

THE **PROPERTY** **MARKET**

A REVIEW OF THE KEY TRENDS IN THE
NATIONAL AND LOCAL HOUSING MARKET.



WALES

Analysis by Dataloft | Winter 2022

MARKET RECALIBRATION

SALES



↑9.5%

UK House prices

£269,003 September 2021 vs
£294,559 September 2022



↑38.0%

Property sales

78,600 October 2021 vs
108,480 October 2022



↓15.1%

Mortgage approvals

69,489 October 2021 vs
58,977 October 2022



↑2.3%

New private homes completions

62,088 Q2 2021 vs
63,509 Q3 2022



↑45.7%

Gross mortgage lending

£19.3bn* October 2021 vs
£28.2bn* October 2022

Source: ONS, HMRC, Bank of England, DLUHC, HomeLet
*Figures rounded to nearest £0.1bn

Price moderation and a sales slowdown are likely over the coming months but should be considered in the context of economic history, the frenzied post-pandemic market and the longer-term outlook.

The market in context

The Autumn Statement provided a sobering assessment of the UK economy, but forecasts for the housing market are less dramatic than during 1989–1993 and the Global Financial Crisis in 2007/8. Inflation is expected to peak during the final quarter of 2022 before falling back over the course of 2023, and unemployment looks likely to remain lower than the 10-year average (5.3%)¹. The Global Financial Crisis, caused by banks lending more than borrowers could afford to pay, led to the more stringent mortgage lending criteria imposed since 2014. Today, only an estimated 4.2% of homeowners have less than 10% equity in their home².

¹Dataloft, ONS, Office for Budget Responsibility, 10-year average 2010–2019, ²JLL

Price correction

Property price growth is moderating and price correction is forecast. At 7.2% in the year to October, annual price growth remains considerably stronger than the 3.3% average between 2010 and 2019³. Since June 2020, average property prices have risen by close to £50,000, the equivalent of 24%, with lockdown and lifestyle changes spurring the market. Single-digit price correction is predicted for 2023/2024 before price growth is anticipated to return in 2025⁴. With almost one in three movers 'needs-based'⁵, such buyers will present sales opportunities.

³Dataloft, Nationwide, ⁴Office for Budget Responsibility, ⁵Dataloft, Property Academy, Home Moving Trends Survey, 2022. Over 10,000 surveyed.

Rises and cuts

The Autumn Statement confirmed a raft of spending cuts across Whitehall and tax rises through changes and freezes to tax thresholds. At 5.7% in the year to September, wage growth is at its fastest in over 20 years, but the conflict in Ukraine continues to impact energy costs and food prices, and a package of measures remains to support the most vulnerable. Expectations for interest rates, gilts and swap rates are up to 1% better than in the immediate aftermath of the 'Growth Plan', although mortgage rates of 5% to 6% will be usual for those seeking to purchase or remortgage⁶.

LETTINGS



↑10.6%

Average rents
October 2021 vs
October 2022



£1,171

Average monthly
rent across the UK
October 2022

c30%

Proportion
of property
sales cash
purchases

UK HPI

Rent increases

Demand for quality rental housing continues across the UK. A shortage of stock and additional demand from prospective buyers, who may well rent in the short term as opposed to buy, continues to fuel prices. Average rents in the UK rose again in October to £1,171. Excluding London, average monthly rents now stand at £976. Annual rental growth in Scotland has doubled in the past year, with emergency legislation passed by the Scottish Government to freeze rents and evictions for both the private and social rented sectors until at least 21 March 2023⁶.

⁶Cost of Living (Tenant Protection) (Scotland) Act 2022



2023 will inevitably prove a very different housing market to 2022 but there will still be buyers who need to buy, and sellers who need to sell. Over the longer term, forecasts for growth remain positive.

IAIN MCKENZIE
CEO, THE GUILD OF PROPERTY
PROFESSIONALS

CALCULATING ENERGY COSTS

What costs watt?



£1.02 (20 mins)

£0.51 (10 mins)

Electric shower



£1.07 (1hr 30 mins)

£0.36 (30 mins)

Washing machine



£1.63 (24 hrs)

£0.51 (7hrs 30 mins)

PC or desktop computer

Source: citizensadvice.org.uk

Calculating energy use

The average household uses 1,000kWh of gas and 241kWh of electricity per month¹, but being smarter and more efficient with energy is everyone's goal this winter. Smart meters are helping many keep track of their spend, and it is possible to estimate how much energy any appliance uses, by multiplying its power rating in kW by how long (minutes/hours) it is on.

