

Residential Update and Outlook

January 2025

Market Overview

UK GDP rose by 0.1% in November, to the relief of many as this had followed two consecutive monthly -0.1% falls. Looking ahead, economic growth will probably remain subdued over the coming months, with UK bond yields rising through December and the first half of January adding to uncertainty. Having said that, the positive November GDP posting and a small fall in the pace of inflation were both good news and bond yields have dropped back somewhat from their recent peak.

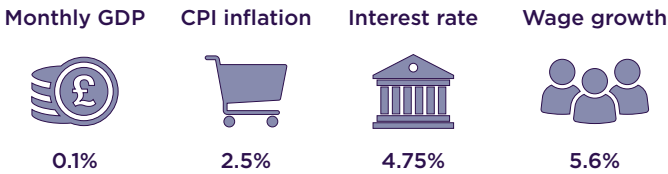
Business optimism though has also declined recently, according to the latest **Deloitte CFO Survey** (conducted in December). The upcoming increase in Employer National Insurance Contributions in April is prompting CFOs to focus on cost control and pricing, leading to the sharpest decline in employment expectations since the pandemic.

The housing sales market continues to show signs of moderate growth. November's transactions figures were up 13% compared with the same month one year ago, while mortgage approvals were up by a sharp 30% over November 2023. Average sale prices are also rising, with Nationwide reporting annual growth of 4.7%, the highest rate they have recorded since October 2022.

Key Points

- Monthly GDP finally moved into positive territory in November, rising by +0.1% month on month and following two months of -0.1% declines.
- There was a slight fall in the pace of inflation to 2.5% in the 12 months to December. This was down from 2.6% the month before and also below market expectations of 2.6%.
- There is no meeting of the Monetary Policy Committee in January so interest rates remain at 4.75% currently. The next meeting is early February.
- Retail sales volumes unexpectedly declined by 0.3% in December. Food store sales placed the most downward pressure on the overall figure, falling by 1.9% during the month.
- Consumer confidence slipped in January to -22 following two months of improvement. Slightly surprisingly, this is three points below the -19 figure during the same month one year ago.
- There was very little change in the trajectory of the labour market this month. Both the unemployment (4.4%) and the employment figure (74.8%) showed very little change, while the number of payrolled employees declined again in December but remains above the 2023 figure. Job vacancies also declined, for the 30th consecutive recording period.
- Wage growth accelerated, rising by an average 5.6% annually (Sep-Nov). Adjusted for inflation this reflects real growth of 2.4%, the highest rise in pay after inflation since 2021.
- The latest monthly data from the Purchasing Managers Indices (PMIs) noted that two indicators declined over the previous month (manufacturing and construction) while the services sector saw an improved index figure.
- Both the Construction and Services PMIs remain above the '50' figure so are still in expansion territory while manufacturing remained in contraction for the third consecutive month.
- In December Nationwide recorded their highest annual house price growth since October 2022 at 4.7%. Halifax on the other hand recorded a slight dip in the pace of growth, moving to 3.3%, down from 4.7% in November.
- Both mortgage approvals and total residential transaction data for November fell from their strong October highs, probably as a consequence of the Budget announcement. Despite this, they both remain strongly above their respective figures from the same month in 2023.
- The RICS residential survey continues to show a sales market that is fairly buoyant, albeit with some slowing during December which is not uncommon. The Agreed Sales metric moved to +7%, remaining in positive territory for the fifth month in a row, the longest positive spell since 2020.
- The ONS official private rental index continues to show stubbornly strong rental growth of 9.0% in the 12 months to December. Although this is down from 9.1% the previous month it remains starkly elevated compared with long-run averages.

