

Residential Update and Outlook

April 2024

Market Overview

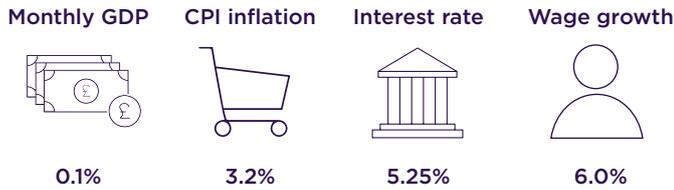
This month's economic data indicates signs of both progress and headwinds. Positive signs emerged from GDP data, which showed continued growth in February according to the latest estimates. This follows an upward revision of January's growth figures, although February's output figure was lower than January. Further encouraging news came from the latest inflation figures, where a 3.2% rise was recorded, above expectations but still representing a drop from the previous month's 3.4%. However, the labour market painted a less rosy picture, with unemployment rising, job vacancies falling, and the number of payrolled employees also declining. This indicates a potential slowdown in job creation, which may be due to poor economic momentum already in the cycle.

Housing market data suggests a stable sales market with modest house price increases driven by cautiously rising demand. While buyer interest is picking up, some potential buyers remain on the sidelines, waiting to see how interest rates play out in the coming months. New home supply in the sales market is on the rise, with instructions expected to climb further in both the short and long term. Meanwhile, the private rental market remains exceptionally buoyant. The new ONS rental index (Price Index of Private Rents) reveals a sharp rent increase of 9.2% over the past year, reflecting continued strong demand in the sector amid a shortage in supply.

Key Points

- GDP continued to grow, increasing by 0.1% in the month of February. Although down from an upwardly revised 0.3% rise in January it is still encouraging, and we are now almost certainly out of recession.
- Inflation declined to its lowest rate in over 2½ years, rising by 3.2% in March. Inflation has now fallen steadily since a peak of 11.1% in October 2022.
- Retail sales were flat in March after a slight uplift of 0.1% in February. A rise in automotive fuel sales during the month was offset by a decline in department store sales.
- There was some cooling in the labour market according to the latest data from the labour force survey as unemployment rose to 4.2%, up from 3.9% previously and overall employment declined to 74.5%.
- Provisional payroll estimates show that the total number of payrolled employees also fell in March, down by over 65,000 and the second month in a row of falling figures. This is the first time where payroll figures have declined for two consecutive months since November 2020.
- Earnings growth slowed slightly to 6.0% annually, down from 6.1% the month before although still above the long-term average. The pace of earnings growth is likely to continue its decline throughout the year.
- All three Purchasing Managers Indices (PMI) were in expansion territory in March, with all three sectors returning a figure above '50'. The manufacturing index figure of 50.3 was its highest in nearly two years while construction moved to 50.2, its highest figure since August 2023.
- Positive house price growth is still being recorded by both Nationwide and Halifax in the 12 months to March. But at 1.6% and 0.3% respectively, prices are only moving up marginally. Both indices recorded monthly price falls during March.
- On a regional basis both the latest ONS official figures and Nationwide's quarterly data indicate prices are growing across many northern areas of the country while areas in the south (particularly those with higher house prices), are showing price declines.
- RICS Residential Survey respondents are still feeling positive about the sales market over the coming months; both short-term and longer-term volume of instructions are expected to rise while participants are still expecting price growth to turn largely positive over the coming 12 months.
- The brand-new 'Price Index of Private Rents' from the ONS showed annual rental growth of 9.2% in March, up from 9.0% in February. London recorded the highest rate of growth at 11.2%.

