

UK Housing: Market Outlook

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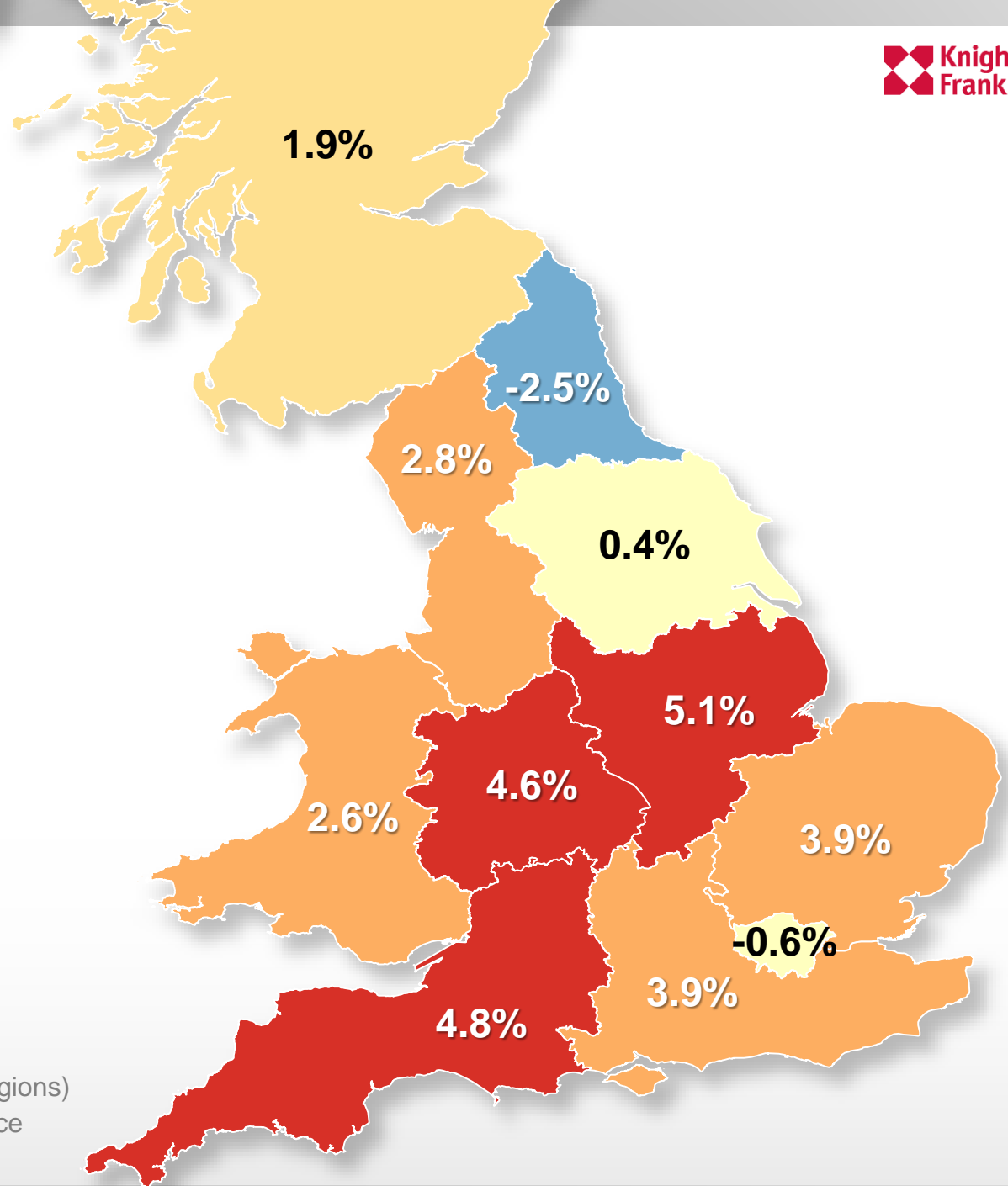
Agenda

