

# UK Housing Market Update



## Sales activity remains very high and price growth strong

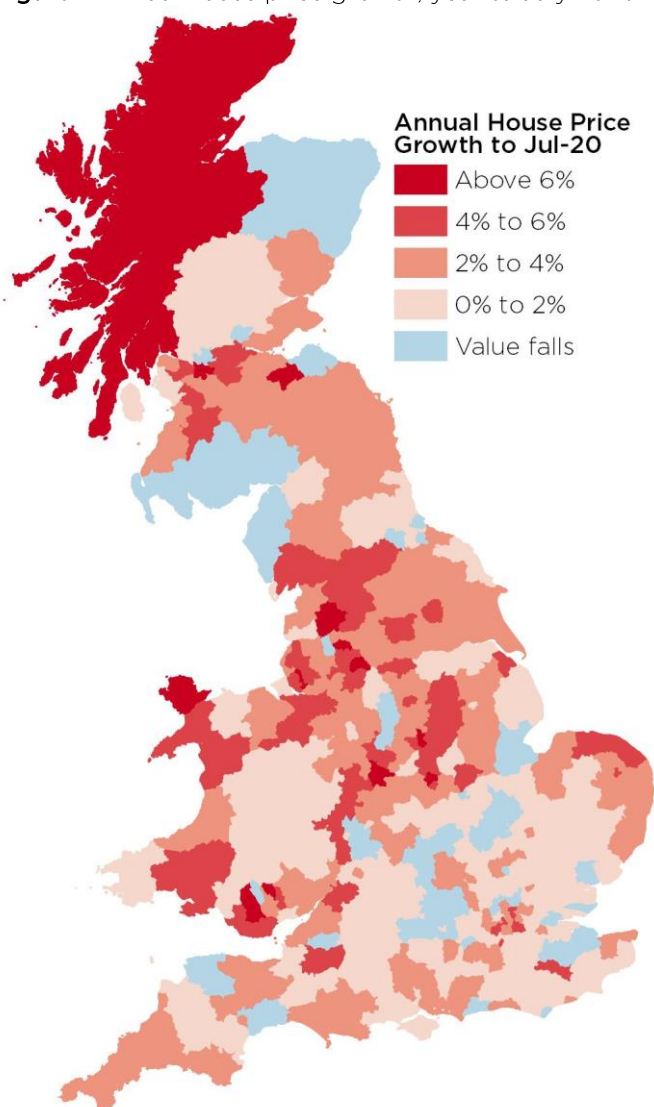
House prices rose 0.8% in October, according to Nationwide. This takes annual UK growth up to 5.8%, its highest level since January 2015. The net balance of surveyors reporting price growth was higher in October than any month since September 1999, with a large majority reporting house price growth, according to the RICS survey.

New sales agreed subject to contract (SSTCs) are still far above their usual levels, 50% higher than the same period in 2019 during the four weeks to 1<sup>st</sup> November, according to data from Twenty2i. This is starting to translate into completed transactions, which in September were above both 2018 and 2019 levels. September also saw the highest the number of mortgage approvals since September 2007.

But the surge in activity is now past its peak, with fewer surveyors reporting increased new enquiries and new instructions every month since the peak in July 2020. Numbers of sales agreed each week have also been slowly falling. Completed transaction numbers will continue to rise over the next few months as the high volume of sales agreed since the spring lockdown move through the system.

