

# UK Housing Market Update



## House prices grow as confidence improves, but more big rate cuts are unlikely in the short term

House prices grew by 0.7% in January, taking annual growth to -0.2%, according to Nationwide. The stronger than expected monthly figure means house prices have essentially been flat over the last year. This is despite average monthly borrowing costs remaining much higher than at the beginning of 2022.

House prices have been supported by rising levels of demand. A majority of surveyors reported both increasing supply and demand for the first time since March 2021, according to the January RICS survey. With both supply and demand increasing, there is little pressure on prices to either fall or rise.

Rising levels of demand come alongside improved consumer confidence. This rose to a two-year high in January, according to GfK, as the fears of a significant recession waned and inflation continued to trend downwards.

Higher demand has driven up the number of sales agreed, which were 23% higher in January compared to the same time last year, according to TwentyCI. This early indicator of activity was also 8% above the 2017-19 average for the month.

This rise in the demand indicators has yet to translate to more concrete measures of activity. Completed transactions in December 2023 were -16% down on the 2017-19 average, according to HMRC. Although mortgage approvals in December ticked up, these were also down -22% compared to their pre-pandemic average, according to the Bank of England. These measures are likely to follow the upward trend of the demand indicators as 2024 data emerges.

Falling mortgage interest rates have supported increasing levels of demand, but lenders are now typically holding back on further rate cuts until the path of interest rates becomes clearer. While the base rate is likely to drop later this year, the exact timing remains uncertain, and a plateau in mortgage rates is likely for the time being.

Regional differences in house price growth are now clear in the more lagged Land Registry data. 85% of local authorities in the south experienced annual falls in the year to October 2023, compared to just 48% in the North and Midlands. Affordability at higher mortgage rates is a greater constraint in the typically higher value south. Rossendale had the greatest growth at 5.9%, while Hastings had the biggest fall of -8.4%.

