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Chris Couch & Matthew Cocks

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# Housing Vacancy and the Shrinking City: Trends and Policies in the UK and the City of Liverpool

CHRIS COUCH & MATTHEW COCKS

School of the Built Environment, Liverpool John Moores University, Liverpool, UK

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**ABSTRACT** *In the context of the discourse around shrinking cities, the aim of the paper was to try and better understand and differentiate the various types and causes of urban housing vacancy and to ask whether policy responses including planning policies appropriately reflect this variety. The paper briefly discusses the issue of shrinking cities, before considering theoretical explanations for housing vacancy and examining the relationships between population change, housing vacancy and policy responses in the Liverpool conurbation. Conclusions are then drawn about the nature of housing vacancy and the effectiveness of policy responses.*

**KEY WORDS:** Housing vacancy, housing regeneration, shrinking cities

## Introduction

This paper explores the relationships between shrinking cities (cities that are, or have been, depopulating), housing vacancy and policy responses. It has been developed from a research project examining the causes, consequences and governance of shrinking cities across Europe (Shrink Smart).<sup>1</sup> The focus of this paper is on one of the project case studies: the Liverpool conurbation (Merseyside) in North West England.

Whilst interest in shrinking cities has been growing (Hollander & Németh, 2011; Oswalt & Rienitz, 2006; Turok & Mykhenko, 2007), there remains a lack of substantial literature addressing the relationship between population loss, housing vacancy and policy responses. The paper aims to contribute towards the closure of this gap through an analysis from the UK perspective, including a specific focus on Liverpool. From the industrial revolution until the middle of the twentieth century, North West England was a major centre for manufacturing and production. However, during the 1970s and 1980s, economic transformation led to substantial deindustrialisation and resulting population outmigration. Liverpool was one of the cities hardest hit in this process and has some of the highest levels of housing vacancies in the UK and above the average for major European cities, being in

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*Correspondence Address:* Chris Couch, School of the Built Environment, Liverpool John Moores University, Byrom Street, Liverpool L3 3AF, UK. Tel.: +44 (0)151 231 2810/2820; Email: [c.r.couch@ljmu.ac.uk](mailto:c.r.couch@ljmu.ac.uk)

2004, the 20th worst city out of 115 (Urban Audit, 2012). Through the analysis of available time series data, this paper aims to better understand and differentiate the various types and causes of housing vacancy which have affected Liverpool, set within a broader analysis of vacancy rates in the UK. It also asks whether policy responses, including planning policies, appropriately reflect this variety. The paper first discusses the issue of shrinking cities and examines the link between shrinkage and housing vacancy. The nature and causes of housing vacancy are then considered. This is followed by a case study of the relationships between population change, housing vacancy and policy responses in the Liverpool conurbation. Finally, conclusions are drawn about the nature of housing vacancy, how this relates to shrinkage and the effectiveness of policy responses. The methodology of the paper relies upon the quantitative analysis of secondary data and the qualitative analysis of policy responses.

The data available on housing vacancy in England is derived from a number of sources. The decennial Census of Population includes data about vacant dwellings, with enumerators identifying unoccupied premises as vacant on Census night. A second source of data is the Housing Strategy Statistical Appendix (HSSA) submitted by local authorities to the Department for Communities and Local Government (DCLG), as stated on an annual basis. These data should conform with local Council Tax records but may be based upon a local survey. Hence there are some potential differences between the two data-sets. A further source of data available at national level is the English Housing Survey that is based upon an annual sample survey of households.

### **Shrinking Cities and Housing Vacancy**

Oswalt & Rienitz (2006, p. 6) suggest that 'between 1950 and 2000, more than 350 large cities experienced, at least temporarily, significant declines in population', and in the 1990s 'more than a quarter of the world's large cities shrank'. Turok & Mykhnenko (2007) found that the number of declining (shrinking) cities in Europe steadily rose between 1960 and 2000, only falling again between 2000 and 2005. Over half of the cities they examined had recent experience of shrinkage. There are clear geographical divisions, with the vast majority of declining cities being located in the East and North East of Europe and the majority of growing cities being in the West and South West of Europe. The problem is particularly severe in eastern Germany (Bontje, 2004; Lötscher, 2005). Whilst many cities in the midlands and north of England shrank in the last quarter of the twentieth century, most are now experiencing a period of reurbanisation. Even Liverpool, which lost a higher proportion of its population over a longer period than most European cities recorded a slightly higher population in 2010 than in 2001 (see Table 1). The city therefore makes an excellent case in which to study the relationship between population change and housing vacancy.

The concern of this paper is with the relationship between shrinkage and housing vacancy and policy response, it is not therefore intended to discuss the causes of shrinkage beyond noting that population decline can be the result of a number of processes, which are not mutually exclusive: economic decline and job-related net outmigration, suburbanisation and changes in settlement patterns and demographic change (ageing and natural population decrease) (Rink *et al.*, 2010). In the first explanation, shrinkage is said to result from uneven economic development. Regional economic differences are deeply rooted in the nature of capitalist economies (Harvey, 2006) and the dynamics of

**Table 1.** Population, households, household spaces and housing surplus in Liverpool, 1981–2010.

	1981	1991	2001	2010
Population	517 000	475 600	441 900	445 200
Households	181 228	184 813	187 865	190 256 <sup>a</sup>
Average household size	2.85 pph	2.57 pph	2.35 pph	2.34 pph
Household spaces	201 632	196 670	197 824	(214 867)
Surplus of household spaces over households	+20 404	+11 857	+9959	(+24 611)

*Notes:* There is a slight difference between the terms ‘household space’ and ‘dwelling’. According to the UK Office for National Statistics, a household space is usually a dwelling but may be in a ‘shared dwelling’ if some rooms (e.g. toilet) are shared or not behind a door that only that household can use.

*Source:* Office of National Statistics, census data and mid-year estimates of population; 2010 data from Liverpool City Council Key Statistics and Ward Profiles.

