



# FACTSHEET 11/2016

## Owner Occupation

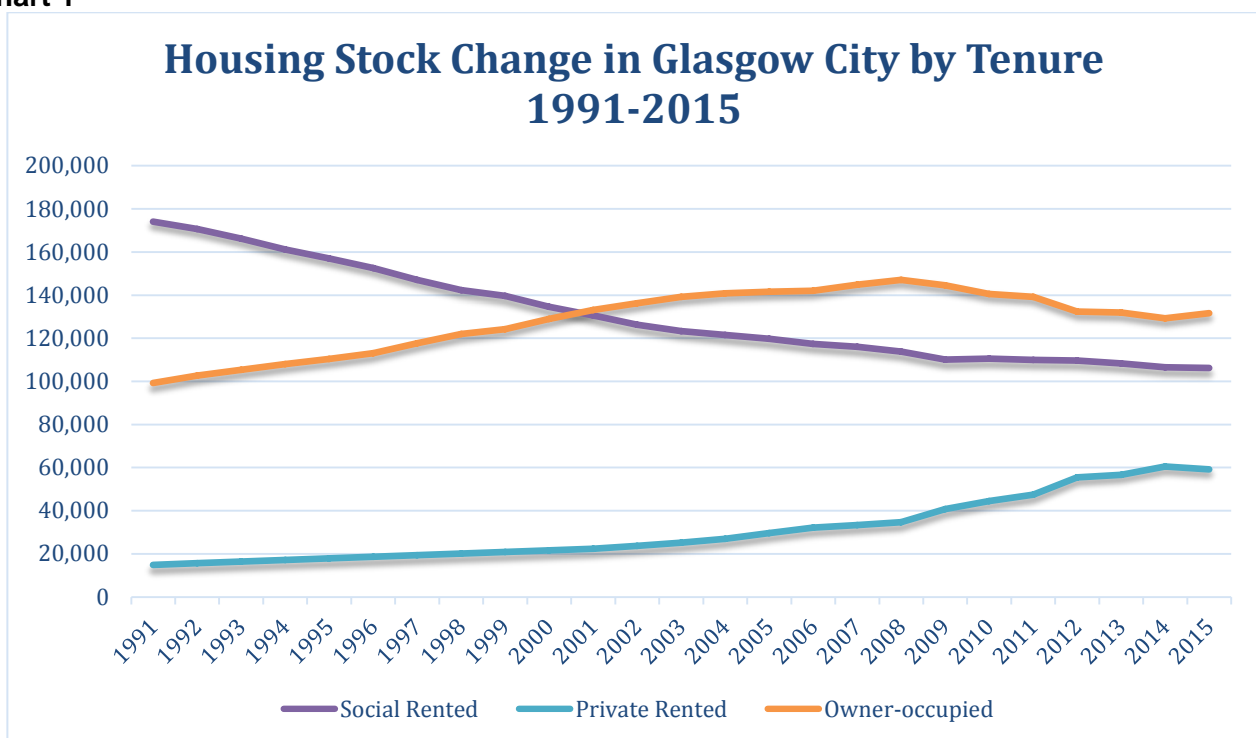
### Introduction

The purpose of this Housing Factsheet is to provide an overview of the owner occupied housing market in Glasgow.

### Background

In the 1980s and the 1990s there was a steady increase in owner occupied housing in Glasgow due in part to the policy of Right to Buy and the increasing availability of mortgages. This increase started to slow around 2000 and this is most likely due to lack of affordability as house prices started to rise and a slowing of the rate of people taking the option of right to buy. Owner occupation in Glasgow peaked around 2008 when the financial crisis resulted in much tighter controls on mortgage lending. Since 2008, the share of owner occupation in Glasgow has fallen (see chart 1) and the private rented sector has increased rapidly.

Chart 1



Current estimates [NRS 2012-base Population and Household Projections](#) suggest that there are 130,928 owner occupied properties in Glasgow in 2015.



