

THE PROPERTY MARKET

A REVIEW OF THE KEY
TRENDS IN THE NATIONAL
& LOCAL HOUSING MARKET.

WEST OF ENGLAND AND SOUTH WALES

Analysis by Dataloft | Winter 2023/24



DAVID PLAISTER

PROPERTY AGENTS • SALES & LETTINGS • AUCTIONEERS

BRIGHTENING PICTURE

SALES



↓**0.1%**

UK House prices

£291,716 September 2022 vs
£291,385 September 2023



↓**20.5%**

Property sales

104,300 October 2022 vs
82,910 October 2023



↓**17.1%**

Mortgage approvals

57,145 October 2022 vs
47,383 October 2023



↓**5.7%**

New private homes completions

64,679 Q3 2022 vs
60,988 Q3 2023



↓**39.9%**

Gross mortgage lending

£27.2bn October 2022 vs
£16.2bn October 2023

Source: Dataloft, ONS, HMRC, Bank of England, DLUHC, HomeLet
*Figures rounded to nearest £0.1bn

As 2023 draws to a close, the economic backdrop is slowly and steadily uplifting, with the housing market proving its resilience. Mortgage rates are normalising but buyers and sellers remain cautious.

Improving outlook

Inflation experienced the sharpest decline in three decades, falling to 4.6% in October from 6.7% in September, now at its lowest rate since November 2021 (ONS). The economy is growing and incomes are rising, with wage growth at 7.7% in Q3 (ONS). With encouraging news, there has been an uptick in consumer confidence, increasing six points in November to -24, with improvements across all measures (GfK Consumer Confidence Tracker). The pace of house price moderation also appears to be steadying, with a net balance of 63% of property professionals reporting house prices falling in October, down from 67% in September (RICS).

Negotiating power

The sentiment is that mortgage rates may have peaked, attracting those who delayed moving over the last year. While there has been a slight softening in prices, the average house price in September 2023 was 25% higher than in September 2019, the September prior to the pandemic. This equates to an average rise over that period of £57,849 (UK HPI). Understanding local market dynamics and pricing realistically are crucial to successfully securing a sale during periods of price sensitivity.

Autumn Statement

In the Autumn Statement, the Chancellor announced cuts to employee National Insurance from 12% to 10%, saving the average earner £450 per year. Reductions to National Insurance for the self-employed have also been announced, affecting an estimated 39% of landlords with five or more properties. The government has committed to supporting the building of more homes, extending the mortgage guarantee scheme and increasing the national living wage. Long-awaited reforms to the leasehold system have started their progress through Parliament, with new laws promising 'significant new rights and protections' that could be in motion before the next General Election.

LETTINGS



↑8.9%

Annual rental growth

November 2022 vs
November 2023



£1,279

Average monthly rent across the UK

November 2023

27%

Rent out of
choice over
necessity

Dataloft, Property Academy
Renter Survey 2023

Lettings

Average rents continue to rise on an annual basis, reaching £1,279 in November, although there has been a slight month-on-month fall of 0.3% (HomeLet). Void periods increased from 14 to 18 days, indicating a seasonal cooling in demand after a hectic summer period (Goodlord). However, the market remains under strain, with 17% of agents reporting that renters are often offering above asking rent, and a further 44% saying they do so sometimes (Dataloft Poll of Subscribers). In the Autumn Statement, the Chancellor announced support for low-income renters by raising the Local Housing Allowance to cover the lower 30% of rents, giving 1.6 million households an average £800 p.a. of support.

Analysis by Dataloft



As we round up what has been a challenging year for the housing market, optimism prevails. Looking to 2024, conditions will remain testing; however, demand is likely to uplift and there will be opportunities for savvy buyers and sellers.

IAIN MCKENZIE
CEO, THE GUILD OF PROPERTY
PROFESSIONALS

LOOKING BACK, LOOKING FORWARD

Improving picture



1.8%

Growth in average
UK house price since
January 2023

4.6%

Current rate of inflation,
down from 10.1%
in January

18.5%

Increase in the number
of mortgage approvals
since January 2023

Falling inflation

2023 has taken its time to recover from the economic and political shocks of 2022. However, the closing months of 2023 have seen inflation falling sharply, more than halving since the start of the year, and interest rates have been held for the fourth consecutive time. Consensus forecasts by HM Treasury suggest that interest rates are at their peak and will fall to 4.7% by the end of 2024, which should improve affordability and increase demand.

