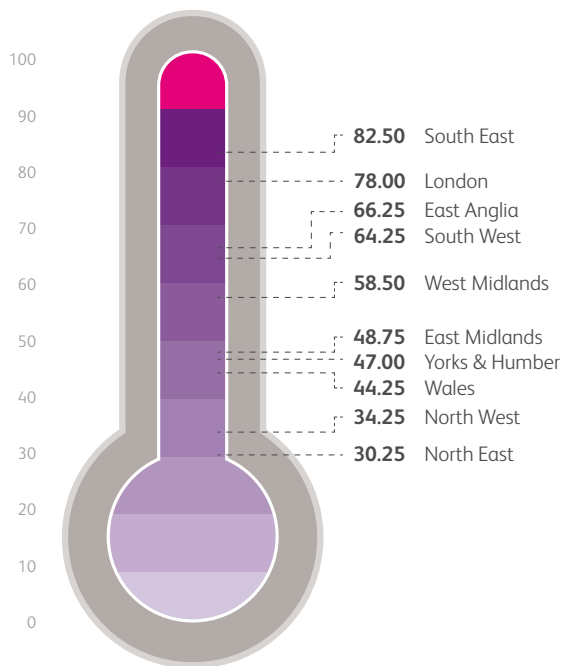


## Report Highlights

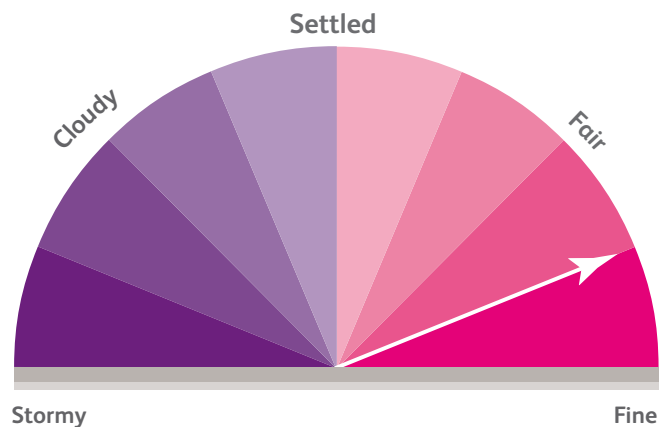
- Annual house price growth in London accelerated sharply to 17% in April
- UK residential sales in the first four months of this year were 30.3% higher than in 2013
- Lloyds Bank will cap its mortgage loans above £500,000 to a maximum multiple of 4 x income
- Average London rents rose by 9.4% in the year to April 2014 to £1,348 per month – the highest amount on record

## Market Monitor



### Regional thermometer

- The aggregate temperature rose by 4 degrees this month, due mainly to strong increases in the Midlands (East Midlands = + 16 degrees; West Midlands = + 13.5 degrees) and Yorks & Humber. In London, the temperature fell by a further 4 degrees mainly as a result of a drop in reported new buyer enquiries.



### National barometer

- Some signs are appearing that the housing market may be slowing. Concern about the sustainability of current price growth and a tougher mortgage lending environment seem to be having an impact. Yet much of this is happening in London and buyers are still active where there is stock available outside the capital. Our view is that we may be entering a plateau phase while households take stock of the situation – this does not, however, mean that we expect a fall any time soon.

