

Decision maker: Cabinet Member for Housing

Subject: Portsmouth housing market – summarising latest trends

Date of decision 31 January 2012

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 during 2011, with an overview of some trends and a commentary on the data that could be provided in future reports.

2. RECOMMENDATIONS:

It is recommended that the Cabinet Member for Housing notes these trends as the background for Portsmouth City Council's involvement in the City's housing market along with its` commissioning and delivery roles.

3. REASONS FOR RECOMMENDATIONS

This report is intended primarily as an information briefing.

4. PORTSMOUTH'S HOUSING MARKET – LATEST TRENDS

4.1 Introduction

This briefing presents some changes in the housing market based on official sources and mentions only main trends.

4.2 OWNER OCCUPATION

Sales Volumes

Transactions (sales) during 2011 were similar to 2010 with monthly sales rising in a series of peaks and troughs from a low in January with an overall increase in monthly sales to the end of September which is the last month that data is available from the Land Registry. There is a continuing low volume of sales, with 2011 likely to see a similar number of sales to 2010 which was the lowest for many years. There is no indication of when sales may return to former levels.

Annual sales volumes in Portsmouth, according to the Land Registry, were:

2007	5,157
2008	2,484
2009	2,545

2010 2,348
2011 2,200 (approx data based upon projections form August/September 2011)

Accurate trends for 2011 will not be discernable until the very end of January 2012.

Average sale prices in Portsmouth

Despite a couple of dips during the year prices have risen to the point where the average price is now £143,322. This is a rise over the year of 1.3% which is contrary to the -0.9% decline registered by the South East data. The data is from the Land Registry and it will be recalled that they apply to sale transactions agreed two to three months previously.

Average sale prices registered in March 2011 can be compared with those when the Portsmouth market peaked in February 2008. See also [chart 1](#).

PROPERTY TYPE	MARCH 2011	FEB 2008
	£	£
Detached	311,562	358,483
Semi-det	168,751	214,855
Terrace	141,643	162,958
Flat	112,545	129,482
All	140,520	161,667

Mortgages for home purchase

The continuing low level in home purchase transactions can be related directly to the lack of mortgage finance available to home purchasers, with a particular effect on first time buyers who have traditionally bought homes in Portsmouth owing to the lower prices compared to the suburban hinterland of, for example, Fareham and Havant. [Chart 2](#) reports mortgage approvals for the UK, as published by the Bank of England. The rise in mortgage approvals during 2009 was not repeated during 2010. Approvals stabilized at nearly 50,000 a month, a trend that has continued into 2011. This is well under half the volume during 2007.

Information published by the Council of Mortgage Lenders (CML) confirms that in March 2011 deposits put down by first-time buyers averaged 21 percent. If this percentage is applied to Portsmouth, and based on confirmed sale prices in March, then average deposits range from £18,750 for a flat to £35,000 for a semi-detached property. Understandably, many first time buyers do not have such sums saved for a deposit.

Commentators (e.g. the Royal Institute of Chartered Surveyors) report restraint in mortgage finance lending during 2011 and are not anticipating an upsurge in finance availability over the coming months

In terms of further information the owner occupied market might be analysed by the segments of the owner occupied market in Portsmouth and by prices of differing types of property.

4.3 PRIVATE RENTING

The Rental Market

Demand in the rental market remains strong with RICS reporting that on a national basis demand continues to outstrip new supply. Locally landlords and surveyors represented at the Housing Partnership report a buoyant local market. They also notice a slight relaxation in lending criteria, with those selling homes being more successful according to how well the property is presented.

