

Housing Insight Report

propertymark

November 23

KEY STATISTICS:

14% decrease in the number of **properties available for sale**

26% reduction in **new properties** coming to market

6% decrease in the number of **buyers registered**

25% of agents have seen **rents rise**

86 **new prospective tenants** registered per branch

26% fall in the number of **new tenancies signed**



Economic uncertainty continues to pervade the UK economy and housing markets. In the residential sales sector, seasonal trends are undoubtedly weighing on market performance. However, there are also strong indications that the market is cooling in general. Demand, as measured by new buyer registrations, is trending downwards and though offset by a reduction in existing stock levels and new supply, price pressures are increasing. This is evidenced by the majority of members reporting that properties continue to sell for less than asking price.

In the lettings sector, supply and demand remain relatively static, but imbalanced with the equivalent of nine new applicants registered for each available property. Despite this, Christmas would appear to have come early to the sector, with the number of new tenancies agreed decreasing as tenants delay moving until after the festivities. Although rents continue to rise in key segments, around a quarter of our members reported rent falls in November (up from 14% in October and 4% in September) pointing to a market correction in motion.



Nathan Emerson
Propertymark CEO

Looking forward to December, we are likely to see the entrenchment of seasonal trends as we head towards the end of 2024.

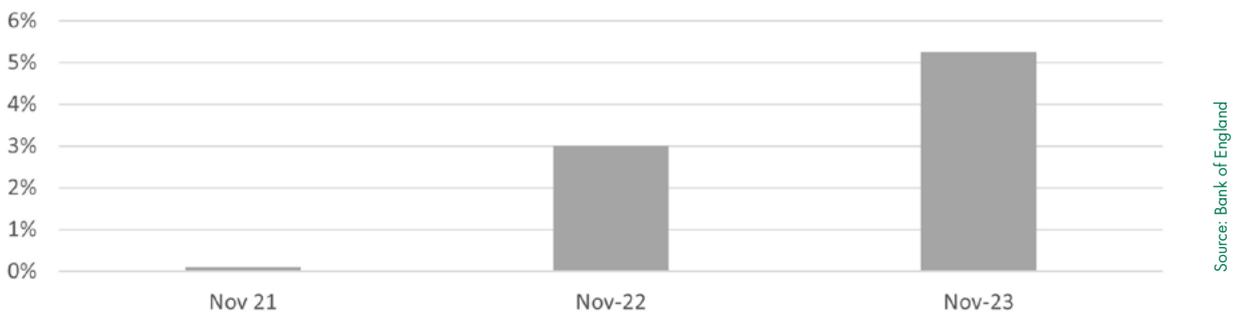
Economic outlook

Inflation continues to move in the right direction and the base rate remains static. However, the UK economic environment remains challenging with key indicators such as company insolvencies trending upwards.

BASE RATE REMAINS STATIC BUT CHALLENGING

In November 2023 the base rate remains unchanged at 5.25%. While this short-run stability is welcome, the rate remains considerably higher than in November 2022 (3%) and November 2021 (0.1%) and continues to have a bearing on housing markets (Figure 1).

Figure 1: Bank of England base rate



INFLATION GOING IN THE RIGHT DIRECTION

Inflation continues to track downwards (Figure 2) but remains somewhat off the Bank of England's 2% target. Whilst fewer members of the public expect inflation to rise, uncertainty remains with a notable growth in those expecting inflation to remain at current levels (Figure 3).

Figure 2: Inflation percentage change over 12-month period

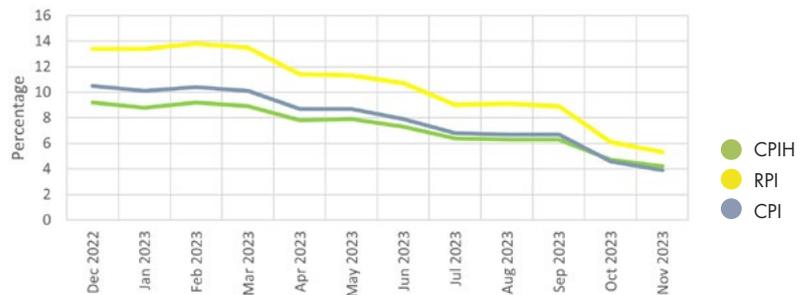
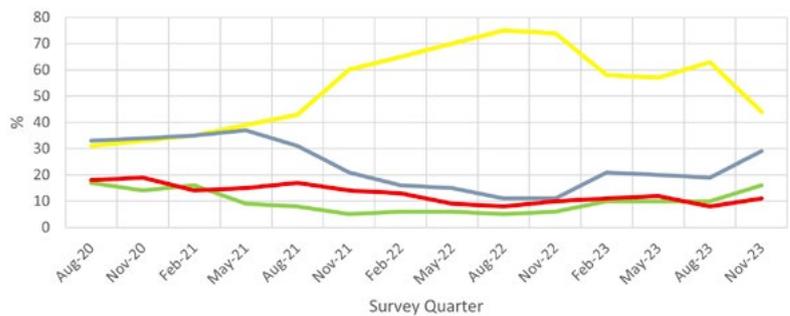


