

Neighbourhood Plan
Notes of Sixth Housing Topic Group
Morpeth Town Hall, 5th March 2013

1. Present:

Cllr. David Parker (MTC and Chair), Ian Campbell (Consultant to MTC), Hugh Edmundson, David Holden, Alan Jones, Martin Laidler, Cllr. Alan Sambrook (Pegswood Parish Council), Peter Scott, Leslie Starkie, Joan Tebbutt, Henry Warne (GMDT). Also in attendance were Charles Robinson, Chartered Surveyor and local Estate Agent and Peter Jordan, Chair of the National Housebuilders' Federation.

2. Apologies for Absence

Ed Campbell, Simon Cox, Jo Gooding, Anna Jones and Tim Nichol.

3. Minutes of the previous meetings held on 12th and 21st February 2013

The minutes were found to be a true record and there were no matters arising.

4. Housing Objectives and Development Principles

SC had circulated a slightly amended draft of the objectives and principles. This was accepted with two amendments:

- The word "including" to be added to the third bullet point between the words "villages" and "Hebron" so as to include Clifton, which is not in the Plan area.
- The bullet point from IC's earlier list about high quality design and neighbourhoods should be included.

5. Question and Answer Session with Charles Robinson

CR has submitted his own version of the notes and comparison became increasingly difficult. Both versions are therefore included as advised by the Chair DP, so group members can decide how to proceed.

A. JT's version ;

CR had been sent a list of questions in advance and he brought with him copies of a presentation from a recent training day he had attended, plus some useful graphs he had prepared showing how the market was performing. The following points were covered:-

- There is a massive shortage of housing nationally, hence the government's initiative to reduce the time taken between planning application and delivery of provision.
- Notes from the training day were sobering. Home ownership reached a peak in 2003/4 at 70.9%, fell to 66% last year and is expected to fall to 60% by 2025. The average age of the first time buyer is now 37 plus. There has been a profound change since the banking crisis of 2007. Lending is drastically reduced and there are severe problems for buyers needing a high "loan to value" or high "loan to income" ratio, as well as those with impaired credit histories, with interest rates increasing

with the percentage mortgage required. There are also product restrictions so that interest only mortgages are no longer available. Renting is no longer a stepping stone but a long term situation for many and “buy to let” mortgages are easier to obtain than for owner occupation. House prices have collapsed since the crash except in London and one or two other areas in the south, and there are massive regional variations e.g. an average UK home cost £184,131 in Q3 of 2007, but dropped to £163,910 in Q3 of 2012. The ratio of house prices to median incomes in England in 2000 was 4.2; by 2007 it was 7.23 and remains at 6.65 despite falling prices. There is an increasing role for the private rented sector, which accounted for 10.1% of households in 2001 rising to 16.5% now., but 68% of new households formed in 2010/11 were in the private rented sector. Historically housing supply has not matched demand or need and currently developers will not build without a viable exit.

- The graphs showed that home sales in Northumberland had halved since the recession, with total sales falling from 6,996 in 2007 to 3,418 in 2012. The market is performing OK but much slower than it did and this is unlikely to change in the near future. With the proper price and sound advice homes will sell. The House price index for the county showed a 17% decrease from Feb 2008 to June 2009; a further 5.5% from June 2009 to Jan 2013 and a fall in the last 12 months alone of 4%.
- The impact on house prices of a further supply of new build homes is difficult to predict.
- There is anecdotal evidence of homes not coming onto the market with reasons ranging from negative equity, diminished aspiration for upgrade and the impact of increased stamp duty on middle earners.
- More expensive homes are more difficult to sell, possibly because of concerns about future value. The House Price Index fell sharply in mid 2009 and varied enormously in Morpeth between the different types of homes, with the more expensive areas taking the brunt of the fall, possibly because of supply and demand, with larger, newer homes being more numerous here.
- There is a series of housing markets in the area, all performing differently, with saleability differing. There is not a lot of choice in Morpeth. There are the older homes and then a lot of development in the town came at the same time. There is high demand in Old Loansdean and the Thorp Avenue area and good demand in the peripheral estates, Hebron and Hepscott. Pegswood suffered badly after the crash. Property had doubled in price there quickly, but suffered more than the average fall. The school system does not help as a major driver for Morpeth is the quality of the schools, not the retail offer. Also Morpeth has market town appeal and access to county, coast and Tyneside. However, there is less demand for Executive homes and first time buyers are priced out of Morpeth.

