

# UK Housing Market Update

## What the lead indicators tell us this month

### Positive signs for house price growth and market activity

House prices rose 0.6% in July, according to Nationwide. This is the second month in a row with relatively strong growth, taking year to date (YTD) growth to 1.3%. This is less than last year, when growth was 1.8% over the same period. In contrast, three-month house price change entered negative territory in May for the first time since 2012, according to the ONS index.

The upbeat tone from Nationwide is echoed in the latest RICS survey. More surveyors reported rising numbers of homes coming to market in June than at any time since Aug-13, and almost as many surveyors reported rising numbers of buyer enquires as falling. This may translate into rising market activity in time, but transaction numbers in May showed that nearly all regions are still around 10% down on this time last year.

Despite falling transactions, other signs of strength in the economy have led the MPC to keep its word and hike the base rate by 25 basis points to 0.75%. We expect this rise to be passed on to borrowers in due course, although the large number of homeowners on fixed rate mortgages will lessen the short-term impact of the rise. We estimate the rise will eventually increase annual mortgage costs by £137 for the average household. This will increase the pressure on many who have seen negligible growth in earnings over the past couple of years ([click here to see our recent blog](#)). There are signs that wages may at last be increasing faster than inflation, providing an offset to rising mortgage costs.

At a local level, the areas having seen the strongest price growth remain in the midlands, although rates of growth have slowed over recent months. The areas to show the strongest annual price growth were the Forest of Dean, Burnley and Edinburgh, which all up about 10% on May-17. The biggest falls remain in London, with house prices in Kensington & Chelsea dropping 7.5%. Westminster and Islington also saw significant falls of around 5%.

Annual rental growth remained at 0.1%, according to the ONS. The East Midlands continued to show the strongest annual growth at 2.8%, followed by the South West at 2.1%. London has been the weakest performer, with rents 0.2% lower than this time last year.

