

7th October 2022

DATA: Halifax reported UK house price growth of 9.9% in year to Sept

Their [release](#) reported a small (0.1%) fall in house prices during the month, with the annual rate of change falling slightly to 9.9% from 11.4% the previous month.

DATA: Bank of England reported further rises in quoted mortgage rates

See Chart of the Week for more detail.

POLICY: DLUHC invites applications for Investment Zones

A question about where the potential zone was located in a National Park, AONB, SSSI, etc raised concerns about the process but the Secretary of State [clarified](#) on Twitter that this was to prevent zones being located in these areas.

REPORT: JRF published Poverty in Scotland 2022 report

The report warns that “Nearly one in five households on low incomes in Scotland have gone hungry and cold this year, even before we enter the winter months” and recommends “The UK Government must immediately uprate all means-tested benefits by the current rate of inflation, rather than waiting for April”.

REPORT: BoE paper on Covid house price rises and household preferences

Their analysis suggests “just under 50% of the total growth in housing prices observed since the start of the pandemic can be explained by shifts in household preferences, especially around property type and location”. It also suggests “around 38% of the increase in housing prices was consistently associated with an increase in households’ marginal valuation of houses over and above the valuation of flats”.

REPORT: BoE paper on subsidised flood insurance and real estate markets

The research investigated the effects of a “reinsurance scheme which lowers insurance premiums for at-risk properties” and they found “the introduction of this scheme increases prices and transaction volumes of flood-prone properties. This fully offsets the negative direct effects of flooding on property prices, with high-income areas and high-value properties benefiting relatively more”.

REPORT: Savills reported on housing supply and demand in London

They warn the “End of Help to Buy and wider political and economic headwinds points to changing buyer mix in the next five year” while “The greatest shortfall is below £450 psf and affordable”.

REPORT: Knight Frank revise house price forecasts downwards

They now predict UK house prices to fall 5% in both 2023 and 2024 before returning to growth in 2025. House prices in “Prime Central London” are predicted to fall 3% next year with no growth in 2024.

Chart of the Week

Today’s Bank of England’s data on average quoted mortgage rates shows they had again increased rapidly across all loan-to-value ratios and fixed-rate periods in September. However, the very high mortgage rates reported in recent days by [Moneyfacts](#) will likely push these figures even higher in the next release.

Alongside the big increase in borrowers choosing fixed-rate mortgages during recent years, there has been an increase in them choosing five-year fixed-rate periods rather than two-years (Fig 1 in July’s market commentary [highlighted](#) this trend). One of the reasons for this has been the reduction in the mortgage rate margin between two-year and five-year fixes. Following the financial crisis, a five-year fix became much more expensive than a two-year one but recent years have seen the margin narrow. As rates approached record lows, there was also, perhaps, less incentive to take out a shorter fixed-rate period in the hope that rates would fall further. In recent months it is become cheaper to take out a five-year fix than a two-year one. This last occurred in September 2008.

Cost of Longer Fixed-Rate Periods Compared to Two-Year Fixed Rate

Source: Bank of England Quoted Mortgage Rates

