KREMER SIGNS

Industry Insights Report

The State Of The UK Property Market

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Property Activity Year To Date

Listings

January saw a buoyant start. According to Agency Express' Activity Index new 'For Sale' listings increased by 93.7% and 'Sold' properties saw a 31.2% rise month on month. This is likely to be driven by the increase in mortgage approvals in December, with gross lending and property prices finally recovering to their pre-recession levels.

'FOR SALE' LISTINGS INCREASED BY 93.7%

'SOLD' PROPERTIES INCREASED 31.2% EACH MONTH

Prices

The UK average property price is now £288,000, increasing by 6.7% in a year (£18,000) according to the Office for National Statistics (ONS). In England the increase was higher, at 7.3%, taking the average home there to £301,000. Experts are now warning that house prices are rising three times faster than wages and that owning a house is becoming an 'unachievable dream'. Unsurprisingly, London is pushing up these figures. If you adjust the house prices to discount London and the South East the average house price is

THE UK AVERAGE HOUSE PRICE IS

£288,000 & INCREASING
6.7% PER YEAR

RISING 3X FASTER THAN WAGES

Supply

These increases are being caused by a shortage of supply and robust demand. The lack of availability is not only an issue for buyers, but also agents. The average number of properties per branch is currently 37, according to the National Association of Estate Agents. This compares to 72 in December 2005. This is the joint lowest figure (tied with September 2015) since NAEA records began. Meaning current housing supply is half that of ten years ago leading to increasingly inflated prices.

In terms of interested parties, the number of registered house hunters per branch is currently 374 compared with 302 in December 2005. In quick maths terms this equates to one property to every ten people interested.

PROPERTIES PER BRANCH

72 2005

37 2015

CURRENT HOUSING SUPPLY HALF THAT OF 10 YEARS AGO.

REGISTERED HOUSE HUNTERS PER BRANCH

302 2005

374 2015

=

1 PROPERTY TO EVERY 10 PEOPLE

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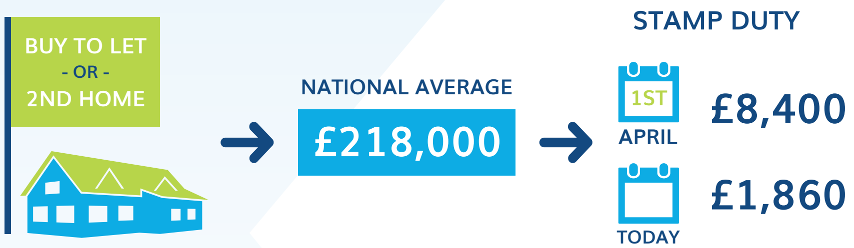


44% INCREASE IN MARKET MOVEMENT IN DECEMBER

NLA NATIONAL LANDLORDS ASSOCIATION

PROFESSIONAL LANDLORDS WILL SELL 500,000 PROPERTIES IN THE NEXT 12 MONTHS

THE CHANGING MARKETPLACE

The buy to let flux

The government announced a number of initiatives in the Autumn Statement that are expected to have a dramatic effect on the marketplace. The first is the changes affecting buy to let buyers.

Most significantly, a 3% surcharge in stamp duty for buy-to-let properties and second homes is due to come into force in April. The changes mean that if you purchase a property for £218,000 (the mix-adjusted national average) after the 1st April as a second home or a buy to let investment you will have to pay £8,400 in Stamp Duty. As opposed to £1,860 today. To calculate what the changes mean for future purchases, check out Romans excellent Stamp Duty Calculator.

These impending changes saw a 44% increase in market movement in December with investors trying to purchase properties before these reforms take effect. Therefore a spike in property completions is expected to occur over the next few weeks.

This is in direct contradiction to the National Landlords Association latest research which states that professional landlords will in fact sell 500,000 properties in the next 12 months, with confidence 'at its lowest ebb since the dark days of the banking crisis'. The rush is not yet on, but this is potentially good

First time buyer outlook

This inflation in interest from cash buyers and investors makes it increasingly difficult for first time buyers (FTB) to get onto the market. However, help is on its way.

The government has pledged to build 400,000 new homes by 2020, with £2 Billion in housing budget allocated to these. As well as increasing the number of 'Right to Buy' housing association schemes. In the first phase, 40% of the new homes (5,200 out of 13,000) will be starter homes. In the current market FTBs account for 24% of sales, down 2% on December 2014.

Momentum in this area is expected to pick up over the next few years when these schemes take full effect. This gives the opportunity to create what George Osbourne refers to as a 'more level playing field' in the under-supplied market.

VALUATION OF £240.3M

40% OF NEW HOMES (5,200 OUT OF 13,000) WILL BE STARTER HOMES

A disruptive new model – The rise of independent and online agents

Aside from the market conditions, one other disruptive factor is on the property scene right now; the rise of independent and online estate agents.

In December 2015 the online agent Purple Bricks was floated with a valuation of £240.3M. What does this mean for the traditional high street agent? Is this a worrying trend or a flash in the pan?

“A good high street agent would probably say they more than earn their fees by the service they offer you. Any high street agent really worth their salt will know the local property market inside out and will be able to share this insight with you.”

– Marie Kemplay, Which? Money

According to the Spectator, by 2018 50% of UK house sales will be carried out by online estate agents. But the internet cannot currently substitute for personal experience and knowledge, nor shield vendors from time wasters and protect the buyer’s interests.

Undoubtedly online agents can save you money on fees, but can they achieve the best possible overall return? Online estate agents are currently seen as the Airbnb of the estate agency industry. Like Airbnb in the hotel market, the business model has the potential to disrupt but is currently not a valid challenger for many sellers.