Figure 3: Public attitudes to inflation

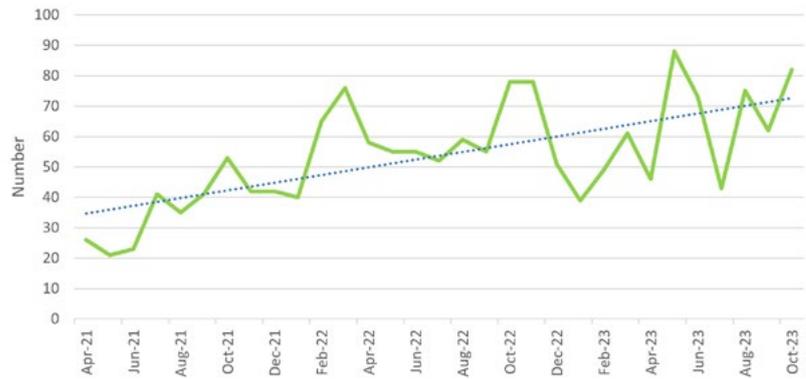
- Expect a rise
- Expect a fall
- Will stay about the same
- Don't know



INSOLVENCIES INCREASE POINTS TO A CHALLENGING BUSINESS ENVIRONMENT

Company insolvencies are on the increase across the UK in general. However, if we look specifically at companies with real estate Standard Industrial Classification (SIC) codes in England and Wales, those operating in the sector are facing significant economic challenges (Figure 4).

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



Source: UK Government

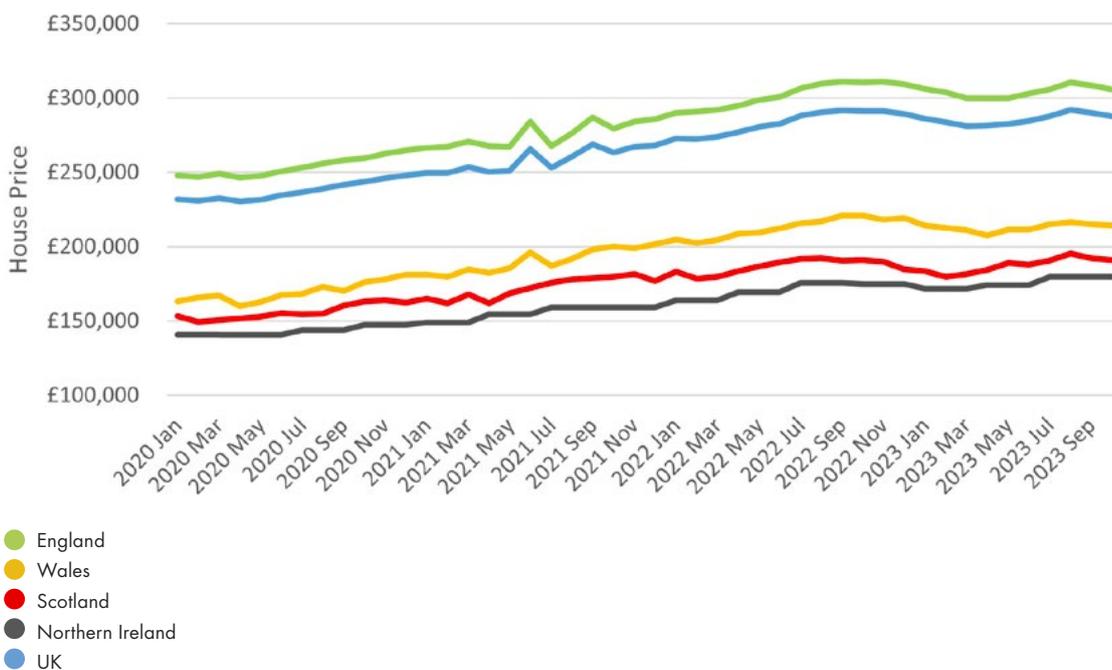
RESIDENTIAL SALES

HOUSE PRICES

Downward trend continues

As can be seen in Figure 5, house prices are continuing to turn downward. Figure 6 compares the average price in October 22 with those in October 23 (the latest figures available). The drop in England and Wales is notable.

Figure 5: Average house price by country



Source: ONS

Figure 6: Difference in average house price from October 2022 to October 2023



Prospective buyer numbers **continue to fall**

DEMAND

Market conditions remain challenging with the average number of new prospective buyers registered per branch continuing to decline. The number of registrations reduced from 53 in October to 49 in November. Whilst exacerbated by seasonal factors, a downward trend has been evident for some time (Figure 7).

