

# RESIDENTIAL BRIEFING NOTE

NOVEMBER 2021

## Market Overview

*Current high levels of inflation and a potential interest rate hike might be dominating news reports and consumer confidence this month but on the bright side the labour market is still going strong. The furlough scheme finally ended in September but this hasn't (yet) impacted negatively; October saw a rise in the number of workers on the UK payroll register and job vacancies continue to be at record levels as the disparity between skills and available jobs continues.*

*In the residential sales market the stamp duty holiday finally ended in September but this doesn't appear to have diminished demand for house buying. Halifax reported a rise in annual house price growth to 8.1% in October while Nationwide reported nearly 10% growth for the second month in a row. With the festive season nearly upon us sales rates will almost certainly fall, but demand is still strong and with available supply currently constricted this will maintain upward pressure on prices.*

## Executive Summary

- Yet again monthly GDP was downwardly revised in August to +0.2%, from +0.4%. With September's latest GDP figure of +0.6% this means that output is still +0.6% below pre-pandemic levels.
- Breaking a five month cycle of falling retail sales volumes, October saw a rise of 0.8% over September's figure. Second-hand retailers (including charity and auction shops) contributed the largest upward rise.
- Despite rising inflation, the GfK consumer confidence index rose three points in November to -14. The Major Purchase Index rose by the most of all the sub-measures which will be encouraging for retailers.
- Encouragingly, all three Purchasing Managers Indices (PMI's) rose in October, compared with September. This means that output in manufacturing, construction and services has increased although all sectors cited supply chain issues and rising costs as hinderances to further growth.
- CPI inflation rose in October to 4.2%, the highest rate in nearly ten years with a monthly rise of 1.1% being fuelled by a big jump in household energy bills.
- A pleasing rise in the number of UK payroll employees between September and October (up 160,000) suggests the end of the furlough scheme has not had such a dramatic impact on the overall labour market.
- The employment rate rose in the three months to September, to 75.4% while the unemployment rate fell to 4.3%.
- Nationwide reported 9.9% annual house price growth in October, virtually unchanged from 10% in September, while Halifax posted 8.1% growth, up from 7.4% the month prior. Both measures indicate no let up in the rates of demand since the stamp duty holiday ended in September.
- 9.7% annual rental growth has been reported in London according to HomeLet, a stark reversal from nearly 12 months of falling rents in the capital up to May 2021.
- RICS reports six consecutive quarters of rising tenant demand in the private rented sector. At the same time, landlord instructions continue to fall, as has been the case for many years now.

## UK economic backdrop

- Once again both July and August monthly GDP figures were downwardly revised to -0.2% and +0.2%, respectively. This suggests that September's figure of 0.6% will probably also be revised, as the main culprit appears to be late entry data from the services industries. GDP is still 0.6% below its pre-pandemic February 2020 levels.
- The latest GfK Consumer Confidence index reports a small rise of three points in November to -14. Encouragingly four sub-measures were up including the Major Purchase Index which rose seven points to -3 in the run up to Black Friday deals and the festive retail season. The Personal Financial Situation (over the next 12 months) measure was the strongest index at +2 after rising by one point over October.
- Retail sales volumes rose by a buoyant 0.8% in October, up from (a revised) 0.0% in September. While food store sales fell in October (down 0.3%), non-food store sales increased by a hefty 4.2% with a particularly strong rise in second-hand stores, toy stores, sports equipment and clothing sales. Meanwhile automotive fuel sales fell by a weighty 6.4% following September's 'rush' to fill petrol tanks.
- The latest UK manufacturing Purchasing Managers Index (PMI) showed a slight increase over last month rising to 57.8, from September's 57.1. Supply chain issues and raw materials and staff shortages were cited as key reasons keeping production from expanding any further. Despite this, employment levels did grow for the tenth month in a row, but input cost prices rose at record rates.
- The IHS Markit / CIPS construction PMI for October also rose slightly, to 54.6 up from 52.6 the month before. This showed an acceleration in business activity growth this month but again widespread supply constraints and rapidly rising purchase costs are placing downward pressure on any further growth in the sector.
- Meanwhile the services sector PMI was found to have grown at its fastest rate since July with a reading of 59.1 in October, well above September's 55.4. The further reopening of the economy as well as further loosening of travel restrictions seems to have boosted demand with new export sales rising at their fastest pace for over three years. Growth in new work was also the fastest since June 2018 while new jobs were created at their quickest pace in over seven years.
- As was widely anticipated, the latest UK CPI inflation figure (12 months to October) rose markedly to 4.2%, up from 3.1% the month before and is the fastest inflation rate since December 2011. The rate also rose by a hefty 1.1% on a monthly basis. Household energy bills were the biggest driver of upward inflation this month with petrol prices not far behind with prices also rising among other household goods, raw materials, transport and hotel stays.
- The latest Monetary Policy Committee (MPC) meeting held in early November kept interest rates unchanged at 0.1% again this month. The latest meeting minutes found the Bank policymakers voted 7-2 for no change, although the governor noted the decision was a 'close call'. The notes went on to say that the MPC would like to wait to see how the jobs market copes over the coming weeks, now that the furlough scheme has come to a complete end.
- In the three months to September employment levels increased, leading to an overall employment rate of 75.4% according to the latest ONS Labour Force Survey. The unemployment rate decreased on the quarter as well, moving to 4.3%, down from 4.5% last month. The timelier measure of payroll employees found there was another increase in October, with a further 160,000 people registered, leading to an overall figure of 29.3 million employees.
- Job vacancies also continue to rise, up to 1.17 million, reflecting an increase of 388,000 compared with pre-pandemic figures. The rate of growth however has slowed moving from an increase of 43.4% last quarter to 23.4% this quarter. All industry sectors were above their pre-pandemic levels of vacancies however accommodation and food services vacancies increased the most, rising 79% since March 2020.
- Wage growth (regular pay, excluding bonuses) rose 4.9% annually, according to the Labour Survey. The base and compositional effects that we have spoken about previously are now having a smaller impact on overall growth rates as those effects move out of the current timeframe. All sectors and industry groups saw growth with average total pay rising 6.6% in the private sector and 2.4% in the public sector.

