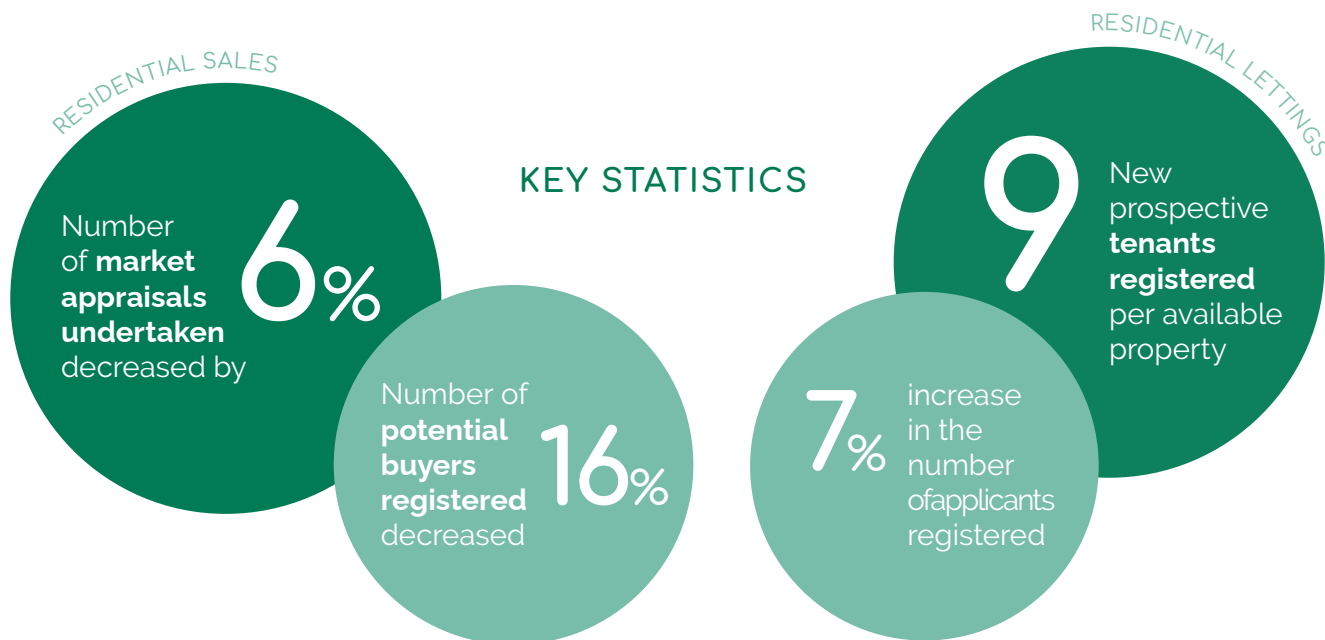


Housing Insight Report

propertymark

May 24



After a flurry of activity last month, there has been a shift in key metrics including a reduction in prospective buyer registrations and viewing numbers. However, this is in line with expectations/established seasonal trends, with consumer attention beginning to shift from housing to holidays. On a positive note, the number of sales agreed increased marginally suggesting that the market remains dynamic. The good news for buyers is that the gap between asking prices and market expectations continues to narrow and stock levels continue to increase. With pricing and availability improving, now is a great time to enact moving plans. Despite this, some buyers are hedging their bets, awaiting the outcome of the general election and movements in the base rate. However, elongating exchange times suggest that buyers should not delay if they want to move in 2024.

In the residential lettings sector, tenant demand continues to increase. While stock levels have improved, there were around 9 applicants registered for each available property in May. Although most members report that rents continue to rise or have remained static, there is some good news for prospective tenants with an increase in the number of members reporting rents falling (18% in May 2024 versus 12% in April 2024).



Nathan Emerson
Propertymark CEO

While both sectors remain resilient, there is much that the next government can do to support buyers, renters such as improving the home buying/renting process and professionalisation of the sector via the regulation of agents. More broadly there is a need for a review of property taxes to make changes which stimulate supply and demand.

Economic outlook



The economic outlook is mixed. Although GDP grew by 0.7% in the three months to April 2024, it remained static in April 2024 (the latest figures available). The base rate remains at 5.25% despite inflation (CPI) reaching the Bank of England's target of 2%. The reasons for this are multifaceted and include the pending general election, the speed at which inflation is slowing, and wage growth in the services sector.



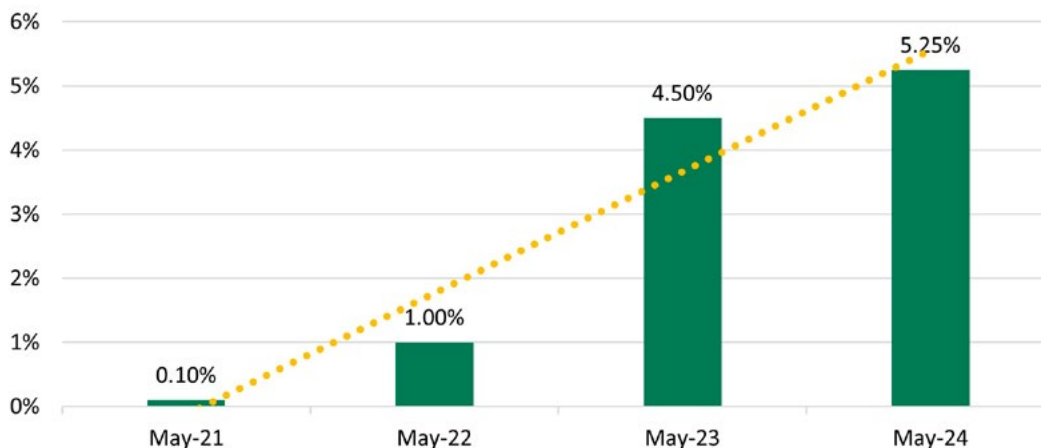
Dr Andrew Robert Watson,
Propertymark
Senior Researcher

The value of new mortgage commitments increased in Q1, but gross mortgage advances decreased to their lowest levels since Q2 2020. Furthermore, new possession case numbers increased from 1,459 in Q4 2023 to 2,096 in Q1 2024, and the number of adults reporting difficulty in paying their rent or mortgage continues to trend upwards. However, good news is on the horizon, with the expectation that inflation concerns are dissipating, and that the base rate will reduce in Q3.

