



BRISTOL RESEARCH

OCTOBER 2019

RESIDENTIAL MARKET REPORT

How long is an average Bristol property on the market for?

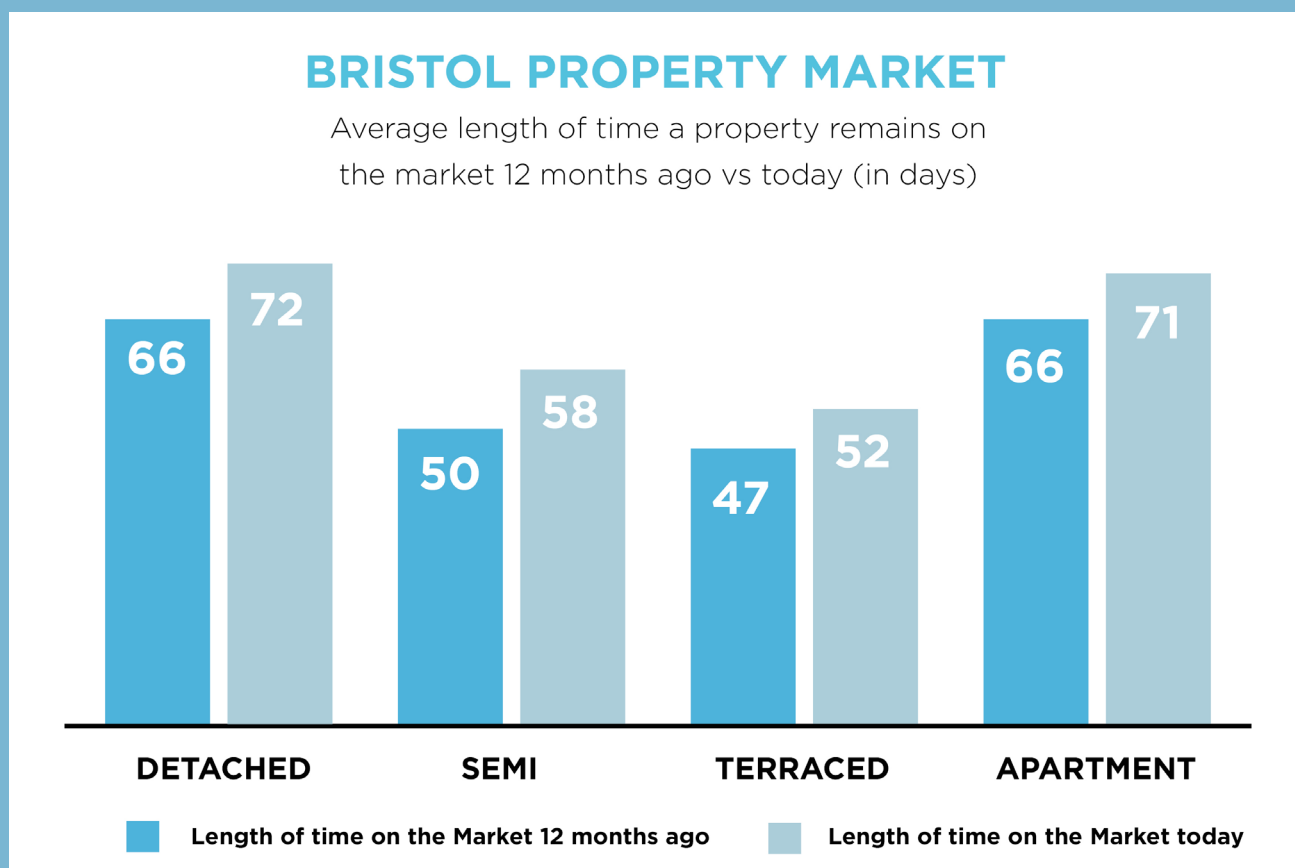
If you are either selling or buying a property in Bristol, there are a few reasons why it may be taking some time to sell your Bristol home or find that perfect place to call your new home. It may be taking longer than you thought to find a buyer for your home because of the current state of the property market or finding that perfect Bristol home may be taking too long because of a lack of properties to buy.

