

# UK Housing Market Update



## House price growth slowing as demand from home-movers and cash buyers loses intensity

House prices rose by only 0.1% in July, keeping annual house price growth in double digits for the ninth consecutive month at 11.0%, according to Nationwide. But a slowing of the rate of growth continues. Three-month growth has more than halved since the start of this year, down to 1.2% from 3.8% in the three months to February.

**There is also a slowing of market activity.** Total transactions recorded by HMRC came in at 96,000 for June, 13% lower than the pre-pandemic average for the month. Mortgage approvals in June were also slightly lower than the 2017-19 average for the month, according to the Bank of England.

**Demand is also falling.** The June RICS survey reported the weakest reading of new buyer enquiries since the start of the pandemic. Demand has fallen away most rapidly in areas that have seen the greatest price growth over the last two years, such as the South West of England, according to Zoopla.

**But the supply of homes for sale remains low,** with competition still strong for quality properties. This will sustain value growth in the short term, even if the speed of growth is gradually slowing.

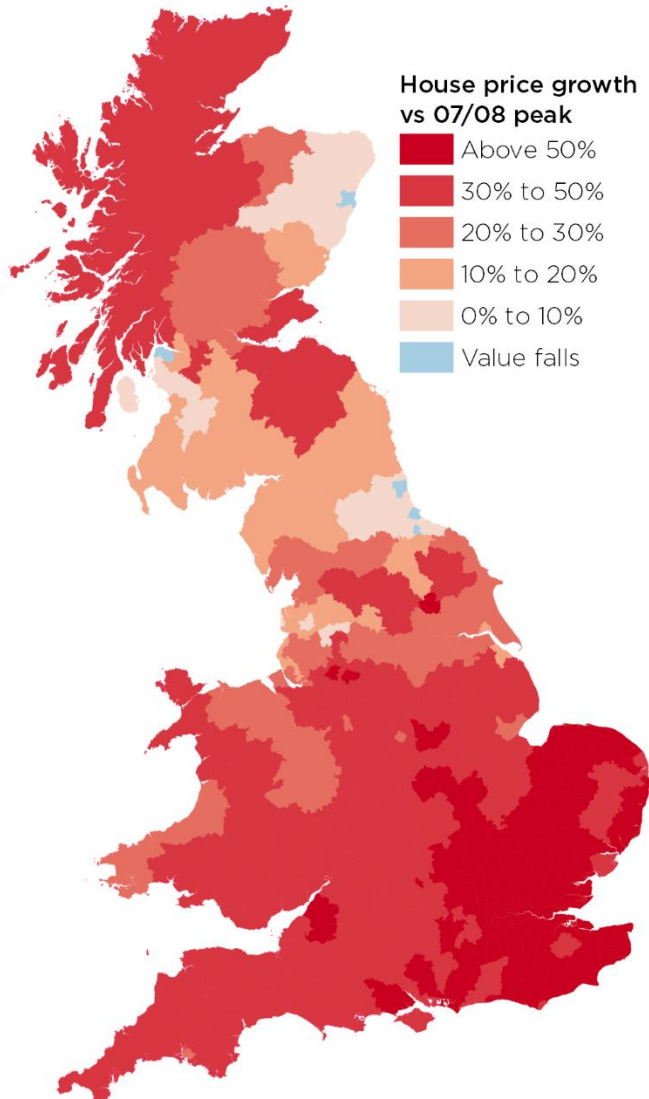
**First time buyers are making up a growing share of the mortgaged market.** Almost 31,000 new loans were granted to first time buyers in May, according to UK Finance, with their numbers holding up despite rising affordability pressures.

**Meanwhile, new mortgages for home-movers fell by 22%** in the year to May 2021, compared to their peak in September 2021 when the stamp duty holiday ended. Cash buyers have also fallen back, with their share of the total market falling to 27% since the start of 2022, from 31% in 2021 H2. Their total numbers are now back in line with the 2017-19 average.