BASE RATE REMAINS UNCHANGED

The base of England base rate (5.25%) has remained unchanged since August 2023 (Figure 1) and continues to weigh on the housing market. We remain hopeful that the rate will be cut in Q3.

Figure 1: Bank of England base rate



Source: Bank of England
www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp

INFLATION CONTINUES TO TREND DOWNWARDS

In the 12 months to May 2024, inflation trended downward to 2.8% as measured by CPIH, 2% as measured by CPI and 3% as measured by RPI (Figure 2).

Figure 2: Inflation percentage change over 12-month period



Source: ONS www.ons.gov.uk/economy/inflationand-priceindices/datasets/consumerpriceinflation

GDP REMAINS STATIC IN APRIL

The latest figures estimate that GDP remained static in April 2024, but grew by 0.7% in the three months to April 2024 (Figure 3).

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



Source: ONS www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/april2024

UK house prices continue to rise

The average UK house price increased by £946 to £281,373 in April 2024 (latest figures available) (Figure 4). This remains at around 8 times the average annual gross earnings.*

Figure 6: Average house price by country

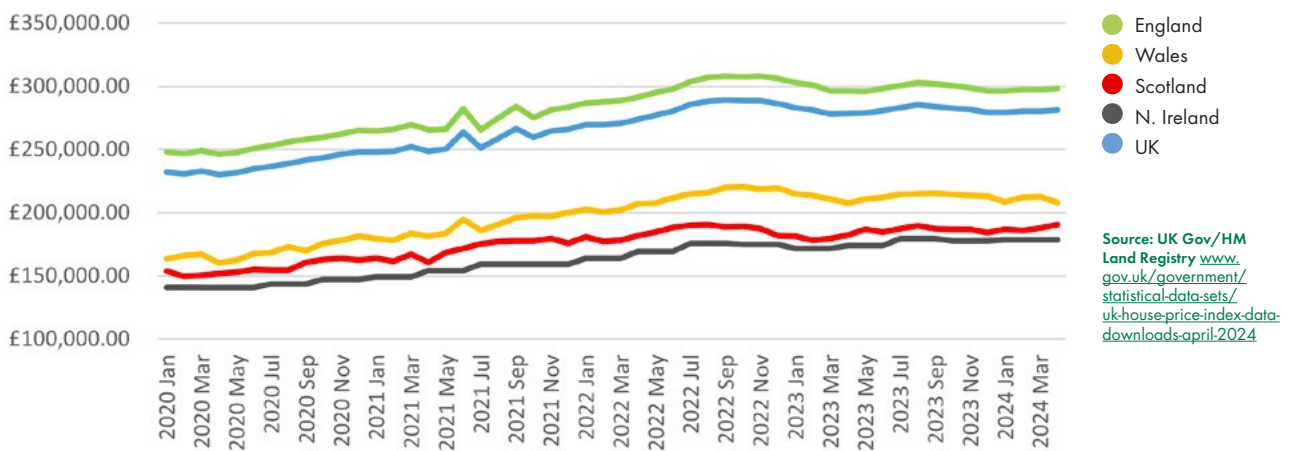


Figure 5: Difference in average house price between April 23 and April 24

Figure 5 highlights the change in the average house price between April 2023 and April 2024 for each constituent part of the UK. Scotland has again seen the largest gain in the period.



Source: UK Gov/HM Land Registry www.gov.uk/government/statistical-data-sets/uk-house-price-index-data-downloads-april-2024

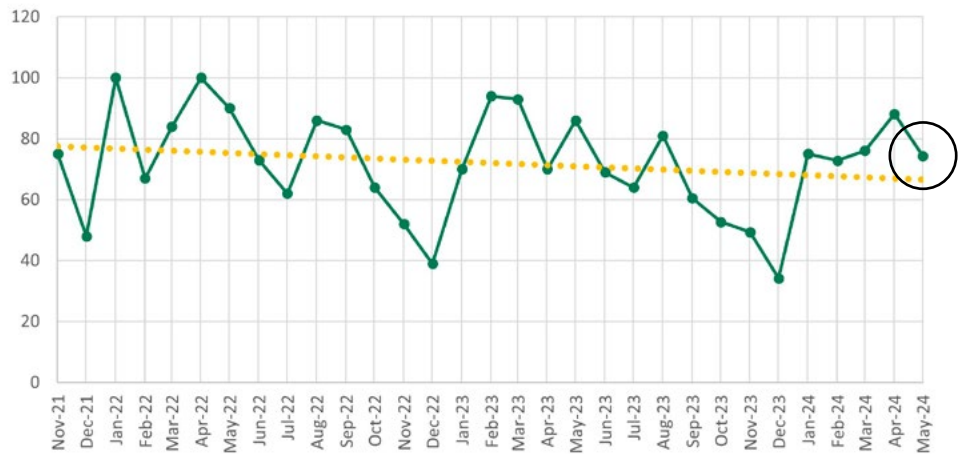
*Calculated using average weekly earnings data available at www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/april2024

Prospective buyer registrations decrease

DEMAND

The average number of new prospective buyers registered per branch decreased from 88 in April 2024 to 74 in May 2024 (Figure 6).

