



GARRINGTON

NEW DIRECTIONS FOR THE HOUSING MARKET

"As yet, there is no reliable roadmap for what lies ahead in the rest of 2020 – but there are clear signs that the relative position of UK housing markets will shift, as people adapt to new workstyles and adopt new lifestyles."

Jonathan Hopper – Chief Executive Officer

HOUSING MARKET REOPENING

The last few months have been extraordinary and it will undoubtedly take some time before any measure of 'normality' returns to our day to day lives, let alone the housing market. But, the residential market in prime central London is remarkably resilient. It has come under some huge pressures in recent years; uncertainty around Brexit disproportionately affecting demand, affordability pressures and rising costs of purchase to name a few. It always bounces back. In fact, prior to lockdown, the market was in rebound phase, active and growing.

In the 12 months to February, LonRes recorded 15% more transactions than a year earlier, momentum was building, demand levels were growing strongly and prices were also starting to recover. However, by March, Covid-19 was spreading and the subsequent closure of the market left many

buyers in limbo, either part way through a transaction or poised to commit.

Longer term outlook

For now, the economy and homeowners are being supported by the government with furlough payments still in place (although tapering from August onwards) along with mortgage holidays and other financial assistance. It is, however, expected that the economy will move into recession as the year progresses. The Bank of England expects the economy to contract by 14% in 2020 but rebound by 15% and back to pre-Covid-19 levels by mid-2021.

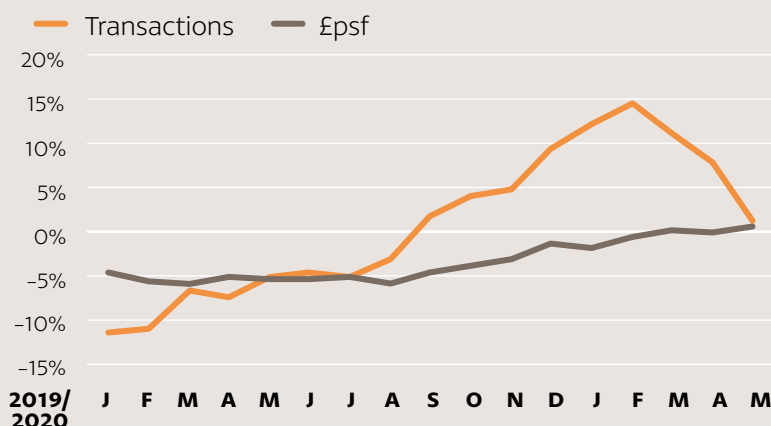
After the initial raft of held-up transactions complete and the immediate pent-up demand has been released, it is possible that transaction levels will moderate towards the end of the year. The outlook for the economy and jobs, once support is retracted,

remains uncertain and Brexit trade deals are yet to be agreed. 2020 could still end with a no-deal exit from the EU. The stamp duty holiday may support activity in parts of the market but further measures may still be required to reignite the housing market during 2021.

Opportunities

As always in such a market, there will be some forced sellers and bargains for opportunists. We would also expect activity from international buyers using the currency advantage. The average purchase price of property in prime central London remains well below the price at the time of the EU Referendum in Q2 2016 for buyers using many different currencies. Meanwhile, the 2% stamp duty surcharge for foreign buyers is set to come into effect in April 2021, giving a relatively short window of opportunity to commit before additional costs are incurred.

PRIME CENTRAL LONDON SALES MARKET ROLLING 12 MONTH AVERAGE



Source: LonRes

CURRENCY ADVANTAGE FOR OVERSEAS BUYERS

PRICE OF PRIME LONDON PROPERTY IN JUNE
2020 COMPARED WITH Q2 2016

	Hong Kong Dollar	-19.6%
	US Dollar	-19.5%
	Euro	-18.8%
	Chinese Yuan	-13.5%
	Australian Dollar	-12.1%
	Russian Ruble	-10.5%
	UK Pound	-4.5%

Source: Bank of England, LonRes, using exchange rates as at 3rd July 2020

LONDON HOMEMOVER SURVEY

Buyers' motivations have changed

In the days following the reopening of the housing market on 13th May, Dataloft carried out a survey of vendors and buyers who had been active in the market prior to lockdown, to gauge their intentions as the market reopened. The results indicated an urgency in the market with the majority of buyers and vendors determined to continue with their plans.

