



Working for Affordable Homes in Devon

DEVON STATE OF THE MARKET REPORT

JULY – SEPTEMBER 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 falling 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 that may continue into 2010.

The report monitors 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. This is the second quarterly update report.

The quarterly updates will cover the following areas:

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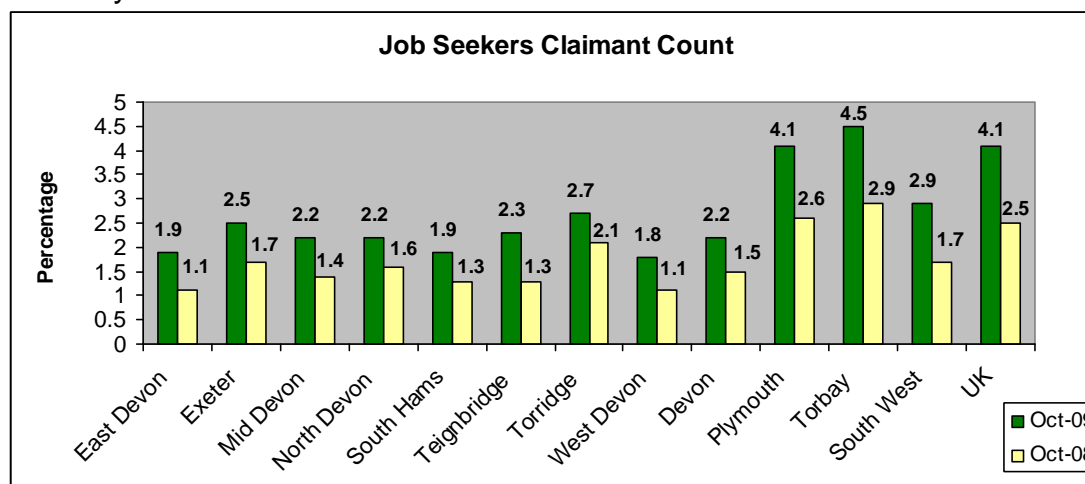
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The Sub-Regional Economy & Unemployment

The United States came out of recession in Quarter 3 2009¹ following Germany, France and Japan who all saw positive growth in Quarter 2. China's economy is growing strongly and these factors all mean that the world economy is now out of recession. Recovery is likely to be slow and growth constrained for some time. The UK is still in recession with a further fall in GDP of 0.4% in Quarter 3 making the annual fall 5.3%. Signs are that the worst is past but the economy is still very fragile and recovery will take time.

In the South West there has been a significant fall in business investment and although manufacturing is less depressed than previously construction is still shrinking with only public sector projects supporting the industry. This position is not tenable in the long terms and clearly shows problems with development in the region. The South West needs to rise to the challenges of the future and look at how growth can be achieved in a changed economy.

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



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

Table 1 - Number of Job Seekers Allowance (JSA) Claimants:

	July 2009	October 2009	October 2008
East Devon	1,370	1,337	784
Exeter	2,378	2,059	1,426
Mid Devon	1,039	977	636
North Devon	1,239	1,138	843
South Hams	961	899	602
Teignbridge	1,804	1,697	955
Torridge	1,124	1,009	784
West Devon	572	529	342
Devon Total	10,387	9,645	6,372
Plymouth	6,744	6,662	4,151
Torbay	3,195	3,366	2,223

¹ South West RDA Economics Review November 2009

Although the number of JSA claimants in Devon increased by just over 50% between October 2008 and October 2009 the past 3 months has seen a drop of around 7%, with all Devon districts seeing a decrease in claimant numbers as has Plymouth, although numbers in Torbay have risen by 5%. The Devon districts are all below the national and regional averages Torridge has the highest percentage of claimants in Devon. By contrast the unitary authorities of Plymouth and Torbay are at around the national average. It should be noted that seasonal holiday employment will have had an affect on the figures although this has been less than envisaged.

The figures only take into account those claiming JSA. Statistics on those working age people who were economically inactive at the end of the financial year suggest that around 16,300 people in Devon were looking for some form of employment, almost double the number claiming JSA. It is therefore likely that the real unemployment total is somewhat higher than the JSA figures. Figures for Plymouth and Torbay paint a similar picture.

House Prices

Average House Prices

Land Registry data on completed sales shows that in general average property prices have risen across Devon when compared to Quarter 1 but still lag behind 2008 prices, although this varies across authorities. South Hams remains the most expensive district in Devon. The market may still be fragile but prices are no longer falling in real terms making affordability a continuing issue.

Table 2 - Mean Average House Prices:

	2008	Q1 2009	Q2 2009	Q3 2009
East Devon	262,704	232,194	247,690	246,604
Exeter	210,257	180,619	197,582	195,745
Mid Devon	218,365	196,959	202,579	223,916
North Devon	227,844	209,459	199,548	222,491
South Hams	308,343	255,319	274,608	276,836
Teignbridge	224,458	197,699	210,051	227,137
Torridge	190,625	178,729	200,165	199,942
West Devon	233,245	248,456	216,474	231,815
Devon Total	238,384	212,860	220,351	229,671
Plymouth				
	157,046	149,166	150,996	153,367
Torbay				
	190,625	172,356	178,644	173,633
South West				
	222,704	200,468	204,520	217,514

Source: Land Registry and CLG Live Tables

The Hometrack Housing Intelligence system, to which Devon now subscribes, reports house prices on a monthly basis in two ways, one by completed sales from data supplied by the Land Registry and also by a combination of sales data from the Land Registry and lender valuation data. The latter gives a more up to date picture as Land Registry information is based on when property transfers are registered, which can be a little time after the sale has completed.

Tables 3 and 4 show mean and lower quartile averages as at September 2008, March 2009 and September 2009 from sales only data. It should be noted that small sample sizes may distort the price over time in some areas.

