

YOUR RESIDENTIAL RESEARCH UPDATE

With the usual festive songs beginning to hit the airwaves, this is my final market update of 2023. As you read through, you may be able to get a sense of what's on my playlist at this time of year. Although the Christmas decorations are yet to go up in Savills Research department, the team and I hope that you and your families ***Have Yourself A Merry Little Christmas.***



Lucian Cook
Head of Residential
Research

2023 has been a year which, from the perspective of the housing market, has been dominated by the effect of elevated mortgage rates.

Last Christmas, when inflation was in double digits, the cost of a two-year fixed rate 75% LTV mortgage stood at 5.29%. In the summer of this year, the cost of that same mortgage product peaked at 6.34% in the face of stubbornly high inflation.

Now as we prepare to ***Step Into Christmas, inflation has fallen back to 4.6%***, bank base rate has been held at 5.25% at two successive MPC meetings, and the cost of that same mortgage product is back under 5.0% (4.94% to be precise).

At the same time, the Nationwide has reported a tentative recovery in ***mainstream house prices***, yet their 0.2% price rise in the month of November hardly puts us in ***Winter Wonderland*** territory.

Even if these figures have been reported against the context of relatively muted activity in the mortgage markets, the fact that September's 0.9% increase wasn't reversed does suggest ***we are past peak pain in the UK housing market.***

Last week's figures from the [Bank of England](#) gave us another reminder of how the balance between debt and equity in the housing market has shifted over the past 18 months. Approvals for house purchase stood at 47,400 in October, an 8% increase on September – but still well short of the average 66,000 per month seen in the three years prior to the pandemic, during more normal market conditions.

Not wanting to be *Lonely This Christmas*, [HMRC reported](#) that completed housing transactions in October were also subdued – around 16% below a normal market – though supported by more robust activity among cash buyers.

As our own [analysis has shown](#), cash buyers have become somewhat more prevalent in the prime housing markets over the course of 2023, with prices holding up more strongly where these buyers are most dominant.

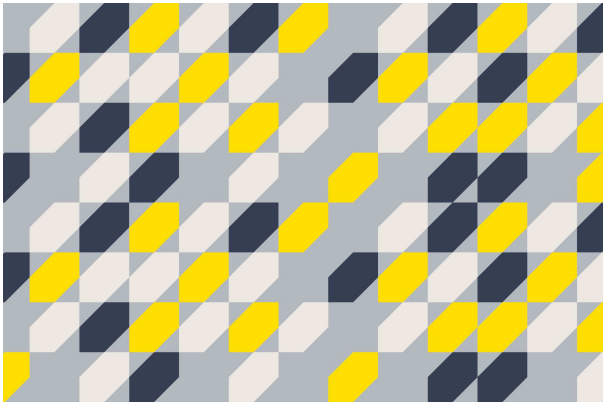
And at the top end of the market, data from TwentyCI tells us that 2,305 £1m+ sales were agreed in November, before peoples' thoughts turned to *Driving Home For Christmas*. That figure was 26% above the same month last year, and, more pertinently, it was within 2% of November 2021 (when the market wasn't having to contend with the financial turmoil we witnessed this time last year).

Those figures look to be representative of an encouraging pick-up in activity during November, with overall agreed sales coming in at 97% of 2017-2019 levels. We are however still seeing 26% more changes in asking prices than would normally be expected. This suggests the market will remain price sensitive as we enter 2024, even if some of the economic uncertainties that have hung over the market in this year ease.

As for the lettings market: we expect an affordability ceiling to become more of a constraint as wage growth starts to moderate. Though we expect rental growth to outpace earnings growth next year, we believe the gap will narrow substantially in 2025. Our recent article [provides more detail](#) on this, along with our expectation for rental growth at a regional level.

As the year draws to a close, the Savills Research department and I hope that you have found these market insights useful and that they continue to help you better understand the housing market in 2024. If you have any feedback on the format of these monthly updates, you can reply directly to this email.

Lucian's top picks:



Savills Research

Prime Residential Forecasts 2024-28

How are different parts of the property market expected to perform over the coming years? Our five-year forecast report for prime residential house prices looks at the data shaping the market.



Savills Research

Rental Forecasts 2024-28

The word of the year for the private rented sector could be “imbalance”. How is the rental market expected to perform over the coming years? Our five-year forecast report looks at the data shaping the market.



Savills Blog

At home with the Georges

The wow factor created by classic proportions, symmetry, light-filled rooms and delicate finishes continues to attract generation after generation of buyers. For many, a Georgian house is the dream home.



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