

PREMIUM MARKET

HOUSING MARKET UPDATE



Upwards price pressure resumes as demand grows while new sellers pause

Number of new buyers continues to grow despite it now being too late for most to beat stamp duty deadline

SUMMARY—STATISTICS—EDITORIAL

FEARS GROW OVER LOCKDOWN IMPACT ON TRANSACTIONS

A WORRYING TIME

After three consecutive monthly falls the average price of property coming to market surprisingly increases by 0.5% (+£1,522) this month, as upwards price pressure resumes. One in five buyers who agreed a purchase in July last year have still not completed more than six months later, with an estimated 100,000 buyers in total still likely to miss out on their expected tax saving.

Number of new buyers continues to grow despite it now being too late for most to beat stamp duty deadline. First week in February versus 2020 sees Rightmove visits up 45%, with keen home hunters sending 18% more enquiries, and the number of purchases agreed up by 7%. High demand outstripping supply and pushing up prices : new seller numbers are 21% down on prior year as owners of family homes delay coming to market, perhaps due to home schooling distractions.

STRONG BUYER DEMAND CARRIES INTO 2021, BUT VALUES SOFTEN

House prices slipped a marginal -0.3% in January, according to Nationwide. This follows the strong 7.3% annual price growth seen last year and is the first monthly fall since June 2020.

This modest fall comes in the face of continued strong demand and shrinking supply, which typically drives value growth. The number of sales agreed has been higher than the number of new instructions since the end of November, according to TwentyCi. This means that homes have been selling faster than they were being listed, shrinking the level of supply relative to demand. The RICS survey for December also showed new buyer enquiries slightly above new instructions. Although the total number of surveyors seeing rising activity has continued to fall, they remained in the majority.

This all suggests that demand remains strong and January's modest price fall may prove to be a temporary blip. But it could be an early sign of demand weakening from the robust levels of activity that have persisted since the end of lockdown 1.0. Stringent lockdown measures continued in January making it more difficult for new buyers to complete a sale before the stamp duty holiday ends on March 31st.

Parliament debated extending the holiday at the start of the month, with many MPs expressing their support. But the Government has shown no sign of changing the end date as yet.

Completed transactions rose again in December, a 14% increase on the previous month and 34% higher than December 2019 according to HMRC. However, the market did not fully recover from the impact of the shutdown earlier in the year meaning that 11% fewer sales completed in 2020 than in 2019, despite the surge of activity at the year end.

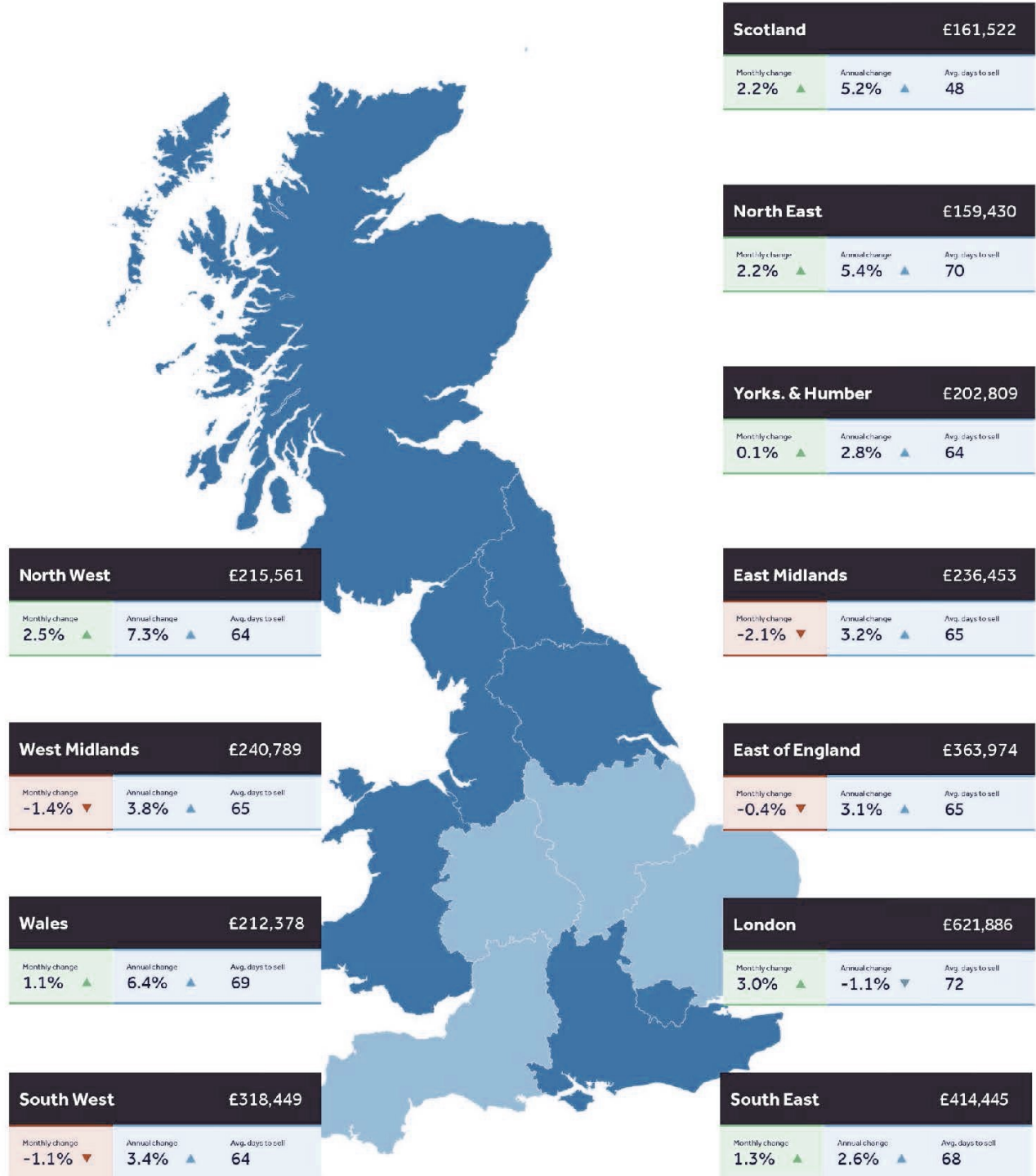
We expect to see exceptionally high numbers of completions during February and March before a Q2 lull, assuming the holiday ends as currently planned. This would be supported by high numbers of mortgage approvals, which were up 61% in December 2020 compared to December 2019.

