



Housing Market Predictions 2021

What Will Happen to the UK Property Market?

Introduction



Following a turbulent year, with the coronavirus pandemic bringing a lot of uncertainty to the UK property market, many homeowners and investors are starting to wonder what lies ahead for the UK housing market in 2021. Experts have speculated over the topic and formulated their own house price predictions for 2021, along with analysing rental market trends to figure out whether or not rental prices will rise in the coming year. If you're interested in making a property investment purchase in the UK next year, and are keen to learn how the housing market will be affected throughout 2021, be sure to read our latest guide outlining housing market predictions for 2021.

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Manchester

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What Happened to the UK Property Market in 2020?



At the beginning of 2020, the UK market looked strong. The UK property market forecast in 2019 predicted 2020 to be a positive year for the housing market. In January, it was reported that UK house price growth was at its highest level in two years, with record-breaking growth seen in December. The UK property market forecast for 2019 had faced a level of uncertainty, but following Boris Johnson's election in December, 2019 ended on a high note for the country's housing market. Savills predicted that the UK would see an average property price growth of 3% in the Midlands and 2.5% in the North West. The future looked bright for the year moving forward, with ongoing optimism that as a Brexit deal was finally agreed on, the UK would be in a great place by the end of the year. No UK property market forecast for 2020 could have predicted that the country, and the world, would be hit by a pandemic that would affect everyday life, the economy, and the housing market. Here are some of the key things that have happened to the UK property market throughout 2020.

A Property Market Slowdown in March

After coronavirus was officially named a pandemic and UK cases rose, the UK went into a full lockdown at the end of March and fears loomed over whether or not the property market would survive. The following months were a rocky period for the UK housing market in 2020, with decreased market activity due to a lack of property viewings and financial worry. There were, however, highs and lows during this period. In April, it was reported that the average value of asking prices was down by 0.6% compared to March, which was the largest monthly fall reported in two years. However, from a year-on-

year perspective, Halifax data showed that house prices in the UK had actually increased by 2.7% in April compared to April 2019.

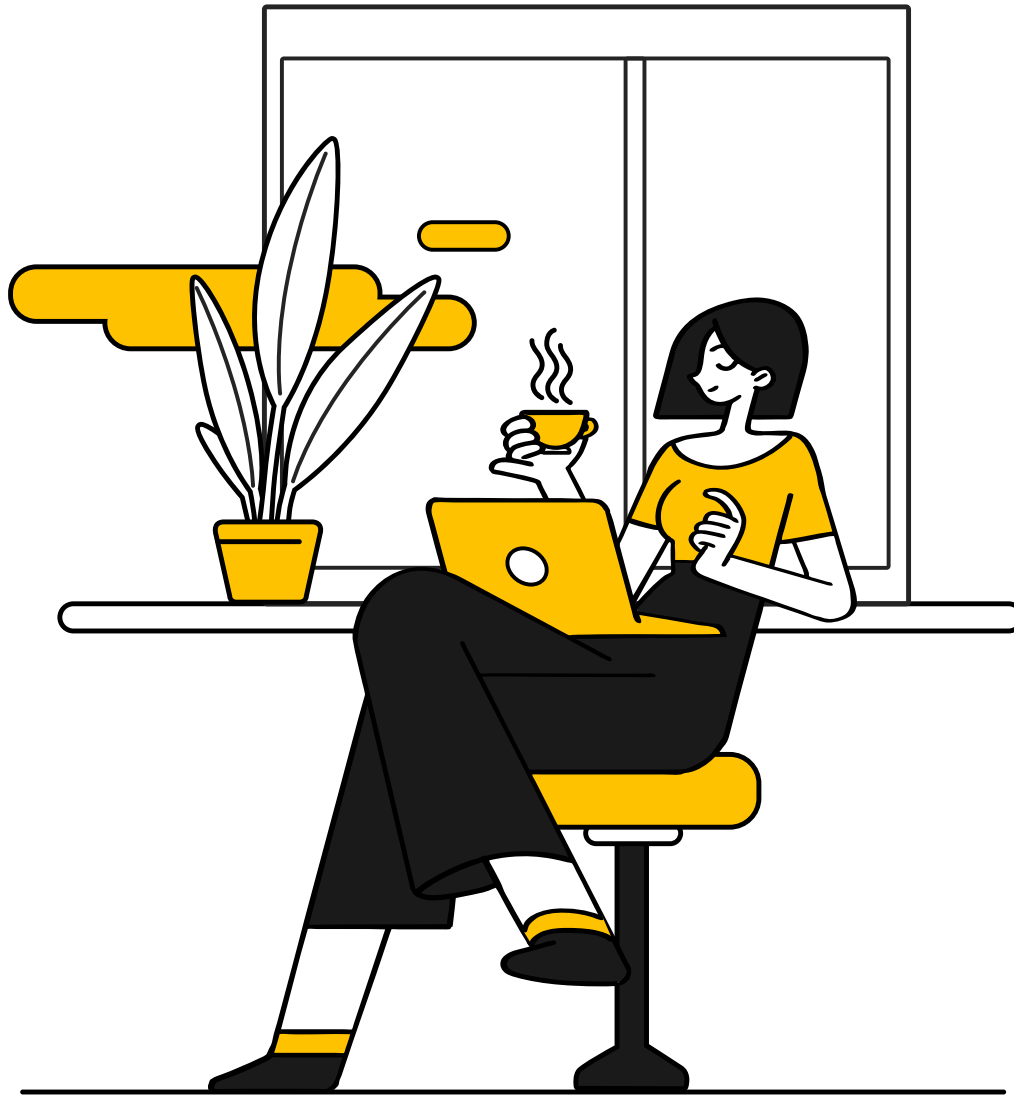
By May, another drop was reported by Nationwide, with a house price decrease of 1.7% between April and May. While this looked like a bad sign, many people, particularly property investors, used this time to take advantage of the best buy to let deals. Many property developers started offering below-market discounts and deals such as assured rental yields for an extended period of time as a way to entice investors.

