

Persimmon predicts drop in house prices

One of the UK's biggest developers predicted a drop in [house prices](#) next year as rising [interest rates](#), the cost-of-living crisis and a likely recession bite into the [market](#).

[Persimmon](#) predicted “a deterioration in average selling prices” even as it said the “recent and rapid change in market conditions” meant it was too early to give full guidance for 2023. But it also confirmed it expected to complete fewer sales than in 2022. It stood by guidance to complete between 14,500 and 15,000 homes this year.

Cancellation rates were rising, reaching 28% in the last six weeks, up from 21% in the 12 weeks before that. Persimmon has a relatively low average selling price, giving meaning the news set off alarm bells across the sector. Its own stock fell by around 6%, in part because it junked its dividend policy. There were three other developers on the list of the [FTSE 100](#)'s ten biggest fallers – Taylor Wimpey fell 1% as did [London](#)-focused Berkeley Homes, while Barratt Developments slipped by 0.2%.

Julie Palmer, partner at Begbies Traynor, said: “Persimmon is clearly feeling the impact of rising interest rates which are making mortgages more expensive and causing homebuyers to think twice about moving.

“There's no doubt there's a housing shortage in the UK, and Persimmon is confident in the long-term that demand will remain strong. It's the short and medium term that's the issue.”

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Derren Nathan, head of equity research at Hargreaves Lansdown, said: “It feels like reality is starting to catch up with the housebuilders. Persimmon looks on track to make good on its promises for 2022, but this could still be at risk if cancellation rates continue to worsen. Higher interest rates and economic uncertainty are weighing on both mortgage availability and customer behaviour.”