

# Breaking Ground

UNITED TRUST BANK  
PROPERTY DEVELOPMENT FINANCE

Spring 2024



## Residential Market Update

## Welcome to the Spring 2024 edition of Breaking Ground.

Whilst it may be a little too soon to say that confidence is back, there are good signs that it has rung ahead to say it's on its way. Inflation has fallen to a two and a half year low, the January GDP estimate was up (slightly!) and the Bank of England has kept base rate steady since August 2023. There are suggestions that if news remains this positive, interest rates may even start to come down in the next few months.

Grainne Gilmore, Director of Research and Insights at Cluttons and one of UTB's regular Wise Owls, has her finger firmly on the UK's property market pulse, and we are delighted that she has agreed to share her latest research and predictions with us.

If you have any feedback on Grainne's article, or would like to discuss a proposal, please give us a call.

# Residential Market Update

CLUTTONS

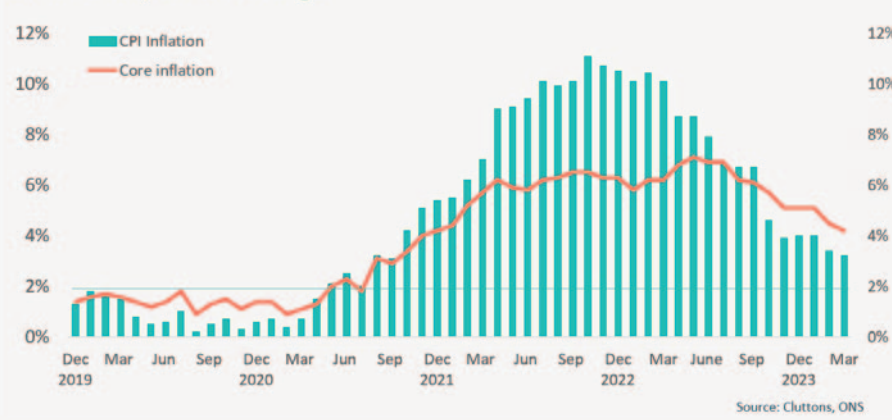


Gráinne Gilmore, Director of Research and Insight at Cluttons, the property consultancy specialising in residential, commercial and infrastructure.

The economic mood music has been improving steadily in recent months. The latest data shows that CPI inflation dipped sharply to 3.2% in March, down from 10.1% in March a year ago, and the lowest rate since September 2021. This is raising the prospect of base rate cuts in the summer. This would be the first downward movement in central bank rates in more than four years.

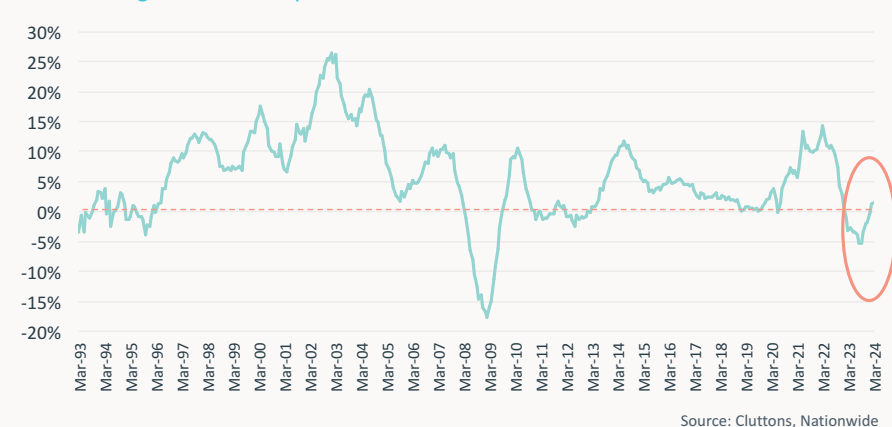
Falling inflation, and the anticipation of base rate cuts has been enough to spur a downward movement in mortgage rates since late last year, benefitting first-time buyers and those looking to re-mortgage or move home. Stickier than expected wage data caused a slight bounce back last month, but mortgage rates will likely fall further as we move through 2024, expanding the budgets of those looking to buy a home.

UK inflation, annual change



The housing market was constrained last year by the continual increases in base rates, and uncertainty around where the peak in rates would be, alongside very high inflation. While these more challenging economic conditions might have been expected to take a toll on house prices, in fact the total decline in pricing was relatively modest, with the annual falls in average UK prices at -5% in Q3 last year. Home values are already rising again on average, although there will be some areas that are racing ahead or lagging this average trend.

Annual change in UK house prices



Where the impact of rising costs was felt most last year was activity in the market, with total UK sales numbers falling to around 1 million, down from 1.25 million in 2022 and 1.5 million in 2021 – although these numbers were boosted by activity during the pandemic which spurred many households to move around the country.

Initial indications signal that transactions will rise this year, and we estimate they could move back towards longer term trend of around 1.2 million sales. Data from Zoopla suggests that the number of sales agreed in the four weeks to mid-February was higher in every part of the country than during the same period last year. Moving back earlier in the sales process, mortgage approvals also rose sharply in February, with the number of loans approved for home purchase rising to the highest level since summer last year. Even as activity picks up, pricing will remain key, however. Mortgage rates will fall further, but they are set to remain well above the ultra-low levels last seen in 2021 in the longer-term, and pricing will have to reflect this.

The rental market remains strong with ongoing demand especially in city centres. However, the gap that opened up between high demand and limited supply which opened up in 2022 and into last year, which pushed rents sharply upwards, is starting to narrow. Demand will remain robust this year, but the narrowing supply gap, coupled with affordability constraints, will mean rental growth is more moderate this year than in the last 24 months. We expect average UK rental growth to be around 4% this year.

