

# Dragging our heels?: progress towards subregional housing market strategies and assessment

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**Abstract:** International housing policy has becoming increasingly responsive to, shaped by, and structured to work *within* the dynamics of the housing market, whether in terms of determining responses to supply/demand imbalances or providing solutions to imperfections that the market itself creates. Reflecting a recognition of 'market as problem; market as solution', there has been a parallel increase in policy and research interest in the UK and US leading to the development of frameworks which facilitate a better understanding of housing market dynamics, both in terms of drivers and impacts (Bramley et al, 2004; Katz, 2006). Despite a strong reliance on the market to deliver housing and renewal outcomes, Australia has been somewhat sluggish in getting metropolitan planners, LGAs and stakeholders working collaboratively to better understand housing markets and their policy implications. Sydney's *City of Cities* (Department of Planning, 2005) identifies the role of a subregional approach in translating subregional 'targets', based on capacity rather than market dynamics, into numbers to guide housing market assessment at LGA level. However, given the dominance of housing supply-side rather than demand-led approaches, this paper raises the question whether Sydney – and indeed other Australian cities which have benefited recently from the development of Metropolitan strategies – will struggle to translate those plans into practice, certainly in terms of broader social equity and housing affordability concerns.

## Introduction

Australia is rather late entering a research and policy arena which has been gaining considerable momentum in recent years; a delay perhaps surprising given the importance of the housing market, and securing its efficient operation, in delivering social, economic and sustainability objectives for a relatively laissez-faire planning and governance regime. Interested parties in housing market activity, real estate trends, and the anti-planning affordability 'crisis' lobby are already present and are expressing headline-stealing opinions. On the sidelines, policymakers, practitioners and academics have made more limited headway in terms of promoting intelligent understanding to help make sense of the increasingly complex nature of housing market dynamics in Australian cities and their implications for effective planning strategy and delivery. This is somewhat counter to the promotion of housing market assessment to centre-stage position in other advanced economies, and the UK and US in particular. It also reflects a pronounced absence (some more so than others) in the Metropolitan strategies published in recent years of effective, iterative analysis of the drivers of demand in our cities, which are instead essentially a numbers driven exercise of supply needs and urban capacity.

Tensions between strategy and implementation will always be present irrespective of the appropriateness of the strategy and the effectiveness of its implementation. Equally, improved market intelligence and application of that intelligence does not necessarily lead to dramatically different or improved housing and planning outcomes. However, this paper contends that a lack of effective engagement with the *spatial and temporal dynamics* of housing demand in Sydney's recent metropolitan strategy *City of Cities: A Plan for Sydney's Future* (Department of Planning, 2005) limits its ability to provide the route map to efficiently deliver its objectives in the short term, and limits the nature of outcomes – certainly in social equity and affordability terms – in the longer term.

This lack manifests itself in a number of regards. Firstly, a focus essentially upon issues of housing supply, rather than the ongoing dynamic between supply and demand, tends to promote a circular response related to land release and development levies when the housing market is 'slow' and demand is constrained. Secondly, it fails to actively engage with the needs of changing neighbourhoods. Thirdly, a supply-driven structure provides limited tools to actually facilitate the creation of viable and sustainable communities. In the case of the latter, it is not simply a matter of ensuring that our cities provide a sufficient number of dwellings to meet growing populations; it is about building neighbourhoods and urban living which provide a mix and range of housing, which are responsive to particular needs, and maximise particular opportunities.

The paper draws upon insight gained from recent research undertaken with LGAs and other partners in Metropolitan Sydney to promote debate as to whether more effective approaches to housing market analysis, and more importantly, its effective incorporation into policymaking are required. In examining this question, the paper comprises three sections. The first explores the rise of 'market-centred' housing policy (Cole, 2007), principally in the context of the US and UK and its applicability in the Australian context. The paper then moves on to consider the role that housing market intelligence has played in underpinning the strategic direction, aims and objectives of Sydney's *Cities of Cities*, and crucially its enrolment (or lack of) in enabling the plan to be translated into practice. The third section again casts the net beyond Sydney's metropolitan boundaries to provide insight regarding emerging and evolving applications of housing market analysis which is both necessitated by, and supportive of, shifts towards market-centred housing policy. While the advances in policy application of market intelligence parallel the pursuit of market-led policy itself, and thus experience from the US and UK is again instructive here, emerging frameworks tied to the implementation of Melbourne's plan, *Melbourne 2030* also provide some useful markers. In its conclusions, the paper returns to the potential for more effective links between housing market intelligence and strategic policy development, suggesting that the robust incorporation of the evidence base may not only assist in *delivering* current Metropolitan frameworks but also help contribute to 'making the case' for more strategic whole-of-market housing policy in Australia.

