

Residential Auction

Outlook

2022



Looking forward in

2022

Despite the past two years of global turmoil, the UK housing market has remained paradoxically resilient. The statistics defy the colossal impact of the pandemic.

According to the Nationwide Building Society, 2021 was the strongest calendar year for house price growth since 2006. The average price of a UK home hit a record high of £255,000, up nearly £24,000 over the year and almost £34,000 since the start of the pandemic. Annual house price growth across the UK was 6.4% in 2020 and 10.1% in 2021. According to Zoopla residential market activity was in excess of £500bn in 2021, more than £100bn up on 2020.

This growth can in part be attributed to supportive measures such as stamp duty concessions, record low interest rates, government 'bounce back' loans and the furlough scheme. Other contributory factors included pent up demand post lockdowns, a general shortage of

supply and the 'race for space' as buyers abandoned city living in favour of more rural locations offering better conditions and more space for home working.

The withdrawal of supportive measures had a short term corrective effect on the market but not enough to stem the tide of demand. As the UK emerges from the impact of the pandemic and enters a new year, Zoopla has reported that "buyer demand remains around 20% above the five year average, while the stock of homes for sale remains lower than average, underpinning house price rises".

On balance though, 2022 looks to be an active year for the residential auction market. The Covid virus will be accepted as an unwelcome neighbour whose presence will need to be tolerated and managed as safely as possible while life goes on. Against that inevitability, there seems to be consensus that average house prices will continue to rise but at a more measured pace.

INTEREST RATES The rise in interest rates in December is likely to signal further rises this year. The Bank of England made its move after the Office for National Statistics (ONS) reported that UK inflation had reached a ten year high of 5.1% in November. This, combined with greater pressure on household budgets, is likely to temper demand and slow house price growth. That said, most commentators have dismissed the prospect of price falls in 2022. The Royal Institution of Chartered Surveyors (RICS) for example states that house prices could end the year about 3% to 5% higher than the start of the year.

Any interest rate movements over the year are more likely to be gradual and modest, thereby preserving the historically low-cost lending environment. This should mean that mortgage deals will remain competitive. Such tweaks are less likely to impact demand, particularly if the Bank of England relaxes mortgage affordability checks. The issue facing most first time buyers though is not monthly affordability but finding enough capital to pay a deposit. Consequently, such forces will dictate that both investor and occupier demand for private rented accommodation is only likely to grow.

BUY TO LET investors have traditionally chased 'total return', namely a blend of capital growth and rental yield. The last two years have delivered the former to most. In addition to rental income, landlords have experienced rental growth across all regions other than London, says the ONS. According to the Index of Private Housing Rental Prices, private rents in the UK rose by 1.7% in the 12 months to November 2021, up from 1.6% in the year to October 2021. Whilst the East Midlands and the South West both saw the highest annual growth in private rents at 3.1%, London saw the lowest with a small fall of 0.1%. So despite the phasing out in recent years of favourable tax concessions to private residential investors, the market for assured shorthold tenancy investments remains favourable for the foreseeable future. Even in London, as capital and rental growth diminishes for the time being, buying opportunities will emerge.

GROUND RENTS The ground rent market is undergoing a shake up as The Leasehold Reform (Ground Rent) Bill progresses through the House of Commons. Described as "part of the most significant changes to property law in a generation", once enacted the Bill will abolish ground rents for qualifying residential long leases (over 21 years). So 2022 will see the future of residential freehold reversions change forever. Existing rental arrangements however remain unchanged under the Bill. Whilst investors will still pursue income, fixed or subject to review, further impending reforms will remove the landlord's right to recover a proportion of 'marriage value' when a

lease is extended. Statutory formulations of the extension, or 'enfranchisement', price will be dictated by an online calculator which will be restricted to a simple multiplier of existing ground rent and will take no account of any further premium arising from marriage value. Whilst not yet law, this proposed reform has affected the value of ground rents as investors base offers on yield alone. Furthermore, a recent investigation by the Competition and Markets Authority has forced house builder Taylor Wimpey to abolish 'unfair' charges in existing leases - specifically onerous rent review clauses. Other house builders are likely to be compelled to follow suit thereby restoring value and saleability to leaseholders at the expense of the freeholder. These reforms and developments will affect investors' confidence in the sector and make it harder to price ground rent investments this year.

