Residential Market Review

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Key Statistics

Average UK property price
£283,496

1.4 million households have
moved in the last 12 months

Annual UK property prices
increased 12.8%

Sale agreed properties
reached 358,000

Annual property price in Wales
increased 14.4%

Asking prices have risen
20% since 2019

Residential Market Overview

The current levels of sustained activity is keeping the property market on track for 1.2 million transactions in 2022, which was initially predicted at the start of the year. Notably, according to a report by TwentyCi, Q2 saw 358k sales agreed which is nearly 10% greater than the same period in 2019. This comes as available residential properties on the market slow increases, although the figure is still half of the historic norm, leaving the need for a sharp re-calibration.

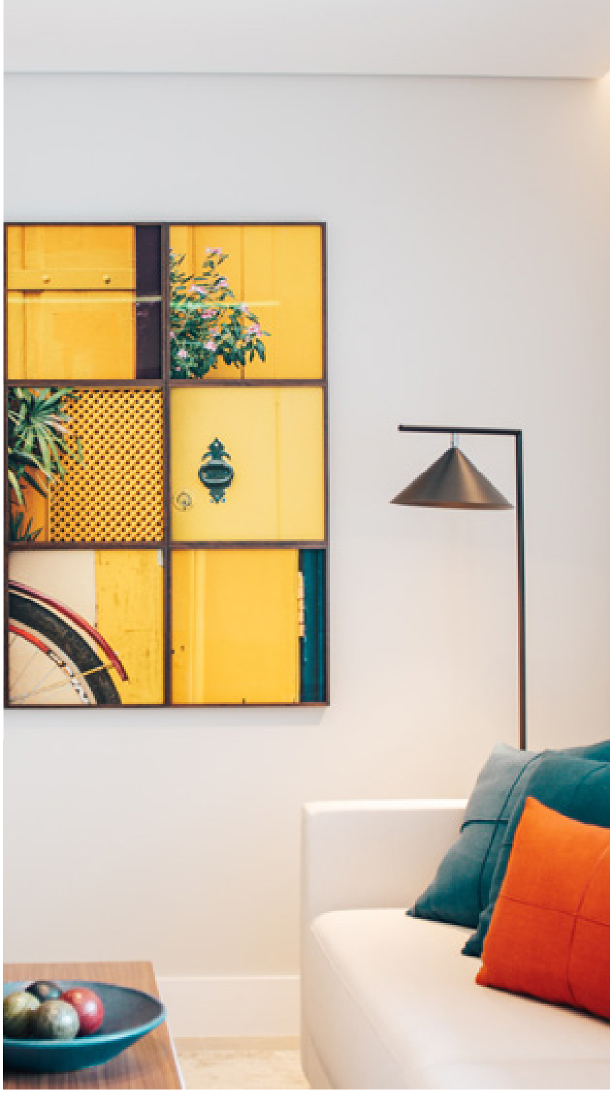
Wales continues to lead in property price increase, with a 14.4% annual increase, while England is close behind at 13.1%. Despite these increases, the last 12 months saw 1.4 million households taking the plunge to move. The external impact of cost-of-living is likely to see many homeowners and first-time buyers delay their decision to move in the next year.

Average price by property type

Property	April 2022	April 2021	Difference
Detached	£444,562	£386,982	14.9%
Semi-detached	£273,591	£240,848	13.6%
Terraced	£232,665	£205,877	13.0%
Flat or maisonette	£228,492	£210,902	8.3%
All	£283,496	£251,286	12.8%

Transactions

Month and year	Non-seasonally adjusted	Seasonally adjusted
June 2013	91,270	89,000
June 2014	108,460	102,900
June 2015	114,770	105,330
June 2016	102,090	95,960
June 2017	118,090	103,550
June 2018	111,840	101,260
June 2019	100,340	100,890
June 2020	67,430	64,220
June 2021	214,530	208,750
June 2022 (Provisional estimates)	96,290	95,420