### **Policy interest in housing markets**

*Why has there been such a pronounced shift towards reliance upon markets, or quasi-markets? Broader economic and social forces are influential, but ultimately these changes reflect deliberate policy decisions. This suggests that politicians and the voting public, have come to believe that markets or market-style mechanisms work best at delivering what they want to achieve* (Bramley et al, 2004, p. 4)

In many advanced economies faced by challenges of housing affordability and market failure, housing and planning policy has becoming increasingly responsive to, shaped by, and structured to work within, the dynamics of the housing market, whether in terms of determining responses to supply/demand imbalances, or for providing solutions to the imperfections that the market itself creates (Bramley et al, 2004; Smith, 2006). A heightened interest in understanding the nature and operation of those markets would therefore seem inevitable. Governments have of course always been a critical actor in the operation of land and housing markets, not only through its support for the development process, but also by the way it moderates adverse economic and environmental externalities and safeguards social needs (Adair et al, 2003). Equally, the enhanced spotlight placed on the market can be seen as symptomatic of the longer-term neo-liberal shift from the State as provider to enabler, with Government seeing its role as facilitating supportive conditions for the market and individuals to meet needs rather than meet those needs directly. The close interplay between housing market efficiency and responsiveness, and the health of economies more generally, has also become increasingly acknowledged – for example through the Barker Review in the UK context (Barker, 2004; HM Treasury/ODPM, 2005), and in a more immediate context with the collapse of the sub-prime lending market in the US and fears that the wider economy will be pulled into recession (Fellowes, 2007).

The increasing importance of housing markets, and recognition of the need to work within and seek to reshape those markets, has been a defining characteristic in a number of recent housing and urban renewal initiatives in the US, UK and Europe. In the US, this builds upon a longer trajectory borne out of the immediacy of market failure on low-income and inner-city neighbourhoods since the late 1960s. Here, there is a strong history of initiatives to encourage and extend homeownership and low-income homeownership in particular through tax-incentives, shared equity models and encouraging the reintroduction of housing markets to areas where they may have collapsed. The primacy of market mechanisms can be seen for example in the operation of Community Development Corporations [CDCs], Philadelphia's Neighborhood Transformation Initiative [NTI], and the Federally-funded HOPE VI program.

These programs have been complemented by a rich – and typically locally defined – tapestry of market 'leading' measures for example tax increment finance (TIF), asset-holding trusts, land bank companies and city acquisition funds. Interest in the US has increasingly shifted from tackling and managing decline and devaluation to a new environment where there are broader concerns about securing affordable provision and funding and policy models are adapting to deal with these changed market conditions. One of the clearest articulations of this shift is the recently published New York City Plan, *Plan NYC: A Greener, Greater New York* (2007) which includes a toolkit actively dependent upon market cycle, land values and demand. Flexible policy frameworks which '*work the market*' as much as *work within the market* seek to recognise

more complex housing market operation and through better engagement with the dynamic of urban environments, more effective policies.

The UK's trajectory to market-centred housing policy should also be seen as gradual rather than simply symptomatic of recent initiatives. However, there has been a quite dramatic shift from tenure-centred to more market-centred policy development in housing in recent years, and as housing continues to move up the political agenda in the UK, this is likely to intensify (Cole, 2007). The impetus for more *explicit* engagement and acknowledgement of the centrality of the market and market activity has emerged since the late 1990s. For example, the Housing Market Renewal pathfinder program, responding to the challenge of low housing demand, heralded a shift towards more strategic policy, recognising the importance of working within and restructuring markets rather than simply ameliorating the problems caused by market activity. Parallels with HOPE VI in the US are highly instructive (Turbov and Piper, 2005). They both reflect the shift in urban policy to become increasingly outward looking rather than inward focused (Hall, 1997) and recognise that transformation of the neighbourhood in question must be grounded subregional housing market understanding. Current challenges for English housing policy are compounded as affordability concerns have quickly intensified in high demand areas of the country. Recognising that the market has fostered different problems in different market contexts, the importance of building a better understanding the drivers of demand and the responsiveness of particular mechanisms was acknowledged and became increasingly explicit across housing and urban regeneration policy (Barker, 2004; ODPM, 2003; 2004). As the intensity of affordability constraints has continued to grow in the UK, and the planning system implicated in these failings, a market-focused and market-responsive approach has further influenced shifts in the planning system and associated guidance (DCLG, 2006; 2007).