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

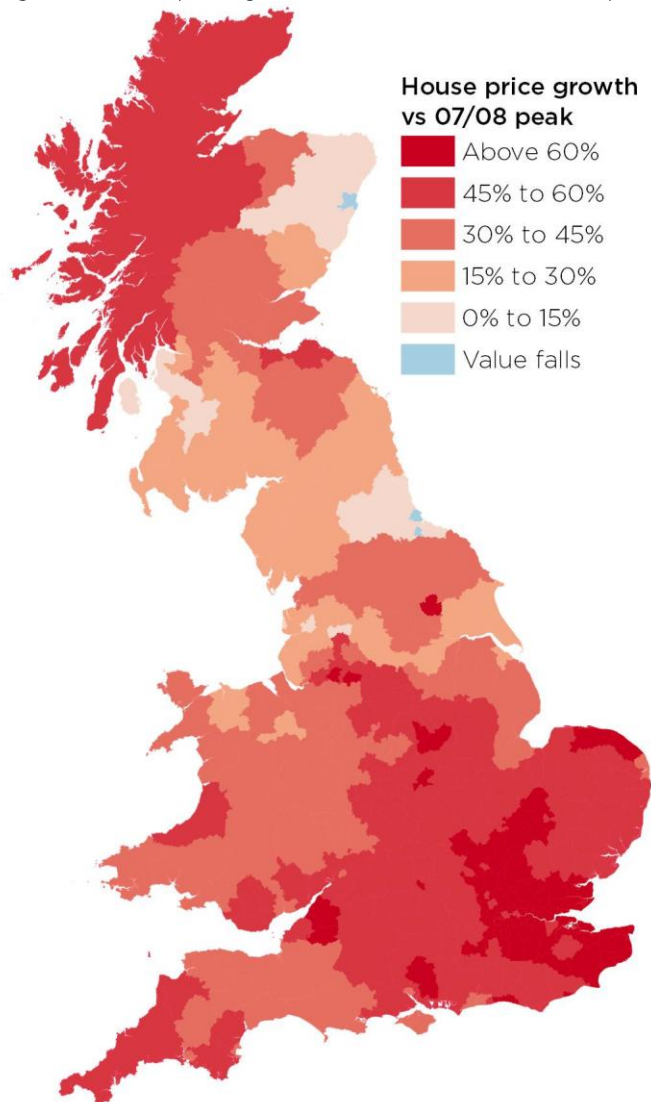
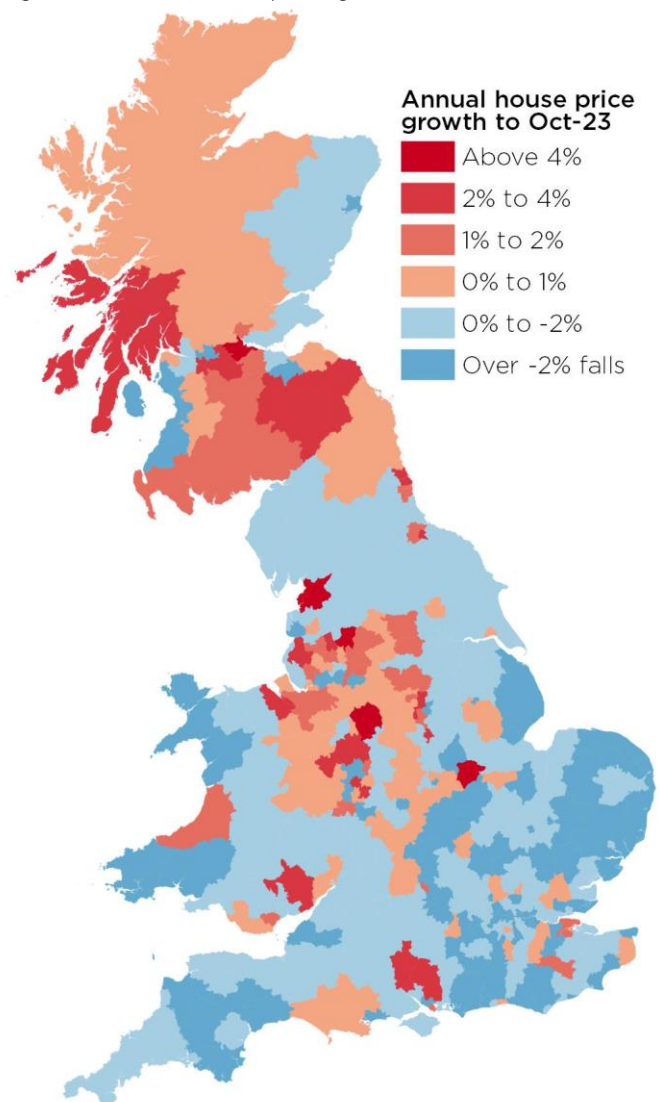
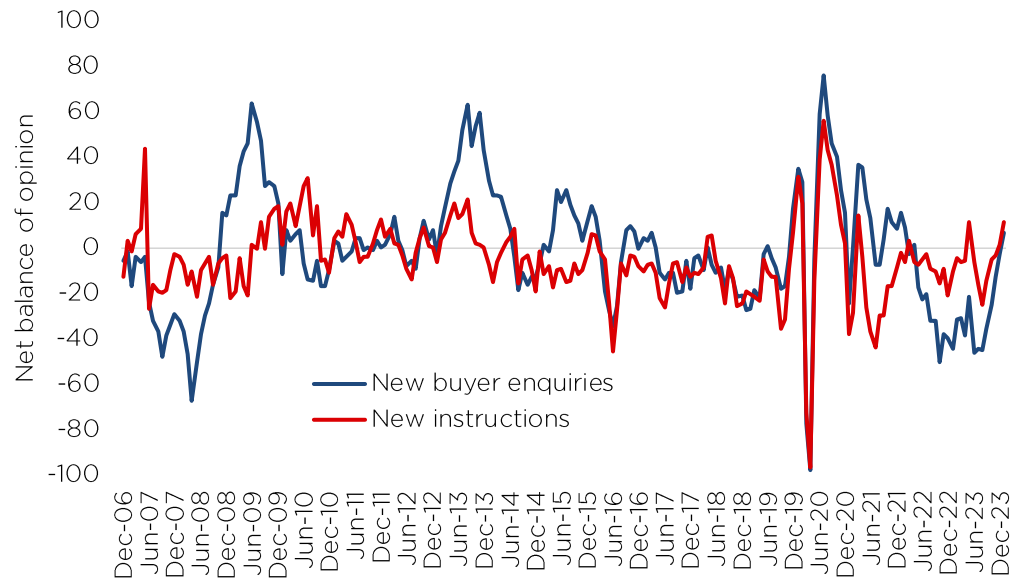


