

Residential Real Estate Market In United Kingdom - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

Key Highlights

The Residential Real Estate Market in the United Kingdom is expected to witness a CAGR of more than 5% during the forecast period. Improving economic data over the past few months, followed by the reopening of the economy, has helped increase the demand in the residential real estate sector. Real estate is a major part of the United Kingdom's economy. Despite the COVID-19 pandemic and the lengthy Brexit negotiations, the turnover and the number of people employed in the sector increased between 2019 and 2020.

Residential markets are experiencing the strongest Y-o-Y house price growth since 2004 till the first half of 2021, with June's growth (Nationwide) bringing the total growth in 2021 to 13.4%. London house prices climbed to 6.2% in 2021 since the first lockdown a year ago.

Wales, Scotland, and Northern Ireland have seen the highest increase in prices in recent months, but they make up a considerably smaller proportion of the housing market than England. The pandemic has impacted buyers' preferences, as the price of detached properties in London has increased annually by 5.3%, compared to a 1% increase for flats and maisonettes.

Since the coronavirus outbreak, strong demand in the residential real estate market has impacted home prices in the greater metropolitan area. Due to the restricted supply, there has been more rivalry among purchasers and a faster rate of the price increase. The average housing price in London was about GBP 520,000 (USD 625,432) in November 2021, nearly three times higher than in the North East.

The majority of households in the UK have mortgages and own their homes outright. With a house ownership percentage of 65.2%, the UK is in the same league as the Netherlands, Sweden, and Denmark compared to other European nations.

United Kingdom Residential Real Estate Market Trends

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Growth in the UK House Prices

Home prices rose by nearly 7% in October, as strong demand and brisk sales put the 2021 British housing market on track to have its busiest year since 2007. One of the main reasons for the strong growth in house prices despite weak demand is the chronic housing shortage in the country, aggravated by a further decline in residential construction activity last year due to pandemic-related restrictions. Government measures such as the stamp duty holiday and extensions of the Help-to-Buy scheme helped boost the housing market in the United Kingdom.

The United Kingdom has some of the highest average house prices in Europe. The beginning of 2009 saw the lowest prices for houses in the United Kingdom, with an average of GBP 157,200 (USD 189,154). Since January 2013, the average house price has been steadily increasing. As of October 2021, the average house price was approximately GBP 268,349 (USD 3,22,897), up from GBP 243,576 (USD 2,93,088) in 2020.

Renting is an option for those who do not currently own a house or are currently acquiring one with a mortgage. Renting is particularly common in large cities where there is a great demand for reasonably priced residential real estate. The UK's residential real estate market has seen an increase in the ratio of home prices to rent in recent years, making renting the more cost-effective choice.

Increasing Rents in the Key Cities of UK

The average rent for a house in the United Kingdom increased across most regions in 2021. London was not only the region with the priciest rent at GBP 1,752 (USD 2120) but also the region with the highest annual increase. Housing in the United Kingdom is more expensive than in other European countries, largely because of prices in the capital city of London. In recent years, the United Kingdom's residential property market has slowly become more favorable for renters. Londoners spent the biggest proportion of their income on rent which is more than one-third of a household's income.

High rents might have sparked a move away from the capital to other regions in the United Kingdom, such as the South East (Brighton and Southampton), the West Midlands (Birmingham), and the North West (Liverpool, Manchester, Blackpool, and Preston). In 2010, the total amount of actual rentals paid by tenants was approximately GBP 56 billion (USD 86.6 billion), and in 2020, the value had grown to roughly GBP 86 billion (USD 110 billion). Rental costs paid by tenants also increased between the first quarter of 2020 and the first quarter of 2021, from approximately GBP 21.3 billion (USD 29.3 billion) to GBP 21.7 billion (USD 29.9 billion).

United Kingdom Residential Real Estate Market Competitor Analysis

The residential real estate market in the United Kingdom is fragmented due to the low market share concentration, with the industry being highly competitive. The UK Residential Real Estate market is experiencing a shortage of houses, which has led to higher demand and a positive impact on the big housebuilders in the United Kingdom. Several have reported a rise in sales due to the healthy demand for new homes. Key players in the UK housebuilding are Miler Homes, Crest Nicholson PLC, Barratt Developments, London and Quadrant Housing Trust, Bellway PLC, Kier Group PLC, and Berkeley Group.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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