Economic backdrop



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

The Macroeconomy

- GDP is estimated to have increased by 0.1% in February, following (revised) growth of 0.3% in January. Services output grew by 0.1% while production output rose by a hefty 1.1% in February and was the largest upward contribution to growth in the month. Construction output on the other hand fell by -1.9%. Over the three months to February, GDP is estimated to have grown by 0.2%, compared with the previous three months.
- Inflation fell to 3.2% annually to March, down from 3.4% in February and the lowest CPI rise since September 2021. The largest downward contribution came from price rises for food which rose by less than a year ago. Rising food and fuel prices have been the main cause of such high levels of inflation over recent years. Food and non-alcoholic drinks inflation hit a peak increase of 19.2% in March 2023 compared with 4.0% currently.
- There is no meeting of the Monetary Policy Committee in April, so interest rates remain at 5.25%. The next meeting is due to take place on 9 May. Although the pace of inflation is now down significantly, the MPC will have to weigh continued strong wage growth against a slowing labour market. Despite this, it is widely expected they will hold Bank Rate at 5.25% for at least for another month or two.

Labour and employment

- Latest estimates show that unemployment rose in the three months to February, moving to 4.2% from 3.9% in the previous three months. Total employment also decreased, to 74.5% and below the same period last year. Recent data from the Labour Force Survey though should still be treated with caution due to low sample sizes achieved by the ONS over recent months.
- Total job vacancies declined for the 21st consecutive period, down by 13,000 to a total of 916,000 recorded vacancies. The number of payrolled employees also fell, down by 0.2% in March but up by 0.7% so far this year to reach a total of 30.3 million.
- Average annual earnings growth (excl bonuses) meanwhile declined again slightly, to 6.0% year on year (December 2023 to February 2024). Looking ahead and the figure is likely to rise again this spring

with the National Living Wage due to increase by 10% from April. But most surveys suggest that overall wage growth will slow throughout the remainder of the year.

Market indicators

- The S&P Global UK Manufacturing PMI came in at 50.3 in March, up from 47.5 the month before and the first time the sector has been in expansion territory (above '50') since July 2022. Output and new orders both increased, including factory production which rose for the first time since February 2023. The overall contraction rates in employment and purchasing slowed sharply this month while business optimism about the year ahead hit an 11-month high.
- The Services PMI moved down slightly in March to 53.4 from 53.8 in February. This is the slowest rate of expansion in this sector for three months with the survey suggesting constraints on household incomes are partly to blame. Output growth though continued to rise sharply while employment growth remained unchanged. Rising wages and shipping costs led to input cost inflation increasing at the second-fastest rate in over eight months.
- Finally, the construction sector PMI rose to 50.2 in March, up from 49.7 in February, the highest figure for seven months and the first time it has been in expansion territory since August 2023. The month saw higher sales pipelines and increased new business enquiries. New orders also expanded at the fastest pace since May 2023 although employment numbers fell for the third consecutive month. Civil engineering projects were the best performing sub-sector while both housing and commercial building levels were unchanged.

Consumer demand and sentiment

- Retail sales volumes were found to be flat through March (0.0%) following (a revised) growth of 0.1% the month before. Auto fuel and non-food store sales rose the most, increasing by 3.2% and 0.5%, respectively. Food store sales meanwhile fell by -0.7%, as consumers try to offset rising food costs by purchasing less. Department store sales also declined, down -1.5% in March.
- The GfK Consumer Confidence indicator remained unchanged in March, at -21. Two of the sub-measures declined in the month including the major purchase index which fell two points to -27. On the other hand, the confidence in personal financial situation over the next 12 months as well as the general economic indicator over the next 12 months, all increased slightly. Encouragingly, the personal finance measure (next 12 months) moved into positive territory (+2) for the first time since December 2021 and is a sharp change from the -21 figure this time last year.

