Housing **Insight** Report

propertymark

January 24

KEY STATISTICS:

129%	increase in the number of **market appraisals** undertaken
80%	increase in **new properties** coming to market
120%	increase in the number of potential **buyers registered**
97	new **prospective tenants** registered per member branch
29%	increase in the number of properties **available to rent**
19%	increase in the number of **new tenancies signed**

The new year has arrived and those who had delayed selling, buying, and renting in November and December 2023 have returned to the market on mass. However, there has been little change in the economic environment that households must contend with- interest rates are stable but are higher than those seeking mortgages or remortgages would prefer; inflation remains some way off UK Government targets, and GDP performance has been lacklustre. To complete this picture, the global geopolitical and economic landscape remains challenging.

In the residential sales sector, there has been a 120% increase in the number of potential buyers registered. On the supply side, there has been an 80% increase in the number of properties coming to market. However, whilst the gap is closing, there remains a mismatch between valuations and market expectations, with most members noting that properties are still selling at below asking price.

The lettings sector has also rebounded after the festive break, with a positive increase in the number of prospective tenants registered and the number of properties available to rent. However, this will be a challenging year for UK's private rented sectors due to a plethora of proposed legislative changes. We will monitor the impact of these changes as they arise.

Although 2024 has started well, it remains to be seen how long this initial uptick in activity will be sustained.

Nathan Emerson
Propertymark CEO

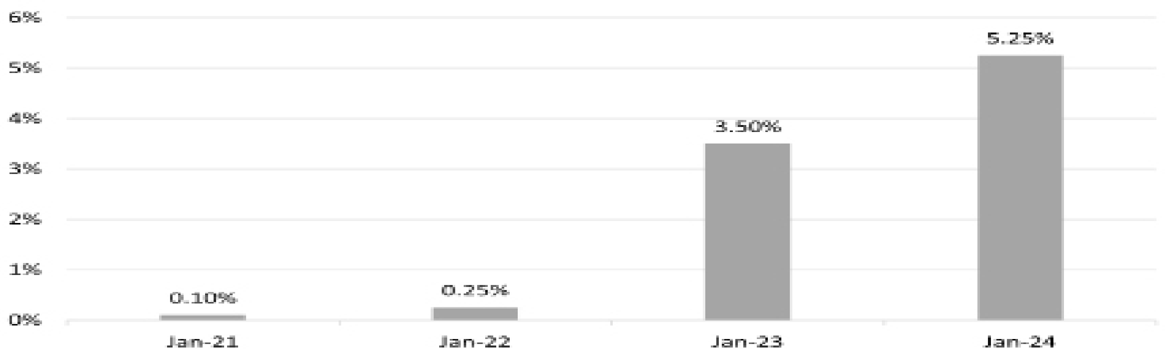
Economic outlook

The base rate remains unchanged, inflation has yet to reach the UK Government's target of 2% and the UK ended 2023 in a technical recession. In addition, strong global headwinds are suggesting that challenging times lie ahead.

BASE RATE REMAINS UNCHANGED

On 31 January the Bank of England Monetary Policy Committee voted (6 to 3) to hold the base rate at 5.25%. Two members voted to increase the rate to 5.5% and one voted to reduce the rate to 5%. Although this continued stability is welcome, the rate remains high in comparison to January 2021, 2022, and 2023 (Figure 1).

Figure 1: Bank of England base rate

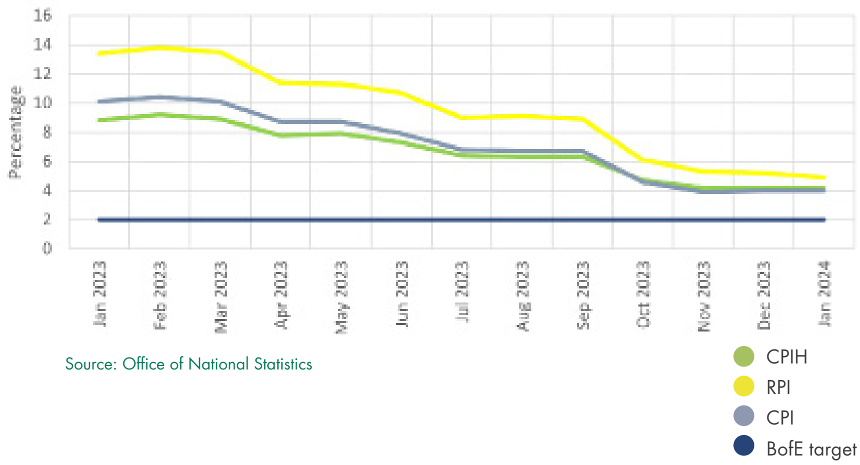


Source: Bank of England

INFLATION LARGELY STATIC

Inflation in the 12 months to January 2024 was 4.2% as measured by CPIH, 4% as measured by CPI and 4.9% as measured by RPI (Figure 2). Whilst headline inflation has come down from earlier highs, it remains higher than the UK Government's 2% target.

