UK property price update

February 2018

Property
checklists.co.uk

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 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

Rightmove

"Busy start to 2018 with increased home hunter activity"

NAEA Propertymark

"First time buyers capitalise on December housing slump"

RICS

"Momentum still soft to start the year"

Nationwide

"Unexpected pickup in annual price growth in January"

Halifax

"Annual house price growth slows to 2.2%"

LSL Acadata HPI

"House prices end the year up 0.2%"

Hometrack

"UK city house price inflation slows to 5.4%"

AVERAGE PRICE VARIATIONS

Average prices across the indices vary from mortgaged only prices from the Nationwide HPI *(Jan 18)* of £211,756, through to marketing prices *(ie not necessarily sold)* from Rightmove *(Jan 18)* of £297,587, a 40% difference. Average sold prices from the UK HPI stand at £243,339 *(Nov 17).*

UK, England and Wales data

	High	Low	Current Month Nov-17	Current Month Dec-17	Current Month Jan-18	Annual Change	Annual Average (05 - 17)		
Rightmove	£241,474	£213,570	£311,043	£302,865	£297,587	1.1%	3.5%	Asking prices	E & W
Nationwide	£184,131	£147,746	£209,988	£211,156	£211,756	3.2%	2.5%	Mortgaged only	UK
Halifax	£199,766	£157,767	£226,821	£225,021	£223,285	2.2%	2.4%	Mortgaged only , seasonally adjusted	UK
LSL Acadata HPI	£231,829	£197,145	£300,859	£300,846	n/a	0.2%	3.7%	Actual prices, includes cash sales	E & W
UK HPI	£194,764	£159,340	£243,339	n/a	n/a	5.3%	3.4%	Sold prices, includes cash sales and new builds	E

KATE FAULKNER COMMENTS ON THE NATIONAL MARKET

"It seems the days of double-digit price growth are over for the property market, for the moment at least. The historic price rises of 7-10% per annum haven't been seen at a national level since 2005 – 12 years ago – and currently annual increases are running at a fraction of previous levels, varying from 0.2% (LSL Acadata) through to 2-3% for mortgaged properties and 5.3% for the UK HPI. 'Average prices' from the indices continue to vary by 40%, with Nationwide having the lowest at just under £212,000 and asking prices from Rightmove are now back down to just under £300,000, lower than their November 2017 average of £311,000. This is all evidence that average property prices are not a great measure today of real property prices.

From a property transaction perspective, the outlook is weak. Although Rightmove are suggesting an uptick in those looking at property online, most of the indices are showing falls in deals – NAEA suggest "the number of sales agreed per estate agent branch fell to five – the lowest since December 2014" and RICS state "newly agreed sales also slipped, extending a run of negative readings for this indicator stretching back to last February".

So 2018 looks like a tough year transaction wise and in terms of capital growth, meaning the industry is going to have to work incredibly hard this year to achieve sales targets. Competition for business is likely to be high which in turn will put pressure on fees and, as I stated on the BBC 5 Live Investigates programme earlier in the month, excellent sales progression after the offer stage will be needed to hold chains together.

Country and regional summary

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 Nov 17/ Q3 17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in Nov 17/ Q3 17	Annual average increase since 2000	Highest yearly average increase since 2000	
								Date	% Increase
England	£194,764	£159,340	-18.19%	£243,339	25%	5.3%	7.2%	Jan-03	26.4%
Wales	£150,316	£123,104	-18.10%	£152,855	2%	4.5%	6.5%	Jul-04	33.4%
Scotland	£145,641	£120,994	-16.92%	£145,992	0%	3.6%	n/a	Feb-05	19.0%
Northern Ireland *(Q3)*	£224,670	£97,428	-56.64%	£132,169	-41%	6.0%	n/a	Q1 07	51.5%

Source: UK HPI

KATE FAULKNER COMMENTS ON COUNTRY DIFFERENCES

“It seems the days of double-digit price growth are over for the property market, for the moment at least. The historic price rises of 7-10% per annum haven’t been seen at a national level since 2005 – 12 years ago – and currently annual increases are running at a fraction of previous levels, varying from 0.2% (LSL Acadata) through to 2-3% for mortgaged properties and 5.3% for the UK HPI.

