

Housing Costs Update 2009 Quarter 2: April to June

Land Registry House Price Index

The Land Registry's House Price Index (HPI) provides monthly data on property prices. Land Registry figures show that the average house price in the city has fallen from a high of £235,939 in November 2007 to £188,784 in June 2009, a decrease of 20% and back to February 2006 levels.

Average prices in the city are still 23% higher than the national average, which has fallen back to September 2004 levels.

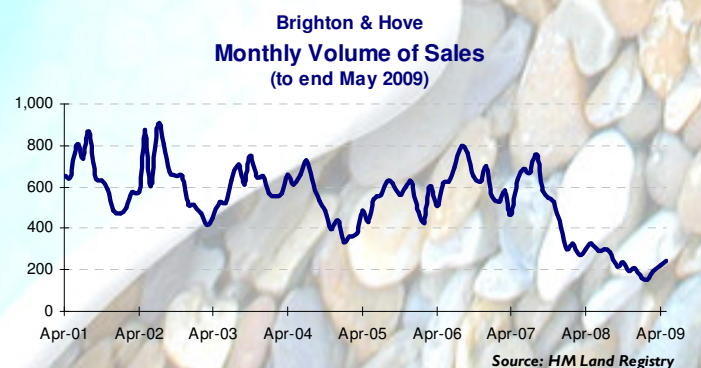
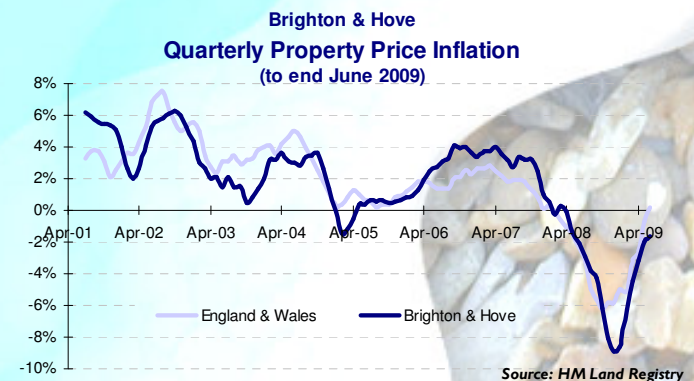
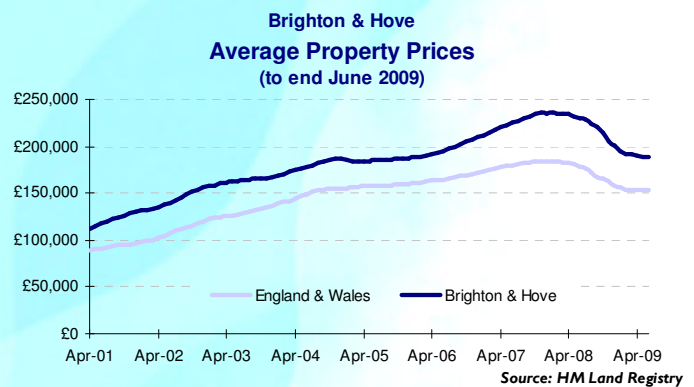
Quarterly inflation shows that the rate of decrease has slowed since December 2008, although prices are still reducing.

Sales have been at their lowest levels since before 2001 but there has been a steady increase since February 2009.

About Our Monitoring

Housing Strategy monitoring is a representative sample of properties that have been advertised in the city during the quarter. Property prices are based on those advertised in the Latest Homes magazine and rental prices are based on those advertised in the Property Argus.

It is important to note that the Land Registry records actual sale prices whilst our own monitoring uses advertised prices giving us an indication of how property prices and Land Registry figures are likely to change.

