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Key Decision:	No
Report Track:	HPDC: 04/11/14

HOUSING POLICY DEVELOPMENT COMMITTEE
4 NOVEMBER 2014
CANNOCK CHASE HOUSING MARKET ASSESSMENT – SUMMER 2014

1 Purpose of Report

- 1.1 To consider the findings of the Cannock Chase Housing Market Assessment – Summer 2014.

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 2014-15 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 June 2014 was £149,385, which is around 17% less than the Staffordshire average and almost 72% less than national levels. House prices have increased over the year in Cannock Chase by 4.2%
- 5.3 The average house price in England and Wales has continued to increase by 10.7% over the past year but this has been heavily influenced by the London market which when excluded means the average increase is only 4.3% nationally. House prices in England and Wales as a whole are slowly increasing and there are signs of 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. The demand for traditional family style accommodation is still the highest, with 2 and 3 bed houses the most sought after.
- 5.5 House prices remain at around six times average individual incomes in the District but nationally house prices have increased to over nine times average incomes.
- 5.6 The demand for private rented property continues to increase every year, with demand for 2 and 3 bed properties mirroring that of the sales market. The private rented sector in the District remains 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 2014

Previous Consideration

Background Papers

APPENDIX 1

Housing Market Assessment – Summer 2014**1. Introduction**

A Housing Market Assessment (HMA) is carried out regularly by the Strategic Housing department of Cannock Chase District Council. 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 District's 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 national picture is quite un-representative of what's going on in the housing market across the regions; if we take London and the South East corner out of the equation then the rest of the country shows much less variation and a house price growth average of 4.3%. Price growth in London and the South East has *slowed* by 4.3% but remains high enough to skew the national average when we look at everything together to give a 10.7% price growth nationally, according to Acadametrics August 2014 briefing.

The under-supply of housing has transformed the housing market over the past decade and the growth of the private rented sector has seen the number of people renting expand rapidly. In 2011 the number of home owners dropped for the first time in the past century, in response to this the Government introduced a number of mechanisms to try and stimulate the property market.

The launch of phase one of the "Help to Buy" scheme in April 2013, designed to kick start the housing market by allowing First Time Buyers to borrow up to 20% of the value of a new build home from the Government. Phase two of the scheme followed in October 2013 and widened the scheme to allow all borrowers (not just First Time Buyers) to borrow for any property (new build or older) that cost less than £600,000.

In May 2014 the Organisation for Economic Co-operation and Development (OECD) encouraged both the Bank of England and UK Government to curb mortgage lending in an effort to prevent house prices rising too rapidly again.

3.2 District Level House Prices

The average house price in the District at the end of June 2014 (Q2) was £149,385 according to Land Registry figures. This figure remains the second lowest in Staffordshire, behind Newcastle-Under-Lyme. Figure 1 below compares the average house price paid throughout Staffordshire in Quarter 2 for 2013 and 2014.

Area	Q2 2014	Q2 2013	% Change
Cannock Chase	£149,385	£143,422	4.2
Newcastle-Under-Lyme	£146,985	£136,479	7.7
Staffordshire Moorlands	£159,034	£159,227	-0.1
Tamworth	£151,501	£145,689	4.0
East Staffordshire	£169,690	£166,637	1.8
Stafford	£195,929	£185,881	5.4
South Staffordshire	£210,512	£196,147	7.3
Lichfield	£214,091	£201,820	6.1
Staffordshire	£174,637	£167,475	4.3
West Midlands	£182,045	£173,302	4.8
England and Wales	£256,615	£242,374	5.9

Figure 1 District Level House Prices as at Q2 2014
 (Data produced by Land Registry © Crown copyright 2014)

The average house price in the District has risen by 4.2% on last year’s figure, in line with the overall Staffordshire average. Newcastle-Under-Lyme had the largest increase at 7.7% and Staffordshire Moorlands experiencing a very slight decrease (-0.1%) in their average house prices.

The District average has traditionally been below Staffordshire and West Midlands averages and well below the national average as demonstrated above and by Figure 2 below.

