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Report highlights

- Since the turn of the year house prices in some parts of London have risen by more than £500 a day.
- The average London home is now worth £530,368.
- The average house price in England and Wales now stands at £190,275.
- Flats outperformed all other property types in London since 2008 in terms of price rises.
- Extending or adding a loft conversion can add up to £42,700 to the value of an average property.
- Average monthly rents in London rose by 7.7%, to reach an average of £1,521.
- The number of prospective tenants registering with a letting agent increased by almost a fifth (19%) in February.

Property news

Housing voters' top priority ahead of Mayoral poll

Housing is the most important issue for Londoners in the upcoming mayoral election, with 56% of voters saying it is one of the most important challenges facing the capital in a recent poll¹. This represents a shift from the 2012 election, when Londoners placed housing fourth after jobs, crime and transport in a similar poll.

The election of a new Mayor of London on 5th May could have considerable implications for the capital's housing market. All of the candidates declare themselves keen to address pressing housing issues, with some of the proposed policies far more radical than others.

Download our free at-a-glance guide to the key pledges from the main parties' candidates.

Landlords set up in business to offset tax hikes

Landlords are increasingly setting themselves up as businesses to counteract tax changes in the buy-to-let market. Those with corporate status can offset expenses against tax and pay corporation tax rates – currently 20% but due to fall to 18% by 2020. However, moving from personal tax status to a limited company can take up to two years and, depending on how the landlord goes about it, there may be capital gains tax and stamp duty to pay as properties are technically being sold and rebought by the newly set-up business.

Tenants on average salaries could be 'priced out'

A new report² has suggested those on average salaries living in rented accommodation could be priced out of the market by 2026. The study forecasts that average deposits will rocket by 40% to £1,111, some 70% of the average worker's monthly income. The problem is expected to be particularly bad in London, where deposits are predicted to rise to £2,733 – or 120% of the average monthly salary!