Turn down, turn off

Alongside heating, the most expensive home appliances are often electric showers, washing machines and tumble dryers. Cutting down on shower time, ensuring loads are full, and using a lower temperature and/or a shorter cycle can all help. Although computers, TVs and stereos are less energy-guzzling, turning appliances off standby mode and not leaving laptops or mobile phones on charge unnecessarily will all save money.

Food glorious food

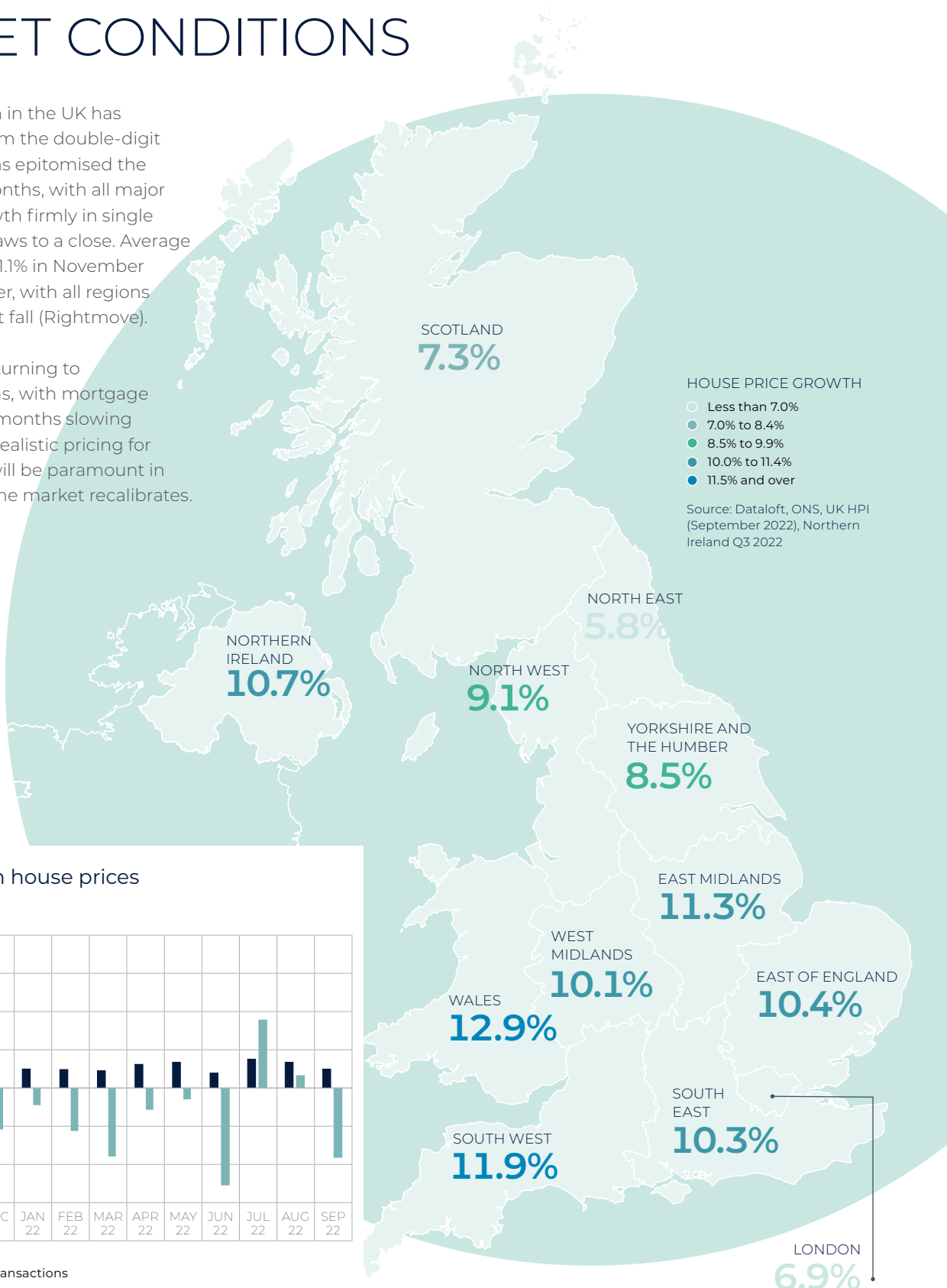
Air fryers and slow cookers are considered the most energy-efficient ways to cook, while a microwave uses up to 80% less energy than a conventional oven. Induction hobs use energy more efficiently than a gas or electric ceramic hob; traditional ovens are considered the costliest way to cook. An energy-efficient (A-rated) fridge-freezer could save close to £70 a year compared to one rated D².

