

UK HOUSE PRICE GROWTH EASES

The headline rate of house price growth across the UK slipped in April, although this masks a multi-speed market with strong rises in some areas. In prime London, monthly price declines have abated amid a sharp rise in demand.

Key facts May 2017

UK house prices dipped by 0.4% in April, taking the annual growth to 2.6%, down from 3.5% in March

Prime central London prices for existing homes are down 6.6% on the year

Average UK rents rose 1.8% in the year to April, down from a 2% annual rise in March

Prime central London rents declined by 0.2% in April, taking the annual change to -4.7%

Economic and housing market update

As the country prepares for the fourth national poll in seven years, data from the housing market points towards a continued easing in property prices.

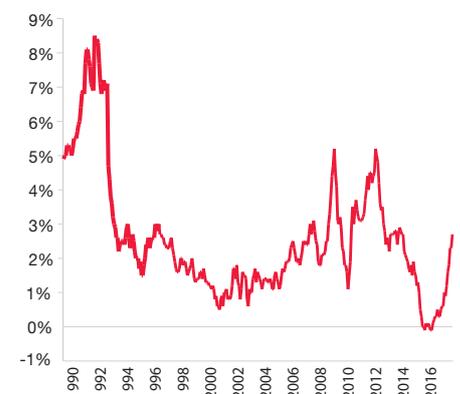
The latest figures from the Nationwide shows the second monthly decline in house prices in April, taking the annual change in house prices to 2.6%, down from 4.9% growth in April last year.

Meanwhile, separate data released this week by the Office for National Statistics (ONS), also showed a slowdown in price growth in March, with values declining by 0.6% during the month. As ever, the market is regionalised, with average values in the North East down 0.4% on the year, compared with a 6.7% annual rise in the East of England and the East Midlands. Average values across Greater London were up 1.5% in the year to March, with some boroughs still experiencing double-digit growth.

Much of this price data pre-dates the announcement of the [General Election](#), but fits in with tempered levels of activity and mortgage lending. There is also a squeeze on incomes at present, with inflation rising faster than wages and climbing to a four-year high of 2.7% in April. However, inflation is expected fall back within the year, after peaking in late 2017. The current slowing in growth follows several years of strong performance across much of the market.

Consumer price inflation

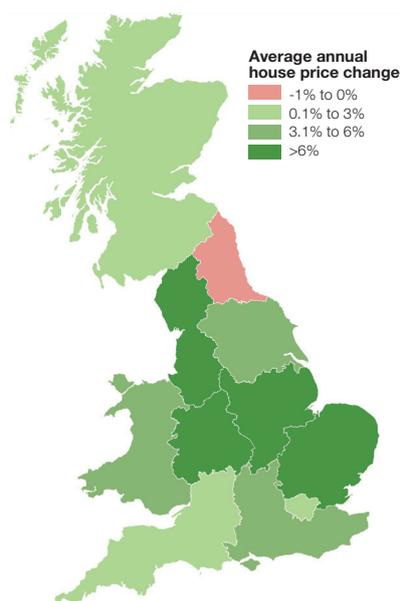
Annual percentage change



Source: Knight Frank Research/HMRC

House price growth

Annual percentage change in prices



Source: Knight Frank Research/ONS



GRÁINNE GILMORE
Head of UK Residential Research

“The slowing headline rate of price growth fits with tempered levels of activity and mortgage lending, but the lack of supply of stock in many areas will put a floor under prices.”

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However, another key feature of the market is likely put a floor under pricing. This is the lack of available stock in many areas of high demand, of both new-build and second-hand houses. New data from RICS, the body representing chartered surveyors, shows that the average level of stock – or properties – available on agents’ books is continuing to decline.

