



Sheffield Housing Market Bulletin

July– September 2018



Jul - Sept	2017
2,166	

Jul - Sept	2018
1,831	



Jul - Sept	2017
1,089	

Jul - Sept	2018
885	



Jul - Sept	2017
102	

Jul - Sept	2018
85	



Jul - Sept	2017
5,700	

Jul - Sept	2018
5,503	



Sept	2017
£160,734	

Sept	2018
£167,850	



Jul - Sept	2017
£575	

Jul - Sept	2018
£575	

This bulletin gives an overview of Sheffield's housing market during July - September 2018, highlighting any major changes and how these relate to national trends. All figures quoted in this bulletin refer to Sheffield, unless otherwise stated. For further information about this bulletin, please contact the Strategic Housing and Regeneration Team on: 0114 273 6396 or email housingstrategy@sheffield.gov.uk.

What's been in the news?

This section describes some of the main stories reported in the media about the national and local housing market, and other recent related housing issues.

National News

Housing Revenue Account Borrowing Cap Lifted

The Housing Revenue Account cap that controls local authority borrowing for house building was abolished in England on the 29 October 2018, enabling councils to increase building to around 10,000 homes per year. Until now, local authorities have not been able to spend more than the amount they generate from their housing revenue accounts on building more housing.

Inside Housing reported that Council leaders across England were generally positive about the news saying that it will enable them to increase their building rate and replace more of the homes lost through the Right to Buy.

Sheffield City Council has already committed to providing 1,600 Council homes in the city by 2023/24, but it now looks like extra money could be borrowed to provide more housing. The Council will work with the Government to understand how the changes will be implemented.

Autumn Budget

The 2018 Autumn Budget contained a number of housing measures:

- Help to Buy equity loan scheme was extended by two years to 2023. This will be limited to first-time buyers for houses with a market value up to a new regional property price cap, which is £228,100 in Yorkshire and Humber.
- Extending Stamp Duty Land Tax relief for first time buyers to purchases of all qualifying shared ownership properties; backdated to November 2017.
- An additional £500m in Housing Infrastructure Fund to unlock a further 650,000 homes.

- £653 million to 2021-22 for strategic partnerships with 9 housing associations to deliver over 13,000 homes.
- 'Simplification' of the process to convert commercial properties to new homes.
- Providing funding to empower 500 neighbourhoods to allocate homes to local people.

Local News

Gleadless Valley

In September 2018 people that live and work in Gleadless Valley were asked about what parts of the estate are working well. They were also asked to suggest what changes could be made to the area during a series of design workshops.

The ideas put forward by residents' have been made into options to include in the masterplan and exhibition events were held in October 2018 to explore these further. The options relate to housing, community facilities, parking, open space, play facilities and more.

All of this work is possible because the Council secured £500,000 from central Government after bidding to the Estate Regeneration Programme to develop a long term masterplan for Gleadless Valley. This money is paying for the work that's been done to identify what needs improving and where, and how, this can best be done.

Having this masterplan will put the Council in a really good position to continue to talk with the Government about additional money to put the plans into action in the short, medium and long term.

Park Hill

The transformation of Park Hill has taken another significant step forward. Sheffield City Council has granted planning permission for the Phase 3 proposals of 70 units to accommodate 356 student residents, alongside new commercial space for shops, cafes or a gym.

The accommodation has been designed around groups of four and eight bedrooms with shared living space in a unique three-storey 'townhouse' format.

It is expected that Phase 3 will bring investment of around £20million to Sheffield with approximately 100 people employed in the delivery (including construction and design). Once occupied, it is anticipated that the student population will bring an additional £2 million per year into the local community.

Alumno will be undertaking a thorough refurbishment using a conservation-led approach to preserve the historic character of the building, including the numerous mosaic panels across the blocks, which have inspired the colour scheme. The development is expected to be ready for occupation by the start of the 2020/21 academic year.

Selective Licensing

Landlords that don't apply for a licence to rent out their properties by 1st November 2018 risk fines, penalties or even prosecution in certain parts of London Road, Abbeydale Road and Chesterfield Road.

