THE END *OF* *THE* CYCLE

MARKET INSIGHT ::: FORECAST EDITION ::: AUTUMN 2021

Hamptons

THE HOME EXPERTS

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EXECUTIVE SUMMARY

Aneisha Beveridge
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The housing market has confounded all expectations and forecasts over the last 18 months. The level of confidence has exceeded even the most optimistic of forecasters.

Back in the Autumn of 2020, such were the challenges that we could not have envisaged the extraordinary demand for relocation seen this year. At that time the UK was in the depths of economic crisis, with a Brexit trade deal yet to be agreed – and no Covid-19 vaccines.

But there has been a huge attitudinal change towards property which cannot be attributed entirely to the stamp duty holiday. Coupled with a stronger economic recovery, this is primarily why price growth has turned out to be higher than we forecast a year ago.

People now place a higher value on their homes, having spent more time there. Flexible and remote working, which seem set to continue, have encouraged households to move to larger properties further afield. On average, buyers are moving 0.8 miles or 29% further than in 2019. As a result, more homes are likely to have been sold in 2021 than in any year since 2007, the market's pre-financial crisis peak.

The performance of the rental market has also been far stronger than anyone could have foreseen. Rental growth in six of Great Britain's eleven regions is rising at the fastest rate for a decade.

Wealthier homeowners have dominated activity across both sales and lettings, to date. But we expect a second wave of lockdown-induced demand in 2022 from those who have been unable to move this year. Interest rates are set to hit rock bottom, which should help first-time buyers.

We forecast that the average house price at the end of the year will be 4.5% higher than in Q4 2020. In 2022, demand should keep price growth above pre-pandemic levels at 3.5%, slowing to 3.0% in 2023 as the economic recovery loses some momentum. By 2024, the average price could be 13.5% higher than today.

Over that period, the North East is set to lead the field, with Scotland in second place. London has been the weakest performing region in 2021 and we expect this to persist. We forecast that prices in the capital will end the year 1.5% higher than in Q4 2020, with 1.0% growth in 2022 and 1.5% in 2023. In 2024, London should begin to outperform the regions once again.

As London begins to pick up pace, 2024 will likely mark the end of the current house price cycle. With house prices across the regions set to be more spread out than at the end of previous cycles, this North-South divide will determine the pattern of future performance beyond the forecast period.

While in the past, the start of a new cycle has been synonymous with a sharp price correction, it's unlikely that we'll see history repeat itself this time. Instead, we're more likely to see modest house price rises across all the regions.

By 2024
the average house price is forecast to be 13.5% higher than today.

SALES MARKET UPDATE

The property market in 2021 has consistently confounded expectations on every front – from the level of demand for homes to the willingness of lenders to offer discounted mortgages. The cost of some loans are now falling to historic lows.

As a consequence, more homes could be sold this year than since 2007 – the market's pre-financial crisis peak. We would also argue that the trends that have emerged in 2021 could be a reference point for the market's future direction. As a result of the pandemic, property has risen to the top of people's priority lists, and this is unlikely to change any time soon. Our forecasts – which start on page nine – set out what this may mean for the months and years ahead.

In January, it was thought that the winding-down of Covid support schemes and the waning of the lockdown bounceback would dampen the mood. It was also thought that the wave of pandemic-inspired relocation, in which households sought more space and gardens, would fade.

But these predictions did not come to pass which can partly, but not wholly, be attributed to the extension of the stamp duty holiday.

The tapering of the stamp duty holiday meant there was a large spike of completions in June, with another smaller bounce likely in September. The tax break encouraged people to move sooner than they had planned, particularly, it appears, those who had owned their home for between four to eight years. In 2019, 55% of those relocating had owned their home for less than 10 years. In 2021, this rose to 59%, with some prompted to move because their property became too cramped for their needs in lockdown.

The better-off were able to use their equity and take advantage of record low interest rates. As a result of the house-hunting activities of the affluent, higher value properties have been more likely to change hands, pushing the average house price upwards.

As the stamp duty holiday was wound down, it became apparent that the wish to move for more space remained undiminished by the disappearance of the tax break, with sales agreed still above 2019 levels, particularly in Southern regions. Record numbers of homes are being sold for more than their asking price. Unlike the end of nearly every other stamp duty holiday, time to sell is increasingly measured in weeks, rather than months, in a growing number of regions.

Indeed, the average seller who accepted an offer in September achieved more of their asking price than a seller who said yes to an offer in April from a buyer enjoying the full stamp duty saving. This was markedly different to conditions at the end of previous stamp duty concession periods.

