



Isle of Man
Government

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Isle of Man Housing Market Review 2016

Economic Affairs

Cabinet Office

April 2017

Review of the Housing Market 2016

Foreword

This report adds housing market information collected by Government's Economic Affairs Division to add to the existing evidence relating to housing on the Isle of Man.

It covers –

House and Flat Prices

Long Term affordability

Number of Transactions

Mortgage Lending

Volumes of properties for sale and rent

Listing periods

Rental costs

Additional information about housing which is made available by Isle of Man Government includes:

The type of accommodation and the number of bedrooms inter alia in the census reports, most recently the 2016 Isle of Man Census Report. This type of information, with data about additional physical, financial and social dimensions, is also tackled both in the 2014 Joint Strategic Needs Assessment and the the Housing Policy Reviews, most recently the 2010 Progress Report and the Housing Review reports which culminated in the Recommendations Report which was approved by Tynwald in November 2013.

Some affordability, planning and construction data is available both in Isle of Man in Numbers 2017 and in the Isle of Man Strategic Plan and evidence base, including the Residential Land Availability studies.

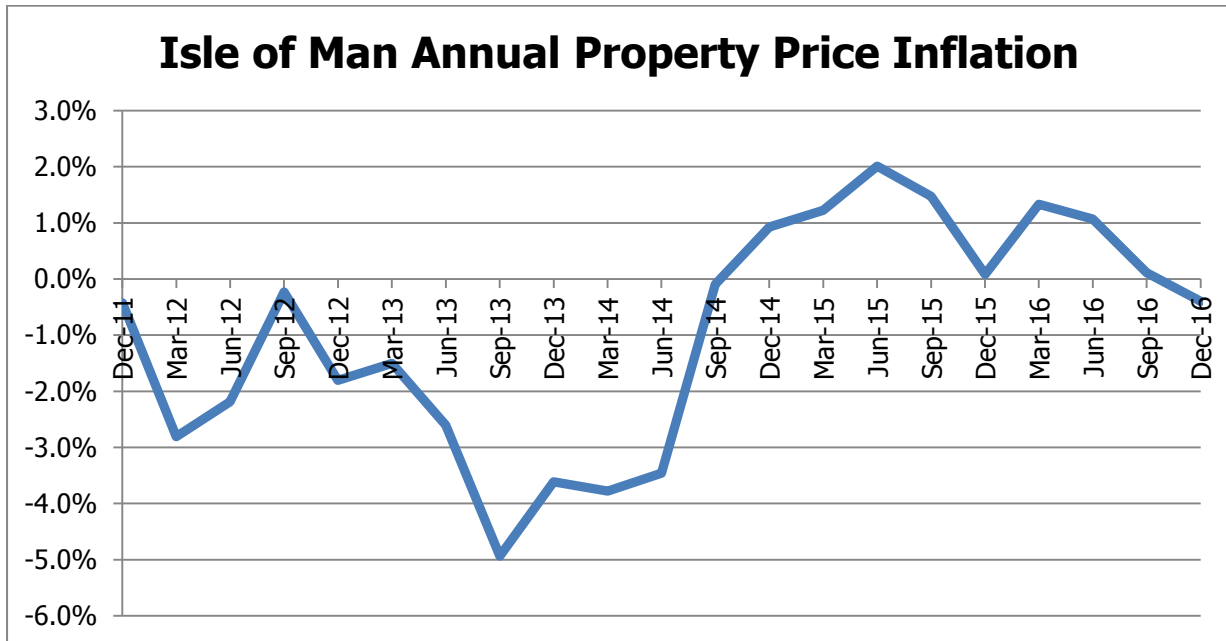
The Household Income and Expenditure Survey 2013 provides more information about expenditure on housing.

Particularly as this is the first report of its kind Economic Affairs Division welcomes feedback.

Average sale price

The Isle of Man property price index

The average price of a property sold as recorded in the Isle of Man House Price Index was £249,150 in 2016, a fall of 0.6% over the calendar year. Annual inflation has been as shown below, with the rate of increase falling since March.