## National Overview

- Average annual house price growth accelerated to 6.7% in April, according to the Land Registry. Both the Nationwide and Halifax indices reported higher growth, but from a much smaller database which does not take into account cash sales.
  - Residential property sales continue to rise: transaction numbers in the first four months of this year were 30.3% higher than in the corresponding period last year according to data from HMRC. Whilst various surveys are suggesting the market is slowing, buyers don't appear to be shying away especially given the ongoing shortage of stock available for sale.
  - The latest 2011 Census figures show the average distance travelled by commuters to work has increased in all English regions and Wales. Commuters resident in the Midlands and the South West had the largest increase in average distance travelled to work at 2.2km further than in 2001, while residents in the East of England travelled the furthest to work (17.3km). Commuters in only four regions travelled further than 16km to work in 2011: East of England, Wales, South East and North East.
  - Harrogate has been voted Britain's happiest place to live for the second year running while parts of London have been ranked lowest in a nationwide poll conducted by property portal Rightmove. Aside from Harrogate, the top 10 happiest places are scattered across Great Britain, while the bottom 10 are all within Greater London, with East London coming bottom out of the 111 places tracked.
  - Recently released analysis from the ONS shows that net property wealth for private households in Great Britain increased by 4% to £3,528 billion between 2008/10 and 2010/12. However, this was lower than the value seen in 2006/08 of £3,532 billion.
- In 2010/12, half of all households had net property wealth of £150,000 or more, while half of all households in London had net property wealth of £239,000 or more.
- The Bank of England reported that gross mortgage advances of £47.1 billion were recorded in Q1 2014. This was 38.5% higher compared with Q1 2013 and was the highest amount advanced in the first quarter of any year since 2008. Nonetheless, this figure was still 8.5% less than in Q4 2013. The proportion of gross advances at fixed rates increased for the sixth consecutive quarter to 81.0% in Q1 2014.
  - Tougher lending criteria have led to a fifth consecutive monthly decline in housing supply coinciding with a levelling off of new buyer demand, according to the latest report from the Royal Institution of Chartered Surveyors (RICS). Respondents reported that banks were lending less, with the average Loan to Value ratios among first time buyers dropping to 85.3% from 86% in April.
  - Housing Minister Kris Hopkins has launched a new How to Rent guide for private rented sector tenants. The aim is to give tenants the "need to know" rental rights at their fingertips, thus encouraging a new generation of well-informed tenants with easy access to useful and understandable information.
  - The average cost of renting a home increased by 2.9% during April to £848 per month according to Homelet. Average UK rents are currently 7% higher than the same time last year. The average amount a tenant in the UK earns increased at a slower rate - 5.9% during the past 12 months to £29,100 per annum

## Key National Housing Market Indicators

Source	Price (£)	12 month change	3 month change	Monthly change	Data as at	Definition
Land Registry	£172,069	6.7%	2.0%	1.5%	Apr-14	England & Wales: sold price
Hometrack	n/a	6.1%	n/a	0.5%	May-14	England & Wales: survey of achievable sale price
Rightmove	£272,275	7.7%	6.4%	0.1%	Jun-14	England & Wales: asking price
Home.co.uk	£263,318	9.6%	3.8%	1.0%	Jun-14	England & Wales: asking price
LSL Acadametrics	£266,013	8.5%	2.0%	0.9%	May-14	England & Wales: based on Land Registry data
ONS (not seasonally adjusted)	£252,000	8.0%	0.8%	-0.4%	Mar-14	UK: price at mortgage completion
Nationwide	£186,512	11.1%	4.9%	0.7%	May-14	UK: price at mortgage approval
Halifax	£184,464	8.7%	2.4%	3.9%	May-14	UK: price at mortgage approval

