
# UK Property Market Report

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EST. 2004

*"2020 has been a rollercoaster of a year, particularly for the UK property market."*

# Contents



# Introduction

With a lot of uncertainty and some huge ups and downs, many investors – both experienced and beginner – had been left wondering whether an investment in the UK property market was right for them in 2020. With the beginning of the Covid-19 pandemic having a massive effect on the property investment market and causing a temporary drop in market activity, 2020 didn't appear to be the best year to make an investment. By the end of the year, however, it was clear that both investment levels and overall housing market activity have remained strong and the property market has continued to grow throughout the year. If you want to find out everything that's happened to the UK property market in 2020, take a look at our 2020 housing market report which summarises all the key information that you need to know from each quarter of the year.

# Q1

# Q1

***"As of January, estate agents reported an 'uplift' in the UK housing market."***

# January

Following on from Boris Johnson's election in December 2019, which injected new levels of certainty into the UK market and economy, the UK property market was in a stable place at the beginning of 2020. As of January, estate agents reported an 'uplift' in the UK housing market. According to a survey from the Royal Institution of Chartered Surveyors (RICS), sales expectations for UK property had risen sharply through December. After the December 2019 election, both property prices and stock market prices had risen, with a 2.3% surge in average property prices reported between the 8th of December and the 11th of January. This was the largest house price jump ever recorded for this time of year since Rightmove records began back in 2002.

Savills house price growth statistics for the next five years painted an overall positive picture for the UK. Every region in the country was set to experience some level of growth, with the highest growth levels expected in the North West region with a rise of 24%. Following the North West was Yorkshire and the Humber which was predicted to see prices grow by an average of 21.6%, and the North East and Scotland which expected 19.9% capital growth. Of all UK regions, London was set to experience the lowest property price increase of just 4%, compared to the overall average growth of 15.3% for the UK. Property prices as a whole were predicted to grow by 1% for the UK on average throughout 2020.

Q1

# February

Moving on to February 2020, and past property market statistics revealed even more growth. In February, the average house price for properties coming to market increased by 0.8%, which was equal to £2,589. This figure was just £40 short of a new all-time high. Rightmove said that monthly traffic on their website had risen by 7.2% compared to the previous year, while the number of international sales agreed was also up by 12.3%. Rightmove director Miles Shipside said:

*"There is a boom in buyer activity outstripping the rise in the number of new sellers, which we expect to lead to a series of new price records starting next month."*

# March

Q1

There's no doubt that these rising property prices led to a lot of buyer certainty and helped to encourage levels of investment in 2020. Moving on to March, however, and that level of uncertainty that had surrounded the property market for many years started to creep back. By the beginning of the month, Covid-19 had hit Europe, and there were around 29 recorded cases in the UK as of the 5th of March. Many banks, such as Halifax, issued warnings about the strength of the economy and property market during this time, with a possible negative impact expected if Covid-19 cases were to grow in the UK.

On the 11th of March, chancellor Rishi Sunak announced plans for a new stamp duty surcharge for foreign investors. Set at 2%, this stamp duty change would start in April 2021. This gave overseas investors twelve months to make an investment before the stamp duty surcharge began. In the week starting the 16th of March, the British pound dropped to its lowest level against the dollar since the 80s. This was another factor that helped encourage foreign investment during this time, allowing overseas investors to take advantage of discounted rates.

By the 23rd of March 2020, Boris Johnson announced that the nation was to stay at home and many businesses were to close as the first national lockdown began. This prompted a temporary 'freeze' of the property market, as buyers and sellers were urged to put a hold on moving between properties or taking viewings. During this time, technology was utilised by those around the world, including those within the property sector. Virtual property viewings became commonplace, and we at RWinvest took advantage of our virtual reality systems to showcase property developments to investors. We and businesses around the UK facilitated remote working to keep our staff safe, and took advantage of video call technology to stay connected with both colleagues and clients.

Despite efforts to keep property market activity afloat, the UK property market saw a downturn in activity. By the 26th of March, Zoopla reported a 40% drop in levels of demand for housing in the seven days leading up to the 22nd of March. At the end of March, economist Hoard Archer warned that the impending impact of the Covid-19 pandemic could see the recent rise in UK property prices we had seen over past months to come to a 'juddering halt. He said:

***"The late-2019, early-2020 upturn in the housing market looks certain to be brought to a juddering halt by the impact of coronavirus on the economy,"***

Speaking to City AM, Miles Robinson of online property company Trussle also said:

***"Pressure is mounting on the economy as the coronavirus outbreak escalates. As it stands, we're yet to see its full impact on the housing market.***

***"With more stringent government guidelines now in place… sellers may see a drop in property viewings for at least three weeks."***

# Key Points From Q1

In January, estate agents reported an uplift in the UK housing market.