Residential market

Monthly mortgage approvals



60,383

Balance of new enquiries



8%

UK annual house price growth



1.6%

UK annual rental growth



9.2%

Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Mortgage approval levels continued to rise in February, with Bank of England data showing a total of 60,383 approved in the month. This reflects an increase of 8% over January and 40% more than February 2023. This is also now the fifth month in a row of rising approvals, suggesting a further increase in market momentum.
- Total transaction volumes also rose slightly in February to reach a total of 82,940 during the month. Although this reflects a rise of 1% over January's total it is still 6% below the same month last year. It is also 20% below the long-term average for this time of year. Given however that mortgages are arranged a few months before the transaction takes place, and that the number of approvals has been rising for the last five months, we still hope to see a steady increase in overall transaction volumes over the coming months.
- Mortgage rates have been virtually stagnant over the last few weeks, with very little movement across most types and term lengths. The current average rate of 5.21% (85% LTV, 2 year) is unchanged from six weeks ago (Rightmove / Podium).

Supply and demand

- The latest RICS Residential Market Survey (March) found that buyer demand remains buoyant overall with a net balance of +8% of respondents noting an increase in new buyer enquiries during the month. On the supply side, participants noted that new instructions also increased, for the fourth consecutive month, at +13%. Encouragingly, the number of appraisals was also found to have increased in the month. And although the newly agreed sales metric is negative at -5% this marks little change from the previous month, suggesting a broadly stable trend.
- Looking ahead, RICS contributors foresee sales volumes increasing over the short term with a net balance of +13%. Over the longer-term (12 months) activity is expected to improve even further, returning a +46% figure, up from last month's +42%.

- Some further upbeat data from Rightmove in their April price index report where they report a 12% rise in the number of new sellers this month, compared with the same period one year ago. They also note a 13% increase in agreed sales. The report goes on to say though that the biggest growth is coming from the largest homes where sellers here are up 18% and agreed sales of these properties are up 20%.

UK prices and price growth

- Latest figures from Nationwide show that UK house prices fell by 0.2% in March (monthly, seasonally adjusted), although on an annual basis prices are still climbing, rising by 1.6% over the last 12 months, up from 1.2% growth in February. The average UK house price stands at £261,142.
- Annual house price growth slowed to just 0.3% in March, according to the latest price index report from Halifax. This is down from 1.6% the month before and is the slowest rate of growth since November 2023. On a monthly basis prices were found to have fallen by an average of -1.0%. The report goes on to note a north / south divide where prices in the North West grew the strongest (3.7% annually) compared with regions such as East of England (-0.9%) and London (+0.4%).
- Rightmove found that asking prices continued to rise, increasing by 1.1% on a monthly basis and 1.7% annually (April). This is the strongest annual price rise since April last year. The web portal goes on to say that the largest / top of the ladder homes have seen the strongest price growth since 2014 while more 'price sensitive' first time buyer and second-stepper homes witnessing slower price rises and overall activity.
- UK house prices fell by a small -0.2% over the 12 months to February, according to the latest Official House Price Index. This is up from a downwardly revised -1.3% in January and -1.6% throughout 2023. Both Scotland and Northern Ireland posted house price gains over the 12 months (5.6%, 3.4%, respectively) while prices in England were found to have declined by -1.1% and -1.2% in Wales.
- RICS market survey respondents reported a net balance of -4% on the house price measure, suggesting pricing is largely stable. This figure has been getting less negative in each of the last seven months, recovering from a figure of -67% just last September.
- House prices are expected to return to growth over the next 12 months, according to RICS participants. A net balance of +38% on the 12-month price metric was returned, up from +36% last month and +18% just two months prior.



Regional prices and price growth

- Nationwide's quarterly regional house prices index found that of the 13 regions and countries covered eight recorded annual price growth this quarter (Q1 2024), up from just two in Q4 2023. All regions and countries though saw an improvement in the annual rate of change compared with the quarter before. Northern Ireland (4.6%) and the North (4.1%) posted the strongest rises while the South West (-1.7%), East Anglia (-1.3%) and the Outer South East (-1.0%) were at the bottom of the growth table.
- Similarly, regional data from the Official ONS House Price Index to February found that prices rose the most across the three northern regions of the North East (2.9%), North West (1.4%) and Yorkshire and the Humber (0.2%) while price declines were noted in all other regions of England. London prices fell by -4.8% overall with both outer London (-3.0%) and inner London (-7.0%) seeing falls. In fact, just four London boroughs saw overall price rises in the 12 months to February, with Hackney rising the most at just 1.3%.
- Winchester again leads Carter Jonas office locations in house price growth, reaching 6.1%. This is followed by Cambridge (2.1%) and Oxford (1.6%). Interestingly, surrounding areas saw price declines, with South Cambridgeshire falling -4.1% and South Oxfordshire -5.1%.