Unlike other advanced economies with post-industrial cities splintered, fragmented and needing to restructure through significant intervention and public subsidy, Australia's largely 'policy-off' approach to city building and residential development can, at one level, be partially explained. Sydney, and indeed most Australian State capitals have only limited experience of market *failure* and the ongoing challenges of 'weak market' cities. While depopulation was experienced from older central inner ring suburbs in the 1960s and 1970s due to both loss of housing stock and demographic shifts, *large-scale* abandonment never accompanied the continued suburbanisation of Australian cities. Markets in Sydney, Brisbane, Melbourne and Perth are generally more robust and driven by high demand than Adelaide and Hobart, but none of the large Metropolitan cities is experiencing or has experienced major market restructuring as seen in post-industrial European cities or rustbelt US cities. That is not to say that markets have not risen, fallen, nor demonstrated relative weakness or strength with particular temporal and spatial outcomes.

Nevertheless, Australia has shared strong concerns regarding deteriorating housing affordability in recent years, with house prices presently substantially higher than historical house price-to-income measures (Yates, 2007). Challenges can also be identified in segmentation within the market and rising social-spatial polarisation, risking housing mobility, household wealth generation and efficiency within the market (Bunker et al, 2005; Randolph and Holloway, 2004; 2005). Housing markets, and households' negotiation of those markets, have also become rather more complex. Using Sydney as an example, the city's recent economic slowdown has made the segmented nature of the market and these shifting dynamics all too apparent. While a divide between house prices in the east and west of the city is longstanding, this social/spatial bifurcation has become further exacerbated: the wealthy neighbourhoods of the city (the Eastern Suburbs, the North Shore), have recovered and posted double-digit growth since the 'peak' of the metropolitan market in 2004, while the "Battler Belt" out to the west and south west continues to move in the other direction, with falls of up to 30% (Sydney Morning Herald, 26/05/2007). This not only points towards increased vulnerability and risk associated for these groups, but also points to a broader housing market, and complexity of housing submarkets, which are perhaps less well understood than counterpart global cities facing similar challenges.

### **Housing market analysis and Sydney's *City of Cities***

The relative lack of large-scale neighbourhood deterioration in Australian cities, a policy framework of limited interest at Commonwealth level, and delivery structures where State interest remains essentially as development facilitator, has ensured that the way in which housing markets are discussed and understood remains essentially underdeveloped, with limited *proactive* mechanisms to facilitate more effective policy responses. However it is incorrect to suggest that shifts to market-centred housing policy have failed to impact upon recent housing and planning policy in Australia entirely. Recent Metropolitan plans for each of Australia's major capital cities have incorporated housing analysis and forecasting techniques to underpin their strategies. They do nevertheless show varying degrees of success in terms of establishing frameworks

for implementation and delivery which take into account the matter of housing demand and how to respond to the constantly shifting landscape and drivers of demand. The focus of interest in this section is Sydney's *City of Cities* (Department of Planning, 2005), and in particular its early stages of implementation, use of market assessment and partial adoption of subregional planning structures, rather than exploring the merits of the plan or the particular housing elements of the strategy (see for example Bunker, 2007; Searle, 2006).

Identification of required dwelling 'numbers' and targets to meet anticipated household growth underpins *City of Cities*. Although demand projections identify particular drivers, and some geography to those drivers, the actual extent to which a detailed understanding of market demand is incorporated is rather more difficult to decipher. In part, this can be seen as a legacy of a long tradition of supply driven 'predict and provide' planning models. Market cycles rise and fall, and housing demand dynamics with them, but Australian cities have typically demonstrated resilience to more structural demand issues such as outright market failure. The notion 'zone and they will build; build and they will come' largely holds. Certainly in the case of the four largest cities, assumptions that robust growth has been the norm and will continue to be so would appear reasonable. Furthermore, relatively limited engagement with the drivers of housing demand is also partially understandable given the timeframe over which the strategies were in preparation: either in the midst or towards the tail-end of the late 1990s-2004 housing boom. However, an emphasis on supply (whilst vital), with limited critical engagement of demand-side issues, risks short-circuiting the necessary links between housing market intelligence and effective housing and planning policy. It makes translating the requirement for hundreds of thousands of new homes into policies framed in the language of equity, opportunity and sustainability a hard task.

