Residential Research Update

June

SEARCH PROPERTIES | BOOK A VALUATION | INSIGHT & OPINION

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Last month we reported a softening of house price growth over the first four months of the year. Last Monday, Nationwide reported **that annual price growth edged up marginally to 3.5%**. And there are plenty more lessons we can learn from the events of the past month too.

Home economics

Data from TwentyCi suggests that across the market as a whole, activity in May was +5% higher than the same month last year, recovering after April activity fell below 2024 levels.

The top end of the market showed a similar trend, though it has been relatively stronger outside of the capital.

Importantly, the same data source shows that, in all cases, this has been accompanied by a fairly significant year-on-year increase in sellers adjusting their asking prices.

Double maths

This price sensitivity reflects the fact that the outlook for economic growth has softened over the past year, as laid bare by the **summary of economic forecasts compiled by HM Treasury**.

At the same time, expectations for the public sector borrowing requirement have risen. That leaves the Chancellor with some very difficult decisions, as we approach the much-anticipated Spending Review on the 11th June.

The extent to which spending plans are

reined in will have significant implications for tax changes needed at the next Budget. This, in turn, has the potential to delay a pick-up in sentiment in the prime markets.

Business studies

Meanwhile, last month we saw the Bank of England cut interest rates by 0.25% to 4.25%. And while **consumer price inflation ticked up from 2.6% in March to 3.5% in April** (so making the pace of further rate cuts a little less clear), we have seen more **lenders relax their affordability criteria** over the past month.

We estimate that this could **increase first-time buyer activity by +14% to +24%**, subject to how much of the additional borrowing capacity feeds into prices. That sits alongside the potential for it to deliver an extra +5.0% to +7.5% house price growth over the medium term.

The effect won't stop there, either, with the buying power of upsizers also enhanced. That sets the platform for a slightly stronger recovery, as and when economic conditions allow for improved buyer sentiment.

Social studies

Getting a handle on what is going on in the rental market is perhaps a little more tricky, given some of the restructuring of landlord portfolios and an unusually high flow of stock (in both directions) between sales and rentals.

At the end of May, **TwentyCi reported that the number of properties available to rent** had fallen by 18% year on year.

Together **with wage growth that is running at 5.5%**, those stock shortages have underpinned a return of rental growth that had been waning at the beginning of the year.

And yet, despite the lack of available rental property across a lot of the market, there are signs that a core of demand for investment property remains.

Recent stamp duty data shows that in the six months to the end of March almost **111,000**

purchases across England and Northern Ireland bore the surcharge for investments and second homes. Despite the surcharge being increased at the last Budget, that is similar to the average levels of activity seen in the preceding 5 years.

For more learnings, **keep your eye on our latest updates**.

Class dismissed.

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