Figure 1: Average national house price movements

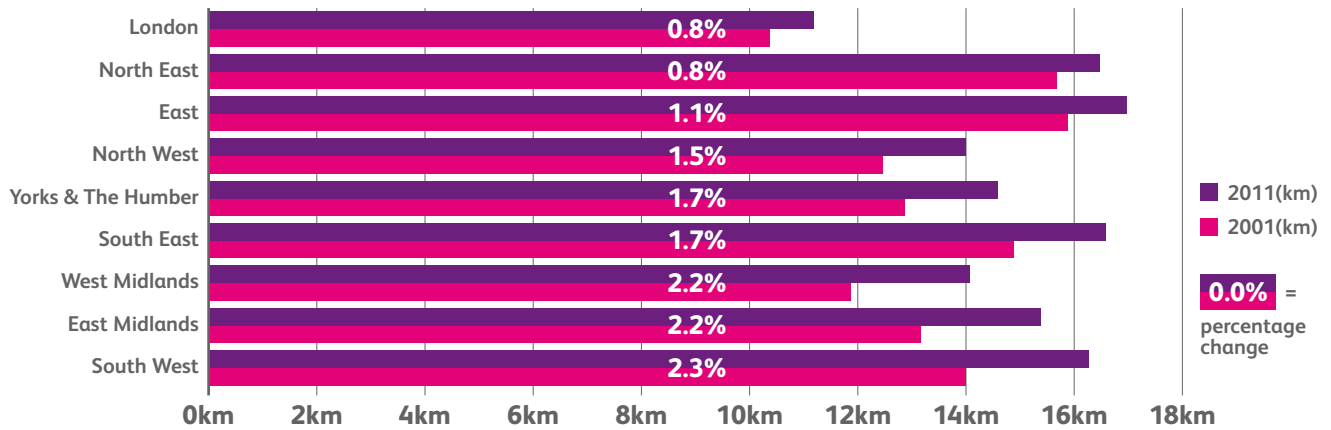


Figure 2: Average distance travelled to work (2011 v 2001)

Source: ONS



**Top Ten**

- 1 **HARROGATE** Yorkshire & the Humber
- 2 **INVERNESS** Scotland
- 3 **TAUNTON** South West
- 4 **STOCKPORT** North West
- 5 **FALKIRK** Scotland
- 6 **NORWICH** East Anglia
- 7 **HULL** Yorkshire & the Humber
- 8 **PRESTON** North West
- 9 **TRURO** South West
- 10 **TELFORD** West Midlands



**Bottom Ten**

- |                              |               |
|------------------------------|---------------|
| 1 <b>EAST LONDON</b>         | <b>London</b> |
| 2 <b>ILFORD</b>              | <b>London</b> |
| 3 <b>CROYDON</b>             | <b>London</b> |
| 4 <b>EAST CENTRAL LONDON</b> | <b>London</b> |
| 5 <b>TWICKENHAM</b>          | <b>London</b> |
| 6 <b>ENFIELD</b>             | <b>London</b> |
| 7 <b>NORTH LONDON</b>        | <b>London</b> |
| 8 <b>HARROW</b>              | <b>London</b> |
| 9 <b>SOUTH EAST LONDON</b>   | <b>London</b> |
| 10 <b>WEST LONDON</b>        | <b>London</b> |

Figure 3: Happiest places to live in Britain

Source: Rightmove

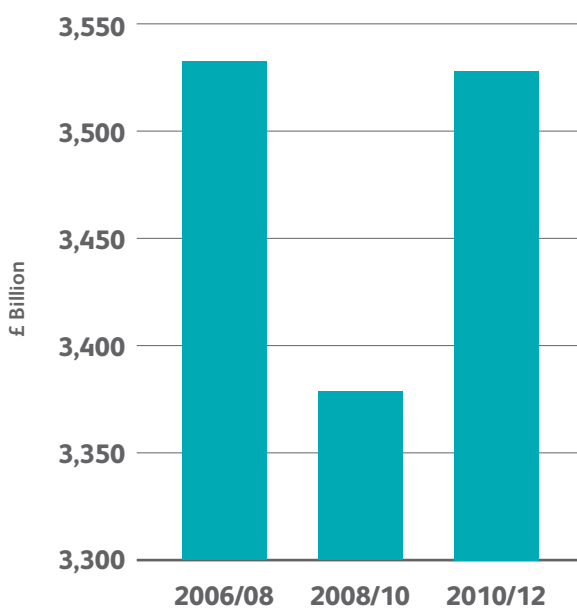


Figure 4: Aggregate household net property wealth: Great Britain, 2006/08 – 2010/12

