

# MARKET SIGNALS SUMMARY

## Precedent

### Local plan inspectors' reports

- 1 The SHMA refers to the following local plan inquiry inspectors' reports:
  - **Canterbury - 30% uplift:** house prices above national average (12%), house price growth above national average (20 percentage points) and above national average affordability ratio. Note the uplift also deemed to relate to future jobs, affordable housing and recovery in HRRs but no apportionment between market signals and these overlapping factors. (**June 2017**, endorsing position adopted in interim findings)
  - **Eastleigh - 10% uplift:** affordability had worsened more than the national average and rents had risen more than the average. These are deemed to be 'modest' pressures (**June 2015**)
  - **Uttlesford - 10% uplift:** house price increases had been slightly less than for Essex and England but from a very much higher base; median rents were higher than these comparators and had risen faster; and affordability had risen to a much higher peak prior to the recession. The 10% uplift also relates to addressing affordable need – no explanation of apportionment between market signals and affordable need is given (**December 2014**)
  - **Maidstone - no uplift:** 5% tested at examination to resolve under-delivery rejected as unlikely to have any significant effect on market values (**August 2017**, endorsing position adopted in interim findings)
- 2 These inspectors' reports confirm the approach of comparing local market signals against national signals. This approach is explained at the outset of SHMA's treatment on market signals which refers to distinguishing between macro trends and local issues that would justify
- 3 In addition to these, it is worth noting the following other inspectors' conclusions on market signals:
  - **High Peak - 5% uplift:** supported on the basis of needing to deliver a 'very modest improvement in affordability and a requirement to stabilise increasing house prices (**March 2016**)
  - **Swale - no uplift:** permissions in excess of market demands, house prices and price growth below county, region and nationally; and more affordable than Kent and south east as whole (**May 2017**)
  - **Warwick – no uplift:** house prices consistently above those in the rest of the HMA, the region and national; prices rose in line with national average over the trend period; and, affordability than national average (7.82 vs 6.45) but has fallen during the trend period (**August 2017**)

## Section 78 decisions

- 4 Since the SHMA was published, a recovered appeal at Siege Cross in West Berkshire has been dismissed by the Secretary of State. In relation to market signals, the Siege Cross inspector found that a 13.5% uplift, as proposed in the Berkshire SHMA and justified by ‘affordability pressures in West Berkshire [9,09 vs national average of 6.45], but not unduly pronounced by comparison with other parts of the region [Western Berks average 8.71]’ was reasonable.

## Approach adopted in the SHMA

- 5 The table below is extracted from the SHMA (Table 6.2), with an additional line to confirm the scale of the uplift adopted. The figures in bold in the table are identified in the SHMA as showing signs of market pressures in each of the HMA authorities.

Indicator		Ipswich	Babergh	Mid Suffolk	Suffolk Coastal	England
Median house prices (£)	2016	160,000	<b>248,998</b>	222,500	<b>250,000</b>	218,000
	England Comparison (LPA - England)	-58,000	<b>30,998</b>	4,500	<b>32,000</b>	
Median house price growth	2010-15	<b>25.8%</b>	<b>22.0%</b>	14.3%	<b>21.1%</b>	14.3%
	England Comparison (LPA - England)	<b>11.4 pp</b>	<b>7.7 pp</b>	-0.1 pp	<b>6.7 pp</b>	
Affordability (work place earnings)	2015	6.4	<b>9.7</b>	<b>9.0</b>	<b>9.0</b>	7.0
	England Comparison (LPA - England)	-0.6	<b>2.7</b>	<b>2.0</b>	<b>2.0</b>	
Affordability (resident's earnings)	2015 (2014 for Suffolk Coastal)	10.9	<b>14.9</b>	<b>12.6</b>	<b>11.8</b>	10.1
	England Comparison (LPA - England)	0.9	<b>4.8</b>	<b>2.5</b>	<b>1.7</b>	
Private monthly rent cost (£)	2015	555	670	683	637	788
	England Comparison (LPA - England)	-233	-118	-105	-151	
Over-occupancy	2011	3.5%	1.5%	1.6%	1.6%	4.6%
	England Comparison (LPA - England)	-1.1 pp	-3.1 pp	-3.0 pp	-3.1 pp	
Concealed households	2011	1.4%	0.9%	0.9%	0.9%	1.9%
	England Comparison (LPA - England)	-0.4 pp	-1.0 pp	-0.9 pp	-0.9 pp	
Scale of uplift		<b>10%</b>	<b>15%</b>	<b>10%</b>	<b>15%</b>	

- 6 The following is an extract of the concluding text from the SHMA’s market signals analysis which sets out the conclusion on Suffolk Coastal’s market signals (para. 6.56):

*‘Suffolk Coastal experienced a slowing down of completions and did not meet its delivery targets, which may be the result of a lack of a five-year housing land supply in 2010-14. House prices in the district were high and affordability poor. This suggests that housing over the period was relatively undersupplied. In our view a market signals uplift of 15% is justified.’*

- 7 In the context of the precedent set by other local plan examinations, the 15% uplift reflects our conclusion that the high house prices, poor affordability and land supply pressures in the trend period reflect greater than ‘modest’ pressures (Eastleigh).

- 8 The scale of pressure is lower than Canterbury which is the highest market signal uplift we have seen applied: while the difference in affordability pressures is less pronounced (Suffolk Coastal has a ratio of 9 vs the now-national average of 7; Canterbury had a ratio of 9 against 6.5 national average), the difference from national average in house price growth is much lower (8.7 percentage points in Suffolk Coastal vs 20 percentage points in Canterbury). Additionally, while no apportionment is given, Canterbury's uplift dealt with a range of other pressures. All this suggests that a 30% uplift would not be appropriate.
- 9 The 15% uplift is judged to reflect more than modest pressures we identified at Suffolk Coastal.