Figure 6: Average number of prospective buyers registered per member branch

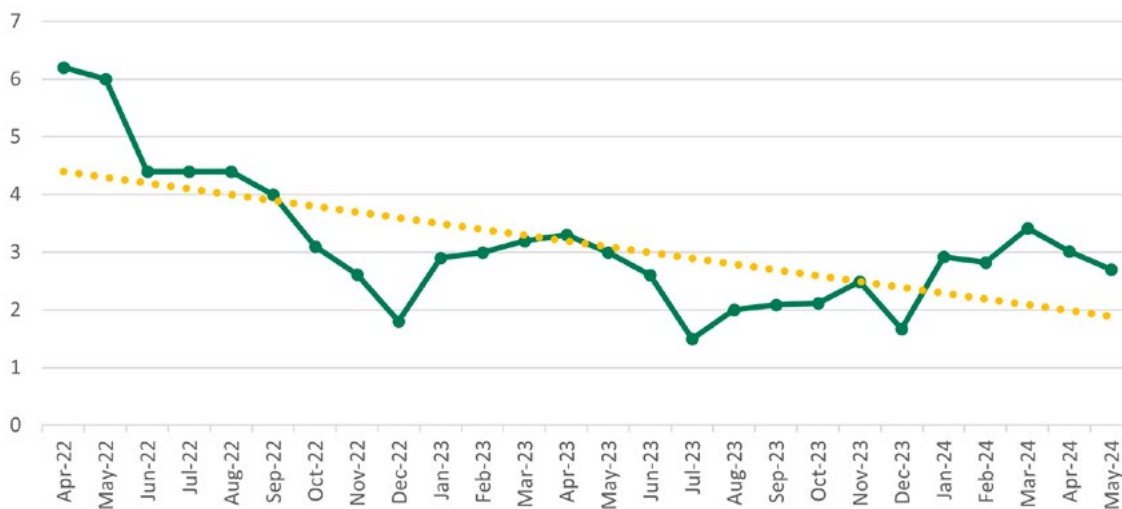


Source: Propertymark

VIEWING NUMBERS DECREASE MARGINALLY

Average viewing numbers reduced marginally in May 2024 in comparison to April 2024 (Figure 7).

Figure 7: Average number of viewings per available property per member branch

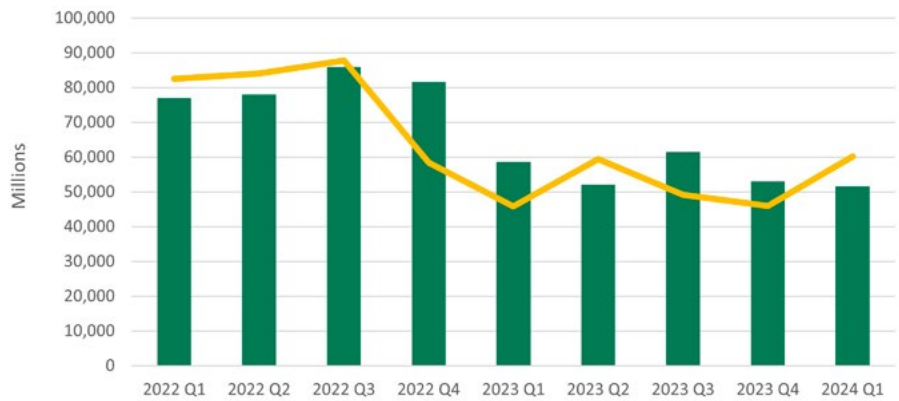


Source: Propertymark

Gross mortgage advances decrease

The Q1 2024 mortgage stats (latest data available) show a decrease in gross mortgage advances but an increase in the value of new mortgage commitments (Figure 8).

Figure 8: Gross mortgage advances and new mortgage commitments



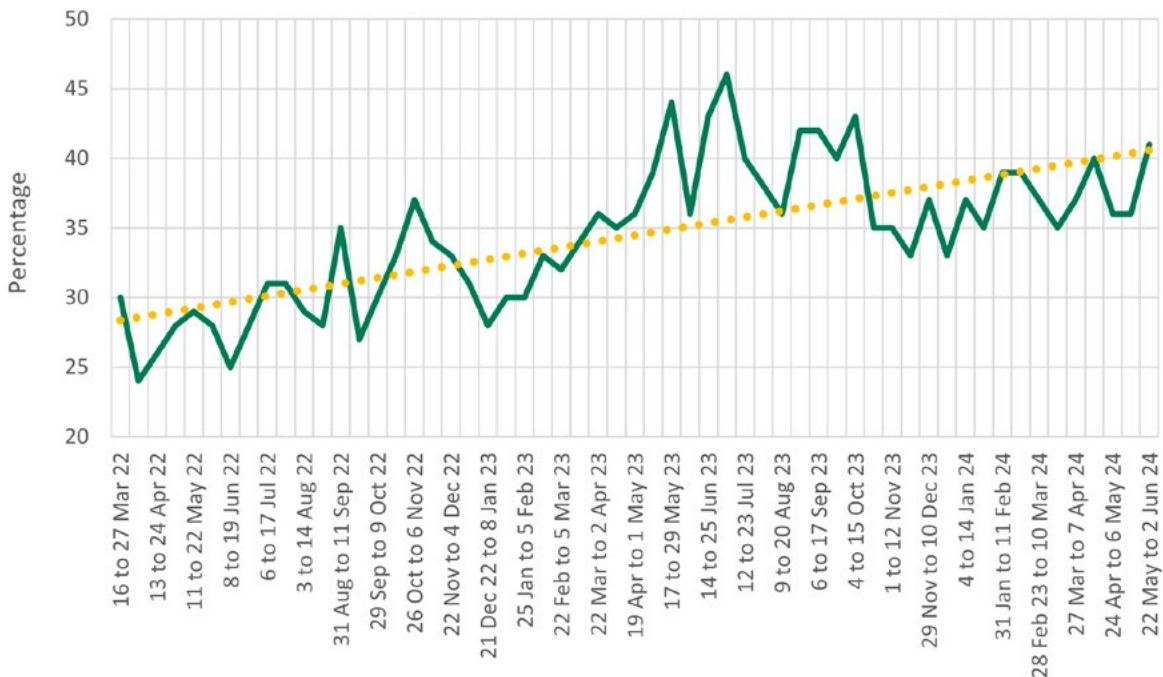
Source: Financial Conduct Authority www.bankofengland.co.uk/statistics/mortgage-lenders-and-administrators/2023/2023-q2

● Gross advances
● New commitments

AFFORDABILITY CHALLENGES TREND UPWARDS

The number of adults finding it 'very or somewhat difficult' to afford their rent or mortgage payments increased in May 2024 (Figure 9).