<sup>a</sup> Authors estimate.

comparative advantage and specialisation (Amin & Thrift, 1994; Massey, 1979; Scott, 1988). It follows that regional population movement will result from differences in job opportunities or the quality of life. In the second explanation, suburbanisation is identified as a cause and there has developed a well-established literature providing commentary on such processes (e.g. Champion, 1989). Theories of an ‘urban life cycle’ (Lever, 1993; van der Berg & Klassen, 1987) provide conceptual frameworks that chart the evolutionary characteristics of post-industrial city populations. They suggest that such cities follow several stages of development through urbanisation to suburbanisation, disurbanisation and finally reurbanisation. However, more recent approaches suggest that these population losses may result from more fundamental and perhaps permanent changes in urban structure in which cities become reconfigured into less compact and looser networks of locations (Garreau, 1991; Harvey, 1982; Lash & Urry, 1994; Soja, 1989, 1996). Indeed, Hollander & Németh (2011) argue that: ‘According to Metzger (2000, p. 7), the future of a city depends not on its stage in a “natural” life-cycle, “but on whether residents had access to financial resources within an environment of community control”.’

Thirdly, urban population loss can result from ‘internal’ demographic change. In many European countries, decreasing birth rates and a rising life expectancy have resulted in an ageing population during recent decades (European Commission, 2007; European Environment Agency, 2006; Hartog, 2005). Furthermore, persisting birth rates below replacement level cause population decline, which can be reinforced by age differentials in net-outmigration, whether through suburbanisation or regional economic change. Glock and Häussermann point to the specific case of eastern Germany when the period of post-socialist economic uncertainty,

contributed to a significant drop in birth rates after unification. Eastern women went collectively on ‘birth-strike’ and the birth rate declined, from 1989 to 1994, by more than 60%. Altogether, the region lost more than 700 000 inhabitants due to a natural demographic decrease (BBR, 2000, p. 12). (Häussermann & Glock, 2004, p. 922).

Over the past decade, the linkage between shrinkage and housing vacancy has received some attention, particularly in eastern Germany, where population loss following the political changes of 1989 led to high rates of outmigration and substantial levels of housing vacancy. In the early 2000s, many East German cities recorded vacancy rates of

over 15 per cent (Bernt, 2009; Bontje, 2004). Häussermann & Glock (2004) note that 'left to the market, the vacancies would be largely unchallenged, making this a major public policy issue in eastern Germany' (p. 919). They discuss the implementation of strategies to combat the problem, including a 1.1 billion euro federal government programme (Stadtumbau-Ost), which provided funds to demolish excess housing units across East Germany.

There have also been contributions to the literature which focus on housing vacancy and shrinkage in US cities (Cohen, 2001; Glaeser & Gyourko, 2005). Glaeser & Gyourko (2005) note that of the 15 largest cities in the USA in 1950, 8 have lost population in every subsequent decade. Through an analysis of US city data (of both growing and shrinking cities), they conclude that 'the link between housing stock and city population is extraordinarily tight' (p. 6). This is suggested to be because, whilst vacancy rates in shrinking cities are higher than in growing cities, they are only slightly more so. For example, in 1990 'the vacancy rate was 7.8 per cent among cities that grew in the 1980s, and 9.3 per cent among cities that declined in population' (p. 7). If Californian cities are excluded from the analysis (cities which saw rapid growth during this period and in which housing growth did not keep up with population growth), the mean vacancy rate among growing cities is 8.5 per cent, further narrowing the difference in vacancies between declining and expanding cities. Glaeser and Gyourko's analysis seems to indicate that the speed of population change is a significant factor in determining high vacancy rates. In contrast, Wilhelmsson *et al.* (2011) analyse the effects of Swedish rent controls on observed vacancy rates for rental housing in the context of population change. They conclude that 'population growth, in per cent per year, plays an important role in explaining the observed vacancy rates in declining regions' (p. 105), that is as population declines vacancy rates increase. In addition, Hoekstra & Vakili-zad (2009) focus on explaining what they term 'the Spanish paradox' – that is, a situation where high vacancy rates are combined with rising house prices. They suggest that the high vacancy rate is a result of, amongst other factors, significant levels of rural to urban migration between the 1960s and 1980s.

Analysing population loss in the USA, Beauregard (2009) 'unpacks' population change into four elements for analysis – *prevalence*, *severity*, *persistence* and *geographical incidence*. Prevalence is defined as 'the number of instances of population loss', severity measures 'the scale of that loss', persistence captures 'its temporal endurance' and geographical incidence focuses on 'the regional distribution' of population loss. This framework is also useful for the analysis of housing vacancy and will be used below in looking at the pattern of housing vacancy in Liverpool and in the concluding discussion.

### **Types and Causes of Housing Vacancy**

In the study of labour economics, it is commonplace to distinguish various types of unemployment: frictional, demand deficient, cyclical and structural. Similar concepts can be applied to the study of housing vacancy to distinguish and measure the different types of vacancy that may occur and to consider what solutions might be appropriate in each case.

The idea of frictional unemployment is based upon the notion that full employment can never be reached since there are always some people moving between jobs, about to enter

the job market, migrating, etc. Frictional housing vacancy (unemployment of housing stock) is based upon a similar idea that there are always people moving between dwellings, new dwellings awaiting occupation and existing dwellings awaiting buyers or tenants, all leading to short-term vacancy. Even in the most buoyant housing market there is the possibility of a gap between the former household leaving the dwelling and a new household moving in. This may occur for a whole variety of reasons such as personal circumstances, legal or financial delays. This idea is similar to the 'natural vacancy rate' often mentioned in North American literature. 'Analogous to its counterpart in labor markets, the equilibrium or "natural" vacancy rate is defined as that rate associated with a constant level of real rents' (Gabriel, 2001, p. 122). A similar distinction is made by Fielder & Smith (1996) who defined two types of vacant properties: 'transaction vacants' and 'problematic vacants' in which the latter are often in poor condition and where vacancy is likely to be prolonged.

As a measure of the extent of frictional housing vacancy, a reasonable assumption would be that the level of housing vacancy occurring in the best performing housing markets in the country could be taken as an approximate indicator of frictional housing vacancy. There is considerable spatial variation in the level of housing vacancy across the UK. The best performing regions in England are London, the South East and South West with a vacancy rate of around 2.5 per cent, whereas in Yorkshire and the Humber and the North West region the rate rises to 4.1 per cent and 4.2 per cent, respectively (DCLG, 2008). Thus it might be suggested that the vacancy rate in the three regions of high housing demand represents the lowest vacancy rate at which the English housing system can function under present arrangements. That is to say that a vacancy rate of 2.5 per cent is mainly 'frictional' vacancy and includes little demand deficient or structural vacancy.