‘Average prices’ from the indices continue to vary by 40%, with Nationwide having the lowest at just under £212,000 and asking prices from Rightmove are now back down to just under £300,000, lower than their November 2017 average of £311,000. This is all evidence that average property prices are not a great measure today of real property prices.

From a property transaction perspective, the outlook is weak. Although Rightmove are suggesting an uptick in those looking at property online, most of the indices are showing falls in deals – NAEA suggest “the number of sales agreed per estate agent branch fell to five – the lowest since December 2014” and the RICS state “newly agreed sales also slipped, extending a run of negative readings for this indicator stretching back to last February”.

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 Nov-17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in Nov 17	Annual average increase since 2000	Highest yearly average increase since 2000 Date	% Increase
North East	£139,400	£117,079	-16.01%	£127,737	-8%	2.3%	6.0%	Jan-04	34.8%
North West	£152,427	£124,654	-18.22%	£159,066	4%	6.2%	6.9%	Jul-04	33.0%
Yorkshire & The Humber	£150,233	£123,833	-17.57%	£155,778	4%	3.0%	6.9%	Jun-04	29.3%
East Midlands	£159,537	£129,876	-18.59%	£185,047	16%	6.4%	7.1%	Feb-03	33.9%
West Midlands	£165,807	£136,966	-17.39%	£192,119	16%	7.2%	6.7%	Jan-03	29.5%
South West	£212,666	£171,356	-19.42%	£251,923	18%	6.2%	6.9%	Jan-03	29.8%
East	£209,624	£168,263	-19.73%	£289,731	38%	6.0%	7.5%	Jan-03	28.9%
South East	£238,670	£191,156	-19.91%	£325,270	36%	5.7%	6.9%	Jun-00	25.0%
London	£298,596	£245,351	-17.83%	£481,915	61%	2.3%	8.0%	Apr-00	28.3%

Source: UK HPI

Best and worst 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	9.4%	Newcastle upon Tyne	-0.8%	Bristol	41%	Belfast (Q3)	-42%
Milton Keynes	10.0%	Oxford	0.3%	Oxford	43%	Glasgow	-5%
Liverpool	10.8%	Bradford	1.4%	Reading	45%	Newcastle upon Tyne	-5%
Manchester	12.7%	London	2.3%	London	61%	Bradford	-4%
Cambridge	16.4%	Bournemouth	2.6%	Cambridge	63%	Liverpool	1%

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	%
Merton	10.1%	Kensington and Chelsea	-2.8%	Hackney	80%	Barking and Dagenham	48%
Greenwich	8.1%	Wandsworth	-3.2%	City of Westminster	78%	Hounslow	45%
Islington	7.7%	Brent	-3.4%	Waltham Forest	77%	Hammersmith and Fulham	43%

Source: UK HPI

RICS

"The price gauge in London remains comfortably in negative territory, while falling prices were also reported across the South East, East Anglia and the North East (albeit all to a much lesser extent than in capital). Conversely, the North West of England, Northern Ireland and Wales posted the strongest price growth (in net balance terms) compared to all other parts of the UK." (Jan 18)

continued...

LSL Acadata HPI

"London is the first region in England & Wales to see annual prices fall. It continues to be the top of the market in London that suffers most: the City of Westminster (down 19.4% annually), Hammersmith and Fulham (down 13.6%) and Wandsworth (down 12.1%), all in the top seven most expensive boroughs, are among those to have seen double digit falls over the year. Kensington and Chelsea, still the most expensive borough with average prices of £1,837,077, only just escapes the same fate, with prices down 9.3%. Only Southwark, where prices fell 21.1%, performed worse, but prices in the mid-market overall in London held up better: the middle 11 of London's 33 boroughs saw average prices fall 2.6% over the year, compared to 5% for the top third. The cheapest 11 boroughs still managed a modest rise in prices (up 0.2%), despite falls of 8.6% in Newham and 6.8% in Greenwich. London-wide the average price was £587,640 at the end of November, down from £612,875 a year before.

