

# UK Housing Market Update



**A renewal of challenges in the mortgage markets puts greater pressure on prices and activity**

House prices fell by -0.1% in May, now down -3.4% on an annual basis according to Nationwide. While the rate of falls has been softening in recent months, the recent spike in mortgage rates will continue to put downward pressure on pricing and activity.

New mortgage approvals fell in April, interrupting the general upward trend in activity since December. The number of approvals in April fell to 71% of the 2017-19 average for April, according to the Bank of England (BoE). It remains to be seen if the recent rate rises in May will have a further impact on the number of new approvals.

The number of completed transactions also fell in April, down to 77% of the 2017-19 average according to HMRC. This reflects the drop in mortgage approvals over the winter, which are now feeding their way into completions figures. We may well see another drop in completions later in the year from the recent drop in mortgage approvals.

Alongside this, there is a steadily widening gap between supply and demand. There had been an increase in surveyors reporting lower demand while the number reporting increased supply remained the same, according to the RICS April survey. Both indicators remain in

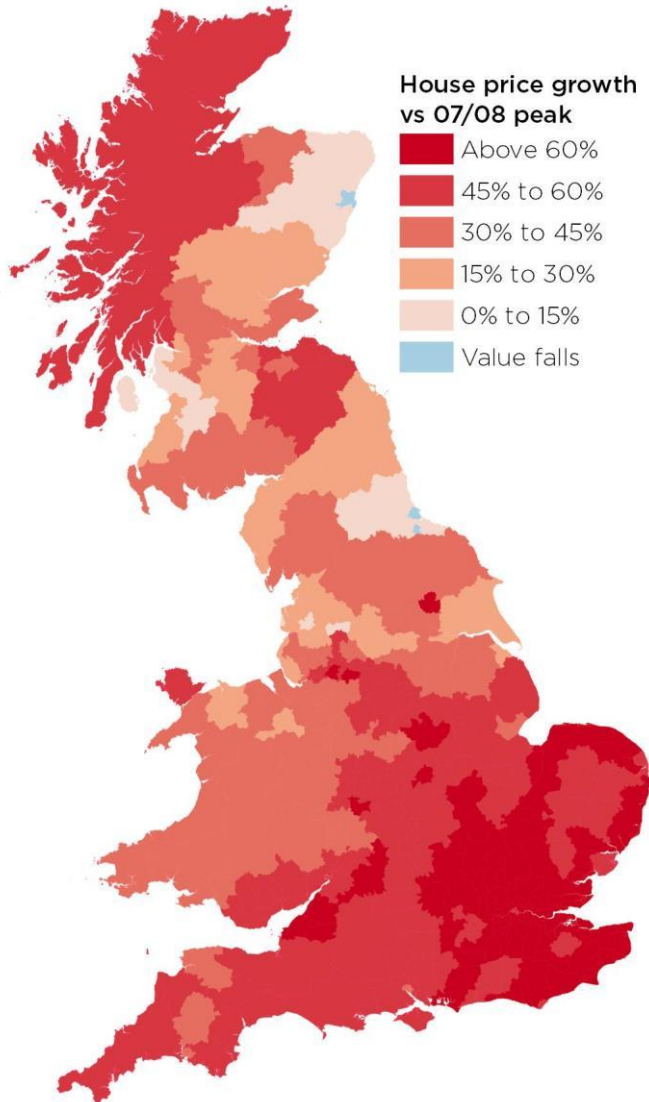
negative territory however. This imbalance will also act to suppress price growth.

A gradual rise in mortgage rates starting in April has been the driver for a fall in activity, and will put continued downward pressure on prices. Inflation isn't falling as quickly as anticipated, and the BoE will be under greater pressure to raise the base rate as a result. While lenders had priced in some rises to the base rate, the market reaction to the inflation data released on the 24<sup>th</sup> of May suggests that tolerance has been exceeded. Rates have therefore reversed their downward trend.

