



Working for Affordable Homes in Devon

DEVON STATE OF THE MARKET REPORT

APRIL – JUNE 2009

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INTRODUCTION

The delivery of housing has been identified as a key priority within the Devon Local Area Agreement. All the Local Authorities in Devon are working together to maximise the overall delivery of housing and the delivery of affordable housing for those households in need, in both the key settlements and rural areas, as much of Devon is made up of sparsely populated rural communities.

After a period of continuous growth the housing market has been affected by the recession with prices having fallen nationally for the first time since the mid 1990's. House builders are having difficulty selling properties on new developments and are not starting to build on some sites. There is also a marked rise in unemployment, which is predicted to continue throughout 2009.

The report will monitor key information and trends on a quarterly basis for the sub-region to help inform policy and planning and enable the partner authorities to respond quickly and proactively to changes as they occur.

The quarterly updates will cover the following areas:

- ❖ Sub-Regional Economy & Unemployment
- ❖ House prices
- ❖ Volume of house sales
- ❖ Mortgage Lending
- ❖ Affordability
- ❖ Mortgage Possession Claims and Orders
- ❖ Landlord Possession Claims & Orders
- ❖ Homelessness
- ❖ Housing Delivery

This is the first update. All updates in the series can be found on the Devon Strategic Housing Partnership Website www.dshg.org.uk

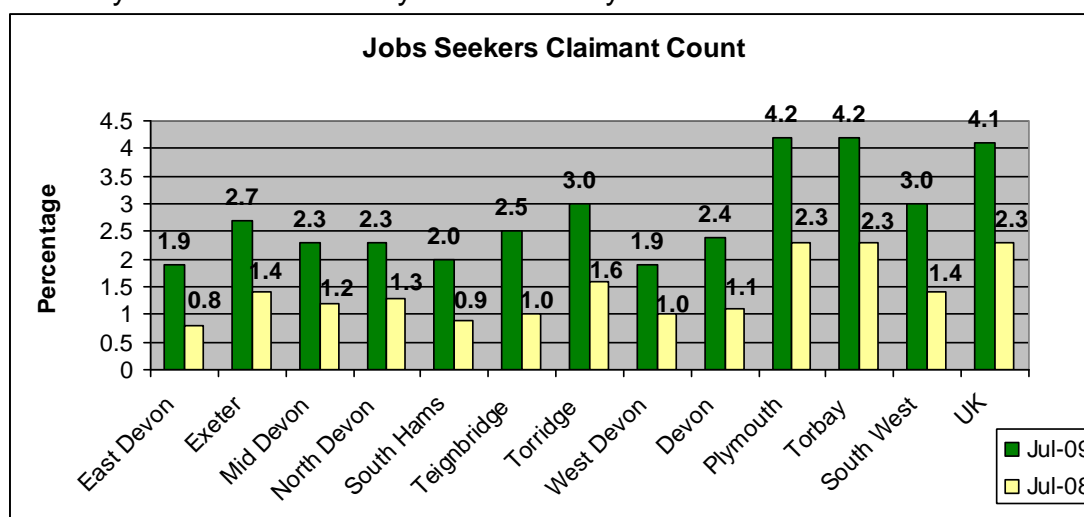
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The Sub-Regional Economy & Unemployment

After a turbulent 12 months when most of the World's key economies fell into recession there have been some recent indications of a recovery; however there is doubt as to whether this is a sustainable turning point or only a short term improvement¹. It is generally believed that the world's leading economies will remain subdued into 2010. As far as the UK is concerned there are still too many uncertainties and risks within the economy that could forestall a recovery at present. In Quarter 2 2009 UK Gross Domestic Product fell by 5.6% compared to the previous year, making this the largest fall on record.

In the South West there was an improvement in business confidence during the quarter but this was from a very rapid decline previously and is not reflected in investment and employment intentions with few businesses looking to employ staff or invest in expansion. There was an increase in business activity in the quarter with the region now ranking second highest in the country on output after the North West but this has not improved employment opportunities.

The chart below shows the change in unemployment in the Devon Local Authority areas between July 2008 and July 2009.



Source: ONS claimant count/www.nomisweb.co.uk

Number of JSA Claimants:

	July 2009	July 2008
East Devon	1,370	593
Exeter	2,378	1,138
Mid Devon	1,039	544
North Devon	1,239	666
South Hams	961	438
Teignbridge	1,804	700
Torridge	1,124	603
West Devon	572	285
Devon Total	10,387	4,967
Plymouth	6,744	3,723
Torbay	3,195	1,752

¹ South West RDA Economics Review August 2009

Unemployment has risen significantly over the year with more than double the claimant numbers compared to July 2008. The Devon districts are all well below the national average and generally below the regional average. Torridge has the highest percentage of claimants in Devon. By contrast the unitary authorities of Plymouth and Torbay are at around the national average.

The figures only take into account those claiming Job Seekers Allowance (JSA) and it is believed that there are a significant number of people who have lost their jobs and have decided, for whatever reason, not to claim JSA or are not eligible to do so. It is therefore likely that the real unemployment total is somewhat in excess of these figures.

House Prices

Average House Prices

Change in Mean House Prices:

	2007	2008	Difference %
East Devon	259,267	262,704	1.3
Exeter	207,360	210,257	1.4
Mid Devon	223,474	218,365	-2.3
North Devon	235,952	227,844	-3.4
South Hams	315,432	308,343	-2.2
Teignbridge	232,965	224,458	-3.7
Torridge	216,871	190,625	-12.1
West Devon	255,595	233,245	-8.7
Devon Total	243,006	238,384	-1.9
Plymouth			
	167,241	157,046	-6.1
Torbay			
	197,503	190,625	-3.5
South West			
	228,793	222,704	-2.7
England			
	222,619	220,310	-1.0

Source: CLG Live tables

Change in Median House Prices:

	2007	2008	Difference %
East Devon	224,000	220,475	-1.6
Exeter	181,950	180,000	-1.1
Mid Devon	193,000	182,998	-5.2
North Devon	204,000	190,500	-6.6
South Hams	250,000	249,950	0.0
Teignbridge	200,000	190,000	-5.0
Torridge	189,250	179,995	-4.9
West Devon	215,000	200,000	-7.0
Devon Total	205,000	197,000	-3.9
Plymouth			
	150,000	143,000	-4.7
Torbay			
	172,000	169,000	-1.7
South West			
	190,950	185,000	-3.1
England			
	178,000	174,000	-2.2

