

LONDON HOUSING STATISTICS

Residential Development

June 2019

London Housing Statistics

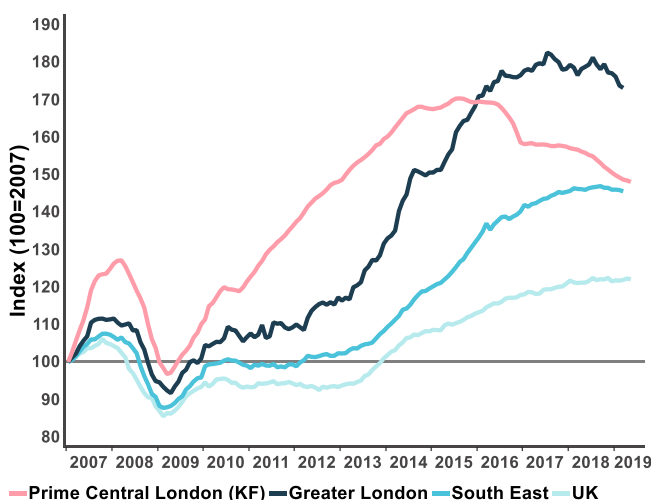
Residential Development

June 2019

The charts on the following pages are taken from a variety of sources and are intended to give an insight into the performance and trends impacting the London housing market. As well as tracking current and long-run pricing and transactional performance, the workbook provides information on rental markets, affordability ratios, new housing supply, finance, currency and the economy. This offers an up to date, detailed overview of the market for investors.

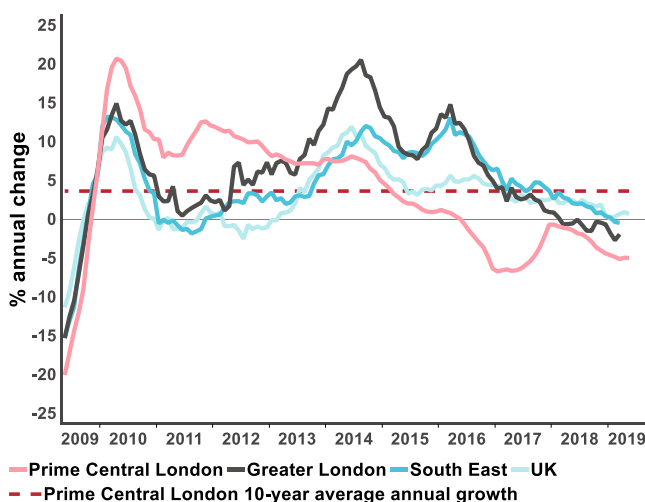
Sales Pricing

Price indices source: Knight Frank Research / ONS
Indexed



- An illustration of the relative long-run sales price performance of Prime Central London and Greater London using price indices

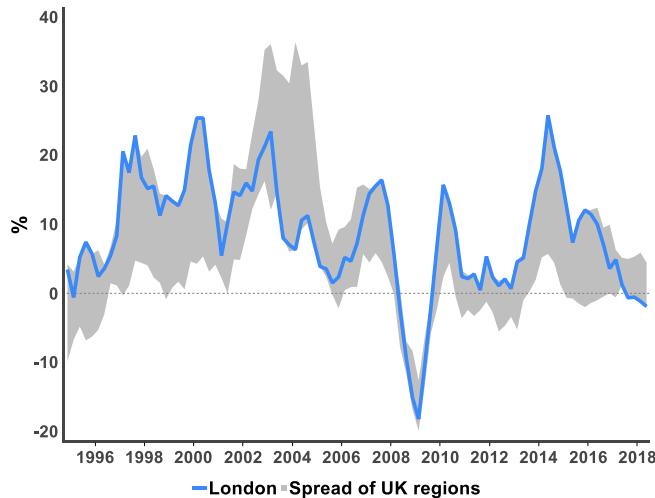
Prices: Annual change source: Knight Frank Research / ONS
% change



- Annual price change in selected regions over the past decade
- The red dotted line shows 10-year average annual growth in Prime Central London demonstrating the long-run trend
- See the data table on page 9 for a full breakdown of annual, six monthly and quarterly price changes

Spread of UK house price growth source: Knight Frank Research / Nationwide

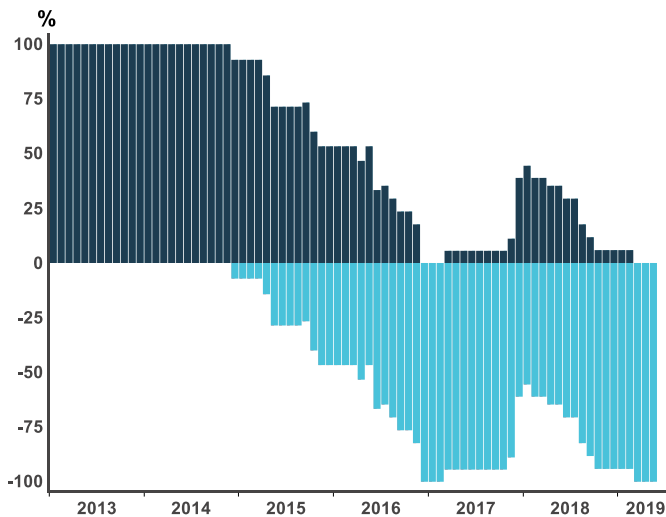
Annual % change



- The grey area on the chart shows the spread of annual house price growth at a regional level across the UK, from the strongest to the weakest performing region
- London's long-run performance is highlighted

