

Housing Insight Report

propertymark

October 23

KEY STATISTICS:

13% decrease in the number of **potential homebuyers** registered.

19% reduction in **new properties** coming to market.

31% of transactions take **17 weeks** or more to complete.

10 **properties available to let** per branch.

86 **new prospective tenants** registered per branch.

44% of agents have seen **rents rise**.



The Autumn statement had an upbeat feel and yielded some positive news for the housing industry. However, this is no time to celebrate. The cost-of-living crisis continues to limp on, and the International Monetary Fund forecast that the UK's growth will be the slowest in the G7, whilst its inflation will be the highest.

The resultant uncertainty continues to impact the housing market. In the residential sales sector, interest rates remain high, causing first time buyers and movers to think twice. This is evidenced by the number of prospective buyers registering at our member branches falling and the number of market appraisals being undertaken trending downwards.



Nathan Emerson
Propertymark CEO

In the letting sector, the number of new prospective tenants registered per member branch has decreased month on month since July 2023. However, demand remains high with around 9 prospective tenant registrations per available property. This continues to have an impact on rent levels. So too does the continued legislative uncertainty in each of the home nations, which clearly weighs upon landlord investment decision making. For example, this month, 72% of the properties that left our agents management were due to the property being sold. It is clearly time for UK legislators to consider more carrot and less stick.

Economic outlook

The Autumn budget delivered a range of relatively upbeat news including a reduction in National Insurance rates from 12% to 10% and an increase in the National Minimum wage from £10.42 to £11.44 per hour.

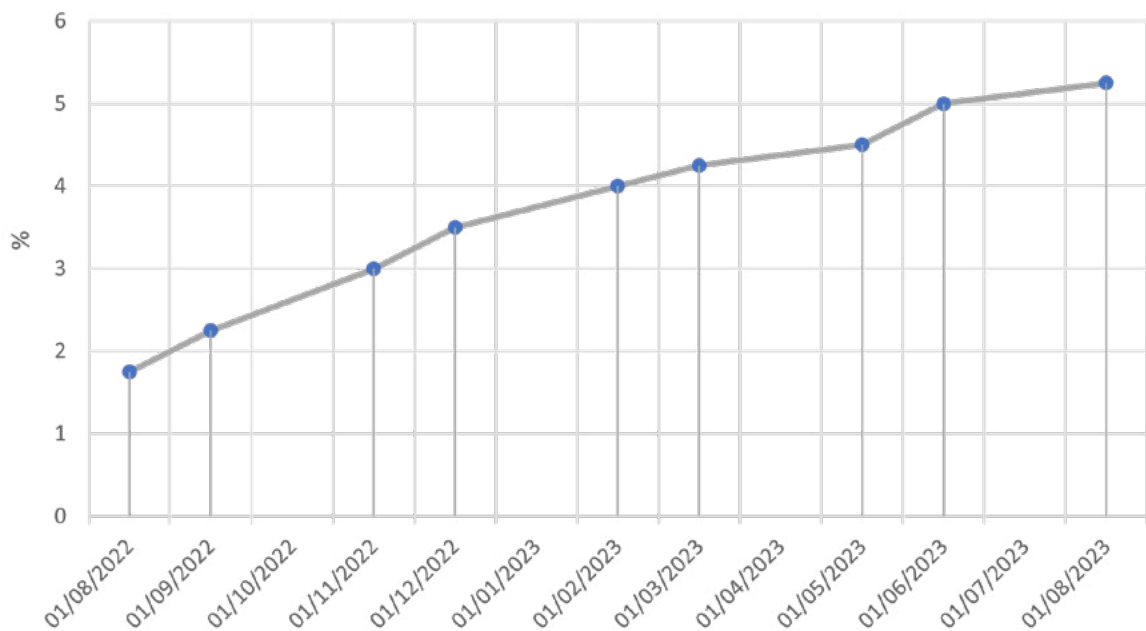
In the residential sales sector, the announcement of plans to consult on the ability to split a house into two flats under permitted development rights is a welcome step in increasing much needed housing supply. In the lettings sector, the commitment to increase LHA rates to the 30th percentile of market rents is good news for tenants and landlords, and we believe that our lobbying has had impact here.

Further good news is apparent in the continued downward pressure on inflation making it tempting to conclude that the economic outlook is largely positive. However, it should be noted that the glut of household savings amassed during the pandemic has been largely spent, the cost-of-living crisis continues to loom large and UK productivity remains anaemic. Clearly, the UK economy is not out of the woods yet.

BASE RATE REMAINS STATIC BUT CHALLENGING

The base rate remains firm at 5.25%, higher than many aspiring homeowners and businesses would prefer. The rapid rise in the base rate over the last year is illustrated in Figure 1.

Figure 1: Bank of England base rate



Source: Bank of England

INFLATION GOING IN THE RIGHT DIRECTION

Inflation continues its recent downward trend (Figure 2) but remains high when compare with August 2020 (Figure 3) and is still someway off the Bank of England's 2% target. Public attitudes to inflation are not overly optimistic, with an upward trend in the number of people who expect inflation to rise (Figure 4).

