

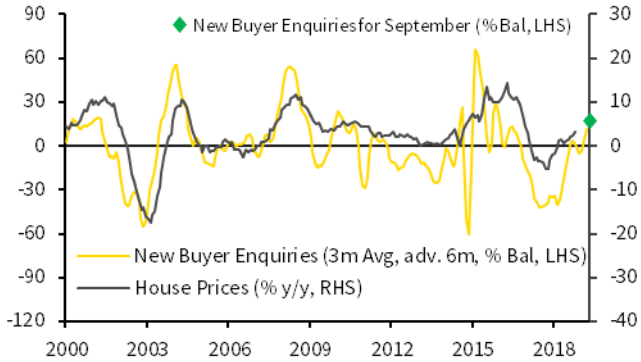
Housing Economics Unlocked - Market Indicators

Q4 2024



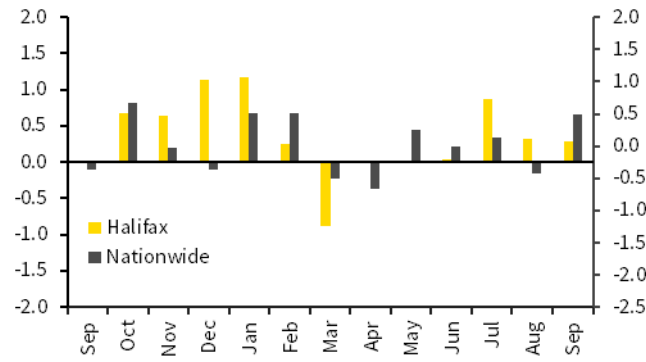
House Price Indicators

House Price Growth and RICS New Buyer Enquiries



Sources: RICS, Nationwide

Monthly Change in UK House Prices (% m/m)



Sources: Halifax, Nationwide

House Price Data (% y/y)

| | | N'wide | Halifax | ONS |
|------|-----|--------|---------|------|
| 2023 | Sep | -5.3 | -4.1 | -1.8 |
| | Oct | -3.3 | -3.1 | -2.1 |
| | Nov | -2.0 | -0.8 | -2.6 |
| | Dec | -1.8 | 1.7 | -2.6 |
| 2024 | Jan | -0.2 | 2.3 | -1.6 |
| | Feb | 1.2 | 1.6 | -1.0 |
| | Mar | 1.6 | 0.4 | 0.4 |
| | Apr | 0.6 | 1.1 | 1.0 |
| | May | 1.3 | 1.6 | 2.6 |
| | Jun | 1.5 | 1.8 | 2.6 |
| | Jul | 2.1 | 2.4 | 1.8 |
| | Aug | 2.4 | 4.3 | 2.8 |
| | Sep | 3.2 | 4.7 | - |

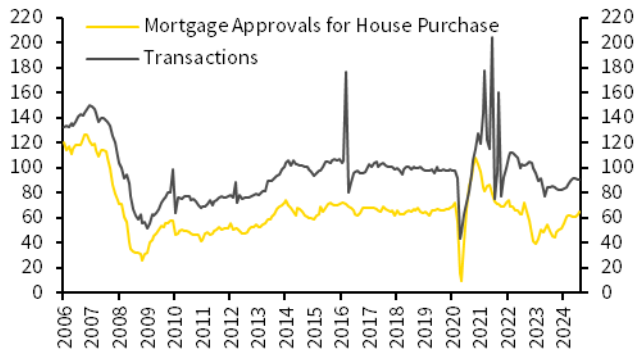
Overview

Housing market conditions have been gradually improving. Since July, the RICS data show a gradual rise in active buyers in the housing market.

Consistent with that, house price growth has accelerated slightly in recent months. The Nationwide and Halifax indices show annual growth hovering in the 3% to 5% range, up from the 2% or so seen in Q2 and *minus* 5% or so a year earlier.

