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What awaits the resi auction market in a post-Covid world?

Bridging the gap between buyer expectations and seller sentiment will be one of the major challenges in the months to come, writes Richard Adamson...



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The protracted uncertainty surrounding Brexit, followed by the global outbreak of Covid-19 and the subsequent UK-wide lockdown, have inevitably resulted in pent-up demand within the residential property sector.

What we learnt from switching online

Our first online auction which took place a couple of weeks into the lockdown resulted in almost 100 vacant property sales, despite the disallowance of physical property viewings. It was a powerful signal to all those participating, showing that there was still plenty of demand despite the challenging climate.

Given the lockdown restrictions, we ensured participants were able to see the properties inside and out, with the help of virtual viewings, allowing them to conduct their due diligence from the comfort of their homes and put their minds at ease. In spite of the unusual circumstances, both would-be owner occupiers and investors entered the online auction room with bated breath and competed keenly for properties across the UK.

The new online format still had a strong feeling of excitement from buyers and seller alike. Because participants were able to see other bidders for each auction lot, sellers were better informed as to whether their property is likely to sell and set the reserve accordingly.

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During both online auctions, we managed to achieve strong prices across all property types as a result of high demand for quality assets and competitive bidding. We expected buyers to proceed with caution but most took a leap of faith to secure their desired lots, and bidding was at times incredibly ferocious, more perhaps than in

pre-Covid-19 times.



23 bidders recently fought it out for the Grade II* Troy House in the Wye Valley, which was guided at £200k-£250k but ended up selling for £1.356m

Stepping into the unknown

The easing of lockdown restrictions has given the market a temporary boost. With agents resuming work from their offices and surveyors finally able to carry out appraisals and valuations, there's been an increase in supply, particularly within the second-hand property market.

In the meantime, demand has been fuelled by buyers' ability to visit properties in person, providing reassurance to those who may have previously been reluctant to commit without having seen the property with their own eyes.

With the possibility of a second lockdown and a growing realisation that at least partial working from home is to become the norm for many, there is a rush to get on the property ladder or upsize in order to obtain more space and greater privacy. The recent Stamp Duty announcement by Rishi Sunak has intensified the sense of urgency among buyers, providing first-time buyers, second-home owners and buy-to-let investors with temporary tax cuts on the first £500,000 on properties bought.

Looking ahead

Residential

In the short to mid-term, we can expect to see a growing demand for residential property – this sector has demonstrated a robust performance during the lockdown. In addition, residential property is a relatively straightforward asset class, making it appealing for experienced or less sophisticated investors, as well as owner-occupiers.

We are likely to see more development sites with planning coming to the market, presenting opportunities for residential developers. If we are in for a turbulent period, then building new homes while the market settles could be one of the ways of weathering the storm.

Office

Covid-19 has helped accelerate the trend that had already been in place for some time – the widening acceptance of flexible working arrangements, which means we will see higher numbers of vacant office units. With large corporates like Fujitsu announcing a permanent transition to remote working, many other companies will follow suit, at least partially.

Retail and leisure

During lockdown, millions of people spent several months confined to their homes, with no access to bricks-and-mortar retail, excluding supermarkets and local convenience stores, which has had an impact on their behaviour as consumers. We will see a continuous shift towards online shopping, but there will still be demand for experiential and curated retail.

Towards the end of 2020, we expect to see an increase in sales via receivers or administrators, with a number of big high-street names and restaurant chains going into administration this year. Some of the newly vacant premises will undoubtedly end up in the auction room, presenting buyers with new opportunities.

Challenges ahead

Bridging the gap between buyer expectations and seller sentiment will be one of the major challenges in the months to come. With many buyers expecting discounted assets due to the challenging economic situation, sellers with high-quality assets will be reluctant to sell without good reason. As ever, acting quickly and a willingness to compromise in these ever-changing circumstances will be key for buyers interested in securing high-quality assets.

Allsop is hosting its next online-only residential auction on Thursday 16th July. See the full catalogue [here](#).