

Housing Market Projections Briefing Note

June 2022

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Key Findings

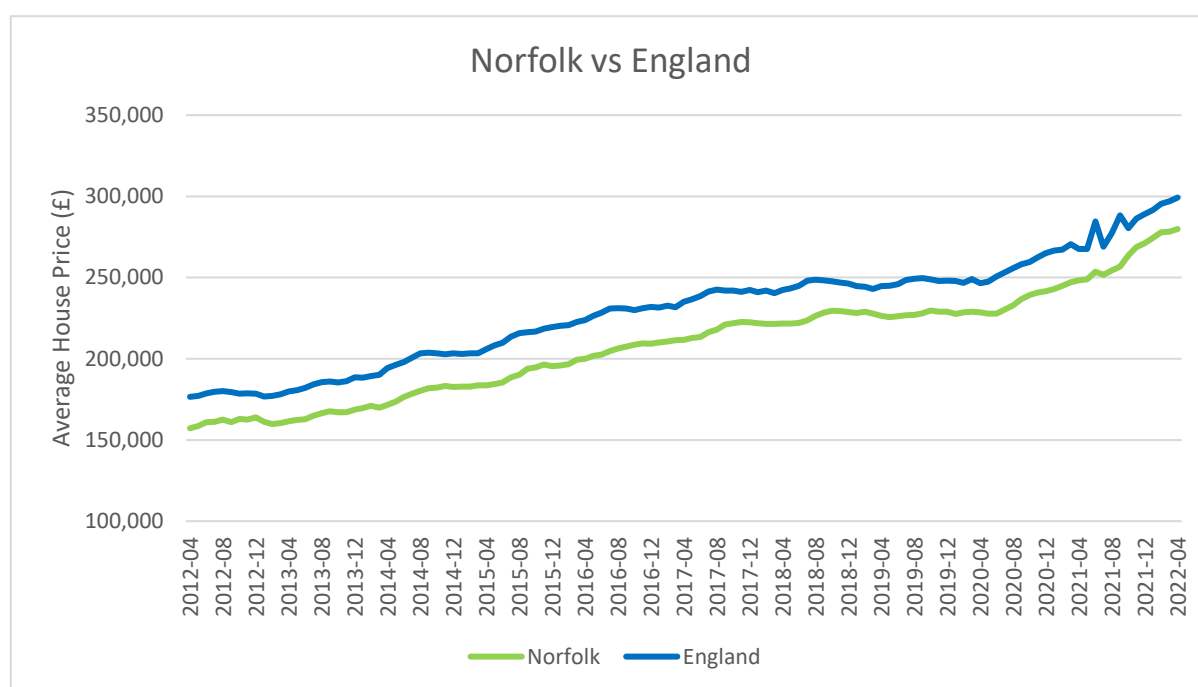
- As of April 2022, the average house price in Norfolk (for all property types) stood at around £280,000
- While house prices across the country have seen steady increases over the past decade, there has been a particularly rapid period of growth from July 2020 to the present
- Since April 2021, house prices are reported to have increased by around 12.4% across the UK, and by around 11.9% in England and the East of England region
- **Sources report future house prices to grow between 3.2% and 4% per year over the next five years**
- **Rents are also anticipated to rise over 5% per year over the next five years**

Introduction and Background

The Norfolk Office of Data and Analytics (NODA) were requested to produce a briefing note on house price projections for Norfolk County Council (NCC) owned Repton Property Developments Ltd. This briefing note will address historical and current housing data for Norfolk along with UK housing market projections.

Data from HM Land Registry suggests that as of April 2022 the average house price in Norfolk (for all property types) was around £280,000¹. The same data indicates that historically there has been a steady increase in house prices in Norfolk over the last decade with a particularly rapid period of increase commencing in July 2020 and continuing through to the present day.

Figure 1: Average House Prices in Norfolk vs England (All Property Types) 2012-2022



Source: HM Land Registry

For context, from July 2020 to June 2021 the government enacted a Stamp Duty “Holiday”, in effect reducing the amount of tax incurred when purchasing a property, therefore incentivising sales and boosting the housing market in the wake of the Covid-19 pandemic² and may be a contributing factor to price growth for this period.

In Norfolk for instance, Savills reported a 43% increase in sales agreed in Q1 of 2021 compared to the same period in 2020 and a 5.8% increase in average values

¹ [HM Land Registry, April 2022](#)

² [Stamp Duty Land Tax, Temporary Reduced Rates, HM Revenue and Customs](#)

for prime property in Norfolk, with coastal markets seeing some of the highest levels of price growth³.