The new Selective Licensing scheme for the area comes into effect from 1st November 2018 which means that landlords must have a licence for every private rented property they control.

The scheme is designed to make sure that landlords only rent out well managed safe properties.

The Selective Licensing scheme is being implemented after a period of consultation with landlords, tenants, residents and business in the area. Many properties had been found to be in need of repair after inspections by council officers over a three year period.

Market Housing

Table 1: Market housing information

	Current	3 months ago	12 months ago	3 month change	12 month change
Sheffield property sales	1,831	1,660	2,166	10.30%	-15.47%
Sheffield average time on the market	83 days	73 days	81 Days	10 days	2 days
Sheffield average house price	£167,850	£162,486	£160,734	3.30%	4.43%
Average house price – England	£249,408	£245,064	£242,041	1.77%	3.04%
Average price by first time buyers - Sheffield	£146,094	£141,646	£140,362	3.14%	4.08%
Average price by existing owners - Sheffield	£186,153	£179,923	£177,701	3.35%	4.60%
Sheffield average private rent	£575	£575	£575	0.00%	0.00%
Median time on market PRS	52 days	46 days	44 days	6 days	8 days

Source: Land Registry and Rightmove

Property Sales

Property sales grew in Sheffield during July – September compared to the previous quarter but was still around 15% lower than one year earlier. The falling sales will be contributing to the increase in house prices as would-be buyers are competing for fewer properties coming onto the market. The average time on the market for unsold properties in September was 10 days more than the on average compared to three months earlier.

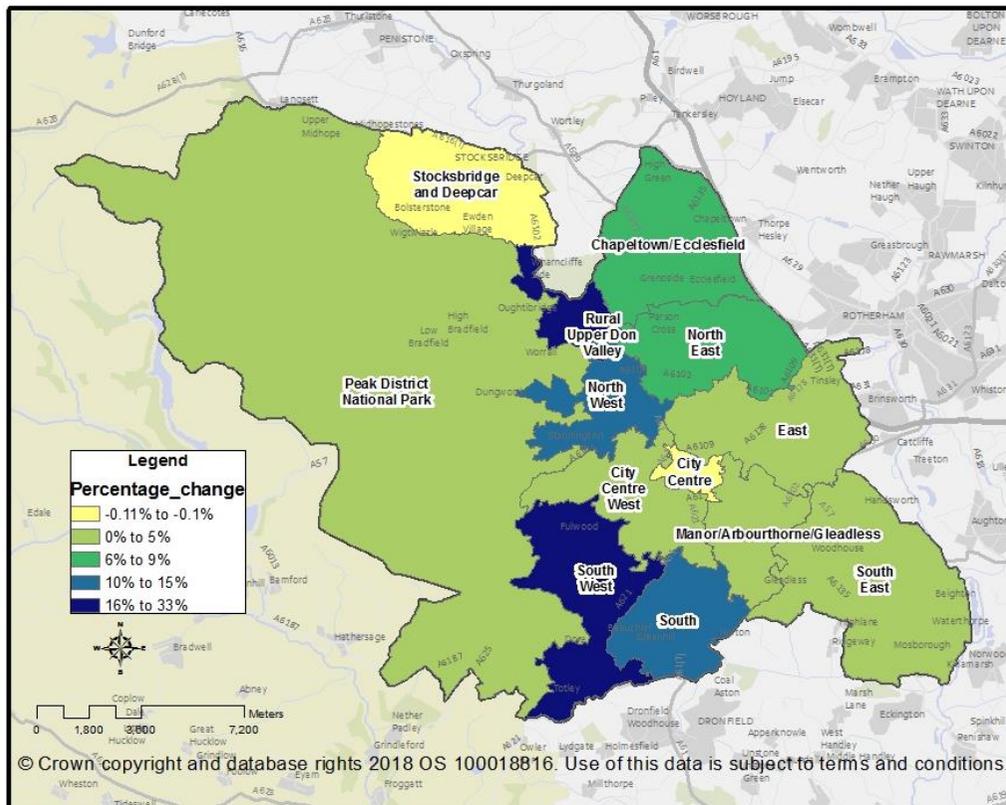
Average House Prices

Nationally the housing market has slowed due to the political uncertainty of Brexit, but the national picture obscures regional differences particularly in Wales, the North East and Yorkshire.

