

# Residential Update and Outlook

September 2024

## Market Overview

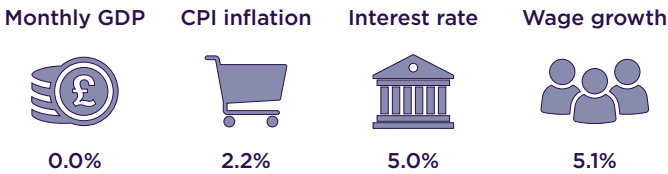
*This month we find a mixed picture across the UK economy as retail sales and the labour market (August data) showed signs of improvement and inflation remained relatively stable at 2.2%. However, GDP has now shown two consecutive months of no growth and the timelier measure of consumer confidence from GfK's series (September data) showed a concerning decline of seven points. The upcoming budget announcement in late October is probably casting a shadow over the economic outlook at the moment.*

*The UK housing market however continues to show signs of recovery, with rising sales activity, an improving supply pipeline and modestly increasing house prices. The August RICS Residential Market Survey reported a significant increase in new buyer enquiries and instructions while house price growth continues to accelerate, according to both Nationwide and Halifax this month. Softening mortgage rates and rising consumer and market confidence appear to be behind the rising momentum. The lettings market on the other hand is finally showing some signs of cooling with tenant demand easing slightly. While rental growth remains strong, it is beginning to moderate, particularly according to Zoopla's latest data.*

## Key Points

- For the second consecutive month there was no change in GDP in July, suggesting a slowdown in economic activity.
- Inflation remained unchanged in August at 2.2%, only slightly above the Bank of England's target rate of 2.0%.
- Warmer, drier weather helped boost retail sales in August as total volumes grew by 1.0% over July. This marks the strongest index level of retail sales volumes in over two years.
- GfK's Consumer Confidence Index fell seven points to -20 in September as the upcoming Budget announcements in October appears to be unnerving consumers. All five sub-measures within the Index declined during the month.
- The headline measures from the July Labour Force Survey showed a slightly improving labour market. Despite this, the total number of payrolled employees declined by nearly 60,000 in August, according to provisional estimates.
- Annual earnings growth continues to ease, down to 5.1% in the latest three-monthly figure, from 5.4% in the previous period.
- All three Purchasing Managers Indices (PMIs) remained in healthy expansion territory in August, with both services and manufacturing rising over the month and while the Construction PMI figure dipped, it is still firmly in positive territory at 53.6.
- House prices continue to rise steadily, increasing 2.4% annually according to Nationwide. Halifax reported annual price growth of 4.3% marking the strongest rate of growth in almost two years.
- Mortgage approvals rose in July, up 2% over the previous month but 26% more than the same month one year ago. Total sales transactions, while down on a monthly basis, are also up compared with July 2023, by over 7%.
- New buyer enquiries, new instructions, market appraisals and house price growth all showed gathering momentum according to the August RICS Residential Market Survey.
- Zoopla's latest rental market report finds that tenant demand has softened slightly compared with the last 1-2 years, while available property has also risen modestly. These conditions are helping to ease rental growth which is recorded as 5.4% annually.
- ONS data indicates rental growth is easing but at a very slow pace. Rates grew 8.4% annually in August, down from 8.6% in July.

## Economic backdrop



Sources: Bank of England, ONS (wage growth regular pay, excl bonuses)

## The Macroeconomy

- The UK economy experienced stagnation in July with GDP unchanged, following no change in June. Disaggregated, services GDP grew by 0.1% month on month as retail sales rebounded. However, production output declined -0.8% in the month and construction also fell, down -0.4% following 0.5% growth in June.
- Inflation rose by 2.2% in the 12 months to August unchanged from the July figure. The largest upward contribution came from air fares which rose by a strong 22.2% in August alone. On the other hand, the most notable downward contributions came from motor fuel, restaurants and hotel stays which all experienced price declines over the year.
- Interest rates were held at 5.0% in the latest meeting of the Monetary Policy Committee (MPC) in September. Following August's rate cut and inflation holding close to the Bank of England's target 2.0% rate, it is widely expected that a further 25 basis point cut will come in November, when the MPC next meets. However, only one out of the nine MPC members voted to reduce Bank Rate in September (with the other eight voting to hold), so a further four members will need to shift their position.

