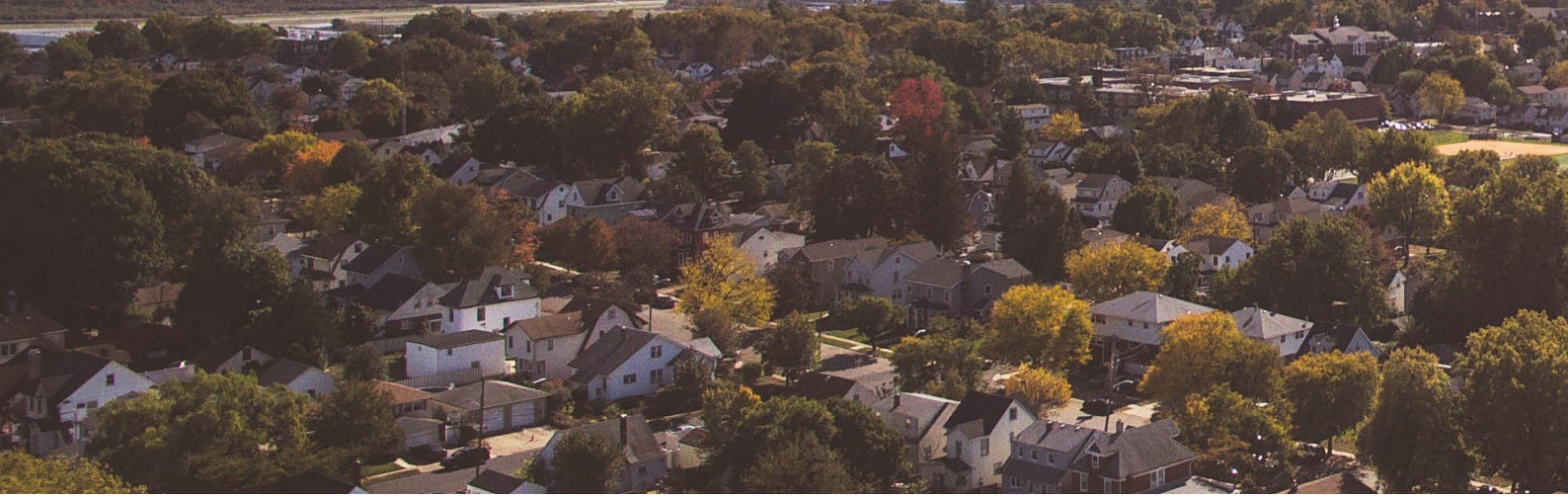


RESIDENTIAL MARKET REPORT

Portsmouth Research

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PORTSMOUTH PROPERTY MARKET **IMPROVED BY 13.4%** OVER PRE-PANDEMIC LEVELS

Has there ever been a better time for Portsmouth home sellers?

Portsmouth house prices are **anticipated to rise throughout 2021** after the Stamp Duty cut (and subsequent extension until the summer/autumn) and the newly revealed **95% mortgages** for Portsmouth first-time buyers (and Portsmouth homeowners with minimal equity).

In addition, the continued **low-interest rates** and the **demand for larger homes** because of lockdown means the Portsmouth property market should remain bullish for a while. There is a surge in potential buyers putting themselves on mailing lists with Portsmouth estate agents, making the biggest disparity between supply and demand for Portsmouth property for many years.

Fears of a cliff edge for the Portsmouth housing market at the end of March have dispersed, somewhat due to the **Stamp Duty tax deadline extensions**, but also because the elevated level of buyer demand caused by the three lockdowns has continued to swell since the start of 2021 meaning that today ...

54% of Portsmouth properties on the market are Sold (STC)



Interesting, when utilising data from the theadvisory.co.uk website, the Portsmouth average for the last five years has only been **38%**, meaning there has been an uplift of **13.4% in the proportion of Portsmouth properties sold (STC) compared to that five-year average.**

Yet what can't be forgotten is that **9 out of 20 Portsmouth house sellers are also Portsmouth house buyers as well**, so whilst they do indeed achieve a **higher price** for their Portsmouth property, they also have to pay more for the Portsmouth property they want to buy.

So, how much will Portsmouth house prices rise by?

Like all things in life, it's all about demand and supply. I have discussed the demand, yet what about the supply of properties for sale?

There are 15% fewer Portsmouth properties for sale today compared to 6 years ago

Whilst February saw a **lower than normal level** of new properties coming onto the Portsmouth property market, **the easing of the lockdown road map and faster rollout of the vaccine is also persuading more Portsmouth homeowners** (especially those older Portsmouth homeowners who have had their jobs) to start making the first steps towards moving home in 2021.