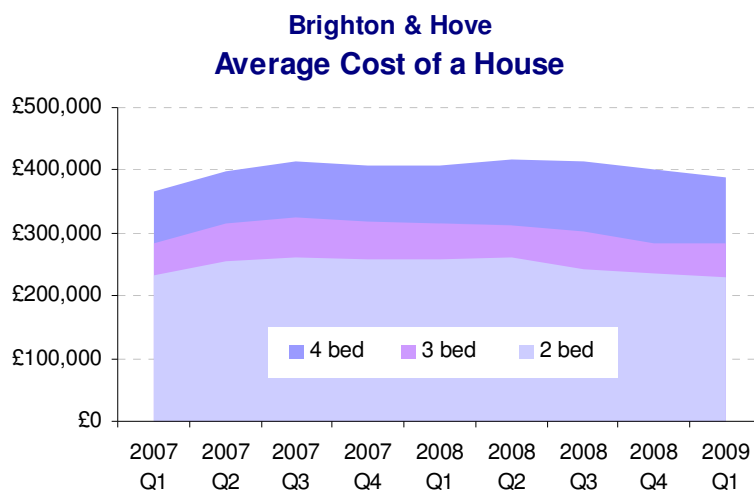


The Advertised Cost to Buy in Brighton & Hove

Houses

Annual Average House Prices & Inflation			
Size	2009 Q2	2008 Q2	Increase
2 bed	£228,664	£259,695	-11.9%
3 bed	£298,482	£313,312	-4.7%
4 bed	£374,143	£418,589	-10.6%

Quarterly Average House Prices & Inflation			
Size	2009 Q2	2009 Q1	Increase
2 bed	£228,664	£228,278	+0.2%
3 bed	£298,482	£283,114	+5.4%
4 bed	£374,143	£387,934	-3.6%

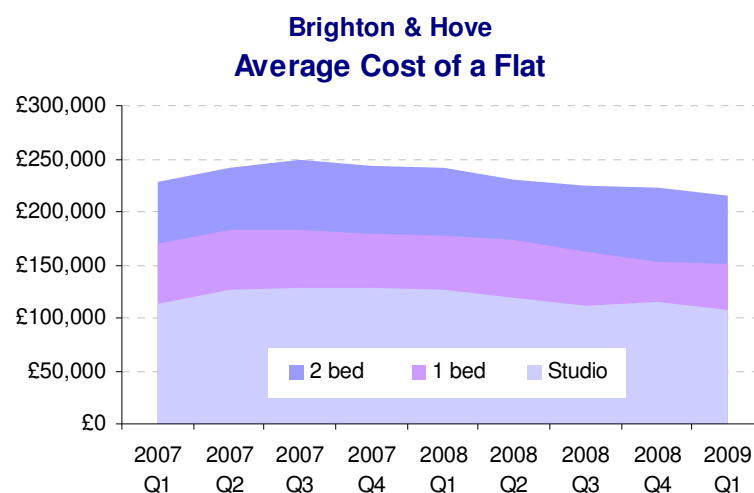


Over the year the value of houses advertised for sale has decreased, with 2-bed and 4-bed houses showing the sharpest reduction in price. Although, in the last quarter, there was a decrease in the asking price of 4-bed houses, in contrast, there was a slight increase in the average asking price of 2-bed houses and a more sizeable increase in the average asking price of 3-bed houses.

Flats

Annual Average Flat Prices & Inflation			
Size	2009 Q2	2008 Q2	Increase
Studio	£106,091	£118,902	-10.8%
1 bed	£157,798	£172,883	-8.7%
2 bed	£220,966	£231,014	-4.3%

Quarterly Average Flat Prices & Inflation			
Size	2009 Q2	2009 Q1	Increase
Studio	£106,091	£108,323	-2.1%
1 bed	£157,798	£150,700	+4.7%
2 bed	£220,966	£214,160	+3.2%