Market Dynamics

The Challenges

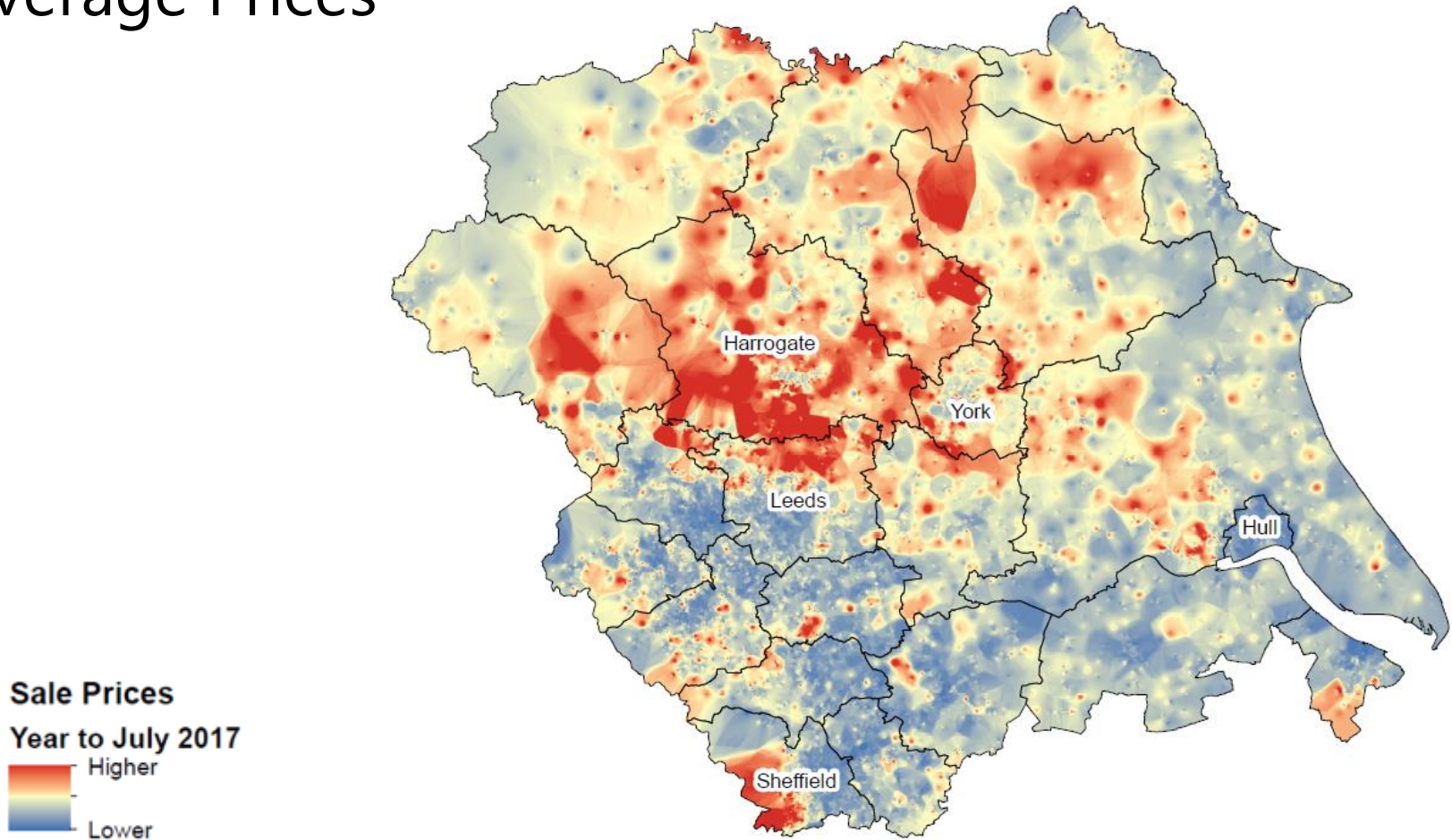
The Opportunities

Annual House Price Growth



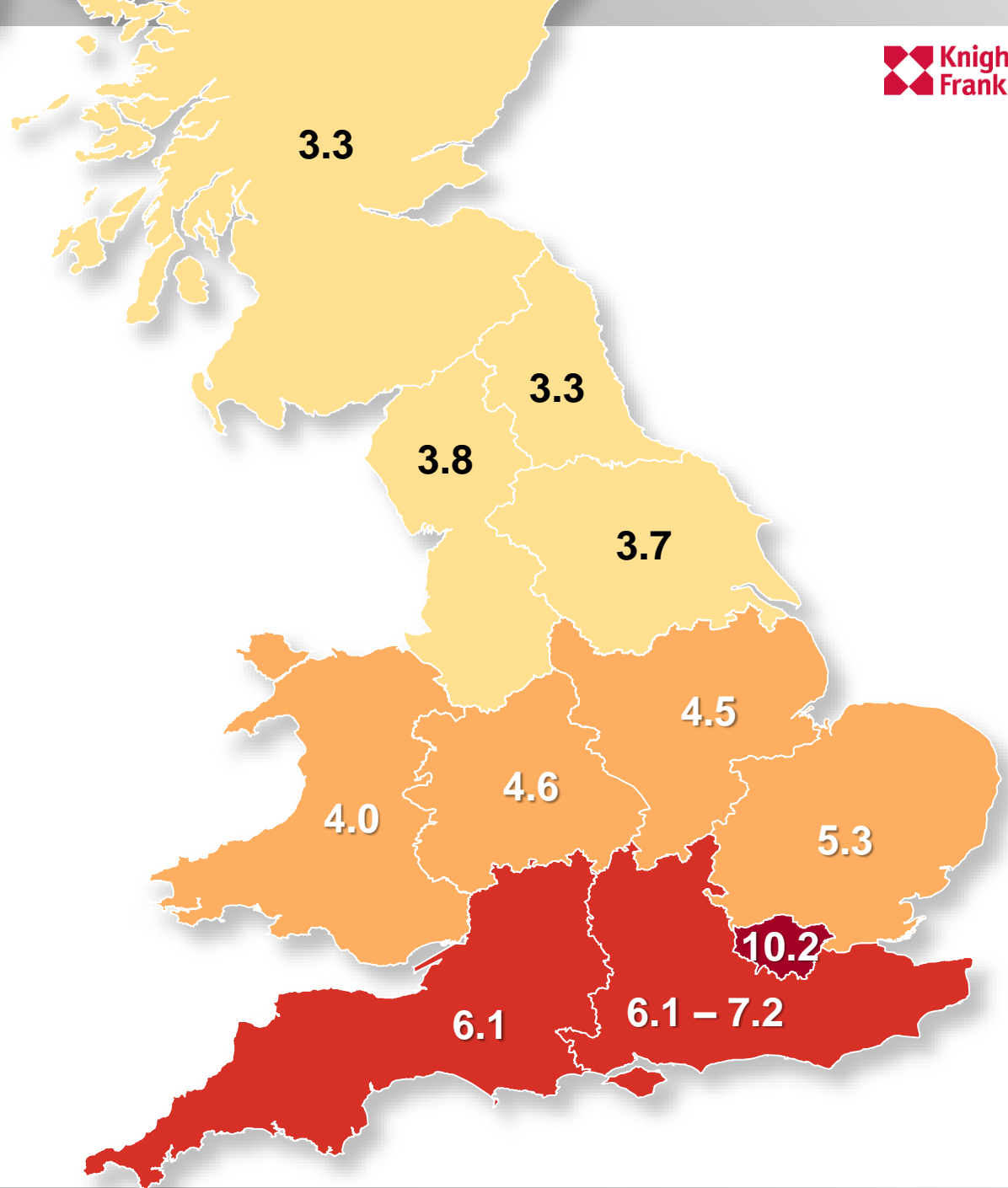
- Slowdown in regional prices
- Shift in performance (Midlands / SW)
- Multispeed market – capital values (regions)
- BUT pockets of over/under performance

