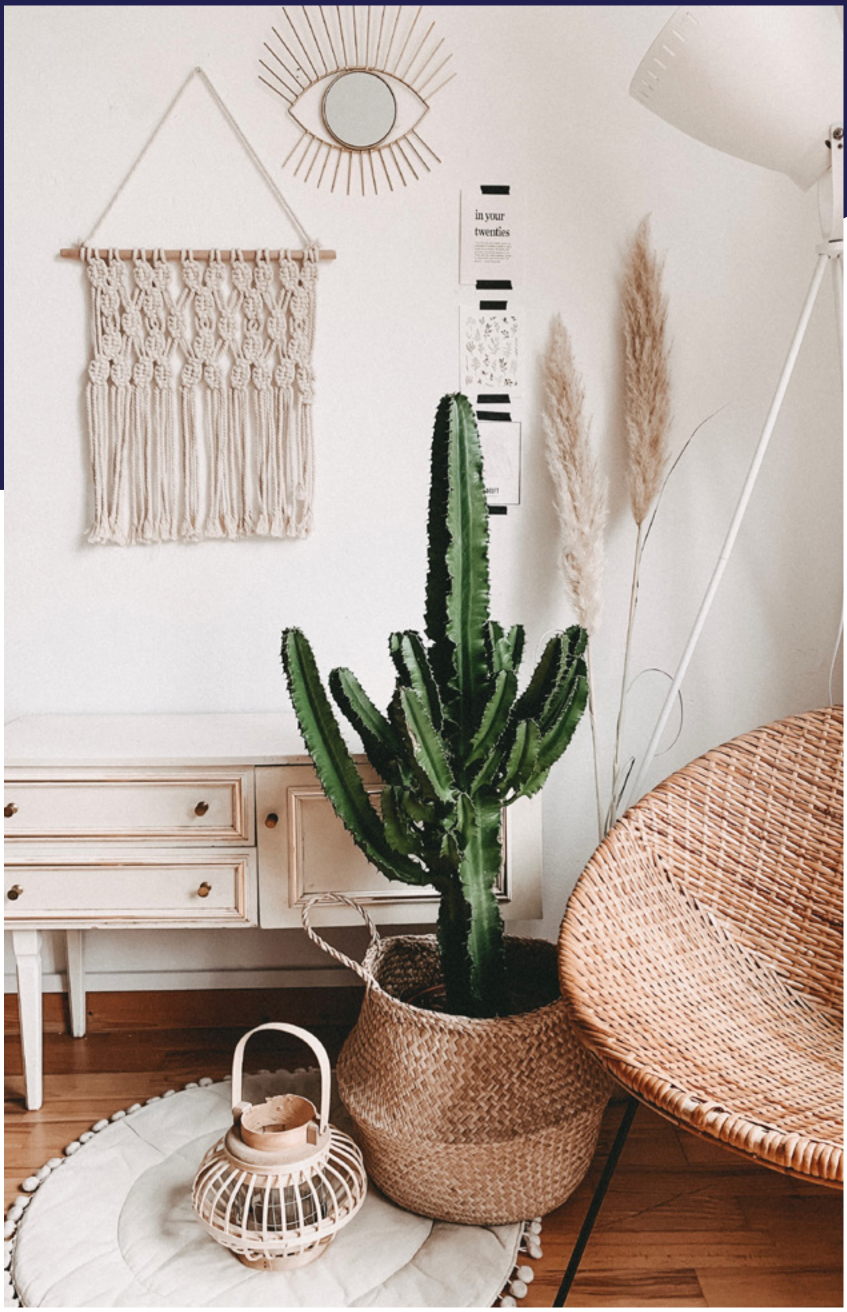
Residential Market Review

JULY 2022

nexaproperties.com

Key Statistics



Average UK property price
£281,161

New instructions rise
by 5.03%

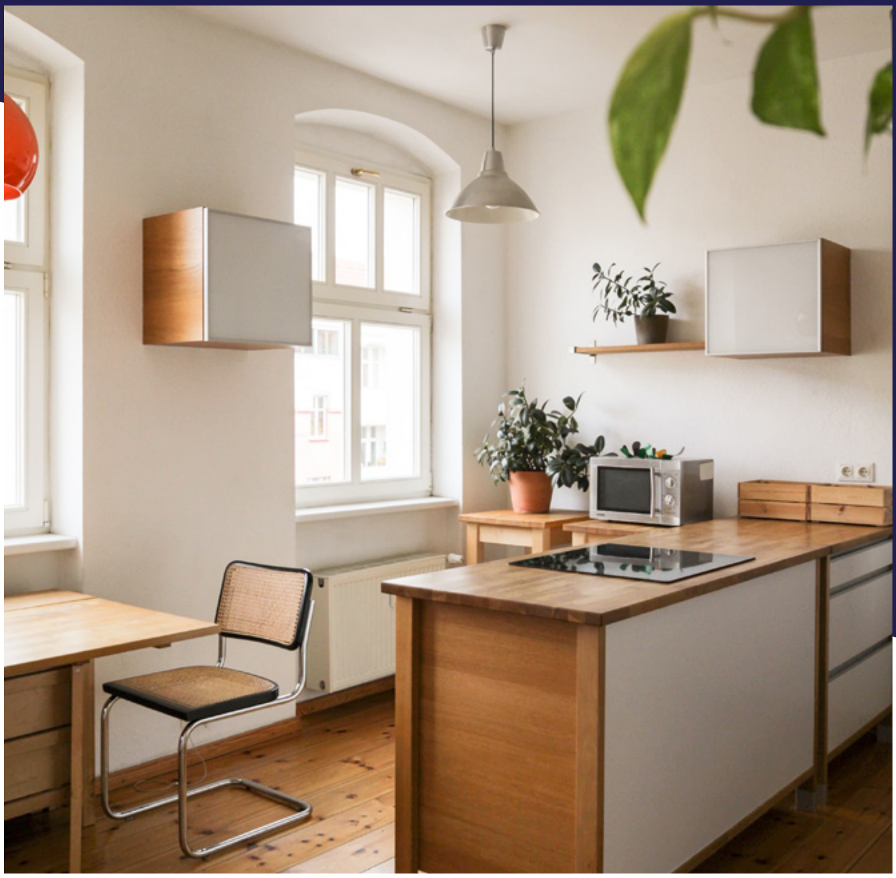
Annual UK property prices
increased 12.4%

Completions in the last
three months total 298,289

Annual property price in Wales
increased 16.2%

Conveyancing jams of up to
150 days

Residential Market Overview



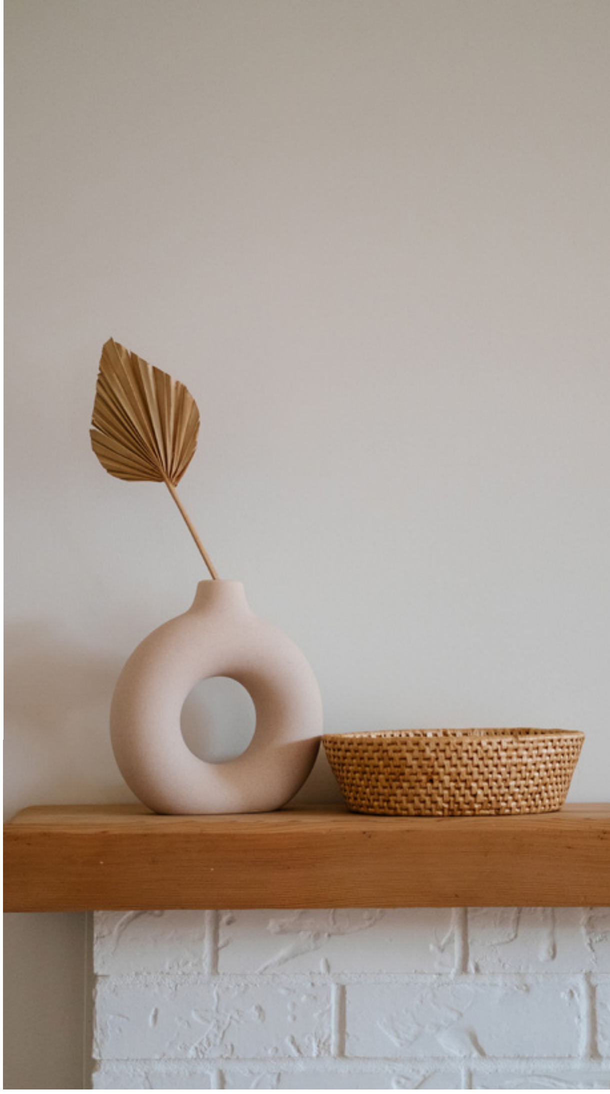
The market is beginning to see a positive increase in property supply, with homeowners utilising the increased prices and providing more opportunities for those looking to buy. An increase in supply combined with slowing prices suggests the market is starting to cool, while external cost-of-living concerns will also begin to impact it. Buyer demand was down 8% in May compared to April, but levels remained high compared to pre-pandemic figures.