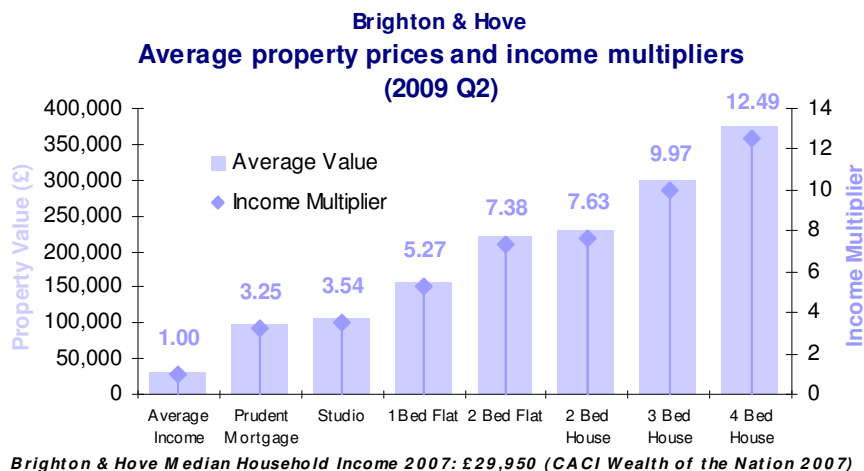


Annual asking price for all flats is down with studios seeing the greatest annual reduction at 10.8%. The quarterly asking price for studios is also down but in contrast the asking prices for 1-bed and 2-bed flats is up by 4.7% and 3.2% respectively. Our monitoring identified that the number of studio flats advertised has increased this quarter by 20% (58 studio flats compared with 48 during last quarter); but is 66% less than during 2008 Q2 when a total of 171 studios were advertised.

The Affordability of Buying in Brighton & Hove

Historically, mortgage lending has usually been limited to around 3.25 times annual income.

The 2007 CACI Wealth of the Nation report shows that the average household income in Brighton & Hove was £35,123. However, 61% of households earn below the average. The average is affected by the number of very high earners in the city.



The Median household income (where 50% of households earn less and 50% of households earn more) in the city is £29,950. We have used this median figure to more accurately reflect the pressures on local residents.

In Brighton & Hove the average 1 bedroom flat costs just over 5 times the median household annual income and 3-bed houses costs nearly 10 times median annual income.

Households on average incomes must have either a sizeable deposit or borrow significantly in excess of prudent mortgage limits in order to buy. If interest rates rise, it could place a serious financial strain on households who have had to borrow large sums in excess of 3.25 times income, with every 1% increase in interest rates adding around £90 per month to a £150,000 mortgage.

Mortgage interest rates and availability have been improving in recent months. However, deposits of 25% are now the norm rather than 5% required in recent years. As a result, the income required to finance a home has reduced but the deposit requirement has increase significantly.

Monthly Cost of Mortgage Repayments		
	1 bed flat	3 bed house
Purchase value of property	£157,798	£298,482
Deposit 25%	£39,450	£74,620
Total value of mortgage	£118,349	£223,861
Income required*	£36,415	£68,880
Repayment @ 4% **	£625	£1,182
Repayment @ 5% **	£692	£1,309
Repayment @ 6% **	£763	£1,442

* Based on 3.25 x salary ** Based on a 75% repayment mortgage repaid over 25 years

A sufficient mortgage for the average 1 bedroom home would require an income of around £36,500 per annum with a £40,000 deposit and a 3 bed home requires an income of around £69,000 with a £75,000 deposit.

Low Cost Ownership in Brighton & Hove

HomeBuy (low cost home ownership)

HomeBuy is a government led initiative offering a range of schemes to help people onto the property ladder, when they would otherwise not be able to do so.

It offers a range of schemes to help people who wish to buy a property but are unable to raise a mortgage large enough to do so. Under Homebuy, households buy a share of the property, typically between 40% and 50%, and either pay rent or have an equity loan on the remaining share.

Moat is the government's appointed HomeBuy Agent for Kent, Sussex and Essex.

HomeBuy in Brighton & Hove

Between 1st January 2009 and 30th June 2009, a total of 40 households were helped to become homeowners through the HomeBuy initiative (17 through New Build HomeBuy¹ and 23 through Open Market ChoiceBuy). Households' incomes ranged from £17,580 to £53,924.

