

Wigan Council Housing Strategy



Wigan Housing Market Update

Issue 2 February 2010



Quarterly Period July – September 2009

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1) Housing Market Overview

The first issue of the Wigan Housing Market Update identified that that house prices in the borough had began to show increases between April and June against an overall annual fall. Between July and September a similar pattern emerged. The average price showed an increase over the three month period (1.5%), however not at levels seen in the previous quarter (4.6%), with the overall annual price change being negative (-6.6%). This trend identified through Hometrack was also supported by the house prices surveys by the Halifax and Nationwide on a national and regional level.

Activity in the housing market has increased since February 2009, which is demonstrated by the increasing property counts used in Hometrack's valuation model, however August and September have showed slight dips. As part of the update, the number of actual sales have been included using Land Registry data. These follow a similar trend pattern to the Hometrack count of sales or valuations, but at lower count levels.

Whilst activity in the housing market has increased since the low points during the winter of 2009 activity is still below normal levels. The Council of Mortgage Lenders has reported three months of consecutive year on year rises in loans granted between July and September, following twenty five months of year on year falls. Despite the increase in lending, again this is below the long term average position. More mortgages are being granted to first time buyers, with the number of loans granted increasing by 45% when comparing September 2009 with the September 2008. However, the average deposit a first time buyer has been making to fund a house purchase has

increased from 16% to 25% over this period. This highlights the significant barrier the first time buyer has in entering the market. In the borough of Wigan, at the lower quartile end of house prices this would mean a first time buyer requiring a deposit of over £21,500 when placing a 25% deposit.

Post Christmas, concerns have been re-emerging about the economy. There has been an increase in the rate of inflation. The Consumer Price Index (CPI) was below the government target of 2% from May until November, but increased to 2.9% in December and 3.5% in January. The Retail Price Index has seen a more significant increase from -1.4% in September to 3.7% in January. Whilst the Bank of England interest rate has remained at 0.5%, there is evidence in the credit markets (particularly credit cards and loans) of increased interest rates being applied. Also the 31st December saw the end of the government's stamp duty "holiday" on properties up to £175,000. From the January 2010 stamp duty is payable on properties over £125,000. It will be of interest to see how these pressures affect the housing market in the coming months and beyond.

2) House Prices

2.1 Overall

The average price of a residential property in Wigan at September 2009 was £129,499 based on sales and valuations from Hometrack. The average price had reduced by 6.6% from the same period the previous year when prices averaged £138,689. Whilst the average price shows an annual decrease, over the quarter they are 1.5% higher than in June increasing from £127,642.

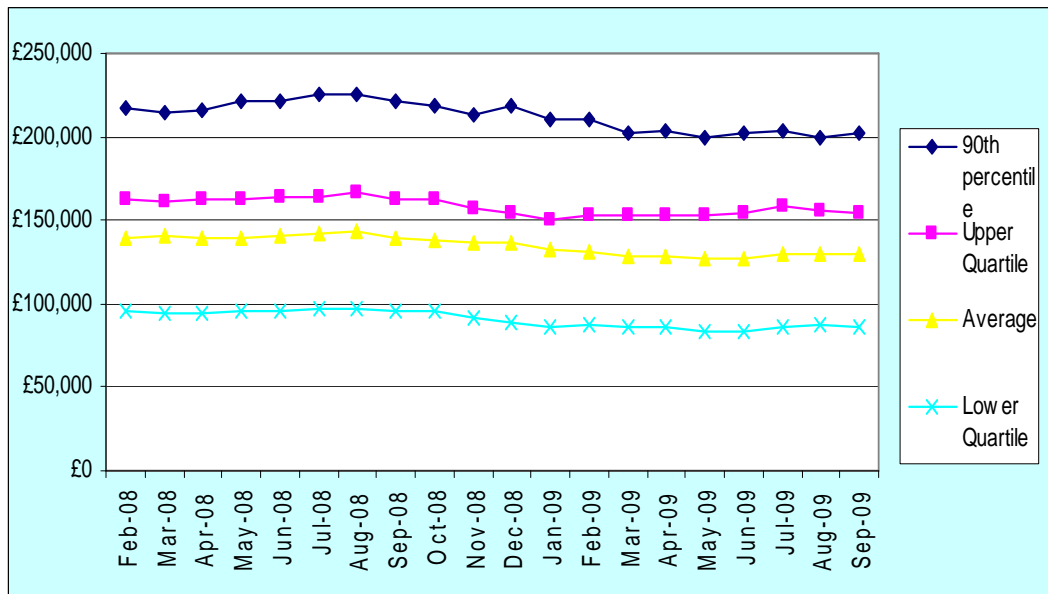
Property counts used for Hometrack's sales and valuation data, whilst not at the levels in the first half of 2008, have shown increases since February 2009 indicating more buyer activity in the market (figure 2.2). This is also supported by Land Registry data on actual sales completed (figure 2.2a). This follows a similar pattern as the Hometrack sales and valuation data, however at a lower quantities, as Hometrack uses a three month rolling data set. Overall sales were at their lowest in March 2009- 439 sales and had increased to 672 in July, but August and September saw sales completed falling back to 639 and 618 respectively. The level of sales completed remains low, almost 50% lower when compared to sales data in February 2008.

Figure 2.3 shows house prices at different levels. Lower quartile (bottom 25% of prices) and the 90th percentile (top 10% of prices) have seen the largest annual percentage falls, both at -8.8%. However lower quartile prices between June and September have shown the largest increase in prices (3.1%). Figure 2.5 shows average prices by property type. All property types, apart from flats, have shown an increase in price over the quarter, with semi detached properties showing the largest price rise (4.2%).

Figure 2.7 compares Wigan's property market with neighbouring authorities. Wigan has the lowest values followed by Salford (£132,928) and St Helens (£134,441). The highest prices are in Warrington (£186,872) and Chorley

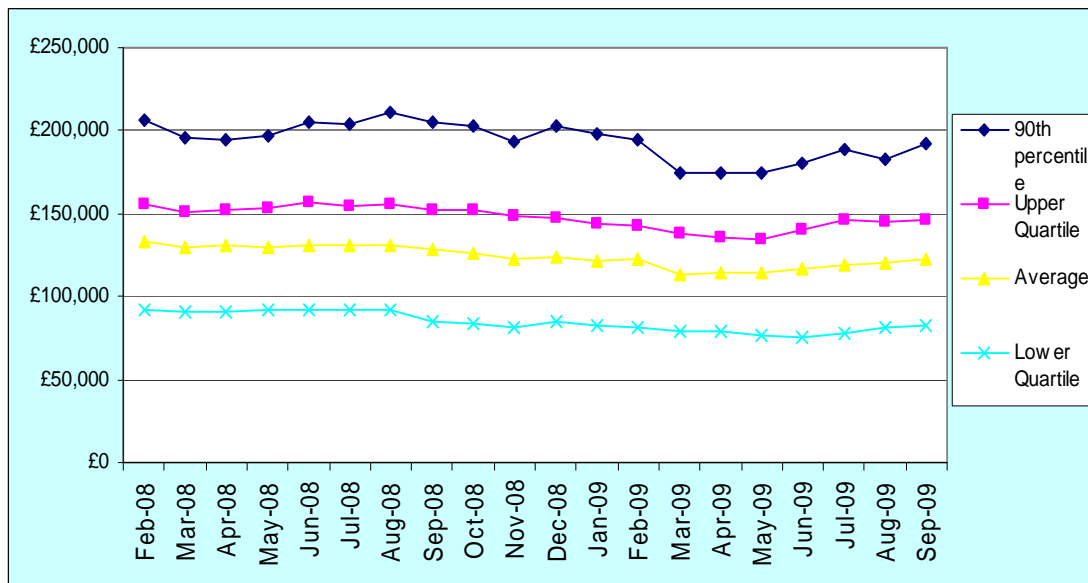
(£182,365). Of the eight authorities in figure 2.8, Wigan is one of four to have shown a rise in house prices over the quarter. Annual price changes tend to be in a similar range between -6 and -7 percent, with only Salford (-9.8%) and West Lancashire (-4.7%) outside this.