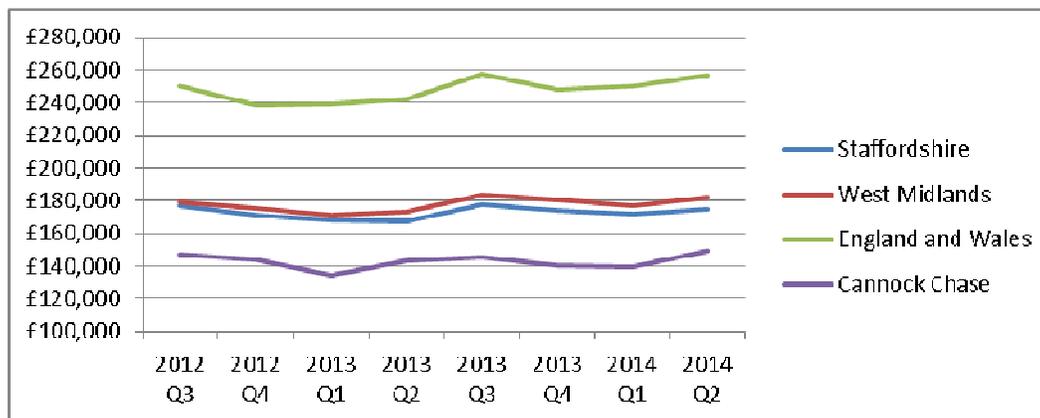


Figure 2 – Quarterly rolling average house prices
 Data produced by Land Registry @ Crown Copyright 2014

The trend continues with significantly high percentage increases in average values for Lichfield and South Staffordshire pushing the Staffordshire average up, the difference between the District and County average has widened to 16.9% up from 16.7% last year. The gap between the West Midlands average and the District average has closed slightly from 20% to 16% but the gap between the District’s average and the national average continues to widen - from 68.9% to 71% - maintaining the significant gap in house prices between Cannock Chase District and the national average.

Figure 3 below shows the number of property sales across the districts within Staffordshire. Overall the total number of sales has increased over each quarter compared to the previous year. In Cannock Chase, Quarter 2 of 2013 showed a total number of sales as 276, Quarter 2 of 2014 reported 415 sales, an increase of 50% - which suggests the market in the District is improving.

