Section 3: Identifying Local Housing Sub-Markets within the Sub-Region

3.1 Planning Policy Statement 3 (PPS3) identifies Housing Market Areas (HMAs) as being geographical areas defined by household demand and preferences for housing. The areas reflect the key functional linkages between places where people live and work.

3.2 In March 2007, the Department for Communities and Local Government (CLG) issued an Advice Note on "Identifying sub-regional housing market areas". This note recognised that local authorities in several regions had already developed approaches to defining sub-regional housing market areas and it therefore sought to identify emerging good practice.

Defining Sub-Regional Housing Market Areas

3.3 Housing market areas reflect where people live and work, and typically represent the areas in which the majority of residents will look for housing when they want to move. The London Commuter Belt housing sub-region identified by the Eastern region covers 15 local authorities, including all 10 local authorities in Hertfordshire and 5 authorities in Essex. Therefore the six authorities in this study area, forming London Commuter Belt (West), are a sub-group within the wider London Commuter Belt.

3.4 Figure 7 shows the travel to work patterns for LCB West from the 2001 Census. It is apparent that of the 303,400 employees working in the sub-region, 206,800 (68.2%) are also local residents. Furthermore, this represents 67.1% of the sub-region's 308,400 residents that were employed.

3.5 From this it can be argued that the study area (i.e. the west of the sub-region) has the makings of a housing market area, as it reflects where people both live and work.

3.6 It is also possible to identify smaller areas, where the majority of the local population live, work and move. This analysis of the migration, travel to work and house price patterns identifies functional sub-market areas.

Figure 7
Travel to Work Patterns for Residents in Local Authorities in London Commuter Belt West Sub-region in 2001 (Source: Census 2001)

UK Region/Area	Travel to Work		
	To LCB West	From LCB West	Net
LCB West sub-region	206,846	206,846	-
Rest of Hertfordshire	18,325	8,036	10,289
Rest of Eastern	22,089	8,244	13,845
North East	370	48	322
North West	1,065	369	696
Yorkshire & Humberside	963	272	691
East Midlands	2,254	691	1,563
West Midlands	1,300	540	760
London	30,835	70,416	(39,581)
South East	17,421	12,297	5,124
South West	1,300	408	892
Wales	405	69	336
Scotland	145	149	(4)
Northern Ireland	84	6	78
Total	**303,402**	**308,391**	**(4,989)**

3.7 The CLG advice note identifies three sources of information which support the identification of local housing sub-markets, namely:

- house prices and rates of change in house prices, which reflect household demand and preferences for different sizes and types of housing in different locations;
- household migration and search patterns, reflecting preferences and the trade-offs made when choosing housing with different characteristics; and
- contextual data, such as travel to work areas, which reflect the functional relationships between places where people work and live.

3.8 There is an increasing amount of secondary data available that can be drawn on to help understand each of these factors. It is important to recognise that no one single approach or single data source can provide a definitive answer, but by considering the range of available data, it is possible to form a judgement on an appropriate geography for sub-market areas.

3.9 The methods identified for defining housing market areas can be sub-divided into two broad approaches:

- the first approach identifies and groups together areas with similar characteristics; and
- the second approach identifies and groups together areas which show a degree of self-containment in terms of either migration and/or employment patterns.

3.10 Classifying sub-markets using the first approach will tend to yield a larger number of small areas, with each area tending to have similar characteristics. If such characteristics change (e.g. young single persons join together and become family households), they are likely to move into a different housing sub-market (e.g. from a town centre apartment to a home with a garden in a more suburban location).

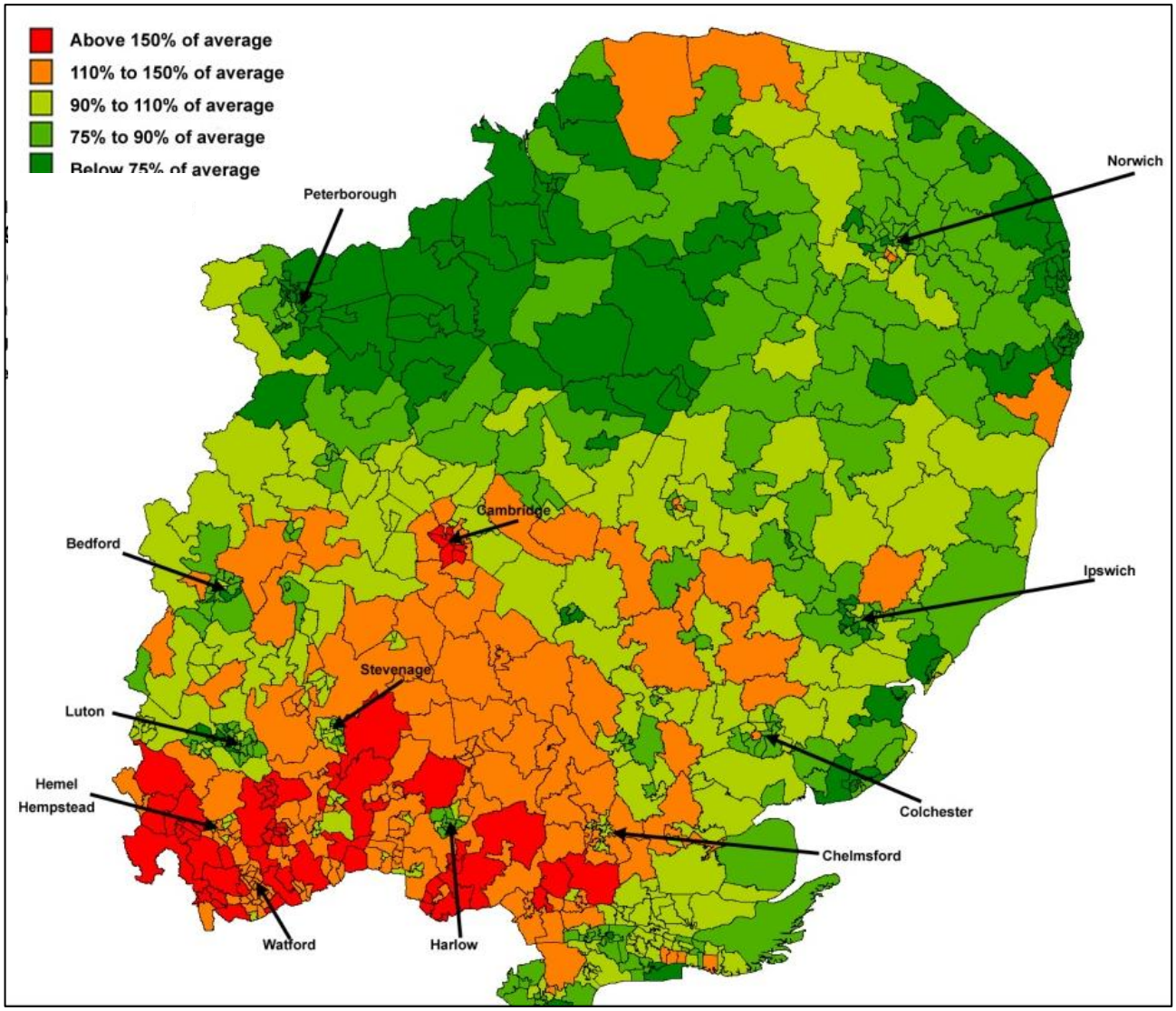
3.11 Using the second approach to classification tends to yield fewer sub-markets and within each of the identified areas, there should be housing available for households of all types. If the identified area has a balanced housing market, all households should be able to find housing to meet their requirements at a price that they can afford, without moving outside the sub-market area.