Source: CLG Live tables

Change in Lower Quartile House Prices:

	2007	2008	Difference %
East Devon	166,500	162,000	-2.7
Exeter	152,950	149,000	-2.6
Mid Devon	149,125	148,000	-0.8
North Devon	155,000	147,938	-4.6
South Hams	179,000	173,125	-3.3
Teignbridge	154,000	145,000	-5.8
Torrige	149,375	140,000	-6.3
West Devon	158,750	155,000	-2.4
Devon Total	157,000	150,000	-4.5
Plymouth			
	123,500	117,000	-5.3
Torbay			
	140,000	133,250	-4.8
South West			
	150,000	143,000	-4.7
England			
	127,000	124,000	-2.4

Source: CLG Live tables

Nationally, regionally and across Devon house prices fell in 2008, although East Devon and Exeter actually saw mean house prices rise very slightly and experienced smaller falls at Median and Lower Quartile levels than most other authorities. Overall house prices fell most significantly in Torrige, which now has the lowest house prices of the Devon districts across all three averages. South Hams remains the most expensive local authority area in Devon and Mean average house prices remain well over £200,000 across Devon with Lower Quartile prices at £150,000.

This pattern of falling prices continued in Quarter 1 of 2009, however there has generally been an increase in average mean house prices in Quarter 2 other than in West Devon and North Devon who saw prices fall by 12.9% and 4.7% respectively.

Changes in Median and Lower Quartile House Prices Q1 2008 to Q1 2009:

	Median Q1 2008	Median Q1 2009	% Difference	Lower Quartile Q1 2008	Lower Quartile Q1 2009	% Difference
East Devon	230,000	197,000	-14.3	168,000	150,000	-10.7
Exeter	189,950	167,500	-11.8	154,225	134,950	-12.5
Mid Devon	194,475	168,625	-13.3	149,988	130,000	-13.3
North Devon	194,000	172,750	-11.0	150,000	144,063	-4.0
South Hams	250,000	206,250	-17.5	171,000	154,750	-9.5
Teignbridge	189,950	168,000	-11.6	142,000	128,750	-9.3
Torrige	180,000	155,000	-13.9	142,750	124,688	-12.7
West Devon	200,000	200,000	0.0	157,775	137,000	-13.2
Devon Total	200,000	175,000	-12.5	154,950	137,500	-11.3
Plymouth						
	149,000	130,000	-12.8	120,000	104,000	-13.3
Torbay						
	170,000	150,000	-11.8	140,000	120,000	-14.3

Source: CLG Live Tables

Changes in Mean House Prices Q1 2008, Q1 2009, Q2 2009:

	Mean Q1 2008	Mean Q1 2009	% Difference	Mean Q2 2009	% Difference Q1 2009 to Q2 2009
East Devon	262,080	232,194	-11.4	247,690	6.7
Exeter	211,464	180,619	-14.6	197,582	9.4
Mid Devon	221,757	196,959	-11.2	202,579	2.9
North Devon	230,263	209,459	-9.0	199,548	-4.7
South Hams	307,782	255,319	-17.0	274,608	7.6
Teignbridge	214,776	197,699	-8.0	210,051	6.2
Torridge	217,842	178,729	-18.0	200,165	12.0
West Devon	234,520	248,456	5.9	216,474	-12.9
Devon Total	239,201	212,860	-11.0	220,351	3.5
Plymouth					
	162,327	149,166	-8.1	150,996	1.2
Torbay					
	201,234	172,356	-14.4	178,644	3.6

Source: CLG Live Tables & Land Registry Statistics Q2 2009

South Hams is the most expensive district in Devon across all averages and property types. For all districts the mean average property price is higher than the national average and in most cases exceeds £200,000.

Average House Prices by Property Type:

	Detached	Semi- Detached	Terraced	Flats/ Maisonettes
East Devon	344,030	214,340	173,518	164,854
Exeter	293,136	206,888	196,134	130,503
Mid Devon	287,927	171,282	147,742	109,928
North Devon	272,118	176,898	153,100	146,428
South Hams	383,760	210,222	212,687	227,068
Teignbridge	277,654	195,602	149,567	134,769
Torridge	245,067	173,108	145,398	195,811
West Devon	316,568	188,633	156,284	150,730
Devon Total	303,696	195,609	170,589	153,778
Plymouth				
	254,675	151,431	135,463	120,499
Torbay				
	285,731	159,395	152,432	128,485

Source: HM Land Registry

Volume of House Sales

The volume of sales fell significantly in 2008 in line with the rest of the country. The lack of confidence and the difficulties in obtaining mortgages have been key issues, however there are signs that the tide may be turning and although the number of sales is still well down from its peak in Quarter 3 2006 there has been a significant jump from the lowest point in Quarter 1 this year.

Change in the Number of House Sales 2007 to 2008:

	2007	2008	Difference %
East Devon	3,491	1,878	-46.2
Exeter	2,702	1,377	-49.0
Mid Devon	1,660	972	-41.4
North Devon	2,255	1,102	-51.1
South Hams	2,013	1,124	-44.2
Teignbridge	2,922	1,489	-49.0
Torrige	1,718	911	-47.0
West Devon	1,297	819	-36.9
Devon Total	18,058	9,672	-46.4
Plymouth			
	5,722	3,092	-46.0
Torbay			
	3,777	1,869	-50.5
South West			
	129,316	67,430	-47.9
England			
	1,190,311	609,840	-48.8

Source: CLG Live Tables

Change in the Number of House Sales Quarters 1 and 2, 2008 and 2009:

	Q1 2008	Q1 2009	% Difference	Q2 2008	Q2 2009	% Difference
East Devon	510	267	-47.6	537	490	-8.8
Exeter	381	183	-52.0	406	367	-9.6
Mid Devon	254	184	-27.6	267	230	-13.9
North Devon	289	146	-49.5	338	307	-9.2
South Hams	323	200	-38.1	307	274	-10.7
Teignbridge	423	245	-42.1	429	377	-12.1
Torrige	229	138	-39.7	287	238	-17.1
West Devon	217	115	-47.0	242	192	-20.7
Devon Total	2,626	1,478	-43.7	2,813	2,475	-12.0
Plymouth						
	760	463	-39.1	963	704	-26.9
Torbay						
	527	280	-46.9	560	472	-15.7