London and beyond – outlook

It is unsurprising that the impact of living through a global pandemic will change people's motivations and priorities. Covid-19 has had an immediate effect on buyers, with more than half of those considering moving (54%), changing their requirements since lockdown. For those in London, a garden and space to work from home have become increasingly important features.

Londoners still planning to buy

92% still plan to move home

Of Londoners who were looking to buy before lockdown

72% have same or more spending power

Of Londoners who were looking to buy before lockdown

57% plan to move as soon as they can

Of Londoners who were looking to buy before lockdown

Londoners still planning to sell

42% still plan to sell their property

Just 4% have cancelled their plans completely.

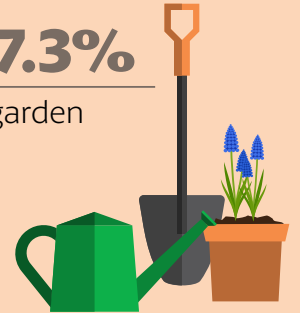
Source: Dataloft

We asked buyers:

Which criteria have become more important since lockdown?

37.3%

A garden



31.0%

A place to work from home



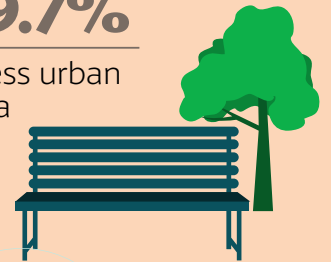
20.4%

A larger property



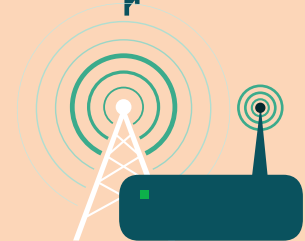
19.7%

A less urban area



18.3%

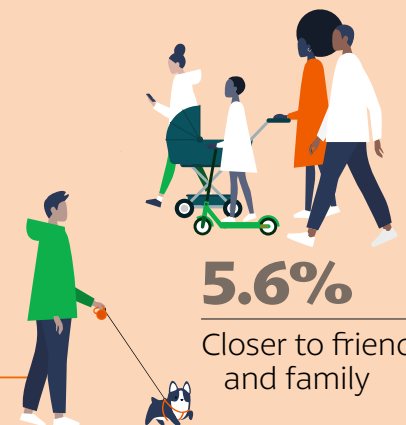
Broadband speed



These changes in the priorities of homemovers, demonstrate unequivocally that the experience of working from home during the pandemic has left a lasting impression on the way we choose to live and work.

5.6%

Closer to friends and family



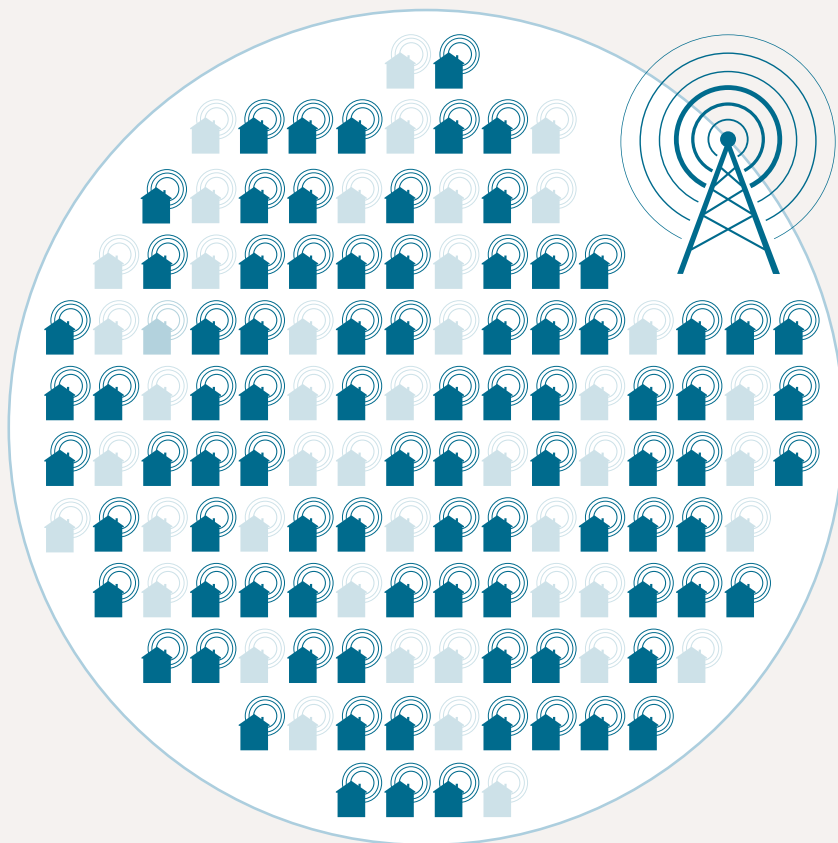
Source: Dataloft, showing the proportion of London respondents indicating a change in their property search requirements since lockdown. Respondents could choose more than one option.

