Residential Research Update

February

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Early indicators for 2025

Data from TwentyCi suggests that housing market activity in the first month of the year was around 13% higher than the same time last year. This builds on the momentum seen during the final months of 2024, **when mortgage approvals returned to the pre-pandemic norm** according the Bank of England.

At the same time, Nationwide reported that annual levels of mainstream house price growth softened in January (+4.1% compared to +4.7% in December 2024), though this in part reflects the vagaries of **monthly house price movements**.

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Prime numbers

In the market over £1m activity was a little closer to last year's levels but still a healthy 10% higher than 12 months ago, despite sentiment in the prime housing markets of both **London** and the **regional markets** being more exposed to a higher tax environment post Budget.

Despite these pressures, there was an uptick in activity in the rarefied market over £5m in London in the final quarter of 2024 following more subdued activity in the 9 months before. You can read more about this **here**.

Interest rates and mortgage regulation

During January there was a flurry of speculation over the number of interest rate cuts we will see this year, given a spike in gilt yields early in the month.

That has now dissipated and, combined with lower than expected inflation and a more apparent desire to protect economic growth, it currently looks like the Bank will continue with a rate cutting agenda in 2025, though we will know more after the first Monetary Policy Committee (MPC) meeting of the year on Thursday.

That would indicate a progressive increase in the range of buyers and their buying power over the year.

At the same time the newspapers have been filled with reports that the government is keen to see a further relaxation of mortgage regulation, which has the potential to amplify this effect.

Given the Financial Conduct Authority's overriding responsibility to prevent undue risk in the lending markets, big questions remain about the extent to which the regulators will be receptive to the overtures of government. If you are a subscriber to the Times or the Telegraph you can read more on what it could mean for different parts of the market **here** and **here**.

Private rental market

From a regulatory perspective, the **Renters' Rights Bill** had its second reading in the House of Lords this week, having made significant parliamentary progress in January.

This is taking place against a return to relatively low single digit annual rental growth, with the RICS reporting relatively flat tenant demand in December. You can read more on how this applies to the prime rental markets **here**.

MY TOP PICKS

How is the property market performing?