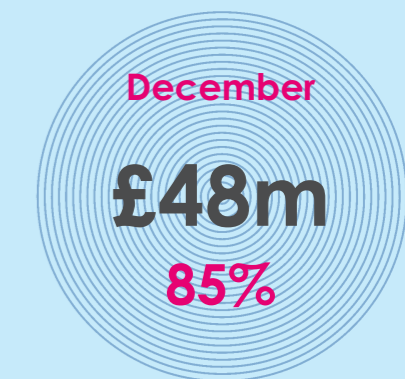
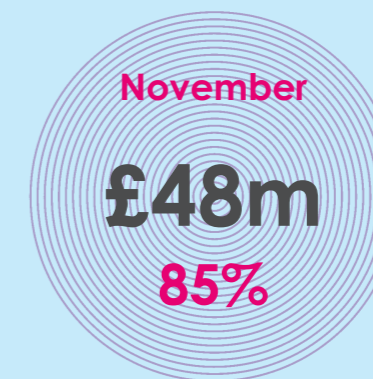
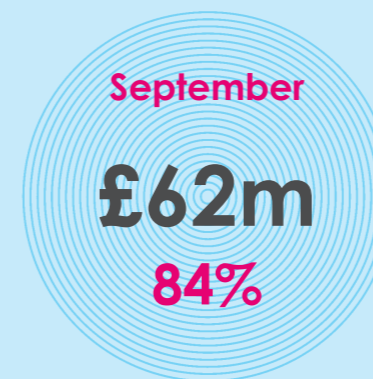
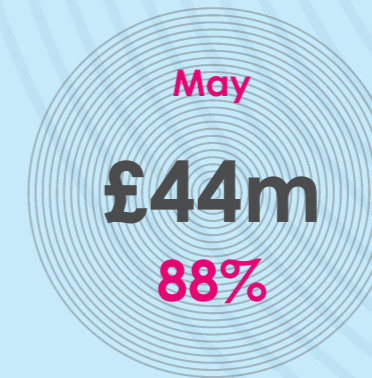
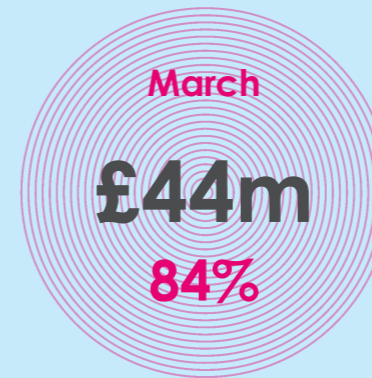
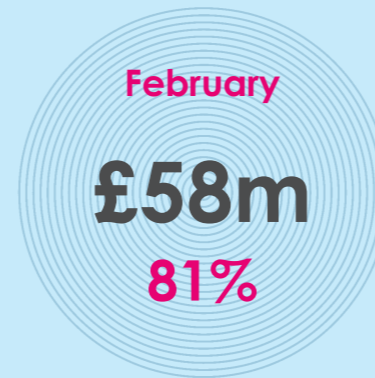
DEVELOPMENT & RENOVATION

The demand for and value of development land and renovation opportunities will have been impacted by a significant shortage of construction materials over the past year. This has been caused by a combination of factors including labour challenges due to Covid, a lack of drivers due to Brexit and the fuel shortage and a global shortage of raw materials. The result has been a rise in the price of building works by almost 25% in the last 12 months according to the Department for Business, Energy and Industrial Strategy (BEIS). The industry still faces uncertainty and further price rises are expected. Whilst this will no doubt affect the appetite for land and buildings, buying opportunities will be likely to arise at auctions as the year progresses.

OUTLOOK On balance though, 2022 looks to be an active year for the residential auction market. The Covid virus will be accepted as an unwelcome neighbour whose presence will need to be tolerated and managed as safely as possible while life goes on. Against that inevitability, there seems to be consensus that average house prices will continue to rise but at a more measured pace. London is likely to remain fairly flat or show smaller gains overall as the 'race for space' slows from a sprint to a walk. As values across the country begin to stabilise and interest rates creep up, residential investors will chase yield. First time buyers will find life a little harder as the cost of borrowing rises and household budgets are squeezed by inflation. And developers will trim bids to allow for higher build costs. So across the board, demand will remain firm but with a keen eye on sensible pricing. Auctions will be the place to look for value for money.

Gary Murphy

Residential Auction Results 2021



Looking back at 2021



The residential property market continued to show resilience

Financial incentives and support measures bolstered demand and confidence



The exodus from town to country continued

Owner occupiers sought homes with better live work conditions



Increasing interest in the UK from overseas investors

2021, the second full year of the global pandemic, started with the announcement of the third national lockdown. The country was in a gloomy mood. Businesses prepared for further pain as schools were forced to close once more, along with pubs, restaurants and non-essential retail premises, and people were again forced to stay at home.

