

THE FINAL COUNTDOWN

Uncertainty over the outcome of the upcoming election is being felt in many corners of the property market, and this is being reflected in price performance. Gráinne Gilmore examines the latest data.

Key facts April 2015

UK house prices rose by 0.1% in March, but the annual rate of growth slowed from 5.7% to 5.1%

Prime Central London prices rose by 0.1%, and annual growth is at 3.3%

English Country House Prices rose by 0.9% in Q1, and are up 2.5% year-on-year

Prime Central London rents rose by 0.2% in March, and are up 4% on an annual basis

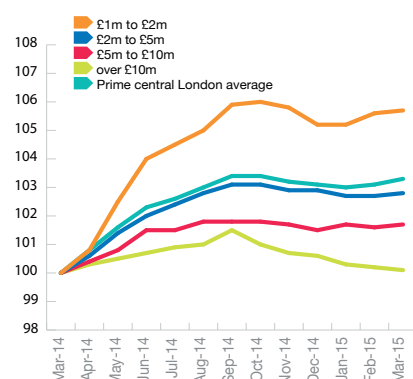
UK housing and economic overview

The General Election is just weeks away and some areas of the housing market are now clearly showing the evidence of a 'wait and see' approach, by vendors and buyers alike. New sales instructions fell across the country in March, according to the latest data from the Royal Institution of Chartered Surveyors (RICS).

The policies and proposals affecting distinct parts of the housing market are also having an effect, with price growth strongest in the lower price bands in prime central London, as shown in the chart below. At the top end of the market, concern over potential tax policies that could emerge after the election is prompting many to delay action.

Price growth is stronger in lower price bands

% change in prime central London prices (Rebased to 100)



Source: Knight Frank Residential Research

Housing is certainly a central plank of the manifestos in this election. Extending Right-to-Buy for Housing Association tenants, 'Help to Rent', Help to Buy ISAs are just a few of the ideas mooted to try and help more people climb onto the housing ladder.

Pre-election policy pledges

Click image to see full matrix

	Conservatives	Labour	Liberal Democrats
In their own words:	"Buying a home shouldn't be an impossible dream"	"Under a Labour Government housing will be a top priority"	"Providing the opportunity for everybody that a home gives"
Annual housebuilding	For councils to decide	200,000	300,000
Affordable homes target	275,000 by 2020		
Other housing targets	200,000 homes at 20% discounts for FTBs under 40. Max £250k outside London. £450k London	Double the number of FTBs by 2025	30,000 rent-to-own homes available a year Commissioning new houses direct from Government
Help to Buy and Right to Buy	H2B Equity Loan extended H2B ISA (up to £3,000 contribution from Gov) for House Purchase Right to Buy extended to housing association tenants	H2B ISA, all capital saved used to invest in new housing (150,000 homes by 2020)	Devolve full control of Right to Buy
Other policies	£1bn brownfield regeneration fund to build 400,000 homes by 2020		
Planning	Continue current policies. Further support roll out of neighbourhood planning	Speed up planning for <10 unit schemes Use it or lose it powers for LAs	LAs to identify 15 years' housing supply
Garden Cities	Yes, where locally supported	Yes & Garden Suburbs	Yes, at least ten

Knight Frank is monitoring all the latest housing pledges, and our analysis of the potential impact of some of the key policies on UK house prices, housing supply and sales activity are examined in more detail on our [blog](#).

Arguably as important as the headline-grabbing ideas on government loans to amass deposits for buyers and tenants, are the parties' plans to boost the delivery of new homes. Ideas around this include a fund to help development on brownfield land, construction carried out directly by the government and more support for



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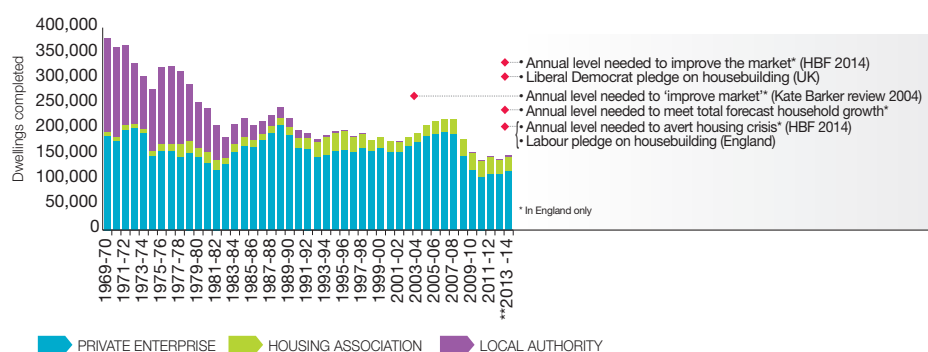
"Housing is key plank of the manifestos. Equally as important as the headline-grabbing measures are the technical planning and infrastructure proposals which will boost the delivery of new homes."