Figure 2.1 Wigan House Prices – all properties based on sales and valuations



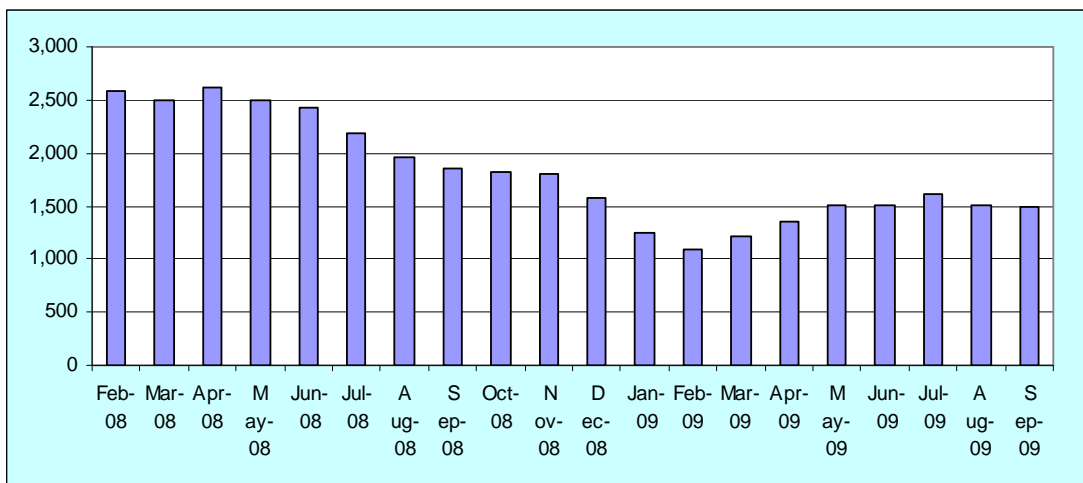
Please note data is based on 3 months sales and valuations data
Source: Hometrack

Figure 2.1a Wigan House Prices – based on sales only



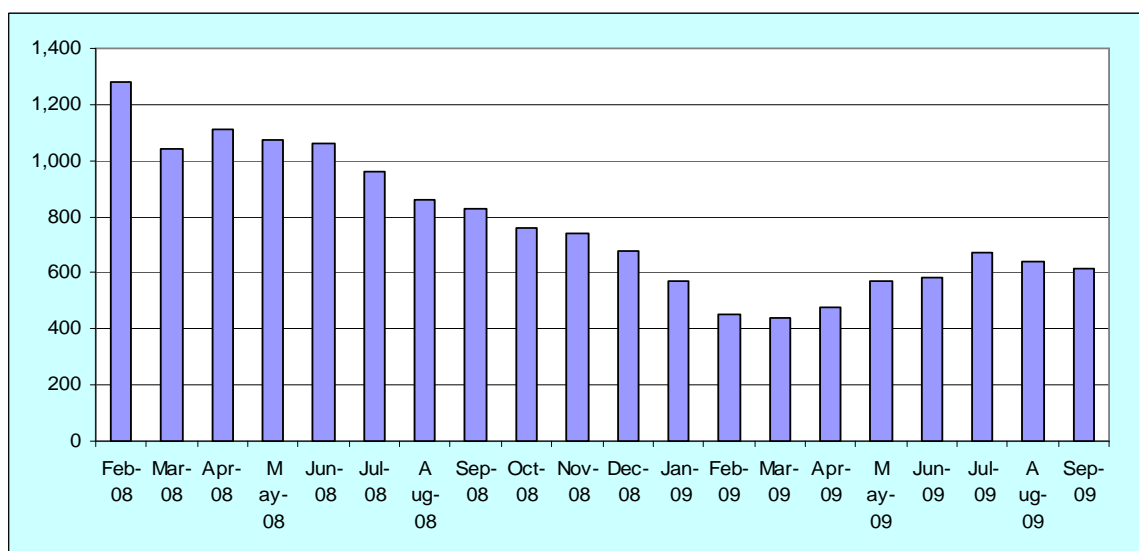
Source: Land Registry from Hometrack

Figure 2.2 Property count of sales and valuations



Please note data is based on 3 months sales and valuations data
Source: Hometrack

Figure 2.2a Property count of sales only



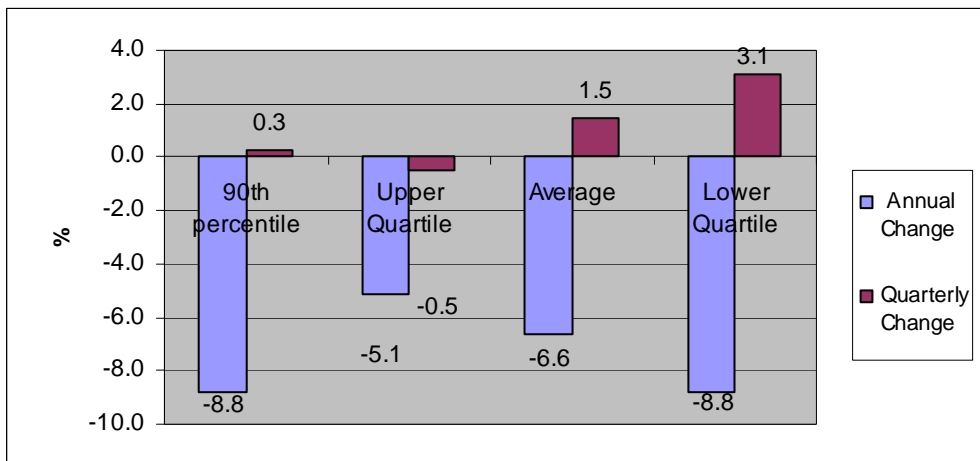
Source: Land Registry from Hometrack

Figure 2.3 House Price Tables

	90 th percentile	Upper Quartile	Average	Lower Quartile	Property Count
Sep-08	£221,665	£162,666	£138,689	£95,000	1861
Jun-09	£201,666	£155,050	£127,642	£84,000	1507
Sep-09	£202,203	£154,333	£129,499	£86,333	1497
Quarterly Change %	0.3	-0.5	1.5	3.1	-0.7
Annual change %	-8.8	-5.1	-6.6	-8.8	-19.6

