

UK Housing Market Update



2019 ends with house price growth largely flat but with signs of increasing activity

December saw house prices rise by 0.1%, according to Nationwide. This leaves total price growth in 2019 at 1.4%, an improvement on the 0.5% growth in 2018. This average masks substantial variation across the country, with the strongest growth in the North East, West Midlands and Scotland, all up about 2.7% over the year. London remained the weakest, where house prices fell 1.8%, followed by the South East, down 1.0%.

Lacklustre growth was matched by surveyor sentiment. The majority of surveyors still reported falling numbers of new enquires and instructions in November, according to the RICS. We expect this to strengthen in December, following the General Election, with reports of a boost to market activity in the final weeks of 2019. The reduced political uncertainty should result in at least more stable transactional activity in 2020, following the 3.6% fall in sales over the 12 months to October 2019. You can read more about our thoughts on the election result [here](#).

In real terms the average UK home was worth about the same at the end of 2019 as at the end of 2009, against headline price growth of 1.4%. In fact, the average value fell by a marginal 0.8% over the

decade after adjustment for inflation. This is compared to the previous 10 years (2000-2010) which saw them rise by 67% in real terms, while in the 1990s house prices fell by 14% in real terms. The 2010s started with the tail end of the GFC and a subsequent bounce back, but Brexit uncertainty put the brakes on growth in the latter half of the decade. Throughout the decade, mortgage regulation has been a key factor in the market. With house prices stretching the regulatory limits of affordability in many areas and interest rates having only one way to go, we expect regulation to continue as a sobering influence on price growth over the next 10 years.

Scotland led the way on house price growth in the year to October 2019, with Angus, East Ayrshire and Clackmannanshire seeing the strongest growth, at 10.3%, 9.4% and 8.8% respectively. Most house price falls were in the south: Watford and Bracknell Forest fell 4.8% and 3.7% respectively. But the biggest house price fall was in Aberdeen, down 6.8%.

Annual rental growth in November was 1.4% across the country, the strongest it's been since November 2017. It was the fastest in the South West at 2.3%, and the weakest in the North East at 0.5%.