Rents in Portsmouth compared with neighbouring districts

COMPARING WEEKLY MARKET AND SOCIAL RENTS IN PORTSMOUTH

LOCAL AUTHORITY	COUNCIL (all dwellings)	HOUSING ASSOC (all dwellings)	MARKET (2 beds)
	(2010-11)	(31 Mar 2010)	('2010)
Fareham	£71	£90	£148
Gosport	£62	£86	£129
Havant	-	£89	£144
Portsmouth	£69	£85	£141
Southampton	£65	£88	£148
Winchester	£79	£95	£170

Sources: Social rents from CLG live rent statistics tables 702 and 704. Market rents combine data from Dataspring, University of Cambridge and Hometrack, the latter reported in the 2010 south Hampshire Housing Market Annual Report published by PUSH December 2010.

In order to further analyse the rental market, rental levels might be updated and compared historically. Further data might be obtained about types of landlord in the Portsmouth market and current issues affecting elements of the private rental market

4.5 SOCIAL HOUSING

Demand & Supply

This has been monitored by a Market Monitoring Report prepared for the PUSH local authorities in 2010, 2009 and 2008. The 2010 report highlights that

- home ownership affordability continues to be a problem
- Housing Registers across the area show a growing number of households interested in affordable housing
- Tighter mortgage finance and uncertain job prospects lead to problems accessing other options in the housing market
- 2011 has seen a marked reduction in the amount of affordable housing being developed it being estimated that for 2011/12 new affordable housing will be about half the total it has been over the last few years

Portsmouth's Housing Register and the need for affordable housing & connection to homelessness

Portsmouth's Housing Register currently stands at 2,585 households. This total refers both to new applicants seeking accommodation for the first time, but also to existing tenants (city council and housing associations) who require a 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 with over 220 households being accepted as being in housing need and eligible for the waiting list in the last quarter of 2012.

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.

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 levels are higher than ever: see Appendix chart 3

Existing properties – during the last year there have been 1182 vacancies from Portsmouth City Council and other providers of social rented housing to which households on the housing waiting list can be nominated.

Future Comments

The social housing rented sector is changing with the commencement of Affordable Rents, Flexible Tenancies and welfare reforms affecting both supply and demand for affordable social rented homes.

5. CONCLUDING REMARKS

The housing market in Portsmouth demonstrates some resilience when compared to the rest of the country outside of London. To quote from the December RICS Housing Update however *"Looking forward, the key challenge for the housing market over the next twelve months will, ..., be the state of the economy"*.

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.

The Head of Legal Services supports the recommendation

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 31 January 2012.

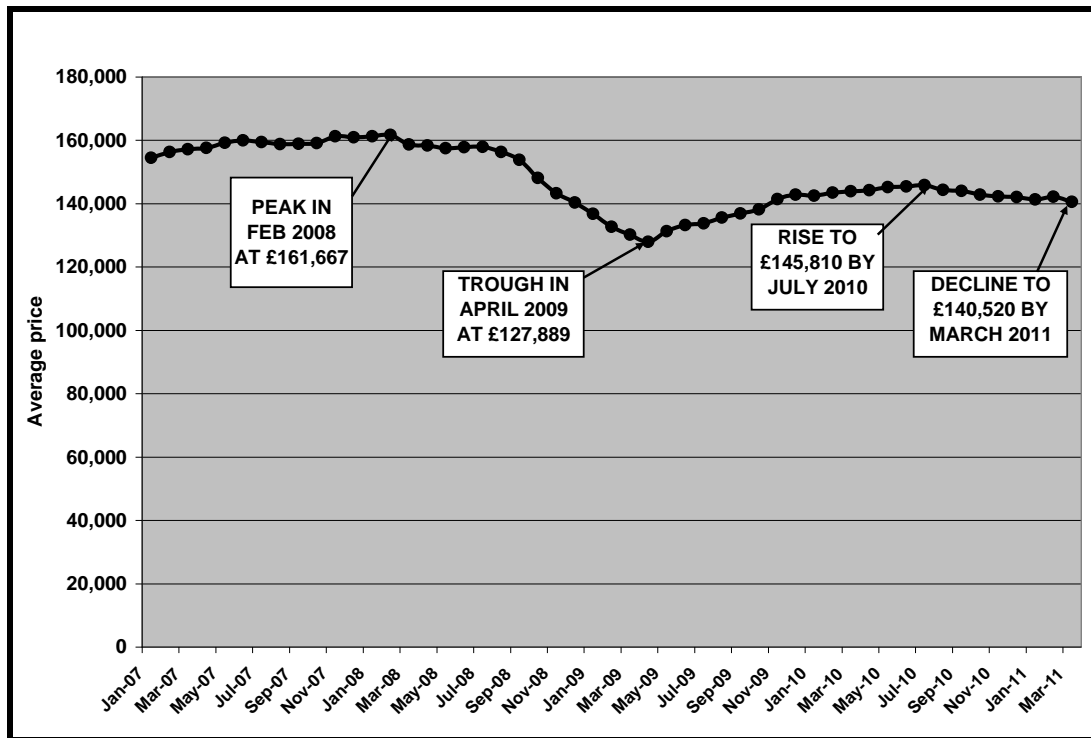
Signed by Councillor Steven Wylie
Cabinet Member for Housing

