Building Societies Association

Property Tracker

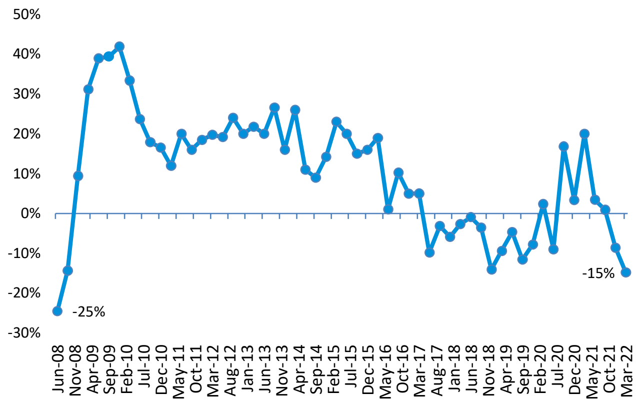
March 2022

- Housing market sentiment drops as global economic outlook deteriorates
- Affordability of mortgage repayments becomes bigger barrier to property purchase
- A third to cut back on essential purchases as cost of living rises
- Vast majority of people still confident they can afford mortgage over next six months

Housing market sentiment drops as prices and interest rates rise

The latest Property Tracker results for March show that just 18% of people think now is a good time to buy a property in the UK, the lowest figure since the Property Tracker began in June 2008 and down from 21% in December 2021. A third (33%) disagreed that now was a good time to buy a property, up from 30% in December 2021. As a result the Property Tracker confidence index fell to minus 15 percentage points, down from minus 9 percentage points in December 2021, and the second lowest on record after June 2008, the month in which the Property Tracker first started at the height of the financial crisis.

Net agreement: Is now is a good time to buy property in the UK?



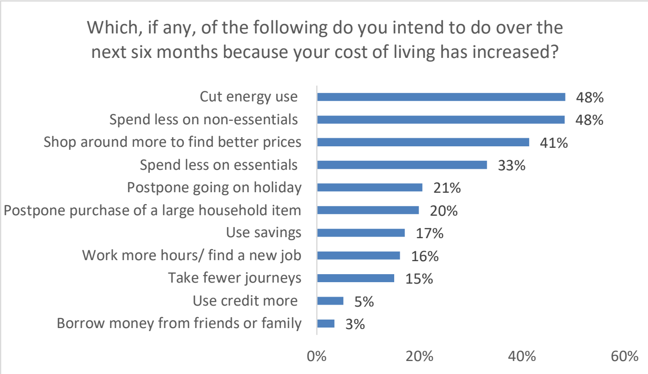
BSA Property Tracker

There are various reasons for this drop in sentiment. Firstly, and perhaps most pertinent, is the Russian invasion of Ukraine. Not only does this threaten global security, but casts shadows over the global economy, and will affect consumers in the UK due to its impact on energy prices.

Rise in the cost of living putting pressure of household finances

The second reason for the drop in housing market sentiment is the rising cost of living. Consumer prices have been rising for some time now, fuelled by increasing wholesale energy prices and rises in the price of goods due to supply constraints. Consumer prices, including owner occupiers' housing costs (CPIH) have risen by 4.9% in the year to January and are expected to rise further due to continued pressures on energy prices. The energy price cap is to be lifted in April, and average annual household energy bills are expected to reach around £2,000 as a result. The invasion of Ukraine and subsequent sanctions on Russia has seen energy prices come under renewed pressure in recent weeks. Oil prices reached $139[1] per barrel on 7 March, the highest level for almost 14 years. Consequently, it is estimated that average household energy bills could go above £3,000 in October 2022, putting even greater pressure on household finances.

