Joint Local Plan – Plymouth, South Hams, West Devon

Market Signals update June 2016

Introduction

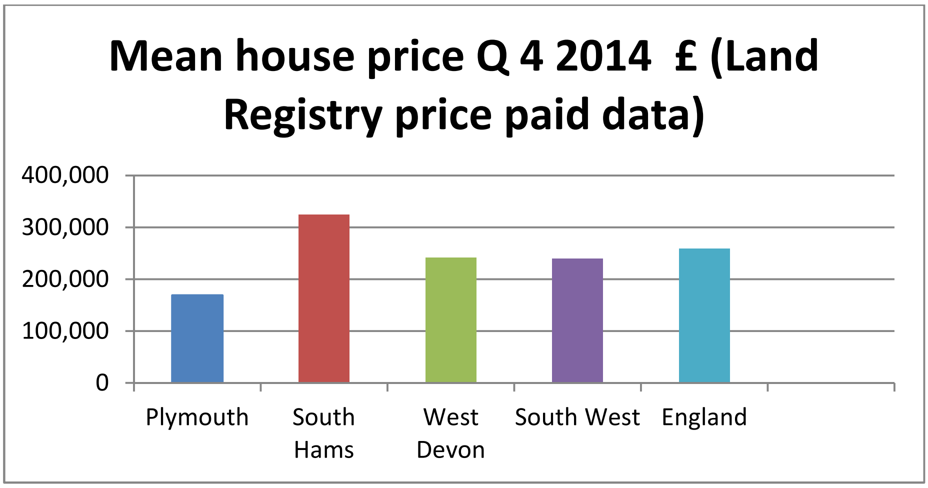
The SHMA 2013 and update reports 2014 and 2015 provide a considerable amount of detail in relation to market signals. These reports consider house price trends, private rental market, housing market activity and rates of development, overcrowding, homelessness and those in temporary accommodation. Further work had been carried out to update the data as far as possible and compare figures with county, regional and national benchmark information.

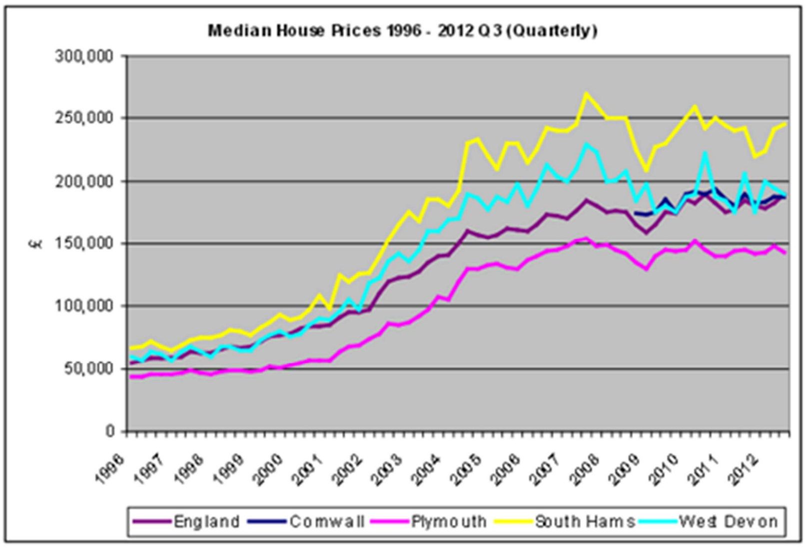
House prices and affordability

In relation to house prices the SHMA report concludes that Plymouth has consistently remained the most affordable with median house prices tracking below the national average. It concluded that South hams in particular has average house prices that have consistently and significantly exceeded the national average. This pattern continues with more recent data and is reflected in the house price ratio at both the median and lower quartile level. This demonstrates that affordability issues have not eased and many low income household will be priced out of entering the private housing market, particularly in South Hams. It is important to note that average figures hide a wide range of house prices across the local authorities.