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



Source: ONS www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/datasets/publicopinionsandsocialtrendsgreatbritainhouseholdfinances

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



● Number of loan accounts
● Amount of arrears

Source: Financial Conduct Authority www.fca.org.uk/data/mortgage-lending-statistics

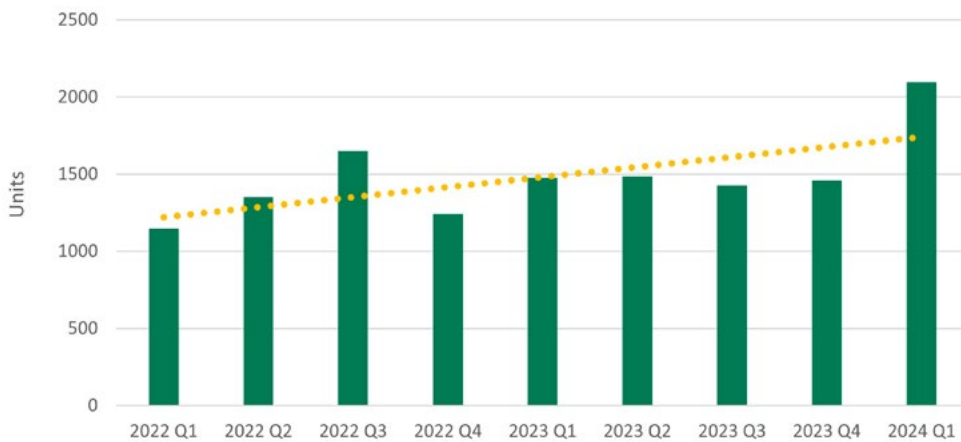
MORTGAGE ARREARS INCREASE

The number of loan accounts in arrears and the amount of arrears continued to increase in Q1 2024 (latest data available) (Figure 10).

NEW POSSESSIONS CASES INCREASE

There was significant growth in new possession cases in Q1 2024 (latest data available) (Figure 11).

Figure 11: New possessions cases by quarter ((Residential loans to individuals (unsecuritised and securitised))



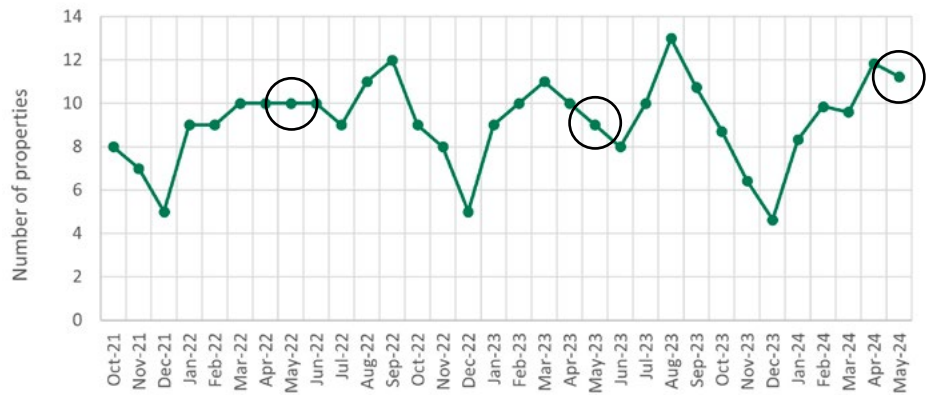
Source: Financial Conduct Authority www.fca.org.uk/data/mortgage-lending-statistics

New supply decreases

SUPPLY

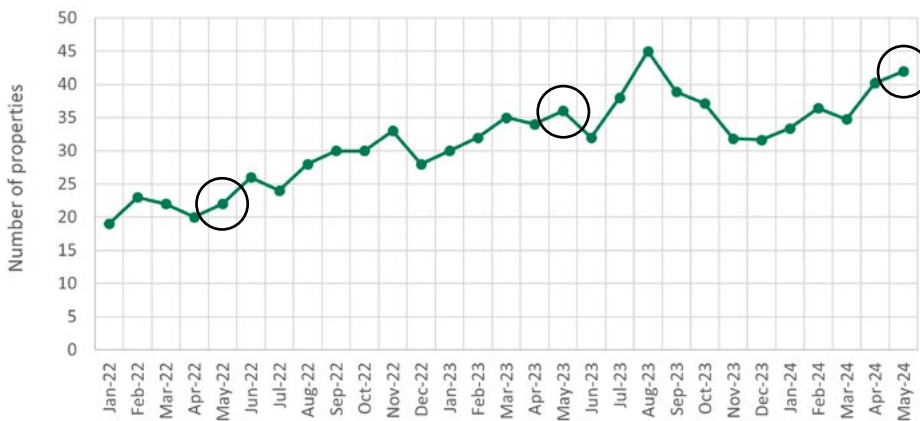
New supply, as measured by new sales instructions, decreased slightly on the previous month. On average, around 11 homes were placed for sale per member branch in May 2024 (Figure 12).

