

Property sector**A ray of light in global property**

How markets are beginning to stir from their coronavirus-induced slumber

George Hammond MAY 8 2020

Margaret Wilson is in limbo. In March, the self-employed artist was in a chain of several housing transactions in the UK. Her property sold but the purchase of the home she was intending to buy fell through.

Having moved into temporary accommodation, she quickly had an offer accepted on another property, on England's south coast. Then, on March 27, the government effectively shut down the property market. "I'm homeless; camped out in a holiday let in Devon," says Wilson, who declined to give her real name.

Legally, the purchase can still go ahead, but with mortgage providers unable to access the property to carry out valuations, progress has stalled.

For buyers such as Wilson, there is at least some light at the end of the tunnel. The UK government has been taking steps to reopen the market. From May 4, restrictions on who can legally verify the identity of buyers have been temporarily lifted, as has allowing buyers to sign deeds without an in-person witness.

But until social distancing is relaxed to allow agents and surveyors to market and value homes again — and buyers to view homes they may want to buy — Wilson will remain in limbo.

Her story is not unique. Coronavirus has upended property markets around the world. With cities in varying degrees of lockdown, a painful stasis has descended, leaving buyers and sellers stranded. Sales have fallen precipitously and, where recoveries are under way, they are fitful.

As economies in the west look to reopen, the FT looks at the state of property markets around the world.



The Paris market is at a standstill, says one property company. 'Some agencies have removed every single listing. It's seen, in a French way, as a bit uncouth to be marketing and selling right now' © NurPhoto via Getty Images

