

Wigan Council Housing Strategy

Wigan Housing Market Update

Edition 1 September 2009

Quarterly Period April – June 2009



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1 Housing Market Overview

Has the housing market hit the bottom? Have house prices begun to recover?

These have been prominent questions lately following the publication of recent house prices surveys such as those conducted by the Halifax, the Nationwide and the Land Registry which have been showing monthly price increases and reducing annual percentage falls. Wigan's housing market has seen a similar trend during the last quarter, with house prices increasing by 4.6%. Whilst house prices have fallen from their peak in August 2008 by 6.3%, affordability still remains a significant issue in the borough.

The current economic climate has brought challenges to the local housing market, not only in terms of the supply of new housing, but for existing households also. Despite the economic challenges, data relating to housing possession activity in the County Courts against households in Wigan paints a positive picture in the form of reduced possession actions and orders made.

It is perhaps too early to say that the housing market has weathered the storm and is set to recover. Whilst the data shows tentative signs of recovery and stabilisation in the housing market, caution must be urged. Despite recent improvements in the housing market it is in a period of the lowest interest rates, a market experiencing reduced selling activity and one were despite recent falls in house prices housing affordability remains a significant issue in Wigan.

2 House Prices

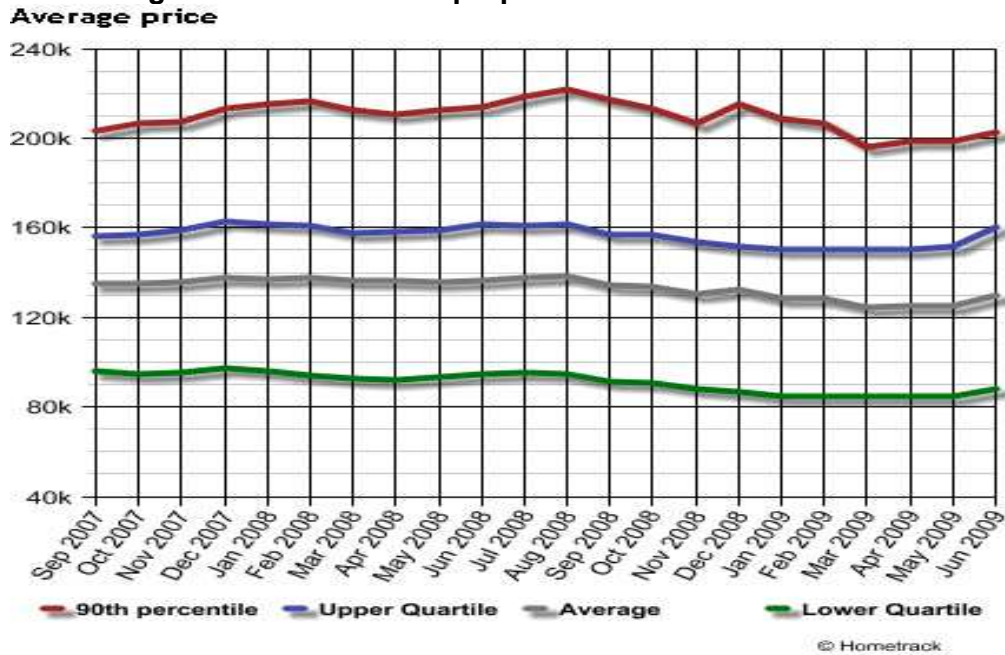
2.1 Overall

House prices based on average sales and valuations have fallen by 4.7% from £136,287 in June 2008 to £129,898 in June 2009. However over the last quarter (March to June) house prices have increased in Wigan by 4.6% when at the end of March average prices were £124,224. Prices in March were at their lowest in several years. Whilst house prices have risen in the last quarter several other factors need to be considered. Property prices based on sales and valuations are 6.3% lower than at their peak of £138,626 in August 2008. Also, the number of sales and valuations used to compile house price data is low – almost 69% down from June 2008 and on a downward trend (see figure 2.2). House price data therefore must be treated cautiously due to the low levels of data. Low levels of data can mean that the picture of the overall housing market may be distorted depending on the prevalence of the types of sales and valuations. Figure 2.4 shows the percentage price changes across property value percentiles / quartiles. Of the house price changes detailed in figure 2.4, lower quartile prices have fallen most over the year. This highlights an issue for those entering the market at the lower price levels. The lower quartile end of the market is where the first time buyer would be most likely to enter property ownership and the annual fall may represent the difficulties this part of the market has in attracting this type of buyer. This may be because of affordability constraints that are detailed in section 3 and the reshaping of the money markets in accessing finance to fund house purchases. The house price trends are from Hometrack's automated valuation system, and are based on three months sales and valuations data. It is worth noting that the house price data when examining Wigan's house market by ward, leads to a different annual price change for the borough overall (-7.1%) This is because the data used here is based on six months sales and valuations.

Figure 2.5 shows price data relating to property types. Of property types, flats saw the largest annual price falls (-16%). This compared to semi detached falling by 12.4%, terraced properties by 11.1% and detached by 8.5%. The last quarter saw positive price gains in all property types apart from flats, which fell by 1.9%.

In comparison with neighbouring authorities Wigan has the lowest property average prices (figure 2.7). The next lowest prices were found in Bolton (£135,969) and St Helens (£140,882). Highest average prices were found in Chorley (£186,090) and Warrington (£181,268).

