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Planning and the Housing Market:
Reflections on Strategic Housing Market Assessment in England

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Planning and the Housing Market: Reflections on Strategic Housing Market Assessment in England

Abstract

Volatile house prices have generated considerable interest in embedding market signals in housing planning. In England, Strategic Housing Market Assessments (SHMAs) were introduced in 2004. This paper reflects on their evolution and considers lessons for policymakers in the UK and elsewhere. Despite broad consensus that SHMAs have enhanced the evidence base, key questions remain about their effectiveness. Based on a review of a sample of SHMAs and in-depth interviews with stakeholders, we highlight three areas for attention: conceptual weaknesses; technical and methodological issues; and the use of SHMAs in policy. These provide lessons for market assessment procedures.

1.0 Introduction

The practice of planning for housing in Britain has been subject to sustained criticism over the last few decades. This has stemmed from concerns about the nature, content and quality of plans and limitations in the scope and methods used to develop the associated evidence base (Varady, 1996; Baker and Wong, 1997; Adams & Watkins, 2002; O'Sullivan, 2003). Several critics have focused specifically on the inherent weaknesses in an approach that has, for historic reasons, tended to focus its intelligence gathering narrowly on the measurement of housing need¹.

Traditionally, state involvement in planning new housing development in the UK has responded to a conceptualisation of housing 'need' which has its roots in environmental, health and social concerns in late 19th Century industrialising cities.

¹ Local authorities in England and Wales have had a long standing duty to ensure adequate housing provision is delivered in response to local housing need. Over time this concern with housing need has become enshrined in the practice of planning for housing. This process was given impetus by the 1977 Housing Green Paper which specified that local housing strategies should incorporate an explicit assessment of the level of housing need (DoE, 1977) and led to Housing Needs Studies becoming a central feature of the evidence base for plan making at a variety of spatial scales.

Since the 1919 Housing Act in the UK, for example, local authorities have been under a duty to survey the housing needs within their district and to plan accordingly for the provision of housing to meet those needs. State intervention both in the analysis of housing situations (although not markets specifically) and in the direct provision of housing therefore became a significant tenet of welfare statism. Until the late 1960s, housing policy was played out as a relatively crude numbers game in which successive governments sought to meet needs by building the largest number of units (Whitehead, 1997). There was little concern with the specifics of where these homes should be built or what size and type they should be.

This only started to change in the 1970s when census data began to show that there were crude surpluses in most localities. Significantly, at this point, medium term assessments of housing needs started to inform housing investment strategies at the national level (see Holmans, 1970; DoE, 1977a). The 1977 Housing Green Paper also established that local housing strategies should be produced and specified that these should make an explicit assessment of need (DoE, 1977b). By the 1990s housing needs studies were commissioned and undertaken by both government departments and pressure groups at a variety of spatial scales and became an established part of the policy landscape. From these roots, the practice of Housing Needs Studies (HNSs) became firmly embedded as an important aspect of local authority planning.

However, as Cole (2007, p. 6) notes, “local authorities’ assessments of housing markets rarely went beyond rather formulaic exercises calculating the ‘backlog’ of demand and future trends in housing need for housing outside private provision”. Not surprisingly, it has been argued that the resultant plans for housing have typically

been insufficiently attuned to a more plural market system and a more diverse set of motivations for house purchase, tenure choice and household mobility (Blackaby, 2000). As a consequence, there has been a growing desire to fundamentally change planning policy such that it might more systematically reflect housing market conditions (Gallent & Carmona, 2004; Gallent & Tewdwr-Jones, 2007). The process of estimating current and future need has clearly paid insufficient attention to house prices and other market signals (Barker, 2004; Monk & Whitehead, 2000; Monk, 1999) and, despite the increasing marketisation of the housing system, the economic content of land use planning and associated analyses has remained rather modest (Cullingworth, 1997; Evans, 2003; School of Planning and Housing *et al.*, 2001; Pinnegar, 2007). At the same time, the Housing Market Renewal agenda, with its focus on low demand problems, provided further impetus for and several practical exemplars of how to undertake 'market' aware housing assessments (see, for example, Lee and Nevin, 2003).

This concerted criticism and the emergence of a more marketised system had a clear influence on New Labour's planning reform agenda. The Planning and Compulsory Purchase Act 2004 introduced a new statutory framework for planning in which detailed provisions establishing the parameters for a new form of housing planning were set out in Planning Policy Statement 3 (PPS 3) (CLG, 2006). The general aim appears to have been to relax some of the barriers to development that it was argued were constraining economic growth and the 'normal' provision of housing by the private sector (Gallent & Tewdwr-Jones, 2007). More specifically, these changes were intended to speed up the planning system and make it more sensitive to price signals in that local environmental and amenity considerations were set alongside an appreciation of the economic and social needs for new

housing². Thus, as part of the regime dubbed ‘plan, monitor and manage’, local planning authorities and regions were expected to take a clearer lead in setting out a vision for future housing provision based on evidence of housing need and demand and balancing this against the need for other land uses within its ‘core strategy’. A key part of this planning is the identification – required by PPS 3 – of a five year forward supply of land suitable for housing development and sufficient to meet the estimated demand for housing in the local housing market area.

Significantly, these reforms led to the introduction in England and Wales³ of Strategic Housing Market Assessments (SHMAs) as a central part of the evidence base designed in particular to ensure that the wider housing system, including the market for owner occupation, was considered in a more meaningful way than had historically been the case in housing need studies and housing plans. As the system bedded down, the market orientation of the framework was given added impetus by the introduction of detailed ideas about the use of market signals in policy making that emerged from Kate Barker’s work (Barker, 2004; see Jones and Watkins, 2009 for a review). Although the UK has now reached a point where the planning apparatus is again under review, and SHMAs in their current form are about to be consigned to history, there is much to be learned from this framework, both from the UK perspective and in a variety of other contexts where, given the increased commodification of the housing system, attention has turned to the development of similar market-oriented processes (Bunker et al., 2005; Pinnegar, 2007; Norris and Shiels, 2007).

² Some of the impetus for specific initiatives came from the Reviews of Housing Supply and Land Use Planning undertaken by Kate Barker (Barker, 2004).

³ Scotland and Northern Ireland have distinct systems with their own apparatus. Similar steps had been taken in Scotland some time before, with Scottish Homes (subsequently Communities Scotland) taking the lead in establishing best practice in local housing systems analysis (see Maclennan *et al.*, 1998). This acted as precursor to Local Housing Market Context Statements becoming a statutory requirement in the Housing (Scotland) Act 2001.