Regional Overview

1. England
Price: £302,278
Monthly Change: 1.3%
Annual Change: 13.1%

2. Northern Ireland
Price: £164,590
Monthly Change: 3.4%
Annual Change: 10.4%

3. Scotland
Price: £187,517
Monthly Change: 1.1%
Annual Change: 11.2%

4. Wales
Price: £212,414
Monthly Change: 0.9%
Annual Change: 14.4%

5. East Midlands
Price: £244,060
Monthly Change: 1.9%
Annual Change: 15.2%

6. East of England
Price: £353,574
Monthly Change: 2.6%
Annual Change: 14.8%

7. London
Price: £526,183
Monthly Change: 0.2%
Annual Change: 8.2%

8. North East
Price: £153,592
Monthly Change: -0.1%
Annual Change: 9.7%

9. North West
Price: £205,783
Monthly Change: -0.2%
Annual Change: 11.5%

10. South East
Price: £388,531
Monthly Change: 1.4%
Annual Change: 13.5%

11. South West
Price: £323,418
Monthly Change: 1.0%
Annual Change: 16.9%

12. West Midlands Region
Price: £247,162
Monthly Change: 2.2%
Annual Change: 14.0%

13. Yorkshire and The Humber
Price: £204,835
Monthly Change: 2.1%
Annual Change: 12.6%

BLOG

Could the high level of mortgages cause a crash?

70% of properties were bought with a mortgage in the last ten years…

Many homeowners and landlords have been contacting us recently and asking what will happen to the property market? More specifically, will we have a repeat of the 2008/9 Credit Crunch property crash?

High mortgage payments were one of the critical catalysts to house prices dropping by between 16% and 19% (depending on the type of property) in just over one year in.

To answer that question, let us look at the mortgage numbers locally to see where we stand; 67.4% of house purchases with a mortgage over the last decade.

However, what is thought-provoking is the number of house purchasers buying with a mortgage has steadily been increasing over the last decade.

What's happened?

Between 2012 and 2017, the percentage of people buying with a mortgage was 70%, and over the last five years in, that has remained fairly stable.

Most people need a mortgage to buy their home. However, it's not the amount of mortgage that is the issue, more the level of monthly payments. So, if you fix your mortgage rate, then your payments are fixed (a good idea especially as interest rates are on the rise).

In the last quarter, just under nineteen out of twenty (94.35%) of new borrowers that took out a mortgage had a fixed-rate mortgage at an average interest rate of 1.84%.

That's good news for recent buyers as most of their payments won't rise even though Bank of England interest rates have risen over the last few months. Yet it's essential to see what existing homeowners with mortgages have done with their mortgage rates (i.e. fixed or not) as they form the bulk of the property market.

This is because in 2008/9 (the last crash), many people were unable to afford their high monthly mortgage payments when they were made redundant because interest rates were much higher. This meant many homeowners 'dumped' their houses onto the market, all in one go in 2008, because they couldn't afford their high mortgage payments.

Also, the banks could not lend money for mortgages as easily because of the Credit Crunch, meaning fewer people could get a mortgage, so the demand for houses dropped as well.

In a nutshell, the number of properties on the market almost doubled overnight in 2008, yet demand plummeted as mortgages were hard to come by. High supply and low demand meant house prices nosedived in 2008/9.

What about the credit crunch?

Going into the Credit Crunch, one in six (60.4%) homeowners with a mortgage had a fixed rate at an average of 5.76%. By 2013, this had dropped to one in three people (33.29%) having a fixed-rate mortgage at an average of 3.34%.

Yet today, just under 17 out of 20 homeowners with a mortgage have a fixed rate at an average of 1.97%.

Whilst the country might owe collectively £1,630.5 billion in mortgages, irrespective of increasing rates, most homeowners have protected themselves with a low fixed interest rate.