- There are also different markets for different house types. Demand for town centre flats is slowing down and there are probably too many now in Morpeth, so they are difficult to sell.
- Developers appear to be sitting on sites with planning permission.
- CR thought that affordable housing could be developed in Morpeth although whether developers will do so is a different matter. If they are for sale they should be affordable in perpetuity. Shared ownership can be an inflexible scheme as the owner cannot sell for less than the value as assessed by a Chartered Surveyor.
- Buy to let is underpinned by capital appreciation and owners do well to cover cost, so in this area there is risk.
- The Bypass will open up large tracts of land for development and there will hopefully be less congestion. It may also help Pegswood because of increased accessibility of Morpeth.
- Sales of new properties and old properties are entirely different. People will pay more for a new home than even for a very new second hand home. A developer therefore appeals to a different market.
- CR dealt with Bluebell Rise, which includes social housing. He thinks we need to be careful where we put social housing because perception influences prospective buyers. Housing Associations can vet tenants better than a Local Authority can, and qualifying who can have a tenancy might help.
- There is no great increase in demand for rented property in Morpeth where demand tends to be for short term lets.
- Once the flood alleviation scheme is completed saleability of some homes will improve. The drop in value due to flooding coincided with the drop due to the recession. High Stanners will remain a high risk area. An improvement in the insurance situation is needed, especially as the position for existing owners would be better than for purchasers.

CR said he would be happy to answer any other questions if they should arise. The group was most grateful for his input.

B. CR's version:-

CR had been sent a list of questions in advance and he brought with him copies of a Power Point Presentation from a recent training day he had attended and some graphs he had prepared showing how the market was performing. These were particularly helpful. The following points were covered:-

1. There is a massive shortage of housing nationally, hence the Government's initiative to reduce the time taken between Planning Application and delivery of provision.
2. The information from the training day was sobering. Key facts are as follows:-

- ❖ Home ownership reached a peak in 2003/4 at 70.9%.
- ❖ Households living in their own homes fell last year to 66% and is predicted to fall to 60% by 2025.
- ❖ The average age of the first time buyer is now 37+

There have been profound changes since the banking crisis of 2007. Lending is drastically reduced and there are severe problems for buyers needing high “Loan to Value” or high “Loan to Income” ratios as well as those with impaired credit histories. There are also restrictions on the range of products available i.e. interest only mortgages. Renting is no longer seen as a stepping stone but a long term situation for many and often “Buy to Let” mortgages are easier to obtain than for owner occupation.

With the exception of London and one or two other area in the south of England house prices are dramatically lower than before the crash in 2008/2009. In nominal terms the average UK home sold for £163,910 in Quarter 3 of 2012 which is 11% below the all time high of £184,131 in Quarter 3 of 2007. By 2000 ratio of house prices to median incomes in England was 4.2, by 2007 it was 7.23. It remains at 6.65 despite falling real home prices.

There is now an increasingly important role for the private rented sector to meet housing need and this sector has grown by 91% in the last 20 years. In 2001 10.1% of households were rented from private landlords – the figure now is 16.5%.

Historically housing supply does not match demand or need and currently developers will not build without a viable exit.

3. The graph showed that home sales in Northumberland have halved since the height of the market in 2007 with total sales falling from 6,996 in 2007 to 3,418 in 2012.

The market is performing at a reasonable level but much slower than it has previously and this is unlikely to change in the near future.

Realistic pricing and sound marketing are key to sales.

The House Price Index for the County showed a 17% decrease in property values from February 2008 to June 2009, a further 5.5% from June 2009 to January 2013 and a fall of 4% in the last 12 months.

4. It is correct that the impact on house prices generally of an increased supply of new build homes is difficult to predict. The market for new homes is substantially different to the market for second hand homes. Buyers of new homes are attracted by the fact that it is a “brand new home” where they can have a choice of plot, style and internal appointment e.g. kitchen and bathroom. In return such buyers are not too sensitive as to precisely where the property is located and will consider a range of locations

within a given radius of their place of work providing they are in comparable areas in terms of amenities such as quality of schooling etc. In other words a buyer of a new home might well consider developments in Monkseaton/Whitley Bay, Morpeth, Ponteland or the Tyne Valley. Buyers of second hand homes tend to be more location sensitive. They will decide on an area and then look for a house type and style in that area which they like. They are less likely to be flexible in terms of location. It is incorrect to put forward the proposition that as there are a considerable number of houses available in a settlement like Morpeth at any given point in time then a developer would not be able to sell new houses partly because of the difference in the new and second hand markets as explained above but also due to the affect on demand of Government and builder incentive schemes – the Government New Buy Incentive Scheme allows first time buyers to borrow up to 95% of the purchase price at advantageous rates while builders are able to offer assisted move schemes, part exchange deals and other incentives to attract purchasers.