So, nationally around 2.5 per cent of dwellings appear to be vacant due to market friction. This might be regarded as the 'natural' level of vacancy. There may be some local variations in frictional vacancy but these are difficult to measure. For example, it may be that in some localities there is better information about supply and demand and better systems for bringing buyers and sellers or potential tenants and landlords together. It might be hypothesised that central city areas with high numbers of potential student and young adult tenants combined with a high density of rental agencies lead to highly efficient market conditions. Similarly, in popular suburbs and commuter towns it might also be anticipated that a high density of estate agents combined with well-informed and affluent buyers form another efficient market. In contrast in more remote or unpopular areas, smaller numbers of potential tenants or buyers might combine with a lower density of intermediary agents, weaker market knowledge and fewer choices to create a less efficient market. On the other hand, areas and dwelling types that are popular with transitional populations, such as students and young adults, are likely to see a lot of short-term occupancy with frequent changes of tenant/owner leading to less efficient market conditions with dwellings being vacant at more frequent intervals. In contrast, areas and dwelling types that are popular with more mature households, especially families, are likely to see longer term occupancy with infrequent changes of tenant/owner leading to more efficient market conditions with dwellings becoming vacant at less frequent intervals.

There are also differences in the efficiency of housing tenures in this respect. Between 2006 and 2009, the average vacancy rate in the private housing sector in England was around 3.2 per cent, whereas in the social housing sector it was around 2.0 per cent

(DCLG, 2006–2010). This suggests that the social housing sector is more efficient than the private sector with regard to maintaining housing stock in use. This point is emphasised when occupancy rates are brought into consideration. Data for England show that 46.7 per cent of all owner-occupied dwellings were under-occupied between 2004 and 2007, compared with 17.3 per cent in the private rented sector and only 11.4 per cent of social rented dwellings (DCLG, 2008, Housing Statistics, Table 806).

Another approach to distinguishing frictional vacancy from other causes is to contrast short- and long-term vacancy. The UK Government data make a distinction between dwellings vacant for less or more than 6 months. In the stronger housing markets of London, the South East and South West, short-term (frictional) vacancy accounts for around 55 per cent of all vacancy, whereas in the worse performing regions of North East and North West England short-term (frictional) vacancy accounts for only about 41 per cent of all vacancy (DCLG, 2008) – the rest of the vacant stock being empty on a longer term basis due to its unsuitability for the prevailing market due to deficiency in demand or structural characteristics such as location, type and tenure.

Demand deficiency means simply that the demand for housing is below the level of supply, possibly because of some long-run trend of economic decline, as in the deindustrialisation situations mentioned above. Demand for housing may also rise and fall in the short run, due to variations in the economic cycle. Thus, cyclical housing vacancy might theoretically occur as a result of variations in the economic cycle: in times of boom housing demand it might rise and in times of slump it might fall. Structural housing vacancy occurs when and where there has been a change in the characteristics of the demand for dwellings, perhaps to different locations or to dwellings of different types, sizes or tenures. The combination of these changes and the long life of dwellings mean that some dwellings may become and remain vacant for structural reasons.

Considerable attention and research in the UK was devoted to the underuse of social housing in the 1980s and was associated with policy responses such as the 'Estate Action' programme and 'Housing Action Trusts' (Evans & Long, 2000; Pinto, 1993). Housing vacancy was again the subject of investigation in the UK around the millennium when there emerged a crisis in demand for private housing in the inner urban areas of some cities in the midlands and north of England. The overriding reason for low demand for housing in these inner urban areas, leading to abandonment and vacancy in extreme cases, appeared to be population loss (shrinkage). However, according to some, there was a spiral of decline in which dwellings fell into disuse and eventually became abandoned with little hope of re-integration into the housing market (Keenan *et al.*, 1999). Some commentators also identified the notion of a 'tipping point' – levels of vacancy and housing turnover above which decline became inevitable.

...increasing numbers of vacant properties tends to generate longer periods of voids, and generate area blight in which these processes concentrate, the proxy measure of low turnover would suggest that these areas have problems relating to stigma and growing dereliction. This situation leads to the supply of new residents decreasing and therefore the trajectory for voids will be upwards over time. (Lee & Nevin, 2003, p. 73).

High vacancy levels, short tenancies and high turnover, short or non-existent waiting lists and large numbers of people turning down offer of accommodation, all indicating low



demand for rented housing. In the owner-occupied sector, low demand is recognised by a decline in prices, low turnover and large numbers of vacant dwellings (Niner, 1999). According to Niner, the quest to explain which neighbourhoods, which streets and which dwellings would be most likely to experience high levels of vacancy required analysis that ranged from global economic trends and regional dynamics, through an understanding of urban population trends, to the behavioural patterns of individual households at the most local scale. Mumford & Power (1999), in their study of Newcastle and Manchester, also recognised the importance of long-run economic decline and the suburbanisation and dispersal of economic activity and population in creating the context for low inner city housing demand.

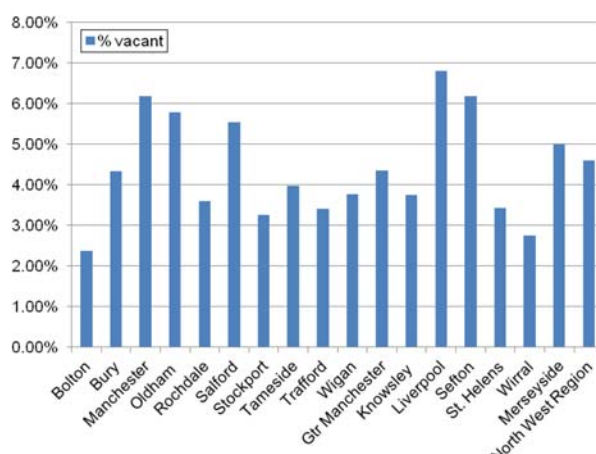
Burrows & Rhodes (1998) considered the causes of neighbourhood dissatisfaction and suggested the phenomenon as a possible influence on patterns of low demand. This might occur in areas with an 'over supply' of housing that would permit households to exercise more choice over where they live. In this situation, the factors that made one neighbourhood more attractive than others would become even more influential than normal. They found that crime was the most important source of neighbourhood dissatisfaction. Others included problems with leisure facilities, dogs, vandalism, hooliganism, litter and rubbish. Coming to similar conclusions, Mumford and Power identified a number of 'critical driving factors' working at the neighbourhood level that would lead to increases in vacancy in all tenures. These included a history and reputation that deters newcomers; a decayed environment; better housing opportunities elsewhere; failures in (social) housing management and a gradual breakdown of social stability leading to anti-social behaviour, crime and fear (Mumford & Power, 1999).

