

# LSL New Build Index

The market indicator for New Builds

Mar 2020



In the year to end February 2020 new build prices per m<sup>2</sup> rose by an average of 2.43% across the UK...

## The Long View

2020 has seen fires in Australia, floods across the UK and now we jointly face Covid 19. A few short months since we were looking forward to putting the uncertainty of Brexit behind us, but we now face even greater uncertainty.

Other news pales into insignificance compared with the economic and social issues arising from Coronavirus so it is perhaps worth considering a few potential consequences. Whatever happens, people will still need property to live in and the level of demand for housing will remain largely unchanged.

The Government will need to eventually pay off the increased borrowing that it is having to incur, but will

also want to keep interest rates low and to pump money into the economy to stimulate it. This in turn would be expected by economists to create inflationary pressures and the response to this should be to raise interest rates. But inflation also reduces debt in real terms, including Government debt, and this may be the lesser of two evils.

Infrastructure spending plans in the budget, which included money for housing, will help to offset any negative economic consequences. So social housing and schemes encouraging people into owner occupation in one form or another are likely to provide steady income streams going forward and the acute shortage of housing will be ongoing.

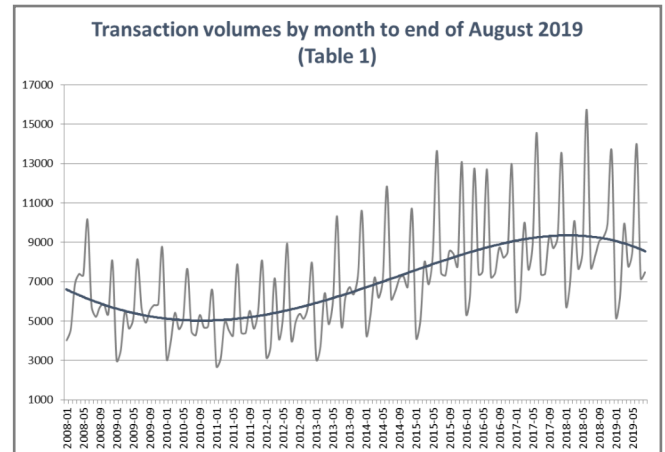
If there is a 'silver lining' for house buyers, then low interest rates are likely to be here for a good while. In past decades the main benefit of home ownership was its ability to be a 'hedge against inflation' – house prices rose in line with inflation (in the long run), but the amount you owed on your mortgage didn't. So if inflation returns it will help to reduce mortgages in real terms.

## The Market

The LSL Acadata HPI provides detailed analysis of the housing market on a rolling monthly basis. It includes all sales data (both cash purchases and mortgage purchases) and overcomes the delays that occur in registering property sales. It can be accessed online via the LSL Property Services website ([www.lslps.co.uk](http://www.lslps.co.uk)). The latest available index at the time of writing is the February 2020 House Price Index.

The overall picture for England and Wales is of slowly increasing house prices with a positive month on month rise being recorded by the index in every month since last August. A 1% year on year rise is recorded to the end of February with an average house price in England and Wales of £303,189. Looking across the regions of England and the country of Wales, Wales continues to be the best performing area with prices up by 3.2% and an average house price of £193,263.

The most recent LSL Acadata HPI for Scotland finds a 2.8% annual increase in house prices. At a more detailed level, sales of homes costing more than £750,000 in Edinburgh are at an all time high and the

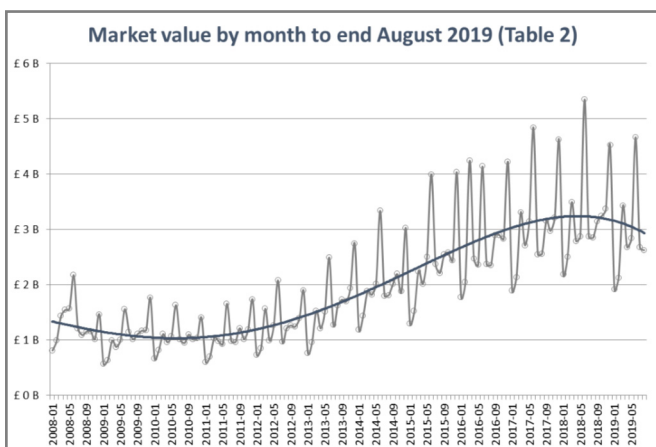


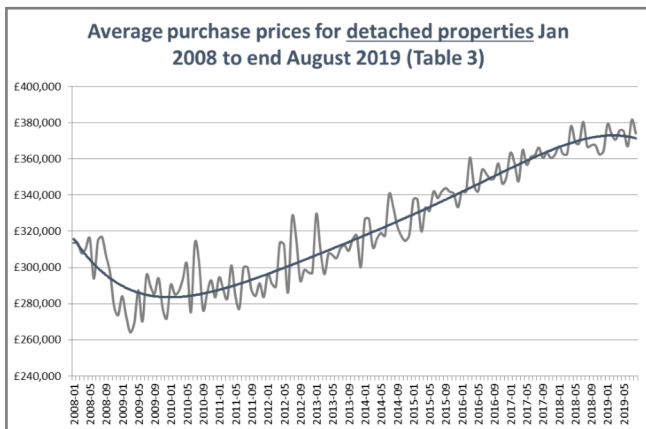
Inverclyde area saw the fastest house price growth over the year, standing at slightly over 10%.