BY 2018 50% OF UK HOUSE SALES WILL BE BY ONLINE AGENTS

THE SPECTATOR

FINANCIAL OUTLOOK FOR PURCHASES

How long can we keep up this rate?

According to the Bank of England the UK rate hike may be put on hold due to global uncertainties, although a rate rise not completely out the question in the second half of 2016. The US Central Bank, the Federal Reserve, has recently raised rates for the first time since 2006, perhaps signalling an opportunity for the UK to follow suit.

Households are also better placed to cope with the rising rates than they were a year ago, after many experienced a sustained reduction is debt servicing costs, with personal finance costs also at an all-time low.

For example, someone with a £100,000 loan currently charged at 3.22% would see an increase of £26 to their outgoings if rates go up by 0.5%.

To Brexit or not to Brexit?

Front page news is currently blanketed with news for David Cameron's ongoing negotiations with the rest of the EU regarding a vote on reforms which could see the UK vote to exit the union. This uncertainty is not however yet impacting confidence in the market:

"Despite these headwinds commercial real estate investment markets still offer good investment opportunities and demand remains"

– Nigel Almond, Head of Capital Markets Research, Cushman & Wakefield

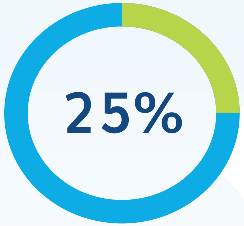
Buoyant gains from buy to let changes

Despite landlords concerns around the buy to let changes, the government is set to raise almost £1 Billion in changes to the tax rates and stamp duty charges by 2020.

The London Bubble

A trend which started in London is at risk of spreading out to the South East and beyond as house prices and rents are becoming increasingly out of reach. London prices rose 9.8% with the average house price in the capital now £537,000. With house prices in Westminster now 24 times local salaries, compared with just 12 in 2002.

It's not exactly rosy for those who want to rent, with the average private rent eating up between 65-78% of workers' salaries, with median rent now £1,400 a month, compared to £625 for the rest of the UK. The perfect storm for pushing workers out of the capital. This leaves two options; move further out or move back in with parents. The Crossrail is expected to drive workers further down the line into towns like Maidenhead and Reading, which have seen house prices rise 14.6% in the past year.



OF UK HOUSEHOLDS
WILL BE RENTING PRIVATELY
BY 2025

BETWEEN THE AGE OF
26 & 39

THE FUTURE RENTAL MARKET

A rentier economy

Last year more money went on rent than on mortgages. PricewaterhouseCoopers predict that a quarter of UK households will be renting privately by 2025 and more than half of renters will be aged 20-39. As part of efforts to diversify portfolios, insurance and pension funds want in. Legal & General are planning to construct 3,000 apartments across the UK under a ‘build to rent’ plan. This trend may balance out the number of smaller professional landlords leaving the market and increase stability for renters.

Property + Technology

A buzzword gaining increasing traction is ‘PropTech’. The rise of developments in property technology.

One such startup looking to get in on this is Movebubble, a London-based rental property service. The app has just raised an additional £1.1m in funding, with Spotify Managing Director, Adam Williams, among the investors. In partnership with 250 estate agencies in London, the app aims to reduce the stress and hassle of renting by using crowdsourced feedback from other renters. Could this disruptive model also be a future challenger to the property purchase market?

Zoopla think so. The listing portal has recently invested in four startups in the PropTech space, to benefit renters and buyers. These exclusive partnerships with firms that provide research neighbourhood reports, online mortgage advice, online repair reporting and peer to peer lending. The portal is signalling opportunities for traditional agents to add value to their high street offering with access to online tools.

RESEARCH NEIGHBOURHOOD REPORTS

ONLINE MORTGAGE ADVICE

ONLINE MORTGAGE ADVICE

PEER TO PEER LENDING

OUR TOP TIPS FOR AGENTS

As this report has highlighted, the market is challenging this year. Here at Kremer Signs we consider ourselves to be partners to estate agents rather than suppliers. So here are our top five tips for estate agents to consider in terms of their branding and positioning for the year ahead:

1. Consider your branding.

Is it still an accurate reflection of your business and brand values? Could it do with being revisited this year to keep up with your competition? Brand iterations are often an evolution rather than total rework, so don't be daunted by this process.

2. Update your brand guidelines.

Keeping your branding toolkit up to date is vital to ensure consistency across your marketing materials, online marketing and offline signage.

3. Keep up to date with the latest developments in property technology.

As our Property Tech section highlighted, agents who will stay ahead this year are the ones who invest in innovation. Keep up to date with the latest tools, techniques and platforms that could help add value and be the differentiator when prospects are considering who to sell their property to.

4. Make sure your high street presence is as strong as ever.

In a highly competitive market with new entrants coming on board regularly, the best way to stay ahead of the game is to showcase your expertise in your local market.

5. Use online marketing to complement your local efforts.

Online agents will be using a multi-channel online approach to market themselves, including PPC, Remarketing, Sponsored Content, Display Advertising and Social Media Advertising. Consider the platforms that are most relevant to your audience demographic and then allocate budget for paid for promotion.

CONCLUSION

The market will remain challenging going into Q2 2016, with many external and internal factors potentially having a turbulent impact on values, stock and rates. Many expect a bumpy ride and some may get off all together. However this may bode well for more affordable homes, more stock and more first time buyers getting on the market. Yet, until we see the activity reports for April compared to March this will remain to be seen.

FEEDBACK ON THIS ISSUE

Have you enjoyed this issue? Would you like to see Kremer Signs produce this type of research report in the future? We'd really appreciate your feedback on this, if you can spare two minutes of time there is a short survey on our blog. Thanks in advance.

SPECIAL THANKS

We'd like to thank our board erection suppliers Agency Express for their Property Activity Index input and guidance on the early iterations of this guide.

AGENCY express

Property Activity Index

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