

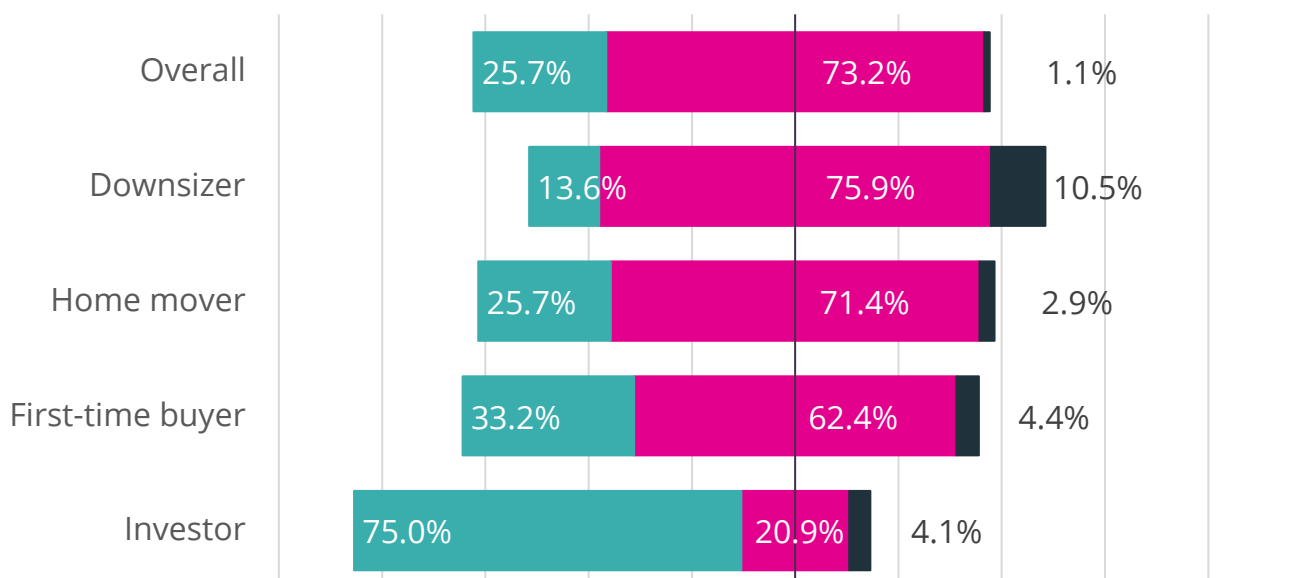
Property Watch is our bi-monthly report that gathers insights from practicing valuers and surveyors, offering a cutting-edge view on the UK property market.

## Executive Summary

- The pipeline of homes for sale has stabilised since our previous report as mortgage rates become more favourable.
- Analysis of HMRC and UK Finance data shows that cash buyers have been the dominant buyer group in the year, accounting for a third of all transactions.
- First-time buyer transactions have remained resilient at 29%, just below the ten-year average of 31%.
- With less support from the bank of Mum and Dad less certain in a cost-of-living crisis, buyers are more carefully considering factors such as extending mortgage terms, location, and affordable homeownership schemes.
- The rental market is still struggling with a shortage of homes, Scotland being particularly affected by the unintended consequences of the government's rent cap policy.

