March 2017 property price update

Independent, free, expert advice on housing
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 and her team from **Propertychecklists.co.uk** make it easy to access the information and support consumers' needs via FREE of charge eBooks, checklists, articles and one-to-one advice.

Summary of property price reports

Report Headlines

Rightmove	*"Lowest annual increase since 2013 gives warning to over-pricing sellers"*
NAEA Propertymark	*"Surge in house hunters means 11 buyers chasing every property"*
RICS	*"Prices continue to rise steadily at the national level"*
Nationwide	*"UK house prices continued to rise steadily in February"*
Halifax	*"Annual house price growth declines to 5.1%"*
LSL Acadata HPI	*"Highest house price growth for a year with Birmingham and Merseyside experiencing new peak"*
Hometrack	*"City level house price growth 6.9% year on year down on 7.9% recorded in January 2016"*

Key facts:
Average prices across the indices vary from mortgaged only prices from the Nationwide HPI *(Feb 17)* of £205,846, through to marketing prices *(ie not necessarily sold)* from Rightmove *(Feb 17)* of £306,231, a 48% difference. Average sold prices from the UK HPI stand at £236,424 *(Dec 16).*

UK, England and Wales data

	High	Low	Current Month Dec-16	Current Month Jan-17	Current Month Feb-17	Annual Change	Annual Average (05 - 17)		
Rightmove	£241,474	£213,570	£299,159	£300,245	£306,231	2.3%	3.9%	Asking prices	E & W
Nationwide	£184,131	£147,746	£205,898	£205,240	£205,846	4.5%	2.5%	Mortgaged only	UK
Halifax	£199,766	£157,767	£222,484	£220,260	£219,949	5.1%	2.7%	Mortgaged only , seasonally adjusted	UK
LSL Acadata HPI	£231,829	£197,145	£294,988	£295,937	£297,832	2.4%	4.3%	Actual prices, includes cash sales	E & W
UK HPI	£194,764	£159,340	£236,424	n/a	n/a	7.7%	3.4%	Sold prices, includes cash sales and new builds	E

Kate Faulkner comments on the national market:

Despite a fear of the property market slowing dramatically and even going into a slight 'reverse' gear, in these early days the figures and feedback from indices and agents do seem to continue to be positive, even if growth is weaker. Rightmove suggest that properties are coming onto the market at the "smallest price rise at this time of year since February 2009", up just 2%, and warn both sellers and agents to price fairly, suggesting that properties are "40% more likely to sell if priced right when they first come to market" and, in their experience, "buyers [are] reluctant to enquire if property is priced just a few percent too high". And so far this year it looks like Nationwide's suggestion of a 2% increase in property prices for 2017 seems plausible if activity continues as it has started this year, especially as we have yet to really dive in to see the potential impact, if any, of the Brexit vote on confidence and the economy. LSL Acadata HPI reminds us though that "we will need to wait until April 2017 before the changes associated with the introduction of the stamp duty surcharge drop out of the annual statistics, and the rate of annual house price growth better reflects the underlying trends in house prices that currently appear to be prevalent."

Market analysis by country and region

Property Prices - Countries	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/ Q4 16	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in Dec 16	Annual average increase since 2000	Highest yearly average increase since 2000 Date	% Increase
England	£194,764	£159,340	-18.19%	£236,424	21%	7.7%	7.0%	Jan-03	26.4%
Wales	£150,316	£123,104	-18.10%	£148,177	-1%	4.7%	6.3%	Jul-04	33.4%
Scotland	£145,641	£120,994	-16.92%	£141,553	-3%	3.5%	n/a	Feb-05	19.0%
Northern Ireland (Q4)	£224,670	£97,428	-56.64%	£125,480	-44%	5.7%	n/a	Q1 07	51.5%

Property Prices - Regions	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	Year on year change in price in Dec 16	Annual average increase since 2000	Highest yearly average increase since 2000 Date	% Increase
North East	£139,400	£117,079	-16.01%	£128,631	-8%	4.1%	6.0%	Jan-04	34.8%
North West	£152,427	£124,654	-18.22%	£152,259	0%	6.6%	6.6%	Jul-04	33.0%
Yorkshire & The Humber	£150,233	£123,833	-17.57%	£154,985	3%	6.5%	6.8%	Jun-04	29.3%
East Midlands	£159,537	£129,876	-18.59%	£176,790	11%	7.1%	6.8%	Feb-03	33.9%
West Midlands	£165,807	£136,966	-17.39%	£181,328	9%	7.1%	6.3%	Jan-03	29.5%
South West	£212,666	£171,356	-19.42%	£242,808	14%	7.0%	6.6%	Jan-03	29.8%
East	£209,624	£168,263	-19.73%	£281,513	34%	11.3%	7.4%	Jan-03	28.9%
South East	£238,670	£191,156	-19.91%	£316,026	32%	8.5%	6.7%	Jun-00	25.0%
London	£298,596	£245,351	-17.83%	£483,803	62%	7.5%	8.0%	Apr-00	28.3%

