DEVON STATE OF THE MARKET REPORT

JANUARY – JUNE 2010

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INTRODUCTION

This is the fourth edition of Devon's State of the Market Report. The Report and future reports will be six monthly rather than quarterly.

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 and number of sales falling nationally for the first time since the mid 1990's, although there was a slight recovery in 2009. House builders are having difficulty selling properties on new developments and are not starting to build on some sites. There was also a marked rise in unemployment.

This report monitors key information and trends on a regular 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 report includes information for Torbay, Plymouth and Cornwall, and where available the old Caradon area which forms part of the Plymouth Housing Market Area Partnership.

The six monthly updates will cover the following areas:

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Key Messages

- Affordability remains a critical issue. This is made worse by incomes reducing in real terms.
- Demand for intermediate housing is increasing but access to mortgages is limiting sales.
- Mortgage possession claims have fallen.
- Landlord possession claims are low in terms of overall figures compared with regional and national averages but some localities have seen an increase in possession claims on rented properties e.g. Plymouth, Exeter, Torbay, Mid Devon and Torridge.
- Overall homeless acceptances have fallen reflecting improvements in prevention work. There are some local differences which may reflect increases in demand locally, or variations in the effectiveness of prevention work and possible under reporting.
- Use of temporary accommodation for homeless people has fallen dramatically since 2004.
- Delivery of new rural affordable housing looks set to exceed target reflecting the focused work of Partners within the Devon Rural Housing Partnership.

New Initiatives in Devon

- Devon Home Choice went live in January 2010. This is the largest geographical CBL scheme in the country. Future editions of this report will include key information on demand for housing as reflected by Devon Home Choice.
- The Enhanced Housing Options work led by the Devon Housing Options Partnership continues to support people in the current difficult economic climate. The dedicated mortgage arrears advice line has assisted over 277 separate households since it went live in January 2009 and the Local Authority Money Advice Service which provides a money advice presence in all 10 Devon local authorities, saw 866 separate households assisted in 2009/10, providing an overall additional income lift of £187,103.53.

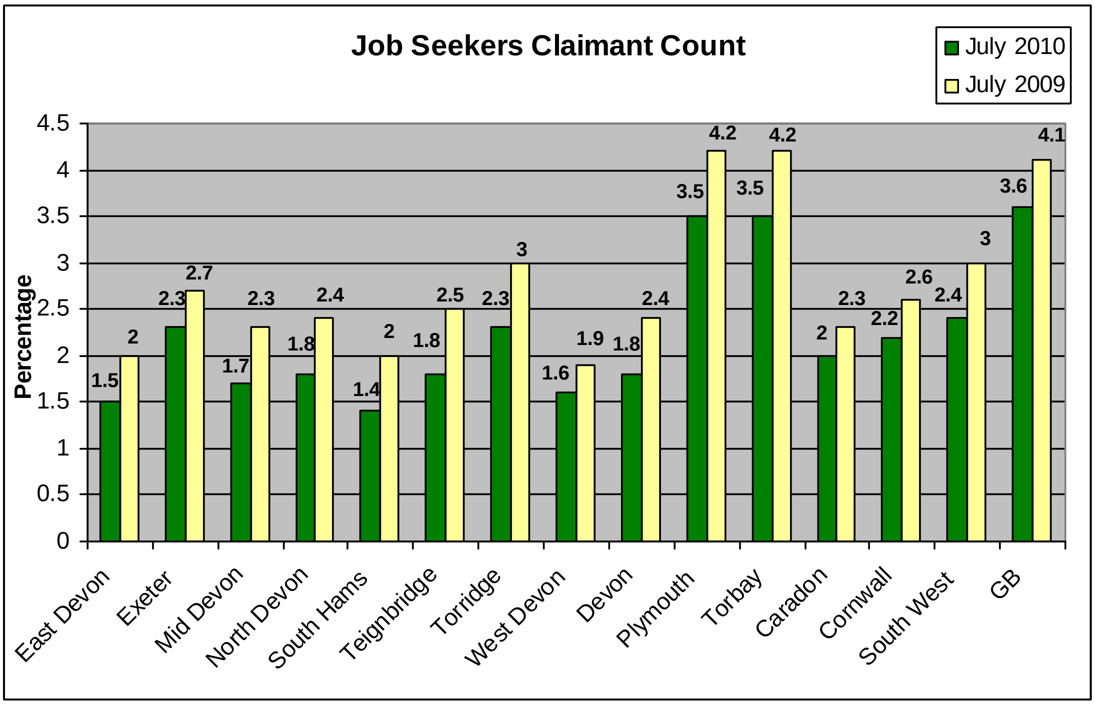
The Sub-Regional Economy & Unemployment

The world economy is growing again[1] but there is a high risk of default in some countries as evidenced by recent issues in Greece, Spain and Portugal. Any default would have far ranging consequences for the world's economies and although the problems are being addressed such a default cannot be completely discounted. Measures to prevent a future banking crisis will also be required to provide future stability.

In the UK economic policy will be crucial for the new Coalition Government. The June budget has already set out large scale cuts in public sector spending to address the high levels of public debt. The Comprehensive Spending Review in the autumn is likely to give greater detail as to how these savings will be achieved. Although restoring balance to public finances is clearly important the main goal will be to help support a sustainable economy through this difficult period. The first half of 2010 has seen some positive signs of improvement in the UK economy with a small growth in GDP.

The South West did not suffer as badly as many other parts of the country during the recession and there are already signs of improvement. Public Sector investment has been very important for the South West and there is a risk that the significant cuts proposed may dampen demand in the region before the private sector has recovered sufficiently to plug the gap.

The chart below shows the change in unemployment between July 2009 and July 2010.



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

The percentage of JSA Claimants has fallen over the year nationally, across the South West and in Devon and Cornwall. Only Plymouth and Torbay exceed the national and South West averages although both these have seen significant falls over the year as has Devon.

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[1] South West RDA Economics Review May 2010

The figures only take into account those claiming Job Seekers Allowance (JSA). Statistics for those working age people who were economically inactive at the end of November 2009[2] suggest that around 15,500 people in Devon were looking for some form of employment, considerably more than the number claiming JSA. In Cornwall this figure is 18,900, an even greater disparity, whilst in Plymouth the figure looking for work is more than double the number claiming JSA at 13,700. It is therefore likely that the real unemployment total is somewhat higher than the JSA figures suggest.

