
AYRSHIRE JOINT PLANNING STEERING GROUP
25 NOVEMBER 2010

Private Sector House Building in Ayrshire Update

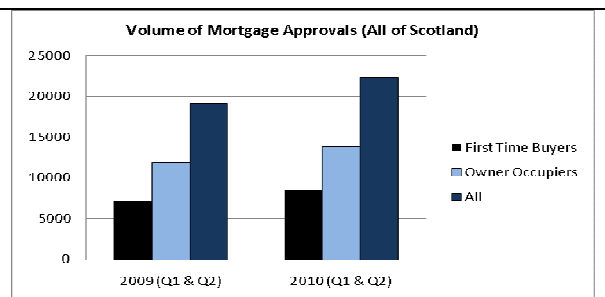
PURPOSE OF REPORT

1. To provide a synopsis of the state of private sector house building activity and to present relevant economic data on factors influencing private sector housing development.

BACKGROUND

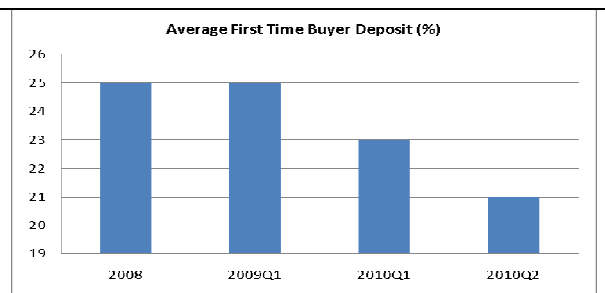
2. This report provides a further update, to that provided in May this year, on the outlook for private sector house building in Ayrshire.
3. Mortgage Lending Volumes

The volume of mortgage lending in Scotland rose between the first half of 2009 and the first half of 2010. Whilst this is a positive sign, it must be borne in mind that the current lending volumes are a fraction of what they were at the peak of property boom in 2007.



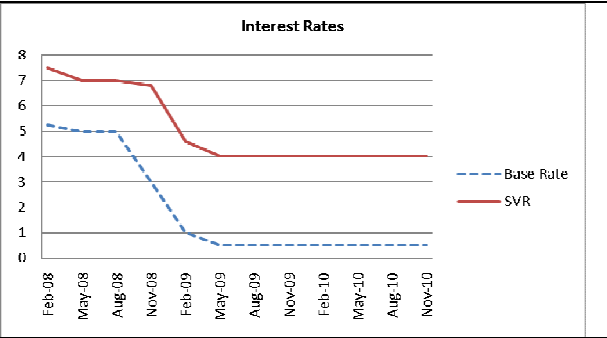
4. Average First Time Buyer Deposits

The average deposit required by first time buyers in Scotland has declined from 25% in 2008 to 21% in second quarter of 2010. This is a factor in helping increase the number of first time buyers, who are essential to the proper functioning of the property market. However, as noted above, the total volume of mortgage advances is still very low.



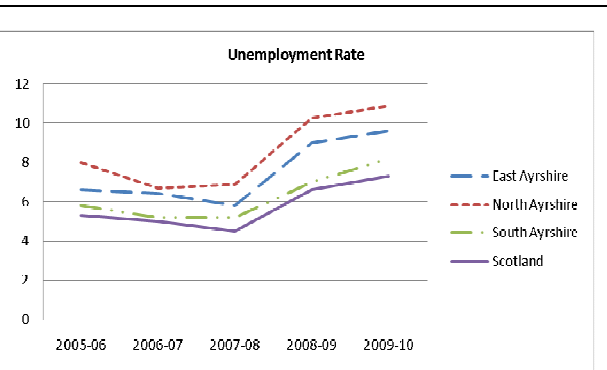
5. Interest Rates

The Bank of England base rate has been held at 0.5% since May 2009 and the average standard variable rate mortgage rate has remained around 4% since then. The cost of borrowing has therefore remained relatively low for those able to secure a mortgage.



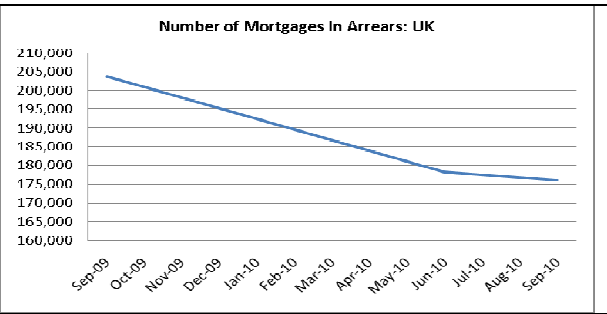
6. Ayrshire Unemployment Rate

The unemployment rate in each of the Council areas has risen sharply since 2007 and in East and North Ayrshire it is significantly above the Scottish average. Rates are continuing to rise.

