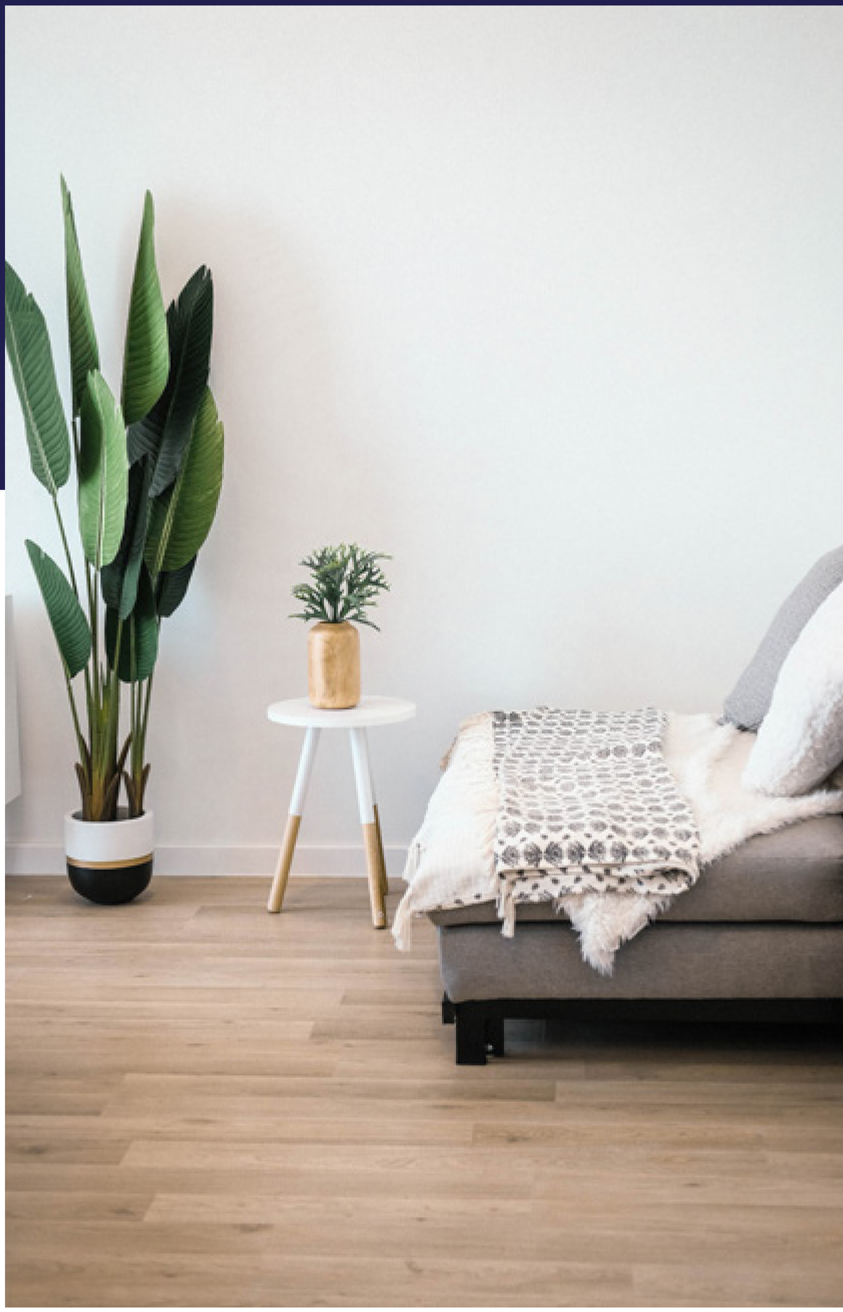
NEXA

Residential Market Review

JUNE 2022



Key Statistics

Average UK property price
£278,000

Sales agreed are up
12% YTD

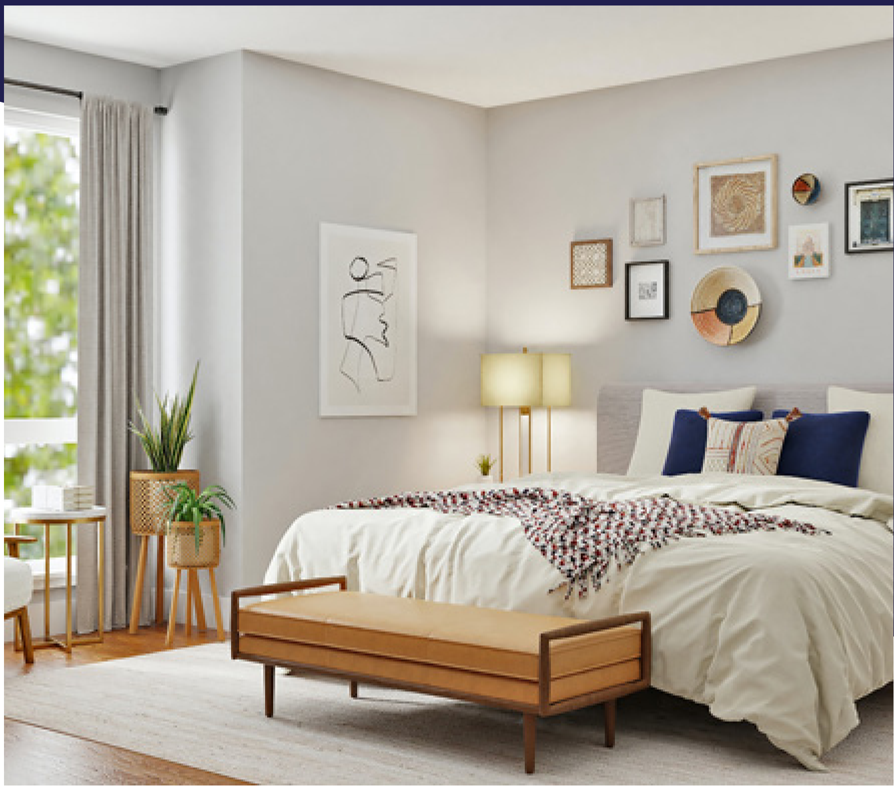
Annual UK property prices
increased 9.8%

Available properties
down 16%

Annual property price in Wales
increased 11.7%

7% increase in the supply
of homes for sale

Residential Market Overview



The fourth consecutive month of property price increases has come alongside another month of rising interest rate; but this is yet to remove urgency and demand within the market.

It is anticipated that the market will begin to slow as household budgets face elevated pressure among economic headwinds. The 14% decrease on the number of people contacting estate agents compared to the stamp duty holiday-fuelled market last year suggests that the market is starting to ease - however, these contact levels are still up 31% compared to the 2019 market.