The aim of this paper is to review the performance to date of SHMAs as a mechanism for developing evidence to inform housing plans⁴. The review is conducted against a set of characteristics, established in the next section of the paper, that we might reasonably expect SHMAs to exhibit. These are derived from the formal aims and objectives established for SHMAs in the official practice guidance issued by central government (see CLG, 2007a), some of the essentially normative contributions to the literature on local housing assessments referred to above and, given that all SHMAs encompass original applied research, considerations driven by the expectation that these studies ought to be consistent with good practice in social science. It should be noted at this point that it is not our intention to systematically test SHMA practice against some notional 'ideal' methodological template. As the academic literature discussed later in the paper demonstrates, there is no clear consensus on how best to analyse a local housing system and we would certainly not seek to be too highly prescriptive. We accept that different approaches may work well. It is, however, our view that if the outputs are to be robust and fit for purpose we should reasonably expect to see evidence of internal rigour, transparency and consistency in relation to the key conceptual constructs, data and research methods used to derive forecasts of market outcomes and associated policy advice.

As a result, the discussion that follows is structured around three key questions: do SHMAs exhibit definitional and conceptual clarity in relation to core market constructs (such as submarkets, market areas, supply and demand)?; is there evidence that the research methods used to analyse and forecast key market

⁴ Shortly after this paper was completed, the National Housing and Planning Advice Unit, an arms-length government agency charged with helping address the problem of housing affordability, initiated a 'conversation' to determine 'whether [SHMAs] were working as well in practice as theory suggested' (NHPAU, 2010, p. 1). The NHPAU has since been abolished and it is not clear what status this review now holds.

outcomes are robust?; and are the processes associated with conducting and using SHMAs effective? These questions provide the focus for sections three to five of the paper. Each section looks in turn at the guidance provided by central government to frame practice and the way in which practice has evolved. The final section offers some conclusions and policy recommendations.

The evidence presented in the paper has been derived from two main sources. First, we reviewed 21 published SHMAs (see Table 1 for a list)⁵. These were chosen using a purposive sampling procedure and were selected in order to capture the differences in approach used by different consultants (including at least one report from each of the ten consultants who dominate the market⁶), the differences between those that primarily employ secondary data (12 cases) and those that include household survey work (8 cases), geographic variations (covering eight functional regions) and the distinction between those commissioned by local authorities (11) (hereafter referred to as lower tier SHMAs), and those undertaken on behalf of groups of local authorities at a sub-regional scale (5) or regional institutions (3) including examples of cross-regional working (2 examples) (upper tier SHMAs). This sample is intended to reflect the different contextual and methodological factors that might influence the nature, content and conduct of SHMA studies. Our analysis suggests that the main determinant of the broad methodology used within any SHMA tends to be driven by whether the local authority commissions a study that uses only secondary data, or, within the allotted budget, allows the collection of primary data.

⁵ There is no definitive list of published SHMAs but it is estimated that around 80 had been published/adopted by the end of 2009 with work on a further 35 ongoing (NHPAU, 2010). These assessments have been conducted at different times, reflecting the fact that local and regional planning authorities are all at slightly different stages of the plan making process. Not all SHMAs that have been completed have been published. This limits the extent to which alternative sampling approaches might be used. The sample employed here represented about 25% of those available at that time the analysis was undertaken.

⁶ There are no data on market share. Although a small number of SHMAs have been conducted in-house (estimated by NHPAU, 2010 to be about 10%) or by teams of academics, it is thought that a relatively small number of consultants (including Arc4/David Cumberland, DCA, DTZ, Ecotec, Fordham Research, GVA, and ORS) have been responsible for more than 80% of the SHMAs undertaken to date. The sample includes several SHMAs by each of the most prolific contributors to the field.

Given that we have captured examples of SHMAs of these types conducted by all of the major consultants operating in the field, we are confident that the sample provides very good coverage of the scope and variety of SHMA practices.

Second, this analysis was complemented by a series of in-depth interviews with local planning and housing officers (5), regional planning officers (4), central government policy makers (2), house builders (2) and housing consultants (2). The interviews were used to seek further information about the way in which SHMAs were commissioned, managed, designed and conducted. Each interview was conducted by one of the authors and lasted for between 60 and 90 minutes. The interviewees were selected on a reputational basis. They were invited to reflect on practice on the basis of their exposure to a range of SHMAs rather than just those in our sample and were asked about conceptual, methodological and processual issues related to current practice.

TABLE 1 HERE

2.0 The role and requirements for housing market assessment in planning

There is a voluminous academic literature concerned with the structure and operation of local housing systems. Contributions to this literature take the form of theoretical discussions, applied empirical studies and commentaries on the contribution of assessments to the policy process. In this section, we present a selective review of some of this literature. As we note above, this review serves to

help us discern some of the potentially desirable features of local market assessments.

Much of the theoretical debate has focused on how best to establish the dimensions of markets. Housing economists frequently suggest, drawing on the contributions of Cournot, Marshall and Stigler, that a market should be viewed in terms of the exchange between buyers and sellers and that these interactions will establish a single market price (where the 'law of one price' holds) (Jones, 2002). As Stigler & Sherwin (1985, p. 555) indicate, "a market for a good is the area within which the price tends to uniformity, allowance being made for transportation". This notion of the economic extent of a geographic market is thought to be important in the housing context. Indeed, it has been argued that market monitoring, policy formulation and implementation will be more effective if the analytical framework that frames this activity reflects market structures and processes rather than alternative geographies such as those based on administrative boundaries (Jones & Watkins, 1999; Bates, 2006). Thus, although (as we discuss later) there is some debate about how best to apply this principle in practice, there is reason to expect that SHMAs might start by defining the 'market' to be assessed.

The academic literature also suggests that careful attention should be paid to the economic structures that exist within 'market areas' (Maclennan *et al.*, 1987). Indeed, numerous prominent housing economists have argued that submarkets ought to be adopted as a working hypothesis in applied housing studies (Grigsby, 1963; Quigley, 1979; Rothenberg *et al.*, 1991). As Galster (1996, p. 1804) explains: "what occurs in one submarket creates predictable repercussions in other submarkets. ... These repercussions take the form of changes in housing prices and qualities and

household mobility: filtering. The ultimate (as opposed to transitory) efficiency and equity of any public or private sector housing policy is crucially affected by the form of the inter-submarket repercussions". Submarkets of the type discussed in this context are deemed to exist when there is evidence of persistent price or rental value differences in various parts of the market, even after variations in property type and location quality have been taken in to account. It is argued that they arise as a result of the co-existence of a highly disaggregated housing stock and a degree of heterogeneity amongst demanders. It is the way in which segmented demand maps on to the differentiated housing stock that gives rise to submarkets and leads to evidence of differential prices in different market segments⁷.