Source: ONS

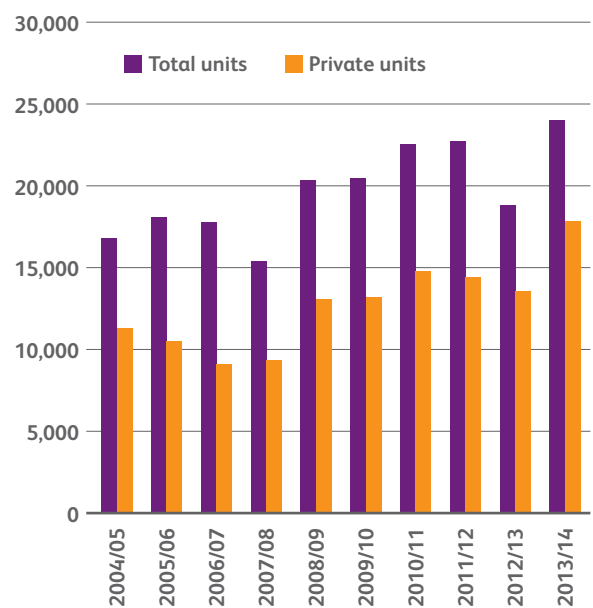


Figure 5: Housing completions in London

Source: DCLG

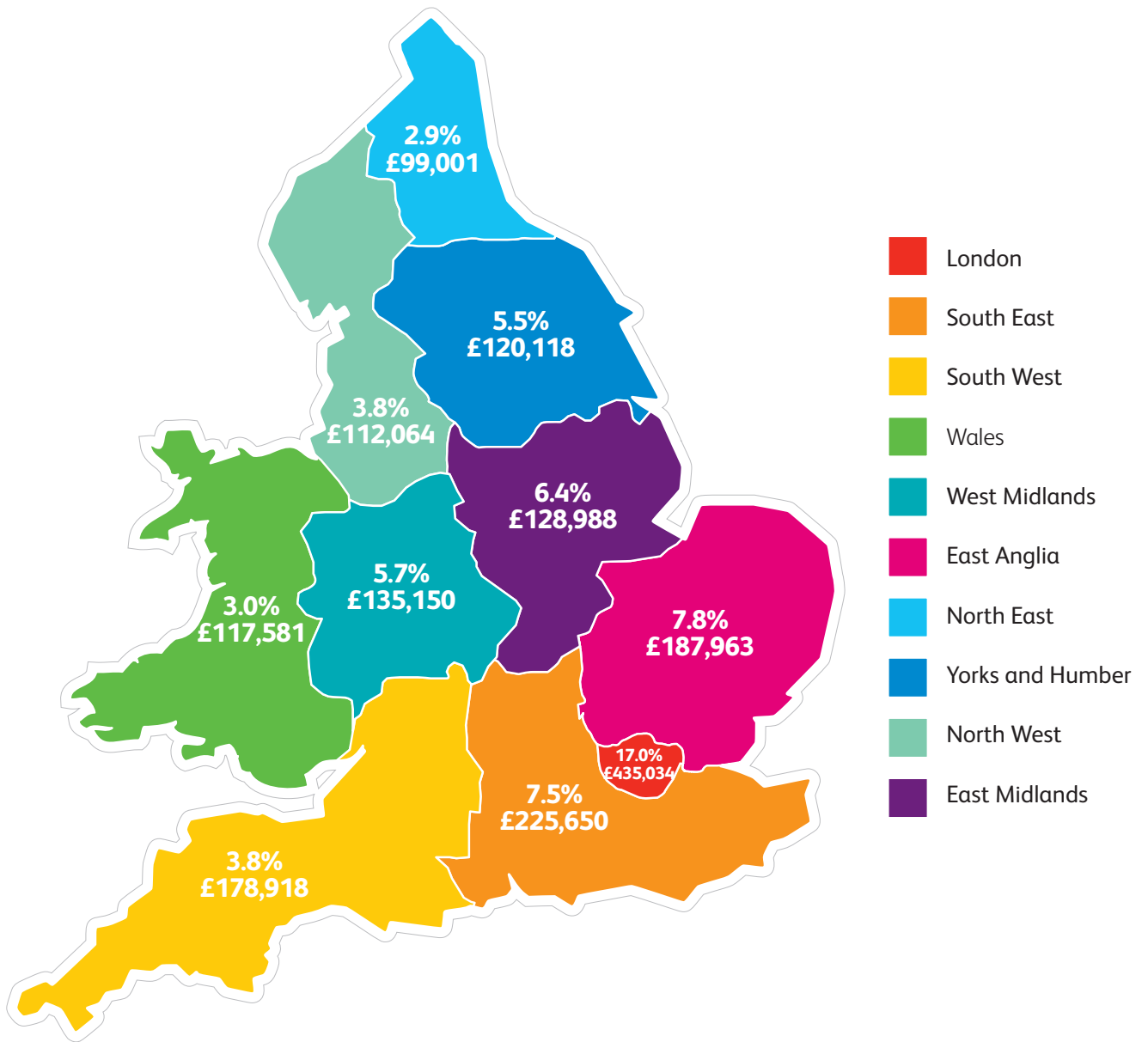


Figure 6: Regional average prices & 12 month price growth, April 2014  
 Source: Land Registry

## London Overview

- Latest Land Registry data confirms that annual house price growth in London accelerated sharply to 17% in April, up from 12.4% in the previous month. Prices are still growing fastest in Waltham Forest (+26.2%) while prices are rising most slowly in Redbridge (+6.1%).
- Communities & Local Government Minister Eric Pickles is to remove regulations dating from the 1970s that prevent the short-term renting of private homes in London. Currently, Londoners who want to rent out their homes for less than 3 months still have to apply for planning permission from the council - something that doesn't apply anywhere else in the country.
- The housing shortage in London is reaching critical levels according to a new report from the National Housing Federation (NHF). Less than half of the homes needed just to house new households are currently being built. 52,500 new households are expected to form each year up to 2021 but only 18,310 new homes were built during 2012/2013, says the NHF.
- Somewhat belatedly, up to 50,000 new London homes are to be built on 20 brownfield sites, in a £400m scheme announced by the Treasury. The homes will be built in "housing zones", where planning restrictions are removed to get homes built quickly. The new zones are in line with a shake-up of planning rules to support house building announced in the Chancellor's Mansion House speech in June.
- The Nationwide Building Society last week said that the London housing market could face a 'natural correction', which if accurate may help to alleviate growing fears among some economists that the residential property market is overheating in some parts of the country, particularly in the capital. Chief Executive, Graham Beale stated that the number of property transactions had also begun to fall in the capital, but did not predict a widespread crash, "We are going from frenetic at the start of the year to merely very, very busy."
