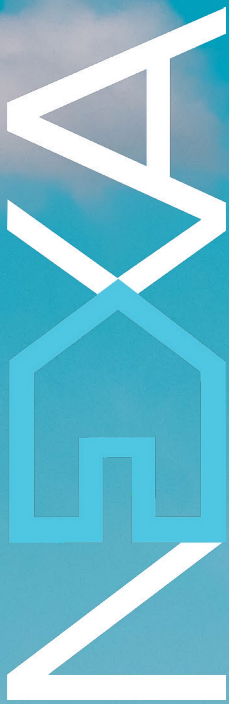


# RESIDENTIAL MARKET REPORT

Bristol Research

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# BRISTOL PROPERTY MARKET **IMPROVED** **BY 12.2%** OVER PRE-PANDEMIC LEVELS

## Has there ever been a better time for Bristol home sellers?

The Bristol property market, for people looking to sell, is at its sturdiest for at least the last five years with home buyers jumping on to the Bristol property ladder with abandon.

Bristol house prices are anticipated to rise throughout 2021 after the stamp duty cut (and subsequent extension until the autumn) and the newly revealed 95% mortgages for Bristol first-time buyers (and Bristol homeowners with minimal equity).

In addition, the continued low-interest rates and the demand for larger homes because of lockdown means the Bristol property market should remain bullish for a while. There is a surge in potential buyers putting themselves on mailing lists with Bristol estate agents making the biggest disparity between supply and demand for Bristol property for many years.

Fears of a cliff edge for the Bristol housing market at the end of March have dispersed, somewhat due to the stamp duty tax deadline extension, but also because the elevated level of buyer demand caused by the three lockdowns has continued to swell since the start of 2021 meaning that today ...

**“80% of Bristol properties on the market are Sold (STC)”**



Interesting, when utilising data from theadvisory.co.uk website, the Bristol average for the last five years has only been 71%, meaning there has been an uplift of 12.2% in the proportion of Bristol properties sold (stc) compared to that five-year average.

Yet what can't be forgotten is that 9 out of 20 Bristol house sellers are also Bristol house buyers as well, so whilst they do indeed achieve a higher price for their Bristol property, they also have to pay more for the Bristol property they want to buy.

So, how much will Bristol house prices rise by?

Like all things in life, it's all about demand and supply. I have discussed the demand, yet what about the supply of properties for sale?

**“There are 18% fewer Bristol properties for sale today compared to 3 years ago”**

Whilst February saw a lower-than-normal level of new properties coming on to the Bristol property market, the easing of the lockdown road map and faster rollout of the vaccine is also persuading more Bristol homeowners (especially those older Bristol homeowners who have had their jobs) to start making the first steps towards moving home in 2021.

This will mean there will be more Bristol properties available for sale in the conventionally busier post-Easter market in the coming weeks and months which should cause more equilibrium and help keep Bristol property prices in check.





# BRISTOL FIRST-TIME BUYERS CAN NOW BUY USING **5% DEPOSIT MORTGAGES**

Yet higher mortgage rates could see Bristol buyers paying a lot more each month for the privilege

Being a Bristol first-time buyer in the last 12 months has not been an easy thing. Just before lockdown there were 400 '5% deposit mortgage' deals and first-time buyer were able shop around to get the best deal. When the first lockdown hit, 5% deposit mortgages disappeared, meaning that as many Bristol would-be first-time buyer were about to buy their first Bristol home in 2020, the rug was pulled from under their feet.

Today, you can count on two hands the number of mortgage deals which allow a 5% deposit. Even worse, the number of hoops one has to jump through to get a 5% deposit mortgage is very high (plus you have to pay handsomely for the privilege, with mortgage rates of at least 4.15%).

In putting down a 5% deposit, you borrow the remaining 95% as a mortgage. These 95% mortgages (or Loan to Value) were very popular with Bristol first-time buyer before the Credit Crunch. Nearly 1 in 6 mortgages were 90% to 95%+ Loan to Value mortgages in 2007 (15.5%), yet as the Global Financial Crisis hit in 2008/9 that dropped to only 1 in 63 mortgages being in 90% to 95%+ range in 2010 – meaning many Bristol first-time buyer were unable to buy their first Bristol home between 2010 and 2015.

