

Propertychecklists.co.uk: Forecast Special

During these turbulent times it's good to understand what's being forecast for prices, rents and transactions so you can make better property decisions – whether you are buying, selling, renting, letting or investing in property.

And the news is a little better than it was this time last year, thank goodness!

So, we thought it would be useful to bring together a summary of the forecasts for 2024 (and beyond) that we think provide some great information and explanations of what's going to happen next.

Please note!

We don't believe in the 'Armageddon' that forecasters think prices and transactions will tumble as they did in 2007/8 and in the 1990s. We also don't believe those that are still telling people property prices double every 10 years – they don't! In fact, most 'average' property prices haven't increased in line with inflation since 2005. As a result, those investing with 100% cash have probably lost money investing in property, not made it, even though the nominal value may have increased.

As such, we haven't included these extreme and incorrect forecasts below. Instead, we have chosen the forecasters that we trust. They aren't always 100% correct, but they do provide excellent and expert commentary and have, over the years, proved to be the better forecasters to listen to.

Who is forecasting what for 2024?

For a summary of what's likely to happen in 2024 to prices, rents, transactions and economic forecasts or what's likely to happen over the next five years, please see attached '2024 Forecast Summary'.

The best economic forecasters

Over the years we have come across many forecasters and tracked their progress and success rate.

For me, the ones which have been the best and most consistently correct are Capital Economics. They have successfully predicted inflation rates and base rates for many years, even though they have often been an outlier with regards to their forecasts.

And these two indicators are the most important ones to the property market, so we always keep an eye on what they predict – and if their forecasts change post a budget, autumn statement, global influencers.

So, what are Capital Economics predicting?

Key to the future of the property market are inflation and base rates. Currently, the big question is when do we get back to 'normal' and what might that look like?

2% inflation and around 3% base rates seems to be the most likely future, as long as we don't get more economic shocks and, from the table below, we can see that's going to take until Q2 of 2024 for 2% inflation, but it will take until 2025 for us to see 3% base rates, giving likely mortgage rates of 4-5%.

Main Economic & Market Forecasts									
	Latest	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2023	2024	2025
GDP (%q/q/y/y)	0.0(+0.6)	-0.2(+0.3)	-0.3(-0.3)	+0.4(-0.1)	+0.5(+0.4)	+0.5(+1.1)	0.5	0.3	1.7
CPI Inflation (%)	(+4.6) Oct	4.5	4.3	2.0	1.9	1.5	7.4	2.4	1.3
Unemp Rate (%)	4.2 Sep	4.5	4.7	4.8	4.7	4.6	4.2	4.7	4.2
Bank Rate* (%)	5.25	5.25	5.25	5.25	5.25	4.75	5.25	4.75	3.00
QE Stock* (£bn)	749	745	730	695	660	655	745	655	560
10-yr Gilt* (%)	4.05	4.25	4.06	3.88	3.69	3.50	4.25	3.50	3.50
\$/£*	1.24	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.25
€/£*	1.14	1.14	1.13	1.12	1.10	1.09	1.14	1.09	1.09

Sources: Capital Economics, Refinitiv. * End period.

KPMG: Forecasts

Additional forecasts come from KPMG for 2024, suggesting that inflation could come down to 2.7% in 2024 while base rates don't move so much: 5%.

Table 1: KPMG forecasts

	2022	2023	2024
Real GDP	4.1	0.4	0.3
Consumer spending	5.3	0.7	0.5
Investment	8.6	2.7	0.5
Unemployment rate	3.7	4.2	4.8
Inflation	9.1	7.5	2.7
Base interest rate	3.50	5.25	5.00

Source: ONS, KPMG forecasts. Average % change on previous calendar year except for unemployment rate, which is average annual rate, while interest rate represents level at the end of calendar year. Investment represents Gross Fixed Capital Formation, inflation measure used is the CPI, and unemployment measure is LFS.