In practical terms, it has been suggested that submarkets can be used analytically to monitor house prices and to reveal underlying demand pressures (Hancock & Maclennan, 1989; Jones *et al.*, 2005). It has been argued that this sort of analysis should be a central feature of the planning evidence base (Maclennan, 1986; Jones & Watkins, 1999). Given the operational difficulties evident in academic work, it would be unfair to expect SHMAs to discuss the internal (submarket) structure with a great degree of precision. But it seems reasonable that some attention should be paid to 'within area' segmentation and that this should benefit, on a study by study basis, from internal clarity and consistency in its exposition and application. There is certainly a clear need to develop a stronger understanding of the varied perceptions and aspirations of different household groups and to understand how this will impact on particular neighbourhoods and local markets (Cole, 2007).

⁷This is not purely a conceptual matter. It also has implications for research design. There is considerable evidence, for instance, that identifying market segments is a necessary step in ensuring that local house price measures are robust and free from aggregation bias (Maclennan, 1976).

This conceptual literature highlights the importance of exploring the complex nature of both the supply and demand sides of the market. Applied studies that seek to operationalise a submarket framework serve to illuminate some of the difficulties associated with this task (see Watkins, 2001 for a review). Most take a short cut and focus mainly on the analysis of property values. It has been argued, however, that these price signals can only be appropriately interpreted when considered alongside changes on the supply and demand sides of the market (Watkins, 2008). Again, whilst acknowledging that this is challenging, the literature would suggest that robust local market assessments ought to be explicit about the way in which they measure demand and supply, about how they deal with heterogeneity in this context, how they deal with dynamic change and how they reconcile this information.

The challenges involved in developing high quality local evidence for housing planning are not exclusively conceptual. There have also been long standing concerns about the robustness of the methods and analytical techniques used in local market analysis (Maclennan *et al.*, 1998; Fordham *et al.*, 1998; Nicol, 2002; O'Sullivan, 2003). In this context, there should be a minimum expectation that SHMAs should be consistent with good practice in applied social science research⁸. In the interests of quality assurance, the methods used should be transparent and replicable (NHPAU, 2010). Where household surveys are used, explicit attention should be paid to the sample size required to deliver estimates that have acceptable error margins (Leventhal, 2010). Inferences made using applied statistics should be accompanied by confidence intervals and, in the case of regression results,

⁸ Bramley *et al.* (2000) provided a template that helped ensure some adherence to these principles in Housing Needs Studies. The guidance offered provided worked example of calculations and discussed issues such as the appropriate sample size for household studies.

diagnostic test results be reported. There should, of course, be equal rigour applied when designing, undertaking and reporting the results of qualitative analysis.

This uneasiness about the conceptual and methodological limitations of local market analysis has been accompanied by concern that these assessments have actually had comparatively little impact on policy. On the basis of a systematic study of successive housing plans in four British Cities – Glasgow, Dundee, York and Birmingham – Varady (1996) highlights the general failure of the authors to derive concrete policy conclusions from the background analysis. This observation finds support from Blackaby's review of local market assessments undertaken for 34 local authorities in England and Scotland in the late 1990s during which he was unable to find evidence of any actual policy adjustments made on the basis of the evidence presented in market assessments (Blackaby, 2000).

Taken together this literature review highlights the need for greater conceptual clarity about the operation of markets, the case for applying robust methods and the disappointing policy impact of previous assessments. It seems that, on the surface at least, the weaknesses associated with housing plan making are relatively well understood and all of these issues have been addressed, to some degree, in recent government policy documents.

Significantly, the broad aim of SHMAs, as stated in the practice guidance, is to develop among local authorities (and regional bodies) a "good understanding of how housing markets operate" (CLG, 2007a, p. 7). The guidance imparts clear indications that SHMAs should develop a more spatially-literate view of housing markets and the influences upon them; recognise the heterogeneity of the demand side of the housing market and the levels of correspondence between this and a more nuanced

view of the supply side; and recognise and operationalise the distinction between housing 'need' and 'demand'. The guidance makes these specific points alongside others related to the process of housing market assessment and the way that market intelligence is expected to feed into policymaking and planning activities; and expectations as to the 'robustness' of assessments. Thus, from the literature and official guidance, we would argue that there are several characteristics that SHMAs might reasonably be expected to exhibit. These are summarised in Table 2 below.

First, an SHMA ought to demonstrate definitional and conceptual clarity and should set out plainly what is understood by the main concepts used. Second, given the central role of market assessments in policy making, and their role in processes of contestation and dialogue, it would appear reasonable to expect that the evidence and the analysis could withstand scrutiny of their technical merits as exercises in applied research. Third, it should be clear that the market assessment has been undertaken in a manner that will help ensure that the analytical context can be used in policy and plan making. There are two elements to this. SHMAs are likely to be less contentious if the methods of user engagement in the assessment process meet the requirements of the official guidance. While the guidance permits certain flexibilities, the privileged role of the SHMA as a potentially material consideration in planning determinations bestows a responsibility on planners to ensure that the process undertaken can be defended. There is also, as we observe above, a need for SHMAs to consider the implications of the findings for policy and to be of direct use to plan makers.

TABLE 2 HERE

In sum, an SHMA will be most useful if it exhibits definitional and conceptual clarity, can be shown to be robust in methodological terms and has been developed in line with processes designed to ensure that the evidence is comprehensive, has been established in an open and transparent manner, and can be translated into policy. Although we are not arguing that there is a specific model for 'effective' or 'useful' market assessments, we are suggesting that prior knowledge strongly suggests that there are certain, identifiable guiding characteristics that ought to be present. We use these criteria as the basis for structuring the discussion of SHMA practice that follows. (A summary of the extent to which the sample SHMAs meet the criteria can be found in the Appendix table.)

3.0 Conceptual and definitional clarity in market assessments

The way in which SHMAs have been undertaken has inevitably been, in large part, shaped by the official guidance. However, beyond the broad aspirations it conveys, the guidance says surprisingly little about the concepts pertinent to market analysis such as precise definitions of supply and demand, or how to conceptualise spatial, sectoral or household heterogeneity. It offers little in the way of definitional or conceptual clarity and restricts its comments on the structure and operation of the housing system to a description of a loose economic framework.

In effect, this shifts the onus for ensuring an adequate conceptual base to the producer of the market assessment and/or the end user. We would argue that any review of the effectiveness of SHMAs must consider the adequacy, derived from its clarity and coherence, of the overarching conceptual framework within which applied studies are located. In practical terms, this means that SHMAs should include

coherent and defensible definitions of key concepts (such as demand, supply and need) and should provide clarity about the way in which they propose to deal with spatial cleavages and interactions, the distinctions and relationships between tenures, and differentiation in both the housing stock and the population of local households. In short they must display a degree of internal conceptual consistency that can help ensure that the results are not misleading or ambiguous, and, ideally, should assist the confident translation of the research findings into policy and action.