*City of Cities* posits Sydney as a global city which will enjoy continuing growth, with 1.1 million more Sydneysiders between 2004 and 2031 requiring 640,000 new homes. Housing projections, targets and on-going demand and supply analysis are provided through the Metropolitan Development Program (MDP). Success or otherwise is necessarily based upon a number of assumptions being realised regarding future population patterns and land and property market responses acting in particular ways. All Metropolitan plans and strategies worldwide share this characteristic: they seek to push and cajole private interests, finance and the aspirations of industry, business and households in particular ways and directions. Their ability to shape and steer depends in part on historical negotiations between State and market, and the effectiveness of the trade-off between creating an 'enabling' environment conducive to private market operation and one where sufficient collective, social benefit can be extracted through that operation. The 'steer' is typically underpinned in an overarching vision, aims and objectives. Sydney is no different in this regard: *City of Cities* articulates a coherent (if not entirely enlightened) narrative, although critics may argue that this most recent plan continues a repackaging of the spatial and socio-economic framework set in train through the strategy's precedents and certainly those since the late 1960s (NSW State Planning Authority, 1967; 1968; Department of Environment and Planning, 1988).

So where do weaknesses emerge? To a degree, Metropolitan strategic plans are necessarily restricted to 'big picture' economics and demographics. At this spatial scale, numbers are identified and allocated, and through land value and density assumptions, the nature and form of residential provision can be envisaged. However, despite statements regarding mixed communities, accessible centres and affordable housing, mechanisms within *City of Cities* to enable such assumptions to be realised – whether in terms of locality, type of housing, its affordability, or identification as to how they will actually be progressed – are not clearly articulated. Fundamentally, a lack of nuanced housing market assessment, and recognition that Sydney's housing market is in fact a complex interplay of a series of submarkets – not necessarily understood in simple geographical terms (Bunker et al, 2005) – ensures that key tools for effective implementation have lagged the plan itself. It does however, given its dependence on the market to deliver the strategy's objectives, acknowledge that understanding of that market must be enhanced. In large part, this is left to local authorities to translate through revised LEPs and updated residential strategies.

As a means of capturing the drivers of demand within the housing market at the scale at which they operate, there has been an increased focus internationally on the subregion as an appropriate scale of analysis. Markets do not respect administrative boundaries; furthermore from a strategic policymaking point of view, there has been both an implicit and explicit aim to promote partnership working, facilitate exchange, and get local governance structures to think and function at the scale and geographies that markets actually function (DCLG, 2007; Cole and Nevin, 2004; ODPM, 2004). Indeed, *City of Cities* identifies the role of a subregional approach in translating the broader plan into a set of aligned strategies for each grouping of local government areas in Sydney, and over the past 18 months local councils have been expected to develop strategies for town-, village- and neighbourhood- centres in order to provide a mix of types and densities

based on 'sound analysis of housing capacity and needs' which reflect and align to the aims and objectives of the strategy. Ten subregional groupings have been identified. These were immediately defined, replicating local arrangements through the Regional Organisation of Councils (ROC) structure, rather than being defined through a considered understanding of actual market operation. Each subregional grouping has required to undertake a market demand and supply analysis using data provided by the Department of Planning.

To assist in the first stages of the reconciliation between top-down targets and subregional market contexts, METRIX, an internet-based tool, has been developed by the Department to 'deal with the complexity of distributing dwelling targets in Sydney's subregions over the next 25 years' (Department of Planning, 2006). It enables Councils to test scenarios for dwelling distribution across and outside centres within their LGAs taking into account the existing number and type of dwellings near centres of varying sizes and current land use and zoning regulations. Conceived as a dynamic, iterative tool, METRIX aims to facilitate determination of where best to accommodate growth both within individual LGAs but also in co-ordination with neighbouring Councils through the sub-regional planning process. The tool enables LGAs to raise or lower numbers around each centre based upon local knowledge and priorities, and was intended to provide the basis for negotiation with subregional partners if they sought to reduce, or take more, than their indicative 'allocation'.

The tool was made available to LGAs with Department of Planning-developed figures 'pre-loaded' for each centre. While framed as a starting point for discussion, this not only established a benchmark expectation, it arguably made explicit the 'urban-capacity' driven nature of the approach. Working backwards from targets provides little capacity to offer a coherent and responsive approach to understanding the operation of housing and labour markets and the social and economic outcomes that they may achieve. Nor does it offer a framework to understand the interaction between submarkets, with little interpretation as to how policies will impact on housing markets at a variety of levels. An understanding of broader drivers and connectivity are also obviated. Discussions regarding release of greenfield in the NW and SW are largely detached from consolidation and renewal policies in the middle suburbs (and isolated through the strategy's actual application of subregional thinking, using it as something of a bounded container rather than iterative delivery vehicle). The approach also requires assumptions regarding the responsiveness of urban form and function to planning directives. It assumes that the market can respond to given signals; that it can respond in ways which deliver a housing product in demand and at a price point where it is affordable; and which in turn will lead to renewed, more active centres. The past 18 months have seen relatively little activity on Sydney's fringe and activity centres in the western suburbs not simply because a lack of land supply has driven prices up, but because there is only a limited market – i.e. demand – for the product on offer at the price point required by the developer.