House Price Recovery

By July 2020, short-term drops in property prices had come to an end, with a 'surprise' 1.6% rise in house prices. This meant that the annual rate of growth for the UK market in 2020 had grown to 3.8%, which is higher than the 1% growth that Savills originally predicted in their UK property market forecast for 2020 at the start of the year. This rise in property values and market activity was fueled not only by the reopening of the property market, but also the introduction of a new stamp duty tax holiday. The stamp duty tax holiday, announced by Rishi Sunak in July, meant that homeowners and buy to let investors were able to benefit from significant

tax savings. The tax threshold for those buying a buy to live home became much higher than usual, allowing anyone purchasing a property worth less than £500,000 to avoid stamp duty tax altogether. For buy to let investments, investors will need to pay 3% tax on property with a value up to the same amount.

This price growth continued into August with record highs, and by October, prices were 5.5% higher than they were a year ago. This marked the biggest increase in property prices for over four years, and restored a lot of faith in the market moving forward and encouraged more optimistic house price predictions for 2021.



Changing Buyer Demand

One of the most notable things to happen to the UK property market over 2020 was the shift in people's attitudes and requirements when it comes to their home. Due to the lockdown, more people than ever before have been working from home in 2020, with numbers increasing from 5.7% of workers in January and February to 43.1% in April. With so many people spending more time in their homes, the UK property market saw a number of buyer and renter trends.

One of the most common trends for homeowners was a rise in demand for more rural properties. Wealthy

homeowners have reportedly been leaving London and moving to more rural countryside locations in what has been dubbed the 'race for space'. According to Knight Frank, house price growth was seen for all country houses with a 2% increase in the three months to September 2020. A lot of homeowners now favor access to green space and a more serene environment away from the hustle and bustle of the city. For younger age groups, however, such as young professionals and students, a city location is still desirable, but renters are now seeking different qualities from their rental accommodation.



Rental Property Trends

Covid-19 has also affected the rental market, and one particular quality that many people now look for when finding a rental property is a garden or outdoor space such as a balcony. For those who are working from home while living in the city-centre, having a balcony or shared/private garden is a great way to get some fresh air without having to travel or walk to the nearest park. Properties like our upcoming One Baltic Square property, with a large communal garden area, align with this trend perfectly, while other properties offer spacious balconies.

Another quality that more renters are looking for is a high-speed internet connection to facilitate working

from home, along with space for a desk area. Modern new-build properties are perfect for this, as they tend to come with high-speed WiFi, and often have dedicated or built-in desk areas. While 2021 will likely see fewer people working from home due to a gradual return to normality, many UK workers are now more inclined to work from home full-time. A recent poll revealed that more than half of workers are reluctant to return to the office, with many people wishing to spend some days in the office and some days at home. With this in mind, it's likely that these trends will continue for some time, and savvy investors should seek out buy to let properties which incorporate these desirable features.

