TRAFFORD COUNCIL

Report to: Planning Development Control Committee
Date: 10 September 2015
Report for: Information
Report of: Head of Planning Services

Report Title

Housing and Property Market Conditions – State of the Economy 2015

Summary

This report is to inform Planning Development Control Committee about a Study that has been undertaken on behalf of Planning Services to ascertain the housing and property market conditions for the current year.

Recommendation

That Planning and Development Control Committee note the contents of this report.

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1.0 Introduction

1.1 As part of the annual review of market conditions in the borough, a study was commissioned from Peter Brett Associates (the company that produced the evidence base for our CIL charging schedule). The purpose of this study was to analyse data to establish two matters:

- The state of the housing market, and what the current affordable housing policy requirement should be set at.
- Whether a review of the CIL Charging Schedule should be undertaken.

1.2 The findings of this study are summarised below, separated into the two policy areas to which they apply. The report has also been made publically available on the Council's website at www.trafford.gov.uk/CIL, and officers have been briefed on the contents.

2.0 Affordable Housing update

2.1 Trafford Council's affordable housing policy (Core Strategy Policy L2) sets differing targets for affordable housing provision for its three market areas (cold, moderate and hot). The policy targets for each market area are also variable according to whether housing market conditions are considered to be 'poor', 'normal' or 'good'. In recent years the market has been considered to be 'poor'.

2.2 The study brings together two measures of property market conditions, analysed over a 20 year period, to determine the prevailing level of housing market conditions. The two principal measures are:

- The volume of residential property transactions, indicating the level of activity in the market; and
- House price change, reflecting the balance between supply and demand as well as the general health of the housing market.

2.3 The data is reported and analysed for Trafford as a whole, as well as for the cold, moderate and hot market sub-areas referred to in Policy L2 so that if, for example, market conditions had improved more quickly in hot market areas than elsewhere, this can be reflected in the Council's policy approach.

2.4 The levels of transactional activity and levels of house price change are input into a simple model that provides a clear and easy to understand mechanism for determining market conditions at any given time, based on a traffic-light red / amber / green (RAG) basis. The model for the whole of the borough is illustrated in figure 1.

Figure 1: Market Conditions Model - Trafford

Year	Sales Volumes*	Average Price Change**	**Overall *****
1995			
1996			
1997			
1998			
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			

* Moderate defined by long term average ± 10%
** Moderate defined by long term average ± 50%
*** Change in level determined by both indicators being different than current level, or one indicator being two levels different to current
NB. No 'Overall' category can move more than one level per year.

2.5 The model suggests that for Trafford as a whole, market conditions are returning to 'normal' for 2014, with the same findings when drilling down into the detail for each of the three market areas.

2.6 However, as data for 2015 is not yet available, it would be prudent to establish whether this improvement has been sustained throughout 2015 before any change in policy approach is made.

3.0 Community Infrastructure Levy update

3.1 The Community Infrastructure Levy (CIL) Charging Schedule was adopted on 7 July 2014, following an examination that took place in December 2013. In turn, this examination was based on market evidence and viability assessments that were undertaken during 2012 and 2013.

3.2 At the time, a range of indicators were suggested which could be used to monitor changes to wider property market conditions, and thus could trigger a review of the

CIL Charging Schedule. A large number of the identified factors have changed to a greater degree than the thresholds set out at the time of writing the report in 2012, leading to a refinement of the approach used. This study has therefore considered the relationship between cost and value assumptions, rather than each in isolation, which provides a more comprehensive understanding of overall development viability.

Residential development

3.3 For houses, the findings suggest that sales values have increased in moderate and higher value areas, with both areas showing an increase of approximately 12% over the last three years. Whilst there have been increases in the residential sales values, there has been a more significant increase in the build cost assumptions. These two factors are likely to cancel each other out in terms of their overall impact on the viability of development.

3.4 For apartments, the data suggests that low value areas have seen a very marginal change in both build cost and in sales value. The sales values for the moderate and high value areas for apartments have shown more significant increases compared to the build costs. The overall change is showing an improvement in the market, however there is not a level of change that would suggest an improvement in market conditions that is significant enough to justify reviewing the residential charge rates.

Non-Residential development

3.5 For non-residential development, capital values have increased by between 5% and 9%. However, as with the residential sector, non-residential build costs have also gone up significantly. These increases in build costs have cancelled out the value uplift shown with the improving yield figures. This is with the exception of industrial developments and retail warehouses where the increase has not been as significant. The balance has therefore shifted the position of these two development types to an improved position.

3.6 The information gathered suggests that whilst the viability of industrial development has improved somewhat, it is unlikely to have improved to such a degree as to justify a review of the charging schedule to introduce a charge for this use. Similarly, whilst it is likely that the viability of supermarket development has deteriorated, it is unlikely to be to such a degree that would necessitate a review of the charging schedule, given the levels of ‘draw down’ from the previously assessed theoretical maximum charges in setting the rates included in the adopted schedule. On the basis that in all other cases, changes in build costs have been broadly in line with changes in development value, a revision to the CIL Charging Schedule is not justified by the changes to non-residential development viability.

4.0 Recommendation

4.1 That Planning and Development Control Committee note the contents of this report.