- Flats at the redevelopment of the former BBC Television Centre will reportedly only be marketed in the UK, amid growing political pressure over the sale of London properties to overseas buyers.
- CML data on new mortgage lending in London for house purchase in Q1 2014 show the number of loans was 22% up on Q1 2013, with the value of new loans 37% higher. The corresponding increases for first time buyers were 29% and 49% respectively. The typical first-time buyer borrowed 3.83 times their gross income in Q1 and the typical loan size was £200,000.
- Redeveloping existing NHS buildings to include floors of apartments above the service buildings could provide 77,000 new homes in London, according to property consultants WSP. A recent report by the London Health Commission found that £50-£60m was being spent annually on maintaining NHS buildings that were either not used or not fit for purpose.
- Lloyds Bank, the UK's biggest mortgage provider, has announced it will cap its mortgage loans above £500,000 to a maximum multiple of 4 x income. Although it will be applied nationally, the bank has stated that the measure is specifically aimed at the London market. RBS subsequently adopted an identical approach but with the additional restriction that loans will have a maximum 30-year term, in order to prevent borrowers taking out larger mortgages by spreading out repayment over a longer period.
- According to Homelet, average rents in London rose by 9.4% in the year to April 2014 to stand at £1,348 per month – the highest amount on record. Tenants in the most expensive area, West London, are paying monthly rents (£1,769) that are 92.9% more expensive than those in the least expensive, Romford (£917).

