

Agenda item:

Title of meeting: Cabinet Member for Housing Decision meeting
Subject: The Portsmouth Housing Market
Date of meeting 4th November 2014
Report by: Alan Cufley
Head of Corporate Assets, Business and Standards
Wards affected: All

- 1. PURPOSE OF REPORT:** to provide an update on the main trends within the city's housing market, drawing upon the Strategic Housing Market Assessment (SHMA) which was commissioned by the Partnership for Urban South Hampshire (PUSH). The report was compiled by consultants using data from 2013 and approved by PUSH early in 2014.

The link to the PUSH report is as follows:

http://www.push.gov.uk/south_hampshire_shma_final_report_16.1.14_.pdf

http://www.push.gov.uk/item_9_-_appendix_ii.pdf

2. RECOMMENDATION:

It is recommended that the Cabinet Member for Housing notes the present situation and trends in the Portsmouth Housing Market.

3. Background

There are 89,612 dwellings in Portsmouth within the city of Portsmouth. However, the Portsmouth Housing Market as defined by the SHMA comprises the city itself, Havant, Gosport, the eastern wards of Fareham and the southern parts of Winchester and East Hampshire District. This 'market' then sits relative to the one based around the city of Southampton and the one that borders the area to the east, namely West Sussex and its closest city, Chichester.

The information in the SHMA is that Portsmouth has the lowest number of detached and semi-detached properties out of all the PUSH authorities. The stock is skewed towards terraced housing and flats and towards smaller properties with only 55.2% of dwellings having 3 or more bedrooms which is much less than in other authorities. The report notes that over the period 2001 - 2011 there has been a modest shift in the housing mix towards smaller properties.

62% of Portsmouth's properties are in Council Tax band A or B. This is the highest proportion out of all the PUSH authorities.

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Affordability - Using the data compiled by central government the ratio of Lower Quartile Earnings to Lower Quartile House Prices for Portsmouth is 6.38 and Median Earnings to Median House Prices is 5.62 for 2013. This data is slightly lower than for England overall but even so these ratios are higher than most lending criteria allow for particularly at the lower end of the market. Indeed the SHMA notes that over 43% of households in Portsmouth would not be able to afford open market housing. Whilst house prices are lower than other parts of the housing market, the level of wages is also comparatively low.

Portsmouth has a higher than average level of overcrowding compared to the rest of the PUSH area. The SHMA points to the higher percentage of smaller dwellings; the socio-economic characteristics of the areas; the levels of houses in Multiple Occupation; and the higher occupancy levels amongst students, as factors which could lead to such a situation. The level of overcrowding has increased by over a half in the past decade – significantly more than in other PUSH local authority areas.

4. Owner Occupation

The owner occupied sector (both those with and without mortgages) accounts for about 55% of the Portsmouth housing market. The SHMA research states that this is the lowest level of all the PUSH urban centres.

4.1. Sales Volumes

The consultants that compiled the PUSH report state that sales volumes and sales rates are an important indicator of effective demand for market housing. They note that sales broadly halved across the core PUSH authorities during the credit crunch although this was particularly marked in Portsmouth where sales declined by 53%. There has been a very modest recovery since 2009 but this has been particularly protracted in Portsmouth. Sales during 2014 were similar to 2013 with monthly sales rising in a series of peaks and troughs from a low in January with an overall increase in monthly sales. Annual sales volumes in Portsmouth, according to the Land Registry, were:

2007	5,157
2008	2,484
2009	2,545
2010	2,362
2011	2,257
2012	2,283
2013	2,846
2014	3,040 (this is an extrapolated figure based upon actual data from the Land Registry for the first 6 months of 2014)

4.2 Average sale prices in Portsmouth

As can be seen from the table below, average sale prices in Portsmouth have increased over the last couple of years but have not returned to their 2008 levels. The data is from the Land Registry and it will be recalled that they apply to sale transactions agreed two to three months previously.

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Average sale prices registered in August 2014 and August 2011 can be compared with those when the Portsmouth market peaked in February 2008.