3.1 Market area principles

One of the innovative characteristics of the SHMA regime is that planners, in line with insights from the related academic literature, are expected to consider a broad market context that is driven by the realities of a ‘functional’ understanding of markets rather than one that merely reflects administrative convenience. This is consistent with the general direction of subregional strategic planning in housing and regeneration policy (until recently, at least) and draws from the experience of England’s Housing Market Renewal programme in essentially ‘rescaling’ the territories for housing planning (Ferrari & Lee, 2010). The related literature, however, fails to provide a clear consensus on how to define market areas. Market studies develop views of a ‘market area’ using one of a range of different principles including those based on self-containment – either of travel to work (Coombes *et al.*, 1978; Coombes, 2002) or of migration (Jones, 2002; Brown & Hincks, 2008) – or the analysis of constant-quality price indices to examine areas of product substitutability (Bibby, 2005). Here again, the producer of the SHMA faces the challenge of linking conceptual concerns to practical solutions.

Despite the efforts expended by the policy community in commissioning studies to determine functional housing market area boundaries (see, for example, NLA *et al.*, 2008a; DTZ Pineda, 2004; Bibby, 2005; and for an overview, Jones *et al.*, 2010), there would appear to have been limited consistency in approach leading to multiple definitions of market boundaries co-existing in many areas and reports that these boundaries have, in fact, had only limited operational significance in framing the boundaries used in SHMA studies (Baker & Watkins, 2009). In practice, it has been rare for upper-tier SHMAs commissioned at sub-regional level to pay much attention to the wider HMA context. In fact, the identification of HMA boundaries is clearly something of a pragmatic matter in practice. In the North West region of England, where competing definitions had been produced by different agencies, the majority of local authorities chose to frame their SHMAs within HMA boundaries that were administratively and politically convenient, even if these ran counter to established knowledge about functional linkages (Baker & Watkins, 2009). The set of boundaries most frequently used were those developed, in part, through a stakeholder consultation process that led to a 'policy compromise' and were typically more likely to be coterminous with administrative boundaries than those developed using a purer empirical approach (such as that of Brown & Hincks, 2008).

In our sample, the majority of upper tier SHMAs adopted a pre-existing regional or other administrative boundary as the basis for the housing market area. However, in some sub regional cases such as the East Midlands SHMAs (B-Line & Three Dragons, 2007; DCA, 2008) there were clear references to the derivation of market areas from studies where the use of migration self-containment methods predominated.

Generally, though, housing market areas were more consistently defined in the lower tier SHMAs we examined. As the Appendix table indicates, of the 11 lower tier SHMAs, at least seven provided a definition of an HMA, again usually on the basis of migration. Inevitably, there were inconsistencies in the geographic scale, even where similar methodological principles had been used. Again, the East Midlands SHMAs were clearly nested within a broader study that defined subregional housing markets. The Telford and Wrekin study (NLA, 2007) recognised a housing market area derived by the regional housing partnership partly on the basis of constant-quality price, which had the effect of orienting its housing market area towards the nearby metropolitan conurbation of the West Midlands rather than rural Shropshire in which it is located. But most of the others used migration data, chiefly as a means of determining very localised housing market areas that might otherwise be more appropriately referred to as spatial market segments. In the remaining areas, the implicit market area is simply that of the local authority district as a whole.

Overall, the degree of internal clarity and consistency and the extent to which conceptual concerns and best practice in market definition have been adopted is highly variable. It tends, however, to be more sophisticated than several related areas of practice.

3.2 Market segmentation

As we note above the importance of 'within area' fragmentation would appear to be implicitly recognised in the practice guidance in that it is suggested that housing demand should be considered in a more plural and disaggregated sense than has traditionally been the case. Arguably a SHMA that recognises sub-markets or some form of market segmentation, and does so consistently, thus not only reflects 'good

practice' but ought to ensure greater internal consistency of analysis and interpretation and allow the policymaker to move beyond a simple net stock balance for the entire market area towards an appreciation that some types of supply will only be likely to meet the demand expressed by specific groups.

In this regard, we found a widespread belief that SHMAs represent a significant step forward in analytical terms. Key to this belief is that SHMAs have, as intended, helped ensure a more nuanced approach to assessing housing policy challenges. Typically, it is felt that:

“We have always had requirement figures in regional spatial strategies and so on but this [SHMAs] is more about the type, mix and tenure and having a better understanding [of the whole system] which I think has been the big step forward for planners ...” (LA Planning Officer).

Most of the SHMAs in our sample attempted to provide some form of submarket definition or segmentation. This, however, is a matter on which the guidance says little and, as might be expected, a wide range of methods were used to partition the market in practice. The upper tier SHMAs tended to draw on other studies for their segmentation approach, while the use of *a priori* assumptions about local market spatiality, or the use of existing administrative boundaries or neighbourhood definitions, were common features in lower tier SHMAs. One study (of Castle Morpeth: DCA, 2007a) did not offer a formal segmentation for analysis but did describe various 'price areas'. The Nottingham SHMA (B-Line & Three Dragons, 2007) describes a rather sophisticated use of GIS analysis combined with maps drawn by stakeholders to arrive at a detailed specification of 59 submarkets.

There are clearly also issues with the consistency of what is understood by both housing market areas and submarkets (or, more precisely, market segments). There is considerable variation in the size of spatial submarkets (for example, six in Birmingham, 12 in Sheffield and 59 in Nottingham) and in the conceptual basis for their designation⁹. As we suggested earlier, there is an unclear relationship between the concept of a housing market area at the regional or subregional level and constituent (spatial) submarkets. In some senses, this confusion is understandable. SHMAs are produced by various agencies at a range of spatial levels and the process of determining submarkets satisfies a number of objectives such as better demand-supply matching and dovetailing with local administrative structures, which are not always compatible. The urban structure of Britain has long been recognised as being particularly complex, with overlapping tiers of geography and a strong socioeconomic dimension to differential patterns of mobility (Coombes *et al.*, 1979). SHMAs have clearly begun to grapple with this complexity but the loose framework in which it is being done and the methodological and conceptual variety of practice stand as obstacles to greater clarity and understanding.

In addition to describing the market as a series of spatially delineated segments, SHMAs have been considering the qualitative nature of demand by recognising and discussing various demand groups. The extent to which these groups have permeated the analytic fabric of assessments varies. The SHMAs we looked at all considered various demand groups in different ways. The models used in some SHMAs considered different mutually exclusive demand groups systematically, while others discussed the particular housing needs or behavioural characteristics of selected specific groups. The lowest common denominator in this respect was to use

⁹ This is evident in the academic literature too (see Jones & Watkins, 2009 for a review).

current or future expected tenure as a means of delineating between different groups. For at least one study this was the only non-spatial disaggregation attempted, thus satisfying only part of the required outputs of an SHMA. Nearly all SHMAs used tenure as a basic framework for understanding demand groups. Several other groups and categories were used, to varying degrees and in varying combinations. Table 3 provides a breakdown of the frequency of various groupings within our sample.

