

NEW PRODUCT

BUY-TO-LET MORTGAGES



What should we expect from the UK property market in 2022?

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The UK property market's remarkable 2021

The performance of the UK's property market in 2021 was nothing short of remarkable. In the face of ongoing social and economic uncertainty due to the pandemic, house prices rose sharply and transactional volumes remained at the levels seen before Covid-19 emerged.

According to data released by **Halifax** in the new year, the average price for a residential property in the UK now stands at £276,091, a rise of more than £24,500 on the year prior. This the greatest cash-value increase recorded since 2003.

Numerous factors contributed to the rapid growth of house prices, of which four stand out as being the most pertinent to this recent swell of growth:



The first is the pent-up demand that formed during the multiple lockdowns and social distancing restrictions implemented throughout the pandemic. These periods, either entirely or in part, prevented or significantly obstructed people from purchasing properties. This resulted in a backlog of people – homebuyers and investors alike – keen to buy a property, and once the restrictions were lifted, the market burst back into life.

The stamp duty holiday between July 2020 and October 2021 was another key factor. It provided the opportunity for significant tax savings for property buyers – up to £15,000 during the first year of the initiative. This further fuelled demand, driving prices upwards.



Record-low interest rates of 0.1% between March 2020 and December 2021 meant that the cost of borrowing was relatively low. This aided would-be homebuyers.



Finally, the race-for-space: the pandemic has changed what people look for in a home, as **research from Market Financial Solutions (MFS)** in April 2021 revealed. Space is at a premium, which has led some homebuyers to sell their existing property and buy larger or more rural homes.



Together, these four factors contributed to a year like no other, with demand for property as high as it has ever been.

What should we expect in 2022?

At the start of 2022, inquiries around whether the property market's performance from the past 12 months can be sustained naturally started to surface:

- How many people are looking to get onto the property ladder, move home, or invest in real estate?
- What is motivating these decisions?
- What are the perceived challenges that stand in front of prospective property buyers?

To find the answers to these important questions, MFS commissioned an independent survey among 2,001 UK adults at the start of January 2022. The research provides a timely insight into how we can expect to see the property market evolve in the year to come.

The findings of the survey are outlined within this report, along with further insight from the MFS leadership team.

KEY FINDINGS AT A GLANCE

The market research was carried out via an independent market research agency among 2,001 UK adults. Out of the respondents in the survey which took place between 1st and 4th January 2022:



Here are some of the key findings:

Plans to buy property in 2022:

18%

of UK adults intend to buy a residential property in 2022

14%

of renters plan to buy their first property in 2022

20%

of existing property owners intend to either sell and buy a new home (14%), or buy an additional investment property (6%)

House price predictions:

63%

of people expect house prices to increase in 2022

29%

believe they will stay largely the same, while 8% predict a fall

Pandemic and property:

40%

of UK adults say the pandemic has changed what matters to them in a home

24%

are worried that rising interest rates will affect their ability to secure or repay a mortgage

42%

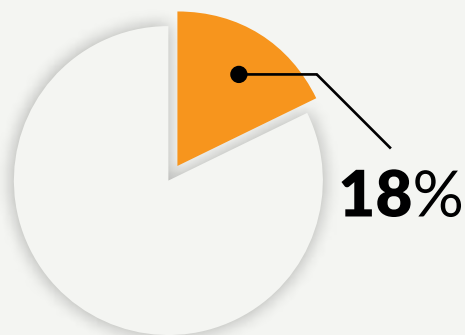
are wary of making significant financial decisions in light of ongoing Covid-19 threats, such as the Omicron variant

16%

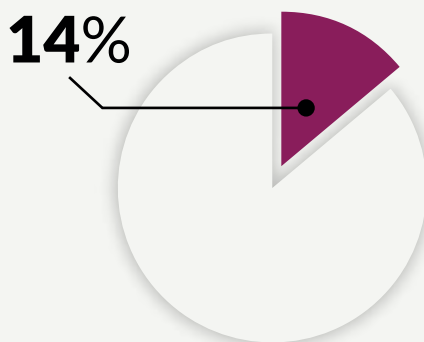
of Britons aspire to develop a buy-to-let portfolio, rising to 34% among those aged 18-34

Property purchasing ambitions

After a busy year for the property market, our research shows there is unlikely to be any slowdown in 2022. In fact, we found that:

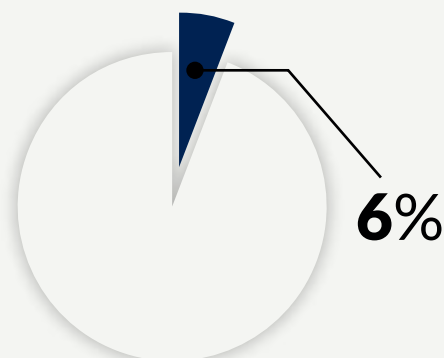


Almost one in five UK adults intend to purchase property this year – this could equate to around 9 million people.



