

UK Housing Market Update



House prices show greater annual growth but the market exuberance at the start of 2024 has settled

House prices fell by -0.2% in March, but annual growth rose to 1.6%, according to Nationwide. In the first quarter of 2024 northern regions saw the most growth, including the North East (2.3%) and the North West (1.6%). London also has seen higher than average quarterly growth (1.6%) as the pandemic era ‘race for space’ continues to unwind.

The initial flurry of activity since the start of 2024 has begun to settle. Cuts to mortgage rates catalysed market activity, with mortgage approvals in February at their highest level in 17 months and just -7% below the 2017-19 average, according to the Bank of England (BoE). It is unlikely that this rate of growth in activity will continue in March, as mortgage rates have now almost returned to late December levels. The number of sales agreed in March was just 2% above the 2017-19 average, down from 13% above in February, according to TwentyCI.

The number of completed transactions ticked up but remained subdued, with 73,360 in February, according the HMRC. This showed a slight recovery but was still -11% below the 2017-19 average.

Demand remained positive but has been tempered by higher mortgage rates. The improved market sentiment has encouraged more

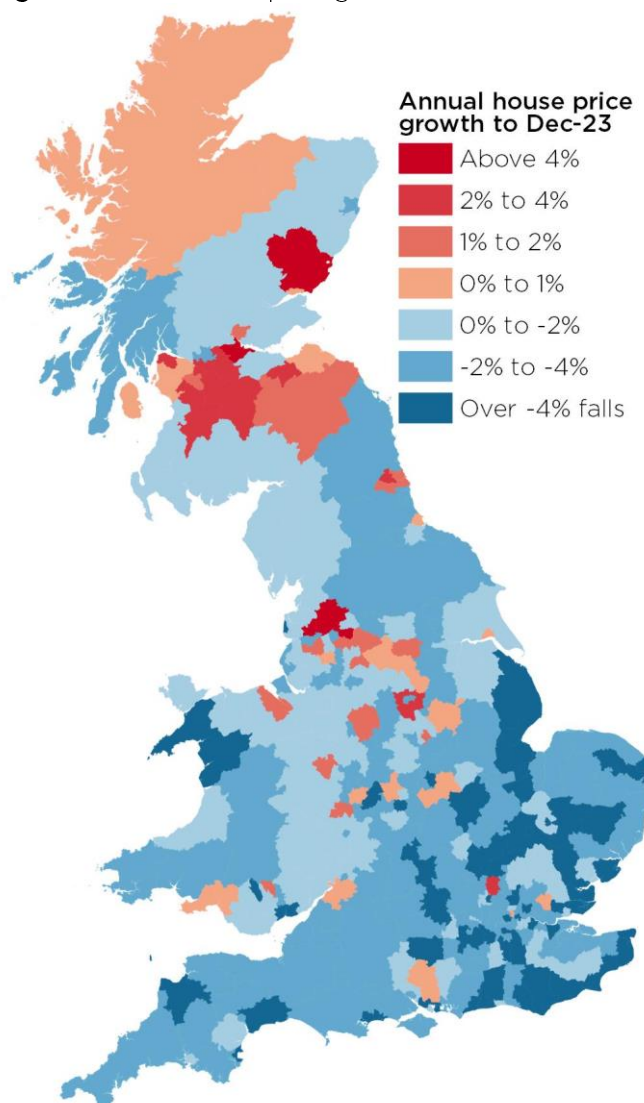
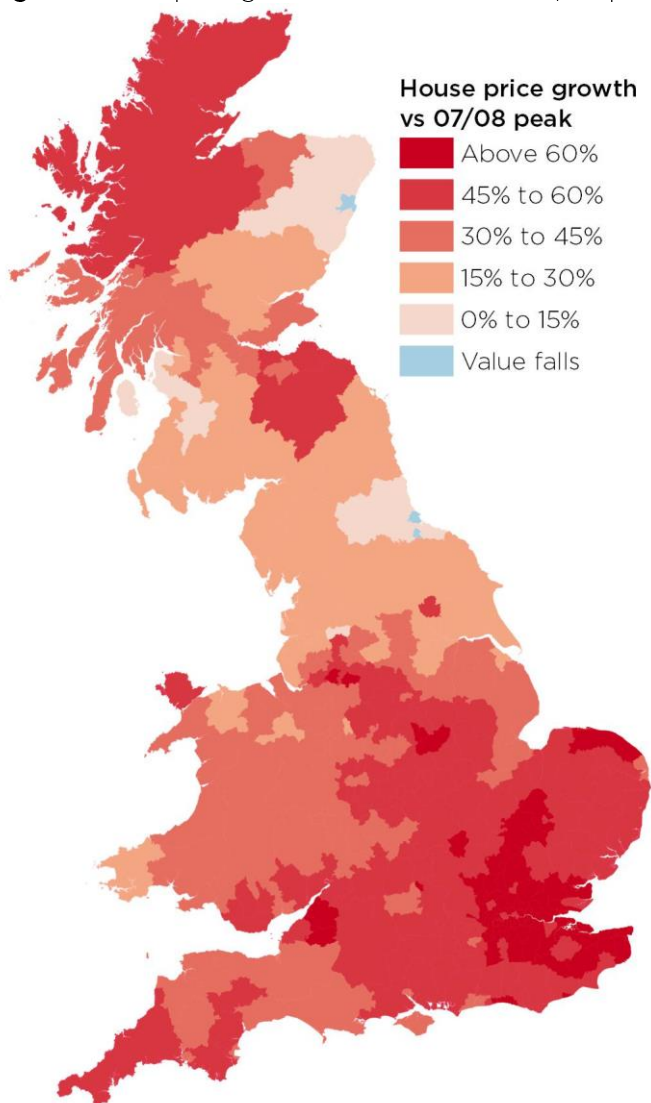
sellers to put their home on the market, increasing stock levels, yet buyers still face affordability constraints. The number of surveyors reporting increasing supply grew while the number reporting increasing demand held steady, according to the RICS February survey. This change in the supply/demand balance could slow price growth.

