

Residential Research Update: March

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As the evenings are getting lighter and the first signs of spring are emerging, we remain on the lookout for some green shoots of recovery in the housing market too — albeit armed with a set of waders and a magnifying glass.

With nominal house price growth running at **just 1.0% according to Nationwide**, national house prices are still falling on an inflation adjusted basis. That means we are seeing a gradual improvement in affordability, particularly across London and the South. However, against the current economic backdrop, prospective buyers remain cautious in taking advantage of that.

At 60,000 for the month, **mortgage approvals in January remained weak**, despite broadly stable mortgages rates of **under 4%, according to the Bank of England**. This represents a decrease from the six month average of around 64,100.

February data from TwentyCi does give a bit more cause for cautious optimism, with the number of agreed sales above a year ago for the first time since September last year and new instruction levels up 2.4% year on year. But, there hasn't been any real change in the number of sellers adjusting their asking prices.

And in the market over £1 million, activity remains down -3.2% year on year. That increasingly points to a slow bottom-up recovery, reliant on further cuts in interest rates, especially given the air of political uncertainty that hangs over the UK.

The Bank of England's next rate setters meeting is on the 19th of the month. With **headline inflation easing back to 3.0%** and



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unemployment creeping up to 5.2%, the expectation is for a **further 0.25% cut to bring Bank base rate down to 3.5%**, though we will have to wait to see how this is affected by the current situation in the Middle East.

You can read more on how the national housing market figures are playing out regionally in our assessment of the total value of the UK's housing stock, **which we put at £9.18 trillion at the end of 2025.**

Meanwhile, **Homelet put annual rental growth at 2.0% in February.** Notably, that sits a little below earnings growth (which stood at 4.2% to the end of December, **according to the ONS**). This comes despite the **RICS reporting a modest pick-up in rental demand in January,** and continued supply constraints in the run up to Renters' Rights Act taking effect across England at the beginning of May.

It's been a busy start to the year for us, with strong activity across the board suggesting demand is holding up well. There is much, then, to discuss in the rental market. So, I recently joined Andy Graham of the HMO Podcast to chat about what all this could mean for investors, **which you can listen to here if it tickles your fancy.**



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