"Not only are other regions continuing to see strong annual growth, principally the South West and North West, up 5.3% and 3.9%, respectively. Growth in Wales continues steady at 3.6%, meanwhile, and the West Midlands (3.3%) and East Midlands (3%) also continue to show performance growth. So far, ripples from the slowdown in London have only really reached the South East, where annual growth has slowed to 1%. Whether the decline in annual growth in the East of England to 2.7% is a sign of the slowdown spreading will become clearer in the coming months." (Jan 18)

Hometrack

"Edinburgh remains the fastest growing city (+8.2%) followed by Birmingham, Glasgow and Manchester where average prices are rising at over 7% per annum. House prices are falling in nominal terms across three cities - Oxford, Cambridge and Aberdeen - a result of weakening demand, affordability and economic factors." (Dec 17)

Edinburgh remains the fastest growing city, according to Hometrack

Image: © Peter Spirer | Dreamstime.com

Current versus historic price movements

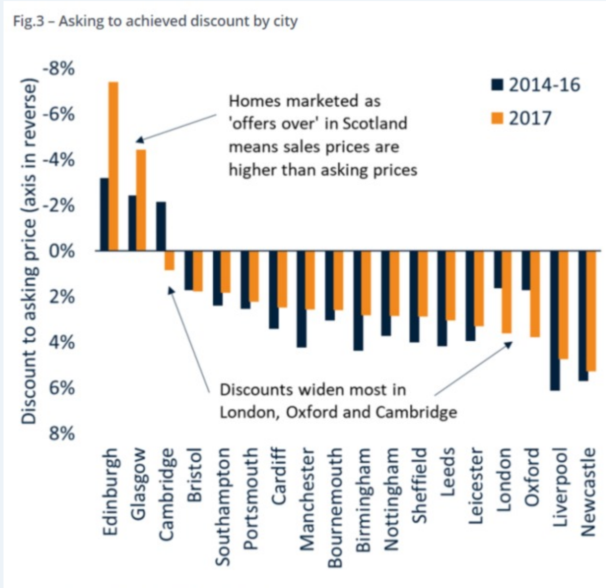
Property Prices Towns/Cities *England, Wales, Scotland & NI*	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Nov 17/ Q3 17	How much higher/ lower are latest prices vs height in 2007/8	Year on year change in price in Nov 17/ Q3 17	Annual average increase	Highest yearly average increase since 2000 Date	% Increase
Belfast *(Q3)*	£213,626	£87,890	-58.86%	£123,409	-42%	3.9%	n/a	Q1 07	57.1%
Glasgow	£130,473	£104,370	-20.01%	£123,812	-5%	6.6%	n/a	Jan-05	19.2%
Newcastle upon Tyne	£164,935	£134,016	-18.75%	£156,594	-5%	-0.8%	6.1%	Feb-04	39.2%
Bradford	£139,640	£115,089	-17.58%	£134,185	-4%	1.4%	6.5%	Sep-04	36.5%
Liverpool	£130,249	£106,826	-17.98%	£131,707	1%	10.8%	6.9%	Jul-04	59.0%
Leeds	£161,439	£130,128	-19.39%	£174,625	8%	3.8%	7.0%	Apr-03	30.7%
Edinburgh	£225,750	£183,029	-18.92%	£246,508	9%	8.0%	n/a	May-07	17.3%
Sheffield	£144,875	£120,193	-17.04%	£160,974	11%	8.1%	7.1%	Sep-04	31.9%
Lincoln	£128,707	£106,017	-17.63%	£147,901	15%	3.4%	7.6%	Feb-03	38.0%
Bournemouth	£206,227	£163,937	-20.51%	£237,113	15%	2.6%	6.4%	Apr-03	32.5%
Cardiff	£170,496	£139,651	-18.09%	£198,649	17%	4.7%	6.8%	May-03	30.7%
Nottingham	£119,010	£93,696	-21.27%	£138,937	17%	9.4%	6.8%	Mar-03	37.9%
Peterborough	£156,264	£123,752	-20.81%	£183,499	17%	6.0%	7.2%	Dec-02	30.2%
Birmingham	£148,578	£122,773	-17.37%	£177,728	20%	7.8%	6.8%	Feb-03	36.4%
Norwich	£166,498	£123,698	-25.71%	£199,491	20%	3.4%	7.7%	Oct-02	37.9%
Leicester	£135,317	£110,071	-18.66%	£162,937	20%	7.2%	7.8%	Mar-03	35.4%
Portsmouth	£169,633	£130,868	-22.85%	£206,329	22%	6.8%	6.7%	Mar-03	29.1%
Southampton	£168,795	£134,665	-20.22%	£210,291	25%	5.7%	6.7%	Apr-03	29.7%
Manchester	£140,431	£111,679	-20.47%	£175,312	25%	12.7%	9.1%	Jun-04	34.9%
Milton Keynes	£194,666	£147,827	-24.06%	£269,657	39%	10.0%	7.9%	Feb-03	32.0%
Brighton and Hove	£257,108	£202,054	-21.41%	£360,673	40%	5.1%	8.0%	Jul-00	35.4%
Bristol	£195,196	£153,648	-21.29%	£275,558	41%	6.2%	8.2%	Apr-03	29.7%
Oxford	£289,855	£223,319	-22.95%	£414,612	43%	0.3%	7.3%	Jun-00	29.5%
Reading	£216,724	£176,087	-18.75%	£313,620	45%	4.6%	6.8%	Jun-00	35.9%
London	£298,596	£245,351	-17.83%	£481,915	61%	2.3%	8.0%	Apr-00	28.3%
Cambridge	£283,241	£224,469	-20.75%	£461,890	63%	16.4%	8.5%	May-00	27.5%