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

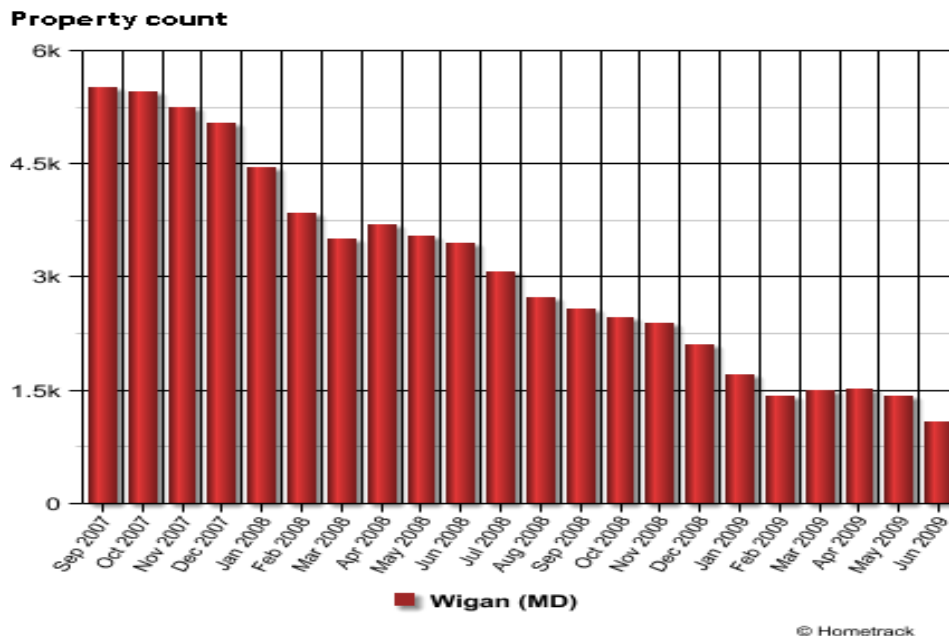


Note

The chart shows the average property price over time for all types of housing in the area selected. It compares the lower quartile house price to the average price, the upper quartile price and the price at the 90th percentile over time. Small sample sizes can distort the price over time in some areas. The data for this analysis is based on data from Hometrack's Automated Valuation Model.

Source: Hometrack; © Hometrack

Figure 2.2 Property count of sales and valuations



Note

The chart shows the sample of properties driving the average property price data for all types of housing in the areas selected.

Source: Hometrack; © Hometrack

Figure 2.3 House Price Tables

	90th percentile	Upper Quartile	Average	Lower Quartile	Property Count
Jun-08	£214,166	£161,735	£136,287	£94,666	3,444
Jun-09	£202,666	£160,050	£129,898	£88,333	1,076
Change %	-5.4	-1.0	-4.7	-6.7	-68.8

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

Figure 2.4 House price changes

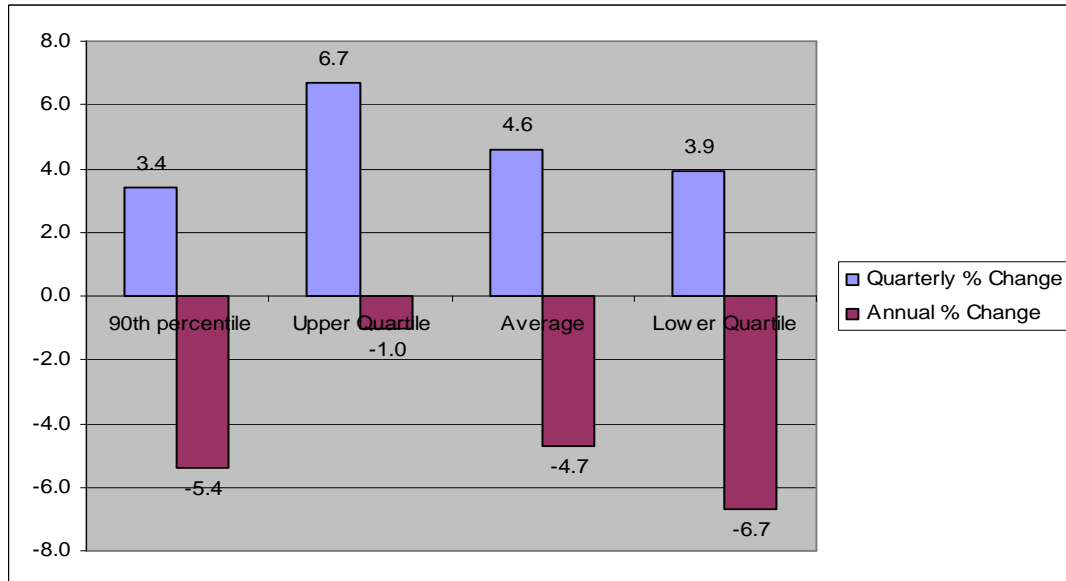
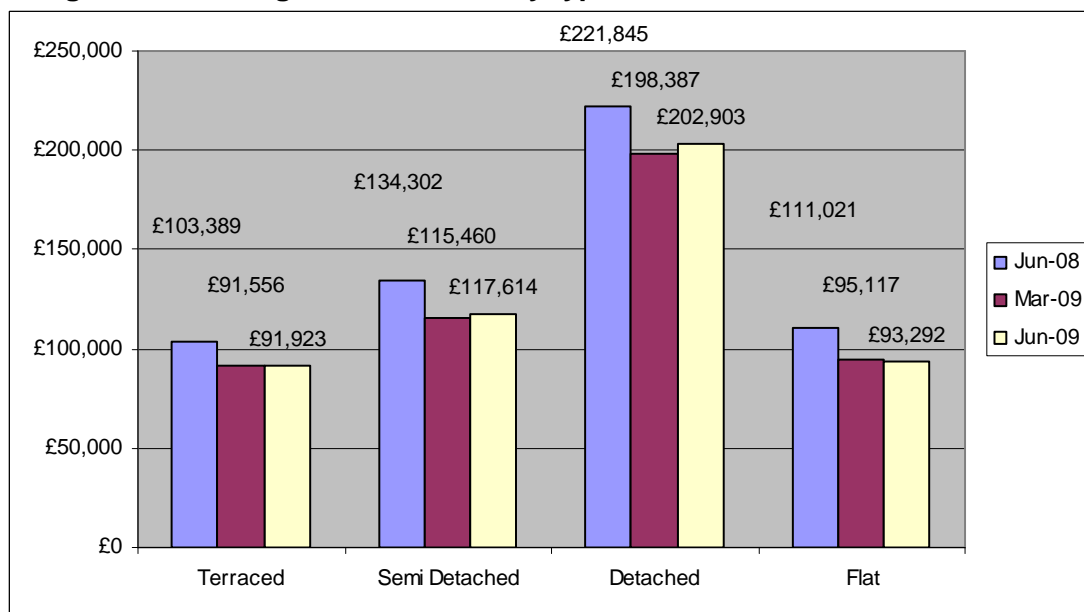