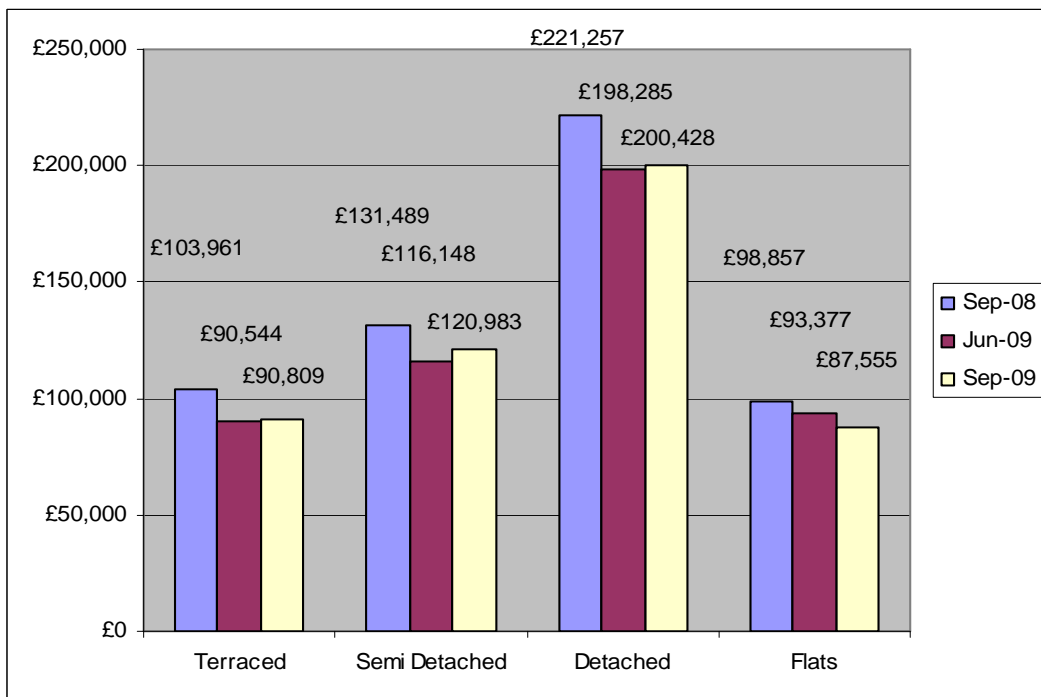
Please note data is based on 3 months sales and valuations data
Source: Hometrack

Figure 2.4 House price changes



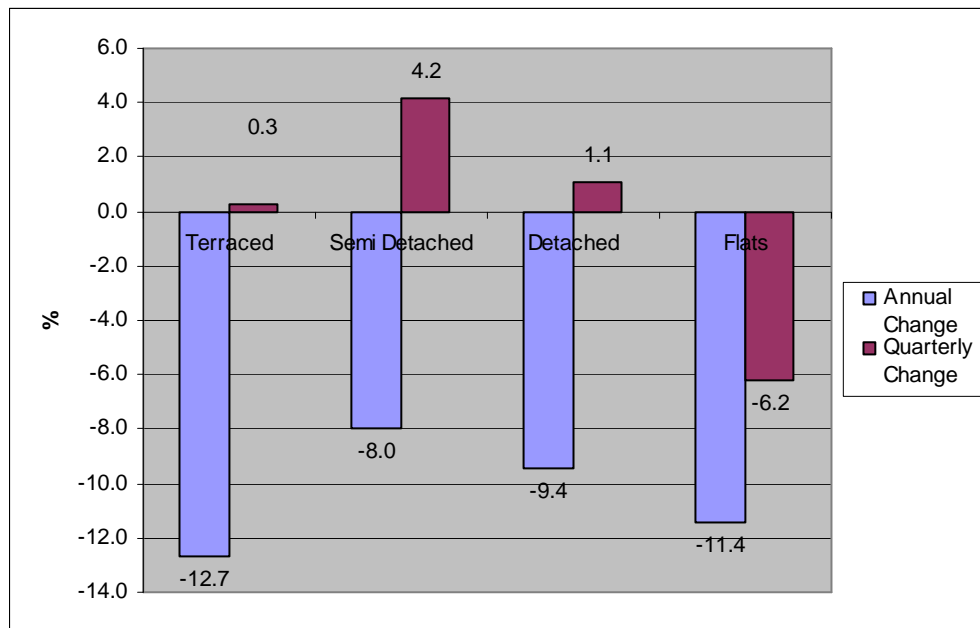
Please note values are based on 3 months sales and valuations.
Source Hometrack

Figure 2.5 Average House Prices by type – based on sales and valuations



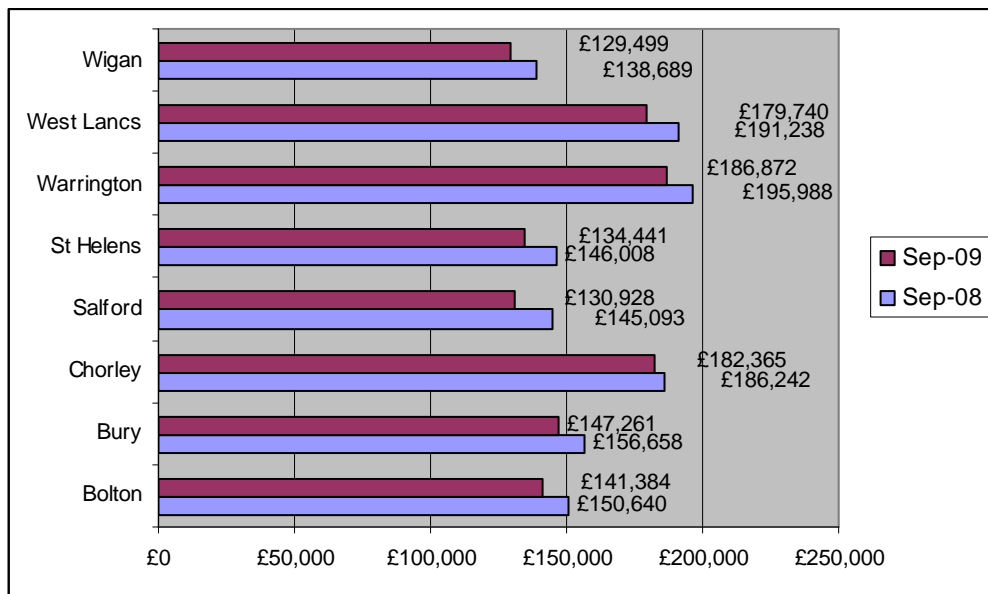
Please note values are based on 3 months sales and valuations.
Source Hometrack

