



RESIDENTIAL MARKET REPORT

Portsmouth Research
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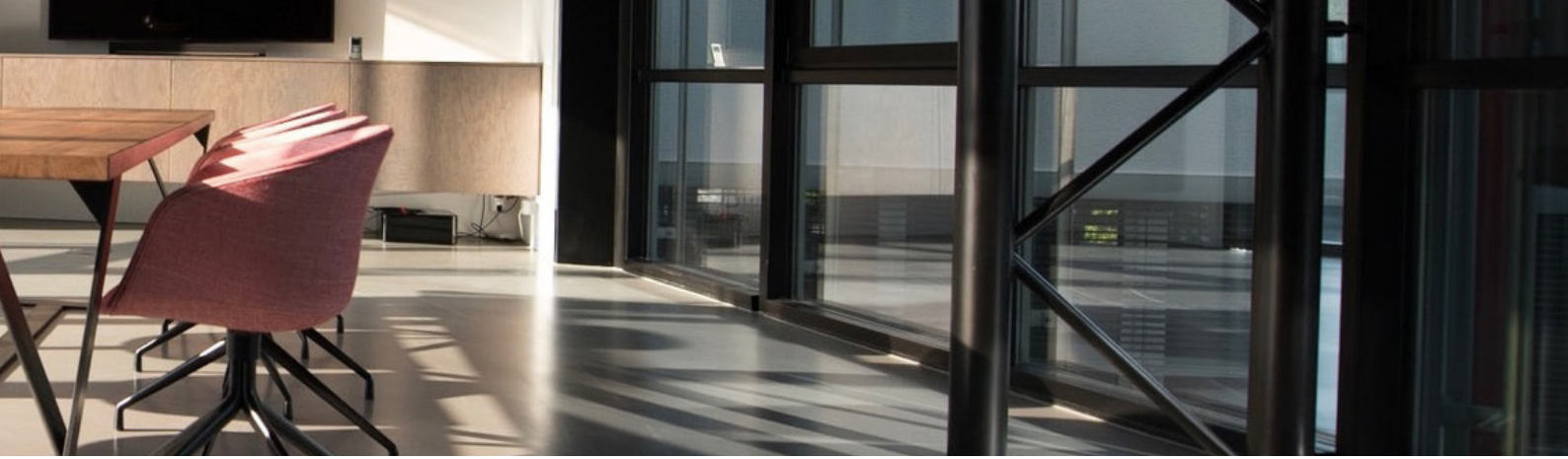


THE 2020 REVIEW OF THE PORTSMOUTH PROPERTY MARKET

Looking back at the **Portsmouth property market for 2020**, it can certainly be seen as a frenetic game of two halves, albeit with a very long half time in the spring. Between the General Election in mid-December and Christmas, many Portsmouth agents saw an unusually higher uplift in activity in the property market just as we were getting ready for Christmas 2019. Yet once the New Year festivities were out of the way, that pre-Christmas uplift in the local property market was nothing when compared to the bang on **Monday 6th January 2020** with the fabled 'Boris Bounce' of the Portsmouth property market. January, February and most of March were amazing months, with the pent up demand from people wanting to move from the **Brexit uncertainty of 2018/9 being released in the first few months of 2020.**

The pandemic hit mid-March, and the Portsmouth property market was put on ice for nearly three months (as was almost everyone else's lives). Yet at the end of spring, the property market was one of the first sectors of the economy to be re-opened. Every economist predicted house price drops in the order of **10% in the best-case scenario and 25% in the worst** yet nothing could be further from the truth.

When the lockdown restrictions were lifted from the property market, those three months allowed Portsmouth homeowners to re-evaluate their relationships with their homes. The true worth of an extra bedroom (for an office) became priceless, as people working from home were having to take calls and work from the dining room table. Portsmouth properties with gardens and/or close to green spaces all of a sudden became even more desirable. More fuel was put on the fire of the Portsmouth property market with the introduction of the Stamp Duty Holiday, meaning buyers could save thousands of pounds in tax if they **moved before the end of March 2021.** This stoked the local property market and now...



Property values in Portsmouth are set at 3.0% higher today compared to a year ago.