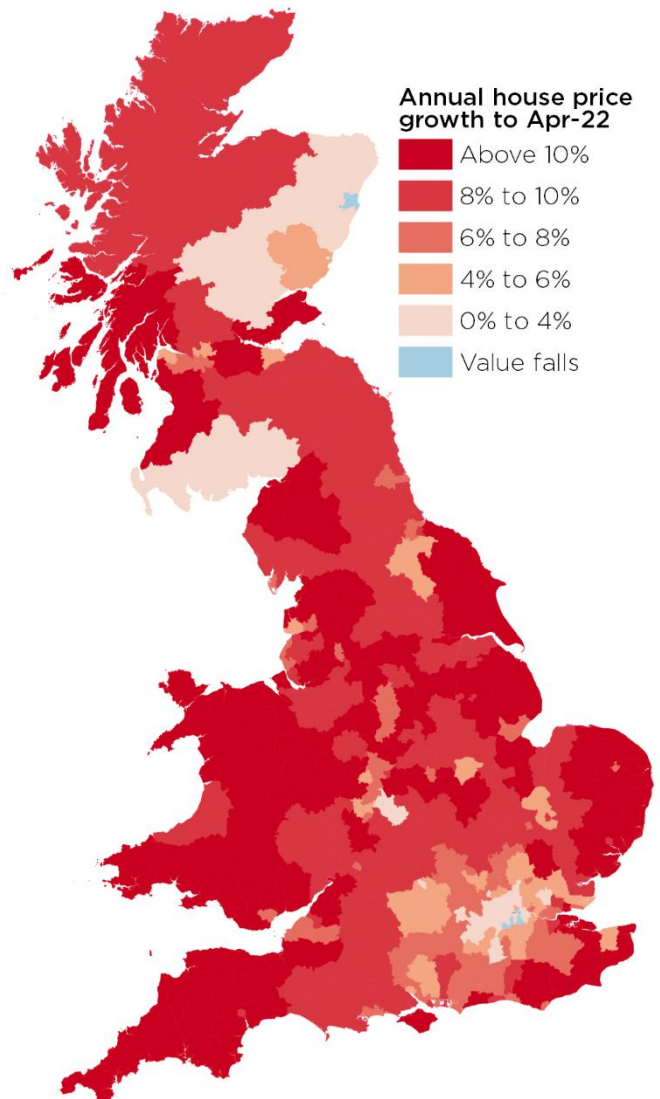
**But Buy-to-Let landlords continue to capitalise on the strength of the rental market,** with 36% more loans granted in May than the pre-pandemic average for the month.

**House price growth was strongest in Blaenau Gwent and on the Isle of Anglesey in Wales,** where prices grew on average 22.7% and 17.5% in the year to April. South Hams, on the south coast of Devon also saw values rise by 17.1%. There were small falls in Aberdeen, down 2.2% and parts of London, where the largest falls were in Lewisham, down 0.6%, and Tower Hamlets, down 0.5%.

**Figure 1** House price growth to Apr-22 since 07/08 peak



**Figure 2** Annual house price growth to Apr-22



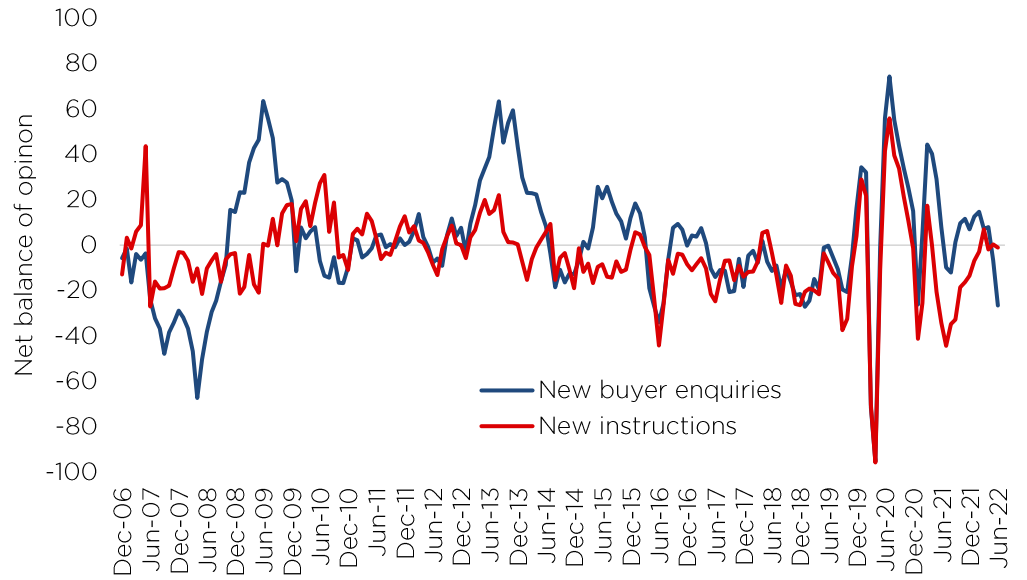
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)\*

