

UK Housing Market Update



Tentative signs of strength for both values and activity levels

UK house prices rose by 0.5% in November according to Nationwide. This was the highest monthly rise of the year so far, and puts prices 0.8% above the same time last year. This is slightly above our recently updated forecast for 2019 of 0.5% growth. Our updated 5-year forecasts are in the table on page 3, with more detail in our forecasts report here: sav.li/fv6.

Alongside this modest value growth, we are also seeing hints in the latest data that the falls in activity levels are slowing. Figures from HMRC show that while transaction volumes continue to slide, October had seen the smallest annual fall since Aug-18, of only 0.6%. Land Registry figures showed the smallest fall of the year in September. It remains to be seen whether this will become a trend of recovering activity. Surveyors continue to report falling activity in the RICS Survey, but with instructions falling faster than enquiries there is no downward pressure on prices.

The longer term outlook for house prices has weakened however. Oxford Economics has downgraded its long-term GDP forecast from 1.7% to 1.4% per year between 2020 and 2030. This shift is based on the expectation of a looser relationship with the EU and lower levels of trade, along with an ageing and less productive population. This lower GDP forecast will restrict household income growth, which will in turn limit long term house price growth.

Scotland has led the way in annual house price growth, containing the three top performers of Angus, East Ayrshire and Clackmannanshire, each seeing growth of 10.8%, 10.2% and 10.1% respectively. The weakest performers were Hackney, Chiltern and Watford, which each saw falls of 5.4%, 5.2% and 4.8% respectively. Greater London as a whole saw some modest house price growth over the summer, according to our analysis of HMLR data. But this contradicts figures from Nationwide. Some headlines suggest that the London market has bottomed out, but we think that is too early to call.

Annual rental growth was at 1.3% for the UK in October. It was the highest in the East Midlands at 1.9%, and lowest in the North East at 0.4%. There remains a far greater demand from tenants than supply from landlords, an imbalance that is now at its highest level since Q2 2011, according to the RICS survey. This imbalance will underpin further rental growth.