Figure 2: Inflation percentage change over 12-month period

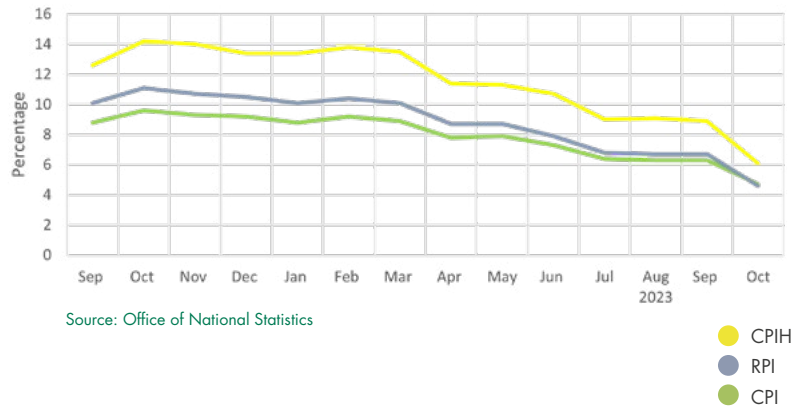


Figure 3: Inflation percentage change over 12-month period

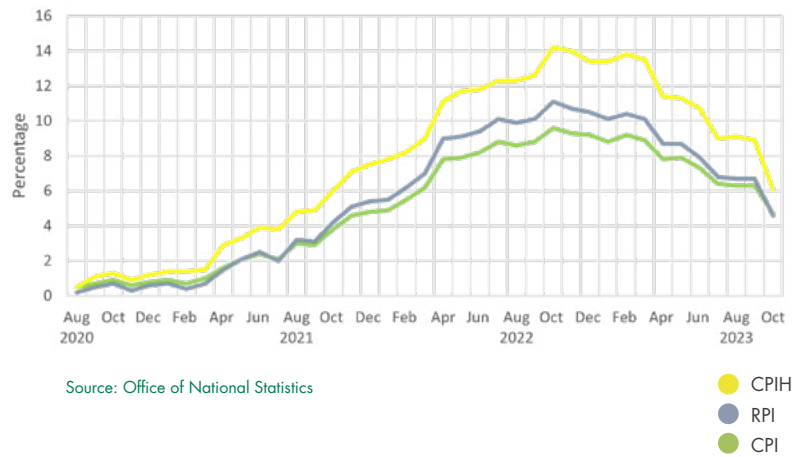
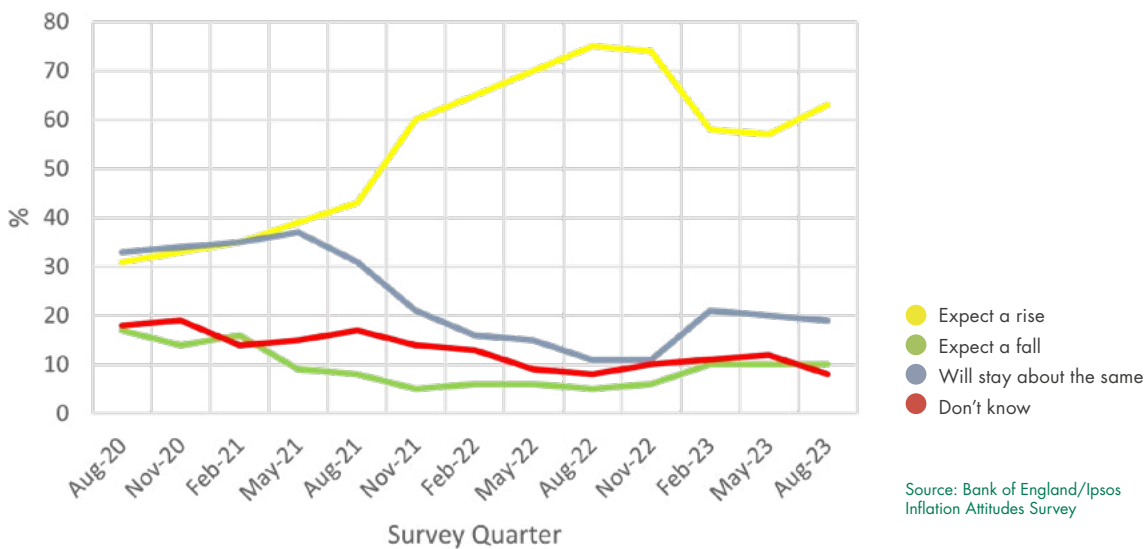


Figure 4: Public attitudes to inflation



Prospective buyer numbers continue to fall

Despite some optimism creeping into the economy, market conditions remain challenging within the sector. Last month we pointed to a slight reduction in the average number of new prospective buyers registered per branch. The trend continues this month, which is down to 53 in October 2023, from 60 in September and 81 in August. However, the longer time series presented this month (Figure 5) confirms the re-emergence of seasonal trends, with a corresponding downturn seen in 2022 in the run up to the festive period.