Residential lettings

Supply and Demand

- According to ARLA Propertymark's latest housing report, tenant demand declined in February with the number of new prospective tenants falling from an average of 97 in January to 89 in February. This monthly decline though is in line with the long-run

average for this time of year so should not be taken as an indication of overall declining demand. There was also a decline in stock levels during the month and overall demand continues to outstrip supply. On average there were around 10 new applicants for each available property.

- Tenant demand remains elevated according to the RICS Residential Market Survey (March) with a net balance of +19%. The report points out though that demand is markedly down from a peak of +59% in July last year. On the supply side, the landlord instructions measure is still firmly negative, at -19%.

Rents and rental growth

- This month and going forward we have new tables at the end of this report, covering the recently introduced 'Price Index of Private Rents' (PIPR), provided by the ONS on a monthly basis. The index is a new rent price and inflation statistic from the ONS covering all regions, countries and local authorities across the UK. It tracks the prices paid for new and existing tenancies in the private rental sector.
- According to the latest PIPR figures rents grew by an average of 9.2% annually across the UK in March, up from 9.0% in February. Disaggregated by country and region, London rents continue to rise the fastest, increasing by 11.2% annually bringing the average rents per calendar month in the capital to £2,055. This was followed by 10.5% growth in Scotland. The North East posted the lowest annual rate of growth of 6.1% but even this is well above the long-term annual average of between 2% and 4%.
- According to the latest RICS residential survey, a net balance of +34% of participants still expects rents to rise over the next three months although this is the least positive figure since January 2021.

HM Treasury Forecasts for the UK Economy, April 2024

Sources: HM Treasury Consensus Forecasts April 2024 and February 2024 (long-term forecasts)

	2024	2025	2026	2027	2028
Official Bank Rate (%)	4.46	3.46	3.29	3.18	3.04
House price inflation (annual, %)	-1.8	1.6	-2.2	2.1	5.0
CPI inflation rate (annual average, %)	2.2	2.2	2.0	2.1	2.1
Unemployment rate (%)	4.3	4.3	4.6	4.7	4.9
GDP (annual, %)	0.5	1.3	1.7	1.7	1.7
Average earnings growth (annual, %)	3.9	3.0	3.2	3.3	3.2

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 23 April)

	Current	Previous	Direction of change
GDP monthly	0.1%	0.3%	↓
Inflation rate (CPI)	3.2%	3.4%	↓
Interest rate	5.25%	5.25%	↔
Employment rate	74.5%	75.0%	↓
Unemployment rate	4.2%	3.9%	↑
Weekly earnings growth, regular pay (excl bonuses)	6.0%	6.1%	↓
S&P Global UK Manufacturing PMI	50.3	47.5	↑
S&P Global UK Services PMI	53.4	53.8	↓
S&P Global UK Construction PMI	50.2	49.7	↑
Retail sales volume (monthly % change)	0.0%	0.1%	↓
GfK Consumer Confidence Index	-21	-21	↔
Bank of England mortgage approvals (monthly)	60,383	56,087	↑
Nationwide house price inflation (annual)	1.6%	1.2%	↑
Halifax house price inflation (annual)	0.3%	1.6%	↓
Official UK House Price inflation (annual)	-0.2	-1.3	↑
Rightmove House Price Index (UK, annual, asking)	1.7%	0.8%	↑
Price Index of Private Rents (UK, annual)	9.2%	9.0%	↑
£ Sterling: \$ USD	\$1.23	\$1.27	↓
£ Sterling: € Euro	€1.16	€1.17	↓
Brent Crude Oil (USD)	\$86.63	\$85.70	↑
Gold (USD)	\$2,302.30	\$2,167.87	↑
FTSE 100	8,054.15	7,955.11	↑
UK 5 Year Gilt Yield	4.179	3.8580	↑