Figure 2: Inflation percentage change over 12-month period

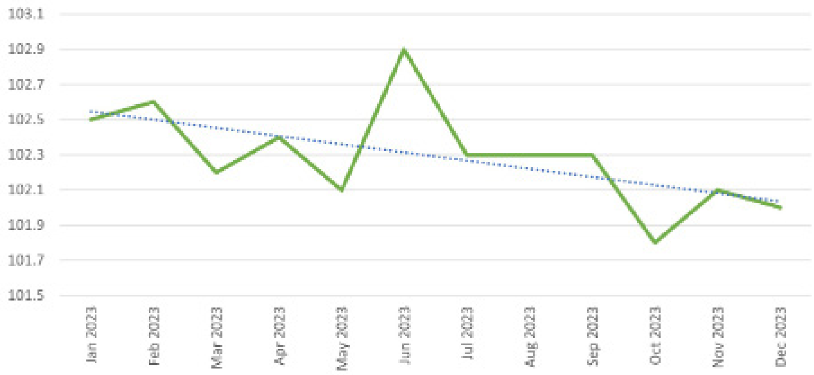


Source: Office of National Statistics

GDP FALLS

GDP fell by 0.1% in December 2023 ending a year in which, the UK entered a technical recession. (Figure 3).

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



Source: Office of National Statistics

INSOLVENCIES REDUCE- IN THE SHORT-TERM

There was a decrease in the number of UK-registered company insolvencies in December 2023 and January 2024 (Figure 4). In both 2022 and 20023 insolvency numbers were subdued in January, with a notable increase in March. It remains to be seen if this pattern will persist in March 2024. Insolvencies within companies with real estate standard industrial classification codes in England and Wales fell in December 2023 (Figure 5).

Figure 4: Total number of Registered Company insolvencies in the UK

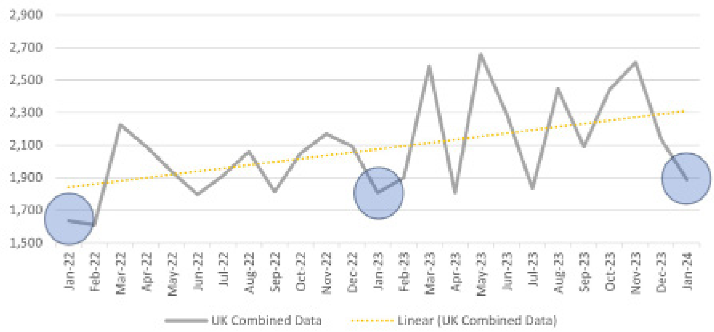
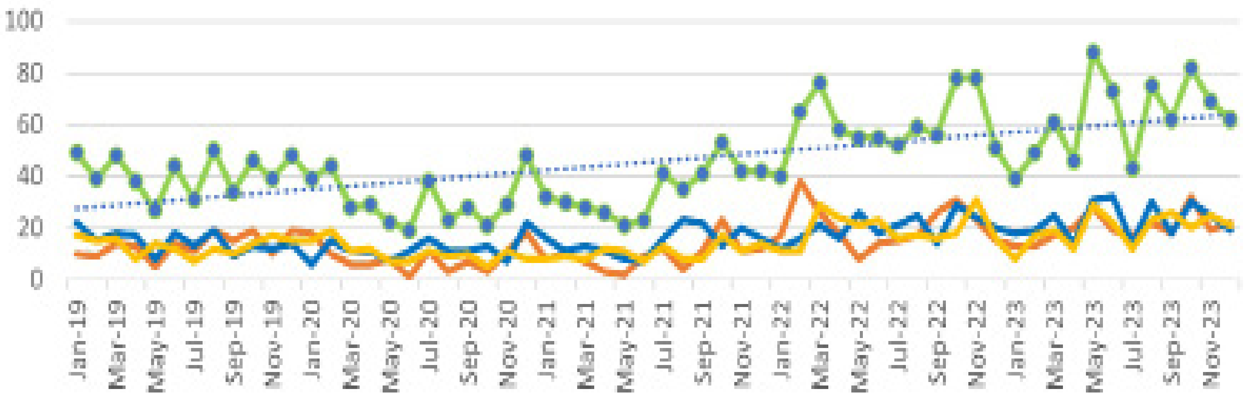


Figure 5: Company insolvencies in England and Wales for SIC Code Groups 681, 682 and 683