## Labour and employment

- The headline unemployment rate from the Labour Force Survey decreased to 4.1% this month, while the employment rate rose to 74.8%. Although the Labour Force Survey data is still considered unreliable, the overall trends across various measures should be examined. In this context, these headline figures are encouraging.
- That said, the number of payrolled employees declined by an estimated 59,000 in August. However, this figure is likely to be revised again next month, similar to the July data, which was initially reported as an increase of 24,000 but was later revised downward to a decrease of 6,000.
- The total number of job vacancies has now declined for the 26th consecutive reporting period. Three-monthly vacancies have decreased by 42,000, although they remain above pre-pandemic levels at 857,000.

- Wage growth has slowed again in the latest three-month period, falling to 5.1% annually (excluding bonuses) from 5.4% in the previous period. This is the lowest growth rate since April to June 2022. Average public sector pay growth was 5.7%, while the private sector equivalent was 4.9%.

## Market indicators

- The S&P Global UK Manufacturing PMI for August rose to 52.5, up from 52.1 in July. This marks the fourth consecutive expansion figure for manufacturing and is the highest level in over two years. New orders rose at their highest level so far this year while work backlogs were reported to have cleared at their fastest pace since November last year. Input cost inflation is still rising although at a lower rate than last month.
- Momentum continues in the UK services sector with the Services PMI (S&P Global) rising to 53.7 from 52.5 the previous month and well above the market consensus figure of 52.8. New business expanded sharply during the month with respondents citing an improved economic backdrop. Employment in the sector also rose and inflation fell to its lowest level since January (although wage pressures continue).
- For the sixth month in a row the UK Construction PMI remained in expansion territory. With a figure of 53.6 this showed a sustained rebound in business activity in the sector, although it is down slightly from July's figure of 55.3. New order growth was supported by a more optimistic economic backdrop and construction companies remain optimistic about the near-term outlook. Residential activity accelerated at its fastest rate since September 2022 as housing market conditions improved.

## Consumer demand and sentiment

- Retail sales volumes increased by 1.0% in August, up from a 0.7% rise in July. On an indexed basis the volume of sales reached its highest level since July 2022 with a particular boost coming from the sale of clothing and footwear in the month, due to the warmer weather after a rainy start to summer in June and July. Throughout 2024 sales growth has trended upwards all year reflecting improving consumer sentiment as wages rise and inflation has slowed.
- On the other hand, GfK's September Consumer Confidence Index showed a dip in confidence as it moved to -20 from -13 in August. There had been a slowly improving picture throughout most of 2024 however the threat of tax hikes in the upcoming Budget (30th October) seems to have put a firm stop to that. Every sub-measure fell on the month with the economic outlook over the next 12 months sub-measure falling 12 points to -27. The Major

Purchase Index declined by a hefty 10 points to -23 while consumers personal finances over the next 12 months metric fell nine points to -3 from +6 previously.