A 150-day delay in conveyancing means that those looking to move and be in their new home before Christmas will have to act in the next couple of weeks, especially as the current number of homes 'sold subject to contract' is over 500,000, which is 44% higher than 2019.

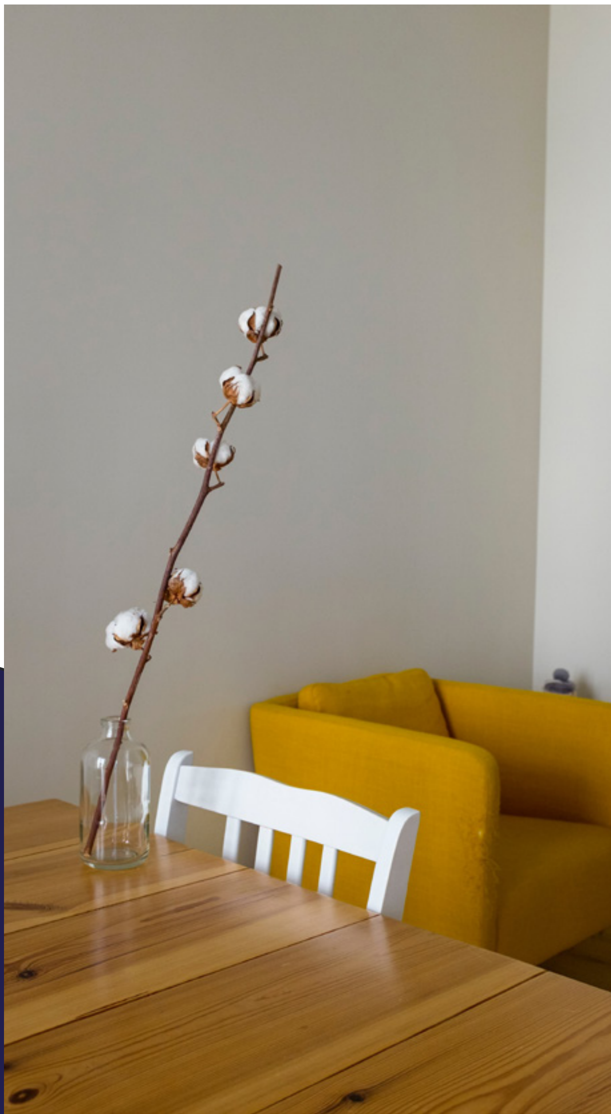
Average price by property type

Property	April 2022	April 2021	Difference
Detached	£443,797	£386,228	14.9%
Semi-detached	£271,436	£238,956	13.6%
Terraced	£228,975	£204,691	11.9%
Flat or maisonette	£227,061	£210,972	7.6%
All	£281,161	£250,210	12.2%

Month and year	Non-seasonally adjusted	Seasonally adjusted
May 2013	91,270	88,810
May 2014	103,110	103,020
May 2015	97,800	101,110
May 2016	83,000	88,840
May 2017	96,490	101,230
May 2018	95,340	100,610
May 2019	97,040	96,500
May 2020	46,160	48,510
May 2021	102,980	115,070
May 2022 (Provisional estimates)	100,870	109,210