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

	January 2010	July 2010	July 2009
East Devon	1,483	1,116	1,370
Exeter	2,214	1,907	2,278
Mid Devon	981	772	1,039
North Devon	1,447	967	1,239
South Hams	1,005	727	961
Teignbridge	1,843	1,360	1,804
Torridge	1,160	913	1,124
West Devon	571	507	572
Devon Total	**10,704**	**8,269**	**10,387**
Plymouth	6,674	5,964	6,744
Torbay	3,710	2,800	3,195
Caradon	1,299	1,016	1,137
Cornwall	10,320	7,080	8,102

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

House Prices

Average House Prices

Table 2 - Mean Average House Prices:

	2008	2009	Q1 2010	Q2 2010	% Change 2008 to 2009
East Devon	262,704	248,350	280,532	256,611	-5.5%
Exeter	210,257	196,003	208,414	197,947	-6.8%
Mid Devon	218,365	206,327	221,109	218,188	-5.5%
North Devon	227,844	211,073	229,675	229,293	-7.4%
South Hams	308,343	283,420	327,529	313,443	-8.1%
Teignbridge	224,458	216,232	207,707	223,413	-3.7%
Torridge	205,942	200,357	201,465	212,107	-2.7%
West Devon	233,245	223,047	231,373	231,514	-4.4%
Devon	**238,384**	**225,038**	**244,328**	**236,899**	**-5.6%**
Plymouth	157,046	153,109	160,390	164,640	-2.5%
Torbay	190,625	175,737	176,681	194,035	-7.8%
Cornwall	228,266	213,366	226,989	227,683	-6.5%
South West	222,704	210,830	226,477	225,596	-5.3%
England	220,310	216,493	238,341	N/K	-1.7%

Source: Land Registry and CLG Live tables

2 www.nomisweb.co.uk

CLG live tables using Land Registry data on completed sales show that mean average property prices fell across all areas in Devon between 2008 and 2009 at a higher rate than that seen nationally. Prices in Devon are broadly similar to the national average with South Hams and East Devon well above this figure and Plymouth significantly below. Plymouth saw the smallest fall in average prices at 2.5% and South Hams the largest at 8.1%.

Quarter 1 2010, however, saw a recovery in property prices to around 2008 averages in most places with East Devon and South Hams showing the greatest increases. Quarter 2 figures are more mixed with reductions in five Devon districts with the largest fall in East Devon. Prices in North Devon and West Devon remained static whilst increases were seen in Teignbridge and Torridge. The unitaries of Plymouth, Torbay and Cornwall have seen increases, and overall prices are still above the average for 2009.

The Royal Institute of Chartered Surveyors (RICS) is reporting increased supply and lowering demand leading to price falls. Consumer confidence in light of the impending public sector cuts and potential job losses coupled with continuing difficulties in obtaining finance are likely to stifle the market in 2010 leading to further falls.

Table 3 – Lower Quartile Average House Prices

	2008	2009	Q1 2010	% Change 2008 to 2009
East Devon	162,000	160,000	170,251	-1.2%
Exeter	149,000	146,000	143,875	-2.0%
Mid Devon	148,000	138,000	141,500	-6.8%
North Devon	147,938	145,000	150,000	-2.0%
South Hams	173,125	166,000	189,000	-4.1%
Teignbridge	145,000	145,000	138,250	0%
Torridge	140,000	139,950	134,000	0%
West Devon	155,000	140,000	155,000	-9.7%
Devon	**150,000**	**148,000**	**152,000**	**-1.2%**
Plymouth	117,000	112,000	115,000	-4.3%
Torbay	133,250	127,000	118,250	-4.7%
Cornwall	145,500	140,000	142,000	-3.8%
South West	143,000	138,000	141,000	-3.5%
England	124,000	121,000	122,500	-2.4%

Source: Land Registry and CLG Live tables

Lower quartile prices on the other hand fell at a lower rate in Devon than nationally perhaps influenced by the general lack of smaller housing stock in the county. The exceptions being South Hams, Mid Devon and West Devon, the last two seeing reductions of 6.8% and 9.7% respectively. Overall lower quartile house prices are higher in Devon than nationally with the exception of Plymouth and Torbay who have a larger percentage of smaller housing stock than most of Devon. Quarter 1 saw prices rise in five of the eight Devon districts and in Plymouth, with falls seen in the remaining areas.

The Hometrack Housing Intelligence system, to which Devon 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. However, there is also no guarantee that properties will actually sell for the valuation price.

Tables 4 and 5 show mean and lower quartile averages as at June 2009, December 2009 and June 2010 from sales only data. It should be noted that small sample sizes may distort prices in some areas.

Property prices increased significantly in all areas between June 2009 and June 2010 with South Hams prices up by almost 40%.

Table 4 - Mean average house price by sales:

	June 2009	Dec 2009	June 2010	Difference Jun 2009 to Jun 2010
East Devon	238,058	246,380	274,677	+15.4%
Exeter	190,791	195,023	199,138	+4.4%
Mid Devon	199,533	208,551	216,314	+8.4%
North Devon	201,092	215,285	228,248	+13.5%
South Hams	226,555	280,347	316,073	+39.5%
Teignbridge	205,121	219,218	223,146	+8.8%
Torridge	191,690	206,404	213,762	+11.5%
West Devon	221,878	220,387	240,696	+8.5%
Plymouth	150,370	153,933	160,999	+7.1%
Torbay	175,872	175,926	181,118	+3.0%
Cornwall	208,515	214,650	226,761	+8.8%
South West	202,679	215,520	227,696	+12.3%
England	202,711	223,480	235,596	+16.2%

Source: Hometrack

Table 5 - Lower Quartile Average house price by sales:

	June 2009	Dec 2009	June 2010	Difference Jun 2009 to Jun 2010
East Devon	159,950	162,500	169,500	+6.0%
Exeter	140,000	149,950	142,000	+1.4%
Mid Devon	139,000	139,950	142,000	+2.2%
North Devon	138,000	109,000	150,000	+8.7%
South Hams	160,000	169,000	185,000	+15.6%
Teignbridge	140,000	148,995	154,950	+10.7%
Torridge	135,000	144,000	143,000	+5.9%
West Devon	135,000	145,000	158,000	+9.6%
Plymouth	108,500	115,000	115,000	+6.0%
Torbay	126,000	130,000	124,000	-1.6%
Cornwall	137,000	145,000	145,000	+5.8%
South West	135,000	142,450	145,000	+7.4%
England	117,500	128,521	124,950	+6.3%

Source: Hometrack

Other than Torbay, where lower quartile house prices reduced slightly, all other areas have seen an increase, although at a smaller percentage than the

overall average. Once again South Hams saw the biggest increase; in excess of 15%.

Tables 6 and 7 show a combination of sales and valuation data for mean and lower quartile averages.