	Mean House price Q 4 2014 £ (ONS Land Registry)	House Price Ratio Median (2013-15 average)	Affordability Ratio Lower quartile house price to lower quartile earnings (2013-2015 average)
Plymouth	168,931	5.88	6.23
South Hams	323,983	11.57	10.79
West Devon	241,284	8.69	9.23
South West	239675		
England	258,535	7.22	6.87

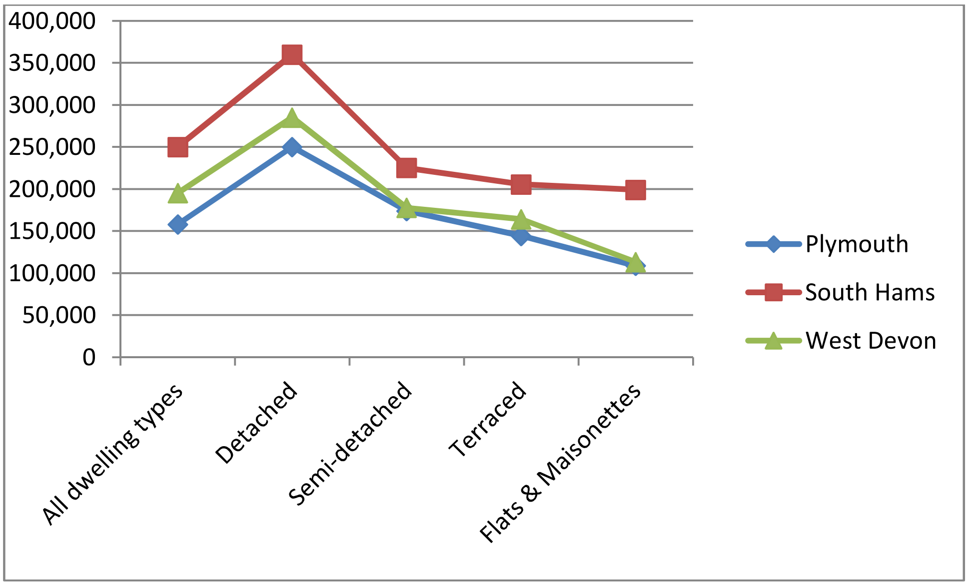
The tables below show a range of previous and up to date data in relation to house prices which demonstrate the figures set out in the summary table above and the likely uplift required.

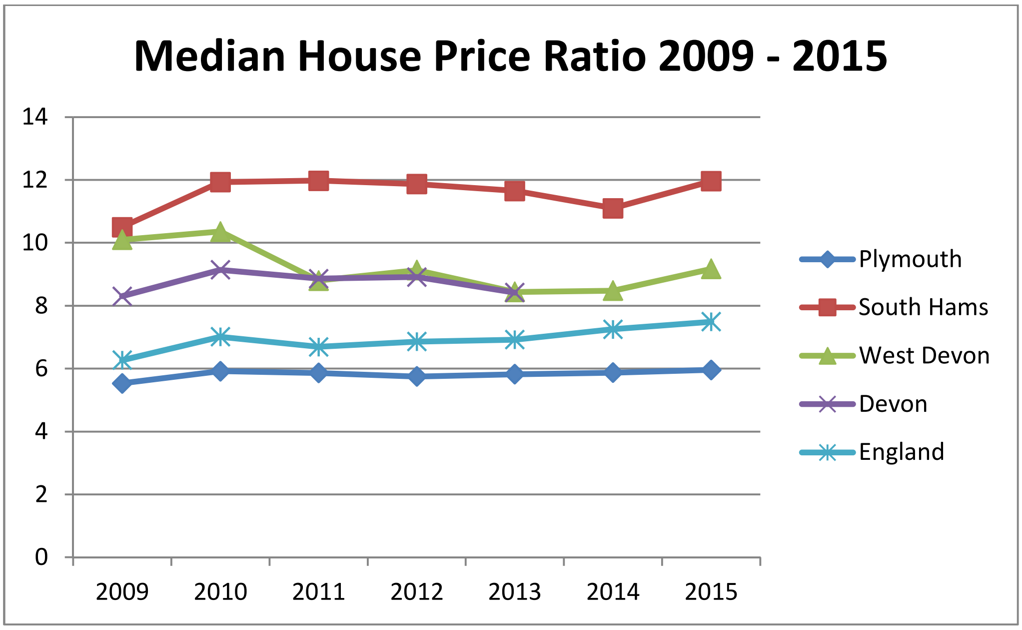




Source: DCLG / Land Registry, 2013

	Medium sale price by dwelling type (£)2014				
	All dwelling types	**Detached**	**Semi-detached**	**Terraced**	**Flats & Maisonettes**
Plymouth	158,000	250,000	174,000	144,250	108,750
South Hams	250,000	360,000	225,000	205,500	199,000
West Devon	195,000	285,000	177,500	164,000	113,000