Sheffield's house prices therefore continue to grow at a faster pace than nationally and the average now exceeds the level it was prior to the housing crash in 2008.

However house prices differ across the Housing Market Areas (HMAs) in the city. Map 1 shows that house prices have grown in 11 of the 13 HMA's in Sheffield since September 2008.

Map 1 – House Price change over the last 10 years



The Rural Upper Don Valley HMA, which is the neighbourhoods of Oughtbridge, Worrall and Wharncliffe Side, has seen the greatest increase at 33%, a typical property here now costs £250,590. This will limit the opportunities available to first time buyers in the area and they may need to consider more affordable neighbouring HMAs, such as Stocksbridge & Deepcar where the average house price has slightly fallen to £131,700.

The average house price in the City Centre has fallen by 11% over the past 10 years and now stands at £107,121. This corresponds with a fall in the average price of a flat, which is the majority of the stock in this HMA. This could suggest that demand for City Centre apartment living is lowering, or that fewer developers are investing in this market because of the tax changes to buy to let mortgages and the 3% stamp duty for second properties.

Private Rent Levels

The median private rent in Sheffield remained static this quarter at £575 per calendar month, which is the same as 12 months previously. Properties also took longer to let at 52 days compared to 44 days a year ago.

Sheffield's stable private rented market is in contrast to the rest of the country, outside of London, where according to *Rightmove* rents increased by 0.8% in July to September. This was the biggest quarterly jump recorded at this time of year since 2015, and was put down to a continuing trend of fewer buy-to-let purchases which is increasing competition amongst prospective tenants.

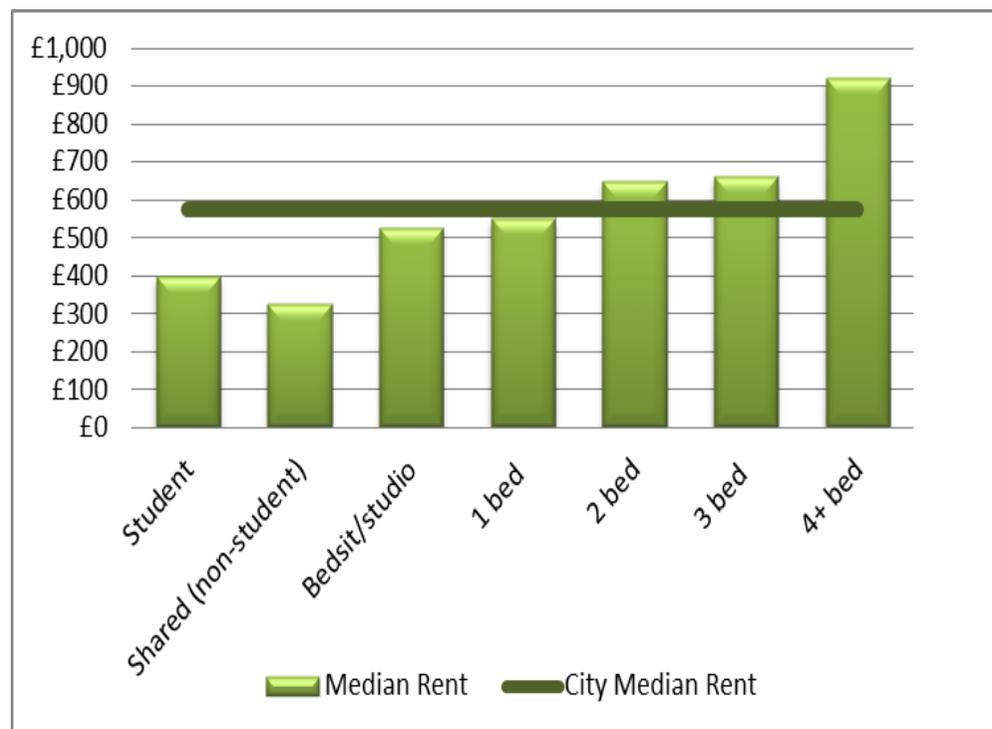
However, Sheffield's private rented market varies by area and property size. Over the past year median rents have fallen or stayed the same in nine of the city's HMAs. The Chapetown & Ecclesfield HMA saw the largest rent fall from £575 to £550. This will make renting more affordable for households in Sheffield, but could indicate that there is an over-supply of rented properties in some parts of the city.