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**Figure 3** Fall in new buyer enquiries largest since April 2020

The number of surveyors reporting falling new buyer enquiries increased sharply in June, suggesting cooling buyer demand is being felt more widely across the market. The net balance of -27 is the lowest reading since the housing market closed in April 2020.

New instructions remained flat, suggesting that the current shortage of stock is not being replenished quickly. This will support price growth in the short term, but the rate of growth will likely continue to slow.



Source RICS (seasonally adjusted)

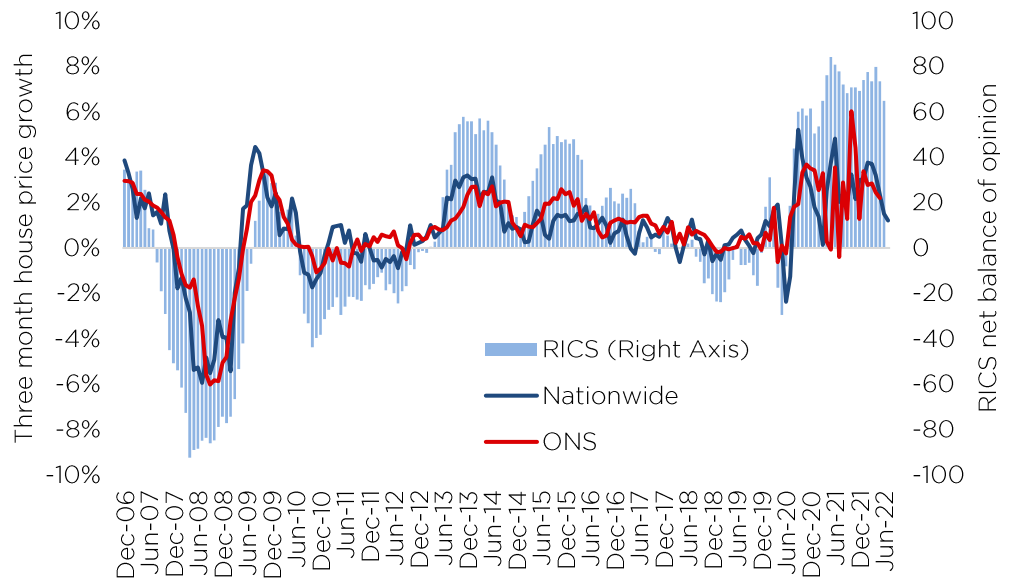
**Figure 4** Pace of house price growth is slowing

The RICS survey can be a good early indicator of house price movements, which are later picked up by other indices.

June saw a majority of surveyors report house price growth, at a net balance of +65, down from last month's +73 and the smallest majority since March 2021.

Value growth continued to slow on a three month basis according to Nationwide, up 1.2% in July compared to 1.5% in June.

The ONS index reported a three month figure of 2.2% growth to May.

