Wards

Helping you move forwards

A brighter 2020

South East housing market report
Quarter 3 & Quarter 4 2019

A warm welcome

Aldo Sotgiu - Managing Director of Operations

It seems both sides are breathing a sigh of relief now we've crossed the Brexit line. Despite many hurdles ahead a clear path appears to have bought a degree of confidence back to the housing market.

From Arun's records, house prices managed to shrug off the uncertainty around Brexit and **we recorded a rise in the average house price during the second half of 2019.**

At just under £316,000 we saw an increase of 1.3% compared to the first 1st half of 2019.

Prices peaked in December at £324,000 suggesting that there was a **'Boris Bounce'** which resulted in an unexpected Christmas present for us all.

Our findings also mirrored the Nationwide Building Society statistics: **After ten relatively stagnant months, prices rose strongly in November and December.**

While the number of new buyers fell by around 8.5%, sales were strong in the 2nd half of the year, increasing by 7.95% compared to the 2nd half of 2018.

It was interesting to note that while overall buyer demand dropped, those customers that were registering were more serious about finding a property, which was evidenced in improved sales activity, particularly in Quarter 4. This also suggests that there was some pent up demand from buyers pre-Brexit.

Some areas in the South East (Wards in Kent) showed a strong increase in sale prices in the second half of 2019, **with an uplift of 2.16%** compared to the first six months.

We were anticipating a reduction in customers over the same period and were pleasantly surprised.

Cubitt & West, which primarily covers Surrey, Hampshire and West & East Sussex, showed a similar picture to house prices in Kent with a **1.7%** increase, an average selling price of **£352,000** compared to a lower average of **£291,000** in Kent. It's reasonable to assume that the Kent market is an attractive proposition due to overall lower house prices, which better accommodates First Time Buyers.

What can we look forward to in 2020?

Rightmove suggest there will be a 2% rise in 2020, which mirrors my predictions.

In other news, Arun is very pleased to see a growth in market share for both New Instructions and Sales with **12.3%** of New Instructions in Quarter 4, an uplift of **1.2%** against Quarter 3.

As we enter the New Year we're in a good position with more properties available to meet the higher demand.

The early signs for the New Year look very promising with increasing new buyer activity.

Roll on 2020.

Mortgage Matters Direct

James Keable - Financial Services Sales Director

Despite the B-word looming large for the majority of the second half of the year, especially in the approach and passing of the October 31st deadline and the prospect of a bitter election battle, the British public showed great resilience when it came to mortgages.

At Mortgage Matters Direct we saw an uplift of activity in the mortgage market which continued to accelerate as we went into Quarter 4 just as the politicians were starting to warm up their war engines.

When talking to our customers, the consensus was quite clear: people were tired of the Brexit deadlines and just wanted to get moving, in every sense of the word.

Home movers saw the biggest spike, which was up by nearly **33%** and grew to almost **57%** of our purchase mortgage business.

The average purchase increased fractionally to just under

£344,000

The average term in this sector reduced to just under 25 years

while the average age of these movers went up to just over 40.

The surge in newcomers to the housing market seen in the first half of 2019 slowed a little. While we were down **5.5%** from the numbers seen in Quarter 1, it still accounted for **43%** of our purchase mortgage business. We particularly saw resilient activity from those looking to take advantage of the Help to Buy scheme in its current format.

95% conventional lending has continued to be more and more affordable and **there are rumours that 100% lending could be about to show its face again,** although I don't know whether this is such a great idea and will be interested to see how this is constructed.

We saw investor purchaser Buy to Let applications remain steady but subdued, with landlords **still feeling the pressure of changes in legislation that has seen tax relief almost wiped out with the final reduction kicking in this April 2020.** The investor community hopes that the re-emboldened political regime might address what has been seen as an unfair war on landlords in the upcoming budget in March. We will see...

Unsurprisingly, remortgages have continued to grow as a percentage of our overall business and the market as a whole. Those not wanting or needing to move are looking for security and to take advantage of some of the best rates available in lending history.

We've seen 5-year lending as low as 1.5% for those with plenty of equity.

Pricing across the board has been extremely competitive and shorter-term fixed rates are still finding a market.

The first six months of trading of 2020 should allow a moderate bounce thanks to the certainty of a resounding election result.

This will be until those involved start to worry about the next trade deal deadline looming in November.

Purchase activity in the residential sector already shows early signs of increased confidence and if, as mentioned earlier, the new administration looks at relaxing the restraints applied to the investment sector, this could further boost a housing market that badly needs some momentum and positive establishment support.

Who knows, if the latest new Housing Minister looks to support the new build market with a coherent long term and thought-through successor to the Help to Buy scheme, then we could be looking forward to a pretty good year. That's my 2020 vision – hopefully not through rose-tinted spectacles!

Supply and Demand

Jason Bunning - Managing Director of Lettings

It's fair to say that there will never be a time when the supply of available properties-to-let will meet demand. But the second half of 2019 saw a huge uplift across all regions in tenant activity, with a 22% increase on the same period last year.

22% increase
on the same period last year.