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What do Experts Predict Will Happen to UK House Prices 2021?



Now that we're approaching the new year, more and more experts are starting to give their opinion on what the market may have in store and giving housing market predictions for 2021. While we don't yet know for sure what will happen in the upcoming year, these house price predictions for 2021 will hopefully help investors venture into the new year with a bit more clarity. Below, we've outlined a range of property market predictions for 2021.



"The outlook remains highly uncertain and will depend heavily on how the pandemic and the measures to contain it evolve as well as the efficacy of policy measures implemented to limit the damage to the wider economy."

Will House Prices Fall When the Furlough Scheme Ends?

The furlough scheme was introduced as a way to help both businesses and staff struggling during coronavirus restrictions. Employees were paid a percentage of their usual wage by the government to tide them over while a business temporarily cut down numbers of staff or closed entirely. The furlough scheme has been successful at keeping people in work and tiding businesses over until a sense of normalcy returned. However, what will happen to the UK economy and property market once the furlough scheme ends in March 2021?

In an article from the Independent, Nationwide's Robert Gardner commented on UK real estate market predictions

in 2021, following the end of the furlough scheme:

"The outlook remains highly uncertain and will depend heavily on how the pandemic and the measures to contain it evolve as well as the efficacy of policy measures implemented to limit the damage to the wider economy."

With the possibility of job losses once the furlough scheme ends, it's possible that property prices may experience a slow down in contrast to the high growth seen throughout 2020. Still, only time will tell what the UK property market forecast of 2021 will look like from March and onwards.

"The Stamp Duty holiday is being cited as a potential reason, so it's definitely worth keeping an eye on prices when that ends"



Will the End of the Stamp Duty Holiday Affect the Property Market?

In the months following the introduction of the stamp duty tax holiday, the UK property market experienced a mini-boom, with property prices rising to record levels in July. So what does this mean for house prices in the UK for 2021? Will house prices drop in the UK in 2021 once the stamp duty holiday ends?

Speaking to the Express, Gary Hemming from ABC Finance stated that when it comes to house price fluctuations and any possible price drops:

"The Stamp Duty holiday is being cited as a potential reason, so it's definitely worth keeping an eye on prices when that ends"

The end of the stamp duty holiday may cause a temporary slow in market activity from those who were taking advantage of the tax savings available. However, as we've seen in previous times of property price falls, any drop in market activity or prices is always temporary and ends in a full recovery.

Will the Covid-19 Vaccine Cause Property Prices to Rise?

Evidence shows that the UK property market and economy responds well to a newfound level of certainty. Following Boris Johnson's election back in December 2019, house prices saw a sharp rise with what many people have referred to as 'the Boris Bounce'. Even following the recent election of the new US president, Joe Biden, the global stock market saw an upturn, with a 4.4% jump for the FTSE 100. The latest revelation to bring a level of certainty to both the UK and the world is the reveal of two new Covid-19 vaccines. Matt Hancock claimed in November that following the distribution of the coronavirus vaccine to UK residents, the country could start returning to normality by Easter 2021.

So, will the UK see a property market boost thanks to the arrival of a Covid-19 vaccine? It's certainly

possible. Many investors and buyers who may have previously remained cautious towards the market during the Covid-19 pandemic may now feel a new level of certainty and decide to buy property and take advantage of the last remaining months of the stamp duty tax holiday. Speaking to Homes and Property about the struggling London property market, Marcus Dixon of LonRes stated that:

"It's difficult to put a number on it, but prices are definitely looking rosier with a vaccine than without next year and beyond"

When it comes to house price predictions for 2021, the significance of a coronavirus vaccine is sure to be a major contributing factor in any further growth or stability.

What About the UK Property Market Forecast 2021 & Beyond?

While there could be some bumps in the road ahead for 2021, what do house price predictions for 2021 and beyond show? Savills updated their UK property market forecast in October 2020, in-line with market fluctuations. While the new Savills predictions highlighted a 0% growth for all UK regions for 2021, housing market statistics for the following years looked a lot brighter. By 2022, property prices are expected to grow by 6% in the North West, with consistently high growth expected for the following years leading up to 2024 when the UK average growth is set to stand at 20.4%. That's significantly higher than the previous Savills UK property market forecast prediction of 15%. During this period, the strongest growth is predicted for the North West region with 27.3%, followed

by Scotland with a 25.4% increase.