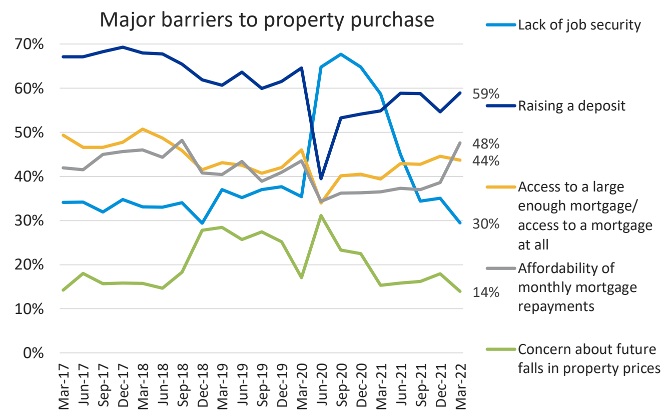
65% of people said they were worried about the rising prices of goods and services over the next six months and so it is no surprise that many households are already taking action. Nearly half (48%) of people say they will address rising prices by cutting their energy use. The same proportion also say they will be spending less on purchases they consider non-essential. However a third (33%) of people say they will be spending less on essential purchases such as food and clothing.



Nearly a fifth (17%) say they will use their savings as a result of rising prices. During the pandemic many households were able to save more, and in aggregate, savings balances increased by nearly £290 billion[2] over the pandemic period – well over double the amount one would expect. This will provide a buffer for some households during this period however the distribution of these additional savings was by no means even, meaning many households will be extremely vulnerable and could face financial difficulties if energy prices do not fall quickly, or more support is not provided by the government.

Affordability of mortgage repayments becomes a bigger barrier

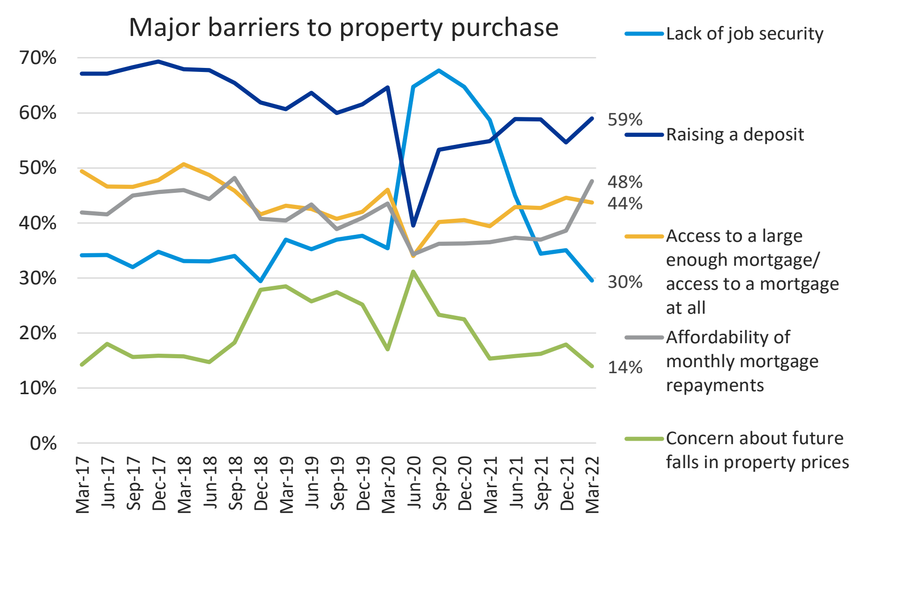
Nearly half (48%) of people said affordability of monthly mortgage repayments was a barrier to property purchase, up from 39% in December 2021 and the highest since September 2018 (also 48%). Adding to the pressures on household finances from higher inflation are rising interest rates and mortgage repayments. The Bank of England Base Rate has increased from 0.10% to 0.50% since the last Property Tracker in December, and so consumers are aware that loan rates are rising. However whilst rates on new mortgage products have increased they still remain close to all-time lows.



Although rates remain low, property prices in the UK have grown significantly over the past two years, meaning the cost of financing a property purchase has increased. According to Nationwide[3] mortgage payments as a share of take-home pay for first-time buyers is now above the long run average, despite the low interest rate environment.

