

UK Housing Market Update



First Time Buyers overtake Home Movers as largest buyer type

House prices rose 0.3% in January, according to Nationwide. This put annual growth at 0.1%, the lowest figure for 6 years. In part this is because January 2018, the strongest month of last year, has dropped out of the annual growth number.

The RICS Survey reflects this slowing growth. The number of surveyors expecting price falls increased for the 6th consecutive month and near-term sales expectations were at their lowest level since the series started in 1999. Numbers of new enquiries and instructions continued to fall, although slightly fewer surveyors reported falls than in the previous month. Transaction numbers remained largely flat in November for most regions, except in Wales, which saw a modest increase, and London, which continued its gradual downward trend.

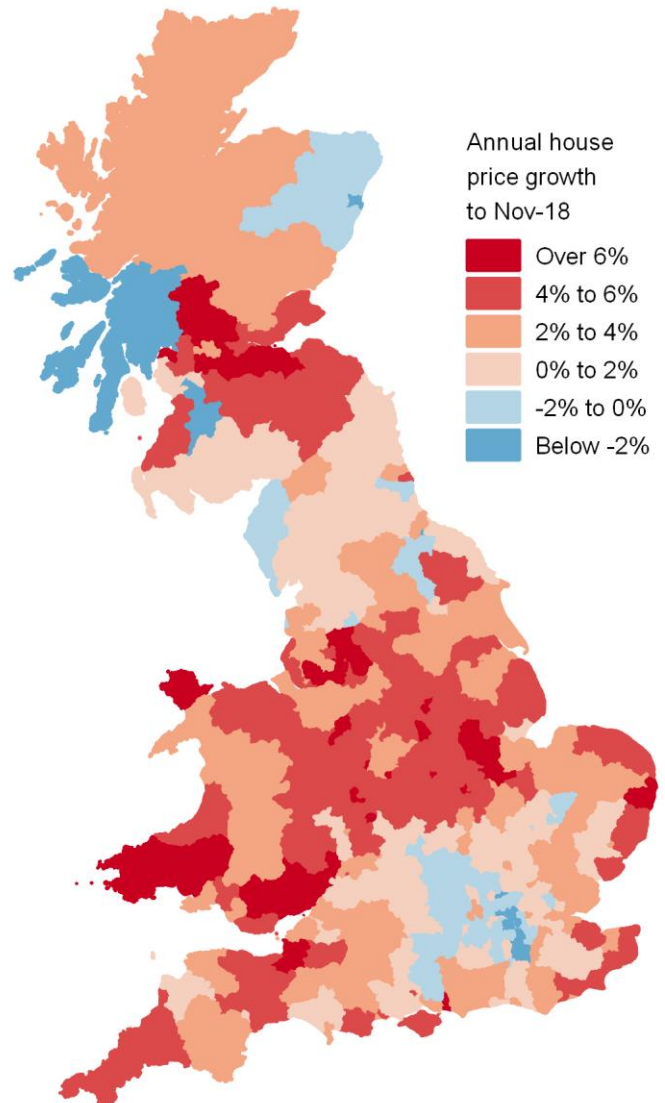
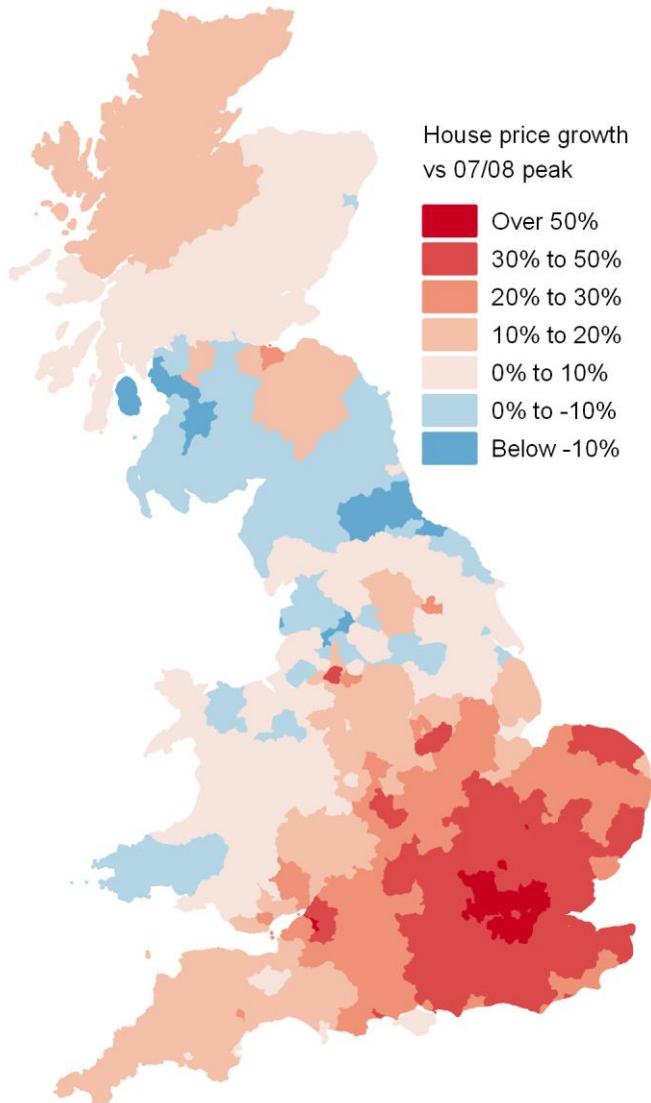
Transaction numbers have been boosted in recent years by rising numbers of First Time Buyers and they are now the largest buyer type, having overtaken Home Movers. The last time First Time Buyers were the largest buyer type was 1995. They have been strongly supported by government policy, notably Help to Buy, while Home Movers have struggled to climb the housing ladder. The high street banks remain keen to grow their lending to this group. Lloyds recently announced a new 100% mortgage for First Time Buyers, to be secured by a family member opening a savings account, a move that seeks to further capitalise on the 'Bank of Mum and Dad'. Competition for borrowers was also reflected in slight falls in the average interest rate on fixed term mortgages between October and November last year.