A lack of stock has proved to be the principal deterrent to relocation. Some homeowners have accepted offers and then struggled to find a place to buy. These conditions have made others rethink a move. Sales by investors, usually those selling without buying, have remained low. Meanwhile, the appearance of more attractive mortgage deals for borrowers with smaller deposits is leading to a pick-up in sales to first-time buyers who do not have a property to sell.

All of which have exacerbated the shortage of stock and supported house price growth which otherwise may have faded as the stamp duty holiday came to a close. In the short term, this scarcity of supply seems likely to persist while the market's tempo remains lively. Ultimately, it is likely that the market will have to slow before stock levels begin to rise again.

MORE AFFLUENT HOMEOWNERS *HAVE DRIVEN ACTIVITY IN THE HOUSING MARKET*

Change in price growth & transactions by deprivation band

Since the re-opening of the market in May 2020, both transactions and price growth have been driven by more affluent owners buying expensive homes in prosperous areas. The majority of these households are upsizing. They have significant amounts of equity which means they qualify for heavily discounted mortgage deals. Their spending power explains why sales in the most affluent areas were 9% higher in the second half of 2020 than in the same period of 2019. There was a 6% fall in the least affluent areas.

Source: Land Registry & Hamptons

ECONOMIC BACKDROP

Economic growth (GDP) of 4.8% in the second quarter of 2021 underlines the strength of the UK's post lockdown recovery. The vaccination drive has been crucial to the bounceback in consumer spending; it has also boosted employment and incomes.

The economy is still around 4% smaller than it was pre-pandemic. But the Bank of England expects households to spend their billions in lockdown savings, which were equivalent to 10% of GDP by April. This should restore the economy to its pre-pandemic level by the end of the year, faster than originally expected. Growth should then return to levels more in-line with those of the pre-pandemic era in 2023 and 2024.

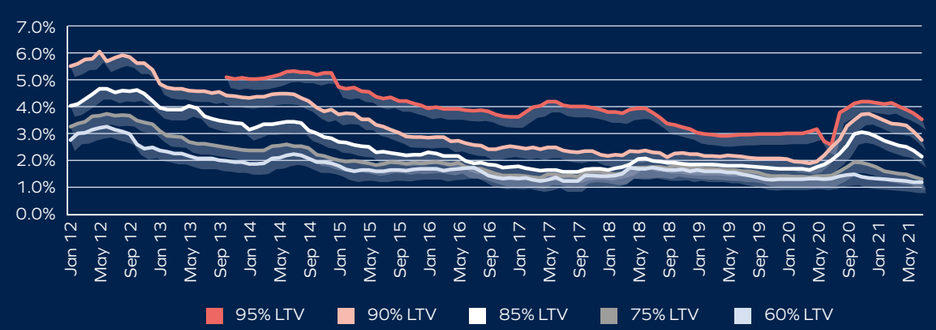
The employment numbers are starting to improve. By the end of July there were 1.5 million employees on furlough, down from a peak of 8.9 million in May 2020. But the unemployment rate is expected to remain above pre-pandemic levels until at least 2024.

Inflation is fast becoming the principal concern and now seems set to be a key factor in monetary policy decision making over the course of the forecast period. The June CPI rate of 2.5% surpassed the Bank of England's target. By general consensus, such spikes will be transitory. Although some dissent from this view. If the phenomenon proves more permanent, interest rates will rise sooner than forecast.

We expect a small base rate increase towards the end of 2022, with a return to the pre-pandemic level of 0.5% by 2024. But we also expect mortgage interest rates to hit historic lows early next year, before gradually increasing in 2023 and 2024.

MORTGAGE RATES ARE LIKELY TO HIT **HISTORIC LOWS** *IN 2022*

Average interest rate on a 2-year fixed residential mortgage



Source: Bank of England

SALES MARKET FORECASTS

It's likely that Summer 2021 marked peak house price growth across Great Britain, which is now expected to slow...

The property market remains resilient as the stamp duty holiday draws to a close, but we expect price growth to soften towards the end of the year. The latest ONS data shows that house prices across Great Britain rose by 8.0% in the 12 months to July, down from a peak of 13.2% in June. By the final quarter of the year, we expect the rate of annual increase to be closer to 4.5%. There are two main reasons for this.

The experience of previous stamp duty holidays suggests that prices weaken when the concession is withdrawn. This is likely to be the case when the stamp duty holiday ends in September, but the decrease could be more modest than in the past. In September, the average home achieved 100.0% of its asking price, although activity was a little lower during the month.

In addition, there is the 'base effect'. Towards the end of 2020, the market was recovering; the average price was 6.1% higher than in Q4 2019. A lack of stock should keep annual price growth in positive territory, but this will be against a relatively high base.

