

The Housing Market in 2021: The pandemic, current trends and what's next

Gráinne Gilmore – Head of Research, Zoopla

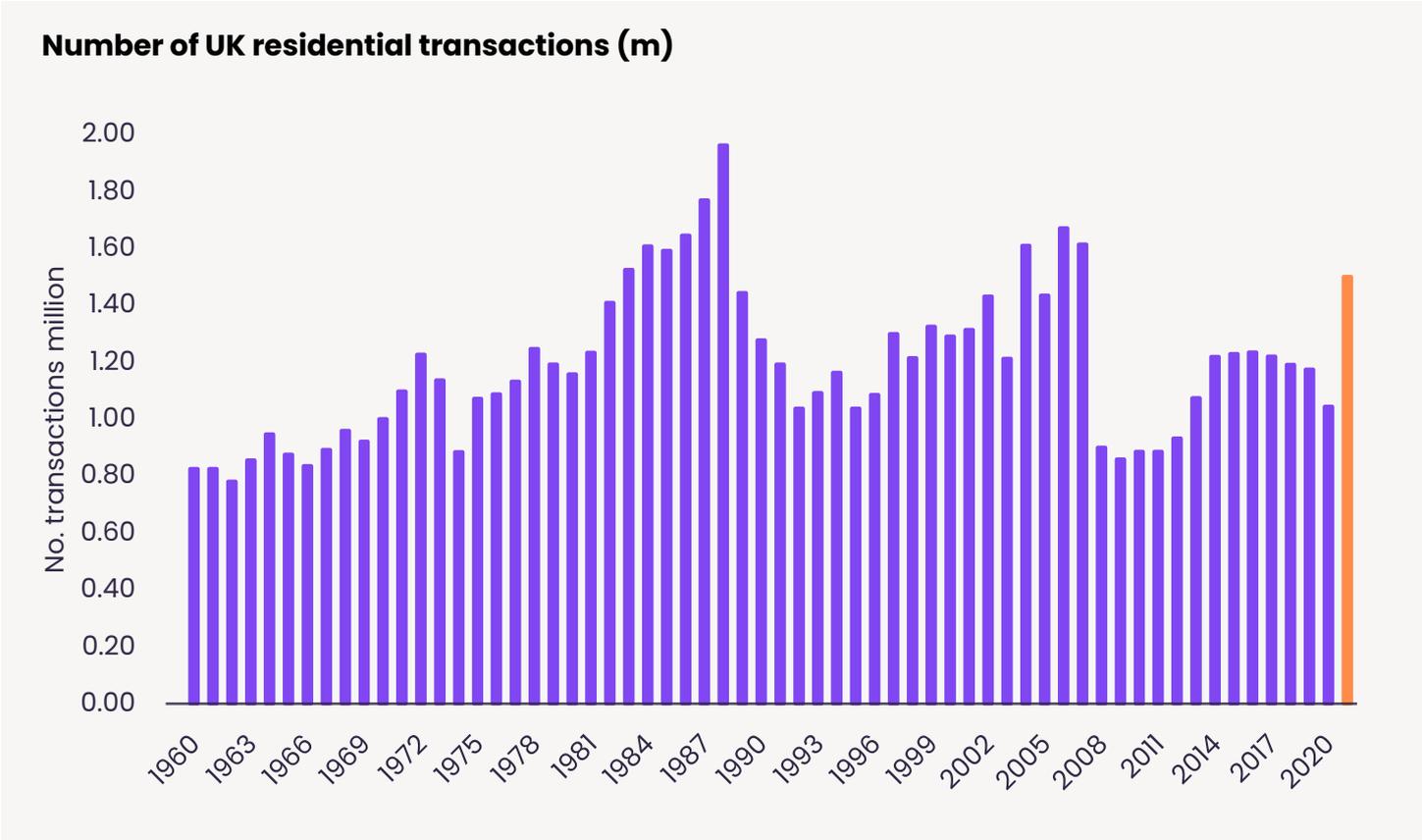
7th October 2021

Activity and prices

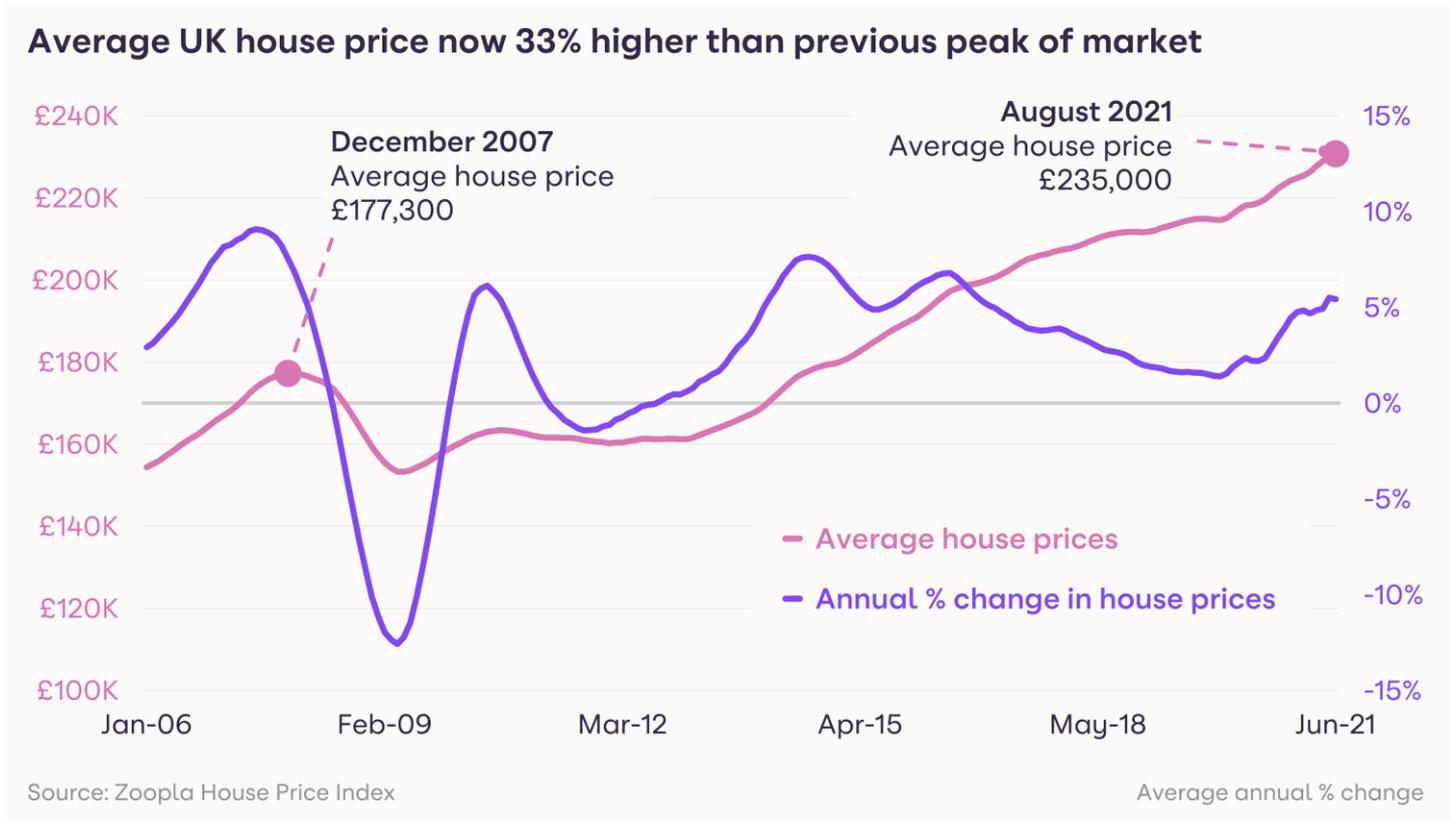
New Homes

Outlook

Pandemic impact on sales volumes..

