



Executive Summary:

Understanding the Local Impact of New Residential Development - a Pilot Study

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Acacia Park, Basildon



Key Findings

The question

The objective of the project is to make a contribution to understanding the impact of new housing development on the immediately surrounding area and population. In particular it addresses the question of whether new development must always reduce prices or reduce the rate of increase in prices in the immediately surrounding area.

The approach

This report presents the findings of our research into the impacts of eight recent residential developments on their local areas. The aim was to exemplify 'ordinary' developments mainly on sites where there had been objections (some significant) at planning permission stage prior to development.

The project is of necessity a pilot. Every site is unique and there is no possibility of undertaking a statistical analysis that can identify all the different factors that affect prices. Rather it looks to see first whether there is evidence that prices always fall in the surrounding area as a result of new development, secondly whether there are patterns in price changes which appear to be associated with particular types of development and thirdly whether other factors affecting price can be identified.

The sites selected all involve fewer than 300 units and were completed within the last 5 years. It is important, therefore, to note that the impacts observed may well be different around sites which are significantly larger than the ones studied in this project.

In this context we distinguished the immediate area (within 0.3 miles of the site) which on average might include around 200 dwellings and a much broader area (defined by the three/ four-digit postcode district¹ surrounding the site).

Some points to stress are that the numbers of transactions over the period of analysis are usually small and many factors other than new residential development affect local house prices. The strength of the evidence therefore has to lie in its relative consistency across different sites.

¹ Although the number of delivery points per postcode district can range considerably, on average there are somewhat under 10,000 dwellings per district. For more information, see <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/postal/index.html> and <http://www.bph-postcodes.co.uk/guidetopc.cgi>.

Quantitative findings

In sites where the land developed for residential purposes had amenity value previously (such as greenfield open space or recreation facilities), there appear to be periods of decline in property values in the immediate area (within 0.3 miles) during or just after the construction period². Even so in the cases where we have all the necessary information on price trends during the construction period, prices in the immediate area were higher at the end of the construction period than at the beginning.

Any negative effects on prices in the immediate area around these sites with previous amenity value were not generally sustained. Prices in neighbouring areas began to recover shortly after completion, within a maximum of two years of the price decline. At one site prices then declined again after recovering, perhaps because of further construction activity in the area. At two sites, prices recovered before construction had been completed.

In two out of three areas which were considered unattractive by the local community there was little or no observed negative effect on neighbouring property values even during the construction period. Thereafter house prices in these areas tended to improve quite rapidly.

At the broader three/four-digit postcode district level prices remained relatively stable over the period immediately following the credit crunch and thereafter rose fairly consistently, except in one case where prices in the district (and in the local authority area) dipped slightly in 2010 but recovered by 2014. There was no observable dip during the construction period at the postcode district level for 7 out of the 8 study sites.

At this spatial level there is little observable difference in the price pattern between sites with previous amenity values where there had been significant objections prior to the development and the three areas which were brownfield/derelict.

These price data therefore suggest that the areas where price reductions occurred are spatially limited and that the local market generally absorbs the impact of additional housing quickly.

There is also some evidence that new development can improve longer-term outcomes, with prices rising somewhat faster in the immediately surrounding areas of five of the study sites following completion as compared to price rises in the broader postcode districts.

² We have benefitted greatly from support by Hometrack who provided data on prices at different spatial levels.

Qualitative findings

At sites where a high level of opposition was experienced at the time that planning permission was granted, opposition tended to decrease substantially once the development was completed.

In particular, where Barratt has actively engaged with the community, both during and after the construction process, this is seen to have encouraged long-term acceptance of the new development.

Despite the fact that most of these developments moved through planning during or just before the economic downturn, projected prices in all but one of the study sites were achieved, partly because of government and developer led initiatives.

Thinking of the impact of new development in its wider context, factors such as ownership of the site, design characteristics, the projected clientele for the development, its impacts on local services and resources and the role of planning in ameliorating any negative effects of the development are all likely to be important influences on prices and price changes in the surrounding area.

Overall

Analysis of the price data suggests that there is often evidence of short-term disruption mainly during the construction period and especially in areas which were seen to have high amenity value before the new development. Thereafter, the evidence indicates that in all types of areas the new development generally blends into the broader housing market quickly. It also suggests that developments, of the size and scale studied, even in areas where originally objections were significant, can lead to more rapid increases in local house prices.

Qualitative data also show that once the development is completed concerns raised at the time of planning permission appear to decline.