3.12 If there is insufficient housing of any particular type, households seeking such housing will inevitably widen their search areas in order to find the housing that they require at a price they can afford. On the assumption that their employment circumstances don't change, they will all have to commute. The lack of any particular type of housing will change over time the patterns of containment in relation to both migration and employment, so that the sub-market boundaries will eventually be redefined to include areas catering for the "missing" types of housing. Alternatively, the gap in the local market will be recognised and the "missing" types of housing provided within the local area. These gaps may be addressed by a market led response or a planning policy intervention.

Using Local House Prices to Define Housing Market Areas

3.13 The first approach to identifying housing market areas advocated by the CLG advice note is to consider an analysis of local house prices. Neighbouring areas which contain similar house prices are also likely to share many other similar characteristics, which could lead to them being viewed as a housing market.

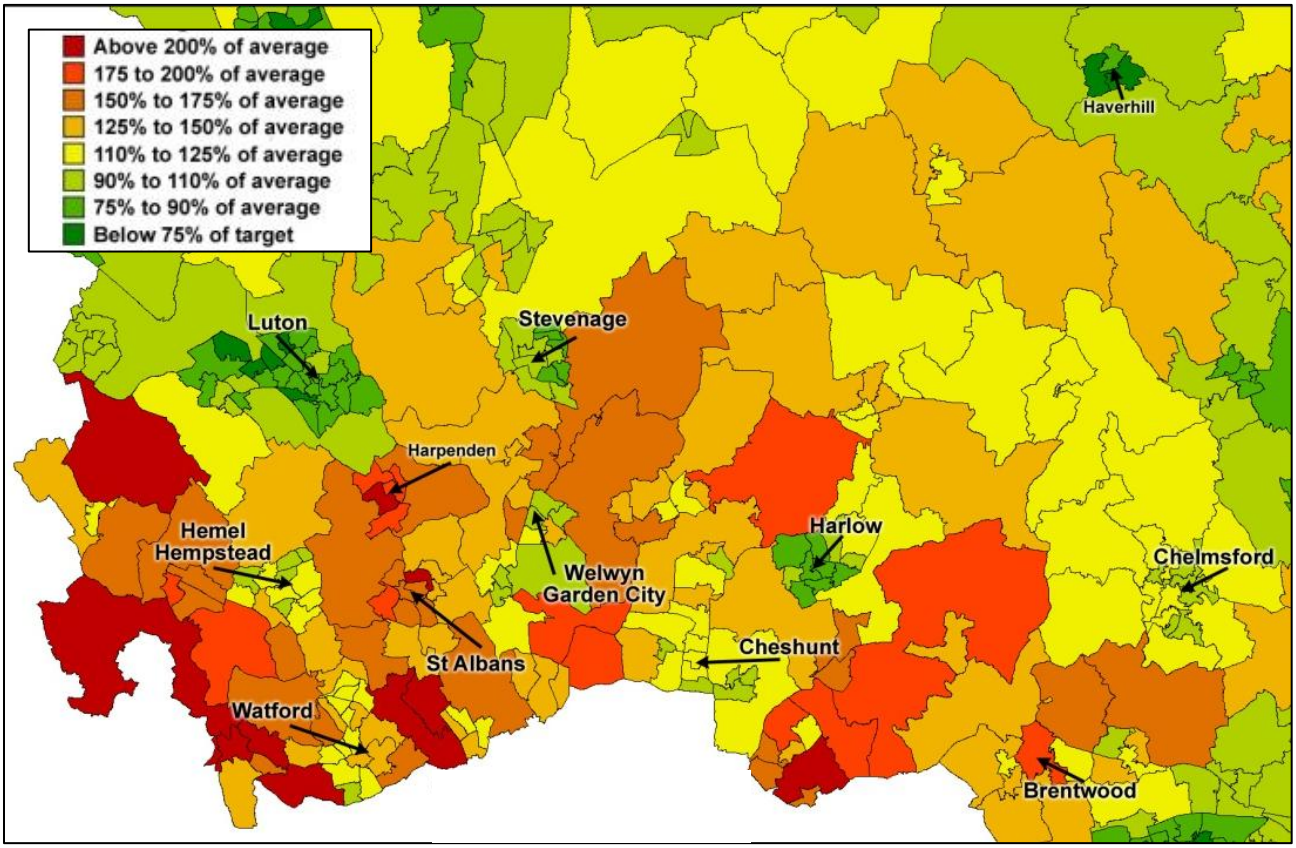
Figure 8
Relative house prices across the Eastern Region (Source: UK Land Registry)



3.14 Figure 8 shows the variation of house prices from the average across the Eastern region from October 2006 to September 2007. It should be noted that the house prices have been weighted to account for any variation in dwelling type with the share of housing accounted for by detached, semi-detached, terraced and flats being standardised across the region so any variations in prices are not due to the type of stock which is to be found in the area, but are actual cost differences. Once the weights were applied the average price was obtained by adding up the value of all properties sold and dividing by the number of transactions.

