

LSL New Build Index

The market indicator for New Builds

Jan 2020



In the year to end December 2019 new build prices per m² rose by an average of 2.03% across the UK...

The Market

The table to the right looks at average house prices and changes in prices from the last peak to present day, as well as taking an average of reported house price changes over the past year.

The 'percentage change average' column takes the average of annual house price change data from Nationwide Building Society, the Office for National Statistics House Price Index and the LSL Acadata House Price Index. Although this is a crude average it gives a sense of what the general feel is for overall house price

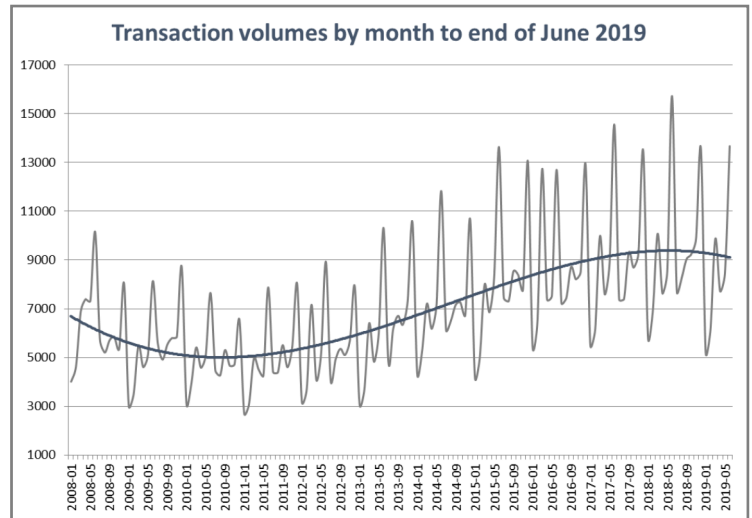
Region	2007to8 peak	Latest ave price	% change from peak	% change average
North East	£ 163,713	£ 165,578	1.1	1.9
North West	£ 176,167	£ 200,072	13.6	2.9
Yorkshire & Humber	£ 174,688	£ 198,427	13.6	2.1
East Midlands	£ 180,280	£ 222,733	23.5	1.3
West Midlands	£ 190,060	£ 230,039	21.0	2.2
East	£ 240,972	£ 327,497	35.9	0.0
London	£ 357,880	£ 614,367	71.7	0.0
South East	£ 282,783	£ 374,556	32.5	0.0
South West	£ 238,537	£ 293,599	23.1	0.9
Wales	£ 171,517	£ 193,640	8.9	4.7

2007 to 8 peak and latest available average price are now from The LSL Acadata Regional Houseprice Index data series

movements at regional level, over the past year.

Wales has performed most strongly with 4.7% growth in prices being recorded, followed by the North West, West Midlands and Yorkshire & the Humber. The North East, East Midlands and South West are all experiencing modest house price growth of up to 2%. Although a lot of price variation is reported in the London boroughs, the average price change for London, the South East and the East all average out at 0%. So it seems likely that high employment, low interest rates and slow house price inflation have combined to help avoid a significant housing market downturn.

The 'Percentage change from peak' column takes the average price high-point from each region during the boom which ended in 2007 to 8, according to the region lived in. The high-point is drawn from one of the average regional house price dataset, in the LSL Acadata Regional house price index. The 'Latest average price' is also taken from the same dataset and the two columns are combined to calculate the 'Percentage change from peak' column. The North East has seen virtually no change since the last peak and Wales fairs a little better with 8.9% growth. The picture seems to be that the closer the region is to London, the better it has performed. Yorkshire & the Humber and the North West are in the 10 to 20% price growth band, the South West, East Midlands and West Midlands are in the 20 to 30% band and the East and South East are in the 30 to 40% band. That just leaves London which has performed twice as well as its closest rival with a growth of 71.7% over



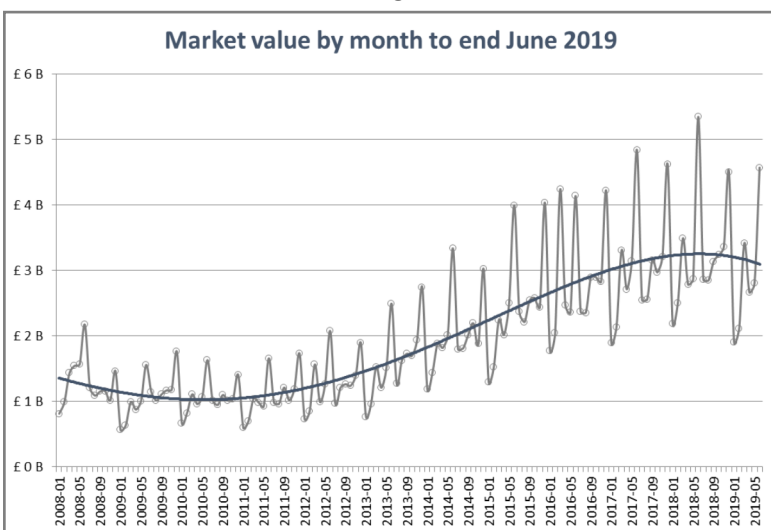
the intervening period.