Vitae, Thurrock

The Project

This project, sponsored by Barratt and the NHBC Foundation, aims to better understand the impact of different types of new development on the immediate surrounding area and the local population.

The starting point for the research is that most people's immediate response to the possibility of development nearby is that the development will reduce their wellbeing – notably with respect to access to local services, their own immediate environment and concern that the market will respond to this increased supply and perceived lower quality of life by lowering overall property values. This research concentrates particularly on whether and how prices in the surrounding area are affected but also looks more broadly at the other factors that may affect outcomes.

The project is of necessity only a pilot. Each site is unique and there is no data available to undertake statistical analysis that can take account of all the different factors that affect prices. Rather the project looks to see:

- first what is the evidence about whether prices in the surrounding area always fall;
- second whether there are patterns in price development in these areas which appear to be associated with different types of development; and,
- third whether other factors affecting prices can be identified.



Meadowbrook, Four Marks

The Approach

The project involved detailed case studies of a small number development sites in the South and Midlands which exemplify the most usual types of development outside central urban and wholly rural areas.

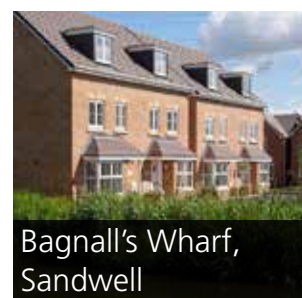
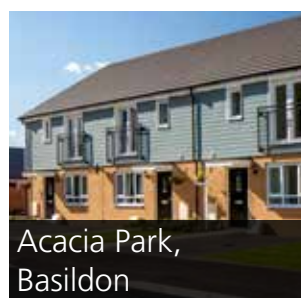
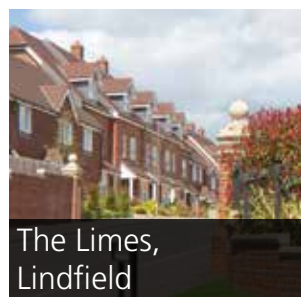
After a review of the issues and available evidence on the impact on new development on surrounding areas the empirical element of the project employed a three-stage research methodology:

1. Scoping and preliminary research on study sites
2. Interviews with the developer to clarify site profile and development narrative
3. Analysis of price impacts with data from three sources

The sites were selected based on preliminary research into the size of the development, reported levels of opposition, amount of concurrent development also happening in the area, type of location and previous use of land. The aim was to exemplify 'ordinary' developments mainly on sites where there had been some significant objection (because more lessons can be drawn from those areas where people clearly thought there would be negative effects from the development going ahead); one of our study sites, however, experienced minimal planning objections.

The sites selected all involve fewer than 300 units and were substantially completed within the last five years. It is important, therefore, to note that the impacts observed may well be different on sites which are significantly larger than the ones studied in this project. The case studies selected vary in terms of percentage of affordable housing provided on site, ownership of the site, previous use of the land and levels of opposition, although as already noted most of the sites experienced considerable opposition on various grounds during the planning process.

The eight sites selected for study were:



After selecting the sites, we interviewed the development managers who oversaw the development at each location. These interviews covered: details of number and size of units; percentage and type of affordable housing allocated; details of the planning process and objections; dates and description of the construction process, including any delays or modifications made; the selling process and prices achieved; whether or not, in the developer's mind, the site was relatively complicated and whether any of the negative impacts some may have expected as a result of the development did arise in practice.

Price data were identified by isolating the postcodes for each of the study sites (the development itself) and the immediately neighbouring areas (a 0.3 mile radius around the site). Hometrack generously provided price data at these lower spatial levels as well as for the three/four-digit postcode districts and for the local authorities. Data were also collected from Zoopla and the Land Registry. Zoopla data appear to be overly smoothed, but can aid in comparing price trends between our study areas and the wider postcode and local authority areas. Land Registry data were only available at the local authority level for four of our sites. Data from these latter sources are set out in the annex of the main report.

A warning

It is important that great care is taken when interpreting the case study data as inevitably there are quite small numbers of transactions over the period of analysis. Equally there are more general factors - notably the credit crunch and subsequent recession - which have affected all house prices but to varying degrees. The strength of the evidence lies in its relative consistency across different sites.



The Findings

We divide the eight sites into two groups: five Category A sites, which were built on land with previously higher amenity value, and three Category B sites, which were built on land that previously had lower amenity value including derelict industrial land.