3.15 Areas in red contain house prices which are over 150% of the regional average and those in dark green are less than 75% of the regional average. Therefore, the London Commuter Belt clearly contains many of the areas with the highest house prices in the Eastern region.

Figure 9
House Prices Across the London Commuter Belt Compared to the Eastern Region Average (Source: UK Land Registry)



3.16 Figure 9 shows a closer view of relative house prices across the London Commuter Belt. This identifies urban centres such as Hemel Hempstead, Watford, Hatfield and Welwyn Garden City that have lower average house prices than the rural areas which surround them.

3.17 If we identified sub-markets on the basis of areas with similar characteristics, the above maps would suggest that the urban areas around Hemel Hempstead, Watford, Hatfield and Welwyn Garden City would each form separate sub-markets (showing relatively less expensive house prices) with St Albans, Harpenden and much of the less sparsely populated areas constituting one or more further sub-markets (each having relatively more expensive housing stock).

3.18 Whilst it is helpful to understand this distribution of local house prices, the distribution does not appear to provide sufficient information to define clear sub-market areas.

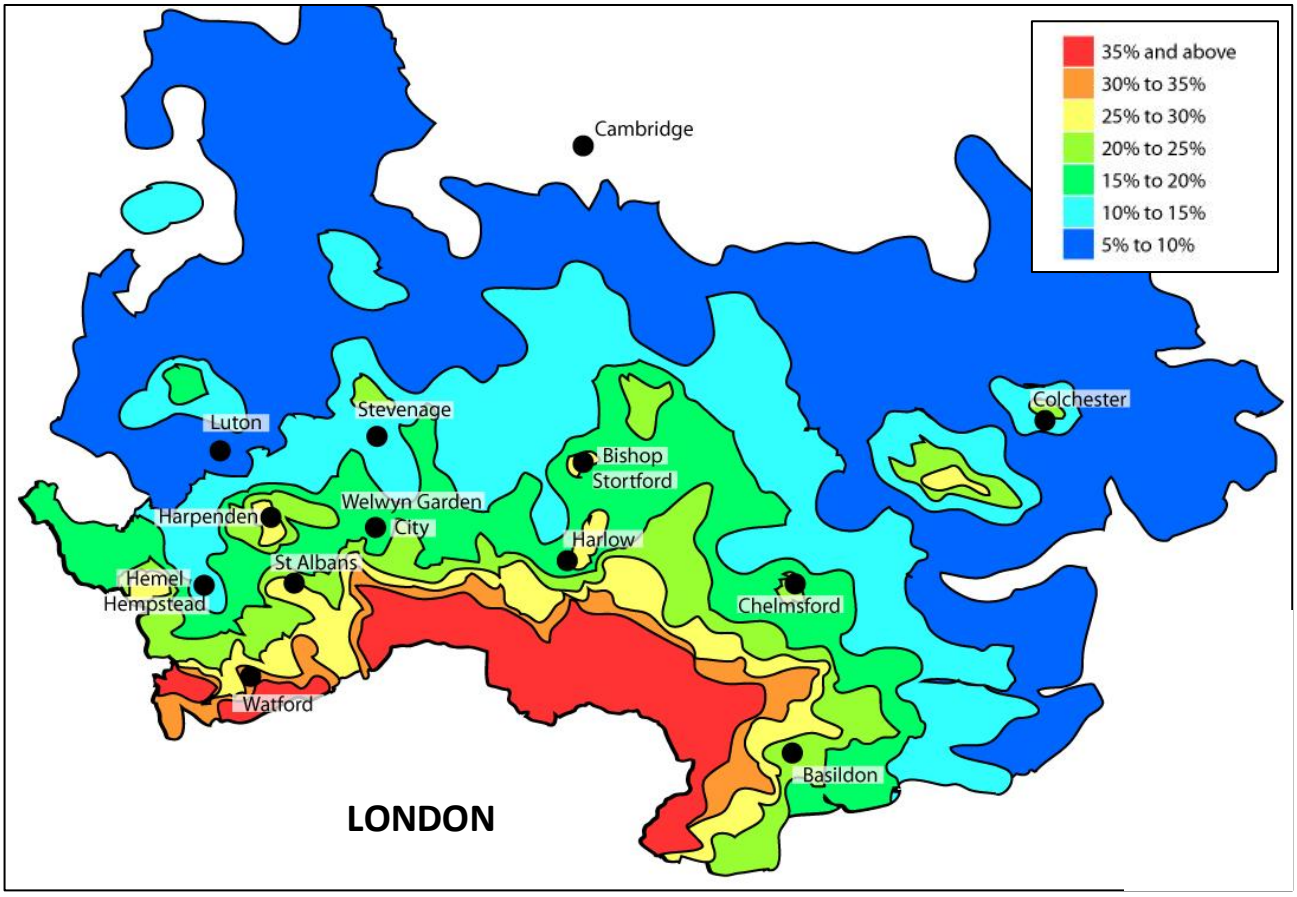
Using Employment and Migration Patterns to Define Housing Market Areas

3.19 An alternative method for dividing the sub-region into functional housing sub-markets that is recognised by the CLG Advice Note is to consider travel to work patterns, with sub-markets defined by the area in which the majority of the local population live and work.

3.20 We can identify travel to work behaviour through analysis of the 2001 Census data. ORS has developed an effective methodology for identifying housing sub-markets over a number of years and in particular the mechanisms for mapping and visualising the large quantity of data being analysed.

3.21 As part of this process, it has become apparent that when considering local housing market areas, it is important to exclude the impact of substantial housing markets outside the area which may still influence local patterns. In the context of this analysis, it is apparent that the influence of London could be significant. As shown in Figure 6, in 2001 as many as 70,400 of London's workers lived in the study area.

