

## MARKET ROUNDUP

**Average UK house price growth eased slightly in May, while average prices across Greater London continue to register double-digit growth. In prime central London, prices are broadly unchanged on average, but some areas are still seeing price growth of more than 6%.**

### Key facts June 2016

**UK house prices rose 0.2% in May** taking the annual change to 4.7%, down from 4.9% in April

**Prime central London prices dipped 0.1% in May**, and the average annual change is **0.1% in a highly localised market**

**Average UK rents rose by 2.6% in the year to April**, with a 2.8% rise in England. Prime central London rents slipped by 2.3% on the year



**GRÁINNE GILMORE**  
Head of UK Residential Research

“There was an uptick in transactions in May after the sharp fall in activity in April. However, it is worth noting that despite the slowdown from April 1st, transaction levels are still much higher than in the five years following the 2008 financial crisis.”

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### Economic and housing market overview

The imminent [EU Referendum](#) is dominating the national debate. There are signs that the uncertainty over the outcome is having an impact on the economy, the financial markets and the currency markets, as well as some sectors of the housing market.

As we await the result however, here is the latest from the residential sector.

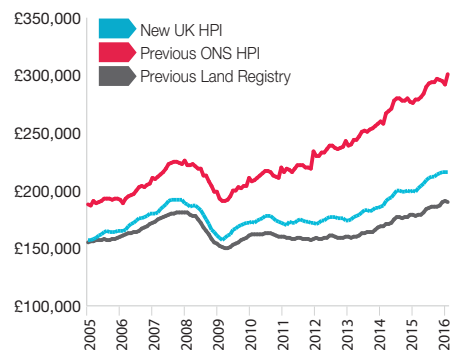
New data from HMRC shows a slight uptick in **transactions** in May, after the sharp fall in activity in April. As the chart below shows, this distortion in the market was due to the new stamp duty charge for additional dwellings introduced on April 1st, and it is not the first time that the market has reacted to stamp duty policy changes. However, it is worth noting, that despite the sharp fall, transaction levels are still higher than back in 2010, 2011, 2012 and much of 2013.

It has also been an interesting month for house price statistics, as after several years of work, a new UK-wide house price index has been released. This will replace both the ONS's previous index and the Land Registry index plus Registers of Scotland. As can be seen from the charts opposite, the new index places the average UK house price at £209,000, slightly higher than the Land Registry index, but noticeably lower than ONS's previous index. This is also

close to the Nationwide's average price of £204,000. In terms of annual growth, the indices all show broadly the same trend.

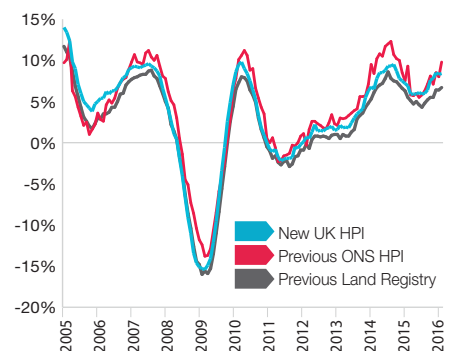
#### How the indices compare

By price (England & Wales)



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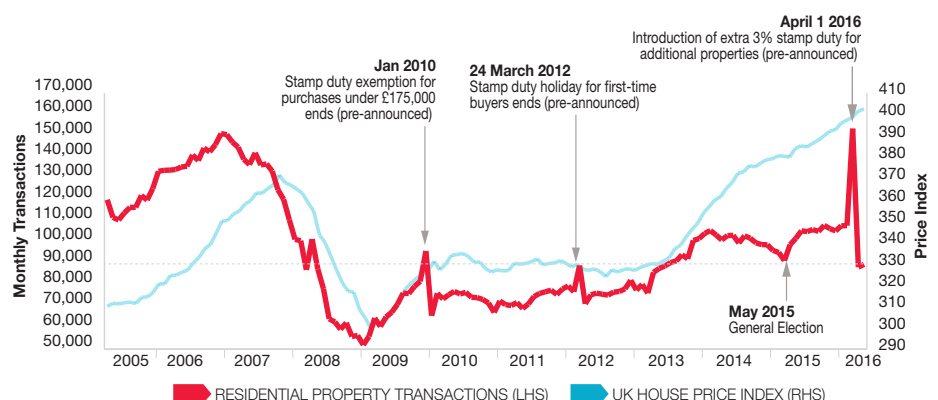
By annual price growth (England & Wales)



Source: Knight Frank Research

### Policy impacts on property transactions

UK residential property transactions & UK house prices



Source: Knight Frank Research, HMRC, Nationwide

Finally, The Bank of England kept the **base rate** unchanged at 0.5% this month, and rates are likely to remain around this record low rate for some time regardless of the outcome of the EU vote.