This will mean there will be **more Portsmouth properties available for sale** in the conventionally busier post-Easter market in the coming weeks and months which should cause more equilibrium and help keep Portsmouth property prices in check





PORTSMOUTH **FIRST-TIME BUYERS** CAN NOW BUY USING **5% DEPOSIT** **MORTGAGES**

Yet higher mortgage rates could see Portsmouth buyers paying a lot more each month for the privilege

Being a Portsmouth first-time buyer in the last 12 months has not been an easy thing. Just before lockdown there were **400 '5% deposit mortgage' deals and first-time buyers were able to shop around to get the best deal.** When the first lockdown hit, **5% deposit mortgages disappeared**, meaning that as many Portsmouth would-be first-time buyers were about to buy their first Portsmouth home in 2020, the rug was pulled from under their feet.

Today, you can count on two hands the number of mortgage deals which allow a **5% deposit.** Even worse, the number of hoops one has to jump through to get a 5% deposit mortgage is very high (**plus you have to pay handsomely for the privilege, with mortgage rates of at least 4.15%.**)

In putting down a **5% deposit**, you **borrow the remaining 95% as a mortgage.** These **95% mortgages (or Loan to Value)** were very popular with Portsmouth first-time buyers before the Credit Crunch. Nearly 1 in 6 mortgages were **90% to 95%+ Loan to Value mortgages in 2007 (15.5%),** yet as the Global Financial Crisis hit in 2008/9 that dropped to **only 1 in 63 mortgages being in 90% to 95%+ range in 2010** – meaning many Portsmouth first-time buyers were unable to buy their first Portsmouth home between 2010 and 2015.



Yet in the recent Budget, Rishi Sunak has vowed to back the building societies and banks so that they can offer more of these higher 95% Loan to Value mortgage deals.

Many people have said this will mean there will be a Portsmouth house price boom – especially as Stamp Duty is extended until September

This scheme is nothing new as a practically identical scheme was launched by George Osborne in the 2013 Budget with his Help to Buy Scheme. Nearly 1 in 5 houses sold in the year after that budget used this scheme, yet Osborne's was only for first-time buyers and it was only for brand new homes (not second-hand homes). Whilst there's no doubt this caused an increase in house purchases, many commentators said it was a backdoor method to keep the country's new homes builders afloat.

The big difference with this new 2021 scheme is that it's available for Portsmouth second-hand homes as well and is open to all Portsmouth owner occupiers moving home

Yet, what will the banks mortgage interest rate charge be?

Although no building societies or banks have yet publicised what mortgage rates they will charge, all the High Street lenders including NatWest, Santander, HSBC, Virgin Money, Barclays and Lloyds have stated they intend to offer these 95% LTV mortgages.

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At the moment the average five-year fixed rate mortgage is 3.6% with a 10% deposit, but if you have a 25% deposit, you can fix it for five years at 1.63%

However, don't forget though that the banks will be charged a 'still to be decided' amount to use the Government guarantee. On the last Help to Buy Scheme, it was rumoured they were charged 0.9% of the mortgage borrowed, so this cost would have to be passed on to the first-time buyer. I would suspect the eventual rates Portsmouth first-time buyers will have to pay will be somewhere in the region of 3%.

This new 95% mortgage/5% deposit scheme is only going to work if the banks and building societies have sensible mortgage rates as it needs to help those Portsmouth first-time buyers it was intended to benefit, who are finding it hard work to get on the first rung of the Portsmouth housing ladder.

It all comes down to how anxious the banks and building societies feel about the true long-term effect of the pandemic once the furlough scheme ends in the autumn. Only time will tell.

Yet, to give you an idea of the difference the mortgage rates scheme will make on a typical Portsmouth terraced/town house...

The average price paid for a Portsmouth terraced/town house in the last 12 months was £236,100



Assuming a 35-year repayment mortgage and borrowing that amount on each scenario:

- At the current best **95% LTV mortgage rate (i.e. 5% deposit) of 4.15%** mentioned at the start of the article, that would cost **£1,067** per month in mortgage payments
- At the current average **90% LTV mortgage rate (i.e. 10% deposit) of 3.6%** mentioned in the middle of the article, that would cost **£990** per month in mortgage payments
- At the best **75% LTV mortgage rate (i.e. 25% deposit) of 1.63%** mentioned at the start of the article, that would cost **£738** per month in mortgage payments

As you can see, quite the difference.

I have to applaud Rishi Sunak for this initiative, yet will it be ‘fields of clover forever’ for the Portsmouth property market with the new scheme? No, it won’t.

It will be a good boost to the Portsmouth (and UK as a whole) property market. Whilst the mortgage guarantee offers a small portion of security for the lenders, it does focus on the riskiest part of the housing market. Many lenders still have cold shivers of the Northern Rock 125% mortgage debacle from a decade ago and those memories still ring true today.

The fact is these types of mortgages will be a higher risk, even if the Government are underwriting them with their smaller deposits, which will come through in bank’s and building societies higher pricing for these mortgages. Also, the lenders are already at near full capacity trying to get hundreds of thousands existing property sales and purchase deals through because of the Stamp Duty rush over the last 9 months. I await the rates in early April and will make comment again.





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