Methodology

The Index is based on properties (both houses and flats) sold and registered during the previous year, calculated each quarter and weighted by the relative volume of house and flat transactions.

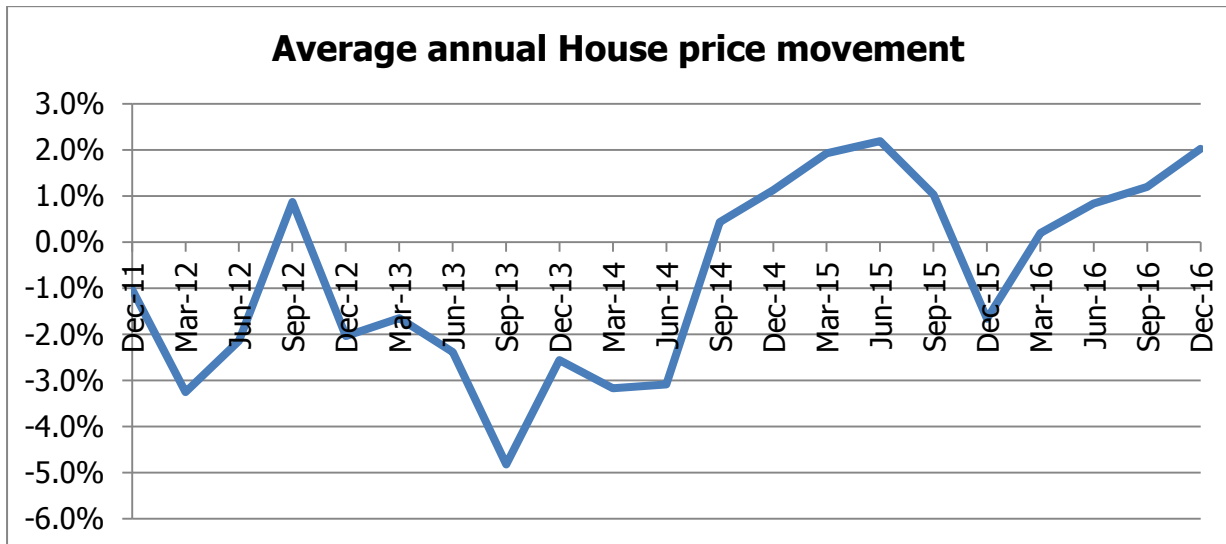
This is a trimmed average and therefore excludes high and low value transactions (Typically those above £730,000 and below £70,000). This results in around 1,200 sale prices being averaged. At present around 83% of the index is made up of house prices and 17% flat prices.

The average price within the index during 2016 was as follows -

| Mar-16 | Jun-16 | Sep-16 | Dec-16 |
|----------|----------|----------|----------|
| £250,850 | £251,430 | £250,200 | £249,150 |

House Prices

A separate trimmed average for House prices is produced. House prices rose by 2% during 2016 to an average value of £271,200. The rate of inflation has increased during 2016.



