

Decision maker: Cabinet Member for Housing

Subject: Portsmouth housing market – summarising latest trends

Date of decision 9 November 2010

Report by: Head of Community Housing & Regeneration

Wards affected: All

Key decision (over £250k): No

1. PURPOSE OF REPORT: to provide a short update on the main trends within the city's housing market, part way through the 2010-11 financial year.

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 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

Media stories about the nation's housing market continue to report static or falling prices, fewer sales, reduced mortgage lending and higher deposit requirements (averaging 25 percent for first time buyers). Yet these negative trends are not demonstrated to the same extent in Portsmouth, according to statistics from public agencies and the experience of local property agents. The first half of 2010 in Portsmouth has recorded modestly increasing sale prices and transactions, although at levels well below the peak of three years ago. There is also a continuing demand for private (market) and social (sub-market) renting. However with the time lag for publishing housing market data, especially by the Land Registry, the outcome for the second half of 2010 will not be known until spring 2011. The following paragraphs report on different aspects of the city's housing market.

4.2 Recent trends in Portsmouth's home purchase market

The decline in monthly sales is best understood by focusing on the last three years from early 2007: in a thriving housing market, sales transactions in Portsmouth average between 400 and 500 a month. But since the property recession began, sales recorded by the Land Registry have declined by around half and in some months to under 100 (January 2009 and January 2010). Trends during 2010 have shown a monthly increase to 244 by June, the latest month for reporting sale numbers at the time of writing (mid

October): see appendix 1. A full set of data from the Land Registry for 2010 will not be available until March 2011.

Average sale prices in Portsmouth recorded by the Land Registry have been rising steadily since the low point in April 2009, usually by less than one percent a month. By August 2010 the average had reached £145,000. However prices remain well below the peak of £162,170 recorded in February 2008 (mainly recording transactions prior to Christmas 2007). See appendix 2. Averages by dwelling type at August 2010 were:

- Detached £322,516
- Semi-det £193,299
- Terraced £146,609
- Flat £116,477.

The Portsmouth Property Association (PPA) comment:

The housing market in the City is holding up well and bucking the national trend. Prices are stable but first time buyers continue to be frustrated by a lack of mortgage funds. They are struggling to get a toe hold on the market. Enquiries from buyers have slowed but properties across all price ranges are selling where realistically priced. Buyer confidence is slightly fragile because of negative reporting in the press but fears of a “downturn” are not apparent locally.

4.3 Mortgages for home purchase

Precise data 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.

Mortgage business continues to be low compared to three years ago. Bank of England data¹ reports that approvals were rising towards 50,000 a month, under half the level for most of 2007. However this momentum was not maintained and August showed a modest fall, although this was probably due to the holiday season. See appendix 3. As expected, the Council of Mortgage Lenders reinforce the Bank’s message that lending during August was the lowest for a decade, while first time buyers still pay a deposit averaging one quarter of a property’s value.

4.4 Rents and renting in Portsmouth

Information on typical weekly rents charged in Portsmouth is summarised below.

COMPARING WEEKLY MARKET AND SOCIAL RENTS IN PORTSMOUTH

N° OF BEDROOMS	PRIVATE (MARKET) (rounded)	CITY COUNCIL (rounded)	HOUSING ASSOCS (rounded)
	October 2010 Median rents	2010-11 Average rents	2009-10 Average rents
ONE	£115	£62	£68
TWO	£144	£70	£88
THREE	£173	£78	£100
FOUR	£230	£87	£100

Sources: Valuation Office Agency for market rents in the greater Portsmouth area; City Council annual budget report; Tenant Services Authority for housing associations. Financial years vary according to source of data

¹ Bank of England web site – Bankstats September 2010.

The Portsmouth Property Association (PPA) comment:

The private rented market remains strong and is taking up the slack from the housing market. Demand is fuelled by the growing student population but the private market is also thriving. Rents are holding up very well.

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

Portsmouth's Housing Register recorded 2,750 registered applications in early October, slightly up from the 2,688 at the first week of June but below the 3,246 for September 2009. The monthly average for new registrations for the first nine months of 2010 is 211 compared to 231 for 2009 and 153 for 2008. These applicants have an urgent need for housing, costing well under market levels, for a variety of reasons such as poor health, overcrowding and homelessness.