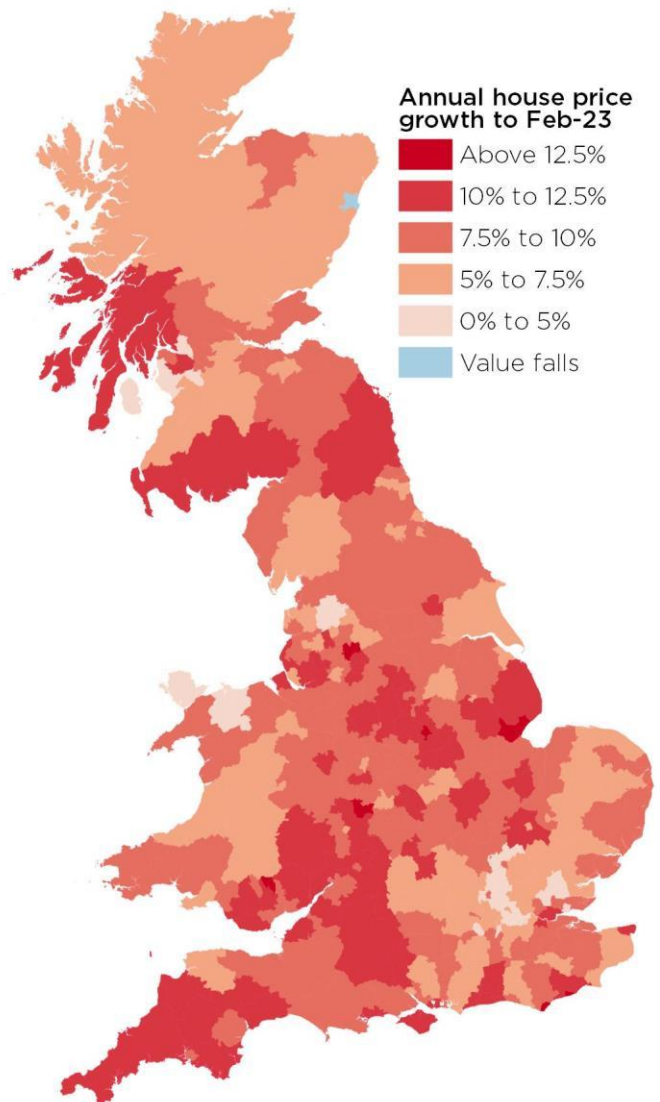
This has also caused lenders to pull some mortgage products in order to reprice them. The number of first time buyer products available at the start of June was 4.4% lower than a week earlier. While this is a sign of caution from lenders, it's a far cry from the -50% fall in products the week after the mini-budget last September.

Annual house price growth in February was strongest in Bromsgrove in Worcestershire, up 14.9%. Rochdale had the second strongest growth, at 13.7%. Aberdeen was the only place seeing annual price falls, of -2.3%, with Westminster having the lowest growth at 0.1%.

**Figure 1** House price growth to Feb-23 since 07/08 peak



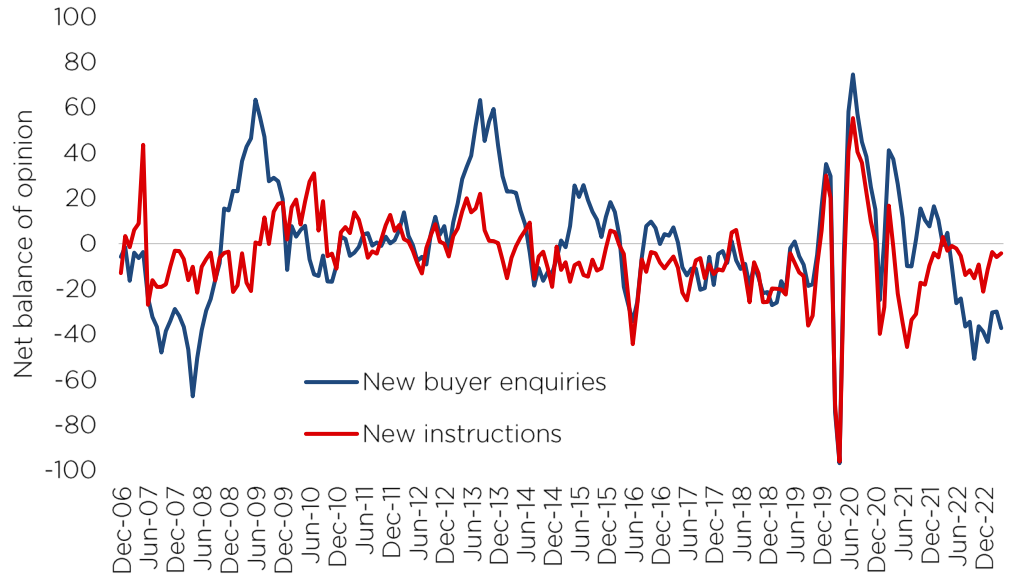
**Figure 2** Annual house price growth to Feb-23



Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)\*

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)\*

**Figure 3** New buyer demand negative for twelfth consecutive month

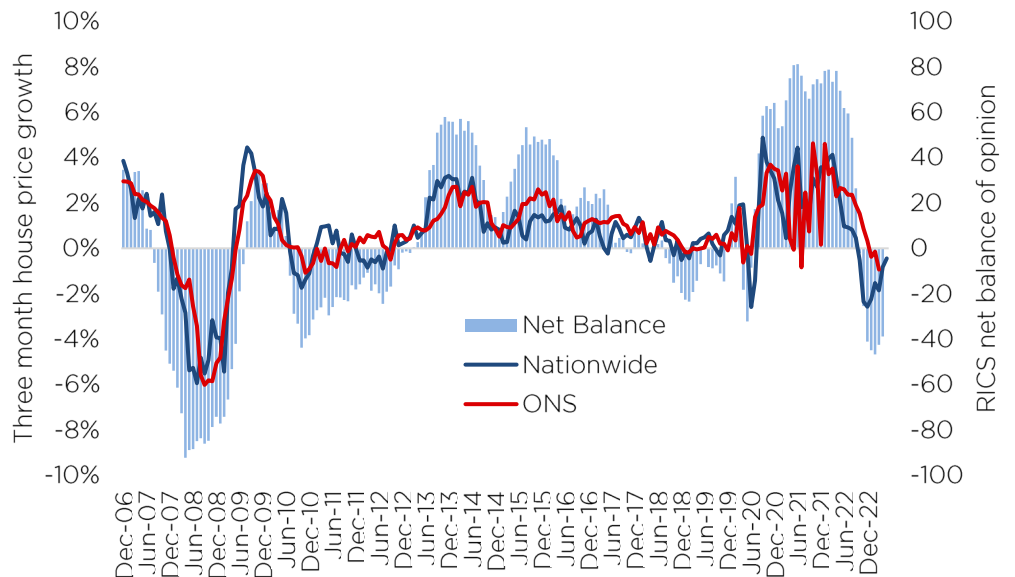


Source RICS (seasonally adjusted)

There is a steadily widening gap between supply and demand, according to the April RICS survey. The majority of surveyors continued to report falling demand, while largely even numbers reported falling supply, implying supply levels have stabilised.

This imbalance will put continued downward pressure on house prices.

**Figure 4** Rate of house price falls slowed as sentiment improved



Source RICS, Nationwide, ONS (seasonally adjusted)