Economic indicators



Sources: Bank of England, ONS (wage growth regular pay, excl bonuses)

The macroeconomy

- Monthly GDP grew by 0.1% in November, following two months of -0.1% contraction. This figure is below market expectations of 0.2% and overall means the economy was flat over the three months to November. Disaggregated, services were found to have grown by 0.1%, driven by accommodation and food services, while production output declined by -0.4%. The construction sector also grew, by a robust 0.4% but this followed a fall of -0.3% (upwardly revised) in this sector in October.
- Some slightly encouraging news came from inflation as the rate slowed for the first time in three months in November, albeit only very slightly as it moved to 2.5%, down from 2.6% in October. The pace of inflation slowed for restaurants and hotels, as well as recreation and communication activities while food and non-alcoholic beverage prices held steady at 2%. The largest upward contribution came from transport as prices for motor fuels and secondhand cars rose.
- There is no meeting of the Monetary Policy Committee in January, so interest rates remain at 4.75% for now. The next scheduled meeting is 6 February.

Labour and employment

- Latest labour market statistics shows the employment rate fell slightly in November, to 74.8% from 74.9% in October but unchanged from one year ago. The unemployment figure moved up slightly to 4.4%, from 4.3% the month before.
- The number of payrolled employees fell by 32,000 between October and November, but rose by an estimated 95,000 over the 12 months. For December, there is an estimated decline of 47,000 payrolled employees on the month, but this is likely to be revised and should be treated with caution.
- The number of job vacancies declined during the quarter between October and December for the 30th consecutive period, down by an estimated 24,000. Total vacancies are now 812,000, almost in line with pre-pandemic levels.

- Average annual earnings (excluding bonuses) rose again in the three months to November, increasing by 5.6% annually following 5.2% growth recorded in the previous three months. This is now the highest figure since May 2024. Wage growth accelerated in the private sector (6%) but slowed in the public sector (4.1%). Manufacturing, retailing, hotels, restaurants and finance and business services recorded the strongest growth, all at 6%.

Market indicators

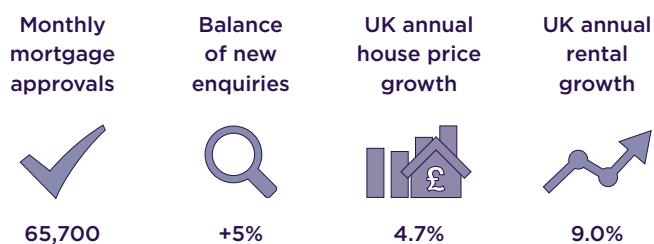
- The S&P Global UK Manufacturing PMI fell to 47.0 in December, down from 48.0 in November and below market expectations. This was the fastest contraction in UK manufacturing over the last 11 months, led by the fastest reduction in export sales since October 2023 and an overall decline in new orders. Manufacturers also noted the steepest rise in purchasing prices in almost two years while optimism is now at a two-year low.
- The UK Services sector PMI rose in December, remaining in expansion territory at 51.1 and up from 50.8 in November. This marked the 14th month in a row when the sector has been expanding albeit at one of the lowest rates all year. New orders have risen only very slightly amid ongoing weak demand since the October Budget. Export sales declined for the first time since September 2023 while employment also declined at its sharpest rate in nearly four years. Rising wages and raw materials translated into a sharp rise in input cost inflation.
- The construction PMI declined in December, down to 53.3 from 55.2 the month before and marking its lowest level in six months. Weaker demand, higher borrowing costs and slowing consumer demand seems to have impacted the sector. Commercial construction had the highest rate of growth followed by civil engineering work, with residential work contracting at its fastest rate since June 2024 and marking its third month of decline. Despite this, there was an improved sense of optimism for 2025 albeit with cautiousness surrounding the economic outlook for the year.

Consumer demand and sentiment

- Retail sales volumes recorded a fall in December, down by an estimated -0.3%, following a small rise of 0.1% the month before. Market forecasts were for a +0.4% rise during the month so this fall is considered sharply unexpected. Non-food store sales saw 1.1% rise, aided by clothing store sales which saw volumes rise 4.4%, but this was not enough to offset falls in food shops of -1.9%. For the whole of 2024, retail sales volumes rose by 0.7% year on year, down from 2.9% in 2023 and 4.1% in 2022.

- GfK's Consumer Confidence Index showed a fall in January with the overall measure down five points from December to -22. All sub-measures were also down compared with the previous readings with a particularly steep fall in consumer views on the wider economy over the coming 12 months, which declined eight points to -34. The Major Purchase measure fell four points to -20, unchanged from one year ago while the Personal Financial Situation over the next 12 months fell three points to -2, down from '0' in January 2024.