Chart 1 shows the different rent levels by property size compared to the overall median rent for Sheffield. During this quarter, only smaller

properties with 1 and 2 beds, and shared/student properties had a rent lower than the city median, while larger properties were more expensive. This could make it unaffordable for those requiring larger properties, especially with four or more bedrooms as the median rent is £920.

During July-September 2018 only 10 out of the 114 properties with four or bedrooms advertised on *Rightmove* had a rent of £650 or less. This limits the options available for larger households on low incomes or claiming housing support, as the current Local Housing Allowance rate for a four bed property in Sheffield is £676 per calendar month.

Chart 1: Median private rents by property size July-September 2018



Social Housing and Housing Need

Table 2: Social housing/housing need information for Sheffield

	Current	3 months ago	12 months ago	3 month change	12 month change
Choice based lettings (SCC)	708	733	842	-3.41%	-15.91%
Choice based lettings (All*)	885	943	1,089	-6.15%	-18.73%
Average waiting time – non priority	15 months	20 months	28 months	-5 months	-13 months
Average waiting time – priority	4 months	2 months	2 months	+2 months	+2 months
Active bidders	5,503	5,231	5,700	5.20%	-3.46%
Right to Buys	85	80	102	6.25%	-16.67%
Mortgage repossession court claims	35	29	35	20.69%	0.00%
Mortgage repossession court orders	18	13	21	38.46%	-14.29%
Actual mortgage repossessions	9	9	15	0.00%	-40.00%

*Includes Registered Providers. Source: Sheffield City Council and Gov.UK

Choice Based Lettings

The total number of social rented properties let through choice based lettings fell by over 18% compared to the same quarter in 2017. The fall was mainly due to there being 28% fewer lettings to housing association properties.

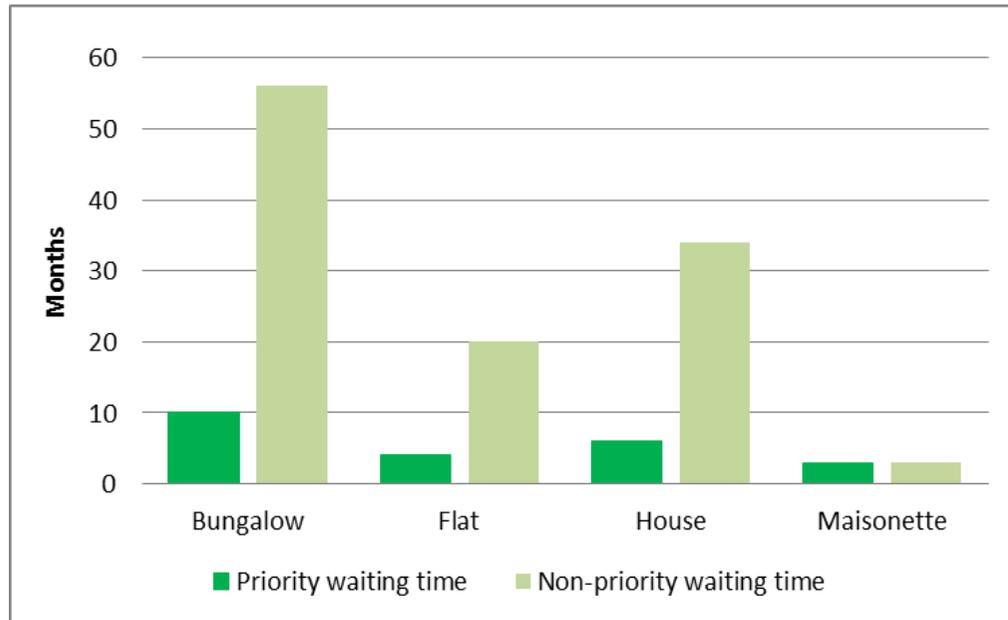
Over half (56%) of the lettings were made to flats and these were mostly one bed properties. Only 3 four bed properties were let during July to September.