The types of demand groups being considered in SHMAs reflects both guidance and recent policy concerns, but also includes a number of more local issues. Black and Minority Ethnic (BME) households, older people and households with support needs were considered by the majority of market studies, sometimes drawing on specifically-commissioned supporting research. Each of these groups has become increasingly important and constitutes a growing sector within the housing market. Despite the statutory responsibility of local authorities in England to prepare strategies for tackling homelessness,¹⁰ it is surprising that homeless persons or households were only specifically referenced in four of the studies we examined, although the economic concept of ‘concealed households’ was more common, being present in over half of the sample. The treatment of students, key workers and migrants as demand groups reflects more specific localised concerns, albeit ones that have been growing in importance. Overall the treatment of segmentation and heterogeneity has generally been poorer conceptually and empirically than the attempts to define market areas.

TABLE 3 HERE

¹⁰ Section 1 of the Homelessness Act 2002 required all local authorities in England to review homelessness in their district and prepare a local homelessness strategy by July 2003 and every five years hence.

3.3 Analysing demand and supply and their interaction

The final conceptual characteristic we examined was based on the view that studies should adopt a consistent approach to the reconciliation of supply and demand. There are several dimensions to this task. As a first step, this requires clarity about the measures of demand that are used. Estimates based on past migration patterns, survey evidence on mobility expectations, and evidence on housing search behaviour are all potential methods that merit discussion. This task also requires that the SHMA considers how best to quantify the supply of housing and how to measure of market outcomes (e.g. data on prices, rents, transactions, and vacancies) that emerge from the interaction between these variables.

It is in the conceptual treatment of the market in an economic sense, and in the way the demand and supply are quantified and evidenced, that we find the most problematic aspect of current SHMA practice. These weaknesses partly relate to the looseness of the guidance on the matter of supply and demand estimation, and partly on the multiplicity of methods and data sources used in SHMAs. As regard the former, the current guidance is generally thought to be inferior to its predecessor in that:

“in the Bramley guide [on undertaking HNSs] there were examples...of what you do and how you do it...There is virtually no guidance as to what you do. It says identify drivers, talk to stakeholders but...it says virtually nothing about how you estimate market demand. It doesn't show any understanding of the dynamics of the market ...” (Housing Consultant)

There are specific concerns about the lack of guidance on how to match demand and supply-side information. Consequently, there is considerable variation in the way in which the data, including that generated by surveys, are used. Although it is not easy to generalise, there are some notable common features to this work. These include the use of several analytical devices that have debatable validity including, in particular, the use of migration data as a proxy for demand; the use of household expectations as a forecasting tool; and the inadequate basis for the measurement of new housing supply

3.3.1 Migration Analysis

There has been some criticism of the use of migration data as a proxy for demand (Maclennan, 1986). This is derived from the well established view that there is a fairly weak relationship between migration data (which actually represents revealed demand) and effective (but unmet) demand. This is problematic because it is actually the latter that is most important in housing planning. House prices are driven by competition amongst buyers who have strong preferences for particular house types and micro-locations, even though many of these buyers will end up accepting a less than ideal solution when they make their final housing choice. In short, migration outcomes not only reflect household preferences (after taking account of financial constraints) but also reflect the constraints imposed by the patterns of supply (in terms of both new housing and gaps in the existing stock). Migration data will only reflect effective demand when all households are able to purchase their ideal (or optimal) home. This conceptual weakness is exacerbated when migration-based demand estimates are used in forecasting demand. Bramley & Watkins (1995) highlight the circularity inherent in basing estimates of future (effective) demand on

migration (or revealed demand) data. It is suggested that, in effect, new supply draws in migrants who are unable to find their preferred home (or meet their effective demand in other locations) and this imperfect outcome then becomes the justification for further new supply.

Despite these apparent problems, the use of migration figures as a proxy for demand levels appears to be by far the most common method used in adopted market assessments. Of our sample, migration data was used as a direct input to demand estimations in six of the 10 'upper tier' and nine of the 11 'lower tier' studies. Even where migration is not used as a direct input, the reliance on official population and household projections, which use migration as an input variable, means that the circularity problem is not completely avoided. These limitations are compounded by significant pragmatic concerns about the quality of both primary and secondary migration data. Survey-based information is limited because of small sample sizes and these difficulties are magnified when analysing disaggregated spatial patterns. Secondary migration data, on the other hand, suffer from being highly dated and incomplete. The reliability of these data, which are updated using NHS records, diminishes considerably with the period that has elapsed since the most recent census of population (Hull, 1997). Taken together, and given the widespread use of surveys in SHMAs, it is perhaps surprising that the use of data on housing search, based on a set of carefully constructed bespoke questions, has not been explored in practice as an alternative or complementary aspect of demand analysis.

3.3.2 The Use of Expectations Data

There are some issues associated with the practice of measuring latent demand in terms of households' own expressed preferences and expectations. Typically, this

involves using household surveys to generate data on mobility expectation within pre-specified time periods (normally 12 months, two years and/or five years) and using these data to inform an assessment of the scale of future levels of out-migration and new household formation. The data are also, in some cases, explored further to derive conclusions about the size and type of new housing required. Every lower tier SHMA that employed a household survey (five of 11) used data on household expectations in this way. While this method was less widely used for 'upper tier' studies, it was present in two of the three that used survey evidence.

Importantly, and despite empirical evidence on this issue (De Groot *et al.*, 2007; Lu, 1999), these studies make no systematic allowance for the possibility that expectations of household moves may be quite different from actual moves. This is slightly surprising given that this is a well understood area of weakness that has been picked up in several stakeholders' critiques of SHMAs. As one interviewee explains,

“one of the criticisms from builders [is that] you get the problem of people saying what they would ideally like, where they would like to be living and in what type of house, but the reality is that everybody is forced in to compromises because of what happens on the supply side, the implications of income and family circumstancesand a range of other reasons such as schools and school quality.” (LA Planning Officer)

3.3.3 Measuring housing supply

The treatment of housing supply remains under-developed. Indeed several stakeholders argue that the approach to defining and analysing existing stock and new supply trends tends towards the perfunctory. As one planner put it,

“the assessment should do more than say 'well, what is the supply likely to be?'... How far can demand be met from existing stock, how might stock change and what does that mean ... that is a missing element at the moment.” (Planning Officer)

There is, however, some optimism that this weakness might be improved as the use of Strategic Housing Land Availability Assessments (SHLAAs) evolves. SHLAAs are intended to be employed by local authorities to identify specific deliverable sites that are ready for development in the first five years of a plan and to identify additional potentially developable sites beyond then (see CLG, 2007b).