## DEMAND: WHO'S BUYING?

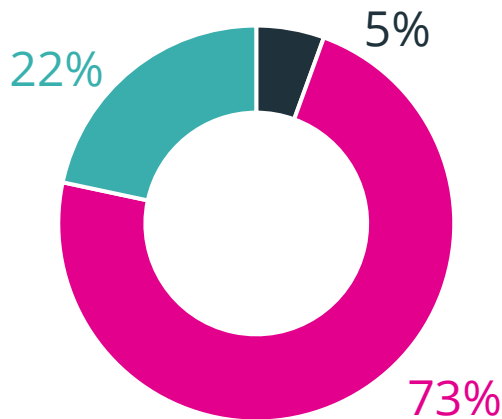
■ Falling ■ About the Same ■ Rising



Source: e.surv, November 2023

# Sales Market

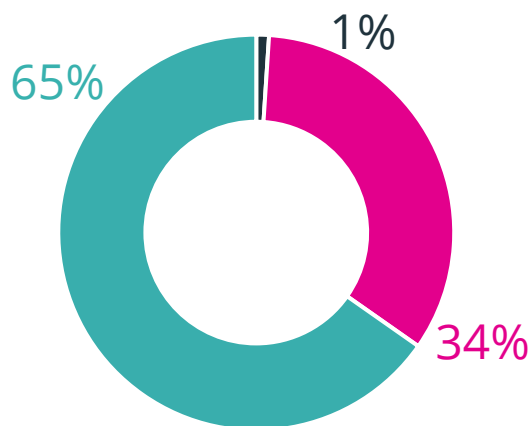
## SUPPLY



As we close the year, cash buyers accounted for a third of all transactions in the 12 months to September 2023. Our own analysis of buyer demand across the four main buyer groups confirms this with one in ten surveyors has seen a rise in demand from cash buyers.

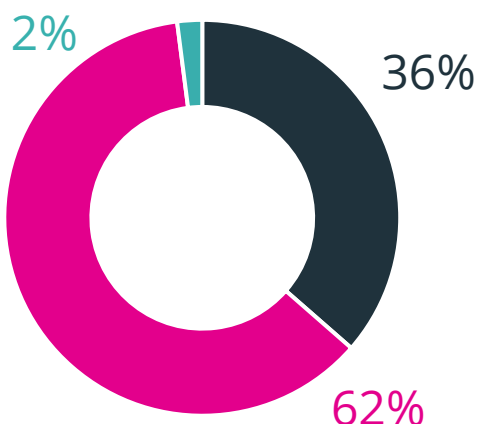
While cash buyers have played a prominent role in the market, more mortgage rates below 5% by the end of the year could entice mortgaged homeowners and buyers to re-enter the market.

## ASKING PRICES



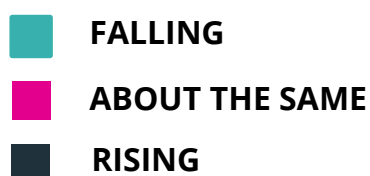
As such, the stock of UK homes available to buy has stabilised in recent months; some 78% of surveyors noted that the supply of homes had risen or was about the same compared to 65% of surveyors in our previous report. This steadying of supply will hopefully translate to growing demand and support pricing in 2024.

## TIME ON MARKET



With asking prices falling and most buyers bidding their time for cheaper deals, the time property is on the market remains sluggish. Our survey shows that just over a third (36%) of surveyors reported a rise in the time to sell a property.

Scotland and Wales are slightly ahead of the UK average at 42% and 45%, respectively. When we look at the data for these areas at a more localised level, this trend is particularly evident in rural areas, where the population is smaller, and buyer interest is perhaps less concentrated.



# Rental Market

Our respondents continue to report the challenges in the private rental sector, both from a tenant and investor perspective.

The continued pressure on the rental market is due to a range of factors, including strong wage growth, a rental property shortage, and shifting housing market affordability dynamics.

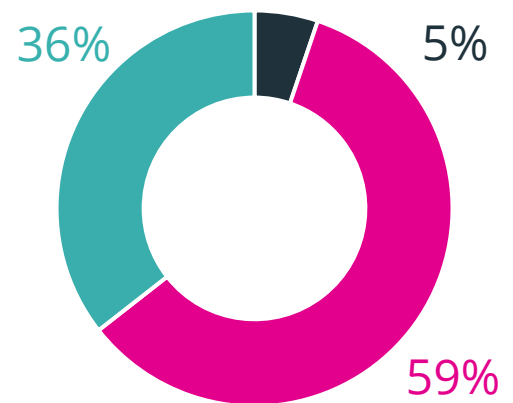
While robust earnings growth enables tenants to shoulder higher rents to an extent, the scarcity of rental units continues to exert upward pressure on prices.

Rising mortgage rates have also discouraged some would-be homebuyers, keeping them in the rental market longer putting additional pressure on supply. The exit of buy-to-let landlords, driven by policy and tax changes along with higher borrowing costs has compounded matters.

