



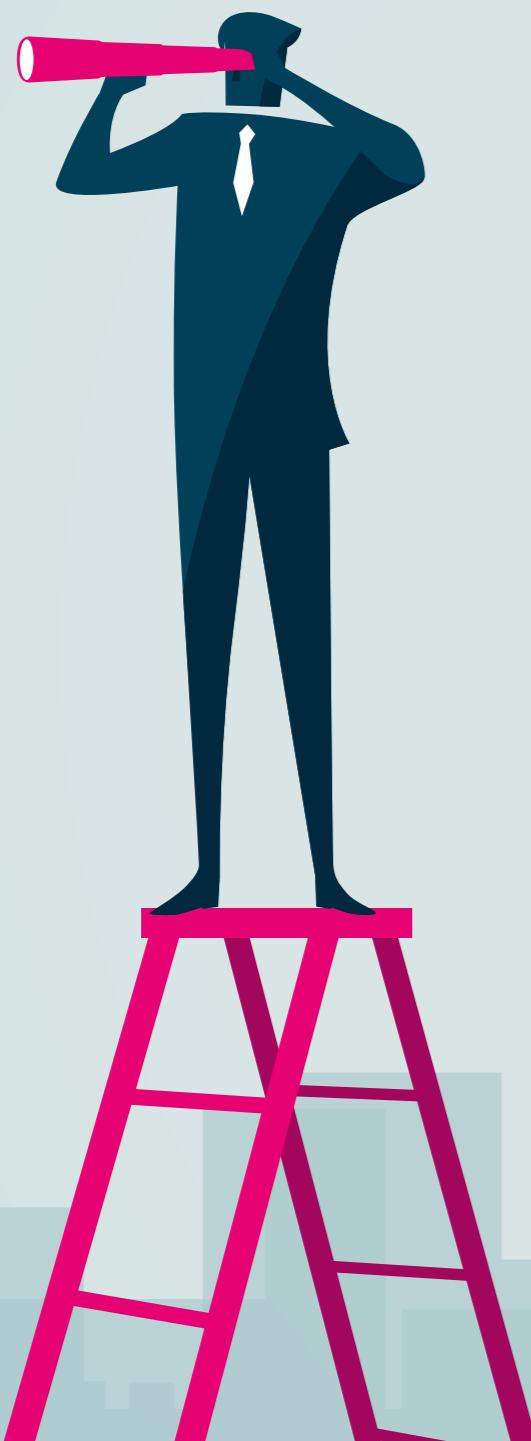
RESIDENTIAL AUCTION

2020

ANNUAL REVIEW

Looking back at 2020

- Auction activity buoyant in H1 20
- Results in H2 20 surpass H2 19
- Lockdowns shift weight of demand to regions
- AST yield compression outside London as London only yields rise
- Buyers seek outside space and room to work



2020 was a rollercoaster ride. The year started positively with a new Prime Minister enjoying a strong majority and a long awaited closure on Brexit. The market responded with enthusiasm.

Our February sale was more active than we can remember for some time. The ballroom was overcrowded and bidding was brisk. A total of £45m was raised. Little did we know that we were holding our last live sale for at least a year.

On the back of this success, our March catalogue grew to a healthy 285 lots. Two days before its release the World Health Organisation declared a global pandemic. A week before the scheduled auction date the country was in national lockdown. The sale was postponed to 2 and 3 April and plans were hastily made to move to an exclusively online offering. Reassuringly, demand for residential property as an asset class was resilient. As ever in times of crisis, buyers focused on the quality of location and

security of income. London homes fared well and ground rents remained popular. Viewings were not possible due to government restrictions and virtual tours took their place. Despite the conditions, development opportunities remained in demand. £30m was raised from a success rate of 78%. Online auctions had become one of the only truly functioning market places for trading residential property.

