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Key Decision:	No
Report Track:	HPDC 21/10/2013

HOUSING POLICY DEVELOPMENT COMMITTEE**21 OCTOBER 2013****CANNOCK CHASE HOUSING MARKET ASSESSMENT – SUMMER 2013****1 Purpose of Report**

- 1.1 To consider the findings of the Cannock Chase Housing Market Assessment – Summer 2013.

2 Recommendations

- 2.1 That the Housing Policy Development Committee note the contents of the Housing Market Assessment (Appendix 1).

3 Key Issues and Reasons for Recommendation

- 3.1 Producing regular local housing market assessments provides the Council with an analysis of housing market indicators obtained from a number of different sources and also considers information gathered from consultation with local estate agents.
- 3.2 Conducting regular housing market assessments ensures that the Council captures current activity in the housing market which helps the understanding of local housing need.

4 Relationship to Corporate Priorities

- 4.1 The information gathered from the Housing Market Assessment will add to Housing Services' evidence base which supports the delivery of the housing service aims of the agreed 2013-14 Place Priority Delivery Plan.

5 Report Detail

- 5.1 The full Housing Market Assessment is attached at Appendix 1. However key findings from the assessment are highlighted in the paragraphs below.
- 5.2 The average house price in the District at the end of March 2013 was £134,651, which is around 20% less than the Staffordshire average and almost 44% less than national levels. Although there have been fluctuations in house prices in the District during the year they have more or less stayed fairly level but against inflation, house prices are decreasing or at best remaining flat.
- 5.3 The average house price in England and Wales has increased over the past year but this has been heavily influenced by the London market which has increased by around 5%. House prices in England and Wales as a whole have remained fairly stagnant although there are signs of a slow but steady improvement.
- 5.4 Estate agents report that there is demand all over the District for all property types, as long as the property is well priced and offers value for money. There is currently an increase in sales with traditional family style accommodation being most in demand.
- 5.5 House prices are at least six times average individual incomes in the District but nationally house prices approach nine times average incomes.
- 5.6 The private rented sector in the District is very buoyant and continues to play an important role for those unable to enter the housing market.

6 Implications**6.1 Financial**

None

6.2 Legal

None

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None

6.8 Equality & Diversity

None

6.9 Best Value

None

7 Appendices to the Report

Appendix 1: Cannock Chase Council Housing Market Assessment –
Summer 2013

Previous Consideration

Background Paper

Cannock Chase Housing Market Assessment – Summer 2013

1. Introduction

A Housing Market Assessment (HMA) is carried out regularly by the Strategic Housing team. The report aims to establish the current activity in the local housing market to help the Council understand local need, which helps to guide us as housing enablers in delivering more affordable housing in the District.

2. Methodology

The HMA firstly provides an analysis of housing market indicators obtained from a number of different sources and secondly considers information gathered from consultation with local estate agents.

