



Decision maker: Cabinet Member for Housing

Subject: Portsmouth housing market – summarising latest trends

Date of decision 13 July 2010

Report by: Head of Community Housing & Regeneration

Wards affected: All

Key decision (over £250k): No

1. PURPOSE OF REPORT: to provide a brief update on the main trends within the city's housing market

2. RECOMMENDATIONS:

It is recommended that the Cabinet Member for Housing notes these trends as the context for Portsmouth City Council (the Council) involvement with the planning and provision of a variety of housing and housing related services in Portsmouth.

3. REASONS FOR RECOMMENDATIONS

This report is intended primarily as an information briefing.

4. PORTSMOUTH'S HOUSING MARKET – SUMMARISING LATEST TRENDS

4.1 Introduction

This paper is intended as a short briefing to highlight the main trends within the city's housing market, as far as they are discernable from selected data provided by public institutions such as the Land Registry, Bank of England and the Valuation Agency.

4.2 Portsmouth's home purchase market in context

It helps to put current market conditions into context by reviewing trends as the 21st century's first decade comes to a close. Portsmouth housing market is normally very active, a key feature being the considerable volume of sale transactions when home owners trade up through the price ranges. This results in annual sales of between 4,000 and 5,000 – with monthly averages over 300. However the collapse of the purchase market in late 2007 has meant average sales well below 300, and two post-Christmas lows of just under 100 in January 2009 and January 2010. See appendix 1.

Over the same decade, inflation across the residential property market (nationally and locally) has been very marked, with average prices more than doubling (depending on the dates compared). The Land Registry's House Price Index illustrates this for Portsmouth: see appendix 2. But despite the recession, Portsmouth's sale prices (as registered with the Land Registry) remain high by comparison with the first years of the decade.

4.3 Recent trends in Portsmouth's home purchase market

The decline in monthly sale transactions is best understood by focusing on the last three years since early 2007: see appendix 3.

The average price of a dwelling sold in Portsmouth, as recorded by the Land Registry in April 2010, was £144,304. This is above the low point a year ago when Portsmouth sale prices reached their lowest at £128,367. However, this is still well below the £162,170 recorded in February 2008. Appendix 4 plots average monthly sale prices since 2007 – but only up to and including April 2010. The average for different property types in Portsmouth recorded by the Land Registry for April is:

- Detached £319,851
- Semi-det £191,701
- Terraced £145,397
- Flat £115,528

4.4 Mortgage supply for housing purchase

Information about home purchase finance relating specifically to the Portsmouth housing market is not available. The following remarks therefore comment on national trends which will also be relevant to the Portsmouth situation.

The Council of Mortgage Lenders press release dated 17 May reports that the amount of mortgage business – specifically for home purchase – has been rising in recent months: by March 2010 the number of loans was up 50% compared to a year earlier; while loans to first time buyers was up 42% for the same period.

Although this is an up-beat trend, the reality is that mortgage loan numbers are low compared to three years ago. The Bank of England's latest data¹ states almost 50,000 loan approvals for home purchase in April 2010. For comparison, the number of loans in January 2007 was around 120,000.

The urgent issue (and thus a priority for policy makers and prospective purchasers alike) continues to be the shortage of mortgage finance and the large deposits required by first time buyers. The Council of Mortgage Lenders 17 May press release observes that the average deposit from a first time buyer is 25% of a purchased property's valuation. In other words, first-time buyer's mortgages are typically 75% of valuation. This funding scenario is especially relevant to Portsmouth whose housing market traditionally favours those starting on the home purchase ladder.

4.5 Rents and renting in Portsmouth

Renting has been a major feature of the city's housing market for decades and provides accommodation for nearly 40% of households². The number of privately rented properties has increased considerably in recent years; present estimates suggest the total is about the same as social housing that is managed by the city council and over 30 housing associations (also known as Registered Providers since April 2010). Information on typical weekly rents charged in Portsmouth is summarised in the table on the next page:

¹ Bank of England web site – Bankstats June 2010.

² Portsmouth House Condition Survey 2008

COMPARING WEEKLY MARKET AND SOCIAL RENTS IN PORTSMOUTH

N° OF BEDROOMS	PRIVATE (MARKET) (rounded)	CITY COUNCIL (rounded)	HOUSING ASSOCS (rounded)
	May 2011 Median rents	2010-11 Average rents	2008-09 Average rents
ONE	£115	£62	£72
TWO	£144	£70	£84
THREE	£173	£78	£97
FOUR	£230	£87	£97
FIVE	£305	£91	£97

Sources: Valuation Office Agency for market rents in the greater Portsmouth area; City Council annual budget report; Tenant Services Authority (rents since 2008-09 by N° of bedrooms not yet published).

