

PROPERTY MARKET REVIEW

MAY 2020



Our monthly property market review is intended to provide background to recent developments in property markets, as well as to give an indication of how some key issues could impact in the future.

City transactions drop as investors take stock

According to Savills' latest City Investment Watch publication, transactional volume in the City saw a sharp decline in April, with just three transactions, totalling £149.4m, taking place. This was significantly down on March's figure of £477.75m.

2020 investment volume was down 39% in April, compared with the same point last year, standing at around £1.5bn across 26 transactions. This compares to £2.46bn across 33 deals in April 2019.

According to Savills, the fall in activity is due to many investors taking a more cautious, 'wait and see' approach to potential sales, with many focusing on managing the fallout from Q2 rent collection.

In more positive news, London pricing is standing firm, with no evidence of a material discount for best in class stock – although Savills is predicting a growing price gap between prime and secondary assets.

Pandemic impacts commercial market outlook

Market sentiment has dropped significantly since the outbreak of COVID-19, according to the Q1 2020 RICS UK Commercial Property Survey. Occupier demand has fallen, with a headline net balance of -24% of respondents, down from -12% in Q4 2019. The report points out, however, that social distancing measures intensified significantly midway through the survey collection period.

The worst-hit sector is retail, with tenant demand in Q1 recording a net balance of -67% for retail (falling to -82%

when only including submissions received from 1 April onwards). Rents across the sector are also expected to fall over the next 12 months, with secondary rents predicted to decrease by 12% and prime retail rents by 8%.

While the office sector also saw a marked drop in market sentiment (albeit smaller than that of retail), the industrial sector remains resilient, with rents across the whole quarter expected to rise marginally and tenant demand increasing by 6% (although these figures dip slightly when only considering responses from 1 April onwards).

Office providers prepare for City workers' return

With the Prime Minister's 'roadmap' to getting the economy restarted now unveiled, London office space providers such as WeWork and Workspace are making preparations to get offices prepared for social distancing for when workers return.

WeWork, which has 60 sites throughout the capital, says it will be introducing measures such as reducing the number of people able to use breakout and meeting areas at any one time and installing touch-free soap dispensers in all bathrooms. Workspace says it will be introducing wall and floor signage to encourage social distancing and installing plastic screens to shield reception staff.

General Manager at WeWork UK and Ireland, Mathieu Proust, commented: "As we face the new realities of a post COVID-19 world, we're leading on best practices for workplace hygiene measures and physical distancing, whilst still offering environments which foster connection and collaboration."

HOUSE PRICES HEADLINE STATISTICS

| | |
|-------------------------------|----------|
| HOUSE PRICE INDEX (MAR 2020)* | 121.6* |
| AVERAGE HOUSE PRICE | £231,855 |
| MONTHLY CHANGE | -0.2% |
| ANNUAL CHANGE | 2.1% |

*(Jan 2015 = 100)

- UK house prices increased by **2.1%** in the year to March 2020, up from **2%** in February 2020
- On a non-seasonally adjusted basis, average house prices in the UK decreased by **0.2%** between February 2020 and March 2020, compared with a fall of **0.3%** during the same period in 2019
- The highest annual growth within the English regions was in London, where average house prices grew by **4.7%**.

Source: The Land Registry

Release date: 20/05/2020

Following the publication of the March index on 20 May, the UK HPI has been suspended until further notice.

AVERAGE MONTHLY PRICE BY PROPERTY TYPE – MAR 2020

| PROPERTY TYPE | ANNUAL INCREASE |
|-------------------------------|-----------------|
| DETACHED £354,304 | 2.60% |
| SEMI-DETACHED £220,269 | 2.00% |
| TERRACED £186,610 | 1.90% |
| FLAT / MAISONETTE £204,849 | 1.90% |

Source: The Land Registry

Release date: 20/05/2020

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HOUSE PRICES PRICE CHANGE BY REGION

| REGION | MONTHLY CHANGE (%) | ANNUAL CHANGE (%) | AVERAGE PRICE (£) |
|-------------------------------------|--------------------|-------------------|-------------------|
| ENGLAND | -0.1 | 2.2 | £248,271 |
| NORTHERN IRELAND (QUARTER 1 - 2020) | 0.2 | 3.8 | £140,580 |
| SCOTLAND | 0.4 | 1.5 | £151,856 |
| WALES | -2.8 | 1.1 | £161,684 |
| EAST MIDLANDS | 0.4 | 2.1 | £194,664 |
| EAST OF ENGLAND | 0.0 | 1.6 | £291,254 |
| LONDON | 1.2 | 4.7 | £485,794 |
| NORTH EAST | -0.6 | 1.8 | £126,945 |
| NORTH WEST | 0.2 | 3.4 | £166,202 |
| SOUTH EAST | 0.6 | 2.0 | £323,353 |
| SOUTH WEST | 2.0 | 4.1 | £263,360 |
| WEST MIDLANDS REGION | -2.3 | 0.4 | £195,917 |
| YORKSHIRE AND THE HUMBER | -3.6 | -1.0 | £159,208 |

MORTGAGE PAYMENT HOLIDAY DATA

- Over **1.6 million** mortgage payment holidays have been offered to homeowners impacted by COVID-19 (to 24 April)
- **One in seven** mortgages in the UK are now subject to a payment holiday
- Almost **700,000** payment holidays granted to mortgage holders in April
- For the average mortgage holder, the payment holiday amounts to **£755 per month** of suspended payments.

Stephen Jones, UK Finance CEO, commented: "Lenders understand that many households are seeing their finances squeezed due to the coronavirus pandemic and we are working hard to help customers get through these tough times."

Source: UK Finance, April 2020

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