May 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	*"New price record, though lower than the average increase of 1.6% at this time of year over the past seven years and best sales since 2007 should mitigate pre-election jitters"*
NAEA Propertymark	*"Supply of houses available to buy at lowest level for March since records began"*
RICS	*"Sales market still lacking impetus"*
Nationwide	*"Annual house price growth slowest in nearly four years"*
Halifax	*"Annual house price growth unchanged at 3.8%"*
LSL Acadata HPI	*"Eight of 10 UK regions record new peak average prices, with the West Midlands taking the top spot for regional annual price growth"*
Hometrack	*"City house price growth is 6.4%, up from 4.9% at the end of 2016"*

Key facts:
Average prices across the indices vary from mortgaged only prices from the Nationwide HPI *(Apr 17)* of £207,699, through to marketing prices *(ie not necessarily sold)* from Rightmove *(Apr 17)* of £313,655, a 51% difference. Average sold prices from the UK HPI stand at £234,466 *(Feb 17).*

UK, England and Wales data

	High	Low	Current Month Feb-17	Current Month Mar-17	Current Month Apr-17	Annual Change	Annual Average (05 - 17)		
Rightmove	£241,474	£213,570	£306,231	£310,108	£313,655	2.2%	4.3%	Asking prices	E & W
Nationwide	£184,131	£147,746	£205,846	£207,308	£207,699	2.6%	2.6%	Mortgaged only	UK
Halifax	£199,766	£157,767	£219,949	£219,755	£219,649	3.8%	2.5%	Mortgaged only , seasonally adjusted	UK
LSL Acadata HPI	£231,829	£197,145	£297,832	£301,278	n/a	3.3%	4.1%	Actual prices, includes cash sales	E & W
UK HPI	£194,764	£159,340	£234,466	n/a	n/a	6.3%	3.3%	Sold prices, includes cash sales and new builds	E

Kate Faulkner comments on the national market:

I think this is probably one of the first years I can remember where we have seen a slowdown in housing market activity, yet we have not seen the normal 'panic' of house prices crashing in the media, bar the odd report. This hopefully suggests that there is a better understanding of the fact that housing markets tend to 'ebb and flow' over time and also because over 50% of people own their property outright, with 35% of those buying now cash buyers, so are less likely to be affected by what is going on in the wider economy. This is good news for the market as, in the past, news headlines could literally prevent people from buying so they could 'wait and see' what happened and that could cause a slump in its own right, whereas since the credit crunch, markets seem to move on whatever the stats tell us what is happening. However, this doesn't mean the market isn't going to be affected by what's happening in the economy and politics over the coming months. Nationwide probably put this best: "In our view, household spending is likely to slow in the quarters ahead (along with the wider economy) as rising inflation increases the squeeze on household budgets. This, together with mounting housing affordability pressures, is likely to exert a drag on activity and house price growth in the quarters ahead." Of course, all the indices mention the issue of poor stock levels, with the NAEA showing the lowest number of properties for sale since their records began in 2002. As a result, price growth is expected to slow, but not 'collapse'.

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 Feb 17/ Q4 16	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in Feb 17	Annual average increase since 2000	Highest yearly average increase since 2000 Date	% Increase
England	£194,764	£159,340	-18.19%	£234,466	20%	6.3%	6.9%	Jan-03	26.4%
Wales	£150,316	£123,104	-18.10%	£145,293	-3%	1.8%	6.2%	Jul-04	33.4%
Scotland	£145,641	£120,994	-16.92%	£138,821	-5%	3.1%	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 Feb-17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in Feb 17	Annual average increase since 2000	Highest yearly average increase since 2000 Date	% Increase
North East	£139,400	£117,079	-16.01%	£123,749	-11%	2.2%	5.8%	Jan-04	34.8%
North West	£152,427	£124,654	-18.22%	£152,618	0%	6.7%	6.6%	Jul-04	33.0%
Yorkshire & The Humber	£150,233	£123,833	-17.57%	£152,591	2%	5.2%	6.7%	Jun-04	29.3%
East Midlands	£159,537	£129,876	-18.59%	£176,784	11%	7.5%	6.8%	Feb-03	33.9%
West Midlands	£165,807	£136,966	-17.39%	£180,516	9%	7.0%	6.3%	Jan-03	29.5%
South West	£212,666	£171,356	-19.42%	£241,582	14%	6.2%	6.6%	Jan-03	29.8%
East	£209,624	£168,263	-19.73%	£281,665	34%	10.3%	7.4%	Jan-03	28.9%
South East	£238,670	£191,156	-19.91%	£311,539	31%	5.4%	6.6%	Jun-00	25.0%
London	£298,596	£245,351	-17.83%	£474,704	59%	3.7%	7.9%	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	7.9%	Cambridge	-1.9%	Brighton and Hove	35.8%	Belfast (Q4)	-44.4%
Southampton	8.1%	Lincoln	-1.1%	Oxford	40.9%	Glasgow	-9.0%
Bournemouth	8.2%	Edinburgh	1.2%	Reading	41.7%	Bradford	-6.7%
Liverpool	8.6%	Cardiff	1.9%	Cambridge	49.7%	Newcastle upon Tyne	-6.2%
Portsmouth	9.9%	Newcastle upon Tyne	2.6%	London	59.0%	Liverpool	-3.4%

