August 2017 property price update

Independent, free, expert advice on housing
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Summary of property price reports

Report Headlines

Rightmove	*"Buyer choice restricted as supply fails to keep pace with strong sales and buyer demand"*
NAEA Propertymark	*"House sales up as buyers push through summer property transactions"*
RICS	*"Uncertainty stifles market sentiment"*
Nationwide	*"House price growth broadly stable in July"*
Halifax	*"Annual house price growth eases to 2.1%"*
LSL Acadata HPI	*"Prices cool for summer as north-south divide re-emerges"*
Hometrack	*"Annual growth rate of 5.1% to June 2017"*

Key facts:
Average prices across the indices vary from mortgaged only prices from the Nationwide HPI *(July 17)* of £211,671, through to marketing prices *(ie not necessarily sold)* from Rightmove *(July 17)* of £316,421, a 50% difference. Average sold prices from the UK HPI stand at £237,662 *(May 17).*

UK, England and Wales data

	High	Low	Current Month May-17	Current Month Jun-17	Current Month Jul-17	Annual Change	Annual Average (05 - 17)		
Rightmove	£241,474	£213,570	£317,281	£316,109	£316,421	2.8%	4.4%	Asking prices	E & W
Nationwide	£184,131	£147,746	£208,711	£211,301	£211,671	2.9%	2.8%	Mortgaged only	UK
Halifax	£199,766	£157,767	£220,706	£218,390	£219,266	2.1%	2.5%	Mortgaged only , seasonally adjusted	UK
LSL Acadata HPI	£231,829	£197,145	£303,200	£301,114	n/a	3.8%	4.1%	Actual prices, includes cash sales	E & W
UK HPI	£194,764	£159,340	£237,662	n/a	n/a	5.0%	3.4%	Sold prices, includes cash sales and new builds	E

Kate Faulkner comments on the national market:
The most fascinating figures are the annual average changes from 2005 to 2017, showing that for mortgage properties, price inflation each year has barely kept up with consumer price inflation (2.9% vs 2.8 and 2.5), when in the past it has always beaten it by some distance. For properties including cash sales, it is still slightly higher with the UK HPI showing 3.4% and the LSL Acadata HPI at just over 4%. However, this is much lower than pre 2005, when prices would typically double every 10 years. Although the headlines are talking about 'low stock rates', 'easing' and 'stability', it's clear that the 2017 year-on-year growth we are seeing now reflects these long term annualised rates over the last 14 years. And, as we explain later, these lower rates of growth appear to be here to stay. The key point to note from this is that I don't think the public or indeed investors have appreciated this major shift in national property price growth fortunes and what we need to be prepared for is what happens when they do en masse.

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UK HPI 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 May 17/ Q1 17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in May 17	Annual average increase since 2000	Highest yearly average increase since 2000 Date	% Increase
England	£194,764	£159,340	-18.19%	£237,662	22%	5.0%	7.0%	Jan-03	26.4%
Wales	£150,316	£123,104	-18.10%	£149,817	0%	3.8%	6.4%	Jul-04	33.4%
Scotland	£145,641	£120,994	-16.92%	£143,106	-2%	3.5%	n/a	Feb-05	19.0%
Northern Ireland (Q1)	£224,670	£97,428	-56.64%	£124,007	-45%	4.3%	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 May-17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in May 17	Annual average increase since 2000	Highest yearly average increase since 2000 Date	% Increase
North East	£139,400	£117,079	-16.01%	£126,738	-9%	1.6%	5.9%	Jan-04	34.8%
North West	£152,427	£124,654	-18.22%	£153,297	1%	3.8%	6.7%	Jul-04	33.0%
Yorkshire & The Humber	£150,233	£123,833	-17.57%	£155,268	3%	4.4%	6.8%	Jun-04	29.3%
East Midlands	£159,537	£129,876	-18.59%	£180,903	13%	7.2%	6.9%	Feb-03	33.9%
West Midlands	£165,807	£136,966	-17.39%	£183,942	11%	5.3%	6.4%	Jan-03	29.5%
South West	£212,666	£171,356	-19.42%	£243,969	15%	5.5%	6.7%	Jan-03	29.8%
East	£209,624	£168,263	-19.73%	£284,097	36%	7.5%	7.4%	Jan-03	28.9%
South East	£238,670	£191,156	-19.91%	£315,807	32%	4.8%	6.7%	Jun-00	25.0%
London	£298,596	£245,351	-17.83%	£481,345	61%	3.0%	8.0%	Apr-00	28.3%

