

ELECTION TIME... AGAIN

Just weeks after Article 50 was triggered, the country is counting down to another national poll in June. Meanwhile there is a mixed picture in the housing market, with growth slowing in some areas, and price falls easing in others.

Key facts April 2017

Average UK house prices fell by 0.3% in March, taking the annual change to 3.5%, according to Nationwide

Prime central London prices dipped by 0.1% in March, with the annual decline easing to 6.4%

Prime country house prices in England and Wales climbed by 0.6% in Q1, taking the annual change to -0.1%

Prime Scottish property values were unchanged in Q1, with prices down 1.2% on the year

Economic and housing market overview

A review of data from previous elections confirms a relatively moderate impact on activity in the housing market. In terms of transactions, as shown below, the buying seasons, which typically take place in Spring and Autumn, still have the biggest influence on sales volumes.

However, specific policies can distort a market, especially property taxes. This can be seen from the spike in transactions in March last year as buyers sought to avoid the extra 3% stamp duty introduced for the purchase of additional properties at the beginning of April. There are also some short-term changes in activity levels before the ending of stamp duty holidays for certain buyers in 2009 and 2012.

In terms of buyer demand across the country, no conclusive trend is apparent around election time, as shown in the chart on page 2. However, it is noticeable that the measure of new buyer enquiries across the country from RICS, shows a hesitation before both the Scottish and the EU Referendums followed by a rapid bounce-back in demand.

Annual House Price change

Year to February 2017



Source: Knight Frank Research, ONS

The UK housing market is likely to continue on its current trajectory in the run-up to the Election, with price growth expected to continue to ease in the coming months. As ever, the headline numbers mask a multi-speed market, with the latest data from the ONS showing that average house prices in the East of England rose by 10% in the year to February, compared to 4% in Greater London and 2% growth in the North East.

The Election is due to fall just a month after the closing of the consultations launched in and alongside the Housing White Paper.



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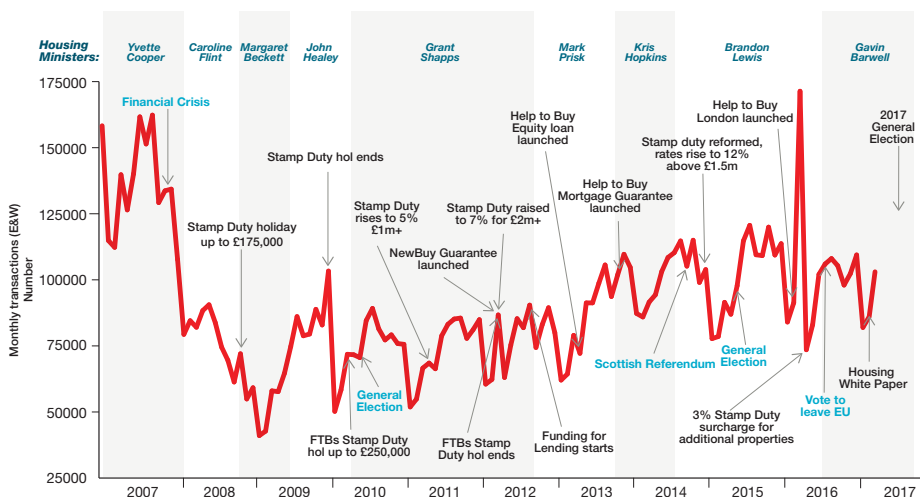
“The buying seasons, which typically take place in Spring and Autumn, still have the biggest influence on sales volumes.”

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UK housing transactions and policy changes

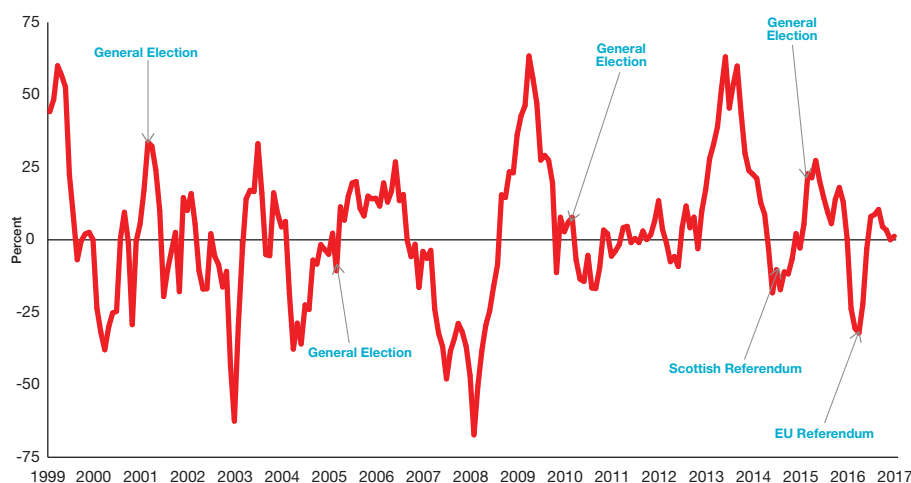
2007-2017



Source: Knight Frank Research/HMRC

New Buyer Enquiries, England & Wales (% change on month before, net balance)

% change on month before, net balance



Source: Knight Frank Research/RICS

A clear plan and timetable for legislation is needed to help boost the delivery of housing across the country, regardless of which political party is in power.

Prime market update

Values in prime central London fell by 6.4% over the year to the end of March 2017, a slight easing from the 6.6% annual fall reported in February.

Leading indicators of demand have also been increasingly positive in the last few months, with the number of properties under offer in the three months to February 2017 22% higher year-on-year.

Outside of the capital, in the prime country market, house prices increased by 0.6% between January and March. On an annual basis, values were essentially unchanged at -0.1%.

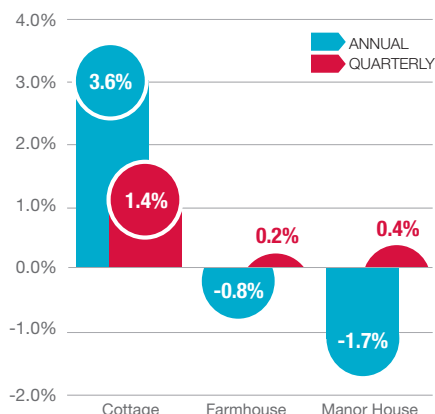
The slight pick-up in values in the first three months of 2017 is an indication that prime markets are starting to stabilise following three consecutive quarters of price falls. That said, the market is still highly price sensitive, particularly at the top end with manor houses underperforming the wider average.

It's a trend which is being replicated in Scotland, with Land and Buildings Transaction Tax – Scotland's replacement of Stamp Duty – keeping a lid on price growth in the prime market. Prime values north of the border are down 1.2% annually over the year to March.

Edinburgh has been an exception, however. Property values in the city rose by 1.1% between January and March, and by 3% over the last 12 months, underpinned by a growing imbalance between supply and demand across the city.

Price growth by property type

annual and quarterly % change



Source: Knight Frank Research

Edinburgh: Prime stock levels for sale



Source: Knight Frank Research

Rental market

Average rents rose by 2.0% across the UK in the year to March 2017, according to the ONS. The largest annual rental price increases was in the South East at 3.4%. Scotland saw rental prices decrease by 0.1% over the same time.

In the prime market, for existing properties, rents in London declined by 4.9% over the year to March and by 2.3% in the Home Counties.



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