

## VALUES MODERATE BUT REGIONAL DIFFERENCES REMAIN

Average UK house price growth slipped to 0.5% in December, after averaging between 2% and 3% for much of the year. However, some regions are still seeing growth of more than 3%. This localisation is also evident in prime markets, with prices rising in Edinburgh at the fastest rate of any city in Europe.

### Key facts Jan 2019

**UK house prices rose 0.5% in 2018**, according to Nationwide

**Average UK rents rose 1% in 2018**, ONS data shows

Prime central London prices **declined 4.4% in 2018**

Prime country prices slipped 0.6% over last year, **however prime prices in Edinburgh are up 10.6%**

**Prime central London rents rose 1.1% in 2018**

### Economic and housing market overview

Uncertainty is the watchword in the market at present as the clock counts down to the March 29th deadline for leaving the EU. Given the recent political upheaval, however, even that date is looking uncertain, with several indications that the deadline will be extended as negotiations continue.

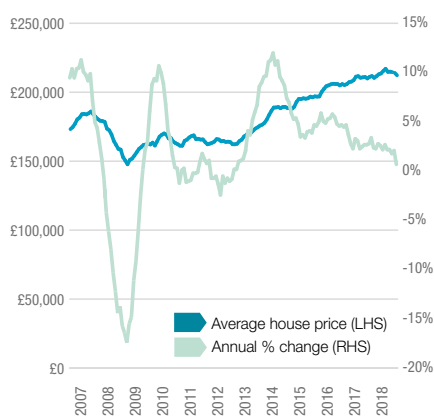
The dramatic political events in January to date, including a defeat for the Government on the Brexit deal, which was immediately followed by a vote of no confidence, have highlighted that the future relationship with the EU is still extremely unclear.

market in 2019 and beyond. Where homes are more closely aligned with average salaries, activity has held up better during the current uncertainty.

Also, in some localised prime markets, where prices have adjusted to new, higher, purchase taxes introduced over the last few years, there is evidence of a real step-up in activity, as buyers see value in the market.

Looking ahead, we see average UK prices remaining broadly unchanged in 2019, slipping by 1% overall, with a 2% decline in London, and modest increases in Yorkshire & the Humber and the North East. We expect cumulative growth of 10.3% by the end of 2023.

### Average UK house prices & growth



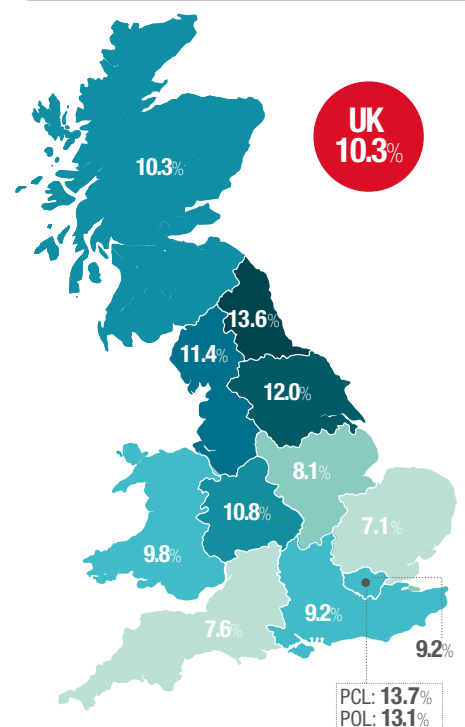
Source: Knight Frank Research/Nationwide

The property market has proven adept at adjusting to change in the past, but uncertainty is more difficult. Buying a home is the biggest financial decision many households will undertake, and some may feel more confident when future economic conditions are clearer. However, there are some notable exceptions to this trend.

In the Midlands and the North of England, price growth is more robust than in London and the South East, as are activity levels. This ties in to affordability, which will remain one of the biggest themes for the housing

### Five-year UK house price forecast: 2019-2023

Cumulative % change in mainstream house prices



Source: Knight Frank Research  
NB. Price forecasts are for existing homes. Property values in the new-build market may perform differently.



