PLG Disability Property

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Welcome to PLG's first market report

The seed of an idea for a six-monthly report was sown several years ago as PLG grew and gathered intel from agents across the country. It became clear that this knowledge was a true barometer of the housing market nationally, and frequently at odds with other, more widely-known reports.

In our first report, we are delighted to welcome former *Times* property editor Anne Ashworth as guest columnist, as well as views from several agents. Hopefully, you will find the content interesting and the PLG report will be something of a reference point that can evolve with time.

Unprecedented times create unprecedented market conditions. There may be record levels of activity and transactions, but it remains to be seen how Covid-19 affects us in the mid to long term. While times were incredibly tough for many during and after the 2007-08 crash, this is different as it affects everyone.

Confidence is the lifeblood of the housing market. While pent-up demand is being satisfied, the end of the furlough scheme is likely to have a dramatic impact on unemployment, which will hit confidence. Who takes on a bigger mortgage when they are worried about their job? Mortgage lenders are like bookmakers – they are rarely wrong. Changes to criteria are making it harder to get a mortgage. We expect this to have a softening effect and the housing market may look very different in the first half of 2021, to now.

Hopefully, predictions of a 'u or a 'v'-shaped recovery are correct and any negative impact will be short lived. However, with each day that passes the true scale of economic problems caused by the pandemic and impact of Brexit become apparent. The situation should be clearer by the spring but that seems a long way off. Whatever happens, there will be challenges on many fronts.

Phill Gill

Managing Director

We may just be at the beginning of the changes that the pandemic makes to the property market…

Anne Ashworth
Former property editor of The Times

There are many reasons why the British are obsessed with the property market, but its capacity to surprise is high on the list. The bounce back in the late spring and summer of 2020 was most unexpected. Will this recovery now be derailed as job losses start to mount? Or will the desire for a property with space for home working and a garden continue to be strong - defying the pessimists?

When the Government announced mid-May that viewings would once more be permitted after lockdown, many observers predicted a lukewarm response. It was felt that the requirement to wear PPE for viewings would make it hard to fall in love with a property - and that even those who braved the experience would be held back by financial pressures.

This was not the case, however. It quickly became clear that the pent-up demand for relocation was huge – among homeowners and renters. People working from home in a cramped property were determined to move to a larger place – in a rural setting, or leafy outer suburb - with a garden, or near to a park. They were prepared to accept a longer commute since many proposed to return to the office for only two or three days a week.

The enthusiasm increased when the Chancellor introduced the nine-month stamp duty holiday in July, raising the threshold for the tax to £500,000. The average saving is £4,500. But someone buying a home of £500,000-plus pays £15,000 less tax.

By early September Nationwide was reporting that house prices were rising at their fastest rate for 16 years. The RICS' survey showed "strong momentum behind the sales market," with the average home taking 27 days to sell, compared with 39 days during the late summer of 2019, according to Zoopla.

This website also confirmed the space race trend, saying that houses with three or more bedrooms are by far the most popular. RICS members do not consider this to be a temporary phenomenon. As many as 83% say that it will continue for the next two years with homes in "highly urban areas" being less lusted after than before. There is evidence too of a shift of taste in the rental market. Tenants used to prefer urban locations. Rightmove data indicates that the outer suburbs are the new rental hotspots.

The house price statistics have caused awe and considerable shock. Some are expressing concerns that buyers may be paying too much for properties in their determination to exploit the stamp duty concession. There are also warnings that the mood will darken in October when the two million borrowers on mortgage repayment holidays must resume payments.

However, as Zoopla highlights, the affluent, whose employment has not been imperilled by the pandemic, are leading the property spending spree. They saved money in lockdown, have equity in their existing properties and qualify for competitively priced finance. Many are bringing forward a long-planned upsizing move to the outer suburbs or the country.

This may explain why these homebuyers appear unperturbed by forecasts of house price falls in 2021 when the full impact on employment of the withdrawal of government support schemes begins to be felt. At that time, the economy could also be reeling from the uncertainty and confusion created by a no-deal Brexit. London, the South East and the Midlands, the regions where the highest numbers of workers have been furloughed, are predicted to be the hardest hit. The stamp duty holiday comes to an end in March 2021 and, as yet, there are no rumours that the measure will be extended.

The CEBR consultancy is forecasting an average house price decline of 14% in 2021, but other experts are less gloomy, arguing that the market may not be flooded with forced sales. They contend that mortgage lenders will not be minded to repossess properties, following the precedent set in the global financial crisis. During this period there were barely any repossessions.

It is argued that lenders will be under political pressure to show forbearance to struggling borrowers, helping the unemployed and the 'underemployed' who are still in work, but have lost bonuses and overtime.

Lower house prices should be a moment of opportunity for those who want to climb onto the housing ladder. Mortgage rates seem set to stay low, especially in the event of a no-deal Brexit. But limits on the availability of 90%-plus mortgages may curb the ambitions of many first-time buyers.

For this group, there is some consolation. Rents are falling in London and Edinburgh as properties that were let out to tourists and students in the short term come onto the long-term market.

