

PRICING STABLE

Annual house price growth was relatively stable in April, rising slightly compared to the previous month. There are signs that pricing is also stabilising in central London. Low interest rates have underpinned the market in recent years and there are conflicting signals about whether another rise is imminent.

Key facts April 2018

Average UK house prices rose by 0.2% in April, taking the annual change to 2.6%

Prime central London prices slipped by 0.1% in March and are down -1.1% on the year

Average UK rents rose by 1.1% in the year to March

Prime central London rents on existing homes declined by 1.5% in the year to March

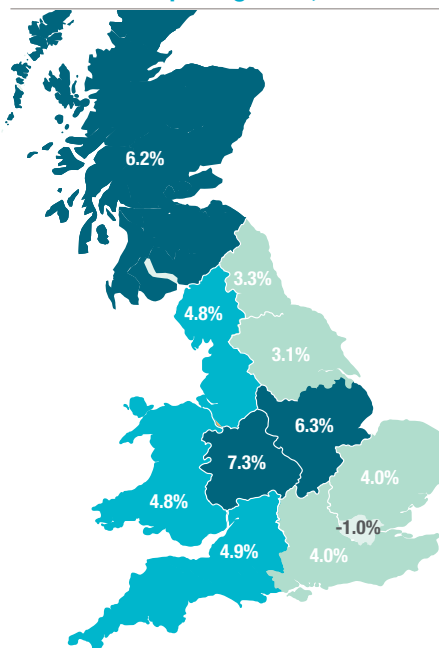
Economic and housing market overview

House price growth across the country remained broadly stable at 2.6% in April, according to Nationwide. There are still regional variations in pricing, but the north/south divide in house prices which has typified the market in recent years has narrowed.

deals will see an immediate rise in their repayments. However, the impact of the rate rise is likely to be moderated by the popularity of fixed-rate deals, which will shelter borrowers from any rate rises until they come to the end of their mortgage term.

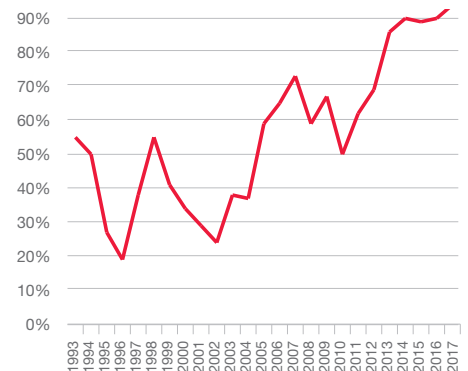
More than nine in ten mortgages taken out over the last two years has been a fixed-rate deal, up from 50% in 2010, as the chart below shows.

Annual house price growth, Q1 2018



Source: Nationwide/ ONS, Land Registry

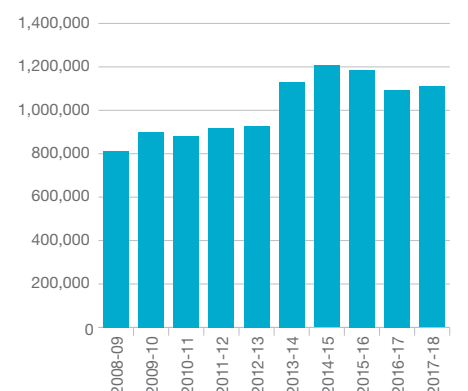
Fixed-rate mortgages, new lending 1993-2017



Source: UK Finance

Activity levels across the market dipped in Q1 2018, down 2.2% compared to the same period last year, according to the latest data from HMRC.

Residential Transactions, England 2008-2018



Source: HMRC



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“Some 45,000 first-time buyers claimed the stamp duty relief between January and March, taking the total number of first-time buyers benefitting from zero or reduced stamp duty to 69,000.”

