

Residential Update and Outlook

December 2024

Market Overview

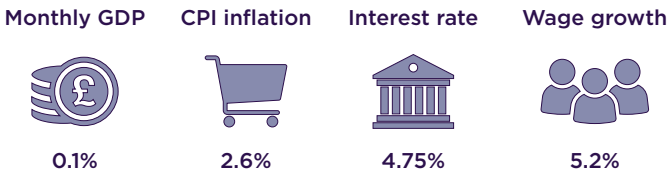
The UK economy is still looking subdued. The latest monthly GDP figure showed a contraction of -0.1% in October after most analysts had expected growth of +0.1% and on the heels of a similar contraction in September. On a three-monthly basis to October the services sector (which accounts for the majority of the UK economy) did show growth of 0.1% but with wage growth rising faster than expected, interest rate cuts now looking much slower throughout 2025, and inflation rising and above the Bank of England target 2%, there are still headwinds that could challenge further economic growth. Having said that, consensus forecasts are still showing GDP growth of 1.3% in 2025 so there are clearly many who remain optimistic.

In the residential sales market there are very clear signs of rising momentum. Mortgage approvals continue to rise, and overall transaction volumes jumped 10% month on month. This month's RICS survey also points to improving sentiment from both buyers and sellers while Rightmove's market report too showed an increase in agreed sales. Again though, there are economic headwinds that may begin to impede further growth in the market, not least of which is the reversion of stamp duty rates to their pre-September 2022 thresholds.

Key Points

- *Monthly GDP declined again in October, falling -0.1% on the month after a similar decline in September and below market forecasts of a +0.1% rise.*
- *Inflation increased for the second month in a row in November rising to 2.6% and the highest rate in eight months. On an annual basis it was food and clothing prices which rose by some of the highest figures.*
- *There was no change in interest rates this month, as was widely expected. The MPC voted to hold the rate at 4.75%.*
- *Consumer confidence improved one point according to the GfK Consumer Confidence Index, rising to -17 in December. Two of the sub-measures improved while three remained unchanged.*
- *Both the unemployment and employment figures remained largely unchanged this month (4.3% and 74.9%, respectively).*
- *Nevertheless, both the total number of payrolled employees and total job vacancies fell again in the latest three-monthly data, although these figures are likely to be revised.*
- *Average wage growth marked a surprise uptick, moving to 5.2% annually, up from 4.8% the month before. Manufacturing wages were found to have grown the most at 6.0%.*
- *There were mixed messages from November's Purchasing Managers Indices (PMIs) with two of the three sub-sectors declining over October's figures (manufacturing which showed contraction and services which although declined, is still in expansion). The construction sector PMI showed a surprise rise to 55.2 as commercial work rose sharply.*
- *Both Nationwide and Halifax recorded their highest rate of house price growth since the previous peak in late 2022. Nationwide reports 3.7% annual growth, up from 2.4% in October while Halifax reports 4.8%, up from 4.0%.*
- *Sales activity rose sharply in October according to both total recorded transactions which showed a 10% rise over September, and mortgage approvals which rose by 3% over September. Both sets of data show their highest levels since late 2022.*
- *There was further modest improvement in just about every measure in the RICS Residential Market Survey, with new buyer demand, new instructions and house prices all in expansionary territory.*
- *There was some slightly conflicting data this month from the rental market with the ONS reporting annual UK rental growth of 9.1%, up from 8.7% the month before and only just shy of the record 9.2% earlier in 2024. Zoopla meanwhile reports that rental growth is slowing, with new lets rising by an average of just 4% annually. The measurement of different rental agreements (new lets versus all lets) is the reason behind this wide discrepancy.*

Economic backdrop



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

The Macroeconomy

- GDP is estimated to have fallen by -0.1% in October, following a similar decline of -0.1% in September. The largest contributor to this decline was a contraction of -0.6% in production output, on the heels of a similar -0.5% fall in September. Monthly services output showed no growth while construction output declined by -0.4%.
- The annual inflation rate rose again in November, to 2.6%, up from 2.3% in October and the highest figure since March. The largest upward contributions came from recreation and culture as well as housing and utilities, both of which rose more in November than in October. In the housing sub-measure rising rents placed the strongest upward pressure on inflation. Annually, fuel and clothing were among the main upward drivers while air fares decreased.
- The Monetary Policy Committee voted to hold Bank Rate at 4.75% in their latest meeting on 19 December. Amid rising inflation and wage growth the vote to hold did not come as a surprise. The next meeting of the MPC is 6 February 2025.

