Housing Insight Report

propertymark

February 24

KEY STATISTICS:

— The number of **market appraisals** undertaken remains static	18% Increase in **new properties** coming to market	3% Decrease in the number of **potential buyers registered**
89 **New prospective tenants** registered per member branch	26% Decrease in the number of properties **available to rent**	16% Decrease in the number of **new tenancies signed**

Interest rates remain challenging, GDP has stagnated and broader economic indicators, such as mortgage arrears are trending upwards. However, there is light at the end of the tunnel, with inflation continuing to fall.

In the residential sales sector, demand has temporarily slowed following the January post-Christmas bounce. On the supply side, our members are busy with new instructions, which is increasing stock levels. This imbalance may lead to further price corrections but only in the short-term.

In the residential lettings sector, tenant demand has marginally decreased. However, stock levels have also decreased and overall, demand continues to outpace supply, in fact, there were around 10 new applicants registered in February for each available property. Rents continue to fluctuate by location and property type, although there are some signs of stabilisation.

As we progress into March and beyond, the re-establishment of seasonal trends should result in positive progress in both the sales and lettings sectors.

Nathan Emerson
Propertymark CEO

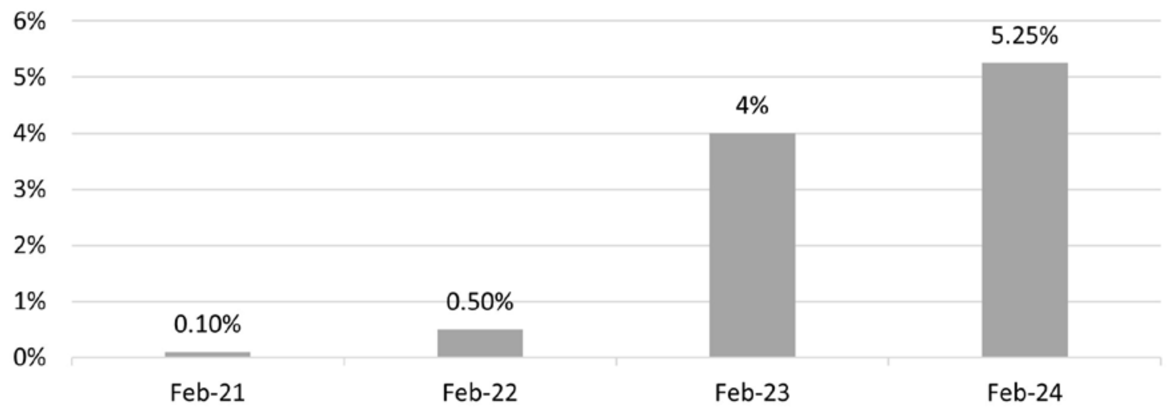
Economic outlook

BASE RATE REMAINS UNCHANGED

The base rate was stable at 5.25% in February 2024, but remains considerably higher than in February 2021 and February 2022 (Figure 1).

The impact of this continues to be felt in the wider economy and the housing sector.

Figure 1: Bank of England base rate



Source: Bank of England

INFLATION CONTINUES TO TREND DOWNWARDS

Inflation continues to move towards the UK Government's 2% target. In the 12 months to February 2024, inflation was 3.8% as measured by CPIH, 3.4% as measured by CPI and 4.5% as measured by RPI (Figure 2).

Figure 2: Inflation percentage change over 12-month period

Source: Office of National Statistics

GDP RISES

The latest figures estimate that GDP grew by 0.2% in January 2024 (Figure 3).

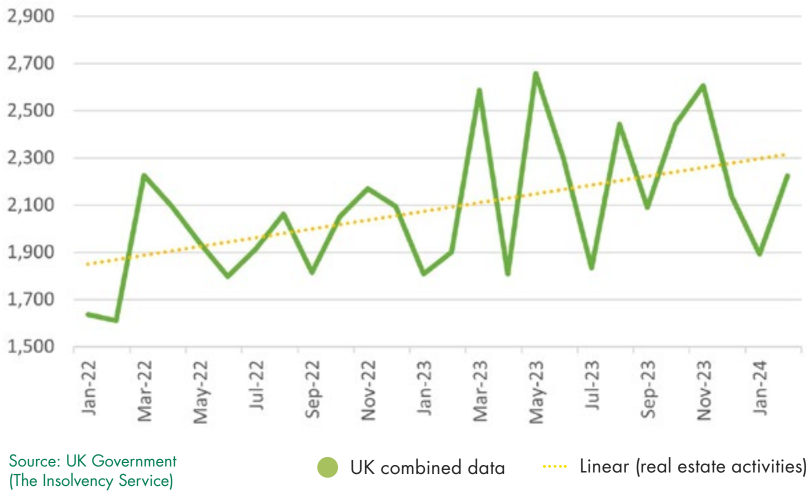
Figure 3: UK GDP (Index, 2019 = 100)

