

Residential Update and Outlook

November 2024

Market Overview

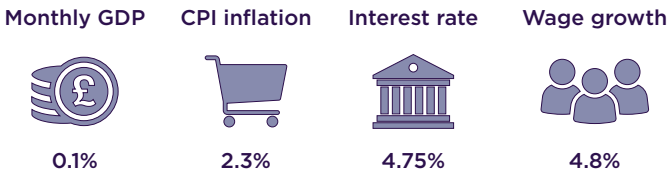
As widely expected, the Monetary Policy Committee (MPC) cut interest rates by an additional 25 basis points at its recent meeting, bringing the Bank Rate down to 4.75%. This is the lowest rate since May 2023. However, a decrease in the base rate doesn't always translate to lower fixed-rate mortgage rates. Recent events, such as the Autumn Budget and the US election results, have also increased costs for lenders, who have subsequently passed these costs onto consumers. As a result, mortgage rates have again risen over the past three weeks. What's more, further cuts to the base rate this year and in early 2025 seem less likely as the MPC will probably want to wait a few months to assess the potential economic impact of the budget. This slower downward path of rates may also be already priced into mortgage rates and any further falls in mortgage rates are also now likely to be at a slower rate than previously thought.

The residential sales market however continued to gain some momentum. Mortgage approvals rose to their highest level since August 2022, exceeding 65,000 in September. While house price growth moderated slightly in October according to both Halifax and Nationwide, both banks still reported respectable growth rates of 3.9% and 2.4%, respectively. The latest RICS market survey reinforces this trend, with nearly all headline measures remaining in positive territory.

Key Points

- September's GDP figure showed a small monthly decline of -0.1%, down from 0.2% in August and leading to quarterly growth of 0.1% for Q3.
- The CPI inflation rate rose more than expected, increasing to 2.3% in the 12 months to October. Ofgem's rise of the energy price cap is likely the largest contributing factor with electricity and gas placing the highest upward pressure this month.
- Interest rates were cut 25 basis points to 4.75% on 7 November. There is still one more meeting of the MPC before the year end.
- Retail sales volumes saw a sharp fall in October, declining -0.7% over September. Consumers seem to have been very worried about the upcoming budget which likely affected overall spending.
- The timelier GfK Consumer Confidence figure for November however shows an improving confidence picture with the overall measure rising three points to -18. All five sub-measures increased during the month.
- Latest labour market estimates report the employment rate declined to 74.8% while the unemployment rate increased to 4.3% in the three months to September. For the 28th consecutive quarter, the total number of job vacancies declined, down 35,000 in the three months to October.
- Annual average wage growth remains modestly elevated at 4.8% according to the latest labour force survey, down only slightly from 4.9% in the previous reading.
- All three Purchasing Managers Indices (PMIs) fell on the month, with the Manufacturing PMI just moving into contraction at 49.9. The UK budget announcement at the end of October likely dampened client and business attitudes during the month.
- Nationwide and Halifax continued to report annual house price growth in October. Albeit at 2.4% and 3.9% respectively, these were both down from their September growth figures.
- Mortgage approvals reached their highest monthly rate since May 2022 after they rose to 65,647 approvals in September. This figure is now at the pre-pandemic monthly average.
- RICS survey respondents again reported overall positivity in the residential sales market with new buyer enquiries, agreed sales and new instructions all remaining in positive territory for at least the last three months.
- Rental growth remained stubbornly high again in October with the average UK rate increasing to 8.7%, up from 8.4% the month before.

Economic backdrop



Sources: Bank of England, ONS (wage growth regular pay, excl bonuses)

The Macroeconomy

- GDP grew by just 0.1% during the third quarter, down from 0.5% in Q2 and less than forecast expectations of 0.2% growth. The services sector grew by 0.1% during the quarter, while construction grew by a robust 0.8%. Production however declined by 0.2%, driven by a 2.7% fall in electricity, gas and a/c supply. On a monthly basis, GDP declined by 0.1% in September, down from a 0.2% rise in August.
- Annual inflation posted a surprise uptick in October, increasing 2.3% in the last 12 months, up from 1.7% in September and above the 2.2% consensus expectation. The largest upward contribution came from housing and household services, mainly because of rising electricity and gas prices, reflecting the rise in the energy price cap in October. The largest downward contribution came from recreation and culture.
- As was widely expected interest rates were cut by 25 basis points in the November meeting of the Monetary Policy Committee (MPC) to bring Bank Rate to 4.75%. This is now the lowest rates have been over the last 18 months.