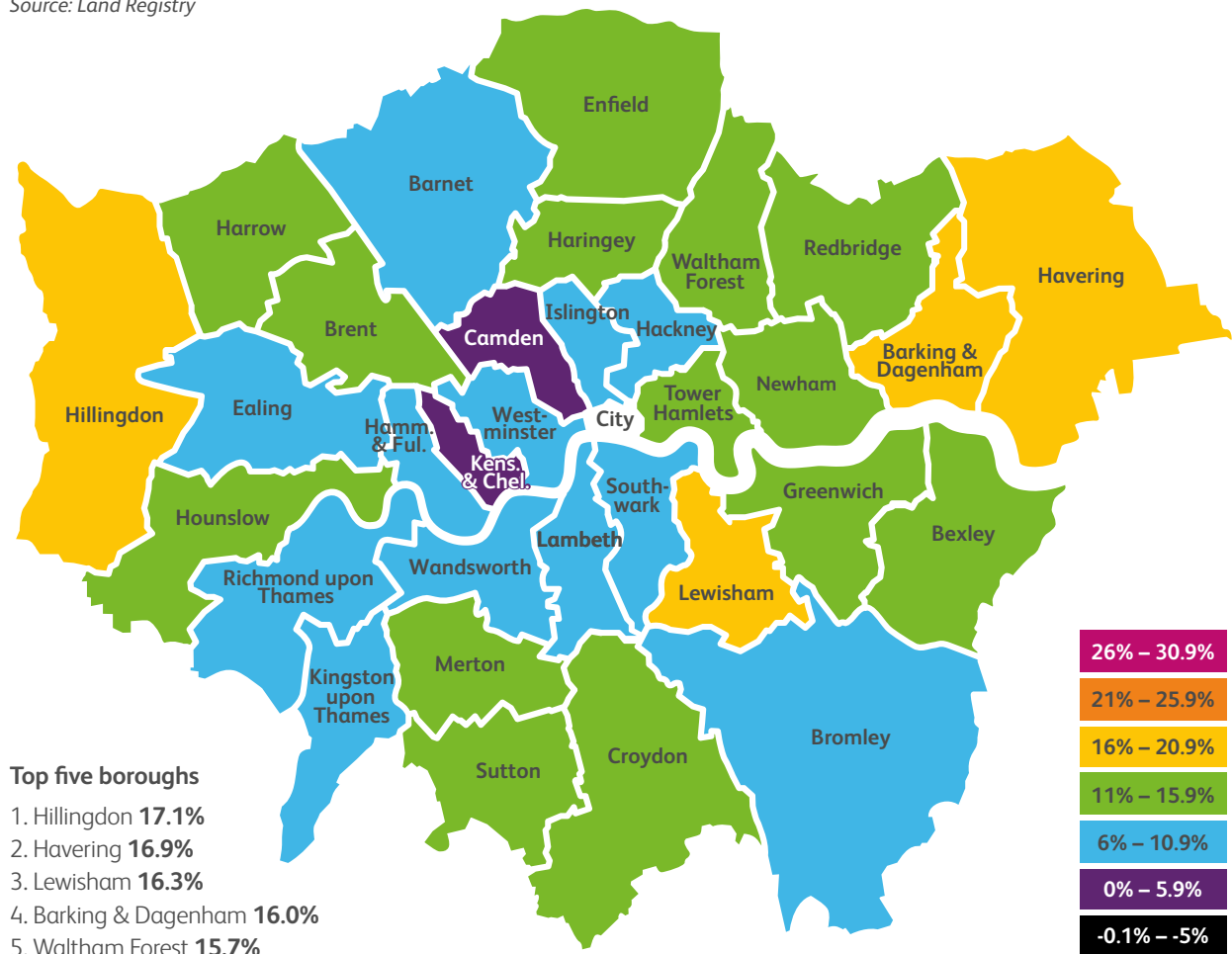
¹By Money.co.uk

²Conducted by ComRes

London house prices

London borough house price growth:
(year to end Feb 2016)

Source: Land Registry



- House price rises slowed down from 13.9% in January to 13.5% in February. However, 22 out of London's 32 boroughs actually saw average price rises gather pace.
- Of all the London boroughs prices rose fastest in Hillingdon (17.1%) and slowest in Camden (3.6%).
- The average London house price is now £530,368. The highest prices are found in Kensington & Chelsea (£1,396,753) and the lowest in Bexley (£323,746).

- Only 15% of single Londoners under the age of 35 own their home, compared to nearly 40% of couples³.
- The average London worker would need a 266% pay rise to be able to afford a mortgage for an average property in the capital (assuming an average price of £526,085 and average salary of £32,838 a year).

Home ownership a pipe-dream for many as some London house prices rise by £500 a day

Another month rolls by and still no sign of homeownership in London becoming more affordable. According to the Greater London Authority's own figures, only 6,856 properties defined as affordable were built in the capital in 2014-15, down from 6,914 the year before. As a percentage of all the homes built in London, affordable housing has fallen to 25%, down from 39% four years

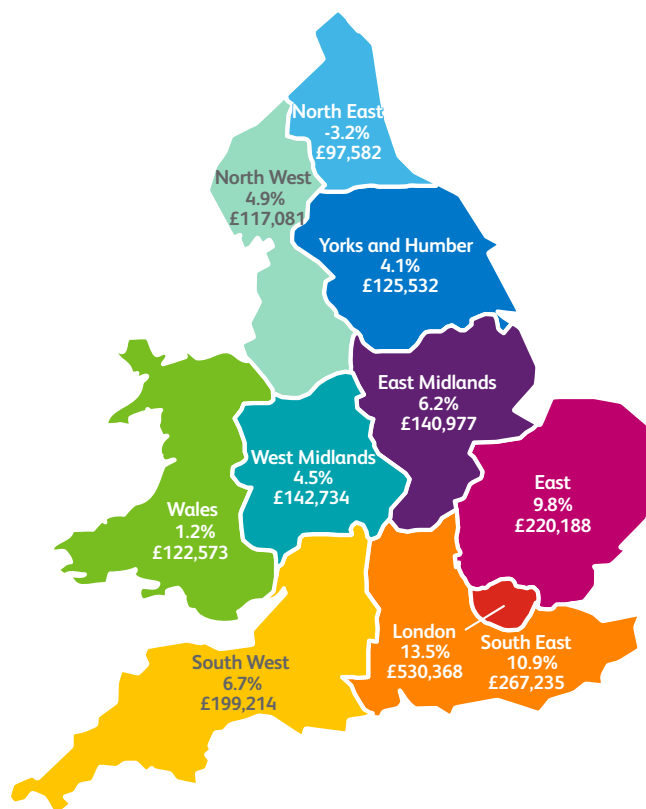
ago. Hardly surprising, then, that prices continue to spiral upwards – by more than £500 a day since the turn of the year⁴. Some analysts have predicted a sharp correction now that the 3% stamp duty surcharge is in place but, unless there is a significant increase in the number of homes coming to the market, competition remains very high and prices will only continue to move one way.

