HUNTERS

Property Report

2020 / 2021

A review of the London and South East property market in 2020 and predictions for 2021

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HUNTERS

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Looking back

What type of year was 2020 for the London and South East property market?

The 2020 London property market at a glance

- The average property price in London region is £664,000. Across England and Wales, it is £314,000.
- This represents an average price change of £39,800 in London and £17,500 in England and Wales.
- Or an average rise of 6% within both geographic areas.
- In London the average price for a detached property is £1.1m, for a terraced property it is £725,000, for a semi-detached property it is £690,000 and for a flat it is £549,000.
- The price of an established property is £650,000. The price of a newly built property is £743,000.
- During 2020 24.7% of properties sold in London achieved £500,000-£750,000.
- 20.1% achieved £400,000-£500,000.
- 19.9% achieved £300,000-£400,000.
- 11.9% achieved over £1m.

The ***30*** most expensive postcodes in London during 2020

W1K 2	£8.2m	SW1W 8	£4.4m	SW1X 8	£3.8m	EC3R 6	£3.5m	SW1W 9	£3.1m
W1S 3	£7.8m	W1G 6	£4.2m	SW7 1	£3.7m	SW1X 7	£3.4m	SW1A 2	£3.1m
W1K 1	£7.8m	W8 5	£3.9m	SW1A 1	£3.7m	SW1W 0	£3.4m	SW1Y 5	£3.0m
W1G 9	£7.5m	W1J 0	£3.8m	W8 7	£3.6m	SW1X 0	£3.3m	W11 3	£2.9m
W1U 4	£6.7m	SW3 6	£3.8m	SW3 2	£3.6m	W1J 5	£3.1m	SW1H 9	£2.8m
W1K 6	£6.3m	SW3 4	£3.8m	W1J 8	£3.5m	SW7 2	£3.1m	W1K 7	£2.7M

Although the housing market in London and the South East understandably slowed down immediately after the first lockdown was announced, the market ended the year in great shape.

The most obvious example of just how strong performance was came in November with reports hitting the news that the average price of a property in London hade broken through the £500,000 barrier for the first time. Figures from the Office for National Statistics (ONS) showed that a 9.7% increase in house prices had increased London's average sale price to a record £514,000.

These figures were supported by the Bank of England who reported mortgage lending had reached a 5 year high in December.

Source: www.plumplot.co.uk

Why did the London and South East property market perform so well during 2020?

Initially the stamp duty holiday (the much-publicised temporary break on stamp duty on houses costing up to £500,000) took a lot of credit for both the continued rise in house prices and the spike in activity in the housing market across London and the South East.

However, with the benefit of hindsight experts felt other factors also played a significant part.

Firstly, there appears to have been a build-up of demand during the various lockdowns.

People wishing to move had been unable to do so. This meant that they moved quickly to find a new home as soon as they could.

Others simply realised that their current home or current location no longer provided what they wanted and with more time on their hands to look for an alternative, they too sprang into action once the restrictions were eased.

In addition, there is also evidence the increase in working from home caused by the COVID pandemic also played a part.

Forced to work from home, people have reconsidered their priorities. They realised they wanted more space and bigger gardens. This theory is borne out by statistics. The cost of a detached home rose by 8.5% in comparison to sales of flats and maisonettes which only increased by 5.4%.

Which areas have seen particular growth?

Although demand and activity have continued to rise across London, the area that rose most quickly – at 28.6% according to ONS figures – was the London borough of Kensington and Chelsea where the average price of a house rose to above £1.5m.

Given the value and position of these properties, it is suspected that a high number of these properties are still being purchased as investments as overseas buyers sought to complete before higher taxes for non-UK residents kick in and before prices were driven any higher by people returning to Britain from Hong Kong.

However, this positive picture is not limited to the capital. The Home Counties also saw the benefit of an increasingly active property market:

Berkshire

The average house sold for £455,061. Detached properties achieving the highest prices (an average of £703,095) and Cookham Dean becoming the county's most desirable location with an average price of £1.7m. The increase in the average price across Berkshire represented an annual increase of 6% on 2019 prices.

Buckinghamshire

The average house sold for £423, 414. This represented growth of just under 1% on the previous year. Detached properties achieving an average of £622,858 and Eversholt became the most expensive location in the county with an average sale price of £1.5m.