## Residential market

Monthly mortgage approvals



61,985

Balance of new enquiries



+15%

UK annual house price growth



2.4%

UK annual rental growth



8.4%

Sources: Bank of England, RICS, Nationwide, ONS

## Residential sales

### Mortgages and transactions

- The mortgage market continues to show signs of significant improvement with total mortgage approvals rising for the third month in a row. July's figure of just under 62,000 approvals marks a 2% increase over June's total. This figure is significantly above the same month last year, by over 25%, and is not far away from the long-term monthly average of 63,000.
- Total sales activity declined slightly in the month to a (provisional) figure of 90,630 recorded sales. This is down 1% from June but more promisingly is 7% above the same month last year. Given the usual lag in completions and the fact that mortgage approvals declined marginally in the weeks before the General Election and the much-anticipated interest rate cut, this comparable decline in activity has been anticipated. Equally, we foresee a rise in sales in the coming months as interest rates and mortgage rates continue their gradual descent while the forthcoming Budget will hopefully remove another layer of uncertainty in the market
- The average mortgage rate is now just over 5.04% (85% LTV, two-year fixed). This marks a slow and steady decline from the recent high in May when it was 5.46% (Rightmove / Podium). Although the Bank Rate was cut by 25 basis points to 5.0% in August most lenders had already priced this in, so there was no immediate corresponding drop in mortgage rates.

### Supply and demand

- The August RICS Residential Market Survey indicates some improving sales market conditions during the month, likely supported by softening mortgage rates and some market stability following the General Election in July. A net balance of +15% in the new buyer enquiries metric is up from +4% last month and is the strongest reading on this measure in almost

three years. On the supply side new instructions also improved with a reading of +7% in August, up from +3% in July. The market appraisals measure also rose to +23%, further indicating an improving market.

- Rightmove reports some robust sales market conditions with the number of agreed sales over the most recent four weeks up 27% compared with the same period last year. Rightmove goes on to say that the number of new sellers is up 14% and the average number of available homes for sale per estate agent is now at its highest level since 2014.

### UK prices and price growth

- For the fourth month in a row annual house price growth increased, according to Nationwide's August report. The average UK house price is now £265,375 according to the Bank, reflecting a 12 month increase of 2.4%, up from 2.1% in July. On a monthly basis house prices dropped -0.2% but the annual rise is the strongest growth recorded since December 2022.
- August saw house prices grow at their fastest pace since November 2022 according to Halifax, increasing by 4.3% year on year. This strong increase is attributed to the weaker prices seen this time last year. On a monthly basis prices grew by 0.3% following 0.9% growth in July. The bank reports that the average UK home is now £292,505, the highest price since August 2022
- Similarly, Rightmove also reported continuing house price growth with their September report noting an annual asking price rise of 1.2%, up from 0.8% the month before. The web portal goes on to say that monthly new seller asking prices grew 0.8% which is double the long-term average for this time of year. 'Second-stepper' asking prices increased the most, rising by an average of 1.4% over the last year.
- July saw house prices grow by 2.2% (annually) according to the official ONS House Price Index. This was down slightly from 2.7% annual growth recorded in June. The average UK house price is now £289,723 reflecting a 0.6% rise month on month and has now surpassed the previous peak of the market in September 2022 by +0.4%.
- For the first time since October 2022 the house price net balance from the RICS survey moved into positive territory in August. Although it is still only at +1% this is well above -18% in July and marks a huge change in sentiment. Following the completion of the General Election in early July and the first interest rate cut since 2020 there is clearly some optimism about the market. Looking ahead, +14% of respondents expect house price growth in the short-term while the longer-term 12-month forecast was stronger at +50%.



## Regional prices and price growth

- According to the regional ONS data Scotland topped the table in annual house price growth in July, recording an average 6.0% rise. This is well above the next highest from the North East at 3.8%, Yorkshire and the Humber (3.7%) and Northern Ireland (3.2%). Yet again the slowest price growth was found in all the highest average priced locations, with London recording an annual decline of -0.4% followed by the East of England (0.3%), the South East (0.5%) and the South West (1.0%).
- In London's 32 boroughs the strongest growth was recorded in Greenwich with an annual rise of 6.0% followed by Redbridge (5.4%) and Lewisham (4.7%). 12 of the boroughs saw house price falls over the year. The average house price in the 20 outer London boroughs is now £482,323 reflecting an annual increase of 1.5% compared with an average of £592,732 in the inner London boroughs, showing a -2.4% fall.
- In our 19 tracked Carter Jonas locations prices rose by 3% annually, slightly above the UK average. Top of the table for growth came from the Vale of White Horse where prices were grew by 6.9%, followed by South Cambridgeshire at 5.8% and Winchester at 5.1%. Just one location saw price declines over the year, with an average fall of -0.2% in Cornwall.