Residential market



Sources: Bank of England, RICS, Nationwide, ONS

Residential sales

Mortgages and transactions

- Mortgage approvals for house purchases fell slightly to 65,700 in November, down from 68,100 in October and also below market expectations. The October Budget may have spooked a few would-be buyers. Nevertheless, this is still well above the 12-month average of 60,300 and over 30% above the same month in 2023.
- The total number of transactions declined in November following a small 'spike' in October (probably due to buyers rushing to get deals over the line before the Budget at the end of the month). With a total of just over 92,500 sales this is down 8% over October's figure of 100,500. Year to date there was just under 995,000 recorded transactions in 2024, up 5.6% over the 2023 figure but still 10% below the ten-year average.
- There has been a mixed bag of changes in average mortgage rates over the last few weeks with both increases and decreases depending on LTV and term. The average two-year fixed dropped to 4.91% in mid-January but has since moved back up to 4.95% (85% LTV). This is still its lowest rate since October last year. (Rightmove / Podium).

Supply and Demand

- Again this month (December report, latest) the RICS Residential Market Survey pointed to mostly positive signals coming from the housing sales market. Having

said that, new buyer demand declined to +5%, down from +11% previously, suggesting a flattening in demand, albeit December can often be quieter in this regard. The volume of agreed sales improved slightly, moving to +7%, up from +1% in November. On the supply side, the new instructions net balance of +14% was down from +17% previously but is still the sixth consecutive month where this measure has been positive.

- Rightmove reported a strong start to the year in both buyer demand and available supply. The number of new properties on the market is 11% higher than the same time last year, while the number of buyers enquiring with agents since Boxing Day is 9% above last year. Finally, agreed sales was found to be up by an average of 11%.

UK prices and price growth

- UK house prices ended the year 4.7% above 2023's year-end level, leading to an average UK house price of £269,426, according to Nationwide. On a monthly basis prices rose by 0.7%, down slightly from 1.2% in November. Prices are still below their all-time peak in the summer of 2022 but we expect this to be surpassed within the coming months.
- In contrast Halifax recorded a monthly house price fall of -0.2% in December, after five consecutive months of growth. This translated to annual price growth of 3.3% for 2024, down from 4.7% the month before. The typical property price in the UK is now £297,166.
- Asking prices were found to have risen by 1.8% in the 12 months to January, according to Rightmove. On a monthly basis, prices grew by 1.7% which the web portal notes is the largest monthly jump at the start of the year since 2020. The average asking price is now £366,189, still £9,000 below May 2024's record.
- UK house prices rose by an average of 3.3% in the 12 months to November, according to the Official House Price Index released by the ONS. This is up from a revised 3.0% in October and marks the eighth consecutive month of rising house price growth. On a monthly basis prices fell by -0.4% bringing the average UK house price to £289,707.
- All parts of the UK reported house price growth according to the latest RICS survey results. The main measure posted a net balance of +28% who reported that prices are rising, up from +24% in the last publication and now the fifth month in a row where this figure has grown. Looking ahead, a net balance of +53% believe prices will continue to climb over the next 12 months.



Regional prices and price growth

- Quarterly regional house price data from Nationwide in December noted that all regions and countries saw house price growth throughout 2024 with Northern Ireland recording the strongest rise of 7.1% over the year. This was followed by the North at 5.9%, North West (5.5%) and the West Midlands (4.7%). Bottom of the table was East Anglia recorded an average of just 0.5% followed by London at 2.0%.
- This month saw little change in the general trend of regional house price growth with the more affordable locations in the north of the country seeing higher growth than the more expensive areas across the east and south. Two of the three areas with average prices below the £200,000 mark saw the highest price growth with Northern Ireland at 7.2% and the North East recording 5.9%, while Scotland (averaging £195,036) posted a 4.7% rise.
- Across the London boroughs the 20 Outer London locations recorded an average 3.2% annual house price growth with Ealing at the top with 5.4% followed by Brent and Sutton (both at 4.9%). The 12 Inner London boroughs recorded a collective average of -5.2% in the 12 months to November. The two highest growth locations however can be found in Inner London with Greenwich showing 8.3% followed by Lewisham at 6.1%.
- In our 19 Carter Jonas tracked locations Leeds topped the annual price growth table at 6.3%. Interestingly, the two locations where average prices surpass the £500,000 mark saw some of the highest rates of growth with South Oxfordshire posting 5.9% and Cambridge showing 4.8%.

