

Housing became less affordable for people on the lowest incomes during the late 1990s. Current house price to income ratios are still considerably higher than ten years ago, despite the economic downturn.

Housing unaffordability peaks in 2005 and 2006 then, as house prices temporarily fall in 2009, affordability improves.

In 2005, the cheapest housing in Stratford-on-Avon District cost more than ten times the annual income of the lowest paid workers.

Note how less affordable housing is in Stratford-on-Avon District than the average for the South East, traditionally regarded as the most expensive place to live.

Source: Department for Communities and Local Government <http://bit.ly/OUunRMe>



Housing Affordability

Description

The housing affordability ratio is an economic indicator that determines whether people with the lowest incomes can afford to buy the lowest priced housing available in the area where they work. Specifically, the indicator examines the relationship between the lowest quartile of incomes and the lowest quartile of house prices within a particular area.

The Department for Communities and Local Government (DCLG) analyses data from the Land Registry on house prices and gross annual income from the Annual Survey of Hours and Earnings (ASHE) in order to establish the ratio of lower quartile housing prices to lower quartile earnings. The Land Registry records all property sales in England and Wales and publishes data in sale prices, including cash sales, which now account for 40% of transactions.

Specifically, the housing affordability ratio is calculated as follows:

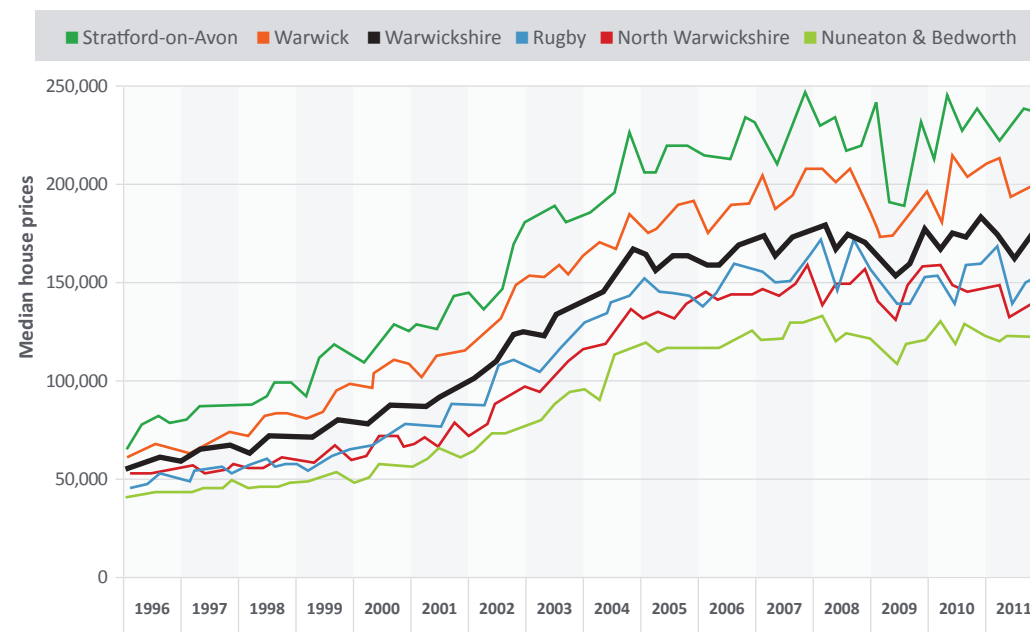
$$\text{Housing Affordability Ratio} = \frac{\text{Lower Quartile House Prices (the price below which 25\% of house prices sit)}}{\text{Lower Quartile Annual Incomes (the income level below which 25\% of incomes sit)}}$$

The higher the ratio, the less affordable housing is in a particular area as residents need higher multiples of their income to purchase property.

Performance

The median house price for Warwickshire in 2011 was £182,000, which is just below England's average of £184,995, but significantly higher than the West Midlands regional figure of £145,000. Overall, house prices could be divided into three pricing categories, with the highest figures in Stratford-on-Avon and Warwick Districts, at £239,000 and £213,250 respectively. The second category includes the areas of Rugby and North Warwickshire Boroughs, where median house prices are £155,000 and £143,500. Nuneaton & Bedworth Borough accounts for the third category, with the average price level at £124,997.

Figure 5.1: Median house prices 1996 - 2011



Source: DCLG, Live table on house prices 582 (www.communities.gov.uk), 2011

Stratford-on-Avon District has prices approximately 90% higher than in Nuneaton & Bedworth Borough. Although prices in all areas have increased during the past fifteen years, the rise was interrupted in 2008 and 2009 during the economic downturn, and current prices are similar to those witnessed around five years ago.

