

LSL New Build Index

The market indicator for New Builds

Nov 2019



In the year to end October 2019 new build prices per m² rose by an average of 2.86% across the UK...

The Market

The Rightmove House Price Index, which tracks property coming to market, has recorded a 1.3% fall in the price of property over the past month. Whilst such slight price drops are to be expected at this time of year, the number of new sellers coming to the market has fallen by 14.9% on the same period last year which is the largest year on year drop since August 2009. In contrast to this however is the number of sales actually agreed which is only 2.9% down on the same period last year. It seems that the continuing Brexit turmoil, combined with the upcoming general election, are leading to a 'wait and see' attitude amongst sellers, despite the fact that there are clearly buyers in the market.

At a regional level the Rightmove House Price Index (which shows both time to sell and asking prices), shows that most of the Midlands, Wales, North and Scotland are seeing price rises in the 1 to 3% price band, whilst Greater London, East of England and the South East are experiencing year on year falls of around 1%. The overall picture seems to point quite clearly to an issue of confidence in the future, rather than any fundamental imbalance in the property market.

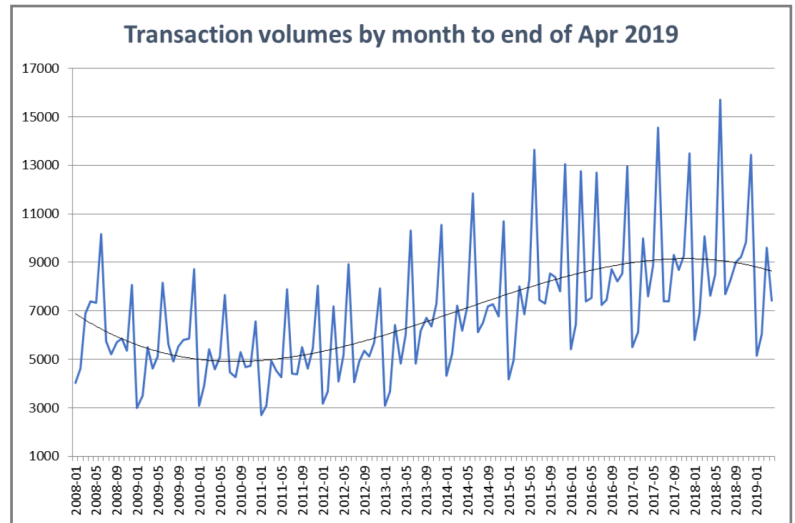
The latest RICS UK Residential Market Survey, from October 2019, found that across the UK as a whole new buyer enquiries fell for the second month in succession. All regions of the UK, with the exception of Northern Ireland, reported a slip in the number of

newly agreed sales, albeit at a slowing pace from the previous month. The respondents to the survey anticipated a slightly improving picture in terms of sales volumes in the coming months with markedly improved expectations being recorded over the twelve-month term. The respondents also reported a significant drop in the number of new instructions coming to market, in line with the Rightmove survey above. The report also identified price reductions in London, the South East and the East which contrasted with price rises in Scotland, Wales and Northern Ireland.

The most recent Hometrack, UK Cities House Price Index, finds that the average house price inflation across all the cities is at half of the average figure for the past five years. Though positive and reasonably healthy, at 2.4%, the figure reflects greater discounting on asking prices and lengthening times needed to achieve a sale.

Twenty cities are listed and the first ten in terms of house price growth are located in the Midlands or the North. Leicester leads the way, followed by Manchester and Liverpool all with year on year growth of between four and five percent. Belfast, Edinburgh, Cardiff, Birmingham, Nottingham and Glasgow have between three and four percent growth. Leeds, Bristol, Sheffield, Bournemouth and Newcastle have two to three percent growth.

The remaining cities of: Cambridge, Southampton, Portsmouth, London, Oxford and Aberdeen have seen price rises below one percent over the past



year. Aberdeen has been the worst hit at -5.5%, which has been put down to the oil price collapse.

