

UK Housing Market Update



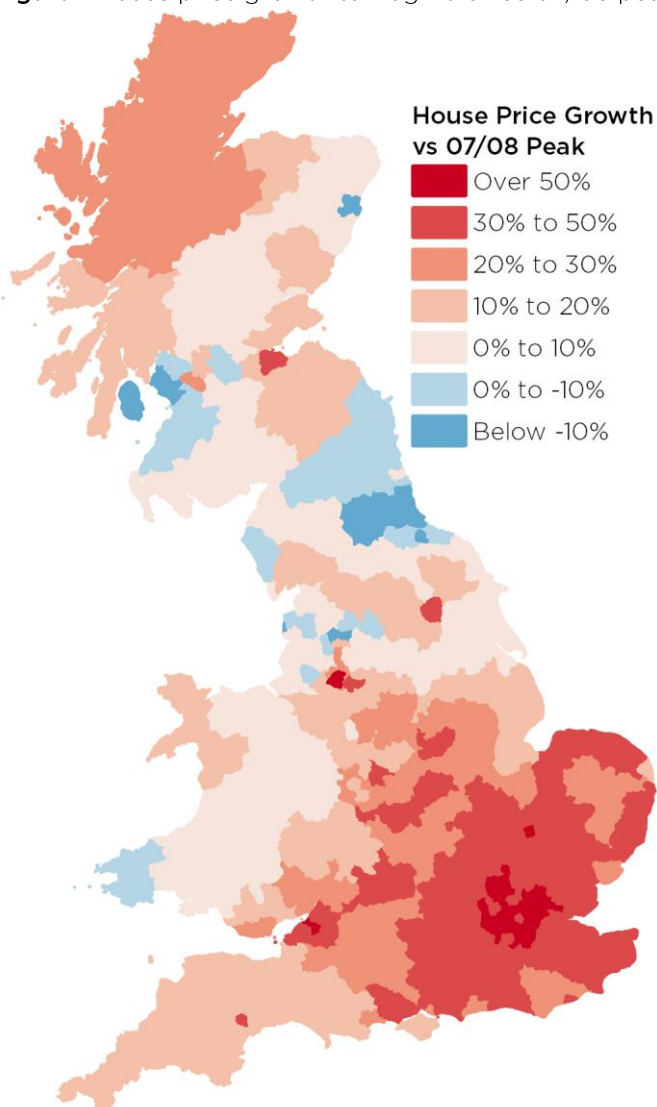
Value growth remains at a high, while the summer surge of activity slowly winds down

House prices rose by 0.9% in November, according to Nationwide. This puts annual growth at 6.5%, the highest it's been since 2015. Even if December ends up being weaker, 2020 is on track to exceed our forecast growth of 4.0% for the UK mainstream market.

This price growth has been driven by high levels of demand. In each of the last five months, the increase in buyer enquiries has been more widespread than instructions to sell, according to the RICS Survey. The number of surveyors reporting rising activity has been falling since its peak in July, but it remained high in November, despite the national lockdown. The number of sales agreed also remained high in November at 35% above last year's level. However, this was down from the September high of 60% above last year.

Sales agreed are gradually filtering through to completed transactions, which rose to 24% above last year's levels in October. This was supported by the continued rise in mortgage approvals, which exceeded 100,000 in October for the first time since 2007. We expect to continue seeing high completion numbers until the end of the stamp duty holiday next March.