Labour and employment

- The latest Labour Force Survey estimates show the UK employment rate declined slightly to 74.8%, down from 75.0% in the previous month's data. The unemployment rate consequently rose, moving from 4.0% in August's reading to 4.3% in the latest three months to September.
- Latest estimates from the survey found that the number of payrolled employees for October fell by around 5,000 over September. This figure is provisional and should be treated with caution as it is likely to be revised. On an annual basis the total number of employees is up by around 95,000 compared with October 2023.
- The total number of job vacancies continues to decline, down around 35,000 in the three months to October. Total vacancies are now reported to be around 831,000. Vacancies were found to have declined in 16 of the 18 industry sectors.

- Annual growth in average regular earnings (excluding bonuses) was 4.8% in the three months to September (latest). This was down from 4.9% reported the month before and the slowest rate of wage growth since June 2022. Once again this month the manufacturing sector posted the highest rate of average wage growth, at 6.0% annually.

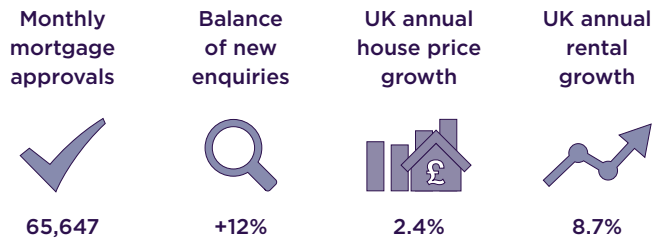
Market indicators

- October's Manufacturing PMI took a surprise fall into contraction as it moved from 51.5 in September to a reading now of 49.9. This marks the first figure below '50' since April with new orders falling amid a 'wait and see' attitude from clients ahead of the UK budget. Employment rose though for the third time in the last four months although the pace of growth eased. Input costs slowed to their lowest rate in ten months.
- UK Services PMI remained in expansion during October with a reading of 52.0, although this is down slightly from 52.4 in September. Once again, some businesses cited nervousness around the upcoming budget as a factor in delaying spending by clients during the month. New work growth fell to its slowest pace since June and total employment fell for the first time so far this year. Nevertheless, export sales grew at their fastest pace in 18 months.
- Finally, the construction sector PMI also fell in October, down to 54.3 from 57.3 the month before. Nevertheless, it has still been well within expansion territory now for the eight month in a row. New orders continued to rise and despite a slight fall in business confidence companies report they are still hiring with job growth rising to a 3-month high.

Consumer demand and sentiment

- Retail sales fell -0.7% in October, down from the downwardly revised 0.1% the month before and far below the 0.3% expected by the markets. This is also the largest decline in four months. Low consumer confidence and uncertainty surrounding the budget appears to have impacted sales volumes.
- However, the more timely GfK Consumer Confidence indicator for November shows a slight improvement, increasing three points to -18, possibly due to the nerve-inducing events of the budget and the US election having passed. All five sub-measures rose during the month, with the most significant increase coming from the major purchase index, which climbed five points to -16. It is still too early though to say whether the measure will continue to improve, particularly with inflation this month having risen again.

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Total mortgage approvals rose by 1% in September, according to the Bank of England's latest records. At just over 65,500 for the month this is almost 50% more than the same month last year. This also means that mortgage approvals are now nearly at pre-pandemic levels when the five-year average was just over 66,500 per month.
- Total transaction volumes meanwhile remained relatively stable in September, reaching 91,820 for the month, reflecting a small rise of around 1% over August's figure. Monthly transactions have now hovered around the 90,000 mark for each of the last six months, 8% higher than the same period one year ago.
- Although interest rates have now been cut by 25 basis points to 4.75%, the Autumn Budget and the US election have placed upward pressure on mortgage rates. This means the average mortgage rate is now around 5.09% (85% LTV, two-year fixed), up from 4.92% four weeks ago although still below May's peak of 5.46% (Rightmove / Podium).

Supply and demand

- November was another month of modest upward growth in buyer demand, according to the latest RICS Residential Market Survey. With a reading of +12% this marks the fourth month in a row where this metric has returned a positive figure, the longest positive run since 2022. The same was found of new instructions which also remained positive for the fourth consecutive month at +14%. Finally, the agreed sales measure also remained positive albeit only very moderately at +5%. Nevertheless this is also now the third month with a positive reading on this measure, the longest run of positivity of agreed sales since 2021.
- The total number of agreed sales over the latest four weeks is up 26% compared with the same period in 2023, according to Rightmove's latest House Price Index. They go on to note that the number of new

sellers is also up over last year, by 6%, while demand from buyers has increased by 18%-23% over the last four weeks.