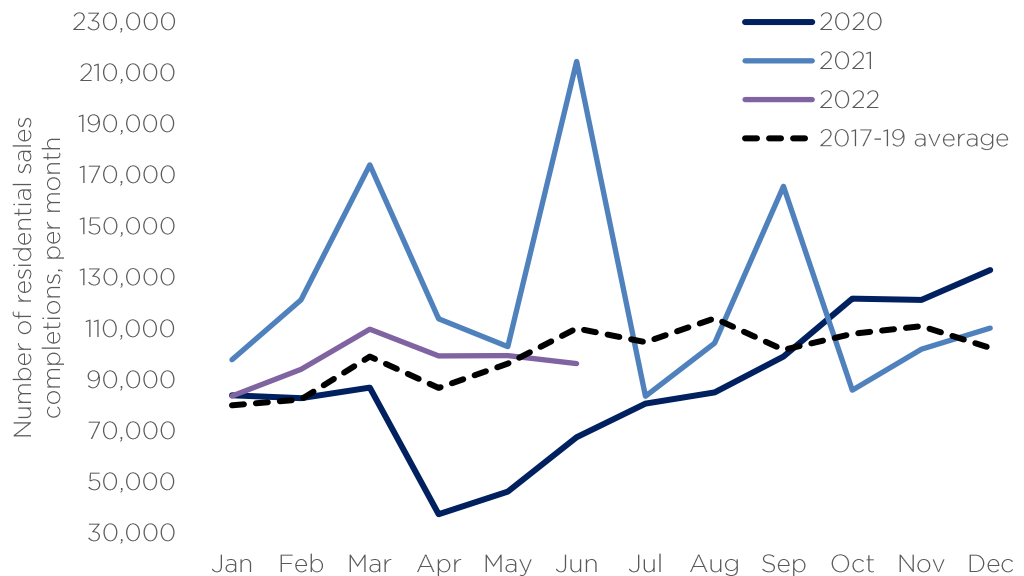


Source RICS, Nationwide, ONS (seasonally adjusted)

**Figure 5** Transactions in June were lower than pre-pandemic levels

June saw almost 96,000 homes transacted, according to HMRC. This was 13% below the 2017-19 average for the month which is the first time in 2022 transaction levels have fallen below pre-pandemic levels.

Sales agreed in June were slightly higher than normal, but mortgage approvals in June were slightly lower, suggesting transactions will track around pre-pandemic levels over the coming months.



Source HMRC

Rents grew 12.0% in the 12 months to June across the UK, according to Zoopla. This is almost six times the pre-pandemic average rate of annual growth recorded since 2012. The rate of growth picked up again at a national level, after a brief slow-down. London, the South East and Wales saw monthly, quarterly and annual growth all accelerate. This is likely a result of sustained tenant demand combined with the usual uptick in activity during the summer months.

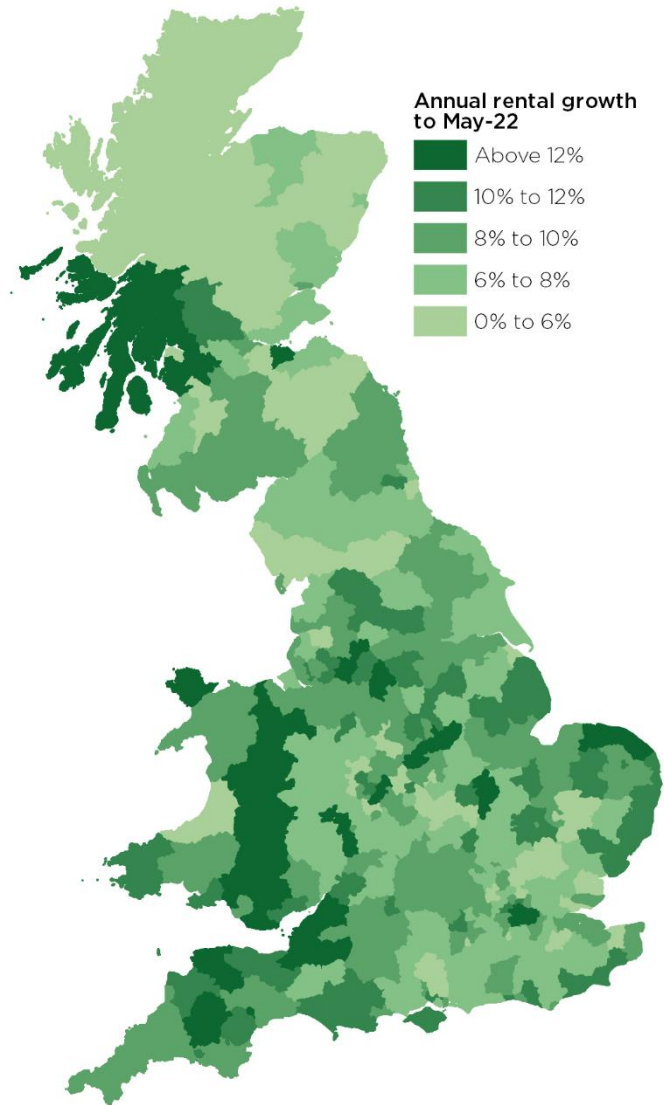
London boroughs saw the strongest annual growth to May, but over half of this has been making up for rental falls during the pandemic. The greatest rental growth since February 2020 has been in Blaenau Gwent (32.1%), Folkestone (26.1%), and Hastings (25.1%).