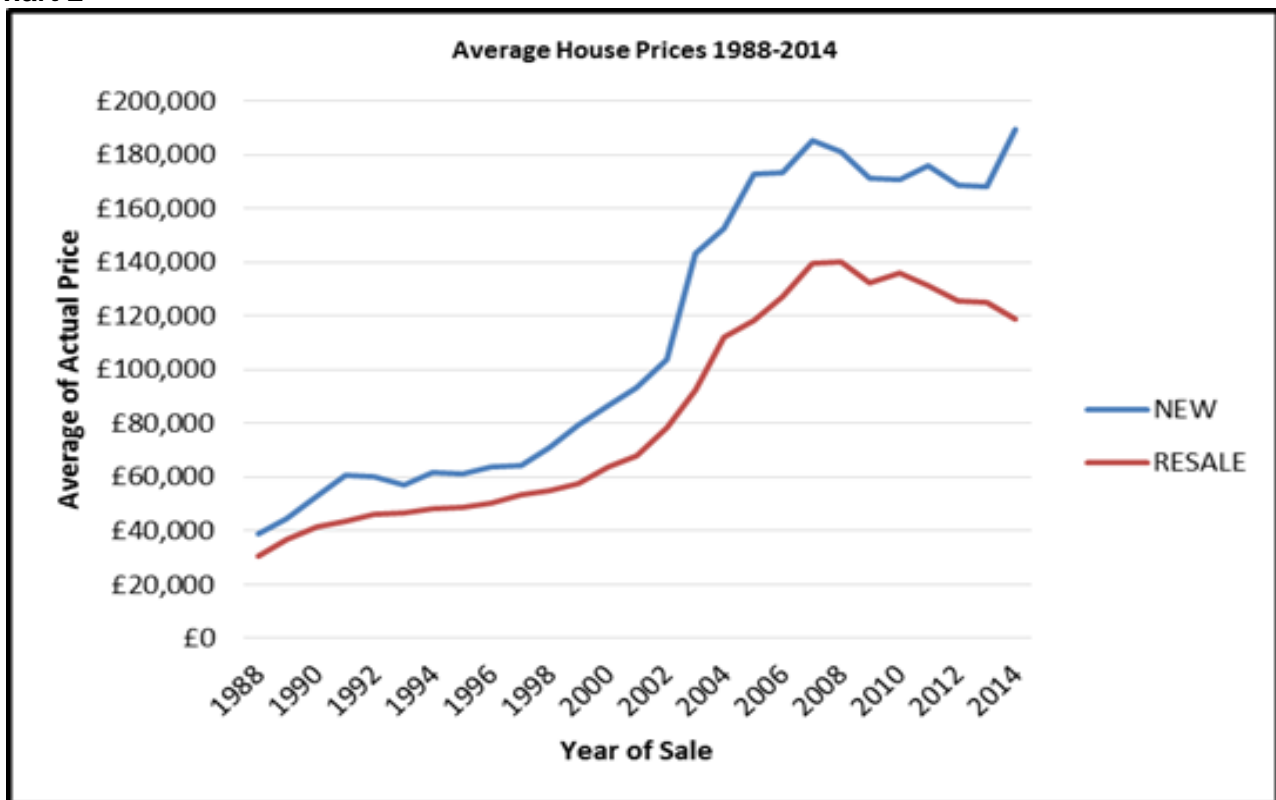
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## House prices

Housing and Regeneration Services have been tracking the average house price in Glasgow for both new build and resale properties since 1988. The following chart (Chart 2) shows the sharp increase in house prices in both the new build and resale markets during the early 2000's followed by the financial market crash in 2008 which saw the average house price across the city fall back to 2005/06 levels. The average house price for new build in the city has recovered during 2014/15 but this is partly due to the fact that developers are now building larger family homes instead of flats and this is pushing up the average price.