As the year went on, confidence in property was sustained. Our May sale raised

£30m - the largest lot being Troy House near Monmouth, Wales. This Grade II* Listed mansion of 44,000 sq ft sitting in six acres sold for £1.365m. As the first lockdown eased, and pent up demand was released, activity improved and a 'mini boom' was widely reported.

Results of subsequent sales were enhanced by a welcome cocktail of record low interest rates at 0.1%, extension of the furlough scheme, government 'bounce back' loans and, in particular, an increased stamp duty exemption to £500,000 up to 1 April 2021.

The second half of the year took a course that was not expected. Our July auction set a positive tone yielding over £48m, £7m more than a year earlier. The largest lot was 27 Peterborough Road, Harrow, a freehold former office building arranged as 16 self-contained flats. Fully let on assured shorthold tenancies and producing £182,100 pa, it was sold after auction for £2.65m (7%).

The four residential sales held during the second half of 2020 raised a total of £208m, 21% up

on 2019, each raising more than 2019. A £55m December sale brought the total raised in 2020 to £315.8m.

Changes in working habits created shifts in geographical demand. Whilst the London market remained stable,

properties within commutable distance of the capital and regional conurbations became increasingly popular. Homes with room to work and outside space were favoured. This trend also appears to have impacted investment yields. In 2019, assured shorthold tenancy yields (Allsop sales only) averaged 5.8% in London and 10.8% outside. In 2020, average yields in London had moved out to 8.2%, but outside the capital had compressed to 8%.

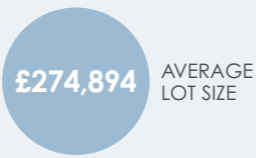
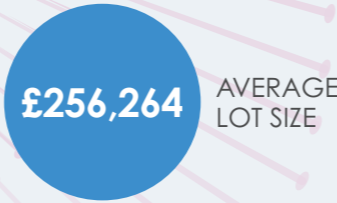
According to the Nationwide Building Society, annual house price growth rose to a six-year high of 7.3% by the end of 2020. Remarkably, house prices ended the year 5.3% above the level prevailing in March when the first lockdown was imposed. Despite the shift in work-life patterns, London prices

increased by 6.2%. And all regions in England saw rises over the year within a narrow band of 5% to 9%.

Gary Murphy

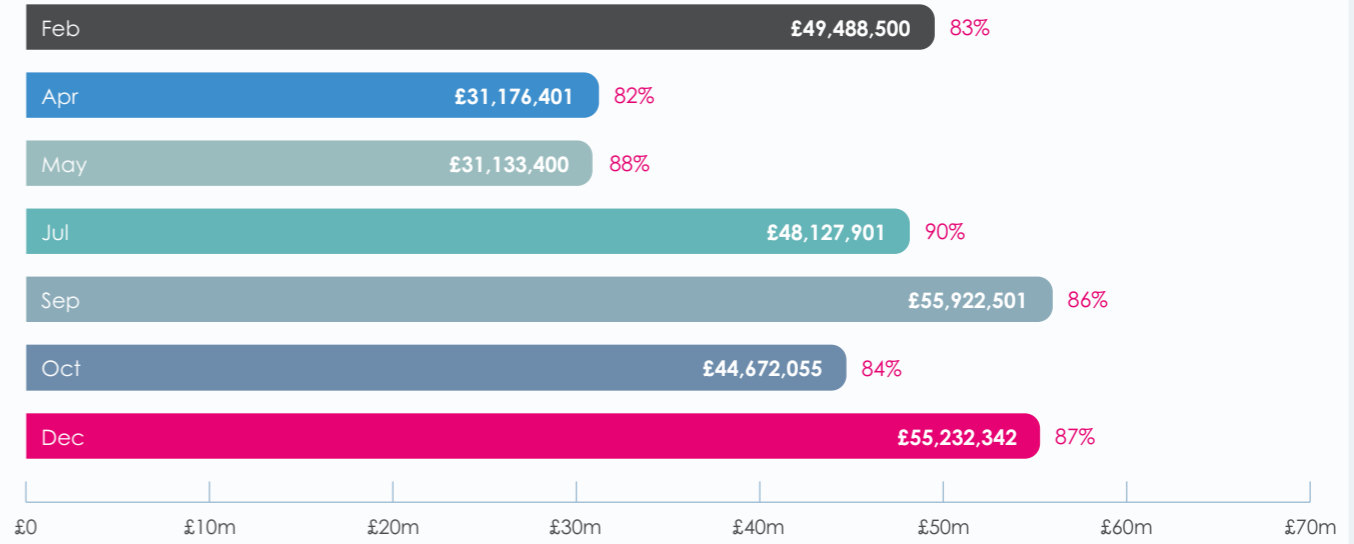
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2020 auction results