In 2011, the lower quartile price for properties in Warwickshire was, on average, 6.8 times the lowest quartile annual wage for a full-time employee working in Warwickshire. This is higher than the West Midlands region's ratio of 5.9 and the England average of 6.5, meaning housing is relatively less affordable across the county as a whole. Over the past ten years, affordability ratios have steadily increased from 4.5 in 2001, peaking at 7.3 during the housing market boom, and settling at 6.8 in 2011.

Housing Affordability

At a district level, the highest ratio for 2011 was in Stratford-on-Avon (9.6) whilst the lowest was found in Nuneaton & Bedworth (5.6). These findings are consistent with previous ratio levels in these areas. Despite the general decreases witnessed in Warwickshire, ratios in Rugby have seen a slight increase, reaching 6.0 from 5.8.

Figure 5.2: Housing affordability 2001-2011 (ratio of lower quartile house price to lower quartile earnings)

	North Warwickshire	Nuneaton & Bedworth	Rugby	Stratford-on- Avon	Warwick	Warwickshire
2001	3.9	3.6	3.6	6.5	5.9	4.5
2002	4.3	4.1	4.6	7.8	6.5	5.2
2003	5.0	5.0	5.2	8.6	7.9	5.8
2004	5.9	5.6	6.3	8.6	8.3	6.8
2005	6.6	6.4	6.4	10.2	8.6	7.2
2006	6.9	6.5	7.2	9.6	8.3	7.3
2007	6.8	6.7	7.1	9.0	8.6	7.2
2008	7.3	6.3	6.5	9.0	8.3	7.0
2009	6.1	5.8	5.3	8.5	7.4	6.5
2010	6.0	5.6	5.8	9.8	8.4	6.9
2011	5.9	5.6	6.0	9.6	7.5	6.8

Source: DCLG Live Table 576: <http://bit.ly/U5Pr8V>

Outlook

Housing affordability has always been an important issue, and the recent downturn of the economy has affected the normal functioning of the housing market. As the economic climate continues in its uncertain state, it is likely that real household incomes will remain static or decline, while it is expected that house prices will not fall to the same extent. This will make housing increasingly unaffordable for many people on low incomes.

Further Information

Data on the housing market and house prices are available from the Communities and Local Government website:

<http://bit.ly/NGGHoY>

Alternatively, contact the Observatory on **01926 412775** or email research@warwickshire.gov.uk



Housing Need

Description

Like other forms of social need, housing need is intrinsically a descriptive concept, usually based on society's standards of affordable housing for those deprived of decent homes. It is difficult to consider a single measure of housing need, and previous reports have examined waiting lists and homelessness numbers amongst other things. However, there are a few indicators that intuitively should reflect the demand for housing, and can be used to help predict overall future housing requirements.

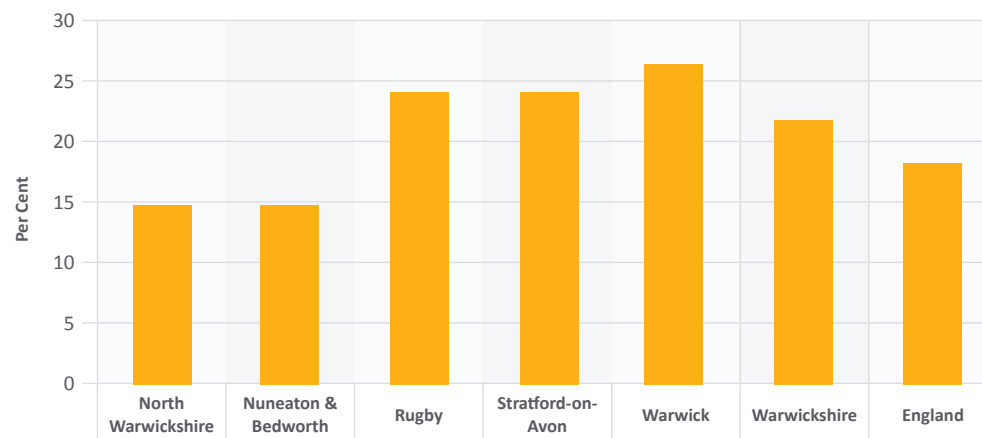
Performance

The main drivers of housing need are population and household growth. Other demographic trends such as migration rates, age structures and household headship rates also play an important part. However, economic factors are also relevant – both directly and indirectly in terms of their influence over demographic outcomes such as household formation.

With significant demographic pressure from concealed households (someone living within a household wanting to move to their own accommodation and form a separate household, for example adult children living with their parents), overcrowding and homelessness, the new **National Planning Policy Framework (NPPF)** has now placed the emphasis of planning for housing back to local councils.

