

UK Housing Market Update



Uncertainty continues to dampen market sentiment

House prices rose by 0.2% in March, according to Nationwide. Longer term growth has been largely flat, with values only up 0.2% since January 2018. The regional picture showed the strength to be in the North and the Midlands, with the North West, East Midlands and Scotland seeing annual growth of 2.9%, 2.6% and 2.5% respectively. London showed the greatest fall, down 3.9% on the same time last year.

Transactions volumes have also been lacklustre, with the monthly figure flat, leaving transactions down 3.8% on last year. This is reflected in the RICS Survey, which has maintained its downward trend in both new instructions and enquires. This indicates that buyer confidence is low, a likely consequence of the continued Brexit-related uncertainty. We may see more certainty emerge next week, as the 12th April deadline approaches. The spectrum of scenarios from deal to no deal, or an extension of Article 50, will all have different short and longer term effects on market sentiment. Continuing shorter term delays are likely to hold confidence at its current low level.

The wider economy has remained relatively strong, and with reduced uncertainty we could see some of this strength providing a driver for both price growth and increased transactional activity in the housing market, albeit with the greatest headroom in more affordable areas, generally further from the capital. Wage growth has been positive and the minimum wage rose to £8.21 per hour on 1st April, up 4.9%. Employment levels have also continued to increase and are currently the highest level they have been at since 1971.

House prices increased most in southern Wales again in the year to January, with the low value markets of Blaenau Gwent, Torfaen and Newport seeing annual growth of 13%, 12% and 10% respectively. The weakest performing areas were City of Westminster, Aberdeen and the London Borough of Camden, seeing annual falls of 9%, 6% and 5% respectively.

Annual rental growth for the UK rose slightly to 1.1%, according to the ONS. It was strongest in the East Midlands at 2.4%, and the weakest in London at up 0.3% annually.