The number of active bidders increased in comparison to the previous quarter, but was lower than in July to September 2017.

The average waiting time for applicants without a priority fell by five months, while the average waiting time for priority applicants increased by 2 months.

Chart 2 shows that council bungalows have the longest waiting time for both priority and non-priority households. Only 7% of the council stock is a bungalow and only 46 were let during this quarter, the majority of which (67%) went to priority households with a mobility need or medical acknowledgement.

Chart 2: Waiting time by property type



Right to Buy Sales

A total of 85 council properties were sold through right to buy in this period which remains on track for the full year target of 350 sales.

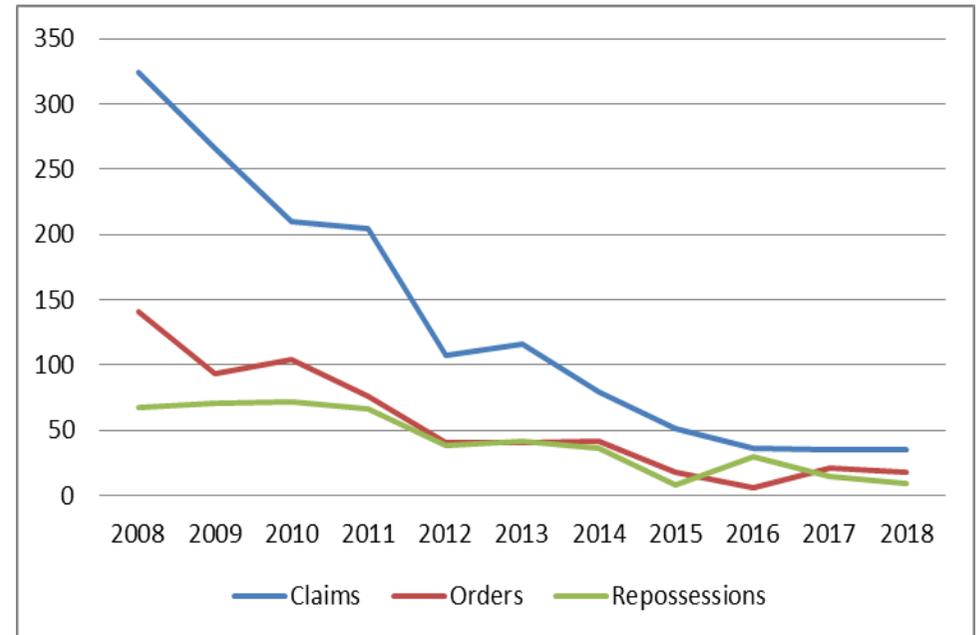
Mortgage Repossessions

Mortgage court claims and orders increased in Sheffield this quarter compared to the previous 3 to 12 months, while the actual number of properties repossessed remained the same.

Despite this increase in the last year, chart 3 shows that repossession activity is still considerably lower than it was during the recession 10 years ago.

Nationally homeowner arrears and repossessions remain at historically low levels, which shows that the vast majority of borrowers continue to make their mortgage payments in full and on time each month.

Chart 3: Mortgage repossessions Quarter 3 2008 - 2018



Economics and Benefits

Table 3: National interest and inflation rates

	Current	3 months ago	12 months ago	3 month change	12 month change
National Base Rate	0.75%	0.50%	0.25%	0.25	0.50
Average Standard Variable (SVR) Rate	4.30%	4.06%	4.30%	0.24	0.00
Average 5 year fixed rate, 75% LTV	2.03%	2.03%	1.90%	0.00	0.13
Average 5 year fixed rate, 95% LTV	3.94%	4.38%	4.63%	-0.44	-0.69
12 month inflation rate (CPIH)	2.20%	2.30%	2.8%	-0.1	-0.6

Interest Rates

The *Bank of England* raised the national base rate by a quarter of a percentage point from 0.50% to 0.75% in August 2018, the highest level since March 2009. This decision means that 3.5 million households with a variable or tracker mortgage will pay more on their mortgage. For instance, on a £150,000 variable mortgage a rise to 0.75% is likely to increase the annual cost by £224.

