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## RESIDENTIAL PROPERTY REVIEW

JULY 2020



Our monthly residential 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.

### UK housing market shows initial signs of recovery

The number of prospective home buyers bounced back *'noticeably'* in June, as did enquiries, agreed sales and instructions, according to the latest UK Residential Market Survey from the Royal Institution for Chartered Surveyors (RICS).

While the impact of lockdown is clearly still being felt, with 12-month sale expectations remaining subdued against a *'challenging economic backdrop'*, the report certainly made for more positive reading than those of recent months.

The survey also reported a boost in the number of properties being listed for sale, with a net balance of +42% of survey participants seeing an increase, rather than decrease, in listings. Meanwhile, pricing expectations also appear to have bounced back; while still in negative territory, a net balance of -12% of respondents believe that prices will fall over the next three months, as opposed to -43% in May.

### Nationwide tax breaks

After the Chancellor's announcement of a Stamp Duty holiday for England, Scotland followed suit with a Land and Buildings Transaction Tax (LBTT) holiday that will see the threshold temporarily rise from £145,000 to £250,000.

The changes to LBTT will mean that an estimated 80% of buyers in Scotland will be exempt from the tax until 31 March 2021.

The Welsh government also announced a Land Transaction Tax holiday which increases the threshold from £180,000 to £250,000. The new threshold will come into effect on 27 July to correspond with the full reopening of the housing market in Wales.

### Increased demand for new builds post-lockdown

Interest in newly built properties has surged by 66% since the reopening of the property market in May – higher than before lockdown began.

Property website Zoopla recorded the jump in the six weeks following 13 May, the day the housing market reopened for business. The surge in demand, it said, was particularly strong among first-time buyers, with a 46% increase for this group.

The increase has been attributed to two reasons. The first is that developers are used to providing virtual viewings when physical viewings aren't possible. Secondly, the Help to Buy scheme can only be used when purchasing a new-build property.

### Homeowners to benefit from £2bn Green Homes Grant

Property owners could benefit from grants to make their homes more energy efficient from September 2020. Announced on 8 July in the Chancellor's Summer Economic Update, it comes as part of a £3bn plan to cut carbon emissions and meet sustainability targets.

The Green Homes Grant will allow English homeowners to apply for vouchers, worth up to £10,000 for the lowest-income households and up to £5,000 for other households, to make energy efficiency improvements to their properties, such as wall or loft insulation, double glazing and low-energy lighting.

The Chancellor suggested that the initiative could save households up to £300 per year on their energy bills.

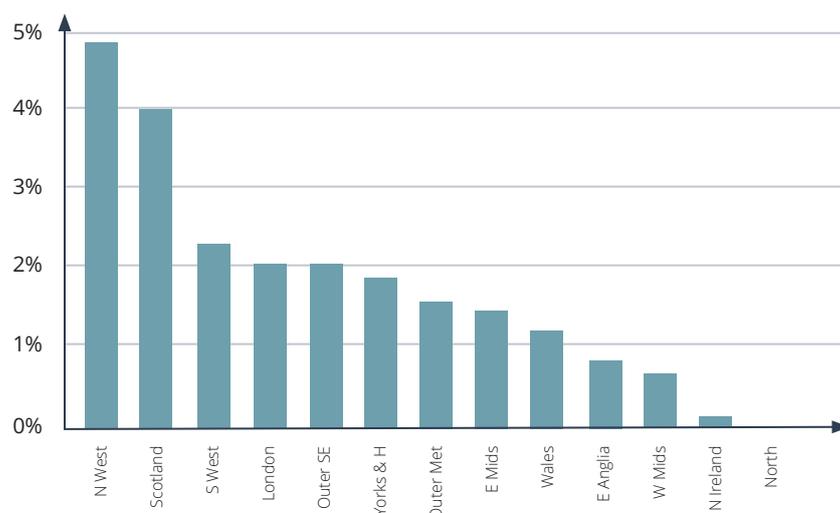
## HOUSE PRICE INDEX JUNE 2020

HEADLINES	JUN-20	MAY-20
MONTHLY INDEX*	428.3	434.6
MONTHLY CHANGE*	-1.4%	-1.7%
ANNUAL CHANGE	-0.1%	1.8%
AVERAGE PRICE (NOT SEASONALLY ADJUSTED)	£216,403	£218,902

\* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

- House prices down **1.4%** month-on-month
- Annual house price growth negative for first time since 2012, with prices down **0.1%**

## ANNUAL PERCENTAGE CHANGE IN HOUSE PRICES – Q2 2020



*“It is unsurprising that annual house price growth has stalled, given the magnitude of the shock to the economy as a result of the pandemic. Economic output fell by an unprecedented 25% over the course of March and April, almost four times more than during the entire financial crisis.”*

**Robert Gardner, Nationwide's Chief Economist**

Source: Nationwide, House Price Index, May 2020

## STAMP DUTY CUT – ‘A WELCOME BOOST’

Responding to the Chancellor's announcement on Stamp Duty, Eric Leenders, Managing Director of Personal Finance at UK Finance, said:

*“The Chancellor's announcement on Stamp Duty should give a welcome boost to the housing market and in turn have positive knock-on effects for the wider economy. This measure designed to re-boot the housing market builds on the wide package of support put in place by mortgage lenders, working with the regulator and HM Treasury, to help customers through these tough times. The industry has a clear plan to help homeowners whatever their financial situation and is committed to providing ongoing support to those customers who need it.”*



Source: UK Finance, July 2020

All details are correct at the time of writing (21 July 2020)

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