5. There is anecdotal evidence of homes not coming on to the market with reasons ranging from negative equity, diminished aspiration to upgrade resulting from job/salary uncertainty and the impact of increased Stamp Duty on middle earners.

6. In general terms more expensive homes are more difficult to sell as many homeowners are reluctant to trade up in the market due to concerns over job security, future salary expectations and demands on family resources elsewhere e.g. university fees etc. In other words many families are making do with what they have got rather than aspiring to move up the housing ladder resulting in less demand for upper priced houses now than in previous years. The trebling of Stamp Duty at £250,000 has also had an adverse effect. The diminution in value of properties in Morpeth varied considerably between different house types following the crash at the end of 2008/beginning of 2009. In general terms the more modern executive estates on the periphery of the town suffered much greater losses than older central Morpeth properties probably due to the supply of the former being far greater.

7. Within the overall housing market for Morpeth there are various sections performing differently resulting in some property types selling more readily than others. Compared with many settlements the choice of housing stock in Morpeth is limited with the majority of housing built after the second World War. There is high demand for 1930's properties in Loans dean and the larger Victorian and Edwardian houses with gardens in the Kings Avenue/Thorp Avenue. Demand on the peripheral estates and in Hebron and Hepscott remain reasonable although demand for properties in Pegswood has suffered badly following the severe downturn of 2008/2009.

Analysis of transactions suggests that some properties in Pegswood at the beginning of the decade doubled in value with increases seen far greater than in Morpeth. However the average reduction in price tends to have been greater in Pegwood since the crash. Demand for properties in Pegs wood is also adversely affected by the school catchment system and increasing difficulty homeowners have in securing places in Morpeth schools. The quality of schools in Morpeth remains one of the main attractions together with accessibility to Tyneside, the coast and countryside. Demand tends to be

greater in the lower price ranges and in general terms first time buyers are priced out of the Morpeth market.

8. There are also different markets for different house types. Demand for town centre flats has slowed down and there are probably too many now in Morpeth and as a result can often be difficult to sell.

9. While builders are still keen to develop sites around Morpeth for traditional housing the more limited demand for town centre flats has seen one prominent site close to Telford Bridge mothballed indefinitely.

10. Charles Robinson is of the view that as builders are so keen to develop new sites in and around Morpeth they are prepared to incorporate affordable housing in their plans for submission (as has been the case with regard to the application south of Loansdean). Shared ownership schemes whereby the buyer purchases around 75% of the equity in a property are a means of many purchasers getting on to the housing ladder and the system works well.

11. Buy to let as an investment is underpinned by capital appreciation – in this area the net income returns on the capital cost of buying a property are relatively low and many would-be investors do not consider they are worth the risks involved.

12. The By-Pass will open up large tracts of land for development north of Morpeth and will hopefully result in less congestion to the town centre. It may also help Pegswood because of increased accessibility to the A1.

13. CR dealt with Bluebell Rise which includes social housing and considers that care needs to be exercised where social housing is sited as perception influences many prospective buyers. Housing Associations can vet tenants better than Local Authorities so qualifying who can have a tenancy might help.

14. There is no great increase in demand for rented property in Morpeth where demand tends to be for short term lets.

15. Once the Flood Alleviation Scheme is completed saleability of homes previously affected should improve. The drop in value due to flooding coincided with the severe drop due to the market crash. Problems regarding insurance for flood affected properties remains and many buyers are put off purchasing properties in flood affected areas due to very high premiums or difficulty in obtaining insurance.

8. Question and Answer Session with Peter Jordan

PJ had also been given a list of questions in advance and the following points were covered:-