Source: UK HPI

Property Prices Towns/Cities *England, Wales, Scotland & NI*	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 May 17/ Q1 17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in May 17/ Q1 17	Annual average increase	Highest yearly average increase since 2000 Date	% Increase
Belfast *(Q1)*	£213,626	£87,890	-58.86%	£115,868	-46%	4.4%	n/a	Q1 07	57.1%
Glasgow	£130,473	£104,370	-20.01%	£119,487	-8%	6.9%	n/a	Jan-05	19.2%
Bradford	£139,640	£115,089	-17.58%	£129,489	-7%	3.2%	6.3%	Sep-04	36.5%
Newcastle upon Tyne	£164,935	£134,016	-18.75%	£154,553	-6%	1.4%	6.0%	Feb-04	39.2%
Liverpool	£130,249	£106,826	-17.98%	£123,117	-5%	3.5%	6.5%	Jul-04	59.0%
Edinburgh	£225,750	£183,029	-18.92%	£229,357	2%	0.6%	n/a	May-07	17.3%
Sheffield	£144,875	£120,193	-17.04%	£150,530	4%	2.9%	6.7%	Sep-04	31.9%
Leeds	£161,439	£130,128	-19.39%	£171,052	6%	5.1%	6.9%	Apr-03	30.7%
Lincoln	£128,707	£106,017	-17.63%	£140,294	9%	3.1%	7.3%	Feb-03	38.0%
Nottingham	£119,010	£93,696	-21.27%	£132,318	11%	7.3%	6.5%	Mar-03	37.9%
Peterborough	£156,264	£123,752	-20.81%	£176,901	13%	5.9%	7.0%	Dec-02	30.2%
Birmingham	£148,578	£122,773	-17.37%	£168,651	14%	6.1%	6.5%	Feb-03	36.4%
Manchester	£140,431	£111,679	-20.47%	£161,611	15%	8.1%	8.6%	Jun-04	34.9%
Bournemouth	£206,227	£163,937	-20.51%	£238,377	16%	5.3%	6.5%	Apr-03	32.5%
Cardiff	£170,496	£139,651	-18.09%	£197,338	16%	5.8%	6.7%	May-03	30.7%
Norwich	£166,498	£123,698	-25.71%	£193,232	16%	3.3%	7.5%	Oct-02	37.9%
Leicester	£135,317	£110,071	-18.66%	£157,060	16%	7.8%	7.6%	Mar-03	35.4%
Portsmouth	£169,633	£130,868	-22.85%	£201,683	19%	7.4%	6.5%	Mar-03	29.1%
Southampton	£168,795	£134,665	-20.22%	£202,383	20%	4.2%	6.4%	Apr-03	29.7%
Milton Keynes	£194,666	£147,827	-24.06%	£260,755	34%	5.7%	7.7%	Feb-03	32.0%
Bristol	£195,196	£153,648	-21.29%	£263,759	35%	5.5%	7.9%	Apr-03	29.7%
Brighton and Hove	£257,108	£202,054	-21.41%	£354,430	38%	7.1%	7.9%	Jul-00	35.4%
Reading	£216,724	£176,087	-18.75%	£306,750	42%	2.8%	6.6%	Jun-00	35.9%
Oxford	£289,855	£223,319	-22.95%	£414,659	43%	6.4%	7.3%	Jun-00	29.5%
Cambridge	£283,241	£224,469	-20.75%	£439,144	55%	1.9%	8.2%	May-00	27.5%
London	£298,596	£245,351	-17.83%	£481,345	61%	3.0%	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	%
Brighton and Hove	7.1%	Edinburgh	0.6%	Brighton and Hove	37.9%	Belfast (Q1)	-45.8%
Nottingham	7.3%	Newcastle upon Tyne	1.4%	Reading	41.5%	Glasgow	-8.4%
Portsmouth	7.4%	Cambridge	1.9%	Oxford	43.1%	Bradford	-7.3%
Leicester	7.8%	Reading	2.8%	Cambridge	55.0%	Newcastle upon Tyne	-6.3%
Manchester	8.1%	Sheffield	2.9%	London	61.2%	Liverpool	-5.5%
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**	**%**
Kensington and Chelsea	17.1%	Tower Hamlets	-0.7%	City of Westminster	91.3%	Redbridge	46.4%
Bexley	9.0%	Greenwich	-1.8%	Kensington and Chelsea	80.4%	Barking and Dagenham	44.6%
City of Westminster	6.8%	Wandsworth	-1.9%	Southwark	71.0%	Tower Hamlets	39.3%