Figure 12: Average number of new sales instructions per member branch



Source: Propertymark

Figure 13: Average number of properties available for sale per branch



Source: Propertymark

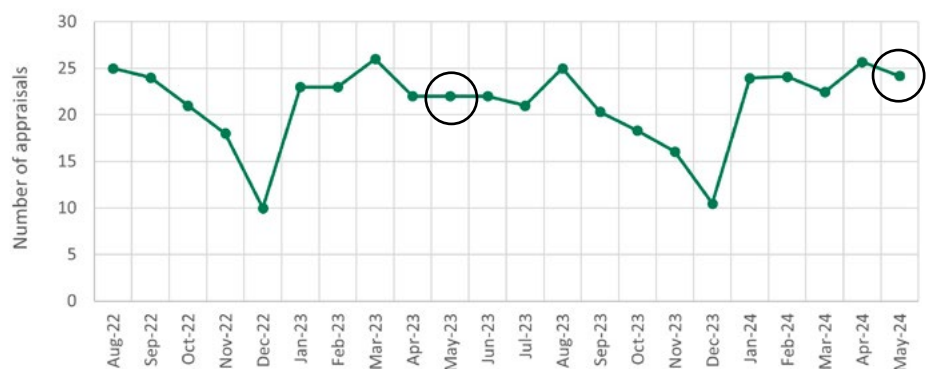
STOCK LEVELS INCREASE

Stock levels reflect the average number of properties that are available for sale at each member branch. In May 2024, stock levels increased over the previous month (Figure 13).

MARKET APPRAISAL VOLUMES DECREASE

Market appraisal volumes provide an indicator of future supply. The number of market appraisals conducted per member branch decreased from 26 in April 2024 to 24 in May 2024 (Figure 14).

Figure 14: The average number of appraisals conducted per member branch

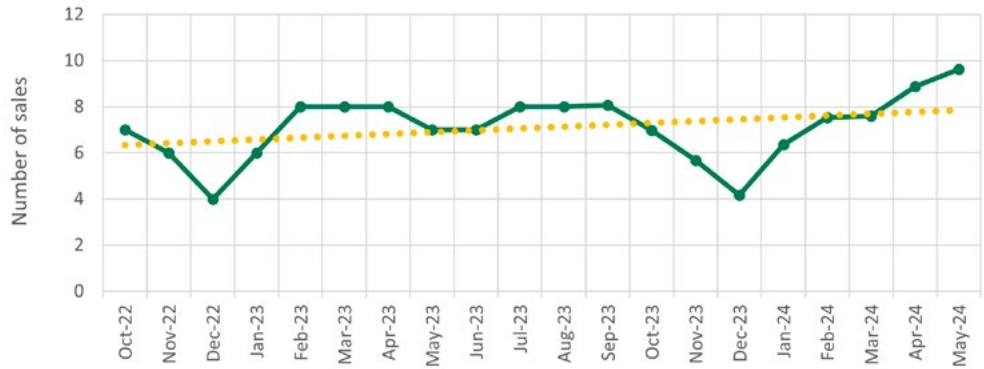


Source: Propertymark

Number of sales agreed increases

The average number of sales agreed per member branch increased in May 2024 (Figure 15).

Figure 15: Average number of sales agreed per member branch



Source: Propertymark

Figure 16: Percentage of agents reporting properties achieving above asking, at or below asking price



ASKING PRICES CONTINUE TO DIVERGE FROM MARKET EXPECTATIONS

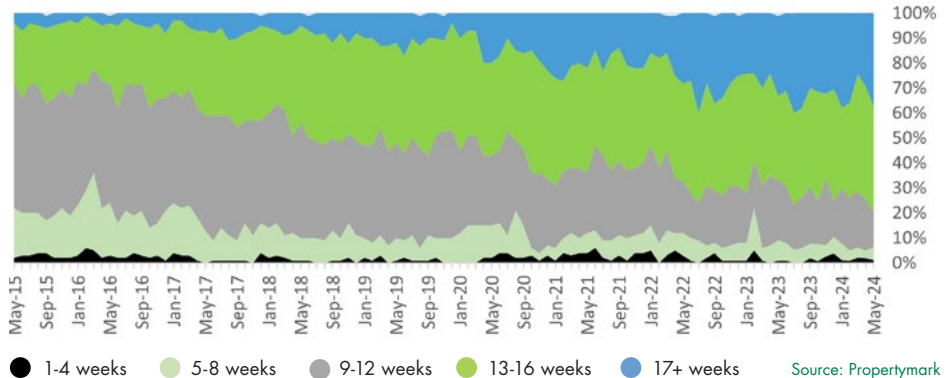
The gap between asking prices and market expectations continues to narrow but remains significant (Figure 16).

● More than asking price ● Asking price ● Less than asking price Source: Propertymark

TIME TO EXCHANGE REMAINS LENGTHY

The time to exchange continues to fluctuate but remains historically high (Figure 17).

Figure 17: Average time from offer acceptance to exchanging contracts



Source: Propertymark

MEMBER COMMENTS:

Each month, a selection of members provides residential sales market insights from across the UK.



“There is a strong demand from cash buyers for holiday homes in West Wittering and Itchenor coastal villages and demand for period properties of homes that have been greatly improved to

meet modern-day standards from local buyers and particularly London buyers looking for a better lifestyle in the south coast near the city of Chichester and Goodwood is a major attraction on the edge of the South Downs.” **Michael Cornish FNAEA**



“Trading in North Kent/London borders, demand is still very high from buyers. Many are changing their minds or changing properties to buy within a week or two of agreeing sales. Good levels of

available listings give buyers a wide choice of options. Vendors who list at the correct market value sell readily.” **James Cobden MNAEA**

EAST OF ENGLAND

“Similar level of sales to last year but from a greater level of stock and sales achieved in a longer period of time. An indication that there are a similar number of buyers but more would-be sellers.”

WEST COUNTRY

“After the mortgage rate rise of April, May was a subdued month for sales, but busy with valuations as sellers looked to make the most of the improved weather. The absence of a base rate cut caused buyers to dip into the undergrowth and watch the market rather than engage with it fully. Subsequently this saw viewings and sales reduce.”