Residential lettings

Supply and Demand

- Tenant demand remained relatively flat according to the latest (December) RICS residential market survey. This also now marks the second month in a row where this metric has fallen below zero (-3% now, -2% in

November), the first time since 2020 where this has happened. Landlord instructions however declined again, with this measure falling significantly from -13% last month to -27% in this iteration.

- The November Housing Insights report from PropertyMark (released January) found that tenant demand dipped again, with average new registrations down to 92 per member branch. This is well ahead of the same period one year prior though when around 65 were registered per branch. Meanwhile, the average number of properties available for rent per member branch jumped to a two-year high of 13 in November. (This contradicts the RICS survey of agents (as noted above) but this data is for October / November where the RICS is for December, which may help explain the difference).

Rents and rental growth

- UK rental growth remained elevated in December's latest ONS Price Index of Private Rents (PIPR) at 9.0% over the last 12 months, down only slightly from 9.1% recorded in November. Of the regions and countries tracked, London rents again saw the highest rise at 11.5%, unchanged from the previous month's figure, followed by the North West (9.6%) and the North East (9.2%).
- Following Zoopla's rental market report released in December (data collected up to October) where average rents were found to have grown by 4.0%, it is again worth mentioning that Zoopla tracks only newly let property rentals whereas the ONS index applies to the entire market, including existing renters who do not move.
- The RICS survey reports a net balance of +37% of those participating expecting that rents will continue to rise in the near-term, up from +29% last month.

HM Treasury Forecasts for the UK Economy, January 2025

Sources: HM Treasury Consensus Forecasts (short-term: January 2025, long-term: November 2024)

	2024	2025	2026	2027	2028
Official Bank Rate (%)	4.77	3.81	3.56	3.37	3.29
House price inflation (annual, %)	3.3	2.3	2.2	3.4	3.6
CPI inflation rate (annual average, %)	2.5	2.7	2.1	2.2	2.2
Unemployment rate (%)	4.4	4.6	4.3	4.5	4.5
GDP (annual, %)	0.8	1.2	1.4	1.4	1.4
Average earnings growth (annual, %)	5.3	3.7	3.5	3.4	3.4

Select Market Indicators, latest versus previous data

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 24 January)

	Current	Previous	Direction of change
GDP monthly	+0.1%	-0.1%	↑
Inflation rate (CPI)	2.5%	2.6%	↓
Interest rate	4.75%	4.75%	↔
Employment rate	74.8%	74.9%	↓
Unemployment rate	4.4%	4.3%	↑
Weekly earnings growth, regular pay (excl bonuses)	5.6%	5.2%	↑
S&P Global UK Manufacturing PMI	47.0	48.0	↓
S&P Global UK Services PMI	51.1	50.8	↑
S&P Global UK Construction PMI	53.3	55.2	↓
Retail sales volumes (monthly)	-0.3%	0.1%	↓
GfK Consumer Confidence Index	-22	-17	↓
Bank of England mortgage approvals (monthly)	65,720	68,303	↓
Nationwide house price inflation (annual)	4.7%	3.7%	↑
Halifax house price inflation (annual)	3.3%	4.7%	↓
Official UK House Price inflation (annual)	3.3%	3.0%	↑
Rightmove House Price Index (UK, annual, asking)	1.8%	1.4%	↑
Price Index of Private Rents (UK, annual)	9.0%	9.1%	↓
£ Sterling: \$ USD	\$1.24	\$1.26	↓
£ Sterling: € Euro	€1.18	€1.21	↓
Brent Crude Oil (USD)	\$78.21	\$73.50	↑
Gold (USD per ounce)	\$2,760.83	\$2,620.65	↑
FTSE 100	8,561.86	8,090.98	↑
UK 5 YEAR GILT YIELD	4.3505	4.4720	↓