Whilst property prices may have recovered slightly between March and September 2009 they are still down on September 2008, in some instances quite significantly (South Hams mean average and West Devon lower quartile average). The lower quartile averages in East Devon and Exeter have been least affected.

Table 3 - Mean average house price by sales:

	Sept 2008	March 2009	Sept 2009	Difference Sept 2008 to Sept 2009
East Devon	261,176	252,446	247,486	-5.3%
Exeter	211,893	191,524	201,752	-4.7%
Mid Devon	225,667	202,636	206,686	-8.4%
North Devon	228,433	206,259	210,928	-7.7%
South Hams	323,981	261,541	271,871	-16.1%
Teignbridge	224,392	215,800	218,104	-2.8%
Torridge	207,794	187,118	197,274	-5.1%
West Devon	239,447	221,418	225,623	-5.8%
Plymouth				
Plymouth	157,027	149,959	150,984	-3.8%
Torbay				
Torbay	185,778	174,101	176,939	-4.8%
South West				
South West	226,003	205,412	209,046	-7.5%
England				
England	222,135	202,182	211,643	-4.7%

Source: Hometrack

Table 4 - Lower Quartile Average house price by sales:

	Sept 2008	March 2009	Sept 2009	Difference Sept 2008 to Sept 2009
East Devon	163,000	150,000	162,500	-0.3%
Exeter	147,000	144,000	146,000	-0.7%
Mid Devon	150,000	139,000	140,000	-6.7%
North Devon	145,000	147,450	140,000	-3.4%
South Hams	183,000	152,500	165,000	-9.8%
Teignbridge	151,000	137,000	145,000	-4.0%
Torridge	140,000	130,000	135,000	-3.6%
West Devon	160,950	140,000	140,000	-13.0%
Plymouth				
Plymouth	119,000	110,000	110,000	-7.6%
Torbay				
Torbay	135,000	123,000	126,250	-6.5%
South West				
South West	146,000	132,000	136,800	-6.3%
England				
England	125,000	115,000	120,000	-4.0%

Source: Hometrack

Tables 5 and 6 show a combination of sales data and valuation data for mean and lower quartile averages. Using this method tends to show higher house price values, and although it can be an indication of more up to date movement in the market there is no guarantee that the property will be sold for the valuation quoted.

Trends are broadly similar to the sales only data although there are some notable differences, for example the South Hams and Teignbridge change in

the mean average between September 2008 and September 2009 and North Devon and Torridge in the lower quartile.

Table 5 - Mean average house price by sales and valuation data:

	Sept 2008	March 2009	Sept 2009	Difference Sept 2008 to Sept 2009
East Devon	269,646	264,853	249,695	-7.4%
Exeter	207,120	194,456	197,271	-4.8%
Mid Devon	251,750	218,179	230,284	-8.5%
North Devon	242,157	221,194	220,596	-8.9%
South Hams	327,609	287,393	287,244	-12.3%
Teignbridge	241,860	227,929	223,255	-7.7%
Torridge	221,743	216,909	207,886	-6.2%
West Devon	260,440	241,761	242,069	-7.1%
Plymouth				
Plymouth	161,727	153,387	154,447	-4.5%
Torbay	205,219	184,684	182,814	-10.9%
South West	238,026	219,101	221,287	-7.0%
England	238,671	222,320	225,667	-5.4%

Source: Hometrack

Table 6 - Lower Quartile Average house price by sales and valuation data:

	Sept 2008	March 2009	Sept 2009	Difference Sept 2008 to Sept 2009
East Devon	165,000	155,000	165,000	0.0%
Exeter	150,000	140,000	147,000	-2.0%
Mid Devon	150,000	141,000	143,000	-4.7%
North Devon	155,000	150,000	142,500	-8.1%
South Hams	183,000	162,500	168,000	-8.2%
Teignbridge	150,000	143,000	144,950	-3.4%
Torridge	148,000	137,000	137,600	-7.0%
West Devon	165,000	150,000	145,000	-12.1%
Plymouth				
Plymouth	120,000	111,000	112,500	-6.3%
Torbay	140,000	127,500	129,000	-7.9%
South West	150,000	138,000	140,000	-6.7%
England	130,000	123,500	125,000	-3.8%

Source: Hometrack

When looking at the overall average prices by type and size of property Mid Devon, North Devon, Teignbridge, Torridge and West Devon, as well as the two Unitaries of Plymouth and Torbay have average prices for one bedroom flats of under £100,000. South Hams generally has the highest prices across most size properties. All the Devon authorities have average flat prices that are lower than the national average and most are lower than the South West average, however as property sizes increase this changes with some authorities notably East Devon, Mid Devon, South Hams and West Devon all having average prices in excess of the national and regional averages for three and four bed houses.

Lower Quartile prices for one and two bed properties are lowest in Plymouth. Within the Devon districts the cheapest one bed flats can be found in

Teignbridge, Mid Devon and North Devon. Torrridge has the cheapest two bed flats and houses but the most expensive one bed flats. Exeter has the most expensive lower quartile two bed flats and houses.