Weekly rents listed in the second column of the above table are typical (median) rents experienced at the present time in the greater Portsmouth area, as recorded by the Valuation Office Agency who monitor the private rental market on a monthly basis.

These defined market rents are used by the city council when administering housing benefit claims from private tenants: they set the maximum paid, but can be adjusted when necessary to reflect claimants' personal circumstances.

One way of placing rents into their economic context is by comparison with local average incomes. Portsmouth income data can be expressed in two ways:

- Individual weekly earnings: **£548** (Office of National Statistics, 2009)
- Household weekly income from all sources: **£632** (CACI market research, 2009).

4.6 Portsmouth's Housing Register and the need for affordable housing

Portsmouth's Housing Register continues to record a decline in the total number of registered applications which amounted to 2,688 at the first week of June 2010. This compares to 2,800 at the end of January 2010, 3,246 for September 2009 and 3,500 for February 2009. The monthly average for new registrations is 177 as at May 2010, compared to 231 in 2009 and 153 in 2008.

Homelessness would seem to be increasing. Requests for emergency housing made to the city council, and accepted according to legal criteria defined by law, averaged 24 a month during 2008, rising to 31 in 2009; and 36 for 2010 (based on cases to May).

The Portsmouth Register is designed to measure and respond to the most urgent types of housing need such as poor health, overcrowding and homelessness. Around 2,700 households in Portsmouth currently experience this kind of priority need, and are waiting for rented accommodation at well below market levels. At the same time it is recognised the Register cannot accurately reflect all aspects of demand for affordable housing as this is on a scale greater than the financial resources available to the city council and housing associations.

5. EQUALITY AND IMPACT ASSESSMENT

Not relevant in this instance

6. HEAD OF LEGAL SERVICE COMMENTS

There are no immediate legal implications arising from this report.

7. HEAD OF FINANCE COMMENTS

There are no immediate financial implications arising from this report.

Signed by Alan Cufley
Head of Community Housing & Regeneration

The recommendations set out above were approved/approved as amended/ deferred/ rejected by the Cabinet Member for Housing on 13 July 2010.

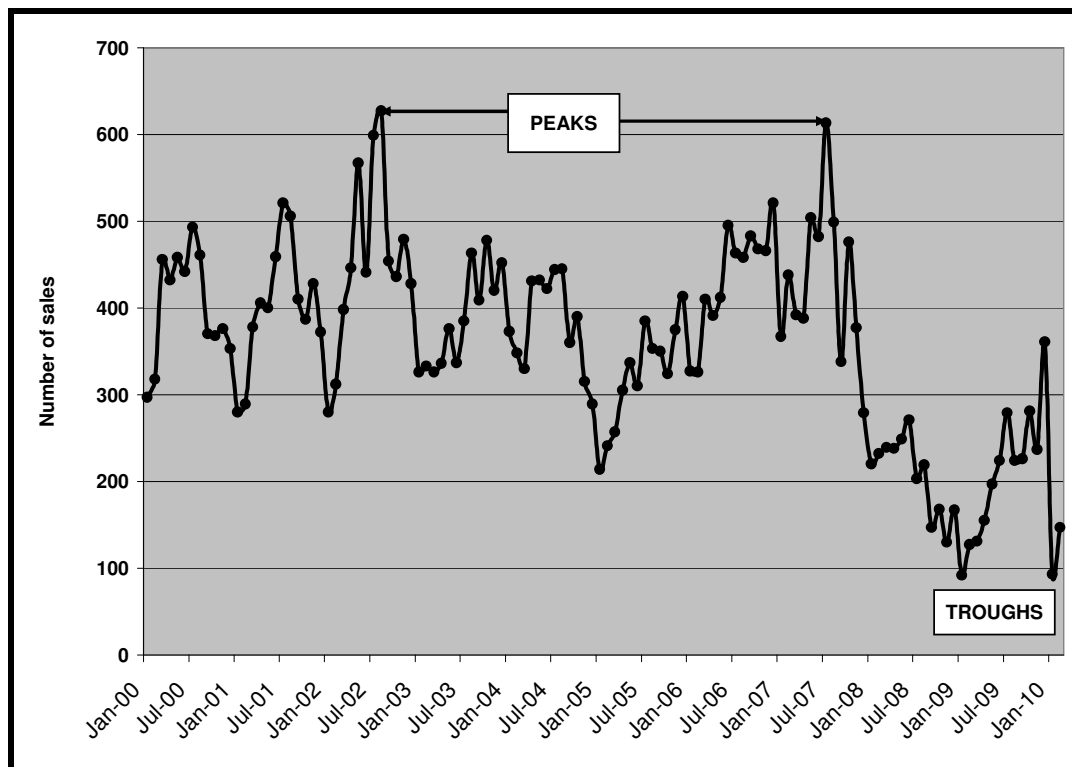
Signed by Councillor Steve Wylie

Background list of documents: S 100D of Local Government Act 1972

- 1) Land Registry *House Price Index*.
- 2) Council of Mortgage Lenders press release 17 May 2010.
- 3) Bank of England *Bankstats*.
- 4) Bank of England *Trends in Lending* May 2010.
- 5) Portsmouth House Condition Survey 2008.
- 6) Portsmouth Housing Register – management information.

