Liverpool SHLAA Update (2012)
Housing Market Analysis Report

October 2012
Prepared By: Matt Spilsbury, Status: Principal, Date: October 2012.

Reviewed By: Antony Pollard, Status: Associate, Date: October 2012.

For and on behalf of GVA Grimley Ltd.
## CONTENTS

1. Introductory Chapter ................................................................. 1
2. National Housing Market Commentary ........................................ 8
3. Housing Market Overview – Liverpool’s ‘Active Housing Market’ .......... 14
4. Housing Sub-Market Area Analysis – The City Centre & Waterfront ...... 25
5. Housing Sub-Market Area Analysis – Liverpool’s Other Areas ............ 37
6. Conclusion ..................................................................................... 51
1. Introductory Chapter

Introduction

1.1 The significant changes to the housing market, both in terms of property transaction volume and price, have been well documented over recent years – including, in Liverpool’s case, within the Liverpool Strategic Housing Market Assessment (SHMA) (2011).

1.2 The NPPF (2012) requires that Liverpool City Council identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing. Liverpool Council undertake this analysis through the Liverpool Strategic Housing Land Availability Assessment (SHLAA) process. The NPPF states that:

“To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans.” (NPPF, p12, para. 47, footnote 11)

1.3 It is therefore important to gain an accurate perspective on the current performance of Liverpool’s housing market to establish whether there is a demand for the type of units and sites being delivered across Liverpool – an issue particularly pertinent within the City Centre and Waterfront. The future housing supply within the City Centre and Waterfront is focused on flats/apartments, which have struggled for demand/delivery/viability nationally in recent years.

1.4 However, historically, these areas have played a considerable role in providing new homes within the City. Understanding whether there is deliverability, viability and demand for this type of supply currently and going forward is therefore important in order to effectively evaluate whether SHLAA sites within the City Centre and Waterfront should be considered for inclusion within the City’s deliverable 5-year housing supply.
The Liverpool Context

1.5 Liverpool’s housing market is embedded within a wider functional housing market area, the Northern Liverpool City Region market area, which alongside the Southern and Eastern market areas constitutes the wider City Region geography.

1.6 Liverpool has historically experienced a declining population since 1991. The majority of this decline was experienced up to 2001, with a 7% fall during the 1991-2001, inter-censal decade. The research in the SHMA (2011) suggests that the population of the city in 2008 stood at approximately 440,000, which, whilst representing a considerably lower level than in 1991 (475,000) is the result of a reverse of trend over recent years. An updated total population estimate for the Authority as a whole stands at just under 440,000 in 2008.

1.7 Net out-migration from Liverpool has been the main driver of population decline with an estimated total net outflow of 3,000 - 4,000 per year 1991-2001, reducing to 1,000- 2,000 per year thereafter. Natural change (the difference between births and deaths) has made an increasingly positive contribution to population change since 2001. Whilst net internal migration has continued to have a negative impact upon population change, net international migration (the difference between immigration and emigration flows) has been positive. It is the influence of net immigration that has largely arrested the population decline evident in Liverpool up to 2001.

1.8 Moreover, the results of the 2011 Census demonstrate that this positive trend of recent population growth has continued, and stood at approximately 466,400 in 2011. This represents an update on the SHMA (2011) estimate, and will have important implications for the requirement for housing within the city to meet the needs of the growing population.

Purpose of this Report

1.9 In response to the issues set out within the introductory section, this short housing market analysis report examines a number of key indicators and draws together the most recently available evidence to provide an update upon the performance of Liverpool’s housing market. A significant body of research and policy exploring the housing markets of Liverpool already exists. Although not constituting a full Strategic Housing Market
Assessment (SHMA), and without replicating previous research, the report considers the recent trends within the market, the current performance and emerging trends.

1.10 The objective of the report is to provide reasonable evidence of the demand for the type and location of development within Liverpool in order to meet the specifications of the NPPF and inform the type and location of sites to be considered for inclusion within the City’s deliverable 5-year housing supply within the SHLAA Update (2012).

1.11 Spatially, attention is focused at the Liverpool scale, and its component housing sub-markets, with consideration made to its wider context of the Liverpool City Region and reference to national trends.

1.12 An overview of the housing market is presented at the city scale, which is followed by specific short market commentaries at the scale of Liverpool’s housing sub-markets in order to examine the variation in housing market conditions across the city. This follows the housing sub-markets presented in the Housing Strategy Statement and SHMA (2011) to include:

- The City Centre and Waterfront; and
- The city’s other housing areas:
  - Central Buffer
  - Eastern Fringe (note the Eastern Fringe is made up of three separate areas: East, North and South)
  - Inner Core (excluding the City Centre and Waterfront)
  - Suburban Core
  - Southern Fringe

1.13 The spatial geography of Liverpool and its housing sub-markets is presented in Figure 1.1 overleaf.
Figure 1.1: Liverpool & Housing Market Sub-areas

Source: GVA, 2010
Strategic Policy Context

1.14 This section of the report provides an overview of the strategic planning policy context relevent to the Liverpool SHLAA Update 2012.

The National Planning Policy Framework (NPPF)

1.15 The NPPF sets the requirement for Local Authorities to undertake SHLAAs, which replaces the previous requirement set within Plannning Policy Statement 3 (PPS 3) (now revoked).

1.16 The content of the NPPF, as summarised above, has clear implications for the information to be included within, and the approach taken to assessment of, a SHLAA. Further information regarding the NPPF is presented within the main SHLAA Update (2012) report.


1.17 Liverpool City Council published its Core Strategy Draft Submission Document in spring 2012, for a final period of public consultation. Representations received are presently being considered, and any necessary amendments made, prior to submission of the Core Strategy to the Secretary of State (SoS).

1.18 The Core Strategy is a vision for the future in terms of the city’s spatial structure and development. The Core Strategy will be the primary Development Plan Document (DPD) within the Local Development Framework. It sets out the long term spatial vision, strategy and objectives which will govern future development, as well as the broad locations for delivering housing, employment, retail, leisure, essential public services and transport development. The Core Strategy will guide development in the City up to 2028.

1.19 The provision of new housing is considered within ‘Strategic Objective Two - Create Residential Neighbourhoods That Meet Housing Needs’. This advocates a balanced approach to the location of residential development, which maintains a strong emphasis on Liverpool’s Urban Core areas, in recognition of their needs and development potential, while increasing the focus on the development opportunities and needs across the whole of the City, especially in the Suburban Areas.
1.20 Strategic Policy 9 – ‘The Location And Phasing Of New Housing’ sets the proposed policy for the provision of new housing at a total of 40,950 dwellings (net) for the period 2011-2028, whilst:

a. Ensuring that new housing development does not have an adverse cumulative impact on the existing housing stock and the housing market

b. Making the best use of the existing stock

c. Reducing vacancy rates in the existing dwelling stock through the increased re-use of suitable vacant housing, and

d. Responding to the need to restructure local housing markets.

1.21 Pending the abolition of RSS, the Council has appraised its position with respect to housing growth in the light of this changing policy context, and has determined to continue to pursue housing growth 2003-2028 at the level originally set by RSS and through the Growth Point, and as signalled in the preferred approach set out in the Core Strategy Revised Preferred Options Report in 2010.

1.22 Overall, this means a net level of housing delivery of 52,260 dwellings between 2003 and 2028. Given that by 2011, 11,310 of these had already been delivered, there is a remaining requirement for 40,950 by 2028. The Council has calculated an updated remaining requirement at a base date of 1st April 2012, to inform the 2012 SHLAA Update. There is a remaining requirement for the provision of new housing at a total of 40,005 dwellings (net) for the period 2012-2028.

1.23 Upon the abolition of RSS, to be delivered through the Localism Act, the City will no longer have to apply the same weight to the housing requirements contained within it and will have the authority to determine through its LDF an alternative housing figure, so long as any alternative is based on robust evidence.

---

1 A commitment to plan for the delivery of a further 3,510 dwellings (net) arising from the City’s joint ‘Mersey Heartlands’ Growth Point ambitions with Wirral Metropolitan Borough Council. The ambition for the Mersey Heartlands NGP is to achieve a level of housing growth that is 20 per cent greater than the dwelling targets set by the RSS.
Report Structure

1.24 The remaining chapters of this report are structured as follows:

- **Chapter 2**: National Housing Market Commentary – setting the national context for the current circumstances within Liverpool’s housing market, and considering the potential outlook in the future;

- **Chapter 3**: Housing Market Overview – Liverpool’s ‘Active Housing Market’ – evaluation of key indicators of the current health of the City’s housing market and perspectives on the likely future direction of travel;

- **Chapter 4**: Housing Sub-market Area Analysis – The City Centre & Waterfront - evaluation of key indicators of the current health of the housing market within these two key housing sub-markets of Liverpool;

- **Chapter 5**: Housing Sub-Market Area Analysis – Liverpool’s Other Areas - evaluation of key indicators of the current health of the housing market within Liverpool’s other housing sub-markets; and

- **Chapter 6**: Conclusion – Drawing together the findings from chapters 2-5 to present conclusions on the current performance of the housing market in Liverpool, and its sub-markets – with a primary focus upon the City Centre and Waterfront.
2. National Housing Market Commentary

2.1 This chapter provides an important wider context to the research. Firstly, it is evident that there has been considerable upheaval in the national economy and housing market since Liverpool’s 2008 SHLAA was produced.

