



RESIDENTIAL MARKET REPORT

Bristol Research
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NO DEAL BREXIT – THE PREDICTION FOR BRISTOL HOUSE PRICES

Roll the clock back to **April 2020**, and major financial economists and property market commenters were sounding the alarm. **The very best-case scenario was a 5% drop in property values by the end of the year, and most were in the 10% to 15% range.** They forewarned the Covid-19 stimulated recession would trim tens of thousands of pounds off the value of Bristol homes.

Yet the Bristol property market seemed not to get the memo on that, and now as we find ourselves at the end of 2020 and the worst of lockdown restrictions appear to be passed, vaccinations on the way and economy starting to grow, Bristol property prices seem to be doing quite well.

What happened to the Bristol house price crash that wasn't?

Before I answer that, it reminded me of what the Treasury said in 2016 about a leave vote on the Brexit referendum. The considered opinion of the Treasury was **house prices would drop by 18% if the country voted to leave the EU**, so let us see what that would have done to Bristol house prices if that had taken place and then what exactly has happened in the last four and half years ...

	Average Value 2016	Predicted Drop by Treasury because of Brexit	Average Value Today	Uplift in Value in the last 4.5 years	% Increase since Brexit Vote
Bristol Detached	£422,300	£346,300	£487,100	£64,800	16.3%
Bristol Semi-Detached	£287,300	£235,600	£324,800	£37,500	12.1%
Bristol Town House/Terraced	£247,100	£202,600	£287,500	£40,400	17.4%
Bristol Apartments/Flats	£211,700	£173,600	£249,000	£37,300	16.6%



So why has the Bristol property market not matched the property pundits twice in the last five or so years?

Well for most of us, owning a property is about having somewhere to live rather than an investment (an Englishman's home is his castle??). Nevertheless, once a homeowner is on the proverbial 'property ladder', it cannot be denied that it is eternally beneficial to know, as a homeowner, that you have made a healthy investment in your home and that the value will rise to alleviate the ache of trading up market – or down market when you retire.

Those **Bristol homeowners who own detached homes would have made an average of £64,800 profit, a rise of 16.3% or a weekly profit of £249.23** – calculated between the price they would have paid in the summer of 2016 and the price they would sell for today. Looking at the weekly profit for all property types in Bristol since the Brexit vote...

- Bristol detached homes weekly profit of £249.23 per week**
- Bristol semi-detached homes weekly profit of £144.23 per week**
- Bristol terraced homes/town homes weekly profit of £155.38 per week**
- Bristol apartments weekly profit of £143.46 per week**

Whilst it is no surprise the property market boom was inspired by the Chancellor's Stamp Duty holiday, this is not exclusively the Chancellor's achievement. The three 'D's have been with us throughout 2020, Covid or no Covid (Debt, Divorce and Death), together with a huge shift in the way Bristol homeowners see their homes. With us cooped up during the lockdown and working from our dining room tables, the want and need of Bristol people to have a home with an extra bedroom to work from, together with a garden, has been one of the most challenging this year... hence the rise in demand.