APPENDIX 1: HOUSING MARKET TRANSACTIONS 2000 TO 2010

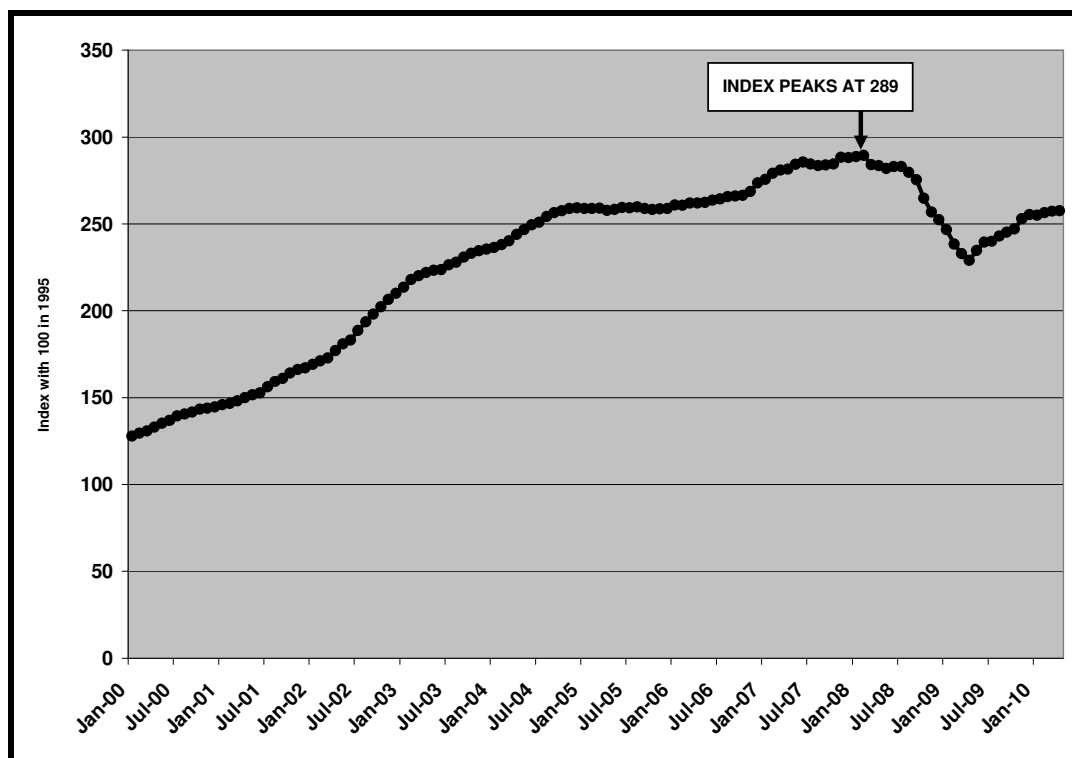
Portsmouth's monthly sale levels are high, then drop with lows in Jan 2009 & 2010