Lee & Nevin (2003) also make the point that through much of the 1980s and 1990s there was a growing lack of integration between housing investment and urban regeneration programmes, especially as the latter increasingly emphasised and transferred public funds to economic development at the expense of the former. This may have led to a period of underinvestment in vulnerable residential areas that exacerbated the unfavourable conditions outlined above.

Location is also an important structural influence above the neighbourhood level. From the above analysis, it is clear that the North West region performs below the level of the national housing market and that regional location is a major structural characteristic influencing housing vacancy in England. This is not surprising as it is well known that economic growth rates in the North West have for many years been below the national average and significantly below those of the most prosperous regions. Within the North West region further spatial variations can be perceived. First, there is a difference between the metropolitan districts and the 'shire' (more rural) districts. Average housing vacancy in metropolitan districts is 4.6 per cent, compared with 4.2 per cent for the region as a whole and 3.7 per cent for the shire districts (calculated from DCLG, 2008). Thus, structurally, vacancy is more of an urban problem than a rural problem in North West England.

Some urban areas perform less well than others. Figure 1 shows vacancy rates across the metropolitan districts of North West England. It will be seen that while both metropolitan county areas perform worse than the regional average, Merseyside, with an average 5.0 per cent vacancy, performs somewhat worse than Greater Manchester, with an average vacancy rate of 4.35 per cent. Again this seems related to relative economic performance as the Merseyside economy has recently performed less well than the Greater Manchester





**Figure 1.** Housing vacancy in metropolitan areas in North West England, 2008.

economy.<sup>2</sup> It can be seen that the worst performing districts are the two core cities of Manchester (with a vacancy rate of 6.19 per cent) and Liverpool (with a vacancy rate of 6.81 per cent), and other contiguous districts which form part of the same urban agglomerations, such as Salford and Sefton. This seems to confirm that the problem of dwelling vacancy in North West England is particularly strongly located in large inner urban districts.

Dwellings type and tenure also influence the structure of housing demand. According to the English Housing Survey:

Just over one million dwellings were vacant at the time of survey; the majority of these (85%) were privately owned. Although flats only represented 19% of all dwellings, a third of all vacant dwellings were flats. The vacancy rate amongst flats was roughly double that for houses (8% compared with 4%). Vacancy rates were particularly high in the private rented sector at 13%. This arises partly because there is a much higher turn round of occupants in this sector than for owner occupation or social renting. Over a third (38%) of all private tenants had lived in their current home for less than a year compared with 8% of social renters and 5% of owner occupiers. (DCLG, 2010, pp. 20–21).

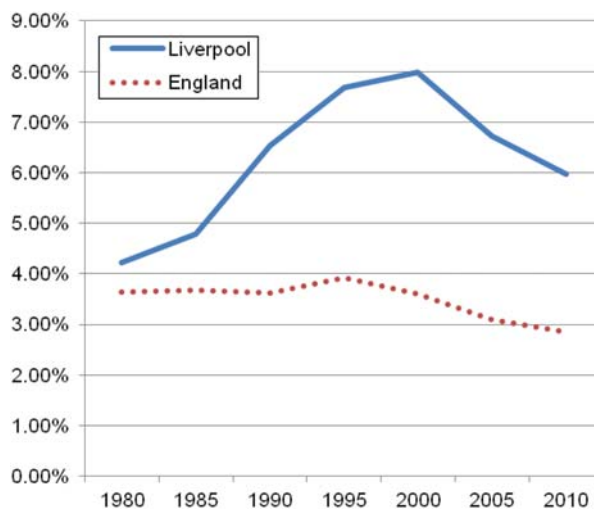
Vacancy may also vary with the economic cycle. Demand for many goods and services varies with the fortunes of the local economy, to a greater or lesser extent depending upon the elasticity of demand. But it is difficult to see why this should be so in the case of housing consumption and housing vacancy. There are several reasons for this suggestion. First, housing is a basic necessity and demand is generally very inelastic. Secondly, it is difficult for households to vary the amount they consume in the short run: owner-occupiers have to sell in order to move and this can take a long time, especially in a recession. Thirdly, there are various legal safeguards and subsidies which protect households in their homes and discourage repossessions, at least in the short run. Finally, in the social housing sector dwellings are allocated according to need rather than income and occupancy is less influenced by market forces.

But is housing vacancy a problem: does it matter? There are several reasons to be concerned about high level of housing vacancy. Unoccupied dwellings contain the embedded investment in their construction and represent a wasted economic resource. For landlords, they represent a loss of income and often impose increase of management costs in searching for new tenants, keeping the property secure, etc. For owner (non) occupiers, they represent a loss of capital value so long as they cannot be sold. For the neighbourhood vacant dwellings are often associated with increased levels of vandalism and crime and can have an adverse effect on local amenity and property values. So for these reasons it is a matter of concern that housing vacancy levels in Liverpool are well above the national average: vacancy represents a cost to the local economy, to landlords, owners and neighbours.

### Housing Vacancy in Liverpool

Liverpool, has a relatively depressed or lagging housing market, with 72 per cent of the housing stock in private ownership compared with 82 per cent for England (DCLG, 2011, Housing Live Table 100) and average dwelling prices only 58 per cent of the figure for England and Wales (Land Registry, 2011). Figure 2 shows the long-term trend in housing vacancy compared with the national average. This confirms that housing vacancy rates in the core city of Liverpool gradually diverged from the national average after 1980. The point of greatest divergence and the peak year for vacancy in Liverpool was 2000. This coincides with the identification of housing market imbalances in northern English cities identified around that time (Mumford & Power, 1999; Niner, 1999) and the emergence of a policy response from central Government [housing market renewal (HMR)]. Since that time there has been a gradual fall in the vacancy rate in Liverpool and a degree of convergence towards the national average.