We forecast that the average price in Great Britain at the end of the year will be £258,000, 4.5% higher than in Q4 2020. While growth will slow as the year draws to a close, 2021 will remain a strong year for price appreciation, compared with the performance of recent years.

A second wave of lockdown-induced demand will keep price growth above pre-pandemic levels at 3.5% in 2022...

The desire for more space and relocation that has stemmed from changes in working patterns will continue to stimulate the market in 2022.

Since the start of the pandemic, equity-rich homeowners have dominated property market activity. This is thanks to the heavily-discounted mortgage deals available to borrowers with larger deposits.

While interest rates have fallen on lower loan-to-value (LTV) mortgages, the deals available to those requiring smaller deposits – often first-time buyers – have remained prohibitively high.

We expect mortgage rates for all borrowers to hit rock bottom in 2022. This will boost affordability, particularly for first-time buyers. As the economy continues its recovery, it should also improve the luck of those priced out of the market or facing job uncertainty this year.

When the stamp duty holiday ends in September 2021, first-time buyers should be able to make the most of their concession. Since they will be acquiring lower-priced properties, the average house price in the leading surveys will drop a little.

Strong house price growth in 2020 and 2021 has also intensified affordability constraints and increased the deposit requirements, particularly for buyers in London and the South. Therefore, we expect price growth in 2022 to be softer than in 2021.

Northern regions will drive growth of 3.0% in 2023 and 2.5% in 2024 as we approach the end of the cycle…

The economic recovery will determine the medium-term outlook for the housing market, with income growth and the pace of interest rates rises being particularly crucial to the direction of house prices. Price growth will be constrained by the forecast 3% rise in incomes in 2023.

Interest rates are set to rise in late 2022 or early 2023, but any increase will be gradual, aiding affordability. The Bank of England expects the base rate to return to 0.5% in 2024, still below its pre-pandemic era level.

If interest rates increase more rapidly than expected this would dent affordability and put a dampener on price growth. However, the combination of economic bounceback and the enhanced importance of homes should keep market activity above that of the pre-pandemic era.

0.5%

Bank of England Base Rate expected in 2024

The house price cycle is likely to end in 2024, as a new one begins…

Looking to the longer term, it is likely that 2024 will mark the end of the current house price cycle. Typically a cycle lasts around 16 years. The end of a cycle is normally characterised by a convergence of growth across the regions following a period of prices in the North playing catchup with those in the South. Signs often emerge, at the very end of the cycle, of a pick-up in activity and prices in London. However historically, the beginning of a new house price cycle has also been synonymous with a sharp price correction. So the question is, will this pattern repeat itself?

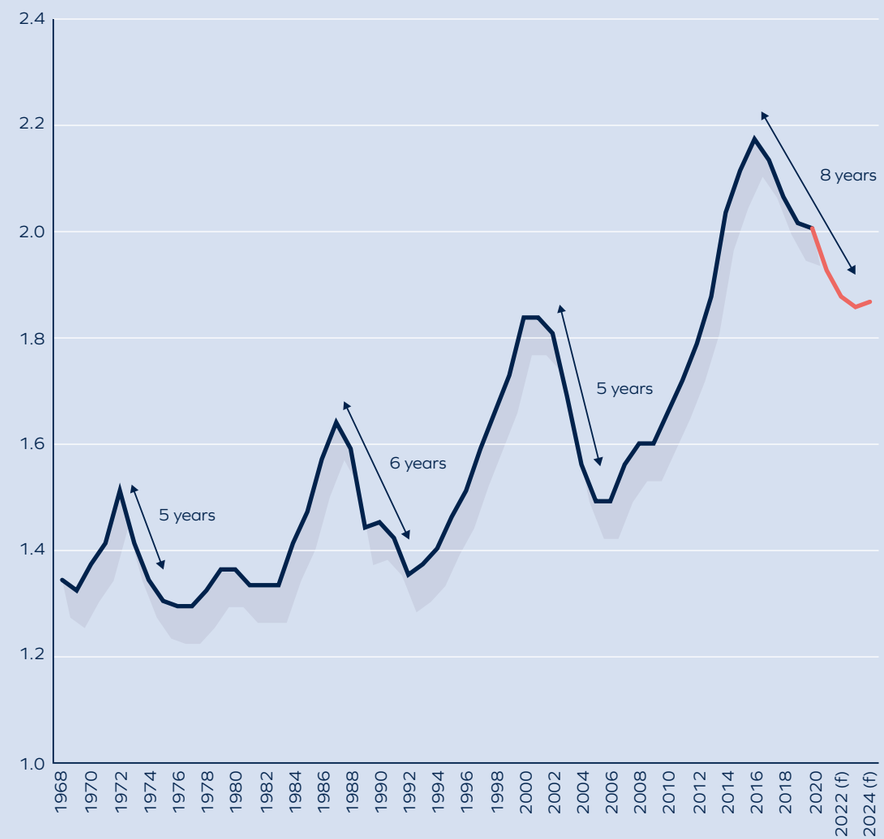
While we expect to see prices and activity in London rise again in 2024, we don't think this will be followed by a period of house price falls. A low interest-rate environment, tighter lending criteria coupled with the fact we've seen considerably less house price growth over the last 16 years means we're more likely to see a continuation of more modest house price growth, such as we've witnessed during the last five years, rather than boom and bust.

