

ALL CHANGE?

Chancellor Philip Hammond is preparing to deliver his Autumn Budget later this month, with housing expected to feature heavily. Meanwhile, the Bank of England raised interest rates for the first time in a decade.

Key facts Nov 2017

Average UK house prices are up by 2.5% over the year to October, according to Nationwide

Interest rates were raised to 0.5% in November, the first rate rise in a decade

Prime central London prices for existing homes edged up by 0.1% in October, taking the annual rate of decline to -3.6%

Prime English country home prices dipped by -0.1% in Q3, taking the annual rate of growth to 0.2%

Prime Scottish house prices edged up by 0.2% in Q3, with an annual change in values of -0.3%



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“All eyes now turn to the Chancellor as he prepares to deliver the Autumn Budget on November 22nd, the first major set piece following June’s General Election.”

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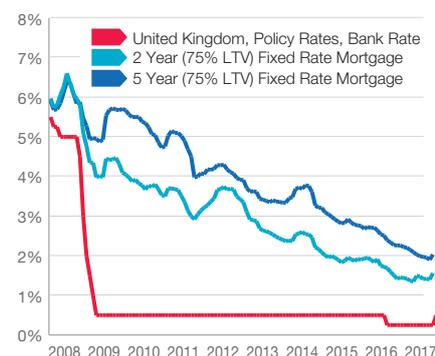
Economic and housing market overview

In what was a widely expected move, the Bank of England raised interest rates in November. The official bank rate has been lifted from 0.25% to 0.5%, the first increase since July 2007.

This will be the first time some borrowers will have ever experienced an increase in their mortgage payments.

However, what happens next is likely to set the tone. Last month’s move was simply a reversal of the cut in August of last year following the vote to leave the European Union and means that the base rate is still at a historically low level. Another rate rise in the coming months would likely have a firmer impact on sentiment. It is also worth noting that while economists are forecasting more rate rises, they expect that the base rate will be at 1% by 2020 – still near record low rates.

UK base rate v mortgage rates



Source: Bank of England

Households with a variable rate mortgage will be most affected by the 0.25% rate rise. While it is likely that mortgage rates on new home loans will rise slightly, the move is unlikely to have an impact on overall pricing.

Across the UK, average house prices rose by 2.5% over the year to October, according to the latest data from Nationwide. This was a slight pick-up from

September, but notably below the near 5% growth reported a year ago. The market remains highly localised, with affordability a key concern in many markets.

UK house price change

Annual, %



Source: Nationwide

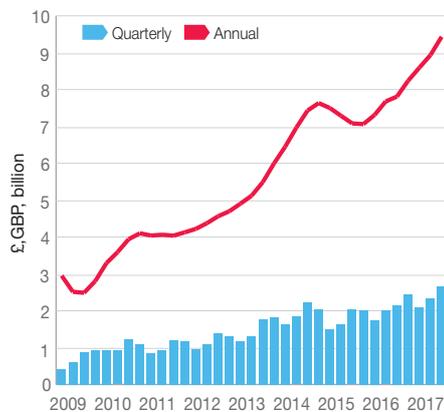
All eyes will now turn to the Chancellor, Philip Hammond, as he prepares to deliver the Autumn Budget on November 22nd, the first major set piece following this year’s snap General Election in June. Housing has leapt up the political agenda in recent months and is likely to feature heavily.

The property industry’s wish-list for the Chancellor is extensive covering both planning and policy. The Budget may be the opportunity for the Government to announce additional changes or support to further boost supply.

Official housebuilding figures released this month by DCLG showed annual housing supply in England amounted to 217,350 net additional dwellings in 2016-17, up 15% on 2015-16.

Stamp duty, which is payable on all residential purchases, remains another sticking point. It is seen as a barrier to moves up and down the housing ladder, as well as for those saving for a deposit. There is speculation that first-time buyers may see some change in stamp duty rules, which emerged as new data shows that the levy raised £9.4bn in the year to September, taking receipts to a record high.

Annual and quarterly SDLT receipts



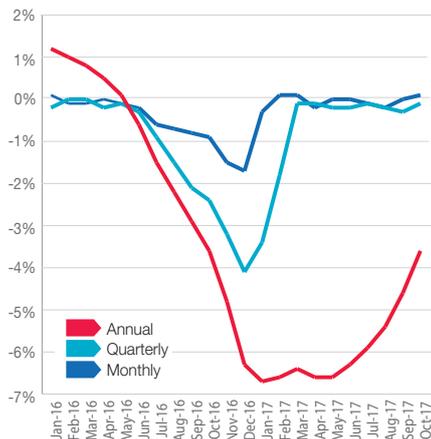
Source: Knight Frank Research/HMRC

Prime market update

Average values in prime central London edged up by 0.1% in October, taking the annual change in prices to -3.6%. In a sign that price falls have bottomed out, this was the most modest rate of decline seen in a year. Knight Frank data also indicates an uplift in activity, with both transaction levels and viewings rising year-on-year.

Prime central London price change

Annual, quarterly and monthly, %



Source: Knight Frank Research

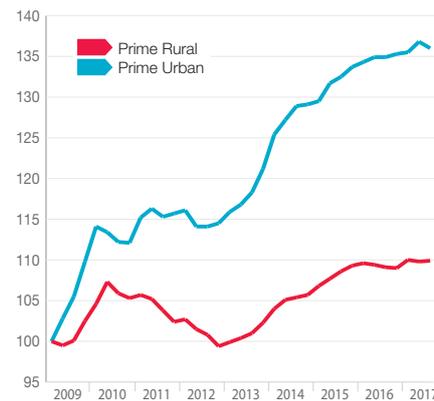
This pick-up in activity has been mirrored in the prime country market, where sales volumes were 7% higher in the first ten months of 2017 compared with the previous year, Knight Frank figures show. Prices remain broadly flat, however, with a 0.2% uplift on the year in Q3. There are pockets of outperformance in a number of urban prime markets however, reflected by strong price growth in our town house category.

Prime Scottish country house prices rose by 0.2% between July and September,

although the annual change in values remains in negative territory at -0.3%. Edinburgh was an exception with annual price growth rising to 4.5% – its highest level in three years. Demand across prime markets in Scotland remains strong, although higher rates of taxation remain a constraint on the market above £1m.

Town and city market outperformance

Prime urban v prime rural (indexed 100 = Q1 2009)



Source: Knight Frank Research

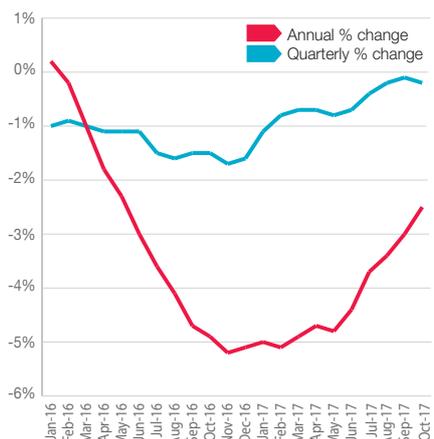
Rental market

Average rents for existing homes in prime central London declined 2.5% year-on-year in October, the smallest decline recorded since May 2016. A slowing in new rental stock coming onto the market amid continuing strong demand is underpinning the current rental performance.

Average rents across the Great Britain rose 1.6% year-on-year in September, according to the latest data from the ONS. The largest annual increases were in the East Midlands (2.9%), followed by the South East (2.5%).

Prime central London rental change

Annual, quarterly, % (existing homes)



Source: Knight Frank Research



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