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South East property market update

February 2017

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Buying, selling or investing in today's variable market means you need to take a great deal of care before making a decision. It's essential to secure independent, up-to-date advice you can trust. Kate Faulkner and her team make it easy to access the information and support consumers' needs via **FREE** of charge [eBooks](#), checklists, [The Buy To Let Show](#), articles and one-to-one advice.



Report Headlines



Nationwide

"Overall, prices in Southern England (South West, Outer South East, Outer Metropolitan, London and East Anglia) were up 5.5% year-on-year."



LSL Acadata HPI

"The annual rate of house price inflation for the South East region is 4.9%."



Southampton has struggled to maintain previous growth rates, but this could make it a more affordable option for those who want to commute to the capital in just over an hour. (See Page 5)

Image: Creative Commons

South East Region	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Dec-16	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in Dec 16	Annual average increase since 2000	Highest yearly average increase since 2000	
									Date	% Increase
All property types	£238,670	£191,156	-19.91%	£316,026	32%	65%	8.5%	6.7%	Jun-00	25.0%
Detached	£396,608	£320,331	-19.23%	£546,094	38%	70%	8.8%	6.4%	May-00	25.4%
Semi Detached	£245,899	£196,331	-20.16%	£335,635	36%	71%	9.0%	6.8%	Jun-00	25.1%
Terraced	£197,693	£157,391	-20.39%	£262,463	33%	67%	8.1%	7.1%	Jan-03	24.9%
Flat	£166,655	£133,039	-20.17%	£200,220	20%	50%	8.2%	6.5%	Jun-00	27.4%

Source: UK HPI

Asking prices			Mortgaged only prices			Sold prices inc cash sales			Sold prices inc cash sales & new builds		
Rightmove Average Price Feb-16	Rightmove Average Price Feb-17	Rightmove % Change YoY	Nationwide Average Price Q4 15	Nationwide Average Price Q4 16	Nationwide % Change YoY	LSL Acadata HPI Average Price Dec-15	LSL Acadata HPI Average Price Dec-16	LSL % Change YoY	UK HPI Average Price Dec-15	UK HPI Average Price Dec-16	UK HPI % Change YoY
£392,621	£404,951	3.1%	£251,296	£268,656	6.9%	£349,662	£366,680	4.9%	£291,298	£316,026	8.5%



KATE FAULKNER COMMENTS ON PRICES

“ We often refer to the South East as ‘unaffordable’ and I think many would be believe that property prices in the area are guaranteed to go one way: and that’s up. Looking at the data above, it looks pretty healthy, unless you start digging a little deeper.

Growth of 20-38% since the pre-credit crunch heights do look good until you compare them to the annual average growth rates seen since 2000 and indeed the one-off growth rates seen in 2000 and in 2003, which pretty much saw this level of growth in just one year.

The reality is that for a property to be worth £316,000 today – up from £238,000 in 2007/8 – this suggests an average growth of just 3% each year, half that of annual growth rates since 2000. From an investment perspective, this means those who have invested in cash have a property which has only just kept ahead of inflation.

What these numbers suggest is that, yes, property prices are moving forward, but at nowhere near the pace they have historically. Good news for those wanting to get on the ladder, not such good news for investors who have bought and owned property with cash.

What is also interesting is the poor performance of flats compared to houses. Basically, what the stats suggest is that flat values grow at half that of detached homes and, with increased costs of service charges and ground rents, investors in particular should be double checking their returns compared with houses.

And those looking at getting on the ladder should note that, while prices of flats are initially ‘better value’, they potentially grow at a lower rate, making it harder to make the move from flat to house in the future.

