

Housing Insight Report

propertymark

December 23

KEY STATISTICS:

35% decrease in the number of **market appraisals** undertaken

28% reduction in **new properties** coming to market

31% decrease in the number of **buyers registered**

63 new **prospective tenants** registered per member branch

35% of agents have seen **rents rise**

16% fall in the number of **new tenancies signed**



December marks the end of an interesting and challenging year within the property market. In the wider economy interest rates have stabilised, however, inflationary concerns remain, and GDP growth has been anaemic. In response to these and other factors, house prices have fallen in some areas. In the PRS, tinkering by the UK and devolved governments and continued strong demand has caused rents to rise.

In the residential sales sector, we have reached the trough of the seasonal trend that begins in Autumn and runs to Christmas. Key supply and demand indicators, such as the number of buyers registered and number of new sales instructions, are at their lowest points in the year. As we head into 2024, pressures remain on house prices, with further adjustments required to match valuations to market expectations.

The lettings sector is subject to the same seasonal trends resulting in tenant demand and new tenancy completions being lower than the previous month. Regardless there remains a supply and demand imbalance with around 7 new tenant registrations for each available property. While rents continue to ebb and flow with some seeing rises in December, 49% of agents reported rents staying the same suggesting some restraint.



Nathan Emerson
Propertymark CEO

Looking forward to January, we can expect a lively start to the year, whether or not this sets the pace for the year as whole will depend on the stability of the wider economy and the actions of policymakers.

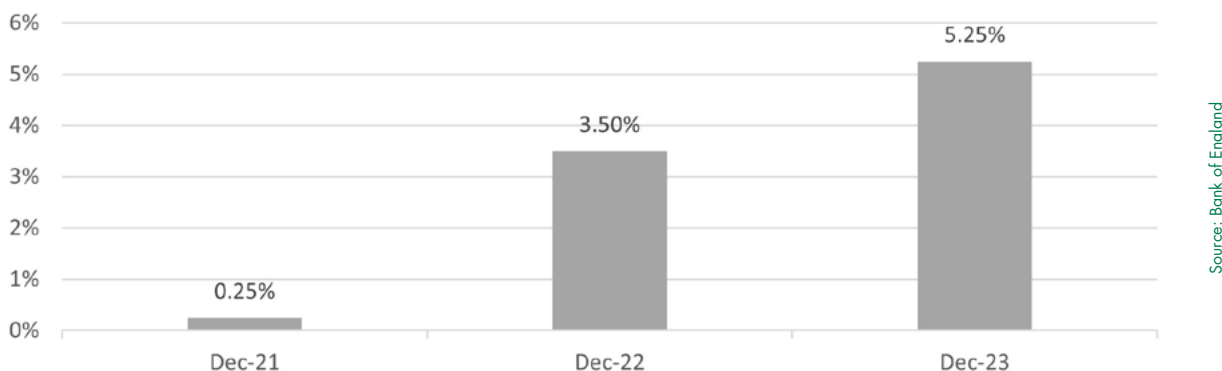
Economic outlook

Despite the interest rate being held in December, uncertainty continues to pervade the UK economy. GDP growth is anaemic and there has been little change in inflation.

BASE RATE REMAINS UNCHANGED

In December 2023 the Bank of England Monetary Policy Committee voted (6 to 3) to hold the base rate at 5.25%. Three members voted to increase the rate to 5.5%. This relative stability is welcome although the rate remains high in comparison to December 21 (0.25%) and December 2022 (3.5%) (Figure 1).

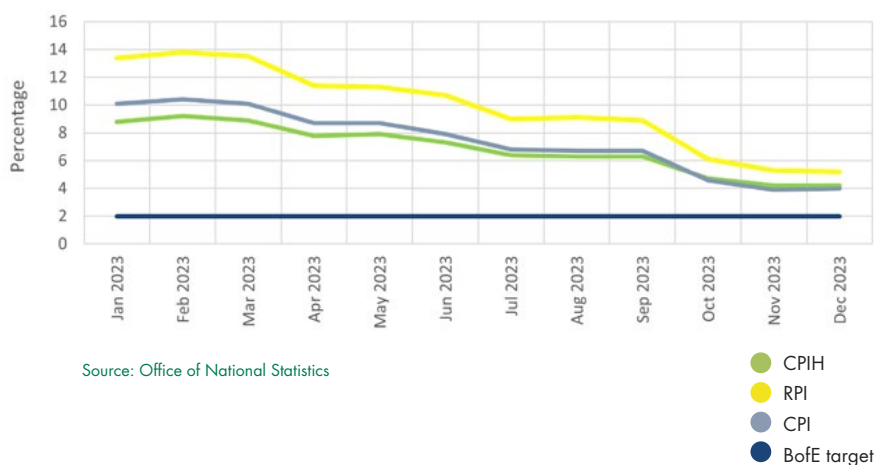
Figure 1: Bank of England base rate



INFLATION LITTLE CHANGED

Inflation in the 12 months to December 2023 was static as measured by CPIH, marginally up as measured by CPI and marginally down as measured by RPI (Figure 2). Whilst headline inflation has come down from highs earlier in the year, it remains some way off the Bank of England's 2% target.