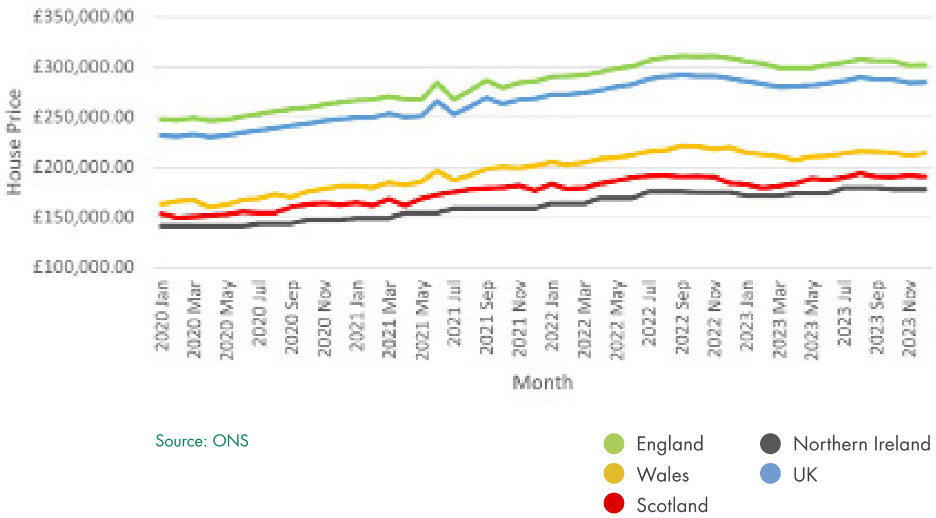
Source: UK Government

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

UK house prices **increase marginaly in December 2023**

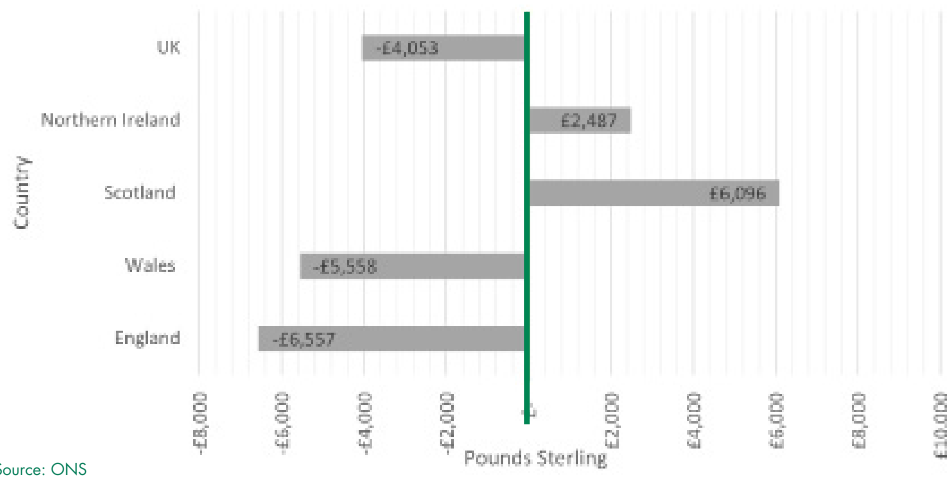
As can be seen in Figure 6, UK house prices increased marginally in December 2023. This is largely due to increases in England and Wales. Prices in Scotland fell back slightly in comparison to the previous month.

Figure 6: Average house price by country



Source: ONS

Figure 7: Difference in average house price between December 2022–2023*



Source: ONS

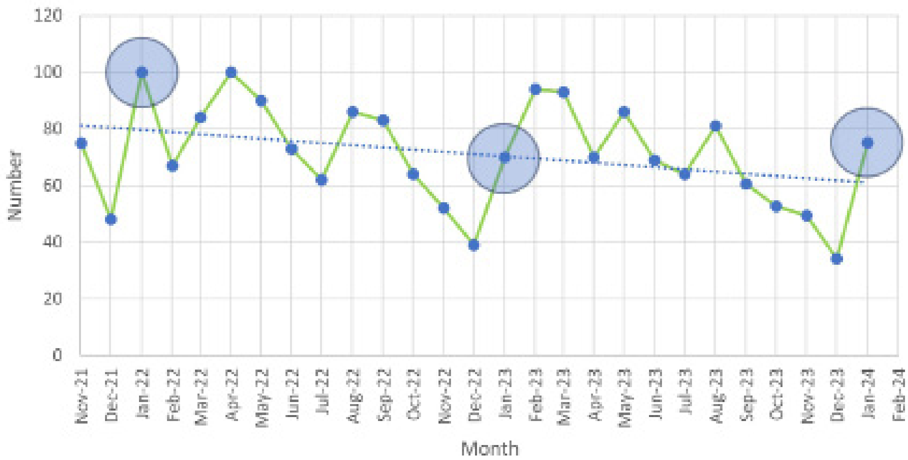
Figure 7 highlights the change in the average house price between December 2022 and December 2023 for each constituent part of the UK. Whereas there are notable falls in England and Wales during the period, Scotland and Northern Ireland have seen gains.

Prospective buyer numbers rebound after Christmas fall

DEMAND

The average number of new prospective buyers registered per branch increased by 120% in January following a considerable fall in December. However, although activity is marginally up in comparison to 2023, it is more subdued than in 2022 (Figure 8- see data points denoted with blue circles).

