

LSL New Build Index

The market indicator for New Builds

Aug 2019



In the year to end Jul 2019 new build prices per m² rose by an average of 3.16% across the UK...

The Market

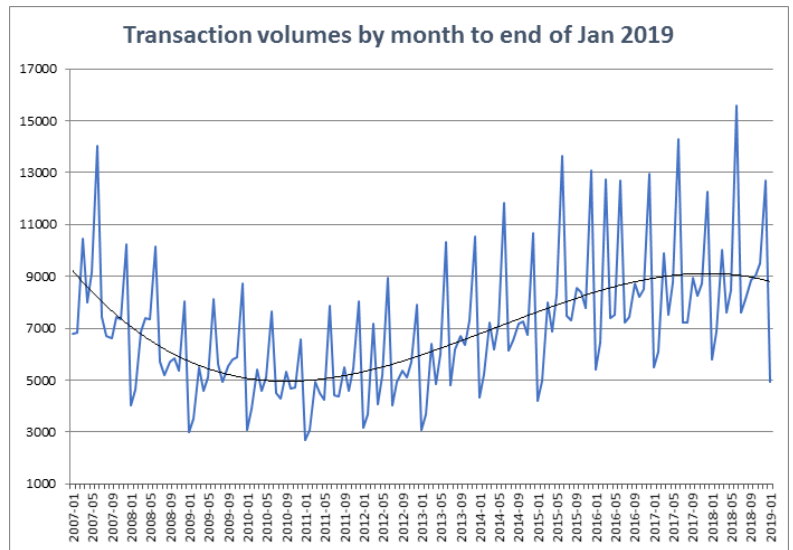
Although relatively subdued, the drivers of the housing market are in good shape: inflation and interest rates are low, employment levels and wage growth are high and the shortfall of the housing stock relative to need continues to grow. Recently published international data has shown that more than 30 central banks around the world have cut interest rates this year in response to concerns about slowing global growth, heightened trade tensions and the increased likelihood of a no deal Brexit. So the direction of UK interest rates is likely to be downwards which will translate into cheaper mortgages for house buyers.

The latest UK Finance mortgage data for the period to June 2019 cover trends in mortgage lending across different groups in the UK. New First Time Buyer mortgages were down 1.5% in June 2019 on a year earlier, standing at 32,760. The average FTB Loan to Value was 76.9%, 0.3% more than one year earlier. The average FTB age was 32, the average income multiple was 3.51 and the average loan size was £172,158. 31,000 home mover mortgages completed in June 2019, which is 3.6% down on the same month last year. The average home mover Loan to Value was 67.7% which is 0.8% more than the same month last year. The average home mover age was 40, the average income multiple was 3.28 and the average loan size was £225,756.

In July 2019 a report from Rightmove reported a slight drop of 0.2% in the price of properties coming to the market, which is the first price fall recorded so far this year. But they also report that 7.8% fewer properties are coming to market this year than at the same time last year, and that 4.6% fewer sales have been agreed to date this year against the same period last year. But whilst less property is coming to the market, it is taking longer to sell and this is combining to increase the amount of available stock on estate agents books. They also report that the time taken to find a buyer is at its highest level for six years. In terms of annual price changes at a regional level, Rightmove identifies similar trends to the other main indices. London, the South East and the East are seeing slight price falls whilst generally speaking regions to the West of the country (South West, Wales, West Midlands, North West) are performing slightly better than those to the East.

The long view

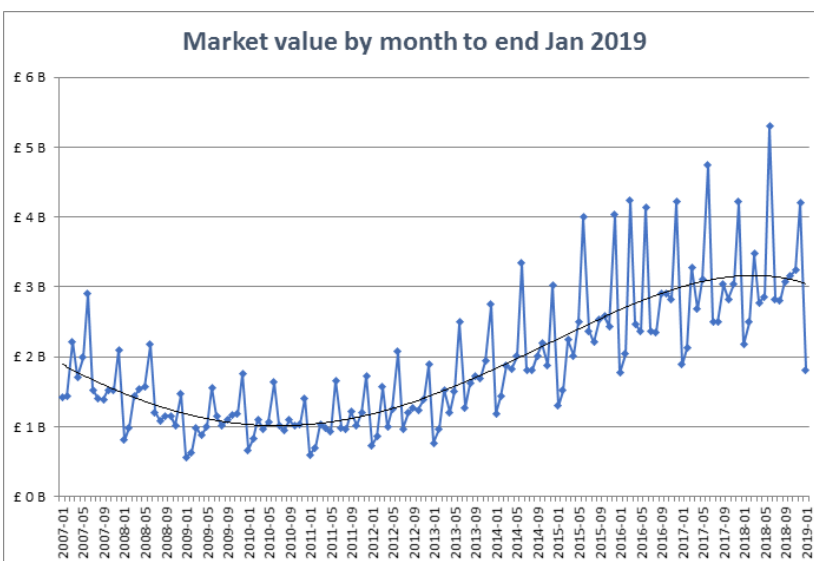
Last month a Government Select Committee published a report on Modern Methods of Construction and stated that the Government must embrace MMC or risk missing its 300,000 homes per annum target by the mid 2020's. The Housing, Communities and Local Government Committee warned of the dangers of an over reliance within the home building sector on traditional construction methods.