East Sussex

The average sale price in East Sussex was £383,410, an increase of 9% on 2019. Detached properties achieve an average of just under £538,000 and Colemans Hatch was the most expensive area in the county with an average price of just over £1m.

Kent

The average house price in Kent was just under £390,000. Detached houses achieved an average of £325,456 and the most expensive location was Langton Green (£925,353). This represented a 7% increase on 2019.

Oxfordshire

In Oxfordshire the average sale price was £448,111 with detached properties selling for an average of just under £620,000 which represented an 8% rise on 2019. Nettlebed was reported as being the county's most expensive area with the average sale price reaching £1,192,000.

Surrey

Surrey's average sale price was £597,365m, an 11% increase on the previous year and on average detached properties achieved £924,113. The most expensive area in Surrey was Wentworth where the average house costs just over £2.5m.

West Sussex

In West Sussex the average price for a property reached £409,746, an annual rise of 9%. Detached properties sold for an average of £613,415 and Angmering-On-Sea became the most expensive area in West Sussex with an average price of just under £1.1m.

As these highs were reported in November, some agents feared the second lockdown would slow the trend. The truth is activity remained constant – higher, in fact, than would usually have been expected at the end of a calendar year.

Again, some of the credit for this was given to the stamp duty holiday. With the distinct possibility the suspension of stamp duty would end with the delivery of the new 2021 Budget on March 3rd buyers moved quickly to save themselves substantial amount of money.

Source: www.theweek.co.uk

What was the Hunters view on 2020?

Although our own experience was very much in line with the general market overview we've shared, there were some particular nuances we wanted to add as we feel they provide useful additional context.

Firstly, there was a distinct lack of detached and semi-detached properties coming onto the market in London and the South East during 2020. This directly led to increased prices being asked for these types of property given the imbalance between supply and demand.

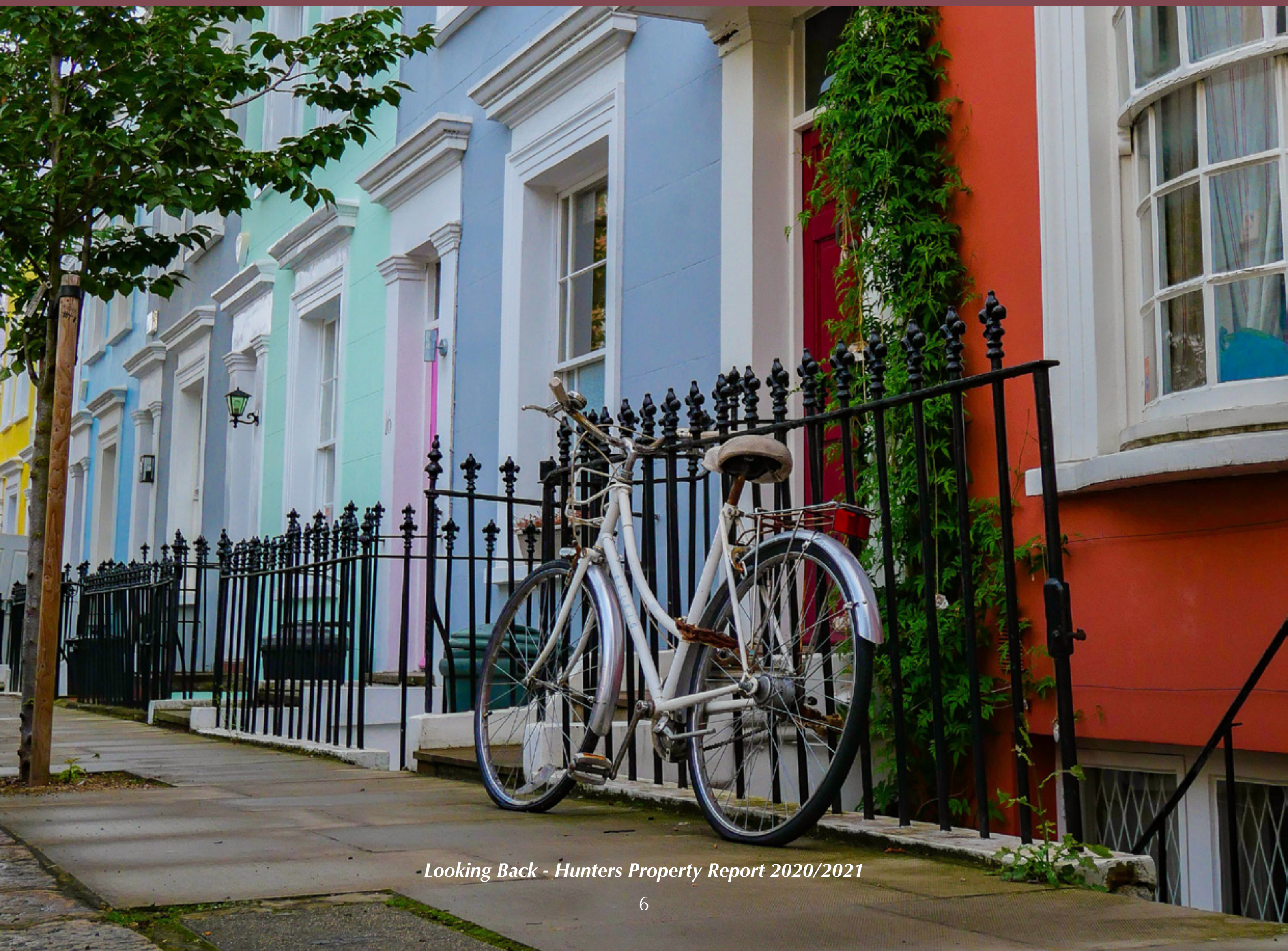
We also found that many properties had been rushed on to the market, properties that arguably were not quite ready to be sold or purchased. Obviously, the Stamp Duty Holiday will have played a part as both buyers and sellers sought to move more quickly than usual to make sure they could enjoy the benefits but, in our experience, there were likely to be other influences at play.

