



MANCHESTER
CITY COUNCIL

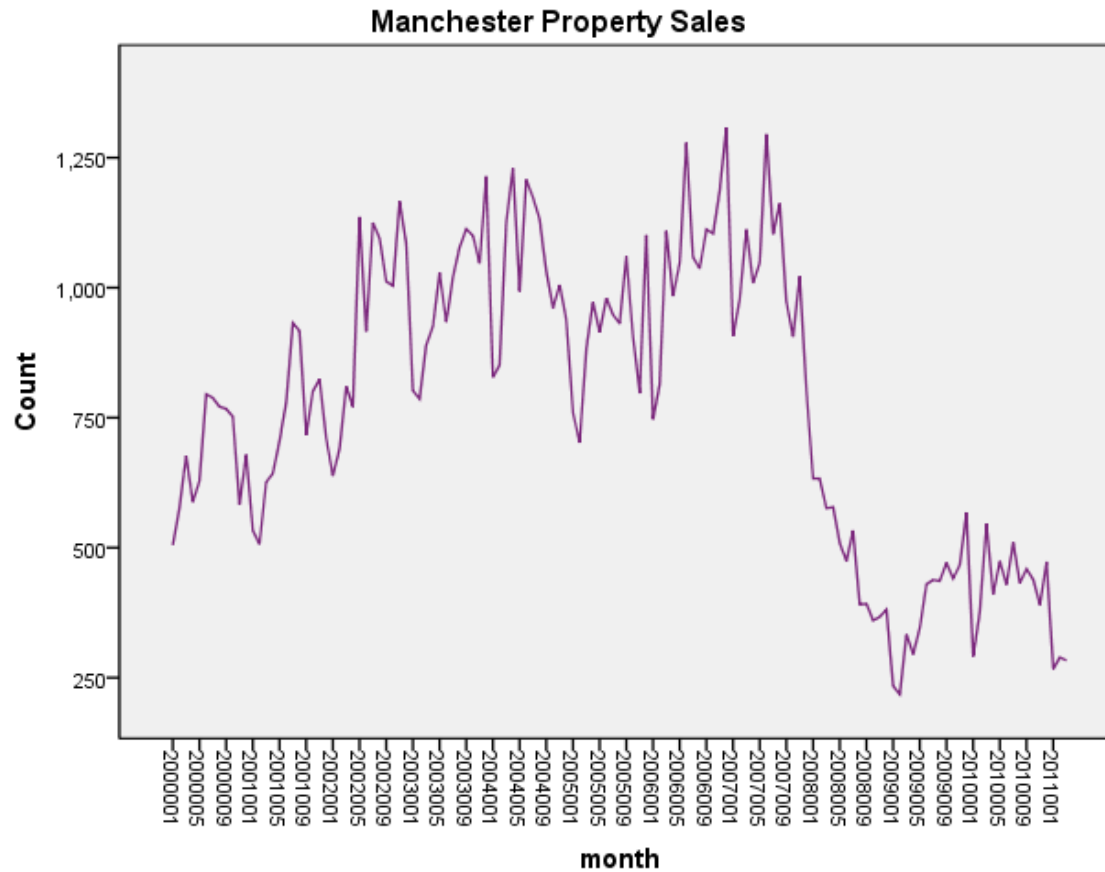
Housing Market Update

Strategic Housing Partnership Forum
25 July 2011

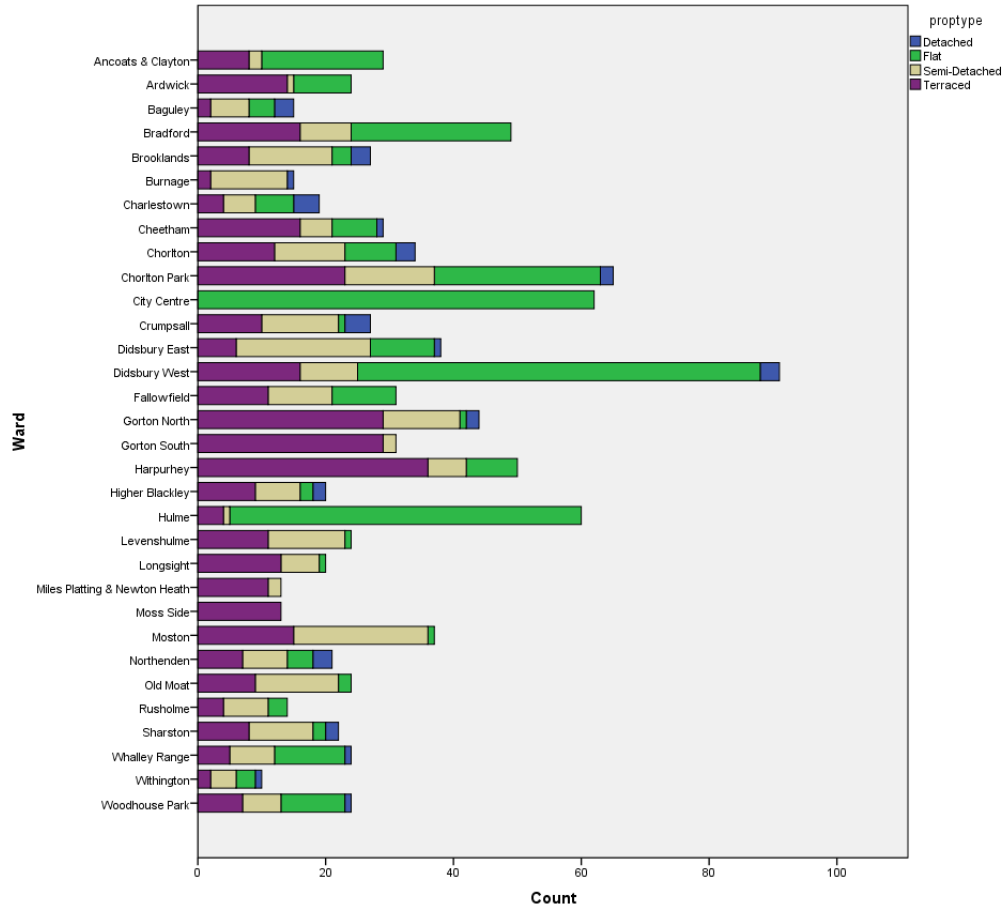
Market overview

- Market is subdued, stable but at risk from interest rates and further economic uncertainty – lenders and buyers are being cautious.
- 70% properties put up for sale since Jan 2011 still unsold
- ‘Reality gap’ between asking prices and sale prices
- Cash Buyers underpin the market
- Sales transactions still 60% from peak