While the focus of SHLAAs is on flows of new housing opportunities, as we note above, SHMAs merely tend to treat the supply side in terms of existing stock, sometimes cross-tabulated by type and tenure. The temporal dimension and assessment of development feasibility required in SHLAAs is not normally reflected in SHMAs' reconciliations of supply and demand¹¹. Although the linkages between SHMAs and SHLAAs have not been yet clearly established, users believe that existing weaknesses might readily be addressed through closer internal working relations.

The difficulties associated with developing conceptual clarity around the measurement of supply and demand means that there is little open discussion of

¹¹ Although one study in our sample (Kensington and Chelsea: Fordham Research, 2009a) did take a more integrative approach

how these measures are reconciled. One study, for Greater London, brings together demand and supply side equations in a simulation model (ORS, 2008). The way in which the central concepts are measured and reconciled, however, is rather opaque. Most studies appear to adopt an implicit gross flows model of housing need that is based (to a degree that is rarely made explicit) on the guidance on needs estimations developed by Bramley *et al.* (2000).

At a general level, it would appear that most SHMAs suffer from a lack of definitional clarity with regard to key market concepts. This leads to associated operational difficulties when it comes to defining markets, measuring supply and demand, and reconciling these measures to estimate future trends. It has been argued that, to some extent, the villain is the central government guidance (Ecotec, 2009). The guidance does not exhibit the same precision as the manual concerned with needs models but equally, despite the flexibility allowed by CLG, practice has not evolved sufficiently to establish a consistent, robust analytical framework. Although numerous different approaches (or 'models') have emerged, the degree to which these might be described as 'fit for purpose' in the sense that they provide a reliable basis from which to forecast the key outcomes (such as price, demand and need) is limited.

4.0 Technical and methodological robustness

Despite the conceptual weaknesses in housing market studies, the primary arena for contestation within the area of planning for housing has been around the technical merits of approaches used to estimate various (mainly quantitative) phenomena. This has been the tactic adopted by a range of actors with diverse motivations informed by equally diverse positions, be they political or ideological. While diametrically opposing views about development and sustainability have

characterised the poles of the housing numbers debate in the South East of England, for example, the technical validity and suitability of data and analysis techniques can serve as a focus for energies born of ‘competing rationalities’ (Murdoch, 2000).

A focus on the technical merits of market assessment therefore serves two superficially contrasting purposes. On the one hand, improving the ‘scientific’ basis for analysis and better documenting it serves to tip the balance of power in favour of the technocratic elites that operate ‘governmental technologies’ (Rydin, 2007). Yet, on the other, through greater (technical) transparency and replicability, actors are given a surer framework in which to deliberate. Moreover, they might be encouraged to ensure that their deliberations address issues of fundamental principle, focusing less on the ‘technologies’ and more on ‘competing rationalities’.

4.1 Transparency of methods

Two key methodological criteria are suggested by this analysis (see Table 2). The first is that the methods used within SHMAs ought to be transparent and replicable. As a minimum, it is expected that, ideally, any quantitative data analysis (using either primary or secondary data) should be subjected to some form of testing for statistical significance or error. Going further, analysts should provide details of model structures, regression results and associated diagnostic tests wherever used. The provenance and structure of data sources should be explained. All of these practices would serve to increase the transparency of the data and methods used to arrive at key estimates within market assessments.

Part of the process checklist contained within the practice guidance includes the requirement for an SHMA to contain “a full technical explanation of the methods

employed, with any limitations noted” (CLG, 2007a, p. 10). Yet, save for some advice on the deployment of sample surveys, the guidance does not provide any detail or examples of the types of specific methods that might be used, nor how the results and evidence from these might be presented. While the distinction between primary and secondary data collection is frequently made, this is in the context of ensuring appropriateness, proportionality and value for money and no guidance is given as to how to ensure or communicate the robustness of the techniques and data employed.

Evidence of basic tests of statistical significance or confidence was only present in two of our sample of SHMAs: Castle Morpeth and Exeter & Torbay (DCA, 2007a; ORS, 2007). One further SHMA (Hounslow: Fordham Research, 2008) provided an explanation of the procedure adopted to weight survey data. A number of SHMAs adopted proprietary models as the basis of their estimates of housing need, but provided insufficient operational detail to permit the replication or validation of the models. Modelling practice within SHMAs is typically something of a ‘black box’ and leaves it impossible to make a determination of the robustness of the results. The Greater London SHMA (ORS, 2008), for instance, is based on a micro simulation model but provides no details of the precise methodology and data, or of the reliability of the results other than the assertion that the method is “consistent with micro-simulation models used for the analysis of other large [survey] datasets ...” (ORS, 2008, p. 41) and the presentation of some basic sensitivity analysis.

There is a general presumption that SHMAs should begin to make greater use of secondary microdata such as that drawn from administrative systems in preference to the commissioning of expensive surveys. Despite the boldness of the guidance on this matter, we found that stakeholders clearly do not believe that secondary data

can address all of the topics of concern in local housing and spatial planning policy. Although less than half of our sample employed a household survey as the main data source (see Table 1), there was a distinct bias towards their use in lower tier studies. It may be that this reflects a degree of conservatism on the part of those commissioning market assessments but it is also, at least in part, because secondary data is thought to be particularly limited as a basis for measuring housing affordability or for estimating future housing need at the local level. A commonly held view is that:

“the survey [is] able to get at concepts that secondary [data] couldn't...[by] getting at people's perceptionsand being able to link people's incomes to their housing preferences.” (LA Housing Officer)

It is interesting to note that the survey and statistical methods used in many SHMAs have, despite the change in the form and scope of the assessment undertaken, remained broadly unchanged since the 2001 HNS guidance. This, of course, serves to reinforce the view that HNSs were quite good at estimating need but weaker when dealing with market demand. Indeed, the failure to develop the survey instruments used would appear to have been a major constraint on the development of understanding of market dynamics. The design and analysis of surveys is an area where stakeholders expressed a desire for more detailed guidance.

4.2 Use of data

While an adherence to the broad principles of transparency and robustness, as applied to all social scientific enquiry, should be a feature of SHMAs, the guidance does recognise that there are frequently limits to the capacity to marshal appropriate

data, either from primary or secondary sources. The principle of ‘triangulation’ is propounded as a means of overcoming these by “bringing together and contrasting available evidence from different sources” (CLG, 2007a, p. 17). This brings us to the second methodological criterion for robust analysis within SHMAs: that data are recorded appropriately and used to inform analysis and interpretation. The role of qualitative insights in this regard is pivotal and the practice guidance recognises the role of qualitative methods particularly for collecting information on specific demand groups such as minority and hard-to-reach households. Annexes to the practice guidance contain some detail on methods used to gather the views of estate and letting agents, but there is no specific guidance on how to ‘use’ the results analytically or to frame policy interpretation.