Sellers may have been looking to obtain the best possible price for their properties, so they had more to carry over to support their next purchase. Alternatively, it may have been because there was a fear that the legal support or mortgage offers may be delayed because of the restrictions and/or remote working.

We also saw a lot of buyers and sellers become more sensitive to issues or work that needed to be done on their property. This caused additional and often last-minute negotiations as buyers sought to reduce the purchase price accordingly to mitigate any concerns they had over the readiness of their property and, we would assume, any uncertainty around their own financial positions.

All these issues underline how vital it is that you have a solicitor standing by before you put your property on the market or push ahead with buying a property.

This really is the easiest way to ensure your transaction runs as seamlessly as possible. They will be able to highlight any potential red flags that need to be resolved so you are not forced into unnecessary or avoidable delays further down the line.



Looking forward

What should we expect from the London and South East property market during 2021?

The early months of 2021 have seen the level of activity we saw during the last 9 months of 2020 continue and it is felt this shows little sign of slowing in the short term.

Partly this is because of the knock on from owners concluding they'd definitely like to move either further afield or to properties with more outdoor space having been confined to their homes during lockdown. However, current government incentives like the mortgage guarantee, the Help to Buy scheme and the extension to the stamp duty holiday are almost certainly helping them make their minds up too.

While the volume of transactions could slow once the stamp duty exemptions come to an end, experts believe the impact will be felt less if at all in London and the South East.

Within the region demand still far outstrips supply. Moreover, as many of us will continue to work from home once lockdown does come to an end (a trend that reduces a buyer's emphasis on commutable routes and distances and increases the influence of space and adaptability), it is likely to mean activity remains at the same level for the remainder of the year.

However, we feel the type of activity could change.

It looks likely the area buyers will be searching will continue to grow as families in particular look to move from London into the Home Counties. This type of move will not only provide the additional space they want for their budget but also relatively easy access to central London.