Table 6 - Mean average house price by sales and valuation data:

	June 2009	Dec 2009	June 2010	Difference Mar 2009 to Mar 2010
East Devon	250,907	250,681	268,989	+7.2%
Exeter	193,909	196,428	203,322	+4.9%
Mid Devon	224,018	226,459	238,303	+6.4%
North Devon	214,125	226,201	241,248	+12.7%
South Hams	281,785	297,425	329,825	+17.0%
Teignbridge	219,378	226,092	230,047	+4.9%
Torridge	211,892	215,804	218,868	+3.3%
West Devon	235,810	242,430	272,040	+15.4%
Plymouth	153,248	157,819	164,947	+7.6%
Torbay	185,517	182,404	192,909	+4.0%
Cornwall	214,129	219,103	228,483	+6.7%
South West	217,908	224,885	237,149	+8.8%
England	223,365	233,037	242,517	+8.6%

Source: Hometrack Automated Valuation Model

Table 7 - Lower Quartile Average house price by sales and valuation data:

	June 2009	Dec 2009	June 2010	Difference Mar 2009 to Mar 2010
East Devon	160,000	165,000	169,000	+5.6%
Exeter	145,000	147,000	150,000	+3.4%
Mid Devon	141,000	143,000	150,000	+6.4%
North Devon	144,000	152,000	158,000	+9.7%
South Hams	160,000	174,950	185,000	+15.6%
Teignbridge	141,000	147,000	152,000	+7.8%
Torridge	140,000	145,000	149,000	+6.4%
West Devon	150,000	150,000	160,500	+7.0%
Plymouth	110,000	116,000	120,000	+9.1%
Torbay	130,000	130,000	134,000	+3.1%
Cornwall	142,500	147,000	150,000	+5.3%
South West	140,000	145,000	150,000	+7.1%
England	125,000	130,000	130,000	+4.0%

Source: Hometrack Automated Valuation Model

Increases are generally lower than for the sales only data, supporting the RICS report suggesting that the market is stalling.

The average price of a one bedroom flat in some of local authority areas remains below £100,000 (Table 8). One bedroom, flats are most expensive in East Devon and Exeter with South Hams having the highest prices for other property types and sizes. A number of areas in Devon are more expensive for two, three and four bedroom houses than nationally.

Plymouth remains the cheapest for one bedroom flats with Mid-Devon the least expensive of the Devon districts for one and two bedroom flats. Exeter is generally more expensive for lower quartile properties.

Table 8 - Average prices by type and size:

	1 Bed Flat	**2 Bed Flat**	**2 Bed House**	**3 Bed House**	**4 Bed House**
East Devon	116,517	174,148	189,427	236,164	369,118
Exeter	110,303	151,727	167,328	204,668	288,613
Mid Devon	85,500	101,314	165,010	204,412	316,009
North Devon	98,632	155,355	181,091	222,600	309,719
South Hams	101,121	192,690	201,177	265,914	419,392
Teignbridge	95,961	131,439	169,254	204,234	310,123
Torridge	86,450	130,125	153,316	195,453	288,417
West Devon	93,333	130,000	161,441	215,294	367,139
Plymouth	85,371	122,574	131,036	160,835	226,695
Torbay	92,604	136,711	156,982	190,013	250,681
Cornwall	106,585	149,699	166,713	210,198	305,611
South West	109,524	160,774	168,090	208,892	317,295
England	163,730	215,134	154,521	200,777	336,562

Source: Hometrack

Table 9 - Lower Quartile average prices for 1 and 2 bed properties:

	1 Bed Flat	**2 Bed Flat**	**2 Bed House**
East Devon	90,250	119,950	150,000
Exeter	100,750	132,000	150,000
Mid Devon	75,000	96,225	130,000
North Devon	95,000	117,250	136,500
South Hams	82,250	140,000	146,250
Teignbridge	87,500	112,500	135,250
Torridge	79,950	98,000	127,000
West Devon	72,000	109,500	125,000
Plymouth	71,250	95,000	114,000
Torbay	75,000	109,000	130,000
Cornwall	85,000	114,000	130,000
South West	85,000	115,000	130,000
England	100,000	125,000	100,000

Source: Hometrack

Volume of House Sales

Although the number of sales decreased nationally in 2009 the South West saw an increase; in Devon this was quite significant with Teignbridge and East Devon seeing rises in excess of 20% and all bar West Devon with double percentage figure increases. Plymouth saw the smallest increase of just over 1%. Sales are still around 50% lower than the peak. Despite an improving

picture throughout 2009 the number of sales fell back sharply in Quarter 1 2010 but then recovered in Quarter 2. The knowledge that an election was imminent may well have been a contributory factor to the reduction in sale numbers for the first quarter.

Table 10 - Change in the Number of House Sales:

	2008	2009	Q1 2010	Q2 2010	% Change 2008 to 2009
East Devon	1,878	2,309	459	631	+22.9%
Exeter	1,377	1,628	282	432	+18.2%
Mid Devon	972	1,167	214	230	+20.1%
North Devon	1,102	1,314	250	357	+19.2%
South Hams	1,124	1,342	291	330	+19.4%
Teignbridge	1,489	1,864	329	460	+25.2%
Torridge	911	1,077	183	262	+18.2%
West Devon	819	867	168	214	+5.9%
Devon Total	**9,672**	**11,568**	**2,176**	**2,916**	**+19.6%**
Plymouth	3,092	3,126	589	772	+1.1%
Torbay	1,869	2,037	404	497	+9.0%
Cornwall	6,575	7,240	1,499	1,866	+10.1%
South West	67,430	74,756	14,124	18,597	+10.9%
England	609,840	586,894	121,588	N/K	-3.7%

Source: CLG live tables and Land Registry data

Table 11 - Change in the Number of House Sales Q2 2010 from the Peak in Q3 2006:

	Q2 2010	Q3 2006	% Difference
East Devon	631	1,067	-40.9%
Exeter	432	929	-53.5%
Mid Devon	230	618	-62.8%
North Devon	357	614	-41.9%
South Hams	330	592	-44.3%
Teignbridge	460	905	-49.2%
Torridge	262	530	-50.6%
West Devon	214	358	-40.2%
Devon Total	**2,916**	**5,613**	**-48.0%**
Plymouth	772	1,755	-56.0%
Torbay	497	1,122	-55.7%
Cornwall	1,866	3,704	-49.6%

Source: Land Registry

Mortgages

Mortgage Lending[3]

National data from the Council of Mortgage Lenders shows a continuing increase in house purchase loans over the year. The number of loans agreed for first time buyers is also up, with only remortgages falling although there was an increase between May and June 2010.

The proposed government cuts have yet to make an impact on mortgage demand, although the recent RICS report suggests that consumer confidence is falling and having a knock effect to the housing market.

Table 12 – Mortgage Lending:

	June 2010	% Change from May 2010	% Change from June 2009
Number of house purchase loans	52,000	+19%	+14%
Value of house purchase loans £m	7,600	+23%	+27%
Number of remortgage loans	27,000	+6%	-20%
Value of remortgage loans £m	3,400	+6%	-19%
Number of first time buyer loans	19,400	+20%	+12%
Value of first time buyer loans £m	2,400	+26%	+26%
Number of home mover loans	32,200	+19%	+15%
Value of home mover loans £m	5,200	+24%	+27%

Average deposits for first time buyers have fallen slightly to 24% over the year; however this is an increase on the May figure of 21%. Income ratio's to borrowing have increased over the year but thanks to low interest rates the proportion of income spent on interest payments has fallen.