Source: Office of National Statistics

INSOLVENCIES INCREASE

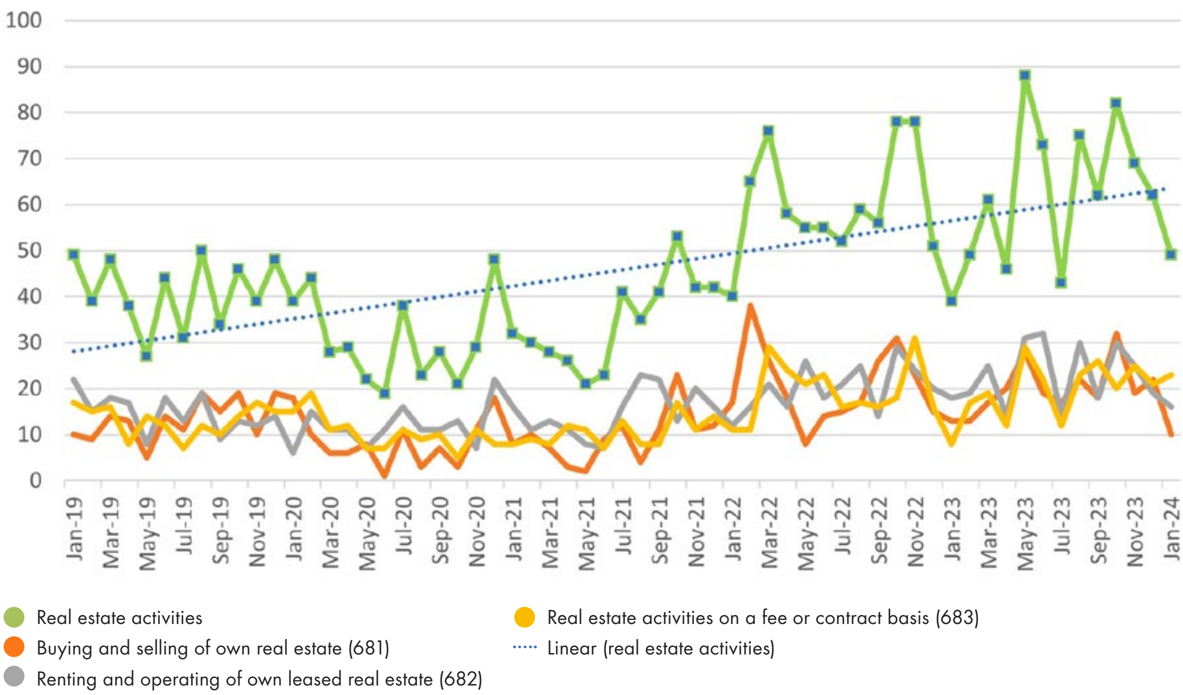
There was an increase in the number of UK-registered company insolvencies in February 2024 (Figure 4). Insolvencies of companies with real estate standard industrial classification codes in England and Wales continued to fall in January 2024 (Figure 5). We await the February figures with interest.

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



Source: UK Government (The Insolvency Service)

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

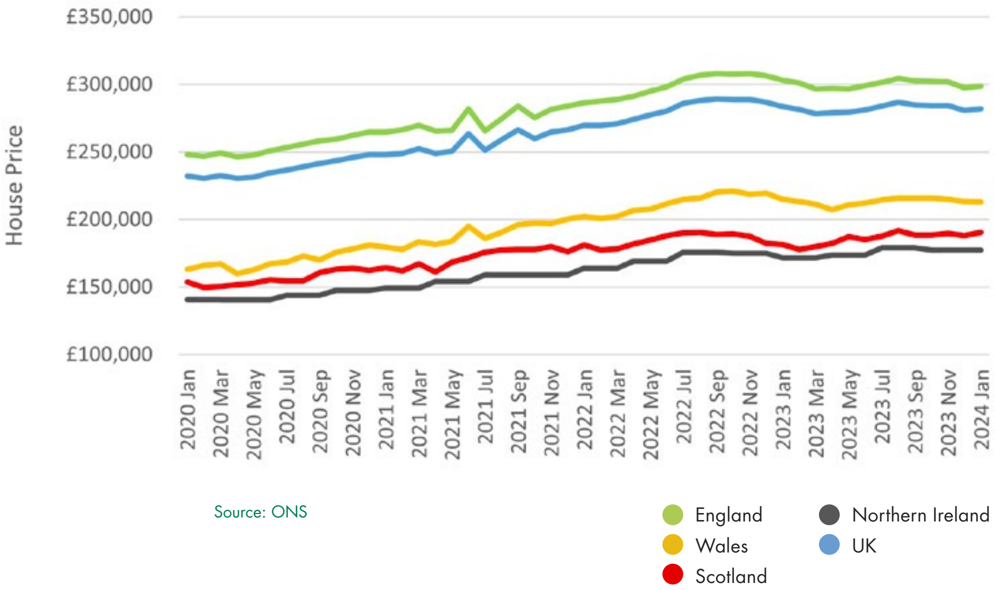


Source: UK Government (The Insolvency Service)

UK house prices **increase marginally**

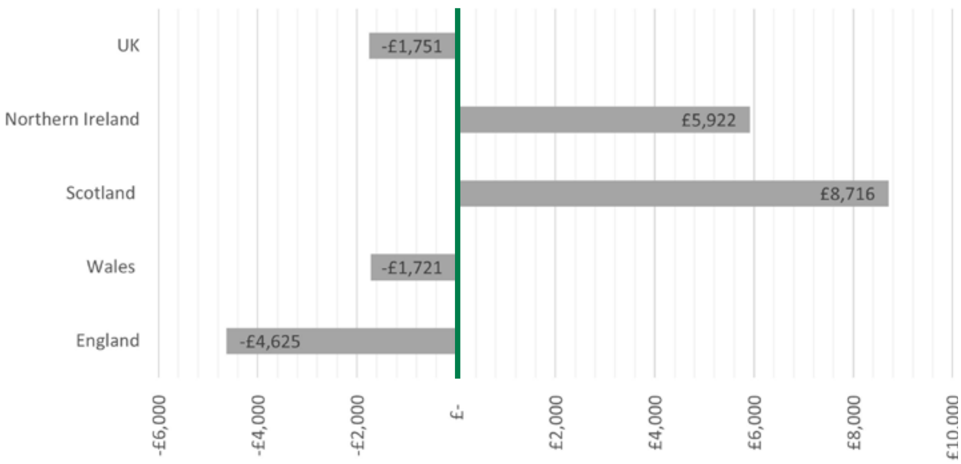
As can be seen in Figure 6, UK house prices increased marginally (by £1,264) in January 2024.