Figure 2 Annual house price growth to Oct-23

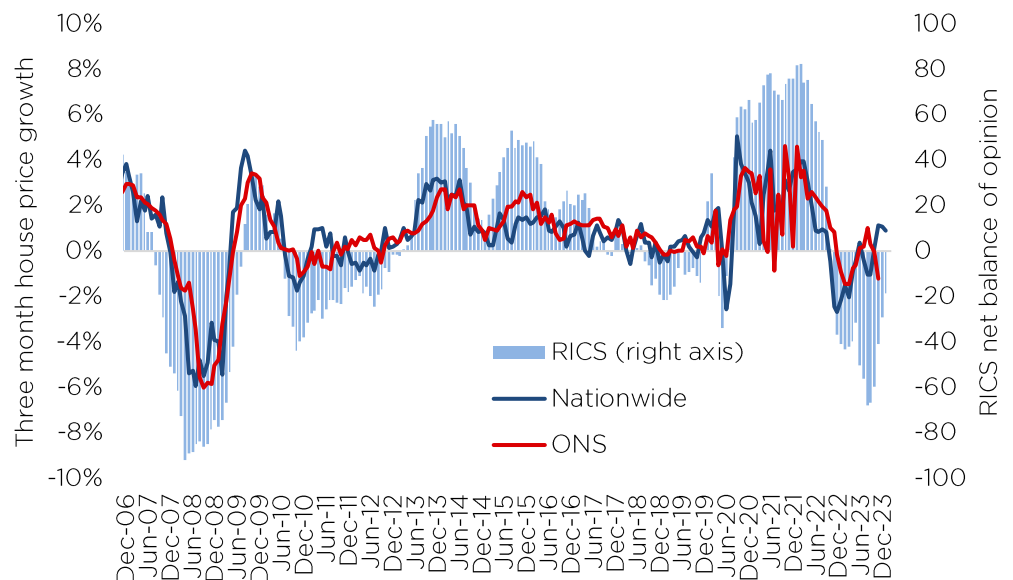


**Figure 3** Both supply and demand were positive for the first time since March 2021



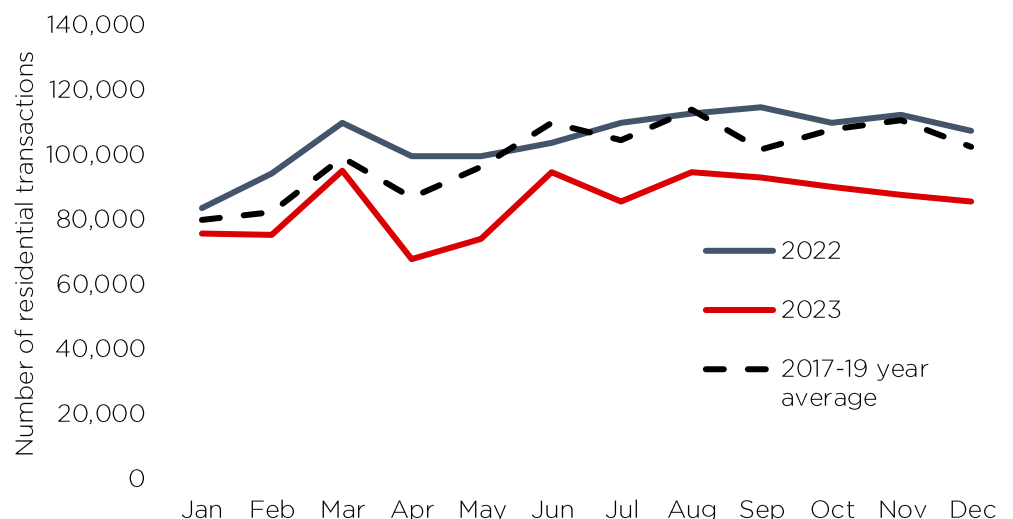
Source RICS (seasonally adjusted)