THE RISE OF THE DIGITAL COMMUTER

Redrawing the commuter map

The rise of the digital commuter is not a new phenomenon. Long before Covid-19, the commuter map had begun to change. Flexible working, mobile communications technology and the rise of self-employment had all helped to loosen the ties between work and the workplace for office-based employment. Advocates of agile working encapsulated the change with the mantra 'work is something you do, not a place you go to'. 'Digital nomads' frequented coffee shops and the burgeoning number of co-worker spaces and home offices were already becoming more popular. The experience of Covid-19 looks likely to accelerate the process.

As the UK emerges from lockdown, businesses and homeowners are questioning the return to a daily commute. This period of enforced work from home has, for many, provided a glimpse of a more balanced home/work life and shown that the office-based employment patterns established in a pre-digital world, are ripe for change. With location constraints eased, buyers are reimagining their future home choices. The commuter map is being redrawn.



16.1m homes have access to superfast broadband connections

55% of all homes – January 2020 (speed of 300 Mbit/s or higher).
Up from 5.3 million in 2013.

Source: Ofcom

Workers in lockdown

1 in 7 UK workers were home-based for their main job before lockdown

accounting for more than 4 million people

Source: Aviva

39% of adults in employment were working from home in May 2020 as a result of the coronavirus epidemic

21st to 24th May

Source: ONS

18% rise in the average UK broadband speed

over the past 12 months to 64 Mbit/s

Source: Ofcom

23.4% renters working in central London lived more than 10 miles from work

for new leases in 2019, up from 18.6% in 2015

Source: Dataloft Rental Market Analytics

-16.7% fall in season ticket usage in last 4 years

Source: Office for Rail and Road (OFF), Season ticket journeys in 2019/20 compared to 2015/16

THE RISE OF THE DIGITAL COMMUTER

Changing commuter dynamics

We considered how these changes might play out across the nation's housing markets. The first wave of change is likely to emanate from London, where indoor and outdoor space are in short supply and come with a significant price premium. The challenge of social distancing on public transport, or in lifts, means it will be a long time before all of London's offices can be fully occupied. For many households, this is a tipping point for the decision to 'move out', but where to?

The question of where?

We address that question in a two-stage process. First by redrawing the commuter map to acknowledge new-found freedom from the rush hour journey to a London office or major city. In the second stage of the analysis we rank places within each zone according to their ability to meet the aspirations of discerning homebuyers.

connectivity has become an equal partner with transport accessibility. We have drawn three zones for the digi-commuter: Traditional, Digital and Regional.

Traditional commuters maintain a regular commute back to the London office, Digital commuters require occasional travel to the London office but primarily work from home and Regional commuters need only infrequent travel to London, or travel to other major regional cities.

The digi-commuter map

In the new commuter map, drawn at the level of local authority district, digital



Traditional commuter areas

Within a 45-minute commute of London, with commute times based on minimum travel times from stations within the Local Authority.