Source: UK HPI

Regional commentary report

RICS

"The London data, which is largely picking-up the prime market, continues to show no real easing observable in the pace of decline (of prices). The price balance is now more subdued in both the South East (which also better captures the mainstream market within the capital as well as the wider region) and East Anglia whilst the North continues to show little change from recent readings. However, surveyors in Northern Ireland, Wales, West Midlands and the North West reported price increases." (Jun 17)

LSL Acadata HPI

"Six out of ten regions have seen an increase in their annual rates from the previous month, with one recording no change. Price rises are led by the East of England, where prices in the region are up 6% annually, driven by strong growth in Norfolk, Luton and Bedfordshire. Annually, prices are up 4.9% in the West Midlands and 5.4% in the South West. Wales has fared less well, with prices up just 2% annually. Overall, annual price increases in May in England and Wales stood at 4.3% but a North-South divide seems to have re-emerged. Annual growth in the Midlands and South, excluding London, is above average, and the North and Wales are seeing below average growth." (Jun 17)

Hometrack

"Thirteen cities have a lower annual growth rate than a year ago. London, Bristol and Oxford have recorded the greatest slowdown as affordability and uncertainty impact demand. The rate of price falls in Aberdeen has slowed sharply. House price growth is higher in seven cities, but the scale of the increases compared to June 2016 are more modest. The exception is Edinburgh where the rate of growth has bounced back from 1.8% a year ago to 6.5% today.

"Nominal house price growth in four cities is failing to keep pace with the rate of consumer price inflation which is 2.6% - Cambridge (1.9%), Oxford (2.1%), Newcastle (2.4%) and Aberdeen (-2.7%). House price growth across London City has fallen to a 5 year low of 2.6% meaning prices are flat in real terms. Inner London markets have the lowest rates of house price growth and are registering real price falls.

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Kate Faulkner comments on country and regional differences:

It's crazy really that with property price changes varying from -45% over the last 10 years in Northern Ireland to -2% in Scotland, no change in 10 years in Wales and a 22% uplift in England, that the indices and therefore media headlines talk about prices 'easing' and 'slowing'. By English Region, we are seeing growth rates year-on-year range from +1.6% in the North East through to in excess of 7% growth in the East and East Midlands and for different towns and cities, eg Leicester, Nottingham and Manchester see over 7% growth. So to try to describe one market currently is, in my view, an extremely out-of-date concept and these headlines can only be described as inaccurate and misleading as they apply to few, if any, areas across the UK.

The indices and media need to come up with a much better way of portraying such a varied performance in the market moving forward if buyers, sellers and investors are going to be given a true reflection of what's happening in their area. Better still we need to ensure that rather than read or listen to these headlines, people sign up to their local agent newsletters and property price (and rental) reports and read cost-effective local media reports. A marketeer's dream scenario for agents, brokers and legal companies to take on board.

The good news from the city data though is that most cities are now seeing double-digit growth since the credit crunch, suggesting more are able to move than perhaps in the past due to enough equity growth to help them fund a second or third step, or even downsize.