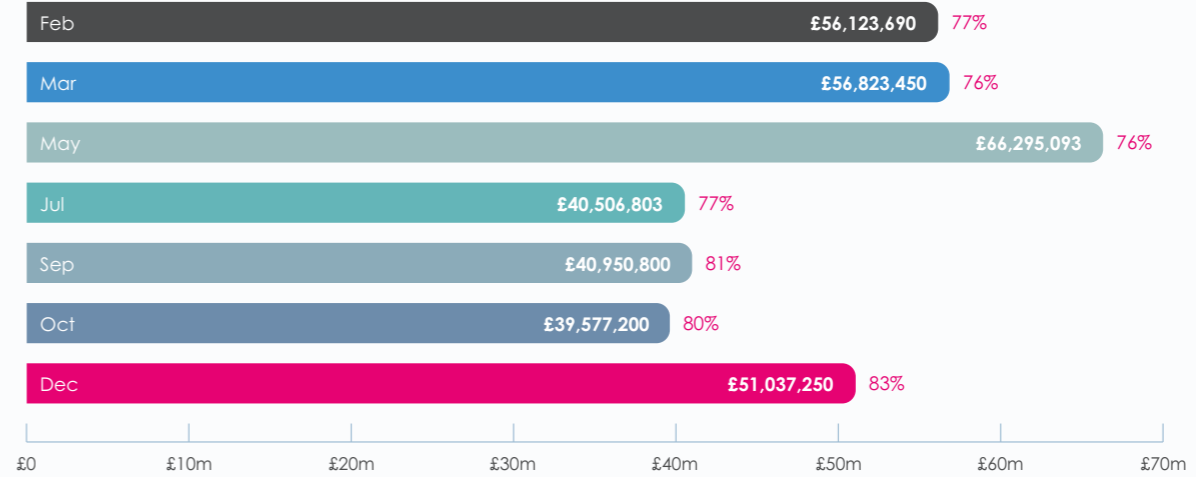


2020

Totals raised (£) / success rates (%)



2019



“The four residential sales held during the second half of 2020 raised a total of £208m, 21% up on 2019, each generating more than in 2019”

Source: Allsop Auction Data, February to December figures.

Highlights of 2020 sector by sector



Renovation and development opportunities

FEBRUARY
£2,000,000

Lot 53
London SW19

Vacant freehold semi-detached period building with planning.



MAY
£1,356,000

Lot 102
Monmouth

Vacant freehold Grade II* listed four storey imposing mansion house of 17th Century origin.

APRIL
£711,000

Lot 63
London N2

Vacant long leasehold airspace over three residential buildings.



OCTOBER
£1,700,000

Lot 163
London SE23

Freehold site of 0.24 acres with planning permission for 14 apartments.

Vacant lots in London

FEBRUARY
£750,000

Lot 145
London SW1X

Vacant long leasehold self-contained penthouse mansion flat.



MAY
£991,000

Lot 32
Enfield

Vacant freehold semi-detached building.

OCTOBER
£1,650,000

Lot 77
London NW7

Freehold vacant detached house with additional barn house on 0.54 acres.



