

Property news

page 1



National house prices

page 3



London house prices

page 2



The rental market

pages 3-4



## Report highlights

- The average price of a property in London is £472,163, showing annual growth of 13.6%. Annual prices rose slightly more quickly than in April (13.4%). The equivalent for the UK as a whole in May was £211,230, the new HNI data show.
- London asking prices rose by 4.8% in June, taking the average to £643,117. Average national asking price growth slowed to 5.5% in the year to June, to stand at £310,471.
- House prices set to fall after Brexit, chartered surveyors warn, and fastest in London.
- The average rent in London is £1,563, 6.2% higher in the three months to May than the corresponding period in 2015. Excluding London the UK average rent is £771, up 4.4%.

## Property news

### London house prices set to fall, surveyors warn

House prices in London are set to suffer a more severe blow than any other part of the UK, according to the first major survey to be conducted in the wake of last month's Brexit vote. Across the UK as a whole, surveyors polled by the Royal Institution of Chartered Surveyors (RICS) reported that the level of interest from homebuyers had fallen to its lowest level since the financial crisis, while around 39 per cent of those queried believed prices in London will fall during the whole of the next year. Prices in the capital have already begun to slide, according to RICS, though this was partly owing to factors other than the referendum. London has been one of the areas hardest hit, with anecdotal evidence suggesting both the EU result and tax changes, including the extra 3% stamp duty surcharge on additional home purchases which took effect at the beginning of April, as having an impact on sentiment, the report stated.

### Brexit fears put brake on buyer confidence in May

Demand for property fell to its lowest level in three years in May. Estate agents recorded an average of 304 house buyers registered per member branch in May, as uncertainty in the lead up to the referendum stalled buyers.<sup>1</sup> This was down 6% from April and was the lowest since November 2013, when 292 buyers were registered per branch. The data also shows that compared to May 2015 demand had decreased by over a fifth (21%).

### Three out of ten buyers see purchase fall through

Almost three in ten buyers have seen their house purchase fall through – typically leaving them almost £3,000 out of pocket. The main reasons for a purchase falling through were sellers deciding not to sell after all (accounting for 27% of fall-throughs), buyers pulling out as their own property sale had fallen through (21%) and buyers finding somewhere else to buy (21%) or being gazumped (21%).<sup>2</sup>

<sup>1</sup>The National Association of Estate Agents

<sup>2</sup>Which?

## London house prices

London borough asking price growth:  
12 months to 8 Jul 2016

Source: Zoopla



- The average price of a property in London is £472,163, showing annual growth of 13.6%. Annual prices rose slightly more quickly than in April (13.4%), the latest HPI data showed.
- London asking prices rose by 4.8% in June, taking the average to £643,117, according to Zoopla.
- The strongest annual price growth is in Barking & Dagenham (18.7%) and Waltham Forest (17.6%).

Nine boroughs recorded a drop in asking prices, with Kensington & Chelsea (-16%) and Westminster (9.1%) experiencing the steepest decline.

- Enquiries for London properties from overseas buyers have risen since the decision for the UK to leave the EU. The weakness of the pound has made London an attractive proposition for overseas purchasers, especially dollar buyers.

### Uncertainty reigns despite new Government in place more quickly than expected

The post-referendum London residential sales market continues to be plagued by uncertainty about the future. This is predominantly affecting the prime end of the market and the buy-to-let sector and is compounding issues caused by overpricing and property tax hikes. Meanwhile the mainstream market remains quite active, driven by the strong availability of low-interest mortgages though there are signs that price rises are slowing,

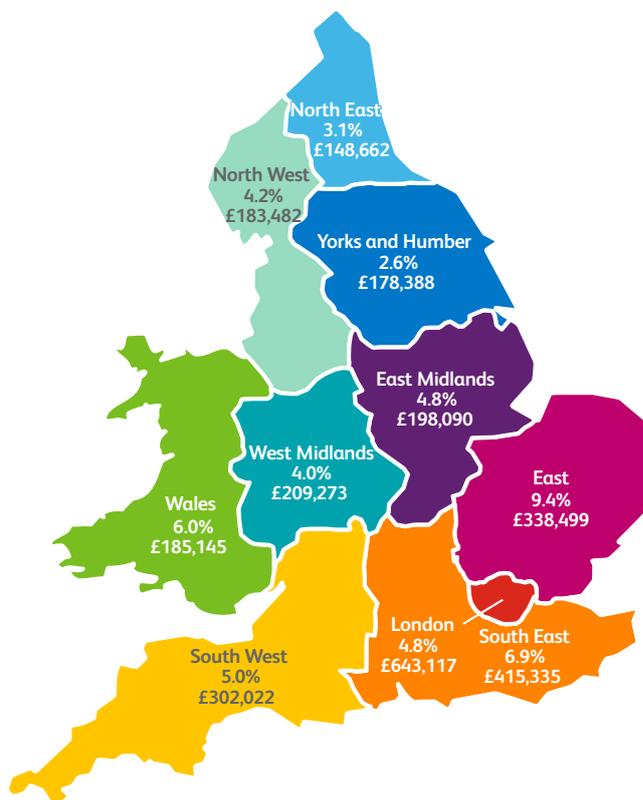
and a recent sentiment survey by RICS showing many professional surveyors now believe London prices may fall over the next few months. Despite his insistence there will be no emergency Budget, will new Chancellor Philip Hammond look again at stamp duty and other property taxation changes introduced by his predecessor George Osborne, in order to ensure the house sales market keeps ticking and to aid affordability in London?