Economic Outlook and Cost of Living

According to the Fiscal Outlook produced by the Office of Budget Responsibility (OBR)⁴, higher inflation will erode real incomes and consumption, cutting GDP growth this year from 6% (as per OBR's October forecast) to 3.8%.

The cost of living in the UK is rising – a situation compounded by many contributing factors including inflation, a rise in National Insurance Contributions and rising energy and fuel prices. In September 2021, Central Government announced a temporary 1.25% increase in National Insurance Contributions (NICs) for all working age employees, their employers and the self-employed to help finance health and social care across the UK. This temporary increase is due to be replaced by a separate 1.25% Health and Social Care levy in April 2023 to finance the “Build Back Better”⁵ Health and Social Care plan.

Energy and Fuel

In February 2022, it was announced by Britain's energy regulator Ofgem that the energy price cap would increase by 54%⁶, and in effect increase maximum charges per unit of energy and increase maximum standing charges for consumers on standard/default tariffs. This change also took effect in April 2022 and is set to be reviewed for October 2022 with subsequent revisions occurring every three months. The changes are reported to compensate for increased wholesale energy prices. Increases in energy and fuel prices are also being influenced by political tensions in Ukraine. Since Russian activity began in the area in February 2022, wholesale oil prices have increased and is in turn having an adverse effect on road fuel prices for consumers. For example, as of the first week of June 2022, the cost of diesel stands at £1.85 per litre, an increase of 53p (or 40%) from June 2021. Similarly, the cost of petrol stands at £1.76 per litre, an increase of 47p (or 36%) for the same period⁷.

Inflation

High demand for goods, higher energy prices and greater business costs has driven up the inflation rate in the UK to a 30-year record high. According to the Office for National Statistics (ONS) the rate of inflation, as measured by the Consumer Price

³ [Savills, Norfolk Property Briefing, Summer 2021](#)

⁴ [Office for Budget Responsibility, Economic and Fiscal Outlook, March 2022](#)

⁵ [Build Back Better: Our Plan for Social Care](#)

⁶ <https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april>

⁷ [Weekly Road Fuel Prices, Department for Business, Energy and Department Strategy, June 2022](#)

Index (CPI), rose by 9% in the last 12 months. The ONS also reported that 83% of adults across the country reported increases in living costs⁸.

Figure 2: Historical Changes to Consumer Prices Index



Source: Office for National Statistics, ONS, Consumer Price Inflation, May 2022

For the 2022/23 financial year, the Office for Budget Responsibility (OBR) forecast CPI inflation to average 8%. These forecasts assume a further 40% increase in the household energy price cap in October 2022 but does not include possible effects from the conflict in Ukraine on other commodity prices, such as food. Using market expectations of wholesale gas prices, the OBR then expects a large fall in utility bills in 2023, resulting in inflation easing below the Bank of England’s 2% target by late 2023 and into 2024⁹.

Other Considerations for Homeowners and Prospective Buyers

In order to combat rising inflation, the Bank of England has chosen to increase interest rates on mortgages and loans with variable rates. Since December 2021, the interest rates set by the Bank of England has increased from 0.1% to 1.5%¹⁰. According to the English Housing Survey, around a third of households have a mortgage. Of those, three-quarters have a fixed mortgage, so will therefore not be

⁸ [Office for National Statistics, Impact of increased cost of living on adults across Great Britain: November 2021 to March 2022](#)

⁹ [Rising Cost of Living in the UK”, House of Commons Library, May 2022](#)

