

State of the Property Nation

A photograph of a row of stone houses with a sidewalk and a decorative fence, partially obscured by a purple overlay. The houses are made of light-colored stone and have multiple windows. A sidewalk made of rectangular stones runs along the front of the houses. A decorative black metal fence with ornate scrollwork runs along the sidewalk. The scene is captured from a low angle, looking down the sidewalk. A large purple triangle is overlaid on the left side of the image, containing the title text.

Zoopla

2018

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01

Overview



Over 6,000 consumers and 660 agents have been surveyed on their views on the property market, the results are in

This is the third consecutive year that Zoopla has carried out the State of the Property Nation research. Since our first report in 2016, our research has grown in scope considerably, from the topics covered, to the number of consumers and property professionals surveyed.



Economic outlook

Comparing consumer and property professionals' views on the economy, personal finances and house prices.



The online experience

Awareness, usage and perceptions of online agents, the changing role of portals, and how agents are adapting to the evolving market.



Consumer, landlord and renter needs

Comparing the needs of different market groups, and how these align with what property professionals believe they want.

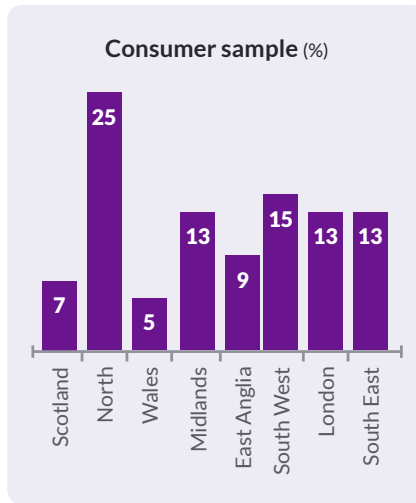
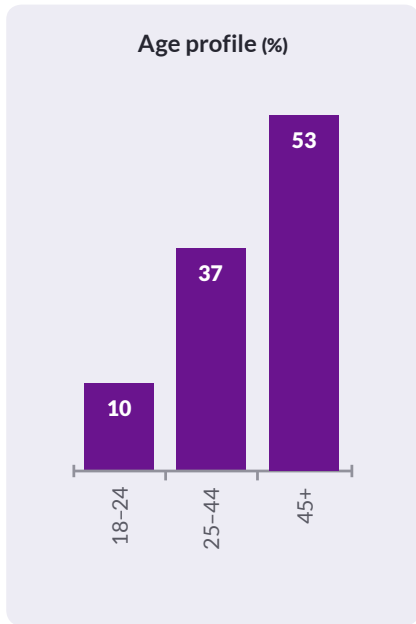


Geographic differences

Regional trends based on statistical analysis of the geographic UK markets.

Consumer profile

A nationally representative consumer sample of over 6,000 adults who own a property, rent the property they live in, or live at home but are active in the market were surveyed.

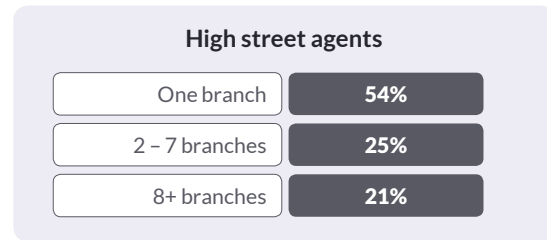
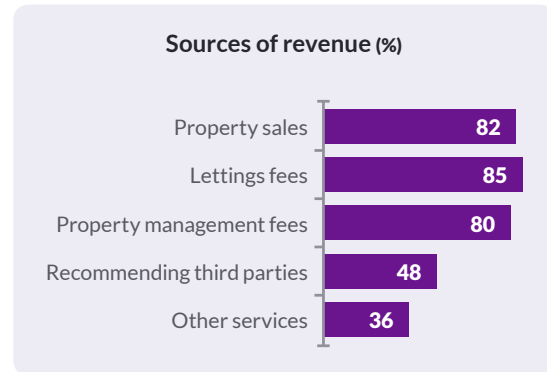
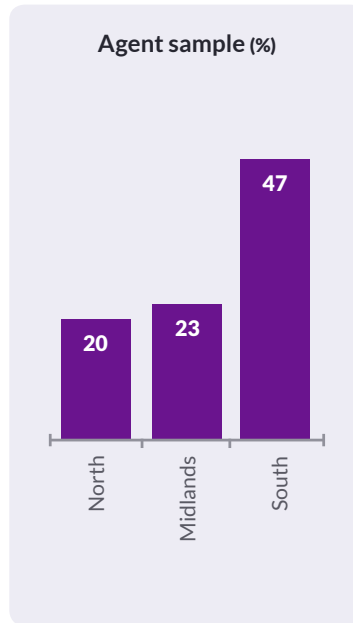
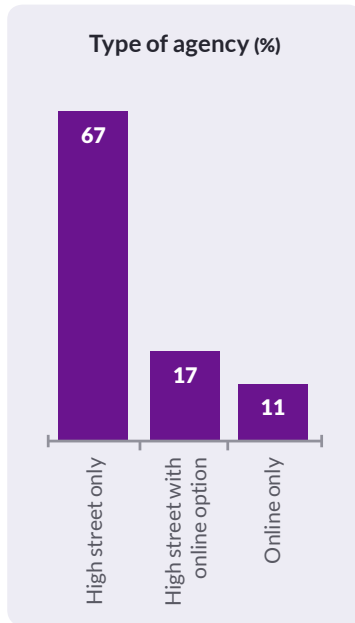


Property market status

| | |
|-------------------|-------|
| Active buyers | 1,351 |
| Active sellers | 399 |
| Active landlords | 239 |
| Active renters | 464 |
| Browsing to buy | 1,257 |
| First time buyers | 529 |
| Total sample | 6,027 |

Estate and letting agent profile

A representative sample of over 660 estate and letting agents were surveyed. The majority of agents covered both sales and lettings.



Overview



Increasing divisions and polarising views

- A growing number of consumers are either feeling very positive or very negative about the economy.
- People continue to take action to minimise the impact the economy could have on their personal finances. 27% still claim they're putting buying or selling a property on hold for now.
- However, overall, there are now more people active in the market than there were a year ago; up to 31% from 27% in 2017.



Agents are feeling the pressure

- Only 31% of estate agents feel positive about the economy, and 39% of them believe house prices will fall over the next 12 months.
- However, consumers disagree; 55% of them expect house prices to rise over the next year.
- Agents are also feeling less confident about their own business prospects; 18% now claim to feel very unconfident, up 10% from last year.



Sellers continue to move online

- The number of people who used an online agent in the last year has doubled to 24% compared to 12% 3 - 5 years ago. 19% actually went on to sell with them.
- 65% of currently active sellers say they're likely to use an online agent to sell their property.
- This trend is echoed in the rental market; 44% of renters say they'd use an online letting agent next time.



The role of portals during the process

- 95% of people use portals as part of their property search.
- Three quarters of sellers think it's important for their property to be listed on a portal. The majority of them want their property to be listed on two portals; Zoopla and Rightmove.
- Recent sellers are using portals during more stages of the moving process, not just at the beginning for the property search. This is likely due to the portals' increased focus on developing innovative products to support home owners throughout the entire property life cycle.



The younger market need some support

- Pre-families (young people without children, often couples) make up a large part of the market. 53% of pre-families are renters, and 31% of them say they're currently looking to buy.
- For this demographic, finding a property within their budget and saving for a deposit are the biggest challenges.
- To find a mortgage, price comparison websites are widely used. This isn't just the case for pre-families, but for every age group, with 59% of people using them as their first port of call.



For families, it's all about location

- 60% of young families are Home owners. 29% are currently in the market looking to buy, making them almost as active as pre-families.
- Availability is a challenge for young families, because 48% of them know which specific street, or even house, they want to live in.
- But they're not the only group demonstrating this level of decisiveness; 31% of all those who said they're likely to move in the next year also said they know exactly where they want to move to.



Empty nesters know what they want

- 44% of empty nesters (older people whose children have moved out of the family home) say the most important thing is finding a property that's perfect for them. They know what they want, and they won't settle for any less.
- They also cited finding a home in the right location, that's within their budget, as the biggest challenge they face when trying to find a property.
- Unsurprisingly, empty nesters are far less concerned about getting a mortgage or saving money for a deposit than the other demographic groups.



The rental market is growing

- The proportion of people renting is broadly stable, but more are using letting agents; 48%, up from 36% in 2017. Satisfaction with letting agents has also increased by 8% over the last year.
- 33% of renters don't believe they'll be able to buy in the future. Those over 45 who still rent seem to have taken buying off the table, and others simply feel priced out of the market.
- However, those in London and younger people are much more hopeful about their prospects for buying than what might have previously been believed.



Landlords need a helping hand

- Landlords' 4th biggest challenge is now keeping up with changing legislation. However, it hasn't stopped many of them renting out their properties so far, with only a 0.3% drop in numbers from 2017.
- Despite legislation being recognised as a challenge, awareness of the different types of legislation changes is still relatively low, particularly when compared to agents' awareness.
- Most landlords who think regulatory changes are a challenge aren't yet planning to do anything. Only 8 out of 91 who acknowledged the difficulties are planning on leaving the market.



London; a country within a country

- It has the most landlords, the youngest buyers and the largest amount of people looking to buy. Londoners also feel the least positive about the economy, but the most positive about their own personal finances.
- Those in London and the South East are spending more than double on property than anywhere else, and triple the amount of those in Scotland and Wales. The average budget for property seekers in London is £628,501.



Housing market themes for 2019

- First time buyers are set to become the largest buyer group, with further growth in regional markets.
- The cost of buying property is cheaper than renting, but the mortgage affordability stress test for first time buyers remains a barrier for them to get on the housing ladder.
- The housing cycle continues to unfold, with prices in the most affordable markets recording above average growth.
- New housing delivery continues to increase with help to buy supporting sales. Developers are increasingly considering the unit mix of new homes, as localised concentrations of new housing appear.

02

Increasing divisions and polarising views





33%

feeling positive



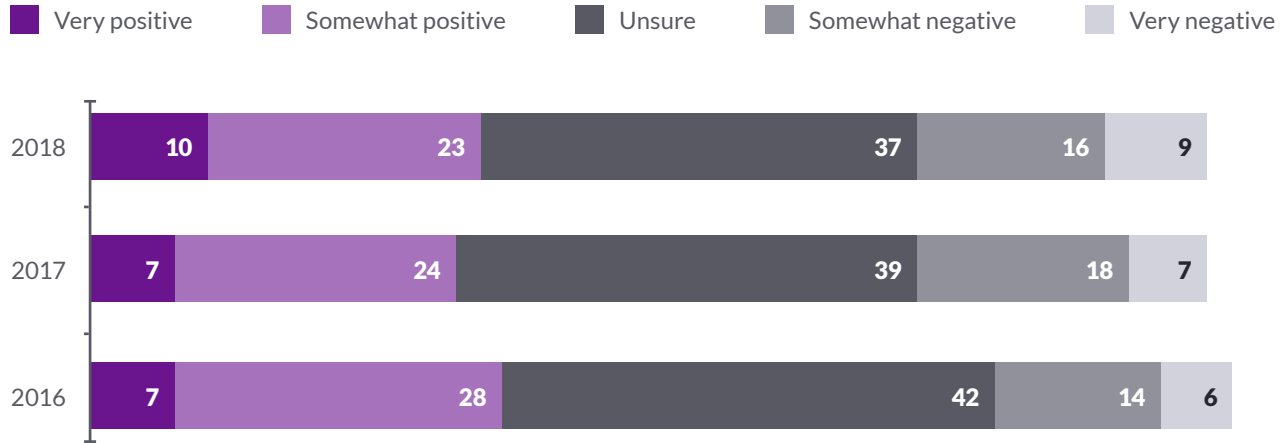
25%

feeling negative

An increasing number of consumers are either feeling very positive or very negative about the economy

In 2016 there were more people (42%) that were feeling unsure about the state of the economy. Now, the population is becoming increasingly divided, with (37%) feeling uncertain, and more than ever feeling either very optimistic, or very pessimistic.

Consumers feelings about the economy over the year ahead (%)



43%
Net increase in
feeling very positive
about the economy
since 2016

50%
Net increase in
feeling very negative
about the economy
since 2016



7%

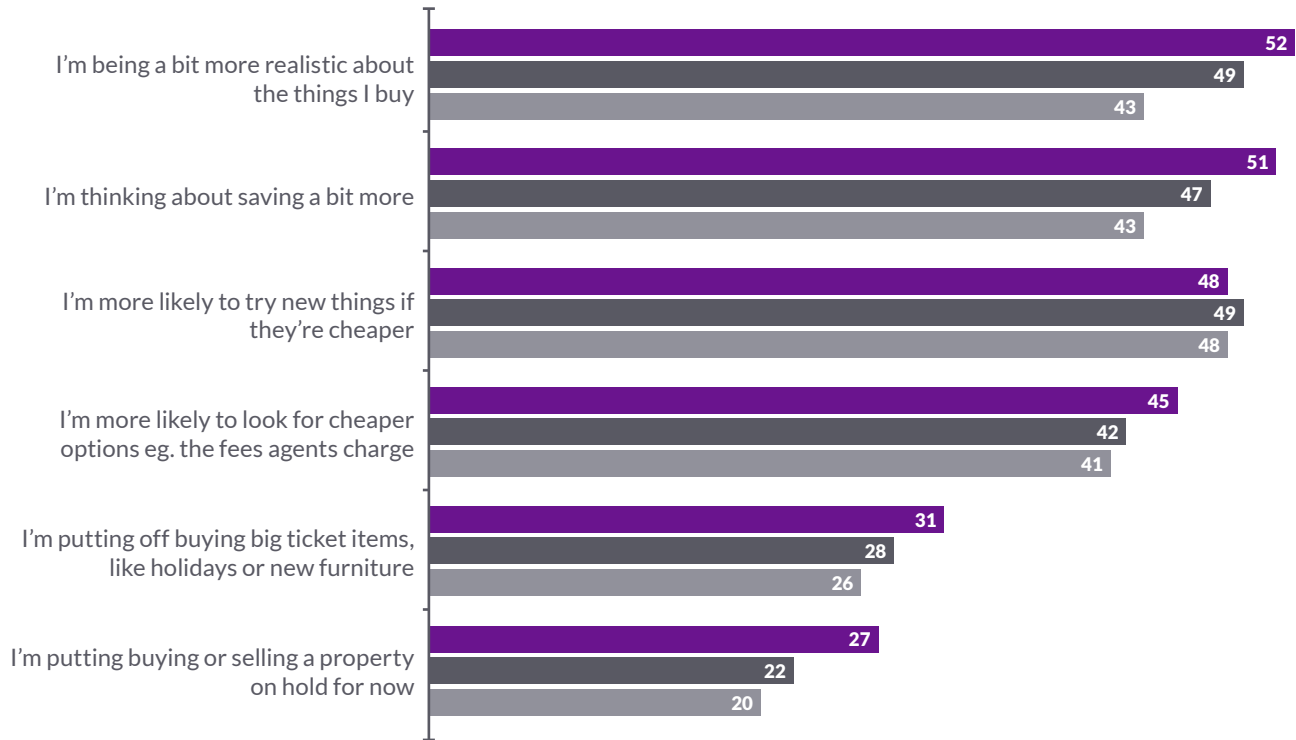
increase in consumers
putting buying or selling
on hold since 2016

An increasing number of consumers are taking action to mitigate economic impact, including putting buying a property on hold

People are taking control of their personal finances by becoming more conscious about what they're spending, and looking for cheaper options where possible.

Impact and effects of the current economic and political climate on consumers (%)

2018 2017 2016

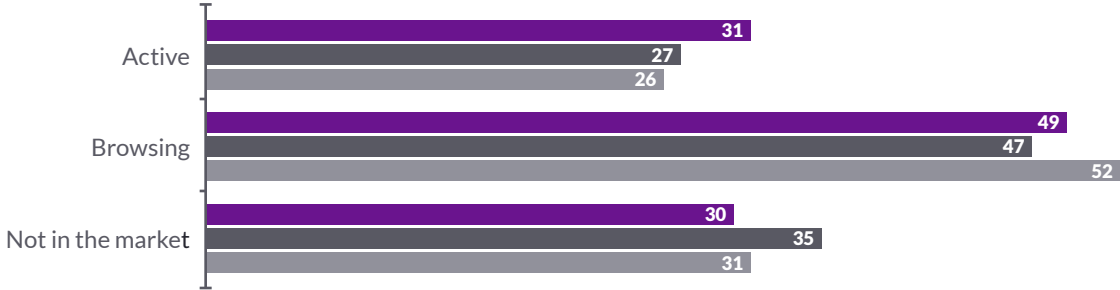


Whilst some consumers are still putting off moving, more are becoming active in the market

Even with some people being less confident about the economy than before, there's also been an increase in those that are now active in the property market.

Summary of consumer activity in property market (%)

2018 2017 2016



Consumer activity in the property market (%)

2018 2017 2016





In the North

the percentage
looking to buy has
grown to 16%

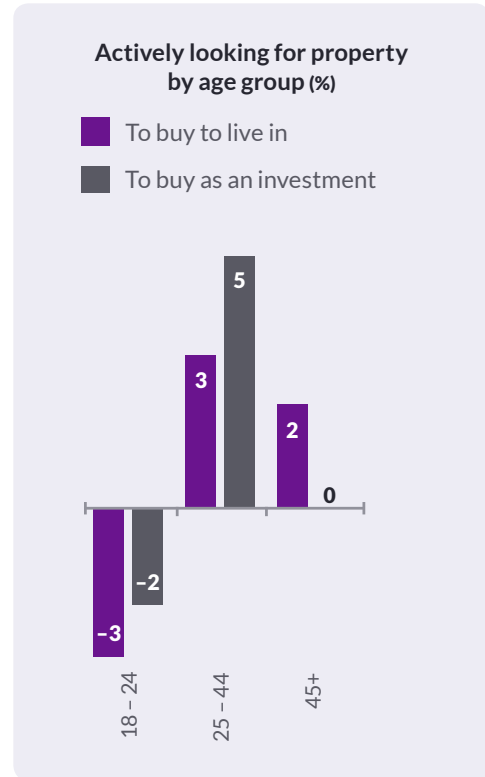
In London

the percentage
looking to buy has
grown to 25%

Those aged 25 - 44, and those based in London and the North, have seen the biggest increase in the number of people looking to buy properties to live in

There's also been a sharp rise in the number looking to buy property as an investment in the Midlands. However, far fewer people are investing in property in the West, and those aged 18 - 24 in the market have decreased across the board as affordability pressures continue to bite for the younger generation.

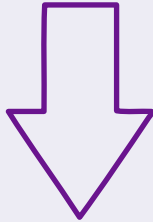
Shift in those looking to buy by sub-group (%)



03

Agents are
feeling the
pressure





18%

drop in agent
positivity about their
business compared
to 2016

26%

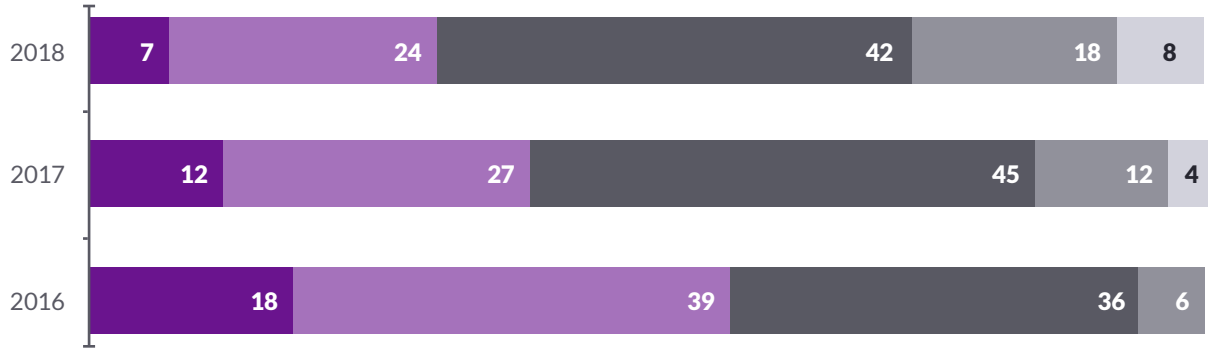
drop in agent
positivity about the
economy compared
to 2016

Agents continue to feel less positive about both the wider economy, and their own business' situation

Positivity around the economy has dropped by 8% since 2017, and over 25% since 2016. Confidence in business prospects has also declined by 11% since 2017. However, hybrid and online agents are feeling more confident about their businesses, with increases in optimism at 60% and 57% respectively.

