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Report highlights

- Average property prices across London grow by 3.7% over 12 months.
- 25% of young people are relying on an inheritance to get on the property ladder.
- Wandsworth and Wimbledon are the most popular areas of London for young professionals.
- The average time it takes for a property to sell in London is 71 days.
- Private rents in England rise by 2.1% in the 12 months to March 2017 and in London by 1.6%.

Property news

- The number of first-time buyers relying on the "bank of mum and dad" for financial help has hit a record high, with more than a third of homebuyers in England depending on money from their family: 34% of buyers needed cash or a loan from their parents in 2013/14 (latest available data) compared with just 20% in 2010/11. A further 10% of buyers relied on inherited wealth¹.
- London has become the most popular place for high-wealth internationals to buy a second home: there are 22,300 HNWI (high net worth individual) second-home owners in London, compared to 17,400 in New York, 14,800 in Hong Kong and 6,400 in Paris.
- High property prices, punitive stamp duty taxes, moving costs and stress mean that some homeowners in London are now adopting a 'don't move, improve' attitude to property. 65% believe that there is more value in home improvement than in moving home according to a YouGov study. This is limiting supply.
- Total property wealth owned by over-65s who have paid off their mortgages grew to a new record high of £1.072 trillion in February, according to Key Retirement. Since 2010 retired homeowners have seen property wealth growth of 37% – or £290 billion – which is worth around £66,000 on average for every homeowner. Owning a home has been worth around £9,400 a year for over-65s. Retired London homeowners own around £177 billion of property wealth.
- Proposals to deliver the world's first register of overseas companies and other legal entities that own property in the UK have been published as part of the government's drive to build a "fair economy". The UK would be the first country to have a public register showing the beneficial owners of property controlled by overseas companies.

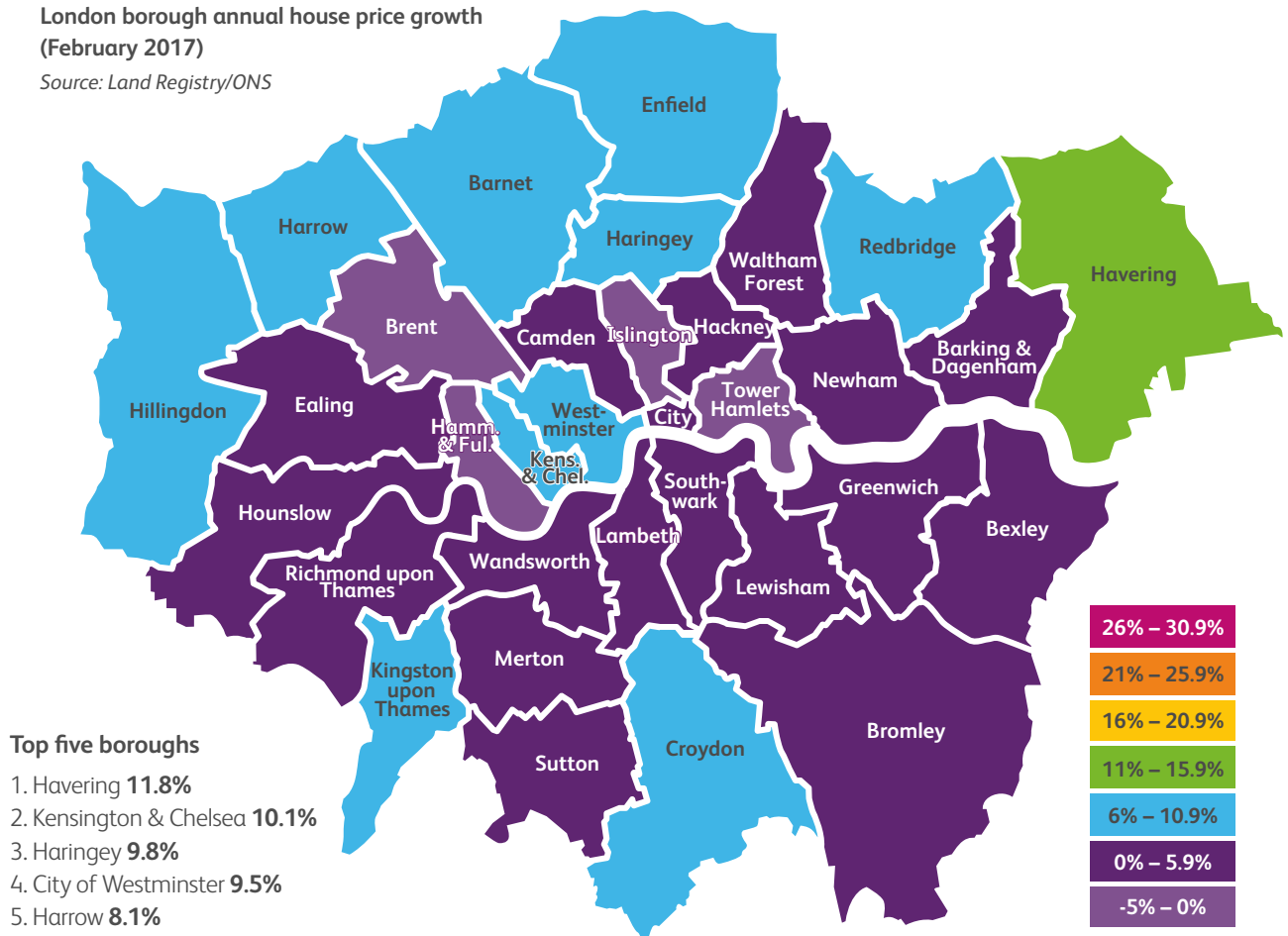
¹Data from new research from the Social Mobility Commission.

