

Chapter 8: Housing

Key facts

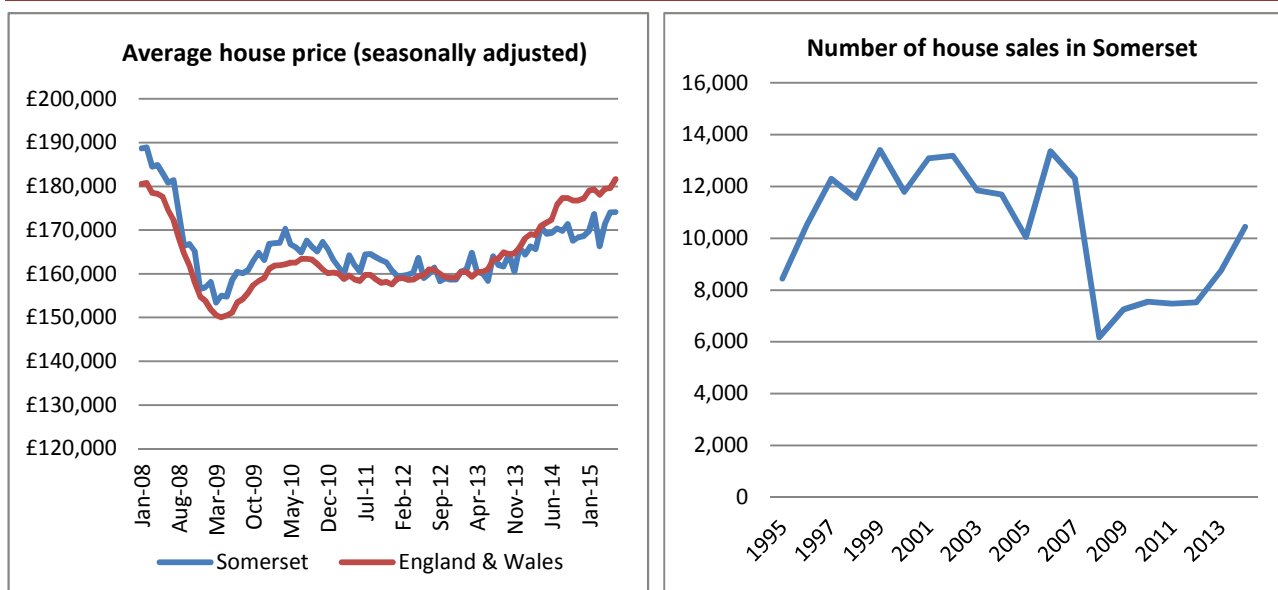
- In June 2015, the average house price in Somerset was £174,127, a decrease of 9.3% from the recent peak of £191,910 in October 2007, before the economic downturn. Average prices in the County hit their lowest level of £153,388 in March 2009 and have been gradually recovering since, although they remain below the peak of 2007.
- Between 2007 and 2008, the number of house sales in Somerset dropped dramatically from 12,303 to 6,180 (-49.8%) as mortgage finance dried up during the financial crisis.
- Housing affordability in Somerset is worse than at national level. In 2013, the lower quartile house price was 7.5 times the lower quartile wage, compared to 6.5 times nationally. Affordability ratios escalated significantly after 2001 and have not returned to these lower levels since, despite the economic downturn.

National context

- House prices in the UK had been on an upward trend prior to January 2008, when the mix-adjusted average UK house price was 85.5% higher than its value in February 2002. The average house price then fell over the course of 2008-09 to give an index value in March 2009 that was similar to that in April 2006.
- The recent sustained increase in house prices has been mainly supported by prices in London, which increased by 12.3% over the 12 months to December 2013. This was more than double the UK average house price increase over that period. The London region has the second biggest weight of all the regions in the House Price Index of 14.3%, after the South East of England (16.7%). Following the downturn, housing prices in London continued to increase at a faster rate than the rest of the UK, ultimately giving London the fastest growing house prices of all UK regions by the end of 2013.²¹

Somerset Overview

Housing market



Source: Land Registry 2015. NB. Data not available for LEP areas.