Table 7 - Average prices by type and size:

	1 Bed Flat	2 Bed Flat	2 Bed House	3 Bed House	4 Bed House
East Devon	104,188	176,049	171,001	225,697	334,834
Exeter	109,406	139,669	154,711	189,854	277,232
Mid Devon	83,500	106,807	145,952	199,289	311,485
North Devon	89,833	153,021	161,168	200,249	281,447
South Hams	123,889	177,938	180,698	239,862	364,091
Teignbridge	97,153	136,089	158,824	193,262	292,045
Torrridge	82,500	179,364	145,993	185,916	272,539
West Devon	96,750	128,000	148,869	206,279	324,784
Plymouth					
Plymouth	78,429	122,699	124,987	151,454	215,750
Torbay	91,860	124,600	150,463	177,238	254,975
South West	108,302	152,475	157,683	194,589	305,444
England	151,562	194,959	148,829	190,163	318,330

Source: Hometrack

Table 8 - Lower Quartile average prices for 1 and 2 bed properties:

	1 Bed Flat	2 Bed Flat	2 Bed House
East Devon	85,000	121,000	135,000
Exeter	98,500	123,500	140,000
Mid Devon	80,000	99,950	124,000
North Devon	81,500	115,000	127,500
South Hams	97,000	119,950	135,000
Teignbridge	80,000	105,000	127,250
Torrridge	107,000	95,000	120,000
West Devon	89,000	110,000	123,000
Plymouth			
Plymouth	64,400	88,350	105,000
Torbay	73,429	96,000	126,000
South West	84,500	110,000	125,000
England	95,000	120,000	100,000

Source: Hometrack

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 has been a steady increase in the number of sales throughout 2009. Sales are still around 42% lower than the peak in Q3 2006, across Devon, with the urban areas of Exeter, Plymouth and Torbay still over 50% down on this period.

Table 9 - Change in the Number of House Sales 2009:

	Q1 2009	Q2 2009	Q3 2009
East Devon	267	490	659
Exeter	183	367	439
Mid Devon	184	230	315
North Devon	146	307	344
South Hams	200	274	395
Teignbridge	245	377	518
Torrige	138	238	330
West Devon	115	192	238
Devon Total	1,478	2,475	3,238
Plymouth			
	463	704	806
Torbay			
	280	472	549

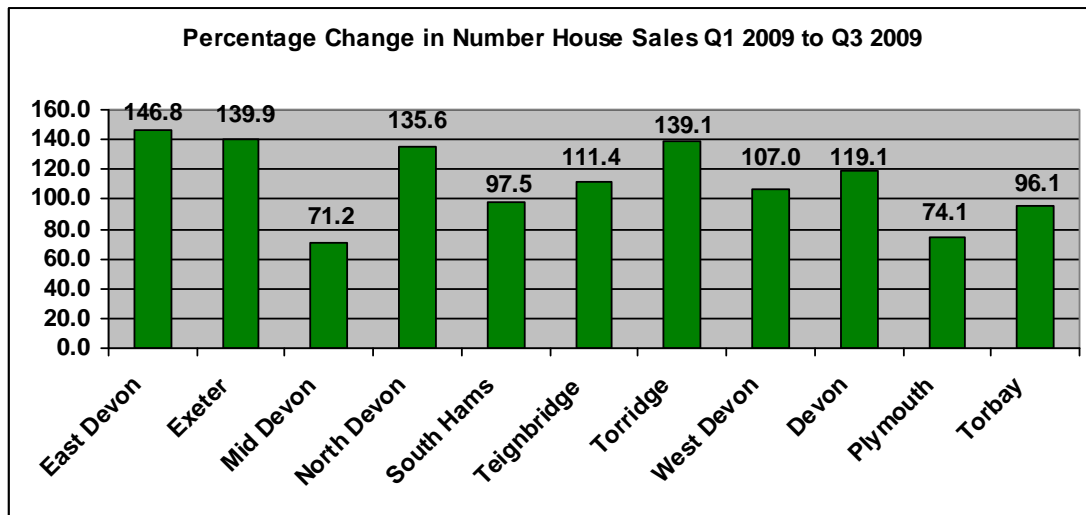
Source: Land Registry

Table 10 - Change in the Number of House Sales Q3 2009 from the Peak in Q3 2006:

	Q3 2009	Q3 2006	% Difference
East Devon	659	1,067	-38%
Exeter	439	929	-53%
Mid Devon	315	618	-49%
North Devon	344	614	-44%
South Hams	395	592	-33%
Teignbridge	518	905	-43%
Torrige	330	530	-38%
West Devon	238	358	-34%
Devon Total	3,238	5,613	-42%
Plymouth			
	806	1,755	-54%
Torbay			
	549	1,122	-51%

Source: Land Registry

The Number of sales increased by more than double in most of the local authorities in Devon between Quarter 1 and Quarter 3 2009, and by almost double in South Hams and Torbay. The smallest increases were seen in Mid Devon and Plymouth although these were still in excess of 70%. It should be noted that the stamp duty threshold is due to fall back down to £125,000 early next year and this may well impact on sales for lower and mid range properties.



Mortgages

Mortgage Lending²

National data from the Council of Mortgage Lenders shows an increase in house purchase loans over the quarter and a small drop in re-mortgaging. Compared to the same period in 2008 there was a significant growth in house purchase loans and an equally significant drop in re-mortgaging, although this appears to be levelling out in recent months. Overall lending is still well below 2007 levels.

Table 9 – 2007/2008 Mortgage Lending:

	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%

Table 10 – Change in Lending September 2008 – September 2009:

	June 2009	September 2009	Percentage Change from June 2009	Percentage Change from September 2008
Number of house purchase loans	45,000	50,600	+12%	+43%
Number of Remortgage Loans	34,000	33,000	-3%	-48%
Number of first time buyer loans	17,200	19,700	+15%	+45%
Number of home mover loans	27,800	31,000	+12%	+43%

The average loan to value for first time buyers has remained at 75% compared to 84% in September 2008. First time buyers therefore need to find an average deposit of 25% as opposed to 16% at the same time last year. The average borrowing in September was 3.15 times income, a slight increase on June. For home movers the average loan to value is 68%

² Council of Mortgage Lenders September 2009 data

fractionally less than in June and around 3% less than in September 2008. This group typically borrowed 2.8 times income.

An estimated 132,500 transactions have benefitted from the temporary lifting of the stamp duty threshold since the concession was introduced in September 2008, which accounts for around 27% of house purchase loans made. As previously mentioned the threshold is due to increase in 2010 with a potential effect on the housing market.

Deposits and Mortgage availability³

There are signs that lending is easing although lenders are still rationing credit to those with the best credit history.