Figure 2.6 Wigan average house price changes by property type



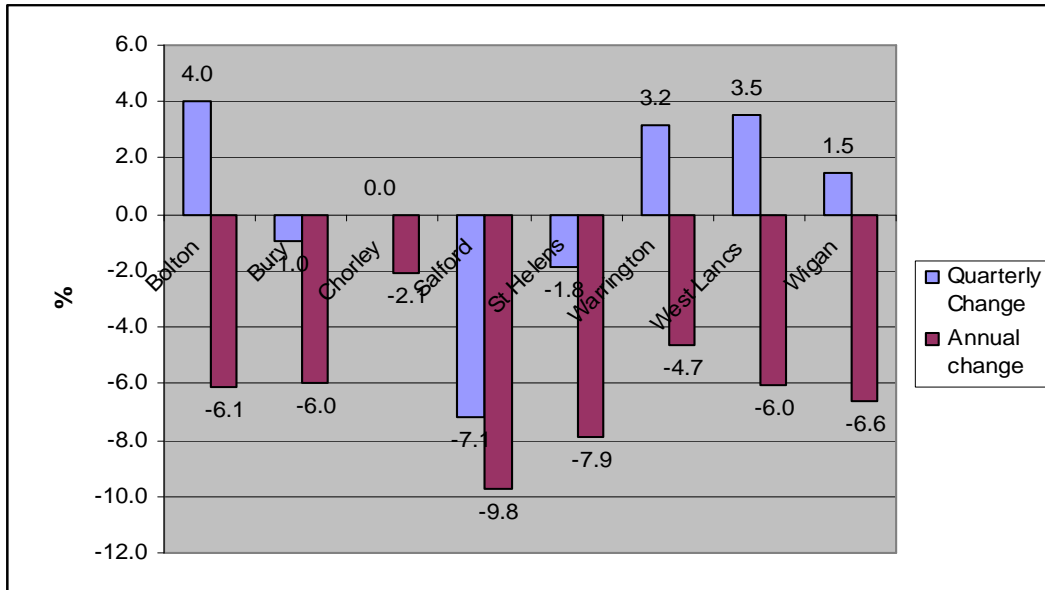
Please note values are based on 3 months sales and valuations.
Source Hometrack

Figure 2.7 Average Prices compared to neighbouring authorities



Please note values are based on 3 months sales and valuations.
Source Hometrack

Figure 2.8 Changes in house prices compared with neighbouring authorities



2.2 Wigan's Housing Market.

Figure 2.9 and 2.11 show the average prices across the borough by township and political wards in September. The house price data used in this section uses six months sales and valuations as opposed to 3 months in the previous section, so there is a variation on the borough wide average sales figure to that quoted in section 2.1.

The lowest prices in the borough can be found in the Leigh West ward, averaging at £79,383 in September. This area has seen prices fall by 14.8% over the year. Areas within the Leigh West ward have seen number of changes in recent years that have been affected by changes in the housing market. Lower values of property have led to increased numbers of private landlords purchasing properties in the area. The increased prevalence of private landlords in the area along with low rents has attracted new populations to the area, who sometimes only stay in the area for short periods. The increasing population turnover results in challenges for the local area including increased number of empty properties, community cohesion issues, environmental concerns and poorly maintained housing in the private rented sector. In order to address problems in this area the Council has been awarded funding of £68,500 from the Department of Communities and Local Government as part of the Connecting Communities national programme to support working class areas that have been hit most severely by the recession. The project will be known as the Leigh Neighbours Project and will aim to address the factors that are undermining this area. Low prices are also evident in the Leigh township, with the Atherleigh ward (lower super output area 027) having the second lowest prices at £87,629, and a fall of 26.4% over the year.

As at September 2009, Standish had the highest property values in the borough (£185,412) and had increased by 1.9% over the year. In September 2008, Orrell had the highest values (£188,045), but these had declined by 10.7% over the year to £167,862. It must be noted, particularly when analysing property prices at a ward level, that prices can be distorted due to the number and the profile of the properties within the data set. Overall in Wigan, the number of sales and valuations used to calculate average prices had reduced by over 40% at the two time periods. Between wards the property count changes had varied between -14.2% and -59.0% between September 2008 and September 2009. In the previous housing market update, Aspull, New Springs and Whelley ward had the highest prices in the borough at £182,718 at June 2009. At September 2009, prices had fallen to £156,393. This demonstrates the wide fluctuations that can be experienced within local housing markets, particularly in the current market.

Figure 2.9 House Prices by ward (based on sales and valuations)

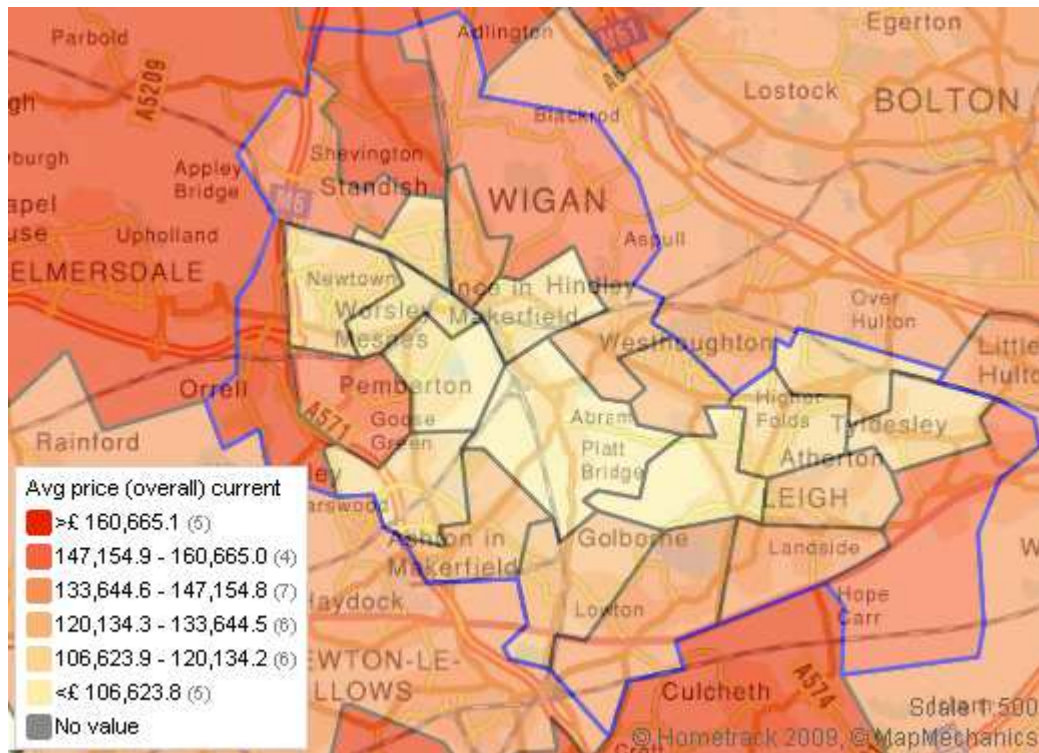


Figure 2.10 House Price Changes by ward (based on sales and valuations)