The majority of areas saw house price falls in the more lagged Land Registry data. Scotland was the only region with positive annual growth (1.1%) to December 2023. The largest falls were in the South East (-3.6%) and East of England (-3.6%), especially in more rural hotspots that had seen strong price growth during the pandemic such as Hastings (-11.2%), Thanet (-8.6%), and Lewes (-8.1%).

The first base rate cut is getting closer as labour market and inflation expectations normalise. Inflation continued to undershoot expectations and the BoE anticipates it to fall below the 2% target in April. The Bank remains wary of high wage growth and the potential impact of the increase to minimum wage on 1st April, but wage growth has also slowed in recent months. Oxford Economics still expects the first cut to come in June.

Figure 1 House price growth to Dec-23 since 07/08 peak

Figure 2 Annual house price growth to Dec-23



Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

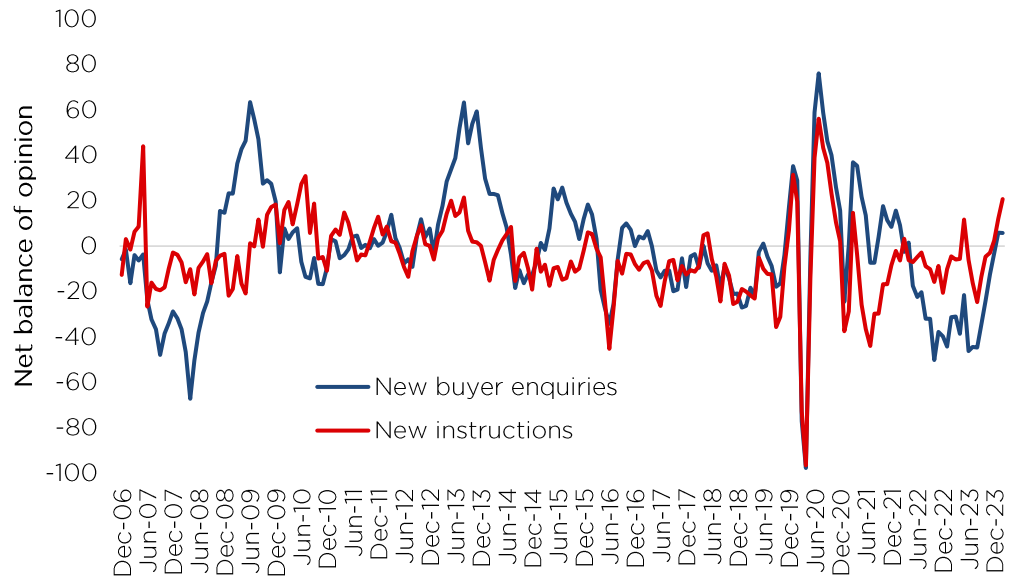
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

A majority of surveyors continued to report both increasing supply and demand in February, according to the latest RICS survey.

The number of surveyors reporting increasing supply grew further to its highest level since October 2020. The number of surveyors reporting increasing demand held steady.

The gap between supply and demand widened, which eases some of the upward pressure on prices.

Figure 3 New instructions increased further as new buyer enquiries held steady



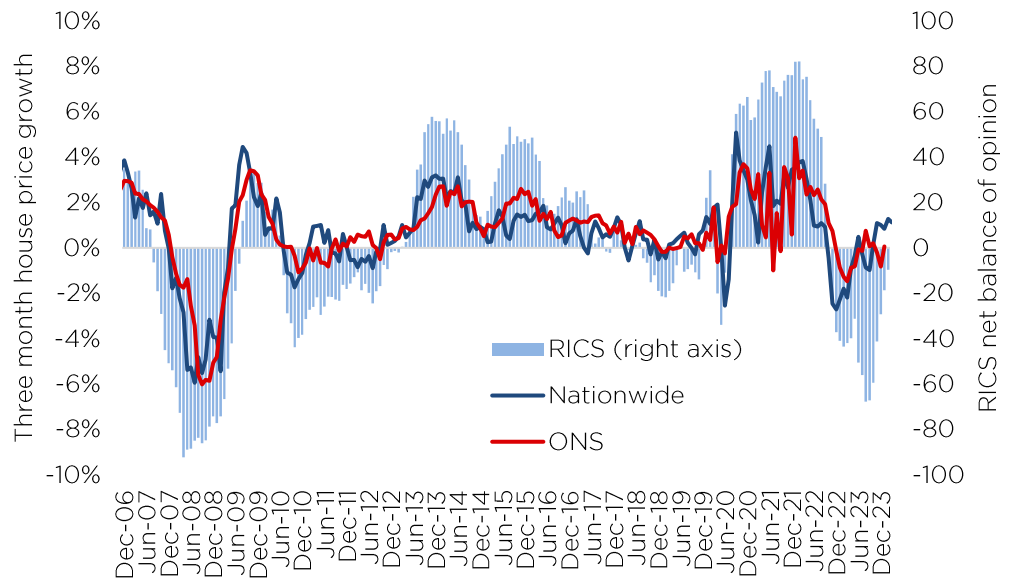
Source RICS (seasonally adjusted)

The number of surveyors reporting price falls has further decreased from its peak. Although they remain in the majority, the number is at its lowest since October 2022.

House prices continued to show growth, increasing by 1.1% during the three months to March, according to Nationwide.

House prices grew by 0.1% during the three months to December, according to the more lagged ONS index.