Lockdown 2.0 has further delayed the wider economic recovery,

**Figure 1** Annual house price growth, year to July 2020

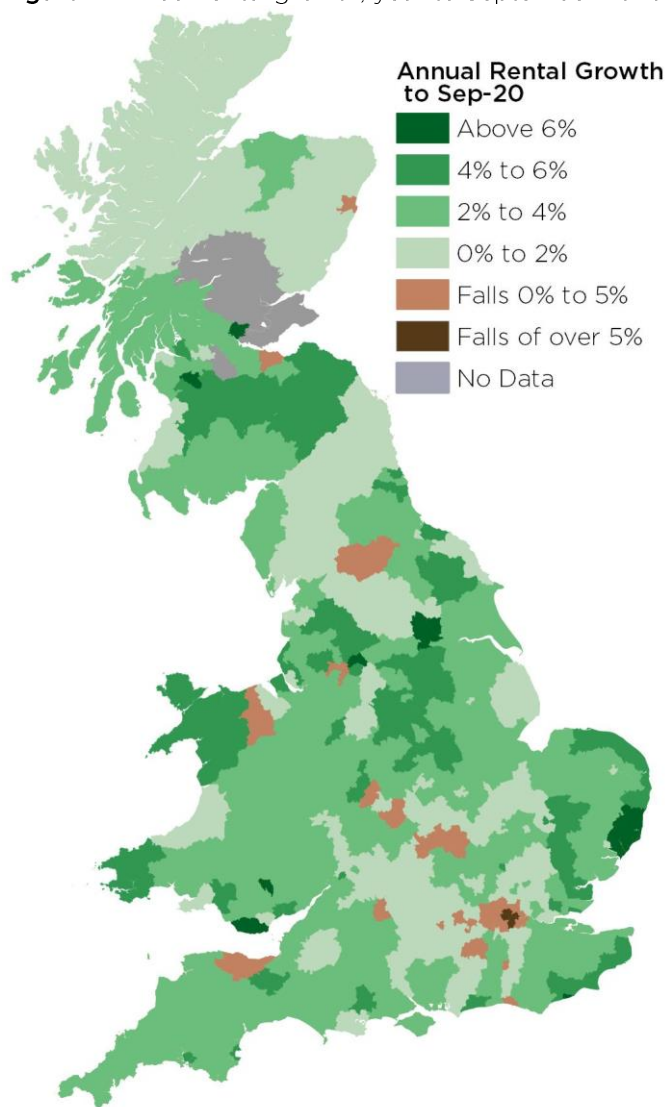


with Oxford Economics now expecting a near 3% drop in GDP in Q4 2020. We expect the economic impact of this renewed lockdown will result in house price growth slowing and fewer new sales being agreed, particularly at the lower end of the market (read more [here](#)). The October RICS survey reflects this with only a small majority expecting price growth in next three months.

More positively, the improved prospect of a vaccine gives greater confidence in a sustained economic recovery from the middle of 2021. We expect that to translate into a more stable period of activity in the housing market.

Rents in some of the larger cities have fallen over the year to September (see Figure 2). In London rents fell by 5.2%. Average rental growth across the UK excluding London was 1.7% over the same period. Across the UK, most surveyors reported increasing tenant demand and falling landlord instructions during the three months to October. But in London, surveyors reported the opposite, falling demand and increasing supply. This suggests that rental growth will continue in most places, but rents in London may still have further to fall.

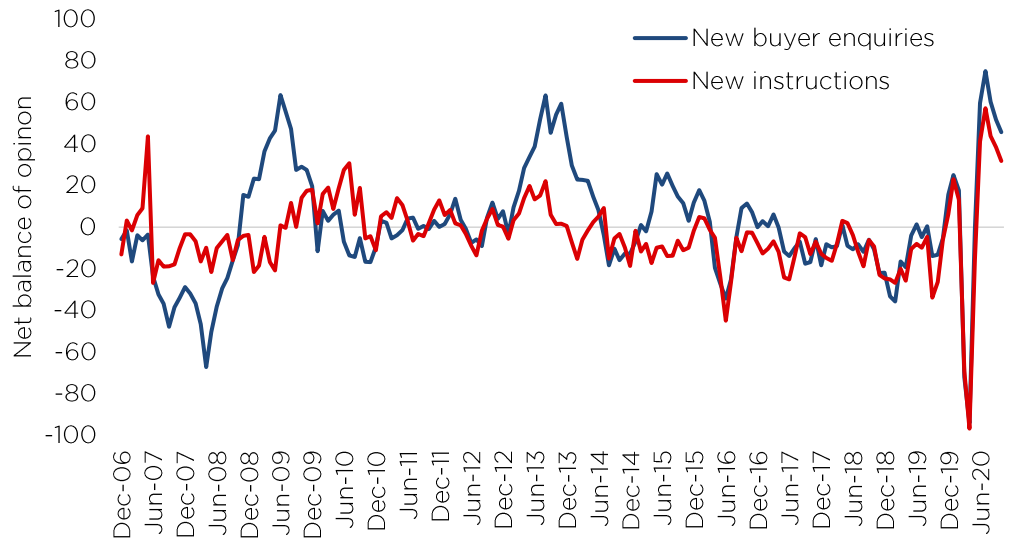
**Figure 2** Annual rental growth, year to September 2020