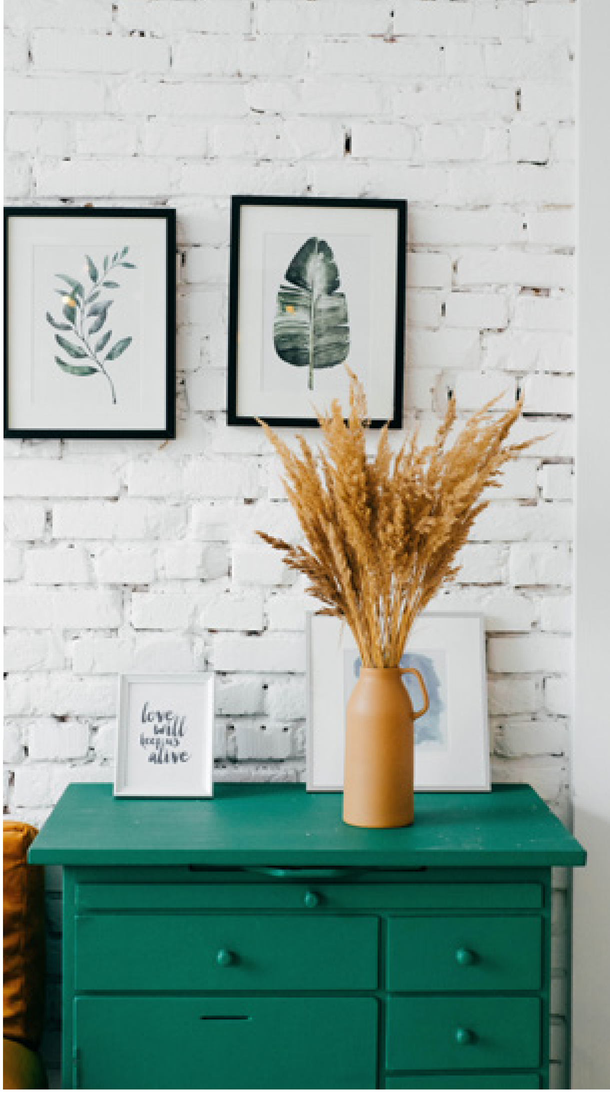
Despite this, 330,000 properties were sold in the first quarter of 2022 (HMRC), an increase of over 13% compared to 2019, proving that the need and desire to move is on the cards for many, with Nationwide finding that 38% of homeowners are currently moving or considering moving.

Average price by property type

Property	March 2022	March 2021	Difference
Detached	£441,967	£388,601	13.7%
Semi-detached	£269,098	£242,157	11.1%
Terraced	£226,211	£207,980	8.8%
Flat or maisonette	£223,401	£214,881	4.0%
All	£278,436	£253,506	9.8%

Transactions

Month and year	Non-seasonally adjusted	Seasonally adjusted
April 2013	79,180	81,330
April 2014	94,340	104,710
April 2015	86,970	97,070
April 2016	73,560	80,440
April 2017	87,970	103,650
April 2018	84,440	99,140
April 2019	87,860	97,830
April 2020	37,350	42,330
April 2021	113,790	121,410
April 2022 (Provisional estimates)	97,970	106,780



Regional Overview

1. England
Price: £297,524
Monthly Change: 0.3%
Annual Change: 9.9%

2. Northern Ireland (Quarter 1-2021)
Price: £164,590
Monthly Change: 3.4%
Annual Change: 10.4%

3. Scotland
Price: £181,415
Monthly Change: 0.0%
Annual Change: 8.0%

4. Wales
Price: £206,395
Monthly Change: 0.4%
Annual Change: 11.7%

5. East Midlands
Price: £240,329
Monthly Change: 1.2%
Annual Change: 12.4%

6. East of England
Price: £343,900
Monthly Change: -0.8%
Annual Change: 10.9%

7. London
Price: £523,666
Monthly Change: -0.9%
Annual Change: 4.8%

8. North East
Price: £154,913
Monthly Change: 1.1%
Annual Change: 8.7%

9. North West
Price: £205,121
Monthly Change: 0.4%
Annual Change: 9.7%

10. South East
Price: £384,966
Monthly Change: 1.1%
Annual Change: 11.7%

11. South West
Price: £313,834
Monthly Change: 0.1%
Annual Change: 10.9%

12. West Midlands Region
Price: £240,528
Monthly Change: 1.1%
Annual Change: 10.3%

13. Yorkshire and The Humber
Price: £199,607
Monthly Change: -0.2%
Annual Change: 9.0%

BLOG

The property market and what to do if you're a homeowner looking to move

Over the last two years, the property market has been a rollercoaster ride of hyperactive demand together with the new sport of getting your offer accepted when you compete with 30 other bidders.

There are clouds on the horizon that the property market could be at its peak

Bank of England interest rates have increased four times in the last few months to try and combat inflation. Meanwhile many households are finding it tough to counter the most significant drop in real incomes in a single year since records began in the mid-1950s, all at the same time as gas, heating oil and electricity prices are predicted to rise again in the autumn.

