

UK Housing Market Update



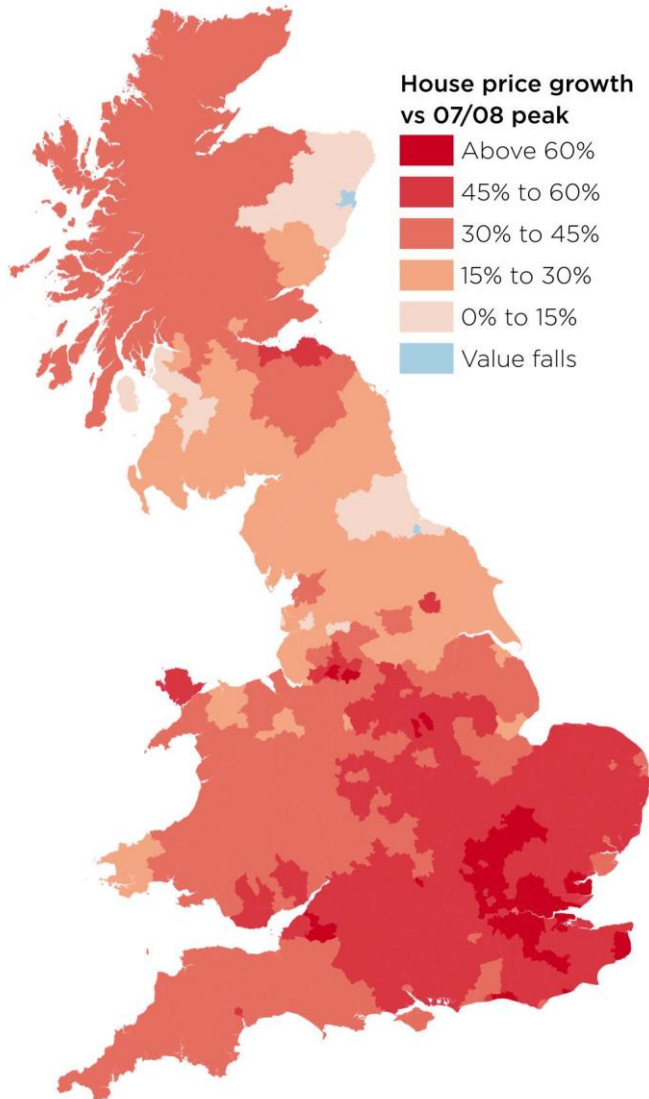
House prices remain largely stable as falling inflation paves the way for first base rate cut

House prices grew by 0.2% in June, taking annual growth to 1.5%, according to Nationwide. Markets in more affordable northern areas showed stronger performance, with the highest annual value growth in the North West (4.1%) and in Yorkshire and Humberside (3.7%). The weakest performance was in the more affordability stretched south of the country, with falls in the East of England (-1.8%) and the South East (-1.1%). London bucked the trend of the wider south however, with values up annually (1.6%).

Modest value growth came alongside a rise in completed transactions, as the flurry of sales agreed at the start of 2024 filtered through the system. Completions rose to 95% of their 2017-19 average in May, according to HMRC, the highest it's been since March 2023.

More recent leading indicators suggest activity has weakened. Mortgage approvals fell marginally, down to 92% of their 2017-19 average in May according to the Bank of England. The number of sales agreed also took a dip, falling back to 94% of their 2017-19 average in June according to TwentyCi. This weakening in activity is likely a consequence of a slight rise in mortgage rates in recent months.