South East Towns & Cities	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Dec-16	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in Dec 16	Annual average increase since 2000	Highest yearly average increase since 2000	
									Date	% Increase
Brighton & Hove	£257,108	£202,054	-21.41%	£346,829	35%	72%	6.4%	7.7%	Jul-00	35.4%
Milton Keynes	£194,666	£147,827	-24.06%	£248,122	27%	68%	6.3%	7.4%	Feb-03	32.0%
Oxford	£289,855	£223,319	-22.95%	£410,253	42%	84%	5.8%	7.2%	Jun-00	29.5%
Portsmouth	£169,633	£130,868	-22.85%	£195,207	15%	49%	7.2%	6.3%	Mar-03	29.1%
Reading	£216,724	£176,087	-18.75%	£299,313	38%	70%	6.1%	6.5%	Jun-00	35.9%
Southampton	£168,795	£134,665	-20.22%	£198,835	18%	48%	5.4%	6.3%	Apr-03	29.7%

Source: [UK HPI](#)

City	Current price	% yoy Jul 17	% growth last quarter
Oxford	£430,200	9.2%	4.1%
Southampton	£223,200	8.0%	2.1%
Portsmouth	£221,100	6.4%	1.0%



LSL Acadata HPI

"Top performing regions included the South East, increasing 4.9% annually with double digit growth in Medway and Portsmouth." (Jan 17)



Hometrack

"Cambridge and Oxford have recorded strong price gains of >75% which have resulted in record high price to earnings ratios in these cities." (Jan 17)

Source: [Hometrack](#)

Table 2 First-Time Buyers: Average Price, Loan and Deposit by Region, 2016

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
South East	272,777	225,305	47,472	17%

Source: [Halifax/CML](#)

FTB average paid	£253,170
Trading up average price paid	£365,549
Cash purchase average price paid	£300,756
New build average price	£423,816

Source: [UK HPI](#)



KATE FAULKNER COMMENTS ON TOWN AND CITY PRICE DIFFERENCES



As with any region, some areas perform better than others. Heavyweight economies such as Oxford and Cambridge are delivering growth previously reserved for London as their universities power local and international business investment.

In Oxford the planning 'noose' around the neck of the area means building any housing within its bypass area is virtually impossible, meaning investment going into nearby areas such as Bicester.

Meanwhile, heading south to Portsmouth and Southampton, since the credit crunch both areas have struggled to maintain previous growth rates, with current property prices – nearly 10 years on – just 15-18% higher than before the crash.

This is significant as a property bought for cash in Portsmouth for £170,000 needs to be worth in excess of £216,000 to have kept its value versus inflation, let alone the buying/selling costs involved.

Yet according to these numbers, the average is just £195,000, meaning cash owners/investors have actually lost at least £20,000 in real terms – and more when it comes to cashing in the investment/ownership.



Building is restricted in Oxford, sending investment out of the city.

Image: © creativestockphotos - Dreamstime.com

It does mean, though, that both of these areas could be good potential places for those who want to stay in the South East but are struggling to get a foot on the ladder. It's worth checking out, especially with a possible daily commute of just over an hour from Southampton, and a possible place to live and work while still being in hailing distance of the capital.

Property Price Forecasts	Savills 2017 (Feb 17)	Savills 5 Yr Forecast (Feb 17)	Knight Frank 2017 (Nov 16)	Knight Frank 5 Yr Forecast (Nov 16)	Countrywide 2017 (Summer 16)	Chestertons 2017 (Nov 16)	Chestertons 2016-20 growth (compounded) (Nov 16)	NAEA 2017 (Dec 15)	YoY % Increase	Actual UK HPI Dec-16	Actual Nationwide Q4 16
UK	0.0%	13.0%	1.0%	14.2%	-1.0%					7.2%	4.5%
England & Wales						6.5%	31.9%			7.7%	
England										7.5%	3.7%
London	0.0%	11.0%	-1.0%	12.5%	-1.3%	7.0%	37.6%*	£589,853	7.1%	7.5%	3.7%
South East	2.0%	17.0%	1.0%	17.0%	-1.0%	7.0%	35.6%	£407,428	7.3%	8.5%	6.9%
South West	1.0%	14.0%	2.0%	16.5%	-0.5%	5.0%	25.8%	£284,542	3.9%	7.0%	4.4%
East of England	2.5%	19.0%	1.5%	18.1%	-1.0%	7.0%	36.9%	£343,935	7.5%	11.3%	10.1%
East Midlands	0.0%	14.0%	1.5%	17.6%	-0.5%	5.0%	25.8%	£204,063	1.5%	7.1%	4.9%
West Midlands	-0.5%	13.0%	1.5%	17.6%	-0.5%	4.5%	22.8%	£212,894	1.9%	7.1%	4.1%
North East	-2.5%	9.0%	0.5%	9.3%	-0.25%	3.0%	14.8%	£167,590	3.2%	4.1%	0.1%
North West	-2.0%	12.0%	0.5%	10.4%	-0.25%	4.5%	23.4%	£198,660	5.2%	6.6%	3.7%
Yorks & Humber	-2.0%	10.0%	1.0%	13.1%	-0.5%	4.0%	21.1%	£200,641	4.7%	6.5%	4.0%
Wales	-2.0%	10.0%	0.0%	8.8%	-0.3%			£178,924	1.4%	4.7%	2.4%
Scotland	-2.5%	9.0%	2.0%	11.0%	0.0%			£208,907	4.6%	3.5%	2.2%