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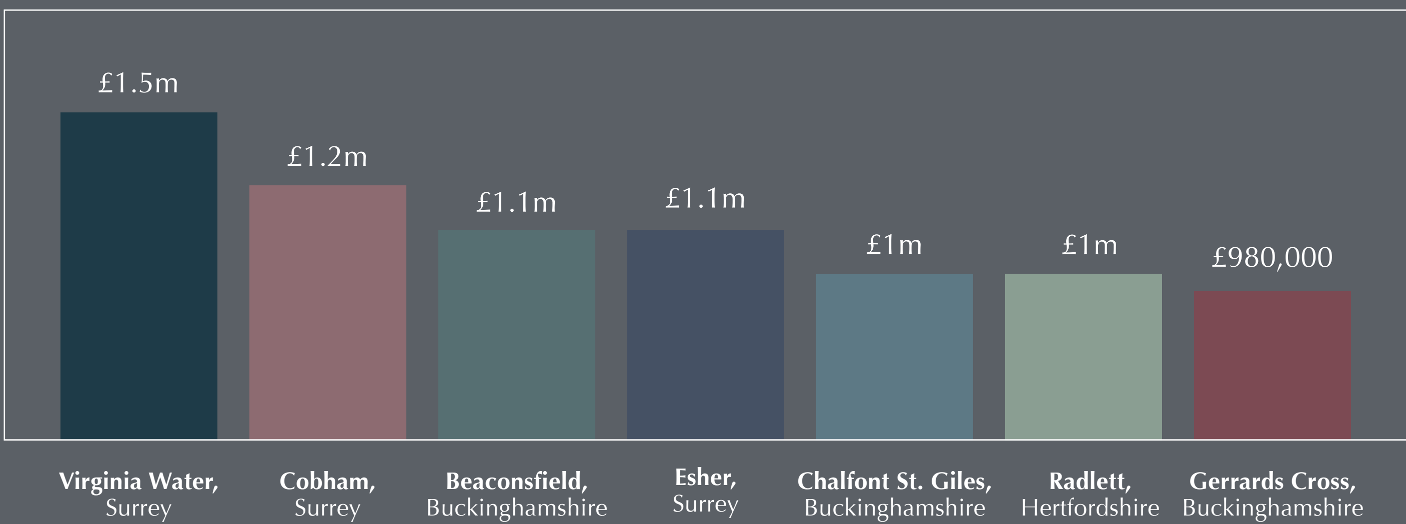


Despite the fact the journey to work from these towns will of course be longer than it would be if one were living in London, it is felt the additional time and expense will be acceptable as the journey will need to be made less frequently as we move to a more flexible working model. All the current signs point to the fact remote working will be a significant driver in house buying behaviour during 2021.

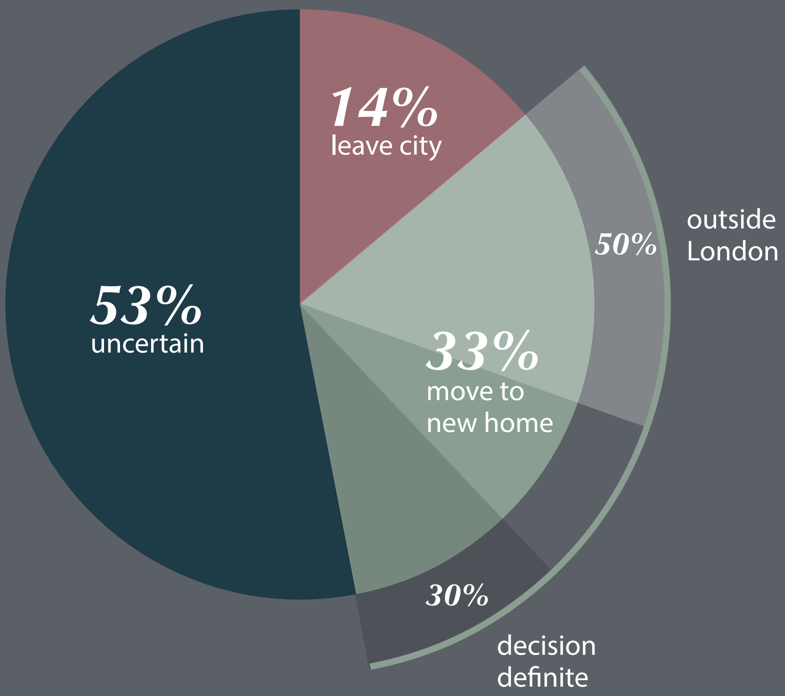
Given the highly successful switch to working digitally that many sectors were able to make after March 2020, location has become almost irrelevant for those who can continue to work remotely, particularly as they look to free themselves from the stress and expense of the daily commute.

Similarly, people have proven they can be equally or more productive working remotely.

Many have adopted an earlier start or a later start to fit in with other commitments. This is obviously easier in quieter areas as there will be less noise and less distraction. The ability to dictate your own working week could well make a move out of London a more attractive option for even the most ardent city-dweller.

With all this in its favour, the exodus from London to the suburbs has been a topic that has courted widespread discussion and courted heavy press coverage since the London Assembly Housing Committee published the results of its survey of Londoners' views on housing in August 2020.