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:

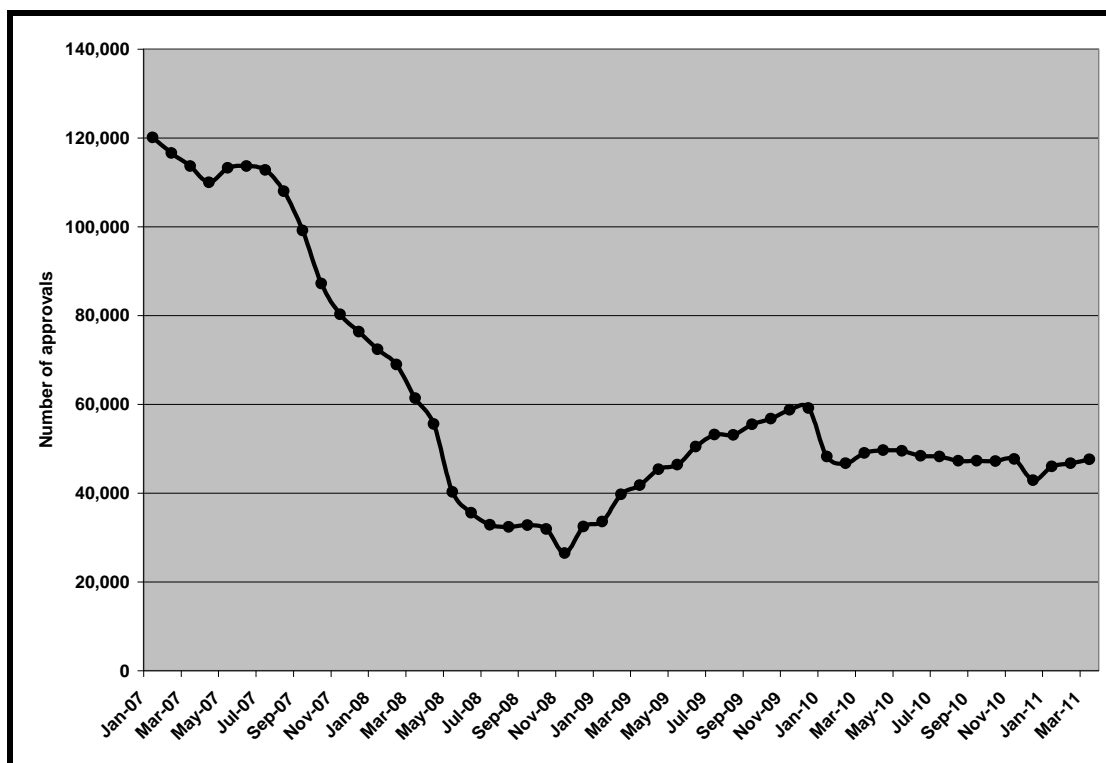
Title of publication	Location
Land Registry <i>House Price Index</i> .	Internet
Council of Mortgage Lenders press releases May 2011	Internet
Bank of England <i>Bankstats</i> .	Internet
Market rent data published by Dataspring	Cambridge University
Housing Market Annual Monitoring Report for south Hampshire published by Partnership for Urban South Hampshire	Internet
Communities and Local Government social rent statistics.	Internet
Portsmouth Housing Register, management information, May 2011	PCC

