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Residential Property Review

February 2023



Housing market continues slowdown

According to the latest UK Residential Survey from the Royal Institution of Chartered Surveyors (RICS) new buyer demand, sales, fresh listings and prices are all on a downward trend.

January saw the ninth successive negative monthly reading for new buyer enquiries, with contributors to the survey in all parts of the UK reporting either a fall in demand or stagnation in enquiries. Alongside this, respondents continued to see a drop in the volume of fresh listings coming onto the sales market.

RICS report that twelve-month price expectations remain firmly negative, with a headline net balance of -40%. However, this is less downbeat than readings of -61% and -57% posted in November and December respectively.

Separate figures from the Bank of England show net borrowing of mortgage debt by individuals decreased from £4.3bn in November to £3.2bn in December and mortgage approvals dropped from 46,200 to 35,600 in the same period, the lowest since May 2020.

Energy-efficient homes hold value

Home buyers are increasingly factoring in energy costs when making homebuying decisions, resulting in energy-efficient homes outperforming other properties during the current market slowdown.

Six out of 10 estate agents said homes with high energy-efficiency ratings were holding their value, according to Zoopla. Four out of 10 said they were seeing more interest in energy-efficient homes from potential buyers.

The government's Energy Price Guarantee has kept bills lower over the winter months but the guarantee will change in April when the average annual bill for gas and electricity is expected to jump to around £3,000.

If you're selling or renting a property, it's a legal requirement to have an up-to-date EPC rating. A is the most efficient EPC rating and G is the least efficient. While 80% of new-build homes have an EPC rating of A or B, only 3% of older properties have a rating this high.

Cost of renting soared in 2022

Research by Zoopla has found that rent increases in 2022 were at their highest level for the last decade. In December, the UK average rent was £1,118 per month which is 11.5% or £120 higher than a year previously.

The average monthly rent in London was £1,976 and the capital also saw the highest rent increase in the UK with annual growth of 16.1%. Rents also soared in other major cities such as Manchester (£977 per month and 14.8%), Glasgow (£844 per month and 13.1%) and Edinburgh (£1,130 per month and 12.7%).

The soaring cost of renting has caused many tenants to move to cheaper regions. In particular, London tenants have been leaving the capital in record numbers. Hamptons Lettings Index found that 40% of renters moving home in London last year chose to leave the capital, up from just 28% a decade ago. This equated to 90,370 households, with the numbers doubling since 2012. Hamptons expect the number of renters leaving the capital to continue rising for the foreseeable future.

House prices
headline statistics

House Price Index (December 2022)	154.4
Average House Price	£294,329
Monthly Change	-0.4%
Annual Change	9.8%

*(Jan 2015 = 100)

- Average house prices in the UK increased by **9.8%** in the year to December 2022
- On a non-seasonally adjusted basis, average UK house prices decreased by **0.4%** between November and December 2022
- House price growth was strongest in the East Midlands where prices increased by **12.3%** in the year to December 2022.

Source: The Land Registry
Release date: 15/02/23
Next data release: 22/03/23

House prices
Price change by region

Region	Monthly change (%)	Annual change (%)	Average price (£)
England	-0.2%	10.3%	£315,119
Northern Ireland (Quarter 4 - 2022)	-0.5%	10.2%	£175,234
Scotland	-2.9%	5.7%	£187,224
Wales	0.7%	10.3%	£222,402
East Midlands	0.5%	12.3%	£256,159
East of England	-0.8%	9.9%	£363,779
London	0.0%	6.7%	£543,099
North East	-0.5%	11.7%	£163,731
North West	-0.1%	12.2%	£221,101
South East	0.4%	10.1%	£404,229
South West	-1.8%	8.9%	£330,601
West Midlands Region	0.0%	10.7%	£256,206
Yorkshire and The Humber	0.6%	11.8%	£214,773

Average monthly price by
property type – December 2022

Property Type	Annual Increase
Detached £463,108	10.5%
Semi-detached £286,413	11.2%
Terraced £241,147	9.7%
Flat / maisonette £233,400	6.4%

Source: The Land Registry
Release date: 15/02/23

Housing market outlook

"We expected that the squeeze on household incomes from the rising cost of living and higher interest rates would lead to a slower housing market, particularly compared to the rapid growth of recent years. As we move through 2023, that trend is likely to continue as higher borrowing costs lead to reduced demand. For those looking to get on or up the housing ladder, confidence may improve beyond the near-term. Lower house prices and the potential for interest rates to peak below the level being anticipated last year should lead to an improvement in home buying affordability over time."

Kim Kinnaird, Director at Halifax Mortgages

Source: Halifax January 2023

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All details are correct at the time of writing (16 February 2023)

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