The fallout of that increased demand for a new home meant those Portsmouth properties on the market coming out of lockdown in early summer with those extra rooms and gardens were snapped up in days for 'full' price. Portsmouth buyers were having to spend their Stamp Duty savings on paying top dollar for the home of their dreams. **Yet the increased number of properties coming onto the market in the late Summer quenched a lot of that demand and the prices being achieved became a little more reasonable and realistic.** This increased the number of properties sold (stc), so much so that, nationally, almost two thirds more homes have been sold (stc) than would be expected at this time of year!

However, as we all know, just because a property is sold (stc), it doesn't mean the property is actually sold. **The number of people who have moved home in the last 12 months in Portsmouth, is as you would expect, much lower.** Over the last 10 years, on average **1,674 Portsmouth homes have changed hands per year, compared to only 709 Portsmouth homes in the last 12 months.**

So, what is a Portsmouth property worth today? Drilling down to the four types of homes locally, some interesting numbers appear. Looking at the table, you can see what the average property types are worth locally, and within each type, the average price paid in the last 12 months. **(So, if the average price paid for the last 12 months is higher than the overall average, that means more higher priced property in that type has sold in the last year compared to the overall average - and vice versa).**



	Average Overall Value Today	Average Price Paid in the Last year
Portsmouth Detached	£450,860	£449,110
Portsmouth Semi-Detached	£280,760	£289,910
Portsmouth Town House/Terraced	£223,450	£217,420
Portsmouth Apartments/Flats	£195,160	£171,960

Of course, these are overall average values. To give you an idea what Portsmouth properties are selling for by their square footage, these are those averages ...

	Average Value per sq. ft (Internal)
Portsmouth Detached	£268,29
Portsmouth Semi-Detached	£266,77
Portsmouth Town House/Terraced	£230,86
Portsmouth Apartments/Flats	£266,95

So, what about 2021? Well normally when the country's GDP drops like a stone (as it did in the Summer of 2020), the property market follows in unison. Yet as the economy went south, the house price growth and activity in the property market went north. This would appear to be a quite remarkable outcome given that economic framework, but it is gradually becoming clear that, as far as the Portsmouth property market is concerned, people's time in lockdown has been spent reflecting on what they really wanted from their home and has meant that the normal rules of the game simply do not apply.... for now.

ARE PORTSMOUTH FIRST-TIME BUYERS BEING **LOCKED OUT OF THE PORTSMOUTH PROPERTY MARKET?**


With the banks reducing the number of low deposit mortgages (**i.e. deposit of 10% and below**) since Covid-19 hit in the spring, this has meant that the number of Portsmouth first-time buyers has been decreasing quickly, meaning many of those would-be Portsmouth buyers wanting to make the first step on the Portsmouth property ladder are having to stay in the Portsmouth rental sector.

This has caused demand to grow amongst Portsmouth renters for larger homes to ride out Covid, as they hunker down for the long haul to wait for normality to return to the property market.

Interestingly, the opposite is happening in Central London, where the rents tenants are having to pay has dropped by **3.8% in the last 12 months**, as demand has dropped like a stone. It appears Central London tenants are looking to move out to the suburbs, in search of bigger homes, gardens and green open spaces. For example, the average rent for a 1-bed apartment in St. John's Wood currently stands at a very reasonable **£1,817 per month whilst a 2-bed apartment in Kensington and Chelsea is currently at an average bargain rent of £3,715 per month** (yes, they might be low compared to last year, yet for us in Portsmouth, that still seems like a lot of money!). Also, there has been further downward pressure on Central London rents, as many Airbnb landlords have dumped their short-term holiday let properties onto the long-term rental market as the tourism in the capital has dwindled because of the pandemic.

This has been the sharpest drop in Central London rents since the summer of 2009, when the property market was still stumbling from the Credit Crunch.