COUNTY DURHAM

“We had strong, impressive sales. Exchanges were good—market appraisals low, and this was the same for other agents in the town according to the market share on Rightmove. The announcement of the general election was made and the uncertainty around it will have put potential vendors off in the middle price brackets. However, we are still getting the lower-end terraced, and landlords selling up, but we can sell straight away to the new investors.”

NORTH WALES

“Homes that are priced correctly and located in the most desirable areas are still finding eager buyers. The key to attracting these buyers? Price, price, price! Overall, it’s a case of “steady as she goes” as we navigate the lead-up to the election. The hope is that this positive trend will continue and even improve as we enjoy the summer months.”

HOME COUNTIES

“Market conditions have stabilised and the election, and hope of an interest cut, have led to most people saying that they want to wait and see what happens before they make a decision on moving. We are hopeful that the last quarter of 2024 will be a busy one!”

TUNBRIDGE WELLS, KENT

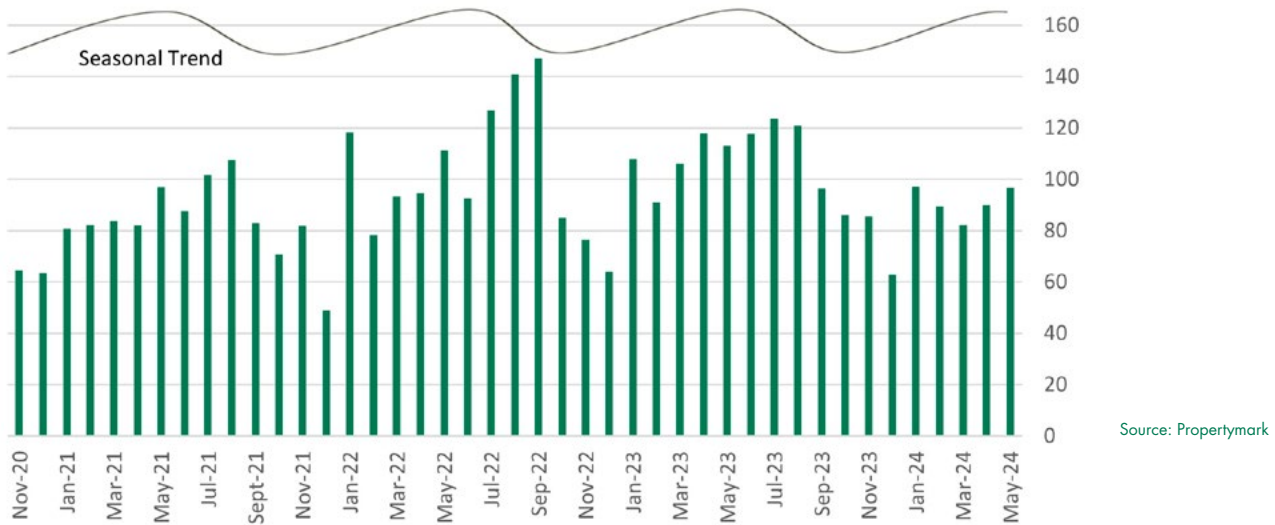
“The current market is very much a NEED to move market rather than a WANT to move market. We are experiencing sales at the lower end of the market—up to £650,000, particularly with the Government scheme for FTBs. The Government needs to give FTB incentives otherwise their savings will remain in the bank. Our country relies on the housing market. We need to ensure all incentives are openly marketed to gain public awareness and encourage the younger generation to gain a lifetime investment. Since the war, houses prices have risen between 7–8% year on year, in all the highs and lows we have experienced. Therefore, what better investment for our younger generation.”

Tenant demand increases

The average number of new prospective tenants registered per member branch is an indicator of market demand. Registrations increased from 90 in

April 2024 to 97 in May 2024 (Figure 18) continuing established seasonal trends and suggesting that demand is increasing.

Figure 18: Average number of new applicants registered per member branch



Source: Propertymark

Stock levels increase

Stock levels reflect the average number of properties which are available for rent at each member branch. In May 2024 stock levels increased but remained within long-run parameters (Figure 19).

Figure 19: Average number of properties available to rent per member branch



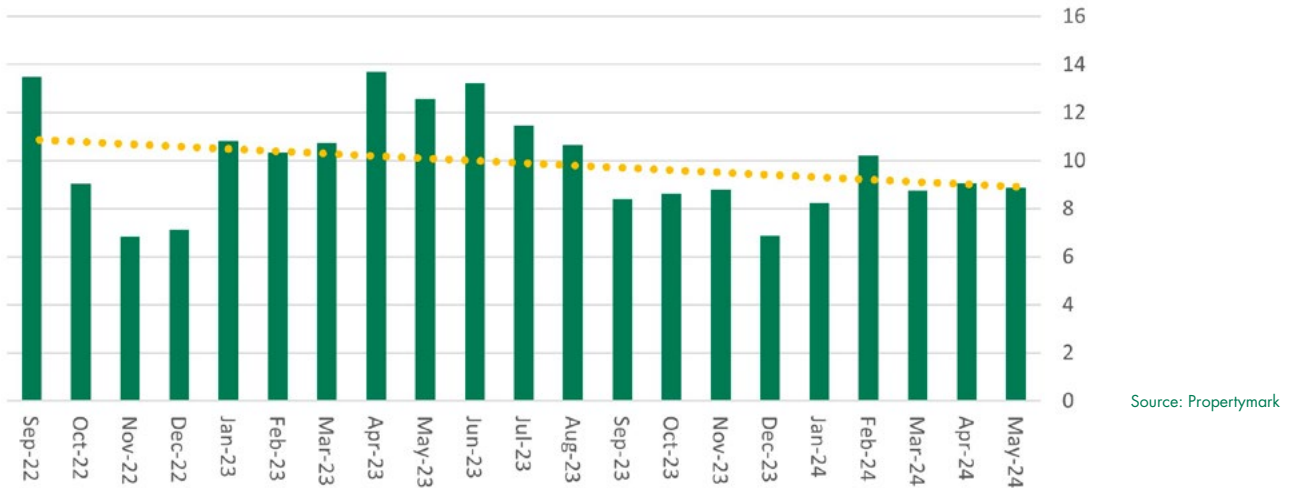
Source: Propertymark

DEMAND CONTINUES TO OUTPACE SUPPLY

It is possible to contrast supply and demand indicators to obtain an overall sense of what is happening in the market. Overall, demand continues to outstrip supply, with around 9 new applicants registered for each available property in May 2024 (Figure 20).