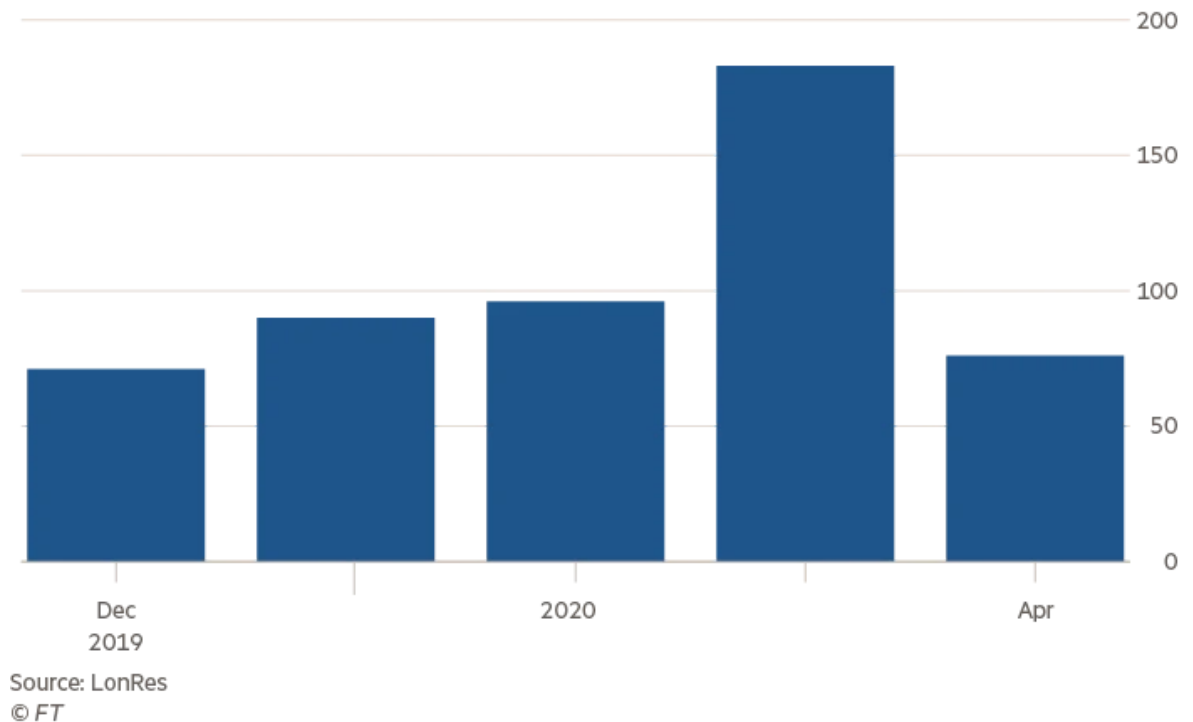
Into the freezer

Buyers in the UK were caught out by the pace of policy changes in late March, when the housing market was effectively suspended. According to Zoopla, some 373,000 transactions are on hold in the UK with a total [value of £82bn](#).

At the beginning of the year, sellers were optimistic following a decisive Conservative general election victory, which was seen as providing certainty on Brexit. Forecasts predicted that demand would ramp up and take prices with it — and this appeared to be happening. In the year to April, prices in the UK increased 3.7 per cent, according to Nationwide.

Now a reversal is widely anticipated. In central London, the number of deals falling through before exchange hit 183 in March, according to LonRes; nearly twice the monthly average for 2019.

Number of cancelled sales in central London

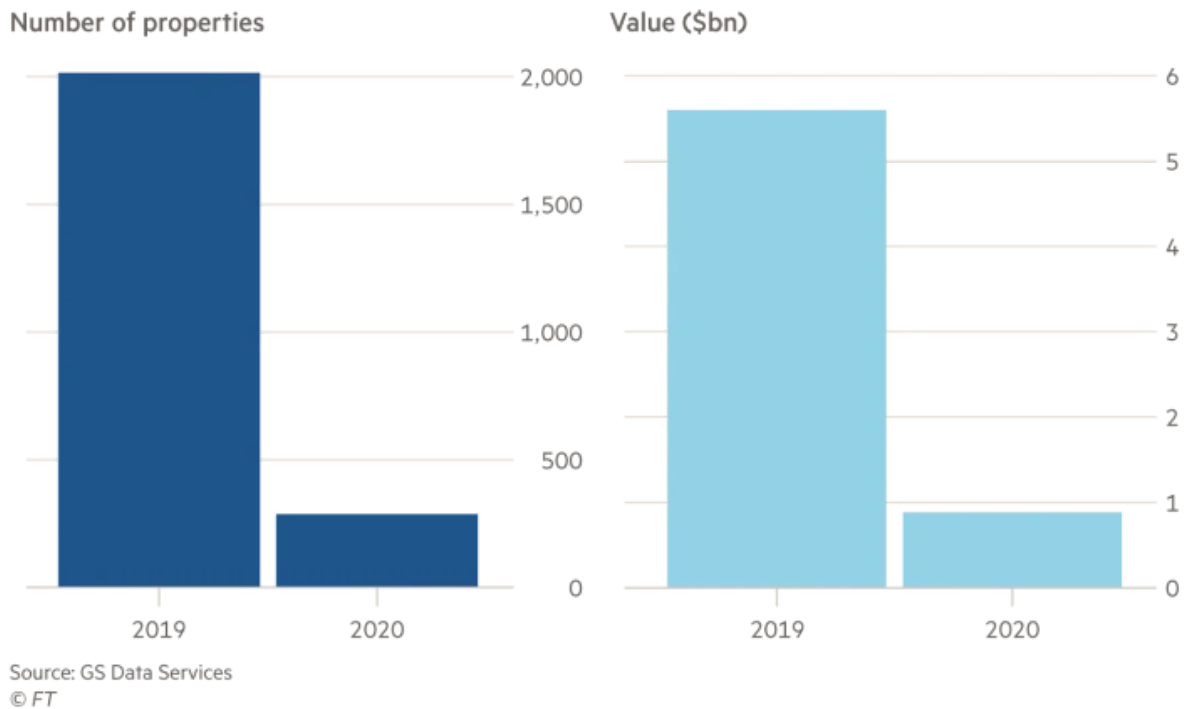


In other locked-down capitals the story is similar. “In Paris, some agencies have removed every single listing,” says Susie Hollands, chief executive of property company Vingt Paris. “It’s seen, in a French way, as a bit uncouth to be marketing and selling right now.” Most trade in the city is at a standstill, she says.