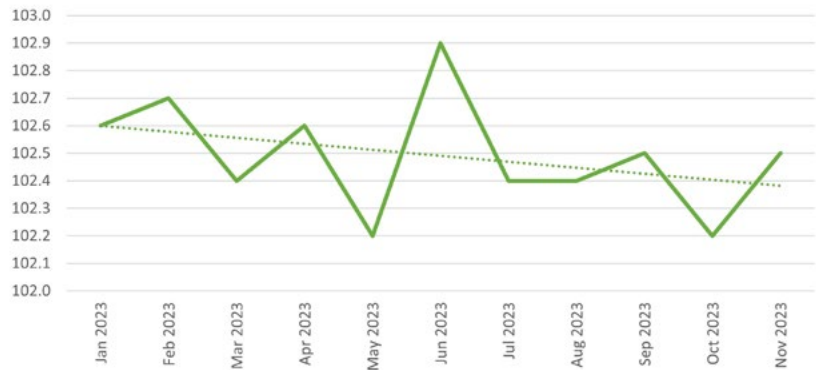
Figure 2: Inflation percentage change over 12-month period



GDP GROWTH ANAEMIC

Although the December figure has yet to be published, it looks likely that it will mark the end of a lacklustre year of UK GDP growth (Figure 3).

Figure 3: UK GDP (Index, 2019 = 100)



Source: Office of National Statistics

INSOLVENCIES INCREASE POINTS TO A CHALLENGING BUSINESS ENVIRONMENT

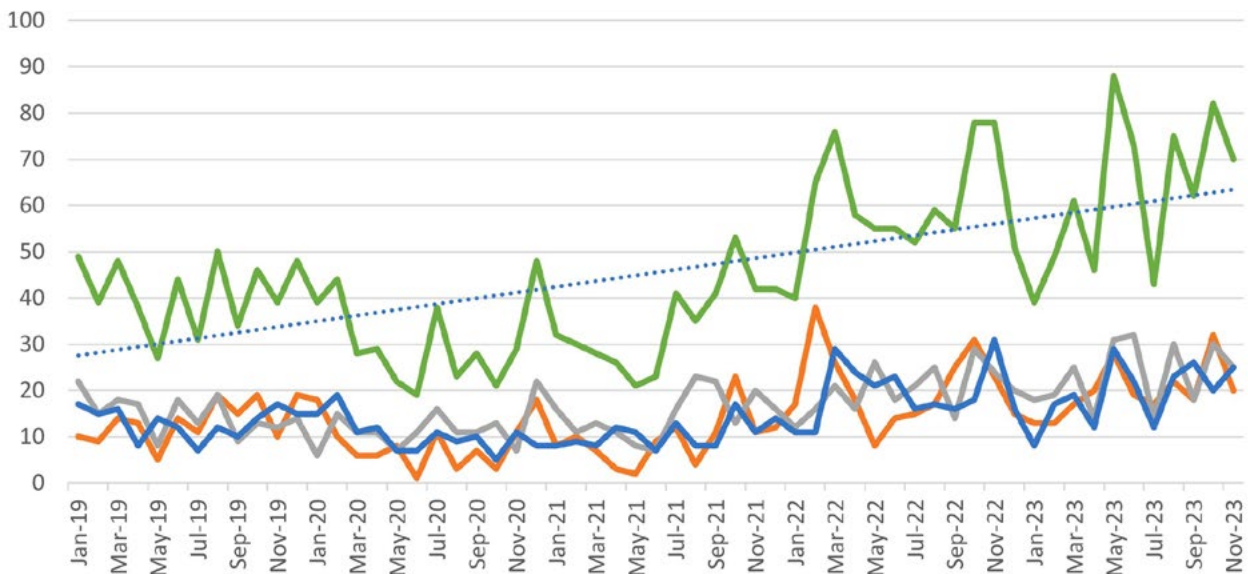
There has been an increase in the number of registered company insolvencies between 2022 and 2023 (Table 1). Figure 4 highlights the extent of the insolvencies within companies with real estate standard industrial classification codes in England and Wales.

Table 1: Registered Company insolvencies

Year/location	England & Wales	Scotland	Northern Ireland
2022	22,129	1,062	214
2023	25,159	1,234	215

Source: UK Government

Figure 4: Company insolvencies in England and Wales for SIC Code Groups 681, 682 and 683



Source: UK Government

- Real estate activities
- Real estate activities on a fee or contract basis
- Buying and selling of own real estate
- Renting and operating of own leased real estate
- ⋯ Linear (real estate activities)

UK house prices continue to fall

As can be seen in Figure 5, the average UK house price is continuing to trend downward from recent highs.*