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

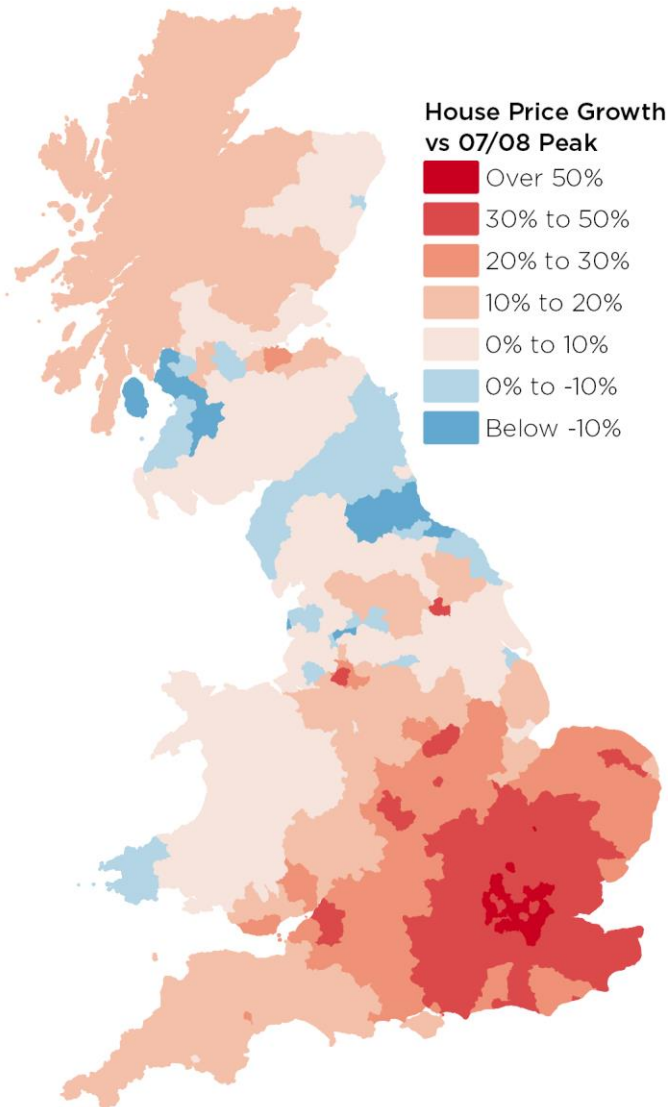
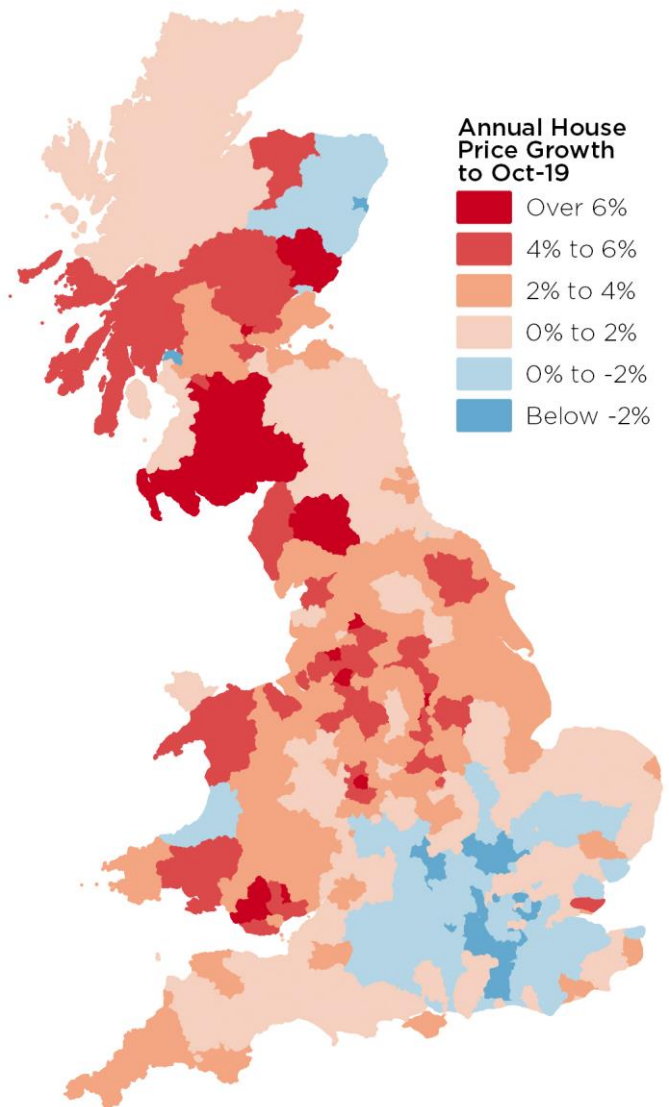


