

# UK Housing Market Update



## Transaction numbers and market sentiment have stabilised

House prices rose by 0.4% in April, according to Nationwide. This makes annual growth 0.9%, the strongest growth since November last year.

This and the results of the March RICS market survey suggest a slight strengthening in market conditions. The number of surveyors reporting rising numbers of new enquiries increased, but they are still in the minority. The number of surveyor reporting rising numbers of new instructions was essentially unchanged. More surveyors also reported price rises, the first increase since July last year, but they remain a small minority.

Although the RICS continues to report that most surveyors think activity levels are falling, transaction numbers appear to have at least stabilised over the last month after more than a year of falls. HMRC reported a headline-grabbing 7% rise in annual transactions in March, but this was all in the seasonal adjustment. The non-seasonally adjusted numbers showed that the monthly falls in annual transaction numbers did at least stop in March and this is supported by Land Registry data.

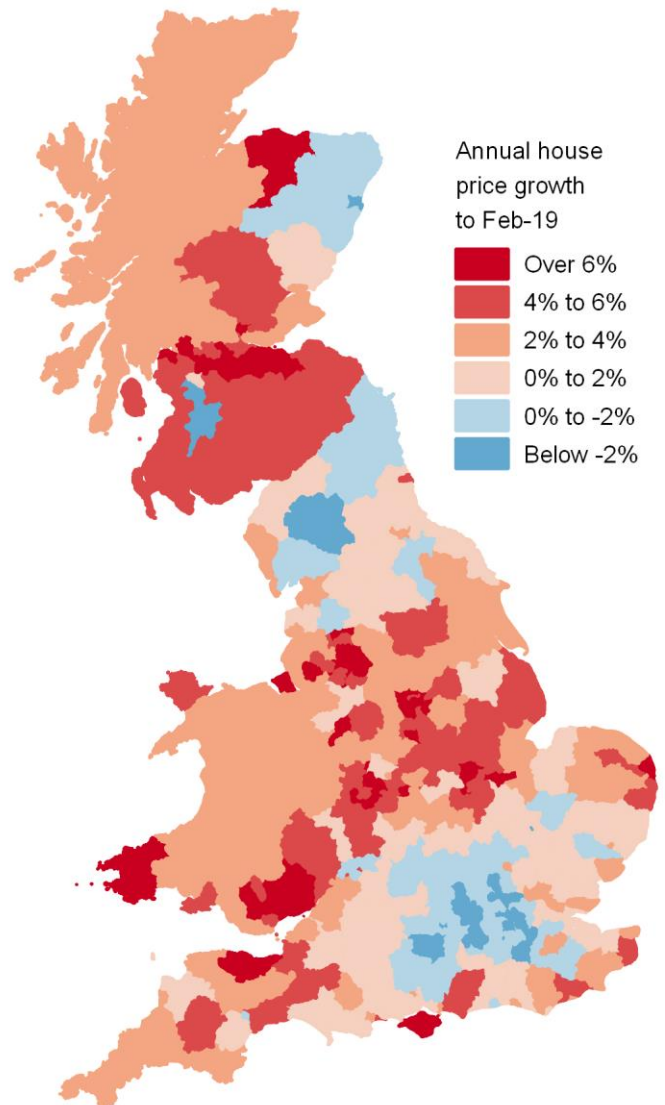
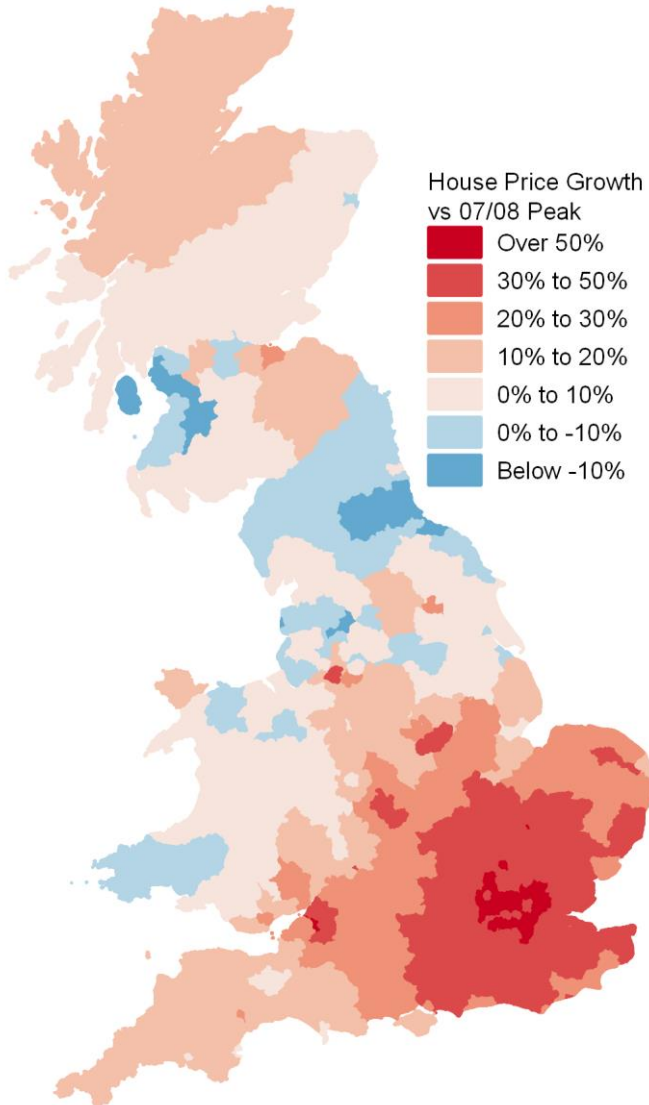
Commentators seem uncertain as to the economic outlook for the rest of 2019. Oxford Economics point to a reduction households' appetite for credit and an unusually poor March for new car sales. The Bank of England's quarterly inflation report anticipated strengthening growth during 2019, driven by improvements in the global economy. If the Bank is right, interest rate rises may come through more quickly, increasing the downward pressure on less affordable housing markets in the south east.

