ARTHUR

A YEAR IN REVIEW:

THE PROPERTY MARKET THROUGHOUT A PANDEMIC

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INSIGHT

“It has now been over a year since the country entered its first lockdown. In that time, landlords, agents and tenants have all had to adapt and adjust to a situation that has never been seen before. Although we hope that the third lockdown is our last, it is crucial to ensure that those operating in the industry are fully prepared for what the future may hold.

By reminding ourselves of what has happened over the course of the pandemic, as well as the methods used to help comply with social distancing guidelines, such as using property management software to limit in-person interactions, we can ensure that we are better equipped to handle what’s to come.”

Marc Trup - CEO of Arthur

INTRODUCTION

In March 2020, the UK entered its first lockdown, as the government attempted to keep people indoors to stop the spread of COVID-19. It has now been over a year since the UK's first lockdown, and the country is preparing to come out of its third national lockdown.

Landlords, agents and tenants have had to adapt to unprecedented changes in the property industry. The pandemic has seen a rise in remote working, which has resulted in property owners turning to property management software and other technology to limit in-person interactions.

We look at what has changed as a result of the pandemic, as well as what the future may hold as restrictions ease. We discuss key market statistics, as well as how property management software has been an invaluable tool for landlords operating during the pandemic.

A LOCKDOWN TIMELINE

SECTION 1

SPRING 2020

In response to the outbreak of COVID-19, the month of March saw the government introduce measures to help both tenants and landlords.

New legislation was put in place to protect both social and private renters who had been affected by the pandemic from being evicted, with landlords unable to initiate eviction proceedings for, at the time, the next three months minimum.

Many buy-to-let landlords were also buoyed by the introduction of the mortgage holiday, alleviating pressure on those that had tenants in their properties that had been affected by COVID-19.

Throughout the month, the pandemic had led to buyer demand falling drastically, as well as an increasing number of potential buyers pulling out of deals as they strive to cautiously manage their finances, according to research by Zoopla, an Arthur-integrated partner.

SPRING 2020

The last week of March saw almost 300 buy-to-let mortgages withdrawn from the market, as lenders withdrew products and suspended lending altogether due to uncertainty over what the future would hold due to COVID-19.

Health and Safety Executive (HSE) took this time to remind landlords that they still must ensure annual safety check are carried out, and to keep a record of each inspection.

To combat the effects of lockdown and social distancing on the ability to conduct property viewings, property managers utilised virtual viewings. Zoopla reported they had seen a 215% increase in virtual viewings of new-build properties.

Landlords and tenants were encouraged by the government to work together to provide support where needed. Landlords were also encouraged to be flexible when possible to help tenants who had been financially affected by the pandemic.

SUMMER 2020

Concerns around a second peak began to gain momentum in June, despite easing restrictions and improving success in the rental market.

Research by Nielsen found that, even if there was no second peak and the crisis came to an end, the effects on people's behaviour would last beyond the pandemic.

As routines change due to a new, heightened cautiousness about health, the digitisation of services became a more important consideration than ever before, in order to help companies thrive in a contact-free climate.

The following month, Chancellor Rishi Sunak delivered a speech titled 'A Plan for Jobs'. In this speech, he announced the stamp duty holiday, a measure put in place to boost the economy after the outbreak of COVID-19.

SUMMER 2020

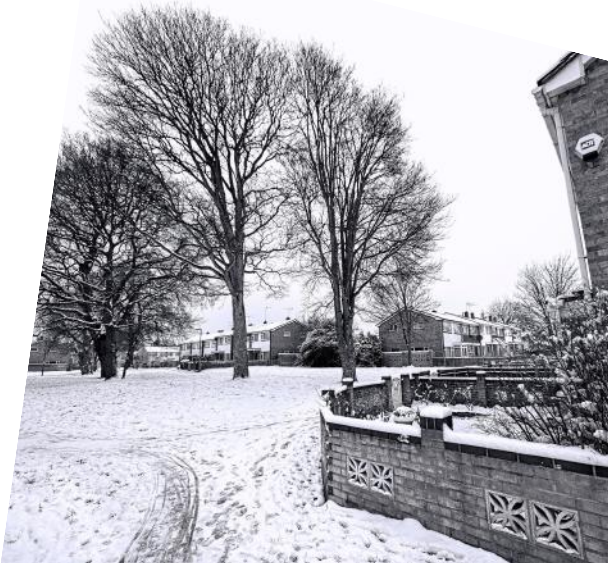
This meant that people no longer had to pay stamp duty on properties worth £500,000; previously, stamp duty was only avoidable when purchasing properties valued under £125,000.

Buy-to-let landlords and those buying a second home had to pay 3% on the portion of the property up to £500,000.

On 21st August, Housing Secretary Robert Jenrick announced that the evictions ban had been extended by another four weeks, with a new deadline of 20th September. The move was made to protect renters who had been affected by COVID-19.