To put this into context, between 1976 and 1991 house prices grew by 466%; between 1992 and 2007 they rose 265%; but between 2008 and 2024 we think house prices will rise by 61%. Instead, we expect to see more balanced price growth across the regions as a new cycle dawns.

"The end of a cycle is normally characterised by a convergence of growth across the regions following a period of prices in the North playing catchup with those in the South."

2024 SET TO MARK A **TURNING POINT** *IN THE HOUSE PRICE CYCLE*

Ratio of London house prices to Great Britain average



Source: Hamptons & ONS

NORTHERN REGIONS ARE EXPECTED TO **LEAD HOUSE PRICE GROWTH** *UNTIL 2024*

Annual house price growth forecast (Q4 of each year)

	2020	2021 (F)	2022 (F)	2023 (F)	2024 (F)	4 Year Forecast
Greater London	4.0%	1.5%	1.0%	1.5%	3.0%	7.0%
East of England	4.3%	4.0%	2.5%	2.5%	2.0%	11.0%
South East	4.7%	5.0%	3.0%	2.5%	2.0%	12.5%
South West	6.9%	3.0%	3.0%	2.5%	2.5%	11.0%
East Midlands	6.8%	4.0%	4.0%	3.0%	2.0%	13.0%
West Midlands	6.2%	5.0%	4.0%	3.0%	2.0%	14.0%
Yorkshire & Humber	7.5%	4.0%	5.0%	4.0%	3.0%	16.0%
North West	8.5%	4.5%	5.0%	4.0%	3.0%	16.5%
North East	6.2%	6.5%	6.0%	5.0%	4.0%	21.5%
Wales	7.4%	5.5%	5.0%	3.5%	3.0%	17.0%
Scotland	7.4%	7.0%	5.0%	4.5%	3.5%	20.0%
Great Britain	**6.1%**	**4.5%**	**3.5%**	**3.0%**	**2.5%**	**13.5%**

Source: Hamptons & ONS

FORECASTING THE REGIONS

London is likely to underperform until the cycle comes to an end in 2024...

Annual house price growth in London slowed from 5.1% in June to 2.2% in July. The capital has been the weakest performing region and we expect this to continue until 2024, as a result of stretched affordability and the rise in flexible working which is encouraging households to leave the city.

In theory, the ending of the stamp duty holiday should deal the hardest blow to London. Until June 30, buyers were able to save as much as £15,000. Yet conditions have not significantly altered since that time. The average seller in London achieved 99.1% of their asking price in September, up from 97.3% in September 2019.

But, due to the reasons outlined in our wider forecasts, we still expect the rate of growth in London to slow, ending the year up 1.5% on 2020. We expect a rise of 1.0% in 2022 and a further rise of 1.5% in 2023, as the price gap between the capital and the regions continues to narrow.

In 2008, the average London house price was 59% higher than the national average. This gap widened to a peak of 117% in 2016, but has since shrunk to 94%. By 2024, it should have reduced further to 84%.

However, 2024 is likely to mark a turning point for London as a new cycle dawns. Prices in the city are set to rise by 3.0%, outpacing the national average for the first time in nearly a decade. But subsequent increases are unlikely to be as steep as those seen in previous cycles.

The pandemic has delayed Prime Central London's recovery this year, and its impact will weigh on future growth...

The resumption of international travel is key to the market in Prime Central London (PCL), since 45% of buyers in 2019 were overseas nationals. As the global vaccine roll-out progresses, we expect more people to travel to PCL and return to work or live there, giving the market a modest boost.

But while transactions are set to rise next year, even though prices in PCL are still 11% below their Q2 2014 peak, we do not foresee a substantial rebound that would return prices to this level. The 2% overseas stamp duty surcharge and 3% second home surcharge will continue to limit growth. Instead, we think prices will rise 1.0% in 2022, 2.0% in 2023, before an acceleration to 4.0% in 2024.