Figure 2.5 Average House Prices by type – based on sales and valuations



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

Figure 2.6 Wigan average house price changes by property type

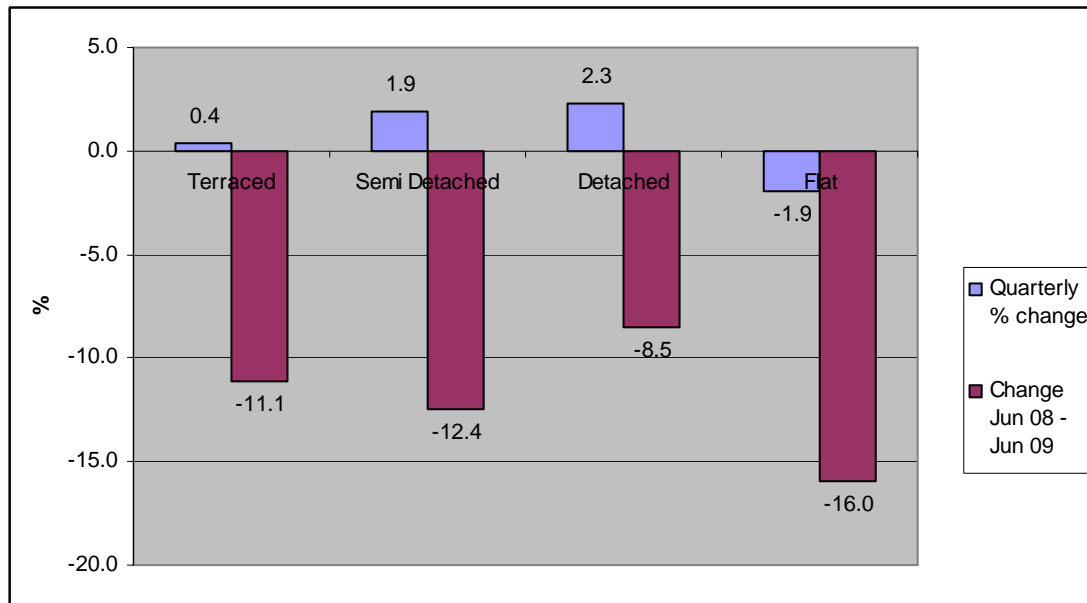
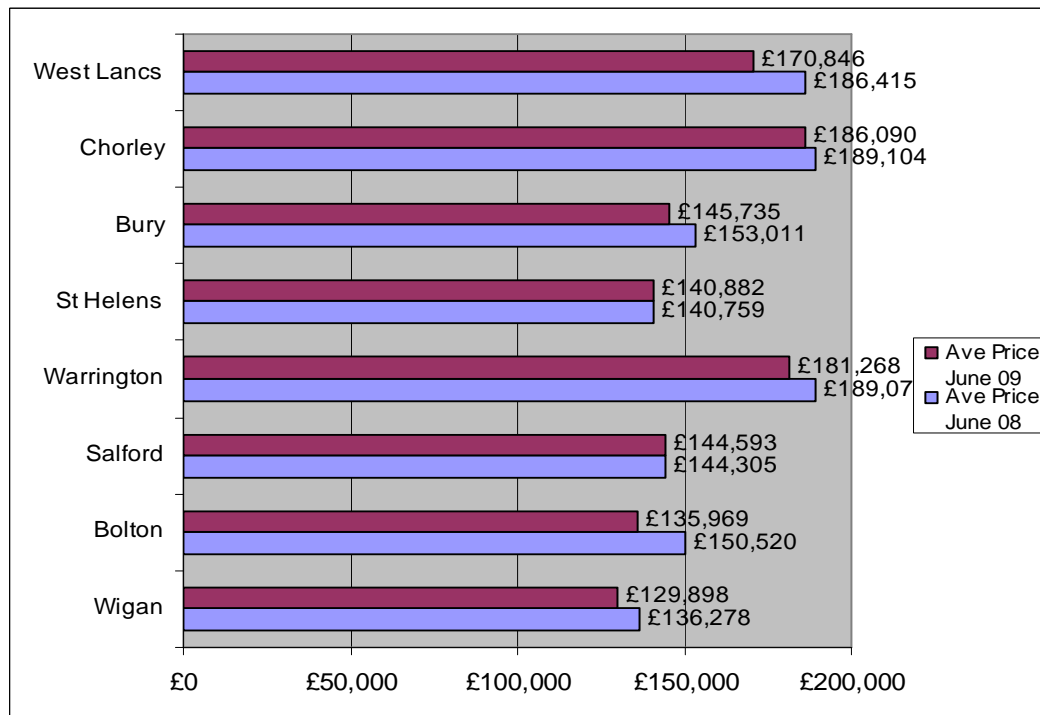
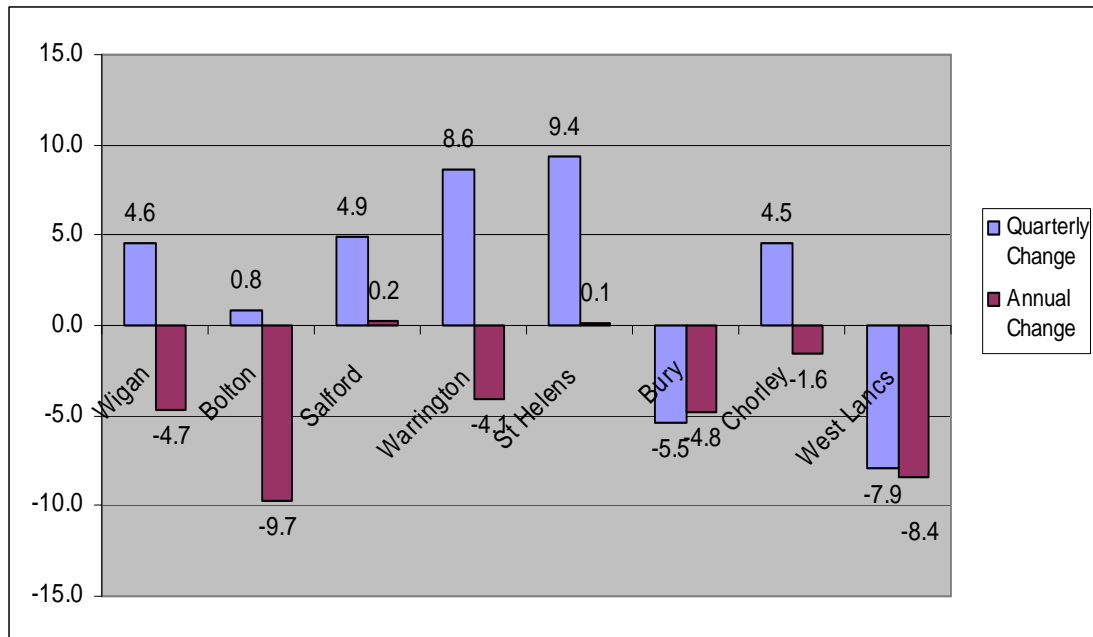