PCL markets reporting growth vs declines source: Knight Frank Research

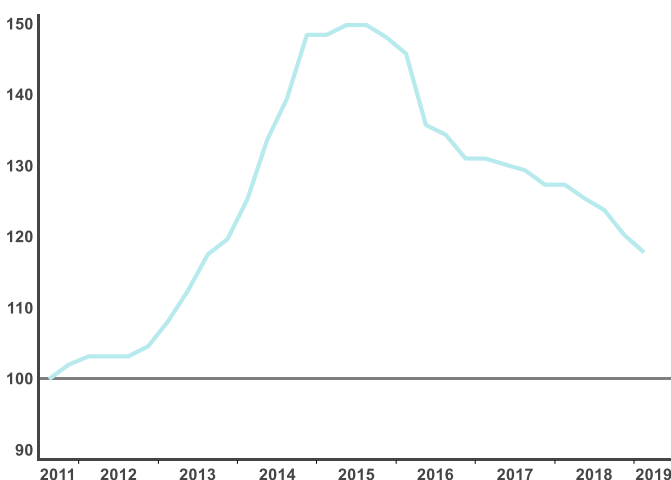
Prime Central London markets reporting annual price growth vs annual price declines



- The chart shows the proportion of markets in prime central London that reported positive annual % price growth versus those that reported falling annual prices, according to Knight Frank's Prime Central London index

PCL Development Land Index source: Knight Frank Research

Indexed

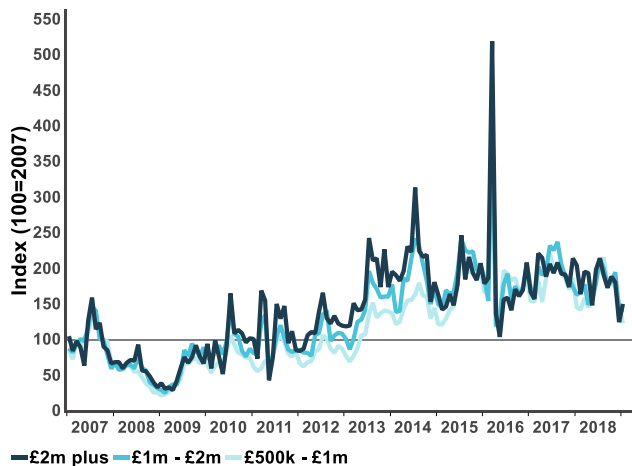


- An illustration of the change in residential development land values in prime central London
- The decline in values since the peak in 2015 coincides with an easing in price declines for prime properties, alongside several increases in stamp duty

Transaction Volumes

Sales volumes by price band: London source: Knight Frank Research / Land Registry

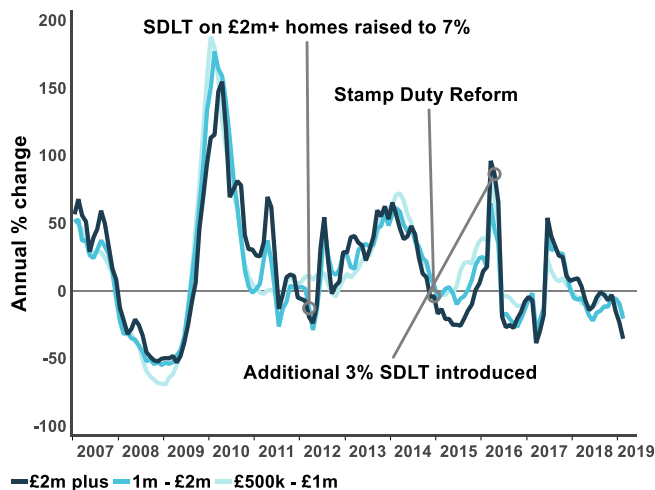
Indexed



- Monthly indexed Land Registry sales volumes in Greater London, for selected price bands
- This illustrates relative transactional activity within each price band
- Pronounced spikes in activity can be associated with seasonal variations and changes to the taxation of property

Sales volumes by price band: London source: Knight Frank Research / Land Registry

Annual % change

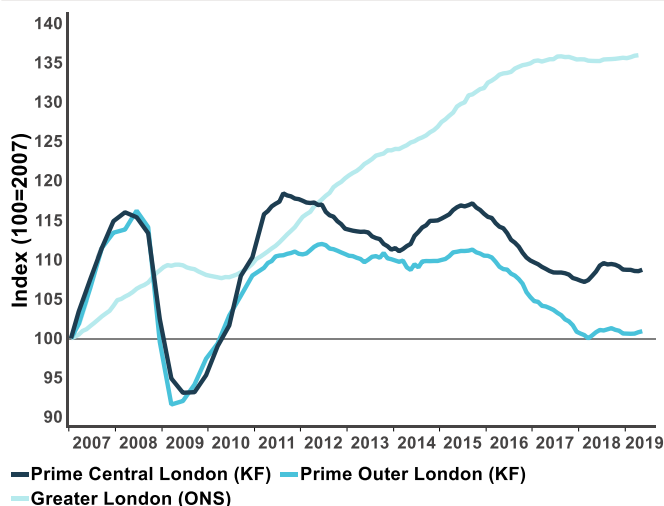


- Annual change in transaction sales volumes within Greater London over the past decade for selected price bands
- Key changes to stamp duty have been highlighted to show the impact on the market
- See the data table on page 9 for a full breakdown changes to transaction volumes

