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Report highlights

- House price growth continues to slow in London but still stands at 10.9% in the past year.
- London parents are prepared to pay 15% more for a property within their desired catchment area.
- 20% of people wouldn't buy a property if it had a poor internet connection.
- Rents in London have increased by 2.5% over the past year, bringing the average to £1,542 pcm.

Property news

- 26% of parents with school age children have either bought or rented a new property in order to secure an address within their desired school catchment area, according to research from Santander Mortgages. The study also found that families are prepared to spend an 11% premium - which equates to an average £23,707 in the current property market - in order to move to their desired catchment area. On a regional basis, those living in London are willing to pay the highest premium (15%) – equating to £71,539.
- Broadband has become a deal breaker when it comes to property, with 20% saying they wouldn't buy a house if it had a poor internet connection. Surprisingly, it seems that the over 65s value the internet the most, with 81% calling it an essential utility, compared to 76% of all British adults¹.
- Mortgage lenders in the UK face challenges from the country's aging population as demand for mortgages past retirement age is set to rise. The Council of Mortgage Lenders' (CML) annual conference in London heard that while carrying debt into retirement is a relatively recent phenomenon, more than a third of all loans currently advanced will extend beyond the borrower's 65th birthday and the proportion is rising.
- The total value of equity release lending in the UK reached a new record in the third quarter of 2016 of £571.6 million, up 26% year on year. The latest figures from the Equity Release Council suggest that more and more home owners now see releasing funds from their property as an important part of their financial planning later in life.

