

## September 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](http://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

<a href="#">Rightmove</a>	<i>"Mid-country hot-spots enjoy mini-boom in annual price growth"</i>
<a href="#">NAEA Propertymark</a>	<i>"Summer slump as supply of houses available to buy dips"</i>
<a href="#">RICS</a>	<i>"Price growth grinds to a halt"</i>
<a href="#">Nationwide</a>	<i>"House price growth slows in August"</i>
<a href="#">Halifax</a>	<i>"Annual house price growth picks up to 2.6%"</i>
<a href="#">LSL Acadata HPI</a>	<i>"Housing transactions pause for summer holidays"</i>
<a href="#">Hometrack</a>	<i>"UK city house price inflation at 5.3%, down from 7.4% in July 2016"</i>

#### **Key facts:**

Average prices across the indices vary from mortgaged only prices from the Nationwide HPI (Aug 17) of £210,495, through to marketing prices (*ie not necessarily sold*) from Rightmove (Aug 17) of £313,613, a 49% difference. Average sold prices from the UK HPI stand at £240,325 (June 17).

#### UK, England and Wales data

	High	Low	Current Month Jun-17	Current Month Jul-17	Current Month Aug-17	Annual Change	Annual Average (05 - 17)		
Rightmove	£241,474	£213,570	£316,109	£316,421	£313,663	3.1%	4.3%	Asking prices	E & W
Nationwide	£184,131	£147,746	£211,301	£211,671	£210,495	2.1%	2.7%	Mortgaged only	UK
Halifax	£199,766	£157,767	£218,390	£219,266	£222,293	2.6%	2.6%	Mortgaged only, seasonally adjusted	UK
LSL Acadata HPI	£231,829	£197,145	£301,114	£298,906	n/a	2.9%	4.0%	Actual prices, includes cash sales	E & W
UK HPI	£194,764	£159,340	£240,325	n/a	n/a	5.2%	3.5%	Sold prices, includes cash sales and new builds	E

#### **Kate Faulkner comments on the national market:**

*Despite the rather conflicting report headlines from Halifax's cheerful "annual house price growth picks up to 2.6%" through to RICS's more pessimistic "price growth grinds to a halt", most of the indices continue to be reporting a slowdown, but still some price growth. Halifax often differs to other indices, probably due to low volumes, so I tend to find their index less reliable, although their longer term research is always very useful. LSL Acadata HPI and Rightmove both point out though we are having "the usual" summer dip. Rightmove analysis shows that since 2010, the last seven years, every year has seen a price fall over the summer of -1.2%. However this year I think it is unlikely that the market is going to see its usual bounce back moving into the autumn.*

# Country and Regional Summary (Data from UK HPI)

## UK HPI Market analysis by country

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 Jun 17/ Q2 17	How much higher/lower are latest prices vs height in 2007/8	Year on year change in price in Jun 17/ Q2 17	Annual average increase since 2000	Highest yearly average increase since 2000
								Date % Increase
England	£194,764	£159,340	-18.19%	£240,325	23%	5.2%	7.1%	Jan-03 26.4%
Wales	£150,316	£123,104	-18.10%	£151,672	1%	3.6%	6.5%	Jul-04 33.4%
Scotland	£145,641	£120,994	-16.92%	£144,253	-1%	2.9%	n/a	Feb-05 19.0%
Northern Ireland (Q2)	£224,670	£97,428	-56.64%	£128,650	-43%	4.4%	n/a	Q1 07 51.5%

Source: [UK HPI](#)

### Kate Faulkner comments on country differences:

Each country within the UK now performs completely differently, rendering UK data analysis for buyers and sellers (and agents) utterly useless. Wales and Scotland have finally recovered their average house prices from 10 years ago and are seeing slow but solid growth year on year, around 3%. N.Ireland is seeing better year on year growth of 4.4%, with prices being on average 43% down versus 10 years ago on a nominal basis. However, taking account of inflation of 27% since 2007, that means the average in cash terms would need to be £286,000 today – whereas it's actually 55% less... on average, of course. With some areas now up by over 90% versus the pre credit crunch market height, it's clear to see how 'averages' are just not good enough for those buying and selling.