Growing confidence

Average house prices remain 1.8% above where they were at the start of the year, showing resilience in the face of economic headwinds. Monthly price falls have also slowed as the market rebalances, moderating to -0.5% in September from -1.2% in January (ONS, UK HPI). Mortgage approvals, a leading indicator of demand, are 18.5% higher than in January. The 8% uptick between September and October reflects growing confidence in the market (Bank of England).

More competitive mortgages

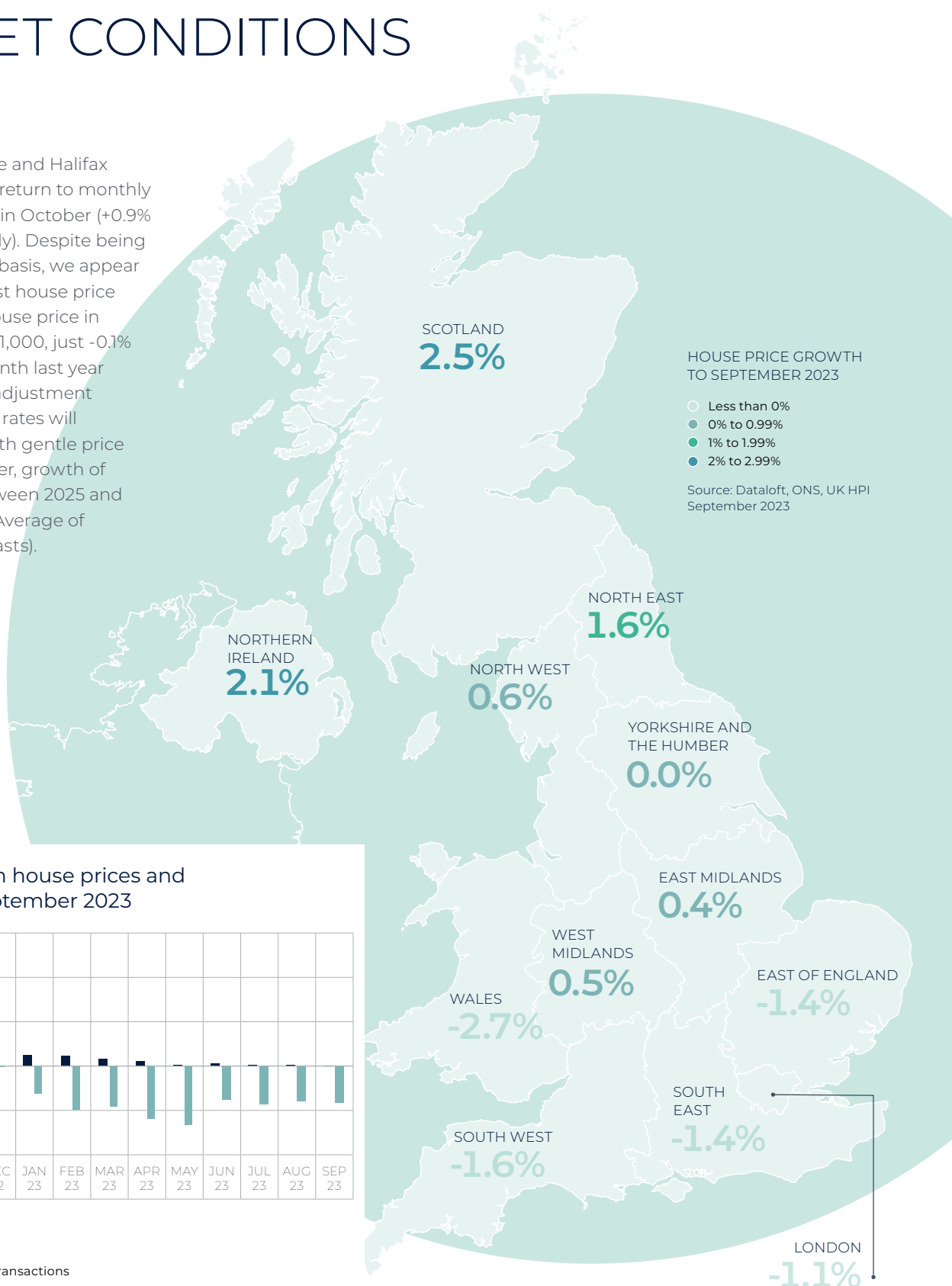
In light of encouraging news about inflation and improving confidence in the market, mortgage rates are edging down. The average mortgage rate is 5.68% for a five-year fix and 6.08% for a two-year. These have fallen from 6.17% and 6.67% respectively since the start of September (Moneyfacts). Looking forwards, significant rate cuts are unlikely until inflation starts to fall more sharply. However, lenders are in strong competition and are loosening criteria to encourage borrowing.

