

MODEST GROWTH IN UK PRICES

A more nuanced picture emerges on a regional basis however, with average price rises of more than 7% in some parts of the country. There are also signs of a price recovery in the prime central London (PCL) market, with the change in average values ticking into positive territory in an increasing number of PCL locations.

Key facts Feb 2018

Average UK house prices rose by 0.6% in January, taking the annual rate of growth to 3.2%

Prime central London property values dipped by 0.3% in January, taking the annual change to -0.7%

Housing transactions across the UK were 5% lower in the year to October 2017 compared to the previous 12 months

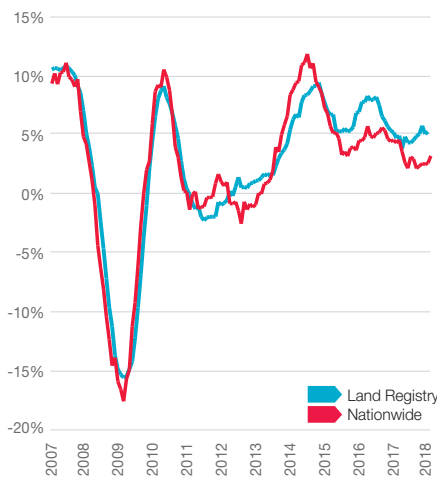
Average rents across Great Britain rose 1.1% in the year to January

Economic and housing market overview

Average values for residential property ticked up in January, according to the Nationwide, taking the annual level of growth in prices to 3.2% across the UK. An alternative measure of house price growth in England and Wales from the Land Registry shows 5.2% annual growth in 2017, taking the average price of a home to £226,756.

the RICS survey also pointed to a more upbeat outlook on pricing over the next 12 months. Knight Frank forecasts that average UK prices will rise 1% this year and 2% next year, with cumulative 4% – 5% growth for the Midlands and the East of England. You can read the full forecasts in the [Research pages](#) on the [Knight Frank website](#).

Annual change in house prices 2007-2018



Source: Knight Frank Research / Macrobond

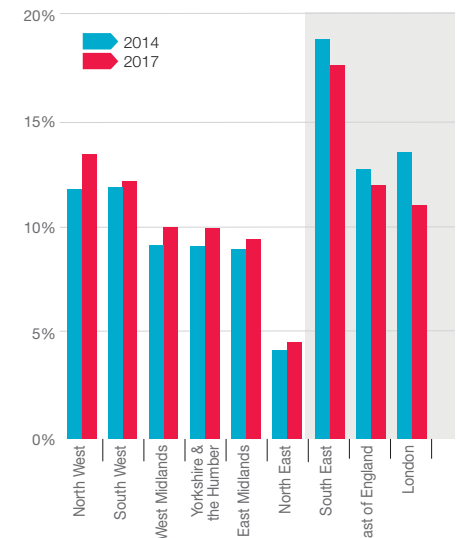
The regional picture is more mixed, with average prices in the South East up 7.5% and Scotland up 7.7% on the year, according to the Land Registry measure, compared to a more modest 2.5% increase in London and 2.8% rise in Yorkshire and the Humber.

In terms of market activity, the levels of new stock coming onto the market for sale around the country remain low against historical norms, according to agents surveyed by RICS.

Total transaction volumes also slowed in 2017, dipping by 5% on average. However,

Housing transactions

As a proportion of total England transactions



Source: Knight Frank Research / Macrobond

Despite last year's slowing in transaction volumes, the amount of money raised by the Government in stamp duty hit a new record high in 2017. Some £9.6 billion was raised in stamp duty from residential property transactions alone last year, with more than £2 billion raised from the additional 3% stamp duty (as shown in chart overleaf). The seeming contradiction of a slight contraction in sales against a sharp rise in stamp duty receipts has to be seen against the fact the sale of three homes priced at £1.5 million which are additional properties will now raise the same revenue as five similar sales in 2014.