UK prices and price growth

- Nationwide reports annual house price growth of 2.4% in October, down slightly from 3.2% in September although this still reflects a monthly rise of 0.1%. The average UK property price is now £265,738, 3% below the peak of the market in August 2022.
- Year on year house price growth reached 3.9% according to Halifax's October index report, down slightly from 4.6% in September. On a monthly basis prices rose by 0.2% to reach a UK average of £293,999. This is now the highest ever average house price for a typical property, just above the previous peak of £293,507 in June 2022.
- Rightmove reports that average new seller asking prices are up 1.2% over the last 12 months. On a monthly basis though they are down by -1.4%, a larger decline than the usual drop of -0.8% for this time of year, which they suggest may be down to nervousness both before and after the Autumn Budget.
- House prices rose by an average of 2.9% annually across the UK, according to the September Official House Price Index from the ONS. This is up only very slightly from August's (revised) growth of 2.7% and brings the average house price now to £291,828. This month semi-detached properties saw the strongest annual growth at 3.7%, followed by terraced at 3.1%, detached properties at 2.9% and flats at 1.5%.
- RICS market survey respondents returned a positive figure of +16% in the house price metric suggesting prices are increasing again. This is up from +11% last month and a zero reading in September, suggesting that price growth is gaining momentum. Of the 12 regions and countries in the UK five reported firmly positive net price balances: Northern Ireland, Scotland, the North East, North West and London. Looking ahead, there was an increase in the proportion of participants who feel prices will continue to rise over the near-term, rising to +20% from +12% previously.

Regional prices and price growth

- This month it was the regions and countries of the UK located in the north that saw the strongest rates of annual growth, according to the ONS house price index. The North East (6.5%), Northern Ireland (6.1%), Scotland (5.7%) and the North East (4.8%) all came top of the price growth table. London was the only region where prices were found to have fallen, down by an average of -0.5%.



- Across London's boroughs, two inner boroughs came top of the house price growth table with Greenwich posting 5.4% average annual growth followed by Tower Hamlets at 5.1%. Despite this, on average it was the Outer London boroughs that saw an average increase of 2.0% compared with a fall of -1.8% across the Inner London boroughs.
- Carter Jonas tracked locations showed a wide range of annual price growth this month. Cambridge (5.7%), West Oxfordshire (5.5%), and Winchester (4.9%) led the table, while all areas monitored in the south west experienced declines: Cornwall (-1.7%), Dorset (-0.6%), Bath (-0.5%), Devon (-0.4%), and Somerset (-0.1%). It's important to remember that these locations experienced extraordinary growth during and after the pandemic, making these modest price corrections unsurprising.

Residential lettings

Supply and Demand

- The RICS Residential Market survey for October reports that tenant demand increased again this month with a net balance of +19% of respondents reporting an increase. Conversely, the landlord instructions metric continues to fall, with a reading of -29% suggesting a further widening of the supply / demand imbalance in the sector.

Rents and rental growth

- Annual rental growth posted a surprise uptick in October, with average rents increasing by 8.7%, up from 8.4% in September, according to the ONS Price Index of Private Rents. Of the UK regions and countries, growth was again highest in London where a 10.4% increase was recorded, up from 9.7% in September. This was followed by the North West (9.7%) and the East Midlands (9.1%). Yorkshire and the Humber again saw the 'slowest' rate of annual rental growth at 5.8%, followed by locations in the South West where a 6.2% rise was reported.
- In the latest RICS survey, a strong +33% of respondents expect rents to continue to rise over the next three months, as the gap between supply and demand continues.

HM Treasury Forecasts for the UK Economy, November 2024

Sources: HM Treasury Consensus Forecasts (November 2024)

	2024	2025	2026	2027	2028
Official Bank Rate (%)	4.77	3.79	3.56	3.37	3.29
House price inflation (annual, %)	2.5	2.2	2.2	3.4	3.6
CPI inflation rate (annual average, %)	2.4	2.3	2.1	2.2	2.2
Unemployment rate (%)	4.3	4.5	4.3	4.5	4.5
GDP (annual, %)	0.9	1.3	1.4	1.4	1.4
Average earnings growth (annual, %)	4.7	3.4	3.5	3.4	3.4

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 22 November)