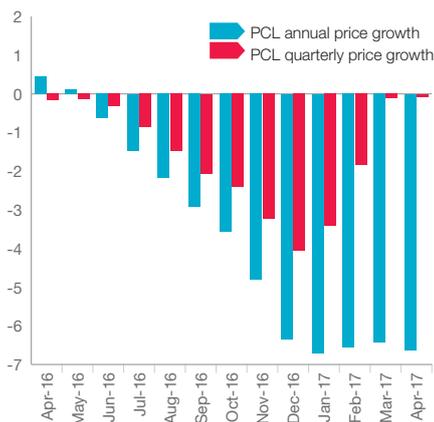
The outlook for the market is that prices growth will continue to ease over the course of the year, with [Knight Frank](#) forecasting 1% average growth across the UK in 2017.

Meanwhile the key political parties are ramping up for the Election, with housing forming a key part of their manifestos. See their housing election pledges on [Knight Frank’s Research Blog](#).

Prime market update

Average prices in prime central London fell by 0.1% in April, which means prices are down by 6.6% over the last 12-months. Since the previous market peak in August 2016, values have declined by 7.2%.

Price declines bottom out in 2017



Source: Knight Frank Research

However, while prices are falling, demand-side indicators have been more positive in recent months. The number of new prospective buyers and the volume of viewings have both risen sharply, which suggests the appetite for prime central London property remains strong. Knight Frank's forecast is for price growth to be flat during 2017 as a whole.

In the prime country market, the latest data pointed to a 0.6% average increase in house prices in the first quarter of 2017. On an annual basis, values were essentially unchanged at -0.1%.

The market continues to adjust to higher levels of stamp duty and is very price sensitive as a result. A closer look at the data shows that annual growth ranges

from 3.5% for properties valued between £500,000 and £1m to -6.5% in the £4m to £5m price bracket.

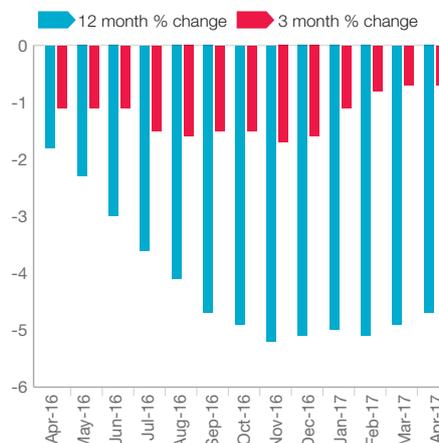
In Scotland, prime property prices have fallen by 1.2% over the year to March. Edinburgh has been an exception, however, with values in the city up by 3% annually.

Rental market

Average rents rose by 1.8% across the UK in the year to April 2017, according to the ONS. The largest annual rental price increases was in the South East. Scotland saw rental prices decrease by 0.1% over the same time.

In the prime central London market, for existing properties, rents fell 0.2% in April. This took the annual change in prime rental values to -4.7%, which is an improvement since the end of 2016, when annual declines were running at more than 5%. Prime rents in the Home Counties are down 3.9% year-on-year, although the number of prospective tenants rose by 15% in the first quarter.

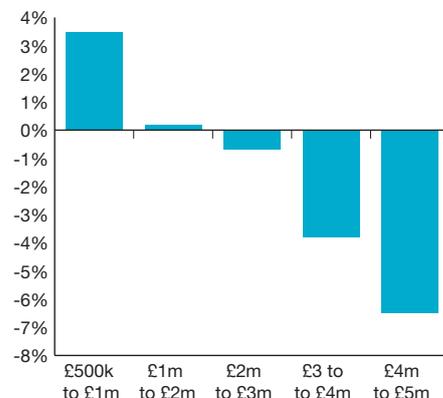
Rental value declines bottom out



Source: Knight Frank Research

Annual change in prime country values

By price band



Source: Knight Frank Research



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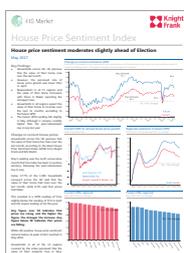
Prime Central London Sales Index - April 2017



UK Residential Market Forecast May 2017



UK Prime Country House Index - Q1 2017



House Price Sentiment Index May 2017