

Savills Residential Global Market Sentiment Survey



Disruption continues, but green shoots are beginning to appear

As lockdowns ease across the globe, people are emerging into a new normal. Businesses are reopening and market activity across almost all sectors is resuming. Real estate is no exception: the loosening of lockdown means that listings, viewings, and sales can once again take place.

Savills Research has carried out a sentiment survey of the Savills global

residential network to assess how Covid-19 is changing the residential property market as restrictions lift and what the future trends might be.

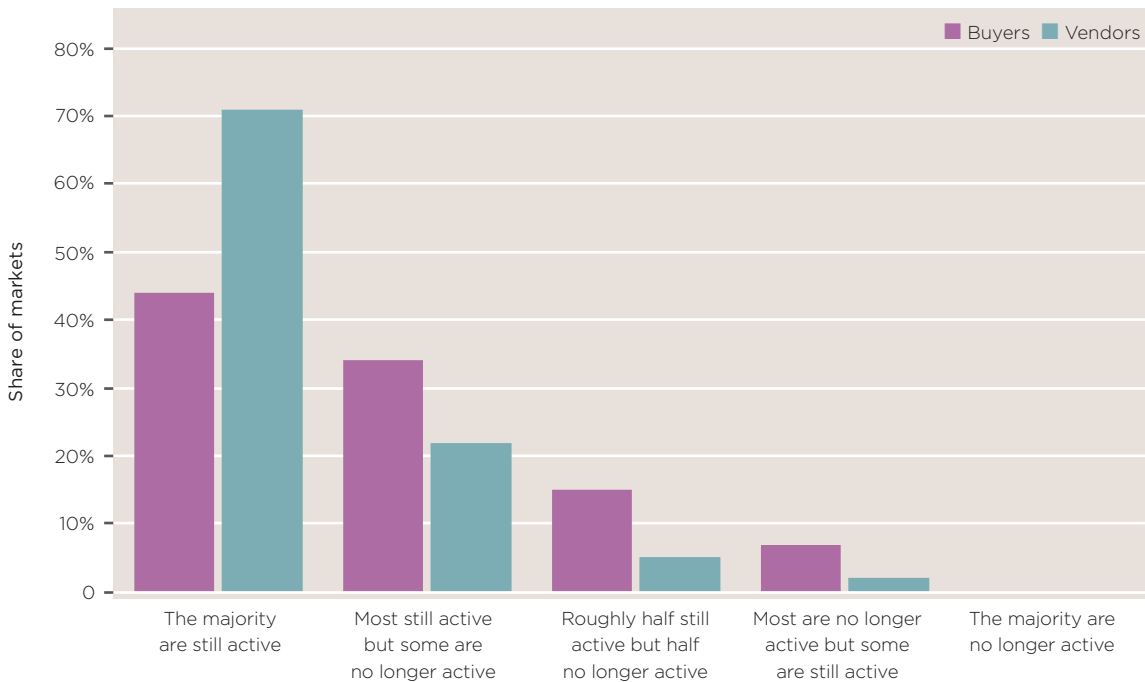
Current market sentiment: signs of renewed activity

In a promising result for property markets globally, 78% of respondents said that most or almost all of the

buyers in their regions are still looking for a new property.

Similarly, the majority of vendors across over 90% of markets surveyed are still planning to sell their properties. This sustained level of interest from both buyers and vendors bodes well for the resumption of transactions as restrictions continue to ease.

Figure 1 Existing buyer and vendor plans post-lockdown



Source Savills Research

About the survey

The Savills Global Residential Sentiment Survey is designed to take the pulse of residential property markets worldwide which is important in today's fast-paced environment. The findings provide a snapshot of current market conditions and future trends based on an internal survey

of 41 experts across the Savills global residential network. The results displayed are an aggregate of all replies, unless otherwise stated.