Historic Trends

2.2 Following the boom and bust of the late 1980s/early 1990s, the UK housing market saw almost a decade of sustained very strong house price growth from late 1996 (when house prices were below trend and house price to earnings ratios were low) to early 2005. Indeed, from the end of 1996 to the end of 2004, prices rose by 178% (or 13.6% per annum)(pa) according to the Nationwide.

2.3 The market then cooled in 2005, as a reaction to the modest interest rate rises in 2004, and a lack of affordability, notably for first-time buyers, with growth bottoming out in September 2005 at 2.2% pa (Nationwide seasonally adjusted figures). Following the slowdown in activity during 2005, the housing market saw price growth accelerate again during 2006, as interest rates decreased and economic growth accelerated.

2.4 However, growth started to decelerate in the second half of 2007, and price levels reached a peak in October 2007. The sale of, and subsequent losses upon, mortgages to households with poor financial credentials (‘sub-prime’) in the USA and subsequent global credit squeeze changed the financial landscape both internationally and in the UK. Initial expectations that this would be a ‘blip’, with normal service resuming early in 2008 proved hugely over-optimistic.

2.5 As the subsequent ‘credit crunch’ spread across the globe, banks and building societies withdrew mortgage products from the market, and raised the interest costs to potential borrowers and those requiring refinancing on those products that remained (as well as raising the bar in terms of required deposits). Demand for mortgages was therefore restricted by lending criteria and the number of loans. In turn, this fed through to buyer sentiment, reducing underlying demand as well as effective demand, caused by falling house prices coupled with rising consumer prices and lack of consumer confidence. As
the national UK economy went into recession, sentiment weakened further, and ‘real’ effects began to feed through, as unemployment started to increase.

2.6 The result was a rapid fall in house prices. Nationwide figures suggest that prices peaked in October 2007, and had fallen nearly 20% by February 2009. However, the national market stabilised during 2009 and 2010, remaining this way, give or take minor fluctuations, to the present day (October 2012).

Government Intervention

2.7 Recognising the challenges facing the housing market, and the implications on economic growth and rising unemployment of a declining construction industry, the Government has made a series of interventions in the housebuilding industry in an attempt to increase transactional levels and boost the volume of house building.

2.8 Such measures directly targeting the house building industry include the ‘Kickstart’ programme (rounds 1 and 2), which provided grant funding to developers where schemes had stalled and the Get Britain Building fund, which provides loans to developers experiencing similar issues. Schemes such as ‘Homebuy’ and ‘Firstbuy’ join public funds with funding from housebuilders to reduce mortgage costs and deposit levels for first-time buyers.

2.9 Other measures have been directly targeted at banks and building societies including the Funding for Lending Scheme, which provides financial institutions with low-cost capital to pass onto households and small businesses in the form of cheaper mortgage products and loans. Some measures have been targeted directly at households, including the first time buyer (FTB) stamp duty holiday, which concluded in spring of this year.

2.10 Moreover, the Government has sought to ‘cut the red tape’ that it saw as constraining house building, and the wider economy, by streamlining the planning system and the publication of the NPPF. Further proposals to amend planning legislation are expected in the near future.

The Current Housing Market Context

2.11 Overall, the national housing market has remained reasonably resilient considering the extent of the economic downturn. Although prices nationally are 13% below their 2007
peak, they have not fallen as much as one would expect given the economic climate. This is due to a number of factors including low interest rates which have maintained affordability levels for existing homeowners.

**Sales & Affordability**

2.12 GVA’s analysis of Land Registry data reveals that between February and May 2012, sales volumes averaged 49,343 per month, an increase on the same period in 2011 when 46,531 sales were transacted. This view is echoed by Halifax, which views the housing market remaining subdued but stable during 2012, with limited alterations in either house prices or transaction levels evidenced.

2.13 We therefore expect sales activity over the coming quarters to remain broadly unchanged but in the longer term foresee an uplift in activity alongside more stable economic growth and an improved funding climate.

2.14 Overall, there has been little change in housing affordability over the past 12 months as earnings growth has softened alongside house price growth. In general, affordability has improved in comparison to before the financial crisis. The Monthly repayments for a typical first-time buyer (FTB) with a deposit of 20% have decreased to 29% of take home pay, compared with the average 2005-2007 figure of 40%. Moreover, the Council of Mortgage Lenders (CML) has reported that in July 2012 the average FTB deposit fell to 19%, the lowest level since November 2008.

2.15 The government’s Funding for Lending scheme may provide a further stimulus but its success will largely depend on the demand for credit. Yet at present, a significant increase in domestic demand seems unlikely given the ongoing debt crisis in the eurozone, together with the weak economic picture here in the UK.

**House Building**

2.16 The lack of homes coming onto the market is providing some support for prices. This is partially a reflection of the low rate of house building in recent years which has failed to keep pace with household formation. Data from CLG reveals that house building levels have remained broadly stable since early 2010, following a period of sustained growth between 2001 and 2005.
2.17 However, there appears to have been a recent tentative increase in housebuilding activity. Nationwide’s Quarter 3 2012 Housing Market Report highlights that in the year to Q2 2012 around 118,000 houses were built in England. This was 10% more than the low point in housing delivery from Q1 to Q4 2010, but almost 25% below the average rate of building in the five years preceding 2007.

2.18 Nationwide also highlight that the level of development has also varied spatially, with more affordable regions such as the North West experiencing the smallest increases in housing stock over the 2008-11 period, with a rise of 1.1%, which falls significantly below the 1.8% recorded in Great Britain as a whole. In contrast, the South East and South West have seen the housing stock rise by 2.1% and 2.5% respectively over the same period.

2.19 The effect of the government’s Get Britain Building Scheme on housebuilding is yet to be seen and any improvements in the level of supply will take time to filter through into the housing market. However in the medium term, the ongoing shortage of development finance is likely to impinge upon the success of development as housebuilders struggle to obtain the necessary start up capital.

The Mortgage Market

2.20 Mortgage lending has fluctuated somewhat over recent months, reflecting the increase in activity in Q1 2012 with the stamp duty exemption deadline.

2.21 It is hoped that the Funding for Lending Scheme, which began at the start of September 2012, will lead to an increase in lending rates. Under the initiative, the Bank of England will lend money to financial institutions at 0.25%, well below current market rates. In return, banks and building societies will make it easier for businesses and homeowners to obtain loans. Several mortgage lenders, including NatWest, HSBC, Santander and Nationwide have cut some mortgage rates to below 3% but these are only available to those borrowers who can afford a 40% deposit. Therefore, until lower deposits are offered on higher loan-to-value (LTV) mortgages, first-time buyers (FTB) will continue to struggle to get a foot on the housing ladder.

The Rental Market

2.22 There has been a dramatic increase in tenant demand in the UK. The total value of housing in the private rental sector was up 42% from 2006 to the end of 2011, while the
number of households renting privately leapt almost 50% from 3.4 to 4.8 million according to the Survey of English Housing. This demand for rental properties shows no sign of abating as FTBs struggle to secure mortgage approvals from banks asking for large deposits. According to the CML gross mortgage lending at Loan to Values (LTV) of 90% plus has fallen by 95% since the summer of 2007 and has coincided with a doubling in the average deposit paid by FTBs. However, the new Funding for Lending scheme may help in addressing this problem.

2.23 As a consequence of the above, the profile of renters has shifted somewhat with increasing numbers of people in their 30s and 40s forced to remain in rented accommodation. Approximately half of all private rented sector tenants are believed to be trapped in this way, as they cannot afford to buy or find it cheaper to rent.

2.24 Despite the difficulties associated with acquiring a loan, buy-to-let lending increased by 5% in Q2 2012, with lenders advancing 33,200 loans, worth £3.9 billion (an increase of £200 million on the previous quarter) according to the CML. The market overall has continued to grow strongly with the volume of loans up 14% and the amount advanced up 18% from £3.3 billion year on year. However, lending volumes remain below their 2007 peak by roughly one third.

Looking to the Future

2.25 Importantly, a review of the recent past reveals that the housing market is unlikely to remain in its current state for an extended period of time, with multiple influencing factors driving the market – not least the economy.