¹Figures from a survey conducted by GoCompare.com

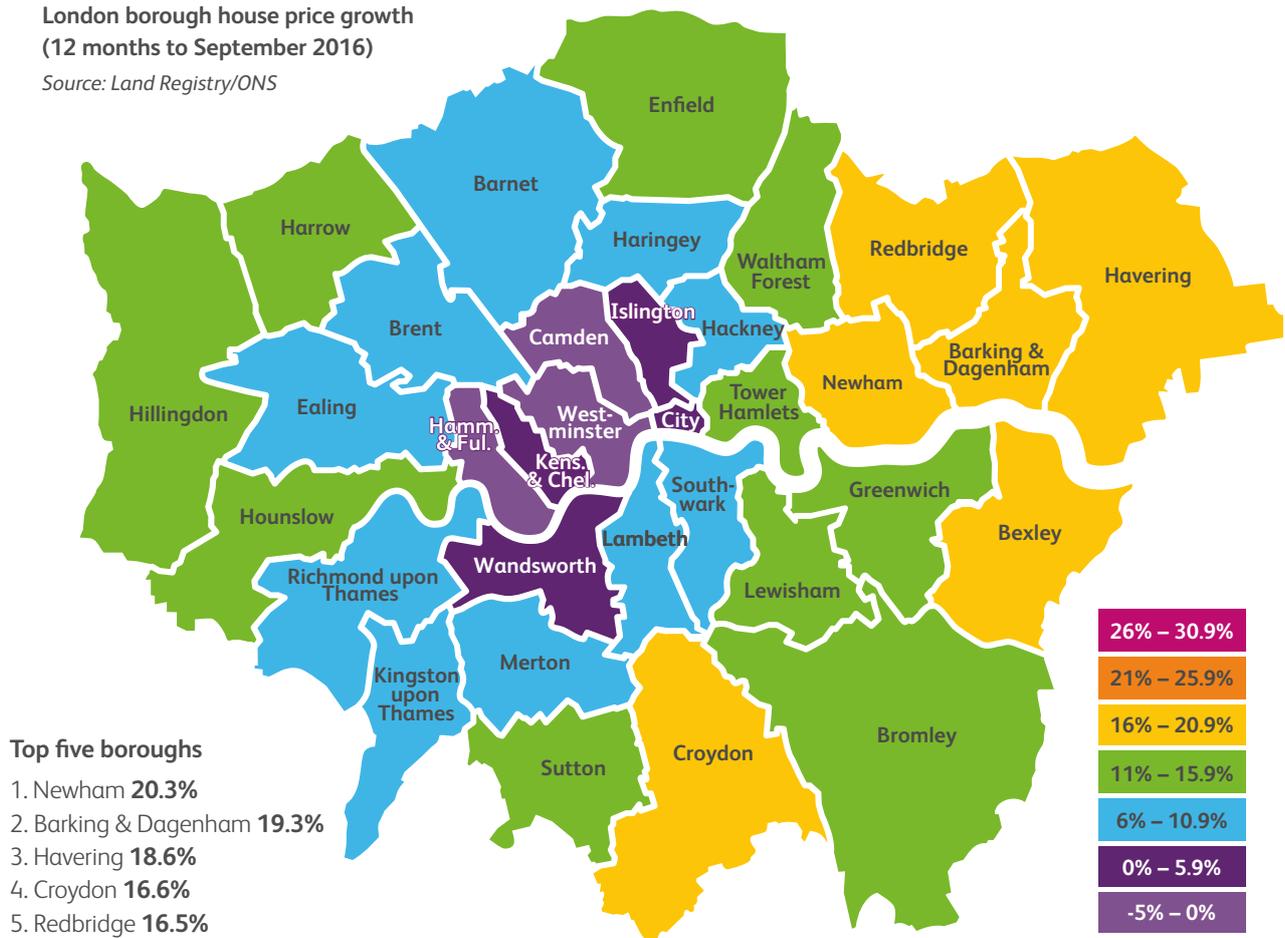
London house prices

- House price growth continues to slow in London but still stands at 10.9% growth in the past year, taking the average price to £487,649².
- Prices have fallen over the past year in three boroughs: Westminster (-1.1%), Camden (-2.4%) and Hammersmith & Fulham (-2.9%).
- The average house price in 40 towns close to the M25 has increased by 551% since it was opened 30 years ago according to a Halifax study. In terms of average values,

the most expensive of these towns are in the southern section of the motorway and on the north side, while towns east of London typically have the lowest prices. Barnet has recorded the biggest increase with the average price growing eight fold from £69,744 to £539,708 over the period. Properties in the M25 towns also trade at a premium to the region, with an average price that is £52,267 or 16% higher than the South East average.

London borough house price growth (12 months to September 2016)

Source: Land Registry/ONS



Property growth remains above wage growth

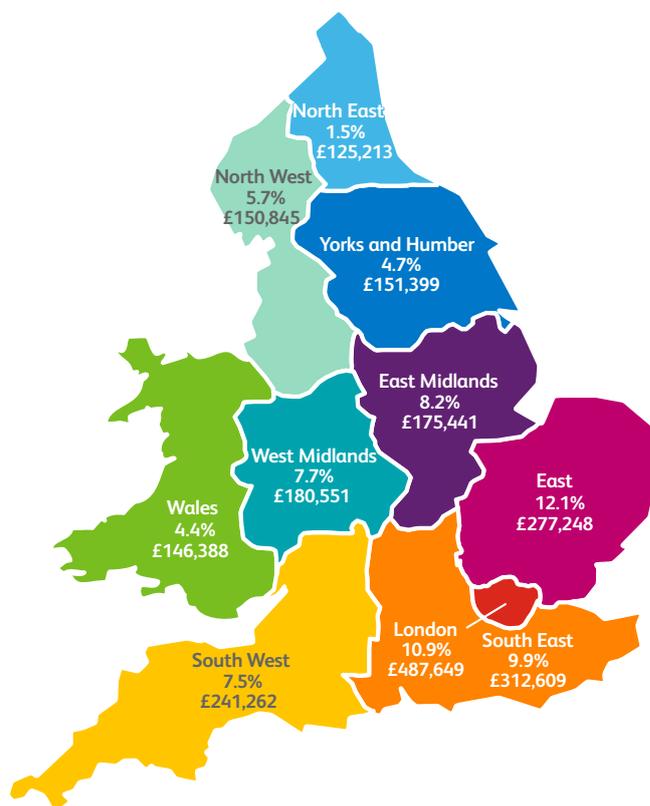
Price growth in London is slowing but at nearly 11% it remains substantially above wages growth, which currently stands at 1.7%. Until interest rates start rising – which is unlikely to be until the second half of 2017 – the lack of available properties on the market is likely to mean that growth will remain strong even though affordability issues will continue to stifle demand.

Although activity in the prime Zone 1 areas has picked up over the summer and autumn, values are still under downwards pressure and price reductions are often needed to close deals.

²The ONS/Land Registry index.