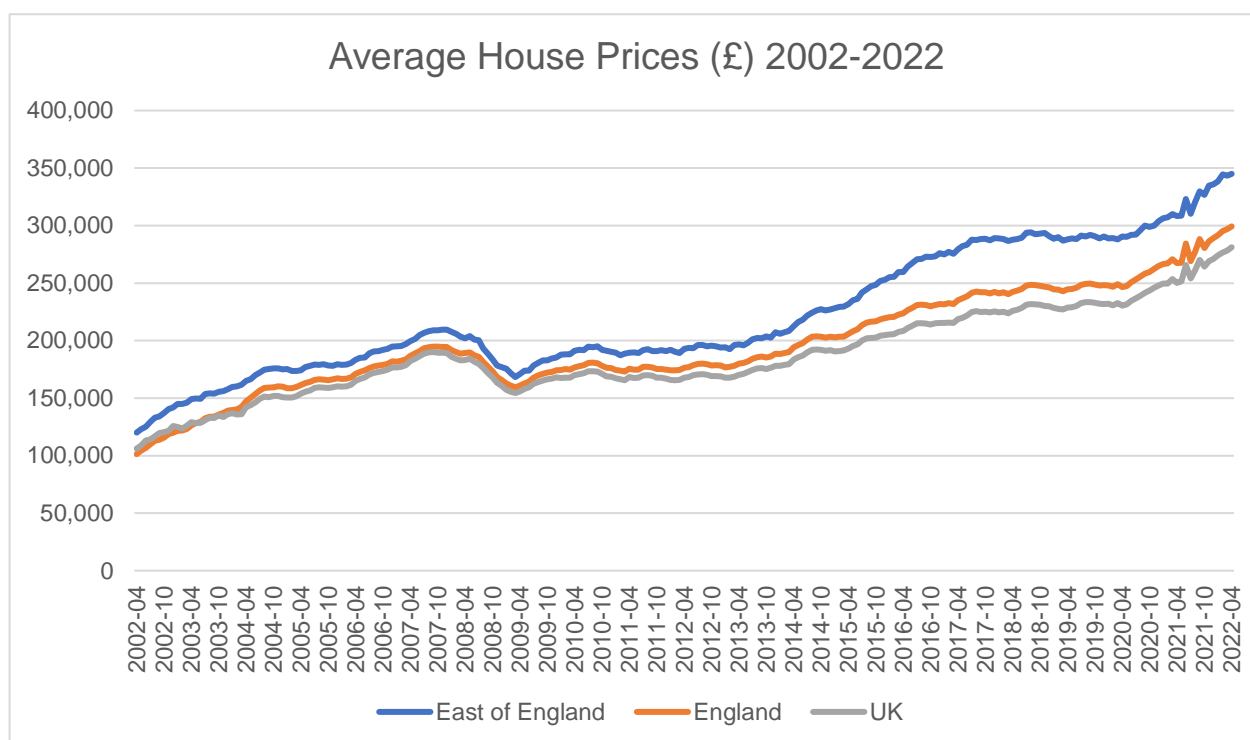
¹⁰ [Bank of England Knowledge Bank, June 2022](#)

immediately affected. The rest - about two million people - will see their monthly repayments rise¹¹.

In May 2022 it was announced that the final deadline for the agreement of property sales under the Help to Buy scheme is now set for October 2022, ahead of the scheme's official conclusion in March 2023. From April 2013 to September 2020, the Help to Buy scheme reportedly enabled the sale of around 292,000 new build properties in England. Approximately 82% of these completions were made by first-time buyers and the total value of these equity loans were approximately £17.4 billion¹². A replacement scheme has not currently been announced.

Current House Prices

Figure 3: Average House Prices (All Property Types) 2002 - 2022



Source: HM Land Registry

According to the latest House Price Index¹³, average house prices in the UK increased by 12.4% in the year to April 2022, up from 9.7% in the year to March 2022. At the country level, the largest annual house price growth in the year to April 2022 was recorded in Wales and Scotland, where house prices increased by 16.2%. England saw house prices increase by 11.9% in the year to April 2022.

¹¹ [BBC, Interest rates: What are they and how high could they go?](#)

¹² [Help to Buy: Equity Loan scheme. Data to 30 September 2020, England](#)

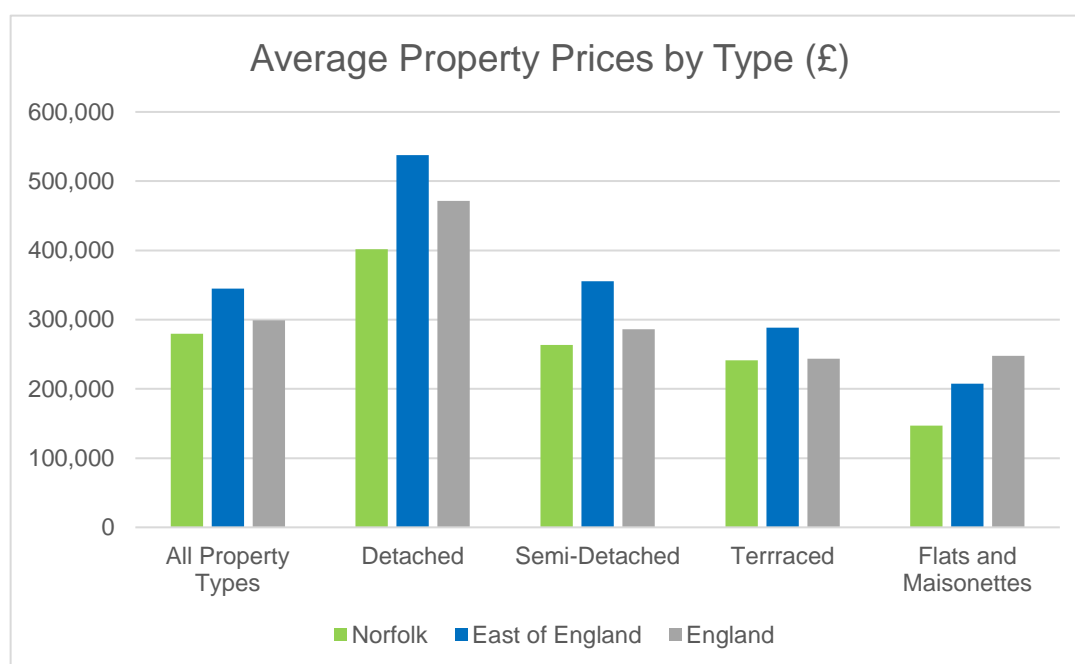
¹³ [House Price Index, April 2022](#)