The southern Welsh districts of Blaenau Gwent and Torfaen saw the strongest price growth of approximately 11%, followed by Newport at 10%, in the year to November 2018, albeit from a low base in both cases. London continued to struggle, with the largest falls in high value Westminster (-10%), followed by Camden and Ealing, both down approximately 5%.

Rental growth continues to be the strongest in the East Midlands with annual growth at 2.5%, followed by the West Midlands at 1.9%. London rental growth continues to be the weakest, up 0.1% on the previous year.

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

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

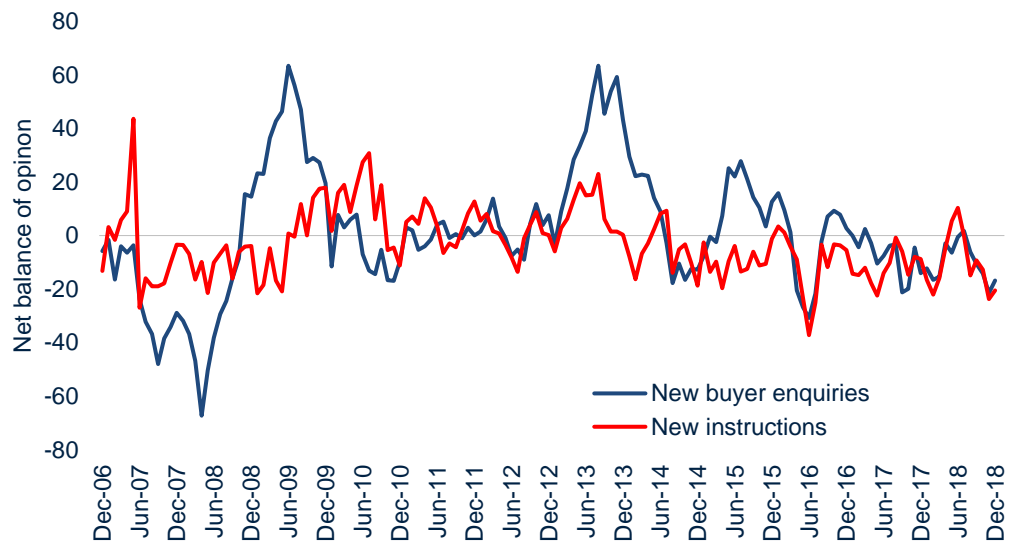


The number of surveyors reporting rising numbers of instructions and enquiries has been on a steep downward trend since June last year.

The most recent month, December, saw a slight uptick in sentiment, with reports of both new instruction and enquires rising slightly.

Both measures are still negative, with the majority of surveyors reporting falls.

Figure 3 – Survey sentiment remains subdued



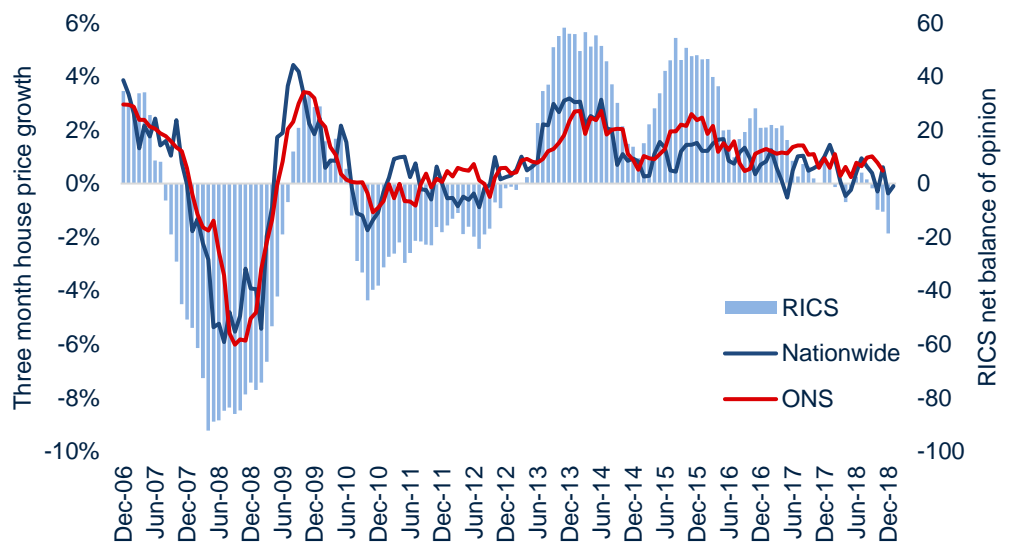
Source: RICS (seasonally adjusted)

