PORTSMOUTH RESEARCH

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RESIDENTIAL

MARKET REPORT

1,492 PORTSMOUTH PROPERTIES SOLD IN STAMP DUTY HOLIDAY BONANZA

On the 8th of July 2020, the Chancellor announced the first £500,000 of any property bought was exempt from stamp duty until 31st March 2021. This also included buy to let landlords (although they would still need to pay the additional 3% stamp duty level for second properties). Talking to many of you Portsmouth homeowners, I know lots of you are bringing forward your home moving plans to take advantage of this tax cut. Also, many Portsmouth portfolio landlords are looking to save paying the tax by bringing their portfolio purchases forward. Yet how do you ensure you sell and buy your Portsmouth property whilst the tax cut applies (a saving of up to £15,000 of stamp duty on your next Portsmouth home?).

The biggest issue whenever you are selling your Portsmouth property is the properties that you are in competition with. Plenty of Portsmouth homeowners have jumped onto the stamp duty holiday bandwagon since the announcement and there are 8% more properties for sale in Portsmouth than there were during lockdown. The number of properties for sale in Portsmouth can split down into type...

- Detached Portsmouth homes down 4%

- Semi-detached Portsmouth homes up 17%

- Terraced / town houses Portsmouth homes up 12%

- Apartments in Portsmouth up 8%

So, now you know what you are up against, what do you need to know?

The most important factor is the time issue. It currently takes on average 17 to 19 weeks between a sale price being agreed and the keys being handed over, meaning you need to have found a buyer before the end of November or early December to enable you to complete the sale by the 31st March 2021. That means you really need to have placed your property on the market by the end of September and early/mid-October at the very latest to take advantage of the stamp duty Holiday. Don't get me wrong though, you could put your Portsmouth property on the market after that date, yet the price you will be able to achieve for your property could be affected.

There are 2,895 properties on the market in Portsmouth, of which 1,492 have sales agreed on them

Talking of price, or more specifically the asking price. There is a window of opportunity for Portsmouth homeowners to take advantage of this stamp duty tax cut, yet don't let local estate agents curry favour with you by tempting you with a high initial asking price to win the right to put their for sale board outside your Portsmouth home.

A Which report stated in 2017 that many estate agents routinely over inflated the asking prices of the properties they brought to market. One might ask why this is an issue for Portsmouth property sellers, as surely, they can just reduce their asking price at a later date? The excellent report proved that those estate agents who on the face of it appear to be doing you some kindness by endeavouring to get more for your home with a suggested higher asking price, the property often ended up selling for much less than similar properties that were realistically priced properties from day one and also, they ultimately took longer to sell!

This Which report compared the original asking price with final selling prices for 370,000 properties to ascertain how many estate agents had reduced the initial asking price of properties in order to sell them. Which found that 70,300 (19%) of all 370,000 properties sold had to be reduced by at least 5% in order to get the property sold, whilst the other 81% (299,700) had no or very minimal reductions to get them sold.

Of the 299,700 sold properties that weren't reduced or reduced by less than 5%, the average initial asking price was £261,000, yet they eventually sold for an average sale price of £260,000. For those 70,300 homes whose asking prices were reduced by over 5%, whilst the average listing price was £266,000, their eventual sale price was only £241,000, a loss of £20,000 each. Even worse, those properties with the heavy price reductions (5% or more) took an average of nine weeks and one day longer to sell (when compared to the other properties with no or minimal reductions).

What that means is by over inflating your initial asking price of your Portsmouth home, it will cost those Portsmouth homeowners an extra nine weeks to find a buyer and they will lose out on the final sale price by some considerable margin (meaning you will also probably lose out on the stamp duty holiday).

Assuming your asking is price is realistic, you aren't out of the woods yet. Other things that will help you get the best price for your Portsmouth home in the best possible time (and thus save you money with the stamp duty holiday) are ...

- Everyone searches on the portals for their next home. Photos are therefore very important (a picture speaks a thousand words). If the weather isn't good on the day of the photoshoot, ask the agent to revisit when the sun is out (and even tell them to hold off marketing the property until those pictures are perfect)... as you only get one go at being 'new to the market', with all the excitement and interest that causes.

- Employ the services of a solicitor at the same time as instructing the estate agent. Bringing together the legal paperwork of the property you are selling. By doing so, you will save weeks between the sale agreed and completion. Also, solicitors will be really busy, juggling many property transactions at the same time in the next 200+ days. Anything you can do to get a head start on others can only help your cause.

- Kerb side appeal. Look at your property from across the road. Does the front door need painting? Could a tonne of gravel spruce up your driveway? Maybe adding some hanging baskets and planted pots will help to make a home stand out for the best reasons?

The final piece of advice I can give you is if you are planning to sell your Portsmouth home, make sure your Portsmouth estate agent can show you proof of similar Portsmouth properties and what they actually sold for to back up their suggested asking price. If the asking price isn't realistic, the chances are you end up losing many thousands of pounds and wasting everyone's time. If you would like to chat about selling your Portsmouth home, please do not hesitate to pick up the telephone.

PORTSMOUTH OAP HOMEOWNERS TO FACE £17,456 CORONAVIRUS TAX BILL?