Hence why some economists are predicting house price drops in the coming 18 to 24 months of 3% to 5%.

So, surely this is not the best time to buy a property – and surely savvy buyers should wait for house values to fall?

Is it realistic to see double-digit national house price growth? Certainly not.

The question is how far the property market will slow and whether the slowing will drop into modest falls.

Lets look at household income first

At best, the outlook is gloomy as real household disposable income is set to drop by 2.4% in 2022/23, the largest drop since records began in 1956. This is despite the £17.6 billion of financial support for British households revealed in Rishi Sunak's Spring 2022 Statement with the National Insurance thresholds, energy bill support package and duty cut on petrol. Without these changes announced by the Chancellor, real household disposable income would have fallen by an additional 1% in 2022/23.

Second, as interest rates increase, mortgage rates will increase in line, increasing mortgage costs, so surely that will curtail demand, meaning house prices will drop, and buyers should wait to catch a bargain?

Finally, with inflation on the rise, the real value of people's savings will decrease quicker, and the value of their deposits will diminish, meaning prices will surely drop, and people should wait to buy?

Should buyers wait for the bargains?

We believe, subject to no significant shocks in the world economy, house price growth will be very slow in the next 18/24 months and go into low single digits (even the odd month dipping ever so slightly into the red), but not the 16% to 19% annual drop we saw in 2008/9.

Lets look at real household income. Every economist predicts growth in real household income in 2023/24 by around 1%.

If the two years are combined, the predicted effect on real household income in the next two years (2022/23/24) is a net loss of 1.4%, whilst in the credit crunch years 2010/11/12, the net loss was 2.7%.

Looking at the increase in mortgage rates: 79% of owner-occupiers have fixed their mortgage costs and had their affordability stress-tested to Bank of England interest rates of 3% to 4% under the Mortgage Market Review rule changes in 2014. We believe the most significant impact of increasing interest rates will be at the point of taking on a new mortgage by first-time buyers (as opposed to servicing or the porting of an existing mortgage from one house to the next house).

The four successive Bank of England base rate rises, inflation and the rising cost of living are likely to bring more cautiousness over summer and autumn when it comes to people buying a property. Yet, there is still a massive imbalance of demand for property over the number of properties for sale to quench that demand.

The potency of the job market and the ongoing mismatch between the supply of properties (mentioned in last week's article on the property market) on the market and demand for those properties will support property values.

Finally, the by-product of increasing inflation is that it makes buy-to-let more attractive. If there is a reduction in first-time buyers, this will be counterweighted by more landlords buying again, supporting the current level of properties.

But what if house prices do drop significantly?

So let's assume that house prices do fall, irrespective of the reasons above, it will not inevitably help buyers.

If we have a house price crash, people tend to find their careers are at risk, and their salaries don't rise as much. The younger generation (i.e. first-time buyers age range) often gets hit the toughest by recessions.

If first-time buyers wait until 2024 to buy and property values drop by 10%, that will prove more expensive.

In the last 2008/09 crash, lenders weren't offering 5% deposit mortgages. The lowest deposit mortgage that first-time buyers could get was with a 10% deposit and even then, they were hard to come by.

When writing this article, first-time buyers can obtain a 5% deposit mortgage for a fixed rate of 2.66% for five years.

The typical first-time buyer terraced house sells for £252,900.

So, if they were to buy now, on this mortgage deal, the first-time buyer would have to stump up a £12,645 deposit and their mortgage payments would be £879.64 per month.

Yet, let's say property values in do drop by 10% in the next 18 months, the terraced house would now be worth £227,610, so a significant saving. Or is it?

Everyone believes interest rates will rise further, so let's assume they go to 3% by the autumn of 2023. That means the mortgage rate for a 10% deposit mortgage will be in the early 5%'s, so 5.29% (because the banks tend to increase the gap between the base rate and the mortgage rate in recessions to allow for the extra risk).