²¹ Text source: 'Regional house price disparities following the economic downturn', 28th May 2014, ONS. <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/march-2014/sty-regional-house-prices.html>

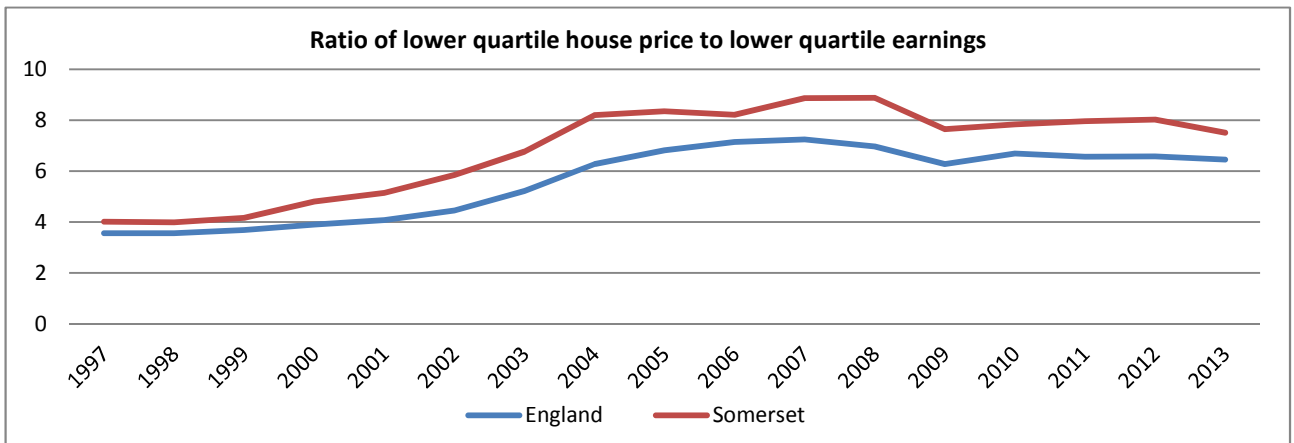
House prices

- In June 2015, the average house price in Somerset was £174,127, a decrease of 9.3% from the recent peak of £191,910 in October 2007, before the financial crisis. Average prices in the County hit their lowest level of £153,388 in March 2009 and have been gradually recovering since, although they remain below the peak of 2007.
- Average house prices for England and Wales followed a similar pattern of sharp decline during the economic downturn and subsequent gradual recovery until early 2014. Since then, growth in average prices has accelerated more rapidly at national level, climbing to £181,619 by June 2015.

