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Housing Market Renewal revisited: a defence of place-based policy in austere times

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Abstract

This paper revisits an assessment, published ten years ago in PPP, of the then-flagship regeneration programme Housing Market Renewal. It finds that the emergent concerns in 2007 with affordability, which partly underscored a justification for the programme's cancellation, remain while suggesting that HMR's key regeneration objectives have gone unaddressed. The paper briefly reviews some ways that the landscape now is similar and different to 2007. The key difference is in the government's overall approach to regeneration, which now relies more on attempts to foster regional economic growth through people-based strategies. By looking at HMR through the lens of competing logics of economic geography at a time of 'austerity urbanism', the paper tentatively concludes that government needs to rediscover a more obviously place-based approach to regeneration.

Keywords: Housing Market Renewal, economic regeneration, agglomeration, place-based policy.

In 2007 the Government's then-flagship regeneration programme, Housing Market Renewal (HMR), was living on borrowed time. Conceived in 2002 as part of John Prescott's *Sustainable Communities Plan*, 25 local authorities, organised into nine sub-regional 'Pathfinders', shared a pot of over £2 billion aimed at reversing the fortunes of the weakest urban housing markets in the North and Midlands of England (Ferrari and Lee, 2010).

HMR was a sub-regional area based regeneration programme which aimed to restructure local housing markets through a combination of environmental improvements, property rehabilitation and the comprehensive masterplanning and redevelopment of housing estates, sometimes involving demolition, building replacement housing, and tenure diversification. It was focused on those parts of England considered most at risk of low demand, as evidenced by a combination of indicators about low/falling house prices, high rates of turnover and empty properties, and socioeconomic characteristics (Leather and Nevin, 2013). According to estimates drawn together by Leather and Nevin (2013), by the time it was cancelled. the programme had refurbished over 85,000 homes to the Decent Homes Standard or above, cleared over 21,000 homes, and replaced them with around 29,000 newly built homes.

Yet, less than five years after its inception, the programme was already being overtaken by events. Critics were calling into question the wisdom of such an expensive intervention into a job that it appeared that the market was performing perfectly well. House price rises in the type of deprived Northern neighbourhood that characterised HMR areas were outstripping those in the wealthy South East, and a new malaise – unaffordability – was rife throughout HMR's industrial heartlands, standing in direct contrast to a narrative of decline and abandonment. These price rises were interpreted as an indicator of healthy demand and were therefore undermining a programme designed to "eradicate the problems of low demand housing by 2020" (ODPM, 2005: 10) and whose defining characteristic was, accurately or otherwise, wholesale demolition and redevelopment of homes. HMR's approach to community engagement needed further development (Cole and Flint, 2007) and its underlying rationale too complex and too poorly articulated, and these weaknesses led, it would seem, to a clamour for its demise. The incoming Prime Minister, Gordon Brown, was saying a lot less about regeneration and a lot more about the need for a step change in new housing delivery everywhere. The economic evidence supplied by two reviews by Kate Barker (2004; 2006) seemed to suggest (albeit not without important caveats) that, fundamentally, to bring down prices required a return to the levels of mass housebuilding not seen since the 1970s.

'Housing Market Renewal in an Era of New Housing Supply' (Ferrari, 2007) was my attempt to understand how HMR could survive this turn in the political discourse. But the biggest change, not entirely without its foreseers, was just around the corner. The original article, in the third issue of *People, Place and Policy*, was written just before and published just after the collapse of Lehman Brothers and the onset of the Global Financial Crisis. For at least 12 months prior to this, the UK government was preoccupied with rampant housing inflation. Yvette Cooper, then the Housing Minister, began attending Cabinet meetings in a sign of how seriously the Brown government was taking the developing housing crisis. Buoyed by his success in pulling off a tricky "soft landing" in the UK economy as Chancellor in the latter half of the 1990s, Brown seemed insistent that the same feat could be achieved in the 2008 housing market. In the event, the crash did come, albeit in a form modified from Britain's previous housing downturn experience in the early 1990s: repossessions this time were mercifully low, interest rates did not spiral out of control (the opposite, indeed), and, while taking a hit, prices did recover reasonably quickly in many parts of the country, at least in nominal terms. Structurally, however, many of the same issues that afflicted urban housing markets in 2007 would appear to remain: widening gaps both between the haves and the have-nots, and between house prices (and rents) and incomes; and the persistence of pockets of disadvantaged and the "left behind".

