

HOUSING POLICY PUSH

The Government has now put housing firmly at the top of the domestic policy agenda. Theresa May, the Prime Minister, hosted a housing summit at Number 10, and now attention is turning to the Budget on November 22nd. Meanwhile, house prices are up 2% across the UK, and the price declines for existing homes seen in prime central London over the last year are starting to abate.

Key facts Oct 2017

Average UK house prices are up 2% on the year in Q3, according to Nationwide

Prime central London prices for existing homes were unchanged in September, taking the annual rate of decline to -4.6%, from -6.7% in January

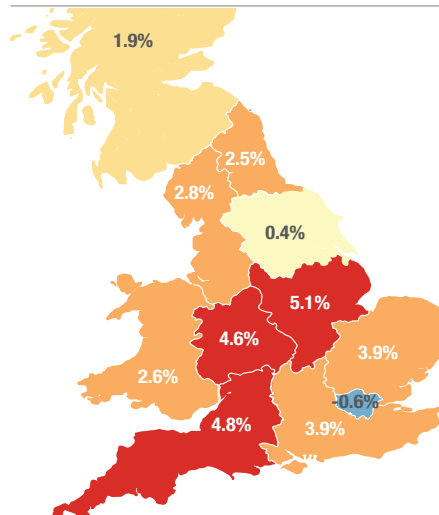
Prime English country home prices dipped by -0.1% in Q3, taking the annual rate of growth to 0.2%

Prime Scottish house prices edged up by 0.2% in Q3, with an annual change in values of -0.3%

Economic and housing market overview

Average house prices rose at an annual pace of 2% in Q3, according to the latest data from Nationwide. However, there is still a significant difference in the rate of growth across the country, as the map below shows.

Annual house price growth, Q3 2017

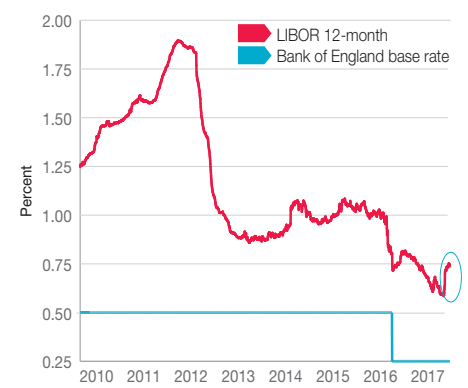


Source: Nationwide

Average residential prices in London have shown a year-on-year fall for the first time in eight years, but even across this market, there are strong local differences in pricing. Data from the Land Registry, which is calculated on a different basis to the Nationwide, shows double-digit price growth in Camden and Hackney in the year to August 2017.

Overall price growth across the country has been underpinned by low mortgage rates for those who have access to equity or a deposit, but all eyes are now turning to the Bank of England as its Monetary Policy Committee gears up to decide whether to raise interest rates early next month. Swap and LIBOR rates, the money market rates that determine fixed-rate pricing, have already started to rise. However, even if there is a quarter-point rise, the base rate will still be ultra-low by historical standards, and mortgage rates are likely to remain attractive compared to long-term norms.

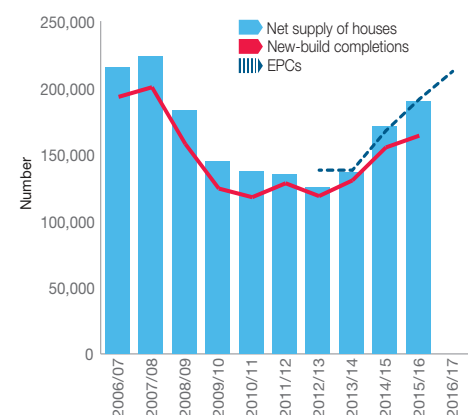
UK Bank base rate & 12-month LIBOR rate



Source: Knight Frank Research/BOE

A lack of supply of housing has also been a key factor in pricing in some parts of the market. Indeed, the delivery of housing is now at the top of the domestic political agenda. Data suggests that net additions of new homes in England rose to above 200,000 in 2016/17, a key milestone, but some way off the 250,000 Government target. The Communities Minister announced earlier this month that there would be an extra £10 billion in funding for Help to Buy, while Theresa May pledged an additional £2 billion for Affordable Housing. The November Budget may be the

Net Supply of Housing, England



Source: Knight Frank Research/DCLG



GRÁINNE GILMORE
Head of UK Residential Research

“Data indicates that net supply of housing in England rose to more than 200,000 in 2016/17, a key milestone, but some way off the 250,000 Government target.”