2.26 The Nationwide Q3 2012 Report suggests that:

“Looking forward, policy measures such as the Bank of England’s Funding for Lending Scheme should provide support for activity in the housing market by ensuring the availability of credit and lowering its cost. However, labour market developments will remain of paramount importance in deciding the trajectory of house prices. There are grounds for caution on this front, as the unusual combination of rising employment and declining economic activity that was evident in the first half of 2012 is unlikely to be sustained. But there are encouraging signs that the UK will soon return to modest growth.”
2.27 Both The Nationwide Report and Halifax Housing Market Report (September 2012) point to a gradual recovery in the UK economy over the next twelve months, with house prices remaining relatively stable over the same period. Moreover, Experian Q3 2012 forecast project an increase in house prices nationally from 2013, with greater potential for sustained growth in the medium-term.

2.28 Concurrently, Halifax (2012) anticipate this will result in a strengthening of house building activity in the period ahead:

“The major house builders appear to have the capacity to expand supply, with most reporting land banks that could support more than five years of construction at current rates of building activity. Similarly, schemes such as NewBuy, are helping to provide those with smaller deposits access to mortgage finance. This in turn should help to provide house builders with confidence that there will be demand from buyers if the homes are built.”

2.29 Moreover, it is anticipated that the rental sector will continue to be strong as rents increase and a broader range of mortgage products become available, particularly for buy-to-let investors. Demand remains high, both from tenants unable to buy and equity-rich investors so we expect the rental market to continue performing well in the short-medium term.
3. **Housing Market Overview – Liverpool’s ‘Active Housing Market’**

The ‘Active Housing Market’

3.1 The relationship between supply and demand within the Liverpool housing market manifests itself in the operation of the ‘active market’. This includes key measures of both demand and supply, such as house prices, transaction volumes, and completions volumes – drawing on available secondary data. Such measures are all factors behind, and symptoms of, market behaviour. This information is complemented by primary research telephone interviews conducted with local estate agents, operating within the City during June 2012.

3.2 Taken together, this perspective on Liverpool’s ‘active market’ provides clear indicators of the current health of the City’s housing market and perspectives on the likely future direction of travel.

**House Price Trends**

3.3 House price data has been analysed over the period from April 2000 – December 2011. This provides an update on the analysis presented in the Liverpool SHMA (2010), which presented information up to September 2009.

3.4 Figure 3.1 illustrates the average house price trend in the city across this period for all residential property sales (i.e. both re-sale and new build homes).
At the city-scale, Liverpool experienced a consistent rise in the average price of residential property from 2000, peaking at £135,937 in 2007/08, before declining by over 5% in 2008/09 as the full effects of the housing market slump induced by the ‘credit crunch’ and recession took effect.

Prices demonstrated a slight recovery of approximately 2.6% from 2008/09 to 2009/10. However, this upturn has since been reversed, with the average transaction price at circa £129,800 between April and December 2011. Overall, since the low-point of 2008/09, prices have stagnated into 2010 and 2011.

Figure 3.2 presents the average house price trend over the same period, disaggregated by dwelling type.
Figure 3.2 demonstrates that the transaction values for detached dwellings in Liverpool experienced the greatest acceleration between 2000 and 2005/06. In fact, dwellings of this type appear to have been relatively insulated from the falling prices experienced in the market – with prices continuing to rise despite the decline in the wider market from 2008/09.

3.9 In contrast, both terraced dwelling and flat/apartment dwelling types have experienced decline in transaction values in recent years – both traditionally attracting first-time buyer households. The decrease has been particularly acute within the flat/apartment market, with average transaction values decreasing by -23% from a peak in 2006/07 to March 2011. Interestingly, there has been a slight ‘bounceback’ in transacted values from April 2011 onwards, with values creeping up around 5% in flat / apartment dwellings.

3.10 Figure 3.3 considers the recent trends in transaction values when comparing the values achieved for new build and re-sale dwellings in Liverpool between April 2009 and December 2011.
3.11 The data suggests that, overall, new build dwellings are attracting a transaction value premium over re-sale properties. However, the picture does fluctuate. This is anticipated to be due to distortion from the relatively low level of new build dwellings in recent years.

**Transaction Levels**

3.12 Whilst the transaction values within the Liverpool market provide a key indicator of performance, the volume of transactions also provides valuable information on the level of market activity.

3.13 Figure 3.4 presents the total volume of dwelling transactions in Liverpool from April 2000 to December 2011.
3.14 The volume of dwelling transactions accelerated between April 2000 and March 2004, before falling in 2004/05 and 2005/06, and subsequently peaking in 2006/07 at 9,798 dwellings. Transaction volumes rapidly declined in 2007/08 to 2008/09 – falling to a low of 3,385 in 2009/10. The number of transactions recovered slightly in 2010/11 to 3,609 and the latest figures to December 2011 suggest volumes have stabilised around this comparatively low level.

3.15 Figure 3.5 allows a further consideration of the trend in transaction levels within Liverpool over this period by disaggregating transactions by new build and re-sale.
Figure 3.5: Trend in Total Dwelling Transactions in Liverpool split by Type (New Build and Re-sale) (April 2000 – December 2011)

Source: Liverpool City Council, 2012; GVA analysis, 2012

3.16 Figure 3.5 indicates that the re-sale market has commanded the majority of transactions within Liverpool since April 2000, at which point there were circa 6,300 transactions of which 865 were for new build dwellings.

3.17 The volume of transactions for new build dwellings gradually increased to a peak in 2006/07 at 1,920. However, transaction volumes swiftly fell back from this level to a low of 512 in 2009/10, before a slight recovery in 2010/11 at 591 dwellings.

3.18 In comparison, re-sale transactions accelerated rapidly from April 2000 from circa 5,400 to a peak of more than 8,300 in 2003/04 – driving the strong growth in overall transactions evidenced in Figure 3.4. Transactions in re-sale dwellings fell slightly between 2004/05 and 2005/06, before accelerating in 2006/07 and 2007/08. At the point of the ‘credit crunch’ the volume of re-sale transactions dramatically reduced by more than -60% to a low of circa 2,900 in 2009/10.
Completions Levels

3.19 The overall scale of new housing development for Liverpool is currently set out in the Core Strategy Submission Draft (2012). This indicates a target of 40,950 dwellings, net of demolitions, between 2011 and 2028.

3.20 This figure is based on the requirement of 35,100 dwellings for 2003-2021 (averaging 1,950 per annum) set for the City by RSS for the North West of England (RSS), issued September 2008, together with a roll forward of the RSS annual average to 2028 and an additional delivery of 3,510 to reflect the City’s status as a Growth Point under the previous government’s Growth Point initiative.

3.21 Liverpool City Council has provided the net housing completion rates for the City for each year from 2002/03 to 2011/12. This is presented in Figure 3.6. Liverpool has delivered over 12,500 net residential completions in the eight years up to 2011/12, which equates to an annual average delivery rate of circa 1,250 dwellings per annum. This suggests that the target set within the Core Strategy Submission Draft (2012), will prove ambitious based on past trends, and will require a step-change in the volume of net delivery.

Figure 3.6: Net Annual Housing Completions (2003/04 – 2010/11)

<table>
<thead>
<tr>
<th>City Area</th>
<th>Liverpool - Net Housing Completions - 2003/04 - 2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Centre</td>
<td>427</td>
</tr>
<tr>
<td>City Centre / Zone of Opportunity</td>
<td>-15</td>
</tr>
<tr>
<td>Other Zones of Opportunity</td>
<td>-</td>
</tr>
<tr>
<td>Rest of HMR area</td>
<td>271</td>
</tr>
<tr>
<td>(HMR Area)</td>
<td>17</td>
</tr>
<tr>
<td>Regeneration Fringe Areas</td>
<td>-331</td>
</tr>
<tr>
<td>Rest of City</td>
<td>453</td>
</tr>
<tr>
<td>(Non-HMR Area)</td>
<td>122</td>
</tr>
<tr>
<td>City (Total)</td>
<td>280</td>
</tr>
</tbody>
</table>

Source: Liverpool City Council
3.22 The year 2011/12 has demonstrated an upturn in delivery levels across the city, when compared to the period of decline evident since 2008/09. Considering the City Centre area specifically, although delivery declined considerably in the 2009 -2011 period, the 2011/12 year reveals a strong ‘bounce back’ in the volume of completions. As a result this area was responsible for much of the growth in residential completions overall – providing approximately 70% of the city’s total net residential completions during 2011/12.

3.23 Early reports from Liverpool City Council’s planning department suggests that this momentum in the level of residential development has been maintained through to 2012/13.