Figure 2 Average price growth, year to Oct-19

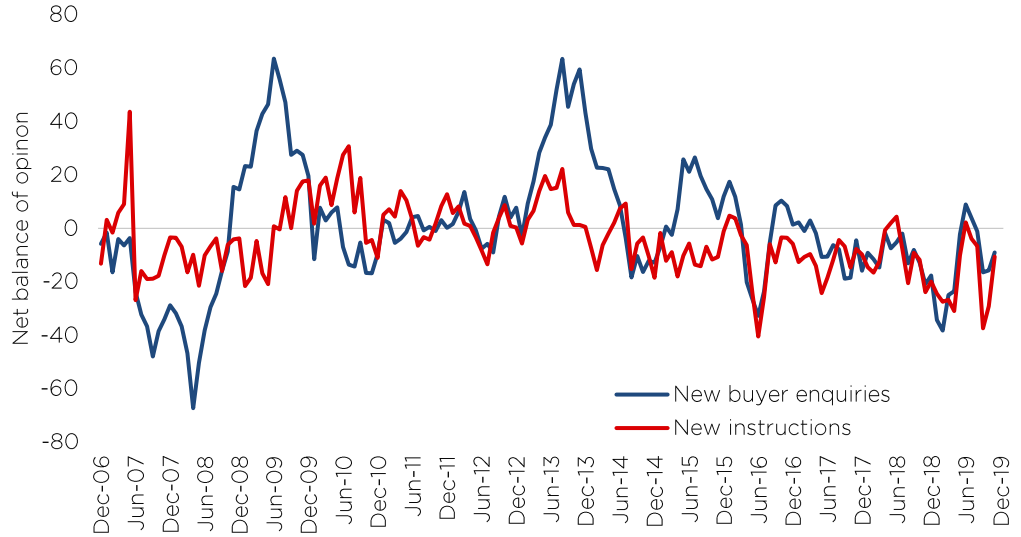


Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

November saw a jump in reports of both new buyer enquiries and new instructions, bringing them up to about the same level. This implies that the demand for homes is roughly matched by supply, meaning there is little pressure on prices to move either up or down.

Both metrics are still negative however, meaning that surveyors were still seeing falling numbers of both enquiries and instructions in November. We expect this to change in the December survey.

Figure 3 Numbers of new instructions and enquiries still falling



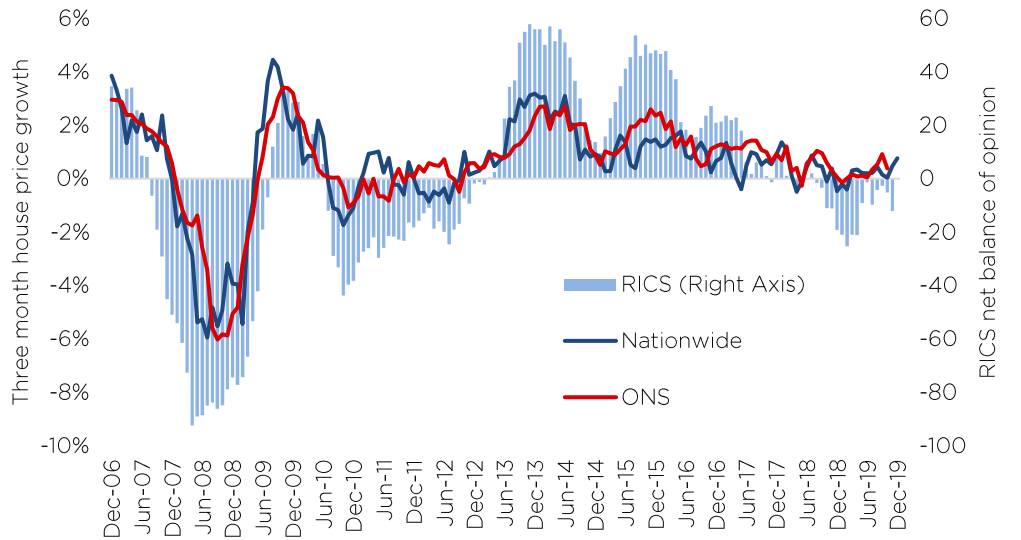
Source RICS (seasonally adjusted)

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

Nationwide reported a relatively high growth of 0.8% for the three months to December, despite a majority of surveyors reporting price falls, according to the RICS survey.

The ONS index, slightly less up to date, reported 0.4% growth for the three months to October.