Also, the overall ratio of mortgage debt in the UK, compared to the value of the homes the mortgages are lent on, is also low compared to the year before the last property crash. This ratio is called the Loan to Value ratio (LTV). The higher the LTV, the less equity the homeowner has in the property.

In 2007 (the year before the crash), only 49.4% of people had a mortgage less than 75% of the house's value (i.e. they had an LTV of less than 75%). Today that stands at 60.9%, which means more people have more equity in their property.

Another thought on why the country is in a better position is only 4.22% of mortgages have a 90% or higher LTV (compared to 16.28% just before the crash in 2007).

1 in 6 people were vulnerable to negative equity in the last property crash, whilst today that would only be 1 in 25.

This means if we do have another property market correction for any other reason … the number of people in negative equity will be much smaller, so it won't affect the property market as much.

So, in conclusion, as we have fewer people with high LTV mortgages and fixed rates that are a third of what they were in the Credit Crunch, we are, as a country, in a better position to weather any storm.

If you would like any advice or opinion on the property market, be it buying or selling or anything to do with investing in the buy-to-let property market with a local estate agent, don't hesitate to get in touch.

BLOG

Is the heatwave of the property market starting to cool?

Things have been hot, hot, hot this year. After the UK seeing record temperatures, trying to keep cool has been a challenge. And then there has been the property market that has again seen the price of property coming to market this month hitting a sixth consecutive record, up 0.4% in the month according to Rightmove's latest House Price Index. Scorching as the price of property has become, with the average price of a property now being £369,968, is the heatwave over? Will we soon see the property market start to cool?

Lack of properties remains

One of the main factors that is causing this blistering property market is the distinct lack of properties available compared to strong buyer demand. Exceeding 'historically normal levels', Rightmove's research has shown that buyer demand is now 26% higher than it was at the same time in 2019. Even with the cost-of-living crisis stretching all of our personal finances, people's desire to move continues.

There does seem to be a light, though, for buyers, as the number of people selling their properties is up by 13% compared with this time last year, yet sadly the number of available homes on the market is still at 2019 levels, down by a whopping 40%. It is no wonder, however, that buyers can still find their search for a new home challenging.

"Having more new sellers this month is a win-win for the market, as these sellers will likely achieve good prices for their homes given the sixth asking price record in a row that we've now seen, which may help to explain the increase in new stock coming to market over the last year. For those looking to buy, it means more choice, and a slight easing in competition against other buyers while the market is still moving very quickly. In the current fast-changing economic climate, those looking to buy who find a suitable home they can afford may choose to act now rather than wait. While more choice is welcome news, the number of homes available remains well below the more normal levels of 2019 and is unable to satisfy the continued high demand that we're seeing. Though a softening in demand is moving the market from a boil to a simmer, it remains 26% up on 2019. With such an imbalance remaining between supply and demand, prices look underpinned, and we would therefore only expect typical smaller seasonal month-on-month falls, rather than more significant price falls in the second half of the year. This has led to us revising our annual price growth prediction for the end of the year from 5% growth to 7%, although this would still mark a slowing from the 9.3% seen this month." **Tim Bannister** Rightmove's Director of Property Science

Do interest rates play a role?

It is predicted that demand is likely to return to normal levels, especially because of the strain of affordability due to the cost-of-living crisis. Interest rates could also play a part in buying decisions, due to the fact that buyers may be wishing to lock in a longer fixed-term mortgage rate and thus make some decide to act. To put this into perspective, for example, the average first-time buyer who has taken out a two-year fixed mortgage is now paying 20% more than those who secured the same mortgage at the start of the year.

Rightmove's House Price Index found that because of the ever-growing uncertainty for finances, buyers are choosing longer mortgage terms rather than shorter. Who can blame them when the rate offered by lenders is virtually the same for five-year fixed or a two-year mortgage!

The right time

It is always wise to understand the property market when making a decision to move, and only you know when the right time is for you. For an honest and open discussion on selling your home give our team a call today!

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