Table 13 – Mortgage Lending and Affordability

	First Time Buyers	Home Movers
Average Loan to Value June 2010	76%	69%
Average Loan to Value June 2009	75%	69%
Average Income Multiples June 2010	3.28	2.91
Average Income Multiples June 2009	3.08	2.76
Proportion of income spent on interest payments June 2010	13.3%	9.6%
Proportion of income spent on interest payments June 2010	14.9%	11.3%

[3] Council of Mortgage Lenders June 2010 data

Deposits and Mortgage availability[4]

In May mortgage rates fell to their lowest level for 15 months with the average two year fixed rate mortgage falling from 5.21% at its peak to 4.61%. Three and five year fixed deals have also seen rates drop from 5.61% and 6.24% to 5.3% and 5.74% respectively. The average standard variable rate stands at 4.66% with the lowest available being 2.5%. With such low interest rates there is little incentive for borrowers to remortgage and many existing borrowers are using the opportunity to overpay their mortgages whilst rates are low reducing the length of the mortgage and the overall interest they will have to pay.

Equity is increasingly important with tiered mortgage rates offering the best rates to those with the greatest equity. The gap is still widening between the mortgage rates on offer to those with large deposits as opposed to borrowers who can only provide a relatively small deposit. For example, borrowers with a 40% deposit can obtain a mortgage at around 2.8% whereas borrowers with only a 10% deposit will pay a minimum of around 5.2% with the average being 6.15%, although this is down from 6.48% six months ago. Borrowers with a 25% deposit can expect to pay an average of 4.11%. The average deposit required by a first time buyer is around £44,000.

The number of mortgages requiring just a 10% deposit has increased and there are now around 20 mortgage products that will allow as little as 5% with the salary multiples becoming a little more generous that a year ago.

As well as the RICS report showing a slow down in the market, Savills are predicting further price falls in 2010 with most of the growth seen in 2009 and early 2010 wiped out and prices reduced to late 2008 levels, which is a 15% reduction from the peak. They expect growth to resume in the second half of 2012 returning to peak levels during 2014.

Affordability

The income thresholds required to purchase a lower quartile property have risen over the six month from December 2009. Plymouth has the lowest at just under £30,000 and South Hams the highest at almost £48,000. Whilst the unitaries are below the national average, all the Devon districts are well above this figure.

Median household incomes across Devon are considerably below the lower quartile income thresholds quoted in the above table with only Plymouth's average income getting anywhere near the threshold for the city. Affordability to market housing is still an issue across Devon, especially as there are many households whose income is below the median average. With wages unlikely to rise and savings interest at a low, once inflation is taken into account, incomes in real terms are down and thus affordability even more strained.

[4] Moneyfacts

Table 14 – Income thresholds for Lower Quartile properties:

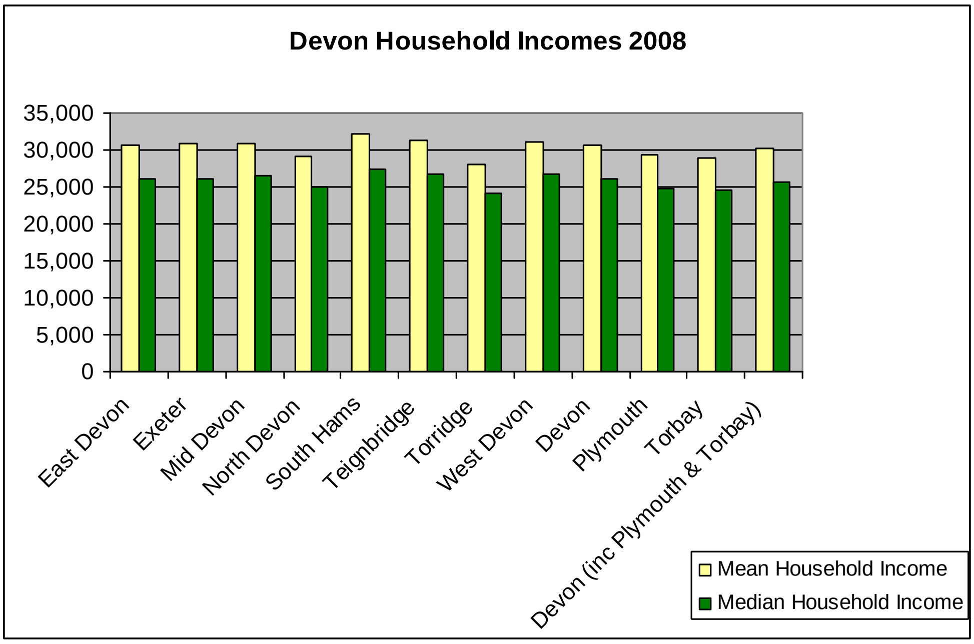
	December 2009 Lower Quartile House Prices	10% Deposit	Income Threshold at 3.5 Times Salary	June 2010 Lower Quartile House Prices	10% Deposit	Income Threshold at 3.5 Times Salary
East Devon	162,500	16,250	41,786	169,500	16,950	43,586
Exeter	149,950	14,995	38,559	142,000	14,200	36,514
Mid Devon	139,950	13,995	35,987	142,000	14,200	36,514
North Devon	109,000	10,900	28,029	150,000	15,000	38,571
South Hams	169,000	16,900	43,457	185,000	18,500	47,571
Teignbridge	148,995	14,900	38,313	154,950	15,495	39,844
Torridge	144,000	14,400	37,029	143,000	14,300	36,771
West Devon	145,000	14,500	37,286	158,000	15,800	40,629
Plymouth	115,000	11,500	29,571	115,000	11,500	29,571
Torbay	130,000	13,000	33,429	124,000	12,400	31,886
Cornwall	145,000	14,500	37,286	145,000	14,500	37,286
South West	142,450	14,245	36,630	145,000	14,500	37,286
England	128,521	12,852	33,048	124,950	12,495	32,130

Source: Hometrack sales only data

Table 15: 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	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

Private Rental Market

Nationally and regionally private rents appear to be increasing, although within Devon and Cornwall there has been little movement in the last quarter. Generally renting is more expensive in Exeter where one and two bed properties are at a premium, whilst three bed properties are most expensive in South Hams. The cheapest median average rents for one and two bedroom properties are still in North Devon. The private rented market often has some of the poorest housing conditions and houses many vulnerable households on housing benefit.

Table 16 – Private Rents:

Area	1 Bed Average Weekly Rent	2 Bed Average Weekly Rent	3 Bed Average Weekly Rent
East Devon	103	138	173
Exeter	124	154	177
Mid Devon	92	121	150
North Devon	92	115	137
South Hams	103	137	183
Teignbridge	103	129	173
Torridge	Not available	126	Not available
West Devon	98	121	135
Plymouth	103	126	144
Torbay	103	137	167
Cornwall	107	126	153
South West	115	150	183
England	173	226	311

Source: Hometrack

The income required to access private rented housing in Devon, although lower than for house purchase and well below the national figure, is still high and can be a struggle for households on local incomes to afford, even where partial housing benefit is payable.