Figure 6: Average house price by country *



Source: ONS

Figure 7: Difference in average house price between January 23 and January 24*



Source: ONS

Figure 7 highlights the change in the average house price between January 2023 and January 2024 for each constituent part of the UK. Scotland has seen the largest gains in the period.

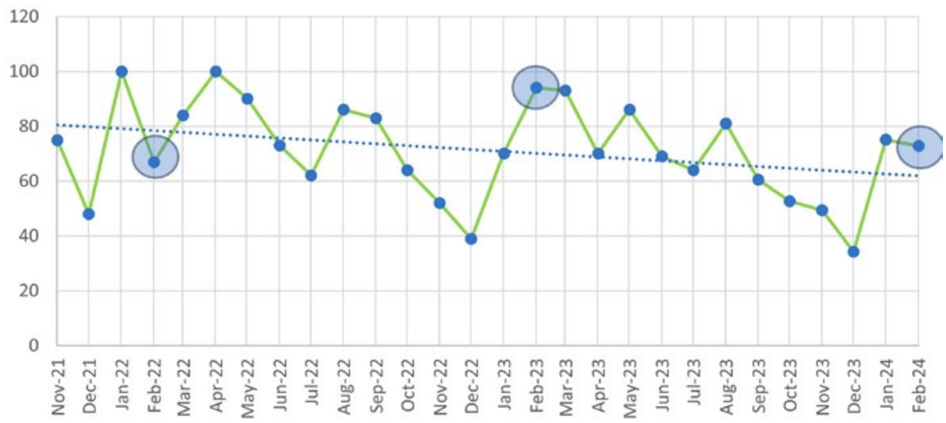
*Latest figure available. Figure for Northern Ireland data is copied forward as current data is not yet available.

Prospective buyer **registrations stall**

DEMAND

Although the average number of new prospective buyers registered per branch increased considerably in January 2024, momentum appears to have stalled with fewer buyers registered in February 2024 than in February 2023 (Figure 8, see data points denoted with blue circles).

Figure 8: Average number of prospective buyers registered per member branch

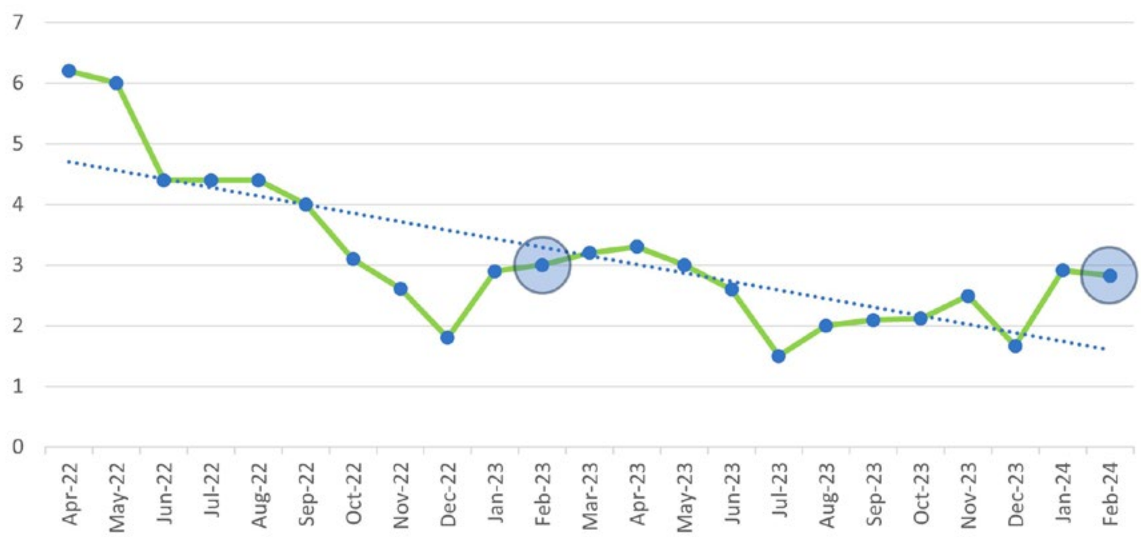


Source: Propertymark

VIEWING NUMBERS PLATEAU

Viewing numbers also appear to have plateaued, although they are broadly in line with the same period in 2023 (Figure 9).