¹Ofgem based on household of 2.4 people using 12,000kWh for gas and 2,900kWh electricity per year, ²Confused.com

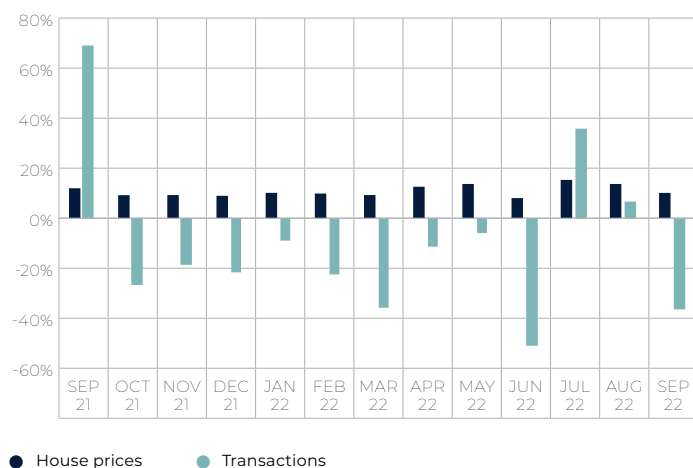
NATIONAL MARKET CONDITIONS

Annual price growth in the UK has moderated back from the double-digit price growth that has epitomised the market in recent months, with all major indices placing growth firmly in single digits as the year draws to a close. Average asking prices fell by 1.1% in November compared to October, with all regions experiencing a slight fall (Rightmove).

Buyer demand is returning to pre-pandemic norms, with mortgage approvals in recent months slowing (Bank of England). Realistic pricing for market conditions will be paramount in achieving a sale as the market recalibrates.



Annual change in house prices and transactions



Source: Dataloft, HMRC, ONS, UK HPI (September 2022)

REGIONAL ACTIVITY

WALES

2022 is set to be the busiest market since 2017, with the exception of 2021. Zoopla estimates there are around 293,000 sales currently in the pipeline to be completed before the end of the year. Sales volumes are predicted to be around 1 million in 2023, a level more on par with the pre-pandemic norm (Zoopla, JLL). October saw a 13% uptick in new supply to the market compared to a year ago, although stock levels remain low by historic standards (RICS).

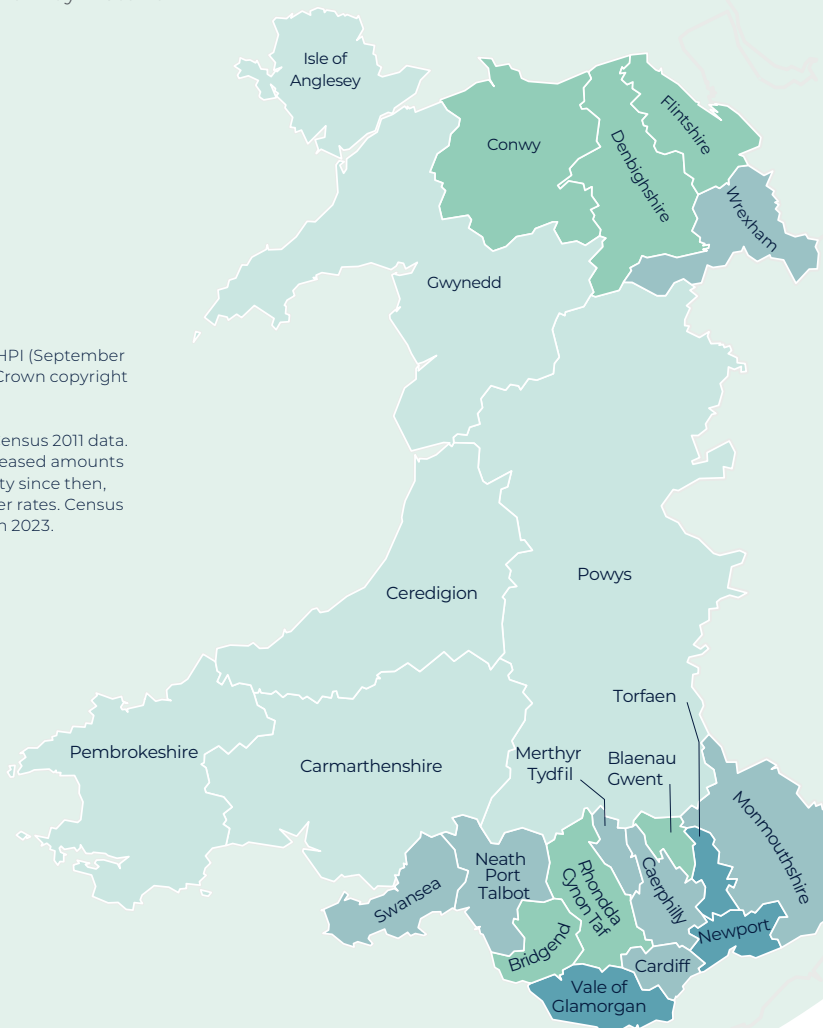
Across Wales the time taken to sell a property has nudged upwards over the past month. However, at 43 days it remains considerably less than 64 days in October 2019 (Rightmove). Newport and Torfaen are currently the most active property markets in the region.