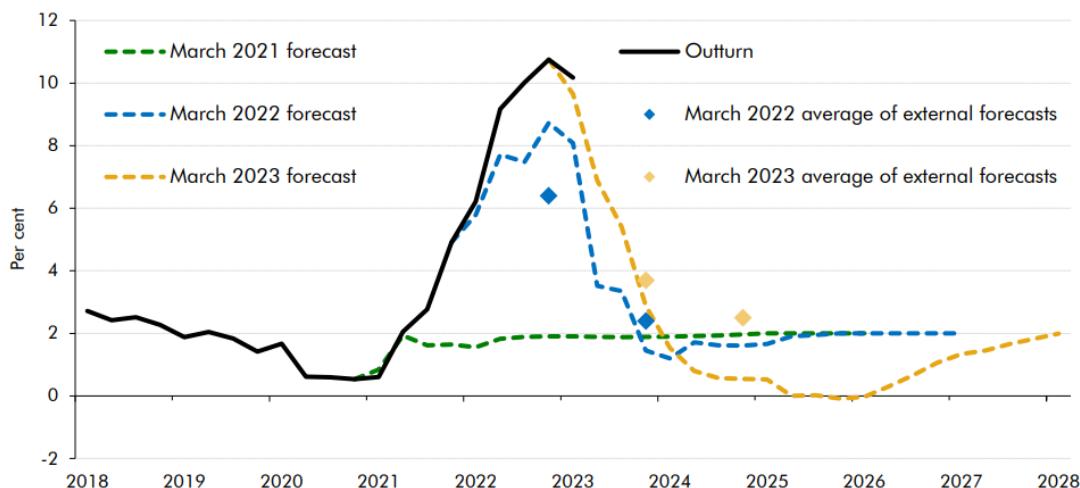
<https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2023/09/uk-economic-outlook.pdf>

OBR: Forecast evaluation report – October 2023

Really good summary of the forecasts and lots of useful charts looking at forecasts and their impact up to 2028.

Inflation forecasts suggest the 2% target could be reached in early 2024, according to their March 2023 'average of external forecasts'.

Chart 1.1: Successive inflation forecasts



Note: Average of independent forecasts newly submitted to HMT's *Forecasts for the UK economy* at the time of each Economic and fiscal outlook publication.

Source: HMT, ONS, OBR

https://obr.uk/docs/dlm_uploads/Forecast-evaluation-report-October-2023.pdf

NIESR: National Institute UK Economic Outlook - Autumn 2023

Substantial economic forecasts from this group which expect inflation to fall a little later than most, back to around 2% - in 2025 and 2026.

And it's similar for base rates too, their forecasts expect base rates to be 3.5% in 2027 and 3.3% in 2028.

Table 1.1 Summary of the forecast (percentage change unless otherwise stated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
GDP	-10.4	8.7	4.3	0.6	0.5	1.0	1.3	1.5	1.7
Per capita GDP	-10.7	8.5	3.4	0.0	0.0	0.6	1.0	1.2	1.3
CPI Inflation	0.8	2.6	9.1	7.6	4.2	2.4	1.8	2.0	2.0
RPIX Inflation	1.7	4.2	11.5	9.0	4.7	3.0	2.5	2.7	2.8
RPDI	-0.5	1.5	-1.5	1.2	0.1	1.7	2.1	1.4	2.9
Unemployment, %	4.6	4.5	3.7	4.2	4.8	4.9	4.9	4.9	5.0
Bank Rate, %	0.2	0.1	1.5	4.7	5.2	4.7	4.1	3.5	3.3
Long Rates, %	0.3	0.8	2.4	4.1	4.2	3.8	3.6	3.4	3.4
Effective exchange rate	0.5	4.7	-2.2	1.2	0.4	-0.6	-0.6	-0.4	0.0
Current account as % of GDP	-2.8	-0.5	-3.2	-5.8	-6.9	-5.5	-3.8	-2.5	-2.0
Net borrowing as % of GDP	2.5	14.9	5.5	5.2	5.6	4.5	3.2	1.7	-0.7
Net debt as % of GDP	81.1	100.9	97.8	96.9	95.2	94.5	92.6	90.7	86.9

Note: Numbers reported are yearly averages except for net borrowing, which is reported for the full fiscal year, and net debt, which is reported for the end of the fiscal year.