From 2013 to 2033, current household projections show that Warwick District has the highest growth rate at 27%. Rugby Borough and Stratford-on-Avon District are not far behind with rates of approximately 24%. All are higher than the England average of 20%. These projections are based on the continuation of recent trends and expected demographic changes and not account for local planning policy.

Figure 5.3: Projected growth in households, 2013-2033



Source: DCLG Live Table 406 <http://bit.ly/NITxva>

All five districts have planned annual housing completion rates for the next 15 years. The figure for Warwick District is an average of 600 dwellings per year, followed by Rugby Borough with 500, Nuneaton & Bedworth Borough with 440, Stratford-on-Avon District with 400 and North Warwickshire Borough with the lowest at 110. These are based on the latest figures included in their draft Development Plan (or Core Strategy) except for Rugby Borough which has an approved Core Strategy. If the past ten year delivery rate is maintained there are likely not to be any difficulties in achieving these figures. However, due to the recent economic downturn, all of the districts' annual housing supply has been dramatically reduced. For example, based on figures for the last two years, completions were down by 30%.



Housing Need

Housing waiting lists are frequently considered evidence of unmet need or demand, and recent national data shows an apparent large rise in figures. While waiting lists provide indicative information on need, variation in approach among local districts makes it difficult to measure and compare genuine housing need.

Rough sleepers and homelessness, in terms of numbers accepted in priority need, are two other indicators that have traditionally been used to gauge the magnitude of a housing need problem. The former is acknowledged to represent just a small proportion of the overall issue. The number accepted in priority need under the Housing Act is considered more representative for this sector of need, but even this could be affected by many factors and hence figures tend to fluctuate from year to year with no recognisable pattern.

Overall, Warwickshire has seen a steady and significant increase in the number of households in priority need in the last two years, reaching a figure of 451 in 2011 (see Figure 5.4). Since this problem is normally more pronounced in higher density urban centres than rural areas, it is not surprising that figures are relatively lower in both North Warwickshire Borough and Stratford-on-Avon District. The large increase across the county as a whole is primarily down to the exceptionally high increase for Nuneaton & Bedworth Borough (60% for 2011/12 alone) and Warwick District. However, these figures need to be treated with some caution as they do not reflect how much effort each of the local authorities has made to reduce the size of the problem. The specific nature of the problem varies, for example a sudden increase in immigration from Eastern Europe in a particular district generates additional pressure to tackle the issue. Despite these limitations, the data is useful in indicating general trends, and it is worthwhile monitoring the figures to assess whether the issue grows during the continued economic downturn.

Figure 5.4: Homelessness – Number of households accepted as being homeless and in priority need

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
North Warwickshire	50	35	31	15	11	14	22	22
Nuneaton & Bedworth	173	98	92	82	72	58	89	150
Rugby	92	-	-	77	-	56	81	71
Stratford-on-Avon	103	153	73	130	101	60	73	87
Warwick	205	-	85	122	83	65	109	121
Warwickshire	623	-	-	426	-	253	374	451

Source: DCLG's Live Table 784 or Local District Council

*Note: shaded cell figure is from the local district not from DCLG. Dash denotes data not available.

Outlook

Continued problems with housing affordability, poor economic climate, concealed households and overcrowding are expected to trigger higher social housing demand in the future. The new National Planning Policy Framework (NPPF) has now placed the emphasis of planning for housing back on local councils. This will prove challenging, as the issues mentioned in this section allude to.

Apart from increasing housing supply, tackling long term vacant (LTV) properties to bring these back into occupation is an additional way to meet housing demand. It is noted from the DCLG May 2012 announcement that £145m has been allocated to deal with LTV dwellings with £60m aimed at tackling clusters of empty homes.

Further Information

Data on housing statistics, growth predictions and homelessness can be accessed from the Communities and Local Government website: <http://bit.ly/NGGHoY>

Alternatively, contact the Observatory on **01926 412775** or email research@warwickshire.gov.uk



Repossession

Description

Mortgage repossession is one of the numerous indicators that helps assess the economic climate of a region or local area. Repossession rates can reflect a number of things, including worklessness, reduced income levels and increasing costs of living.

Every year, several hundred Warwickshire families lose their homes in the house repossession process, affecting their overall financial stability and family relationships. For comparison between areas, the most useful measure is the repossession rate per 1,000 households, obtained through the number of repossessions calculated through court orders. However, the true number will vary slightly from these statistics as repossessions can occur without court orders and not all court orders result in repossession.