The residential property market however continued to show resilience as investors, developers and occupiers took full opportunity of the wide choice of stock available to them at our first sale of the year.

Financial incentives and support measures bolstered demand and confidence. Stamp duty concessions contributed to sustained levels of activity with the nil rate band extended up to £500,000. The furlough scheme continued to protect businesses from losses and staff from potential redundancies.

February's auction was encouraging and delivered a total of £57.9m, almost £9m more than the year before. The sale saw a total of 3,936 online bids placed during the day, with 1,361 bidder registrations.

The highest value lot of the day was a former pub with adjacent land in Owlswick, Buckinghamshire. Offered with the benefit of planning permission to convert the existing building into a six-bedroom house and erect a further eight houses on site, it sold for £3.03m.

With working from home becoming more prevalent, the exodus from town to country continued and owner

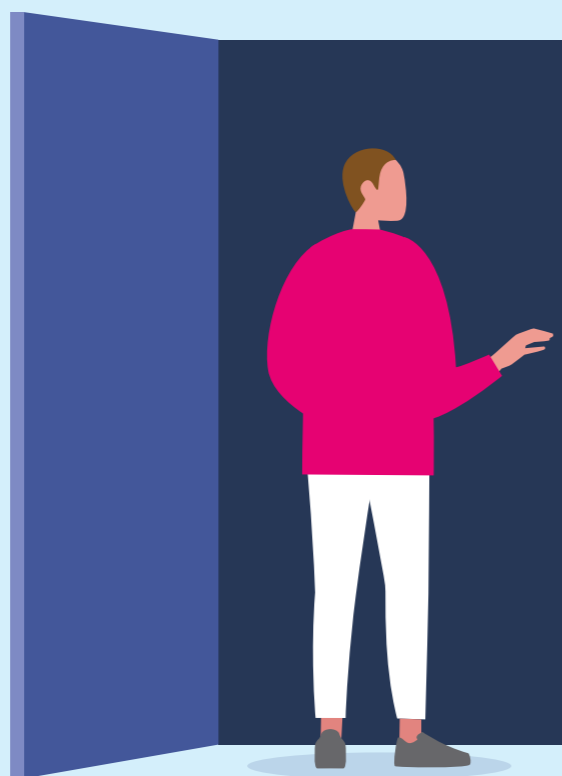
occupiers sought homes with better live work conditions within commutable distance from their places of employment. Flats with balconies and communal gardens, houses with spare bedrooms, studies and annexes grew in popularity and value.

For example, a grade II listed six-bedroom house in Coulsdon, Surrey, with an annexe, providing a further two bedrooms, reception room, kitchen, and bathroom, adjacent to Chipstead Golf Club, sold prior to the February auction for well in excess of its guide price of £1.75m.

Following the sale, on 22 February, the Prime Minister announced England's roadmap out of lockdown. It was intended that all restrictions would be lifted by 21 June. From 8 March, schools reopened and from 29 March the 'Rule of Six' was restored and outdoor sports and leisure facilities were allowed to reopen. Some normality was in sight.

However, as the 31 March sale approached, some feared that the planned withdrawal of the stamp duty exemption on the same day would result in a cliff-edge drop in demand and values. Fortunately

concerns were eased by the budget. A tapered return to previous rates was announced. The nil rate band up to £500,000 was extended until 30 June, with no stamp duty on transactions up to £250,000 from 1 July to 1 October.



Our second online residential auction of the year resulted in the sale of 125 lots, raising £44.3m.

The highest value lot of the day was a three storey freehold building in Dalston, London, comprising a vacant bar and nightclub with 10 flats above of which eight were let on assured shorthold tenancies. The property attracted 15 bidders and sold for £2.54m from a guide of £1.5m - £1.6m.

A grade II listed mansion and separate gate house in Monmouth, Wales proved to be two of the most popular lots in the catalogue. Originally guided at £800,000 and £250,000 respectively, the buildings attracted fierce bidding and sold for £1.704m and £337,000.

As the year went on, the firm continued to post strong residential results. The May sale raised in excess of £44.3m - a 48% improvement on May 2020's total.