Figure 7: Average no of prospective buyers registered per member branch

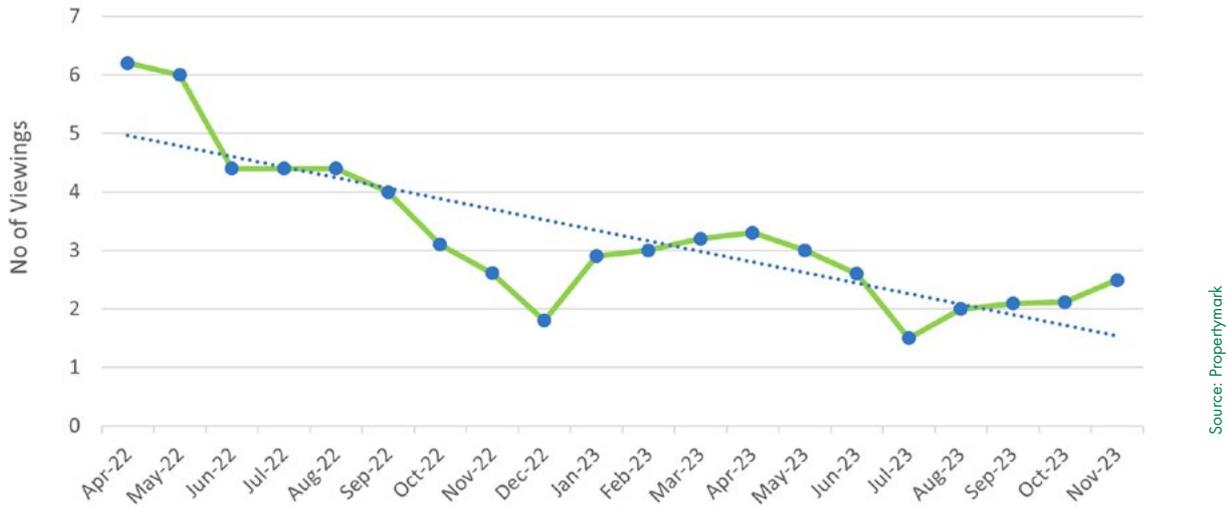


Source: Propertymark

VIEWING NUMBERS REMAIN STATIC

There has been little material change in the average number of viewings per available property in November with the long-term trend pointing downward (Figure 8).

Figure 8: The average number of viewings per available property per member branch.

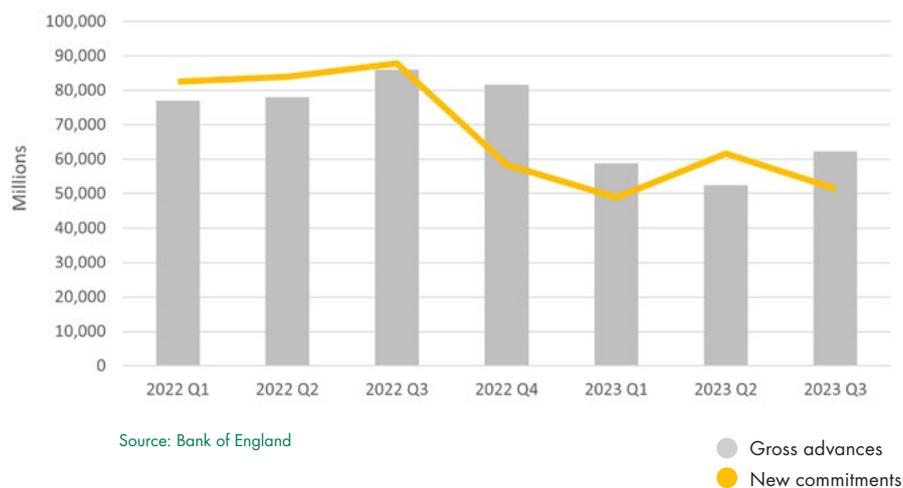


Mortgage advances down

MORTGAGE INDICATORS

As anticipated gross advances increased in Q3 2023. This is the first quarterly increase since Q3 2022. However, the commitment to new lending decreased from 61,665 cases in Q2 to 51,471 in Q3 (Figure 9), further pointing to a slowing market.