The collection of qualitative data was explicitly referred to in just over half (11) of our sample of SHMAs. A variety of techniques were employed, including semi-structured interviews, focus groups and consultative events with ‘stakeholders’ (typically estate agents, housebuilders and representatives of other policy domains such as homelessness). Detailed descriptions of the research techniques varied: in most cases, the general nature of the activities was noted, while some provided information on the numbers and characteristics of participants. Few SHMAs provided detail on the responses that were recorded from qualitative research. The Greater Manchester (Deloitte MCS with GVA Grimley, 2008), Exeter & Torbay (ORS, 2007) and Gloucestershire & Districts (Fordham Research, 2009b) SHMAs provided summarised answers to interview questions and workshop discussions. In some other cases, data were used selectively to support specific points or sections but generally speaking there was little evidence that qualitative data were recorded or analysed systematically.

Of equal concern is the extent to which the insights gleaned from qualitative data were integrated with the broader market analysis within SHMAs and were used to inform their interpretation. In most cases it was left to the reader to tacitly assume that the analysis and interpretation was based on all available evidence, including that borne of qualitative techniques. The Barnsley SHMA (Arc4, 2008) used ‘discussions’ with estate agents to provide context for the analysis of information on house prices and rents and to characterise developer and landlord activities within the local market. Evidence of similar inputs were found in the Sheffield (DCA, 2007b), Rotherham (Fordham Research, 2007), Exeter & Torbay (ORS, 2007) and Gloucestershire & Districts (Fordham Research, 2009b) SHMAs but the methods supporting this were unspecified. On the whole, we found no examples to suggest that qualitative analysis was being used as an integral part of the assessment strategy, or to frame interpretation and discussion in more than a token way or for certain selected issues only.

5.0 Conducting and using SHMAs

The final set of characteristics we examine in this paper relates to the conduct of the assessment process and use of SHMA findings in policy discussions. The SHMA practice guidance sets out an expectation that SHMAs must be “robust and credible assessments” if they are to be “fit for purpose” (CLG, 2007a, p. 9). The test is provided for by national planning policy on the preparation of local spatial plans but there are no specific criteria beyond a requirement for evidence to contain the views of local stakeholders alongside “background facts” in a way that is proportionate, relevant and up-to-date. In the case of SHMAs, however, this is elaborated upon in the practice guidance by a list of required outputs and process steps. The required

outputs include the results of estimates and calculations of specified indicators (although there is flexibility as to how these are performed). Clearly, a minimum criterion is that a SHMA produces these outputs. Yet it is the required process steps that are arguably more onerous in that they contain some of the new features of the market assessment approach that distinguish it from the HNS regime. Two such related features are the requirements to first identify a housing market area (see section 3) and then to consider housing market conditions within the context of that area. Another process step covers the expected use of data and views gleaned from key stakeholders. This section considers SHMA practice against four processual criteria (see Table 2).

5.1 Housing market partnerships

Although the process check list contained in the guidance does not require SHMAs to be produced by a 'housing market partnership', their establishment is nevertheless encouraged strongly. It is clear both from the guidance and from the need to consider market conditions within the context of a market area that cross boundary partnership working of some form is both appropriate in efficiency terms and thought likely to be beneficial in bringing about conceptual and technical consistency to market assessments. Therefore we consider one key attribute of a 'fit for purpose' SHMA to be the establishment of some form of partnership working across boundaries unless there are clear reasons why this would not be appropriate.

In practice, a significant distinction can be drawn between the upper and lower tier SHMAs. All of the upper tier studies we looked at referred to some form of partnership or steering group, although typically these comprised local authority officers and representatives of various public agencies rather than drawing from a

wider constituency. Of our sample, the North West region provided a notable exception in that its partnership included various lobby groups such as the Campaign to Protect Rural England and the Home Builders' Federation alongside regional and local public bodies (NLA *et al.*, 2008b). The formation or recognition of a partnership was less evident in the case of 'lower tier' studies. Four of the 11 studies recognised an existing regional housing market partnership and a further one study referred to a 'steering group' but there was otherwise no evidence that the establishment of housing market partnerships was a strong feature of local SHMA practice.

5.2 Policy interpretation

Despite not being a key step in the guidance's process checklist, there is an implicit requirement that the policy implications and commentary contained within SHMAs should be based on, and justifiable by, the evidence presented. This is a key tenet of the 'robust and credible' test in national planning policy. We would, given this intended use and existing critiques of housing planning (see section 1), view the production of a policy commentary within a SHMA as an essential feature of a document that is to be more than simply an atlas or digest of facts and data. This recognises the inescapable role of the assessment as part of an assemblage of evidence, driven by the values and visions of the commissioner rather than as part of an exercise in instrumental rationality. Davoudi (2006) challenges the notion that data alone can constitute good policymaking, and emphasises the importance of evidence's "connection to the wider debate about the conceptualization of space and place" (Davoudi, 2006, p. 21). Furthermore, to repeat an earlier point, acknowledging the purpose and drive behind market assessment serves to shift a focus for debate to the points of principle underpinning it rather than the data and techniques. For

these reasons, we consider a key criterion of a sound assessment process to include a commentary on (or interpretation of) the policy implications of the analysis.

Nearly all (19) of the sampled SHMAs provided some form of policy commentary and interpretation, although there were noteworthy variations in the forms these took. It was possible to categorise SHMA practice in this regard in two ways. First, and most instrumentally, some studies restricted their policy commentary to a description of the immediate policy context for the study, often in terms of how the SHMA related to a suite of local policy documents or plans. The second, more analytical, practice was to discuss the outputs of the SHMA in the context of a range of broad policy drivers and their implications for housing planning.

This latter practice was marginally more prevalent in 'upper tier' studies (eight of 10) than it was in 'lower tier' studies (seven of 11) but the policy topics tended to differ. Regional and sub-regional studies, perhaps unsurprisingly, discussed broad economic trends and the relationship of housing market issues to these and other regional strategic themes. Local studies tended to make greater reference to the implications for policy surrounding specific market segments, such as the private rented sector; local affordability; special needs groups; schools; and transport. Nevertheless, some cross fertilisation of ideas was apparent: the Macclesfield SHMA included a mixture of selected regional policy discussions, around airport expansion and road tolling for example (Ecotec, 2008). Policy discussion in the Gloucestershire & Districts SHMA (Fordham Research, 2009b), on the other hand, was more heavily weighted towards process aspects such as the relationship to the draft Regional Spatial Strategy and the preparation of local plans and policies. Of those studies that contained little by way of policy commentary, the Castle Morpeth SHMA (DCA,

2007a) was fairly typical in that it simply summarised data from the market assessment and restated headline findings, stopping short of discussing their strategic implications in a more meaningful sense. Although most SHMAs contained some form of policy commentary, few offered a systematic treatment, and the policy issues discussed were often selective, or, at least, the basis for their selection was unclear. Less than half of the sample (eight studies) addressed both the (instrumental) policy context and the broader policy drivers.