Figure 4 House prices grew as sentiment further improved



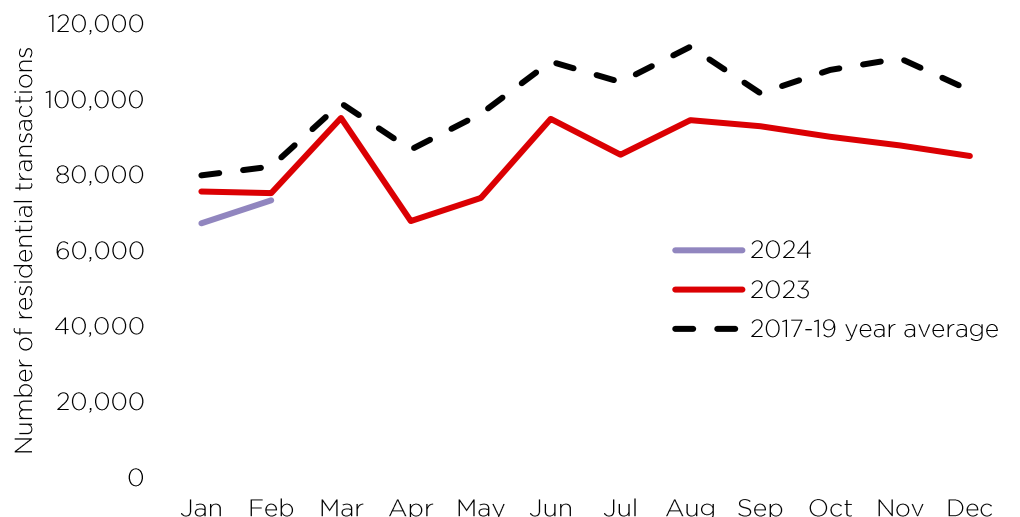
Source RICS, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

73,360 transactions completed in February, according to HMRC. This is a slight uptick on the 67,280 transactions in January.

These figures are in line with the number of transactions for the same time in 2023 and -11% below the 2017-19 average, as the impact of high mortgage rates in 2023 dampened demand and reduced the number of sales agreed.

The uptick in sales agreed at the start of 2024 will likely see completions continue to increase in the coming months.

Figure 5 There were 73,360 completed transactions in February



Source HMRC

Annual rental growth across the UK in February was 7.1% according to Zoopla, down from 7.5% in the year to January. All regions have now seen annual rental growth fall to below 10%, but there remained regional variation with strong growth still evident in Scotland (9.9%), the North East (9.9%), and Wales (9.5%).

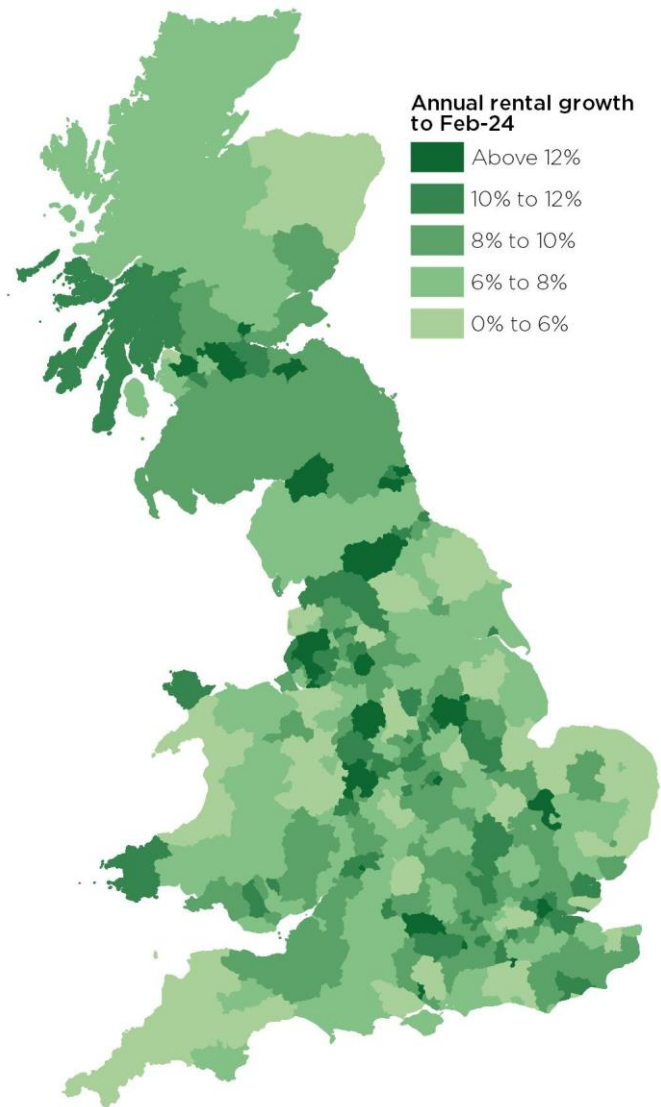
In London rents decreased on a three-month basis, down -0.2%, taking annual growth to 4.2% as more renters hit an affordability ceiling. This continues to push renters towards commutable locations with good transport links to the capital. While Westminster, Tower Hamlets, and Lambeth saw annual rental growth fall below 4%, Havering, Crawley, and Rushmore still had growth of over 12%, significantly above the UK average.

