

**A B C of the property market: Affordability, Budget, Climate**

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The Chancellor’s budget and COP26 are vying for the headlines as the economic recovery from COVID-19 continues at pace and world leaders grapple with the global climate change crisis. Activity in the housing market is starting to calm, although buyer demand and sales volumes remain stronger than a year ago.

Nicky Stevenson, MD of Fine & Country UK, says that according to data published by HMRC, the estimated residential sales volumes in September were the third highest ever recorded. “Zoopla has reported that sales volumes to date in 2021 are 16% above the five-year average. Whether sales volumes in 2021 eclipse the 1.6 million recorded in 2007 remains to be seen, but it will undoubtedly be close. Demand from prospective home movers remains higher year-on-year, with TwentyCi estimating the number of households on the home moving journey up by over 14%, with nearly 700,000 households wanting to, or about to move,” she adds.

Stevenson notes that according to Zoopla, the flow of new instructions to the market remains low, with over a third less properties available in mid-October compared to the five-year average, and this continues to underpin prices. “The average price of a UK property has risen by £25,000 over the past year and all national price growth indices are in positive territory. Annual price growth across the prime markets of England and Wales is currently 6.7% and the average price of a prime market property is nearly £100,000 more expensive than a year ago,” she comments.

According to Stevenson, the Budget has set a positive tone for the economy over the next year. “The Office for Budget Responsibility (OBR) predicts the economy is set to return to pre Covid-19 levels by the turn of the year, six months earlier than expected. Unemployment also looks like it will peak at 5.2%, far lower than the 11.9% previously predicted. In real terms, wages have risen by 3.4% since February 2020, although with inflation currently at 3.1% and set to rise to around 4%, household incomes will feel the squeeze. While the interest remained unchanged on November 4th, all eyes will be on the on the Monetary Policy Committee meeting on the December 16th to see whether the expected interest rate rise will happen. A rise in the interest rate may well act as a soft brake on the market, but with over 80% of current homeowners on fixed-rate mortgage deals, it is unlikely there will be any significant readjustment of the market in the short term,” she says.

Stevenson continues saying that the UN Climate Change Conference (COP26) in Glasgow has placed a spotlight once again on environmental issues and sustainability. “The built environment is thought to be responsible for around 40% of global CO2 emissions. For home buyers too, green credentials matter. Dataloft data reveals that three in every four home movers consider the EPC rating of a property to be ‘important’ or ‘very important’. Energy efficiency is a primary reason why home movers consider a new build property,” she says.

“Over the past year, just 7% of resale properties sold had an energy rating of ‘A’ or ‘B’ and only a third rated ‘A’, ‘B’ or ‘C’. Meanwhile, 90% of new build homes were rated ‘A’ or ‘B’. The UK government has set a goal that all homes should achieve an EPC rating of ‘C’ by 2035. With improvements, 94% of properties could reach this level, but the figure drops to 88% for properties priced over £1 million. Improvements to the energy efficiency of a home may add value. Over the past year, homes sold with an energy rating of ‘A’ or ‘B’ have commanded a sales price premium of over 10% above the average rating of D,” Stevenson concludes.

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**Editors Notes:**

Fine & Country specialises in the sale and rental of prime residential properties. The company is in over 300 locations worldwide including Hong Kong, South Africa and Australia. Fine & Country has won Best Estate Agency Marketing and Best International Estate Agency Marketing seven times in the past 10 years at the International Property Awards.