



# Q2 PROPERTY REPORT

FOR READING, WOKINGHAM AND CROWTHORNE

A decorative graphic consisting of white lines forming a grid and a series of concentric arches. A solid pink circle is positioned within the arches, and a solid teal circle is positioned at the top of a vertical line on the left side.

2023

# SALES IN 3RD GEAR, RENTS IN 5TH GEAR AS INTEREST RATES GO UP

The housing market is dominating the national conversation with concerns about mortgage rates and “spiralling” rents. In this Quarter 2 2023 report we try to cut through the noise to help you understand the property dynamics in the wider Reading, Wokingham and Crowthorne markets. We welcome any feedback to [marketing@haslams.net](mailto:marketing@haslams.net).

DAN CHANNER  
MD, HASLAM'S GROUP

## 01. A SURPRISINGLY BUSY SALES MARKET WHERE PRICING IS SENSIBLE

Accurate pricing is important in an uneasy and at times fragile market. In the first three weeks of June 2023 we sold 42 homes across the group – similar to our sales in 2022. Four examples in particular illustrate the power of pitching the asking price at the right level: a 2-bed apartment in Reading listed at £330,000 had four offers and sold quickly; a 5-bed home in Shinfield priced at £835,000 attracted six offers and sold at



5-BED HOME ATTRACTED SIX OFFERS AND SOLD AT ASKING PRICE

the asking price (Image 1); a detached home in Yateley was priced to attract interest at £400,000 and a bidding war led to the vendor's expectations being easily surpassed; and a similar strategy saw a 4-bed house in Crowthorne listed at £775,000 going under offer for more than £50,000 over the asking price (Image 2).



CROWTHORNE HOME GOING UNDER OFFER FOR MORE THAN £50,000 OVER ASKING PRICE

So what exactly are prices doing? Figure 1 shows the Haslams Price Index, our analysis of 37 property types and areas across the Greater Reading area. The 2% increase over the past year contradicts data from the ONS and Halifax of ~3-4% reductions across the UK since August 2022. Figure 2 breaks down the year-on-year price changes across different areas. One factor

that can be used to help understand the local increase in values is the high proportion of first-time buyers – see Figure 3. Most of these are renting and higher rents mean that buying a home can be cheaper than renting, even with mortgage rates climbing. Plus, the Elizabeth Line is still a big selling point for Reading buyers.