In New York, the number of new deals being struck has dropped sharply. In Manhattan, 643 sales were agreed in the five weeks from March 22, when people were told to stay at home. The same period in 2019 saw 1,383 agreed, according to property data company GS Data Services.

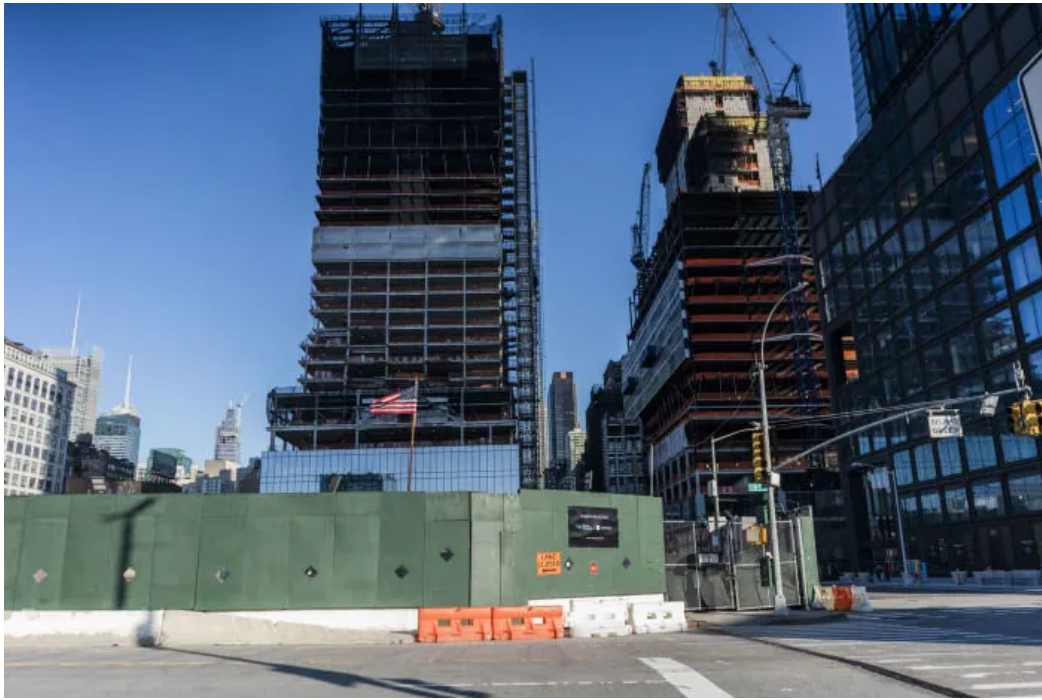
New listings drop in Manhattan

Properties listed between Mar 22 and Apr 29



But this does not convey the full picture, says Shaun Osher, chief executive of Core, a boutique New York estate agency. The time between a sale being agreed and it being completed usually takes three months, he says. “We’ll see the full impact of the pandemic in June and July.”

The number of properties being listed for sale is falling. The 287 new listings added since the lockdown is 86 per cent lower than the 2,015 listed in 2019, according to GS Data Services. In valuation terms, that’s \$882m of new property compared with almost \$5.6bn the year before.



In New York, sales have dropped dramatically. Construction has been halted on the Hudson Yards property development © Getty

Sales creeping through

“It beggars belief, but we’ve actually been doing business in northern Italy,” says Hugo Thistlethwayte, head of operations in the global residential team at Savills. Business is hardly brisk but in Italy, the first European country to impose regional lockdowns, and elsewhere, a trickle of sales continues.

