

LSL New Build Index

The market indicator for New Builds

Oct 2019



In the year to end September 2019 new build prices per m² rose by an average of 2.8% across the UK...

The Market

The table to the right gives an overview of the current position of the housing market. The LSL Acadata Regional House Price Index data has been examined to find the high point in terms of average selling prices in each region at the time of the last 2007 to 2008 peak. There is some variance in the exact high point depending on the region. The most recently available data for this index is shown in the 'Latest average price' column. A comparison of the '2007to8 peak' and 'Latest ave price' columns allows us to generate the third column which shows the percentage price change from the peak to present day in each

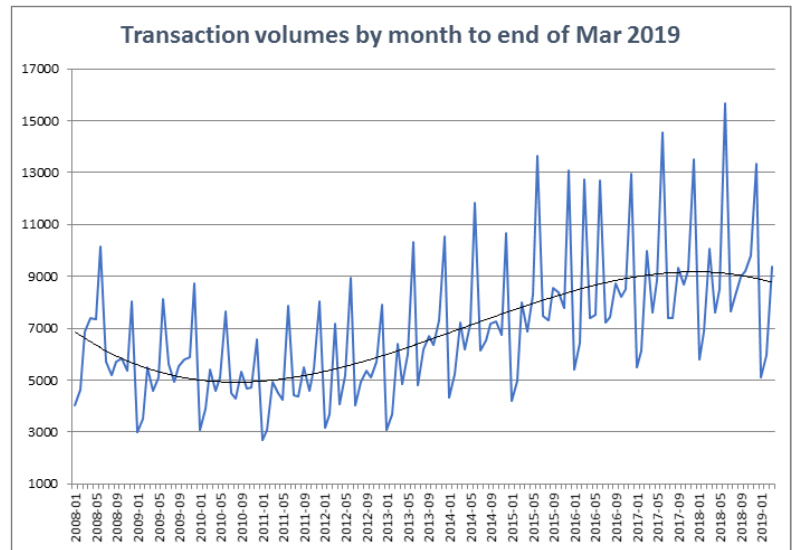
Region	2007to8 peak	Latest ave price	% change from peak	% change average
North East	£ 163,713	£ 162,513	-0.7	2.0
North West	£ 176,167	£ 195,025	10.7	2.2
Yorkshire & Humber	£ 174,688	£ 191,983	9.9	0.4
East Midlands	£ 180,280	£ 218,586	21.2	1.1
West Midlands	£ 190,060	£ 226,143	19.0	1.4
East	£ 240,972	£ 331,204	37.4	0.2
London	£ 357,880	£ 605,557	69.2	-1.1
South East	£ 282,783	£ 373,320	32.0	-0.7
South West	£ 238,537	£ 289,492	21.4	0.5
Wales	£ 171,517	£ 186,788	8.9	2.7

region. This allows us to look at present day house price changes in the context of the growth that has taken place over the past 12 years.

London has experienced the highest level of price growth over this period and average prices are presently 69% above the last peak. The East and South East have seen price growth in the 30 to 40% bracket in this period and 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, Yorkshire & the Humber and Wales have experienced growth at around 10%. In the North East prices remain slightly below the previous peak although present day price rises should soon create a move back to positive territory.

The above price changes are in nominal terms, which is to say that the effect of inflation is not accounted for. When comparing the last peak with present day we should remember that inflation will have reduced the value of property in real terms, whilst earnings growth makes mortgage repayments easier to manage. 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 is calculated from the average of the most recent price data from the ONS (average house price by English region), Nationwide (all