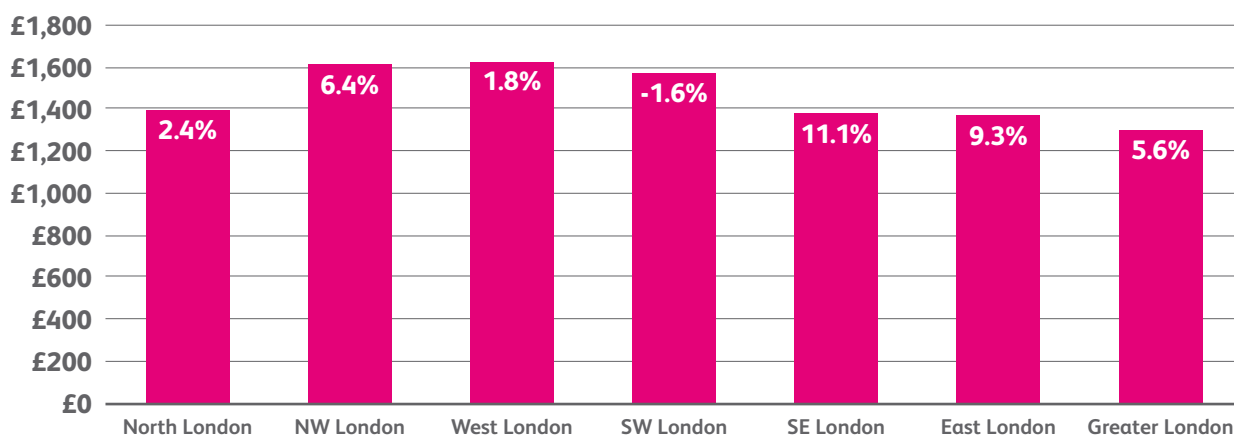


Figure 7: Average monthly rents in London by submarket – Q1 2014 (& 12 month percentage price growth)

Source: Homelet

## *CHROME Thermometer and Barometer methodology notes (see page 1)*

### **Thermometer**

The CHROME Thermometer measures and ranks the current temperature of regional residential property markets in England & Wales according to selected key indicators, as follows:

- Affordability
- New buyer enquiries
- Current stock levels
- Average achieved price versus average asking price
- Average time taken to sell
- Change in average house prices

We have utilised a simple matrix approach wherein each region is assigned a score from 1 to 10 for each indicator based on how it has performed against the other regions. Each indicator is then assigned a weighting to produce a final score for each region. All of the weighted indicator scores are then added up to produce an overall weighted indicator ranking. The higher the overall score the hotter the market and the highest score obtainable would be 100 which would indicate a high risk of overheating. Conversely, the lower the score the more the potential for growth exists.

The input data for the indicators is sourced from the Land Registry, RICS, Hometrack and Findaproperty.com and is updated each month.

### **Barometer**

The CHROME Barometer assesses the performance of the national residential property market in England & Wales over the coming three month period. The assessment takes account of supply, demand and pricing factors influencing these markets but is opinion based rather than arrived at via the application of a mathematical formula. It is updated every month. It should be noted that, unlike a clock which by definition moves in a continuous clockwise direction, a barometer can move either forwards or backwards. For example, a market which is at or approaching its peak does not automatically have to move through a period of decline but may simply stabilise before experiencing growth again.

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