The monthly mortgage payment on the 5.29% mortgage would be £1,072.04 per month, and you would need to double your deposit to £22,761.

So even if house prices did drop by 10%, the first-time buyer would be £2,310 worse off a year in mortgage payments and would have to find double the deposit.

…and then there is the other cost of waiting.

You have two years' worth of rent to pay.

If you waited a couple of years for house prices to drop by 10%, you would spend £000's in rent.

Choosing to buy a property makes even more economic sense if it is a long-term choice, as homeowners can ride out any house price drops.

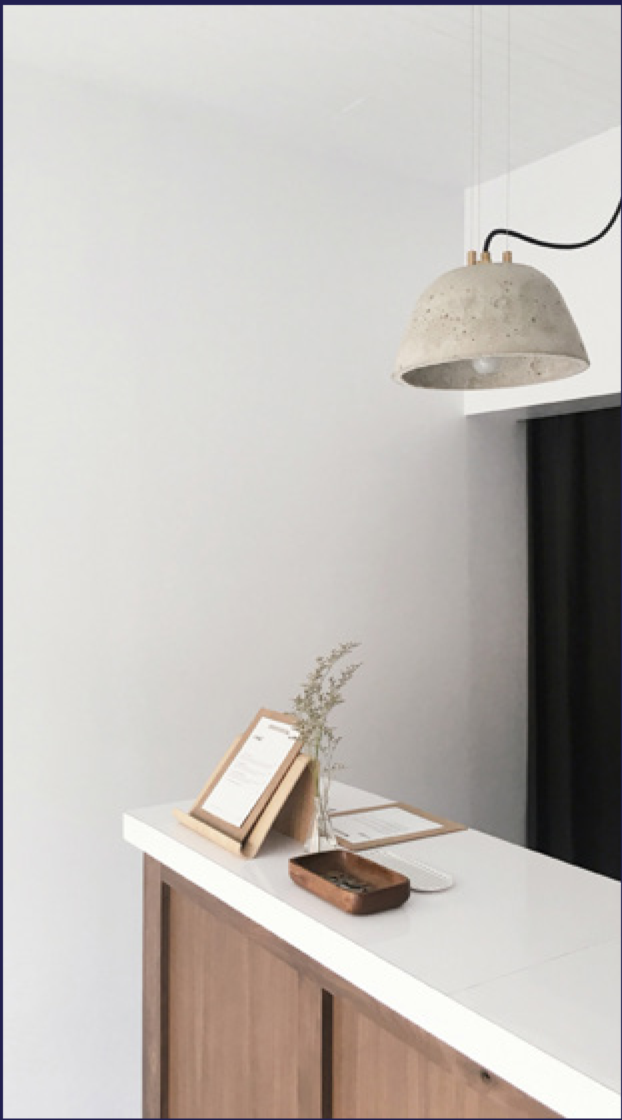
Homeowners who plan to stay in a property can generally rely on getting their money back within six to ten years whilst not paying any rent.

