



UK Property Market Sees Record-breaking Activity Levels

This issue of UK Market Watch looks at the residential rental and sales markets, including London lettings and the impact of the Stamp Duty Land Tax holiday.

RESIDENTIAL RENTALS

Around the UK

It is estimated that one in five people in the UK live in the private rental sector, but there continues to be a lack of available stock for prospective tenants. The average rent in the UK is £996, up by 0.4% from last month and 2.9% year-on-year. If we remove London rentals from this figure it drops to £853.

Across the UK, 11 out of 12 regions reported an increase in annual rental rate variance, with the largest in the South West (8.6%).¹ Rising rental rates can be attributed to the supply-demand imbalance, with the first quarter of 2021 experiencing a 5% dip in the number of rental properties entering the market outside London, compared to the same time last year. Experts suggest this is because landlords are reluctant to add properties to their rental portfolios due to increased costs and growing concern about legislative changes.

As rental stock declines, Hometrack reports April 2021 saw a 59% rise amongst prospective tenants than in a typical April in the more 'normal' markets of 2017 to 2019. It is believed that this is due to people needing additional space to work from home, whether it is for a home office or more outdoor access. In fact, those looking for rental properties with a garden or access to shared outdoor space has more than doubled in the last 12 months compared to the same period the year before.²

London

The average rental value in London currently stands at £1,580, more than 85% higher than the rest of the UK (£853). Average rents in the capital are down year-on-year with a reported 5.3% decline between April 2020 and April 2021. This is the twelfth decrease in annual variance in subsequent months.³



¹ HomeLet Rental Index, April 2021

² Hometrack, Q1 2021 Rental Market Report, May 2021

³ HomeLet Rental Index, April 2021

UK PROPERTY

Encouragingly for those entering the London lettings market, rental rates in the capital are at their most affordable level for 10 years, with experts estimating the average monthly rent currently stands at 42% of a single earner's gross income. This is a drop of seven percentage points when compared to the same time last year.

LONDON

- Located in the south east of the country
- UK's most populous and culturally diverse city
- Leader in commerce, education and entertainment
- A 'green' city by world standards, with large parks and open spaces in nearly all boroughs
- Offers international assignees a variety of properties (high-end apartments in the city centre and larger family homes in the suburbs)
- Many expatriate families choose to live in the surrounding areas of Middlesex, Essex, Surrey, Kent and Hertfordshire, collectively known as Greater London

UK RESIDENTIAL SALES

The UK residential sales market continues to gain momentum having seen a 'complete turnaround' over the past year. The first half of 2020 saw activity almost slow to a halt in the wake of the first UK lockdown and today it continues to reach record highs. The average UK house price is valued at £242,832, up 1.8% month-on-month and 10.9% annually, the highest level in nearly seven years.⁴

Asking prices have also set a new national record with UK property portal Rightmove suggesting that the average price of a property coming to market is now £333,564, a 1.8% monthly increase.

The rise in activity has been attributed to a number of factors including the Stamp Duty Land Tax holiday and the supply-demand imbalance partially fuelled by the 'race for space', a trend that sees home buyers looking for larger properties because of their new 'work from home' situation.

Stamp Duty Holiday

Extended until 30 June (and tapered from 1 July to 30 September), the Stamp Duty Land Tax holiday continues to 'add impetus' to the already active market.⁵ Although experts suggest that once the holiday ends the market may not experience a significant dent to activity because levels are already so high. Indeed, Nationwide indicates that the legislation is not the main reason for people entering the market. It cites a home buyer survey it recently conducted, which found more than two thirds (68%) of respondents would have entered the market even if the stamp duty holiday had not been extended.⁶

In addition, with a combination of low stock levels, an increasing number of buyers and low interest rates, those looking to purchase a home will most likely continue to face a competitive market, at least for the short-term.

Supply-Demand Imbalance

The market is so competitive in some areas of the UK that estate agents have reported properties selling within hours of coming onto the market (after receiving multiple offers over the asking price) and anecdotal evidence suggests that some prospective home buyers are even making offers on properties before viewing them.

When a relocating employee finds a suitable property they should act quickly to secure it and be mindful that it could take a long time for the seller to find a property themselves.

According to the Royal Institution of Chartered Surveyors (May 2021), a 'lack of fresh listings was the biggest concern' cited by its UK survey respondents with many indicating that current stock levels were 'not nearly enough' to match buyer demand. A slowdown in the supply of new builds across the UK may also be a factor in accelerated price growth.

As the vaccination program continues it is hoped that more sellers will gain the confidence to enter the market in the coming months, which will help to re-address the supply-demand imbalance.



⁴ Nationwide Building Society House Price Index, May 2021

⁵ Halifax House Price Index, May 2021

⁶ Nationwide Building Society House Price Index, May 2021

The 'Race for Space'

Similarly to trends experienced in the rental market, the new focus on 'work from home' directives has had an impact on the sales market. People are moving to new areas and looking for properties with more space, both inside and out. A recent Nationwide survey (May 2021) of prospective home buyers found that a third of respondents were looking to move to a different area, with almost 30% doing so to gain better access to a garden or outdoor space.

This trend has had a particular impact on the north of the UK, which appears to be attracting many who no longer have to stay in the south to work. By comparison the London market has slowed somewhat, although remain buoyant by national standards. Average house prices are now three times higher than those in the north, which is the smallest ratio since 2013.⁷

GOING FORWARD

Long-term forecasts remain uncertain. Property portal Zoopla (May, 2021) has suggested that 2021 will be the busiest market (in terms of transactions) for 14 years. Although experts caution that once the furlough scheme ends this September, unemployment may begin to rise, impacting property prices towards the end of the year.⁸

When considering these trends, Cartus recommends that relocating employees act quickly once they find a suitable property and stay in regular contact with their Cartus representative throughout the home moving process.



⁷ Rightmove House Price Index, May 2021

⁸ Nationwide Building Society House Price Index, May 2021