



FINANCE UPDATES

MAY 2020



CAMPBELL & McCONNACHIE

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CORONAVIRUS: THE EFFECTS ON HOUSE PRICES

How lockdown impacts on the property market.

Most investment portfolios are experiencing extreme market volatility this year as the coronavirus pandemic continues to affect every aspect of life in the UK.

For many homeowners who are planning to put their house on the market this spring, it's no different as moves are put on hold in an attempt to contain the virus.

Last month, the Government urged people not to move house to try and limit the spread of COVID-19 across the UK, and said buyers should delay moving while the emergency lockdown measures remain in place.

Lenders are seeking to go a step further, with some banks pressing for a full suspension of the UK housing market and demonstrating caution about granting mortgages in uncertain times like these.

The questions are what effect will the coronavirus have on the property market and will house prices drop this year as a result?

PROMISING START TO THE YEAR

Ironically, as the UK was officially leaving the EU on 31 January, the first cases of COVID-19 were recorded in the UK. Unbeknown to most of us at the time, we were leaping from one destabilising event to another.

At the same time, there were signs that post-Brexit interest among homebuyers was picking up.

Estate agents in London, for example, had reported the highest levels of buying interest since 2005.

It seemed as the UK emerged out of winter that confidence in the property market was slowly increasing and that would be reflected in house price growth in 2020.

In March, experts said around 200,000 people were in the process of buying or selling a home in the UK. The same number of buyers were planning to move last month.

Since then, however, the property market has ground to a halt as all but the most essential workers shift to home-working in a bid to contain the spread of the virus.

According to Zoopla, the number of new property sales agreed in the UK has fallen by 70% since the coronavirus restrictions kicked in on 23 March, while the amount of people wanting to view properties has dropped by more than 60%.

WHO DOES THIS AFFECT?

From a business perspective, those that rely on property transactions are feeling the biggest impacts of COVID-19.

Prior to all but the essential businesses closing as part of the lockdown, estate agents saw house viewings slow as sellers feared potential buyers coming into their home carrying the coronavirus, and vice versa.

New-build developers have seen construction sites closed and may be seeing domestic and overseas interest dry up the longer the restrictions remain in place until the nation returns to work.

Similarly, removal companies who are solely reliant on people moving home are likely to be among the hardest hit.

With self-isolation measures in place and large swathes of the population working from home, potential buyers may face short-term pay reductions.

The longer the crisis goes on, the more their financial security is at risk.

If you are currently concerned about your finances, contact us to get a financial health check right away.

WILL HOUSE PRICES FALL?

If you're planning to buy or sell a house this year, you can be forgiven for fearing a similar economic downturn to the one the UK experienced in 2008 when house prices dropped 15.9% – the biggest annual UK house price decline on record.

In February 2020, before COVID-19 began to really bite in the UK, data from the Office for National Statistics showed that house prices in the UK had increased by a modest 1.1% over the previous 12 months.

At the time of writing, house prices in the UK are being tipped to fall by around 3% in 2020 as the coronavirus puts the property market on hold, before bouncing back to 5% growth next year.

The roots of this year's crisis do not stem from financial mismanagement, as was the case 12 years ago, and a similar house price crash depends on whether or not the coronavirus starts to recede soon.

If that is the case, large house price falls are unlikely and sellers may have to simply put their plans on ice for 2020 to ride out this storm as the property market is essentially frozen.

For any help with your housing plans in uncertain times like these, get in touch with our experts to discuss your options.

IS IT A GOOD TIME TO MOVE?

We already know the Government and the Bank of England have made moves to prop up the economy and minimise the long-term economic impacts of COVID-19.

In an emergency response to the coronavirus outbreak, interest rates were cut in March from 0.75% to 0.1% – the lowest in the Bank of England's 325-year history.

The base rate of interest has never been so low, so borrowing rates should also be low.

These low interest rates should be good news for all mortgage borrowers, except those on fixed-rate deals.

For around 2.2m homeowners who have variable-rate mortgages in the UK, according to UK Finance, some lenders passed on the base-rate cut to consumers by slashing their own interest rates by 0.5% from 1 April 2020.

Given the extremely low interest rates on offer, now could actually be a good time to buy a property, assuming you can strike a deal in the current climate.

However, most lenders have upped their minimum deposit criteria since the coronavirus outbreak, putting house moves on hold unless you have a deposit of at least 40%.

WHAT'S THE BEST OPTION?

The best move depends on your individual circumstances, but for most people the smart option is to sit tight until the coronavirus has peaked and the nation slowly gets back to work.

That said, with interest rates at new lows, the best option could simply be to shop around for the best mortgage deal to reduce your costs until the time comes to move house.

Not all lenders have passed on the base-rate cut to consumers, though, and our specialists can find the best rate from all mortgages on the market, in addition to some products that are not advertised.

Get in touch to discuss your options, such as fixing your interest rate now in case rates rise sharply in the near future, plus ways to protect your finances if the coronavirus crisis lingers on.

[!\[\]\(066cb4a00c9d9f40edb6f87372ec6f08_img.jpg\) Speak to us about your finances.](#)

IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change. Your home is at risk if you do not keep up mortgage payments.

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