

# LSL New Build Index

The market indicator for New Builds

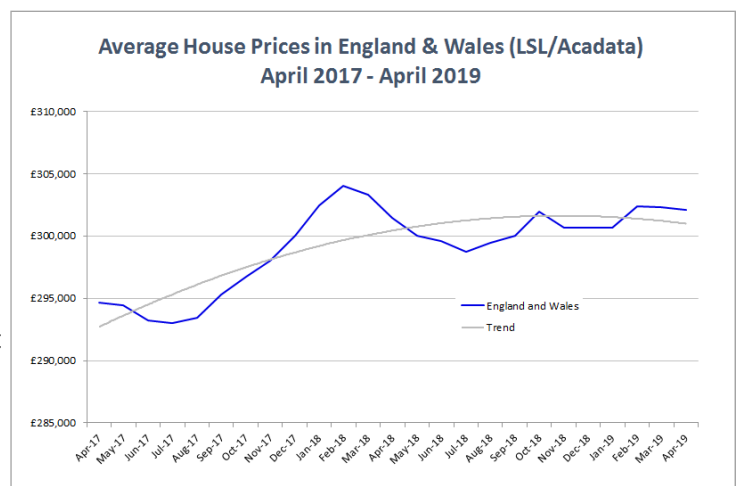
May 2019

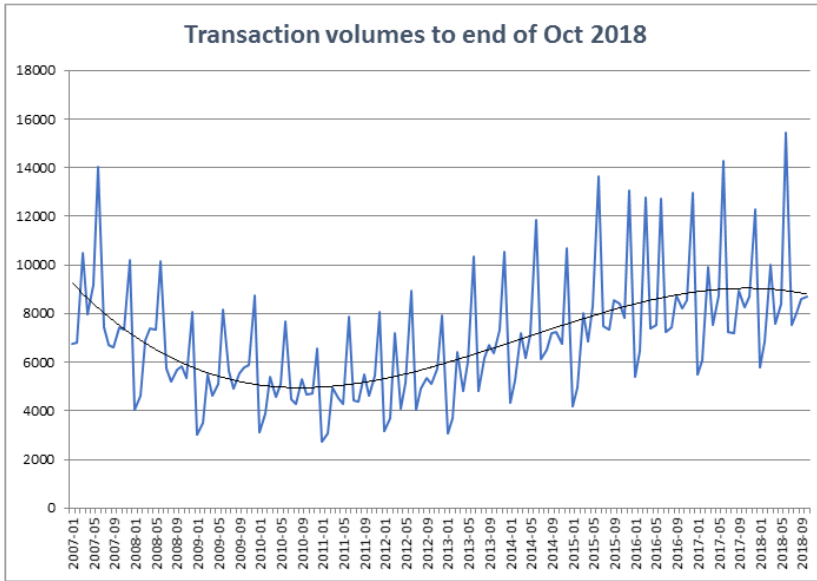


In the year to end April 2019 new build prices per m<sup>2</sup> rose by an average of 3.8% across the UK...

## The Market

LSL / Acadata's April House Price Index reports house price growth down by -0.1% on the same month last year For England & Wales, with average house prices standing at £302,122 (see graph to right). The Nationwide's April 2019 House Price Index reports UK wide house price growth up 0.9% on the same month last year, with average price now standing at £214,920. The report talks of a stable situation, albeit with weakening buyer sentiment. The report also points to the steady rise in First Time Buyers, which doesn't show any signs of abating and which will be helping to underpin the market as FTB's often create





### The long view

The most recent LSL Land & New Homes New Build Market Review looks at top level data for the new build market over the past twelve years. There is usually quite a time lag in registering new build sales, so the data series runs from 2007 to September 2018. The table above showing transaction volumes, starts in January 2007 with a fairly steep descent, showing the market in the throws of a sharp contraction, which bottomed out in 2010 to 2011. Since then the chart records a steady rise in transaction volumes, which now appears to have plateaued around 2017 to 2018. This top-level evidence appears to show that the slow