On a non-seasonally adjusted basis, average house prices in the UK increased by 1.1% between March 2022 and April 2022, up from -1.3% during the same period a year earlier (March 2021 to April 2021). On a seasonally adjusted basis, average house prices in the UK increased by 0.4% between March 2022 and April 2022.

Regionally speaking, in the East of England house prices increased by 0.4% from March to April 2022. In the year to April 2022 house prices in the East of England region rose by 11.9%.

Whilst the House Price Index doesn't report specifically on price rises in Norfolk, house prices are typically lower than those of the East of England region and those of England overall. For instance, as of April 2022, the average price of a detached property in Norfolk was around £401,000¹⁴.

Figure 4: Property Prices by Type



Source: HM Land Registry, April 2022

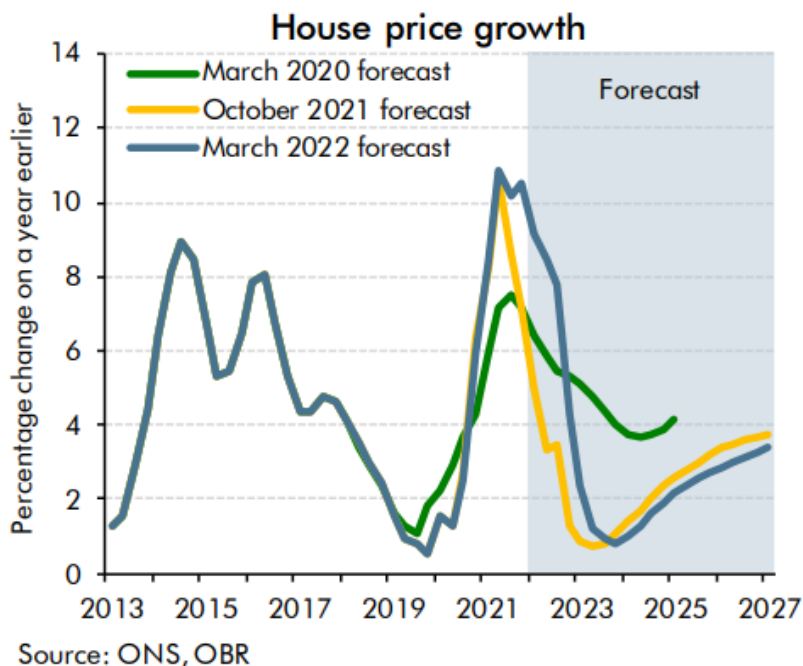
Future House Prices

According to the Office for Budget Responsibility (OBR) demand for housing is anticipated to ease over the next year. This was attributed to the fall in real incomes and a rise in interest rates which is subsequently causing house price inflation to slow to around 1% by late 2023. Over the medium term (approximately between

¹⁴ [HM Land Registry, April 2022](#)

2024 and 2027), house price inflation is thought to pick up to around 3.2% a year, matching the growth in nominal incomes¹⁵.

Figure 5: OBR’s House Price Growth Projections



On a similar note, the March 2022 edition of the Residential Market Survey produced by the Royal Institution of Chartered Surveyors (RICS) reported that over the next five years, RICS’ survey respondents anticipate house prices to rise by just over 4%, per annum, at the national level¹⁶.

Current Housing Affordability

In March 2022, the ONS released the latest Housing Affordability Statistical Bulletin for England and Wales, detailing housing affordability down to district level¹⁷.