Source: CLG Live tables & Land Registry Statistics Q2 2009

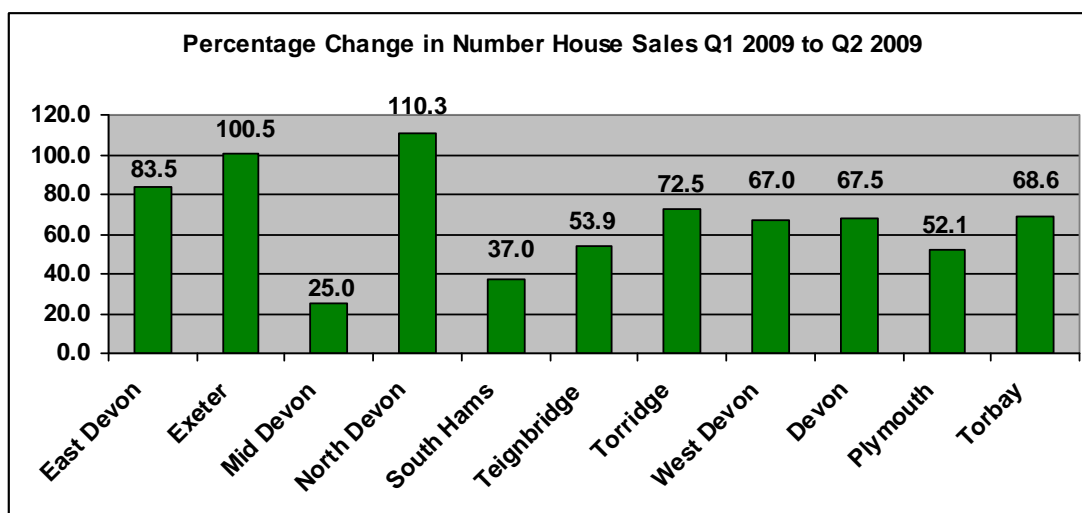
Change in the Number of House Sales Q2 2009 from the Peak in Q3 2006:

	Q2 2009	Q3 2006	% Difference
East Devon	490	1,067	-54.1
Exeter	367	929	-60.5
Mid Devon	230	618	-62.8
North Devon	307	614	-50.0
South Hams	274	592	-53.7
Teignbridge	377	905	-58.3
Torrige	238	530	-55.1
West Devon	192	358	-46.4
Devon Total	2,475	5,613	-55.9
Plymouth			
	704	1,755	-59.9
Torbay			
	472	1,122	-57.9

Source: CLG Live tables & Land Registry Statistics Q2 2009

The number of sales increased by 67% between Quarter 1 and Quarter 2 2009 across Devon with sales more than doubling in Exeter and North Devon.

This is admittedly from a very low point and it remains to be seen whether a recovery is maintained.



Mortgages

Mortgage Lending²

Data from the Council of Mortgage Lenders shows an increase in lending for house purchases and remortgaging although transaction levels are still comparatively weak.

	2007	2008	% Difference
Number of house purchase loans	1,017,000	516,000	-49%
Number of first time buyer loans	357,800	194,200	-46%
Number of home mover loans	658,800	322,200	-51%

	June 2009	Percentage Change from June 2008	Percentage Change from May 2009
Number of house purchase loans	45,000	-6%	+23%
Number of Remortgage Loans	34,000	-55%	+13%
Number of first time buyer loans	17,200	-7%	+26%
Number of home mover loans	27,800	-6%	+22%

Despite an improvement in the Spring and early Summer the number of house purchase loans still remains at less than half the average number of loans recorded in June over the last seven years, and over the quarter the number is 22% down on Quarter 2 2008 at 116,700. Low interest rates have held back demand for remortgaging with only 96,000 remortgage loans, down from 122,000 in Quarter 1.

Typically first time buyers had a 25% deposit and borrowed 3.08 times income, slightly up from 3.04 in May. Home movers typically borrowed 69% of the property's value and 2.76 times income against 2.74 in May.

² Council of Mortgage Lenders June 2009 data

Deposits and Mortgage availability³

The proportion of fixed rate mortgages has increased and by June made up 78% of all new lending. This is reflective of an increase in the number of fixed rate deals, the likelihood that any changes in base rate will now be up rather than down and the withdrawing and repricing of many tracker mortgages following the fall in base rate to 0.5%.

Larger deposits are now the norm with the average loan to value having fallen from 91% in August 2007 to 74% in July 2008. The average deposit required for a £150,000 home is now £39,000, an increase of 189%. Prospective purchasers unable to raise these funds have found their options severely limited as the number of mortgages requiring only a 10% deposit has fallen by 83% since last August despite a small increase in June. On the other hand the number of mortgages requiring a 40% deposit has risen by 2244%. 95% mortgages are almost a thing of the past with only a handful still available.

The best deals are reserved for those with the highest deposits and interest rates vary considerably dependent on the percentage deposit a prospective purchaser has available.

In general there appears to have been a slight easing in credit conditions over the past few months. With demand for shared ownership increasing it is to be hoped that accessing finance may become easier for those wishing to enter this market.