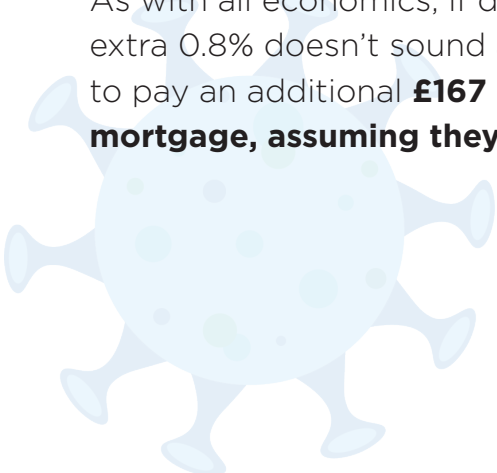
This means there is a reverse of the trend of the **2010's (2010 to 2018 to be exact)**, when initially the London property market was shooting up whilst the rest of the country was in the doldrums. **Then, when the rest of the UK did start to rise slowly in 2013, London kicked on even further like a rocket ... yet now it appears the opposite is happening.**



So, why are the banks curtailing the number of low deposit mortgages, meaning that first-time buyers must find a much larger down payment before they are able to buy their first Portsmouth property?

The reason is the banks are fearful of a house price crash in 2021 (although if you recall I wrote about that a few weeks ago and the reasons why that is less likely to happen). They too are afraid of the frothy nature of the property market since the end of the first lockdown in late spring. The bank is lending its own money to buyers and no mortgage lender wants to be holding an enormous amount of these types of high percentage mortgages if house prices fall in 2021, because the bank would be saddled with negative equity and repossession on their hands **(and we all know what that did to the housing market in the late 1980's and early 1990's as repossessions rocketed).**

This can quite clearly be seen in the pricing and availability of low deposit mortgages. As the Bank of England has reduced its base rate to **0.1%**, in the **last 12 months 10% deposit mortgages rates have actually increased from 2% to 2.8%**. Also, when lenders have been offering **10% mortgages** throughout the summer, borrowers have had only a 24-hour window to commit before the lender withdraws the mortgage product from the market because of over subscription. As with all economics, if demand is greater than supply, the price goes up. That extra 0.8% doesn't sound a lot until you realise a first-time buyer would have to pay an additional **£167 per month in interest payments on a 10% deposit mortgage, assuming they borrowed £250,000.**





However, it's not all doom and gloom for first-time buyers as there are embryonic signs that the **10% deposit mortgage** market could gradually be returning to normal, as I have recently heard some lenders are taking up to a week for their **10% deposit mortgage offers to run out**. Fingers crossed!

So, what does this all mean for Portsmouth landlords? Those Portsmouth landlords with properties with gardens and larger rooms will be seeing increased demand. The ability to have pets in the rental property is also an advantage, and depending on the property, can add a decent premium to the rent that can be charged.

One final thought though for all homebuyers in Portsmouth, be aware it's going to be very challenging to get your house purchase through in time to meet the **31st March 2021** stamp duty holiday cut off if you are starting the process in November. Make sure your lender and solicitor have the capacity to meet that deadline and when you are asked for information, you drop everything to provide it. The odd day delay here and there will mean the difference between you getting the keys for your new Portsmouth home before the end of **March 2021 and saving thousands of pounds in Stamp Duty Tax ... or feeling a fool from the 1st of April 2021 and having to pay the tax!**



HOW CAN LANDLORDS ESCAPE THE WORST OF THE **CORONAVIRUS DOWNTURN** ON THEIR PORTSMOUTH RENTAL PROPERTY

With the second lockdown starting on the 5th November 2020, does this mean Portsmouth landlords can wave goodbye to their Portsmouth buy-to-let investment and see it go up in smoke on the bonfire of buy-to-let dreams, like a Guy Fawkes puppet?

With many Portsmouth tenants at risk of losing their jobs after the furlough scheme ends in March and as the reverberations of the coronavirus recession hit this winter, what does this all mean for Portsmouth landlords and what can they do to mitigate the risks?

Since the spring, most Portsmouth tenants and buy-to-let landlords have been protected from the coronavirus crisis thanks to the banks with their mortgage payment holidays and job support schemes.

Before the second lockdown was announced on the 31st October, it was expected that as the furlough and mortgage payment holidays were due to end on Halloween, there would be some serious fallout from those schemes finishing. One silver lining from the lockdown (if you can call it that) is that mortgage payment holidays and furlough have been extended, yet does all that just kick the can down the road?