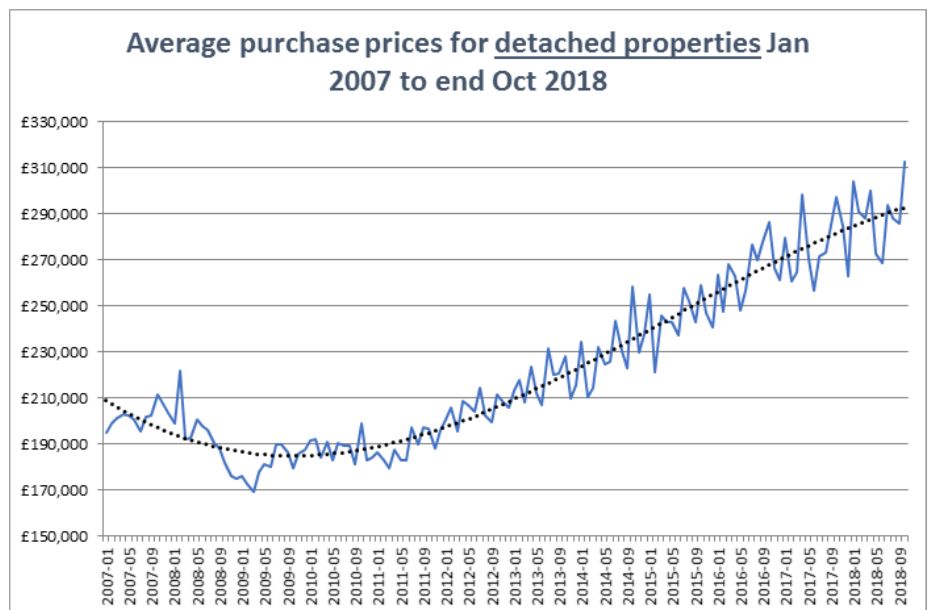
buyer chains. The main reason cited that stops more FTB's entering the market is difficulty in raising the deposit. The report finds that, when compared with historic data, low interest rates offset the relatively high property prices, so keeping affordability pretty much in line with historic levels.

The NAEA (National Association of Estate Agents), reports in its March 2019 Housing Report that the supply of available properties to buy stood at 37 per branch which was the lowest level that it had recorded for the month of March. This represented a year on year fall of 8%. The report also finds that 81% of properties sold for less than the original asking price.

The ONS UK Property Transaction Statistics for March 2019 is a monthly estimate of the number of residential property transactions in the UK. The count for March 2019 was 101,830 which is nearly 7% higher than the figure for March 2018, which is of course positive news in the present uncertain environment. But that said, the report shows that transaction volumes have been relatively stable over the past ten years and the only recent 'blip' of significance was in 2016, when higher stand duty rates were introduced for the purchase of second properties.

down is a gentle one and there does not at this stage appear to be any of the volatility experienced in the last market down turn.

The same is reflected in the market value by year, which peaks at around £35 billion, and which appears to be somewhat more volatile as it reflects both house price growth and growth in transaction volumes. It shows that the value of the output of the New Build industry output has approximately trebled between 2010 and 2017. Other graphs in the April 2019 New Build Market Review look at the transaction volumes at regional level and show that most regions continued to see a slight increase in transaction volumes into 2017, the exception being





London and the South East which saw some slight falls. The overall picture is of a new build market that has seen strong growth over the past decade and which is now levelling off, but not seeing any dramatic falls at the UK wide level.

And whilst there is relative stability in the traditional house building market, some interesting developments are taking place within the sector:

Ilke Homes whole-house volumetric system (see photo right) is the first to achieve National House-Building Council (NHBC) recognition and will be the first to be covered by NHBC's Buildmark warranty.

Japan's largest house builder, Sekisui House, who are pioneers of Modern Methods of Construction will bring their approach to house building into the UK via a deal with Homes England and Urban Splash.

In the last few days, Legal & General has announced that it has exchanged contracts on sites that will allow it to proceed with its largest Build to Rent project to date. The 1,000 homes development will provide purpose-built homes with long leases for all ages, demographics and social groups.