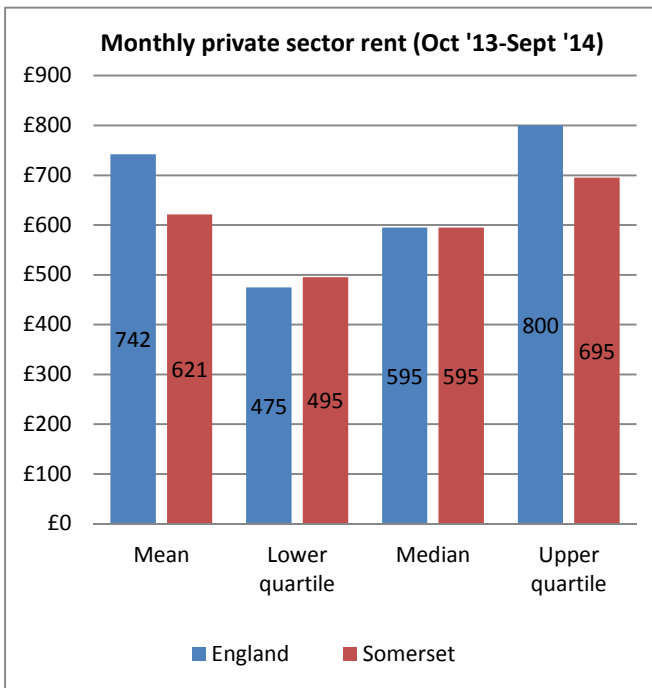
Number of sales

- Between 2007 and 2008, the number of house sales in Somerset dropped dramatically from 12,303 to 6,180 (-49.8%) as mortgage finance dried up during the financial crisis. Since 2013, the number of sales has begun to pick up, reaching 10,437 in 2014.

Affordability



Source: Communities and Local Government, Table 576



Source: Private Rental Market Statistics – Table 2.7, Valuation Office Agency / Communities and Local Government 2015

Affordability

- Housing affordability in Somerset is worse than at national level. The ratio of lower quartile house price to lower quartile earnings is used as an indication of the affordability of entry level homes, i.e. first time buyers entering the market. In 2013, the lower quartile house price was 7.5 times the lower quartile wage, compared to 6.5 nationally. With mortgage companies typically lending around 3 times a person's salary, accessing the housing market is virtually impossible for many Somerset residents. Affordability ratios escalated significantly after 2001 and have not returned to these lower levels since, despite the economic downturn.

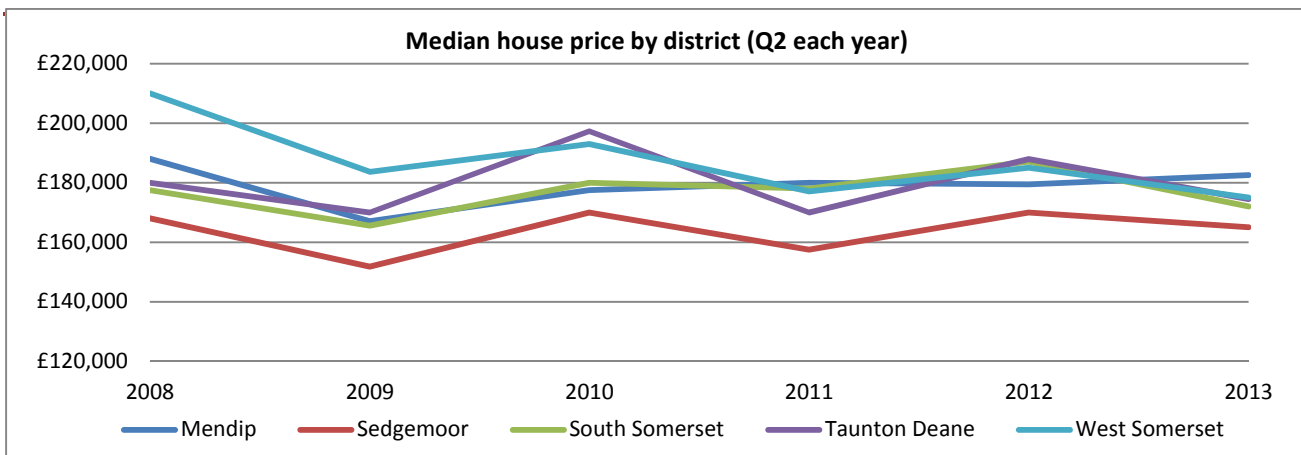
Help to Buy²²

- Another barrier to housing ownership has been the large deposits still currently required by mortgage lenders following the financial crisis. Since 2013, the Government 'Help to Buy' scheme has provided a mortgage guarantee to help people buy a home with just a 5% deposit. In Somerset, 719 Help to Buy loans have been completed since the scheme's inception.

