

Residential Property Review

October 2023



Our monthly property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice. We hope you will find this review to be of interest.

Conditions remain challenging

The residential sales market continues to be challenging, according to the latest UK Residential Survey by the Royal Institution of Chartered Surveyors (RICS), with demand, sales, instructions, and prices remaining in negative territory.

At a national level, new buyer enquiries recorded a net balance of -39% in September, which although weak, is marginally less negative than the previous month's reading of -46%.

The listings headline net balance was -17% in September (compared to -26% in August). Agreed sales remain firmly negative, with a national net balance of -37%, but this reading is less downcast than readings of -46% and -45% seen in August and July respectively.

Looking at twelve-month sales expectations, the outlook is more positive, with a net balance of +3% (up from -5% last time) signalling a much more stable trend in sales volumes emerging over the year ahead.

Rental properties receive 25 tenant enquiries

Over the last two years, average rental prices have continued to rise and there have been more people looking to rent homes than there have been properties available.

According to Rightmove, the number of tenants looking to move now, compared to 2019, has increased by more than 40%, while the number of available homes to rent has dropped by 35%. Because of this mismatch, letting agents are receiving an average of 25 enquiries from prospective tenants for every home available to rent. This has risen from eight enquiries per property in 2019 and is five more than in May of this year.

Rightmove's Tim Bannister commented, *"The number of new rental properties coming to the market is now at its highest level since the end of last year. While it is likely that there is some way to go before this filters through to rental prices, if the improving trend between supply and demand continues, we could start to see the pace of yearly rent rises slow more significantly than it has been."*

BoE concerns over longer mortgage terms

Consumers are taking out longer mortgages to cope with higher interest rates and living costs, potentially storing up debt troubles in future, the Bank of England (BoE) has said.

According to the central bank's Financial Policy Committee (FPC), the proportion of mortgages lasting 35 years or more has increased from 4% in the first three months of the year to 12% in the second quarter. The FPC said that longer mortgages account for a small share of total mortgages and *'Such lending will be bound by Financial Conduct Authority responsible lending rules requiring lenders to take account of future changes to income and expenditure, such as the borrower retiring, where that is expected to happen during the mortgage term.'*

The UK has a relatively short-term mortgage market compared with some countries, including USA, where the average mortgage term is 23.3 years.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

House prices Headline statistics

House Price Index (Aug 2023)	152.6
Average House Price	£291,000
Monthly Change	0.3%
Annual Change	0.2%

*(Jan 2015 = 100)

- Average house prices in the UK increased by **0.2%** in the year to August 2023
- On a non-seasonally adjusted basis, average UK house prices increased by **0.3%** between July 2023 and August 2023
- The average price in London was **£536,000** in August 2023.

Source: The Land Registry
Release date: 18/10/23
Next data release: 15/11/23

House prices Price change by region

Region	Monthly change (%)	change (%)	Average price (£)
England	0.2%	0.0%	£310,000
Northern Ireland (Quarter 2 - 2023)	1.4%	2.7%	£174,000
Scotland	1.2%	1.1%	£194,000
Wales	-0.1%	-0.1%	£217,000
East Midlands	0.6%	0.5%	£251,000
East of England	-0.7%	-1.6%	£351,000
London	-0.1%	-1.4%	£536,000
North East	1.3%	3.6%	£165,000
North West	0.0%	0.4%	£216,000
South East	-0.1%	-0.6%	£393,000
South West	1.2%	-1.1%	£328,000
West Midlands Region	0.5%	1.1%	£254,000
Yorkshire and The Humber	0.4%	2.2%	£213,000

Average monthly price by property type – January 2023

Property Type	Annual Increase
Detached £458,000	0.8%
Semi-detached £283,000	0.9%
Terraced £237,000	-0.9%
Flat / maisonette £233,000	-0.2%

Source: The Land Registry
Release date: 18/10/23

Contains HM Land Registry data © Crown copyright and database right 2023. This data is licensed under the Open Government Licence v3.0.

Housing market outlook

“Activity levels continue to look subdued compared to recent years, with industry data showing lower levels of new instructions to sell homes and agreed sales. Borrowing costs are the primary factor, given the impact of higher interest rates on mortgage affordability. Against this backdrop, homeowners inevitably become more realistic about their target selling price, reflecting what has increasingly become a buyer’s market.”

Kim Kinnaird, Director, Halifax Mortgages

Source: Halifax, October 2023

All details are correct at the time of writing (19 October 2023)

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.