'UK Finance' reports that the number of home-loan approvals increased to 39,980 in March. This is a 6 percent increase since March 2018.

### Current news

Some recently published research from CPRE (Campaign for the Protection of Rural England) details the potential to build more than one million homes on brownfield land, so helping to preserve the green belt. Councils across the country maintain lists of sites which presently number more than 18,000. Of these about 2/3rds are defined as being 'Shovel ready' which is to say that they could be developed within 5 years. Brownfield sites come through in a steady flow and the CPRE is encouraging the Government to push for higher density development, to capture more sites in the definition of 'brownfield' and to prioritise brownfield sites over green belt land. As noted in previous reports, there is an ongoing move towards city living and an imbalance between

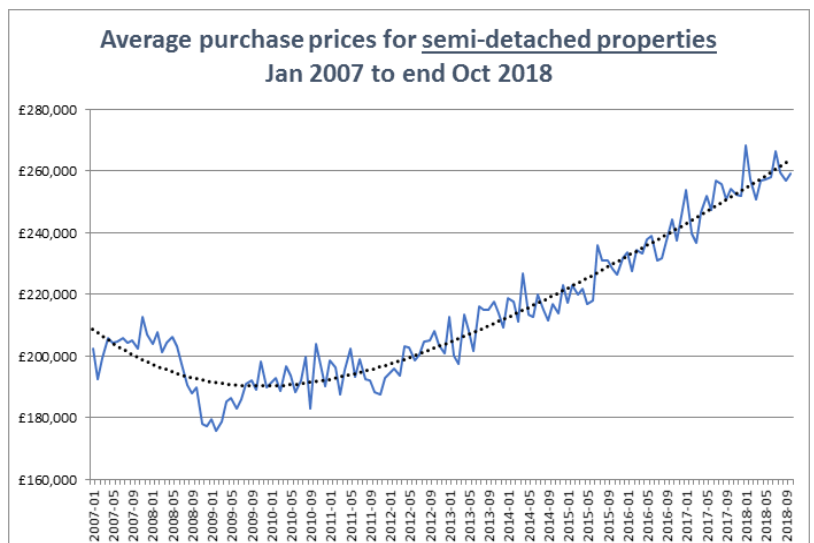
the housing stock and housing needs, so higher density development of smaller residential units does make sense.

The latest Government data on Help to Buy indicates that in 2018 just over 52,000 new homes were purchased through the scheme. Take up of Help to Buy increased by 12% in 2018, reflecting the steady



increase in First Time Buyer activity (HtB only applies to new build property). Around 1 in 7 FTB's use Help to Buy and since the scheme was launched in 2013, 210,964 properties have been bought through the scheme. The Ministry of Housing, Communities and Local Government MHCLG have stated that the HtB scheme will end in 2023 and that it is hoping that house builders and lenders will work together in bringing forward new schemes to encourage FTB's and second movers into the market.

The HBF / Glenigan 'Housing Pipeline' report has



found that permissions were obtained to build just under 370,000 properties in 2018, the second highest annual figure on record. The permissions are planned to be implemented in the next two to five years and represent an ongoing commitment from the industry to keep building into an uncertain future. The HBF added that housing supply had grown by 78% over the last five years with 220,000 homes being added to UK stocks last year. This figure is still short of the 300,000 number that the Government wants to see being built each year by the mid 2020's. The HBF go on to report concerns about the speed with which Local Authorities process applications, the economic uncertainty that the industry operates in, the state of the second-hand market and the post Brexit availability of skilled overseas labour.