Despite no change in base rates, we have also seen the launch of a fixed-rate **mortgage** with a record-low interest rate. This two-year fixed-rate deal is charged at 0.99% for borrowers who have a 35% deposit, the first time a mortgage has been priced at less than 1%. Lenders are still vying for custom in the run-up to the EU vote, brokers say, and are able to do so due to low swap rates, the money market rates which determine fixed-rate pricing for home loans.

**Prime market update**

Prices in prime central London dipped by 0.1% on average in May, taking the annual increase to 0.1%. However, this average figure masks a multi-speed

market, with average prices in Chelsea down 3.5% while prices in the City and City Fringe are up 6.4% on the year, as the map below shows. The 'East/West' split in PCL price movements which has emerged over the last year or so has been bucked by Kensington this month, where prices are 1.7% up on the year.

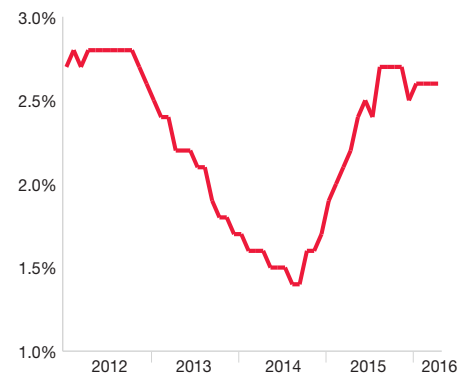
In the country market, price house prices rose by 0.3% on average in the first quarter of 2016, taking annual growth to 2.4%.

**Rental market**

Average UK rents rose by 2.6% in the year to April, with a 2.8% rise in England alone.

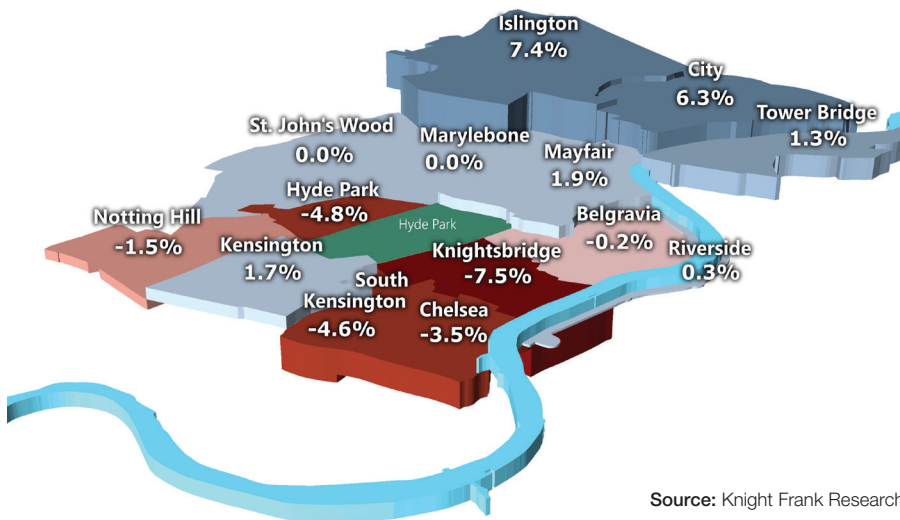
Prime central London rents are down 2.3% on the year, a reaction to increased supply coming to the market. However viewing levels were up 5.9% between January and April, and there is strong demand clustered in the sub-£1,500 a week and £5,000-plus markets.

**UK annual rental growth**



Source: Knight Frank Research/ONS

**Price growth in prime central London** Year to April 2016



Source: Knight Frank Research



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