Considering the Views of Agents Active in the Market

3.24 In order to gain a deeper understanding of the current operation of the housing market across Liverpool, and within each of the sub-market areas, a number of telephone interviews were conducted with local estate agents. The following agents were consulted during June 2012 as part of this research:

- Anchor
- Brian Gaskell and Co
- City Residential
- Entwhistle Green
- John Brown Estate Agents
- John Parry Estates
- Sutton Estates

3.25 Agents provided an overview of the Liverpool housing market, which is set out below:

- The owner occupier sales market is relatively stagnant across the city, with fewer properties available for sale this year (2012) compared to last (2011), and relatively low sales rates compared to several years ago. Agents continue to report depressed ‘churn’ as households stay in situ by choice or constrained circumstances. However, the market has stabilised, with prices no longer declining, and a trend of transaction values remaining static.
• The constraints on mortgage availability, and significant deposits required, for first-time buyers (FTB’s) continues to impact on the sales market in the city – reducing sales in the more affordable areas of the city, whilst having a knock-on effect upwards through the sales chain. There are some FTB’s purchasing, as well as mature households downsizing, which is supporting sales of 2 bed houses at the lower end of the market and in the more affordable areas of the city.

• Agents confirmed that there is still demand in the sales market for the right product at the right price – and there are isolated pockets where transaction values are increasing.

• The private rented market is seen to be comparably resilient, and is being driven by young professional and student households. At present, rents are remaining relatively static, with Landlords preferring to keep tenants rather than push up rents and risk having void periods while looking to re-let. Two bedroom apartments in the city centre are seen as the most popular size/type/location at present.

• Investors are also reported to be active in the market – particularly in the more affordable locations, where buy-to-let properties can generate higher yield returns.

Affordability

3.26 The research presented in chapter 2 highlighted that, in general, affordability has improved in comparison to before the financial crisis. The Monthly repayments for a typical first-time buyer (FTB) with a deposit of 20% have decreased to 29% of take home pay, compared with the average 2005-2007 figure of 40%. Moreover, the Council of Mortgage Lenders (CML) has reported that in July 2012 the average FTB deposit fell to 19%, the lowest level since November 2008.

3.27 Nevertheless, there has been little change in housing affordability nationally over the past 12 months as earnings growth has softened alongside house price growth. As a result the findings of the SHMA (2011) remain particularly relevant.

3.28 The SHMA (2011) concluded that the average home buyer purchasing an average priced property in Liverpool requires an average deposit of some £13,200, compared to a deposit of half this in the period to 2007/8. A 10% deposit on a Lower Quartile home would still be approximately £8,200 (and buyers would have other costs such as survey, legal costs and mortgage set up fees to pay as well).
3.29 Moreover:

- The household income required to purchase a lower quartile house, based on 3.5 times a single person's earnings, would be just over £23,500 per annum. However, if based on affordability measures and assuming in the current market that banks would not lend if mortgage repayments were greater than 20% of gross income, an income of over £31,000 would be required.

- Significantly, this identifies that the income required to enter the private rented market in Liverpool, at around £34,000 per annum for the ‘average’ property, may actually be greater than the income required to purchase a Lower Quartile home in the city.

- However, if the income required to access the private rented market for only studio, 1 and 2 bedroom properties across Liverpool is considered, this equates to £27,400.

- The affordability is increased further if the income required to enter the most inexpensive area for private renting – Liverpool’s Inner Core – is considered. This equates to £24,027.

3.30 This indicates that entering the private rented sector, at the smaller end of the market, is a more affordable option for households than purchasing a Lower Quartile home in the city.

**Summary**

- **House Prices**: Liverpool experienced a consistent rise in the average price of residential property from 2000, peaking at £135,937 in 2007/08, before declining. Since the low-point of 2008/09, prices have stagnated into 2010 and 2011.

- **Transactions**: Volumes rapidly declined in 2007/08 to 2008/09 – falling to a low of 3,385 in 2009/10. The number of transactions recovered slightly in 2010/11 to 3,609 and the latest figures to December 2011 suggest volumes have stabilised around this comparatively low level.

- **Completions**: Liverpool has delivered over 12,500 net residential completions in the eight years up to 2011/12, which equates to an annual average delivery rate of circa 1,250 dwellings per annum. This suggests that the target of 1,950 dwellings per annum set within the Core Strategy Submission Draft (2012), will prove ambitious based on past trends, and will require a step-change in the volume of net delivery. The year 2011/12 has demonstrated an upturn in delivery levels across the city, when compared to the period of decline evident since 2008/09.
• **Pipeline Development**: Liverpool City Council’s planning department report that this momentum in the level of residential development has been maintained through to 2012/13.

• **Agent’s views**: The city’s private rented market is seen to be comparably resilient, and is being driven by young professional and student households. Two bedroom apartments in the city centre are seen as the most popular size/type/location at present. Investors are also reported to be active in the market – particularly in the more affordable locations, where buy-to-let properties can generate higher yield returns.

• **Affordability**: In general, affordability has improved in comparison to before the financial crisis. Nevertheless, there has been little change in housing affordability nationally over the past 12 months as earnings growth has softened alongside house price growth. At present, entering the private rented sector at the smaller end of the market is a more affordable option for households than purchasing a Lower Quartile home in the city. This is likely to continue to support demand in this sector.
4. **Housing Sub-Market Area Analysis – The City Centre & Waterfront**

4.1 As set out within Section 1, Liverpool's City Centre and Waterfront sub-markets have played an important role in delivering the City's new housing supply over the past decade. Moreover, the City Centre contains a considerable forward pipeline of planned housing development. However, the flatted/apartment type of housing traditionally delivered within these sub-markets has struggled for demand, development viability and delivery in the face of the wider housing market downturn and economic climate experienced since late 2007.

4.2 The NPPF (2012) now requires that in considering future deliverable housing supply Liverpool City Council must take into account whether there is demand for the type of units or sites included within the potential housing supply. Therefore, understanding whether there is deliverability, viability and demand for this type of supply currently and going forward is therefore important in order to effectively evaluate whether SHLAA sites within the City Centre and Waterfront should be considered for inclusion within the City’s deliverable 5-year housing supply.

**The City Centre**

**Previous Research**

4.3 The Liverpool City Centre residential market has been the subject of close scrutiny over recent years, with Liverpool City Council recognising the dynamic pace of change. The City Centre Housing Market Review reports produced in 2006, were followed by the Liverpool City Centre Research Report (2008) – the latter produced by GVA Grimley. The reports highlighted the dynamicism of the City Centre market, but also its potential susceptibility to wider market fluctuations.

4.4 The 2008 Research Report – produced in the early stages of the housing market downturn and ‘credit crunch’ in the UK highlighted the following key aspects of the market and the challenges faced at the time:
The level of completions of City Centre developments reduced considerably from 2007, with viability issues facing development with a number of high profile schemes halting or pausing development.

Whilst the core of the market still remains focused at appealing to young professionals there is some evidence of other types of households (e.g. older households) which are increasingly looking at City Centre products and in a small number of cases the marketing and provision within apartments appears to recognise this potential broader appeal. However, the mainstream product mix is still confined largely to one and two bedroom apartment stock and there is little market evidence of product or tenure diversification.

The levels of sales, in particular of City Centre new-build apartments, clearly illustrated the impact of the market downturn and the drop in demand and confidence. A total sales peak was reached in the City Centre market in 2003 and 2004 with a gradual falling away of sales from this point onwards. However, despite this general trend the levels of sales recorded in 2008 were seem as markedly low even against the decline witnessed over the two preceding years.

As a result of investor purchases linked to the overall increase in City Centre apartments there has been an escalating growth, particularly within the last 12 months, of the private rented sector within the Liverpool City Centre. As well as professionals, students also form a large, and growing, component of the private City Centre rental market. The number of students choosing to live in private rented accommodation within the City Centre, as opposed to University provided/affiliated rented dwellings has increased. In part this is clearly a supply led trend, with this period witnessing a rapid expansion of the quantum of stock available for students.

4.5 The following sub-sections bring the consideration of the market up-to-date. This includes analysis of the private sector value and sales context within the City Centre housing sub-market within Liverpool, before undertaking consideration of the current housing market through engagement with active local agents, and analysis of recent market assessments undertaken by City Residential / Liverpool Vision.
House Price Trends

4.6 Figure 4.1 illustrates the average dwelling price trend in the City Centre across the period of April 2000 to December 2011 for all residential property sales. This is compared to the overall house price trend for the city.