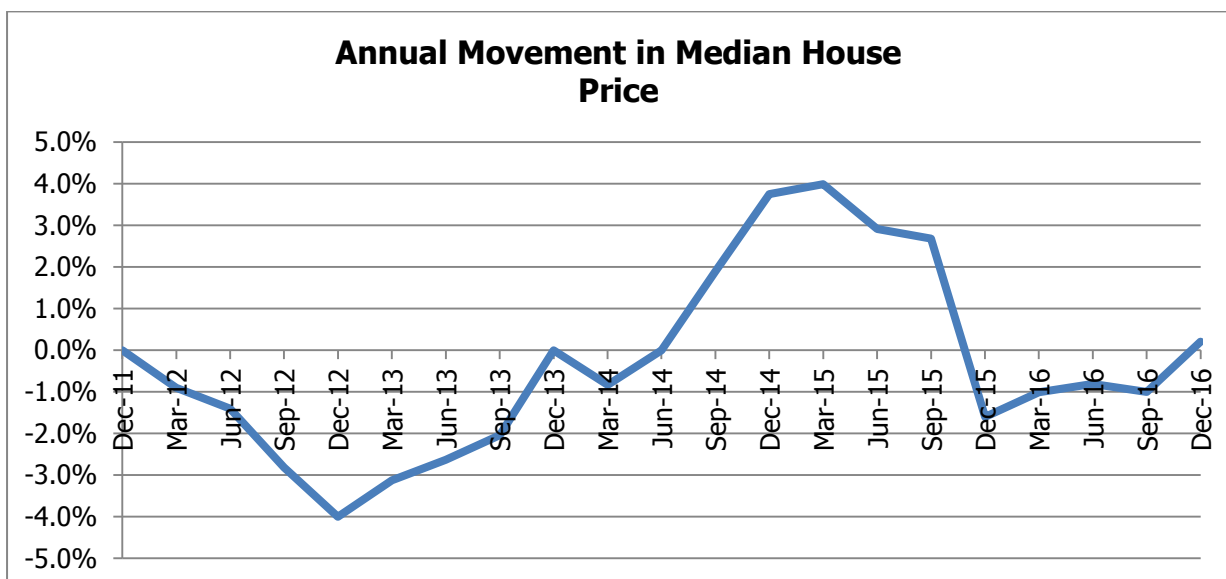
The values recorded were –

| Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 |
|----------|----------|----------|----------|----------|
| £265,809 | £268,735 | £271,050 | £271,682 | £271,192 |

We can also measure median (ie midpoint) house prices. These were –

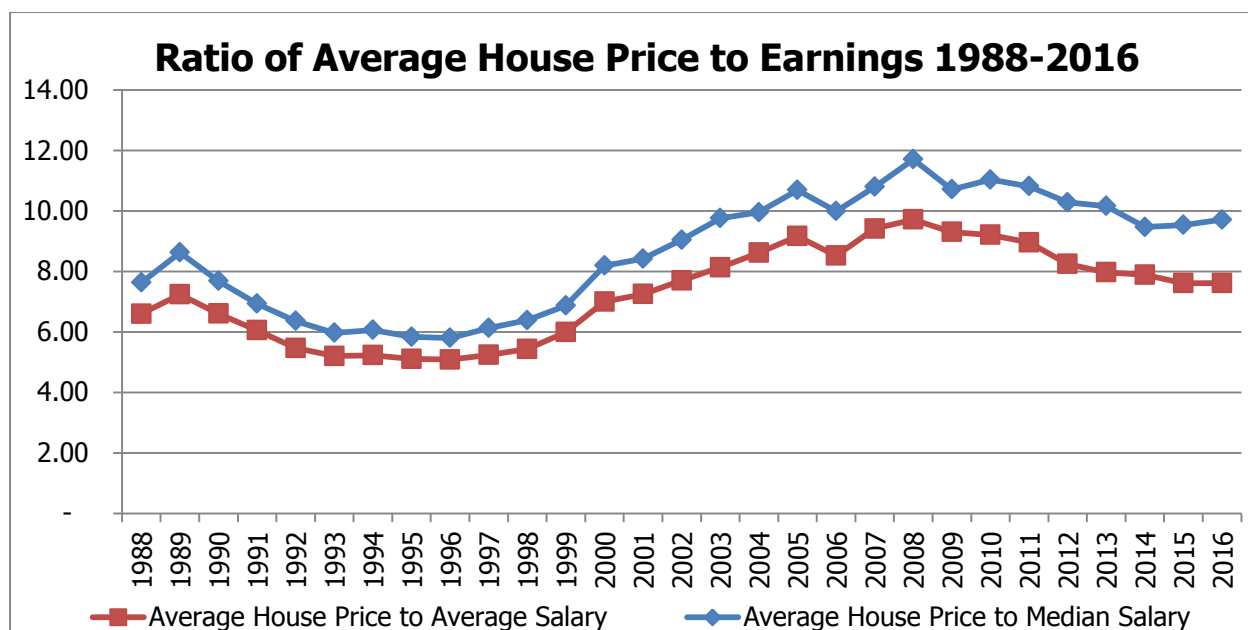
| Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 |
|----------|----------|----------|----------|----------|
| £245,000 | £245,000 | £245,000 | £246,500 | £245,500 |

Median prices have moved as follows, and are little changed over the year.