	Current	Previous	Direction of change
GDP monthly	0.1%	0.5%	↓
Inflation rate (CPI)	2.3%	1.7%	↑
Interest rate	4.75%	5.0%	↓
Employment rate	74.8%	75.0%	↓
Unemployment rate	4.3%	4.0%	↑
Weekly earnings growth, regular pay (excl bonuses)	4.8%	4.9%	↓
S&P Global UK Manufacturing PMI	49.9	51.5	↓
S&P Global UK Services PMI	52.0	52.4	↓
S&P Global UK Construction PMI	54.3	57.2	↓
Retail sales volume (monthly % change)	-0.7%	0.1%	↓
GfK Consumer Confidence Index	-18	-21	↑
Bank of England mortgage approvals (monthly)	65,647	64,958	↑
Nationwide house price inflation (annual)	2.4%	3.2%	↓
Halifax house price inflation (annual)	3.9%	4.6%	↓
Official UK House Price inflation (annual)	2.9%	2.7%	↑
Rightmove House Price Index (UK, annual, asking)	1.2%	1.0%	↑
Price Index of Private Rents (UK, annual)	8.7%	8.4%	↑
£ Sterling: \$ USD	\$1.25	\$1.30	↓
£ Sterling: € Euro	€1.20	€1.20	↔
Brent Crude Oil (USD)	\$73.94	\$74.32	↓
Gold (USD)	\$2,706.40	\$2,719.64	↓
FTSE 100	8,209.59	8,263.12	↓
UK 5 Year Gilt Yield	4,2720	4.1230	↑

Official House Price data, HM Land Registry, September 2024

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Cambridge	£496,824	1.0%	5.7%
West Oxfordshire	£394,603	1.6%	5.5%
Winchester	£486,083	-1.6%	4.9%
South Cambridgeshire	£444,308	0.2%	3.9%
York	£327,059	0.3%	3.5%
Oxford	£494,162	1.9%	3.5%
Leeds	£246,811	0.1%	3.4%
Vale of White Horse	£419,378	2.3%	2.8%
North Yorkshire	£277,516	-0.1%	2.5%
South Oxfordshire	£499,648	-1.0%	1.8%
Wiltshire	£332,357	0.2%	1.6%
Cambridgeshire	£347,631	0.5%	1.5%
Suffolk	£293,322	1.0%	1.0%
West Berkshire	£402,846	-1.3%	0.0%
Somerset	£290,953	-0.6%	-0.1%
Devon	£324,298	1.0%	-0.4%
Bath and North East Somerset	£433,548	-0.6%	-0.5%
Dorset	£349,558	-0.8%	-0.6%
Cornwall	£300,658	0.8%	-1.7%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North East	£170,644	2.4%	6.5%
Northern Ireland	£190,553	0.0%	6.2%
Scotland	£198,046	-0.9%	5.7%
North West	£225,977	0.4%	4.8%
Yorkshire and The Humber	£215,442	-1.7%	4.4%
East Midlands	£249,947	-0.3%	3.1%
West Midlands region	£257,129	0.7%	3.0%
United Kingdom	£291,828	-0.3%	2.9%
England	£308,782	-0.1%	2.5%
South East	£383,104	-0.4%	1.8%
East of England	£342,470	-0.3%	1.2%
South West	£319,015	0.1%	1.0%
Wales	£216,750	-2.2%	0.4%
London	£525,586	-0.8%	-0.5%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£525,586	-0.8%	-0.5%
Prime Central London	£1,076,575	-0.6%	-7.8%
South West London	£704,041	-2.0%	-3.8%

Official House Price data, HM Land Registry, September 2024

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Greenwich	£462,796	0.3%	5.4%
Tower Hamlets	£481,699	1.1%	5.1%
Ealing	£557,880	0.7%	5.0%
Harrow	£538,472	1.9%	4.9%
Waltham Forest	£507,244	2.9%	3.7%
Lewisham	£467,210	1.1%	3.6%
Brent	£547,370	0.1%	3.2%
Havering	£427,302	-0.3%	2.9%
Newham	£422,775	0.4%	2.9%
Bromley	£510,987	0.4%	2.6%
Hillingdon	£459,796	-0.3%	2.6%
Kingston upon Thames	£557,329	1.2%	2.5%
Bexley	£407,059	0.2%	2.4%
Redbridge	£498,172	1.0%	1.9%
Merton	£579,468	-0.7%	1.8%
Sutton	£439,266	2.4%	1.6%
Barnet	£596,165	-0.6%	1.6%
Enfield	£452,511	1.0%	1.3%
Haringey	£591,151	0.9%	1.0%
Barking and Dagenham	£337,875	-0.2%	0.7%
Hackney	£595,271	2.4%	0.4%
London	£525,586	-0.8%	-0.5%
Croydon	£403,667	0.0%	-0.7%
Lambeth	£550,585	2.2%	-0.9%
Richmond upon Thames	£747,905	1.1%	-1.4%
Wandsworth	£615,135	-2.6%	-1.4%
Hounslow	£460,739	1.0%	-1.8%
Camden	£815,169	-3.1%	-2.9%
Southwark	£494,757	0.2%	-3.3%
City of Westminster	£969,914	-2.4%	-3.7%
Islington	£669,212	-3.3%	-4.9%
Hammersmith and Fulham	£749,082	-4.4%	-8.7%
Kensington And Chelsea	£1,183,235	0.9%	-12.0%
Outer London	£490,817	0.6%	2.0%
Inner London	£598,823	-0.6%	-1.8%