% OF PRIVATE STOCK TURNOVER

- Less than 3.5%
- 3.5%–3.74%
- 3.75%–3.99%
- 4.0%–4.24%
- 4.25%–4.49%
- 4.5% and over

Source: Dataloft, ONS, UK HPI (September 2022) Contains OS data © Crown copyright and database right 2016.

N.B. Stock levels relate to Census 2011 data. Some areas have seen increased amounts of new development activity since then, which will enhance turnover rates. Census 2021 data will be released in 2023.



Sales volumes likely to return to pre-pandemic levels in 2023

20.4%

Merthyr Tydfil

Current annual rate of price change (%)

Source: Dataloft, ONS, UK HPI

Current annual rate of price change (%)

RANK		CURRENT ANNUAL RATE OF PRICE CHANGE (%)	AVERAGE HOUSE PRICE
1	MERTHYR TYDFIL	20.4	£157,491
2	DENBIGHSHIRE	18.6	£210,387
3	NEATH PORT TALBOT	18.2	£166,871
4	BLAENAU GWENT	17.9	£135,888
5	RHONDDA CYNON TAF	17.5	£160,681
6	CAERPHILLY	17.1	£190,609
7	PEMBROKESHIRE	16.7	£248,315
8	VALE OF GLAMORGAN	16.6	£315,039
9	POWYS	16.4	£262,407
10	CEREDIGION	15.1	£262,535
11	MONMOUTHSHIRE	14.9	£363,949
12	SWANSEA	14.6	£198,801
13	TORFAEN	13.9	£202,890
14	BRIDGEND	13.9	£207,983
15	FLINTSHIRE	13.3	£218,539
16	CARDIFF	13.1	£267,573
17	CONWY	12.7	£221,492
18	WREXHAM	12.5	£208,886
19	CARMARTHENSHIRE	12.5	£207,028
20	ISLE OF ANGLESEY	12.0	£246,404

Source: Dataloft, ONS, UK HPI (September 2022)

9%, 9%, 9%

Average property prices are expected to end the year 9% higher than where they started, but this growth is set to be countered by a 9% fall in property prices over the course of 2023/2024. House price growth of 9% is then expected over the course of 2025 to 2027¹. While such predictions will undoubtedly impact the market, almost one in three movers are 'needs-based', prompted by personal circumstances and job changes. These people will still need to buy and sell property.

1 in 3

1 in 3 moves 'needs-based'

Source: Dataloft, Property Academy Home Moving Trends Survey, 2022. Over 10,000 surveyed.
¹Office for Budget Responsibility

Census 2021

The decade to 2021 saw the population of England and Wales grow by 3.5 million and the number of households by 1.4 million.

In Wales the number of households and the population both increased by over 44,000. Early 2023 will see the release of new census information reflecting how the number of private dwellings in the country has changed.

3.4%

Increase in number of households (Wales) 2011-2021

Source: Dataloft, Census 2011, Census 2021



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Analysis by Dataloft

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Date of publication: December 2022
Analysis, editorial, design, graphics and charts by Dataloft.