**Optimism and nuance for a successful 2024 in residential property**

1. **Rental growth to slow (relatively) but market to remain strong**

We are calling a change in the market: rental growth will slow in 2024 back to more ‘normal’ levels as properties hit affordability plateaus. The two years since Covid have seen the highest rent increases in the past 50 years; 7-10% per year against a long-term average of 2-4%. Demand has been extreme. However, there is no reason to panic now; the letting market remains strong for landlords. Good agents will set asking rents correctly rather than allowing rental stock to go stale and then chasing the market down.

1. **Lower mortgage rates to increase confidence and transaction volumes**

This is great news. Lower mortgage rates help rationally (lower monthly payments so affordability is easier) and emotionally (‘I can try to buy a house now that the economy looks more stable’). Will this be enough to lure ‘discretionary’ buyers back into the market (those who do not need to move but want to move)? We hope so. This group has been sorely absent in 2023 and this has affected the mid-market in particular.

1. **More attractive conditions for first-time buyers and investors**

Lower mortgage rates are particularly good for first-time buyers (FTBs) who start with no housing equity and buy-to-let investors who use interest-only mortgages. Zoopla states that 40% of all movers in 2024 will be FTBs[[1]](#footnote-1) which underlines how important they are. Another ‘push’ factor is much higher rents since 2021 which drive FTBs into the sales market where they can make the mortgage maths work. We are built to help FTBs who require a higher level of agent support and can be easily spooked during conveyancing.

1. **Vendors accepting 2024 prices will succeed; vendors stock on 2022’s prices will fail**

We are bullish that every vendor can succeed in 2024 if they are realistic on price. Our biggest challenge is those vendors who are unwilling to accept what their house is worth. In some of our markets prices are down 10% against the post-Covid bubble. This is all about loss aversion – the pain of loss is far greater than the pleasure of gain. Although with vendors the 2022 sales values were only ‘paper money’ and never money in the bank. Why don’t people want to face reality? Well, we’re estate agents, not psychologists. But, to repeat: every week we sell homes where the price is right and we look forward to selling plenty more in 2024.

1. **Rent Reform Bill to go through. Third Reading due Early Jan.**

Do you remember this legislation? The headlines are that it ends ‘no-fault eviction’ which is the emotive (divisive?) phrase for a landlord asking for their property back. It also ends fixed-term tenancies which is ill-advised. We don’t believe in the Rent Reform Bill but it is not a disaster either. Our job is to help our landlords navigate it and we are focused on making sure that our systems and protocols are ready for the new reality of 100% periodic tenancies.

1. **The ‘housing crisis’ remains a media cliché and political football**

The ‘housing crisis’ is a phrase that is now standard; so common that the ‘crisis’ word has lost its power. Quite simply if the country is adding say 600-700,000 people a year through migration with only ~230,000 new houses[[2]](#footnote-2) it puts pressure on rental and sales markets. The December announcement from Michael Gove re the National Planning and Policy Framework falls well short of the fundamental changes needing to the planning system to have any real impact[[3]](#footnote-3). Is there any good news? Keir Starmer says he understands the pain of those who want housing security and the signals are that his Government would be a pro-housebuilding government.

1. **Expect a frustrating election hiatus**

Speaking of politics, there will be an election in 2024. Quite when we don’t know and one truism in the property world is that when an election is called people sit on their hands and/or get cold feet. As agents we find this annoying; as business people we find it understandable. As sales progressors we will need to work harder to keep deals alive and chains intact during this election hiatus.

1. **New Homes – more realistic pricing is (finally) coming through**

Historical new homes premiums have been 15%-17 % over their second hand equivalents. Early in 2023 we said that second-hand prices fell by 5.13% but developers were holding their prices. The result was that the differential between new and second-hand properties widened up to 20% and in a price sensitive market this had a huge impact of the rate of sale. As 2024 starts, new build premiums are finally back to within their historical price premium range and the rate of sales across sites is relatively good when priced correctly.

1. https://advantage.zoopla.co.uk/research-and-insights/uk-house-price-index-december-2023/?member=true [↑](#footnote-ref-1)
2. https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/ukhousebuildingdata/januarytomarch2023 [↑](#footnote-ref-2)
3. https://www.ft.com/content/1f0adb36-612d-4a34-bb0f-1643a841c417 [↑](#footnote-ref-3)