

YOUR RESIDENTIAL RESEARCH UPDATE

As summer holidays draw to a close and September brings that “back to school” feeling, we take a look at the latest figures in the UK sales and lettings market and consider the feedback from our latest client survey. You’ll also find all the latest information available on the Renters (Reform) Bill on our hub, linked at the bottom of this email.



Lucian Cook
Head of Residential
Research

Starting at the top

The holiday season is never the easiest time to accurately judge the state of market conditions, but data from TwentyCi suggested that in August this year activity in the market over £1m was 16% below the same month last year. That was largely in line with the market as a whole, though more encouragingly, slightly above the average for the first seven months of the year.

That activity has been supported by ongoing re-alignment of sellers’ price expectations to the underlying market conditions, of which you can read more detail below.

Mortgage rates ease

With the path of interest rates likely to be critical to the fortunes of the housing market over the remainder of this year and into next, [July’s inflation data](#) provided welcome news, as consumer price inflation fell to its lowest level since February 2022 (6.8%).

Averting the risk of substantial further rate rises has paved the way for lenders to cut the cost of fixed rate mortgages over the past month.

Those costs still remain some way above where they were in the early summer, however, not least because demand-led components of inflation remain relatively high, reducing the prospect of early base-rate cuts.

Continued market pressures

Against the backdrop of elevated mortgage costs, it was no great surprise to see the Bank of England report a **fall in mortgage approvals** in July or the Nationwide report **price falls in the mainstream housing market** in August.

Overall, the Nationwide index suggests prices have fallen by an average of 5.4% in nominal terms since their peak a year ago, though importantly the adjustment has been much greater on an inflation-adjusted basis.

The rental supply-demand imbalance persists

The imbalance between supply and demand in the private rented sector remains significant, with no signs of abating. Rental growth across the UK totalled 10.5% in the year to July 2023, up from 10.3% in June, according to Zoopla's latest index, with the strongest growth seen in Scotland (12.7%) and London (12.4%).

The July **RICS survey** shows a net balance of opinion for tenant demand of +59, the highest reading since September 2021. At the same time, landlord instructions (-19) remained in negative territory for the 16th consecutive month.

On the supply side, rising interest rates have made it increasingly challenging for mortgaged Buy-to-Let landlords to make the numbers stack up, prompting some to sell up and exit the sector. This, combined with tenants staying in their properties for longer, has reduced the number of available properties for rent.

Debt v equity

House price averages and headline numbers have an unfortunate habit of masking variation across different parts of the market.

In this respect, the results from our latest **buyer and seller survey** show a clear distinction between cash and mortgage buyer motivations.

Even in the prime market, a net balance of -5% of those requiring debt to fund more than half of the value of their next purchase had become less committed to moving in the short term since our last survey in April. In contrast, a positive net balance of +16% of cash buyers have become more committed to moving. This tallies with our own business experience and a consistent flow of deal activity through the summer months which has been underpinned by demand from cash rich buyers.

Over coming weeks we will have a clearer picture as to how the autumn market will play out, though all signs are of a continuation of recent trends. With that in mind we would expect to see property which is best in class

and priced to accurately reflect market conditions attract the greatest interest.

Lucian's top picks:



Savills News

Understanding the Renters (Reform) Bill

If you're a landlord with a rental income under £100,000 per annum you'll be keen to learn what impact the proposed Renters (Reform) Bill may have.



Savills Blog

How to start the process of moving house

Thinking of moving but don't know where to start? Whatever the time of year, our guide provides the practical points to consider plus some golden rules to ensure your home shines.



This email was sent to: [**info@designdomains.co.uk**](mailto:info@designdomains.co.uk)

[View this email online](#) | **[Update your email preferences](#)**

To ensure you keep receiving emails from Savills please add to your address book or safe sender list.

If you no longer wish to receive emails from Savills you can **[unsubscribe](#)** | For details on how we use your information, please see our **[Privacy Notice](#)**.

This email was sent to you by Savills Plc, 33 Margaret Street, London, Greater London, W1G 0JD, United Kingdom.