The survey was conducted from 27th May to 2nd June 2020. Responses come from markets within the following countries: Antigua, Austria,

Australia, Bahrain, Barbados, Cayman Islands, China, Croatia, Czech Republic, Egypt, England, France, Gibraltar, Italy, Monaco, Montenegro, Portugal, South Africa, Spain, Switzerland, Thailand, The Turks and Caicos Islands, United Arab Emirates.

HIGHLIGHTS



The majority...
of buyers and vendors are still active in 78% and 93% of markets respectively



Buyers...
are expecting lower prices in 78% of markets while vendors are expecting lower prices in 22% of markets



Viewings...
have rebounded to 2019 levels or higher in 27% of markets



Transactions...
are expected to increase in 63% of markets in the second half of 2020



Prices...
are expected to lag transactions in 2020 but could increase in 2021

► While buyers and sellers are still active, there is a disconnect in price expectations. Buyers are expecting a buyer's market to emerge in most locations surveyed with 78% of respondents stating that buyers were expecting to see lower prices than before lockdown. Conversely, 78% of vendors are anticipating pricing to remain the same. This mismatch in expectations has the potential to cause some friction and slow transactions in the coming weeks and months as buyers look for a bargain and vendors hope to get prices they were expecting from before lockdown.

Though the global trend describes a difference in expectations post-lockdown, some markets do see a convergence in pricing expectations. Resort and second home locations like the Algarve and the French Riviera report both applicants and vendors expecting prices to remain the same. Prime markets like these tend to be less sensitive to price in even normal times.

There are also several markets which are reporting expectations of lower prices. Respondents in urban centres like Bangkok, Sydney, and Prague report expectations of lower prices from both buyers and vendors. It is likely that markets with similar expectations among buyers and vendors will see a quicker resumption of transaction activity.

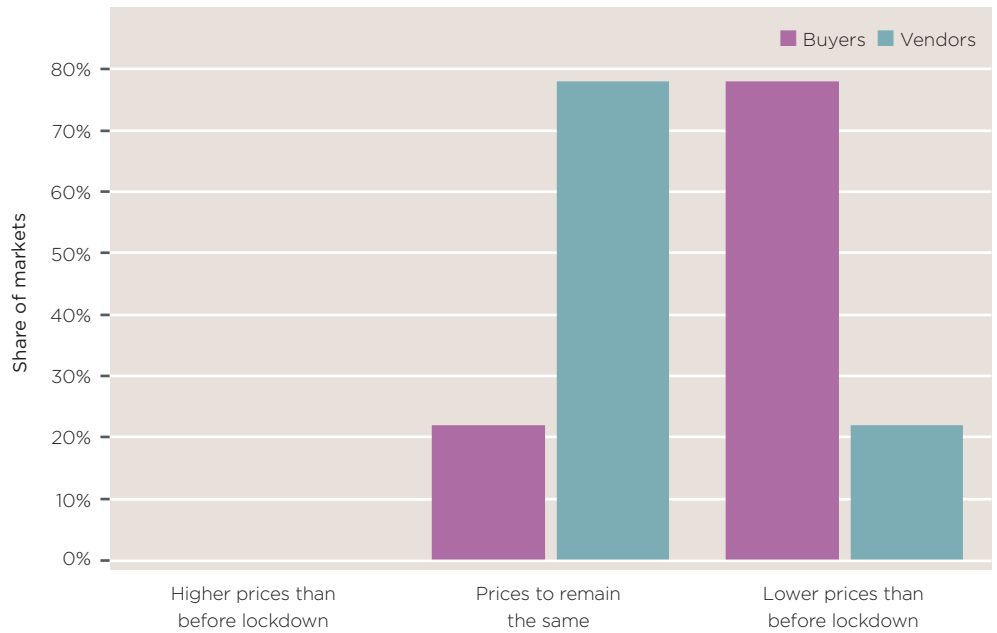
Post lockdown

Despite the pandemic and prospect of a global recession, 33% of respondents report the same number of new buyers post-lockdown compared to this time last year. Some markets are even beginning to see more activity with 10% of respondents reporting that since lockdowns lifted, there are more new applicants than the same time last year, particularly in second home and resort locations.