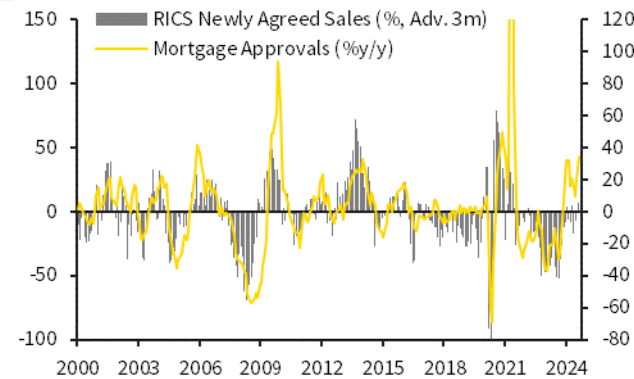
Housing Market Activity Indicators

Mortgage Approvals & Housing Transactions (000s per Month)



Sources: Bank of England, HMRC

Agreed Sales and Mortgage Approvals



Sources: RICS, Bank of England

Activity Data (000s)

| | | House Purchase Mge. Approvals | Housing Transactions |
|------|-----|-------------------------------|----------------------|
| 2023 | Aug | 45.2 | 85.6 |
| | Sep | 44.0 | 84.9 |
| | Oct | 48.5 | 83.1 |
| | Nov | 50.1 | 82.2 |
| | Dec | 52.1 | 81.9 |
| 2024 | Jan | 55.9 | 83.2 |
| | Feb | 60.5 | 84.7 |
| | Mar | 61.5 | 86.6 |
| | Apr | 61.3 | 89.5 |
| | May | 60.7 | 91.8 |
| | Jun | 60.7 | 91.3 |
| | Jul | 62.5 | 90.6 |
| | Aug | 64.9 | 90.2 |

Overview

Credit conditions have also eased. In response, mortgage approvals rose by 7% between August and May, and by sizable 43% y/y.

But over the last few months total housing sales have been comparatively flat. This suggests that as credit conditions have improved, rising demand has been driven by mortgaged buyers, pushing some cash buyers out of the market.

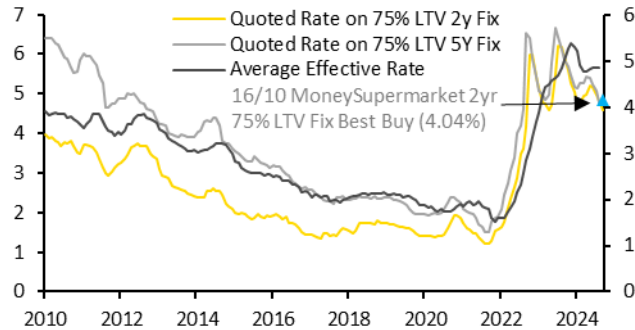
Housing Economics Unlocked - Credit Conditions and Economy

Q4 2024



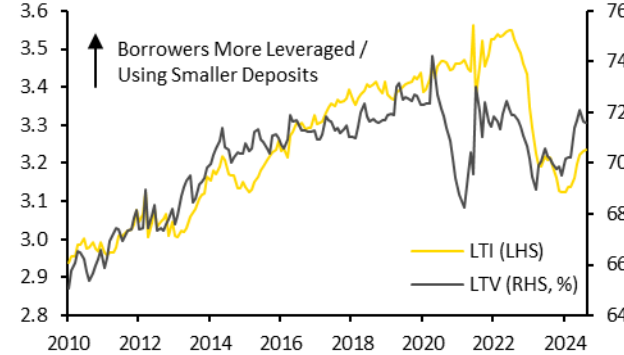
House Purchase Credit Conditions Indicators

Quoted and Effective Mortgage Interest Rates* (%)



Source: Bank of England

Loan to Value & Loan to Income Ratios



Source: UK Finance

Credit Conditions Indicators

| <i>Data for new loans only</i> | Latest | 3m Ago | 1 Year Ago |
|--|--------|--------|------------|
| Avg. Effective Rate on New Mortgage** | 4.86% | 4.81% | 4.84% |
| 75% and 90% LTV Interest Spread* | 0.81% | 0.49% | 0.46% |
| Loan to Value Ratio** (Mean, New Loans) | 71.60% | 71.70% | 70.20% |
| Loan to Income Ratio** (Mean, New Loans) | 3.24x | 3.20x | 3.21x |
| Mortgage Rate Spread over Bank Rate** | -0.14% | -0.44% | -0.41% |

Latest Dates: *Sep 2024, **Aug 2024

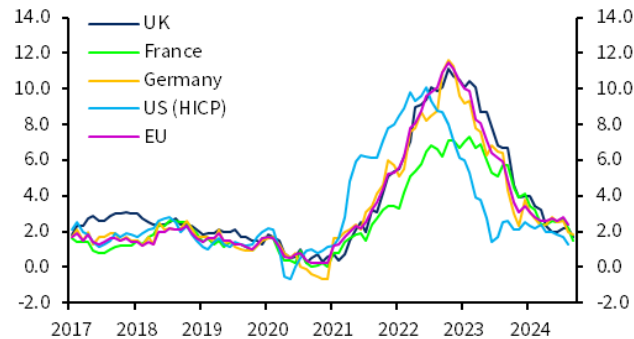
Overview

Mortgage interest rates declined further to September, with the best deals dropping to 4% or below. Both LTVs and LTIs have also improved in recent months.