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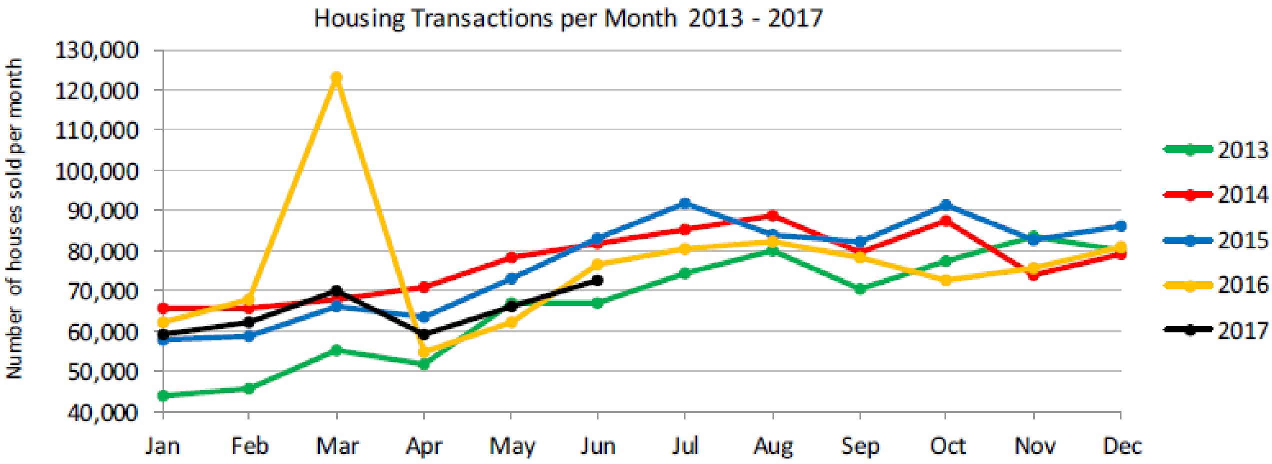
Property transactions

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.



TRANSACTIONS ANALYSIS BY REGION

REGION	Mar - May 2015	Mar - May 2016	Mar - May 2017	Mar - May 2015/17	Mar - May 2016/17
NORTH EAST	7,702	7,781	7,887	2%	1%
NORTH WEST	21,881	24,185	22,443	3%	-7%
YORKS & HUMBERSIDE	16,883	18,084	17,091	1%	-5%
EAST MIDLANDS	15,844	18,100	16,192	2%	-11%
WEST MIDLANDS	16,594	18,459	16,836	1%	-9%
EAST OF ENGLAND	21,873	23,973	20,888	-5%	-13%
GREATER LONDON	23,183	24,368	18,495	-20%	-24%
SOUTH EAST	32,786	34,626	29,540	-10%	-15%
SOUTH WEST	21,246	22,619	20,600	-3%	-9%
WALES	8,841	9,780	9,659	9%	-1%
ENGLAND & WALES	186,833	201,975	179,631	-4%	-11%

Source: LSL Acadata HPI

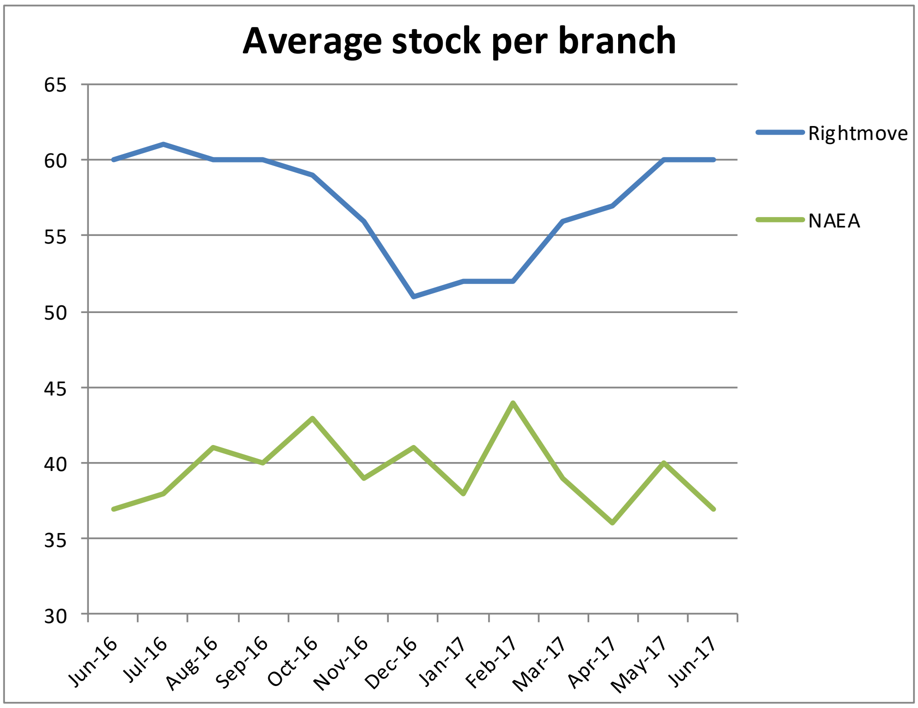
LSL Acadata HPI — *"The number of housing transactions in June 2017 in England & Wales is estimated at 72,500, based on Land Registry numbers and their methodology for accounting for domestic property sales. This is up by 10% on May's total, and is marginally ahead of the typical seasonal increase of 8% that we would expect in June (based on averages from the last 20 years)." (Jun 17)*

