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Symington Elvery Market Conditions June 2021

The pandemic was always going to have a significant impact on the Prime Central London (PCL) market. In the first lockdown, the market was physically closed and, whilst the market has now been open for over a year, the pandemic continues to have a marked impact on buyer sentiment. With restrictions ongoing, London certainly lost some of its magic and changing working patterns caused many to re-evaluate their housing needs. This resulted in many moving out to Greater London, the Home Counties and indeed, further afield. Whilst the market has been open for over a year, international travel restrictions have meant that the majority of the international market (which accounts for roughly 50% of PCL transactions) have physically been unable to transact.

In its early stages, the pandemic did have a negative impact on the PCL market but this was less significant than many were forecasting. Since reopening, the market has been relatively stable, with Knight Frank recording modest annual price growth of 0.3% in the year to May 2021. It is probably fair to state that, after six years of decline, the PCL market was overdue a period of house price inflation and one was on the horizon when the pandemic struck. Our observation at the time that the pandemic was delaying an overdue recovery appears to have been accurate.

The top end of the market in PCL is often a barometer of things to come. Savills report 43 sales in PCL over £5,000,000 in May 2021. This is the highest figure since April 2014. Interestingly, in the period of January to Aprils 2021, Savills record an increase of 140% of house sales above £5,000,000 compared to the same period in 2019. This contrasts with a 27% decline in flat sales above £5,000,000 over the same periods. This would echo our findings on the ground, where the pandemic has caused the domestic market to re-evaluate their housing needs. However, the provision of outside space is now seen as increasingly important. We have found demand to be much stronger in locations which are more sought-after by the domestic market, Notting Hill being a very good example, and demand being stronger for larger houses with good size gardens. Demand for smaller flats in more international locations, Knightsbridge being a good example, has been comparatively weak throughout the pandemic. This has been compounded by many seeking to sell 'pied-à-terres', which are now redundant owing to changing working patterns and buy to let investors selling on account of poor rental returns during the pandemic.

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Whilst the market has varied significantly in terms of its performance, to have overall indices showing (admittedly very modest) growth should be regarded as positive given the extraordinary circumstances arising from the pandemic but particularly given that the market has been limited very much to the

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domestic sector. The relaxation of international travel will therefore provide a significant boost as the market picks up from where it left off after the General Election of 2019 with buyers recognising good value and seeking to capitalise on low interest rates as well as favourable exchange rates. It is likely that the aforementioned underperforming segments of the market will see a more marked resurgence as the international market returns. Whilst we are, therefore, optimistic about the second half of 2021, we do not consider that the recovery will be as marked as it was in 2009 where the market showed 1% growth per month. This is on account of the high levels of SDLT, which will continue to prove a barrier to entry. A Treasury Committee has concluded that "any permanent cut or removal of SDLT would be likely to have a significant cost to the Exchequer". We are, therefore, of the opinion that any hope of an amendment to SDLT is fading.

The market for Outer London areas has performed comparatively well in relation to the Prime Central London, with Knight Frank recording annual growth of approximately 3%. This is not to be unexpected, as domestic purchasers have sought to re-evaluate their housing needs and move out of Central London, in order to acquire larger houses with more outside space. The impetus to move after lockdown and the associated confinement has also had a significant impact on the national market. Zoopla estimate that 2021 will see 1,520,000 transactions; that is an increase of 45% from 2020 where, admittedly, the market was closed for three months, but it makes it one of the busiest years since 1959. Thirty two percent of properties were sold for more than their original asking price in April, according to Propertymark Housing Market Report. This is well above the 19% recorded in May 2014 and is the highest level on record. For much of the country, prices are climbing to their highest value since 2007.

It is our opinion that the renaissance of the current house market within the Home Counties has been overdue for some time as the Home Counties did not witness the ferocious growth seen within London between 2009 and 2014. Put simply the value gap between PCL and the Prime Home Counties was extraordinary in 2014 and remained relatively pronounced when the pandemic struck. Nevertheless, many are now predicting a slowdown of the national market over the second half of this year, owing to the end of the Stamp Duty Holiday, the withdrawal of Government support schemes in relation to Covid 19 and the abatement of pent up demand. This is a sentiment that we would share, particularly owing to the high house price to earnings ratio that is currently being witnessed within the national market, which is generally more reliant on mortgage finance.