	2009	2010	2011	2012	2013	2014	2015
Plymouth	5.53	5.92	5.86	5.75	5.82	5.87	5.96
South Hams	10.5	11.93	11.98	11.87	11.65	11.1	11.96
West Devon	10.1	10.36	8.8	9.13	8.44	8.48	9.17
Devon	8.3	9.14	8.86	8.91	8.42		
England	6.27	7.01	6.69	6.86	6.92	7.25	7.49

Private rental market

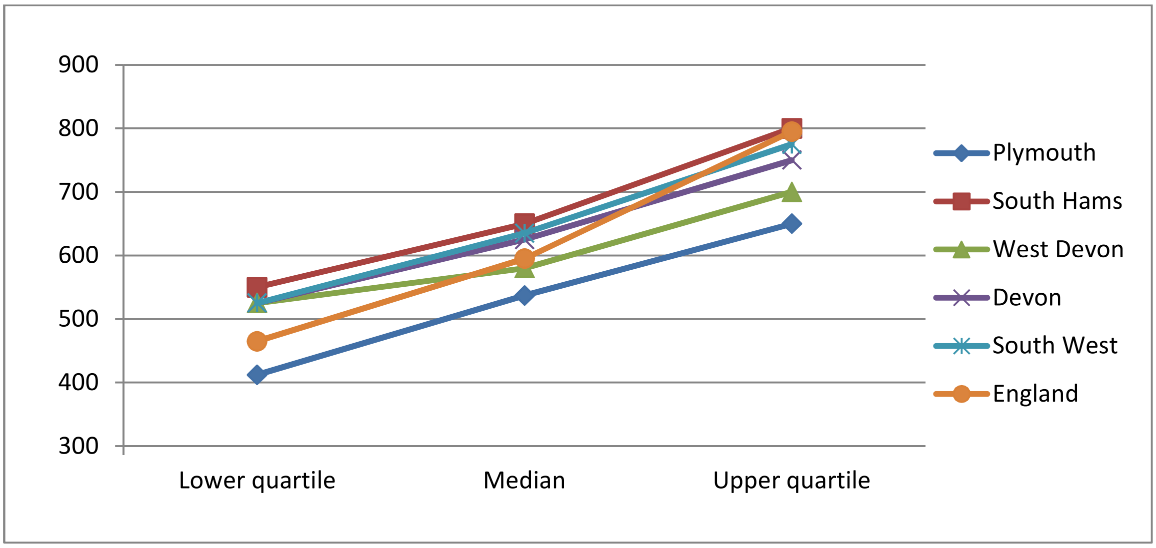
The SHMA report demonstrates that average rents for all the authorities are below the national average. However, for lower quartile and median rents South Hams is the most expensive of the Local Authorities to rent privately with prices sitting above the national benchmark. Plymouth is by far the most affordable. It should be noted that there is currently no definitive rental affordability ratio by local authority produced by CLG. However, more recent VOA office data for lower quartile rental market statistics confirm that both South Hams and West Devon have rents above the England average as shown below.

Median Private Rental Levels 2011/2012 (Source: 2013 SHMNA)

Size of property	Private Rental Levels 2011/2012 – Per Calendar Month - Median				
	Plymouth	Cornwall	South Hams	West Devon	England
1 bedroom	£440	£475	£475	£400	£495
2 bedroom	£550	£585	£575	£528	£570
3 bedroom	£650	£675	£695	£650	£650
4 bedroom	£900	£850	£895	£895	£1,100
All properties	**£475**	**£595**	**£625**	**£560**	**£575**

Private rental market statistics Monthly (all properties) £ (2013-2014) VOA

	Count of rents	Average	Lower quartile	Median	Upper quartile
Plymouth	4,051	563	412	537	650
South Hams	1,200	716	550	650	800
West Devon	768	632	525	580	700
Devon	13,440	672	525	625	750
South West	78,331	693	525	635	775
England	477,656	720	465	595	795



