Progressive Property & Construction Daily

18 September 2023: Economy – Prices slip and volumes slide, Rightmove; Rents continue to surge, Zoopla | Fortnight ahead

A round-up of market statements, news, economics and views from the property and construction sectors

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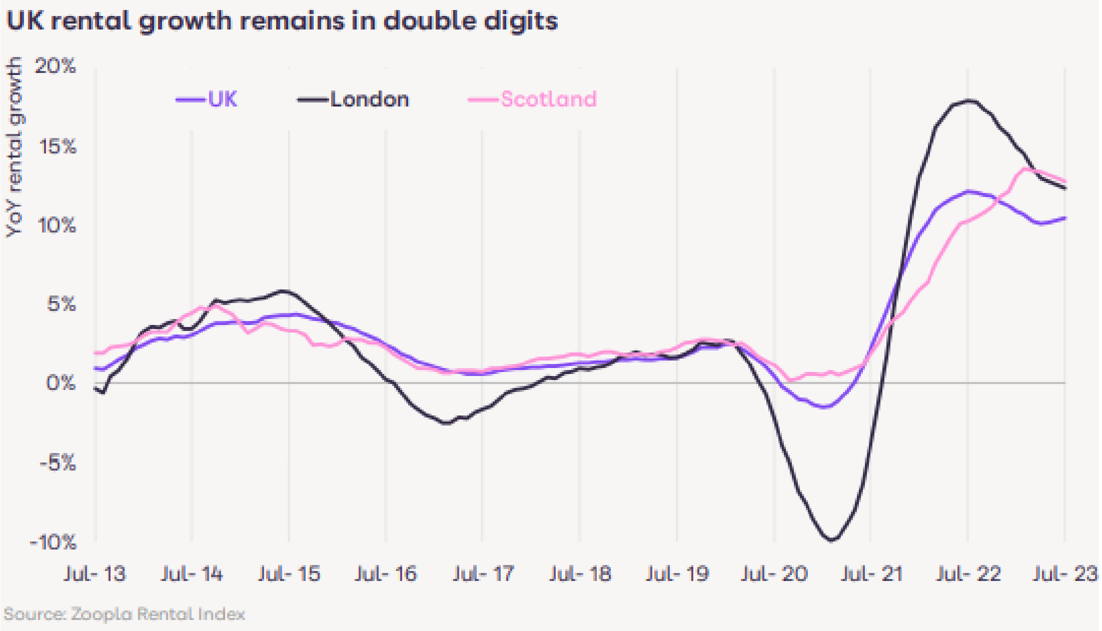
Economic data

Housing market. Average new seller asking prices increase marginally by 0.4% this month, lower than is usual for this time of year, while the annual price change drops further to -0.4%, the biggest drop since March 2019, according to the latest House Price Index report from Rightmove. Asking prices rose to £366,281, lower than is usual for this time of year: 36% of properties currently for sale have had a price reduction, with an average reduction of 6.2%. Regionally, the highest Y/Y increase was in Scotland, +2.6% to £190k; the biggest fall, the South East, 1.6% to £482k. The number of sales being agreed in August was 18% lower than August 2019. However (and possibly a surprise to many), the first-time buyer sector (two-bedrooms or fewer) is once again the best performing sector, with sales agreed down by a lower 13% versus 2019. Signs of activity starting to pick up, with back-to-school sellers helping the number of new properties coming to market to jump by 12% in the first week of September when compared with the average weekly number throughout August. The average time to secure a buyer rose 63% Y/Y to 57 days in August, but London (traditionally a slower moving market) experienced a smaller 26% increase to 63 days.

Lettings market. Private rents on new lets rose 10.5% Y/Y in Q3, the latest double-digit increase over an 18 months of growth, as recorded by the [UK Rental Market Report] from Zoopla. Average renter has seen costs rise £2,800 over last 3 years. Scotland recording fastest growth in rents at 12.7% (see below) where rent controls are forcing landlords to maximise rents for new lets, according to the property portal. The rental market remains stuck in a period of low supply and high demand, but levels of home building and net new investment by private landlords is falling and set to remain weak into 2024 due to the impact of higher borrowing costs. Build-to-rent spot, however, is boosting supply in many city centres, but rental levels set by corporate landlords are above-average and not at a scale to impact the wider market. Many existing renters will also try to avoid moving and paying a higher rent, delivering a further drag on available supply. The net result is that the average estate agent has less than 10 homes to rent compared to a pre-pandemic average of 16.5 homes. Rents continue to outpace earnings and rental affordability is now the worst for over a decade, but Zoopla predicts that rents for new lets expected increase by 9% in 2023 then slow to 5-6% in 2024.



Fortnight ahead

Construction & property: company and economic news

September

19	Springfield Properties (SPR)	FY results
	Henry Boot (BOOT)	HY results
	Billington Holdings (BILN)	HY results
20	Galliford Try Holdings (GFRD)	FY results
	Epwin Group (EPWN)	HY results
	ONS	Inflation data
	ONS	House prices
21	Van Elle Holdings (VANL)	AGM
	Bank of England	Official Bank Rate
27	First Property Group (FPO)	AGM
	Safestyle UK (SFE)	HY results
28	Nationwide	House prices
29	Bank of England	Mortgage approvals

Sources: Public announcements, Factset, ShareCast.com, Progressive Equity Research

Prices are as at the previous day's close. Where quoted, net debt is pre-IFRS16 (excluding leases) unless otherwise stated.

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