

Persimmon warns of falling sales as mortgage rises and economic woes weigh on consumer confidence

Housebuilder Persimmon has warned of multiple headwinds going in to 2023 as current sales of its homes had fallen by more than 36%.

The York-based developer said higher mortgage rates, inflation, market uncertainty and the closure of the Help to Buy scheme in England had made a sharp impact on its sales in the fourth quarter of 2022. It warned those factors would also weigh on this year's performance. In a trading update Persimmon said it had calculated the removal of Help to Buy and increases in mortgage rates had doubled the size of monthly mortgage payments for some first time buyers.

Investors were told: "While we are promoting initiatives to stimulate demand, including the recent launch of our "10 months mortgage free" customer offer, which generated a strong increase in website enquiries in its first week, it is too early to predict when there will be a recovery in demand."

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Persimmon noted the market had considerably weakened in the second half of 2022 as consumer confidence was dragged down by concerns over the economy, mortgage rates and the cost of living. In the fourth quarter the firm saw private net sales reduce to 0.30 per outlet, per week – down from 0.77 in the same period of 2021.

Sales weakened across the country though the biggest impact

was said to be in the southern regions. Despite the downbeat forecast, Persimmon said its average selling price had increased 5% to around £248,600 and noted the longer term outlook for demand was “favourable”.

Dean Finch, group chief executive, said: “Persimmon has delivered a strong performance for 2022 which has been achieved despite headwinds from supply constraints in the early part of the year and a more challenging sales environment in the second half. We delivered 14,868 new homes to customers in the year, towards the top end of our guidance, whilst maintaining five-star quality. Customers remain at the heart of our business with our continued focus on quality and affordability.

“In the second half of the year, rising interest and mortgage rates, inflation and weaker consumer confidence began to impact customer behaviour across the housing market. This change in market conditions gathered pace in the fourth quarter and is reflected in the reduction in our recent weekly sales rates and a lower forward sales position as we enter the new financial year. However, with high quality land holdings, a strong balance sheet and an experienced management team, Persimmon is well placed to navigate this challenging short-term backdrop, whilst continuing to take advantage of any opportunities that may arise.

“The longer-term demand for new homes remains strong. We have made significant progress over the past two years in augmenting the group’s longstanding commercial excellence with renewed operational capabilities building a stronger, more sustainable business for the future.”

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