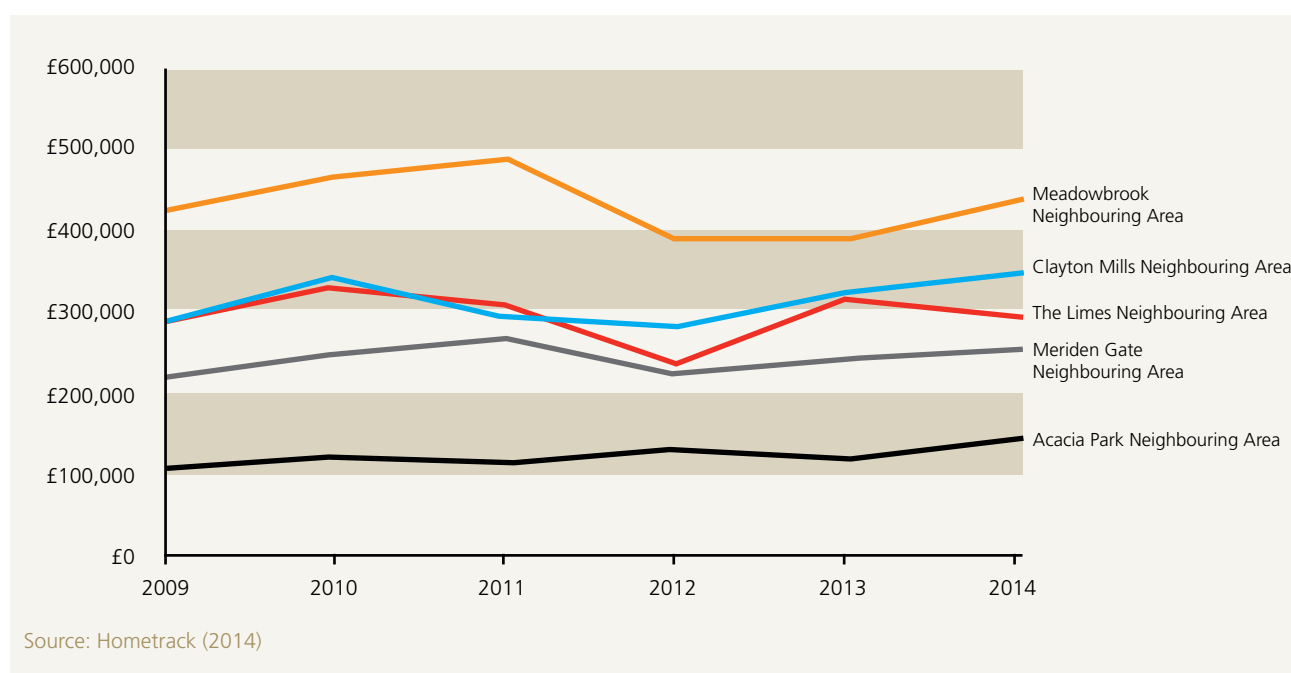
Quantitative findings

The main quantitative analysis consisted of comparisons of price changes in the immediately surrounding area and then across a somewhat broader (three/four-digit postcode district) area.

