APRIL 2024

Housing and Development Market Outlook

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An improving **economic backdrop**

Narrative has turned to when Bank Base Rate will be cut

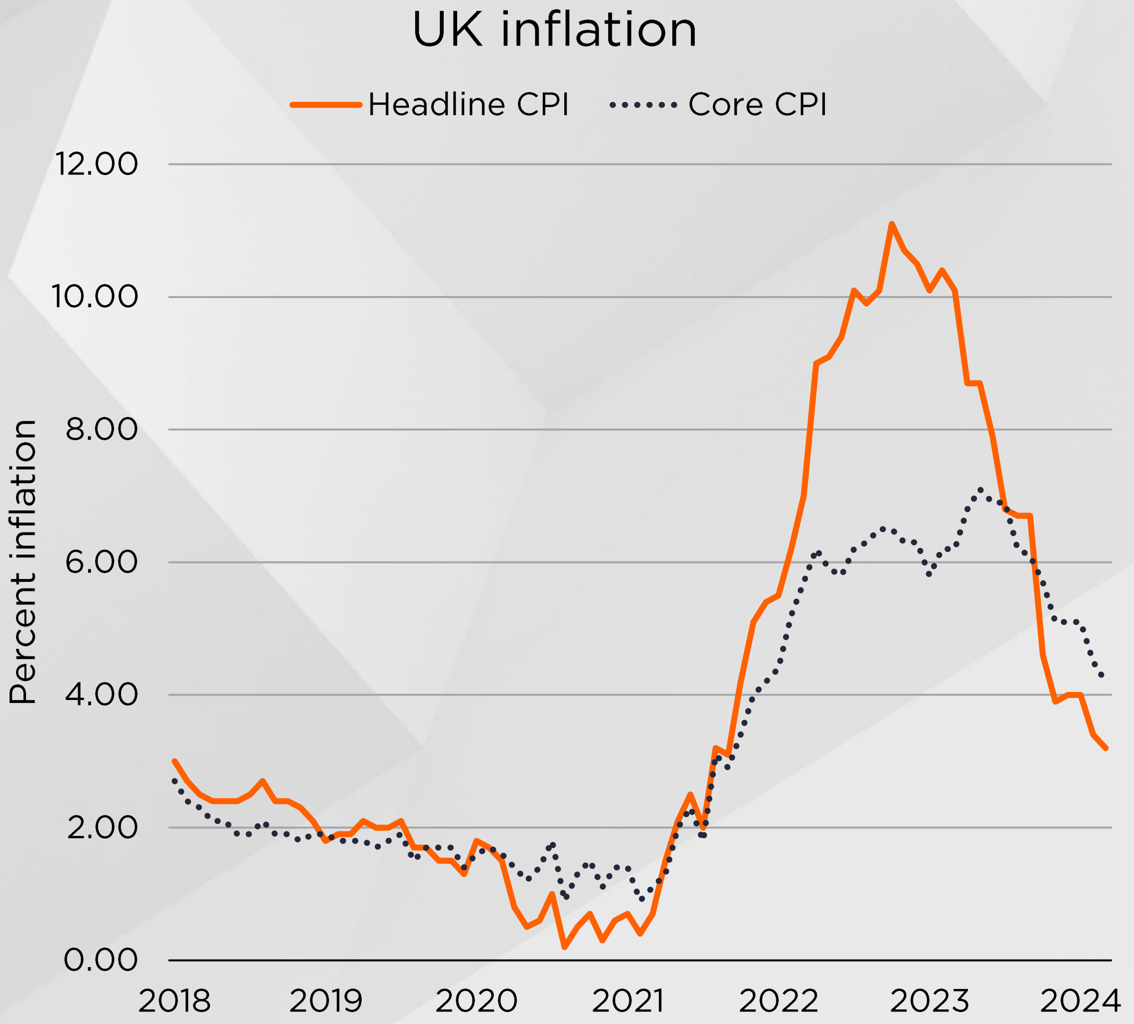
Headline CPI down to **+3.2%** (March)

-0.2% movement in GDP year to Feb

Core CPI down to **+4.7%** (March)