Source: UK HPI

Summary of top and lowest performers

Five high growth areas YoY towns/cities	YoY %	Five low growth areas YoY towns/cities	YoY %	Five high growth areas last 10 years towns/cities	Five low growth areas last 10 years towns/cities
Birmingham	7.7%	Cambridge	-5.1%	Brighton and Hove	Belfast (Q4)
Norwich	7.7%	Edinburgh	-0.6%	Reading	Liverpool
Manchester	8.0%	Liverpool	1.9%	Oxford	Glasgow
Leicester	9.0%	Lincoln	2.3%	Cambridge	Bradford
Bristol	10.1%	Sheffield	3.9%	London	Newcastle upon Tyne

Three high growth areas YoY London	YoY %	Three low growth areas YoY London	YoY %	Three high growth areas last 10 years London	Three low growth areas last 10 years London
Barking and Dagenham	14.1%	City of Westminster	1.2%	City of Westminster	Hammersmith and Fulham
Waltham Forest	13.6%	Richmond upon Thames	0.4%	Waltham Forest	Havering
Bexley	13.1%	Hammersmith and Fulham	-2.1%	Lewisham	Sutton

Source: UK HPI

Regional commentary report

RICS

"Respondents in most regions reported an increase in prices with the strongest growth in the North West of England and notable improvements in Northern Ireland as well. London and the North East of England remain the exceptions with momentum in the former deteriorating for the fourth consecutive month. In fact, surveyors have now reported a fall rather than a rise in London prices for a full year (with most of this activity concentrated in the inner boroughs)." (Feb 17)

Regional commentary report – cont'd

LSL Acadata HPI

"In January 2017, eight regions have seen the annual rate of house price growth reduce compared to the previous month. It is only in the South West that prices have increased at a faster rate than December, with five areas in the region experiencing new peak prices in the month. The West Midlands has remained at the same level as the previous month, with annual price growth at 4.2%. Of the eight regions where price growth has slowed, the largest reduction, of -1.3%, was seen in the East of England. Despite this fall, the East of England still remains the region with the highest rate of house price inflation for the ninth month in succession, at 5.9%, with its London commuter areas of Luton and Essex continuing to set new peak prices in the month. The North East is the only region with negative growth in prices on an annual basis, with the largest fall being experienced in Hartlepool, where average prices are now 8.3% lower than one year earlier. Greater London is now the region with the third lowest house price inflation at 2.1%." (Feb 17)

Hometrack

"City level house price inflation is running at 6.9% while year on year growth in London is running at 6.4%, the lowest for 42 months (June 2013) and set to slow further. House prices in many regional cities where the recovery has been muted have material upside so long as the economy continues to grow and mortgage rates remain low.

"The markets with the highest capital values in London continue to register modest year on year price falls of up to 3% as weaker demand feeds into pricing at a faster rate than in outer London areas. We expect the rate of house price inflation for the London city index to continue to slow over 2017 towards 0%.

"Manchester is the fastest growing city outside southern England where prices are up 8.3% in the last year on an average price which is a third that of London.

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

"The contrast to cities outside southern England is stark with prices in Newcastle, Glasgow and Liverpool just 13%-16% higher than their post global financial crisis lows." (Jan 17)

Kate Faulkner comments on country and regional differences:

Prices in England continue to forge ahead – on average. However, we need to all better understand the role of cash in property transactions and how inflation impacts on property values, especially from an investor's perspective. Taking the 21% increase in property prices in England since the height of the market, this may on the surface look a healthy growth. But when you take into consideration that inflation, ie the cost of living, has gone up by 27% since then, it's actually not great news at all as the 50%+ of people who own property with cash have potentially seen a real fall in what their property will actually purchase should they cash it in. This situation then gets better or worse depending on where and when you bought. If you bought near or at the height of the market before the crash, areas such as Northern Ireland and Scotland still haven't recovered to their peak nearly 10 years ago now, although it looks like Wales may achieve this, this year.