5.3 Stakeholder involvement

The third process aspect we considered was evidence of stakeholder involvement in the preparation of SHMAs. The guidance includes this as an explicit step in its checklist and, reinforcing the 'market' orientation of SHMAs over their predecessors, requires that the stakeholder definition includes house builders. Although we have already considered the role of stakeholders in providing qualitative research data (in section 4), we are interested here in the extent to which stakeholders were involved in shaping the SHMA process and the ensuing policy debate.

Only five 'lower tier' studies referred to stakeholder involvement, although it was more apparent among the 'upper tier' studies (seven instances). The nature of stakeholders and the forms of their involvement appeared to vary significantly. Some SHMAs described a wide range of involvement mechanisms, such as the Greater Manchester study (Deloitte MCS with GVA Grimley, 2008) which details 'breakfast meetings', developers' workshops and 'individual consultations', although even in this case precise details of participants and outcomes were not provided. In some other cases, such as the North West (NLA *et al.*, 2008b) and Greater London (ORS, 2008), the involvement of stakeholders is implied by their participation in the housing

market partnership or some other form of steering group, but again the specific outcomes of these processes is not known. We did not find any examples of SHMAs where the involvement mechanisms or their outcomes were explicitly integrated into the analysis or discussion of policy implications. The emphasis instead appears to have been on listing the forms of engagement activities and acknowledging that they took place rather than demonstrating how the assessment or interpretation was accommodated or was shaped by stakeholder concerns. That this occurred is left as a matter of faith for the SHMAs' readership.

5.4 SHMA outputs

Finally, we examined the extent to which, in practice, SHMAs deliver the prescribed outputs. The guidance specifies eight 'core outputs' which are, in effect, specific quantitative estimates or analyses of housing requirements of various sorts (CLG, 2007a, p. 10). Not all SHMAs deliver all of these core outputs. Two studies did not refer systematically to the outputs or provide figures that could be used to satisfy them. A further nine SHMAs provided partial results for the eight prescribed outputs, while 10, on balance, provided all of them. Even in those cases providing all of the outputs, however, a mixture of methods and data sources were used, sometimes drawing from existing or older studies, and there were particular problems with some of the more complex outputs that require disaggregation across tenures or demand groups. The use of consultants' proprietary models was widespread, and while these have clearly been developed with the output requirements in mind, as we noted in section 4 their opacity often precludes a rigorous assessment of the outputs in a manner beyond merely enumerating their existence. The production, then, of a specified output is clearly no guarantor of its robustness; indeed different methods can, and do, produce different results. Ferrari (2008) refers to the inconsistencies

between different assessments of housing affordability in Wakefield: a regional SHMA concluded that Wakefield's housing was among the least affordable in its region while the city's own (lower tier) assessment concluded that its housing was among the most affordable in England. The absence of clarity about the key concepts, methods and data used in the analytical process means that the user is left with little prospect of making a sensible assessment of the conflicting forecasts offered.

6.0 Conclusions

This paper has sought to reflect critically on the maturing practice of Strategic Housing Market Assessment in England. The review starts from the presumption that robust 'market assessments' offer much as a basis for improving the market responsiveness of planning decisions. There is, we would contend, a strong policy imperative for market data to be analysed in context and it seems that SHMAs have served to advance planners' general understanding of the workings of local housing systems. Indeed, local planners are generally optimistic about the contribution these assessments might make to policy formulation. That said, it is important to acknowledge the magnitude of the core task: reliably forecasting key market outcomes. This poses theoretical, technical and informational challenges that are not easily addressed at the local or sub-regional level by even the most gifted economic model builder. In this context, it was never our intention to suggest that SHMAs should be held to academic standards of rigour or that they should deploy leading edge techniques developed by econometricians or spatial statisticians. Rather we have merely set out to investigate whether those involved in reshaping the SHMA

framework in the UK or in the development of equivalent processes in other international contexts, might learn several practical lessons from recent practice.

In doing so, we sought to draw together some guidelines on what characteristics we might reasonably expect SHMAs to exhibit. These characteristics were derived from a review of conceptual contributions to the housing market analysis literature, applied market studies and evaluations of housing plan making. We stopped short, however, of suggesting that SHMAs should follow a single methodological template. As the literature implies, there are many ways to design and implement competent local housing market studies. The benchmark of quality should be that they exhibit a high degree of internal conceptual clarity and consistency, offer a transparent and replicable account of the data collection procedure, research methods and analytical techniques used, and provide clear links between the findings and policy analysis (set beside an open discussion about the concerns of stakeholders engaged in the process).

With this in mind, we posed three specific questions at the outset of the paper. First, do SHMAs exhibit definitional and conceptual clarity? In answer, we would argue that there are important conceptual weaknesses evident in the SHMAs reviewed. These relate to the way in which markets are defined, the treatment of internal market structures and the basis used to identify and reconcile demand and supply. We argue that, although this is not a simple task, there needs to be greater care taken to ensure internal conceptual and definitional clarity in regard to the use of key market concepts and processes. There may be an enhanced role for central government's practice guidance in addressing this issue.

Second, we asked whether SHMAs were methodologically robust. We found a considerable degree of opacity surrounding the research methods used in SHMAs. We raised concerns about the robustness of the use of statistical techniques, survey and qualitative research methods, which imply a need for better quality assurance, perhaps from central government or an independent body.

Finally, we asked whether the conduct and use of SHMAs was effective. We found that there remain significant questions about the way in which SHMAs engage with and are used by stakeholders. It seems that the analysis embedded within SHMAs is not always convincingly linked to policy issues. Even at the most basic level, not all SHMAs provide the required outputs and, worse, there can be contradictions and inconsistencies in their interpretation. It is worth restating the significant differences in practice that we found between SHMAs undertaken at different spatial scales. This implies a need to clarify the roles of these assessments and to minimise the potential for overlaps and conflicts. There is currently too much potential for duplication. It is entirely possible that a sub-region with four local authorities might contain eight or more separate SHMAs at different spatial scales, commissioned by different planning authorities.

Clearly, improving the conceptual and methodological basis for practice is not a simple matter. There have long been behavioural constraints on the development of local market assessments (O'Sullivan, 2003). Local authorities have limited resources to commit to this exercise. Nevertheless, it is our contention that, despite the advancements made, more ought to have been achieved, in terms of the quality of the planning evidence base, from the resources committed to date. There clearly remains a need to invest in the planning skills base if we are to improve the market

analysis toolkit. While practice is uneven and few SHMAs perform “adequately” in all areas, there are exemplars of good practice embedded in many studies but these have not been drawn together in a systematic way. Investment in the skills and knowledge base would secure benefits in the way SHMAs are commissioned, framed and managed as well as helping to enhance applied housing market analysis more directly.

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