The highest profile lot of the May sale was Kinmel Hall, Abergele, north Wales. This grade I and II listed mansion and stable block was inspired by the Palace of Versailles. Designed by English architect William E Nesfield, it was a fine example of a 'calendar house', having 365 windows, 122 rooms and 12 entrances. Built in 1874 on a much larger estate, it was sold with reduced grounds of 17.5 acres. Sitting on the edge of Snowdonia National Park and within sight of the north Welsh coast, Kinmel was originally commissioned as a private home. It served as a military hospital during both world wars and has since been used as a health centre, a girls' school and a conference centre. After competitive interest from around the world, it was sold to a local buyer for £950,000.

By now the vaccination programme had gathered pace, interest rates remained at a record low and confidence in residential property showed no signs of waning. A 92% July auction sale yielded £44.4m.

2021 was the first year that Allsop went on to hold an August auction. The sale raised over £32.4m with 94% of all lots offered successfully sold. Despite being held at the height of the holiday season, demand was reassuringly strong. Although the online auctions were facilitating bidding from anywhere in the world, travel restrictions and quarantine requirements ensured that fewer buyers were abroad.

Having held a successful inaugural August sale, concerns were raised about filling a September catalogue in quick succession. Even if the stock were there to be sold, would there be enough buyers to sustain a strong result? Any fears were soon allayed. On 10 September the catalogue was released promoting 236 lots across the UK, 21 with guide prices at or above £1m. Early interest was shown by both domestic and international buyers. The easing of restrictions and the acceptance of safety measures helped to increase the number of in-person viewings - despite the challenges of a short lived fuel shortage. The sale was held on 30 September and raised over £62.2m from the sale of 168 lots.

The year concluded with increasing interest in the UK from overseas investors, particularly for high quality stock in London and the south-east

The final quarter of 2021 saw two very successful sales November's auction raised £48.1m with a success rate of 85%. December saw a total of £48.1m and 85% - despite a rise in interest rates for the first time in over three years from 0.25% to 0.1% on the same day.

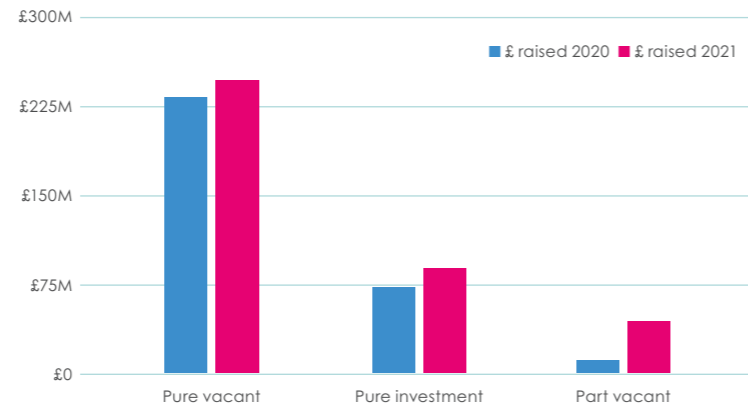
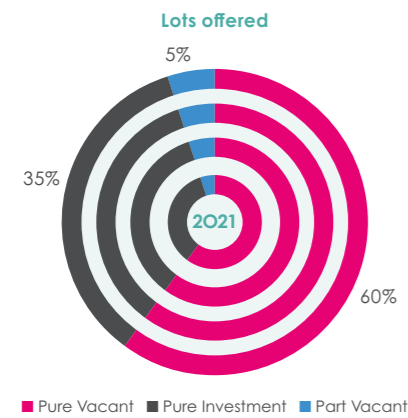
The year concluded with increasing interest in the UK from overseas investors, particularly for high quality stock in London and the south-east. Values continued to rise in well-connected rural locations as an outdated urban and suburban living-commuting lifestyle gave way to more flexible remote working patterns. Rental demand remained strong across the country ensuring a favourable climate for buy to let investors (despite a less favourable income tax environment). And owner occupiers and developers continued to search the auction catalogues for ways to add value to unmodernised properties.

The total raised for the year was £381m, an increase of over 20% on 2020.

