

## A SEAT AT THE TABLE

Savid Javid is now Secretary of State for Housing, Communities and Local Government, meaning housing is now a Cabinet post. A new housing minister (the 16th in 20 years) has also been appointed, with more supply-side policies expected this year. Average house price growth moderated across the country in 2017, while in prime central London, price declines narrowed dramatically.

### Key facts Jan 2018

**Average UK house prices rose by 2.6% in 2017**, compared with 4.5% in 2016, according to Nationwide

**Prime central London prices ended the year down 0.7%**, compared with a 6.3% decline in December 2016

**Prime Country home prices in England were up 0.4% in 2017**, with some towns outperforming

**Prime Scottish property prices were up 0.2% on the year**, while Edinburgh values were up 5.4%

### Economic and housing market overview

A Cabinet re-shuffle in early January resulted in the appointment of the 16th housing minister in 20 years, and the third housing minister of Theresa May's premiership.

However, amid the revolving door of housing ministers, housing has also become a Cabinet post, with Savid Javid now heading a newly created Ministry for Housing, Communities and Local Government (MHCLG) – something for which we at Knight Frank have been calling for in recent years. This is a welcome move, even if it is largely symbolic, as it underlines the Government's determination to address housing issues across the country, not least a lack of supply.

There has already been a plethora of housing policy in recent years, as shown in the chart below, but 2018 promises to be another year of legislation, as more plans contained in last year's Housing

White Paper come to fruition. The Spring Statement in March could well be dominated by housing, an issue that the Government has made a top priority, even as it tackles tough Brexit negotiations.

The moderation in house price growth across the country continued towards the end of 2017, with average UK prices rising 2.6% during the year, compared to 4.5% in 2016 and more than 8% in 2014.

However, the underlying picture on pricing has changed, with average falls in pricing across Greater London (-0.5%) versus stronger growth in the West Midlands (5.2%). This is a reversal of the trend seen in recent years, where London has led from the front in terms of price growth.

Affordability constraints remain an issue in some parts of the market, especially in London and the South East, with lacklustre earnings growth also weighing on pricing.



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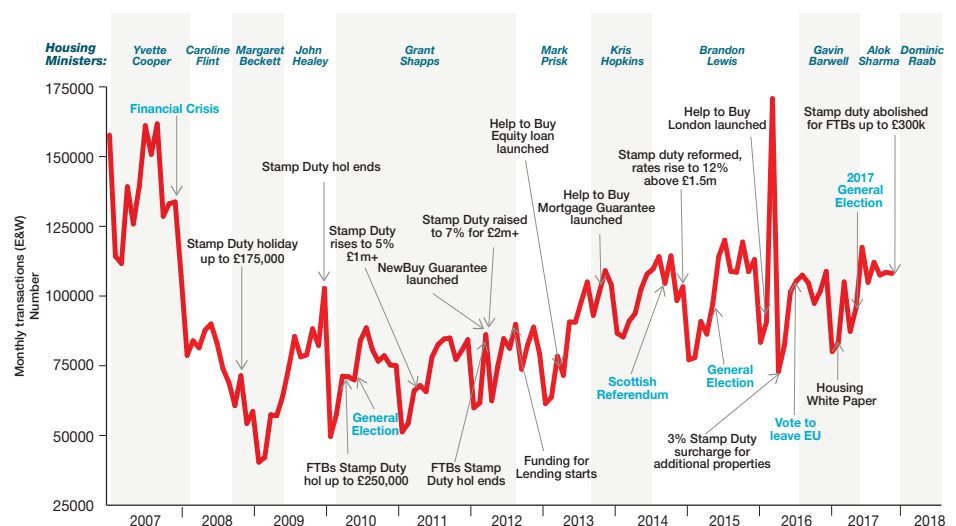
"2018 promises to be another year of housing legislation, especially as housing is now a Cabinet issue."

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### UK housing transactions and policy changes

2007-2018



Source: Knight Frank Research/HMRC

At the same time, the continued lack of supply of housing and ultra-low mortgage rates are putting a floor under values.

The outlook is for moderate price growth this year and next, as explored further in Knight Frank's [Residential Market Forecast](#), which can be found at [www.knightfrank.co.uk/research/reports](http://www.knightfrank.co.uk/research/reports).

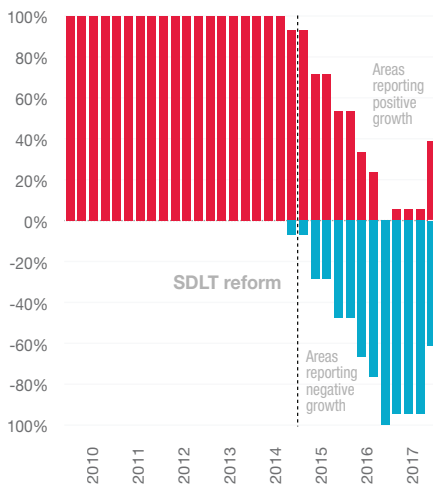
## Prime market update

### Prime London

Average prices in prime central London fell 0.7% in 2017, the smallest annual decline since June 2016. On a local level, the number of areas now recording price rises continued to grow in December. Activity also continued to rise modestly, a further sign that the market is in recovery mode. There was a 5% year-on-year increase

### More markets return to positive growth

Markets reporting price growth vs price declines



Source: Knight Frank Research/Lon Res

in sales volumes in the six months to November 2017, LonRes data shows.

### Prime Country

Prime country prices remained broadly flat in 2017, ending the year 0.4% higher. Agents note that one of the most challenging aspects of the market over the course of the year has been a lack of new stock being offered for sale. Higher rates of stamp duty, a slowdown in economic growth and wider political uncertainty mean that vendors have been prepared to take a 'wait and see' approach. We are forecasting price growth in prime markets across England and Wales of 1.5% in 2018 and 2.0% in 2019.

### Prime Scotland

Scottish country house prices ticked up 0.2% in 2017, an improvement on a 1.1% fall in 2016 and 0.1% growth in 2015. Changes to property taxes in 2015 and 2016, which increased the up-front cost of purchasing property for most country house buyers, have hampered price growth. Edinburgh bucked this trend, however. Property prices in the city rose 5.4% in 2017, underpinned by an imbalance between supply and demand.

## Rental market

Average rents across the Great Britain rose 1.4% year-on-year in November, a slight fall on the previous month, according to the ONS.

In the prime central London market, rents are down 2.2% on the year, but declines are starting to slow as supply becomes constrained.



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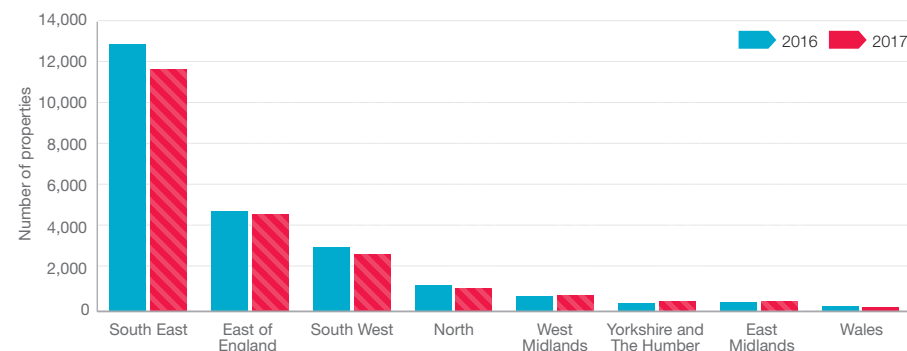
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### New supply falls:

New homes listed for sale, £1m+



Source: Knight Frank Research / Rightmove