

# Early signs of recovery as lockdown is released

**Following a positive end to 2019 and a return in confidence after the general election result, this year started much the same for the central London property market, with increased levels of activity indicating the return of a good market and the 'Boris bounce'.**

With the arrival of Covid-19 and a national lockdown from mid-March the market was bought to a standstill. While lockdown prevented the normal flow of transactions we saw this as a pause in the market rather than a collapse, and we're seeing the early signs of recovery as we begin to move forward.

Prices in Q1 were still a long way off our peak of 2014 but we were seeing activity levels increase to similar levels since the last peak of 2014. Momentum in the asking price achieved in Q1 (+6% vs Q4 2019) showed this increase in the first few months of the year, underpinned by the amount of

people going out on viewings.

Sold prices had increased by 11% and average asking price was up 6% compared to the previous quarter, before government restrictions stopped the market in its tracks - and although these figures are from a very different environment to that which we are experiencing now, we believe they give cause for optimism.

Activity levels and price growth were edging up thanks to low interest rates, a release of years of pent up demand and a more stable political backdrop, and while we currently navigate this uncertain period in the market we are not expecting prices to change dramatically now that the restrictions for the industry have been lifted.

Encouragingly, Winkworth offices achieved an average of 97% of the asking price for its Q1 sales, up 3% from the previous quarter (Q4 2019) and up 5% from Q1 2019.

## RENEGOTIATIONS AND FALL THROUGHS

Since entering lockdown, we have seen a fall through rate of just 21% on properties with sales agreed before the lockdown as buyers withdraw due to changing financial circumstances or coronavirus anxieties. This figure we believe to be quite low considering the situation and on par with the industry average.

Pipelines are being maintained and where we are seeing renegotiations take place it is only at very low levels. Our figures show that only 19% of properties have gone through some renegotiations, with an average 6.3% reduction in their property prices.

What we are seeing is very different to previous crises and we are experiencing a

very different feel to that of the financial crash of 2008. With this comes a different outcome - where in the past we've seen significant price reductions and buyers pulling out of transactions - here we are seeing people have stuck with their transactions and remained committed despite the situation.

This steady state of consumer confidence shows that the buyers are still optimistic and don't think that the past few months have materially affected the value of what they are buying, further supporting the notion that prices will be supported coming out of lockdown.

Sold price

Ave. asking price

↑ 11% | ↑ 6%

Q1 2020 vs Q4 2019

97% | ↑ 3%

of asking price achieved

Q1 2020 vs Q4 2019

Lockdown fall throughs

21%

Renegotiations

Ave. reduction

19% | 6.3%





## A POST-COVID BOUNCE?

The impact of Covid-19 and the lockdown on the central London property market is unprecedented and its effects will continue to shape the market as restrictions are lifted and we look to recover as we move into Q3.

We do, however, have every confidence that with years of pent up demand and consistently low interest rates we will see a gradual return in activity as the year progresses and the economy adjusts.

These Q1 figures show the underlying strength of the market and with most transactions put on hold rather than cancelled during this short period of hibernation, most can now be reinstated and therefore with the economical damage relatively limited. Although we don't expect any dramatic increases as we move into Q3, we anticipate the bout of completions

from properties that have been waiting to progress to keep things busy.

The greater levels of activity from pent up demand from buyers should also push through a flurry of transactions in Q3 and Q4 this year.

We are still in uncharted territory, however the fundamentals which drive the property market, supply and demand, have not changed and we firmly believe investing in property will always remain a good long-term proposition.

We are seeing a change in buyers' priorities where placing greater value in things like outdoor areas or the capacity to work from home are fast becoming important considerations, however, although buyers may be more cautious, they are not deterred.

The UK prime central London asset class has always historically proven popular in these uncertain times amongst the international investor community and we expect that to be the case in the remainder of 2020.

With this said, as we continue to face these uncertain times, it is now more important than ever for sellers to instruct a proactive estate agent who can offer realistic advice based on years of experience. Having traded in the prime central London market for almost 185 years, together with our proprietors we have seen this market through many of its peaks and troughs and, as always, we remain confident in the market in which our business first began back in 1835.

## A MORE DIGITAL FUTURE...

Digital technology has successfully allowed us to stay connected during these times with virtual viewings and market appraisals becoming very much the norm. The interest and enthusiasm triggered by these virtual methods during the crisis will certainly continue, and we see this being a positive change for the future and one to be embraced, particularly within the prime central London market.

Although physical viewings will still be required, virtual viewings will remain very useful for prospective buyers who live far away from the property, particularly for international buyers with interest in central London property, or for those who would like to get an initial feel of a home before committing to an in-person visit.

Looking to the future, we feel that virtual viewings can and will therefore help agents

to identify the most serious buyers and potentially contribute towards speeding up transactions.

With all this change and adaptation, one thing that will always ring true is that property is a people business and having an experienced team with a true personal approach will always be at the heart of what we do.



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