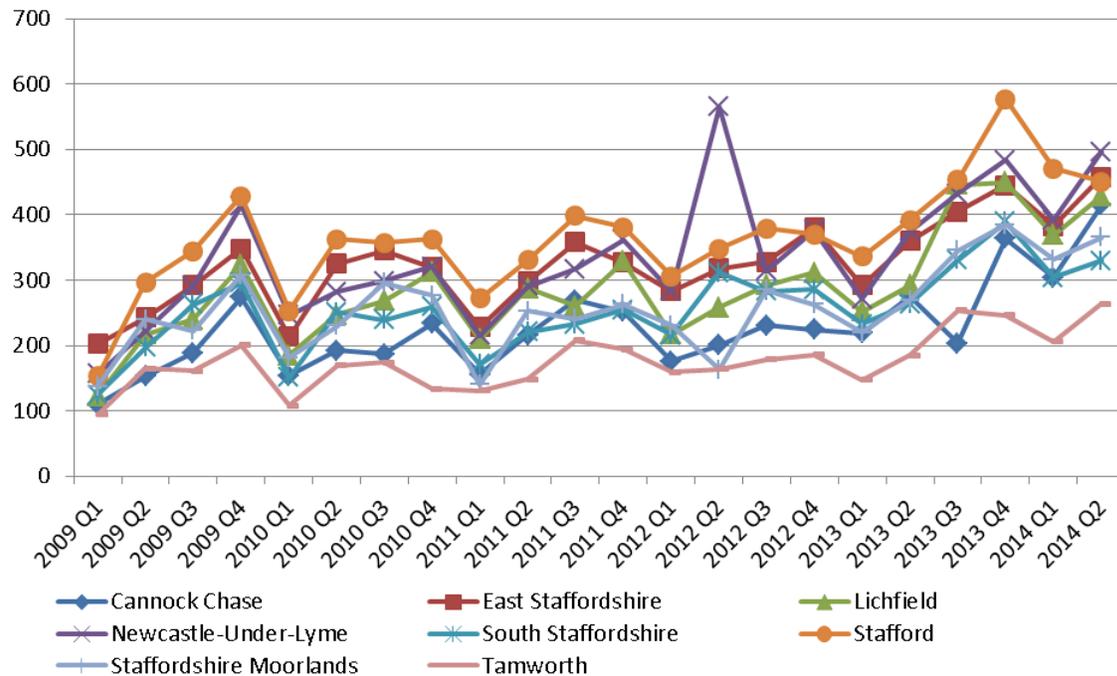


Figure 3 - Number of Property Sales.
Source: Land Registry @Crown Copyright 2014

3.3 Affordability

The table below provides a “broad-brush” affordability assessment in comparison to last year’s Housing Market Assessment, providing the average house prices, annual earnings and a basic ratio between the two figures within each district. The latest average income figure for Cannock Chase is £22,408 according to the Annual Survey of Hours and Earnings 2013, showing an increase of 4.8% on 2012.

Area	Ave. House Price		Income		Ratio	
	Q1 2013	Q2 2014	2012	2013	2012/13	2013/14
Cannock Chase	£134,651	£139,946	£21,377	£22,408	6.30	↓6.24
Newcastle-Under-Lyme	£141,210	£142,022	£21,210	£21,713	6.66	↓6.54
Staffordshire Moorlands	£146,261	£156,314	£23,782	£24,281	6.15	↑6.43
Tamworth	£146,854	£149,760	£22,478	£22,510	6.53	↑6.65
East Staffordshire	£171,359	£159,685	£22,548	£24,304	7.60	↓6.57
Stafford	£186,203	£182,618	£25,825	£26,717	7.21	↓6.83
South Staffordshire	£189,128	£202,557	£24,739	£27,040	7.64	↓7.49
Lichfield	£209,303	£231,431	£27,077	£28,479	7.73	↑8.12
Staffordshire	£167,987	£172,079	£23,652	£24,690	7.10	↓6.96
West Midlands	£171,315	£176,810	£23,670	£24,725	7.23	↓7.15
England and Wales	£239,296	£250,264	£27,039	£27,487	8.85	↑9.10

Figure 4 – Affordability Assessment

On comparison with the previous year, the ratio for affordability in five out of the eight Staffordshire districts appears to have fallen marginally. However, Staffordshire Moorlands, Tamworth and Lichfield have increased the ratio between average house price and average annual earnings. This means despite Lichfield having the highest average annual earnings in the County it continues to be the most difficult district, in terms of affordability, to buy property. Whilst Cannock Chase, according to affordability ratio appears to be the most affordable – however with some of the lowest levels of income in Staffordshire, home ownership remains out of reach of many households in the District.

Figure 5 below, the affordability ratio of each local authority area across England, illustrates the affordability difficulties across the country and the higher house prices in London and the South generally. The majority of local authority areas in England have an affordability ratio, with house prices over 6 times average annual incomes. Cannock Chase, along with several other Staffordshire authorities are yellow on the map and have an affordability ratio for house prices of under 6 times annual income.