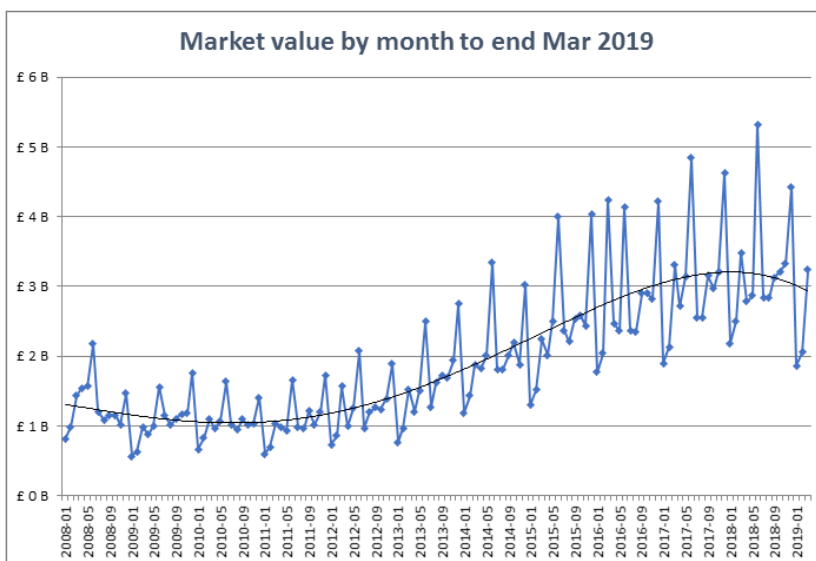
properties regional price data) and the LSL Property Services / Acadata House Price Index. A crude average is taken of the most recent output from each of these indices to get to the '% change ave' column. This is a best available average from these sources of the year on year price change.

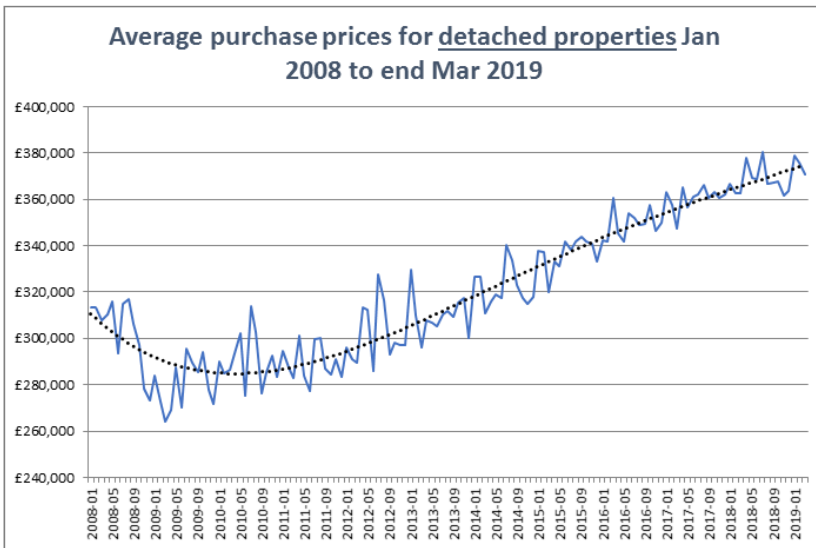
The overall picture at present is of a pretty stable market with only modest growth being noted in those regions which have generally seen the lower levels of price growth since the 2007 to 8 peak. Wales, the North West and North East are the best performing regions based on the average of indices figure with growth rates of between 2 and 3%, followed by the East Midlands and West Midlands which have growth rates between 1 and 2%. Moving closer to London, the regions with high performing

'Peak to Present' figures are reversed with the South West and East experiencing between 0 and 1% growth. Finally, the figures go negative for the two regions with the highest average price, London and the South East, seeing falls of between 0 and -1%.

The long view

Housing is continuing to be seen as one of the main political issues by all the major parties. The Housing Minister, Ester McVey, has talked of the house building industry creating 195,000 new jobs for a future generation. She talks of the future house





building industry matching the car industry in size with an industry turnover of £40 billion. Not surprisingly the basis of the growth lies in a substantial move into Modern Methods of Construction and Offsite manufacturing, something which follows on the the recent Select Committee report on MMC which we have covered previously.