Figure 5: Average no of prospective buyers registered per member branch

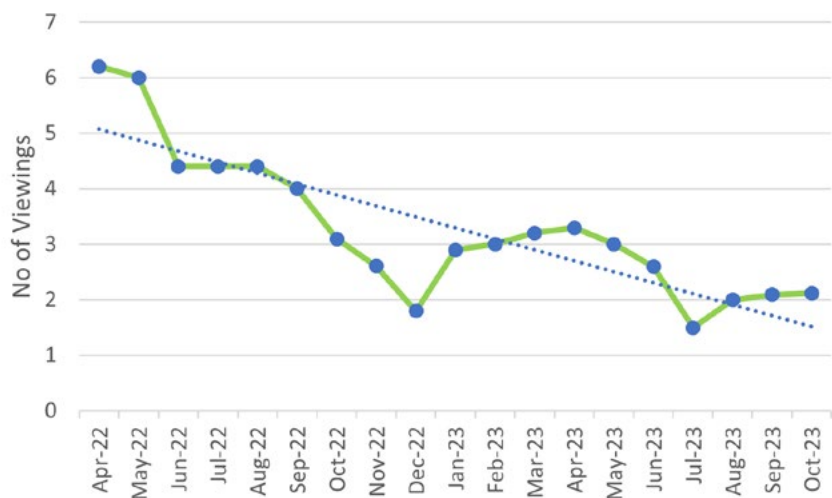


Source: Propertymark

VIEWING NUMBERS REMAIN STATIC

The average number of viewings per property remained static across August, September and October 2023. However, the longer time series shows a concerning downward trend (Figure 6).

Figure 6: The average number of viewings per property per member branch

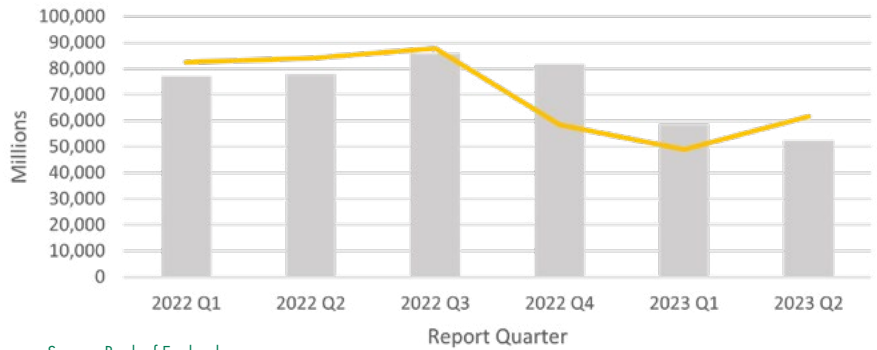


Source: Propertymark

Mortgage advances down

We await revised gross mortgage advance data, but indicators were down in Q2 2023. However, commitment to new lending increased from 48,882 to 61,666 cases between Q1 and Q2 (Figure 7).

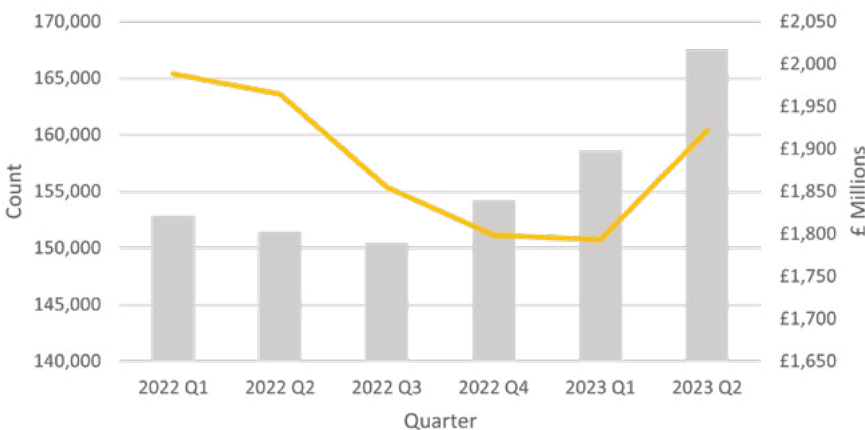
Figure 7: Gross mortgage advances and new mortgage commitments



Source: Bank of England

● Gross advances
● New commitments

Figure 8: Loan arrears at the end of the quarter



Source: Bank of England

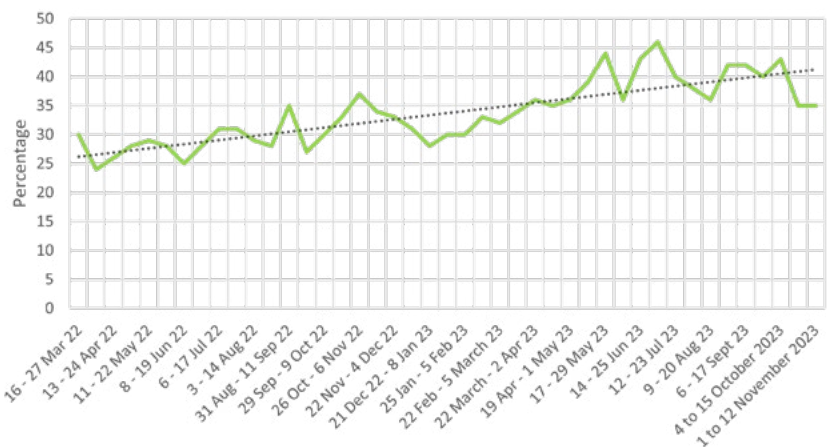
● Number of loan accounts
● Amount of arrears (millions)

MORTGAGE ARREARS INCREASING

As reported last month, loan arrears continued their upward trajectory between Q1 and Q2, both in terms of the number of loan accounts and the amount of arrears (Figure 8). Whilst we await revised data, it is suspected that this trend has persisted into Q3.

The number of adults finding it very or somewhat difficult to affording rent or mortgage payments is beginning to turn downward. It is not clear if this marks the end of a long running upward trend or is merely a temporary blip (Figure 9).

