

PRE-BREXIT BUDGET

The Chancellor did not strongly move the dial for the housing market, but this consultation-heavy Budget may help boost development in years to come. Meanwhile, average annual price growth for residential property was 3.2% according to latest ONS data, while prime central London prices are down 3.6% year-on-year.

Key facts Nov 2018

Average UK house prices were unchanged in October, taking the annual increase in prices to 1.6% according to Nationwide. The ONS says price growth is at 3.2% in the year to August.

Prime central London prices dipped by 0.7% in October, resulting in an annual decline of 3.6%

Prime central London annual rental growth advanced to 1.2%, up from 1.1% in September

Average UK rents were up 0.9% on the year in September

Economic and housing market update

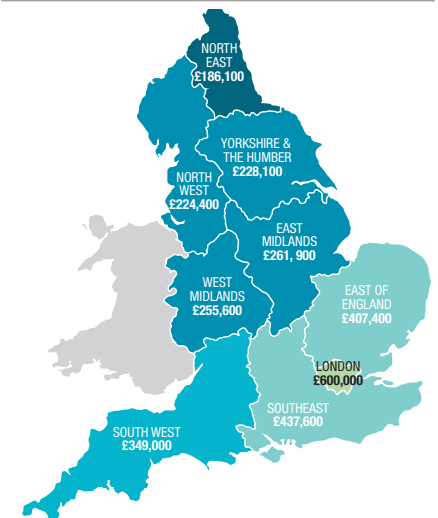
Like much forecasting at present, calculating the sums that underpinned the Chancellor's Budget Speech last Monday was not an easy task for the Office of Budget Responsibility, given the uncertainty around the outcome of Brexit.

However, their assumptions give an insight into some of the OBR's expectations for the economy and housing market, including the fact that they are predicting the number of property transactions to rise over the next five years, albeit at a slightly lower rate than in March this year. There was also a corresponding downward revision to stamp duty receipts. This, and other key facts from the Budget which the Chancellor did not talk about are available on the [Knight Frank blog](#).

Consultations usually last for around six weeks to 2 months, followed by a variable period before the Government responds.

Tucked away in the Budget Report was also some overdue news for housebuilders and developers – some clarity on the future of the Help to Buy Equity Loan scheme. The scheme was due to end in 2021, meaning some developers have this year been considering land purchases where homes would have been completed after this date. The scheme will continue, but only for first-time buyers, and rather than for homes worth up to £600,000 all over the country new limits, as shown in the map below, will be applied.

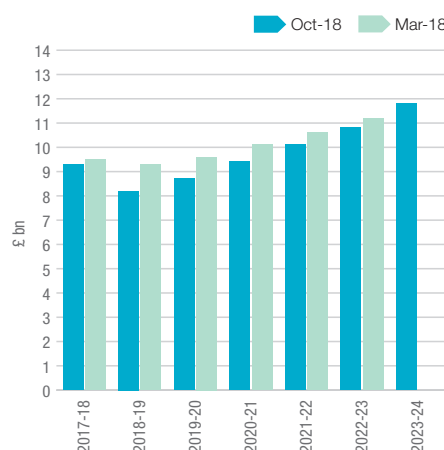
Help to Buy limits 2021-2023



Source: HM Treasury analysis

Residential property stamp duty receipts

Change in OBR forecasts (£bn)



Source: OBR

There had been much speculation around an additional stamp duty charge for overseas buyers in the Budget. In the end, the Chancellor announced a consultation on an additional 1% stamp duty for non-UK residents buying property in England and Northern Ireland. However, the consultation will not start until January, and there was no indication of when any decision may be implemented.

However, the deposit gap for those trying to climb onto the housing ladder is still very much in evidence, and this will be the next step for lenders and developers to consider. Just four of the 100 or so mainstream lenders currently offer a mortgage for those buying a new-build flat with a five per cent deposit, rising to seven for those with a 10% deposit, according to Knight Frank Finance.

Just days after the Budget, new data has emerged signalling that new housing completions are at a ten-year high, which will



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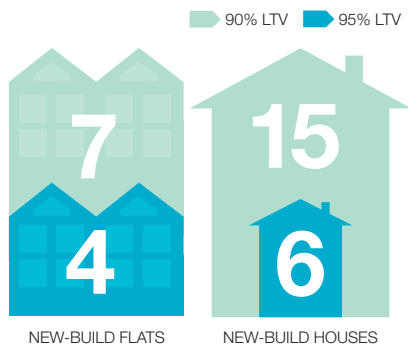
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UK RESIDENTIAL MARKET UPDATE NOVEMBER 2018

come as welcome news for the Government. However, the Budget also focused on expanding the opportunities for local councils and registered providers to play a bigger part in helping reach policymaker's target of **300,000 additional homes** in England every year, across all tenures.

