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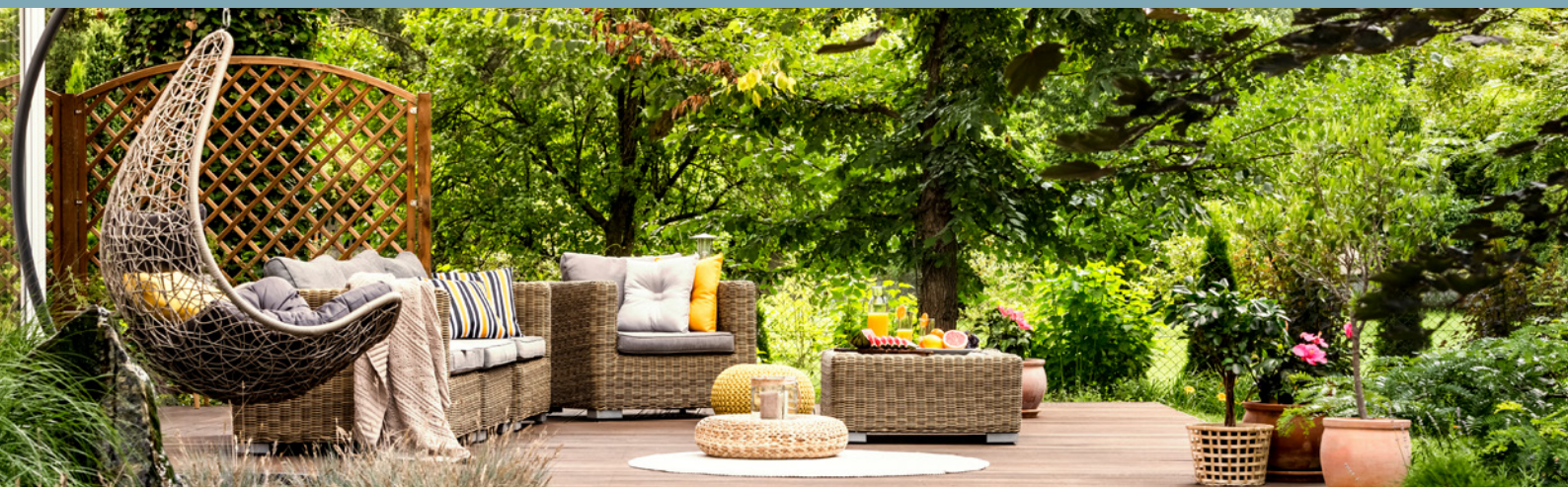
Residential Property Review May 2024



Housing market latest

The property market continues to find its feet after a difficult 2023, with buyers remaining cautious due to the higher cost of borrowing.

Mortgage rates may not be as high as they were last summer, but they are still elevated. While most experts agree that Bank Rate will be cut this year, there is uncertainty surrounding when this will happen. The Bank of England reported an increase in agreed sales resulting in mortgage approvals reaching their highest level in 18 months in March.

Price sensitivity remains among buyers, causing a slight dip in house prices in April, according to Nationwide. However, property experts Savills still envisage growth of 2.5% in 2024, and buyer confidence is expected to pick up once interest rates fall. This should close the widening gap between supply and demand, as sellers are currently returning to the market at a faster rate than buyers.

Annual rental growth across the UK was 6.9% according to Zoopla, with Scotland and the North East regions showing growth rates of 9.6% and 9.3% respectively.

Dip in prime London residential market

The prime market has been feeling the effects of higher mortgage rates, with the capital experiencing a significant slump.

According to data from Knight Frank, annual price growth in prime central London fell to -2.6% in April – the lowest figure in three years. Prime outer London did not fare as badly, with a smaller annual decrease of -1.2%. Knight Frank speculated that the weak growth may have been exacerbated by recently announced rule changes for individuals with non-domicile tax status.

On a positive note, supply in London has risen, with instructions rising by 10% between January and April of this year.

Affordability challenges in southern England

The divide in market activity between the south of England and the rest of the UK is becoming more evident.

The disparity can be traced back to the 2008 global crisis; the London property market bounced back afterwards and took southern England with it. By 2014, house prices in the capital were increasing at an annual rate of 20% according to Zoopla – an exponential growth rate unmatched by the rest of the country.

As a result, there is now significant disparity in housing affordability across the UK – data from USwitch shows that, in 2023, the average first-time buyer in Greater London had a deposit of £108,848. This is over three times more than those buying in the North East, who put down an average deposit of £29,740.

Zoopla's Executive Director of Research, Richard Donnell commented, *"With mortgage rates unlikely to get much lower in the short term, income growth is going to have to do the hard work in resetting affordability across southern England."*

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House prices headline statistics

House Price Index (March 2024)	148.3
Average House Price	£283,000
Monthly Change	0.7%
Annual Change	1.8%

*(Jan 2015 = 100)

- Average house prices in the UK increased by **1.8%** in the year to March 2024
- On a non-seasonally adjusted basis, average UK house prices increased by **0.7%** between February 2024 and March 2024
- The average price in London was **£499,663**.

Source: The Land Registry
Release date: 22/05/24
Next data release: 19/06/24

House prices Price change by region

Region	Monthly change (%)	Annual change (%)	Average price (£)
England	0.5%	1.0%	£299,321
Northern Ireland (Quarter 1 - 2024)	0.4%	4.0%	£178,499
Scotland	2.3%	6.7%	£191,678
Wales	0.9%	1.3%	£213,753
East Midlands	0.3%	1.0%	£242,223
East of England	0.5%	0.8%	£341,979
London	-0.9%	-3.4%	£499,663
North East	-0.4%	3.2%	£158,569
North West	1.1%	3.8%	£216,501
South East	0.3%	-1.3%	£373,223
South West	0.2%	0.5%	£316,262
West Midlands Region	1.4%	2.4%	£246,298
Yorkshire and The Humber	2.2%	5.0%	£209,868

Average monthly price by property type – March 2024

Property Type	Annual Increase
Detached £440,085	2.5%
Semi-detached £275,684	2.2%
Terraced £230,406	1.3%
Flat / maisonette £229,813	1.0%

Source: The Land Registry
Release date: 22/05/24

Housing market outlook

"Affordability constraints are still a significant challenge, for both new buyers and those rolling off fixed-term deals. Mortgage rates have edged up again in recent weeks, primarily as a result of expectations around future Bank of England base rate changes, with markets now pricing in a slower pace of cuts. If, as is still expected, downward moves in Bank Rate come into play later this year, fixed mortgage rates should fall. Combined with the resilience displayed by the housing market over recent months, we now expect property prices to rise modestly over the course of 2024."

Amanda Bryden, Head of Mortgages, Halifax

Source: Halifax, May 2024

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All details are correct at the time of writing (22 May 2024)

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