DECEMBER
£1,280,000

Lot 19
The Boltons, London SW10

Vacant well located leasehold garden floor flat.



Highlights of 2020 sector by sector

Vacant lots in the regions

MAY
£1,555,000

Lot 147
Chalfont St. Giles

Vacant freehold detached house with planning.



SEPTEMBER
£636,000

Lot 280
Walton On The Naze

Vacant freehold former coastguard building.

SEPTEMBER
£551,000

Lot 122
Newquay

Vacant freehold seaside house overlooking Newquay Harbour and the beach.



OCTOBER
£596,000

Lot 57
Cheltenham

Vacant freehold Grade II* listed Regency building providing five self-contained flats.



Investments

JULY
£2,650,000
(7% GIY)

Lot 41
Harrow

Freehold unbroken block of 16 self-contained studio apartments subject to ASTs, let at a total current rent of £182,100 p.a. (equivalent).



JULY
£1,490,000
(3.22% GIY)

Lot 40A
London W6

Freehold mid-terrace building internally arranged to provide two self-contained maisonettes, let at a total current rent of £43,404 p.a. (equivalent).



SEPTEMBER
£1,500,000
(4.49% GIY)

Lot 33
Brighton

Freehold attractive stucco fronted mid-terrace building, internally arranged to provide six self-contained flats and ancillary accommodation let at a total current rent of £71,760 p.a. (equivalent).



OCTOBER
£850,000
(7.58% GIY)

Lot 48
East Grinstead

Six leasehold self-contained flats each subject to ASTs, let at a total current rent of £64,440 p.a. (equivalent).





Highlights of 2020 sector by sector

Ground rents

FEBRUARY
£950,000

Lot 17
London NW8

Head leasehold reversionary ground rent investment secured upon an attractive detached building.



APRIL
£816,000
(8.5% GIY)

Lot 22
Bradford

Freehold ground rent investment secured upon a detached block of 278 self-contained flats, let at a total current rent of £69,500 p.a.



DECEMBER
£270,000
(6.38% GIY)

Lot 209
Watford

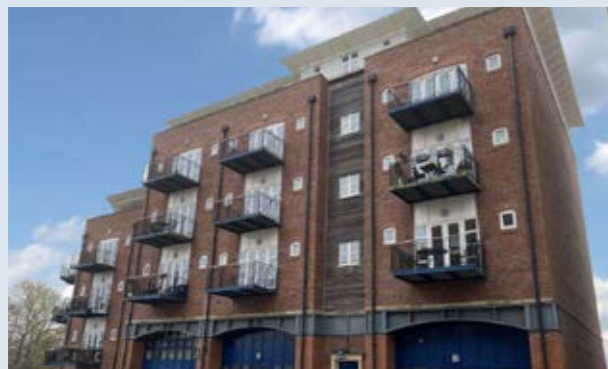
Freehold ground rent investment secured upon a prominent corner building providing 51 self-contained flats, let at a total current rent of £11,485 p.a.

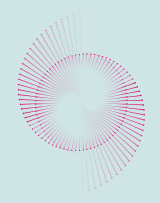


DECEMBER
£132,000
(5.31% GIY)