Figure 10
Travel to Work to London Across the Study Area (Source: UK Census of Population 2001. Note: bands represent the percentage of the employed resident population who work in the London region)



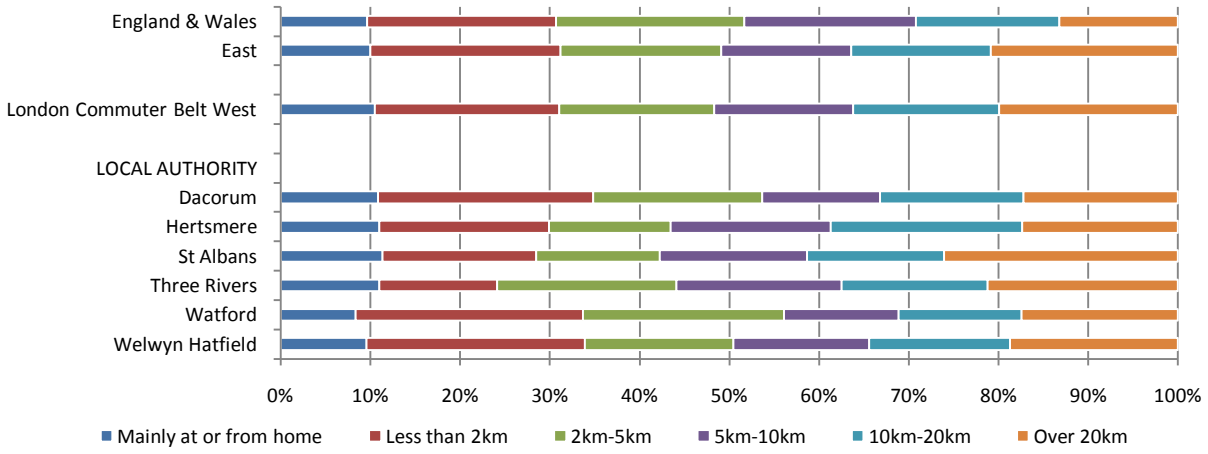
3.22 Figure 10 illustrates the influence of London on the whole of the London Commuter Belt area and its immediate vicinity. The isobars show how large a proportion of the total workforce travel to work in London. Areas coloured in red have 35% or more of their workforce travelling to London to work. Meanwhile, areas in dark blue have less than 10% of their workforce travelling to London.

3.23 One of the most noteworthy features of the map is that the importance of London as a travel to work destination reaches out further to the east of London than it does to the north. Areas in Essex and the eastern side of Hertfordshire are much more likely to contain very high numbers of workers who travel into London to work, reflecting the pattern of the transport network and connectivity with the City of London.

3.24 While a large number of the employed residents of the study area commute to London each day, an even greater number work within the study boundary. The 2001 Census data identifies 206,850 people who both live and work in the London Commuter Belt (West). This represents around 67% of all those living in the area who have a job, and 68% of all those who work in the area. Of this group, 29,900 work mainly at or from home, equivalent to 9.7% of all those residents who have jobs.

3.25 Unsurprisingly the majority of people who travel to work in and out of London Commuter Belt (West) do so to and from areas in the immediate vicinity. In particular, aside from the links with the London region, LCB (West) also attracts around 24,000 employees from the rest of the Eastern region (including the rest of Hertfordshire).

Figure 11
Travel to Work Distance by Local Authority (Source: UK Census of Population 2001)



3.26 Figure 11 shows that more than half of all employees in the sub-region travel more than 5km to work each day. The pattern for the sub-region is very similar to that of the whole of the Eastern region but employees resident in LCB West travel further to work than employees do nationally. It can also be seen that employees who are resident in St Albans are the most likely of all the local authorities in the sub-region to travel longer distances to work.

Defining Housing Market Areas in the Sub-region

3.27 The graph overleaf (Figure 12) shows the inter-relationships between areas within the London Commuter Belt sub-region, where those Census Output Areas that are either classified as “urban” by the DEFRA classification or have large workplace populations, are grouped together to form urban centres or nodes. Surrounding areas outside the sub-region are also included for completeness.

3.28 To ensure an effective analysis of the internal links between settlements in the London Commuter Belt sub-region, travel to work to London was excluded from the calculations and only the links between areas outside London were analysed.