Figure 4.1: Trend in Average House Prices in City Centre and Liverpool (April 2000 – December 2011)

Source: Liverpool City Council, 2012; GVA analysis, 2012

4.7 Figure 4.1 indicates that transactions values within the City Centre sub-market area have strongly exceeded values at the wider Liverpool scale for much of the period since April 2001 – driven by the growth in both demand and supply within the City Centre apartment market. However, in recent years – namely from 2008/09 there has been a sharp decline in transaction values within the City Centre as a result of the ‘credit crunch’ and reduction in demand for City Centre apartment accommodation. As a result, values have declined below the Liverpool average since 2010/11 to circa £125,000 between April and December 2011, compared to the overall Liverpool average transaction value of circa £129,800 during the same period.
Transaction Levels

4.8 Figure 4.2 presents the total volume of dwelling transactions in the City Centre and Liverpool from April 2000 to December 2011.

Figure 4.2: Trend in Total Dwelling Transactions in City Centre and Liverpool (April 2000 – December 2011)

Source: Liverpool City Council, 2012; GVA analysis, 2012

4.9 Figure 4.2 highlights that the City Centre has only played a limited role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 8% of all transactions.

4.10 Following a similar trend to the wider city, transaction volumes in the City Centre grew to an initial peak in 2003/04 of almost 1,000 dwellings, before falling back in subsequent years, then peaking again in 2006/07 at more than 860 transactions. In subsequent years, transaction levels have fallen considerably – representing circa 7% of the city’s transactional volume between April 2010 and April 2011.

Considering the Views of Agents Active in the Market

4.11 Agents active within this sub-market area were consulted during June 2012 as part of this research. They reported that the housing market in Liverpool’s city centre appears to be
showing signs of increasing activity – property values have increased by 11.1% from last year’s average, construction on stalled sites is gradually resuming and there is evidence of First-Time Buyers being present in the city centre, albeit in low numbers.

4.12 The rental market is strong in Liverpool’s city centre, which is partly due to the large proportion of students living in the area, and there is currently equilibrium between supply and demand.

4.13 However, there are still barriers to full recovery, including the lack of mortgage availability and decreasing numbers of completions. This view is supported by the City Residential Update / Liverpool Vision Update report for the City Centre (Quarter 1 2012).

‘Residential Development Update’, City Centre Living, 2012 (Liverpool Vision)

4.14 This report highlights that:

- The rental sector is doing well in the city centre due to the high numbers of students looking to rent.
- Liverpool City Centre’s property values have risen by 11.1% from 2010’s averages.
- Stalled sites are gradually turning around e.g. Neptune Developments are to submit an application for the stalled L1 site.

‘Repossessions on the rise: Liverpool Residential update’, City Residential (Quarter 1, 2012).

4.15 This report highlights that:

- **Residential sales**: There is a stagnation in prices. There has also been an increase in repossessions, which could destabilise the supply-demand relationship in the city centre – a worrying trend. First-time buyers are present, but in low numbers.
- **Residential lettings**: The supply of apartments has reached a plateau and so there is currently a good equilibrium between supply and demand. Tenants are now choosing to remain in the same properties for longer, resulting in tenants increasing the pressure on landlords to maintain high standards of their property.
- **Sales and Completions analysis**: There have been fewer completions over the last quarter and the last year overall, with numbers being close to all time lows.
- **Student Market**: Investor interest in this sector continues to grow and universities predict that demand will continue to be high, despite increasing student fees.
**Finance & Mortgage**: Interest rates are rising with increase in wholesale costs. Interest only mortgages are less available. Buy-to-Let funding still difficult to attain.

**Completions & Pipeline Development**

4.16 Importantly, both market update reports highlight that residential development schemes are being delivered within the City Centre, with several large schemes recently completed and a future development pipeline in place. This is presented in the following tables.

*Figure 4.3: City Centre – Recent Completions*

<table>
<thead>
<tr>
<th>Address</th>
<th>Developer</th>
<th>Number &amp; type of units</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Park West, Liverpool One</td>
<td>Grosvenor Developments</td>
<td>326</td>
<td>Completed – 310 out of 326 apartments sold/let.</td>
</tr>
<tr>
<td>Hilton Hotel Apartments, Liverpool One</td>
<td>Ability Group</td>
<td>62 apartments</td>
<td>Completed and nearly full.</td>
</tr>
<tr>
<td>West Tower, Brook Street, L3</td>
<td>West Tower/Maplefield</td>
<td>?</td>
<td>Completed – failed to sell majority of apartments.</td>
</tr>
<tr>
<td>St Paul’s Square, Old Hall Street, L3</td>
<td>English Cities Fund</td>
<td>50 units</td>
<td>Completed – after initially struggling, most remaining units have been sold.</td>
</tr>
<tr>
<td>Chatham Lodge, 140 Chatham Street, L7 7BA</td>
<td>Urban Sleep</td>
<td>15 apartments containing 50 en-suite student rooms.</td>
<td>Completed – popular with post-graduate students.</td>
</tr>
<tr>
<td>Windsor Court, 118/128 London Road, L3</td>
<td>Parkmoor</td>
<td>100 studios and 2 bed apartments for students</td>
<td>Completed 09/11.</td>
</tr>
<tr>
<td>110-112 Bold Street</td>
<td>Middle England Developments Ltd.</td>
<td>Conversion and change of use to provide 38 student rooms.</td>
<td>Completed 08/11.</td>
</tr>
<tr>
<td>Arena House, 82-84 Duke Street</td>
<td>Middle England Developments Ltd.</td>
<td>Change of use to provide 58 student bedrooms</td>
<td>Completed Summer 2011.</td>
</tr>
<tr>
<td>Kings Dock Mill, Cornhill Shaws Alley and Tabley Street</td>
<td>King Dock Mill and Porter Brothers Ltd.</td>
<td>240 apartments</td>
<td>Completed 12/10. Next phase in planning process.</td>
</tr>
<tr>
<td>35/41 Bridport Street</td>
<td>Fresh Start Living</td>
<td>56 apartments</td>
<td>Completed Summer 2010.</td>
</tr>
<tr>
<td>Bispham House, Lace Street</td>
<td>Fresh Start Living</td>
<td>96 apartments</td>
<td>Completed Summer 2011.</td>
</tr>
<tr>
<td>Mann Island</td>
<td>Neptune Developments</td>
<td>376 apartments</td>
<td>Completed Summer 2011.</td>
</tr>
<tr>
<td>Kings Waterfront: Artisan Housing</td>
<td>Artisan</td>
<td>96 apartments</td>
<td>Completed Summer 2011.</td>
</tr>
<tr>
<td>The Quarter, Sefton Street, L8</td>
<td>In administration</td>
<td>110 apartments in Phase 1 (according to website)</td>
<td>Phase 1 complete and almost fully occupied. Future phases remain uncertain.</td>
</tr>
<tr>
<td>Moss Street, L6</td>
<td>In administration</td>
<td>36 2-bed apartments</td>
<td>All apartments sold to owner occupiers or landlords.</td>
</tr>
<tr>
<td>Hamilton House, Pall Mall, L3</td>
<td>In administration</td>
<td>129 apartments</td>
<td>Recently completed and most apartments sold to a mixture of investors and owner occupiers.</td>
</tr>
</tbody>
</table>

*Source: City Centre Living Residential Development Update, March 2012 & City Residential – Liverpool Residential Update, Quarter 1 2012*
### Figure 4.4: City Centre – Anticipated schemes - submitted applications, schemes on site or under construction and stalled sites

