

Residential Property Review

October 2020



Our monthly property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice. We hope you will find this review to be of interest.

Housing market activity remains robust – for now

Across the UK, housing market activity continued to advance strongly in September, although the outlook for the future remains more subdued.

The latest UK Residential Market Survey from the Royal Institution of Chartered Surveyors (RICS) reported a fourth consecutive month of rising housing market activity, with a net balance of +52% of respondents reporting an increase in new buyer enquiries. This compares to +75% and +63% posted in July and August respectively.

Elsewhere, Halifax has reported house prices to be 7.3% higher than in the same month a year earlier, which represents the strongest rate of growth since June 2016.

Russell Galley, Managing Director, Halifax said: *"While it may come later than initially expected, we continue to believe that significant downward pressure on house prices should be expected at some point in the months ahead as the realities of an economic recession are felt ever more keenly."*

Pandemic strengthens the resolve of first-time buyers

First-time buyers have become more determined to follow their homeownership dreams and save more to get a foot on the housing ladder, according to new research from Yorkshire Building Society.

Three in five (61%) respondents said that buying a home is more important to them now than it was in March. Over a third (35%) expected to buy their home sooner due to the pandemic and 44% said they had been able to save more for their deposit over recent months.

However, there are still challenges to overcome, such as the lack of low deposit mortgages available to borrowers. In his Conservative Party conference speech, Boris Johnson addressed this by announcing plans to turn *"generation rent into generation buy"* through a new scheme which will allow long-term fixed rate mortgages of up to 95% of the property value. No exact details of how the scheme would work or when it will be introduced have been revealed to date.

Investment in UK holiday homes increases

More people are investing in holiday homes, both for their own long-term staycation plans for future breaks, as well as for the investment potential to be had from the holiday rental market, now that more holidaymakers are looking for UK getaways.

Over the summer, holiday home operator Park Leisure, reported a considerable 47% year-on-year increase in holiday home sales across its 11 locations.

When it comes to investing in a holiday home for rental purposes, choice of location is very important. One of Park Leisure's popular locations in the Yorkshire Dales, took 91% more bookings between June and August, compared to the same period last year. Elsewhere, estate agents Martin & Co, have analysed internet search data to identify the top in-demand tourist hotspots where homeowners might see the best investment returns. The results show that Google searches for UK holiday homes increased by 141% in the past year and it's no surprise that seaside destinations dominate the list, with many people craving a coastal location. Coming in at first place is Cornwall, followed by Scotland, Norfolk, Devon and Wales.

House Price Index September 2020

Headlines

	Sep-20	Aug-20
Monthly Index*	449.5	445.6
Monthly Change*	0.9%	2.0%
Annual Change	5.0%	3.7%
Average Price (not seasonally adjusted)	£226,129	£224,123

* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

- House prices up **0.9%** month-on-month
- Annual house price growth picks up to **5.0%**
- Annual house price growth was the highest rate in four years

Annual percentage change in UK house prices



“The Stamp Duty holiday is adding to momentum by bringing purchases forward. Behavioural shifts may also be boosting activity as people reassess their housing needs and preferences as a result of life in lockdown.”

Robert Gardner, Nationwide's Chief Economist

Source: Nationwide, House Price Index, August 2020

Who's interested in buying at the moment?

Richard Donnell, Research and Insight Director at Zoopla commented:

“A change in the mix of buyers is supporting market conditions with sustained demand from equity rich existing owners seeking more space and a change in location. In contrast, first-time buyer demand is weakening. First-time buyers have been a driving force of housing sales over the last decade. They remain a key buyer group but lower availability of higher loan-to-value mortgages and increased movement by existing homeowners means a shift in the mix of buyers into 2021.”

Source: Zoopla, September 2020

All details are correct at the time of writing (22 October 2020)

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.