Transactions



Regional Overview

1. England
Price: £299,249
Monthly Change: 0.8%
Annual Change: 11.9%

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

3. Scotland
Price: £187,954
Monthly Change: 3.0%
Annual Change: 16.2%

4. Wales
Price: £211,990
Monthly Change: 2.2%
Annual Change: 16.2%

5. East Midlands
Price: £237,904
Monthly Change: -0.5%
Annual Change: 12.4%

6. East of England
Price: £344,943
Monthly Change: 0.4%
Annual Change: 11.9%

7. London
Price: £529,829
Monthly Change: 1.0%
Annual Change: 7.9%

8. North East
Price: £155,215
Monthly Change: 0.1%
Annual Change: 10.7%

9. North West
Price: £208,867
Monthly Change: 2.0%
Annual Change: 13.3%

10. South East
Price: £382,791
Monthly Change: -0.3%
Annual Change: 11.9%

11. South West
Price: £318,610
Monthly Change: 1.9%
Annual Change: 14.1%

12. West Midlands Region
Price: £242,145
Monthly Change: 0.5%
Annual Change: 11.8%

13. Yorkshire and The Humber
Price: £201,806
Monthly Change: 1.6%
Annual Change: 12.1%

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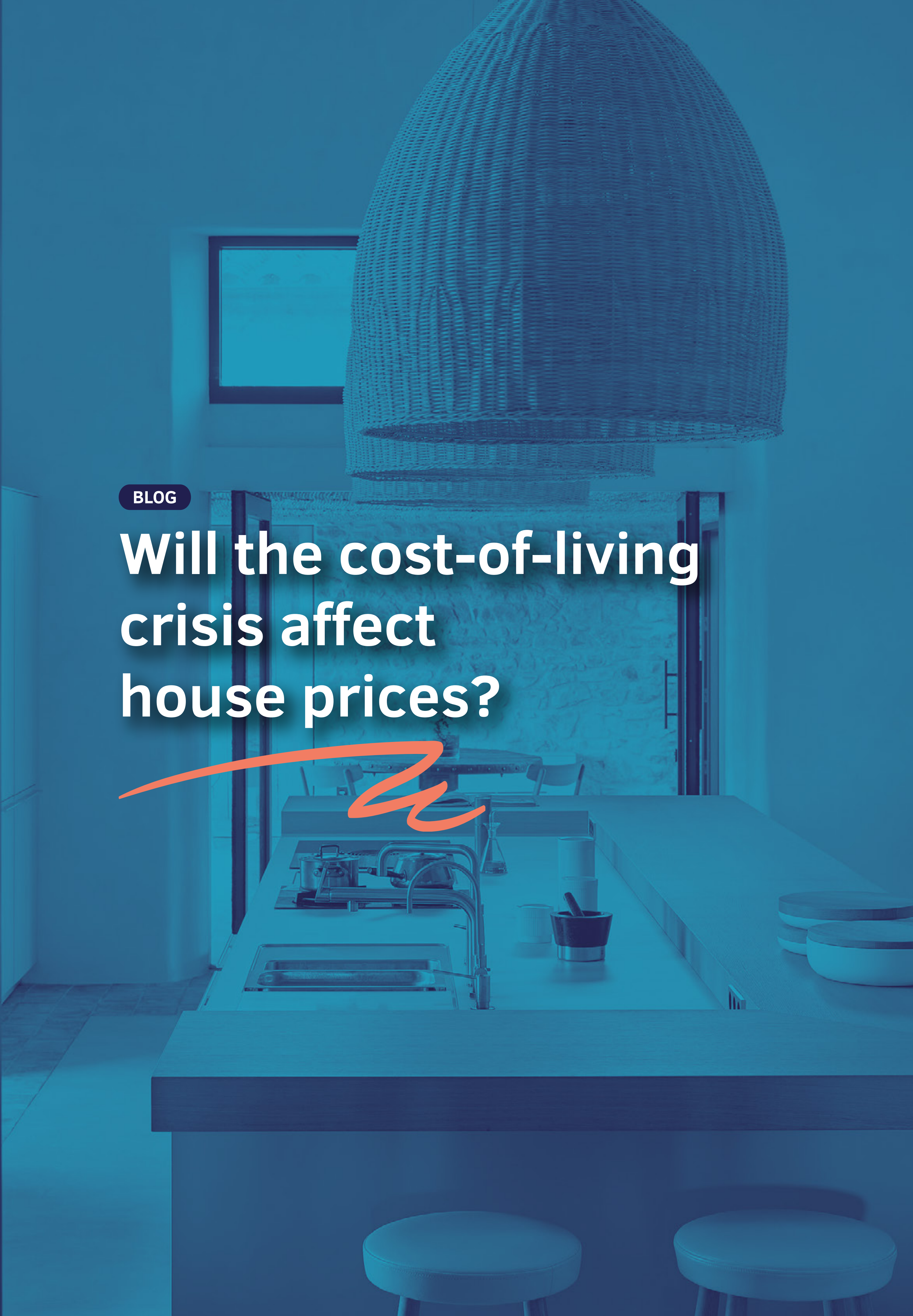
Will the cost-of-living crisis affect house prices?