Rental Market

Spread of UK house price growth source: Knight Frank Research / Nationwide

Annual % change

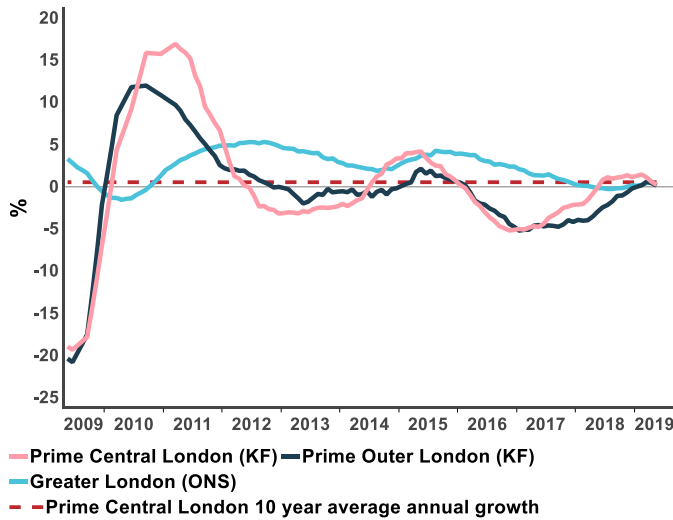


- An illustration of the long-run rental price performance of Prime Central and Prime Outer London relative to Greater London using indices

Rents: Annual change

source: Knight Frank Research / ONS

% change

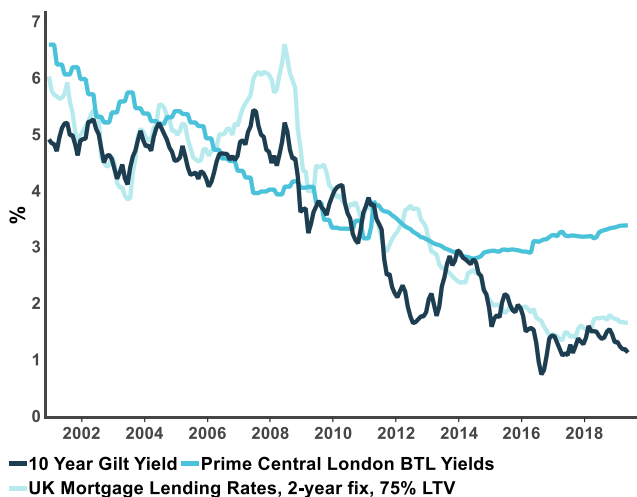


- Annual rental price change in selected regions over the past decade
- The red dotted line shows 10-year average annual growth in prime central London demonstrating the long-run trend
- See the data table on page 9 for a full breakdown of annual, six monthly and quarterly rental changes

PCL rental yields vs lending and risk-free rates

source: Knight Frank Research / BoE

One-year moving average



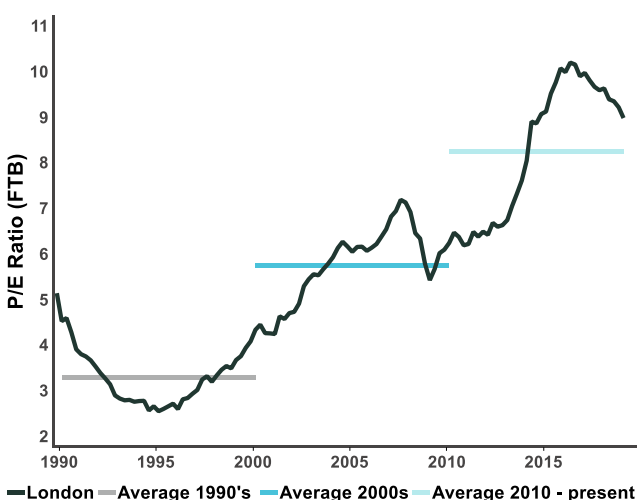
- The correlation between gross rental yields for existing properties in Prime Central London, mortgage lending rates and the risk-free rate
- The comparison is with average mortgage rates (2-year fix, 75% LTV) and 10-year gilt yields, according to Bank of England data, as a proxy of the risk-free rate

Affordability

House price to earnings ratio

source: Knight Frank Research / Nationwide

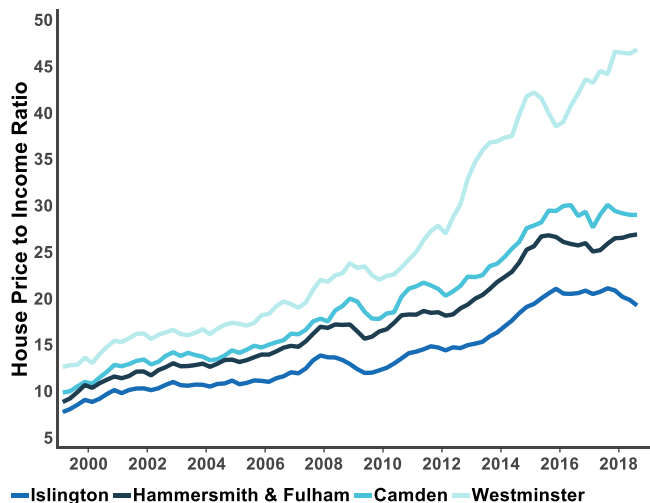
First-time buyers (London)