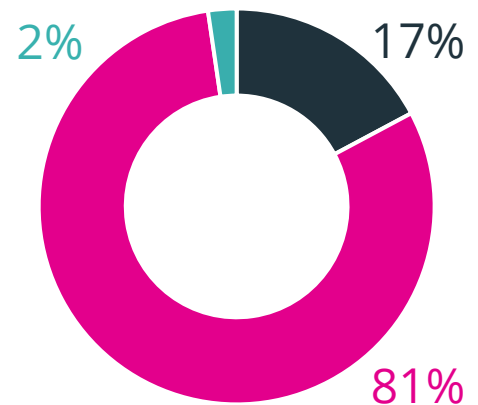
This trend is especially noticeable in Scotland, where almost half of respondents reported a quickening in the time it took for properties to be let compared to the previous quarter.

The introduction of the rent cap, designed to protect tenants as living costs surged, may have contributed to a decrease in the availability of rental properties. This reduced supply has, in turn, led to an increase in rents - we estimate an increase of 12% on the year - as landlords push rents on new tenancies to offset the limitations imposed by the rent cap.

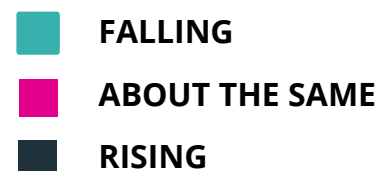
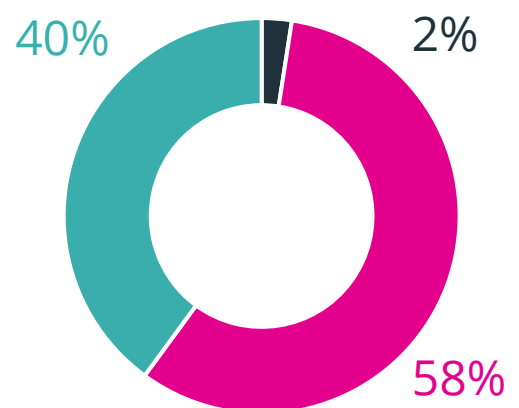
## SUPPLY