Figure 9: Adults reporting it very or somewhat difficult to pay their rent or mortgage

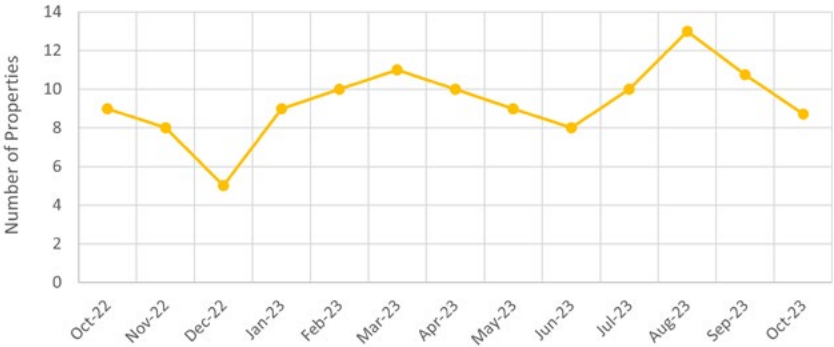


Source: Office of National Statistics

Month on month **new supply** continues downward trend

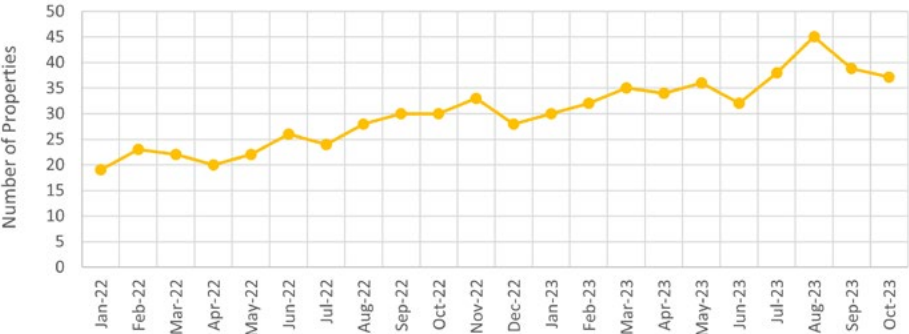
The number of new homes placed for sale per member branch has decreased again this month with nine properties available on average per branch in October 2023, compared with 11 in September and 13 in August (Figure 10). We would expect this trend to continue as we enter the festive season, and the market begins to cool.

Figure 10: Average number of new sales instructions per member branch



Source: Propertymark

Figure 11: Average number of properties available for sale per branch



Source: Propertymark

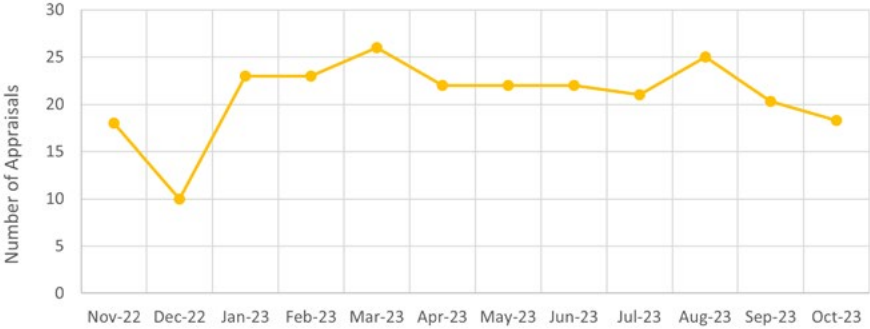
STOCK LEVEL DECREASE

Given the emergence of seasonal trends, it is not surprising that the average stock of properties available for sale per member branch decreased from 45 in August to 39 in September and laterally 37 in October 2023 (Figure 11).

MARKET APPRAISAL VOLUMES DECREASE

The number of market appraisal undertaken by our members can be used as an indicator of future supply. The average number of market appraisals conducted per member branch has decreased from 25 in August 2023, to 20 in September and subsequently 18 in October (Figure 12).

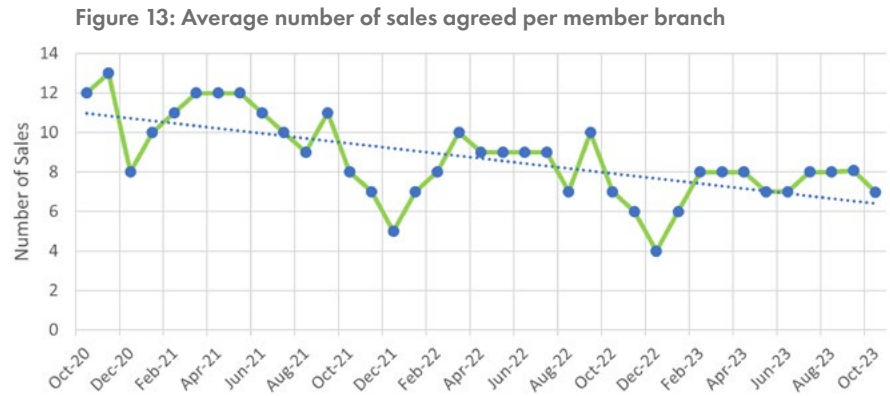
Figure 12: The average number of appraisals conducted per member branch



Source: Propertymark

Sales agreed levels reduce

The number of sales agreed per member branch has decreased to seven in October 2023 from eight in September, but sits firmly in the range (6-8) that has been prevalent over the last 10 months. Whilst this suggests some stability, if we look at a longer time series (Figure 13), we can see a downward trend in market activity since October 2020 suggesting that the market is slowly cooling.