PROPERTY TYPE	AUGUST 2014	AUGUST 2011	FEB 2008
	£	£	£
Detached	£330,230	£313,581	358,483
Semi-detached	£197,922	£187,943	214,855
Terrace	£150,115	£142,547	162,958
Flat	£119,277	£113,263	129,482
Average Price	£149,348	£141,818	161,447

House prices are consistently lower in the city than most other parts of Hampshire

4.3 Mortgages for home purchase

General

The trend in national mortgage lending is one of growth to 2007 and, after 2008, a steep decline. For 2014 mortgage lending was at its highest level since 2008, with lending to movers totalling £7.2 billion, 31% up on July last year.

These lending figures include continuing and new Government home-buying support schemes, such as Help to Buy, where buyers are assisted to access 95% of the funding required to make a home purchase.

Commentators and professional bodies such as the Royal Institution of Chartered Surveyors (RICS) reported for September 2014 that, nationally, a more balanced picture is emerging. The RICS Residential Market Survey indicates fading, albeit still robust, price momentum at the headline level. This comes on the back of a more balanced demand picture, in part related to less buoyant expectations of future price rises. Crucially however, the supply trend remains more or less flat with no indication of a pick up in new vendor instructions.

The Council for Mortgage Lenders (CML) highlights that lending is growing year-on-year. Buy-to-let lending continues to recover and regain market share. For the coming year the CML considers that the market will grow but not wildly due to affordability constraints.

Data is not available for mortgage lending at a local authority level but there is no suggestion that the mortgage trends are different for Portsmouth. i.e. mortgage lending is gradually increasing having halved from a high in the late 2000s

4.4 First Time Buyers

First time buyers have traditionally bought homes in Portsmouth owing to the lower prices compared to the suburban hinterland of, for example, Fareham and Havant.

Drawing upon the CML data at a national level, lending to First Time Buyers has increased from a year ago but is still down from the 2007 high. The typical loan size for first-time buyers continued to rise to £127,500 in July, the highest average loan size for a first-time buyer on record. The typical gross income of a first-time buyer household also grew to £38,900 in July. Therefore, first time buyers are spending under x3.5 of their gross income on mortgage costs.

There were 30,200 first-time buyer loans in July - 25% up on July 2013. There was £4.6 billion of lending to first-time buyers in July - 39% higher than July last year.

4.5 Deposits

There are lenders that will provide 95% loan to value mortgages (2 lenders are recorded on the *Help to Buy* website) but where a mortgage is required for a smaller financial percentage of the property then loan rates will be better. If a First Time Buyer is trying to purchase an average priced property with a mortgage for 75% of its value then they would need to provide a deposit of over £35,000.

4.6 Help to Buy

The CML commented earlier in the year about Help to Buy. It appeared to be reaching the geographical parts of the market where recovery had been weakest, while accounting for only a small proportion of business in those areas where the market was more active.

On the basis of these figures, the scheme appears to be successfully reaching its target group of creditworthy borrowers who would otherwise be unable to buy until they had accumulated a more significant deposit. Throughout the UK, the proportion of business accounted for by Help to Buy was modest.

See "Intermediate Housing" section below

5. Private Renting

The RICS report that across the UK, the rental market remains firm, underpinned by tight supply and steady demand growth.

In Portsmouth the private rental market accounts for about 25% of dwellings. The SHMA notes that over the last decade it is particularly noticeable in Portsmouth that private renting has been the key growth sector at the expense of owner occupation.

The Portsmouth market is partly characterised by house sharers – something that is absent in surrounding areas.

5.1 Average Rents per week

Council (2014-15)	£85.34
Housing Association (Registered Provider - 31.3.13)	£92.67
Open Market (estimated from April 2014 Local Housing Allowance)	£171.52

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The SHMA report suggests there has been little movement in rental prices over the last few years.

Vacant and second homes – the number of these are below regional and national averages but Portsmouth has amongst the highest numbers in PUSH.