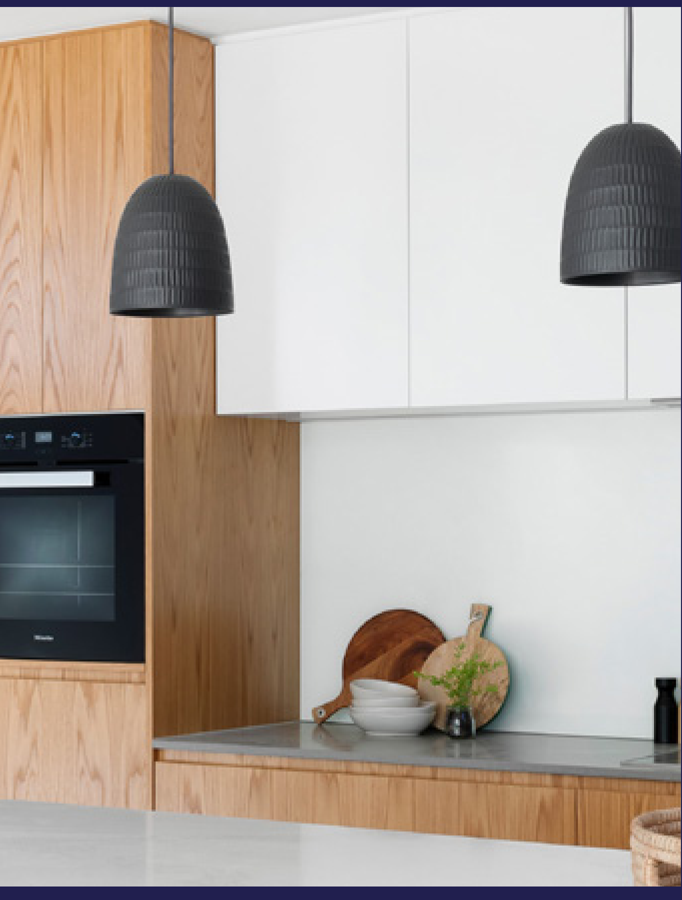
Will prices go up, or will they go down?

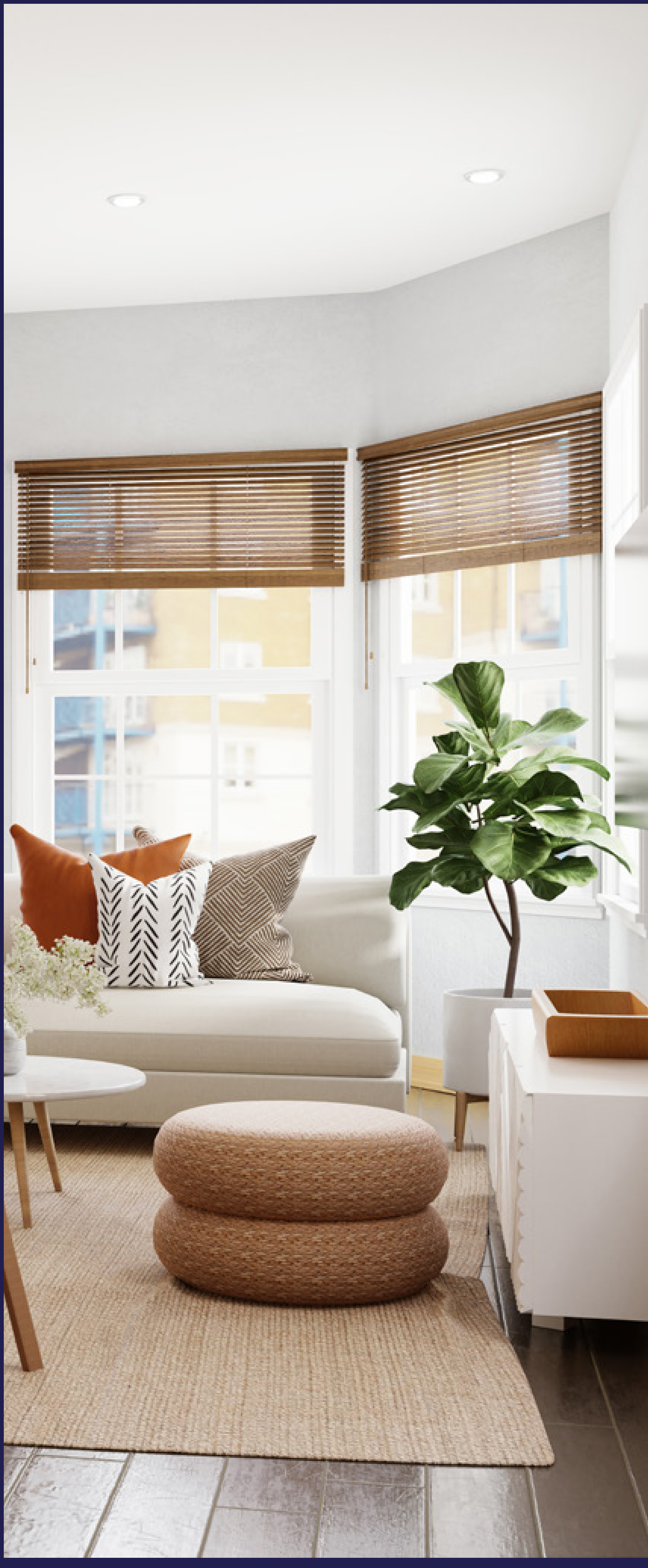
Remember, George Osbourne said house prices would drop by 18% in May 2016 if we voted to leave the EU, whilst many economists said they would drop by 5% to 10% when Covid hit in March 2020.