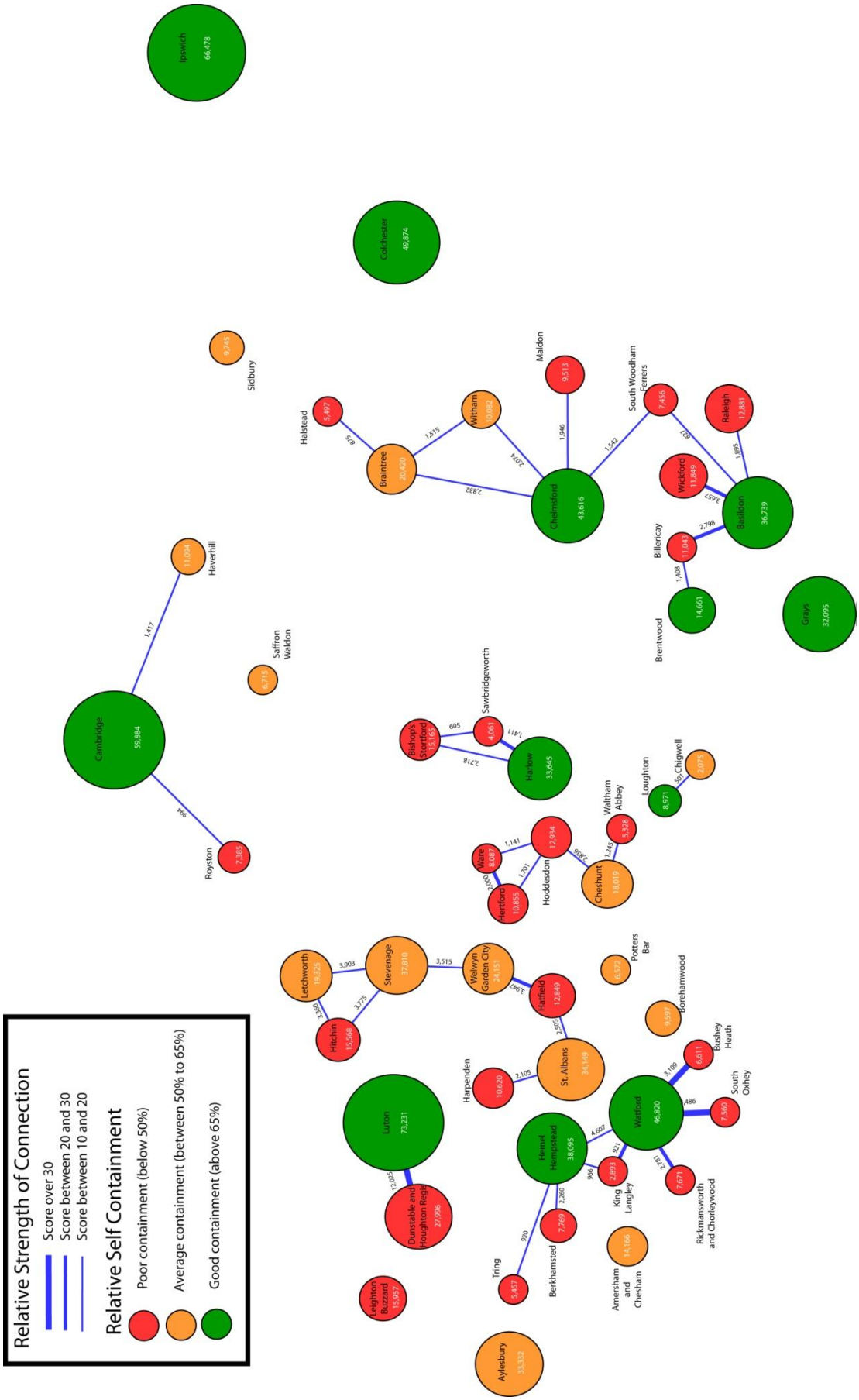
3.29 These urban centres (or nodes) have been colour coded according to their relative self-containment. The figure inside the settlement denotes the number of residents who both live and work in that urban centre. The colour of the node represents this as a proportion of all workers living in the area (excluding those who commute to London) as an indicator of the areas self-containment, on the basis of the following bands:

- green = above 65% of employees living in the area also work in the area;
- amber = 50 to 65% of employees living in the area also work in the area; and
- red = below 50% of employees living in the area also work in the area.

3.30 The links that exist between the urban centres are also illustrated by the joining lines, with stronger links having heavier lines. Note that the line thickness (and the very presence/absence of lines) is based on the relative proportion of workers that travel between the two areas as opposed to the absolute numbers. So, for example, 200 workers travelling from an area with a total of 2,000 workers is of clear significance; whereas 200 workers travelling from an area with a total of 20,000 workers is of little importance.

3.31 The number shown on the line indicates the gross travel to work in either direction between the two areas. For example, there are a total of 966 workers who either live in Hemel Hempstead and work in Kings Langley or alternatively live in Kings Langley and work in Hemel Hempstead.

Figure 12:
Identifying the Functional Housing Sub-Markets in the Study Area: Initial Output (Source: UK Census of Population 2001)



3.32 Within the study area, Figure 12 highlights that Hemel Hempstead and Watford both have more than 65% self-containment when analysing their travel to work patterns. Welwyn Garden City, St Albans, Potters Bar and Borehamwood have between 50% and 65% self containment while numerous settlements have less than 50% self-containment. Typically, housing sub-markets are considered to be areas with at least 65% self-containment, implying that Watford and Hemel Hempstead meet this definition, while other settlements in the study area do not.

3.33 Given that many of the identified settlements have relatively poor levels of self-containment the next step is to combine them to form larger housing sub-markets. Whilst there is no definitive answer to the final groupings, the following observations informed and/or were considered by the next stage of analysis:

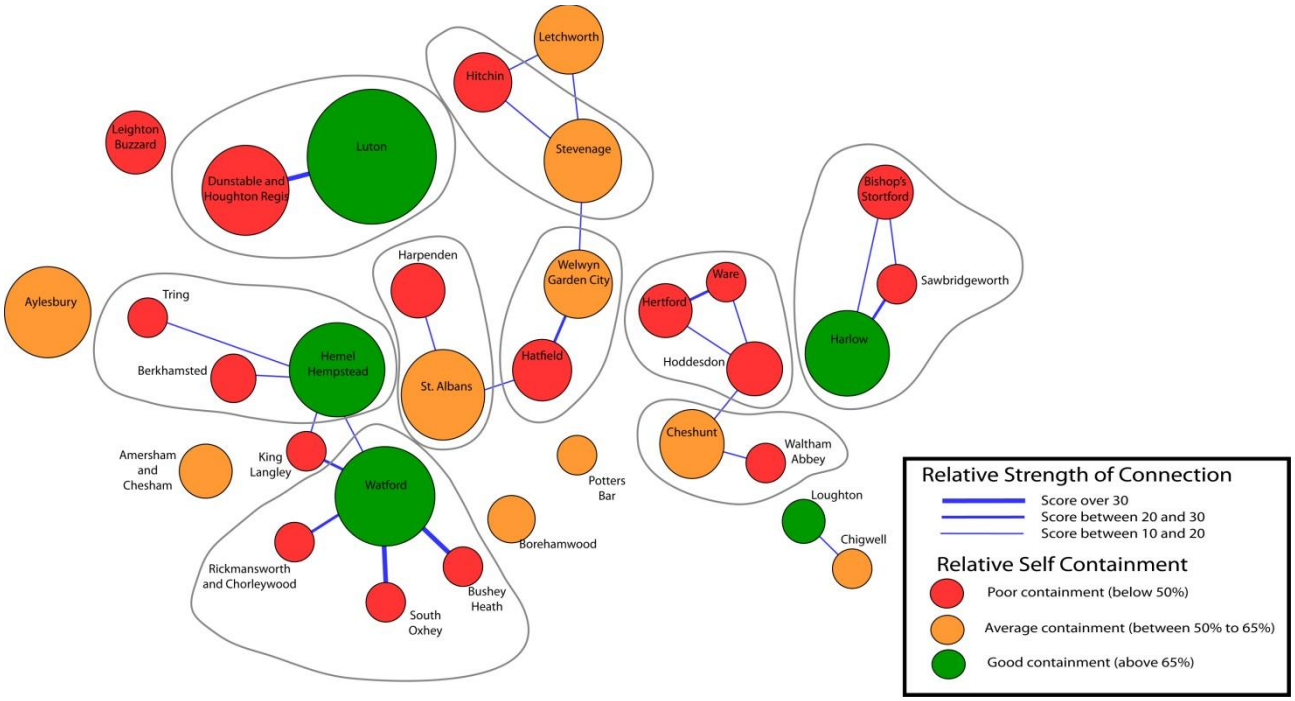
- Watford and Hemel Hempstead have a number of satellite settlements (Rickmansworth and Chorleywood, South Oxhey and Bushey Heath to Watford and Berkhamsted and Tring to Hemel Hempstead) which naturally combine with the larger urban centres, whilst Harpenden naturally merges with St Albans;
- Welwyn Garden City and Hatfield are strongly connected to each other, but there is the potential to further combine these two areas with either St Albans (connected to Hatfield) or Stevenage (connected to Welwyn Garden City);
- St Albans also has links with both Watford and Hemel Hempstead and, given its “amber” status, could arguably join with either of these settlements, or it could retain an independent status, in particular, following the linkage with Harpenden;
- King Langley also has links with both Watford and Hemel Hempstead and, given its “red” status, it would need to join with one of the larger centres; and
- Borehamwood and Potters Bar currently have “amber” status, and both of these areas border London and have very strong travel to work patterns into the region. These settlements have only weak links to the emerging sub markets in the London Commuter Belt (West) area so they could either be grouped based on geography or alternatively they could be considered part of the North London housing market.

