

CAUGHT IN CHAINS

Housing Transaction Chains

The UK Government is focused on home-ownership (see my previous note <http://sav.li/4eq>) and so it appears likely that most future housing supply will continue to be for market sale. With affordability constraints and new build prices dictated by the market, most developers will inevitably target buyers towards the top end of the market within any particular area.

This approach raises an important question for the housing prospects of all households: can supply that is heavily weighted to higher value new build homes open up the supply of other existing more affordable homes by increasing mobility through the housing market? This is a complex issue and unfortunately data that could answer it is not publicly available for England. However, with the help of my Scotland based colleague Faisal Choudhry, we have begun to look at whether Scottish transactional data can help answer the question.

To highlight the potential of the Scottish data, I have selected a recent housing chain at random (I promise) that also fortuitously shows some of the issues in the market. The fairly complex chain in question involves four properties, four households and Taylor Wimpey.

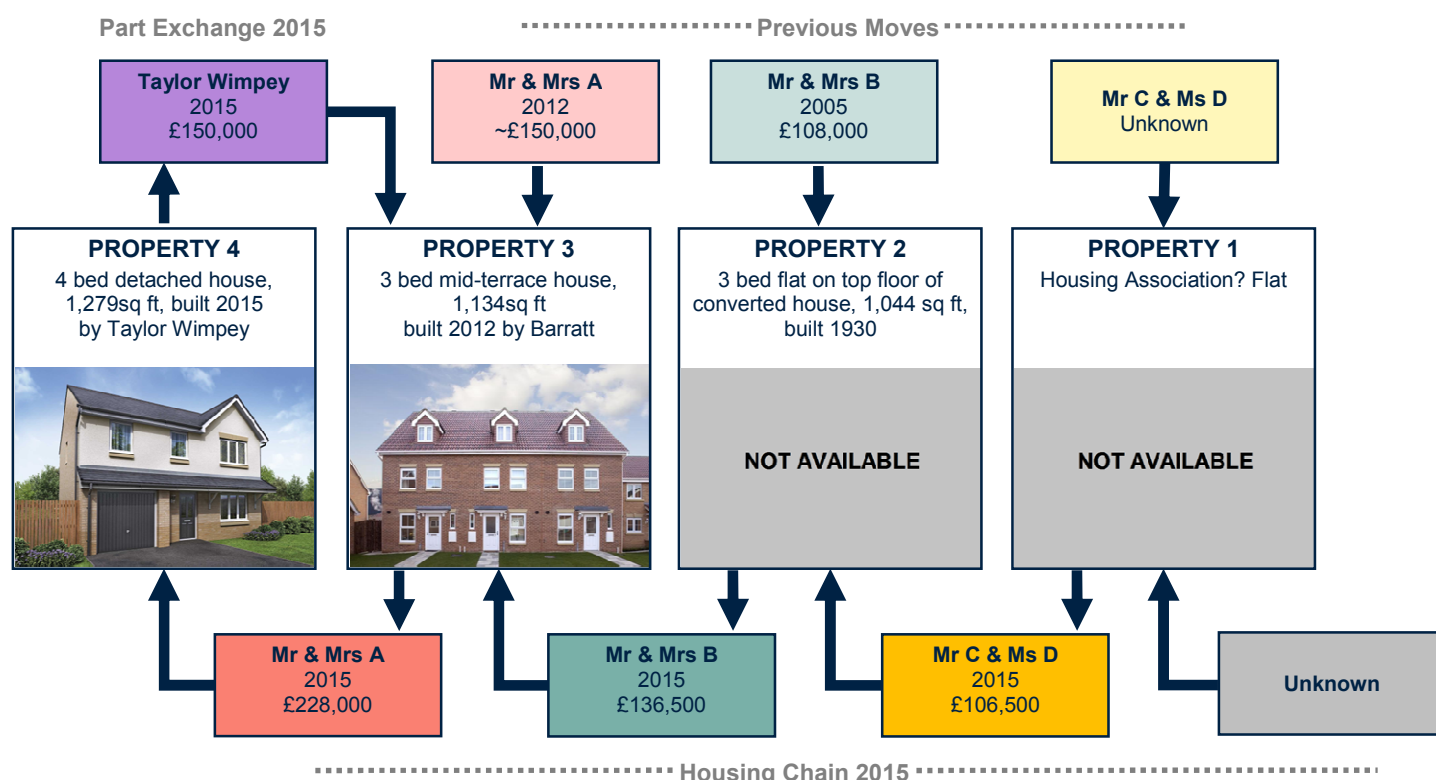
Mr & Mrs A wanted to move house and had found a nearby **Taylor Wimpey** new build on the market for £228k (Property 4). They had prior experience with new builds having bought their existing mid-terrace home from Barratt in 2012 (Property 3). Their original 2012 purchase price for Property 3 is unclear as it may have been done part-exchange or bought with an equity loan but would have been in the region of £150k.

Unfortunately, **Mr & Mrs A** did not have a buyer for their existing home (Property 3). To ensure the sale, **Taylor Wimpey** offered a part-exchange value of £150k for it. **Mr & Mrs A** then paid the remainder of the full asking price, £228k, for their new home (Property 4). **Taylor Wimpey** were then left holding Property 3 but they quickly sold it on to **Mr & Mrs B** for £136.5k. At £13.5k below the price **Taylor Wimpey** paid for it, that effectively equates to a 6% discount on the asking price of Property 4.

