

Residential Update and Outlook

October 2024

Market Overview

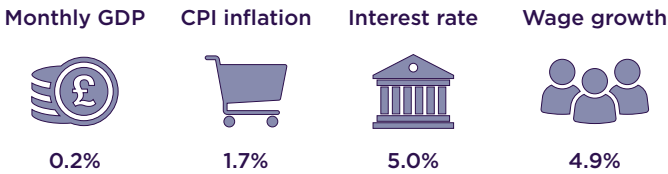
The latest market indicators suggest that the UK economy is showing continued resilience. This month, there was positive GDP growth, a significant decline in inflation, and rising retail sales. And although the labour market displayed some encouraging signs, overall it continues to soften, a trend that has been ongoing since the start of the year. Additionally, this month, **Deloitte released its latest survey of UK CFOs**, revealing a slight decrease in optimism following a bounce after the general election in July. This downturn in optimism may be partly influenced by the upcoming budget, but it seems that broader geopolitical events are having a more significant impact on dampening business optimism.

Over in the residential sales market, average house prices continued to climb, with all three major indices reporting higher year-on-year growth this month compared to the previous month. This trend aligns with the RICS market survey, which indicated positive momentum in all areas of the sales market during September. The summer boost in consumer confidence and declining mortgage rates have probably supported demand and house price increases. However, anecdotal evidence suggests that the upcoming budget may have slightly dampened demand throughout October.

Key Points

- The economy finally showed some signs of life with GDP growing in August at 0.2%, following two months of no growth.
- CPI inflation declined to 1.7% in September, down from 2.2% the previous month and now the lowest rate of inflation in over three years.
- Retail sales volumes were up 0.3% in September, down slightly from August but still above market expectations which suggested there might be a fall in sales.
- Consumer confidence slipped another point in October, down to -21 amid worries of the upcoming Budget and potential tax hikes.
- Headline indicators from this month's Labour Force Survey showed the employment rate rose slightly to 75.0% in August, while the unemployment rate fell to 4.0%. However, the number of payrolled employees decreased by 15,000 in September, and job vacancies continued to decline.
- Annual earnings growth slowed for the fourth month in a row, down to 4.9% in August from 5.1% the previous month and well below the peak at 7.9% annual growth in August last year.
- Despite both Manufacturing and Services Sector Purchasing Managers Indices (PMIs) declining during September, they still remained in expansion, with both reading over the '50' threshold. The Construction Sector PMI meanwhile rose to its highest level in over two years, to 57.2.
- Both Nationwide and Halifax recorded their highest annual rate of house price growth since November 2022, at 3.2% and 4.7%, respectively.
- The number of mortgage approvals continued to increase in August, up 4% over July and 42% over the same period in 2023, to reach 64,858 during the month.
- The RICS residential market survey reports a stable sales market with new buyer enquiries still in positive territory and new instructions rising strongly in September to +22%. Agreed sales remained in positive territory for the second month in a row, the first time this metric has been positive for two consecutive months since February 2022.
- Rightmove's latest quarterly rental market tracker reports that the average number of tenant inquiries per available property remains high at 15, although this is significantly lower than last year's figure of 23.
- No change in the rate of rental growth this month with the ONS reporting annual growth of 8.4% across the UK in September.

Economic backdrop



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

The Macroeconomy

- Monthly GDP grew by an estimated 0.2% in August, following no growth recorded in both June and July. Disaggregated, services output rose by 0.1% while production output increased 0.5% and construction grew 0.4%. In the three months to August growth is estimated to have been 0.2% with services output being the main contributor, increasing by 0.1%.
- Annual inflation declined to 1.7% in September, down from 2.2% in August. This marks the lowest rate of inflation since April 2021. The largest monthly downward contribution came from transport, particularly air fare and motor fuel prices. Prices also fell for housing, utilities and furniture and household equipment while costs rose less in recreation and culture, restaurants and hotels.
- There is no meeting of the Monetary Policy Committee (MPC) during October, so Bank Rate remains at 5.0%. We still anticipate at least one more cut to the rate in one of the next MPC meetings, of which there are two left before the end of the year.

Labour and employment

- According to the latest Labour Force Survey the UK employment rate edged up slightly in the three months to August, moving to 75.0% from 74.8% in the previous reading. The unemployment rate also moved down slightly to 4.0% from 4.1% previously.
- Latest estimates for the number of payrolled employees for September shows the figure has fallen by 15,000 during the month. This figure though is still provisional and should be treated with caution as it is likely to be revised.
- Job vacancies fell again for the 27th consecutive reporting period, down 34,000 during the quarter to 841,000 total vacancies.
- Finally, annual growth in employee wages shows a rise of 4.9% on average, down from 5.1% the previous month. This is the slowest rate of growth since June 2022 as wage growth eased in both the private and public sectors. Manufacturing posted the highest annual increase at 6% while finance and business services saw the lowest rate at 4.4%.