National house prices

- National house price growth in September was broadly stable, taking average annual growth to 7.7% for the UK (average price £217,888) and 8.3% for England (average price £234,250)³.
- Property values are still rising fastest in the East of England (12.1%) although they have slowed from the August figure (13.3%). September saw annual price growth accelerate in two regions: West Midlands (7.7%) and the East Midlands (8.2%).
- The average price of properties sold for over £1m has fallen 7% from £1,862,578 in the first half of 2014 to £1,727,327 in the first half of 2016⁴.
- 91% of properties sold for over £1 million were in London, the South East and the East of England – London alone accounted for 63.4%.
- The amount borrowers are paying as a percentage of their household income to service capital and interest rates reached an historic low in September for both first-time buyers and home movers at 17.8% and 17.7% respectively. The average loan-to-value on mortgages approved in September stood at 84.2% for first time buyers and 71.9% for home movers⁵.



Regional average prices & 12 month price growth (September 2016)

Source: Land Registry/ONS

National house prices are still rising strongly

Latest available data from HMRC show that although the number of sales fell in September and were 5.3% down on September last year, in the first nine months of the year they were 4.2% up on the corresponding period in 2015.

This shows how much the mortgage market is driving price growth in an undersupplied market. Although there is a theoretical affordability ceiling which even cheap mortgages cannot breach, we don't expect price growth to halt any time soon.

The rental market

- Rental growth across the UK slowed marginally in October, taking the 12-month average from 3.1% to 3.0%⁶. Annual rental growth is slightly lower in London at 2.5%.
- Average rents are now £902 pcm across the UK and £1,542 pcm in London.
- Demand from prospective tenants in September reached its highest level since February 2015 and the supply of rental properties reached an 18 month high⁷. In September, the number of properties managed per branch was 193, the highest level seen since April 2015.
- 12% of landlords in London increased rents in September compared to the national figure of 24%⁸.
- 22% of landlords who pay the basic rate of tax will be forced into a higher tax bracket from April 2017 when the phased reduction of mortgage interest relief and other finance-related costs commences⁹.
- New rules under the Immigration Act 2016 will be coming into force on 1 December 2016 which mean that landlords could be charged with a criminal offence if they know, or have reasonable cause to believe, that they are letting to an illegal immigrant. Landlords will also be able to end tenancies for occupants with no right to rent without first obtaining a court order. For more information, contact Chestertons' Compliance department: enquiries@chestertons.com

Rental growth continues to slow as supply increases

Despite strong tenant demand, the high supply of properties available to rent has resulted in a slowing in the rate of rental growth. Going forward, it will be interesting to see how landlords react to the loss of tax relief on finance related costs from next April.

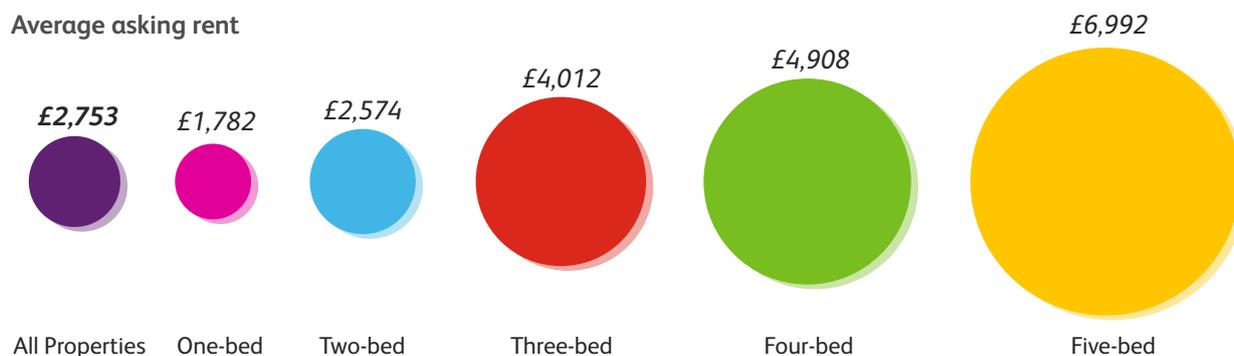
Although operating costs will be higher, if tenants continue to have a good choice of properties landlords' may have to be flexible with regard to rents in order to secure and retain tenants.

³The ONS/Land Registry Index. ⁴According to research from Lloyds Bank. ⁵According to research from the Council of Mortgage Lenders.

