

Barratt scores £1 billion profit as house prices set new records

Barratt Developments has reported annual profit of over £1 billion for the first time in results published on the day average house prices reached fresh records in London and the UK.

The landmark profits came at a time when the industry is bracing for the impact of sustained increases in interest rates and the higher mortgage costs that come with them, as the Bank of England seeks to tame runaway inflation. But there is little sign of a slowdown, even with the cost-of-living crisis biting and official forecasts pointing to inflation of over 13% before the end of the year.

Closely-watched average house price data from one of the UK's biggest mortgage lenders, also out today, showed a rise to fresh records in London and the wider UK in August, indicating that a fall in July may have just been a blip.

According to the Halifax, annual house price inflation in the capital was the highest in six years, at 8.8%. A typical London property now costs a record £554,718, up by almost £45,000 over the last 12 months. The average national price was up 0.4% month-on-month to £294,260, also a record and an annual rise of almost 12%.

Barratt's chief executive, David Thomas, told the Standard that current trading was "more challenging" into the market's key trading period from late summer into December. While levels of customer interest and inquiry levels remain high, "uncertainty in terms of the economic and political environment" means "there's some concern about making a

commitment as big as a house purchase.”

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Barratt sold nearly 18,000 and returned its business to pre-pandemic levels. Its average selling price for the year on private homes was just over £340,000, up almost 5%. For affordable homes, the average price was just over £159,000, up almost 9% due to more sales in outer London.

“We are trading very much in line or slightly ahead of the market,” Thomas added. “It’s about seeing how we trade through the key periods of September, October, November.”

There were also signs that rising costs in the industry was easing off, with Barratt leaving its guidance for inflation at between 9% and 10%. Thomas noted “very, very significant reductions in timber prices over the last three months,” while overall costs were holding steady, staying in a “similar position” for six to eight weeks.

Barratt reported annual adjusted profit of just over £1 billion was up by nearly 15%. The FTSE 100 company plans to return £200 million to investors via a share buyback. Its stock slipped 1.3% to 416p on Wednesday.

It also reported a charge of over £408 million relating to the cost of cladding repairs to buildings over 11 metres high, after safety measures brought in by the government after the Grenfell Tower disaster which the industry has agreed to fund.