The new owners of Property 3, **Mr & Mrs B**, had been living on the other side of Glasgow in a flat they bought back in 2005 for £108k (Property 2). After advertising it for two months, it was sold to **Mr C & Ms D** for £106.5k which was 7.6% above the 'offers over' asking price. Details for the home (Property 1) that **Mr C & Ms D** were previously living in are less certain but, from information available, it was most likely a flat owned by a housing association. It is also unclear who moved into Property 1 at the end of the chain.

The images below reflect the type of property but not the actual one purchased, hence no image for Properties 1 & 2

Fig 1 – Randomly Selected Housing Chain, Glasgow 2015

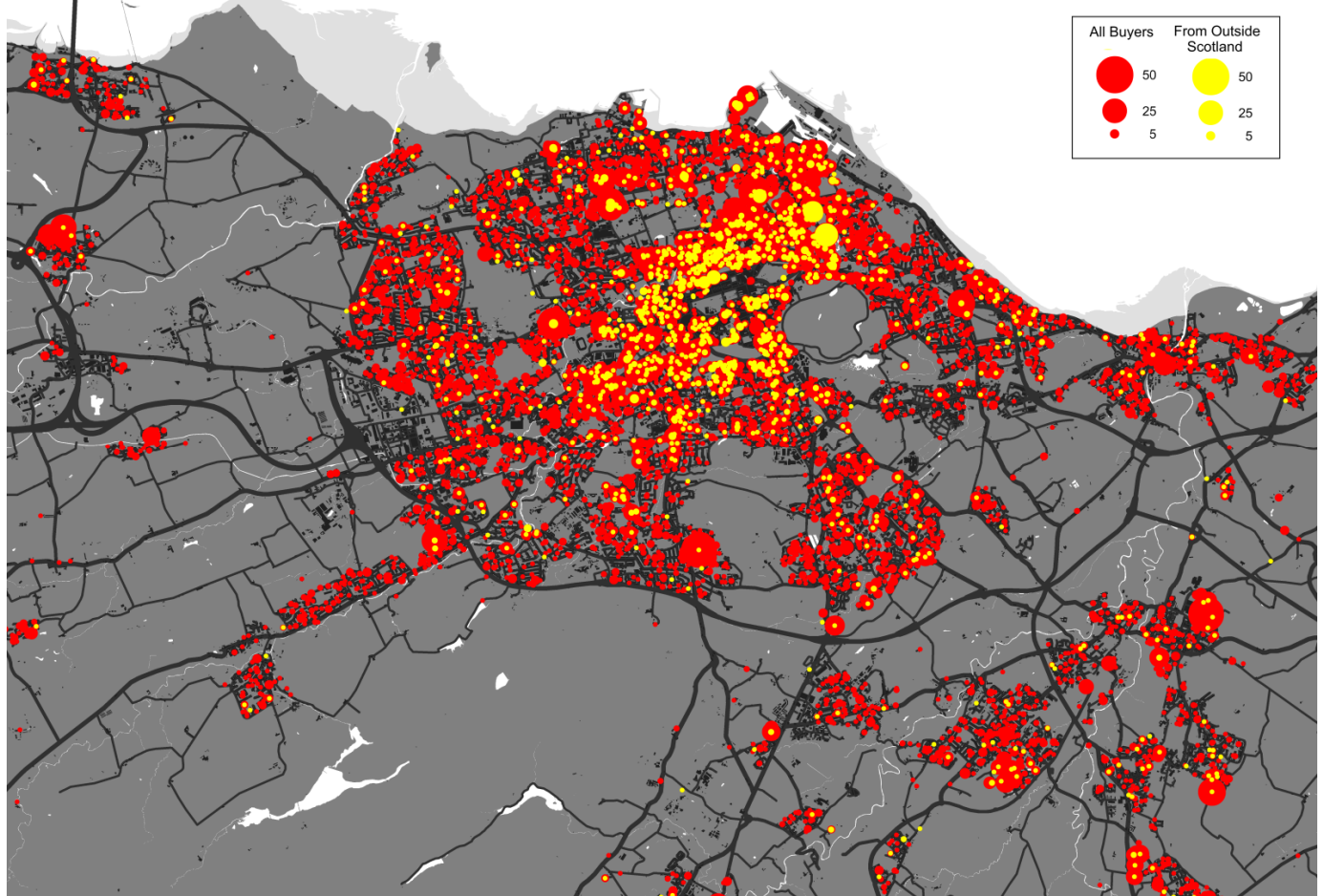


*Who Gets What and Why?
Vacancy Chains in Stockholm's
Housing Market
Lena Magnusson Turner, 2008

The above example suggests that building a new home helped at least four households move, including one in social housing. That appears to broadly match the average of 3.7 family moves per new home in Swedish data from 2000 to 2002*. However, the chain is just one example to demonstrate the usefulness of the data. More detailed work is required and we would be delighted if anyone wanted to collaborate or sponsor further investigation into this important question.

Alongside the ability to track housing chains through the market, the Scottish data also allows us to perform more detailed analysis of buyers in the market. For example, the red bubbles in the map below show all residential transactions in Edinburgh during 2014 while the yellow bubbles show just those with buyers from outside Scotland. The higher numbers and concentrations of cross-border buyers in the central Edinburgh market is apparent. The data suggests that around 25% of buyers in central Edinburgh were from outside Scotland. Meanwhile, 93% of buyers in Queensferry (top left of the map) and 96% of buyers in Musselburgh (top right of the map) were from Scotland.

Fig 2 – Residential Transactions in Edinburgh by Previous Location of Buyer, 2014



Source: Crown Copyright, Ordnance Survey, MyHousePrice.com, Registers of Scotland

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