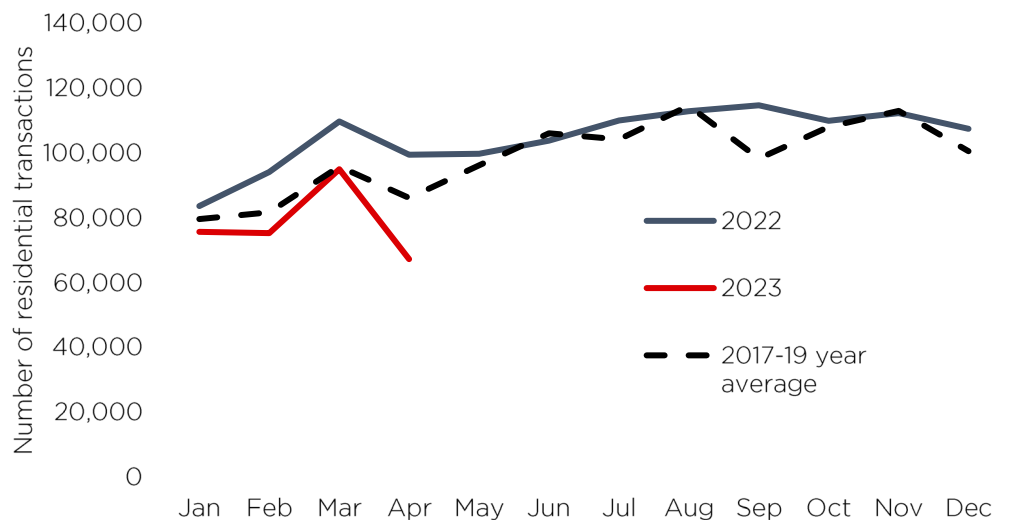
The RICS survey can be a good early indicator of house price movements, which are later picked up by other indices.

While the majority of surveyors continued to report price falls, their numbers have fallen.

On a three-month basis house prices fell by -0.4% according to Nationwide, the smallest falls since October 2022.

House prices fell further according to the more lagged ONS index, down -0.9% in the three months to March, which only now is picking up the falls previously shown in other indicators.

**Figure 5** Number of transactions in April below pre-Covid levels



Source HMRC

67,220 transactions completed in April, according to HMRC. This is -23% below the pre-Covid average and reflects the low levels of mortgage approvals seen during the winter months that is finally feeding through into the transaction figures.

This activity remained below the heightened levels seen since the housing market reopened in June 2020 with transactions in April -37% below the 2021-22 average.

Annual rental growth across the UK remained high at 10.4% in April, slowing by just -0.1% month-on-month. The South West and the East of England saw the biggest increases in monthly rental growth, while Scotland has seen monthly growth slow to 0.7% down from 1.2% in March, according to Zoopla. Richmondshire was the only local authority to have annual rental falls, at -4.5% to February.

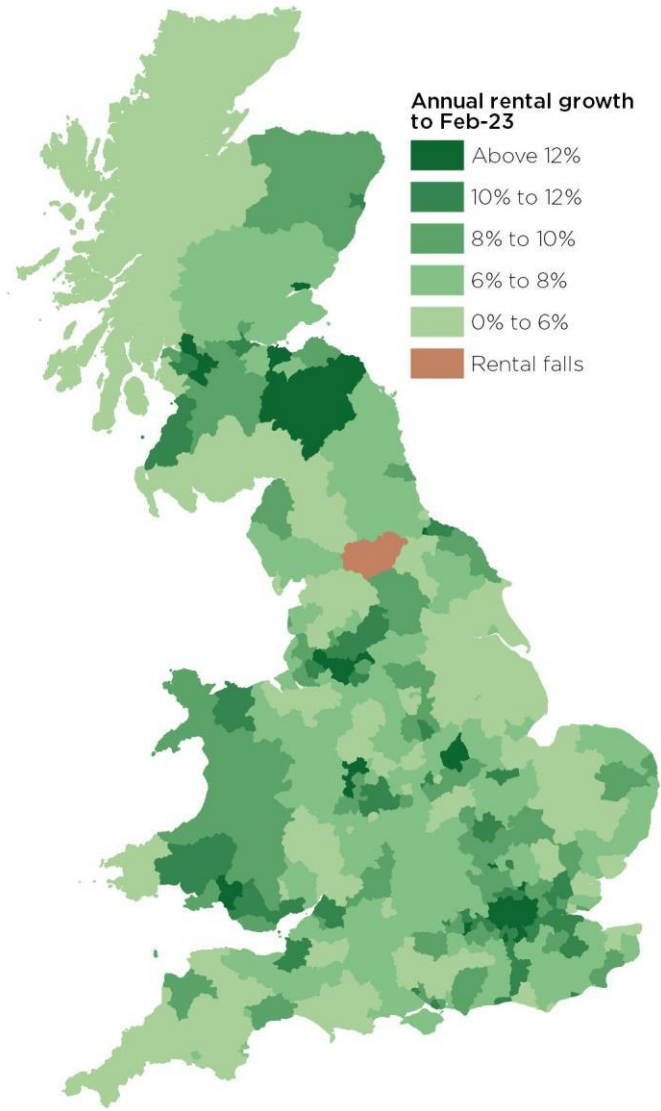
London remained the region with the greatest annual rental growth at 13.5% in April. However, when compared to the start of the pandemic in March 2020, London's growth still lags behind the UK average of 21.9%. In this time period, Wales has seen the greatest growth of 27.5% followed by the North West at 25.5%.