Table 1 Regional rental growth to Jun-22

	m/m	q/q	y/y
UK	0.8%	2.3%	12.0%
London	1.0%	2.9%	17.6%
South East	0.8%	2.0%	8.5%
East of England	0.7%	2.2%	7.5%
South West	0.6%	2.0%	10.3%
East Midlands	0.6%	1.9%	10.0%
West Midlands	0.8%	1.9%	11.3%
North East	0.1%	0.7%	7.6%
Yorks & Humber	0.8%	1.7%	10.1%
North West	0.8%	2.4%	12.0%
Wales	0.8%	2.1%	12.0%
Scotland	0.9%	3.0%	9.6%

Source Zoopla Rental Index powered by Hometrack

Figure 6 Annual rental growth to May-22



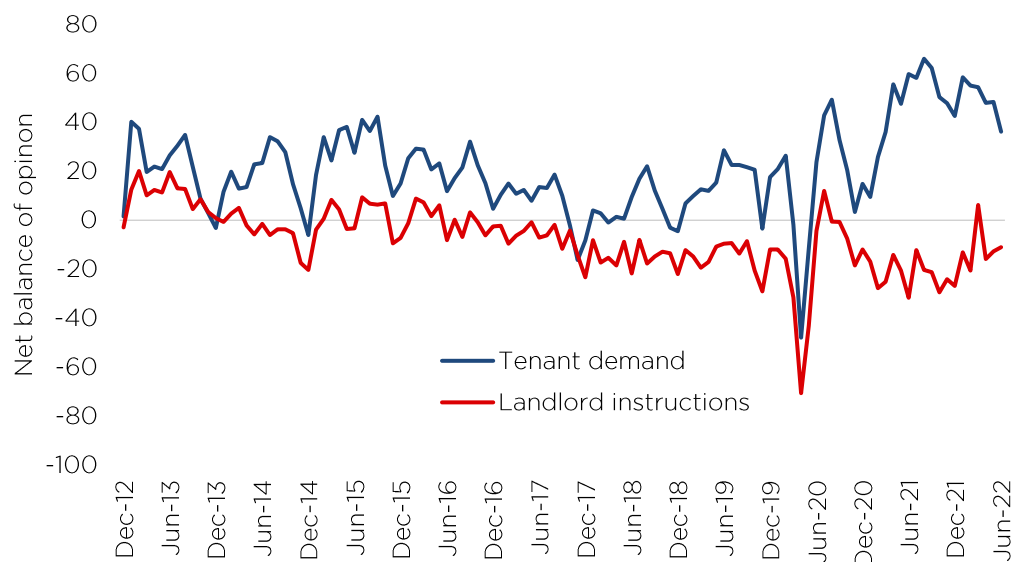
Source Zoopla Rental Index powered by Hometrack

The RICS survey for the lettings market gives a good indication of the mismatch between rental supply and demand that has underpinned rental growth across the UK.

