

Economic Commentary

On 3 August the Bank of England increased the Base Rate to 5.25%, an increase of 0.25%, in response to increased inflation. This was maintained following the latest review in December 2023.

The CPIH annual rate in December 2023 rose by 4.2%, remaining unchanged from the rate observed in November 2023. The unchanged CPIH rate between November and December 2023 was a result of prices rising by 0.4% on the month, the same as it was between November and December a year earlier. The identical CPIH annual rates in November and December reflected slowing price increases across three divisions, the most notable of which was in food and non-alcoholic beverages, which were offset by increases in five divisions, with the main increase in the cost of alcohol and tobacco. The annual CPI rate rose by 4% in December 2023; a minor increase from a rate of 3.9% observed in November 2023.

Annual inflation of UK house prices has been steadily decreasing since July 2022 when it stood at 13.8%. The preliminary estimate for the average UK house price in November 2023 was £285,000, reflecting a £10,000 decrease from the same period a year earlier. However, it marked an increase of approximately £5,000 from the most recent low point observed in March 2023.

Monthly real gross domestic product (GDP) is estimated to have grown by 0.3% in November 2023, after a fall of 0.3% in October 2023. However, it is of note that GDP recorded a 0.1% decrease during the three months leading up to September 2023. Of note, the construction sector fell by 0.2% in November 2023, following a fall of 0.4% in October 2023.

As of November 2023, the Land Registry reported that property prices had fallen by 0.8% compared to the previous month and that they have fallen by 2.1% compared to the same month in 2022. London leads the UK with the highest average house prices at £505,000 and is the region with the lowest annual house price inflation, with average prices decreasing by 6% in the 12 months to November 2023. This is down from an annual inflation rate of negative 3.4% in the 12 months to October 2023 and is the lowest annual inflation rate since 2009. The deceleration of London's yearly inflation in November 2023 was attributed to a decline in prices between October and November of that year, contrasting with an increase observed during the corresponding period in the previous year.

In Nationwide's December 2023 press release, it was stated that house prices in the previous month showed no change, but they continued to exhibit a year-on-year decrease of 1.8%. Most regions in the UK recorded annual price falls in Q4 2023. Northern Ireland and Scotland were the UK's only two regions which recorded annual price increases, whilst Northern England and Southern England recorded 1.8% and 3.4% year in year falls, respectively. London emerged as the best performing southern region with a 2.4% annual decline.

In contrast to the annual house price performance data presented by Nationwide, Halifax's December 2023 House Price Index Commentary reports that house prices were 1.7% higher than the same month a year earlier. They report that:

"In December, the cost of an average UK home rose for the third month in a row to £287,105, up +1.1% or £3,066, in November, reaching the highest level since March 2023.

"The housing market beat expectations in 2023 and grew by +1.7% on an annual basis. The average property price is now £4,800 higher than it was in December 2022. Whilst it's encouraging that we saw growth in the last three months of the year, this was preceded with property price falls for six consecutive months between April and September. The growth we have seen is likely being driven by a shortage of properties on the market, rather than the strength of buyer demand. That said, with mortgage rates continuing to ease, we may see an increase in confidence from buyers over the coming months.

“Across all the UK regions, Northern Ireland recorded the strongest house price growth on in 2023, properties here increased by +4.1% to £192,153. Scotland saw property prices increase by +2.6% to £205,170. At the other end of the scale, the South East fell most sharply, houses here now average £376,804 (-4.5%), a drop of -£17,755.

“As we move through 2024, the UK property market will continue to reflect the wider economic uncertainty and buyers and sellers are likely to be naturally cautious when considering making a move. While wage growth is now above inflation, helping to ease cost of living pressures for some and improving housing affordability, interest rates are likely to remain elevated for as long as inflation remains markedly above the Bank of England’s target. Our latest forecast suggests house prices could fall between -2% and -4% during the coming year, although, as with recent years, forecast uncertainty remains high given the current economic climate.”

For further information or to discuss your next project, contact

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