Agents' confidence in the economy (%)

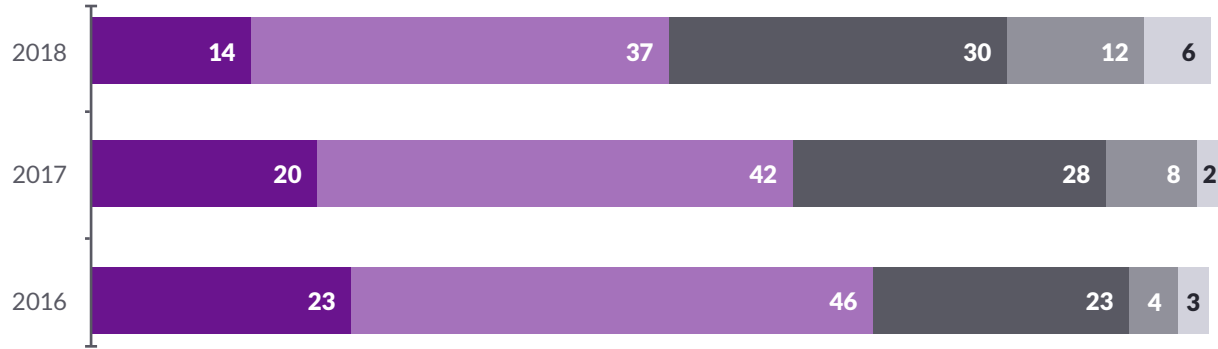
Very positive Somewhat positive Unsure Somewhat negative Very negative



31%
of agents are confident
in the economy, down
from 57% in 2016

Agent confidence in their business (%)

Very confident Somewhat confident Unsure Somewhat unconfident Very unconfident



51%

of agents are confident about their business, down from 69% in 2016



15%

more agents are saying the economic situation is a bigger challenge than insufficient stock

The economic situation and the pressure to lower fees are now seen as the biggest challenges for agents

Concerns around the economic climate have continued to rise amongst agents since the Brexit vote, but they're less concerned about the competition posed from other agents. This suggests continued confidence in areas which remain within their control, like quality of service.

Biggest challenges for agents (%)



Top 3 challenges for agents

| 2016 | 2017 | 2018 |
|-----------------------------------|-------------------------------|------------------------|
| Economic climate | Insufficient stock | Economic climate |
| Insufficient stock | New laws on tax relief | Pressure to lower fees |
| Pressure to lower fees / new laws | Economic climate / lower fees | Insufficient stock |



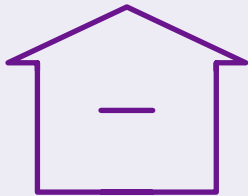
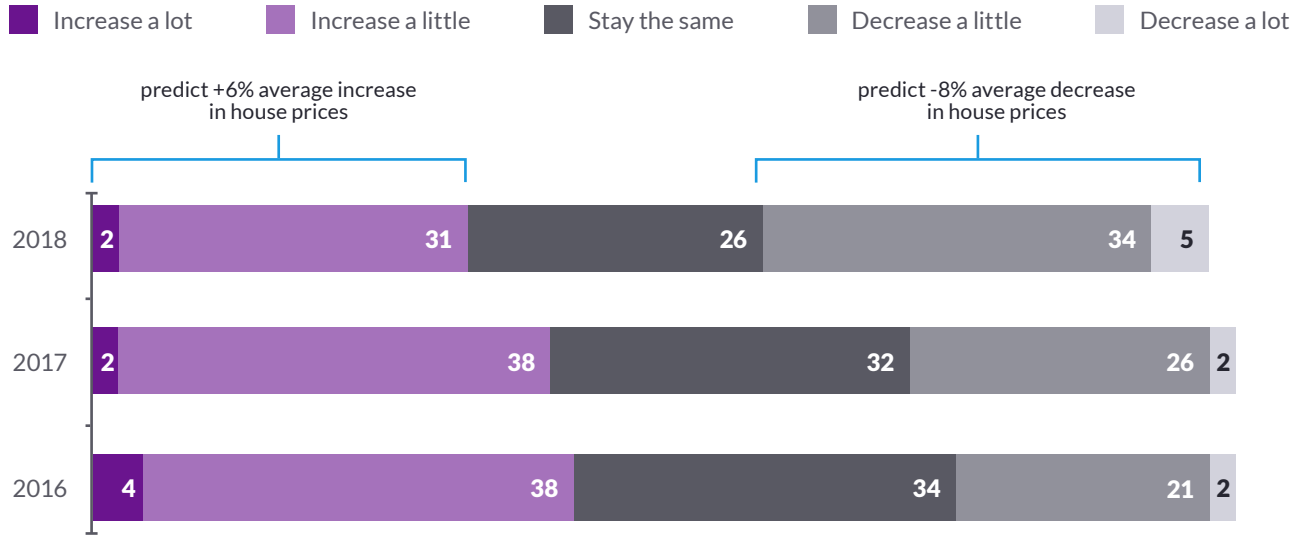
39%

of agents think property
prices will decrease

Agent negativity
surrounding the market is
partly due to the belief that
house prices will fall

39% of agents believe that house prices
will decrease by 8% over the next
year or so, compared to only 23% who
thought this was the case in 2016.

Agents' views on house prices over the next 12 – 18 months (%)



39%

of agents predict house prices will decrease compared with 23% of agents in 2016



33%

of agents predict house prices will increase compared with 42% of agents in 2016



55%

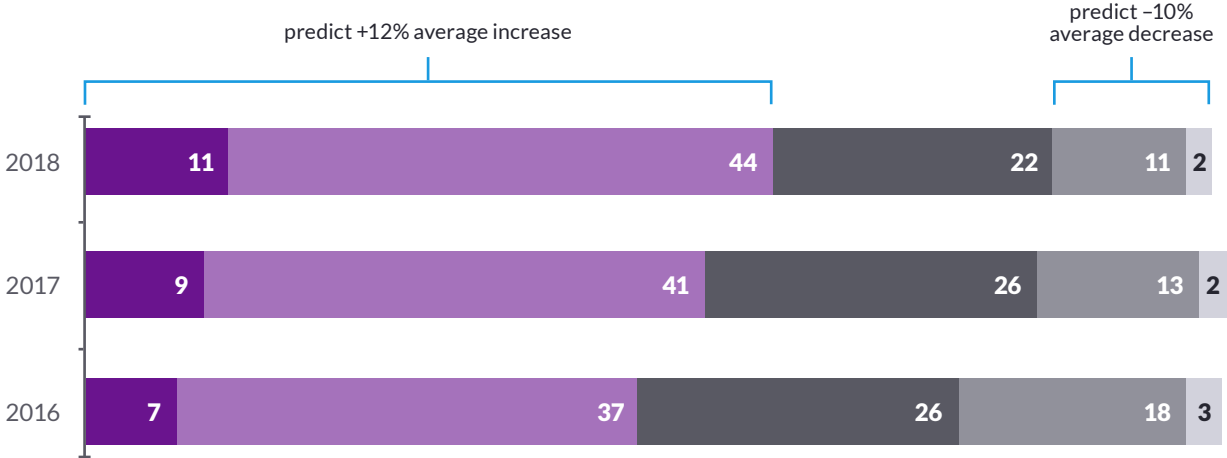
of consumers think property prices will increase; an increase of 11% since 2016

Consumers differ to agents as more of them still expect property prices to increase, especially in London

Whereas 39% of agents expect house prices to decrease, over half of consumers expect them to rise by 12%. This could potentially cause a significant issue in the market, whereby sellers expect much higher valuations on their homes than agents are likely to give.

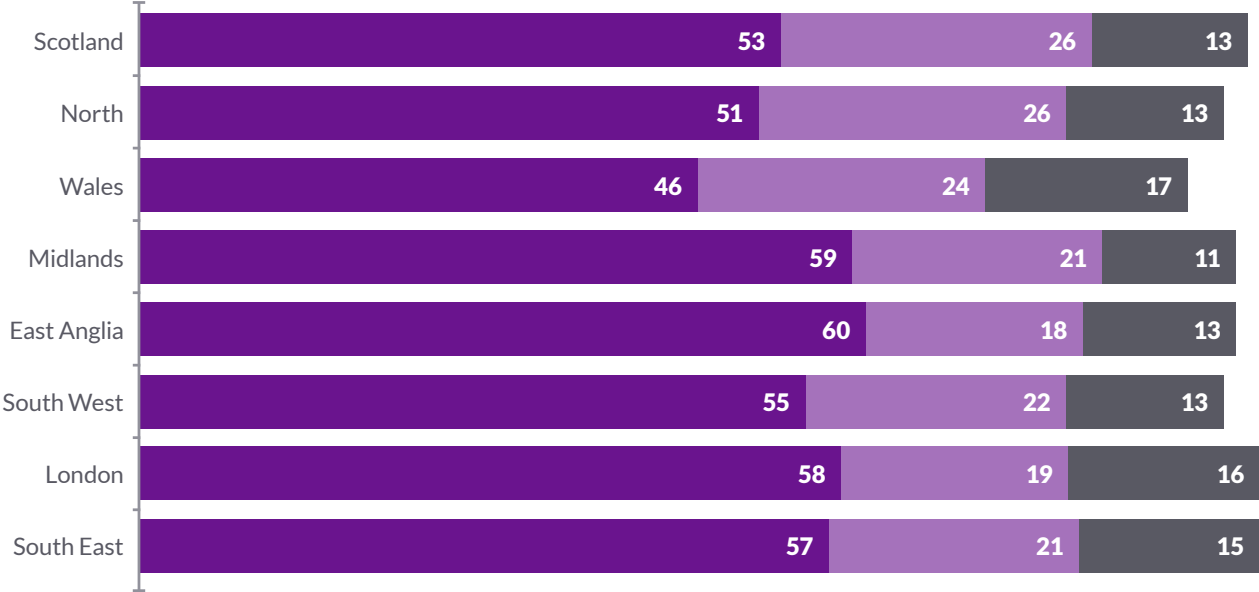
Consumers' views on house prices over the next 12-18 months(%)

Increase a lot
 Increase a little
 Stay the same
 Decrease a little
 Decrease a lot



Property price expectation of consumers by region (%)

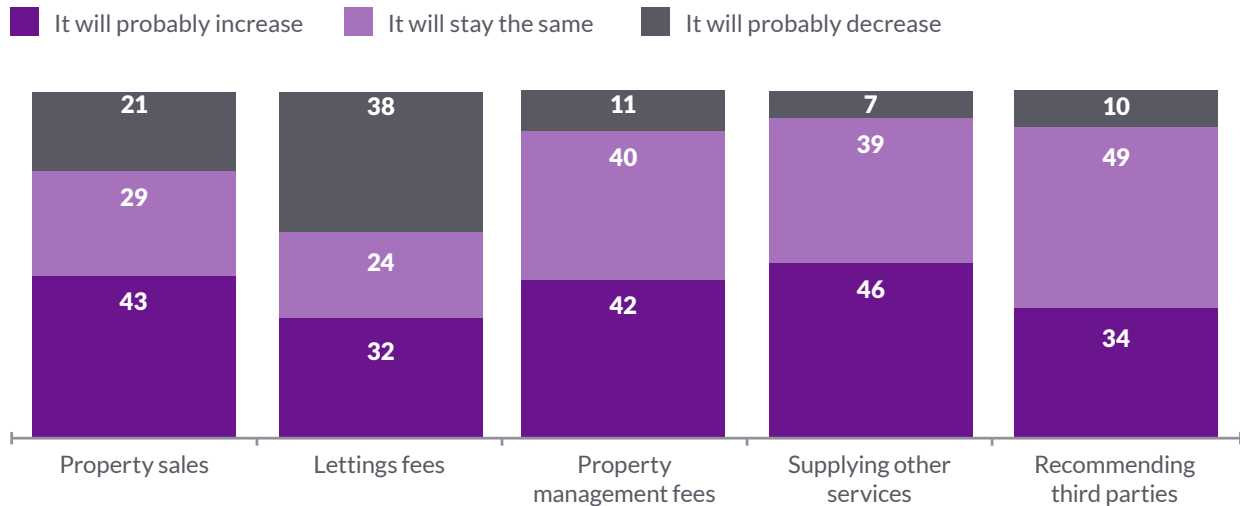
Net increase Net same Net decrease



Agents are also feeling the pressure in the rental market, with many believing that revenue from lettings will decrease

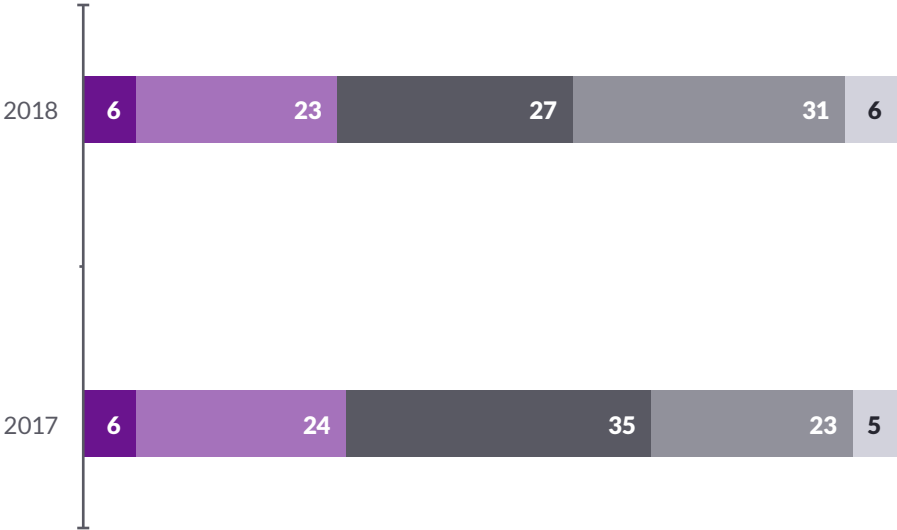
This pessimism is a result of fewer rental properties on the market due to constraints brought about by regulatory and tax relief changes. The number of landlords buying new properties continues to fall.

Expected change in revenue source for agents (%)



Agents' views on rental properties coming on to the market over next 12-18 months (%)

Increase a lot
 Increase a little
 Stay the same
 Decrease a little
 Decrease a lot



37%
 Net decrease
 in 2018

28%
 Net decrease
 in 2017

Q13: What do you think will happen to the amount of properties for rent coming onto the market in the next 12-18 months? Base: 330, 660

Agents expect the ban on tenant fees will impact their revenue from lettings

"If property prices fall most landlords will try and sell their properties due to the new regulations set out by the tax office. And new Buy to let investors are now coming to an end near us"

"The tenant fee ban will have a significant impact on our earnings"

"Brexit and the loss of tenant fees are going to be difficult"

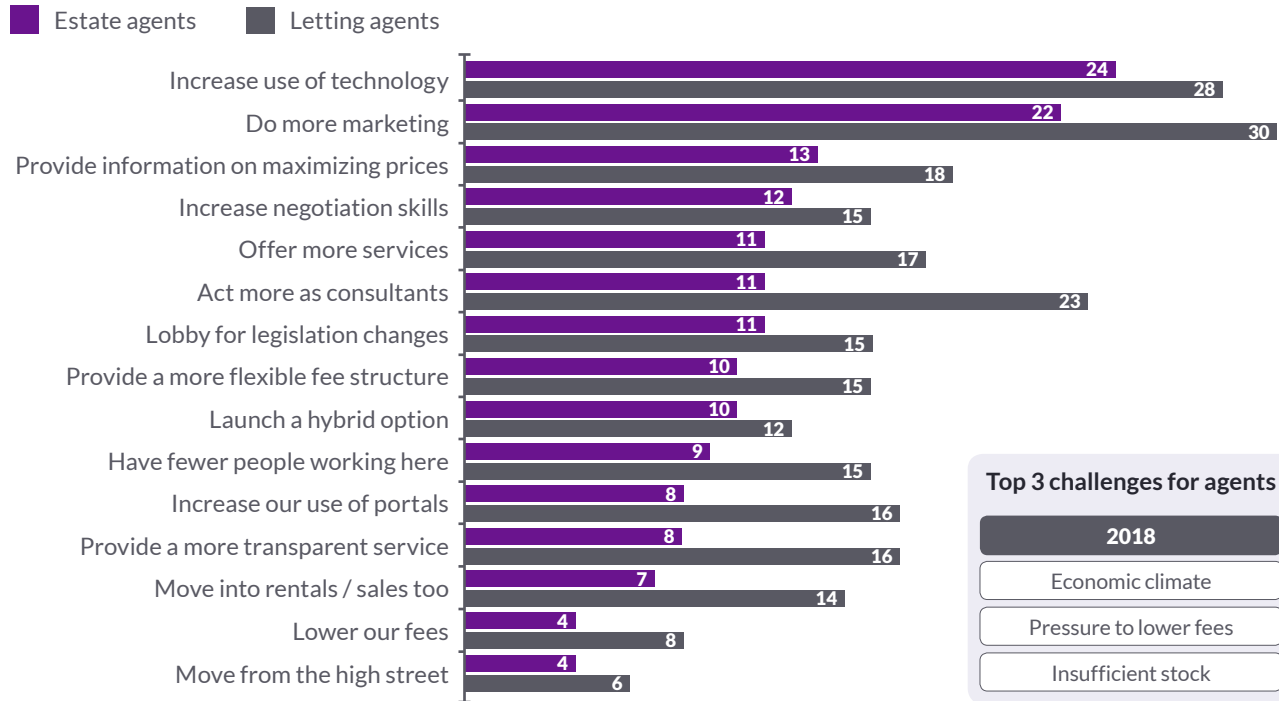
"It is very unclear what effect Brexit, the tenant fee ban and regulation will have on lettings"

"Our challenges are an uncertain economy, Brexit, lack of confidence in the market, and persecution of landlords"

"Overheads, letting fee ban, online agents with deep marketing pockets. Government that doesn't seem to know what it is doing"

Agents are most likely to increase their use of technology and invest in more marketing to counter these challenges

Agent activity in property market (%)



Top 3 challenges for agents

2018

- Economic climate
- Pressure to lower fees
- Insufficient stock

Q37: In light of these challenges, how do you think your business may change? Base: 325, 325

04

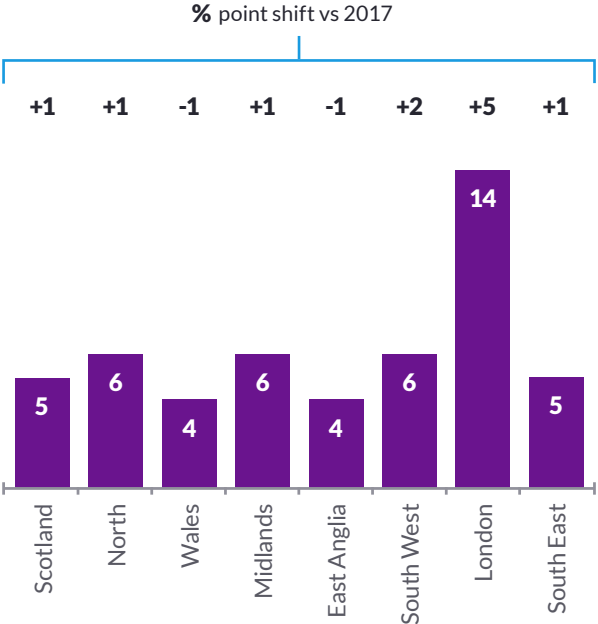
**Sellers continue
to move online**



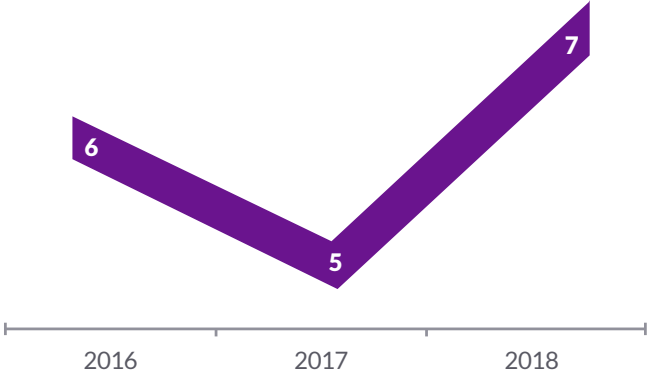
The number of people actively looking to sell has increased slightly since last year

Londoners are currently the most keen to sell their properties.