Digital commuter areas

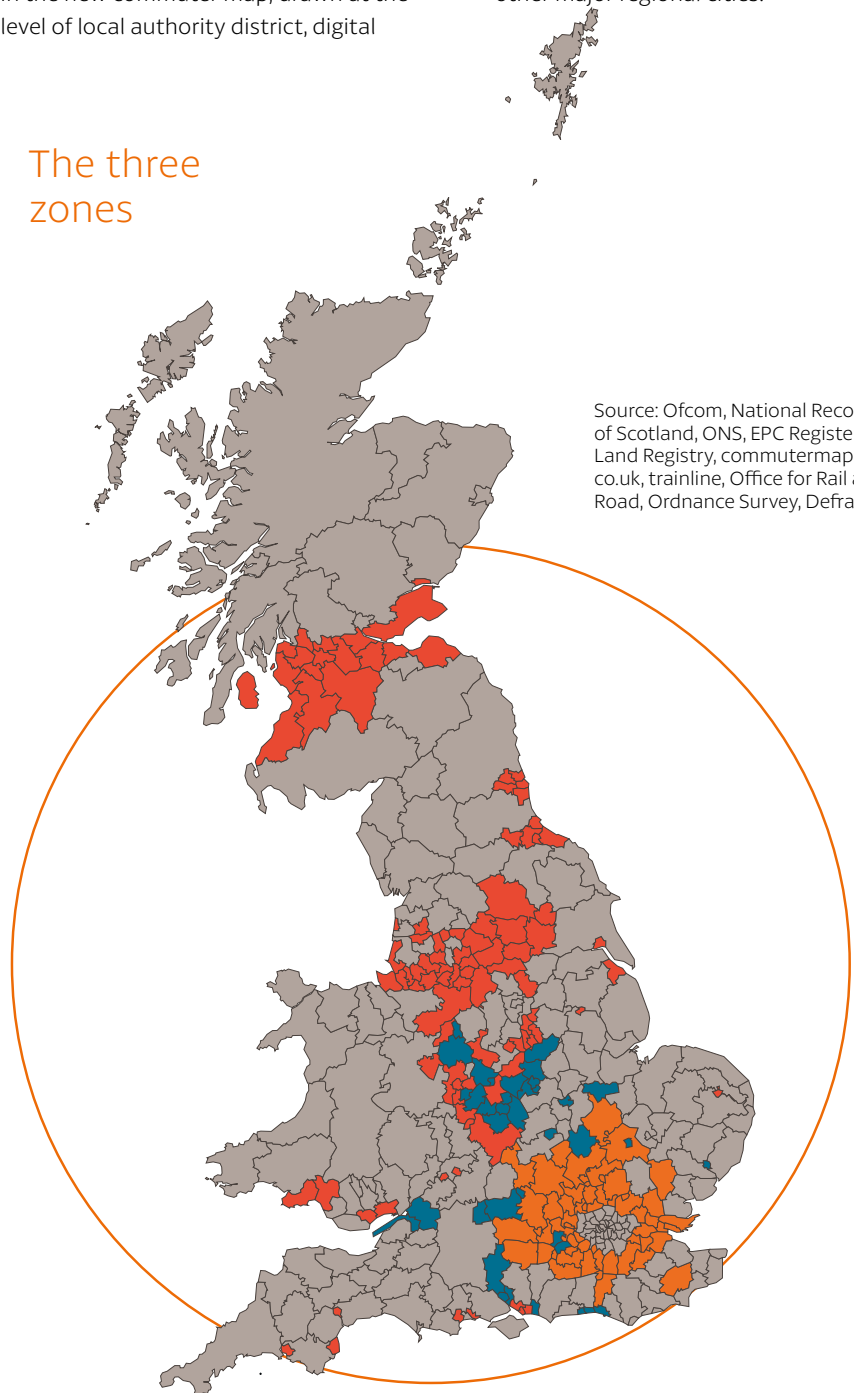
Between 45 and 90-minute commute into London AND more than 55% of homes have access to ultrafast broadband of at least 300 mbit/s (above UK average).



Regional commuter areas

Other places not classified in either of the above categories which are **EITHER within a 30-minute commute to other regional key cities** (Birmingham, Manchester, Leeds, Edinburgh and Glasgow) **OR** have more than 55% of homes with access to **ultrafast broadband**.

The three zones



Source: Ofcom, National Records of Scotland, ONS, EPC Register, Land Registry, commutermaps.co.uk, trainline, Office for Rail and Road, Ordnance Survey, Defra

THE RISE OF THE DIGITAL COMMUTER

New idylls for the digi-commuter

A myriad of local factors will determine where someone ultimately chooses to live: schools, closeness to friends and family, leisure pursuits, affordability, open space, quality of life and so on. Building on the zones defined in the digi-commuter map, this analysis combines connectivity with price and a happiness/wellbeing measure, to come up with a list of places that come closest to meeting the new aspirations of homebuyers. These are, according to this analysis, the most desirable, prime places to live across the country.