Labour and employment

- The UK employment rate remained largely unchanged from last month's figure, at 74.9% (August to October), according to the latest Labour Force Survey estimates. The unemployment figure also remains unchanged at 4.3%, although above the figure for the same period in 2023 (4.0%).
- Further figures from the survey found that the number of payrolled employees fell in November, down by 35,000. Annually though the figure is up by 76,000. This latest figure is provisional and should be treated with caution as it is likely to be revised.
- The estimated number of job vacancies in the UK decreased by 31,000 during the latest quarter (September to November), marking the 29th quarterly decline. Total vacancies are now at 818,000 and now only just above the pre-pandemic figure of 816,000.

- Annual earnings (excluding bonuses) rose to 5.2% in the three months to October, higher than the 4.8% recorded last month and above market expectations. Private sector wage growth accelerated to 5.4% while the public sector average was 4.3%. Manufacturing again saw the highest rate of growth at 6.0%.

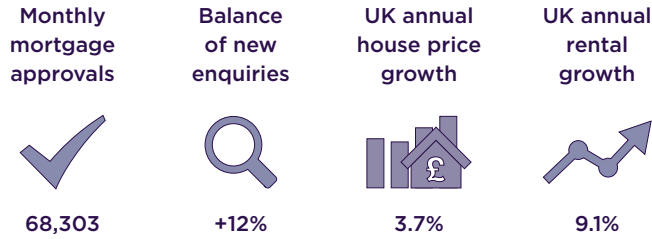
Market indicators

- The UK Manufacturing PMI declined again in November, down to 48.0 from October's 49.9 figure (S&P Global). This means the sector contracted the most since February 2024 with output falling for the first time in seven months. Concerns around the economic outlook, input costs and weak international demand has slowed the sector and weakened exports. Longer delivery times have resulted from supply chain issues including the Red Sea crisis and border regulation issues.
- Meanwhile, the Services PMI also declined in November although it remained just into expansion territory. The latest figure moved to 50.8 from 52 in October, the lowest since November 2023. Responders to this month's survey noted challenges stemming from economic uncertainty and possible tax implications from the Autumn Budget. Despite this, new business volumes rose for the 13th month in a row, driven by consumer spending, but business confidence in the sector is at its lowest level in almost two years.
- The Construction sector PMI meanwhile marked a surprise uptick in November, increasing to 55.2 from 54.3 the previous month. This was driven by the strongest rise in commercial work in over 2 ½ years, while residential work declined on the month. Employment also rose slightly although at its slowest pace for three months. Similarly, new orders also increased but again at a slower pace. Input cost inflation rose to an 18-month high as raw material prices increased and wage growth from suppliers was passed on.

Consumer demand and sentiment

- Consumer confidence showed a slight improvement in December, rising one point to -17 according to the GfK Consumer Confidence Index. Disaggregated, the personal finances indicator (over next 12 months) encouragingly rose two points to +1. Three indicators saw no change, including the important Major Purchase Index which remains at -16, although this is well above -23 at this point in 2023 and five points above where it was just two months ago.

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Bank of England mortgage approvals reached their highest monthly total since August 2022, at 68,303. This marks a rise of 3% over September's figure and a sharp 40% increase over the same month in 2023. Year to date figures show total mortgage approvals are now just over 623,000 for 2024, a 35% increase over the same ten-month period in 2023.
- Transaction volumes are also rising, increasing sharply with the latest figure for October just surpassing the 100,000 mark for the first time since November 2022. On a monthly basis this is 10% higher than the September total and 21% more than October 2023.
- Mortgage rates fell for the first time in two months in mid-December. The average two-year fixed is now 5.06% (85% LTV), down from 5.10% at the end of November (Rightmove / Podium).

Supply and demand

- Most metrics in the latest RICS residential survey showed a continued slight upward trend across the market. New buyer demand remained unchanged at +12%, the fifth month in a row where this has been positive, while the new instructions measure rose marginally higher to +17% (from +14% last month). The agreed sales measure declined but remains positive, at +1% however the forward-looking measures from respondents suggest that sales activity will improve over both the coming three months and the longer 12-month horizon.
- An improving market was also reported by Rightmove this month as they find that the number of sales agreed in the latest four weeks of data is up 22% compared with the same time in 2023.

UK prices and price growth

- House price growth bounced back in November, increasing by 3.7% annually, up from 2.4% in October and marking the highest annual price growth in two years, according to Nationwide. On a monthly basis prices also rose sharply, increasing 1.2%, the fastest

monthly rate of growth since March 2022. The current average house price of £268,144 is just 1% below the peak recorded in August 2022.

