

The truth about East Anglian property prices post Covid-19

The property market has re-opened, meaning estate agents are now able to have in-person viewings and buyers are able to move house again.

It is known that all UK governments have cut stamp duty, meaning that buyers can save up to £15,000 in tax if they move or buy a new house before April 2021.

Provisional data from HM Revenue and Customs (HMRC) show that 70,710 property sales went through in July, up 14.5% on June's figures but down 27% year-on-year.

It is early to say how much of an impact Covid – 19 will have on the market. However, it is likely figures will fluctuate significantly. The most reliable barometer of house prices is the Land Registry's UK House Price index. During the lockdown, the index was suspended. Last week the land registry released delayed figures for May showing a 0.3% month-on-month drop and a 2.9% year on year rise in prices.

Boris Johnson has promised a scheme to allow first-time buyers to get a mortgage with just a 5% deposit, in an effort to turn 'generation rent' into 'generation buy'.

It is fairly clear that with massive unemployment, wage cuts, business failures and job uncertainty, many people may be cautious about making such a life-changing investment.

Normally, that would lead to falling house prices, and during the last recession and credit crunch that is what we saw in the UK, US and many other countries.

In the UK, the nationwide house prices index for May showed that the prices fell 1.7% from the previous month, the largest decline for 11 years.

Rightmove, the UK property website, has reported a significantly rise in the number of people searching for homes further from town and city centres, with larger gardens and space for a home office.

The prices are expected to drop, but by how much?

The centre for economics and business research warns a drop in the prices of up to 13 per cent, this is due to people being worried about their future

incomes. At the other end of the spectrum, the estate agents, Savills, expects a 5% drop, while some valuation surveyors predict even less. Large or small, it is expected some sort of drop.

The office for budget responsibility has produced three scenarios for the housing market in the wake of the pandemic. Their most optimistic outlook would be seeing a 2 percent fall in 2020, followed by a rapid recovery to the pre-pandemic trend. The middle scenario would be seeing prices fall by 11 percent by the end of 2021, before flatlining. Their most negative outlook predicts a 22 percent dip by the third quarter of 2021.

Russell Galley, managing director of mortgage lender, Halifax, said: “rising house prices contrast with the adverse impact of the pandemic on household earnings and with most economic commentators believing that unemployment will continue to rise, we do expect greater downward pressure on house prices in the medium term”.

Housing analyst Neal Hudson agrees. “There is also the uncertainty of what Brexit will bring. In the absence of a sustained and widespread economic recovery that would probably require a vaccine, 2021 could end up being the year the pandemic hits the housing market”.

So, there is no certainty of what will happen with the house prices, if there will be a drop or if they will continue rising. However, it appears the data indicates a coming price drop in UK property, and that may be an advantage to those wishing to purchase at a discount.