Table 17: 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	5,356	21,424
Exeter	6,448	25,792
Mid Devon	4,784	19,136
North Devon	4,784	19,136
South Hams	5,356	21,424
Teignbridge	5,356	21,424
Torridge	Not available	Not known
West Devon	5,096	20,384
Plymouth	5,356	21,424
Torbay	5,356	21,424
Cornwall	5,564	22,256
South West	5,980	23,920
England	8,996	35,984

Intermediate Housing

Demand is showing signs of increasing and the improvement in mortgage availability is assisting sales; however there are still only a limited number of lenders and section 106 restrictions can reduce this further. On properties with no mortgagee in possession clause, as in Dartmoor National Park, it is still almost impossible to find a mortgage and these issues will need to be addressed to enable further sales.

A national study by Hometrack[5], looking at 90,000 two bed lets in housing association properties last year, showed that 15,000 households allocated general needs homes would have had enough income to make them eligible for an intermediate rent of 80 per cent of their home's open market value. The study assumed that 35% of income could be spent on housing costs.

It also found that 8,762 households would have been eligible for a 25 per cent share in a low cost homeownership home, while 7,556, would have been eligible for a 50% share.

More than a quarter of households would have been eligible for intermediate rent at 60 per cent of open market value, while 19,096 would have been eligible for rent at 70 per cent.

With restricted funding in the future it will be important to make best use of the available stock and consider alternative options to enabling social rented housing to meet need.

The new Coalition Government appears to be committed to home ownership but whether there will be a review of the current shared equity products remains to be seen.

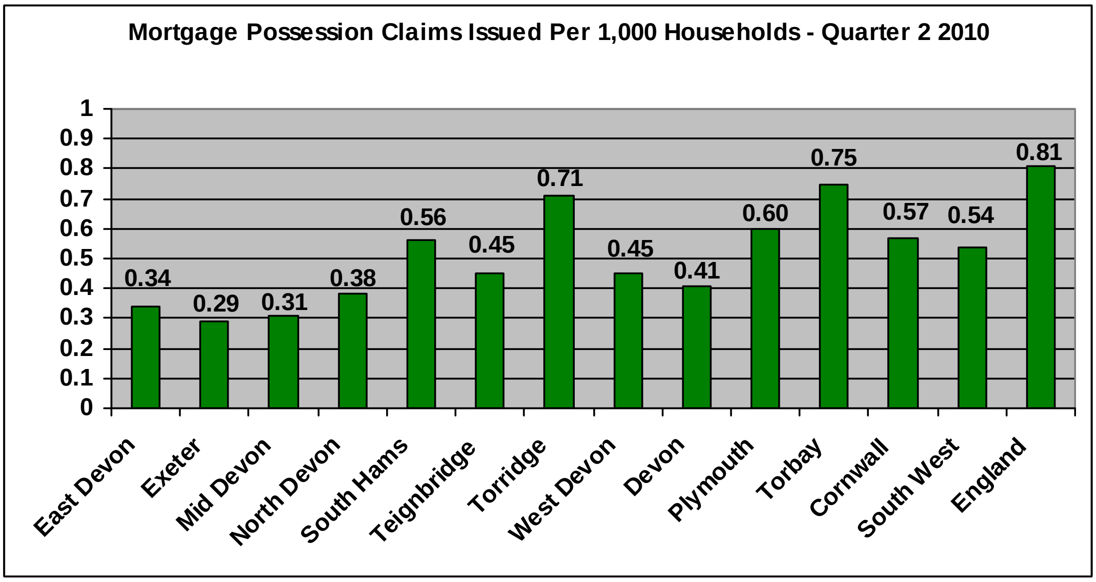
[5] Inside Housing 7th June 2010

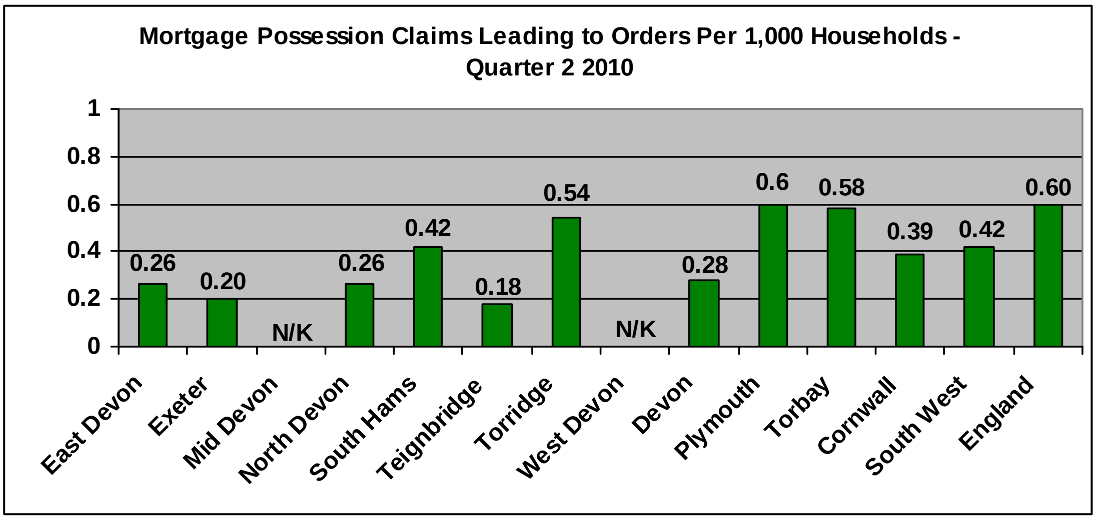
Mortgage Possession Claims & Orders

This section looks at mortgage possession claims issued and orders made through the county courts[6]. Some of these will not feed through to actual repossession but are a good indicator of the problems being faced by households.

Mortgage possession claims are 30% down across the country on the same quarter last Year and 5% down on Quarter 1 2010. The Mortgage Pre-Action Protocol introduced in November 2008, giving guidance on actions for lenders and borrowers to undertake before issue of a claim, has led to large falls in the number of claims issued. The number of claims leading to orders is 29% lower over the year and 7% down on Quarter 1. Where an order is granted 63% of those properties are actually repossessed.

Generally the number of claims issued and order made per 1,000 households in Devon is relatively low with Teignbridge one of the lowest in the country for mortgage claims leading to an order at 0.18 per 1,000 households.





[6] Ministry of Justice statistics on mortgage and landlord possession actions second quarter 2010

The number of Mortgage Possession Claims Issued has fallen across Devon by almost a third over the year with the smallest fall in West Devon at 15% and the largest in Mid-Devon at 48%. Claims leading to an order are showing a similar trend.