## ASKING PRICES



## TIME TO LET

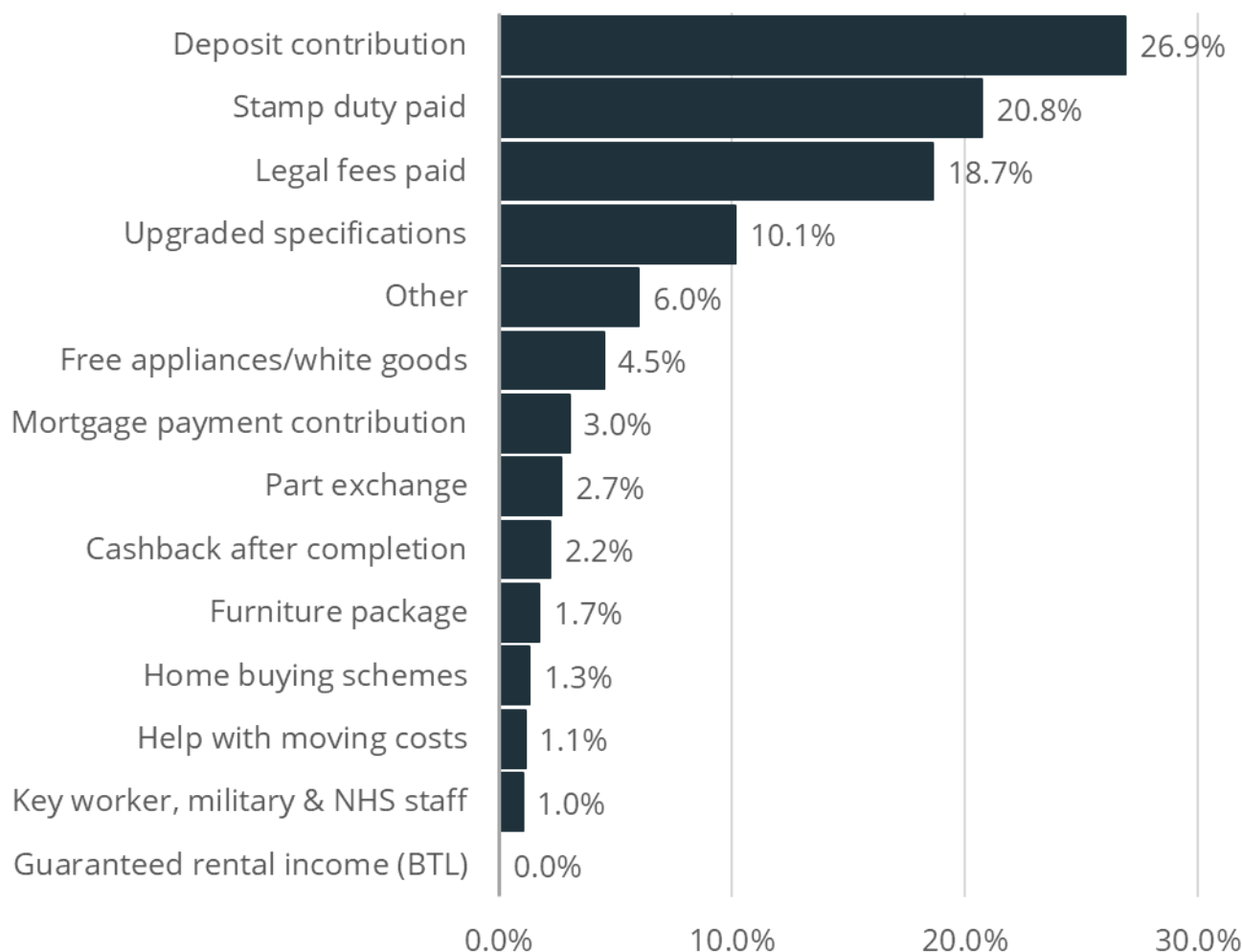


# New Homes

The UK new homes market is facing a period of adjustment as it adapts to changing market conditions. Supply is slowing down, with recent net additional dwellings data indicating that only 235,000 new homes have been added, falling short of the government's annual target by 21%. This slowdown can be partially attributed to the end of the Help to Buy scheme, which had been a significant driver of sales for first-time buyers.

Buyers are becoming more discerning and prioritising their needs, with affordability remaining a key concern, especially for first-time buyers. This shift in buyer behaviour has prompted builders to increasingly offer buyer incentives to attract and retain customers. These incentives are often designed to assist buyers in overcoming upfront costs, such as land taxes, legal fees, and deposit contributions.