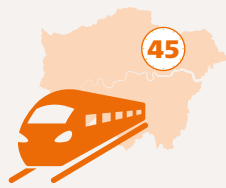
The price filter is a proxy for desirability in the local area. Based again on Local Authority Districts, we selected places with above average prices for their region and a greater number of high value sales. Since moving out of London or other major cities is often in the quest for more space but also value for money, we have included the average price for a house of 1,000 square feet or more in each of the areas*. For comparison, the average price of a flat sold last year in London was just over £540,000.

A score for wellbeing

The experience of Covid-19 has focussed attention for many on the value of personal space, fresh air and the local environment. We devised a scoring system based on air quality, open space and access to green space as well as happiness (up to a total score of 30). For each of the zones in the digi-commuter map, we ranked places according to their wellbeing score to highlight the most desirable place to live for households making the different lifestyle and workstyle choices.

*For LAs in Scotland we use the average detached house price as at March 2020

There is plenty of demand for buyers looking to move across the border into Scotland.



Traditional commuter areas

27 prime locations within a 45-minute commute of London. Highest wellbeing score shown.



Digital commuter areas

Seven of our prime locations fell into the digital commuter zone, within a 45 to 90-minute commute of London and with good access to high speed broadband.



Regional commuter areas

16 prime locations within a 30-minute commute of key UK cities or have very good broadband access (more than 55% homes have access to UFBB). Selected areas shown.

PRIME LOCATIONS WITH HIGHEST WELLBEING SCORES

Wellbeing ranking	Local/Unitary Authority	Average £ 1000sqft+ house
1	Elmbridge	£1,095,722
2	South Bucks	£980,094
3	Woking	£708,583
4	Watford	£620,218
5	Runnymede	£811,861
6	Three Rivers	£767,771
7	Brentwood	£680,027
8	Epping Forest	£672,955
9	Windsor and Maidenhead	£810,644
10	Hart	£584,337

AREAS WITH HIGHEST WELLBEING SCORES

within a 45-90 minute commute of London

Wellbeing ranking	Local/Unitary Authority	Average £ 1000sqft+ house
1	Cambridge	£692,534
2	Oxford	£813,385
3	Warwick	£476,328
4	Lichfield	£400,964
5	Solihull	£449,124
6	Rushcliffe	£388,436
7	Surrey Heath	£605,951

REGIONAL PRIME COMMUTER AREAS WITH HIGHEST WELLBEING SCORES

Wellbeing ranking	Local/Unitary Authority	Average £ 1000sqft+ house
1	East Renfrewshire	£405,393
2	East Dunbartonshire	£377,431
3	East Lothian	£408,484
4	Cheshire East	£419,781
5	Stockport	£369,019
6	Harrogate	£466,670
7	Stratford-upon-Avon	£497,488
8	City of Edinburgh	£576,521
9	West Lothian	£290,888
10	Trafford	£448,632
11	Cardiff	£313,196
12	York	£377,966
13	Cheltenham	£503,514

Source: Ofcom, National Records of Scotland, ONS, EPC Register, Land Registry, commutermaps.co.uk, trainline, Office for Rail and Road, Ordnance Survey and Defra. *In Scotland, the average price of a detached home is displayed as the price of a 1000 square foot house is not available