- Average house price to earnings (HPE) ratio for first-time buyers (FTBs) in Greater London, according to Nationwide
- Figures are based on average property prices paid by FTBs in Greater London divided by the average mean gross earnings for full-time workers Greater London
- The horizontal lines show average HPE for FTBs each decade from the 1990s

House price to earnings ratio source: Knight Frank Research / ONS

All buyers (selected boroughs)

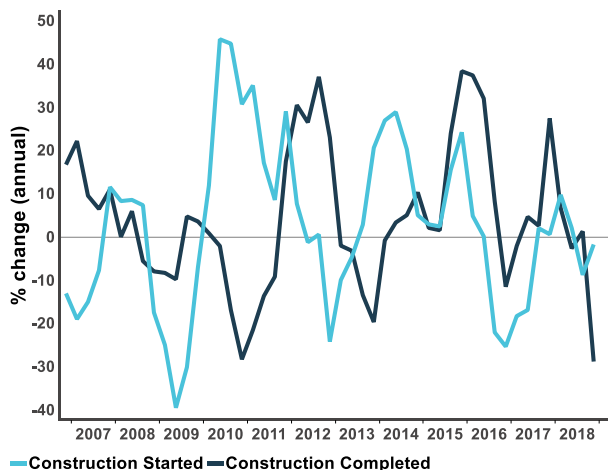


- Average house price to earnings (HPE) ratio in selected London boroughs, for all buyers
- Figures are based on average property prices paid in selected boroughs divided by the average income for London
- The disparities reflect the relative affordability of each borough and how that has changed over time

Supply

Construction activity source: MHCLG

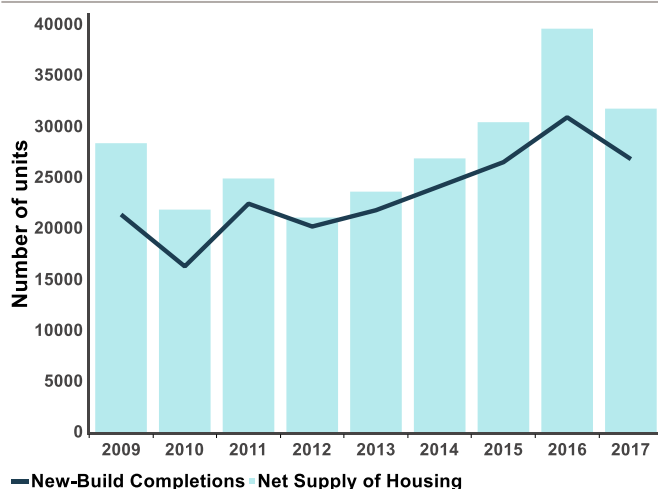
London



- Annual change in new-build residential construction starts and completions across London, according to official government data
- There is a correlation, with completions typically lagging construction starts by approximately two years
- Construction starts therefore represent a proxy for future supply
- Data is released on a quarterly basis

Net supply of housing source: MHCLG

London

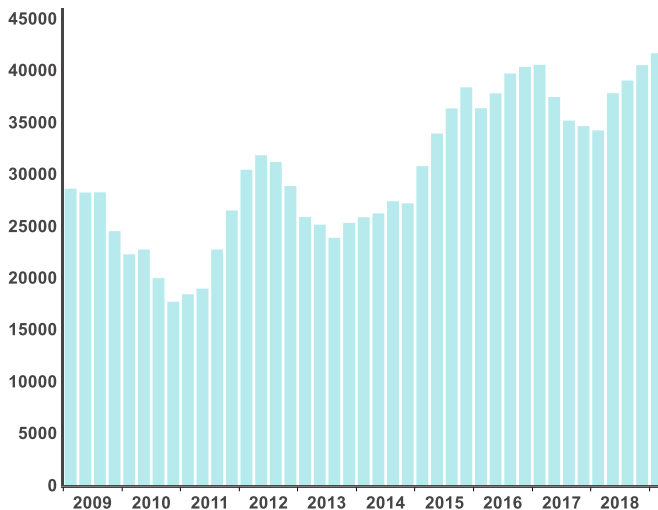


- 'Net supply' is now widely regarded as the benchmark figure used to measure the supply of new housing
- It shows the total sum of housing delivered once conversions, and 'change of use' – for example changing an office into apartments – are taken into account
- The dark blue line shows new-build housing completions only over the same period