Figure 1 – Average price versus 2007/8 peak, Sep-19

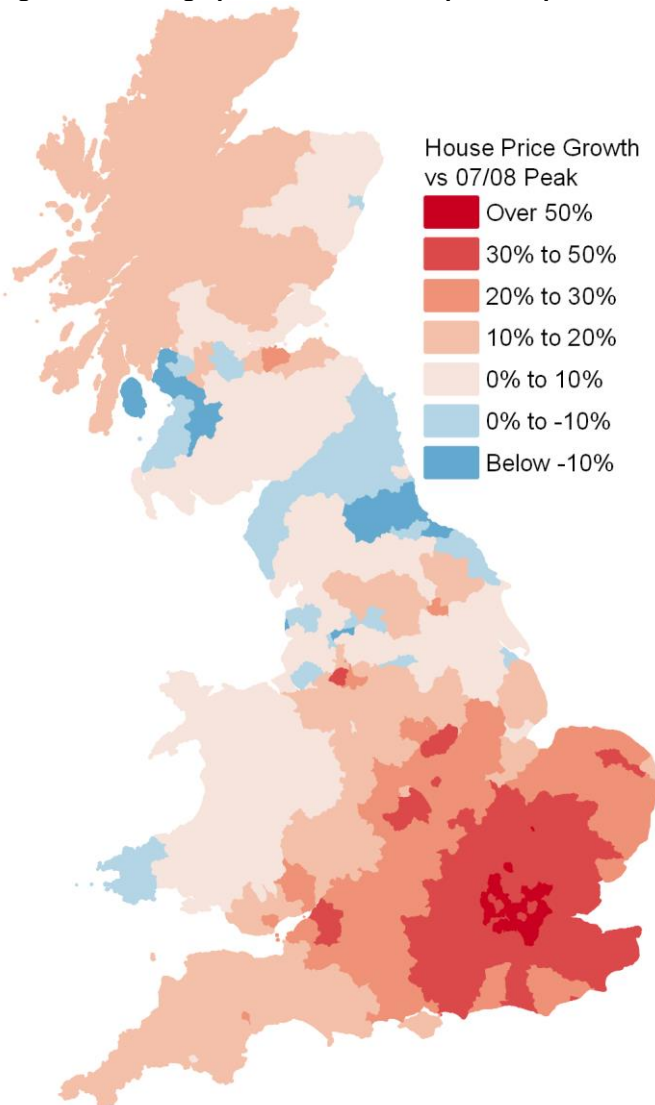
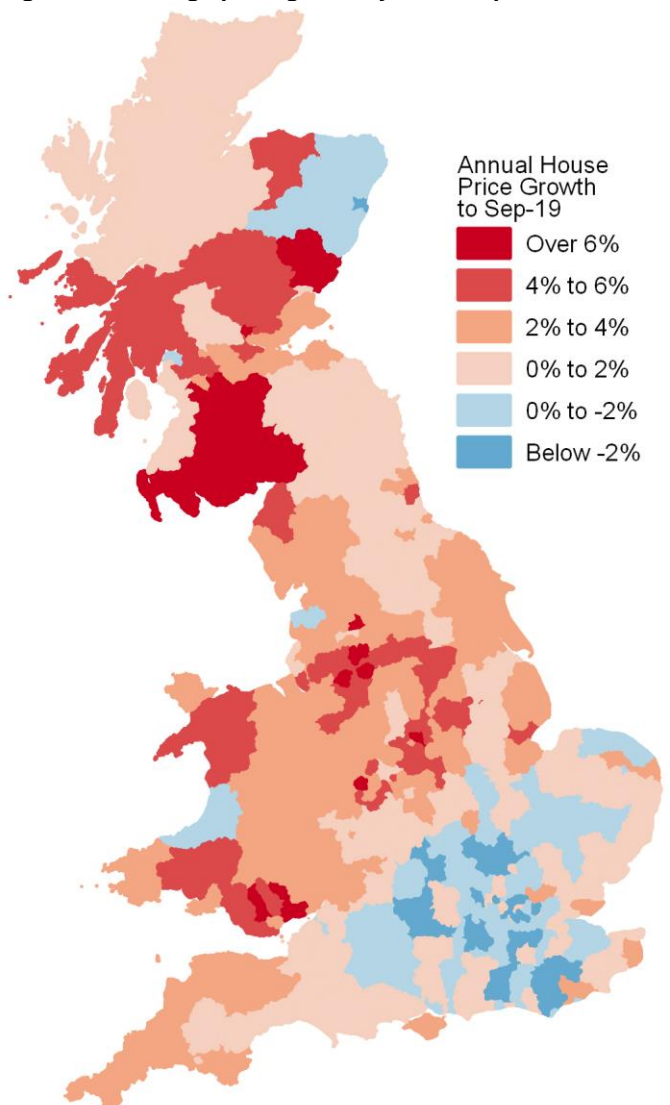


Figure 2 – Average price growth, year to Sep-19



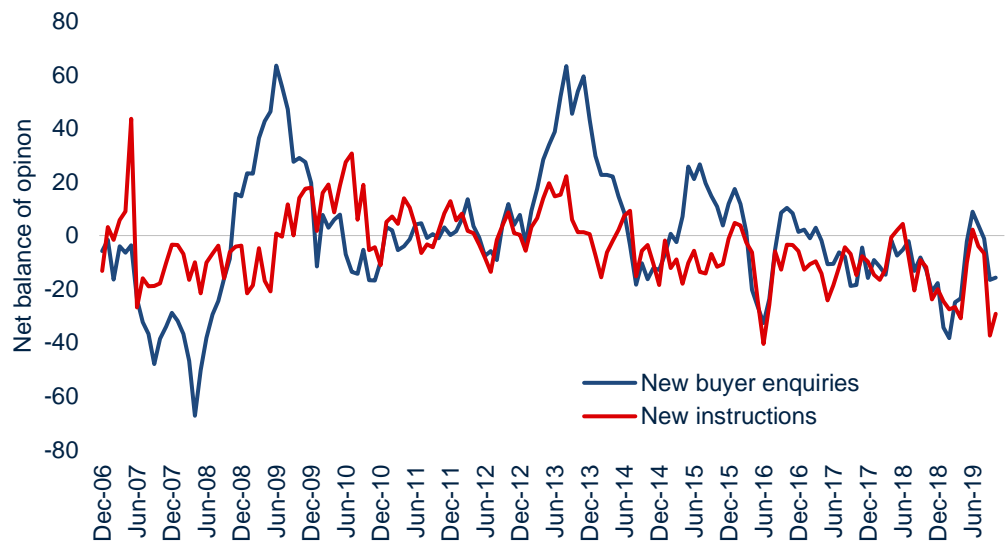


The October RICS survey showed a majority of surveyors continuing to report falling levels of both new buyer enquiries and new instructions.