Figure 2.7 Average prices compared with neighbouring authorities



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

Figure 2.8 Changes in house prices compared with neighbouring authorities



Calculations based on three months sales and valuations
Source Hometrack

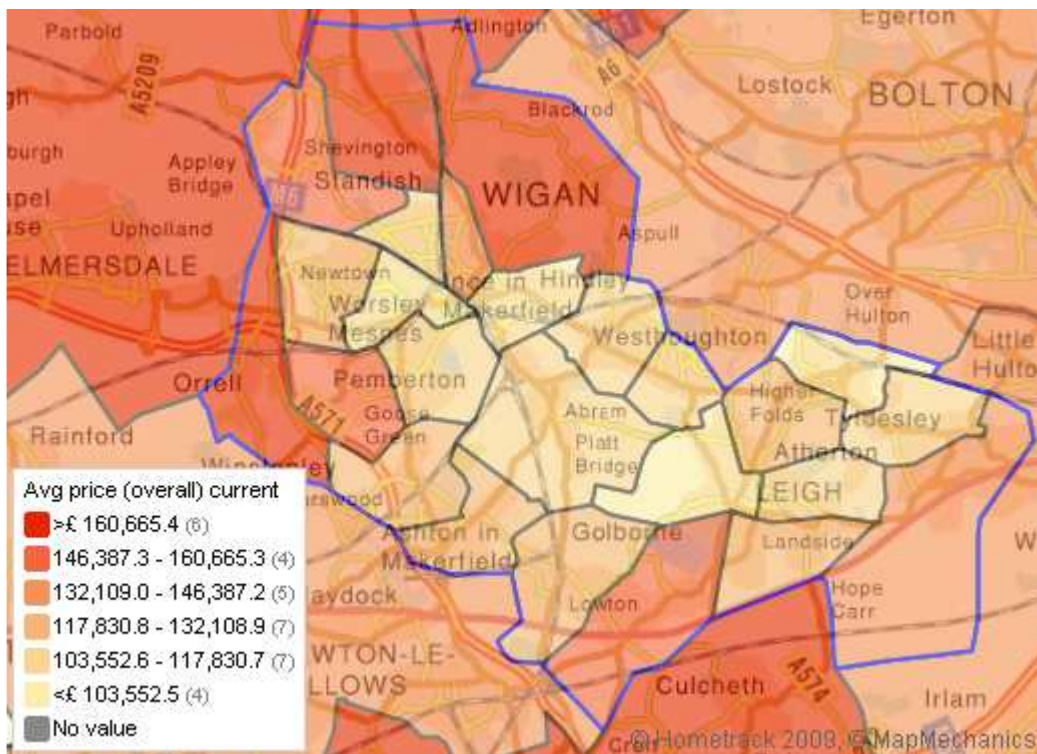
2.2 Wigan's Housing Market

Figures 2.9 and 2.11 show the average prices across Wigan by townships and political wards for June. As would be expected the outer areas, particularly those that are easily accessible to the motorway network show the highest prices, compared to the inner areas. Aspull, New Springs and Whelley ward has the highest prices in the borough (£182,718) followed by Standish (£175,281) and Orrell (£168,297). The lowest prices are found in Leigh West (£79,464), Douglas (£86,101) and Ince (£86,654) wards.

Whilst across Wigan as a whole prices have fallen by 7.1% (based on 6 months sales and valuations data), there are variations across the area (see figures 2.10 and 2.11). The Aspull / Shevington / Standish and Billinge / Orrell / Winstanley townships, which are characterised with higher house prices, whilst suffering some reduction in house prices, these have not been as severe as elsewhere in the borough, particularly those in the inner cores. Aspull in particular went against the overall trend with average prices increasing by 12.7% between June 2008 and June 2009. Again it must be remembered the low levels of activity may act to distort the true dynamics of the market. The stock profile and the property supply will also influence the performance of housing market areas.

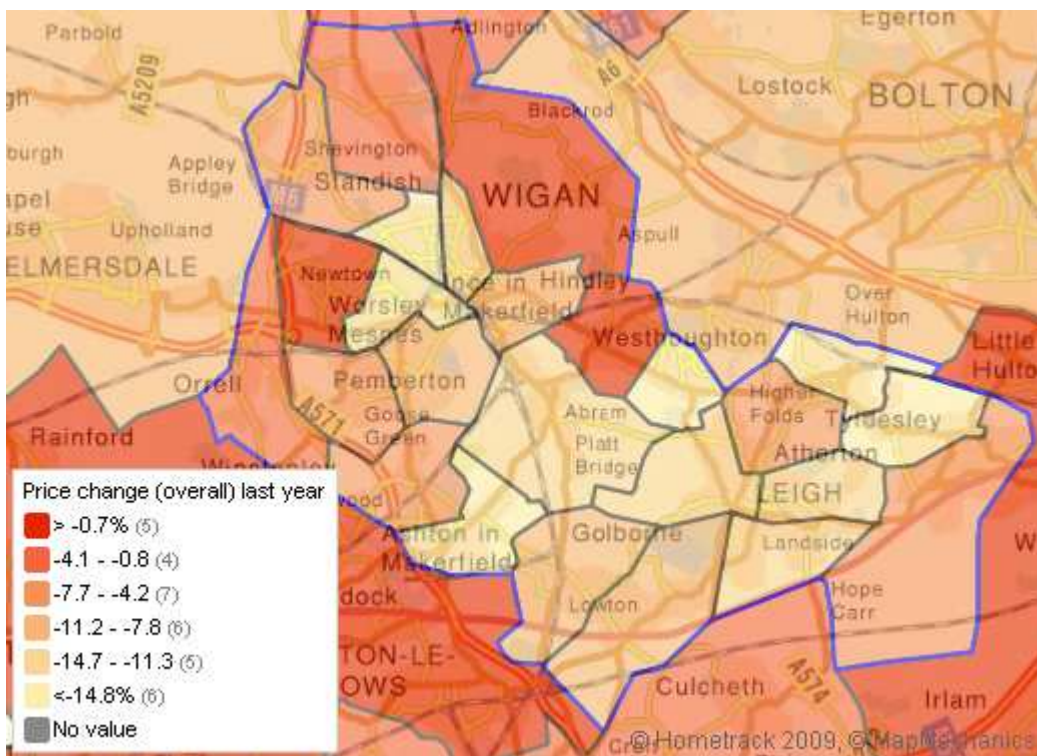
The higher levels of price falls within the inner areas may also be linked with the trend highlighted in figure 2.4 in regard to lower quartile valued properties seeing the greatest annual decreases. The inner areas are characterised with the lower value properties and older housing stock such as terraced housing which traditionally would have been seen as the "step on the ladder" for first time buyers to enter the property market. The reduction in mortgage availability, stricter lending criteria and the need for higher deposits may be restricting those wishing to enter the housing market via the traditional route the lower end of the market. If lending criteria remains tight, particularly in relation to what lenders are willing to lend in terms of multiples of income this may provide further reductions in house prices. This may be positive for the first time buyer market in terms of the affordability ratio reducing.