Note - data relates to financial years, 2015 = 2015/16

Energy Performance Certificates (EPC) source: EPC

London, rolling 12 month total

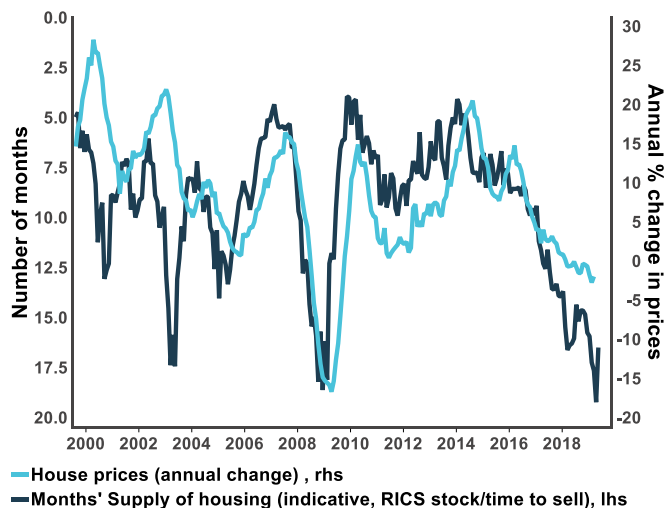


- 'Energy Performance Certificate (EPC) data is a lead indicator for net supply

Market Indicators

Months' supply of housing vs pricing source: RICS

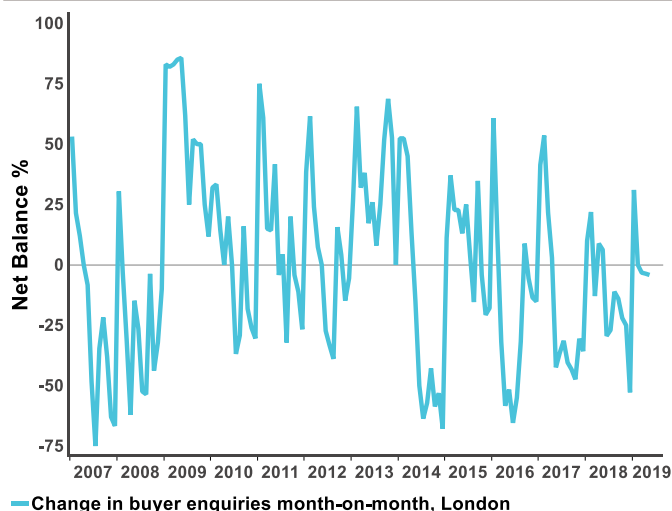
London



- Months' supply is calculated as a function of the total stock on agents' books (per branch) (based on RICS survey) divided by the average number of sales completed per month (based on RICS survey)
- Months' supply is an indication of how long it would take, at the current sales rate, to sell all stock available through agents
- The strong negative correlation between pricing movements and months' supply suggests that demand is relatively stable and supply is the primary determinant of price fluctuations

Change in buyer enquiries source: RICS

Net balance % month on month (London)



- The RICS Residential Market Survey is a monthly sentiment survey of Chartered Surveyors who operate in the residential sales markets
- Agents were asked "How have new buyer enquiries changed over the last month?"
- Any figure above 0 indicates that more respondents believe that demand is increasing relative to the previous month. The higher the figure, the greater the increase in demand

Expectations of price change source: RICS

London

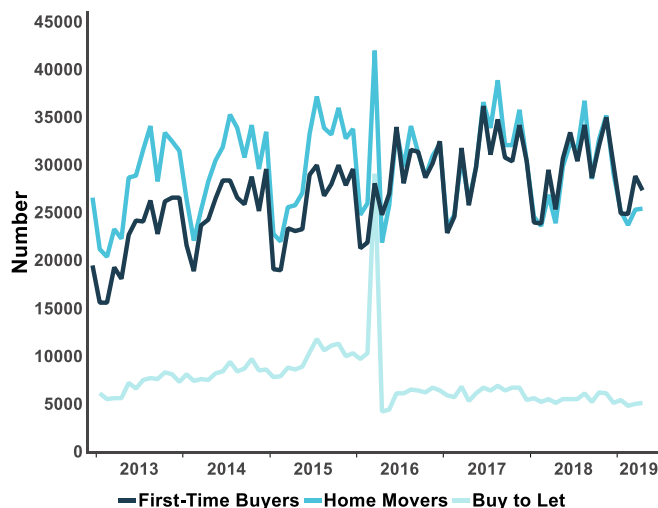


- Agents were asked "How do you expect prices to change over the next 12 months and 5 years?"
- Sentiment plays an important role in the housing market, often determining whether or not individuals make a decision to purchase

Mortgage Lending

Mortgage lending activity source: UK Finance

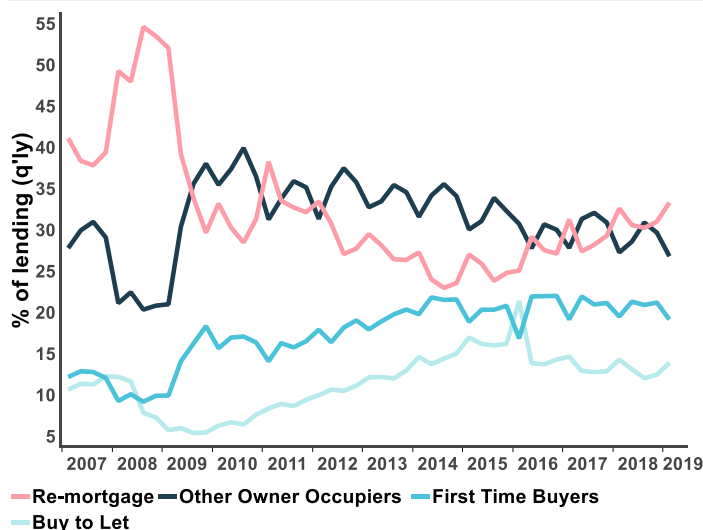
Number of loans



- The chart shows the number of loans issued on a monthly basis, split by type of borrower illustrating the long-run historical trend

