

Breaking Ground

UNITED TRUST BANK 

Issue 1 – 2022



Soaring demand and a shortage of supply

How's the Housing Market looking as we enter Q2 2022?

Welcome to the latest edition of Breaking Ground.

With three base rate increases since December, many in the housebuilding industry are wondering if the Bank of England's move to curb higher inflation has also taken some heat out of the housing market. As Head of Research for Zoopla, our latest Wise Owl, Gráinne Gilmore, is better placed than most to stick an educated finger in the air to tell which way the residential wind is blowing. You may be surprised at what Q1 has already delivered.

If you have any feedback or would like to discuss a proposal, please get in touch.

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Market outlook **ZOOPLA**



Gráinne Gilmore is Head of Research at Zoopla, where along with the Research & Insight team, she produces market-leading property analysis and insights on all aspects of the sales and rental markets. Prior to joining Zoopla in 2020, Gráinne was Head of UK residential research at Knight Frank for 8 years, and before this she was an economics, business and finance journalist at The Times.

The start of the year is typically a busy time in the housing market, as homeowners and prospective buyers use the Christmas period to reflect on whether they'd like to be celebrating the festive season somewhere else in 12 months' time.

After the record levels of buyer demand in 2021, spurred by the pandemic-driven 'search for space' and the stamp duty holiday, a more muted start to 2022 would have been understandable. The opposite was true.

As we predicted throughout Q4 last year, the pandemic-led trends in the housing market have furthered to run - not least the change in working practices for many office-based workers, opening up new markets for those who are no longer undertaking a daily commute.



Demand for family houses hit a five-year high in January, and demand for flats around the country also rose to levels not seen since before the pandemic. As the chart above shows, in the two months since then, buyer demand levels have eased slightly, but they remain elevated - rivalling the levels seen at the zenith of the stamp duty holiday.

The increases in property values over the last two years are also leading many to consider making a move in order to take the gains in home values. More than six million homes around the UK rose in value by more than £30,000 in 2021 alone.

Yet amid soaring demand, there has been a shortage of supply of homes for sale. The sheer



level of activity in the market last year, with 1.5 million homes changing hands, quickly eroded stock levels, and increased interest from buy to let investors and first-time buyers (who have nothing to sell) put more pressure on stock levels and also pushed up prices, with UK house price growth at +8.1% at the end of February this year.

In the new homes market, high levels of demand resulted in more forward sales, as homes, especially family houses, were snapped up.

Activity in the market so far in 2022 is tracking slightly below 2021 levels but well above pre-pandemic levels, although total home sales agreed in London in Q1 now outnumber those agreed in Q1 last year. Supply is rising slightly, but the imbalance between supply and demand will continue to put upwards pressure on pricing.

However, there are greater economic headwinds ahead this year, not least the rise in mortgage rates that is widely predicted as the Bank of England continues to raise the base rate to combat rising inflation. There is also inflationary pressure from global uncertainty around the tragic events in Ukraine. Affordability constraints will also limit price growth in some areas. Overall, we forecast that average values will rise +3% in 2022, with more growth coming in areas where homes are more affordable - in the Midlands, the North and Wales.

The new homes market is also facing an additional change - the end of Help to Buy. This will effectively come into force in the autumn as sales after this point may not meet the final deadline of April 2023.



However, the current conditions in the market - specifically the rise in the value of homes over the last two years, signal there may be increased opportunity in the new homes market to appeal to downsizers.

Our new research, examining data from Zoopla, and Your Keys - Zoopla's sales progression tool - shows that buyers in older age cohorts (who are most likely to be considering moving to a smaller home and releasing equity) are still looking for sizeable properties, and that they are willing to move further to achieve a purchase of a new home that meets their needs.


To hear more about this trend, and for all of our research on all aspects of the market, visit advantage.zpg.co.uk/housebuilder-hub/#reports Zoopla's New Homes research hub.

Case Study Collection

CUSTOMER Factory Estates	CUSTOMER Featherstone Homes	CUSTOMER Acorn Property Group
REGION East of England	REGION London	REGION South West
DEV. TYPES Res. – Housing Accelerator Fund	DEV. TYPES Residential led mixed use	DEV. TYPES Residential redevelopment
GDV £5m	GDV £30m	GDV £29m
LOAN SIZE £3.5m	LOAN SIZE £20m	LOAN SIZE £19m
LTGDV 70%	LTGDV 65%	LTGDV 65%
<p>"UTB delivered everything they promised quickly and efficiently. The banking has been the quickest and smoothest element of this project so far and that's not something I can say very often. The Housing Accelerator Fund has really delivered what it says on the tin!"</p> <p>Chris Bowman – Director, Factory Estates</p>	<p>"United Trust Bank and Global Growth Capital worked closely to deliver what we needed quickly and smoothly."</p> <p>Rowan Stewart – Director Featherstone Homes South East Ltd</p>	<p>"UTB understand exactly what we're trying to achieve at Acorn and provide the support we need to help us realise those goals."</p> <p>Melanie Omirou – Group Managing Director & Funding Director Acorn Property Group</p>

Aprao, UTB's partner in promoting digital solutions in the development finance sector, are pleased to offer free access to its cloud-based development appraisal software. Developers and Housebuilders can work on unlimited projects with up to three users, speed up their financial modelling process and share their appraisals with any one of UTB's 24 regional BDMs. Scan the QR code to get started, no payment required.






What makes truly sustainable housing?

Nicholas Boys Smith, the Founding Director of Create Streets, on how sustainable development is much more than simply building with eco-friendly materials.



Scan or click here to read more and view our other Wise Owl articles.

Stop Press

UTB's Property Development loan book exceeds £1bn

UTB's Property Development loan book has exceeded £1 billion for the first time following a record year of new originations.

The Bank has expanded the Property Development Sales team to 24 Property Development Directors and Managers and intends to continue its expansion of the division this year. It will also implement technology designed to accelerate and simplify the funding application process for customers and continue to explore opportunities to develop its finance offering and establish further strategic alliances.

Adam Bovingdon, Head of Property Development at United Trust Bank commented: "We supported more SME housebuilders with more funding in 2021 than we ever have before and our loan commitments now support the delivery of in excess of 6000 new homes across England and Wales at any one time.

"Our partnerships with organisations including Homes England and the British Business Bank have enabled us to boost lending of higher geared funding to qualifying customers, giving them the flexibility to retain more of their cash to seize and invest in other opportunities."

Our memberships & partnerships



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