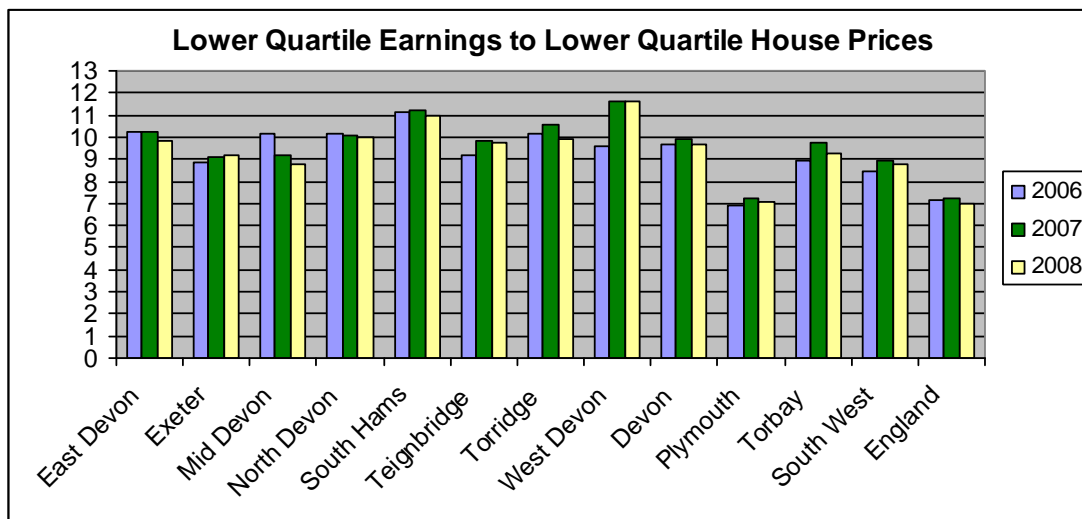
Predictions for the market for 2009 to 2010 vary widely with some forecasters, such as the Nationwide Building Society and the Halifax suggesting that the market has already stabilised and modest rises may be seen in 2009, the RICS also predicts positive growth based on limited availability and increasing demand but with a risk of further price falls in 2010 due to affordability and credit conditions. Finally, the National Housing Federation is altogether more pessimistic predicting falls in 2009 and 2010 before the market stabilises in 2011.

Affordability

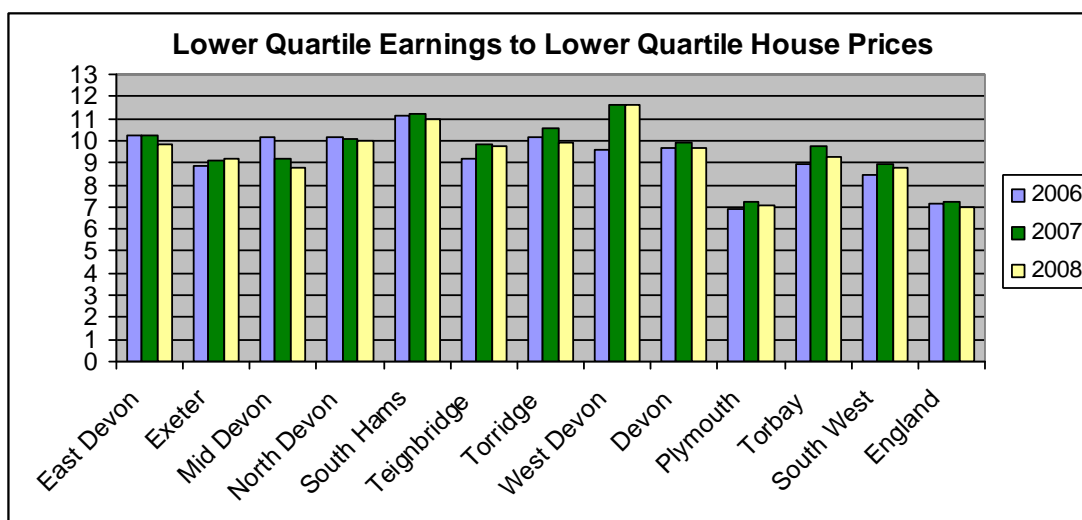
As this is the first update it is useful to look at the affordability of market housing across Devon. This is an area that will require updating on an annual, rather than quarterly basis.

The ratio of earnings to house prices is high across Devon with an average ratio of 9.67 lower quartile earnings to lower quartile house prices and 9.58 for median quartile earnings to median quartile house prices. This is in excess of national and regional averages. Exeter has the lowest ratios of the Devon districts at 9.20 and 8.04 respectively with the highest being West Devon (11.61 and 12.70) and South Hams (10.95 and 11.83). House price falls in 2008 have had little effect on affordability and this is clearly a major issue for Devon.

³ Moneyfacts



Source: CLG Live Tables 2008



Source: CLG Live Tables 2008

The income thresholds required to access market housing are very high and well in excess of average earnings and prospective purchasers also now require a minimum 10% deposit, which is difficult for many first time buyers to access without family assistance.

	Q1 2009 Lower Quartile House Prices	10% Deposit	Income Threshold at 3.5 Times Salary	Q1 2009 Median House Prices	10% Deposit	Income Threshold at 3.5 Times Salary
East Devon	150,000	15,000	38,571	197,000	19,700	50,657
Exeter	134,950	13,495	34,701	167,500	16,750	43,071
Mid Devon	130,000	13,000	33,429	168,625	16,863	43,361
North Devon	144,063	14,406	37,045	172,750	17,275	44,421
South Hams	154,750	15,475	39,793	206,250	20,625	53,036
Teignbridge	128,750	12,875	33,107	168,000	16,800	43,200
Torridge	124,688	12,469	32,063	155,000	15,500	39,857
West Devon	137,000	13,700	35,229	200,000	20,000	51,429
Devon Total	137,500	13,750	35,357	175,000	17,500	45,000
Plymouth	104,000	10,400	26,743	130,000	13,000	33,429
Torbay	120,000	12,000	30,857	150,000	15,000	38,571

Intermediate Housing

The affordability of and accessibility to the intermediate housing market is also an issue. Whilst there are quite a number of households able to afford a product between social rented and the market, prospective purchasers are experiencing difficulties in accessing shared ownership. This has led to some properties becoming difficult to sell and being converted to social rented.

The National Housing Federation⁴ reports that despite the Mortgagee Protection clause that protects the lender against loss on default and the assistance afforded to purchasers by Registered Social Landlords, including robust affordability assessments, some lenders perceive prospective purchasers to be a greater risk leading to a reluctance to lend. Lenders are operating greater restrictions on new build lending as these properties have seen some of the most significant price falls. The requirement to find larger deposits is also hitting sales.