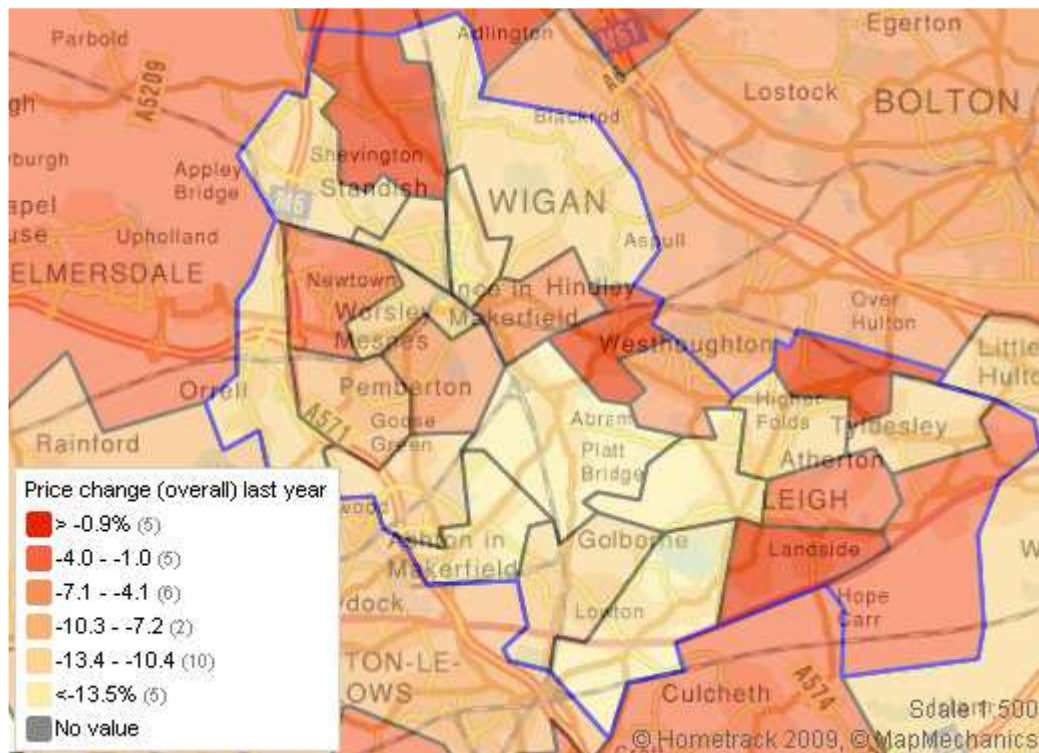


Figure 2.11 House Prices by Township / Ward based on sales and valuations –Data tables

Township	Ward	Sep-08		Sep-09		% Price Change	% Property Change
		Average	Properties	Average	Properties		
Atherton	Atherton	£108,763	169	£111,023	107	2.1	-36.7
	Atherleigh 023	£131,178	173	£125,894	71	-4.0	-59.0
Leigh	Leigh West	£93,142	171	£79,383	101	-14.8	-40.9
	Leigh East	£128,696	162	£124,606	122	-3.2	-24.7
	Leigh South	£124,632	152	£136,281	102	9.3	-32.9
	Atherleigh 027	£119,085	88	£87,629	52	-26.4	-40.9
Astley and Tyldsley	Astley	£154,961	211	£153,161	172	-1.2	-18.5
	Tyldesley	£134,204	227	£118,360	145	-11.8	-36.1
Golborne and Lowton	Golborne and Lowton West	£138,184	175	£121,829	105	-11.8	-40.0
	Lowton East	£174,159	173	£144,679	90	-16.9	-48.0
Hindley, Abram, Platt Bridge & Bickershaw	Hindley	£121,534	178	£120,390	85	-0.9	-52.2
	Hindley Green	£136,397	142	£130,628	88	-4.2	-38.0
	Abram	£126,546	246	£105,880	107	-16.3	-56.5
Wigan North	Wigan Central	£166,416	152	£142,896	76	-14.1	-50.0
	Wigan West	£123,339	181	£110,079	94	-10.8	-48.1
	Ince	£95,419	123	£89,104	56	-6.6	-54.5
Wigan South	Douglas	£108,107	183	£94,324	101	-12.7	-44.8
	Pemberton	£120,999	104	£116,347	79	-3.8	-24.0
	Worsley Mesnes	£109,140	105	£103,601	74	-5.1	-29.5
Orrell & Winstanley	Orrell	£188,045	168	£167,862	110	-10.7	-34.5
	Winstanley	£166,948	152	£152,268	95	-8.8	-37.5
Shevington, Standish & Aspull	Aspull, New Springs & Whelley	£176,054	164	£156,393	113	-11.2	-31.1
	Standish	£181,894	168	£185,412	112	1.9	-33.3
	Shevington	£180,845	106	£156,747	91	-13.3	-14.2
Ashton & Bryn	Ashton	£154,298	140	£132,869	61	-13.9	-56.4
	Bryn	£135,780	157	£118,721	112	-12.6	-28.7
Wigan		£137,267	4170	£131,702	2521	-4.1	-39.5

Source: Hometrack

Please note values and property counts are based on 6 months sales and valuations.

2.3 Housing Market Indicators

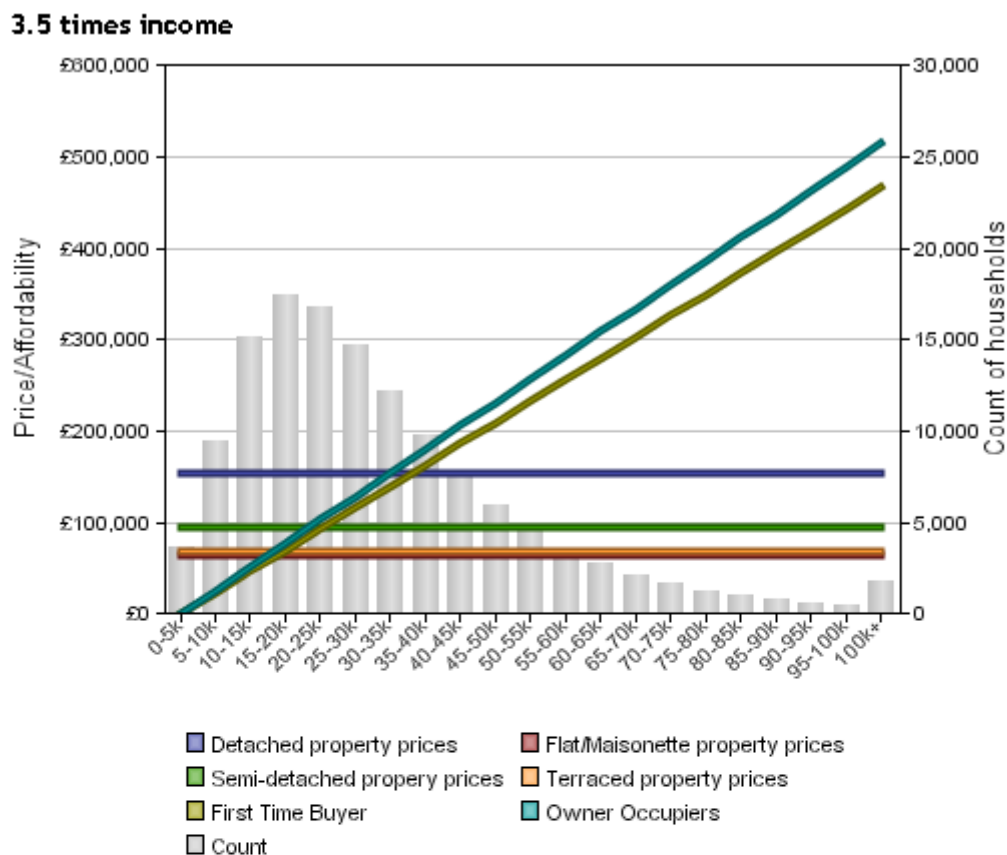
Figure 2.12 House price indexes Quarter 3 (July to September 2009)