<https://www.niesr.ac.uk/wp-content/uploads/2023/11/JC760-NIESR-Outlook-Autumn-2023-UK-v10.pdf?ver=jU75GGbrKfdjCrMstdl6>

PwC: UK Economic Outlook – November 2023

Not out of the woods yet

Their main view is that economic growth will remain weak until the second half of 2024, and base rates will fall to 3.9% over the next 3-5 years.

Key summaries from their forecasts:

- The UK will avoid recession but is likely to contract in the third quarter this year.
- On an annual basis, the economy is expected to grow by around 0.5% in real GDP this year and next, which has been revised upwards from our earlier projections in the year.
- London and Northern Ireland are set to grow the fastest, but growth will remain subdued across the remainder of the other regions.
- CPI inflation is expected to end the year at under 5%, meaning No. 10 will meet its target to halve inflation.
- However, inflation will remain above the Bank of England's target both this year and next.
- Real earnings are expected to be lower in 2023 on average than in 2006 as a result of high inflation combined with long-term productivity challenges.

Figure 2.6: PwC main scenario real UK GDP projections, quarter-on-quarter growth

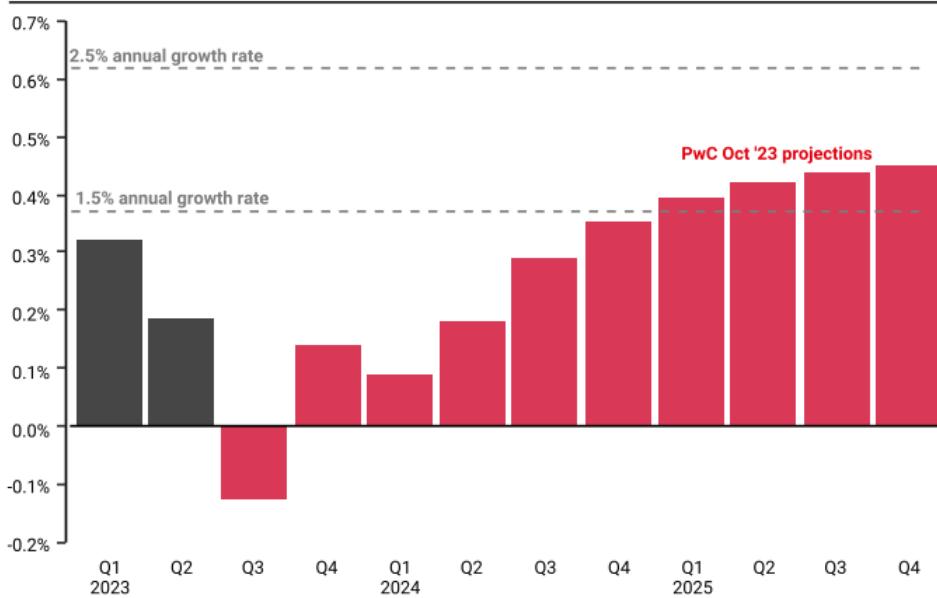
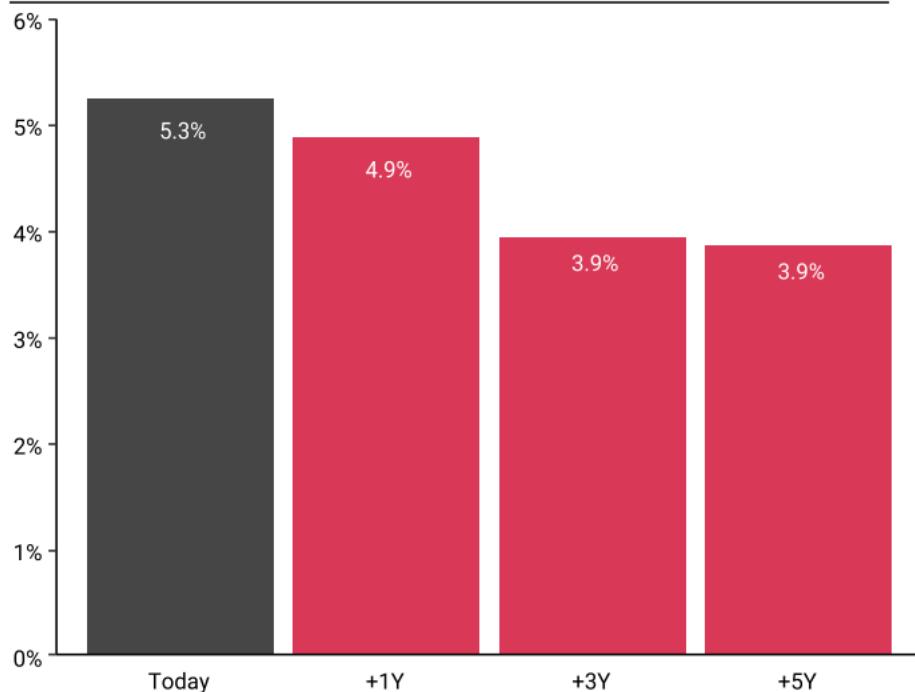