Actively looking to sell by region (%)



Actively looking to sell a property (%)



S8: Which, if any, of the following apply to you at the moment? Base: 2016: 2000 2017: 4017 2018: 6027 2018: 436 771 706 314 796 523 358 542 777 804



24%

of consumers used
an online estate agent
in the past year

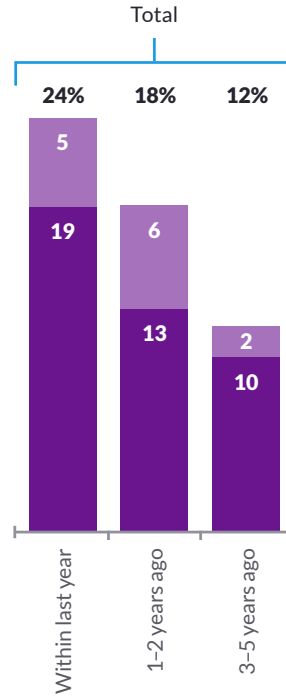
More consumers say they've used and sold via an online agent, especially recent sellers

The number of people who used an online agent in the past year has doubled compared with 3 – 5 years ago. Online agents aren't only gaining momentum in awareness amongst consumers, but in consideration and usage too.

I used an online only estate agent (%)

■ Sold property via online only estate agent

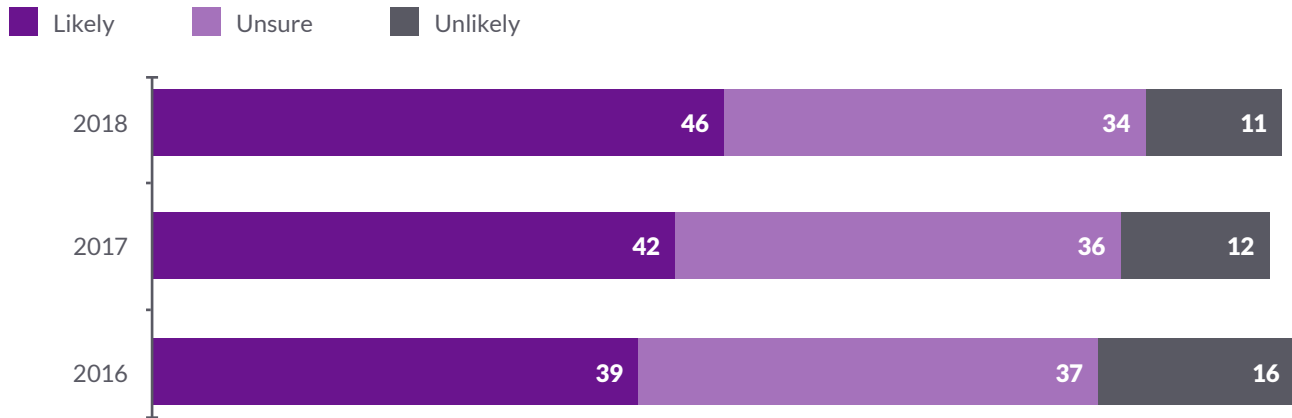
■ Looked to sell online but didn't



Nearly half of consumers say they're likely to use an online estate agent next time

Whilst an increasing proportion of consumers say they'd consider using an online agent to sell their property, this number increases to 65% amongst those currently active in the market.

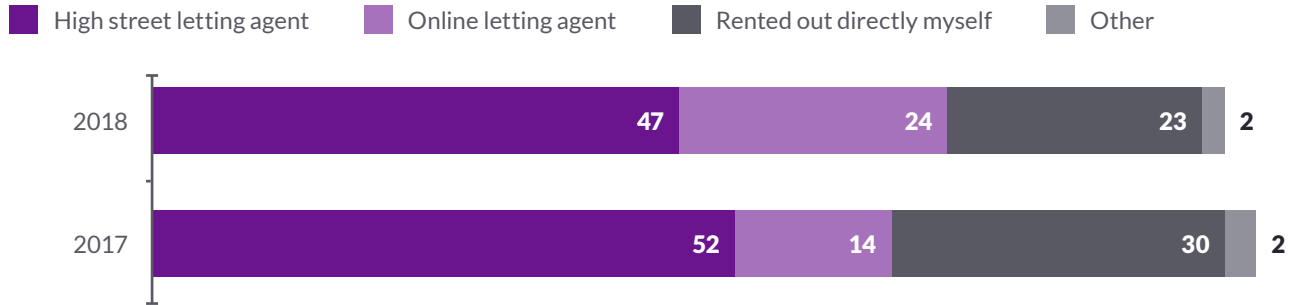
Likelihood of using an online estate agent next time I sell a property (%)



The same trend is apparent with lettings as well as sales

Online only agents are currently on track to take up to half of the lettings market. This presents a challenge, but also a great opportunity, for high street agents.

How I rented out a property last time (%)



44%

say they're likely to consider using an online letting agent next time, an increase of 10% from 2017



Transparency around fees
and process is the most
important factor for sellers
when choosing an agent

Those selling online have slightly different priorities when looking for an agent

Speed, fees, use of portals and overall online presence are more important deciding factors for these vendors. However, overall transparency comes out on top for the third year running. This shows that openness around fees and process is still the most important factor for vendors when choosing an online or high street agent.

Top five most important factors to consumers when choosing an agent

All who've ever sold



All who've sold online





#1 for estate agents

Good local reputation is what agents believe sellers want most



#1 for consumers

Transparency and openness about fees and the process is what consumers say they want most

There's still a disparity between what consumers say they want from agents, and what agents feel is important to sellers

Fees, value for money, marketing and speed to sale are much more important to consumers than agents believe. Reputation and local presence are perhaps a little less important than they're perceived to be.

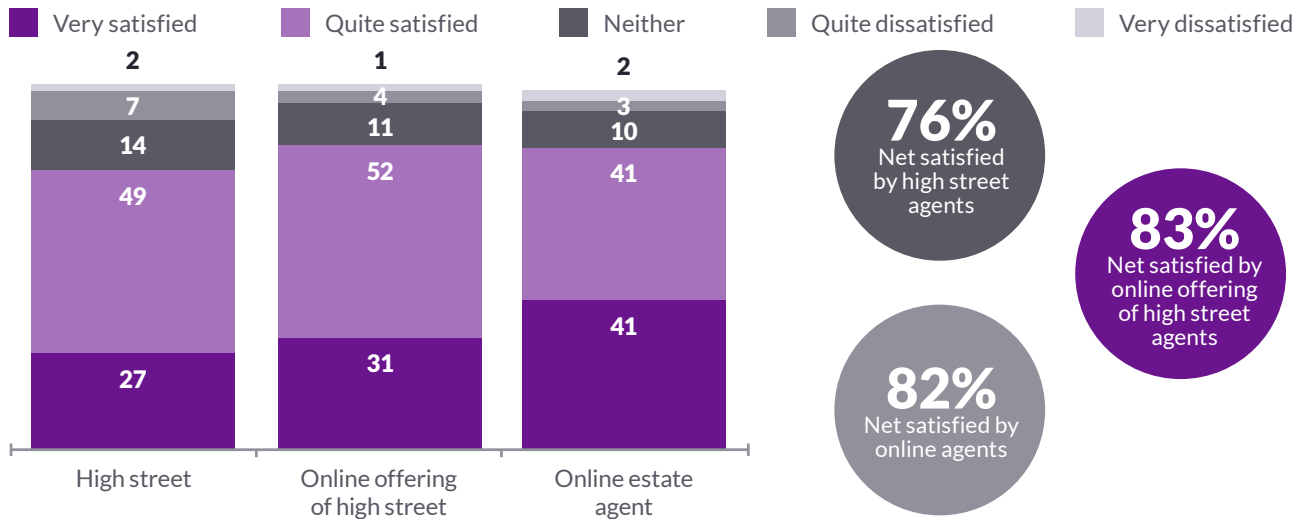
Top ten important factors to consumers when selling a home (all sellers) (%)

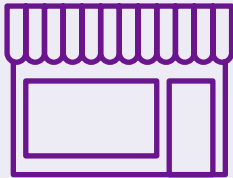


Sellers are most satisfied with the service provided by hybrid agencies, ie high street agents with an online offering

Online only agents came out on top for the most vendors that claim to be very satisfied with their service. However, the highest levels of overall satisfaction are with those agents that provide both high street and online options, showing that hybrid agencies are now leading in sentiment amongst sellers.

Satisfaction with estate agent (%)





62%

of buyers visited high street estate agents

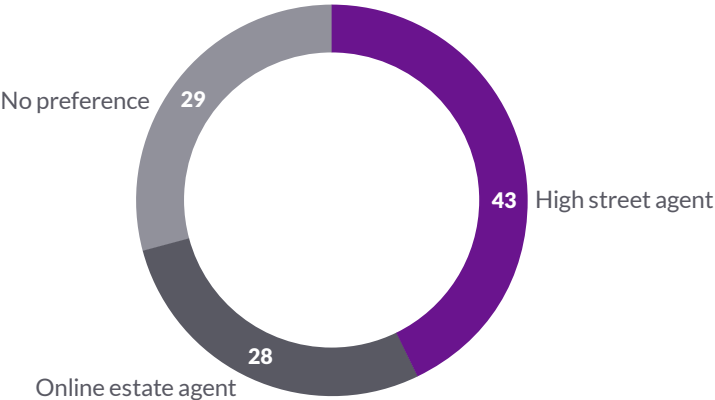
However, buyers still have a preference for the personal touch of high street agents

When making one of the biggest purchases of their lives, buyers still want a face to face interaction with their estate agent.

Types of estate agent consumers visited (buyers) (%)



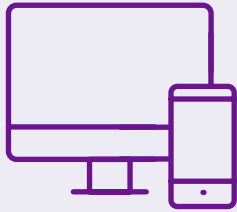
Buyer preference between estate agent type (%)



05

The role of portals





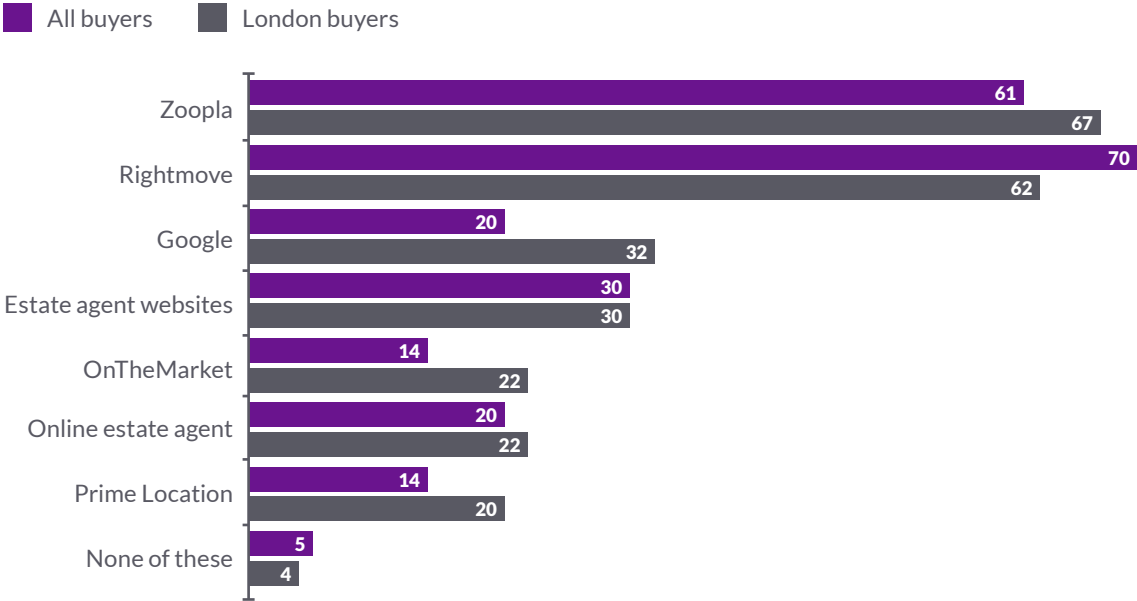
95%

visited property
portals

Nearly everyone visits a portal as part of their property search

Zoopla and Rightmove maintain their position as the UK's biggest portals, with the gap in usage between the two continuing to shrink, and Zoopla dominating the London market.

Property websites visited (buyers) (%)





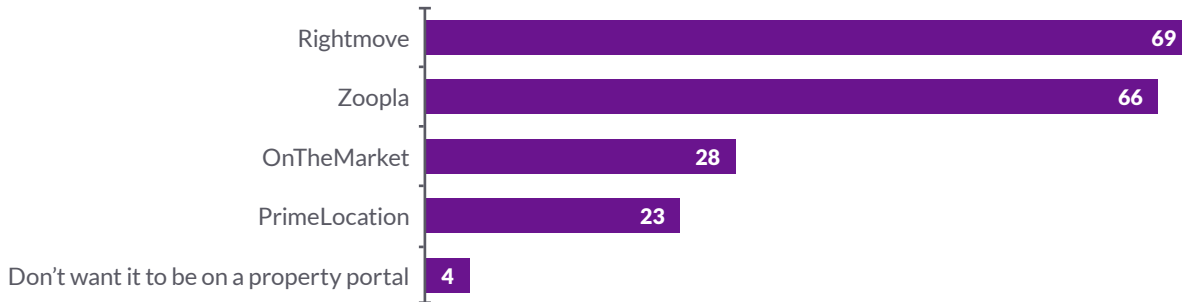
2

top property portals that sellers
want their home advertised on

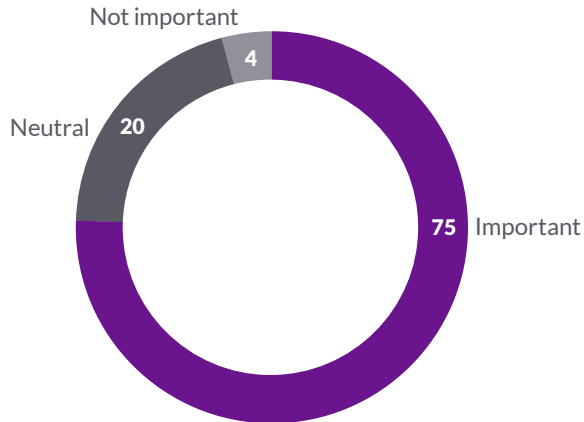
Three quarters of sellers
think it's important for their
property to be on a portal

Ideally sellers want to be on two portals;
Zoopla and Rightmove, with less than
half of that number claiming they'd like
their property listed on any other portal.

Portals that sellers want their property to be on (%)



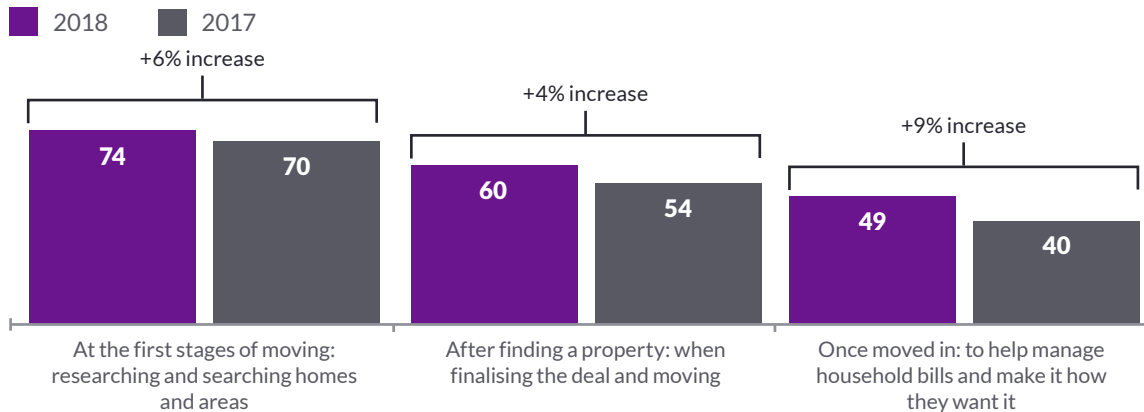
Importance of being on a portal when choosing an agent to list with (%)



Recent sellers are using portals during more stages of the moving process

Traditionally, sellers would only visit portals during the initial stages of their journey, when researching and searching for a property. Now, people are also using portals to help them manage the move itself, and also increasingly to manage their new property once they've moved in. This is likely due to the portals' increased focus on developing innovative products and services to support home owners throughout the entirety of their property 'lifecycle'.

Use of portals at different stages of the moving process (recent sellers) (%)





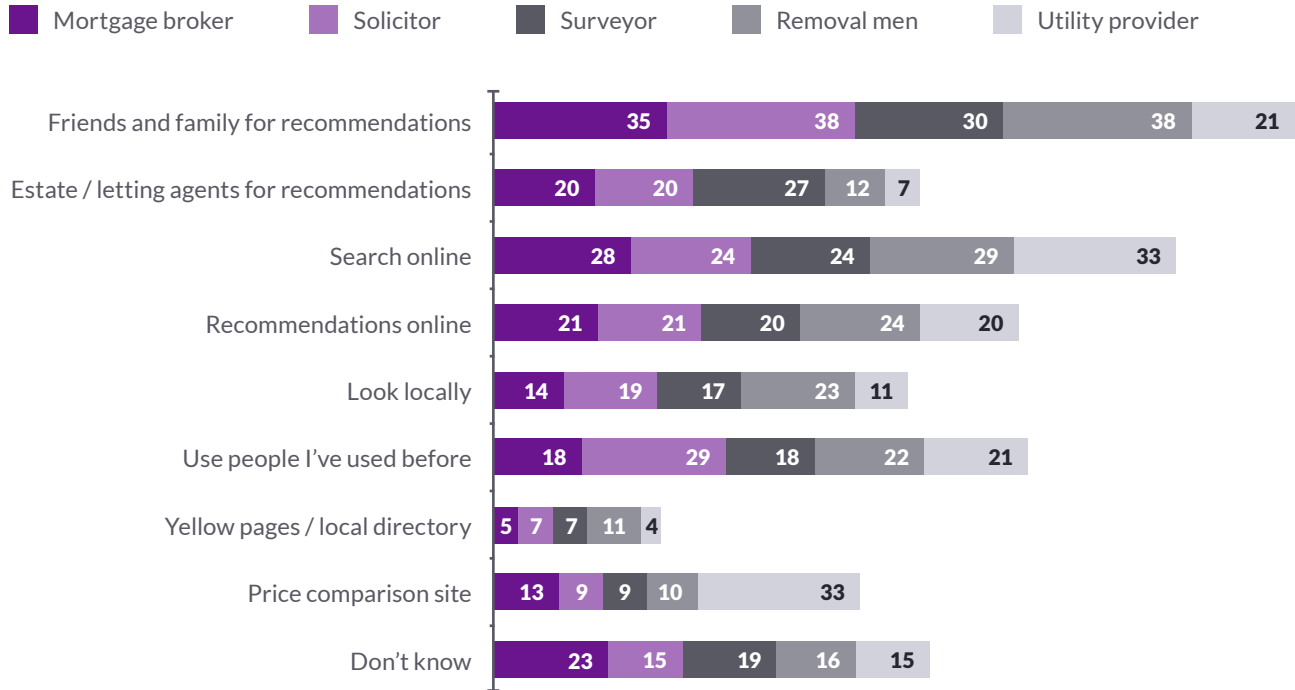
Recommendations

from friends and family for professional services are preferred by most consumers

However, when it comes to professional services, personal recommendations are still preferred

The opinions of friends and family are trusted above all. However, many still value the opinion of property professionals, particularly when it comes to surveying services. Online search is still considered to be a good back up when recommendations aren't available.

