

Monthly Edition

August 2016 No. 50

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Report highlights

- The average price of a London house rose to £472,204, 2.1 times the national average.
- Average house prices in England rose more quickly in June than May; an annual rise of 9.3% means the average is now £229,383.
- Home ownership in England dropped to its lowest level in 30 years, owing mainly to rising unaffordability.
- A study suggests properties close to a Waitrose can be worth up to 10% more than the local average.
- Annual rental growth across London slowed to 3.9%, taking the average monthly rent to £1,575.
- Bank of mum and dad now helping children pay the rent, to the tune of £1 billion a year.

Property news

Home ownership at 30-year low as prices keep rising

Home ownership in England has dropped to its lowest level in 30 years thanks to soaring property prices. Since peaking in April 2003 at 71%, home ownership in February of this year had fallen to 64%. The recent measures announced by the Bank of England, notably the cut in Bank Rate to just 0.25%, should make the mortgage market even more competitive, though house prices continue to rise faster than average incomes.

Majority of over-55s “don’t want to downsize”

The majority of UK home owners aged 55 and over don’t want to downsize, despite calls for more to be done to free up homes for first-time buyers and second steppers¹.

For the quarter of respondents who said they would like to downsize, 39% said there aren’t enough of the “right kind” of properties to move to, while 40% thought the costs are “too prohibitive”.

Bank of mum and dad releases £0.5bn of equity

Equity release lending passed half-a-billion pounds for the first quarter on record². The total volume of new plans agreed across the market was up 23% year on year, the highest annual growth rate in nearly 13 years. The 6,671 new plans agreed was the largest quarterly total since the final three months of 2008, and indicate the increasing importance of residential property in household financial planning.

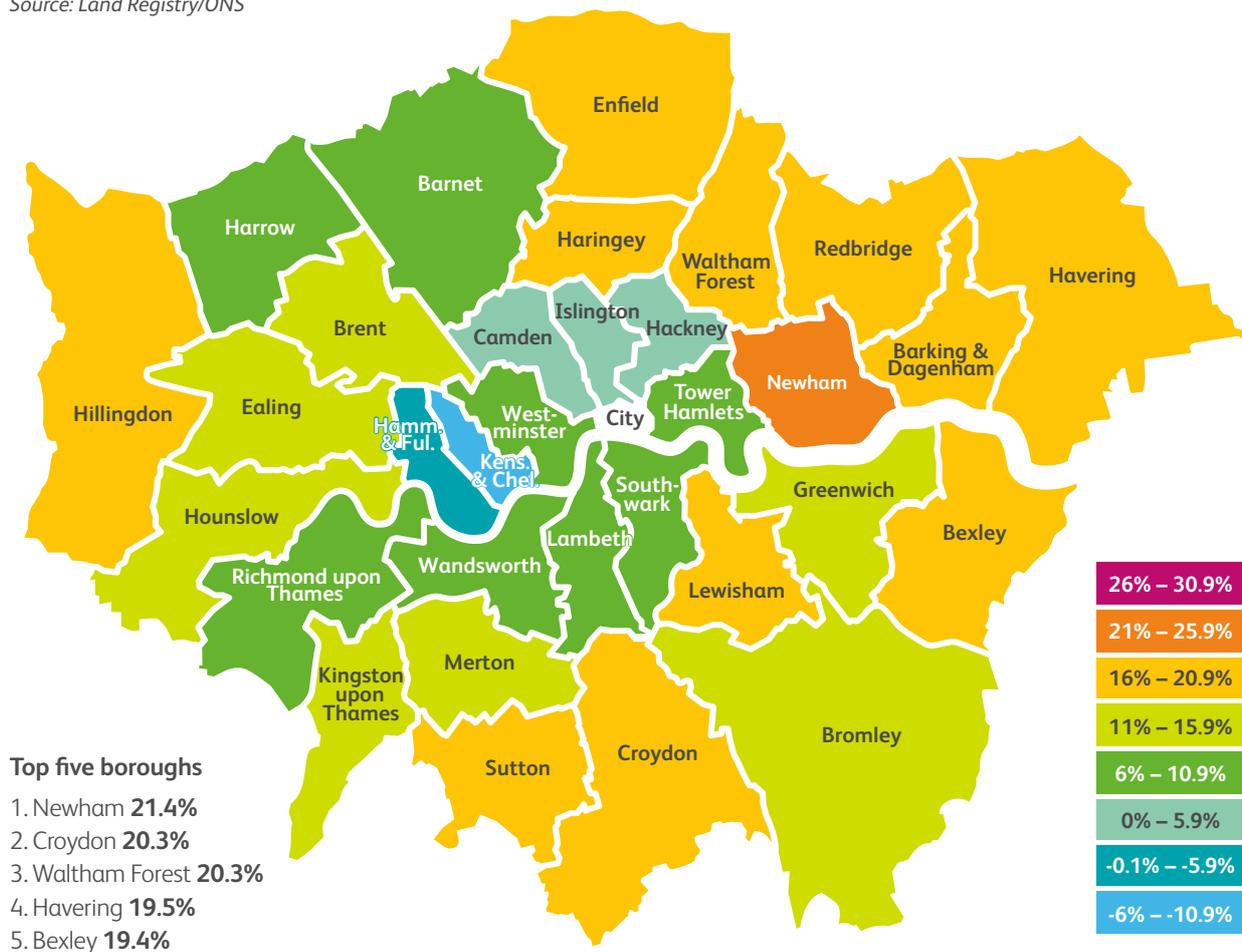
¹According to new research from My Home Move