With house prices rising it is no surprise that 59% of people said raising a deposit was a barrier to property purchase, up from 55% in December.

90% of existing mortgage holders say they are confident they will be able to meet their regular mortgage payments over the next six month, relatively unchanged from 92% in March last year. Just 2% say they are not at all confident in meeting their repayments, compared to 1% in March 2021. Over 80%[4] of all mortgages in the UK are on fixed rates, and so rising interest rates will not affect many households for some time.

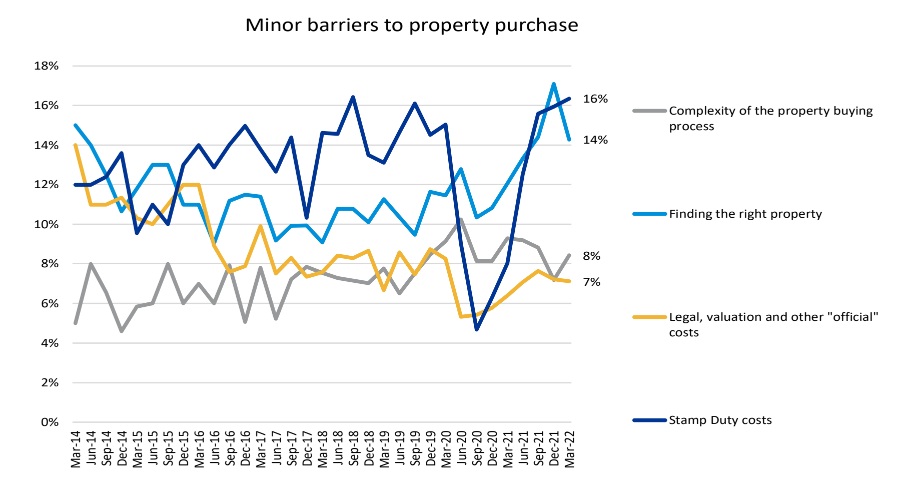


Raising a deposit was selected as a barrier to property purchase by 59% of people in March 2022, up from 55% in December 2021.

Affordability of monthly mortgage repayments was selected as a barrier by 48% in March, up from 39% in December.

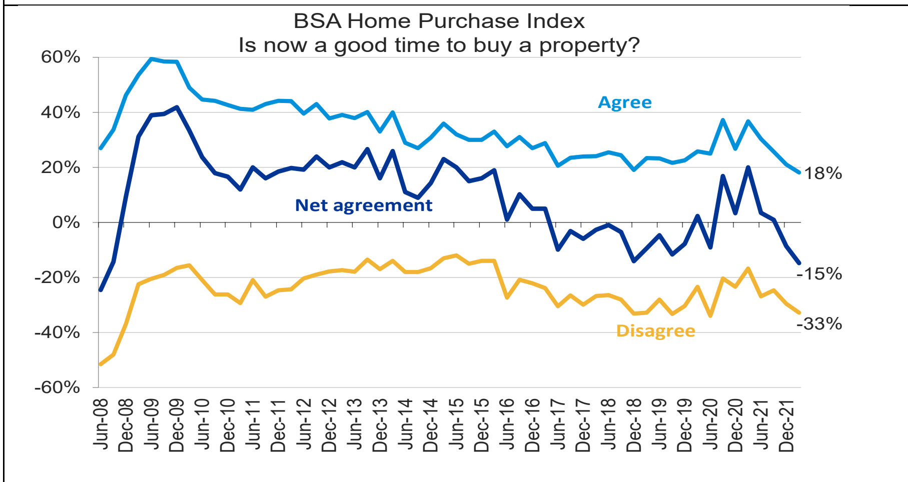
Lack of job security was selected as a barrier by 30% of people in March, down from 35% in December.

Concern about future falls in property prices was selected as a barrier by 14% of people in March, down from 18% in December.



Of the less frequently selected barriers to property purchase, finding the right property fell to 14% in March, down from 17% in December.