## Residential lettings

### Supply and Demand

- Tenant demand eased in July, according to ARLA Propertymark's latest report. The average number of new prospective tenants decreased from 99 to 88 in July. This is below the same month one year ago when the average was around 122 per member branch and significantly down from the 130 in July 2022. Of total stock levels, the report notes that the average number of new property instructions per branch continues to slowly trend downwards, moving from an average of around 5.5 in October 2022 to just over 3 in the latest report.

- While tenant demand continues to rise modestly, according to the RICS residential survey, the net balance of +11% is down from +26% last month. On the supply side new landlord instructions was once again negative at -21%, down from -9% in July.
- Zoopla's latest report into the private rental market finds however that the number of homes for rent is 18% higher than a year ago. Having said that, the figure is still 24% below the pre-pandemic average. They go on to say that demand is also finally cooling with an average of 21 tenant enquiries per rental home, well down from an average of 40 two years ago.

### Rents and rental growth

- Latest rental growth figures from the Price Index of Private Rents (PIPR, provided by the ONS), shows that again rental growth is easing but at 8.4% annually, growth is still very strong by long-term standards. Across the regions London still tops the table for both growth (9.6%) and average rent rates (£2,129 per calendar month (pcm)) but this is closely followed by rent rises in the West Midlands (9.3%), the North West (9.2%) and East Midlands (9.1%).
- Of all local authorities and regions in the UK, Brent, in London, has once again recorded the highest rate of annual growth at a substantial 33.6%. This marks the fifth consecutive month in which the borough has experienced growth exceeding 30%. With an average monthly rental rate now at £2,121, this reflects a remarkable 42% increase over the past two years, equivalent to an additional £633 per month.
- Zoopla on the other hand has reported that rental growth is slowing much more quickly, moving to 5.4% annually, well below the 10.2% at the same period last year.

## HM Treasury Forecasts for the UK Economy, September 2024

Sources: HM Treasury Consensus Forecasts September 2024 and August (long-term forecasts)

	2024	2025	2026	2027	2028
Official Bank Rate (%)	4.70	3.75	3.64	3.27	3.12
House price inflation (annual, %)	2.4	2.6	2.2	3.4	3.6
CPI inflation rate (annual average, %)	2.6	2.2	2.2	2.4	2.3
Unemployment rate (%)	4.3	4.4	4.5	4.4	4.4
GDP (annual, %)	1.1	1.3	1.5	1.6	1.5
Average earnings growth (annual, %)	4.7	3.2	3.4	3.3	3.2

## Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 20 September and compare with data retrieved on 19 July)

	Current	Previous	Direction of change
GDP monthly	0.0%	0.0%	↔
Inflation rate (CPI)	2.2%	2.2%	↔
Interest rate	5.0%	5.0%	↔
Employment rate	74.8%	74.5%	↑
Unemployment rate	4.1%	4.2%	↓
Weekly earnings growth, regular pay (excl bonuses)	5.1%	5.4%	↓
S&P Global UK Manufacturing PMI	52.5	52.1	↑
S&P Global UK Services PMI	53.7	52.5	↑
S&P Global UK Construction PMI	53.6	55.3	↓
Retail sales volume (monthly % change)	1.0%	0.7%	↑
GfK Consumer Confidence Index	-20	-13	↓
Bank of England mortgage approvals (monthly)	61,985	60,611	↑
Nationwide house price inflation (annual)	2.4%	2.1%	↑
Halifax house price inflation (annual)	4.3%	2.4%	↑
Official UK House Price inflation (annual)	2.2%	2.7%	↓
Rightmove House Price Index (UK, annual, asking)	1.2%	0.8%	↑
Price Index of Private Rents (UK, annual)	8.4%	8.6%	↓
£ Sterling: \$ USD	\$1.33	\$1.30	↑
£ Sterling: € Euro	€1.19	€1.19	↔
Brent Crude Oil (USD)	\$74.53	\$85.09	↓
Gold (USD)	\$2,608.28	\$2,413.09	↑
FTSE 100	8,283.68	8,169.21	↑
UK 5 Year Gilt Yield	3.7630	3.9500	↓