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

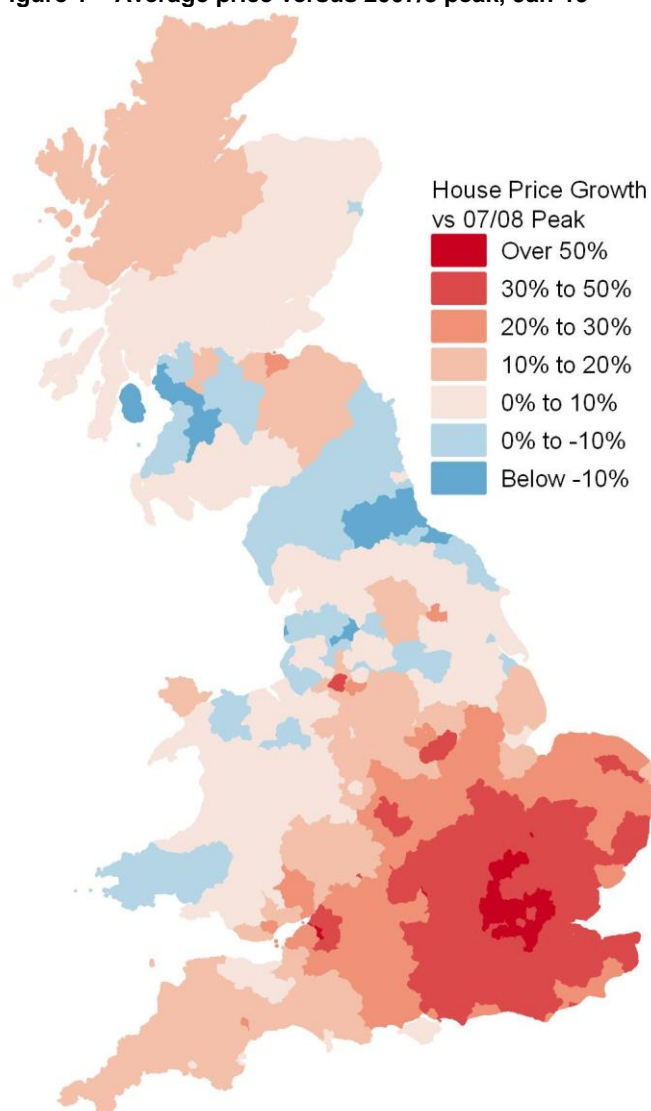
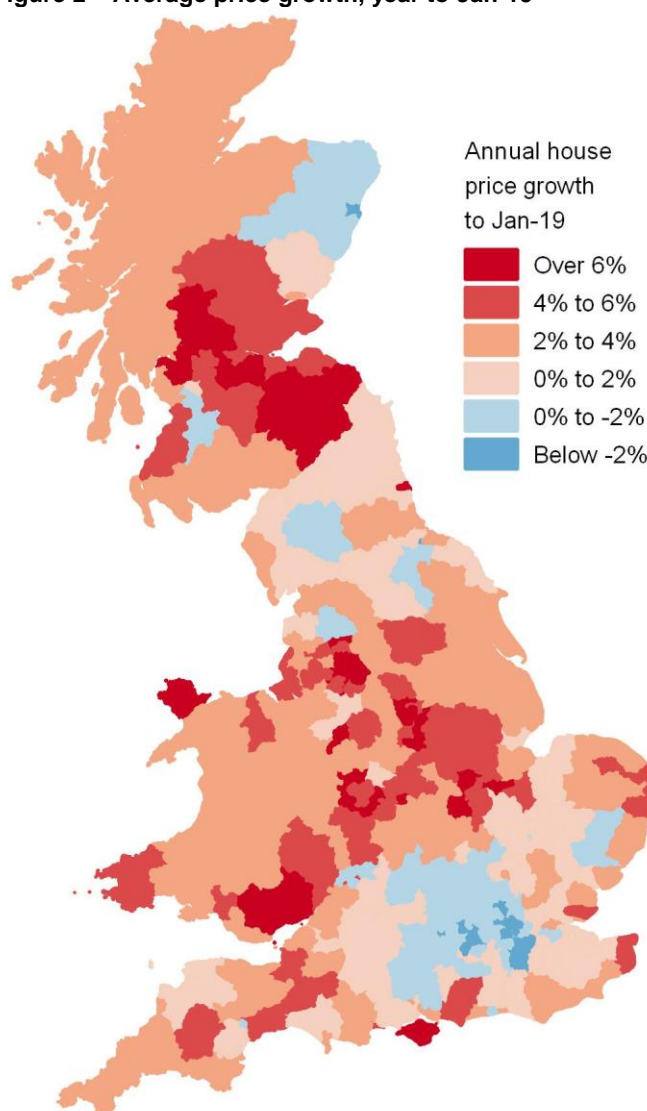


Figure 2 – Average price growth, year to Jan-19

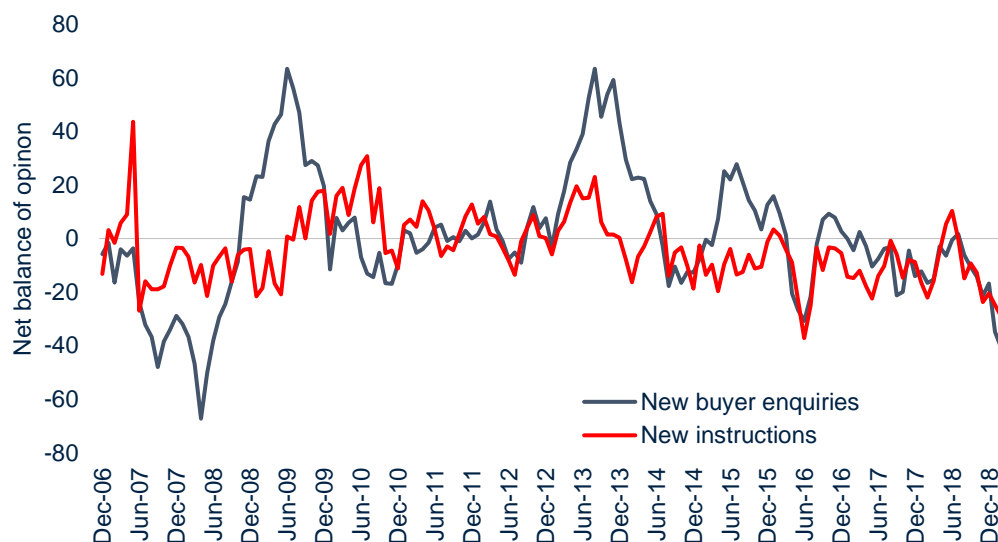


The RICS Sentiment Survey has been recording falls in reports of new enquires and buyers since June last year.