FIGURE 1

**AVERAGE PROPERTY PRICE CHANGES ACROSS THE GREATER READING AREA SINCE Q1 2021**

**HASLAM'S PRICE INDEX**

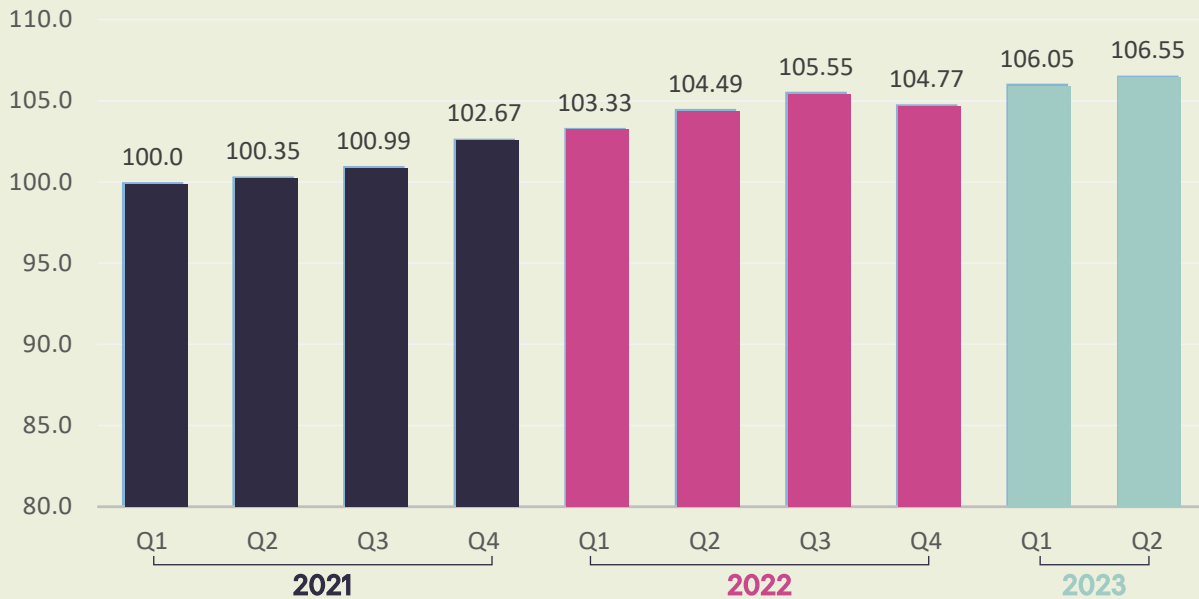


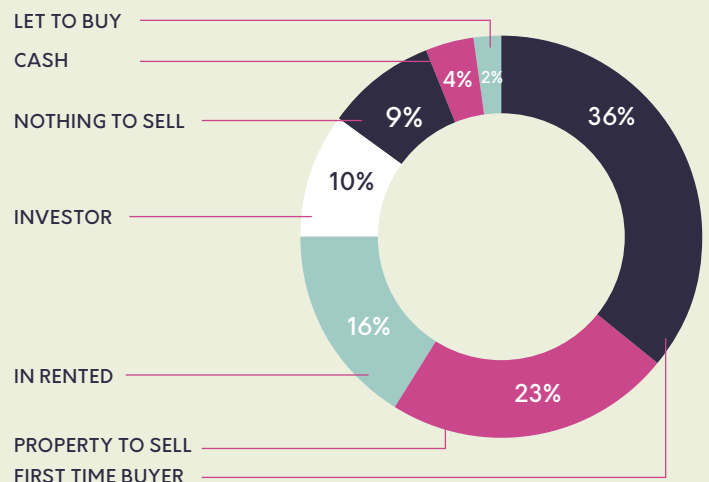
FIGURE 2

**YEAR ON YEAR PRICE CHANGES BY AREA**

Area	Price change - Q2 2022 to Q2 2023
Town Centre Apartment Analysis	3.1%
Caversham analysis	1.6%
Woodley analysis	2.2%
Earley analysis	1.1%
West Reading analysis	2.5%
Calcot/ Tilehurst analysis	2.2%
Shinfield/ Spencers Wood analysis	1.5%

FIGURE 3

**BUYERS REGISTERED FROM APRIL – JUNE 2023**



## 2. SALES VOLUMES ARE DOWN AND MANY SELLERS ARE IN DENIAL ABOUT THEIR PROPERTY'S TRUE VALUE

During the Covid sales boom vendors could be more ambitious with their prices, but that approach does not succeed in 2023. A 7-figure 4-bed detached house in RG41, Wokingham, is a case in point. After 22 viewings the best offer received was 5% below the asking price and rebuffed by the vendor. For them, 5% is both a large amount of cash and the barrier to the sale, but the best offer was a sign of the market. Sadly, a truism of 2023 is that buyers have become more fickle and are putting in offers on multiple properties (note: this is not a good way to endear yourself to agent or vendor!).

Across the market we read reports of 18% fewer transactions occurring in 2023 vs the same time period in 2022. However, our experience proves to be a mixed picture. In Wokingham we estimate sales volumes are down 45% from January to mid-June, but during May in Reading, only 5% fewer sales were agreed than in May 2022.

## 3. EXTRAORDINARY RENTAL DEMAND WITH RENTS UP 20+% IN TWO YEARS

Tenant demand is at an all-time high in Berkshire. In May our Reading office received 4957 enquiries for a rolling average of 30 available properties. This is a desperate situation for prospective tenants and sadly it leads to desperate behaviour, such as over-bidding. According to Zoopla there are roughly 30% fewer rental properties available today compared with pre-Covid years.

A 2-bed apartment near the town centre tells the story, with the rent moving from £1095 to £1250 to £1400 in just two years (Image 3). Elsewhere, a 2-bed apartment in Wokingham increased 21% upon re-letting for the first time since 2021 (Image 4). Back in Reading, a 3-bed home off the Oxford Road increased from £1500 to £1900. It was taken by 3 sharers who pay £633 each, compared with an average of £900-£1000 for a studio or a 1-bed – a huge saving on renting properties individually.

The ONS and Zoopla are publishing annual rent increases (on new lets, not existing tenancies) of 10% and this ties in with our two year view of 20% rental uplift across the market.

Why is demand so high? The rental sector has shrunk by 250,000 homes in the past three years which inevitably reduces supply. Demand has been stoked by increased net migration, 300,000 under 30's moving out of the Hotel of Mum & Dad since 2021 and a strong economy throughout the county.



#### 4. IF RENTS ARE CLIMBING SO FAST, WHY ARE LANDLORDS “SELLING IN DROVES”?

They're not, that's why. Many stakeholders in the rental industry are making ill-informed predictions such as, '40% of landlords want to sell their properties'. While we understand that 85% of buy-to-let mortgages are interest-only (moving from a 2% to 6% rate on a £150,000 mortgage means an extra £500 pcm), so far in 2023 about 1% of our landlords have sold, with a number of our tenants buying the home they live in.

