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MARKET INSIGHT

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Focus

Behind closed doors

It's often rumoured we could see the end of the traditional estate agent as more people choose to sell their home online. But some buyers and sellers prefer not to have their home marketed publicly or to have any traceable details of their homes available online. In this section of the market, traditional agents still prosper.

There are many reasons why people decide to sell their home off-market. Sellers who are sensitive about their security and/or privacy often prefer to market their property 'quietly' so not to attract too much attention and only let the very best applicants through the front door. However, there are other reasons too. Landlords who are letting a property may also prefer the more discreet approach to avoid alerting their tenants of a possible sale.

The proportion of homes sold off-market tends to rise when the market is weaker. That's likely to be because sellers want to test the market quietly, gauging both price and demand without extending the obvious time their home has been for sale. It's understandable.

The longer a property is on the public market for, the more likely potential buyers are to think there could be a problem with the property, or that the seller will be more open to cheeky offers. Discreet marketing can avoid this effect. Indeed many sellers decide to pause marketing publicly to break this 'curse'.

> **"This year one in five (20%) homes in the UK have been sold off market, up from 11% in 2007."**

And it can be a successful strategy. This year one in five (20%) homes in the UK have been sold off-market, up from 11% in 2007. Not surprisingly, it's the higher value homes that are most likely to be sold off-market. A quarter of homes sold for over £2million in the UK are sold off-market, compared

Proportion of off-market sales

	London	UK
Under £500,000	0.9%	0.8%
£500,000 to £1m	4.8%	4.4%
£1m to £2m	24.2%	19.3%
£2m+	26.5%	23.8%

Source: Countrywide Research

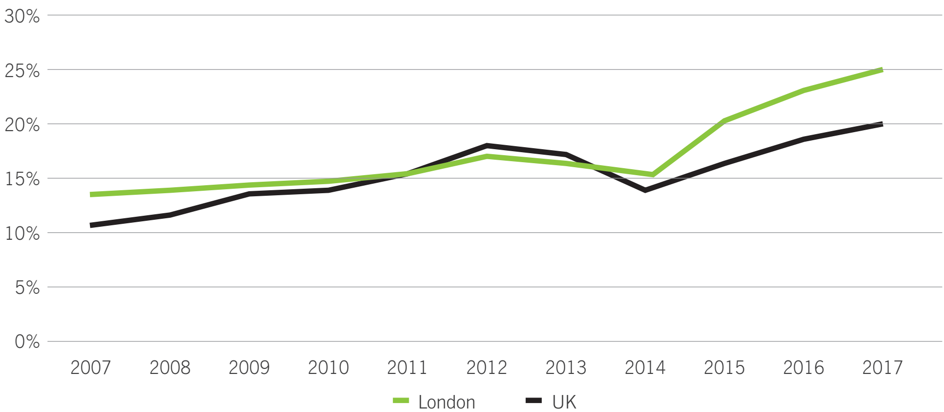
to just 1% of homes under £500k. In London, where homes tend to be more expensive, the figures rise further. So far in 2017 one in four homes were sold off-market and 27% of +£2million homes in the capital were sold behind closed doors.

But it's not just sellers who like this option. Buyers too like the discreet and exclusive approach – precisely the type of service that traditional estate agents provide. Being invited to view a home not available to everyone adds a certain cachet and perhaps a feeling of being able to have first chance to buy. That could help secure a better price for the seller too.

Obviously the downside of selling off-market is that it limits the pool of potential buyers. That means there may be a smaller chance of finding 'the one'. But as a strategy engaged for a limited time it can be successful in attracting certain types of buyers and sellers to homes they may not have considered. And that can show the real worth of an experienced and professional agent.

> **"27% of +£2million homes in the capital were sold behind closed doors."**

Proportion of £1m+ homes sold off market



Source: Countrywide Research

Economy

Don't panic, we've got insurance!

With the cost of living rising faster than wage growth, households are feeling the pinch again. It's not a new feeling for them. Their inflation adjusted earnings were falling for about six years after the financial crisis hit. But now, after so many years of austerity, it seems that they are fed up and turning to borrowing, rather than belt tightening.