Mortgage lending activity source: UK Finance

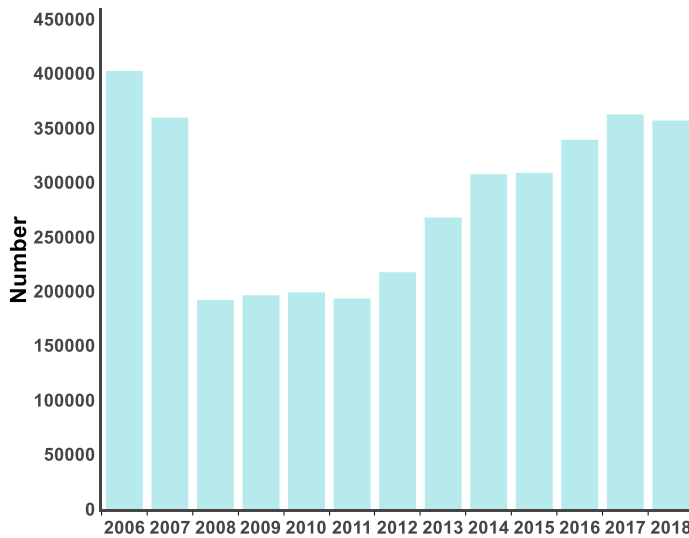
Proportion of lending



- The chart shows the proportion of total lending split by type of borrower illustrating the long-run historical trend and current proportion of lending
- The new-build sector has been a point of focus for buy-to-let investors so changes in the proportion of this sector can be an indicator of over or underperformance of new build pricing relative to the second-hand market

Number of loans to first-time buyers source: UK Finance

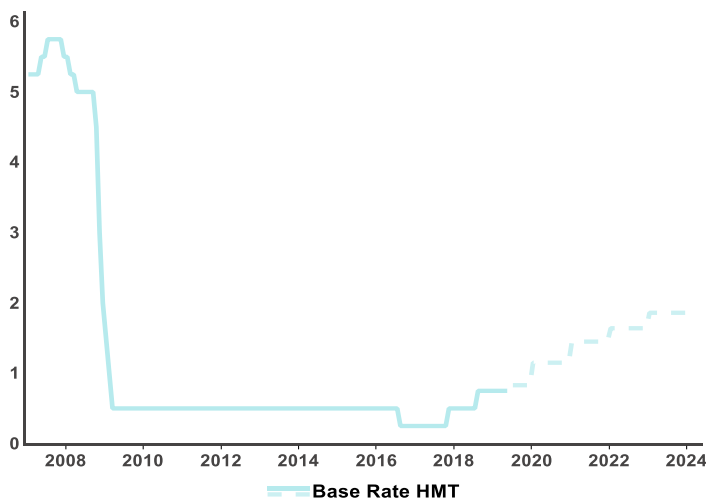
Rolling annual figure



- The number of mortgages issued to first time has been climbing steadily
- The increase has been underpinned by low borrowing costs, rising wages, the stamp duty exemption for debut buyers and, for those buying a new home, the Help to Buy scheme

Base rate expectations source: BofE

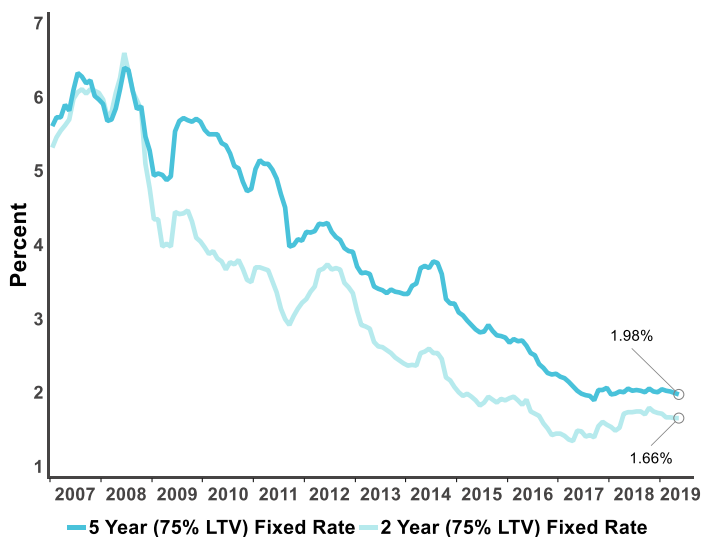
And historical base rate



- The chart measures current and anticipated changes to interest rates
- The forecast is based on an average of independent forecasts Average, according to HM Treasury

Average mortgage rates source: UK Finance

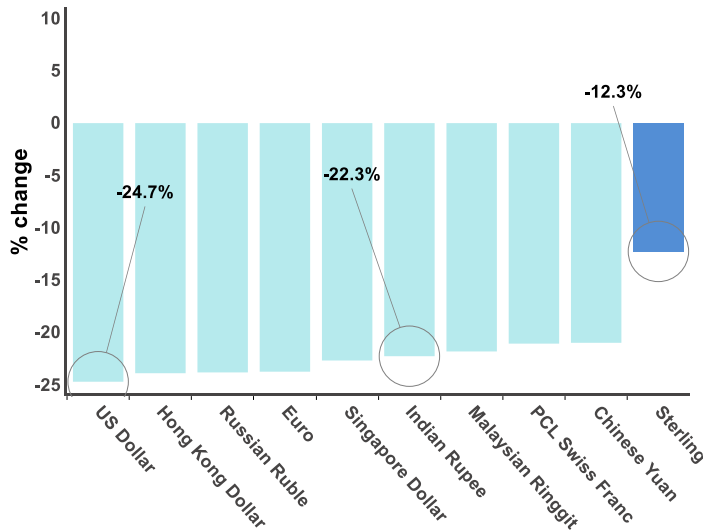
Average 2 and 5 year swap rates (75% LTV)



