

UK Housing Market Update

What the lead indicators tell us this month

Boost in consumer sentiment mirrored by price growth

Monthly house price growth rose to 0.6% in January according to the Nationwide index, taking rolling annual growth up from 2.5% to 3.1%. This is a more robust level of annual growth than the index has recorded for ten months.

RICS surveyors were more positive in December and January than they have been since June 2017. The number of surveyors reporting price growth grew significantly, to a clear majority, in December and continued in January. Reports of new enquiries remained steady from November to January but the last month saw a drop in reports of new instructions. The two measures continue to be closely aligned so there is unlikely to be any pressure on house prices in either direction.

December saw a 34% drop in the number of mortgage approvals compared to November, according to data from UK Finance. December always sees relatively low mortgage activity but this is an unusually large dip, consistent with low sentiment amongst surveyors and consumers alike. However, there was a moderate bounce in consumer confidence in the economy according to the January GfK consumer survey. Sentiment remains below the long term average, but it is more buoyant than it has been since May 2017. The February meeting of the Monetary Policy Committee kept the base rate at 0.5% but the Bank of England signalled clearly to expect rises this year in order to control inflation, which remains stubbornly above the 2% target.

Wellingborough and Forest Heath continue to rank in the top three local authorities for house price growth with 12.5% and 11.9% annual growth respectively. East Ayrshire takes third spot as the strongest growing Scottish authority with 10.6% growth in the year to November. Annual price falls have spread beyond London and into the South East including Reading, Bracknell Forest and Wokingham.

Annual rental growth continued to slow in December, to 1.2% according to the ONS rental index. London saw a second consecutive month of price falls. The strongest performing region remains the East Midlands with 2.6% annual rent growth, followed by the South East at 2.2%, although increases slowed very slightly in both regions in December compared to November.

Figure 1 – Average price versus 2007/8 peak, Nov-17

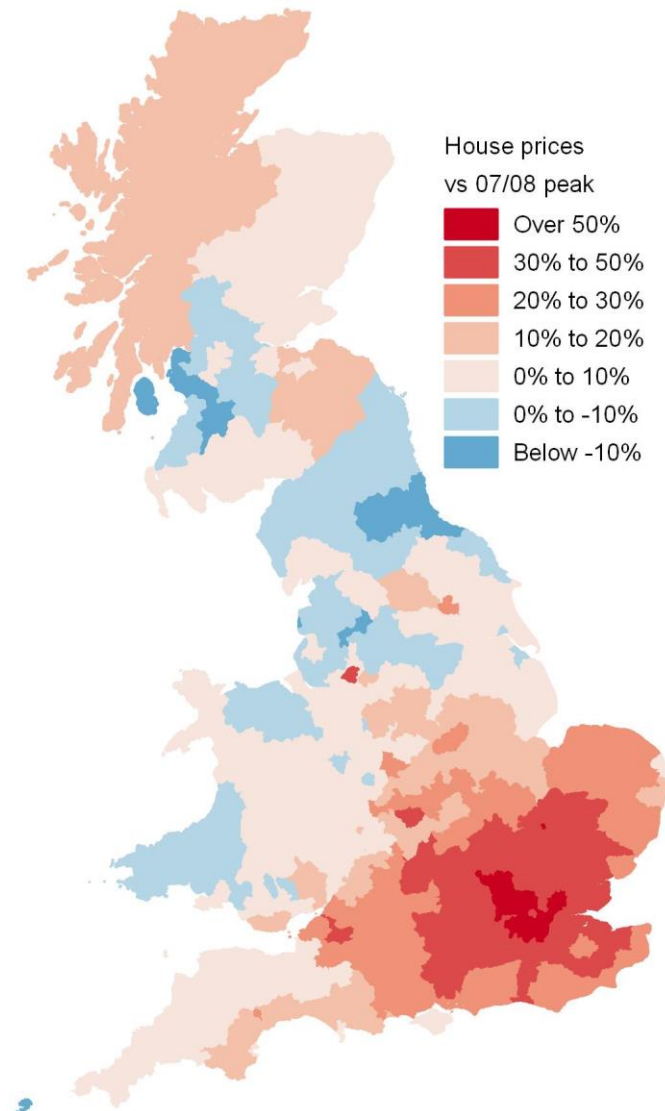
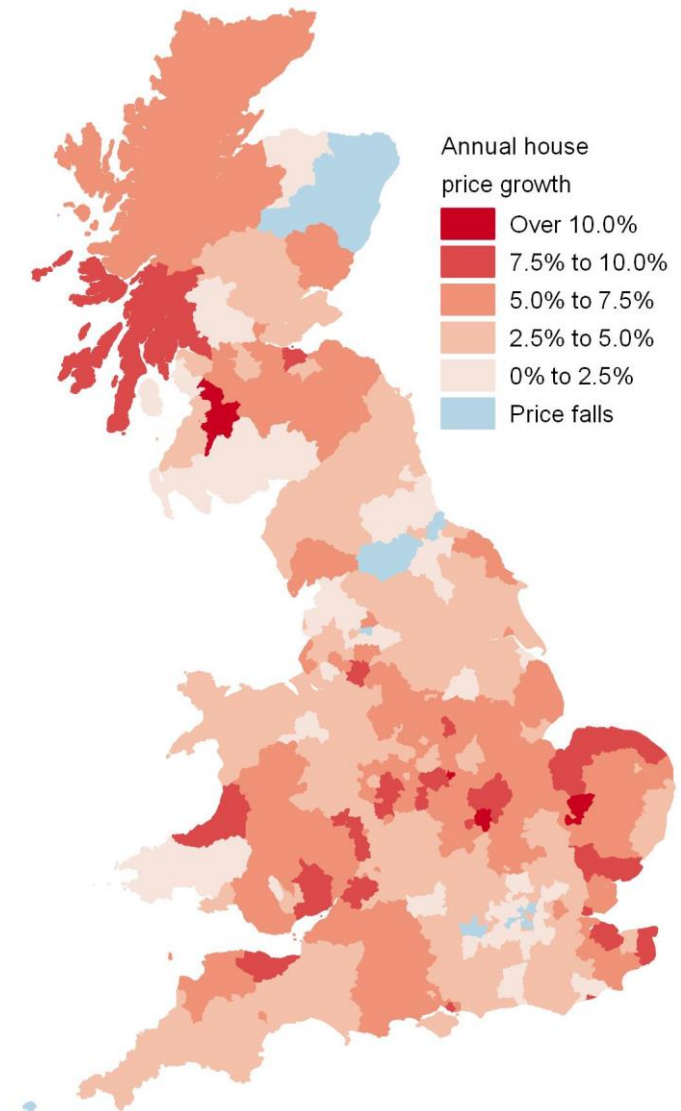