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 Jun-17	How much higher/lower are latest prices vs height in 2007/8	Year on year change in price in Jun 17	Annual average increase since 2000	Highest yearly average increase since 2000
								Date % Increase
North East	£139,400	£117,079	-16.01%	£130,065	-7%	2.5%	6.1%	Jan-04 34.8%
North West	£152,427	£124,654	-18.22%	£156,392	3%	5.5%	6.8%	Jul-04 33.0%
Yorkshire & The Humber	£150,233	£123,833	-17.57%	£157,762	5%	4.9%	6.9%	Jun-04 29.3%
East Midlands	£159,537	£129,876	-18.59%	£182,166	14%	7.1%	7.0%	Feb-03 33.9%
West Midlands	£165,807	£136,966	-17.39%	£185,082	12%	4.7%	6.5%	Jan-03 29.5%
South West	£212,666	£171,356	-19.42%	£246,159	16%	5.3%	6.7%	Jan-03 29.8%
East	£209,624	£168,263	-19.73%	£286,623	37%	7.2%	7.5%	Jan-03 28.9%
South East	£238,670	£191,156	-19.91%	£320,168	34%	4.9%	6.8%	Jun-00 25.0%
London	£298,596	£245,351	-17.83%	£481,556	61%	2.9%	8.0%	Apr-00 28.3%

Source: [UK HPI](#)

## Top 5 lowest and top performing towns/cities and London Boroughs

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	%
Nottingham	7.1%	Belfast (Q2 )	1.0%	Brighton and Hove	38%	Belfast (Q2 )	-44%
Portsmouth	7.3%	Lincoln	1.1%	Reading	40%	Glasgow	-5%
Oxford	7.5%	Newcastle upon Tyne	2.1%	Oxford	43%	Newcastle upon Tyne	-5%
Edinburgh	8.4%	Reading	2.1%	Cambridge	59%	Liverpool	-5%
Glasgow	8.5%	Sheffield	2.3%	London	61%	Bradford	-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	%
Kensington and Chelsea	12.8%	Brent	-0.9%	City of Westminster	86%	Sutton	47%
Hackney	10.0%	Newham	-1.3%	Southwark	72%	Newham	47%
Camden	8.1%	Greenwich	-3.1%	Haringey	70%	Redbridge	46%

Source: [UK HPI](#)

“House prices remain quite firmly on an upward trend in some areas, led by Northern Ireland, the West Midlands and the South West. By way of contrast, prices continue to fall in London, with the pace of decline broadly matching that of the previous three months. At the same time, the price balance for the South East of England fell further into negative territory, posting the weakest reading for this part of the country since 2011.” (July 17)

LSL Acadata HPI

“Every region in the UK still shows annual growth, however they all slowed in June. The biggest drops in annual growth were in Wales, down 1.5% to just 0.2% for the year, the West Midlands, down 1.3% to 3.3%, and Yorkshire & Humber and the South East, with annual growth rates falling 1.2% in both to 1.5% and 3.5%, respectively. In the South West prices are up 4.2% annually, the East Midlands registered an increase of 4.1% and the East of England rose 5.1%.

The East of England continues to perform strongly, with all its unitary authority areas showing solid annual growth, led by Southend-on-Sea, up 10.2%, and Luton and Bedfordshire (both up 8%).

“Aside from Southend-on-Sea, four other areas recorded double digit growth in prices on an annual basis: Rutland in the East Midlands, with the highest annual increase (12.9%), albeit on low transaction volumes; Poole (up 10.8%) in the South West, which shows strong growth overall with Bournemouth, up 9.0% annually, also particularly strong; and Pembrokeshire (10.8%) and Blaenau Gwent (10.7%), both bucking the trend in Wales.” (July 17)

Hometrack

“Birmingham is the fastest growing city (8.0%, up from 6.8% in July 2016). The rate of growth has been consistent over the last year and trending upwards on sustained demand, a lack of homes for sale and attractive affordability. Manchester (7.1%) and Nottingham (6.9%) are the second and third fastest growing cities.

“Aberdeen continues to register year on year price falls (-3.0%). House prices in Aberdeen have been registering negative annual growth for exactly 2 years. Average house prices are 16% lower since December 2014 as the fall in oil prices impacted the economy.

