

PRICING & POLICY

House price growth is moderating across the UK, while in prime central London, activity is price dependent. Housing remains centre stage in policy terms, with a planned overhaul of the planning framework and more consultations on changes to development rules.

Key facts March 2018

Average UK house prices dipped by **0.3% in February**, taking the annual growth to 2.2%

Prime central London prices were **down 0.9%** year-on-year in February

Prime central London rents fell by **0.1% in February**, taking the annual change to -2.1%

Average UK rents rose by **1%** in the year to February

Economic and housing market overview

House price growth in the UK is moderating. It stood at 2.2% in February, according to the Nationwide, while the alternative (and lagging) measure of UK house price growth from the ONS & Land Registry, shows growth of 4.9% in the year to January.

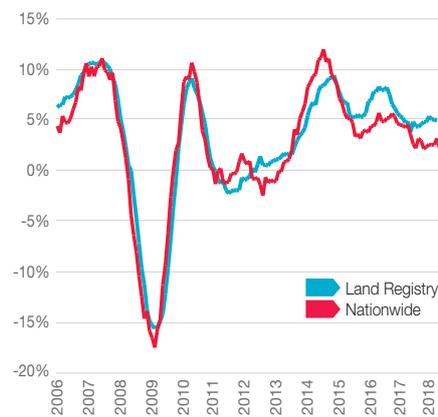
to the ONS/Land Registry, as the chart below shows.

Transaction levels across the country have also eased from the levels seen in 2014 and 2015, but remain slightly higher than the average seen over the last decade.

However, there is a mixed regional picture underneath these headline figures, with some regions, such as the North East and Midlands, seeing a pick-up in activity over the last three years, and others, such as the South East and London, showing a decline in activity over the same period.

Annual house price change, UK

2006-2018

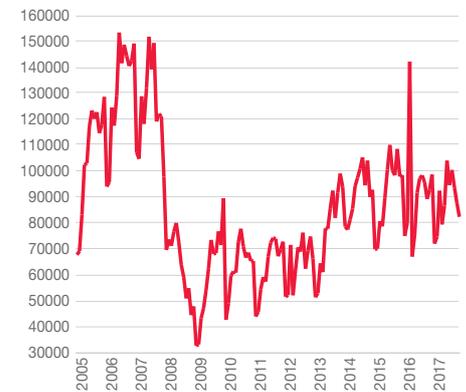


Source: Nationwide/ ONS, Land Registry

Across the country, most local authorities are seeing growth in average house prices, albeit at a modest level. More than nine out of ten local authorities showed price growth in the year to January – according

Housing market activity

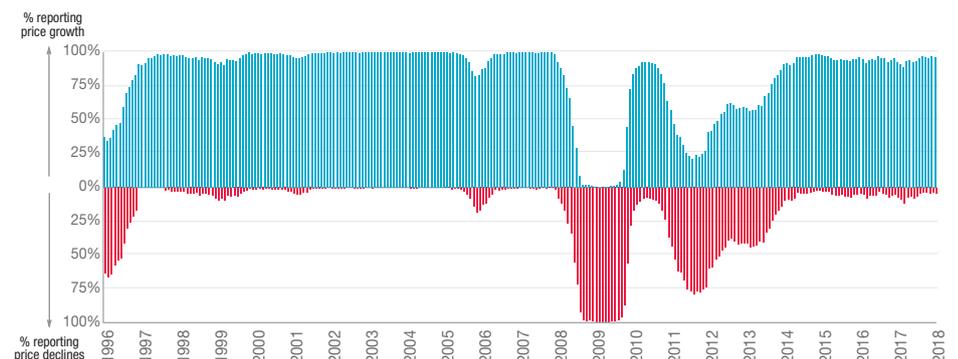
Residential transactions, UK



Source: Land Registry

Proportion of UK markets with rising house prices

% of Local Authorities reporting rising or falling prices, annual price change



Source: Land Registry



GRÁINNE GILMORE
Head of UK Residential Research

“The Office for Budget Responsibility is forecasting a five-fold increase in stamp duty receipts between 2000 and 2022 – to £16 billion.”

