YOUR RESIDENTIAL RESEARCH UPDATE

Are we past the peak pain? This month's update explores our recently launched **house price forecasts**, price movements and other lead indicators across both the prime and mainstream property markets.

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Head of Residential Research

Surprising results

Somewhat surprisingly both **Nationwide** and the **Halifax** mainstream house price indices showed a return to month on month house price growth in October, while other indicators for the UK housing market remained relatively weak.

The **Bank of England reported** that mortgage approvals in September remained below 45,000 – 35% below what we would consider "normal". In the current market, cash buyers still hold a strong competitive advantage. But while we may be "past peak pain" in the housing market, these figures suggest it is too early to ring the bell of recovery.

Other indicators of performance

The **RICS residential market survey** still showed a high net balance of surveyors (63%) reporting falling prices and although readings for new buyer enquiries and new instructions improved, they still remained in negative territory.

Meanwhile, data from TwentyCi suggests the activity in the housing market remained -16% below the pre-pandemic norm in October at a time when changes to asking prices continued at +29% above the average for 2017 – 2019.

Release of new house price forecasts for 2024 and beyond

Against this context (and with the MPC holding Bank base rate at 5.25% for the second time in succession) we **released our forecasts for the prime and mainstream housing markets on 8 November**.

On the basis of current economic expectations, we are forecasting that mainstream house prices will ease back by a further 3.0% in 2024 in a year when we expect the total number of housing transactions to remain at just over 1 million.

We expect to see less downward pressure on prices in the prime markets. Our expectation is that values in prime central London will remain flat, but fall by around 2.0% across other parts of the prime London housing market, and fall by an average of 1.5% beyond the capital (albeit varying by specific location).

Over the longer term we expect gradual falls in Bank base to underpin a recovery from 2025 onwards, supporting average price growth of around 18% over the 5 years from the end of 2023, with slightly stronger growth coming earlier in the less debt reliant prime markets.

You can read much more about what sits behind our thinking **here** – including how we expect different parts of the market to operate.

A view of the rental market

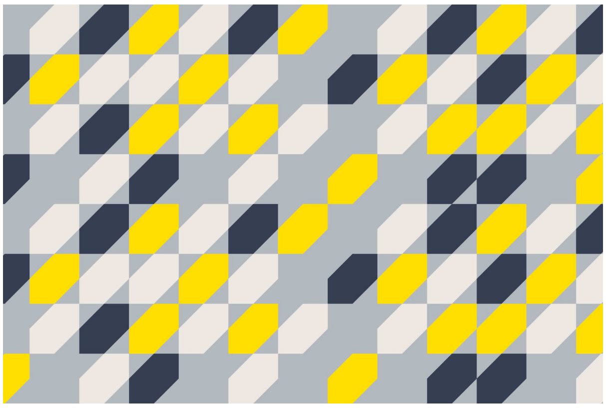
The recent RICS survey also indicated an ongoing – albeit narrowing – imbalance between demand and supply in the rental market. Together with strong wage growth, which the **ONS put at 7.9%**, this has supported the recent burst of rental growth.

This growth remains at, or close to, double digit territory in the mainstream rental markets, yet has **eased somewhat in the prime markets**.

With earnings expected to slow in 2024, how long can rental growth be sustained? Our rental forecast considers this in the context of the rental market as a whole, taking into consideration the future prospects for rental growth against the expectation of significant regulatory reform.

For a full deep-dive into the five-year forecasts, you can **explore the full report on the Savills website** – or selected articles are highlighted below.

Lucian's top picks:



Savills Research

Prime Residential Forecasts 2024-28

Explore more articles where Research Director Frances McDonald considers the prospects for the prime housing markets.

Savills Research

Mainstream Rental Forecasts

Rental growth since the pandemic has reached 27%. With higher mortgage costs and regulatory reform on the horizon, how will this sector perform over the coming years?

Savills Research

Mortgage affordability still holds the key

Above all other things, the speed at which the cost of mortgage debt falls and housing affordability pressures ease holds the key to house price movements over the next five years.