Table 1 Regional rental growth to Feb-24

	m/m	q/q	y/y
UK	0.2%	1.2%	7.1%
London	-0.2%	-0.2%	4.2%
South East	0.4%	1.2%	8.7%
East of England	0.1%	1.1%	8.4%
South West	0.6%	1.1%	8.2%
East Midlands	1.0%	1.8%	8.7%
West Midlands	0.4%	1.4%	7.9%
North East	1.3%	3.4%	9.9%
Yorks & Humber	0.2%	1.2%	7.1%
North West	0.2%	0.9%	9.0%
Wales	1.2%	2.2%	9.5%
Scotland	-0.3%	1.4%	9.9%

Source Zoopla Rental Index powered by Hometrack

Figure 6 Annual rental growth to Feb-24



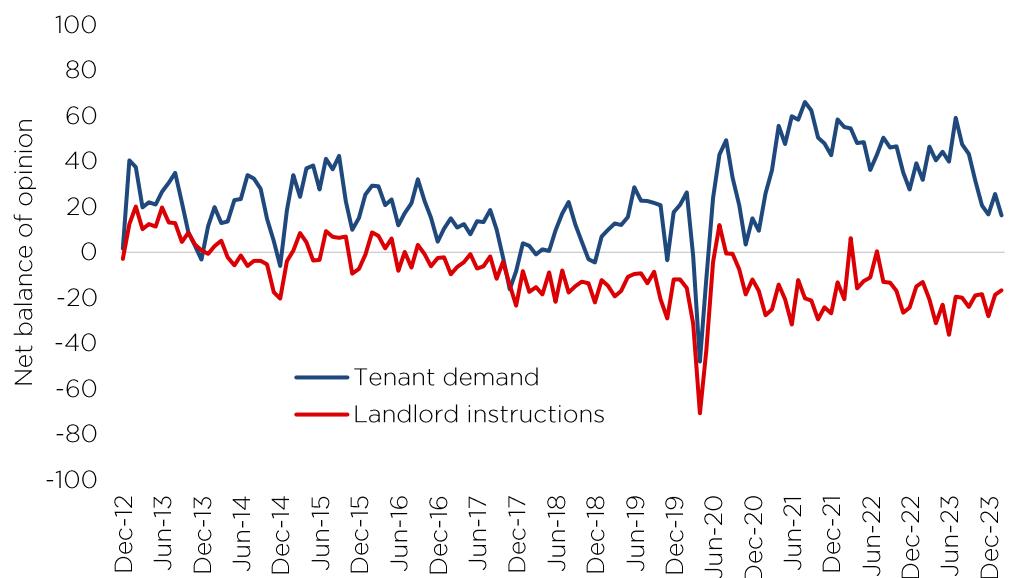
Source Zoopla Rental Index powered by Hometrack

The RICS survey for the lettings market shows a continued cooling of demand. The number of surveyors reporting rising tenant demand decreased in February to its lowest level since January 2021.