The first of Sydney's ten subregional strategies, the *Inner North Subregion Draft Subregional Strategy*, has recently been published (Department of Planning, 2007a), with others expected to follow shortly. The extent to which Councils have been able to make effective use of METRIX in this time, or its value in acting as a conduit for discussion between neighbouring LGAs and the Department, can be debated. As such, it is perhaps not surprising that these documents are limited in the extent to which they provide detailed direction towards implementation. Except publication of target numbers for residential additions within constituent LGAs, the *Inner North strategy* provides only rather superficial interpretation of the economic feasibility of supply and actual nature of demand envisaged. Tellingly, the expectation for LGAs to undertake housing market analysis remains: i.e. while it might have been expected that LGAs involved in subregional strategy development will have drawn upon existing residential strategies and knowledge, intentions for enhanced approaches, facilitated by data provided by the Department, remain an identified action *further* to the subregional strategy.

### **Making the case: using evidence and intelligence in housing policymaking and practice**

It has been argued above that the housing market-policy development 'nexus' articulated by *City of Cities* is undermined by a number of deficiencies. But do housing policies lacking robust, market analysis struggle in facilitating and promoting sustainable communities compared to their more engaged 'market-aware' global counterparts? It is difficult to assert that this is the case. Counterargument questions whether increased market intelligence, and the rise of market-centred policy, is unquestionably the way forward. Even when considered 'centre stage', it can only ever have a limited impact on trends shaping market dynamics. Indeed, the increased importance placed on the market to deliver Government housing objectives has paralleled a commensurate decline in the degree to which Government can actually influence the shape and structure of

supply and demand in housing markets (Bramley et al, 2004), even in policy-rich environments such as the UK and US. Similarly, Cole (2007) questions whether policy is inevitably limited to shadowing the market, rather than being in a position to actually shape it: factors such as demographic change, income and wealth distribution patterns and the deregulation of the financial sector have had rather more influence on market dynamics. There is also the need to consider who uses 'policy-focused' housing market intelligence, and how it is used, certainly given the continued importance of the role played by the local, small scale developers in existing areas in the actual delivery process. Who is the knowledge for?

Such concerns are noted, however it is argued that emerging concerns are no better resolved in Australia for its limited engagement and indeed, the lack of considered, informed market-informed policy has created a context where Australian cities and State Governments are ill-equipped to effectively respond to the often simplistic yet superficially compelling housing affordability debates espoused by lobby groups. While such vested interests impact upon housing and planning debate universally to a varying degree, in other advanced economies, such voices are mediated by increased policy interest and application of improved housing market intelligence. The case for more meaningful policy engagement with the evidence-base can be made.

In the UK, US and Europe, reflecting a recognition of 'market as problem; market as solution', there has been a parallel increase in policy and academic interest in the development of frameworks which facilitate a better understanding of housing market dynamics, both in terms of drivers and impacts (Bramley et al, 2004; Cole and Nevin, 2004; Katz, 2006; ODPM, 2004). Engagement has extended understanding of how markets work at different spatial scales and recognised that those markets are increasingly segmented spatially, sectorally and temporally (Meen, 2005). It has also played a fundamental role in reshaping policy approaches – not only in their design but also implementation and inevitably subsequent evaluation. In part, this reflects how, in response to the increasing complexity of housing markets, the process of undertaking analysis and assessment has stimulated and demanded new thinking, acting as a vehicle to bring together stakeholders to facilitate the responses required. Rather than simply an exercise in creating a sea of data and a lucrative consultancy industry (although such accusations have been voiced, Pati 2007), new approaches have played a fundamental role in promoting 'partnership working', 'whole of market' or 'cross-tenure' approaches and integrated housing, planning and regeneration policy.