Figure 5: Average house price by country

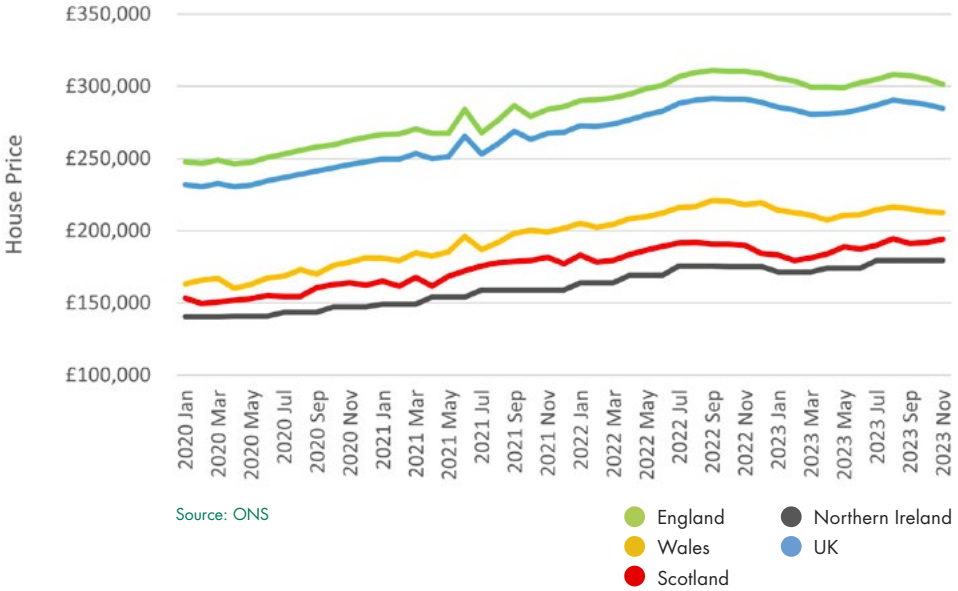
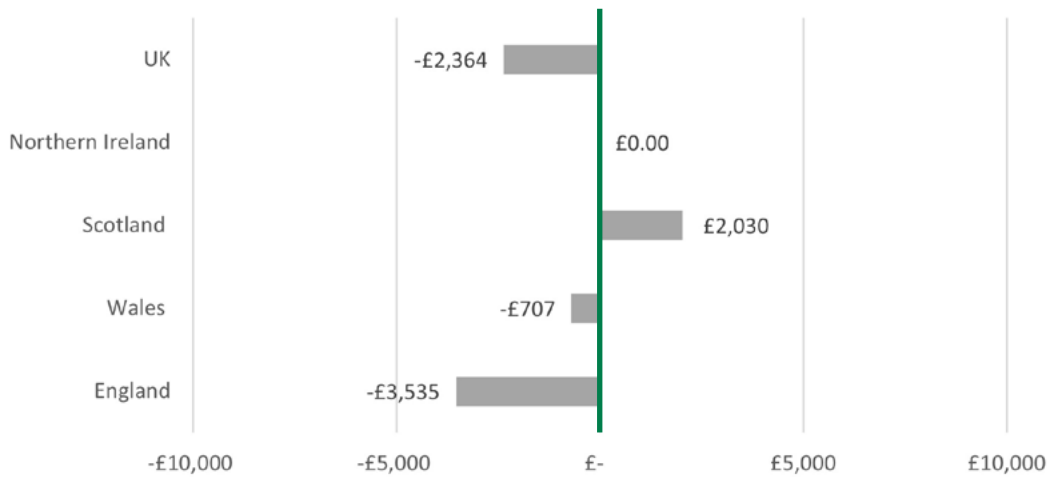


Figure 6: Difference in average house price between November 2022–2023*



However, Figure 6 highlights that the trend is not common to all constituent parts of the UK. Specifically, whilst there have been notable falls in England and Wales between November 2022 and November 2023, there has been positive growth in Scotland during the same period.

Figure 7: Difference in average house price between October 2022 and November 2023*



A more granular review, highlights the extent of the change between October 2023 and November 2023 (Figure 7).

Source: ONS

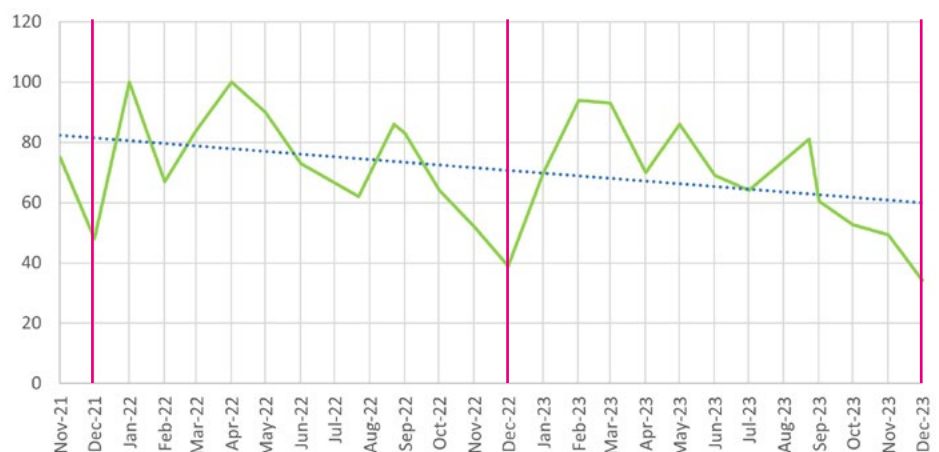
*Latest figure available. Figure for Northern Ireland data is copied forward as current data is not yet available.

Reduction in prospective buyer numbers due to seasonal trends

DEMAND

The average number of new prospective buyers registered per branch reduced from 49 in November to 34 in December. Seasonal impacts are clear, although there is a broader downward trend (Figure 8).

Figure 8: Average no of prospective buyers registered per member branch

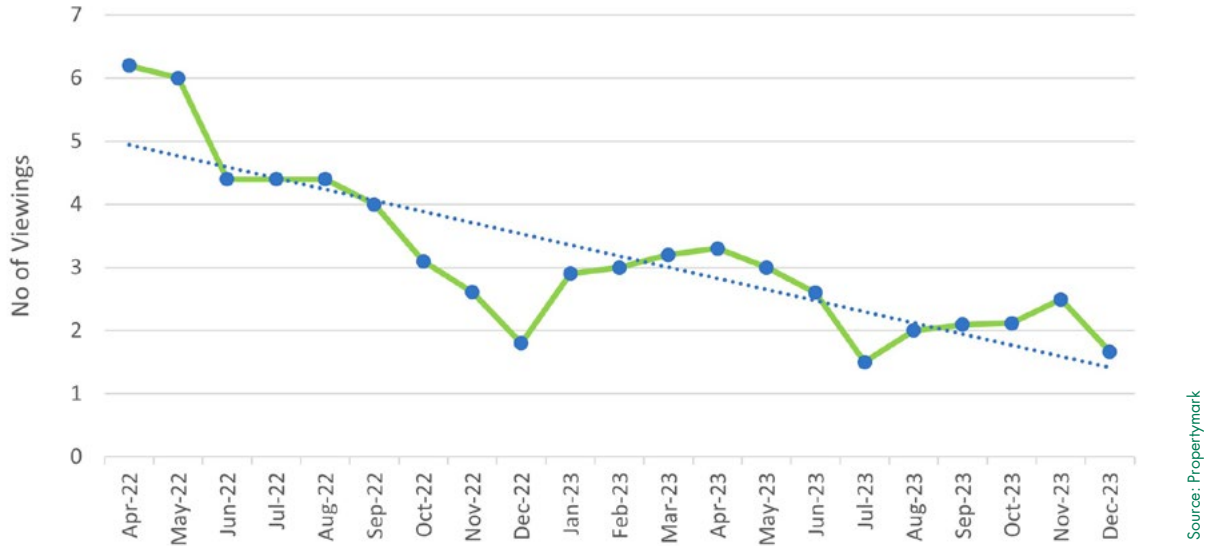


Source: Propertymark

VIEWING NUMBERS FALL AS THE HOLIDAYS APPROACH

Viewing numbers dropped off in December as many potential buyers stopped house hunting and refocused on Christmas shopping (Figure 9).