<table>
<thead>
<tr>
<th>Address</th>
<th>Developer</th>
<th>Number &amp; type of units</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 St Andrews Church, Rodney Street.</td>
<td>Middle England Developments</td>
<td>100 student bedrooms</td>
<td>On site, expected completion 09/12.</td>
</tr>
<tr>
<td>1 Suggall Street/2A Myrtle Street</td>
<td>Liverpool Edge Ltd.</td>
<td>228 student bedrooms</td>
<td>On site</td>
</tr>
<tr>
<td>46-48 Mount Pleasant</td>
<td>Faith Pharmacy Ltd.</td>
<td>54 student bedrooms</td>
<td>On site Autumn 2011, completion expected 12/12.</td>
</tr>
<tr>
<td>4 Gildart Street</td>
<td>Mr Jayson Van Rute</td>
<td>38 self contained apartments and 83 student bedrooms</td>
<td>Outline application submitted 02/12.</td>
</tr>
<tr>
<td>1 William Jessop Way, Princes Dock.</td>
<td>The Peel Group.</td>
<td>133 apartments, hotel, offices and commercial space</td>
<td>Permission granted 06/11.</td>
</tr>
<tr>
<td>7-19 Greek Street</td>
<td>Townrange Ltd.</td>
<td>35 apartments</td>
<td>Construction commenced but currently halted.</td>
</tr>
<tr>
<td>Land bounded by Norfolk Street/Jamaica Street/Watkinson Street</td>
<td>Borden Properties Ltd.</td>
<td>79 self-contained apartments.</td>
<td>Planning application awaiting signing of legal agreement.</td>
</tr>
<tr>
<td>Land between Norfolk Street and Brick Street.</td>
<td>Greenway Global Ltd.</td>
<td>104 apartments</td>
<td>Permission granted 03/11.</td>
</tr>
<tr>
<td>5, 7 &amp; 9 Bridgewater Street</td>
<td>BPS</td>
<td>98 apartments</td>
<td>Planning permission granted 06/10.</td>
</tr>
<tr>
<td>Land at the junction of Kent Street/Grenville Street South</td>
<td>The Diocesan Board of Finance</td>
<td>94 apartments</td>
<td>Outline permission granted August 2011</td>
</tr>
<tr>
<td>Kent Street/Grenville Street South</td>
<td>Iliad</td>
<td>262 bedrooms, including 36 individual studios.</td>
<td>Completion expected in time for academic year 2013.</td>
</tr>
<tr>
<td>Land at Hurst Street, Sparling Street, Tabley Street, Wapping.</td>
<td>Fountain Trustees &amp; Hurst Street Ltd.</td>
<td>93 apartments, hotel, YHA.</td>
<td>Planning application awaiting signing of legal agreement.</td>
</tr>
<tr>
<td>Land bounded by Hatton Garden and Great Crosshall Street</td>
<td>Whinmoor Estates Ltd.</td>
<td>124 apartments</td>
<td>Permission granted August 2011.</td>
</tr>
<tr>
<td>2 Blackburne Place</td>
<td>Maghull Developments</td>
<td>14 apartments</td>
<td>Completion expected 12/12.</td>
</tr>
<tr>
<td>40-50 St James Street/1A Bridgewater Street</td>
<td>BPL</td>
<td>24 apartments</td>
<td>Planning application awaiting signing of legal agreement.</td>
</tr>
<tr>
<td>St Patricks Court, 55-63 Great Crosshall Street, L3.</td>
<td>Property regeneration homes ltd.</td>
<td>50 apartments</td>
<td>Scheme on hold – work started but has been abandoned.</td>
</tr>
<tr>
<td>Central Village ‘Boardwalk’, site bounded by Back Bold Street, Newington and Cropper Street and Lawton Street.</td>
<td>Central regeneration Ltd Partnership/Mere park.</td>
<td>214 apartments</td>
<td>Permission granted 02/10.</td>
</tr>
<tr>
<td>14/26 Benson Street, L1</td>
<td>Liverpool RX Co Ltd.</td>
<td>34 apartments</td>
<td>Permission granted 10/10, subject to legal agreement.</td>
</tr>
<tr>
<td>19-33 Leece Street</td>
<td>Messrs AA, AR &amp; N Hayel</td>
<td>46 apartments</td>
<td>Planning application approved 10/11, subject to legal condition.</td>
</tr>
<tr>
<td>Land bounded by The Dolyby Hotel, Queens Dock, Sefton Street and 112 Mariners Wharf, L8.</td>
<td>Roddington Investments</td>
<td>135 apartments</td>
<td>Permission granted 4/10.</td>
</tr>
<tr>
<td>Development Location</td>
<td>Developer/Agent</td>
<td>Number of Apartments</td>
<td>Status/Details</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------------------------------------------------------</td>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>The Strand</td>
<td>Windsor Development Ltd (in administration)</td>
<td>115 apartments</td>
<td>Neptune Developments aim to redevelop the site.</td>
</tr>
<tr>
<td>Herculaneum Quay, Riverside Drive, L3.</td>
<td>Herculaneum Developments Ltd.</td>
<td>100+ apartments</td>
<td>Unsure – contractor has collapsed.</td>
</tr>
<tr>
<td>Stanley Dock, Regent Road, L3.</td>
<td>Harcourt Developments</td>
<td>?</td>
<td>Potential/future development: £50m redevelopment of the site to include</td>
</tr>
<tr>
<td>Queens Dock, Chaloner Street, L3.</td>
<td>Investec Bank</td>
<td>192 apartments</td>
<td>apartments is anticipated.</td>
</tr>
<tr>
<td>Central Village, Bold Street/Station, L1.</td>
<td>Meredew/Ballymore</td>
<td>217 apartments</td>
<td>Potential/future development</td>
</tr>
<tr>
<td>52-56 Upper Parliament Street</td>
<td>Mr Aidan Hollick</td>
<td>49 bedrooms</td>
<td>Permission granted 12/10.</td>
</tr>
<tr>
<td>Vine Court ‘Eco Residences’, Grove Street/Myrtle Street/Chatham Street</td>
<td>University of Liverpool</td>
<td>707 student bedrooms</td>
<td>Expected completion 04/12.</td>
</tr>
<tr>
<td>Land at Prescot Street</td>
<td>Brabco 724 Ltd.</td>
<td>49 student bedrooms</td>
<td>Completion expected 08/12.</td>
</tr>
<tr>
<td>20 Falkland Street</td>
<td>Rockpower Ptd</td>
<td>106 student bedrooms</td>
<td>Permission granted 01/11</td>
</tr>
<tr>
<td>T2A Moss Street</td>
<td>Kingscrown Properties</td>
<td>21 student bedrooms</td>
<td>Permission granted 11/11.</td>
</tr>
<tr>
<td>33 Devon Street</td>
<td>AMA (NW) Developments Co Ltd.</td>
<td>166 student bedrooms</td>
<td>Permission granted 03/10</td>
</tr>
<tr>
<td>Land at junction of Seymour Street/ST Vincent Street</td>
<td>Edward Symmons LLP as LPA Receivers</td>
<td>46 student bedrooms</td>
<td>Approved 02/11 subject to legal agreement.</td>
</tr>
<tr>
<td>‘Alexandra Terrace’ former Fire Station, Hatton Garden</td>
<td>Middle England Developments Ltd.</td>
<td>98 student bedrooms</td>
<td>Completion expected Summer 2012.</td>
</tr>
<tr>
<td>3 Oldham Place</td>
<td>Bentley Properties Preston Ltd.</td>
<td>122 student bedrooms</td>
<td>Application submitted 01/12.</td>
</tr>
<tr>
<td>4-14 Oldham Street</td>
<td>Tara House Ltd</td>
<td>113 student/post-grad studio apartments</td>
<td>Scheme completion anticipated early 2014.</td>
</tr>
<tr>
<td>12 Gradwell Street</td>
<td>Middle England Developments Ltd.</td>
<td>54 student bedrooms</td>
<td>Planning application submitted 02/12.</td>
</tr>
<tr>
<td>S2-S4 Seel Street</td>
<td>North West Bistros Ltd</td>
<td>12 student bedrooms</td>
<td>Permission granted in 12/10.</td>
</tr>
<tr>
<td>Paper Mill, Henry Street.</td>
<td>Middle England/Penlake</td>
<td>99 ensuite student rooms</td>
<td>Possible/proposed scheme.</td>
</tr>
</tbody>
</table>

Source: City Centre Living Residential Development Update, March 2012 & City Residential – Liverpool Residential Update, Quarter 1 2012

4.17 This information is reinforced by data recording recent completions in the City Centre provided by Liverpool City Council, as presented within Figure 3.6 in Chapter 3, and our
knowledge of recent planning applications submitted to Liverpool City Council. For example, in October 2012 Formroom Architects and developer Portside House submitted a planning application for 305 studio flats and 10,000 sq ft of retail space on Seel Street within the city centre.

4.18 Each studio flat is approximately 280 sq ft and will include fitted kitchen and bathroom, a double bed, a study and lounge area and will be targeted at the private student market. Subject to planning approval building work is expected to start early next year on a 16-month build programme.

The Waterfront

4.19 The following sub-sections analyse the private sector value and sales context within the Waterfront housing sub-market within Liverpool, before undertaking consideration of the current housing market through engagement with active local agents.

House Price Trends

4.20 Figure 4.5 illustrates the average dwelling price trend in the Waterfront across the period of April 2000 to December 2011 for all residential property sales. This is compared to the overall house price trend for the city.

4.21 Figure 4.5 indicates that transaction values within the Waterfront sub-market area have strongly exceeded values at the wider Liverpool scale for much of the period since April 2001. Transaction values peaked in 2005/06, as high quality and high value apartment stock was delivered in the area, and the desirability of the area increased.

4.22 However, transaction values cooled from 2006/07 onwards, before falling sharply in 2008/09. As a result, average transaction values in the Waterfront are now more closely aligned with the wider city average than in previous years.
**Figure 4.5: Trend in Average House Prices in Waterfront and Liverpool (April 2000 – December 2011)**

![Average House Price in Waterfront and Liverpool (All Properties) - April 2000 - December 2011](chartimage)

Source: Liverpool City Council, 2012; GVA analysis, 2012

**Transaction Levels**

4.23 Figure 4.6 presents the total volume of dwelling transactions in the Waterfront and Liverpool from April 2000 to December 2011.