(i) Prices in neighbouring areas

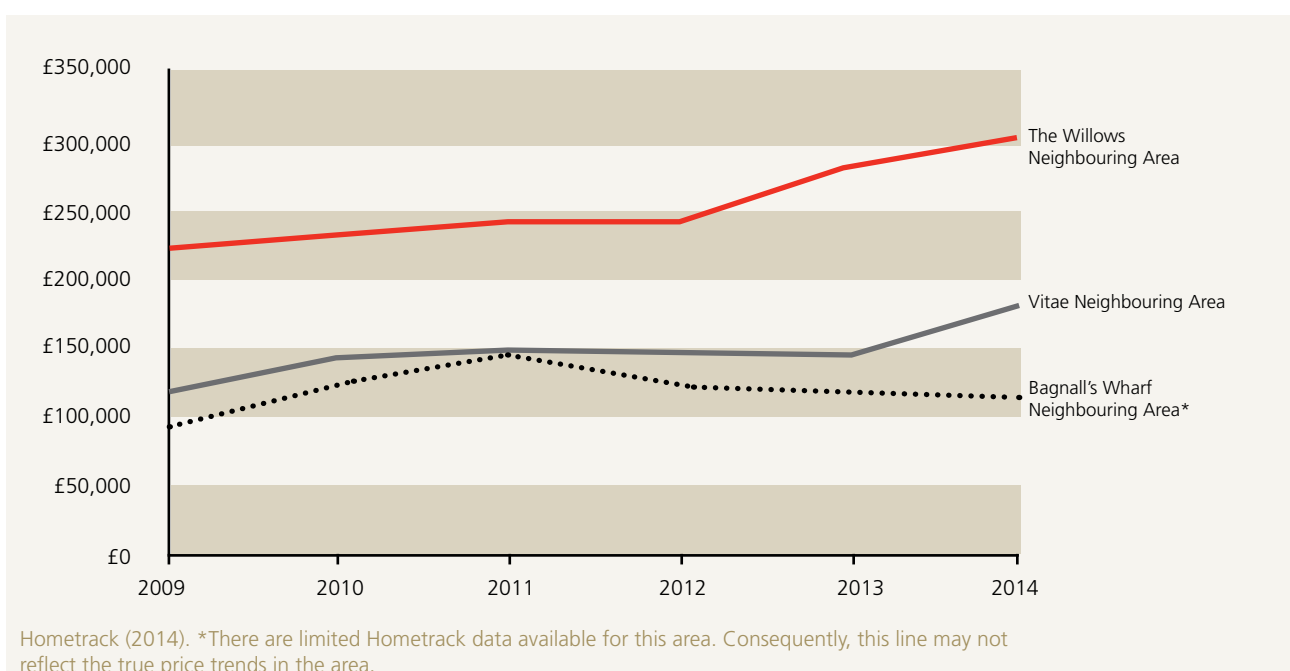
- Figures 1 and 2 clarify the pattern of prices observed in the immediately surrounding areas of each site (0.3 mile radius).
- Figure 1 includes sites where the land developed for residential purposes had been seen to have previous amenity value (such as greenfield open space or recreation facilities).
- In these sites, there appears to be an initial negative effect on property values in the immediately neighbouring areas either during or just after the construction window. However, this effect is not generally sustained. Prices in neighbouring areas begin to recover usually within one to two years. For more information on the construction window of each site, please see Tables 6.1 and 6.2 in Chapter 6 and the summary tables in Annex 1.

Figure 1: Average House Price Trends, Areas Neighbouring (0.3 mile radius) New Development Built on Previously Greenfield or Recreation Land, 2009-2014



- In two out of three of the areas where the land was not thought to have high amenity value and instead was brownfield or considered unattractive by the local community (Figure 2), there was little or no observed negative effect on neighbouring property values during or just after construction. Data counts for the single site that did experience price decline after construction had finished were very low.
- Moreover, once the project was completed house prices in the two areas experiencing minimal negative impact tended to improve quite rapidly.
- In all cases we should note that the dwelling sizes of existing properties sold during the period (which we cannot ascertain) may affect the pattern of prices which is one reason for apparent volatility in prices.
- Taken together the evidence suggests that new development in such areas may stabilise or even increase prices in the immediate areas quite quickly once development is complete where the market is generally stable and rising. They also suggest that there is little evidence of longer-term negative impacts.