*\*Click to see the [latest market indicators](#) at the end of document*

## Residential property market

### Sales Prices and Rents

- Nationwide reports annual house price growth in October as virtually unchanged from September, at 9.9%, following last month's 10% growth. On a monthly basis prices rose by 0.7%. Despite the complete end of the stamp duty holiday, demand for homes remains very strong. Clearly the shifts in consumer preferences for housing, almost certainly caused by the pandemic and its associated changes in the way we work and live, is continuing to drive high levels of demand and price growth, for now.
- Halifax also recorded strong and rising price annual growth in October of 8.1% nationally, up from 7.4% last month. Prices rose by an average of £2,500 in the month, reflecting an increase of 0.9% according to the bank. The latest report goes on to say that according to their records annual growth in homes bought by first time buyers is up 9.2%, compared with an average of 8.1% for home-movers.
- House prices rose by an annual average of 11.8% in September, according to the latest ONS / HM Land Registry index. This is the second highest annual growth rate in over 15 years after June 2021's 12.6% figure. Monthly growth was also strong, averaging 2.5%, following last month's monthly rise of 3.7%.
- On a regional basis it is once again the areas to the north that have recorded the highest rates of growth with the North West topping the table at 16.8% followed by Wales (15.4%), East Midlands (14.7%) and the North East (13.3%). The East of England (9.3%) and London (2.8%) are the only two regions which did not record double digit growth this month.
- Across our Carter Jonas locations Cambridge topped the table showing the strongest annual growth of 15.4%, although interestingly the surrounding areas of South Cambridgeshire have posted growth of just 3.1% over the 12 months. Somerset (13.1%), North Northamptonshire (12.7%), York (10.6%) and West Oxfordshire (10.1%) round out the top five of our local table.
- London's annual price growth of 2.8% is largely down to poor price growth in inner London as these areas report -0.1% growth over the last 12 months compared with 7.2% in outer London. Haringey (14%) and Redbridge (13%) followed by Hammersmith & Fulham (12.9%) reported the highest growth of the London boroughs. Last month's top of the table Tower Hamlet's now finds itself at the bottom this month with a price fall of 7.0%
- October's RICS market survey notes the lack of available residential stock means house price growth is being sustained at strong rates. A headline balance of +70% of respondents noted an increase in house prices over the last four weeks with the pace of growth similar to that over the last three months. The report goes on to say that +69% of respondents forecast further price increases over the next 12 months with this measure not having moved at all over the last few reports.
- Rightmove's latest report on average asking prices finds that in the four weeks to mid-November the price of property coming to the market fell for the first time since January, down 0.6% month-on-month. Despite this, asking prices are still 6.3% more than one year ago, although this too is down slightly from October's figure of 6.5%. The web giant suggests this 'softening' of prices will probably last until Christmas, the normal festive lull period.
- The private rented market continues to show the effects of tight availability and high demand as rental growth reached double digits in some regions (Wales, 12.9%, Northern Ireland, 11.6%) and even 9.7% growth was reached in London. London has now posted rent rises in each of the last five months following a year of falling rents. Across the country rents are reported to be growing by an average rate of 8.7% annually.
- Staying with the lettings market and the RICS survey again notes the strong mismatch between supply and demand driving rental growth. A net balance of +54% of contributors forecast rental growth over the next three months with London now showing the strongest figure of +74%, quite a change from just last quarter when rental growth in the capital was forecast in negative territory.
- Average UK rents are up 4.6% annually (to September), according to the latest report from Zoopla / Hometrack, resulting in 3% quarterly growth and the highest rental growth in 13 years. Although London's rental growth has lagged compared with other regions the report notes there has been a resurgence in demand for central London rental properties resulting in rental growth here of 4.7% in the third quarter alone.