Lenders are starting to increase their maximum loan to value. Since March 2009 the number of products requiring a 15% deposit has risen from 169 to 231 and the number requiring a 10% deposit increased from 89 to 109. This should provide greater opportunities for first time buyers.

The cost of mortgages has remained fairly static over the same period, with only a few providers cutting rates. The average two year fixed rate mortgage stands at 5.06% up from 4.84% since March. The average two year tracker is now 3.76% as against 3.86% in March. There are now over 1,800 residential mortgage products available compared to the 1,431 in March.

Predictions for the market for 2009 and 2010 generally seem to agree that prices in 2009 will see an overall modest rise due to limited supply, however a number of forecasts for 2010 suggest a further fall in house prices due to restricted lending, increasing supply and unemployment. Savills, for example are forecasting a fall of 6.6% followed by a flat 2011 and thereafter more sustained growth.

Affordability

Table 11 – Income thresholds for Lower Quartile properties:

	March 2009 Lower Quartile House Prices	10% Deposit	Income Threshold at 3.5 Times Salary	September 2009 Lower Quartile House Prices	10% Deposit	Income Threshold at 3.5 Times Salary
East Devon	150,000	15,000	38,571	162,500	16,250	41,786
Exeter	144,000	14,400	37,029	146,000	14,600	37,543
Mid Devon	139,000	13,900	35,743	140,000	14,000	36,000
North Devon	147,450	14,745	37,916	140,000	14,000	36,000
South Hams	152,500	15,250	39,214	165,000	16,500	42,429
Teignbridge	137,000	13,700	35,229	145,000	14,500	37,286
Torrige	130,000	13,000	33,429	135,000	13,500	34,714
West Devon	140,000	14,000	36,000	140,000	14,000	36,000
Plymouth						
Plymouth	110,000	11,000	28,286	110,000	11,000	28,286
Torbay	123,000	12,300	31,629	126,250	12,625	32,464
South West	132,000	13,200	33,943	136,800	13,680	35,177
England	115,000	11,500	29,571	120,000	12,000	30,857

³ Moneyfacts

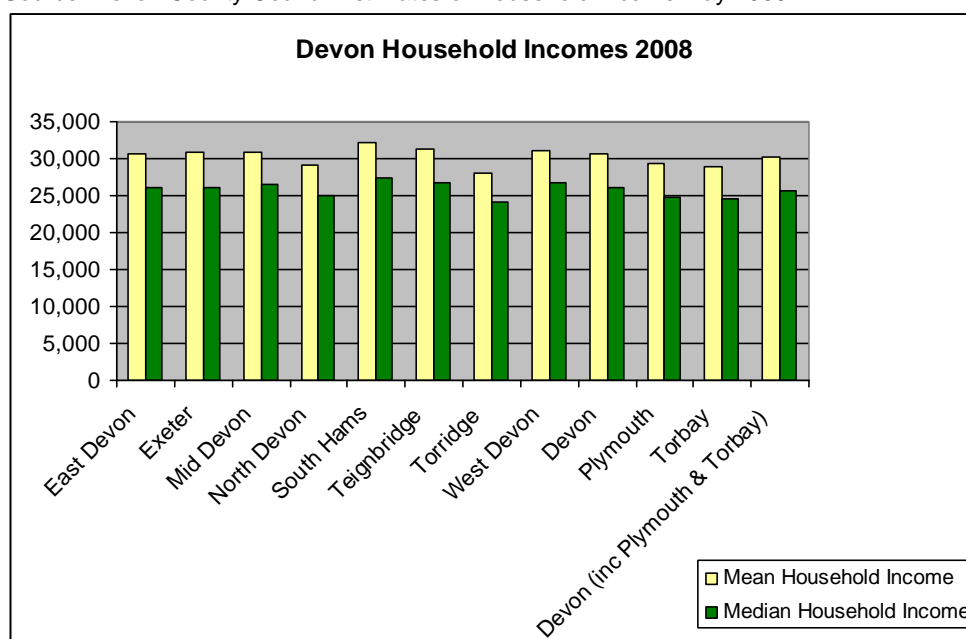
The income thresholds required to purchase a lower quartile property have remained fairly static over the past 6 months. Only in Plymouth city is the income requirement under £30,000. In the most expensive areas, East Devon and South Hams, an income in excess of £40,000 is required. Torridge is the only Devon district where the average income needed is under £35,000 and then only just below this figure.

Devon County Council has produced information on estimated mean and median household incomes from CACI Paycheck data⁴. This shows that median household incomes across Devon are all below the lower quartile income thresholds quoted in the above table. Affordability to market housing is still an issue across Devon, especially as there are many households whose income is below the median average.

Table 12: Average Household Incomes:

Area	Mean Household Income	Median Household Income
East Devon	30,678	26,173
Exeter	30,801	26,182
Mid Devon	30,932	26,478
North Devon	29,206	24,970
South Hams	32,145	27,379
Teignbridge	31,359	26,650
Torridge	28,019	24,172
West Devon	31,158	26,737
Devon	30,622	26,112
Plymouth		
Plymouth	29,446	24,830
Torbay	28,935	24,642
Devon (inc Plymouth & Torbay)	30,153	25,632

Source: Devon County Council Estimates of Household Income May 2009



Source: Devon County Council Estimates of Household Income May 2009

⁴ Devon County Council Estimates of Household Income May 2009

Private Rental Market

Private rents are generally more expensive in Exeter, with the cheapest median average rents available in Mid Devon and Plymouth. The private rented market often has some of the poorest housing conditions and houses many vulnerable households, who are eligible for housing benefit but due to limited social rented stock, have been unable to secure accommodation within this sector.