5.2 Buy to Let

Drawing upon national data from the CML the message is that Buy-to-Let (this includes Buy-to-let lending for house purchase and re-mortgaging as well as general buy-to-let loans) is recovering strongly but from a low base. There were 17,500 buy-to-let loans in July 2014, representing lending of £2.4bn. This was an 18% increase by volume and 26% by value. The number of buy-to-let house purchase loans is up 29% compared to last July.

5.3 Students

There remains a sizeable student population in Portsmouth and the balance between delivery of student accommodation and in the numbers of students remains a significant issue and will increasingly impact upon the wider housing market.

Both landlords and letting agents continue to report a lack of demand amongst students for certain types of privately rented property. This has meant that landlords are having to reappraise the use of their property.

6.0 Social Housing

Government data for 2013, describes the Portsmouth social housing sector as being made up of 11.6% local authority dwellings and 6.7% registered provider (housing association) dwellings. The trend has been for local authority dwellings to decline in number so that in 2013, there were 10,245 council owned homes in Portsmouth (down from 10,337 in 2008) and for Registered Provider homes the number has increased to 5,969, up from 5,000 in 2008.

6.1 Supply of affordable homes

The SHMA reports that "there is a clear justification for authorities to secure the maximum viable level of affordable housing on development schemes". Their report concludes that there is justification for 770 affordable homes per year in Portsmouth and it also concludes that of the 73% of affordable housing which needs to be rented accommodation then 10.7% should be Affordable rented homes and 62.3% social rented homes.

6.2 Portsmouth's Housing Register

Portsmouth's Housing Register, as at September 2014, stands at 1,562 households. This total refers both to new applicants seeking Council / Registered Provider 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.

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The number of lettings carried out in the last year from September 2013 to September 2014 amounted to 1,526. These are lettings of both Council properties and housing association properties and include lettings of properties let via the housing register beyond the Portsmouth City Council boundaries.

6.3 Homelessness

On a national basis the Department for Communities and Local Government, (DCLG), have noted that 13,140 households were accepted between 1 April and 30 June 2014, 2 per cent lower than during the same quarter of 2013. In the long term, acceptances peaked in 2003 before falling sharply until 2009. Acceptances in 2013 stood at just over a third (39 per cent) of the peak.

In Portsmouth, Department for Communities and Local Government (DCLG) data records that the local authority decided that 5.25 households per 1000 households in the area were declared as homeless and priority need in 2013/14. This compares with 6.24 per 1000 population in 2012/13; 6.05 in 2011/12; 4.78 in 2010/11 and 4.70 in 2009/10

7.0 'Intermediate' housing products

Help to Buy South is the agency for the South of England that provides access to properties offered for shared ownership, Help to Buy support and certain rental properties which are slightly cheaper than open market properties.

The register of those wanting the above types of property in Portsmouth is held by the agency, part of the Radian housing group. As at 30 April 2014, there were 504 households registered with *Help to Buy South* that are seeking accommodation in Portsmouth.

7.1 User profiles

The main points concerning the people that are registered are that 40% are in the 18 - 29 age group. 47% of households have an income between £20,001 and £35,000 and 39% are currently private tenants.

In terms of shared ownership, on average, households purchased 42% of the property which equates to £63,980. During the first 2 quarters of 2014 there were 12 Help to Buy sales; 14 Shared Ownership sales and 4 shared ownership resales. 45% of those acquiring a property in Portsmouth were based here before hand. 24% lived in Fareham; with fewer than 10% living in other surrounding areas. Just over 10% were living out of the general area.

8.0 Housing for Specific Groups

8.1 Older Persons

The SHMA report notes that older person households are more likely to under-occupy their housing than other households. Whilst the majority of under-occupation is expected in the owner-occupied sector there will be those in the social

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rented stock that are under occupying and not affected by the changes to benefit under Welfare Reform.

Consideration must continue to be given to reducing under-occupation in this client group. The type of accommodation that is on offer for older persons is extremely important as the Housing Register is showing a much reduced demand for social rented sheltered accommodation.

Amongst the older population, the SHMA report notes an increase in both dementia and mobility related illnesses. Over the next 20 years (from 2011), in the Portsmouth Housing Market Area (covering Portsmouth, Gosport, Havant, the eastern wards of Fareham and the southern parts of Winchester), the report anticipates an 86.4% increase in the older population suffering dementia and a 74.3% increase in those with mobility problems.