Average Prices



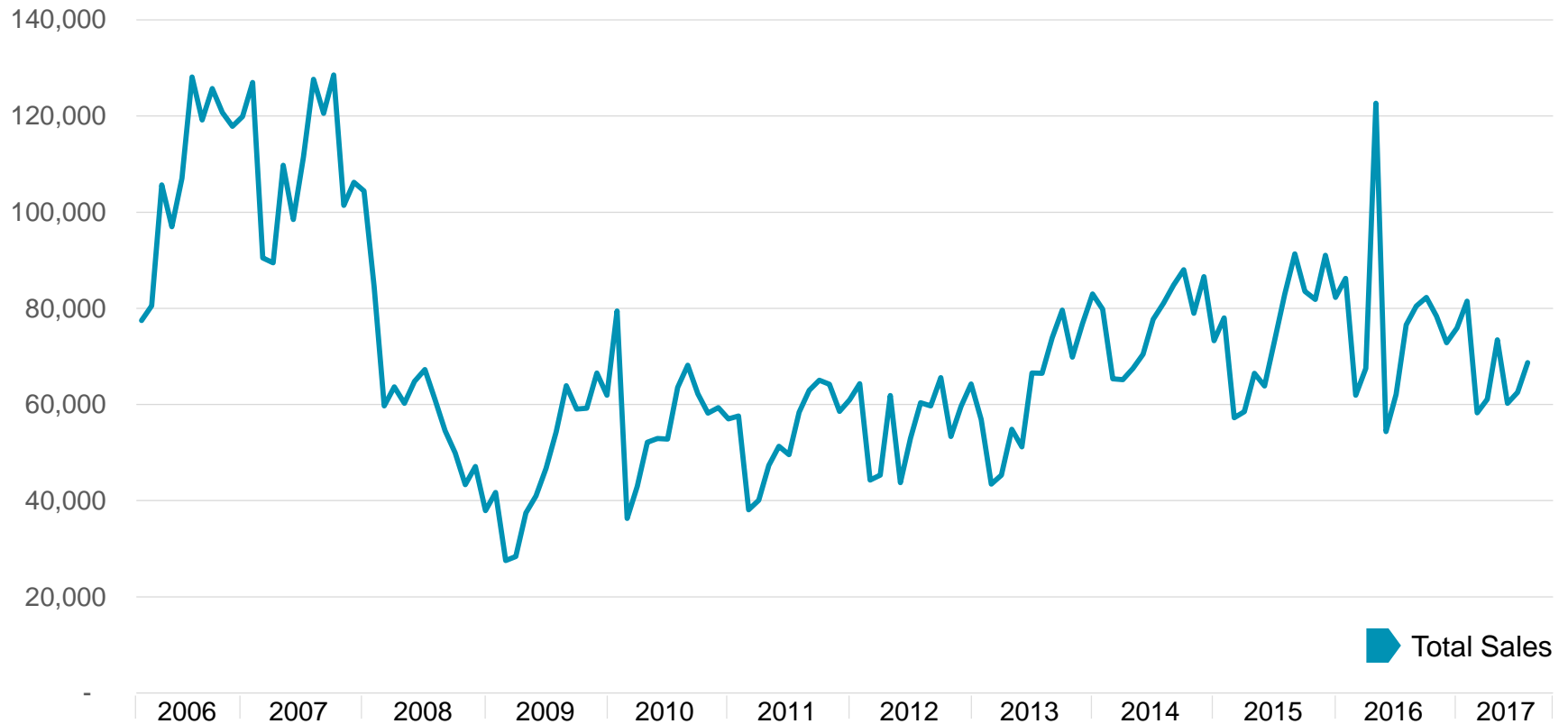
- Micro-markets
- Harrogate = £323,388 / Leeds = £171,873
- Markets are highly localised – affordability a key issue

Stretched Affordability?



