

**Classification:** Public

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Special Cabinet Advisory Committee

**Date:** 31<sup>st</sup> August 2023

**Reporting officer:** Head of Property and Regulatory

**Subject:** Economic and Property Market Update

### **Purpose and summary of report:**

To share the RICS publication ‘Economy and Property Market Update’ May 2023 with Members.

### **Recommendations:**

1. That the report is noted

<b>Key Implications:</b>	
<b>Item</b>	<b>Implications</b>
<b>Legal</b>	None
<b>Finance and Value for Money</b>	None
<b>Corporate Plan</b>	Links to #3 Progress
<b>Climate Change</b>	The vast majority of commercial leased property must have an Energy Performance Certificate banding of C by 1 <sup>st</sup> April 2027 and be a band B by 1 <sup>st</sup> April 2030.

## **1. Background**

- 1.1 The RICS published their most recent Economic and Property Market Update in May 2023 and is attached to this report. A brief summary of the document is set out below.

## 2. May 2023 update

### 2.1 The Economy

- 2.1.1 The expectation of the Bank of England was that the economy would grow by 0.25% in 2023 rather than contract and there would be modest growth in 2024.
- 2.1.2 Inflation continues to be an issue with the Bank now forecasting that inflation will not fall to the 2% target rate until early 2025. The Office for National Statistics inflation figures for June 2023 show a reduction to 7.9% from 8.7% in April and May, a larger drop than expected albeit still high.
- 2.1.3 The labour market remains tight with the overall unemployment rate being 3.9%, there is however an increasing number of people registered as long term sick which is impacting on the labour supply.
- 2.1.4 There is also an expectation that there could be a tightening of credit conditions following recent bank failures mainly in the US.
- 2.1.5 Expectations as regards base rates is that potentially rates are still to reach their peak with any interest rate cuts likely to be some way off.

### 2.2 Commercial Property

- 2.2.1 Transaction activity remains relatively subdued and whilst capital values are lower than they were a year ago rents are slightly higher.
- 2.2.2 As regards outlook participants in the RICS survey there has been a shift in sentiment with more respondents believing that the market is moving through the downturn and a sizeable minority now believing that it is in the early stages of an upturn.

### 2.3 Residential Property

- 2.3.1 Mortgage approvals are below the pre-pandemic average and there have been some modest falls in prices. The main challenge for house buyers and households is affordability in terms of the house price earnings metric and ongoing financing costs.
- 2.3.2 As regards the lettings market demand continues to outstrip supply, with tax and regulatory changes factors in the latter.

### 2.4 Construction

- 2.4.1 Overall construction activity is rising albeit private house building output is falling and infrastructure and public works are performing particularly strongly. Across all sectors respondents to the survey expect output to increase going forward.
- 2.4.2 Labour and skill shortages as well as the cost of materials continue to be challenging and factors which are hampering development plans.
- 2.4.3 The trend on insolvencies is up with the March return representing a new high. To date the majority of insolvencies relates to smaller specialist businesses where the impact of rising costs on fixed price contracts has been most keenly felt.

### **3. Appendices**

- 3.1 The following documents are to be published with the report: Economic and Property Market Update – May 2023

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<b>Secondary Implications</b>	
<b>Risk Assessment</b>	N/A
<b>Data Protection Impact Assessment</b>	<i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i>
	<p>a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>? A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>No</p>
	<p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p>
	<p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>.</p> <p>N/A</p>
<b>Equality Impact Assessment</b>	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>N/A</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p>
	<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>
<b>Crime and Disorder</b>	N/A
<b>Digital and website implications</b>	N/A
<b>Safeguarding children and vulnerable adults</b>	N/A