Official Price Index of Private Rents, ONS, October 2024

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
South Oxfordshire	£1,329	1.1%	9.5%
York	£1,104	-0.3%	9.3%
Winchester	£1,399	0.5%	9.1%
Cambridge	£1,715	0.8%	8.7%
South Cambridgeshire	£1,308	0.8%	8.0%
Bath and North East Somerset	£1,624	0.6%	7.8%
Oxford	£1,751	1.5%	7.7%
West Berkshire	£1,229	0.4%	7.2%
North Yorkshire	£798	0.6%	6.4%
Wiltshire	£968	0.4%	6.3%
Vale of White Horse	£1,261	0.8%	6.1%
West Oxfordshire	£1,262	0.5%	6.0%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,172	1.3%	10.4%
North West	£870	1.0%	9.7%
East Midlands	£848	1.0%	9.1%
England	£1,348	0.9%	8.8%
West Midlands	£901	0.6%	8.7%
South East	£1,336	0.8%	8.3%
East of England	£1,186	0.8%	8.0%
Wales	£766	0.8%	7.9%
North East	£694	0.9%	7.8%
Scotland	£976	0.3%	6.6%
South West	£1,145	0.5%	6.2%
Yorkshire and The Humber	£801	0.4%	5.8%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,172	1.3%	10.4%
Prime Central London	£3,297	0.8%	9.3%
South West London	£2,362	0.8%	9.6%

Official Price Index of Private Rents, ONS, October 2024

Source: Office for National Statistics

Notes: Average rent is across all bedrooms and property types, per calendar month (pcm)

London Borough	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
Brent	£2,118	0.0%	30.1%
Sutton	£1,482	0.5%	14.7%
Ealing	£1,942	1.8%	13.0%
Hounslow	£1,828	2.7%	12.4%
Hackney	£2,412	1.1%	12.3%
Islington	£2,599	0.9%	12.3%
Greenwich	£1,828	0.3%	11.5%
Havering	£1,432	0.7%	11.0%
Redbridge	£1,591	1.3%	10.8%
Harrow	£1,657	1.0%	10.8%
Haringey	£2,060	1.3%	10.7%
Croydon	£1,464	0.7%	10.6%
Richmond upon Thames	£2,069	0.9%	10.5%
London	£2,172	1.3%	10.4%
Hillingdon	£1,467	1.0%	10.1%
Barking and Dagenham	£1,490	0.9%	10.0%
Kensington And Chelsea	£3,462	0.8%	9.8%
Hammersmith and Fulham	£2,625	0.8%	9.8%
Enfield	£1,631	0.9%	9.8%
Tower Hamlets	£2,294	1.0%	9.4%
Waltham Forest	£1,656	1.1%	9.3%
Southwark	£2,298	1.1%	8.7%
Bexley	£1,377	1.6%	8.7%
Lewisham	£1,703	0.8%	8.7%
Westminster	£3,131	0.8%	8.7%
Wandsworth	£2,392	0.6%	8.5%
Merton	£1,967	0.4%	8.4%
Bromley	£1,575	0.6%	8.1%
Lambeth	£2,235	0.3%	7.5%
Kingston upon Thames	£1,697	0.7%	7.3%
Barnet	£1,785	0.7%	5.6%
Newham	£1,724	0.3%	5.1%
Camden	£2,556	2.3%	3.5%



About Carter Jonas

Carter Jonas LLP is a leading UK property consultancy working across commercial property, residential sales and lettings, rural, planning, development and national infrastructure. Supported by a national network of 33 offices and over 1,000 property professionals, our divisional teams are renowned for their quality of service, expertise and the **simply better property advice** they offer their clients.

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Residential Research

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