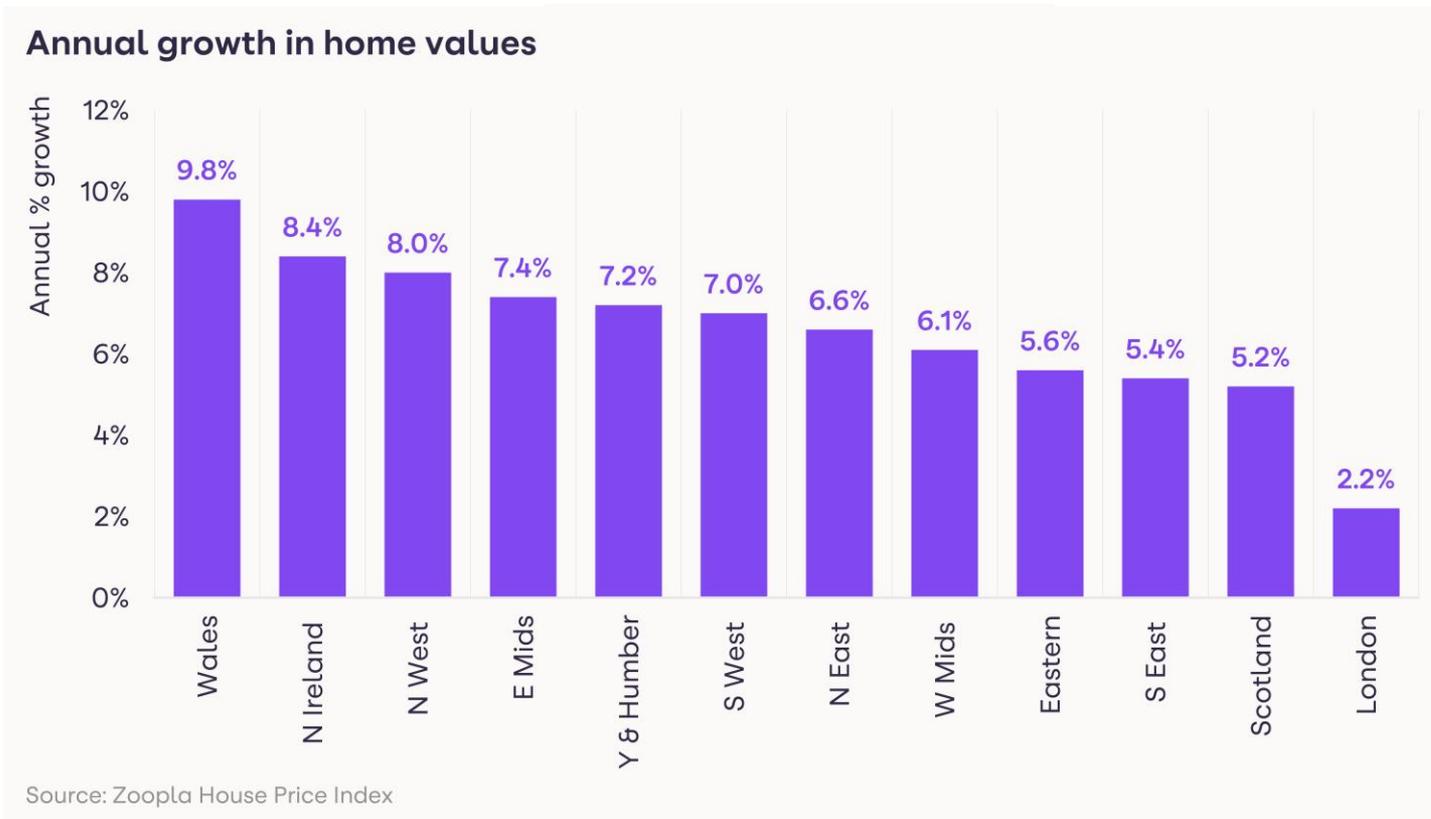


...and prices



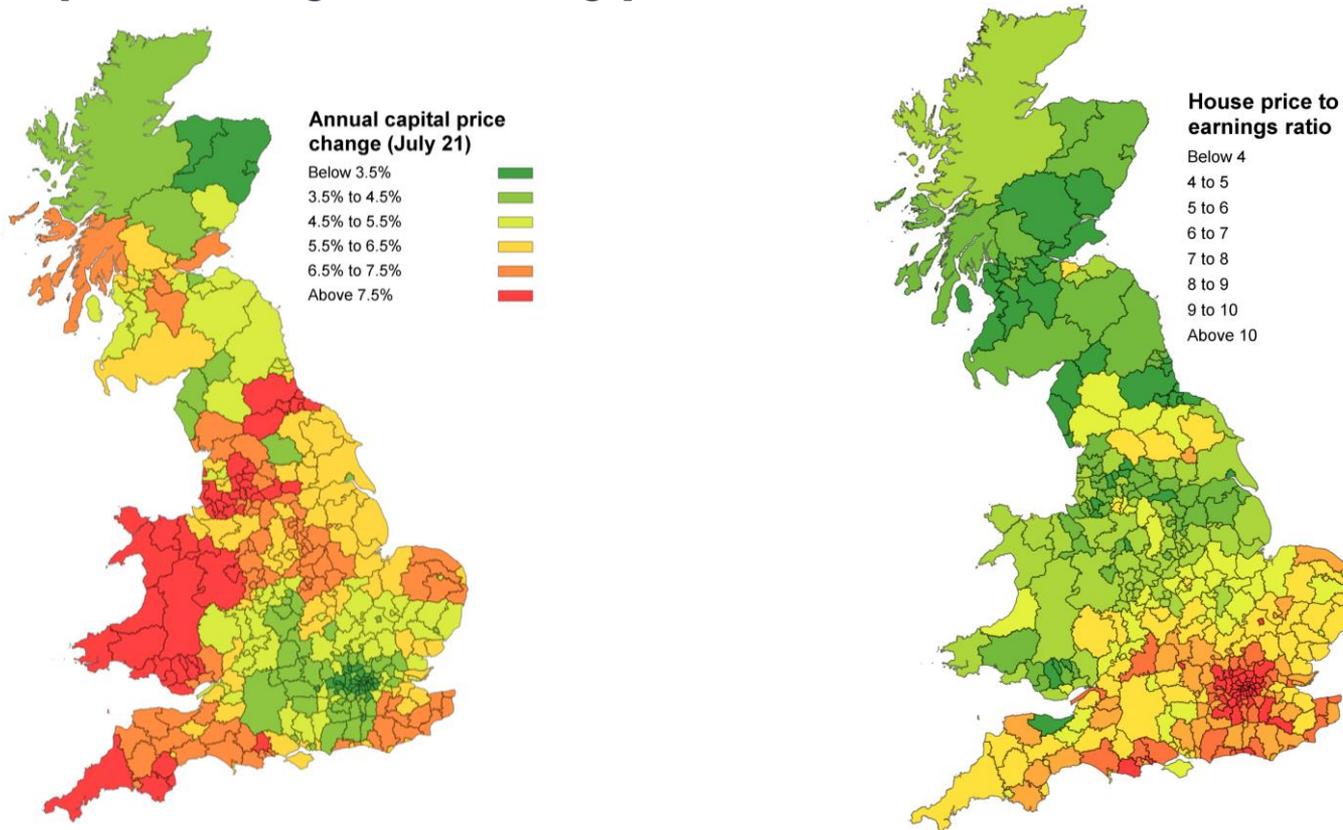
Average growth +6.1%, 2.2% early last year

...not all price growth the same



Where are prices rising most... next

Where are prices rising most strongly?