Figure 9: Gross mortgage advances and new mortgage commitments



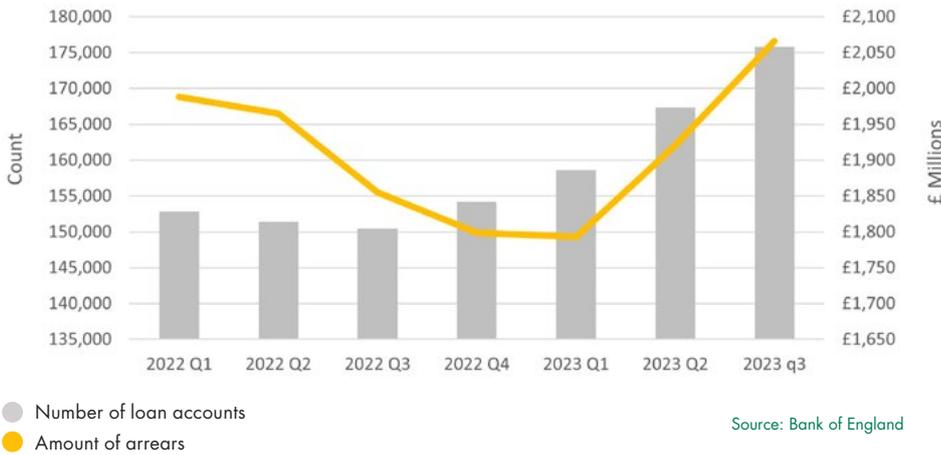
AFFORDABILITY DIFFICULTIES REMAIN

While the number of adults finding it very or somewhat difficult to afford their rent or mortgage payments decreased in November, this is from a relatively high base. (Figure 10).

Figure 10: Gross mortgage advances and new mortgage commitments



Figure 11: Loan arrears at the end of the quarter ((Residential loans to individuals (unsecuritised and securitised))



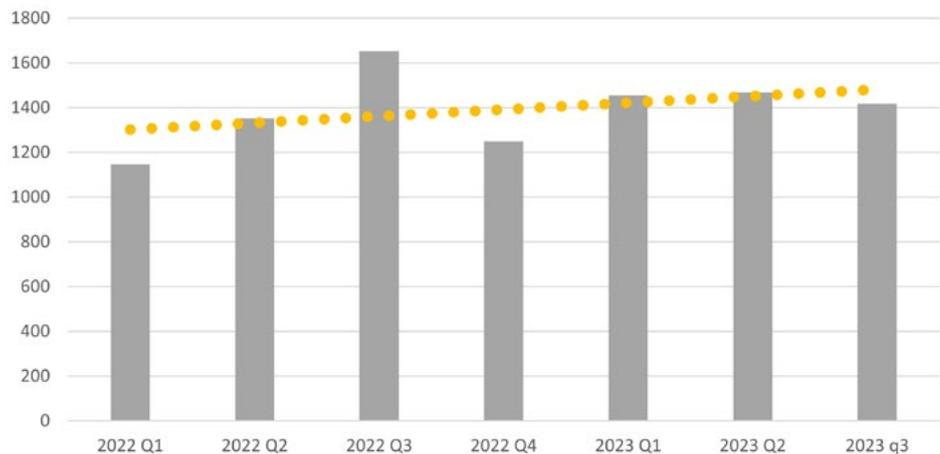
MORTGAGE ARREARS INCREASING

In light of affordability challenges, it is not surprising that the number of loans and accounts in arrears and the amount of arrears continues to trend upwards in Q3 2023 (Figure 11).

POSSESSIONS REMAIN STATIC

There is little change in the number of new possession cases in the quarter. However, with increasing arrears and a large number of mortgage holders still to exit fixed-price deals, we will closely monitor how this indicator trends (Figure 12).

Figure 12: New possessions cases by quarter ((Residential loans to individuals (unsecuritised and securitised))