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March marked another month of housing policy announcements.

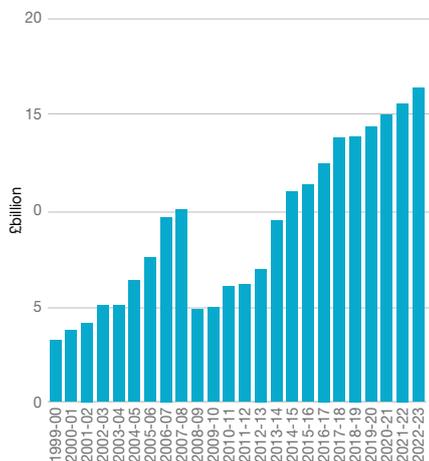
At the beginning of the month, the [draft revised National Planning Policy Framework \(NPPF\)](#) was published, outlining plans to update the original NPPF which was implemented in 2012 (which underlined the localism approach to planning and development). Among the suggestions within the report were plans to refer decisions back up to a regional level where Local Authorities had not produced a local plan for delivering housing. There were also some proposed changes to how decisions are made around the level of affordable housing built in each development.

The Spring Statement, delivered by the Chancellor on March 13th, also included some detail on housing, not least the outlook for the sector from the [Office for Budget Responsibility](#).

These included a forecast for Stamp Duty receipts from property transactions, which are expected to climb to £16.3 billion in 2022/23, up from £3.2 billion in 2000, more than a five-fold increase.

Stamp duty receipts

Residential and commercial property



Source: Office for Budget Responsibility

The OBR also revised down its house price forecasts, showing a more modest rate of growth from 2019 to 2023 than it had previously projected in November. This chimes with [Knight Frank's forecasts](#) for the UK, showing moderate price growth over the next five years.

Sir Oliver Letwin also published an update on his investigation into [housebuilding](#), alongside the Spring Statement. He outlined that he would be examining how absorption rates might be boosted,

especially on larger sites. He will make his recommendations alongside the Budget in November.

Prime market update

Average prices in [prime central London](#) dipped by 0.1% in February, taking the annual change to -0.9%. There has not been a double-digit price movement in the market in either direction for over five years. However, despite this relative stability in headline pricing, the market has become more fragmented.

Prime central London prices, annual % change



Source: Knight Frank Research

In terms of activity, the £5m-£10m market saw a more marked increase in the final quarter of last year, while transaction levels in the £1m-£2m market dipped, according to data from LonRes.

Average [prime country prices](#) remained largely flat in 2017, dipping by 0.2% in the final quarter, and taking the change to 0.4%. However there are signs that buyer demand is rising, coinciding with tightening stock levels. This has resulted in a mixed picture across the regions, as can be seen in the chart, which shows the range of price performance in regions, compared to the average price growth shown in the index.

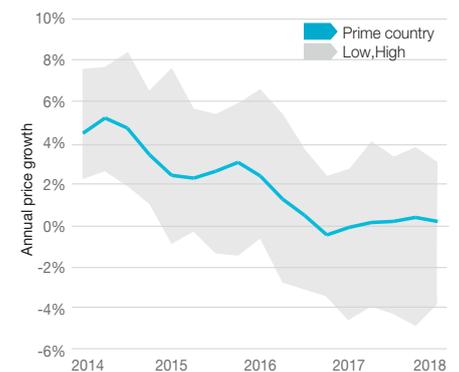
Average rents across Great Britain rose by 1% in the year to February according to the most recent data from the ONS.

Meanwhile, in the [prime central London rental market](#) the data is showing upwards pressure on rents, amid tightening supply and increased demand. Rents were down 2.1% on the year in the 12 months to February, compared to a decline of -5.1% in February last year.

In the [super-prime rental market](#), activity levels rose markedly in 2017, with a rising

number of 'try-before-you-buy' tenants. Agents report that amid the recovering sales prices, some tenants are asking for a 'first-refusal' clause at the end of the tenancy if the landlord decides to sell.

Spread of prime country market house price growth Regional



Source: Knight Frank Research



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