Most affordable markets, headroom for growth – even relative affordability.. Hastings
What's driving?

1. Pandemic-driven 'Reassessment of Home'

- 01 Families** 'bursting at the seams' needing space for work, schooling, entertainment and assuming more flexible working
- 02 First time buyers** seeking space and value for money – choice of 2 bed flat v moving out to 3 bed houses
- 03 Older, long tenure**, equity rich households releasing capital and relocating for family/quality of life reasons

2. Stamp duty holidays...

The impact of stamp duty holiday on demand and activity

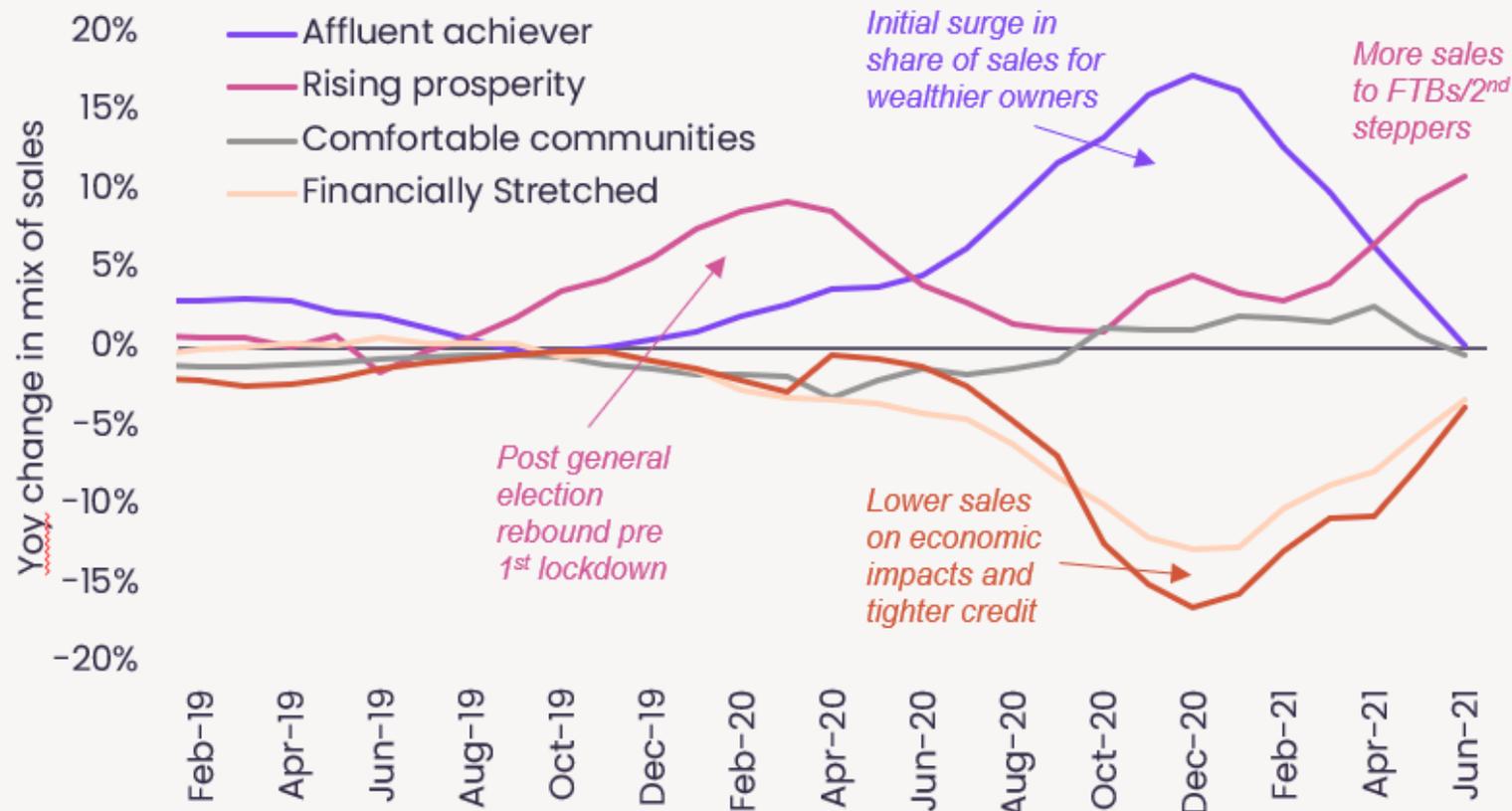


Source: Zoopla Research

*England and NI. Demand & Activity 2020-2021 YTD. Indexed, 100 = 2015-2019 average & growth compared to same period in 2015-2019

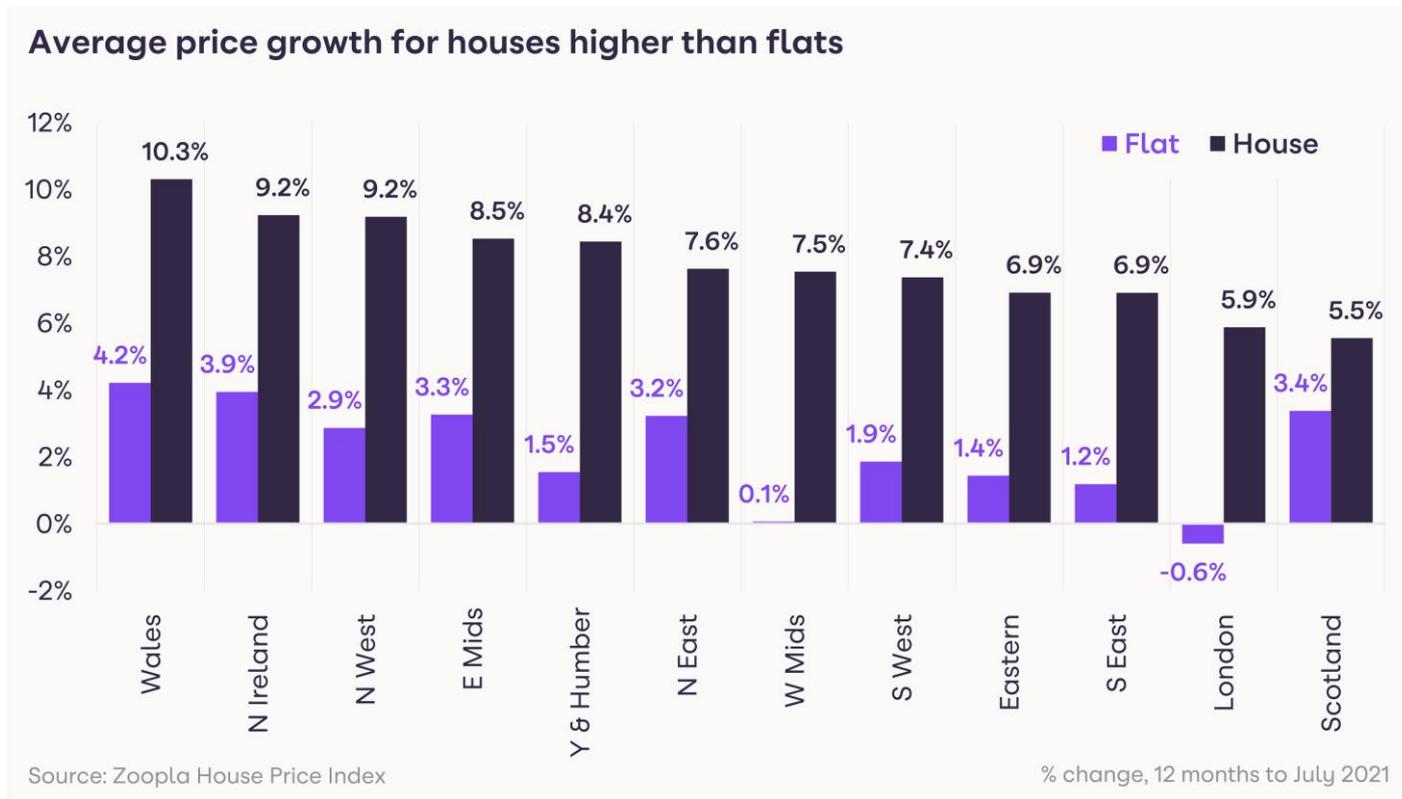
Is it all about stamp duty? Yes and no...