- Morpeth attracts a high level of interest from private house builders because it is an attractive county town with history, excellent schools, a full high street, vibrancy, access to the countryside and yet close to Tyneside. There is no risk of depreciation. Banks look at post codes before lending money to developers, and without money developers cannot build.
- The draft County Core Strategy documents suggest a 30% affordable homes requirement. PJ thinks that the draft documentation has no evidence base and has left a policy vacuum. The requirement must be derived from housing need and what can be delivered, and, if there is no evidence, the strategy will not be passed by an Inspector or Chartered Surveyor. 30% is getting “very close” and should be a maximum rather than an average.
- Viability is a complex area. There is the cost of the land and then all other costs have to be considered while still giving the developer a financial incentive. There is the Community Infrastructure Levy (CIL) for schools etc to consider and Newcastle are suggesting £8-9,000 per house. There are site specific Section 106 agreements to fund. Infrastructure for the site is approximately £10,000 per plot. Energy efficiency and specific design requirements all add to cost too. Viability has to work out. Since developers have to sell to earn they require a ring fenced 20% profit, and land, build cost and what the properties can be sold for are all essential components. So we have to understand the whole package in order for the community to benefit. It is essential that permissions granted can be delivered so we must set the standards right.
- Brownfield sites add to cost due to contamination and other abnormal costs.
- Some sites lend themselves to the construction of apartments e.g. Davidson’s garage site. Sales at The Kylins have been steady, although town houses sold more quickly. For professional couples downsizing to apartments is attractive, but success is mixed. Given the choice, PJ would not have the confidence to build apartments now as, once started, you have to complete. McCarthy and Stone however obtain pre bookings before starting construction.
- Pegswood is an utterly different housing market and value could be 30-40% less than in Morpeth. Sales are also very slow and it is therefore a poor investment for developers. PJ sees Pegswood as a less sustainable and less viable environment, although the new road may make a difference. The market is fickle.
- IC said Morpeth has a strong sense of identity and new development must fit in and not dilute that identity. PJ said that viability and design must work together. Ongoing commitments such as setting up management companies for Public Open Space, maintenance and management of SUDs etc. all add to cost.

- Building small properties rather than larger is driven by need and finance. If developers do not build smaller homes then the private rented sector booms. It is imperative that builders put a mix on each development. Bungalows are avoided because of problems “plotting them”.
- PJ knew nothing about the sewage capacity issues and thought that early dialogue was required.

The group thanked PJ for his frankness and the amusing manner with which he delivered the information.

9. Housing Supply Figures

DH then talked us through the forecast housing numbers with which he had supplied the group at the last meeting. The purpose is to have working scenarios while the group awaits details from NCC in the summer. He had used the numbers presented in the URS report to NCC in the Outline Water Cycle as a starting point. He showed two different scenarios used by URS for the period 2011-2031 for Castle Morpeth; the first using the current (RSS) planned new development and the second plus 20% allowing for the Growth Point. It was evident that the allocation to the Coastal villages of Ellington, etc. were large (40% of total) compared to Morpeth (35%). This was probably explained by CMBC's former focus on the coastal villages for regeneration. The original source of the allocations was the aborted Castle Morpeth LDF Core Strategy. Many of the proposed allocations remain unfulfilled (e.g. outline permission at Ellington and Lynemouth Collieries) and DH felt they were unlikely to be delivered. Consequently, DH allocated 50% to Morpeth, arriving at a supply for 2012-2032 of 1,250 houses in Scenario 1 and 1,500 in Scenario 2. This second scenario aligns with the Lock Report which used a forecast of 1,500-1,600 units for Morpeth. He believed this reflects the possible outcome of the Core Strategy considering that the emerging policies require less development in outlying settlements and more in main towns. The maximum household growth is 30% (Core Strategy I&O table 6.1) and this increased the maximum range target to 1,950 over 20 years (Scenario 3) i.e. around 100 new homes per year. The group should use Scenario 2 as the most likely case, and develop sensitivities to recommendations for the other scenarios. With the average ratio for affordable housing being 30% this would mean that over the twenty years 375 affordable homes would be required in Scenario 1, 450 in Scenario 2 and 585 to allow for maximum household growth in Scenario 3. DH was unable to separate Pegswood supply within the available data.

10. Next steps

DP asked if the group would agree to postpone the meeting planned for 12th March because so much was happening at the same time. This was agreed. We will meet with ISOS and the HCA on 19th March and then focus on Location at the next meeting.

DP indicated that the Steering Group needs to work on how to bring all the documents together and also how to approach the cross cutting issues.

JT asked when we would meet with NWL. DP said he thought the Steering Group would want to meet with them. JT then asked if representatives of other groups needing this information could attend such a meeting as it would be a waste of time to wait for the information to be relayed onwards. DP will ask the Steering Group.

DH said he had already been in touch with NWL and work on the Wastewater Treatment Works was due to start in April and last for 18 months.

HE informed the group that he is meeting with Joan Sanderson of NCC at 3pm on Tuesday 12th and we should e-mail him with any questions about the SHLAA.

11. Dates of Future Meeting

The next meeting is at 7pm in the Town Hall on Tuesday 19th March and then on Tuesday 2nd April.