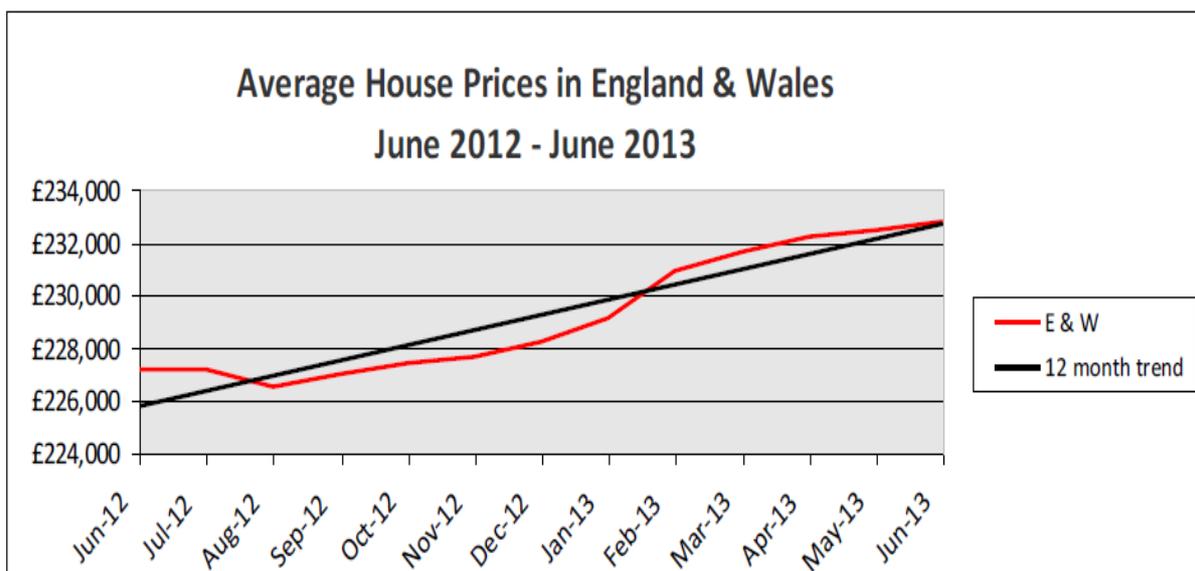
A number of market indicators are used to give a view of the current local housing market. A number of different sources are used to ensure coverage of the Districts housing market and to obtain sub-District characteristics.

Consultation with local estate agents across the District supplement the collected data and help to add a bit more context to the analysis already performed.

3. Housing Market Indicators

3.1 National Picture

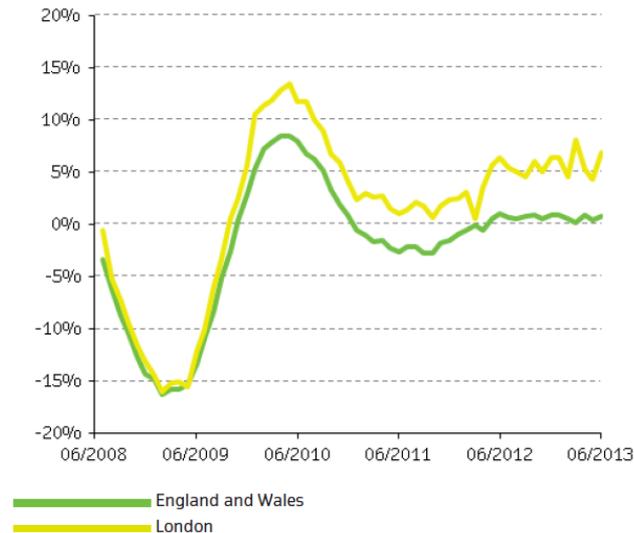
The average house price in England and Wales has increased over the year and has now peaked past the level seen pre-economic downturn. According to Acadametrics, the average house price now stands at £232,801, which for the second month in succession sets a new record level, exceeding the previous peak reached in February 2008 at the height of the last housing boom.



Source: Acadametrics, June 2013 HPI Release

The optimism that might be derived from the generally upward trend in prices is somewhat dampened by the knowledge that outside of London the picture of recovery and return to growth is more mixed. The graph below from the Land Registry demonstrates that the change in house prices in England and Wales as a whole is nothing like the change experienced in London. Over the last year house prices have remained fairly stagnant whilst in London over the last year the average annual change has been around 5%.

Average annual change in residential property prices



Source: Land Registry

The Nationwide also found that average house price growth was heavily influenced by the London market. In the UK as a whole, house prices were still around 9% below their pre-crisis peak; however by contrast, London house prices reached a new all time high, 5% above their pre-crisis level.

However, the main house price indices are now all pointing towards continued house price inflation and a slow but steady improvement of housing markets across England and Wales. This reflects the generally more confident views of the economy that have emerged in recent months. Mortgage lending has been boosted by a range of government initiatives (Help to Buy), and house builders are moving to increase output.

There is a general view that the short term outlook is quite promising but that in the medium term, as Government initiatives fall away, market uncertainty will return. The concern therefore is whether the momentum currently being built up will be sustained and for how long – Time will tell, if buyers and sellers continue to return in numbers to the market, supported by rising prices and more credit, then the greater the likelihood this forward momentum may be sustained.