Where people look for different services (%)



06

**The pre-family
market needs
some support**





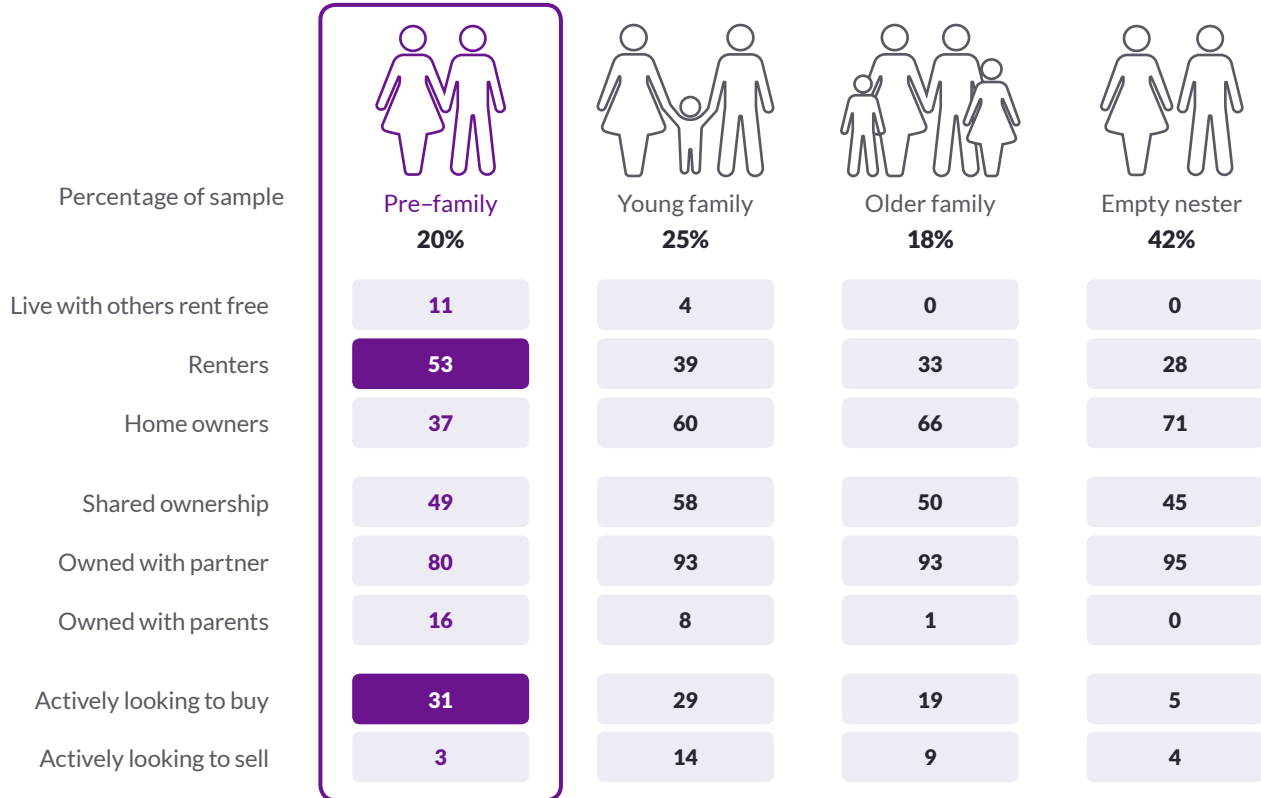
53%

of pre-families
are renters

Pre-families are an active market; half rent and a third are looking to buy

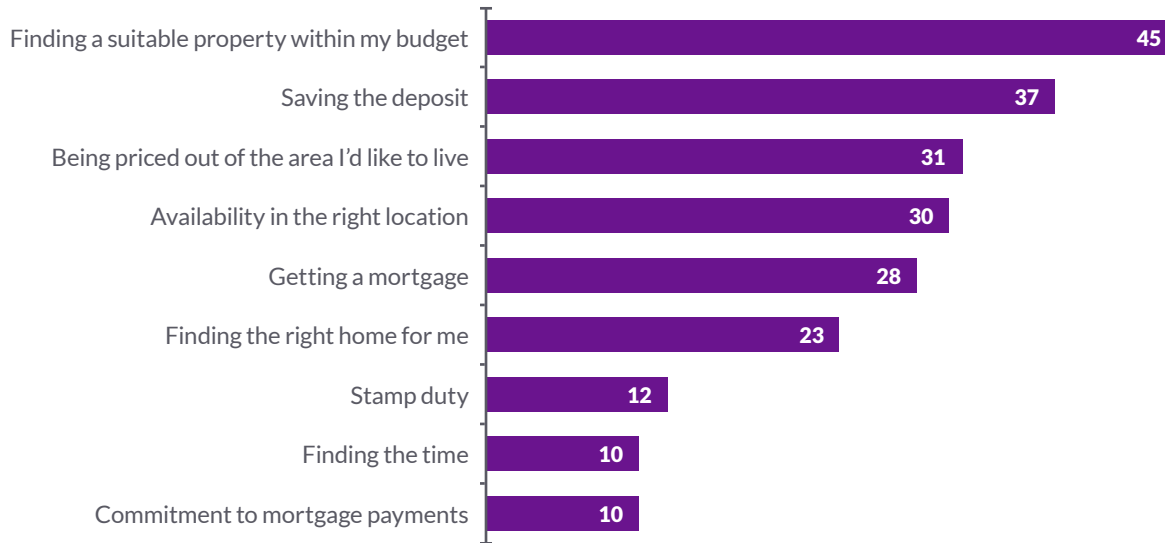
Young couples that are yet to have children are the biggest group active in the market, followed closely by young families. This is because many people look to buy property around big life milestones, like when getting married or having children.

Current living situations (%)



For pre-families, finding a property to buy within their budget and saving for the deposit are the biggest challenges

Biggest challenges for pre-families when searching for a property (%)

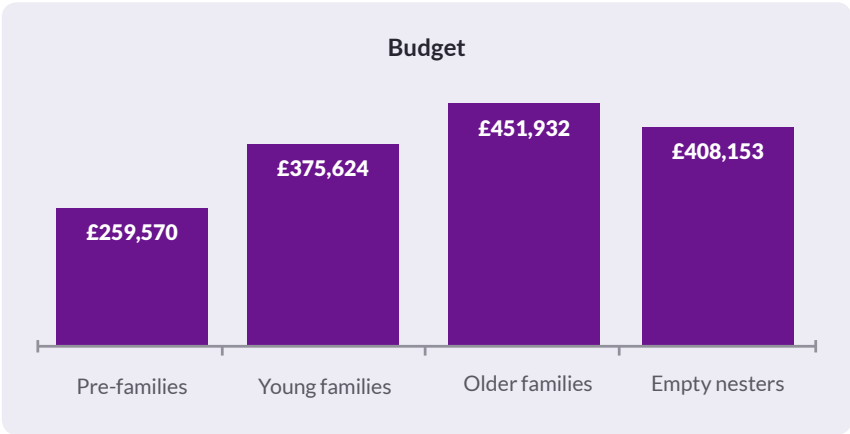


They have lower budgets, but still want to buy an average of two bedrooms

Although they're yet to have any children, many are looking to buy with a partner and may be planning to start a family in the near future.

Number of bedrooms

| | |
|----------------|-----|
| Pre-families | 2.4 |
| Young families | 3.2 |
| Older families | 3.2 |
| Empty nesters | 2.6 |





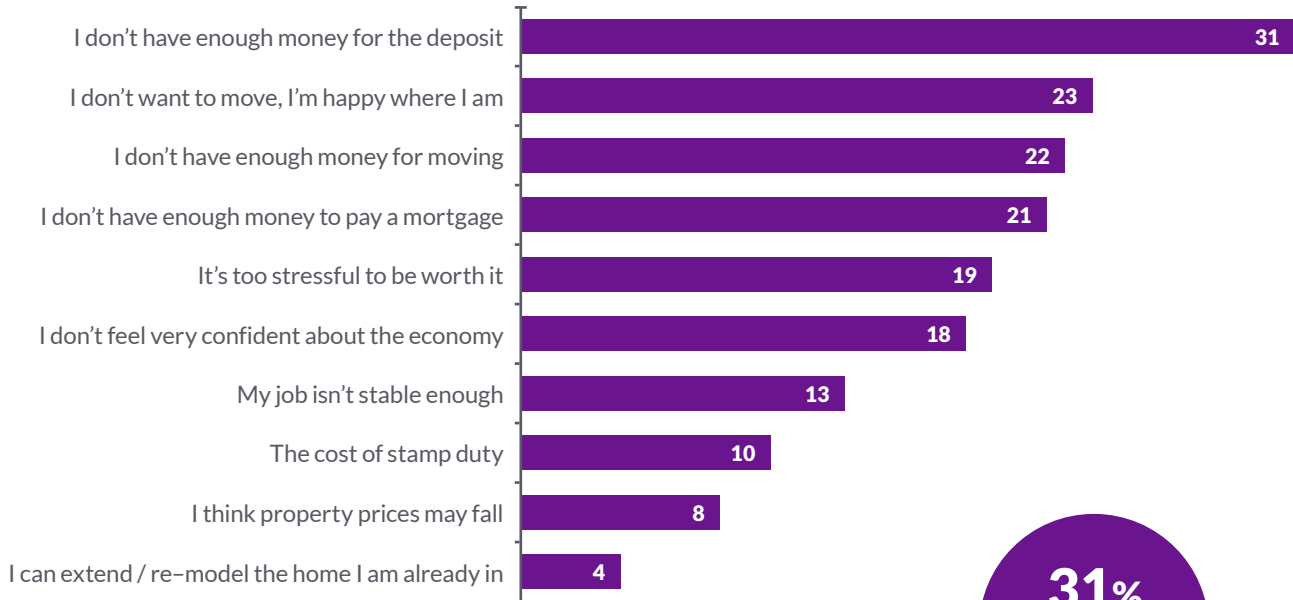
48%

of pre-families don't
have enough money
to move

Many pre-families would like to move, but nearly half of them can't afford to

Pre-families are feeling the pressure financially when it comes to all aspects of the moving process; the deposit, a mortgage and the cost of moving itself.

Factors putting pre-families off moving (%)

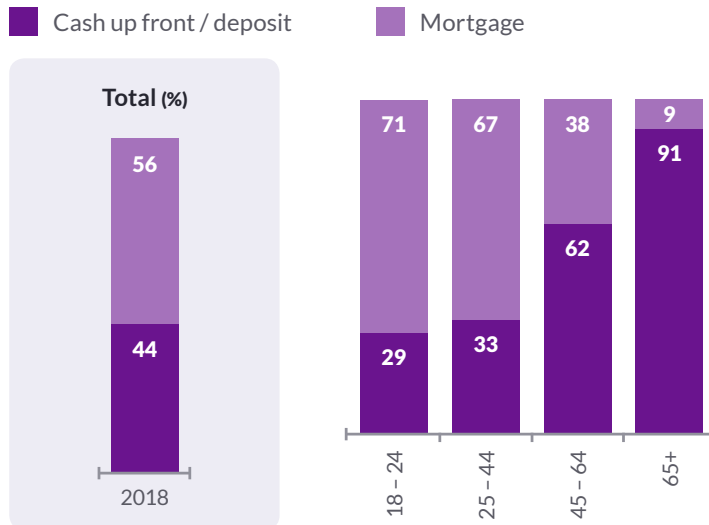


31%
of pre-families don't
have enough money
for the deposit

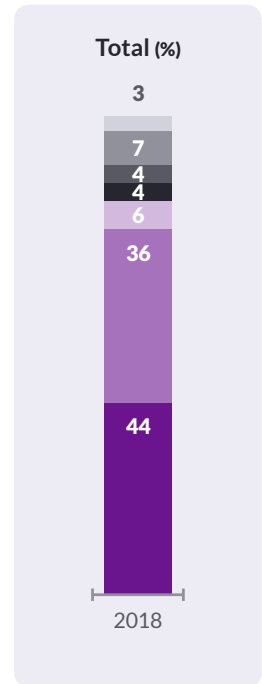
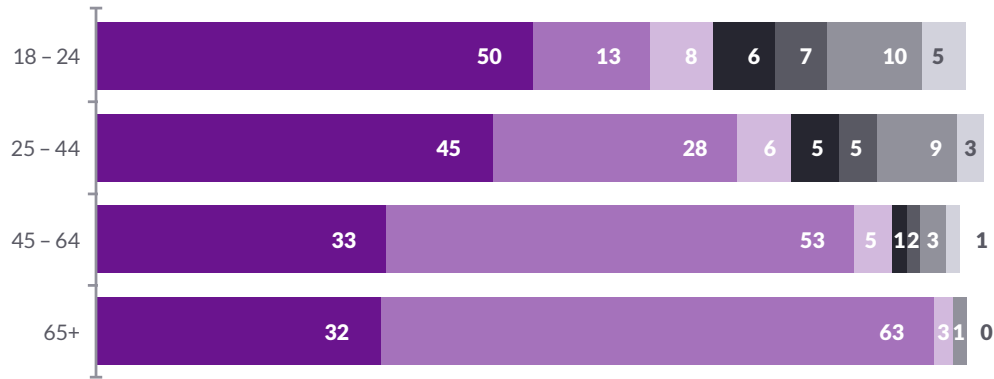
The deposit makes up 44% of overall property sales, but this figure is much lower for the younger generation

They rely much more heavily on mortgages than the other groups. They also depend on multiple sources for the deposit than older generations, with savings, the sale of an existing home and loans being the top three.

Source of finance for home (%)



Deposit source (%)





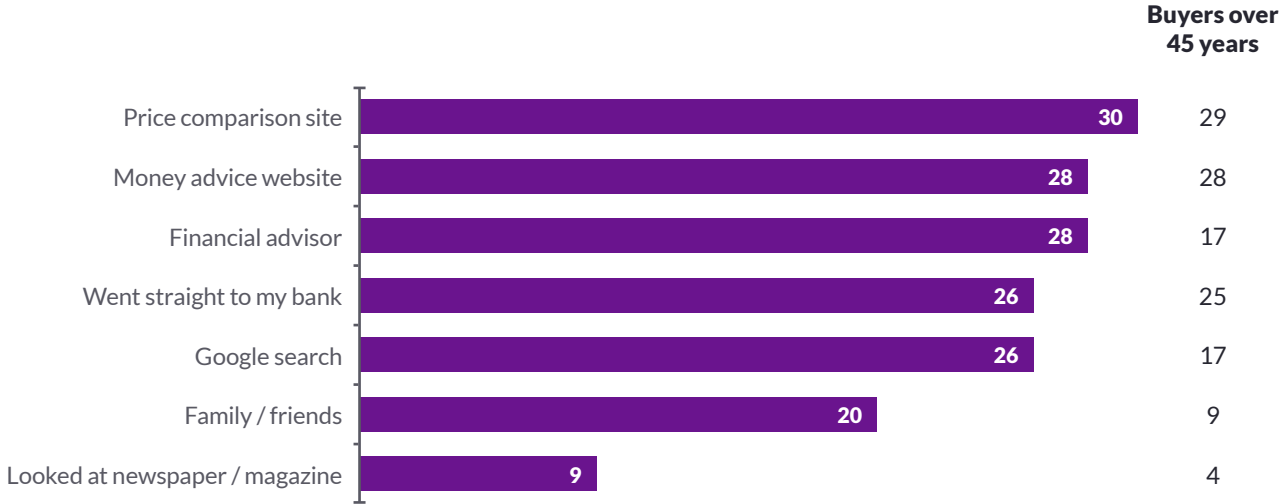
59%

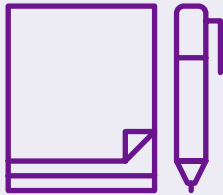
look for mortgage information
on price comparison sites

To find a mortgage, price comparison / money advice sites are the first port of call for young and old

Those under 45 years are also much more likely to turn to family and friends for advice and to search on Google than the older generations are. Over 45s who are likely to be familiar with the process already are happy to simply find the best prices on comparison sites, or go straight to the bank.

Source of information for mortgage (%)





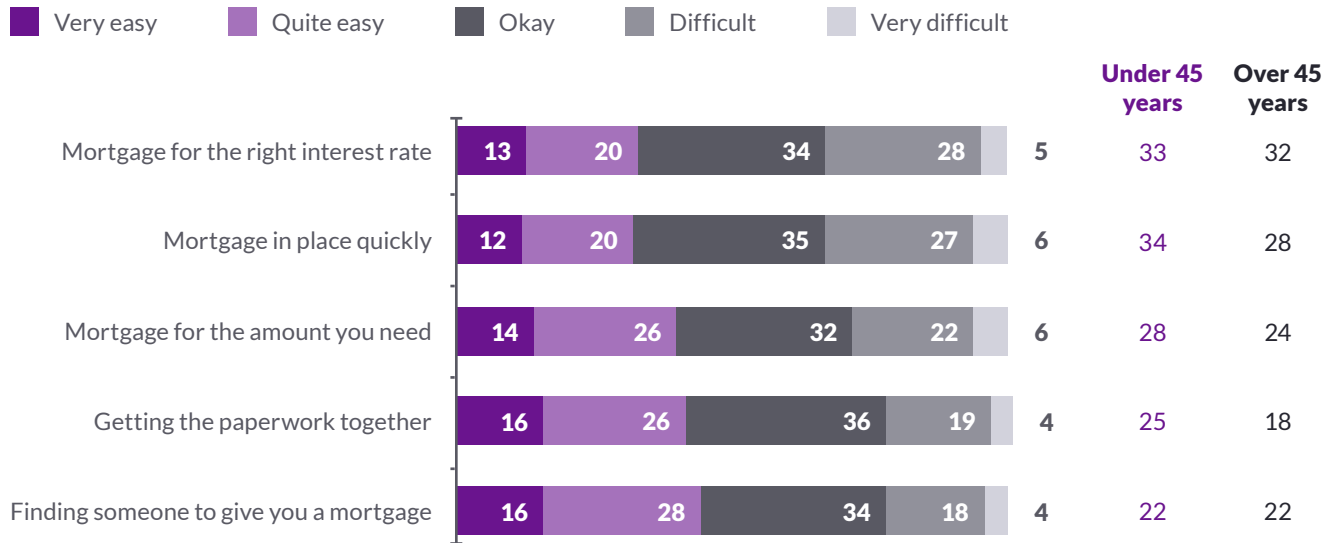
33%

of under 45's deem finding the right mortgage rate their biggest challenge in the mortgage process

The main challenge around mortgages is acquiring the desired interest rate

This is closely followed by getting said mortgage in place quickly. This proves to be the top challenge for those under and over 45 years of age. A considerable difference can be seen between the approach to paperwork across the two groups, with the under 45's finding it the bigger hurdle. This is likely because they're less familiar with the process, than those that have purchased property before.

Challenges faced in the mortgage process (%)





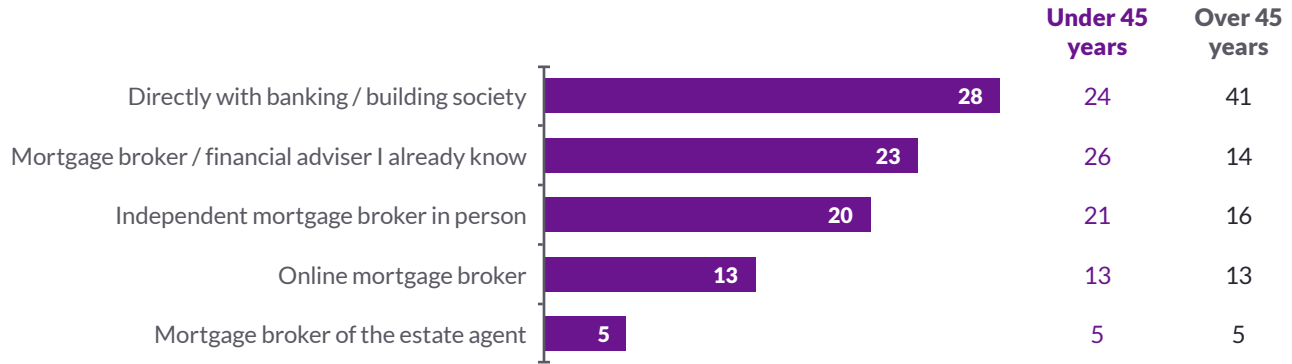
41%

of over 45 years prefer to arrange mortgages directly with their bank / building society

Buyers under 45 years prefer to arrange their mortgage with someone in person

Being able to speak to an expert face to face provides extra reassurance for younger buyers who are new to the process. The over 45s are much happier just to deal directly with their bank.

