

Coronavirus prompts No 10 to suspend housing market

115 victims die in a day

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People in the early stages of buying or selling were told to delay moving while emergency measures were in place



The housing market was effectively suspended by the government last night in an unprecedented move as the sector was plunged into chaos by the coronavirus outbreak.

Banks struggling with the volume of customer inquiries, difficulties with valuations and legal uncertainty has led ministers to call on people to delay moving.

Finance has dried up with mortgage providers ceasing to offer many new home loans. They include Lloyds, which owns the Halifax and Bank of Scotland and is the largest player in the market, and Barclays.

The government issued official guidance telling people in the early stages of buying or selling their home to delay the transaction while emergency measures were in place.

It said that no visitors were allowed into properties, including estate agents, surveyors and potential buyers.

“You can speak to estate agents over the phone and they will be able to give you general advice about the local property market and handle certain matters remotely but they will not be able to start actively marketing your home in the usual manner,” it added.

The guidance came as:

- Britain’s daily coronavirus death toll reached three figures for the first time yesterday, with 115 fatalities in 24 hours.
- Rishi Sunak announced a £9 billion bailout for nearly four million self- employed workers.
- US stocks surged with the S&P 500 having its best three-day run since 1933 after a gain on the day of 154.51 points, or 6.2 per cent.
- Boris Johnson faced criticism for Britain’s failure to join an EU-wide ventilator buying scheme.
- The Queen said that the country was “enormously thankful” to those working in science, health and the emergency and public services as the royal family joined in “clapping for carers”.
- Britain donated £210 million in aid funding to finding a vaccine.
- Some 670,000 people signed up to help the NHS, prompting the government to raise its target to 750,000.
- The worldwide total for people infected passed 500,000.

Lenders and property professionals had urged the government for clarity after Michael Gove, the Cabinet Office minister, said this week that people should not be moving house.

“Homebuyers and renters should, as far as possible, delay moving home while emergency measures are in place to fight coronavirus,” a government spokesman said.

If moving is unavoidable for contractual reasons the government said that transactions could go ahead but people must follow social distancing rules to minimise the spread of the virus. “Anyone with symptoms, self-isolating or shielding from the virus should not consider moving house, unless there are exceptional health and safety circumstances,” the spokesman said.

The outbreak has restricted banks’ ability to offer new mortgages and value properties. They have been swamped with requests for mortgage holidays offered by the government.

There are other blockages, with surveyors stopped from accessing properties and sellers with the virus unable to leave. Renters have been advised not to move by the government.

Most lenders are extending mortgage offers so that people can put transactions on hold. Stephen Jones, chief executive of UK Finance, said: “If a customer’s circumstances change during this three-month period or the terms of the house purchase change significantly and

continuing with the mortgage would cause housebuyers to face financial hardship, lenders will work with customers to help them manage their finances as a matter of urgency.”

The housing market has already begun to stagnate. Buyer demand fell by 40 per cent last week compared with the previous week, according to Zoopla, the property website. Collapsed sales rose by 60 per cent during the period.

About 1.2 million homes were sold in the UK last year. Savills, the estate agent, said that the number of housing transactions in 2020 would halve from the one million it had anticipated before the pandemic if transactions fell by 40 per cent between June and September, traditionally a busy time for the market.

Marc Shoffman, 36, a freelance journalist, was due to exchange on his late father’s flat in Boreham Wood, Hertfordshire, this week after he and his brother accepted an offer of £190,000.

After the prime minister announced the lockdown they heard that their buyer’s buyer was to delay their sale. The entire chain is now frozen.

“The flat has been on the market since April 2018, we have been through all the Brexit uncertainty, the general election and now this. We owe £60,000 in care home fees and we are accruing service charges on the flat of about £2,000 a year — our inheritance is slowly dwindling away and there is nothing we can do,” Mr Shoffman said.

The construction of homes has also started to grind to a halt as housebuilders freeze activity and take action to preserve cash. The country’s biggest builders, including Barratt Developments, Persimmon and Taylor Wimpey, have announced plans to close sites. Downing Street has said that construction work can continue where sites can be operated in line with social distancing guidelines. However, many employers have chosen to close sites.

A recovery to the housing market at the start of the year has been brought to an abrupt end. Official figures released this week showed average annual price growth of 1.3 per cent. Savills said yesterday that it expected house prices to fall by up to 10 per cent in the short term as coronavirus caused a market downturn. However, it said that the government’s support package and historically low interest rates should support a return to stronger price growth, with prime central London expected to bounce first.

Case study

Marc Shoffman, 36, a freelance journalist, was due to exchange on his late father, Elan’s, flat in Boreham Wood near Watford earlier this week after he and his brother accepted an offer for £190,000.

Shortly after the prime minister announced the lockdown they heard that their buyer’s buyer was to delay their sale over fears of catching coronavirus. The chain is now frozen and, after last night’s announcement, the Shoffmans are unable to look elsewhere for a buyer.

Mr Shoffman said: “The flat has been on the market since April 2018, we have been through all the Brexit uncertainty, the general election and now this. We owe £60,000 in care home

fees and we are accruing service charges on the flat of about £2,000 a year – our inheritance is slowly dwindling away and there is nothing we can do.”

Analysis

The freezing of the property market is most problematic for those caught between exchange and completion (Carol Lewis writes).

Normally if a buyer failed to complete they would be in breach of contract. The seller would be able to serve a notice to complete and failure to comply with this could cost the buyer their deposit.

However, with the market frozen it is equally impossible for the seller to complete. So, Natasha Rees, head of property litigation at Forsters, advises those caught in this situation to negotiate an extension to their contracts based on “good faith”.

Those hoping to exchange contracts when the market returns should consider inserting a clause in the sale contract that allows for either party to agree a delayed completion date if the failure to complete is due to Covid-19.

Annabel Dean, a partner at Farrer & Co, suggests negotiating a flexible completion date that is conditional on the practical aspects of completion such as removal services being available.

UK Finance, the banking trade body, said last night that customers who had exchanged contracts could apply for a three-week extension. Stephen Jones, chief executive, said: “All mortgage lenders are working to find ways to enable customers who have changed contracts to extend their mortgage offer for up to three months to enable them to move at a later date.”

The closure of estate agent offices and removal companies is also scuppering moves. Members of the British Association of Removers have been told to stop all moves except those that are already in progress. However, as not all removal companies are members of the group some are carrying on as usual.

Charles Rickards, finance and marketing director for The Master Removers Group, which includes Anthony Ward Thomas and Aussie Man & Van, said: “We are operating as normal in terms of continuing with essential moves.” Essential moves include frontline staff who need to relocate during the crisis, those who could end up homeless because they are mid-transaction, victims of domestic violence and those moving to look after elderly dependents.