3.2 District Level House Prices

The average house price in the District at the end of March 2013 was £134,651 according to Land Registry figures. It is still the lowest average in Staffordshire as the table below demonstrates.

Area	Ave.
Cannock Chase	£134,651
Newcastle-Under-Lyme	£141,210
Staffordshire Moorlands	£146,261
Tamworth	£146,854
East Staffordshire	£171,359
Stafford	£186,203
South Staffordshire	£189,128
Lichfield	£209,303
Staffordshire	£167,987
West Midlands	£171,315
England and Wales	£239,296

Source: Land Registry

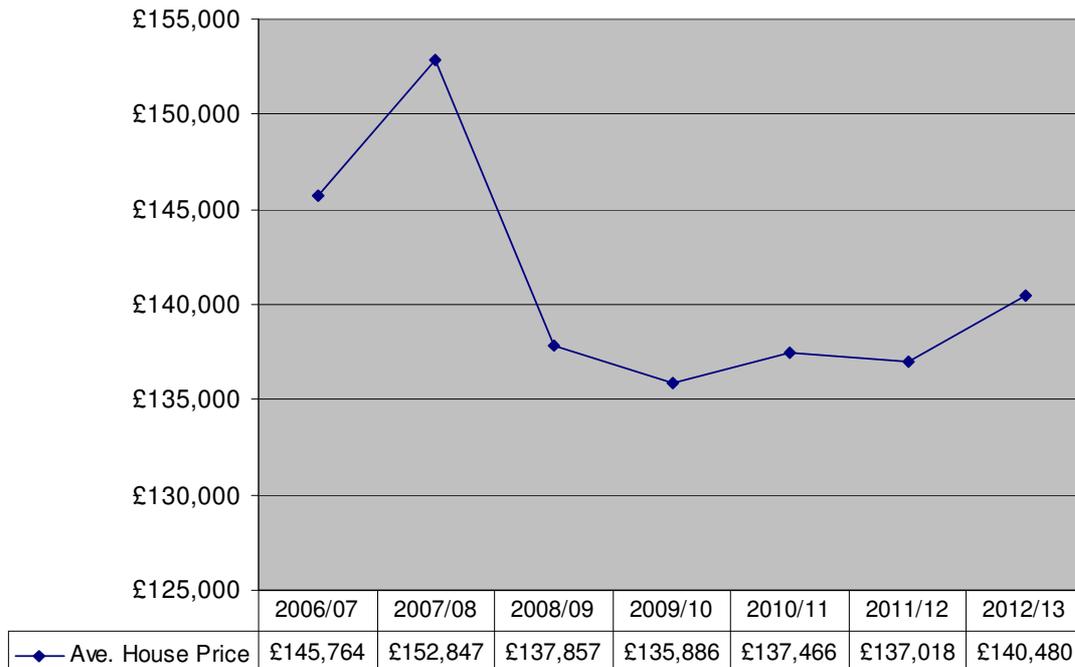
The District average has traditionally been below Staffordshire and West Midlands averages and well below the national average – this is still very much the case. House prices in the District are around 20% less than the Staffordshire average and almost 44% less than national levels.

Over 2012/13 the average house price has fluctuated slightly as the table below indicates – rising in Q2 then dipping slightly in Q3 before dropping at the end of the year – but there was little annual change (-0.8%) by the end of the year.

Quarter 2012/13	Ave.	Quarterly % Change	Ave. 1 year ago	Annual % Change	Sales
1	£136,374	0.5%	£141,456	-3.6%	201
2	£146,945	7.8%	£139,358	5.4%	231
3	£143,951	-2.0%	£131,518	9.5%	224
4	£134,651	-6.5%	£135,742	-0.8%	219

Source: Land Registry

If the average house price is taken across the year then there is a more positive picture. As the graph and adjoining table below indicate there is a trend of growth since 2009/10 and 2012/13 experienced the largest growth in 4 years. The 2012/13 average stands at £140,480, but this is still some way short of the level at the height of the last housing boom. House prices are now around £12k (8%) less than the height of the market in 2007/08, up from £17k (11%) less in 2009/10.