Figure 9: The average number of viewings per available property per member branch.

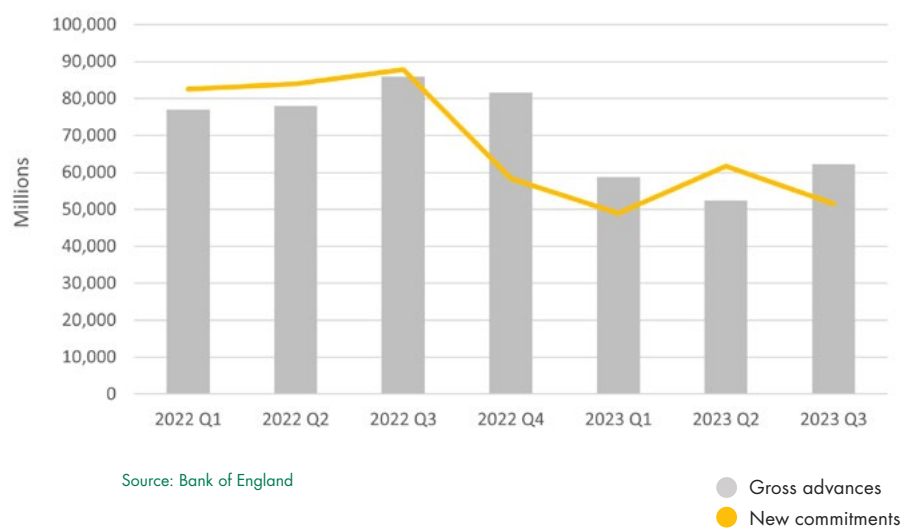


Mortgage advances down

MORTGAGE INDICATORS

The Q4 mortgage stats are not yet available. However, gross advances increased in Q3 2023 while commitment to new lending decreased from 61,665 cases in Q2 to 51,471 in Q3 (Figure 10).

Figure 10: Gross mortgage advances and new mortgage commitments



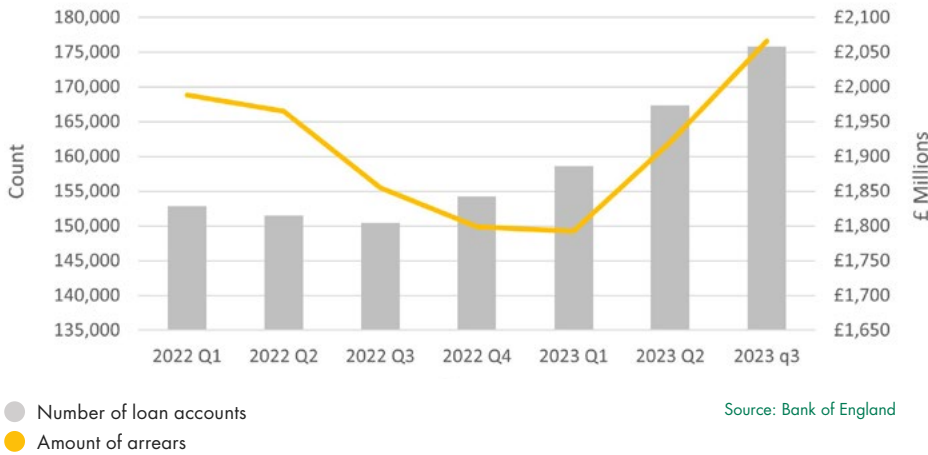
AFFORDABILITY DIFFICULTIES REMAIN

Surprisingly, the number of adults finding it very or somewhat difficult to afford their rent or mortgage payments has decreased in Q4 albeit from a relatively high base. (Figure 11).

Figure 11: Adults reporting it very or somewhat difficult to pay their rent or mortgage



Figure 12: Loan arrears at the end of the quarter ((Residential loans to individuals (unsecuritised and securitised))



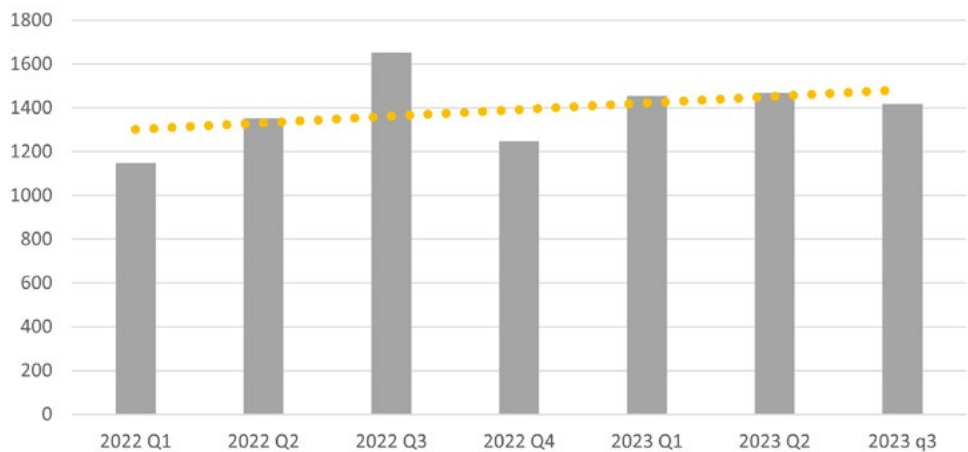
MORTGAGE ARREARS INCREASED IN Q3

It is suspected that when the Q4 2023 stats are published, that they will show a continuation of the recent upward trend in loan arrears (Figure 12).