The report acknowledges that there are various obstacles to change and that the sector cannot move

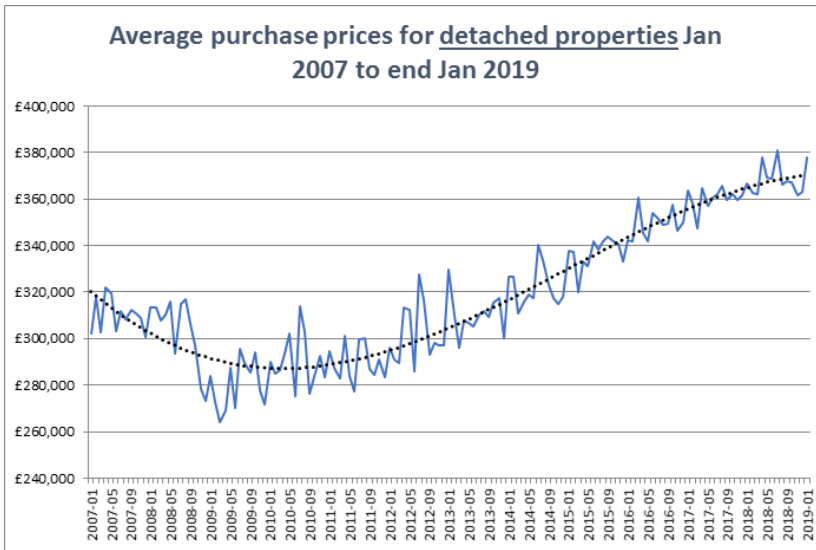


towards MMC without simultaneously dealing with the obstacles. It seems likely that this will prove to be a very important milestone in Government thinking towards the new build sector.



The conclusions and recommendations highlight various areas where actions are needed to enable the use of MMC:

A co-ordinated approach is advocated in which the Ministry is required to track how much it spends on MMC housing across its various funding streams. Government departments should follow a coordinated strategy such that e.g. Research & Development and training schemes work together to make growth of MMC home building more viable.



The report recommended that there was scope for house builders to make more use of digital technology in the development process. This may be as simple as using technology for helping to co-ordinate the various elements of the build programme and to quantify what goes wrong where, as and when it inevitably does.

Over the past two decades, risk management has become something of a by word in most professions including mortgage valuers, mortgage lenders and insurers. The report highlights that these people (not to mention home builders and home buyers) want to have confidence in the safety and durability of the product. At present many do not feel that the safety net is there and so tend to exercise caution towards MMC housing.

The report recommends that the Government should develop a digital database that records the design, processes and materials used in the construction of buildings. This would be an effective log book that would be attached to each property and which could e.g. sit alongside the HM Land Registry database. This would allow the performance of built property to be tracked over time, which is something that e.g. the insurance industry would no doubt be reassured by.

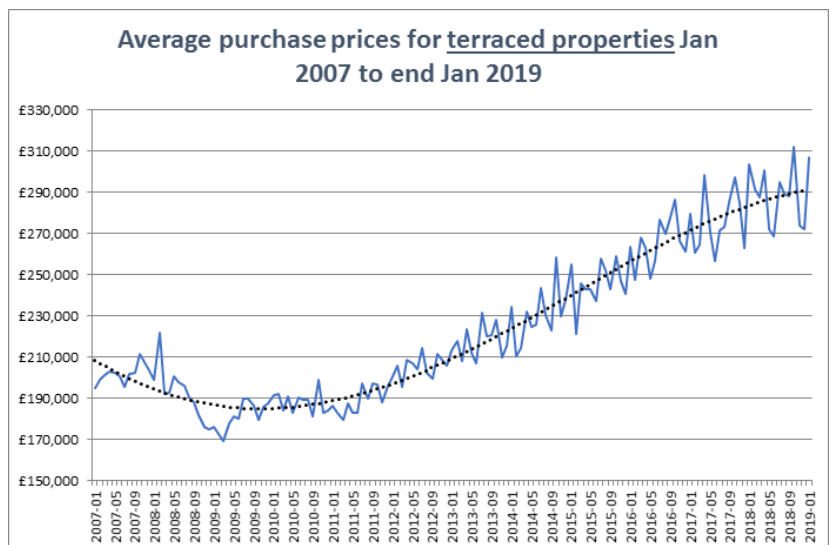
At present warranty providers produce their own standards and a single standard would of course be preferable. Work is underway on this front with the “MMC Scheme” being

developed by the MCHLG Joint Industry working group.