Preference for arranging mortgage (%)



26%

of under 45s prefer to arrange with a mortgage broker they know

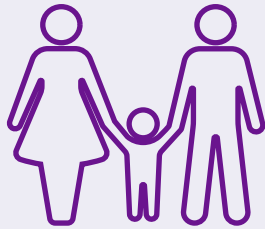
41%

of over 45s prefer to deal with their bank

07

For families, it's
all about location





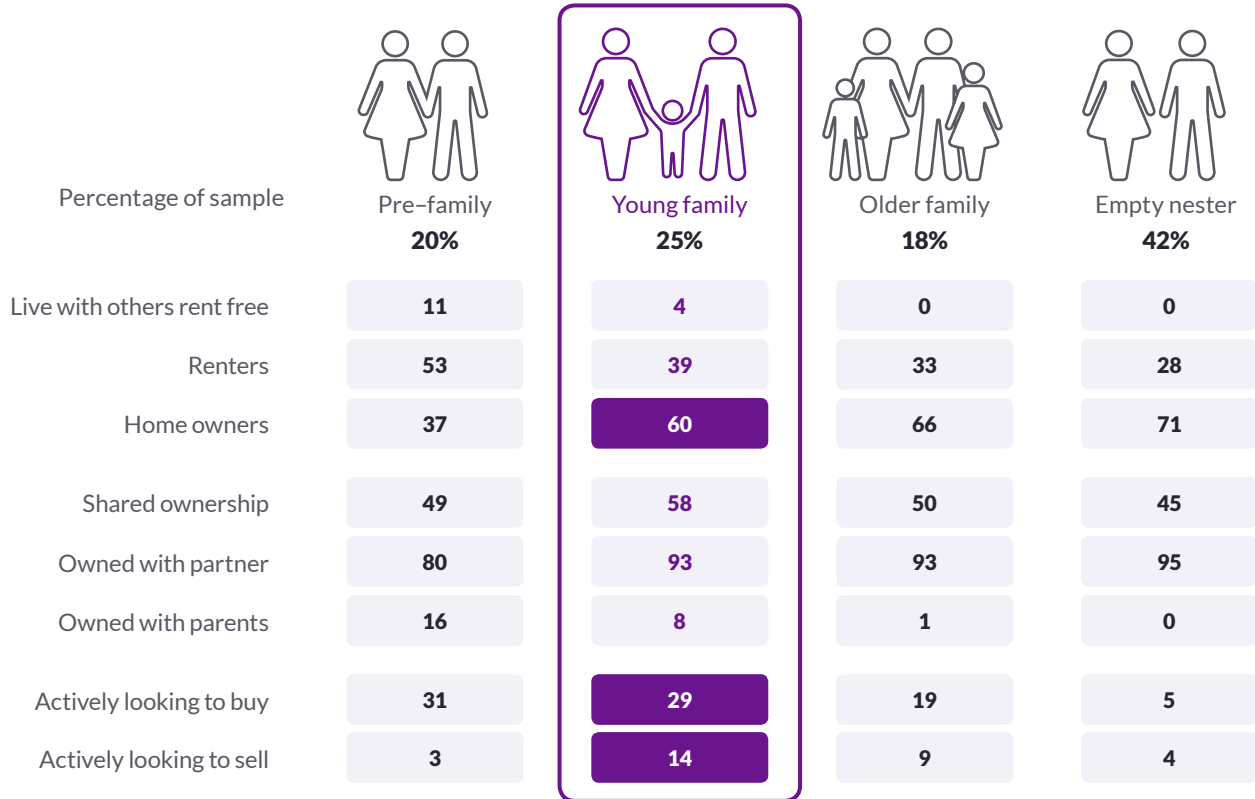
60%

of families are
home owners

Young families make up a large part of the market

There are currently more of them looking to sell a property than any other group, and the percentage of them in the market to buy is almost as high as pre-families.

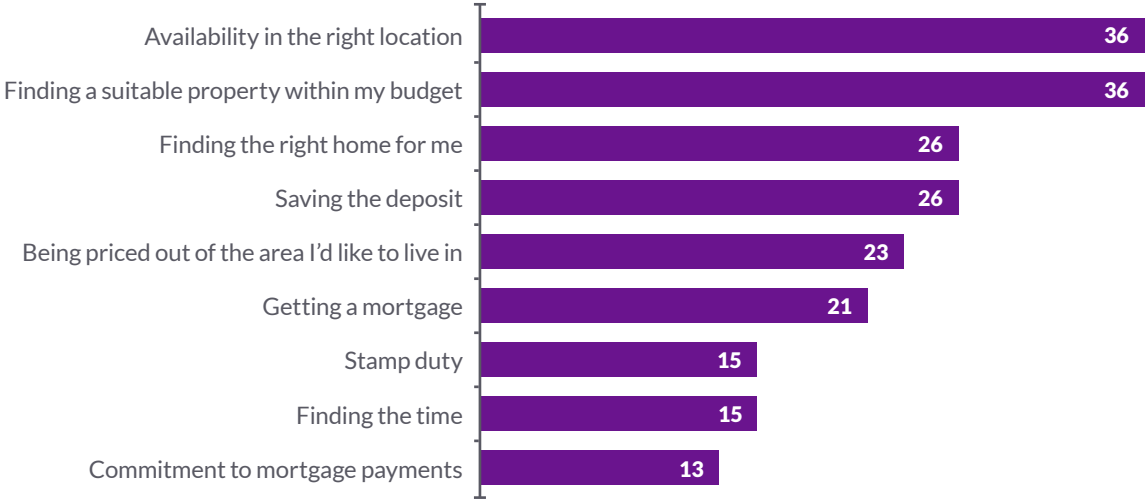
Current living situations (%)



The biggest challenge for all buyers, especially young families, is finding availability in the right location, and within budget

Many are unwilling to compromise on location, and therefore finding themselves priced out of the market in their desired area.

Challenges for young families to buying (%)



P3Q1: You mentioned earlier that you are looking to buy a property in the near future. What do you see as the main challenges you will face when doing this? Base: Active Buyers 1351



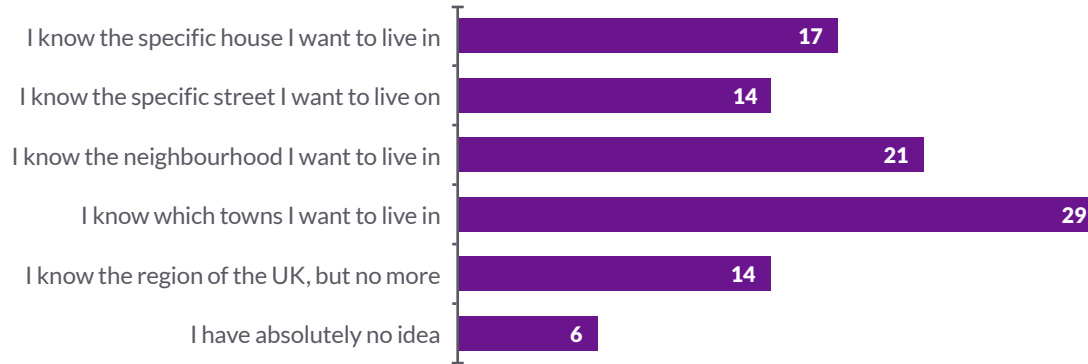
48%

of young families know
the specific house or street
they want to move to

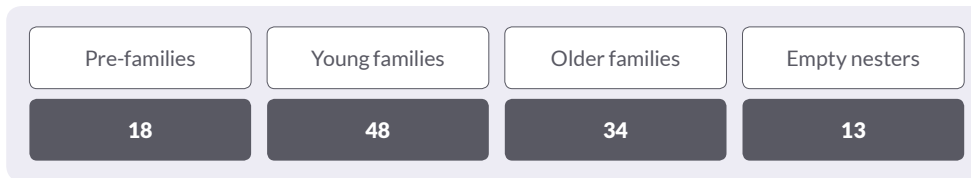
Availability is harder for young families, as almost half are very specific about the location they want to live in

But it isn't only young families this applies to; almost a third of those surveyed know where they want to live, down to the street or even exact house.

Where I want to move to (%)

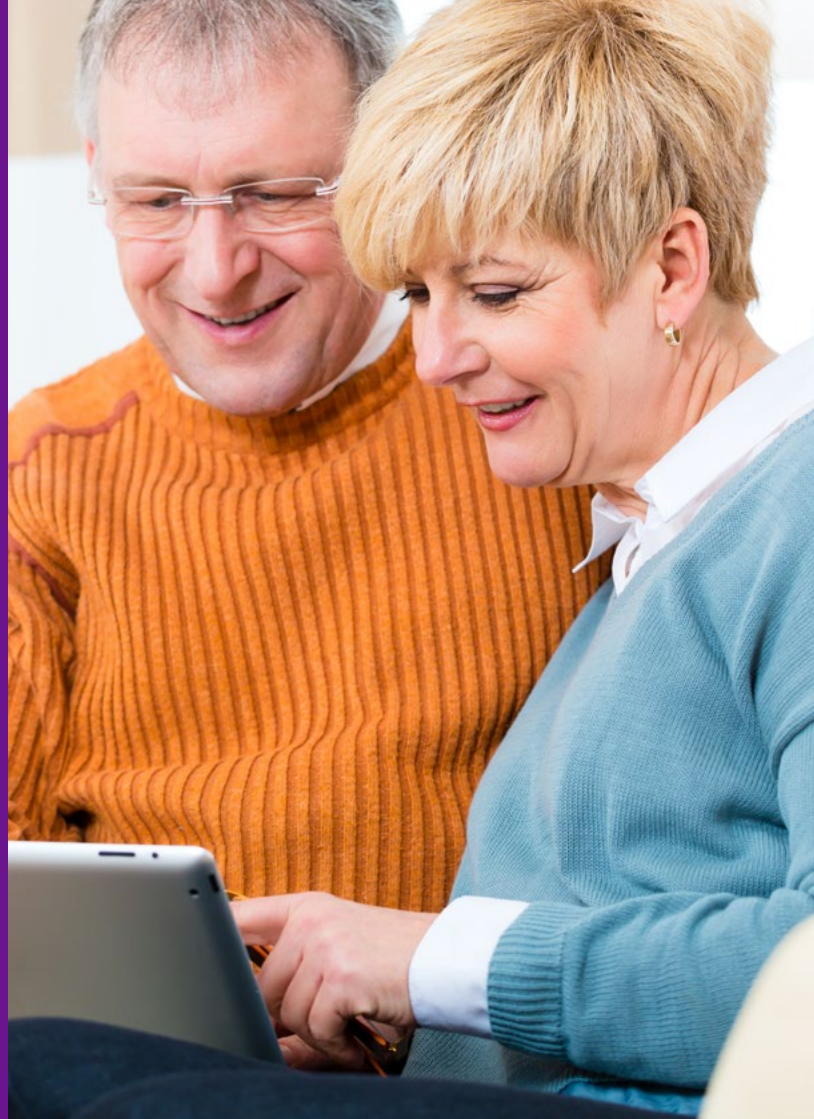


Breakdown of the percentage that know the specific house or street (%)



08

**Empty nesters
know what
they want**





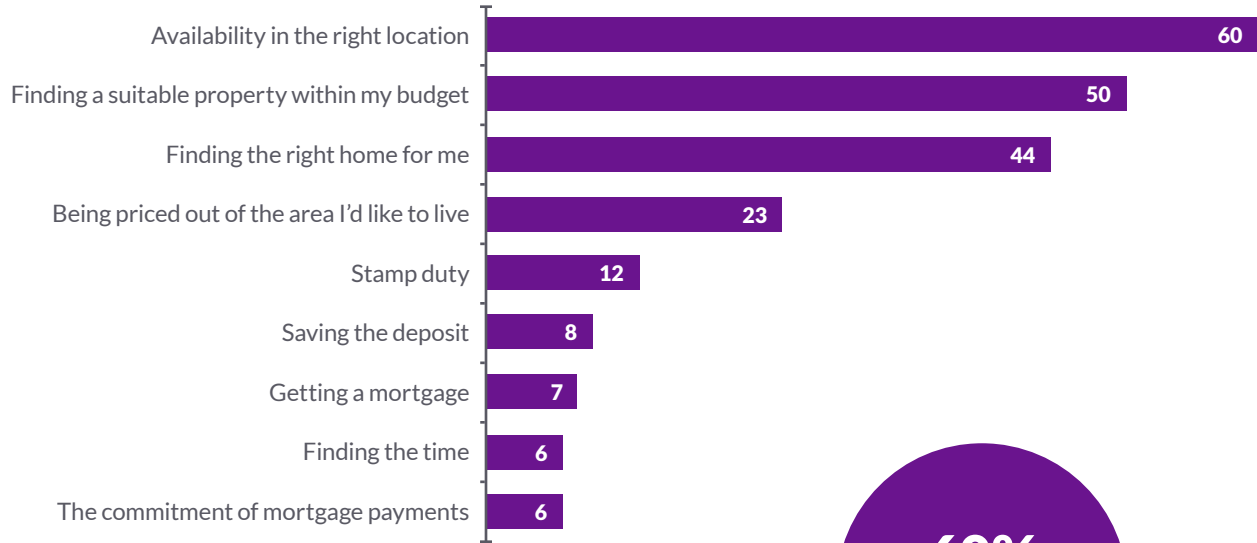
44%

of empty nesters are looking
for the perfect home for them

For empty nesters it's less about money and more about finding a home to fit their needs

They want a suitable home in their desired location. But, compared with just 23% of pre-families who claimed that finding 'the right home for them' was most important, it seems that empty nesters have a very particular criteria, and won't settle for less.

Biggest challenges for empty nesters when searching for a property (%)



60%
of empty nesters struggle
to find availability in the
right location

09

The rental market is growing



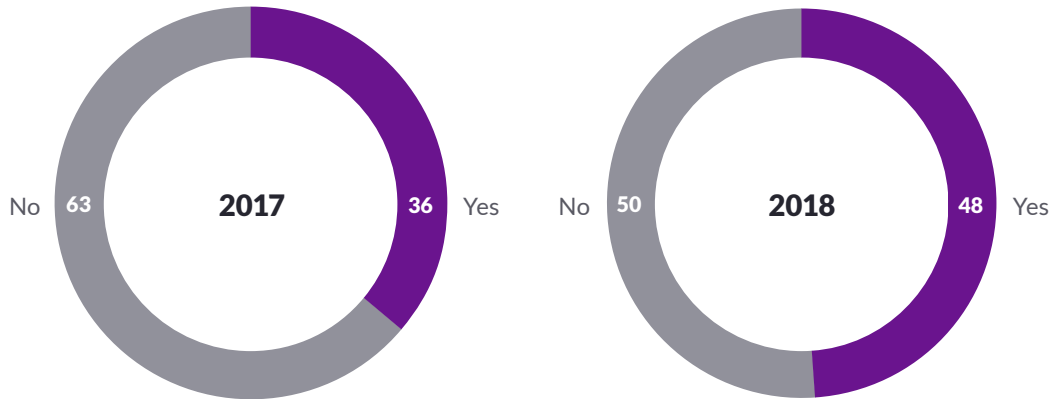


48% of renters
in 2018 used a letting
agent to manage their
rental property

The proportion of people renting is broadly stable, but more are using letting agents

The number of people now using letting agents to manage the rental properties they live in has increased by 12% since 2017.

Using letting agents to rent property (%)



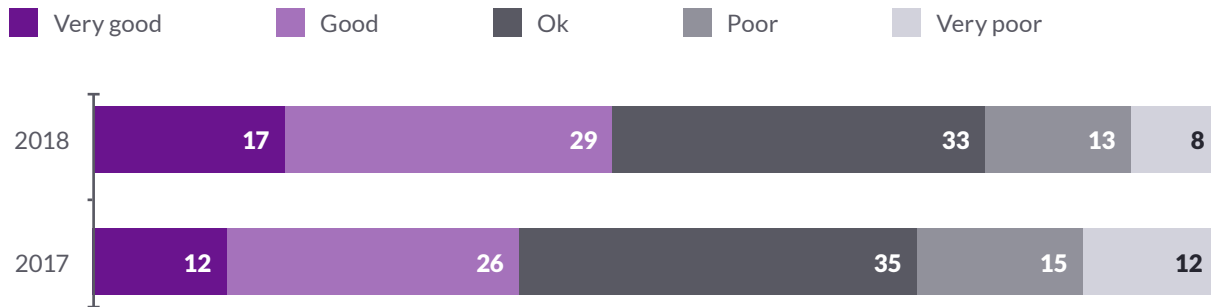
Do you rent the home you live in? (%)

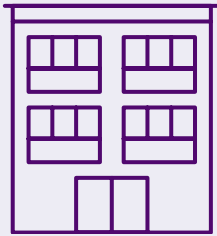


Satisfaction with letting agents has increased

The amount of people who feel that the service they received from their letting agent was either good or very good has increased by 8% over the past 12 months. The number feeling dissatisfied has dropped by 6%.

Overall opinion of their letting agents (%)





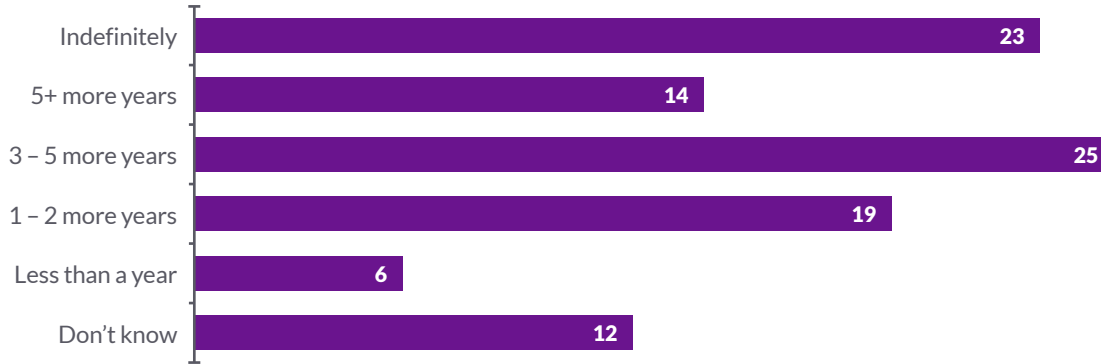
23%

of renters believe they will
be renting indefinitely

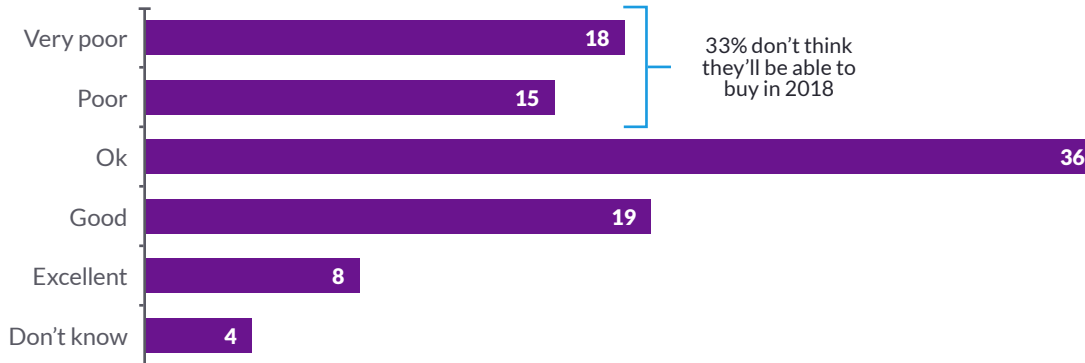
Over a third of renters believe they're in it for the long haul

63% of renters still feel hopeful that they'll be able to buy a property at some point in the future. However, it seems that many don't know when it'll be, and 23% of renters think they'll be renting indefinitely.

Duration they think they'll rent for (%)



Likelihood of being able to buy in the future (%)





52%

of empty nesters
believe they'll be
renting indefinitely

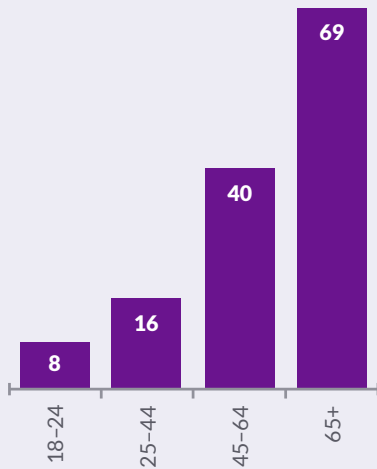
It's the older generations who think they'll rent indefinitely

Those who are still renting at a certain age seem to have taken the possibility of buying off the table. However, the young and those living in London, perhaps don't feel so negative about their prospects for buying as we might have previously believed.

Renter profile

Of the 2,173 renters surveyed, 464 of them are currently active in the market and looking to buy.