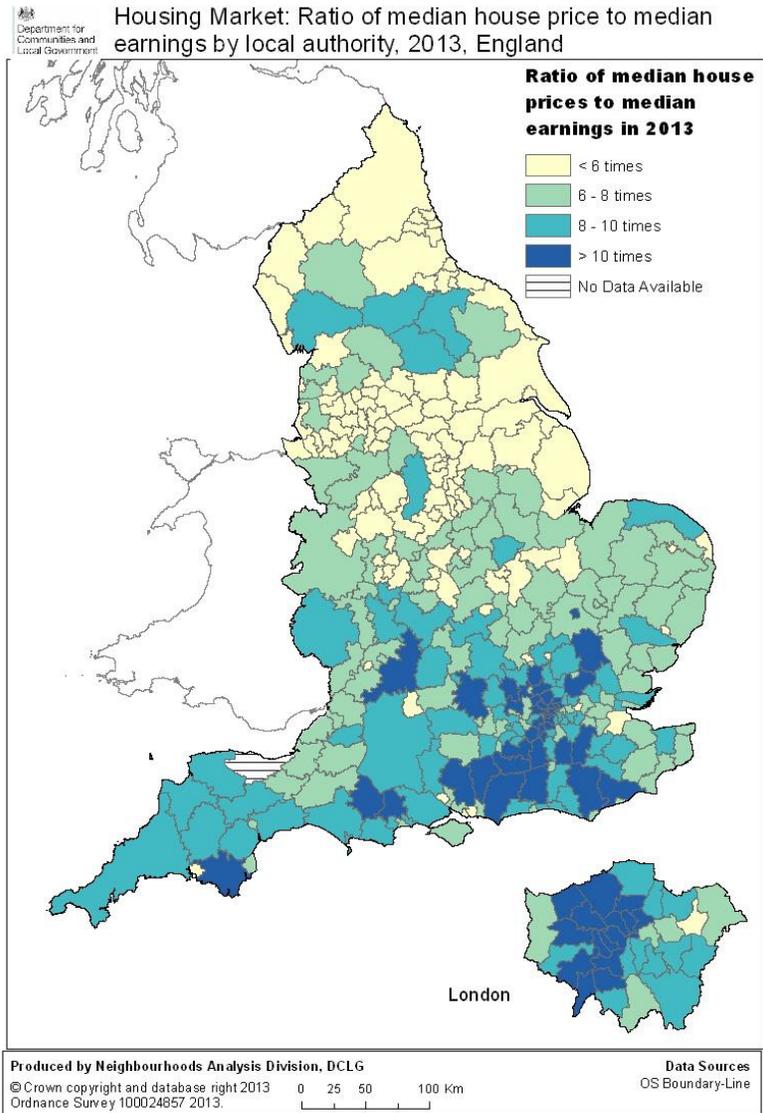


Figure 5 – Affordability Ratio across England, DCLG 2013.

The changes introduced in April 2014 following the Mortgage Market Review mean that it can be more difficult for first time buyers to meet the stricter lending criteria based on a full affordability assessment rather than the traditional 3.5x single income or 2.75x joint income previously used to calculate the maximum amount of loan offered to a Borrower. With day to day cost of living expenses such as food, utilities, fuel, travel etc. estimated to have risen by as much as 28% the overall affordability of home ownership continues to become more challenging.

A quick assessment of current mortgage products available reveals that most reputable lenders prefer a loan to value (LTV) of 75% or less, those who offer higher LTV – up to 95% - increase the interest rate on the loan by 1.5 to 2.5% making the ongoing loan far more expensive to repay in the long term and only affordable for higher than average earners. In the Cannock Chase District, based on average house price above, a borrower would need a deposit of £34,986 to secure a mortgage at a 75% LTV, plus Stamp Duty of £1,399.46 and a further £1,250 to £2,500 to cover costs of mortgage arrangement, survey, searches and legal fees.

Once the mortgage was secured the monthly repayment (based on 4% interest rate) would be £554.02 per month. An interest rate rise of 2% would increase this to £676.26 per month. With two thirds of first time buyers relying on the “bank of mum and dad” to find their deposits and a prediction that house prices will continue to rise, owning your own home could become too onerous financially and renting the far more realistic option for most young working people wanting to find their independence as well as maintaining any quality of life or hoping to have a family of their own. The demand for social housing in light of this is therefore set to increase.

As Figure 6 below shows the issue of the widening gap in affordability has a disproportionate impact on younger people, forcing higher numbers of young people into private rented sector housing when wanting to establish their independence and leave home. This then leads to it taking longer to save up the required deposit to enter the home ownership market and pushes up the average age for home ownership to well over 30 years old.

