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JUNE / JULY 2024

PROPERTY INVESTMENT UPDATE

POSITIVE MARKET ACTIVITY

REGIONAL PRICE MOVEMENTS: **NORTH VS. SOUTH**

MARKET OUTLOOK **2024**

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The UK property market has shown signs of stabilisation throughout the summer of 2024, buoyed by easing inflation and the anticipation of the first base rate cut in years. House prices experienced a modest increase of 0.2% in June, bringing annual growth to 1.5%, according to Nationwide. This recovery was primarily driven by more affordable markets in the North West (4.1%) and Yorkshire and Humberside (3.7%). However, some southern regions, such as the East of England and the South East, saw declines of -1.8% and -1.1%, respectively, reflecting affordability challenges in these areas. London was an exception, with a slight annual increase of 1.6%.

POSITIVE MARKET ACTIVITY AND STEADY TRANSACTION RATES

Market activity has shown positive momentum, with completed transactions rising to 95% of their 2017-19 average in May. This represents the highest completion rate since March 2023, driven by strong buyer interest earlier in the year filtering through the system. However, more recent indicators suggest a slight dip in activity. Mortgage approvals fell to 92% of the pre-pandemic average in May, and the number of sales agreed dropped back to 94% of the average in June, according to data from TwentyCi.

The decline in activity coincided with a marginal increase in mortgage rates over recent months, which has caused a temporary softening in buyer demand. Despite this, supply remains robust, with many surveyors reporting an increase in the number of properties coming onto the market. This growing supply, combined with a slight decrease in demand, is expected to keep price growth modest in the short term.

ANTICIPATED BASE RATE CUT AND ITS IMPACT ON THE MARKET

The Bank of England's anticipated base rate cut, expected in August, could provide the boost needed to further stimulate market activity. Inflation fell to its target of 2% in May, paving the way for the first base rate reduction since the pandemic began. The potential rate cut is projected to have a greater impact on the mainstream property market than political events, including the recent General Election.

However, the Bank of England remains cautious, noting that inflation could increase again during the winter months due to rising energy costs. This could limit the extent of further interest rate cuts and slow the pace of house price growth.

REGIONAL PRICE MOVEMENTS: NORTH VS. SOUTH

The latest data from the Land Registry reveals a contrasting picture across the UK. More affordable regions such as Glasgow (4.7%), Hartlepool (4.6%), and Neath Port Talbot (4.4%) have seen the strongest annual growth, while southern markets like Canterbury (-10.6%), Eastbourne (-7.6%), and Lewes (-7.1%) experienced the largest declines. These patterns reflect the varying impact of higher borrowing costs on different regions, with lower-value markets showing greater resilience.

RENTAL MARKET TRENDS AND REGIONAL GROWTH

The UK rental market saw annual growth of 5.8% in May, down slightly from 6.6% in April, according to Zoopla. The North East continued to lead the way, with rental prices increasing by 9.4% year-on-year, followed by Scotland at 8.2%. Commuter belt locations, particularly in northern regions, outperformed their wider areas, with Rochdale (14.4%), Oadby and Wigston (12.4%), and West Lancashire (12.3%) recording some of the highest growth rates. The only area to see a decline in annual rental growth was Ryedale, where rents fell by 0.8%.

HOUSING SUPPLY AND MARKET BALANCE

The supply of homes for sale has risen significantly, increasing by 16% compared to the previous year. This higher availability of properties is helping to balance the market and provide buyers with more options. On average, estate agents now have 33 homes listed for sale—the highest number in six years. This rise in supply is expected to keep price inflation in check, contributing to a more stable market environment.

Sales activity has also grown, with a 16% increase in transactions. Many of these are properties that were previously rented out, with landlords opting to sell due to changes in taxation and stricter regulations. Approximately 12% of homes currently on the market were previously part of the rental sector. Despite this shift, a significant portion of these properties remains in the rental market, either being bought by new landlords or retained by existing ones.

MARKET OUTLOOK FOR 2024

Looking ahead, the UK housing market is poised for modest growth through the rest of 2024. Zoopla projects a potential 2% increase in house prices by year-end, with the strongest gains expected outside of southern England, where affordability remains a concern. The forecasted sales volume for 2024 is around 1.1 million transactions, slightly below the long-term average.

A possible base rate cut could further enhance consumer confidence, potentially increasing market activity. However, the overall impact on mortgage rates and housing affordability may be limited, particularly if inflationary pressures persist.

CONCLUSION: A STABLE BUT CAUTIOUS OUTLOOK

The UK housing market in 2024 is marked by stability and cautious optimism. While regional variations and affordability challenges remain, the general trend points towards a balanced market with steady growth potential. Both buyers and sellers should remain informed of local market conditions and broader economic indicators as they navigate the evolving property landscape.

The outlook for the rest of the year is positive, but challenges remain, particularly for lower-income households. With ongoing adjustments in the market, there are opportunities for savvy buyers and sellers to make well-timed decisions in this dynamic environment.

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