

LSL New Build Index

The market indicator for New Builds

June 2019



In the year to end May 2019 new build prices per m² rose by an average of 3.73% across the UK...

The Market

The table below gives an overview of the current position of the English housing market. The Office for National Statistics (ONS) Regional House Price data has been examined to find the high point in terms of average selling prices in each region at the time of the last peak which was between 2007 and 2008. The most recently available data for this index is March 2019 and this is taken for the 'Latest average price' column. A comparison of the '2007 to 08 peak' and 'Latest average price' columns allows us to generate the third column which shows the percentage change from the peak to the present day in each region.

Over the period in question London has seen residential property price growth of over 50% whilst the East and South East have seen price growth at or slight over 33%. As the wave moves out from London we get to the East and West Midlands and the South West, which have experienced growth of around 20% over the period. Moving further from London, the North West and Yorkshire & the Humber have seen price growth of between 5 and 10% over this past decade, and the North East has seen price falls of over 10%.

The above price changes are in nominal terms, which means that the effect of inflation is not accounted for. Over the period in question, inflation and earnings growth have contributed to reduce the value of property in real terms. Also, the Bank of England base rate fell to 0.5% just after the peak and has remained little changed since then, which makes mortgages more affordable.

The final column takes the most recent average price data from the ONS (average house price by English region), Nationwide (all properties regional price data) and the LSL Property Services / Acadata House Price Index. A crude average is taken of the most recent output from each of these indices to get to the ‘% change average’ column. This is a best available average from these sources of the year on year price change.

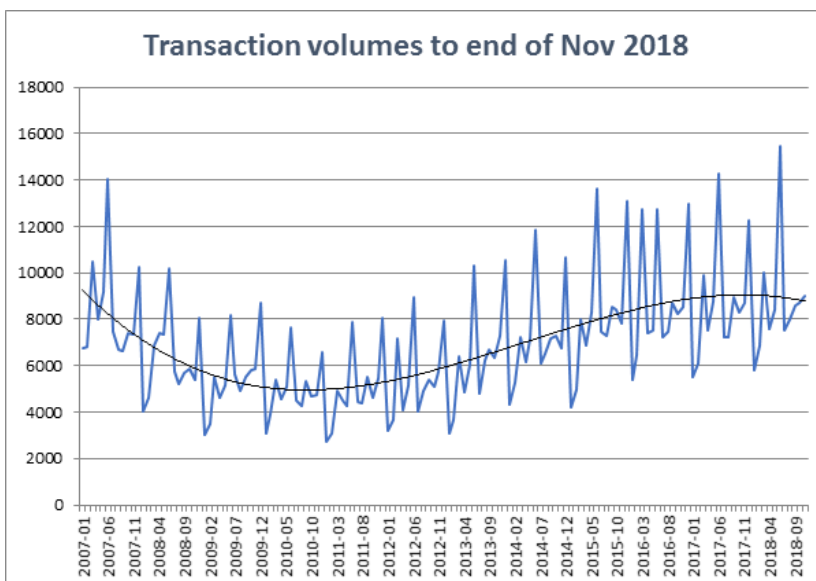
The overall picture is of a pretty stable market with only muted growth being noted in those regions which have generally seen the lower levels of price growth since the 2007 to 08 peak. But even in the best performing region (the West Midlands which has 2.7% growth) the effect of inflation and wage growth takes the real figure down towards zero. Prices appear to have fallen in London at an average of 2% over the year and they are also close to zero or falling slightly in the adjoining regions. It is important