The summer months also saw an increase in the number of people looking to move away from city centres to more rural locations. This was a result of many working from home changing tenant's priorities to favour more home space and gardens instead of proximity to work.

WINTER 2020



Due to rising cases of COVID-19 across the country, the government made the decision to revert back to stricter restrictions. On 5th November, England was subject to its second national lockdown.

Unlike the first lockdown, however, Robert Jenrick confirmed that those working within the property market could resume operations, providing they follow COVID-19 guidelines.

Estate and letting agencies stayed open during the lockdown, allowing prospective tenants and property managers to arrange viewings, both online and in-person.

A clear demand for spacious, well-kept and low-cost rentals continued throughout this period as tenants continued to spend the majority of their time in their homes.

WINTER 2020

Due to COVID-related restrictions, students that were enrolled for university faced studying almost entirely online.

This meant that an increased number of students worked from home, as opposed to renting near their respective universities.

The student lettings market suffered from longer void periods and lower demands, with Unite Students, one of the UK's largest student accommodation providers, recording a 10% decrease in the number of beds rented.

2021 SO FAR

England entered its third national lockdown on 6th January. Like the previous lockdown, the property market remained open, with letting agencies and contractors able to continue work, providing they operated within the guidelines.

In-person viewings were still permitted, although those able to facilitate virtual viewings were advised to do so.

On 8th January, the government once again extended the evictions ban and again on 18th March.

In response to fears that hundreds of thousands of property sales were at risk, Chancellor Rishi Sunak announced the extension of the stamp duty holiday in his Budget, with the holiday set to last until 30th June, in line with the initial plan for the easing of the national lockdown.

2021 SO FAR

A report by the Centre for Policy Studies (CPS) revealed the stamp duty holiday had increased house sales to their highest level since before the 2007 financial crisis.

Additionally, 2021 started on a positive note for the rental market. Demand for rentals had seen a surge in Q1 of 2021, with a reported 10% increase compared to Q4 of 2020.

LOOKING FORWARD

Looking forward to the rest of the year, with the rollout of the vaccine well underway, there is reason to believe that things will return to the way they were pre-COVID.

It is difficult to gauge, however, exactly what the post-COVID lettings market will look like.

Working from home has proved to be a successful option for many companies and newly adopted tech solutions have created a flexibility in the market that is here to stay.

The lettings sector has proven itself to be extremely resilient and has risen to the challenges of the last year.

With the market looking positive for the beginning of the year, the industry remains hopeful that the worst of the effects of the pandemic are behind us.

THE UK PROPERTY MARKET IN NUMBERS

SECTION 2

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HOUSING TRANSACTIONS

The number of UK housing transactions saw a decline of 9.8% between January 2020 and January 2021.

This comes as no surprise, given that the property market was shut for 15% of 2020 due to the COVID-19 pandemic.

Sales have been boosted by buyers looking for more space, with the situation also affected by factors such as the 2019 general election signalling the end of Brexit-related political uncertainty, as well as ultra-low interest rates.

These factors are expected to support transaction numbers when the stamp duty holiday tapers away and buyers are no longer planning for future lockdowns.

HOUSE PRICES

Between February 2020 and February 2021, the average UK house price grew by 6.9%, according to Nationwide.

The housing market had become detached from the wider economy, with a 7.8% decline in UK GDP between December 2020 and December 2019.

UK house prices have been resilient over the course of the pandemic, with Knight Frank anticipating a 5% increase this year.

6.9%

UK SALES

Between July 2020 and February 2021, the number of £1.5 million-plus UK sales was subject to a year-on-year increase of 39%.

Below £1.5 million saw an almost identical increase of 38%, suggesting that the stamp duty holiday has supported the recovery of the UK housing market, as opposed to playing a central role.

39%

LETTINGS MARKET VALUATION APPRAISALS

The number of lettings market valuation appraisals in London and Home Counties between February 2020 and February 2021 increased by 62%, the highest rise in ten years.

More short-let properties have entered the market, leading to a significant increase in supply inside the capital.

However, combined with the absence of international students and corporate tenants, this has led to downwards pressure on rents.

Rental values in Prime Central London saw a 14% decrease between February 2020 and February 2021, the steepest decline since September 2009.

62%

LETTINGS MARKET VALUATION APPRAISALS

Tax changes have led to many landlords outside of London selling up, a trend that was seen in the capital prior to the pandemic.

Knight Frank estimates it will take at least a year for rental values to recover to where they were before the COVID-19 outbreak.

HOW ARTHUR HAS HELPED

SECTION 3

ARTHUR

COVID PROFILE

Throughout the pandemic, Arthur has been a source of reliable information for property managers and has helped its clients adapt to the changes of the past year with a number of innovative solutions.