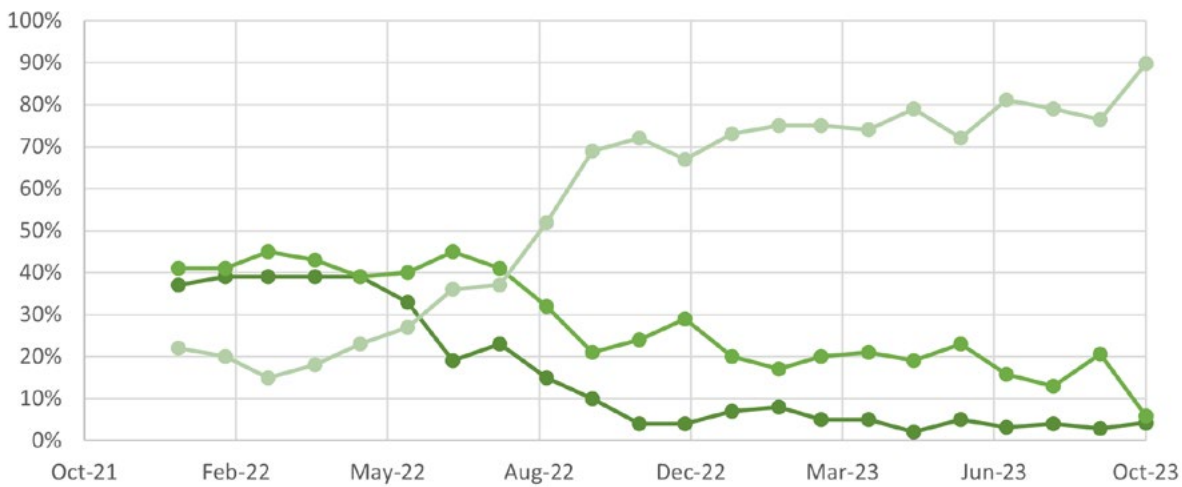


Source: Propertymark

ASKING PRICES ARE STILL TOO HIGH

The number of agents reporting that properties were selling for less than asking price has risen dramatically from 76% in September to 90% in October 2023. This is part of a longer trend (Figure 14), which suggests that valuations and market expectations are severely mismatched.

Figure 14: percentage of agents reporting properties achieving above asking, at or below asking price



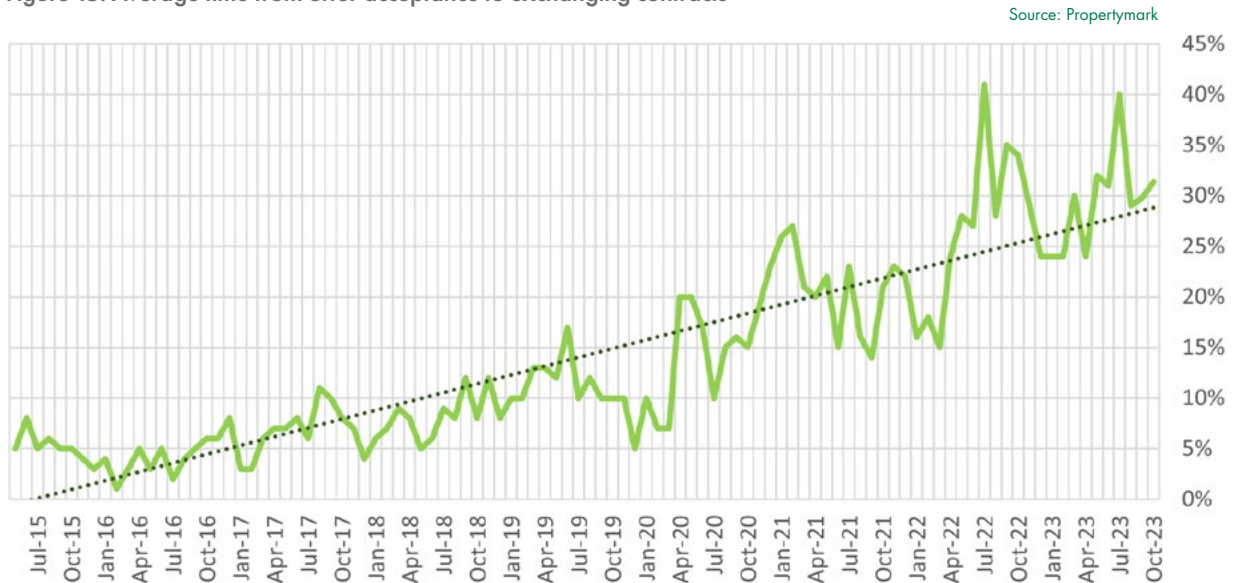
Source: Propertymark

- More than asking price
- Asking price
- Less than asking price

CONTRACT EXCHANGE TAKING LONGER

Worryingly, the time taken to exchange contracts continues to elongate. Our agents reported that 75% of transaction had taken 13 week or longer to complete in October 2023, with 31% having taken 17 weeks or more. As can be seen in (Figure 15), this is a long running and slightly concerning trend.