Table 2.1: PwC main scenario real UK GDP projections, average annual growth rate

	2023	2024	2025
Main scenario projections	0.5%	0.5%	1.5%

Figure 2.19: Bank of England policy rate vs financial market expectations (as of 2 November 2023)



UK Economic Outlook

Sources: PwC analysis, Bank of England, IMF

<https://www.pwc.co.uk/economic-services/ukeo/documents/ukeo-november-2023.pdf>

CEBR: The new normal – interest rates are likely to settle well above zero

"Inflation may be harder than expected to subdue, reinforced by higher price and wage expectations. And interest rates are unlikely to return to zero, likely remaining above inflation for most borrowers when rates do come down as a result of persistent high government indebtedness."

<https://cebr.com/reports/the-new-normal-interest-rates-are-likely-to-settle-well-above-zero/>

Lloyds Banking Group: UK house prices to fall until 2025, predicts Lloyds

"Halifax-owner Lloyds Banking Group predicts prices will drop 4.7% this year and by a further 2.4% in 2024 before recovering.

"Lenders have blamed higher borrowing costs for a slowdown in house sales.

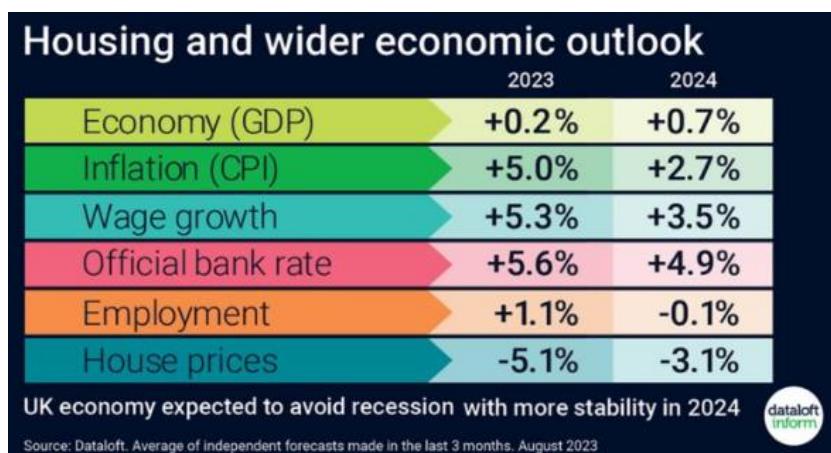
"But the average house price remains about £40,000 higher than at the height of Covid when prices soared, as people working from home sought more space.

"Lloyds said on Wednesday that while prices would fall over the next two years, longer term growth would be steady with prices rising 0.6% by 2027."

<https://www.bbc.co.uk/news/business-67214201>

LSL Land & New Homes: Housing and wider economic outlook

Latest forecasts from LSL are showing inflation dropping back to 2.7% as per KPMG and the bank base rate to dip below 5%, while house prices are predicted to fall by 5% this year and a further 3% in 2024.



https://www.linkedin.com/feed/update/urn:li:activity:7102290947052326912/?utm_source=share&utm_medium=member_android

Savills: Mainstream Residential Forecasts 2024-28

Savills are one of the best and most detailed of forecasters for the property market and show below their expectations for prices, rents and transactions.

