

## ANOTHER MULTI-SPEED YEAR

The rate of overall price growth in the UK housing market is expected to continue at much the same pace in 2016, however localised differences in price performance are becoming more evident across prime and mainstream urban and rural markets.

### Key facts January 2016

**Average UK house prices rose by 4.5% in 2015**, taking the average price of a home to around £197,000 according to Nationwide

**Values in prime central London rose by 1% on average in 2015**, but growth rates ranged widely across different areas

**Prime country house prices climbed 0.6% in the final quarter of last year**, taking the full year growth to 3.1%

**UK house prices are forecast** to post modest gains again in 2016



**GRÁINNE GILMORE**  
Head of UK Residential Research

**“The Government has announced new measures to boost the supply of housing – a recognition that housing is now one of the key areas of focus for the electorate.”**

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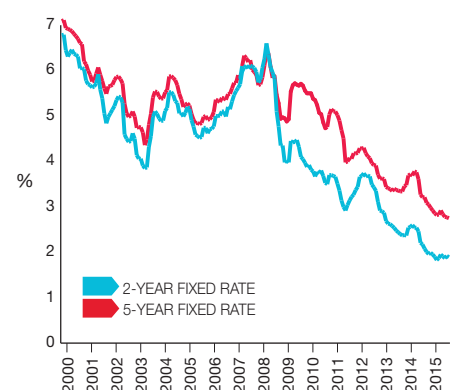
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### Economic and Housing Market Overview

The Bank of England's decision to keep interest rates on hold in January, coupled with the continued fall in oil prices, has led some economists to push back expectations for the first rate rise until 2017, despite the US Fed's decision to raise US interest rates in December.

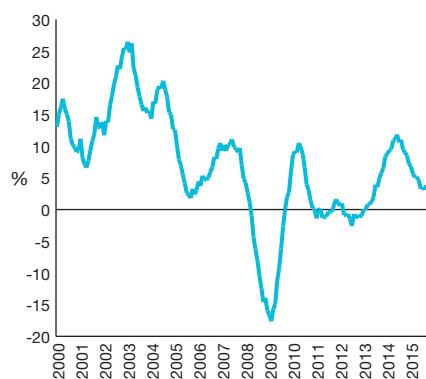
A longer period of low mortgage rates, alongside firmer wage growth and a continued lack of new and second-hand housing stock, should continue to underpin overall pricing during 2016. Activity has been gradually picking up in recent years, but this trend is likely to be hampered by the continued lack of supply of homes coming to the market across the country.

### Average mortgage rates for buyers with 25% deposit



Source: Knight Frank Research/Bank of England

### UK average annual house price growth



Source: Knight Frank Research/Macrobond

Prices in the market are moving at different speeds across the country, so value growth this year will likely be spread over a range, depending on location. This is examined more fully in [Knight Frank's UK Forecast and Risk Monitor](#).

Certain sections of the housing market will also have to adjust to new stamp duty charges. At the Autumn Statement in November, the Chancellor announced an additional 3% stamp duty for those buying additional properties, whether as second homes or as buy-to-let investments.

The consultation on the new rules is due to close on February 1st, and the detail will be announced at the Budget Statement in March. The new rules will come into force on April 1st. As a result there could be increased activity in the market in the first quarter as investors and second home purchasers look to complete before the higher charge comes into force. Knight Frank will be posting all updates on this new policy as developments occur on [Global Briefing](#).

The Government has announced a raft of new measures to try and boost the supply of housing, not least support for small to medium sized builders and the injection of more funds to help prepare [brownfield land for development](#) – a recognition that housing is now one of the key areas of focus for the electorate.

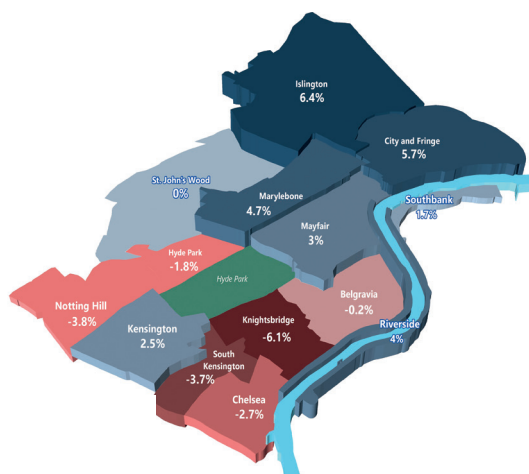
### Sector overview

Average values in [prime central London](#) were flat in December, ending the year up 1%, in line with [Knight Frank's forecast](#). However, price performance in local areas remained quite distinct, as shown in the map.