The housing affordability ratio is a measure of housing affordability for a given area and is calculated by taking median house prices and dividing them by median annual earnings. A larger ratio is indicative of a less affordable area. The housing affordability ratio for England and Wales together was reported as 8.93. For comparison, the affordability ratio for England alone was 9.05.

¹⁵ [Office for Budget Responsibility, Economic and Fiscal Outlook, March 2022](#)

¹⁶ [UK Residential Market Survey, Royal Institution of Chartered Surveyors \(RICS\), March 2022](#)

¹⁷ [Housing Affordability Statistical Bulletin, ONS, March 2022](#)

For the East of England region as a whole, affordability stood at 10.53, a higher ratio and therefore reportedly less affordable than England and Wales overall. Norfolk’s affordability had a reported ratio of 8.85, a lower value and therefore reportedly more affordable than its East of England counterparts.

Table 1: Housing Affordability Ratio – East of England

Area	Affordability Ratio
England and Wales	9.93
England	9.05
Norfolk	8.85
Suffolk	9.71
Cambridgeshire	9.81
Essex	11.51
Hertfordshire	12.86

Source, ONS Housing Affordability Statistical Bulletin, March 2022

Locally speaking, differences in housing affordability within Norfolk exist. By this metric the most affordable district was Great Yarmouth (6.74). Conversely, the least affordable district in Norfolk was reported as North Norfolk (11.44).

Table 2: Housing Affordability Ratio – Norfolk

Area	Affordability Ratio
Norfolk	8.85
Breckland	9.40
Broadland	9.08
Great Yarmouth	6.74
King’s Lynn & West Norfolk	8.90
North Norfolk	11.44
Norwich	7.12
South Norfolk	9.05

Source, ONS Housing Affordability Statistical Bulletin, March 2022

Future Rental Prices

The Residential Market Survey is a monthly sentiment survey of Chartered Surveyors who operate in the residential sales and lettings markets. The May 2022 edition of the Residential Market Survey¹⁸ revealed that tenant demand continues to rise firmly according to a net balance of +48% of survey respondents. Net balance refers to the proportion of respondents reporting a rise in prices minus those reporting a fall. A positive net balance implies that more respondents are seeing increases than decreases, a negative net balance implies that more respondents are

¹⁸ [Residential Market Survey, Royal Institution of Chartered Surveyors, May 2022](#)

seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.

Near-term rental growth expectations remain elevated, returning a net balance of +58% of respondents anticipating rental growth as of May 2022. However, this measure is reportedly slightly lower from an all-time high of +66% recorded back in February 2022.

In the next 5 years, growth in rents is expected to outpace that for house prices, with the gap widening in recent months. Rents are now anticipated to rise by a little over 5% per annum through to 2027 (this is reportedly based on a three-month average for the series), while price growth projections stand at 4% on the same basis. Survey results for June, are due for release in mid-July

For context, as of 2020, an estimated 115,000 households (around 30% of all households in Norfolk) rent their homes. Of these households an estimated 61,000 (53%) rent from a private landlord and an estimated 54,000 households (47%) rent from social housing providers/Local Authorities¹⁹.

Table 3: Housing Tenure Estimates

Local Authority Name	Owned Outright	Owned with Mortgage or Loan	Private Rent	Social Rent	Total Households
Breckland	22,600	16,600	8,900	6,700	54,900
Broadland	25,900	18,500	6,100	4,300	54,800
Great Yarmouth	14,800	10,200	6,400	5,700	37,000
King's Lynn and West Norfolk	28,600	18,600	10,500	7,800	65,600
North Norfolk	24,800	11,600	7,800	5,700	49,900
Norwich	15,400	14,700	13,900	18,100	62,100
South Norfolk	26,200	19,000	7,200	5,900	58,300
Norfolk	158,300	109,100	61,000	54,100	382,600

*Figures have been rounded and therefore may not total

Source: ONS, Subnational estimates of households by tenure

Housing tenure data is also captured by the ONS Census and is due to be released later in 2022.

Concluding Remarks

Overall, the past decade has seen steady house price increases for Norfolk and the rest of the UK with the past two years seeing a particularly rapid period of growth. Despite a poor economic outlook in the short-term as a result of the rising cost of

¹⁹ [Office for National Statistics, Subnational estimates of households by tenure, England, 2012 to 2020](#)

living, house prices and rents are still anticipated to remain strong with sources reporting annual house price increases of between 3.2% and 4% per year and rents increasing around 5% per year over the next five years.

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