From an investment perspective, even if negative house price predictions for 2021 are correct and property prices do experience a downturn, this gives buy to let investors a chance to purchase property at a lower rate than usual before benefitting from enhanced growth further down the line. As the popular Warren Buffet quote goes:

"Be fearful when others are greedy and greedy when others are fearful".

By buying a buy to let property when others are cautious about doing so, investors can take advantage of huge capital growth further down the line.

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Liverpool Student Investment

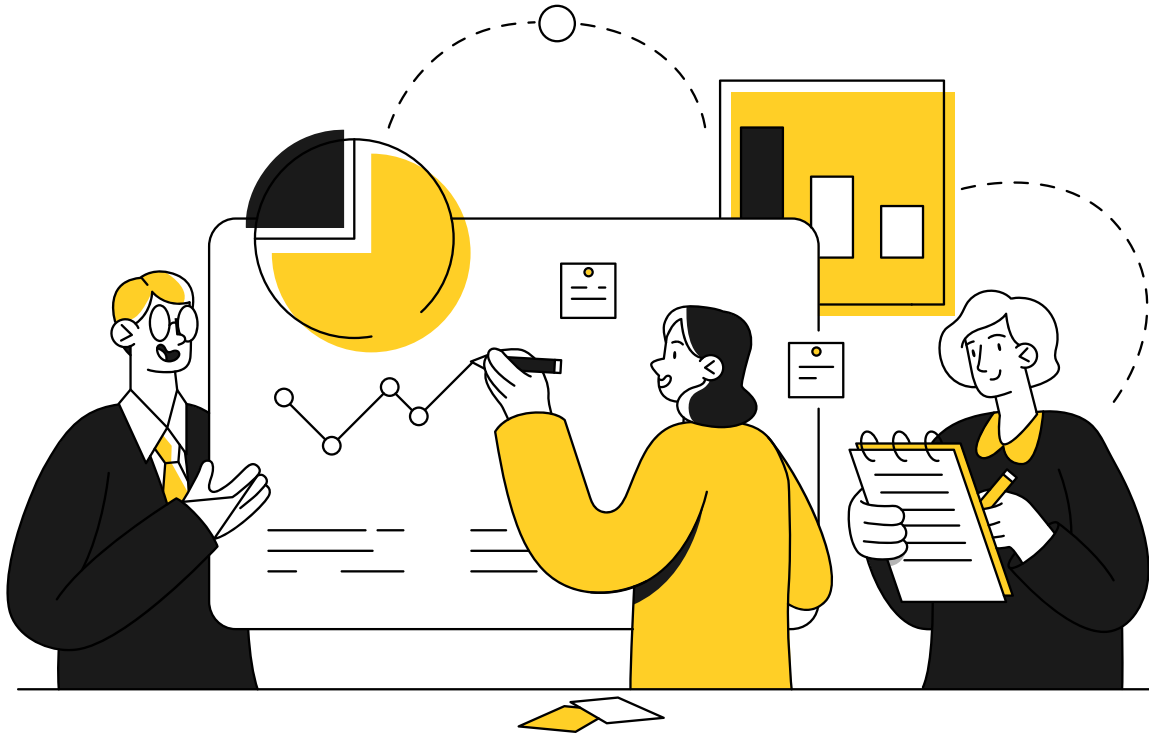
Prices from **£78,950**

8% NET Rental Return

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UK Property Market Forecast 2021: Things to Keep in Mind



What do Experts Predict will Happen to the UK Rental Market in 2021 and Beyond?

While many are questioning “will house prices drop in 2021 in the UK?”, a lot of investors are also concerned about how the rental market will be affected. One way in which the rental market is expected to perform in 2021 is with continued demand for rental properties that incorporate qualities like high-speed internet, desk space, and some form of a garden, balcony, or terrace. Investors who adapt to fit these qualities should see a rise in demand for their rental accommodation. With first-time buyers finding it more difficult than ever to buy their own home due to the lack of mortgage lenders offering 95% mortgages compared to the amount offered pre-covid, people may be looking to rent for longer. That’s why investors should do

anything they can to attract the right tenants during this time.

In JLL’s recent residential market report, they outline housing market predictions for 2021 - 2025. UK rents are expected to increase by 8.5% between 2021 and 2025, while a significantly higher rental price growth of 12.5% is predicted for Manchester. London is set to see a growth of 10.5%, which is higher than the national average but still not as high as rental growth expected in the North. Overall, 2020 has seen average UK rental costs grow by 2.2% excluding London, with a 2.4% growth in the North West. This is a promising statistic that points towards a positive UK property market forecast for 2021 rental market growth.