Source: UK HPI

KATE FAULKNER COMMENTS REGIONAL CITY/TOWN DIFFERENCES

“The Land Registry figures show that house price growth at a regional/town level continues to be incredibly diverse. We are still seeing a ‘ripple effect’ where London has grown by 63% since the previous height and this growth has spread out to the South East, with the likes of Brighton and Hove growing 40% in comparison.

By the time we get to the Midlands, this strong growth seems to stop – although there is a ‘ripple’ of growth, it’s at a third to half the level of London, only just tipping into double-digit price growth on an annual basis.



Source: ZPG / Zoopla / HMLR / ROS / Hometrack

Source: Hometrack

Then when we get to the so-called ‘Northern Powerhouse’, price growth does exist, but only just enough to return property prices to their 2007 heights, with areas such as Bradford, Glasgow and Belfast struggling to recover even a decade later. Now that London is seeing a ‘reverse ripple’ effect and most indices are seeing falls in prices due to a lack of demand, the big question is whether this slowdown will start to spread to the South East, then up to the Midlands.

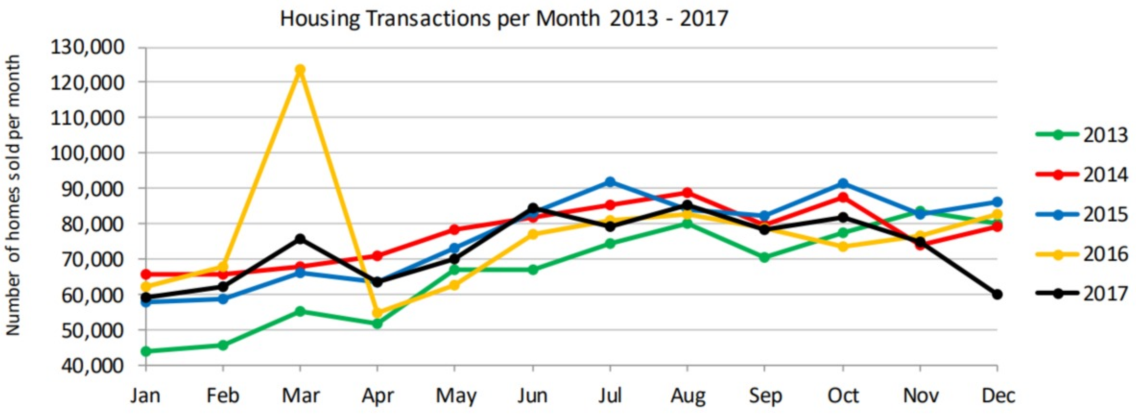
Hometrack appear to have the answer to this and the good news is that it’s a resounding ‘no’, bar London. Now owned by the Zoopla group, their “analysis of ZPG listings data reveals how underlying market conditions continue to improve across cities outside south eastern England.”

What’s critical to knowing if prices are going to rise/fall is understanding the level of discounts sellers are willing (and able) to accept and, according to Hometrack, “the discounts sellers are accepting to achieve a sale are shrinking”. For example, their data shows that “the average discount over 2014-2016 was 3.2% which has reduced to 2.9% in 2017 across England. A different system for selling homes in Scotland means sales prices are higher than listings prices (see chart, above left)”.

London, however, is seeing the opposite with “increased levels of discounting. In 2014, when the rate of house price growth was almost 20% per annum, the average discount to asking price was just 0.5%. Weaker, price sensitive demand has seen the discount widen to an average of 4% with the largest discounts of up to 10% being registered in inner London where price falls are most concentrated”. Having said that, with prices here growing from 40-80%, depending on the borough, even selling at a 10% discount will still make a good profit for people who have owned their property for five or more years, and they may even be able to get a bargain if trading upwards.