Lot 156
Solihull

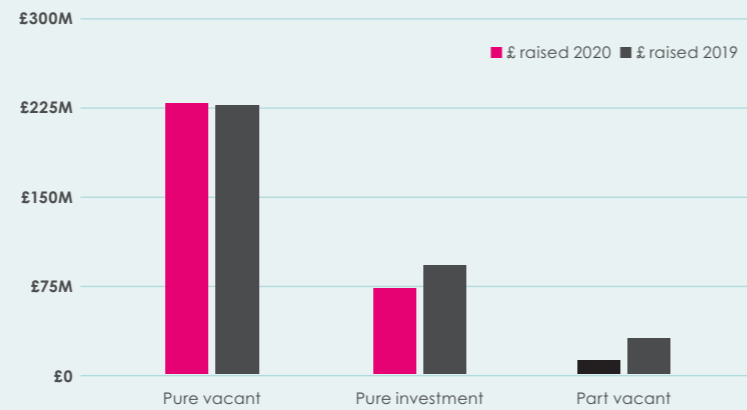
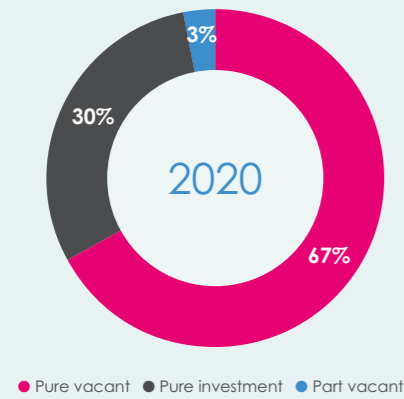
Freehold ground rent investment secured upon a purpose built block, let at a total current rent of £7,014.60 p.a.



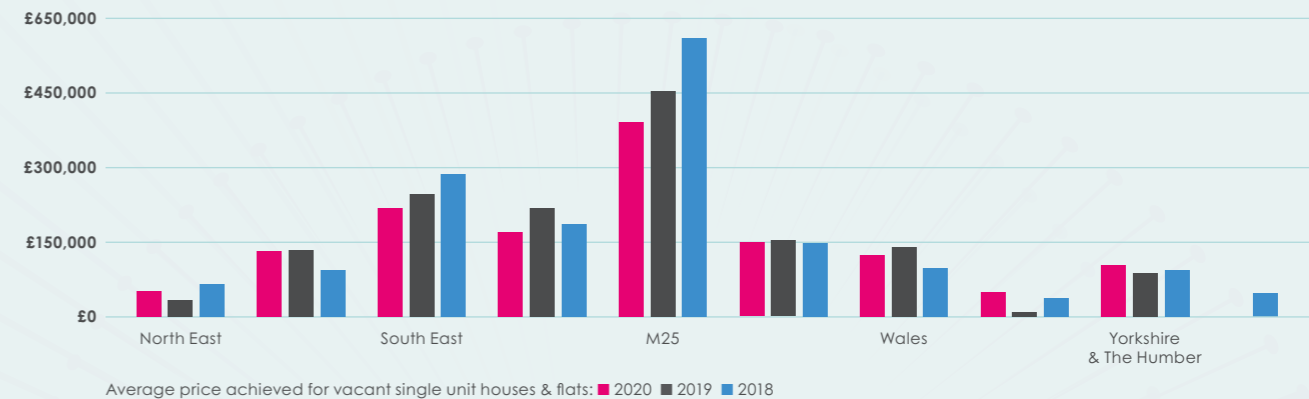


Property and vendor analysis

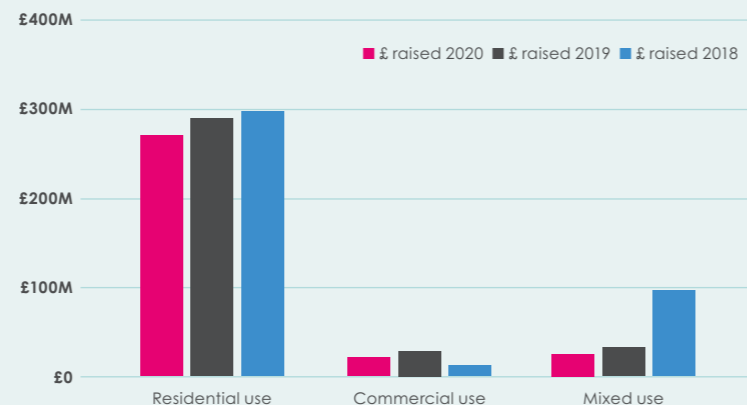
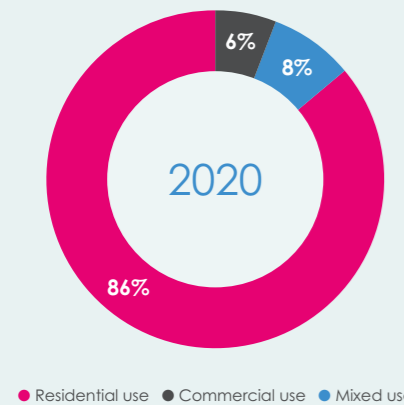
Investment / vacant