Figure 2.9 House Prices by Township / Ward (based on sales and valuations)



Source: Hometrack

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



Source: Hometrack

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

Township	Ward	Jun-08		Jun-09		% Price Change	% Property Change
		Average	Properties	Average	Properties		
Atherton	Atherton	£109,681	270	£90,230	126	-17.7	-53.3
	Atherleigh 023 (Middle Output Area)	£136,154	269	£120,643	84	-11.4	-68.8
Leigh	Leigh West	£92,438	321	£79,464	104	-14.0	-67.6
	Leigh East	£127,402	308	£113,072	124	-11.2	-59.7
	Leigh South	£143,405	274	£123,976	92	-13.5	-66.4
	Atherleigh 027 (Middle Output Area)	£113,939	133	£95,640	47	-16.1	-64.7
Astley and Tyldesley	Astley	£151,715	331	£142,777	144	-5.9	-56.5
	Tyldesley	£139,608	409	£117,341	139	-15.9	-66.0
Golborne and Lowton	Golborne and Lowton West	£141,927	303	£129,391	95	-8.8	-68.6
	Lowton East	£160,742	240	£147,947	107	-8.0	-55.4
Hindley, Abram, Platt Bridge & Bickershaw	Hindley	£113,094	293	£113,534	91	0.4	-68.9
	Hindley Green	£138,761	189	£117,709	120	-15.2	-36.5
	Abram	£126,239	444	£108,836	138	-13.8	-68.9
Wigan North	Wigan Central	£161,998	207	£143,388	79	-11.5	-61.8
	Wigan West	£127,724	279	£106,992	90	-16.2	-67.7
	Ince	£96,690	192	£86,654	54	-10.4	-71.9
Wigan South	Douglas	£109,211	354	£86,101	79	-21.2	-77.7
	Pemberton	£113,397	174	£119,753	83	5.6	-52.3
	Worsley Mesnes	£113,772	170	£103,993	66	-8.6	-61.2
Orrell, Billinge & Winstanley	Orrell	£173,939	250	£168,267	97	-3.3	-61.2
	Winstanley	£164,230	254	£152,349	97	-7.2	-61.8
Shevington, Standish & Aspull	Aspull, New Springs & Whelley	£162,144	290	£182,718	104	12.7	-64.1
	Standish	£179,678	254	£175,281	123	-2.4	-51.6
	Shevington	£167,161	183	£155,046	94	-7.2	-48.6
Ashton & Bryn	Ashton	£154,235	233	£129,579	64	-16.0	-72.5
	Bryn	£134,773	241	£126,550	115	-6.1	-52.3
Wigan Borough		£136,235	6,865	£126,604	2,556	-7.1	-62.8

Source: Hometrack
Please note values and property counts are based on the 6 months sales and valuations.

2.3 Housing Market Indices

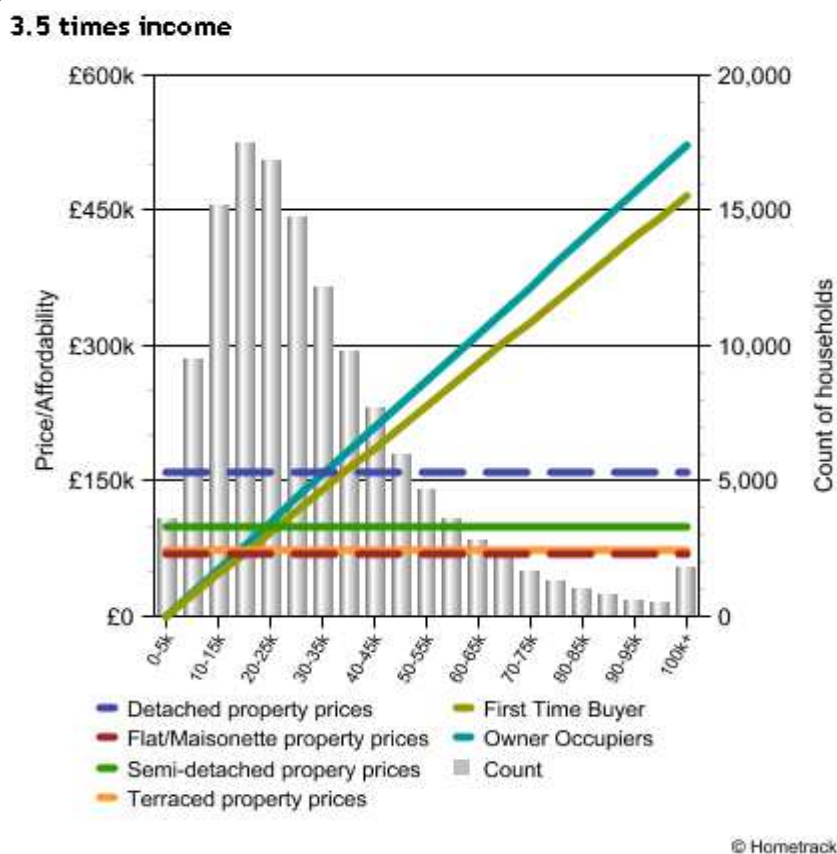
Figure 2.12 House Price Indexes Quarter 2 (April to June 2009)

	Average Price	Quarterly Change	Annual Change
Land Registry			
United Kingdom	£224,064	2.2%	-2.8%
North West	£147,501	2.3%	-5.8%
Greater Manchester	£142,418	3.8%	-7.2%
Wigan	£117,670	2.4	-8.5%
Halifax			
United Kingdom	£156,944	-1.9%	-15.0%
North West	£121,311	-1.8%	-17.6%
Nationwide			
United Kingdom	£154,066	1.1%	-11.7%
North West	£131,704	0.87%	-12.3%

3 Affordability

Whilst house prices have fallen from their peak in August 2008 by 6.3%, housing affordability remains a problem in Wigan. First time buyers as new entrants to the housing market do not normally buy properties at average prices as they do not have average incomes. First time buyers are more likely to enter the housing market in lower value towards the lower quartile level (bottom 25%). Figure 3.1 demonstrates affordability of households when using the current median average loan to value advance (75% for first time buyers and 67% for owner occupiers) based on 3 and half times household incomes against lower quartile property prices. Chart 3.1 shows that households with an annual income of less than £15,000 per year are effectively priced out the market. In all likelihood, the income threshold to access the housing market is probably higher as the property prices that are used on the chart are lower quartile prices.