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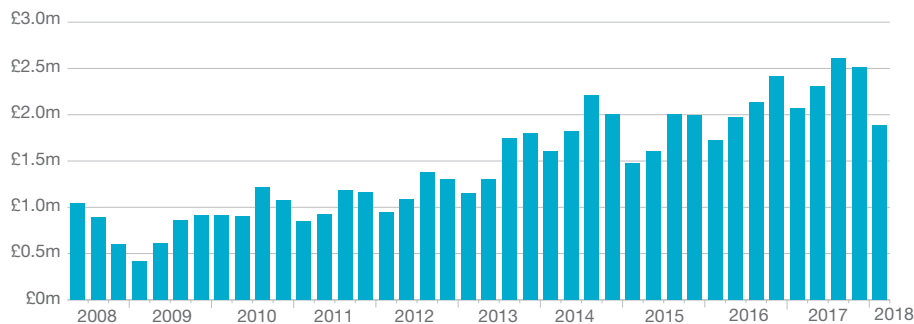
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Home buyers and owners alike are watching the Bank of England closely into May, as there are conflicting signals about whether the central bank will move to raise interest rates next month. Mark Carney, the Bank of England governor, has signalled that the Bank is ready to move rates from 0.5% to 0.75%, the highest rate in nine years, however some downbeat economic data over the last few weeks has cast some doubt on whether this will be the case.

Even if the base rate moves up, it would remain at an historically low level. Yet any rise in the rate will have an impact on mortgage holders. Those on variable rate

Residential stamp duty receipts

2008-2018



Source: HMRC

Despite this, stamp duty revenues from residential transactions remained buoyant, with receipts in the year to March of £9.3 billion, more than double the annual revenue raised five years ago.

The data also showed that between January and March, some 45,500 first-time buyers claimed the stamp duty relief introduced on properties up to £500,000 in November last year. This took the total number of first-time buyers benefitting from zero or reduced stamp duty to 69,000.

Meanwhile, additional data from the Ministry of Housing, Communities and Local Government showed that some 158,883 buyers have used the Help to Buy Equity Loan in order to fund the purchase of a new home since the scheme was introduced in 2013.

Prime market update

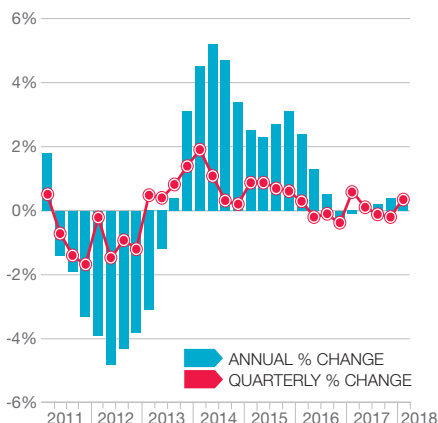
Average prices in prime central London fell 1.1% in the year to March, according to our index, the fourth consecutive marginal annual adjustment. It means prices are now 8% below their previous peak in August 2015. As pricing has stabilised, so have

trading volumes. There was a 2% increase in sales volumes in the year to February 2018 compared to the previous 12-month period, LonRes data shows.

In prime markets outside of the capital, prices rose by 0.2% on average over the year to March 2018. An imbalance between supply and demand remains the primary factor underpinning values across the country. Some prospective vendors are adopting a cautious attitude as a result of higher rates of stamp duty and uncertainty surrounding Brexit, particularly at the top end of the market.

In Scotland, despite fairly modest growth in the prime country house values, there was been a notable pick-up in activity last year. The number of residential transactions in Scotland with a value above £750,000 ended 2017 9% higher than 2016. The majority of sales took place in Edinburgh, which is experiencing the strongest price growth of any prime market in the UK tracked by Knight Frank, but there were also notable increases in East Lothian, West and Midlothian, Stirling and Fife.

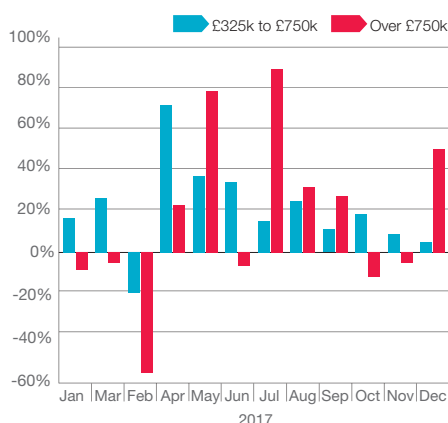
Annual and quarterly change in prime country property values



Source: Knight Frank Research

Scotland: Change in sales volumes

by price, 2017 v 2016



Source: Knight Frank Research / Registers of Scotland

Rental market

Rental growth across the UK stood at 1.1% over the year to March 2018, according to the ONS, unchanged from February. In England, private rental prices grew by 1.1%, Wales saw growth of 1.2% while Scotland saw rental prices increase by 0.7%.

In prime central London, average rental values fell by 1.5% on an annual basis in March, the most modest rate of decline in almost two years.



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