

Monthly Edition

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Report highlights

- 50% of second home owners are from the 'Baby Boomers' generation
- One in 79 Britons over the age of 21 is now a millionaire thanks to the rise in property prices
- Council Tax surcharge on empty properties could jump significantly above current 50% cap
- 9% of renters are getting help from the Bank of Mum and Dad to pay rent and fees

Property news

- One in 79 Britons over the age of 21 is now a millionaire thanks to the rise in property prices¹.
- One in 10 people currently own a second property, of which more than 50% are from the "baby boomer" generation born between 1946 and 1965, with a further 25% coming from "generation X", born between 1966 and 1980².
- The number of homes on the market in July was at the lowest level recorded for the month since 2002.
- The proportion of sales made to first time buyers fell from 30% in June to 23% in July, the lowest level seen since last September³.
- Property is playing an increasingly prominent role in financial planning for retirement. Over the course of Q2 2017, over-55s withdrew a total of £701 million from their homes - the highest figure in any single quarter since quarterly recording began in 2002⁴.

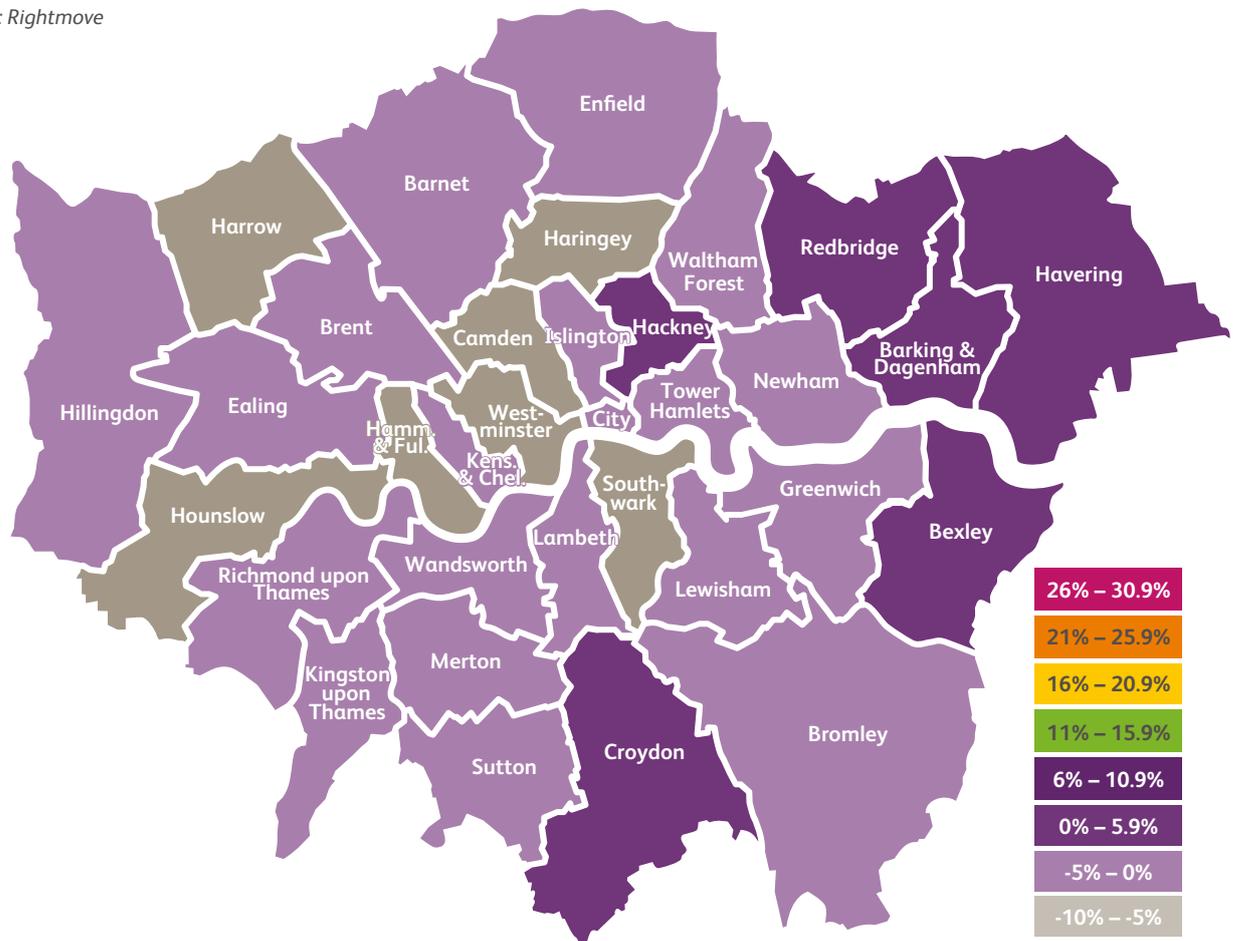
¹Barclays Wealth. ²Resolution Foundation. ³National Association of Estate Agents. ⁴Equity Release Council