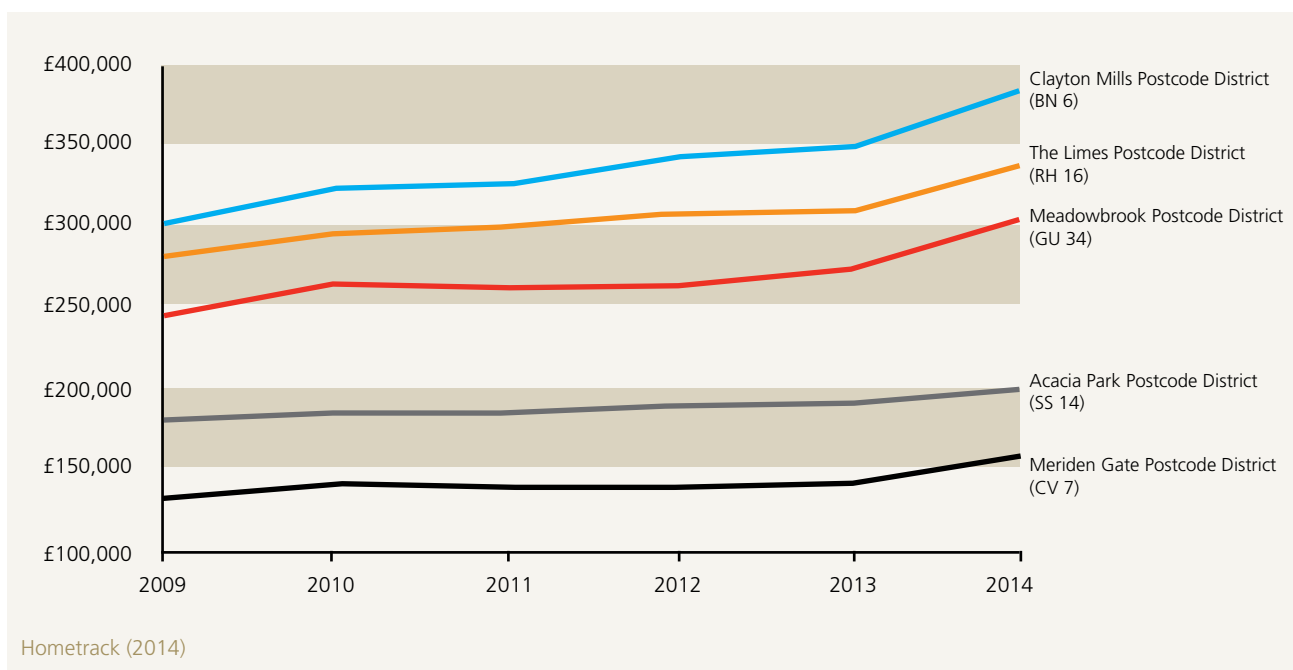
Figure 2: Average House Price Trends, Areas Neighbouring (0.3 mile radius) New Development Built on Previously Brownfield or Low Amenity Land, 2009-2014



(ii) Price in the broader three/four-digit postcode districts

- Figures 3 and 4 show the pattern of prices over the larger area defined by the local three/four-digit postcode district. They show clearly that there is hardly any evidence of negative price changes in these larger areas.
- Rather prices remained relatively stable over the period immediately following the credit crunch and thereafter have risen fairly consistently.
- At the larger area level there are few observed differences in the pattern of price increases between sites where there was seen to be amenity value which might be damaged by the development and the three areas which were previously brownfield/derelict.
- Taken in conjunction with the analysis of neighbouring prices above, these data suggest that the negative effects where they exist are spatially limited and that the local market generally absorbs the impact of additional housing relatively quickly and easily. There is also some evidence that the new development can improve longer-term price outcomes.

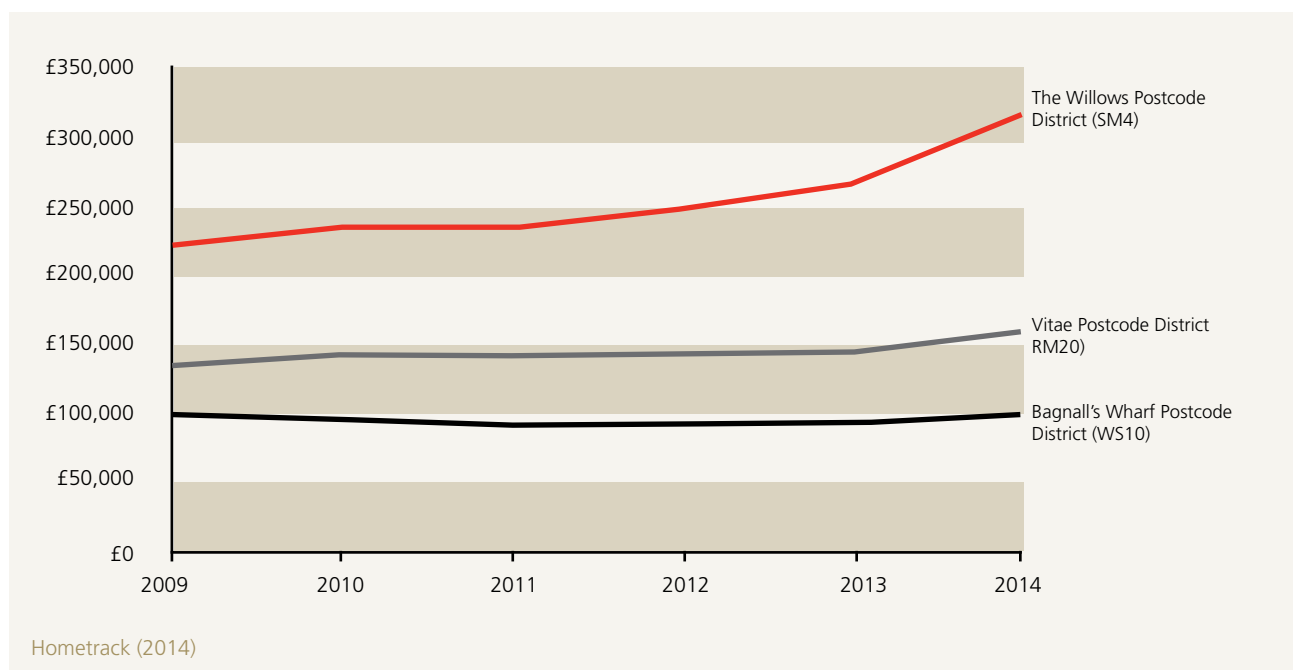
Figure 3: Average House Price Trends, Three/four-digit Postcode districts of New Development Built on Previously Greenfield or Recreation Land, 2009-2014