The UK property market froze following the first national lockdown beginning on the 23rd of March.

Average house prices increased by 0.8% in February, and the number of international property sales was up by 12.3%.

2.3%

A 2.3% surge in average property prices was reported between the 8th of December 2019 and the 11th of January 2020.

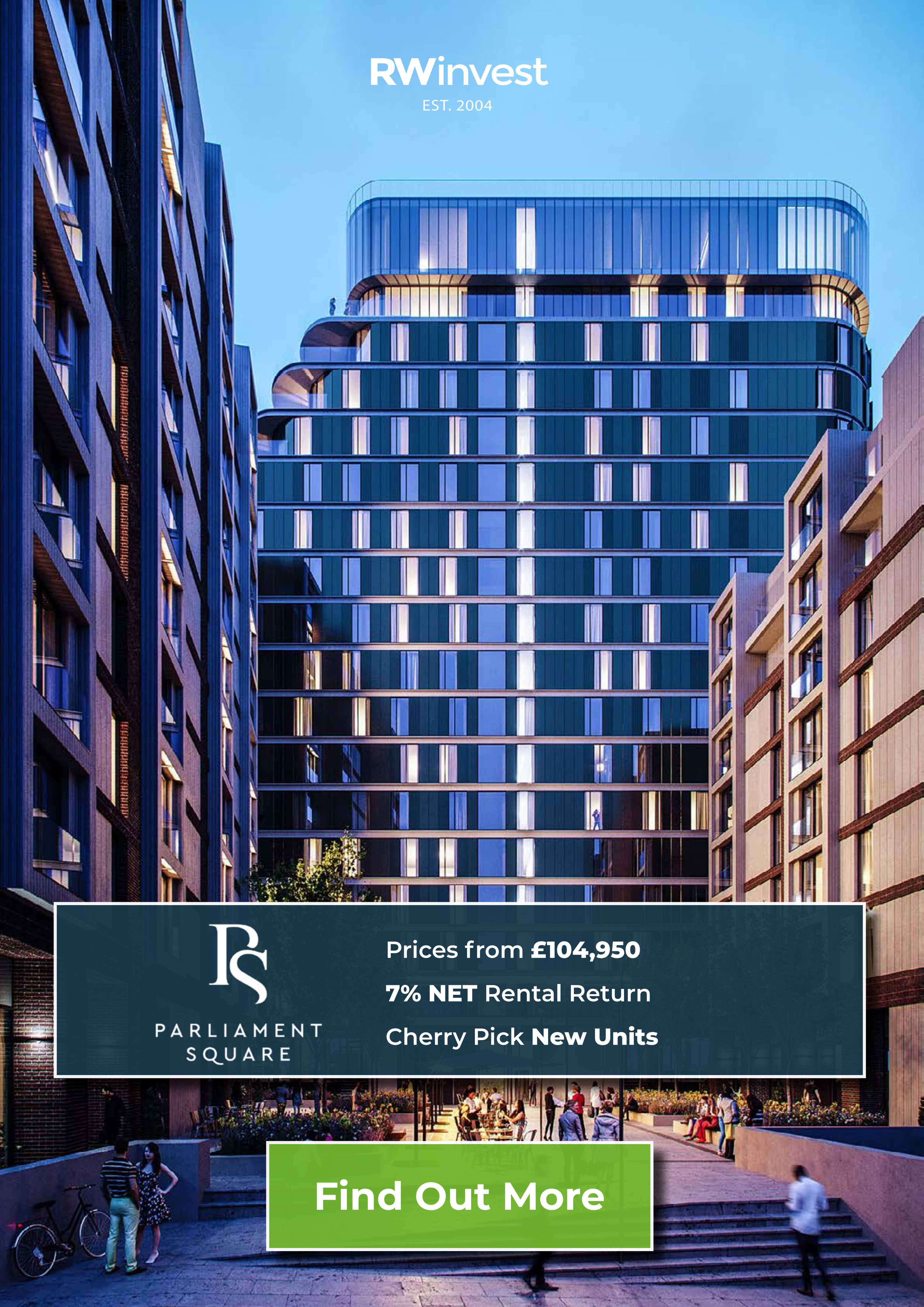
Rishi Sunak announced a 2% stamp duty tax surcharge for foreign investors, starting in April 2021.

Property companies utilised virtual property viewing technology to encourage sales.

Savills predicted UK property prices to grow by 1% throughout 2020.

The value of the pound against the dollar dropped to its lowest rate since the mid-1980s.