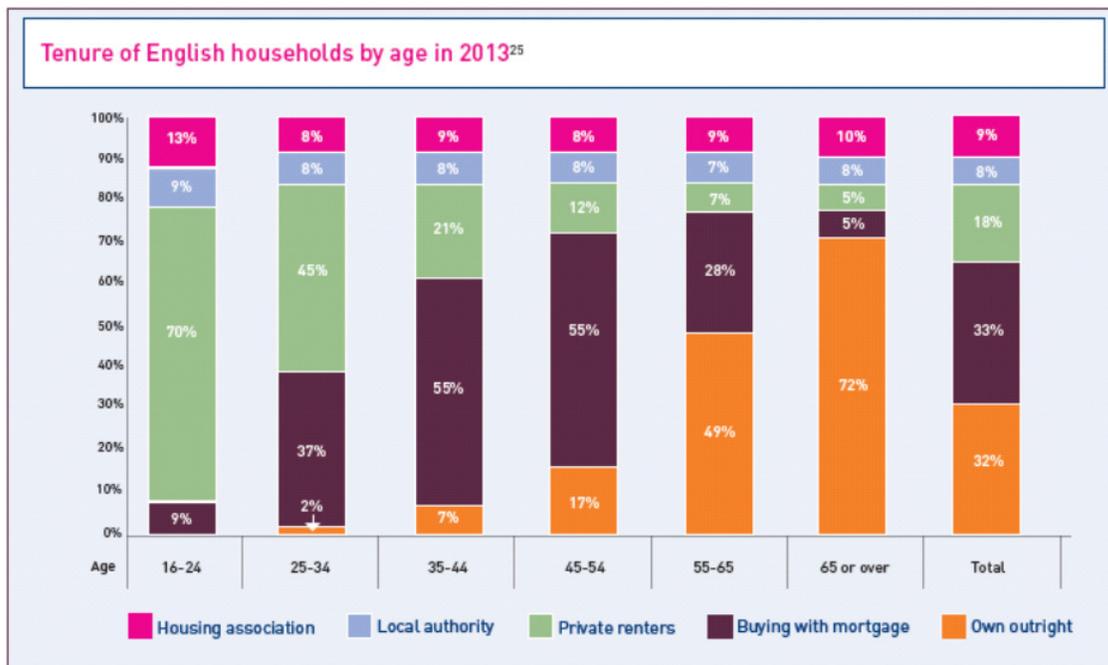


Figure 6 – Tenure split of Households across England
 Source: National Housing Federation Report “Home Truths 2014 - Broken Market, Broken Dreams”

The interesting statistic not shown here is the extent to which those in the 45-54 years age bracket will still be paying back mortgage payments beyond age 65 years; the knock on effect then of people remaining in work longer and perhaps not down-sizing for their retirement as adult children still live at home remains to be seen.

3.4 Local Analysis

A “snapshot” of property available to purchase on RightMove September 2014 is presented in the following table:

Area	Property Types	No. of Properties For Sale	Price Range	Median Price
Cannock	Detached	165	£82,950 - £895,000	£230,000
	Semi-detached	105	£55,000 - £236,500	£124,950
	Terrace	56	£74,950 - £239,000	£105,000
	Flat	56	£59,999 - £219,950	£82,000
	Bungalow	45	£90,000 - £595,000	£179,950
	Shared-Ownership	7	£15,000 - £120,000	£50,000
Hednesford	Detached	45	£135,000-£299,950	£175,000
	Semi-detached	36	£80,000 - £200,000	£125,000
	Terrace	10	£85,000 - £229,950	£109,950
	Flat	23	£59,950 - £115,000	£81,000
	Bungalow	6	£80,000 - £179,950	£149,975
	Shared-ownership	1	£114,995	£114,995
Norton Canes	Detached	29	£130,000 - 550,000	£200,000
	Semi-detached	20	£90,000 - £179,950	£120,000
	Terrace	3	£89,950 - £120,000	£117,500
	Flat	4	£59,995 - £116,500	£70,000
	Bungalow	12	£124,950-£295,000	£200,000
	Shared ownership	0	0	0
Rugeley	Detached	75	£94,950 -£1,200,000	£245,000
	Semi-detached	45	£75,000- £279,000	£135,000
	Terrace	32	£59,950- £199,950	£119,950
	Flat	23	£59,950- £123,000	£98,000
	Bungalow	21	£94,950- £425,000	£170,000
	Shared ownership	1	£115,000	£115,000