Official House Price data, HM Land Registry, November 2024

Sources: HM Land Registry

CJ Regional Location	Average Price	Monthly Change (%)	Annual Change (%)
Leeds	£248,968	0.3%	6.3%
South Oxfordshire	£500,314	-0.5%	5.9%
Cambridge	£502,827	-0.3%	4.8%
Vale of White Horse	£409,210	-0.6%	4.7%
Oxford	£474,987	-3.5%	4.4%
Winchester	£478,748	-2.1%	4.2%
North Yorkshire	£276,837	0.1%	3.9%
South Cambridgeshire	£439,280	-1.8%	3.6%
Wiltshire	£333,548	-0.9%	3.4%
Cambridgeshire	£348,416	0.0%	3.2%
West Oxfordshire	£386,721	0.7%	2.3%
York	£317,137	-0.9%	2.3%
Somerset	£290,887	-0.3%	1.4%
Devon	£324,087	0.2%	1.4%
West Berkshire	£402,611	0.1%	1.3%
Suffolk	£286,666	-1.5%	0.3%
Bath and North East Somerset	£431,155	-2.1%	0.2%
Cornwall	£303,285	0.6%	0.1%
Dorset	£347,912	0.0%	-1.4%

UK Region	Average Price	Monthly Change (%)	Annual Change (%)
Northern Ireland	£190,553	0.0%	7.2%
North East	£168,791	1.1%	5.9%
Yorkshire and The Humber	£217,939	0.8%	5.7%
North West	£226,627	0.6%	5.7%
Scotland	£195,036	-0.8%	4.7%
West Midlands region	£254,912	0.0%	3.7%
United Kingdom	£289,707	-0.4%	3.3%
Wales	£219,446	-0.7%	3.0%
England	£306,494	-0.4%	3.0%
East Midlands	£248,561	-0.4%	2.7%
South West	£317,608	-1.8%	2.2%
East of England	£339,560	-1.0%	2.0%
South East	£377,822	-0.7%	1.4%
London	£511,279	-1.0%	-0.1%

London	Average Price	Monthly Change (%)	Annual Change (%)
London	£511,279	-1.0%	-0.1%
Prime Central London	£968,071	-8.7%	-16.9%
South West London	£685,100	-2.1%	-7.1%

Official House Price data, HM Land Registry, November 2024

Sources: HM Land Registry

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Greenwich	£458,257	-0.6%	8.3%
Lewisham	£463,038	0.5%	6.1%
Ealing	£541,772	-0.1%	5.4%
Brent	£545,671	-1.4%	4.9%
Sutton	£445,386	0.3%	4.9%
Hillingdon	£465,231	0.0%	4.8%
Redbridge	£498,762	-0.1%	4.0%
Bromley	£508,954	0.8%	3.9%
Waltham Forest	£503,829	-1.7%	3.9%
Tower Hamlets	£472,406	-3.3%	3.9%
Havering	£423,269	-1.2%	3.1%
Croydon	£403,054	-0.9%	3.0%
Bexley	£406,441	-0.6%	2.6%
Enfield	£452,341	0.7%	2.6%
Harrow	£526,155	-0.2%	2.4%
Barking and Dagenham	£343,528	0.8%	2.1%
Kingston upon Thames	£546,261	-2.5%	1.8%
Merton	£570,583	-1.9%	1.6%
Barnet	£592,678	0.5%	1.3%
Richmond upon Thames	£744,732	-0.8%	1.0%
Hounslow	£454,269	-1.2%	0.4%
London	£511,279	-1.0%	-0.1%
Haringey	£573,982	-2.4%	-0.7%
Newham	£399,803	-1.0%	-1.8%
Southwark	£501,652	-0.4%	-1.8%
Camden	£815,772	0.8%	-2.4%
Lambeth	£528,392	-1.2%	-3.5%
Hackney	£588,315	-3.6%	-4.8%
Wandsworth	£598,912	-1.3%	-7.1%
Islington	£642,751	-4.6%	-8.6%
City of Westminster	£865,858	-10.0%	-13.1%
Hammersmith and Fulham	£711,657	-4.1%	-15.3%
Kensington And Chelsea	£1,070,283	-7.7%	-20.6%
Outer London	£488,074	-0.5%	3.2%
Inner London	£578,231	-2.7%	-5.2%