	Share Purchased	Household Income	Property Value
1 bed			
Average	52%	£24,761	£143,333
Highest	55%	£30,000	£155,000
Lowest	50%	£19,683	£125,000
2 bed			
Average	52%	£33,429	£187,541
Highest	85%	£53,924	£220,000
Lowest	25%	£17,580	£120,000
3 bed			
Average	45%	£34,982	£206,231
Highest	75%	£52,612	£250,000
Lowest	25%	£22,668	£165,000
4 bed			
Average	63%	£50,321	£230,000
Highest	63%	£50,321	£230,000
Lowest	63%	£50,321	£230,000



There are more than 450 New Build flats and houses in development across Brighton & Hove available for low cost home ownership over the next two years

For more information, please contact MOAT on 0845 359 6161 or at www.homebuy.co.uk

HomeBuy Products featured in this bulletin

NewBuild HomeBuy: This initiative assists households to purchase a share between 25% to 75% on a brand new property, with a subsidised rent on the unowned share

MyChoice HomeBuy: This initiative assists households to purchase a property on the open market or via a developer with an equity loan of between 15% & 50%, an interest charge is payable on the unowned share

Other schemes include:

Rent to HomeBuy
HomeBuy Direct
Intermediate Rent

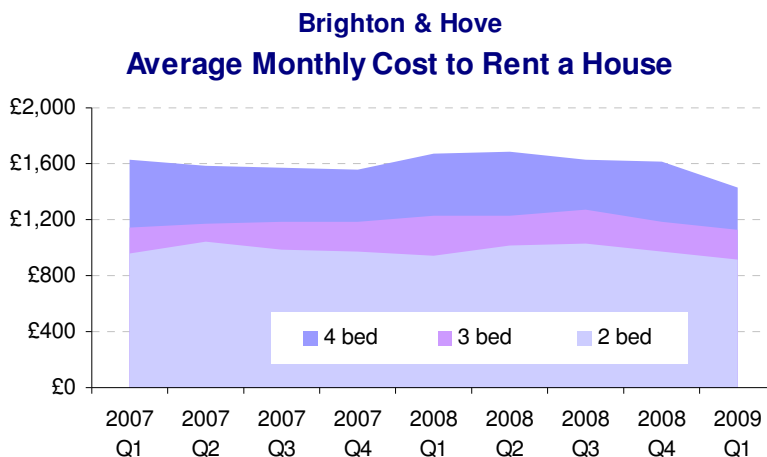
¹ The figure for New Build Homebuy properties only include those built by Moat. We are looking at ways of improving this monitoring to also include those built by other RSLs

The Advertised Cost to Rent in Brighton & Hove

Houses

Annual Average Monthly House Rent & Inflation			
Size	2009 Q2	2008 Q2	Increase
2 bed	£936	£1,016	-7.9%
3 bed	£1,129	£1,227	-8.0%
4 bed	£1,426	£1,686	-15.5%

Quarterly Average Monthly House Rent & Inflation			
Size	2009 Q2	2009 Q1	Increase
2 bed	£909	£974	-6.6%
3 bed	£1,124	£1,183	-4.9%
4 bed	£1,433	£1,618	-11.4%

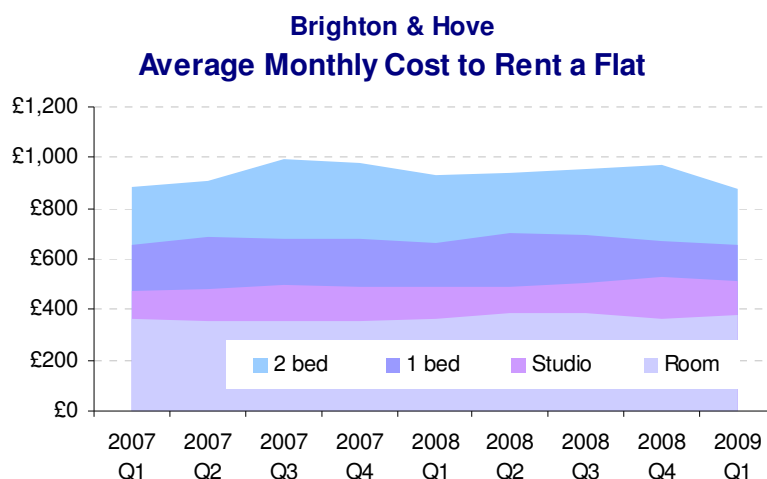


The average cost of renting a house decreased both quarterly and annually, with 4-bed houses showing the greatest decrease. This quarter saw the lowest number of houses advertised for rent in the Property Argus since monitoring began in 2003 with a total of 234 houses advertised during the quarter; 65% less than during Q2 2008 and 44% less than the previous quarter.