In the UK, estate agents are banned from marketing new homes and taking clients to visit properties. But buyers can still make virtual viewings and make offers on vacant properties. Where they still have the finance in place, previously agreed sales are creeping through. For some sellers, the process has become fraught with anxiety, as long-planned transactions hang in the balance.

Martin, who chose not to give his full name, is selling a property in Kent, south-east England. The process is edging closer to completion, but Martin is preparing for it to fall through.

“Part of me thinks the buyer doesn’t read the news,” he says. “Every time they get in touch I’m braced for the worst, but they will ask something really banal like, ‘Do you still have the manual for the boiler?’”

In New York, which remains in lockdown, some agents are hustling sales through. “There are people who have a baby coming and they can’t be in a one-bedroom apartment any more,” says J Philip Faranda, a New York agent.

Alongside buyers motivated by necessity, there are those who sense opportunity. “We’ve been retained by a couple of people who have balls of steel,” says Hollands. They want to buy 10 properties in Paris for about €1m each. “They are just buying what they can get,” she says. “There are sellers who, if not quite distressed, are interested in talking to someone who might buy at a lower price.”

Some buyers in the US are seeking to capitalise on the situation by chipping away at previously agreed prices.

In the US, contracts are meant to lock in a price. “However, we are in unprecedented times,” says Garrett Derderian, founder of GS Data Services. “Given the current state of affairs, it is likely sellers will be more willing to work with buyers after the initial contract has been signed, as it could be months or more to secure another deal should the buyer walk.”

Asia: a foretaste for the west?

Buyers and sellers caught in western property markets may find grounds for optimism in some Asian sales data. When coronavirus broke out in China at the end of 2019, it rapidly brought construction to a standstill. Property showrooms closed and more than 100 cities banned home sales amid efforts to contain the virus. Residential sales fell more than a third in the first two months of the year, according to China’s National Bureau of Statistics.