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Housebuilding in a historical context

Annual housing completions, UK



Source: DCLG **estimate

small to medium-sized builders. Ultimately affordability issues can be eased by a larger supply of homes, and it is these more technical measures to help development which are the key to fostering a sustainable housing market in the long-term.

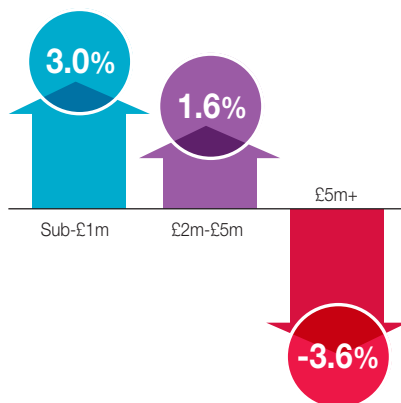
Prime markets

The 3.3% annual rate of growth in Prime Central London is the lowest rate of growth for five years. Prices have remained broadly flat since September last year amid concerns over the upcoming election. However, within prime central London, there is still a wide range of price performance – ranging from a 1.2% decline in Kensington prices to a 7% rise in Islington, as shown in the map below.

Annual price growth in the prime country market fell from 3.4% to 2.5% in Q1, with election uncertainty also playing a role and some evidence that the higher rates of stamp duty for £1m+ properties introduced in December are resulting in

Prime country houses price change by price bracket

Annual change to Q1 2015

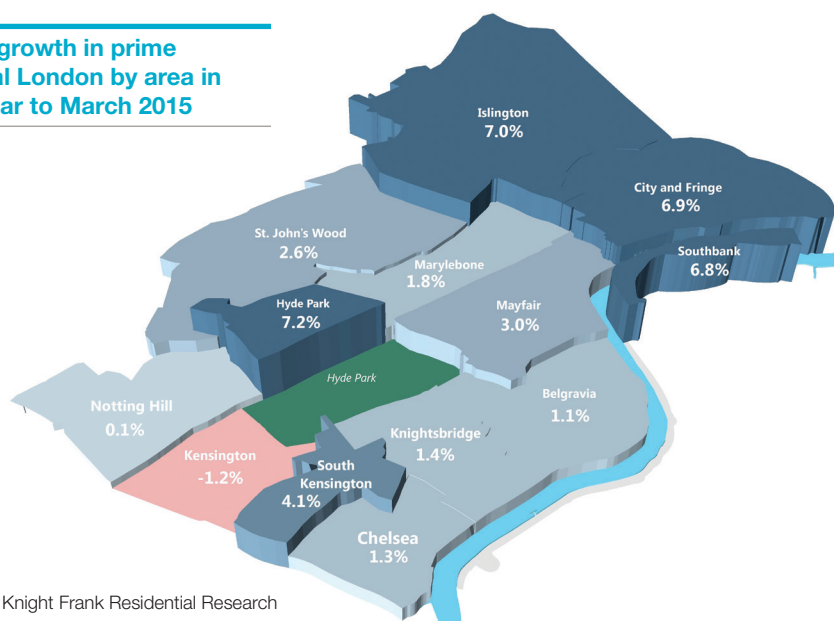


Source: Knight Frank Residential Research

price adjustments at the top end of the market. Average prices remain 16% below their 2007 peak.

Meanwhile prime property prices in Scotland were up 1.2% year-on-year in Q1.

Price growth in prime central London by area in the year to March 2015

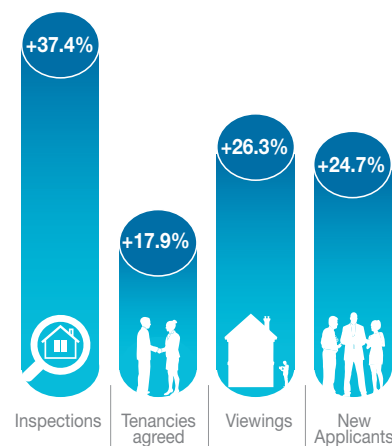


Source: Knight Frank Residential Research

Rental markets

Rents in prime central London were 4% up year-on-year in March, and activity levels were noticeably higher, a reflection of the hesitancy seen in the sales market. Rents in the Home Counties rose by 3.5% in the first quarter and are up 4.7% year-on-year after a particular pick-up in demand for family homes at less than £5,000 a month.

Home Counties rental demand picks up Q1 2015 vs Q1 2014



Source: Knight Frank Residential Research

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Prime Country House Index Q1 2015



Prime Central London Sales Index Mar 2015

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