³According to figures released by the National Housing Federation

⁴According to the ONS

National house prices

- As in London, house price growth also slowed across England and Wales, from 7.1% to 6.1% in the year to the end of February. The average house price in England and Wales now stands at £190,275.
- The South East (+10.9%) remains the region with the strongest annual price growth outside London, followed by the East (+9.5%). Both saw prices rise more sharply in February than in January. North East prices fell by 3.2%.
- Flats have outperformed all other property types since 2008 in terms of price⁵, rising by 57% compared to the 37% increase for all residential properties over the same period. The average price of a flat in the UK has risen by £86,474 (£1,029 a month) since property prices were at their lowest in late 2008. If London data are removed then price growth has been strongest for terraced houses (31%), closely followed by semi-detached houses (29%) and then flats (26%). Detached properties fared the worst, with average prices rising by 19% over the period.
- Extending your home or adding a loft conversion can add £42,700 to the value of an average property, while adding a decent-sized extra bedroom has the potential to boost the value of a home by £22,100⁶.



Regional average house prices & annual growth (Feb 2016)

Source: Land Registry

Is moving losing out to improving as house-buying becomes pricier?

As the cost of moving home becomes increasingly expensive, will more homeowners stay put and invest in their existing properties, which new research suggests can add a fair amount of value to their home? In addition, with buy-to-let looking ever-more expensive following the

introduction of the extra 3% stamp duty from 1st April, will more would-be bricks and mortar investors decide to buy homes that need repairs or refurbishment and spend time improving the property before selling it on to make a tidy profit?

The rental market

- Average rent rises in London accelerated in the three months to the end of February 2016 to reach £1,521pcm.
- Over the same period average UK rents for new tenancies (excluding London) were £744 a month, 4.8% higher than in the corresponding period last year⁷.
- Over half of UK letting agents believe the new buy-to-let stamp duty surcharge introduced on 1st April will result in increased rents for new tenants to help balance the books⁸.
- The number of prospective tenants registering with a letting agent increased by almost a fifth (19%) in February.

Mortgage lending set to tighten for embattled landlords

As if the 3% surcharge and the planned phase-out of mortgage interest relief weren't enough, landlords are also now facing more stringent tests when applying for a buy-to-let mortgage. The Bank of England's Prudential Regulation Authority (PRA) has announced that it will act to prevent a bubble in the private rental market fuelled by investment from smaller landlords, who it said may be susceptible to falling into arrears if interest rates start to rise. It says lenders must apply new tests to check:

- All the costs a landlord may incur in letting a property;
- any tax liability associated with the property;

- a landlord's personal tax liabilities, essential expenditure and living costs;
- a landlord's additional income where it is used to support borrowing. This must be verified;
- how much cash borrowers have to cover their interest payments in the scenario that interest rates rise to 5.5% for a five-year period.

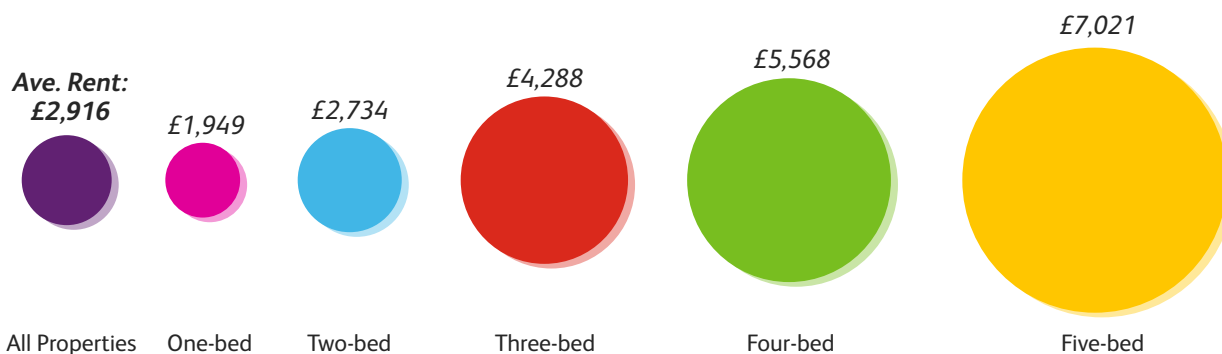
The PRA said the new restrictions on mortgage lending for buy-to-let investors should see buy-to-let mortgage approvals fall by 10-20% by 2019, but pointed out 75% of mortgage providers already apply these criteria.