London house prices

- Annual house price growth in Greater London slowed to 2.8% in July, with the average price reaching £488,729⁵.
- Annual price growth is strongest in Hackney (8.9%), Westminster (8.1%) and Redbridge (7.7%), while the biggest falls in asking prices have been seen in Hammersmith & Fulham (-6.4%), Enfield (-5.3%), Merton and Haringey (both -4.9%)⁶.
- The Council Tax surcharge for empty properties could jump significantly above the current 50% cap after calls from London Mayor Sadiq Khan to increase it.
- An apartment in Knightsbridge was sold for £90m in April, attracting stamp duty of £13.5m, making it the most expensive residential property transaction ever recorded by the Land Registry. However this does not include transactions which have taken place using corporate structures, which the Land Registry does not record.

Monthly London borough asking price growth (August 2017)

Source: Rightmove



London's housing problems are triggering some innovative solutions

The squeeze on affordability and availability in the London property market is giving rise to some innovative, if perhaps extreme, solutions. Micro flats as small as 24 square metres (260 sq ft) are beginning to appear – which is below the recommended minimum guideline size of 37 square metres (400 sq ft). Regeneration specialist U+I has calculated that these apartments would be able to house 3,555 more

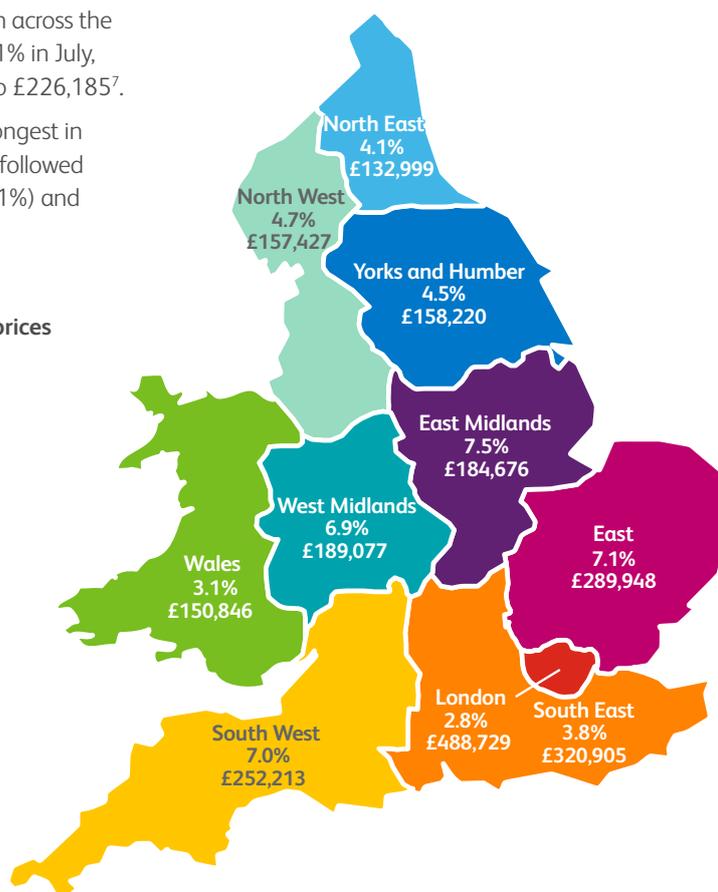
working age adults on its projects than in standard sized accommodation on the same sites. Meanwhile, in the privately rented sector, a London property developer has announced it will accept deposit payments and rent in bitcoin, marking the first time the virtual currency has been used in the UK residential market.