The number of surveyors reporting falling supply decreased, closing the gap between supply and demand.

Although the gap between supply and demand has shrunk significantly in recent months, it remained wide compared to previous years. This will continue to keep rental growth high in the short term.

Figure 7 Supply continued to improve as demand decreased but the gap remained



Source RICS

Table 2 Rental forecasts (published November 2023)

Region	2024	2025	2026	2027	2028	5 years to 2028
UK	6.0%	3.5%	3.0%	2.5%	2.0%	18.1%
London	5.5%	3.5%	3.0%	2.5%	2.5%	18.2%

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Table 3 Recent house price growth

	Nationwide (Regions to Q1 2024, UK to March 2024)			ONS (to January 2024)			Savills* (to December 2023)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	-0.2%	1.1%	1.6%	1.1%	0.2%	-0.6%	-0.6%	-0.4%	-2.4%
London	-	1.6%	1.6%	1.6%	-1.0%	-4.0%	-0.8%	-0.6%	-3.5%
South East	-	1.1%	-1.0%	0.6%	-1.4%	-3.2%	-1.0%	-0.9%	-3.6%
East of England	-	0.5%	-1.2%	1.4%	-0.7%	-2.3%	-0.7%	-0.7%	-3.6%
South West	-	0.8%	-1.8%	1.3%	0.0%	-0.6%	-0.7%	-0.4%	-3.0%
East Midlands	-	2.0%	0.4%	-0.4%	-1.3%	-1.8%	-0.6%	-0.9%	-2.5%
West Midlands	-	1.4%	-0.1%	1.4%	1.0%	0.6%	-0.7%	-0.6%	-2.3%
North East	-	2.3%	4.2%	-1.2%	-2.9%	-3.2%	-0.6%	-0.7%	-1.1%
Yorks & Humber	-	1.0%	2.4%	-0.1%	-2.6%	-0.7%	-0.6%	-0.4%	-1.2%
North West	-	1.6%	3.0%	0.3%	0.3%	1.0%	-0.6%	-0.4%	-1.2%
Wales	-	1.2%	1.3%	0.6%	-0.2%	-0.9%	-0.2%	-0.2%	-1.7%
Scotland	-	0.9%	3.8%	0.7%	2.3%	4.9%	0.2%	1.0%	1.1%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Table 4 Mainstream house price forecasts (published November 2023)

Region	2024	2025	2026	2027	2028	5 years to 2028
UK	-3.0%	3.5%	5.0%	6.5%	5.0%	17.9%
London	-4.0%	2.0%	4.0%	6.0%	5.5%	13.9%
South East	-3.5%	3.0%	4.5%	6.5%	5.5%	16.7%
East of England	-3.5%	3.0%	4.5%	6.5%	5.5%	16.7%
South West	-3.0%	3.5%	5.0%	6.5%	5.0%	17.9%
East Midlands	-2.5%	4.0%	5.5%	6.5%	5.0%	19.6%
West Midlands	-2.0%	4.0%	5.5%	6.5%	5.0%	20.2%
North East	-1.5%	4.5%	5.5%	7.0%	4.5%	21.4%
Yorks & Humber	-2.5%	4.5%	5.5%	7.0%	4.5%	20.2%
North West	-2.5%	4.5%	5.5%	7.0%	4.5%	20.2%
Wales	-2.0%	4.5%	5.5%	7.0%	5.0%	21.4%
Scotland	-2.0%	4.0%	5.5%	6.5%	5.0%	20.2%

Source Savills

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*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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