So, taking everything into consideration, all of these factors invite an obvious question; how long is too long to persist in the Bristol property market?

If you are looking to sell your Bristol property, it may have become infuriating when your home has been on the market for longer than you anticipated. Perhaps the property market is purely in a position where it's challenging to get a property sold quickly, or sold at the price you want to achieve for it. If you do live in a Bristol home that is towards the upper reaches of the price band, you have to be open to the idea that because it's worth so much more than the average property in Bristol and so more than most individuals can afford, you will have to wait longer to get it sold.

Your Bristol home might be taking longer to sell because your asking price is simply too high. Even if you are prepared to take a realistic offer, if you have an unrealistic asking price your overpriced Bristol property will undoubtedly turn off potential buyers from even being inclined to book a viewing.

Looking at the market in Bristol compared to a year ago makes very interesting reading...



When it comes to the average length of time on the market, all the property types in Bristol appear to be taking longer to sell.

“The overall average length of time a Bristol property remains on the market has risen by 10.5%, from 57 days a year to 63 days today.”

The question that remains is, if you are having no luck selling should you leave your Bristol property on the market or not? This is basically down to your personal circumstances - a big decider has to be if you are moving up market or downsizing.

Buyers will compare your Bristol property to all the other homes on the market using the portals such as Rightmove, On the Market and Zoopla and even if your asking price is realistic, if your marketing (brochures, pictures, even video walk through) isn't top dollar, they will dismiss your property.

“Remember, the average buyer only views 4.5 properties before they buy and on average, each buyer will only spend just over 25 minutes viewing each home...”


The more properties that are on the market, the greater the choice for buyers (yet more competition for house sellers), so we wanted to look at how many homes were for sale in Bristol now, compared to 12 months ago.

As you can see, there is not much difference between the property types in Bristol.

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PROPERTY TYPES IN BRISTOL

	12 MONTHS AGO	NOW	PERCENTAGE CHANGE
BRISTOL DETACHED	485	461	-4.9%
BRISTOL SEMI	951	926	-2.6%
BRISTOL TERRACED/TOWN HOUSE	602	576	-4.3%
BRISTOL APARTMENT	989	883	-10.7%
OVERALL BRISTOL AVERAGE	3027	2846	-6.0%

As for buying a Bristol property, searching for that dream house can take time as you have to consider the needs of your spouse, children, schooling, etc., what you can realistically afford and whether your current location can accommodate you until you find that perfect Bristol home.

Don't forget that upwards of 10% of homes do not make it to the portals (the portals are Rightmove, Zoopla and On the Market), so don't just rely on the portals to let you know what is coming on the market. The number of times I speak to disappointed buyers who missed out because other buyers registered directly with the agent for property, whilst they relied on the portals.

When it comes to buying a Bristol home, and so you do not make any decisions you will regret later on, taking your time is always the more practical option. The amount of money that is involved in buying a home and all the costs connected with it means that you should not rush into buying or selling without due consideration.

What Needs to Change in the Bristol Property Market?

The long-lasting issue of the Bristol property market are laid bare as the final 2018 property transaction figures have just been published and they continue the post credit crunch trend of less people moving.

“23.2% less of Bristol people are selling their homes annually since the credit crunch, when compared to the post Millennium years of 2000 to 2005”