Zoopla reported a 40% drop in levels of demand for housing around the end of March.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# Q2

Q2

# April

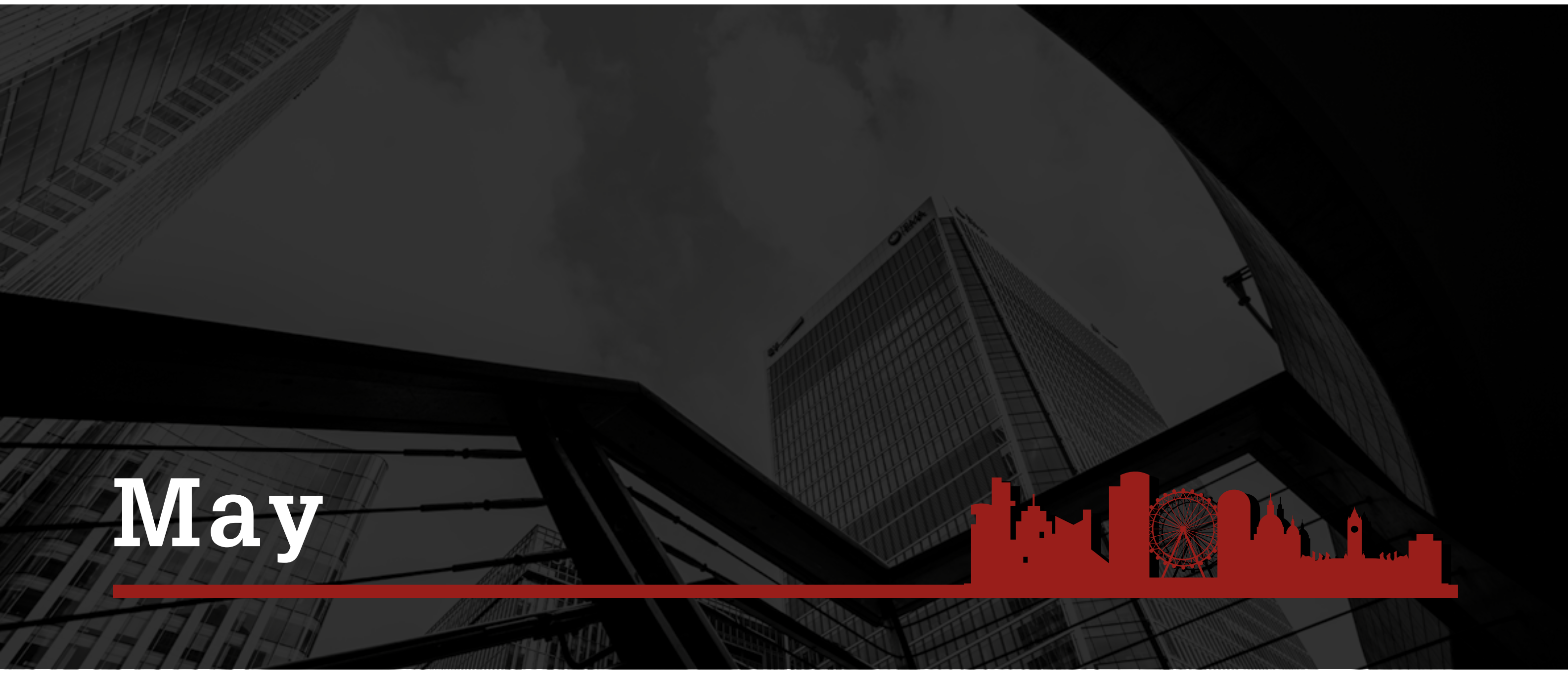
By April 2020, the impact of the coronavirus pandemic on UK property prices was a huge topic of speculation. Many homeowners and buyers were continuing to avoid the market until lockdown had ended and some level of normality had returned. Zoopla reported that almost 400,000 home sales, with a value of £82 billion, had been put on hold as a result of the Covid-19 pandemic and the housing market closure.

***"Despite expectations of a huge drop in property prices, Nationwide reported that UK house prices actually increased by 0.7% in April."***

Despite expectations of a huge drop in property prices, Nationwide reported that UK house prices actually increased by 0.7% in April. Coming just a day after mortgage lender Lloyds revealed an expected 5% drop in property prices throughout the rest of the year, this rise in property values was viewed with caution by many who believed that the impact of lockdown hadn't yet hit the market. While many homeowners were feeling cautious during this time, levels of investment were flourishing with a boom in buy to let purchases and investor interest. Historically, investors who take risks during uncertain times tend to reap the rewards further down the line. With property prices expected to temporarily drop, savvy investors began to seek out property investment purchases to take advantage of lower than average prices and enhanced growth by the time the market had recovered.