²According to new data from the Equity Release Council

London house prices

London borough price growth:
12 months to June 2016

Source: Land Registry/ONS



– While annual house price growth slowed to 12.6% in June, the average price of a London home still rose to £472,204, which is 2.1 times higher than the average for England¹.

– The difference between average prices in the most expensive borough, Kensington & Chelsea at £1,212,375, and the most affordable, Barking & Dagenham (£271,584), is now almost £1 million (£940,791).

Annual London price rises slowing, but still in double digits

House price growth in London is slowing but it remains in double-digit territory. Even with the prospect of a further reduction in mortgage rates following the recent Bank of England Base Rate cut, average price growth is running at over five times the rate of average earnings. The combination of Brexit uncertainty, the cumulative impact of higher property taxes and inflated prices continues to be factors subduing the housing market in London's most expensive areas in particular. In the weeks since the EU

referendum vote at the end of June, many buyers have remained wary of committing to a purchase until they are confident prices will not fall significantly as a result of the vote to leave the EU; the values of prime properties are in many cases already flat or falling, owing in no small part to the higher rates of stamp duty brought in at the end of 2014, so price reductions are often necessary to secure offers, especially in location such as Knightsbridge, Kensington, Chelsea and Belgravia.

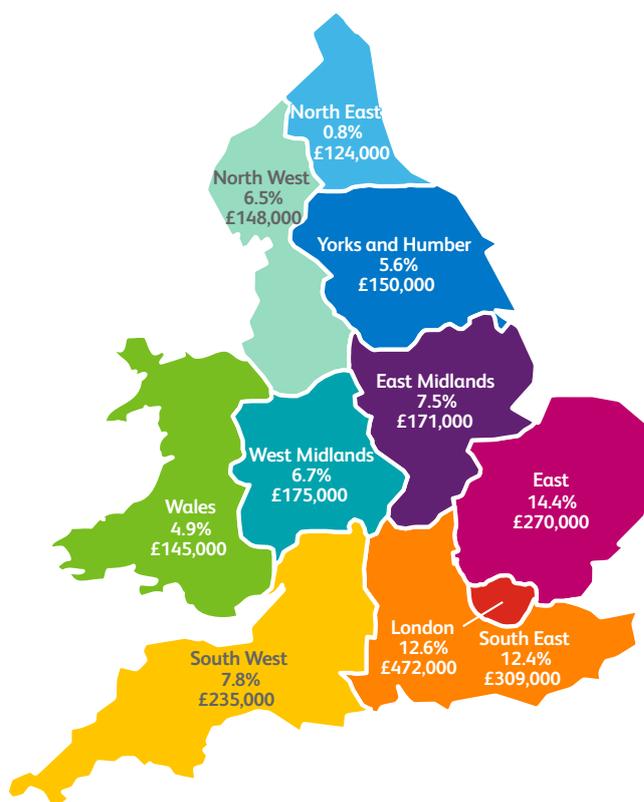
¹According to the latest ONS/Land Registry index

National house prices

- Average house prices in England rose slightly more quickly in the year to end of June than in May; an annual increase of 9.3% means the average price now stands at £229,383.
- At regional level, prices are rising fastest in the east of England (+14.3%) and slowest in the North East (+1.5%). Outside London, the most expensive region is the South East (average price £309,000) while the North East has the lowest prices (£124,000).
- Research¹ suggests proximity to a supermarket can add an average of £22,000 to the value of a home. Premium brands can add even more to nearby house prices, with properties close to a Waitrose seeing an average boost of £38,666 or 10% more than the wider town in which they are located.