Annual change in mix of housing sales agreed by demographic group



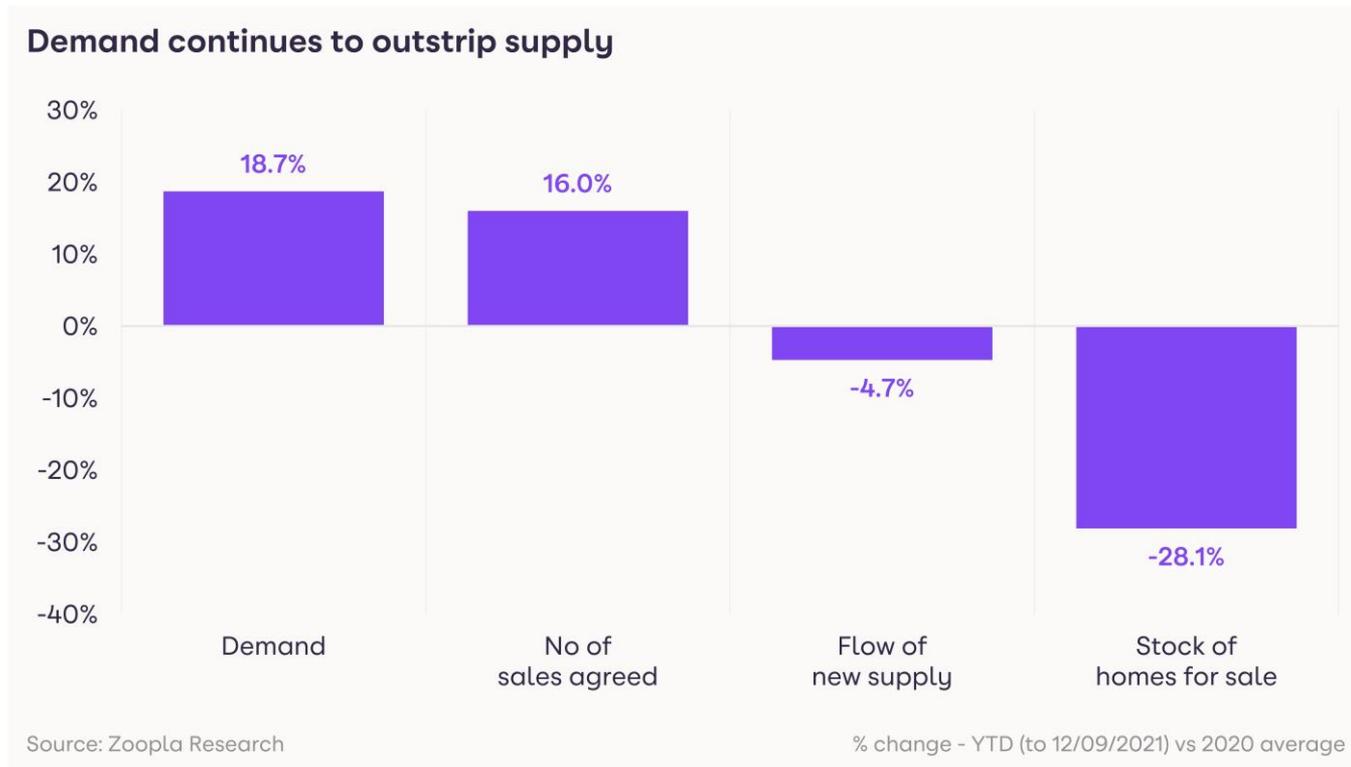
Source: Zoopla Research / HMRC

The 'search for space' effect on pricing by type of home



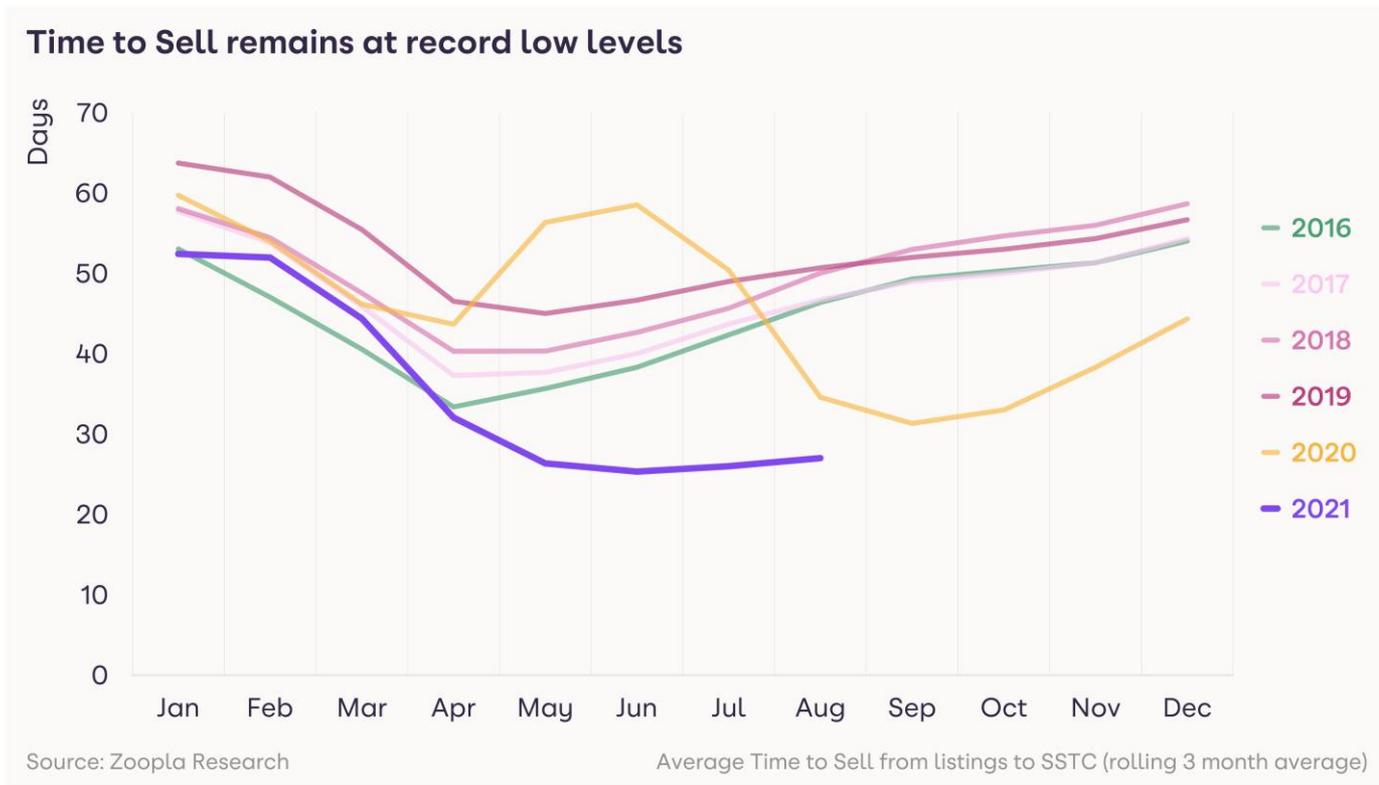
Pre-pandemic, level pegging
Now rising demand flats London