Long term affordability of housing

One way to measure long term affordability of housing is to show average house prices as a multiple of average earnings. In 2016 average house prices were 7.61 times average annual earnings, the same figure as 2015. Over the longer term prices are higher relative to earnings than they were during the 1990's but lower than they were in most of the last decade.



Housing affordability for young people

Alongside general affordability of housing for all individuals, the ability for younger people to be able to afford a house is important to the housing market. The health of the housing market depends on new entrants being able to purchase properties, allowing others to move through the system. Further to this, ownership of property aids in allowing younger people to establish themselves on the Island.

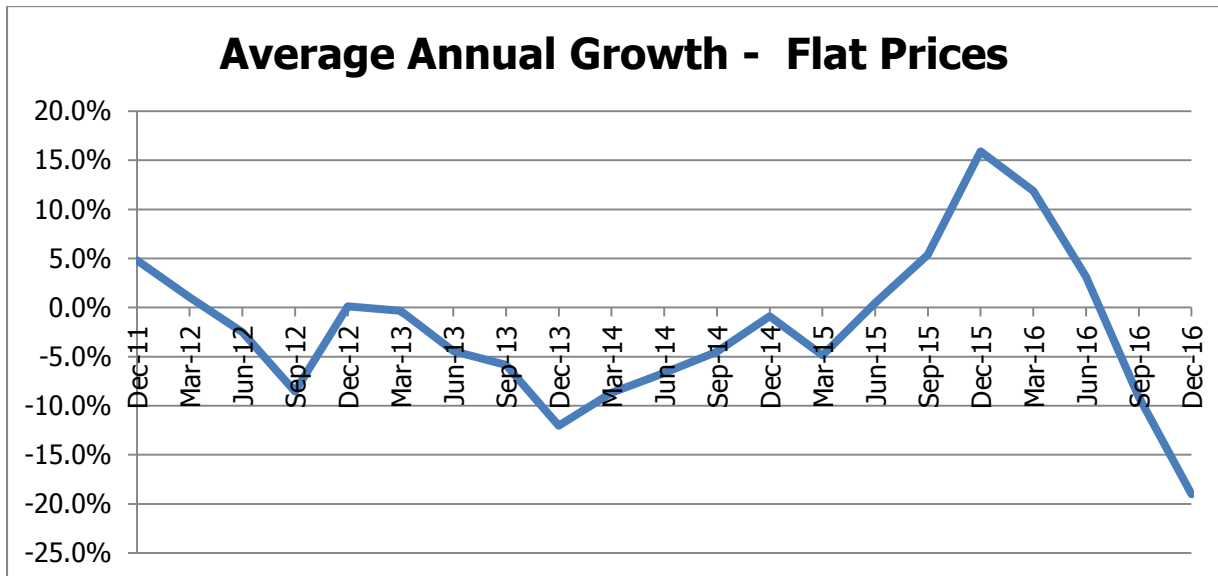
Ratio of median salary of those 25 and under to lowest quartile house price –

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| Median Salary | 15,203 | 16,418 | 16,369 | 17,173 | 17,744 | 19,494 |
| Lowest Quartile House Price | 195,000 | 192,500 | 190,000 | 195,000 | 190,000 | 190,000 |
| Ratio | 12.83 | 11.72 | 11.61 | 11.36 | 10.71 | 9.75 |

Whilst the earnings ratio has improved since 2011, for those aged 25 and under, home ownership will remain difficult. It should be noted that these ratios are calculated on the basis of a sole individual, if two individuals were intending to purchase a house, the ratio of earnings to lowest quartile house price would be 4.87, which would still require significant savings or financial assistance.