## Official House Price data, HM Land Registry, July 2024

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Vale of White Horse	£427,416	2.1%	6.9%
South Cambridgeshire	£441,856	-0.1%	5.8%
Winchester	£491,931	-2.2%	5.1%
North Yorkshire	£278,022	2.2%	4.6%
Leeds	£244,293	3.3%	4.5%
Bath and North East Somerset	£442,026	-0.1%	4.5%
Oxford	£475,247	3.1%	4.1%
West Berkshire	£410,328	-0.1%	3.7%
South Oxfordshire	£496,562	-0.1%	3.5%
Somerset	£293,754	1.4%	2.6%
Wiltshire	£329,279	1.2%	2.5%
West Oxfordshire	£380,383	1.6%	2.3%
Cambridgeshire	£346,326	0.5%	2.1%
Dorset	£354,590	1.1%	1.6%
York	£321,231	0.5%	1.3%
Devon	£326,437	0.4%	1.0%
Suffolk	£288,119	0.7%	0.8%
Cambridge	£487,493	0.6%	0.4%
Cornwall	£300,995	0.6%	-0.2%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Scotland	£199,398	3.1%	6.0%
North East	£164,555	0.1%	3.8%
Yorkshire and The Humber	£214,918	-0.5%	3.7%
Northern Ireland	£185,025	0.0%	3.2%
North West	£219,887	0.0%	2.8%
East Midlands	£248,817	1.3%	2.5%
West Midlands region	£253,707	0.0%	2.2%
<b>United Kingdom</b>	<b>£289,723</b>	<b>0.6%</b>	<b>2.2%</b>
Wales	£218,184	1.1%	2.0%
England	£305,879	0.2%	1.6%
South West	£320,415	0.5%	1.0%
South East	£381,188	0.1%	0.5%
East of England	£341,160	0.7%	0.3%
London	£520,747	-0.3%	-0.4%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£520,747	-0.3%	-0.4%
Prime Central London	£1,034,248	-6.1%	-17.2%
South West London	£724,420	1.5%	-0.6%

## Official House Price data, HM Land Registry, July 2024

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Greenwich	£456,565	4.4%	6.0%
Redbridge	£479,875	1.3%	5.4%
Lewisham	£460,621	3.3%	4.7%
Enfield	£454,050	2.7%	4.4%
Ealing	£549,466	1.0%	4.4%
Wandsworth	£631,945	0.5%	3.0%
Camden	£858,303	2.6%	2.8%
Newham	£418,181	6.9%	2.5%
Hillingdon	£459,054	2.1%	2.2%
Merton	£585,894	1.3%	2.2%
Havering	£425,352	2.1%	2.0%
Kingston upon Thames	£546,943	1.3%	1.8%
Bromley	£503,529	1.4%	1.3%
Bexley	£401,026	-1.4%	1.2%
Waltham Forest	£483,613	-1.2%	1.2%
Harrow	£512,447	1.2%	1.2%
Lambeth	£535,066	0.6%	0.9%
Barnet	£592,597	0.1%	0.8%
Barking and Dagenham	£340,664	1.6%	0.7%
Hounslow	£451,609	-0.6%	0.5%
Brent	£513,133	-3.6%	-0.1%
<b>London</b>	<b>£520,747</b>	<b>-0.3%</b>	<b>-0.4%</b>
Tower Hamlets	£452,572	-0.9%	-0.5%
Croydon	£396,032	0.4%	-0.6%
Islington	£684,844	-2.2%	-0.8%
Sutton	£423,468	0.1%	-1.5%
Richmond upon Thames	£744,282	1.3%	-2.1%
Hammersmith and Fulham	£797,032	2.4%	-2.8%
Haringey	£571,385	4.1%	-3.1%
Southwark	£486,749	2.1%	-3.3%
Hackney	£563,111	-2.3%	-5.7%
Kensington And Chelsea	£1,164,140	-7.7%	-16.5%
City of Westminster	£904,355	-4.0%	-17.9%
Outer London	£482,323	0.8%	1.5%
Inner London	£592,732	0.4%	-2.4%

