay relatively well - but they have been joined by new economic sectors.

Geographically, the pattern of employment in Tees Valley is decentralised. Given the heavy land take of its industries and the critical role played by the River Tees itself, this has always been the case. Consequently Tees Valley is not an area that has one single metropolitan core or 'central business district' (CBD) - it has several smaller cores and a significant amount of decentralised economic activity including in supporting services and cultural and retail facilities. The map in Figure 5.1 shows that the main clusters of employee jobs in the area are centred on the River Tees and A66 corridor joining Middlesbrough and Stockton; on Hartlepool; and on Darlington. Petrochemical plants are too low density to register on the map as 'clusters' but of course are significant employers. Redcar is a much smaller cluster given significant jobs losses associated with the closure of the Redcar Steelworks and coking plants in 2015, and ongoing uncertainties surrounding potash production at Boulby mine³⁴.

³⁴ <http://www.itv.com/news/tyne-tees/2018-01-04/significant-job-losses-at-cleveland-potash-mine/>

Figure 5.1. Clusters of employee jobs in Tees Valley.



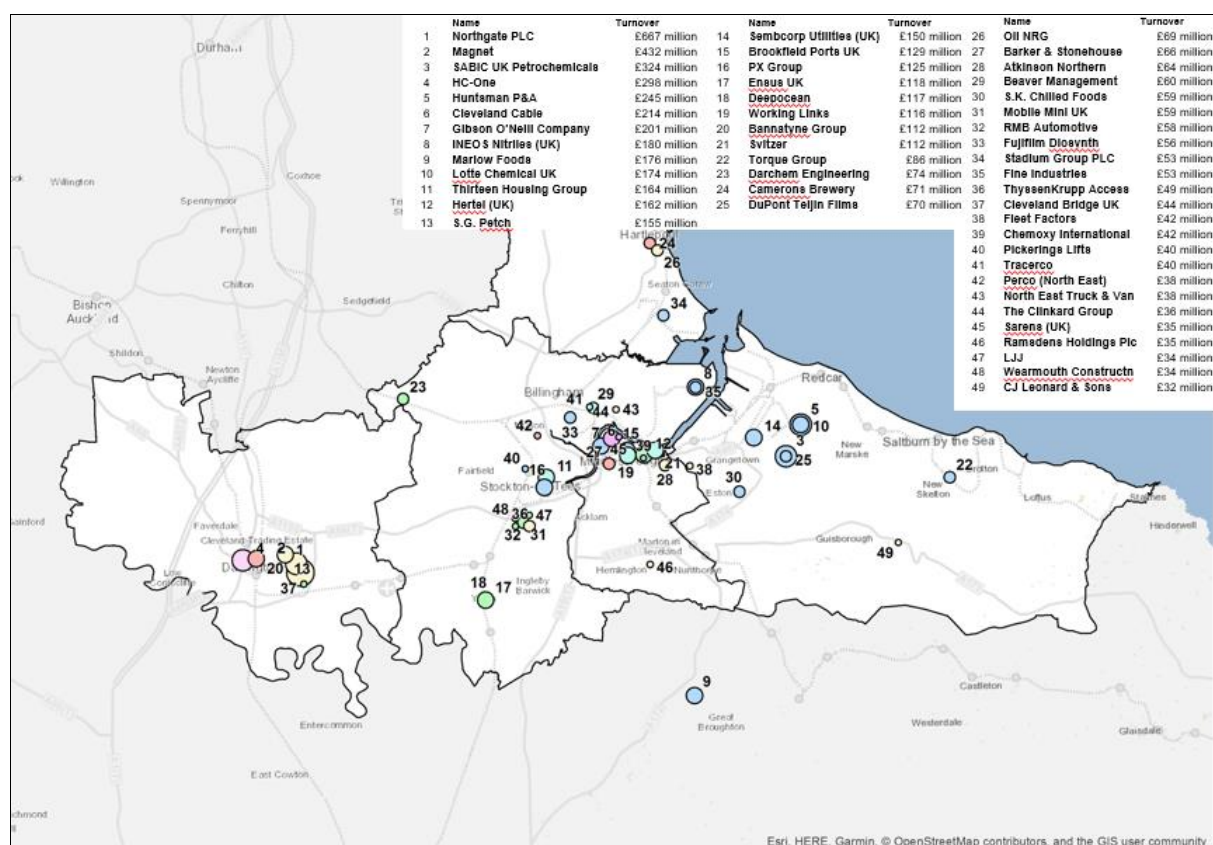
Source: Authors' analysis of 2011 Census data.

The contemporary economy in Tees Valley is now far less dependent on its traditional industries and employment locations. Despite high profile industrial closures and job losses, Tees Valley is home to 49 of the top 200 employers in the North East. The list includes some large service sector employers such as Northgate and HC-One, leisure operators such as Bannatyne Group and Camerons Brewery, and the headquarters and assembly function for Magnet kitchens. As one might expect there are big players in the petrochemicals (e.g., Huntsman, SABIC) and engineering and construction sector (PX Group and Darchem Engineering). Major infrastructure helps support industrial productivity and growth in the area. Of particular note are the ports of Teesport and Hartlepool, which service the second largest petrochemicals cluster in Europe as well as enabling imports and exports for a full range of sectors, operations which support more than 5,000 direct and indirect jobs.³⁵

The locations of Tees Valley's largest employers are shown in Figure 5.2. The spatial pattern is largely decentralised but also, positively, represents a diversity of sectors and a spread of locations. This reflects the availability of premises, infrastructure and other locational advantages. This does present a challenge in supporting urban regeneration and can result in the inaccessibility of some job opportunities to poorer communities – physically and in terms of skills (see later).

³⁵ PD Ports (2018) *Teesport and Hartlepool Port Handbook*.

Figure 5.2. North East's top employers located within Tees Valley.