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

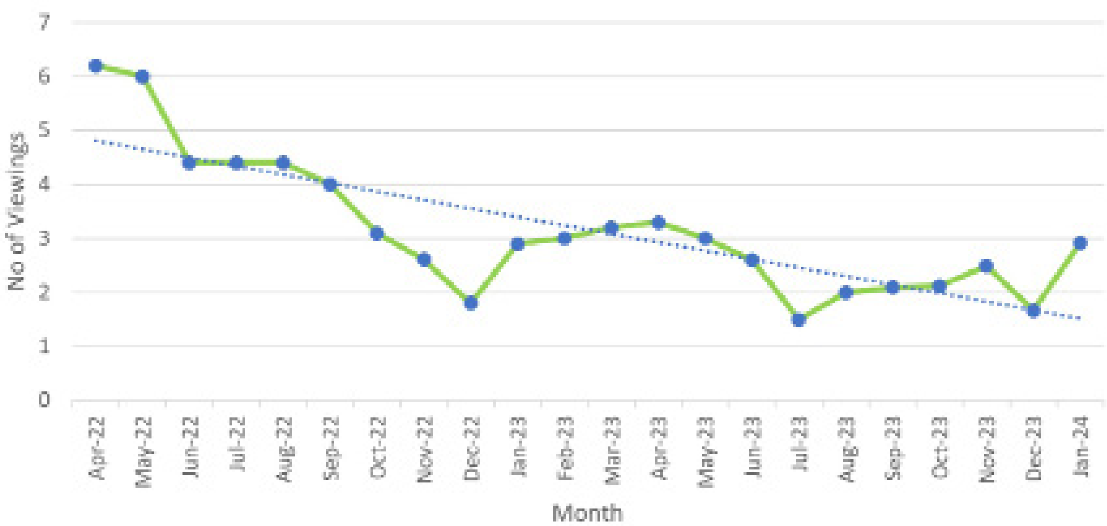


Source: Propertymark

VIEWING NUMBERS IMPROVE FOLLOWING CHRISTMAS LULL

Viewing numbers have also recovered with buyers returning to the market following the Christmas lull (Figure 9).

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

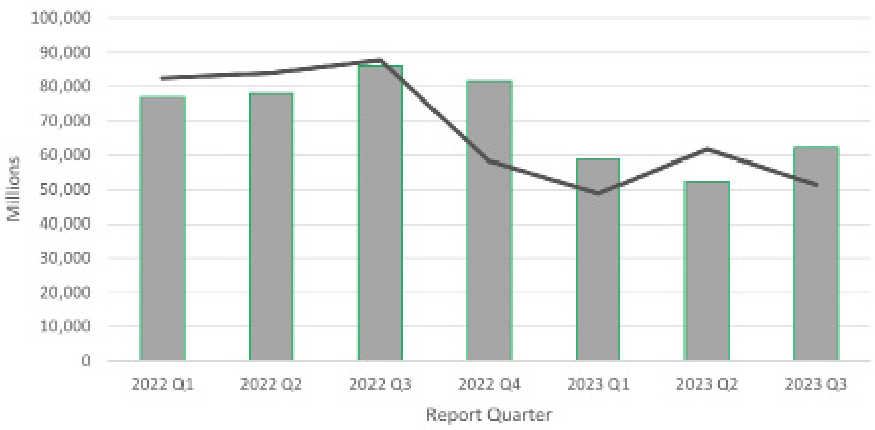


Source: Propertymark

Mortgage advances down

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



Source: Bank of England

Gross advances
New commitments

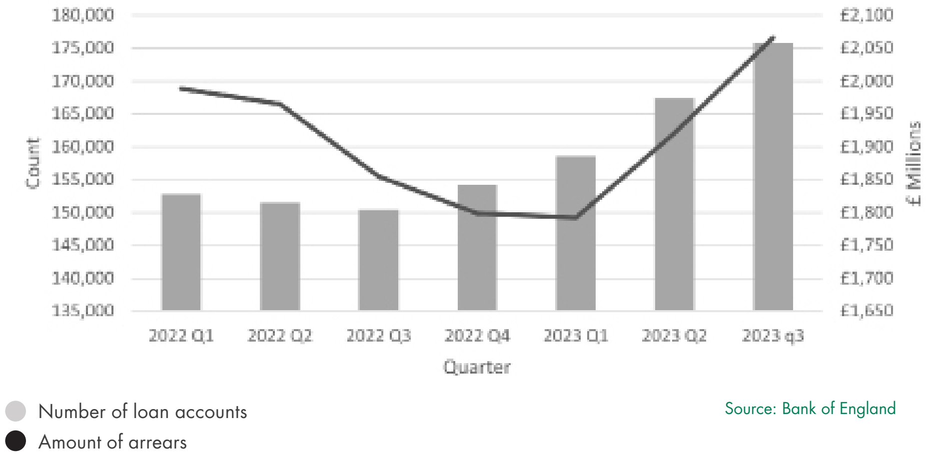
AFFORDABILITY DIFFICULTIES ARE LARGELY UNCHANGED

The number of adults finding it very or somewhat difficult to afford their rent or mortgage payments has continued to fluctuate in January 2024. However, there has been little material change in comparison to December 2023 (Figure 11).