London house prices

- Annual house price growth slowed to 3.7% in February with the average property price in London now £474,704².
- The borough with the strongest price growth over the past 12 months is Havering (11.8%) while the borough with the lowest growth is Tower Hamlets, where average prices have fallen 2.9%³.
- According to Rightmove, almost 30% of London homes are being advertised for sale with reduced asking prices.
- The average time it takes for a property to sell in London is 71 days.
- Sales of apartments worth £1m+ in London have increased by 193% in the past 10 years⁴. Last year, such sales represented 35% cent of all million-pound property transactions in the capital.

London borough annual house price growth (February 2017)

Source: Land Registry/ONS



House price growth slowing but demand remains firm despite affordability issues

Annual house price growth in London has been slowing since last July, suggesting that even given continued low mortgage interest rates, affordability issues are becoming more acute. The Rightmove statistic that nearly 30% of London homes on the market have had a price reduction is further evidence of this. The higher end of the market is the most affected as the impact of the increased stamp duty burden continues to be felt.

Although limited availability is slowing transaction numbers, buyer demand nonetheless remains strong with young professionals in particular attracted to locations in the south west of the capital. Overseas purchasers, especially dollar buyers, are also still attracted by the effective discount offered by the weak pound and activity in the new homes sector has improved over the first quarter of the year.

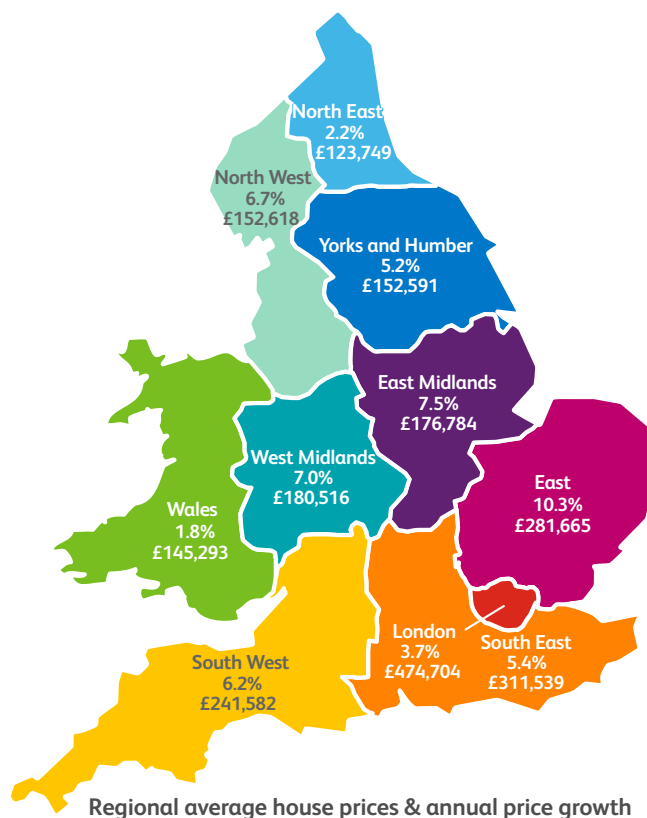
²Data from Land Registry/ONS.