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

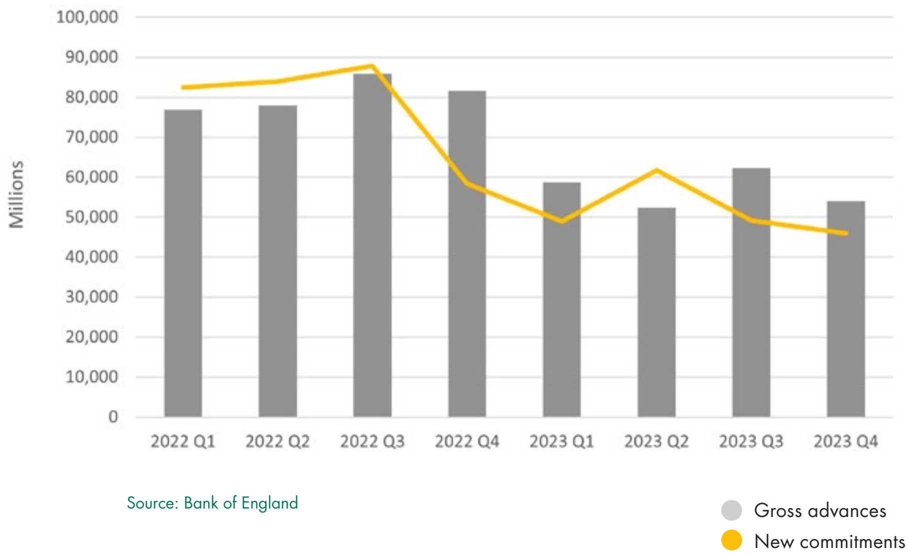


Source: Propertymark

Mortgage advances **decrease**

The Q4 2023 mortgage stats show a reduction in both gross advances and new commitments (Figure 10).

Figure 10: Gross mortgage advances and new mortgage commitments

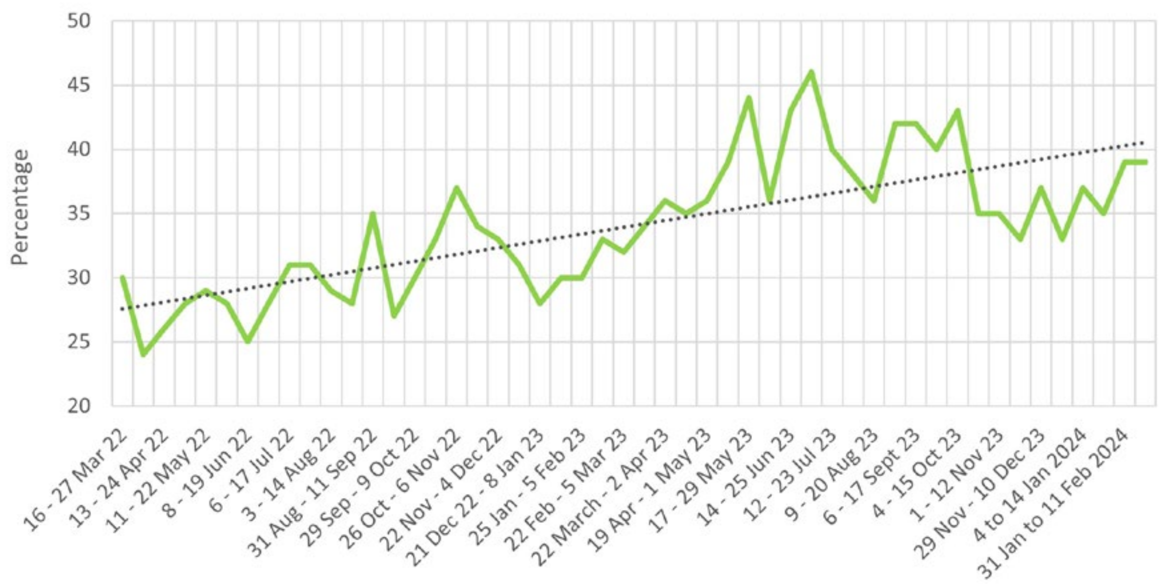


Source: Bank of England

AFFORDABILITY DIFFICULTIES CONTINUE TO TREND UPWARDS

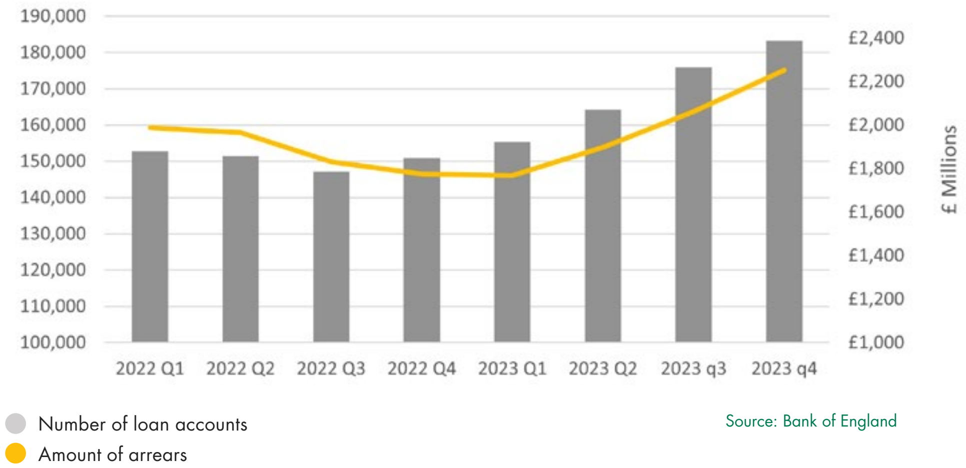
Although the number of adults finding it very or somewhat difficult to afford their rent or mortgage payments has continued to fluctuate, the trend is upward (Figure 11).