Housing market activity and rate of development

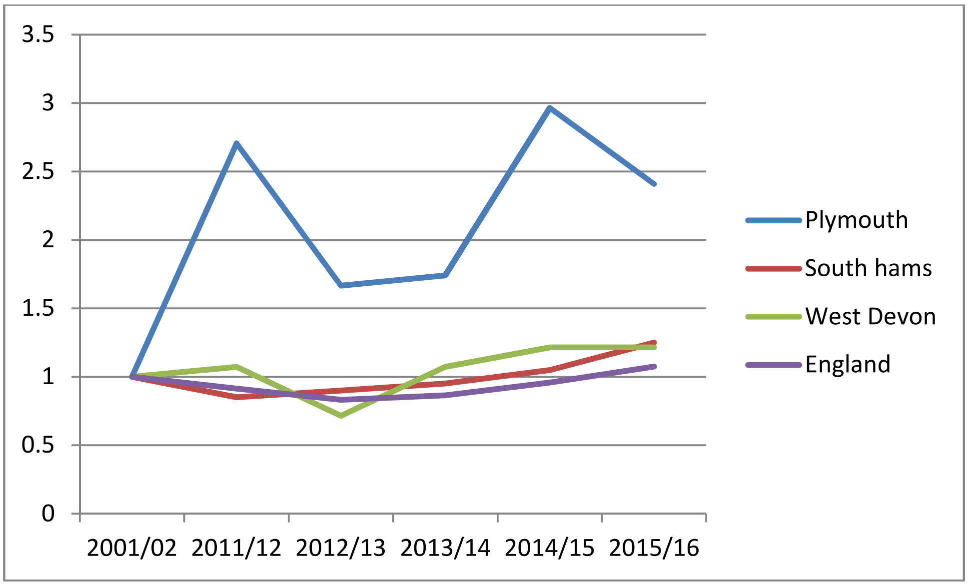
The SHMA update demonstrates a decline in transactions broadly in line with the rate of change in housing market activity across the region and nationally. Current rates are below national rates in Plymouth and slightly above in both South Hams and West Devon. Interestingly a review of the housing stock between 2001 and 2012 demonstrates that there has been a considerable increase in stock in West Devon, compared with Plymouth and South Hams, which are below the national and regional rates. This data should be used with caution as the development rates can be artificially supressed and are closely linked to the planning system. It is also worth comparing this with completion rates and permissions.

	Increase in housing stock 2001-2011 (%) Census data
Plymouth	6.38
South Hams	6.65
West Devon	15.9
South West	10.11
England	8.34