Table 1 shows despite a 13.9 per cent decrease in population between 1981 and 2010 the number of households in Liverpool increased by 5.0 per cent. The reason was the decline



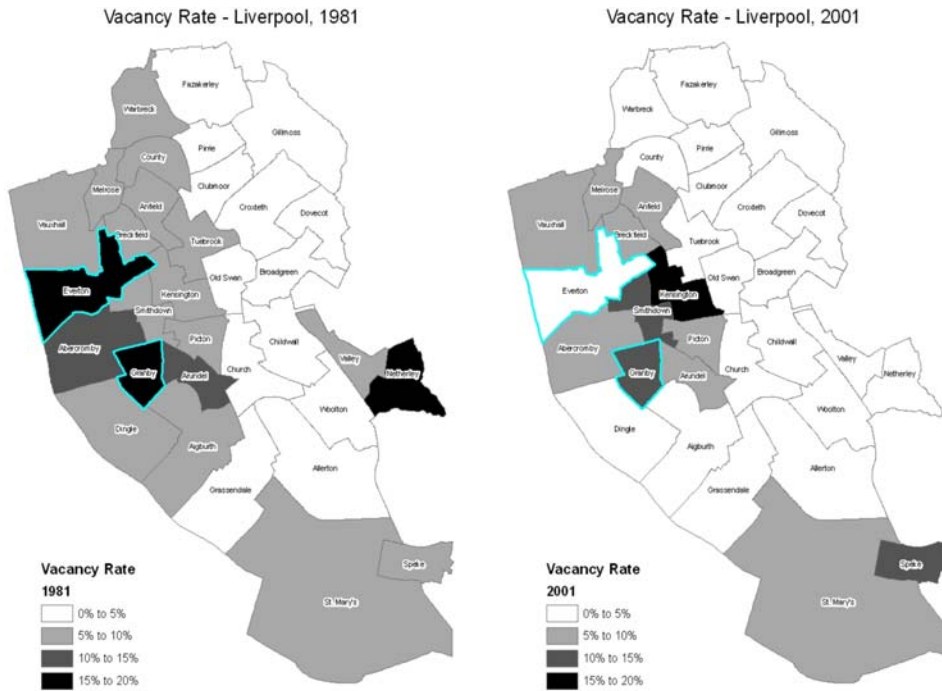
**Figure 2.** Housing vacancy rates in Liverpool and England, 1980–2010 (HSSA definition).

in average household size, in line with national trends. More young and elderly adults were living alone or in small childless households and many families were having fewer children. This fall in average household size had the potential to maintain housing demand at a higher level than would otherwise have been the case. The number of dwellings in the city in 2010 was about the same as in 1981 but this masks some considerable variation over the intervening period. There was a significant decline in the city's housing stock in the 1980s, relative stability in the 1990s and a sharp increase in the 2000s. Indeed, since 2001 the ratio of dwellings to households improved from 1.05 dwellings per household in 2001 to 1.13 dwellings per household in 2010. The sharp rise in net additional dwellings after 2001 is confirmed by data from the DCLG which show net additional dwellings (the surplus of new dwellings and conversions over demolitions, etc.) in Liverpool running at an average of around 1500 a year during this period (DCLG, Housing Statistics, Live Table 122). This change had a number of potential consequences. With a wider choice of accommodation, households were increasingly able to exercise their tastes and preferences and reject the least popular housing. Although this coincided with a period of declining housing vacancy, it is suggestive of the segmented market in housing identified by Holmans in 1999. Writing about the recovery of the housing market over the previous decade, he noted that the presence of a substantial stock of low-priced housing in northern cities did not reduce demand for new housing. This might be thought surprising, as there is a considerable difference in the prices of new and second-hand dwellings. Holman's explanation was that the market for owner-occupied housing was segmented:

...the old though cheap housing is not in competition with new houses; hence instances of second-hand houses that are unsaleable owing to deficient demand. The fact that houses are fixed in location whereas economic activity, employment opportunities, and hence the demand for housing may shift has long been recognised as a reason why some houses may fall out of use through being in what have become the 'wrong' locations. (Holmans, 1999, p. 336).

Figure 3 shows the geographical *incidence* of vacancy within Liverpool over the 20-year period from 1981 to 2001. The data are drawn from the Census of Population and are on a different basis from the DCLG (HSSA) data used above and are not directly comparable. It shows that vacancy has not been *prevalent* throughout the city but concentrated in certain areas, particularly the inner urban wards surrounding the city centre and in some peripheral suburban wards containing high proportions of social housing. The *severity* of vacancy varied substantially across the city. In 1981, the most severe vacancy rates were recorded in Abercrombie, Arundel, Everton, Granby and Netherley wards. Abercrombie, Arundel, and Granby formed a cluster of inner urban wards immediately south of the city centre. With high levels of social deprivation, these areas comprised swathes of obsolete private housing and some poor quality social housing. Everton was an inner urban ward north of the city centre dominated by high-density social housing. Netherley was a remote ward on the southeastern periphery of the city, mainly comprising newly built high-rise deck-access social housing.

The worst performing wards in 2001 were Granby, Kensington, Smithdown and Speke. Although the situation in Granby had improved substantially since 1981, housing supply continued to outstrip demand. Kensington and Smithdown were two inner urban wards that experienced the 'low-demand' syndrome that affected a number of northern English



**Figure 3.** Housing vacancy across Liverpool wards (1981 and 2001).

cities in the late 1990s. Speke was a remote ward on the southern periphery of the city, comprising mainly single-family dwellings built in the inter-war period the area suffers some of the worst social deprivation in the city. By 2001, Everton and Netherley were no longer experiencing severe levels of vacancy. In Everton, most of the unpopular high-rise apartment blocks had been removed and replaced with low-rise accommodation, notably through the policies of the Liverpool Housing Action Trust (LHAT). In Netherley, a major programme of demolition and estate remodelling, partly funded through the Estate Action programme, had removed all of the unpopular deck-access apartment blocks, replaced them with low-rise single-family houses, introduced new tenure structures and better management systems with the result that the vacancy rate fell from 18 per cent in 1981 to only 1.1 per cent in 2001 (amongst the lowest in the city). The success of this remodelling strongly suggests that housing form and design were more important determinants of popularity than location.

Thus vacancy has remained a *persistent* problem in Granby and similar adjoining areas of mixed tenure inner urban housing, whereas vacancy has not *persisted* in the two wards of former high concentrations of social housing (Everton and Netherley) where substantial reductions and remodelling of the housing stock occurred. On the other hand in Speke, Kensington and Smithdown, where little demolition took place, vacancy not only persisted but also had got considerably worse by 2001.