Figure 7 – Local House Price Snapshot, September 2014.

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

The numbers of properties, mix of sizes and styles remains similar to the previous year with a slight increase in the number of shared ownership properties available and, for this particular period in time, a reduction in the number of bungalows for sale by around 30% on the number of available bungalows being marketed for the same timeframe last year.

Figure 8 below presents a “snap shot” of prices taken from Rightmove for the same period year on year. It is important to note that this is more of a market trend indicator as it does not reflect actual price paid but it is a good indicator of the way the market is moving and generally shows an increase in prices from last year across most property types; the exceptions being terraced property in Cannock, detached property in Hednesford, semi-detached property and flats in Norton Canes. The most significant market price increases have occurred across all property types in Rugeley.

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
Cannock 2014	£230,000	£124,950	£105,000	£82,000	£179,950
Hednesford 2012	£185,000	£125,000	£115,000	£95,000	£156,000
Hednesford 2013	£185,750	£124,950	£100,000	£75,000	£123,450
Hednesford 2014	£175,000	£125,000	£109,950	£81,000	£149,975
Norton Canes 2012	£210,000	£122,000	£100,000	-	£210,000
Norton Canes 2013	£180,000	£130,000	£90,000	£71,975	£147,500
Norton Canes 2014	£200,000	£120,000	£117,500	£70,000	£200,000
Rugeley 2012	£195,000	£123,000	£109,000	£80,000	£140,000
Rugeley 2013	£210,000	£134,950	£106,995	£89,950	£135,995
Rugeley 2014	£245,000	£135,000	£119,950	£98,000	£170,000

Figure 8 – Median Price Comparison.

3.5 Private Rents

The implication of unaffordability with regard to home ownership has a direct impact on the private sector rented market. This is aggravated further by population growth (increasing the number of households formed), imbalances between demand and supply (inflating house prices to both buy and rent); and the rising cost of living (slowing the ability of people to save). However with the increase in private renting there comes about a proportional increase in housing benefit; the number of people in employment and claiming housing benefit has also increased from 11% in November 2008 to 22.5% in May 2014.

A snapshot of property available to rent through Rightmove in August 2014 reveals the following:

Area	Property Types	No. of Properties For Rent	Rent per Calendar Month
Cannock	Detached	4	£550 - £950
	Semi-detached	9	£525 - £700
	Terrace	12	£495 - £800
	Flat	19	£350 - £525
	Bungalow	1	£550
Hednesford	Detached	0	0
	Semi-detached	5	£525 - £650
	Terrace	1	£525
	Flat	10	£475 - £550
	Bungalow	1	£795
Norton Canes	Detached	1	£675
	Semi-detached	2	£595 - £625
	Terrace	3	£540 - £650
	Flat	3	£425 - £550
	Bungalow	0	0
Rugeley	Detached	3	£750 - £995
	Semi-detached	8	£495 - £625
	Terrace	6	£550 - £750
	Flat	11	£397 - £550
	Bungalow	1	£750

Figure 9 – Private Rental Market Snapshot, September 2014

According to the Valuation Office Agency only marginal increase in rental costs has occurred over the past year.