As noted, the focus of interest in this paper relates to the emerging nexus between market-centred policy and recent developments in housing market analysis and intelligence focused towards underpinning and serving those policy interests. This is not to negate the extensive tradition and recent housing markets research from stricter urban/housing economist or institutional perspectives. Indeed in the context of the UK, Kate Barker's economist background and close association with HM Treasury has meant that policy and program requirements for more nuanced understanding has in turn helped stimulate more detailed, technical research into this field (Bramley and Leishman, 2006; HM Treasury/ODPM, 2005; Meen, 2005; O'Sullivan and Gibb, 2003; see also Cole's 2007 summary of research by the Joseph Rowntree Foundation under their 'housing markets' stream). This strong association follows the assertion that housing and urban policy which seeks to shape and intervene in the market demands 'good shared market intelligence' (Wallace, 2004) and a robust evidence as 'an essential prerequisite for action' (Line et al, 2007). In the US, with complex governance structures and geographies of intervention, there has been a focus on making data and information accessible for local policy and program application. Organisations such as Fannie Mae, the Brookings Institution, and Knowledgeplex – through initiatives such as the *Living Cities Interactive Databooks* (tied to Census information) and *DataPlace* (Census, mortgage, Section 8, needs and market data) – have promoted the effective use of market intelligence for city- and indeed neighbourhood- level preventative rather than simply reactive policy intervention.

In the UK, advances in housing market data provision and access have also been a key driver, but these have been matched by a significant shift in the scope and nature of Government 'guidance' and delivery mechanisms related to moving housing market analysis to the centre stage. As Nicol (2002) notes, authorities have been required to develop an understanding of housing in their local area for several decades. However in practice, dominated by the needs of social housing (Blackaby, 2000) this translated into only limited understanding of the private sector or levels of private sector contribution to local housing strategies. Scottish Homes/Communities Scotland (housing policy in the UK is devolved) spearheaded more considered assessment frameworks with the release of MacLennan et al's (1998) *Local Housing Systems Analysis: Best Practice Guide*, which addressed the 'whole market', considering supply/demand issues for all tenures, the flows between them, likely trends and potential impacts and imbalances arising. In England, *the*

*Local Housing Needs Assessment: A Guide To Good Practice* (DETR, 2000) identified the need for broader market understanding, although the focus remained very much upon social housing need.

The spotlight placed upon the issue of housing 'demand' in England, and acknowledgement that whole market responses were increasingly important, can in part be traced to early policy development for the Housing Market Renewal (HMR) Pathfinder program in 2002. Extensive market analysis (Nevin et al, 2001) had underpinned the rapidly emerging policy concern of low demand and risk of market failure (Cole and Nevin, 2004; DCLG, 2007a), and the first research commissioned in support of the program was preparation of the *Housing Market Assessment Manual* (ODPM, 2004). The methodology developed by the manual shared parallels with MacLennan's *Local Housing Systems Analysis*; its more significant influence – echoing market renewal policy itself – was in promoting partnership working through subregional structures and the need for strategic, and spatially aware, housing policy. As Line et al recently observe: 'The number of studies produced which include the term housing market assessment has increased dramatically as emphasis has shifted from local authority housing needs surveys towards cross-boundary studies looking at improving housing market balance across wider areas' (Line et al, 2007, p.35).

While central Government set the policy framework, the key driver for development and application of housing market assessments came through emphasising locally devolved strategic development amongst the nine HMR pathfinder schemes themselves. As part of developing funding proposals, strong emphasis has been placed both by Government and the Audit Commission (the independent scrutineer of the program) on strategies being underpinned by, and responding to insight provided by, rigorous housing market analysis. In their submission to the 2007 Comprehensive Spending Review, the Pathfinder Chairs' note that housing market renewal 'must surely be the most strongly evidence-based regeneration initiative ever developed' (Market Renewal Pathfinder Chairs, 2006, p. 60). They go on to point out that: 'the Government has rightly urged local authorities across the board – not just those in the Pathfinder areas – to raise their game in understanding housing markets and developing market-wise strategies in order to increase supply, tackle affordability and improve the quality of the stock and the housing offer in their areas. The work that Pathfinders have done has contributed substantially to developing new methodologies for this work and to understand markets more generally across the whole country' (ibid., p. 60)

Such demands have led to a significant increase in housing market analysis (if not capacity to respond to the issues that the wealth of data emerging produces) – within LGAs, across subregional bodies such as the Regional Housing and Planning Boards, and amongst the academic and consultancy sectors supporting, and benefiting, from housing markets research. While not the aim of this paper to discuss in detail the particular techniques and approaches to analysis of housing market dynamics being fostered, although the growing body of research helps identify good practice and the core factors necessary for effective housing market assessment. At heart, it must provide information on the level of need and demand for housing and opportunities that exist to meet it, and should be underpinned by collaborative working, an evidence-based policy approach, and an outcome and delivery focus. There has been some debate (Cole, 2007; Cole and Nevin, 2004; Robinson et al., 2005) regarding the appropriate balance between complex, comprehensive analysis of drivers at the subregional level and the need for more 'fleet-footed' monitoring systems at the neighbourhood level, capable of picking up and responding quickly to change circumstances in localities. There is also a need to recognise, in the face of a surfeit of quantitative data, that local, more subjective understandings of market process and activity should be accommodated (for example, see Cole et al's (2003) Leeds Study; Hickman et al, 2007; Wallace, 2004).