Figure 4 Modest price growth, despite surveyor pessimism

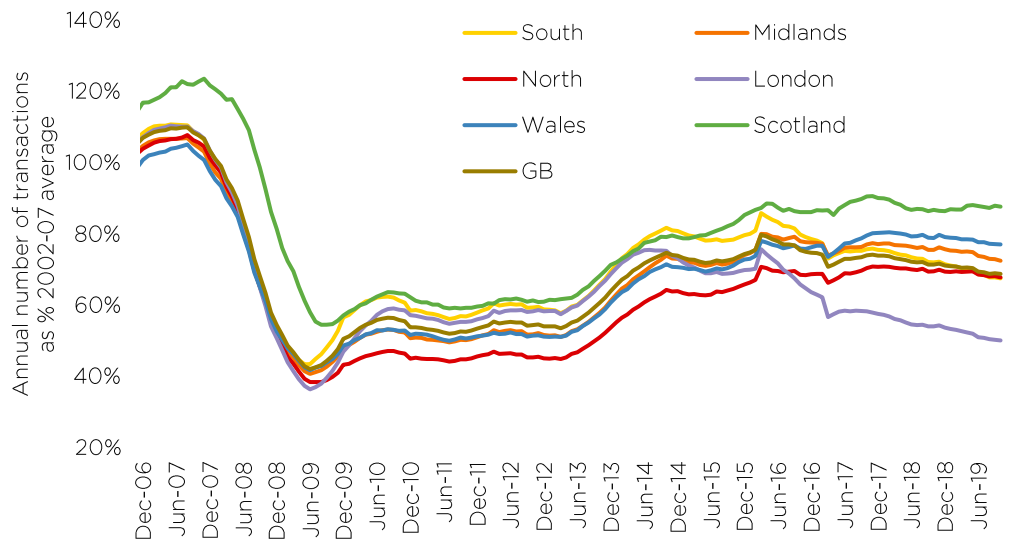


Source RICS, Nationwide, ONS

Transactions fell in the 12 months to October by 3.6%. This maintains the downward trend we have seen since the summer of 2018.

Transaction volumes were the most robust in Scotland, rising 1%, but the weakest in London, falling 7.3%.

Figure 5 Transactions remain on a downward trend



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

Table 1 Recent house price growth

	Nationwide (to Dec-19)			ONS (to Oct-19)			Savills (to Oct-19)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.1%	0.8%	1.4%	-0.4%	0.3%	0.7%	0.3%	1.3%	1.4%
London	-	-0.2%	-1.9%	-1.1%	-0.1%	-1.6%	0.5%	1.4%	-1.1%
South East	-	-0.5%	-1.0%	-0.2%	0.5%	-0.3%	0.2%	0.9%	-0.8%
East of England	-	-1.4%	0.1%	0.2%	0.8%	0.3%	0.2%	0.7%	0.1%
South West	-	1.5%	1.5%	0.0%	0.5%	0.5%	0.4%	1.1%	1.3%
East Midlands	-	0.1%	0.4%	-0.1%	0.5%	1.3%	0.2%	1.0%	2.7%
West Midlands	-	0.8%	2.7%	-1.1%	0.1%	0.2%	0.4%	1.1%	2.7%
North East	-	1.3%	2.7%	-1.9%	0.1%	-1.2%	-0.1%	1.1%	1.5%
Yorks & Humber	-	0.8%	1.6%	1.3%	1.8%	3.2%	0.3%	1.3%	3.1%
North West	-	-0.7%	1.8%	0.1%	0.7%	1.4%	0.4%	1.5%	4.0%
Wales	-	0.5%	1.5%	0.3%	0.5%	3.3%	0.4%	1.5%	4.6%
Scotland	-	1.4%	2.7%	-0.1%	1.2%	1.4%	0.1%	1.2%	2.8%

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

Table 2 Five year house price forecasts (first published November 2019)

	2020	2021	2022	2023	2024	5-year
UK	1.0%	4.5%	3.0%	3.0%	3.0%	15.3%
London	-2.0%	1.5%	1.0%	1.0%	2.5%	4.0%
South East	0.0%	3.0%	2.5%	2.5%	2.5%	10.9%
East of England	0.0%	3.0%	2.5%	2.5%	2.5%	10.9%
South West	0.5%	4.0%	3.0%	2.5%	2.5%	13.1%
East Midlands	3.0%	5.0%	3.0%	3.0%	3.0%	18.2%
West Midlands	3.0%	5.0%	3.0%	3.0%	3.0%	18.2%
North East	1.5%	5.0%	4.0%	4.0%	4.0%	19.9%
Yorks & Humber	2.0%	6.0%	4.0%	4.0%	4.0%	21.6%
North West	2.5%	6.5%	4.5%	4.5%	4.0%	24.0%
Scotland	2.0%	6.0%	3.5%	3.5%	3.5%	19.9%
Wales	2.0%	6.0%	3.0%	3.0%	3.0%	18.1%

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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