This said, more rental property will be sold in 2023 than 2022. How much will depend on levels of gearing and landlords balancing their monthly net profit / loss with views on when interest rates will subside, plus, of course, the strong fundamentals of the market.

#### 6. THE RENT REFORM ACT IS THE WRONG SLEDGEHAMMER BUT NOTHING FOR ETHICAL LANDLORDS TO FEAR

Reasonable landlords have nothing to fear from the Rent Reform Act. Indeed, it includes some sensible ideas. We disagree with the ending of fixed-term tenancies, but it is not a disaster for

#### 5. BTL IS NOT DEAD JUST HAVING A LIE-DOWN

Investors bought four of the 14 1- and 2-bed apartments we sold at ONE Reading on Friar Street. So buy-to-let is definitely not dead. However, the classic 'dinner party landlord' has evaporated and investors are scarcer, despite gross yields reaching over 6% in Berkshire. Lenders apply stress tests for new mortgages and in June one lender was applying a 8.10% rate with 145% rent cover for a higher-rate taxpayer on a two-year fix, resulting in a 56% deposit requirement. This approach removes many investors from the market. Cash investors remain in a strong position for the rest of the year with less competition for deals.

the rental market. We are relaxed about the ending of Section 21 as long as the detail of rent arrears evictions are ironed out. The legislation targets negligent landlords and those owning Non Decent rental homes should be worried. However the Rent Reform Act will do nothing to address the dire lack of rental stock and subsequent record rent increases.

## NEW HOMES IN Q2

The UK's house builders are not immune to what's happening in the market and so it is no surprise that many are expecting sales to fall by a fifth this year. Despite these forecasts, our research shows that reservations across sites in the region are averaging 1 per week, which is positive. However, some property types, particularly those traditionally attractive to first time buyers, are struggling. For example, sites where there are out of town apartments available are reserving at only 1.2 units per month.

May was a busy month for bank holidays and so it was no surprise that the average number of visitors to new homes sites in the region dipped to an average of 6-8 per week per site. Some sites experienced as low as 2-3 visitors per week.

Following the Government's withdrawal of the "Help to Buy" scheme, there is now more of a level playing field with second-hand properties and consequently developers have more competition especially when it comes to attracting elusive first time buyers.

Many developers were slow to adjust their pricing to reflect the market changes following last September's budget. Most have now adjusted prices and we have been able to negotiate some great deals for customers. These deals come in many forms and it's not all about price. Some of our clients are very happy to part-exchange a buyer's property in return for one of theirs. This removes all of the hassle of selling. Likewise, some will pay stamp duty, legal fees, and even removal costs and so it's always worth asking us about new home incentives.



# LOOKING AHEAD TO QUARTER 3

## 1. WILL THE INTEREST RATE INCREASE OF 22ND JUNE SLOW THE MARKET DOWN?

Probably. We expect fewer discretionary sellers and buyers simply due to greater affordability issues and general caution. A counter trend will be increased urgency from those buyers with mortgage deals locked-in, as they'll wish to purchase before their deals expire.

## 2. WE DO NOT FEEL THAT 'HOUSE PRICES WILL CRASH'

There are reasons to be cautiously optimistic that a crash will be avoided: unemployment is low; wage growth is still robust; since 2014 new mortgage borrowers have been stress-tested

at 7%; lending at more than 4.5x income has been capped at 15% since 2015; there is far more equity in property now compared with the financial crash. UK Finance says that 800,000 households will come off their fixed-rate in the second half of 2023<sup>6</sup> and the current unknown is how many of these will need to sell.

## 3. WILL RENTS CALM DOWN?

We think not. In our opinion, we cannot see rental supply increasing, and traditionally the months of July and August tend to be even busier. One note of caution for landlords: demand is not endless and it plateaus for each property at certain levels.

<sup>2</sup> Estimates of the PRS shrinkage vary but we use the English Housing Survey figures which state the PRS has gone from 20% of UK homes to 19%. 1% equates to approximately 250,000 homes.

<sup>3</sup> Capital Economics states the 606,000 net migration has pushed rents increases from 3% to 7%.

<sup>4</sup> Zoopla social media June 2023

<sup>5</sup> Ibid

<sup>6</sup> FT.com 26/6/23

## WHO TO CONTACT

TALK TO US ABOUT YOUR PROPERTY NEEDS:

### HASLAM'S

Reading sales & letting: 0118 960 1000

Reading New Homes: 0118 960 1010

### MICHAEL HARDY

Wokingham sales & letting: 01189 776 776

Crowthorne sales & letting: 01344 779 999