Figure 3.1 - Housing Affordability based on mortgage lending 3.5 times income



Source: Hometrack; CACI Paycheck

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 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.

Figure 3.2 shows affordability ratios using earnings and household incomes data using several permutations based on CACI paycheck and the Annual Survey of Hours and Earnings (ASHE) data. If we take the ASHE earnings as a basis for assessing affordability for first time buyers (particularly in the case of concealed households) the house price to income ratio even at the lower quartile end of the market demonstrate difficulties for this group to enter the housing market. Include the occurrence of the credit crunch along with the current economic climate and its effects on the mortgage markets (larger deposits and reduced income multiples on which to base borrowing) it has made it even more difficult for first time buyers to enter the housing market. Whilst house prices have fallen, new lending criteria and the lack of availability of mortgage finance may have reinforced the barriers first time buyers faced in entering the housing market that were present at the time of the price boom. Recent Council of Mortgage Lenders reports show that mortgage lending is increasing, but remains low compared with historic levels. For first time buyers the number of loans increased in July 2009 based on the previous month and July 2008, however loan to value ratios were at 75% compared to 86% in July 2008.

Figure 3.2 Affordability tables

	90th percentile £202,666	Upper quartile £160,050	Average £129,898	Lower Quartile £88,333
Median Average Earnings (ASHE 2008)	£19,413	£19,413	£19,413	£19,413
Ratio	10.4	8.2	6.7	4.6
Mean Average Earnings (ASHE 2008)	£22,052	£22,052	£22,052	£22,052
Ratio	9.2	7.3	5.9	4.0
Lower Quartile Earnings (ASHE 2008)	£12,822	£12,822	£12,822	£12,822
Ratio	15.8	12.5	10.1	6.9
Mean Average Household Incomes (CACI 2008)	£32,763	£32,763	£32,763	£32,763
Ratio	6.2	4.9	4.0	2.7
Median Average Household Incomes (CACI 2008)	£27,514	£27,514	£27,514	£27,514
Ratio	7.4	5.8	4.7	3.2

4) Cross Tenure Affordability

Figure 4.1- Weekly Cost

	1 bed property	2 bed property	3 bed property
Renting (Housing Association)	£59.20	£57.70	£64.10
Renting (Council- based on 48 weeks)	£53.50	£61.06	£66.31
Renting (Intermediate)	£73.00	£79.00	£101.00
Renting (Private)	£91.00	£99.00	£126.00
Buying a lower quartile resale	£78.00	£80.00	£108.00
Buying an average resale	£84.00	£100.00	£131.00
Buying a 40% New Build Homebuy	£53.00	£75.00	£94.00
Buying a lower quartile new build	£77.00	£111.00	£150.00
Buying an average new build	£113.00	£122.00	£155.00

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 sections shows court activity against households in the Wigan local authority area.

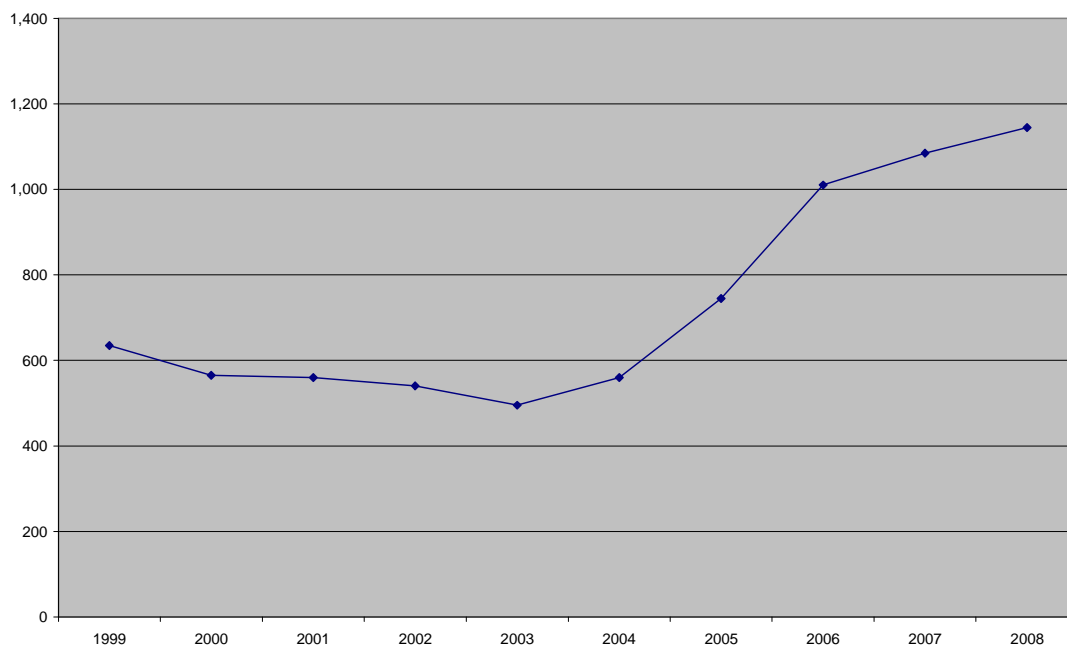
This section also shows the historic data of court activity in the form of graphs (figures 5.1, 5.3, 5.5 and 5.7). These are annualised figures, and do not take account of the positive picture during 2009 (discussed below). They do show the challenges in the housing market since 2003. Despite low interest rates in historic terms, possession activity against homeowners saw substantial increases from 2004 onwards. This was despite being in period when the economy appeared to be in good health, until the occurrence of the credit crunch and the recession that has followed.

A positive picture is shown in the most recent court data from the Ministry of Justice (figures 5.2, 5.4, 5.6 and 5.8). Mortgage and landlord claims for possession and claims leading to a possession order have shown significant reductions over the last twelve months. This in part reflects the partnership approach the public, private and voluntary sectors in Wigan have taken in responding to the credit crunch and the recession in the last year. The significant reduction in interest rates in October 2008 have provided a protective shield for homeowners with appropriate mortgage products. Government interventions including those in the banking system, protocols with lenders and direct support for homeowners have also provided assistance to those who have experienced difficulties in keeping their homes.