While in the near-term credit conditions have seen some improvement, the price and terms of new mortgages remain tight compared to recent norms.

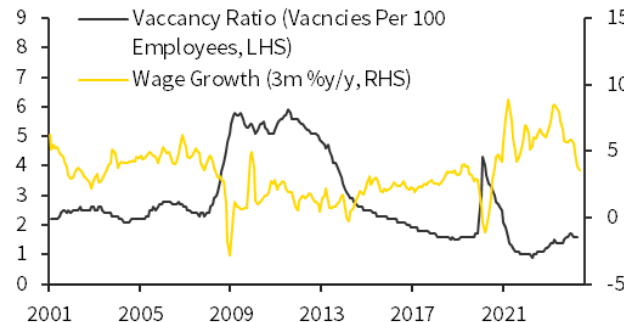
Key UK Economy Indicators

Global Measures of Inflation (%y/y)



Source: ONS

Wage Growth and Vacancy Ratio



Source: ONS, Aviva Calculations

UK Economic Indicators

| | Latest | 3m Ago | 1 Year Ago |
|--|--------|--------|------------|
| Bank Rate* (%) | 5.00% | 5.25% | 5.25% |
| GDP Growth** (% 3m y/y) | 0.8% | 0.8% | 0.5% |
| Average Weekly Earnings Growth** (% y/y) | 4.3% | 4.9% | 7.2% |
| CPI Inflation* (% y/y) | 2.4% | 4.0% | 8.7% |
| Unemployment Rate** (%) | 4.0% | 4.4% | 4.2% |

Latest Dates: *Sep 2024, **Aug 2024

Overview

UK inflation posted a surprise decline to 1.7% in September, which was below expectations. Inflation is also low across developed economies globally.

Domestic inflationary pressures in the UK are easing, albeit quite slowly. Wage growth has dropped to 3.8% per year and vacancy rates have returned to pre-pandemic levels.

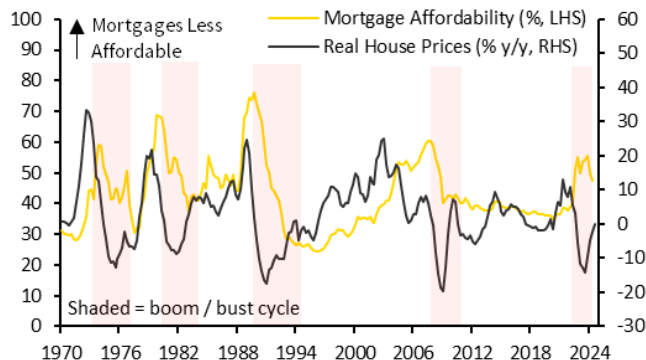
Housing Economics Unlocked - Valuations & Forecasts

Q4 2024



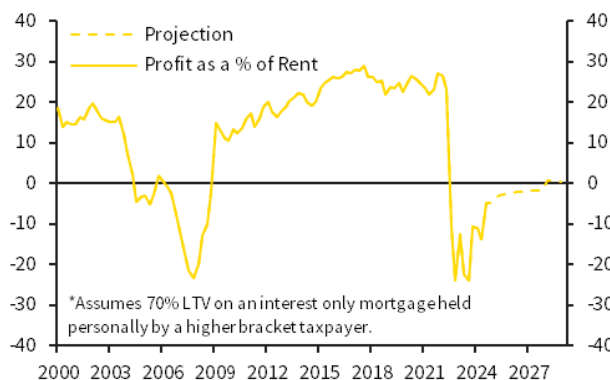
Housing Affordability and Risk Indicators