Homelessness is 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, 31 in 2009; and 35 for the first nine months of 2010. This suggests a 50 percent increase over a three year period.

5. CONCLUDING REMARKS

Although the nation's housing markets continue to display the usual indicators of depressed market conditions these are not so extreme in Portsmouth: the first half of 2010 has shown a steady rise in prices, though with sale transactions well under half those of three years ago.

The long term context, however, is that Portsmouth housing market continues to flourish, both for purchase and renting. One of the principal contributory reasons for this is that the city's accommodation is more affordable compared to other areas within a 20-30 mile radius: see appendix 4. Portsmouth's average purchase prices and rents (social and market) are among the lowest in the sub region. In consequence, the city's housing market is still functioning (if at lower levels) even during a period when the national economy is in recession.

A note of caution is advisable. Despite the upward trends in the city's housing market for the first half of 2010 all could change very suddenly in the weeks leading to Christmas, and beyond into 2011. Indications from the Halifax, the Council for Mortgage Lenders and the RICS suggest that house prices, lending, and sales volumes may all be about to decline very sharply. Were Portsmouth to shadow these trends (and it is too soon to be certain) the decline in the city's home purchase market would become serious. Nevertheless it should always be remembered that two fifths of city households rent, and demand for this tenure (social and market) continues to grow.

6. EQUALITY AND IMPACT ASSESSMENT

Not relevant in this instance

7. HEAD OF LEGAL SERVICE COMMENTS

There are no immediate legal implications arising from this report.

8. 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 9 November 2010.

Signed by Councillor Steven Wylie
Cabinet Member for Housing

Appendices

Appendix 1: Residential sale trends in Portsmouth

Appendix 2: Residential sold price trends in Portsmouth

Appendix 3: Mortgage approval trends for home purchase in the UK.

Appendix 4: Comparing housing costs in the Solent area.

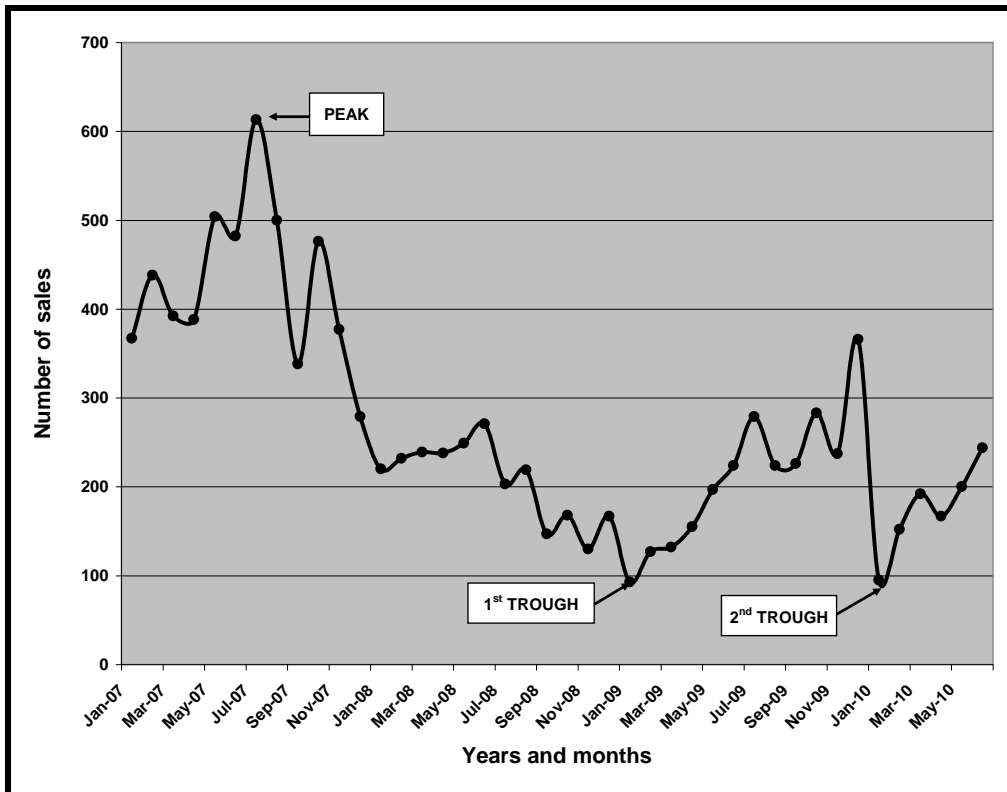
Background list of documents: S 100D of Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report:

