

## BACK TO BUSINESS

Housing remains centre-stage as politicians gear up for Conference season and, as autumn commences, average UK price growth remains steady. The market is still localised however, with the strongest price growth in East Anglia, London and the South East.

### Key facts September 2016

House prices rose by 0.6% in August, taking annual growth to 5.6%

Prime central London prices dipped by 0.3% in August, taking the annual decline to 1.8%

Prime central London rents are down 4.6% on the year, amid a 7.2% rise in prospective tenants

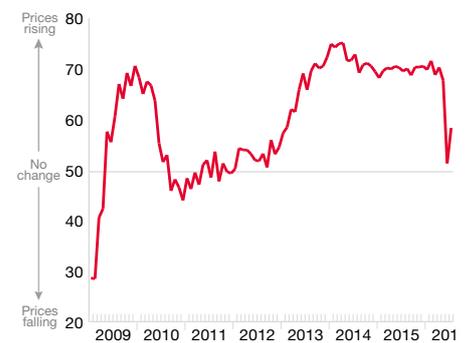
House price sentiment ticked up in August

### Economic and housing market overview

As policymakers gear up for party conference season it is interesting to note that, despite the over-riding focus on Brexit, there are plenty of fringe events taking place based on the question of housing. Delivering enough houses for a growing UK population remains a key concern, and an issue for MPs who are looking to the next election.

The Home Builders Federation (HBF), which represents the UK's housebuilders, this week shone a light on some of the official data on housebuilding across the country – suggesting that it is not entirely robust. Its analysis shows that attention should be placed on data focusing on the net supply of housing, and that the shortfall from the Government's 200,000 a year target is smaller than this data suggests, which may come as a welcome relief for policymakers. But there is still some way to go to ensure the sustained annual delivery of enough, and the right type, of homes.

### Future House Price Sentiment Index



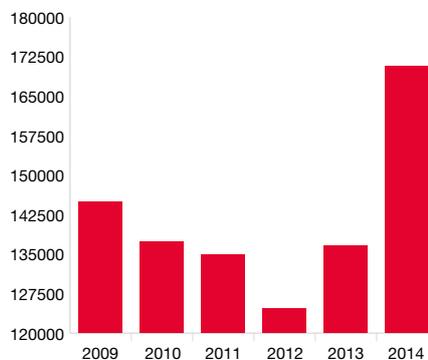
Source: Knight Frank Research / IHS Markit

over the next 12 months, albeit at a more modest rate than back in May, according to the most recent House Price Sentiment Index (HPSI), as seen above.

Average UK price growth remains steady, although as the map below shows, the market remains regionalised. The data from the ONS HPI in the year to July shows a slightly higher average growth of 8.3% compared to 5.6% from Nationwide.

### Net supply of housing, UK

Annual Supply

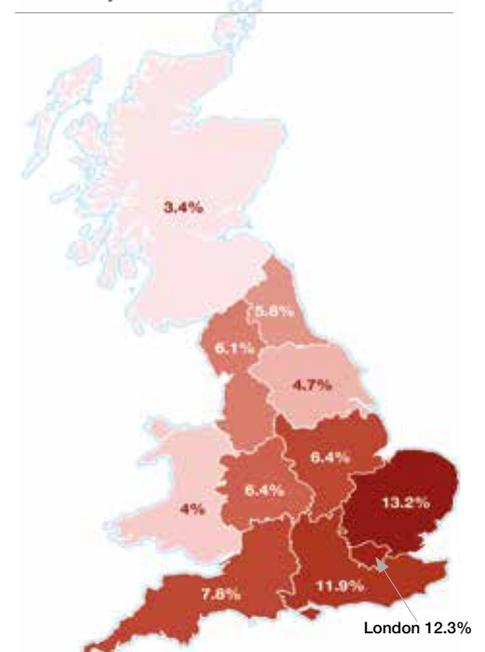


Source: DCLG

The housing market too is moving towards a typically more active season. Watching the data at the end of September, and October, will be instructive, as it will mark the first non-summer months of activity since Brexit. In the meantime, households across the UK are expecting prices to rise

### Annual growth in house prices:

Year to July 2016



Source: Knight Frank Research/UK HPI



GRÁINNE GILMORE  
Head of UK Residential Research

“Just as politicians are returning to the fray after their summer break, the housing market is moving towards a typically more active season.”