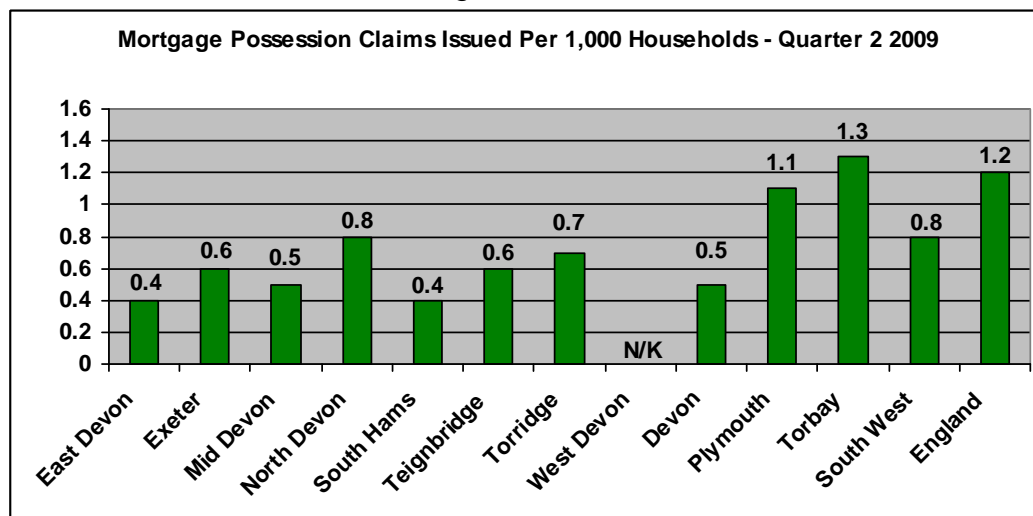
Mortgage Possession Claims & Orders

This section looks at mortgage possession claims issued and orders made through the county courts⁵. Some of these will not feed through to actual repossession but are a good indicator of the problems being faced by households.

A new mortgage pre-action protocol (MPAP) was introduced for possession claims in November 2008. This gives guidance on what lenders and borrowers should have done prior to the issue of a claim. It appears that the protocol has led to a significant fall in claims in the previous three quarters and a fall in orders made for the first two quarters of 2009; however it is not yet clear whether this will lead to a permanent fall in numbers as opposed to a postponement of claims. The decrease in claims and orders should therefore be treated with caution.

Mortgage Possession Claims Issued

This is not currently a problem for Devon with the number of claims issued per 1,000 households below national and regional figures. Only Mid-Devon has seen an increase in the past 12 months but the cautionary note above needs to be borne in mind when looking at these statistics.



⁴ National Housing Federation Neighbourhoods briefing November 2008

⁵ Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts second quarter 2009

	Q2 2009 Total	% Change Q2 2009 to Q2 2008	Total Q3 2008 – Q2 2009	% Change in from Q3 2007 – Q2 2008
East Devon	30	-39%	110	-28%
Exeter	30	-21%	125	-9%
Mid Devon	15	*	110	12%
North Devon	30	-24%	140	-4%
South Hams	15	-67%	85	-40%
Teignbridge	35	-34%	150	-26%
Torridge	20	-47%	85	-36%
West Devon	*	*	50	-19%
Devon Total	175	-42%	855	-21%
Plymouth				
Plymouth	115	-31%	480	-23%
Torbay				
Torbay	75	-13%	325	-2%
South West				
South West	1,790	-31%	7,585	-20%
England & Wales				
England & Wales	26,419	-32%	113,183	-24%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – second quarter 2009.

Note - * Not reported as 7 or less cases.

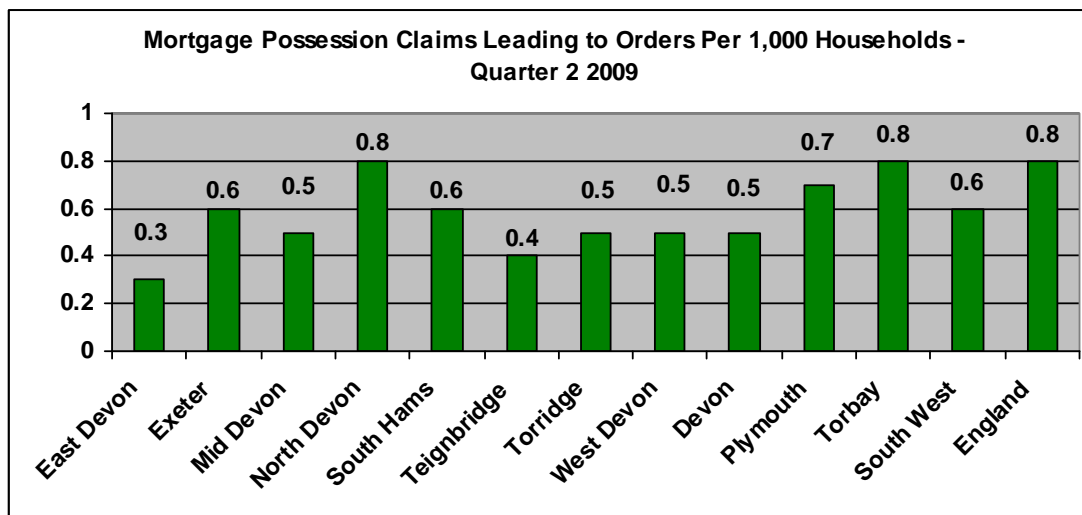
Mortgage Possession Orders

Devon is again below national and regional figures per 1,000 households. North Devon, however is at the national level and above the regional and has seen an increase in orders in the past 12 months as has Mid-Devon, although they are still below national and regional levels. East Devon has one of the lowest figures nationally.

	Q2 2009 Total	% Change Q2 2009 to Q2 2008	Total Q3 2008 – Q2 2009	% Change in from Q3 2007 – Q2 2008
East Devon	15	-61%	80	-31%
Exeter	30	-19%	100	-8%
Mid Devon	15	*	85	22%
North Devon	30	*	105	6%
South Hams	20	-50%	75	-19%
Teignbridge	20	-61%	120	-6%
Torridge	15	-57%	75	1%
West Devon	10	*	45	-2%
Devon Total	145	-42%	680	-7%
Plymouth				
Plymouth	80	-34%	390	-6%
Torbay				
Torbay	45	-41%	240	2%
South West				
South West	1,285	-32%	5,975	-5%
England & Wales				
England & Wales	19,123	-35%	91,623	-10%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – second quarter 2009.

Note: Insufficient observations in base period to calculate % change.