## BUYER INCENTIVES



Source: e.surv, November 2023

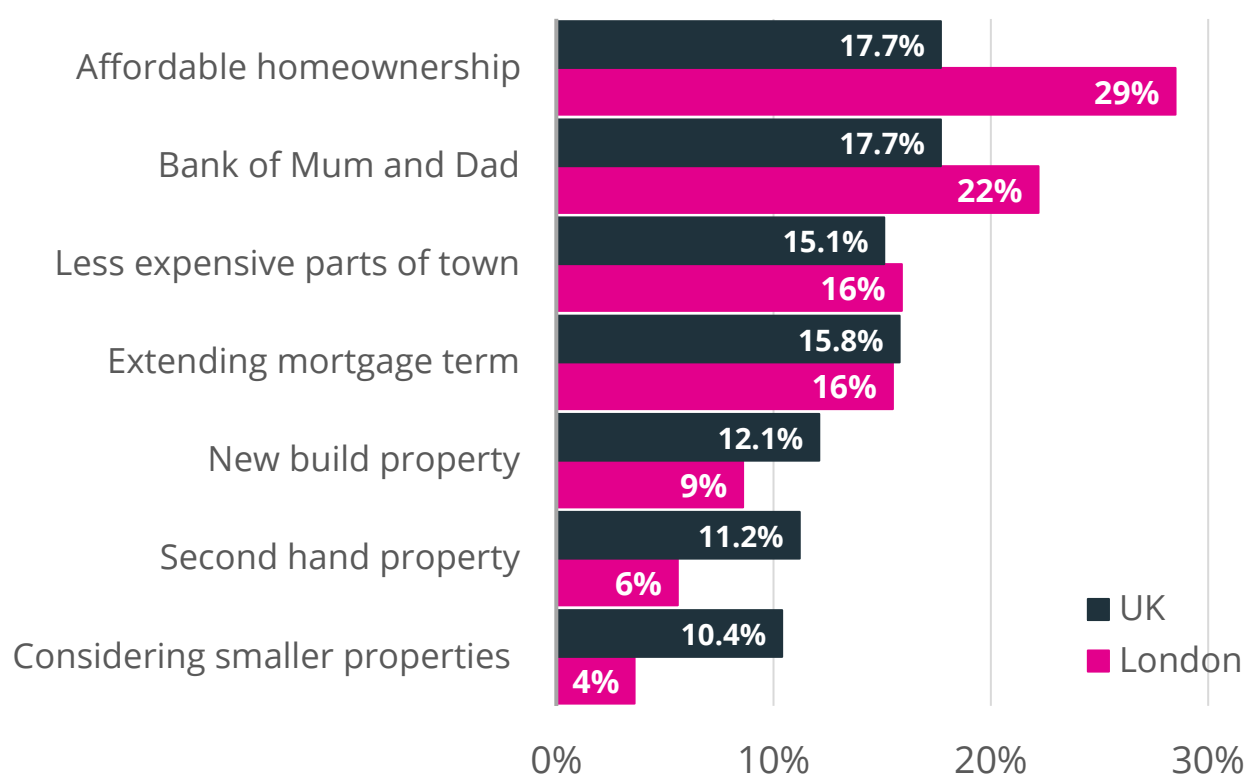
# First-Time Buyers

This month, our survey investigates the considerations faced by first-time homebuyers across the UK. Uncertainty surrounding mortgage rates and house prices emerged as the primary roadblocks, with 31% and 29% of respondents respectively, highlighting these concerns. This affordability constraint is driving buyers towards smaller, more manageable properties, with two-bedroom resale terraces emerging as the most sought-after option.

Instead, buyers are exploring a range of financing strategies to enhance their purchasing power. The Bank of Mum and Dad remains a crucial source of financial support, particularly in London, where 22% of respondents cited parental assistance. Additionally, a significant portion of buyers are considering affordable home ownership schemes (18%), extending mortgage terms (16%), or exploring less expensive neighbourhoods (16%) to make homeownership a reality.

These findings underscore the evolving dynamics of the housing market and the proactive measures that first-time homebuyers are employing to address affordability challenges. As the market continues to evolve, understanding the changing preferences and strategies of these individuals will be critical for real estate professionals and policymakers alike.

## Q. WHAT TRENDS ARE YOU SEEING AMONG FIRST-TIME BUYERS LOOKING TO BUY IN YOUR LOCAL AREA?



Source: e.surv, November 2023.

# Outlook for 2024

With interest rates for home purchases expected to fall in 2024, some renters may look to make the move into homeownership. Our data shows that first-time buyers have used a variety of strategies to overcome affordability hurdles and become homeowners. This includes extending mortgage terms, being flexible with the type and location of property, and taking advantage of affordable homeownership schemes.

The ongoing supply-demand imbalance in the rental market is unlikely to dissipate soon, leading to continued rental price growth, albeit slower than the double-digit increases witnessed throughout much of 2023.

The UK housing market is showing signs of resilience despite gloomy forecasts made a year ago. According to recent Bank of England data, mortgage approvals have been stronger than expected, suggesting increased activity in the market. This indicates that there is still a strong demand for housing in the UK, even as economic conditions remain uncertain.

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### **METHODOLOGY**

e.surv's Property Watch report is a monthly survey tracking the views of our surveyors on the UK property market. The survey typically captures around 500 surveyor responses per month.

November's data has been collected over a two-week window from **30/10** to **10/11/2023**.

To ensure the survey is representative of the UK, results have been weighted by the stock of UK homes.

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