POSSESSIONS REMAIN STATIC

However, given the context (Christmas), it might be reasoned that possession statistics will remain static or reduce. (Figure 13).

Figure 13: New possessions cases by quarter ((Residential loans to individuals (unsecuritised and securitised))

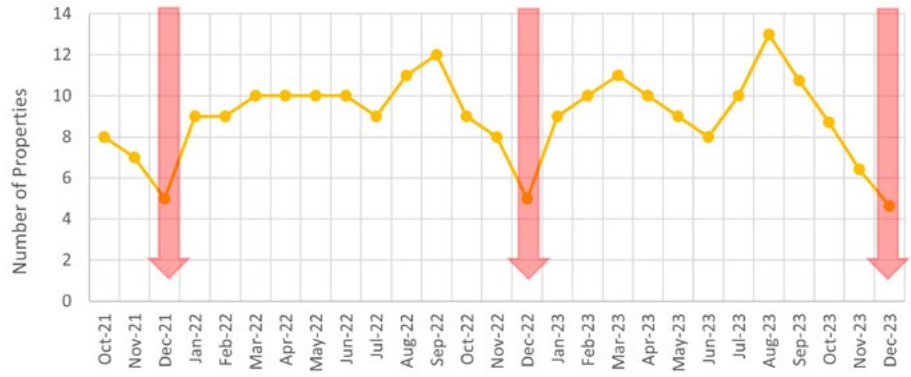


New supply reduces in the run up Christmas

SUPPLY

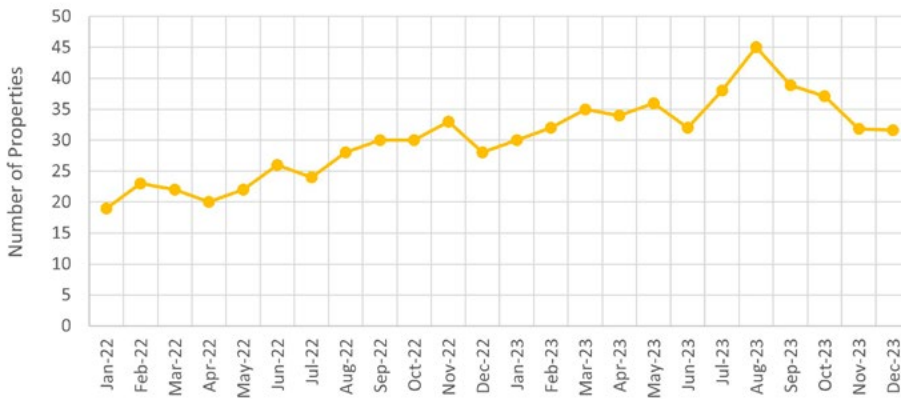
As in previous years, new supply went into freefall in the run up to Christmas. There were on average just 5 homes placed for sale per member branch in December, compared with 6 in November and 9 in October (Figure 14).

Figure 14: Average number of new sales instructions per member branch



Source: Propertymark

Figure 15: Average number of properties available for sale per branch



Source: Propertymark

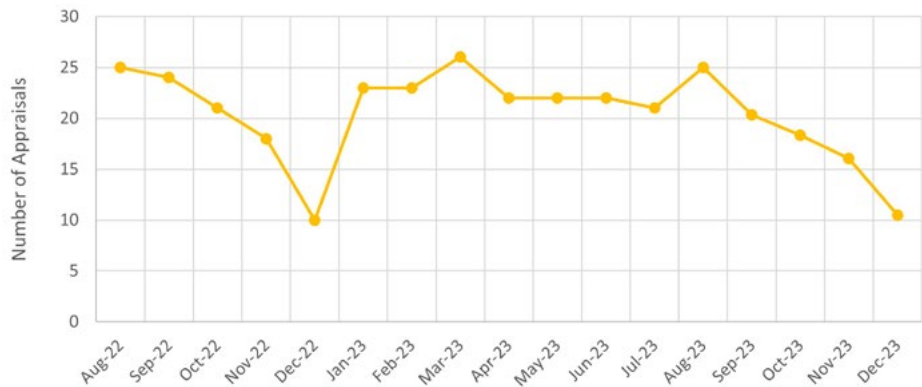
STOCK LEVELS REMAIN STATIC

The average stock of properties available for sale per member branch remained static in December with seasonal factors driving low levels of activity in the market (Figure 15).

MARKET APPRAISALS TAIL OFF

The average number of market appraisals conducted per member branch decreased in the run up to Christmas from 16 in November 2023 to 10 in December (Figure 16). With stock levels also down, supply is likely to be constrained in January.