Official House Price data, HM Land Registry, February 2024

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Winchester	£490,124	-0.2%	6.1%
Cambridge	£489,134	2.2%	2.1%
Oxford	£460,277	1.7%	1.6%
North Yorkshire	£275,881	0.8%	1.6%
Bath and North East Somerset	£419,592	0.2%	1.5%
Leeds	£234,765	-0.9%	1.5%
Wiltshire	£331,792	1.9%	0.6%
Devon	£323,102	-0.1%	-0.4%
Dorset	£354,268	1.0%	-0.5%
West Oxfordshire	£372,778	3.2%	-0.6%
Somerset	£291,764	0.1%	-1.1%
Suffolk	£290,446	0.6%	-1.4%
Cambridgeshire	£339,568	0.1%	-2.1%
Vale of White Horse	£392,577	0.8%	-2.4%
York	£313,190	1.0%	-2.9%
Cornwall	£296,305	-0.8%	-3.3%
South Cambridgeshire	£418,864	-2.6%	-4.1%
South Oxfordshire	£466,815	0.1%	-5.1%
West Berkshire	£385,156	-2.2%	-6.2%
South Oxfordshire	£459,576	-1.0%	-4.5%
York	£299,369	-0.4%	-5.5%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Scotland	£187,807	-0.6%	5.6%
Northern Ireland	£177,611	0.0%	3.4%
North East	£160,406	3.2%	2.9%
North West	£213,890	-0.2%	1.4%
Yorkshire and The Humber	£204,754	0.9%	0.2%
United Kingdom	£280,660	0.4%	-0.2%
South West	£316,834	0.5%	-0.4%
East Midlands	£241,950	1.4%	-0.4%
England	£297,735	0.6%	-1.1%
Wales	£210,717	0.4%	-1.2%
East of England	£339,144	1.7%	-1.6%
South East	£373,018	1.1%	-2.1%
West Midlands region	£242,429	-1.2%	-2.9%
London	£502,690	-0.7%	-4.8%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£502,690	-0.7%	-4.8%
Prime Central London	£1,041,274	-1.1%	-17.3%
South West London	£694,771	-0.7%	-6.4%

Official House Price data, HM Land Registry, February 2024

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Hackney	£589,517	-1.7%	1.3%
Brent	£521,609	-0.9%	1.1%
Greenwich	£458,920	1.4%	0.9%
Harrow	£521,416	2.2%	0.3%
Southwark	£495,431	-0.5%	-0.1%
Bromley	£505,297	-0.1%	-0.9%
Kingston upon Thames	£547,883	0.8%	-1.3%
Waltham Forest	£491,034	-1.2%	-1.4%
Richmond upon Thames	£736,499	-0.1%	-2.3%
Newham	£396,662	2.6%	-2.4%
Havering	£420,055	1.1%	-2.8%
Islington	£645,134	-0.4%	-2.8%
Ealing	£533,943	3.1%	-3.1%
Haringey	£556,570	-2.7%	-3.2%
Hounslow	£445,246	-1.2%	-3.4%
Enfield	£427,468	-1.2%	-3.5%
Barnet	£583,647	0.4%	-3.6%
Wandsworth	£602,690	-2.1%	-3.6%
Sutton	£424,968	0.9%	-3.7%
Hillingdon	£449,725	1.3%	-3.7%
Barking and Dagenham	£328,226	-1.4%	-4.3%
London	£502,690	-0.7%	-4.8%
Redbridge	£455,499	-4.3%	-5.0%
Tower Hamlets	£453,598	-2.6%	-5.3%
Bexley	£391,250	-1.2%	-5.4%
Croydon	£394,025	1.8%	-5.8%
Lewisham	£418,927	-1.2%	-6.3%
Merton	£538,411	-4.0%	-6.6%
Lambeth	£501,094	-2.4%	-7.0%
Hammersmith and Fulham	£745,123	0.0%	-13.5%
Kensington And Chelsea	£1,154,639	0.5%	-14.1%
Camden	£714,736	-7.0%	-18.1%
City of Westminster	£927,909	-3.1%	-20.5%
Outer London	£475,330	0.0%	-3.0%
Inner London	£569,857	-1.6%	-7.0%