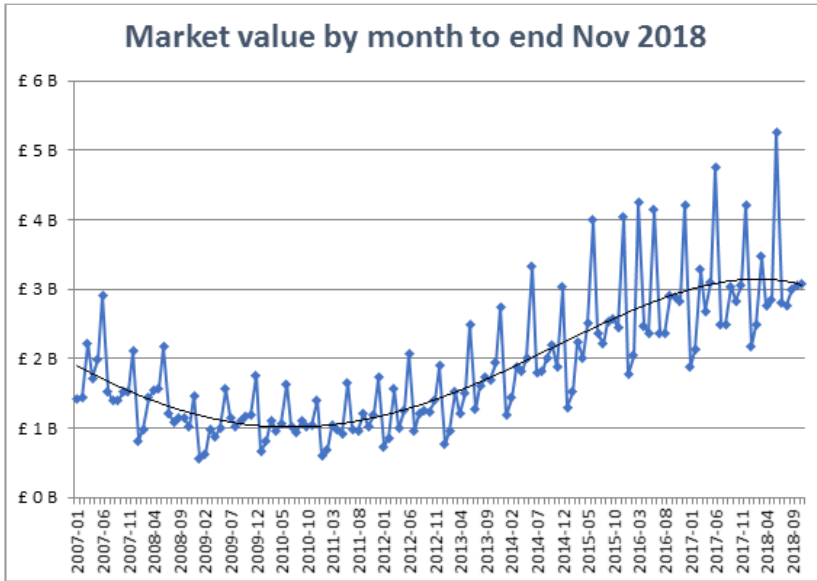
Region	2007 to 08 peak	Latest average price	% change from peak	% change average
North East	£139,000	£123,046	-11.5	-0.4
North West	£152,000	£159,471	4.9	2.4
Yorkshire and The Humber	£150,000	£162,129	8.1	2.2
East Midlands	£158,000	£190,171	20.4	2.2
West Midlands	£165,000	£196,571	19.1	2.7
East	£210,000	£286,611	36.5	0.3
London	£299,000	£463,283	54.9	-2
South East	£239,000	£318,491	33.3	-1.1
South West	£212,000	£253,752	19.7	0.5

to note however that the picture is of gentle falls and there is no evidence of the sharp ‘boom and bust’ cycle that has typified the housing market in previous decades.

Overall the picture seems to be that there hasn’t really been a housing boom and looked at over the past decade, housing has for much of the country lost its appeal as a ‘must have’ investment – other forms of investment have performed better. In past decades housing had a reputation of being a ‘hedge against inflation’ but in reality this is certainly less so now than it used to be. In past cycles people felt they had to get onto the housing ladder before it became too expensive, this is not now the case. But having said that, people will always need a place to live and so, whatever the tenure, housing will be needed. In past decades the housing market rollercoaster has caused real problems for house builders and it is preferable to see these fairly benign cycles.

Data from *Bank of England detailing mortgage approvals and remortgages suggests tentative signs of recovery for the Mortgage market. (*Data to 31 March 2019). This conclusion is backed-up by a report from ‘UK Finance’, which reveals that the number of home-loan approvals increased by 6% since March 2018. Their report covers around 60% of the mortgage market and shows the number of home-loan approvals.





than new build houses. But that said, the trend is towards a society in which there are more 'smaller' and 'older' households. The proportion of over 85 year olds is expected to double in the 25 years from 2016.

The ONS report that 35% of all households have two people and the next largest group is one-person households (28%). But looking at the latest Census figures, only 11.8% of properties in England and Wales had one bed and 27.7% had two beds (the most popular size was 3 beds being 41.6% of the total). So there is a clear need for more small properties, if the housing stock is to be used efficiently. Part of the solution to the problem will also lie in encouraging people who have too much space to downsize into

The long view

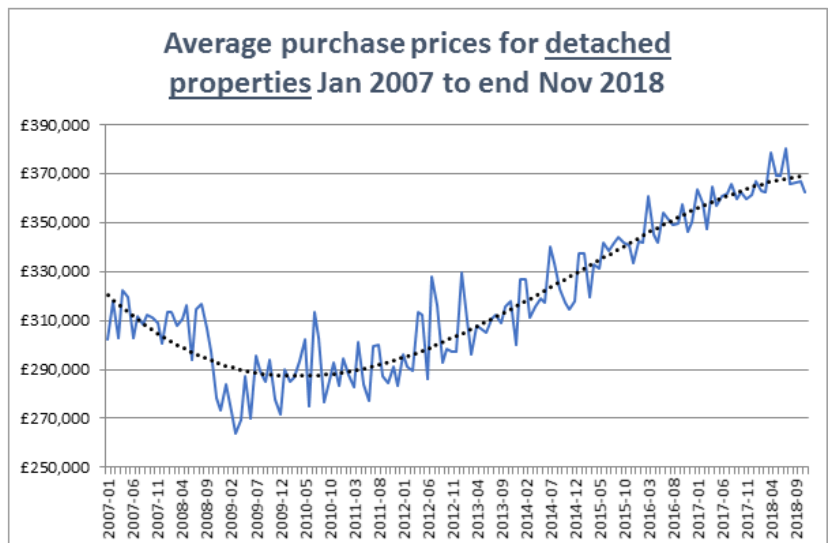
The UK Government has put in place plans to become a net zero carbon emitter by 2050. It is the first G7 nation to set a legally binding target. The present commitment is to cut greenhouse gas emissions by 80% by 2050 but this change to the Climate Change Act will be legally binding and will require a net zero emissions target to be met. Changes will be required across the board which will include the way in which energy is generated and delivered, how efficiently it is used by appliances, how properties are heated as well as large scale changes to both the new and existing housing stock. It is pretty much inevitable that new build housing will see an ever-greater requirement to be energy efficient, albeit and as discussed in previous edition, the biggest potential for improvement will be in the existing housing stock.