Yet in the recent budget, Rishi Sunak has vowed to back the building societies and banks so that they can offer more of these higher 95% Loan to Value mortgage deals.



## **Many people have said this will mean there will be a Bristol house price boom – especially as Stamp Duty is extended until September**

This scheme is nothing new as a practically identical scheme was launched by George Osborne in the 2013 Budget with his Help to Buy Scheme. Nearly 1 in 5 houses sold in the year after that budget used this scheme, yet Osborne's was only for first-time buyer and it was only for brand new homes (not second-hand homes). Whilst there is no doubt this caused an increase in house purchases, many commentators said it was a backdoor method to keep the country's new homes builders afloat.

## **The big difference with this new 2021 scheme is that it is available for Bristol second-hand homes as well and is open to all Bristol owner occupiers moving home**

Yet, what will the banks mortgage interest rate charge be?

Although no building societies or banks have yet publicised what mortgage rates they will charge, all the High Street lenders including NatWest, Santander, HSBC, Virgin Money, Barclays, and Lloyds have stated they intend to offer these 95% LTV mortgages.

Under the Government's mortgage guarantee to the banks, Westminster will guarantee 20% of any mortgage offered at 95% Loan to Value. In principle, that means that building societies/banks should be able to offer the low mortgage rates as those available to people wanting to borrow 75% Loan to Value.

**At the moment the average five-year fixed rate mortgage is 3.6% with a 10% deposit, but if you have a 25% deposit, you can fix it for five years at 1.63%**





However, don't forget though that the banks will be charged a 'still to be decided' amount to use the Government guarantee. On the last Help to Buy Scheme, it was rumoured they were charged 0.9% of the mortgage borrowed, so this cost would have to be passed on to the first-time buyer. I would suspect the eventual rates Bristol first-time buyer will have to pay is in the region of 3%.

This new 95% mortgage/5% deposit scheme is only going to work if banks and building societies have sensible mortgage rates as it needs to help those Bristol first-time buyer it was intended to help, who are finding it hard work to get on the first rung of the Bristol housing ladder.

It all comes down to how anxious the banks and building societies feel about the true long-term effect of the pandemic once the furlough scheme ends in the autumn. Only time will tell.

Yet, to give you an idea of the difference the mortgage rates scheme will make on a typical Bristol terraced/town house ...

**The average price paid for a Bristol terraced/town house in the last 12 months was £311,500**



Assuming a 35-year repayment mortgage and borrowing that amount on each scenario:

- At the current best 95% LTV mortgage rate (i.e. 5% deposit) of 4.15% mentioned at the start of the article, that would cost £1,407 per month in mortgage payments

- At the current average 90% LTV mortgage rate (i.e. 10% deposit) of 3.6% mentioned in the middle of the article, that would cost £1,306 per month in mortgage payments

- At the best 75% LTV mortgage rate (i.e. 25% deposit) of 1.63% mentioned at the start of the article, that would cost £973 per month in mortgage payments

**I have to applaud Rishi Sunak for this initiative, yet will it be ‘fields of clover forever’ for the Bristol property market with the new scheme? No, it won’t.**

It will be a good boost to the Bristol (and UK as a whole) property market. Whilst the mortgage guarantee offers a small portion of security for the lenders, it does focus on the riskiest part of the housing market. Many lenders still have cold shivers of the Northern Rock 125% mortgage debacle from a decade ago and those memories still ring true today.

The fact is these types of mortgages will be a higher risk, even if the Government are underwriting them with their smaller deposits, which will come through in bank’s and building societies higher pricing for these mortgages. Also, the lenders are already at near full capacity trying to get hundreds of thousands of existing property sales and purchase deals through because of the Stamp Duty rush over the last 9 months. I await the rates in early April and will make comment again.



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