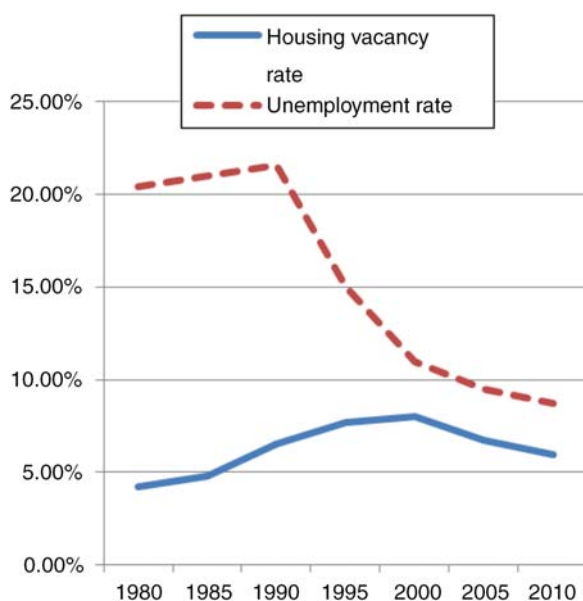
It is not just spatially that there are variations in success in tackling vacancy. In a recent commentary, Nevin notes that

Recently the data for Liverpool show a...reduction of 4000 vacancies since the recent peak in 2001. There have, however, been substantial changes in the distribution of vacancies between sectors, with the rate in the social sector falling and the private sector increasing. (Nevin, 2010, p. 726).

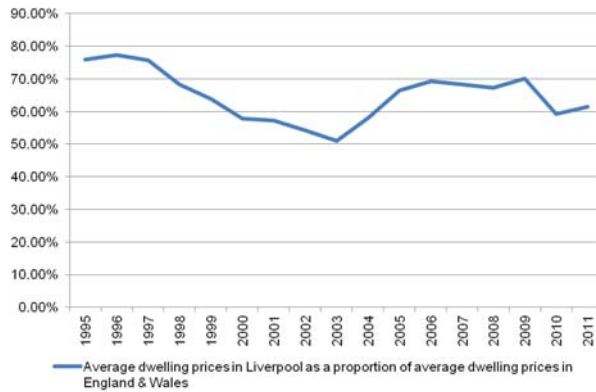
As suggested above, there is little evidence of any significant short-run relationship between housing vacancy and the economic cycle in the locality. Figure 4 shows trends in unemployment and housing vacancy in Liverpool. From the 1980s until around the year 2000 and despite an improving economic situation, housing vacancy increased, whereas after this time, whilst the economy continued to grow, vacancy rates began to fall. There seems to be little correlation between housing vacancy and the economic cycle at the local level.

However, demand deficiency as a cause of vacancy in Liverpool cannot be dismissed as easily. It has already been mentioned that the number of households in Liverpool has increased in recent years despite a continuing decline in population. At the same time, there have been additions to the housing stock as well as losses. The net result has been a gradual increase in the housing stock available for occupation within the city. Thus, whatever the structural characteristics of housing demand, the conclusion that a significant proportion of Liverpool's housing vacancy is caused by demand deficiency seems inescapable.

Figure 5 shows dwelling prices in Liverpool compared with England and Wales. In the first period, in the mid-1990s dwelling prices in the city can be seen to be close to the national average. This was the period of high vacancy that raised concerns in Government and led to the HMR programme. Moving into the 2000s, prices in Liverpool began to fall relative to the national average, local demand increased and vacancy began to fall. As the



**Figure 4.** Housing vacancy and unemployment rates in Liverpool, 1980–2010.



**Figure 5.** House prices in Liverpool compared with the national average, 1995–2011.

local economy improved through the 2000s, the Liverpool housing market appears to have been able to sustain both higher prices and falling vacancy rates, until the recession after 2009 when prices began to fall again compared with national average.

Thus, in Liverpool whilst a vacancy rate of around 2.5 per cent could be caused by market friction, the remainder seems to have been caused by a combination of demand deficiency and structural factors that are very difficult to disentangle. It is clear that policies to tackle the structural factors alone would not succeed, as a surplus of housing supply over demand would still remain. Conversely, policies aimed at reducing housing supply alone would not succeed unless carefully targeted to remove those dwellings that did not match up to the structural changes in market demand that have occurred in recent years. Policies aimed at stimulating housing demand would require action outside of the housing system as well as policies to tackle the structural failings of the existing stock.

### Policy Responses to Housing Vacancy

From the mid-1950s through to the early 1970s, the national imperative was to tackle housing shortage and modernise the stock. Within this context, Liverpool City Council engaged in a massive housing modernisation programme, mainly achieved through demolishing high-density nineteenth century slum housing and replacing it with medium-density, mainly flatted accommodation in inner urban areas and lower density overspill estates at the periphery. Whilst the policy was broadly successful in its own terms, it became clear over time that it had set in motion a spiral of depopulation and disurbanisation that would have severe adverse social implications. Nationally concerns emerged about the wisdom of continuing with such vigorous clearance programmes and the Housing Act 1969 permitted local authorities to designate general improvement areas within which housing renovation and local environmental improvements were combined as an alternative to slum clearance. Over the next two decades, Liverpool City Council implemented this new approach with vigour, renovating an average of over 2000 dwellings a year (Couch, 2003, p. 136). This new approach had the effect of dramatically slowing the rate of population loss from the inner urban areas.

New and expanded towns had been developed in the 1950s and 1960s to help reduce densities in the conurbations and to accommodate overspill population. Liverpool was served by a number of such schemes. By the 1970s, it was clear that far from assisting, these towns were competing with the conurbations for population and were becoming part of the cause of urban population decline rather than a cure of urban congestion. Gradually, new town programmes were suspended and the conurbations, including Liverpool, abandoned their expanded-town agreements.

Through the 1980s, public-sector housing construction declined sharply. Most new dwellings were being provided by the market in locations that reflected patterns of demand – frequently at the periphery of the conurbations and beyond. However, at the same time an emerging national policy concern for urban regeneration did lead to the setting up of urban development corporations, including Liverpool's Merseyside Development Corporation, and other initiatives, which gradually stimulated a modest return of some private housing investment to urban areas, notably in the former Liverpool docklands. This so-called 'property-led' approach to urban regeneration, which saw major successes in the redevelopment of urban land during the 1980s and 1990s and undoubtedly contributed to a slackening in the rate of population loss.

By the 1980s, the problems of social housing estates were increasing. There were a number of factors: rising affluence was leading to falling demand for social housing; new 'right to buy' legislation encouraged the transfer of the best stock to the private sector; deficiencies in design and construction; inadequacies in housing management and poor maintenance; increasing vandalism and anti-social behaviour. The result was declining populations and rising housing vacancy. Following a period of experimentation, the Government established a programme of 'Estate Action' involving changes in the physical, management and tenure structures. In Liverpool, the problems were considerable. Out of 48 000 council owned dwellings, 3400 were classed as unfit whilst a further 32 000 were identified as requiring renovation (Liverpool City Council, 1996, p. 12). The aim was to bring as many social dwellings as possible back into good condition and occupation. This frequently involved substantial remodelling of dwellings and the estate layout as well as reductions in dwelling numbers, changes in housing management and even tenure in some cases.

