Residential Market Review

SEPTEMBER 2022

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Key Statistics

Average UK property price £281,161

104,470 residential transactions in July

Annual UK property prices increased 12.4%

Average asking price is £369,968

Annual property price in Wales increased 16.2%

Buyer enquires are 20% higher than 2019

Residential Market Overview

As supply constraints improve and demand begins to soften, we can start to see a slowing in the market as buyer enquiries are down 4% compared to 2021. The rush to sell before Christmas has seen sellers price more competitively in order to achieve a quicker sale and manage any delays.

Despite pricing concerns, July still saw an incredible 104,470 transactions with the average property price increasing 12.4% for the UK and a staggering 16.2% for Wales.

Average price by property type

Property	June 2022	June 2021	Difference
Detached	£446,435	£407,676	9.5%
Semi-detached	£276,955	£253,963	9.1%
Terraced	£235,294	£220,241	6.8%
Flat or maisonette	£231,860	£221,029	4.9%
All	£286,397	£265,676	7.8%

Number of Transactions

Month and year	Non-seasonally adjusted	Seasonally adjusted*
July 2013	98,710	89,900
July 2014	110,280	101,210
July 2015	120,610	104,720
July 2016	106,040	96,840
July 2017	105,610	103,480
July 2018	103,690	98,690
July 2019	104,780	98,250
July 2020	80,660	71,920
July 2021	83,520	76,420
July 2022 (Provisional estimates)	110,970	104,470

*Measures and removes the influence of predictable seasonal patterns

Regional Overview

1. England
Price: £304,867
Monthly Change: 0.9%
Annual Change: 7.3%

2. Northern Ireland (Quarter 2-2022)
Price: £164,063
Monthly Change: 3.2%
Annual Change: 9.6%

3. Scotland
Price: £192,249
Monthly Change: 2.2%
Annual Change: 11.6%

4. Wales
Price: £213,091
Monthly Change: 0.6%
Annual Change: 8.6%

5. East Midlands
Price: £245,911
Monthly Change: 1.7%
Annual Change: 9.3%

6. East of England
Price: £354,481
Monthly Change: 0.5%
Annual Change: 9.7%

7. London
Price: £537,920
Monthly Change: 1.9%
Annual Change: 6.3%

8. North East
Price: £157,924
Monthly Change: 1.7%
Annual Change: 3.6%

9. North West
Price: £212,347
Monthly Change: 2.1%
Annual Change: 6.2%

10. South East
Price: £390,513
Monthly Change: 0.8%
Annual Change: 8.9%

11. South West
Price: £322,329
Monthly Change: 0.5%
Annual Change: 8.0%

12. West Midlands Region
Price: £246,114
Monthly Change: 0.0%
Annual Change: 6.6%

13. Yorkshire and The Humber
Price: £203,973
Monthly Change: -0.4%
Annual Change: 4.2%

BLOG

What does the cost-of-living crisis mean for the property market?

By Neil Thorpe, Managing Director

Property prices have increased by nearly 20% over the last two years. House prices have risen on the back of several things, including changes in how people see their homes and how they live and work (i.e. working from home), a lack of properties on the market and government tax incentives (the stamp duty holiday in 2020).

Yet, the tide could be beginning to turn as the number of houses coming on the market is increasing as supply is starting to catch up with demand – in Q1 2022, 389,811 properties came onto the market in the UK compared to 425,295 in Q2 2022. One would typically expect Q1 to be larger than Q2 in average years.

Yet some commentators are saying one thing that could stifle this growth is the cost-of-living crisis.

I wanted to delve deeper into what was happening instead of reading headlines in the newspapers. Let me start with average incomes.

The average household income is £613.10 per week nationally.

Roll the clock back twenty years to 2002, and the average household income was £380.40.

I wanted to go into greater detail a few weeks ago; I stated that mortgage costs for first-time buyers were much lower today (as a percentage of household income) than in 1989 and 2007.

In 1989, 16% of people's household income went on housing (rent or mortgage) compared to 17.5% in 2021. Food represented 19% of people's spending in 1989, compared to 14.4% in 2021.

Also, gas and electricity were 6% of household income in 1989 compared to 4.81% in 2021.

(although that was before we saw the recent energy price hikes).

Interestingly, the UK household spent 15% of their monthly income on leisure activities in 2021, compared to 10% in 1989.

Household goods and services (i.e. household appliances, insurance etc.) have risen from 11% in 1989 to 14.9% in 2021.

Before I leave these stats, I had a peek at the 1957 stats (the earliest stats available), and in that year, food represented 33% of the household income and tobacco 6% (today, it's 2.34%).

So, compared to 1989, the big-ticket items of housing, food and fuel combined have gone down from 41% to 36.7% of the household income, whilst leisure has increased from 10% to 15%.

The fuel element of household bills will rise to around 11% to 12% of household income, and I suspect the leisure budget will be hit the hardest to pay for that. We are seeing food inflation of around 10% to 15%, meaning that food will go from its current 14.4% of household income to around 16% to 17%.

