

STEADY SUMMER MARKETS

Pricing and transactions remain broadly steady overall, although large regional variations are still evident. In prime London, the number of new buyers registering interest in purchasing a new home continues to climb, although there is caution among both buyers and vendors in some localities.

Key facts June 2018

UK average house prices rose by 0.5% in June, but annual growth slowed to a five year low at 2%

Prime central London prices slipped by 0.2% in May, taking the annual change to -1.4%

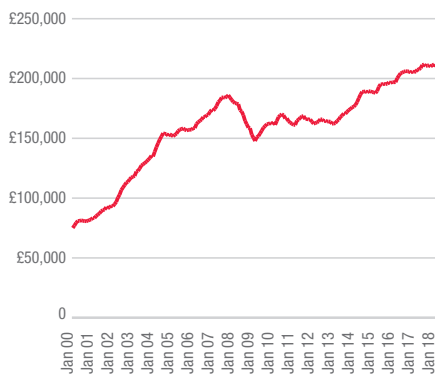
UK average rents were unchanged in May, with an annual growth rate of 1%

Prime central London rents rose by 1.2% in the three months to May taking the annual change to -0.1%

Housing market and economic overview

The average price of a UK home has risen to £215,444 – a new high, according to the most recent data from Nationwide.

Average house prices, UK



Source: Nationwide

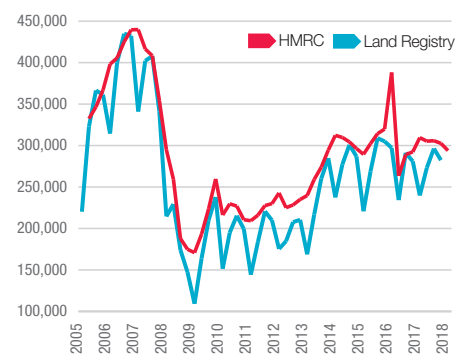
The annual rate of price growth has slowed to a five-year low of 2%, although annual rates of growth have remained between 2% and 3% over the last 12 months. As ever, there are regional variations, with 4.4% annual growth in the East Midlands, compared to a 1.9% fall in average prices in London.

Overall transaction levels dipped slightly at the beginning of the year, but as with pricing the regional picture is mixed. In 2017, the number of home sales in the North West, North East, West Midlands and Yorkshire and the Humber was higher than in 2016, whereas in all other regions, the number of transactions decreased.

Supply of stock coming onto the market remains near record lows – but is edging up in some areas, according to the latest market sentiment survey from RICS. However, the scale of the rise is unlikely to ease current supply constraints, which is putting a floor under pricing in many areas.

Number of home sales, UK

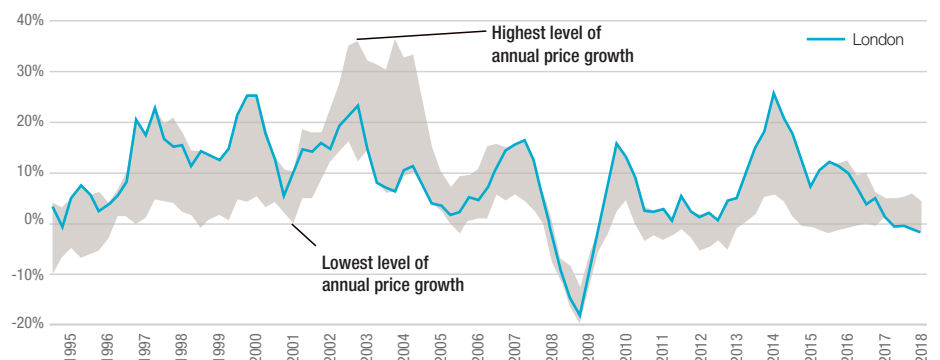
Quarterly data



Source: Macrobond, HMRC, Land Registry

Regional range of house price growth, UK

Annual % change



Source: Macrobond, Nationwide



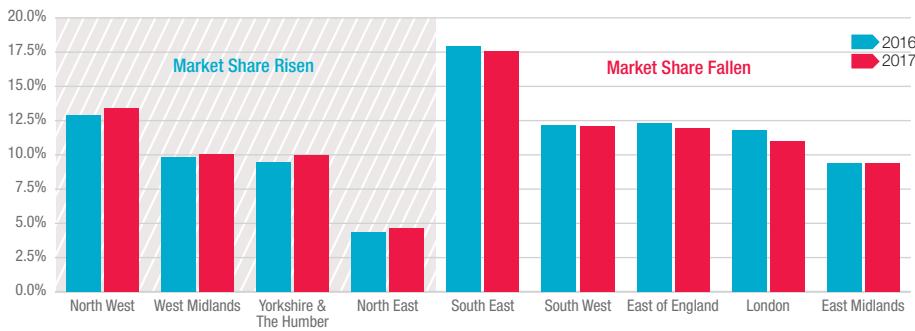
GRÁINNE GILMORE
Head of UK Residential Research