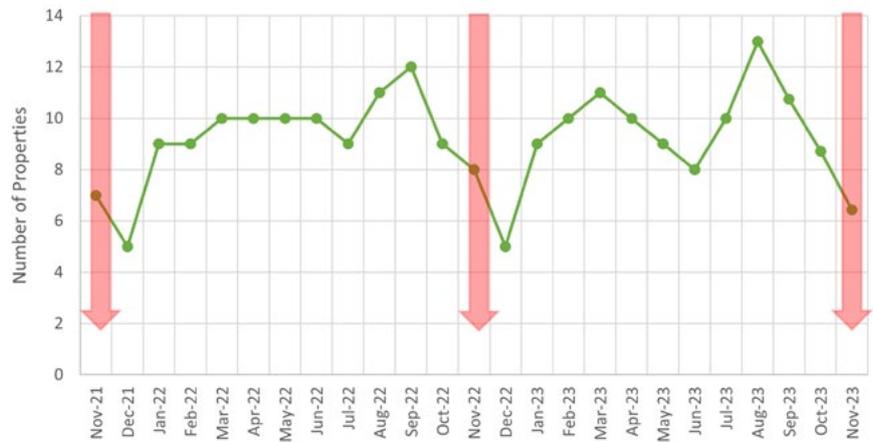


New supply reduces

SUPPLY

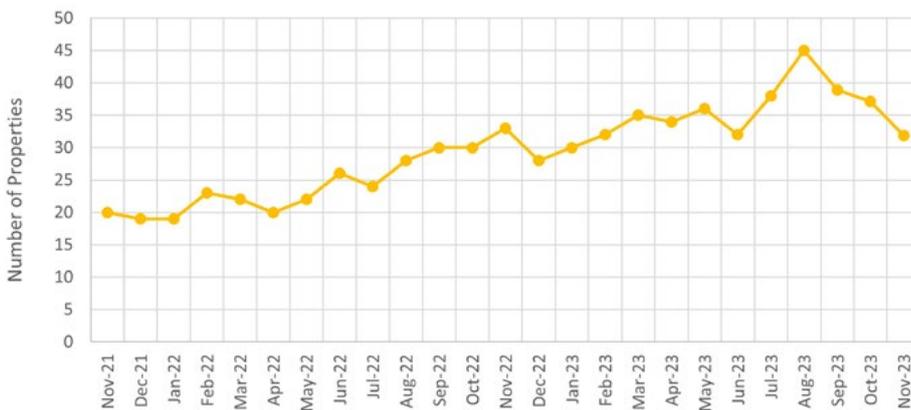
There were on average just 6 new homes placed for sale per member branch in November, a 26% drop on October's figure. Supply has decreased month on month since August 2023 and although seasonal trends are evident, the market is clearly in a cooling phase (Figure 13).

Figure 13: Average number of new sales instructions per member branch



Source: Propertymark

Figure 14: Average number of properties available for sale per branch



Source: Propertymark

STOCK LEVEL DECREASE

The average stock of properties available for sale per member branch also decreased (Figure 14) with a 14% drop between October and November. We anticipate a further seasonal fall in December.

MARKET APPRAISALS TAIL OFF

The average number of market appraisals conducted per member branch decreased from a recent high of 25 in August 2022 to 16 in November 2023 (Figure 15). This trend is likely to persist into December suggesting that supply could be constrained as we enter 2024.

Figure 15: The average number of appraisals conducted per member branch

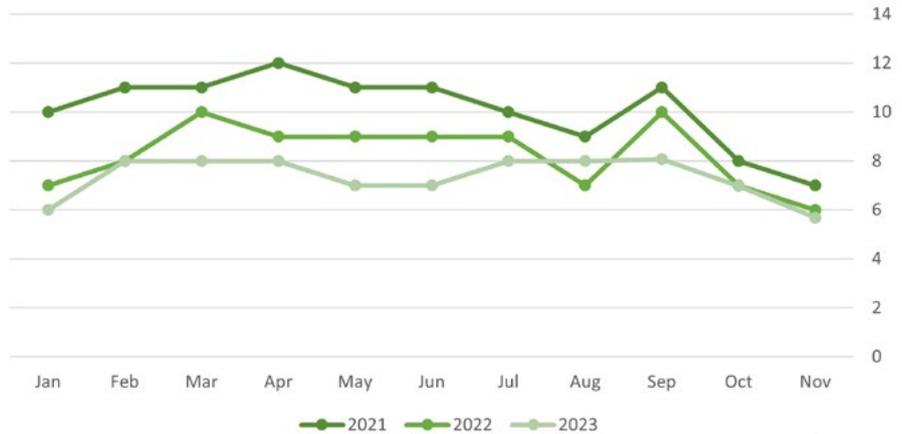


Source: Propertymark

Number of sales agreed reduce

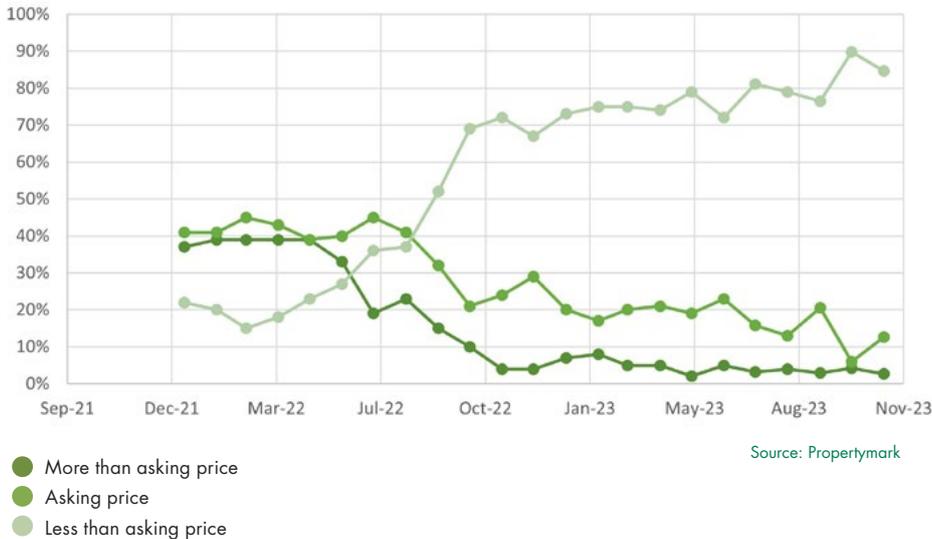
The number of sales agreed per member branch decreased again in November 2023. Whilst seasonal patterns explain this trend, the year-to-date performance in 2023 is lower than in either 2021 or 2022 (Figure 16).