4.24 Figure 4.6 highlights that the Waterfront has played the most limited role of all sub-market areas in Liverpool's overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 2% of all transactions.

4.25 Transaction levels remained relatively consistent between April 2000 and March 2005 – averaging circa 250 per annum as new apartment development was brought to market and the desirability of the area increased. Albeit declining in 2005/06, volumes recovered in 2006/07 to circa 170 transactions. From 2007/08 transaction levels have fallen considerably, and continue to decline year on year – representing circa 1% of the city’s transactional volume between April 2010 and April 2011.
Considering the Views of Agents Active in the Market

4.26 The agents active within this sub-market reported that properties within the Waterfront remain popular with younger couples and professionals, particularly those with water views and balconies. The rental market remains the primary market driven the area, with relatively few sales transactions.

Summary

4.27 In summary, it is apparent that the City Centre and Waterfront sub-markets have been significantly affected by the housing market downturn – with transactions and values decreasing (albeit the latter only to a limited extent in the Waterfront). Research conducted in late 2008 reported that several major development schemes had paused or halted altogether as a result of declining investor and purchaser confidence and a tightening of the credit markets.
4.28 Nevertheless, the private rented sector in the City Centre and Waterfront has remained stable – supported by the professional households and the student sector and the increasing appeal of renting to those struggling to securing mortgage finance, who would previously have bought.

4.29 Moreover, although transactions and values have decreased since peak, they have stabilised in recent years. Development schemes in the City Centre pipeline have recommenced delivery and others are progressing through the planning system or appearing in the pipeline.

4.30 This therefore supports the position that there is demand for the type of flatted/apartment units on sites within the City Centre and Waterfront sub-markets. Moreover, the recent completion and ongoing construction (and planning) of future development schemes in the pipeline provides reassurance that such schemes with planning permission should be considered deliverable and included within Liverpool City Council’s 5 year deliverable supply of housing in accordance with the NPPF (2012).
5. **Housing Sub-Market Area Analysis – Liverpool’s Other Areas**

Central Buffer

5.1 The following sub-sections analyse the private sector value and sales context within the Central Buffer housing sub-market within Liverpool, before undertaking consideration of the current housing market through engagement with active local agents.

House Price Trends

5.2 Figure 5.1 illustrates the average house price trend in the Central Buffer across the period of April 2000 to December 2011 for all residential property sales. This is compared to the overall house price trend for the city.

*Figure 5.1: Trend in Average House Prices in Central Buffer and Liverpool (April 2000 – December 2011)*

Source: Liverpool City Council, 2012; GVA analysis, 2012
5.3 Figure 5.1 indicates that transactions within the Central Buffer sub-market area have closely mirrored the trend in values at the wider Liverpool scale from April 2000 to December 2011. However, in recent years – namely from 2008/09 there has been a divergence in transaction values, with values declining in the Central Buffer to circa £115,000 between April and December 2011, compared to the overall Liverpool average transaction value of circa £129,800 during the same period.

Transaction Levels

5.4 Figure 5.2 presents the total volume of dwelling transactions in the Central Buffer and Liverpool from April 2000 to December 2011.

Figure 5.2: Trend in Total Dwelling Transactions in Central Buffer and Liverpool (April 2000 – December 2011)

Source: Liverpool City Council, 2012; GVA analysis, 2012

5.5 Figure 5.2 highlights that the Central Buffer has provided a considerable proportion (circa 20%) of Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011.

5.6 Following a similar trend to the wider city, transaction volumes in the Central Buffer grew to an initial peak in 2003/04 of almost 2,000 dwellings, before falling back in subsequent years, then peaking again in 2006/07 at more than 2,060 transactions. In subsequent years,
transaction levels have fallen considerably – albeit continuing to represent circa 20% of the city’s transactional volume.

Considering the Views of Agents Active in the Market

Agents active within this sub-market area reported that the area is popular with families, with house prices increasing slightly and bucking the wider trend across the city. Sales of properties below £125,000 remain amongst the strongest in the city in 2012.

Summary

- Transactions within the Central Buffer sub-market area have closely mirrored the trend in values at the wider Liverpool scale.
- Provided a considerable proportion (circa 20%) of Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011.
- Popular with families, with house prices increasing slightly and bucking the wider trend across the city in 2012.

Eastern Fringe

The following sub-sections analyse the private sector value and sales context within the Eastern Fringe housing sub-market within Liverpool, before undertaking consideration of the current housing market through engagement with active local agents.

House Price Trends

Figure 5.3 illustrates the average dwelling price trend in the Eastern Fringe across the period of April 2000 to December 2011 for all residential property sales. This is compared to the overall house price trend for the city.
Figure 5.3: Trend in Average House Prices in Eastern Fringe and Liverpool (April 2000 – December 2011)

![Average House Price in Eastern Fringe and Liverpool (All Properties) - April 2000 - December 2011](image)

Source: Liverpool City Council, 2012; GVA analysis, 2012

5.10 Figure 5.3 indicates that transactions values within the Eastern Fringe sub-market area have consistently underperformed against values at the wider Liverpool scale since April 2001. In recent years – namely from 2008/09 there has been a greater divergence in transaction values within the Eastern Fringe, suggesting this sub-market area has been hit harder by the wider market downturn. As a result, values in the Eastern Fringe have declined to circa £98,500 between April and December 2011, compared to the overall Liverpool average transaction value of circa £129,800 during the same period – making it one of the most affordable areas of the city within which to purchase a dwelling.

Transaction Levels

5.11 Figure 5.4 presents the total volume of dwelling transactions in the Eastern Fringe and Liverpool from April 2000 to December 2011.
Figure 5.4 highlights that the Eastern Fringe has played a consistent role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 13% of all transactions.

Following a similar trend to the wider city, transaction volumes in the Eastern Fringe grew to an initial peak in 2003/04 of circa 1,200 dwellings, before falling back in subsequent years. Interestingly, transactions peaked again, albeit later than across the wider city, in 2007/08 at almost 1,250 transactions. In subsequent years, transaction levels have fallen considerably – representing circa 11% of the city’s transactional volume between April 2011 and December 2011.

Considering the Views of Agents Active in the Market

Agents active within this sub-market reported that sales are increasing in line with seasonal expectations and, due to the low prices, asking values are often being met. They highlighted that buy-to-let investors are particularly active, which reflects the relatively low house prices and attractive rental yields. Investors are also picking up repossessions and run-down homes that require refurbishment.
Properties appropriately sized for families are most popular (3 bedroom semi-detached), and demand for larger detached properties is also outstripping supply.

Summary

- Transaction values within the Eastern Fringe sub-market area have consistently underperformed against values at the wider Liverpool scale since April 2001. In recent years – namely from 2008/09 there has been a greater divergence in transaction values within the Eastern Fringe, suggesting this sub-market area has been hit harder by the wider market downturn.
- The Eastern Fringe has played a consistent role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 13% of all transactions.
- Buy-to-let investors are particularly active, which reflects the relatively low house prices and attractive rental yields. Investors are also picking up repossessions and run-down homes that require refurbishment.

Inner Core

The following sub-sections analyse the private sector value and sales context within the Inner Core housing sub-market within Liverpool, before undertaking consideration of the current housing market through engagement with active local agents.

House Price Trends

Figure 5.5 illustrates the average dwelling price trend in the Inner Core across the period of April 2000 to December 2011 for all residential property sales. This is compared to the overall house price trend for the city.
Figure 5.5: Trend in Average House Prices in Inner Core and Liverpool (April 2000 – December 2011)

![Graph of average house prices from April 2000 to December 2011 showing Inner Core and Liverpool trends.]

Source: Liverpool City Council, 2012; GVA analysis, 2012

Figure 5.5 indicates that transactions values within the Inner Core sub-market area have consistently underperformed against values at the wider Liverpool scale since April 2001. In recent years – namely from 2008/09 there has been a greater, and considerable, divergence in transaction values. This suggests, like the Eastern Fringe, that the Inner Core sub-market area has been hit particularly hard by the wider market downturn. As a result, values in the Inner Core have declined to circa £72,000 between April and December 2011, compared to the overall Liverpool average transaction value of circa £129,800 during the same period – making the Inner Core the most affordable area of the city within which to purchase a dwelling.

Transaction Levels

Figure 5.6 presents the total volume of dwelling transactions in the Inner Core and Liverpool from April 2000 to December 2011.

Figure 5.6: Trend in Total Dwelling Transactions in Inner Core and Liverpool (April 2000 – December 2011)
5.20 Figure 5.6 highlights that, due to its affordability (and also the HMR Programme), the Inner Core has played a considerable role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 28% of all transactions.