Southern markets have been the biggest beneficiaries of London outmigration, but affordability will bite...

In our view, the popularity of flexible working – which enables people to live further from the office – will continue to fuel the locations bordering the capital.

However, house prices in these areas were already expensive before the pandemic, and strong growth in 2021 has exacerbated this. In the second quarter of 2021, prices rose by 8.6% in the East of England, by 8.5% in the South East and by 10.8% in the South West. Yet they have still been outpaced by regions in the North as is typical at this point in the cycle and there are signs that price growth is slowing.

"In 2008, the average London price was 59% above the national average. This gap widened to a peak of 117% in 2016, but has since shrunk to 94%.

Slow growth in incomes will limit price increases in the South. Over the next four years, we expect prices to rise by 11.0% – 12.5%. As the biggest beneficiary of London outmigration, the South East is set to see the strongest price growth.

The gap between prices in the East and South East and the national average may have widened since 2008. But the average price in the South West will end the cycle 8% above the national average – near the level recorded in 2008.

House prices in the Midlands will set the tone for price growth across Great Britain…

House prices in the Midlands have already returned to their level at the start of the cycle. In 2008, the average price in the East Midlands was 17% below the national average. Today that gap remains the same and we expect no change until the end of the forecast period in 2024.

Over that time, house prices in the East and West Midlands are likely to rise in line with the national average. Despite double-digit growth in 2021, we expect the pace to moderate to 4.0% in 2022 and 3.0% in 2023.

Price growth in Northern regions will continue to outpace the wider national average as the regional gap narrows…

There has been double-digit growth in the first and second quarters of this year in Northern regions. However, the average price in the North East has only recovered to its pre-financial crash peak this year.

We forecast that prices in the North East will rise by 21.5% over the next four years, making it the top-performing region. But by 2024, the average price in the region will still be 41% below the national average, unless economic growth in the regions picks up pace.

Prices in the North West and Yorkshire & Humber are set to be around 16% higher by 2024, as affordability in these regions is easier than in the South.

Scotland & Wales have been some of the most competitive markets this year…

In July, more than 40% of homes that sold in Scotland and Wales had received three or more offers. In the second quarter price growth in Wales was 15.5% and 10.0% in Scotland, in each case the fastest pace of growth since 2007.

The gap between Wales and the other regions has narrowed. Scotland still has some catching up to do however, which is why we forecast the region will be the second strongest performer over the next four years. By 2024, the average price in Scotland is set to be 20.0% higher than today.

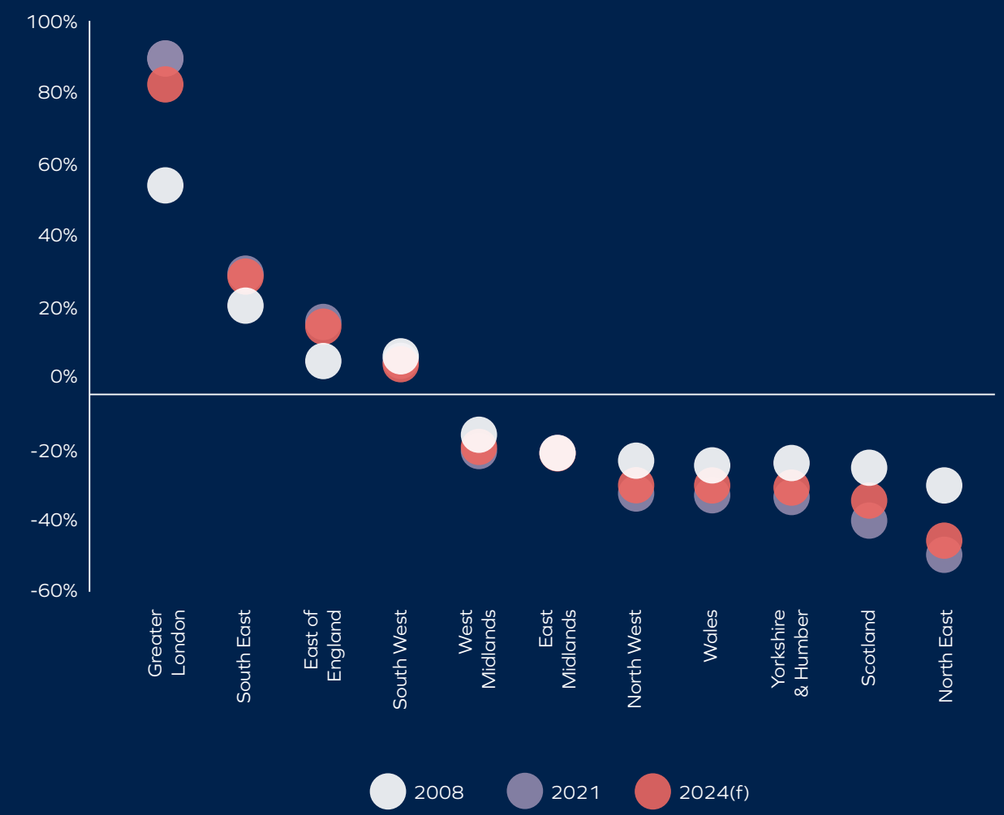
In 2008 the average price in Scotland was 21% below the national average. This has widened to 36%. But by 2024, it should narrow to 30%.