Q2

*"In terms of house price growth, Zoopla's report found that year on year property prices saw the highest rise in cities in the North and the Midlands."*



# May

On the 13th of May, the UK housing market 'reopened' for socially distant viewings, following seven weeks of strict lockdown restrictions. This allowed in-person viewings to take place for both investors and those looking to purchase a new home. Many people had high hopes that this reopening of the housing market would help push the UK property market in the right direction, and soften the blow of any negative impact that had hit the market over the last few months. During this time, Boris Johnson also started to encourage more people to return to work in a bid to kickstart the economy.

By the end of May, a new Zoopla Cities Index Report was released, which gave a new level of confidence to the property market. After the lockdown ended and the property market reopened, there was a surge in activity from buyers and sellers thanks to pent up demand from recent months. The Zoopla report found that buyer demand increased by 88% in the week after the lockdown rules eased. One interesting finding from this report was that levels of demand for property in the North of England and certain coastal areas had increased. In contrast, London saw a much smaller revival in demand, which suggested that more people were starting to look away from the capital.

In terms of house price growth, Zoopla's report found that year on year property prices saw the highest rise in cities in the North and the Midlands. Between April 2019 and April 2020, Manchester house prices rose by 3.8%, and Liverpool property prices increased by 2.7%. Overall, average growth for the UK between this period stood at 2.4%, which was a promising statistic during these uncertain times. Despite the reopening of the property market, the mortgage market remained competitive during this time. Nationwide cut mortgage rates by up to 0.40%, while the majority of mortgage lenders withdrew 5% deposits. This led to many first-time buyers being unable to afford to buy a home of their own, and in turn, resulted in a boost in demand for rental properties.

# June

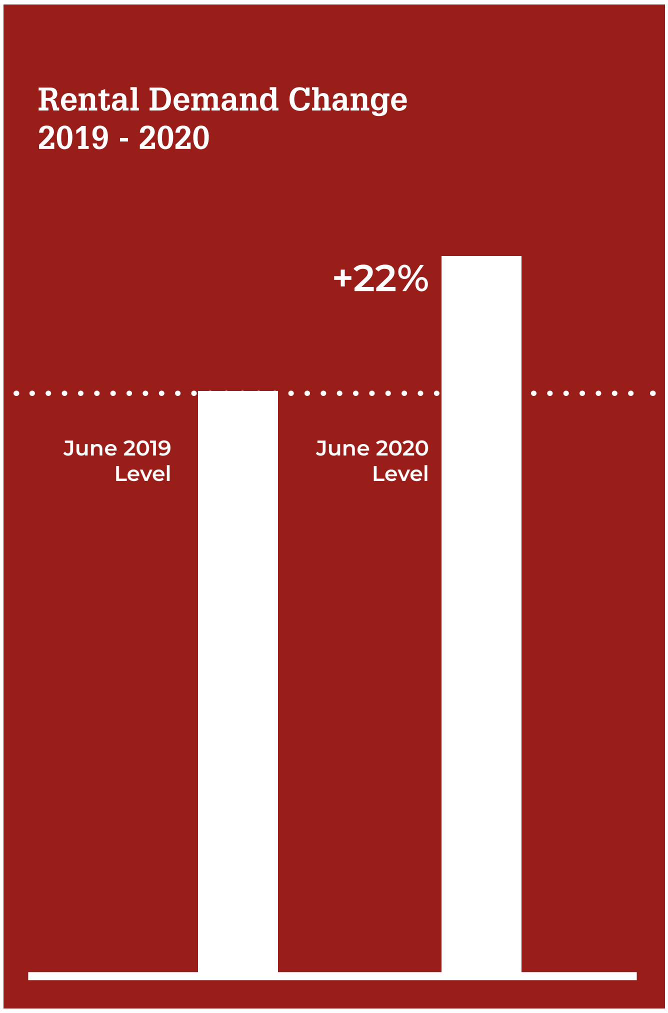
Q2

In June 2020, the BBC reported on a rise in rental demand fuelled by the lockdown and the subsequent job losses that had unfortunately affected many. Levels of demand for lettings were reportedly up by 22% compared to the previous year. Supply was, however, not in-line with demand, which left many renters waiting for a long time to find their perfect property. This opened up an opportunity for investors to purchase high-quality rental accommodation in key buy to let cities such as Liverpool and Manchester.

While the UK housing market looked strong in terms of rental demand, however, reports published in June revealed one of the largest drops in property prices of recent years. In May, average property prices dropped by 1.7% compared to the previous month, which meant they'd fallen at the fastest rate since the financial crisis. While many property investors were discouraged by this news, a lot of savvy investors used this time to take advantage of some of the lowest property prices available in recent years. With knowledge on past property market trends, a number of investors remained confident that by purchasing property during the Covid-19 pandemic, they would benefit from increased growth in the coming months or years once the market and economy had recovered.