We launched a Covid Profile feature in September 2020, in an effort to improve the relationship between property managers and tenants during these trying times.

This means that tenants can connect with their property managers to share COVID-related information, enabling them to disclose whether they're self-isolating, have symptoms, have been in contact with someone who has tested positive in the last 14 days, or if anyone in the household is considered at risk.

This allows property managers to consider any circumstances that could affect events like property viewings and contractor work whilst keeping their tenants safe.

COMMUNICATION

As a cloud-based platform with a suite of bespoke apps for each stakeholder, property managers, owners and tenants can access documents and data anytime, anywhere.

Bringing all communication with all parties together on one platform streamlines communication, allowing you to react to and solve issues quicker.

The pandemic has shown the importance of businesses being able to adapt quickly, and that digitising property management processes make it much easier for teams to work remotely.

Being able to access key information remotely has allowed property managers to communicate with one another efficiently without being in the office, resulting in minimal disruption to their work.

AUTOMATION

Any errors and delays caused by human error or inefficient processes have been shown to be particularly costly during the pandemic.

As such, property managers have sought to streamline their processes and explore how advanced automation can help cut out any errors.

By encouraging efficient and streamlined processes, automation enables managers to remove unnecessary admin time and minimise the chances of mistakes.

Arthur's automated, flexible financial module helps to limit mistakes and delays, which has proven to be invaluable over the last year.

The pandemic has also made the automation of the viewings process an essential change for the property sector.

Our automated reminders for viewings can be sent out via email or SMS, allowing both tenants and property managers to prepare for what's to come in a time of utmost uncertainty.

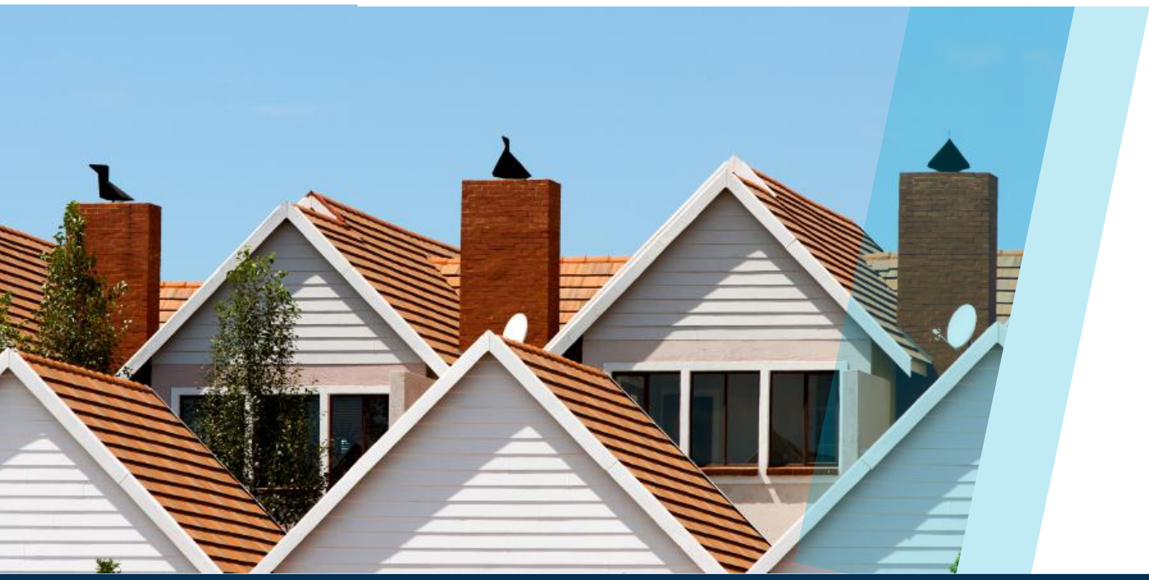
TENANT REFERENCING

Over the last year, it has been particularly important for property managers to be able to find the right tenants to fill their units, as choosing the wrong tenants can be time-consuming and costly.

This has been particularly difficult during the pandemic, as avoiding in-person interactions when possible has been advised.

Arthur helps property managers to fill their properties and reduce void periods during the pandemic by making sure they are able to choose the right tenants for them.

Thanks to our integration with Advanced Tenant Referencing, you can carry out comprehensive applicant reference checks swiftly and flexibly, anytime, anywhere.



SIGNING DOCUMENTS

With social distancing measures and lockdown restrictions in place, getting contracts signed quickly has been difficult.

Luckily, we offer remote solutions in the form of our integration with Signable. Prospective tenants can sign documents online from anywhere, on any device.

Signable stores all documents in one place, and allows you to track progress and send reminders, meaning you don't have to waste time bombarding tenants with emails.

The records are stored securely in Arthur, which has already helped many property managers with disputes.

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Book a demo to see how Arthur can help you to successfully manage your property portfolio during the COVID-19 pandemic and after.

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