- The timing and pace of future interest rate changes will have an impact on swap rates

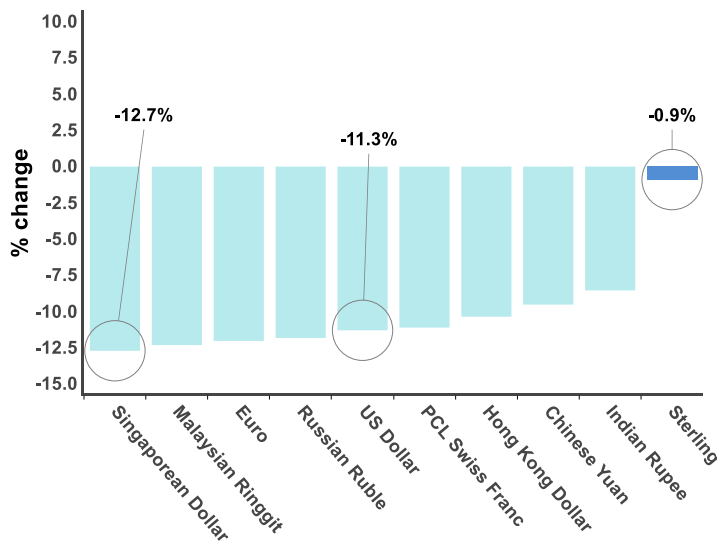
Currency

Currency effect source: Knight Frank Research
Change in cost of buying in PCL (compared to June 2016)



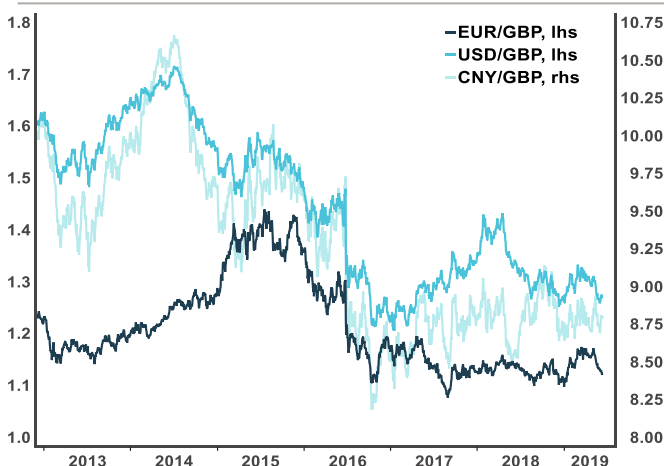
- Movements in Sterling affect the buying power of those purchasing in non-Sterling denominated currencies
- This shows the annual change in Prime Central London prices across a range of currencies taking into account currency movements over that time
- The Sterling change is the percentage movement in the PCL market since June 2016. In other currencies this change may appear more or less expensive

Currency effect source: Knight Frank Research
Change in cost of buying in Greater London (compared to June 2016)



- Movements in Sterling affect the buying power of those purchasing in non-Sterling denominated currencies
- This shows the annual change in Greater London prices across a range of currencies taking into account currency movements over that time
- The Sterling change is the percentage movement in the Greater London market since June 2016. In other currencies this change may appear more or less expensive

Major currencies vs GBP source: Knight Frank Research
Currencies relative to £1

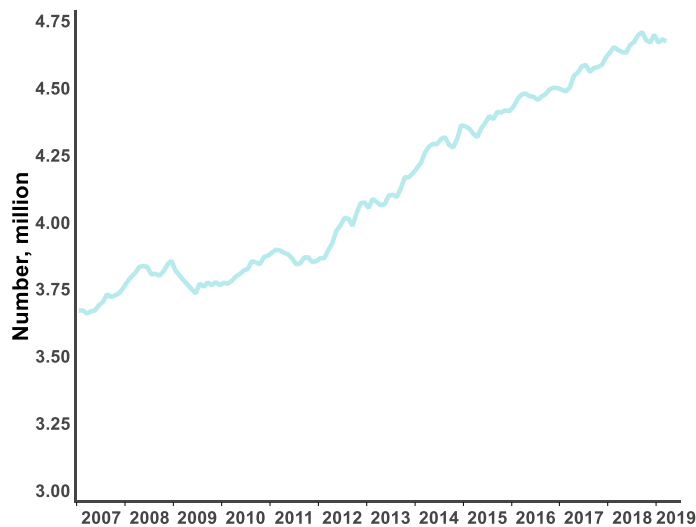


- This shows headline currency movements over time for the Dollar, Euro and Yuan relative to sterling