Some business groups questioned the decision to raise the rate now ahead of the UK agreeing a Brexit deal with the European Union. However, Mr Carney told the BBC that the Monetary Policy Committee (MPC) would cut rates if needed.

Mortgage Rates

The SVR increased slightly this quarter to the same level it was 12 months previously, while the 75% LTV mortgage rate stayed the same.

The average 95% LTV rate fell to 3.94% in September 2018. *Money Facts* reported that the amount of 95% LTV mortgages available on the market has grown from 319 products last year to 335 today.

Lenders are also slashing their rates for a 95% LTV mortgage. For example *Nationwide* has cut their rate by 0.50% and are now offering a two year 95% LTV tracker mortgage at 2.99% with a £999 fee. An average rate 95% LTV mortgage for 25 years in Sheffield costs £836 per month based on the current average house price of £167,850.

Inflation Rates

The Consumer Prices Index, including owner occupiers' housing costs, (CPIH) 12-month inflation rate was 2.2% in September 2018, down from 2.8% in September 2017. This is recorded as it includes costs associated with owning a home and Council Tax. The largest downward contribution in September came from food and non-alcoholic beverages as well as transport, recreation, culture, and clothing.

Table 4: National mortgage lending information

	Current	3 months ago	12 months ago	3 month change	12 month change
Average % deposit - FTBs	15.6%	15.0%	16.0%	0.06	-0.04
Average % deposit - home movers	27.0%	26.4%	27.6%	0.06	-0.06
Average income multiple – FTBs	3.68	3.65	3.61	0.03	0.07
Average income multiple – home movers	3.45	3.43	3.39	0.02	0.06
Total new mortgages for house purchase	213,000	199,900	219,000	6.55%	-2.74%
New FTB mortgages	96,200	93,800	95,800	2.56%	0.42%
New Buy-to-let mortgages	16,700	15,900	19,400	5.03%	-13.92%

Deposits

The average deposits required for first-time buyer (FTB) and home mover mortgages slightly increased during this quarter from the previous three months, but they were still lower than a year ago.

Typically a FTB in Sheffield is now paying a deposit of £22,791 based on purchasing a property at £146,094 (Table 1).

The size of the deposit and the high house prices relative to income are seen as the main factors that are preventing young people from owning a home.

Data published by the *Office for National Statistics (ONS)* in September showed that the number of people aged 22 to 29 years owning a home has fallen from 37% in 2008 to 27% in 2017.

Likewise, research from the *Resolution Foundation* think tank suggested that one in three millennials (born from 1980 to 1996) were unlikely to own their home, with many forced to live and raise families in insecure private rental accommodation throughout their lives. The *Institute for Fiscal Studies* also said the chances of a young adult on a middle income owning a home in the UK had more than halved in the past two decades.

Mortgage Multiples

The average income multiples for both first-time buyers and home movers have increased over the past year.

The Guardian reported in July that the ‘monster’ mortgage is back, with *Clydesdale Bank* offering a first-time buyer mortgage of 5.5 times the borrower’s income for up to £600,000 with just a 5% deposit. Although this is only available to those with an income of at least £40k and in a professional job such as accountants, architects, chartered surveyors, dentists and doctors.

Other lenders have also eased lending restrictions in recent years. For instance, *Nationwide* and *HSBC* will lend up to 4.75 times the income.

Nevertheless most lenders’ maximum income multiple is between 4 and 4.5 times as the *Bank of England’s Financial Policy Committee* stipulates that no more than 15% of new lending can be in excess of 4.5 times income on a rolling 12-month basis.

The other “stretch” happening in the mortgage market is to lengthen the term of the loan. While 25-year terms were the standard in the 1990s, 30 years is now the norm for new borrowers, with many lenders going up to 35 years to make monthly payments more affordable.