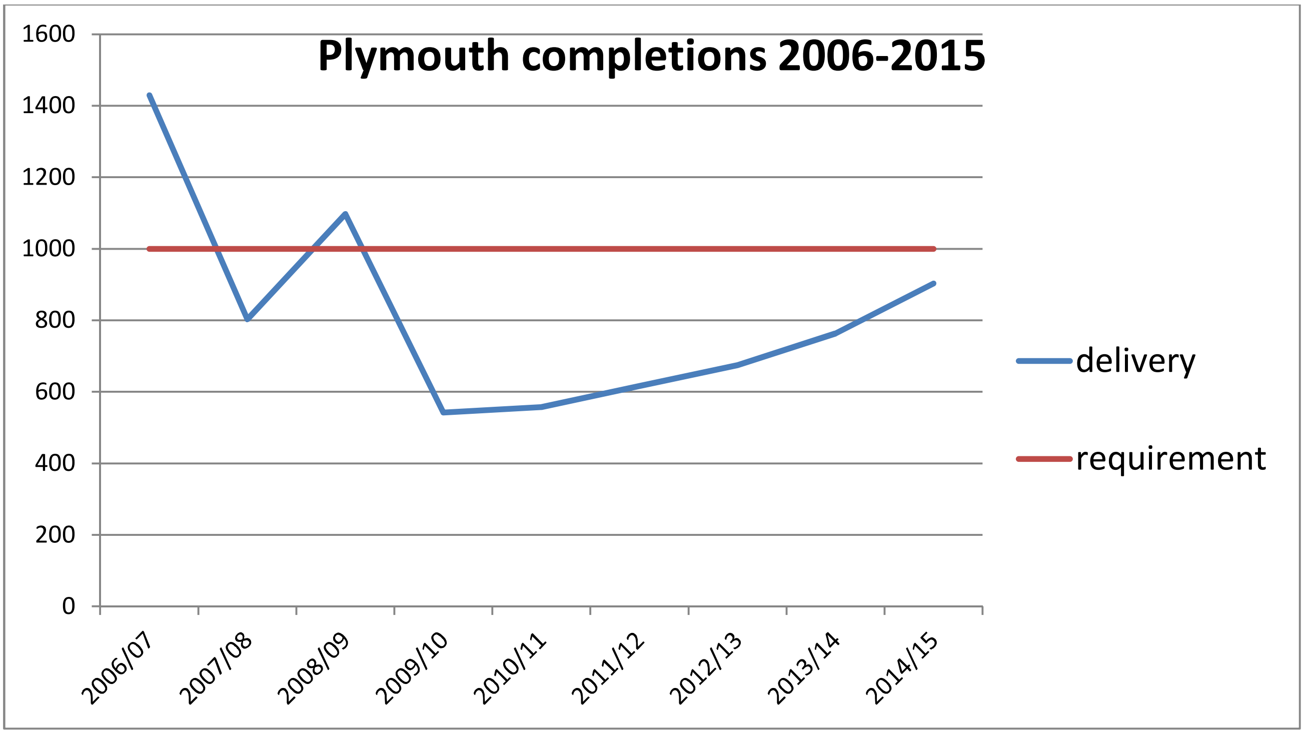
In terms of completions data it is interesting to consider the completions that have occurred in the last five years compared with completions in a base year identified as 2001/02. This is set out in the table but more accurately displayed on the chart below which demonstrates that while South Hams and West Devon completions have largely tracked the national rate, Plymouth has considerably increased its level of completions since 2001/02.

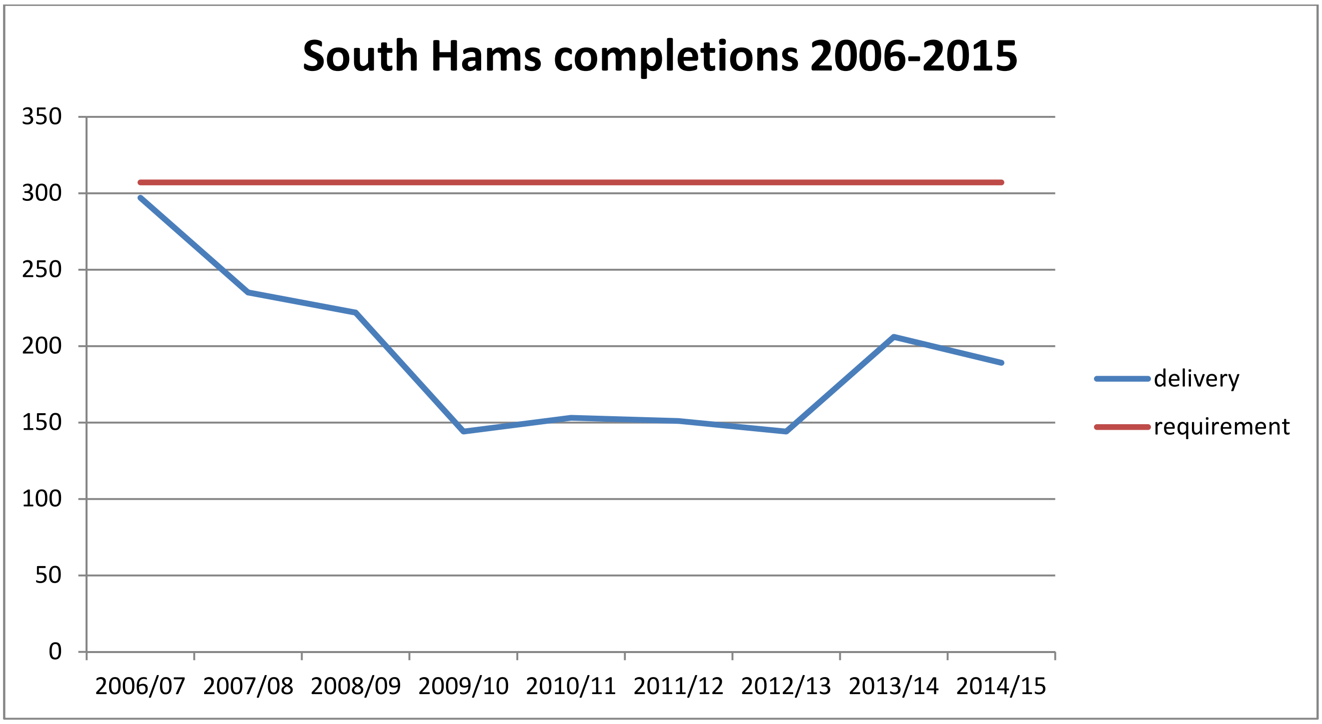
	2001/02	2011/12	2012/13	2013/14	2014/15	2015/16
Plymouth	270	730	450	470	800	650
South Hams	200	170	180	190	210	250
West Devon	140	150	100	150	170	170
England	129,870	118,510	107,980	112,330	124,490	139,690