THE RISE OF THE DIGITAL COMMUTER

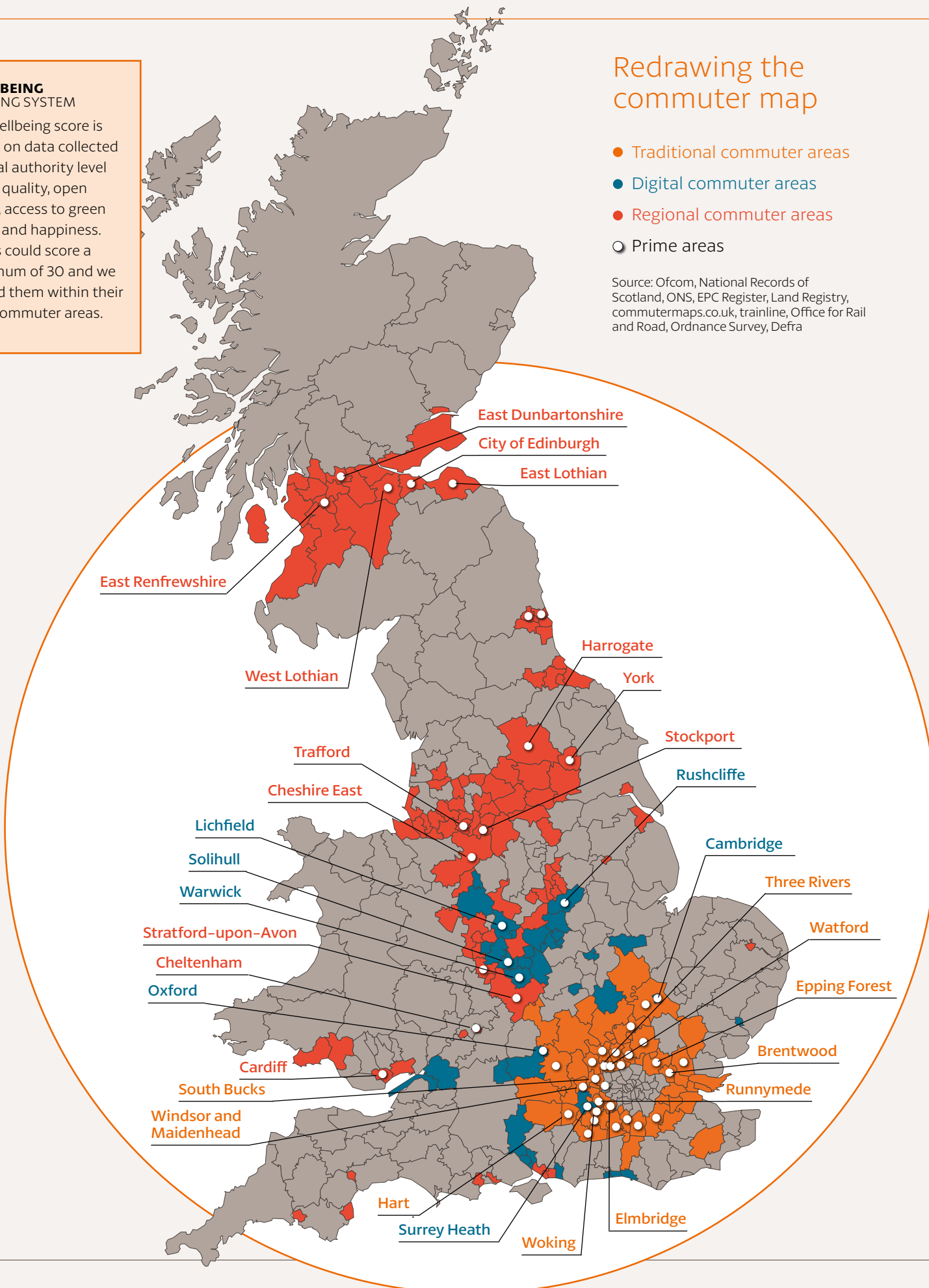
WELLBEING SCORING SYSTEM

The wellbeing score is based on data collected at local authority level for air quality, open space, access to green space and happiness. Places could score a maximum of 30 and we ranked them within their digi-commuter areas.

Redrawing the commuter map

- Traditional commuter areas
- Digital commuter areas
- Regional commuter areas
- Prime areas

Source: Ofcom, National Records of Scotland, ONS, EPC Register, Land Registry, commutermaps.co.uk, trainline, Office for Rail and Road, Ordnance Survey, Defra



THE GARRINGTON TEAM

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Officer



**NICHOLAS
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Director



**JOHN
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**LYNNE
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Operations
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**YANINA
JEFFREY**
Client Services



**ANYA
LOOMS**
Client Services



**DEBORAH
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New Business
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GARRINGTON

LONDON TEAM



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**CHRIS
SHAW**



**REX
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**TOBY
RIDGE**



**JENNIE
COLE**



**KATIE
NEALE**

SOUTH EAST

SOUTH



**DANIEL
ROWLAND**
Also South West



**ANDREA
HEWITT**

SOUTH WEST



**NICK
KING**



**JENNIE
PETERSSON**

CENTRAL



**SAM
WILLIAMS**



**PHILIPPA
MILLS**

EAST



**WILL
HEIGHAM**



**JENNIFER
MULLUCKS**

MIDLANDS



KATE VINCENT

NORTH WEST



**DAVID
LEWIS**

NORTH EAST



**JULIAN
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