Figure 1 – Average price versus 2007/8 peak, May-18

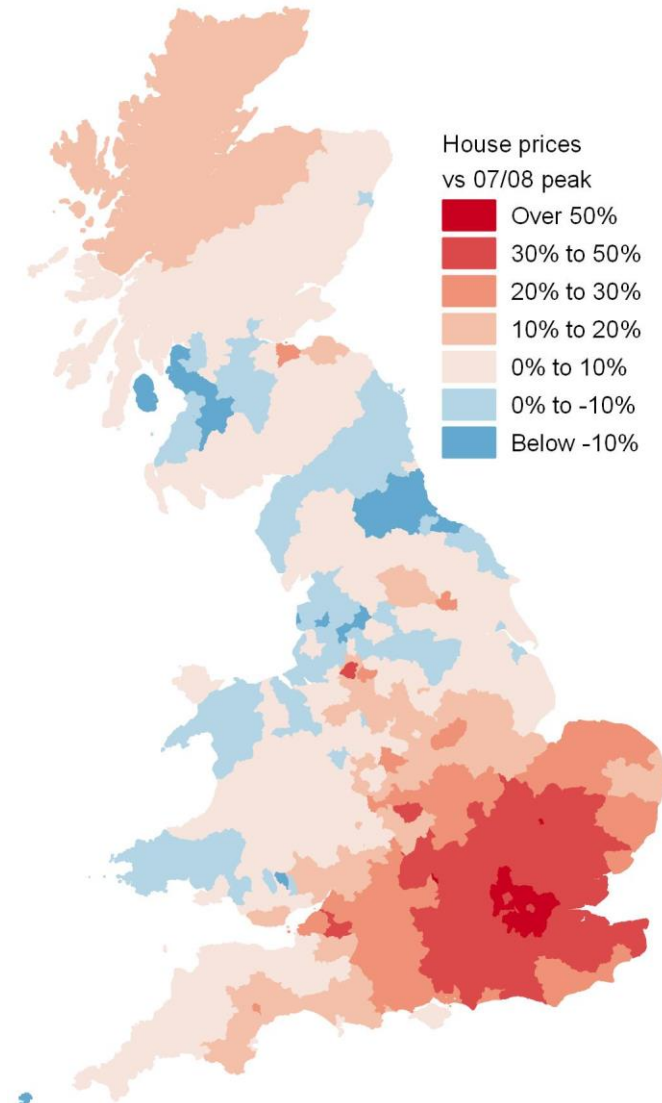
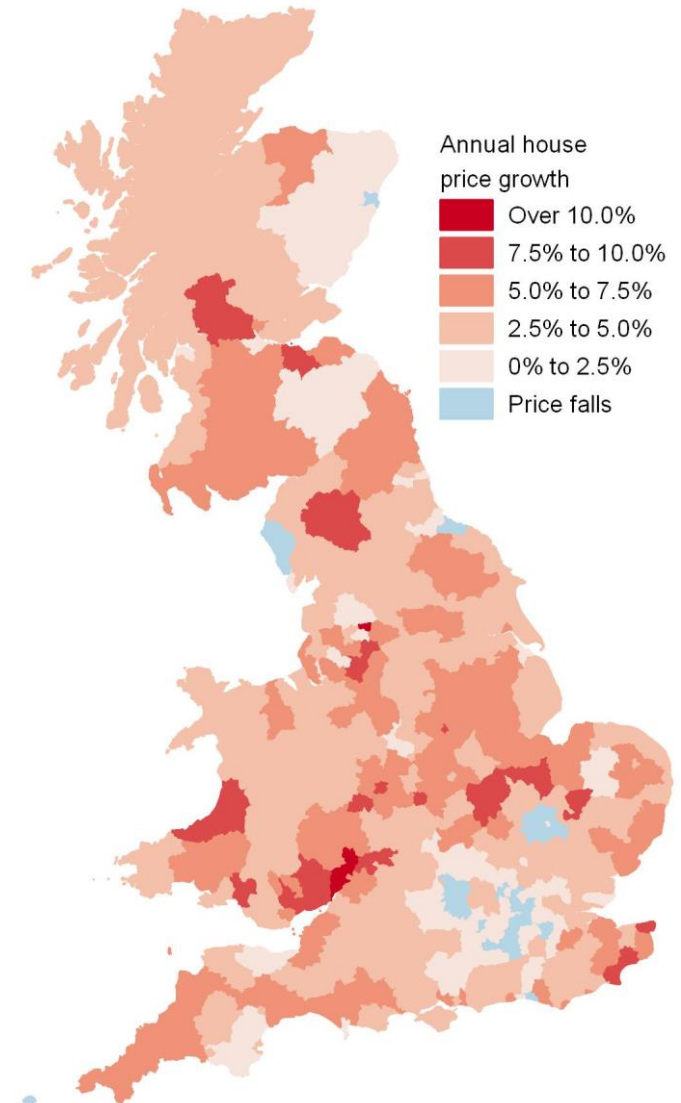