Figure 1 House price growth to Mar-24 since 07/08 peak

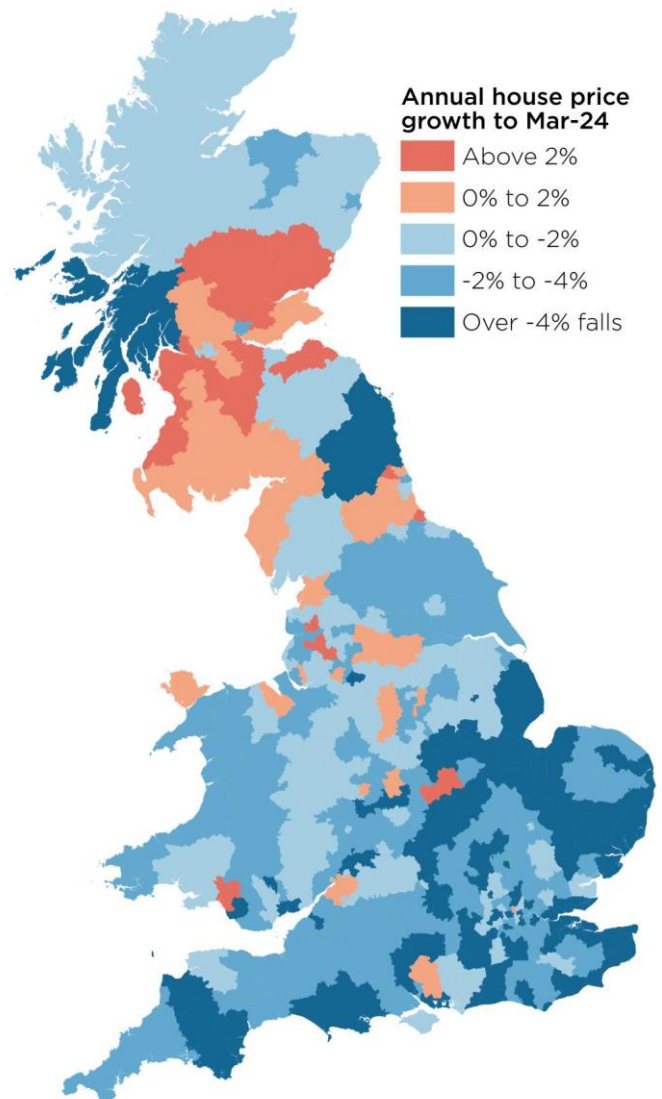


The dip in activity is matched by a waning of demand, although supply continued to increase. A small majority of surveyors reported decreasing demand, according to the May RICS survey. In contrast, most surveyors reported increasing supply, maintaining a gap between supply and demand. This will limit value growth in the short term as more stock comes to a market with fewer buyers.

Greater demand will be unlocked by a drop in mortgage rates, with all eyes on the Bank of England and an anticipated base rate cut which Oxford Economics expect in August. Inflation fell to its target of 2% in May – a key step on the path to the rate cut. These key economic indicators are expected to have a more substantive effect on the mainstream market than the Election and its outcome.

The majority of local areas continued to see annual house price falls in the more lagged Land Registry data. Resilient local markets which have seen the highest annual growth include Glasgow (4.7%), Hartlepool (4.6%), and Neath Port Talbot (4.4%). These are more affordable areas that have been less affected by the high cost of debt, and had more capacity for value growth.