And to allow MMC to take off there will need to be Government support to enable skills programmes and apprenticeship schemes that encourage people into the sector. In a similar vein, the supply chain of production facilities to create MMC homes is something that large house builders could achieve but not smaller builders. So the Government will need to take steps to encourage MMC production facilities so that there is certainty of supply.

Another supply side issue is addressed with the recommendation of more council house building. This has tended to involve more standardised sized units, which is likely to simplify production. In addition, the report points to the general problems of access to development land that house builders encounter.

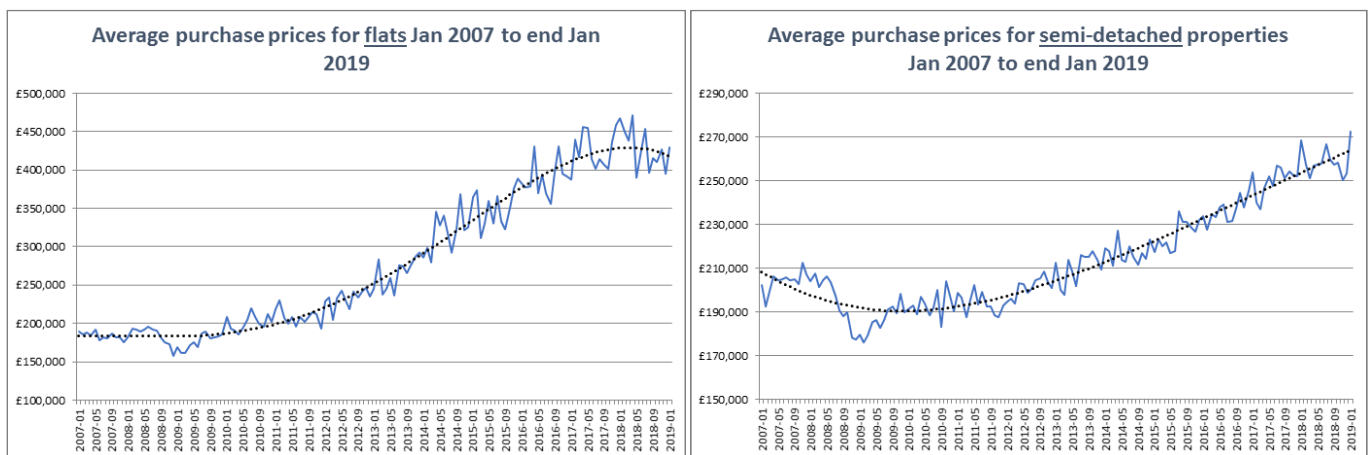
The final area of recommendations relate to making the Building Regulations system more fit for purpose when dealing with MMC. It also creates the opportunity to drive improvements in energy efficiency as MMC has more scope for this than traditional brick and block. The concluding recommendation is that home builders should be given the financial encouragement that they may need to set up MMC production facilities.



Current News

The latest data from the Office of National Statistics (ONS), shows that the Gross Domestic Product fell by 0.2% in the second quarter of 2019 following a rise of 0.5% in the first quarter. Overall GDP was 1.2% higher than the same quarter last year. In fact there was a very slight strengthening of the services sector in the second quarter but this was offset by a fall in the production sector.

In the year to July, average retail sales rose by 0.5% which is a record low, according to the British Retail Consortium and KPMG. The lacklustre performance is put down to a combination of uncertainty and slow real wage growth. They point out that whilst wage growth appears good (being 3.6% in the year to May, according to the ONS), when adjusted for inflation, pay remains below the average recorded before the 2008 financial crisis.



First time buyers - Affordability

	2 bed 70 sq m Starter home	Ave annual earnings Full Time employees	HPE	Affordability Index
East Anglia	£236,477	£34,273	6.90	115
East Midlands	£148,030	£29,165	5.08	85
Greater London	£421,356	£41,400	10.18	170
North East	£125,418	£27,642	4.54	76
North West	£142,906	£29,063	4.92	82
Scotland	£160,363	£30,700	5.22	87
South East	£247,603	£36,116	6.86	115
South West	£182,036	£29,992	6.07	101
Wales	£145,426	£28,240	5.15	86
West Midlands	£175,503	£29,457	5.96	100
Yorkshire and the Humber	£143,467	£28,951	4.96	83
			5.98	100

Based on a simple average of property prices for the current year
 Ave annual earnings from ONS EARN 05: Average Gross Earnings of Full Time Employees.