## National house prices

- The average house price for the UK as a whole in May was £211,230 – 8.1% higher than 12 months ago, according to the new HPI measure.
- Average national asking price growth slowed to 5.5% in the year to June, according to Rightmove, taking the average price to £310,471. Outside London, the region with the strongest growth remains the east of England (+9.4%) followed by the South East (+6.9%).
- A desire to buy and a lack of supply led to a fall in the average time to sell to 57 days in May, the fastest ever measured by Rightmove.
- Over a third (34%) of young people expect to have to work beyond retirement age to pay off their mortgage, while 44% are worried they won't be able to afford their mortgage payments in retirement and more than half (51%) worry that paying their mortgage will hamper their ability to save for retirement.<sup>1</sup>

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

Source: Rightmove



## Cooling effect on house markets of Brexit 'less severe' outside London

*Brexit is expected to have less of an initial impact on the housing market outside London than it will in the capital, largely due to a lower proportion of investors and international buyers. The main risks to the national market are a slowdown in the economy, which could affect job*

*security and consumer confidence, and a tightening of mortgage lending in response to anticipated heightened financial risk for banks. For the time being, prices are still rising on an annual basis in all regions, albeit the rate of growth appears to be slowing.*

## The rental market

- The average rental value for new tenancies in London was £1,563, 6.2% higher in the three months to May than the corresponding period in 2015. Excluding London the UK rent stood at £771 – 4.4% up on the same period last year.
- The Residential Landlords' Association recommends the Government reduces Capital Gains Tax (CGT) paid by landlords when selling their rented home to sitting tenants. MP Kevin Hollinrake is tabling an amendment to the Finance Bill that would extend the 20% CGT rate to landlords if they sell their rented property to a sitting tenant. Research found 77% of private landlords would consider selling to tenants if the tax liability was reduced.
- Almost two-thirds (65%) of letting agents expected the supply of rented homes to be unaffected by

Brexit, compared to 22% who predicted it would fall as international landlords pulled out of the market.<sup>2</sup> Almost a third (31%) saw demand decreasing, as relocating to the UK would become a less attractive prospect, but over half (55%) thought demand would be relatively unaffected. In London, 43% of agents expected the number of prospective tenants per property to fall in the event of a 'Brexit', as international demand weakens.

- The number of people living in private rented accommodation in retirement has soared by nearly a quarter of a million (220,000) in the past four years, up by 13%.<sup>3</sup> Almost a fifth (17%) of retired renters live in the South East – compared to just 3% in London.

## London rental growth slows as unaffordability bites

*Brexit is causing concern about future tenant demand in the prime rental market, which relies heavily on tenants working in financial services. However, rumours of a potential exodus of companies out of London are as yet unsubstantiated and will depend upon the outcome of negotiations up to and*

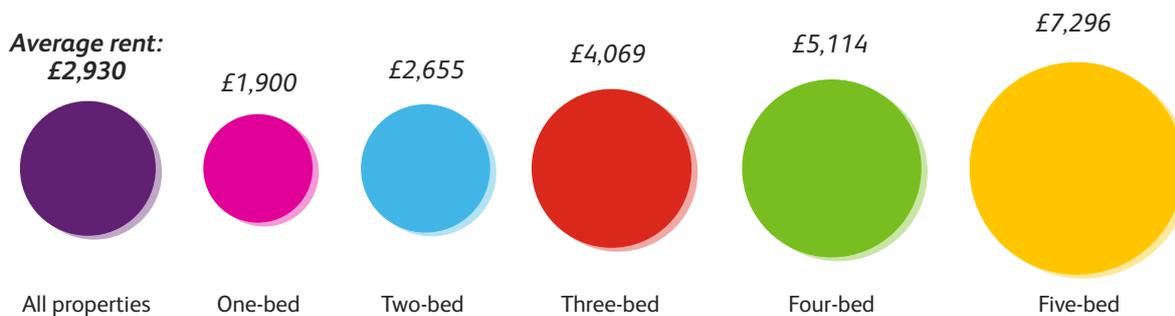
*following the triggering of Article 50 of the Treaty of Lisbon, the process by which the UK will formally exit the EU. In the mainstream market rental growth has slowed in London and across the country, more a reflection of affordability rather than a lack of demand associated with Brexit.*

<sup>1</sup>Halifax's 2016 Generation Rent report.