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

Source Zoopla Rental Index – Powered by Hometrack

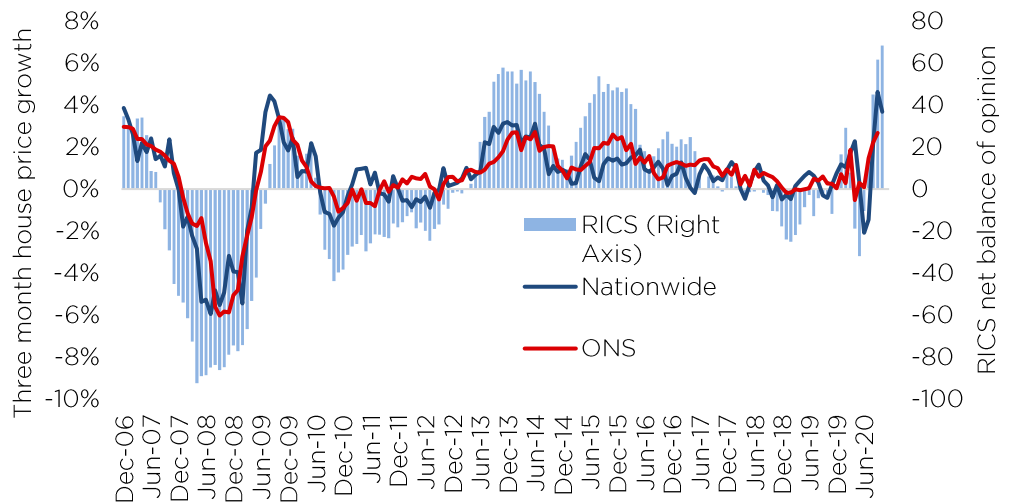
**Figure 3** The number of surveyors seeing rising activity past peak



Source RICS (seasonally adjusted)

The RICS survey for October showed a majority of surveyors reporting rising numbers of new buyer enquiries and a majority seeing more new instructions. However, fewer surveyors have been reporting rising numbers of new buyer enquiries and rising numbers of new instructions each month since July. This implies that while market activity is still very strong, it is starting to come down from its peak.