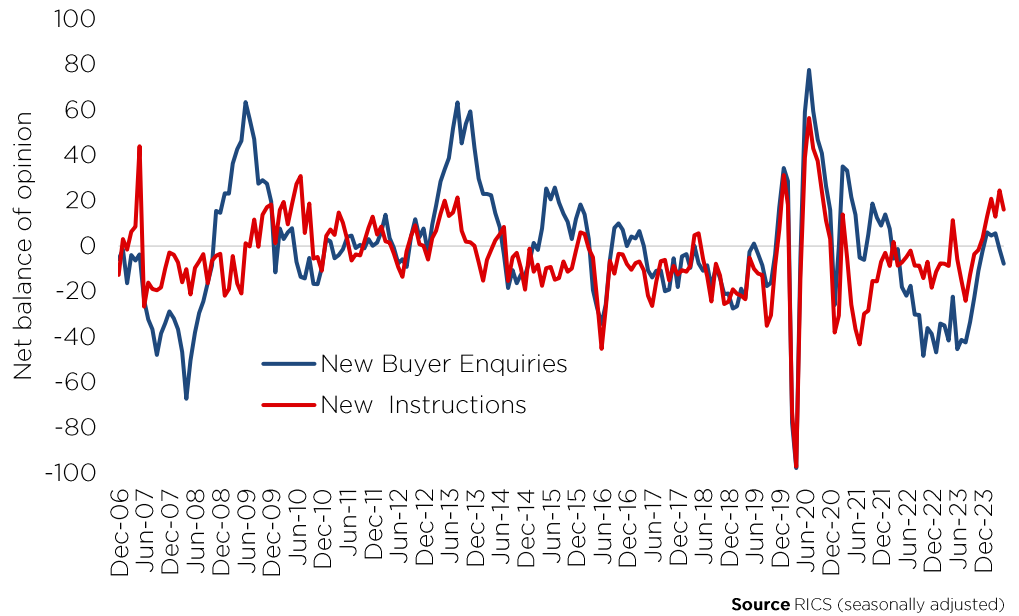
Figure 2 Annual house price growth to Mar-24



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)*

Figure 3 There remains a gap between supply and demand

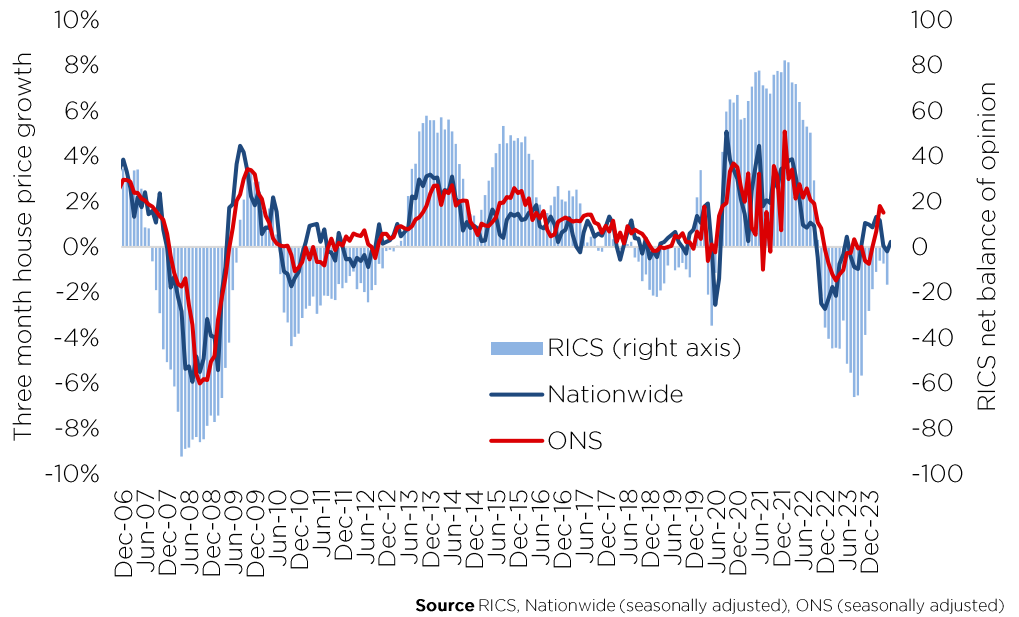


A small majority of surveyors reported falling levels of demand in May, according to the latest RICS survey.

The number of surveyors reporting increased supply also fell slightly but they remained in the majority.

This has maintained the gap between supply and demand, suggesting limited price growth in the short term.