⁵According to research from the Halifax

⁶A report from Nationwide has found

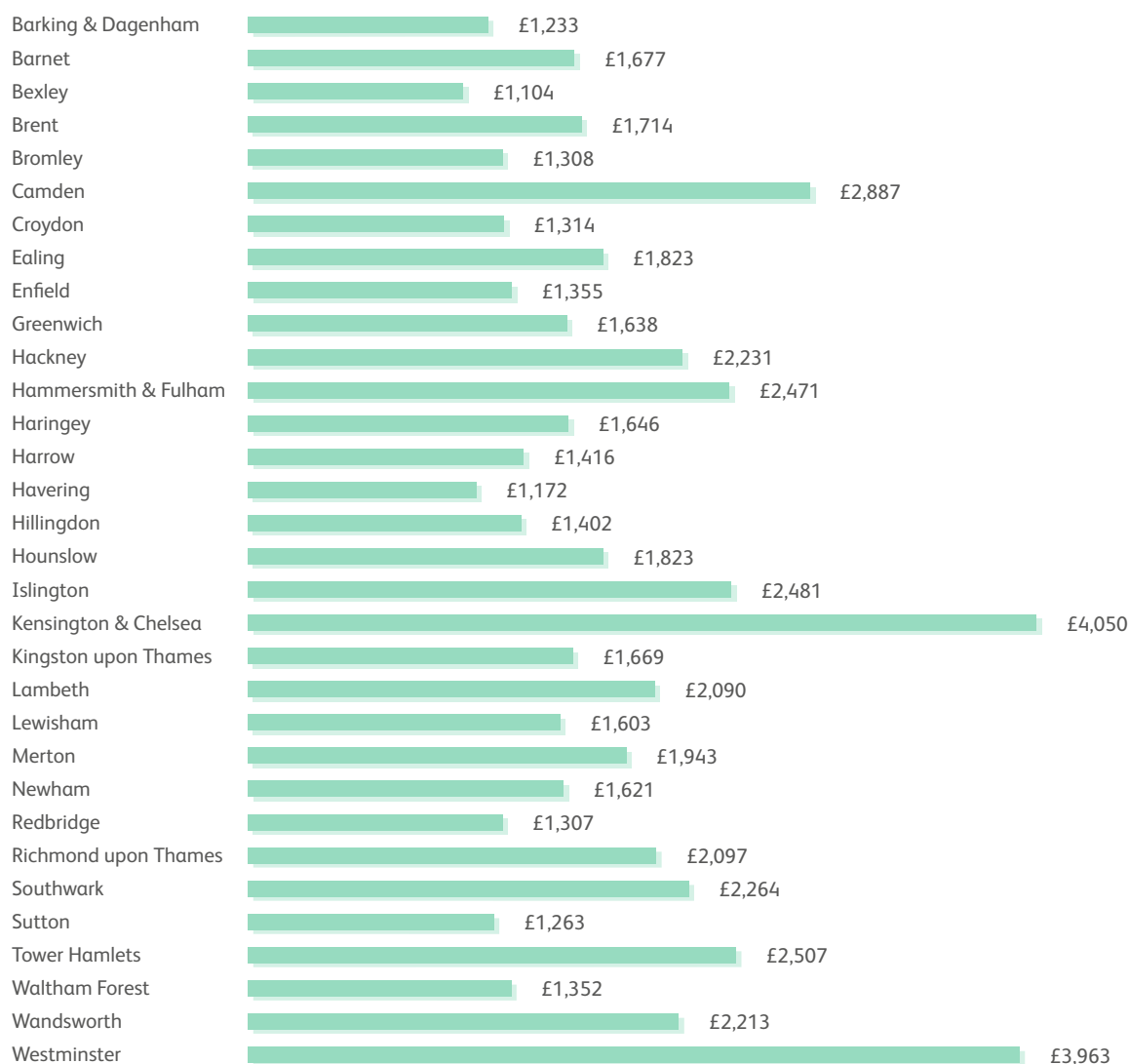
⁷The Homelet Index reports

⁸According to a survey conducted by the ARLA



London average monthly asking rents by property type (as at 4 Apr 2016)

Source: home.co.uk



London borough monthly asking rents for two-bed flats (as at 4 Apr 2016)

Source: Zoopla

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