**Figure 4** House price growth continues to be high

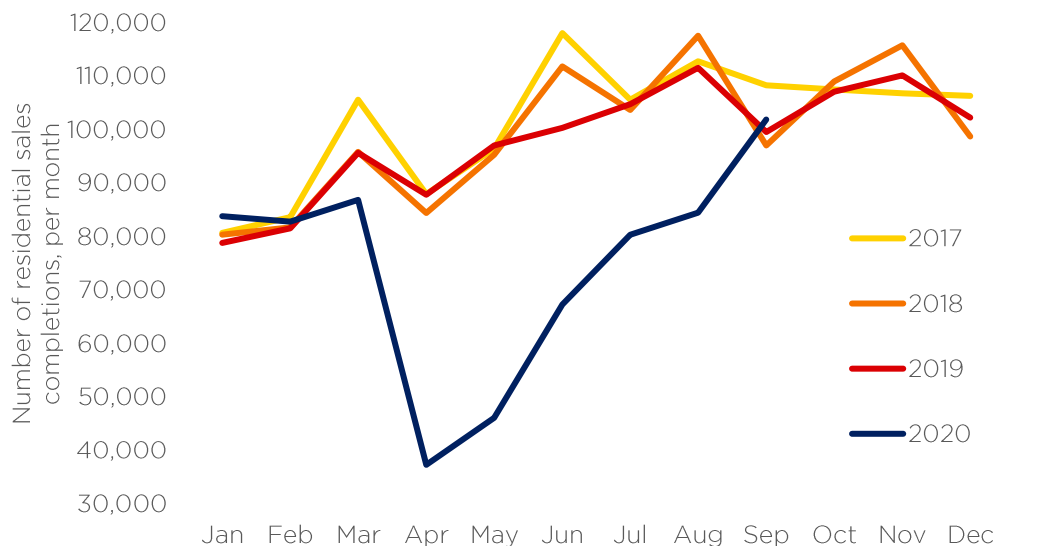


Source RICS, Nationwide, ONS

The RICS Survey can be a good early indicator of house price movements, which are later picked up by other indices. Given the current pace of change, it may for the time being only reflect the state of the market as it is now.

More surveyors reported price growth in October than in any month since September 1999, with a large majority reporting house price growth. Three month house price growth at a national level has dipped marginally from 4.6% to 3.7%, but is still at its highest level since 2009, according to Nationwide.

**Figure 5** Transactions above 2018 and 2019



Source HMRC

The latest data from HMRC shows that transactions in September were 2% above last year's figure, following the substantial dip in transactions in the spring. We expect transactions to track above the number of transactions seen in earlier years, as the high volume of sales agreed generated post-lockdown are completed.

Table 1 Recent house price growth

	Nationwide (UK Oct-20; regions to Q3)			ONS (to Sep-20)			Savills (to July-20)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.8%	3.7%	5.8%	1.8%	2.6%	4.6%	0.4%	0.6%	2.6%
London	-	1.5%	4.4%	0.9%	2.7%	4.0%	0.4%	0.6%	2.6%
South East	-	2.8%	4.7%	1.6%	3.6%	4.0%	0.3%	0.3%	1.4%
East of England	-	2.3%	2.6%	2.5%	3.6%	4.8%	0.3%	0.5%	1.4%
South West	-	2.8%	5.5%	3.4%	4.3%	6.4%	0.3%	0.5%	2.1%
East Midlands	-	2.6%	4.0%	0.7%	1.7%	5.0%	0.2%	0.7%	2.8%
West Midlands	-	2.7%	3.1%	1.6%	2.0%	4.0%	0.5%	0.9%	2.9%
North East	-	3.1%	4.2%	3.9%	5.0%	3.2%	0.4%	0.7%	1.6%
Yorks & Humber	-	2.7%	4.6%	2.1%	3.2%	5.5%	0.5%	1.0%	3.0%
North West	-	0.6%	3.1%	1.6%	3.7%	6.0%	0.3%	0.7%	3.3%
Wales	-	2.4%	3.8%	-1.1%	1.1%	3.8%	0.2%	0.6%	3.7%
Scotland	-	-1.0%	2.0%	4.9%	3.1%	4.3%	0.1%	0.6%	2.7%

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

Table 2 House price forecasts (first published September 2020)

Region	H1 2020 (Actual)	H2 2020 (Forecast)	2021	2022	2023	2024	5yrs to 2024
UK	4.0%		0.0%	4.0%	6.5%	4.5%	20.4%
London	3.7%	1.5%	0.0%	1.0%	4.0%	2.0%	12.7%
South East	2.3%	3.5%	0.0%	2.5%	5.0%	3.0%	17.3%
East of England	2.3%	3.5%	0.0%	2.5%	5.0%	3.0%	17.3%
South West	1.3%	3.0%	0.0%	3.0%	5.5%	3.5%	17.3%
East Midlands	1.5%	1.5%	0.0%	5.0%	7.5%	5.5%	22.6%
West Midlands	0.7%	1.5%	0.0%	5.0%	7.5%	5.5%	21.7%
North East	0.3%	0.5%	0.0%	5.5%	8.0%	6.0%	21.7%
Yorks & Humber	1.8%	1.0%	0.0%	5.5%	8.0%	6.0%	24.1%
North West	3.9%	0.5%	0.0%	6.0%	8.0%	6.5%	27.3%
Wales	1.7%	1.0%	0.0%	5.0%	7.5%	5.5%	22.3%
Scotland	1.8%	2.0%	0.0%	5.5%	8.0%	6.0%	25.4%

Source Savills

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\*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.

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