**Figure 4** House prices grew as sentiment further improved but remained negative



Source RICS, Nationwide, ONS (seasonally adjusted)

**Figure 5** Over 1 million transactions were completed in 2023



Source HMRC

A majority of surveyors reported both increasing supply and demand in January, according to the latest RICS survey.

This was the first time both were in positive territory since March 2021. New buyer enquiries increased for the first time since April 2022.

The gap between supply and demand has also closed to its smallest level in the last two years, which will further ease the downward pressure on prices.

The number of surveyors reporting price falls decreased from their peak but they remained in the majority.

On a three-month basis house prices continued to show growth, increasing by 0.9% during the three months to January, according to Nationwide.

House prices fell by -1.2% during the three months to November according to the more lagged ONS index.

85,820 transactions completed in December, slightly down on the 87,700 seen in October, according to HMRC.

This takes the total number of transactions in 2023 to 1.02 million, which is broadly in line with our forecasts. Totals for 2023 were -19% below 2022 and -15% below the 2017-19 average, as high mortgage rates throughout the year reduced affordability for buyers reliant on borrowing.

As mortgage rates have fallen since the end of 2023 and sales agreed have increased, activity is likely to also increase.

**Annual rental growth across the UK in 2023 was 8.3%** according to Zoopla, down from 8.8% in the year to November. On a three-month basis all regions have seen growth decelerate. While the rate of growth is falling, it still remains historically high, with monthly growth of 0.4% in the UK compared to the 2017-19 average of 0.1%.

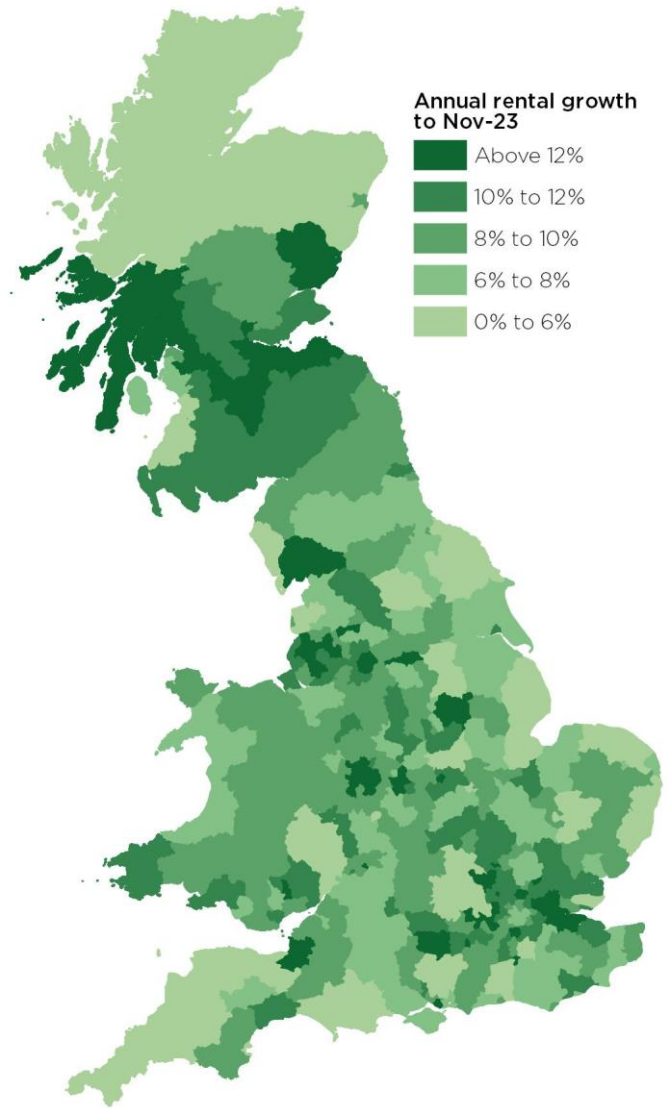
**London is now the region with the lowest annual rental growth**, at 6.4% in 2023, down from 7.7% in November. There is an emerging pattern of slowing growth in central boroughs, as more renters are hitting an affordability ceiling. This is pushing them towards commuter hubs outside of the city with good transport links. Westminster, Camden, and Lambeth had growth slow to below 8%, while Crawley, Dartford, and Luton still have growth of over 12%.