CHART 1: RESIDENTIAL SALE PRICE TRENDS IN PORTSMOUTH
As at November 2011 average prices are still about 11% below their 2008 peak



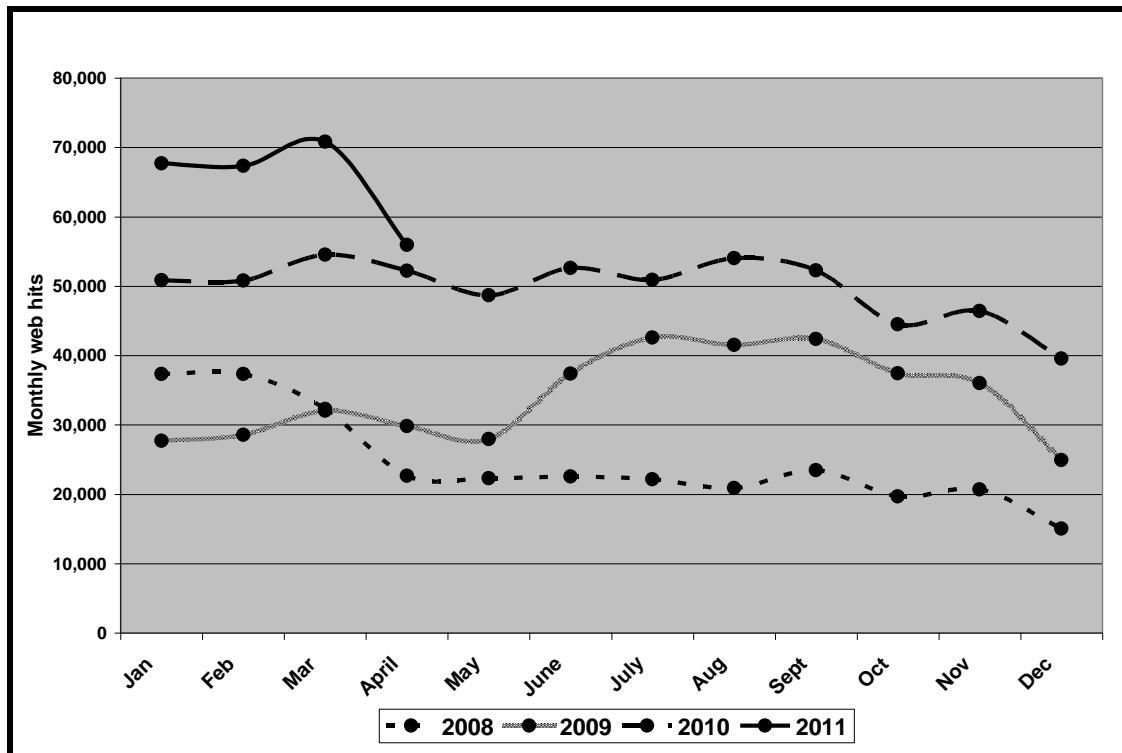
Data source:
Land Registry
house price
index.

CHART 2: UK MORTGAGE APPROVAL TRENDS FOR HOME PURCHASE
Mortgage lending to home buyers continues at under half of former levels in 2007



Data source:
Bank of
England. Data
available to
May 2011.

CHART 3: DEMAND FOR INTERMEDIATE HOUSING ALTERNATIVES
 Enquiries to *HomesinHants* web site has continued to rise in 2011, but the drop during April is thought to be due to several public holidays in that month.



Source: Radian Housing Group