Figure 4 House prices largely stable as surveyor sentiment worsens

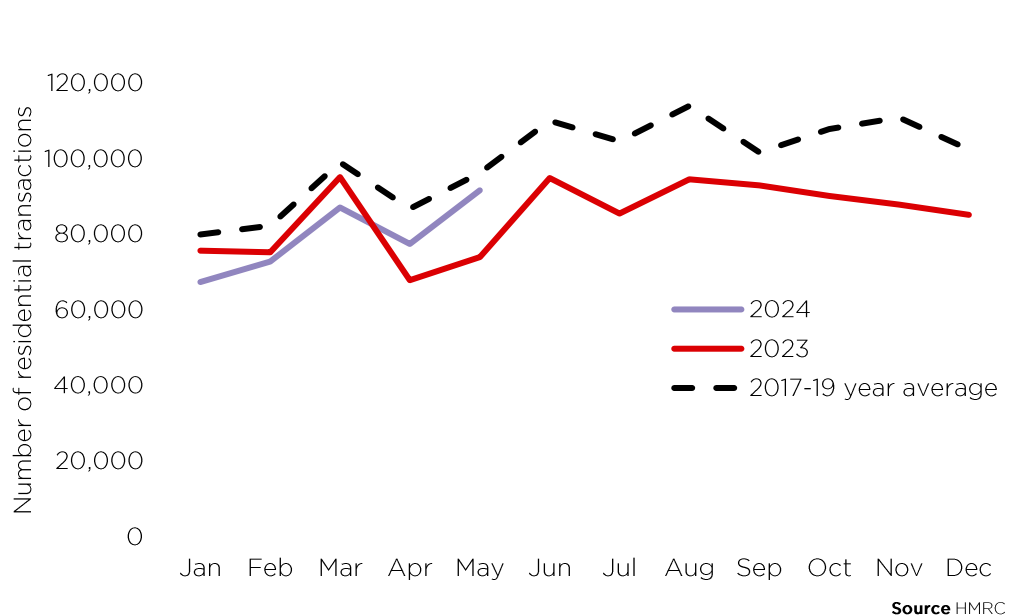


The number of surveyors reporting price falls has marginally increased for the second month in a row, suggesting affordability pressures are limiting price growth.

This is evident in the Nationwide data which shows that house prices rose by just 0.2% in the three months to June.

House prices grew by 1.5% during the three months to April, according to the more lagged ONS index.

Figure 5 Completed transactions continue to rise back towards pre-Covid levels



91,660 transactions completed in May, according to HMRC. The strong start to 2024 for mortgage approvals and sales agreed continues to drive completions. Completions were at just -5% below the 2017-19 average, the closest they have been to these more normal levels since March 2023.

The recovery to 2017-19 levels is likely to continue as the start of the year saw increased sales agreed figures which will feed through into completions.

Annual rental growth across the UK in May was 5.8% according to Zoopla, down from 6.6% in April. The North East remained the region with the strongest annual growth (9.4%), followed by Scotland (8.2%). Commuter belt locations continue to outperform their wider regions, especially in northern regions, with strong annual growth in Rochdale (14.4%), Oadby and Wigston (12.4%), and West Lancashire (12.3%). Ryedale was the only area with annual falls of -0.8%.

