

UK Housing Market Update

What the lead indicators tell us this month

Modest price growth supports stable activity

House prices rose slightly in April, according to Nationwide, partially reversing the previous month's fall. The 0.2% rise in April is in line with average monthly growth over the past 2 years, and with our forecast for UK house price growth of 1.0% in 2018. Surveyor price expectations have dropped to their lowest level since 2012, according to the RICS survey.

This modest national average masks a more positive picture across most of the country. Transaction levels appear stable across most regions and are higher than they were three years ago. Activity levels and price growth remain weakest in the south and particularly in London, where there were 22% fewer transactions over the last year compared to the same period three years ago. London is also expected to see an economic slowdown in 2018, narrowing the growth gap between the capital and the rest of the country. But surveyor sentiment about supply and demand stabilised in April. The RICS survey suggests the downward trajectory of market activity in London may be coming to an end: surveyors reported rising demand for the first time in a year.

Despite some improvement in surveyor sentiment, the GfK consumer confidence survey recorded the 28th consecutive month of negative outlook by consumers on their personal finances in April. This followed the announcement of disappointing Q1 2018 GDP growth of only 0.1%. The 'Beast from the East' gets the blame for this loss of productivity, prompting Oxford Economics to revise their annual GDP growth estimate down from 1.7% to 1.5%. These poor results led the Bank of England not to make the anticipated base rate hike in May, leaving it at 0.5%, with commentators now expecting the next rise in August.

Wellingborough and East Ayrshire remain the strongest areas of house price growth in the year to February 2018 with 11.6% and 11.3% respectively. House prices have continued to fall in London, with Hammersmith and Fulham, and Kensington and Chelsea seeing the largest annual falls of 4.2% and 2.9% respectively.

The rental market showed no significant growth in March, according to the ONS rental index. Quarterly rental growth at a national level has slowed: the average rent grew 0.2% in Q1 2018 compared to 0.4% in Q1 2017. The strongest annual growth remained in the East Midlands at 2.7%. Annual price growth in London was 0.1% in March.