Economic Indicators

London Employment source: ONS

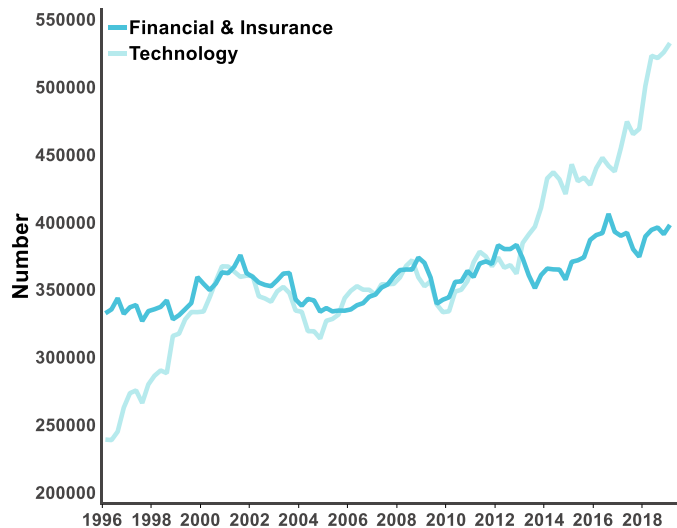
Total number, aged 16 & over



- This chart shows the total number of individuals in employment in London since 2007
- The data are taken from the Labour Force Survey and Annual Population Survey, produced by the Office for National Statistics

London employment source: ONS

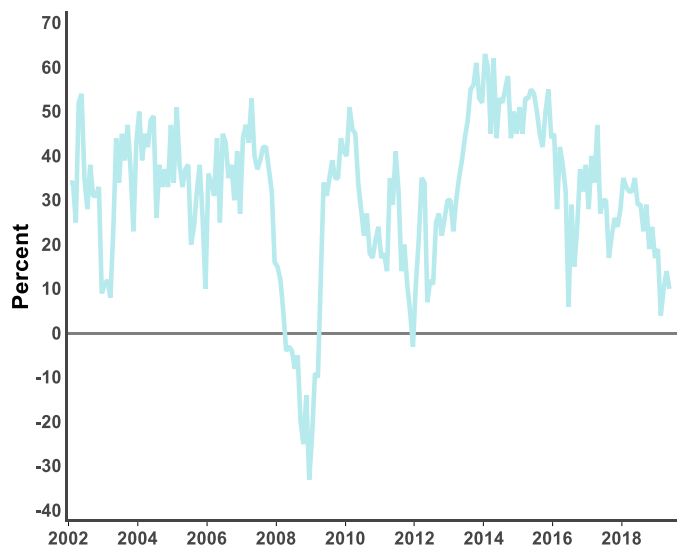
Total number, by sector



- The number of individuals employed in the technology sector in the capital has surpassed those employed in finance

Business confidence source: Lloyds

Lloyds Business Barometer, headline change, % net balance



- Overall business confidence is a measure of responses from surveyed companies, which is calculated as an average based on their views on business prospects and optimism on the UK economy

Data sheet

Latest figures, see corresponding charts on previous pages for sources

Prices: change over period	Monthly	Quarterly	6 months	Annual	3 years	5 years
Prime Central London	-0.3%	-0.8%	-2.2%	-5.0%	-12.5%	-10.3%
South East	0.0%	-0.2%	-0.6%	-0.3%	6.4%	27.7%
UK	-0.2%	0.3%	-0.3%	0.7%	5.5%	16.0%
London	0.0%	-0.4%	-2.3%	-3.2%	-0.9%	21.1%

Transactions: change over period

£500k - £1m	-17.8%	-31.7%	-36.7%	-15.5%	-25.9%	-10.1%
£1m - £2m	-3.5%	-23.6%	-35.7%	-15.3%	-26.0%	-22.3%
£2m plus	20.6%	-20.4%	-30.0%	-26.6%	-16.0%	-23.2%

Rents: change over period

Prime central London	0.2%	0.0%	-0.4%	0.2%	-4.6%	-2.9%
Prime Outer London	0.1%	0.3%	-0.1%	0.1%	-7.3%	-7.2%
Greater London	0.0%	0.2%	0.3%	0.5%	1.7%	8.9%

Supply	2012	2013	2014	2015	2016	2017
Net Supply	21,040	23,580	26,840	30,390	39,560	31,720

Affordability	London (FTB / HPE)	Hammersmith & Fulham	Camden	Islington	Westminster
House price to earnings ratio	9.0	26.9	29.0	19.3	46.8

Investment Metrics	Mortgage Lending Rates, (2 Year fix, 75% LTV)	Prime Central London Yield	20 year bond
Monthly average	1.66%	3.4%	1.3%

Currency: annual change	Sterling	Chinese Yuan	HK Dollar	Singapore Dollar	Euro	Russian Ruble
Prime Central London	-5.0%	-3.1%	-10.1%	-7.4%	-5.7%	-5.9%
Greater London	-1.9%	-2.6%	-8.9%	-5.9%	-0.1%	4.4%

*data to February 2019

**data to December 2018

Get in touch

If you're thinking of buying or selling, or would just like some property advice, please do get in touch, we'd love to help.

Charles Dugdale

+44 20 7861 5411

charles.dugdale@knightfrank.com

Abigail Heyworth

+44 20 7861 5414

abigail.heyworth@knightfrank.com

RESIDENTIAL RESEARCH

Oliver Knight

Associate

oliver.knight@knightfrank.com

Important Notice.

© Knight Frank LLP 2019 – This report is prepared for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.