

MARKET INSIGHT
OCT-NOV 2019

*It's not all about London: expensive
areas outside the capital*



150
YEARS

HAMPTONS
INTERNATIONAL

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THE ECONOMY

Since the EU referendum

Sterling volatility

The pound was the first metric to react following the vote to leave the EU in June 2016. Sterling depreciated more than 10% against the dollar but has fluctuated ever since based on the chances of a deal. But as the probability of a No Deal increased this year, sterling fell even further, reaching a low of 1.19 in August and roughly 18% below its pre-EU referendum level.

Inflation shock

As sterling fell following the vote, it became more expensive to import goods into the UK. This caused inflation to rise to more than 3%, above the Bank of England's 2% target. All of which put more pressure on household living costs. Over time though, inflation has moved back towards target, reaching 2.1% in July.

Wage growth up

The UK unemployment rate fell to 3.8% in the three months to July, back to its joint lowest level since 1974. And with more people in work, wages are rising too. The average wage rose

to £542 a week in Great Britain in July, up 4% year-on-year and it's rising at the fastest rate since the financial crash. However, if you strip out the inflation effect, the average wage is still £23 less than it was more than 11 years ago.

Spending spree

People's incomes have been growing faster than inflation, which means that households have a little bit more money leftover at the end of each month. And despite the ongoing political uncertainty, households have continued spending. The quantity of goods bought in the three months to July rose 3.3%, similar to pre referendum times. However, consumers are less willing to commit to spending on big ticket purchases such as holidays and homes than they were.

GDP cooling

Economic growth in the UK has been low since the referendum but remained positive until Q2 2019. Britain's economy shrank 0.2% in Q2 2019, its first contraction since 2012. As a result, the UK is bumping along the bottom of the list of the G7 league table for economic growth.

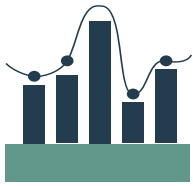
The Economy in figures

Source: ONS & Bank of England

	Sterling (against US\$)	Inflation	Wage growth	Retail sales	Economic growth (GDP)
Before EU-referendum	1.45	0.8%	2.6%	3.5%	1.7%
Latest data	1.23 ▼	2.0% ▲	4.0% ▲	3.3% ▼	1.2% ▼

FOCUS

It's not all about London



In 2009

one in five postcode districts in England and Wales were more expensive than the average home in London.

Since records began in the 1970's, London has always been the most expensive region in the UK to buy a home. But house prices haven't risen equally across the UK and this has meant that the price gap between London and the rest of the country has widened.

In the early 70's a home in London cost around a third more than a home in the rest of the UK. By 2009 this figure doubled to 67%. And today, it's nearly doubled again, reaching an astonishing 115%. In absolute terms, this means that a home in London now costs around £250k more than a home elsewhere in the UK. Yet there are still pockets outside of London that are equally or more expensive than the capital itself.

Back in 2009 one in five postcode districts in England and Wales were more expensive than the average home in London. And this included areas up and down the country, not just those commuter spots closest to the capital. But as prices have risen considerably faster in London than the rest of the country over the last decade, 229 areas that used to be more expensive than the capital

are now cheaper. These include popular commuter destinations such as Woking, Guildford and Tunbridge Wells, as well as districts further afield in Cornwall, Devon, Derbyshire Dales and the Suffolk Coast. In fact, CB5 in Cambridge is the only postcode district where a home used to cost less than the London average, but now costs more.

Today just 9% of postcode districts in England and Wales are more expensive than London, most of which are located within easy commuting distance of the capital. These include places such as Northwood, which lies on the boundary of Hertfordshire and London, as well as prime locations in Surrey such as Cobham and Virginia Water.

So while some locations outside of London have retained their premium and are still more expensive than the average home in the capital, other areas have become more affordable. This means that some of the areas London leavers may have dismissed before for being even more expensive than the capital, could be worth another look now.

Top 15 most expensive areas outside of London

Source: Hamptons International & Land Registry

Postcode district	Area	Average Price	% difference to London
HA6	Northwood	£1,577,680	245%
KT11	Cobham	£1,192,500	161%
GU25	Virginia Water	£1,177,210	157%
HP9	Beaconsfield	£1,041,740	128%
WD7	Radlett	£962,070	110%
KT10	Esher	£937,810	105%
SL5	Ascot & Sunningdale	£884,130	93%
KT24	East Horsley	£868,040	90%
SL9	Gerrards Cross	£857,350	87%
SG10	Much Hadham	£823,440	80%
HP8	Chalfont St Giles	£819,660	79%
KT22	Leatherhead	£816,550	78%
TQ8	Salcombe	£798,920	75%
BH13	Sandbanks & Branksome Park	£794,070	74%
KT6	Surbiton	£793,160	73%



MARKET METRICS

Transactions in Great Britain (HMRC)