Resale house prices have not recovered to the same extent as new build house prices. Following the crash in 2008, house prices in Glasgow fell steeply. There has been some recovery in 2015 with anecdotal evidence suggests that is stabilising. Austin Lafferty, director of the GSPC quoted in the GSPC blog, 6<sup>th</sup> July 2016 saying: "Looking at a local level, Glasgow's annual house price change is also positive but is slightly more subdued at 1.4% compared with the west of Scotland as a whole. In outlying local authorities prices rose more strongly at 4.4%.

Chart 2





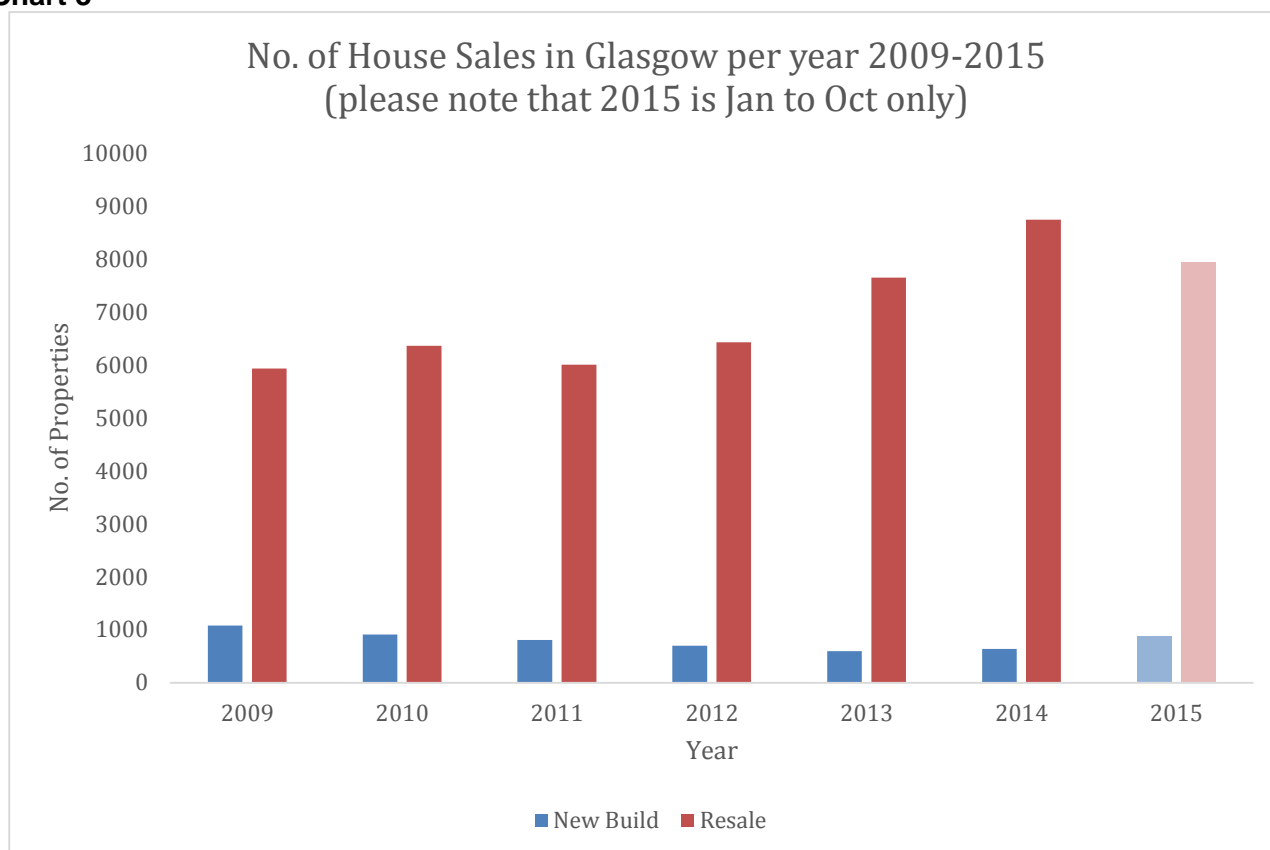
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## Volume of sales