5.21 Following a similar trend to the wider city, transaction volumes in the Inner Core grew to almost 3,000 dwellings in both 2003/04 and 2004/05, before falling back in 2005/06 to circa 2,600 transactions, and then peaking in 2006/07 at almost 3,200 transactions. In subsequent years, transaction levels have fallen considerably – albeit still representing circa 22% of the city’s transactional volume between April 2011 and December 2011.

Considering the Views of Agents Active in the Market

5.22 Agents active within this sub-market reported that this remains one of the more affordable areas of the city. The market is supported by private renting at present, with the area relatively popular with students. The sales market is less active, with sales frequently made to buy-to-let investors who benefit from the low sales prices and strong potential yields.

Summary

- Transactions values within the Inner Core sub-market area have consistently underperformed against values at the wider Liverpool scale since April 2001. In recent
years – namely from 2008/09 there has been a greater, and considerable, divergence in transaction values. This suggests, like the Eastern Fringe, that the Inner Core sub-market area has been hit particularly hard by the wider market downturn.

- Due to its affordability (and also the HMR Programme), the Inner Core has played a considerable role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 28% of all transactions.

- One of the more affordable areas of the city. The market is supported by private renting at present, with the area relatively popular with students. The sales market is less active, with sales frequently made to buy-to-let investors who benefit from the low sales prices and strong potential yields.

**Southern Fringe**

5.23 The following sub-sections analyse the private sector value and sales context within the Southern Fringe housing sub-market within Liverpool, before undertaking consideration of the current housing market through engagement with active local agents.

**House Price Trends**

5.24 Figure 5.7 illustrates the average dwelling price trend in the Southern Fringe across the period of April 2000 to December 2011 for all residential property sales. This is compared to the overall house price trend for the city.

5.25 Figure 5.7 indicates that transactions values within the Southern Fringe sub-market area have consistently underperformed against values at the wider Liverpool scale since April 2001. In recent years – namely from 2007/08 there has been a increased convergence in transaction values between Liverpool as a whole and within the Southern Fringe, suggesting this sub-market area has not been impacted to a lesser degree by the wider market downturn. Overall, values in the Southern Fringe have declined from a peak of circa £126,000 in 2007/08 to circa £118,000 between April and December 2011 – equivalent to a decline of -6%. Compared to the overall Liverpool average transaction value of circa £129,800 during the same period – the Southern Fringe remains one of the more affordable areas of the city within which to purchase a dwelling.
Figure 5.7: Trend in Average House Prices in Southern Fringe and Liverpool (April 2000 –
December 2011)

Average House Price in Southern Fringe and Liverpool (All Properties) - April
2000 – December 2011

Source: Liverpool City Council, 2012; GVA analysis, 2012

Transaction Levels

5.26 Figure 5.8 presents the total volume of dwelling transactions in the Southern Fringe and
Liverpool from April 2000 to December 2011.

5.27 Figure 5.8 highlights that the Southern Fringe has only played a very limited role in
Liverpool’s overall volume of dwelling transactions over the period April 2000 to December
2011. Overall – contributing circa 4% of all transactions. Aside from the Waterfront sub-
market area, the Southern Fringe has seen the lowest levels of transactions across the city
over this period.

5.28 Following a similar trend to the wider city, transaction volumes in the Southern Fringe grew
to an initial peak in 2003/04 of circa 400 dwellings, before falling back in subsequent years,
then peaking again at a similar level in 2006/07. In subsequent years, transaction levels
have fallen considerably – representing circa 5% of the city’s transactional volume
between April 2010 and April 2011.
Summary

- Transaction values within the Southern Fringe sub-market area have consistently underperformed against values at the wider Liverpool scale since April 2001. In recent years – namely from 2007/08 there has been a increased convergence in transaction values between Liverpool as a whole and within the Southern Fringe, suggesting this sub-market area has not been impacted to a lesser degree by the wider market downturn.

- The Southern Fringe has only played a very limited role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011.

Suburban Core

5.29 The following sub-sections analyse the private sector value and sales context within the Suburban Core housing sub-market within Liverpool, before undertaking consideration of the current housing market through engagement with active local agents.
House Price Trends

5.30 Figure 5.9 illustrates the average dwelling price trend in the Suburban Core across the period of April 2000 to December 2011 for all residential property sales. This is compared to the overall house price trend for the city.

*Figure 5.9: Trend in Average House Prices in Suburban Core and Liverpool (April 2000 – December 2011)*

Source: Liverpool City Council, 2012; GVA analysis, 2012

5.31 Figure 5.9 indicates that transactions values within the Suburban Core sub-market area have strongly exceeded values at the wider Liverpool scale consistently over the period since April 2001. In recent years growth in transaction values has cooled, yet as of 2010/11, average prices had returned to exceed the peak of 2007/08 at over £200,000. As a result, transaction values in the Suburban Core have ‘bucked’ the market trend across the city, remaining resilient and relatively unscathed from the wider downturn in values.

Transaction Levels

5.32 Figure 5.10 presents the total volume of dwelling transactions in the Suburban Core and Liverpool from April 2000 to December 2011.
Figure 5.10: Trend in Total Dwelling Transactions in Suburban Core and Liverpool (April 2000 – December 2011)

Source: Liverpool City Council, 2012; GVA analysis, 2012

5.33 Figure 5.10 highlights that the Suburban Core has played a considerable and consistent role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 22% of all transactions.

5.34 In contrast to the trend across the wider city, transaction volumes in the Suburban Core remained relatively stable from 2001 to 2007/08 – with annual transactions averaging almost 1,800 over this period. However, transaction levels fell considerably from 2008/09 onwards – averaging less than 900 per annum since then. Despite this fall in overall volumes, transaction levels in the Suburban Core now represent a greater proportion of overall city-wide transactions – most recently representing almost 29% of the city’s transactional volume between April 2011 and December 2011.

Considering the Views of Agents Active in the Market

5.35 Agents active within this sub-market reported that the area has been performing relatively well within the sales market, compared to elsewhere across the city, with asking prices often met and exceeding those seen elsewhere in Liverpool.

5.36 The area is reported to be favoured by younger couples and families.
Summary

- Transactions values within the Suburban Core sub-market area have strongly exceeded values at the wider Liverpool scale consistently over the period since April 2001. In recent years growth in transaction values has cooled, yet as of 2010/11, average prices had returned to exceed the peak of 2007/08 at over £200,000. As a result, transaction values in the Suburban Core have 'bucked' the market trend across the city, remaining resilient and relatively unscathed from the wider downturn in values.

- The Suburban Core has played a considerable and consistent role in Liverpool’s overall volume of dwelling transactions over the period April 2000 to December 2011. Overall – contributing circa 22% of all transactions.

- The area has been performing relatively well within the sales market, compared to elsewhere across the city, with asking prices often met and exceeding those seen elsewhere in Liverpool.
6. **Conclusion**

6.1 This short housing market analysis report has brought together and examined a number of key housing market indicators and draws upon the most recently available evidence to provide an update upon the performance of Liverpool’s housing market.

6.2 The report responds to the requirement of the NPPF (2012) for Liverpool City Council, in considering future deliverable housing supply, to take into account whether there is demand for the type of units or sites included within the potential housing supply. This is a particularly important consideration for Liverpool City Council when conducting the Liverpool Strategic Housing Land Availability Assessment (SHLAA) process, which will identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing in line with the NPPF requirements.

6.3 The evidence reviewed within this report highlights that significant changes to the Liverpool housing market have occurred within the past decade, culminating in a reduction in both transactional value and volume in recent years, a decline in new housing supply and an increase in the strength of the city’s private rental market. This has impacted upon the city’s housing sub-markets to varying degrees.

6.4 Liverpool’s City Centre and Waterfront sub-markets have played a particularly dynamic role in the city’s housing market and housing growth over the last decade. Nevertheless, the flatted/apartment type of housing traditionally delivered within these sub-markets has seen demand, development viability and delivery decline considerably since late 2007.

6.5 Nevertheless, a review of recent transactions and completions reveals that conditions have stabilised in recent years. Development schemes in the City Centre pipeline have recommenced delivery and others are progressing through the planning system. Moreover, demand and supply for private rented flats/apartment accommodation in the City Centre and Waterfront are relatively well balanced due to the professional household and growing student household market.

6.6 This therefore supports the conclusion that there is demand for the type of flatted/apartment units on sites within the City Centre and Waterfront sub-markets. Moreover, the recent completion, and ongoing construction (and planning), of
development schemes provides reassurance that such schemes with planning permission should be considered deliverable and included within Liverpool City Council’s 5 year deliverable supply of housing in accordance with the NPPF (2012).