There are several risk factors that may cause increased court activity in the future. Increases in the Bank of England base rate may be passed on by lenders to borrowers. Higher payments may put pressure on household budgets, particularly those who bought at the peak of the market, purchased properties through high multiples of income levels and for those where the recession has had an impact (reduced incomes and job losses). There will also be issues for households coming to the end of mortgage deals and there is a need for them to negotiate a new deal. Mortgage availability in terms of choice is likely to be reduced, particularly those that have tracked the Bank of England base rate.

5.1 Action against owner occupiers

Figure 5.1 Mortgage Claims Wigan LA - Annual 1999 - 2008



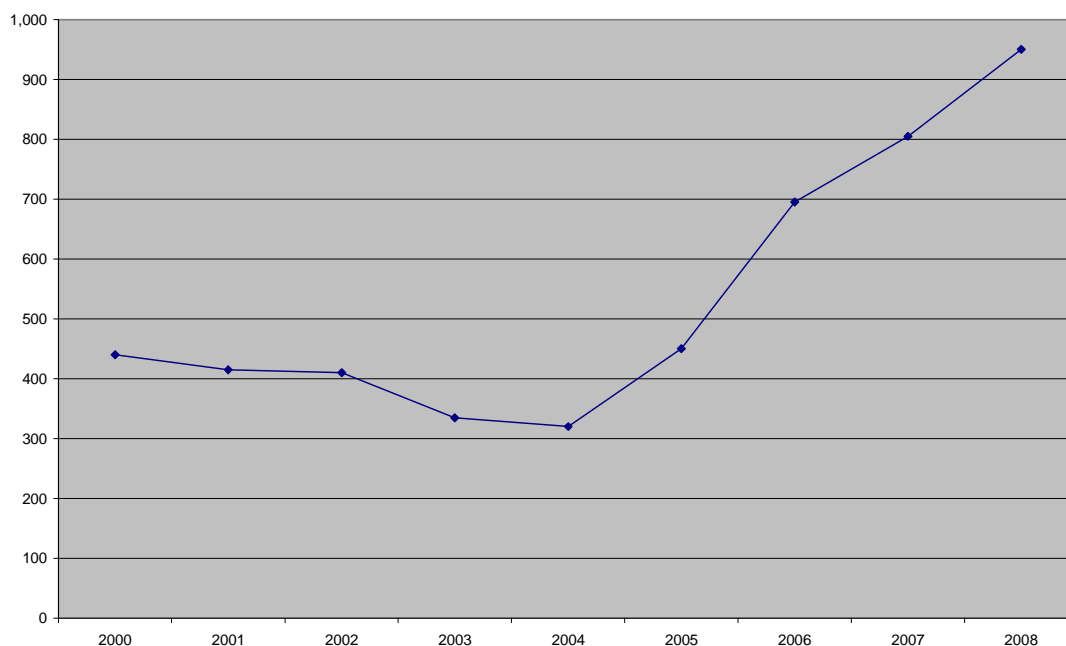
Source: Ministry of Justice Aug 2009

Figure 5.2 Mortgage Claims Wigan LA - Quarter 2 and Q3 08 to Q2 09

Area	Q2 2009			Q3 2008 –Q2 2009		
	Total	% change on Q2 2008	per 1000 households	Total	% change Q3 2007 – Q2 2008	per 1000 households
Wigan	200	-34%	1.5	905	-25%	7.0
Greater Manchester	1775	-29%	1.6	7535	-21%	6.9
North West	4280	-31%	1.5	18310	-24%	6.2
England	24590	-32%	1.1	105315	-24%	4.9
England and Wales	26419	-32%	1.2	113183	-24%	5.0

Source: Ministry of Justice Aug 2009

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



Source: Ministry of Justice Aug 2009

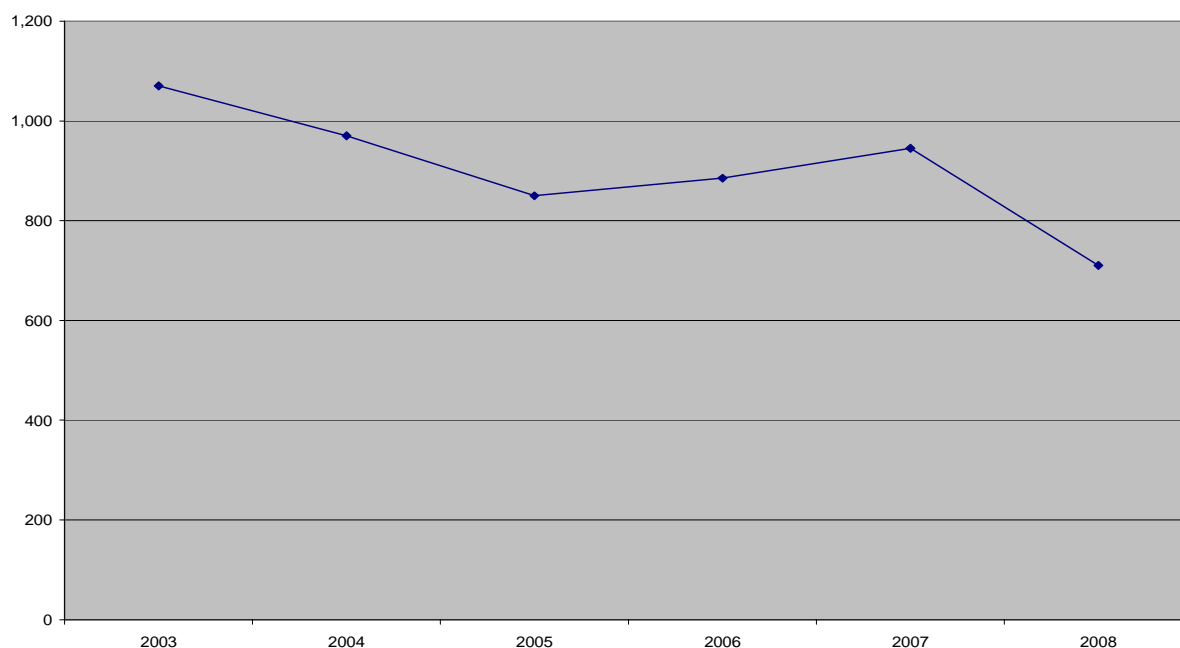
Figure 5.4 Mortgage Possession Claims leading to orders made Wigan LA - Quarter 2 2009 and Quarter 3 2008 to Quarter 2 2009