OUR FORECASTS IN SUMMARY

	2024	2025	2026	2027	2028	Total
Mainstream UK House Price	-3.0%	3.5%	5.0%	6.5%	5.0%	17.9%
Housing Transactions	1.04m	1.13m	1.16m	1.16m	1.16m	N/A
Mainstream UK Rents	6.0%	3.5%	3.0%	2.5%	2.0%	18.1%
Prime Central London House Prices	0.0%	3.5%	6.0%	4.0%	4.0%	18.7%
Outer Prime London House Prices	-2.0%	2.5%	4.5%	6.0%	5.5%	17.4%
Prime Regional House Prices	-1.5%	3.0%	4.5%	6.5%	5.0%	18.6%

https://www.savills.co.uk/research_articles/229130/353764-0

Savills: The long term outlook: Mortgage affordability still holds the key

According to Savills: "Even though it appears we have hit the peak of the interest rate cycle at a bank base rate of 5.25%, the first cuts in interest rates still look somewhat off. That means heightened affordability pressures are likely to result in further house price falls over the first half of 2024. A peak-to-trough house price adjustment of in the order of -10% still looks like it is on the cards, albeit occurring over a longer period than we anticipated during late 2022. However, the worst is certainly behind us, with -7% of falls forecast expected to have materialised by the end of 2023."

	2024	2025	2026	2027	2028	Total
Average UK House Price (Savills)	-3.0%	3.5%	5.0%	6.5%	5.0%	17.9%
Year end Bank Base Rate (Oxford Economics)	4.75%	3.75%	2.75%	1.75%	1.75%	N/A
Average Mortgage Rate (Savills)	5.21%	4.51%	3.81%	2.88%	2.88%	N/A
Year end CPI Inflation (Oxford Economics)	1.9%	1.7%	1.4%	1.9%	2.0%	9.3%
Nominal Wage Growth (Oxford Economics)	2.5%	2.7%	3.2%	3.1%	3.4%	15.8%
Real GDP Growth (Oxford Economics)	0.34%	2.00%	1.57%	1.50%	1.56%	7.2%

Source: Savills Research

https://www.savills.co.uk/research_articles/229130/353666-0

JLL: UK Residential Forecasts 2024-2028

JLL used to do some really good and useful regional forecasts, but have reduced down the detail to UK and London. They are expecting 'normal' prices to rise by around 2.7% annually over the next few years, but Central London to rise at 3.7% and Greater London in between of 3.1%.

JLL house price forecasts

Sales price growth (% pa)	2024	2025	2026	2027	2028	Cumulative 2024-28	Average pa 2024-28
UK	-3.0	3.0	4.0	4.5	5.0	14.0	2.7
Central London	0.0	4.0	4.5	4.5	5.5	19.8	3.7
Greater London	-2.0	3.5	4.5	4.5	5.0	16.3	3.1

As with most other forecasters, the expectation is that rents will outperform price rises over the next five years.

JLL rental growth forecasts

Rental growth (% pa)	2024	2025	2026	2027	2028	Cumulative 2024-28	Average pa 2024-28
UK	5.0	4.5	4.0	4.0	3.5	22.8	4.2
Central London	6.0	6.0	5.0	4.5	4.5	28.8	5.2
Greater London	5.5	5.0	4.5	4.5	4.0	25.8	4.7
UK BTR	6.0	5.5	4.5	4.5	4.0	27.0	4.9