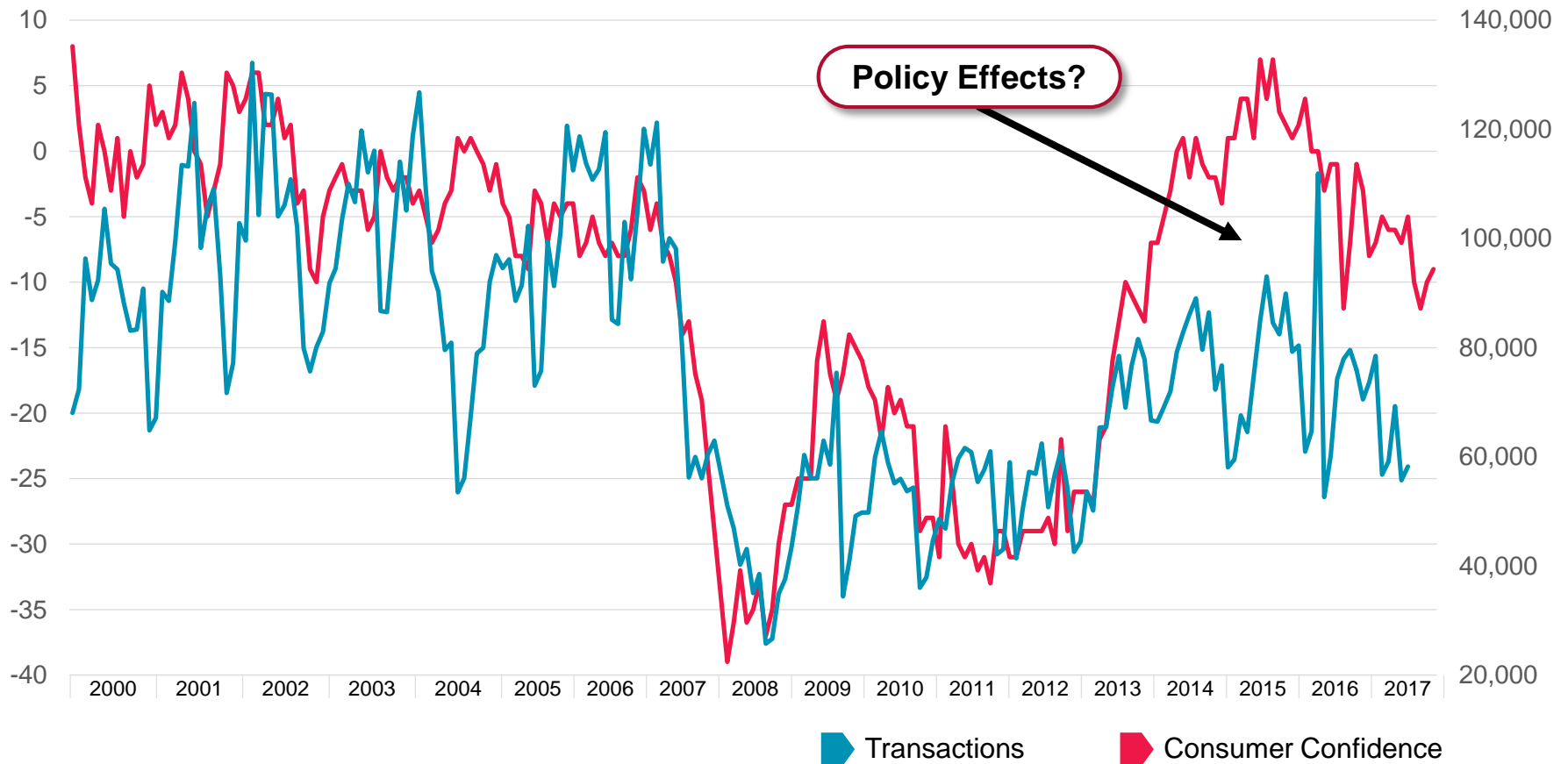
- FTB ratio. 3 distinct layers
- Big difference – affordability stretched
- Potential: transport infrastructure, commuting/linking business hubs