The RICS Survey has, at times, been a good forward indicator of house price movements.

Surveyor perception of price growth currently sits firmly in negative territory at -19, the lowest it has been since 2012. Nationwide three-month price growth is flat, after the large fall in December.

The ONS index, two months behind Nationwide, is tracking downwards, which is likely to bring it more in line with the other measures.

Figure 4 – Price growth continues to struggle



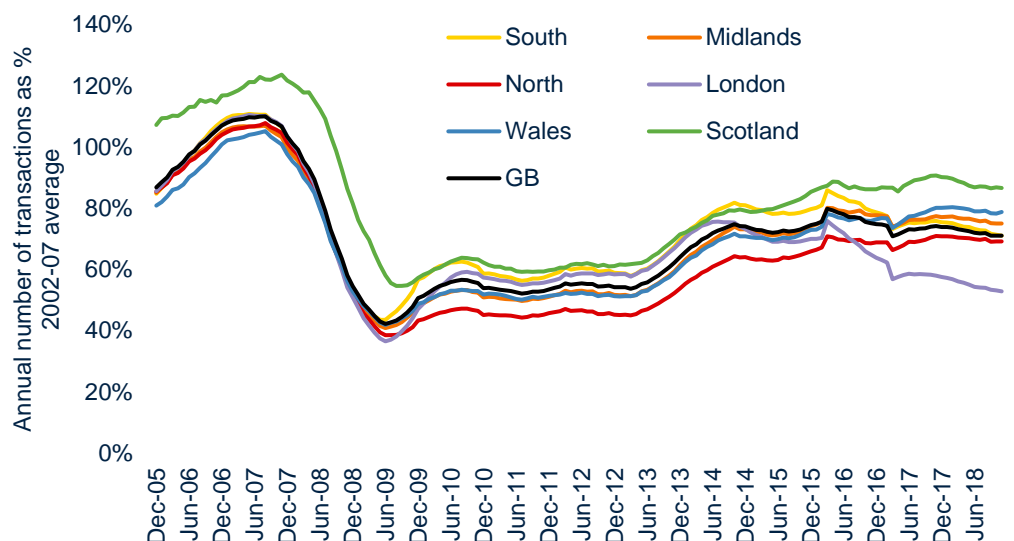
Source: RICS, Nationwide, ONS

Transactions at a national level and across most regions were flat in November, with the notable exceptions being Wales and London.

Wales saw transactions rise 0.7%. They were still down 1.6% on the previous year, but that was the smallest annual fall of any region.

London continues its downward trajectory, with the 12 months to November 2018 having an estimated 7.2% fewer transactions than in the preceding 12 month period.

Figure 5 – Transactions flatten out



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

Recent house price growth

	Nationwide (to Dec-18 for regions, to Jan-19 for UK)			ONS (to Nov-18)			Savills (to Nov-18)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.3%	-0.1%	0.1%	0.1%	0.5%	2.9%	0.2%	0.9%	2.7%
London	n/a	0.1%	-2.2%	-0.3%	-0.3%	-0.6%	-0.3%	-0.3%	-1.8%
South East	n/a	-0.2%	-0.5%	0.4%	0.1%	1.1%	0.0%	0.4%	1.4%
East of England	n/a	0.0%	1.4%	1.0%	0.9%	2.6%	0.2%	0.7%	2.2%
South West	n/a	0.8%	1.5%	1.1%	1.5%	4.3%	0.4%	1.0%	3.4%
East Midlands	n/a	0.0%	2.9%	0.5%	0.6%	4.4%	0.5%	1.4%	4.7%
West Midlands	n/a	0.2%	1.6%	0.0%	1.2%	4.7%	0.5%	1.6%	5.1%
North East	n/a	0.6%	-1.7%	1.1%	2.6%	4.0%	-0.1%	0.3%	1.5%
Yorks & Humber	n/a	-0.3%	1.3%	-0.9%	-0.9%	2.0%	0.4%	1.2%	3.8%
North West	n/a	-0.2%	1.5%	-0.6%	0.7%	3.1%	0.4%	1.2%	4.1%
Wales	n/a	1.8%	1.8%	0.8%	1.0%	5.5%	0.7%	1.9%	5.6%
Scotland	n/a	-0.3%	1.7%	-0.8%	0.0%	3.0%	0.0%	1.4%	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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