Table 13 – Private Rents:

Area	1 Bed Median Private Rented – Weekly Rent	2 Bed Median Private Rented – Weekly Rent	3 Bed Median Private Rented – Weekly Rent
East Devon	114	137	178
Exeter	121	155	183
Mid Devon	92	126	150
North Devon	92	115	137
South Hams	109	137	184
Teignbridge	109	132	167
Torridge	N/K	N/K	N/K
West Devon	115	121	161
Plymouth			
Plymouth	103	126	150
Torbay			
Torbay	108	137	160

Source: Hometrack

For households not on benefits private rents are often difficult to afford. In many cases household income levels required to access even the smallest properties are not far below the average median household income meaning that those who have incomes below this level will struggle to afford private rented accommodation.

Table 14: Income thresholds for 1 bed private rent:

Area	Median annualised private rent – 1 Bed	Income threshold (based on rent at 25% annual income)
East Devon	5,928	23,712
Exeter	6,292	25,168
Mid Devon	4,784	19,136
North Devon	4,784	19,136
South Hams	5,668	22,672
Teignbridge	5,668	22,672
Torridge	N/K	N/K
West Devon	5,980	23,920
Plymouth		
Plymouth	5,356	21,424
Torbay		
Torbay	5,616	22,464

Intermediate Housing

The affordability of and accessibility to the intermediate housing market is still an issue. Although there are signs of increasing demand lenders are restricting the amount of funding available and cherry picking the most creditworthy clients and properties they perceive to be lower risk to lend against. Due to their perception of shared ownership as a sub-prime tenure,

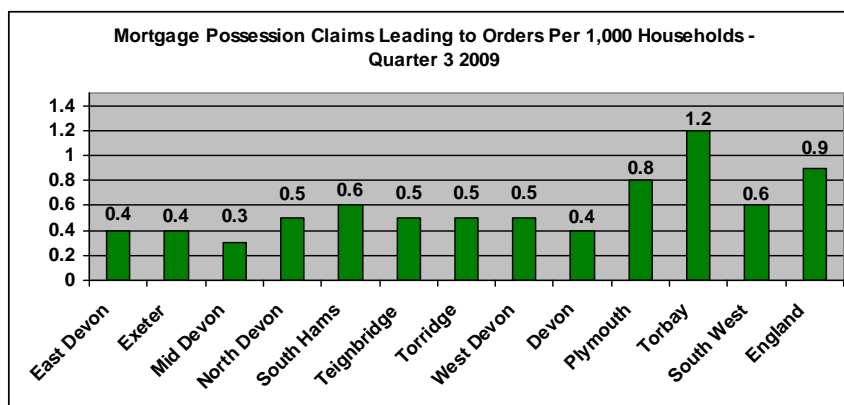
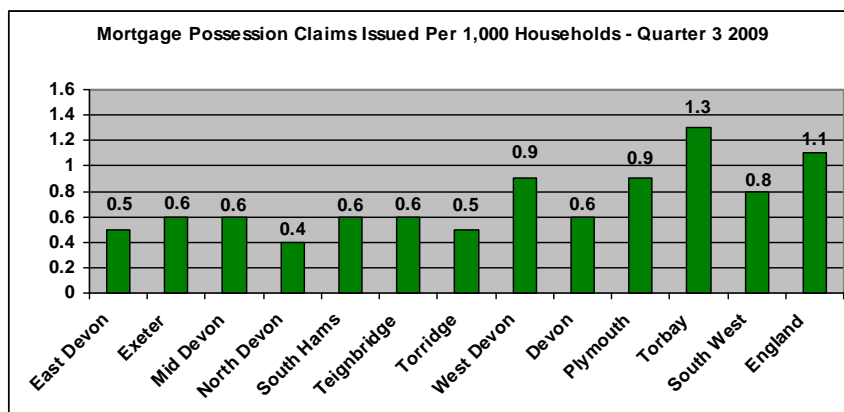
despite the safeguard of the Mortgagee in Possession clause, there are few lenders willing to lend to prospective purchasers. Where the clause is not entered into, for example in Dartmoor National Park, it has become almost impossible for Registered Social Landlords to sell shared ownership at all.

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.

Although mortgage possession claims are 35% down across the country on the same quarter in 2008, a mortgage pre-action protocol (MPAP) was introduced in the November of that year giving 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; 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.

Generally there are no concerns with regards to claims issued as the rates per 1,000 households for all the Devon districts are below the national average and, other than West Devon, below the regional average. Torbay on the other hand is well above the regional average and slightly above the national average. A similar picture is seen when looking at orders made, other than West Devon being on a par with the other Devon districts; however some of the claims issued in Quarter 3 could translate to orders in future quarters.



⁵ Ministry of Justice statistics on mortgage and landlord possession actions third quarter 2009

The number of Mortgage Possession Claims Issued have fallen across all areas with Exeter showing the smallest decrease.

Table 15: Change in Mortgage Possession Claims:

	Q3 2009 Total	% Change Q3 2009 to Q3 2008	Total Q4 2008 – Q3 2009	% Change in from Q4 2007 – Q3 2008
East Devon	30	-21%	100	-31%
Exeter	30	-7%	125	-9%
Mid Devon	20	-57%	85	-33%
North Devon	15	-67%	105	-37%
South Hams	20	*	80	-47%
Teignbridge	35	-31%	135	-36%
Torridge	15	*	80	-40%
West Devon	20	*	50	-24%
Devon Total	185	-35%	755	-33%
Plymouth	95	-45%	405	-37%
Torbay	80	-32%	290	-23%
South West	1,700	-32%	6,775	-31%
England & Wales	23,205	-34%	93,140	-34%

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

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

Mortgage Possession Claims leading to an order are also down, other than in North Devon over the year, where there has been a 12% increase.