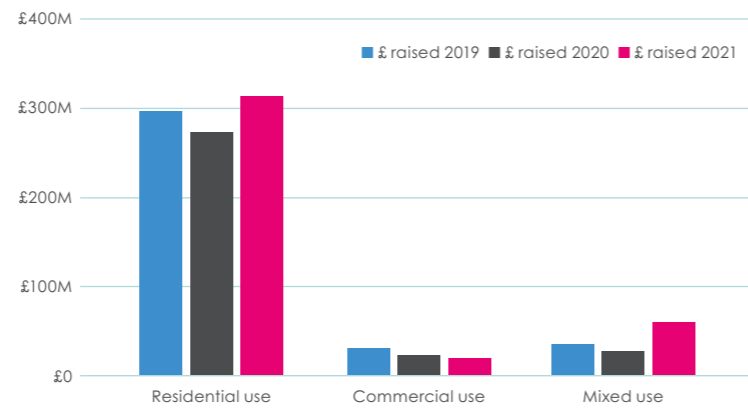
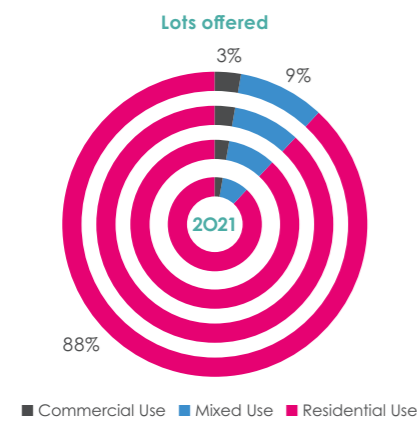
Gary Murphy