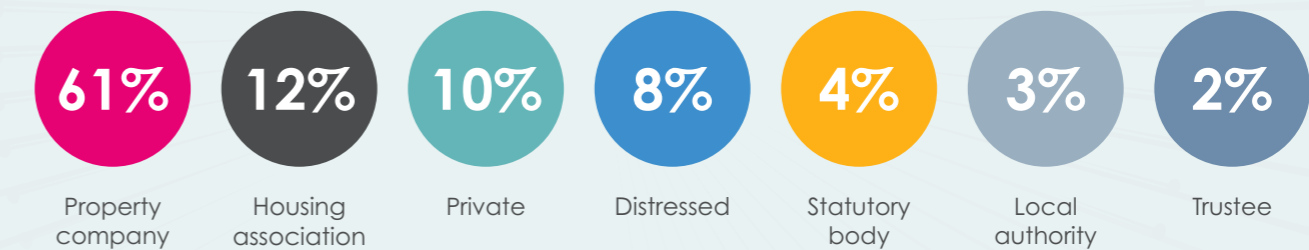
Average price achieved for vacant single unit houses and flats



Residential / commercial use

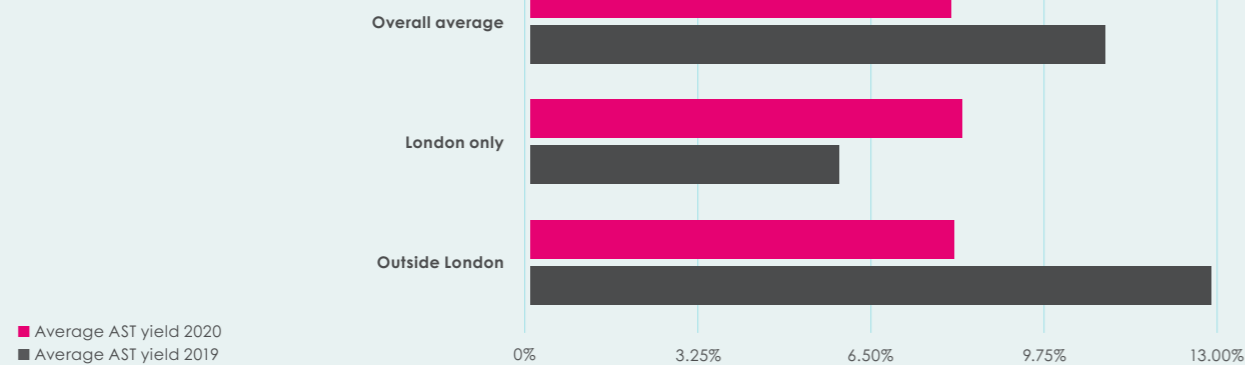


Vendor analysis

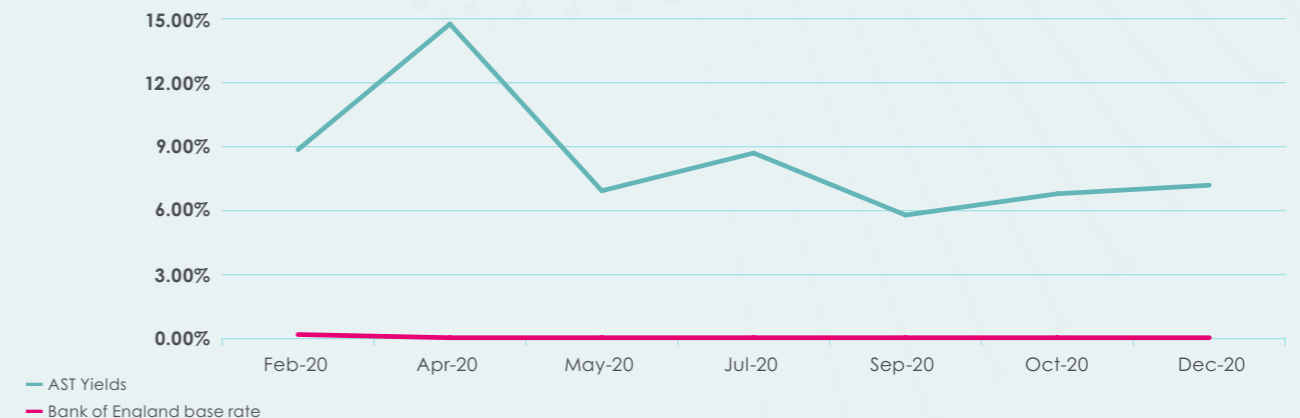


Yield analysis

Assured shorthold tenancies



Assured shorthold tenancy yields



Looking forward in 2021

Our first sale of 2021 is expected to continue the positive tone set by the last four sales of 2020. The Chancellor has declared that the stamp duty exemption is due to end on 31 March. However, following a recent petition to government, a six month extension will shortly be debated in Parliament. At the time of writing, our 18 February sale may be the last chance to buy at an Allsop auction and then complete before the deadline. Consequently, we expect a full catalogue and a healthy level of competition for stock.

After March we will see a calming of the market, although a cliff edge drop is unlikely. Interest rates are likely to remain at their record low levels. This will encourage continued trading, investment and private home buying. The wider rollout of vaccinations, and the hope of a return to some form of normality later this year, will help to maintain market confidence. Bidders are likely to enjoy a climate of weaker competition and improved buying opportunities in the second quarter of the year.

The 2021 budget, to be announced on 3 March, will inevitably bring harsher tax measures as the Chancellor seeks to recover part of the huge cost of the pandemic to the public purse.

First-time buyers will still be exempt from stamp duty on properties below £300,000. The existing Help to Buy Equity Loan scheme on new homes will

end on 31 March. It is due to be replaced by a new scheme which will run from April 2021 to

increased, possibly in line with income tax. An additional 2% stamp duty levy will be imposed on non-UK residents buying property in England and Wales - prime central London prices are likely to be affected.

