

## CONSTRUCTION & CONFERENCES

**U.K. house prices edged up in July while the decline in prime central London pricing eased, but attention is now turning to housing policy, especially the delivery of new homes.**

### Key facts August 2017

**Average UK house prices rose by 0.3% in July, taking the annual change to 2.9%**

**Prime central London prices dipped by 0.1% in July, and are down 5.9% year-on-year**

**Prime country house prices in England rose 0.1% in Q2, taking annual growth to 0.2%**

**Prime central London rents were flat in July, taking the annual change to -3.7%**

**Average UK rents climbed 1.8% in the year to July, with a 1.3% increase in Greater London**



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Head of UK Residential Research

“As political parties look towards their conferences in late September and October, housing will once again be an issue at the top of the agenda.”

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### Economic and housing market overview

The UK economy posted 0.3% growth in Q2, data released at the end of July showed. This was an improvement on the 0.2% growth seen in Q1, and in line with expectations. One factor weighing on growth was the drop in construction output, which fell by 0.9% in Q2, largely reversing the 1.1% increase seen in the first three months of the year. However, behind the headline figures, a more positive story emerged for the housing sector towards the end of Q2, with private housing construction activity up 5.1% in June alone.

#### UK GDP, quarterly % growth



Source: Knight Frank Research/ONS

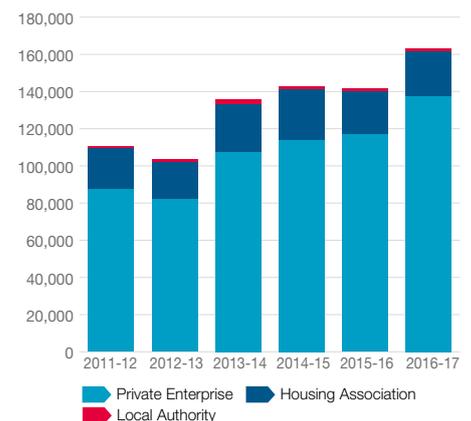
As political parties look towards their conferences in late September and October, housing will once again be an issue at the top of the agenda. This is clear from the number of headlines in recent weeks about various aspects of the housing market, not least several calls for a reform of stamp duty on housing transactions.

A key topic will be the future of Help to Buy, the scheme which allows buyers of new homes to access a 20% equity loan to help pay for a deposit. Homes worth up to £600,000 across the country are eligible for the scheme.

The scheme is due to end in 2021, but the Conservatives have pledged to examine its future. Around 120,000 buyers have used the Help to Buy Equity Loan to purchase a new home since the scheme was introduced in 2013.

The delivery of new homes will also be a hot topic, with the Conservatives yet to implement many of the changes mooted in the [Housing White Paper](#) published earlier this year. New-build housing starts are rising, with 162,000 homes started in England in the year to April 2017, up from 103,000 in 2012/13. Once conversions and office-to-residential schemes are added in, the number of new units delivered in England is expected to rise to more than 200,000 this year – a key milestone, but still some way off the 250,000 new homes a year that the Conservatives have said the country needs.

#### New-build housing starts England



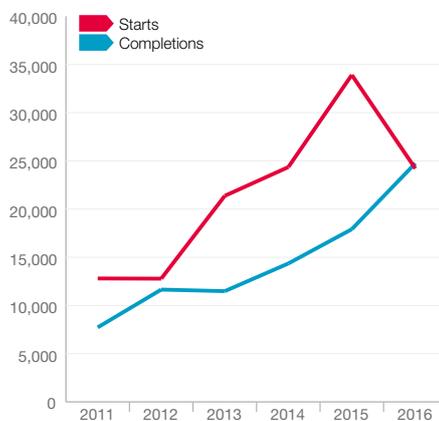
Source: Knight Frank Research/DCLG

This data is a headline indicator however, with some local markets experiencing different trends. For example, housing starts in London, while well up on the levels seen after the financial crisis, were down in 2016 compared to 2015. They have edged up a little so far this year, but the data suggests that completions will fall in 2017 and 2018 from current levels. There is some positive news with the number of

planning permissions for large residential schemes (10 units or more) in London rising 20% between September 2016 and March this year compared to the same period 12 months earlier. However, there are still challenges around some aspects of the planning system, even once permission is given, which can cause delays. This is just one area where clarity could help speed up delivery - so all eyes will be on the Conservative conference and Westminster once Parliament resumes.

**Private housing starts and completions, London**

(schemes of 20+ units)

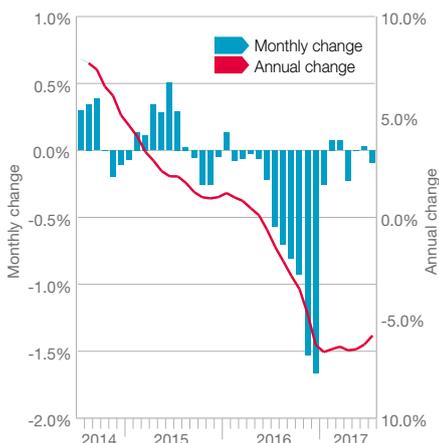


Source: Knight Frank Research/Molior

**Prime market update**

Prime central London prices slipped by 0.1% in July, marking an annual decline of 5.9%, the first time the annual change has been above -6% for ten months. Activity levels are up across the market, with Knight Frank data showing a 23% rise in transactions in the first half of the year compared to the same period last year.

**Prime central London prices**



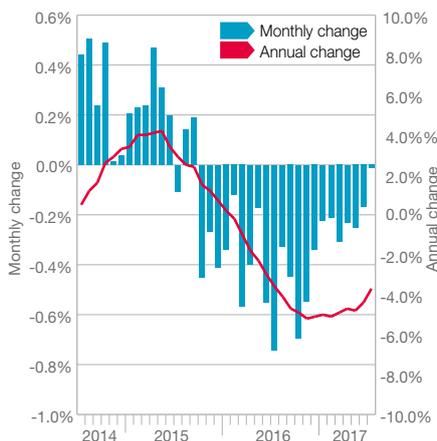
Source: Knight Frank Research

Meanwhile pricing in the prime country house market remained flat overall in Q2, while there was outperformance in some urban markets.

**Rental market**

Prime central London rents were unchanged in July, ending a pattern of monthly declines that began in October 2015. These declines were prompted by rising stock levels, which gave greater negotiating power to tenants. However, tax changes affecting landlords as well as the sales market starting to assimilate recent stamp duty changes suggests that stock levels are starting to tighten.

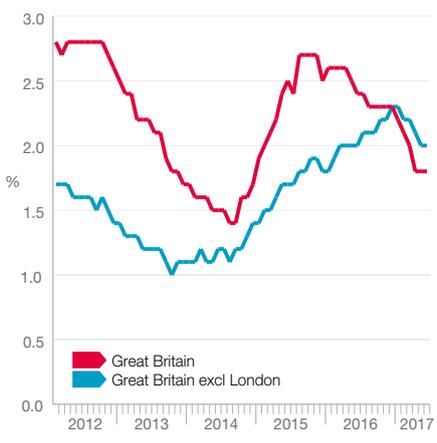
**Prime central London rents**



Source: Knight Frank Research

Average rents across Great Britain are up 1.8% on the year, with a more modest growth of 1.3% in London in the year to July according to official data. However, the market remains localised.

**Annual rental growth**



Source: Knight Frank Research/ONS



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