Type	Average (£pcm)		Lower Quartile (£pcm)		Median (£pcm)		Upper Quartile (£pcm)	
	12/13	13/14	12/13	13/14	12/13	13/14	12/13	13/14
1 bed	378	380	350	350	385	390	395	395
2 bed	487	487	450	450	495	495	525	525
3 bed	564	574	525	525	550	550	595	600
4 bed	799	745	695	675	750	750	850	830
All	505	511	425	433	495	500	550	560

Figure 10 – Private Rents by Bed Size. Source: Valuation Office Agency, 2013/14

Overall the average private rent in Cannock Chase has recovered the slight decrease from 2012/13 and averages are closer to what they were in 2011/12; with the exception of the larger 4-bedroom properties which have fallen again slightly. 1 and 3 bed properties have increased by between £2 and £10 per week, 2 beds have remained exactly as they were. 4 bed properties have seen the largest change with a decrease of between £20 and £59 per week.

The overall increase in rent for the majority of properties available, and most in demand within the region, coupled with rising cost of living and inflation has meant the cost of housing has increased by more than the average rise in income.

As demand continues to outstrip supply in the private rented sector, the trend for market rents is predicted to continually rise. Figure 11 provides a map from the National Housing Federation 2013/14 Home Truths Report that indicates where and how much private rental costs will increase. The figures in brackets represent the number of local authorities projected to experience each percentage increase. For Cannock Chase and the West Midlands region an increase of over 33% is predicted and it is not anticipated that incomes in the region will rise in line with this.

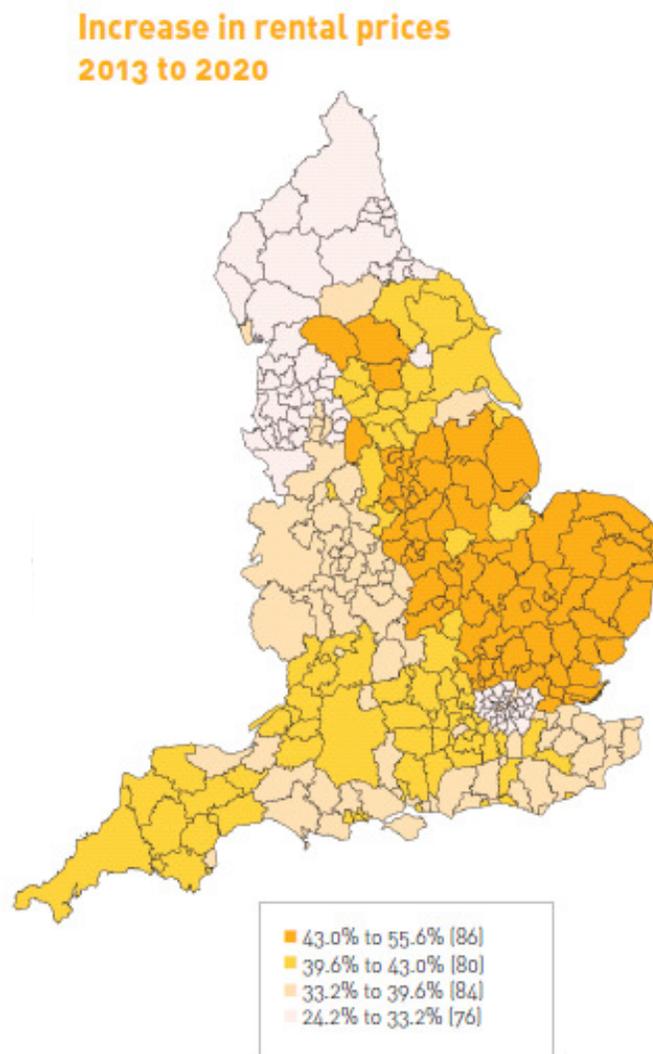


Figure 11 – Private rents 2013-2020. Source: Oxford economics projections, 2013

4. Estate Agents Feedback

Feedback from our local agents is really valuable in keeping the HMA alive and in tune with housing activity in the area. This group of professionals are passionate about the quality, affordability and supply of homes in the area. Some of this year's comments from them included;

"With the internet becoming our shop window, astute buyers now really appreciate they get more house for their money, along with beautiful rural aspects and easy commuting in and around the Rugeley area"