14% of renters plan to buy their first home.

Whilst 14% of existing homeowners plan to sell up and move home in 2022.



6% hope to purchase an additional investment property.

When looking at the younger group of respondents (those aged 18-34), we uncovered that a third (34%) were hoping to purchase a residential property.

Naturally, not all who intend to purchase a property will move ahead and do so, yet the intentions are stark and underline the high demand which houses and flats will be subject to over the coming 12 months.

Of those who intend to buy a property (18%) in 2022, we found that over two fifths (43%) would be looking in a different area to where they currently live or own now. The rise of remote working, which has meant many people now commute to an office far less frequently, if at all, has been the catalyst for this trend, encouraging buyers to explore new options further afield.

Half (50%) of prospective buyers stated that they want a property that has more space, with the pandemic resulting in many people desiring more spacious properties. MFS' aforementioned research from last year – [The Homebuyer Wish List](#) – which explored this trend in more detail.

However, a major stumbling block stands in their way: two thirds (66%) of UK adults planning to buy a property in 2022 said they are worried that inflation and rising house prices will potentially push their desired property out of their reach.

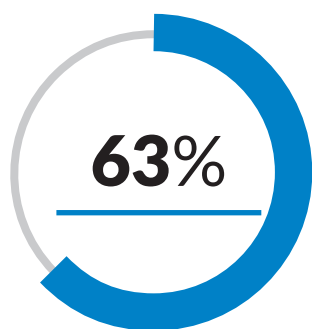


In late 2021, **UK inflation hit 5.1%**, its highest level in a decade. It is expected to rise further to 6% in 2022, driven by energy regulator Ofgem changing its energy cap in the Spring.

House price predictions

Evidently, there are fears around rising house prices among many would-be property buyers. This is understandable, given the significant increase in prices over the past 12 months – by most estimates, including data from the Office for National Statistics, residential properties jumped in value by approximately 10%.

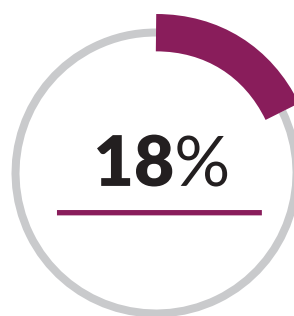
We asked the 2,001 respondents about how they thought house prices would change over the course of 2022. Almost two thirds (63%) said they expect house prices to increase in 2022:



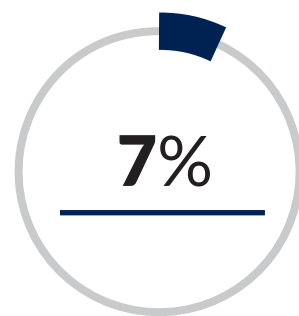
Almost two thirds said they expect house prices to increase in 2022



think they will rise by 1-5%



think by 5-10%



think by more than 10%.

The confidence of the majority of the respondents to our' survey is reflected in many experts' predictions for house prices this year. For instance:



Savills has forecast that house prices will rise 3.5% over the coming year



Rightmove puts the figure even higher at 5%.

In light of the past and predicted house price growth, it is clear that many UK adults do not just aspire to get onto and move up the property ladder, but also to invest in bricks and mortar. Around a sixth (16%) of Britons aspire to develop a portfolio of buy-to-let properties.

Men (19%) being more likely than women (12%) to want to do this, as are younger people aged 18-34 where it increases massively to 34%.

Clearly, buy-to-let investment still holds significant appeal and will remain in high demand in 2022.

Buy-To-Let Mortgages

We're proud to announce the launch of our brand new, all updated Buy-To-Let Mortgage product.