Flat Prices

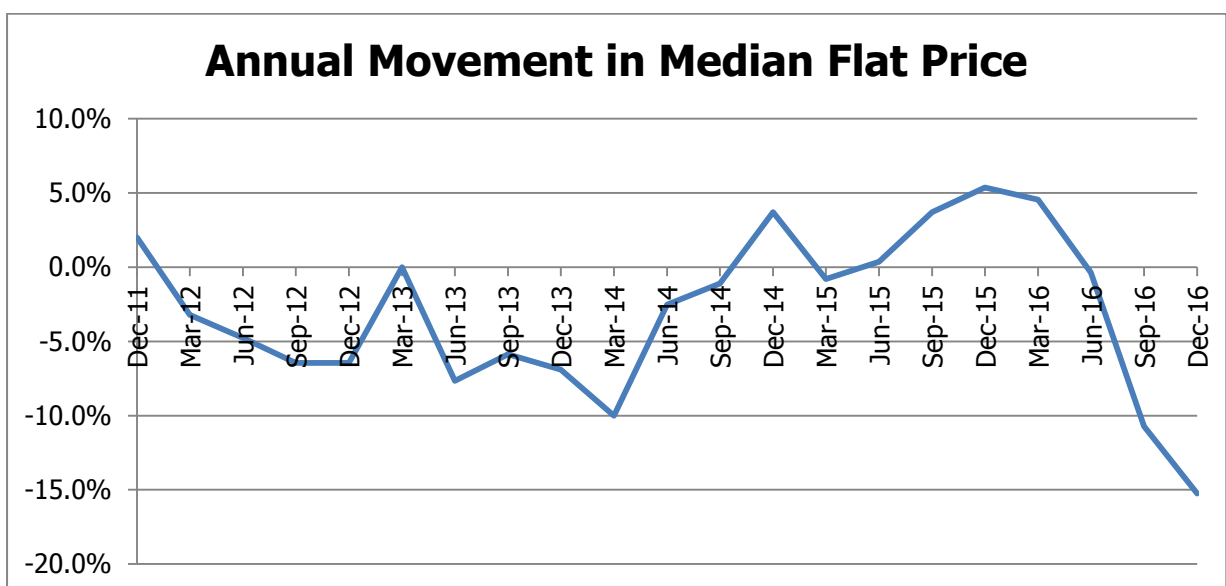
A separate trimmed average for flat prices is produced. Flat prices fell by 15% during 2016 to an average value of £139,000. There was a large increase in average prices during December 2015 that has impacted this but the overall trend is still downward.



| Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 |
|----------|----------|----------|----------|----------|
| £172,157 | £161,384 | £153,791 | £143,257 | £139,430 |

Median flat prices have also fallen –

| Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 |
|----------|----------|----------|----------|----------|
| £147,500 | £140,000 | £135,000 | £125,000 | £125,000 |