We forecast prices in Wales to rise 17.0% by 2024, despite the increase in the second home stamp duty surcharge from 3% to 4% at the end of 2020.

"We forecast that prices in the North East will rise by 21.5% over the next four years, making it the top-performing region."

HOUSE PRICES ACROSS THE REGIONS ARE **UNLIKELY TO CONVERGE** *AS MUCH AS WE SAW AT THE END OF THE PREVIOUS HOUSE PRICE CYCLE*

Difference between regional house price and the Great Britain average



Source: Hamptons

1.25m
house sales are predicted in 2022

TRANSACTIONS

Transactions in 2021 may reach 1.5m, the highest number in 15 years...

A record-breaking first half of the year means that more homes will have sold in 2021 than in any year since 2007. We expect an increase in completions in September, as the stamp duty holiday comes to an end, but it's unlikely to rival the spike in June. Activity seems set to moderate as the year draws to a close. However, transaction levels are unlikely to decrease dramatically, as was the case in the aftermath of previous stamp duty holidays.

2022 will be a strong year, with 1.25m completions forecast across Great Britain...

We forecast that fewer homes will change hands in 2022 than in 2021. But sales could still reach 1.25 million, above the pre-pandemic average. Completions averaged 1.18 million a year between 2015 and 2019.

In 2022, activity will be supported by households who have been unable to move home in 2021 as a result of affordability pressures, job uncertainty – or because they could not find a suitable property. First-time buyer numbers should increase in 2022, as the rates on higher-loan-to-value mortgage deals become cheaper.

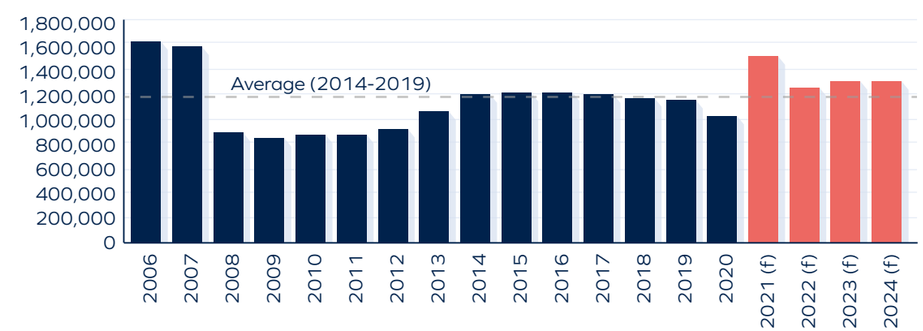
A "new normal" for transaction levels will be reached in 2023 and 2024...

We forecast that, thanks to a growing economy and low interest rates, transactions will reach 1.3 million in 2023 and 2024. Transactions will remain above pre-pandemic levels due to people placing more importance on their homes.

1.3 million
transactions are forecast to take place in 2023 and 2024

COVID-19 INDUCED CHANGES MEAN HOUSEHOLDS WILL MAKE **MORE MOVES** *THAN PRE-PANDEMIC*

Number of housing transactions across Great Britain



Source: Hamptons & HMRC

RENTAL MARKET UPDATE

When the pandemic hit and rents tumbled in the spring of 2020, it seemed highly unlikely that, within 12 months, rental growth would be at double digits in six of Great Britain's eleven regions – rising at the fastest rate for a decade.