Table 16: Change in Mortgage Possession Claims Leading to Orders:

	Q3 2009 Total	% Change Q3 2009 to Q3 2008	Total Q4 2008 – Q3 2009	% Change in from Q4 2007 – Q3 2008
East Devon	25	*	75	-28%
Exeter	20	*	90	-21%
Mid Devon	10	*	65	-19%
North Devon	20	*	105	12%
South Hams	20	-41%	65	-47%
Teignbridge	25	-32%	110	-26%
Torridge	15	*	70	-17%
West Devon	10	*	40	-20%
Devon Total	140	-30%	620	-22%
Plymouth	90	-40%	330	-31
Torbay	70	-13%	230	-14
South West	1,410	-26%	5,470	-20%
England & Wales	20,917	-29%	83,175	-23%

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

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

The Council of Mortgage Lenders has further reduced its repossessions forecast to 48,000 for the year down from 65,000 in June and a previously forecast 75,000 in recognition of lenders forbearance, government measures and low interest rates.

The findings of a Chartered Institute of Housing study for the South West⁶ concluded that:

- Properties being repossessed are most likely to be lower value properties and concentrated in urban areas.
- The causes of mortgage difficulties are related to unemployment and a reduction in income, which can then lead to relationship breakdown compounding the problem.
- Most households in difficulty stop paying altogether rather than making reduced payments.
- The number of households presenting as homeless to local authorities as a result of repossession has not increased, suggesting that most of these households do not look to local authorities for assistance.
- Sub prime lenders, specialist lenders and banks in receipt of government assistance make up the highest proportion of repossession actions.
- Almost all households facing repossession were paying higher than average interest rates.
- Households facing repossession are generally established home owners rather than first time buyers.
- Only around half of householders facing repossession attend the court hearing. Most are unaware of the options to avoid repossession that are available at court.
- Court desk usage is low, even among those who attend court, despite the fact that this intervention reduced the incidents of outright possession.
- Repossessions may increase as the market improves as lenders will gain more from the sale of the property.
- Access to debt advice services is patchy and the available services are insufficiently funded. Many people are directed by other agencies rather than self-refer.

The study recommends that local authorities should include repossession prevention in strategic housing documents and processes and ensure that there is well publicised housing and debt advice available.

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.

Nationally there has been a decrease in claims. Once again Devon has relatively low figures overall per 1,000 households, however Plymouth and West Devon are above the South West average and Exeter is above regional and national averages. Exeter has seen a rise since the previous quarter although there has been a small reduction since Quarter 3 2008. Over the year Torridge and West Devon have seen increases with claims in other authorities reducing.

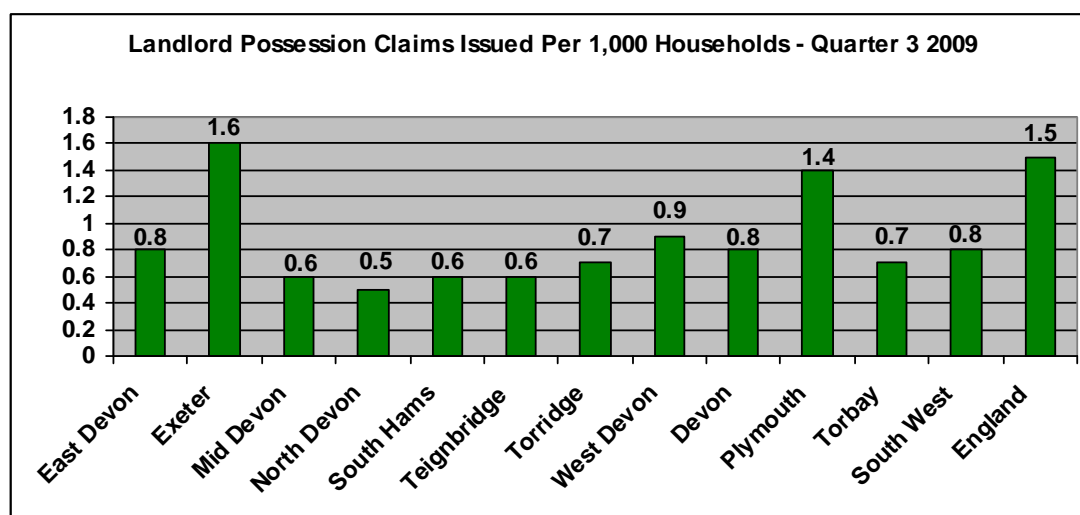
⁶ Analysis of Mortgage Repossessions in the South West October 2009

Table 17 - Landlord Possession Claims:

	Q3 2009 Total	% Change Q3 2009 to Q3 2008	Total Q4 2008 – Q3 2009	% Change in from Q4 2007 – Q3 2008
East Devon	45	-33%	175	-26%
Exeter	80	-5%	305	-14%
Mid Devon	20	*	65	-28%
North Devon	20	-42%	110	-10%
South Hams	20	*	90	1%
Teignbridge	35	-20%	145	-19%
Torrige	20	*	60	26%
West Devon	20	*	70	18%
Devon Total	255	-18%	1,020	-13%
Plymouth				
Plymouth	155	-40%	855	2%
Torbay				
Torbay	40	-20%	155	-24%
South West				
South West	1,865	-14%	7,820	-8%
England & Wales				
England & Wales	34,179	-9%	139,333	-7%

