

Residential Research Update

September

The Savills logo, consisting of the word "savills" in a lowercase, sans-serif font, with the 's' in red and the rest in black, set against a yellow square background.

SEARCH PROPERTIES | BOOK A VALUATION | INSIGHT & OPINION

We have seen an easing in the cost of mortgage debt over the summer, following the first cut in Bank Base Rate. But while we might have expected to see this reflected in more market activity, speculation about how Labour will seek to increase tax revenues in their first budget on 30 October has tempered this. Read on for an overview on what's happening in the sales and rental markets.

Market metrics

While we have seen higher levels of market activity than the same period last year, the past three months have moved more in line with a “normal” market (pre-pandemic) than earlier in 2024.

Across the market as a whole, sales agreed were within 1% of a normal market in the three months to the end of August, according to data provided by TwentyCI. Meanwhile, the number of properties brought to the market were 3% above that benchmark.

Similarly, **latest data from the Bank of England** tells us that mortgage approvals in July only rose marginally to 62,000 (albeit the highest since September 2022).

Furthermore, annual price growth remains in low single-digit territory **according to the Nationwide**, with values up 2.4% in the year to the end of August.

The cost of debt

On the plus side, the headline quoted cost of a 5-year fixed rate mortgage from the



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Nationwide has fallen from 4.50% at the end of June to 3.94% at the end of August (specifically for those requiring a 75% loan-to-value and prepared to pay an upfront fee of £1,499 - more competitive rates are on offer for those with a lower borrowing requirement).

This is despite the fact that in the middle of August we learnt inflation had nudged **back up above the Bank of England's 2.0% target.** Importantly, core inflation (excluding energy, food, alcohol and tobacco) continued to moderate, paving the way for further cuts in Bank Base Rate in due course.

Such cuts are key to making it easier for borrowers to meet lender affordability stress tests when they look to move, while the falls in headline mortgage rates will come as a relief to **those coming to the end of their fixed rate mortgage over the next year.**

Careful budgeting

Lower mortgage costs are likely to support the mainstream market during the autumn. Yet the prospect of a higher tax burden for wealthier households risks a less pronounced pick-up at the top end of the market.

Proposals to do away with non-dom status have been with us for some time, and this topic will be covered in our annual Prime Central London report, due to be published next week.

The introduction of VAT on school fees has also already been confirmed. But more recently, there has been increased talk of potential increases in the rate in capital gains tax and the threshold for inheritance tax. Irrespective of the outcome, it's likely to rein in the exuberance of buyers of higher value properties in coming months.

Landlord concerns

Any increase in capital gains tax rates will be most directly relevant to private landlords.

Our analysis of recent HMRC data indicates that in total there were around 570,000 disposals of investment properties and second homes in the three years to April 2024. That represents a 47% increase over

the preceding three years, as the size of private rental sector has plateaued.

Even though annual rental growth continues to moderate (easing back to 5.1% at the end of August **according to Homelet**), lower mortgage rates are likely to ease financial pressures on mortgaged landlords. Meanwhile, the extent to which the regulatory burden increases will only become clear as proposals for a Renters Rights Bill, announced in the Kings Speech, has been further developed.



MY TOP PICKS



Three top tips for buying a home this autumn

In light of the Bank of England's decision to lower interest rates to 5%, you might be thinking about what this means if you are looking to buy a home and whether to act now or wait to take the plunge. Here are three things to consider.

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Interiors through the Eras

With the UK leg of Taylor Swift's Eras Tour now completed, we take a look back at interior design trends across a somewhat longer time frame.

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