

Residential Property Review

September 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.

Residential market shows strong momentum

The latest UK Residential Market Survey from the Royal Institution of Chartered Surveyors (RICS) shows a sharp acceleration in house price inflation, with the strongest reading reported at national level since 2016. The survey shows that all parts of the UK, with the exception of London, have seen price increases to some extent.

The survey also found a net balance of 63% of respondents reported an increase in buyer interest and new instructions similarly saw a jump, with +46% of survey respondents seeing an increase in properties being listed.

The pandemic appears to have caused a shift in the requirement for certain types of property; 83% of respondents anticipate demand will increase over the next two years for homes with gardens, 79% expect to see an increased demand for properties near green space and a net balance of +68% expect more people desiring private/less communal outdoor space.

Elsewhere, Rightmove's property expert, Miles Shipside felt that this is good news for sellers in rural areas, commenting: "National statistics are drawn from hundreds of local markets, with villages and market towns peppered across the country benefiting most from the post-lockdown boom in activity and a shift in buyers seeking out more serene scenery."

Best buy-to-let yield locations revealed

Research from Zoopla which compared average rents for two-bedroom properties, has found that the top ten hotspots for high rental yields are all in Northern England or Scotland, where lower house prices play a major role.

The top four regions are Middlesborough, East Ayrshire, North Ayrshire and Inverclyde, which each provide a gross rental yield of 7.7%, compared to the UK average yield of 5.2%. Glasgow and Stirling, with yields of 7.6% and 7.5% respectively were also on the list, making Scotland the clear winner in the hotspots list.

In London, higher house prices are impacting rental yields, with Barking and Dagenham offering the highest yield at 5.3% and the City of London providing only 3.1%, despite average monthly rents of £2,598.

Tom Parker, consumer spokesman at Zoopla commented: "Yields are, of course, one consideration for investors and, for those considering their first foray into the buy-to-let market, it is worth considering house price growth forecasts for an area, and whether rents are likely to rise over time."

Overhaul of the shared ownership scheme

The government has announced an overhaul of the shared ownership scheme in a bid to help more first-time buyers get onto the property ladder.

Under shared ownership, buyers purchase a small stake in their home and pay a subsidised rent to a housing association on the remaining portion. By gradually buying extra portions of the property, known as 'staircasing', a shared owner can eventually own it outright.

Currently the scheme requires a minimum share of 25% to be purchased, but with effect from April 2021, the minimum drops to 10%. The scheme has also been changed to allow staircasing purchases of 1%, rather than the 5% or 10% that was previously required.

Angela Kerr, director at Homeowners Alliance, commented: "Whether buying shares in your property at 1% at a time makes financial sense for people remains to be seen, but the government's efforts to reduce the fees will make a huge difference. We will be looking now to see what this means in practice and how mortgage lenders, surveyors and conveyancers will discount their fees."

House Price Index August 2020

Headlines

	Aug-20	Jul-20
Monthly Index*	445.5	436.9
Monthly Change*	2.0%	1.8%
Annual Change	3.7%	1.5%
Average Price (not seasonally adjusted)	£224,123	£220,935

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

- House prices up **2.0%** month-on-month
- Annual house price growth picks up to **3.7%**

Annual percentage change in UK house prices



“House prices have now reversed the losses recorded in May and June and are at a new all-time high.”

Robert Gardner, Nationwide’s Chief Economist

Source: Nationwide, House Price Index, August 2020

What’s next for the housing market?

Richard Donnell, Research and Insight Director at Zoopla commented:

“The ‘once-in-a-lifetime’ re-evaluation of housing requirements on the back of the lockdown, will be a counterweight to the impact of the recession on housing market activity over the rest of 2020. While demand has softened over August, we expect the current momentum in market activity to continue into the last three months of the year... the unwinding of the furlough scheme and other government support is the next challenge that will test the strength of economic recovery.”

Source: Rightmove August 2020

All details are correct at the time of writing (21 September 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.