The First Time Buyers Affordability Index above looks at the average selling price of a 70 sq m property, which would typically be 2 beds in each region. The figures are derived from the selling prices of new build terraced houses and flats across the regions. These average selling prices for a typical 70 sq m property are then compared with the average earnings in each region to create the average price to earnings ratio.

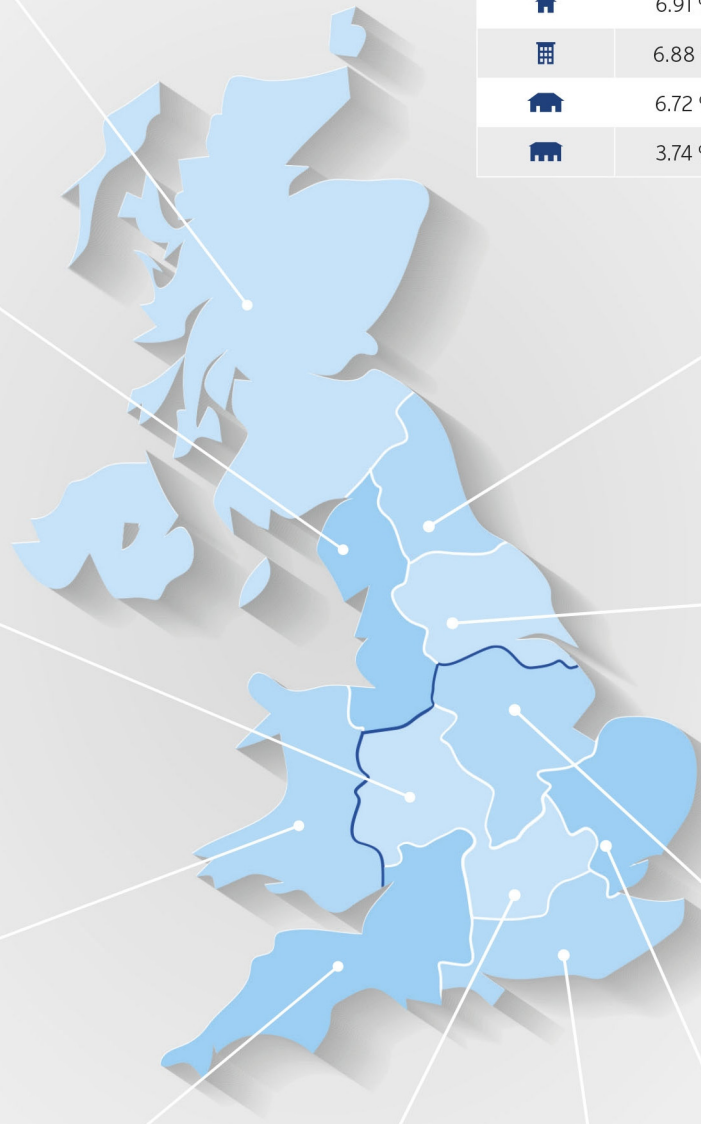
-  Detached
-  Flats
-  Semis
-  Terrace





Average New Home price per m²





Period August 2018 to July 2019.





North/South Average % Change





NORTH		% AVERAGE	SOUTH		% AVERAGE
		6.91 %			3.44 %
		6.88 %			-0.24 %
		6.72 %			1.01 %
		3.74 %			-1.26 %











SCOTLAND	£ AVERAGE / M ²
	£1,786
	£2,346
	£1,903
	£2,116





NORTH WEST	£ AVERAGE / M ²
	£2,168
	£2,428
	£1,933
	£2,022





WEST MIDLANDS	£ AVERAGE / M ²
	£2,361
	£2,850
	£2,226
	£1,698





WALES	£ AVERAGE / M ²
	£1,680
	£2,407
	£1,875
	£1,805





SOUTH WEST	£ AVERAGE / M ²
	£2,683
	£3,130
	£2,468
	£2,526





GREATER LONDON	£ AVERAGE / M ²
	£4,803
	£6,925
	£5,141
	£5,127

SOUTH EAST	£ AVERAGE / M ²
	£3,485
	£3,990
	£3,472
	£3,295

NORTH EAST	£ AVERAGE / M ²
	£1,838
	£1,959
	£1,699
	£1,609

YORKSHIRE & THE HUMBER	£ AVERAGE / M ²
	£2,049
	£2,365
	£1,842
	£1,868

EAST MIDLANDS	£ AVERAGE / M ²
	£2,136
	£2,220
	£2,103
	£2,086

EAST ANGLIA	£ AVERAGE / M ²
	£2,923
	£3,975
	£3,030
	£3,139

Notes

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[For further information or enquiries regarding the underlying data of the LSL New Build Index, please contact Shaun Peart via email](#)

Shaun.Peart@lslnewhomes.co.uk or by phoning **07789 948411**.

[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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