Country and regional 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	Oct - Dec			Oct - Dec	
	2015	2016	2017	2015/17	2016/17
NORTH EAST	8,679	7,557	8,431	-3%	12%
NORTH WEST	26,951	24,100	25,832	-4%	7%
YORKS & HUMBERSIDE	20,387	17,742	19,219	-6%	8%
EAST MIDLANDS	20,379	18,136	18,178	-11%	0%
WEST MIDLANDS	20,786	18,470	19,155	-8%	4%
EAST OF ENGLAND	27,884	22,632	22,207	-20%	-2%
GREATER LONDON	26,656	18,950	18,627	-30%	-2%
SOUTH EAST	41,250	31,815	32,625	-21%	3%
SOUTH WEST	26,353	22,212	23,564	-11%	6%
ENGLAND	219,325	181,614	187,838	-14%	3%
WALES	11,102	10,615	11,321	2%	7%
ENGLAND & WALES	230,427	192,229	199,159	-14%	4%

Source: LSL Acadata HPI

NAEA Propertymark

"Overall, demand for housing fell by 20 per cent in December, with 268 prospective home-owners registered per member branch, down from 333 in November. Echoing this, the number of sales agreed per estate agent branch fell to five – the lowest since December 2014 when there were also five agreed, and down from seven in November. However, FTBs took it upon themselves to take advantage of the quieter month, as the percentage of sales made to the group increased to 32 per cent. This is the highest rate seen since September 2016 when it stood at 32 per cent again, and up from 27 per cent in November." (Dec 17)

Bank of England

"Mortgage approvals decreased in December, with falls for both house purchase and remortgaging approvals. House purchase approvals were the weakest since January 2015 at 61,039 and remortgaging approvals fell to 46,475, following strength in October and November." (Dec 17)

continued...

Nationwide

"Mortgage approvals declined to their weakest level for three years in December, at just 61,000. Activity around the year end can often be volatile, but the weak reading comes off the back of subdued activity in October and November (monthly approvals were around 65,000 per month compared to an average of 67,000 over the previous twelve months). There are few signs of an imminent pickup, as surveyors report that new buyer enquiries have remained soft in recent months.