In June, Savills updated their property price predictions for 2020. Following on from the uncertainty and turmoil brought by the coronavirus pandemic, the residential market forecast no longer expected a rise of 1% on average for property in the UK throughout 2020. Every region, including the West Midlands, which was previously expected to see a growth of 3%, was now set to experience negative property price growth of -7.5% throughout the country. However, despite negative growth anticipated by Savills in 2020, five-year growth rates were expected to remain the same, with an average UK property price growth of 15.1% by 2024. This was a positive sign that despite any temporary house price drops, the market was set to recover quickly in the coming years.

***"...a rise in rental demand fuelled by the lockdown and the subsequent job losses that had unfortunately affected many."***



# Key Points From Q2

OPEN

Almost 400,000 home sales had been put on hold during the start of Q2.

Following seven weeks of lockdown restrictions, the property market reopened in May.

Nationwide cut mortgage rates by up to 0.40% and lenders stopped offering 5% mortgage deposits.

0.7%

Nationwide reported a 0.7% rise in property prices in April.

+88%

Buyer demand increased by 88% in the week after the housing market resumed.

+22%

By June, year on year rental demand was up by 22%.

An investment boom was recorded as savvy investors started to seek out the best opportunities.

2.4%

Year on year growth by April 2020 stood at 2.4% for the UK on average.

1.7%

Average property prices in May had dropped by 1.7% compared to April.

Savills updated their property market predictions, expecting a -7.5% house price drop throughout 2020. However, their predictions for the next five years remained strong.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# Q3

Q3

# July


In July, Rishi Sunak made an important announcement which had a huge effect on the UK property market for 2020. Sunak announced a new stamp duty tax holiday, which was to come into force immediately and last until March 2021. The stamp duty tax break intended to get the property market moving again by offering those buying a new home or those investing in a buy to let property the chance to make significant tax savings. First-time buyers or those buying a second home now only needed to pay stamp duty tax on properties worth £500,000 or over, while buy to let investors had a tax reduction which allowed them to save as much as £15,000 in stamp duty tax.

There's no doubt that the introduction of the new stamp duty tax holiday helped to boost the UK housing market. In what was deemed the property market's 'mini-boom', house prices rose by 2.4% between March and July, while year on year property price growth of 3.7% was the highest recorded annual increase since 2016 according to Rightmove. Buyer enquiries were also reportedly up by 75%, while 44% of new listings that were put on hold due to lockdown restrictions were now marked as sale agreed. House price growth was strongest in areas where demand was outstripping supply, most notably in Manchester, Liverpool and Sheffield. These figures painted a very bright picture for the future of the 2020 property market. However, despite this resurgence of property prices and a newfound economic stability in-line with further easing of Covid-19 restrictions, including the reopening of pubs and bars, many were still feeling cautious about the road ahead.

# August

Q3

A trend that continued throughout Q3 of 2020 was the rise in demand for more rural and remote properties. Director of MT Finance, Timer Aboody, commented on changes to the property market over recent months:

> ***"Outside London, the housing market has been busy with workers looking for commuter belt homes which are cheaper than the capital but also bigger for working from home and with outside space for the children."***

More people were now looking to purchase properties that were better suited to remote working and started heading outside of London to more rural locations with plenty of green space. Estate agents were also noticing new trends in the rental market. More people, including young professional renters, were working from home. This led to a rise in demand for rental accommodation that helped facilitate remote working, with either space for a desk, or a dedicated working from home space onsite. Renters also wanted properties which featured some kind of outdoor space, whether this be a balcony, or communal garden or terrace area.

August property price statistics brought more good news, with the average UK house price having risen from £220,935 in July to £224,123 in August. The stamp duty tax break was once again praised as a significant contributing factor in the property markets resurgence. Ongoing easing of restrictions and a return to a more regular day to day life were also having a big impact, with the majority of people feeling more comfortable with attending in-person property viewings or socially distanced meetings with estate agents, sales consultants and mortgage lenders. To help fuel investment activity, many property developers introduced deals and discounts for their properties. At RWinvest, one deal we announced in August was for assured rental yields of 7% for three years on our One Baltic Square property, instead of the 1-year assurance previously offered.