Title of publication	Location
Land Registry <i>House Price Index</i> .	Internet
Council of Mortgage Lenders press releases 13 and 20 September 2010.	Internet
Bank of England <i>Bankstats</i> .	Internet
Bank of England <i>Trends in Lending</i> September 2010.	Internet
Valuation Office Agency monthly reports on market rents	Internet
Tenant Services Authority for housing association rents.	Internet
Portsmouth Housing Register, management information, October 2010	PCC
Communities & Local Government (CLG) housing market live statistics, table 585, average house prices for all dwelling types sold during 2009	Internet
CLG rent and lettings live statistics, table 704 for housing associations	Internet
CLG rent and lettings live statistics, table 702 for councils.	Internet

APPENDIX 1: RESIDENTIAL SALE TRENDS IN PORTSMOUTH

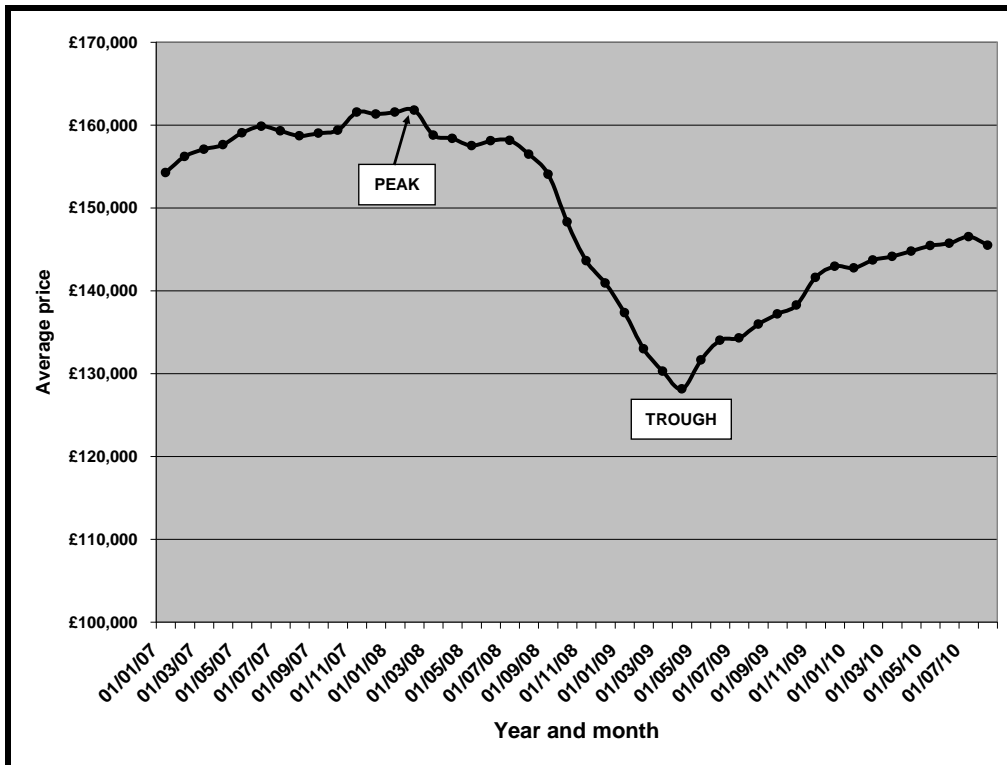
Sales rose in the first half of 2010, but data for the second half is not yet available



Data source:
Land Registry house price index. Data only available to June, as at October 2010.

