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Why the property market's 'Boris bounce' will not last

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By **Melissa Lawford**

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On election day (https://www.telegraph.co.uk/property/uk/does-conservative-majority-mean-house-prices-property-tax-buy/), "everyone was ready with the had funds in place, contracts ready, but they were holding off until the Friday morning to pull the trigger," recalls Louis Harding, an agen Parker.

The sense of relief (https://www.telegraph.co.uk/property/house-prices/three-places-house-prices-set-rise-thanks-tory-election-victory/) in the property world w the results came through and brought a much-needed infusion of certainty. "It was akin to having the threat of a leg amputation removed and your toe," says buying agent Thea Carroll.

Now, many estate agents are practically singing from the rooftops.

The concept of a 'Boris bounce' in the property market is a compelling one. There has been a long-perceived wisdom that the UK's house price been mirroring our political stalemate. The decisive Tory election win has put an end to one, surely that means a boom for the other? (https://www.telegraph.co.uk/property/uk/will-happen-property-market-2020-will-brexit-deal-boost-house/)

During December last year, Savills recorded a 50 per cent increase in transactions in London (https://www.telegraph.co.uk/property/house-prices/lond slump-ending/) and a 35 per cent increase across the rest of the country, compared to the same month in 2018. And excluding the month before t the stamp duty surcharge in April 2016, Knight Frank saw the highest monthly total (https://www.telegraph.co.uk/business/2020/01/20/rush-new-prospe property-buyers-housing-market-picks/) of prime central London exchanges since April 2014.

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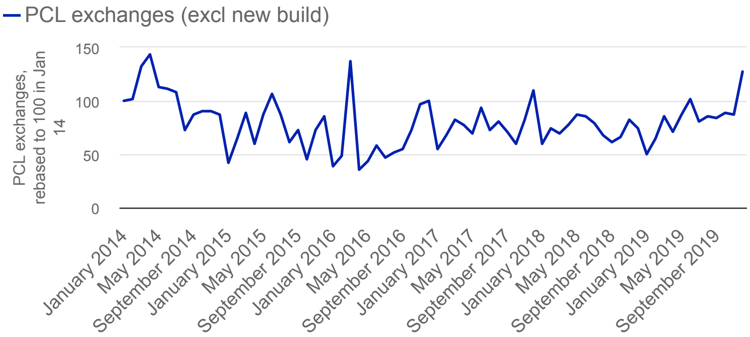
Exchanges on Knight Frank properties



SOURCE: KNIGHT FRANK

It looks like the election result has kick-started the market. Between Dec 13 and Jan 15, Rightmove recorded a 15 per cent uptick in buyer enqu period the previous year. Carter Jonas reported a 52 per cent jump in the number of offers received on properties in the first two weeks of this with the same period in 2019.

So surely we are all set for an all-out property resurgence, right? Hold your horses.

There's a big difference between the "mood music" and the market improving in earnest, says Simon Rubinsohn, chief economist at the Royal Chartered Surveyors.

The even bigger question, says Hansen Lu of Capital Economics, "is whether any pickup at the start of the year will be sustained". He is sceptic think that would happen".

The numbers need to be read with several caveats. Firstly, the spike in December transactions largely represents the fact that many buyers del on deals that they had already agreed until after the result, says Andrew Perratt of Savills. November's agreed sales were bumped into Decemb figures.

London buyers in particular thought they might as well wait out at least two parts what Carroll terms "a lethal trifecta": Brexit uncertainty, pol "the potential for a taxation-heavy, ultra left-wing government".

So will the momentum continue beyond the immediate surge? "The number of deals agreed is almost flat on where we were last year," adds Ha admittedly to an extent that reflects pre-election groundwork; a real boost would show up later.

Supply and demand must be analysed across the three separate markets: prime central London, mainstream London and the South East, and r

Transactions of London's most expensive homes are picking up in full force (https://www.telegraph.co.uk/property/house-prices/londons-frail-top-end-pro bounces-back-tory-election/). From October to December, the number of prime central London home sales increased by 34 per cent year-on-year, LonRes. In December, Savills data show the capital recorded the largest monthly number of £5 million-plus sales since the peak of 2014.

This market has been in decline since the stamp duty hikes were introduced in 2014, and prices are down about 20 per cent since then, accorc some buyers, that's good value – relatively speaking.

A significant proportion are international purchasers, who could be hit with the imminent introduction of a 3 per cent stamp duty surcharge c purchasers, which is expected to be announced in the March budget. Analysts expect a short term rush from this demographic, but this will d after the proposed tax change comes into play.

In London's mainstream market, there will be problems translating buyer enquiries into sales. Amid the downturn, vendors have opted to sit t list their properties and take a price cut. Stock levels are low. "There isn't enough property to buy," says Rubinsohn. "The second hand market up."

There are signs that the market optimism will encourage sellers to bring properties to the market. From Boxing Day to the first week of Januar of new listings in Greater London on Zoopla was up 5.5 per cent on the same period last year.

And this doesn't just represent growth at the prime end, as the largest increases in listings were in the outer London borough of Croydon, follc Wandsworth and Sutton.

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Still, this is a small increase given the surge in potential buyers registering with estate agents, and the fact that the number of homes for sale h record low for over a year, according to Rics. And if there isn't any more stock, demand will outstrip supply, prices will likely go up and the sta Prices were the thing holding buyers back (https://www.telegraph.co.uk/property/uk/really-had-biggest-impact-house-prices-2019-not-brexit/) in the first plac

This is where the 'Boris bounce' may come undone: unless wages rise faster than house prices, lending restrictions are relaxed, or stamp duty buyers won't be able to do much different.

"Affordability (https://www.telegraph.co.uk/property/buy/shared-ownership-gets-first-time-buyers-ladder-without-years/) is likely to be an overriding constrai says Lucian Cook, head of residential research at Savills. In 2020, he forecasts that mainstream London prices will fall by 2 per cent, while prir prices will rise by 3 per cent.

Across the rest of the UK, where markets are at much earlier stages in their housing cycles, affordability will be the ultimate ceiling, says Cook areas, there is still space for growth.

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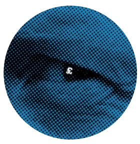

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So we can call it a 'Boris bounce', but there was nothing to bounce back from, as regional UK markets (https://www.telegraph.co.uk/property/house-pr brexit-will-best-places-buy/) were largely doing just fine anyway.

The Scottish property markets have had extra uncertainty over the question of independence. Now, the Conservative majority signals the incr of another referendum. But Perratt anticipates that house price growth will stay strong despite the uncertain political situation, mostly becaus prices between Scotland and the south of England is so wide.

It may seem like the election result pumped the necessary certainty back into the market, but that is a false dawn: up next comes trade deal ne Europe. Positive sentiment will likely “ebb away in the second half of the year,” says Cook.

So will this 'Boris bounce' make a difference to the property industry’s lethargic mood? Perhaps only in the short term. “The underlying const market haven’t been addressed,” says Rubinsohn. “Brexit could come back and bite.”