Regional average asking prices & 12-month growth (End-June 2016)

Source: Land Registry/ONS



Pace of annual house price growth outside London picked up in June

It is still too early to gauge the full impact of the vote to leave the EU on the housing market, but prices to the end of June continued to rise year on year, and in fact rose more quickly than they did in the previous month. However, the number of homes coming on to the market in June experienced its steepest fall on record, perhaps reflecting owners' reluctance to sell with the uncertainty created by the EU referendum uppermost in their minds. Nonetheless, the

mortgage market remains buoyant, with June estimates for mortgage lending coming in at 16% above the May figure and 3% higher than June last year. Hopefully the cut in the Bank of England Base Rate to 0.25% will sustain buyer demand, while low unemployment and slightly improved forecasts for the UK economy – which indicate that the country is likely to avoid a recession – will bolster consumer confidence.

The rental market

- Annual rental growth across London as a whole slowed to 3.9%², taking the average monthly rent to £1,575. Average rents in the capital are now 104% higher than the rest of the UK, which in the three months to June stood at £773 pcm – 3.3% up on the corresponding period in 2015.
- The “bank of mum and dad” isn't just helping children on to the home ownership ladder, but also subsidising their rents – to the tune of £1bn. Around 450,000 adults need help from their parents to keep them in their rented home, with 11% of those aged 18-24 and 8% of those aged 25-34 receiving financial support³.
- Buy-to-let landlords may have to fork out up to £5,000 to make rental homes meet proposed new energy-efficiency

standards. A total of 330,000 buy-to-let homes, typically Victorian and Edwardian, will be affected. The Residential Landlords' Association has warned this new 'green tax' could push rents up. The changes will be brought in from 2018, at which point landlords must raise the energy efficiency of rental properties to at least E for new tenancies, and for existing tenancies by 2020.

- Families are the most common household type in the private rented sector for the first time⁴. The findings show more landlords now let to families with children (48%) than any other tenant type, overtaking young couples (47%). This is a complete shift compared to four years ago, when young singles made up the largest group (53%).

Prime lettings pick up while wider rental market holds steady

The prime London lettings market saw some improvement in July compared to the previous month in terms of activity, though a wide range of homes to choose from meant rents remained flat. The impact of June's Brexit vote on tenant demand remains a concern, but while rent rises in

the mainstream market are slowing, demand is holding up. The cut in the Bank of England Base Rate means residential property may become even more appealing as an option for investors looking for a healthy return on their outlay.

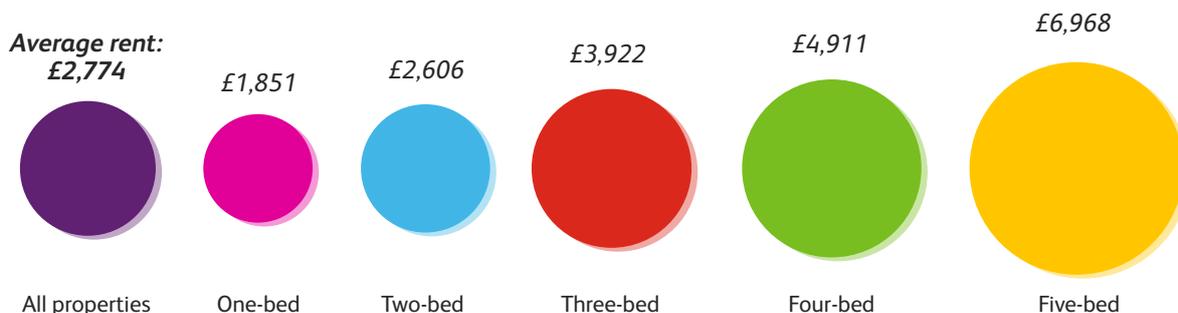
¹From Lloyds Bank

²According to the latest Homelet index.