Transactions



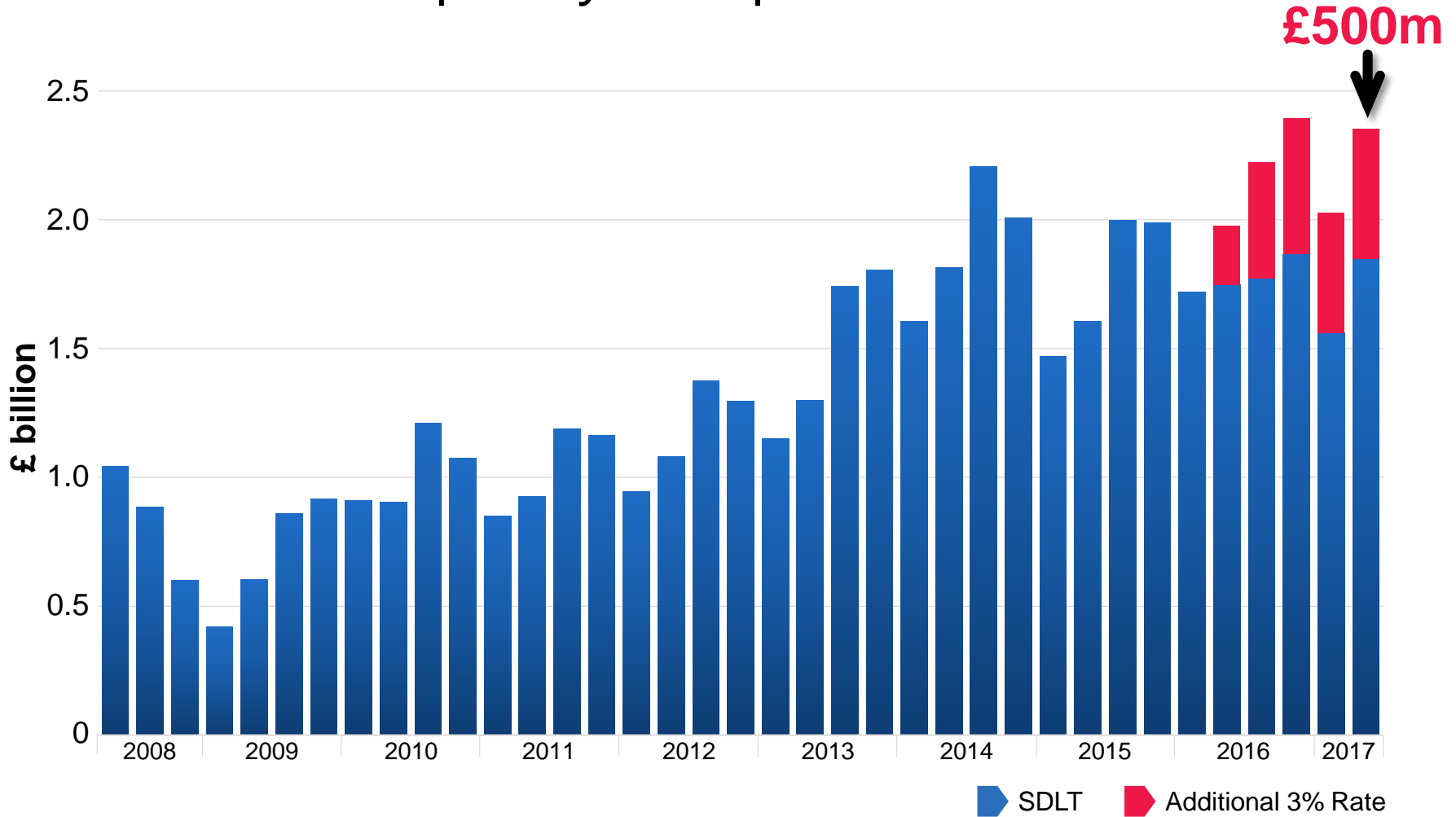
- New-build = c.10% of market
- Big spike followed by slowdown, but still below pre-crisis levels
- Movers' are being squeezed...
- People staying in existing homes longer, this puts increased focus on new build market

Policy Effect?



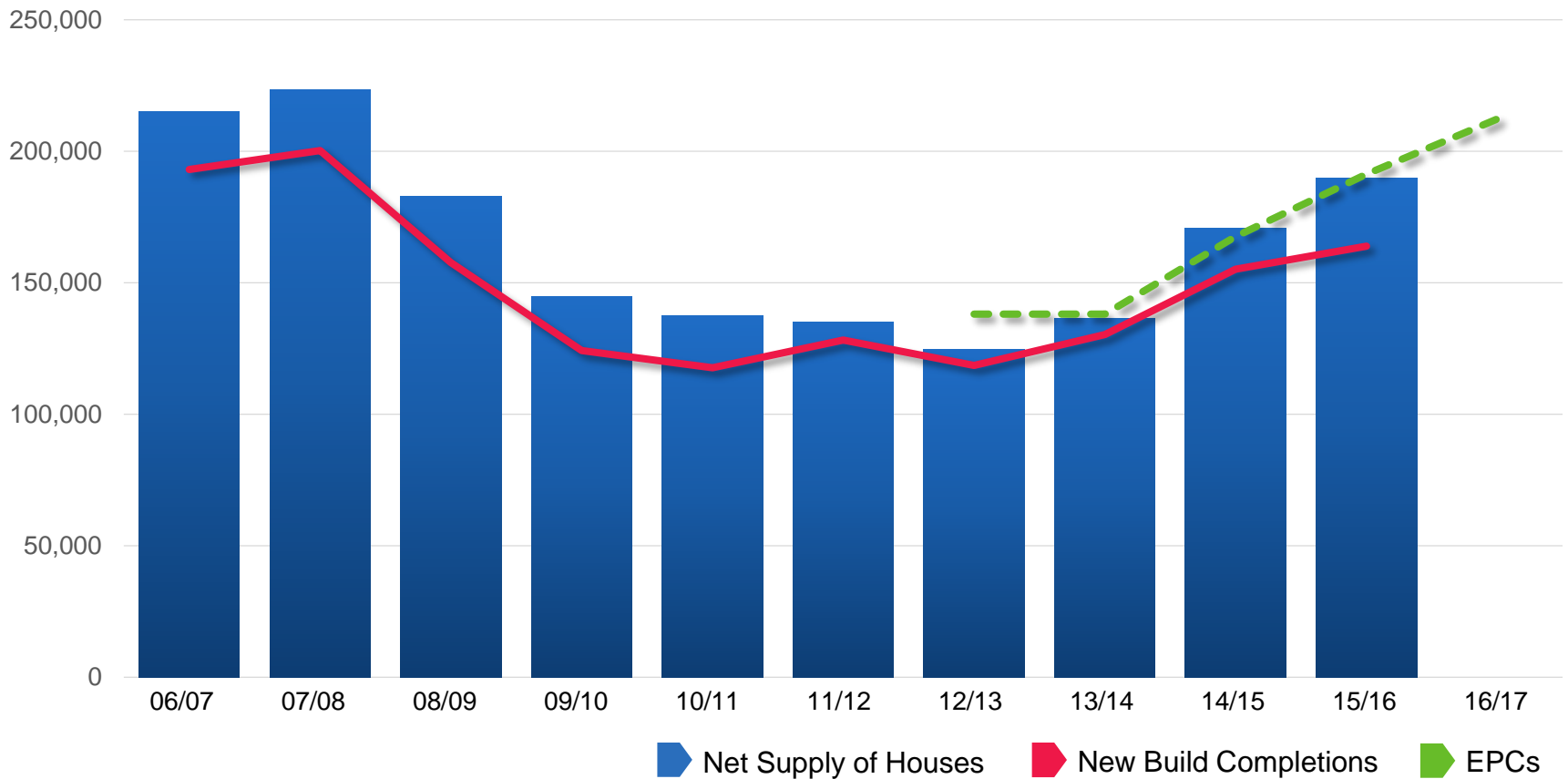
- Divergence could suggest a number of things - affordability / availability of finance / stagnant real income growth
- Argument it's also policy-related - stamp duty