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

Source: ONS

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



Source: Bank of England

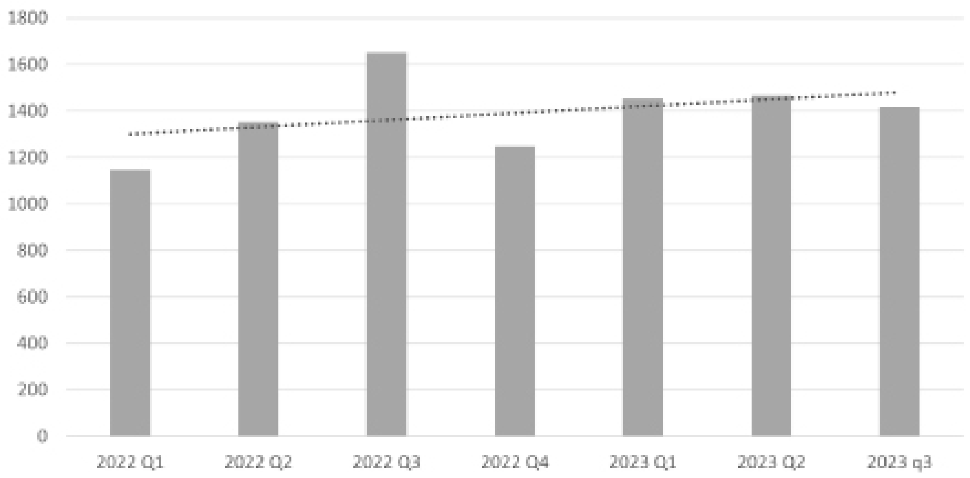
MORTGAGE ARREARS INCREASED IN Q3

Mortgage arears increased in Q3 2023. It will be interesting to see if this trend continued into Q4 when revised figures are available (Figure 12).

POSSESSIONS REMAIN STATIC

New possession case numbers changed little between Q2 and Q3 2023 (Figure 13).

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



Source: Bank of England

New supply increases

New supply has increased by around 79% on Decembers low, with around 8 homes placed for sale per member branch in January. This is broadly in line with activity levels witnessed in 2022 and 2023 (Figure 14 - see data points denoted with blue circles).

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

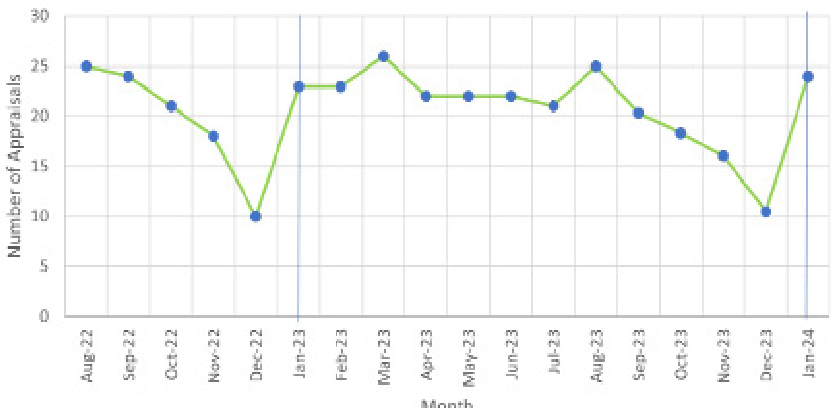
STOCK LEVELS INCREASE

As supply has increased, so too has average stock levels, with a marginal increase visible in January 2023 (Figure 15). Stock levels are higher in January 2024 than during the same periods in both 2022 and 2023 (see data points denoted with blue circles).

MARKET APPRAISALS VOLUMES INCREASE

The average number of market appraisals conducted per member branch has increased to around 24 in January 2024 from a twelve-month low of around 10 in December 2023 (Figure 16). With stock levels also up, there is a healthy pipeline of properties ready to meet increased buyer demand.

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



Source: Propertymark

Number of **sales agreed** receives a post-Christmas bounce

PERFORMANCE

The average number of sales agreed per member branch increased from around 4 in December 2023 to around 6 in January 2024. Figure 17 highlights that January 2024 performance is broadly in line with performance at the same points in 2022 and 2023 (see data points denoted with blue circles).

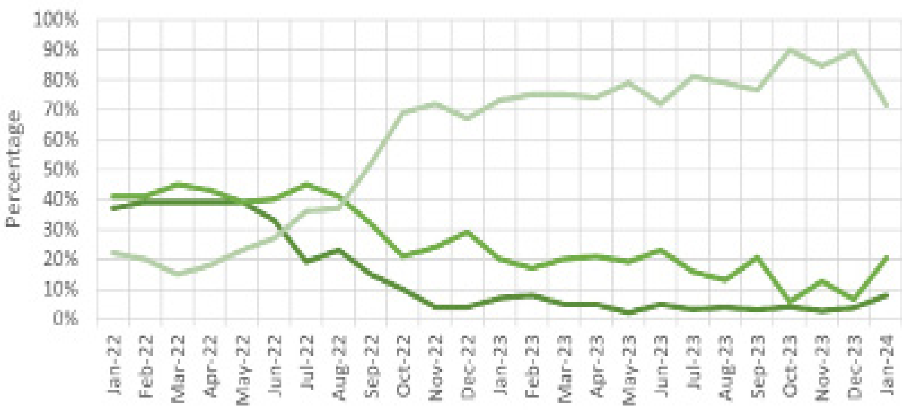
Figure 17: Average number of sales agreed per member branch

Source: Propertymark

ASKING PRICES CONTINUE TO EBB AND FLOW

This month, fewer agents reported properties selling at below asking price, with a corresponding increase in those selling properties at or above asking price. However, a misalignment between valuation levels and market expectation remains (Figure 18).