Looking in more detail at the changes within the construction period we find that price trends in the immediately neighbouring area in Category A sites do not parallel trends in the wider comparator areas (the larger postcode district or the local authority). Each of these developments experienced some period of decline in price either during the construction window or just afterwards. All also experienced periods of price growth within the construction window and in almost all cases prices were higher at the end of the construction period than at the beginning.

In two of the three Category B sites neighbouring area price trends paralleled the trends in the larger comparator areas (postcode district and local authority), indicating that the new development had very little price impact on its surrounding neighbours. The exception, the area neighbouring Bagnall's Wharf, experienced both sharper price growth and price decline than the larger area both during and after its construction window. It is important to note, however that the data counts for this development's immediately neighbouring area were very low.

Figure 4: Average House Price Trends, Three/four-digit Postcode districts of New Development Built on Previously Brownfield or Low Amenity Land, 2009-2014



In summary, these data suggest that prices in immediately neighbouring areas often do experience some period of decline either during or just after the construction period, particularly in areas where the land previously had high amenity value. More generally, most of the sites we studied showed that during or just after development, price trends in the neighbouring areas do not follow patterns observed at slightly broader levels (postcode and local authority areas). Any price decline, however, is generally reversed quite quickly.

(iii) Qualitative findings

- In sites where a high level of opposition was experienced throughout the planning and construction processes, this opposition tends to decrease substantially once the development is completed. In one case where there were high levels of opposition, at least half of all eventual purchasers of the new homes previously lived within 5 miles of the development.
- In particular where Barratt had actively engaged with the community both during and after the construction process - by for instance facilitating educational visits to the site or sponsoring public art exhibitions - this appeared to have encouraged longer-term acceptance of the new development.
- Despite the fact that most of these developments moved through planning during or just before the economic downturn, the developer generally achieved the prices they had projected. Barratt believes that the timing of certain government initiatives, and their own 'in-house' assistance to some purchasers, helped some of their sites achieve strong selling rates.

Taking the research forward

As we have noted this is a pilot study restricted to an analysis of literature and eight detailed case studies. However, we do not think that simply extending the numbers, location and types of sites would add significantly to our understanding of the impact of development on local areas. Further analysis of the nature of the objections, how perceptions of the development change, and the differences between the study sites could add further nuance to these initial findings. This could include looking more closely at the impact of design, initial ownership of the site, the clientele for the developments, and the degree to which planners through the planning application and appeal process had an impact on mitigating the expected negative effects of the development. This would help strengthen the framework for further analysis.

More formal statistical research could provide a regional and national picture of how local house prices respond to new development but at the cost of far less qualitative understanding. Price data could in principle be made available but details of new developments would be very limited.

Conclusions

This research is limited to eight sites which, of their nature, differ from one another in scale, attributes timing and economic conditions. The numbers of transactions that have taken place are often relatively limited. Our conclusions must therefore be treated with care.

Summarising the answers to the three questions posed at the beginning of the research we found:

1. the case studies show that prices certainly do not always decline as a result of development, even during the construction phase. Where prices in the immediate locality did decline during this phase, they also tended to recover quickly and, once recovered, to move closely with those in the broader three/four-digit postcode district;
2. there appear to be initial differences in the pattern of prices between sites which were perceived to have amenity value before the new development and sites which were in poor condition before the development took place. However the impact on price development into the longer term generally appeared to be very similar between the two groups;
3. the qualitative analysis suggests that there are many other factors which affect the acceptability as well as the process of development - such as the scale of the development and the details of the past use of the land.