Age profile (%)

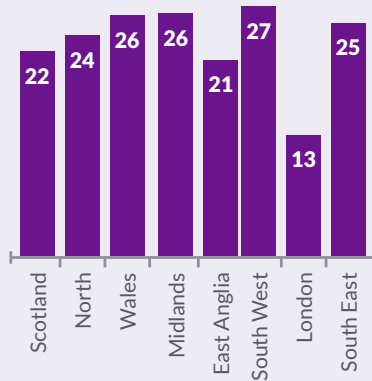


22% women



24% men

Renters sample (%)



Group types

| | |
|--------------|-------|
| Pre-family | 11% |
| Young family | 17% |
| Older family | 19% |
| Empty nester | 52% |
| Total | 2,173 |

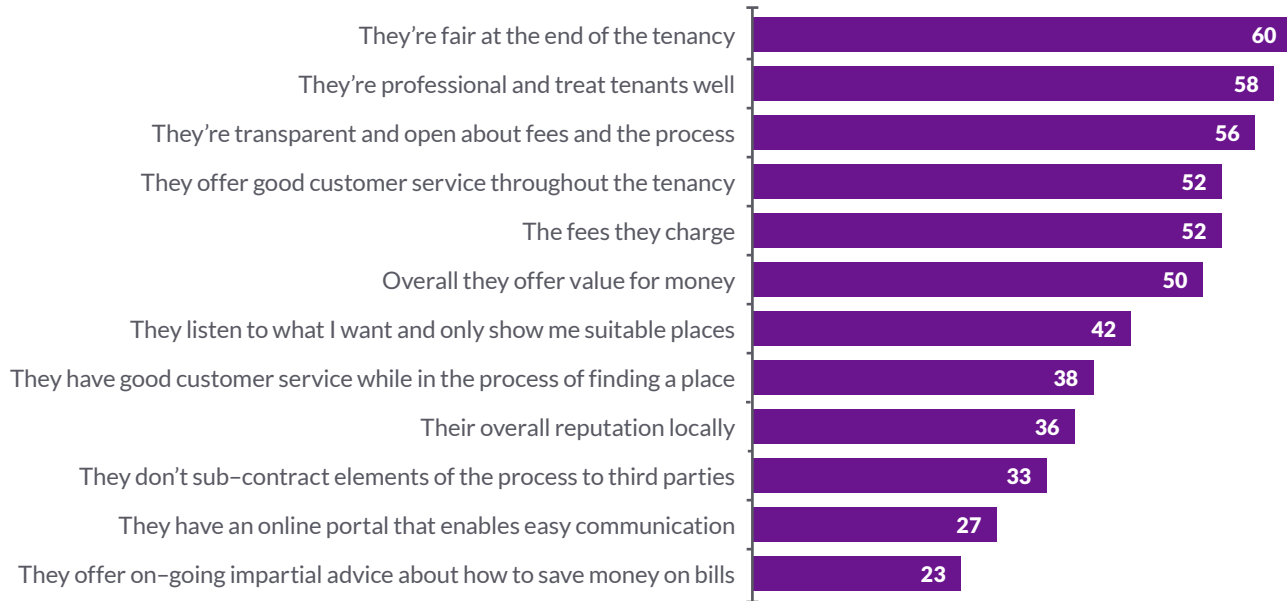
30%

of renters have a negative view of their finances compared with only 18% who have a positive view.

Tenants want a professional, fair letting agency

Transparency, which people look for most from their estate agent, also proved to be an important factor for those choosing a letting agent. Whether buying, selling or renting, people clearly want to be involved in the process and not feel left in the dark.

Most important factors when choosing a letting agency (%)





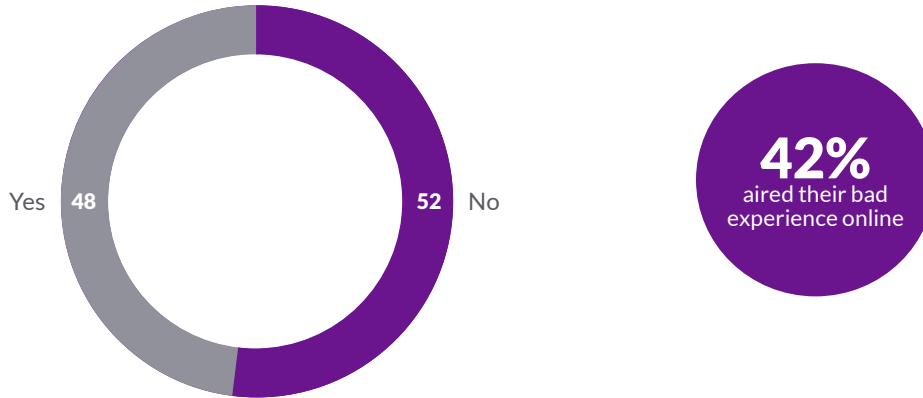
Renters take action

against letting agents who they have had a bad experience with, and 24% tell people about it publicly

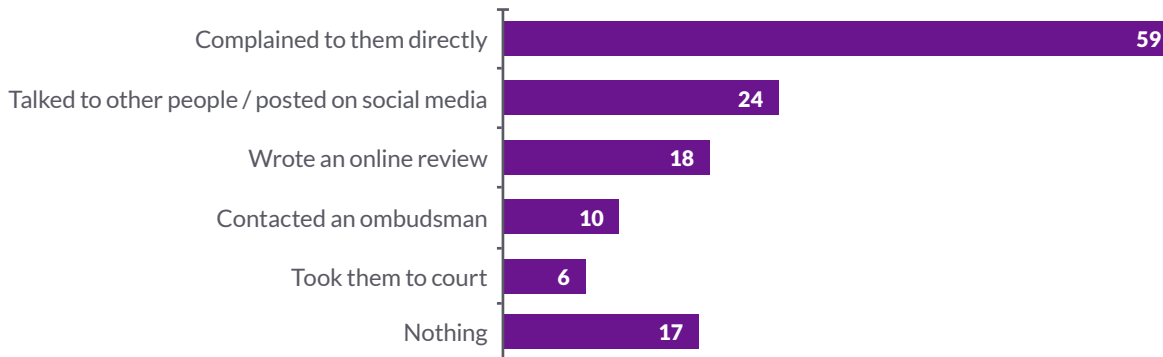
83% of renters who have a problem with their letting agent will take some sort of action

Whilst most will complain directly to the agent, many others will take to the internet to express their opinions via social media or online reviews if problems aren't addressed adequately by the agent.

Bad experience of letting agents (%)



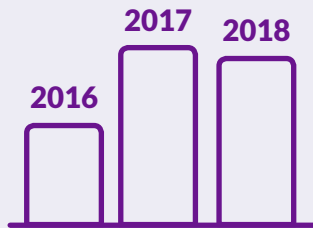
Actions taken against letting agents (%)



10

**Landlords
in need of
support**



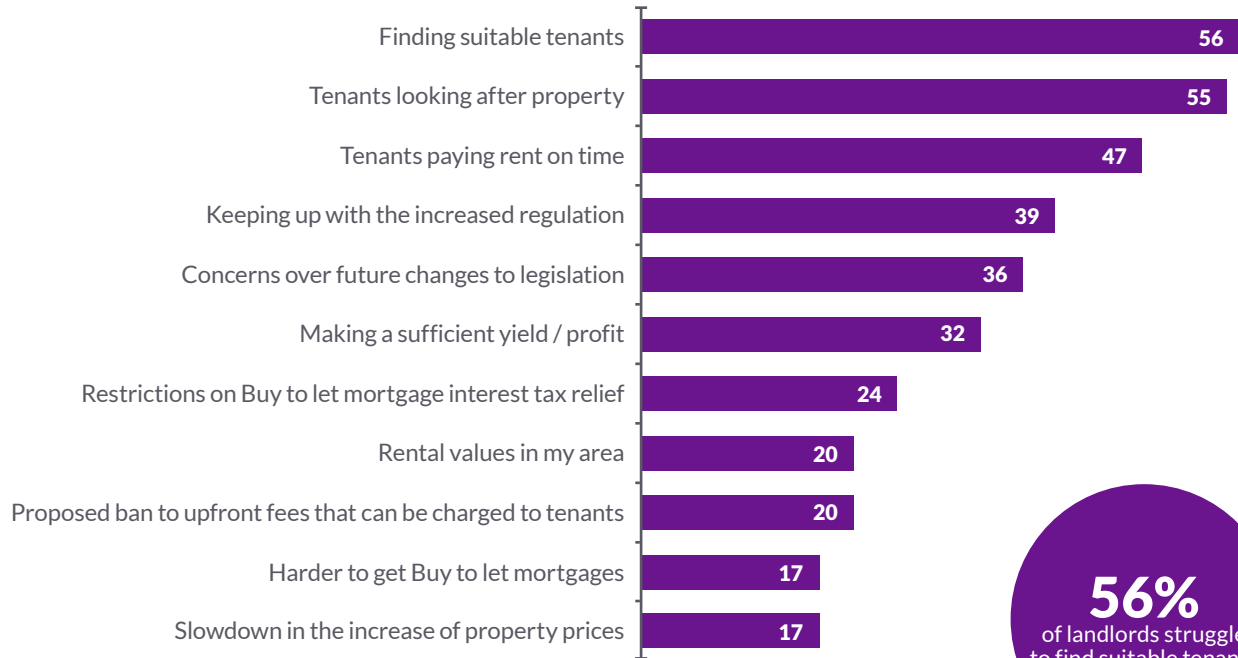


The percentage of landlords has increased to 4.2% in 2018 from 2.4% in 2016

Finding suitable tenant is the biggest challenge for landlords

However, it hasn't stopped many of them renting out their properties to others so far. The next biggest concerns are still over finding people that will look after the property and pay rent on time, and keeping up with the legislation.

Landlord challenges (%)



56%
of landlords struggle
to find suitable tenants



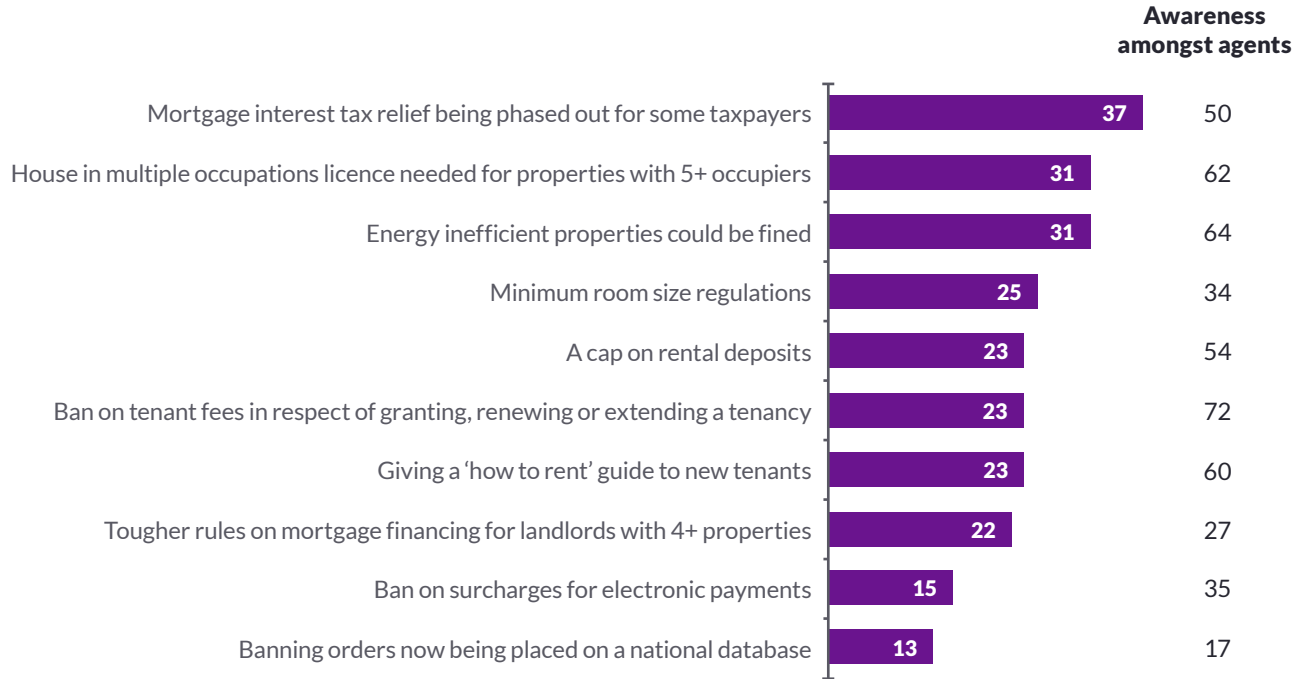
4.6

is the average number of property laws agents are aware of, compared to landlords' 2.4

Awareness of legislation changes amongst landlords is quite low. Agents are much more on top of the situation

Only around a third of landlords are aware of some of the biggest regulatory changes. This presents an opportunity for letting agents to share knowledge and educate landlords further about changes in legislation, to stop them dropping out of the market longer term.

Legislation awareness amongst landlords (%)





46%

landlords plan to change nothing
in light of these challenges

Most of the landlords who find the legislation changes a challenge are not planning to do anything in response

However, some are planning to leave the market, whilst others plan to move to a letting agent to help them manage their properties, presenting an interesting opportunity for agents.

"I really don't want the hassle of renting out my property anymore and I'm now looking to sell my property and give my tenants notice to quit. I cannot stand the hassle and the rules and headache that goes with renting"

"I've started using a letting agent to manage the property"

"I'm looking to rent via AirBnB instead"

"I'm reducing my borrowing to reflect changes in tax relief"

"Nothing currently, just keeping an eye on matters to ensure it's still worthwhile being a landlord"

Changes being made in light of any challenges (%)

| | |
|----------------------------------|-----|
| Nothing | 46% |
| Leaving market | 9% |
| Using a letting / managing agent | 7% |
| Other | 38% |

11

London; a
country within
a country





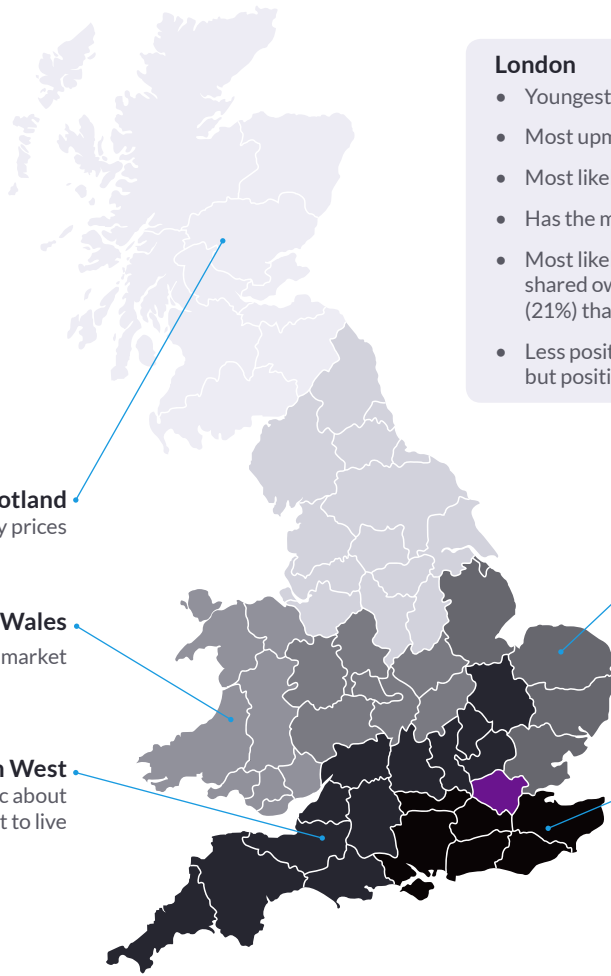
25%

of Londoners are currently
looking to buy property

London is telling a very
different story to the rest
of the UK

The capital comes out on top for
having the most landlords , the
youngest buyers and the largest
amount of people looking to buy

- London
- Scotland
- North
- Wales
- Midlands
- East Anglia
- South West
- South East



London

- Youngest (average age is 40)
- Most upmarket (74% ABC1)
- Most likely to be looking to buy (25%)
- Has the most landlords (6%)
- Most likely to own property alone, but if they're in a shared ownership, they're more likely to have a child (21%) than other regions
- Less positive about the economy (along with Scotland) but positive about their own personal finances

Scotland
Lowest property prices

Wales
Most likely to be out-of-market

South West
Buyers least specific about where they want to live

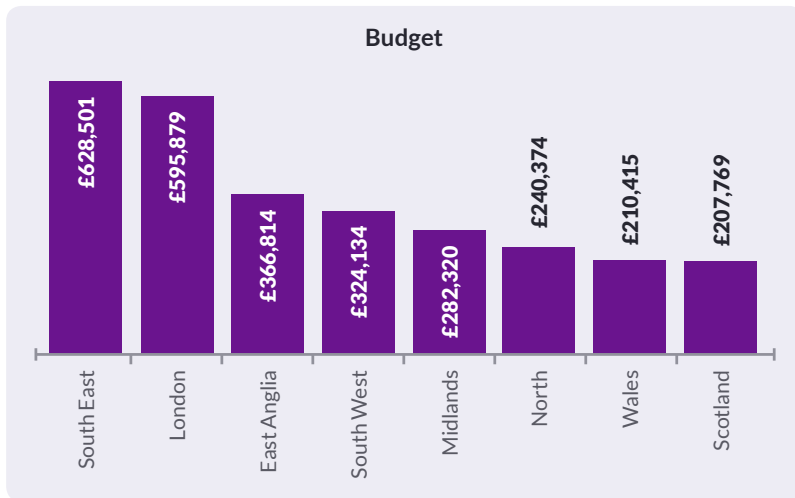
East Anglia
Lowest proportion of home owners (58%)
– along with Wales

South East
Most expensive properties

Those in London and the South East are spending more than double anyone else, and triple Scotland and Wales

People are looking for similar sized properties across the board, although budgets differ greatly depending on location. Annual rates of inflation are increasing in the biggest regional cities in the UK, meaning that average earnings, and therefore budgets, may not be able to keep pace with property prices.

| Number of bedrooms | |
|--------------------|-----|
| South east | 2.7 |
| London | 3.0 |
| East Anglia | 2.8 |
| South West | 2.7 |
| Midlands | 3.0 |
| North | 3.0 |
| Wales | 2.7 |
| Scotland | 2.7 |



12

Housing market themes and trends

Powered by
 hometrack

Oct 2018



Housing market themes overview

A Overview

B Transactions

Housing moves remain at 2.3 million per year. The recent decline in London transactions has plateaued, and lettings remain the largest market.

C Buyer profile

First time buyers are set to become the largest buyer group, with further growth in regional markets. Investors shift into higher yielding markets.

D Housing recovery

The housing cycle continues to unfold, with prices in the most affordable markets recording above average growth. However, nationally there is still slower than average house price growth than in recent years.

E House price inflation

House price inflation is expected to be between 2–3% in 2019, although this depends on the Brexit negotiations and economic outlook after March 2019. In London prices continue to fall.

F Rental growth

Rents increase by 2.5%, though they are under performing in London where affordability is most stretched.

G Renting versus buying

The cost of buying property is cheaper than renting, but the mortgage affordability stress test for first time buyers remains a barrier to getting on the housing ladder.

I New homes

New housing delivery continues to increase with help to buy supporting sales. Developers are increasingly considering the unit mix of new homes, as localised concentrations of new housing appears.

H Investment

Yields in London are beginning to rise as capital values decline. Yields remain broadly flat in regional housing markets.

J Mortgage lending

Re-mortgaging grows as mortgage rates start to drift higher, and home owners continue to drive borrowing. Lenders are looking to niche mortgage markets, such as equity release to support their growth.

A

Overview

Housing market themes and emerging trends

The current housing market cycle began in London in 2010. Unfolding since then across the rest of the country, house and rental price growth has varied widely across local markets. Additionally, tax, policy and regulatory changes for mortgages have impacted who is buying property, just as much as market forces. As a result, we now have a housing market made up of lots of regional markets.

Insights and analysis provided by Hometrack, part of Zoopla

Hometrack provides independent residential property analytics, insight and proprietary data to support critical decision making. We help partners to maximise profits and manage risk, understand the true value of their assets, and make informed investment decisions.