³Data from Land Registry/ONS.

⁴According to research from Lloyds Bank.

National house prices

- Average annual house price growth in England accelerated to 6.3% in February, taking the average price to £234,466⁵.
- At a regional level, annual growth was strongest in the East, where prices have increased 10.3% over the past year, followed by the East Midlands (7.5%).
- A list of the 20 areas most popular with young professionals has been released and is topped by the coastal town of Hove in Sussex, followed by Wandsworth and Wimbledon. Property prices in these areas are on average 13% higher than surrounding areas⁶.
- The five most popular areas for young professionals in London are Wandsworth, Wimbledon, Fulham, Battersea and Tower Hamlets.
- 25% of young people aged 18 to 34 in the UK say that they are relying on an inheritance to get on the property ladder while another 25% say they are certain they will never be able to afford to buy their own home. 22% believe that home ownership is a thing of the past, 33% feel mortgage criteria are too difficult for them to meet and 10% are prepared to leave the UK in order to buy their own home.
- Proximity to farmers' markets can add an average 26% onto property prices according to research from Zoopla.



Regional average house prices & annual price growth (February 2017)

Source: Land Registry/ONS

Snap election unlikely to have a major impact on the housing market

A stronger than expected economy with record employment levels and low borrowing costs means that house prices are still rising. Of course, the imbalance between low supply and strong demand – February sales rose by 5% compared to January – is also a major contributing factor.

The snap election may slow the market temporarily, however normal service should be resumed if, as widely expected, the Conservatives achieve a comfortable victory. Interest rates, whilst looking increasingly likely to rise sometime this year, should nonetheless remain low.

The rental market

- Private rents in England rose by 2.1% in the 12 months to March 2017 while rents in London rose 1.6%⁷.
- The number of landlords placing their portfolios within a company structure continues to rise with 77% of all buy-to-let mortgage purchase applications made via a corporate vehicle in the first quarter of 2017⁸. This compares to 69% of applications in the final quarter of 2016 and 21% before the 2015 Summer Budget when the tax relief changes were announced.

- More than 40% of landlords believe they will be worse off as a result of the changes to tax relief on finance related costs, despite the Government's assurances that 82% will not have any additional tax to pay, according to a survey from AXA.
- 21% of respondents said they plan to sell all their rental properties, 10% will reduce their portfolio, and 7% will switch to commercial property ownership. A further 8% say they will transfer ownership of their rental property to their spouse or other family member who is in a lower tax bracket as a way of avoiding extra tax.

Rental growth slowing but no evidence yet of BTL landlords deserting the sector en masse

Despite slower rental growth, an increased tax and regulatory burden and stricter mortgage lending requirements, we have not seen a significant increase in landlords selling their rental properties. Survey evidence is inconclusive and at times contradictory but we have seen an increase in remortgaging and incorporation which suggests many landlords remain

committed to the sector although few landlords have expanded their portfolios. The debate surrounding whether landlords will hike rents to cover increased operating costs will ultimately be decided by market forces. For the time being, landlords appear more interested in attracting and retaining tenants than pushing up rents.

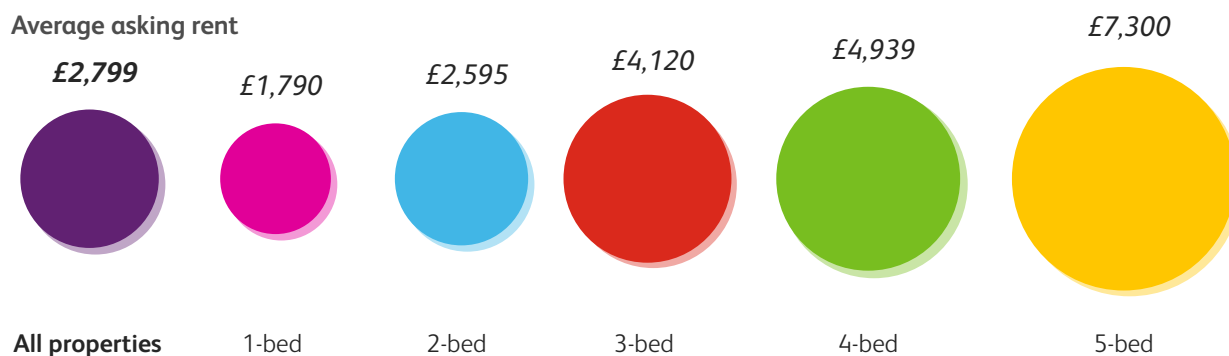
⁵According to the Land Registry/ONS index.

