

# LSL New Build Index

The market indicator for New Builds

April 2019



**In the year to end Mar 2019 new build prices per m<sup>2</sup> rose by an average of 2.88% across the UK...**

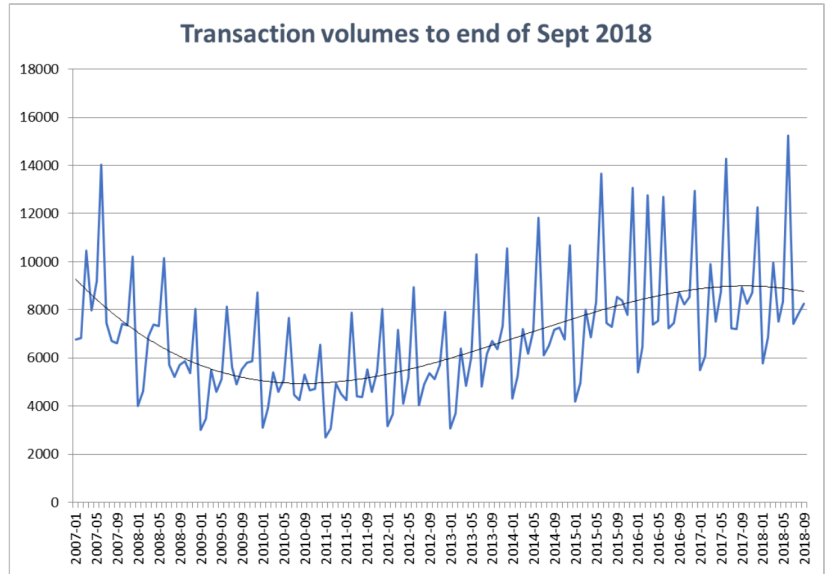
## The Market

The ONS UK House Price Index for the year to February 2019 continues to show a mixed, but generally stable, housing market. Average UK house prices increased by just 0.6% in the year to February 2019, which is the lowest annual rate since September 2012 when it was 0.4%. A good part of the UK's Housing market activity occurs in Greater London and the South East and these areas are continuing to slow, albeit at a modest pace. Four years ago strong price rises in these regions was pulled the rest of the UK along, but now they are producing a drag on

house price growth when looking at the UK as a whole. The ONS report that the average UK house price peaked at £232,000 in August 2018, in February 2019 the average was £226,000.

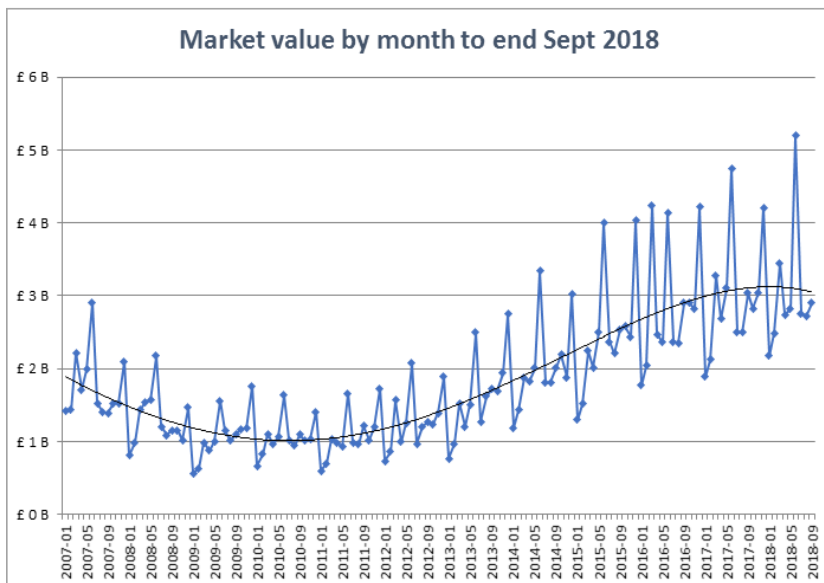
Looking at the UK countries, Northern Ireland appears to be performing best with a year on year price growth of 5.5% to Q4 2018, followed by Wales which enjoyed 4.1% growth in the year to Feb 2019 and England with 0.4%. Scotland is the only country presently experiencing price falls with a drop of 0.2% in the year to Feb 2019.

