

Decision maker: Cabinet Member for Housing

Subject: Portsmouth housing market – summarising latest trends

Date of decision 15 March 2011

Report by: Head of Community Housing & Regeneration

Wards affected: All

Key decision (over £250k): No

1. PURPOSE OF REPORT: to provide an update on the main trends within the city's housing market in the closing months of the 2010-11 financial year.

2. RECOMMENDATIONS:

It is recommended that the Cabinet Member for Housing notes these trends as the background for Portsmouth City Council's involvement with planning and providing 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 – LATEST TRENDS

4.1 Introduction

This report presents the latest changes in the housing market. When the last report on this subject was presented to the Housing Cabinet in November, some information – especially sale prices from the Land Registry – was only available for the first half of 2010. More recent price and sale data is now presented including mortgage approvals and rents.

Placing these changes within a south Hampshire context is informative because Portsmouth's housing market operates across local authority boundaries, an area encompassing at least half a million population. A report on the south Hampshire housing market (the third of a series of three), published by PUSH in December 2010, is worth quoting, the following statements being extracts:

- *The housing market in the PUSH sub-region remains fragile...*
- *In the year to June 2010 purchase transactions increased by 12 percent... but remain about 60 percent of volumes recorded in the decade to 2007.*
- *House prices increased by 10 percent in the year to June 2010*
- *New home completions are down by 22 percent compared to the previous year*
- *The demand for private renting continues to grow.*

4.2 Recent trends in Portsmouth's home purchase market

Transaction data during 2010 show a continuous increase in monthly sales to mid summer but then a slight drop into the autumn – figures from the Land Registry to December will not be available until March: see Appendix, chart 1. Average sale prices in Portsmouth rose every month in the first half of the year but have since declined during the rest of the year. See Appendix, chart 2. As at December 2010 the Land Registry report the following average prices in Portsmouth – though these prices, it will be recalled, apply to sale transactions agreed two to three months previously.

- All types £141,699
- Detached £314,122
- Semi-det £188,268
- Terraced £142,793
- Flat £113,459.

4.3 Mortgages for home purchase

Information on mortgage finance for purchases at local authority level is not publicly available. However Bank of England data for the United Kingdom is helpful: see Appendix, chart 3. The rise in mortgage approvals during 2009 was not repeated during 2010, but fell and stabilized at nearly 50,000 approvals a month – well under half the volume during 2007. As many commentators have remarked this has had a serious effect on the first-time buyer (FTB) market, especially as low deposit mortgages are now very rare. Information from the Council of Mortgage Lenders (CML) confirms that 'the typical first-time buyer in December 2010 had a deposit of 23 percent' - worth £31,000. It is why an estimated 84 percent of FTBs receive financial assistance from relatives and parents. Figures such as these explain why mortgage loans to FTBs have fallen by an estimated 42 percent in the year to December 2010¹.

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)
	January 2011 Median rents	2010-11 Average rents	March 2010 Average net rents
ONE	£115	£62	£72
TWO	£144	£70	£85
THREE	£173	£78	£97
FOUR	£249	£87	£110

Sources: Valuation Office Agency for market rents in the greater Portsmouth area; City Council annual budget report; Tenant Services Authority RSR 2010 for housing associations. Financial years vary according to source of data.

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

Portsmouth's Housing Register recorded 2,612 registered applications in mid February, slightly down from 2,750 in November and below the 3,246 recorded in September 2009. These totals refer both to new applicants seeking accommodation for the first time, but also to existing tenants (city council and housing associations) who require a

¹ Council of Mortgage Lenders: press release 11 February 2011 and briefing paper Problems for First-time Buyers dated 15 February 2011.

move to alternative, usually larger, accommodation. They all have an urgent need for housing, at below market rents, for a variety of reasons such as poor health, overcrowding and homelessness. Demand remains strong and is monitored by recording not just the total at any one time but also the monthly average of new registered requests²: these were 153 for 2008, 231 for 2009 and 198 for 2010.

Homelessness is increasing. Requests for emergency housing made to the city council, and accepted according to statutory criteria, averaged 24 a month during 2008, 31 in 2009; and 35 for 2010. This suggests an almost 50 percent increase over a three year period.