Figure 2 – Average price growth, year to May-18



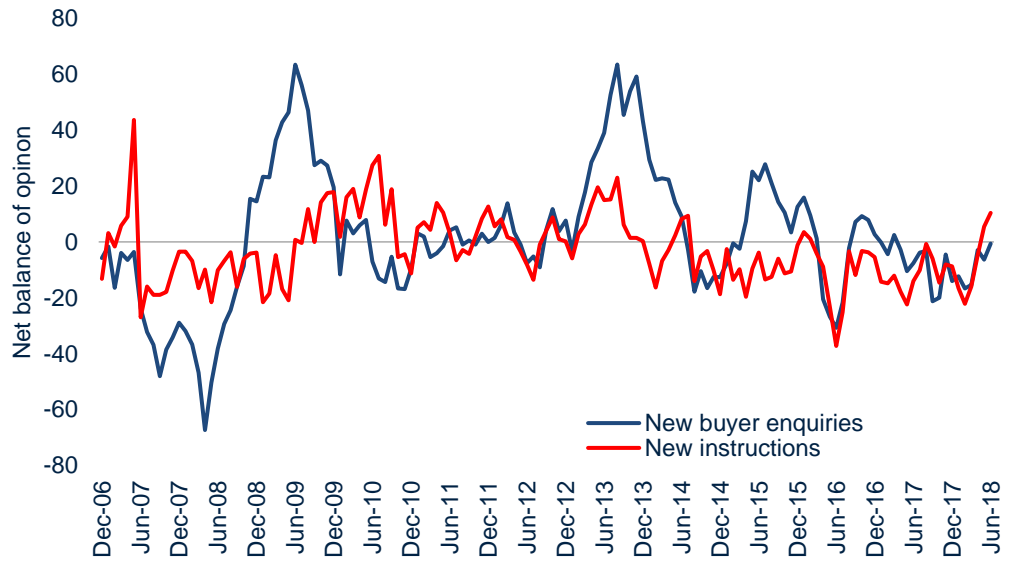


The number of surveyors reporting rising number of instructions has now increased for the fourth month in a row. This is the strongest report of instructions since Aug-13.

Numbers of new buyer enquiries have been rising almost as quickly, and are now at its highest level since Jan-17.

There are now almost the same number of surveyors reporting rising and falling new buyer enquiries.

Figure 3 – Reports of new instructions continue to rise



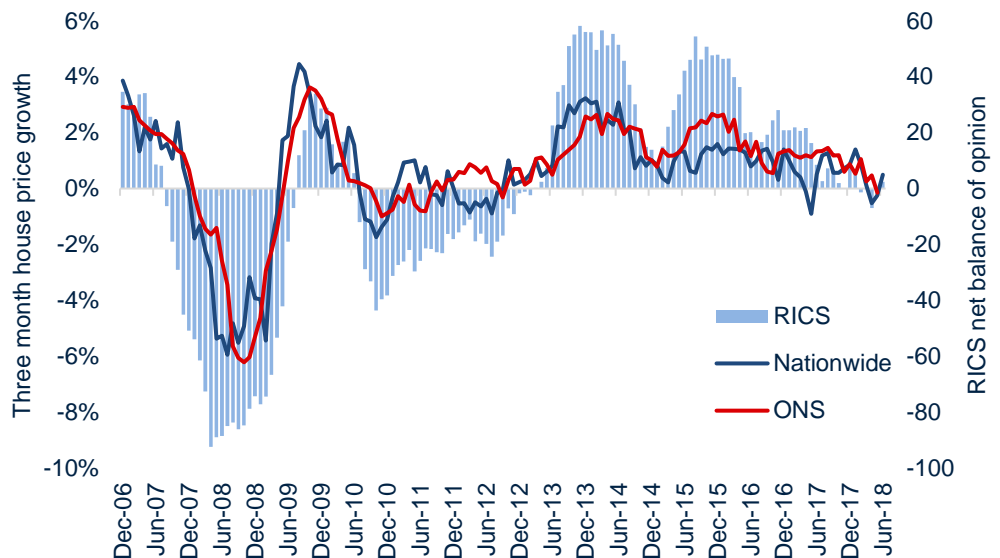
Source: RICS (seasonally adjusted)

The RICS Survey has, at times, been a good forward indicator of house price movements. It now implies modest price growth.

For the first time since January this year, a small majority of surveyors are now reporting price rises.

The ONS has reported a fall in three-month UK house price growth of -0.1%, the first drop since 2012. Three-month price growth according to Nationwide has returned to positive territory following two months of rising prices.