Figure 1 House price growth to Aug-20 since 07/08 peak

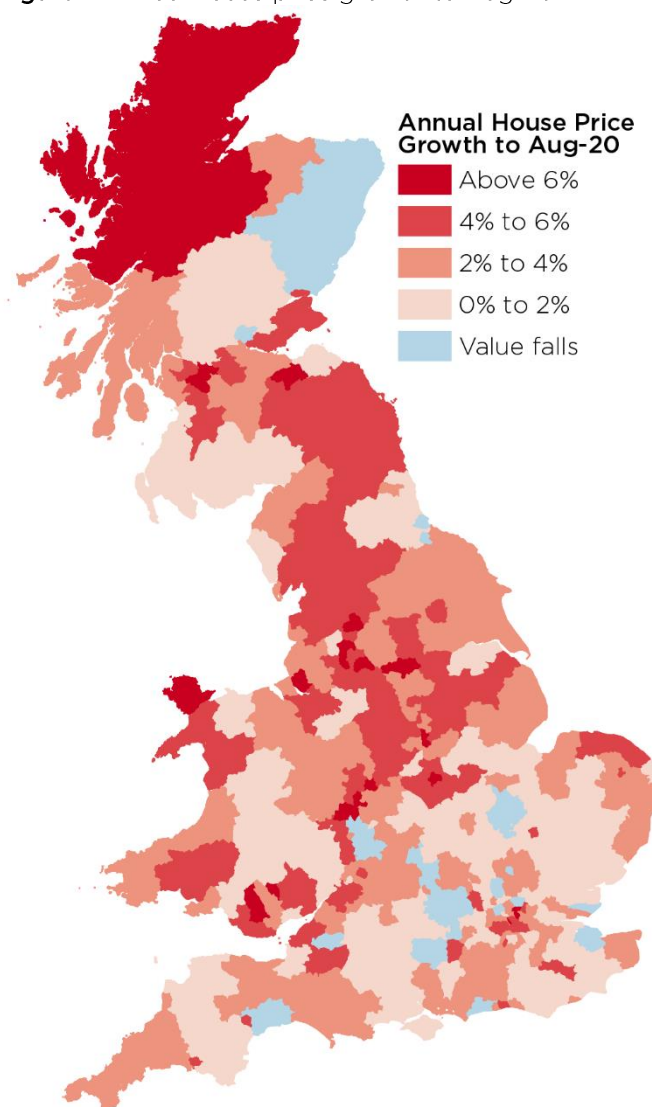


Last week saw the start of the Covid-19 vaccination program. Oxford Economics anticipate social distancing to relax from Q2 onward, and has boosted its UK GDP forecast for 2021 from 5.4% up to 6.3%, although this is assuming a deal on Brexit is reached. The pandemic restrictions have driven many households to seek larger homes this year, particularly those with access to green space. Our latest survey of Savills buyers and sellers suggests this will continue next year, with a net balance of 19% of respondents claiming the vaccine rollout would boost their commitment to move. These ambitions may be tempered by rising unemployment, which is expected to peak in Q2 2021, and a renewal of Brexit anxiety.

The average UK rent increased 1.4% over the year to October, according to the ONS. Rents grew the most in the East Midlands, up 2.4%, and were weakest in Scotland, up 0.6%. Data from Zoopla shows that rents have been falling in London, down -5.2% during the year to September.

During the year to August, house price growth was strongest in the local authority of Broxtowe in Hertfordshire (9.4%) followed by East Renfrewshire near Glasgow at 9.3%. House prices fell most over the same period in Aberdeen (-6.7%), followed by Clackmannanshire (-1.4%).

Figure 2 Annual house price growth to Aug-20



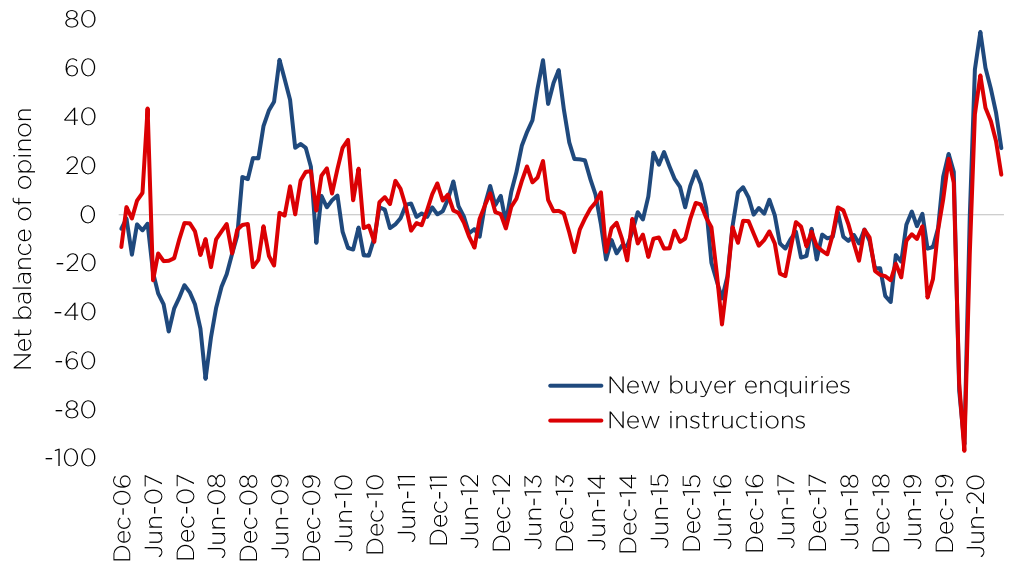
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