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

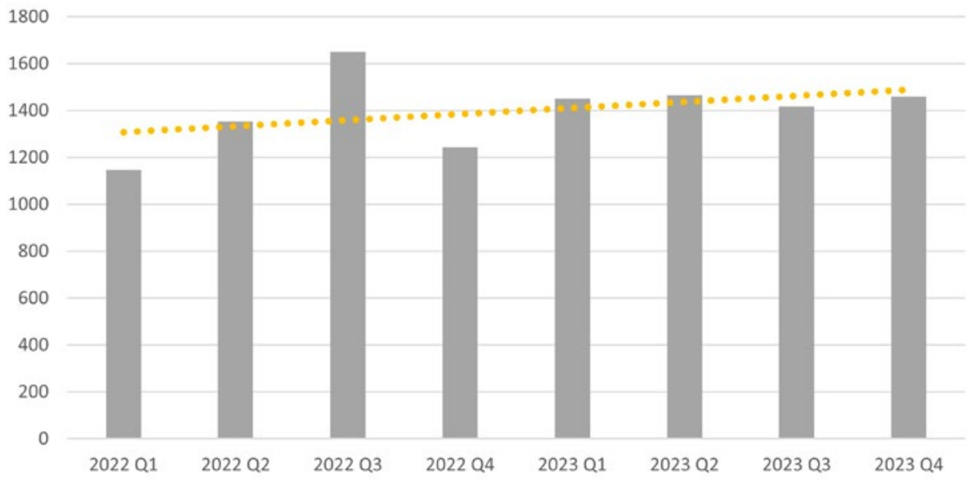
MORTGAGE ARREARS INCREASED IN Q4

The number of loan accounts in arrears and the amount of arrears continued to increase in Q4 2023 (Figure 12).

POSSESSIONS REMAIN STATIC

There was little change in new possession case numbers in Q4 2023 (Figure 13).

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



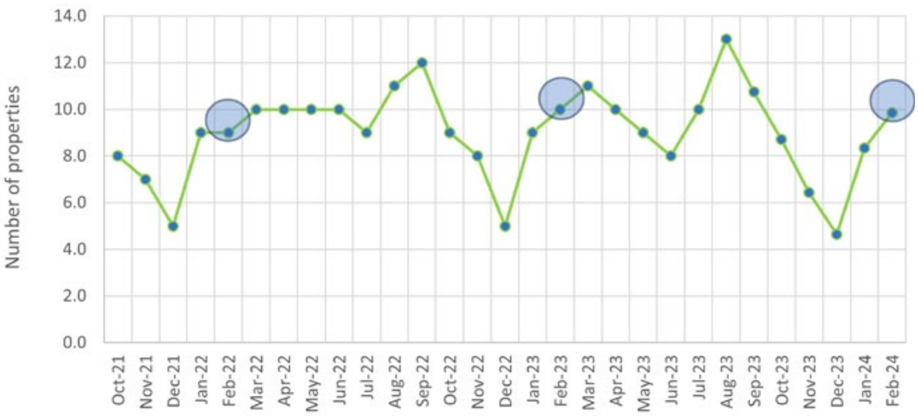
Source: Bank of England

New supply **continues to increase**

SUPPLY

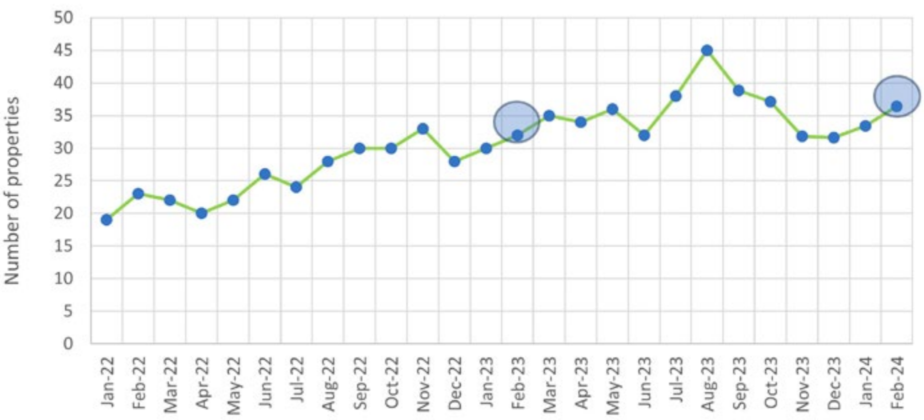
New supply has increased by around 18% on the previous month, with around 10 homes placed for sale per member branch in February. These figures are broadly in line with the activity levels witnessed in 2022 and 2023 (Figure 14, see data points denoted with blue circles).

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

Stock levels have increased by around 9% over the previous month (Figure 15) and are higher than in either February 2023 or February 2024 (see data points denoted with blue circles).

MARKET APPRAISAL VOLUMES ARE STATIC

There has been little change in the number of market appraisals conducted per member branch between January 2024 and February 2024 (Figure 16).

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

Source: Propertymark

Number of **sales agreed increases**

PERFORMANCE

In comparison to January 2024, the average number of sales agreed per member branch increased in February 2024 by around 19% (Figure 17) and is broadly in line with performance in February 2023 (see data points denoted with blue circles).

