

## Appendix E: Identifying local Housing Market Areas

- E.1 In line with the method used for the OFT (2008) report, to assess the local concentration of land holdings and development activity we have used LPA and/or LA areas as a proxy for local housing market areas (HMAs).
- E.2 LPA and LA areas are largely very similar, the exceptions being LA areas that contain all or part of a National Park. In these areas, the National Parks will have their own LPA. We therefore use the LPA area where possible.
- E.3 In response to our Land Banks Working Paper, several respondents agreed that LA/LPA areas were the most appropriate areas to use for the purposes of our analysis, or recognised there is no single perfect approach. However, many respondents agreed with our position that they are not perfect proxies for HMAs or highlighted reasons why they are imperfect, as some HMAs may encompass several LPAs/LAs and others may be smaller than LPA/LA area and only particular towns may be substitutable. However, few suggested alternatives as a starting point, with two highlighting work by the Department for Communities and Local Government (which we discuss below) and another suggesting looking at Strategic Housing Market Assessment areas produced as part of local plans or TTWAs.
- E.4 The Department for Communities and Local Government (now known as DLUHC)<sup>1</sup>, carried out research to construct a consistent geography – a set of boundaries – of HMAs for England. This work recognised that housing markets are layered, with differences between HMAs defined by long distance commuting and long-term spatial frameworks within which housing markets operate, those defined by migration which determines short-term house price arbitrage between areas, and sub-markets defined by neighbourhoods and house price premiums. HMA boundaries were constructed by applying a grouping algorithm to combine wards based on labour market flows and migration flows using the 2001 Census data, which it found was preferable for policy development to relying on existing geography boundaries such as LA areas.
- E.5 We acknowledge that LPA and LA areas are not perfect proxies for HMAs. HMAs are likely to be smaller than LPA/LA boundaries in some areas, larger than LPA/LA areas in others and may well cross LPA/LA boundaries. However, using LPA/LA areas provides a consistent set of boundaries which can be easily applied across datasets, and allows us to compare against other data produced by LPAs/LAs. However, in our analysis of areas which we identified as requiring further examination, we have taken into account evidence as to constraints from outside the LPA/LA boundary.

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<sup>1</sup> The Department for Communities and Local Government (2010), [Geography of housing market areas](#), pp30-31.