Performance

With the recent recession and economic downturn, an increase in the overall number of repossessions would be expected, but data from the past three years shows a large reduction when compared with pre-2009 figures. This is due to the introduction of the Government-led Mortgage Repossession Pre-action Protocol (with effect from 19th November 2008). Trends in the numbers of actual repossessions (as reported by the Council of Mortgage Lenders) are similar to those in the numbers of claims issued and claims leading to orders.

Over the past three years, the number of repossessions in Warwickshire continues to decrease significantly, dropping from 860 to 695. At a district level, the biggest drop occurred in Warwick District from 165 in 2009 to 95 in 2011. Stratford-on-Avon District and North Warwickshire Borough maintained a low number at around 100 per year. Both Rugby Borough and Nuneaton & Bedworth Borough have also improved during these three years with the latter possessing the highest number in the county (more than 250 per year) in line with other economic indicators described in this report. The decreasing trend apparent in all five districts hopefully reflects the ambition that the Government and mortgage providers are striving to help those households in trouble avoid losing their house, either by delaying the repossession action or by providing other means of assistance.

Figure 5.5: Mortgage Repossessions 2001-2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
North Warwickshire	85	80	100	120	130	195	165	155	110	125	95
Nuneaton & Bedworth	225	105	205	270	420	445	520	480	295	265	255
Rugby	115	110	145	140	200	220	240	265	170	140	135
Stratford-on-Avon	70	80	75	95	150	170	185	160	120	110	115
Warwick	95	90	95	115	180	200	220	215	165	110	95
Warwickshire	590	465	625	745	1,080	1,230	1,330	1,280	860	750	690

Source: Ministry of Justice - Mortgage and landlord possession statistics <http://bit.ly/TGUZs1>

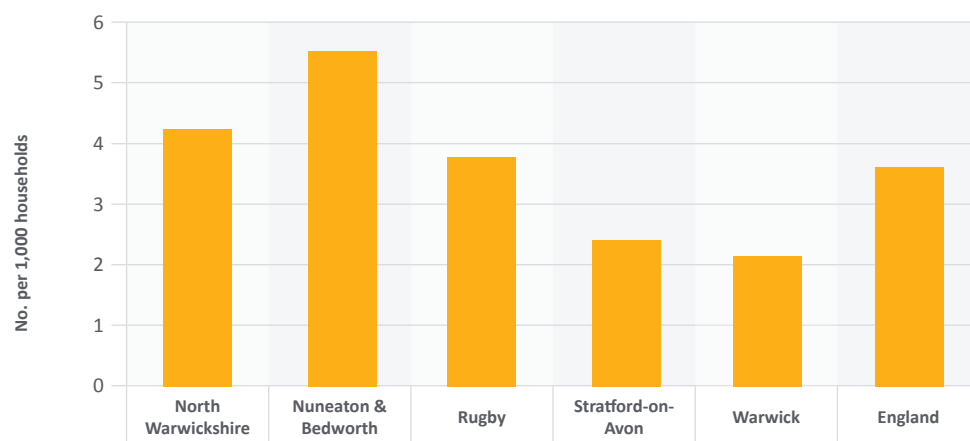
* 2011 figures are provisional at the time of producing this report



Repossessions

Figure 5.6 presents the average mortgage repossession rate over the last three years. The chart shows that the figures for Stratford-on-Avon District and Warwick District are considerably lower than the national average. Conversely, Nuneaton & Bedworth Borough's repossession rate is approximately two and a half times higher than that for both Stratford-on-Avon and Warwick Districts. This, together with earlier findings on house prices and affordability, confirms that there is a definite divide in the make-up of housing markets across the county, reflected also through other economic indicators such as a wealth and worklessness. Stratford-on-Avon District and Warwick District have been in a stronger position to cushion the effects of recession and austerity measures.

Figure 5.6: Average mortgage repossession claim rates 2009-2011 (per 1,000 households)



Source: Ministry of Justice - Mortgage and landlord possession statistics

Outlook

With lenders, borrowers and debt advisers working together to get through the current economic difficulty, repossession figures are likely to remain consistent over the short term. However, it is **predicted that repossessions will rise** as household budgets remains under pressure at a time of relatively higher unemployment and low economic growth. Also, low interest rates promoted by the Bank of England and lenders, are helping the vast majority of borrowers who face difficulties in keeping their homes and getting back on track, but they will find it continually more difficult to suppress interest rate rises

Further Information

For more information on repossession figures for Warwickshire, visit the Ministry of Justice website at <http://www.justice.gov.uk/statistics/civil-justice/mortgage-possession>.

Alternatively, contact the Observatory on **01926 412775** or email research@warwickshire.gov.uk.