Within England, and at a regional level, prices in London fell by 3.8% over the year, followed by the South East where prices fell by 1.8%. At the other end of the country the North East saw a fall of just under 1%, whilst Yorkshire and the Humber appears to be largely static. The North West saw the strongest house price growth over the period with a figure of 4%, followed by the West Midlands with 2.9%. The South West and East Midlands were in the 1 to 2% bracket whilst the East saw around 0.5% growth. Other indices report a generally similar pattern although there are differences at a regional and country level.



The signs of a market slow down will give cause for concern for some, but housing market dynamics have changed since 2008 and housing market cycles can be expected to be far gentler than the roller coaster rides of the past. The Bank of England 'OBR' or Official Bank Rate was fluctuating around the 10% mark for most of the 70's and 80's (14.9% in October '89), it fell into mostly single digit figures through the 90's and 00's and in March 09 it fell below 1%, where it has remained to this day. So the cost of borrowing money is more affordable now than in recent living memory.

The Nationwide runs a data series on house price inflation from 1952 to present day. In the 1970's year on year changes were usually into the double digits and in some quarters went up to over 30%; by the 1980's double digits were still usual, sometimes exceeding 20% and the start of the 1990's saw the first actual price falls. Later cycles have become more subdued and this is probably because the inflationary cycles that have driven wages up have largely gone. Both inflation and wage rises are in the low single figures and housing isn't (for much of the country) an asset that people have to buy before it becomes too expensive (not the case for all regions though).



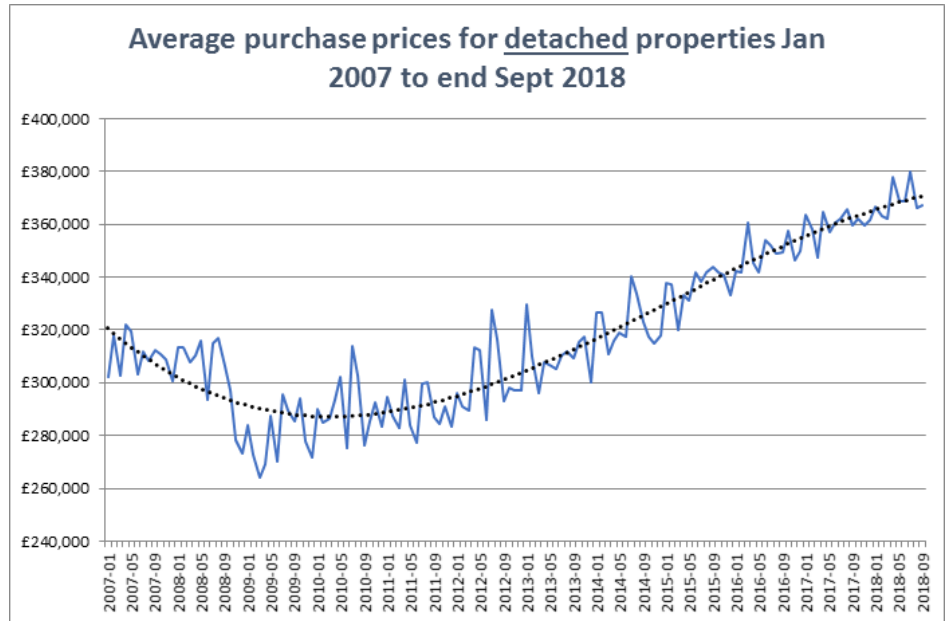
The final big difference is in transaction volumes. Historically the market was driven by sentiment, if prices were rising rapidly then it makes sense to get in quick. The ONS reports that in June 2007 annual residential property sales in England and Wales peaked at 1.355 million, before falling to 507,000 in June 2009. In the year ending March 2016 the latest peak was 988,000, which is 27% below the previous peak. So again things are more subdued and of course many transactions are based on a need to move rather than market sentiment. So there is reason to expect this market slow down to be less rocky than previous ones.