## Official Price Index of Private Rents, ONS, August 2024

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
York	£1,112	0.2%	11.3%
Winchester	£1,382	0.7%	9.6%
Bath and North East Somerset	£1,601	1.3%	8.4%
South Oxfordshire	£1,300	1.2%	8.2%
West Berkshire	£1,216	0.6%	8.1%
Cambridge	£1,681	1.0%	7.9%
South Cambridgeshire	£1,288	0.8%	7.5%
Wiltshire	£960	1.1%	7.1%
Vale of White Horse	£1,239	0.5%	6.4%
North Yorkshire	£790	0.8%	6.3%
West Oxfordshire	£1,252	0.3%	6.2%
Oxford	£1,693	1.0%	5.6%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,129	0.7%	9.6%
West Midlands	£893	1.0%	9.3%
North West	£855	0.5%	9.2%
East Midlands	£836	0.5%	9.1%
Wales	£752	0.5%	8.5%
England	£1,327	0.6%	8.5%
South East	£1,314	0.5%	7.7%
East of England	£1,167	0.7%	7.6%
Scotland	£969	0.4%	7.5%
Yorkshire and The Humber	£797	0.5%	7.0%
North East	£682	0.9%	6.7%
South West	£1,132	0.1%	6.4%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,129	0.7%	9.6%
Prime Central London	£3,259	0.5%	8.1%
South West London	£2,321	0.7%	9.0%



## Official Price Index of Private Rents, ONS, August 2024

Source: Office for National Statistics

Notes: Average rent is across all bedrooms and property types, per calendar month (pcm)

London Borough	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
Brent	£2,121	0.4%	33.6%
Greenwich	£1,818	0.4%	14.9%
Sutton	£1,463	0.8%	14.3%
Islington	£2,557	0.9%	13.9%
Hounslow	£1,742	1.7%	11.6%
Hillingdon	£1,443	0.8%	11.4%
Harrow	£1,627	0.9%	11.3%
Ealing	£1,871	1.6%	11.1%
Havering	£1,412	0.8%	11.0%
Hackney	£2,368	0.3%	10.9%
Croydon	£1,442	0.8%	10.7%
Hammersmith and Fulham	£2,585	0.5%	10.7%
Tower Hamlets	£2,257	0.5%	10.3%
Haringey	£2,017	1.2%	10.1%
Redbridge	£1,555	1.0%	9.7%
<b>London</b>	<b>£2,129</b>	<b>0.7%</b>	<b>9.6%</b>
Enfield	£1,596	1.6%	9.4%
Lewisham	£1,679	0.7%	9.1%
Barking and Dagenham	£1,461	1.0%	8.9%
Waltham Forest	£1,625	0.8%	8.9%
Kensington And Chelsea	£3,418	0.2%	8.7%
Bromley	£1,557	0.6%	8.5%
Wandsworth	£2,357	0.6%	8.5%
Richmond upon Thames	£2,021	1.1%	8.0%
Southwark	£2,251	1.0%	7.7%
Lambeth	£2,210	0.9%	7.6%
Westminster	£3,099	0.9%	7.5%
Merton	£1,944	0.7%	7.0%
Kingston upon Thames	£1,670	0.7%	6.6%
Bexley	£1,337	0.8%	6.5%
Newham	£1,716	0.2%	5.9%
Barnet	£1,765	0.7%	5.8%
Camden	£2,482	-1.0%	1.6%



## About Carter Jonas

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## Residential Research

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