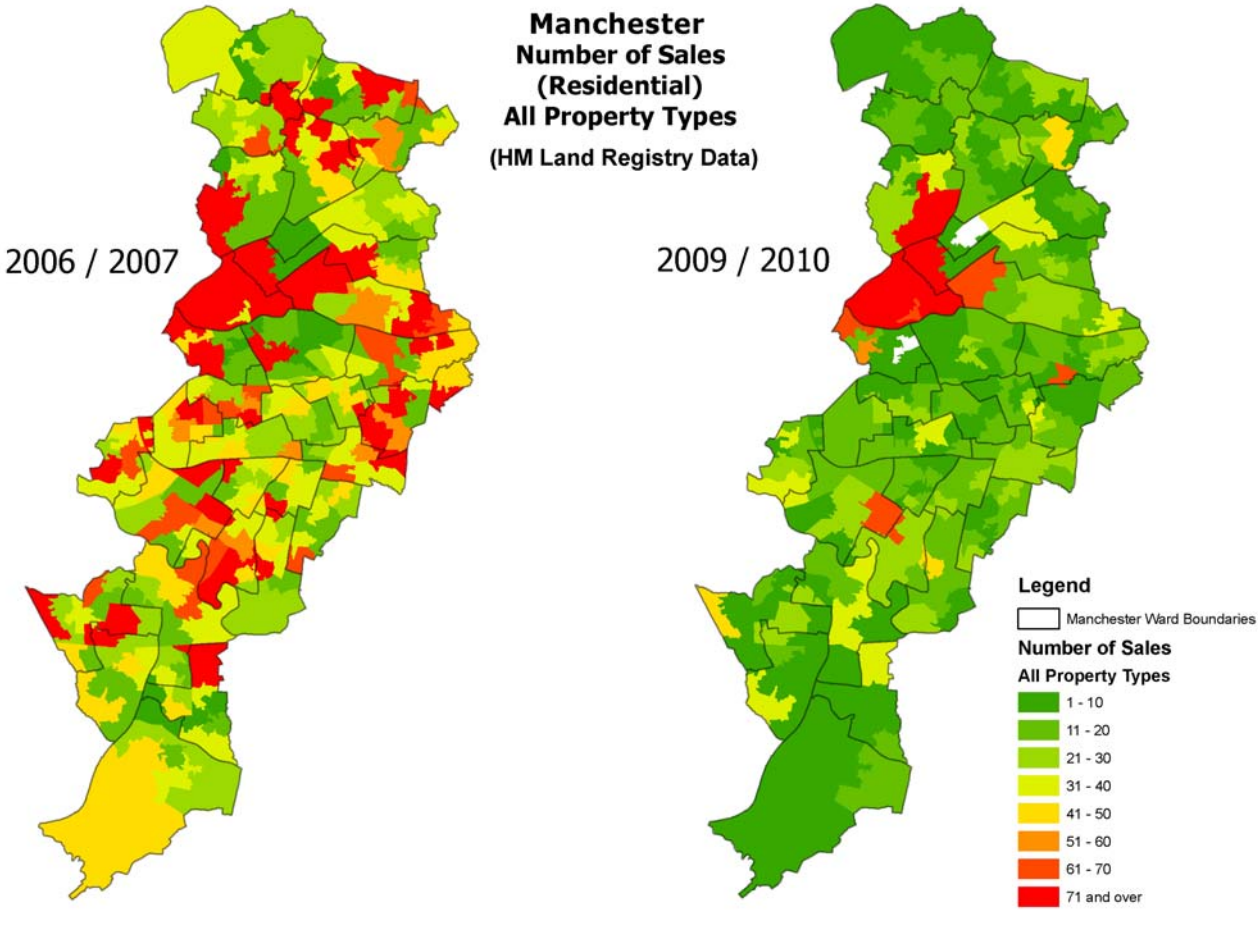
Transaction levels



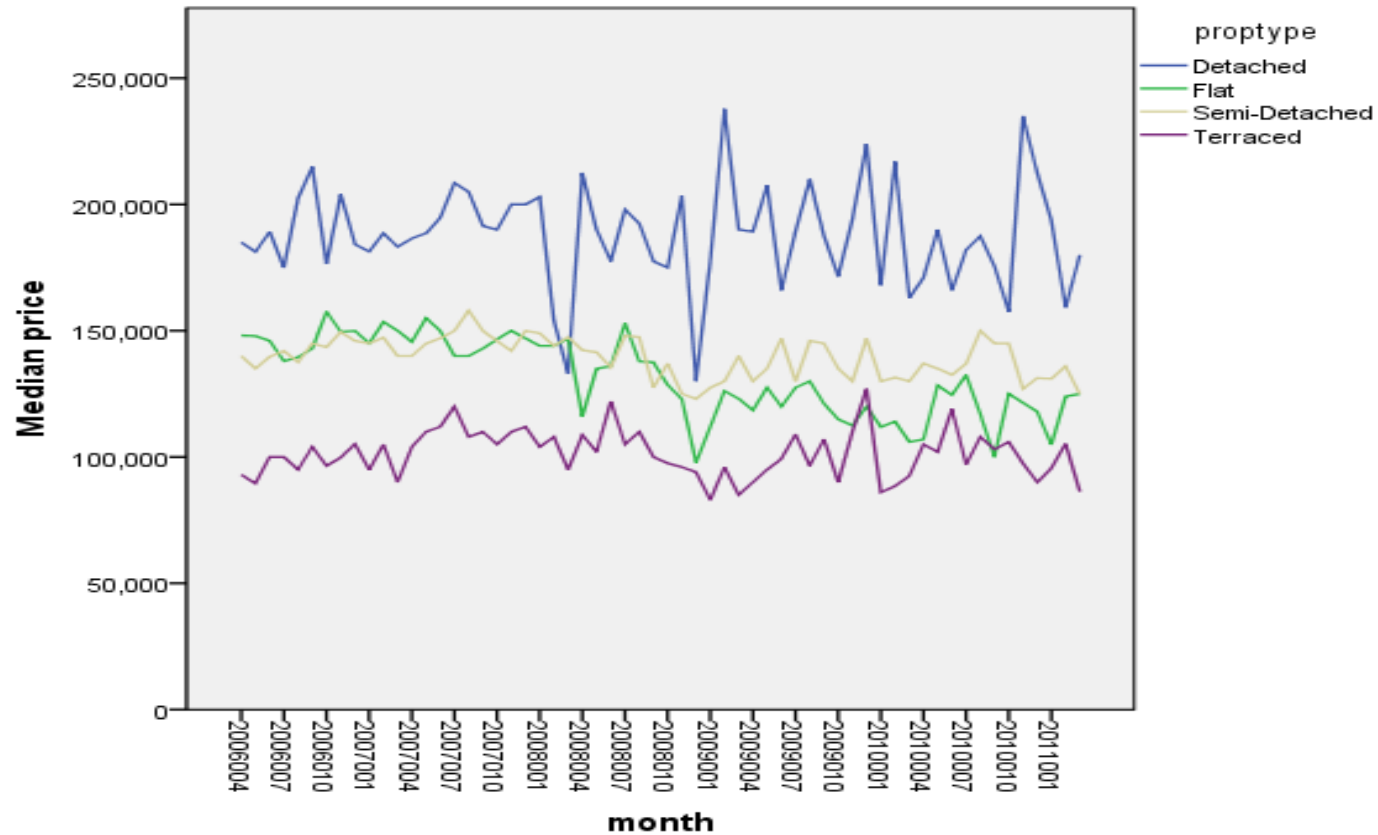
Transactions by Ward