The Council of Mortgage Lenders has reduced its repossessions forecast to 65,000 down from 75,000 for the year and will be keeping this figure under review. Furthermore there was only a modest deterioration in arrears in Quarter 2.

Landlord Possession Claims & Orders

As well as monitoring mortgage repossessions it is also useful to look at claims and orders made on rented properties, particularly as loss of assured shorthold tenancy is one of the most common reasons for homelessness in the South West. A rise in possession claims and orders could indicate a problem for households in affording rents.

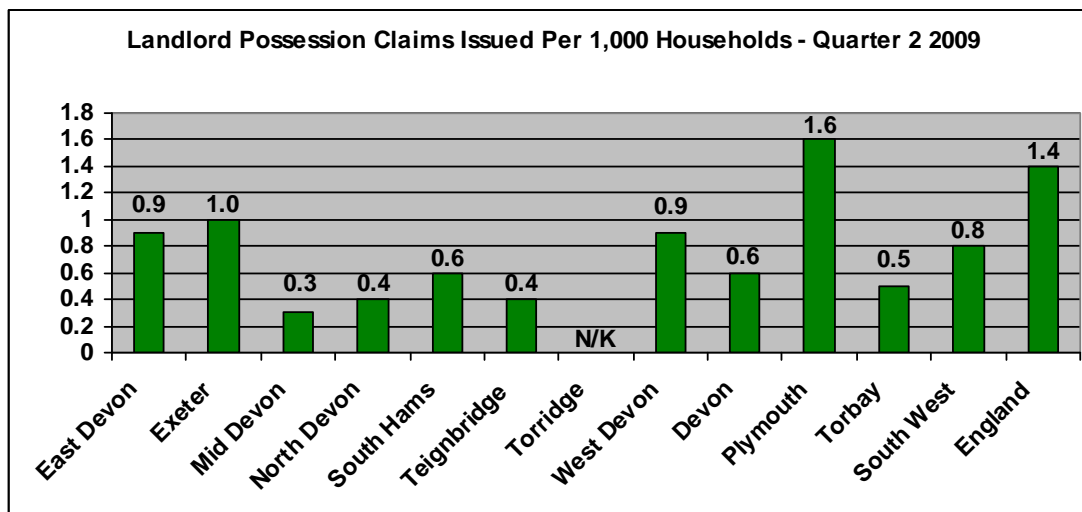
Landlord Possession Claims

Nationally there has been a decrease in claims over the quarter and the past 12 months. Once again Devon has relatively low figures overall per 1,000 households, however East Devon, Exeter and West Devon are above the South West average and the past 12 months have seen a significant increase in claims for both Torridge and West Devon.

	Q2 2009 Total	% Change Q2 2009 to Q2 2008	Total Q3 2008 – Q2 2009	% Change in from Q3 2007 – Q2 2008
East Devon	55	17%	195	-13%
Exeter	50	-40%	305	-5%
Mid Devon	10	*	70	-21%
North Devon	15	-57%	125	-11%
South Hams	20	*	90	5%
Teignbridge	20	-33%	155	-10%
Torridge	*	*	60	29%
West Devon	20	*	75	39%
Devon Total	200	-26%	1,075	-5%
Plymouth	175	-19%	960	33%
Torbay	30	-46%	165	-24%
South West	1,730	-14%	8,120	-4%
England & Wales	32,585	-10%	142,631	-5%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – second quarter 2009.

Note: Insufficient observations in base period to calculate % change.



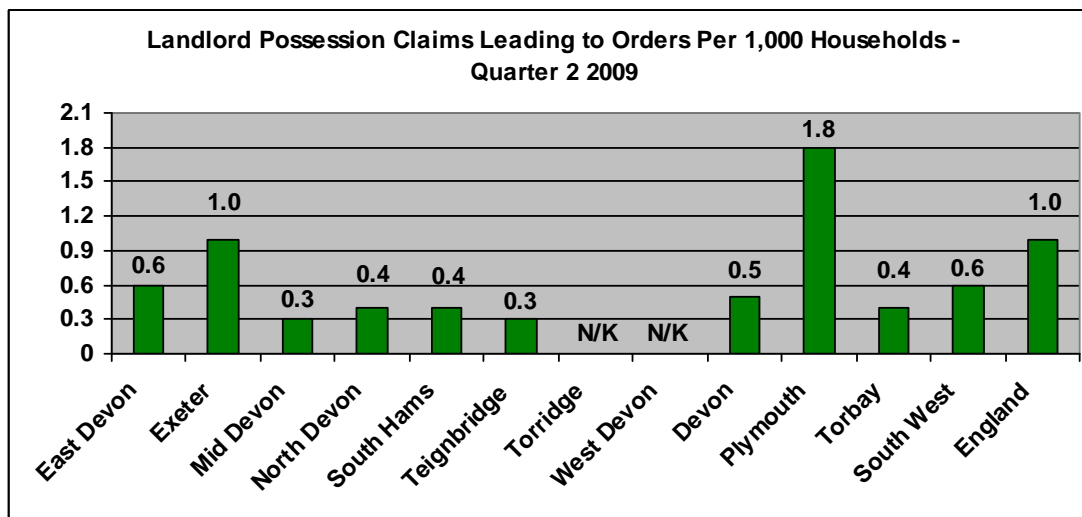
Landlord Possession Orders

The picture for possession orders shows decreases at national and regional level. There is a mixed picture throughout Devon where there has been a modest overall fall in the past 12 months but in half of the Local Authorities there has actually been an increase in orders of between 6% in North Devon and 17% in Torridge. Per 1,000 households Exeter is at the national level, whilst all other authorities are well below this.

	Q2 2009 Total	% Change Q2 2009 to Q2 2008	Total Q3 2008 – Q2 2009	% Change in from Q3 2007 – Q2 2008
East Devon	35	-16%	135	-8%
Exeter	50	-8%	210	9%
Mid Devon	10	*	50	-30%
North Devon	15	*	95	6%
South Hams	15	*	55	10%
Teignbridge	15	-67%	110	-21%
Torridge	*	*	40	17%
West Devon	25	*	60	-14%
Devon Total	165	-18%	755	-2%
Plymouth				
	200	33%	750	42%
Torbay	25	-45%	120	-25%
South West	1,375	-4%	5,905	-1%
England & Wales	22,465	-11%	96,990	-5%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – first quarter 2009.