The gap between instructions and enquiries has also remained, suggesting that supply is falling faster than demand. This will help maintain prices at their current level, despite the low levels of activity.

Confidence levels are likely to remain susceptible to political and economic uncertainty, particularly around election dates and Brexit deadlines.

Figure 3 – Majority of surveyors continue to see falling levels of activity



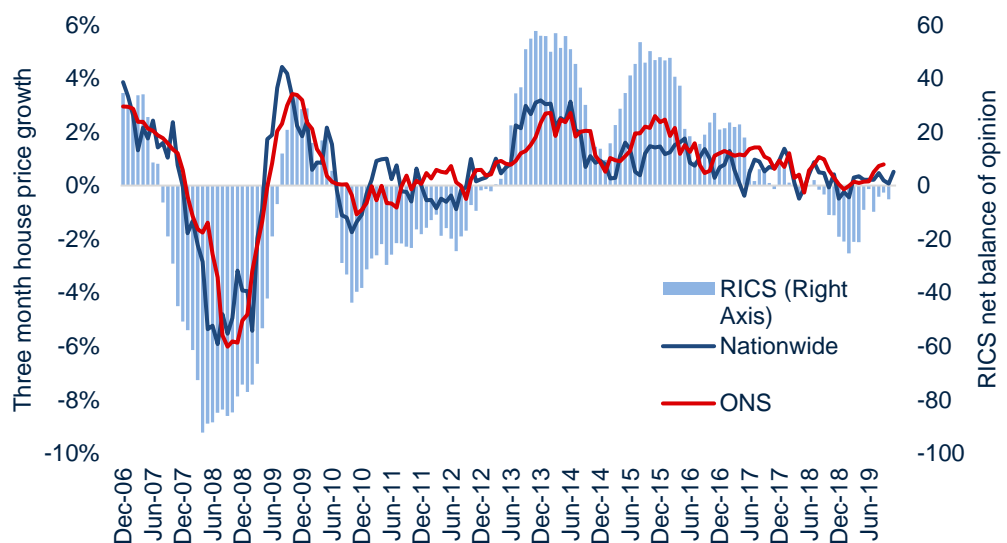
Source: RICS (seasonally adjusted)

The RICS Survey has, at times, been a good forward indicator of house price movements, which are later picked up by the indices.

The RICS survey for October shows a slim majority of surveyors are reporting price falls.

The ONS and Nationwide index both show marginal positive three month growth of 0.8% and 0.5% respectively.