	Average Price	Quarterly Change	Annual Change
Halifax			
United Kingdom	£161,280	+2.8%	-7.4%
North West	£128,490	+5.9%	-6.3%
Nationwide			
United Kingdom	£160,159	+3.7%	-3.0%
North West	£137,890	+3.8%	-4.6%

3) Affordability

Whilst there have been annual price falls, the recent quarterly rises have maintained affordability constraints particularly those who wish to enter the housing market. Lower quartile prices increased by 3.3% between June and September. The increase in prices may demonstrate an increased demand in the price range where first time buyers are more likely to enter the housing market. This is linked with the availability of mortgage finance for home purchasers. The Council of Mortgage Lenders reported three consecutive months of year on year rises in the number of loans for house purchases over July, August and September. The three consecutive months of year on year loan numbers increasing had followed 25 consecutive months of year on year falls. Comparing September 2008 and September 2009, loans were up by 43%, however they were still significantly lower than the September average between 2002 and 2007. The availability of loans for first time buyers also increased over the year, with September 2009 figures up by 45% compared with the same period in 2008. The significance of raising a deposit for first time buyers is shown in that in September 2008 the average first time buyer deposit was 16%, a year later this had increased to 25%. More mortgage finance may appear to be becoming available for first time buyers, however it would appear that lenders are requiring larger deposits. Hometrack report that 4 out of every 5 borrowers rely upon some form of financial assistance from relatives to get on the housing market.

Figure 3.1 – Housing Affordability based on mortgage lending 3.5 times income.



Note

This chart shows the number of households in different household income bands in the area (bars) compared to the lower quartile price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different income multiples by a first time buyer and former owner occupier. The affordability calculations are based on a multiple of the average household income adjusted by the average loan to value for the different types of buyer (see macro-economic trends > Loan to Value for the latest figures). The house price data is based on data from the Hometrack Automated Valuation Model and the incomes data is supplied by CACI. Further details on these sources are available in the Help and Information section.

Metadata

Source	Hometrack	CACI	Council of Mortgage Lenders
Timespan	Dec 2008 to Nov 2009	Jan 2008 to Dec 2008	Sep 2009 to Nov 2009
Last updated	Dec 2009	May 2009	Dec 2009
Data level	Local Authority	Local Authority	National

Figure 3.2 Affordability Tables

	90th percentile £202,203	Upper quartile £154,333	Average £129,499	Lower Quartile £86,633
Median Average Earnings (ASHE 2009)	£19,361	£19,361	£19,361	£19,361
Ratio	10.4	8.0	6.7	4.5
Mean Average Earnings (ASHE 2009)	£21,956	£21,956	£21,956	£21,956
Ratio	9.2	7.0	5.9	3.9
Lower Quartile Earnings (ASHE 2009)	£12,758	£12,758	£12,758	£12,758
Ratio	15.8	12.1	10.2	6.8
Mean Average Household Incomes (CACI 2008)	£32,763	£32,763	£32,763	£32,763
Ratio	6.2	4.7	4.0	2.6
Median Average Household Incomes (CACI 2008)	£27,514	£27,514	£27,514	£27,514
Ratio	7.3	5.6	4.7	3.1

ASHE = Annual Survey of Hours and Earning provided by National Statistics
CACI = is a company that provides information across all industry sectors.

4) Cross Tenure Affordability

Figure 4.1- Weekly Cost

	1 bed property	2 bed property	3 bed property
Renting (Housing Association)	£60.20	£62.30	£70.00
Renting (Council- based on 48 weeks)	£53.50	£61.06	£66.31
Renting (Intermediate)	£69.00	£78.00	£101
Renting (Private)	£86	£98	£126
Buying a lower quartile resale	£78.00	£71.00	£100.00
Buying an average resale	£82.00	£93.00	£126.00
Buying a 40% New Build Homebuy	£40.00	£66.00	£90.00
Buying a lower quartile new build	N/A	£98.00	£142.00
Buying an average new build	N/A	£109.00	£147.00

Source: Hometrack, RSR, Wigan and Leigh Housing

Note

The chart compares the weekly cost of property by size across different tenures. The cost of renting from a Housing Association is based on the RSR data from the Housing Corporation in England, Housing Cymru in Wales and the Scottish Housing Regulator in Scotland.

The weekly cost of Intermediate Rent represents 80% of the median rent for advertised private properties in the local area.

The weekly cost of private renting is the median rent for advertised properties in the local area.

Where data is shown for the cost of buying with a mortgage, the figure is based on the capital and interest cost of servicing a mortgage for 85% of the median value of a property in the area, based on a 25 year mortgage term and the average prevailing mortgage rate.

The weekly cost of buying a 40% New Build Homebuy is derived from median house prices and do not include ground rent or service charges. RSL rents are assumed at 2.75% and mortgages payments are derived from average building society rates. Loan-to-value is assumed at 85% in all cases i.e. it is assumed that the buyer has made a 15% deposit on the portion of the property they have bought.

A "New build" sale or valuation is one that takes place where the property was sold or valued in the same year it was built.

5) Housing Market Pressures – Court Activity

Note: This section shows court activity against households in the Wigan local authority area.

Figures 5.1, 5.3, 5.5 and 5.7 show the annual historic data for court activity in Wigan up to the end of 2008. The next issue will include the annual court activity for 2009.

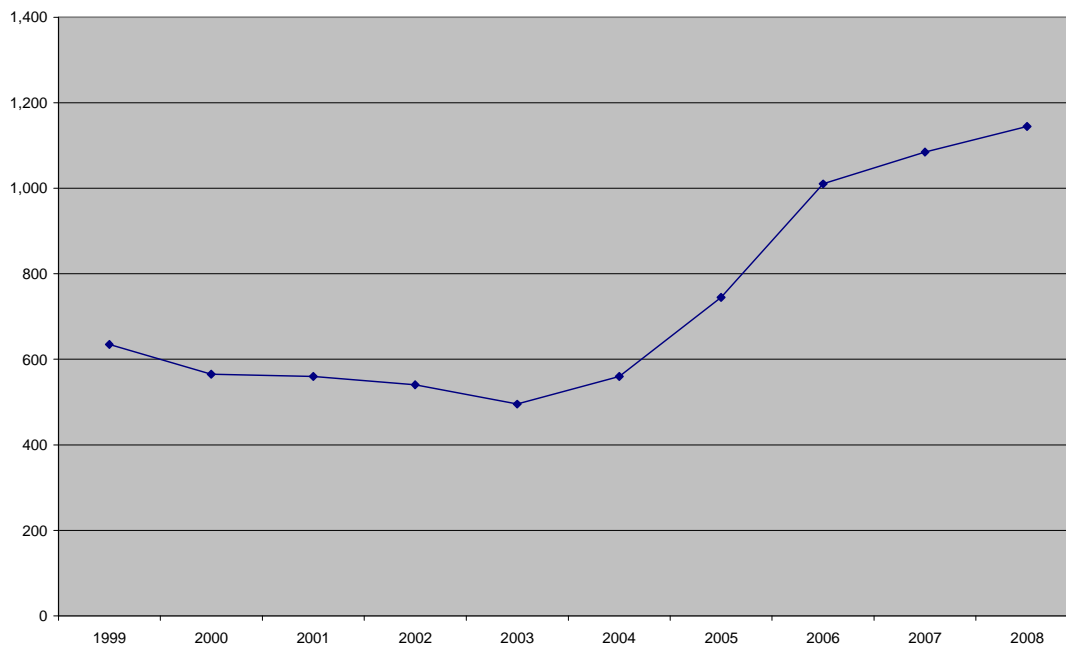
Whilst the economic climate has placed challenges on householders in Wigan the data from the Ministry of Justice paints a positive picture. As with the last Housing Market Update actions by mortgagors and landlords in the courts have again showed a significant reductions when looking at year on year data and over four consecutive quarters.