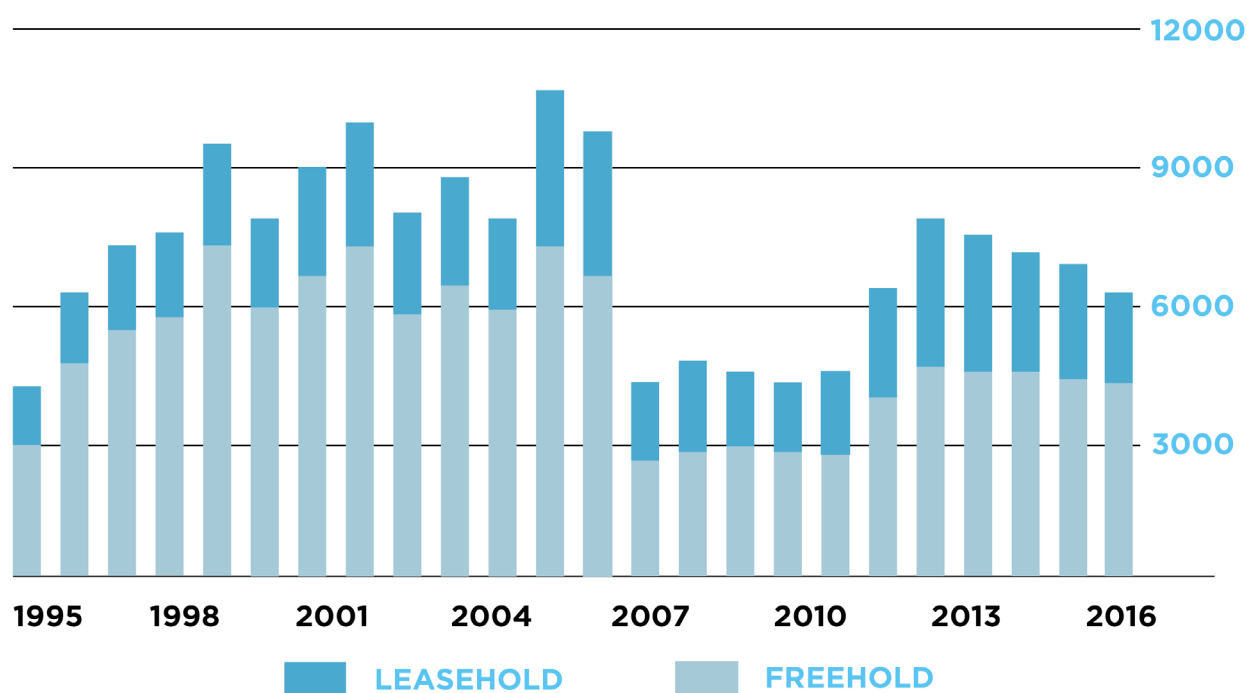
This is not just an issue of the Bristol housing market slowing down since the credit crunch - the challenge is to split out shorter-term factors such as Brexit and the elections from longer-term structural issues of the UK society, because when these most recent property transaction figures are seen against longer-term trends for Bristol, they suggest more significant issues in the Bristol housing market.

In the late 1990's, 7,732 properties were sold annually in the Bristol area, then in the same area, the Millennium boom saw transactions rise to 9,551 per annum. Property sales then fell by more than a third to 5,790 per annum in the challenge of the global financial crash and subsequent retrenchment of the mortgage market. Post credit crunch (2012 and beyond) locally, on average, 7,335 properties have sold annually.

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NUMBER OF PROPERTIES SOLD PER YEAR IN THE CITY OF BRISTOL 1995 TO 2018



So, whilst there was a recovery from 2013 onwards, it was rather uninspiring when compared to the pre-credit crunch years, with a lacklustre performance in property transactions since mid 2010's.

You might ask why we should be concerned about the number of property transactions and not the change in property values?

The number of transaction numbers are a far more exact bellwether for the health and potency of the local housing market.

As less people have been selling their homes locally, this is not only bad for the Bristol housing market but for the economy locally, especially when you consider how many allied businesses (builders, decorators, solicitors, removal vans, estate agents, mortgage arrangers and other people) lose out as a result.

Some say the deficiency of supply of property, mainly affordable first-time buyer property, is the chief reason why transaction figures remain stubbornly low. Others suggest the absence of suitable housing stock up the property ladder (particularly bungalows for the older generation), combined with rising demand, is causing a bottleneck in our local housing market.

I know there has been much talk from Westminster about grand home-building programmes, yet we now require them to deliver on these undertakings and even then, it will be a few decades before we see a seismic change in the Bristol property market.