Where Should I Invest in 2021?

If you're already thinking about your 2021 investment after reading our guide to housing market predictions for 2021, it's important to be selective and do your research on the best areas to invest in. According to real estate market predictions in 2021, UK investors can expect significant levels of property price growth in the North West region, with the strongest growth predicted by Savills. Cities in the North West are commonly known as top buy to let areas, and in 2021, those who invest in Liverpool or Manchester can expect some fantastic growth rates and rental yields.

Totally Money has listed Liverpool as their top buy to let city thanks to 10% rental yields available in the L1 postcode, while both Manchester and Liverpool offer some of the most affordable property prices in the country. Affordability is always a welcome aspect of an investment, but even more so during times of uncertainty. This past year, investors have taken advantage of some amazing deals in Manchester and Liverpool, such as assured rental yields as high as 8%, and up to 55% below-market prices.

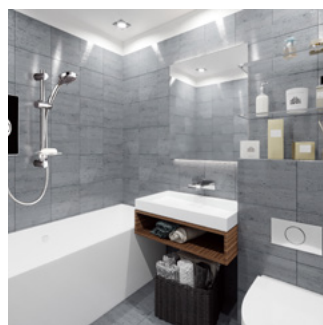
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City Terraces, Liverpool



View our Track Record

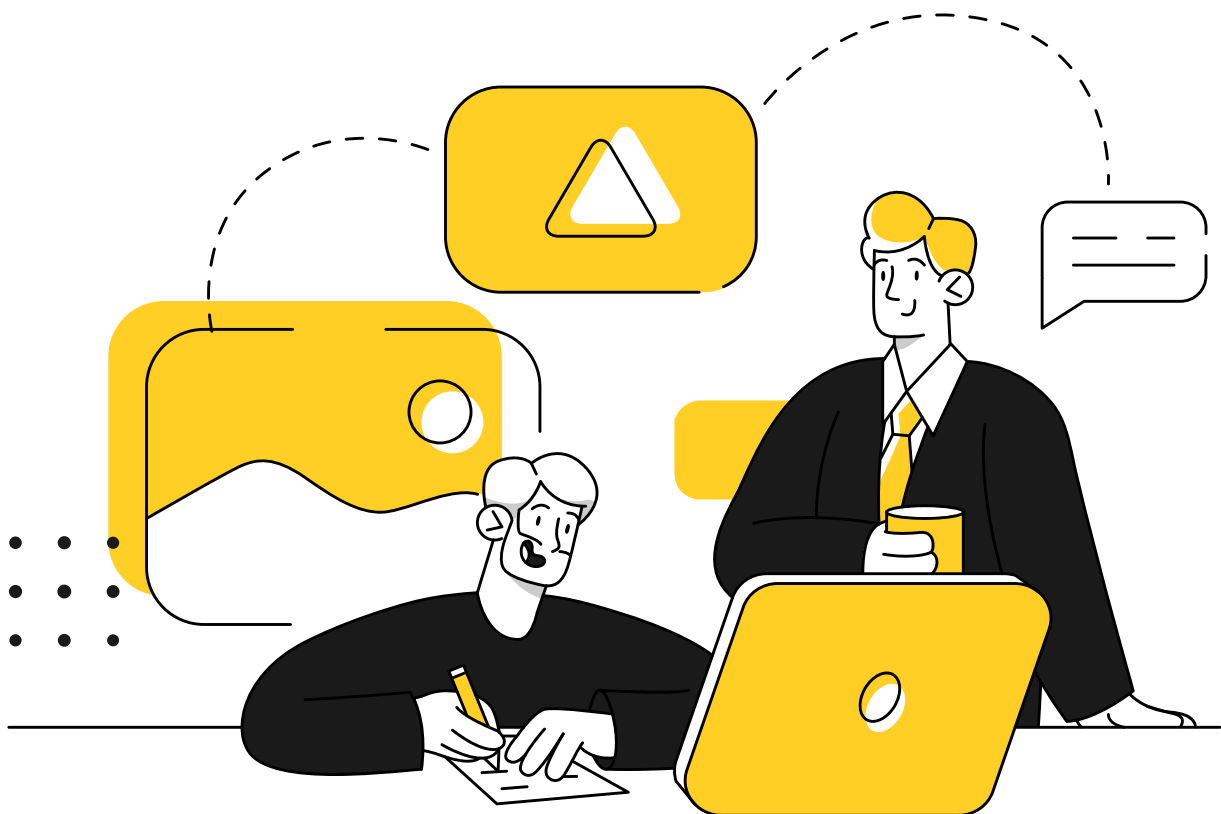
When we founded RWinvest in 2004, our mission was to help investors like you succeed, matching you with carefully vetted opportunities that offer excellent growth prospects. Our focus has always been on transparency, reliability and quality, bringing investors together with the best developers and management companies in the UK.

