



# Report to the Partnership for Urban South Hampshire Joint Committee

Date: 15 January 2009

Report of: Barbara Compton, Southampton City Council

Subject: PUSH Housing Market Study

## SUMMARY

The PUSH Housing Market Study provides a snapshot of the housing market in South Hampshire. Within the context of the current economic downturn it indicates that there are a number of issues which would benefit from the development of a PUSH response. The Joint Committee is therefore recommended to:-

## RECOMMENDATIONS

1. NOTES the contents of the PUSH Housing Market Study are noted.
2. APPROVES the publication of the PUSH Housing Market Study.
3. AGREES that the PUSH Housing and Planning Delivery Group should develop plans to respond to the issues identified in the report

## **INTRODUCTION**

1. The PUSH Housing Market Study is a follow up study to reports published in 2005 and 2006. It is designed to help inform PUSH and individual local authorities to develop housing policies and respond to market changes. The study presents a snapshot of the housing markets in South Hampshire in 2008 and considers key factors that underpin the local housing markets including:
  - Population change, migration and changes to household incomes;
  - Economic and employment growth;
  - The scale and structure of the housing stock and new supply;
  - The expectations of households and investors (of future price rises or falls); and
  - The availability and cost of finance e.g. mortgages.

## **KEY FINDINGS**

### **The Impact of the Economic Downturn**

2. Housing markets in South Hampshire have been affected by the downturn in the national economy and housing market:
  - Prices across the PUSH sub-region have fallen by up to 8% over the year ending in quarter three 2008. Falls vary with Southampton and Portsmouth for example both recorded a 6% drop.
  - Parts of South Hampshire, e.g. the more rural areas, have been much more robust and prices in some areas remain higher than one year ago.
  - Property sales have fallen by 52% compared to quarter three 2007, consistent with a fall in mortgage approvals nationally.
  - The private rented market remains active and has expanded with the supply of rented properties is increasing (the Buy to Let market is still active)
  - In Portsmouth and Southampton County Court areas, repossession orders are up 13% and 12% respectively in 2008 compared to 2007.

### **New Housing Supply**

3. 4,230 new homes (3,840 net new homes) were completed in the subregion in 2007/08, consistent with the PUSH target for 4,000 p/a (80,000 new dwellings by 2026). The majority of completions (74%) were one and two bedroom properties. Around 940 (910 net) affordable properties were completed, 24% of net completions. 87% of these were one and two bedroom dwellings. The bias towards smaller dwellings has therefore been more acute in the affordable sector and is likely to be an issue that PUSH need to consider in the future.
4. The study states that it will be challenging to deliver new homes in the current market environment. Sales rates on development sites have fallen,

discouraging developers from building thus waiting for a better market. House price falls have a disproportionate effect on land values (since development costs remain the same), further discouraging activity. The study suggests that PUSH authorities will need to consider how to respond to this changing context to secure delivery of both market and affordable homes.

## **The Affordability of Housing**

5. The average cost of a property within the sub-region in 2008 is around £206,000. Assuming an average household income and a typical mortgage, there remains an affordability gap of around £53,000 (equating to 25% of the average property value). Declining affordability over 10 years has led to an increase in the proportion of households on local authority waiting lists for affordable housing (now around 35 households per 1,000). The South Hampshire Housing Market Assessments show that many of those in priority need are larger family households.
- 6 Interest in Low Cost Home Ownership has doubled over 2 years with around 4,000 households now actively considering these options. These households often live in private rented housing. But this 'intermediate sector' has been impacted by the downturn and potential buyers are delaying purchases. They are also affected by the lack of availability and higher cost of mortgages, reflected in rising levels of unsold New Build HomeBuy properties in the subregion. Those on the intermediate list aspire to a property with more than one bedroom.

## **CONCLUSIONS**

7. The Study identifies that PUSH should consider responding to three issues which will have important implications for the achievement of PUSH housing and policies:
  - Whether measures can be taken on a site by site basis to improve development viability and therefore secure delivery of both market and affordable homes through the housing market downturn. One means of doing this might be to encourage Institutional Investors to invest in residential property. PUSH could also open a dialogue with HCA and Housing Associations to encourage larger associations taking on a 'lead housebuilder' role on some sites?
  - Linked to this, identifying whether there may be opportunities to re-plan sites to improve viability and whether this could also present the opportunity to secure more family sized accommodation
  - Whether actions can be taken to improve sales of unsold low cost home ownership properties. This might be achieved by reviewing eligibility criteria or by switching the tenure of a property (e.g. to intermediate or social rent) to ensure properties are occupied.
8. In addition PUSH needs to consider how it will respond to increases in mortgage repossession with an emphasis on ensuring households do not lose their homes.

## **RECOMMENDATIONS**

The Joint Committee is therefore recommended to:-

4. NOTES the contents of the PUSH Housing Market Study are noted;
5. APPROVES the publication of the PUSH Housing Market Study; and
6. AGREES that the PUSH Housing and Planning Delivery Group should develop plans to respond to the issues identified in the report.

**Background Papers: The South Hampshire Housing Market – Annual Market Monitoring Report 2008 (December 2008 – DTZ)**

### **Enquiries:**

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