Note - * Not reported as 7 or less cases or insufficient observations in base period to calculate % change.



Homelessness

Homeless acceptances in Quarter 1 of 2009/10 are 40% less than at the same period last year across Devon with all but two authorities acceptances falling, in some cases quite significantly, however Teignbridge has seen a significant rise and have already accepted 57% of the number of households accepted throughout 2008/09.

The number of households accepted as a result of rent arrears has remained low at less than 3 cases per quarter over the past 5 quarters. There does seem to be some increase in acceptances due to mortgage arrears, although this is due to an increase at North Devon who had 5 cases in Quarter 4 2008/09 and a further 5 cases in Quarter 1 2009/10, however the majority of the districts have not accepted any households as a result of mortgage arrears.

	Q1 2008/09	Q2 2008/09	Q3 2008/09	Q4 2008/09	Total	Q1 2009/10	% Diff Q1 08/09 to Q1 09/10
East Devon	23	22	16	17	78	13	-43%
Exeter	38	31	31	23	123	28	-26%
Mid Devon	13	5	7	3	28	0	-100%
North Devon	6	6	5	14	31	8	+33%
South Hams	18	11	7	4	40	5	-72%
Teignbridge	3	1	15	9	28	16	+81%
Torridge	4	6	3	0	13	0	-100%
West Devon	16	21	10	3	50	3	-81%
Devon Total	121	103	94	73	391	73	-40%
<hr/>							
Plymouth	88	121	80	82	371	65	-26%
Torbay	27	31	24	24	106	36	+33%

Source: P1E returns

The number of homeless acceptances increased by 20% between Quarter 1 2008 and Quarter 1 2009 across Devon, with significant rises seen, in particular, in North Devon and Torridge. This could well be as a result of the current economic climate.

	Q1 2008/09	Q2 2008/09	Q3 2008/09	Q4 2008/09	Total	Q1 2009/10	% Diff Q1 08/09 to Q1 09/10
East Devon	55	43	39	33	170	63	+15%
Exeter	168	146	149	144	607	110	-35%
Mid Devon	37	27	37	23	124	35	-5%
North Devon	31	27	45	57	160	114	+268%
South Hams	36	45	24	36	141	49	+36%
Teignbridge	83	103	110	76	372	82	-1%
Torrige	37	57	54	55	203	80	+116%
West Devon	37	36	43	51	167	46	+24%
Devon Total	484	484	501	475	1,944	579	+20%
Plymouth	150	82	115	132	479	123	-18%
Torbay	160	168	96	72	496	92	-43%

Source: P1E returns

Housing Delivery

Overall Housing Delivery

Figures for overall housing delivery will be available on a half-yearly basis and so there is no information for this quarter. In 2008/09 the Devon Local Area Agreement (LAA) target for overall housing delivery was 3,360 with 2,631 homes delivered, achieving 78% of target. Targets for 2009/10 and 2010/11 are 3,530 and 3,880 respectively. The current economic situation will make this extremely difficult to achieve and some revision may be needed to provide a realistic figure for the next two years. The split of homes delivered by district appears in the table below:

LA	Overall Housing Delivery 2008/09
East Devon	355
Exeter	414
Mid Devon	384
North Devon	341
South Hams	232
Teignbridge	313
Torrige	226
West Devon	366
Devon Total	2,631

The view of one of the private sector developer partners is that "We remain in the middle of an unprecedented crisis in the housing market and house building. Since the peak of the market in Q3 of 2007 house prices have fallen by 15%-20% in 2008 and despite some indications that the market may have bottomed out we face a period of bumping along at this level until mortgage availability improves and the prospects for economic growth and employment are better.

Housing completions have fallen by similar percentages in the same period and the number of planning applications for housing has fallen by 42% in the South West since 2007. Given that many of the submissions with approval

have been mothballed housing delivery will continue to fall even further. Housing starts will remain significantly lower than in the past 15 or so years since the last deep recession.

The Homes and Community Agency have attempted to bring sites forward through their Kickstart scheme and greater grant assistance. Time will tell how successful this will be as only limited funds are available and they are time constrained. There are worries about future funding for social housing as part of an overall public sector spending reduction.

The inescapable truth is that fundamental to the future will be the availability of finance (including grant monies) and how to fund a series of major housing policies (such as affordable housing, tariffs and the Community Infrastructure Levy as well as the new sustainability agenda), which can no longer be funded out of land values. It is still the case that very few residential sites remain viable in current market conditions and given the increasing policy burden it may be some time before land values emerge with a positive value on any residual calculation. Landowners have yet to come to terms with falling values since 2007 and the impact that the additional policy burden has on land values.

For the small and medium house builder margins have to increase to take account of the increased and disproportionate risk at the same time as funding institutions are severely restricting the flow of credit not just for land acquisition but for the build cost as well. Nothing has changed in this respect in the last three months. As a result many smaller house builders have stopped building altogether or have gone out of business.

The last time this happened in the early 1990s (but not on this unprecedented scale) it took something like 8 years to return to the peak levels. With economic uncertainty prevailing and unemployment rising there is even less reason to suppose this will happen this time unless the policy burden is reduced and finance is more freely available."