### The long view

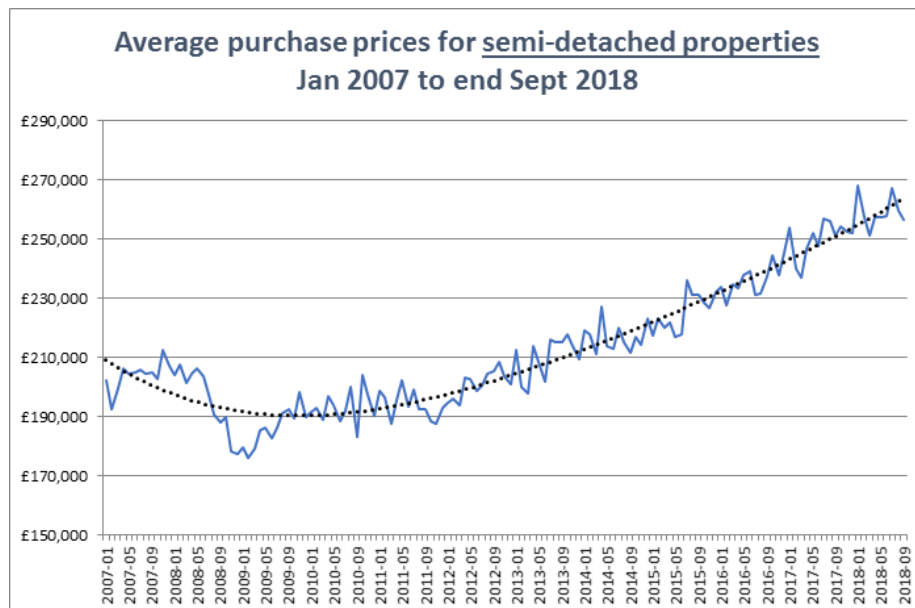
The recent “Extinction Rebellion” could yet prove to be good news for the new build industry. The total dwelling stock in England in 2017 was just under 24 million and in that year new build completions stood at around 160,000, which is around 2/3rds of one percent. This small number of properties will already be the most energy efficient part of the housing stock, so the focus on further improvements from the new build sector rather than measures to improve energy efficiency in the older housing stock seems unusual.

Financial incentives or disincentives to use more environmentally friendly building materials, such as timber framed housing may be a better approach, as would a cross subsidy from the new build sector into the older housing stock. The focus on climate change that “Extinction Rebellion” is bringing about may mark the start of a greater public awareness of the need for energy efficiency.

Another sector that the Government has in its sights is the private rented sector. Changes to stamp duty



charges and the way in which mortgage interest is treated for tax purposes, have been designed to reduce the size of the housing stock held by private landlords. The need for periodic checks on the electrical system in properties is due to become a mandatory requirement and it is now proposed that landlords will no longer be able to end tenancies through Section 21 notices without specific reasons. If a tenant likes a house then they can stay there as long as they want provided they pay the rent.



So the days of the ‘experimental’ landlord who wants to try out letting on a short term basis, or the ‘accidental’ landlord who may for one reason or another want to let a house out for six months, are likely to be numbered. It is likely that this will lead to more ‘first time buyer’ type properties coming to the market.