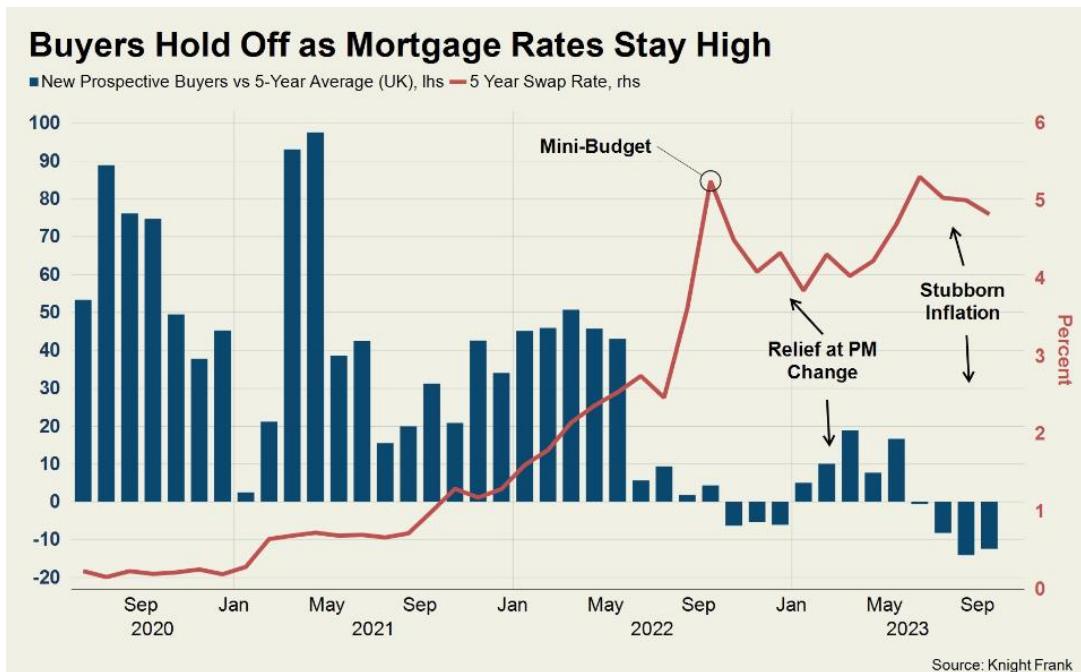
JLL transactions forecast

	2024	2025	2026	2027	2028
Transactions (millions)	1.0m	1.1m	1.2m	1.2m	1.2m

https://res.cloudinary.com/jll-global-olm-np/image/upload/v1698995889/resi/gb/cms/News/Images/jll-residential-forecasts-2024-2028/JLL_Residential_Forecasts_2024-2028.pdf

Knight Frank: UK house price and rental forecasts: October 2023

For 2024, Knight Frank are predicting property price falls of 7% this year, followed by 4% next year, recovering any losses by 2027. For prime forecasts, they are expecting prices to perform better, but all struggling to beat inflation which is likely to be over 20%. Anyone investing in property needs to be very cautious about investing long term via cash as it is quite possible that with bank accounts delivering 6% annual return, the idea that property delivers better than 'leaving money in the bank' may not be true over the coming years.



"If inflation feels tamed and mortgage rates appear stable, the pent-up demand that must be currently building may produce a more normal seasonal pattern of activity."

UK sales forecast

	UK	PCL	POL	Prime country
2023	-7.0%	-3.0%	-3.0%	-7.0%
2024	-4.0%	0.0%	1.0%	-3.0%
2025	4.0%	3.0%	2.5%	3.0%
2026	4.0%	4.0%	3.0%	4.0%
2027	5.0%	4.0%	3.0%	4.0%
5 Year Cumulative	1.4%	8.1%	6.5%	0.5%

(PCL – Prime Central London; POL – Prime Outer London)

From a rental perspective, things are looking much more positive, with rental income expected to grow in line with inflation over the next few years – and possibly slightly above due to the huge stock shortages we are seeing, which means tenants are competing rents upwards.

UK rents forecast

In the rental market, we think there will be stronger growth this year and next in PCL and POL as the imbalance between supply and demand takes more time to correct. As we have explored before, some landlords have left the sector in recent years due to the mounting tax burden and increased red tape.

	PCL	POL	UK	Greater London
2023	8.0%	8.0%	6.5%	7.0%
2024	5.0%	4.5%	5.0%	5.5%
2025	3.0%	3.0%	3.5%	3.5%
2026	3.0%	3.0%	3.0%	3.0%
2027	3.0%	3.0%	2.5%	2.5%
5 Year Cumulative	23.9%	23.3%	22.2%	23.3%

(PCL – Prime Central London; POL – Prime Outer London)

Knight Frank: Stubborn inflation means subdued Autumn for UK housing market

<https://www.knightfrank.com/research/article/2023-10-23-stubborn-inflation-means-subdued-autumn-for-uk-housing-market>

<https://www.knightfrank.com/research/article/2023-10-02-new-knight-frank-house-price-forecasts-october-2023>

Hamptons: Housing Market Forecasts: Autumn 2023

Why rents are set to grow four times faster than house prices over the next four years

Some great research being carried out by Hamptons, although they tend to do four not five year forecasts. But they did a good job of forecasting price falls in 2023 and they do regional forecasts, which is super helpful.