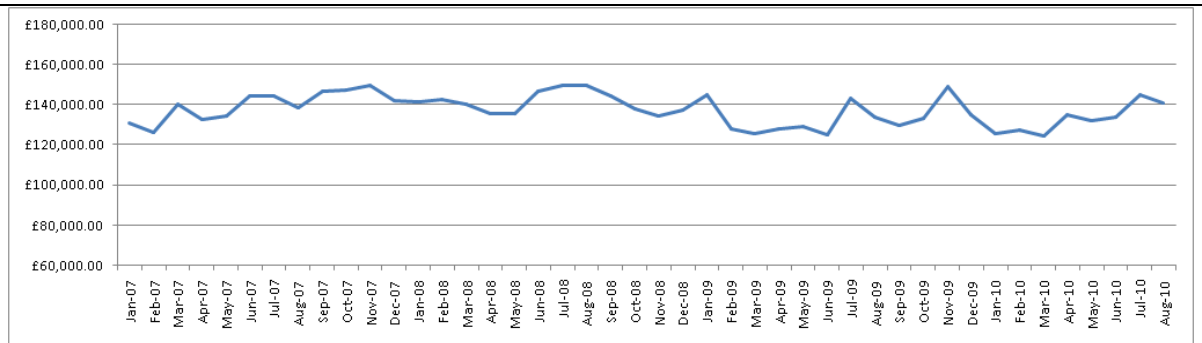


7. Arrears & Repossessions

The number of mortgages in arrears had been rising steadily since 2004. However, since 2009 the total number has been falling and is well below the level experienced the 1990s recession.

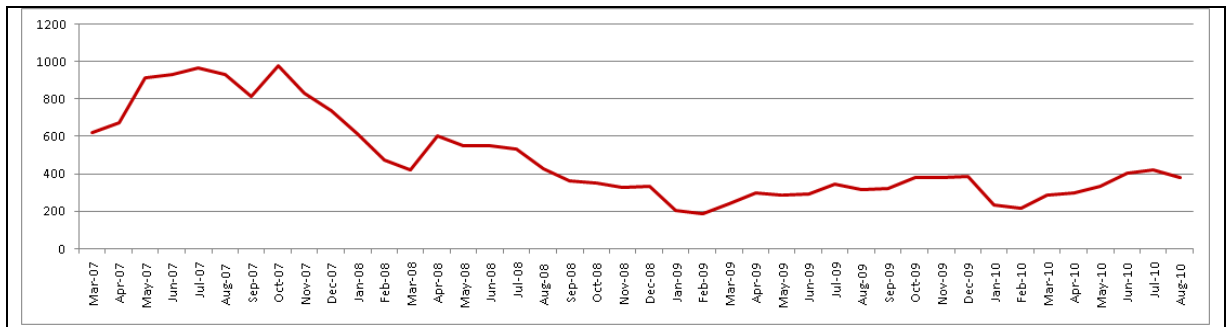


8. Ayrshire Average House Prices



The average value of houses bought and sold in Ayrshire has increased 5.6% over the last year. It should be noted that this data represents all sales and the average value can be affected by the mix of properties being sold at any one time. For example, a rise in average value could result from the sale of a small number of very expensive properties. At the Scottish Level, most Lenders agree that real average prices increased and have returned to approximately 4% below peak 2007 values.

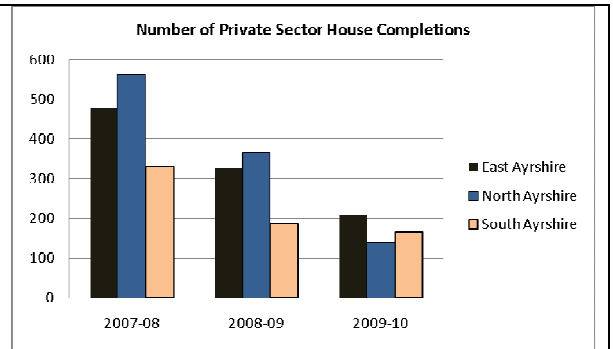
9. Volume of Ayrshire Property Transactions



There has been a modest recovery in the volume of property transactions across Ayrshire between 2009 and 2010, but the number of transactions remains around half that of the peak.

10. Private Sector Completions

Private sector completions in the period April 2009 to March 2010 have shown a further fall compared to a year earlier. This volume of completions is the lowest number of annual completions over the last 19 years.



11. **SUMMARY**

Indicator	Change Since May 10	Comments
Mortgage Lending Volumes		Volumes have increased but remain low compared to 2007
Average First Time Buyer Deposits		The size of deposit required is still a significant barrier
Mortgage Interest Rates		Low rates only benefit those who can obtain a mortgage
Ayrshire Unemployment Rate		
Arrears and Repossessions		Low interest rates and lender forbearance have help keep repossessions well below levels during the 1990s recession
Average House Prices		Average house prices are the product of supply and demand
Volume of Property Transactions		The number of properties being bought and sold is still well below the 1997 peak.
Number of Private New Build Completions		
Key To Symbols	worsening static improving	

CONCLUSIONS

12. Although some of the key indicators are moving in a positive direction, in overall terms the prospects for private sector house building in Ayrshire remain poor. Rising unemployment and fear over public sector spending cuts are acting to subdue demand and continued rationing of mortgages, particularly amongst first time buyers, is making an early recovery look unlikely within the next five or six years.

RECOMMENDATION

13. The Steering Group is asked to note the contents of this report

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