

ALL EYES ON AUTUMN STATEMENT

As the surprise result from the US election is absorbed, all eyes in the UK are turning towards the Autumn Statement. This is the Chancellor's first real opportunity to spell out his plans for the UK economy since coming into office in the wake of the UK's vote to leave the EU

Key facts November 2016

UK house prices remained unchanged in October, resulting in annual growth of 4.6%, according to Nationwide

Prices in prime central London are down 2.3% on the year, after a 0.4% decline in October

Average rents in prime central London are down by 4.9% annually, but activity rises as tenancies agreed climb 25% year-on-year

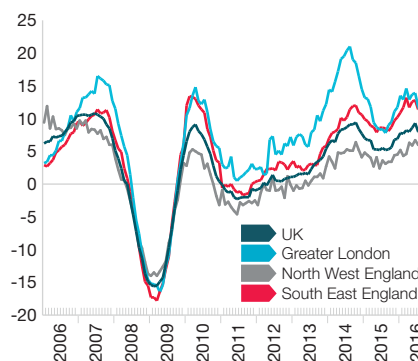
Average UK rents rose by 2.3% in the year to September, with an average rise of 2.5% across England

Economic and housing market overview

Average UK house prices remained unchanged in October, but the market continues to operate at different speeds across the country, as shown in the chart below.

Price growth compared

Annual % change



Source: Knight Frank Research/Nationwide

Households across the UK expect that the value of property will rise over the next 12 months, according to the latest [Knight Frank/IHS Markit House Price Sentiment Index](#), although the outlook is also dependent on location, with households in the East of England expecting the strongest rise in prices between now and November 2017.

However, much now rests on the message sent out by Philip Hammond, in his first big set piece as Chancellor – the Autumn Statement on November 23rd. Mr Hammond has emphasised that the public debt is “eye-watering” and that the economy must be in good shape to deal with Brexit, however he is unlikely to try to balance the UK's books by 2020, which was one of his predecessor's initial pledges.

Of particular interest to those involved in the housing market will be the release of the Housing White Paper, expected to be published around the time of the Autumn Statement. This White Paper, which will

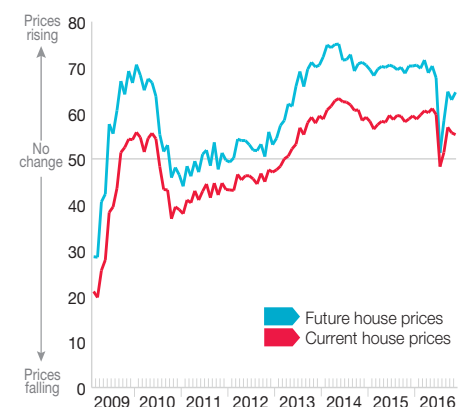
be opened for consultation, will contain the plans of Gavin Barwell, the housing minister, and the DCLG on how to address the housing shortage across the UK. It is expected to underpin support for smaller house builders and encourage investment in modular building techniques.

There is also likely to be further details on policies around new development, many of which have been uncertain for a year or more, such as Starter Homes – which were announced by the then Prime Minister in late 2014. The Starter Homes scheme would allow private homes to be sold at a 20% discount – a discount which would remain in place for five years. However the detail of the policy has still not been confirmed.

One area of positivity for the Chancellor is the latest housing data, showing a rise in the net supply of new housing across the UK in the year to April. As the chart on page 2 shows, new-build completions and overall net additions (which includes conversions and change of use) rose in 2015/16, moving closer to the 200,000 target set by the Government. However, household growth forecasts, and other policy experts say that well over 200,000 new homes a year are needed to meet the current shortfall in housing supply.

Household sentiment remains positive

House Price Sentiment Index



Source: Knight Frank Research / IHS Markit



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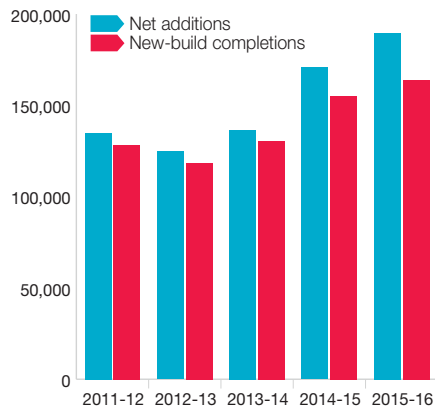
“New-build completions and overall net additions rose in 2015/16, moving closer to the 200,000 target set by the Government.”