Figure 16: The average number of appraisals conducted per member branch

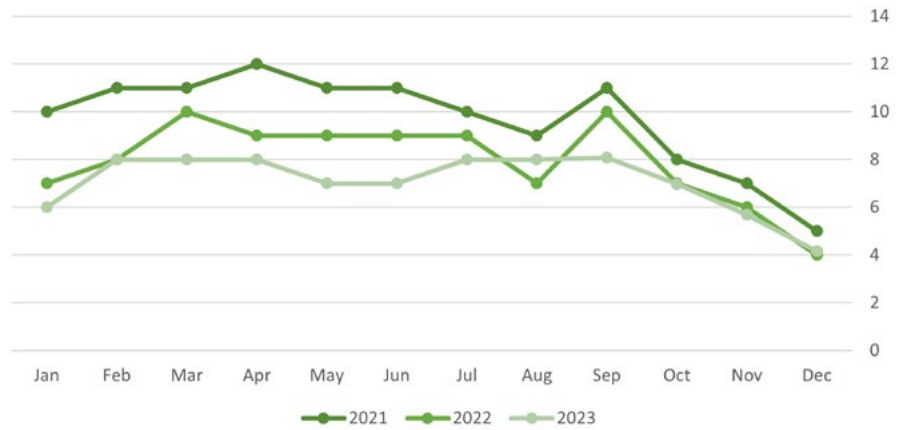


Source: Propertymark

Number of sales agreed continue to fall

The number of sales agreed per member branch decreased to 4 in December 2023 from 6 in November 2023. Figure 17 highlights that seasonal trends persist, but also points to an overall decline in performance over the last three years.

Figure 17: Average number of sales agreed per member branch



Source: Propertymark

Figure 18: Percentage of agents reporting properties achieving above asking, at or below asking price



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

Source: Propertymark

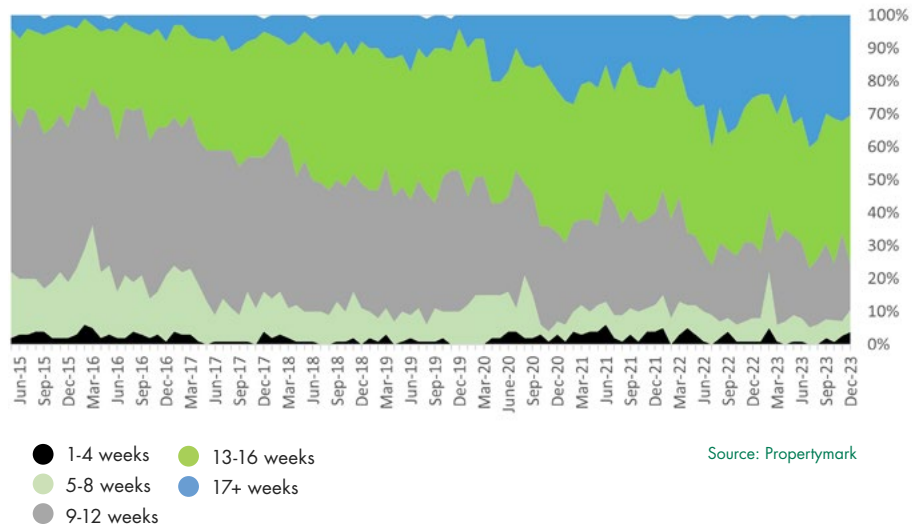
ASKING PRICES OUTPACE MARKET EXPECTATIONS

This month there was a slight increase in the percentage of agents reporting that properties were selling for less than asking price and a slight decrease in the number reporting that properties were selling at asking price. As Figure 18 illustrates, valuations and market expectations remain misaligned.

TIME TO EXCHANGE REMAINS PROBLEMATIC

Figure 19 highlights that there were some marginal improvements in exchange times in December 2023, which is likely facilitated by the rush for Christmas closure. However, exchange times remain historically lengthy with clear implications for the market and home movers.

Figure 19: Average time from offer acceptance to exchanging contracts



RESIDENTIAL LETTINGS

DEMAND

Tenant demand is down

The established downward seasonal trend continued into December 2023. The number of new prospective tenants registered per member branch reduced to 63 from 86 in the previous month (Nov 2023) (Figure 20).