SUPPLY AND DEMAND

Figure 20: Average number of new prospective tenants registering per the number of properties available



The number of tenancies agreed increases

PERFORMANCE

The average number of new tenancies agreed increased in May 2024 (Figure 21).

Figure 21: Average number of new tenancies agreed in the month per member branch

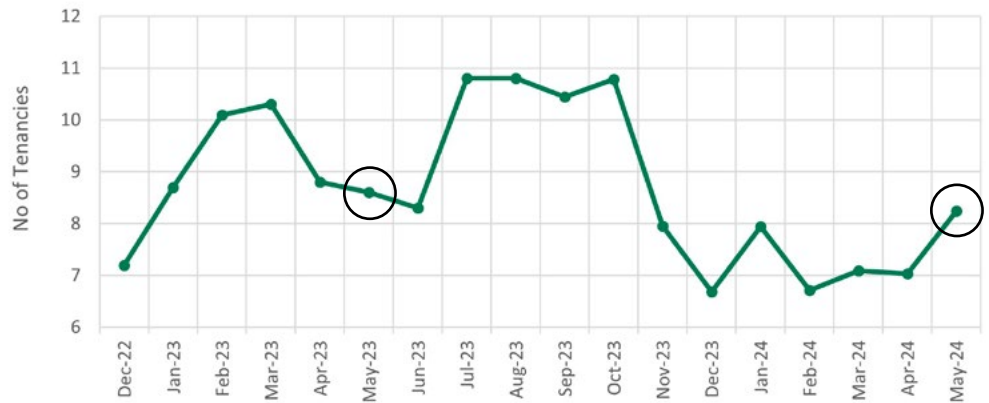


Figure 22: Percentage of members who reported that rents have risen, fallen or stayed the same



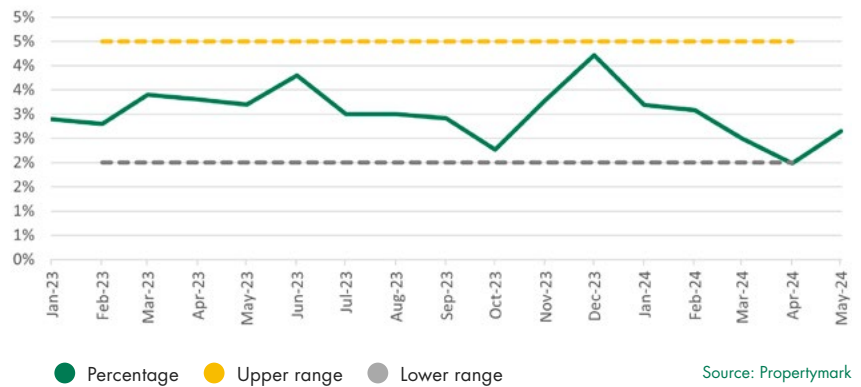
RENTAL PRICES CONTINUE TO FLUCTUATE

Rents continue to fluctuate by market and region. In the main, members reported seeing rents remain static (47%) or increase (34%) in May 2024 (Figure 22). However, there was an increase in the number of members reporting a rent fall (18% in May 2024 versus 12% in April 2024).

RENTAL ARREARS INCREASE

The level of rental arrears is an indicator of the state of consumer finances. Rental arrears increased slightly in May 2024 with members reporting that just under 3% of fully managed and rent collect/rent management properties were in arrears (Figure 23).

Figure 23: Average number of properties in rental arrears per member branch

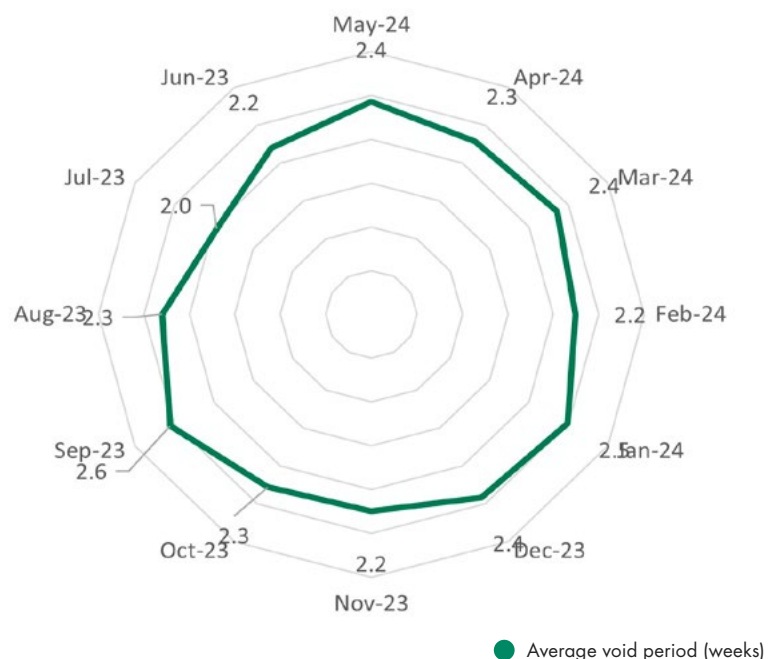


LITTLE CHANGE IN VOID PERIODS

The length of void periods is a good indicator of how dynamic the market is. The average void period increased moderately in May 2024 but remain within long-run parameters (Figure 24).