⁵Land Registry. ⁶Rightmove

National house prices

- Annual house price growth across the UK remained steady at 5.1% in July, taking the average price to £226,185⁷.
- Annual price growth is strongest in the East Midlands (7.5%), followed by the East of England (7.1%) and the South West (7.0%)⁸.

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



Source: Land Registry/ONS

The rental market

- Annual rental growth in London is now 1.2%, while growth outside of London stands at 1.9%⁹.
- Parents are not only helping their children buy their first property, but they are also playing a pivotal role in helping them pay their rent. The Bank of Mum and Dad will fund £2.3bn of rental payments this year, helping 9% of renters across the UK with their rent on nearly 460,000 properties. One in ten renters have also used parental money to pay for deposits and letting agent fees. Unsurprisingly, the Bank of Mum and Dad's rental contributions are highest in London and the East of England, lending £626m and £604m in these areas respectively¹⁰.
- Landlords in the UK, particularly in London, are considering moving into short term holiday letting and getting out of the private rented sector, mostly due to tax changes. 7% have already switched and now offer properties as a holiday or short term let through Airbnb and other similar platforms. Of those who have moved over to short term letting, 36% reported this was because of the changes to mortgage interest relief. These include landlords being taxed on their income instead of their profit and tax relief only being available at the basic rate¹¹.

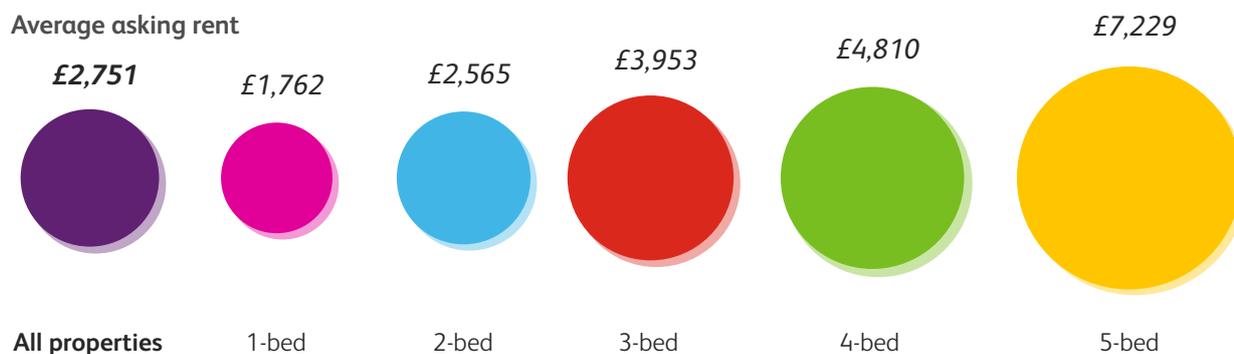
More rental properties needed to improve rent affordability

“The growing importance of the Bank of Mum & Dad in the rental sector is further evidence of worsening affordability issues facing the country’s housing market. Almost one in seven private renters are spending more than half of their income on rent, compared to only 2% of homeowners on their mortgage, according to the Local Government

Association. 43% of private renters spend more than 30% of their income on rent. An increase in the supply of rental properties would ease the situation but the build-to-rent sector, although growing, is still relatively small while there is a risk that many buy-to-let landlords may be taxed out of the sector.”

⁷ Land Registry. ⁸ Land Registry. ⁹ Office for National Statistics. ¹⁰ Legal & General & CEBR. ¹¹ Residential Landlords Association

Average asking rent



London average monthly asking rents by property type (as at 13 September 2017)

Source: Home.co.uk



London borough monthly asking rents for 2-bed flats (as at 13 September 2017)

Source: Zoopla

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