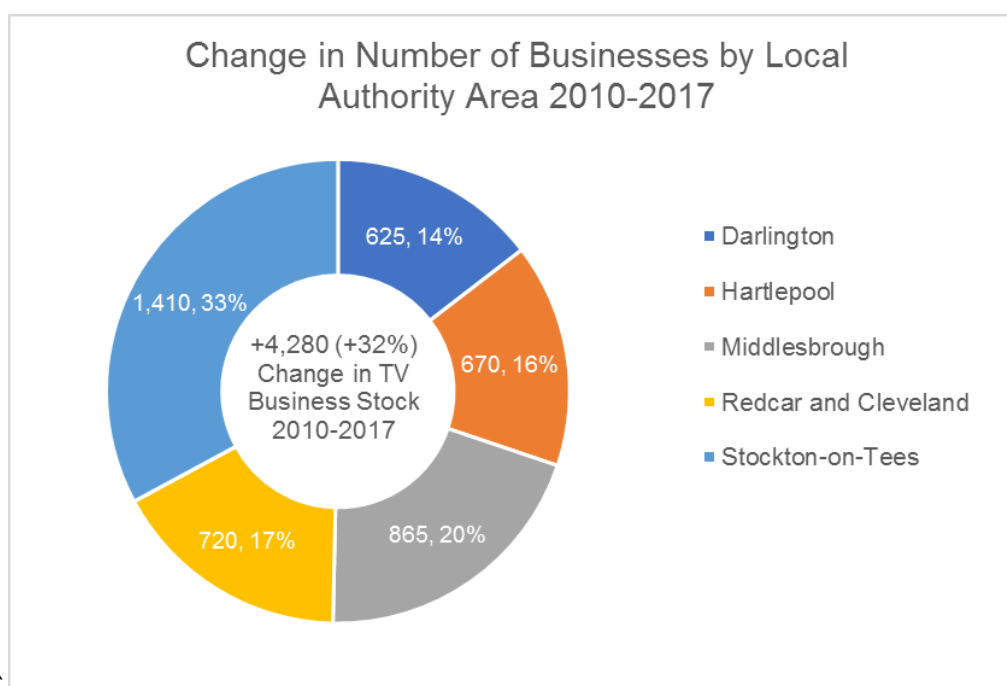


Source: Authors' analysis of data supplied by the *Northern Echo*.

Business Dynamics

Since 2010 there has been a growth in businesses operating within a range of sectors, but especially knowledge intensive business services (KIBS) and scientific, technical and ICT sectors. The chart shows that most of the Tees Valley's business growth in absolute terms has been centred on Stockton-on-Tees although the largest proportionate increases were in Middlesbrough and Hartlepool. The housing aspirations of people working in knowledge-based industries include securing home ownership, high quality urban living with open space and good local facilities, and affordable family housing in safe neighbourhoods. Reducing the level of in-commuting to Tees Valley is a key challenge.

Figure 5.3. Change in number of businesses, 2010-2017.



Source: NOMIS - UK Business Counts

The impact of Brexit

The divergent views on Brexit locally reflect those that can be found at national level. Commenting on a recent IPPR report³⁶ local MP Dr Paul Williams claims Brexit could hit wages threatening the chemical industry and exports to the EU where the machinery exports are at risk. As he notes,

“If Brexit happens, well-paid and highly-skilled jobs in County Durham and the Tees Valley will be at long-term risk because even the smallest barrier in high volume export industries like chemicals means costs rack up quickly. It’s all the families and communities, from the shops to primary schools – that will be damaged if the jobs start to disappear or wages start to decline”.

There are also opportunities, however, to position Tees Valley within a potentially more liberalised and bilateral world economy, where “90% the world’s future economic growth is going to come from outside the EU”³⁷.

Whatever the precise economic impacts, there is general agreement that housing price growth is likely to slow as a consequence of Brexit. This could bring benefits as well as challenges. As some have noted, predictions of a flat market post-Brexit are “likely to be welcomed by the burgeoning numbers of aspiring first-time buyers who currently cannot afford to join the housing ladder”.³⁸ This view, however, must be tempered by the relatively low prices in Tees Valley, where affordability problems are driven as much by low incomes as they are by house prices.

³⁶ IPPR (2018) *An Equal Exit?*

³⁷ <https://www.gazettelive.co.uk/business/business-news/tees-valley-mayor-hits-out-14826047>

³⁸ <https://www.theguardian.com/money/2017/dec/26/uk-house-price-growth-slow-2018-brexit-uncertainty>

The broad housing market outlook is not likely to change, “continuing economic and political uncertainty in the run-up to 2019, when Britain is due to leave the EU, plus the possibility of further interest rate rises following November’s base-rate hike from 0.25% to 0.5%, falling real wages, weak consumer confidence and mortgage affordability issues could all act as a brake on the market”. Some analysts believe “the lack of supply in the face of growing household numbers will support the level of prices”³⁹.

Travel to work in Tees Valley

Figure 5.4 shows the main daily commuting flows within and between Tees Valley districts and also from County Durham and North Yorkshire. In-commuting from those county's is significant, while interactions between some Tees Valley districts are relatively low. For example, Hartlepool receives more in-commuters from County Durham than it does from neighbouring Stockton; equally, Stockton has more commuters originating in County Durham than Hartlepool. The level of in-commuting undermines market demand for housing in Tees Valley.

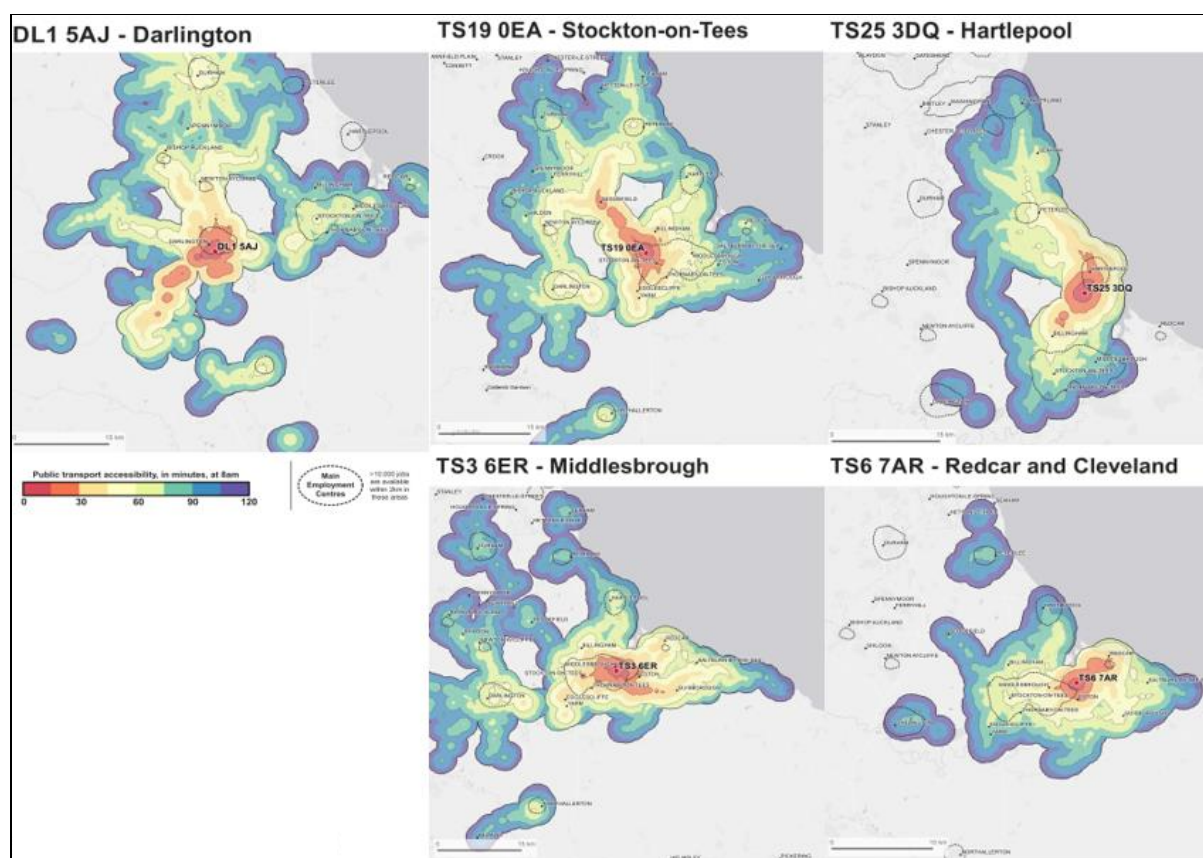
In general the travel-to-work data shows that commuting across the Tees Valley is comparatively low. There are some significant interactions between Middlesbrough and Stockton, and between Redcar and Middlesbrough. Darlington is less integrated with the rest of Tees Valley and its labour market catchment tends to reflect the influence of the A1 and the East Coast Main Line corridors.