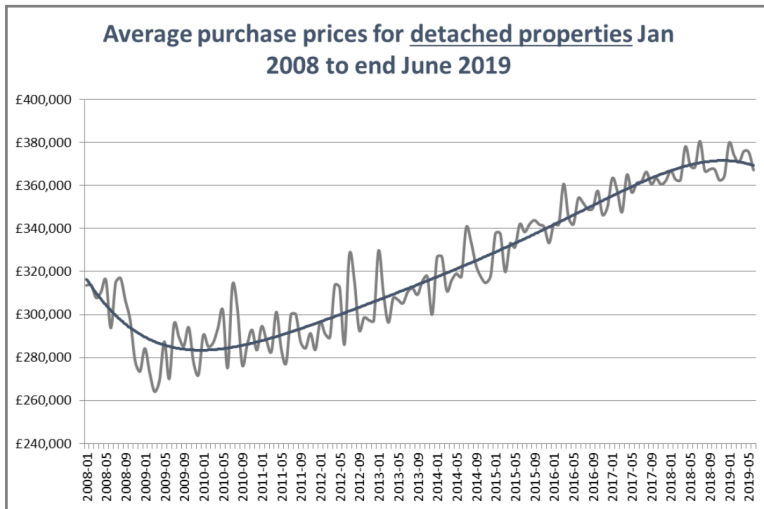
Over the period, London's continued growth as a global financial services centre and the inflow of wealthy overseas investors and residents are reported to have contributed to this performance. The main concern however, as detailed below, is that those on average incomes will continue to struggle to put down a deposit to buy their first home.

The Long View

Continuing in a similar vein, a report out this month from Nationwide Building Society looks at House Prices and Affordability through the decades. It is interesting to see the various factors that drive the marketplace that we are working in. The 2010's was the weakest decade for house price growth since the 1990's. Average house prices across the UK rose by 33% over the 2010's which is very modest when compared the the 1980's which saw a rise of 180%.

House price growth in the 2010's has been very much a North / South affair with London seeing the most growth (at 66%) followed by other South based regions, expanding up to the East and West Midlands (36 and 33% growth respectively). Outside the South, the average growth nearly halves to 17% for Wales, the North West and Yorkshire and the Humber.





The report goes on to highlight that the low interest rates over the decade have helped affordability, despite the fact that house price growth has outstripped earnings growth. Finally, the report looks at how long it would take someone in each region, on average earnings, to save a 20% mortgage deposit for a typical First Time Buyer property, assuming that they were setting aside 15% of their income each month. In many of the 'Northern' regions the time taken is typically in the 5 to 6 year band whilst in London and the adjoining regions the time taken is closer to the 10 to 15 year band.

It seems most likely now that the days of the Help to Buy scheme are numbered and there is a strong case for a more general scheme to help all First Time Buyers (buying both new and second-hand property) to help address this issue. A sale to a First Time Buyer will frequently create a 'Homemover' looking for their next home and so a chain may well result. Housebuilders would have plenty of opportunities to sell into this chain and chains would help to address the issue of a shortage of houses for sale.

Tax disincentives aimed at the private rented sector also have issues. Using these to discourage private landlords from buying will only have effect if First Time Buyers can afford the mortgage deposit to buy a property. If the FTB's aren't there, then attacking the private rented sector could result in downward price pressure which would create further issues.

Current News

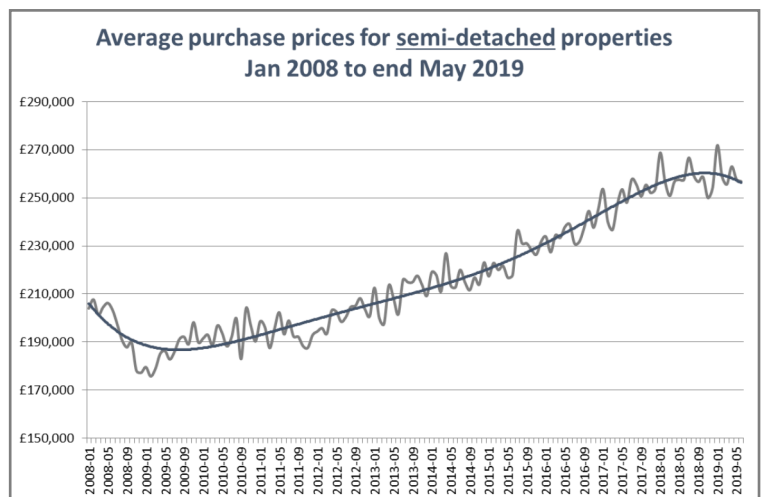
A recent summit, hosted by the HBF in Westminster, highlights a number of issues relating