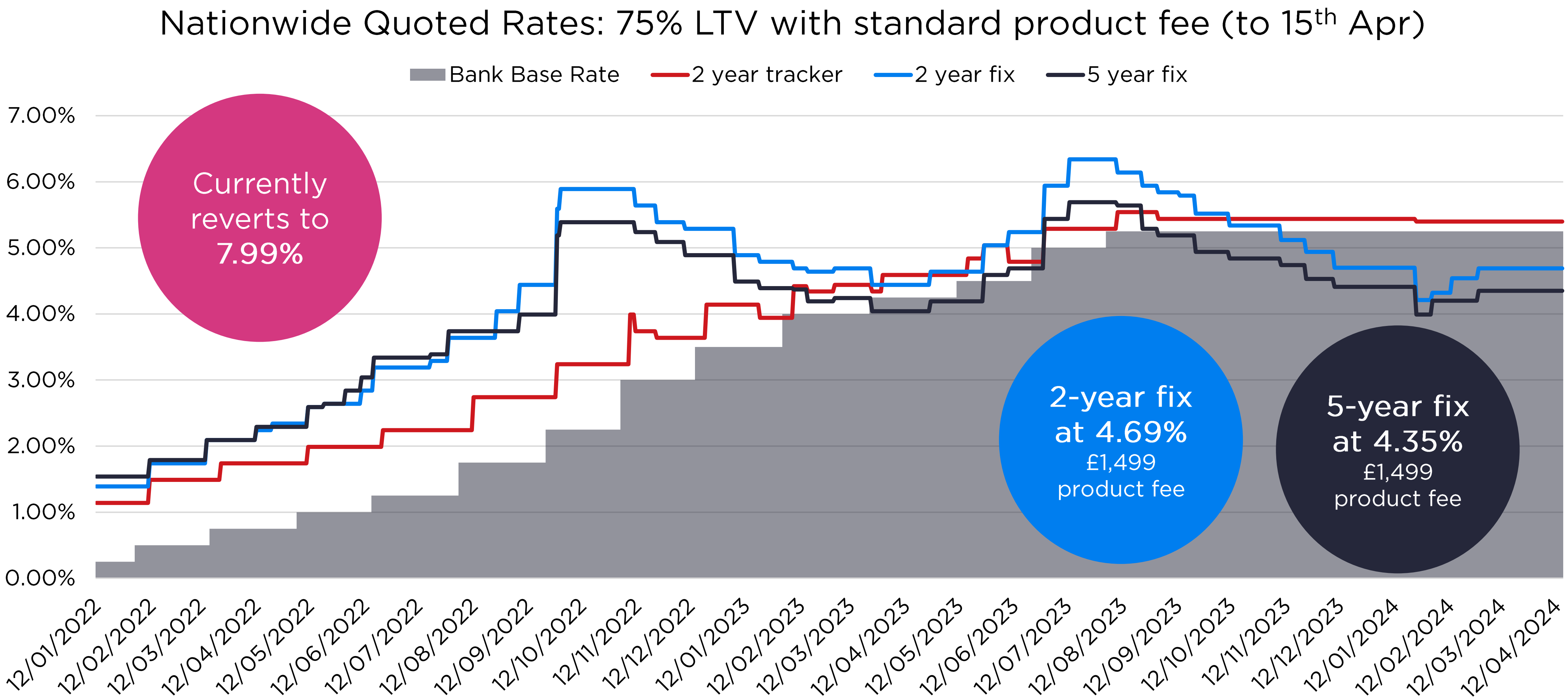
+0.1% 3-month on 3-month GDP growth

Annual wage growth at **+5.6%** (Feb)



Source: ONS

Implications for the **cost of mortgage debt**



Source: Nationwide

A **brighter than expected** start to 2024

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+1.6%
annual house price growth to end of March

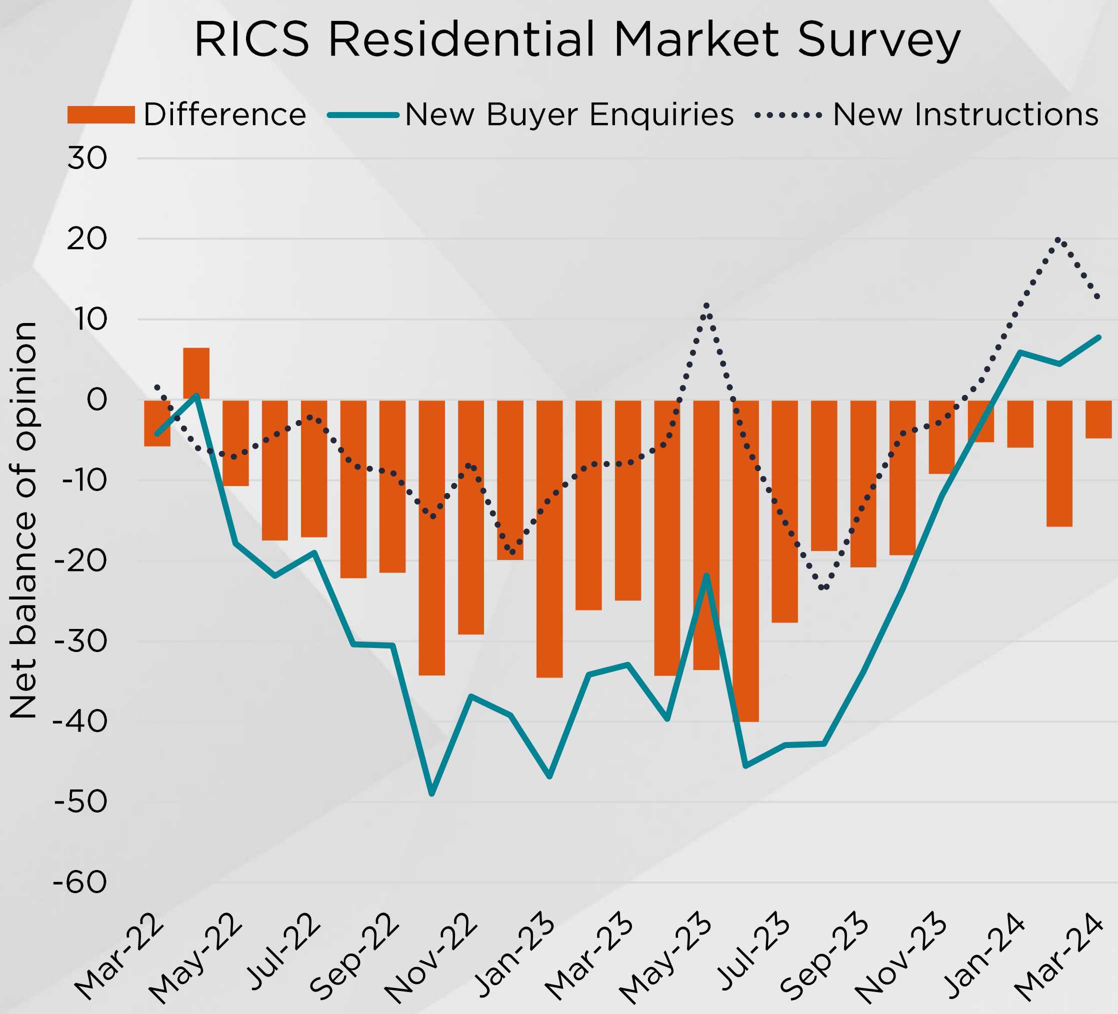
Net agreed sales
+6%
over the pre-pandemic average in Q1 2023

Mortgage approvals above
60,000
in Feb….