While the proposed new Central Tees crossing parallel to the existing A19 Tees Viaduct could help to cut commuter times it is unlikely that this option will fundamentally improve connections between north and south Tees labour markets. Opening up new travel to work possibilities between Redcar and Hartlepool could increase demand for their respective housing markets and help integrate the South Tees Development Corporation site within a wider functional labour and housing market.

³⁹ <http://uk.businessinsider.com/uk-house-prices-will-they-rise-or-fall-in-2019-2017-9>

Improving labour accessibility and better connecting jobs and housing markets in Tees Valley will benefit from new infrastructure, but the maximum benefits may require a more creative approach for instance using low cost technology solutions (Mobility as a Service) or demand responsive public transport services. These could be aligned with enhancing the quality and perception of services in key high-volume corridors. The poor quality of local rail services and cancellation of the proposed Tees Valley metro raises questions of how housing market areas might be better knitted together in its absence. Drawing on technical experience gained in other parts of the UK, especially Wearside and South Yorkshire, tram-train or other light rail technology could help to open up housing sites with a high-quality public transport proposition that would lever investment, catalyse better place-making and promote a more positive place image.

Figure 5.5. Public transport accessibility maps.



Source: Crisp et al. (2018) *Tackling transport-related barriers to employment in low-income neighbourhoods*. York: Joseph Rowntree Foundation.

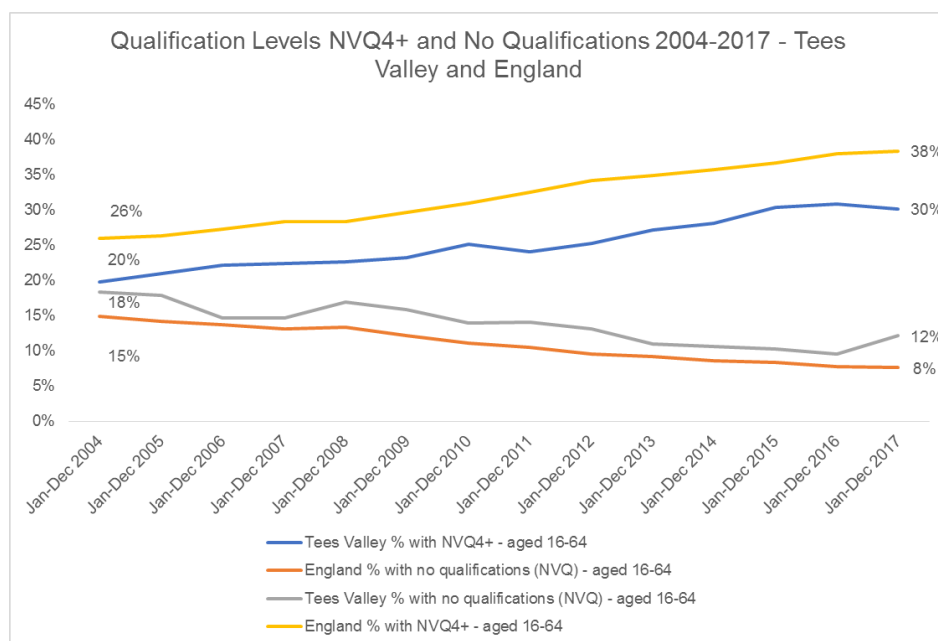
Skill Levels

Beyond transport, skills are an important determinant of labour market accessibility. The picture on skills in Tees Valley has shown improvement, but challenges remain. Qualifications levels in Tees Valley are behind the England average and the gap is still gradually widening (Figure 5.6). Tees Valley is predicted to have 133,000 jobs that will need filling by 2024, and 45% of these jobs are projected to be in high skill managerial, professional or associate professional and technical occupations⁴³ and include a requirement for higher level technical, science and digital skills. The skills

⁴³ <https://teesvalley-ca.gov.uk/wp-content/uploads/2018/04/EES-Strategy-Brochure.pdf>

gap has important implications for future housing market demand. Without improving skills and labour market competitiveness, households in Tees Valley will struggle to express demand for higher value housing. Conversely, however, those that do upskill and whose wages rise may find themselves unable to take the next step on the housing ladder because of the relatively polarised pattern of neighbourhood types discussed in Chapter 3.

Figure 5.6. Qualifications.



Source: ONS annual population survey 2017

Challenges	Opportunities
<ul style="list-style-type: none"> • Disconnection from labour markets - is the economy working as one? • Job decentralisation – a polycentric spatial structure. • Darlington playing a distinct role - Looking north and south. • Raising skills and connecting low-income households to jobs will remain a challenge. • Economic uncertainty in coming years. 	<ul style="list-style-type: none"> • Locational advantage (A1(M), A19, A66) and assets (ports, airport) • Transport innovation and infrastructure development • A good housing offer can help - but this will not necessarily help all households and the need remains for good quality affordable housing for those on lower incomes.

Population Change

A combination of social and demographic changes is causing a rise in the number of households and resultant demand for housing especially amongst older population groups. This has very significant implications for housing, care and support and will drive big rises in single person households fuelling a growing market for investment in home adaptations, maintenance and improvements. There is currently a deficit of specialist units and care beds. The Tees Valley will require migration to support sectoral expansion demand in high level occupations. Brexit is likely to stem house price growth though the predictions of its effects on the labour market range from sectoral vulnerability to new economic opportunities. There is some capacity for shared ownership delivery that is not currently being met