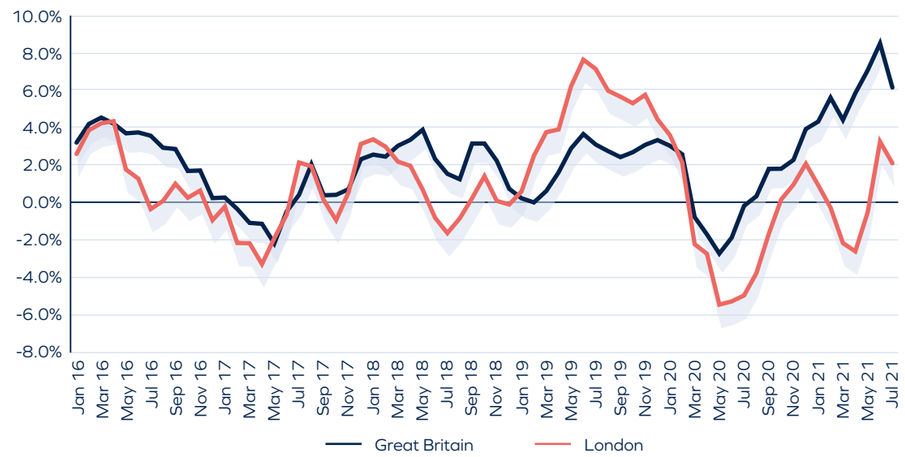
However, this is exactly what has happened. Driving the turnaround has been tenants' quest for space: over half of homes advertised have been let within a week. Although, the euphoria did not spread to London.

The overall performance of London was held back by the 20% fall in Inner London rents. But the mood began to improve in May as workers began their return to the office and the pace of decline has since more than halved to 8% as workers return to the capital.

We look on page 20 at how sustainable this is. Has record rental growth now reached its peak? Or will the shortage of homes to rent continue to push rents upwards in 2022?

LONDON RENTS HAVE BEEN **HARDEST HIT** *BY THE PANDEMIC*

Annual rental growth



Source: Hamptons

For the moment, the stock shortage in the supercharged rental market is three times as acute as in the sales market. The number of homes for sale is 16% below its level in 2019, but the number of homes to let is 46% down. Stock has been from 50% to as much as 70% lower than in 2019 across every region, except London.

Many believed that the stamp duty holiday would have encouraged landlords to add to their portfolios, as their tax bills were reduced by a quarter. But although they did snap up some properties, these sales peaked at 15% of transactions. This is above the normal level of 10%, but still well below the 25% of all sales recorded in the run-up to the introduction of the 3% stamp duty surcharge on second homes in April 2016.

This burst of investor activity has failed to resolve the shrinking of the private rented sector, although landlords were enjoying higher yields on these purchases. The average gross yield in England & Wales rose from 6.0% in 2020 to 6.1% in 2021, with the biggest increases recorded in lower-yielding regions, particularly in London. The proportion of new landlord purchases achieving a yield of more than 5.0% rose from 64% to 70%, the highest level since 2015.

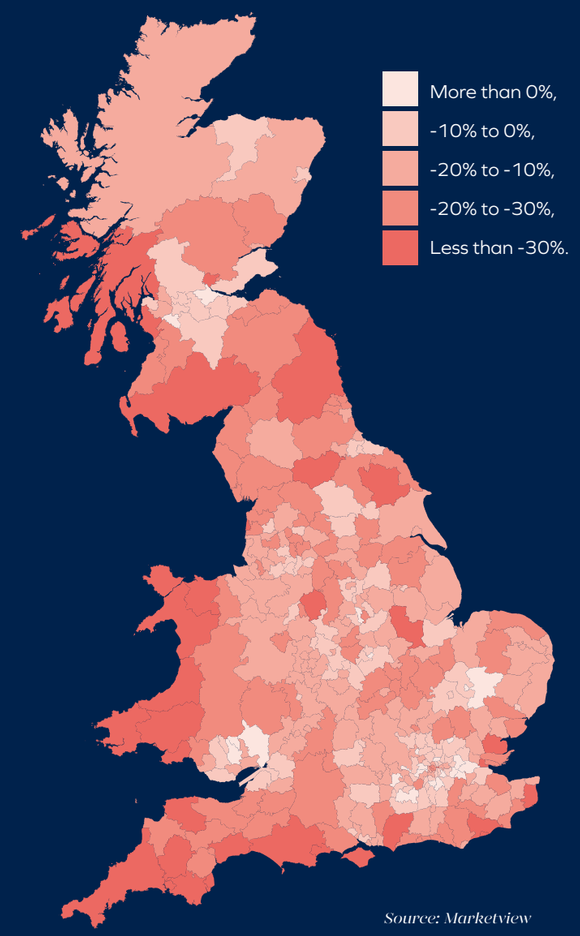
Some of the slack in the rental market is being taken by build to rent developments which are increasingly appearing outside London. The appeal of these schemes, with their amenities, like communal spaces, has been boosted by the pandemic. However, it hasn't been enough to prevent the sector from shrinking.