The annual number of house sales in the city fell dramatically following the 2008 housing market crash and this was reported in Glasgow's Housing Issues Report from the 2011-2016 Housing Strategy. The number of resale transactions in the city started to increase at a steady pace in 2011 and has continued to rise to 2015. *(please note that the figure for 2015 quoted below in Chart 3 is for January to October only as the remaining data was not available at the time of writing)*. Adding in the remaining 3 months for 2015, the figures are expected to show a continued increase in the number of annual resales in the city.

The number of new build properties sold across the city continued to fall until 2013. From 2014 onwards there has been a slight recovery although the figures remain low.

**Chart 3**



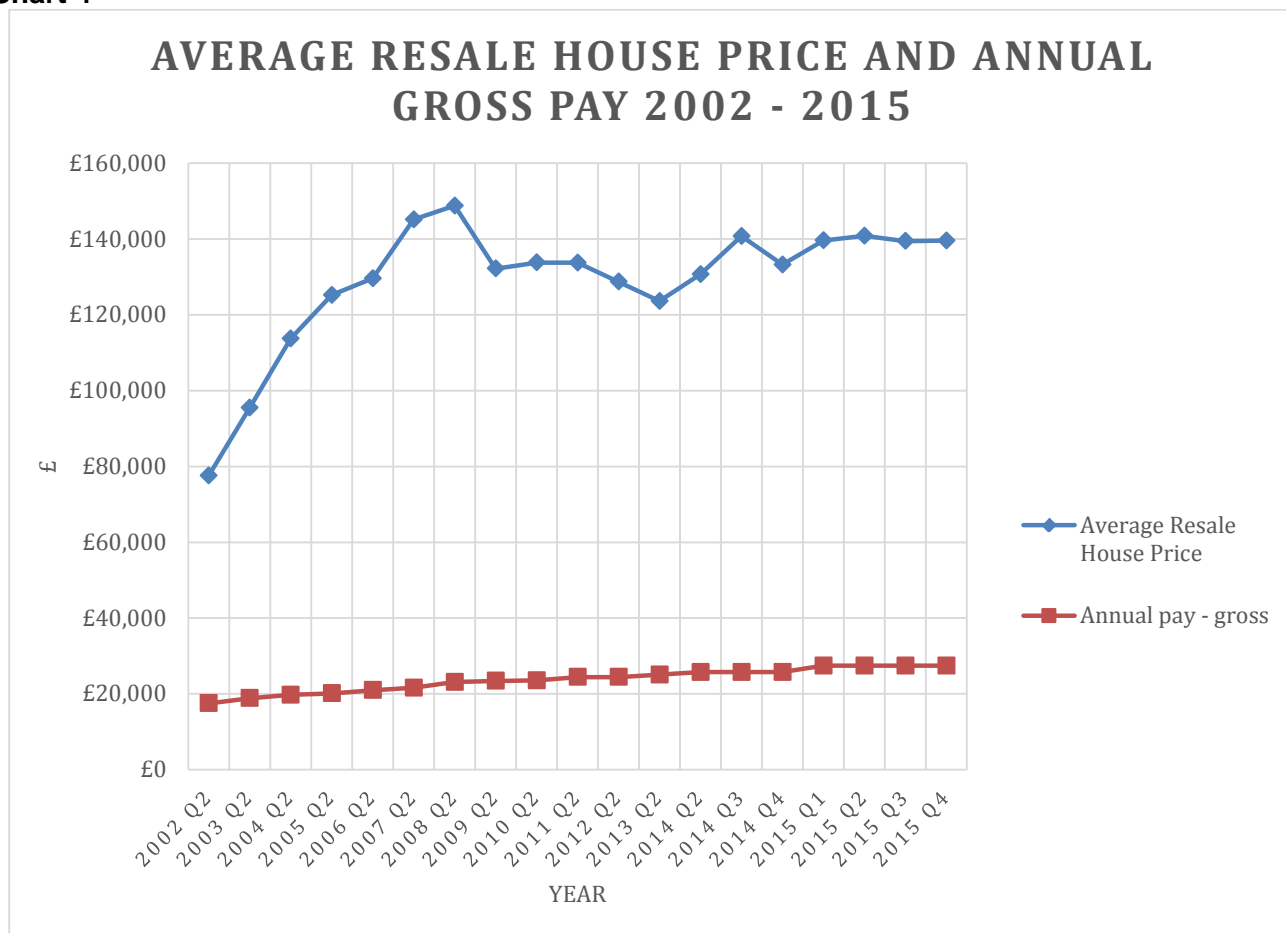


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### Affordability

The gap between income and house prices measures the affordability of the house prices in an area. In 2002, in Glasgow, the average house price was (3.5x) the average gross annual pay. At the height of the market in 2008, this ratio was (6.1x) the average gross annual pay. This has reduced and remained steady during 2015 at (4.1x) the average gross annual pay which although still higher than an accepted ratio of 3.5x income, it is still considerably lower than other cities in the UK. The Bank of Scotland reported on 26<sup>th</sup> March 2016 that on average, affordability in Scottish cities is now at its lowest level since 2009 but is still 12% lower than the peak at 2008. Edinburgh is Scotland's least affordable city with average house prices 6.12 times the gross average earnings in the city. Inverness (6.03x), Aberdeen (5.72x), Dundee (5.38x) and Perth (5.24x) make up the top five least affordable cities in Scotland. Glasgow is the 2<sup>nd</sup> most affordable city in Scotland (next to Stirling) and 10<sup>th</sup> in the UK.

Chart 4



Source: Register of Sasines / Annual Survey of Household Earnings (ASHE)