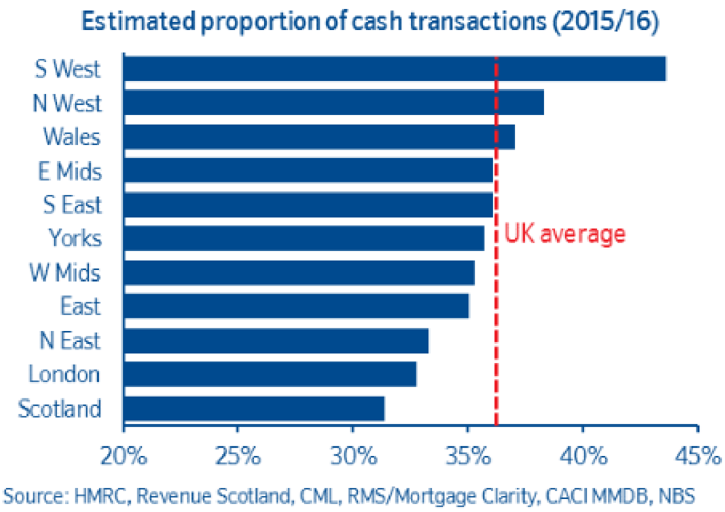
Break the data down to regions and the picture for cash investors /owners of property looks much worse; only three out of our nine regions manage to exceed inflation. Most areas don't beat inflation at all, including the North East and North West which are basically seeing prices stay the same as they were nearly 10 years ago.

According to Hometrack's City Index, "The growth in city house prices since 2009 has been highly varied ranging from 13% to 85%. There remains material upside for house prices in large regional cities outside London" – showing the huge divergence in property price growth not just regionally, but by town and with the area, by postcode.

With changes to buy-to-let taxation, it's important that anyone investing in property long term with cash has an analysis to work out whether they would be better off re-mortgaging, even a little, to see if they could secure greater returns on their investments, rather than the current capital losses.

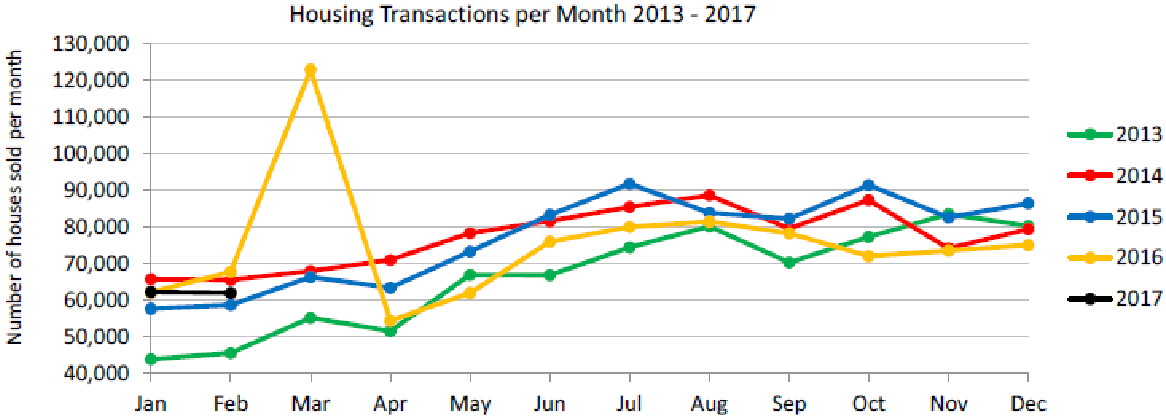
Nationwide look into cash purchases and their impact on the market further. Their current data shows that in 2005, cash purchases accounted for just 20% of transactions, this grew to a peak of 38% in Q1 2016 – prior to the stamp duty hike. Currently the South West sees the highest level of cash purchases (a big area for second homes) at near 45% while Scotland has the lowest at just over 30%.

The question remains moving forward, post April and even the summer stats, will the regions outside of London and the South see double-digit growth that we've seen in the past or are we now truly into an era of low priced growth?



Property transactions

Most commentary focuses on what is happening to property prices, but as anyone in the property industry knows, property prices are driven by what happens to supply and demand, which is why performance is so localised, pretty much to a property on a street.



Source: LSL Acadata HPI

LSL Acadata HPI — *"The number of housing transactions in February 2017 in England & Wales is estimated at 62,000. This is 0.4% lower than January's total, and goes against the seasonal trend of an increase of 3.2% for this time of year. However, sales volumes have been higher in the first two months of 2017 than in both 2015 and 2013." (Feb 17)*

NAEA Propertymark — *"In January, three in ten (30%) sales were made to FTBs, a slight decrease from December when 32% of sales were made to the group." (Jan 17)*

Bank of England — *"Approvals of loans secured on dwellings for house purchase increased for the fourth consecutive month and, at 69,928, were the highest since February 2016." (Jan 17)*

BBA — *"House purchase approval numbers of 44,657 were 2.5% lower than in January 2016 but 2.5% higher than December and above the 2016 monthly average of 41,320." (Jan 17)*