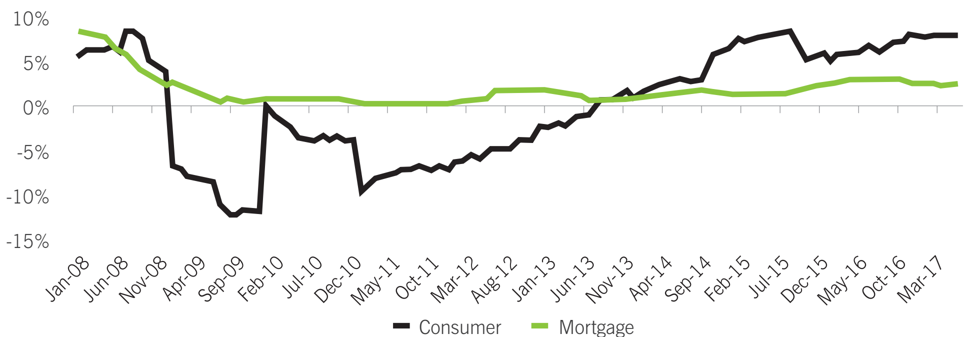
Consumer credit has been increasing as households have turned to credit cards, but also other types of financing for swanky cars and the like. Low interest rates make this much more possible than in the past, but it has raised some eyebrows at the Bank of England. It's concerned that higher levels of debt make households more vulnerable to higher interest rates and any worsening in the fortunes of the economy.

But it's not something to panic about. The UK has high levels of debt compared with some other countries, but most of that is due to mortgages. As house prices have grown, so has mortgage debt.

Consumer debt is only 13% of overall household debt. But it is rising fast. In the past year, outstanding car loans, credit card balances and personal loans have increased by 10%, but household incomes have risen by only 1.5%. The interest rates and terms on personal loans and credit cards – and especially car finance deals – have eased significantly, as lenders have taken a more relaxed approach to risk and compete for customers.

Should that be a worry? Not yet, if at all. 40% of households with consumer debt actually have savings bigger than their outstanding debt. But the Bank of England has already made sure that banks cannot easily let credit get out of control in the belief that 'this time it's different'. Measures to curb too relaxed an attitude to lending are already in place.In the words of the Bank, these measures should act like a good insurance policy. Any frustrations in lending today are being outweighed by the benefit of a healthier set of households if economic conditions worsen.

Growth in Debt, % YoY



Source: ONS

Sales

Period homes

Compared to most other European countries, the UK has one of the highest proportions of homes built before the second world war, often called period homes. It is common knowledge that older homes hold onto their value better than some newer ones. Of course it's not just age – the value of these homes also depends on their location and condition. Although no two houses are ever quite the same, and condition and location are the same, the architectural style tends to be the biggest determinant of price.

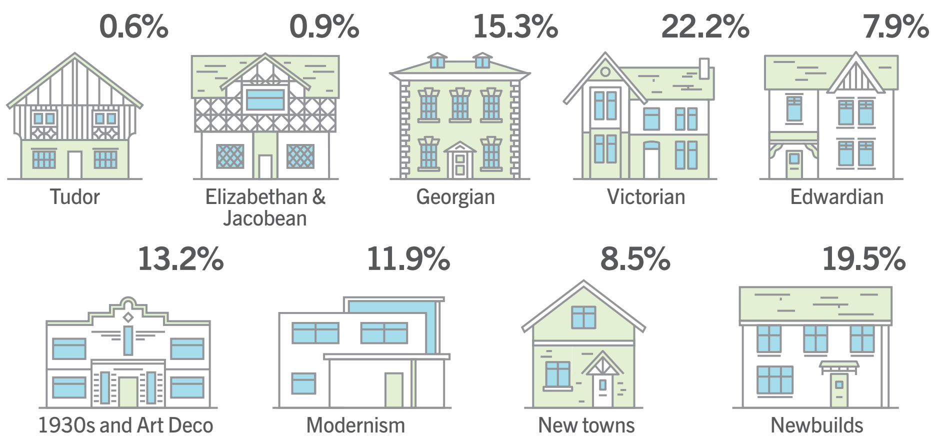
More +£1 million homes were built in the Victorian rather than in any other era. Victorian homes make up just 13% of all houses in the UK, but 22% of those sold for over £1 million. But there is a big mix of Victorian homes, many of them small and inexpensive. Overall just 2.5% of Victorian homes are worth seven figures or more.

It's Tudor homes that are most likely to be worth +£1 million. 6% of the 40,000 Tudor homes in the UK have values in seven figures. Here buyers are paying for rarity and distinctive character. At the other end of the spectrum, homes built between 1960 and 1980 are least likely to be worth over a million. Some of this is down to today's style preferences, but it's also down to where they were built. A high proportion of the homes built in these two decades were in new towns such as Milton Keynes and Harlow, which are still establishing themselves.