³Shelter estimates.

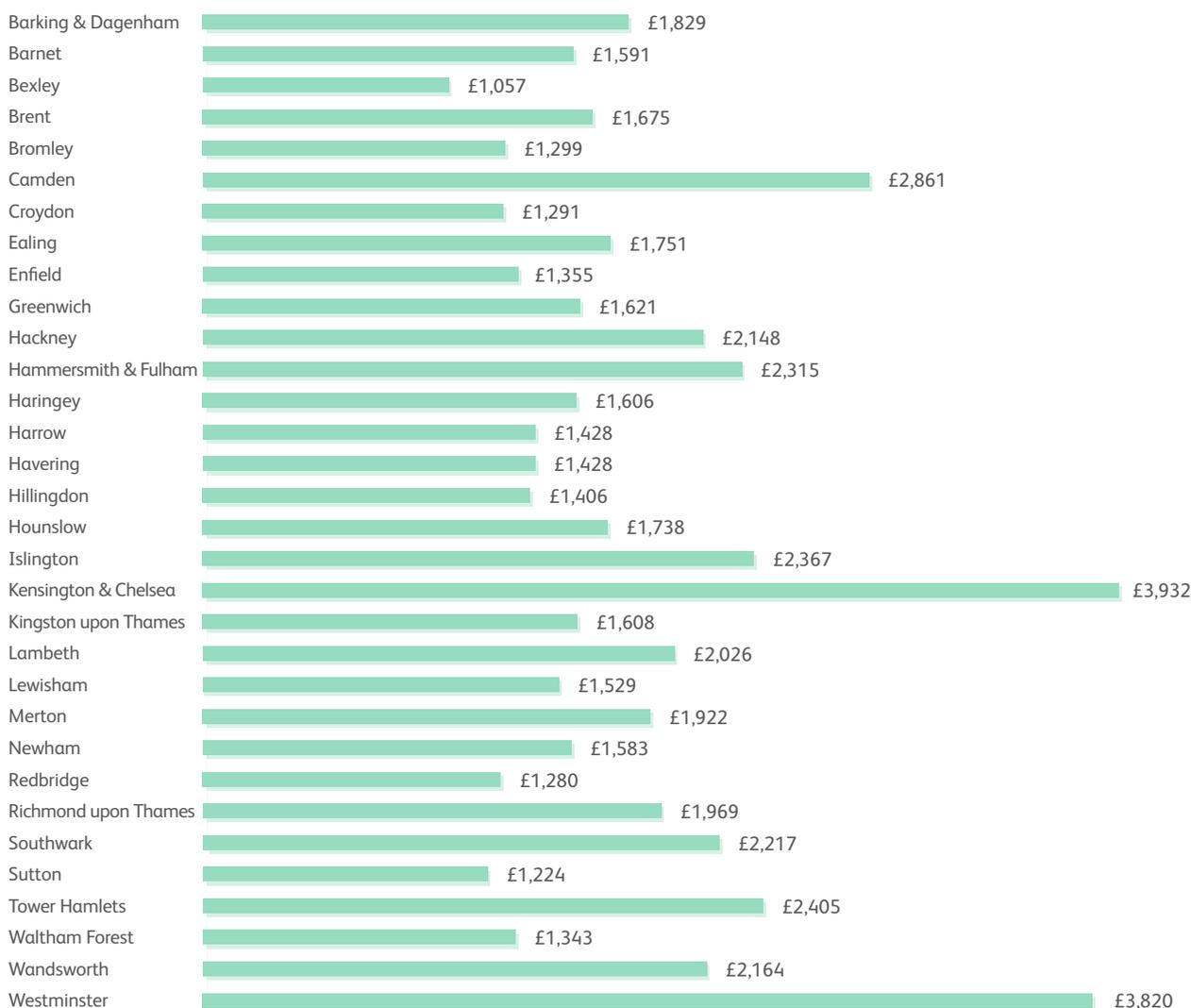
⁴According to the latest research from the National Landlords' Association.

London average monthly asking rents by property type (as at 10 August 2016)



Source: Home.co.uk

London borough monthly asking rents for two-bed flats (as at 10 August 2016)



Source: Zoopla

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