Real House Prices and Mortgage Affordability



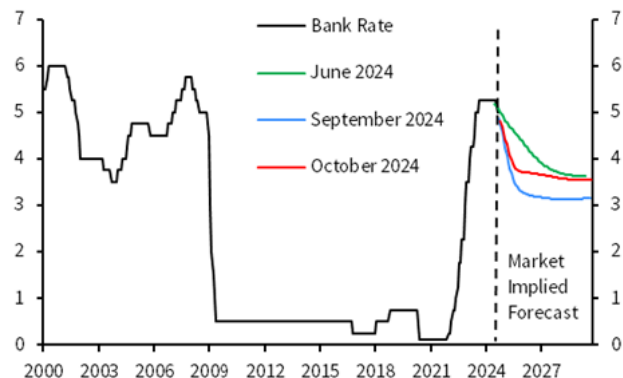
Sources: ONS, Bank of England, Nationwide, Aviva Calculations

Rental Profitability Metric (Profit as a % of Rent on a New Buy to Let)



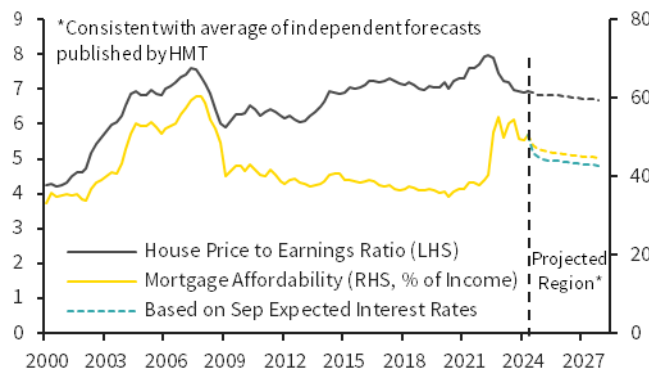
Sources: Bank of England, Nationwide, ONS, Aviva Calculations

Market Expected Interest Rates (%)*



Sources: Bank of England, Aviva Calculations

House Price-to-Earnings Ratio and Mortgage Affordability (October)



Sources: ONS, Nationwide, BoE, Aviva Calculations

Overview

Real (inflation adjusted) house prices fell sharply post pandemic. But as house price falls have ended and inflation has eased, this real-term correction now appears to be over.

Improving conditions reflect better housing market fundamentals. Falling mortgage rates and a better house price-to-earnings ratio have brought buyers back to the market. Our modelled landlord profitability suggests sales pressure on buy to let has also eased.

Still, house purchase remains expensive. And while rates will fall further, some of this fall is already baked into mortgage pricing. Future rate expectations also remain volatile.

With mortgage affordability still somewhat high relative to historical norms, it will be hard for house prices to rise much faster than their current rate. But interest rates may now represent an upside risk. Price growth could exceed forecasts if rates fall sooner and further than currently expected.

UK Forecasts

External Forecasts for 2024 and 2025 (%y/y)

House Prices

| | 2024 | 2025 |
|-------------------|------|------|
| Capital Economics | 3.0 | 5.0 |
| Pantheon | 4.5 | 4.2 |
| CEBR | 1.8 | 3.5 |
| Experian | 3.24 | 3.15 |
| Heteronomics | 3.2 | 2.0 |
| Oxford Economics | 3.4 | 1.7 |
| Average | 3.2 | 3.3 |

Economy

| | 2024 | 2025 |
|------------------|------|------|
| Average Earnings | 4.6 | 3.6 |
| GDP Growth | 1 | 1.2 |
| CPI inflation | 2.5 | 2.2 |
| Bank Rate | 4.72 | 3.74 |

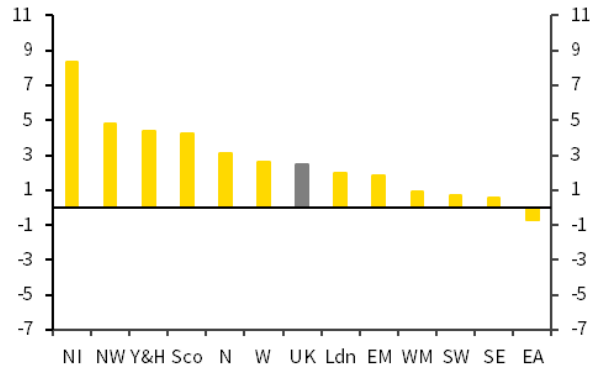
Housing Economics Unlocked - Regional Indicators