"Activity has been subdued on both the demand and supply side of the market. The flow of properties coming onto estate agents' books has been more of trickle than a torrent for some time now and the lack of supply is likely to be the key factor providing support to house prices." (Jan 18)

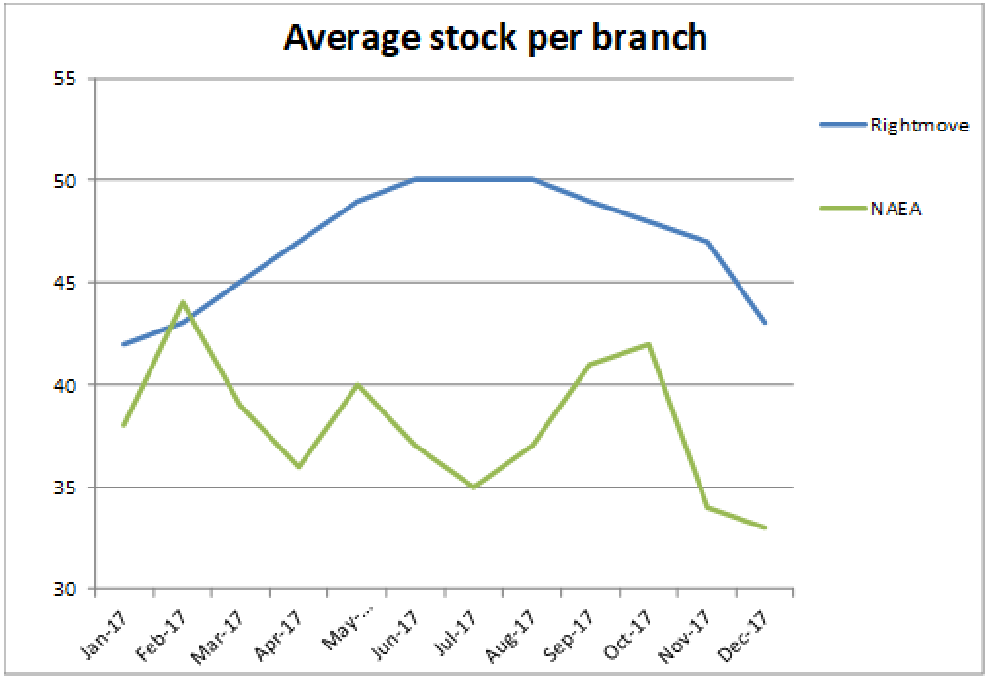
LSL Acadata HPI

"We estimate the number of housing transactions in December 2017 in England & Wales at 60,000, based on Land Registry numbers. This is down by 20% on November's total, which goes against the seasonal trend of the last twenty years where a 1% increase is the 'norm' at this time of year. We would however caution that there is considerable uncertainty as to the accuracy of this month's total, and we will need to cross-reference with other sources before analysing the causes of such a decline." (Jan 18)

Nationwide says activity has been subdued on both the supply and demand side of the market.

Image: © Ian Allenden | Dreamstime.com

Instructions and enquiries



RICS

"For a tenth month in succession, new buyer enquiries declined at the headline level, with a net balance of -11% of respondents reporting a fall. Similarly, newly agreed sales also slipped, extending a run of negative readings for this indicator stretching back to last February. Going forward, a relatively stable sales trend is expected to emerge in the near term, while respondents envisage sales picking up over the next twelve months as a whole. The lack of new instructions coming to market continues to impede activity and this has shown no sign of turning in recent months.