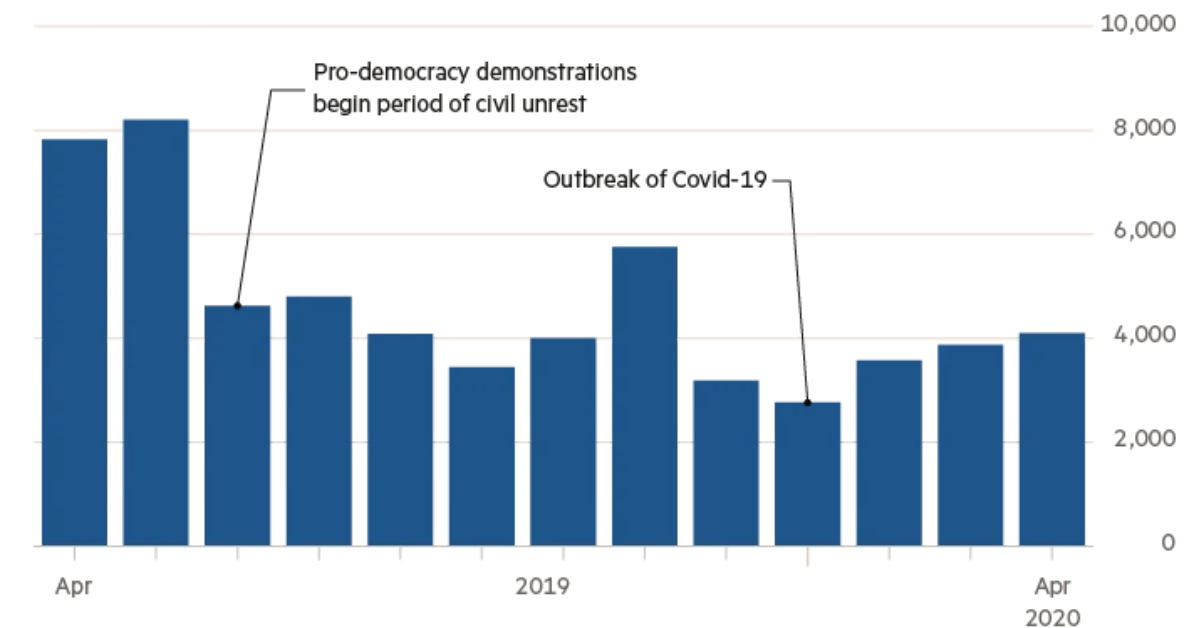


Hong Kong has managed to maintain a low coronavirus outbreak and property markets did not entirely shut down © Bloomberg But buyers have slowly returned. Across 30 Chinese cities monitored by estate agency Knight Frank and research consultancy Capital Economics, daily sales hit 5,976 on March 31, level with rates seen in early January. On February 8, at the height of lockdown, just 22 sales were recorded.

In Hong Kong, cases of coronavirus began to rise towards the end of January. But the city of 7m has managed to maintain a low outbreak, despite being a hub for regional travel, and has never fully shut down business. Transactions in April were, at 4,102, 48 per cent down on the year before — which may look like a relatively modest decline from the perspective of western markets.

Property sales in Hong Kong

Number of residential units sold



Source: HK Land Registry
© FT

Some analysts anticipate recoveries that are V-shaped on a graph, others predict a U-shaped or L-shaped pattern. With no vaccine available yet and countries operating with extreme caution, the best most can offer up is a question mark.

“There are people who want to be ready [to buy] as soon as lockdown lifts. No new inquiries were coming in three weeks ago, but now they’re gearing up. People are focusing on life after lockdown,” says Jo Eccles, head of SP Property Group, a London-based buying agency and property manager.

The challenge is gauging at what price buyers will re-enter the market. “There will be demand but I have no idea at what value. Buyers will be testing the water,” says Eccles.

Prices are expected to dip, at least in the short term. In the UK, predictions range from 3-10 per cent. Market analysts Jefferies say that property prices could fall by as much as 20 per cent in a worst-case scenario. Much hinges on when lockdowns ease and the sales process can return to normal.

