

UK Residential Market Update



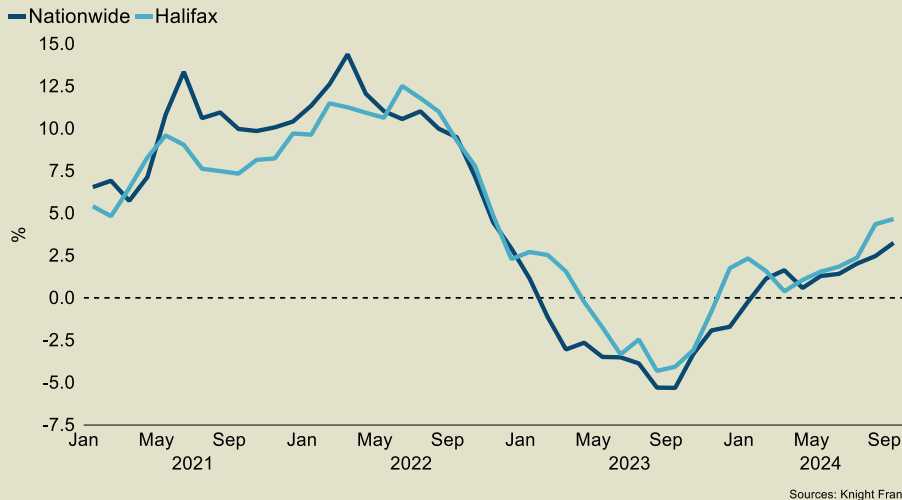
Q4 2024

Both mortgage rates and consumer confidence have been falling since the summer. While the appearance of more sub-4% mortgages is underpinning demand in the UK housing market, uncertainty remains ahead of the Budget.

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Residential Prices

UK House Prices, Annual % Change



UK house price growth has risen since the summer as mortgage rates continue to fall.

With inflation coming under control, financial markets are betting on a further rate cut of 0.25% before the end of the year.

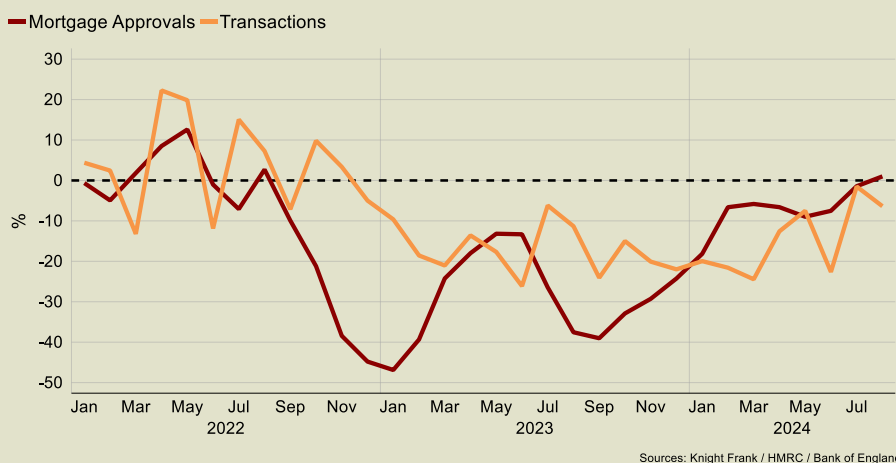
Nationwide recorded annual growth of 3.2% in September while Halifax reported a figure of 4.7%. In both cases, it was the strongest performance since November 2022.

However, consumer sentiment has deteriorated since the government warned the Budget in October would be painful. That said, we still expect UK prices to grow by 3% this year as borrowing costs fall.

Residential Transactions

UK Mortgage Approvals and Transactions

% change versus the five-year average



Transactions and mortgage approvals continued to rise towards their longer-term average over the summer.

The number of transactions was 6% below the five-year average in August, according to HMRC.

Meanwhile, the number of mortgage approvals was 1% higher.

The pick-up follows an 18-month lull that began with the mini-Budget in September 2022 and continued as inflation remained stubbornly high throughout 2023.

We expect sales volumes to increase in the second half of the year as downwards pressure on mortgage rates intensifies, climbing to around 1.07 million, up from 1.02 million last year.

Prime London Sales

Demand in prime London sales markets is being kept in check by the Budget.

The number of offers made in the three months to September in PCL and POL was 10% below the five-year average (excluding 2020), Knight Frank data shows.

In the more discretionary £10 million-plus market, there was a 22% decline in the number of deals done in the year to July, our most recent super-prime [report shows](#).

That said, there may be better news on the horizon with reports the government [may water down](#) its Budget proposals for non doms.

With average prices down by 18% in prime central London since the last peak in mid-2015, a period of price growth is certainly overdue.

Prices in prime central London declined by 2.1% in the year to September.

The performance has been better in POL, where prices are 7.3% below their mid-2016 peak, having grown by 0.5% in the 12 months to September.

Prime London Lettings

The forthcoming Renters Rights Bill aims to tip the balance of power in favour of tenants.

Fears it may cause a supply shortage have not yet materialised, with Rightmove data showing there were 6% more new listings between January and August this year in PCL and POL than in 2023.

A pandemic-fuelled supply crunch means average rents in September were 33% higher than pre-Covid levels in PCL, while the increase was 30% in POL.

Despite the large jump since 2020, annual rental value growth has returned to sub-2% levels as supply builds. In prime central London, the annual change in September was 1.1%, while in POL the figure was 1.8%.

“The new rules are likely to cause some logistical problems for landlords, but we are not expecting an exodus,” said Gary Hall, head of lettings at Knight Frank. “Those who were on the fence have already left and those who stayed have benefitted from strong rental value growth in recent years.”

Prime Country Houses

A snapshot of how the Country market performed in Q3 underlines how some buyers are hesitating ahead of the Budget.

In the three months to August, the number of offers made was 10% down on last year, Knight Frank data shows.

Discretionary buyers in higher price brackets rather than those driven by needs such as schooling or employment have been more cautious. The number of exchanges above £2 million in the equivalent period was 20% down.

Meanwhile, the drop was only 9% while £2 million.

Overall, prices in the Country in Q3 were down by 7.4% from their last peak in Q2 2022.

Despite the decline, the downwards trajectory is slowing as mortgage rates fall. The drop was 1.2% in the year to Q3 2024, the smallest figure since Q1 2023.

Average prices for town houses fell 0.8% while farmhouses fell 2.9%, showing the relative strength of demand among needs-based buyers in urban locations.

3 MONTHS TO SEPTEMBER 2024

PCL	▼	Sales -0.3%	▲	Rents 0.2%
POL	▲	Sales 0.5%	▲	Rents 0.7%

YEAR TO SEPTEMBER 2024

PCL	▼	Sales -2.1%	▲	Rents 1.1%
POL	▲	Sales 0.5%	▲	Rents 1.8%

Source: Knight Frank Research

3 MONTHS TO SEPTEMBER 2024

Prime Country House Index	▼	-0.3%
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YEAR TO SEPTEMBER 2024

Prime Country House Index	▼	-1.2%
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