The general sentiment across survey respondents is that things are looking positive, but the market hasn't quite recovered yet. Respondents in China, which has been out of lockdown for the longest, stated that the market took two to three months to recover, though activity has largely returned to normal. Many survey respondents reported that it was simply too early in the recovery to make any comparisons, either because flights for international buyers are still not allowed, or because applicants are still waiting to view properties in person.

Figure 2

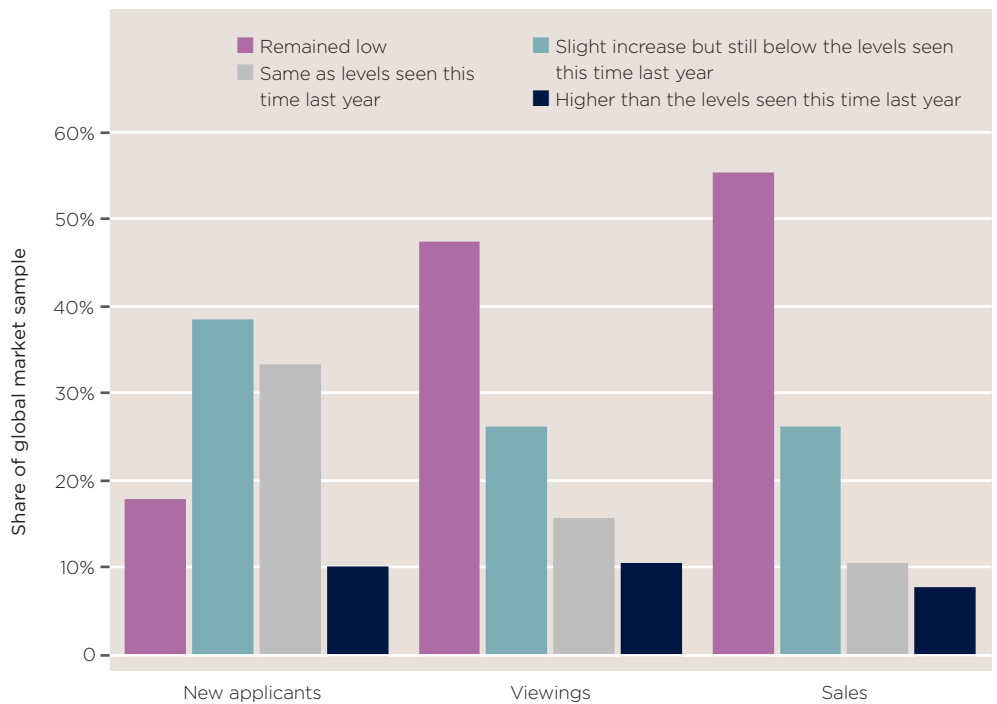
Price expectations for buyers and vendors



Source Savills Research

Figure 3

Changes in activity since lockdown lifted



Source Savills Research



Though the global trend describes a difference in expectations post-lockdown, some markets do see a convergence in pricing expectations



► **Changing buyer preferences**

As activity resumes in the property markets globally, changes to the way people lived and worked during lockdown are already affecting buyer preferences. Respondents in 33% of markets are reporting increased interest from buyers looking to upsize their main residence. Urban centres such as Sydney, Rome, and Monaco reported increased interest in upsizing particularly as residents likely endured lockdown periods in smaller spaces.