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Figure 3 Fewer surveyors are reporting rising activity

The RICS survey for November showed the number of surveyors reporting rising levels of activity had continued to fall from the July peak, with no notable impact from the second national lockdown last month.

Still, demand from new buyers has remained above supply from new sellers. This rising demand in excess of rising supply has helped drive strong price growth over recent months, which is likely to continue in the short term.



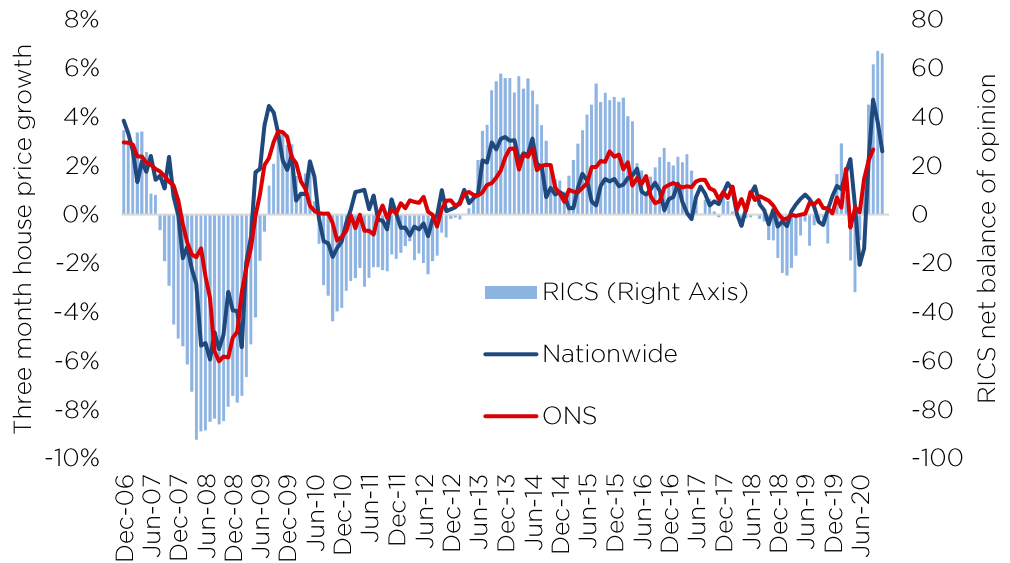
Source RICS (seasonally adjusted)

Figure 4 House price growth remains high, but shows signs of slowing

The RICS survey can be a good early indicator of house price movements, which are later picked up by other indices. Given the current pace of change, it may for the time being only reflect the state of the market as it is now.

While annual house price growth hit a new high in November, it has been slowing on a three-month basis according to Nationwide.

The number of surveyors reporting price rises fell marginally in November, but remained at historic highs.