The UK's Gross Domestic Product (GDP), increased in the first quarter with a figure of 0.5%, up from 0.2% in the previous quarter. Whether this is due to stockpiling as a precaution over Brexit or an increased tendency for the country to just 'get on with things' has yet to become clear. Other positive news came from the Office for National Statistics (ONS), which reported that, at 76.1%, the UK employment rate stood at the joint highest figure on record, being 0.5% higher than last year. The UK unemployment rate stood at 3.8%, it has not been lower since October to December 1974, and the UK economic inactivity rate is also close to a record low, estimated at 20.8%. Excluding bonuses, average weekly earnings for employees in Great Britain were estimated to have increased by 3.3% before adjusting for inflation, and 1.5% after inflation, when compared with a year earlier. So, looked at in the round the economy may be sluggish but it is growing, people are in work more than ever before and real income is slowly rising. Combine that with the shortage of housing and the mismatch between the housing stock and housing requirement (more small properties being needed), and there is a sound business environment to operate in.

Altogether the new build market is weathering current political conditions remarkably well, with developers continuing to supply into what remains an essentially stable market.

#### First time buyers - Affordability

|                          | 2 bed 70 sq m<br>Starter home | Ave annual earnings<br>Full Time employees | HPE         | Affordability<br>Index |
|--------------------------|-------------------------------|--|-------------|------------------------|
| East Anglia              | £236,320                      | £34,017                                    | 6.95        | 117                    |
| East Midlands            | £137,926                      | £28,402                                    | 4.86        | 82                     |
| Greater London           | £421,469                      | £41,637                                    | 10.12       | 171                    |
| North East               | £119,675                      | £27,190                                    | 4.40        | 74                     |
| North West               | £141,290                      | £28,872                                    | 4.89        | 82                     |
| Scotland                 | £159,393                      | £30,451                                    | 5.23        | 88                     |
| South East               | £246,542                      | £35,898                                    | 6.87        | 116                    |
| South West               | £180,895                      | £29,870                                    | 6.06        | 102                    |
| Wales                    | £137,333                      | £28,092                                    | 4.89        | 82                     |
| West Midlands            | £179,502                      | £29,422                                    | 6.10        | 103                    |
| Yorkshire and the Humber | £140,048                      | £28,560                                    | 4.90        | 83                     |
|                          |                               | <b>Average</b>                             | <b>5.93</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.





-  Detached
-  Flats
-  Semis
-  Terrace





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





Period May 2018 to April 2019.





## North/South Average % Change





| NORTH   |  | % AVERAGE | SOUTH   |  | % AVERAGE |
|---|--|-----------|---|--|-----------|
|  |  | 9.29 %    |  |  | 3.63 %    |
|  |  | -0.68 %   |  |  | -0.98 %   |
|  |  | 7.56 %    |  |  | 4.26 %    |
|  |  | 5.12 %    |  |  | 3.18 %    |





| SCOTLAND  | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £1,838                     |
|  | £2,272                     |
|  | £1,845                     |
|  | £2,056                     |





| NORTH WEST  | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|    | £2,165                     |
|    | £2,412                     |
|    | £1,910                     |
|  | £1,992                     |





| NORTH EAST  | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|    | £1,810                     |
|    | £1,914                     |
|    | £1,707                     |
|  | £1,641                     |





| WEST MIDLANDS   | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £2,309                     |
|  | £2,955                     |
|  | £2,214                     |
|  | £2,271                     |





| YORKSHIRE & THE HUMBER  | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £2,015                     |
|  | £2,346                     |
|  | £1,793                     |
|  | £1,816                     |





| WALES   | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £1,682                     |
|  | £2,289                     |
|  | £1,883                     |
|  | £1,707                     |

| EAST MIDLANDS   | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £2,040                     |
|  | £2,101                     |
|  | £2,042                     |
|  | £2,044                     |

| SOUTH WEST  | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £2,660                     |
|  | £2,983                     |
|  | £2,429                     |
|  | £2,498                     |

| GREATER LONDON  | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £4,855                     |
|  | £6,927                     |
|  | £5,173                     |
|  | £5,285                     |

| SOUTH EAST  | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £3,472                     |
|  | £4,005                     |
|  | £3,412                     |
|  | £3,338                     |

| EAST ANGLIA   | £ AVERAGE / M <sup>2</sup> |
|---|----------------------------|
|  | £2,894                     |
|  | £3,991                     |
|  | £3,058                     |
|  | £3,122                     |

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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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