

Could 2022 herald a real estate boom for the UK?

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The UK has undergone many changes over the past 18 months across a number of different sectors, not least the economy including property markets. As we continue to embark on our journey through post-pandemic life with another new year just around the corner, what can we expect to see in 2022?

After the turbulence of 2020, combined with the uncertainty that Brexit brought to the market, there was the potential for 2021 to go a number of different ways. Many experts feared a deepening recession and plummeting house prices, while even the most positive forecasts predicted stagnant growth. But now, three months from 2022, the UK economy appears to be on track to recovery, with one indicator – house prices – performing particularly well.

With this in mind, Sophie from Birmingham-based UK property investment company [Joseph Mews](#) discusses if 2022 could herald a real estate boom in a post-Covid era.

Covid-19

Throughout 2020, much of society was waiting on a successful Covid-19 vaccination to help restore a sense of 'normality'. Now, after a concerted effort over the summer that saw one of the most effective vaccine rollouts across the globe, the UK is reaping the benefits – restrictions are being withdrawn and an economic rebound seems to now be in motion.

With [65%](#) of the adult UK population now fully vaccinated, public confidence has been at the root of many positive changes throughout the economy. By reopening businesses and attractions, the country saw a notable increase in consumer spending, along with a significant decline in unemployment rates.

Although the rise of new Covid-19 strains, such as the Delta variant, has the potential to disrupt the rebound of the UK with the return of social distancing guidelines and other restrictions, the continued success of the vaccination programme is expected to minimise overall impact. This has been reflected in both economic forecasts and predictions for the UK property market, giving investors more reasons to remain optimistic about the year ahead.

The economy

Initial economic forecasts for 2021 were bleak, but since businesses have reopened at full capacity the economy has bounced back faster than expected. In June alone, the UK economy expanded by 1% as a result of a surge at the beginning of the second quarter of this year. Throughout the second quarter of 2021, [economic growth totalled 4.8%](#), accompanied by growing positivity throughout business and society.

Considering many forecasts initially capped GDP growth for the entire year at 6.6%, this increase far exceeded expectations. The surprising performance of the economy so far this year has been welcomed by businesses, investors and everything in between, following the 9.9% contraction we saw in 2020 .

While the UK's rate of growth is still lagging behind other leading countries such as the USA – which has now returned to pre-pandemic levels – the continued increases in both GDP and investment could mean the UK returns to pre-Covid-19 levels by early 2022.

In addition, experts are also expecting further growth in all industries and sectors. According to [KPMG](#), GDP has the potential to increase by 5.4% next year, with investment expected to grow by 6.6%. Combined with a stable bank rate at 0.1%, 2022 could well herald a real estate boom.

The UK property market

The UK property market as a whole emerged from the global pandemic relatively unscathed, with the post-lockdown boom pushing the average property price past £320,000 for the first time on record. As prices enjoyed a [5.6% increase](#) the first six months of 2021, a combination of rising demand and government incentives appear to have since kept the market buoyant.

While the [Stamp Duty holiday](#) has been a key contributor to the rising demand for property, and subsequently, growing property prices, UK estate agent Savills expects the momentum from the past 12 months to sustain the market for 2022 and beyond. Additionally, the undersupply of property – exacerbated by lockdowns and social distancing guidelines – is set to continue with just a 5.4% increase in construction output expected for 2022.

After the unexpected positive performance of the property market throughout both 2020 and 2021, it would be understandable for prospective investors to be cautious about the 2022 market. However, as the new year draws closer and forecasts begin considering the future of UK property, the consensus seems to be that a sudden drop or market crash, is becoming less likely.

Instead, many predictions are highlighting the possibility of a ‘soft landing’, where we’ll start to see the beginnings of the market ‘correcting’ itself. This will likely coincide with changes to interest rates, which are expected to rise steadily. In turn this could lead to slow house price growth and allow the market to cool, during a time when transactions are at an all-time high.

That said, while demand may drop in line with rates rising, supply still remains chronically low. The UK has been battling issues of undersupply even before the onset of the pandemic and tenants are continuing to align their personal priorities with their living situation, which will continue to contribute to a highly competitive market.

At the same time, the current state of the mortgage market is more favourable for home buying over Buy-to-Let investment, although again, this could change as the market evolves.

Ultimately, while the forecasted growth in the economy and across the property market suggests [2022 could be a prime opportunity to invest](#), there is always the potential for conditions to change as we enter life after lockdown and various government initiatives either disappear or shift.