3.34 There are also a number of considerations for grouping areas outside LCB (West) which could have an impact on the proposed sub-markets and these include:

- Dunstable and Houghton Regis naturally join the Luton housing sub-market, but Leighton Buzzard is not drawn into this area;
- there are links between Stevenage, Letchworth and Hitchin which suggest that they should merge to form a single sub-market; and
- Hertford, Ware and Hoddesdon are also linked, but even the combined area is unlikely to sustain its own independence and is likely to require further amalgamation.

3.35 One possible combination of settlements is shown below, but this does not provide a final grouping for all of the identified areas.

Figure 13:
Identifying the Functional Housing Sub-Markets in the Study Area: Combined Output for London Commuter Belt (Source: UK Census of Population 2001)



3.36 Figure 13 illustrates the outcome of the computer aided analysis. The above groupings were introduced into the analysis and links between the settlements recalculated. The final sub-market groups within the study area can be summarised:

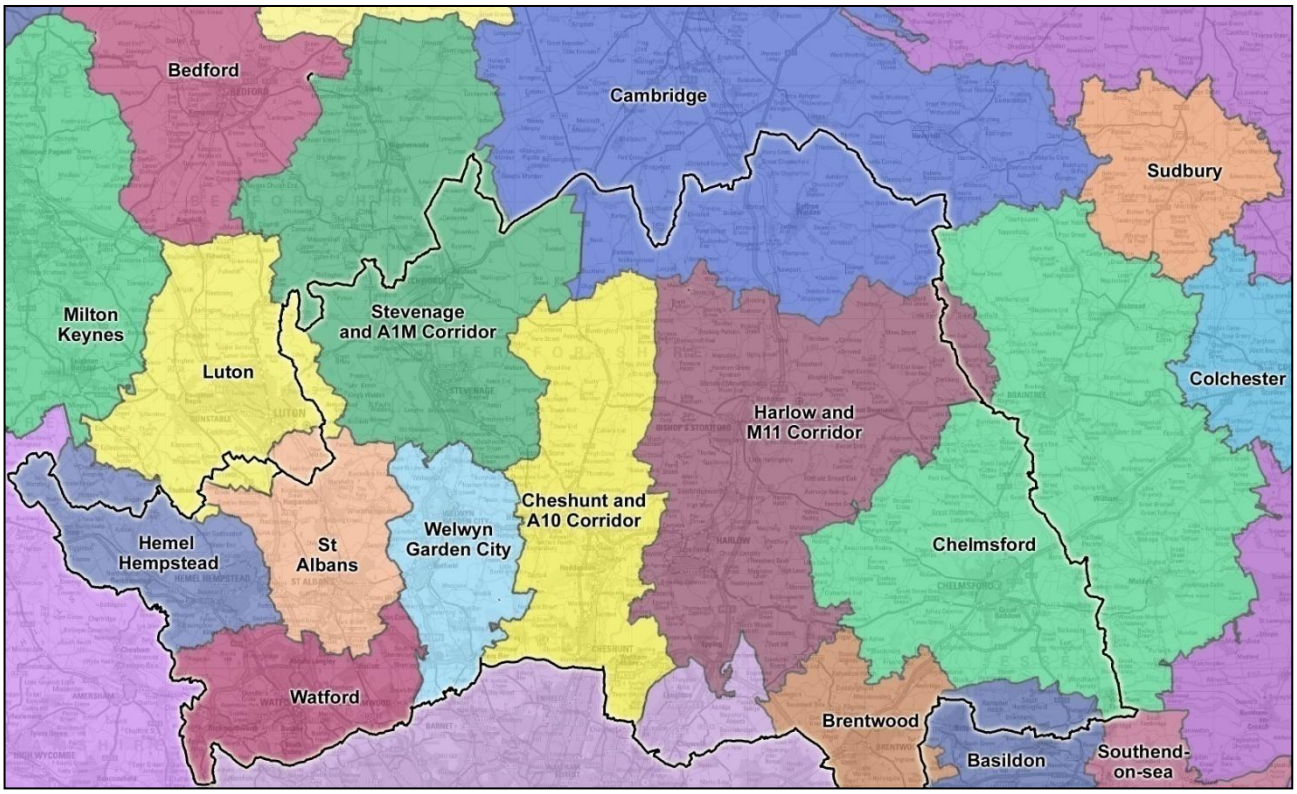
- Hemel Hempstead;
- St Albans;
- Watford; and
- Welwyn Garden City and Hatfield.