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Prime market update

Property prices in prime central London fell by 1.8% over the year to the end of August, according to the latest index from Knight Frank. Despite prices declining, there are grounds for cautious optimism that activity will pick-up over the next few months.

In the eight weeks following the referendum, the number of new prospective buyers rose 22.1% compared with the same period in 2015. The number of properties under offer rose 19%, while viewing levels increased by almost half.

However, stamp duty reforms continue to have a sizable impact on demand and transactions across the capital, something which is explored further in the London Review.

Transactions in Westminster, Camden, Islington, Hammersmith & Fulham and Kensington & Chelsea all fell by an average of more than 5% per year over the five year period to March 2016 – the first time this magnitude of decline has been registered in this many London boroughs since Land Registry records began in 1995.

In the prime country house market annual growth eased to 1.3% in the year to the end of June, down from a high of 5.2% in 2014, but several key urban markets outperformed this growth.

Prime price growth was 9.1% in Winchester, 8.6% in Cheltenham, 7.4% in Bristol and 4.8% in Bath during the year. Key to the outperformance in these towns has been good transport links, good schools and amenities.

Rental market

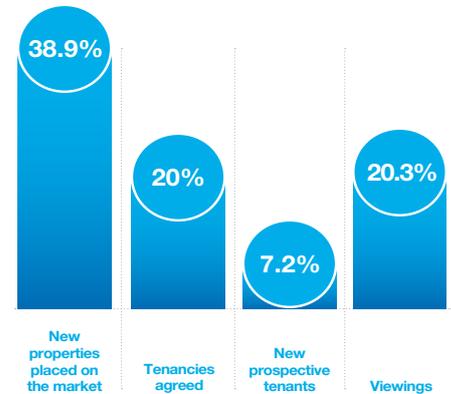
Average UK rents rose by 2.4% in the year to July, unchanged from the 2.4% growth seen in the year to June. Rental prices increased in all English regions over the year, with the biggest rise coming in the South East (3.5%).

In prime London, higher stock levels and a period of economic uncertainty surrounding the potential fallout of the Brexit vote means that landlords have to be competitive to secure tenants, and headline rents are still under pressure.

Rents dipped by 4.1% in the year to August in prime central London, and by -2.9% in prime outer London.

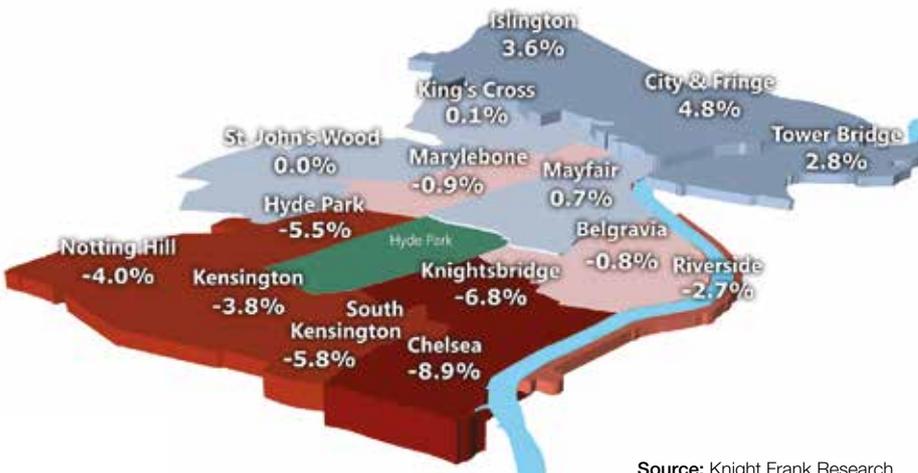
Lettings market key indicators

Three months to July 2016 versus 2015  
Prime central London



Source: Knight Frank Research

Price growth in prime central London, by area, year to August 2016



Source: Knight Frank Research



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RESIDENTIAL RESEARCH

**Gráinne Gilmore**  
Head of UK Residential Research  
+44 20 7861 5102  
[grainne.gilmore@knightfrank.com](mailto:grainne.gilmore@knightfrank.com)

PRESS OFFICE

**Jamie Obertelli**  
+44 20 7861 1104  
[jamie.obertelli@knightfrank.com](mailto:jamie.obertelli@knightfrank.com)



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