Of significance in the statistics is the reductions shown in landlord and mortgagor possession claims leading to an order. This is the stage at court when a judge will place a formal order on the defendant to either comply with an agreement whereby possession is suspended or when an order has been made for possession to be returned to the claimant. Wigan has shown significant reductions in possession claims that lead to an order, particularly when benchmarked against Greater Manchester, the North West, England and England and Wales cumulative figures. The reductions in court activity perhaps demonstrate the effectiveness the multi agency partnership approach across the public, private and voluntary sectors in Wigan has had in responding to the current economic climate. This approach has been supported by additional government funding being made available to Wigan in response to pressures in the local housing market due to the recession including the Mortgage Rescue and Repossession Prevention schemes. These schemes have also worked in tandem with locally formulated responses to the economic climate.

As with the last issue, whilst the data shows positive signs, there also needs to be an appreciation of the threats that could place pressure on households to maintain living in their homes. The Bank of England Interest rates still remain at all an all time low of 0.5%. Lower mortgage interest rates have also meant that lower proportions of household income are being spent on housing related costs. However, recent economic data shows rising levels of inflation (Consumer Price Index at 3.5% at January 2010). Government economic stimulus packages such as the reduction in VAT and the stamp duty holiday have now ended and there is evidence of rising interest rates in the credit markets (credit cards and loans) which may place pressure on household incomes.

5.1 Action against owner occupiers

Figure 5.1 Mortgage Claims Wigan LA - Annual 1999 - 2008



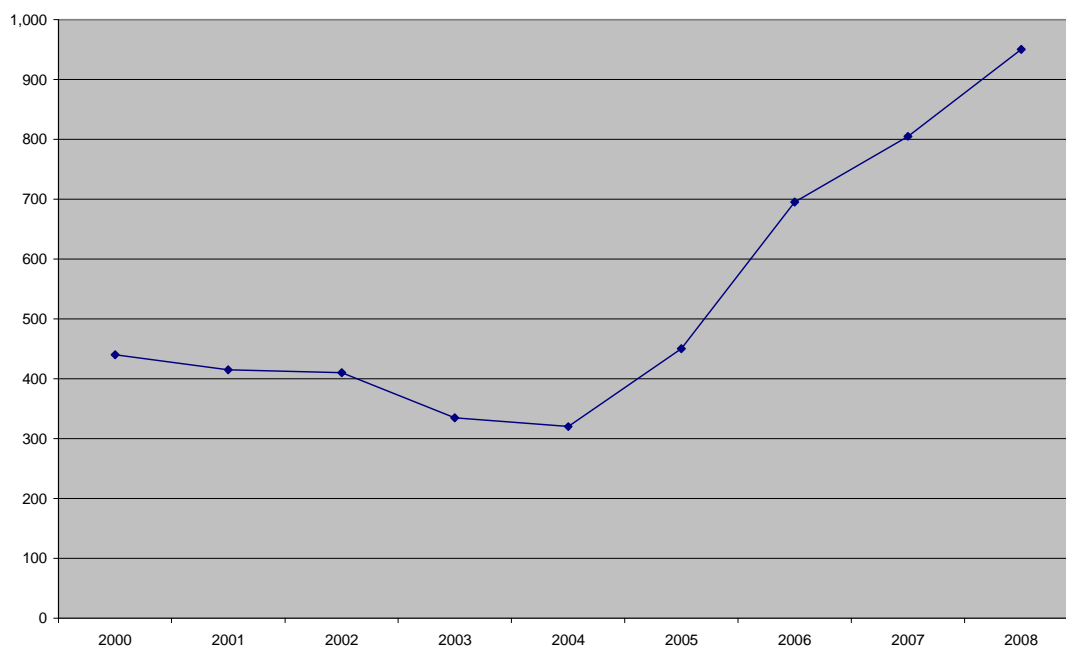
Source: Ministry of Justice Aug 2009

Figure 5.2 Mortgage Claims Wigan LA - Quarter 3 and Q4 08 to Q3 09

Area	Q3 2009			Q4 2008 –Q3 2009		
	Total	% change on Q3 2008	per 1000 households	Total	% change Q4 2007 – Q3 2008	per 1000 households
Wigan	195	-38%	1.5	785	-36%	6.0
Greater Manchester	1150	-37%	1.4	6635	-32%	6.1
North West	3875	-37%	1.3	16,080	-34%	5.5
England	23,205	-34%	1.1	93,140	-34%	4.3
England and Wales	24,938	-34%	1.1	100,074	-34%	4.4

Source: Ministry of Justice November 2009

Figure 5.3 Mortgage possession claims leading to orders made Wigan LA 2000-2008



Source: Ministry of Justice Aug 2009

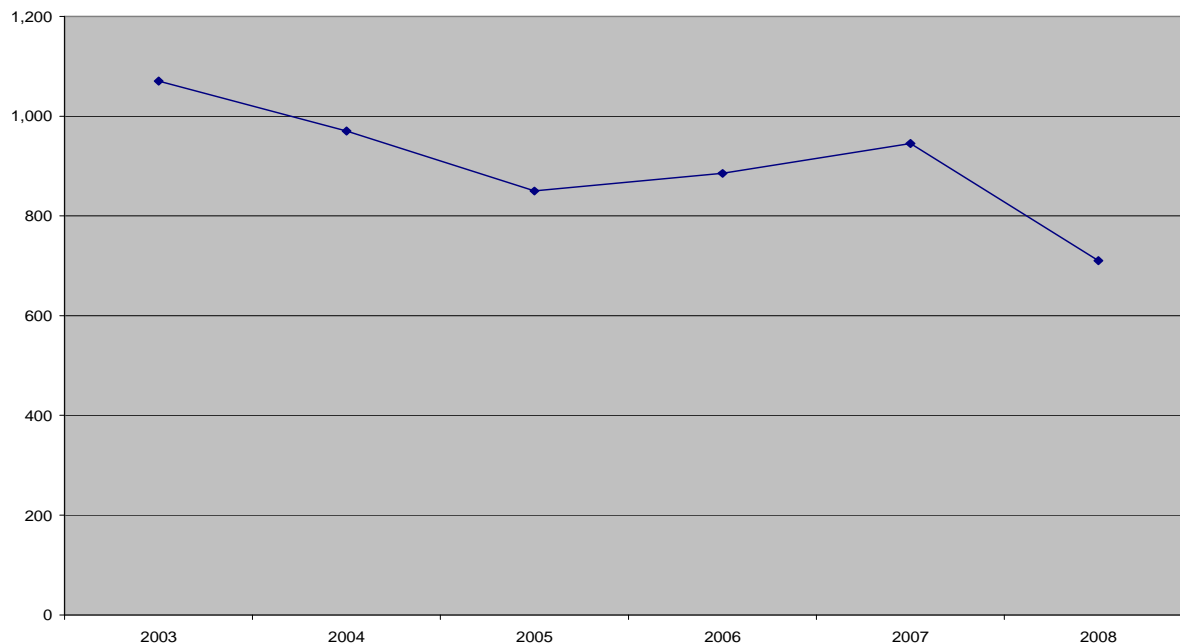
Figure 5.4 Mortgage Possession Claims leading to orders made Wigan LA - Quarter 3 2009 and Quarter 4 2008 to Quarter 3 2009