Working from home is likely to remain popular even as the pandemic recedes. So the swing from urban to rural living will continue as household needs



March 2023. The incentives will only be available to first-time buyers and will be subject to regional property price caps.

There are wide concerns that capital gains tax will be

change. Homes with gardens, work spaces, annexes, etc. will be much in demand – particularly those within commutable distance of major towns and cities. Office life is unlikely to end however.

Our inherent need for community, a shared business culture and social interaction will see to that.

The ground rent investment market is about to experience a seismic shift following recommendations by the Law Commission. Over recent years, developers have granted leases on new build homes which impose onerous ground rent obligations. Payments will often start from a higher base level, be subject to more frequent review (every ten years being common) and usually double. Lenders have recognised the impact on affordability over time and the Council of Mortgage Lenders has advised against accepting

value', presently awarded to freeholders on the extension of leases of flats and some houses with less than 80 years to run, will be abolished. Owners of ground rent portfolios, potential investors and their advisers will be anxious to know how values will be impacted. Prior to the publication of further details, ground rent investments will be hard to price.

For the time being the method of sale operated by Allsop will remain exclusively online. Buyers and sellers have embraced the process and our results are as strong as ever. As soon as it is safe to do so, there will be a gradual return to live sales. Initially, attendance may be restricted to registered bidders,

residential property market will not be distracted.