Developing the most appropriate approaches is often an on-going, iterative process, reflecting a key objective of policies such as Housing Market Renewal to promote and build the strategic, intelligence function at the level of program delivery: as such tools and analytical frameworks ideally need to reflect local team skills and capacities, rather than necessitate an external consultancy exercise. Clearly intelligence gathering needs to be responsive to the dynamic and complex nature of the market generally and the submarkets comprising that market and provide mechanisms whereby the outcomes of that analysis can be fed into future policy development and program implementation. In the case of Philadelphia's Neighborhood Transformation Initiative (NTI) in the US (City of Philadelphia, 2004; 2006), integrated planning is underpinned by careful monitoring of market processes and evidence based research which helps give a complete picture about the conditions in, and potential of, urban neighbourhoods. Neighbourhood strategies are aligned and tailored to the market characteristics and trends based upon a banded typology. Thus for neighbourhoods where the market reflects 'regional choice' for example, NTI's strategic role is to promote and propel the market; for 'transitional' markets, NTI seeks to respond rapidly to physical or economic

deterioration; and 'reclamation' markets, the initiative intervenes in order to 'build from strength and create conditions for market rebirth'.

A core outcome of the increased application of housing market analysis working at a range of spatial scales and across traditional working 'silos' has been the commensurate convergence of key elements of housing and planning policy agendas: inevitable as issues of supply and demand imbalances, whether through low demand and market collapse or high demand and affordability constraint, have moved to the forefront of those agendas. In the UK, a further iteration to Government guidance, *Strategic Housing Market Assessments* (DCLG, 2007b), supersedes both the *Housing Market Assessment Manual and Housing Needs Assessment Guidance*, and alongside *Planning Policy Statement 3 (PPS3): Housing* (DCLG, 2006) promotes an approach to assessing need and demand to inform preparation of local development documents and regional spatial strategy planning for housing policies. Confirmation of the crucial role now played by housing market analysis in UK housing and planning strategy is reflected in the establishment in late 2006 of a National Housing and Planning Advice Unit (NHPAU), to provide guidance for regional and subregional organisations.

## Concluding discussion

Despite the benefit of recently prepared and published Metropolitan strategies, it is argued that Australian cities are only partially prepared to meet the challenge of actually delivering the visions, aims and objectives that they have set themselves.

When compared with international counterparts, Australian housing policy has arguably followed a rather streamlined agenda in recent years. In part, this reflects the dislocation of Metropolitan matters from national concerns, but is also due – arguably – to the fact that many of the profound shifts affecting other advanced (and indeed developing) economies have not precipitated the need for comprehensive, integrated, whole of market responses here as they did elsewhere. However, over this period, the broader concerns experienced by many other countries – the increased complexity of housing markets and a failure of the market to efficiently resolve supply/demand mechanisms – have been faced, indeed writ large, in many of Australia's larger cities. The response thus far has focused very much on supply side deficiencies, whether within Metropolitan strategies, amongst lobby groups or indeed political interest at the national level. The ALP have recently announced the resurrection, if elected, of the Indicative Planning Council (abolished 10 years ago) in the form of a National Housing Supply Research Council. An annual 'State of Supply' Report prepared by the Council would include analysis of trends in land availability and construction rates and 'coordinate local, state and national supply and demand research and adopt a consistent, national standard for measuring and assessing the supply of land and housing and its relationship with demand' (Australian Labor, 2007). Such coordinated application is required across a range of spatial scales.

Australia's more streamlined policy approach has been accompanied by relatively little engagement with housing market intelligence – and in particular more effective understanding and incorporation of the drivers of housing demand – by policymakers. However, as seen in countries where this engagement has occurred, the changing social/spatial stratification of our cities and increasing disjuncture between housing and labour markets, requires – in parallel to greater understanding at the national level – a more effective, finer grained approach at the spatial scale at which our cities are shaped and reshaped. In the case of Sydney, figures provided by the METRIX planning tool can realistically only provide a starting point for discussion. They may help guide the spatial context for development, but it will be the market which determines feasibility, rate and nature of movement towards indicative targets. It is perhaps surprising that it is only in retrospect that subregional market demand assessments will be conducted to help LGAs deliver targets rather than integrating this understanding into the development of more feasible trajectories for those targets at the outset. It is also perhaps instructive that the Department of Planning has developed an assessment program to analyse the capacity, economic feasibility and take up rates of development potential at the local level which will be applied to subregional strategies (Department of Planning, 2007b). How those subregional strategies will respond and be retooled if the viability of development indicates that targets will not be met, or that targets can only be met in terms of 'numbers' but with little hope of meeting social equity or affordability goals, will be a key challenge for those tasked with translating *City of Cities* into practice.