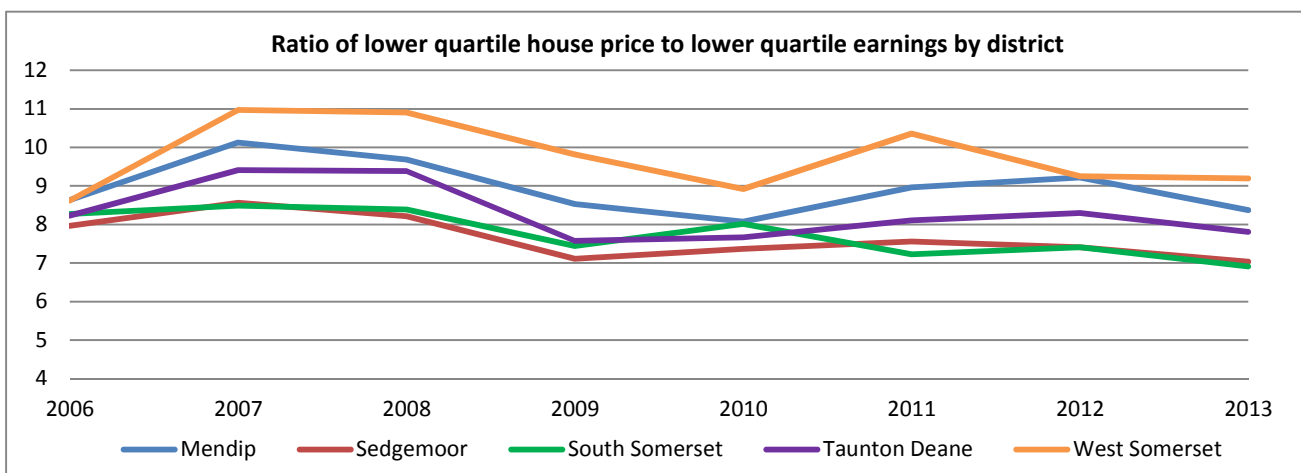
Private rented sector

- The average (mean) monthly rent for private sector rented housing in Somerset in 2013/2014 was £621. This is lower than the national average of £742, but the lower quartile rent is higher in Somerset (£495 vs. £475). With lower than average wages in the County, access to housing via the private rented sector is difficult for many residents.

Local trends (Districts)

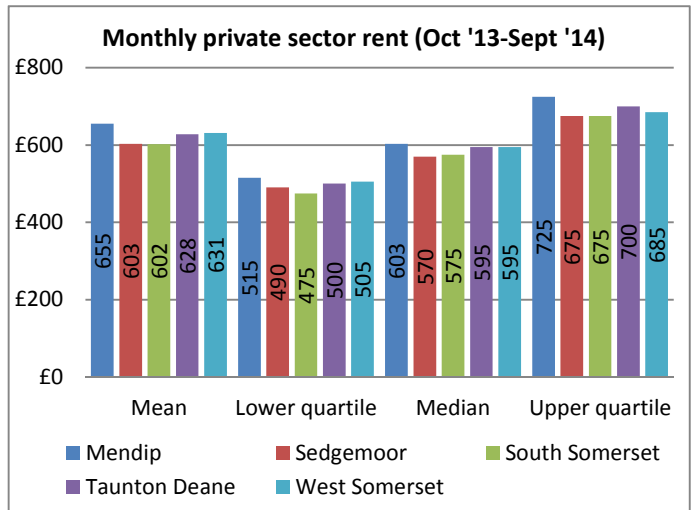
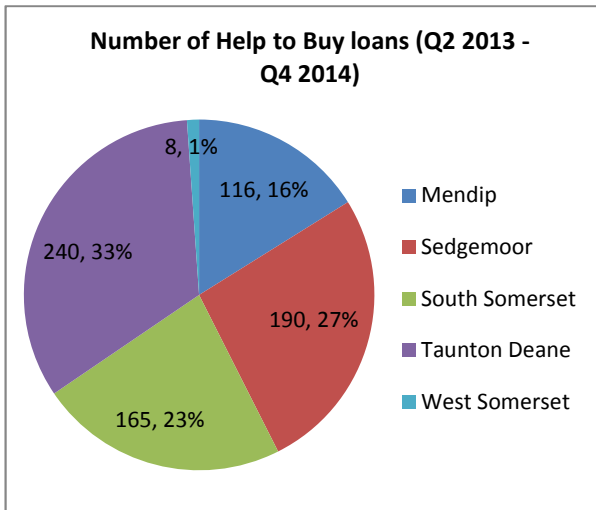


