YOUR RESIDENTIAL RESEARCH UPDATE

Welcome to our residential research update, where we share our insights into the data and trends currently shaping the UK property market.

Prices continue to realign to a higher interest rate environment. Meanwhile, newly agreed sales moved closer to their pre-pandemic norm in February, albeit that this has required sellers to continue to adjust their price expectations.

Lucian Cook
Head of Residential Research

Prices continue to realign to a higher interest rate environment which favours cash rich buyers

Last week saw **Nationwide release its latest house price index**, which recorded a sixth successive monthly fall in the value of the average UK home. With values falling by -3.7% since August last year, annual house prices moved into negative territory at -1.1%.

Our recent webinar looked at how the top end of the market has fared against this backdrop. Hosted by Frances McDonald, Director of Residential Research, our panel of experts provided their tips for making a move this year. If you missed it, you can watch the **webinar recording here**.

Our analysis shows that prices fell in the early part of this year after a three-year period during which the aggregate value of all of UK housing stock rose by a staggering £1,655 billion; to a thumping £8,679 billion. This left owners of that property with over £7,000 billion of net housing wealth for the first time.

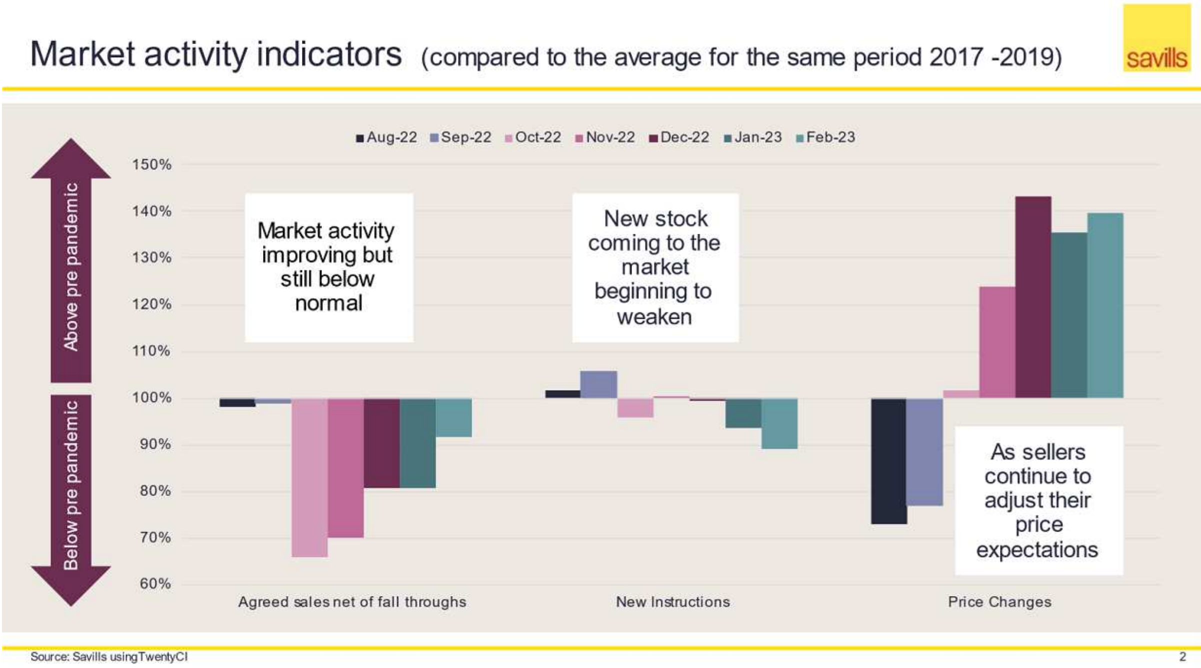
Latest mortgage approval numbers from the Bank of England

Last week also heralded the release of the **latest mortgage approval numbers from the Bank of England** in their eagerly awaited Money and Credit report. Although the December figure was revised upwards, approvals for house purchases fell to 39,600 during January, well below the preceding 6 month average of 57,800.

How does this compare to last year?

These numbers primarily reflect prevailing costs of mortgage debt that are significantly higher than a year ago, despite much greater stability in the mortgage market (after a tumultuous last quarter of 2022).

Meanwhile, as the electrifying chart below shows, figures coming out of TwentyCI show that newly agreed sales moved closer to their pre-pandemic norm in February, albeit that this has required sellers to continue to adjust their price expectations.



What does this mean for buyers?

Zoopla detail similar trends. If anything, they suggest demand is a little stronger than pre-pandemic, but they also report that buyers have had to discount their asking price by an average of 4.5% to achieve a sale.

Much of the data points to a market that favours older, cash-rich buyers over younger households with a greater requirement for debt. This has prompted me to look at the relative buying power of different age groups in a higher mortgage rate environment. You can learn about this and what it may mean for different parts of the market **in my latest blog**.

The extent to which improvements in activity levels can be sustained into, and throughout, the spring will (to a greater or lesser degree) be dictated by the next move of the MPC on bank base rate.

The members next meet on the 23 March, a day after the publication of all important inflation statistics for February, which themselves come a week after Budget Day. That suggests there will be no shortage of material for our next market update.

Lucian's top picks:

Webinar

Watch: Tips for moving in 2023

Frances McDonald and our panel of property experts discuss tips for those looking to make a move in 2023.

Savills Blog

Where are Britain's £1 million hotspots?

We map the country's top spots for £1m homes.
