

HALIFAX UK HOUSING MARKET OUTLOOK FOR 2022

- **The housing market once again proved surprisingly robust during 2021, as government policy support combined with pandemic-driven shifts in housing preferences to keep transaction demand elevated.**
- **House prices are expected to maintain their current strong levels, but growth to be much flatter in 2022, at around 1%. However, forecast uncertainty remains very high.**
- **The pandemic has further worsened inequality across different demographics, including income and age, increasing the need to improve the availability of good quality, affordable housing.**

Russell Galley, Managing Director, Halifax:

“The UK housing market continued to defy expectations during 2021. Despite the country continuing to grapple with the impact of the coronavirus and being back in ‘lockdown’ during the first half of the year, the average property price has risen by a further 8% so far this year following a 6% rise in 2020.

“The Stamp Duty holiday undoubtedly helped to drive activity, with many buyers racing to bring forward transactions that might otherwise have been planned for next year. This intensified already heightened demand from increased homeworking and the desire for more space, a characteristic of the market that has endured beyond the end of the tax break.

“The extension of the Government’s job support schemes, together with continued limitations on spending opportunities for consumers, boosted the funds available to households to finance property purchases. Record low interest rates have also been supportive, pushing house price-to-income ratios to reach historic highs. This has particularly stretched first-time buyer affordability, however, as raising a suitable deposit continues to be a significant barrier for many looking to get onto the property ladder.

“Looking ahead, with the prospect that interest rates may rise further in 2022 to subdue rising inflation, and with government support measures phased out, greater pressure on household budgets suggests house price growth will slow considerably. Nevertheless, interest rates will remain low by historic standards and property prices will continue to be supported by the limited supply of available properties.

“We expect, therefore, that house prices will maintain their current strong levels but that growth will be broadly flat during 2022 – perhaps somewhere in the range of 0% to 2%. Even with that range in mind, there is still a large degree of uncertainty around this forecast, particularly around the extent to which savings accrued during the pandemic continue to boost housing transactions and prices, and how lasting the recent shifts in housing preferences prove to be.

Press Office Contact



Gregor Low: gregor.low@lloydsbanking.com, 07500 078879

Jason Clarke : jason.clarke@lloydsbanking.com, 07385 389293

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“Indeed, it is prudent to highlight the potential for house prices to rise or fall by much greater margins next year, depending on how Covid-19 and its variants continue to impact the economic environment and the potential for any further policy interventions.

“As has been consistent for several years pre-pandemic, the key long-term issue for the housing market remains the inequality between generations and across the income spectrum, and specifically the ability of the young and lower-paid to access good quality housing that meets their needs. This disparity has only intensified over the last two years, increasing the need to prioritise improved housing availability and affordability.

“The need to ensure that all homes – both new and old – support the UK’s sustainability targets and build towards a greener future will also become an increasingly important factor in the housing market, with homes given the highest energy ratings already worth up to £40,000 more on average than less sustainable properties¹.”

Key facts and figures²:

- The average UK house price is now £272,992 compared to £252,235 a year ago, a rise of £20,757.
- Annual house price growth is 8.2%, having peaked at 9.5% in May this year, which was the strongest rate of annual growth since July 2014.
- Average property prices are almost £34,000 higher than at the onset of the pandemic (£239,176 in March 2020).
- Properties sold to first-time buyers recorded a slightly higher rate of annual house price inflation (+9.1%) than home-movers (+8.8%) this year.
- Quarterly house price growth is now 3.4%, its strongest level since 2006.

Attitudes towards the housing market³:

- Two-thirds (67%) of the UK public don’t believe the housing market is currently helping people access affordable and quality homes in their area.
- Both homeowners (60%) and renters (72%) agree that house prices are the biggest issue facing the market and are sceptical that the industry can adapt and deliver the affordable, quality homes the UK needs as it recovers from the pandemic.
- The public believe issues around affordability are likely to get worse, with almost two-thirds (63%) believing house prices will continue to increase over the next three years.

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Notes:

2022 house price forecast based on Lloyds Banking Group's economic projections as stated in the Q3 Interim Management Statement: <https://www.lloydsbankinggroup.com/investors.html>

1. Sustainability premium figure taken from Halifax research, September 2021: <https://www.lloydsbankinggroup.com/assets/pdfs/media/press-releases/2021-press-releases/halifax/halifax-green-homes-premium-press-release.pdf>
2. All house price figures, unless otherwise stated, taken from the Halifax House Price Index up to and including November 2021 data: <https://www.halifax.co.uk/media-centre/house-price-index.html>
3. Public opinion figures taken from Lloyds Banking Group research, December 2021: <https://www.lloydsbankinggroup.com/media/press-releases/2021/lloyds-banking-group/uk-public-concerned-about-current-challenges-housing-market.html>

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