Elsewhere, however, rents are moving upwards, thanks to lack of supply, although Zoopla expects this will be curtailed by rising unemployment towards the end of the year.

The government is already facing calls to do more for private rented sector tenants who lose their jobs. The notice period for evictions has been extended from three to six months and there will be a Christmas truce on evictions. Nevertheless, ministers may feel compelled to introduce extra safeguards since there are still likely to be more homeless households.

Government U-turns are scarcely a surprise. But we may be surprised by the number that could be on their way – and by the continuing desire for a move to the country. Yet we should also be prepared for a reinvention of urban living in line with the "15-minute city" principle under which workspaces are an easy walking or cycling distance from home and access to green spaces is increased. We may just be at the beginning of the changes that the pandemic makes to the property market.

What Agents Say…

PLG asked some of the agents it works with across the country for their views of the housing market.

The London Agent

John Horton
Founder and Director
Horton and Garton
Hammersmith, W London

The Northern Agent

Richard Waring
Director
Thomlinsons Estate Agents
Wetherby

The Hertfordshire Agent

Martin Gibbons
Sales Manager
Hamptons International
St Albans

The Leicestershire Agent

Melissa Hopson
Director
Bentons
Melton Mowbray

Q1. What were your main concerns going into lockdown and how has the reality looked the other side?

Horton and Garton: "Fear of the unknown was the biggest concern – not knowing what was in store for me, family, friends, the business, colleagues and clients."

Thomlinsons: "We were concerned about tenants not paying their rent. We insure all our rents against non-payment so were covered, but there have been some rent reductions. The sales market effectively came to a standstill post-lockdown with several completions delayed as solicitors were furloughed. We had no new rental or sales instructions during lockdown."

Hamptons International: "Our main concern was how we were going to progress our existing sales pipeline towards exchange, not only on the logistical side - how solicitors, lenders and surveyors were going to operate – but also managing purchasers and vendors' expectations. We managed to maintain most of this business with minimal fall-throughs and a number of exchanges taking place post-lockdown."

Bentons: "Lockdown felt sudden and everything paused overnight in terms of viewings, valuations and general activity. We had concerns about the state of the market after restrictions eased and didn't expect a great deal of appetite but the reality has been so different. We have been busier than ever with a record number of listings and sales, receiving strong offers on properties with a high proportion of sales going to best offers."

Q2. How has the post-lockdown market compared with levels of business for the same period last year?

horton andgarton

"The market has been incredible and totally unpredictable. Buyers are buying, sellers are selling, with the stamp duty holiday making a big difference. While out of London the market is said to be really moving, the caveat remains the same – if the price is right, the property will sell at asking price or above."

THOMLINSONS

"Post-lockdown has seen a surge in demand to buy and rent houses across the board. Houses have sold quickly, sometimes via virtual viewings. There is big demand for rural properties and the new homes market has been especially busy. Buyers are taking advantage of the stamp duty holiday, which seems to have boosted prices. Help to Buy remains a big driver in the new homes market."

HAMPTONS INTERNATIONAL

"The early part of 2019 was still a relatively tough market with things improving towards the end of the year and into 2020. With the outcome of the EU referendum, there was a release of pent-up demand caused by uncertainty that the Brexit vote had caused. This momentum, which paused during lockdown, continued at the same pace once we were able to show properties again. This has continued and we have seen increases in applicant registrations, offers and sales agreed."

Bentons

"The market is very different to last year, largely due to the volume of enquiries. By 11am one morning I had taken in excess of 100 phone calls. There is a mix of pent-up demand and buyers taking advantage of the stamp duty holiday. There is also more confidence in the 'middle market' – the £300,000 to £700,000 price bracket. These buyers and sellers reflected on life during lockdown and have more confidence to make a big transaction such as a house move. The lower end of the market and first-time buyers are suffering, which is down to lack of confidence and security in their employment or not having a big enough deposit."

Q3. How do you see the market shaping up over the course of the next six months?

horton andgarton

"The best of the bottleneck pent-up demand have now secured their moves. Demand is weakening with more sellers than buyers and as we come to the end of summer, the temperature in the market has also cooled. All sorts of negative news - furlough ending, the economy generally, Brexit negotiations and localised lockdowns, plus the increase in the 'R rate' and a rise in the number of people testing positive for Covid – none of this will help the housing market."

THOMLINSONS

"The next six months could be very tricky. The end of furlough could see big unemployment and cash-flow issues which will feed into the housing market causing a slowdown, but hopefully not a crash."

HAMPTONS INTERNATIONAL

"At the moment, it seems to be a good time to sell, especially in an area like ours. The home counties are particularly active with purchasers looking to move out of London for more space, while still being accessible to the capital. Unfortunately, there are some concerns as to how the market will react to ongoing Brexit negotiations, the end of furlough and the possibilities of more lockdowns but some areas are likely to be more affected than others – we believe St Albans and its surrounds will continue to be in demand."

Bentons

"We expect to be busy until the end of the year, assuming there isn't another lockdown, which would lead to nervousness in the marketplace. There will be a big push for transactions to complete by the end of March to take advantage of the stamp duty holiday and then the market should quieten down with levels of sales returning to pre-Covid levels - hopefully not lower."