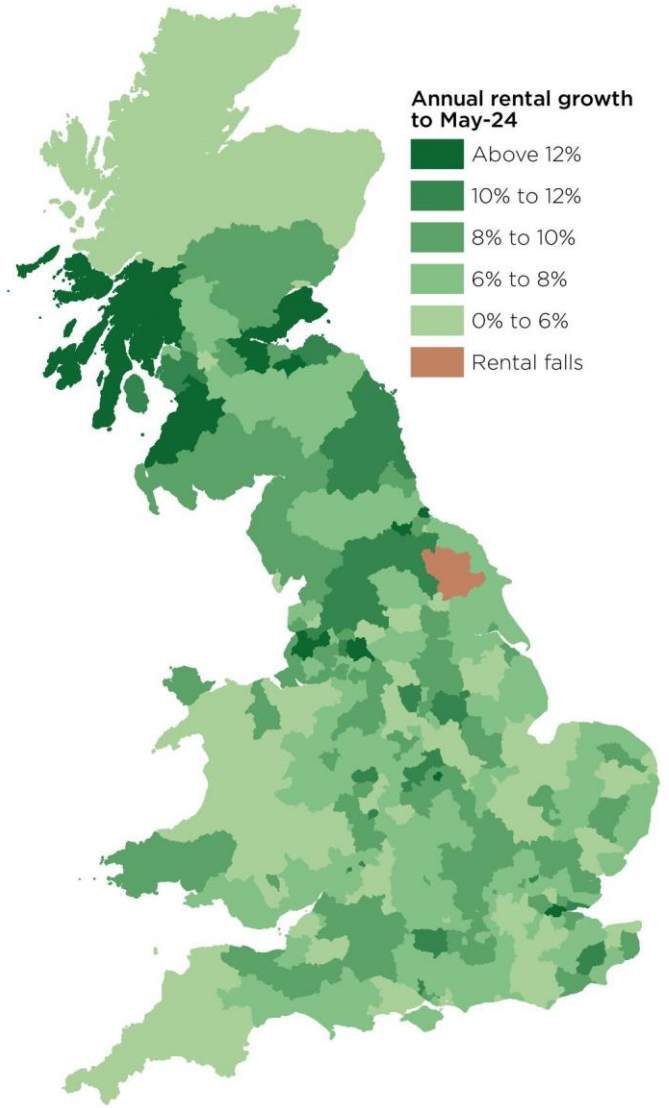
In London, rental growth continued to slow on an annual basis, decreasing to 2.8% as affordability pressures have continued. This has made it the only region with quarterly falls in rents (-0.1%). But some commutable locations still present strong annual growth, namely Thurrock (13%) and Harlow (11.7%).

Table 1 Regional rental growth to May-24

	m/m	q/q	y/y
UK	0.1%	0.6%	5.8%
London	-0.1%	-0.1%	2.8%
South East	0.1%	0.9%	7.1%
East of England	0.1%	1.1%	7.2%
South West	0.0%	1.2%	7.0%
East Midlands	-0.1%	0.3%	6.3%
West Midlands	0.1%	1.1%	7.0%
North East	0.3%	0.9%	9.4%
Yorks & Humber	0.3%	0.7%	6.1%
North West	0.4%	1.2%	7.5%
Wales	0.1%	0.7%	6.7%
Scotland	-0.1%	0.9%	8.2%

Source Zoopla Rental Index powered by Hometrack

Figure 6 Annual rental growth to May-24



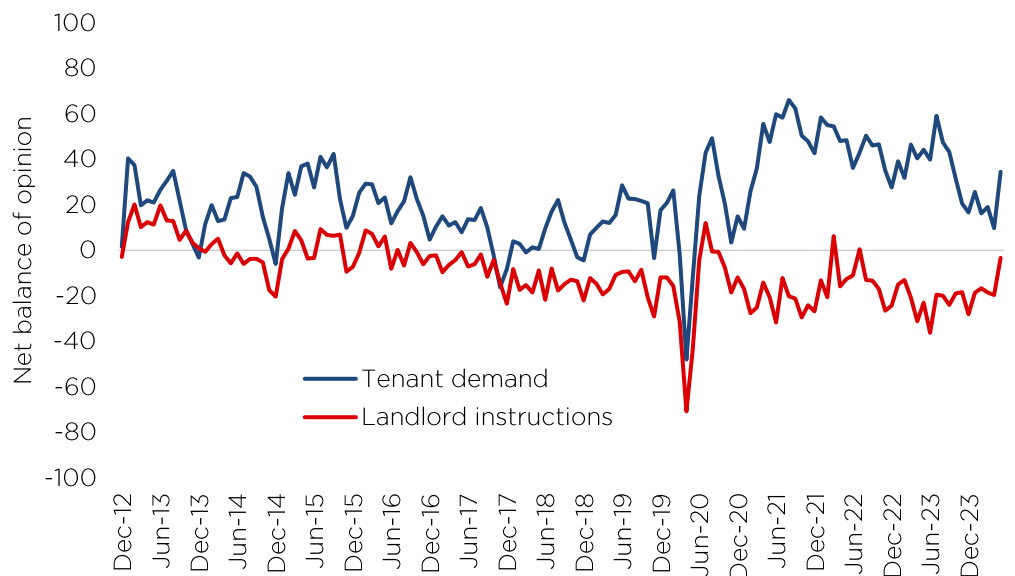
Source Zoopla Rental Index powered by Hometrack