- Data from Halifax also recorded the highest annual rate of house price growth since the end of 2022, with average prices increasing 4.8% in November. This is up from (a revised) 4.0% in October and marks a monthly increase of 1.3%. The bank notes that a typical property is now £298,083, their highest ever figure, and 1.5% above the previous peak in September 2022.
- The annual rise in asking prices reached 1.4% in December, up from 1.2% the previous month according to Rightmove. On a monthly basis new seller asking prices dropped by 1.7% which the web portal says is in line with the usual December monthly fall as sellers try to tempt a dwindling number of buyers during the holiday month.
- Average UK house prices increased 3.4% in the 12 months to October, up from 2.8% the month before according to the Official House Price Index from the ONS. On a monthly basis prices grew by 0.2%, up from a fall of -0.5% in September. The average UK house price is now £292,059.
- There was a further rise in the house price metric from the RICS Residential Market Survey where a net balance of +25% of respondents reported an increase. This is up from +16% in October and now marks the fourth month where the indicator has risen. On a regional basis almost all regions indicated prices were rising and looking ahead a net balance of +47% of respondents believe prices will rise over the next year, up from +20% just last month.

Regional prices and price growth

- Yet again this month it was the regions and countries in the north that witnessed the strongest rates of house price growth, with Northern Ireland (7.2%), Scotland (5.5%) and the North East (4.7%) leading the way. By way of comparative contrast, the regions in the south of the country - notably with some of the highest house prices - recorded the lowest rates of growth, including the South East (1.7%) and London (0.2%).
- In London, the outer London boroughs recorded annual average house price growth of 2.7% while those in the inner locations saw an average decline of -2.9%. Having said that Tower Hamlets and Greenwich (both inner London boroughs), recorded the highest annual house price growth of 7.8% and 6.7%, respectively.
- Across our Carter Jonas tracked areas there was again a diversity of annual price growth figures. For the second month in a row Cambridge topped the list at 6.4%, followed by Winchester (6.3%), Leeds (5.2%) and Oxford (4.7%). Four of our 19 tracked locations are still



recording house price falls though, including three areas in the South West: Cornwall, Dorset and Devon where prices fell by between -0.2% and -1.5% annually.

2020. So while the supply / demand imbalance is narrowing, it is still wider than prior to the COVID pandemic.

Residential lettings

Supply and Demand

- According to the latest RICS survey tenant demand moved into negative territory for the first time since 2020. Albeit with a reading of -1% this is only just negative and may well have something to do with the time of year. However, it is well below the +20% recorded this time in 2023. Landlord instructions however continue to decline at -13% although this is up from -29% last month.
- Propertymark's latest insight report on the lettings market (released December) notes that tenant demand declined in October over September's figure. However, with an average number of new tenants registered per branch of 93, this is in line with the same figure one year ago. Meanwhile, the average number of new property instructions (per branch) continues to decline, moving from just under four in September to just over three in October, and well below six one year ago.
- In contrast though, Zoopla reports that demand for homes for rent is 29% lower than the same period in 2023, albeit this is still 31% more than pre-pandemic levels. What's more, they report that the average agent now has 12% more homes available for rent than in 2023 although again this is still 18% below the average before

Rents and rental growth

- Average rents in the UK continue their upward march, increasing by an average of 9.1% over the last 12 months. This was up from 8.7% the month before and only just below the record-high annual rise of 9.2% recorded in March 2024. London again recorded the highest rate of growth at 11.5%, the highest since records began in 2015. This was followed by the North West which saw 10% growth and the West Midlands where rents grew by an average of 9.3%.
- In the latest RICS survey, +29% of respondents continue to expect rents to rise over the next three months, down from +33% last month and the lowest level in almost four years.
- Zoopla's rental index meanwhile finds that the average rental increase for new lets has slowed across all regions and countries, bar Northern Ireland. Rental growth across the UK is now averaging 4% annually, down from 9.1% one year ago. London has recorded the slowest rate of growth at 1.3% while the strongest growth is in Northern Ireland (10.5%) and the North East (8.7%). It is worth reiterating that Zoopla tracks only new lets whereas the ONS index applies to the entire market, including existing renters who do not move, and this explains the wide discrepancy between the indices.