"Good quality, traditional, 2 & 3 bedroom houses continue to be the most sought after property types"

"Flats and shared ownership properties are the most difficult to re-sell"
"Noticeable increase in buyers seeking larger bungalows"

"Some movement within the District with families relocating to be near good schools e.g. Fiveways and Kingsmead"

"Strong demand for rented property continues to rise; with the advent of the Mortgage Market Review (which places greater responsibility on Lenders to check their borrowers can afford the loan) First Time Buyer mortgages are taking longer to reach the approved stage and this, along with stricter lending criteria, an uncertain economic forecast with regard to interest rates and General Election due next year, may be leading some prospective borrowers to rent instead of buy"

Collating the responses from the annual questionnaire sent out to agents gives a local view of the market and adds further context to the analysis of data above. Responses were collated together under appropriate headings and the results are as follows:

➤ **General buying market**

Business is brisk and the market does seem to be busier than in recent years (this is supported by data from the Land Registry which indicates a 35% increase in number of sales within Cannock Chase). Agents encourage vendors to be pragmatic regarding valuations; properties have not regained the peak values of 2007 but steady incremental increases are being made. Properties which are realistically priced or where the vendor is flexible are selling reasonably quickly with an average time on market of 135 days (Mouseprice data).

➤ **Type and size most in demand from buyers**

Traditional family style homes remain the most preferred style of accommodation for all types of household. Properties offering off-road parking, a garden, two-storey accommodation and within a fair market price band are the most sought after type of property. Two and three bedroom houses, whether detached, semi-detached or terraced are all in demand across the district. Some agents noted a particular increase in enquiries for larger bungalows.

➤ **First Time Buyers**

First time buyers within the district continue to struggle to gain entry onto the housing market with stricter lending criteria to meet, larger deposits required and the competition from Buy To

Let investors who can usually complete a purchase more quickly than average First Time Buyers. The supply and price of properties could be better according to some agents.

➤ ***Shared Ownership and other low cost home ownership schemes***

Agents tend to agree in their collective view that shared ownership properties are attractive to those buyers wishing to gain entry to the property market without a large deposit. However they can be more difficult to re-sell as buyers want to pay less for them. Whilst the percentage of the property “owned” remains fixed and currently low interest rates prevail, the rented element is subject to market rent increases. Depending upon the percentage of mortgage versus rent, this can work out quite an expensive way for buyers to try and build equity within a property to enable their next move. The major advantage to families opting for this route into home ownership is that they can often acquire a property which suits their space requirements and, unlike in private sector rented accommodation, they are not faced with the insecurity of being forced to move out at the request of a landlord. However, despite estate agents views, the number of shared ownership properties available and coming onto the market continues to rise.

➤ ***Rental Market***

All agents who responded reported a good level of activity in the rental market with few properties sitting unoccupied for any length of time. Demand for private rent property is still increasing within the district.

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

Stronger demand for flats in the private sector rental market than in the residential sales market but the main category in demand is still traditional style 2 and 3 bed homes – both houses and bungalows. Demand for larger 4 bed properties is not as strong within this district and this possibly reflects the lower than national average rate of earnings and number of larger, ethnic minority with extended families living within the area.

➤ ***Self Build Demand***

Anecdotal evidence from estate agents suggests availability of land could be a significant factor in the lack of appetite for self-build within the District.

➤ ***BME and Older People***

Estate agents reported no known difficulties for people accessing property in either residential sales or lettings; this includes those with a physical disability and from BME groups.

5 Summary

The housing market within the District remains buoyant and demand continues to ensure that there remains a ready turnover of purchasers and tenants enabling freedom of movement around the District.

With all agents reporting an improved performance across both sales and lettings the local market has definitely picked up on the slump of recent years; however all agents caution against becoming over excited about any prospect of another property boom and suggest the

lower, more realistic property values in the area (compared to the national average) may be the reason the market has remained resilient and a little more stable here than elsewhere.