Affordable Housing Delivery

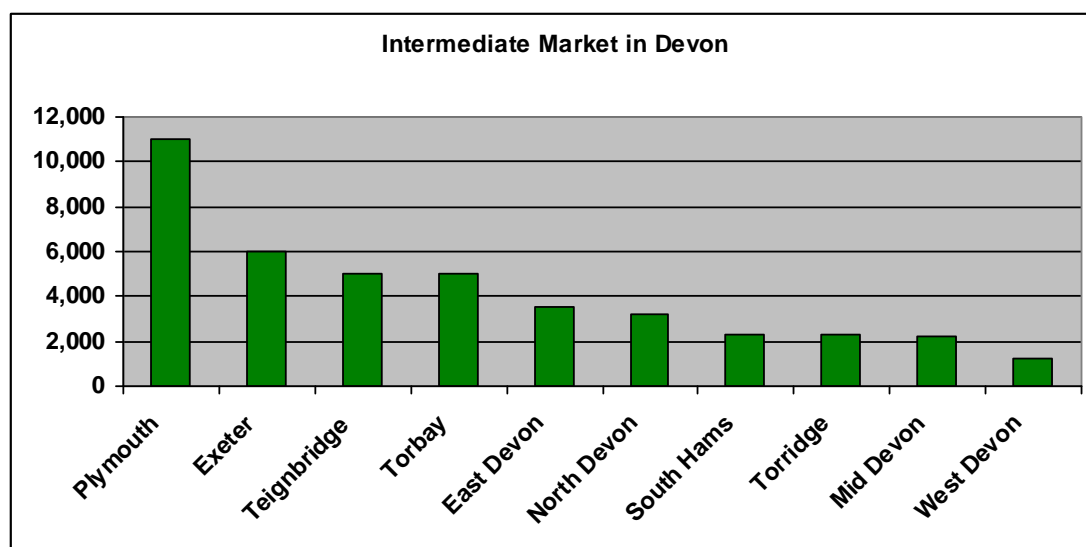
In 2008/09 Devon delivered 665 new affordable homes, 91% of the LAA target of 730. Targets for 2009/10 and 2010/11 are 920 and 1,160 respectively. In Quarter 1 2009/10 112 new affordable homes were delivered, which equates to only 13% of target, predictions for the year from the local authorities indicate that around 582 homes will be delivered, only 63% of target. There has been considerable focus in trying to maintain delivery in the current market and off the shelf purchasing of some housing originally designated as market housing and the bringing forward of the affordable element of some developments kept delivery robust in 2008/09 with the availability of funding through the Homes and Communities Agency underpinning this work. There are concerns that a future reduction in funding coupled with fewer gains through the planning system due to the low level of development starts and the viability of these sites to produce affordable housing without significant subsidy will impair the ability to maintain delivery.

LA	Affordable Housing Delivery 2008/09	Affordable Housing Delivery Quarter 1 2009	Predicted Delivery for 2009/10
East Devon	9	0	0
Exeter	88	11	168
Mid Devon	111	26	26
North Devon	101	16	76
South Hams	52	17	46
Teignbridge	83	23	146
Torridge	103	11	11
West Devon	128	19	109
Devon Total	675	123	582

Rural Affordable Housing

One of the key issues for Devon is the delivery of affordable housing in rural areas. In 2008/09 there was a target to deliver 100 homes in rural settlements with a population below 3,000, and the latest figures show that 172 homes were delivered. The targets for 2009/10 and 2010/11 are 120 and 140 respectively. 32 homes were delivered in Quarter 1 2009/10, a respectable 27% of target. However, the pipeline for rural affordable housing shows a best estimate of approximately 90 homes will be delivered in 2009/10.. Delivery against target is monitored quarterly by Devon Rural Housing Partnership.

In 2009/10 it is predicted that around 74% of affordable housing delivery in Devon will be social rented housing and the remaining 26% some form of intermediate housing, predominately shared ownership. Information from Hometrack suggests that there 193,000 working households in the South West aged between 20 and 39 who have incomes too high to get benefit but who cannot access the lower end of the housing market and that these form the intermediate market. The majority of these households are based in and around the Bristol area. Plymouth also has a significant number of households. Of the Devon authorities Exeter has around 6,000 households in this category with the remaining districts ranging from just under 5,000 in Teignbridge to just over 1,000 in West Devon. The affordability of and access to this market is addressed earlier in the document.



Local Authority Key Housing and Planning Documents

As this is the first document in the series this section contains some brief information on housing and planning documents. These documents are key to the delivery of housing across Devon.

Housing Market and Needs Assessments (HMNAs):

These were completed across all the housing market areas into which the Devon districts fall between the end of 2006 and summer 2008. The guidance suggests that a full refresh will be required after five years. All the assessments were carried out in accordance with the guidance but in different ways. Ecotec, who were commissioned to review all of those for the South West, concluded that a common approach across the region would enable greater comparison and South West Councils may wish to pursue this for the next round of assessments. It also remains to be seen as to the future of the current housing market areas, particularly with the unification of Cornwall and the Single Conversation areas for Home and Communities Agency funding, which are unitary or county based.

Annual statistical updating, as suggested by the guidance, is happening in some form for most of the HMNAs, although this varies in content and analysis.

Local Development Framework

The key planning documents are contained within the Local Development Framework. Some authorities, such as South Hams and Mid Devon, and the Dartmoor National Park planning authority have adopted Core Strategies and are working on associated planning documents. Other authorities are at various stages of submission and examination for their Core Strategies and until these are adopted some are relying on their current Local Plans.

Land availability assessments have now been carried out across most of the authorities with viability assessments undertaken in a few authorities with others looking to undertake these in the next few months.

Housing Strategy

All districts have a current housing strategy, although a number are being reviewed and refreshed to take into account up to date evidence and information. It is important that these are reviewed on a regular basis and contain current action plans. They should also be aligned to corporate priorities, with particular reference to the Sustainable Community Strategy and the Local Area Agreement.

Conclusions

1. Although there has been an improvement in business confidence and activity unemployment is continuing to rise. The uncertainties around employment may make people cautious about taking on or increasing mortgages and has a potential knock on effect in terms of an increased need for affordable housing.
2. Transactions in the housing market have risen although they are still low by historic standards. Mortgage lending has been increasing at a modest rate. Credit conditions appear to have improved slightly,

although larger deposits and a good credit history are still requirements to obtaining a mortgage. The lack of supply appears to have kept prices stable but there seems to be a good deal of uncertainty as to whether this trend is likely to continue.

3. Affordability is still an issue as prices are beyond the reach of many households in need and unlikely to fall to affordable levels. Access to Intermediate housing is also restricted.
4. Repossessions and homelessness are not having the impact originally predicted with the Council of Mortgage Lenders revising its repossession forecast downwards by 10,000 for 2009 with the possibility of a further revision later in the year.
5. Housing delivery is below target and is likely to subdue over the next couple of years making current targets unrealistic. Devon needs to look at how delivery can be maintained in a difficult market.
6. Although there are some positive signs in the housing market, at present this is more about a stabilising than improving position, and there is a long way to go before a true recovery is seen. This will have an impact on delivery over the next few years.