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	%
Havering	11.8%	Islington	-1.9%	City of Westminster	92.4%	Barking and Dagenham	41.4%
Kensington and Chelsea	10.1%	Brent	-2.3%	Hackney	73.3%	Sutton	40.8%
Haringey	9.8%	Tower Hamlets	-2.9%	Haringey	72.0%	Tower Hamlets	39.2%

Source: *UK HPI*

Regional commentary report

RICS

"The disparity between price trends in central London and the rest of the UK appears to have widened of late. When figures for the capital are excluded, price growth momentum has actually strengthened slightly since December. Within this, prices across the North West have been on a particularly firm upward trajectory. By way of contrast, the indicator in Central London has progressively deteriorated. In fact, at -49%, the net balance across the capital was the weakest since 2009. Nevertheless, 14% more respondents from London do anticipate prices will be higher (rather than lower) in twelve months' time." (Mar 17)

Regional commentary report – cont'd

LSL Acadata HPI

"The February 2017 figures show the West Midlands topping the charts for regional house price growth. The West Midlands has displaced the East of England - from the No 1 spot where it had been for the previous 8 months – into second place. This is the first time the West Midlands has been the highest placed region in England & Wales since our records began in January 1996. Greater London has fallen back into 9th position in terms of regional price change, one place ahead of the North East which is in bottom position. This is the thirteenth month in succession in which the North East has seen the lowest rise in house prices of all ten regions. Yorkshire and Humber, Wales and the North East currently occupy 7th, 8th and 10th position in the regional price growth league." (Mar 17)

Hometrack

"The impetus for faster house price growth is emanating from large regional cities such as Newcastle, Glasgow and Edinburgh with Newcastle. These cities have registered above average price increases over the first quarter of 2017. Manchester remains the fastest growing city covered by the index where the annual growth rate is 8.8% followed by Birmingham at 8.0%.

"Attractive affordability levels, record low mortgage rates and an improving economic outlook are all supporting demand for housing. Together with limited availability of stock for sale this is creating scarcity and an upward pressure on house prices. Price rises are not running away but house price growth is well ahead of earnings growth.

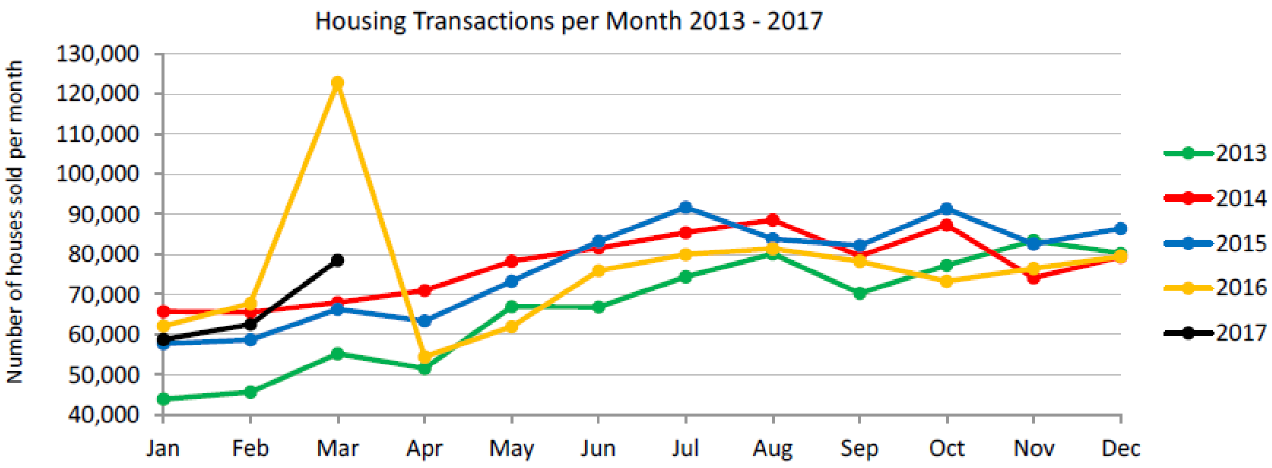
"In contrast, house price growth in London, Oxford and Cambridge has slowed to less than 5% for the first time in five years as affordability pressures, and tax changes for investors, constrain demand. It is clear that in London sales are failing to keep pace with supply. Stock that is on the market will require downward price adjustments in order to sell." (Mar 17)