## Activity

- Bank of England mortgage approvals data shows that overall approvals fell slightly in September by 2% to 72,500, down for the fourth consecutive month. This is not unexpected however as September marked the final end of the stamp duty tax break and any mortgages approved over the previous 8-10 weeks would have been unlikely to get over the line. Nevertheless, approvals are still 19% above their long-term monthly average.
- This month's RICS residential market survey reports an improvement in new buyer enquiries with a net balance of +10%, reflecting an increase in demand over September's +1% reading. Having said that, the report goes on to say that this hasn't resulted in any increase in sales levels, with October now being the fourth month in a row of negative sales readings. New instruction levels are also still firmly in negative territory (-20%, up from -33% last month), for the seventh consecutive month. A lack of available stock is also anecdotally mentioned by most agents as holding back any further activity in the market.
- Rightmove's latest house price report finds there was a 14% increase in the number of requests by homeowners for valuations from estate agents (over the same period last year), suggesting that many may be getting ready to sell post-Christmas. This follows a traditionally slow period in the home buying sector in the run up to Christmas, which is probably why the average price of property coming to the market has declined this month, to attract more buyers.
- In the lettings market, according to the RICS survey, tenant demand is still very strong with a reading of +49% of contributors noting an increase in the three months to October. The report notes this is the sixth consecutive quarter of rising tenant demand. On the other hand, landlord instructions fell yet again, to -31% from -20% in the previous quarter.
- The highly seasonal rental market where a large proportion of lettings activity takes place during the third quarter of the year has been even busier than usual this year, according to the Zoopla / Hometrack quarterly rental market report. They also found that the availability of properties to let is currently 43% below the five-year average while at the same time clearly demand has surged which is contributing to rising rent rates.

## HM Treasury Forecasts for the UK Economy, November 2021

	2021	2022	2023	2024	2025
Official Bank Rate (%)	0.10	0.73	1.32	1.69	1.73
House Price Growth (annual, %)	6.4	1.5	0.4	0.8	1.8
CPI inflation rate (annual average, %)	4.0	3.0	2.6	2.5	2.3
Unemployment rate (%)	4.8	4.5	4.2	4.1	4.1
GDP (annual, %)	7.0	5.0	2.2	1.6	1.5
Average earnings growth (annual, %)	5.4	3.6	3.4	3.3	3.4

Sources: HM Treasury Consensus Forecasts (November 2021)

## Select Market Indicators, latest versus previous data

	Current	Previous	Direction of change
GDP monthly (month-on-month)	0.6%	0.2%	↑
GfK Consumer Confidence Index	-17	-13	↓
Retail sales volume (monthly % change)	0.8%	0.0%	↑
IHS Markit / CIPS Manufacturing PMI	57.8	57.1	↑
IHS Markit / CIPS Construction PMI	54.6	52.6	↑
IHS Markit / CIPS Services PMI	59.1	55.4	↑
Inflation rate (CPI)	4.2%	3.1%	↑
Interest rate	0.10%	0.10%	↔
Employment rate	75.4%	75.3%	↑
Unemployment rate	4.3%	4.5%	↓
Weekly earnings growth, regular pay (excl bonuses)	4.9%	6.0%	↓
Nationwide annual house price inflation	9.9%	10.0%	↔
Halifax annual house price inflation	8.1%	7.4%	↑
Official UK House Price inflation (annual)	11.8%	10.2%	↑
Rightmove HPI (annual asking prices)	6.3%	6.5%	↓
HomeLet Rental Index (annual growth, UK)	8.7%	7.5%	↑
£ Sterling: \$ USD	\$1.34	\$1.38	↓
£ Sterling: € Euro	€1.19	€1.18	↑
Brent Crude (USD)	\$79.22	\$84.30	↓
Gold (USD)	\$1,845.48	\$1,778.89	↑
FTSE 100	7,250.18	7,210.56	↑
UK 5 YEAR GILT YIELD	0.6370	0.8335	↓

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 22 November)