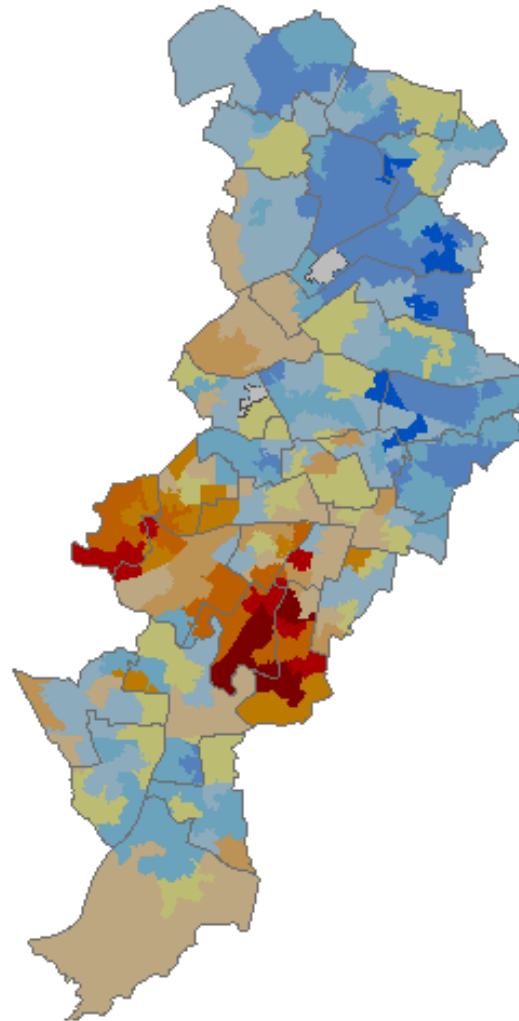
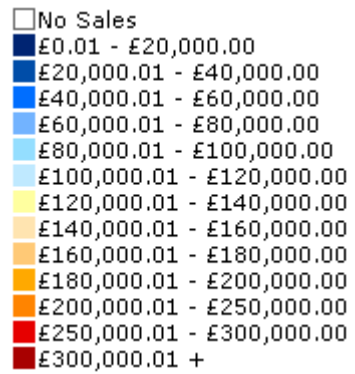
Sales Mapping (Number of Sales between 2006-2010)