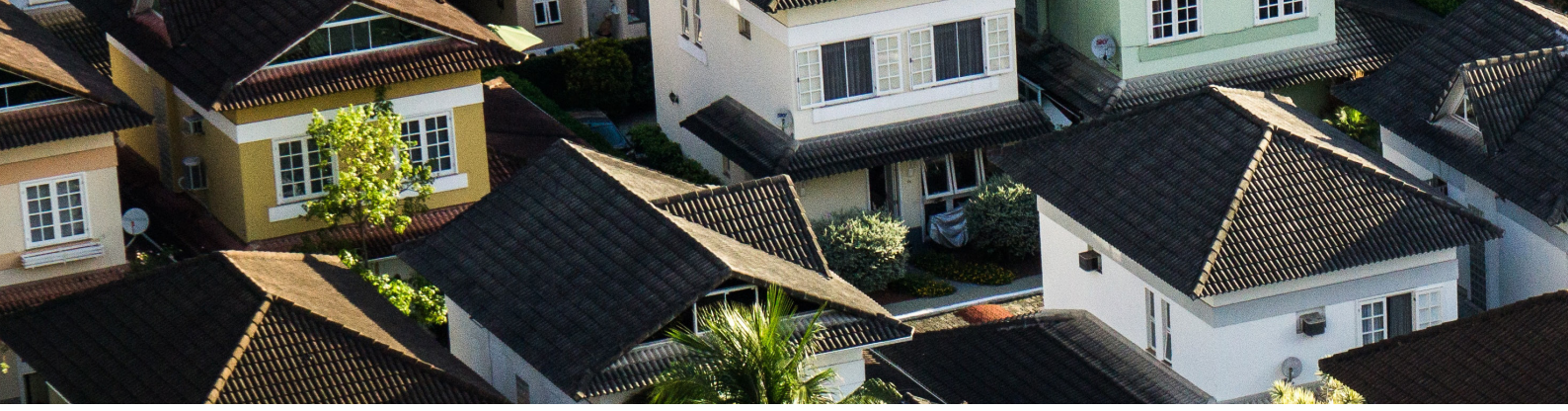
The question is, what can Portsmouth landlords do to mitigate the financial risk on their Portsmouth buy-to-let investment?

Help Your Portsmouth Tenants get the Financial Support They are Entitled To

Billions of pounds are being spent by the Government to help those people whose income has been hit by coronavirus. The better Portsmouth letting agents and self-managing landlords are supporting, guiding and helping those Portsmouth tenants in financial difficulty to gain a better understanding of the Universal Credit (UC) processes, systems and payment levels, to enable their tenants to pay the rent and ultimately indirectly help their Portsmouth landlord. Also, if you are a Portsmouth tenant, and that support isn't given when you ask, don't forget **Portsmouth City Council do hold special cash reserves for discretionary housing payments, which can be utilised to close the gap in rent between what UC pays and your current rental commitments.** Also, the Government's Money Advice Service & Citizens Advice are a good online resource for what you are entitled to.

Adopting, Adapting & Improving Your Portsmouth Buy-to-Let Property

Demand for gardens or office space means Portsmouth landlords will need to think outside the box. Those Portsmouth homes with tenants sharing (e.g. HMO's and shared houses) might need to price their pre-coronavirus 4 bed sharing house to maybe a 3 bed sharing house plus a work/office room and, if you haven't already, installing a top of the range, fast and dependable internet connection could be the thing that swings it. Outdoor space and gardens are really high on housebound tenant's wish lists, in fact I have come across some Portsmouth tenants demanding that new rental properties have a landscaped garden or those that bought a dog or cat for company during the first lockdown, are looking for their landlords to relax their 'no pets policy'.



Hold On to Your Good Portsmouth Tenants

Those Portsmouth buy-to-let landlords with decent tenants, who find themselves in financial dire straits should consider attempting to keep them, even if their own monetary circumstances mean they have to decrease their rent somewhat over the short term. Now of course, I would expect that tenants need to prove their circumstances, yet if their plight was real, surely it would be a wise choice to reduce the rent by perhaps £50 a month and support your tenants? You know they are taking great care of your Portsmouth rental property and rather than risk the issue of advertising your empty buy-to-let property – particularly when there is no assurance you will achieve your existing rent and ultimately risk drawn-out void periods with no rent coming in at all. What I would suggest therefore, in such circumstances, is that you create a new Assured Shorthold Tenancy agreement with a longer term with your existing tenant at a lower rent – a temporary measure but with peace of mind for both parties which can then be reviewed once that tenancy is up for renewal.