**Table 1** Regional rental growth to Dec-23

	m/m	q/q	y/y
UK	0.4%	1.7%	8.3%
London	0.3%	1.2%	6.4%
South East	0.4%	1.8%	9.3%
East of England	0.5%	1.8%	9.3%
South West	0.3%	1.4%	8.1%
East Midlands	0.5%	1.8%	9.2%
West Midlands	0.5%	2.2%	8.7%
North East	0.9%	3.4%	9.3%
Yorks & Humber	0.6%	2.1%	7.7%
North West	0.5%	2.0%	10.2%
Wales	0.7%	2.0%	9.4%
Scotland	0.4%	2.1%	11.6%

Source Zoopla Rental Index powered by Hometrack

**Figure 6** Annual rental growth to Nov-23



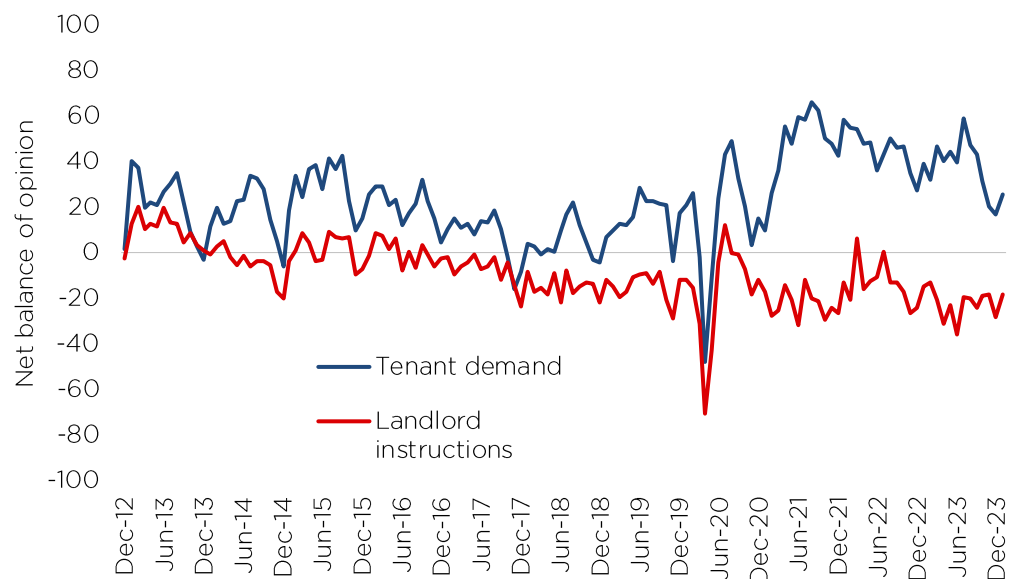
Source Zoopla Rental Index powered by Hometrack

**Figure 7** Supply and tenant demand both improved as the gap remained the same

The RICS survey for the lettings market showed the number of surveyors reporting rising tenant demand increased in January after a period of falls.