Labour is proposing to build 1 million more 'Genuinely affordable' homes over a ten-year period and similarly the Liberal Democrat's have put a big focus on housing.

A recently published Commons Select Committee report has found the benefit of the Help to Buy programme to have been 'uncertain'. The summary reports that the scheme was initially intended to be short-lived but it will now last for ten years and take eight times its original budget. Around three in five of those who took part in the scheme did not need its help to buy a property. The conclusion is that Help to Buy has helped the housing building sector and boosted the supply of new homes, but its final phase appears as if it will come at the cost of changes in developer behaviour in a number of respects.

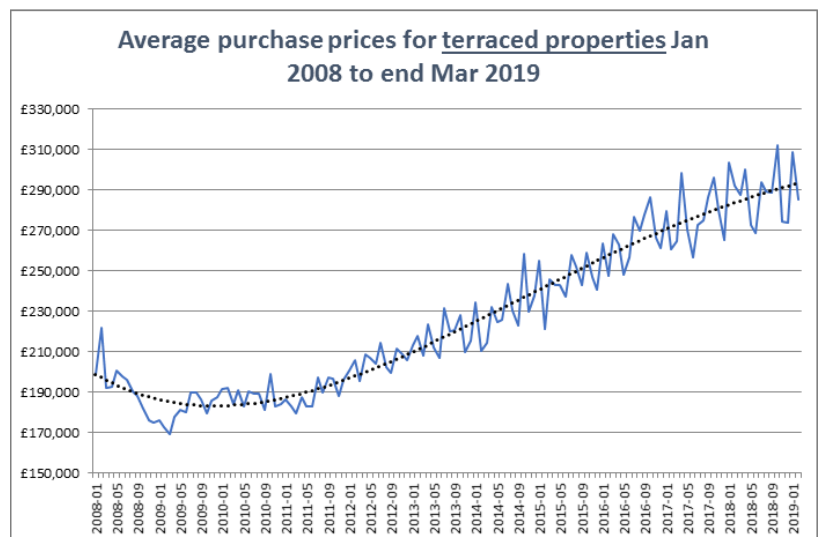
Most house builders have used Help to Buy as a means of growing their businesses back into profitability, following the 2007 to 8 market crash. Businesses do alter their behaviour to increase their profits and ensure future stability. The present Government and no

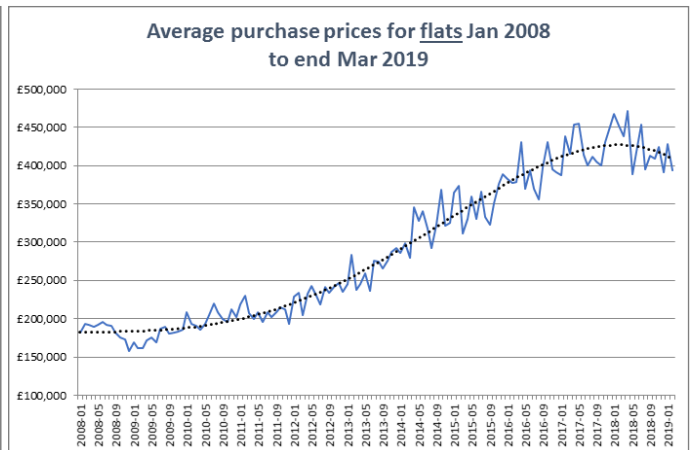
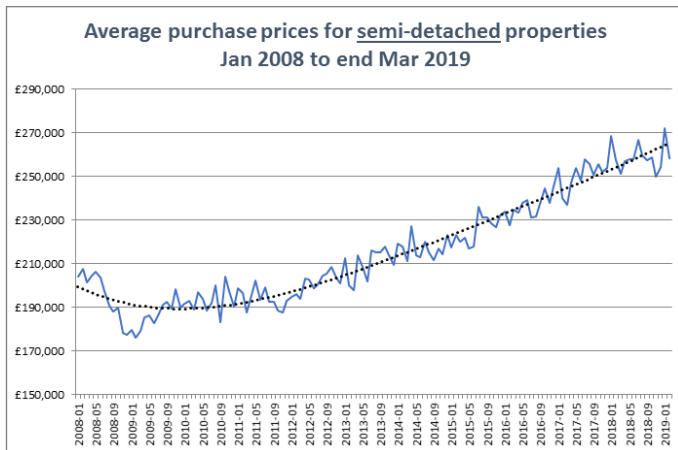
doubt future ones will be looking at house building and considering: the need for more affordable housing, the need for more energy efficient housing and the need to modernise the production of housing. It seems likely that future stimuli for the new build industry will push it towards achieving these three objectives, so it would be sensible to start planning for them now.