Source: HMRC

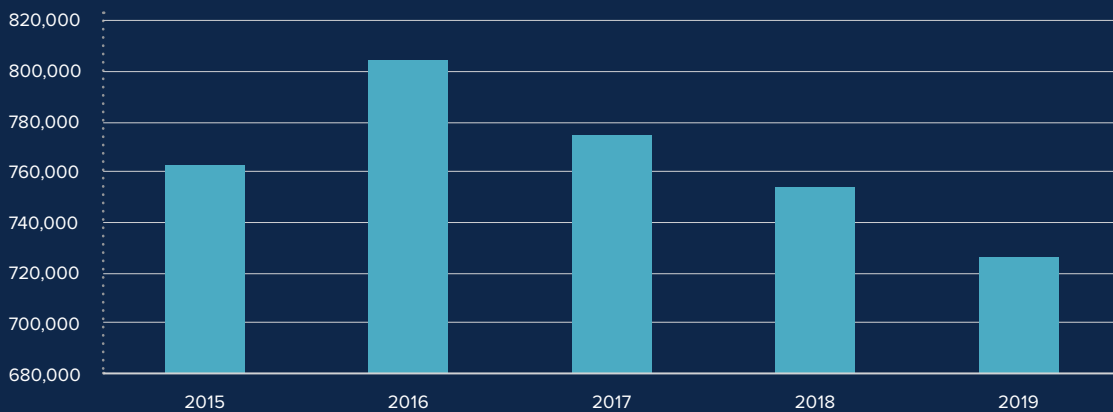
Transactions across Great Britain continue their bumpy ride this year. July was a particularly weak month, with HMRC recording 10% fewer completions than in July 2018.

Year-to-date this puts the number of sales -3.6% lower than in 2018 as low confidence and affordability pressures continue to weigh on activity.



Transactions in Great Britain (first 7 months of each year)

Source: HMRC



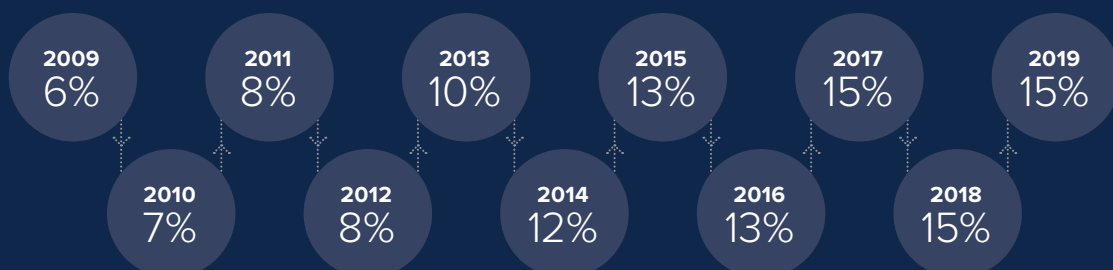
Buyer types

Source: HMRC

Region	% of homes bought with cash	% of homes bought by first-time buyers	% of homes bought by international buyers
London	20%	44%	29%
South	31%	29%	11%

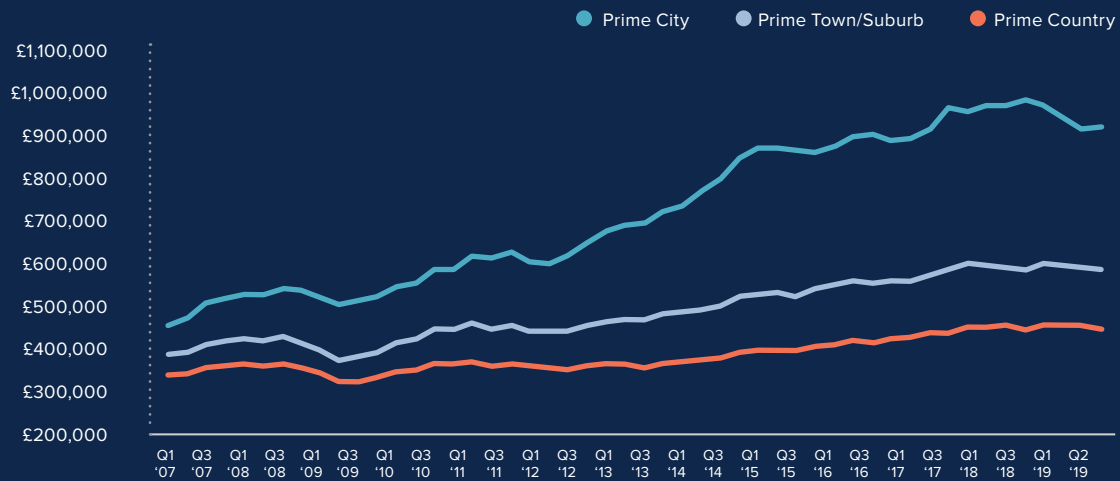
% of homes sold over £1million in the South

Source: HMRC



House Price Growth (Q1 2007 = 1.0)