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

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



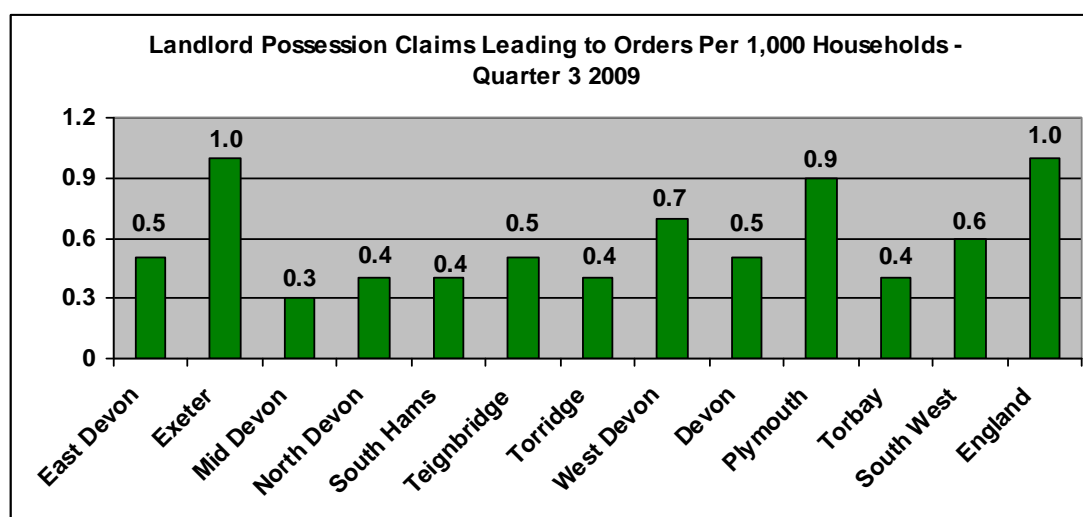
The picture for possession orders shows decreases at national and regional level. Overall for Devon there has been reduction over the past 12 months but the picture in individual authorities is mixed with rises in Plymouth, South Hams, Torrige and West Devon. Per 1,000 households Exeter is at the national level and Plymouth just below, the rest of the local authority areas are below the national average and other than West Devon below the regional average.

Table 18 - Landlord Possession Orders made:

	Q2 2009 Total	% Change Q2 2009 to Q2 2008	Total Q3 2008 – Q2 2009	% Change in from Q3 2007 – Q2 2008
East Devon	30	-27%	125	-21%
Exeter	50	-20%	195	-8%
Mid Devon	10	*	40	-39%
North Devon	15	*	80	-8%
South Hams	15	*	65	21%
Teignbridge	25	*	110	-21%
Torrige	10	*	40	11%
West Devon	15	*	55	20%
Devon Total	165	-20%	710	-11%
Plymouth				
Plymouth	100	-45%	665	10%
Torbay				
Torbay	25	-33%	110	-31%
South West				
South West	1,330	-10%	5,745	-3%
England & Wales				
England & Wales	23,442	-8%	94,963	-6%

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

Note - * Insufficient observations in base period to calculate % change.



Homelessness

Homeless acceptances for the first two quarters of 2009/10 are 32% less than over the same period last year across Devon with all but two authorities' acceptances falling, in a number of cases significantly. Teignbridge however has seen more acceptances for the first two quarters of this financial year than for the whole of 2008/09, with acceptances in North Devon increasing by 13%. Teignbridge experienced a steep rise in domestic violence cases accompanied by increase demand and staff shortages. The two unitaries show a marked contrast to each other with acceptances in Plymouth falling but rising in Torbay. Acceptances as a result of mortgage or rent arrears are still very low throughout the area.

Table 19 - Homeless Acceptances:

	Q1 2008/09	Q2 2008/09	Q3 2008/09	Q4 2008/09	Total	Q1 & Q2 2009/10	% Diff compared to Q1 & Q2 2008/09
East Devon	23	22	16	17	78	18	-60%
Exeter	38	31	31	23	123	53	-23%
Mid Devon	13	5	7	3	28	3	-83%
North Devon	7	8	5	7	27	17	+13%
South Hams	18	11	7	4	40	15	-48%
Teignbridge	3	1	15	9	28	34	+750%
Torrige	4	6	3	0	13	1	-90%
West Devon	17	21	10	3	51	11	-71%
Devon Total	122	103	94	66	385	152	-32%
Plymouth							
Plymouth	88	121	80	82	371	124	-41%
Torbay							
Torbay	27	31	24	24	106	75	+63%

Source: P1E returns

The number of homeless preventions increased by 15% between the first half of 2008/09 and the first half of 2009/10 across Devon, with significant rises seen in North Devon, South Hams and Torrige. This could well be as an indicator of the effects of the current economic climate.

Table 20 - Homeless Preventions:

	Q1 2008/09	Q2 2008/09	Q3 2008/09	Q4 2008/09	Total	Q1 & Q2 2009/10	% Diff compared to Q1 & Q2 2008/09
East Devon	55	43	39	33	170	136	+39%
Exeter	168	146	149	144	607	257	-18%
Mid Devon	37	27	37	23	124	65	+2%
North Devon	31	27	45	57	160	165	+184%
South Hams	36	45	24	36	141	125	+54%
Teignbridge	83	103	110	76	372	146	-22%
Torrige	37	57	54	55	203	148	+57%
West Devon	37	36	43	51	167	75	+3%
Devon Total	484	484	501	475	1,944	1,117	+15%
Plymouth							
Plymouth	150	82	115	132	479	253	+9%
Torbay							
Torbay	160	168	96	72	496	168	-49%

Source: P1E returns

Housing Delivery

Overall Housing Delivery

It was hoped that information on delivery would be available half-yearly; however it has not been possible to produce reliable information as yet. In the

next update we will include information on predicted delivery from the Annual Monitoring Returns completed by each authority. The 2008/09 figures appear in table 21 for information. The Devon Local Area Agreement (LAA) target for overall housing delivery was 3,360 with 2,621 homes delivered, achieving 78% of target. Targets for 2009/10 and 2010/11 are 3,530 and 3,880 respectively. A revision of both these and the affordable housing targets are currently being undertaken in view of the difficult economic situation and its impact on housing delivery.

Table 21 – 2008/09 Overall Housing Delivery:

LA	Overall Housing Delivery 2008/09
East Devon	355
Exeter	414
Mid Devon	384
North Devon	341
South Hams	232
Teignbridge	313
Torridge	226
West Devon	356
Devon Total	2,621

The view of one of the private sector developer partners is that "Despite a few signs of improvement we still remain in the middle of an unprecedented crisis in the housing market and house building as the 'credit crunch' shockwaves continue to impact on the industry. Annual housing starts in England in the year to September 2009 are 35% down on the year compared to September 2008 although in the south west there were some more encouraging signs in the figures for Q3 2009 which showed a 19% increase in starts compared to the previous year albeit from a low base figure. This is a reflection of increased RSL activity and some of the larger volume builders accelerating their build programmes in response to increased demand.