Area	Q2 2009			Q3 2008 – Q2 2009		
	Total	% change on Q2 2008	per 1000 households	Total	% change Q3 2007 – Q2 2008	per 1000 households
Wigan	150	-42%	1.2	730	-21%	5.6
Greater Manchester	1310	-34%	1.2	6075	-9%	5.6
North West	3140	-38%	1.1	14735	-13%	5.0
England	17900	-35%	0.8	85130	-10%	4.0
England and Wales	19123	-35%	0.8	91623	-10%	4.0

Source: Ministry of Justice Aug 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	Q2 2009			Q3 2008 –Q2 2009		
	Total	% change on Q2 2008	per 1000 households	Total	% change Q3 2007 – Q2 2008	per 1000 households
Wigan	80	-51%	0.6	460	-51%	3.5
Greater Manchester	2160	4%	2.0	8875	1%	8.1
North West	4400	-7%	1.5	19210	-4%	6.6
England	30950	-10%	1.4	135290	-4%	6.3
England and Wales	32585	-10%	1.4	142631	-5%	6.3

Source: Ministry of Justice Aug 2009

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

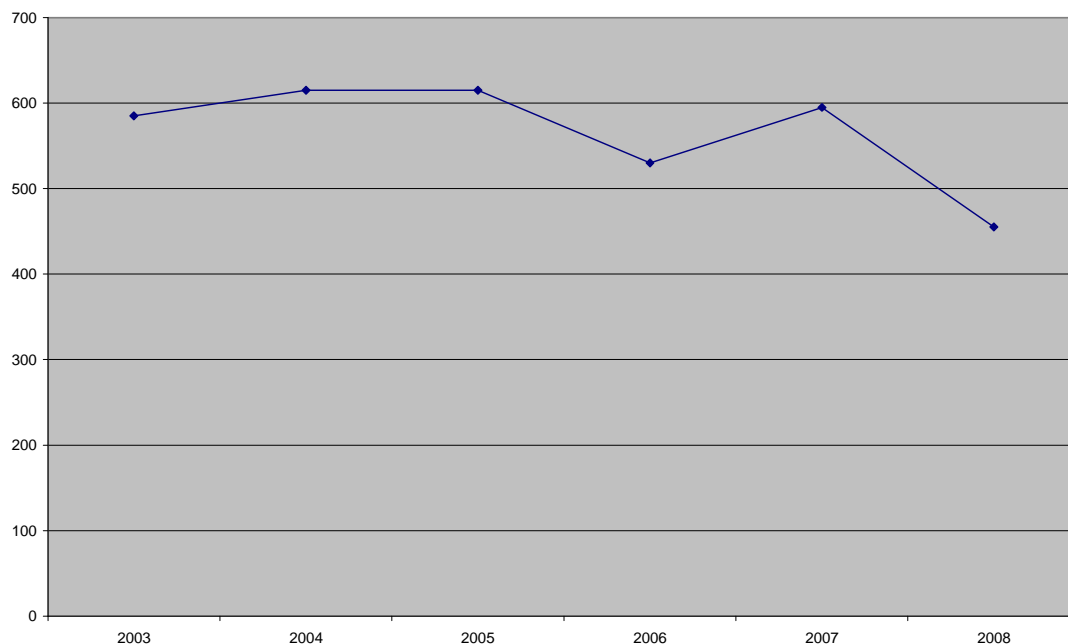


Figure 5.8 Landlord Possession Claims leading to orders made Q2 2009 and Q3 2008 to Q2 2009

Area	Q2 2009			Q3 2008 – Q2 2009		
	Total	% change on Q2 2008	per 1000 households	Total	% change Q3 2007 – Q2 2008	per 1000 households
Wigan	50	-53%	0.4	315	-45%	2.4
Greater Manchester	1380	-10%	1.3	5680	-8%	5.2
North West	3005	-11%	1.0	12820	-7%	4.4
England	21173	-11%	1.0	91622	-4%	4.3
England and Wales	22465	-11%	1.0	96990	-5%	4.3

Source: Ministry of Justice Aug 2009

6 Empty Properties

Figure 6.1 Empty Properties

	01/04/2008	01/07/2008	01/10/2008	01/01/2009	01/04/2009	01/07/2009
Private Sector Homes Stock	114,664	115,015	115,314	115,645	115,840	115,963
Private Sector Homes Empty	5,224	5,282	5,322	5,419	5,288	5,206
	4.56%	4.59%	4.62%	4.69%	4.56%	4.49%
Private Sector Homes Empty Over 6 Months	3,246	3,209	3,360	3,395	3,283	3,272
	2.83%	2.79%	2.91%	2.94%	2.83%	2.82%

Source: Council Tax Register
Data includes RSL homes

7 Economic Indicators

Figure 7.1 Key Economic Indicators (as at 15/9/2009)

Bank of England Base Rate	0.5%
Consumer Price Index	1.6%
Government CPI target	2.0%
Retail Price Index	-1.3%
Halifax Base Mortgage Rate	3.50%
1 year LIBOR	1.25% at 9/9/09

8 Housing market studies

Housing Strategy regularly produces and takes part in housing market research at local, sub regional and regional levels. At a local level, the most recent research undertaken was the Housing Needs Survey undertaken by David Couttie Associates in 2008. In the Greater Manchester sub region, along with the other AGMA (Association of Greater Manchester Authorities) authorities we participated in the Greater Manchester Strategic Housing Market Assessment conducted by GVA Grimley and Deloittes in 2008.

Both these pieces of research are available to view at <http://www.wigan.gov.uk/Services/Housing/HousingStrategyPolicy/HousingResearch.htm> along with our other research.

At a regional level a Strategic Housing Assessment was undertaken for the North West during 2008, and this can be found at http://www.nwrpb.org.uk/whatwedo/issues/housing/?page_id=164 along with regular updates on the North West's housing market.

Central to Wigan's monitoring of the local housing market is Hometrack's Housing Intelligence System. Hometrack uses data from a wide range of sources to provide up to date housing market intelligence. The Housing Strategy team also use information from sources, such as the Land Registry, the Halifax, the Nationwide alongside locally gathered primary data to inform our understanding of the housing market.

9 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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