**UK House Price Rise July - August 2020**


**1.4% Rise in One Month**

# Q3

*"Nationwide reported that the average property price had grown by 0.9% between August and September."*

## September

By September, even more positive statistics were hitting the headlines as average UK house prices hit an all-time high. Nationwide reported that the average property price had grown by 0.9% between August and September. This made house prices 5% higher than they were in the previous year, and disproved predictions of an ongoing fall in property prices throughout 2020. Robert Gardner, Nationwide's chief economist, put the rise in house prices down to a number of factors:

*"Pent-up demand is coming through, with decisions taken to move before lockdown now progressing. The stamp duty holiday is adding to momentum by bringing purchases forward. Behavioral shifts may also be boosting activity as people reassess their housing needs and preferences as a result of life in lockdown"*

As has been the case throughout 2020, however, many were still sceptical on whether this property price boom would last. The government furlough scheme, which ensured UK workers could receive a percentage of their usual salary while unable to work, was due to end in October. With the end of the furlough scheme likely to result in a rise in redundancies and unemployment, experts feared that the property market would experience another drop and house prices would fall to similar levels seen at the start of the pandemic. Covid-19 cases were also beginning to rise rapidly by the end of Q3, which prompted Boris Johnson to take action in introducing new local lockdowns for areas being hit hardest.

# Key Points From Q3

July marked the property markets ‘mini-boom’, when property prices grew by 2.4% between March and July. Year on year house price growth of 3.7% was also recorded, and marked the largest annual rise in property prices since 2016.

Rishi Sunak announced a stamp duty tax holiday in July, which allowed investors and homeowners to make huge tax savings.

Buyer enquiries were up by 75%.

The strongest house price growth was found in Liverpool, Manchester, and Sheffield.

Demand for rural properties increased, as did rental demand for accommodation with outdoor space such as a balcony and dedicated space for remote working.

1.4%

Average property prices grew by 1.4% between July and August.

5%

Average house prices in the UK increased by 0.9% between August and September, with a 5% year on year growth.

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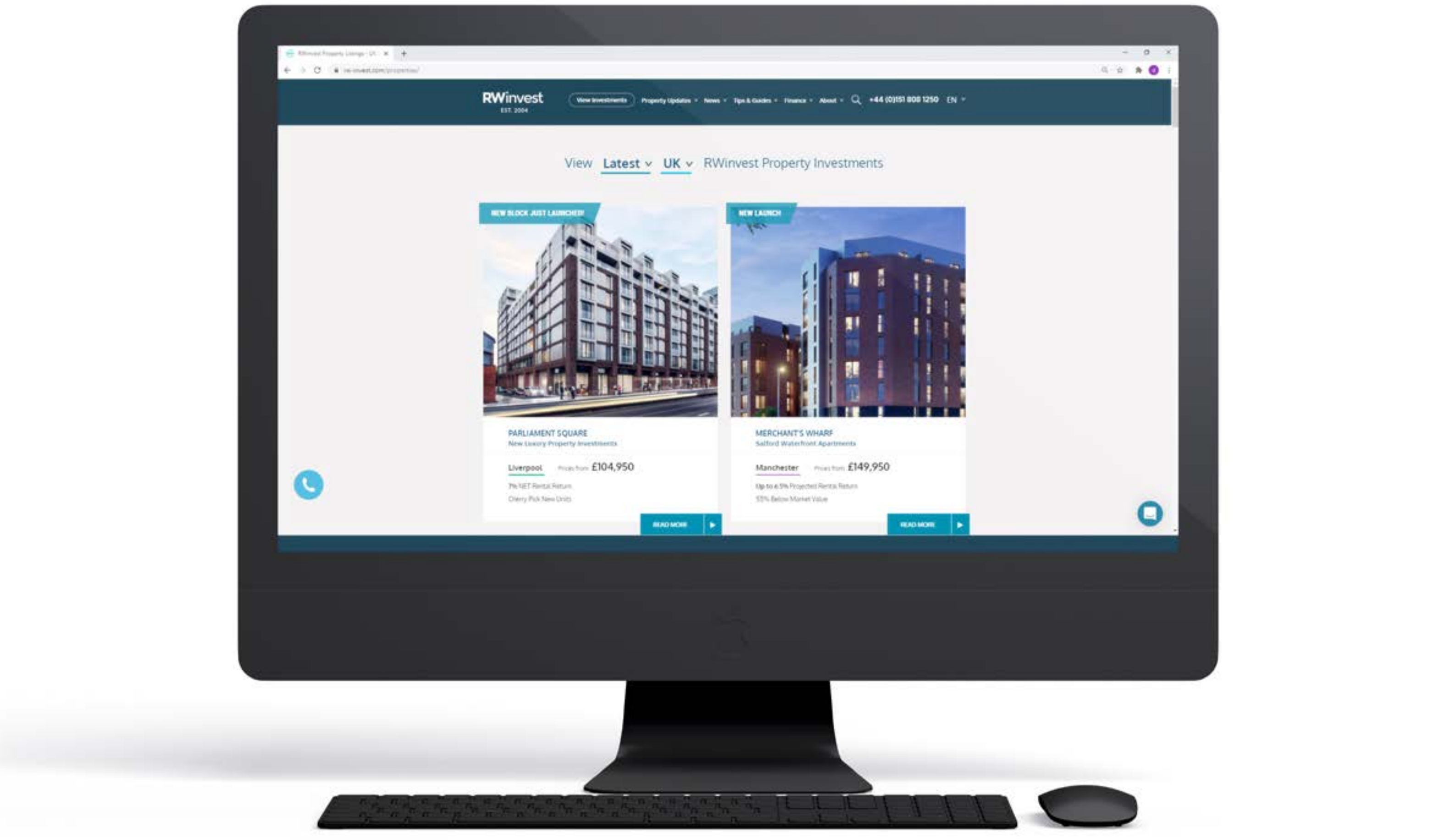