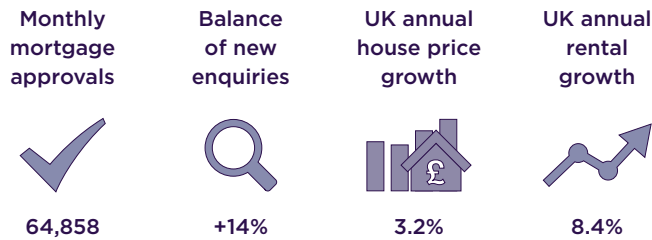
Market indicators

- The manufacturing sector remained in expansion in September, according to the latest S&P Global UK Manufacturing PMI, with a reading of 51.5. This is down from August's 52.5, with the Autumn Statement on the horizon leading to slower growth. Despite this, the figure is still above the neutral '50' for the fifth month in a row, driven by domestic demand and both new orders and total output rising.
- The UK Services PMI also fell in September, from 53.7 in August to 52.8 although this marks the 11th month in a row of expansion. New business orders rose solidly with the technology services sub-sector particularly positive about demand. Employee growth rose only marginally while rising wages and shipping costs put pressure on input cost inflation.
- The UK Construction PMI meanwhile rose well past expectations increasing to 57.2 in September, up from 53.6 previously. This marks the highest rate of expansion in the sector since April 2022 and is the seventh consecutive month of expansion. New orders expanded at their fastest pace in over 2.5 years and overall activity rose to its strongest in nearly three years. Civil engineering projects increased the most on the month although both commercial and residential work also rose at strong rates.

Consumer demand and sentiment

- Retail sales volumes rose by 0.3% in September, down from 1.0% in August. Computers and telecommunications sales grew strongly but this was offset by falls from supermarket sales. Overall, sales at non-food stores rose sharply by 2.5% while food store sales declined 2.4%, the largest fall of the year in this sector. Year on year sales volumes have risen by 3.9%, the largest annual increase since February 2022.
- The GfK Consumer Confidence indicator for October slipped another point to -21, down from -20 in September. This is the lowest level since March with the likely cause of the downbeat mood being the looming Budget and potential tax increases. Of the sub-measures, consumers feelings about the general economy in the year ahead worsened while their feelings about their own personal finances improved slightly.

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- The Bank Rate decrease of 25 basis points in August helped lead to a further rise in monthly mortgage approvals, as they reached their highest level in two years. According to the latest data from the Bank of England, approvals totalled 64,858 during the month, representing a 4% increase over the upwardly revised July figure and a substantial 42% increase compared to the same month last year.
- Total sales activity meanwhile remained largely unchanged over July's figure, hovering just over 90,000 transactions during the month of August. This still represents a 5% rise over the same period last year.
- We anticipate at least one more interest rate cut before the end of the year, which will likely boost mortgage activity further. However, the upcoming Autumn Budget is causing some market uncertainty. Until its contents are revealed at the end of October, we may see a slowdown in market activity as consumers and homebuyers adopt a wait-and-see approach.
- The average mortgage rate is now around 4.92% (85% LTV, two-year fixed), down from 5.04% last month and continues the steady decline from the recent high of 5.46% in May (Rightmove / Podium).

Supply and demand

- RICS reports improving market sentiment again during September, in their latest residential market survey. New buyer enquiries remained at +14%, relatively unchanged from August, while the new instructions measure rose sharply to +22%, from +9% previously. The agreed sales measure though is still only modestly positive at +5% although a much-improved figure than -13% just four months ago.
- In Rightmove's latest report on the housing market they found that the number of agreed sales is up 29% compared with the same time last year. They go on to say that demand is strong with a 17% rise in the

number of people contacting agents about homes for sale while the number of available properties for sale is up 12% from last year.