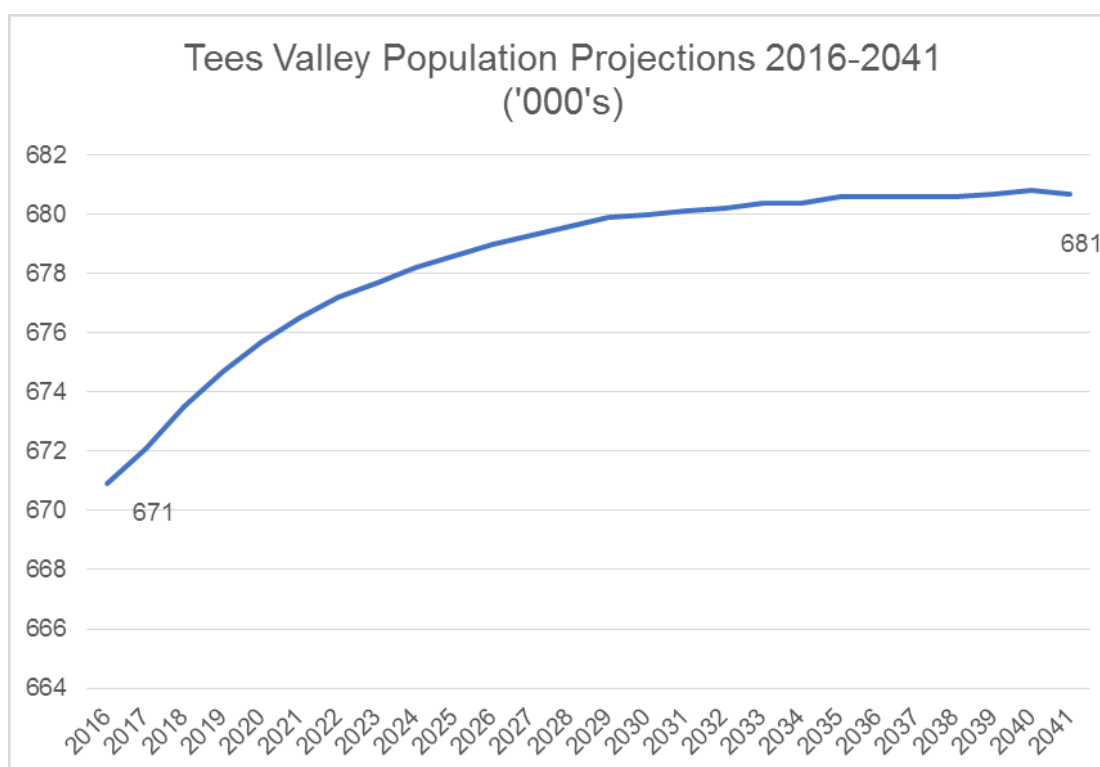
Population Projections

Demographic change as well as population change is a very important factor in the demand for housing. The increasing propensity of people to live alone translates into direct increase in the demand for housing. As we discussed earlier in this report social and demographic changes are causing a rise in the number of households. These will exceed the natural rate of population growth.

But there are also significant changes within the population irrespective of how it chooses to organise itself into households. Increases in life expectancy mean that the population aged 90 and over has grown more rapidly than most younger ages in recent years, albeit from a small base. This has helped to drive in part the increase in single older person households.

The population of Tees Valley is projected to rise steadily until around 2029, when it is expected to plateau at around 680,000 inhabitants (Figure 6.1). This will represent an increase in population of around 10,000 over the next 25 years.

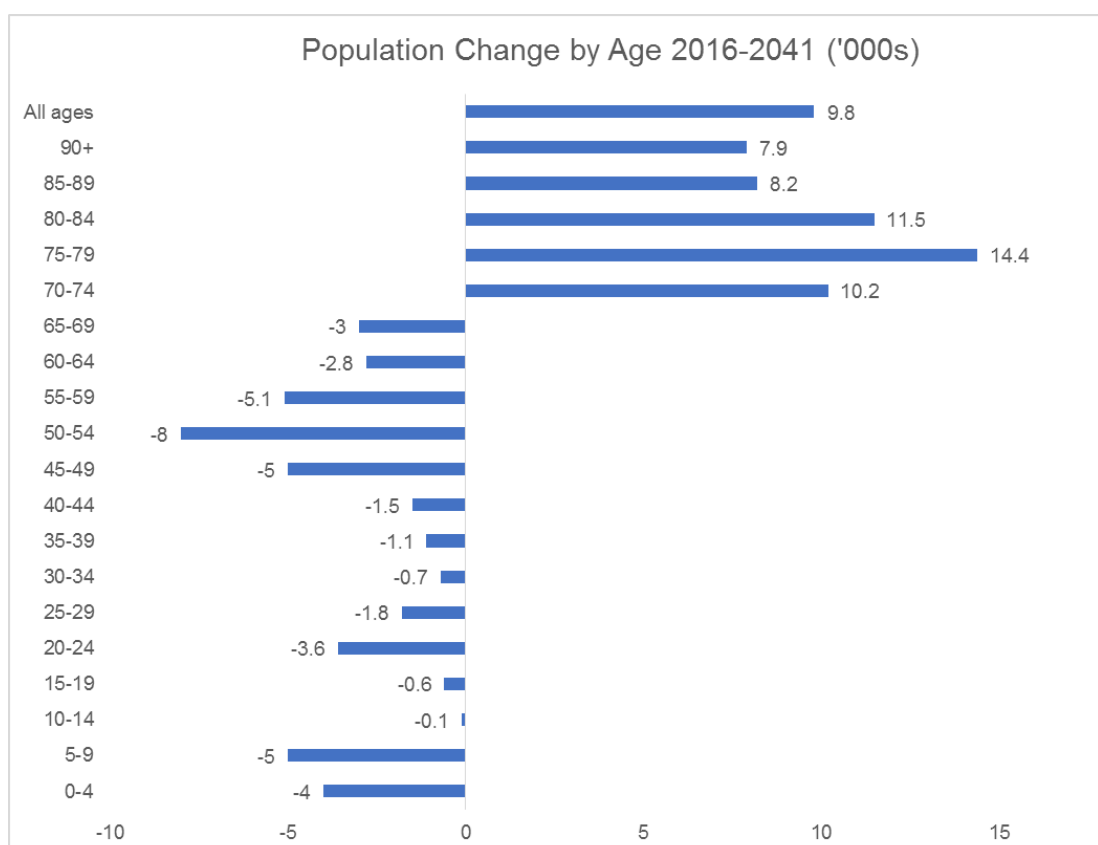
Figure 6.1. Subnational population projections (Tees Valley), 2016-2041.



Source: ONS 2016-based subnational population projections

More significant than the predicted overall increase in the population is its changing age structure. Figure 6.2 shows that the experience of population change will differ greatly by age group, with very large increases predicted in older population groups. This is extremely significant for housing, care and support policies in Tees Valley and, as noted elsewhere, will drive big rises in single person households. This cohort is unlikely to have the same financial resources and assets as their parents did, particularly those who are unable to benefit from intergenerational wealth transfers (e.g. inheritance). The ageing population will have a big impact on health and care services, and the type and level of services that will be needed. Older householders can also be considered as major consumers of goods and services and an important part of a local economy offering a potentially growing market for investment in home adaptations, maintenance and improvements.