NAEA Propertymark — *"The number of sales agreed per branch rose from 10 in May to 11 in June – as buyers pushed through their property purchase before the quieter summer months. Three in 10 (30 per cent) properties sold in June were to FTBs, the highest amount recorded since January." (Jun 17)*

Bank of England — *"Approvals for house purchase were little changed in June at 64,684, around 4,000 lower than in January. Approvals for remortgaging ticked up to 44,548 in June, similar to numbers seen earlier in the year." (Jun 17)*

BBA — *"House purchase approval numbers in May of 40,347 were 3.3% lower than May 2016 and slightly down on the monthly average of 41,923 over the previous six months." (May 17)*

Property demand and supply



RICS

"Turning to the activity indicators, respondents once again recorded a decline in newly agreed sales consistent with a fall in transactions in the latest results. This is the fourth consecutive negative reading and reflects both a lack of stock coming on to the market and a more cautious stance from buyers over recent months. Significantly the new instructions indicator fell too; this is the sixteenth month in a row that more contributors have indicated property coming into the market has dropped (rather than risen). Against this backdrop, average stock levels have slipped (albeit only very marginally) to a new low.

"Looking forward, transactions in the near term (next three months) are expected to remain broadly stable. Meanwhile, there is now also a little more caution in terms of the outlook for sales growth over the next twelve." (Jun 17)

Kate Faulkner comments on property transactions:
The transaction data shows how hard the property market is to navigate and manage as an industry. Falls of 50% in transactions in any business over the credit crunch were followed by huge increases in demand from 2013 (for some areas) due to the previously subdued recession activity. Now what we are effectively seeing in 2017 is this market resurgence running out of steam and perhaps more steady times ahead. This is good news for those trying to manage their business from a cash, investment and particularly trained staff perspective as it's better to have a market that is lower in volume but stable than one that increases dramatically one year then falls by 24% as it has in Greater London in the last 12 months (LSL Acadata HPI).

Price forecasts

The chart below compares the different property expert forecasts for 2017 versus actual price growth recorded by UK HPI and Nationwide.

Property Price Forecasts *Date of publication/source*	**Savills 2017** (Feb 17)	**Knight Frank 2017** (May 17)	**Countrywide 2017 (Summer 16)**	**Chestertons 2017** (Nov 16)	**NAEA 2017** (Dec 15)	**YoY %** Increase	**Actual UK HPI May-17**	**Actual Nationwide Q2 17**
UK	0.0%	1.0%	-1.0%				4.7%	2.8%
England & Wales				6.5%				
England							5.0%	
London	0.0%	-1.0%	-1.3%	7.0%	£589,853	7.1%	3.0%	1.2%
South East	2.0%	1.0%	-1.0%	7.0%	£407,428	7.3%	4.8%	3.5%
South West	1.0%	2.0%	-0.5%	5.0%	£284,542	3.9%	5.5%	4.4%
East of England	2.5%	1.5%	-1.0%	7.0%	£343,935	7.5%	7.5%	5.0%
East Midlands	0.0%	1.5%	-0.5%	5.0%	£204,063	1.5%	7.2%	4.1%
West Midlands	-0.5%	1.5%	-0.5%	4.5%	£212,894	1.9%	5.3%	3.6%
North East	-2.5%	0.5%	-0.25%	3.0%	£167,590	3.2%	1.6%	1.1%
North West	-2.0%	0.5%	-0.25%	4.5%	£198,660	5.2%	3.8%	4.1%
Yorks & Humber	-2.0%	1.0%	-0.5%	4.0%	£200,641	4.7%	4.4%	2.3%
Wales	-2.0%	0.0%	-0.3%		£178,924	1.4%	3.8%	1.4%
Scotland	-2.5%	0.1%	0.0%		£208,907	4.6%	3.5%	1.7%