….for the first time since September 2022

Price adjustments
+49%
over the same benchmark

Source: Nationwide, BoE, TwentyCI



Source: RICS

Odds on a **general election**

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Date of general election

- **14/1** April to June 2024
- **12/1** July to Sept 2024
- **1/5** Oct to Dec 2024

Outcome of General Election

- **14/1** Tory Majority
- **16/1** Lib-Lab coalition
- **12/1** Labour Minority
- **2/13** Labour Majority

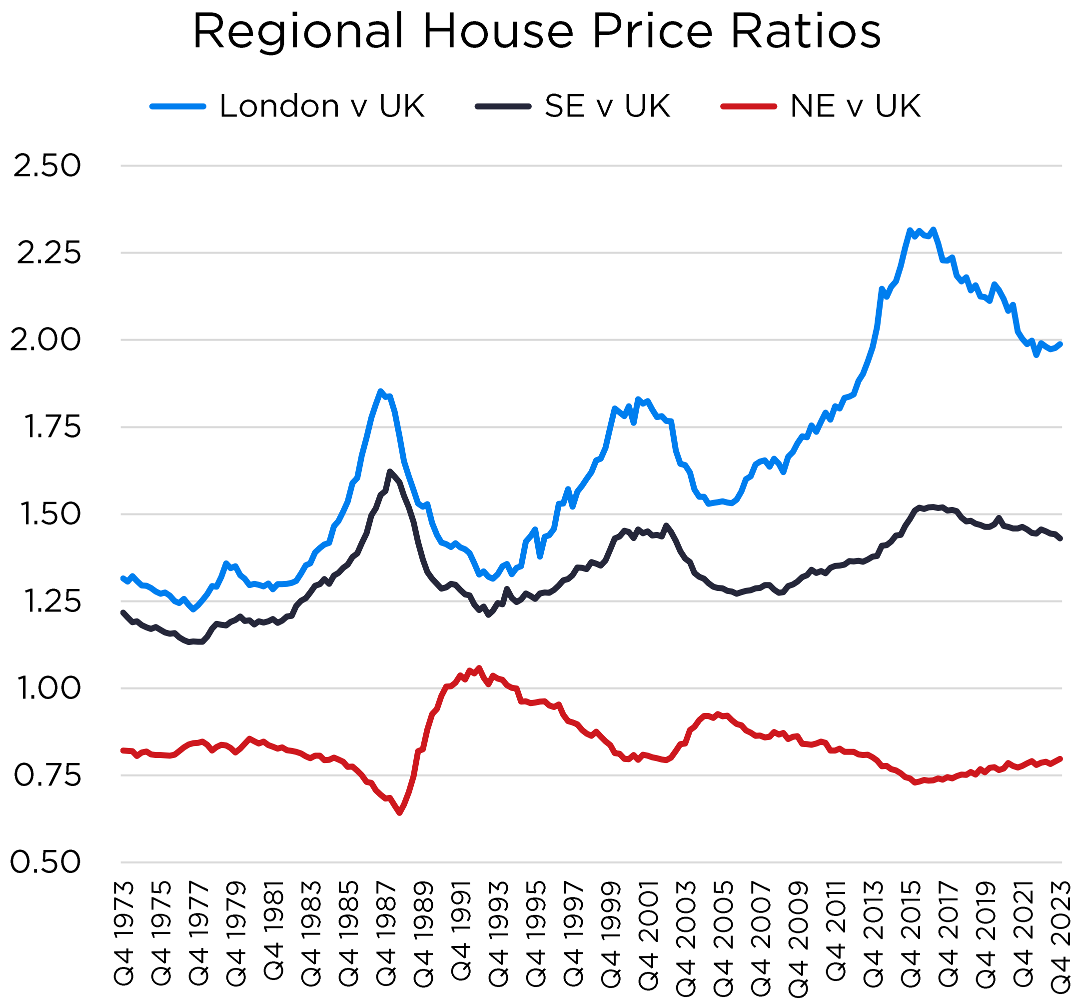
Source: Oddschecker 15/04/2024

“Politics is the ability to foretell what is going to happen tomorrow, next week, next month and next year. And to have the ability afterwards to explain why it didn’t happen”

Winston Churchill

Looking forward

- Continued unwinding of specific post pandemic drivers
- Relaxation of mortgage regulation in August 2022 set the platform for a recovery
- Pace of base rate cuts will determine improvements in range of buyers and their buying power
- The general election has the ability to slow the recovery this year; without destabilising it
- Increasingly looks more like low single digit house price growth than low single digit falls in 2024
- Capacity for price growth of circa 20% over 5 years with restored affordability



Source: Nationwide

More bricks & more people buying bricks, please

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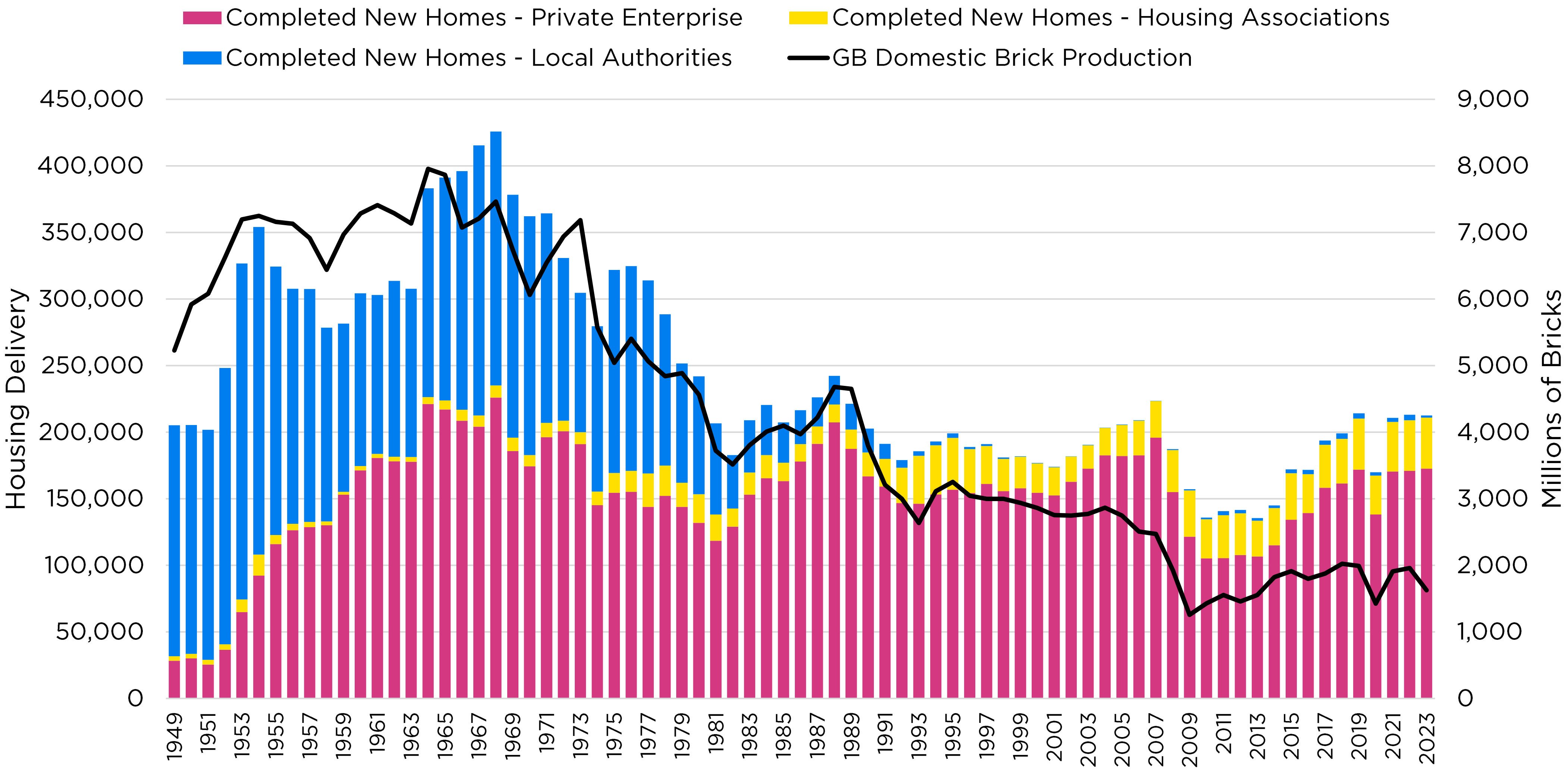