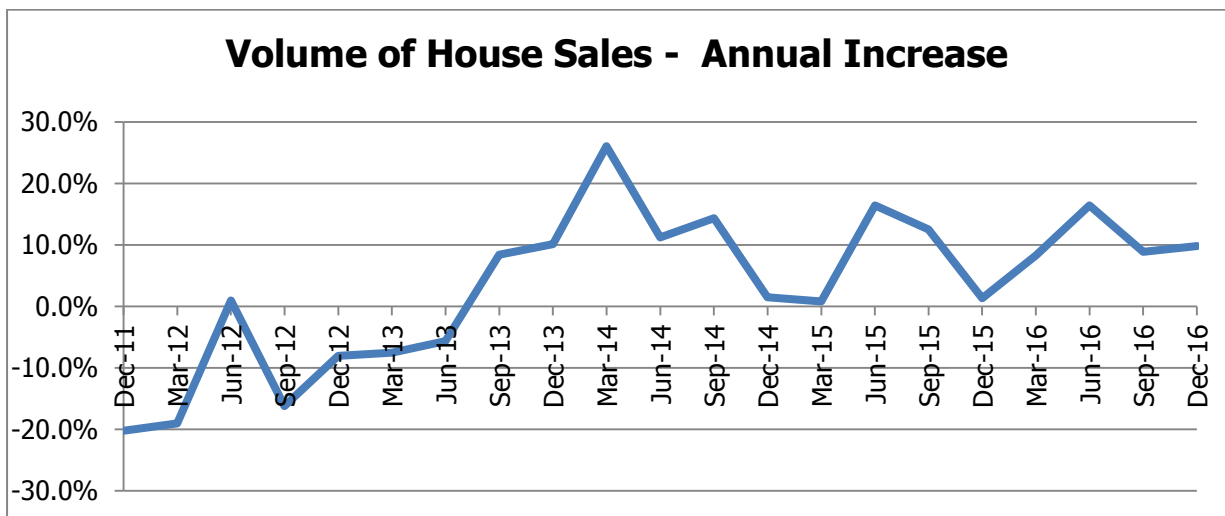


Transaction Volumes

The number of house and flat transactions is also recorded. The number of house transactions over the previous year increased by around 90 to 996. The volume of house sales has steadily increased in recent years.

House sales in previous year –

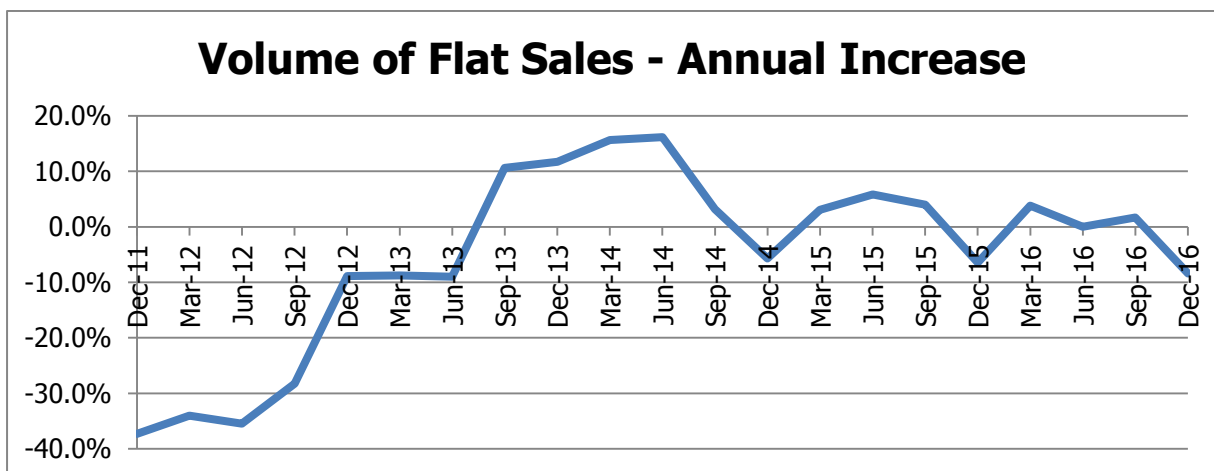
| Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 |
|--------|--------|--------|--------|--------|
| 907 | 1,192 | 1,099 | 1,212 | 996 |



The number of flat sales has fallen by 17 to 185.