Source:

Land Registry/DCLG

To put a slight dampener on this growth, the Office of National Statistics' (ONS) Retail Price Index (RPI) measures inflation at 3.3% for June 2013. This effectively means in real terms that house prices have fallen as the increase (2.5%) is not as high as inflation.

The number of sales has remained fairly level over 2012/13 as shown in the table below. Quarter two 2012/13 saw the largest number of sales, 231. For each quarter there were more sales of semi-detached property than any other, whilst flats sales were the lowest each quarter.

Quarter 2012/13	Detached	Semi-detached	Terrace	Flat	Overall
Q1	59	87	40	15	201
Q2	82	103	40	6	231
Q3	71	109	39	5	224
Q4	70	91	48	10	219

Source: Land Registry

Although sales have decreased slightly in 2012/13, they remain at a higher level than two years ago as the table below illustrates.

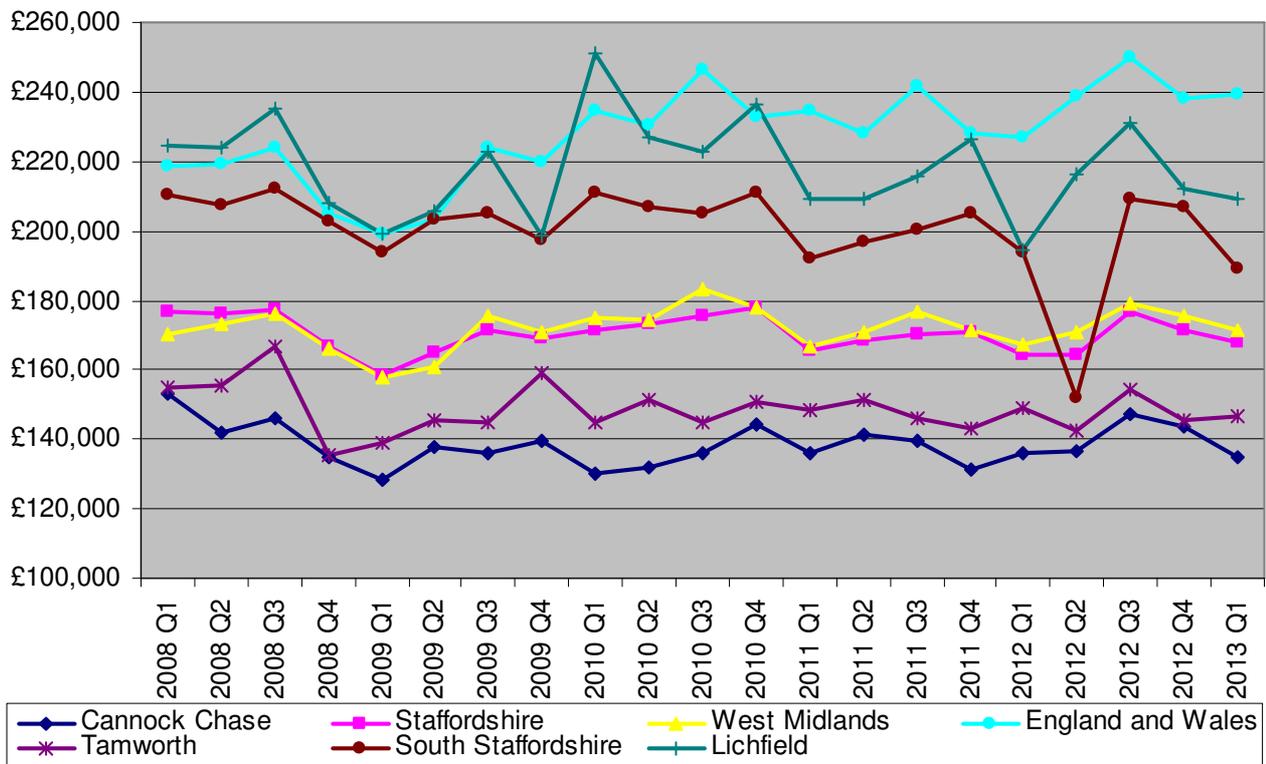
Year	Sales
2007/08	1,804
2008/09	781
2009/10	770
2010/11	769

2011/12	913
2012/13	875

Source: Land Registry/DCLG

Despite the slight increase in sales the market still has a long way to go to get back to the volume of sales experienced at the very height of the housing boom – 2007/08 saw 1,804 sales, approximately double the 2012/13 sales.