HM Treasury Forecasts for the UK Economy, December 2024

Sources: HM Treasury Consensus Forecasts (short-term: December 2024, long-term: November 2024)

	2024	2025	2026	2027	2028
Official Bank Rate (%)	4.72	3.80	3.56	3.37	3.29
House price inflation (annual, %)	3.7	2.1	2.2	3.4	3.6
CPI inflation rate (annual average, %)	2.5	2.5	2.1	2.2	2.2
Unemployment rate (%)	4.3	4.5	4.3	4.5	4.5
GDP (annual, %)	0.8	1.3	1.4	1.4	1.4
Average earnings growth (annual, %)	4.7	3.5	3.5	3.4	3.4

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 19 December)

	Current	Previous	Direction of change
GDP monthly	-0.1%	-0.1%	↔
Inflation rate (CPI)	2.6%	2.3%	↑
Interest rate	4.75%	4.75%	↔
Employment rate	74.9%	74.8%	↑
Unemployment rate	4.3%	4.3%	↔
Weekly earnings growth, regular pay (excl bonuses)	5.2%	4.8%	↑
S&P Global UK Manufacturing PMI	48.0	49.9	↓
S&P Global UK Services PMI	50.8	52.0	↓
S&P Global UK Construction PMI	55.2	54.3	↑
GfK Consumer Confidence Index	-17	-18	↑
Bank of England mortgage approvals (monthly)	68,303	66,115	↑
Nationwide house price inflation (annual)	3.7%	2.4%	↑
Halifax house price inflation (annual)	4.8%	4.0%	↑
Official UK House Price inflation (annual)	3.4%	2.9%	↑
Rightmove House Price Index (UK, annual, asking)	1.4%	1.2%	↑
Price Index of Private Rents (UK, annual)	9.1%	8.7%	↑
£ Sterling: \$ USD	\$1.26	\$1.25	↑
£ Sterling: € Euro	€1.21	€1.20	↑
Brent Crude Oil (USD)	\$73.50	\$73.94	↓
Gold (USD per ounce)	\$2,620.65	\$2,706.40	↓
FTSE 100	8,090.98	8,209.59	↓
UK 5 Year Gilt Yield	4.4720	4.2720	↑

Official House Price data, HM Land Registry, October 2024

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Cambridge	£506,883	1.5%	6.4%
Winchester	£487,761	1.1%	6.3%
Leeds	£248,583	0.3%	5.2%
Oxford	£488,576	-1.7%	4.7%
South Oxfordshire	£499,503	-0.4%	4.2%
South Cambridgeshire	£446,350	0.5%	3.8%
Vale of White Horse	£412,763	-1.6%	3.1%
York	£321,249	-1.7%	2.7%
North Yorkshire	£278,447	0.8%	2.5%
Wiltshire	£336,429	0.8%	2.5%
Cambridgeshire	£349,145	0.4%	2.2%
West Oxfordshire	£388,394	-0.9%	2.1%
Bath and North East Somerset	£439,714	1.6%	1.9%
Somerset	£294,078	0.6%	0.8%
Suffolk	£292,483	0.0%	0.8%
Devon	£323,151	-0.4%	-0.2%
West Berkshire	£402,881	0.0%	-0.5%
Dorset	£350,374	0.0%	-0.6%
Cornwall	£301,318	0.4%	-1.5%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Northern Ireland	£190,553	0.0%	7.2%
Scotland	£197,451	0.2%	5.5%
North East	£167,132	-1.6%	4.7%
Yorkshire and The Humber	£217,146	0.7%	4.6%
North West	£225,360	0.2%	4.4%
Wales	£222,316	2.0%	4.0%
East Midlands	£250,605	0.9%	3.9%
West Midlands region	£256,384	-0.3%	3.7%
United Kingdom	£292,059	0.2%	3.4%
England	£308,781	0.1%	3.0%
South West	£324,709	1.5%	2.7%
East of England	£344,434	0.7%	2.7%
South East	£381,566	-0.3%	1.7%
London	£519,579	-1.4%	0.2%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£519,579	-1.4%	0.2%
Prime Central London	£1,038,676	-2.8%	-12.4%
South West London	£695,101	-2.5%	-5.4%