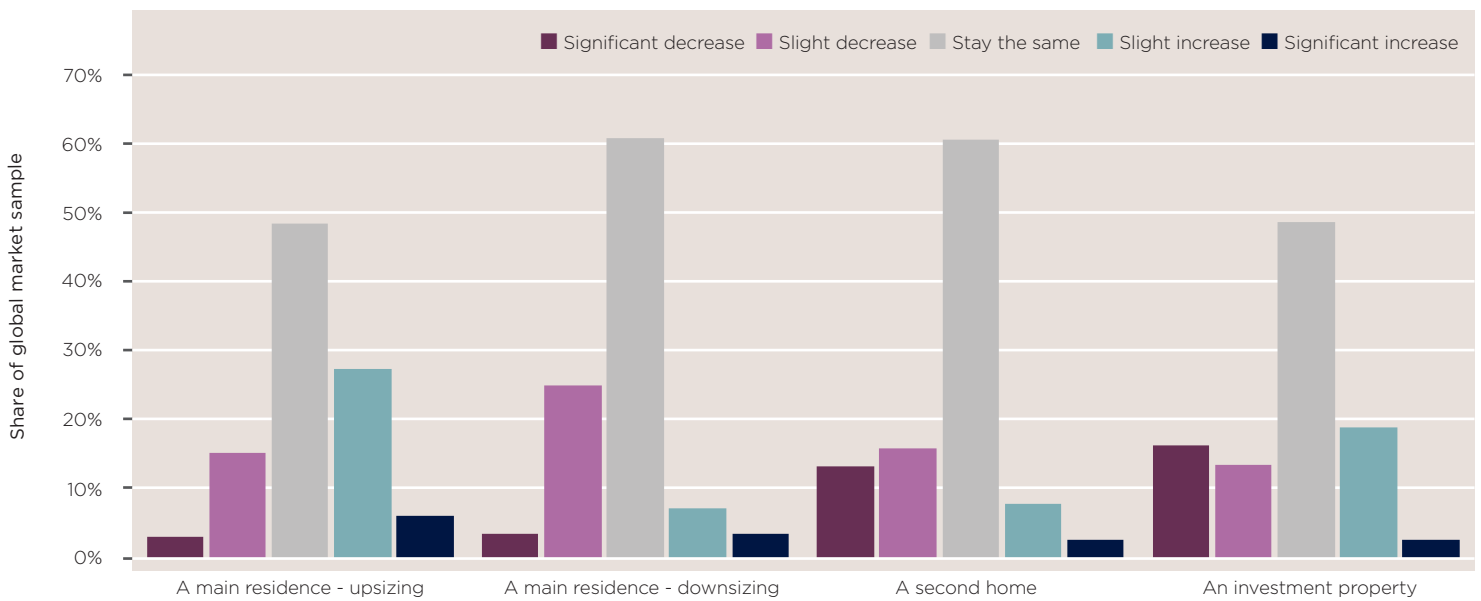
For second homes, the overwhelming trend is that there has been little change in level of interest in 2020 from 2019. The number of buyers looking for investment properties could dip in 2020, however, as 30% of markets are reporting a decrease in buyers looking for investment properties compared to last year.

Lockdown restrictions are lifting globally, but travel hasn't returned to pre-pandemic levels. These travel restrictions are likely influencing where buyers are looking to purchase a property.

While many markets reported unchanged nationality composition, there are indications of increased domestic activity and decreased international activity. Resort locations like the French Riviera and Turks and Caicos have reported increased domestic activity as buyers look to have a second home closer to home. Monaco has historically relied heavily on international buyers, but here too decreases in international and increased domestic activity have been reported as travel restrictions take their toll.