Today there is a finite supply of older homes and because of this, buyers are generally willing to pay more for them – particularly in parts of the country like London and the South East of England where land restrictions mean that newer homes are less likely to be built in the best locations. But it is also because it tends to be the best homes in each era which survive. So maybe in 100 years' time it will be the best 1960s homes, that have survived, that will carry a premium!

Proportion of £1m+ homes in the UK

Source: Countrywide Research & Land Registry



Lettings

Proportion of overseas landlords halves

A common idea that the growth of the rental sector since 2010 has been driven by overseas investors is not true. In fact, the proportion of overseas based landlords in Great Britain (GB) hit a record low in 2017. Overseas landlords owned just 5% of all homes let in GB in 2017, down from 12% in 2010.

A steady increase in foreign investors' tax bills combined with more recent falling expectations of price growth, particularly in London, has led to a decline in foreign investment in buy-to-let. As well as having to contend with increased stamp duty and the annual tax on enveloped dwellings (ATED), overseas investors also saw the removal of capital gains tax exemptions in 2015.

As a result, London saw the largest fall with one in ten (11%) homes let this year owned by an overseas landlord, down from one in four (26%) in 2010. Prime Central London continues to have the largest proportion of overseas based landlords – they owned nearly a third of all homes (31%) let in 2010, a figure which fell to 23% in 2017.

The number of European based landlords has been gradually falling over time, more so than any other group. In 2010 they made up 39% of all lets by overseas landlords in London, but now account for 28%. They were the biggest group of overseas investors in London until 2014. Asia based landlords have taken over as the biggest group of overseas based landlords in the capital (33%), followed by Europeans (28%), North Americans (10%) and Middle Eastern (9%). Outside of London, Europeans (37%) remain the biggest group of overseas landlords.

The proportion of overseas based landlords has fallen in every region across Great Britain since 2010. London has always had the highest proportion (currently 11%) of landlords based overseas, followed by the South East (5%). But outside London and the South East, less than 5% of homes are let by an overseas landlord.

Where overseas landlords are based (2017)

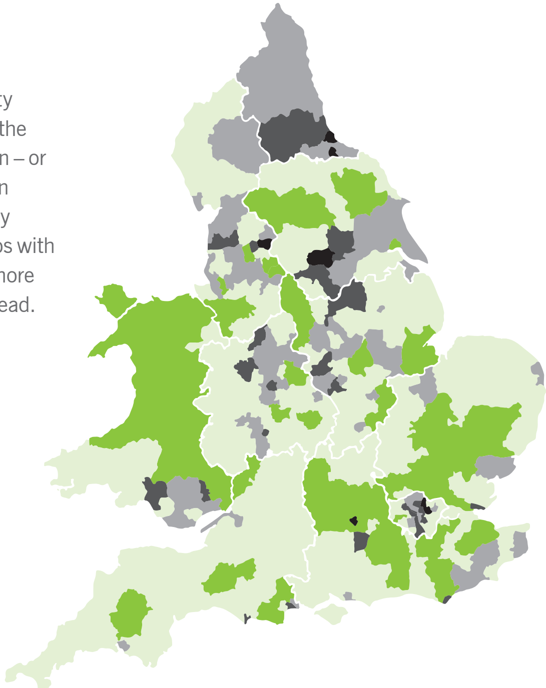
Source: Countrywide Research

	London landlords	GB (exc. London) landlords
Asia	33%	15%
Europe	28%	37%
North America	10%	13%
Middle East	9%	12%
Oceania	8%	16%
Africa	7%	5%
South America	5%	2%

Stat of the Month

Flipping 'eck

Given lower demand from landlords to buy properties due to the extra 3% stamp duty tax introduced last year, perhaps surprisingly the number of homes bought, done up and sold on – or flipped – is up. However, it looks like there's an element of would-be landlords choosing to buy homes to do up and sell on instead. Or perhaps with less competition from landlords there's now more opportunity for the small-scale developer instead.



Proportion of flipped homes

- Over 5%
- 4 to 5%
- 2 to 4%
- 2 to 3%
- Under 2%

2015

Region	Local Authority	Homes sold twice in a year
North West	Burnley	7.9%
London	Kensington & Chelsea	7.8%
London	Lambeth	7.0%
London	Haringey	7.0%
London	City of Westminster	6.6%

2017

Region	Local Authority	Homes sold twice in a year
North West	Burnley	8.3%
South East	Reading	6.7%
London	Waltham Forest	6.4%
London	Newham	5.9%
North East	Middlesbrough	5.7%

Source: Countrywide Research & Land Registry

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