4.6 Increasing demand for 'intermediate' housing products

There is considerable interest by potential purchasers and renters for what is sometimes called 'intermediate' housing - rents or sale prices being midway between social renting and market levels. This is not reflected in the Portsmouth Housing Register, which records housing *need* rather than housing *demand*. Those interested in 'intermediate' alternatives are usually in paid employment but do not have the savings for the substantial deposits now required by mortgage lenders; or they find the cost of private (market) renting too expensive, especially with the up-front costs of advance rent and damage deposits. An indication of how much interest there is in 'intermediate' housing choices can be gauged from the *HomesinHants* organisation, part of the Radian Housing Group, who fulfil a gateway function to shared ownership and other tenures within the greater Hampshire area. Their waiting list of registered applicants is around 4,000, but also pertinent is the amount of enquiries to their website. 'Hits' recorded over the last three years show 2010 levels are higher than ever: [see Appendix chart 4](#)

5. CONCLUDING REMARKS

The rise in property prices recorded for the first half of 2010 has not been maintained. The volume of sale transactions continues at under half those of three years ago. The lack of mortgages, and the high deposits still required, affects those entering the market for the first time rather than existing owners. But the private rental market continues to flourish although rents are not rising to the extent that some national commentators have reported. Demand for social (sub-market) renting is growing while the potential for 'intermediate' housing products is also substantial and will form a proportion of housing delivery over the next few years.

Although the city's housing market is subdued, in terms of sales transactions when compared to 2007, it will continue to function and flourish. This is because Portsmouth's property prices are more affordable compared to other areas within a 20-30 mile radius; but also because the city's housing market draws strength through its continued and long term links (economic and social) with neighbouring boroughs and communities, rural and urban. This is the context in which current and future affordable housing development will operate.

6. EQUALITY AND IMPACT ASSESSMENT

Not relevant in this instance

² These monthly figures also include existing registered applications that have been amended to reflect changes in domestic circumstances that have a bearing on accommodation requirements.

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 15 March 2011.

Signed by Councillor Steven Wylie
Cabinet Member for Housing

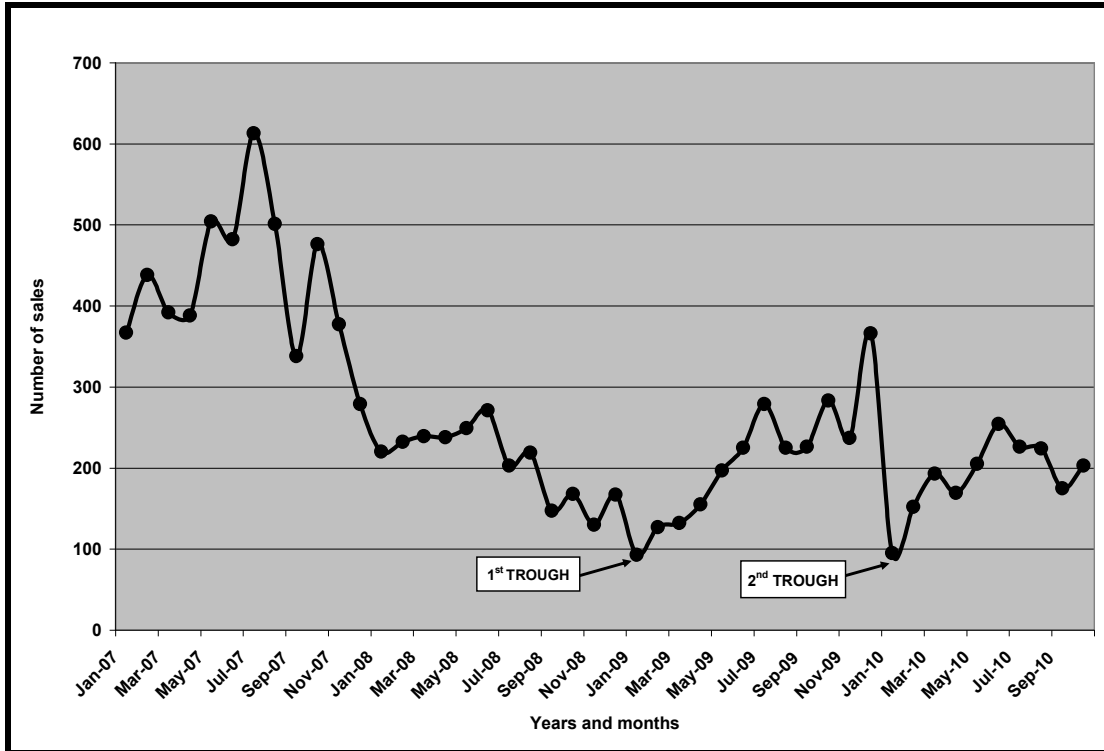
Background list of documents: S 100D of Local Government Act 1972

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 11 February 2011 and briefing paper <i>Problems for First-time Buyers</i> , 15 February 2011.	Internet
Bank of England <i>Bankstats</i> .	Internet
Valuation Office Agency monthly reports on market rents	Internet
Tenant Services Authority for housing association rents.	Internet
Portsmouth Housing Register, management information, February 2011	PCC