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# Q4

# Q4

# October

*"In October, Savills updated their residential market forecast yet again, with even more optimistic predictions for the coming years."*

While Q4 was expected to be a more turbulent period for the UK property market following the mini-boom seen over recent months, figures from October highlighted even more promising growth. Annual property price growth had increased by 5.8% in October, which was the highest increase since January 2015. Month on month property prices were also up by 0.8% in October.

In October, Savills updated their residential market forecast yet again, with even more optimistic predictions for the coming years. Rather than a growth of 15.1% by 2024, UK house prices are expected to rise by as high as 20.4%, while top property market hotspots such as the North West region are now set to grow by 27.3% instead of the previous 24.1% predictions. Other regions expected to perform strongly are Scotland with a rise of 25.4%, and Yorkshire and the Humber with 24.1% growth. In contrast, Savills predicts London property prices to rise by 12.7% by 2024, which is a major improvement on the previous London prediction of 4% but still not as impressive as the expected growth rate for other UK regions. One of the most notable changes recorded in Savills updated property forecast is their property price predictions for 2021. Rather than an average UK growth of 5%, Savills now predict 0% house price growth across the UK for 2021, ahead of 2024's significant growth.

A new 'tier system' was rolled out in October, with three tiers for areas considered very high-alert, high-alert, and moderate-alert. The Liverpool city region was the first area to enter a tier-3 system, which led to concerns over the strength of the housing market during this time, with Liverpool being one of the most prominent UK cities for property market activity. During temporary restrictions, Liverpool estate agents and property companies such as ourselves at RWinvest returned to the use of virtual property viewings, and limited in-person meetings to keep both staff and clients safe. By the end of October, further restrictions were announced as Boris Johnson revealed plans for a new four-week long national lockdown which included the closure of all non-essential shops, restaurants, bars and pubs, and leisure facilities. On a brighter side, the furlough scheme, which was due to end in October, was extended until March 2021.

Q4

# November

As expected, the new four-week lockdown led to some uncertainty about how the property market would hold up, with concerns over whether the market was about to face a similar fate as it did back in Q1. In the week following Boris Johnson's announcement of a new lockdown, the number of valuations done on homes put up for sale had increased by 38%. According to Knight Frank, however, the number of new viewings had dropped 15% compared to the previous week, hinting that fewer people felt comfortable attending in-person viewings during this period, despite socially distant viewings still being permitted.

> *"UK house prices were reportedly 6.5% higher than they were a year ago, presenting the largest rise in almost six years according to Nationwide."*

Still, property prices were continuing to grow throughout the UK in November. UK house prices were reportedly 6.5% higher than they were a year ago, presenting the largest rise in almost six years according to Nationwide. November property prices were 0.9% higher than they had been in October. This is Money published a summary of the top cities for house price growth over the last twenty years, with Manchester leading the way thanks to a huge 143% increase in property prices.

More good news came in November, with recorded rental price rises seen throughout October. The average rental cost had increased by 2.2% in October compared to the previous month, reaching an average price of £974 per month. A rental price rise was recorded in every UK region except for London, which saw year on year property prices fall by 3.7% between October 2019 and October 2020. This decrease in London rental prices may well have happened in-line with changing tenant attitudes, with fewer people being prepared to pay London's high prices without being able to take full advantage of the bustling city life due to coronavirus restrictions. Many people are seeking more luxury property with a balcony or communal garden and high-speed WiFi connection, and in the capital, these kind of properties come with a much higher price tag than those in more affordable cities like Liverpool or Manchester.