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

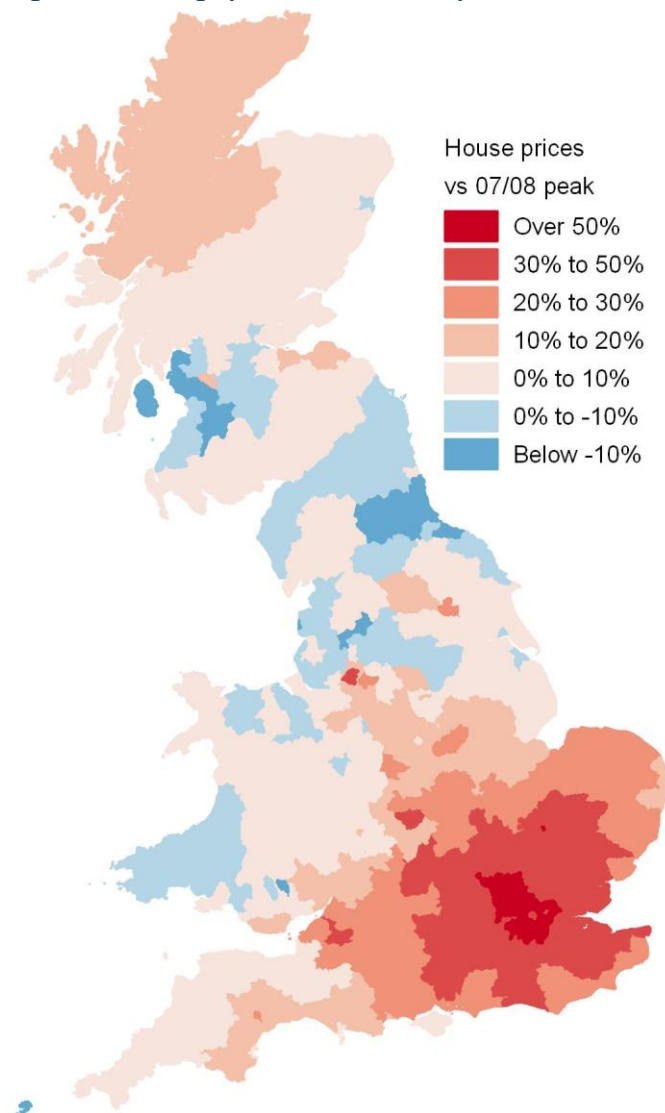
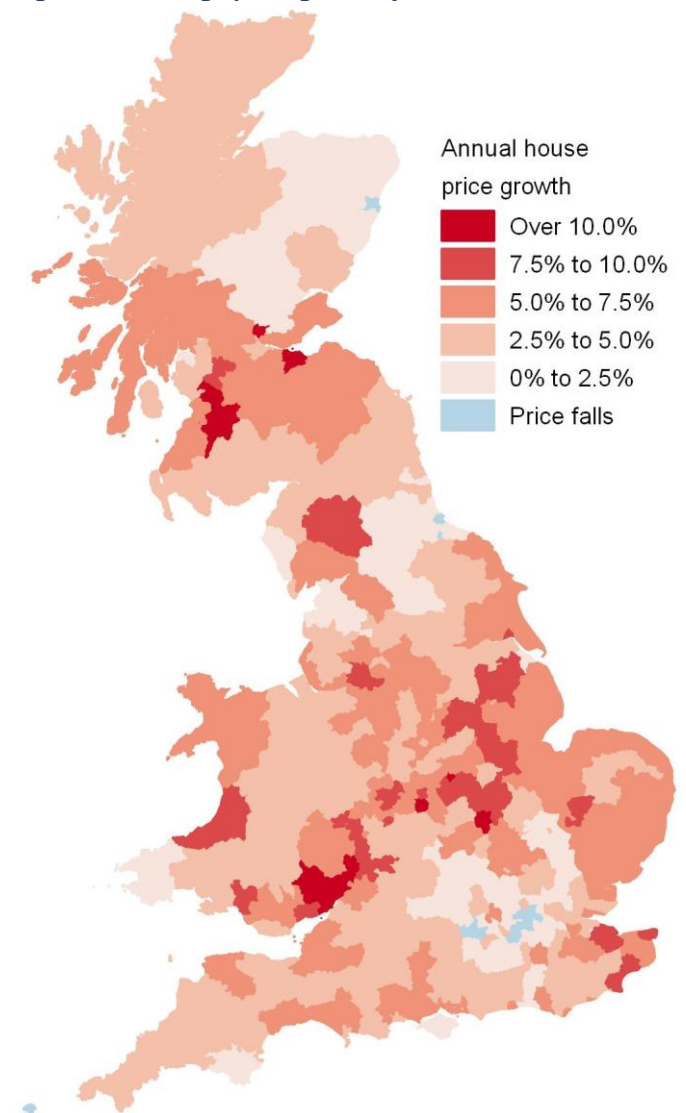