The graph below presents the average house price in the District compared with neighbouring authorities and regional and national averages over a five year period. Apart from the national average, which has increased slightly, all the other benchmark areas are at a lower level than 5 years ago, at around the time the economic downturn started to take effect.



The average house price in Cannock Chase has decreased by around 12% since the peak at the start of 2008, from around £150k down to £135k. The graph suggests house prices are fluctuating but have generally stayed within the £135k to £145k band.

Average house prices for each property type in the District would at first glance appear to have declined over the past two years. The prices are recorded in the table below and the changes were as follows for Q1 11/12 to Q4 12/13: detached -3.1%; semi-detached -6.1%; terraced property +1.6%; and flats -9.7%.

	Detached	Semi-Detached	Terraced	Flat/ Maisonette
2011/12 Q1	£204,908	£115,303	£115,607	£88,299

2011/12 Q2	£207,735	£109,555	£110,969	£76,560
2011/12 Q3	£191,913	£114,538	£113,087	£76,633
2011/12 Q4	£186,914	£114,090	£114,572	£82,721
2012/13 Q1	£200,207	£118,080	£105,639	£73,366
2012/13 Q2	£200,267	£120,660	£115,122	£81,575
2012/13 Q3	£204,844	£118,875	£114,056	£59,100
2012/13 Q4	£194,008	£110,920	£107,326	£66,270

Source: Land Registry

However there is some seasonal variation throughout the year so by taking the average for each whole year there is a slightly different picture. The annual average for detached and semi-detached property actually indicates an increase in prices but flats and terraces still show a decrease. Semi-detached property increased the most in value whilst flats decreased the most.

	2011/12	2012/13	Change
Detached	£197,867	£199,831	+1.0%
Semi-detached	£113,372	£117,134	+3.3%
Terrace	£113,559	£110,536	-2.7%
Flat	£81,053	£70,078	-13.5%

3.3 Affordability

Affordability can crudely be measured by calculating the ratio of average house price to average income. As mentioned above the average house price at the first quarter of 2013/14 was £134,651. The average income for an individual resident of Cannock Chase is £21,377, according to the Annual Survey of Hours and Earnings (ASHE) 2012. The average house price in Cannock Chase is therefore 6.3 times the average annual income.

However the above is only an average income for an individual in the District not for a household. Unfortunately the Council no longer has access to CACI Paycheck household income data but, according to ASHE, incomes in Cannock Chase have actually fallen in 2012 compared to 2011 but only by 0.1%, so we can use 2011 household incomes to do a rough affordability assessment.

The 2011 average household income for Cannock Chase according to CACI Paycheck data is £34,218; therefore the affordability ratio equals 3.94, meaning house prices are almost four times the average household income. As house prices have not risen significantly over the past few years affordability has appeared to increase slightly; however this is misleading as it is still difficult for people to obtain mortgages so accessing the housing ladder remains difficult.

Based upon the 2011 average household income of £34,218 and using a ratio of three times income to mortgage lending, this would give an affordable house price in the region of £102,654 – well below the average house price of £134,651. This suggests that purchasing a property in the District may be difficult for households earning average level incomes. Based on the three times income ratio, households would need

to earn in the region of £45,000 per annum to be able to afford to buy in Cannock Chase.

The affordability of house prices in the District is compared to neighbouring Staffordshire authority areas, the Staffordshire and West Midland regional levels and the national level in the table below.