Flats

Annual Average Monthly Flat Rent & Inflation			
Size	2009 Q2	2008 Q2	Increase
Room	£371	£387	-4.1%
Studio	£469	£492	-4.6%
1 bed	£661	£701	-5.8%
2 bed	£371	£387	-4.1%

Quarterly Average Monthly Flat Rent & Inflation			
Size	2009 Q2	2008 Q1	Increase
Room	£371	£378	-1.9%
Studio	£469	£516	-9.1%
1 bed	£661	£654	+1.1%
2 bed	£371	£378	-1.9%



The average cost of renting a room, studio and 2-bed flat has decreased both annually and quarterly. Although the annual average cost of renting 1-bed flat has decreased by 5.8%, the quarterly cost has increased by 1.1%. This quarter has seen the number of flats advertised for rent in the Property Argus at an all time low since monitoring began in 2003 with only 1,128 flats advertised.

The Affordability of Renting in Brighton & Hove

Rent & Mortgage Comparison

Private Sector Rent Levels and Mortgage Comparison				
Property	2009 Q1		Rent Compared to Mortgage *	
	Average Rent per Month	Equivalent Mortgage	Annual Income Required	Rent as a % of Purchase Cost
Room	£ 371	£57,575	£17,715	not applicable
Studio	£ 469	£72,789	£22,397	68.6%
1 Bed Flat	£ 661	£102,534	£31,549	65.0%
2 Bed Flat	£ 839	£130,173	£40,053	58.9%
2 Bed House	£ 936	£145,288	£44,704	63.5%
3 Bed House	£ 1,129	£175,176	£53,900	58.7%

* Assuming a mortgage at 3.25 times income over 25 years with 6% interest

A household renting an average 1 bedroom flat would be paying £661 per month in rent, which is equivalent to the monthly repayment cost of a £102,500 mortgage. Traditionally, a mortgage of this amount would require an income of more than £31,500 to finance, just above the city average.

During 2003 rents averaged at around 80% of what a mortgage would be on that home. However, prices have risen quicker than rents resulting in rents now covering around 60% of purchase value, and this is before factoring in managing agent fees, maintenance, and other costs. Buy to Let investors should undertake careful financial appraisals to ensure they will receive sufficient returns.

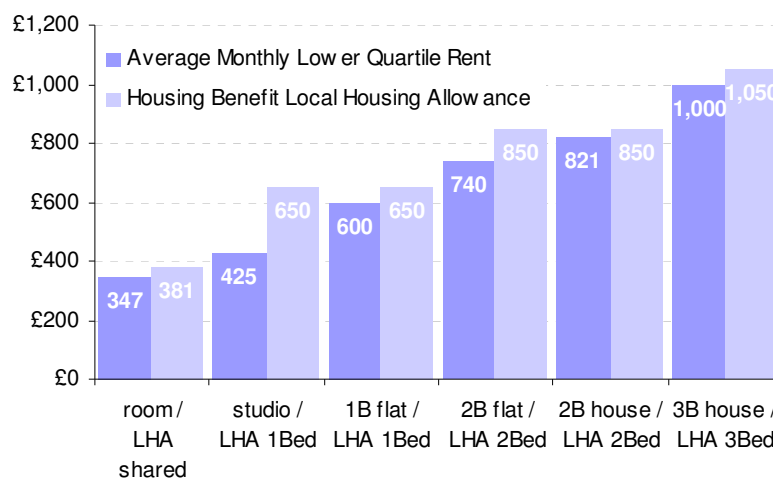
Rent & Housing Benefit Comparison

The Local Housing Allowance is a standard housing benefit rate based on the number of people in the household and the number of rooms that the household needs.

The LHA is a maximum amount payable, which may be reduced due to income and savings. Households finding cheaper accommodation than their allowance keep some of the excess.

The recent reduction in rents has resulted in the local housing allowance being greater than lower quartile rents for all property types which should improve the chances of those on benefits finding an affordable home.