UK **brick deliveries**

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Q4 2022

437 million

seasonally adjusted brick deliveries

£68m clay brick imports Q4 2022

Q4 2023

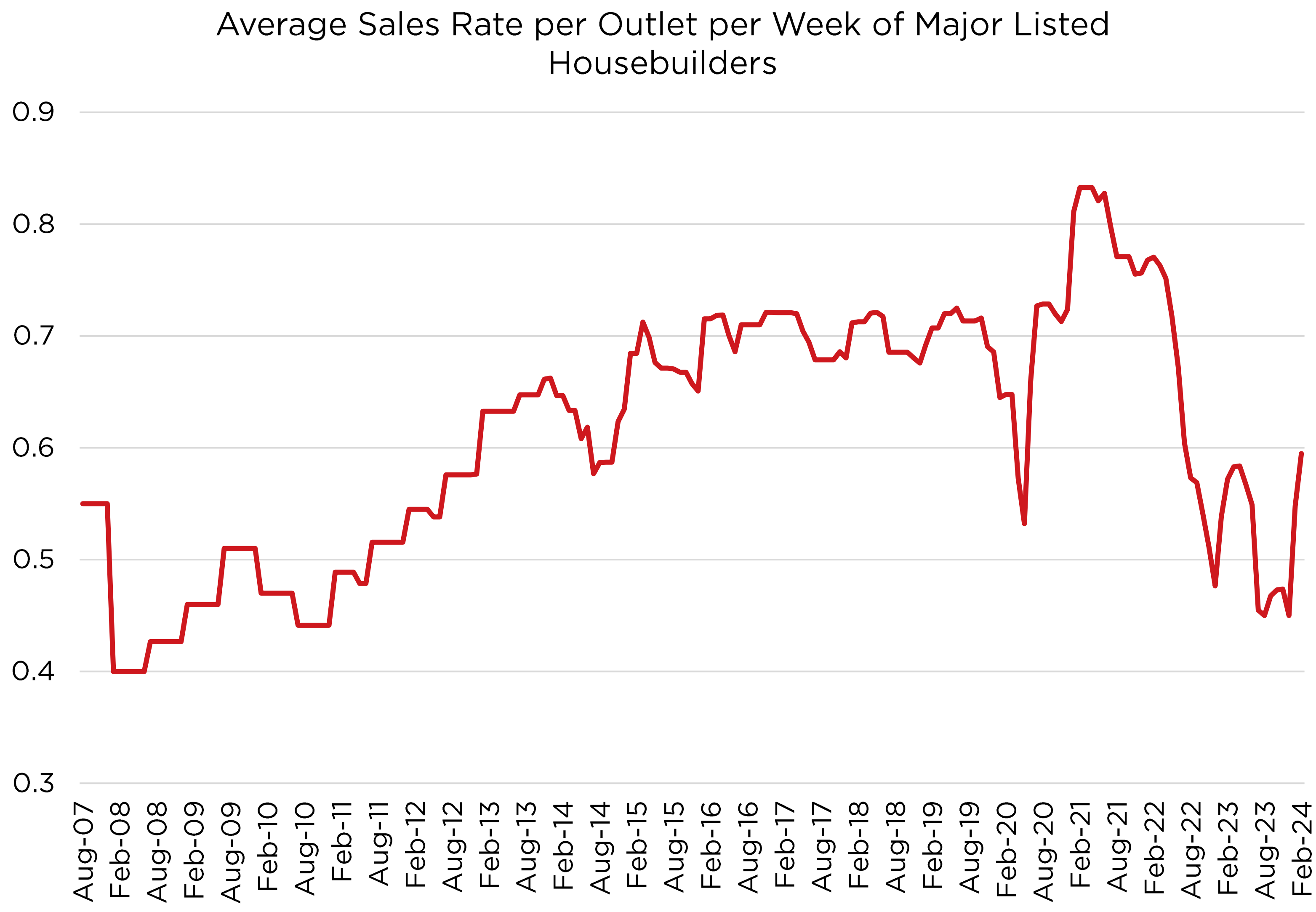
298 million

Seasonally adjusted brick deliveries

£35m clay brick imports Q4 2023

Source: ONS

Delayed impact on housing supply



Source: Savills Research using major housebuilder reports, DLUHC, Glenigan, NHBC Residential Construction portal

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Sales rates are down:

