

## GREATER CAMBRIDGE HOUSING MARKET ECONOMICS

### Introduction

This analysis builds on research undertaken in 2014 (**Table 2**), looking at average sales revenues and resulting residual values available for infrastructure and planning obligations. **Table 3** sets out the most recent (2019) data collated by Bidwells' Residential Development team. In addition, experimental analysis of average sales revenues based on ONS data is used to reflect overall market trends in the area.

### Experimental Data

Over the past few years ONS has published various datasets that can be combined to give some measure of average sales values. These cannot be definitive, for the reasons set out below, but still provide an interesting comparison to the data provided the Residential Development team.

Data is now available on the number and total residential floor area (m<sup>2</sup>) of new build houses that lodged Energy Performance Certificates annually from 2009. This data is available for each local authority area in England and can be used to produce an average size of new-built dwelling in each year for each local authority (**Table 1**). While differences in tenure do exist, when averaged, these are unlikely to materially affect the overall results and therefore it is reasonable to use this dataset to reflect market housing. This shows that between 2009 and 2018, average dwelling size in Cambridge has increased by 29% while in South Cambridgeshire the increase was 40%. This reflects the change in emphasis in recent years away from apartments and is unlikely to continue substantially in the future.

**Table 1: Experimental Analysis of Mean Price per Unit Area**

LA	VARIABLE	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cambridge	Total Floor Area	33,033	25,002	16,873	24,745	99,255	88,169	77,349	112,467	99,737	67,614
	Total Lodgements	415	313	241	304	1,231	960	842	1,297	1,007	658
	Average Dwelling Size	79.60	79.88	70.01	81.40	80.63	91.84	91.86	86.71	99.04	102.76
	Mean House Price	£295,783	£307,504	£312,910	£314,937	£372,727	£459,508	£586,631	£519,721	£577,204	£696,405
	Mean Price per m <sup>2</sup>	£3,716	£3,850	£4,469	£3,869	£4,623	£5,003	£6,386	£5,994	£5,828	£6,777
	Mean Price per ft <sup>2</sup>	£345	£358	£415	£359	£429	£465	£593	£557	£541	£640
South Cambridgeshire	Total Floor Area	63,180	67,941	72,216	91,606	82,684	84,897	76,650	89,933	65,166	74,373
	Total Lodgements	733	689	723	924	776	780	651	816	551	617
	Average Dwelling Size	86.19	98.61	99.88	99.14	106.55	108.84	117.74	110.21	118.27	120.54
	Mean House Price	£212,527	£243,620	£270,171	£268,612	£275,009	£304,456	£370,151	£458,677	£453,473	£415,364
	Mean Price per m <sup>2</sup>	£2,466	£2,471	£2,705	£2,709	£2,581	£2,797	£3,144	£4,162	£3,834	£3,446
	Mean Price per ft <sup>2</sup>	£229	£230	£251	£252	£240	£260	£292	£387	£356	£320

The change in average dwelling size has driven mean house price growth with Cambridge increasing by 138% and South Cambridgeshire by 95%. Since dwelling sizes remain significantly smaller in Cambridge compared to South Cambridgeshire, this results in a significant premium with the mean price per unit area in Cambridge now achieving double that seen in South Cambridgeshire.

## Residential Development Analysis

Sales values on large sites are generally less than those achieved on smaller sites by virtue of being a mass-produced product rather than the more unique or bespoke product that can be achieved by smaller housebuilders, although this is not always the case. **Tables 2 and 3** show the data for 2014 and 2019 respectively.

**Table 2: Analysis of Housing Market Economics of Large Sites in 2014**

SITE	STRATEGIC OR FRINGE	HOUSE BUILDER	AVERAGE SALES REVENUES (FT <sup>2</sup> )	ESTIMATED FIXED COST OF DEVELOPMENT	RESIDUAL FOR INFRASTRUCTURE AND PLANNING OBLIGATIONS
Clay Farm (parcels 1B, 2, 5)	Fringe	Countryside Properties	£480	£180	£300
Clay Farm (parcels 10, 11, 12)	Fringe	Countryside Properties	£400	£180	£220
Glebe Farm	Fringe	Countryside Properties	£380	£180	£200
Trumpington Meadows	Fringe	Barratt	£370	£180	£190
Cambourne	Strategic	Taylor Wimpey	£250	£180	£70
Longstanton (next to Northstowe)	Strategic	Charles Church (built 2006)	£230	£180	£50