Average Prices



Price Mapping







Prices





- We report 'Median' rather than average as prices are skewed by outlying high sales
- Median Terraced house £97,000
- Flat – £122,000
- Artificial increase due to high value/high equity sales – a healthier market would see average prices drop

Lending

- 90% loans available but Income multiples lower than national average (2.8 North West Average)
- Lenders are not passing on low interest rates to FTBs citing cost of wholesale markets and the need to show forbearance to borrowers in difficulty.
- Arrangement fees £1,500 or more
- FTBs require an average 20% Deposit (improved on 2009/10 when they needed at least 25%)
- Lending increased slightly in June but 3% down year on year
- Increase in availability of Buy to Let mortgages (number of products up by 35%)

Interest rates for mortgages increase in proportion to LTV

Lender	Interest Rate	Term	LTV	Fee
 Market Harborough	2.75%	2 Years	75%	£1,995
 Yorkshire BUILDING SOCIETY <small>With you one hundred percent</small>	2.79%	2 Years	60%	£1,495
 Santander	2.79%	2 Years	60%	£1,995
 Chelsea BUILDING SOCIETY	2.89%	2 Years	60%	£1,995

Lender	Interest Rate	Term	LTV	Fee
 Yorkshire BUILDING SOCIETY <small>With you one hundred percent</small>	4.79%	2 Years	90%	£1,360
 barnsley BUILDING SOCIETY	5.09%	2 Years	90%	£590
 IPSWICH BUILDING SOCIETY	5.35%	2 Years	90%	£1,570
 HSBC The world's local bank	5.39%	2 Years	90%	£1,260