But supply ...



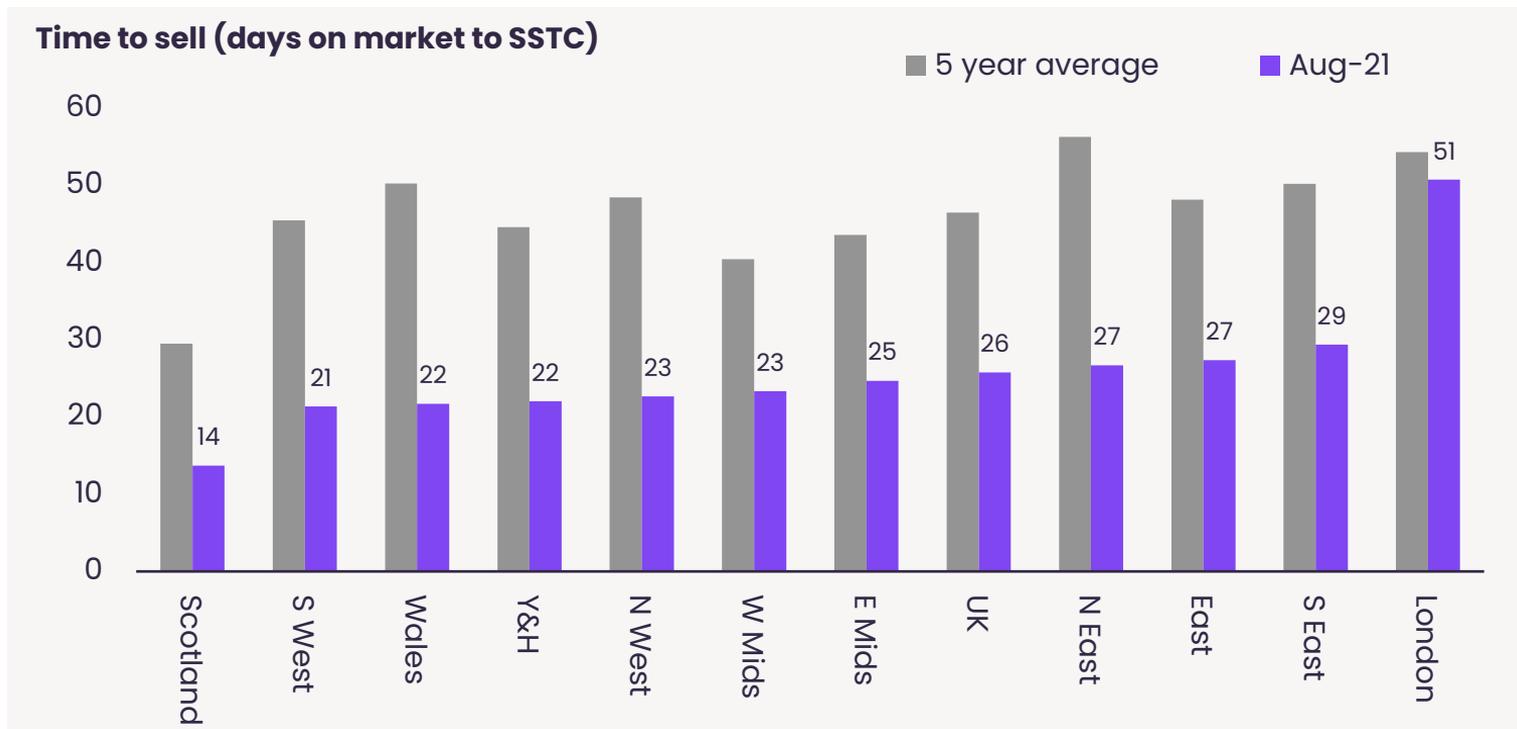
Active market, investors, FTBs... erosion of stock
HBs – forward sales

Fast-moving market...



