

Monthly Market Briefing

The latest data, views and outlook on the residential market

- Demand/Supply gap in the rental market supporting rents
- Mortgage demand rising
- Sales outlook
- Policy update
- Latest regional and local pricing trends

“The supply/demand gap is narrowing, and rental growth will soften into Q3 and Q4”

Gráinne Gilmore
Head of Research, Zoopla

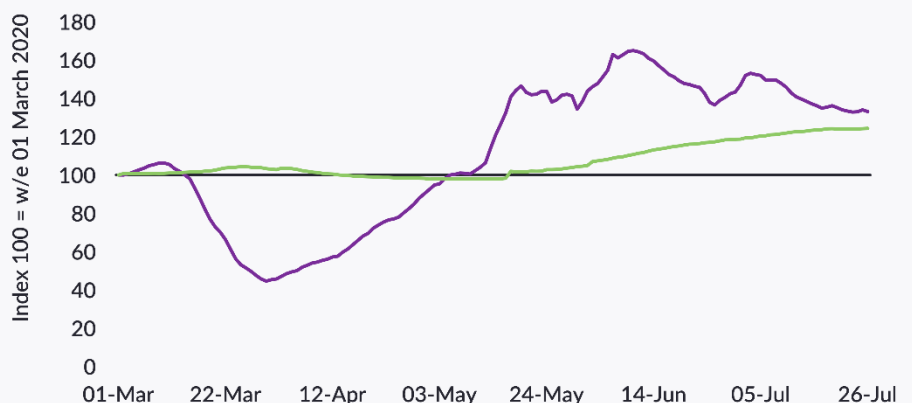
Rental market

The demand for rental property is still outpacing the supply of new homes to rent in many parts of the country, and this is supporting rental growth. However, the gap is narrowing, which will start to put downward pressure on rents over the rest of the year. We expect annual rental growth outside London, currently at 2.2%, to reach around 1% by the end of the year, although there will be areas of outperformance. Six cities and towns in the UK are still seeing rental growth of more than 4%.

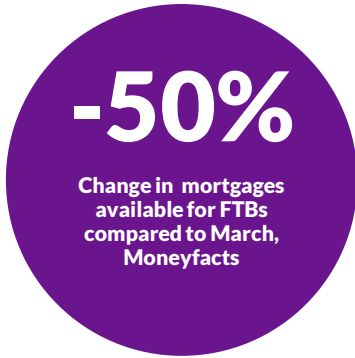
The picture in London is different, with rents down 3% since January, taking the annual rental change to -1.4%. Rising supply and more subdued demand due to changed working, tourism and student patterns are impacting the market, mostly in central and inner London. The same picture is emerging in Edinburgh with a move from short lets to long lets creating a rise in supply.

We expect rental growth to ease across the UK by the end of the year, with average rents outside London ending the year at +1%.

Rental supply/demand narrowing



Source: Zoopla Rental Market Report



Mortgage applications rise in July

As demand rises in the sales market, mortgage applications are also rising, according to the latest data from the Bank of England. David Ross, CEO of Hometrack, the leading provider of insight and intelligence to the mortgage market. He says: “While the hangover from COVID lingers, our data shows mortgage applications continued to rise in July as buyer demand increased by 20% on the year.”

The number of loans available for some buyers has fallen in recent months however, with the number of mortgages available for first-time buyers around half the levels seen pre-Covid, according to data from Moneyfacts. There are now some 1,360 deals for first-time buyers, compared to 2,670 before lockdown.

However, some of the rates on offer for these mortgages are competitive, with two-year fixes on offer from 2.24% for those with a 10% deposit. For five-year deals, rates are available from 2.56%.

Mortgage loans for first-time buyers have not bounced back to pre-Covid levels, but there are competitive deals available.

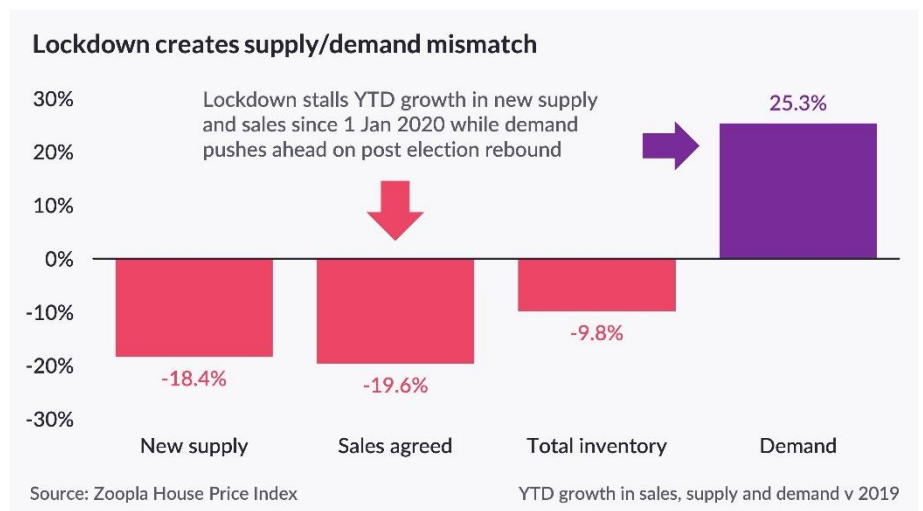


Market outlook

Average sales prices are up 2.7% on the year, according to the [latest House Price Index](#) from Zoopla. Pricing is currently being supported by the imbalance by supply and demand – the demand for homes is currently outstripping the number of homes being listed for sale.

We expect this trend to continue to support pricing through Q3 and into Q4, as well as the stamp duty boost to activity in London and the South East. Towards the end of the year, the wider economic landscape will likely start to weigh on price growth, particularly rising unemployment.

Annual price growth will remain in positive territory in 2020 while the supply of new homes is lower than the level of demand.



Policy Update

- The Government has confirmed that estate agents in areas in the north of England which have seen new restrictions applied due to COVID can remain open. The NAEA has provided [further guidance](#) for agents affected.
- The Government has extended the Help to Buy (H2B) scheme for buyers where the completion of their new-build home was [delayed by COVID](#). The new deadline for build complete is February 2021, rather than the initial deadline of December 2020.
- A district court judge has ruled that “no DSS” notices on rental property are unlawful. In the court case in mid-July, the ruling said that bans on tenants who claim housing benefit contravene the 2010 Equality Act. Zoopla took steps to prevent listings with such notices being included on its website in March 2019. There is more about the action Zoopla took [here](#).

Data digest August

	House prices % annual change	Rents % annual change
UK	2.7%	1.1%
East Midlands	3.0%	2.7%
East of England	1.7%	2.1%
London	2.7%	-1.4%
North East	1.6%	2.7%
North West	3.0%	2.4%
Northern Ireland	1.8%	1.3%
Scotland	2.2%	2.0%
South East	1.7%	1.5%
South West	2.2%	2.8%
Wales	3.2%	3.1%
West Midlands	2.7%	1.5%
Yorkshire and the Humber	3.0%	3.0%

Source: Zoopla Research, year to June 2020

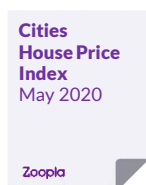
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