In conclusion, it is likely that some of the gains in property prices seen last year, and potentially to be continued in the first quarter of 2021, will be partially lost to modest falls after March. The impact of the pandemic on the wider economy, so far delayed by supportive government policies, will become more apparent. As the furlough scheme is scaled back, levels of unemployment will rise. Household finances will be impacted for many. Mortgage and rent arrears are to be expected. Lenders will be asked to exercise forbearance and landlords should expect

requests for rent reductions or payment holidays.

In the final quarter of this year, provided that the vaccine does its job, confidence will be strengthened, market activity will improve and prices will gradually rise

again. With a new and safer normal in sight, 2022 could potentially see a significant uptick in property prices - and indeed the global economy. By then, the second and third quarters of 2021 will, in hindsight, be seen as the time to have bought residential property in the UK.

Gary Murphy

“In the final quarter of this year, provided that the vaccine does its job, confidence will be strengthened, market activity will improve and prices will gradually rise again. With a new and safer normal in sight, 2022 could potentially see a significant uptick in property prices - and indeed the global economy. By then, the second and third quarters of 2021 will, in hindsight, be seen as the time to have bought residential property in the UK.”

such leases as mortgage security. As a result, many leaseholders have found that their properties are unsaleable. This year, reforms will be introduced to give leaseholders the right to extend their leases by a maximum of 990 years at zero ground rent. A government online calculator will make it simpler to calculate the cost of extension. 'Marriage

sellers and their advisers. It remains to be seen whether this will be in 2021 or 2022.

Brexit, which has been something of a side show since the outbreak of the pandemic, has finally been concluded. Whilst many sectors and businesses will be adjusting to the new order, the



Forthcoming auction dates for 2021*

Residential

- Thursday 18th February 2021
- Wednesday 31st March 2021
- Thursday 13th May 2021
- Thursday 24th June 2021
- Thursday 5th August 2021
- Thursday 30th September 2021
- Thursday 4th November 2021
- Thursday 16th December 2021

Commercial

- Wednesday 3rd February 2021
- Tuesday 23rd March 2021
- Thursday 6th May 2021
- Tuesday 15th June 2021
- Tuesday 20th July 2021
- Thursday 23rd September 2021
- Tuesday 2nd November 2021
- Wednesday 8th December 2021

For further details on our auction sales including venue and timings please visit our website allsop.co.uk



CLICK TO VIEW OUR COMMERCIAL AUCTION ANNUAL REVIEW 2020

*Dates subject to change and alteration



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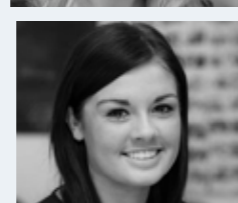
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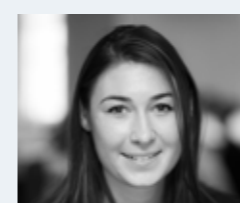
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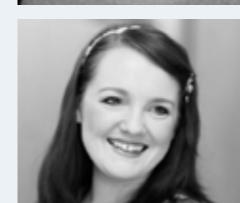
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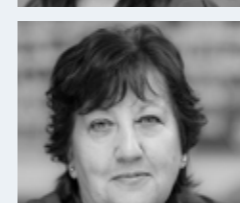
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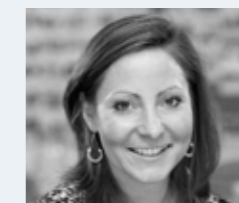
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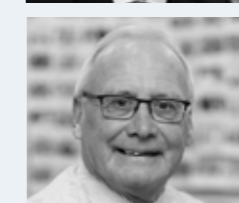
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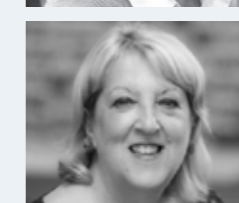
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