Speed of sales

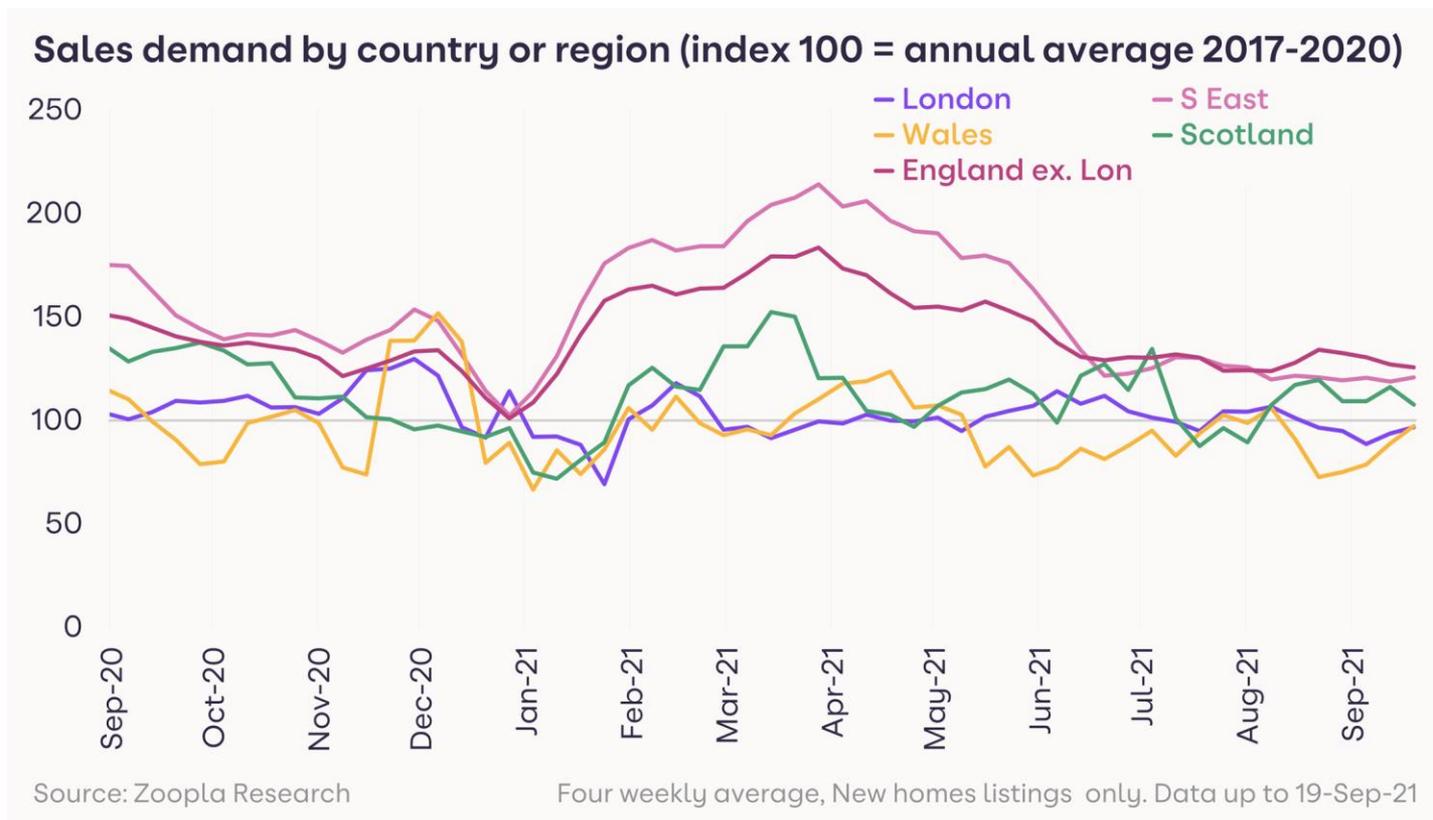
..regional variations



Longest time to sell in London, global city

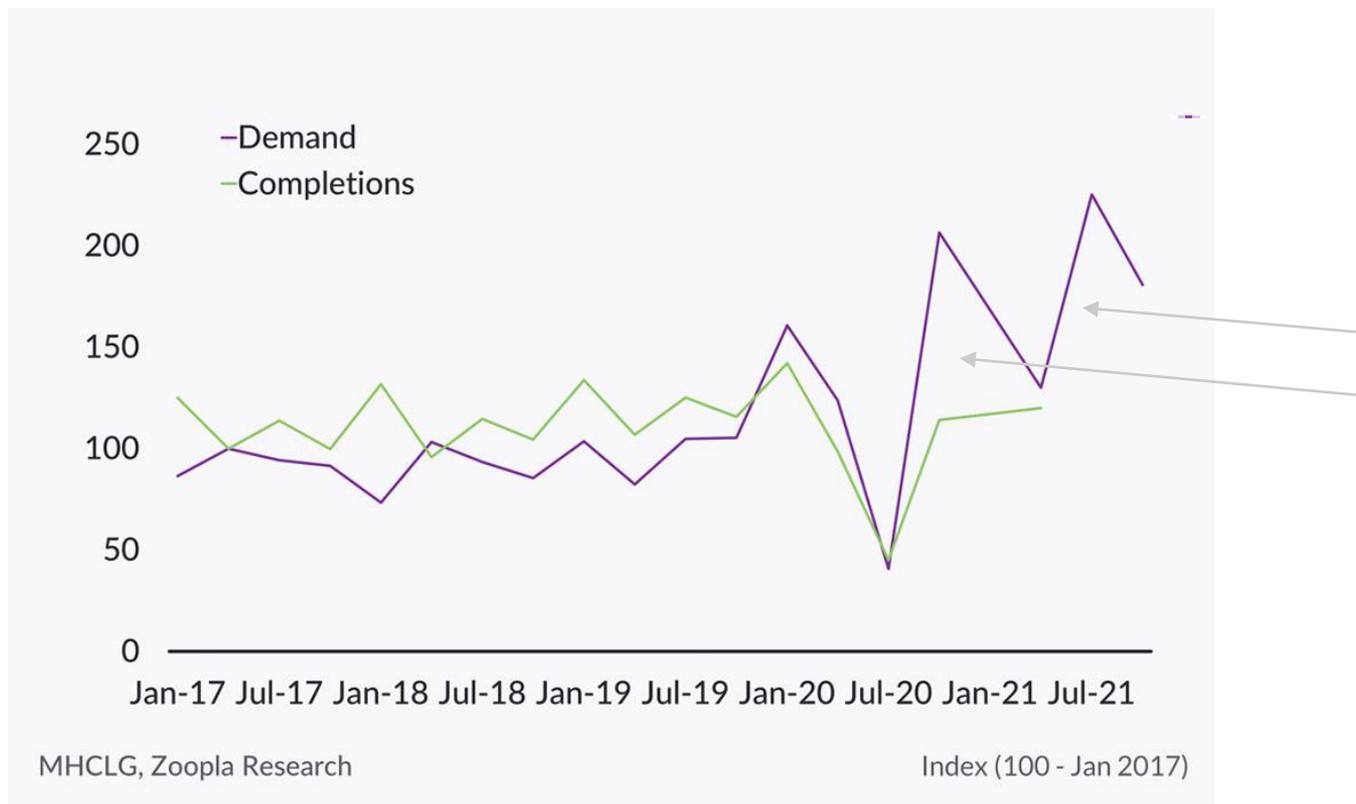
New Homes

New Homes demand



Demand for new homes mirrors resales - % of all sales up to 15%

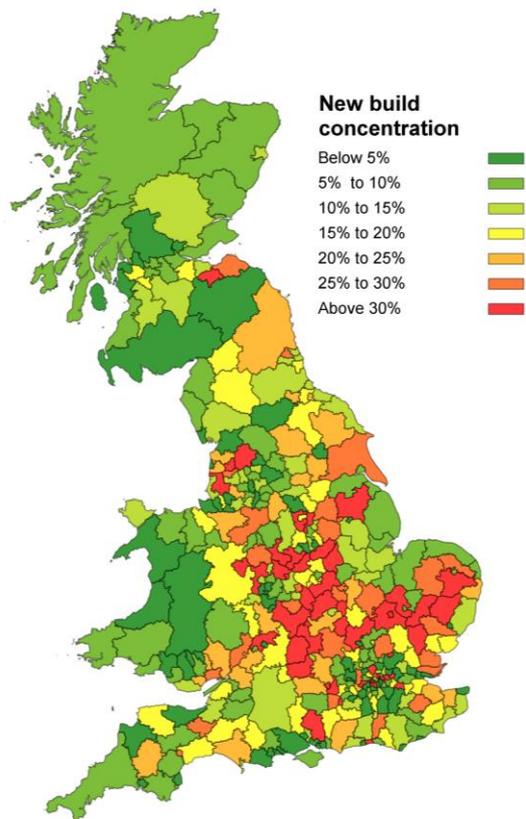
Scale of demand vs new-build completions



Resulting in forward sales...

Completions steady next 2 years, but not near 300k (indicated by starts)

New build concentration by local authority



Starts in last 12m as a % all housing sales in
last 12 months
Completions

New Zoopla Research study:

The pandemic's impact on **demand for housing and the desire to move** has further to run

Changes in **working patterns** a catalyst

Over a fifth of households 'more eager' to move in next 2 years

22%

More eager or much more eager to move home in next 2 years (8% 'much more' eager and 14% 'more' eager)

59%

Say the pandemic has **not changed their attitude** to moving home in next 2 years.