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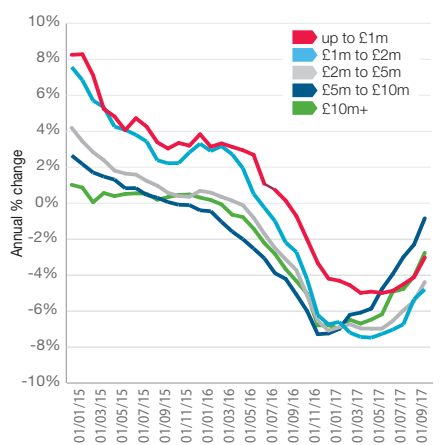
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opportunity for the Government to announce additional policy changes to try to further boost supply.

Prime market update

Average prices in prime central London were down 4.6% on the year in September, the most modest decline in nearly a year. Price performance is still closely linked to price bandings, with price falls for £5m+ homes bottoming out slightly more quickly than the wider market, as shown below. Knight Frank data also indicates an uplift in activity, with both transaction levels and viewings rising year-on-year.

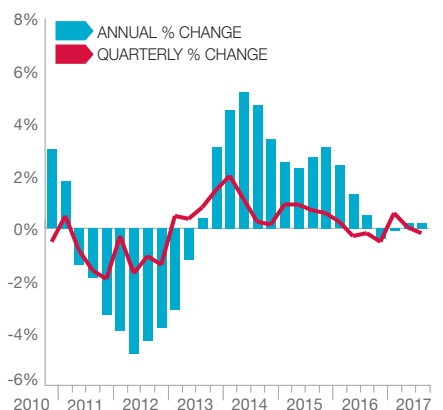
Prime central London price changes, by price band



Source: Knight Frank Research

Meanwhile, in the prime country market, prices remain broadly flat, with a 0.2% uplift on the year in Q3. However, activity levels are rising, with an annual 6% rise in sales between January and August, although falling stock levels could weigh on sales volumes as the year progresses.

Annual and quarterly change in prime country property values

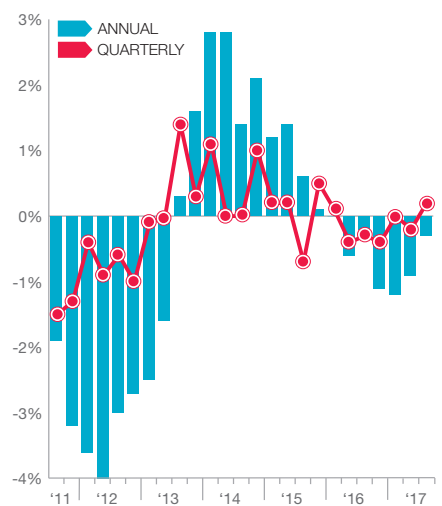


Source: Knight Frank Research

In Scotland, prime country prices are slightly down on the year, showing a decline of 0.3% in the 12 months to the end of September, although average values ticked up 0.2% in Q3. However, the trend seen in recent years continues, with price performance in the prime Edinburgh market outperforming the wider Scottish prime market. Average values for prime property in Scotland's capital are up by 4.5% on the year, with strong demand and lack of supply underpinning pricing.

Prime Scotland price change

Annual and quarterly price growth



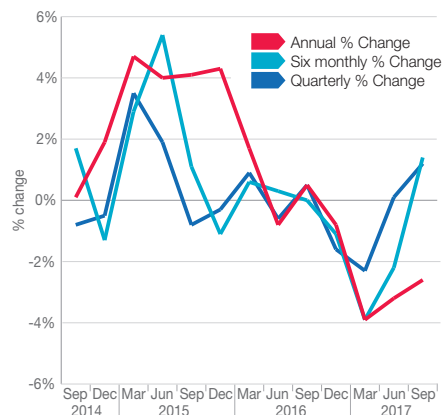
Source: Knight Frank Research

Rental market

Prime rents in central London were down 3% year-on-year in September, and down 0.1% in Q3, the smallest quarterly decline in nearly two years. A slowing in new rental stock coming onto the market amid continuing strong demand is underpinning the current rental performance.

Home Counties Rental Index

% change



Source: Knight Frank Research

In the Home Counties, a rise in demand for rental properties came alongside a 1.2% rise in rents in Q3. Although rents are down 2.6% year-on-year overall, demand for sub-£4,000-per-month properties led to a 4.8% rise in rents for one-bedroom properties over the quarter.

Average rents across the Great Britain rose 1.6% year-on-year in September, according to the latest data from the ONS.



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