In the short-term, a quicker improvement may come from modifications to stamp duty. First time buyers don't need to pay Stamp Duty up to a certain level, yet those Stamp Duty concessions could be extended to those mature homeowners looking to downsize. This could liberate a meaningful number of mature family homes occupied principally by these mature generation and the tax lost through Stamp Duty could be replenished by a revaluation of the Council Tax bands?

Council Tax bandings were set in 1991 and the seven bands, the highest band starts at £320,000 (based on 1991 values). It seems irrational to us that upper value band, set in the 1991 revaluations, has not been increased, particularly as house prices in London have risen by over 400 per cent during in the last 25years.

That would mean higher tax for those who don't move yet less tax for those that do move – because we believe it would boost a far more liquid Bristol property market.

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Are Bristol Builders Constructing the Wrong Type of Property?

The British housing market has never been so newsworthy. Every other day, there is an article in the newspaper or online about impending house price drops, house price rises, building on green belt, mortgage rates up/down, first time buyer affordability and the woes of being a buy to let landlord, to mention but a few. As a nation, we have a strong national desire to be homeowners.

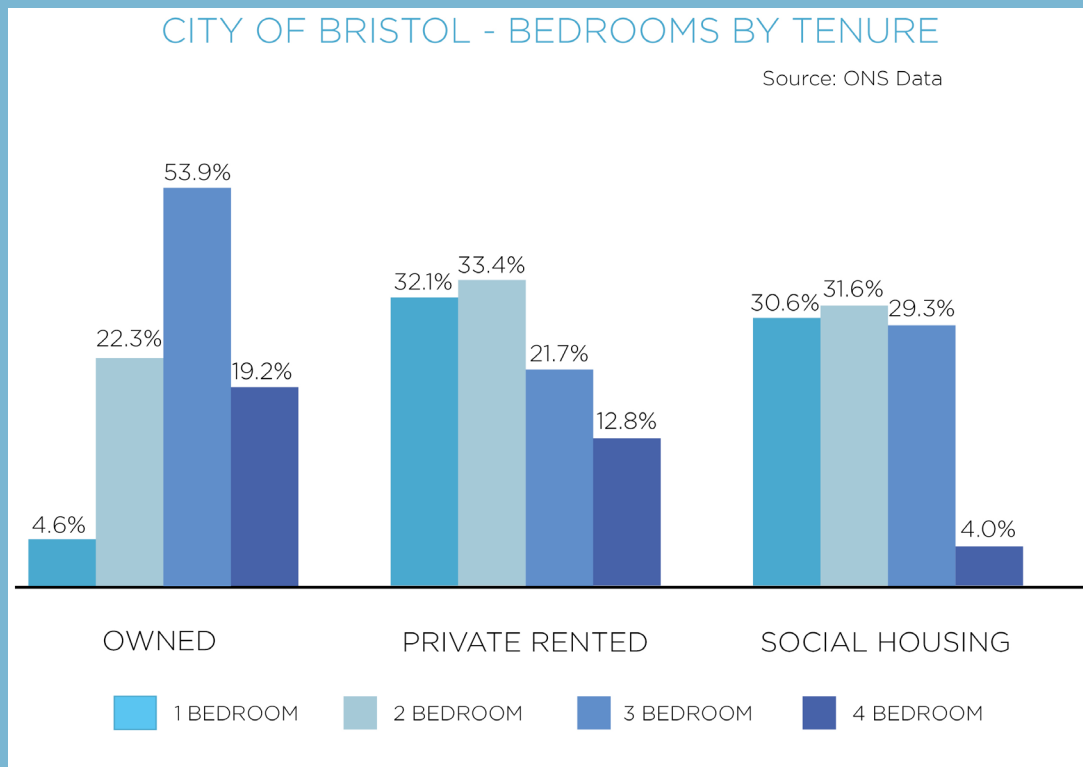
The English Housing Survey stated the proportion of owner occupied households increased steadily from 52% in the early 1980s to 2003 when it reached its peak of 71%. Since then, owner occupation gradually declined to 63% in 2014, yet in fact increased to 64% in 2017 and has stayed there since.