## Wise Owl Partners

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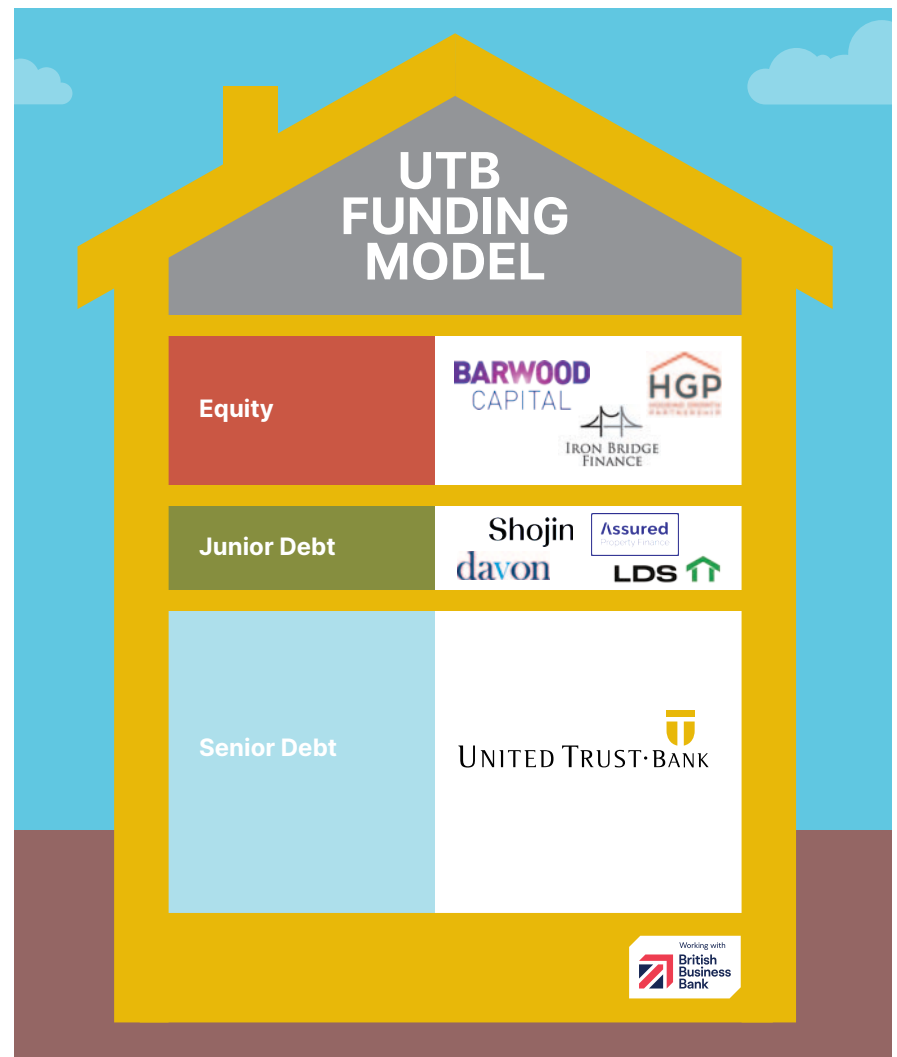
## Partnerships & Collaborations

We estimate that UTB is currently supporting the creation of around 5500 new homes across England and Wales, and many of those schemes are funded in partnership with other organisations.

In December 2023, the British Business Bank (BBB) increased its ENABLE Build facility with UTB by £100m, adding to the existing £250m transaction agreed in April 2021.

To date, UTB have provided more than £830m of funding to smaller housebuilders through the ENABLE Build programmes, and this latest transaction allows us to boost lending by a further £700m and potentially support the creation of around 3,800 new homes.

As well as our successful collaboration with the BBB, UTB has a strong track record of working with a variety of other institutions and financial businesses, enjoying successful partnerships with equity and junior debt providers such as Housing Growth Partnership, Iron Bridge, Barwood, LDS Sales Guarantees and several leading mezzanine funding providers. In fact, we have around 20 existing Deeds of Priority in place to help simplify and accelerate the delivery of development finance and help housebuilders access the capital they need.





## Events **next year**



UKREiIF has become one of the must-attend events on the property industry calendar and UTB will be there hosting and attending private fringe events throughout the week.

We are particularly pleased to be hosting the inaugural UTB-Fruition Properties Dinner Forum in association with the Association of Rooftop & Airspace Development (ARAD), and to welcome guest speaker Mark Farmer, Founder and CEO of Cast Consultancy.



## UTB **News**

United Trust Bank was named 'Property Development Finance Lender of the Year' at the NACFB Commercial Lender Awards.

The awards recognise lending excellence within the intermediary-led commercial finance community and enable NACFB Members to thank the Association's Patrons and Partners for their ongoing commitment to supporting brokers and their clients.



Collecting the award, Adam Bovingdon, Head of Property Development – United Trust Bank, said: "2023 was a challenging year for developers and their advisers and we have worked extremely hard to support them throughout a period of considerable economic challenge. This award recognises the

dedication and commitment of UTB's Property Development team and the benefits of the Bank's strong relationships and partnerships across the industry".



## Loans supporting the delivery of around 5,500 new homes across all regions of England and Wales

### Buy



#### BRIDGE TO DEVELOP

Up to 60% LTV

Residential and residential-led mixed-use projects

Available in England & Wales

### Build



#### DEVELOPMENT FINANCE

Up to 65% LTGDV

Residential and residential-led mixed-use projects

Available in England & Wales

### Sell



#### DEVELOPMENT EXIT

Up to 70% LTV

Residential and residential-led mixed-use projects

Available in England & Wales