Residential stamp duty receipts



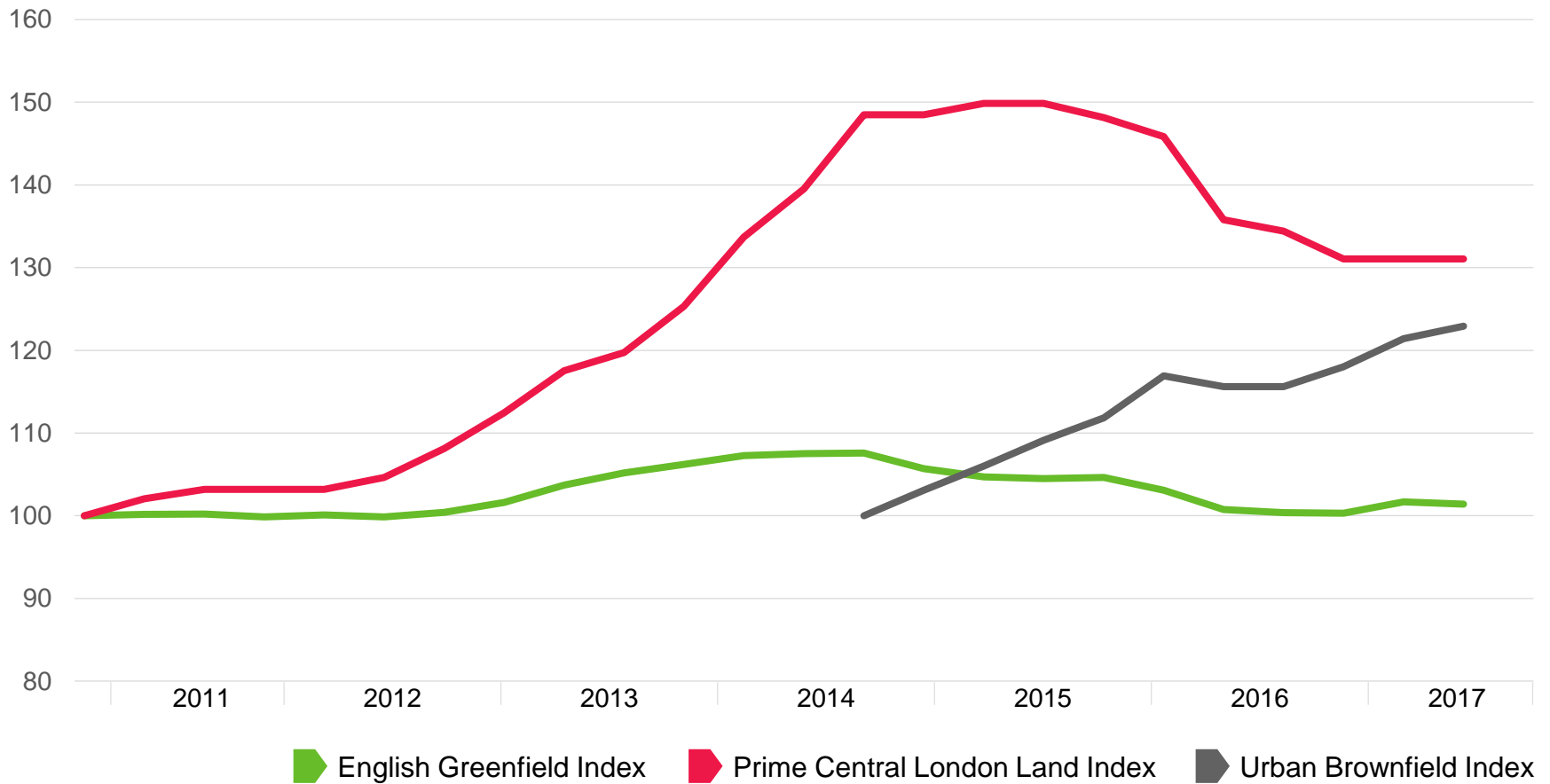
• HMRC England, Wales and NI – 2015 forecast, £12.bn. actual £11.7bn... but still record high

Building enough yet?



- Net additions = c.190,000 in 15/16
- Epc data shows we will probably get to 200,000+ in 2016/17 – but still not enough...