Annual house price growth in October was strongest in Midlothian, at 9.1%, followed by Rossendale in Lancashire at 8.0%. House prices fell most in Aberdeen (-2.1%), followed by Rochford in Essex (-2.0%). RICS' latest market survey found enquiries, sales and new instructions fell for the first time since May 2020 last month. A net balance of -28% of survey respondents reported a decline in new buyer enquires in January, with a fall in new listings too (net balance of -38%). Despite this, upward pressure on prices continued across the UK with the exception of London, which recorded a net a balance of -9. Mortgage approvals data covering the quarter to December 2020 also showed a slowdown, with 103,400 loans approved for house purchase in the final month of 2020 compared with 105,300 in November. This was the first fall in seven months, although year on year transactions in December 2020 were 32.1% higher than December 2019.

Despite initial signs of a slowdown, there remains significant momentum in the UK housing market, with 818,500 mortgage approvals for house purchase in 2020 compared to 789,100 in 2019. This was even more remarkable given that house purchase approvals hit a record low of 9,400 in May 2020, as the eight-week shutdown of the market took its toll.

MARKET SNAPSHOT

● Increase from previous month ● Decrease from previous month



DEMAND FOR DETACHED HOUSES ROSE IN COVID LOCKDOWN

Prices of detached properties increased three times faster than those of flats!

Demand for detached houses in the UK has boomed during the coronavirus pandemic, driving up prices three times faster than for flats as working from home boosted the popularity of bigger homes. Buyers paid an average price of £486,595 for a detached property in December – 10% more than in December 2019, according to the mortgage lender Halifax.

The 10% increase for detached properties far outstrips those seen for other types of homes, as a rise in remote working – with a return to offices postponed until the summer – prompts growing numbers of people to move to bigger homes in leafier locations. Home movers had to pay an extra £200,000 to move up from a semi-detached property, which cost an average of £287,313 in December, a rise of as much as 6.3% from a year earlier.

These figures are in keeping with the revolutionary change in the work lives of people over the last year, with an increasing number of people enjoying the benefits of working remotely and deciding to relocate to different parts of the country or even abroad, where they can have a better standard of living, more space and a comfortable home office.

There is no doubt that a new age will rise from the tragedy of the last year, with remote deprived areas that were not under the radar of commuters, due to the lack of transport connections will now be choice locations for those seeking to make dramatic changes to their lives. It may well be that this is the start of 'The Great levelling' as prime property in commuter belts is less sought after and quaint property in idyllic but thus far deprived areas may flourish, although how 'The Great Exodus' from London, by people moving to the country and the departure of nearly a million European migrants will affect the market is at present unclear.

OUR SALES PARTNERS

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Trellows Estate Agents take pride in offering first class Presentation, Exposure and service, but we do not ask for upfront contributions. We believe in offering our clients Professional Photography, Floor-Plans and targeted Social Media Marketing as part of our service. We also take the time to create a video tour of your property, so that potential buyers can see as much as possible before viewing in person, to ensure that only those who are genuinely interested will view your home.

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If you would like advice about **Buying, Selling, Investing** or **Developing** contact us directly

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