Figure 2 – Average price growth, year to Feb-18



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

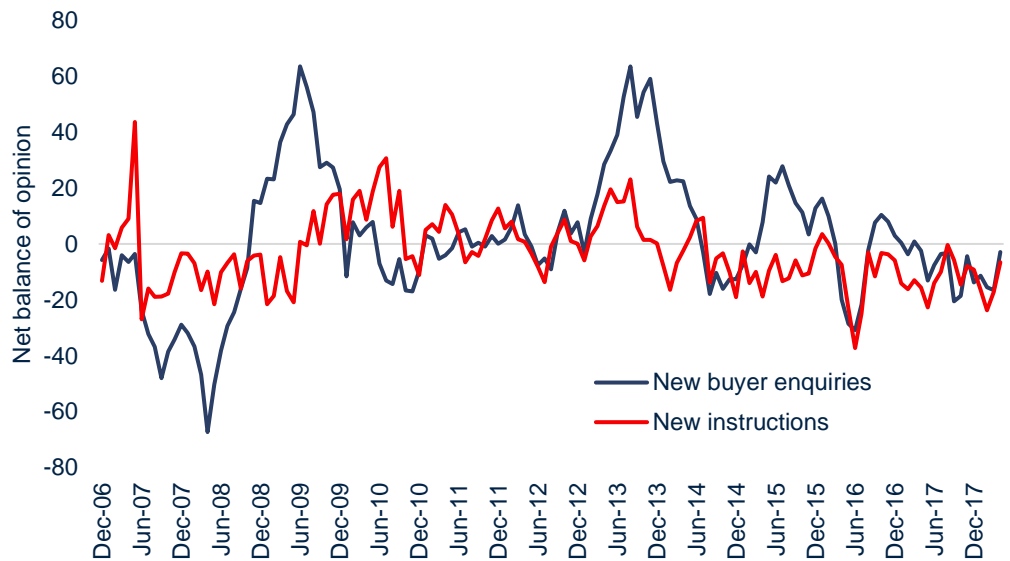


Much of the negativity among surveyors that has been growing over the last year was reversed in April. The number of surveyors reporting rising buyer enquiries and new instructions now nearly matches the number reporting falls.

This perhaps marks the end of the downward trajectory of market activity that has prevailed across large parts of the country.

In London, surveyors reported rising buyer enquiries for the first time in 12 months.

Figure 3 – Both supply and demand continue to fall



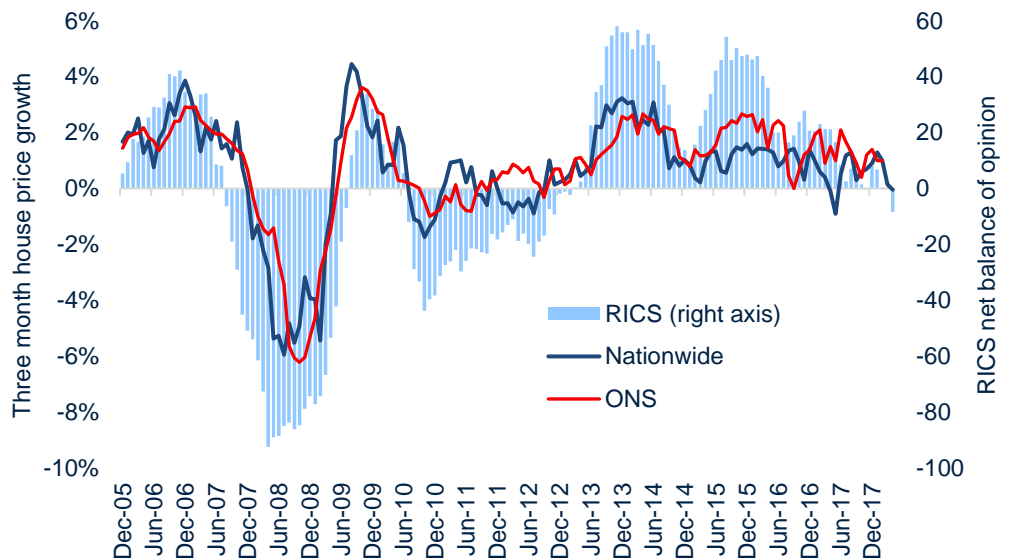
Source: RICS (seasonally adjusted)

The RICS Survey has, at times, been a good forward indicator of house price movements and now points to subdued price growth.

More surveyors reported expectations of price falls than price rises in April, taking this indicator to its lowest level since 2012.

Three month house price growth fell into negative territory for the first time since the EU referendum according to Nationwide. The ONS index remained stable at three month price growth of 1.0% in February.