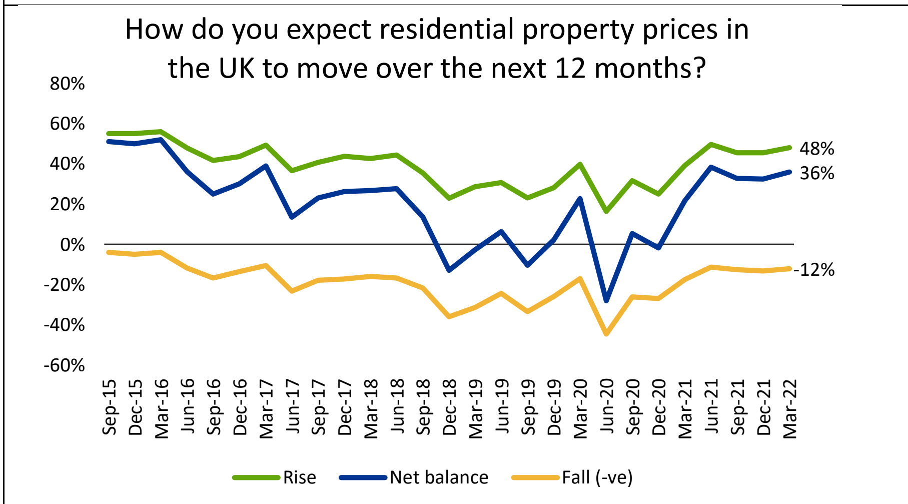
The other minor barriers were little changed.



In March 2022 18% of people agreed that it is currently a good time to buy property in the UK, down from 21% in December 2021.

33% disagreed in March, up from 30% in December.

As a result, the net agreement decreased to minus 15 percentage points in March, from minus 9 percentage points in December.



In March 2022 48% thought house prices would rise in the next 12 months, up from 45%who said this in December.

12% thought prices would fall over the next 12 months, similar to the 13% in December.

The net balance was 36 percentage points in March, up from 32% in December.

The Property Tracker survey is conducted online quarterly by YouGov Plc for the Building Societies Association.

For the March Property Tracker survey fieldwork was undertaken between 3-4 March 2022. Total sample size was 2271 adults. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). All figures, unless otherwise stated, are from YouGov Plc.

Figures between June 2012 to March 2016 are from Canadean Consumer. For all other dates research was carried out by YouGov. Therefore, caution should be taken when comparing results across these periods.

Respondents were given the option to select up to three' barriers' when asked what they think are most likely to stop someone from buying a residential property at the moment.

The proportion agreeing 'now is a good time to buy' includes those who agree strongly and those who tend to agree, while the proportion disagreeing includes those who disagree strongly and those who tend to disagree. Respondents who answered 'don't know' are not shown, so percentages do not sum to one hundred.

Net agreement represents the proportion who agree with a statement minus the proportion who disagree. Net balance figures represents those who said house prices would rise to some extent minus those who said prices would fall. These figures are calculated by the Building Societies Association using YouGov data.

1 https://www.bloomberg.com/quote/CO1:COM

2 https://www.bsa.org.uk/getdoc/ef597649-aff2-47e9-a0c3-966835735c2c/Household%20savings

3 https://www.nationwidehousepriceindex.co.uk/reports/house-price-growth-makes-a-strong-start-to-2022

4 https://www.bankofengland.co.uk/statistics/mortgage-lenders-and-administrators/2021/2021-q4

The Building Societies Association (BSA) represents all 43 UK building societies, as well as 6 credit unions. Building societies have total assets of over £477 billion and, together with their subsidiaries, hold residential mortgages over £351 billion, 23% of the total outstanding in the UK. They hold over £328 billion of retail deposits, accounting for 18% of all such deposits in the UK. Building societies account for 40% of all cash ISA balances. They employ approximately 43,000 full and part-time staff and operate through approximately 1,380 branches.

Data tables for the standard questions can be downloaded here: www.bsa.org.uk/information/statistics/bsa-property-tracker/

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