3.37 Further housing sub-markets in the wider sub-region include:

- Brentwood;
- Chelmsford;
- Cheshunt and A10 Corridor;
- Harlow and M11 Corridor; and
- Stevenage and A1M Corridor.

3.38 Areas from the Luton, Cambridge and London markets also fringe into the London Commuter Belt sub-region, whilst the Chelmsford and Stevenage-A1M sub-markets both cover large areas outside the sub-regional boundaries as illustrated overleaf, Figure 14.

Figure 14
Identifying the Functional Housing Sub-Markets across the whole London Commuter Belt Sub-Region (Source: LCB (West) Strategic Housing Market Assessment 2007)



3.39 It seems apparent that the grouping of the six authorities that form the London Commuter Belt (West) Housing Market Partnership is supported by the analysis. However the options for future working arrangements are considered further in the next section.

3.40 In relation to the rest of the sub-region, the analysis supports the linkage between Chelmsford (in the London Commuter Belt sub-region) and Braintree (in the Haven Gateway sub-region) who have conducted their HMA jointly, in partnership with Colchester. There is also clear evidence that supports Stevenage and North Hertfordshire working separately from the other authorities in the London Commuter Belt sub-region, although the identified sub-market is clearly linked with further areas outside the sub-region i.e. Mid Bedfordshire.

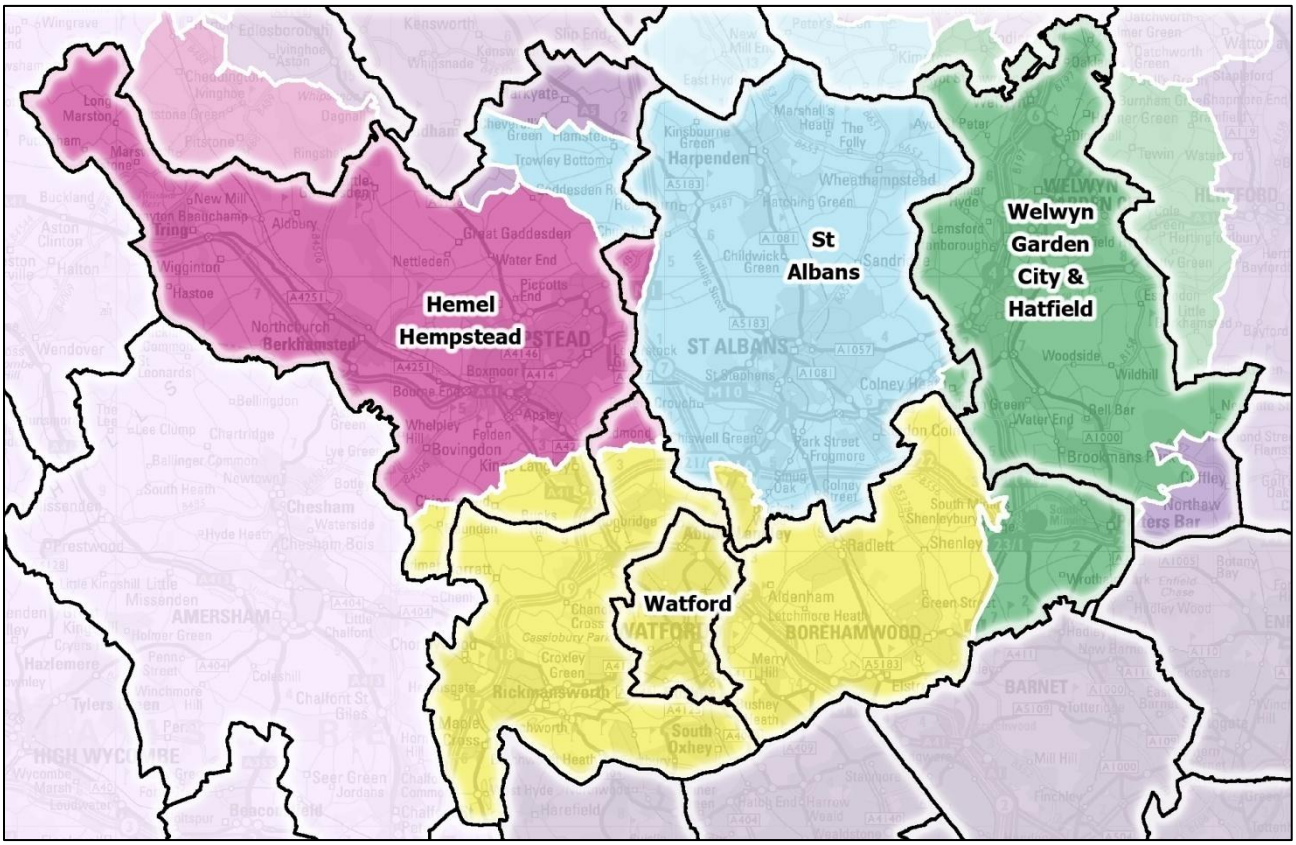
3.41 The remaining six authorities are currently working together as the London Commuter Belt (East) / M11 Corridor Housing Market Partnership. The analysis suggests that there are two substantial sub-markets covering most of this area, Cheshunt/A10 to the west of the area and Harlow/M11 to the east of the area. The analysis also showed the north of Uttlesford (including Saffron Waldon) to be part of the Cambridge sub-market, while Chigwell and surrounding areas (in the very south of Epping Forest) were associated with North London.

3.42 Brentwood was identified as a further sub-market in the LCB (East) Partnership area and whilst the boundary for this sub-market is not coterminous with the administrative boundary for the Local Authority, it is clear that this area could be considered separately from the rest of the LCB (East) group. Given the strong links between Brentwood and Colchester along the A12 corridor, it may be appropriate for Brentwood Borough to consider moving to the Chelmsford-Braintree-Colchester Housing Market Partnership.

Understanding the Identified Housing Market Areas in the Study Area

3.43 The four sub-markets in LCB (West) are shown in more detail in Figure 15 below, together with the six local authority administrative boundaries.