“The annual rate of growth in London has increased to 2.8% marking an end to the steep slowdown over the last 18 months.” (July 17)

**Detailed analysis of towns/cities current versus overtime**

Property Prices Towns/Cities <i>England, Wales, Scotland &amp; NI</i>	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 Jun 17/ Q2 17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in Jun 17/ Q2 17	Annual average increase	Highest yearly average increase since 2000 Date % Increase
Belfast (Q2)	£213,626	£87,890	-58.86%	£120,351	-44%	1.0%	n/a	Q1 07 57.1%
Glasgow	£130,473	£104,370	-20.01%	£123,609	-5%	8.5%	n/a	Jan-05 19.2%
Newcastle upon Tyne	£164,935	£134,016	-18.75%	£156,753	-5%	2.1%	6.1%	Feb-04 39.2%
Liverpool	£130,249	£106,826	-17.98%	£123,920	-5%	3.5%	6.5%	Jul-04 59.0%
Bradford	£139,640	£115,089	-17.58%	£134,003	-4%	3.4%	6.5%	Sep-04 36.5%
Sheffield	£144,875	£120,193	-17.04%	£151,948	5%	2.3%	6.8%	Sep-04 31.9%
Edinburgh	£225,750	£183,029	-18.92%	£238,447	6%	8.4%	n/a	May-07 17.3%
Lincoln	£128,707	£106,017	-17.63%	£137,716	7%	1.1%	7.2%	Feb-03 38.0%
Leeds	£161,439	£130,128	-19.39%	£174,401	8%	5.2%	7.0%	Apr-03 30.7%
Nottingham	£119,010	£93,696	-21.27%	£133,215	12%	7.1%	6.5%	Mar-03 37.9%
Peterborough	£156,264	£123,752	-20.81%	£177,709	14%	5.9%	7.0%	Dec-02 30.2%
Manchester	£140,431	£111,679	-20.47%	£160,617	14%	6.2%	8.6%	Jun-04 34.9%
Bournemouth	£206,227	£163,937	-20.51%	£237,035	15%	2.8%	6.4%	Apr-03 32.5%
Birmingham	£148,578	£122,773	-17.37%	£171,386	15%	6.4%	6.6%	Feb-03 36.4%
Norwich	£166,498	£123,698	-25.71%	£192,892	16%	2.5%	7.5%	Oct-02 37.9%
Leicester	£135,317	£110,071	-18.66%	£157,015	16%	6.0%	7.6%	Mar-03 35.4%
Cardiff	£170,496	£139,651	-18.09%	£198,959	17%	5.9%	6.8%	May-03 30.7%
Portsmouth	£169,633	£130,868	-22.85%	£201,409	19%	7.3%	6.5%	Mar-03 29.1%
Southampton	£168,795	£134,665	-20.22%	£204,469	21%	3.4%	6.5%	Apr-03 29.7%
Milton Keynes	£194,666	£147,827	-24.06%	£258,782	33%	3.9%	7.7%	Feb-03 32.0%
Bristol	£195,196	£153,648	-21.29%	£262,984	35%	4.4%	7.9%	Apr-03 29.7%
Brighton and Hove	£257,108	£202,054	-21.41%	£354,847	38%	6.3%	7.9%	Jul-00 35.4%
Reading	£216,724	£176,087	-18.75%	£303,361	40%	2.1%	6.6%	Jun-00 35.9%
Oxford	£289,855	£223,319	-22.95%	£413,240	43%	7.5%	7.3%	Jun-00 29.5%
Cambridge	£283,241	£224,469	-20.75%	£451,012	59%	5.9%	8.4%	May-00 27.5%
London	£298,596	£245,351	-17.83%	£481,556	61%	2.9%	8.0%	Apr-00 28.3%