⁶Homelet Index. ⁷Report from the Association of Residential Letting Agents (ARLA).

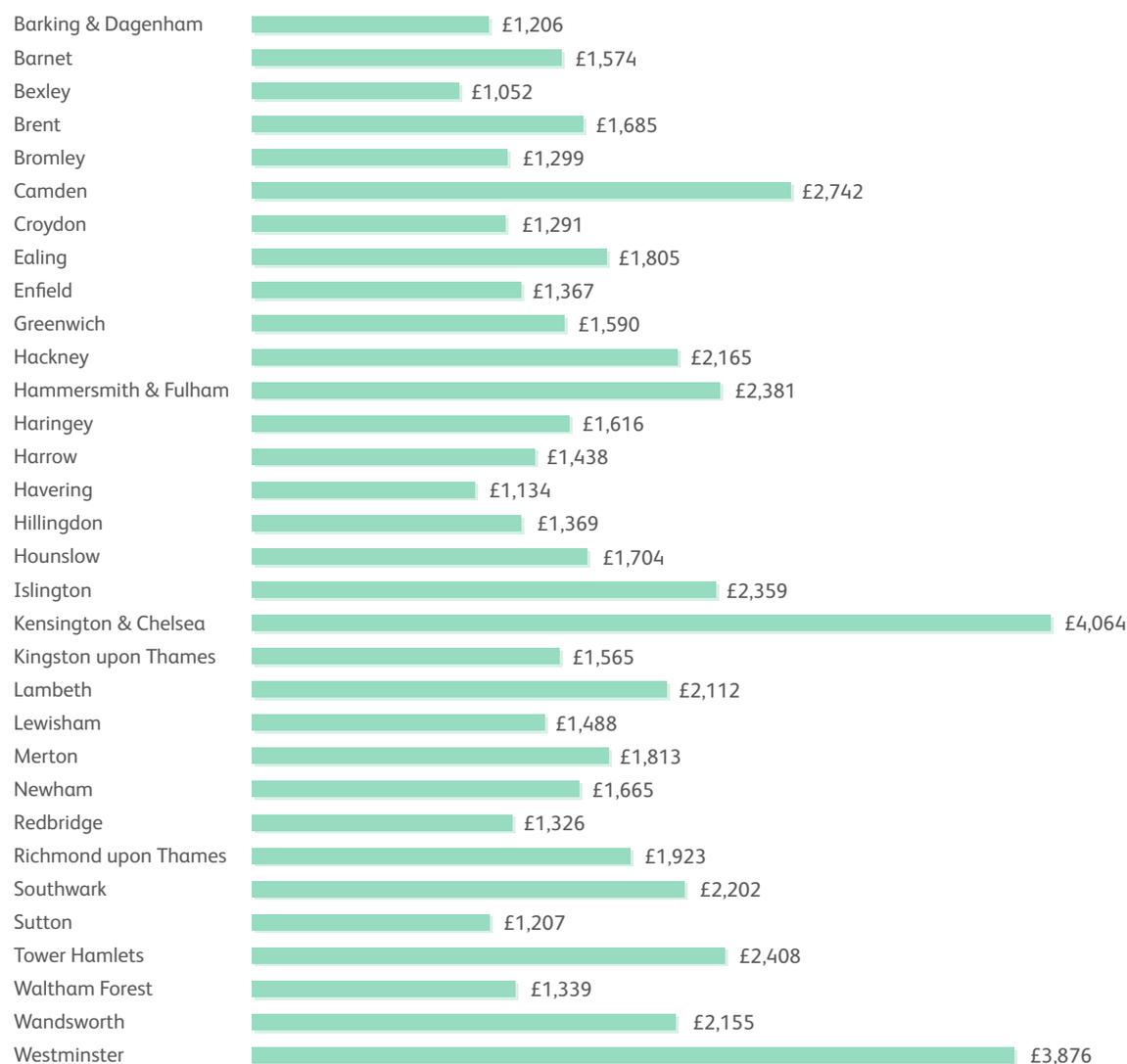
⁸Report from the Association of Residential Letting Agents (ARLA). ⁹Report from the National Landlords' Association (NLA).

Average asking rent



London borough monthly asking rents for 2-bed flats (as at 15 November 2016)

Source: Zoopla



London average monthly asking rents by property type (as at 15 November 2016)

Source: Home.co.uk

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