Official Price Index of Private Rents, ONS, December 2024

Source: Office for National Statistics

CJ Regional Location	Average Rent (£ pcm)	Monthly Change	Annual Change
South Oxfordshire	£1,359	0.8%	11.5%
Bath and North East Somerset	£1,658	1.5%	9.2%
Cambridge	£1,747	0.7%	9.0%
Winchester	£1,411	0.4%	8.8%
Oxford	£1,789	0.6%	8.6%
South Cambridgeshire	£1,327	0.6%	8.2%
York	£1,104	0.2%	7.5%
Wiltshire	£979	0.6%	6.8%
North Yorkshire	£806	0.5%	6.8%
West Berkshire	£1,236	0.1%	6.3%
Vale of White Horse	£1,279	0.5%	6.1%
West Oxfordshire	£1,274	0.5%	5.9%

UK Country / Region	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,220	0.6%	11.5%
North West	£882	0.6%	9.6%
England	£1,369	0.5%	9.2%
North East	£706	0.9%	8.8%
West Midlands	£910	0.6%	8.7%
Wales	£777	0.6%	8.5%
East of England	£1,203	0.6%	8.4%
East Midlands	£856	0.5%	8.2%
South East	£1,351	0.4%	7.8%
South West	£1,161	0.8%	7.0%
Scotland	£991	1.1%	6.9%
Yorkshire and The Humber	£805	0.1%	5.4%

London	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
London	£2,220	0.6%	11.5%
Prime Central London	£3,416	1.9%	12.7%
South West London	£2,420	1.1%	11.6%

Official Price Index of Private Rents, ONS, December 2024

Source: Office for National Statistics

Notes: Average rent is across all bedrooms and property types, per calendar month (pcm)

London Borough	Average Rent (£ pcm)	Monthly Change (%)	Annual Change (%)
Brent	£2,111	-0.2%	26.9%
Ealing	£1,996	1.2%	14.4%
Richmond upon Thames	£2,122	1.1%	14.2%
Hounslow	£1,879	1.0%	13.8%
Hackney	£2,472	1.2%	13.7%
Sutton	£1,496	0.4%	13.4%
Westminster	£3,244	1.9%	13.2%
Islington	£2,660	1.3%	13.1%
Kensington And Chelsea	£3,588	1.9%	12.3%
Haringey	£2,102	1.1%	12.0%
Redbridge	£1,631	1.2%	11.8%
London	£2,220	0.6%	11.5%
Camden	£2,767	3.6%	11.5%
Hammersmith and Fulham	£2,693	1.2%	11.3%
Havering	£1,449	0.6%	10.9%
Merton	£2,008	1.0%	10.5%
Hillingdon	£1,498	1.1%	10.5%
Barking and Dagenham	£1,514	0.9%	10.3%
Harrow	£1,685	0.7%	10.3%
Enfield	£1,657	0.9%	10.2%
Bexley	£1,404	0.6%	10.1%
Waltham Forest	£1,689	1.0%	10.0%
Croydon	£1,480	0.5%	9.8%
Wandsworth	£2,444	1.0%	9.4%
Lambeth	£2,292	1.3%	9.3%
Tower Hamlets	£2,327	0.8%	9.2%
Lewisham	£1,732	0.7%	8.8%
Southwark	£2,326	0.6%	8.7%
Greenwich	£1,856	0.8%	7.7%
Bromley	£1,592	0.4%	7.3%
Kingston upon Thames	£1,720	0.5%	6.3%
Barnet	£1,797	0.3%	5.1%
Newham	£1,746	0.6%	4.7%



About Carter Jonas

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