There is a wealth of uncertainty at the moment, and one of the major worries for households up and down the country is the impact of the cost-of-living crisis. Everyday essentials have risen astronomically, everything from fuel to food and energy, and therefore you may have heard a variety of different opinions on what, as a result, will happen to the property market. But before you assume that the outlook for the value of your home is going to be gloomy, there may be some light ahead. We ask: will the cost-of-living crisis affect house prices?

Where are we now?

According to the Halifax, in April the average price of UK property was up 10.8% on the same month last year, and the average cost reached a record high of £286,079, which is a result of the longest run of increases since 2016. The recent property boom was fuelled by the Covid pandemic, and the first lockdown in particular, so the housing market has defied economic conditions. It isn't just Covid that has been driving house price growth but also low interest rates, the stamp duty holiday, and the desire to relocate and search for bigger homes with more space.

"Housing transactions and mortgage approvals remain above pre-pandemic levels, and the continued growth in new buyer inquiries suggests activity will remain heightened in the short-term. The imbalance between supply and demand persists, with an insufficient number of new properties coming on to the market to meet the needs of prospective buyers and strong competition to secure properties driving up prices," said Russell Galley, the managing director of Halifax.

It isn't just the cost of living that is squeezing household budgets but also mortgage rates. The gap between house prices and earnings continues to widen, reports the Office of National Statistics (ONS). With the average cost of a home in England rising from 2020 that saw 7.9 times earnings to an average of 9.1 times earnings. As a result, home buyers are struggling to find larger deposits, thus forcing many into staying in long-term rentals. Nationwide reports that seven in 10 have now put their plans on hold for at least two years.

Where are we headed?

Things have started to slow, which is confirmed by the Halifax's monthly property index which states the rate of growth in April is down from March. "Even though there is a lot of caution about the future economic landscape, it seems that limited supply available on the market, coupled with steady demand growth, are still the overriding drivers of house prices," suggests the latest RICS Residential Market Survey.

Despite this increasing financial tightening, industry experts still believe that we are not headed for a crash. At NEXA, we are not expecting house prices to fall but we do think that the rate of growth will start to stagnate. Russell Galley, the managing director of Halifax states: "The headwinds facing the wider economy cannot be ignored. With interest rates on the rise and inflation further squeezing household budgets, it remains likely that the rate of house price growth will slow by the end of this year."

There is no doubt that your finances are under pressure this year, and one thing that we know from the last couple of years is it's hard predict. Rightmove's Tim Bannister commented: "With so many variables affecting house prices and affordability, it's a reminder that the market is extremely difficult to predict, and those looking to buy will be prioritising their own needs and what they can afford rather than waiting to try and time the market."

Where to be

We understand that you may have specific questions related to your home and personal circumstances. Your local estate agent team are always available – contact us today to find out how we can help.

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The shifting property market

- **The property market is on the verge of a 'tipping point'.**
- **The rate of house price growth has started to ease with a reduction in the number of properties that will sell in the coming 12 to 18 months.**
- **Yet, rising interest rates, and the cost-of-living issues won't knock everybody out of the property market and there shouldn't be a housing bubble for two vital reasons.**

The property market is on the cusp of a tipping point. It's a tipping point that will influence house prices, the number of properties available to buy, demand for those properties and the lives of every homeowner and the property-owning buy-to-let landlords. This shift in the property market is a big deal so let us explain.