6%

Less eager to move home in next 2 years

1,000 respondents

ZOOPLA

'Home' factors drive desire to move

Primary driving force for an increased desire to move home?

46%

Home related factors

e.g. the need for a different sort of home or space etc.

28%

Personal factors

e.g. the need to be near friends/ family, re-evaluate values and desires etc.

18%

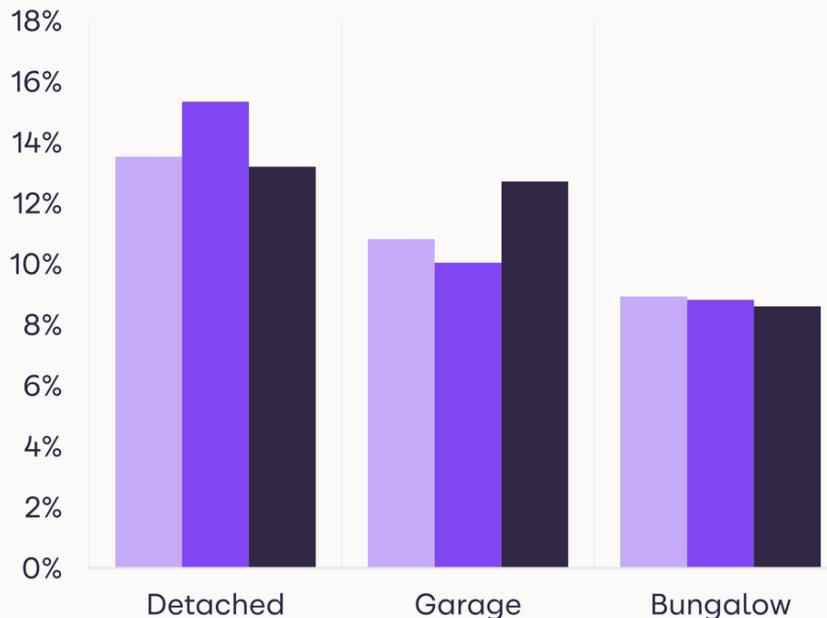
Work related factors

e.g. changing working patterns, more flexibility.

No major variations by type of household or tenure

What are new homes buyers looking

New Homes - GB exc. London

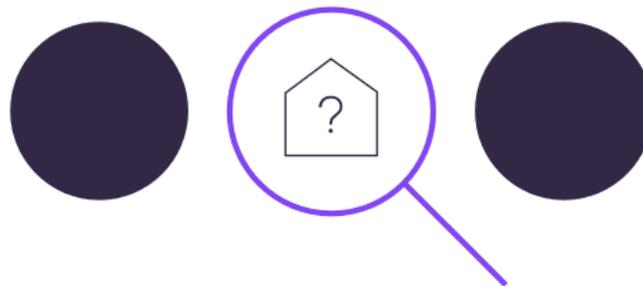


Source: Zoopla Research

2021

Searching questions:

What do buyers look for when searching for a new home?