Mortgages

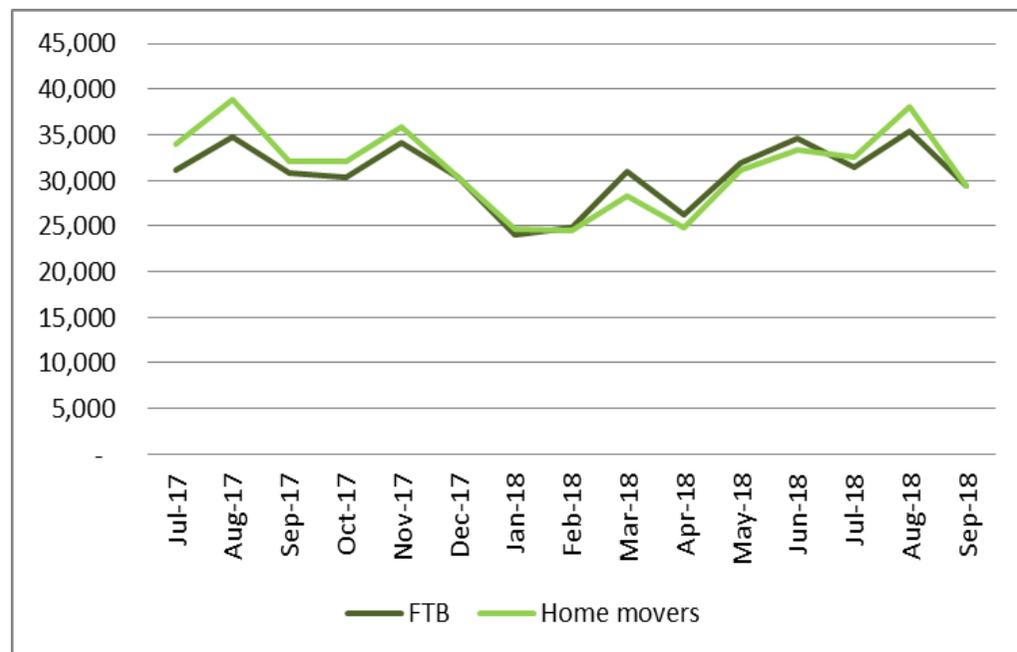
The total number of new mortgages increased this quarter, but the figure was lower than 12 months ago. First-time buyers made up almost half (45%) of the mortgages secured in July-September 2018.

Chart 4 shows the numbers of mortgages approved over the last 12 months. August saw the highest level of approvals while there were fewer during the winter months.

UK Finance reported in August that the number of first-time buyers had reached its highest monthly level since June 2017. On this, the *Dashly.com* founder commented:

“Brexit pessimism faded over the summer as borrowers shrugged off any uncertainty with a resurgent risk appetite”.

Chart 4: Mortgage lending Jul 17-Sept 18



Buy-To-Let (BTL)

There were 800 more BTL mortgages secured this quarter than the previous 3 months, but there were still 2,700 less than a year ago.

The *Royal Institution of Chartered Surveyors (RICS)* warned that some small scale landlords are pulling out of the market because of the tax changes, which means mortgage relief for landlords will disappear by 2020, making BLT investments less profitable. As a result *RICS* predicts that rents could rise 15% by 2023 as demand outstrips the supply of rented properties.

However, the initial results of *HomeLet's* annual survey of over 2,900 landlords seemed to contradict *RICS* assessment, it found that 9 out of 10 landlords intend to keep or expand their property portfolio in the next year.

HomeLet did note though that landlords are concerned about the possibility of further changes to BTL legislation and the potential impact that Brexit might have on house price values.

Table 5: Jobseeker's Allowance & Universal Credit (UC) due to unemployment claimant information

	Current	3 months ago	12 months ago	3 month change	12 month change
Claimant rate – Sheffield	2.2	2.3	2.4	-0.10	-0.20
Claimant rate – England & Wales	2.2	2.1	1.9	0.10	0.30
Number of all claimants – Sheffield	8,450	8,865	9,150	-4.68%	-7.65%
Number of claimants aged 18-24- Sheffield	1,740	1,840	1,985	-5.43%	-12.34%

Source: ONS experimental dataset.