Data source: Land Registry house price index

APPENDIX 2: HOUSING MARKET PRICE INDEX 2000 TO 2010

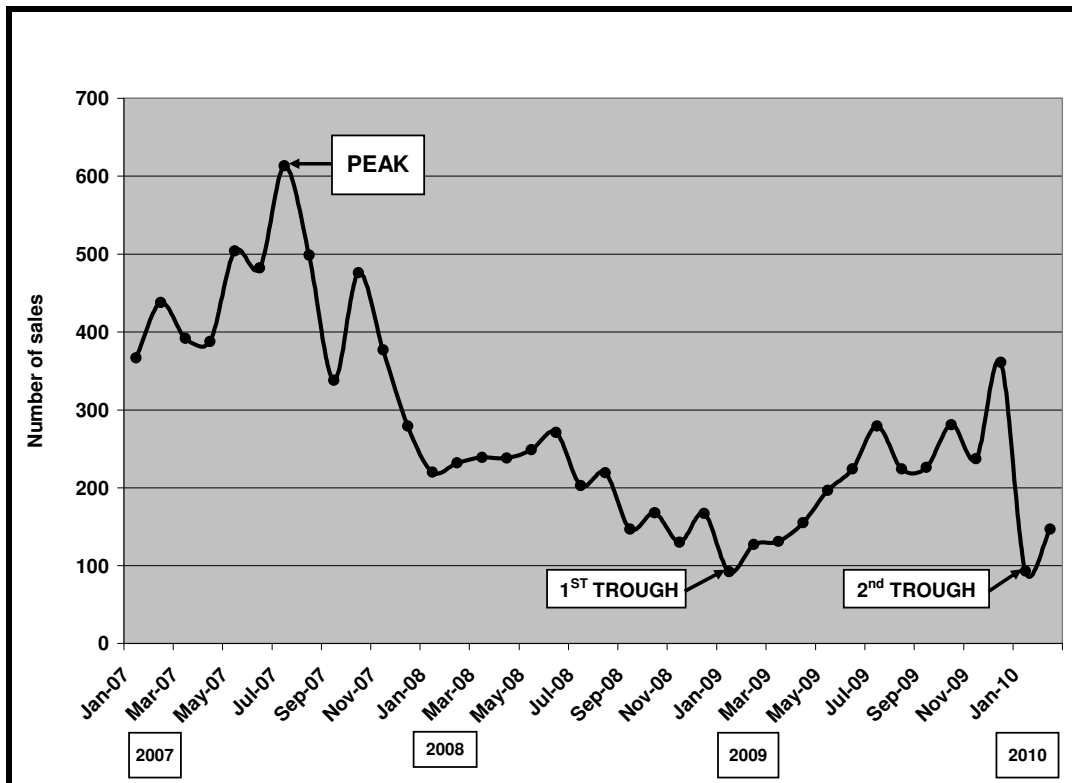
Portsmouth's sold prices double to peak in Feb 2008, fall and then rise a year later



Data source: Land Registry house price index

APPENDIX 3: HOUSING MARKET TRANSACTIONS SINCE 2007

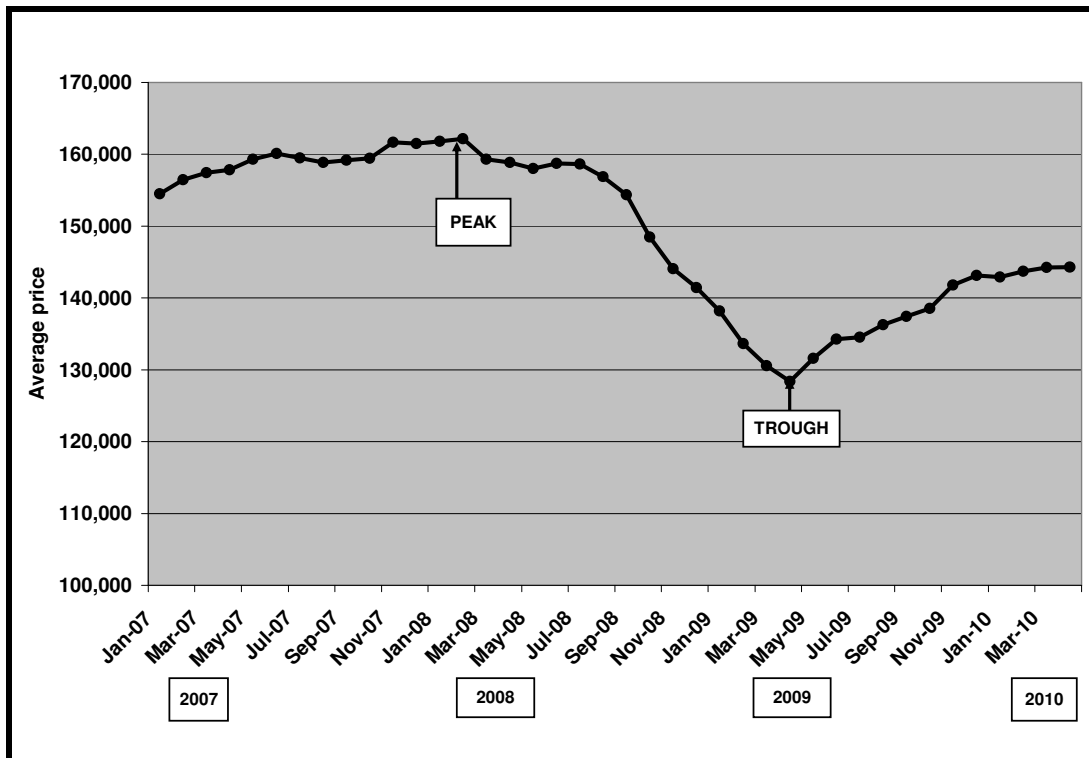
Portsmouth's average monthly sales fall by over 50% and 2010 prospects uncertain



Data source: Land Registry house price index

APPENDIX 4: PORTSMOUTH'S HOUSING MARKET PRICES SINCE 2007

Portsmouth's sold prices peaked in Feb 2008, fell to April 2009, and have since risen



Data source: Land Registry house price index