Kate Faulkner comments on country and regional differences:

City house price growth seems to be topping the charts currently. Most indices talk about prices rising and reaching 'record highs' but this is on the back of growth which is much slower than it's been for some time. The exception to this is the Hometrack's City Index which actually reports quite robust activity in the regions. Since the credit crunch – a decade ago now – most of the regions outside of the South and East of England haven't experienced great growth, particularly faster than the annual average. And although house price growth regionally isn't seeing the double-digit growth we saw in London and parts of the Home Counties and beyond, rises are more similar to the long-term average growth of 7-8%. And there are still plenty of areas that are struggling to recover to the house price levels achieved a decade ago. The North East, Wales, Scotland and Northern Ireland are all still showing prices lower than they were prior to the credit crunch. And, although the likes of London and areas such as the East of England have seen their prices rise 30-60% since the last market high, it's not a surprise that these areas are now seeing a 'natural' slowdown as affordability bites.

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.



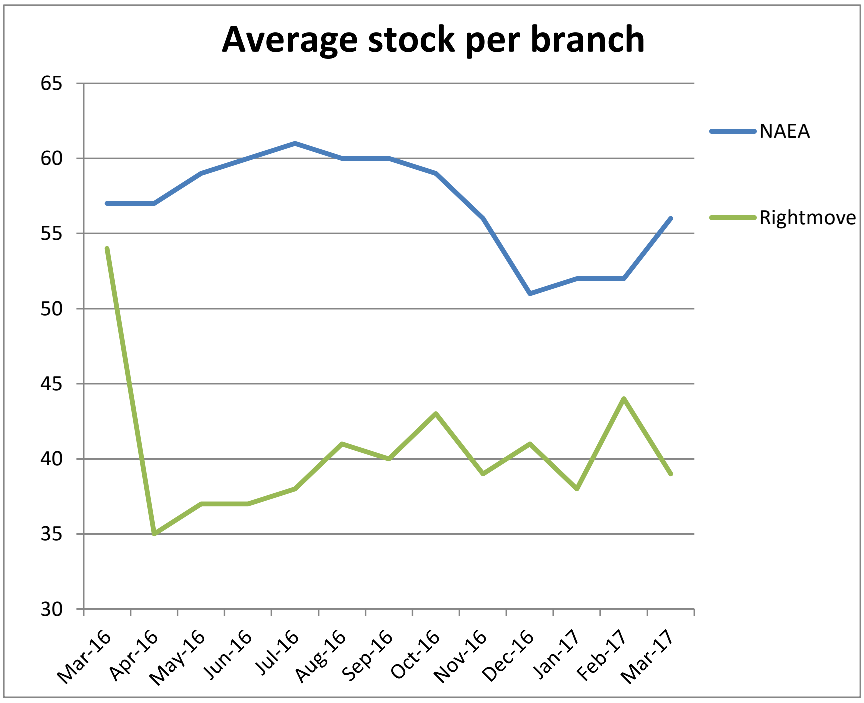
Source: LSL Acadata HPI

LSL Acadata HPI	*"The number of housing transactions in March 2017 in England & Wales is estimated at 78,500, based on the Land Registry methodology of accounting for domestic property sales. This is a notable 26% uplift in sales on February's total, which appears high, but is in line with the average seasonal increase that takes place in March of most years." (Mar 17)*
NAEA Propertymark	*"The average number of sales agreed fell in March, to 10 per branch. The proportion of sales made to FTBs in March rose to 25 per cent, up from 22 per cent in February." (Mar 17)*
Bank of England	*"Approvals of loans secured on dwellings for house purchase and remortgaging both fell slightly for the second month, to 66,837 and 42,814 respectively, in March." (Mar 17)*
BBA	*"House purchase approval numbers of 41,061 were 2.8% lower than in February 2017 but in line with the monthly average of 41,600 over the previous six months." (Mar 17)*

Kate Faulkner comments on property transactions

It's difficult to analyse transactions currently due to government intervention in stamp duty and Brexit. However, it does appear the more 'amateur landlord' is questioning whether buy to let is a wise investment moving forward and so demand is down. And, although some reports suggest tenant demand is waning a little at the moment, the lack of new stock coming onto the market means the likes of the RICS and Belvoir are both expecting rental prices to increase, potentially even faster than house price inflation – for the very first time.