Sources: ONS, UK HPI September 2023, Bank of England October 2023

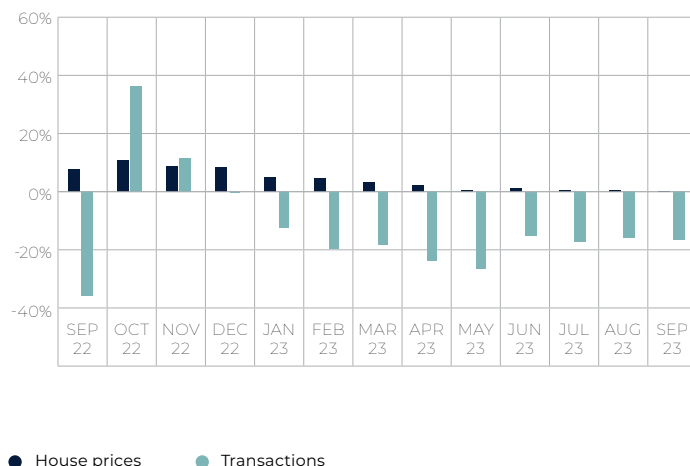
NATIONAL

MARKET CONDITIONS

Both the Nationwide and Halifax indexes displayed a return to monthly house price growth in October (+0.9% and +1.1% respectively). Despite being down on an annual basis, we appear to be past the largest house price falls. The average house price in September was £291,000, just -0.1% below the same month last year (ONS, UK HPI). The adjustment to higher mortgage rates will continue in 2024, with gentle price moderation. However, growth of 5.8% is forecast between 2025 and 2027 (HM Treasury, Average of Independent Forecasts).



Annual change in house prices and transactions, September 2023



Source: Dataloft, HMRC, ONS, UK HPI (September 2023)