Table 1 Regional rental growth to Apr-23

	m/m	q/q	y/y
UK	0.6%	1.7%	10.4%
London	0.5%	1.4%	13.5%
South East	0.7%	1.8%	8.8%
East of England	0.9%	2.3%	9.1%
South West	0.7%	1.4%	7.1%
East Midlands	0.6%	2.3%	8.9%
West Midlands	0.4%	1.7%	9.3%
North East	0.0%	1.2%	8.0%
Yorks & Humber	0.2%	1.2%	8.0%
North West	0.7%	2.2%	10.5%
Wales	0.8%	2.4%	9.6%
Scotland	0.7%	2.9%	13.1%

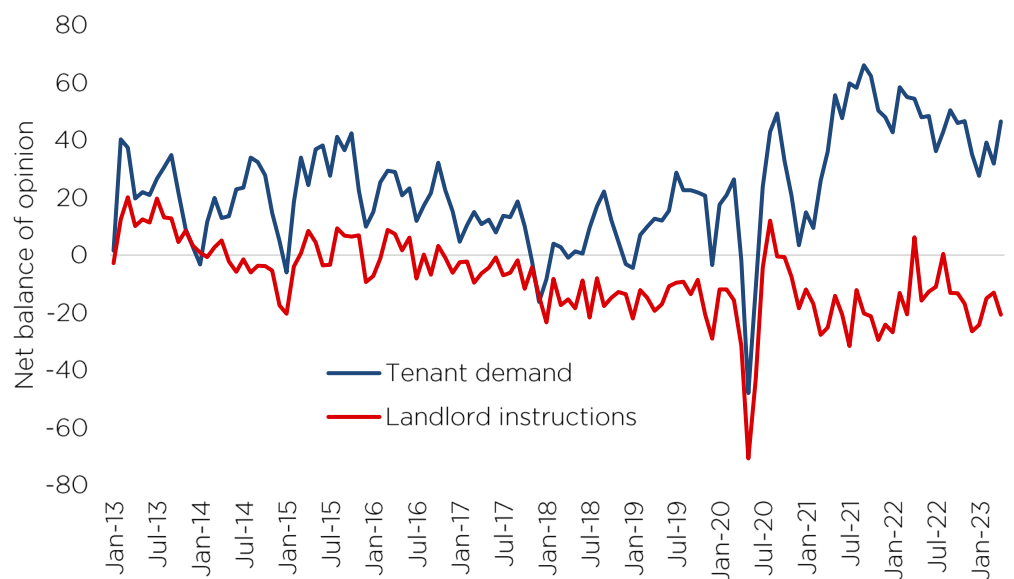
Source Zoopla Rental Index powered by Hometrack

Figure 6 Annual rental growth to Feb-23



Source Zoopla Rental Index powered by Hometrack

Figure 7 Gap between tenant demand and landlord instructions widened



The RICS survey for the lettings market showed the continued mismatch between rental supply and demand that has underpinned rental growth across the UK over the last two years.

Tenant demand increased in April as new supply decreased, widening the gap between them and putting further upward pressure on rents.