Weak sales market

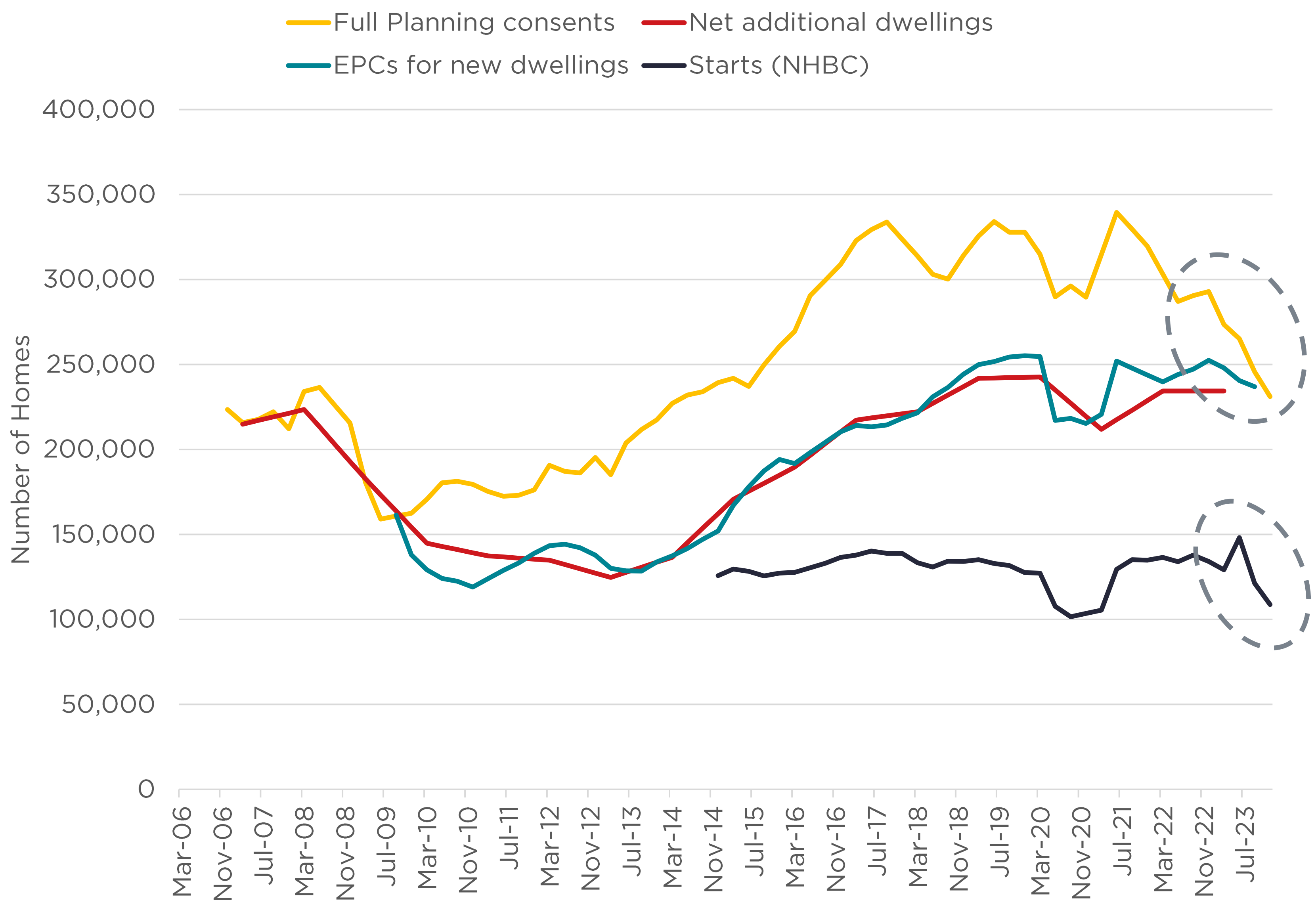
No more Help to Buy

2023/4 will be OK, boosted by:

Increased affordable

A good year for Build to Rent completions

Delayed impact on housing supply



Source: Savills Research using major housebuilder reports, DLUHC, Glenigan, NHBC Residential Construction portal

Sales rates are down:

Weak sales market

No more Help to Buy

2023/4 will be OK, boosted by:

Increased affordable

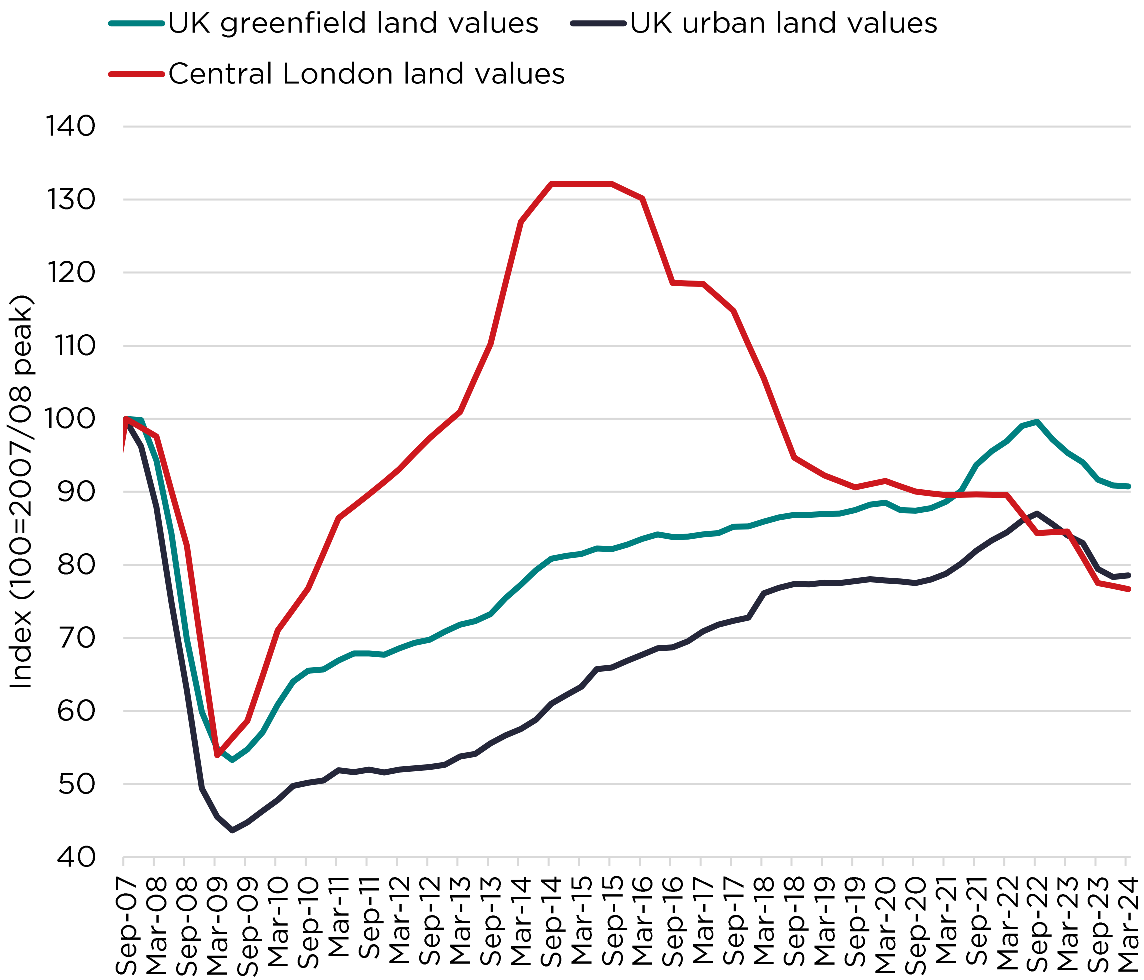
A good year for Build to Rent completions