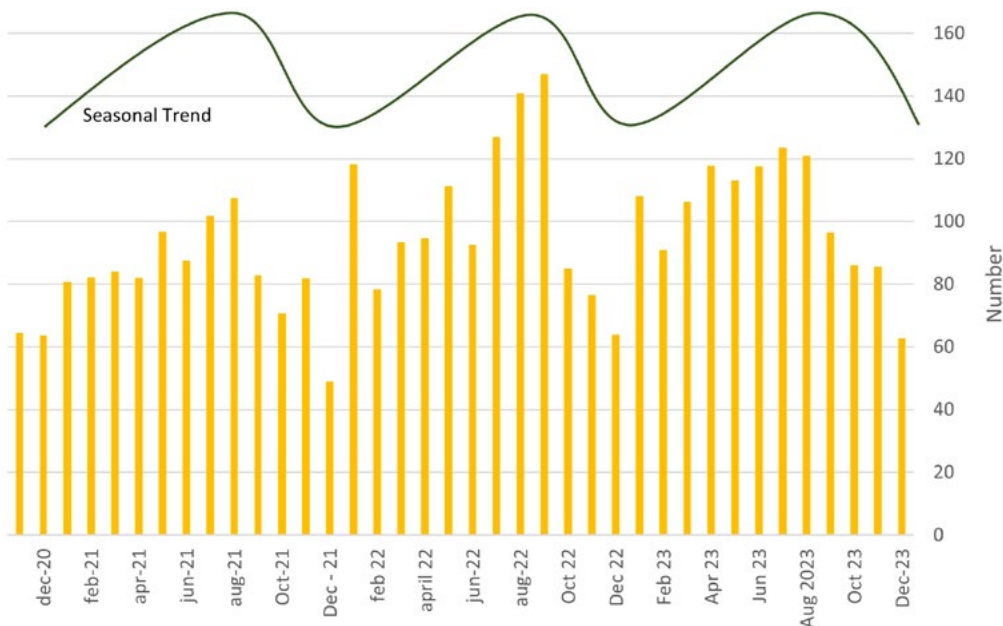


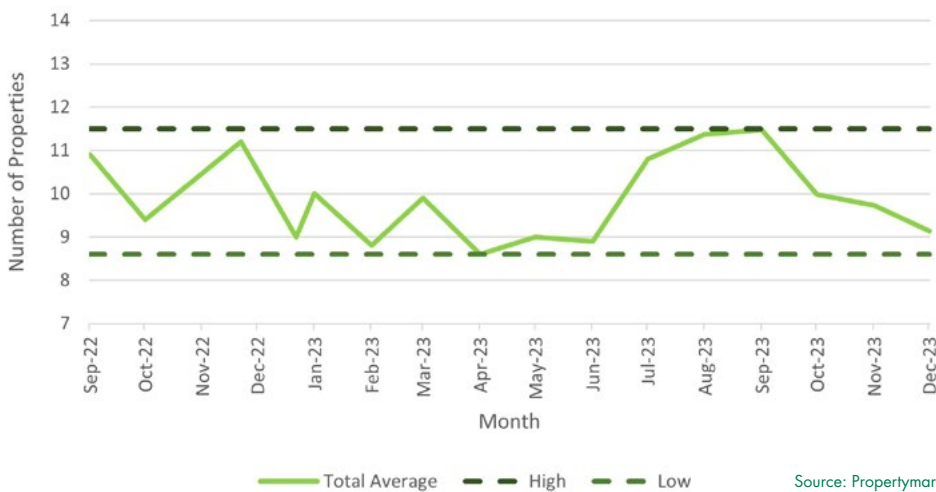
Figure 20: Average number of new applicants registered per member branch

Source: Propertymark

Stock levels down but within recent parameters

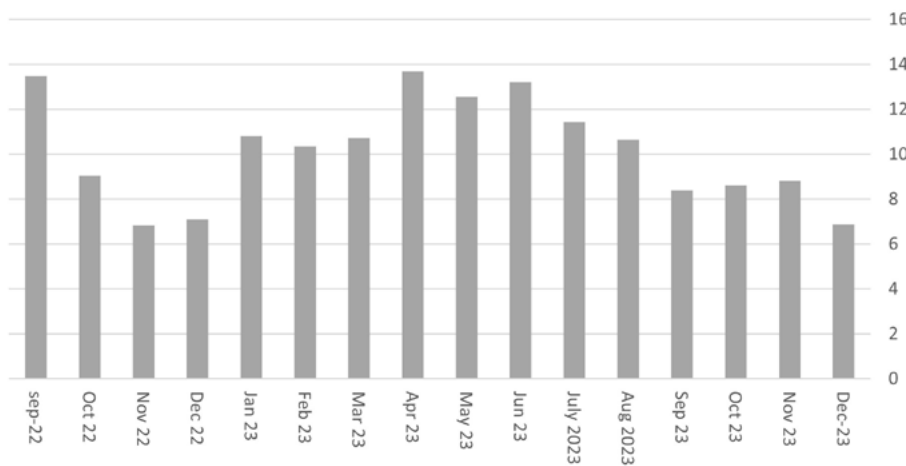
As with demand, stock levels have followed downward seasonal trends with a marginal reduction in the number of properties available in December when compared to the previous month (Figure 21). It is worth noting that the stock level in December 2023 (around 9) is in line with the December 2022 figure.

Figure 21: Average number of properties available to rent per member branch



Source: Propertymark

Figure 22: Average number of new prospective tenants registering per the number of properties available



Source: Propertymark

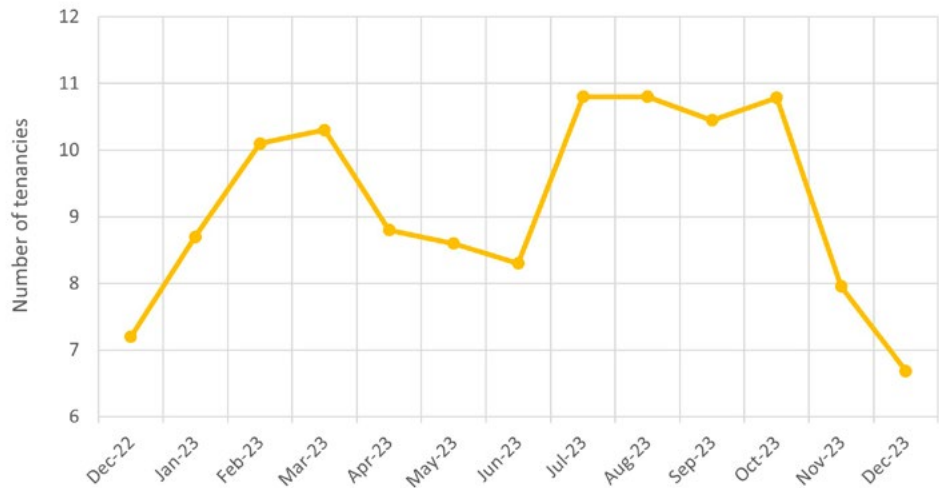
However, demand (in the form of prospective tenant registrations) outstrips these stock levels. On average, there were almost 7 new applicants registered per member branch for each available property (Figure 22).

Fewer tenancies agreed in December

due to seasonal factors

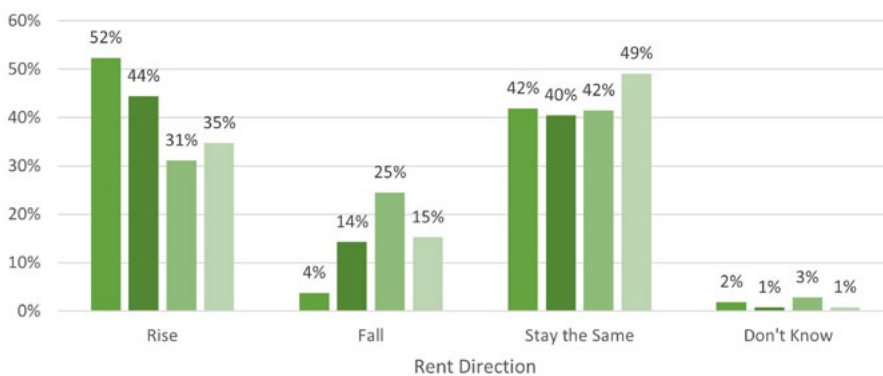
The average number of new tenancies agreed per member branch decreased slightly in December 2023 in comparison to November 2023 (Figure 23). This is in line with seasonal expectations.