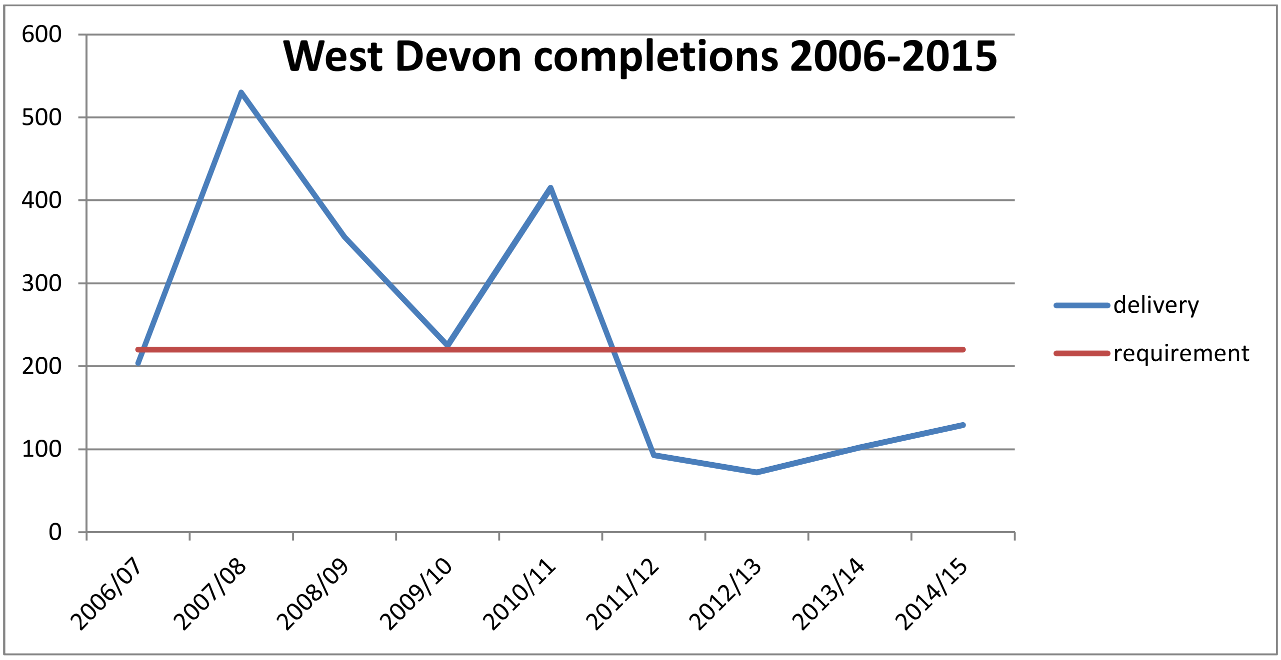
DCLG Dwellings completed table 253



Completions against plan requirement







Measuring these completions against planned supply demonstrates that the planned figures have not been achieved particularly in South Hams and just short in Plymouth while the target has been cumulatively achieved in West Devon. Consequently in line with the guidance future supply should be increased, particularly in South Hams.