CHART 1: RESIDENTIAL SALE TRENDS IN PORTSMOUTH

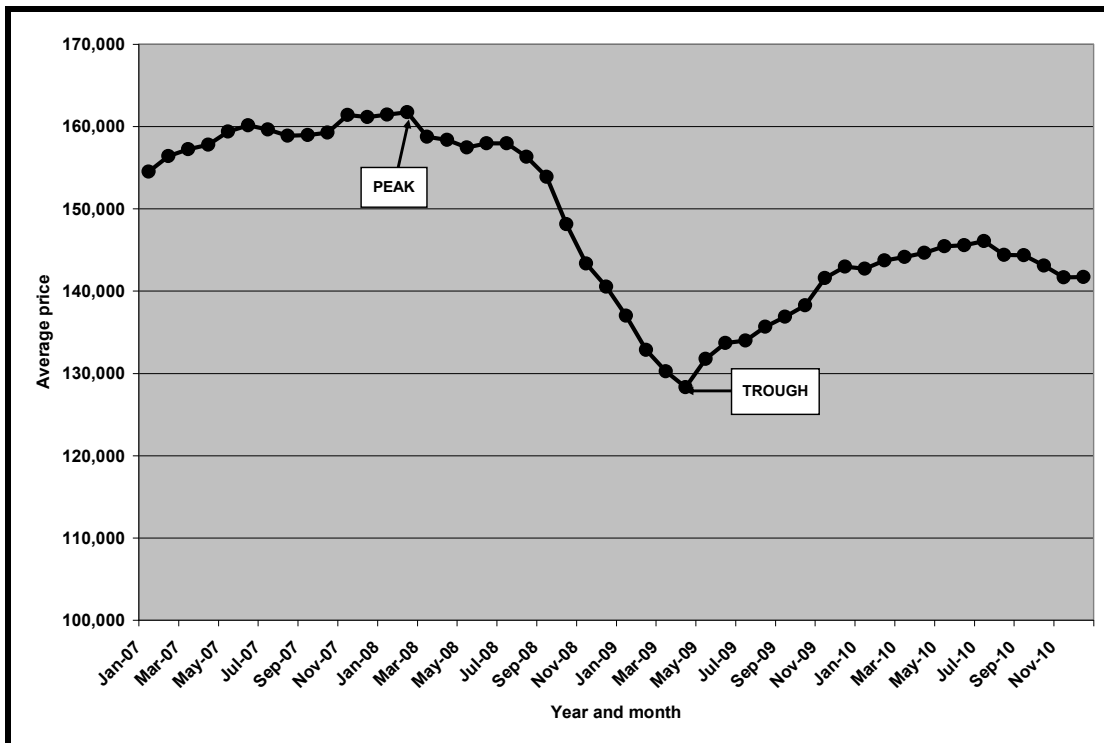
Sales rose most months during 2010, but by October were still below the 2007 peak



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

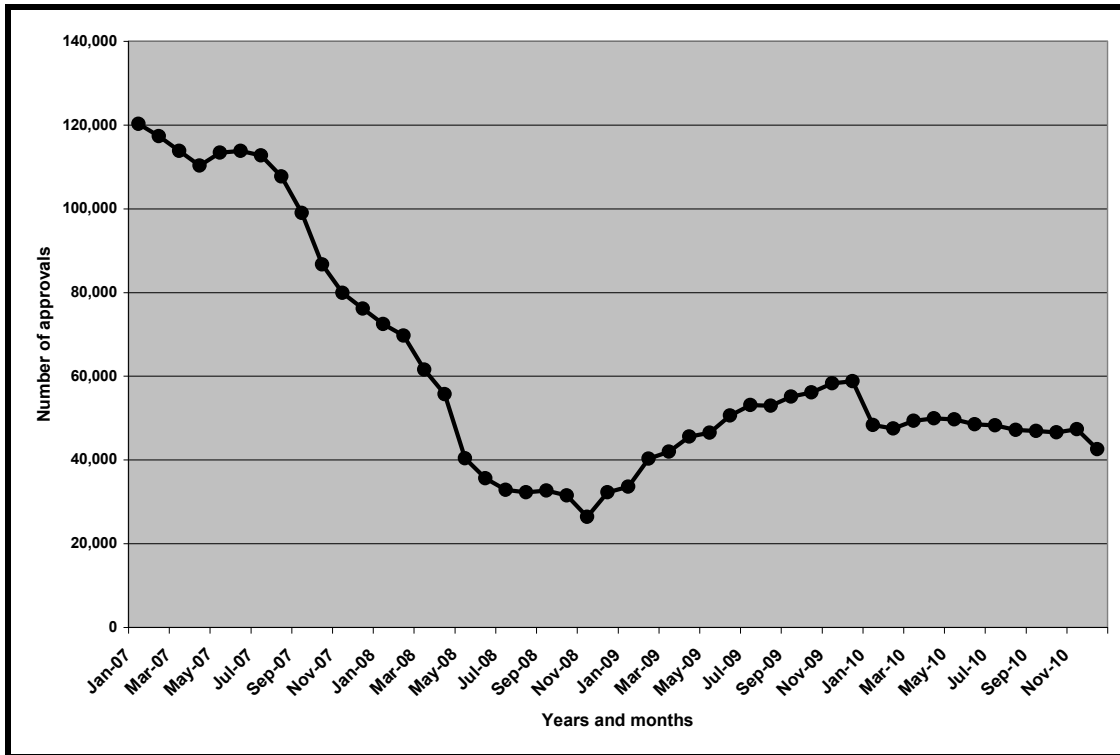
CHART 2: RESIDENTIAL SALE PRICE TRENDS IN PORTSMOUTH