Table 18: Change in Mortgage Possession Claims:

	Q2 2010	% Change Q2 2010 to Q2 2009	Total Q3 2009 – Q2 2010	% Change in from Q3 2009 – Q2 2010
East Devon	20	*	85	-22%
Exeter	15	-57%	75	-41%
Mid Devon	10	*	55	-48%
North Devon	15	*	75	-46%
South Hams	20	*	70	-22%
Teignbridge	25	-21%	110	-25%
Torridge	20	*	65	-21%
West Devon	10	*	45	-15%
Devon Total	130	-26%	585	-32%
Plymouth	65	-44%	330	-31%
Torbay	45	-36%	215	-33%
Cornwall	130	-30%	575	-24%
South West	1,195	-33%	5,385	-29%
England & Wales	18,395	-30%	80,346	-29%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – second quarter 2010.
Note - Note: * Insufficient observations in base period to calculate % change.

Table 19: Change in Mortgage Possession Claims Leading to Orders:

	Q2 2010	% Change Q2 2010 to Q2 2009	Total Q3 2009 – Q2 2010	% Change in from Q3 2009 – Q2 2010
East Devon	15	*	60	-22%
Exeter	10	*	60	-42%
Mid Devon	*	*	45	-48%
North Devon	10	*	60	-44%
South Hams	15	*	55	-29%
Teignbridge	10	*	70	-43%
Torridge	15	*	55	-27%
West Devon	*	*	25	-43%
Devon Total	90	-38%	425	-38%
Plymouth	65	-23%	275	-29%
Torbay	35	-16%	175	-28%
Cornwall	90	-26%	465	-23%
South West	920	-28%	4,265	-29%
England & Wales	13,595	-29%	64,360	-30%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – second quarter 2010.
Note: * Observations fewer than 10/ Insufficient observations in base period to calculate % change.

Landlord Possession Claims & Orders

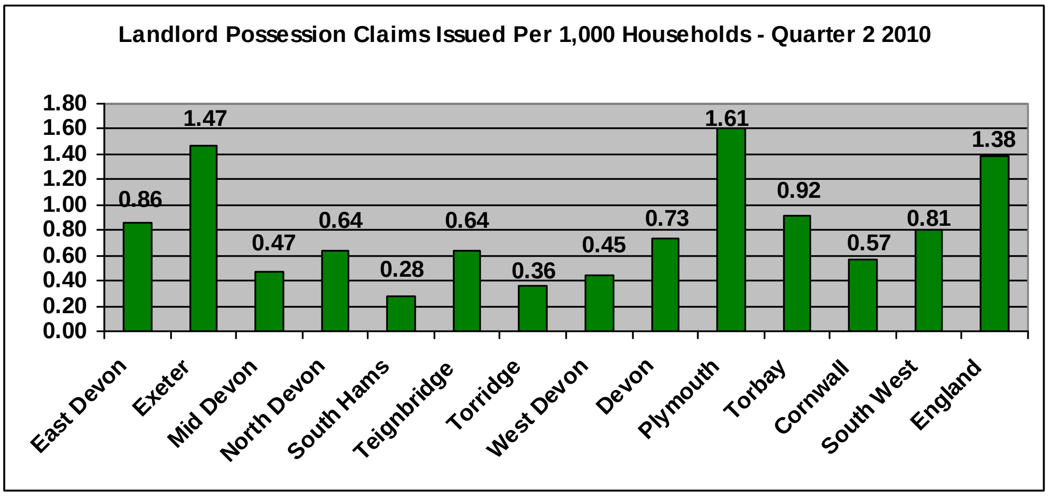
As well as monitoring mortgage repossessions it is also useful to look at claims and orders made on rented properties, particularly as loss of assured shorthold tenancy is one of the most common reasons for homelessness in the South West. A rise in possession claims and orders could indicate a problem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

Nationally there has been a small decrease in claims over the year. Once again Devon has relatively low figures overall per 1,000 households compared to national and regional averages. Plymouth, however, is above the national figure. Exeter has seen a 50% rise in claims compared to Quarter 2 2009 although the figure is down by 17% over the year. In Mid-Devon and Torridge there has been a significant increase over the year and Torbay has seen an increase for both the quarter and annually.

Table 20 - Landlord Possession Claims:

	Q2 2010	% Change Q2 2010 to Q2 2009	Total Q3 2009 – Q2 2010	% Change in from Q3 2009 – Q2 2010
East Devon	50	-5%	170	-14%
Exeter	75	**50%**	255	-17%
Mid Devon	15	*	100	**36%**
North Devon	25	*	90	-27%
South Hams	10	*	75	-19%
Teignbridge	35	*	135	-12%
Torridge	10	*	70	**21%**
West Devon	10	*	55	**-24%**
Devon Total	235	**17%**	950	-12%
Plymouth	175	-2%	500	-48%
Torbay	55	**71%**	195	18%
Cornwall	130	-20%	585	-17%
South West	1,790	3%	7,235	-11%
England & Wales	31,506	-3%	133,524	-6%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – second quarter 2010.
Note: * Insufficient observations in base period to calculate % change.

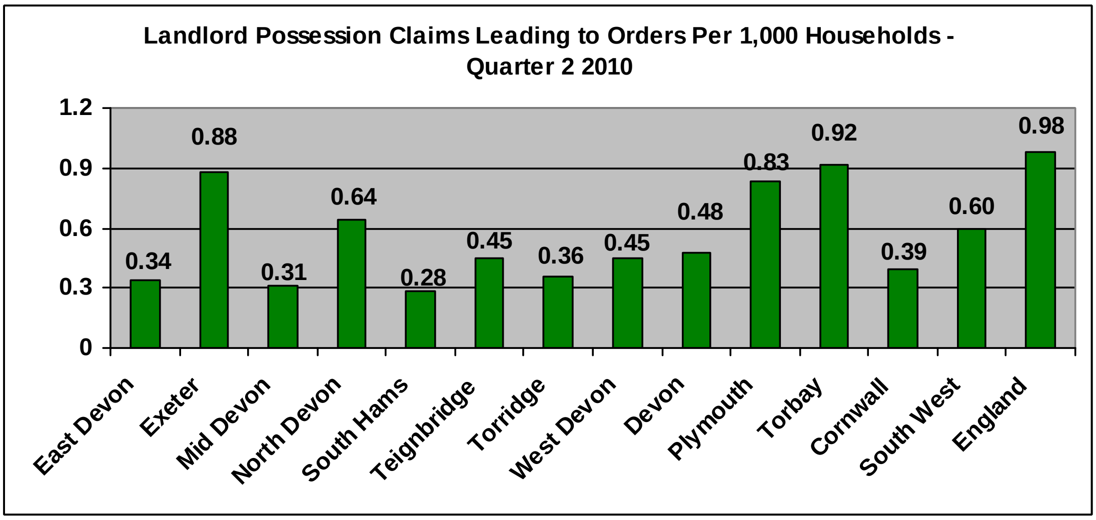


The picture for possession orders shows decreases at national and regional level. Overall for Devon there has been reduction in the past 12 months but the picture in individual authorities is mixed with rises in Mid-Devon, Torridge and Torbay. Per 1,000 households all areas are below the national average but a number of authorities are above the regional average.

