Demand for UK residential property strengthened in response to the political certainty provided by December’s general election result.

Across the UK, the number of new prospective buyers registering with Knight Frank increased by 34% in January compared to the same month last year. Meanwhile, the number of viewings was 13% higher.

However, the number of new listings in January was 21% lower than the same month in 2019, underlining how supply and demand remain out of balance.

While the election provided a buy signal for those waiting for an appropriate moment to act, a number of vendors remain more circumspect.

The Budget is scheduled for next month and there has been a series of mixed messages about the possibility of higher rates of stamp duty for overseas buyers, as well as the prospect of a recurring high-value property tax.

The government must balance the concerns of its traditional and new voter base and the Budget will provide an early indication of how it plans to achieve this.

The resulting uncertainty has been enough to keep transaction volumes in check despite the initial spike in demand. The number of UK sales of
existing properties declined 4% in January compared to the same month last year, Knight Frank data shows.

Other potential headwinds include the fact that interest rates may begin to normalise over the course of 2020 should Brexit uncertainty begin to lift, which will act as a brake on housing market liquidity. Meanwhile, there is still uncertainty over the trajectory of the Brexit process itself and the December deadline for the end of the transition period.

That said, there was positive house price growth across all UK regions in the year to December 2019 for the first time in almost two years, according to the ONS House Price Index.

Average prices increased 2.2% across England and growth of 2.3% in London was the highest figure recorded in the capital since September 2017. The re-pricing that has taken place in recent years, particularly in higher-value locations, means prices are stabilising across a number of markets.

**Prime markets**
The number of new prospective buyers registering with Knight Frank in London rose to its highest weekly total in more than 15 years in the second week of January as buyers looked to capitalise on the relative certainty produced by the election. The figure was 95% up on the same period in 2018.

However, with continuing Brexit uncertainty and the potential for stamp duty changes, prices are not expected to turn positive in the short-term. Average prices for existing homes in prime central London declined 2.1% in the year to January.

Prime UK regional house prices were unchanged in the final three months of 2019, taking the annual change in values to -0.8%. Prices have been flat or declining for the past three years in response to tax changes and political uncertainty.

However, in a similar way to the capital, the number of viewings for properties outside of London in the first two weeks of 2020 was higher than during any equivalent period over the past two decades, up by 14% compared with the same period in 2019 in response to the election result.

**Lettings**
The number of new lettings listings in prime central London declined 7.7% in PCL in 2019 compared to 2018, while the decrease was 14.4% in prime outer London. Supply levels have declined in response to tax changes, which may be accelerated by rising activity in the sales market.

Meanwhile, average rental values across the UK rose by 1.4% in the 12 months to December 2019, which was unchanged since November 2019 according to the ONS.

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We like questions, if you’ve got one about our research, or would like some property advice, we would love to hear from you.

**Tom Bill**
Head of London Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com

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