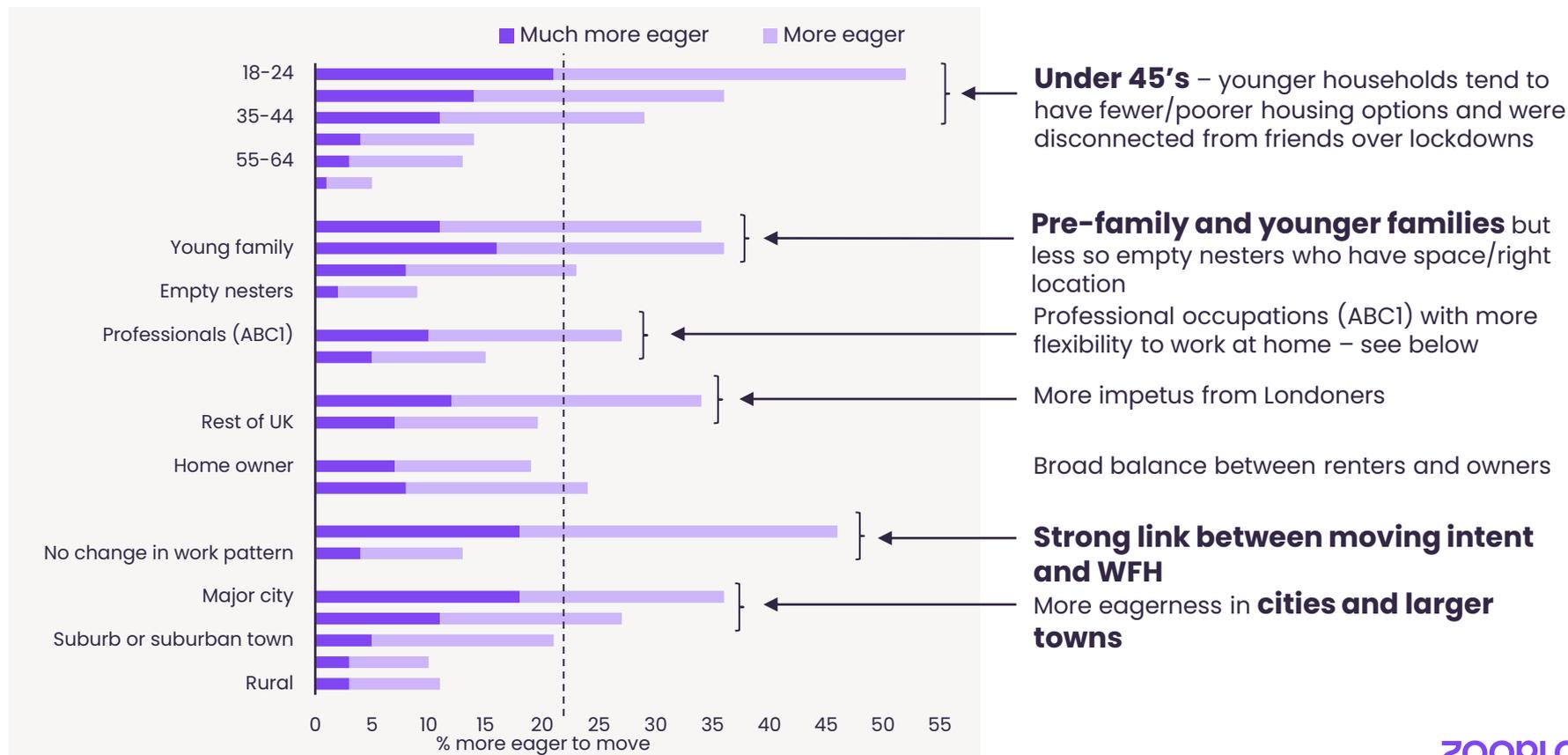


Executive summary

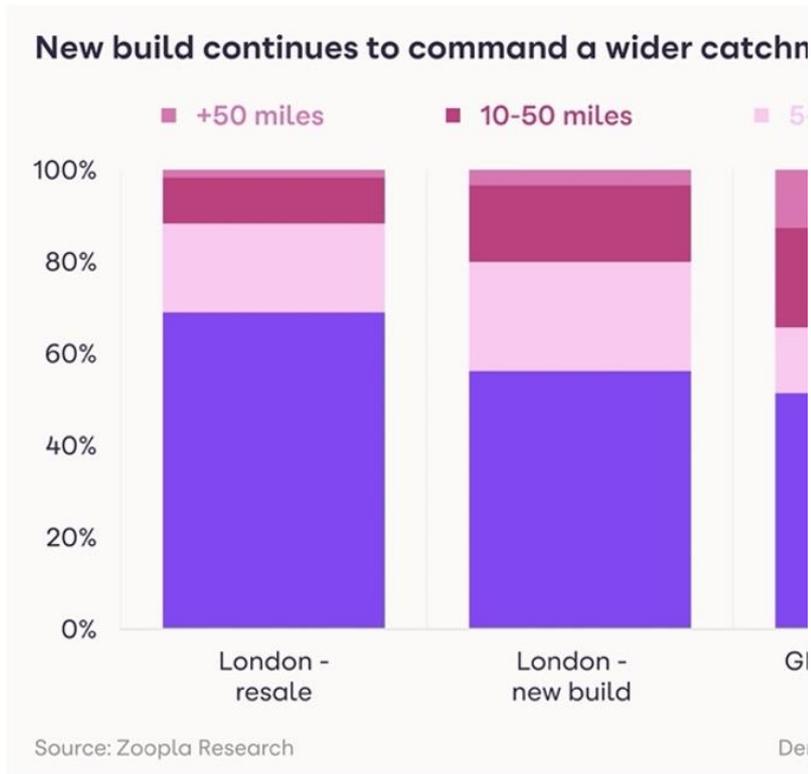
- Zoopla analysis shows that across the new homes market detached homes are the most searched-for type of property, and off-road parking is the most popular property attribute among those looking for a property across the UK.
- Over the last two years, these have been constant themes among potential home buyers but have been boosted by the pandemic and are unlikely to change once COVID ends. These are also the most searched-for terms in the wider resales market.
- In London around a fifth of buyers using keyword search look for 'Help to Buy' - the government's equity loan scheme. However, we have seen a drift downwards since 2019 as changes to the scheme introduced earlier this year have impacted demand.

Latest research, home type but also outside space: Garage, Parking..

Who is 'more eager' to move in next 2 years?



Looking where...?



Unlocking demand for new housing

New research to help builders optimise their new homes marketing spend

59%

Of new homes demand comes from more than 80 sq miles from site

11%

Further is how much buyers look for schemes with Help to Buy'

£1.5bn

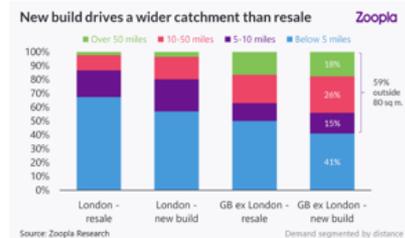
The annual marketing spend of major housebuilders

Executive summary

- New home buyers on average are willing to move 38% further than those looking to buy a second-hand property
- The breadth of new home demand varies by location - 80% of would-be buyers in London come from within 10 miles compared to 56% nationally
- There is no 'one-size-fits-all' approach to new homes marketing with different locations driving different sized catchment areas.
- Zoopla estimates housebuilders spend over £1.5bn on marketing new developments. Understanding where demand originates from enables housebuilders to grow and target the right audiences more effectively

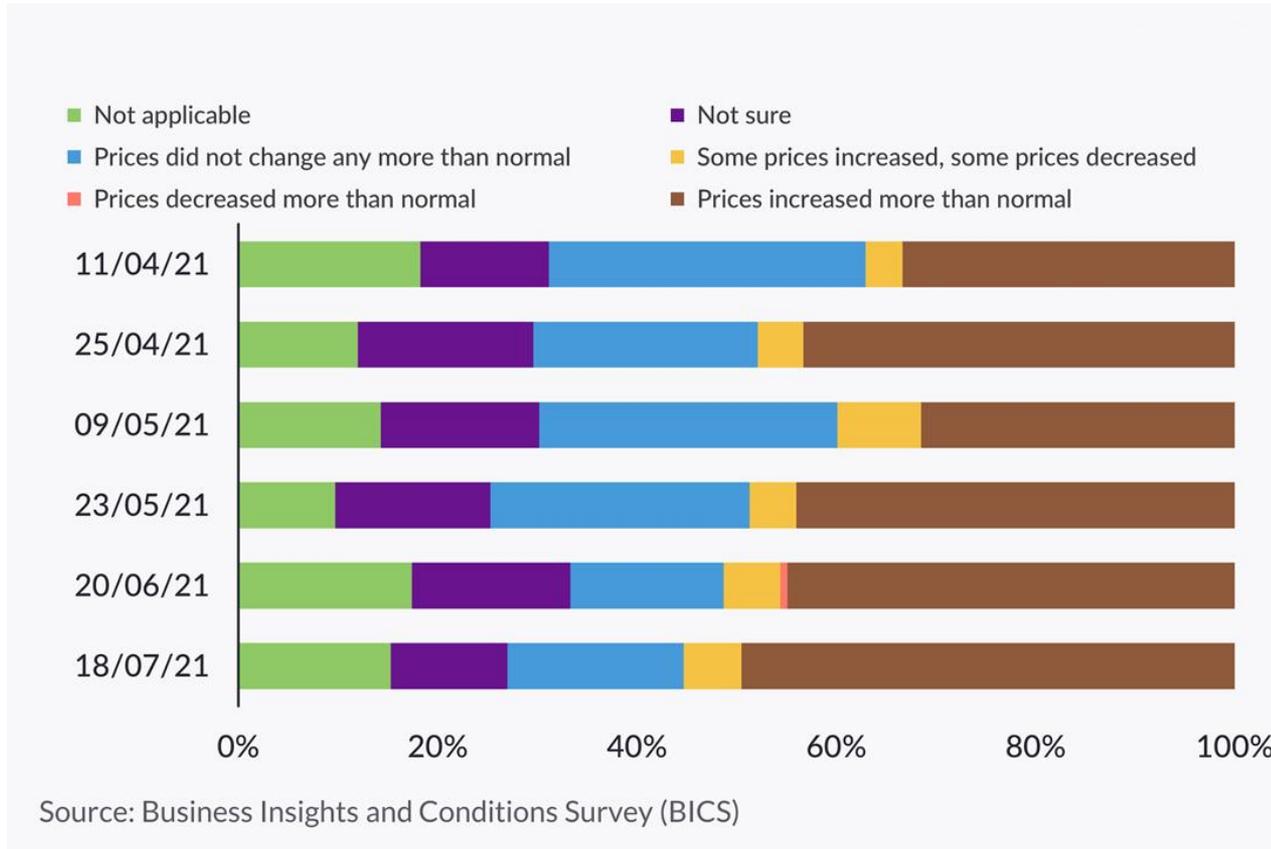
Understanding the size and origin of new home buyer demand drives efficiencies in marketing spend and provides developers with the necessary confidence to continue strategic investment into 2021

Rob Owens
Senior Property Analyst, Zoopla



Outlook

Increasing costs..



Outlook for market

Rising Costs, temporary, or baked in?

End of Help to Buy amid challenging economic landscape – furlough, inflation, – sentiment (industry response)

Planning changes? Gov response 'paused' but will be delivered under new leaders at MHCLG

Scarcity of homes for sale

Affordability of average-priced homes

Energy efficiency as a point of differentiation

Outlook

- 01** Transactions remain higher than average in 2022
- 02** Price growth in positive territory, but down from current levels – market remains regionalised
- 03** Eyes on policy – planning reform – supply

Thank you

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