Figure 4 – All three metrics report broadly flat price growth



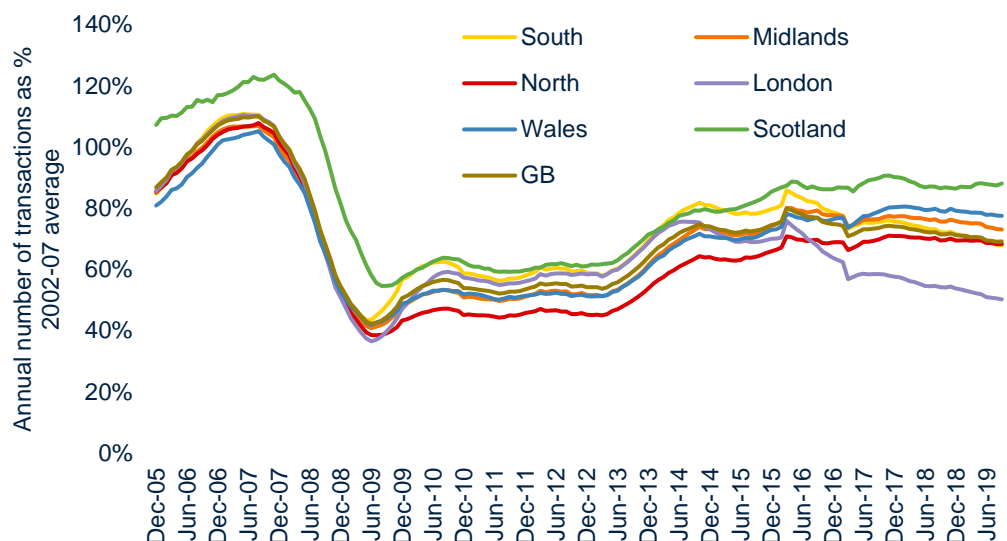
Source: RICS, Nationwide, ONS

The annual number of transactions continues to slide downwards, according to HM Land Registry. They fell 3.2% in September, the smallest fall of the year.

The largest annual fall was in London, down 7.4%, while the only area to see rising transactions was Scotland, up 1.7%.

The slightly more up to date HM Revenue & Customs figures imply a slowing in the rate of falls in October. We need a few more months of data to see whether this data point turns into a trend.

Figure 5 – Transactions trend remains downwards, but with hints of slowing



Source: Savills using HM Land Registry (adjusted for count lag) and Registers of Scotland

Recent house price growth

	Nationwide (to Sep-19 for regions, to Nov-19 for UK)			ONS (to Sep-19)			Savills (to Sep-19)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.5%	0.3%	0.8%	0.2%	0.8%	1.2%	0.5%	1.2%	1.4%
London	-	-0.5%	-1.7%	0.3%	0.6%	-0.4%	0.6%	1.2%	-1.7%
South East	-	0.6%	-0.6%	1.2%	1.5%	0.6%	0.3%	0.7%	-0.9%
East of England	-	1.0%	1.7%	-0.1%	-0.1%	-0.2%	0.3%	0.6%	0.2%
South West	-	0.0%	0.5%	0.2%	1.0%	0.5%	0.3%	0.8%	1.1%
East Midlands	-	0.1%	0.4%	-0.9%	0.1%	0.1%	0.4%	1.1%	2.8%
West Midlands	-	0.5%	2.1%	0.2%	1.4%	1.6%	0.4%	1.0%	2.8%
North East	-	-0.6%	2.1%	0.8%	2.4%	1.9%	0.8%	1.9%	1.8%
Yorks & Humber	-	0.3%	0.1%	0.4%	1.0%	2.2%	0.3%	1.6%	3.1%
North West	-	2.2%	2.4%	0.2%	1.6%	3.0%	0.6%	1.6%	3.9%
Wales	-	-0.4%	3.0%	-2.2%	0.4%	2.6%	0.4%	1.6%	4.9%
Scotland	-	0.5%	0.8%	0.8%	1.3%	2.4%	0.3%	1.5%	3.4%

Source: Savills using HM Land Registry and Registers of Scotland*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Five year house price forecasts (first published November 2019)

	2020	2021	2022	2023	2024	5-year
UK	1.0%	4.5%	3.0%	3.0%	3.0%	15.3%
London	-2.0%	1.5%	1.0%	1.0%	2.5%	4.0%
South East	0.0%	3.0%	2.5%	2.5%	2.5%	10.9%
East of England	0.0%	3.0%	2.5%	2.5%	2.5%	10.9%
South West	0.5%	4.0%	3.0%	2.5%	2.5%	13.1%
East Midlands	3.0%	5.0%	3.0%	3.0%	3.0%	18.2%
West Midlands	3.0%	5.0%	3.0%	3.0%	3.0%	18.2%
North East	1.5%	5.0%	4.0%	4.0%	4.0%	19.9%
Yorks & Humber	2.0%	6.0%	4.0%	4.0%	4.0%	21.6%
North West	2.5%	6.5%	4.5%	4.5%	4.0%	24.0%
Scotland	2.0%	6.0%	3.5%	3.5%	3.5%	19.9%
Wales	2.0%	6.0%	3.0%	3.0%	3.0%	18.1%

Source: Savills

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*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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