Carry out Firmer Checks on Your Prospective Portsmouth Tenants

Many private Portsmouth landlords and a few slipshod Portsmouth letting agents tenant checks are somewhat lacking in their depth. Trust me, there is tenant referencing ... and then there is 'proper' forensic tenant referencing. As certain parts of the British economy have been hit harder than others, Portsmouth landlords must consider when choosing their new tenants, the type of work they do or who their employer may be, to enable them to decide on their future capacity to meet their rental commitments.

Rent Guarantee Insurance for your Portsmouth Rental

There are still insurance companies offering landlord rent guarantee insurance if your tenants become unable to pay the rent. Many insurance firms removed these insurance products in the first lockdown, yet some have returned to the insurance market although insurance premiums have gone up in price. **Remember to check the small print of the insurance, although you will get a lower insurance premium if you can show stringent tenant referencing (as per the previous**



The Nuclear Option – Eviction

Portsmouth landlords need to be conscious that, should their tenancy run into trouble, the Government have changed the rules when it comes to eviction during the coronavirus pandemic. Going into the first lockdown, there was already a backlog in the courts and now, just before going into the second lockdown, bailiffs have been instructed not to enter rental properties in high risk Tier-2 and Tier-3 Covid-19 areas.

Eviction really does have to be the very last option. Negotiation or arbitration will nearly always deliver quicker and improved outcomes for both parties.

Portsmouth landlords who do come to mutually agreeable arrangements with their tenants by briefly reducing the rent, or allowing payment holidays with legally enforceable pay back schedules should ensure they get the agreed terms in writing and run by a solicitor or their agent (feel free to drop me a note if you need advice).

However, if eviction is required, it doesn't mean the tenant gets off 'scot free'.

Evicted tenants, depending on their circumstances, will either be placed temporarily into an inexpensive B&B, asked to move in with family or given one of the local authorities temporary accommodation properties, with the goal to then move them into long term council accommodation (as the chances of obtaining private rented accommodation would be slim with agent's heightened reference checks – more of that at the end).

The Potential Cost of Evicting a Problem Portsmouth Tenant

The average rent for a Portsmouth property currently stands at £1,001 per calendar month.

Thankfully, evictions are very rare. Last year before lockdown, tenants from **201.4 rental properties were evicted each working day in the UK** ... but if yours was one of those, that is still a potentially large cost.



Working on the basis that most evictions from the first rent not being paid, through to eviction, refurbishment of the kitchen, bathroom, carpets and décor (because often these do need sorting/replacing) were taking on average between eight to nine months before coronavirus hit, (plus the mortgage payments), this means a Portsmouth landlord could be hit by a £29,611 bill, broken down as follows:

Missing Rent (8 1/2 Months)	£8,509
New Kitchen	£4,310
Bathroom	£2,344
Carpets	£2,163
Redecorate	£2,191
Agent Fees	£893
Legal Fees & Court Fees	£3,500
Mortgage Payments	£5,701
Total	£29,611

What that would be now is anyone's guess – yet it could be a lot more.

This is why it is so important to get the best tenant from day one. Many Portsmouth tenants, who know they wouldn't pass the references of letting agents, are attracted to those private landlords who don't use a letting agency, as they know their referencing checks are not as strict and may be a softer touch. That's not to say going with a letting agent is a guarantee you won't need to evict; it just means the chances are much, much smaller. Like anything in life – it's a choice.

Whether you are a Portsmouth landlord who uses a letting agent or not, and feels their reference checks are not to the standard or level you might hope or want and you need a chat about the best rental guarantee insurance, then give me a call ... what have you got to lose?



“Absolutely first class service from start to finish. My flat sold on the first viewings at the full asking price. Highly recommended. I would just like to say a big thank you to Neil for his support and professionalism.”

“Not like other estate agents. They always call us back, do what we ask and give us regular updates.”

“The team at Nexa-Properties were profoundly helpful throughout my tenancy. A responsive, alert and helpful management company, willing to go the extra mile in order to ensure customer satisfaction. A fantastic service and would recommend their usage!
5 Star Estate Agents!”

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