## Current news

The latest RICS UK Residential Market Survey reports a continued lack of momentum in the housing market with New Buyer Enquiries showing a reduction in demand, to a greater or lesser extent, across the UK. The average time a property takes to sell, from listing to completion, remains unchanged at 19 weeks. Whilst the surveyors who completed the report expected near terms sales to remain broadly stable they are expecting to see some uplift in the coming 12 month timeframe. Overall the surveyors questioned expected to see a modest fall in average prices across the UK over the coming couple of quarters. Bearing in mind the above comments on the rental market, the RICS points to an increase in the level of rental demand which is expected to intensify over the next five years.

The latest GfK Consumer Confidence Index stayed steady in March 2019 at a figure of -13. Against an economic backdrop of: low interest rates, record high employment, relatively low inflation and growth in real earnings it is perhaps not surprising that consumers see some optimism in their own situation but increased concern for the wider economy. The Index is composed from five measures, namely: Personal Financial Situation over the past 12 months, Personal Financial Situation over the next 12 months, General Economic Situation over the past 12 months, General Economic Situation over the next 12 months and finally the major purchase index. Perhaps the most important one to house builders is the Major Purchasers Index which fell by only 1 point between March 2018 and March 2019, to stand at 1. This small year on year change indicates that consumer attitude to major purchases is little changed.

### First time buyers - Affordability









	2 bed 70 sq m Starter home	Ave annual earnings Full Time employees	HPE	Affordability Index
East Anglia	£236,691	£34,017	6.96	117
East Midlands	£135,820	£28,402	4.78	81
Greater London	£421,604	£41,637	10.13	171
North East	£119,066	£27,190	4.38	74
North West	£142,369	£28,872	4.93	83
Scotland	£160,105	£30,451	5.26	89
South East	£246,854	£35,898	6.88	116
South West	£182,818	£29,870	6.12	103
Wales	£138,861	£28,092	4.94	83
West Midlands	£178,289	£29,422	6.06	102
Yorkshire and the Humber	£136,937	£28,560	4.79	81
		<b>Average</b>	<b>5.93</b>	<b>100</b>





-  Detached
-  Flats
-  Semis
-  Terrace





# Average New Home price per m<sup>2</sup>





Period April 2018 to March 2019.





## North/South Average % Change





NORTH		% AVERAGE	SOUTH		% AVERAGE
		10.31 %			3.84 %
		-2.59 %			-4.39 %
		5.95 %			3.40 %
		3.98 %			3.53 %





SCOTLAND	£ AVERAGE / M <sup>2</sup>
	£1,623
	£2,394
	£1,769
	£1,968





NORTH WEST	£ AVERAGE / M <sup>2</sup>
	£2,001
	£2,459
	£1,806
	£1,933





NORTH EAST	£ AVERAGE / M <sup>2</sup>
	£1,659
	£1,864
	£1,601
	£1,566





WEST MIDLANDS	£ AVERAGE / M <sup>2</sup>
	£2,263
	£2,760
	£2,156
	£2,112





YORKSHIRE & THE HUMBER	£ AVERAGE / M <sup>2</sup>
	£1,830
	£2,299
	£1,672
	£1,785





WALES	£ AVERAGE / M <sup>2</sup>
	£1,504
	£2,353
	£1,669
	£1,585

EAST MIDLANDS	£ AVERAGE / M <sup>2</sup>
	£1,915
	£2,444
	£1,654
	£1,893

SOUTH WEST	£ AVERAGE / M <sup>2</sup>
	£2,308
	£3,416
	£2,348
	£2,435

GREATER LONDON	£ AVERAGE / M <sup>2</sup>
	£5,181
	£7,252
	£5,662
	£5,617

SOUTH EAST	£ AVERAGE / M <sup>2</sup>
	£3,279
	£3,854
	£3,361
	£3,203

EAST ANGLIA	£ AVERAGE / M <sup>2</sup>
	£2,886
	£4,105
	£3,049
	£2,967

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For further information about the LSL Property Services Group including LSL Land & New Homes and e.surv, visit [www.lslps.co.uk](http://www.lslps.co.uk)

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