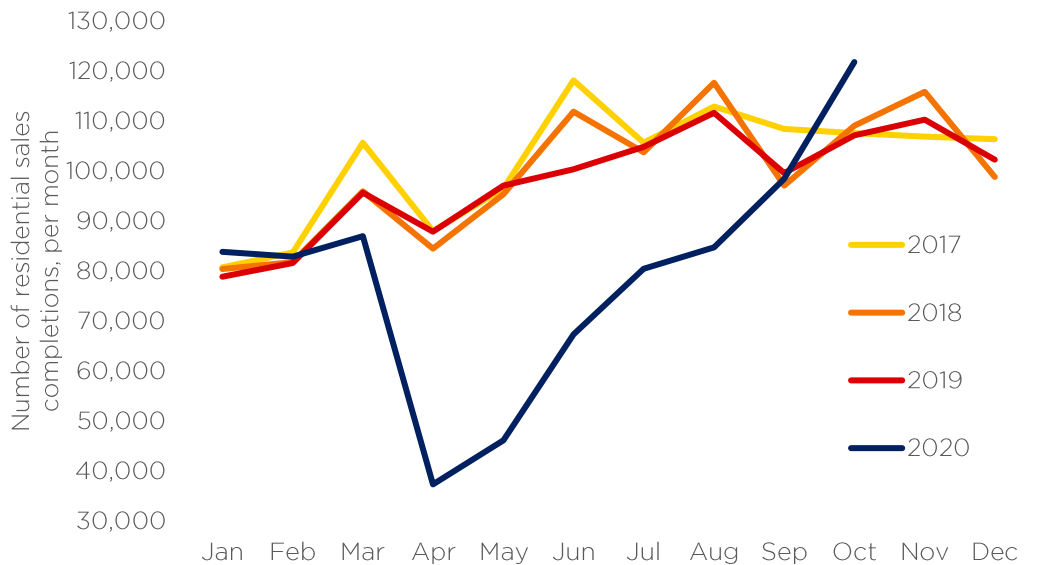


Source RICS, Nationwide, ONS

Figure 5 Transaction at their highest since 2007

The latest data from HMRC shows that the monthly number of sales completions in October reached its highest monthly level since before the GFC (excluding March 2016, after which the 3% SDLT surcharge for additional homes was introduced).

Forward indicators suggest transactional activity will remain strong, but will likely subside after the end of the stamp duty holiday at the end of March next year.



Source HMRC

Table 1 Recent house price growth

	Nationwide (UK to Nov-20; regions to Q3)			ONS (to Sep-20)			Savills (to Aug-20)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.9%	2.6%	6.5%	1.8%	2.6%	4.6%	0.6%	1.3%	2.9%
London	-	1.5%	4.4%	0.9%	2.7%	4.0%	0.7%	1.6%	3.2%
South East	-	2.8%	4.7%	1.6%	3.6%	4.0%	0.4%	0.9%	1.6%
East of England	-	2.3%	2.6%	2.5%	3.6%	4.8%	0.6%	1.1%	1.8%
South West	-	2.8%	5.5%	3.4%	4.3%	6.4%	0.6%	1.2%	2.4%
East Midlands	-	2.6%	4.0%	0.7%	1.7%	5.0%	0.8%	1.5%	3.4%
West Midlands	-	2.7%	3.1%	1.6%	2.0%	4.0%	0.6%	1.6%	3.3%
North East	-	3.1%	4.2%	3.9%	5.0%	3.2%	0.8%	1.4%	2.0%
Yorks & Humber	-	2.7%	4.6%	2.1%	3.2%	5.5%	0.7%	1.9%	3.5%
North West	-	0.6%	3.1%	1.6%	3.7%	6.0%	0.8%	1.5%	3.8%
Wales	-	2.4%	3.8%	-1.1%	1.1%	3.8%	0.5%	1.3%	3.8%
Scotland	-	-1.0%	2.0%	4.9%	3.1%	4.3%	0.7%	1.3%	2.9%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Table 2 House price forecasts (first published September 2020)

Region	H1 2020 (Actual)	H2 2020 (Forecast)	2021	2022	2023	2024	5yrs to 2024
UK	4.0%		0.0%	4.0%	6.5%	4.5%	20.4%
London	3.7%	1.5%	0.0%	1.0%	4.0%	2.0%	12.7%
South East	2.3%	3.5%	0.0%	2.5%	5.0%	3.0%	17.3%
East of England	2.3%	3.5%	0.0%	2.5%	5.0%	3.0%	17.3%
South West	1.3%	3.0%	0.0%	3.0%	5.5%	3.5%	17.3%
East Midlands	1.5%	1.5%	0.0%	5.0%	7.5%	5.5%	22.6%
West Midlands	0.7%	1.5%	0.0%	5.0%	7.5%	5.5%	21.7%
North East	0.3%	0.5%	0.0%	5.5%	8.0%	6.0%	21.7%
Yorks & Humber	1.8%	1.0%	0.0%	5.5%	8.0%	6.0%	24.1%
North West	3.9%	0.5%	0.0%	6.0%	8.0%	6.5%	27.3%
Wales	1.7%	1.0%	0.0%	5.0%	7.5%	5.5%	22.3%
Scotland	1.8%	2.0%	0.0%	5.5%	8.0%	6.0%	25.4%

Source Savills

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*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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