Brighton & Hove
Monthly Lower Quartile Private Sector Rents & Housing Benefit
(2009 Q2)



Note: The allowance is calculated based on the number of rooms required, which includes lounges and dining rooms. To avoid confusion we have assumed that all homes have one lounge / dining room with the remainder being bedrooms.

Special Feature

Affordability of housing in the City

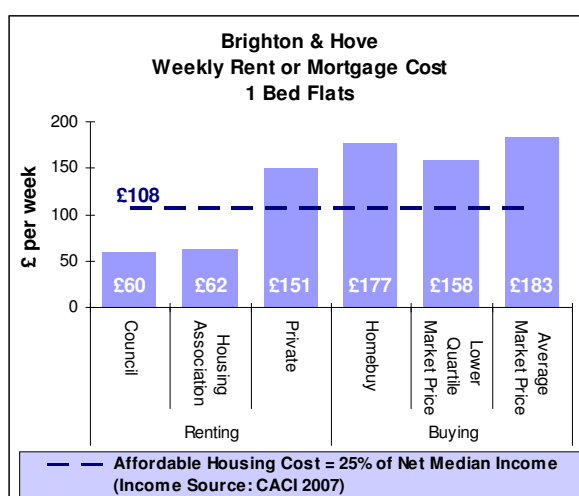
The charts look at affordability of homes across the different tenures as at the beginning of 2009, using the median income of £29,950 (CACI 2007) and the affordability indicator that suggest households should not spend more than 25% (£108 per week) of their take home pay on property costs.

Our research shows that half of all households in the city are only able to adequately afford social rented homes (council or housing association) with even 1 bed flats unaffordable to rent or buy. In order to meet housing costs, households must either share housing or make difficult decisions on what other expenses they must trim in order to keep a roof over their heads.

The chart compares the average cost of buying/renting 1-bed flat against 25% of the median income.

The table shows how much of a £29,950 income would be needed to buy/rent an average 1-bed flat.

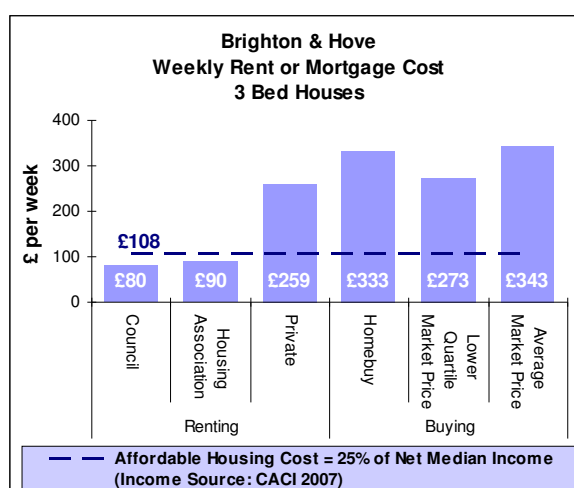
1-Bed Flat	% of income
Council Renting	14%
Housing Association Renting	14%
Private Renting	35%
Homebuy Low Cost Home Ownership	41%
Lower Quartile Market Price Ownership	36%
Average Market Price Ownership	42%



The chart compares the average cost of buying/renting 3-bed house against 25% of the median income.

The table shows how much of a £29,950 income would be needed to buy/rent an average 3-bed house.

3-Bed House	% of income
Council Renting	18%
Housing Association Renting	21%
Private Renting	60%
Homebuy Low Cost Home Ownership	77%
Lower Quartile Market Price Ownership	63%
Average Market Price Ownership	79%