Source: UK HPI

## Regional commentary report – cont'd

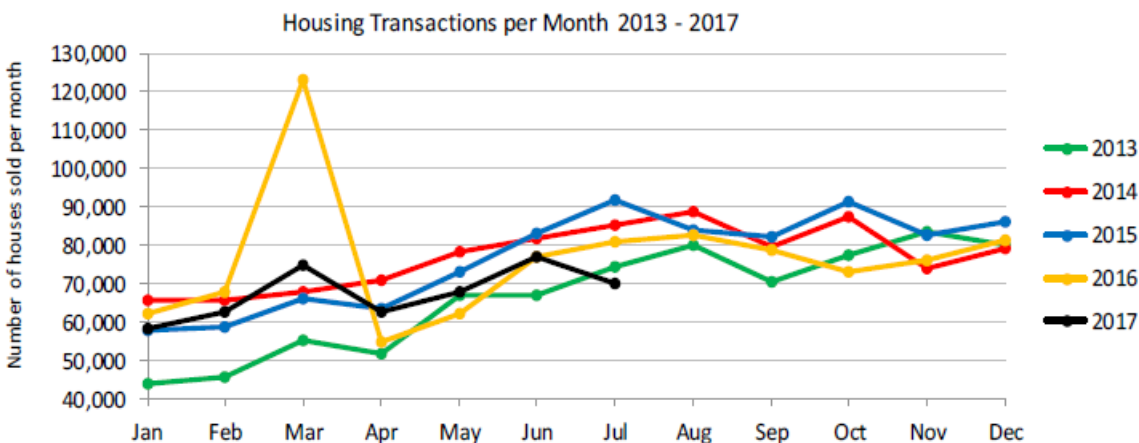
### Kate Faulkner comments on regional, city/town differences:

The data regionally is as disparate as the country data. Taking inflation over the last 10 years at 27%, it's quite clear that only three of our English regions and only seven of our 26 towns and cities are seeing house price growth keeping ahead of inflation.

That means of the 50% plus (EHS) who own their home outright, or who bought to let with cash, are likely to have seen a fall in property values in real terms over the last 10 years. Looking at the year on year and forecasted annual growth rates, although they are still on the up for most, they are not likely to keep up with a 3% inflation average annual rate. Property in the past has been a 'sure fired' earner, allowing some people to earn more from their property in a year than their wages. However, now it appears property (on average) is failing to keep up with inflation which may mean investors and home owners think twice about relying on property for their pensions and income in the future.

## 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	Apr - Jun			Apr - Jun	
	2015	2016	2017	2015/17	2016/17
NORTH EAST	8,398	6,506	7,980	-5%	23%
NORTH WEST	23,145	19,139	22,791	-2%	19%
YORKS & HUMBERSIDE	17,971	15,097	17,434	-3%	15%
EAST MIDLANDS	17,197	14,571	16,520	-4%	13%
WEST MIDLANDS	17,616	14,721	16,927	-4%	15%
EAST OF ENGLAND	23,364	19,034	20,936	-10%	10%
GREATER LONDON	24,565	15,408	18,207	-26%	18%
SOUTH EAST	35,650	26,598	30,031	-16%	13%
SOUTH WEST	23,109	17,126	20,775	-10%	21%
WALES	9,328	7,818	9,974	7%	28%
<b>ENGLAND &amp; WALES</b>	<b>200,343</b>	<b>156,018</b>	<b>181,575</b>	<b>-9%</b>	<b>16%</b>

Source: [LSL Acadata HPI](#)

LSL Acadata HPI

“We estimate the number of housing transactions in July 2017 in England & Wales at 70,000. This is down by 9% on June’s total, and goes against the typical seasonal increase of 5% that we would expect in July (based on averages from the last 20 years).” (July 17)

NAEA Propertymark

“The number of sales agreed per branch fell in July. In June, there were 11 sales agreed per branch, compared to just eight last month. Sales made to FTBs fell from 30 per cent in June to 23 per cent in July. This is the lowest level seen since last September when the rate was also 23 per cent.” (July 17)