Figure 4 – Three month price growth in negative territory



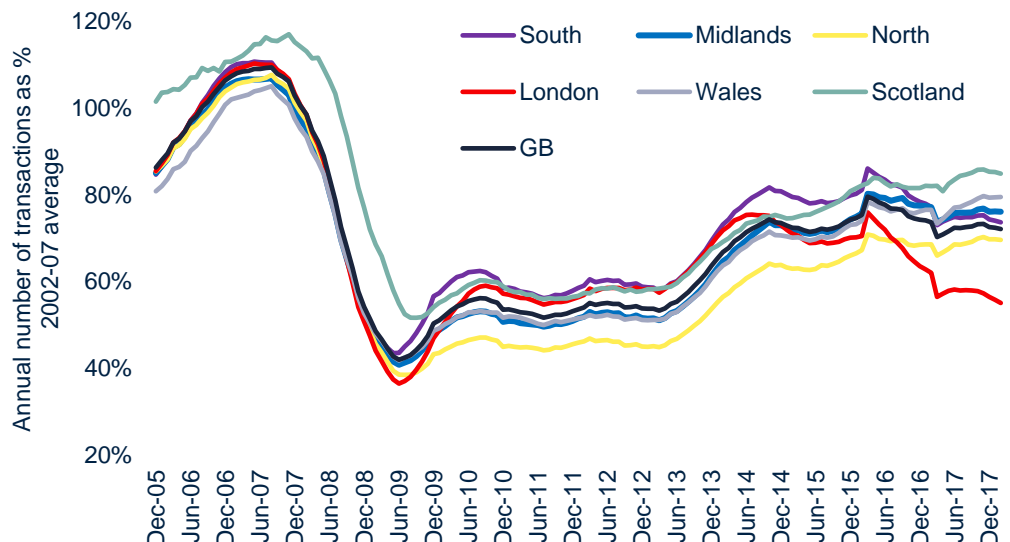
Source: RICS, Nationwide, ONS

Across most regions transaction volumes appear stable.

The gap in activity levels between London and the rest of the country has continued to widen and there were 22% fewer transactions in the year to February than the same period three years previously.

Activity has also slowed in the south, where there were 9.8% fewer transactions in the year to February than three years previously.

Figure 5 – Transactions mostly stable, although falls in London continue



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

Recent house price growth

	Nationwide (to Mar-18 for regions, to Apr-18 for UK)			ONS (to Jan-18)			Savills (to Jan-18)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.2%	-0.5%	2.7%	0.2%	1.0%	4.4%	0.0%	0.4%	4.1%
London	n/a	1.3%	-1.1%	-1.5%	-1.2%	-1.0%	-0.5%	-0.8%	0.9%
South East	n/a	0.7%	2.0%	0.5%	1.1%	4.0%	-0.1%	0.1%	3.5%
East of England	n/a	0.4%	2.4%	0.2%	1.1%	4.1%	0.1%	0.7%	4.9%
South West	n/a	0.5%	2.8%	0.1%	1.7%	4.8%	0.1%	0.8%	5.0%
East Midlands	n/a	0.8%	4.5%	0.4%	2.0%	6.3%	0.3%	0.9%	6.7%
West Midlands	n/a	1.4%	4.8%	2.3%	3.2%	7.2%	0.1%	0.9%	6.2%
North East	n/a	2.8%	4.2%	2.1%	2.0%	3.2%	0.0%	0.0%	2.2%
Yorks & Humber	n/a	2.0%	4.1%	-0.5%	0.6%	3.1%	0.1%	0.7%	4.5%
North West	n/a	0.5%	3.1%	1.0%	1.0%	4.8%	0.2%	0.6%	5.1%
Wales	n/a	2.0%	6.0%	0.2%	1.3%	4.8%	0.5%	1.1%	5.0%
Scotland	n/a	-0.9%	0.2%	-0.7%	1.4%	6.0%	-0.1%	0.3%	5.8%

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
020 3107 5460



Chris Buckle
Director
cbuckle@savills.com
0207 016 3881

Website

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.