Area	Q3 2009			Q4 2008 – Q3 2009		
	Total	% change on Q3 2008	per 1000 households	Total	% change Q4 2007 – Q3 2008	per 1000 households
Wigan	165	-37%	1.3	630	-35%	4.8
Greater Manchester	1420	-20%	1.3	5725	-18%	5.2
North West	3510	-25%	1.2	13570	-24%	4.6
England	19500	-28%	0.9	77470	-23%	3.6
England and Wales	20917	-29%	0.9	83,175	-23%	3.7

Source: Ministry of Justice November 2009

5.2 Action against tenants by landlords

Figure 5.5 Landlord Possession Claims Annual Wigan LA 2003-08



Source Ministry of Justice Aug 2009

Figure 5.6 Landlord possession claims - Quarter 2 2009 and Quarter 3 08 to Q2 09

Area	Q3 2009			Q4 2008 –Q3 2009		
	Total	% change on Q3 2008	per 1000 households	Total	% change Q4 2007 – Q3 2008	per 1000 households
Wigan	80	-41%	0.06	405	-48%	3.1
Greater Manchester	2150	-11%	2.0	8600	-5%	7.9
North West	4545	-11%	1.6	18,625	-7%	6.4
England	32625	-8%	1.5	132,395	-6%	6.2
England and Wales	34179	-9%	1.5	139,333	-7%	6.1

Source: Ministry of Justice November 2009

Figure 5.7 Landlord Possession Claims leading to orders made Wigan LA – 2003 - 2008

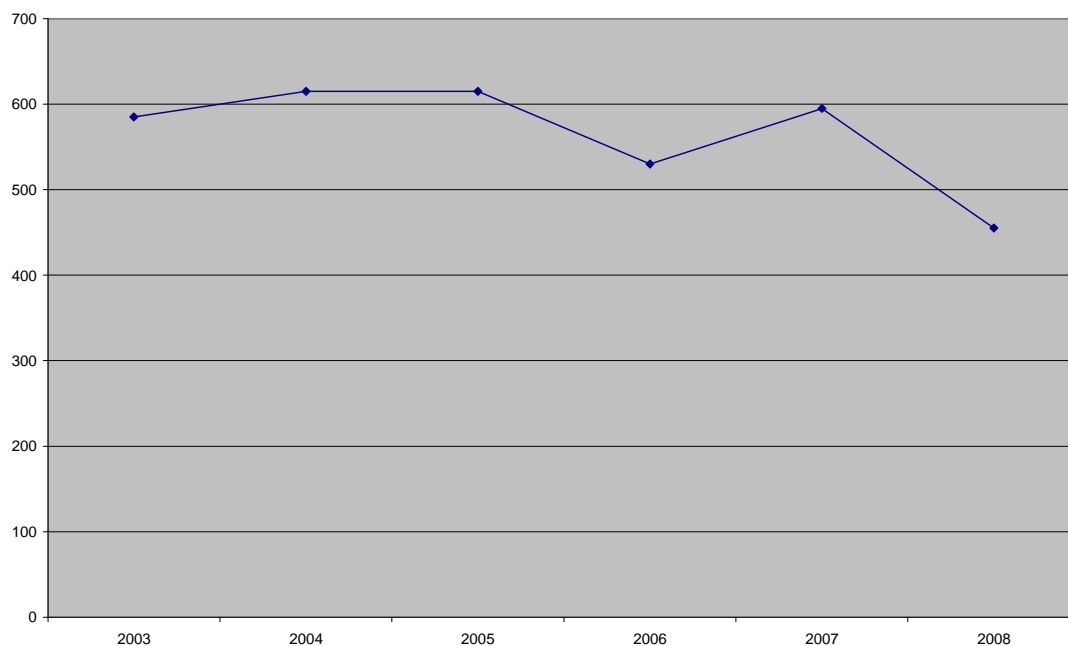


Figure 5.8 Landlord Possession Claims leading to orders made Q3 2009 and Q4 2008 to Q3 2009

Area	Q3 2009			Q4 2008 – Q3 2009		
	Total	% change on Q3 2008	per 1000 households	Total	% change Q4 2007 – Q3 2008	per 1000 households
Wigan	70	-32%	0.5	285	-44%	2.2
Greater Manchester	1515	3%	1.4	5705	-7%	5.2
North West	3140	-3%	1.1	12690	-7%	4.3
England	22525	-8%	1.0	89750	-6%	4.2
England and Wales	23442	-8%	1.0	94963	-6%	4.2

Source: Ministry of Justice November 2009

6 Empty Properties

Figure 6.1 Empty Properties

	01/07/2008	01/10/2008	01/01/2009	01/04/2009	01/07/2009	01/10/2009
Private Sector Homes Stock	115,015	115,314	115,645	115,840	115,963	116,139
Private Sector Homes Empty	5,282 4.59%	5,322 4.62%	5,419 4.69%	5,288 4.56%	5,206 4.49%	5,234 4.51%
Private Sector Homes Empty Over 6 Months	3,209 2.79%	3,360 2.91%	3,395 2.94%	3,283 2.83%	3,272 2.82%	3,248 2.80%

Source: Council Tax Register
Data includes RSL homes

7 Economic Indicators

Figure 7.1 Key Economic Indicators (as at 18/2/2010)

Bank of England Base Rate	0.5%
Consumer Price Index Inflation	3.5%
Government CPI target	2.0%
Retail Price Index Inflation	3.7%
Halifax Base Mortgage Rate	3.50%
1 year LIBOR	0.85% at 17/2/10

8 Feedback and Contact Details

The Housing Strategy team regularly monitor the local, regional and sub regional housing markets and its is the aim of this quarterly bulletin is to keep stakeholders aware of developments in the local housing market. If you have any comments on the update or suggestions please contact Stuart Ratcliffe at Housing Strategy by e-mail at S.Ratcliffe@wigan.gov.uk or by the contact details below.

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