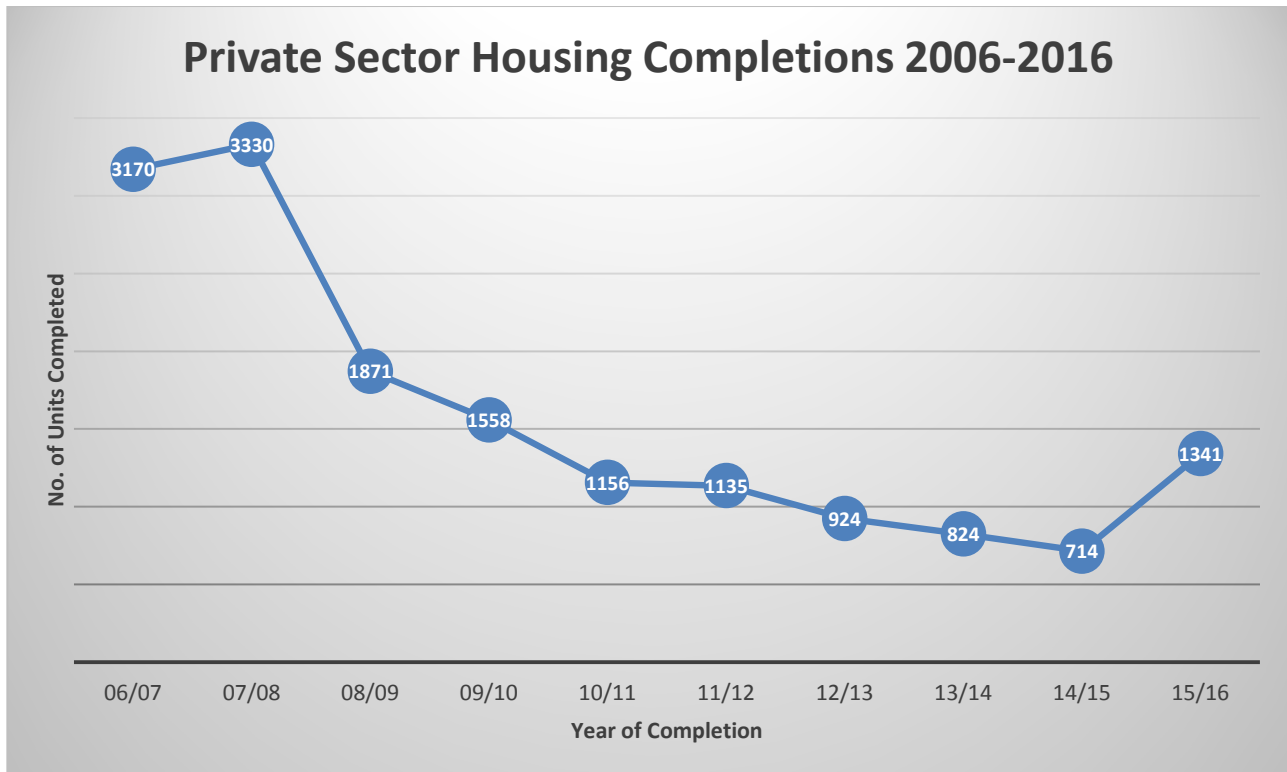


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## House building

Glasgow, similar to other cities in the UK, has seen a significant reduction in the volume of private sector house building since the economic downturn in 2008 with private sector completions decreasing by 55% since 2009/10. Economic conditions, weak market confidence and significant decreases in the availability of development finance and mortgage lending accompanied by an associated decline in incomes has had adverse impacts on private sector housing completions (see chart 5 below).

Chart 5



Prior to the housing 'boom' of the early to mid-2000s, the number of private sector completions averaged over 2,400 units per year, rising to over 3,000 per year at the height of the market between 2006 and 2008. Following the credit crunch from 2008 onwards, private sector completions reduced year on year to around 700 in 2014/15. In the most recent year, 2015/16, there has been a recovery to around 1,300 completions, including around 300 houses which were completed in the Athletes Village in Dalmarnock. Completion figures for next year should give an indication of whether this recovery is sustained.



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The extent to which these trends are temporary or permanent is likely to be closely linked to the performance of the general economy and cannot be predicted with certainty. Following the UK decision to leave the European Union, the future for house prices across Glasgow remains somewhat uncertain.

There are two key consequences stemming from the reduction house building in the city: -

- Shortage of new supply across tenures, and
- Adverse impact on jobs and sector businesses