Figure 6.2. Population change by age (Tees Valley), 2016-2041



Source: ONS 2016-based subnational population projections

Using a tool developed as part of the Housing for Older People Supply Recommendations (HOPSR)⁴⁴ it is possible to understand the requirements for older people's housing in more detail. The HOPSR tool uses national data about older people's housing schemes to inform forecasts of the level of supply for each local authority, accounting for local demographic, health and place trends. It looks at the future need for specialist housing, alongside other interventions such as home modifications, improving the accessibility of general needs housing, enhancing information and advice about housing in later life, and integrating health and care services. The model shows that meeting future need will require a systematic approach across these service areas, in addition to the supply of appropriate housing. The tool can be used as a starting point for more detailed planning in the context of local priorities. It should be borne in mind that the majority of older people will choose to remain in mainstream housing and this will be suitable for their needs. However, for some this will be an unsuitable option, and the HOPSR model considers the recommended supply for those household that will need age-exclusive or specialist housing.

⁴⁴ HOPSR was created by the Centre for Regional and Economic Social Research (CRESR) at Sheffield Hallam University, in conjunction with the University of Sheffield. It is the output of research with South Cambridgeshire District Council, Cambridge City Council and Cambridgeshire County Council, and with funding from NHS England.

Collating data for the five Tees Valley local authorities, two scenarios are presented in Tables 6.1 and 6.2.

- Scenario One: A ONS based projection for the Tees Valley that assumes health and dementia rates will remain the same as current rates.
- Scenario Two: A more pessimistic scenario that assumes population growth at 5% higher than ONS projections, and health and dementia rates worse than the current rates.

It shows that under both scenarios there is a deficit of specialist units and that by 2035 approximately 16,800 will be required. Under both scenarios the requirement for specialist units and care beds will need to increase by some 62% by 2035.

Table 6.1. Scenario One: Current and future recommended supply of older people's housing

Tees Valley				Recommended future Supply		
	Recommended supply	Current Supply	Difference	2025	2030	2035
Age exclusive units	4809	5763	954	6250	6940	7777
Specialist (Units)	10366	7011	-3355	13452	14962	16796
Sheltered	9216	6048	-3168	11968	13313	14944
Enhanced sheltered	221	114	-107	289	319	360
Extra care	921	849	-72	1194	1329	1490
Care beds	5859	6314	455	7606	8467	9509

Source: CRESR, HOPSR

Table 6.2. Scenario Two: Current and future recommended supply of older people's housing

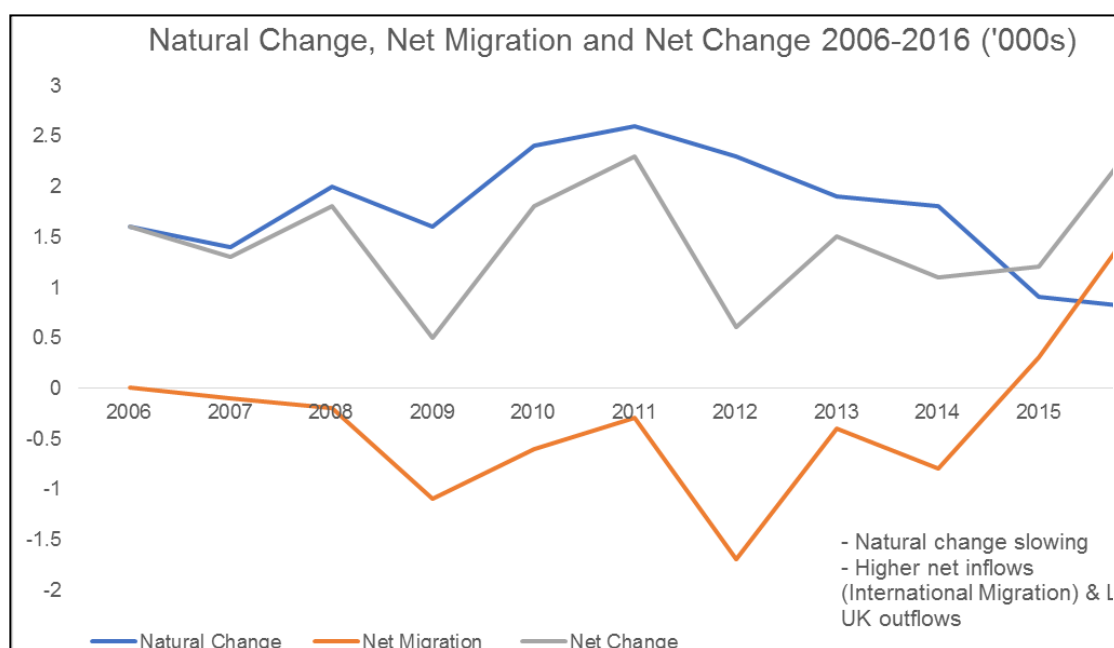
Tees Valley				Recommended future Supply		
	Recommended supply	Current Supply	Difference	2025	2030	2035
Age exclusive units	6008	5763	-245	7805	8671	9721
Specialist (Units)	11579	7011	-4568	15036	16729	18777
Sheltered	10281	6048	-4233	13351	14852	16671
Enhanced sheltered	218	114	-104	285	315	355
Extra care	1081	849	-232	1403	1561	1751
Care beds	6262	6314	52	8129	9048	10160

Source: CRESR, HOPSR

Migration

Looking at the components of population change, natural change is slowing and there are higher net international inflows, and lower UK outflows (Figure 6.3). Given the lack of replacement population from natural growth Tees Valley will continue to require migration to support sectoral expansion demand in high level skills jobs.

Figure 6.3. Components of population change 2006-2016.