There are some signs of this gap starting to close, but the size of the gap will maintain rental growth for the time being.

The balance of opinion on tenant demand remained well above the pre-pandemic average in June at +36. A similar number of respondents reported falling levels of rental stock coming to the market as last month, with landlord instructions at -11.

Figure 7 Demand still well in excess of supply



Source RICS

Table 2 Rental forecasts (published November 2021)

Region	2022	2023	2024	2025	2026	5 years to 2026
UK	5.5%	3.7%	3.2%	3.2%	3.0%	19.9%
London	6.5%	4.0%	3.5%	3.5%	3.0%	22.2%

Table 1 Recent house price growth

	Nationwide (Regions to Q2 2022, UK to July 2022)			ONS (to May 2022)			Savills (to April 2022)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
<b>UK</b>	0.1%	2.6%	11.4%	0.9%	2.1%	12.7%	1.0%	2.3%	8.1%
<b>London</b>	-	2.1%	5.9%	0.5%	0.8%	8.2%	0.4%	0.9%	2.3%
<b>South East</b>	-	2.0%	11.1%	0.9%	2.5%	13.5%	1.1%	2.3%	7.3%
<b>East of England</b>	-	3.0%	14.1%	2.6%	2.8%	14.7%	0.8%	2.1%	8.5%
<b>South West</b>	-	3.9%	14.6%	1.3%	4.1%	16.7%	1.1%	2.8%	9.9%
<b>East Midlands</b>	-	2.0%	11.4%	1.6%	3.7%	15.2%	1.0%	2.5%	10.4%
<b>West Midlands</b>	-	3.3%	11.8%	1.7%	3.9%	14.0%	0.9%	2.2%	9.4%
<b>North East</b>	-	3.4%	10.5%	0.2%	0.5%	9.8%	0.5%	1.5%	8.3%
<b>Yorks &amp; Humber</b>	-	2.3%	11.7%	1.8%	2.9%	12.6%	0.9%	2.2%	9.5%
<b>North West</b>	-	3.6%	13.2%	-0.1%	1.8%	11.4%	1.1%	2.3%	9.9%
<b>Wales</b>	-	2.3%	13.4%	0.4%	2.6%	14.3%	0.6%	2.4%	13.3%
<b>Scotland</b>	-	0.8%	9.4%	0.6%	1.6%	11.2%	0.4%	1.2%	7.1%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)\*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Table 2 House price forecasts (published July 2022)

Region	2022	2023	2024	2025	2026	5 years to 2026
<b>UK</b>	7.5%	-1.0%	3.0%	3.5%	3.5%	<b>17.4%</b>
<b>London</b>	3.5%	-1.0%	1.5%	2.0%	2.0%	<b>8.2%</b>
<b>South East</b>	6.0%	-1.5%	2.5%	3.0%	3.0%	<b>13.5%</b>
<b>East of England</b>	6.0%	-1.5%	2.5%	3.0%	3.0%	<b>13.5%</b>
<b>South West</b>	7.5%	-1.5%	3.0%	3.5%	3.5%	<b>16.8%</b>
<b>East Midlands</b>	8.5%	-1.0%	3.5%	4.0%	4.0%	<b>20.2%</b>
<b>West Midlands</b>	8.5%	-1.0%	3.5%	4.0%	4.0%	<b>20.2%</b>
<b>North East</b>	9.0%	-0.5%	4.0%	4.5%	4.5%	<b>23.2%</b>
<b>Yorks &amp; Humber</b>	10.0%	-0.5%	4.0%	4.5%	4.5%	<b>24.3%</b>
<b>North West</b>	10.0%	-0.5%	4.0%	4.5%	4.5%	<b>24.3%</b>
<b>Wales</b>	10.0%	-1.5%	4.0%	4.5%	4.5%	<b>23.1%</b>
<b>Scotland</b>	8.5%	-1.0%	3.5%	4.0%	4.0%	<b>20.2%</b>

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\*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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