Property demand and supply



RICS

"On a UK-wide basis, new buyer enquiries were flat for a third successive month. When broken down, demand remains mixed across different parts of the UK, although the number of areas in which enquiries are reportedly declining continues to outweigh those with a positive trend. The strongest growth was again cited in Northern Ireland and the South West of England. Meanwhile, on a brighter note for London, buyer interest has now been increasing modestly over the last four months in succession. At the same time, headline sales instructions fell noticeably, following a similar pace of decline (in net balance terms) in both January and February. Stock levels on estate agents' books have subsequently dipped to fresh record lows, with branches (on average) now holding only 43 unsold properties." (Mar 17)

Kate Faulkner comments on property demand and supply

With stock disappearing from the market fast, although this may continue to increase prices, it is really more stock that agents require. Many people seem to forget that a lack of stock is bad news for buyers, but in fact it is even worse news for agents. Unlike other industries, such as the car or health and beauty market, which if demand rises they can just produce more of what people want, agents on the other hand are in a fairly unique position in that they are restricted to 'sell what they have' instead and then often blamed for not having enough homes and profiteering from the situation. A lack of stock moving forward is probably the biggest threat to agents and for those that want to survive and thrive, making sure that they are taking instruction for the little new build that is coming through is essential to have enough homes for sale. This is especially true as first time buyers are helping to drive the market, partly due to schemes such as Help to Buy. Not being involved in new build sales could limit agency growth in the future.

New build special report

I started buying homes in the early 1990s – during the last recession. One thing at that time I would steer clear of would be new build. Like many, I had a poor impression of the way they were built and much preferred properties with character that, at the time, I could do up and make money from.

However, my view on new builds changed dramatically when I started working in Part Exchange and visiting lots of developments in the early 2000s. I was pleasantly surprised by the quality of the build themselves and was also impressed with the brownfield conversions of old hospitals or country houses and that the old 'boxes' and community layouts had completely changed, helping to make new build communities much nicer, better thought through places to live.

Moving forward, I think it's vital that agents embrace the new build market, where such properties are being built. I am continually surprised at the lack of understanding that potential and existing first-time buyers have of schemes such as Help to Buy and, especially in more expensive areas, Shared Ownership. This is a scheme where many still think they have to 'share' with other people as opposed to 'share' the financial commitment – and burden – of owning a home.

And, whoever gets into government, we are hoping they will get to build the million homes both major parties commit to, although the Conservatives so far are offering to build 225,000 affordable homes, whereas Labour plan to build 500,000 of the million as affordable.

But new build still needs to be sold to people as not all have had the revelation I have and appreciate the care that goes into new build these days. The advantages, in particular for our ageing population, who we are somewhat desperate to tempt out of their current homes into something brand spanking new that has lower heating costs and also the advantage of little maintenance required, something that the retirement builder McCarthy and Stone recognise as a hidden fear of those living in their existing homes and why they would consider moving somewhere different and new.

One of the biggest messages for potential new build buyers to know is that recent analysis from the HBF shows that they are building bigger homes, not smaller ones. For example, the report showed that the number of bedrooms built increased from 385,000 in 2008/9 to 478,000 in 2015/16. And another interesting stat from this report is that although they are still building fewer homes than prior to 2006/7, they are building more houses, which is a good thing due to the number of families keen to get on the ladder.

Recent reports of the influence of Bank of Mum and Dad and the 'unfairness' for those that don't have access to those funds also points towards new build being a great option to get on the first rung on the ladder. Those who don't have access to the 'UK's 9th biggest lender' do have access to schemes such as Shared Ownership and it can easily be argued that the Help to Buy Scheme plugs the gap in this funding for those who don't have parents able to help out.

In addition, apart from accessing a quality product, potentially through a discounted scheme, first-time buyers have a better chance of saving for their next home as money doesn't have to be spent on high heating bills due to the energy efficiency of new builds, nor do they have to spend their cash on maintaining a property, meaning saving to trade up to their next home is possible, particularly important if we are moving towards a slower period of capital growth.

NHBC UK statistics for Q1 2017

So how many more properties are being built by developers to potentially cash in on?

In Q1 2017 the number of registrations was 42,470, a 17% increase on last year (36,351). Of these:

- Private sector registrations in 2017 increased by 10% (31,197), compared with the same period in 2016 (28,278).
- Affordable sector registrations in 2017 increased by 40% (11,273) when compared to 2016 (8,073).