The highest house price growth during the year to February 2019 was in Blaenau Gwent, which saw 18.6% annual growth, albeit from a low base. It was followed by Burnley and Torfaen, which saw annual growth of 14.9% and 10.6% respectively. The largest house price falls were in London, with Westminster falling 9.4%, and Ealing and Kensington & Chelsea each falling by 5.3%.

Annual UK rental growth was 1.1% in March, according to the ONS, unchanged from the annual growth last March. The East Midlands saw the strongest growth of 1.3%, while London saw the slowest growth of 0.5%.

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

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

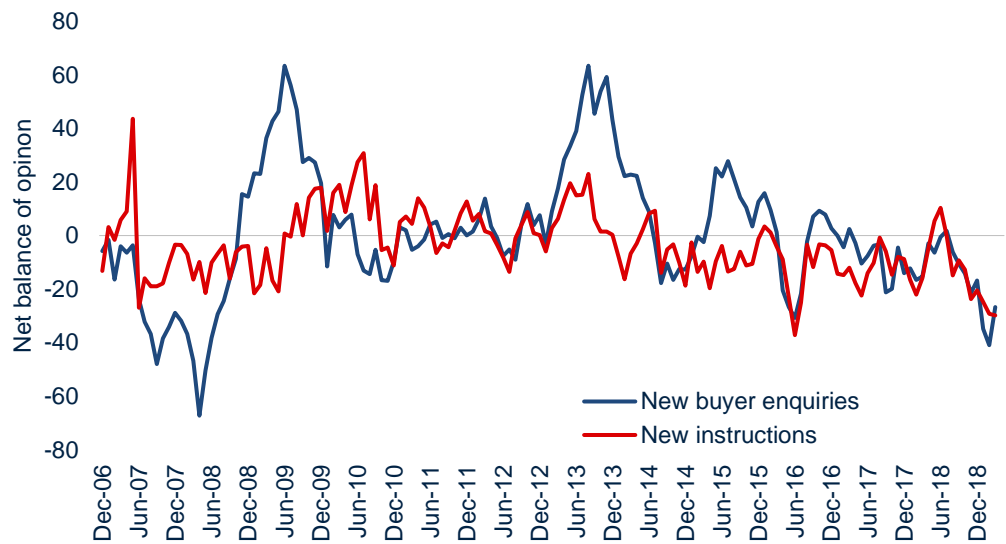


The RICS Survey has been recording falling numbers of surveyors reporting rising numbers of both new enquiries and instructions since the summer of last year.

The latest month, March, however has seen a partial recovery in the number of surveyors reporting rising numbers of new enquiries. Their numbers rose by 14%, the largest rise since November 2017. But they are still a minority.

In contrast, the number reporting increased new instructions fell slightly, but that fall was less marked than in recent months.

**Figure 3 – Partial recovery new buyer enquiries**



Source: RICS (seasonally adjusted)

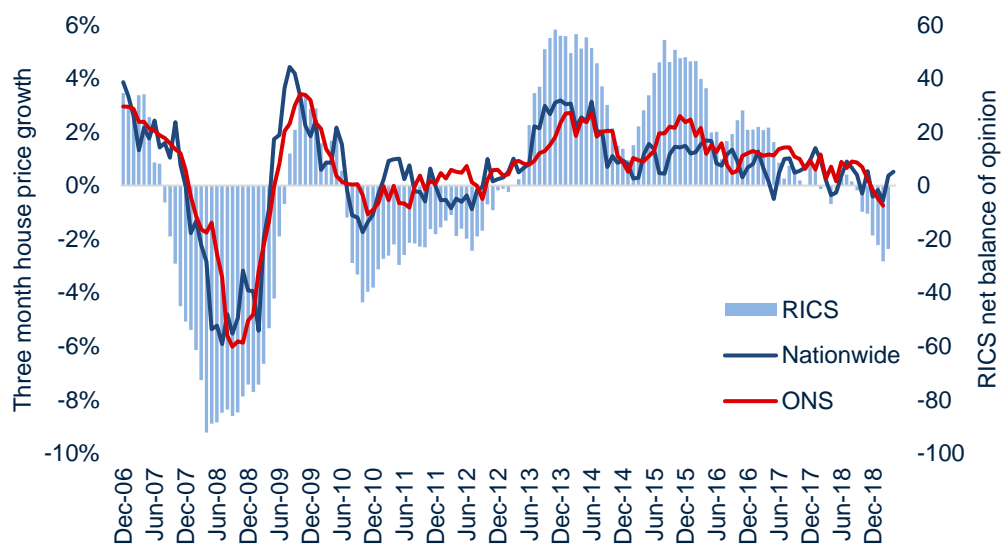
The RICS Survey has, at times, been a good forward indicator of house price movements, which are later picked up by the indices.