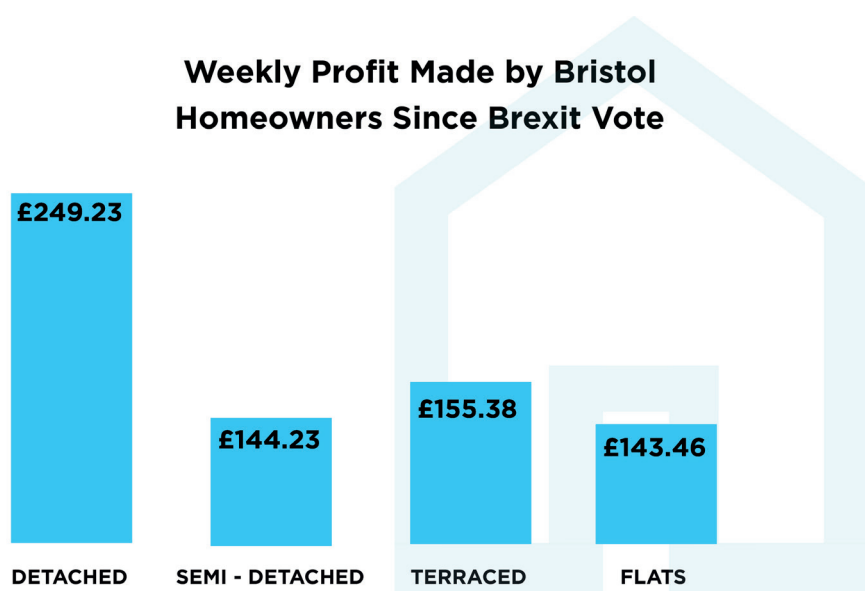


So, what of 2021? It's true that the country will have high unemployment, yet at the same time, we have ultra-low interest rates and for the last 20 years, on average we have only built 150,000 households per year as a nation, but needed 300,000 per year to keep up with immigration, people living longer and changes in the way households are made up (compared to the Millennium).

Many people can predict what will happen – yet none of us really know what will actually happen to the Bristol property market in 2021.

Covid was a black swan event and the fallout from that, I believe, has changed Bristol peoples' lives and their lifestyles, especially how they see their home. Instead of making predictions, nothing can get away from property market fundamentals, which have driven price booms on the back of high demand for homes and low supply (i.e. properties coming onto the market) and price crashes on the back of over-supply and low demand. Only time will tell if, in 2021, the Bristol property market will see a flood of properties coming to the market because of debt or the demand for larger homes continues to rise unabated.

Please do let me know your thoughts on the matter.



WHAT WILL HAPPEN TO THE **BRISTOL** **PROPERTY MARKET IN 2021?**

In the last few months, the Bristol (and UK) property market has resisted and flouted every economist's prediction. With the economy a shadow of its former self, unemployment set to hit 11.9%, the Government on track to borrow nearly half a trillion pounds to pay for Coronavirus support packages etc., all of this has had no effect on Bristol homeowner's enthusiasm or capability to want to move home. It highlights the influence of both the emotional impact of lockdown and the enticing appeal of saving thousands of pounds on your Stamp Duty Tax bill.

For the last few months, the Bristol property market has been akin to a surfer, riding an unexpectedly large wave. The question is, will the surfer crash down (i.e. the property market) onto the rocks or will it calmly arrive at the beach unscathed? Well looking at house prices firstly...

UK house prices are 4.7% higher than they were 12 months ago according to the Land Registry.

Looking at the data over the country, things overall are looking good for property prices. Yet it must be remembered the Land Registry data is on completed house sales and is always a couple of months behind, so this data is for house sales up to September that were agreed in the spring. Also, it does not take into account the prices being paid today on Bristol homes (as they will only show in statistics the Spring and Summer of 2021 when the sale completes).

Bristol house prices will inevitably ease in 2021

Anecdotal evidence over the last few months has suggested buyers are using their Stamp Duty savings on the price they are prepared to pay for the Bristol home of their dreams, so when the Stamp Duty holiday finishes in Spring 2021, we will see a reduction in the price Bristol properties sell for, as buyers will now have to hold back some of their cash to pay the Stamp Duty tax.



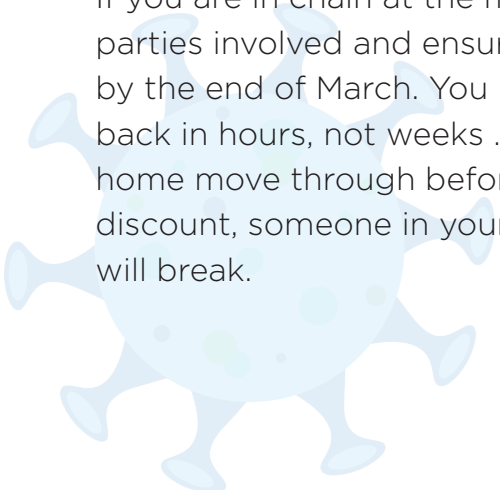
Mortgage approvals at a 13 year high

A better statistic to judge the property market is by the number of mortgage approvals. As the vast majority of house buyers need a mortgage, that is another good place to look at the numbers as they are much more up to date than the Land Registry figures. The Bank of England recently stated 97,500 mortgages were approved last month, up from the long-term average of just over 65,400 per month. This was the highest number of mortgage approvals since September 2007, and a whole third higher than mortgage approvals in February 2020 when we had the Boris Bounce in the property market.

As a country, we are due to smash through 2019's 524,000 total number of mortgage approvals this month, despite the fact that the property market was closed for nearly three months in the spring. It's vital to remember, that mortgage approvals do not equate to people moving home, as many of you reading this can attest to ... property sales do fall through.