to house building, home owners and the environment. The summit had around 50 attendees including those from the Government, house builders, manufacturers and environmental groups. The net zero emissions target by 2050 is well known, but the more imminent steps are a potential 31% reduction in emissions in the new 2020 part L Building regulations and the ban on gas boilers to heat new homes from 2025, as part of the Future Homes Standard.

The complexities of delivering more energy efficient housing will be easier to manage if they are answering a public need, that is to say if the public are 'on board' with the changes. The HBF commissioned some research to coincide with the summit from a company called Public First. The research found that whilst 20% of people put environmental concerns in their top three issues facing the country, 54% did not know the EPC rating for their own home. Consumers put 'saving money' over 'environmental concerns' and 80% lived in a home with a gas boiler. Of those polled 67% thought new build homes were more energy efficient.

House builders are undoubtedly going to be on the environment's side in the future but they will be facing consumers who are more concerned with saving their money than saving the environment and who will need to be pulled away from their much loved gas boilers. There will most likely be some root and branch reforms in the way that new houses are delivered in this decade if these challenges are to be met.

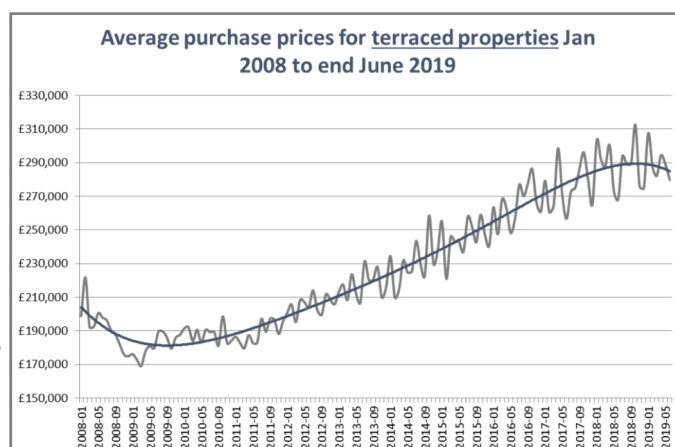
The latest data from Rightmove finds that there has



been a 2.3% increase in the price of property coming to market in the period between 8th December 2019 and 11th January 2020. This seems to be a clear indication of a surge of optimism amongst sellers and is the largest monthly rise recorded by Rightmove at this time of year. The report also highlights that in the month following the election, enquiries to estate agents were up by 15% on the same period last year and there was a 7.4% growth in the number of sales agreed. So the indications from Rightmove at the start of 2020 are good, with the promise of a buoyant spring housing market.

The January 2019 RICS Housing Market Survey reported that the year was getting off to a slow start with enquiries, sales and new instruction all continuing to fall. In contrast the December 2020 survey, which was published after the election, reports a rise in sales expectation in the near and 12 month terms, a rise in enquiries and sales instructions and an expectation of growing house price inflation. So another well respected source of housing market information is picking up a clear improvement in sentiment amongst both buyers and sellers.

The latest ONS residential transactions data is for the period to June 2019 and covers total residential sales in England and Wales. In the early 2000's and in 2006/7 when the market was powering ahead, annual sales volumes crept over the 1.3 million mark. This figure dropped to the 0.5 to 0.7 million range in the period around 2009 to 2013. The following years have seen a strengthening in sales volumes up towards the 0.9 million mark in 2017 to 2018. The latest figure for the year to June 2019 is at 0.83 million which is a weakening on the preceding years. Hopefully the above market bounce that is being reported by Rightmove and the RICS will be reflected in a growth in transaction volumes through 2020 and beyond.



First time buyers - Affordability





Region	2 bed 70 sq m Starter home	Ave annual earnings Full Time employees	HPE	Affordability Index
East Anglia	£232,679	£34,676	6.71	115
East Midlands	£150,580	£29,578	5.09	87
Greater London	£424,719	£42,503	9.99	171
North East	£122,997	£28,232	4.36	75
North West	£142,527	£30,011	4.75	81
Scotland	£158,782	£31,672	5.01	86
South East	£248,047	£36,464	6.80	117
South West	£187,577	£30,600	6.13	105
Wales	£138,806	£28,867	4.81	82
West Midlands	£170,514	£30,055	5.67	97
Yorkshire and the Humber	£142,458	£29,244	4.87	83
			5.84	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.