Figure 16: Average number of sales agreed per member branch



Source: Propertymark

Figure 17: Average number of properties available for sale per branch



Source: Propertymark

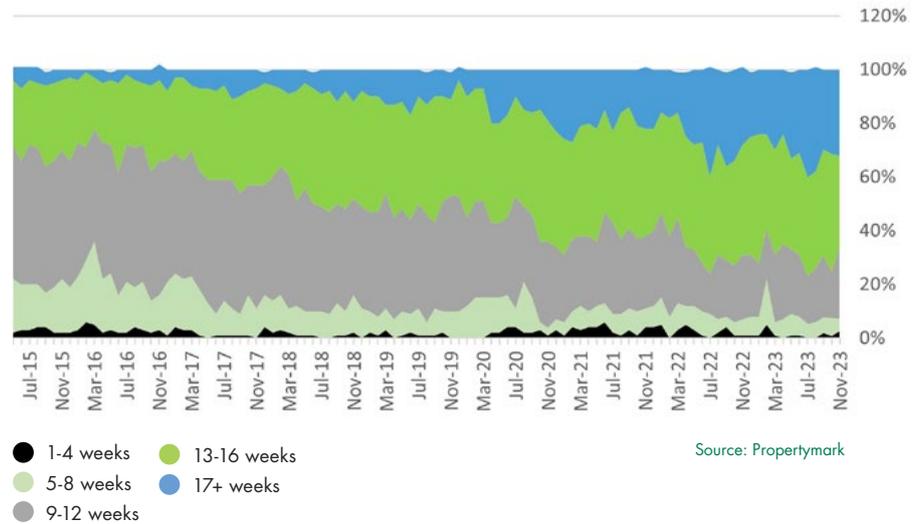
ASKING PRICES REMAIN HIGHER THAN MARKET EXPECTATIONS

This month there has been a slight contraction in the number of agents reporting that properties were selling for less than asking price and a moderate increase in those reporting that properties are selling at asking price. However, as Figure 17 suggests, there is still some way to go in aligning valuations and market expectations.

SUSTAINED INCREASE IN TIME TAKEN TO EXCHANGE

Figure 18 highlights that the time taken to exchange contracts has been elongating for some time. The increase in the 13-16 week and 17+ week categories is particularly concerning.

Figure 18: Average time from offer acceptance to exchanging contracts



RESIDENTIAL LETTINGS

DEMAND

Tenant demand is static

The number of new prospective tenants registered per member branch remained static in November. The seasonal trend line indicates that this is relatively typical for this time of year (Figure 19). A three-year comparison reveals that there is little difference in tenant demand levels between Nov 21, 22 and 23 (86, 77 and 82 respectively).

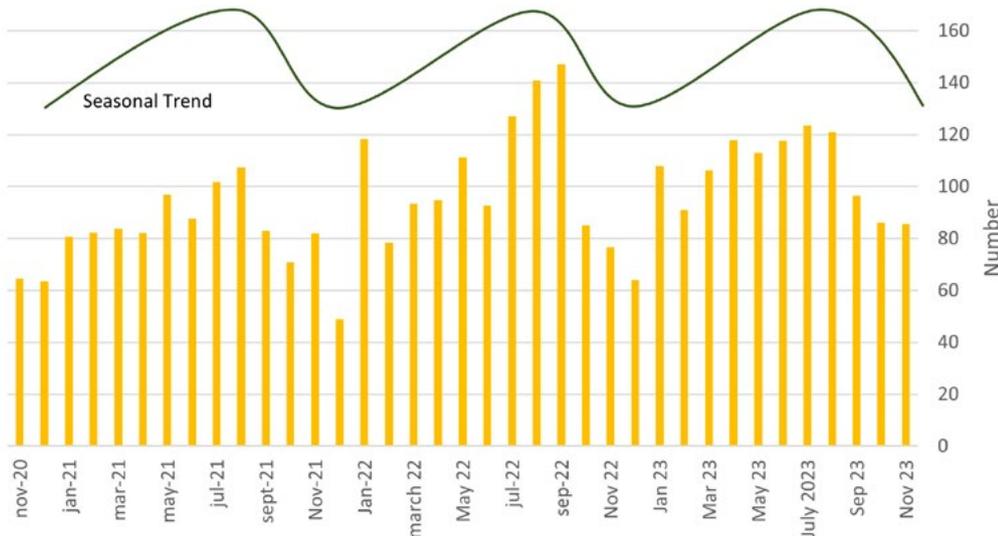


Figure 19: Average number of new applicants registered per member branch

Stock levels remain challenging

As with demand, there has been little change in stock levels in November when compared to December (Figure 20).