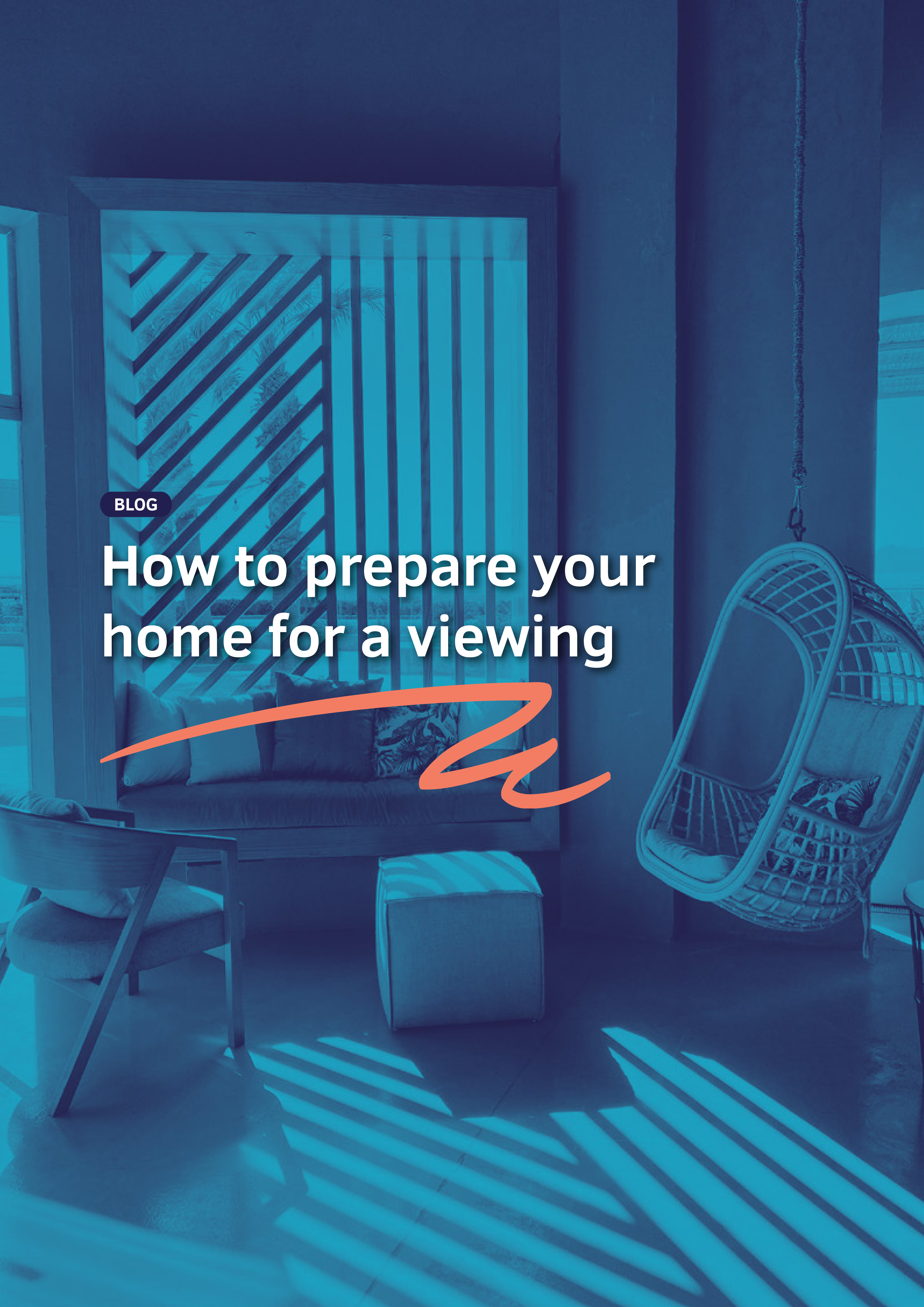
And we all know what happened.