Source: *Communities and Local Government, Table 582*



Source: *Communities and Local Government, Table 576*

²² <http://www.helptobuy.org.uk/>



Source: *Communities and Local Government 2015 / Private Rental Market Statistics – Table 2.7, Valuation Office Agency*

Average price

- Mendip currently has the highest median house price of all the Somerset districts with £182,500, whereas the lowest price can be found in Sedgemoor (£ 165,000).
- All Somerset districts have seen a decrease in price between 2008 and 2013 but the greatest fall has been in West Somerset (-16.7%).

Affordability

- Despite recent decreases in price, housing affordability is still an issue across Somerset. West Somerset has the highest lower quartile house price to earnings ratio (9.2). South Somerset is the most affordable of the districts but a typical 'entry level' home still costs 6.9 times the lower quartile wage.

Help to Buy

- The majority of Somerset take-up of the Help to Buy scheme has been in Taunton Deane (33%), with 240 equity loans agreed since the scheme began.

Private rent

- Private sector rents are highest in Mendip, with an average (mean) monthly cost of £655. South Somerset has the lowest entry level rents with lower quartile costs of £475 per month.

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Average house price (seasonally adjusted)

	Somerset	England & Wales
Jun-08	£180,840	£174,517
Jun-09	£158,598	£151,134
Jun-10	£166,083	£162,558
Jun-11	£160,439	£158,345
Jun-12	£159,035	£159,706
Jun-13	£158,359	£160,978
Jun-14	£169,331	£172,367
Jun-15	£174,127	£181,619
% change 2008-14	-3.7%	4.1%

Source: Land Registry 2015

Annual house sales

	Somerset	England & Wales
2007	12,303	1,226,774
2008	6,180	621,752
2009	7,255	616,644
2010	7,549	656,622
2011	7,477	654,625
2012	7,523	663,212
2013	8,741	789,164
2014	10,437	913,238

Median house price by district (Q2 each year)

	Mendip	Sedgemoor	South Somerset	Taunton Deane	West Somerset
2008	£188,000	£168,000	£177,500	£179,950	£210,000
2009	£167,000	£151,750	£165,500	£170,000	£183,580
2010	£177,500	£169,975	£180,000	£197,250	£193,000
2011	£180,000	£157,500	£177,975	£170,000	£177,000
2012	£179,450	£169,973	£187,000	£187,950	£185,000
2013	£182,500	£165,000	£172,000	£174,500	£175,000

Source: Communities and Local Government, Table 582

Number of Help to Buy Equity Loans

	Total to Q4 2014
England	41,533
HOSW LEP	1,776
Somerset	719
Mendip	116
Sedgemoor	190
South Somerset	165
Taunton Deane	240
West Somerset	8

Source: Communities and Local Government 2015

Private rental market statistics (Oct 2013-Sept 2014)

	Mean	Lower quartile	Median	Upper quartile
England	£742	£475	£595	£800
Somerset	£621	£495	£595	£695
Mendip	£655	£515	£603	£725
Sedgemoor	£603	£490	£570	£675
South Somerset	£602	£475	£575	£675
Taunton Deane	£628	£500	£595	£700
West Somerset	£631	£505	£595	£685

Source: Valuation Office Agency 2015

Affordability ratio (lower quartile)

	2008	2013
England	6.97	6.45
Somerset	8.88	7.51
Mendip	9.69	8.37
Sedgemoor	8.22	7.04
South Somerset	8.39	6.91
Taunton Deane	9.39	7.81
West Somerset	10.90	9.19

Source: CLG Table 576