However, concerns remain as the Council for Mortgage Lending (CML) forecasts that although net lending will rise to £15billion in 2010 this is down from £108billion in 2007 at the peak of the market. Stricter lending criteria continue to have an impact on the first time buyer market where high levels of deposits are required. This has also impacted adversely on the intermediate housing market.

The Homes and Community Agency have brought sites forward through their Kick-start scheme and greater grant assistance and some of these have started on site. Time will tell how successful this will be as only limited funds have been available and they are time constrained. Worries about future funding for social housing as part of an overall public sector spending reduction remain and the possibility of a change in Government. This will continue to impact upon the delivery of S106 sites that include social housing

The inescapable truth is that fundamental to the future will be the availability of finance to house builders (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. The reluctance to build apartments due to market conditions means that densities will fall and fewer homes overall will be completed.

For the small and medium house builder margins still have to increase to take account of the increased and disproportionate risk.

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, if anything the situation has deteriorated. As a result in 2009 many smaller house builders have stopped building altogether or have gone out of business. Funding difficulties will mean that 2010 will be no better.

With economic uncertainty prevailing, a forthcoming general election and a continued rise in unemployment (albeit at a slower rate than anticipated) 2010 will be a difficult year."

Affordable Housing Delivery

In 2008/09 Devon delivered 675 new affordable homes, 92% of the LAA target of 730. Targets for 2009/10 and 2010/11 are currently 920 and 1,160 respectively but are currently being re-negotiated. So far this year 234 new affordable homes have been delivered, which equates to only 25% of target with predictions for the year indicating that around 644 homes will be delivered, 70% of target. For 2010/11 predicted delivery is 872 units, 75% of the target.

There has been considerable focus in trying to maintain delivery in the current market. 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. Future reductions 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.

Table 22 – Affordable Housing Delivery:

LA	Affordable Housing Delivery 2008/09	Affordable Housing Delivery Quarter 1 and 2 2009	Predicted Delivery for 2009/10
East Devon	9	0	14
Exeter	88	26	160
Mid Devon	111	37	64
North Devon	101	30	50
South Hams	52	40	50
Teignbridge	83	32	134
Torridge	103	42	63
West Devon	128	27	109
Devon Total	675	234	644

Devon has an allocation of £60 million in funding from the Homes and Communities Agency (HCA) to deliver just over 1,000 new affordable homes in the current 2008-2011 funding programme.

Table 24 – HCA funding allocation for affordable housing 2008-2011:

LA	HCA funding allocated (millions)
East Devon	£1.8m
Exeter	£30m
Mid Devon	£3.1m
North Devon	£1m
South Hams	£1.6m
Teignbridge	£8.7m
Torridge	£7.2m
West Devon	£6.4m
Devon Total	£59.8m

Rural Affordable Housing

In 2008/09 172 affordable homes were delivered in rural settlements (including Dartmoor National Park) against a target of 100. The targets for 2009/10 and 2010/11 are 120 and 140 respectively. 49 rural homes have been delivered so far this year, 41% of target and it is predicted that 97 homes, 81% of target, will be delivered in 2009/10, including 21 in Dartmoor National Park. Delivery against target is monitored quarterly by the Devon Rural Housing Partnership who are working with local authorities on a number of schemes as well as helping to assess housing need in rural parishes.

Table 23 – Rural Affordable Housing Delivery:

LA	Rural Affordable Housing Delivery 2008/09	Rural Affordable Housing Delivery Quarter 1 and 2 2009	Predicted Delivery for 2009/10
East Devon	9	0	1
Exeter	0	1	0?
Mid Devon	42	0	1
North Devon	18	1	10
South Hams	16	32	44
Teignbridge	2	0	6
Torridge	51	0	0
West Devon	34	15	35
Devon Total	172	49	97
Number in Dartmoor National Park	6	?	21

Private Sector Housing

Some of the private sector housing stock, particularly the private rented sector, has poor housing conditions and energy efficiency. Much of the stock in Devon is older and in need of updating. There are also a high number of

second homes in some more coastal areas and authorities are looking to bring empty homes back into use wherever possible to help meet housing need. It is therefore intended to expand future updates to include information on the condition of the private sector housing stock and grants being utilised to provide improvements.

Conclusions

1. The public sector is currently supporting the local economy. With future cuts likely there will be significant challenges to be faced. Although unemployment reduced in the three month period this was also the summer period when additional seasonal work is available.
2. Mortgage lending has increased and there has been more activity in the housing market, although transactions levels are still over 40% down on the 2006 peak. Prices crept up between March and September. Leading forecasters are still predicting falls in 2010 driven by restricted lending, increasing supply and unemployment.
3. Affordability remains an issue as prices are beyond the reach of many households in need and unlikely to fall to affordable levels. Incomes of over £30,000 are required to access lower quartile housing. Mortgages are still being rationed with access to Intermediate housing also affected. Private rents are high and can be difficult to afford for those whose incomes are above benefit levels.
4. Repossessions and homelessness are not a significant issue with interest rates remaining low. Homeless statistics support this. The Council of Mortgage Lenders has now revised its predicted figure down to 48,000 from the original 75,000 for 2009.
5. Housing delivery is likely to remain subdued over the next couple of years making current targets unrealistic, especially with the decline in available funding. Affordable housing predictions show that Devon is likely to meet around 78% of its current three year target. Negotiations are currently ongoing to reduce the target.
6. The future is very challenging given high levels of public debt, reduced funding and economic uncertainty. Devon will need to continue to be proactive to deliver in the current market.