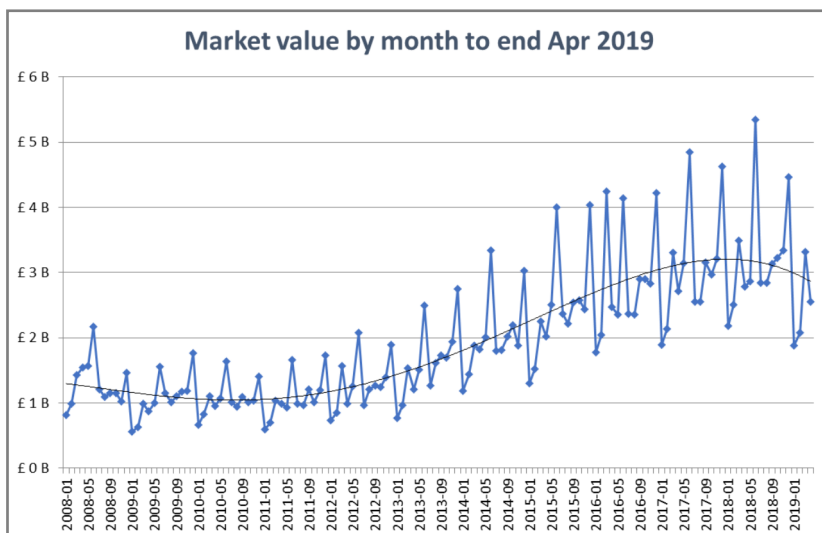
The Deloitte Crane Survey tracks both residential and commercial new build activity in London, Belfast, Birmingham, Manchester and Leeds. It provides a useful barometer of what is coming out of the ground to meet current and future occupier demand.

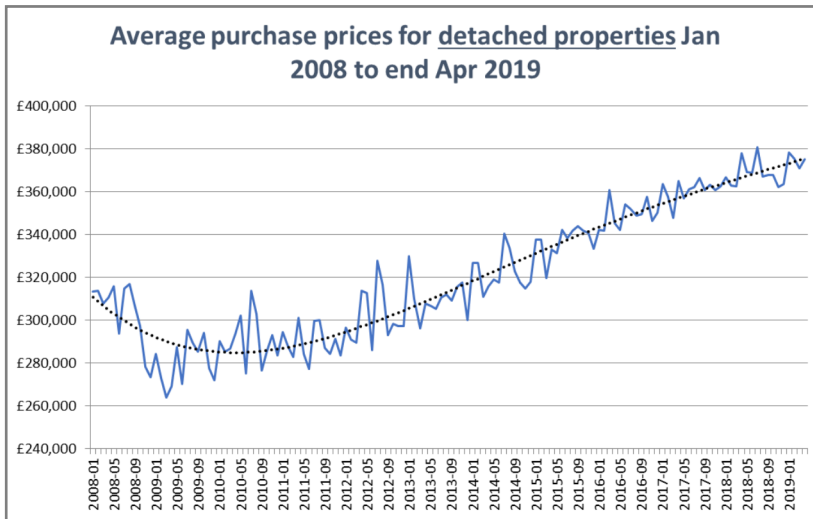
The 2019 Deloitte Manchester Crane Survey reports of new neighbourhoods being developed as Manchester seals its' place as one of Europe's fastest growing cities.

The report finds that 14,400 new residential units are under construction across 48 developments. The delivery of new units over the next three years will exceed the units delivered over the previous ten years combined. Construction commenced on 44

new schemes. Looking to the wider Manchester economy, Deloitte's identify over 2 million sq ft of office development commenced as well as significant investment resulting in over 1.1 million sq ft of education and research space.

Similarly, the 2019 Deloitte Birmingham Crane Survey reports city centre residential development reaching an all time high with over 5,000 units under construction. At 2,667 units, the highest ever level of student accommodation is under construction and office development has exceeded 1.4 million sq ft for the third consecutive year.