Land Prices



Source: Knight Frank Research

Help to Buy



134,000
81% FTB

- Central pillar of Gov. support for new housing
- Encouraged higher sales volumes and faster build-out rates (boost to new build and FTB market)
- Extra £10bn welcome, but post 2021?? Uncertainty

Challenges

What impact will these factors have on supply in the market over the next 12 months?
% of responders saying “negative impact on supply”



80%



73%



71%



49%



42%

Transport infrastructure



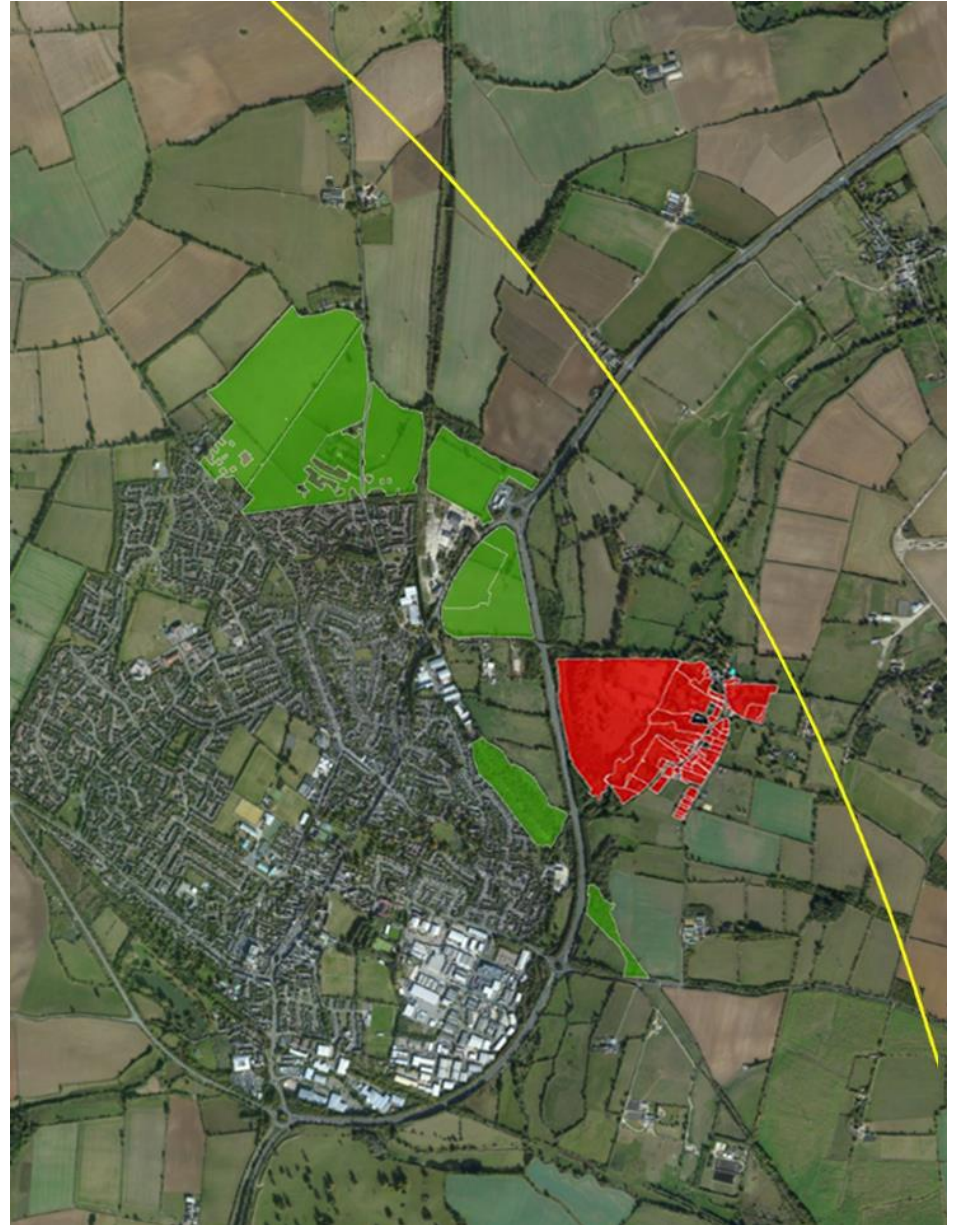
- HS2b
- Opportunities opened up along the route itself