It is arguably in what is different after 2007 that helps to explain some of the fundamental structural problems with housing markets in England. That is why looking back to articles such as those published in those early issues of *People, Place and Policy*, can be so instructive. Reading the original article again I was struck by both what remains the case and what is different. Yet, reflecting on events in the decade since the article was written, I remain unconvinced that pulling the rug from under programmes like HMR was a good idea.

This paper briefly reviews some of the main features of urban housing markets in the former HMR areas and discusses the extent to which the issues prevalent in 2007 remain and reflects also on the key differences now. It puts forward a tentative argument that we are still dealing with housing market issues that are structurally similar to those that were facing HMR pathfinders, while the language and practices of economic regeneration that so fundamentally frame any approach to housing renewal have transformed in intent and effect.

What's the same? The persistence of housing market structures

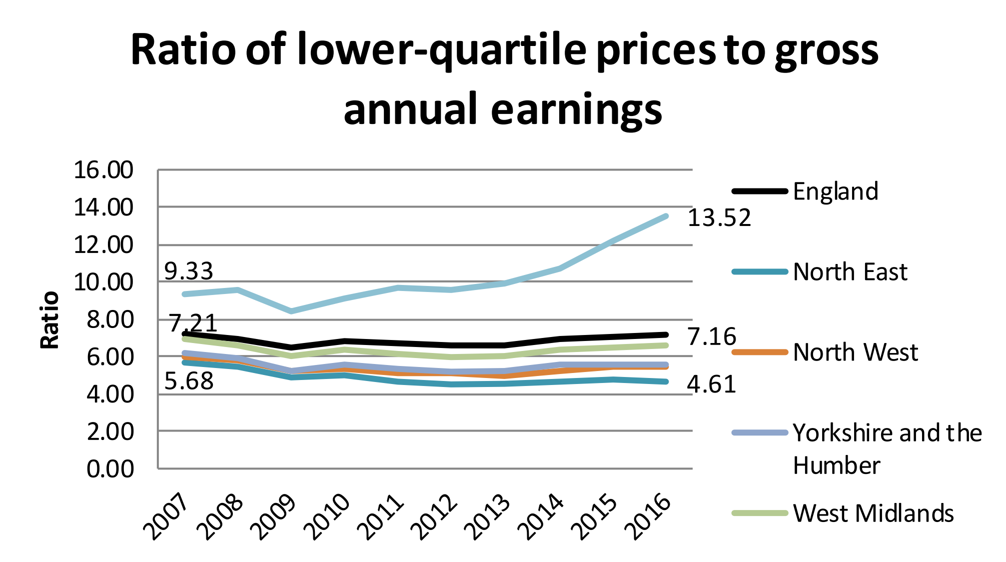
It is now evident that encouraging the delivery of new housing supply remains as foundational to the government's strategic response to housing problems as it was rapidly becoming in 2007. As noted above, this was a feature of the subtle discourse change as Blair gave way to Brown. Part of the important regional dynamic which underpinned the Sustainable Communities Plan and its regionally variegated strategy gave way to a more national approach focused on growth. This staged HMR as a housing programme first and foremost. Arguably some of the strategic planning responses to this challenge, such as relaxing controls and, as I put it then, 'questioning the sanctity of green belt land' (Ferrari, 2007: 125) have since become normalised and embedded.[1]

The original paper identified concerns about house price inflation and the decoupling of prices from incomes as leaving 'no corner of the country untouched' (p. 125). Notwithstanding a mushrooming of unaffordability in London, ONS data suggests that on average in England affordability has largely remained stable at just over seven times earnings for the lower-quartile affordability ratio (see Figure 1).