Official Price Index of Private Rents, ONS, March 2024

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
York	£1,089	2.2%	13.1%
Vale of White Horse	£1,219	0.3%	9.5%
West Berkshire	£1,189	0.4%	8.1%
Cambridge	£1,634	0.6%	7.6%
South Oxfordshire	£1,239	0.7%	7.0%
South Cambridgeshire	£1,245	0.6%	6.6%
West Oxfordshire	£1,213	0.5%	6.5%
Winchester	£1,309	0.4%	5.6%
Oxford	£1,657	0.1%	5.4%
North Yorkshire	£766	0.5%	5.2%
Bath and North East Somerset	£1,536	0.8%	4.8%
Wiltshire	£925	0.3%	3.7%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,055	1.0%	11.2%
Scotland	£947	0.3%	10.5%
West Midlands	£860	0.8%	9.4%
England	£1,285	0.7%	9.1%
Wales	£727	0.6%	9.0%
North West	£822	0.6%	8.9%
East Midlands	£806	0.6%	8.3%
South East	£1,279	0.6%	8.2%
Yorkshire and The Humber	£779	0.6%	7.7%
East of England	£1,131	0.4%	7.0%
South West	£1,107	0.6%	7.0%
North East	£662	0.6%	6.1%
West Midlands region	£242,429	-1.2%	-2.9%
London	£502,690	-0.7%	-4.8%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,055	1.0%	11.2%
Prime Central London	£3,128	1.5%	11.2%
South West London	£2,222	1.0%	8.6%

Official Price Index of Private Rents, ONS, March 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	£1,940	6.4%	27.0%
Greenwich	£1,770	0.7%	15.8%
Islington	£2,430	1.3%	14.2%
Tower Hamlets	£2,185	1.0%	13.3%
Westminster	£2,950	1.1%	12.7%
Hounslow	£1,677	0.7%	12.5%
London	£2,055	1.0%	11.2%
Hammersmith and Fulham	£2,456	0.4%	10.9%
Ealing	£1,791	1.0%	10.6%
Sutton	£1,377	0.7%	10.5%
Hillingdon	£1,384	0.6%	10.4%
Harrow	£1,570	0.9%	10.2%
Croydon	£1,386	1.0%	10.0%
Hackney	£2,252	1.8%	9.9%
Camden	£2,478	-0.1%	9.7%
Kensington And Chelsea	£3,305	1.8%	9.7%
Southwark	£2,194	0.8%	9.3%
Wandsworth	£2,288	1.0%	9.3%
Lambeth	£2,136	0.8%	9.1%
Barnet	£1,720	0.3%	9.1%
Lewisham	£1,620	0.6%	8.8%
Newham	£1,680	0.3%	8.6%
Havering	£1,338	1.0%	8.4%
Haringey	£1,912	0.9%	8.4%
Kingston upon Thames	£1,644	0.1%	7.9%
Bromley	£1,510	0.5%	7.7%
Redbridge	£1,483	0.5%	7.7%
Barking and Dagenham	£1,404	0.9%	7.5%
Merton	£1,888	1.8%	7.3%
Waltham Forest	£1,559	0.5%	7.1%
Enfield	£1,508	0.2%	6.8%
Richmond upon Thames	£1,923	1.6%	5.5%
Bexley	£1,290	0.5%	5.1%



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 34 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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