KATE FAULKNER COMMENTS ON PRICE FORECASTS



With 2016 vs 2015 property price YoY growth 8.5%, from a buying perspective it may feel that prices are rising rapidly, but put in context this means prices, on average, are just 3% higher each year since the credit crunch.

Moving forward, this growth is forecast to slow, too, with the likes of Savills, Knight Frank and Countrwide all predicting even lower rates of growth while Chestertons and NAEA suggest increases of 7% year on year will remain. From a forecast perspective, it

appears that getting on the ladder sooner rather than later would be an advantage, but make sure you can afford it, whatever life throws at you (job loss, relationship breakdown etc) so you don't get stuck with a property you can't afford and are forced to sell.

A good way to help plan for this is to check out how well your property would let for if you needed to move out and it wasn't a good time to cash in.

Sales volumes by local authority/county

Local authority	Sales volume Jan-Oct 15	Sales volume Jan-Oct 16	Sales volume YoY %
Brighton & Hove	4668	3781	-19.0%
Milton Keynes	4060	3439	-15.3%
Oxford	1528	1162	-24.0%
Portsmouth	3165	2796	-11.7%
Reading	2664	1986	-25.5%
Southampton	3516	2895	-17.7%
Bracknell Forest	1913	1515	-20.8%
Buckinghamshire	8283	6870	-17.1%
East Sussex	9606	8574	-10.7%
Hampshire	21287	17705	-16.8%
Isle of Wight	2598	2363	-9.0%
Kent	24153	20704	-14.3%
Oxfordshire	9582	7491	-21.8%
Surrey	17913	14871	-17.0%
West Berkshire	2372	1818	-23.4%
West Sussex	14518	11633	-19.9%
Windsor & Maidenhead	2141	1632	-23.8%
Wokingham	1632	1844	13.0%

Source: [UK HPI](#)

SUPPLY AND DEMAND				
	New listings		Properties sold	
	Nov-Feb 17	Nov-Jan 16	Nov-Jan 17	Nov-Jan 16
South East	6.3	-4.1	-7	-8

Source: [Agency Express](#)



KATE FAULKNER COMMENTS ON PROPERTY TRANSACTIONS, DEMAND AND SUPPLY



Surprisingly, only Wokingham saw higher transactions than the previous year, suggesting that most people are buying a main home here as opposed to a second home. The rush to purchase properties back in the first quarter of 2016 sucked many a purchase