UK prices and price growth

- House price growth rose again in September, increasing to 3.2% from 2.4% the month before and marks the fastest pace of annual growth since November 2022. On a monthly basis prices grew by 0.7%. In all, the average UK property is now £266,094, just 2% below the peak reached in the summer of 2022.
- Halifax also recorded the highest annual rate of house price growth in almost two years, with prices rising 4.7% in September. This is up from 4.3% in August and reflects a 0.3% monthly increase.
- Average new seller asking prices rose by just 1.0% over the last 12 months according to Rightmove's latest monthly house price index report. On a monthly basis asking prices rose by 0.3%, much lower than the average of 1.3% at this time of year. Their report goes on to say that the rise in the number of available properties is at a level not seen for almost a decade and therefore this is placing some downward pressure on pricing.
- The Official House Price Index from the ONS recorded annual growth of 2.8% in August, up from (revised) 1.8% in July. The average UK house price is now £292,924 and reflects a hefty monthly price rise of 1.5%. Of house types, semi-detached properties have seen the highest annual growth at 3.6%, followed by flats at 2.6%, terraced properties at 1.9% and detached properties which recorded 1.7% annual growth.
- The RICS survey recorded its highest house price balance in nearly two years with the figure moving to +11% in September, up from +1% in September. On a disaggregated basis only responses from Wales, East Anglia and the South West indicated that prices were overall still declining with all other countries and regions reported rises. Looking ahead +54% of respondents feel that prices will continue to rise over the 12-month horizon, the strongest reading of this series since April 2022.

Regional prices and price growth

- Nationwide's quarterly regional data released this month shows Northern Ireland once again leading the way in house price growth. Prices in Northern Ireland increased by 8.6% in the year to Q3 2024, up from 4.1% in the previous quarter and significantly outpacing the next highest regional growth of 5% in the North West. Only East Anglia recorded an annual decline of -0.8%, with all other regions and countries across the UK experiencing price growth.



- Across the UK regions and countries the ONS house price index shows that yet again Scotland recorded the strongest annual rise at 5.4%. This was followed by the North West (4.6%), Yorkshire and the Humber (4.4%) and Wales at 3.5%. Once again, the regions with the highest average house prices were at the bottom of the price growth table although no regions or countries recorded price declines.
- London's house prices continued to increase, rising 2.2% monthly and 1.4% annually. However, there were significant differences across boroughs. While 21 boroughs experienced annual growth, 11 saw declines ranging from -0.3% to -15.8%. Inner London boroughs recorded an overall price decrease of -1.3%, while Outer London locations saw a 1.8% increase.
- Among our Carter Jonas locations Winchester led with the strongest annual price growth at 9.2%. Leeds and Oxford were the next highest with slightly slower growth of 4.6%. Two locations in the South West, Devon (-1.0%) and Cornwall (-1.9%), experienced price declines. Cornwall's decline marked the twelfth consecutive month of falling prices, following a year of double-digit increases in 2022.

Residential lettings

Supply and Demand

- The latest landlord instructions measure from the RICS Residential Market Survey (September) fell again this month, down to -29% and the most negative figure since December last year. Tenant demand meanwhile rose to +22%, well above +11% the month before although still modest compared with the average +38% throughout 2023.

- In Rightmove's latest Q3 Rental Trends Tracker they report that while the supply and demand gap may be narrowing, letting agents are still reporting high numbers of tenants looking to move. The average number of enquiries per rental properties is currently 15, down from 23 last year. They go on to say though that there is a record proportion of former rental homes currently on the market for sale, suggesting some landlords are already concerned about potential Capital Gains Tax rises in the October budget.

Rents and rental growth

- There was no change in the annual rate of rental growth this month. According to the ONS Index of Private Rents, rents grew by an average of 8.4% over the last 12 months. Growth was strongest in London rising by an average 9.7% followed by the North West (9.3%) West Midlands (8.9%) and East Midlands (8.8%). The 'slowest' rate of growth was in Yorkshire and the Humber although even here they were found to have grown by an average of 6.3% annually.
- Rightmove reported annual growth in advertised rents of 5.2% in their latest rent index, the slowest rate of growth since 2021, according to the web portal. In London the increase averaged 2.5% to hit a record average rent of £2,694 per calendar month, in the capital.