REGION	Nov 2015 - Jan 2017	Nov 2016 - Jan 2017	% change
NORTH EAST	7,819	7,500	-4%
NORTH WEST	23,426	23,235	-1%
YORKS & HUMBER	17,891	17,122	-4%
EAST MIDLANDS	18,083	17,076	-6%
WEST MIDLANDS	18,019	17,471	-3%
EAST OF ENGLAND	24,610	21,653	-12%
GREATER LONDON	23,876	18,694	-22%
SOUTH EAST	36,185	30,875	-15%
SOUTH WEST	23,208	21,268	-8%
WALES	9,628	9,976	4%
ENGLAND & WALES	202,745	184,870	-9%

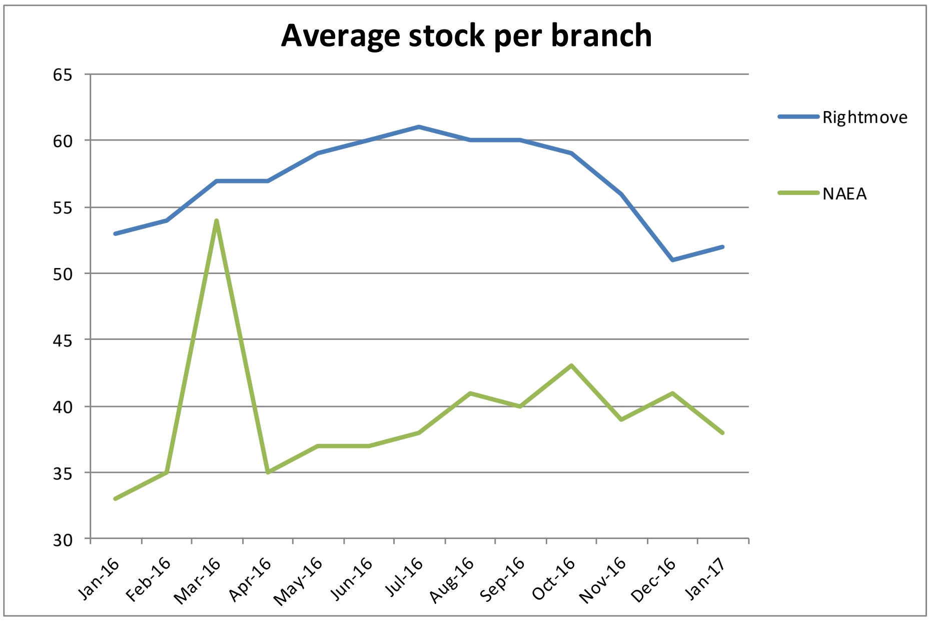
Source: LSL Acadata HPI

Kate Faulkner comments on property transactions

Sales appear to be pretty robust so far and certainly looking at the latest set of quarterly data from LSL (apart from London and the South East). However this will go completely awry when March's data is included due to the huge upsurge in demand for second homes prior to the additional 3% stamp duty rise. Areas which seem to be hit, volume-wise, so far, are ones that have seen pretty strong price growth over the last few years and it's likely that the 'frustrated purchasers' post the credit crunch – when buyers wanted to be sure the property market was on the up – have now worked their way through the system and we will see more 'realistic' demand this year which will reflect longer term volumes.

It is good to see, though, that much of the growth in transactions since the credit crunch is from first-time buyers. According to the NAEA, "In January, 30% of sales were made to FTBs" suggesting that future transactions are more assured with these sales turning into second steppers of the future, and that more FTBs being encouraged into the market by the initiatives such as the Help to Buy ISA, Starter Homes, more Shared Ownership and Help to Buy (although the latter is not just for FTBS). This year, agents need to continue to help keep the market moving by targeting existing tenants to see if they can be tempted to buy, while re-filling tenanted stock with the increase in households wanting /needing to rent. They need to be aware of local schemes and reach out to potential FTBs who may well think it is 'impossible to buy' when in reality properties in many areas could be considered to be 'good value' in comparison to the past.

Property demand and supply



RICS

"New buyer enquires seem to have gradually lost steam over the past few months ending February on a flat reading. At a regional level, momentum remains strongest in the South West and weakest in the East Midlands. Meanwhile, the deterioration in the supply of new listings reported in January was confirmed once again this month with 14% more respondents reporting a decline in instructions relative to the prior period's 12%. The pace at which new instructions are dwindling appears to be particularly acute in the North West of England and West Midlands.

"Sales activity appears to have picked up in London after nearly a year of negative to flat growth. Tight supply conditions across majority of the regions coupled with stable sales activity has led to a further erosion of available stock for sale, with the average stock per surveyor just shy of a record low. Indeed, respondents across most parts of the UK continue to highlight in their comments the supply shortage to be very dominant feature of the market at present." (Feb 17)

Kate Faulkner comments on property demand and supply

It is scary that despite the current government doing what it considers it can to provide more stock for sale, the RICS is continuing to record "the average stock per surveyor just shy of a record low". While supply remains constrained, this will continue to drive the market forward from a price perspective as long as people have the money to spend. This in turn will see prices continue to rise.