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Residential Property Review

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Mixed signals in mortgage and housing markets

Inflation hasn't been falling as quickly as anticipated, resulting in the Bank of England coming under pressure to raise Bank Rate again in May. While lenders had priced in some interest rate rises in advance, the market reaction to inflation data released in May suggests that tolerance had been exceeded and mortgage rates reversed their downward trend.

Some lenders also pulled many of their mortgage products to reprice them. According to Savills, the number of first-time buyer (FTB) products available at the start of June was 4.4% lower than a week earlier. This is significant, but a very different picture to the 50% fall in products in the week after the mini-budget last September.

The Royal Institution of Chartered Surveyors (RICS) reported positive news that new instructions rose by a net balance of +14% of survey participants during May, breaking a run of thirteen successive negative monthly readings and representing the strongest reading for the new listings metric since March 2021.

Fewer would-be tenants fly the nest

According to new research by Hamptons, young adults are staying at home for longer to save up for their own property, with some skipping the rental market entirely and going on to buy a home instead.

The number of tenants leaving the family home has been steadily declining across the UK since 2015 when 6.1% of

tenants were first-timers – equating to 71,860 newly rented households in England. However, due to rising rental costs and the cost-of living pressures, in the first five months of 2023 that figure has fallen to 4.6% – or 43,280 new rented households in England.

Interestingly, London bucks this trend. Despite double-digit rental growth, the share of renters who have left the family home to rent in the capital has risen from 2.5% in 2022 to 3.2% so far this year. This reflects how more young adults, many of whom moved home to be with their families during the pandemic, are now moving back to the capital for work.

Latest news for FTBs

The average deposit paid by a UK first-time buyer for a three-bed home costing £240,000 is £34,500, assuming a 15% deposit, Zoopla has found. But the amount you need to save varies according to where you live in the UK and of course, the level of deposit you wish to pay.

Unsurprisingly, London is at the most expensive end of the market, where the average first home costs £425,000. And, according to UK Finance, the average first-time buyer will pay a 34% deposit to secure it - amounting to £144,500.

Rightmove has revealed the cheapest cities for FTBs, which is topped by Bradford, where the average asking price for a FTB property is £104,643. Making up the top five are Carlisle, Aberdeen, Hull and Dundee.

House prices headline statistics

House Price Index (April 2023)	150.3
Average House Price	£286,489
Monthly Change	0.50%
Annual Change	3.50%

*(Jan 2015 = 100)

- Average house prices in the UK increased by **3.5%** in the year to April 2023
- On a non-seasonally adjusted basis, average UK house prices increased by **0.5%** between March 2023 and April 2023
- The average price in London was **£533,687**.

Source: The Land Registry
Release date: 21/06/23
Next data release: 19/07/23

House prices Price change by region

Region	Monthly change (%)	Annual change (%)	Average price (£)
England	0.5%	3.7%	£305,731
Northern Ireland (Quarter 1 - 2023)	-1.8%	5.0%	£172,005
Scotland	1.3%	2.0%	£187,150
Wales	-1.3%	2.0%	£212,834
East Midlands	0.3%	4.6%	£247,634
East of England	-0.4%	3.1%	£351,468
London	2.1%	2.4%	£533,687
North East	1.8%	5.5%	£159,900
North West	0.7%	4.8%	£212,814
South East	-0.5%	3.5%	£391,766
South West	0.2%	4.0%	£327,144
West Midlands Region	0.8%	3.1%	£246,144
Yorkshire and The Humber	1.0%	4.0%	£205,523

Average monthly price by property type – April 2023

Property Type	Annual Increase
Detached £453,771	4.2%
Semi-detached £278,729	4.5%
Terraced £231,525	2.1%
Flat / maisonette £229,752	2.7%

Source: The Land Registry
Release date: 21/06/23

Housing market outlook

“The combination of high interest rates and inflation continues to be a heady mix, prompting buyers to remain hesitant. However, professional investors and landlords may find this an optimal time to add to their property portfolio, making the most of deals within the market. Despite all of these headwinds for landlords, demand for letting residential property remains high with tenants competing for limited stock.”

Emma Cox, Managing Director, Shawbrook

Source: property industry eye, June 2023

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All details are correct at the time of writing (21 June 2023)

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