



Phillips and Stubbs Property Review

October 2017

Recent data on the UK housing market has been conflicting as the first two articles demonstrate.

UK housing market continues to lack momentum

In the UK Residential Market Survey of September, the Royal Institution of Chartered Surveyors summarise that the UK housing market continues to lack momentum. The slowdown is exacerbated by the combination of both new buyer demand and sales continuing to fall. As the market slows, the shift in interest rate expectations is contributing to buyer caution, with sentiment now flatter than at any point since the referendum result last summer.

In September, transaction weakness was widespread over the UK, with only the South West and Wales experiencing an increase in sales. The South East and the capital were at the forefront of the decline in sales.

Little change is anticipated in national sales activity over the next quarter, with expectations slipping from +7% previously to -1%. New instructions have been on the decline for the past 18 months and as a result, average stock levels on estate agents' books are near record lows at just 43.3 properties.

Mortgage lending healthy as summer draws to a close

UK Finance (previously the Council of Mortgage Lenders) have released figures showing that lending for house purchases increased in August 2017. The largest increase in lending was for home movers, who borrowed £8.4 billion in August, a huge increase of 18% on July and over 20% on August last year. First-time buyers borrowed £5.7 billion in August, up 12% on August 2016.

While buy-to-let lending totalled just £3.1 billion in August, a 3% decline on August last year.

June Deasy, UK Finance's Head of Mortgages Policy, commented on the data: "Activity picked up in August, and recent resilience ensured that borrowing by home movers was at its highest since March 2016, when transactions were boosted by an imminent increase in stamp duty. Over the last 12 months, the number of people remortgaging has been higher than in any period since late 2009. With mortgage rates close to historic lows and the likelihood of a rise in official rates moving closer, the popularity of remortgaging looks set to continue."

Supply and demand theory found wanting

The basic economic theory of supply and demand should result in rising house prices incentivising home-owners to sell up, thereby increasing supply. However, in the current UK real estate world that simply isn't happening.

Given that residential property has enjoyed over a decade of price rises, the home-owner is more likely to stay put as the value of, probably their largest single asset, continues to rise in value.

These same rising prices no longer deter the demand side, as prospective home-owners continue to attempt to get into the market, before prices continue to rise through their price pain thresholds.

This dichotomy is no more apparent than in the London market where those with the lowest incomes have really suffered. In the 14 years between 2002 and 2016, a person in the lowest quartile of income looking to purchase a London house in the lowest quartile price range would have had to find 7.11 times their income to finance the deal. That same person in 2016 would have to find 13.52 times their income to achieve the same result.

HOUSE PRICES HEADLINE STATISTICS

HOUSE PRICE INDEX (AUG 2017)*	118.5*
AVERAGE HOUSE PRICE	£225,956
MONTHLY CHANGE	0.5%
ANNUAL CHANGE	5.0%

*(Jan 2015 = 100)

- UK house prices grew **5.0%** in the year to August
- The main contribution to the increase in UK house prices came from England
- The largest annual growth was in the North West at **6.5%**

Source: The Land Registry / Release date: 17/10/2017
Next data release: 14/11/2017

HOUSE PRICES PRICE CHANGE BY REGION

REGION	MONTHLY CHANGE (%)	ANNUAL CHANGE (%)	AVERAGE PRICE (£)
ENGLAND	0.7	5.3	£243,520
NORTHERN IRELAND (QUARTER 2 - 2017)	3.1	4.4	£128,650
SCOTLAND	-0.7	3.9	£146,354
WALES	-0.1	3.4	£150,258
EAST MIDLANDS	0.3	6.4	£183,762
EAST OF ENGLAND	0.0	6.4	£288,440
LONDON	-1.0	2.6	£484,362
NORTH EAST	1.4	3.7	£130,731
NORTH WEST	2.3	6.5	£159,865
SOUTH EAST	1.1	4.8	£324,983
SOUTH WEST	0.6	6.4	£251,984
WEST MIDLANDS REGION	0.6	5.3	£188,447
YORKSHIRE AND THE HUMBER	1.4	4.8	£158,689

UK UNEMPLOYMENT FIGURES

- The unemployment rate was **4.3%**, down from **5.0%** for a year earlier and the joint lowest since 1975
- There were **1.44** million unemployed **215,000** fewer than for a year earlier

Jobless total

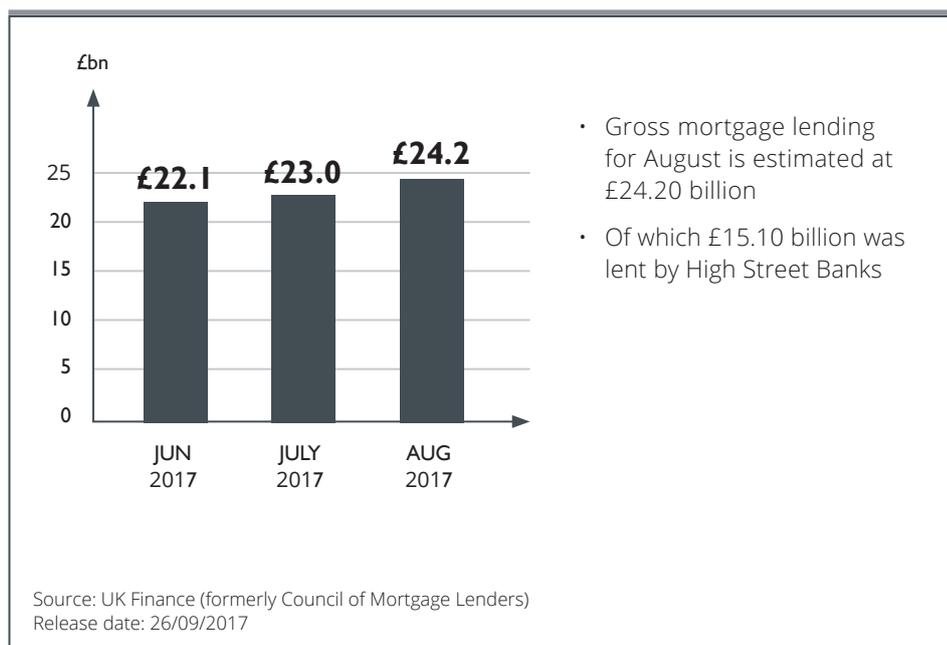
1.44m

Unemployment rate

4.3%

Source: Office for National Statistics
Release Date: 18/10/2017

MORTGAGE ACTIVITY



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P H I L L I P S & S T U B B S

Sales 01797 227338

Lettings 01797 228497

Mayfair Office 0870 112 7099