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



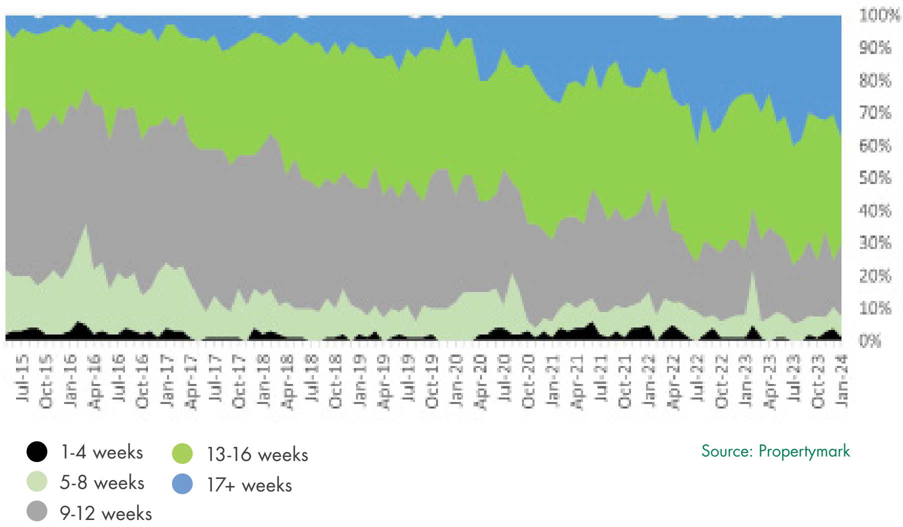
Source: Propertymark

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

TIME TO EXCHANGE REMAINS PROBLEMATIC

Compared to December 2023, January has seen an increase in the number of transactions taking 9-12 weeks and 17+ weeks to exchange, but a drop in the 13-16 -week category (Figure 19). Overall, exchange times remain lengthy.

Figure 19: Average time from offer acceptance to exchanging contracts



Source: Propertymark

RESIDENTIAL LETTINGS

DEMAND

Tenant demand increases

The number of new prospective tenants registered per member branch increased from 63 in December 2023 to 97 in January 2024 (Figure 20). As can be seen from the data points circled in blue, demand varies year on year, but tracks seasonal trends.

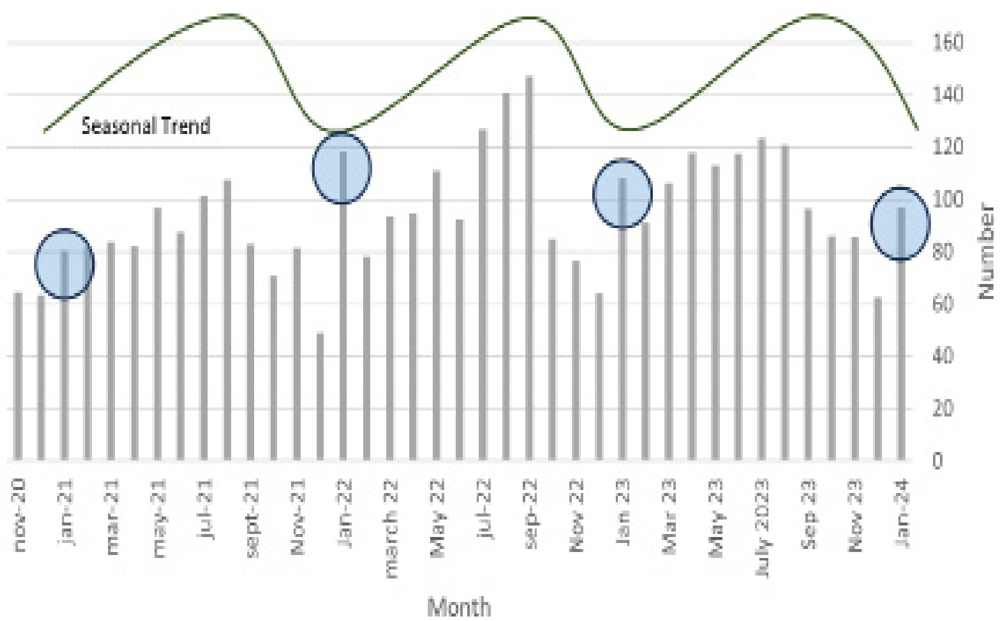


Figure 20: Average number of new applicants registered per member branch

Source: Propertymark

Stock levels at a 12 month high

SUPPLY

Stock levels have improved following the Christmas period and now stand at an 18-month high (Figure 21).