Area	Ave. House Price	Income	Ratio
Cannock Chase	£134,651	£21,377	6.30
Newcastle-Under-Lyme	£141,210	£21,210	6.66
Staffordshire Moorlands	£146,261	£23,782	6.15
Tamworth	£146,854	£22,478	6.53
East Staffordshire	£171,359	£22,548	7.60
Stafford	£186,203	£25,825	7.21
South Staffordshire	£189,128	£24,739	7.64
Lichfield	£209,303	£27,077	7.73
Staffordshire	£167,987	£23,652	7.10
West Midlands	£171,315	£23,670	7.23
England and Wales	£239,296	£27,039	8.85

As the table above demonstrates at all levels; locally, regionally and national, affordability is an issue. House prices are at least six times average individual incomes in all areas. Nationally the problem appears to be at its worst, with house prices approaching nine times average incomes.

3.4 Local Analysis

The house price recovery in the District, as discussed above, has not been as significant as experienced nationally. This section will look at smaller housing market areas in Cannock Chase to discover the level of house prices and whether there has been any growth. It has been possible to analyse slightly more local housing market indicators with the use of a number of housing market websites. Although ward level analysis has not been possible, the following analysis is based upon the small market areas of Cannock, Hednesford, Norton Canes and Rugeley.

The table below compares the median values of this year and last year.

Median Prices	Detached	Semi-detached	Terrace	Flat	Bungalow
Cannock 2012	£210,000	£115,000	£110,000	£80,000	£175,000
Cannock 2013	£215,000	£120,000	£115,000	£81,500	£154,950
Hednesford 2012	£185,000	£125,000	£115,000	£95,000	£156,000
Hednesford 2013	£185,750	£124,950	£100,000	£75,000	£123,450
Norton Canes 2012	£210,000	£122,000	£100,000	-	£210,000
Norton Canes 2013	£180,000	£130,000	£90,000	£71,975	£147,500
Rugeley 2012	£195,000	£123,000	£109,000	£80,000	£140,000
Rugeley 2013	£210,000	£134,950	£106,995	£89,950	£135,995

The asking prices for bungalows decreased in each area. There has been an increase in all property types (except bungalows) in Cannock. In Hednesford, prices changed very little for detached and semi-detached property but decreased for terraces and flats. There were decreases in the average asking price for detached and terraced property in Norton Canes and an increase in semi-detached asking prices. Rugeley asking prices increased for detached, semi-detached and flats but decreased slightly for terraced property.

A rough assessment of properties currently for sale on Rightmove in August 2013 produced the following:

Cannock	Number (%)	Range	Median	LQ
Detached	225 (43%)	£82,950 - £895,000	£215,000	£174,950
Semi-detached	140 (27%)	£55,000 - £236,500	£120,000	£109,950
Terrace	59 (11%)	£74,950 - £239,000	£115,000	£99,950
Flat	47 (9%)	£59,999 - £219,950	£81,500	£70,000
Bungalow	48 (9%)	£90,000 - £595,000	£154,950	£125,000

Hednesford	Number (%)	Range	Median	LQ
Detached	48 (40%)	£100,000 - £335,000	£185,750	£165,000
Semi-detached	36 (36%)	£62,950 - £224,950	£124,950	£111,500
Terrace	10 (8%)	£90,000 - £125,000	£100,000	£93,500
Flat	17 (14%)	£50,000 - £160,000	£75,000	£58,950
Bungalow	10 (8%)	£80,000 - £224,995	£123,450	£110,000

Norton Canes	Number (%)	Range	Median	LQ
Detached	57 (52%)	£125,000 - £349,950	£180,000	£158,750
Semi-detached	25 (23%)	£95,000 - £190,000	£130,000	£121,000
Terrace	5 (5%)	£85,000 - £115,000	£90,000	£85,000
Flat	9 (8%)	£59,995 - £119,995	£71,975	£65,000
Bungalow	13 (12%)	£125,000 - £250,000	£147,500	£134,000

Rugeley	Number (%)	Range	Median	LQ
Detached	105 (44%)	£94,950 - £1,200,000	£210,000	£174,950
Semi-detached	61 (25%)	£75,000 - £279,000	£134,950	£122,000
Terrace	22 (9%)	£59,950 - £199,950	£106,995	£91,000
Flat	12 (5%)	£59,950 - £123,000	£89,950	£72,950
Bungalow	41 (17%)	£94,950 - £425,000	£135,995	£95,000

N.B. The above are asking prices, therefore are not truly representative of actual paid prices but they are a good indicator.