Property and Vendor Analysis

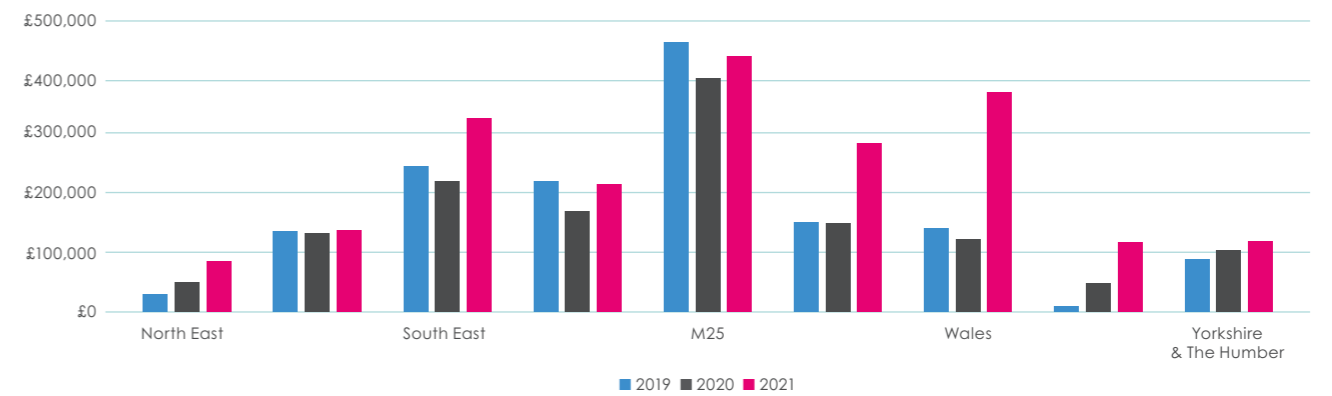
Investment / Vacant



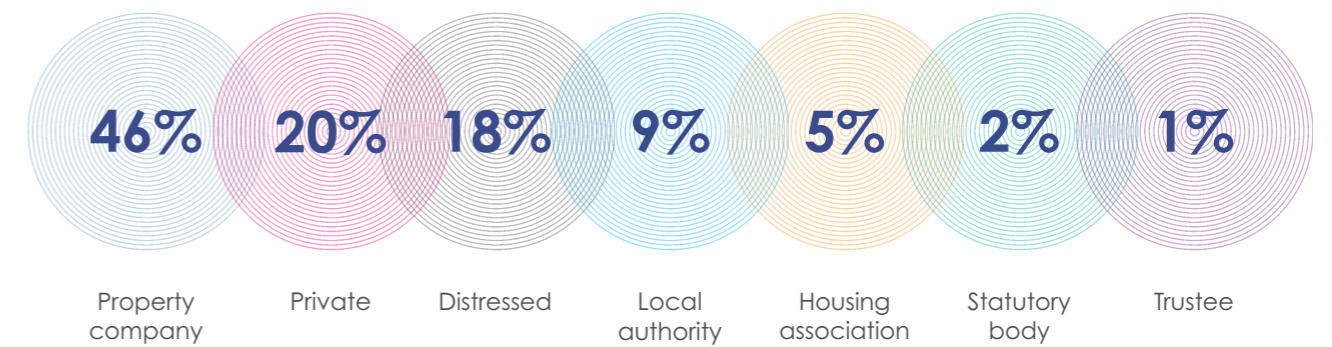
Residential / Commercial Use



Average Price Achieved for Vacant Single Unit Houses and Flats

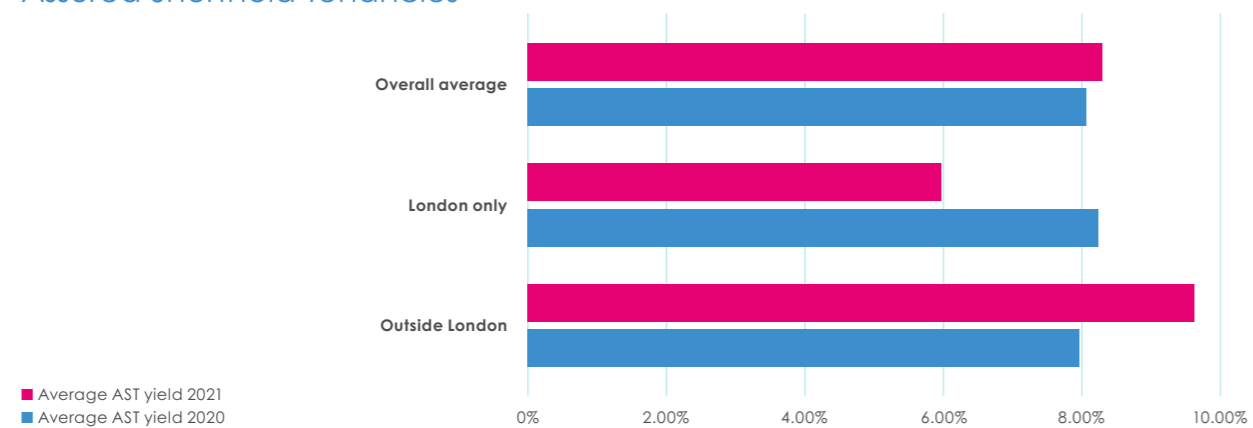


Vendor Analysis

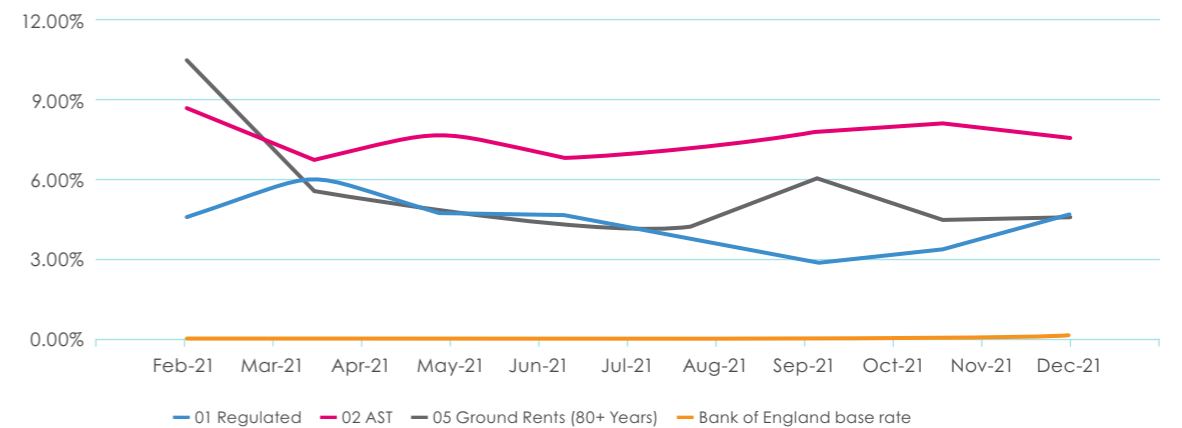


Yield Analysis

Assured Shorthold Tenancies



Average Yields



Auction Property Highlights 2021

Renovation and Development



Lot 89
30 SEP **Newcastle-Under-Lyme, Staffordshire**
 £477,000 Former private clinic with potential for alternative use and / or development.
[VISIT WEBSITE](#)



Lot 73
13 MAY **Nr. Abergelge, Wales**
 £950,000 Grade I listed hall in need of extensive renovation. Suitable for a variety of alternative uses.
[VISIT WEBSITE](#)

Vacant London



Lot 51
18 FEB **London, SE1**
 £730,000 Freehold mid terrace three bedroom house.
[VISIT WEBSITE](#)