Rise of the rural buyer



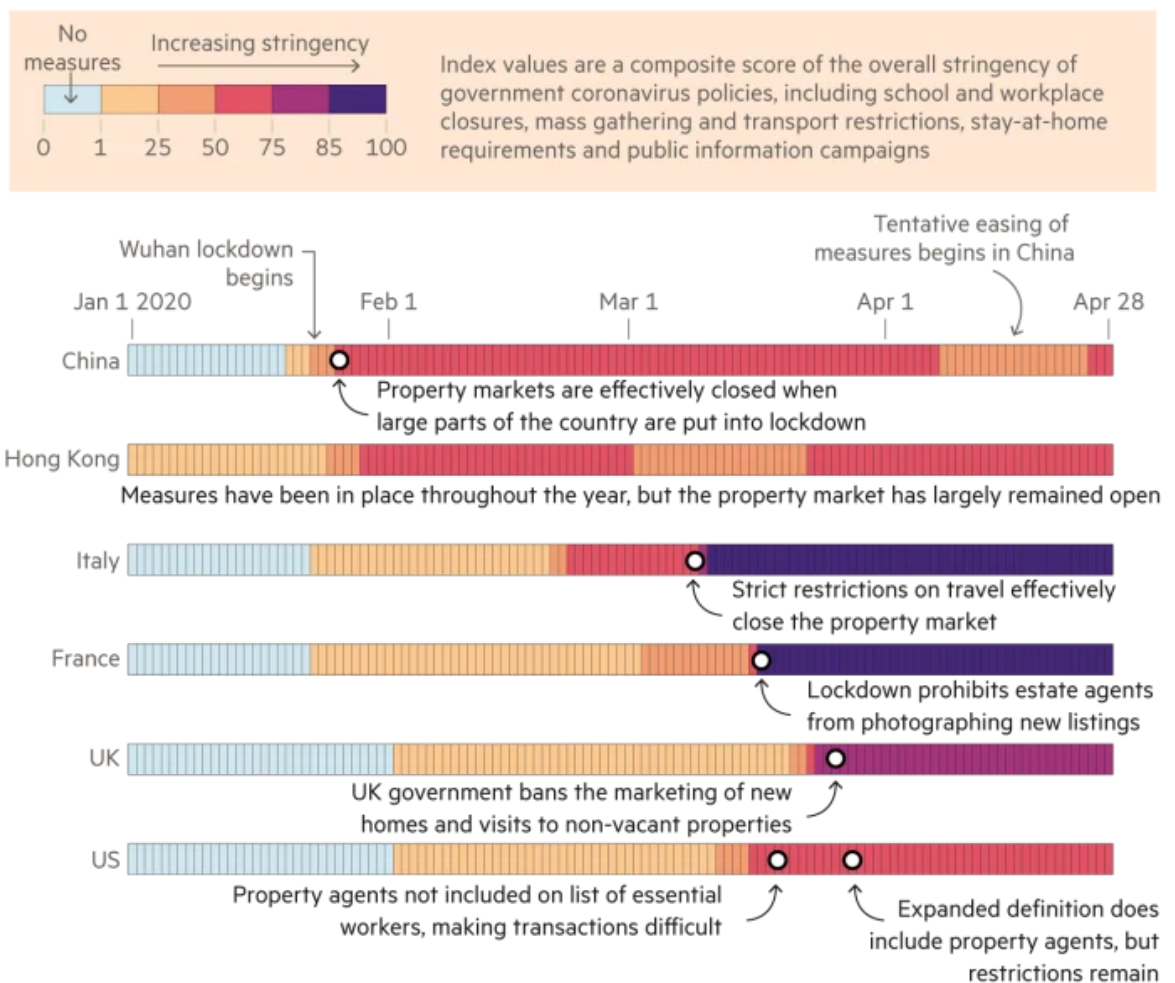
'Country houses, whether in Tuscany [pictured] or in the Cotswolds, are back,' says one British estate agent. Since coronavirus, buyers are looking to leave crowded cities © Getty Images

The direction property markets take in coming months is impossible to predict, but estate agents are more confident about calling the direction of buyers.

“As soon as some of the measures looked like they were coming in [in the UK], every rural cottage known to man was hunted down and probably ended up with a London hedge fund manager’s family living in it,” says Thistlethwayte. “Country houses, whether in Tuscany or in the Cotswolds, are back. We’re definitely seeing a rise in the rural.”

Property markets around the world have been affected by Covid-19

Oxford university Covid-19 government response stringency index



Graphic: Alan Smith Source Blavatnik School of Government, University of Oxford
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According to a survey of Savills clients, 71 per cent of respondents under 40 said having a garden or outside space has become more important to them since their experience of lockdown; 54 per cent of respondents with school-age children said a countryside location was now more attractive.

The eerie quiet that has descended over Paris is partly down to an exodus of Parisians to second homes, says Hollands. "They're all in Normandy . . . People were told the lockdown was happening and we had 48 hours. Traffic jams started straight away."

Faranda in New York says: "People want to get out of the dense boroughs in the city and into God's green acre. There are some brokers who are seeing opportunity in that."

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It's too soon for buying patterns to bear out the view that the pandemic has turned people off crowded cities, but rentals and inquiries for purchases in rural areas have risen, according to a number of estate agents.

"We've seen a four-times increase in inquiries. But whether that translates to buyers, who knows?" says Farhad Vladi, the

founder of Vladi Private Islands, a specialist agency selling islands around the world. When the company recently listed a tiny, remote Scottish island, it received 150 inquiries in a day.

But until the global lockdown lifts, it will be hard to tell the serious buyers from the idle browsers. "It's too early to say if those people who have shown interest will buy, because it's too early to fly anywhere and inspect. If you're in Scotland and you're looking for an island you can row over to [that is OK]. If you're in London and looking in the Bahamas, it's harder."

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