**Table 3: Analysis of Housing Market Economics of Large Sites in 2019**

SITE	STRATEGIC OR FRINGE	HOUSE BUILDER	AVERAGE SALES REVENUES (FT <sup>2</sup> )	ESTIMATED FIXED COST OF DEVELOPMENT	RESIDUAL FOR INFRASTRUCTURE AND PLANNING OBLIGATIONS
Eddington	Fringe	Hill Residential	£514	£200	£314
Ninewells	Fringe	Hill Residential	£505	£200	£305
Trumpington Meadows	Fringe	Barratt	£465	£200	£265
Darwin Green	Fringe	Barratt / David Wilson	£447	£200	£247
Great Kneighton	Fringe	Countryside Properties	£442	£200	£242
Great Kneighton	Fringe	Countryside Properties	£430	£200	£230
Hauxton Meadows	Fringe	Redrow	£389	£200	£189
The Boulevards, Northstowe	Strategic	Linden	£335	£200	£135
Links Lane, Northstowe	Strategic	Bovis	£324	£200	£124
Pedersen Way, Northstowe	Strategic	Barratt	£322	£200	£122
Varsity Grange, Northstowe	Strategic	Taylor Wimpey	£307	£200	£107

Average sales revenues continue to be far higher on the Cambridge fringe compared to the strategic sites that are more distant from the City. On the fringe, average sales revenues have increased from approximately £410ft<sup>2</sup> in 2014 to £460ft<sup>2</sup> in 2019, an increase of 11%. By comparison, at strategic sites, average sales values have increased from approximately £240ft<sup>2</sup> to £320ft<sup>2</sup>, an increase of 33%.

While the variance in growth is substantial, it is unlikely to be sustained in the future. It is most likely to be related to the particularly rapid increase in average dwelling size in South Cambridgeshire, as seen above, and the fact that Northstowe has become an established settlement benefiting from the guided bus route into the City. Bourn,

Waterbeach and Cambourne West will not benefit from the same level of accessibility into the City and therefore their average sales values are likely to continue to be significantly behind those of the fringe.

One notable variance on the fringe sites is the average sales revenues achieved by Redrow at Hauxton Meadows, which are considerably less than other sites, although still higher than the strategic sites. This is likely to be reflection of Redrow's product compared to other housebuilders active on the fringe. With affordability continuing to be a major concern in Cambridge, which now appears to be affecting sales rates on high specification products, it is likely that more lower cost products will start to enter the fringe market, limiting the growth potential of average sales revenues in the future.

Notwithstanding this concern, which will likely also affect some of the strategic sites as well if they are to meet the intended build rates, fringe sites will continue to be significantly more viable than the strategic sites. This has two key benefits:

First, with continuing concerns regarding the strength of the national economy as a result of Brexit uncertainty, more viable sites are more likely to be able to continue building at a reasonable rate. This is particularly important for the Cambridge economy which is driven by significant net migration of skilled labour. Without a stable supply of housing economic growth will stall, affecting Cambridge's ability to weather any national slowdown. This will likely have the knock-on effect of businesses relocating elsewhere, probably abroad in similar economic clusters, thus risking longer term economic growth aspirations.

Second, greater viability allows for increased provision of infrastructure and contribution to planning obligations, as set out in the two tables above using a simple residual approach. This further results in greater benefits to existing residents of the Greater Cambridge area, and may improve the resilience of the local economy to any further weakening of the national economy.

## Conclusions

The analysis shows that fringe sites continue to be more viable than strategic sites resulting from the clear differentiation in terms of mean house prices per unit area seen in Cambridge compared to South Cambridgeshire. Assuming fixed development costs and a simple analysis of the residual, sites on the fringe are likely to be able to provide considerably more infrastructure and contribution to planning obligations. They are also likely to be more resilient to any slowdown in the national economy, allowing build rates to be sustained at reasonable levels.