

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.

October/ November 2022 Economic & Property Market Commentary

On 3 November 2022, The Bank of England announced a 0.5% increase in its base rate from 2.25% to 3%, which is the highest Bank base rate for 33 years. The Bank of England reported that twelve-month CPI inflation rose to 9.9% in September 2022. As a result of the Mini Budget being announced, the Pound plummeted to a record low against the US Dollar, with Sterling falling to \$1.06 against the US Dollar on the morning of 26 September 2022. In line with its financial stability objective, on the 28 September 2022 the Bank announced it was committed to carrying out temporary purchases of long dated UK government bonds.

According to the Consumer Price Index including owner occupiers' housing costs (CPIH), inflation in the 12 months to August 2022 rose by 8.6%, compared with an increase of 8.8% in the 12 months to July 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, transport (Principally from motor fuels), and food and non-alcoholic beverages. It is expected to reach double digits by the end of the year.

In its September 2022 Press Release, the ONS reported Gross Domestic Product (GDP) is estimated to have grown by 0.2% in July 2022, following a fall of 0.6% in June 2022. Production fell by 0.3% in July 2022, mainly as a result of a fall of 3.4% in electricity, gas, steam and air conditioning supply.

Construction output decreased 0.8% in July 2022. This is following a 1.4% fall in June 2022. the decrease in monthly construction output in July 2022 came solely from repair and maintenance, which fell 2.6%.

In its June release, The Land Registry reported that property prices increased by 2.0% in April 2022 compared to the previous month; and when compared with the same month in 2021 they have risen by 15.5%

Nationwide's August 2022 press release reported annual house price growth at 10.0% in August, down from 11% in July. Nationwide reported that the price of a typical UK home climbed to a record high of £273,751, with average prices increasing by over £50,000 in the two years.

The publication however does predict that the housing market is likely to slow in the quarters ahead, as further pressure on household budgets intensifies in the coming quarters.

Halifax's August 2022 House Price Index Commentary reports that house prices had an annual change of +11.5% since August 2021. The monthly change is up 0.4%, and the quarterly change is up 2.6%.

"The slight fall seen in average house prices in July (-0.1%) was offset by a return to growth during August – although the increase (+0.4% month-on-month) was relatively modest compared to the rapid inflation we've witnessed in recent times. Over the last year the rate of monthly house price inflation has averaged around +0.9%.

"The typical house price reached another record high in August (£294,260) – as it has done in seven out of the eight months so far this year. However, the annual rate of growth dropped to +11.5%, from +11.8% in July, the lowest level in three months.

"While house prices have so far proved to be resilient in the face of growing economic uncertainty, industry surveys point towards cooling expectations across the majority of UK regions, as buyer demand eases, and other forward-looking indicators also imply a likely slowdown in market activity.

"Firstly, there is the considerable hit to people's incomes from the cost-of-living squeeze. The 80% rise in the energy price cap for October will put more pressure on household finances, as will the further increases expected for January and April. At the levels being predicted, this is likely to constrain the amounts that prospective homebuyers can afford to borrow, on top of the adverse impact of higher energy prices on the wider economy.

"While government policy intervention may counter some of these impacts, borrowing costs are also likely to continue to rise, as the Bank of England is widely expected to continue raising interest rates into next year.

"With house price to income affordability ratios already historically high, a more challenging period for house prices should be expected. However, this should be viewed in the context of the exceptional growth witnessed in recent years, with average house prices having increased by more than £30,000 over the last 12 months alone."

It is of note that the Chancellor has commissioned the OBR to publish an updated forecast on 23 November alongside the Medium-Term Fiscal Plan. The Office for Budget Responsibility (OBR) published its latest Economic and Fiscal Outlook in March 2022; which set out forecasts for the economy over a five-year horizon.

The March 2022 OBR publication reported 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.

by Eloise Garnett and Lizzie Sears



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