What are the two vital reasons for this shift in the property market?

First, the easy-going property market goldmine of the past couple of years will end.

The bonanza of the property market for house sellers, which was primarily fuelled by cheap money, is receding and the scales are starting to tip somewhat more in favour toward buyers (which is not a bad thing – more of that later).

Secondly, and more significantly, this shift in the property market is not a collapse.

Let us enlighten you as to why this is.

One of the key influencing factors of the property market is what people pay on their mortgages. The higher the mortgage interest rate, the higher the mortgage payments.

Mortgage rates are usually 1% to 2% higher than the Bank of England base rate. Therefore, mortgage rates are increasing on the back of higher Bank of England interest rates.

So, whilst we have seen rates rise four times in the last year, the Bank of England base rate stands at only 1%. Compare that with Bank of England base rates in the 1980s (when the average base rate was 12.63%), 1990s (when the average base rate was 8.8%) and the 2000s (when the average base rate was 4.7%). These high base rates (together with high unemployment) contributed to the woes of the UK property market crashes of the early 1990s and 2008.

From the gloomiest economist, the worst-case scenario doesn't see Bank of England base rates rising past 3%.

This means the prospect of a housing crash is minimal because of the comparatively low unemployment and base rates still at all-time lows.

What are the signs of the shift in the property market?

The statistics show a slight shift in the scales between it being a 100% seller's market for the last two years to more an 80% sellers and 20% buyer's market and here are the reasons why:-

1. The number of houses for sale has grown by 17% in six months

Nationally, the number of properties available to buy has increased by 17.07% in the last six months, rising from 389,558 in January to 456,048 by the end of May. This rise in the number of properties on the market is a crucial component of the housing market puzzle.

Before Covid, house buyers having more choice of properties to buy in the summer months would have been thought unremarkable. Yet the stark shortage of properties to buy in the last couple of years has caused national house prices to grow by 19.66%. Any growth or reduction in the number of properties for sale is significant (hence a key bellwether).

This means that buyers will have more choice of properties to buy this summer.

2. The number of properties sold in the UK has dropped 11.4% year to date 2022 vs 2021

When we say sold in this context, we mean the month the house sale price is agreed, and the sold board goes up (not on completion when the keys are handed over).

Looking at the national number of properties sold on a month-by-month basis, things have started to shift since March.

In February 2021, 111,648 houses sold (STC) in the UK compared to 117,734 for the same month in 2022. So almost identical.

Yet, March 2022 saw 15.3% fewer houses sell in the UK than in March 2021 (129,655 in March 2022 compared to 153,023 in March 2021).

April 2022 saw 20.6% fewer houses sold than April 2021 (117,737 compared to 148,228).

So, all doom and gloom? No! Not at all.

The spring months (March and April) of 2021 saw the rush for houses to be sold to beat the Stamp Duty Holiday ending in June 2021, so of course, March and April's 2022 figures would be lower.

The panic buying of March and April 2021 returned to normal levels in May 2021, meaning the number of houses sold in May 2022 was only 4.3% lower than in 2021 (131,941 in May 2022 vs 137,800 in May 2021).

3. The number of house price changes has increased by 69% since January

In January 2022, the number of house price changes was 27,063 and has been increasing steadily each month to 45,792 in May 2022, an increase of 69%. This means house sellers have to be more realistic with their pricing to get their properties sold.

Take all these things together and you can see that there are signs that the property market has started shifting more into buyers' territory yet is a long way from the traditional idea of a 'buyer's market'.

We have been in fifth gear for the last two years with extra rockets attached. We are certainly not going into reverse gear, more a drop down the gears to fourth!

We know many aspiring homeowners are waiting for house prices to fall, however, we do not foresee any large house price drops in the next few years. In essence, whilst we do believe the rate of house price growth will slow down, that does not mean it will go into reverse.

Some would ask what increasing interest rates and inflation will do to the property market?

As we've already discussed in several recent articles on our property blog, if interest rates don't go above 3.5%-4%, this will not be a game-changing issue for the property market. Most homeowners are on a reasonably long-term fixed-rate mortgage (typically 5+ years) and will be able to transfer them across to the new house purchase if they want to move.