Figure 15: Average time from offer acceptance to exchanging contracts

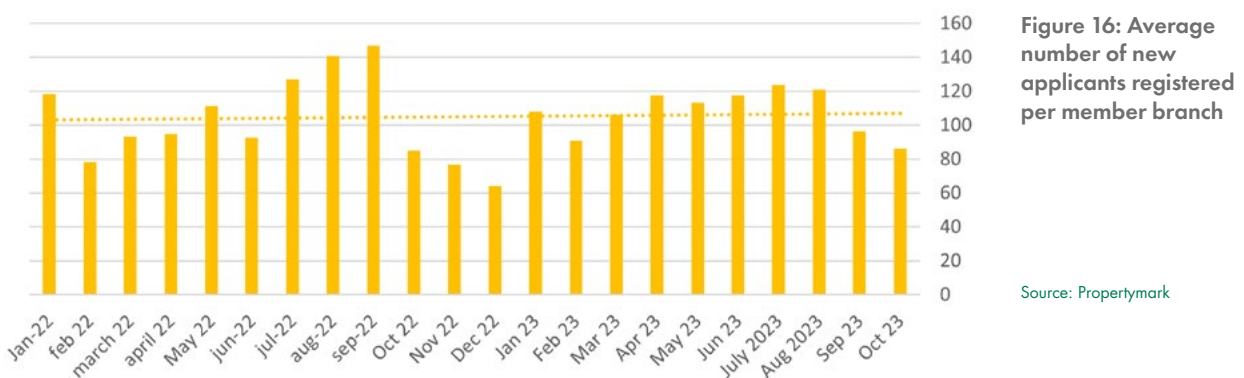


RESIDENTIAL LETTINGS

DEMAND

Prospective **tenant numbers** continue to decrease

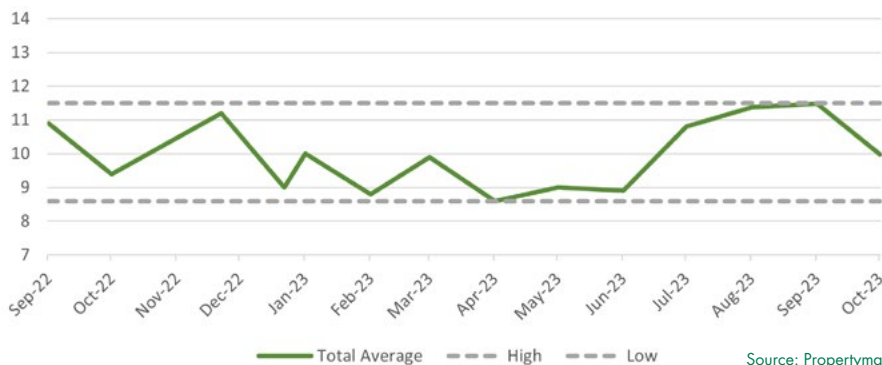
The number of new prospective tenants registered per member branch has been decreasing month on month since July 2023 when it stood at 124. In October, the number of registrations stands at 86, a significant drop. However, Figure 16 again points to emergence of seasonal trends. Furthermore, a closer look at the data reveals that the average number of prospective tenants registered between January and October 2023 was broadly similar to the same period in 2022 (109 vs 108 respectively).



Stock levels remain challenging

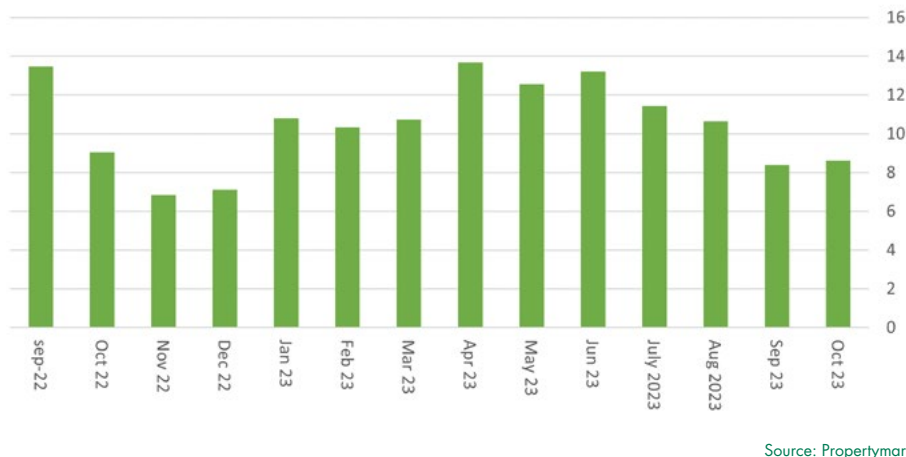
The average number of properties available to rent per member branch reduced marginally in October over September (Figure 17). However, as indicated by the horizontal dotted lines on the X axis, the fluctuation in supply level has been within a narrow range over the last 12 months.

Figure 17: Average number of properties available to rent per member branch



This level of supply remains significantly below the current level of new applicants registered (Figure 16). As summarised in Figure 18, there has been a downward trend in the average number of prospective tenants registering at each branch per available property over the last few months. However, demand (in the form of registrations) remains in excess to supply.