But the outlook is weak:

Very low levels of starts

Shrinking pipeline under construction

Land values **steadying**



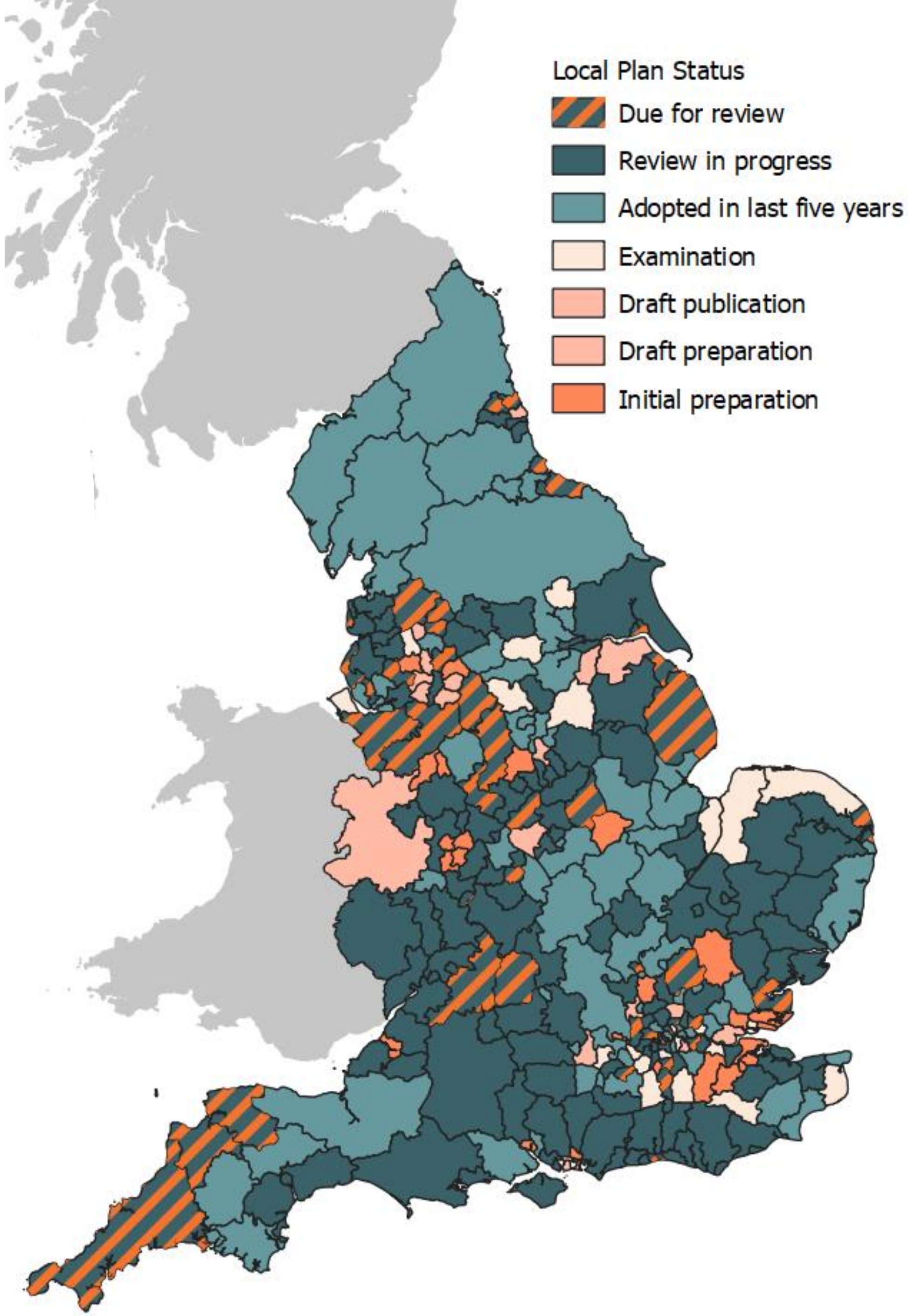
Housebuilders returning to land buying after a quiet 18 months, but sales rates still prompting caution

