



## Agenda Item

# Report to the Partnership for Urban South Hampshire Joint Committee

Date: **26<sup>th</sup> January 2010**

Report of: **Barbara Compton, Southampton City Council**

Subject: **Annual Housing Market Monitoring Report 2009**

### SUMMARY

The PUSH Annual Housing Market Monitoring Report 2009 provides a yearly 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. This information will inform the development of the Single Conversation between PUSH and the Homes and Communities Agency.

### RECOMMENDATIONS

It is recommended that the Joint Committee

1. NOTES the contents of the PUSH Annual Housing Market Monitoring Report 2009.
2. APPROVES publication of the PUSH Annual Housing Market Monitoring Report 2009 on the PUSH web site.
3. APPROVES that the PUSH Housing and Planning Delivery Panel develops plans to respond to the issues identified in the report.
4. APPROVES the four areas identified in the conclusion of this report for inclusion in the Single Conversation.

## **INTRODUCTION**

1. The PUSH Annual Housing Market Monitoring Report 2009 is a follow up study to reports published in 2005, 2006 and 2008. It is designed to help inform PUSH and individual local authorities to develop housing policies and respond to market changes. Data from the study will in particular also help to develop the Single Conversation. (PUSH is working with the Homes and Communities Agency (HCA) as one of three pilot areas in the south east to develop the Single Conversation. The focus is on joining housing with the economy and employment. The end product will be a Local Investment Plan by the end of March 2010.)
2. The study presents a snapshot of the housing markets in South Hampshire in 2009 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)
  - The availability and cost of finance e.g. mortgages.

## **KEY FINDINGS**

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

3. Housing markets in South Hampshire have been affected by the downturn in the national economy and housing market. The negative impacts of this may have peaked but problems remain:
  - Prices across the PUSH sub-region have fallen by up to 13% over the year since Quarter Two 2008. House price falls are amplified in reductions in land values and this impacts on the viability development.
  - The number of home sales in the PUSH sub-region has fallen by a further 25% since the report last year.
  - The volume of property transactions reached their lowest point in Quarter 1 2009. House sales fell to less than one third of volumes in the 'normal' market. It is far from certain that sales will recover to the levels associated with the decade to mid 2007.
  - The private rented market has seen an increase in the availability of rental properties and this has placed a downward pressure on rents. Demand has increased as households come out of the mortgage market.
  - Repossession amongst home owners peaked in 2008. Possession orders fell 15% and 24% in Portsmouth and Southampton County Court areas.

### **New Housing Supply**

4. 3,990 new homes (net of demolitions) were completed in the sub-region in 2008/9, meeting annual targets despite challenging market conditions. The majority (81%) of completions were one and two bedroom properties, an increase on the previous year (74%). 1,240 (net) affordable dwellings were

completed in 2008/9 this represents 31% of all completions – an increase of one third since 2007/8. The majority (88%) of these homes were smaller one and two bedroom units. Net in-migration to South Hampshire includes a predominance of families with children under the age of fifteen. The bias towards the development of smaller dwellings continues to be acute and is an issue that PUSH will need to consider in the future.

5. The study comments that housing completion levels have been robust given the challenging market environment. This has been due to increased levels of grant available for affordable housing. Over the last year there has been little evidence of developers switching the type of product they build to reflect market changes, though this may reflect that developments were planned and permission given before the downturn. Developers in 2009/10 onwards are likely to be more reflective of the downturn given the time lags between planning applications, starts and completions. There is also likely to be a significant reduction in the availability of grant to fund affordable housing.

### **The Affordability of Housing**

6. The average cost of a property within the sub-region in 2009 is around £186,900, down from £206,000 one year ago.
7. In theory affordability should improve as house prices fall. However in March 2008 63% of mortgages available in the market offered loans with deposits of 10% or less. By March 2009 only 7% of available mortgages came with a deposit of 10% or less. The average deposit for first time buyers in September 2009 was 25%. The economic downturn is unlikely to reduce the need for affordable housing. In South Hampshire as a whole there are 85 households per 1,000 households on waiting lists. (Need is predominantly for larger family houses). This pattern is likely to continue as newly forming households struggle to access housing because of tighter mortgage conditions and uncertain job prospects. This may also be exacerbated if private landlords start to sell properties (to sustain their core businesses) and thus reduce the number of properties available for private rental.
8. 'Intermediate housing' refers to homes provided at below open market prices or rents but above social rents, typically low cost home ownership products. The numbers actively looking for intermediate housing (4,000 households) has been consistent over the last two years. Access to this type of product has been affected by the lack of availability and higher costs of mortgages. Just five lenders are offering shared ownership mortgages at the end of 2009 and all of these require a deposit of 10% or more.

### **CONCLUSIONS**

9. The Study identifies four areas that will be important for the Single Conversation and the development of PUSH housing and planning related policies:
  - o The bias towards the development of smaller dwellings across all tenures continues to be acute particularly against the demand for

larger family homes. The economic downturn may offer the opportunity to re-plan sites to improve viability; whether this could also present the opportunity to secure more family sized accommodation needs to be explored.

- PUSH continues to have a growing need for affordable homes. Grant availability for the future is likely to be difficult. The Single Conversation offers PUSH the opportunity to prioritise investment needs for the sub-region and tap into new funding models which may become available through the HCA.
- Demand for privately rented accommodation continues to grow. Lack of turnover in the owner occupied sector will have implications for the flexibility of the economy. The private rented market may have an increasingly important role in providing this flexibility. PUSH should consider whether there is a need to develop a policy on the private rented sector, particularly as opportunities may arise from the HCA's Private Rented Sector Initiative. This has the potential to ensure new developments continue, promote the private rented sector as a tenure and provide homes for local people.
- Given mortgage constraint and a tighter funding environment, PUSH should investigate closer work with Housing Associations to ensure appropriate products are delivered locally to support low cost homeownership.

## **RECOMMENDATIONS**

It is recommended that the Joint Committee

1. NOTES the contents of the PUSH Annual Housing Market Monitoring Report 2009.
2. APPROVES publication of the PUSH Annual Housing Market Monitoring Report 2009 on the PUSH web site.
3. APPROVES that the PUSH Housing and Planning Delivery Panel develops plans to respond to the issues identified in the report.
4. APPROVES the four areas identified in the conclusion of this report for inclusion in the Single Conversation.

### **Background Papers: The South Hampshire Housing Market – Annual Market Monitoring Report 2009 (December 2009 – DTZ)**

#### **Enquiries:**

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