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

Source: Propertymark

ASKING PRICES CONTINUE TO DIVERGE FROM MARKET EXPECTATIONS

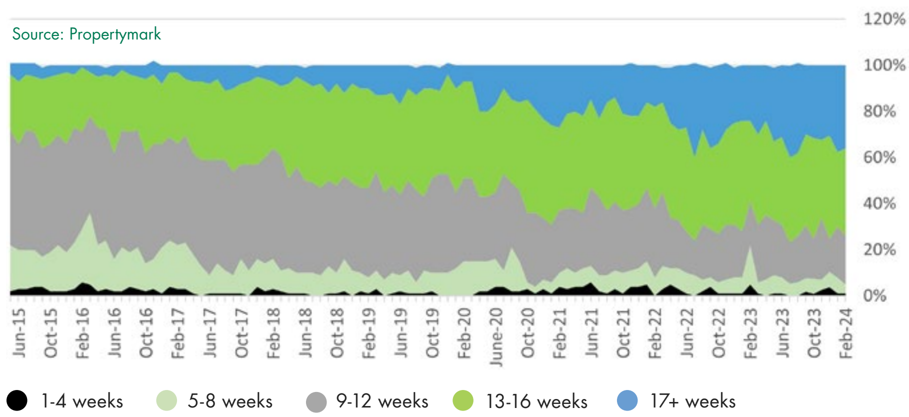
After a post-Christmas bounce, the number of properties selling at below asking price is on the rise again, suggesting that we are in a buyer's market (Figure 18).

TIME TO EXCHANGE REMAINS LENGTHY

The time to exchange has elongated considerably over the last decade. It remains to be seen if this trend will continue or if exchange times are normalising (Figure 19).

Figure 19: 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 significant increase in new sellers and buyers, the need to move and confidence has returned, however, the market is still price sensitive."

Michael Cornish, Managing Director
Michael Cornish (Chichester, West Sussex)

"The country market is still being hampered by the overhang of wet wintry weather, and grey skies and is holding people back from getting houses photographed- many lawns, as we transition out of February into March, still have not been cut. So, stock levels are still very low with high levels of demand. So, the market is well poised and once spring does appear there is likely to be a sudden increase in property reaching the market and buyers having more choice.

"Meanwhile encouraging viewing activity picking up, even on the "old chestnut" instructions with offers coming in. Should be a very busy market once the weather settles... if it ever does!"

Russell Hill, Director
Wilson Hill (Hampshire & West Sussex)

"There continue to be reasons for cautious optimism as we settle into 2024, with encouraging high activity levels from home-movers and a more stable housing market. While some would-be buyers will continue to be affected by elevated mortgage rates and major affordability constraints, many potential buyers who can afford to do so, have acted fast, with more sales agreed this year, so there are encouraging signs. More supply however means that asking prices need to be realistic if sellers wish to sell, as many new instructions coming to the market are under-cutting prices of existing stock. All in all, a great start to 2024."

Liz Milsom, Director
Liz Milsom Properties (East Midlands)

"The sales market around us has slowed because of limited stock. What does this do? It pushes prices up and doesn't give a true reflection on what is happening with the market in this particular area."

John J Martin, Partner
John Martin Estates (London)

"Strong listings showing many still want to move/sell. Lots of buyers but they dictate sale price by being very picky. A great 'Estate Agents' market to work with."

James Cobden, Senior Partner
Robinson-Jackson (Belvedere)

"We have had a surprisingly busy start to the year. January and February are usually quiet months for our island however this year we started the year with 8 completions in January and signed up more sales for completion in February and March. All these completions are in the lower bracket, up to £500,000. The top end of our market the properties £700,000-£1.5m is far quieter now."

Beth Chapman, Director
Bell & Co Ltd (Alderney, Channel Islands)

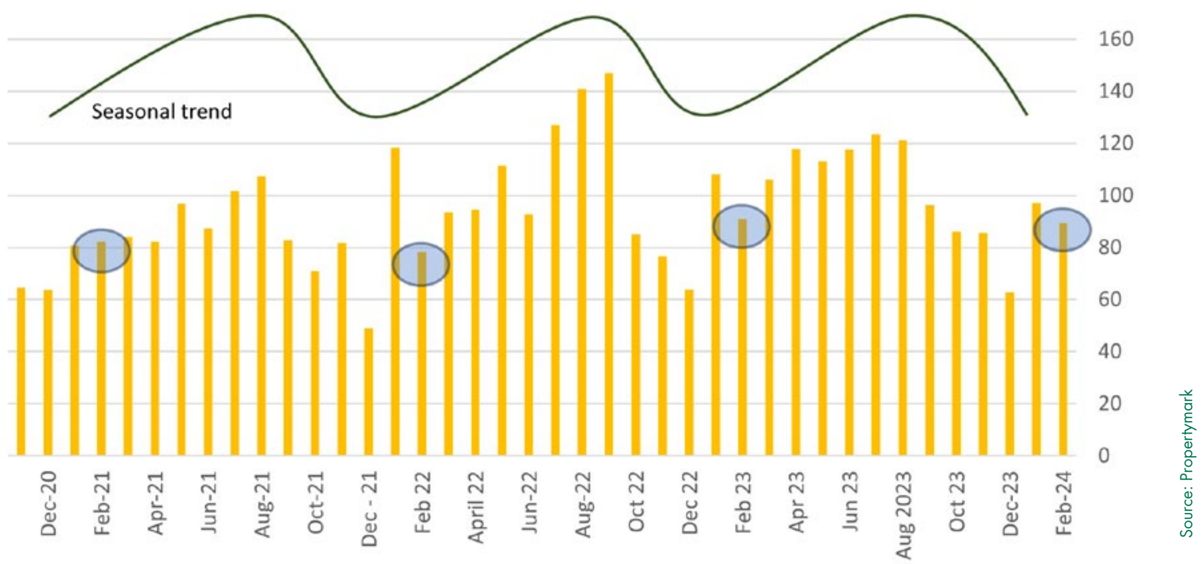
DEMAND

Tenant demand decreases

The number of new prospective tenants registered per member branch decreased from 97 in January 2024 to 89 in February 2024 (Figure 20).

As can be seen from the data points circled in blue, the figures differ little between February 2023 and February 2024.