The SHMA analysis confirms that there is a continuing need for specialist and specific accommodation for older persons as the population ages.

8.2 People with Disabilities

Again, in the Portsmouth Housing Market Area, 17.3% of the population has a Long Term Health Problem or Disability. This has implications for housing support services, including the provision of adaptations to properties, as these services will need to be adequately resourced to take account of the data.

Recent changes in the national funding regime means that private sector financial grant support for disabled facilities is now supported by the Better Care Fund

8.3 Black or Minority Ethnic (BME) Households

The BME population in the PUSH area has grown strongly since 2001. The 2011 Census shows that BME groups make up 11% of the area's population. The Asian and White: Other populations (which include Eastern European migrants) have both grown notably.

The characteristics of this client group indicate that they are:-

- Typically younger
- Less likely to be owner occupiers than the White (British/Irish) population;
- Greater reliance on the private rented sector, and
- More likely to be overcrowded and less likely to under-occupy dwellings.

There is therefore the need to consider

- How the needs of different groups are met within the local housing market,
- The reasons for higher levels of overcrowding in BME communities and how this can be addressed.
- It will also be important to consider the role that the Private Rented sector plays in meeting needs of new migrant communities and the standards of housing in this sector.

8.4 Households with Children (Family Households)

This group may be quite polarised. Whilst married couple households have high levels of owner-occupation and may well be slightly better off than the general population, the data does point to potentially lone parent households being more disadvantaged. The housing offer should therefore meet the needs of such households and in particular the importance of maintaining good quality housing in the private rented sector.

8.5 Young People

The assessment notes that younger person households show a high reliance on rented housing. Younger age cohorts may therefore be forced into private rented (including shared) housing as the only means of meeting their housing needs, aside from residing with parents. To help younger households access housing the report suggests:

- A balanced approach to housing in terms of bedroom sizes and property types,
- Increased housing supply
- Ensuring high standards for Houses in Multiple Occupation (HMOs).

9. Concluding Remarks

The Secretary of the Portsmouth Property Association has confirmed that the *'residential property market in the city remains active and with good demand especially up to the £250,000 stamp duty threshold. House prices are rising due to strong demand but limited supply. Nicely presented 2 and 3 bedroom terraced houses are selling quickly and mostly at full asking prices.*

The rented market is also strong with letting agents reporting good levels of enquires because many people have no option but to rent because they cannot put a sufficient deposit together to buy. As a result, rents are holding up well and letting agents are reporting good levels of enquires.

The strength of the housing market in Portsmouth remains a strong economic indicator. With owner occupation now standing around 55% of the housing stock, some of it having lower value, the upward trend in home purchase provides a good indicator in confidence of both buyers and lenders

The Council for Mortgage Lenders highlights that lending is growing year-on-year with Buy-to-let lending continuing to recover and regain market share.

The data also highlights the growth of the private rented market and that it remains the second largest sector in the Portsmouth City Council area. It is also a lot larger, by percentage, than in nearby local authority areas.

The Private Rented sector in the city continues to play a very important role in meeting the needs of all types of household, be they seeking affordable housing or being new to the area. Maintaining good standards within that sector of the housing market remains as crucial as ever.

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Similarly, it is important to recognise the reduction, in relative terms, in the number of households declared homeless and in priority need

The SHMA analysis confirms that there is a continuing need for specialist and specific accommodation for older persons as the population ages. It also recognises the minor shift in the housing mix towards smaller properties

Signed by Alan Cufley
Head of Corporate Assets, Business and Standards

The recommendations set out above were approved/approved as amended/ deferred/ rejected by the Cabinet Member for Housing on 4th November 2014.

Signed by Councillor Steve Wemyss
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 website	Internet
HCC data.	Internet
South Hampshire Strategic Housing Market Assessment - Final Report 2014 (see weblink above)	Internet
Communities and Local Government statistics.	Internet
Portsmouth Housing Register, management information	PCC