Transport infrastructure



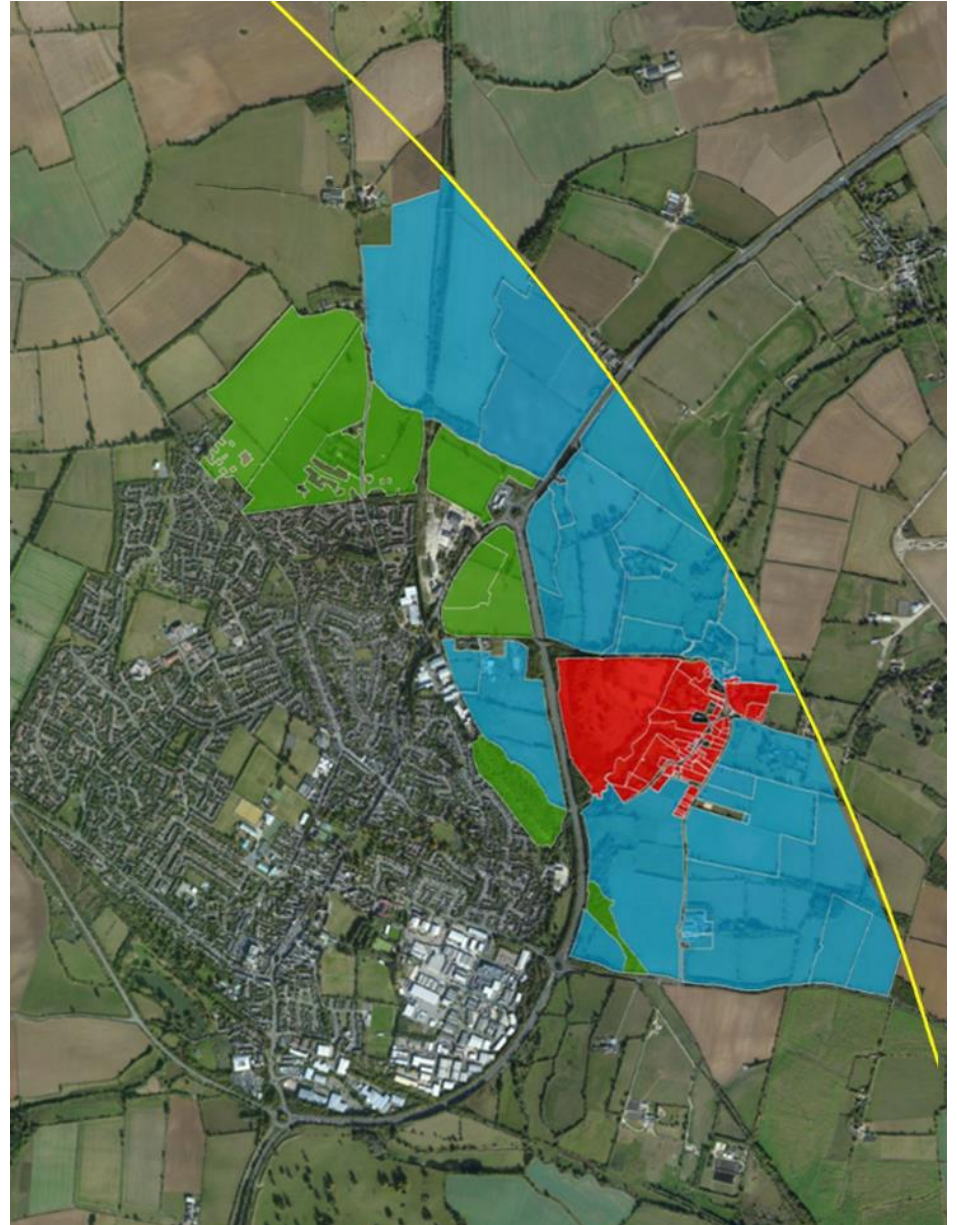
- New natural boundary?

Transport infrastructure



- Strip out current development pipeline
- What are we interested in?

Transport infrastructure



- Privately-owned parcels of land
- Long term play – 2030s, but worth discussing
- Redefining planning
- Not just HBs / could aid LAs deliver housing need

Agenda

Market Dynamics

The Challenges

The Opportunities

Knight Frank Residential Forecast

	2016	2017	2018	2019	2020	2021	2017 - 2021
Mainstream residential sales markets							
UK	5.0%	1.0%	2.5%	3.0%	3.0%	4.0%	14.2%
London	7.0%	-1.0%	2.0%	2.5%	3.0%	5.5%	12.5%
North East	0.0%	0.5%	2.5%	2.5%	2.0%	1.5%	9.3%
North West	4.0%	0.5%	2.0%	2.5%	3.0%	2.0%	10.4%
Yorkshire & Humber	3.5%	1.0%	3.0%	3.5%	3.0%	2.0%	13.1%
East Midlands	5.5%	1.5%	3.0%	3.5%	4.0%	4.5%	17.6%
West Midlands	4.5%	1.5%	3.0%	4.0%	4.0%	4.0%	17.6%
East	7.5%	1.5%	2.5%	4.0%	3.5%	5.5%	18.1%
South East	8.0%	1.0%	2.0%	4.0%	4.0%	5.0%	17.0%
South West	4.5%	2.0%	2.0%	3.5%	3.5%	4.5%	16.5%
Wales	-0.5%	0.0%	2.0%	2.5%	2.0%	2.0%	8.8%
Scotland	2.0%	0.1%	0.1%	2.7%	2.8%	2.8%	11.0%
Prime Residential sales markets							
Prime Central London East	1.0%	1.0%	3.5%	3.0%	3.5%	3.5%	15.9%
Prime Central London West	-7.0%	0.0%	1.5%	2.0%	3.0%	3.0%	10.4%
Prime Outer London	-1.5%	-2.0%	2.5%	3.0%	3.0%	3.0%	11.4%
Prime England and Wales	0.1%	2.0%	2.0%	2.0%	3.0%	3.0%	12.6%
Residential rental markets							
UK	1.2%	1.4%	2.0%	2.0%	2.0%	2.0%	9.8%
Prime Central London East	-2.5%	0.0%	2.0%	3.5%	3.0%	3.0%	12.0%
Prime Central London West	-6.5%	-2.0%	1.0%	2.0%	2.0%	2.0%	5.0%
Prime Outer London	1.5%	2.0%	2.5%	2.5%	2.5%	2.5%	13.1%
UK Transactions (000s)							
UK	1,231	1,275	1,291	1,303	1,313	1,321	

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