# December



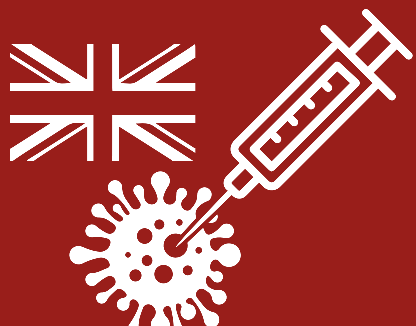
As we approach the end of the year, experts are starting to weigh in on whether they think that the property price growth the UK has experienced throughout 2020 will continue into 2021 and beyond. A survey set up by Halifax in November found that confidence in the UK housing market remained significantly higher than during the first national lockdown back in May. Russell Galley of Halifax said:

***"UK households remain broadly confident in the strength of the property market.***

***The perceived rate of house price growth weakened slightly during November but is nonetheless above average and a noticeable reversal from the period of negative sentiment we saw between April through to August.***

***People also remain cautiously optimistic that property prices across the country will be higher in 12 months' time. However, expectations softened from October, and remain subdued by historical standards."***

**UK was announced as the first country to start administering the coronavirus vaccine**



***Matt Hancock made claims that the UK could begin 'getting back to normal' by Easter 2021***

One major breakthrough to happen in December is the confirmation of a Covid-19 vaccine. The UK was announced as the first country to start administering the coronavirus vaccine in December, with the most vulnerable group of people set to be vaccinated as soon as possible. Matt Hancock made claims that the UK could begin 'getting back to normal' by Easter 2021. While the arrival of a vaccine is definitely a step in the right direction, a lot of property market experts are still feeling cautious about how the market may change in the new year. The end of the furlough scheme and the end of the stamp duty tax holiday are two major factors that could cause a temporary shift in property market growth. The finalisation of Brexit once a deal has been agreed on is also something that many fear could put a strain on property prices moving forward. Still, those considering investing during the end of 2020 or beginning of 2021 shouldn't be discouraged to do so considering the fantastic rental returns available and significant capital growth expected over the coming years.

# Key Points From Q4

savills

Savills updated their residential market forecast with higher expected growth of 20.4% expected for the UK by 2024, and huge 27.3% growth predicted for the North West. Savills now also predict 0% growth throughout 2021.

Annual property price growth of 5.8% was seen in October - the highest yearly growth since January 2015.

6.5%

By November, UK house prices were 6.5% higher than they were in the previous year. November property prices were also 0.9% higher than average property prices in October.

RENT

+2.2%

In October, the average rental price increased by 2.2%, with every UK area seeing a rise except for London.

A level of certainty returned to the economy and UK property market following the announcement of a Covid-19 vaccine, and many are left waiting to find out how the market will change in 2021.

# Entering 2021

All in all, 2020 has been filled with plenty of ups and downs, with some interesting changes made to the market. Those investing in buy to let property may not have considered 2020 a great year to do so during the first few quarters of the year, but with below-market prices and some fantastic deals available, those who invested in 2020 have made a wise decision. While property price growth may be slower than normal for a temporary period in 2021 following the end of the furlough scheme, the finalisation of Brexit, and the end of the governments stamp duty tax break, the future looks brighter than ever in the coming years. Investors who continue to purchase properties in key areas like the North West can expect property price growth of up to 27.3% by 2024, along with enhanced rental market activity and high yields. It's important to also keep in mind that by investing in 2021, before property prices see their highest levels of growth, you can take advantage of being able to secure a lucrative investment opportunity at a lower price than you normally would.

One important thing for buy to let investors to note based on 2020 market activity, is that in order to keep up a consistent level of rental demand, it's important to adapt to new rental market trends. With a rise in remote working, even after the pandemic ends, a lot of tenants are looking for accommodation that incorporates some form of outdoor space, whether this is a balcony, terrace, or communal garden. Renters also want facilities that can aid in home working such as fast internet connection. Properties that include stand out features such as these are perfectly suited to the shifting wants and needs of today's rental market. Take our upcoming Parliament Square development in Liverpool, for instance. This property investment opportunity features luxurious amenities such as a rooftop pool

Parliament Square, Liverpool

and spa and premium onsite gym, along with trendy private balconies in many units. Parliament Square, and our other buy to let opportunities, are also equipped with high speed WiFi which makes for a seamless working from home experience.

If you're interested in making an investment in the North West now or in the new year, make sure you get in touch with our team at RWinvest. We boast one of the most lucrative and exciting selection of buy to let opportunities in the UK, with up to 55% below market prices and 7% rental yields. Our properties are fully equipped to attract plenty of tenant interest in-line with changing rental market trends. Despite the circumstances, we've spent 2020 growing bigger and better by winning an award for North West property company of the year, opening up a new Manchester office in MediaCityUK, and working with local charities to give back to the community in these uncertain times. We plan to grow and expand even further in 2021, and we can't wait to see what the new year brings!

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