Kate Faulkner comments on price forecasts:

The forecasters so far have either predicted a worse market than we are actually experiencing so far or a far more buoyant one. In reality, performance to the half year is pretty much somewhere in the middle.

Some parts of London, particularly at the top end, have seen property prices go into reverse – albeit after seeing prices almost double since the recession. While other areas expected to see a fall – such as the North, Wales and Scotland according to Savills – have actually seen growth rates of a few to 4.4%.

The South West and East Midlands through to the East of the country have perhaps performed much better than the forecasters suggested, with expected growth being minimal by most forecasters, whereas rates of 4% to over 7% have been achieved.

Where the forecasters have been most accurate appears to be for the North East, where minimum growth of just over 1% has been achieved versus forecasts of a -2.5% to 3% were predicted. Wales and Scotland forecasts have seen similar success.

Bearing in mind the enormously complex property market picture and the speed which property prices can turn up and down, it's impressive that the forecasters get anywhere near close to the actual results and of course, we are still only half way through the year.

So far, despite the slowdown, the market is actually performing at a rate better than forecasters predicted in recent times, although slightly behind some of the older forecasts from Chestertons and the NAEA.

In my view, although the likes of Brexit, affordability and increased taxation are all being blamed for the slowdown, I think the key reasons for the easing in the market, where that is happening, is due to normal market activity over time. We saw huge falls during the credit crunch, followed by huge rises as the market recovered, followed by a more stable market as demand and supply starts to match over time. However, I do accept that government intervention in the market is making things worse (rightly or wrongly) in that the prime market is suffering due to higher stamp duty levels and that in areas such as London, the South East and East we are seeing more than expected slowdowns due to a loss of landlord purchases and in some cases, affordability issues due to restrictions on 4.5x income spending.

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Forecast commentary from the experts

Savills	*"Brexit has forced the market to change gear and created uncertainty. Against this new backdrop, our forecasts are for slower growth. Although we are expecting economic growth to remain positive, households will face weaker income growth and there may be some job losses over the next two years. The period of negotiation with the EU is likely to be a rollercoaster of confidence, with volatile sentiment indicators and lower levels of business investment.* *"As importantly, the amount buyers are borrowing relative to their incomes is already stretched in some parts of the market. In particular, it is bumping up against the limits of mortgage regulation in London. While falling mortgage interest rates will create some capacity for house price growth over the next two years, buyers are unlikely to want to stretch their finances much further in uncertain times. So it is difficult to see any significant potential for house price growth until the terms of the withdrawal from the EU are agreed and economic growth picks up.*
Knight Frank	*"The headline rate of house price growth across the country has been slowing since summer last year, transactions have also fallen from recent peaks. There are several factors at play behind the recent slowdown in market activity – not least a lack of available homes to purchase. This has increased focus on the delivery of new-build homes across the country. Data from DCLG shows that the number of new homes being built in recent years has risen, but it still remains some way below the number needed to meet current demand – not to mention the large historical shortfall.* *"The shortage of housing stock available to buy coupled with ultra-low mortgage rates have put a floor under pricing across the UK, but the question of affordability is becoming more pressing in some areas, especially as lenders still expect sizeable deposits from buyers. As the UK moves closer to Brexit, any economic uncertainty could have a knock-on impact on the housing market, especially if wage growth and employment levels across the country are affected."*
RICS	*"The five year expectation series show some moderation in perceptions as to where prices and rents are likely to go over the medium term. For prices, the latest reading (using a three month moving average) points to an average annual increase of 3.2% in each of the next five years while for rents the comparative figure is 3.6%. Although these projections remain above the likely increase in average earnings over the period, they are lower than recent readings suggesting that affordability issues may be impacting on expectations."*