Figure 2 – Average price growth, year to Nov-17



Source: Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

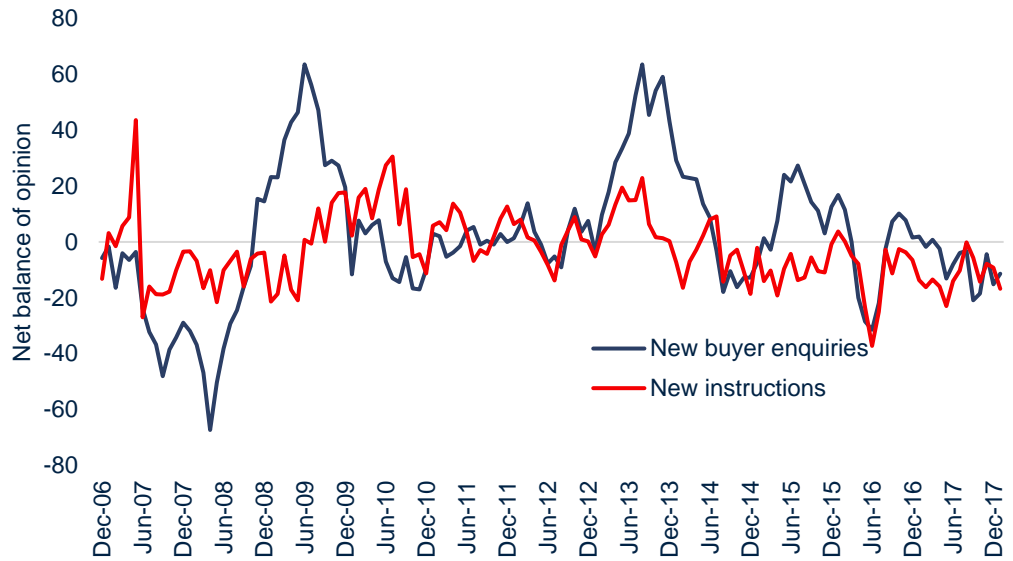


The share of surveyors reporting growing numbers of buyer enquiries was lower in January than in November having been volatile since April 2017.

Fewer surveyors reported growing numbers of new instructions in December and January than in November.

A small majority of surveyors still believe both enquires and instructions are falling. This points to subdued transactional activity but little pressure on house prices.

Figure 3 – Subdued activity set to continue



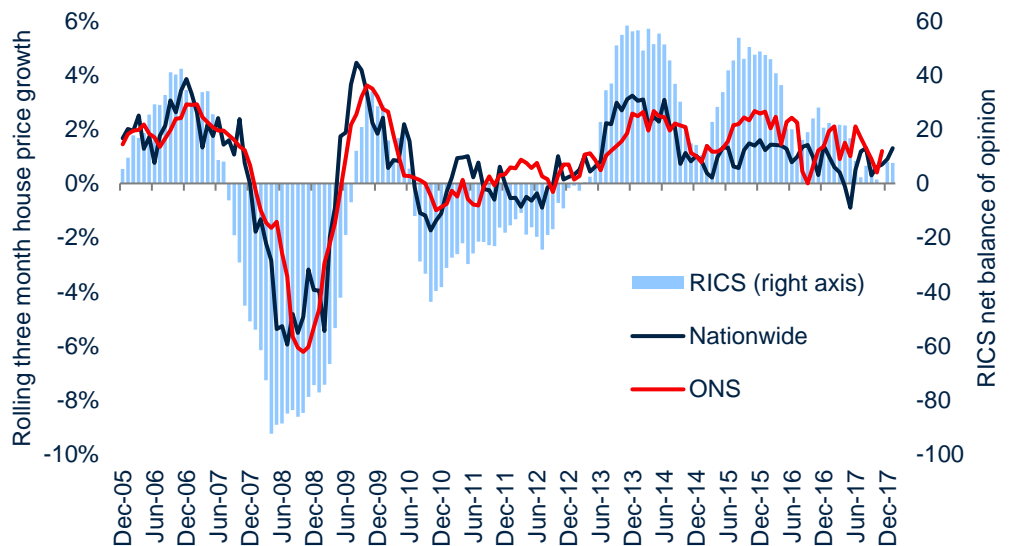
Source: RICS (seasonally adjusted)