Their survey found:



14% of Londoners want to leave the city because of COVID.

33% want to move to a new home and of those, almost half said they'd want their new home to be outside London.

Of those who said they wanted to move, ***30%*** said their decision was definite.

The remainder were still uncertain because of the cost of moving and because of their proximity to their place of work.

Having more private outdoor space and being close to a park or open space has become more important to Londoners during the pandemic.

Data: London Assembly Housing Committee survey of Londoners' views on housing in August 2020

Given what we've all been through recently it's not difficult to see why more people are thinking seriously about leaving London during 2021. Lockdown was hard enough but lockdown without access to garden or even a balcony has obviously led to many deciding to move further out to find – quite literally – pastures new.

These pastures are almost certainly to be found in the South Eastern counties and agents in Surrey, Kent, Essex, Hertfordshire, and Hampshire reported a rise in both transactions and house values during 2020.

If the results of the London Assembly Housing Committee's survey are to be believed, it is highly likely this trend will continue, and London's loss could well be the Home Counties' gain throughout 2021.

What other factors will drive the demand to move during 2021?

Aside from wanting to find more space and take greater advantage of the new more flexible working model, there are a number of additional factors we feel will influence the residential property market in London and the South East during 2021:

An even greater reliance on buying agents

Only a few years ago buying agents were largely viewed as the preserve of celebrities, professional footballers or the seriously wealthy. Today things are very different.

As we live increasingly busy lives, buying agents offer their clients one enormous benefit, time. As a result, the use of buying agents continues to rise at pace.

As well as simply saving a buyer precious time by searching to a tight brief, a buying agent also makes sure the buyer's best interests are represented during the search. This includes sourcing the property (often using their networks to find properties that may not be being marketed in the traditional way) and then negotiating the best price and most suitable terms for their clients.

We feel buying agents will become even more appreciated by the residential property market during 2021, especially if - as we suspect - buyers continue to look further afield for their ideal property and need more 'local knowledge' in areas they are not familiar with.

A continuation of the current downsizing trend

During 2020 an increasing number of homeowners decided to downsize.

The reasons for downsizing are many. It could be that with no children at home, the house feels too big or is no longer practical or the owners are trying to reduce their monthly outgoings by reducing their bills, council tax and mortgage payments. It may be that the space is too expensive to maintain or simply that with rising property prices, the temptation to cash in on the potential rewards is too great to resist.

For many couples, the driving factor is simply that moving to a smaller property will release the equity the owners need to fund the lifestyle they now want.

Whatever the reason, we feel the pandemic has caused people to reassess what is important to them and, as a result, the desire to downsize will be a trend that will continue at pace during 2021.

Greater market confidence post-vaccine

The roll out of the Covid-19 vaccine trials could also prove influential. The additional protection the vaccine offers is likely to make house hunters more confident to make longer term plans and more confident to go through to the physical part of the viewing process.

Demand for the '15-minute city'

Having said the move from the city will be a major feature of the London and South East property markets during 2021, there will of course still be significant demand for London living. However, this could start to look slightly different as the year progresses given we will be spending more time working from home.

One of the concepts that has grown in popularity following the various periods of lockdown is that of the '15-minute city'.

Basically the 15-minute city is the idea that London can become a decentralised city in which all amenities can be reached – on foot, bicycle or public transport - within 15 minutes.

While this concept has enormous environmental benefits, it also appears to fit in well with the fact going to the office could well continue to be the exception rather than the rule which means while we are at home more of everything we need – shops, hospitality venues and leisure and sports facilities – must be within easy reach.

Although the cities who have bought into this idea most readily include Barcelona, Detroit, Melbourne and Milan there is already evidence London is starting to catch up. St John's Wood, White City, Richmond, Dulwich, Hampstead and Chiswick are all showing clear signs of adoption.

Property prices to stabilise

During the peak period immediately after the introduction of the stamp duty holiday properties were very regularly exceeding never mind meeting their asking prices.

While this is highly likely to flatten once the current pipeline is concluded and we get closer to the new stamp duty deadline, many feel house prices will stabilise rather than decline within London and the South East. Three- and four-bedroom houses in particular seem to be the most resilient types of properties given the bulk of movers are families.

With regards to rental property, the news could be even better for investors. As wage increases start to creep back in, rents could be increased to keep pace particularly in high demand areas like central London and the closest, most commutable suburbs.