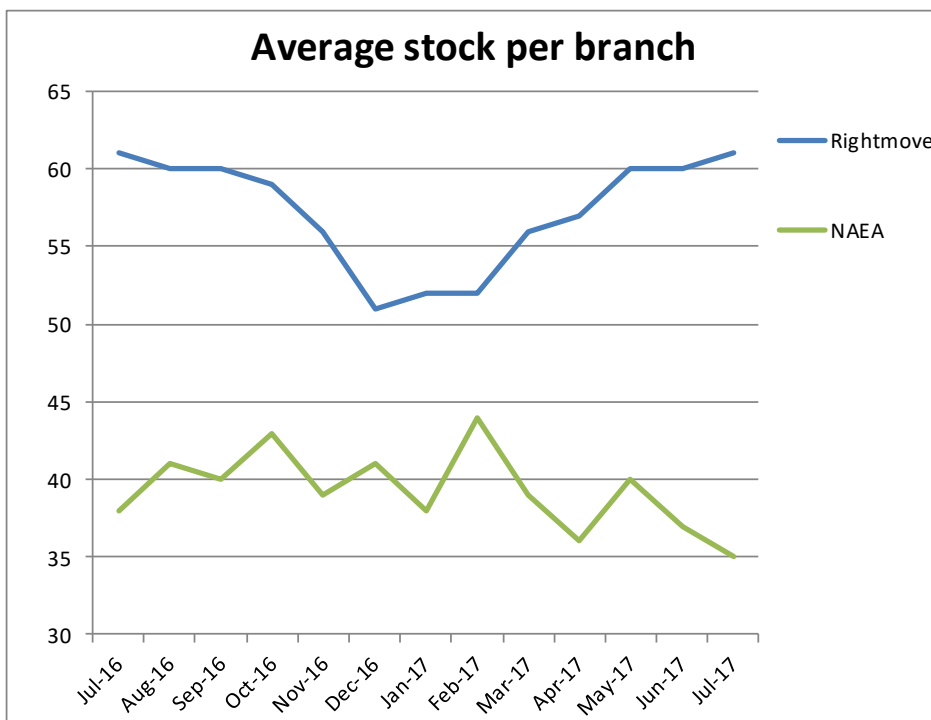
Bank of England

“At 68,689, house purchase approvals were stronger than recent months, returning to the levels seen at the beginning of the year. Approvals for remortgaging, at 46,231, were also stronger and have been on a slight upward trend.” (July 17)

UK Finance

“House purchase approvals of 41,587 in July were similar to the monthly average of 41,567 over the previous six months. This was 9% higher than in July 2016 when the market was markedly subdued after the EU referendum vote. Remortgaging approvals of 26,133 were up on the monthly average of 25,284 over the previous six months and 3% higher than in July 2016.” (July 17)

**Property demand and supply**



RICS

“New buyer enquiries were very slightly down compared with the previous month. This extends a run of reports in which buyer demand has failed to see any meaningful growth going back to November 2016. In keeping with this, newly agreed sales again declined (although only marginally), meaning this indicator has now been negative for five straight months. That said, reasonable growth in transactions has been reported in the South West over the last two months.

“A sustained deterioration in the flow of fresh listings coming onto the market continues to hamper activity, with new instructions dwindling for the seventeenth consecutive month during July. Consequently, average stock levels on estate agents’ books remain close to record lows, limiting choice for potential home buyers. The lack of stock is once again a dominant

*theme mentioned by contributors to be holding back the market (with political uncertainty also cited frequently).” (July 17)*

**Kate Faulkner comments on property transactions:**

*Of course property prices get all the headlines, but it's volumes that really matter. And, as we can see from the indices, the market is softening despite the historically low supply levels. This is partly due to demand falling post a recession 'boom' and partly because of some areas seeing affordability issues choke demand while others are lacking in new buy to let investment. A survey of franchise owners from Belvoir showed that new landlords and investors are not coming through at the same rate as before. However, the good news so far appears to be that existing landlords are not only staying in the market, but some are still actively continuing to grow their portfolios - despite the government squeeze.*

**Feature on Renting vs buying**

The general consensus is that it's cheaper to buy than it is to rent and, in many areas, this can be proven to be true, especially if you know how to play with the statistics or use averages!

However, the rhetoric around buying being cheaper than renting is surely one that, in the main, should be focused on the 'first time buyer' market. Should people continue to be tenants or should they get on the ladder? Does it matter which and what's the 'local market' break even when it's better to buy or rent?

Rather than just believing what we are told, I think that at a local level this is something that agents, be they letting or selling, should know and have worked examples, along with helping tenants on the ladder if that's what they ultimately want.

Having a good knowledge of the differences between renting and buying can bring two clear advantages to an agent:

**Increase business**

Currently many tenants think it's 'impossible' to buy – helping tenants on the ladder can help to generate more business while ensuring clients still get what they want.