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UK RESIDENTIAL MARKET UPDATE NOVEMBER 2016

Net addition of housing



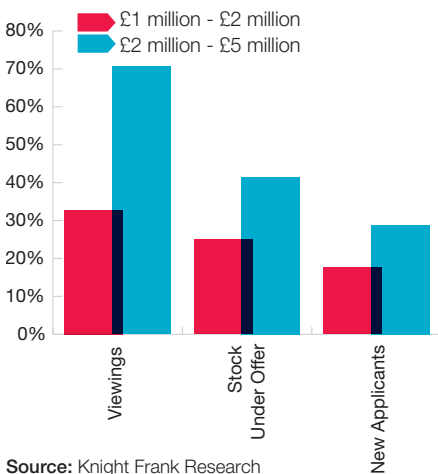
Source: Knight Frank Research / DCLG

Prime market update

Property prices in prime central London fell by 0.4% in October taking the annual decline in prices to 2.3%. However, while prices may be falling, there is early evidence of strengthening demand from buyers.

Stronger performance in higher price brackets

July-Sept 2016 versus July-Sept 2015



Source: Knight Frank Research

Sales volumes between £2m to £5m, for example, a bracket hit relatively hard by recent stamp duty reform, were higher in October than in any month this year, with the exception of March when transactions spiked ahead of the introduction of the additional rate of stamp duty in April.

In the prime country house market annual growth eased to 0.5% in the year to the end of September, down from a high of 5.2% in 2014. While this headline figure suggests that the market has been subdued, the slowdown is just a reflection of a market adjusting to a series of tax changes.

In Scotland, a similar trend has been observed in the prime markets, with higher purchase costs in the form of Land and Buildings Transaction Tax putting pressure on prices, although demand remains robust.

Rental market

Average UK rents rose by 2.3% in the year to September, unchanged compared with the year to August 2016.

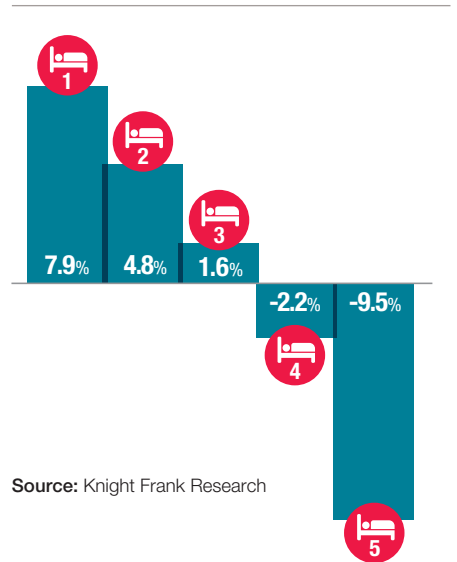
Rental prices increased in all the English regions over the year to September 2016, with rental prices increasing the most in the South East (3.5%).

In the prime markets, rents in the Home Counties rose by 0.5% in the third quarter taking the annual growth to 0.5%. However, these headline figures do mask variations within the market. Activity has been more robust in lower price brackets, something which is reflected by stronger rental growth for smaller properties.

Average rents in prime central London fell by 4.9%. However there was a 16% increase in the number of super-prime

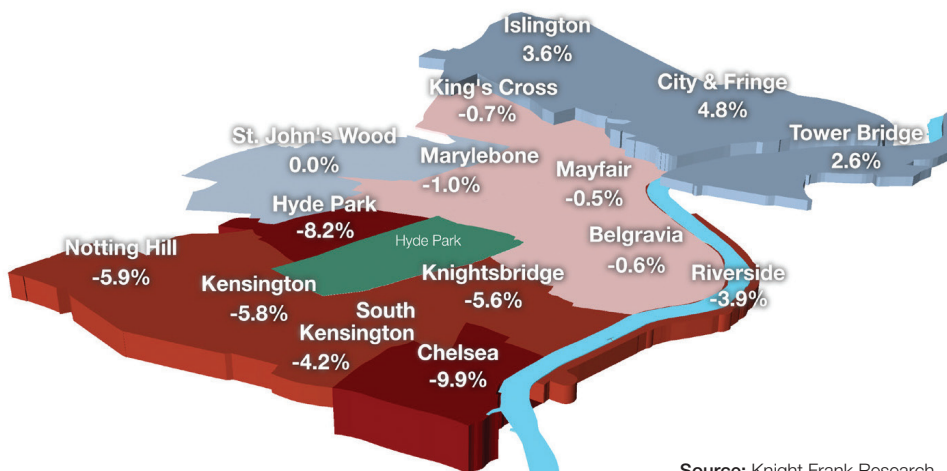
(£5,000+ p/w) lettings deals in the year to September 2016 versus a year earlier, with the slower sales market over this time boosting demand for luxury lets.

Home Counties rental growth by bedroom



Source: Knight Frank Research

Price growth in prime central London, by area, year to October 2016



Source: Knight Frank Research



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