Those regions containing HMR areas[2] have all seen affordability improve marginally by this measure. It is noteworthy that in all regions the ratio for lower quartile prices to earnings remains substantially higher than the 3-4x benchmark traditionally used for mortgage approvals. Yet, all told, the intervening period has been characterised by a remarkable amount of stability, suggesting that the most significant problems with affordability actually emerged during the years prior to the crash in 2007-8. Paradoxically, perhaps, it was the extended period of economic growth and the increased household incomes, stability and confidence that this gave rise to which helped to push house prices up so unsustainably.

The data are not without their problems, however. Affordability ratios track prices of sold properties; the ratio is not affected where households are not accessing properties and where properties go unsold. The conventional metrics do not detect such 'latent' unaffordability, which is instead laid bare through analysis of other measures such as the average age of first time buyers and the deposits of them (see DCLG, 2017). While problems in the housing market may manifest themselves most visibly at the neighbourhood level, they reflect a complex intersection of structural economic and social changes at the regional and national scale. Moreover, these structural changes have been decades in the making, both predating and likely surviving interventions like HMR.

Figure 1: Ratio of lower-quartile prices to gross annual earnings, selected regions in England, 2007-2016



Source: Office for National Statistics.

What's different? 'Austerity urbanism' and blind faith

Housing Market Renewal was not a typical housing-led regeneration programme and stood by way of contrast to previous initiatives - such as Housing Improvement Areas, Estates Action and Housing Actions Trusts - in that its central diagnosis was an economic one, rooted in an analysis of long term structural economic change at the regional scale. HMR thus reflected a view of economic cause-and-effect and what should be done about it that stands by way of marked contrast to the approach adopted since 2010.

The notion of 'market failure' as promulgated by HMR practitioners referred to a pathology that saw local housing market dynamics not endogenously but as highly related to changes in sectoral economic performance, labour market conditions, choice and socio-spatial mobility in households, infrastructure, and public expenditure, within a multi-scalar framework. Pathfinders faced different combinations of issues, which reflected the variegated impacts of structural change experienced in different demographic, spatial and economic configurations within and across sub-regions. With such a diagnosis, HMR was fundamentally an economic tool: *"The aim of HMR in these areas was to support economic growth and to ensure that its benefits were spread to communities in adjacent inner city areas suffering high levels of deprivation"* (Leather et al., 2012: 6). In other words, the problems faced by localities were to some extent structural and could not be solved by a local approach to renewal alone.

This difference between this and today's prevailing logics can be seen best not in housing policy but in what has replaced HMR and other area based initiatives (ABIs) in the space of sub-regional economic and spatial regeneration. The establishment in 2010 of Local Enterprise Partnerships, given a wider remit following a review by Michael Heseltine (2012), and a quasi-devolved landscape of city deals and growth deals have been tantamount to a 'shift in emphasis from neighbourhood renewal under the previous "New" Labour administrations to an almost exclusive focus on promoting local economic growth' (Crisp et al., 2015: 168). Crisp et al (2015), drawing on Meegan et al. (2014), note the consistency between this recent experience and a broader (and longer) trajectory of ‘austerity urbanism’, characterised by Peck (2012) as involving public-sector retrenchment, the paring back of third sector institutions providing the ‘shadow welfare state’, continuing replacement of funding programmes with competitions, and the reliance by restructuring cities upon symbolic economic ‘placebos’ involving aspirations such as 'creativity, sustainability, livability, etc.' (Peck, 2012: 648).