Figure 15
Identifying the Functional Housing Sub-Markets in the Study Area (Source: LCB (West) Strategic Housing Market Assessment 2007. Note: Area outside the study area shown in lighter shading)



3.44 The urban areas of Welwyn Garden City and Hatfield, St Albans, Hemel Hempstead and Watford form the central points for the four housing sub-markets. To the north of the study area, the housing sub-markets largely follow the local authority administrative boundaries.

3.45 It would, therefore, be possible to consider Dacorum, St. Albans and Welwyn Hatfield independently, with each undertaking their own separate Housing Market Assessment. However, as previously discussed, St. Albans has strong links with both Hemel Hempstead and Welwyn Garden City and Hatfield sub-markets, so there are clear advantages to this group of three authorities continuing to work together.

3.46 The Watford sub-market, to the south of the study area, covers most of the area that falls within the M25, including almost all of Three Rivers district and the substantial majority of Hertsmere borough. So it would seem necessary for these three authorities to continue working as a group.

3.47 In this context, if the existing Housing Market Partnership decided to divide into smaller groups, the two groups, each with three authorities outlined above, would seem to be the most natural combinations. Nevertheless, given the strong links identified between the Hemel Hempstead, Watford and St. Albans sub-markets and also the coverage that the Welwyn Garden City and Hatfield

sub-market has in Hertsmere, there are clear advantages for the existing Partnership remaining as a single group.

3.48 In terms of expanding the area and considering additional members:

- **to the north:**
  There are clear links between Welwyn Garden City and Hatfield and the Stevenage/A1M sub-markets, so it may be worth considering an amalgamation of the Stevenage/North Herts Partnership with the LCB (West) Partnership. Nevertheless, given that the Stevenage/A1M sub-market covers large areas of Mid Beds, it is probably more important for this HMP to link up with the Luton and Bedfordshire sub-region;
- **to the south:**
  Watford has strong links with North London, but the sub-market boundary accords closely with the existing LCB (West) Partnership area. In this context, it does not seem appropriate to invite any of the North London Boroughs to join this HMP, but it will be important to engage with their SHMA work to help understand the relationship with this area;
- **to the east:**
  Whilst the Welwyn Garden City and Hatfield sub-market extends slightly into East Herts district, the latter primarily relates to the Cheshut/A10 sub-market and has far stronger relationships with partners in LCB (East). It will be important to continue liaising with the LCB (East) Partnership as their SHMA progresses to recognise any differences, similarities and linkages with LCB (West); and
- **to the west:**
  The movement patterns to the west of the Partnership area do not seem to cross the borough boundaries and there are no particularly strong external links identified by the analysis. The existing boundary therefore appears appropriate, but any changes to the transport infrastructure and/or significant delivery of housing in that area should be monitored, as this could have an impact on future movement patterns and change the identified sub-markets.

3.49 The above evidence presents a good case for the continuation of the LCB (West) Housing Market Partnership in its present form.

3.50 If the existing HMP considered that its effectiveness would be improved by sub-dividing its current membership, the analysis would suggest that the most appropriate division would be into two, with a northern group (comprising Dacorum, St Albans and Welwyn Hatfield) and a southern group (comprising Watford, Three Rivers and Hertsmere). However, based on the preceding evidence, there is no overwhelming argument at the current time, that this sub-division would be more advantageous to the partners.

Summary of Key Points

- Planning Policy Statement 3 (PPS3) identifies Housing Market Areas as being geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work.
- 68% of employees in the sub-region are also local residents and 67% of the sub-region's residents are also employed in the area and therefore can be argued to have the makings of a housing market area, although it is also possible to identify smaller geographic units.
- One method of classifying housing markets is to group together areas with similar characteristics, e.g. house prices. The London Commuter Belt contains many of the areas with the highest house prices in the Eastern Region.
- Urban centres such as Hemel Hempstead, Watford, Hatfield and Welwyn Garden City have lower average house prices than the rural areas which surround them. If using the first approach of similar characteristics, each of these urban areas would form a separate sub-market with St, Albans, Harpenden and much of the lower density areas making up one or more further sub-markets. However, this does not provide a clear mechanism for classification.
- An alternative method and the one adopted in arriving at the following conclusions is to use travel to work patterns (from the 2001 census) and define areas in which people both live and work.
- It is important to exclude the impact of substantial housing markets which may influence local housing patterns. 70,400 of London's workers lived in the study area, however, the importance of London as a travel to work destination reaches out further to the east of London (Essex and Eastern Hertfordshire) than it does to the north. In LCB (west) despite a large number working within London, a greater number both live and work in the area.
- LCB (West) also attracts the vast majority of workers into and out of the sub-region from areas in the immediate vicinity, with 24,000 employees commuting in from the rest of the Eastern region.
- Half of all employees in LCB (West) travel more than 5km to work each day, with residents of St Albans being the most likely to travel longer distances to work.
- Hemel Hempstead and Watford both have more than 65% self-containment when analysing travel to work patterns and so are the only settlements within LCB (West) to meet the level considered to be housing market areas. As relatively few settlements have high levels of self containment they have been combined to form larger housing sub-markets. Some areas outside of LCB (West) could also impose on the proposed sub-markets.
- Using travel to work patterns, the final sub-market groups within the study area are Hemel Hempstead, St Albans, Watford and Welwyn Garden City and Hatfield. Further housing sub-markets in the wider sub-region include Brentwood, Chelmsford, Cheshunt and A10 Corridor, Harlow and M11 Corridor and Stevenage and A1M Corridor.
- Beyond this study the analysis supports the linkage between Chelmsford and Braintree, who have jointly conducted their HMA in partnership with Colchester. There is also a link between Stevenage and North Herts which supports working separately. The Cheshunt/A10 sub-market and the Harlow/M11 sub-area are the two substantial sub-markets within LCB (East).
- To the north of the study area the housing sub-markets largely follow the local authority administrative boundaries and therefore it would be possible for Dacorum, St Albans and Welwyn Hatfield to undertake individual Housing Market Assessments, although as St Albans has clear links to both other authorities, there is advantage to the three authorities working together.
- The Watford sub-market covers the Three Rivers district and the majority of Hertsmere and so these three authorities should continue to work as a group. However, other strong links within LCB (West) make it advantageous to remain as a single group within the existing Partnership.