However, it is also necessary to consider the stock of permissions and whether the sites are available and whether it is market capacity and delivery which is an issue rather than just supply. In terms of sites with permission as set out below there are a considerable number of sites with permission in Plymouth and South Hams, which includes the new settlement of Sherford, which has taken time to start delivering on site.

	Permissions/under construction
Plymouth	3246
South Hams	2292
West Devon	619 (2014)

Overcrowding

The SHMA identified that the districts within the HMA had low levels of overcrowding compared with the national average and occupancy ratings demonstrate that there are only a very small percentage of properties with -1 or less occupancy ratings.

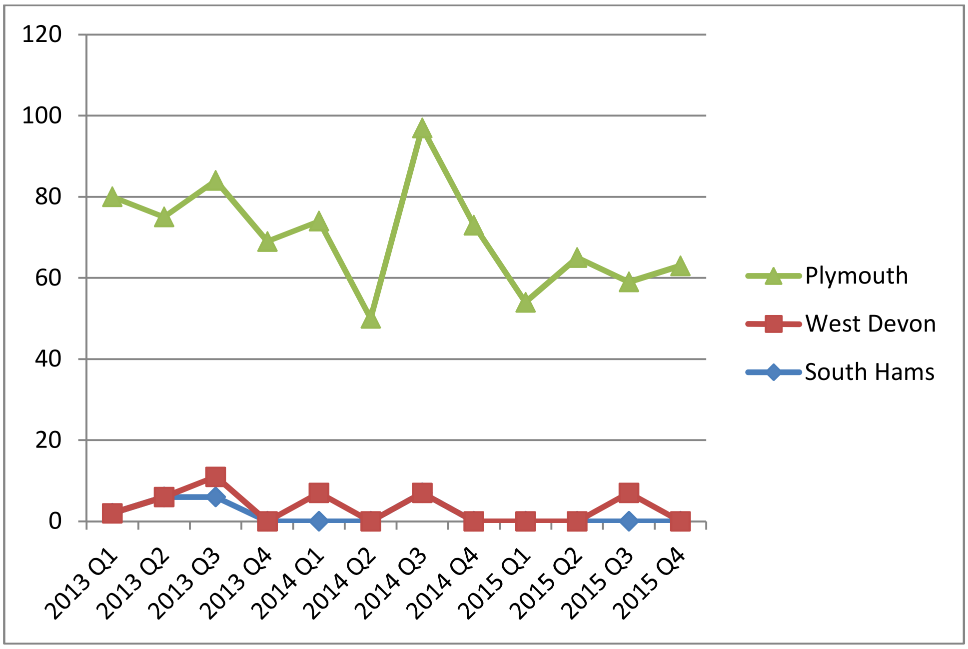
Spatial Area	Proportion of Overcrowded Households (Occupancy rating of -1 or less) Bedrooms	Average number of bedrooms per household
England	4.8%	2.7
Plymouth	4.0%	2.6
Cornwall	2.6%	2.8
South Hams	1.7%	2.9
South Hams excluding National Park	1.7	3.0
South Hams within National Park	2.1%	3.2
West Devon	1.7%	3.0
West Devon excluding National Park	1.7%	3.3
West Devon within National Park	1.5%	3.4
Dartmoor National Park	1.9%	3.0

Source: Census 2011

The rates of overcrowding available from the census between 2001 and 2011 are lower than the regional and national rates, with the exception of Plymouth which has seen a 38.67% increase in the rate of overcrowding. However, this may be attributable, at least in part, to the current climate of welfare reforms as well as wider demographic factors (such as ageing populations) rather than absolute housing demand. Consequently the SHMA concluded that there is no compelling evidence to suggest an upwards adjustment is required and there is no more recent information to add to this assessment.