These falls have continued, with new buyer enquires now the lowest they've been since March 2008.

Since January more than double the number of surveyors have reported falling numbers of new enquiries than rising numbers. This was last the case in 2008

Figure 3 – Activity sentiment continues to decline



Source: RICS (seasonally adjusted)

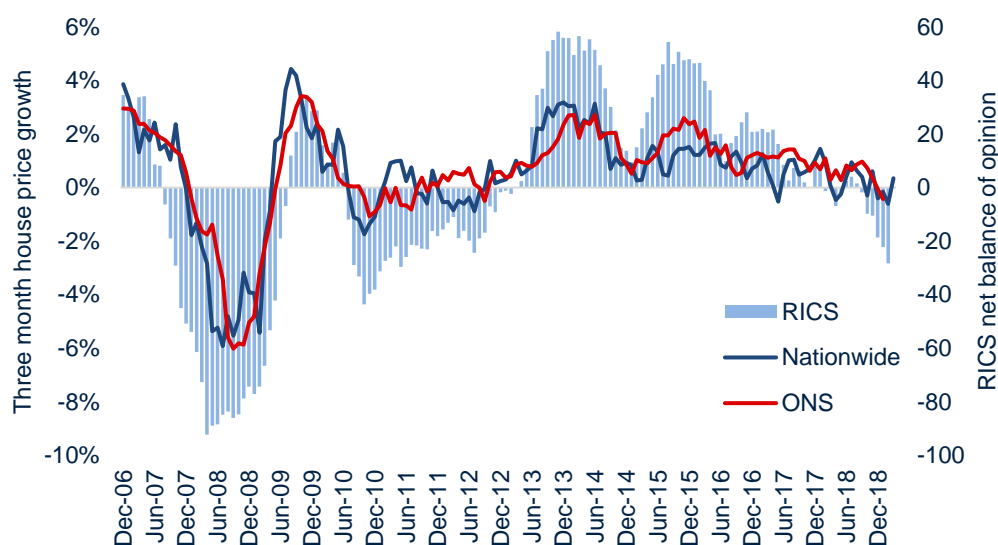
The RICS Survey has, at times, been a good forward indicator of house price movements, which are later picked up by the indices.

The majority of surveyors are continuing to report price falls.

The 3 month price growth in the Nationwide index has shown a small jump, but this is mostly a consequence of the particularly poor performance in December.

Due to the volatility in this dataset, it remains to be seen if this is part of a trend, or part of the regular variation.