**Increase trust and reputation**

Knowing what options are available, such as shared ownership; what's being 'built to rent' locally by large landlords and getting tenants access to 80% of market rent opportunities all helps to build a good reputation, especially from a trust perspective, as well as help to create new business with the 'corporate' world, not just local, one-off sales and lettings.

We've been working on regional property market reports and came up with the idea of comparing what the 'average' first time buyer spent on a property provided by the government's UK HPI, found out what type of property this budget would buy and then compared the rental costs.

Here are some of the examples I've done, but please do let us know your thoughts of what else I should include as I'd be very keen to see your comparisons, too:



## London

Based on average purchase for FTBs of £425,000 and an average rent of £1,400 a month for an equivalent property:

### Up-front costs to buy or rent a property:

	Buying a property	Renting a property
Deposit @ 5%	£15,937	£1,938
Mortgage/tenant fees	£1,000	£400
Stamp duty	£11,250	£0
Survey fees	£700	£0
Legal costs	£1,200	£0
<b>Total investment:</b>	<b>£30,087</b>	<b>£2,338</b>

### Annual running costs:

	Buying a property	Renting a property
Repayment mortgage @ 3% x 12 months	£20,426.76	£16,800
Council tax	£1,530	£1,530
Utility bills	£750	£750
Phone/TV packages	£600	£600
Contents insurance	£60	£60
Buildings insurance	£0	£0
Maintenance/service charge	£1,623	£0
<b>Total annual running cost:</b>	<b>£24,989.76</b>	<b>£19,740</b>

*Notes: Purchase deposit includes H2B Isa contribution and £831 rental deposit will be returned at the end of the tenancy if the property has been returned in good condition*

In the case of London the amount of cash required to purchase and then run the property annually is a lot lower – assuming zero or negative price growth.

Over the next five years, Savills estimate prices will grow by 11% and the repayment monies will start paying down the mortgage, increasing equity from day one, so over time it's likely that buying, with rates being so low, is still likely to be better in the long run as long as prices are still rising and mortgage rates low, but the 'actual' annual running costs are lower.

An 11% increase from £425,000 would mean additional equity of just over £46,750 while the additional running costs of an owned property during this time would be just over £26,000 but the FTB would also have to have saved 12x as much to put a roof over their head to cover deposit and buying costs.

Here are the same numbers for my neck of the woods:

## East Midlands

Based on average purchase for FTBs of £150,000 and an average rent of £600 a month for an equivalent property. Interestingly you don't even have to spend this much, many two bed properties could be bought for less than £100,000.

### Up-front costs to buy or rent a property:

	Buying a property	Renting a property
Deposit @ 5%	£5,625	£831
Mortgage/tenant fees	£1,000	£300
Stamp duty	£500	£0

Survey fees	£500	£0
Legal costs	£1,000	£0
<b>Total investment:</b>	<b>£8,625</b>	<b>£1,131</b>

#### Annual running costs:

	Buying a property	Renting a property
Repayment mortgage @ 3% x 12 months	£7,209.48	£7,200
Council tax	£1,440	£1,440
Utility bills	£1,500	£1,500
Phone/TV packages	£600	£600
Contents insurance	£125	£125
Buildings insurance	£167	£0
Maintenance	£1,000	£0
<b>Total annual running cost:</b>	<b>£12,041.48</b>	<b>£10,865</b>

*Notes: Purchase deposit includes H2B Isa contribution and £831 rental deposit will be returned at the end of the tenancy if the property has been returned in good condition*

Over the next five years, Savills estimate prices will grow by 14% in the region and the repayment monies will start paying down the mortgage, increasing equity from day one, so over time it's likely that buying, with mortgage rates being so low, is still likely to be better in the long run, but the 'actual' annual running costs are lower to rent.

A 14% increase from £150,000 would mean additional equity of just over £20,000 while the additional running costs of an owned property would be just under £6,000 but the FTB would also have to have saved 7x as much to put a roof over their head to cover deposit and buying costs.

What these figures suggest is that renting is not necessarily the 'dead money' it has been considered in the past and indeed in both of these cases, the amount of money spent on rent is not hugely different to the interest charged by the lender.

A lot of time and effort is spent making tenants miserable and even feel guilty that they are renting rather than buying. These figures show that renting can, from a financial perspective, be a very sensible option and it allows many tenants to rent a property they otherwise couldn't afford to buy.