The data shows that within England it is Greater London that has again become the lead region with year on year growth of 2.8% and an average selling price of £623,615. Yorkshire & Humberside is the next best performing English region with 2.3% followed by the North West at 2.1%. The North East, East Midlands and South West are in positive territory with rates between 1.2% and 0.9%, the South East has seen no change over the year and the West Midlands and East of England have seen price falls of -0.7% and -2.1% respectively.

The report goes on to detail price changes at the level of County and Unitary Authority, within the London Boroughs and within various conurbations. It finds that 21 of the 33 London Boroughs have seen prices rises and that the best performing conurbation is perhaps unsurprisingly, Cardiff, with an annual rise of 4.4%.

One final aspect of the LSL Acadata HPI is the analysis of transaction volumes over time and changes in this measure of market activity. It compares transaction volume data for the three months of November to January in 2017/18, 2018/19 and 2019/20. The general picture was of an increase in transaction volumes in the 2017/18 to 2018/19 period, being most prevalent in the Northern half of the country but falls in transaction volumes have occurred over the past year. In the latest period, year on year transactions were down about 5% on the previous year.





Other data generated from valuations of new build property, carried out by e.surv Chartered Surveyors, analyses changes in year on year prices. In the year to end February 2020 the average £psm (per square meter) selling rate of new build across the UK rose by 2.43%. Prices of new build property in the North rose by 5.3% whilst prices in the South were largely static.

The First Time Buyers affordability chart shows the price of a typical two bed property across the regions and compares this to average full-time earnings in those regions. Whilst earnings are markedly higher in Greater London and e.g. the South East, this is more than offset by far higher property prices in these regions, which means that they score badly on the affordability index. Contrast this with e.g. the North East where average earnings are relatively low, but the lower house prices means that housing is more affordable, despite the lower incomes.

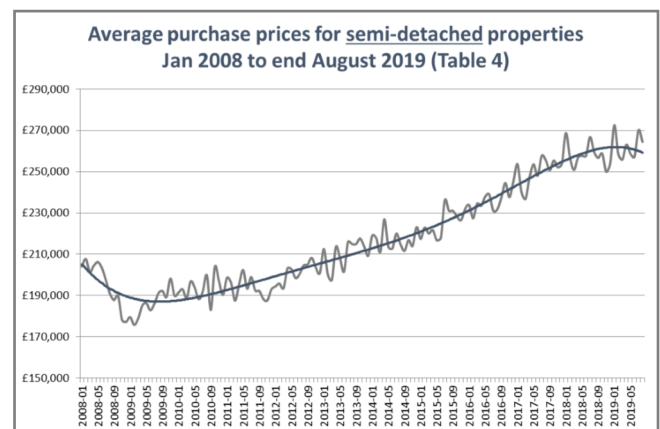
This report focuses exclusively on the new build sector and charts 1 to 6 cover the analysis of new build sales data over the period 2008 to approaching the middle of 2019. There is a time lag in the registration of new build data so fully up to date information gives a distorted view. The charts are helpful in taking a long-term view on the new build industry.

The chart 'Transaction volumes by month to end May 2019 [Table 1]' shows the steady decline of new build sales each month from 2008 through to the trough which occurred around 2010/11. The main line is a smoothed average whilst the other line shows the heartbeat of the new build industry with certain months producing the high and low points in industry output each year. In line with other industry statistics, it can be seen that the average had reached

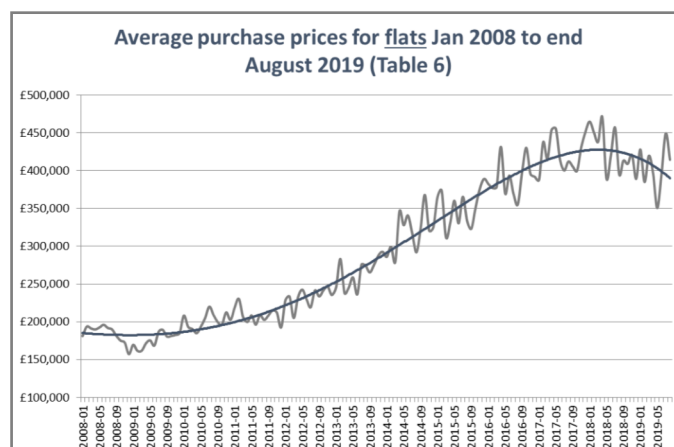
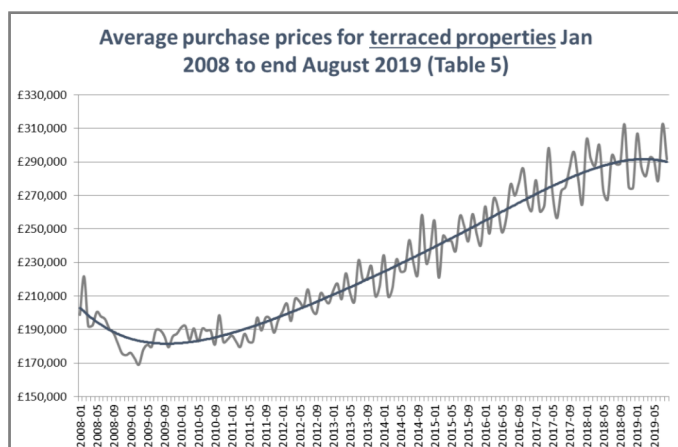
9,000 sales per month in 2017/18, before starting to decline into this year.