Q4 2024



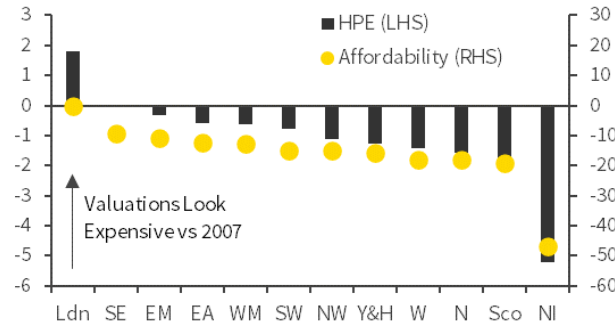
Regional Housing Market Indicators

Regional House Price Growth (%y/y, Q3 2024)



Source: Nationwide

House Price to Earnings and Mortgage Affordability by Region (2024 vs 2007)



Sources: ONS, Nationwide, Bank of England, Aviva Calculations

Regional Housing Statistics (Q2 2024)

| | Avg. Price £000s | Avg. Price (% y/y) | HPE Ratio | Afford. (% Income) |
|-----|------------------|--------------------|-----------|--------------------|
| N | 160.3 | 3.1 | 4.6 | 32.5 |
| Y&H | 205.1 | 4.4 | 5.6 | 40.2 |
| NW | 215.2 | 4.8 | 5.8 | 41.3 |
| EM | 230.3 | 1.8 | 6.6 | 45.6 |
| WM | 239.4 | 0.9 | 6.5 | 45.6 |
| EA | 271.3 | -0.7 | 7.0 | 50.1 |
| SE | 332.9 | 0.6 | 8.3 | 59.0 |
| Ldn | 521.4 | 2.0 | 11.3 | 78.7 |
| SW | 301.1 | 0.7 | 8.1 | 57.4 |
| W | 206.0 | 2.6 | 5.7 | 40.2 |
| Sco | 183.0 | 4.3 | 4.3 | 32.5 |
| NI | 194.6 | 8.4 | 5.2 | 37.6 |
| UK | 264.6 | 2.5 | 6.8 | 32.5 |

Overview

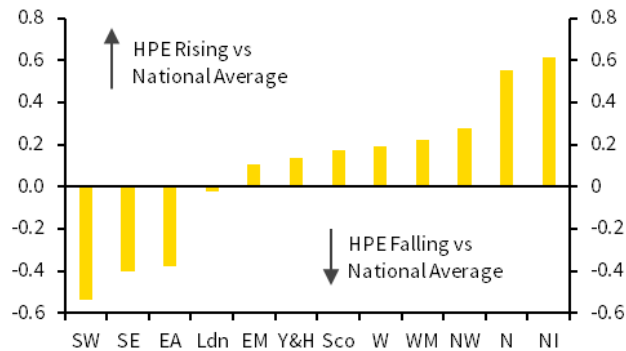
On a regional basis, house prices in Northern Ireland, North of England and Scotland have outpaced the rest of the UK.

This appears to be driven by underlying housing valuations. Regions with better house price-to-earnings and affordability measures have been seeing faster house price growth versus elsewhere.

As a result, the last 24 months have seen a rebalancing of house prices across the UK. Comparatively cheap regions have been “catching up”, while expensive regions like London and the South East have been comparatively weak.

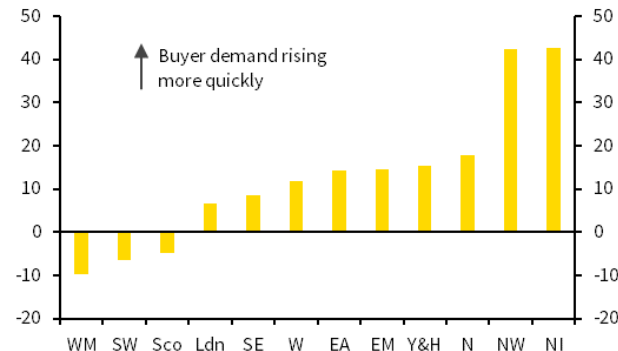
With regional disparities still significant, this could potentially continue into 2025. RICS data suggest that buyer demand is still comparatively strong in Northern England and Northern Ireland.

House Price to Earnings Ratio, Change in Difference from National Average 2022-24



Source: Nationwide, ONS, Aviva Calculations

RICS New Buyer Enquiries (% Balance, Sep 24, 3m avg.)



Source: RICS