HM Treasury Forecasts for the UK Economy, October 2024

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

	2024	2025	2026	2027	2028
Official Bank Rate (%)	4.72	3.74	3.64	3.27	3.12
House price inflation (annual, %)	3.2	3.3	2.2	3.4	3.6
CPI inflation rate (annual average, %)	2.5	2.2	2.2	2.4	2.3
Unemployment rate (%)	4.3	4.4	4.5	4.4	4.4
GDP (annual, %)	1.0	1.2	1.5	1.6	1.5
Average earnings growth (annual, %)	4.6	3.6	3.4	3.3	3.2

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 25 October)

	Current	Previous	Direction of change
GDP monthly	0.2%	0.0%	↑
Inflation rate (CPI)	1.7%	2.2%	↓
Interest rate	5.0%	5.0%	↔
Employment rate	75.0%	74.8%	↑
Unemployment rate	4.0%	4.1%	↓
Weekly earnings growth, regular pay (excl bonuses)	4.9%	5.1%	↓
S&P Global UK Manufacturing PMI	51.5	52.5	↓
S&P Global UK Services PMI	52.8	53.7	↓
S&P Global UK Construction PMI	57.2	53.6	↑
Retail sales volume (monthly % change)	0.3%	1.0%	↓
GfK Consumer Confidence Index	-21	-20	↓
Bank of England mortgage approvals (monthly)	64,858	62,496	↑
Nationwide house price inflation (annual)	3.2%	2.4%	↑
Halifax house price inflation (annual)	4.7%	4.3%	↑
Official UK House Price inflation (annual)	2.8%	1.8%	↑
Rightmove House Price Index (UK, annual, asking)	1.0%	1.2%	↓
Price Index of Private Rents (UK, annual)	8.4%	8.4%	↔
£ Sterling: \$ USD	\$1.30	\$1.33	↓
£ Sterling: € Euro	€1.20	€1.19	↑
Brent Crude Oil (USD)	\$74.32	\$74.53	↓
Gold (USD)	\$2,719.64	\$2,608.28	↑
FTSE 100	8,263.12	8,283.68	↓
UK 5 Year Gilt Yield	4.1230	3.7630	↑

Official House Price data, HM Land Registry, August 2024

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Winchester	£504,693	2.0%	9.2%
Leeds	£247,019	2.2%	4.6%
Oxford	£489,188	4.0%	4.6%
West Oxfordshire	£388,488	1.0%	4.2%
South Cambridgeshire	£440,754	1.3%	3.8%
South Oxfordshire	£505,420	1.1%	3.3%
Wiltshire	£334,823	1.0%	2.8%
Bath and North East Somerset	£438,877	-0.2%	2.3%
York	£327,762	2.0%	2.3%
West Berkshire	£411,511	0.1%	2.2%
North Yorkshire	£277,658	0.1%	2.1%
Cambridge	£490,163	1.7%	1.8%
Dorset	£353,198	0.4%	1.6%
Somerset	£293,721	0.6%	1.5%
Vale of White Horse	£415,530	0.4%	1.4%
Cambridgeshire	£344,075	0.3%	0.5%
Suffolk	£290,318	1.2%	0.0%
Devon	£321,672	-0.8%	-1.0%
Cornwall	£299,125	-0.6%	-1.9%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Scotland	£199,971	1.2%	5.4%
North West	£225,248	2.4%	4.6%
Yorkshire and The Humber	£219,433	2.7%	4.4%
Wales	£222,925	2.6%	3.5%
Northern Ireland	£185,025	0.0%	3.2%
United Kingdom	£292,924	1.5%	2.8%
West Midlands region	£255,102	1.1%	2.6%
England	£309,572	1.6%	2.3%
East Midlands	£250,229	1.4%	2.1%
North East	£166,032	1.5%	1.7%
South East	£384,804	1.4%	1.6%
London	£531,212	2.2%	1.4%
East of England	£344,190	1.0%	1.4%
South West	£320,774	0.3%	0.8%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£531,212	2.2%	1.4%
Prime Central London	£1,075,273	1.7%	-11.2%
South West London	£714,306	-1.1%	-0.8%