Deposit Gap

Current availability of 90% / 95% mortgages (number of lenders) as of October 2018

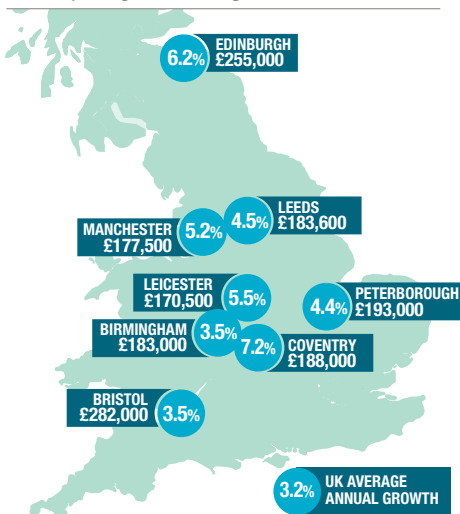


Source: Knight Frank Research

In the shorter-term, UK house prices remained unchanged in October, but the annual rate of growth dipped to 1.6%, the lowest rate of growth in more than five years, according to data from Nationwide. This came as separate house price data from the ONS emphasised the range of price performance across the country, with 5.1% growth in prices in the year to August in the West Midlands, compared to a dip of -0.2% in London.

Cities outperform UK average property price growth

Annual price growth to August 2018



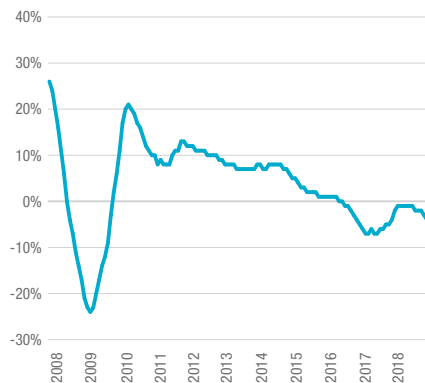
Source: ONS

Prime market update

Prime central London prices dipped by 0.7% in September, taking the annual decline to 3.6%. With ongoing political uncertainty, the performance also reflects a more cautious

Prime Central London prices

Annual % change



Source: Knight Frank Research

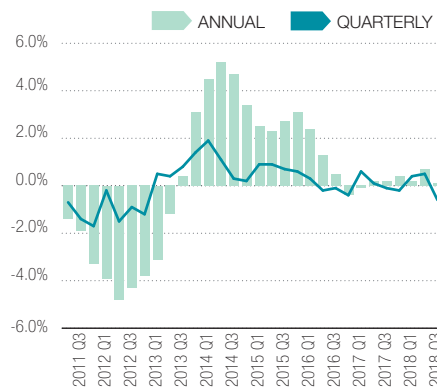
attitude among prospective buyers. This is underlined by figures showing that the number of viewings undertaken before an offer is made rose to its highest level in more than five years in September in prime central London.

In prime outer London, values decreased by an average of 0.5% in August, taking the annual decline to 4.7%. The total average price adjustment since the peak of the market in outer London is now 7.3%.

In prime markets outside of the capital, prices slipped by 0.6% in the third quarter, all but reversing the 0.9% growth seen in the first half of the year. On an annual basis, values were virtually unmoved at 0.1%. The rate of annual growth in the prime country market has averaged less than 1% since mid-2016, highlighting the price sensitive nature of prime markets outside of the capital.

Prime Country House values

Annual and quarterly % change



Source: Knight Frank Research

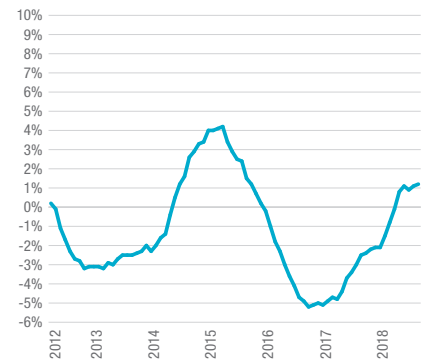
In Scotland, country house values rose by 2.1% over the year to Q3 2018. In Edinburgh prime prices were up by 10.5% over the same time, the highest level of price growth in any major UK city tracked by Knight Frank.

Rental market

Average rents in Great Britain rose by 0.9% in the 12 months to September, unchanged from the figure in June.

Prime Central London rents

Annual % change



Source: Knight Frank Research

Prime central London rents for existing homes fell slightly over the three months to October, by 0.2%, taking the annual level of growth to 1.2%. In prime outer London, rents rose by 0.1% on average over the three months to October, although the annual rate of change remained in negative territory at -1.1%. Yet activity in this market has been rising for 6 months, with the number of tenancies agreed by Knight Frank up 16.7% in the 12 months to September compared with the previous 12-month period.

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