Table 21 - Landlord Possession Orders made:

	Q2 2010	% Change Q2 2010 to Q2 2009	Total Q3 2009 – Q2 2010	% Change in from Q3 2009 – Q2 2010
East Devon	20	-49%	110	-20%
Exeter	45	-2%	170	-17%
Mid Devon	10	*	70	**39%**
North Devon	25	*	70	-24%
South Hams	10	*	55	-7%
Teignbridge	25	*	95	-16%
Torridge	10	*	50	**24%**
West Devon	10	*	55	**-4%**
Devon Total	155	-5%	670	-11%
Plymouth	90	-55%	335	-55%
Torbay	55	*	145	**18%**
Cornwall	90	-25%	410	-9%
South West	1,325	-4%	5,230	-11%
England & Wales	22,360	0%	90,860	-6%

Source: Ministry of Justice statistics on mortgage and landlord possession actions in the County Courts – second quarter 2010.
Note - * Insufficient observations in base period to calculate % change.



Homelessness

Homeless acceptances fell by 28% across the Devon County Council area in 2009/10 with significant falls in many districts. Teignbridge's acceptances almost doubled and there was a rise in North Devon of 15% with a small increase in Torbay. Teignbridge experienced a steep rise in domestic violence cases accompanied by increased demand and staff shortages. Acceptances and preventions as a result of mortgage or rent arrears remain low; however this may be masked by the success of the dedicated mortgage advice line and money advice services provided through Enhanced Housing Options, who assisted over 277 and 866 separate households respectively. The percentage of homeless applications compared to the number of acceptances varies significantly across the area but may be down to how successful initial advice is at preventing homelessness before it becomes necessary to take an application. Where the percentage figure is low this can indicate that a lot of successful prevention work takes place between application and decision.

Table 22 - Homeless Acceptances:

	2008/09	2009/10	% Diff compared to 2008/09	Number Homeless Decisions 2009/10	% Decisions to Acceptances
East Devon	78	31	-60%	142	22%
Exeter	123	109	-11%	166	66%
Mid Devon	28	10	-64%	47	21%
North Devon	27	31	+15%	41	76%
South Hams	40	20	-50%	43	47%
Teignbridge	28	55	+96%	117	47%
Torridge	13	5	-62%	16	31%
West Devon	51	18	-65%	23	78%
Devon Total	**385**	**279**	**-28%**	**595**	**47%**
Plymouth	371	244	-34%	444	55%
Torbay	106	109	+3%	297	37%
Cornwall	371	419	+13%	679	62%

Source: P1E returns

Table 23 - Homeless Preventions:

	2008/09	2009/10	% Diff compared to 2008/09
East Devon	170	243	+43%
Exeter	607	473	-22%
Mid Devon	124	154	+24%
North Devon	160	249	+56%
South Hams	141	222	+57%
Teignbridge	372	274	-26%
Torridge	203	241	+19%
West Devon	167	135	-19%
Devon Total	**1,944**	**1,991**	**+2%**
Plymouth	479	491	+2.5%
Torbay	496	370	-25%

Source: P1E returns

The number of homeless preventions increased by 2% over the year with significant variances across authorities. North Devon saw increases in both acceptances and preventions pointing towards increased demand. Teignbridge and Torbay saw increased acceptances and falls in preventions, which could point to a lack of success with prevention work or an under reporting of such work. In Teignbridge, in particular, a lack of staff resource may be hindering effective prevention. Exeter and West Devon also saw a fall in the number of preventions; however both saw a drop in acceptances as well indicating that there may have been a fall in the number of approaches or an increase in the staff skills to deal with enquiries.

Table 24 – Temporary Accommodation

	End Year 2009/10	**Target**
East Devon	68	117
Exeter	130	150
Mid Devon	9	88
North Devon	4	31
South Hams	31	49
Teignbridge	16	27
Torridge	5	9
West Devon	9	9
Devon Total	**272**	**480**
Plymouth	63	75
Torbay	107	150

All local authorities in Devon have successfully met their target to reduce temporary accommodation by a half. The number of people in temporary accommodation across the Devon County area has reduced by more than 70% since December 2004 with reductions of around 60% in Plymouth and Torbay.

Housing benefit reforms proposed by the Government may have an effect on homelessness in the coming years; in particular the 10% reduction in payments for people on Job Seekers Allowance for more than a year, capping the Local Housing Allowance to the 30th rather than 50th percentile for private rented accommodation and the limiting of housing benefit payable to social tenants so that it only covers the size of property they are judged to need.

Housing Delivery

All Housing Delivery - Open Market and Affordable Housing (NI 154)

Regional Spatial Strategies (RSS) and the Housing and Planning Delivery Grant have been abolished by the new Coalition Government in favour of meeting the needs of local communities. Fresh policy is being drawn up to replace the RSS; however the plans of local authorities in Devon do not depend on having a regional plan but are already firmly based in the local area and are aimed at addressing local needs for homes and jobs.

The reduction in public sector funding, including that set aside for kickstart projects and the continuing economic uncertainty may well have an impact on the ability of developers to deliver housing across the country.

Table 25 – Overall Housing Delivery:

LA	Overall Housing Delivery 2008/09	Overall Housing Delivery 2009/10
East Devon	355	Information awaited
Exeter	414	Information awaited
Mid Devon	384	Information awaited
North Devon	341	Information awaited
South Hams	232	217
Teignbridge	313	Information awaited
Torridge	226	Information awaited
West Devon	356	225
Devon Total	**2,621**	Information awaited
Plymouth	1,003	Information awaited
Torbay	Information awaited	Information awaited

Affordable Housing Delivery (NI 155)

Devon's target is set out on the Local Area Agreement for a three year period and was revised in light of the economic situation and the availability of funding.

Table 26: LAA NI 155 Targets for Devon:

2008/09	2009/10	2010/11	Total 3 Year
675	637	719	2031

Delivery for 2009/10 was similar to 2008/09 figures and forecasts for 2010/11 suggest that there will be an increase in completions. The longer term situation is uncertain due to the likely reduction in funding; this will become clearer after the Comprehensive Spending Review in the autumn.