After modest rises for several months, prices have dropped slightly since July 2010



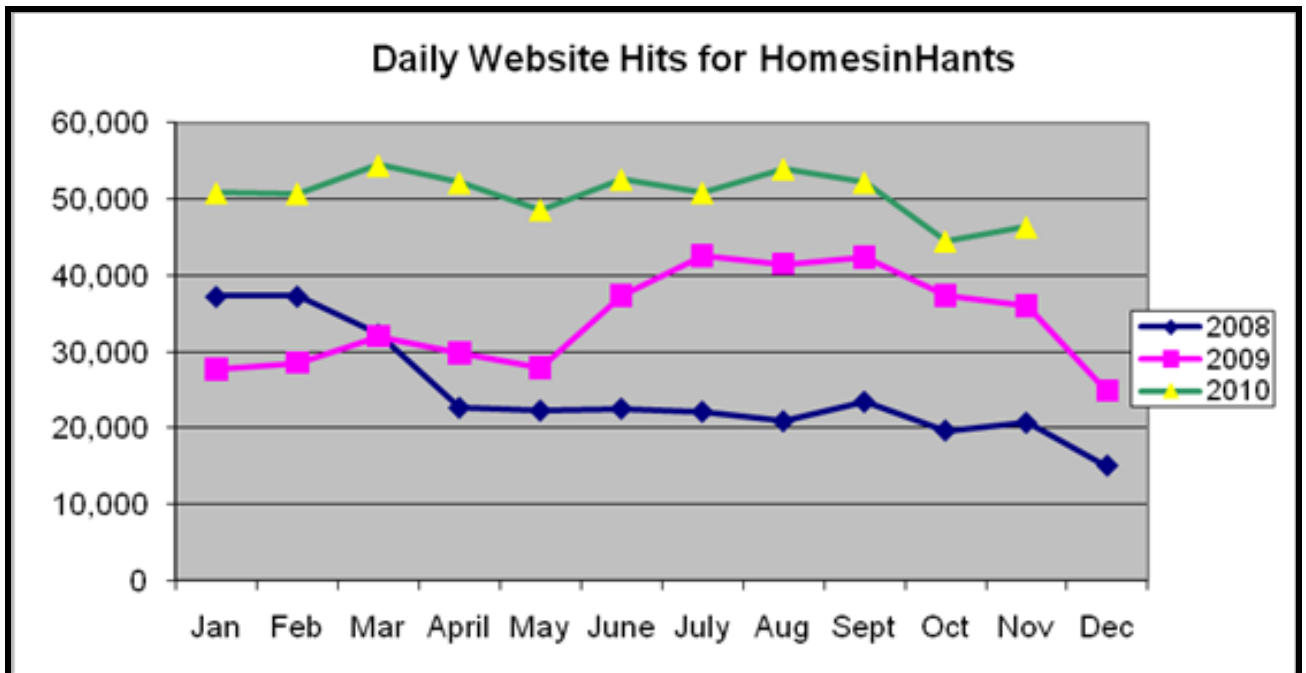
Data source: Land Registry house price index. Data to Dec 2010.

CHART 3: UK MORTGAGE APPROVAL TRENDS FOR HOME PURCHASE
 The continuing rise in approvals during 2009 was not maintained during 2010



Data source: Bank of England. Data available to December 2010.

CHART 4: DEMAND FOR INTERMEDIATE HOUSING ALTERNATIVES
 Enquiries to *HomesinHants* web site was higher during 2010 than previously



Source: Radian Housing Group