Figure 7 Demand and supply both increased as the gap has slightly widened

The May RICS survey for the lettings market has shown a significant uptick in both demand and supply. The number of surveyors reporting increasing demand rose to its highest level since September 2023.

The number of surveyors reporting falling supply has fallen to its lowest level since July 2022.

While the gap between supply and demand closed in recent months, dampening upward pressure on rents, this month we have seen the gap widen again as demand has ticked up.



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%

UK Housing Market Update

Table 3 Recent house price growth

	Nationwide (Regions to Q2 2024, UK to June 2024)			ONS (to April 2024)			Savills* (to March 2024)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.2%	1.9%	1.5%	0.3%	1.4%	1.2%	-0.6%	-1.7%	-2.8%
London	-	-0.7%	1.6%	0.0%	-0.3%	-4.1%	-0.8%	-1.9%	-3.3%
South East	-	-0.6%	-1.1%	1.0%	1.5%	-0.4%	-0.7%	-2.0%	-4.3%
East of England	-	-0.7%	-1.8%	-0.3%	1.0%	0.4%	-0.6%	-1.7%	-4.2%
South West	-	-0.8%	-1.5%	0.9%	1.8%	1.8%	-1.1%	-2.4%	-3.8%
East Midlands	-	-0.5%	-0.3%	0.6%	2.4%	1.1%	-0.5%	-1.8%	-3.3%
West Midlands	-	0.9%	1.4%	1.0%	1.4%	2.0%	-0.5%	-1.4%	-2.7%
North East	-	-0.9%	2.9%	0.5%	0.8%	1.0%	-0.3%	-0.9%	-0.8%
Yorks & Humber	-	1.2%	3.7%	0.1%	1.1%	0.7%	-0.6%	-1.7%	-1.4%
North West	-	0.6%	4.1%	0.6%	2.4%	3.8%	-0.4%	-1.4%	-1.7%
Wales	-	0.7%	1.3%	-1.1%	1.0%	0.5%	-0.6%	-1.6%	-2.4%
Scotland	-	-0.3%	1.4%	0.3%	1.8%	4.5%	-0.1%	-0.4%	1.8%

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 May 2024)

Region	2024	2025	2026	2027	2028	5 years to 2028
UK	2.5%	3.5%	4.5%	5.0%	4.5%	21.6%
London	2.0%	2.5%	2.5%	3.5%	3.0%	14.2%
South East	1.5%	3.0%	4.5%	4.5%	3.5%	18.2%
East of England	1.0%	3.0%	4.5%	4.5%	4.0%	18.1%
South West	1.0%	3.5%	4.0%	4.5%	4.5%	18.7%
East Midlands	2.5%	4.0%	4.5%	5.5%	4.5%	22.8%
West Midlands	2.0%	4.0%	5.0%	6.0%	4.5%	23.4%
North East	4.5%	4.5%	4.5%	5.0%	4.5%	25.2%
Yorks & Humber	3.5%	4.5%	5.5%	6.5%	5.5%	28.2%
North West	4.0%	4.5%	5.5%	6.5%	5.5%	28.8%
Wales	4.5%	4.5%	5.0%	5.5%	4.5%	26.4%
Scotland	4.0%	4.0%	5.0%	5.5%	5.0%	25.8%

Source Savills

Savills team

Please contact us for further information

Ed Hampson

Associate Director
ed.hampson@savills.com
0203 1075 5460

Alistair Walters

Analyst
alistair.walters@savills.com
07890 982 718

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.