Official House Price data, HM Land Registry, October 2024

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Tower Hamlets	£495,186	1.3%	7.8%
Greenwich	£460,151	-0.5%	6.7%
Hillingdon	£467,235	0.6%	4.7%
Waltham Forest	£512,963	1.0%	4.6%
Bexley	£409,969	0.2%	4.3%
Lewisham	£463,470	-0.6%	3.9%
Havering	£430,294	1.1%	3.8%
Brent	£553,670	1.6%	3.7%
Ealing	£541,775	-2.6%	3.4%
Redbridge	£501,860	0.9%	3.2%
Sutton	£444,838	0.9%	2.8%
Merton	£579,347	-0.1%	2.8%
Croydon	£408,410	0.8%	2.6%
Kingston upon Thames	£561,459	0.3%	2.3%
Haringey	£591,540	-0.2%	2.0%
Bromley	£505,096	-0.3%	1.8%
Harrow	£528,890	-0.4%	1.7%
Enfield	£448,766	-0.5%	1.6%
Hounslow	£463,466	-0.6%	1.1%
Barnet	£586,982	-0.5%	1.0%
Barking and Dagenham	£338,137	0.0%	1.0%
Hackney	£610,667	1.8%	0.8%
Newham	£407,282	-1.3%	0.3%
London	£519,579	-1.4%	0.2%
Southwark	£504,782	0.7%	-1.7%
Richmond upon Thames	£738,612	-2.3%	-1.8%
Lambeth	£538,515	-2.8%	-2.2%
Wandsworth	£606,527	-2.3%	-4.1%
City of Westminster	£959,769	-0.9%	-4.4%
Islington	£675,032	0.9%	-4.9%
Camden	£797,520	-3.5%	-6.2%
Hammersmith and Fulham	£740,164	-2.8%	-10.5%
Kensington And Chelsea	£1,117,582	-4.3%	-20.3%
Outer London	£490,561	-0.1%	2.7%
Inner London	£594,588	-1.1%	-2.9%

Official Price Index of Private Rents, ONS, November 2024

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
South Oxfordshire	£1,348	1.4%	10.7%
Cambridge	£1,734	1.1%	9.1%
Winchester	£1,406	0.5%	8.7%
Oxford	£1,778	1.5%	8.5%
South Cambridgeshire	£1,319	0.8%	8.3%
York	£1,102	-0.2%	8.1%
Bath and North East Somerset	£1,633	0.6%	7.4%
West Berkshire	£1,235	0.5%	7.0%
North Yorkshire	£802	0.5%	6.5%
Vale of White Horse	£1,273	1.0%	6.3%
Wiltshire	£973	0.5%	6.2%
West Oxfordshire	£1,268	0.5%	5.8%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,206	1.6%	11.5%
North West	£877	0.8%	10.0%
England	£1,362	1.0%	9.3%
West Midlands	£905	0.4%	8.6%
East of England	£1,196	0.8%	8.4%
North East	£700	0.9%	8.4%
East Midlands	£852	0.5%	8.3%
South East	£1,346	0.7%	8.2%
Wales	£772	0.8%	8.0%
South West	£1,152	0.6%	6.5%
Scotland	£980	0.4%	6.4%
Yorkshire and The Humber	£804	0.4%	5.7%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,206	1.6%	11.5%
Prime Central London	£3,352	1.7%	11.1%
South West London	£2,393	1.3%	10.8%

Official Price Index of Private Rents, ONS, November 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	£2,115	-0.1%	28.1%
Sutton	£1,490	0.5%	14.9%
Ealing	£1,972	1.5%	14.0%
Hounslow	£1,860	1.8%	13.4%
Hackney	£2,442	1.2%	13.0%
Richmond upon Thames	£2,099	1.4%	12.7%
Islington	£2,627	1.1%	12.4%
London	£2,206	1.6%	11.5%
Redbridge	£1,612	1.3%	11.4%
Kensington And Chelsea	£3,520	1.7%	11.1%
Haringey	£2,080	1.0%	11.1%
Westminster	£3,183	1.7%	11.1%
Havering	£1,441	0.6%	11.0%
Hammersmith and Fulham	£2,662	1.4%	10.7%
Harrow	£1,673	1.0%	10.6%
Hillingdon	£1,482	1.0%	10.3%
Barking and Dagenham	£1,501	0.7%	10.1%
Croydon	£1,472	0.5%	10.1%
Bexley	£1,395	1.3%	9.8%
Enfield	£1,643	0.7%	9.8%
Merton	£1,988	1.1%	9.7%
Waltham Forest	£1,673	1.0%	9.6%
Tower Hamlets	£2,309	0.7%	9.4%
Greenwich	£1,841	0.7%	9.1%
Wandsworth	£2,419	1.1%	8.9%
Southwark	£2,313	0.7%	8.9%
Lewisham	£1,720	1.0%	8.8%
Lambeth	£2,263	1.3%	8.3%
Camden	£2,672	4.5%	7.8%
Bromley	£1,585	0.6%	7.7%
Kingston upon Thames	£1,711	0.8%	7.1%
Barnet	£1,791	0.3%	5.2%
Newham	£1,735	0.6%	4.9%



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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