FIND OUT MORE

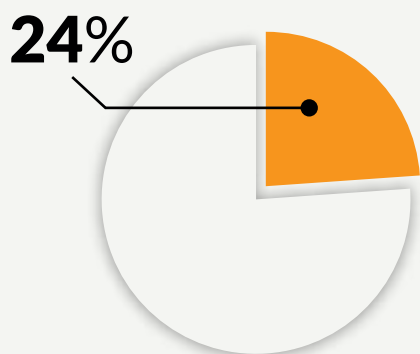
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Sentiment towards the property market

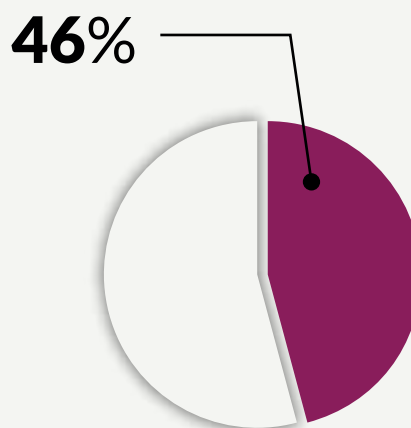
As we enter 2022, one of the major outstanding questions concerns the long-term implications of the pandemic and what this could mean for the real estate sector as a whole. Indeed, our research found that 40% of UK adults feel the pandemic has changed what matters to them in a home – this is particularly true among those aged 18-34 (53%).

Interest rates remain another potential issue, along with the aforementioned concerns related to inflation and house price growth.

A quarter (24%) of current homeowners said they are worried that rising interest rates will affect their ability to secure or repay a mortgage



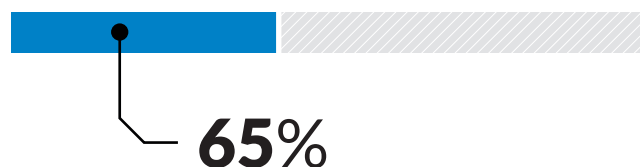
Again, this view is more common among the younger respondents



The Bank of England increased interest rates in December 2021, surprising many economists in doing so. The UK was the first major central bank to raise interest rates since the Covid-19 pandemic began.

Interest rates are predicted to rise further over the coming 12 months, owing largely to rising inflation noted earlier in this report. If this comes to pass, it will have implications on the cost of borrowing, most notably for those with (or hoping to acquire) residential mortgages and BTL mortgages.

More generally, the sudden emergence of the Omicron variant towards the end of last year appears to have unnerved many Britons – two fifths (42%) told us they are wary of making significant financial decisions in light of ongoing Covid-19 threats, such as new variants.



Nevertheless, MFS' research demonstrates the unwavering confidence that the UK public has in bricks and mortar. The desire to own a property, or develop an investment portfolio of them, is common among the majority of the population, which translates into significant demand that consistently outstrips supply.

2022 is poised to be another year of high activity and interest across the UK property market. Now, we must observe how the projected trends will materialise in reality.

The thoughts of our CEO



After a frenetic year for the property market in 2021, in which house prices rose sharply, there has naturally been a great deal of speculation as to how 2022 will unfold. Our new research shows we should not expect any sudden slowdown; the fact that 18% of UK adults – over 9 million people – intend to buy a property in the coming 12 months shows that demand remains sky high.

Yet our research also underlines the challenges that stand in front of prospective buyers. The so-called ‘race for space’ means that competition for certain properties – such as houses with gardens and spare rooms for home offices – will be fierce. Meanwhile, rising inflation, the potential for further interest rates hikes, and delays in securing mortgages, could also act as stumbling blocks for those looking to buy property.

Forward planning will be crucial for anyone looking to buy a new home or invest in property. Having their finances in order and, if required, a lender in place will ensure they can act with speed and confidence, which will improve their chances of being successful in a competitive market.

As underlined in our research, we expect demand for buy-to-let investments to remain high throughout 2022, which is why we’re building on our existing bridging loan offering with a new range of Buy-To-Let Mortgages. Ultimately, property buyers and the brokers they rely upon need lenders to act with speed, flexibility and, at times, creativity.

Throughout the year to come, MFS will be on hand to assist property buyers and investors overcome many potential challenges. Buying at auction, counteracting broken chains, lenders pulling out, refurbishments and renovations, refinance – we have the experience and expertise to assist in a wide range of cases, no matter how complex, even if a large loan is required.

MFS is expecting a busy, productive 2022. We look forward to working closely with brokers and their clients to deliver the best possible products – be it a Bridging Loan or a Buy-To-Let Mortgage – and doing so without any undue delay.



Paresh Raja, CEO of Market Financial Solutions

Contact us today to arrange your fast,
bespoke bridging loan:

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