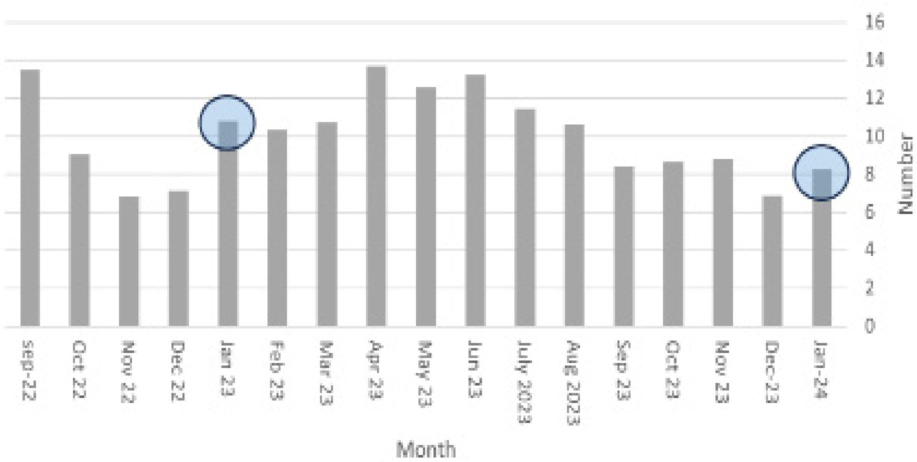
Figure 21: Average number of properties available to rent per member branch

Source: Propertymark

Demand continues to outpace supply

SUPPLY & DEMAND

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



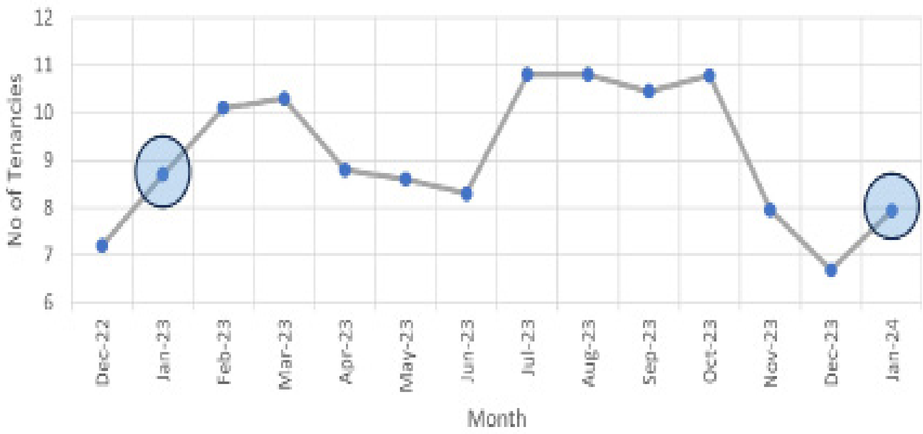
Source: Propertymark

The level of demand (measured by prospective tenant registrations) still outstrips stock levels. On average, there were around 8 new applicants registered per member branch for each available property (Figure 22). This is lower than at the same point last year (see data points denoted with blue circles), but still represents a significant supply and demand mismatch.

19% growth in number of tenancies

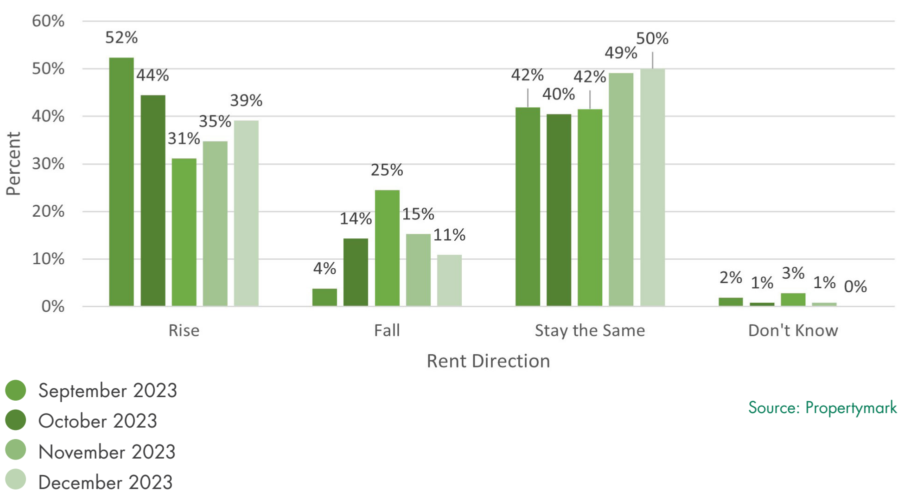
Now that Christmas has passed, tenants are once again keen to move. This has resulted in the average number of new tenaces agreed per member branch increasing in January 2024, albeit at a slightly lower level than in January 2023 (Figure 23- see data points denoted with blue circles).

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



Source: Propertymark

RENTAL PRICES ON THE MOVE AGAIN

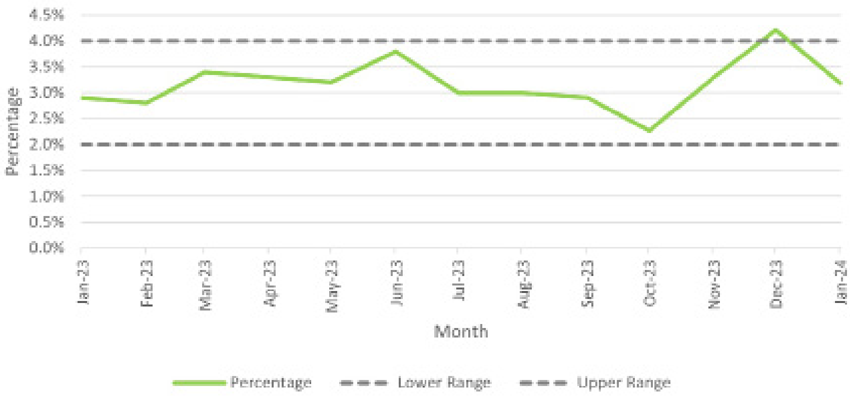
Almost half of agents point to rental charges levelling out. However, there has been an increase in the number reporting rising rents over the previous month (39% in January 2024 versus 35% in December 2023). There has also been a decrease in the number reporting rent falls (11% versus 15%) (Figure 24).