Falling planning consents restricting supply of immediate land

Strongest markets in North and Wales, largest falls in South East

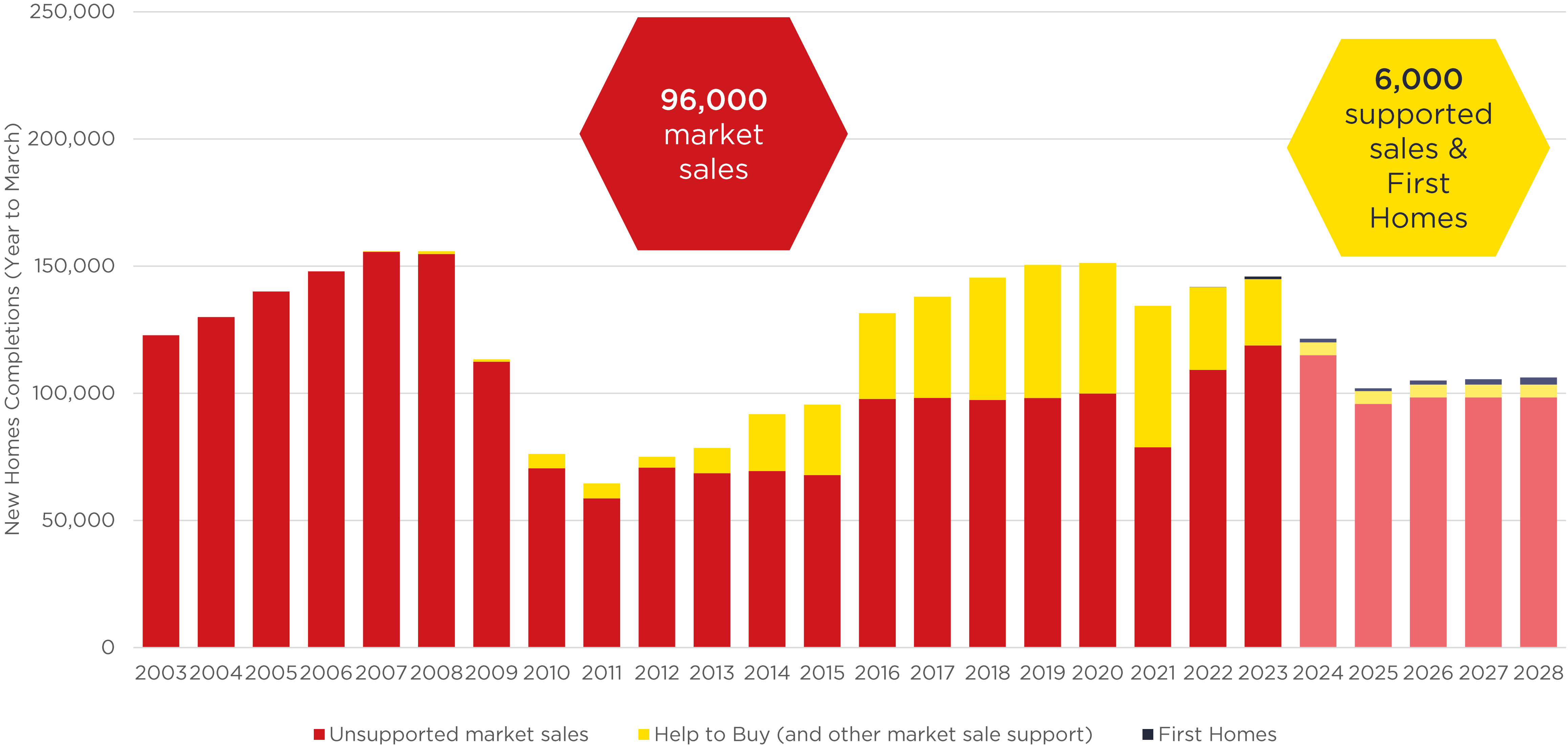
Source: Savills Land Index, HMLR

More **stability** in planning



Source: Savills Planning Database

Completions forecast



Source: Savills Research

What else could **fill the gap?**

S106 AFFORDABLE HOUSING

LAND LED AFFORDABLE DEVELOPMENT

MULTIFAMILY RENTAL

SINGLE FAMILY RENTAL

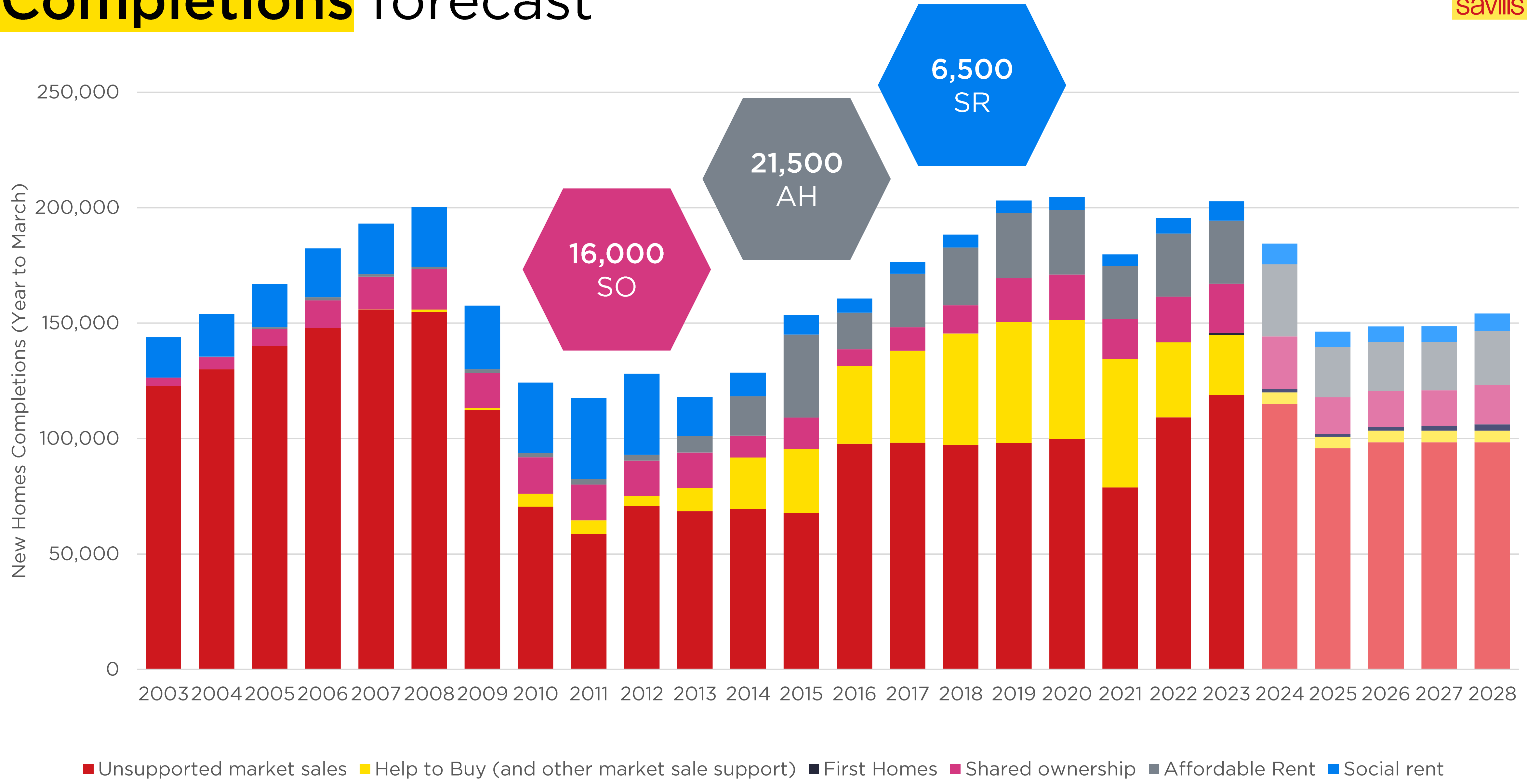
Policy pressures for affordable providers