It's going to be tough, especially for those people in rented accommodation who may not earn near the average wage yet, as they have similar fixed costs for gas, electricity and food.

Next, let me look at the inflationary effects on housing costs.

A rise in the base rate will, in theory, slow inflation by reducing consumer demand. In the short-term, this increase in the base rate will increase mortgage rates, thus adding fuel to the fire of the cost-of-living crisis by growing mortgage costs.

Those homeowners on tracker or variable rate mortgages will instantly increase their mortgage payments.

Encouragingly though, just under 17 out of 20 people are on fixed-rate mortgages, the majority on 5-year fixed rate deals, so their housing costs won't go up significantly in the short-term.

This will alleviate some of the interest rate effects, making it more challenging and expensive for new borrowers like first-time buyers.

However, as I have explained in previous articles on the property market, many landlords have been sitting on their hands in the last couple of years as owner-occupiers have outbid each other in buying their next 'forever home'. If there aren't going to be so many first-time buyers, then I suspect we might see more landlords coming out of the woodwork and buying again.

This is especially true as investing in buy-to-let in inflationary times is an excellent hedge to protecting the buying power of your hard-earned savings (drop me a message if you want to read that article).

In conclusion, although the amalgamation of house price rises in the last two years, the increasing interest rate rises, and the continuing cost-of-living crisis, there is no doubt the momentum in the housing market will be slower in the next 12 months compared to the last 24 months. Nevertheless, I anticipate house price growth will ease (and, in some months, be slightly negative). A better bellwether of the state of the property market is the number of people moving house (i.e. the transaction levels).

I expect transaction levels to be lower in the latter part of this year and the first half of 2023, yet they are most likely to stay close to the long-term average. The boom is over, yet it shouldn't be a bust situation.

Looking to discuss this further? Contact us today.

BLOG

Why aren't we focusing on 'Generation Rent'?

By Neil Thorpe, Managing Director

With the cost-of-living crisis beginning to hit, the 20 and 30-somethings of urgently need the help and support of the Government to help them get on the property ladder.

For the last few weeks, we have listened to the debates and hustings of Liz and Rishi. Between them, they have told us how they are going to stop building on the green belt, slash taxes, outbid each other on the number of refugees they are going to deport and push back against WOKE culture wars, but what are they doing for the 20 to 30-somethings?

Dubbed 'Generation Rent' by the press, desperate to get on the property ladder, this is an open goal for any candidate to obtain more votes to become the next Prime Minister.

Yet only 16% of the c.200,000 Tory membership is aged 18 to 34 whilst 47% of members are aged between 55 and 74.

Therefore, it's not a surprise that neither Liz nor Rishi aren't speaking daily about the cost of petrol for the daily commute, rising childcare fees or the lack of opportunities for first-time buyers to purchase their own properties.

(For balance, 16% of Labour's members are 18 to 34, 20% for the Lib Dems and 16% for the SNP).

Everyone is feeling the effect on their household budgets with the rise in energy bills. Yet, it is the younger generation (i.e., Generation Rent) that are having to cope with the frenzy of rising energy costs the most.

Whilst increasing energy prices will affect all households across the country, younger (and less affluent) households are more prone to be disproportionately affected than those on the lowest incomes (i.e., Generation Rent).

In the financial year ending in 2020, the least well off 25% of households spent 5.59% on energy compared to 3.9% for the average UK household. With 2023 energy bills set to be triple those figures, energy bills for those in the lower quartile will rise to around 16.8% of their household budget.

This is the fastest annual rate of rental growth since records began in 2006. This increase in rents isn't standard. Before 2020, I would have expected to see this level of rent growth over a seven-to-ten-year period – not two years. Good news for landlords, yet not so for tenants.

Why have rents increased so much?

9 out of 10 rentals come onto the market because the existing tenant is moving. Yet, because there are fewer rental properties and the asking rents for those are much higher than their current home, many tenants are not moving, exasperating the issue even further.

Today, I looked on Rightmove, and there were only 723 properties available to rent. I would have expected that to be over double that pre-pandemic.

Neither candidate has been silent on the topic of homeownership for the young.

Rishi Sunak said he would stop building on the greenbelt. This, however, would not help Generation Rent massively.

Liz Truss has pledged to help more renters buy their first home by stating she will ensure tenant's rental payments could be used as part of mortgage affordability assessments. This is important as the mortgage payments can be 10% to 20% lower than the rental payments.

Tied in with new relaxed mortgage affordability rules announced by the Bank of England in early August, this is undoubtedly a step in the right direction to help Generation Rent.

Truss also plans to scrap the red tape holding back housebuilding and give local populations more say on developments. However, when Boris Johnson suggested something similar a few years ago, the policy was quietly dropped after the Liberal Democrats used this against them resulting in the Tory's resounding by-election defeat in 2021 in Chesham and Amersham.

So, by the end of the first week of September, we will know who the Prime Minister will be. Whoever gets the job has a gigantic task on their hands. I wish them luck and ask them not to forget the younger generation and their aspiration to be homeowners. If you'd like to find out more or discuss this blog further with a local estate agent, contact our team today.

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