“The UK’s economic prognosis has improved in recent months, despite elements of political uncertainty.”

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Mixed regional picture for housing transactions as a % of total



Source: Macrobond, Land Registry

The UK's economic prognosis has also improved in recent months, despite some aspects of political uncertainty. The purchasing managers' index, a forward indicator of economic activity, bounced back between April and June, suggesting the UK's lower-than-expected 0.1% GDP growth in the first quarter will not be repeated in Q2. A lull in inflation, coupled with marginally stronger wage growth, also means that consumer spending power is on the rise – a positive for consumer sentiment.

Economic activity picking up in Q2

Composite PMI, UK

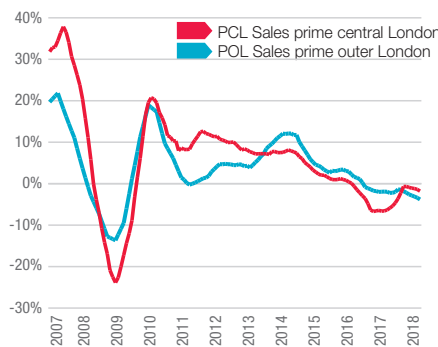


Source: Macrobond, IHS Markit

Prime market update

Prime central London prices are down 1.4% on the year, however the number of new buyers registering with Knight Frank are up 13% since January 2016, while viewing levels are up 35%. In prime outer London, prices are down 3.4% on the year, although higher value properties at between £4m and £5m, and £5m+ are seeing smaller price falls, at 1.7% and 2% respectively.

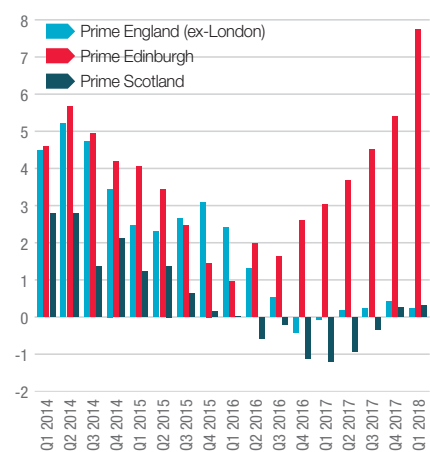
Annual change in prime London pricing



Source: Knight Frank

Prime country home values in England rose by an average of 0.2% in the year to the end of March, while in Scotland, average values were up 0.3%. In Edinburgh, average prime values are up 7.7% on the year.

Annual change in prime property prices

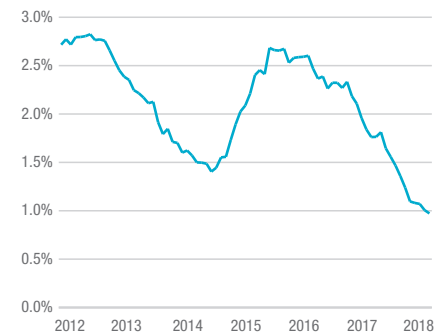


Source: Knight Frank Research

In the rental market, average rents are up 1% across Great Britain in the year to May. Average London rents, as measured by the ONS, slipped into negative territory, falling by 0.2% over the same time period.

This trend is in contrast to the prime London rental market, where rental declines have bottomed out as a shortage of stock has put upward pressure on rental agreements. In prime central London, average rents were down 0.1% on the year in May, compared to -5% in April last year.

Average annual rental growth, GB



Source: Macrobond, ONS



RESIDENTIAL RESEARCH

Gráinne Gilmore
Head of UK Residential Research
+44 20 7861 5102
grainne.gilmore@knightfrank.com

PRESS OFFICE

Astrid Etechells
+44 20 7861 1182
astrid.etchells@knightfrank.com



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