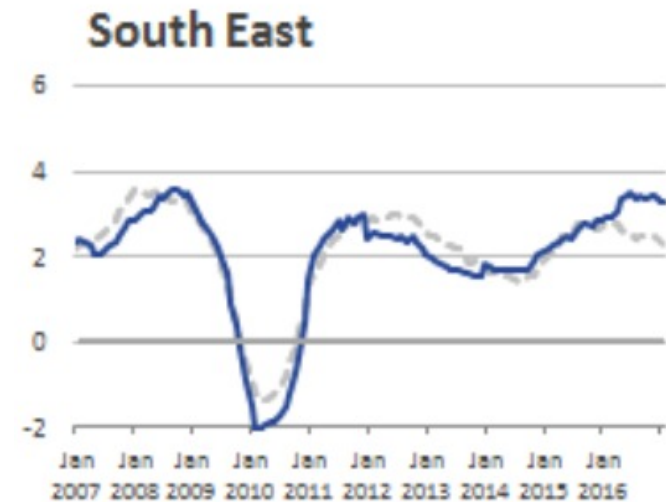
from the rest of the year and is clearly heavily impacting on purchases since this time, leading to overall transactions being anything from 9% down in the Isle of Wight to 24% down in Oxford.

LSL Average Monthly Rent Jan-16	LSL Average Monthly Rent Jan-17	LSL % Change YoY	Homelet Average Monthly Rent Jan-16	Homelet Average Monthly Rent Jan-17	Homelet % Change YoY	Belvoir Average Monthly Rent Jan-16	Belvoir Average Monthly Rent Jan-17	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Jan-17
£763	£877	14.9%	£995	£989	-0.6%	£979	£1,009	3.1%	3.3%

<i>Belvoir</i>	Highest average monthly rent pre-credit crunch 2008	Lowest average monthly rent during recession 2009	How much higher/ lower are latest rents vs 2008 height	How much higher/ lower are latest rents vs 2009 low	Average Monthly Rent Jan-16	Average Monthly Rent Jan-17	% Change YoY	Annual average increase since 2008
South East	£835	£803	20.8%	25.7%	£979	£1,009	3.1%	2.1%

<i>ONS</i>	Lowest % change over 12 months during recession 2009/2010	Highest % change over 12 months pre-credit crunch 2008	% Change over 12 months Jan-17
South East	-2.1%	3.6%	3.3%

Source: [ONS](#)



Source: [ONS](#)

Dotted grey line shows average England 12 month % change



LSL

“The South East saw strong rent rises across the year (4.6%).” (Jan 17)

Location	2018	2019	2020	2021	2022	5-year compound growth
UK	2.5%	2.5%	3.0%	3.5%	3.5%	15.5%
London	3.0%	3.0%	3.5%	3.5%	3.0%	17.0%
UK excl London	2.0%	2.0%	3.0%	3.5%	3.5%	15.0%
Wages	3.0%	3.0%	3.0%	3.5%	3.5%	17.0%
CPI	2.0%	1.5%	2.0%	2.0%	2.0%	9.5%

Source: [Savills](#)

Yields

Region	Rents Dec (£) 2016	One month change	Yields Dec 2016
South East	877	2.21%	3.4%

Source: [LSL](#)

Auction data

South-East Home Counties		
November 2016 to January 2017	Residential	
Lots Offered	568 (646)	▼ 12.1%
Lots Sold	437 (525)	▼ 16.8%
Percent Sold	76.9% (81.3%)	▼ 5.4%
Total Raised	£88M (£104M)	▼ 15.6%

Source: [EI Group](#)



KATE FAULKNER COMMENTS ON THE RENTAL MARKET

“ Despite price growth in the South East, rents have, in the main according to Belvoir and the ONS data kept relatively in line with inflation and indeed with wage growth. Despite the fact that landlords and agents are often accused of charging ‘sky rocket rents’ or raising rents. In fact, even in the White Paper, rents were (wrongly) referred to as ‘expensive’ by the government; the reality is

that up until now, rents have kept up in line wage growth. Sadly, government intervention is likely to break this ‘perfect market’ by raising the costs of delivering legally and safely let properties through higher health and safety requirements coupled with somewhat unnecessary loss of tax relief which is about to start to cause landlords (and agents) an absolute tax administration nightmare!



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Kate Faulkner, Property Market Analyst and Commentator

Websites:

Kate Faulkner: katefaulkner.co.uk

Propertychecklists: Propertychecklists.co.uk

Email: kate@designsonproperty.co.uk

Telephone: 01652 641722