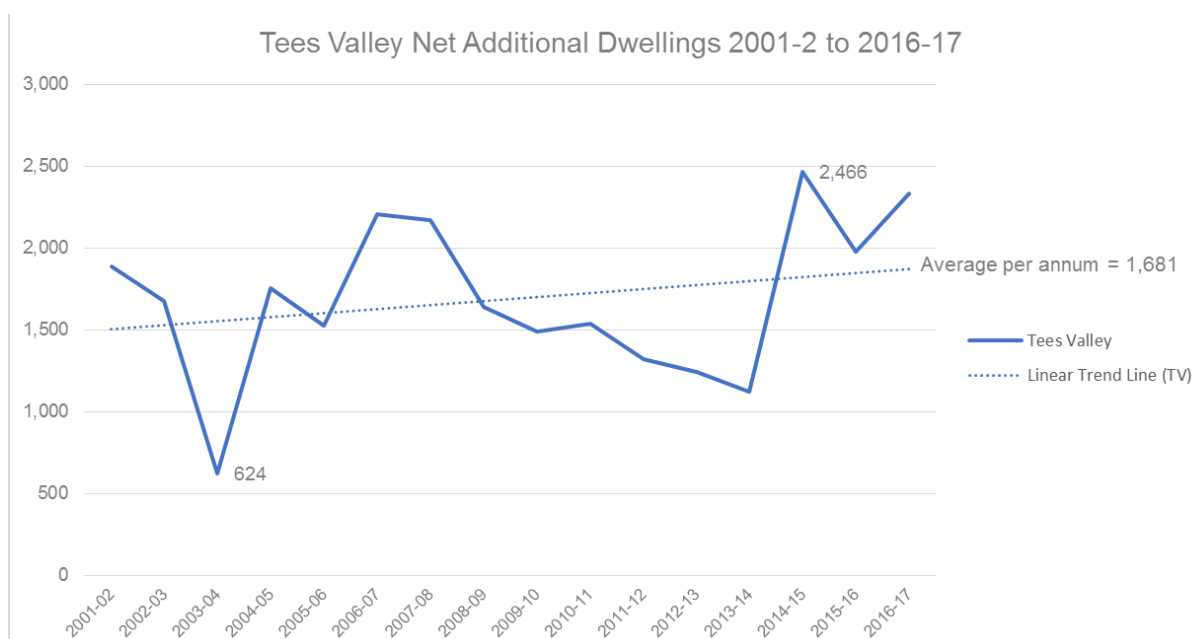


Housing and investment strategies in Tees Valley need to be sufficiently flexible to anticipate and respond to changes in demand that result both from demographic change - which may be more predictable - and the less certain impacts of economic and political change. Case Study 3 (Appendix A) provides an example of how a local registered provider was able to effectively work with its strategic partners to change product mix in response to emergent demand signals.

Dwelling Stock and Housing Need

The dwelling stock of Tees Valley as at 2017 stood at 305,290 dwellings. As Figure 6.4 depicts, on average 1,680 net additional dwellings per annum have been added to the stock since 2001/2. In recent years, annual additions to the stock (mostly although not exclusively as a result of new construction) have been at a rate of between 2,000 and 2,500 per annum.

Figure 6.4. Net additional dwellings.



Our analysis of Tees Valley local authorities' strategic housing market assessments (SHMAs) (summarised in Table 6.3) indicates an affordable housing need of around 764 dwellings per annum, some 36%-42% of overall need. The estimates of the overall housing requirement constitute in total a range from 1,832 to 2,106 dwellings per annum. The upper end of this range generally reflects provision for anticipated economic growth within housing assessments. Local plans in the Tees Valley have typically set their housing targets in the early years of their plan horizon in line with the upper end of this range, yielding a combined target equivalent to 2,281 net dwellings per annum. Some plans have also justified setting a higher target on the expectation that it will yield additional affordable dwellings.

If rates of new housing provision continue at the level of the past few years it will demand an increased focus on understanding how *what* is being provided and *where* meets the full range of needs and demands of current and future residents within the area. This will need to include an assessment of the potential of net changes of the stock - including both additions and demolitions - to address the gaps in provision for certain segments that we suggest are a defining feature of the Tees Valley.

Table 6.3. Summary of affordable housing need and overall housing requirement.

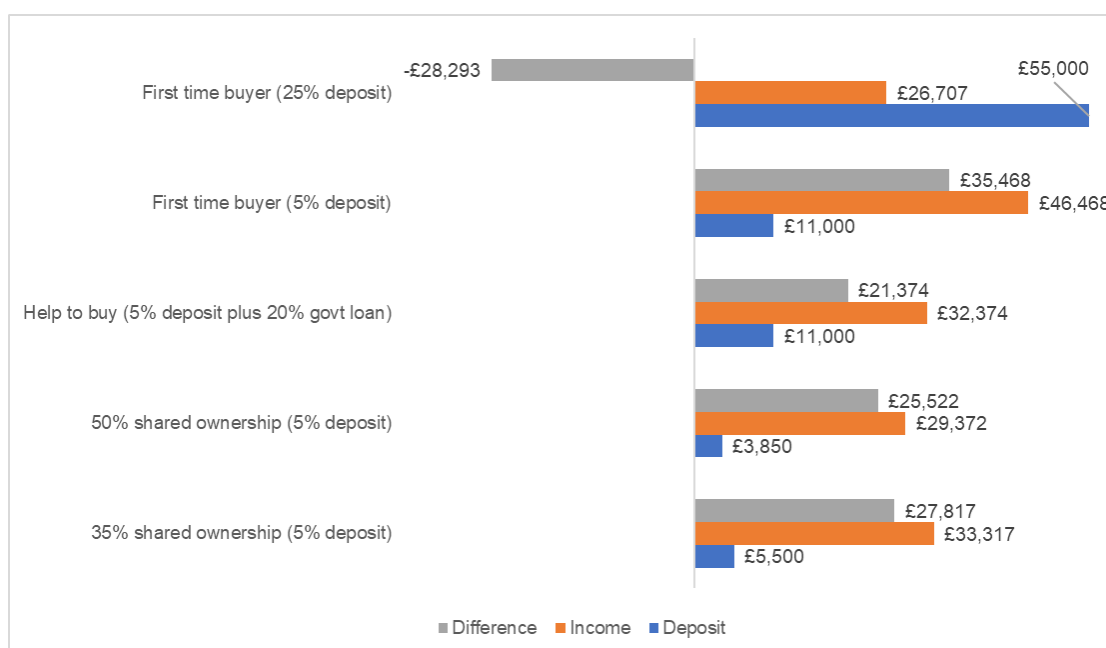
	Affordable housing need		Overall housing requirement		Local Plan housing target	SHMA date	Local Plan adoption date
	Units p.a.	As % of overall need	Low	High			
Darlington	160	33-41%	389	492	492	2017	2018 (consultation)
Hartlepool	144	44-48%	300	325	410	2015	2018
Middlesbrough	200	48%	420	420	425	2016	2018 (consultation)
Redcar & Cleveland	20	15-18%	114	132	234	2016	2018
Stockton	240	33-39%	609	737	720	2016	2017 (consultation)
Total	764	36%-42%	1832	2106	2281		

Property consultants Savills have analysed affordability in the Tees Valley, noting a lack of recovery in transaction levels since the recession when they fell sharply. This is in part, they claim, a consequence of the difficulty in accessing the market, with a lack of mortgage availability for buyers without large amounts of equity. This disproportionately impacts on the lower value parts of the market.

Savills claim shared ownership, which lowers deposit requirements, could potentially replace some of these 'lost' transactions. In other words there is some capacity for shared ownership delivery that is not currently being met⁴⁵. Their analysis shows there is a large gap between the relative deposit and income requirements for different kinds of purchase. Figure 6.5 illustrates the relative deposit and income requirements for different kinds of purchase based on buying a £125,000 property (a typical price for a two bedroom shared ownership pricing in the Tees Valley).