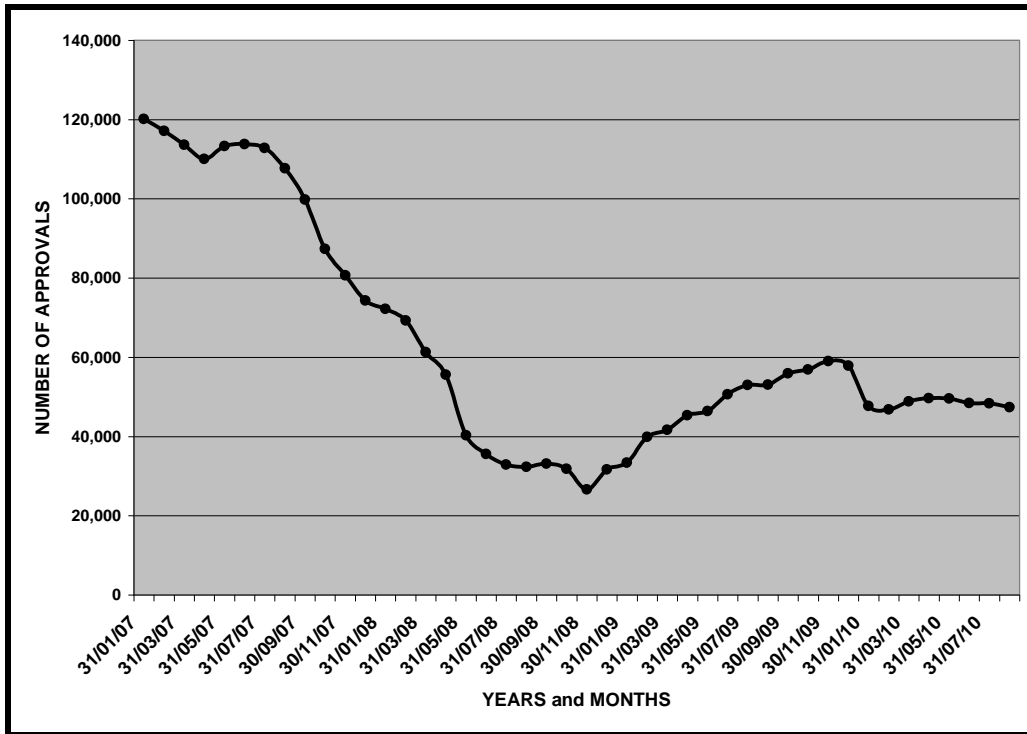
APPENDIX 2: RESIDENTIAL SOLD PRICE TRENDS IN PORTSMOUTH

Average prices are slowly rising but remain below the February 2008 peak



Data source:
Land Registry house price index. Data only available to August, as at October 2010.

APPENDIX 3: MORTGAGE APPROVAL TRENDS FOR HOME PURCHASE
 Data at August 2010 shows mortgage approvals have levelled off.



Data source: Bank of England. Data only available to August, as at October 2010. Data applies to the UK.

APPENDIX 4: COMPARING HOUSING COSTS IN THE SOLENT AREA
 Ranking by sale prices shows Portsmouth is more affordable

LOCAL AUTHORITY	BUYING £ rounded for 2009	SOCIAL RENTING		PRIVATE RENTING £ pw rounded for Oct 2010
		HAs £ pw rounded for 2009	Councils £ pw rounded for 2008-09	
Winchester	£319,000	£89	£75	£190
Chichester	£304,000	£86	LSVT	£167
East Hants	£295,000	£90	LSVT	£144
Fareham	£216,000	£86	£68	£144
Eastleigh	£214,000	£87	LSVT	£155
Havant	£195,000	£85	LSVT	£144
Southampton	£166,000	£83	£62	£155
Gosport	£163,000	£83	£59	£144
Portsmouth	£161,000	£81	£66	£144

Data sources:

Buying: Communities & Local Government (CLG), housing market statistics, table 585.

Social rents – Housing Associations (HAs): CLG rents and lettings, table 704 sourced from the Tenant Services Authority.

Social rents – councils: CLG rents and lettings, table 702. Four councils in this table have sold their council housing stock as Large Scale Voluntary Transfers (LSVT) to specially created housing associations.

Market rents: Valuation Office Agency (VOA) for two bedroom dwellings. Rents are for defined market areas around greater Southampton, Portsmouth, Winchester, Chichester etc as at present the VOA do not publish rent data by local authority.