Affordability

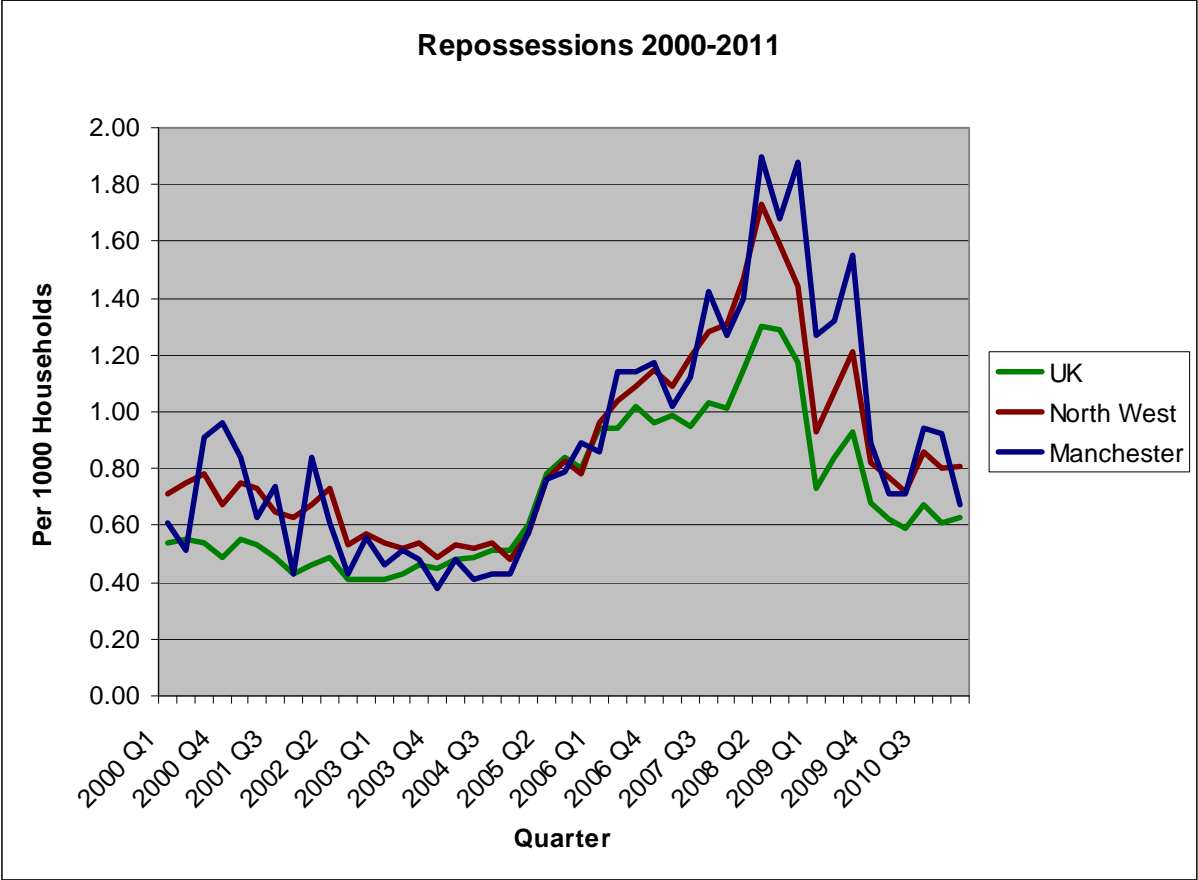
Median Income	Maximum Affordable	
£ 23,657	Income Multiple	Income Multiple
% Loan to Value	3	2.8
60	£ 118,285	£ 110,399
70	£ 101,387	£ 94,628
80	£ 88,714	£ 82,800
90	£ 78,857	£ 73,600

* Average for North West

Prices in Manchester

	Detached	Flat	Semi	Terraced
Lower Quartile	£ 157,500	£ 91,273	£ 100,000	£ 68,875
Median	£ 209,000	£ 122,000	£ 135,475	£ 97,000
Upper Quartile	£ 266,500	£ 155,000	£ 195,000	£ 138,625

Repossessions per 1,000 Households



Repossessions

- Economic difficulties may exacerbate problems for those with long term mortgage arrears.
- Arrears are reducing but will take some time to run off.
- Low interest rates and lenders showing forbearance – for now
- 0.5% expected to continue at least to end of 2011
- May be storing up future problems – repossession will be the only option for some.
- Deterioration in arrears and possessions expected next 18 months

Rental Market (National)