Figure 4

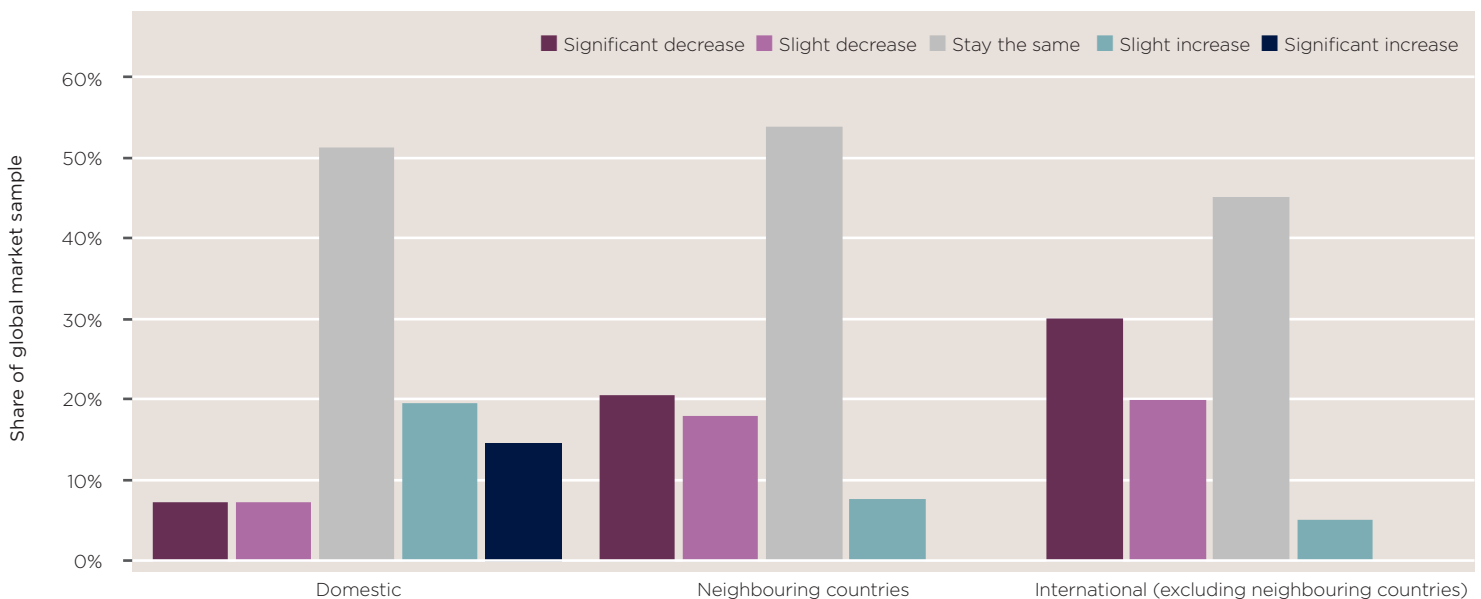
How has the type of property applicants are looking for changed compared to this time last year?



Source Savills Research

Figure 5

How has the nationality of your applicants changed compared to this time last year?



Source Savills Research

Future expectations

Optimism is returning to the market as restrictions ease and commercial activity restarts. The new normal will present many opportunities for both buyers and vendors. Key to growth will be increased confidence from market participants and the resumption of travel after lockdowns are lifted and borders are reopened. As restrictions have eased, survey respondents are reporting increased demand and are anticipating stronger activity levels going forwards.

Transactions

Nearly 90% of markets surveyed reported either a slight or significant decrease in transactions the first half of 2020 compared to last year. However, most markets anticipate a bounce in the second half of 2020. The general

sentiment from respondents is that the speed of recovery will largely be dependent on when travel restrictions are lifted, but that the property market will likely remain buoyant.

Prices

Given that transactions have been difficult in the first half of 2020 because of lockdowns, it's unsurprising that 53% of respondents reported that prices in their markets were unchanged in the first half of 2020 compared 2019.

Though the economy in many parts of the world has entered recession, this is not a financial crisis as in 2008 where many property owners were highly leveraged. Few vendors are therefore being forced to sell and may choose to wait to sell rather than lowering the price.

Nonetheless, 46% of survey respondents expect to see price falls in the second half of 2020, compared to just 5% who anticipate price rises.

Looking to 2021 and beyond, respondents are positive about prices. Nearly half of all markets anticipate price increases in 2021, and 70% expect price increases in 2022.

Stock levels

Respondents anticipate slightly increased stock levels, particularly in the near term as lockdowns are lifted and business activity returns to a more normal level. Resort markets in particular are reporting the potential for increased supply as international travel remains more difficult and buyers prioritise upsizing their primary residence in the near term.