Current News

A poll of property market specialists by Reuters predicts that house price rises will not keep up with inflation until 2020. A 1% level of price growth is forecast this year with a modest pick up predicted for the coming years. However, the latest UK Finance Mortgage Trends Update reports that there were 29,100 First Time Buyers who completed in September 2019 which is 1.8% above the same month in 2018. As mentioned previously the FTB's very often buy off those that become second time buyers and as such start chains going. So it is reassuring to see an increase in FTB activity, which could be the result of a bigger pool of prospective FTB's as the average FTB age increases, or perhaps an improved supply of low deposit mortgages.

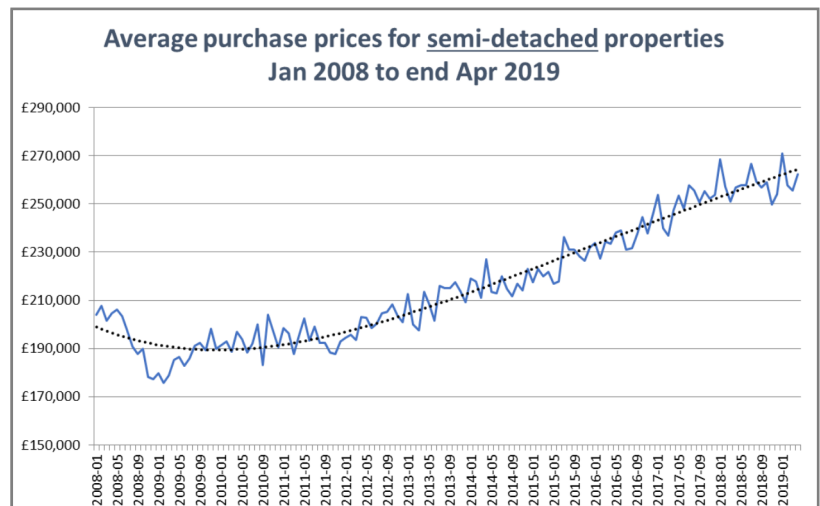
The Long View

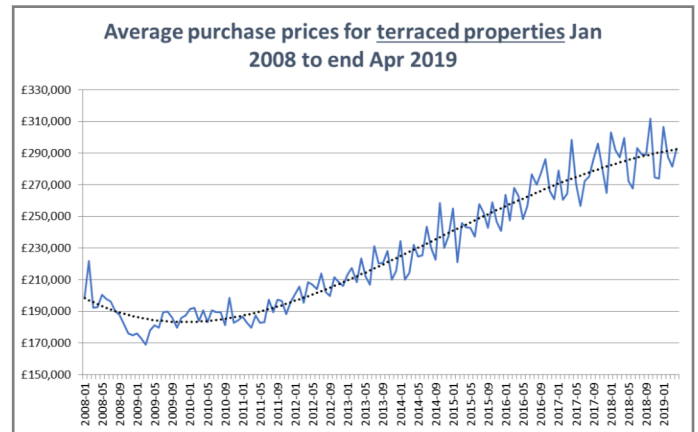
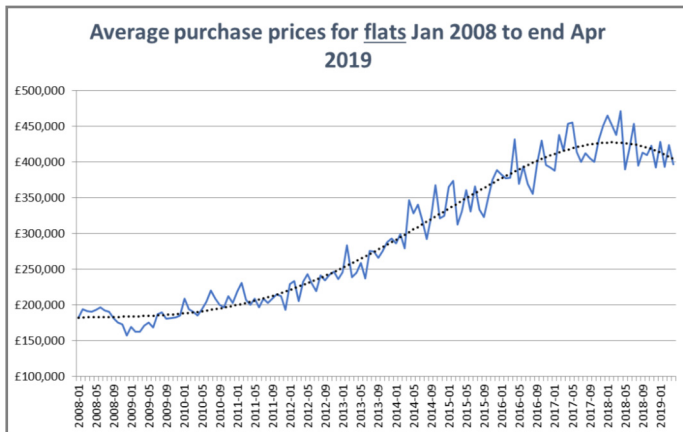
This month the National Federation of Builders has set out proposals to address the big changes needed in the construction industry if the UK is to meet its target of being carbon neutral by 2050. The report has been produced by the NFB Major Contractors Group who urges Government and Public Sector bodies to use Lifetime Carbon as a procurement tool to assess the value of goods and services. The thinking behind this is that historically cost, as measured in pounds and pence, has been the key focus of purchasing decision.