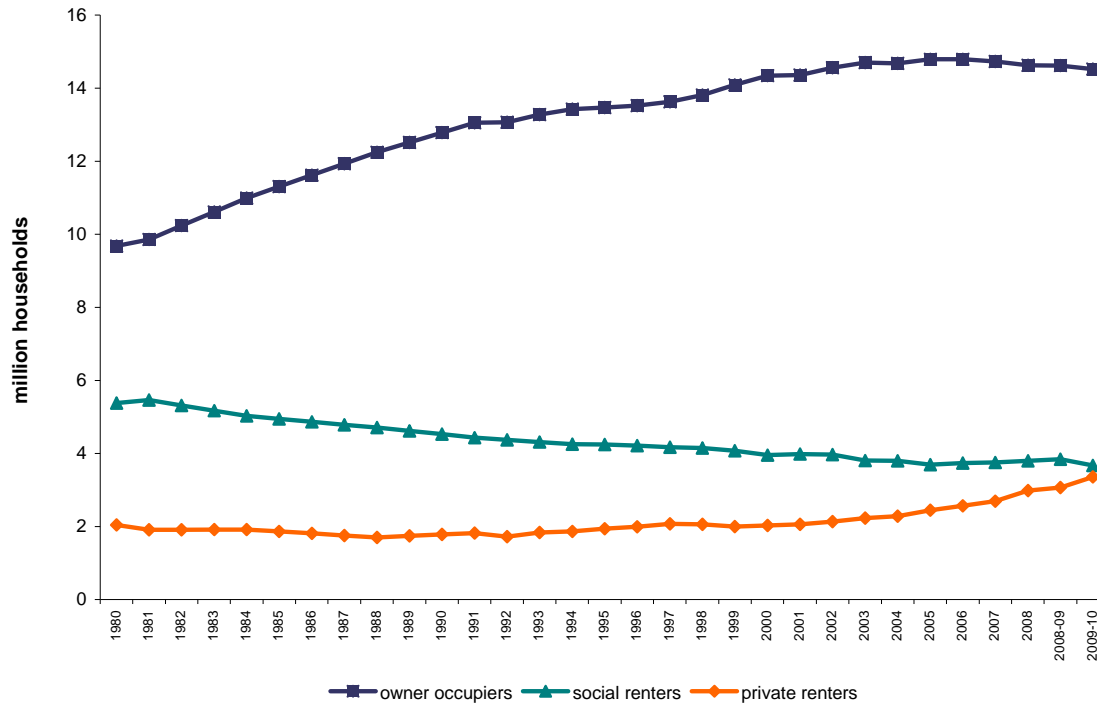
- Buy to Let on the increase
- Rental Demand increasing – tenure of choice for would be homeowners
- May 2011 Halifax Survey showed 95% of 20-45 year old are not saving up for a deposit to enter the housing market “Generation Rent”
- 4% Rent increases nationwide.
- ARLA reports a shortfall in supply of good quality private rented property
- Average tenure is 19 Months (an all time high)

Rental Market (Local)

- City Centre Market rents up c.£67pcm over 24 months (city centre 2 bed apartments)
- Rental demand and slowdown in building is reducing void rates. Void rates now 5%.
- Dramatic reduction in City Centre voids and fringe areas – City Centre voids almost halved in 2 yrs
- Evidence of growth in ‘City Fringe’ rental market
- Growth along new Metrolink corridor
- Change in the student market – movement to purpose built closer to centre

Tenure trends –(National)

Figure 1: Trends in tenure, 1980 to 2009-10



Base: all households

Note: underpinning data are presented in Annex Table 1

Sources: 1980 to 2008 ONS Labour Force Survey;

2008-09 onwards English Housing Survey, full household sample

Changing structure of market

- Market is expected to remain subdued in the short term.
- Low interest rates will help mortgage owners but not help those saving for a deposit.
- Significant shift from Owner Occupancy to private renting – need to monitor the changing private rented sector.
- Private rented sector could be squeezed if supply issues emerge – reduction in voids and increase in rents already.
- Increased demand pushing rental prices up – coupled with reductions in LHA entitlements may reduce choice in the sector for low income households
- Increase of residents able to pay market rent or above? Impact of lower end rental market
- Increased demand on Waiting Lists. Lower turnover in social sector – tenants staying put for longer – Impact of Affordable Rents
- Impact on quality of PRS, may see increase in subdivided HMOs to meet demand, or poorly managed property.

Monitoring Impacts

- Reduction in voids/re-use of existing stock = New Homes Bonus
- No significant pressure on Waiting List Homelessness yet (n.b. hard to measure due to system overhaul)
- Waiting List 14,500 (Excluding 'pending' and Transfer applicants)
- Need to explore avenues for data sharing - monitoring impact of Affordable Rents, Allocations Policy, turnover, movement in/out of tenures – is CORE Data reliable?
- Further work underway to identify potential 'at risk' – cross referencing property size/type with HB/LHA claimant data.