

12th December 2022

DATA: Rightmove reported asking prices rose 5.6% in the year to December

This was lower than the 7.2% reported last month. They forecast “prices will drop by an overall average of 2% next year as a multi-speed hyper local market emerges, with some locations, property types and sectors faring much better than others”.

DATA: Halifax reported a 2.3% monthly fall in house prices in November

The annual rate of change fell from 8.2% in October to 4.7% in November.

DATA: ONS reported monthly GDP rose 0.5% in October

This left GDP unchanged since August and 0.2% lower than the pre-pandemic peak in January 2020.

DATA: BoE reported small falls in quoted mortgage rates in November

Two-year fixed rates fell to just below 6% while five-year fixed rates fell to 5.5%. Two-year variable rates rose to 3.9% (3.2% previously).

POLICY: DLUHC published changes to the Levelling Up and Regen Bill

The Ministerial Statement [promises](#) to “instruct the Planning Inspectorate that they should no longer override sensible local decision making” and ends the obligation to maintain a five-year land supply (see Lichfields’ [blog](#) for more on this). There’s the usual promise to prioritise brownfield land and penalties for “slow developers failing to build already-approved homes” – this could get interesting if the market slows next year. The SoS has also [asked](#) the Competition Markets Authority (CMA) to undertake a housebuilding market study though hopefully the CMA have a better understanding of housebuilding data than when they looked at the NHBC and the market for new build warranties in 2017.

POLICY: FCA published reminder of support available for mortgages

The most important advice is to contact your lender as soon as possible. Possible options include mortgage term extensions (though these help those with shorter terms most) and moving to interest only (usually only temporarily) – see Chart of the Week for more on this. They also remind borrowers that if you switch to a new rate with your existing borrower then you shouldn’t usually have to pass an affordability check.

REPORT: Public Accounts Committee on The Affordable Homes Programme

The report warns “The Department does not focus support to local authorities with the highest housing needs” and it is “unlikely to meet its housebuilding targets – falling short by 32,000 homes from its original 2016 and 2021 Programme targets”. It is also “set to miss its targets to deliver 10% of homes in rural areas and may struggle to deliver 10% of homes as supported homes”.

REPORT(PDF): RICS published November residential market survey

They report “Indicators on buyer demand, agreed sales and new instructions remain negative” and “National house prices begin to fall” with “Both price and sales expectations point to these trends being sustained over the near-term”.

REPORT(PDF): Hometrack published December rental market report

They report “Rental inflation is 12.1% per annum, well ahead of earnings (6%)” and there’s “No sign of a slowdown due to chronic supply/demand mismatch” as “Demand is 46% above average while total supply is 38% lower”.

REPORT: UK Finance published Household Finance Review for Q3 2022

The report shows over half of first time buyers who took out a mortgage in Q3 had a term of more than 30 years while the average income for first time buyers in Q3 was “a shade under £60,000, 17 per cent up on the same quarter last year”.

REPORT: UK Finance published mortgage market forecasts

They predict the number of residential property transactions to fall to 1,009,000 next year and the value of gross mortgage lending to fall by 15%. The value of mortgage lending to homeowners buying a home is forecast to fall 23% next year while lending to landlords buying a property is expected to fall 27%. Mortgage arrears and predicted to increase 23% while possessions will rise 78% (from a very low base).

REPORT: Resolution Foundation reported on upgrading the housing stock

They report “Homes with poorly insulated walls are ubiquitous, but there are also pockets of acute need. 64 per cent of homes in London, and more than 40 per cent in other core cities, have poor or very poor walls”.

REPORT: CSJ reported on planning reform and affordable homes

The report calls for the government to “Make sure it delivers on its promise of more affordable housing”, “Set stronger requirements for local authorities to increase (and at least maintain) levels of affordable housing supply” and “Ringfence the Infrastructure Levy for affordable housing and community infrastructure delivery”.

REPORT: Crisis reported on homelessness during a cost of living crisis

They report “Unaffordable and precarious housing were key drivers of interviewees’ homelessness” while “outgoings were increasing at a higher rate than their income” for those facing homelessness”. It also warns: “It was common for interviewees to talk about sacrifices like skipping meals or avoiding turning on their heating”.

Chart of the Week

A temporary shift to interest only mortgage repayments could be a significant safety net for existing mortgage borrowers in coming years. MLAR data for Q2 2022 showed 83% of outstanding regulated mortgage balances were on repayment terms – borrowers paying off both capital and interest. As the chart below shows, the current spike in mortgage payments under a 5% rate (dotted lines) would take payment affordability to levels last seen prior to the last two market downturns. However, shifting to interest only payment terms would reduce the cost back down to levels seen in recent years. Unfortunately, this can only be a temporary solution as the borrower would eventually need to resume capital repayments at a higher level or extend their mortgage term – if their age allows them.

Mortgage Payments as % of Income – Capital/Interest & Interest Only

Source: BuiltPlace calculations using BoE, ONS