The rough comparison of asking prices above indicates that prices in the Cannock and Rugeley areas are quite similar and they are slightly higher than the smaller

settlements of Hednesford and Norton Canes. The Cannock market area had the largest number of properties for sale. Rugeley had the highest prices for detached and semi-detached property, whilst Cannock had the highest prices for terraces and flats. Bungalows were also more expensive in the Cannock market area on average. The two smaller areas of Hednesford and Norton Canes had the cheapest property on average, with the area of Norton Canes having the lowest lower quartile values and the smallest number of properties on the market.

44% of properties for sale according to the snapshot were detached property, 26% for sale is semi-detached, 10% is terrace property, 9% were flats and 11% of properties were bungalows. Unsurprisingly, detached property was the most expensive type, followed by bungalows, semi-detached, terraces and flats.

3.5 Private rents

The private rental market in the District remains buoyant and plays an important role in housing those on lower incomes and would be first time buyers. The demand for private rented accommodation has increased significantly over the past few years as buying a property in the District has become well out of reach for many people.

The range of rental prices (according to Rightmove during late July) were from £325 pcm for a one bed apartment up to £1,500 pcm for a four bed detached. A lower quartile rental cost was in the region of £430 pcm, with a median rent of around £525 pcm. The following table presents the rental costs by property size and type in the District.

Property Size	Range (£ pcm)	Median (£ pcm)	Lower Quartile (£ pcm)
1 bed	325-525	395	375
2 bed	375-570	495	450
3 bed	495-925	625	550
4+ bed	550-1500	750	650
Flat/apartment	625-995	435	395
Terraced	395-695	525	495
Semi-detached	395-695	550	525
Detached	625-995	750	675

Source: Rightmove, July 2013

According to the Valuation Office Agency (VOA) there has been little change in the rental costs over the past year as the table below demonstrates:

Type	Average (£pcm)		LQ (£pcm)		Median (£pcm)		UQ (£pcm)	
	11/12	12/13	11/12	12/13	11/12	12/13	11/12	12/13
1 bed	381	378	350	350	390	385	399	395
2 bed	483	487	450	450	480	495	500	525
3 bed	563	564	525	525	550	550	595	595
4 bed	794	799	675	695	750	750	863	850
All	508	505	435	425	495	495	550	550

Source: VOA, 2012-13

Overall the average private rent in Cannock Chase decreased during 2012/13 and the lower quartile rent was also lower than last year. One beds decreased in average price but the others slightly increased. Two bed properties were the only size to show much degree of change; the average increased, as did the median and upper quartile values. Rent for three bed properties stayed level, with the average increasing by just £1. Four bed properties went up in rent by £5 on average with an increase at the bottom end of the market but a decrease in rent at the top of the market. As previously mentioned, overall the average went down as did the lower quartile so properties appear to have become more affordable at the bottom of the market. However cost of living and inflation has meant no real improvement in affordability.

Studio and Room lettings are also recorded by the VOA but there were less than 10 observations for each so no statistics were available for Cannock Chase.

4. Estate agents feedback

The analysis performed above on raw data can be misleading and can be unrepresentative of what is actually going on in the housing market in the District. Therefore the figures need some context adding to them to make more sense of what is occurring in the market; this is where the consultation with estate agents plays a part.

Estate agents operating across the District were consulted to seek their opinions on a range of questions around matters such as current demand, issues for vendors and purchasers, impact of the recession and whether they have any future predictions for the market. Their comments have been collated and summarised under the following headings:

➤ *General buying market*

The property market seems to be moving with properties getting more interest than previous years. Agents found that there was an increase in buyer interest and an increase in the volume of sales. However agents felt that asking and selling prices were at the same level as last year and some agents even felt that prices had decreased since last year. This could be the reason there was more interest and an increase in sales – cheaper properties.