Table 27 – Affordable Housing Delivery:

LA	Affordable Housing Delivery 2008/09	Delivery for 2009/10	Predicted Delivery for 2010/11
East Devon	9	18	122
Exeter	88	158	173
Mid Devon	111	54	65
North Devon	101	43	72
South Hams	52	60	61
Teignbridge	83	174	159
Torridge	103	93	110
West Devon	128	60	172
Devon Total	**675**	**660**	**934**
Plymouth	290	389	237
Torbay	119	117	155
Caradon	96	103	Not available

The completion figures quoted conform to the definitions of Affordable Housing as set out by CLG in their Frequently Asked Questions about the National Indicator Set:
http://www.audit-commission.gov.uk/localgov/audit/nis/Pages/faqs.aspx

Rural Affordable Housing
Rural Affordable Housing is important to Devon's rural economy and the longer term sustainability of its rural communities. The Devon LAA has therefore set a separate, local target for the delivery of rural affordable housing. This target has not been revised. The target is owned by the Devon Rural Housing Partnership (DRHP) and the North Devon and Exmoor Rural Housing Enabler Steering Group.

DRHP manage the Rural Housing Enabler Programme in Devon. Membership includes Local Authorities and Registered Social Landlords. DRHP has developed a graded pipeline of schemes which is regularly monitored by Partners. The graded pipeline suggest a 'U' shaped delivery profile with the target being exceeded significantly in 2008/09, a drop below target in 2009/10 and an anticipated return to 2008/09 levels of delivery in 2010/11. The two key issues currently affecting delivery are funding availability and community support.

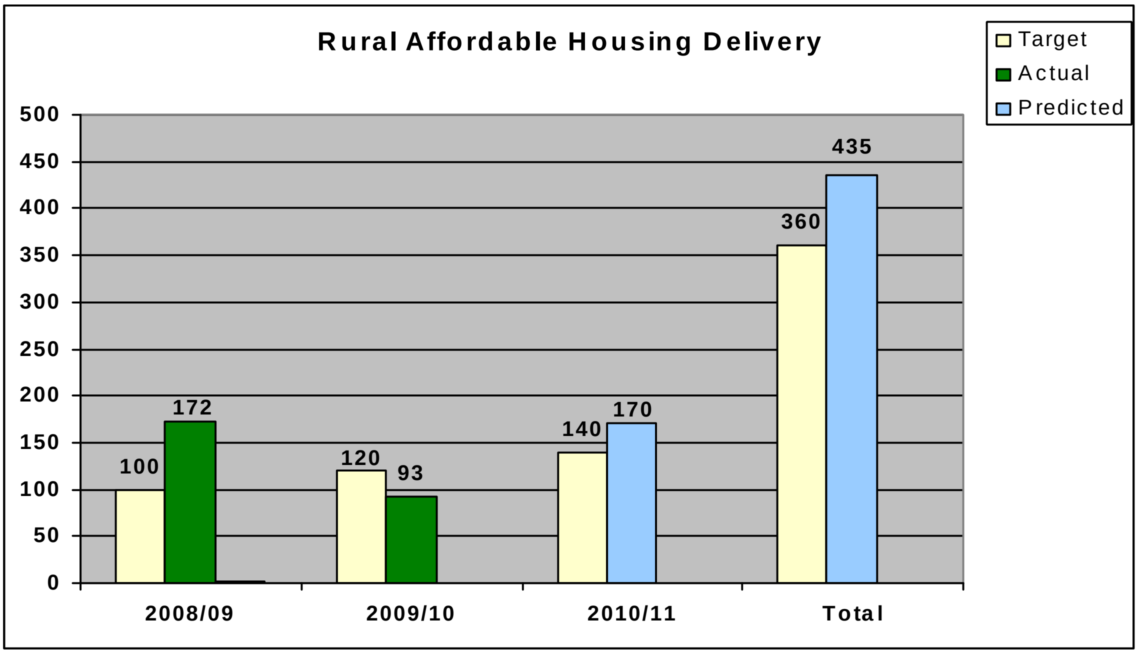


Table 28 – Rural Affordable Housing Delivery:

LA	Rural Affordable Housing Delivery 2008/09	Rural Affordable Housing Delivery 2009/10
East Devon	9	4
Exeter	0	0
Mid Devon	42	0
North Devon	18	6
South Hams	16	38
Teignbridge	2	8
Torridge	51	1
West Devon	34	35
Devon Total	**172**	**93**
Number in Dartmoor National Park	6	17

Affordable Housing Need

Information on need for Affordable Housing in Devon, Plymouth and Torbay is taken from several sources:

1. **Strategic Housing Market Assessments:**
   These are available on Local Authority web sites usually within the evidence base for the Local Development Framework and Housing Strategies. Devon's Local Authorities have carried out robust studies of projected future demand showing that need is very high in Devon. This is because Devon is characterised by high house prices and low annual earnings. However, supply cannot always meet demand as it is constrained by land availability, willingness of developers to bring sites forward in the current market, funding availability and the need to balance the market. Detail on demand and the work to improve supply will continue to be provided in this report on an on-going basis.

2. **Waiting Lists and Choice Based Lettings (CBL) bidding patterns:**
   Devon Home Choice the Devon wide Choice based lettings system went live in the January. Systems for analysing demand from CBL bidding patterns have been developed.

3. **Rural Housing Needs Surveys:**
   Local Authorities in Devon have a programme of Rural Housing Needs Surveys, carried out by the Rural Housing Enablers usually with Parish Councils. These surveys give more detailed understanding of need within specific rural settlements and are used to inform the size, tenure mix and house types within village affordable housing schemes.

4. **Other Evidence :**
   Studies are undertaken assessing the housing needs of particular groups such as Gypsies and Travellers and Key Workers, and are used to support the provision of housing for these groups.

Conclusions

1. Although the UK is out of recession full recovery is still a long way off. The Comprehensive Spending Review in the autumn will set out the level of public sector cuts; the impact of which is not yet clear but due to the South West's reliance on public sector projects is very likely to be significant.
2. Mortgage lending increased in 2009 as did prices, but there are now signs that the recovery is faltering. Recent reports suggest that consumer confidence is low and prices are falling with projections that this will continue into 2011.
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 generally required to access lower quartile housing with local wages usually well below this figure. Although mortgage availability has improved rates vary widely depending on the deposit available and average deposits required are still high. Private rents are increasing and can be difficult to afford for people on local incomes. Incomes are not increasing in real terms due to inflation exceeding pay rises.

4. Repossessions and homelessness are not a significant issue with interest rates remaining low and the provision of good quality debt and mortgage advice through Enhanced Housing Options. Homeless acceptances fell over the year and the number of households in temporary accommodation has significantly reduced. Local authorities are proactive at preventing homelessness. The upcoming reforms to the Housing Benefit system could lead to an increase in homelessness and this is an issue that all local authorities and their partners will need to consider within the relevant strategies over the next few years.
5. Affordable housing delivery remained at a similar level in 2009/10 with increased numbers of homes forecast for 2010/11. Thereafter there is real uncertainty with reducing funding in a market that has yet to recover.
6. The future remains 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.