Figure 4 – Strength from Nationwide fails to reflect in other indices

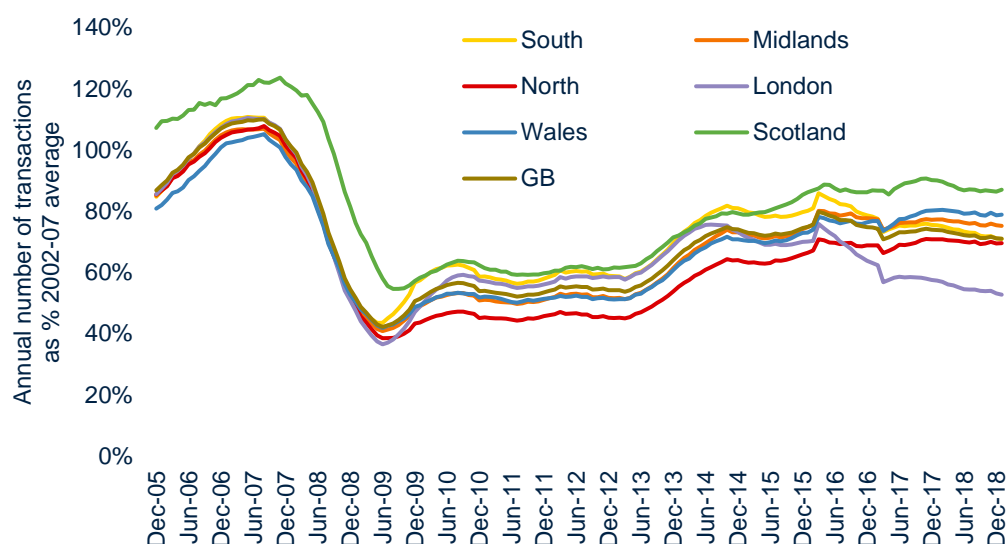


Source: RICS, Nationwide, ONS

Transactions have continued a slow decline, with transactions across Great Britain down 3.8% in the year to January 2019 compared to the same month last year.

The greatest annual falls remained in London, down 8.1%, while the North has seen relatively consistent transaction levels, down only 1.5% over the year.

Figure 5 – Transactions continue a slow downward trend



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

Recent house price growth

	Nationwide (to Mar-19)			ONS (to Jan-19)			Savills (to Jan-19)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.2%	-0.1%	0.4%	-0.2%	-0.3%	1.7%	-0.1%	0.2%	2.3%
London	-	-1.5%	-3.9%	-0.6%	-1.6%	-1.6%	-0.5%	-1.1%	-2.2%
South East	-	-0.5%	-1.2%	-0.3%	-0.4%	0.1%	-0.2%	-0.4%	0.8%
East of England	-	0.4%	1.7%	-0.5%	-0.6%	-0.2%	-0.1%	0.2%	1.7%
South West	-	-0.8%	0.5%	-1.5%	-0.7%	0.5%	-0.1%	0.4%	2.7%
East Midlands	-	-0.2%	2.6%	1.0%	1.6%	4.4%	0.1%	0.9%	4.5%
West Midlands	-	0.7%	2.4%	-0.7%	0.1%	4.0%	0.0%	1.0%	4.8%
North East	-	2.1%	0.8%	-0.4%	-1.4%	0.9%	-0.4%	-0.1%	1.5%
Yorks & Humber	-	0.4%	2.0%	0.7%	0.2%	2.9%	-0.1%	0.6%	3.4%
North West	-	1.1%	2.9%	-0.2%	-0.6%	3.4%	0.1%	0.8%	4.0%
Wales	-	-1.1%	0.7%	-0.4%	0.9%	4.7%	0.3%	1.3%	5.6%
Scotland	-	0.6%	2.5%	0.2%	-0.6%	1.3%	-0.1%	0.4%	4.2%

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

Five year forecasts (first published November 2018)

	2019	2020	2021	2022	2023	5-year
UK	1.5%	4.0%	3.0%	2.5%	3.0%	14.8%
London	-2.0%	0.0%	2.5%	1.5%	2.5%	4.5%
South East	0.0%	2.0%	2.5%	2.0%	2.5%	9.3%
East of England	0.0%	2.0%	2.5%	2.0%	2.5%	9.3%
South West	0.5%	3.5%	2.5%	2.5%	3.0%	12.6%
East Midlands	3.0%	5.0%	3.5%	3.0%	3.5%	19.3%
West Midlands	3.0%	5.0%	3.5%	3.0%	3.5%	19.3%
North East	2.0%	5.0%	3.5%	2.5%	3.5%	17.6%
Yorks & Humber	2.5%	5.5%	4.0%	3.0%	4.0%	20.5%
North West	3.0%	6.0%	4.0%	3.0%	4.0%	21.6%
Wales	2.0%	5.5%	4.0%	3.0%	3.5%	19.3%
Scotland	2.5%	5.0%	3.5%	2.5%	3.5%	18.2%

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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