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Workshop Theme 12: Housing Organisation and Finance

Vitality in Neighbourhood Housing Markets: Measures, Drivers and Processes of Change

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ABSTRACT

Housing markets play a key role in the evolution and functioning of neighbourhoods, and hence are necessarily a key concern for national and local policymakers. Data on housing markets at this scale have become more prolific, but understanding of their functioning is still developing. This paper draws on evidence and analysis from recent projects to examine questions about neighbourhood housing market vitality in England. Firstly, what are good measures of market vitality, and do these tell a consistent story? Secondly, what are the main drivers of market vitality, based on modelling of the determinants of levels and change in these indicators? Thirdly, what can we learn from these data and models about the process of change in neighbourhood market vitality?

Key Words: neighbourhood, housing markets

Social Housing in Italy: the Strategic Areas of Intervention

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ABSTRACT

Nowadays, in the maximum peak stage for the current cycle of property market expansion, we have been facing a remarkable increase in housing purchase prices compared to salaries and wages. In the last 6 years, usually as a national average, they have risen of 51%, and up to 65% in big cities, with values of 139% in Florence, 97% in Rome, 77% in Turin. Briefly, the analysis of the property market highlights a few elements that seem to enlarge the area of social housing, above all in economy and income terms:

- the level of the prices reached has had no equal in the history of the last 25 years and the affordability capacity of many families has palpably shrunk;
- from 2000 to 2004 the intersection of the variables of average income and dwelling prices showed a noteworthy growth on housing affordability;
- the level of borrowing of the families has appreciably increased, resulting in a greater vulnerability for the subjects with a low or medium-low income, as well as for those people entering the process of job insecurity (flexibility).

The sector that has certainly been more damaged – becoming weaker and poorer – by the long growth in the property market is the tenants’:

the Cresme research centre has measured that over 1.3 million renting families at the end of 2005 were suffering from a state of economic strain caused, or worsened, by the rise in rents. In 2007, because of the rent rise, the contract extensions and the new contracts, almost 1.8 million households (over half of the families that pay a rent to private owners) are expected to suffer from the strongly negative consequences of the price rise that has occurred in these last years.

Staying on the topic of rents, the increase in the market value of dwellings has driven the anticipation of profitability from the owners of houses to rent. Or rather, this very stage seems to be characterized by a speculative nature, considering that the rate of rental yields (in particular in those cities where it is more consolidated) has risen compared to some years ago: the new rents are reported to have increased of 49% in the national average and of even 85% in big cities, with peaks of 140% in Venice, 105% in Naples, over 90% in Milan and Rome. In short, rates of growth higher than the ones recorded by real estate prices.

The strategy to cope with this issue in a structured way is the rise in the offer of properties for rent, especially those having moderate prices. In order to find a solution to the problem of social housing, the time has come for the public subject to play less and less the role of sole financier, supplier of non-refundable contributes or manager of the public residential housing, but – as in the majority of European Countries in which the figure of Limited or Non-Profit Housing Companies is present – to act as promoter of property initiatives with partial contribution of public capital, to

be used as financial lever able to attract funding and management capabilities of private subjects to remunerate responsibly, with limited or absent profits, in view of the realization of controlled rent social housing dwellings.

This research aims at illustrating a possible action line that starts from the assumption that the experience of real estate public management has not always achieved the hoped-for results, and that requires normative and managerial solutions capable of conjugating the houses economic-financial management to a higher quality of life within those quarters with a significant presence of public residential housing.

Key Words: property market, housing affordability, houses economic-financial management

The Glasgow Housing Transfer: a Mid-Term Evaluation

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ABSTRACT

In April, 2002, a majority of voting tenants in Glasgow's more than 80,000 housing units approved their transfer to a newly-formed Glasgow Housing Association (GHA). The transfer of council housing to private housing associations was part of a UK and Scottish Executive policy trend. The Glasgow council housing tenants were promised improved existing units, stable rents, tenant participation, and some new housing to replace much of the obsolete and substandard units to be demolished in the face of falling demand. Key features of the transfer included the assumption of the city of Glasgow's council housing debt by the UK treasury, secondary transfers within a 10-year period to both existing and also new local housing organizations (LHOs), and substantial financial support from the Scottish Executive and private lenders for improved existing housing, demolitions, new housing, and secondary transfers. The Glasgow transfer of council housing to the GHA is the largest of its kind in Western Europe. In contrast to the outcome of the Glasgow vote, subsequently, council housing tenants in Birmingham and Edinburgh, among others, rejected similar transfer proposals.

The actual transfer to the GHA occurred in March, 2003. This paper will review what has occurred over the more than four years that have passed and evaluate the extent to which the GHA has achieved its stated goals. The GHA has had to overcome numerous obstacles during these years. In addition to internal re-organization and leadership issues, there has been resistance to some of its demolition and redevelopment plans, delays in certifying local housing organizations as social landlords eligible to take over GHA projects, costs exceeding estimates, and so on. The most important problem was revealed within the past year: the lack of financing sufficient to proceed with the promised second stage transfer to the LHOs. This triggered the formation by Communities Scotland of an oversight committee to investigate this major issue, threatening to forestall this key element of the transfer plan.