From a rental perspective, they are expecting tenants to see similar rises in 2024 and then for rental inflation to fall back in 2025 and 2026, but this is likely to depend on what happens to stock levels which are getting seriously low, meaning those with more money can continue to keep rents rising higher than their normal +/-2%

RENTAL GROWTH FORECAST

Based on newly let properties

	2023	2024	2025	2026
Great Britain	8%	7%	5%	5%
London	9%	8%	4%	4%

Price wise, they are forecasting the highest growth of 2% in the East of England through to falls of 4% in Wales, matching Zoopla's overall forecast of falls of around 3% for 2024 with Hamptons' average being 2.5%.

ANNUAL HOUSE PRICE GROWTH FORECAST

Based on the ONS House Price Index

	Q4 2022	Q4 2023 (f)	Q4 2024 (f)	Q4 2025 (f)	Q4 2026 (f)	4 year
London	5.6%	-2.5%	1.5%	5.0%	7.5%	11.5%
East of England	8.9%	-3.5%	2.0%	4.5%	6.0%	9.0%
South East	9.0%	-3.0%	2.0%	4.0%	6.5%	9.5%
South West	10.6%	-4.0%	0.5%	3.5%	5.5%	5.5%
East Midlands	11.5%	-2.5%	-0.5%	2.5%	5.5%	5.0%
West Midlands	11.1%	-2.0%	-0.5%	1.5%	5.0%	4.0%
North West	12.1%	-2.0%	-1.5%	1.0%	4.0%	1.5%
Yorkshire & The Humber	11.4%	-3.0%	-1.0%	1.5%	4.0%	1.5%
North East	10.6%	-0.5%	1.0%	3.0%	5.0%	8.5%
Wales	9.9%	-4.0%	-1.0%	1.5%	3.5%	0.0%
Scotland	5.6%	-0.5%	-1.5%	2.0%	3.0%	3.0%
Great Britain (GB)	9.4%	-2.5%	0.0%	3.0%	5.0%	5.5%
Real house price growth (GB)*	-1.3%	-7.4%	-2.5%	1.4%	3.5%	-5.0%

*House price growth adjusted for inflation. We have used the latest Bank of England CPI inflation forecasts alongside our expectations for future nominal house price growth.

Source: ONS & Hamptons

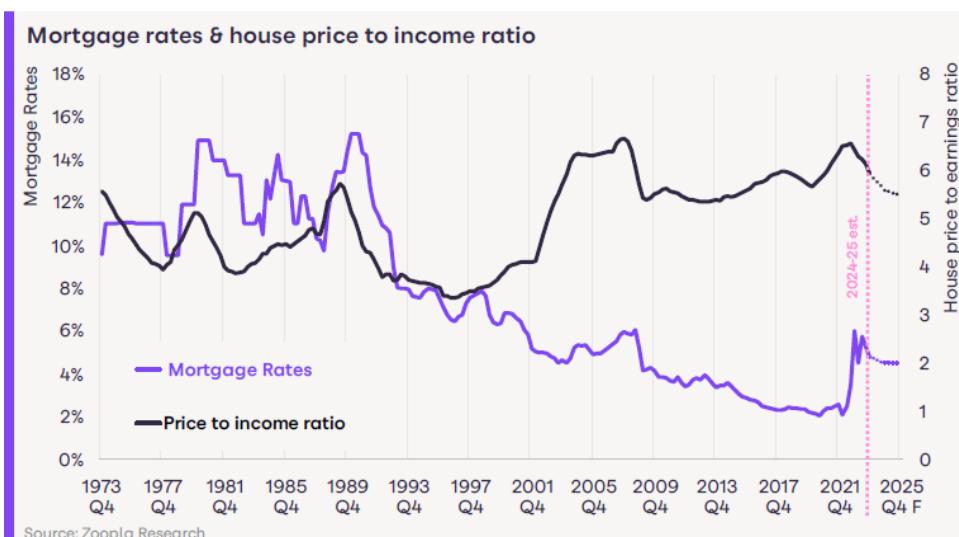
<https://mr1.homeflow->

[assets.co.uk/files/site_asset/image/5832/8704/HAM395 Market Forecast Report - Autumn 2023.pdf](assets.co.uk/files/site_asset/image/5832/8704/HAM395_Market_Forecast_Report - Autumn 2023.pdf)