The Government is on track to borrow £400bn because of Coronavirus and that needs to be paid back at some stage. Last year alone, before Coronavirus, the Government brought in £824 billion in taxes whilst they spent £887 billion, meaning they had to borrow £63 billion. In fact, the last time taxes were higher than spending in the UK was 1998, meaning since then the country has been living beyond its means.

Interestingly, whilst these are certainly eye watering numbers (£400bn is a lot of money in anyone's book) most people aren't too concerned in the short term. Because interest rates are so low, the Government are able to borrow this money at 0.39 percent per annum over a 10-year period on the Gilt Markets. There are even 3-year Government gilts at a negative interest rate. This is because the UK has been considered (and still is considered to be) a monetary sanctuary/safe haven for the last 20 years because of the country's robust credit worthiness. Cheap money – yet it still needs paying back in the years to come and that can only be funded by taxpayers.

Ultimately, the Government will have to try to balance the books and that means increasing taxation. I know many will say there is waste in the NHS and MoD procurement, but that has already been squeezed quite hard during the Credit Crunch crisis and years of austerity. Some have suggested stopping the triple lock on pensions, which costs the Exchequer £6bn a year more than if pensions had risen at pre triple lock rates, so that isn't going to make much of a dent in the debt. Some have suggested we could enter into a second wave of austerity, like we saw from 2010, yet neither the voters nor the wage frozen public sector would accept that. That leaves tax rises as the only option for leaders who claim to take a responsible long-term view of the economy.

The Government could raise tax on spending with VAT increases, but they did that in 2011 when it rose to 20% (from 17.5%). Also, increases in VAT affect the poor more than the rich. Then they could raise it from earnings (Corporation Tax, Income Tax and National Insurance) yet it's been proved raising these 'earning taxes' ends up being counter-productive to the economy, resulting in tax receipts going down (even though the tax rate went up). Both are unsatisfactory, not least because big rises end up being unfair to someone.

So, some 'think tank' groups have suggested that we look to unearned wealth and the equity people, especially the older generation are sitting on in their homes, to pay for Coronavirus. Whilst I am in no way promoting and advocating that idea, I thought it was a fascinating suggestion and wanted to know what that would mean for Portsmouth homeowners if such a fanciful idea took hold?

OAPs in Britain sit on £1.425 trillion in housing equity in their own homes

The average length of time an OAP homeowner has been in their property, according to official figures, is 24.7 years, meaning on average, 75.8% of that equity is profit. So, if say a capital gains tax of 10% was placed on any profit, it would raise £107.84bn over the next 20 to 25 years. So, what would that mean to Portsmouth OAP homeowners?

Portsmouth OAP homeowners own £5.841bn worth of property

Taking into account the average length of time those homeowners have been in their Portsmouth home, that is an 'unearned' profit of £4.419bn, or £2.338bn after inflation. Some 'think tanks' have said that should be taxed as some form of capital gains tax.

To give you an idea, if every OAP homeowner in Portsmouth had to pay a 10% capital gains tax when they (or their descendants) sold their Portsmouth home, that would cost them £17,456 each (or a total of £441.93m).

So, is this the answer to pay for Coronavirus? There needs to be tax reforms to protect the public finances yet is it fair to tax previous capital gains? Many people say no. Let's not forget people buy their homes out of taxed income, then pay Stamp Duty, VAT on any improvements and inheritance tax if the property value is more than £675,000, so is it fair the Government want another slice of pie?

The older generation who bought these homes saw mortgage rates of 19% in the late 1970's and 16%+ in the early 1990's, meaning for every pound borrowed, they ended paying back £3 to £4 when you added up the interest. Also, let's not forget all the money spent on keeping up the maintenance – money that has already been taxed. The upshot will be this would stop OAP's selling their homes because it would discourage older people from trading down to a smaller home in retirement, making it even harder for younger families to find a big enough home to live in. Also, many people use the equity in their home to pay for retirement care, so if some of that is going to keep the debts down, that means the Government will have a larger social care bill in future years.

One school of thought could be taxing future tax-free gains for ALL homeowners, although given the Tory's dependence on the more mature middle class (homeowning) voters, this might be a step too far for the Conservatives, so some have said this will be kicked down the road for Labour to sort. Sir Keir Starmer, who appears to be quite a straight-talking and even monetarily responsible Labour leader, is certainly a lot more voter friendly to the British electorate than Corbyn.

At the 2024 General Election, he could introduce what appeared to be a smart agenda of tax increases on unearned property capital gains and as long as it was presented in a clearly defined way, maybe turning the tables on the famous Tory General Election poster from 2010, when the Tory's mocked Gordon Brown for doubling the national debt, implying it was Labour's fault for the increase in national debt when in fact it was the Credit Crunch that caused it.

Starmer could soberly state Labour were the only party that could be trusted to make hard decisions to avoid burdening future generations with the £400bn 'Tory' coronavirus debt

One way or another, this £400bn (or £14,440.43 per household) is going to need to be paid back eventually; that means a rise in taxes. Nobody likes paying more tax – yet the truth of the matter is there is a lot of wealth tied up in property, especially with the older generation and so I suppose its introduction is inevitable in the future.

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