RENTAL ARREARS REDUCE

After an anticipated spike in rental arrears in December 2023, rental arrears have fallen back within established boundaries in January 2024 (Figure 25).

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

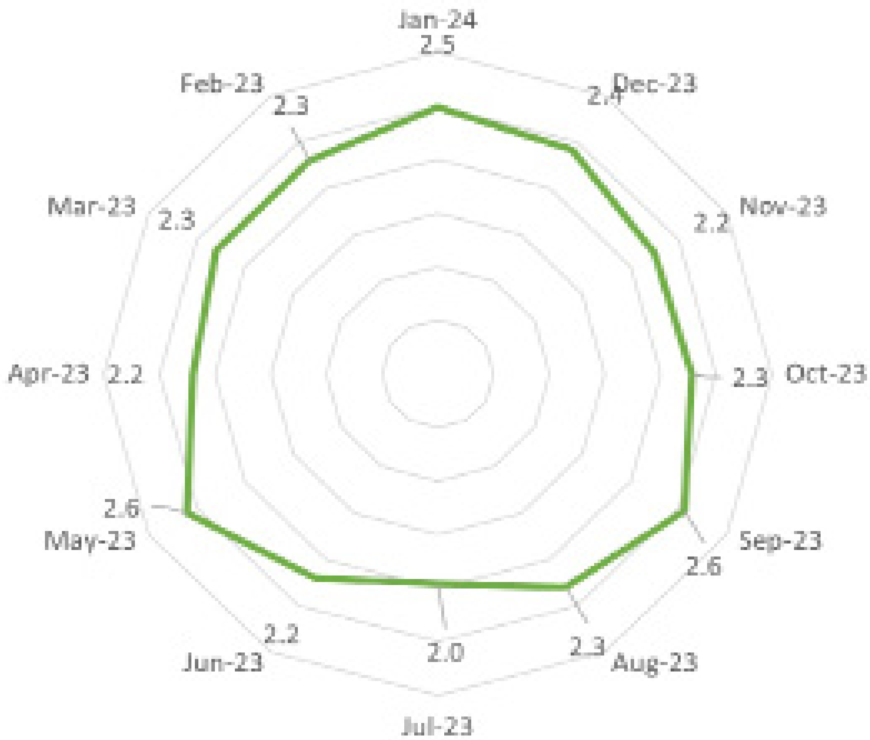
Source: Propertymark



LITTLE CHANGE IN VOID PERIODS

The average void period elongated marginally in January but remains within established parameters (Figure 26).

Figure 26: Average void period between tenancies in weeks



Source: Propertymark

Average void period (weeks)

AGENTS' COMMENTS:

This month a selection 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
January 2024 has not seen the sudden influx of properties to the market that we have grown accustomed to at the beginning of years gone by. Both supply and demand have been thin on the ground, although interest in smaller city centre apartments remains high. Family homes, on the other hand, remain in scarce supply, but a lack of demand from tenants for this kind of property has led to many landlords compromising either on the advertised rent or how long it takes to find a new tenant.

Toby Leek
NAEA Propertymark
President Elect

Residential sales
With festivities out the way and some positive chatter on the market around interest rates and activity levels it seems to be a more encouraging start to 2024. Time will tell if this is the January pick up or sustained thereafter.

Anneke Babber
NAEA Propertymark
Regional Executive for the West Midlands

Residential sales
The New Year has certainly started with a bang, the news of mainstream lenders reducing their fixed rates for mortgages seems to have stimulated the market. Those who held off in the latter half of last year are now seemingly feeling more confident and entering the market. New instructions are higher than this time last year and viewing activity is increasing. Correct pricing and good presentation are still key to securing a sale, but positivity does seem to be back with us.

Colin J Shairp
Director Fine & Country South East Hampshire

Residential lettings
Life in the land of confusion- Whether you like Phil Collins, the residential property market seems headed to a land of confusion. For instance, we carried out more property viewings during the first week of January than we did in the whole of December, and we've continued taking on a healthy number of realistic instructions since. But it's also apparent that while people are keen to view, they are not so enthusiastic about making sensible offers. Confused messages in the market are not helping. Latest stats suggest prices dropped around £4,000 on average last year while Britain's biggest lender, the Halifax, believes they are rising. It would take a long time to erode back to pre-pandemic levels and I don't think it will happen in this round of price adjustments, if at all.

ABOUT THIS REPORT

This report is based on responses to a monthly survey of Propertymark member agents. 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 used under the Open Government Licence v3.0 and is referenced at point of use. Each of these sources has their own 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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