There are signs of a pick-up in activity in this market as buyers and vendors become

## Price growth in prime central London

Year to December 2015



Source: Knight Frank Research

more familiar with the new stamp duty environment. Viewings in November last year were higher than in November 2014 - back before the new, higher, stamp duty rates had been introduced for properties worth more than £1.1 million. But as with all prime markets, vendors and buyers now need to adjust again to the new additional stamp duty charges for buy-to-let and second home purchases due to come into force in April.

The sub-£2m and sub-£1m markets in London have seen some of the best performance in recent years.

These markets are less exposed to tax and are also more closely aligned to the domestic economy, as examined more fully in the [London Residential Review](#). This also includes an interactive map of where the largest growth has been in London in each of the last 20 years.

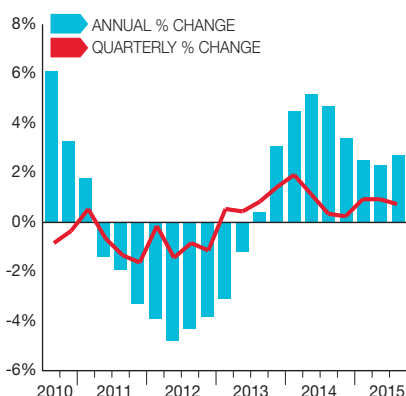
Those active in the [prime country house market](#) are also adjusting to the stamp

duty rules introduced in December 2014 – Knight Frank data shows the number of £2m+ homes sold in the three months to December was 15% higher than the preceding 3 month period, and was more than double the number sold in the first three months of the year. The market is still being driven by prime properties in urban locations, with buyer demand concentrated on areas with effective transport links and good schools.

Average rents across the UK were up 2.7% in the year to September, ranging from a 4.1% annual uplift in Greater London to 0.5% rise in the North East of England.

## Prime country house prices

Annual and quarterly change in prime country property values

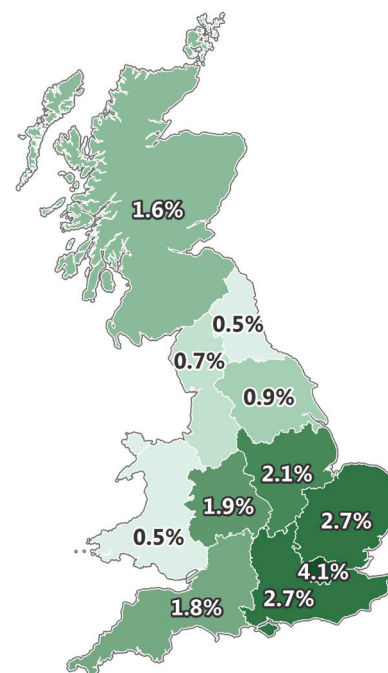


Source: Knight Frank Research

[Prime central London rents](#) fell by 0.4% in December, ending the year up 0.7%, after peaking at 4.2% growth in May. This market is quite seasonal, and closely linked to the financial services sector. As a result, rents have been affected by restructuring plans announced by major European banks.

## Annual growth in rents

Year to September 2015



Source: Knight Frank Research / ONS

## RESIDENTIAL RESEARCH

**Gráinne Gilmore**

Head of UK Residential Research

+44 20 7861 5102

[grainne.gilmore@knightfrank.com](mailto:grainne.gilmore@knightfrank.com)

## PRESS OFFICE

**Jamie Obertelli**

+44 20 7861 1104

[jamie.obertelli@knightfrank.com](mailto:jamie.obertelli@knightfrank.com)



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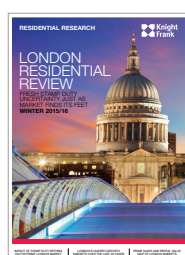
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