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

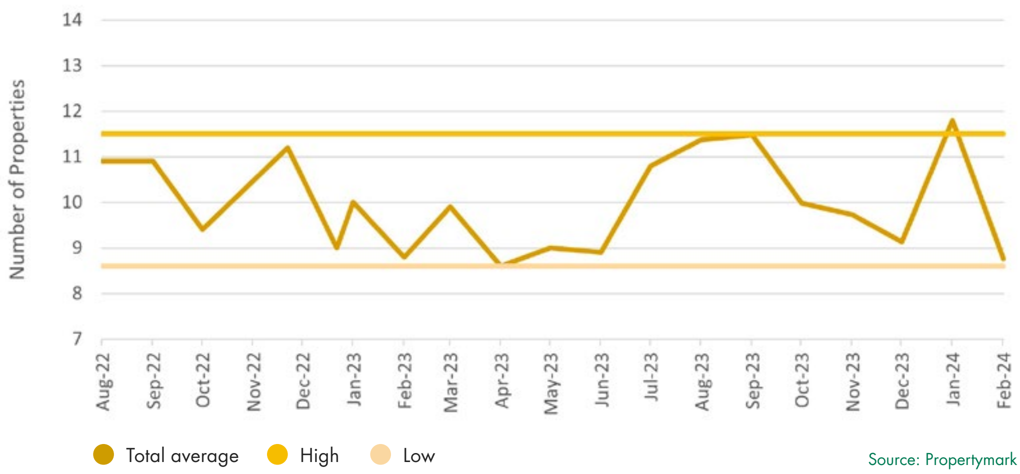


SUPPLY

Stock levels decrease

Stock levels continue to fluctuate albeit within long-run parameters (Figure 21).

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



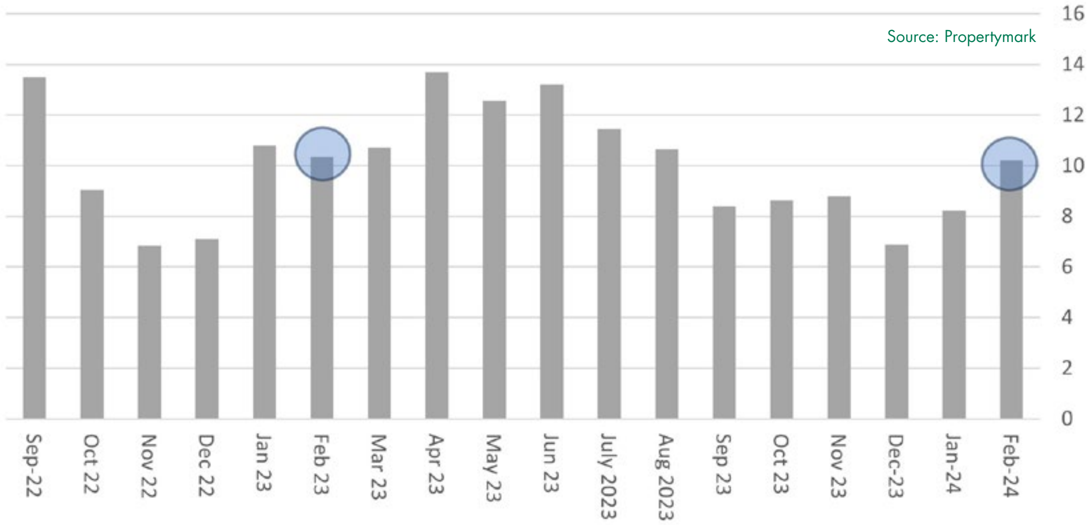
Source: Propertymark

DEMAND CONTINUES TO OUTPACE SUPPLY

Although the average number of new applicants registered per member branch decreased in February 2024 (Figure 20), the reduction in stock levels (Figure 21) means that demand continues to outstrip supply.

On average, there were around 10 new applicants registered per member branch for each available property in February 2024 (Figure 22), which is around the same number as in February 2023 (see data points denoted with blue circles).

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



PERFORMANCE

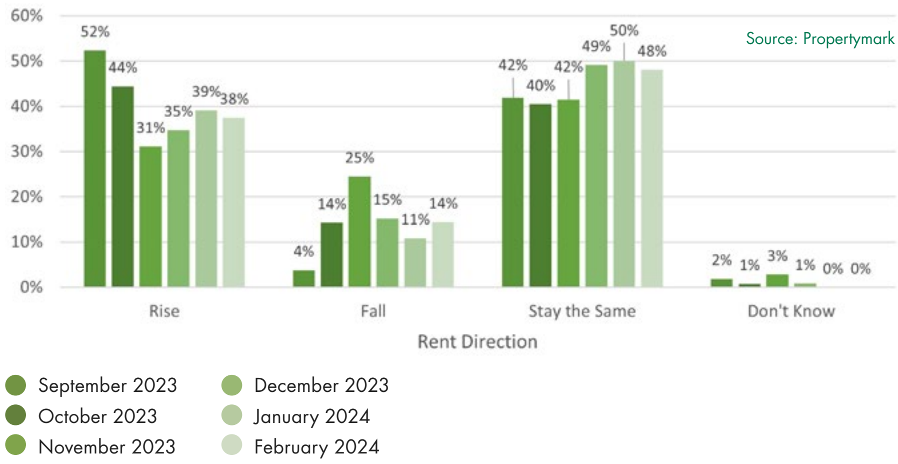
The number of **tenancies agreed decreases**

The number of new tenancies agreed dropped in February 2024 after a brief rally in January 2024 (Figure 23). One explanation is that tenants are currently unwilling or unable to move.