B Transactions

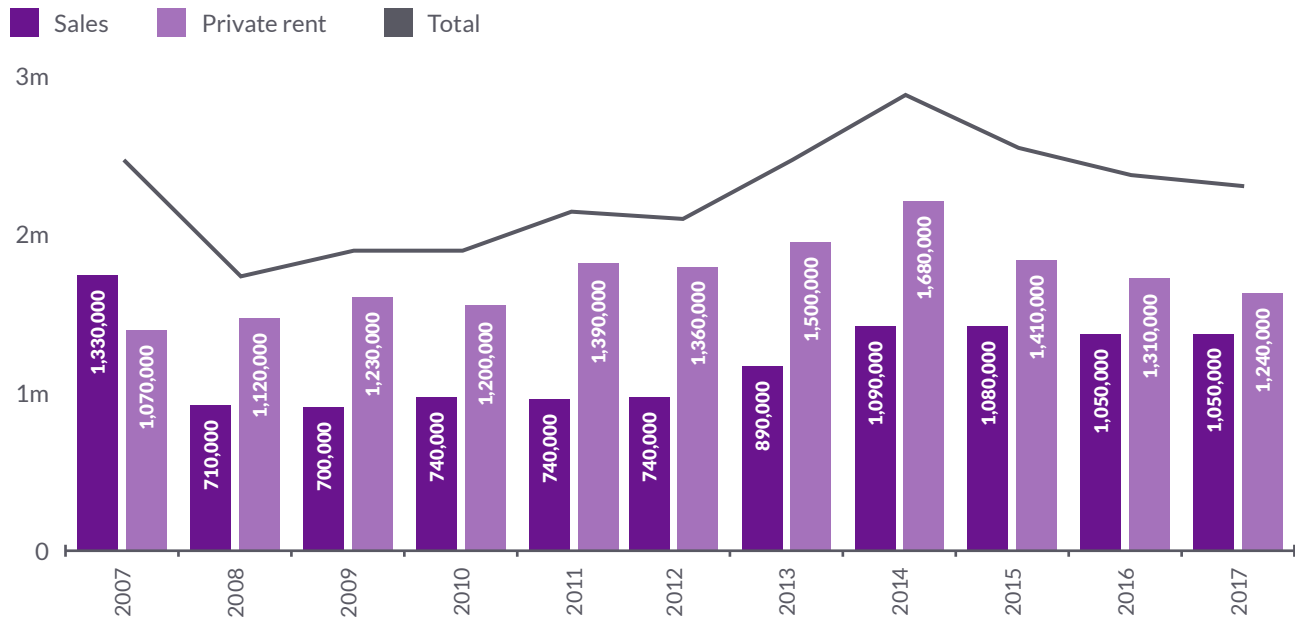
Transactions

There were 2.3 million house moves in 2017, both for sales and private rental. This is consistent with the average amount of moves over the past 10 years. 54% of all moves in 2017 were as a result of private lettings, however the number of lettings moves have fallen in recent years. Tax changes affecting landlords, and the trend for tenants to stay in their property for longer has caused this decline in rental moves. Rental stock continues to grow. In 2019, the volume of housing moves is expected to stay the same, and there won't be a further fall in the volume of housing sales in London.

Rental and sale moves

This graph shows the number of rental and sale moves over the past 10 years. Whilst there have been fluctuations over the decade, the number of housing moves in 2017 was consistent with the 10 year average.

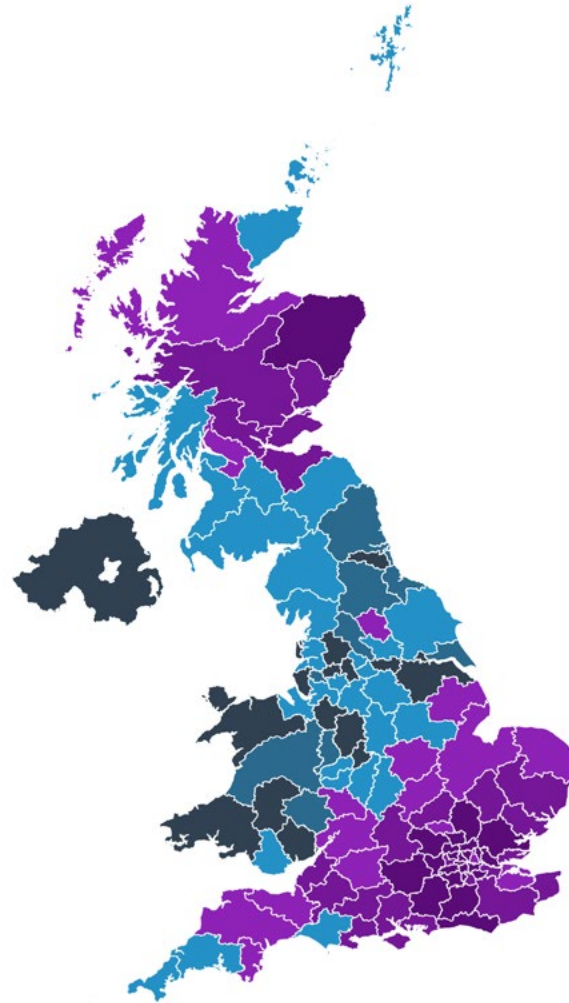
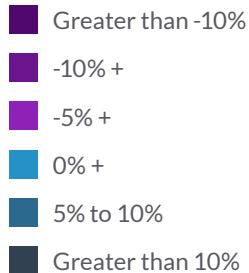
Number of private home moves by tenure (millions)



Changing sales transactions across the UK

Whilst sales transactions are steady overall, this masks a variation between falling turnover in southern England, offset by rising sales in the Midlands, northern England, Scotland and Northern Ireland.

Percentage change in housing sales 2015-2017



C

Buyer profile

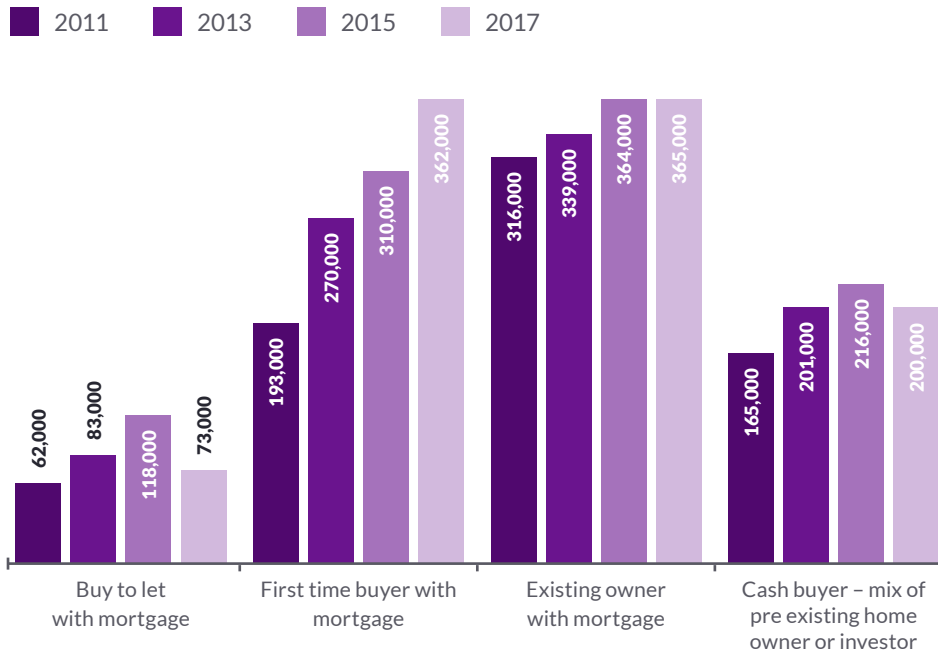
First time buyers are set to be the largest group of home purchasers

First time buyers accounted for 36% of home purchases in 2017, and are expected to be the largest group of buyers in 2018. Existing home owners with mortgages are tending not to move unless they need to, and have had their lowest share of sales for a decade. Instead of moving and taking on debt, they are taking advantage of falling mortgage rates to reduce their monthly costs. Buy to let investors have also reduced their share of sales as tax changes and lower returns have impacted demand.

Type of home buyers

The make up of home buyers in the market has changed over the past decade. First time buyers are set to be the largest proportion of all home purchases.

Types of home buyer (number)



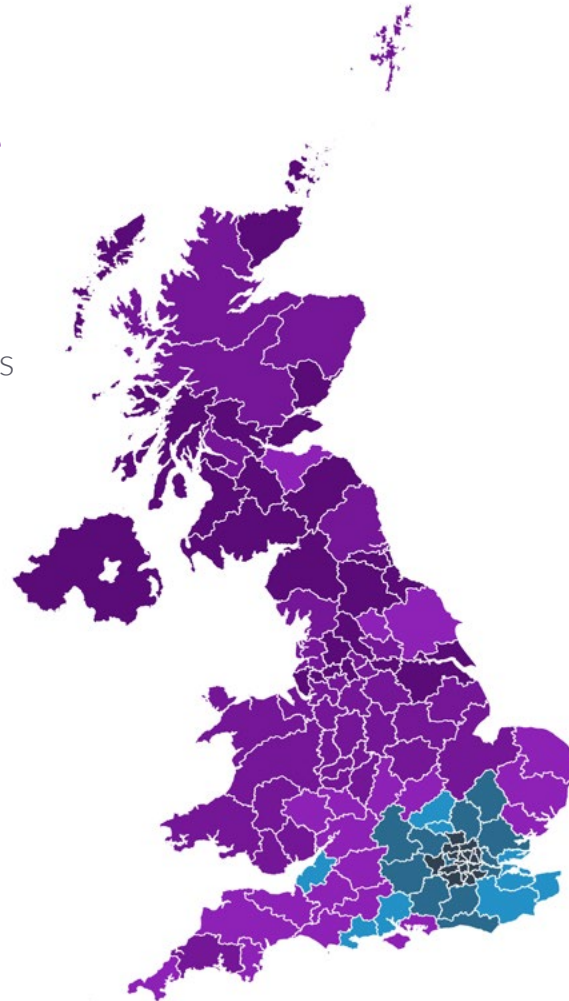
Source: Hometrack analysis of UK Finance, HM Land Registry and Registers of Scotland

Income required by first time buyers by region

First time buyer numbers have fallen in London but have grown in all other regions as affordability pressures are less acute. Around 11% of buyers use help to buy when purchasing their new home.

Income required by a first time buyer - 2 / 3 bed home

- Less than £20,000
- £20,000 +
- £30,000 +
- £40,000 +
- £50,000 to £60,000
- Greater than £60,000



D

Housing recovery

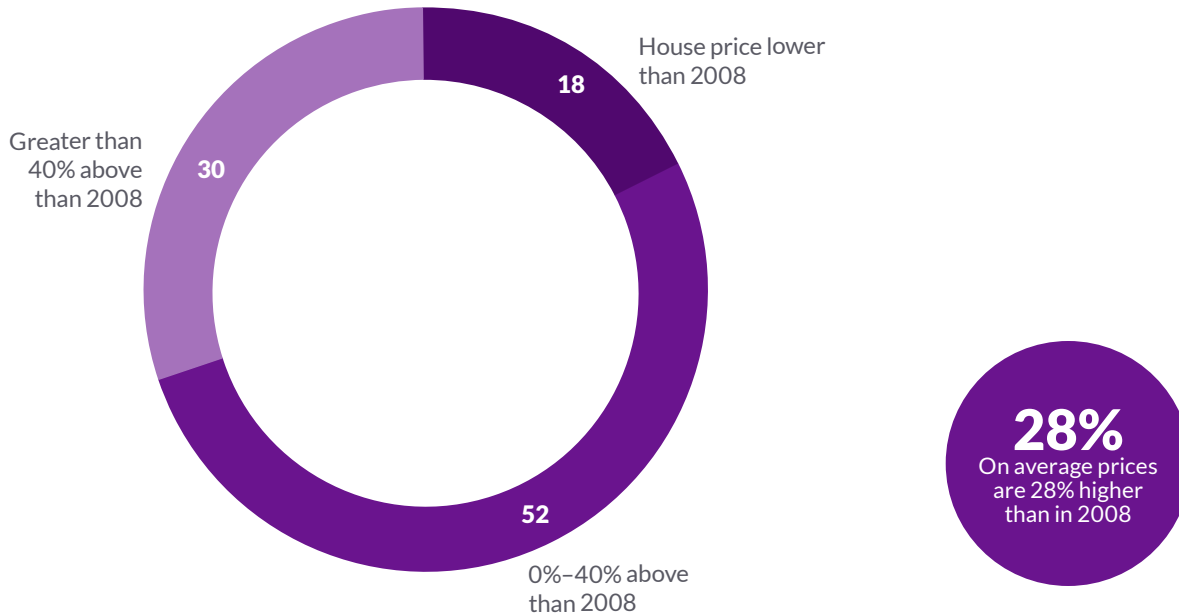
Wide variation in house price growth since 2008

It's been ten years since the Global Financial Crisis of 2008, and recovery has been varied across the UK. Local housing markets are driven by local economies, and as a result, increasing employment and earnings in a region impacts on its house price growth.

Housing price recovery since 2008

Hometrack's price indices reveal that a fifth of homes are in markets where prices are lower than they were in 2008. At the other end of the spectrum, 30% of homes are in markets where prices are more than 40% higher than in 2008.

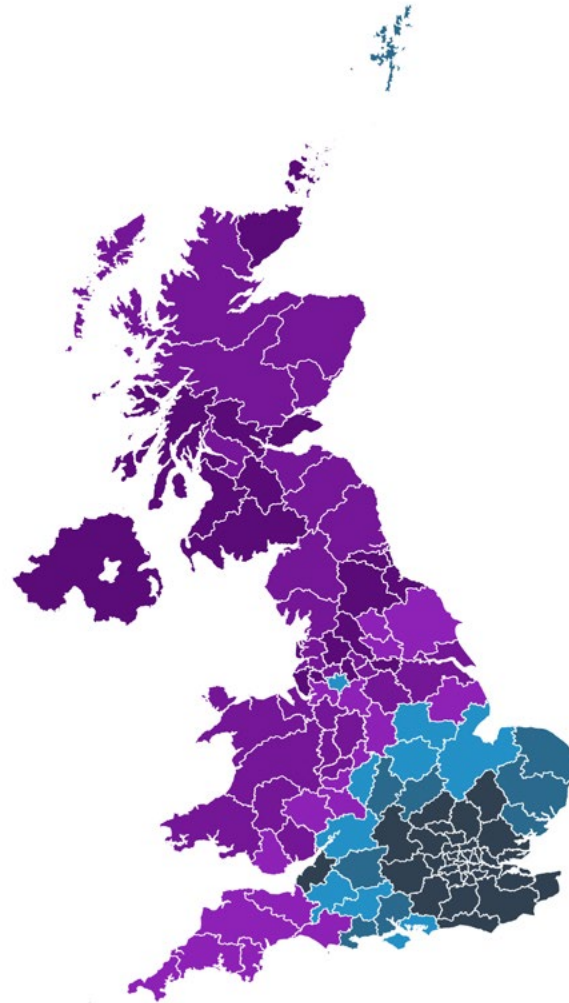
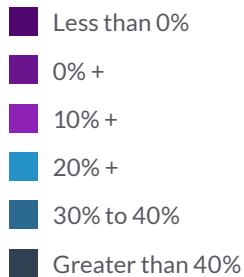
Share of housing in local markets where prices are below or above 2008 levels (%)



Housing price changes since 2008

There is additional room for house price growth in areas where the recovery has been weakest to date.

House price change since 2008



E

House price growth

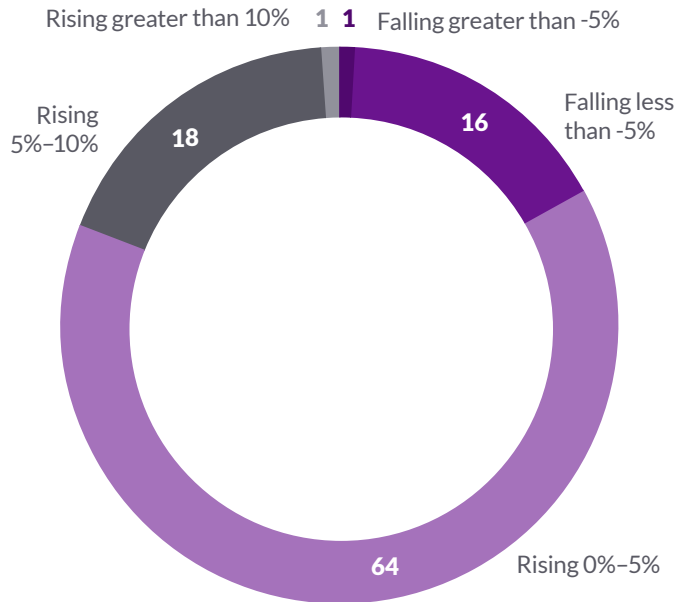
House price growth is extremely varied across the UK

The rate of house price growth across the UK currently averages 3.6%. This has slowed somewhat over the past two years, but it does mask a wide variance in growth between different regions across the country. Almost two thirds of homes are in markets with prices rising between 0% to 5%. Just under a fifth of homes are in markets where prices are rising over 5%, and 16% of homes are in areas where prices are falling by 0% to -5%.

House price growth

The average level of house price growth across the UK is 3.6%, however the strongest increase in house prices is in the Midlands and northern regions, where affordability is attractive and employment is rising.

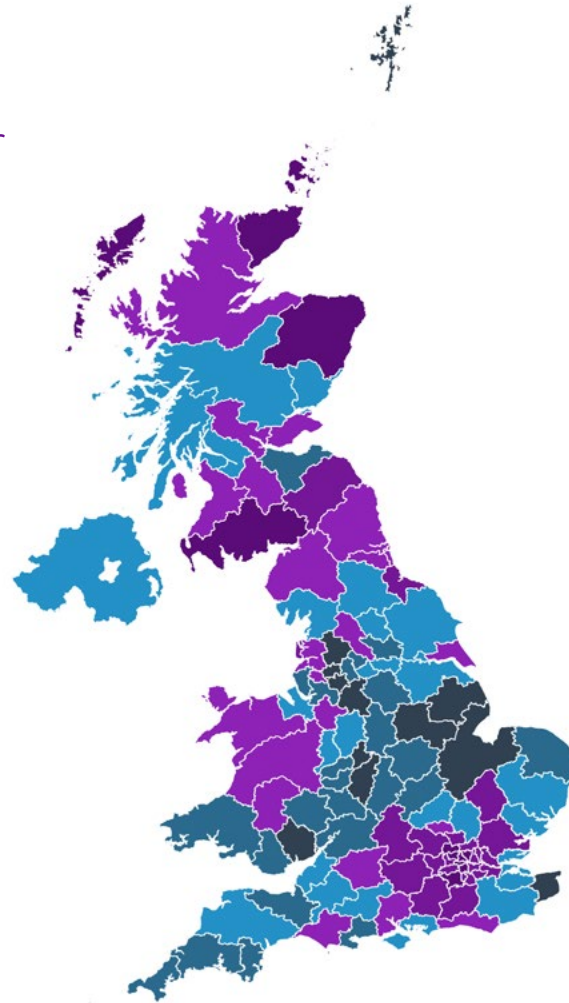
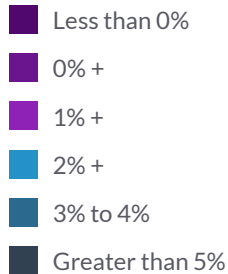
House price growth, year on year, August 2018 (%)



Changes in house prices over the past year by region

Inner London markets are showing single digit house price falls, as prices readjust to what buyers are prepared to, or can afford to, pay. Turnover has fallen, as fewer sellers put their homes on the market.

House price growth - percentage year on year, August 2018



F

Rents

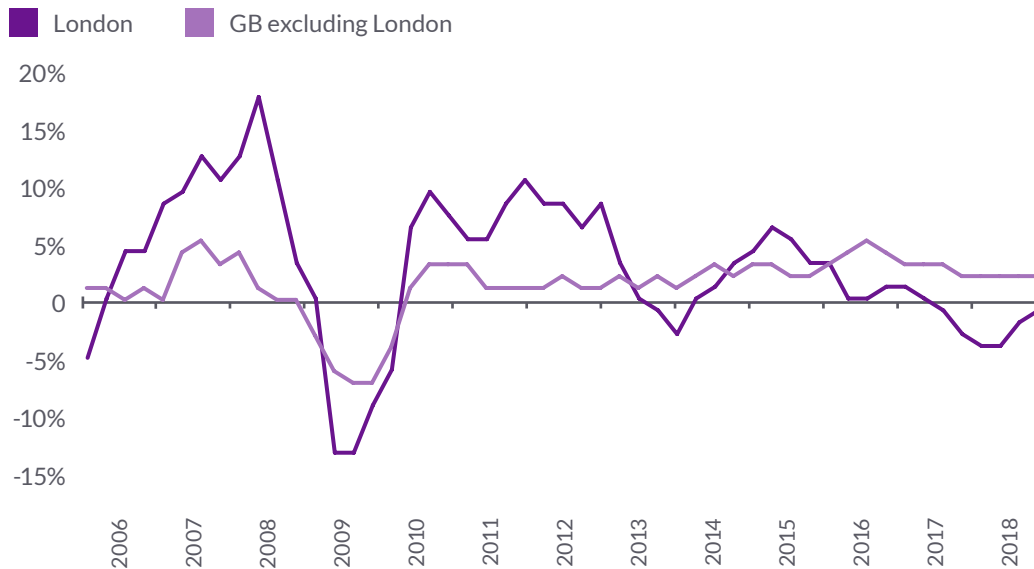
Rental prices have increased in regional markets

Rental growth over the past decade has varied widely. Rents in London are 32% higher than they were in 2007, but rental affordability is now stretched, and over the past three years the average rent has not changed in the capital.

