

Progressive Property & Construction Daily



7 January 2022: House price growth to slow after new record high - Halifax;
Construction work grows again, while supply holdups ease| Fortnight ahead

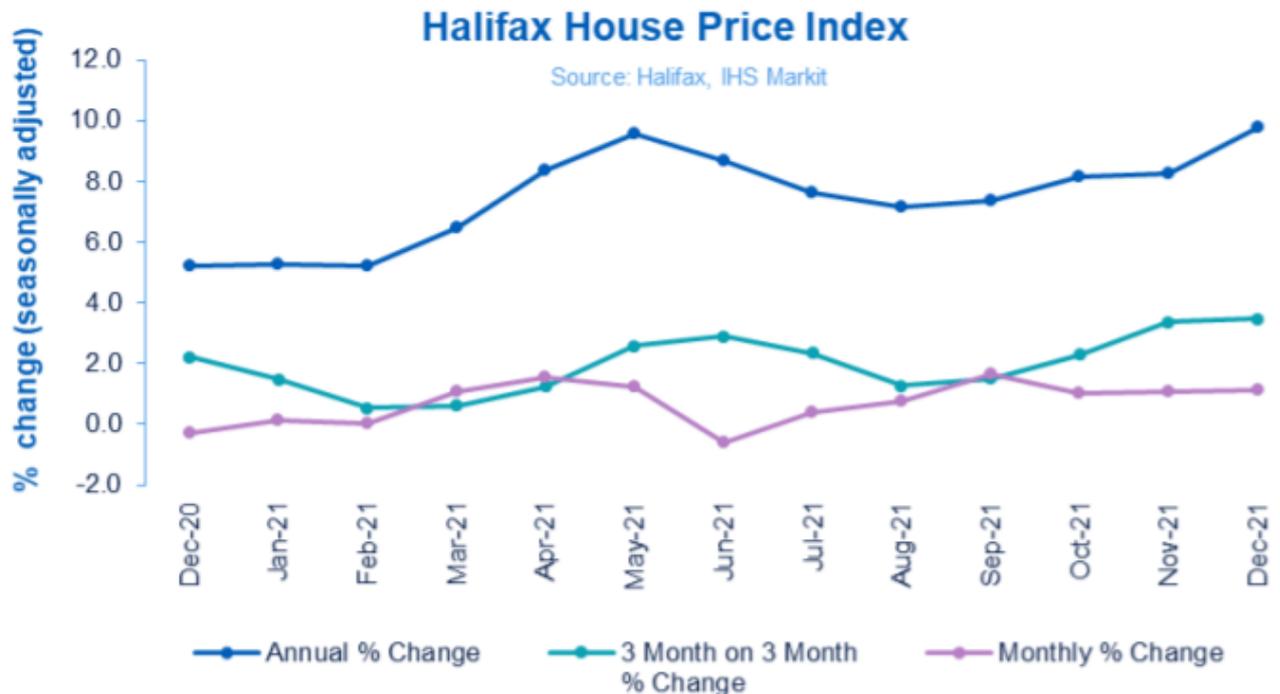
A round-up of market statements, news, economics and views from
the property and construction sectors

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A Happy, healthy and successful New Year to all ...

Economic data

House prices. Average UK homes prices rose by 9.8% Y/Y to a new record high of £276,091, but the rate of growth is expected to slow in 2022, according to today's monthly House Price Index from the Halifax ([link](#)). Prices rose M/M by 1.1% in December, the highest rate for three months; the 3.5% Q/Q increase and 9.8% Y/Y rate were the high rates of growth registered in any month during 2021 (see below).



Wales remains by far the strongest performing nation or region in the UK with annual house price inflation of 14.5%, taking the average house price to £205,579. Prices in Northern Ireland rose 10.6% to £170,946; while in Scotland they increased by 9.7% to a record £192,988. In England, the North West was the strongest performing region (11.8%), followed by the South West. Despite registering a strong quarterly rise in prices (2.9%, up from 1.1% in the three months to November), London remains by far the weakest performing for annual inflation (2.1%).

Reflecting that the housing market had “defied expectations” in 2021, the UK’s biggest mortgage lender believes house price growth will slow considerably this year, due to further possible interest rates and increasing pressures on household budgets: “Our expectation is that house prices will maintain their current strong levels, but that growth relative to the last two years will be at a slower pace. However, there are many variables which could push house prices either way, depending on how the pandemic continues to impact the economic environment”.

Construction output. UK construction activity continued to grow in December, albeit at a slower rate of increase as the Omicron virus restrictions took hold, according to the latest IHS Markit purchasing managers report ([link](#)). The headline total activity index slipped from 55.5 in November to 54.3 in December, but it remained above the 50.0 no-change threshold. Supply chain constraints, which had been a constraint on the index through much of 2021, appeared to ease. The number of construction firms reporting supplier delays dropped from 47% in November to 34% in December. Meanwhile, around 5% of the survey panel reported shorter lead times from vendors, up from 4%. Fewer supply shortages contributed to the slowest rate of input price inflation for nine months. Housebuilding regained its spot as the best performing sector (55.3), edging Commercial (53.6) into second, while Civil Engineering ended a nine-month run of expansion, registering 49.1. Looking ahead, 51% of the survey panel forecast a rise in business activity during 2022, while only 9% predict a decline, a net +42%. Although positive for the year ahead, the degree of optimism was the joint-lowest since January 2021.

IHS Markit / CIPS UK Construction PMI Total Activity Index

sa, >50 = growth since previous month



Sources: IHS Markit, CIPS.

Fortnight ahead

Construction & property: company and economic news

January

13 Persimmon (PSN)	Trading update
17 Taylor Wimpey (TW.)	Trading update
18 Springfield Properties (SPR)	FY results
Henry Boot (BOOT)	Trading update

Sources: Companies, Factset, Progressive Equity Research

Prices are as at the previous day's close.

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