House building activity has not yet returned to average levels however, confidence is expected to return to the city's house building sector, due in no small part to the Council's success in working with partners to make residential development in the city attractive, alongside the £1.13bn City Deal. Glasgow City Council is pump-priming sites for development, investing in up-front infrastructure, land remediation, taking new and innovative approaches to ensure flexibility and shared risk between partners.

### Factors contributing to the reduction of Owner Occupation in Glasgow

Evidence indicates that the private rented sector has become the tenure for many who previously would have entered owner occupation. The effect of the economic downturn since 2008 has given rise to affordability issues, resulting in a sizable rise of affordable housing need. As owner occupation is now less accessible for potential first time buyers, many of these households are now living in private rented housing. The share of private renting in the city's dwelling stock has more than doubled in the recent decade. The extent, to which the increase in private renting is a permanent or temporary trend and its sensitivity to changes in the economy and wider housing market, is not known and requires to be closely monitored.

A number of factors appear to be contributing to the reduction of the Owner Occupied Sector in Glasgow. These include:

- An overall increase in demand for short term accommodation due to rising levels of in-migration, an increase in overseas students and occasional workers living in the city.
- Rising house prices resulting in fewer households entering the first time buyer market and opting to rent privately for longer periods of time
- Difficulties for prospective first time buyers in raising a deposit to purchase a home as more stringent criteria is imposed by lenders in relation to amount borrowed relative to household income
- A ready supply of properties coming on to the private renting market including "Buy to let" properties