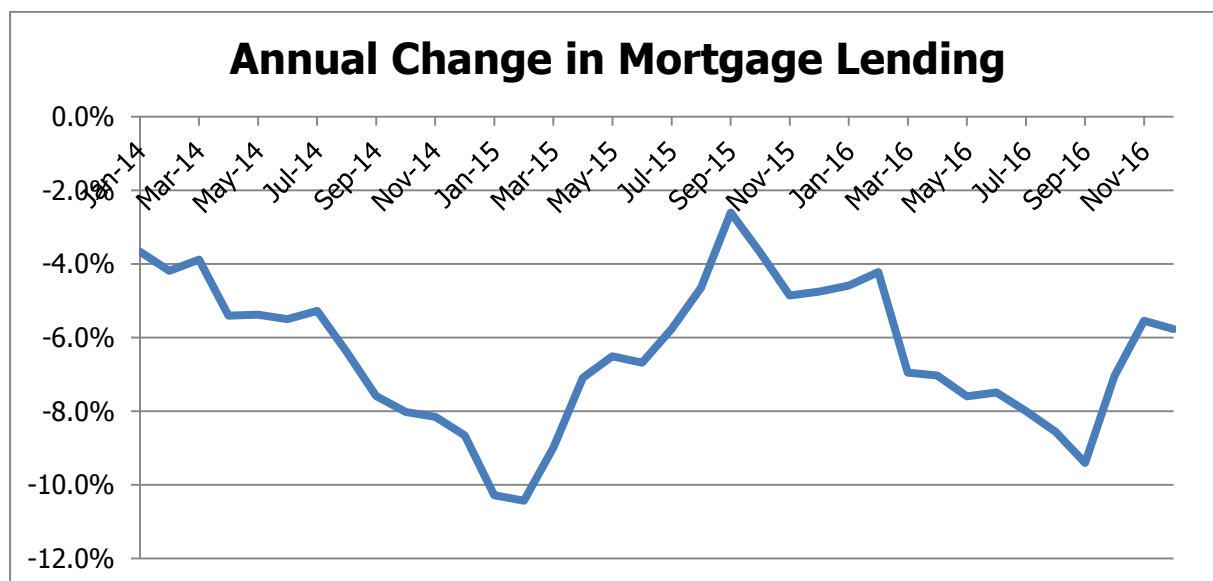
Flat sales in previous year

| Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 |
|--------|--------|--------|--------|--------|
| 202 | 245 | 236 | 239 | 185 |



Mortgage Lending

Aggregate lending by Isle of Man institutions to Isle of Man residents continued to fall during 2016. Just over £100 million of net lending was repaid during the year, leaving net debt of £1,700 million or around 16% of all property value¹. Mortgage debt peaked at £2.45 billion in December 2009 since when it has reduced by around 30%.



Local Resident Lending (as at December of each year) (£'m) –

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Lending | 2,156 | 2,449 | 2,405 | 2,265 | 2,186 | 2,088 | 1,907 | 1,817 | 1,712 |
| Movement | | +293 | -44 | -139 | -79 | -98 | -181 | -91 | -105 |

¹ Property value has been calculated on the basis of the average property price for 2016 and the number of occupied properties on the Island.

Zoopla analysis (Experimental Data)

At various points during 2016 Economic Affairs looked at average prices of properties for sale and rent via agents listed on property website Zoopla. This data should be read cautiously as single large properties for sale or rent, or multiple listings may impact averages. In particular there were more companies registered as the year progressed and therefore some of the transaction volumes will have been impacted by this, particularly between January and April.

Feedback on the value of this data going forward would be appreciated.

Housing Market

| 2016 | January | April | June | November |
|-----------------------------------|---------|-------|-------|----------|
| Average length of listing (weeks) | 65.44 | 45.38 | 45.00 | 43.93 |

| 2016 | January | April | June | November |
|-------------------|---------|---------|---------|----------|
| Average price (£) | 441,309 | 522,320 | 515,764 | 504,618 |

| 2016 | January | April | June | November |
|-----------------|---------|-------|-------|----------|
| Number for sale | 1,377 | 2,129 | 2,553 | 2,601 |

| 2016 | January | April | June | November |
|--------------------------|---------|-------|------|----------|
| Number of agents on site | 7 | 11 | 13 | 16 |

Rental Market

| 2016 | January | April | June | November |
|-------------------------------|---------|-------|-------|----------|
| Average Rental cost per month | 1,200 | 1,093 | 1,146 | 1,085 |

| 2016 | January | April | June | November |
|-----------------|---------|-------|------|----------|
| Number for rent | 173 | 286 | 282 | 363 |

| 2016 | January | April | June | November |
|---------------------------------|---------|-------|-------|----------|
| Length for rent at agency weeks | 16.96 | 16.44 | 18.30 | 14.41 |



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