## Official House Price data, HM Land Registry, September 2021

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Cambridge	£512,494	5.4%	15.4%
Somerset	£276,165	3.6%	13.1%
North Northamptonshire	£243,487	0.8%	12.7%
York	£284,081	-0.7%	10.6%
West Oxfordshire	£379,284	2.7%	10.1%
West Northamptonshire	£270,581	1.4%	9.6%
Devon	£296,410	0.6%	9.5%
Vale of White Horse	£396,018	2.0%	9.2%
Cornwall	£266,486	-1.6%	9.1%
Oxford	£467,236	5.9%	9.0%
Wiltshire	£303,276	0.4%	8.3%
Dorset	£315,032	0.1%	8.1%
Winchester	£459,678	-0.5%	8.1%
Suffolk	£267,854	-0.9%	7.1%
Leeds	£211,437	-1.4%	7.1%
Cambridgeshire	£316,819	0.5%	6.6%
West Berkshire	£368,059	2.9%	6.2%
Bath and North East Somerset	£379,843	1.3%	5.6%
South Oxfordshire	£465,618	-0.4%	4.6%
South Cambridgeshire	£389,786	-1.5%	3.1%
Harrogate	£292,170	-3.9%	1.0%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
North West	£203,661	5.3%	16.8%
Wales	£196,216	2.5%	15.4%
East Midlands	£231,318	4.9%	14.7%
North East	£152,776	3.8%	13.3%
Yorkshire and The Humber	£192,354	4.0%	11.9%
<b>United Kingdom</b>	<b>£269,945</b>	<b>2.5%</b>	<b>11.8%</b>
South East	£370,886	3.0%	11.7%
South West	£301,327	4.0%	11.7%
West Midlands region	£231,501	3.1%	11.7%
<b>England</b>	<b>£287,895</b>	<b>2.9%</b>	<b>11.5%</b>
East of England	£327,982	1.7%	9.3%
London	£507,253	-2.9%	2.8%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£507,253	-2.9%	2.8%
Prime Central London	£1,176,058	-2.5%	3.1%
South West London	£725,432	-1.6%	5.0%

## Official House Price data, HM Land Registry, September 2021

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Haringey	£650,509	2.0%	14.0%
Redbridge	£480,340	2.2%	13.0%
Hammersmith and Fulham	£841,495	-2.3%	12.9%
Bromley	£483,955	2.2%	10.7%
Waltham Forest	£505,389	0.7%	10.7%
Harrow	£508,344	4.5%	10.3%
Enfield	£440,813	1.6%	9.9%
Barking and Dagenham	£329,287	2.1%	9.5%
Kingston upon Thames	£545,618	3.2%	8.7%
Bexley	£375,156	0.4%	8.6%
Sutton	£415,228	3.5%	8.6%
Hillingdon	£446,340	1.3%	8.4%
Hackney	£657,278	2.1%	8.4%
Havering	£401,412	2.2%	8.3%
Ealing	£525,536	2.0%	7.5%
Richmond upon Thames	£735,675	-0.1%	6.7%
Camden	£895,902	-2.8%	5.7%
Southwark	£536,756	0.4%	5.0%
Merton	£555,226	-0.7%	4.8%
Croydon	£391,879	-0.3%	3.9%
Brent	£542,095	1.6%	3.7%
Kensington And Chelsea	£1,386,350	-0.7%	3.5%
Greenwich	£414,810	1.7%	3.3%
<b>London</b>	<b>£507,253</b>	<b>-2.9%</b>	<b>2.8%</b>
City of Westminster	£965,766	-5.0%	2.7%
Hounslow	£431,281	-2.2%	2.2%
Islington	£700,001	0.6%	1.9%
Barnet	£533,093	-2.1%	0.1%
Lambeth	£542,030	6.9%	-0.4%
Lewisham	£422,044	-2.3%	-0.8%
Newham	£365,357	-3.7%	-1.1%
Wandsworth	£599,124	-2.6%	-4.7%
Tower Hamlets	£440,847	-5.5%	-7.0%
Outer London	£466,575	1.1%	7.2%
Inner London	£595,297	-1.2%	-0.1%

## HomeLet Rental Index, October 2021

Region	Rent (£pcm)	Monthly Change (%)	Annual Change (%)
Wales	£742	1.1%	12.9%
Northern Ireland	£729	3.4%	11.6%
Greater London	£1,759	0.4%	9.7%
North West	£832	0.2%	8.9%
<b>UK</b>	<b>£1,059</b>	<b>-0.2%</b>	<b>8.7%</b>
<b>UK (excluding London)</b>	<b>£888</b>	<b>-0.3%</b>	<b>8.2%</b>
West Midlands	£792	-0.6%	8.0%
Yorkshire & Humberside	£727	0.3%	7.7%
North East	£588	1.7%	7.7%
South West	£960	-1.1%	7.6%
South East	£1,132	-0.6%	7.5%
East Midlands	£728	-1.0%	7.4%
East Of England	£1,027	0.6%	6.9%
Scotland	£738	-2.3%	6.5%

Source: HomeLet Rental Index

### 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 700 property professionals, our commercial team is renowned for their quality of service, expertise and the **simply better advice** they offer their clients.

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