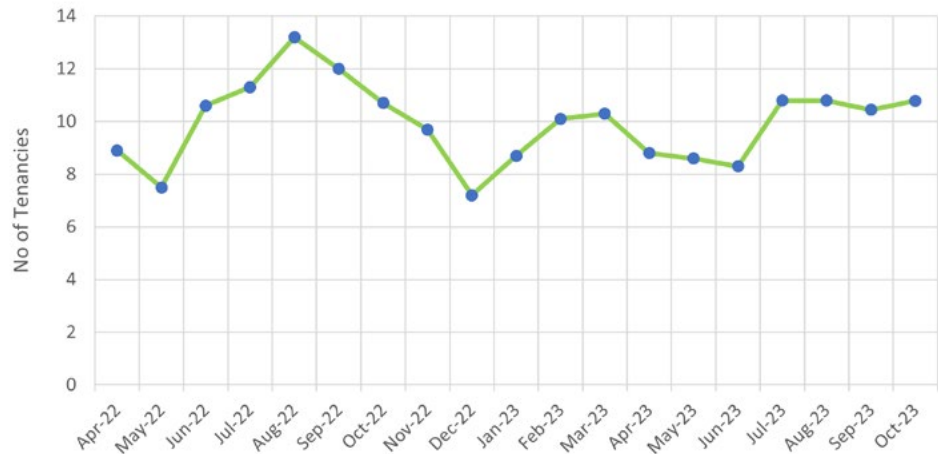
Figure 18: Average number of new prospective tenants registering per the number of properties available



Average tenancy numbers remain level

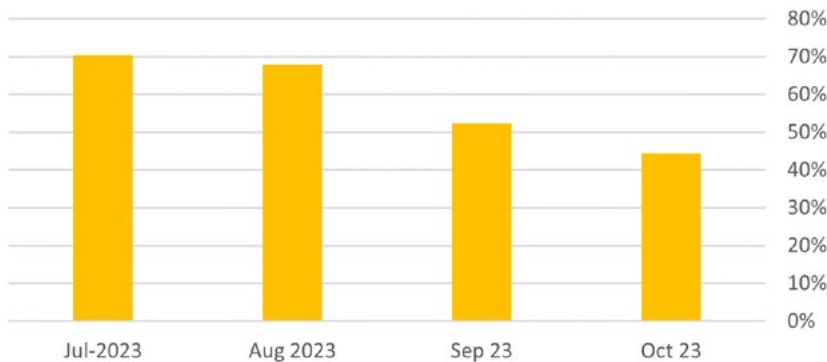
The average number of new tenancies agreed per member branch has remained relatively static since mid-summer although we expect a downward turn as we edge closer to December (Figure 19).

Figure 19: Average number of new tenancies agreed in the month per branch



Source: Propertymark

Figure 20: Percentage of members who reported that rents have risen



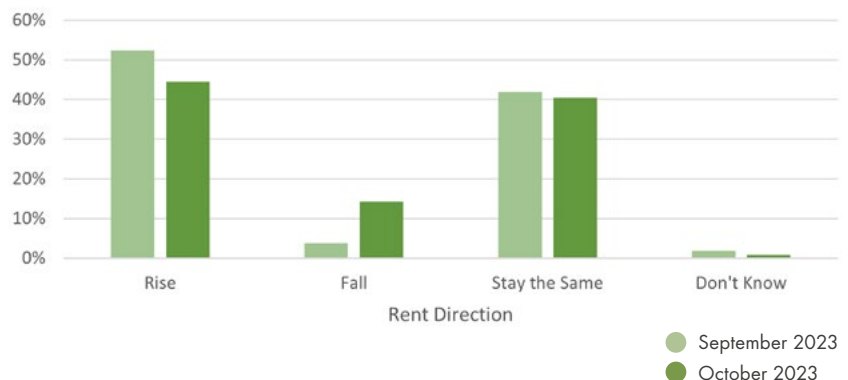
Source: Propertymark

PRESSURE ON RENT LEVELS BEGINNING TO SUBSIDE?

Continuing last month's trend, fewer agents reported seeing rising rents in their branches during October 2023 (44%) than during the previous three months (September 52%, August 68% and July 71%) (Figure 20).

Furthermore, as can be seen in Figure 21, the number of agents reporting falling rents rose from 4% in Sept 2023 to 14% in October. Regardless, a larger proportion of agents reported a rise than a fall. Although economic pressures may be abating, they have not entirely dissipated and the upward pressure on rents is likely to continue in the short term.

Figure 21: Percentage of members who reported that rents has risen, fallen, or stayed the same