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

The number of surveyors reporting price growth went up in December to a higher level than since June 2017, this level was maintained in January.

Three month house price growth went up again in January to 1.2%, according to Nationwide. This compares to 0.9% in December and is a second month of quarterly growth. The ONS index went up significantly in November, recording quarterly price growth of 1.2%.

Figure 4 – More surveyors reporting price growth than falls



Source: RICS, Nationwide, ONS

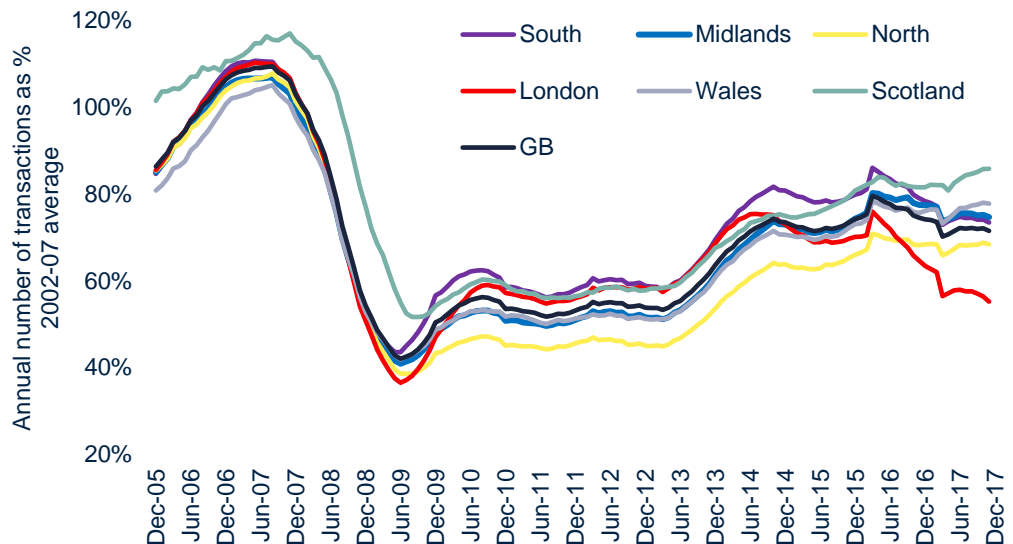
Transactions have remained stable in the North and Wales over the last three months.

Transactions in Scotland have continued to grow steadily throughout 2017.

Whilst transactions in the North and Midlands have started to climb across the Southern regions activity has stabilised at a lower level to pre SDLT changes.

In London transactions have continued their downward trajectory since October 2017.

Figure 5 – Transactions still steady, with London lagging



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

Recent house price growth

	Nationwide (to Jan-18)			ONS (to Nov-17)			Savills (to Nov-17)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.6%	1.3%	3.1%	0.3%	1.2%	5.1%	0.3%	1.3%	4.1%
London	n/a	0.4%	-0.5%	-0.4%	0.0%	2.3%	-0.2%	0.1%	1.7%
South East	n/a	0.5%	3.1%	0.6%	1.5%	5.6%	0.3%	1.2%	4.0%
East of England	n/a	1.2%	2.2%	0.1%	0.9%	6.0%	0.3%	1.3%	5.5%
South West	n/a	0.9%	4.8%	-0.3%	1.1%	6.2%	0.5%	1.8%	5.0%
East Midlands	n/a	0.5%	4.6%	0.3%	1.9%	6.4%	0.6%	2.1%	6.4%
West Midlands	n/a	1.1%	5.3%	1.2%	2.6%	7.2%	0.5%	1.7%	6.1%
North East	n/a	-1.4%	0.1%	-1.2%	0.4%	2.3%	-0.1%	1.1%	2.2%
Yorks & Humber	n/a	1.5%	1.8%	-0.5%	0.2%	3.0%	0.3%	1.5%	3.6%
North West	n/a	1.6%	4.0%	1.0%	2.1%	6.2%	0.5%	1.4%	4.7%
Wales	n/a	1.6%	3.3%	-0.2%	1.1%	4.5%	0.6%	1.8%	4.6%
Scotland	n/a	0.8%	2.6%	0.5%	0.0%	3.6%	0.3%	1.5%	5.1%

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

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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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