Figure 4 – Increasing number of surveyors reporting house price rises

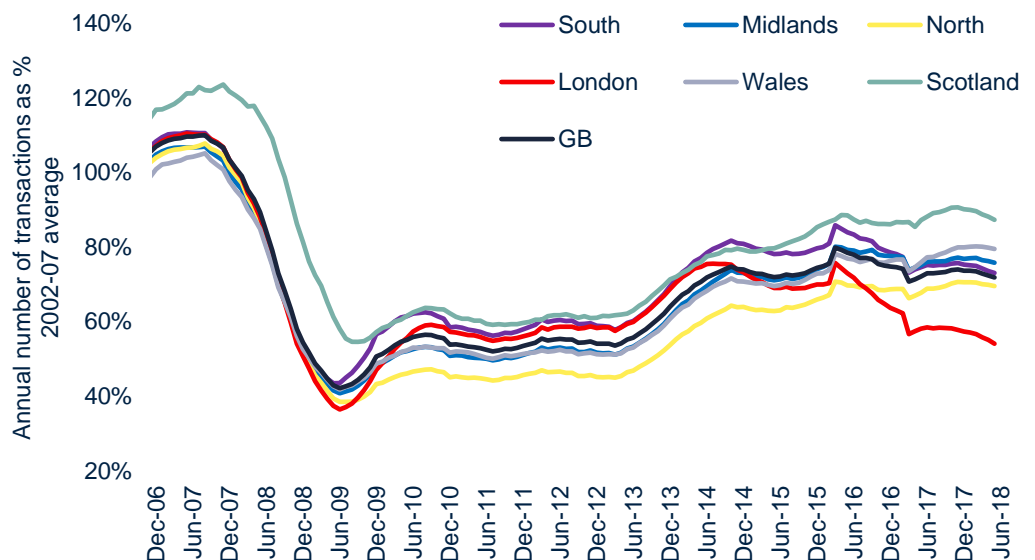


Source: RICS, Nationwide, ONS

Transactions are still on a downward trajectory. Most regions had around 10% fewer transactions in May this year compared to last year.

The recent positivity in the RICS instructions and enquires figures suggest this downward trend should slow over the next few months.

Figure 5 – Transactions continue their downward trend



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

## Recent house price growth

	Nationwide (to July-18 for UK, Jun-18 for regions)			ONS (to May-18)			Savills (to May-18)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.6%	1.0%	2.0%	-0.7%	-0.6%	2.9%	0.2%	0.4%	3.8%
London	n/a	-2.6%	-1.7%	-0.2%	0.0%	-0.4%	0.1%	-0.6%	-0.3%
South East	n/a	-0.2%	2.6%	-0.3%	-0.2%	2.1%	0.2%	0.2%	2.9%
East of England	n/a	0.4%	2.6%	-0.6%	-0.4%	2.5%	0.1%	0.2%	3.8%
South West	n/a	-0.1%	2.5%	-0.2%	-0.5%	3.9%	0.1%	0.4%	4.6%
East Midlands	n/a	1.0%	4.5%	1.3%	0.8%	6.3%	0.2%	0.7%	6.0%
West Midlands	n/a	0.3%	4.4%	-0.2%	0.0%	5.0%	0.4%	0.9%	5.4%
North East	n/a	-1.4%	2.0%	-0.8%	-0.4%	1.3%	0.4%	0.5%	2.8%
Yorks & Humber	n/a	-1.3%	2.2%	-0.2%	0.3%	2.9%	0.3%	0.7%	4.6%
North West	n/a	0.6%	3.0%	-0.2%	-0.8%	2.9%	0.2%	0.9%	5.1%
Wales	n/a	-0.9%	4.3%	-4.7%	-3.6%	1.6%	0.2%	0.8%	5.4%
Scotland	n/a	2.1%	3.1%	-0.6%	-0.2%	5.2%	0.4%	0.7%	5.2%

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

## Five year forecasts (first published November 2017)

	2018	2019	2020	2021	2022	5-year
UK	1.0%	2.5%	5.0%	2.5%	2.5%	14.2%
London	-2.0%	0.0%	5.0%	2.0%	2.0%	7.1%
South East	0.5%	2.5%	4.0%	2.0%	2.0%	11.5%
East of England	0.5%	2.5%	4.0%	2.0%	2.0%	11.5%
South West	1.0%	3.0%	4.5%	2.5%	2.5%	14.2%
East Midlands	1.0%	3.0%	5.0%	2.5%	2.5%	14.8%
West Midlands	1.0%	3.0%	5.0%	2.5%	2.5%	14.8%
North East	1.5%	3.5%	5.5%	3.0%	3.0%	17.6%
Yorks & Humber	1.5%	3.5%	5.5%	3.0%	3.0%	17.6%
North West	1.5%	3.5%	6.0%	3.0%	3.0%	18.1%
Wales	1.0%	3.0%	5.0%	3.0%	3.0%	15.9%
Scotland	1.5%	3.5%	5.0%	3.0%	3.0%	17.0%

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

## Website

[www.savills.co.uk/housing-market-updates](http://www.savills.co.uk/housing-market-updates)

\*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.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.