All areas across the District were in demand, so long as the asking price was realistic. If unrealistic prices were asked or vendors were not flexible then the property would likely remain on the market for a significant amount of time.

➤ *Type and Size most in demand from buyers*

Traditional family style accommodation was most in demand from purchasers. Properties that had off road parking and gardens, traditional two storey homes that are priced reasonably were always popular. Two and three bed houses (detached, semi-detached and terraces) and bungalows, and larger 4+ bed detached properties were all in demand from buyers in the District.

➤ *First Time Buyers*

First time buyers in the District were still finding it difficult to enter the market. The supply and price of properties was fairly good, the trouble FTBs have is the deposit requirements for obtaining a mortgage.

One agent felt that the availability of mortgages to first time buyers is restricted and the deposit amounts are higher because LTV mortgages are not as readily available as they used to be, hence first time buyers are finding it hard to get onto the property ladder and are forced to rent instead of buy.

➤ ***Shared Ownership and other low cost homeownership schemes***

Agents were mixed in their reply about there being a market for the provision of shared ownership; some found it easy to sell, whilst others didn't. One agent commented that they found that it was quite difficult to resell shared ownership properties in the second hand market unless they were very competitively priced.

The Help to Buy scheme has reportedly had a big impact nationally, but this has not been experienced in Cannock Chase. The second part of 'Help to Buy', the equity loan product, is expected to have a larger impact, so some impact could be felt in Cannock Chase during 2014. One estate agent felt that 'Help to Buy' is a dangerous policy, following which the market could be quite distorted. There have also been media stories reporting that house prices would be artificially increased meaning once help to buy is over house prices will be difficult to afford and the assistance will no longer be in place.

➤ ***Rental Market***

Agents generally felt that the rental market is currently booming and they cannot get enough rental properties on the market for the demand from registered tenants. Some agents were also of the belief that more people have financial worries due to the current economic climate and are selling their properties to pay off debt and then starting afresh in rental properties. First time buyers were renting properties rather than being in a position to buy as they have to save for a deposit to obtain a mortgage. The demand for private rented accommodation has therefore increased significantly in recent years.

➤ ***Type and Size most in demand from renters***

Similar to the demand from buyers, but with additional demand for flats; Two and three bed houses and bungalows, four bed detached houses and one and two bed flats.

Agents found little demand for shared accommodation, which goes against the need found by Housing Options team, who have a long list of single people that require a room in a shared property. The housing benefit changes to the age threshold (up to 35) for shared room allowance increased the demand.

➤ ***Self Build Demand***

Estate agents were aware of a small demand from people wanting to build their own homes but they stressed this was limited and there was very little land available for people to purchase.

➤ ***BME and Older People***

There was no difficulty for older people, people with physical disabilities or households from BME groups in accessing property on the open market or renting in the District, estate agents found.

5. Summary

Looking back at previous HMA reports, agents have felt that prices have remained at a similar level throughout 2011 and 2012, and now this has continued into 2013. The raw figures in the first half of the report suggest that there has been little growth. Although there have been fluctuations in the house prices they have more or less stayed fairly level, perhaps with a gentle upward trend, but against inflation house prices are decreasing and at best remaining flat.

There have been recent media reports that a housing market recovery is taking place, as evidenced by increasing house prices and a surge in mortgage applications and transactions as a result of the Help to Buy scheme. The raw figures (although there is some delay) and information from estate agents does not suggest any significant signs of housing market recovery.

There is demand from all over the District for all property types, as long as property was priced well and provided value for money. The raw data collected would seem to support this, as it suggested that property in the market is widely in demand and the number of sales is increasing.

The private rented sector is very buoyant and continues to play an important role as the housing market continues to be difficult to access for households wanting to enter homeownership. It continues to provide for would be first time buyers and those on low incomes who cannot get that foot onto the housing market ladder.