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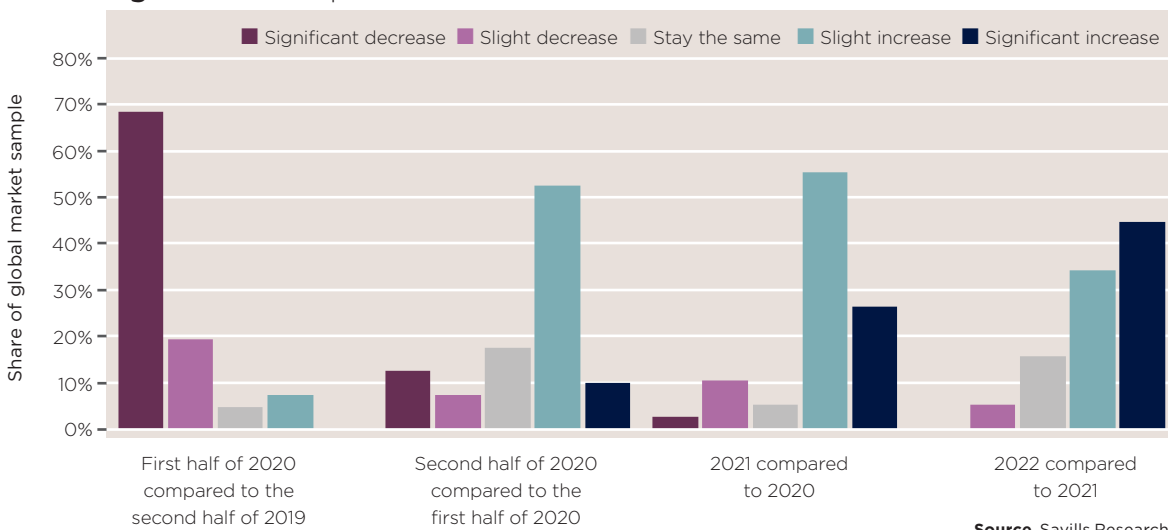
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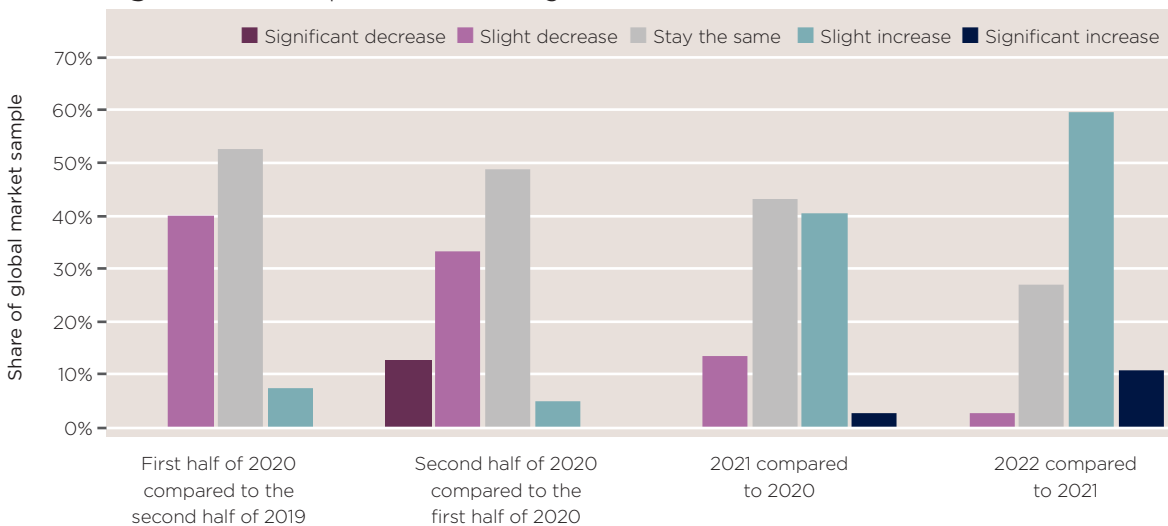


Figure 6 Future expectations - Transactions



Source Savills Research

Figure 7 Future expectations - Pricing



Source Savills Research