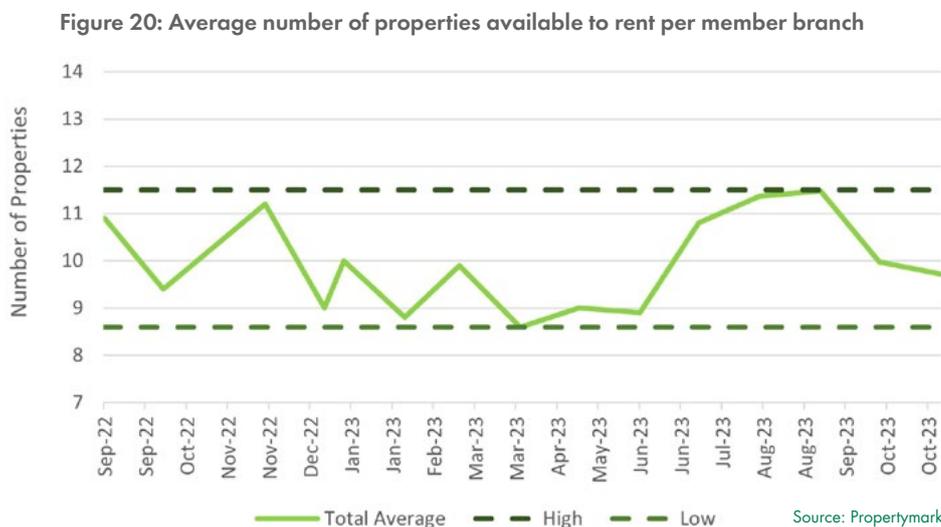
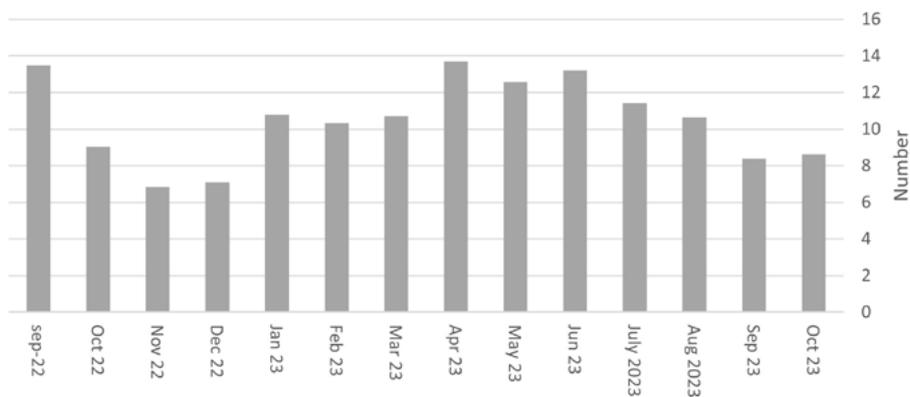


Figure 21: Average number of new prospective tenants registering per the number of properties available



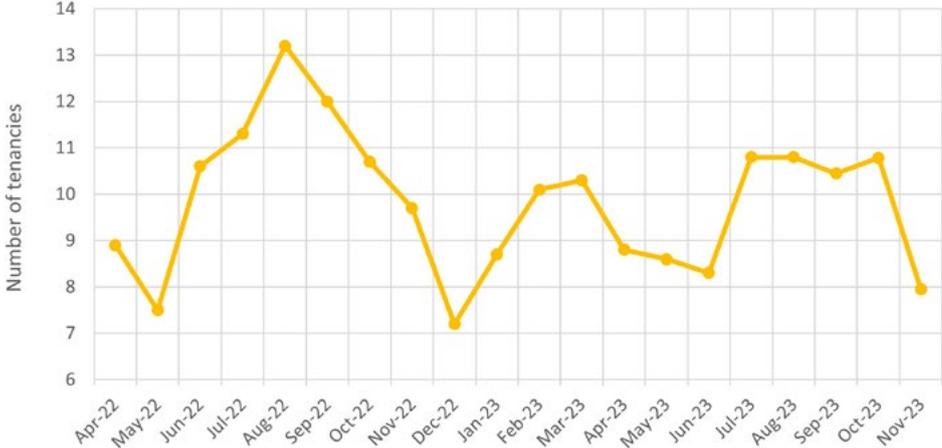
Source: Propertymark

However, there remains a significant shortage of stock. On average, there were almost 9 new applicants registered per member branch for each available property (Figure 21). It is worth remembering that these figures do not consider applicants already registered and seeking to rent within the PRS.

