

Appeal by BAA Ltd and Stansted Airport Ltd following the refusal by Uttlesford District Council of planning application UTT/0717/06/FUL

Proof of Evidence on behalf of Stop Stansted Expansion

Economic Impacts Housing Market

Ken McDonald

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www.stopstanstedexpansion.com
info@stopstanstedexpansion.com

PO Box 311
Takeley
Bishop's Stortford
Herts, CM22 6PY
Tel: 01279 870558

1 INTRODUCTION

1.1 Personal details

- 1.1.1 My name is Ken McDonald and I appear at the Public Inquiry on behalf of Stop Stansted Expansion ('SSE') of which I am a member.

1.2 Qualifications and experience

- 1.2.1 I am a Fellow of the Institute of Chartered Accountants in England and Wales. I have lived in Stansted Mountfitchet for 26 years.
- 1.2.2 I was Financial Director of medium-sized businesses for over twenty years, and for much of that time also served as Company Secretary. Within those roles I regularly prepared or analysed statutory and management accounts, business forecasts, budgets and legal documents. I retired in 2002 and since then have been heavily engaged in various aspects of the Stop Stansted Expansion campaign. For the past two years I have monitored local house price statistics.

2 SCOPE OF EVIDENCE

2.1 Core evidence

- 2.1.1 My evidence is founded on the arguments set out in Chapter 7 (para 7.7) of Volume 1 of SSE's submission to UDC, July 2006 [CD/201] addressing the information provided by BAA in Volume 5 of its Environmental Statement [CD/8] and in para 3.3 of Volume 3 of SSE's submission to UDC, November 2006 [CD/203] commenting on BAA's response to UDC's request for an appraisal of the effect of the development on the local housing market.

2.2 New evidence

- 2.2.1 Data provided in CD/201 has been updated and expanded and is now superseded by Annex A. In particular this includes more recent information from the Land Registry and more thoroughly examines the underlying factors.

3 CHANGES IN VALUE OF THE LOCAL HOUSING MARKET

3.1 Assessment of the loss of market value

- 3.1.1 The combined market value of the 28,000 homes¹ in Uttlesford has declined by £1bn relative to prices in Essex as a whole since the summer of 2002 when the Government first announced proposals for the expansion of Stansted Airport.² This measurement is calculated and tested in Annex A. It is based on a comparison of price movements in Uttlesford and Essex. Although average house

¹ Annex A, Table 21.

² Annex A, Tables 2 and 22.

prices in Uttlesford have risen in absolute terms, those rises have been significantly less than seen generally in Essex.

- 3.1.2 The degree of impact has varied across the four basic categories of domestic property. Across Uttlesford more expensive homes have generally fared worst, with detached properties losing 13% of their value, semi-detached 11%, terraced 8% and flats/maisonettes 5% compared with their Essex counterparts³.
- 3.1.3 £700m⁴ of the loss has arisen in respect of around 15,000 homes in the southern half of Uttlesford, the area which surrounds Stansted Airport. Here, detached homes (which constituted 47% of the housing stock of this area in 2001⁵) have lost 17% in value; semi-detached (31% of the stock) 11%; and terraced (14% of the stock) 9%.
- 3.1.4 Conversely, the average price of flats and maisonettes, which constituted only 8% of southern Uttlesford housing stock in 2001, rose 5% relative to their Essex counterparts⁶. A similar picture emerges from a review of postcode CM23 5.⁷ This postcode, the closest area to the airport outside Uttlesford, mainly comprises the eastern side of Bishop's Stortford but also includes Birchanger, part of Uttlesford. Here, the increase in prices of both terraced houses and flats exceeded their Essex counterparts, whilst detached house price rises were well below Essex.

3.2 Basis of measurement

- 3.2.1 Until July 2002, when the Government first announced proposals for the expansion of Stansted Airport, the relationship between house prices in Uttlesford and in Essex as a whole had been relatively stable. This is demonstrated in Annex A, Table 25 and Chart 1. Average house prices at June 2002 have been taken as a base for comparison with later prices.
- 3.2.2 The quantity and average price of property sales has been taken from quarterly figures published by the Land Registry⁸. Comparison is made between figures for the four quarters ended 30 June 2002 and the four quarters ended 31 December 2006, the most recent period for which figures are available. A period of four quarters, rather than just one quarter, was chosen to ensure adequate sample sizes. Comparison is made for each of the four categories of property - detached, semi-detached, terraced and flat/maisonette.
- 3.2.3 The June 2002 average price has been escalated at the rate of price increase achieved in Essex for the corresponding category to arrive at a 'benchmark' average price for each property category. The actual average price is then compared with the benchmark price to ascertain the shortfall (or gain) for an average property in each category.
- 3.2.4 To estimate the total impact for Uttlesford, the shortfall for each category has been multiplied by the housing stock (the number of properties) for that category. Results for the four categories were then added together to give an overall picture.

