

## Development Valuation & Affordable Housing at Newsteer

Our Valuation experts sit within our multidisciplinary Development Consultancy Team and are experienced at providing advice to the Affordable Housing Sector, as well as the wider Living Sector. We have great connections in the sector and work with several G15 Housing Associations as well as a number of For Profit RPs. We offer a range of services covering London and the South East, extending up to the Midlands:

- RICS Red Book Valuation to support S106 Acquisitions and Unit Sales
- Valuation advice to support development transactions
- Development Consultancy and S106 advice
- Income Threshold testing
- Strategic Development advice
- Land Valuation / Development Appraisals
- Options appraisals and feasibility testing
- Bespoke research to support business cases for alternative Living uses (i.e. Keyworker)
- Soft Market Testing exercises

In addition to advising our clients we also provide advice feeding into a wider range of projects with our Planning; Regeneration and CPO; and Leasehold and Transaction Services Teams.

## July 2022 Economic & Property Market Commentary

The Office for Budget Responsibility (OBR) published its latest Economic and Fiscal Outlook in March 2022. The publication sets out forecasts for the economy over a five-year horizon.

‘Two years since the start of the pandemic, this Economic and Fiscal Outlook (EFO) is presented against the backdrop of another unfolding global shock. The Russian invasion of Ukraine... has major repercussions for the global economy, whose recovery from the worst of the pandemic was already being buffeted by Omicron, supply bottlenecks, and rising inflation. A fortnight into the invasion, gas and oil prices peaked over 200 and 50 per cent above their end-2021 levels respectively. Prices have since fallen back but remain well above historical averages.’

The OBR publication reports that an increase in energy prices combined with 40-year high inflation means that an erosion in real incomes will cut GDP growth over 2022 from the previously predicted 6.0% to 3.8%. With inflation now outpacing growth in earnings, real living standards are set to fall by 2.2% in the year 2022-23 which is the largest financial fall on record. Living standards are not expected to recover to their pre pandemic level until 2024-2025. However, it is of note that public finances have continued to recover from the pandemic more quickly than expected with tax receipts up by 4% due to strong growth in tax paid by higher earners and companies.

On 5 May 2022 The Bank of England announced a 0.25% increase in its base rate from 0.75% to 1%. The Bank of England reported that twelve month CPI inflation rose to 7% in March, around 1 percentage point higher than expected in the February report. In response to this, the Bank of England Committee have projected that the Bank Rate may rise to around 2.5% by mid-2023, before falling to 2% by the end of the forecast period.

According to the Consumer Price Index including owner occupiers' housing costs (CPIH), inflation in the 12 months to May 2022 rose by 7.2%, compared with an increase of 7.8% in the 12 months to April 2022. The upward contributions to the change in the CPIH 12-month inflation rate were wide ranging with the largest coming from housing and household services (2.79 percentage points) and transport (1.50 percentage points) principally from motor fuels and second-hand cars. It is expected to reach double digits by the end of the year.

In its June 2022 Press Release, the ONS reported Gross Domestic Product (GDP) is estimated to have fallen by 0.3% in April 2022, and another 0.1% in April 2022. UK GDP overall did however see an increase of 0.2% in the three months to April 2022. Production fell by 0.6% in April 2022, driven by a fall in manufacturing of 1.0% on the month, as businesses continue to report the impact of price increases and supply chain shortages.

Construction output decreased 0.4% in April 2022. This is the first monthly decrease since October 2021 (fall of 0.9%) following five consecutive months of growth. It should also be noted that the monthly decrease in April 2022 is coming off the record monthly level of £14,994 million in March 2022. The decrease in monthly construction output in April 2022 was driven by a fall in repair and maintenance (2.4%) which was slightly offset by a rise in new work (0.9%). It is also worth noting that in spite of the monthly fall construction output was still 3.3% above its pre pandemic level in April 2022.

In its June release, The Land Registry reported that property prices increased by 1.1% in April 2022 compared to the previous month; and when compared with the same month in 2020 they have risen by 12.4%.

Nationwide's June 2022 press release reported annual house price growth at 10.7% in June, down from 11.2% in May with most UK regions seeing slight slowing in annual growth in Q2 of 2022. The South West overtook Wales as the strongest performing region, whereas London remained the weakest.

Nationwide reported that the price of a typical UK home climbed to a record high of £271,613, with average prices increasing by over £26,000 in the last year.

The publication however does predict that the housing market is likely to slow in the quarters ahead, with the number of mortgages approved for house purchases falling back towards pre pandemic levels in April, with surveyors reporting some softening in new buyer enquiries. Nevertheless, the housing market retained a surprising amount of momentum given the mounting pressure on household budgets from high inflation, which has already driven consumer confidence to a record low.

Halifax's June 2022 House Price Index Commentary reports that house prices had an annual change of +10.5% since May 2021. They report that:

*"The average cost of buying a home in the UK is up 1%, or £2,857, on last month, and has now risen for eleven consecutive months. Annual growth also remains in double-digits, at 10.5%, although this is the slowest rate of growth seen since the start of the year.*

*"The average cost to buy a home in the UK is now £289,099, hitting yet another record high. Despite the very real cost of living pressures some people are experiencing, the imbalance between supply and demand for properties remains the primary reason driving the continued climb in house prices.*

*"For house hunters, the extent of the impact of property price inflation continues to be linked to the type of home they are looking to buy. Compared to May last year, you'd need around £10,000 more to buy a flat, but an additional £50,000 for a detached home. This clearly creates a knock-on effect for those looking to make their first home move, as the rungs on the housing ladder have become increasingly wider.*

*"However, the housing market has begun to show signs of cooling. Mortgage activity has started to come down and, coupled with the inflationary pressures currently exerted on household budgets, it's likely activity will start to slow.*

*"So, there is perhaps one green shoot for prospective purchasers; with overall buying demand down compared to last year, we may be past the peak sellers' market."*

**By Eloise Garnett**



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