Lot 40
9 NOV **London, SW3**
 £800,000 Leasehold fourth floor two bedroom flat.
[VISIT WEBSITE](#)



Lot 40
31 MAR **London, E8**
 £2,540,000 Freehold three storey building comprising bar / nightclub and ten flats above.
[VISIT WEBSITE](#)



Lot 122
18 FEB **Owlswick, Buckinghamshire**
 £3,032,000 Freehold former public house with planning for nine houses.
[VISIT WEBSITE](#)



Lot 131
31 MAR **London, SE15**
 £1,619,000 Two freehold adjoining and interconnecting terrace buildings.
[VISIT WEBSITE](#)



Lot 93
31 MAR **London, SE16**
 £900,000 Modern freehold mid terrace five bedroom town house with two terraces.
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Auction Property Highlights 2021

Vacant Regions



Lot 78

9 NOV **Wadhurst, East Sussex**
 £529,000 Leasehold lower ground floor two bedroom flat.

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Lot 147

24 JUN **Paisley, Scotland**
 £377,000 Heritable category B listed former nursing home with potential for redevelopment.

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Investments



Lot 88

5 AUG **Burton upon Trent, Staffordshire**
 £530,000 (7.60% NIY) Attractive part grade II listed freehold former school building providing six flats, each subject to an AST.

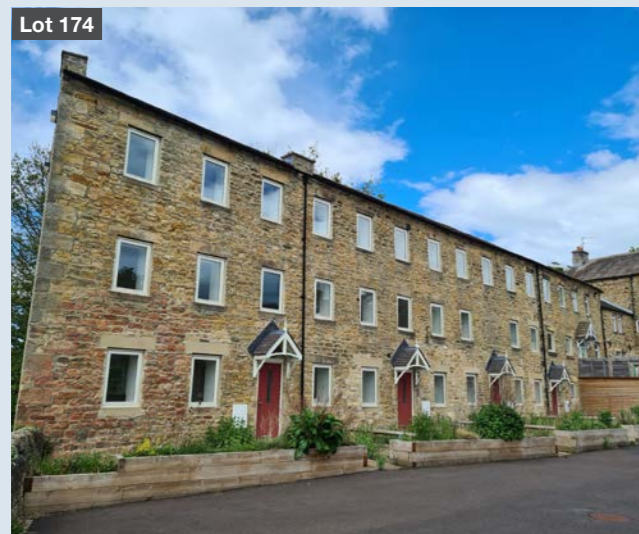
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Lot 195

24 JUN **Blackpool, Lancashire**
 £800,000 (9.40% NIY) Prominent Victorian freehold residential block providing ten flats, each subject to an AST.

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Lot 174

24 JUN **Barnard Castle, County Durham**
 £353,000 Freehold terrace of four grade II listed three bedroom houses.

[VISIT WEBSITE](#)



Lot 70

31 MAR **Monmouth, Wales**
 £1,704,000 Freehold grade II listed mansion house of 19th century origin.

[VISIT WEBSITE](#)



Lot 54

13 MAY **London, W9**
 £1,280,000 (4.29% NIY) Long leasehold fourth floor flat with roof terrace subject to an AST.

[VISIT WEBSITE](#)



Lot 28

31 MAR **London, W11**
 £2,390,000 (4.67% NIY) Freehold five storey building providing five flats, each subject to an AST.

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Auction Property Highlights 2021

Ground Rents



Lot 33

9 NOV **London, W6**
£1,094,000 (4.08% NIY)
Freehold ground rent investment secured upon a landmark purpose built block with parking spaces.

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Lot 5

30 SEP **Hove, East Sussex**
£522,000 (7.36% NIY)
Long leasehold ground rent investment secured upon a purpose built block.

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Lot 58

24 JUN **Chertsey, Surrey**
£58,000 (6.31% NIY)
Freehold ground rent secured upon two semi detached apartment blocks.

[VISIT WEBSITE](#)



Lot 108

24 JUN **Whyteleafe, Surrey**
£168,000
Freehold ground rent secured upon a detached apartment block totaling 47 flats.

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Outlook for 2022

“As values across the country begin to stabilise and interest rates creep up, residential investors will chase yield. First time buyers will find life a little harder as the cost of borrowing rises and household budgets are squeezed by inflation. And developers will trim bids to allow for higher build costs. So across the board, demand will remain firm but with a keen eye on sensible pricing. Auctions will be the place to look for value for money.”