Rental growth since 2006, comparing London to the rest of the UK

Rental growth in regional housing markets has been closer to the growth in earnings since 2010. Growth has accelerated over the past 3 years due to rising employment and incomes growth, which has boosted demand.

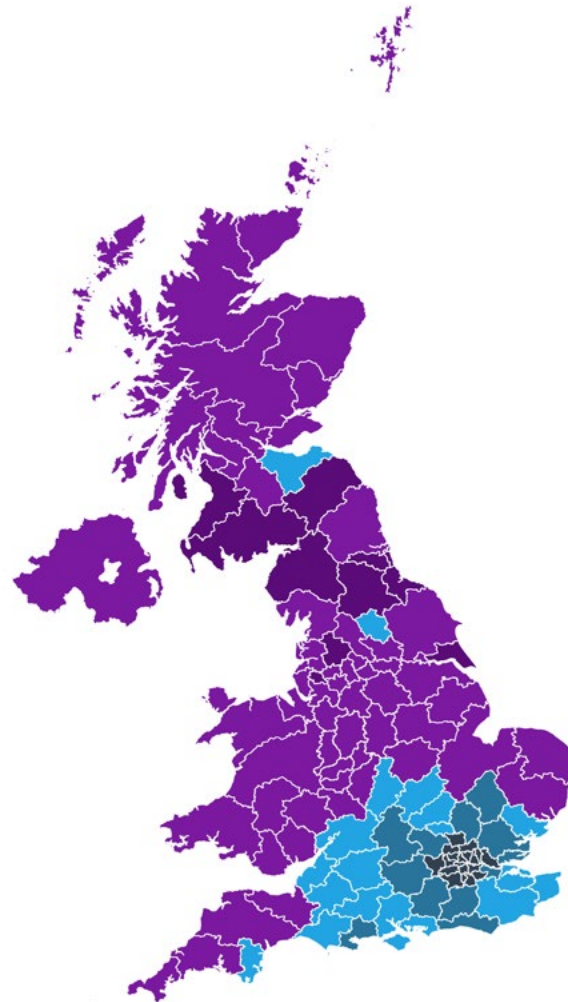
Rental growth - London and GB excluding London, year on year



Average rental costs across the UK

Whilst rents have remained the same over the past three years in London, they have increased by up to 15% in many other regions over the same period. Rental growth in London is likely to remain weak, but there is scope for further increases in the most affordable regional markets.

Average rent for a 2 bed home in 2018



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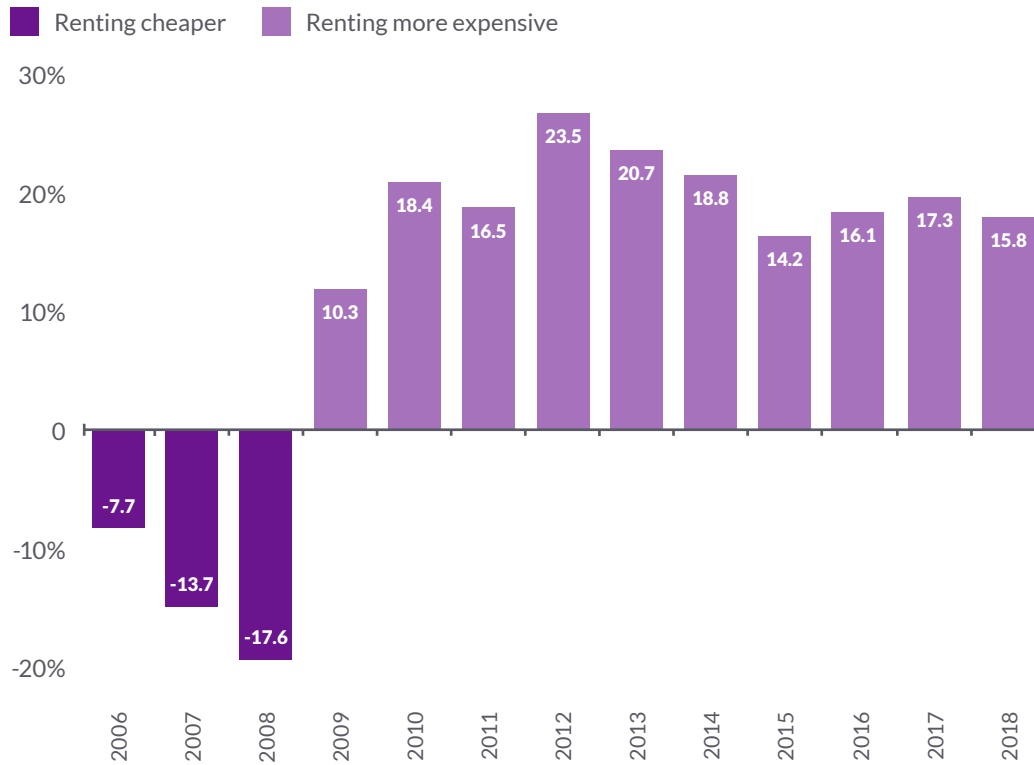
Renting versus buying

Buying is cheaper than renting, however the reality is more complex

The gap between renting and buying looks at how easy it is for renters to become home owners, assuming they can pay the deposit. At a headline level, monthly rental costs are 15% higher compared to the cost of a repayment mortgage on a similar type of property. However, in order to buy, the purchaser needs to be able to raise the typical £40,000 deposit, and pass a mortgage stress test where affordability is assessed at a repayment rate closer to 7%.

Cost of renting compared to buying by year

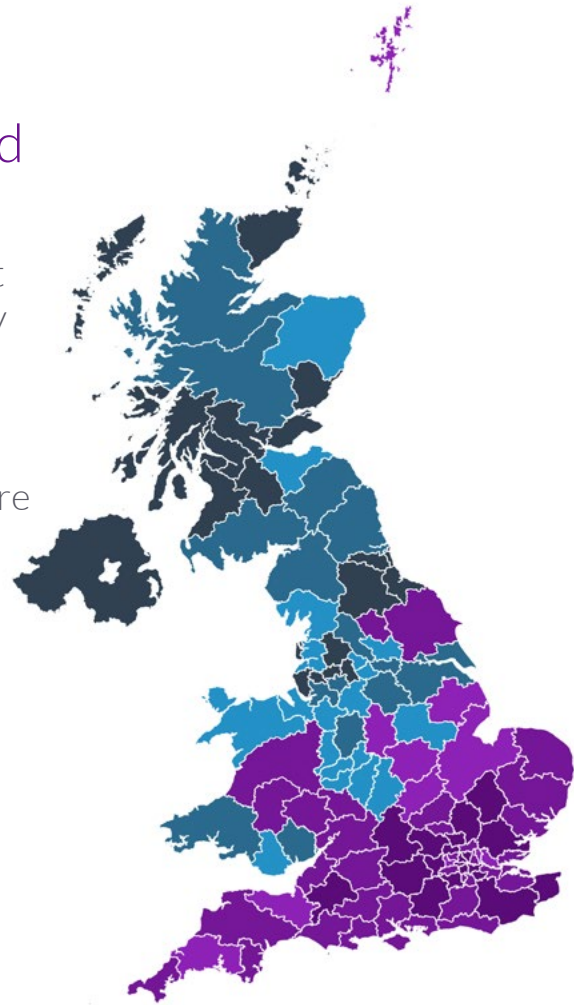
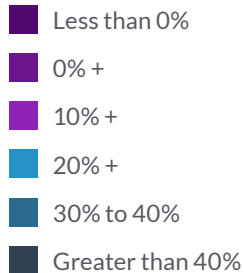
Gap between cost of renting and buying at mortgage product rate



Difference in buying compared to renting across the UK

In the most expensive markets the deposit and income required to buy a home is very high and this has reduced first time buyer numbers. It has also supported rental demand. In regional housing markets affordability is less stretched, and therefore first time buyer numbers are rising.

Where is it cheaper to buy a 2 / 3 bed home than rent?



H Investment

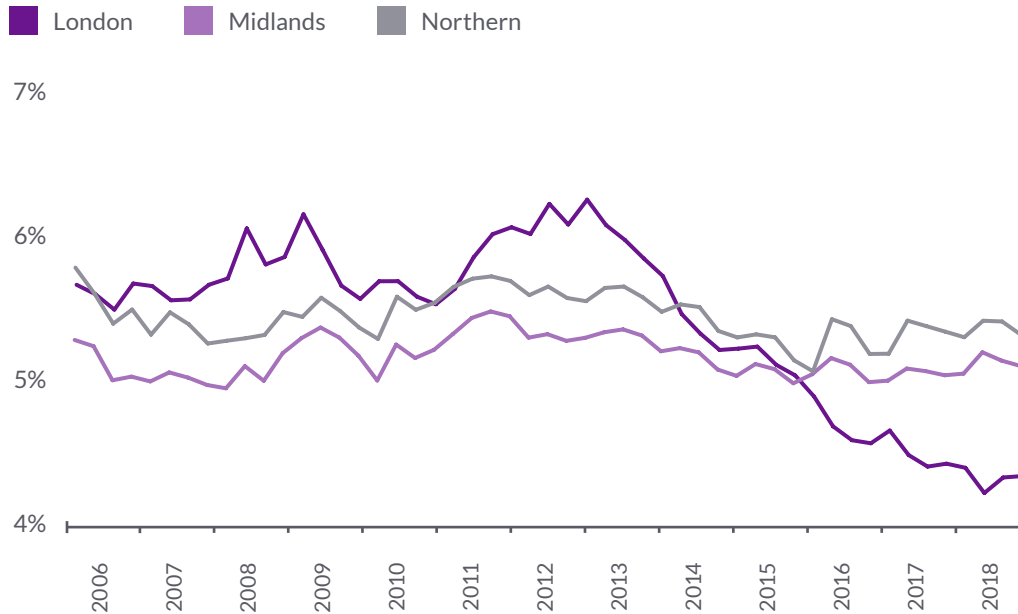
Yields decline as prices rise faster than rents

The yield from investing in property is calculated by taking the total annual rental income, before costs, as a percentage of the property's capital value. The fall in gross yields has been greatest in London and southern England, but in the Midlands and northern regions yields remain at around 5%. Whilst rental growth is flat, falling house prices in London will result in yields increasing over 2019.

Rental returns since 2006

The graph shows the gross yield for landlords, broken down into macro regions over time.

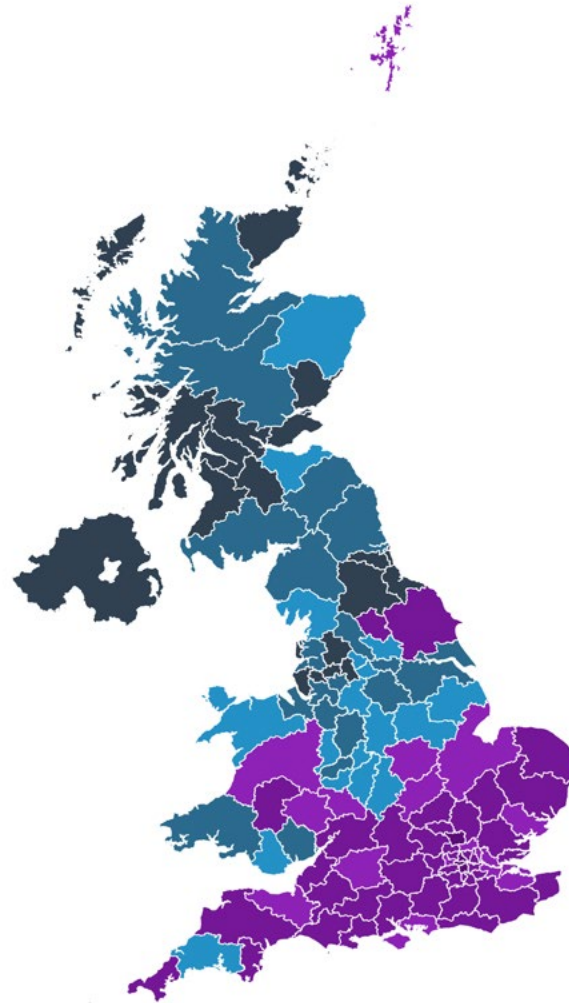
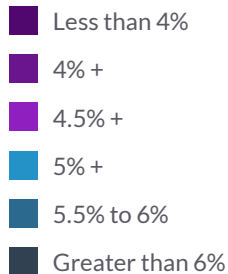
Gross yields for rented housing, aggregated regions



Gross yields across the UK

Gross yields are the lowest in London and southern England where house price growth has outpaced rental growth in recent years. Yields are highest in markets with below average capital values.

Gross yields for a 2 bed home, August 2018

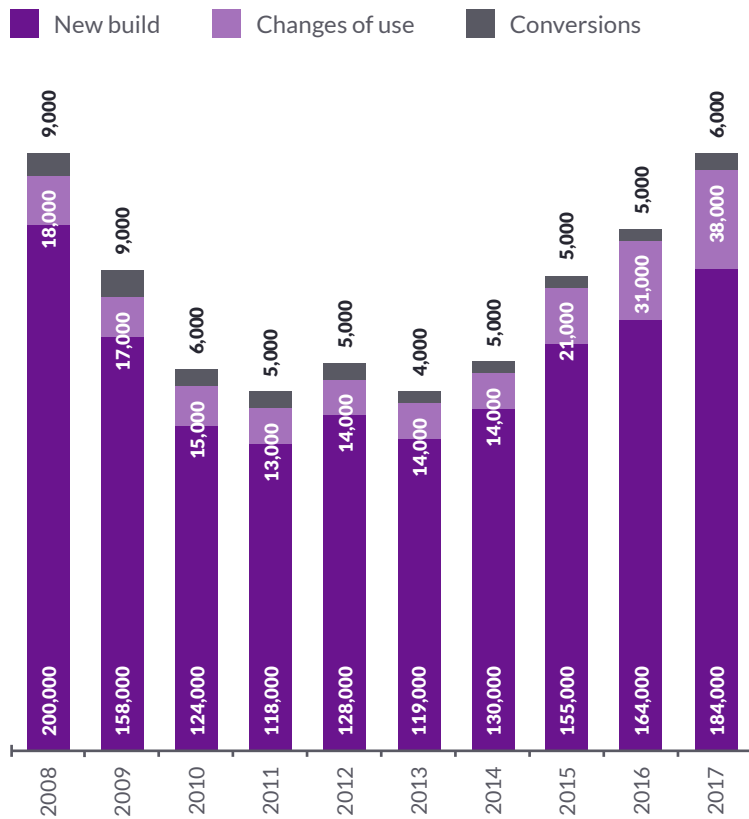


I New housing

There are localised concentrations of new build homes

Not all new homes are brand new however, 20% are conversions or change the use of existing structures. Large developers account for the delivery of 80% of new homes. Supply of homes is set to increase further, with non-private developers such as housing associations increasingly delivering new homes.

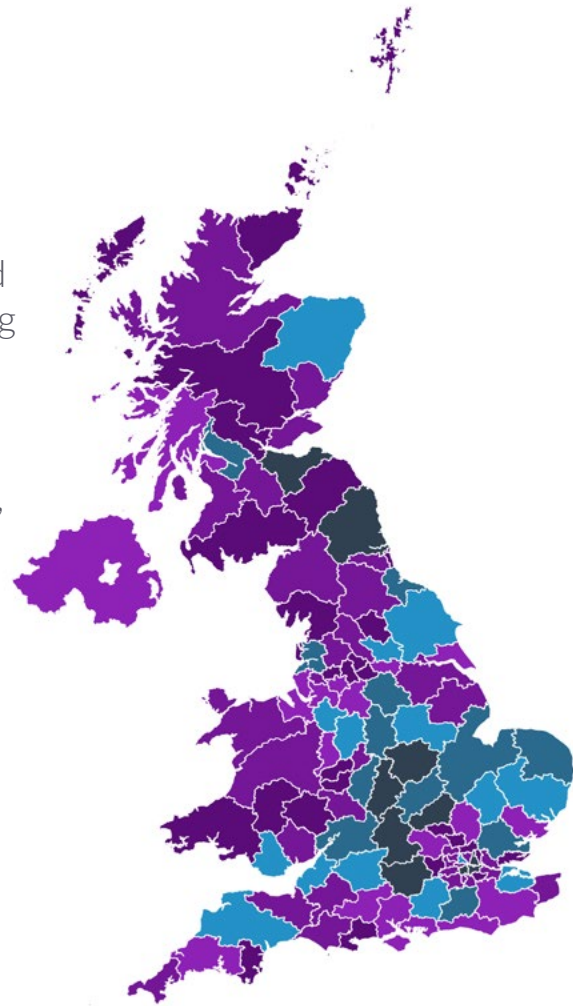
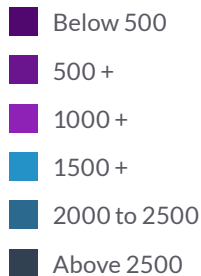
Volume of new build property delivered each year (all tenures, England)



Localised concentrations of new homes supply

The supply of new homes is not evenly spread across the UK due to land availability, planning permission and local market factors. Some regions have a higher concentration of new builds under construction. Areas with a high amount of new housing include inner London, the area between Oxford and Cambridge, as well as Cheshire and the North East.

Private homes under construction



J

Mortgage growth

Changes in mortgage lending are affected by the wider housing market

Lenders advanced £260 billion of mortgages in 2017. Home owners with an existing mortgage continued to pay down debt, and repayments totalled £217 billion last year. Net lending therefore was £43 billion, more than half of the level seen in the mid 2000s. High house price growth over the past decade has pushed down loan to value levels and created a sizeable pot of equity for home owners to tap into through re-mortgaging and equity release.

Mortgage lending since 1997

The graph looks at gross mortgage lending, and net lending, less mortgage repayments.

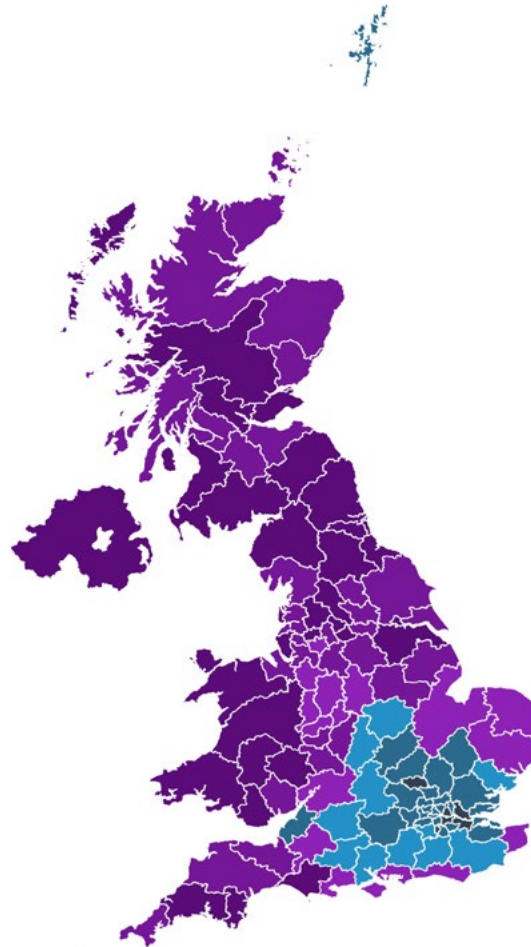
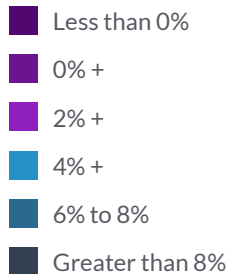
Gross and net mortgage lending



Breakdown of mortgage debt across the UK

The picture at a localised level reveals that home owners in London and adjacent commuter areas grew debt four times faster than across the rest of the country. This is as they take advantage of low mortgage rates.

Change in mortgage debt 2015–2017 by percentage



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