rw-invest.com

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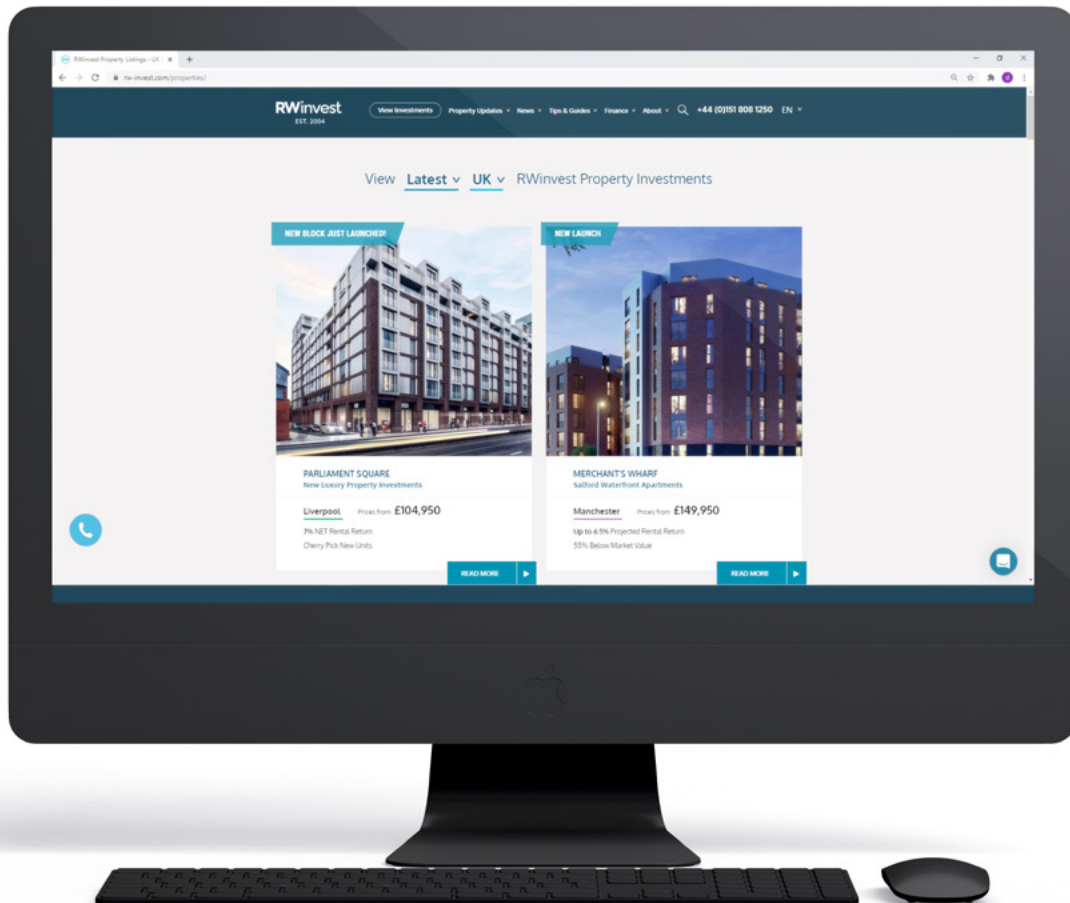


Make Your Next UK Investment Purchase With RWinvest



Are you ready to invest with one of the UK's most reputable property investment companies? We have some great buy to let opportunities for 2021, with a choice of lucrative residential properties in Liverpool and Manchester. In-line with Covid-19 guidelines, we're offering virtual meetings and virtual tours of our properties, allowing investors to secure their next buy to let investment from the comfort of their home. Contact us today for more details and be sure to take a look at our other helpful property investment guides and articles.

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DISCLAIMER

This guide to housing market predictions for 2021 was written in December 2020. This may mean that certain statistics and information is outdated depending on the date you read the guide.