More promising engagement can be seen in emerging frameworks tied to the delivery of *Melbourne 2030*. Although the initial plan itself shared many of the concerns which may be identified with *City of Cities* (see for example Birrell et al, 2005), it would appear that the five Regional Housing Statements, arising as part of the actual delivery process, offer a more robust framework. Importantly, the purpose of on-going monitoring – to

feed into strategic development and subsequent implementation of interventions – is more visible. Support is also provided through the Affordable Housing Program, monitoring and analysing housing prices and affordability in Melbourne and Victoria's key regional centres. This provides greater potential for a better balance to be recognised between the demand characteristics, needs and housing aspirations and the pursuit of supply targets.

Further developments in the Victorian context also point towards an emerging framework not only working within the market but which also recognises the need to shape that market. While unashamedly anchored in ensuring market efficiency, the recently published *Towards an integrated Victorian housing strategy: A framework to address our future housing challenges* (Department of Human Services, 2006) is instructive in a number of regards. Firstly, a two-pronged preamble is offered from both the Minister for Housing and Minister for Planning, presented as a Government working across silos to acknowledge the primacy of co-ordinated planning and housing strategy in facilitating affordable and sustainable communities. Secondly, the document signifies a whole of market approach, bringing together the interests of the State Housing Department – the need for a revived and supported public housing sector including neighbourhood renewal, facilitating the private market both in terms of releasing land efficiency, stimulating consolidation where appropriate, and recognising the need for support for lower income households in the private rented sector. Thirdly, there is implicit recognition of the need for better on-going housing market assessment: 'we will ... facilitate the development and review of local housing policies and strategies by applying affordable housing indicators to support local housing strategies and housing market needs assessments' (Department of Human Services, 2006, p.16). While local housing strategies are an important building block encouraged through *Melbourne 2030*, it is the proposed use of affordability targets which ties market understanding more innovatively with social equity and sustainability objectives. If such targets are set, this will have a profound impact on moving towards more effective whole-of-market housing policy, informed by more considered housing market understanding.

Policymakers and planners in all Australian cities have much to gain from a better understanding of the spatio-temporal nature of drivers of housing demand, and consideration of the outcomes for the individuals and communities that those markets affect. As housing markets become more segmented, models which remain tied to 'predict and provide' frameworks, focused on supply dynamics with limited incorporation of demand side considerations will struggle to translate into practice. This presents a major risk in terms of policy delivery, certainly if the housing market continues to confound and fragment – particularly at the submarket and more localised level – and strategy development remains tied to the same urban economists' toolkit which has predicated Metropolitan planning for the past 25 years and the next 25. Arguably, the actual implementation of strategic plans – the translation of policy into practice – will provide the catalyst required to stimulate policy debate and application of improved housing market understanding and intelligence in Australia. As such, the plans themselves become guiding frameworks to be disentangled and reworked.

Improved understanding, and means of incorporating that understanding into the strategic planning process, will also help underpin more informed, multi-dimensional debate regarding effective responses to the supply-demand dynamic which is continually faced in all housing markets. Real estate agent and private-sector monitors have an increasingly detailed understanding of dynamics in the market, but little of that sophistication as yet crosses over into policy responsiveness. It is not that those actors have access to the correct 'answer' or forecasting technique in terms of housing market operability. Value is gained in their engagement in an on-going process of monitoring the drivers of demand and trends. Similarly, policymakers and practitioners not only need a better grasp of how markets change across geographies and across time, but delivery frameworks which can respond and be iterative to those changes. Such flexibility also requires appropriate structures within which to operate. Lessons emerging from other economies facing similar challenges of housing affordability point to the need for greater partnership working, however difficult, between stakeholders which consolidates over time and through co-operation. Insight also demonstrates that market led, market responsive policy also requires a robust view – and governance, legislative and strategic frameworks with appropriate clout – to ensure that the kind of neighbourhoods and urban environments desired are preserved and created. It is not a matter of creating more technically advanced forecasting models; nor should housing policy simply be a question of delivering on numbers.

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