In addition to the Estate Action programme, in order to deal with the specific and very severe problem of vacant multi-storey flats, the City Council reached an agreement with central government to establish the LHAT to address the problems of the city's tower blocks. Between 1993 and 2005, LHAT acquired 67 of the city's tower blocks (5337 flats). Working closely with tenants, LHAT refurbished 13 blocks and demolished the remainder to be replaced by 1536 low-rise dwellings. Another programme was the 'Vacant Dwellings Initiative' in which the City Council collaborated with local housing associations and private developers to tackle the problems of unpopular council housing estates. In a typical example, St Andrew's Gardens, a former inner urban council estate comprising many vacant apartments and maisonettes was transformed through renovation and selective demolition and replacement to provide a mix of student accommodation, private and social housing (Couch, 2003, p. 147).

By the mid-1990s, central government was becoming concerned that the long-running trend of population decline in British cities was affecting urban employment, retailing and ancillary services and in consequence began calling for re-investment in city centres. The aim was to support sustainable development through enhancing the vitality and viability of



town and city centres. This included increasing the then very low levels of population living in the heart of the city. Echoing this philosophy, the *Liverpool City Centre Plan* published in 1993 stated that:

The Council will aim to reverse the trend of depopulation and promote the City Centre as a living environment and encourage new housing development on vacant sites within housing areas as well as mixed use developments elsewhere. (Liverpool City Council, 1993, p. 25)

Initially, the policy was implemented slowly as developers cautiously tested the market for living in the city. But by the 2000s, the rate of residential development in the central area was faster than in any other part of the city. Between 1996 and 2007, more than 7000 dwellings were completed in the central area of Liverpool (Couch *et al.*, 2009).

A key question was whether this increase in housing provision in the city centre would have any adverse impact on the continuing decline of housing demand and population in the inner urban areas. In a study in 2009, it was concluded that:

The central area market differs from the inner area housing market in a number of ways: in general it offers a different product aimed at a different type of households at a different price level and marketed in a different way . . . . Only in the student housing market does there seem to be any strong connections between the two areas. (Couch *et al.*, 2009, p. 339).

However, the student market is not inconsiderable in scale with over 10 000 student bedspaces being completed in the central areas in recent years. It is highly likely that this trend made a significant contribution to declining housing demand and continuing population reductions in the traditional student neighbourhoods within the inner urban areas.

With the election of the Labour Government in 1997 came a new emphasis on tackling social exclusion. A 'New Deal for Communities' (NDC) aimed to reduce multiple deprivation in the most deprived neighbourhoods by providing the resources to tackle problems in an intensive and co-ordinated way. Overlapping with the NDC, in 2001 the Government published a national strategy – *A New Commitment to Neighbourhood Renewal* (The Cabinet office, 2001). The idea was to combine the activities of relevant agencies in a 'joined-up' holistic approach to solving the inter-related problems of unemployment, crime, low educational attainment, poor health, housing and the local physical environment and so, inter alia, stimulate housing demand and slow (or reverse) population decline. Thus, housing regeneration became firmly placed within a much broader regeneration policy context.

This linking of housing with wider regeneration objectives is clearly reflected by one of the most controversial programmes of the Government's regeneration agenda. A problem of 'housing market failure' was emerging in some inner urban areas, with low demand and in extreme cases, abandonment of private housing (Mumford & Power, 1999). In response, the Government established the HMR programme, designed to bring housing demand and supply into better balance (through redevelopment and renovation) in order to stabilise the local housing market. In 2002, HMR programmes were launched in 25 local authority

areas across the midlands and north of England to tackle 'neighbourhoods with high vacancy rates, high population turnover and low housing demand.

Merseyside was identified as one such location and the coordination body, operating across the boroughs of Liverpool, Sefton and Wirral, was known as Newheartlands. Originally devised as a 10–15-year programme working to address housing market failure, its task was to devise and coordinate a programme of housing refurbishment, re-development and improved management to create the conditions for the revival of local housing markets and to create attractive and sustainable urban neighbourhoods. By 2009 some £149 million had been invested in HMR in the Newheartlands areas, leading to the completion of over 1028 new homes, the refurbishment of another 2116 and 594 properties demolished (Newheartlands Annual Report 2008/2009). This programme was brought to an end by the Coalition Government in March 2011 several years ahead of the originally intended date.

Reviewing the achievements of this programme Nevin argues that:

Even after the current clearance programme is finished the remaining 35,000 properties in the four intervention areas will have a vacancy rate of approximately 10 per cent if an inflow of residents is not forthcoming. These data tend to validate the choice that was made to prioritise these neighbourhoods, but also confirms the long-term nature of the interventions needed to bring supply and demand back into balance. The figures relating to vacancies suggest that without prolonged public support, these target neighbourhoods may still not be sustainable in the long term. (Nevin, 2010, p. 727).

However, the programme has been criticised on a number of counts. Townsend (2006) and Webb (2010) have questioned its evidence base, arguing that it lacks a qualitative element. Cameron (2006) and Ferrari & Lee (2010) have suggested that rather than having community renewal aspirations, the programme is instead connected to regional economic agendas, aiming to attract the middle classes to inner city areas in a public-led gentrification effort. Related to this, Allen (2008) undertook research in the Kensington area of Liverpool, where the HMR programme was in operation. He suggested that the aims of the programme were disconnected from the aspirations of the working-class residents in these areas, and that the disturbance they experienced as a result of the scheme was not in their interest.

At the same time as encouraging investment in city centre housing and engaging in housing renewal in problem neighbourhoods, both regional and local planning policies have been putting pressure on developers to concentrate investment. First, central government policy requires a minimum of 60 per cent of all new housing developments to take place on previously developed urban land (in Merseyside, the figure achieved is over 80 per cent). Secondly, the regional spatial strategy (RSS) called for employment and residential development to be concentrated in the core of the Liverpool and Manchester city regions and their adjacent areas, rather than the more rural areas to north and south. Thirdly, strong 'Green Belt' policies have been in force for many years, effectively prohibiting development on rural land adjoining urbanised conurbation. Fourthly, even within the urban areas of the conurbation Liverpool City Council and adjoining authorities have restricted housing development to the inner urban and central areas through 'supplementary planning documents'.