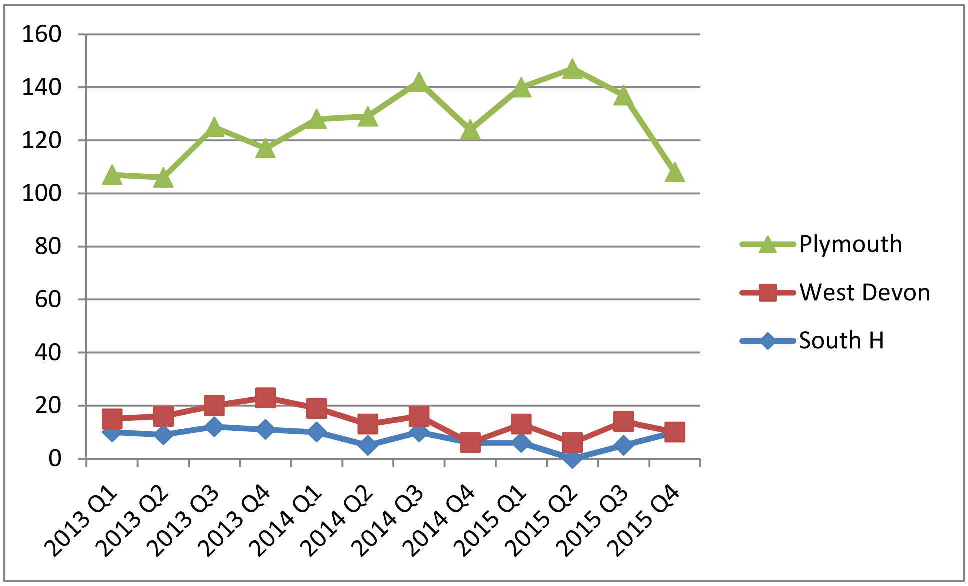
Homelessness

Numbers of households classed as homeless can indicate a lack of market and affordable housing. However, in this instance using data contained on the Shelter Housing Databank webpage the average rate in change in homeless households across all authorities between 2005 and 2013 is -70.97%. Indeed, all authorities have witnessed a significant decrease ranging from 53.83% in Plymouth to 84.48% in West Devon suggesting that homelessness is not an indicator of high levels of demand. More recent figures below from the Shelter databank show that homelessness continues to decline.



Temporary Homes

Similarly, the Shelter Databank provides that numbers of households in temporary accommodation across the authorities have reduced by 61.02% on average between 2005 and 2013. Indeed reductions ranged from 33.62% in Plymouth to 90.16% in South Hams. Consequently it can be said that temporary accommodation is not a meaningful indicator of demand. More recent figures below from the Shelter databank show that those in temporary accommodation are relatively static, and have not been increasing.



Conclusion

The SHMA concluded that the market signals assessment shows a mixed picture across the HMA, and this pattern continues to be evident from the more up to date information. While South Hams certainly exhibits affordability indicators that would suggest a market signals uplift is required, this is similarly the picture for West Devon, although at a lower scale. Plymouth however on all indicators demonstrate that they are not constrained and overall probably do not require a market signals uplift.

However, in considering market signals it is important to understand current thinking and the extent to which the Local Plans Expert Group recommendations and thresholds are appropriate. Using these thresholds it is clear that in relation to House Price South Hams would require 25% uplift, West Devon 20% and Plymouth 10%. This is set out in the table below:

	House Price Ratio (3 year average)	Percentage uplift	Reason add more for other
Plymouth	5.78	10%	House Price Ratio is above 5.3
South Hams	11.74	25%	House price ratio is above 8.7
West Devon	8.69	20%	House price ratio is between 7 and 8.7

From CLG latest data on ratio of median house price to median earnings

In relation to rental affordability ratio (lower quartile rental costs as a percentage of lower quartile earnings) there is currently no local authority published data for this ratio, however using lower quartile rental levels a similar picture emerges with South Hams requiring a 2%% increase, West Devon 20% and Plymouth none. We do have some concerns about these measures as they use earnings rather than household income and by this measure there is potential over-inflation of market signals uplift.

Our approach is to consider the indicators in the round and establish whether an uplift should be applied and then the level at which it would be appropriate and reasonable. A range could then be established and it is suggested that the highest end of the range used to calculate the uplift for each authority as set out below.

	House Price Ratio and affordability and uplift	Private rental market uplift	Market activity and delivery uplift	Overcrowding and homelessness uplift	Uplift Range	Highest uplift to be used in OAN
Plymouth	Yes 10%	No	Yes 10%	No	0-10%	10%
South Hams	Yes 25%	Yes 25%	Yes 25%	No	25%	25%
West Devon	Yes 20%	Yes 10%	Possibly 10%	No	10-20%	20%