



Momentum in the property market continues to grow as we head into autumn

With a more positive outlook for autumn, confidence should continue to return to the housing market, as inflation remains under control and interest rates are now taking their first steps downwards.

The property market has remained active, if a little subdued, over the summer. However, the first Bank Rate cut in four years, along with subsequent accelerated mortgage rate drops, has resulted in a boost to buyer activity, providing a more solid foundation for the potential for stronger sales as we enter the colder months. According to Rightmove, the number of potential buyers contacting estate agents about homes for sale has increased from 11% year-on-year in July to 19% since the start of August. Increased political certainty and an improved economic outlook has also contributed to improving housing market sentiment."

The housing market has proved resilient and fared better than many expected at the start of the year. Despite the added dynamic of the General Election, consumer confidence remains buoyant. Mortgage approvals for house purchases in the UK reached 62,000 in July, their highest level in almost two years. This represents a 2.3% increase from the previous month and a 26% rise compared to a year ago. With improving sentiment, the latest consensus forecast predicts 2.2% house price change through 2024, up from a 2024 forecast of -2.2% at this time last year.

After beginning the year with a moderation of -1.7%, annual house price growth has recovered to 2.7% in June, bringing the average price of a property to £287,927 according to the UK HPI. This is the first month in 14 months that all UK regions are recording positive annual price growth. At 1.8%, annual property price growth in Wales has improved from -2.5% at the start of the year. Looking ahead, continued modest house price growth is expected for the remainder of the year.

More stable prices offer increased certainty to buyers and sellers, and in this context, there is an expectation that transaction activity will increase. HMRC data reveals that transaction levels in July were 6.7% higher than a year ago. Markets are pricing

in a further interest rate cut this year, meaning transaction volumes are expected to be stronger than autumn last year. In a recent Dataloft poll, almost a third of agents say transaction levels are higher than three months ago. In line with this sentiment, expectations for sales volume for the next three months have reached their most upbeat level since January 2020.

Adding to the more optimistic market sentiment is the easing inflation. Starting the year at 4.0%, inflationary pressures have slowly and thankfully come under control and are close to their 2.0% target. CPI inflation was 2.2% in July 2024, a slight increase on the month before mainly due to energy prices falling less this year than they did in July 2023 under the Ofgem price cap. Looking ahead, inflation is forecast to remain relatively close to the 2% target, but to end the year at 2.5%.

With inflation more under control, the Bank of England delivered its first interest rate cut in more than four years, taking the rate from 5.25% to 5%. One, or possibly two cuts are expected before the end of 2024, currently forecast to reach 4.75% by the year end.

Mortgage rates, which were already declining in the weeks leading up to the Bank Rate cut, have recently dropped even further. Mortgage rates have fallen for three consecutive months and are expected to decrease further throughout 2024. Major lenders are now offering deals with rates below 4%. It will take some more cuts to the Bank Rate before affordability for home movers is notably improved, but sentiment and optimism is heightened, setting up a positive autumn market.

The average estate agent has 16% more listings than a year ago. Improved supply and more buyers in the market has resulted in a more balanced housing market, with higher sales volumes but more stable price inflation. Two thirds of agents who participated a Dataloft survey reported that there are three or more prospective buyers for each of their properties currently available, compared to 55% when the same question was asked the previous quarter.

As more buyers enter the market and stock levels improve, the average time to sell has been getting shorter, reaching an average of 59 days in July according to Rightmove. The average time to sell in Wales is 69 days, down from 80 in January.

Kate Taylor MNAEA
Founder & Director, Taylor & Co