Average New Home price per m²





Period January 2019 to December 2019.





-  Detached
-  Flats
-  Semi
-  Terrace





North/South Average % Change





NORTH		% AVERAGE	SOUTH		% AVERAGE
		2.36 %			0.91 %
		8.45 %			-1.16 %
		3.91 %			0.98 %
		4.76 %			-2.06 %





SCOTLAND	£ AVERAGE / M ²
	£1,787
	£2,240
	£1,962
	£2,196





NORTH WEST	£ AVERAGE / M ²
	£2,163
	£2,282
	£1,920
	£2,012





WEST MIDLANDS	£ AVERAGE / M ²
	£2,397
	£2,837
	£2,265
	£1,690





WALES	£ AVERAGE / M ²
	£1,399
	£2,548
	£1,872
	£1,938





SOUTH WEST	£ AVERAGE / M ²
	£2,596
	£3,279
	£2,584
	£2,522





GREATER LONDON	£ AVERAGE / M ²
	£4,570
	£6,843
	£5,151
	£5,055

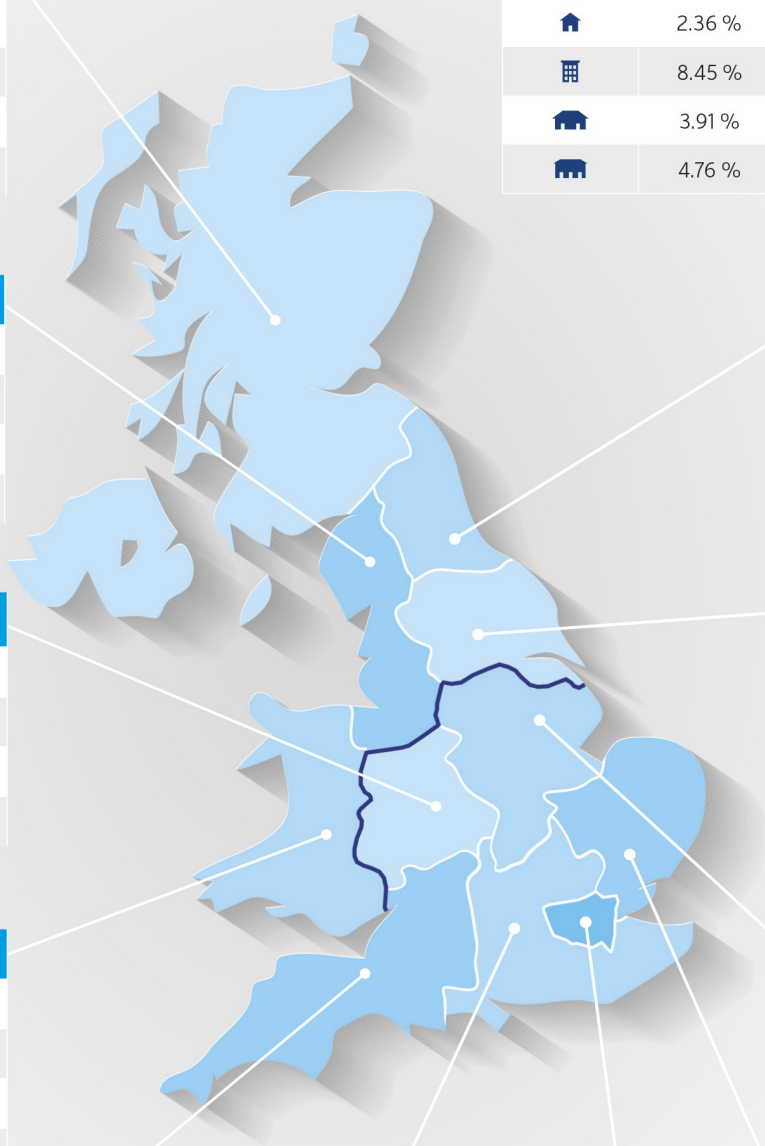
SOUTH EAST	£ AVERAGE / M ²
	£3,428
	£4,000
	£3,496
	£3,356

NORTH EAST	£ AVERAGE / M ²
	£1,897
	£2,087
	£1,756
	£1,625

YORKSHIRE & THE HUMBER	£ AVERAGE / M ²
	£2,121
	£2,563
	£1,933
	£1,941

EAST MIDLANDS	£ AVERAGE / M ²
	£2,193
	£2,129
	£2,095
	£2,193

EAST ANGLIA	£ AVERAGE / M ²
	£2,898
	£4,001
	£2,961
	£3,012



Notes

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The business employs circa 450 chartered surveyors and covers the entire UK.

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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

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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

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