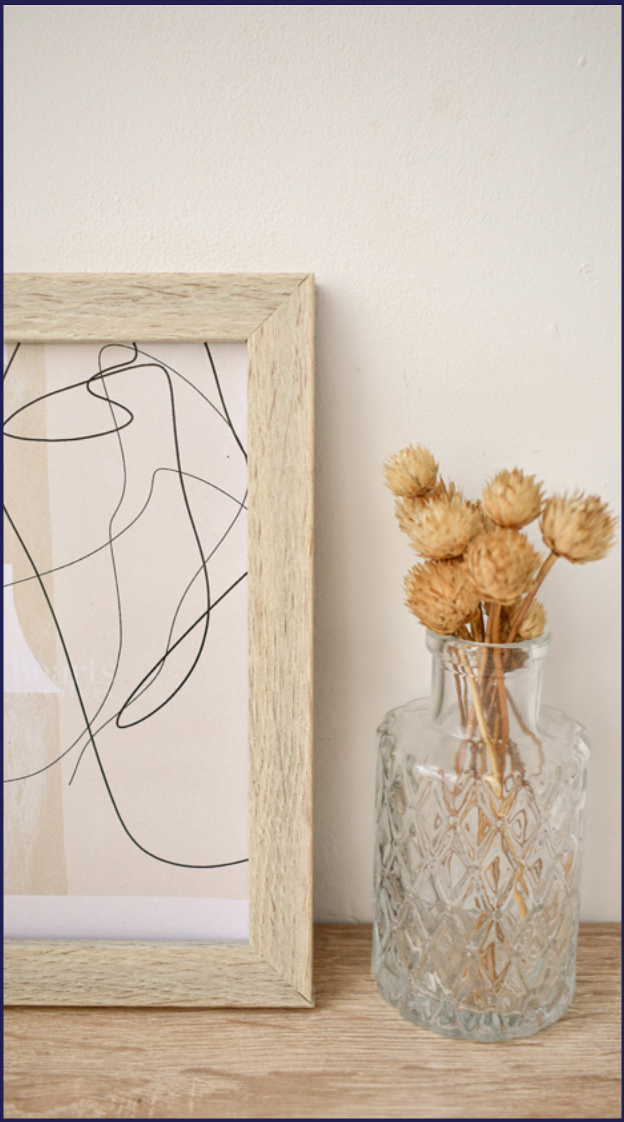
Now, of course, that won't help first-time buyers. We agree there will be fewer first-time buyers, yet these will be replaced by landlords re-entering the property market (as we discussed in a previous article a few weeks ago).

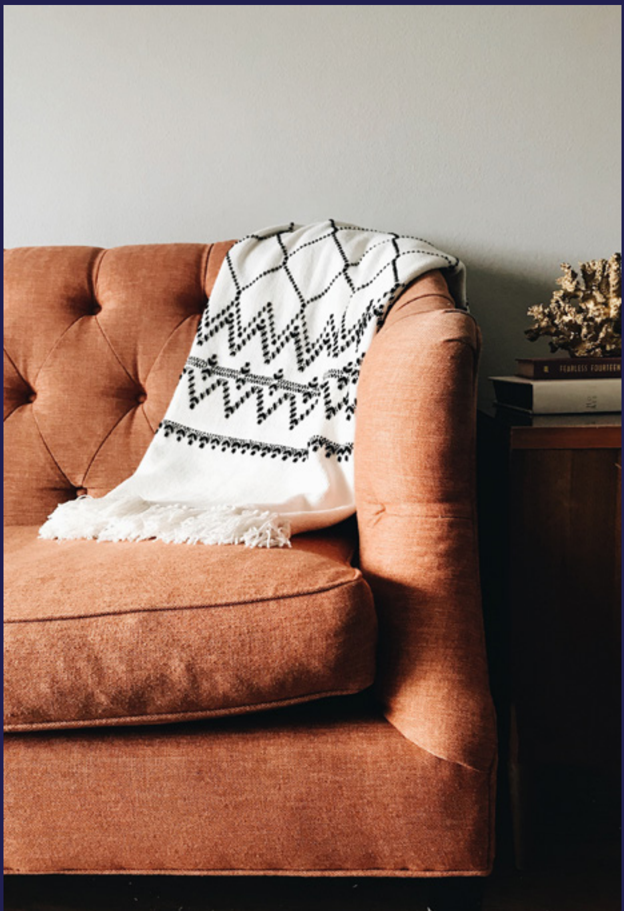
House prices will also be further protected by the effect of inflation on house prices (again discussed in a separate article about a month ago).