- Net Zero targets
- Decent Homes upgrade
- Building and Fire Safety
- Rents: post-2025 -26
- Homeless-ness and Temp Accomm
- Long term under-funding of local government

HA priorities

1. Existing stock
2. Land-led grant-funded development
3. Section 106 with grant funding
4. Section 106 nil grant

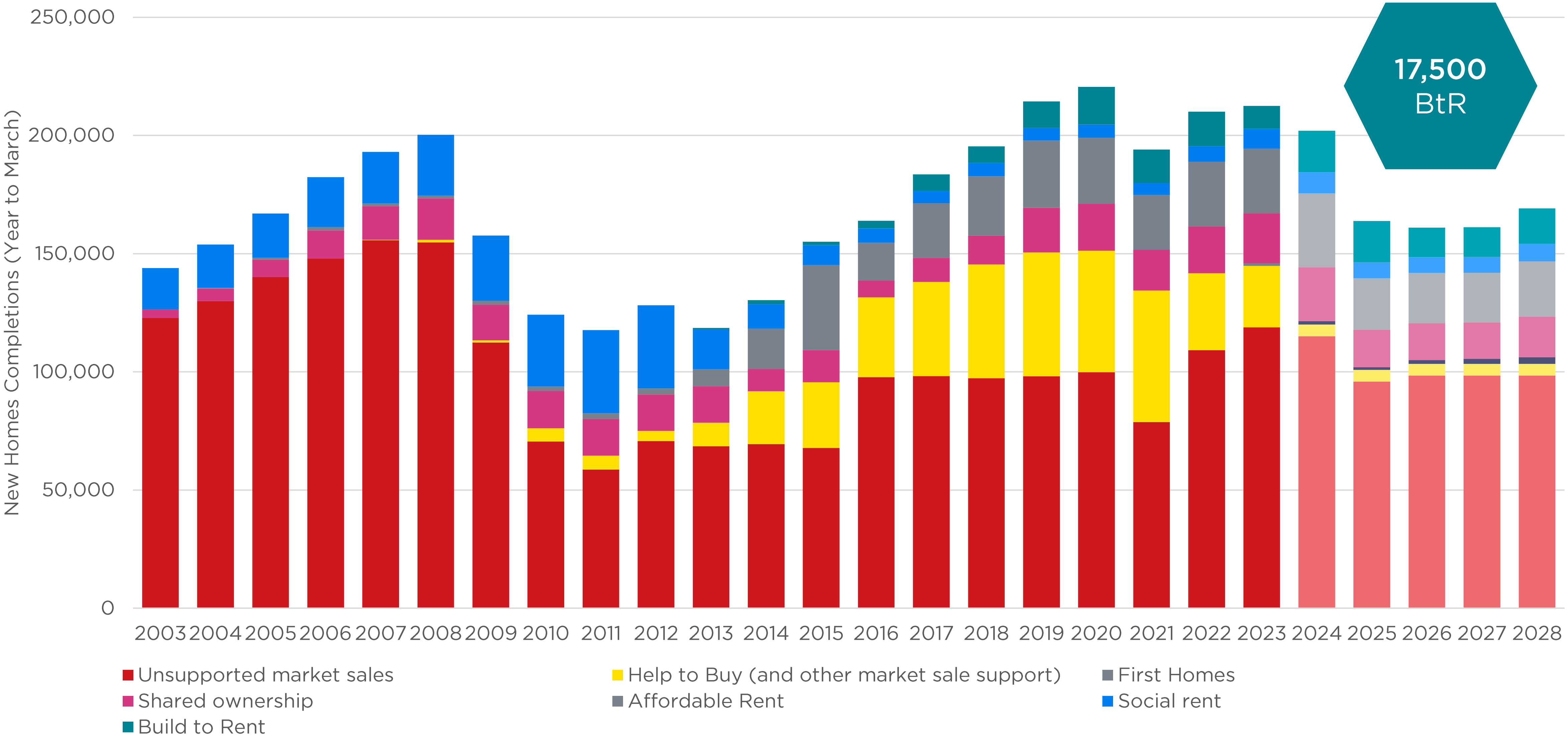
Completions forecast



Source: Savills Research

Mixed outlook for Build to Rent

Completions forecast



Source: Savills Research

160,000

New build completions
per year
2025-2028

Things can only get better?

Labour

- 1.5m homes over the next Parliament
- Re-introducing mandatory local targets
- More greenbelt flexibility
- A “blitz” of planning reforms with hundreds of extra planners to deliver local plans
- CPO to deliver new towns
- 90,000 affordable rental homes per year

Conservative

- 300,000 homes per annum by the “mid 2020s”
- Advisory local targets
- No movement on greenbelt
- Brownfield first and focus on largest cities
- Greater direct intervention for unsatisfactory planning performance
- 150,000 homes around Cambridge

Thank you

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