Official House Price data, HM Land Registry, August 2024

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Newham	£426,747	2.0%	6.3%
Havering	£436,321	2.3%	5.2%
Harrow	£532,567	2.1%	4.4%
Ealing	£549,516	0.8%	3.7%
Enfield	£454,504	0.9%	3.7%
Greenwich	£460,204	0.7%	3.7%
Hillingdon	£463,574	1.4%	3.3%
Wandsworth	£627,815	0.0%	3.3%
Redbridge	£490,185	1.4%	3.1%
Bexley	£407,762	0.5%	2.9%
Lewisham	£459,451	-1.2%	2.8%
Bromley	£510,035	0.5%	2.6%
Tower Hamlets	£460,962	1.5%	2.4%
Brent	£542,563	3.4%	1.9%
London	£531,212	2.2%	1.4%
Waltham Forest	£491,755	2.3%	1.3%
Barnet	£596,638	0.9%	1.1%
Sutton	£432,474	1.4%	0.9%
Merton	£578,543	-0.5%	0.7%
Kingston upon Thames	£546,633	-0.9%	0.6%
Croydon	£403,505	2.7%	0.6%
Lambeth	£535,697	0.7%	-0.3%
Southwark	£496,316	1.7%	-0.9%
Barking and Dagenham	£335,571	-0.7%	-1.0%
Hounslow	£457,008	0.3%	-1.0%
Haringey	£582,348	1.5%	-1.2%
Richmond upon Thames	£740,505	-0.7%	-2.3%
Islington	£676,611	-1.1%	-2.6%
Hackney	£571,211	1.1%	-2.9%
Hammersmith and Fulham	£774,598	-2.3%	-3.5%
Camden	£812,607	-2.9%	-5.4%
City of Westminster	£984,294	7.4%	-6.5%
Kensington And Chelsea	£1,166,251	-2.7%	-15.8%
Outer London	£488,271	1.0%	1.8%
Inner London	£596,314	0.5%	-1.3%

Official Price Index of Private Rents, ONS, September 2024

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
York	£1,107	-0.4%	10.5%
Winchester	£1,392	0.7%	9.2%
South Oxfordshire	£1,314	1.1%	8.8%
Cambridge	£1,702	1.2%	8.7%
Bath and North East Somerset	£1,615	0.9%	8.5%
South Cambridgeshire	£1,298	0.8%	7.8%
West Berkshire	£1,224	0.7%	7.7%
Oxford	£1,725	1.9%	7.0%
Wiltshire	£964	0.4%	6.6%
North Yorkshire	£793	0.4%	6.2%
Vale of White Horse	£1,251	1.0%	6.0%
West Oxfordshire	£1,256	0.3%	6.0%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,145	0.8%	9.7%
North West	£861	0.7%	9.3%
West Midlands	£896	0.3%	8.9%
East Midlands	£840	0.5%	8.8%
England	£1,336	0.7%	8.5%
Wales	£760	1.1%	8.3%
South East	£1,325	0.8%	8.0%
East of England	£1,177	0.9%	7.9%
North East	£688	0.9%	7.3%
Scotland	£973	0.4%	7.3%
South West	£1,139	0.6%	6.3%
Yorkshire and The Humber	£798	0.1%	6.3%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,145	0.8%	9.7%
Prime Central London	£3,271	0.4%	8.4%
South West London	£2,344	1.0%	9.3%

Official Price Index of Private Rents, ONS, September 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	£2,119	-0.1%	31.6%
Sutton	£1,474	0.8%	14.6%
Greenwich	£1,822	0.2%	13.8%
Islington	£2,576	0.7%	12.8%
Ealing	£1,908	2.0%	12.0%
Hounslow	£1,780	2.2%	11.7%
Hackney	£2,385	0.7%	11.4%
Havering	£1,422	0.7%	11.1%
Harrow	£1,641	0.9%	11.0%
Croydon	£1,454	0.8%	10.7%
Hillingdon	£1,453	0.7%	10.7%
Redbridge	£1,571	1.0%	10.2%
Haringey	£2,034	0.8%	10.0%
Hammersmith and Fulham	£2,603	0.7%	9.9%
Enfield	£1,616	1.3%	9.8%
London	£2,145	0.8%	9.7%
Tower Hamlets	£2,271	0.6%	9.7%
Barking and Dagenham	£1,476	1.0%	9.7%
Kensington And Chelsea	£3,435	0.5%	9.4%
Richmond upon Thames	£2,051	1.5%	9.2%
Waltham Forest	£1,638	0.8%	9.1%
Lewisham	£1,690	0.7%	8.8%
Wandsworth	£2,377	0.8%	8.6%
Bromley	£1,565	0.5%	8.3%
Southwark	£2,274	1.0%	8.2%
Merton	£1,959	0.8%	7.9%
Lambeth	£2,229	0.9%	7.7%
Bexley	£1,355	1.3%	7.7%
Westminster	£3,107	0.3%	7.4%
Kingston upon Thames	£1,685	0.9%	7.2%
Newham	£1,719	0.2%	5.5%
Barnet	£1,773	0.5%	5.5%
Camden	£2,498	0.6%	1.8%



About Carter Jonas

Carter Jonas LLP is a leading UK property consultancy working across commercial property, residential sales and lettings, rural, planning, development and national infrastructure. Supported by a national network of 33 offices and over 1,000 property professionals, our divisional teams are renowned for their quality of service, expertise and the **simply better property advice** they offer their clients.

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Residential Research

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