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Residential Property Review

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Strong end to record-breaking year – but uncertainty ahead

As Big Ben's bongos rang out, a record-breaking year for the residential housing market gave way to an uncertain New Year.

Completed transactions to November totalled 1.36 million, which means the number of homes sold in 2021 will reach levels not seen since before the global financial crisis. Persistently high demand and constrained supply have led buyers to snap up available properties; the average number of viewings held before an offer was accepted was just 13 in November 2021, according to Knight Frank, the lowest level since December 2020.

Savills expects this heightened activity to drop off slightly in 2022. The first few months are likely to be busy given that sales agreed remained at elevated levels in November, according to TwentyCi. However, Bank of England data shows that mortgage approvals have returned to pre-pandemic levels, while the Institution for Chartered Surveyors data shows that supply has been falling since April 2021; a combination of factors which experts suggest could lead to leaner months ahead.

Government reacts to cladding crisis

The government has announced its long-awaited cladding plans in the form of a four-point plan and a three-word slogan, 'Developers Must Pay'.

The plan includes:

1. Starting the next phase of the Building Safety Fund to take dangerous cladding off high-rise buildings.
2. Pursuing companies at fault to make them fix the buildings they built.
3. Indemnifying building assessors from being sued and withdrawing old government advice on declaring buildings unsafe.

4. Promising leaseholders living in their own flats that they will face no bills for fixing unsafe cladding.

The government has warned developers that if industry fails to take responsibility, it will *'impose a solution in law.'*

Secretary of State for Levelling Up, Michael Gove, said, *"More than 4 years after the Grenfell Tower tragedy, the system is broken. Leaseholders are trapped, unable to sell their homes and facing vast bills. But the developers and cladding companies who caused the problem are dodging accountability... From today, we are bringing this scandal to an end."*

FTBs soar to 20-year high

The number of first-time buyers (FTBs) skyrocketed in 2021, with an estimated 408,379 people purchasing their first home during the year, according to Yorkshire Building Society (YBS).

This is a 35% year-on-year rise and the first time since before the global financial crisis that the number of FTBs has surpassed 400,000. Falling unemployment, low interest rates and low deposit mortgage deals have all helped to boost demand.

FTBs in high value areas also benefited from the government's Stamp Duty holiday, receiving additional relief on properties up to £500,000. Another pandemic bonus for FTBs was the larger deposits that many were able to save due to reduced expenditures during lockdowns.

Nitesh Patel, Strategic Economist at YBS, called the FTB market in 2021 *"extraordinary"* and added, *"Low borrowing costs is an important factor and the increased availability of more low deposit mortgages has also been an enabler mostly for first-time buyers."*

House prices headline statistics

House Price Index (Nov 2021)*	142.0*
Average House Price	£270,708
Monthly Change	1.20%
Annual Change	10.00%

*(Jan 2015 = 100)

- Average house prices in the UK increased by **10%** in the year to November 2021
- On a non-seasonally adjusted basis, average house prices in the UK increased by **1.2%** between October and November 2021
- House price growth was strongest in the South West where prices increased by **12.9%** in the year to November 2021.

Source: The Land Registry
Release date: 19/01/22
Next data release: 16/02/22

House prices Price change by region

Region	Monthly change (%)	Annual change (%)	Average price (£)
England	1.4%	9.8%	£288,130
Northern Ireland (Quarter 3 - 2021)	3.0%	10.7%	£159,109
Scotland	1.0%	11.4%	£182,755
Wales	-0.7%	12.1%	£199,877
East Midlands	0.4%	10.7%	£229,277
East of England	2.1%	12.3%	£336,937
London	0.2%	5.1%	£519,934
North East	1.8%	8.7%	£147,719
North West	2.3%	10.8%	£197,797
South East	0.5%	9.6%	£369,093
South West	2.5%	12.9%	£308,497
West Midlands Region	1.9%	9.8%	£230,888
Yorkshire and The Humber	1.0%	7.2%	£191,036

Average monthly price by property type – Nov 2021

Property Type	Annual Increase
Detached £428,134	13.9%
Semi-detached £261,325	11.5%
Terraced £217,340	8.0%
Flat / maisonette £223,078	5.6%

Source: The Land Registry
Release date: 19/01/22

Housing market outlook

"Looking ahead, the prospect that interest rates may rise further this year to tackle rising inflation and increasing pressures on household budgets suggest house price growth will slow considerably. Our expectation is that house prices will maintain their current strong levels, but that growth relative to the last two years will be at a slower pace. However, there are many variables which could push house prices either way, depending on how the pandemic continues to impact the economic environment."

Russell Galley, Managing Director at Halifax

Source: Halifax January 2022

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All details are correct at the time of writing (19 January 2022)

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