Fewer tenancies agreed in November

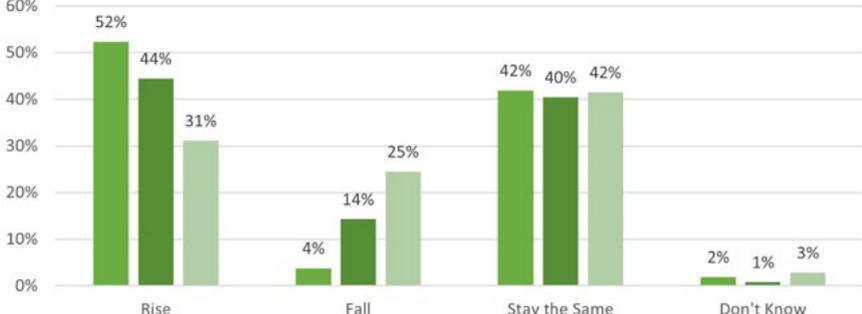
As anticipated in last month's report, the average number of new tenancies agreed per member branch decreased in November. As tenants generally prefer to be in settled accommodation during the Christmas period, we expect this trend to continue into December (Figure 22).

Figure 22: Average number of new tenancies agreed in the month per branch



Source: Propertymark

Figure 23: Percentage of members who reported that rents have risen, fallen or stayed the same



- September 2023
- October 2023
- November 2023

Source: Propertymark

RENTAL PRICE CORRECTION CONTINUES

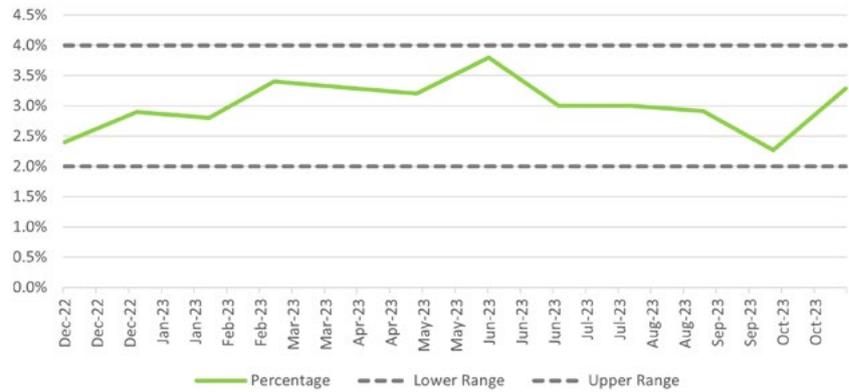
The rental price correction continues with fewer members reporting seeing rents rise in their branches during November than in either October or September. Conversely, more saw rents falling in their branches during November than in October and September (Figure 23). We expect this trend to continue in the short to mid-term.

RENTAL ARREARS INCREASE

Rental arrears have increased in November as financial pressures mount for some tenants in the run up to Christmas (Figure 24).

Figure 24: Average number of properties in rental arrears per member branch

Source: Propertymark



VOID PERIODS REMAIN STATIC

The average void period between tenancies changed little in November. At just over 2 weeks in duration, the figure is well within established parameters at (Figure 25).

Source: Propertymark

Figure 25: Average void period between tenancies in weeks



AGENTS' COMMENTS:

This month a selection of our members provide their views on the current sales and lettings markets in their areas



Toby Martin
ARLA Propertymark
Regional Executive for
West Country

Residential lettings

Christmas came to the rental market early in November, with supply and demand dropping considerably earlier than usual. It feels like tenants have pulled up the drawbridge on 2023, and are holding off on their home moves until the new year, with property supply dropping at just the same rate. Whilst this seasonal lull is to be expected, it would not usually kick in until December. I am sure this is due to tenants tightening their belts and avoiding moving home where possible, at a time of year when other costs take precedence.



Toby Leek
NAEA
Propertymark
President Elect

Residential sales

Whilst the year draws to a close we continued to see viewings taking place and sales progressing in the same vein we have seen for most of the year. After a year of interest rates at this level, some are seemingly getting used to the fact they may be here for longer and to plan a move in any case. The market appraisals we have seen and discussions with clients planning for a potential move next year has been encouraging.



Anneke Babber
NAEA Propertymark
Regional Executive for
the West Midlands

Residential sales

Supply still currently outweighs demand with buyers who can proceed being few and far between. Prices are having to reflect the tougher market conditions and price reductions are plentiful. As we now approach Christmas the focus from moving seems to be on hold for most, however, local agents advise a good number of projected instructions for the New Year.



Robert Ulph ARLA
Propertymark
Advisory Panel
Member

Residential lettings

The housing market in Ipswich, as well as Suffolk, is characterized by high demand and limited supply. Increased population, high demand to fill key worker jobs in the area, and desirable amenities contribute to the popularity of Ipswich as a place to live and rent. However, the scarcity of available properties and rising rental prices raise concerns about affordability for tenants. It is crucial for policymakers to closely monitor the rental market, implement measures to balance supply and demand, and ensure sustainable rental prices for the residents of Ipswich and Suffolk. The market is also being squeezed by high proportion of landlords selling up due to them just not making money in letting their property out. With increased taxation and the ever-increasing costs to landlords, the appeal to buy and let a property is not as attractive as it once was and this will need to be corrected to help the massive shortage in property in Suffolk and the rest of the country.

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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