YOUR RESIDENTIAL RESEARCH UPDATE

Welcome to April's residential research update, where I share insight and analysis into the data and trends currently shaping the UK property market.

The clocks have moved forward and we're already into the second quarter of the year. As we review the latest data on the UK property market, could we be seeing a spring recovery? Read on to find out about how the prime and mainstream housing markets are performing, and what this shows us.

Lucian Cook
Head of Residential Research

What's happening with house prices right now?

While undoubtedly price sensitive, our prime indices suggest the top end of the housing market has proved to be more resilient than we expected might be the case six months ago.

On average, prices of prime homes in London **moved very little** in the first quarter of this year. Meanwhile in the prime regional housing markets prices fell by a relatively modest 1.0%.

This compares favourably to what we have seen across the wider UK housing market, **with the Nationwide** reporting a 0.8% fall in prices in the month of March, leaving values 4.6% below the highs in August of last year.

Further evidence of this resilience at the top end is given by data coming from Twenty CI, which shows that, when seasonally adjusted, the number of agreed sales of £1m+ homes in the market recovered to 95% of the levels seen in the first nine months of last year during March; even after making a deduction for fall throughs.

By contrast, data from **the Bank of England** last week shows recovery in mortgage approvals in the mainstream market to be far less pronounced. While they increased by a little under 10% in February, this still left them at 43,500 – someway below the average of 66,000 pre-pandemic.

What does this mean?

This points to a market which is weighted towards buyers with cash and equity, even though we have seen mortgage markets stabilise since the hiatus at the backend of last year.

Just before the Bank of England raised the bank base rate by a further 0.25% to 4.25% on 23rd March in the wake of a surprise increase in inflation, **Moneyfacts reported** that the cost of fixed rate mortgages had hit a six-month low.

They noted that the average cost of a five-year fixed rate mortgage at a 60% LTV had fallen to 4.76%. This is well above the same time last year, therefore continues to keep a lid on mortgaged buyers' budgets. However, increased competition in the mortgage markets means the latest rate rise has been largely absorbed by lenders. And our friends at **SPF** are keen to remind us that the average headline figure is some way above what can be secured in most circumstances.

So, while it would be premature to report on green shoots of recovery in the housing market as we approach the spring, we can at least report that growing conditions have been better than expected.

We hope to expand on this in our next prime residential housing report, which will include the results of our most recent buyer and seller survey. I'd like to extend a big thank you to everyone who contributed.

If the anticipation for that release is too much for you, you may care to listen to my recent chat with Phil Spencer for Barclays Mortgage Insider, which you can find **here**.

Lucian's top picks:

Savills Blog

What do the big numbers tell us about the UK housing market?

Every year, we value the whole of the UK's housing stock to get a better understanding of how the nation's housing wealth and its distribution has changed. Read our analysis here.

Savills News

Price growth stabilises following the mini-budget dip

Following the mini-budget dip last year, markets have begun to stabilise. However, it seems that over the same period, the gap between buyer and seller expectations on price has widened.