GRÁINNE GILMORE
Head of UK Residential Research

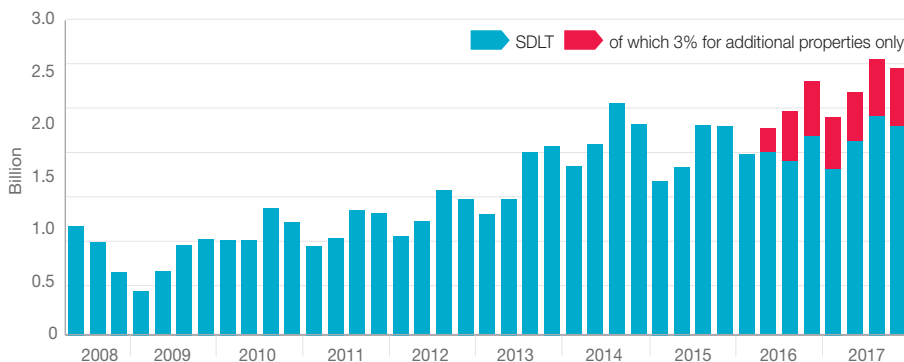
“House prices are showing modest annual growth overall, but some regions are still outperforming.”

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Residential property stamp duty receipts

Quarterly



Source: Knight Frank Research / HMRC

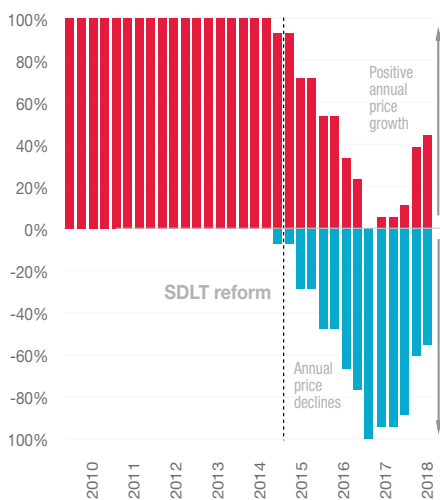
Prime market update

Property prices in prime central London are down 0.7% in the year to January 2017, though there remain significant variations in performance dependant on price and location. Price growth for homes valued at £10m or more recorded a 0.2% rise in the year to January, while between £5m and £10m growth of 1.7% was seen.

Prices in Marylebone rose by 5.5%, the largest annual increase reported in prime central London, followed by Hyde Park and Mayfair. Overall, the number of areas that recorded a year-on-year rise in prices during the month continued to grow in January.

More markets return to positive growth

PCL areas showing annual price growth/declines



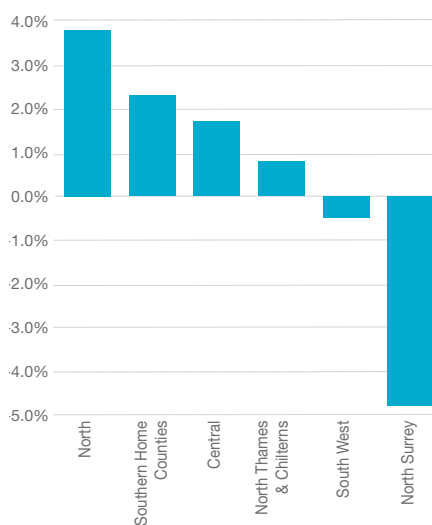
Source: Knight Frank Research/Lon Res

Prices in the prime regional and country house markets across the UK rose by 0.4% during 2017. There continue to be regional variances in terms of performance. Prime markets in Northern England saw prices rise by 3.8% in 2017,

for example, outperforming the subdued performance seen in many commuter markets surrounding London.

Prime country and regional markets

Annual % growth



Source: Knight Frank Research

In Scotland, prime property values were virtually unmoved through 2017, although Edinburgh bucked the trend with growth of 5.4%.

Rental market

Average rents across the Great Britain rose 1.1% in the 12 months to January 2018, a slight fall on the previous month, according to the ONS. In the prime central London market, rents are down 2.1% over the year to January.

In the London super-prime lettings market, for properties rented out at £5,000-plus per week, there was a record number of tenancies agreed in 2017, up by 35% year-on-year LonRes data showed.



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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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