Source RICS

Table 2 Rental forecasts (published November 2022)

Region	2023	2024	2025	2026	2027	5 years to 2027
UK	6.5%	4.0%	2.0%	2.4%	2.3%	18.3%
London	5.5%	5.0%	2.0%	2.4%	2.3%	18.4%

## UK Housing Market Update

**Table 3** Recent house price growth

	Nationwide (Regions to Q1 2023, UK to May 2023)			ONS (to March 2023)			Savills (to February 2023)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
<b>UK</b>	-0.1%	-0.4%	-3.5%	-0.9%	-1.0%	3.9%	-0.2%	0.4%	8.4%
<b>London</b>	-	-2.2%	-1.3%	-0.8%	-2.1%	1.4%	-0.5%	-0.3%	4.8%
<b>South East</b>	-	-2.2%	-1.5%	-0.2%	-1.2%	4.6%	-0.2%	0.5%	8.2%
<b>East of England</b>	-	-3.3%	-1.8%	-1.5%	-1.4%	3.8%	-0.3%	0.2%	7.6%
<b>South West</b>	-	0.3%	0.6%	-0.2%	-0.3%	5.4%	-0.3%	0.6%	10.3%
<b>East Midlands</b>	-	-0.9%	0.5%	-1.1%	-1.6%	4.9%	-0.2%	0.7%	9.9%
<b>West Midlands</b>	-	-0.9%	1.5%	-3.7%	-2.9%	3.3%	0.1%	1.1%	9.6%
<b>North East</b>	-	-2.2%	-0.3%	-1.9%	-1.4%	3.9%	-0.1%	1.0%	8.6%
<b>Yorks &amp; Humber</b>	-	-1.5%	-1.4%	-1.8%	-2.2%	4.0%	-0.1%	0.5%	8.2%
<b>North West</b>	-	-2.3%	-0.3%	-1.0%	-2.1%	5.2%	0.1%	0.8%	9.2%
<b>Wales</b>	-	-1.7%	-0.6%	-0.8%	-1.9%	4.6%	-0.4%	0.2%	8.9%
<b>Scotland</b>	-	-2.3%	-3.1%	-0.1%	0.2%	3.0%	-0.4%	-0.6%	7.5%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)\*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

**Table 4** House price forecasts (published November 2022)

Region	2023	2024	2025	2026	2027	5 years to 2027
<b>UK</b>	-10.0%	1.0%	3.5%	7.0%	5.5%	<b>6.2%</b>
<b>London</b>	-12.5%	-1.0%	2.0%	6.0%	5.0%	<b>-1.7%</b>
<b>South East</b>	-11.0%	0.0%	3.0%	6.5%	5.5%	<b>3.0%</b>
<b>East of England</b>	-11.0%	0.0%	3.0%	6.5%	5.5%	<b>3.0%</b>
<b>South West</b>	-10.0%	1.0%	3.5%	7.0%	5.5%	<b>6.2%</b>
<b>East Midlands</b>	-9.0%	1.5%	4.0%	7.5%	5.5%	<b>8.9%</b>
<b>West Midlands</b>	-9.0%	1.5%	4.0%	7.5%	5.5%	<b>8.9%</b>
<b>North East</b>	-8.5%	2.5%	4.5%	7.5%	6.0%	<b>11.7%</b>
<b>Yorks &amp; Humber</b>	-8.5%	2.5%	4.5%	7.5%	6.0%	<b>11.7%</b>
<b>North West</b>	-8.5%	2.5%	4.5%	7.5%	6.0%	<b>11.7%</b>
<b>Wales</b>	-8.5%	2.0%	4.5%	7.5%	6.0%	<b>11.1%</b>
<b>Scotland</b>	-9.0%	2.0%	4.0%	7.5%	5.5%	<b>9.5%</b>

Source Savills

### Savills team

Please contact us for further information

**Emily Williams**  
Director  
emily.williams@savills.com  
0203 618 3583

**Ed Hampson**  
Associate  
ed.hampson@savills.com  
0203 107 5460

**Toby Parsloe**  
Analyst  
toby.parsloe@savills.com  
0207 123 6349

\*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