Source: Propertymark

Figure 24: Average void period between tenancies in weeks



MEMBER COMMENTS:

Each month, a selection of members provide residential letting market insights from across the UK.



"We are not receiving any enquiries from people on Housing Benefits, probably because the prices are too high. Although demand for renting is high, we are experiencing a high failure

rate i.e. prospective tenants failing their referencing (CCJs, IVAs etc not being declared). This extends the time to occupy, upsets landlords and increases our workload." **Nick Spayne MARLA**



"Super-prime stock levels in Prime Central London are starting to improve, directly as a consequence of the faltering sales market.

Against this backdrop, demand has increased seasonally, but remains subdued in a historical context, and is focused primarily on modern purpose-built apartments in full-service buildings and family houses at around £5,000pw. This is creating a two-tier market of primary "turnkey stock" and a secondary, discounted tier comprising everything else." **Mark Tunstall FARLA**

YORKSHIRE

"Rents are still rising in this area, although not as dramatically as in previous months. There seems to be resistance to asking rents, particularly at the top-end of the markets, although due to shortages, one and two bedroomed properties (especially flats) are starting to rise beyond what the market is capable of bearing. The sooner the Government starts to take an active interest in providing starter and family homes, rather than talking about it, the better."

SOUTH WEST

"Despite the current political climate with the pending general election, rents have remained stable. Encouragingly, more properties are becoming available in the rental market. Although arrears have seen a slight increase as tenants face financial pressures, we remain proactive by engaging with tenants early. This approach helps to prevent evictions, ultimately benefiting landlords by maintaining steady rental income and minimising turnover"



EDINBURGH, SCOTLAND

"With the end of May/Student academic term, we had a lot of changeovers in the student properties."

NORTH WEST

"The Rental Market continues to be very positive and buoyant with Rents for new Lettings rising continually. Where will it end? With a Labour Government? We used to refer to Margaret Thatcher as Saint Margaret. She created a Free Market for Rents abolishing the Rent Officer Service and created clear Rules and reasons for possession. I wonder what Title Ms Angela Raynor will be awarded."

EAST OF ENGLAND

"Rising demand and falling supply for flats and family size houses continues to drive up rents. Anxious landlords are leaving or preparing to leave the sector. Uncertainty about the housing market, CGT and the Renters Reform Act haven't helped agents fill landlord's inboxes with confidence. This last quarter has seen a rise in the number of our tenancies being affected by serious negative equity and mortgage repossessions. Sadly, I anticipate this number is going to grow unless there is support for landlords affected by the spiralling cost of service charges, statutory compliance and tax."

EAST LONDON

"The market appears generally healthy. Rents in London have plateaued, and tenants are becoming more price sensitive. As such, pricing a property correctly and presenting well is important again. Enquiries have also reduced dramatically, so hitting the phones and chasing people up is back on the cards. However, the market looks generally very stable."

MEMBER COMMENTS:

RESIDENTIAL SALES AND LETTINGS COMBINED

The comments below provide combined sales/lettings insights and opinions from across the UK.

EAST OF ENGLAND

"With the lack of stock in the private rental sector and the calling of the General Election driving Landlords to quit what they believe to be an uncertain market, Landlords that stay continue to benefit with continued increased rents. The new Government has to stop this attack on Private Landlords and look at ways to incentivise them to stay within the market and also attract new Landlords into the sector. With Sales prices for smaller housing in the East of England beginning to settle I can see these smaller units increase in value over the next 6 months as long as the Interest rates begin to fall. Is the market turning and in fact is it a good time to invest with good yields and lower prices? I believe it could be."

EAST MIDLANDS

"It looks like labour will get into power and they do not like private landlords. I think they will try and tax out the private landlords from the market making rents rise due to supply and demand. In the East Midlands, we have already seen a reduction in landlords due to mortgage rates and tax. We need to support the private sector, not attack it. The problem is the Conservatives also attacked our industry by making landlords pay for applications and credit checks. So, none of the main parties seem interested in private landlords. On the flip side, we will be positioned to sell off tenanted properties to maybe first-time buyers. But where would the tenants go?"

NORTH WEST

Rents continue to rise although the rate of inflation is slowing but we expect this to increase again during Aug/Sep. Tenants started to try and negotiate sensing the slightly more favourable environment for them. Sales are strong although the sale of leasehold flats is still a nightmare. We are still finding lenders reluctant to lend even when the BSA/Fire Safety issues have been sorted etc."

KENT

Viewing numbers for sales increased during May, we believe in anticipation of a cut in interest rates. However, when the general election was announced, viewings dropped off a cliff. Whilst this week we have seen a resurgence of viewing numbers, the market is hesitant and we look forward to the election so that the market can move on. No change in lettings, there remains a massive shortage of property due to landlords selling and tenants remaining long-term. Seeing 18-25 enquiries per property, but most are supported by the council. Only 10% are working professionals interestingly.

ABOUT THIS REPORT

This report is based on responses to a monthly survey of Propertymark member agents. The analysis is generally based upon data provided by around 100 sales and 100 letting agents across the UK. The report also contains a variety of third-party data including data from the Bank of England, the Office for National Statistics and HM Land Registry. Where relevant the data is licensed under the Open Government Licence v3.0 and is referenced at the point of use. Each of these sources has its strengths, limitations and caveats and we would recommend visiting the sources directly to evaluate these further. Where the data includes estimates that are subsequently updated, we reflect these updates in subsequent reports. Rounding errors are due to computation methods.





ABOUT PROPERTYMARK



Propertymark is the leading professional body for estate and letting agents, commercial agents, auctioneers, valuers, and inventory providers comprising over 17,800 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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