To some extent this may be regarded as the triumph of the New Economic Geography (NEG), in which a hegemonic narrative about cities, agglomeration economics and the knowledge economy has been 'enthusiastically picked up by policymakers over the last decade and increasingly drummed to inhabitants of lagging and/or declining areas as the way forward" (Rodriguez-Pose, 2017: 7). In contrast to HMR's logic of reconnection, the fundamental premise of the NEG is that people will gravitate towards jobs as firms cluster to take advantage of ‘absorptive capacity’ and knowledge spillovers (Cohen and Levinthal, 1989) and because ‘Put bluntly, firms ... have few locational choices in [leading] sectors because inputs (people, skills and organizational competences) are rare and specialized and outputs are non-standardized’ (Storper, 2011: 339).

Adherence to NEG tenets within economic and social welfare strategies has supplanted a focus on place with one on people-based policies. The policy implications of this – focusing blind faith in hoped-for ‘trickle down’ effects of economic growth and social mobility policies such as a focus on education and skills – are attractive in the context of costly physical regeneration programmes. The effectiveness of such programmes has been subject to a largely ideological and un-evidenced critique (Crisp et al, 2015), and arguably helps to explain the almost entire cessation of regeneration funding streams since 2010 identified by Lupton and Fitzgerald (2015). While seemingly attractive in concept - focusing on human capital rather than the valorisation of place (and thus avoiding the moral hazard of giving landowners an unearned increment) - such people-based approaches have arguably an infinitely more pernicious corollary: the expectation, especially among free-marketeers, that people should gravitate by course to denser areas of prosperity, growth and economies of scale, and allow left-behind regions to naturally run their course. Propounded by Leunig and Swaffield (2007) in a Policy Exchange report, this approach has arguably suffused government's thinking on a range of policy areas, including approaches to housing investment, devolution and infrastructure policy in what might be termed "picking geographical winners".

In mounting a defence of area-based policy it will be important to remember that the NEG is not without substantial critique and limitations, both in terms of explanatory power and policy prescription. As Storper (2011) finds, most spatial economic models (including the NEG) 'totally ignore' the 'forces of discontinuous and complex change' that are found in areas of industrial decline where degraded built environments are persistent, migration flows are inhibited and labour market adjustments slow, and where there are labour price rigidities. Consequently, the likelihood of the most impoverished moving to areas of jobs growth and opportunity as envisioned by some practitioners of NEG-flavoured policy is low, while the opposite proposition, favoured by the LEP approach (firms moving to cheap labour pools), is equally improbable (Storper, 2011). Consequently, trickle-down likely never happens to the required extent, and localist 'bootstraps' approaches to economic policy (see Eisenschitz and Gough, 1993) flounder in the prevailing winds of spatial agglomeration. This is why efforts to promote social mobility without a complementary focus on place and their underlying economies is potentially a very bad idea: they will further erode communities through the inevitable requirement to move to areas of opportunity and they will widen the cleaves between those who get on and those whose sociospatial immobility can be perhaps described euphemistically as 'prescribed belonging' (Jeffery, 2016; cf. Savage et al., 2005). In this context, Rodríguez-Pose is right to call for 'better ... place-sensitive territorial development policies' (2017: 2).

If this suggests a weakness in the HMR approach it is that at worst it may only have been a palliative. More kindly it suggests a certain philosophical dissonance in the early 2000s: arguably, despite a well-funded regional development apparatus, New Labour's enthusiastic embrace of the knowledge economy was simultaneously aiding and abetting a process of regional economic clustering of growth sectors within those areas best equipped with the institutional infrastructures, R&D capacity and creative milieus (London and the south east, and, within the regions, cities like Manchester) just as it was seeking to upgrade and reconnect disconnected and deprived areas. For all its potential limitations and spatial imbalances, the May government's commitment to an Industrial Strategy (see Fothergill et al., 2017) at least has the potential to broaden the conceptualisation of economic value within the economy. But without a serious approach to regeneration of place alongside commitment to social regeneration, the most deprived and disconnected neighbourhoods will continue to risk being residualised as processes of economic sorting and social segregation play out through the housing market.

Notes

[1] Although at the time of writing the incoming housing minister Dominic Raab has signalled a more protectionist approach towards the green belt.

[2] North East, North West, Yorkshire & the Humber, and West Midlands.

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