³ Annex A, Table 2.

⁴ Annex A, Table 3.

⁵ Annex A, Table 21 – from 2001 Census data.

⁶ Annex A, Table 3.

⁷ Annex A, Table 20.

⁸ www.landregistry.gov.uk/propertyprice/interactive/ppr_ualbs.asp

- 3.2.5 The housing stock numbers have been taken from analysis by the Office of National Statistics ('ONS') of the 2001 Census⁹. No attempt has been made to update these quantities for new buildings.
- 3.2.6 In order to identify the differing impacts on southern and northern Uttlesford, the analysis of property sales was taken for southern Uttlesford as postcode areas CM6, CM22, CM24 and CM23 1, and for northern Uttlesford as CB10 and CB11¹⁰. The analysis of housing stock took ONS areas Uttlesford 001 to 004 to represent northern Uttlesford and areas Uttlesford 005 to 009 to represent southern Uttlesford¹¹.
- 3.2.7 Boundaries are not always consistent between the Land Registry and ONS or between postcodes and the Uttlesford District boundary, but the variations are minor and do not significantly affect the results.
- 3.2.8 The results achieved by comparing periods of 12 months were tested by conducting a similar exercise comparing Uttlesford and Essex prices for 24-month periods¹². Results were not dissimilar, with an overall difference of less than 10%.
- 3.2.9 There is support for this basis of assessing loss of market value in BAA's Home Owner Support Scheme¹³ and Home Value Guarantee Scheme¹⁴, where qualifying properties are revalued on the basis of movement in average Essex prices since June 2002 (using the average of all Essex properties and just one quarter).

3.3 Possible causes of loss of market value

- 3.3.1 The timing of the market decline and its increased severity close to the airport leave little doubt that the prime cause is the reaction of buyers and sellers to airport expansion. There has been no other significant factor that would single out this District.
- 3.3.2 The airport handled 5 million passengers in 1997, 16 million in 2002 and 23 million in 2006.
- 3.3.3 It might be argued that the market shift over the last few years was induced by either the actual consequences of planning permissions (8mppa granted in 1985, 15mppa granted in 1999 and 25mppa granted in 2003) or by the threat of what might come with full use of the single runway or even a second runway. In reality, it is likely to be the cumulative effect of all these. But at some point the airport must be called to account. An analogy might be drawn with smoking as a cause of premature death – the argument that “one more cigarette won't kill you” is hardly a sound defence.

⁹ <http://neighbourhood.statistics.gov.uk>H.

¹⁰ Annex A, Map 1.

¹¹ Annex A, Map 2.

¹² Annex A, Table 22.

¹³ Home Owner Support Scheme, BAA Stansted, Sep 2004 – see: www.baa.com/stanstedhomeowner.

¹⁴ Home Value Guarantee Scheme, BAA Stansted, Feb 2004 – see: www.baa.com/stanstedhomeowner.

3.4 Failure by BAA to recognise the loss of market value

- 3.4.1 Within its economic assessment¹⁵ BAA has failed to recognise the community's substantial loss of asset value.
- 3.4.2 BAA has failed to offer compensation to the vast majority of home owners who have suffered from this blight.

4 CONCLUSIONS

- 4.1.1 Homeowners of Uttlesford, especially in the southern half of the District, have seen their principal asset, their home, significantly devalued since 2002. In total the devaluation amounts to more than £1 billion.
- 4.1.2 The loss of asset value has crystallised only in the case of those who have left the area, died or been a party to a divorce or a similar asset separation procedure. Further losses will be realised by current residents unless the threat of expansion and consequent blight are lifted. Conversely, a recovery in property values might be expected if the threat of expansion beyond 25mppa were to be reduced or removed.
- 4.1.3 BAA's economic assessment fails to recognise the community's loss of asset value.
- 4.1.4 BAA has failed to offer compensation to the vast majority of home owners who have suffered from this blight.
- 4.1.5 The significant relative fall in house prices, particularly in the southern part of Uttlesford, might be viewed as an indicator of a decline in the quality of life of the area – a decline that has already started but which this Inquiry has the power to reverse.

¹⁵ BAA Environmental Statement, Volume 5 [CD/8].