The experience of Glasgow about midway through its initial transfer phase offers lessons for other proposed transformations of council housing.

Key Words: council housing, Housing Associations, secondary transfer

Hedonic Methods and the Housing Market as a Multi-Level Spatial System

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ABSTRACT

The idea that housing submarkets are likely to exist within the urban housing system is now a working hypothesis for many mainstream housing economists. Since the early 1990s the literature has seen the publication of numerous studies and the subject has proven one of the most fertile for the development of econometric and other empirical techniques during the past decade. Despite this volume of work, there is as yet a general lack of consensus regarding the appropriate methods for identifying submarkets. There is also considerable friction between commonly employed cross-sectional methods of submarket identification and definition and the fact that submarket boundaries are unlikely to be static over time. In previous work by this author and others, the stability of a spatial submarket system in the Glasgow housing market is tested using time series methods. However, the approach suffers from the necessary limitation that the spatial areas used to form time series data are fixed.

This paper builds on a series of previous papers by the author and others and, in keeping with these previous studies, focuses on the economics of the Glasgow housing market. The paper reconsiders the issue of submarket boundary stability and explores boundary changes using hedonic OLS and multilevel (random coefficients) approaches. Temporal change in submarket boundaries is explored using a combination of GIS methods and parametric tests. A multilevel model is proposed in which sufficient flexibility exists to deal with both coefficient heterogeneity within the urban housing market and the possibility of submarket boundary change over time. The paper concludes that multilevel methods are likely to be of value in seeking to capture and model the changing spatial dynamics of intra-urban housing prices.

Key Words: housing economics, submarkets, multi-level modellings, spatial temporal change

The Wealth Inequality Illusion: Have House Prices in More Expensive Areas Really been Rising at a Faster Rate?

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ABSTRACT

Previous work on UK house price appreciation (Thomas and Dorling 2004) has suggested growing inequalities among homeowners. Houses in high house price areas have increased at a significantly faster rate than houses in low price areas. But is this really true? Or are the results, in fact, the product of a methodological error? We use simulated data to compare the results from inequality measures that use final-period house prices with measures based on first-period house prices. We show that even random house price inflation drawn from a uniform distribution will produce apparent growth in inequality when final-period (rather than first-period) house prices are used as the explanatory variable. Using first-period house prices reveals the true distribution of price increases (i.e. entirely random across areas: on average, housing in more expensive areas in the first-period does not increase in value at any greater or lesser rate than in other areas). We then apply the same comparison using actual UK house price transactions data and discuss the implications of our findings for housing policy.

Key Words: housing, wealth, inequality

Identifying the Boundaries of Housing Submarkets: An Inflation Surface Approach

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ABSTRACT

One imperative that emerged from the Barker Review was the need to improve the measurement and understanding of sub-regional housing markets – no mean feat given the sheer complexity of local house prices in terms of their variation over both time and space. The theory of submarkets offers a conceptual framework within which we can potentially make sense of this complexity. This paper presents an attempt to develop a method of submarket delineation that is both theoretically sound and easy to apply in routine investigation. We develop an “Inflation Surface” approach as a means of identifying submarket areas. On the basis that houses in the same submarket will appreciate at similar rates, we clustered dwellings according to their proximity to each other and their estimated rate of constant quality inflation.

Key Words: housing, submarkets, inflation

New Residential Differentiation in Post-Socialist City: the Case of Prague Inner City

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ABSTRACT

In the Czech Republic after Velvet Revolution housing as a basic need of society underwent considerable changes. Among them restitution of properties to the former owners, privatization of socialist housing stock and slow liberalization of rents and prices are the most important processes, which substantially change the situation in real estate market.

The paper focuses on new housing development in Prague metropolitan region and its impact on socio-spatial structure within the inner city. Four main questions are discussed: the character, intensity, allocation of new housing in Prague metropolitan region and consequences for particular social environment of selected neighbourhoods. I suppose that depending on changes in housing sphere (new policy, instruments, actors etc.) the intensity increases and variety of housing forms extends. According to prices of new housing construction new residents of high social economic status change the socio-spatial structure and influence the whole development of neighbourhoods.

The empirical study of new housing construction is based on statistical data from 1990-2004 from both the Czech statistical office and the real estate market research. The consequences were evaluated in two case study localities Libeň and Troja, which has been dramatically changed during the post-socialist transformation. Paper shows that the intensity of housing construction has been slowly increased; new housing is very expensing and accessible for less than 20 % of population in Prague. Inflow of new habitants with high socio-economic status changes the image of locality. Significant impact can be observed both in physical and social environment. As a consequence, upgrading of social environment or polarization of social structure could be scenarios of the future development of inner city localities.

Key Words: new housing development, residential differentiation