Data Tables: Advertised Cost to Buy in Brighton & Hove

HOUSES	2 Bed House	3 Bed House	4 Bed House
Average	£228,664	£298,482	£374,143
Last Quarter (2009 Q1 Jan-Mar)	£228,278	£283,114	£387,934
<i>% Change from last quarter</i>	<i>+0.2%</i>	<i>+5.4%</i>	<i>-3.6%</i>
Last Year (2008 Q2 Apr-Jun)	£259,695	£313,312	£418,589
<i>% Change from last year</i>	<i>-11.9%</i>	<i>-4.7%</i>	<i>-10.6%</i>
Highest	£357,500	£465,000	£625,000
Lowest	£125,000	£155,000	£69,950
Half the prices were higher than	£229,950	£289,975	£360,000
Most frequent price	£229,950	£375,000	£399,950
Average of lowest quartile	£197,950	£249,950	£299,950
Last Quarter (2009 Q1 Jan-Mar)	£196,238	£225,000	£315,000
<i>% Change from last quarter</i>	<i>+0.9%</i>	<i>+11.1%</i>	<i>-4.8%</i>
Last Year (2008 Q2 Apr-Jun)	£225,000	£264,950	£359,950
<i>% Change from last year</i>	<i>-12.0%</i>	<i>-5.7%</i>	<i>-16.7%</i>

FLATS	Studio	1 Bed Flat	2 Bed Flat
Average	£106,091	£157,798	£220,966
Last Quarter (2009 Q1 Jan-Mar)	£108,323	£150,700	£214,160
<i>% Change from last quarter</i>	<i>-2.1%</i>	<i>4.7%</i>	<i>3.2%</i>
Last Year (2008 Q2 Apr-Jun)	£118,902	£172,883	£231,014
<i>% Change from last year</i>	<i>-10.8%</i>	<i>-8.7%</i>	<i>-4.3%</i>
Highest	£145,000	£250,000	£600,000
Lowest	£69,950	£84,950	£119,950
Half the prices were higher than	£105,000	£157,950	£215,000
Most frequent price	£94,950	£159,950	£199,950
Average of lowest quartile	£94,950	£139,950	£179,950
Last Quarter (2009 Q1 Jan-Mar)	£95,000	£130,000	£175,000
<i>% Change from last quarter</i>	<i>-0.1%</i>	<i>+7.7%</i>	<i>+2.8%</i>
Last Year (2008 Q2 Apr-Jun)	£110,000	£159,950	£199,950
<i>% Change from last year</i>	<i>-13.7%</i>	<i>-12.5%</i>	<i>-10.0%</i>

Data Tables: Advertised Cost of Renting in Brighton & Hove

HOUSES	2 Bed House	3 Bed House	4 Bed House
Average	£936	£1,129	£1,426
Last Quarter (2009 Q1 Jan-Mar)	£909	£1,124	£1,433
<i>% Change from last quarter</i>	+2.9%	+0.4%	-0.6%
Last Year (2008 Q2 Apr-Jun)	£1,016	£1,227	£1,686
<i>% Change from last year</i>	-7.9%	-8.0%	-15.5%
Highest	£1,200	£1,650	£2,500
Lowest	£750	£810	£975
Half the prices were higher than	£900	£1,100	£1,450
Most frequent price	£900	£1,250	£1,450
Average of lowest quartile	£821	£1,000	£1,300
Last Quarter (2009 Q1 Jan-Mar)	£850	£950	£1,200
<i>% Change from last quarter</i>	-3.4%	+5.3%	+8.3%
Last Year (2008 Q2 Apr-Jun)	£900	£1,100	£1,395
<i>% Change from last year</i>	-8.8%	-9.1%	-6.8%

FLATS	Room	Studio	1 Bed Flat	2 Bed Flat
Average	£371	£469	£661	£839
Last Quarter (2009 Q1 Jan-Mar)	£378	£516	£654	£876
<i>% Change from last quarter</i>	-1.9%	-9.1%	+1.1%	-4.3%
Last Year (2008 Q2 Apr-Jun)	£387	£492	£701	£941
<i>% Change from last year</i>	-4.1%	-4.6%	-5.8%	-10.9%
Highest	£500	£695	£1,095	£1,350
Lowest	£200	£350	£368	£500
Half the prices were higher than	£370	£470	£650	£800
Most frequent price	£347	£450	£650	£850
Average of lowest quartile	£347	£425	£600	£740
Last Quarter (2009 Q1 Jan-Mar)	£347	£478	£595	£775
<i>% Change from last quarter</i>	0.0%	-11.0%	+0.8%	-4.5%
Last Year (2008 Q2 Apr-Jun)	£345	£433	£620	£825
<i>% Change from last year</i>	+0.5%	-1.8%	-3.2%	-10.3%

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