Current News

The latest data on UK mortgage market trends, published by UK Finance, finds that there were 35,010 new First Time Buyer mortgages completed in August 2019 which was 0.7% up on the same month last year. This is the highest figure since August 2007 when the comparable total was only slightly higher. The value of the new lending to this group was £6.1 Bn, 3% up on last year's figure. By contrast the lending to Homemovers in the same month was £8.2 Bn which was -1.3% lower than the comparable month last year.

The average loan to First Time Buyers has grown over the year by 2.9% to stand at £175,361 whilst the Homemovers average loan had grown by 4.4% to stand at £232,653. The average Loan to Value for FTB's is 77.9% whilst the comparable figure for Homemovers is 67.2%. The average amount lent represents 3.52 years worth of gross earnings for a FTB whilst the comparable figure for a Homemover is 3.3.





Part of the explanation of the growing importance of the FTB segment to the housing market will come from the likelihood that this sector is growing in size. The average age of a FTB has gradually increased over the years. In 2007 more than half of FTB's were 28 or older but by 2017 the comparable age was 34, indicating that this group was on average about 6 years older than a decade earlier. Data over the same time period indicates that younger people stay at home longer and are more likely to be renting.

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.





Average New Home price per m²





Period October 2018 to September 2019.





-  Detached
-  Flats
-  Semis
-  Terrace





North/South Average % Change





NORTH		% AVERAGE	SOUTH		% AVERAGE
		2.43 %			3.20 %
		9.21 %			-0.25 %
		6.32 %			0.37 %
		4.06 %			-1.89 %





SCOTLAND	£ AVERAGE / M ²
	£1,794
	£2,339
	£1,927
	£2,141





NORTH WEST	£ AVERAGE / M ²
	£2,186
	£2,382
	£1,935
	£1,980





NORTH EAST	£ AVERAGE / M ²
	£1,842
	£1,948
	£1,715
	£1,620





WEST MIDLANDS	£ AVERAGE / M ²
	£2,394
	£2,856
	£2,248
	£1,729





YORKSHIRE & THE HUMBER	£ AVERAGE / M ²
	£2,085
	£2,492
	£1,878
	£1,881





WALES	£ AVERAGE / M ²
	£1,442
	£2,364
	£1,865
	£1,854

EAST MIDLANDS	£ AVERAGE / M ²
	£2,223
	£2,166
	£2,106
	£2,107

SOUTH WEST	£ AVERAGE / M ²
	£2,668
	£3,186
	£2,485
	£2,524

GREATER LONDON	£ AVERAGE / M ²
	£4,850
	£6,844
	£5,157
	£5,085

SOUTH EAST	£ AVERAGE / M ²
	£3,496
	£3,976
	£3,483
	£3,320

EAST ANGLIA	£ AVERAGE / M ²
	£2,949
	£3,970
	£2,994
	£3,063

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 \[www.lslps.co.uk\]\(http://www.lslps.co.uk\)](#)

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