⁴⁵ Affordability analysis and shared ownership potential, Savills Research report to Thirteen Group, 17 November 2017

Figure 6.5. Affordability of purchasing under different schemes



Source: Affordability analysis and shared ownership potential Savills Research report to Thirteen Group, 17 November 2017

Challenges	Opportunities
<ul style="list-style-type: none"> Social and demographic changes are causing a rise in the number of households. Significant future increases in the requirement for specialist housing for older people. Continued migration is required to support sectoral expansion demand in high level skills. 	<ul style="list-style-type: none"> Growing market for investment in home adaptations, maintenance and improvements. Capacity for shared ownership delivery.

7

Emerging Observations and Strategic Implications

Introduction

The Tees Valley Combined Authority has an ambitious Strategic Economic Plan to grow the local economy with the creation of 25,000 new jobs in the region over the next ten years. A healthy housing market that is affordable and offers choice of location, product type, tenure, and price level is part of that picture. Housing is deeply interconnected with local economies and labour markets; the pattern and quality of local services, including education; health, wellbeing, and wider social deprivation.

Housing can act as an engine of inequality, yet it can also help to address poverty. There is a danger that poverty will act as a significant brake on economic prosperity. More equal societies are generally happier, healthier and more productive. This report also notes that a focus on neighbourhoods is essential for any strategic response to housing market problems or any programme of housing investment. Neighbourhoods drive the market's own assessment of value within the housing system. At neighbourhood level the interactions between different parts of the housing market become apparent and it is from neighbourhoods that people conceptualise of the relationship between housing, the services they use, labour markets and other important institutions.

The Built Environment

In terms of the built environment Chapter Two highlights the implications of the Tees Valley's industrial legacy.

- Remediation funding, specific planning requirements and matching infrastructure is needed to unlock investor development in large sites. This would help to address developer reluctance, market uncertainty and low commercial returns which is resulting in surplus brownfield sites and affecting the office market with knock on effects for town centre living, the provision of new sites for housing and growth plans for business services, digital and creative industries and town centre renewal.
- The above requires long term spatial planning that can accelerate developer investment on strategic sites and neighbourhoods capable of delivering at scale.
- The implications for housing supply arising from new development opportunities need more explicit and consistent consideration particularly in the case of Government supported Enterprise Zones. For instance, there are good examples where town centre developments such as Northshore have

integrated new high-quality small-scale neighbourhoods that could be applied more widely.

- The housing offer could be promoted more clearly alongside economic development activity so that investors and workers are aware that the Tees Valley offers a diverse range of settlements for new workers looking for housing. This includes rural and coastal locations, attractive villages and towns, new housing developments and urban living.

There are challenges for service delivery that arise from very low residential density, so linking development with housing or within new neighbourhoods helps concentrate accompanying investment in place and transport.

Housing Market Segmentation

Chapter three notes that Tees Valley's housing markets have experienced mixed fortunes. The result is that gaps have been driven between neighbourhoods and market segments of different types, leading to disconnection.

- The estimated scale and cost of the improvement and maintenance of stock in the private sector requires action required on a number of fronts with prioritisation of what is achievable with limited resources. A more consistent and comprehensive approach to the improvement of property and management standards in the private rented sector is required.
- 'Cosmopolitan' areas and more urban archetypes are showing some growth – these segments need a broad cultural and placemaking offer, supported by high quality services.

Household Characteristics

Low household incomes are putting a brake on access to high quality housing and many of the most deprived neighbourhoods are dislocated from work and face disproportionately high transport costs. Put simply there is a policy requirement for the creation of better jobs and neighbourhood connections to the labour market.

- It is important the public transport network is affordable, accessible and able to connect isolated neighbourhoods and flexible, improving transport options for those who do not own a car.
- Household projections have implications for housing supply in terms of the size and mix of tenure sought including social housing for single person households.
- Support for healthy lifestyles is required with a physical and built environment that supports health, recreation and well-being, safety, social interaction, and easy mobility that is accessible to the needs of all its citizens and neighbourhoods.
- Suitable housing options need to be made available to people on welfare combined with support to help them navigate the system.

Employment Dynamics

The economy and labour market is changing resulting in new skills requirements and housing aspirations.

- The housing aspirations of people working in growing knowledge-based industries include securing home ownership, high quality urban living with

open space and good local facilities, and affordable family housing in safe neighbourhoods.

- Public transport requires a more creative approach for instance using low cost technology solutions or demand responsive services combined with enhancing the quality and perception of services in key high-volume corridors.
- Housing market neighbourhoods would be better knitted together with strategic transport investments including the proposed new crossing and developments at railway hubs. This would provide an incentive to develop new housing sites, open up new labour markets and change the perception of existing locations and neighbourhoods.
- Preparing the workforce for jobs for the future (automation etc) will help to ensure that the upward trends of skills performance is sustained and the increasing demand higher level technical, science and digital skills is met.

Demographic Change

Economic, social and demographic factors will affect the future demand for housing.

- The increasing propensity of single people living alone increases demand for houses. This will affect older population groups disproportionately with implications for: housing, care and support and result in a growing market for investment in home adaptations, maintenance and improvements.
- The predicted deficit of specialist units and care beds will require a systematic approach across these service areas, in addition to the supply of appropriate specialist housing, alongside other interventions such as home modifications, improving the accessibility of general needs housing, enhancing information and advice about housing in later life, and integrating health and care services.
- Brexit is likely to dampen house price rises which may help first time buyers. Whilst its effects on the economy are uncertain at this stage there will still be a need for migration to support sectoral expansion demand in high level occupations.
- Levels of new housing supply are broadly in line with requirements. The key questions are now about *what is provided and where*.
- There is further capacity for shared ownership options that are not currently being met.

The regeneration challenge

Much in this report suggests the need to think about the role of significant packages of regeneration activity and intervention in local housing markets. There are perhaps two key issues which point to a need to develop multi-agency, place-sensitive approaches to regeneration:

- The area's housing markets are disproportionately represented by very low value neighbourhoods with high levels of social deprivation. These appear to be disconnected from more successful parts of the Tees Valley in a number of important respects - physically, in terms of the ability to commute to more distant jobs growth areas; and socially, in terms of interaction with communities with more diverse socioeconomic status and backgrounds.
- The lack of affordable stepping stones that can enable households to adjust housing within their local area without having to move to distant

neighbourhoods or outside the Tees Valley altogether. Whilst it has been noted that new housing supply in some parts of Tees Valley covers a wide range of price points⁴⁶, there are also significant mismatches between supply and household characteristics throughout the area and it is likely that new supply has typically widened polarisation between new suburbs and older neighbourhoods rather than develop a broader range of market and affordable housing opportunities within localities.

Taken together, there is a case for exploring packages of regeneration interventions. These will need to be sensitive to local context and existing communities and stakeholders, but in each case the goal is to broaden the mix of housing available at the neighbourhood level and encourage more socioeconomically diverse and sustainable market conditions. The role of using and strengthening the local community asset base will be critical, especially in neighbourhoods where housing market weakness or poor housing conditions coexist with wider social and economic challenges. Affordable housing provided through a range of tenures will be important although in most parts of Tees Valley the focus will likely need to be on quality and access, and certainly on the characteristics and role of the PRS locally. In some areas where there are issues with stock condition or lack of demand, regeneration plans may need to factor in elements of selective demolition.