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



RENTAL PRICES CONTINUE TO FLUCTUATE

Roughly the same percentage of members reported rents rising, falling, or staying the same in February 2024 as in the previous month (Figure 24). However, it is notable that 38% reported seeing rents rise.

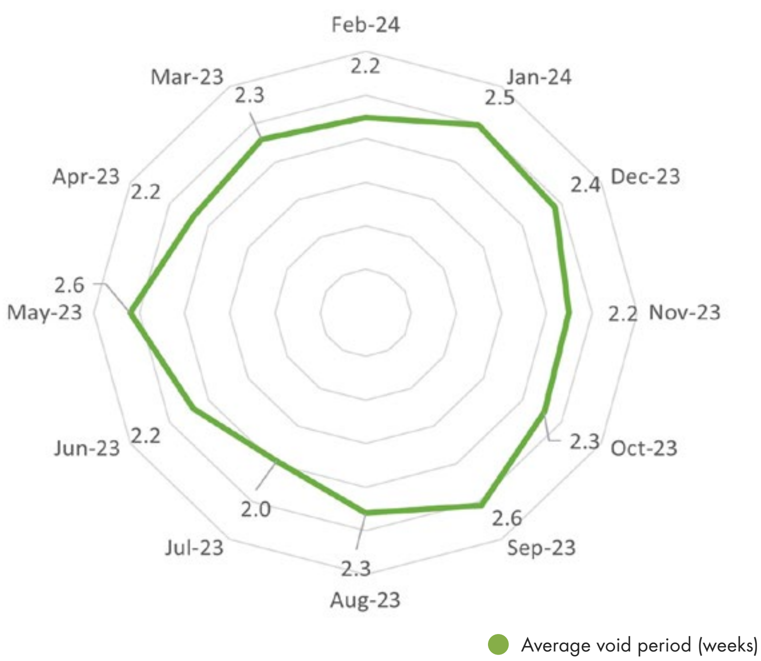
RENTAL ARREARS REDUCE

Rental arrears remain largely static in February 2024 with members reporting that just over 3% of fully managed and rent collect/rent management properties are in arrears (Figure 25).

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

LITTLE CHANGE IN VOID PERIODS

The average void period reduced slightly in February 2024 but remains within long-run parameters (Figure 26).



Source: Propertymark

Figure 26: Average void period between tenancies in weeks

MEMBER COMMENTS:

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

"The rental market is still characterised by low levels of supply and strong tenant demand in the outer suburbs of North London. Whilst market trends show that the aggressive rises of the past couple of years are cooling off, I expect rents in the outer suburbs to keep up with inflation in terms of new business and tenancy renewals. There is also an influx of tenants moving from more central areas of the capital, as commuter towns offer better value for money housing, coupled with the increase in working from home."

Chris Christodoulou, Director
Ashmore Residential (Hampstead)

"At the end of 2023, the market continued to experience an unsustainable demand for rental properties, due to a shortage in the PRS. We did however see a significant number of short-term operators come back into the PRS which was welcome news. However, unfortunately, this was outweighed by property owners deciding to leave the market and sell.

"This is mainly due to the increase in mortgage interest costs and a wealth of new legislation that came into force on 1st March which, has proved taxing for landlords financially, and resulted in a knock-on effect for tenants, with fewer available properties on the market and significant rent increases. It is now more important than ever to be proactive towards change collaboratively, to protect landlords and tenants and keep our industry sustainable."

John Davidson, Director
Southside Property Management (Edinburgh)

"Increased confidence has come back into the sales market in the early part of 2024. With the economy showing growth in January and the current shallow recession, all signs indicate that we will see a reduction in the BOE base rate at the back end of Q2. This has led to an increase in applicants, viewing numbers and stronger offers being received on available properties. The 'pension' buy to let investment purchases remain low due to high-interest rates and new tax implications for second homes meaning a lack of return on investment; however, the capital gains tax has meant that we have not seen a large number of landlords leaving the private rental market which was a concern for the 2024 market."

Gareth Mason, Director
Addison Townsend (London)

"February has seen more activity in the Eastern counties with Landlords deciding to sell up mainly due to the end of good, fixed-rate mortgage deals and the extra taxation from section 24 beginning to bite. I have been hearing Landlords just are not able to make any money anymore and if Landlords don't make any money on their investments, they begin to look at other investments and therefore dispose of their rental stock. This has been very bad news for lettings stock whereby I have also seen a 50% drop in new letting stock coming onto the market in recent months leading to a continuation of higher rents to the ever-depleting rental stock coming to the market."

Robert Ulph, ARLA Propertymark Advisory Panel Member and Managing Director, Pennington (East Suffolk)

"The Bath rental market's docile start to 2024 continued into February, with a general reduction in both demand and supply. Interest in smaller, city centre apartments remained resilient, with multiple interested parties for each property placed on the market. However, families appear to be only moving home where strictly necessary, resulting in precious few available houses on the market. The lack of appetite for this type of property has resulted in rents stalling on larger homes, whilst rents on one and two-bedroom apartments continue to soar."

Toby Martin, ARLA Propertymark Regional Executive and General Manager, Reside (Bath)

EATON-TERRY CLARK

"Demand continues to outstrip supply with many overseas workers seeking accommodation but unable to meet referencing/finance requirements. Landlords still wary about committing long term to renting but sluggish activity in sales has led to more enquiries about our rental services from those with an empty property."

Jenny Clark, Director
Eaton-Terry Clark (Exmouth)

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

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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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