"Unsurprisingly, the average number of properties on estate agents' books continued to slip back towards the record low levels seen around the middle of last year. The pipeline for instructions going forward does not appear to be much stronger either, with 10% more respondents noting the number of valuations undertaken over the month was below the equivalent period of last year." (Jan 18)

KATE FAULKNER COMMENTS ON PROPERTY TRANSACTIONS. DEMAND AND SUPPLY

"Stock continues to tighten while new buyer enquiries are falling, too, suggesting transactions will slip this year. From an agent perspective, particularly for those who only charge when they sell, it's imperative to focus on securing listings which buyers exist for. Listing properties which no-one is looking for, especially if the seller is unrealistic about the price which can be achieved, is likely to incur unnecessary costs. Indications are that first-time buyers will be the main purchasers this year – with NAEA suggesting the percentage of sales to this group increased to 32%, up from 27% in November. It will be also essential to try to get deals through quickly to reduce the likelihood of expensive fall throughs. The good news is that NAEA research suggests sales are going through faster, but still a proportion are taking around 17 weeks, which is a long time to wait for payment.

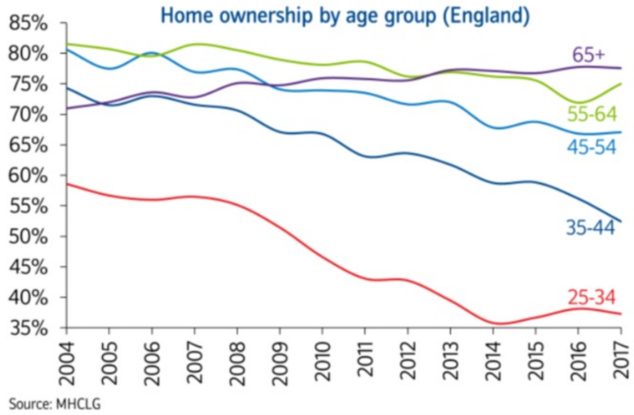
Have we reached a new level of home ownership?

The government's latest English Housing Survey shows it is possible that the fall in home ownership has now abated. According to Nationwide analysis:

> *"home ownership rate remained broadly stable in 2017 at 62.6% (compared with 62.9% in 2016). Nonetheless, this is similar to the rate seen in the mid-1980s and down from a peak of 70.9% in 2003".*

In the main, the fall in home ownership has been put down to a 'lack of affordability'. Although it might be, I am amazed that no-one is highlighting two key issues that no-one seems to be researching:

1. The rise in home ownership from the mid-1980s was mostly artificially driven upwards due to the government sale of 2million council houses;
2. The chart from Nationwide clearly shows that the main trend of falling home ownership has happened since 2007/8, when we lost around 50% of buyers due to the recession, with falls in every single age group, apart from the over 65s.



Source: Nationwide

What is possible from the chart is that the younger age groups seem to have been far more spooked by the recession than those who are likely to have experienced the 1990s recession and recovery.

It is interesting that BBC research has shown that, when you take inflation into account, prices today are lower than they were 10 years ago in 58% of wards. On top of this, the number of first-time buyers has fallen even in areas like the North East where we haven't seen any real price growth since the credit crunch.

With stamp duty cut for first-time buyers, this year it will be interesting to see if this was really the barrier to home ownership many people have claimed. And, with prices not rising so rapidly – allowing first-time buyers to take their time while interest rates are still low (for the time being) – will this get the 25-44 age group back into home ownership?

Or is the reality that renting is easier and more economical in the short term than buying?

The reason we need to address this 'unknown' is to make sure that we tackle the real reasons 20 and 30-somethings are not getting on the ladder, rather than assuming it's down to affordability.

Without knowing this for sure, as an industry, we could well be driving people into continued renting rather than getting them on the ladder which in my view is an unforgiveable way to treat the next generation of would-be home owners.

How can Kate Faulkner and Propertychecklists.co.uk help you?

FOR MEDIA PROFESSIONALS

If you need Kate to appear on TV, radio or for general comment, please contact directly:

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

FOR CONSUMERS

If you have a consumer query about a property decision or project, please email **enquiries@designsonproperty.co.uk** or telephone 01652 641722