More help from the government

Before the recent budget the Chancellor was expected to extend the stamp duty holiday until the end of the year. His announcement that it would be extended until end of June and then taper until end of September is obviously good news for the housing market (and has prompted the desired continuance in activity) but many still harbour hopes this will be extended again. However, given the economic realities of the fallout from the pandemic, this unfortunately is looking less and less likely.

The extension to the stamp duty holiday was accompanied by the government's mortgage guarantee and this could be a signpost that other measures may be introduced to encourage and support the residential property market moving forward.

An expected increase in buy-to-let investment

As businesses start to reduce their current office space in response to the new hybrid working models, many investors are likely to rebalance their portfolios to minimise the potential risk of a drop in the value of commercial property.

This could lead to an increase in demand for larger properties as landlords diversify from flats to three-, four- and five-bedroom houses (potentially to allow more HMO style investments to maximise income) and if this is the case, prices will no doubt rise in line with demand.

While experts believe the Midlands and the North West may be the main beneficiaries of this trend given the relatively low price of property in these areas, the notoriously recession proof London property market will undoubtedly also attract interest, especially as more housing stock becomes available as people move out from the city.

Improvement in technology will make tenant management more efficient for landlords

The increase in buy-to-let investments could be encouraged further by technology. New online options like open banking and automated reference checks, payments and maintenance management will make landlords' lives easier by reducing the time it takes to find, vet and onboard new tenants.

This could play an even more significant part in the letting of houses or multiple occupation (HMO) as traditionally it has been the additional administration that has persuaded landlords not to rent on this basis despite the higher yield this model provides.

The rise of let-to-let

Many buyers may think they want to move to a larger house or to a new location but remain hesitant because they feel the market (and, therefore, the price of their property) may be about to rise, because they have negative equity or because they have not been able to find the right buyer.

Let-to-let offers these owners an attractive alternative.

Letting-to-let allows owners to trade up to the property they want without having to make the permanent and irreversible move of selling. Instead, you would let your property (without having to change your mortgage to a buy-to-let as long as you have the permission of your lender) and use your rental income to supplement your own lease of the property you want.

Admittedly let-to-let is not a new idea. It previously became popular in the wake of the 'credit crunch' in 2008. However, it could well regain its popularity as homeowners look to find a more secure way to trade up and rent a home that provides the additional space and improved location they want move out of the city.

Less concern about Brexit

Now the Brexit deal is in place, it seems to have had minimal impact on the housing sector up to this point.

This could of course change if the new trading environment affects jobs, income and businesses but in the short term it appears the road to post-COVID recovery is more likely to affect house prices.

Early signs are this will be more dramatic outside the South East where employment tends to skew more towards more the professions and the types of businesses that have been able to continue remotely during the lockdown.

Virtual viewings will continue

Virtual viewings have played an integral part in the recent housing market boom. They are expected to continue to grow in popularity as the feedback to agents has been that buyers have welcomed the opportunity to view virtually before they view in person as it saves them the time that has traditionally been wasted viewing inappropriate properties.

That said, virtual viewings will only ever be a first step. Given the level of investment involved in buying a property, they will never be able to overwrite a final physical viewing.

Greater demand for 'green' property

Over the last few years buyers have become more attuned to their prospective home's sustainability, energy efficiency rating and carbon footprint.

As a result, sellers and landlords will have to think seriously about how they live up to these demands and achieving the best sale price or rental rates could depend on their properties' green credentials.

Similarly, developers will also be going increasingly green, incorporating higher levels of sustainability and eco-friendliness into their design/build so their developments achieve maximum marketability.

Our conclusion for 2021?

The common link between all these factors is that they are positive.

With this in mind, we feel that 2021 will continue where 2020 left us, with a buoyant and active housing market.

Despite the undeniable economic uncertainty, both housing and rental opportunities in London and the South East appear to remain in sufficient demand and as the economy becomes more stable and our own positions become more assured, this demand will undoubtedly continue to grow.

The unanswered question for us is more about location.

Has the pandemic changed how we all think about where we want to live? Or will London reclaim its desirability for people and families at every life stage once things return to something that feels more familiar?

For further information, please speak to a member of our team

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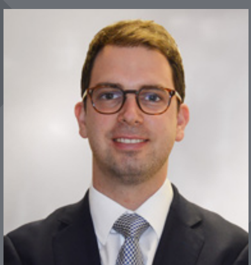

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