REGIONAL ACTIVITY

WEST OF ENGLAND

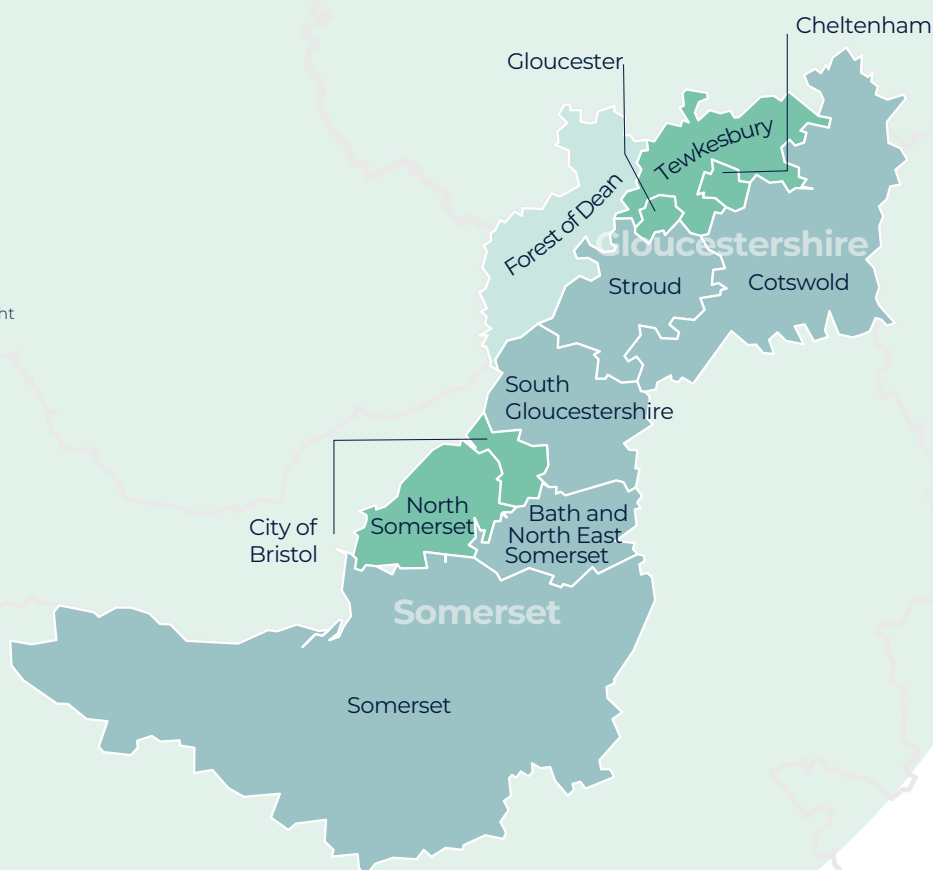
Sales volumes are steady, with quarter-on-quarter transactions remaining stable (up +0.6%), supported by a consistent stream of motivated buyers (HMRC). There are 15% more agreed sales than a year ago and 5% more than in 2019, suggesting improved realism from sellers (Zoopla). Smaller properties are most in demand, with the number of sales agreed for studio, one- and two-bedroom properties

higher than in 2019 (Rightmove). With interest rates expected to start easing back in 2024, combined with pent-up demand and the usual seasonal uplift, activity should improve in spring. Across the West of England, the most active housing markets are currently those of Gloucester, Bristol and Cheltenham, where close to one in every 30 properties has changed hands in the past year.

% OF PRIVATE STOCK TURNOVER

- Less than 2.8%
- 2.8% to 3.09%
- 3.1% to 3.49%

Source: Dataloft, DLUHC, ONS, UK HPI (September 2023)
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Motivated buyers are still out there

3.8%

Bath and North East Somerset

Current annual
rate of price
change (%)

Source: Dataloft, ONS, UK HPI
(September 2023)

Current annual rate of price change (%)

RANK		CURRENT ANNUAL RATE OF PRICE CHANGE (%)	AVERAGE HOUSE PRICE
1	BATH AND NORTH EAST SOMERSET	3.8	£454,062
2	GLOUCESTER	1.3	£253,343
3	SOMERSET	0.3	£308,359
4	NORTH SOMERSET	-0.2	£333,019
5	TEWKESBURY	-0.9	£354,434
6	CHELTENHAM	-0.9	£341,308
7	SOUTH GLOUCESTERSHIRE	-1.1	£347,441
8	FOREST OF DEAN	-1.3	£313,693
9	COTSWOLD	-2.0	£503,174
10	CITY OF BRISTOL	-2.4	£350,927
11	STROUD	-2.9	£345,020

Source: Dataloft, ONS, UK HPI (September 2023)

Cash buyers

Although higher mortgage rates have subdued the number of moves made by mortgage-reliant borrowers, the number of cash sales is holding up, and has increased in all regions of the UK. Cash buyers often have more power and are able to negotiate significant discounts on the asking price. The average price of a cash purchase was 10% lower than the average mortgaged house price of £304,361 (ONS, UK HPI September 2023).

41%

Cash sales in the South West,
up from 34% in 2019

Source: ONS, UK HPI, year to September 2023 vs
same period in 2019

Stock levels

The availability of residential sale stock is returning to more normal levels after the stock shortage experienced during the pandemic (Rightmove). Although the supply of lower-priced properties has reduced over the past year, all other price brackets have risen, with the £1m+ supply increasing by 9% (TwentyCi). While prices may be softening, it is worth noting that sellers who are looking to move will benefit from slightly reduced prices on the property they are purchasing.

1%

Available stock for sale just
1% below 2019 levels

Source: Rightmove



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Analysis by Dataloft

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