So from the 1980s there has been a growing amount of private housing development within the existing urban area, much of it on brownfield sites, encouraged by various forms of subsidy combined with these strong restrictions on peripheral growth. However, due to the economic crisis, this investment is unlikely to be continued in the short to medium term future (Parkinson *et al.*, 2010). In any case, if Holmans (above) is correct, this new development may have had only a limited impact on demand for those existing dwellings that consumers consider obsolete.

## Conclusions

This paper has examined the relationships between shrinkage, housing vacancy and policy responses in Liverpool, UK. Whilst there is clearly some connection between the shrinking city and housing vacancy, an examination of experiences in Liverpool shows the complexity of the relationship and how many other factors in addition to population decline influence the rate of housing vacancy, especially taking account of variations in location, dwelling form, tenure, price and policy.

Housing vacancy is clearly a severe problem in Liverpool when compared with the country as a whole. This has not always been the case: in 1980, the vacancy rate in the city was only a little above the national average. But whilst national vacancy rates stayed relatively constant, the *severity* of the problem locally got worse through the next two decades, reaching a peak vacancy rate of more than twice the national average by the millennium.

The evidence from Liverpool suggests that there is a fairly weak relationship between shrinkage and housing vacancy. Housing supply and demand were kept in better balance during a period of intense shrinkage in the 1980s than during a period of regrowth during the later 1990s. Only after 2000 did a combination of economic growth and modernisation of the housing stock reduce vacancy levels again. One reason for this change may have been the weakening of the city council's powers of intervention over time: from a large-scale public rented sector and substantial use of slum clearance powers in the early period to a reliance on smaller scale interventions and market adjustments in the later period. Another reason may be the inadequacies in systems for monitoring the housing system: data are gathered only at intervals and are invariably out of date, so policy adjustments tend to be occasional rather than continuous and based upon imperfect information about population and market trends. Changes in housing demand can be quite rapid whereas supply takes time to adjust. These findings are compatible with those of Glaeser *et al.* (2005, p. 6) who found little variation in housing vacancy rates between growing and shrinking cities in the USA. On the other hand, in Sweden, Wilhelmsson *et al.* (2011) found that population change played an important role in explaining vacancy rates. There would be value in further international comparative study to try and better clarify this relationship.

The paper has also examined the characteristics and spatial manifestations of vacancy at the UK level, and how Liverpool sits within this context. We estimate that the 'frictional' vacancy rate in the UK is 2–3 per cent, which is different from the figures we found in some other countries. Kingsley & Turner (1993, p. 10) report that the USA has a typical frictional vacancy rate of around 5 per cent, and in a discussion of housing vacancy in eastern Germany, Häussermann & Glock (2004, p. 920) suggest a normal 'mobility reserve' of 3–5 per cent. This indicates that at its most efficient the UK operates a tight

housing market. Thus, in the period when housing vacancy in Liverpool was at its worst, around 2000, about one third of vacancy could be attributed to friction. The cause of the remainder of the vacancy could therefore be due to demand deficiency or structural changes in demand. The boundaries between these two causes are by no means clear cut. For example, a geographical shift in demand away from the region, caused by structural changes in the national economy, causes long-term deficiencies in demand locally until supply catches up.

Housing vacancy has not been equally *prevalent* across the city but has been geographically concentrated in certain inner urban areas of social housing and poor quality private housing and some peripheral social housing estates. In much of the rest of the city vacancy rates are not dissimilar to the national picture. But the situation in the worst affected areas has proved to be quite dynamic in response to both policy and socio-economic changes. The areas of most improvement appear to be the post-war higher density social housing estates both in the inner urban areas and on the periphery, where strong supply-side policies aimed at removing the least popular housing, infilling with new more sought-after dwelling types, making dramatic structural changes to estate design and changing the management regime have been highly effective in reducing vacancy rates. In some other areas of lower density social housing, where fewer supply-side changes were made but demand-reducing social problems remained housing vacancy *persisted* or got worse. And in some inner urban areas of low-value private housing a combination of circumstances well documented by others (Keenan *et al.*, 1999; Mumford & Power, 1999) led, in the 1990s, to a rapid decline in demand and rising housing vacancy.

In terms of policy response, whilst some progress has been made in tackling frictional vacancy in the social housing sector, through more efficient management, relatively little progress seems to have been made in the private, especially owner-occupied, sector. During the period from the early 1990s until quite recently the local economy did see some growth and the city experienced a modest degree of reurbanisation that supported a general increase in housing demand. Within the more socially stigmatised neighbourhoods too, there has been some progress made over the last decade in tackling many of the factors identified by Mumford and Power and others as inhibiting demand: local environmental conditions; housing and neighbourhood management; health, education and community facilities, crime and anti-social behaviour. However, the most effective policies for tackling housing vacancy in Liverpool have been those on the supply side, principally the demolition of the least popular housing stock and its replacement with housing that more closely meets contemporary demand. Nevertheless, it must be remembered that in achieving this quantitative balance, particularly with regard to the recent HMR programme, there have been externalities, especially in terms of financial cost to some residents and social costs to local communities. There is also some concern about the impact of housing stock modernisation on gentrification (Cameron, 2006; Ferrari & Lee, 2010; Nevin, 2010; Webb, 2010).

Surveying the evolution of shrinkage, housing vacancy and policy response in Liverpool, it seems that concern has rarely focussed on population decline as the core issue. More usually policy has responded to perceived problems of social deprivation, social exclusion, and low housing demand or high housing vacancy. Policy responses have been patchy and essentially aimed at dealing with one problem at a time. This type of policy-making is known in planning theory as 'disjointed incrementalism' and is legitimised by the argument that it is impossible to govern any city on a 'rational

comprehensive' basis because the complexity of the problems and their interactions are simply too great to understand and resolve at any one time.

## Notes

1. 'Shrink Smart' is a collaboration of seven teams from seven case study areas across Europe and aims to explore the governance of shrinkage – how governance is affected by, and how it impacts upon, processes of shrinkage. The project runs from 2009 to 2012 and is funded by the European Union Framework VII research programme (Grant agreement no. 225193).
2. In 2010 the Gross Value Added per capita stood at £18027 in Greater Manchester and £14155 in Merseyside (Regional Trends, 2010, Table 3.2. Accessed 31.3.2011).

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