46%

fewer homes available to rent so far in 2021 compared to 2019

THIS YEAR THERE HAVE BEEN **FAR FEWER HOMES** *ON THE RENTAL MARKET THAN IN 2020*

Change in new rental instructions Jan–Jul 2021 vs Jan–Jul 2020



Source: Marketview

RENTAL MARKET FORECASTS

We forecast that the rapid pace of growth in the rental market will slow in 2022. But the rate of increase should still be above pre-pandemic levels. This has been supported by tenants willingness to pay for extra space – and by unprecedentedly low stock levels.

We are forecasting that rents will rise by an average of 2.5% in 2022, following an increase of 3.0% this year. Growth will be dictated by what happens to peoples' incomes.

The regions outside London seem set to move in similar directions, with no significant north-south divide. Rental growth will continue to be buoyed by places outside larger cities as tenants remain working from home when they can, although likely to a lesser extent than homeowners.

Growth is likely to be slower in the capital, particularly in Inner London where rents may not return to pre-pandemic levels until the middle of 2022. Outer London will continue to drive the London market, and while the gap in rents between Inner and Outer London will shrink from where it is today, it is unlikely to return to pre-Covid levels for the foreseeable future.

We are forecasting overall rental growth in London of 0.5% this year, with pickup to 1.0% in 2022.

Despite low returns on cash in the bank, it's unlikely that landlords will start to buy again in any great numbers. Growing yields may entice a few opportune investors back, particularly into London, but interest rate hikes in 2022 or 2023 could offer landlords other options.

As a result, we think the private rented sector will be smaller in size by 2024 than it is today. By contrast, the build to rent sector is set to grow over the next four years, with 50% more homes in such schemes being marketed this year than in 2020. Nevertheless, this sector remains small, accounting for 1-2% of rental homes available.

When Help to Buy ends, developers looking for ways to replace the scheme may be keen to sell units or whole blocks to investors. Developers may, once again, begin to target off-plan buyers to secure early sales. But off-plan purchases by investors are unlikely to curtail the shrinking of the private rented sector. This means the rental sector is likely to be smaller in 2024 than it is today.

"We are forecasting that rents will rise by an average of 2.5% in 2022, following an increase of 3.0% this year."

RENTAL GROWTH WILL SLOW OVER THE NEXT TWO YEARS

Annual rental growth forecast

	2020	2021(f)	2022(f)	2023(f)	2024(f)
London	2.1%	0.5%	1.0%	1.5%	3.5%
South	6.1%	6.5%	3.5%	2.5%	2.0%
Midlands	3.5%	3.0%	2.5%	2.0%	2.5%
North	6.4%	4.5%	3.0%	2.0%	2.5%
Great Britain	**4.0%**	**3.0%**	**2.5%**	**2.0%**	**2.5%**

Source: Hamptons

SIX TRENDS TO WATCH IN 2022

Interest rates to hit rock bottom

Mortgage lenders are now cutting rates as quickly as they raised them when the pandemic hit. Borrowers with equity are enjoying record low rates. The cost of higher-loan-to-value deals, needed by first-time buyers, is also falling. We forecast that, sometime in 2022, these interest rates will return to their pre-Covid level. They may become even cheaper.

Flat sales return to above pre-covid levels

In the pre-pandemic era, flats accounted for 18-20% of sales. But since June 2020, flats have made up closer to 14%-15%. However, with first-time buyer numbers set to rise, demand is poised to surge in 2021. Lenders are likely to relax some of their criteria which had been excluding flats. There may also be a gradual resolution of the cladding issues that have plagued some bigger blocks.

Bounce back in first-time buyer numbers

The mix of more attractively priced finance, the final year of Help to Buy and a second wave of lockdown-induced demand is set to boost first-time buyer activity. In a normal year, first-time buyer purchases account for 25% of all sales. In 2022, this proportion will increase.

The start of a cash buyer recovery

A record 54% of homeowners own their home without a mortgage. But the number of cash buyers has fallen since 2014. In 2022, we think that more mortgage-free retired households living in large family houses will start making plans to relocate, having delayed a move during the pandemic. This will swell the ranks of cash buyers.

The private rented sector shrinks again

Landlords investing as individuals or as companies have benefited from falling mortgage rates. But rapid house price growth will still squeeze yields. As a result, landlord purchases are likely to remain muted in 2022, below the level needed to replace landlords selling up. There could be 300,000 fewer rental homes in England than in 2016.

City-country chasm to carry on closing

The pandemic served as the catalyst for the closing of the gap between city and country prices. We expect this to continue in 2022 – and until the end of the house price cycle in 2024. City prices remain 75% more expensive than those in the country, against 42% in 2007. This means that the budgets of townies shopping for houses in rural locations will go less far than in 2019.

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