Whilst intervention in local housing markets is warranted, such regeneration will not be the sole preserve of housing policy or investment. In some areas of Tees Valley improvements in physical and social infrastructure together with the market-leading impacts of economic regeneration will encourage positive change in the local housing market. It will be very important for local stakeholders to articulate how place based regeneration, including intervention in the housing market, is complementary to infrastructure and economic development investments and can help turbo-charge the productivity gains they will bring about.

There remains a need for strategic and targeted funding to support housing and neighbourhood development and regeneration. Specific central funding pots to do this have all but dried up. The focus on devolution is on economic growth and jobs creation, and rightly so. But growth opportunities will not be maximised without ensuring that participation in the labour market - and therefore productivity - is maximised. And the benefits of economic growth in Tees Valley will be watered down if the lack of the right housing market offer in all segments and price points means that too many people choose to live elsewhere and commute into the area.

Next steps

This report provides a preliminary evidenced 'think piece' on local housing markets in Tees Valley. The case for intervention is made around the critical positive role that housing plays in economic success, and that without a complementary focus on housing, economic growth strategies run the risk of exacerbating existing problems of in-commuting and socioeconomic segregation.

We conclude that place-specific partnership approach to regeneration, with a clear role for intervention in the housing market, may be warranted in many parts of Tees Valley. The precise response and who needs to be involved will vary from place to place. Investment streams will similarly vary, as will the extent to which existing housing, infrastructure and community assets can be brought to bear.

⁴⁶ Savills (2017) *Affordability analysis and shared ownership potential*, Research report to Thirteen Group.

It is recommended that this report is used to frame the issues within discussions locally about the nature and scale of housing market challenges, with a view to collectively agreeing on a course of action and working up clear 'asks' of government, Homes England, and other stakeholders.

Appendix A – Case Studies

Case Study 1. Remediation

Land at Coronation Drive/Warrior Drive, Seaton Carew, Hartlepool

Hartlepool Borough Council

Background

The housing development of this 13.83 acre site (of which 8.48 acres are allocated for 65 houses under the council's adopted Local Plan) is prevented at present by exceptional remediation costs. Such remediation will require intervention in the form of grant funding as well as detailed site investigations and work to estimate the costs of the site constraints and a remediation strategy.

Constraints / barriers

The site has two 10 metre high grassed spoil heaps, which are surrounded on three sides by housing development. Initial estimates place the cost of the removal and remediation strategy to be in the order of £1m. The removal of the spoil heaps would bring significant increase in visual amenity and bring forward 65 homes in an otherwise desirable residential sea front area.

Future plans and requirements

Working in partnership with Homes England has enabled the use of additional specialist capacity to investigate a suitable remediation strategy, including cost and overall deficit on this site. This is helping to inform a business case for future remediation funding.

Case Study 2: Grove Hill, Middlesbrough Regeneration Project

Thirteen Housing Group

Background

Grove Hill is located within Middlesbrough; a large town situated on the south bank of the River Tees within the Tees Valley. Grove Hill sits in a fantastic location with the affluent Linthorpe bordering to the west and recent new housing development taking place in Clairville to the north east; providing an ideal opportunity to seamlessly link into a new market-led housing offer. A major investment of £500m is anticipated to see the growth of 4,000 jobs, support for new and expanding businesses, the building of 7,000 new homes and growth in learning and leisure facilities up to 2025.

Evidence of Need

According to the indices of deprivation 2010 Grove Hill is classed as being one of the most deprived neighbourhoods in England and most likely to suffer from all aspects of deprivation apart from barriers to housing and services and living environment deprivation. To provide a clear picture of the deprivation level the neighbourhood ranked 669 out of 32,844 neighbourhoods with Rank 1 being the most deprived.

What was achieved / current status

Grove Hill regeneration originally began in 2004; to date £13.3M has been invested and approximately 350 residential properties have been cleared.

Through a creative Joint Venture (JV) with Middlesbrough Borough Council, Thirteen carried out site acquisition, retail and commercial properties were cleared and a new 'linear' park created. Whilst this work has reduced risk as far as possible, the site still remained unattractive to developers. The JV partners therefore progressed works to the site, in the form of the development of affordable homes. Since 2013, Thirteen has built 90 new affordable homes for rent on the cleared land, and a further 92 are currently on site at Bishopton Road, with a target completion date of mid-2020.

Constraints / barriers

If the regeneration of Grove Hill is to be truly transformational and sustainable, a more ambitious approach is now required, in order to enable the inclusion of market led housing.

Further demolition is required in order to tackle problems areas, such as a specific parade of shops. These issues affect land values and the ability to attract people to the area.

If the problem areas were removed this would allow Thirteen to build more new homes more confidently, including homes for owner occupation, for first time buyers and homes for key workers, such as those working at the local hospital.

Future Plans / what else is needed

Flexible funding is needed in order to allow buildings and land to be acquired and carry out site assembly. Whilst a large amount of progress has been made, the area still remains unattractive to potential buyers, a different approach is needed for this final push to transform the area.

In addition, flexibility around tenure allocation at the point of letting or sale would reduce the risk involved in development and ensure the sustainability and long term success of the project.

This intervention would potentially allow the delivery of an additional 500 new homes on the site.

Case Study 3 - Responding to changing demand

Hummersea, phase 3 Loftus – Demand project

Beyond Housing (formerly Coast and Country)

Background

Beyond Housing owns a site with planning for circa 130 homes (originally also including extra care). Phases 1 and 2 were completed, but when the 1% rent reduction impacted, with the insolvency of the phase 1 and 2 developer, phase 3 was paused.

Demand issues had been raised in terms of the outright sale homes that the developer had constructed and failed to sell and also with the affordable rented homes, where due to low demand in the locality, voids were created within the social housing stock.

Continuous Market Engagement (CME) funding has been secured for development of the balance of homes but the provider recognised the need to explore the demand issues before progressing with any further development.

They are therefore establishing a project group specifically to look at the demand issues and to commission work to understand what housing product would be most desirable / viable and barriers to demand.

Constraints / barriers

- The low values/demand in the area, mean that sale/shared ownership products, ideally needed to balance the tenures within the community are not as viable.
- Locally the reputation of the area makes it insular in terms of potential new resident's being attracted to the area.
- Lack of amenity and transport links seem to be detracting further from the desirability of the area

Future Plans / what else is needed

- Regeneration of the high street /shops and amenities
- Reduction in ASB to support use of the high street amenities
- Understanding of local housing needs
- Understanding of local supported housing needs
- Understanding potential demand for the 'right product'
- Restoration of community pride
- Underwriting of 'sales' risk of any homes developed