Delivering such change will happen most easily if it happens through a buoyant market where energy efficiency is seen as a marketable quality. Driving change in the new build sector will be relatively easy when compared to second hand housing stock. Retro fitting wall insulation to a turn of the century terrace house with solid stone walls will be challenging, to say the least. Although it's a generalisation (but see below), it is likely that lower levels of energy consumption will be more easily achieved by new build flats

smaller housing, which will need some innovative thinking.

Current News

Against the ongoing economic, political and housing market sector uncertainty, the new build sector continues to pull through. The NHBC has recently reported that 13,500 new homes were registered to be built in the UK in April, an increase of 21% on a year since. In part this is due to the freezing weather in Spring 2018, but analysis on a quarterly basis shows the private sector up by 4% and the affordable and rental sector up by 14%.



First time buyers - Affordability




	2 bed 70 sq m Starter home	Ave annual earnings Full Time employees	HPE	Affordability Index
East Anglia	£237,658	£34,273	6.93	117
East Midlands	£144,079	£29,165	4.94	83
Greater London	£419,795	£41,400	10.14	171
North East	£125,969	£27,642	4.56	77
North West	£140,302	£29,063	4.83	81
Scotland	£158,540	£30,700	5.16	87
South East	£247,597	£36,116	6.86	115
South West	£180,582	£29,992	6.02	101
Wales	£140,687	£28,240	4.98	84
West Midlands	£178,384	£29,457	6.06	102
Yorkshire and the Humber	£141,204	£28,951	4.88	82
		Averages	5.94	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 June 2018 to May 2019.





-  Detached
-  Flats
-  Semis
-  Terrace





North/South Average % Change





NORTH		% AVERAGE	SOUTH		% AVERAGE
		9.23 %			4.09 %
		-1.47 %			0.92 %
		7.43 %			1.71 %
		5.55 %			3.34 %





SCOTLAND	£ AVERAGE / M ²
	£1,779
	£2,277
	£1,829
	£2,092





NORTH WEST	£ AVERAGE / M ²
	£2,209
	£2,404
	£1,907
	£2,001





NORTH EAST	£ AVERAGE / M ²
	£1,832
	£1,966
	£1,704
	£1,618





WEST MIDLANDS	£ AVERAGE / M ²
	£2,324
	£2,925
	£1,834
	£2,248





YORKSHIRE & THE HUMBER	£ AVERAGE / M ²
	£2,027
	£2,343
	£1,819
	£1,826





WALES	£ AVERAGE / M ²
	£1,695
	£2,324
	£1,890
	£1,756

EAST MIDLANDS	£ AVERAGE / M ²
	£2,084
	£2,218
	£2,084
	£2,069

SOUTH WEST	£ AVERAGE / M ²
	£2,673
	£3,014
	£2,429
	£2,503

GREATER LONDON	£ AVERAGE / M ²
	£4,883
	£6,878
	£5,178
	£5,257

SOUTH EAST	£ AVERAGE / M ²
	£3,466
	£3,998
	£3,439
	£3,330

EAST ANGLIA	£ AVERAGE / M ²
	£2,877
	£4,012
	£3,057
	£3,104

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](#)

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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