Most surveyors still expect price falls, but the majority was slightly reduced in March.

The Nationwide price index, which showed a significant increase last month has maintained this level of three-month growth.

The ONS index has continued to show falls.

**Figure 4 – Growth maintained by Nationwide, while surveyors remain pessimistic**



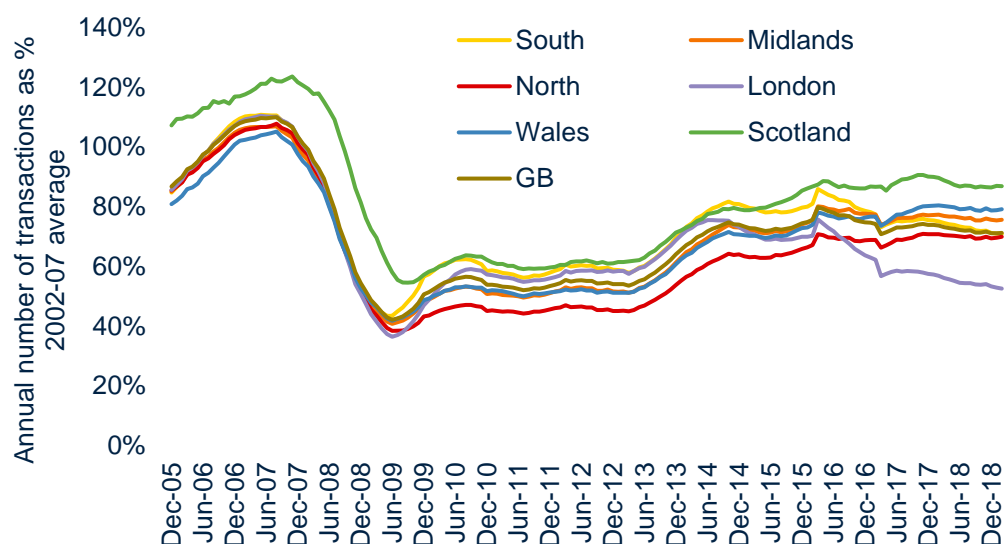
Source: RICS, Nationwide, ONS

Nationally the annual number of transactions increased very slightly (0.2%) in February, suggesting numbers may have stabilised.

This national number is still 3.3% below last February.

London still saw the greatest fall over the year, maintaining its downward trend.

**Figure 5 – Transaction numbers show signs of stabilisation**



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

Recent house price growth

	Nationwide (to Mar-19 for regions, to Apr-19 for UK)			ONS (to Feb-19)			Savills (to Feb-19)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.4%	0.5%	0.9%	-0.4%	-0.7%	0.6%	-0.1%	-0.2%	2.2%
London	-	-1.5%	-3.9%	-1.3%	-2.7%	-3.8%	-0.4%	-1.2%	-2.1%
South East	-	-0.5%	-1.2%	-1.2%	-1.8%	-1.8%	-0.3%	-0.7%	0.6%
East of England	-	0.4%	1.7%	0.7%	-0.8%	0.6%	-0.3%	-0.3%	1.3%
South West	-	-0.8%	0.5%	0.0%	-0.4%	1.1%	-0.2%	-0.1%	2.5%
East Midlands	-	-0.2%	2.6%	-0.6%	-0.6%	1.6%	0.2%	0.6%	4.4%
West Midlands	-	0.7%	2.4%	0.1%	0.6%	2.8%	0.1%	0.6%	4.9%
North East	-	2.1%	0.8%	-1.1%	-1.2%	-0.8%	-0.3%	-0.4%	1.1%
Yorks & Humber	-	0.4%	2.0%	-2.5%	-2.4%	0.0%	-0.1%	0.1%	3.2%
North West	-	1.1%	2.9%	0.5%	0.6%	3.9%	0.3%	0.6%	4.1%
Wales	-	-1.1%	0.7%	0.5%	0.7%	4.1%	0.4%	0.9%	5.4%
Scotland	-	0.6%	2.5%	-1.1%	0.3%	-0.1%	0.2%	0.6%	4.6%

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

Contacts



Ed Hampson  
Analyst  
[ed.hampson@savills.com](mailto:ed.hampson@savills.com)  
020 3107 5460



Chris Buckle  
Director  
[cbuckle@savills.com](mailto:cbuckle@savills.com)  
0207 016 3881

\*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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