Some of the traditional barriers to renting a home have been removed which has enabled more potential renters to enter the market place. With no fees payable to Lettings Agents and widely-available deposit replacement schemes, renting now costs very little in terms of start-up costs.

Renting has also been a sensible choice for buyers not willing to commit to purchasing their own home until Brexit is sorted and there's more stability in the market.

It remains to be seen whether there will be a sustained **'Boris Bounce'** in the sales market and this influences rental demand.

As you would expect, with increased demand and the increased pressures on landlords, rents have started to rise after a small drop in the first half of the year.

While most landlords want a fair return on their investment and are in many cases reluctant to increase rents, preferring to retain good tenants, they are now having their hand forced where their investment yield has become marginal.

It will be interesting to see how this trend increases across the next six months.

Despite the continuing pressures on landlords, **our New Instruction levels increased by 7% year-on-year, which was spread evenly across the company.** Our levels of let property were up a **very pleasing 15%.** All this continued to feed into the biggest surprise of 2019 – continued portfolio growth for Arun, which accelerated across Quarters 3 and 4, **growing by 6% in those six months and over 11% for the year.**

Into 2020

Expectations for 2020 remain positive. Our portfolio will likely continue to grow at a similar rate.

Our continuing strategy of maximising potential yields means that we'll retain our existing landlords while attracting potential new ones. New landlords looking for a long-term investment and wanting to take advantage of some very attractive Buy-to-Let mortgage deals on offer can benefit from our help and advice.

Further Changes

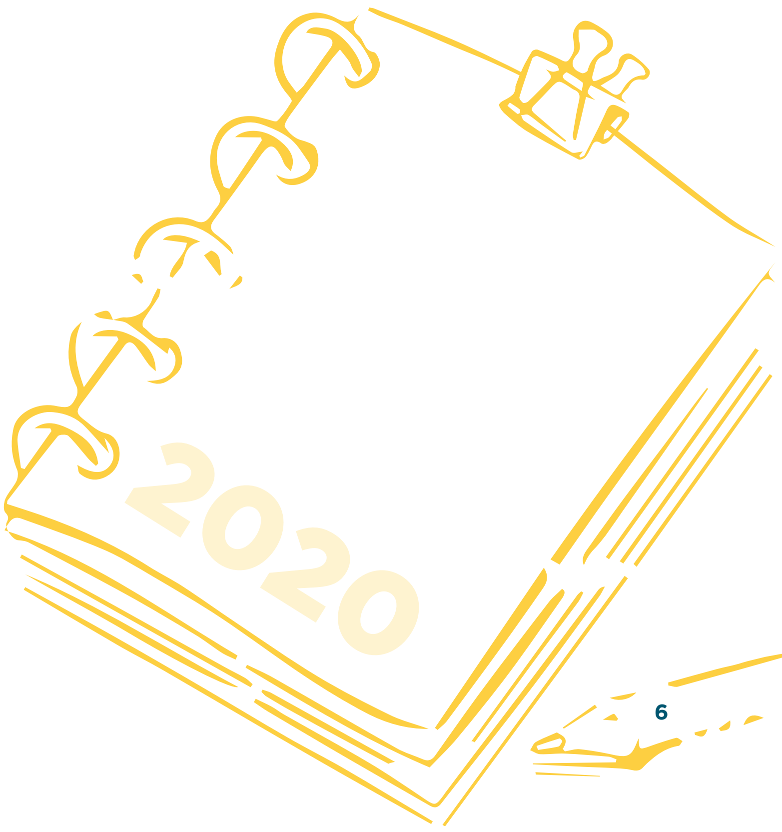
2020 is once again a year jam-packed with potential legislation for the Lettings Market. This underlines the need for landlords to employ a professional Letting Agent; one that can provide them with help and advice while proactively keeping them on the right side of the law.

Coming up, the court of appeal will be reviewing Right to Rent checks. In March, all periodic tenancies will be covered by the Fitness for Human Habitation Act 2018, which gives tenants the power to sue their landlord for providing homes deemed not fit for human habitation.

In April, there will be a further expansion of the EPC minimum standards. From this date, all existing tenancies will be included in the requirement to have an energy rating of E or higher. **Landlords of properties below this level must carry out work (up to £3,500)** to improve the rating and register an exemption if it still does not meet the minimum level.

Also this year, the **Renters Reform Bill** is likely to be passed now that the Government has a majority. This will stop the so-called, non-fault eviction (Section 21).

This and Lifetime Deposits, access to the Rogue Landlords register being expanded and potentially mandatory electrical testing, present a huge amount on the agenda in 2020 for landlords and agents alike.



South East Market Review

Jason Willetts - Director - Land, New Homes, Shared Ownership & Corporate Business

Trading conditions for land and new homes in Quarters 3 & 4 continued to be challenging with the constant distraction of Brexit and the general election in December. That said, our Kent region showed resilience with reservations up **18%** on the same period in 2018, albeit they were down **22%** on the first 6 months of 2019.