⁶According to Lloyds research April 2017.

⁷According to the ONS index.

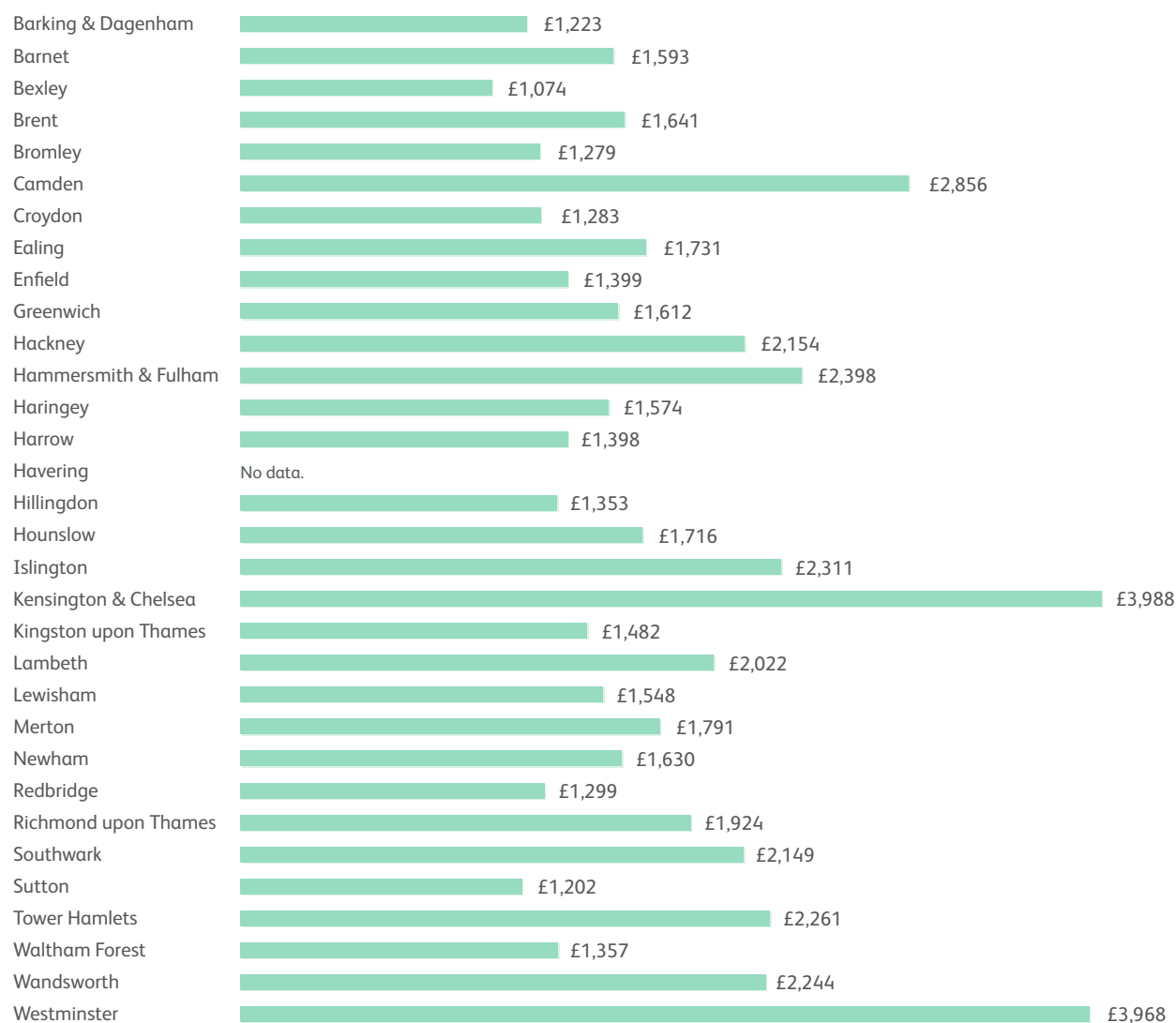
⁸According to Mortgages for Business.

Average asking rent



London borough monthly asking rents for 2-bed flats (as at 19 April 2017)

Source: Zoopla



London average monthly asking rents by property type (as at 19 April 2017)

Source: Home.co.uk

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