The number of surveyors reporting falling supply decreased, maintaining the same 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.



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%

**Table 3** Recent house price growth

	Nationwide (Regions to Q4 2023, UK to January 2024)			ONS (to November 2023)			Savills* (to October 2023)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
<b>UK</b>	0.7%	0.9%	-0.2%	-0.4%	-1.1%	-2.1%	-0.1%	0.3%	-1.0%
<b>London</b>	-	0.8%	-2.4%	-1.9%	-3.0%	-5.6%	-0.2%	0.3%	-2.4%
<b>South East</b>	-	0.5%	-4.5%	-0.2%	-0.7%	-2.2%	-0.1%	-0.1%	-1.6%
<b>East of England</b>	-	-0.6%	-5.2%	-0.4%	-1.1%	-3.4%	-0.1%	0.0%	-2.0%
<b>South West</b>	-	-0.3%	-2.8%	-2.4%	-1.8%	-4.2%	0.0%	0.3%	-1.4%
<b>East Midlands</b>	-	0.2%	-3.1%	-0.9%	-1.9%	-3.0%	-0.3%	-0.2%	-0.7%
<b>West Midlands</b>	-	0.3%	-2.8%	-2.6%	-3.3%	-3.4%	0.0%	0.1%	-0.2%
<b>North East</b>	-	-1.4%	-0.8%	-0.2%	-2.4%	-0.5%	-0.1%	0.8%	0.7%
<b>Yorks &amp; Humber</b>	-	0.5%	-0.4%	-0.5%	-2.0%	-0.9%	-0.1%	0.5%	0.3%
<b>North West</b>	-	2.1%	-1.0%	-0.9%	-0.6%	-2.1%	-0.2%	0.1%	0.2%
<b>Wales</b>	-	1.0%	-1.9%	0.2%	-1.2%	-2.4%	-0.1%	0.3%	-0.7%
<b>Scotland</b>	-	0.7%	0.6%	0.9%	0.2%	2.1%	0.3%	1.6%	0.8%

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
<b>UK</b>	-3.0%	3.5%	5.0%	6.5%	5.0%	<b>17.9%</b>
<b>London</b>	-4.0%	2.0%	4.0%	6.0%	5.5%	<b>13.9%</b>
<b>South East</b>	-3.5%	3.0%	4.5%	6.5%	5.5%	<b>16.7%</b>
<b>East of England</b>	-3.5%	3.0%	4.5%	6.5%	5.5%	<b>16.7%</b>
<b>South West</b>	-3.0%	3.5%	5.0%	6.5%	5.0%	<b>17.9%</b>
<b>East Midlands</b>	-2.5%	4.0%	5.5%	6.5%	5.0%	<b>19.6%</b>
<b>West Midlands</b>	-2.0%	4.0%	5.5%	6.5%	5.0%	<b>20.2%</b>
<b>North East</b>	-1.5%	4.5%	5.5%	7.0%	4.5%	<b>21.4%</b>
<b>Yorks &amp; Humber</b>	-2.5%	4.5%	5.5%	7.0%	4.5%	<b>20.2%</b>
<b>North West</b>	-2.5%	4.5%	5.5%	7.0%	4.5%	<b>20.2%</b>
<b>Wales</b>	-2.0%	4.5%	5.5%	7.0%	5.0%	<b>21.4%</b>
<b>Scotland</b>	-2.0%	4.0%	5.5%	6.5%	5.0%	<b>20.2%</b>

Source Savills

## Savills team

Please contact us for further information

**Chris Buckle**  
Director  
CBuckle@savills.com  
0207 6016 3881

**Ed Hampson**  
Associate  
ed.hampson@savills.com  
0203 107 5460

**Toby Parsloe**  
Analyst  
toby.parsloe@savills.com  
0207 123 6349

\*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.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