**GRÁINNE GILMORE**  
Head of UK Residential Research

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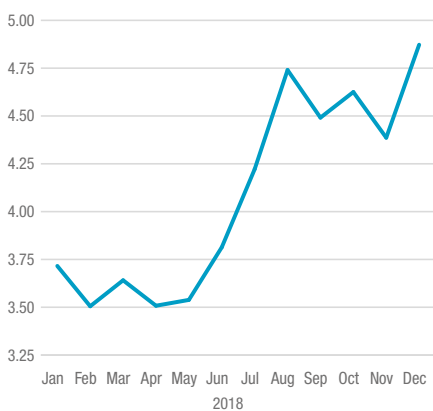
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For the latest news, views and analysis on the world of prime property, visit our blog [@KFIntelligence](https://www.knightfrank.com/blog)

Prime market update

Prime central London prices dipped 0.5% in December, taking the annual decline in values to 4.4%. As prices have fallen, however, new demand for central London property has risen. The number of new prospective buyers per new listing, for example, rose sharply through 2018 and this may start to exert upwards pressure on pricing this year.

Prime central London: ratio of applicants to new instructions



Source: Knight Frank Research

A similar picture can be seen in prime outer London, where values ended the year 4.8% lower than in 2017. The total average price adjustment since the peak of the market in prime outer London is now 9%.

In prime markets outside of the capital, prices slipped 0.9% in the final quarter, taking the annual change to -0.6%. Recent performance reflects a general lack of urgency among buyers and vendors. That said, demand is on a par

with levels seen a year ago and above the level seen in 2015. This may suggest that pent-up demand is forming and could be released once political uncertainty recedes.

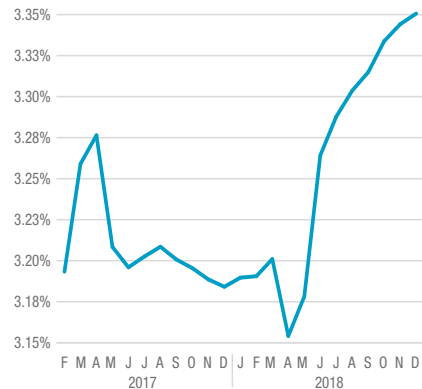
In Scotland, country house values rose 2.3% in 2018. In Edinburgh prime prices were up 10.6% over the same time, the highest level of growth in more than a decade.

Rental market

Average rents in Great Britain rose 1% in the 12 months to December, up from 0.9% in November 2018.

In contrast to the central London sales market, prime rents in the capital were 1.1% higher over the year to December 2018. As a result of rising rents and downwards pressure on prices, average gross yields in prime central London have risen to 3.35% in December – the highest since April 2012.

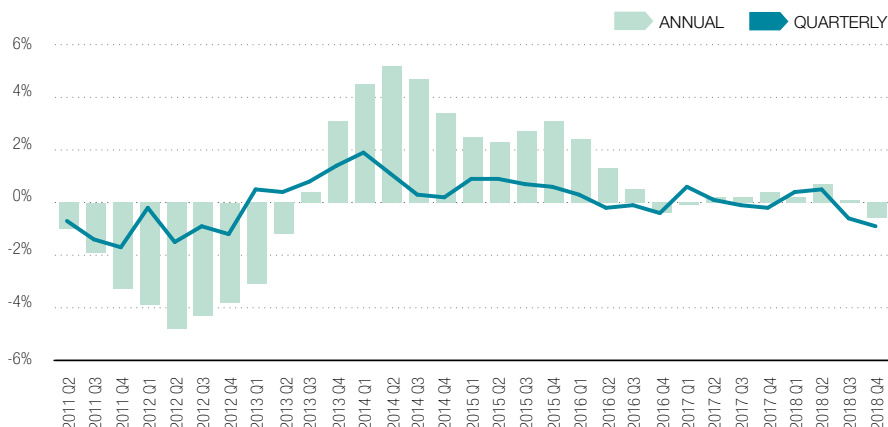
Prime central London rental yields



Source: Knight Frank Research

Prime regional property values

Annual and quarterly % change (Prime Country Index)



Source: Knight Frank Research

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