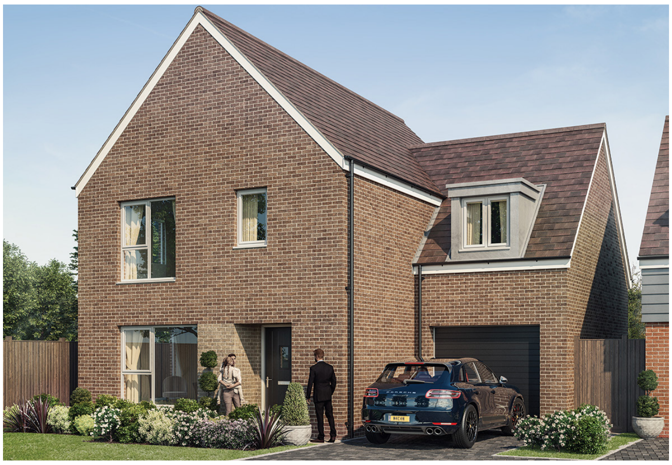
Across the company, our reservations remain stable in the same period for 2018. **However, the number of cancellations reduced substantially by 42%.** Our stock levels continued to rise across the company **(6%)** with notable increases in Kent **(51%)** & Sussex **(44%).**

Kent 51% & Sussex 44%

The average house price was up by 3% at

£428,613.

77% of our stock is now housing and it's no surprise then that the best performing site we have is Keepers Green in Chichester, a predominantly two-storey housing scheme set around a cricket green, which we are selling on behalf of Hill Residential.



112 homes built by Hill Residential Ltd in conjunction with Homes England set around a cricket green with a newly built pavilion.

Part-exchange and Assisted Move continue to increase

Part-exchange and Assisted Move were proving to be a key factor in the previous report, which continues to be the case. In particular, **Assisted Move has instruction levels up 112% on the same period of 2018 and exchanges up by 100%.**

Instruction levels on Part Exchange dipped slightly by 5% in the second half of the year.

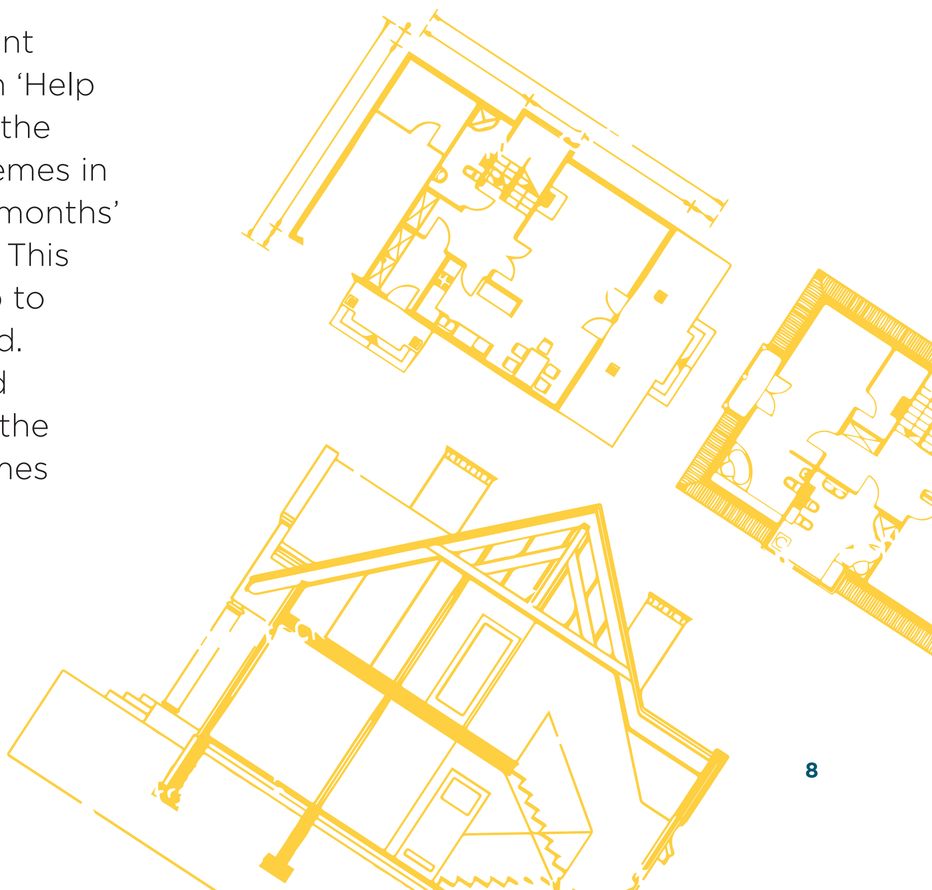
However, sales were up 37% due to the first half of the year's instruction numbers.

This is a process that is expertly choreographed by our Corporate Business Department, which incorporates our very own 'Make Your Move' Assisted Move facility.

This will continue to be an important factor throughout 2020 along with 'Help to Buy', which is due to change at the beginning of 2021. One of our schemes in Kent is showing **40%** of the last 6 months' reservations being on Help to Buy. This shows that the importance of Help to Buy can still not be underestimated. This, along with Assisted Move and Part Exchange, will help to ensure the continued success of the New Homes sales rates in 2020.

Assisted move instructions up

Reservation cancellations down



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