There is now the need to refocus on the amount of carbon used and the potential for carbon reduction in a process, as oppose to only focusing on the financial cost. Reduced use of steel and concrete will limit greenhouse gas emissions and some materials, notably timber, take carbon from the atmosphere and keep it locked up for a long time since they remain a part of a building – a process known as carbon sequestration.

There is no doubt that the environment is now a central policy issue and that it is only likely to grow in importance. Reports such as this – 'Transforming Construction for a Low Carbon Future', are likely to be the first step. Incentives and penalties imposed through Government policy on construction activity can be expected in the reasonably near future.

Within the housing market overall there is still a high level of demand caused in no small part by a shortage of supply. The New Build sector is going some way to trying to fill the demand supply gap. In the future the New Build sector will probably see a shift away from Help to Buy which means that house builders will need to be less reliant on it even if an alternative scheme is put in place. To encourage carbon zero the Government is likely to incentivise more factory-built housing and in turn that is likely to increase New Build output and would reduce costs. So Brexit is unlikely to have a long term negative impact on the New Build market, but there may be a need to fine tune tactics to some extent.





First time buyers - Affordability

	2 bed 70 sq m Starter home	Ave annual earnings Full Time employees	HPE	Affordability Index
East Anglia	£234,490	£34,288	6.84	115
East Midlands	£148,786	£29,195	5.10	86
Greater London	£423,330	£41,853	10.11	171
North East	£123,021	£27,480	4.48	76
North West	£142,909	£29,550	4.84	82
Scotland	£158,902	£30,994	5.13	87
South East	£250,049	£36,209	6.91	117
South West	£184,903	£30,354	6.09	103
Wales	£141,236	£28,868	4.89	83
West Midlands	£176,320	£29,576	5.96	101
Yorkshire and the Humber	£142,007	£29,486	4.82	81
			5.92	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 November 2018 to October 2019.





North/South Average % Change





NORTH	% AVERAGE	SOUTH	% AVERAGE
	2.96 %		2.51 %
	12.66 %		-0.58 %
	6.04 %		0.34 %
	3.24 %		-2.04 %





SCOTLAND	£ AVERAGE / M ²
	£1,803
	£2,384
	£1,963
	£2,168





NORTH WEST	£ AVERAGE / M ²
	£2,200
	£2,411
	£1,945
	£1,981





NORTH EAST	£ AVERAGE / M ²
	£1,843
	£1,938
	£1,705
	£1,604





WEST MIDLANDS	£ AVERAGE / M ²
	£2,404
	£2,811
	£2,242
	£1,752





YORKSHIRE & THE HUMBER	£ AVERAGE / M ²
	£2,072
	£2,558
	£1,892
	£1,890





WALES	£ AVERAGE / M ²
	£1,509
	£2,455
	£1,848
	£1,877

EAST MIDLANDS	£ AVERAGE / M ²
	£2,198
	£2,185
	£2,104
	£2,109

SOUTH WEST	£ AVERAGE / M ²
	£2,655
	£3,214
	£2,495
	£2,547

GREATER LONDON	£ AVERAGE / M ²
	£4,634
	£6,834
	£5,106
	£5,079

SOUTH EAST	£ AVERAGE / M ²
	£3,472
	£3,943
	£3,489
	£3,324

EAST ANGLIA	£ AVERAGE / M ²
	£2,937
	£3,949
	£2,989
	£3,045

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

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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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