The chart 'Market value by month to end August 2019 [Table 2]' shows the value of new build sales recorded through the HM Land Registry and can be seen to have declined to around £1 billion per month by 2010. The subsequent upswing in this measure is a combination of growing sales and increases in the value of the average unit sold, as a result of house price inflation. The trend line shows how the average monthly figure exceeded £3 billion in late 2017 and early 2018. From early to mid 2018 the trend line started to decline but it well ahead of the 2010 figure and reflects the continues strength of the new build sector in what have been challenging times.

The e.surv mortgage monitor for February found the market to be down slightly in January following a bumper December. A marginal increase in the mortgage market share going to small deposit borrowers (which covers First Time Buyers), was noted in February. The monitor finds that London has the highest proportion of buyers with larger deposits but slightly less than one in five of buyers with smaller deposits. This contrasts with Yorkshire which had most buyers with smaller deposits, accounting for slightly over 1/3<sup>rd</sup> of all mortgages.







## First time buyers - Affordability

	2 bed 70 sq m Starter home	Ave annual earnings Full Time employees	HPE	Affordability Index
East Anglia	£233,497	£34,841	6.70	113
East Midlands	£156,581	£29,791	5.26	89
Greater London	£425,010	£41,977	10.12	171
North East	£123,571	£28,322	4.36	74
North West	£145,293	£30,414	4.78	81
Scotland	£153,544	£31,940	4.81	81
South East	£252,619	£37,024	6.82	115
South West	£197,178	£30,564	6.45	109
Wales	£148,564	£28,899	5.14	87
West Midlands	£174,592	£30,256	5.77	97
Yorkshire and the Humber	£144,396	£29,445	4.90	83
		<b>Averages</b>	<b>5.92</b>	<b>100</b>

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.









Table 7: 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 m<sup>2</sup>





Period March 2019 to February 2020.





## North/South Average % Change





NORTH		% AVERAGE	SOUTH		% AVERAGE
		1.50 %			2.20 %
		8.16 %			-0.27 %
		5.37 %			1.11 %
		6.16 %			-2.88 %





SCOTLAND	£ AVERAGE / M <sup>2</sup>
	£1,783
	£2,315
	£1,984
	£2,212





NORTH WEST	£ AVERAGE / M <sup>2</sup>
	£2,202
	£2,491
	£1,964
	£2,030





WEST MIDLANDS	£ AVERAGE / M <sup>2</sup>
	£2,399
	£2,842
	£2,300
	£1,687





WALES	£ AVERAGE / M <sup>2</sup>
	£1,448
	£2,509
	£1,895
	£2,020





SOUTH WEST	£ AVERAGE / M <sup>2</sup>
	£2,589
	£3,356
	£2,591
	£2,511





GREATER LONDON	£ AVERAGE / M <sup>2</sup>
	£4,914
	£6,822
	£5,033
	£5,185

SOUTH EAST	£ AVERAGE / M <sup>2</sup>
	£3,460
	£3,962
	£3,509
	£3,357

NORTH EAST	£ AVERAGE / M <sup>2</sup>
	£1,910
	£2,057
	£1,739
	£1,635

YORKSHIRE & THE HUMBER	£ AVERAGE / M <sup>2</sup>
	£2,099
	£2,636
	£1,970
	£1,954

EAST MIDLANDS	£ AVERAGE / M <sup>2</sup>
	£2,205
	£2,184
	£2,108
	£2,185

EAST ANGLIA	£ AVERAGE / M <sup>2</sup>
	£2,894
	£3,953
	£2,946
	£2,974

## Notes

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

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It can provide integrated solutions for their benefit drawing on the expertise of companies who are also under the LSL Group umbrella including valuation services (e.surv), rental portfolio services, asset management services and estate agency services fronted by well-known high street estate agency brands like Your Move and Reeds Rains. Services can be tailored to suite individual needs from bespoke site sales and marketing, agency referral to the disposal of part exchange, assisted schemes and new build stock, land sales and acquisitions.

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](http://www.lslps.co.uk)

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