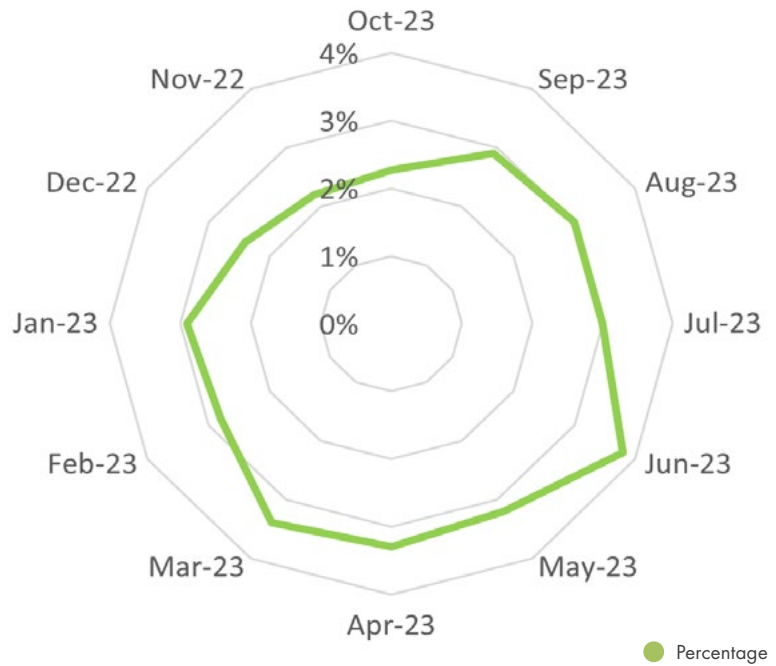
Source: Propertymark

RENTAL ARREARS FALL

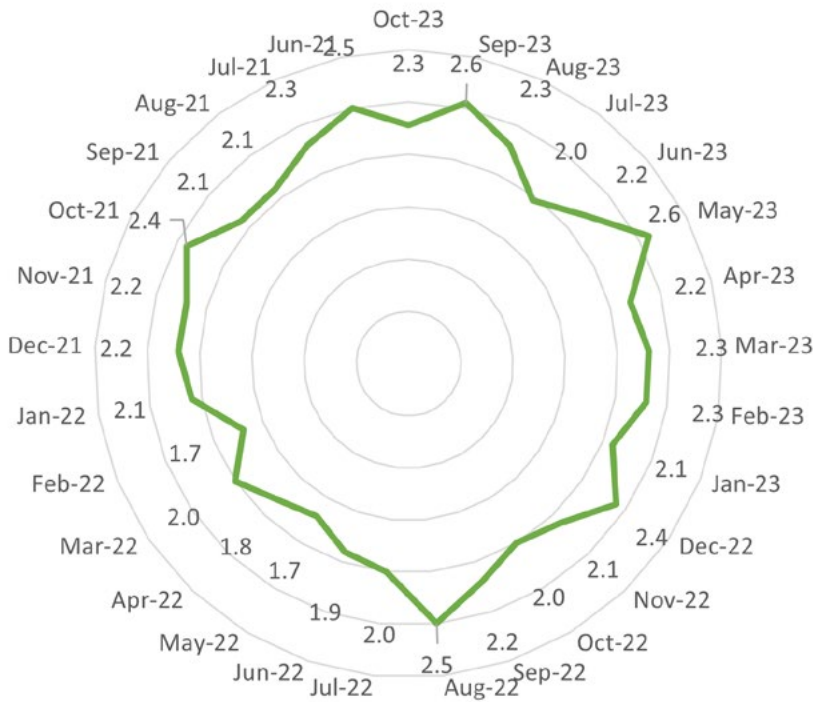
Agents reported that rental arrears fell slightly in October 2023 (Figure 22). This suggests that agents are diligently managing their rent collection services in the run up to the winter holidays.

Source: Propertymark

Figure 22: Average number of properties in rental arrears per member branch



● Percentage



● Average void period (weeks)

Source: Propertymark

Figure 23: Average void period between tenancies in weeks

VOID PERIODS INCREASE

This month, the average void period between tenancies is slightly lower than in September but is equal to the year-to-date average at 2.3 weeks (Figure 23). This is marginally lower than the same period in 2022 but is also equal to the three year average suggesting little material change.

AGENTS' COMMENTS:

In a new addition to the Housing Insight Report, each month agents from different parts of the UK will provide their views on the current sales and lettings markets.



Toby Leek
**NAEA Propertymark
President Elect**

Residential sales

Overall, the market is sluggish with transactions taking longer throughout the process. There is still hesitancy from buyers, in turn softening demand. There continues to be a void between seller and buyer expectations on price point in areas. With the recent budget buyers to wait and see what comes out of it and so the remainder of this year will seemingly be uneventful. Hopefully, some encouraging news on inflation and interest rates will bring more movement next year.



Toby Martin
**ARLA Propertymark
Regional Executive
for West Country**

Residential lettings

The end of the school holidays has caused the family homes market to slow down, meaning rents on those homes have levelled off or in some cases reduced slightly. Conversely, we have been overwhelmed by demand for city centre apartments, the supply of which continues to be dramatically insufficient. These homes attract such interest that we frequently receive multiple offers within a couple of days, usually without needing to place them on the property portals.

Now that the Renters Reform Bill is finally gathering momentum, it has been interesting to gauge landlords' reactions to the proposals. The general response has been one of cautious apathy, with most landlords conceding that little will change for those committed to offering good quality, long term accommodation. The recent amendments recognising the student tenancy cycle have been particularly welcome.

Residential sales

The West Midlands region currently has a high level of stock available for sale with a shortage of proceedable buyers in the market, those having to sell quickly are having to make large price reductions to attract the few buyers that are out there. Activity is generally low but more so on the higher price points and large family homes. Most agents that I converse with see no change to this anytime soon and feel that it will be the New Year before any improvement takes place.



Anneke Babber
**NAEA Propertymark Regional
Executive for the West Midlands**

ABOUT THIS REPORT

This report is based on responses to a survey of Propertymark member agents conducted between 1 November 2023 and 14 November 2023. Analysis is based on data provided by around 100 sales and 100 letting agents across the UK. The reports also contain a variety of third-party data including data from the Bank of England data and the Office for National Statistics, which is referenced where used. The report also includes HM Land Registry data, which is licensed under the Open Government Licence v3.0.





ABOUT PROPERTYMARK



Propertymark is the leading professional body for estate and letting agents, commercial agents, auctioneers, valuers, and inventory providers comprising over 17,500 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised

qualifications, an industry leading training programme and mandatory Continuing Professional Development (CPD).

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