Claimant count data for the month of September shows that numbers have continued to fall since 2017 and it now stands at 8,450. This is 2.2% of the working age population and is the same rate as the national figure.

Universal Credit (UC) is now included in the claimant count as this became live in Sheffield in January 2006. Although there was a pause for new claimants of UC in Sheffield from December 2017 it will begin to be rolled out again in the city from November 2018. This means that many people making a new claim or having a change in circumstances and claiming one of the below benefits will be directed to claim UC instead.

- Housing Benefit
- Income-related Employment and Support Allowance (ESA)
- Income-based Jobseeker's Allowance (JSA)
- Child Tax Credit

- Working Tax Credit
- Income Support

Under UC a broader span of claimants are required to look for work than under JSA. As the UC full service is rolled out, the number of people recorded as being on the Claimant Count is therefore likely to increase.

Table 6: Housing Benefit claimant information

	Current	3 months ago	12 months ago	3 month change	12 month change
Total number of HB claimants	45,311	45,883	46,940	-1.25%	-3.47%
Number of social HB claimants	37,096	37,422	38,111	-0.87%	-2.66%
Number of private HB claimants	8,215	8,461	8,833	-2.91%	-7.00%

Source: SCC Finance & Commercial Services

The total number of Housing Benefit claimants in Sheffield has fallen by 1.25% in the last 3 months.

The numbers of people claiming Housing Benefit is likely to fall as Universal Credit (UC) is rolled out across Sheffield because help towards rent will be part of the monthly UC payment. It will also be the claimant's responsibility to pay the landlord, while Housing Benefit is currently paid directly to social landlords.

There are concerns that this could increase rent arrears in the social housing sector. Research into UC and the impact on arrears published by the *National Housing Federation* in July has found that:

- Universal Credit claimants have higher average arrears than tenants on legacy benefits.

- There appears to be a spike in arrears prior to and immediately following a claim, with a return to pre-claim level after around 52 weeks.
- The reasons for increased levels of arrears are complex, but relate to the delay in a claimant receiving the first payment, the design of UC and the carrying over of pre-existing arrears.

This was based on UC being rolled out to 10% of eligible households in December 2017.

Sheffield City Council has been managing the rent accounts of the 600 council tenants that have been claiming UC since January 2016. This support has included texting tenants, where appropriate, to quickly and easily remind them of the need to pay their rent, and ensuring that arrears letters are not sent out before the monthly payment date is due.

Technical notes

1. *The average house price is based on the last month within the given quarter e.g. for July-September the house price is taken from September.*
2. *Average price paid by first time buyers and previous home owners from the Land Registry is now included as it allows us to further understand the market and affordability.*
3. *The private rented data is gathered from the Right Move database, which is based on data from the majority of the United Kingdom's estate agents.*
4. *Lettings information for Registered Providers' properties is included now that it is available from Abritas, the Choice Based Lettings software application which is being used by the Council.*
5. *Homelessness data has not been included in this bulletin because the implementation of the Homeless Reduction Act in April 2018 made significant changes to the way housing authorities must tackle homelessness, and record their homelessness figures. The Act modified or extended existing homelessness protection in a number of key areas, including new duties on housing authorities to prevent and relieve homelessness for all eligible people. In future bulletins new indicators will be used to identify trends in homelessness, including an indicator for the number of homeless preventions being achieved in Sheffield.*
6. *Actual repossessions are now included in the bulletin as they show the actual numbers of people that lose their homes. Not all court claims and court orders lead to repossession.*
7. *The Claimant Count is the number of people claiming benefit for being unemployed. This is measured by combining the number of people claiming Jobseeker's Allowance (JSA) and National Insurance credits with the number of people receiving Universal Credit for the reason of being unemployed. Claimants declare that they are out of work, capable of, available for and actively seeking work during the week in which the claim is made.*
8. *Housing Benefit claimants are included in the bulletin as they give an indication of the changes in the economy and will help us measure the impact of Welfare Reform. This is collected from the Housing Benefits service and has a 1 month delay.*
9. *Some of the figures from 3 and 12 months ago may look different to those published as 'current' in previous bulletins. This is because many of the data sources used to compile the bulletin are continuously updated and revised retrospectively.*