One of the main motives of home ownership is the prospective tax-free capital appreciation that can be obtained. It's no wonder the phrase 'as safe as houses' is popular in the English language, as many homeowners use homeownership as a nest egg or even a pension pot, as savings rates are at extraordinarily low levels.

Yet even with the news that homeownership is on the rise, the biggest seismic shift to the Bristol property market is the growth of the rental market, which has more than doubled in the last 15/20 years. So how can the social housing sector (Council Housing) remain roughly at the same level since the millennium, homeownership slightly grow, yet the private rental sector be so huge? Well it comes down to the fact that many more homes have been built in Bristol in the last 15/20 years, and a lot of them have been bought for buy to let, or Bristol homeowners with second hand starter homes have also sold them to buy to let landlords and they have bought larger brand new homes.

The Housing Minister said recently he was concerned that new homebuilders were building the wrong types of homes in the wrong places at the wrong prices. Many (not all) tenants are tenants because they can't afford the deposit and as there is a direct correlation between the rent's landlords charge and tenant's earnings (i.e. as earnings go up, rents go up and vice versa), and earnings for the last seven years have been subdued, the property tenants have been able to afford in Bristol are the smaller one and two bed properties. Yet a lot of these tenants are now having families (with the need for larger property with three, even four bedrooms).

Looking at the stats for the City of Bristol, it can be seen the vast majority of homeowners live in the larger properties with more bedrooms, whilst private rental tenants are in the smaller properties (with less bedrooms).



Our concern is - will young families and professionals be able to afford to live and work in Bristol, especially as the local authorities are unable to build council housing (aka Social Housing)?

One symptom of all these issues mentioned above is the massive growth in multi-family households (i.e. households containing two or more families), which have increased by 42% in under a decade. Now of course many will be because of older couples moving in with their adult children yet many are unrelated families sharing a house, something that simply shouldn't be happening in 2019.

If we don't increase the supply of the 'right' sort of homes, what will their living conditions be like?

Whilst we are still a country of homeowners and even though there has been a slight growth in numbers, the long term trend is downwards if we don't build enough of the 'right' new homes, in the 'right' location and the 'right' price, Bristol people will continue to increasingly rent ... which is only good news for Bristol buy to let landlords.

The Leasehold and Ground Rents Scandal of Bristol

Freehold or Leasehold .. which is best? Well, when buying a property in the UK there are two main types of ownership – freehold and leasehold and, when boiled down, they mean the following...

Freehold: The person who owns the freehold of a property owns the property and the land it stands on.

Leasehold: As a leaseholder you do not own the land the property is built on. A leaseholder essentially rents the property from the freeholder for a number of years, decades or in some Victorian terraced houses, for centuries.

All apartments have to be sold as leasehold properties because of the very nature that you have a neighbour above or below you (so both of you can't own the land) with the length of the lease being over 100 years (even more sometimes).

However, with some apartments – particularly Victorian and Edwardian houses converted into numerous apartments – which are sold on the basis that the leasehold apartment owner also owns part of the freehold (with other leaseholders in the same building), having what is known as 'share of freehold'. Similarly, the Government also brought in legislation a number of years ago for more modern apartment blocks built in the 20th century where it allowed leaseholders to club together and have the right to purchase the freehold together.

Now we must stress, there is nothing wrong with leasehold – it's been a useful type of homeownership since Norman times, it's just that with a leasehold comes a potential extra responsibility. If there are four apartments in a block, who pays for the leaking roof when all benefit from a watertight roof? Who pays for the bad foundations, when all benefit from good foundations? Who pays for building insurances? .. the list goes on – so clauses are added to the leasehold agreement to ensure everyone is protected and pays their fair share of the joint costs of the building with service charges and a nominal ground rent (ground rent is a nominal rent, commonly quite low, often in the region of £50 per year to the freeholder of the property).