Figure 23: Average number of new tenancies agreed in the month per member branch



Source: Propertymark

Figure 24: Percentage of members who reported that rents have risen, fallen or stayed the same



- September 2023
- October 2023
- November 2023
- December 2023

Source: Propertymark

RENTAL PRICES INCREASING?

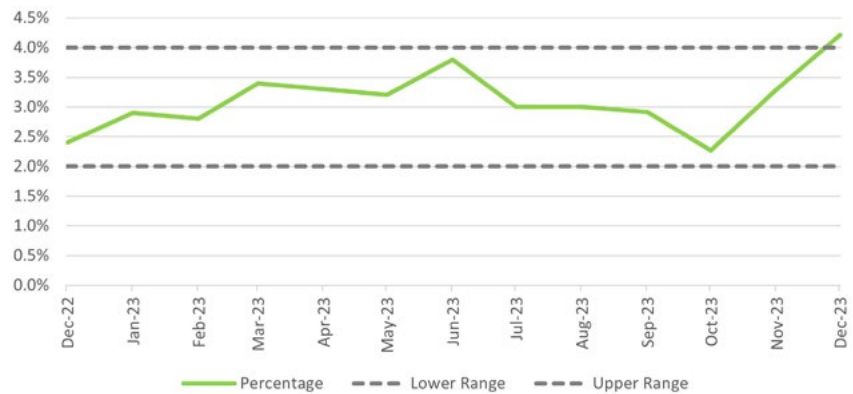
After the emergence of sustained month on month increases in the % of members who had reported seeing rents fall, it is surprising that there has been a small uptick in December. Less surprising is the increase in the number of agents reporting that rents have remained the same (Figure 24).

RENTAL ARREARS INCREASE

As predicted last month, rental arrears have continued to increase in December when financial pressures mount for some tenant groups in the run up to Christmas (Figure 25).

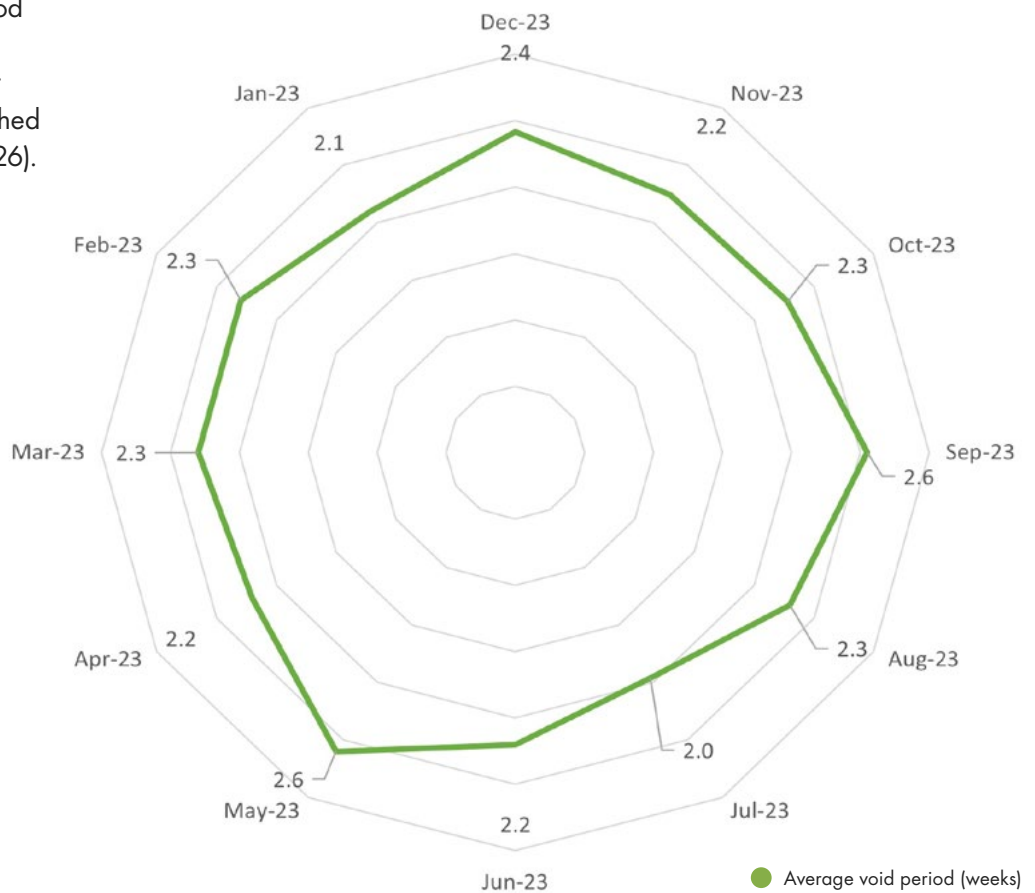
Figure 25: Average number of properties in rental arrears per member branch

Source: Propertymark



LITTLE CHANGE IN VOID PERIODS

The average void period elongated slightly in December. However, it remains within established parameters at (Figure 26).



Source: Propertymark

Figure 26: Average void period between tenancies in weeks

ABOUT THIS REPORT

This report is based on responses to a monthly survey of Propertymark member agents. 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



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