

UK Residential Property Market Update

February 2022

Supply continues to lag demand in first month of 2022

As we've previously examined, Covid's impact on the UK housing market looks set to linger for longer than the restrictions that have governed life for the past two years.

The chronic shortage of supply in the face of high demand, which has been driven by a pandemic-inspired race for space amongst buyers and a stamp duty holiday, shows little sign of easing.

Consequently, the robust price growth that has been a characteristic of the residential property market throughout the pandemic is yet to fade, with RICS stating "looking at house prices there seems to be no sign of the recent strong pace of growth losing much momentum".

The net balance for new buyer enquiries in the RICS January sentiment survey increased from +9 in December to +16%, the strongest reading since May 2021. At the same time, new instructions remained in

negative territory for the tenth month in a row. Although at -8% in January, it was the smallest negative reading since April 2021.

With the stamp duty holiday having ended in September, the fourth quarter of 2021 saw a record £3 billion of tax receipts collected by HMRC. This was despite a fall in transactions, which declined 12% quarter on quarter.

Such was the level of activity in the market last year that the annual tax take of £9.2 billion was the highest

£3 billion

Record residential property tax receipts in Q4 2021

Source: HMRC

from residential property since £9.5 billion in 2017, despite the tax break.

With plenty of momentum still in the system, Nationwide said annual house price growth was 11.2% in January, up from 10.4% a month earlier. This was the strongest start to the year for 17 years.

Unsurprisingly, what is available is being snapped up quickly. OnTheMarket said close to half (48%) of the residential property on the market was sold subject to contract within 30 days of being advertised for sale in January, compared with 36% in January 2021.

Despite the prospect of a series of interest rate rises and a squeeze in the cost of living, households remain confident about property prices. Current and future price expectations were up in January in the Markit Household Price Sentiment Index. Current price expectations reached 60 compared with 57 in December, while

future price expectations climbed from 65 in December to 67 in January. A score of more than 50 indicates positive sentiment, and both readings remain above their pre-pandemic levels.

Mortgage approvals for house purchase were 71,000 in December. This was an increase from 66,964 in November and close to the 12-month pre-pandemic average of 67,000.

- The official rate of house price growth in 2021 was 10.8%, according to the UK House Price Index.

Prime London Sales

January was defined by high demand and low supply in the prime London property market.

The number of new prospective buyers was 72% above the five-year average while the number of sales instructions was down by 12% in the first month of the year.

The return to more balanced conditions doesn't appear imminent. In the meantime, supply is building



Rental values have climbed to 5% above pre-pandemic levels

gradually. The number of new market valuation appraisals was 6% above the five-year average in January. That compares to an equivalent decline of 30% in January 2021 as the UK locked down.

Prime London Lettings

Rental values in London have climbed to 5% above their pre-pandemic level in March 2020.

The annual change in prime central London reached 19.8% in January, which was the largest jump since the

index began in 1995. In prime outer London, the change was 16.6%, the largest increase over the same period.

The increases are the result of a readjustment to both indices to reflect the steep nature of the rises that took place last year.

Country Market

Supply is building in the country house market after a record amount of exchanges in 2021. However, demand continues to outpace it by a significant degree, in what remains a seller's market.

While market valuation appraisals, a leading indicator of supply, were up by 6.8% in January versus the five-year average, new prospective buyers were up 41.9%.

The ratio of new prospective buyers to new instructions climbed to 18.2 in January from 10.4 in December. This is the highest that this ratio of supply versus demand has been in the Country business for nine years.

PRICE CHANGE

THREE MONTHS TO JANUARY

PCL SALES	0.5%
POL SALES	1.0%
PCL LETTINGS	1.9%
POL LETTINGS	1.8%

Q4 2021

PRIME COUNTRY HOUSE INDEX	1.7%
EDINBURGH CITY INDEX	1.8%
PRIME SCOTTISH INDEX	0.0%

Source: Knight Frank Research

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



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