<sup>2</sup>According to a survey conducted by the Association of Residential Lettings Agents before the EU Referendum.

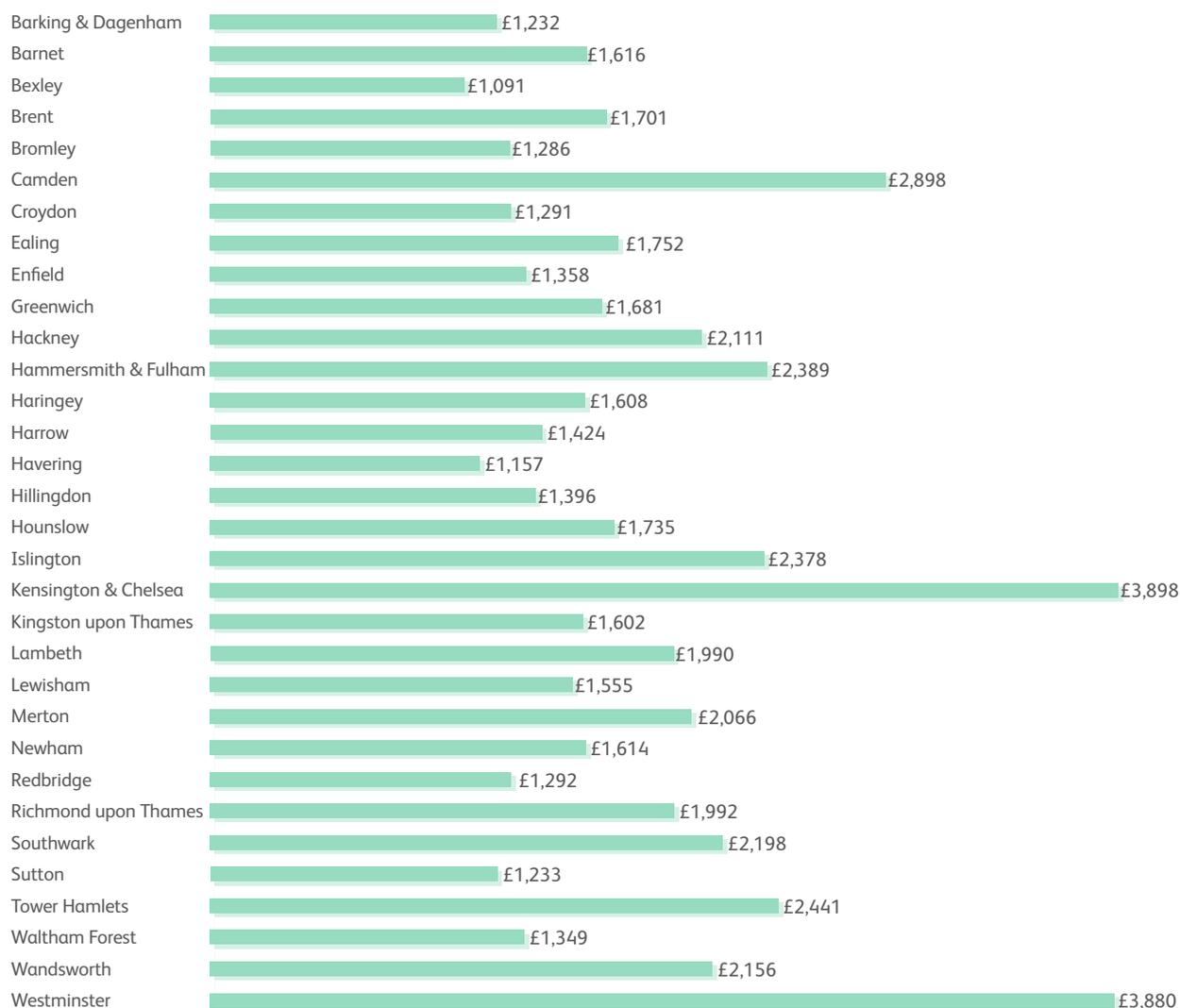
<sup>3</sup>According to a poll of private renters conducted by the National Landlords' Association.

London average monthly asking rents by property type (as at 8 July 2016)



Source: Home.co.uk

London borough monthly asking rents for two-bed flats (as at 8 July 2016)



Source: Zoopla

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