Whilst houses tend to be sold as freehold as it's a more unambiguous set-up, given there is only one property on the land. Contentiously however, in the last 10 to 15 years this has not always been the case with new-builds as some new homes' builders have sold the leasehold to the buyer and retained the freehold. There is nothing wrong with that, it's just in some cases (not all) they also added some oppressive clauses to the lease of the property they were selling, which could be the next PPI scandal - albeit for property.

“Government reports have emerged recently that suggest 12,000 leaseholders in the UK are facing ground rents – which they pay to the freeholder – that double in cost, usually every 10 years, but occasionally more frequently.”

Builders started to add clauses into leasehold property sales with ground rent being set at £300 and £400 a year, yet it doubled every ten years. Though unwary first-time buyers were habitually told that their 500 and 999-year leases were practically freehold, the clauses inescapably meant that the ground rent would spiral to ridiculous levels meaning the average ground rent would be £23,750 a year by 2070 and £379,900 a year by 2130, making the properties practically unsellable today, with owners often left unable to re-mortgage too.

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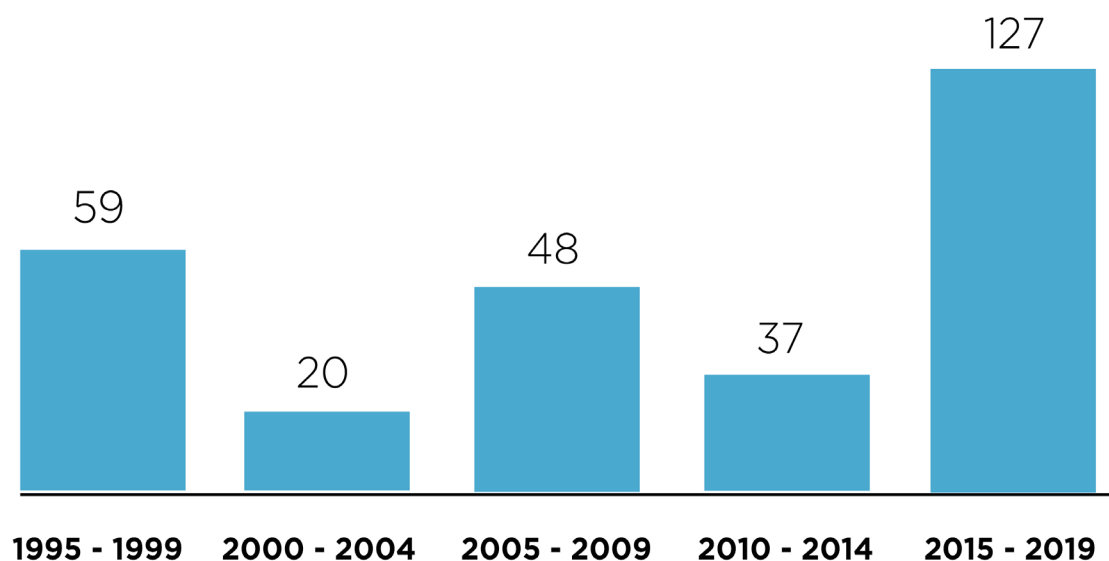
So, how many people are affected by this in our local area?

Well, using Government data, our research suggests that in Bristol 291 householders have bought a detached house, semi-detached house or town house (which would normally be freehold) as leasehold. Not all these have onerous lease clauses, yet some do. I know it doesn't sound a lot, yet that is potentially 291 lives ruined with houses they can't sell - making them prisoners in their own property.

The good news is the Government is on the case and serious about sorting this issue out as they have proposed a ban on the future sale of houses as leasehold, as well as cutting ground rents to zero. Yet stern questions remain about the future of homeowners in existing leaseholds. Westminster wants the builders to set up compensation plans, and we will say many (not all) have stepped up to the mark and started to sort this, although some campaigners have said the schemes are not fit for purpose, let's hope they are wrong.

The number of houses sold in the area with a leasehold.

(Apartments specifically excluded)





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