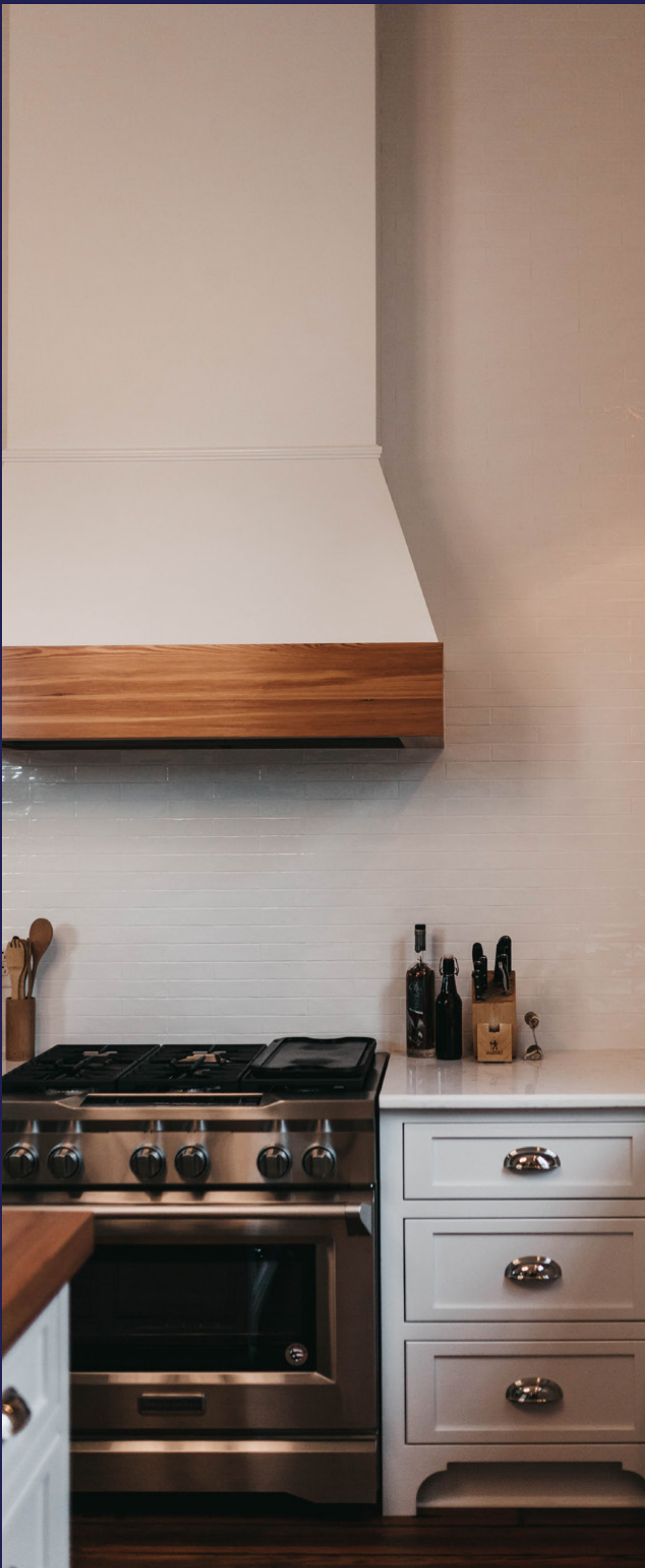
As the number of properties coming to market has increased, the choice of properties to buy has expanded. This will encourage those potential cash home buyers who have also been waiting on the sidelines (alongside the landlords) to start viewing and making offers. They, too, have not wished to get into a bidding war but patiently waited for the market to ease.

And it is for those reasons in this article (and we other recent articles mentioned above) we do not see a housing bubble on the horizon.

If you're looking to move and would like support from a local estate agent, contact our team today!







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