If you think you will be better off owning your own home rather than renting one, don't bother to wait for the suggested house price drop that may never happen.









BLOG

How to prepare your home for a viewing

The viewing is where the magic happens, the time where potential buyers, who have bottled up their hopes and dreams, get to experience the reality of your home. No doubt, they will have devoured the photographs, been addicted to the video and scrutinised the floor plan, which is why your property has made their cut of possibles. Therefore, you don't want to dampen their enthusiasm at the first hurdle, which is why we have put together our top tips on how to prepare your home for a viewing.

Change your outlook

Hopefully, you will have already done the work to prepare your home for sale, so now it is just about checking everything is ready and adding those finishing touches. It is often the little things that buyers notice on a viewing, and it is these things that you can easily miss as a seller. Our eyes can play tricks on us because everything is familiar and comfortable, so this is why you need to change your outlook. Instead of looking at your house as a home, you need to walk around from room to room, and round the exterior from front to back with prying eyes, just as a buyer would. You are not looking to make any major changes at this stage, just those quick fixes that add that final touch of pizzazz to your already beautiful home.

A memorable welcome

It starts at the very beginning: decisions and opinions are formed from the moment they arrive at your property. If you don't have off-road parking, are you able to keep a space for them to be able to park? Check if any litter has blown into your garden and give your front door a quick wipe so it is looking its absolute best. As the front door opens, what are your buyers met with? How can you make that more appealing? Adding a plant and a lamp will add warmth if you feel this is missing.

Remember it is a home

Where some sellers go wrong when preparing a property for a viewing is that they tidy it to within an inch of its life and by doing so can rip out the heart of what makes it a home. Of course it needs to be clean and tidy, but it also needs to feel the warmth and affection, as it is this emotional connection that buyers will fall in love with. So make sure you think about how you dress your home, little vignettes will provide an insight into what it would be like to live there. A couple of place settings and a bottle of wine on your dining table, a throw and book on a garden bench, flowers, candles and cushions all add to the ambiance.

Make it light

One resource your home has that you must take advantage of is its natural light; it is a powerful asset to any room, making it feel brighter and more spacious. Ensure all your curtains and blinds are fully open and add lighting in rooms that could do with an extra lift. Even in the summer months, arriving at a dark, ill-lit home can be extremely unwelcoming, and we know that is certainly not the impression you want potential buyers to leave with. Open some windows too if the weather is mild, as it will fill your house with a natural freshness.

Keep it simple

In your kitchen and bathroom it is about keeping it simple, sleek and sexy. Keep surfaces clear and ensure that your cupboards are organised and looking lovely. Buyers tend to open cupboard doors to look at space, and you don't want them to see a disaster zone behind the sleek façade. Add finishing touches that add freshness, such as a vase or glass bowl of lemons in the kitchen and a plant or two in the bathroom, and always make sure the seat is down!

Share the love

You have loved this property, and even if your feelings have dwindled, you know what it has meant to you over the years. When you are preparing your home for a viewing, share this love in each area of your home through your final staging and it will be hard for buyers not to lose their heart to it as they view. For more advice on how to prepare your home for a viewing, contact our team today.

NEXA

nexaproperties.com