Zoopla: UK house prices to fall 2% over 2024

"In our projections, we assume mortgage rates will fall to 4.5% by the end of 2024 and remain at that level into 2025. Our expectation is that UK house prices will fall by an average of 2% over 2024. The number of homes for sale is at a 5-year high, meaning sellers will need to price competitively if they are serious about selling. This is likely to keep pricing under pressure."

"Mortgage rates of 4-5% remain low by historic standards albeit higher than in recent years. Assuming mortgage rates remain at this level, we see UK house price falls remaining in the low single digits for the next 1 to 2 years, below projections for growth in household incomes. This will result in the house price-to-income ratio falling back to levels not seen for a decade. This would certainly set the housing market up for a rebound in activity as consumers become more confident to make large purchase decisions. We expect a rebound in activity in the first half of 2024 as people who have delayed moves while mortgage rates have spiked higher decide to return to the market."



<https://advantage.zoopla.co.uk/research-and-insights/uk-house-price-index-october-2023/>

Transactions

Transactions are typically much easier to predict. Normally, we sell around 1.2 million homes and the highest we have seen over recent years is sales of 1.5 million in 2021 and 1.3 million in 2022, so sales of 1 million this year just balances out that average.

The expectation for 2024 with economic indicators starting to improve, is that we will have a similar year with slightly less price falls (2-3%) and transactions of 1 million – the same we expect to see this year.

The forecasters believe that transactions will pick up in 2026 when base rates will hopefully have fallen and stabilised at around 3%.

Transactions	Total 2016	Total 2017	Total 2018	Total 2019	Total 2020	Total 2021	Total 2022	YoY
	1,232,440	1,223,110	1,189,380	1,176,870	1,043,790	1,486,680	1,262,980	-15.05%

Source: [HMRC](#)

	Average annual transactions	2007	2010	2015	2020	2021	2022	2023
HMRC UK transactions	1.2mn	1,618,880	883,950	1,225,880	1,043,790	1,486,680	1,262,980	1.0mn Est
Forecasted UK transactions (millions)	2021 1.2 - 1.5	2022 1.06 - 1.3	2023 0.87 - 1.0	2024 1 - 1.04	2025 1.1 - 1.13	2026 1.16 - 1.2	2027 1.16 - 1.2	2028 1.16 - 1.2

Source: [HMRC](#); [Savills](#); [JLL](#); [Zoopla](#);

Savills produce one of the most useful breakdowns of transactions – this can be used by all property companies to work out if they under or over perform in certain markets, so is crucial data.

Savills had over forecast the falls in FTBs for 2023 and we found they held up better than expected, mainly because they had been assessed at mortgage rates of 5-7% since 2014, so were actually more likely to be ‘cushioned’ against the rate rises over the last 12 months. However, when base rates hit 5% and went to 5.25% even their higher affordability requirements meant demand was choked off over the summer.

For 2024, they are expecting all target markets to be subdued, with 290,000 FTBs versus a norm of around 350,000, similar for mortgaged home movers with cash buyers remaining at their long term average of 420,000 purchases while buy to let remains subdued at 50,000 versus more normal sales of over 70,000.

‘Normal’ transactions of 1.2 million are expected to return in 2026.



Source: [Savills](#)

Zoopla: Housing transactions have taken the hit

"Looking to next year, we expect the usual seasonal rebound in demand next spring as pent-up demand returns to the market. However, the current pipeline of sales is lower than this time last year. General elections also tend to create a pause in activity which is why we expect another year with 1m home moves in 2024. We may see more sales if mortgage rates fall back towards 4% more quickly."

<https://advantage.zoopla.co.uk/research-and-insights/uk-house-price-index-october-2023/>