The people behind the UK's No.1 property auctioneer



MEET THE TEAM

Keep up-to-date with our market insights throughout the year



NEWS & VIEWS



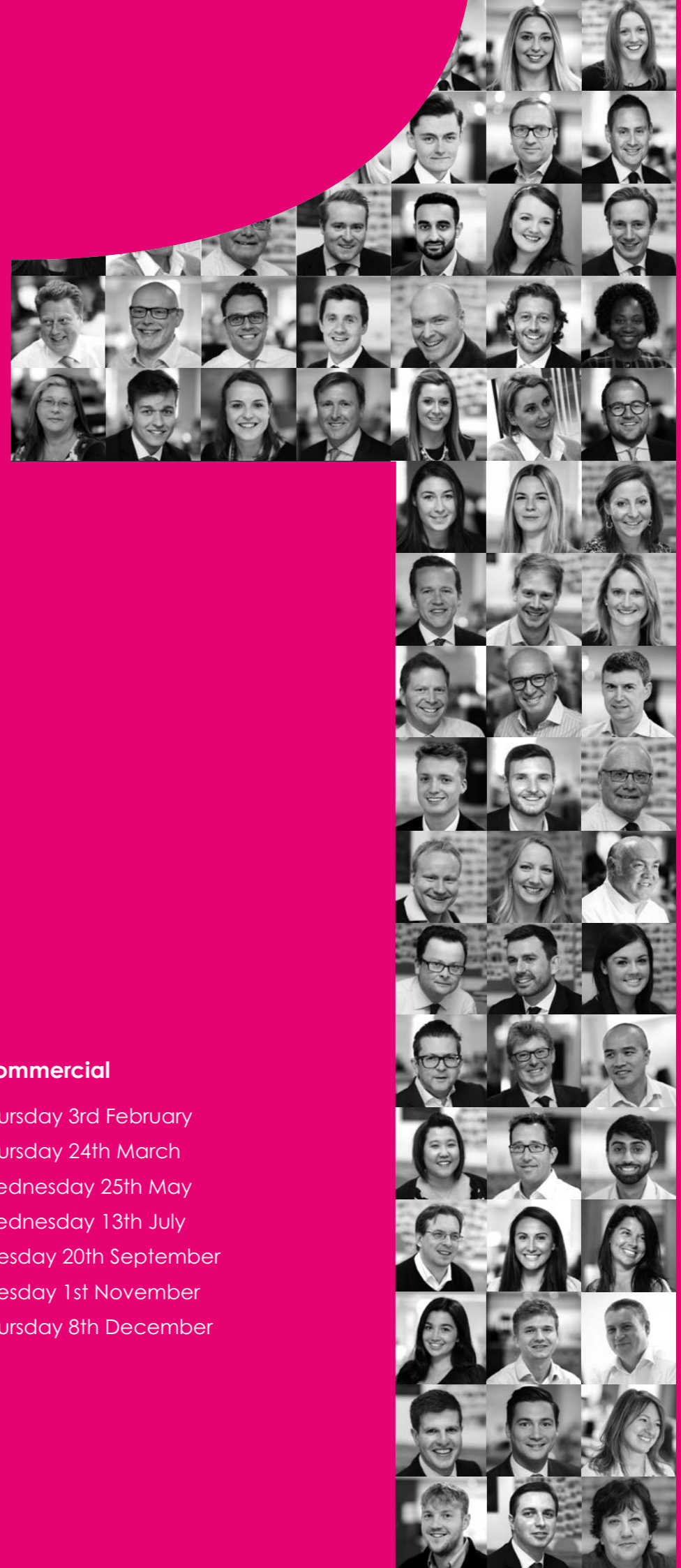
PODCASTS



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GARY MURPHY RICHARD ADAMSON

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Forthcoming auction dates for 2022

Residential

- Thursday 17th February
- Thursday 31st March
- Thursday 12th May
- Thursday 23rd June
- Thursday 4th August
- Thursday 22nd September
- Thursday 3rd November
- Thursday 15th December

Commercial

- Thursday 3rd February
- Thursday 24th March
- Wednesday 25th May
- Wednesday 13th July
- Tuesday 20th September
- Tuesday 1st November
- Thursday 8th December

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Contacts

Head office:

33 Wigmore Street,
London
W1U 1BZ
Tel: +44 (0)20 7437 6977

City office:

2 Copthall Avenue,
London
EC2R 7DA
Tel: +44 (0)20 7588 4433

Leeds office:

8th Floor, Platform,
New Station Street,
Leeds LS1 4JB
Tel: +44 (0)113 236 6677



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