I do have apprehensions that many Bristol people, buying and selling their Bristol homes and in a chain, may not be able to realise the move before the Stamp Duty rules change at the end of March 2021, as there is a massive backlog with mortgage lenders, local authorities' and the searches, chartered surveyors surveying the property and solicitors with the legal work, all combining to slow down the house selling and buying machine.

If you are in chain at the moment, you must constantly be talking to all the parties involved and ensuring everything is focused on getting the sale complete by the end of March. You have a responsibility to get information requested back in hours, not weeks ... because if you don't, you might not get your Bristol home move through before the end of the Stamp Duty holiday, and without that discount, someone in your chain may pull out of the sale altogether and the chain will break.





There will likely be a slight readjustment in the prices paid after March 2021 (as mentioned above) yet, a reduction in the number of people selling their Bristol home does not inevitably lead to a house price crash.

Yes, there will be a number of people who have to sell in 2021 because they have lost their jobs (i.e. 'forced sales'). In the last two 'Property Market Crashes' of 1988 and 2008, there were a large number of forced sales in a short period of time (because business owners had to sell their home as their business had gone bankrupt because of the Credit Crunch, as well as people who had lost their job), increasing the supply of properties coming to the market in 1988 and 2008.

This in turn pushed Bristol house prices down as the property market was flooded with lots of property to sell in a short period of time. Yet this time, we have had the cushion/parachute of Bounce Back Loans, Furlough and Mortgage Holidays

Also, another important factor about the last property market crashes were the levels of interest rates and the amount borrowed.

Interest rates are the key to the future of the Bristol property market

In 1988, mortgage interest rates were an eye watering 11.5% and 6% in 2008, meaning mortgages were much more expensive compared to the 0.1% rate we have today. Also, with 77.2% of mortgagees with fixed rate mortgages, and only 1 in 21 mortgages owing more than 90% of the value of their home (and 1 in 303 mortgagees owing more than 95% of the value of their home), negative equity should not be so much an issue like it was in 1988.



This means most Bristol homeowners are in a much better place to weather the storm of 2021, than they were in 1988 and 2008

I foresee many Bristol sellers will simply wait until activity in the Bristol property market picks up again before placing their property on to the market. This means fewer properties will be placed onto the market for sale in the later part of 2021, meaning Bristol house prices will tend to hold up. The people that will be affected by less properties coming onto the market will be estate agents, solicitors and home removals people.

I also believe there will be 'interesting investment opportunities' to be had for Bristol buy to let in the latter half of 2021 with the potential changes in Capital Gains Tax regulations, although those won't go on the open market, so do keep your ear to the ground and build relationships with all the letting agents in Bristol so you get to hear of the property portfolios coming up for sale (as they tend to sell 'off market'). Again, if that's something that interests you - do drop me a line.

So, where is the Bristol property market heading in 2021?

Well, the Bristol property market (aka our "surfer") has seen significant house price growth since 2009 ... and this has been fuelled on the back of...

Ultra-low interest rates mean money is cheap to borrow and so mortgage payments are low. With the Bank of England pumping £150bn into the economy in November with Quantitative Easing (QE) to add to the £725bn they already spent on QE since 2009 - interest rates will continue to stay low for some time.



There has been an increase in the demand for housing with annual net migration of 214,400 since 2009 (meaning 96,700 additional households per year have been required since 2009 just to house those people - a total of 1,063,700 households). The average age of death has risen by 2.1 years since 2008 in the UK. People living longer, delays property from being released back onto the property ladder. For every extra year of life the average Brit lives, an extra 290,850 households are required in the UK.

None of these things have changed because of Covid.

As a country, we have only built on average 165,100 homes a year since 2009. Supply and demand show that whilst we will probably have a turbulent choppy ride on the 2021 wave (because of the economy) our surfer (aka the property market), with long term demand for housing outstripping supply since the 1980's, will continue to ride the wave (probably not as large as it has been in 2020) as the ultimate long-term outlook for the property market in Bristol looks good.

All this means demand for decent, private rented Bristol property will be good as long as the property ticks all the boxes of the tenants. If you are a Bristol landlord, whether you are a client of mine or not, feel free to drop me a line to pick my brain on the future of the buy to let market in Bristol.



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