Source: Hamptons International & Land Registry



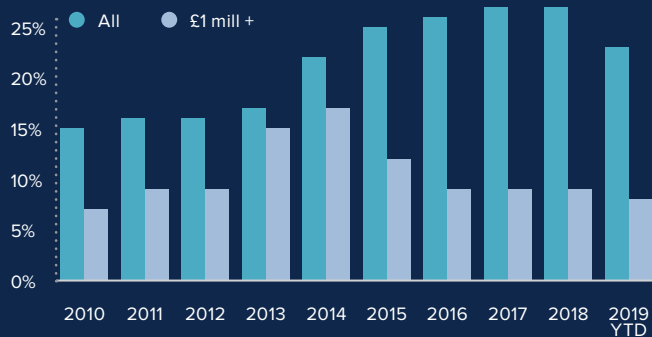
Price Growth

Source: ONS



Sold above the asking price

Source: Hamptons International



% of homes bought by landlords

Year	GB	London
2012	15%	15%
2013	15%	16%
2014	15%	17%
2015	16%	19%
2016	15%	16%
2017	13%	13%
2018	11%	11%
2019 YTD	12%	14%

Source: Hamptons International

LETTINGS

The perfect storm

There's no doubt that changes to property tax and increasing regulation have reduced the allure of investing in the buy-to-let sector. However, those investors who have remained in the market are benefitting from the ongoing supply shortage, with rental homes letting faster than ever before.

The average time it took to let a property in Great Britain fell to 20 days during the first seven months of this year. This was three days quicker than the same time last year and the shortest

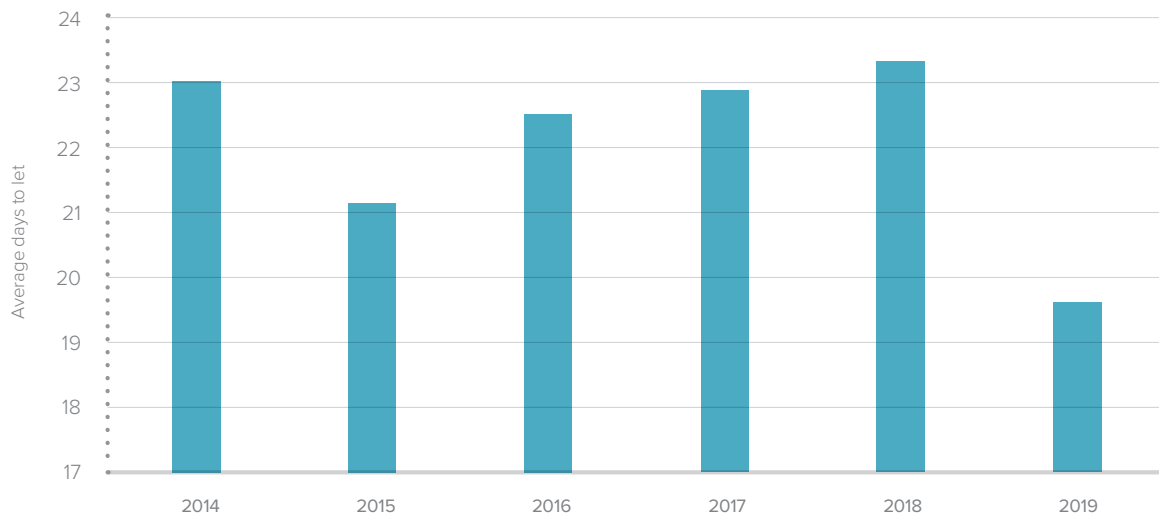
time since our records began in January 2014.

A combination of increased demand from tenants and falling supply as landlords exited the sector, led to rental properties being snapped up quickly and every region recording a fall in the time it took to let a property.

London reported the biggest year-on-year decrease. It took 19 days on average to let a home in the capital during the first seven months of the year, six days quicker than during the same period in 2018.

Average time to let in Great Britain for the first seven months of each year (days between instruction and offer accepted)

Source: Hamptons International



“ Stock levels in London have fallen 5.0% so far this year, while demand from new applicants has risen 5.6%. ”

Although London recorded the biggest fall, the South West and East Midlands were the quickest regions to let a home. Each took 18 days on average. Meanwhile, the North East was the

slowest, taking 24 days on average, despite this being four days faster than last year.

Hillingdon, a borough just inside the western edge of the M25, was the local authority where it took the least time to let a home. In the first seven months of 2019, it took 9.5 days on average to let a home in Hillingdon, half the average time it took in Great Britain overall. In fact, six out of the top 15 areas where it was quickest to let a home were in London.

Region	Average Rent (Aug-19)	Average Rent (Aug-18)	YoY Rental Growth
Greater London	£1,737	£1,703	2.0%
South West	£852	£808	5.5%
South East	£1,112	£1,053	5.6%
Scotland	£654	£658	-0.7%
Midlands	£685	£690	-0.6%
North	£656	£649	1.2%
East	£984	£957	2.8%
Wales	£659	£683	-3.5%
Great Britain	£998	£976	2.3%

Rental growth on new lets

The average rent of a newly let property rose to £998 pcm in August, 2.3% higher than the same time last year. Lower stock levels combined with rising demand from new applicants is the main reason why rents have risen. Two regions, the South East and South West posted rental growth above 5%. Meanwhile Scotland, Wales and the Midlands recorded small rental falls. Average rents in London grew 2.0% year-on-year.

Source: Hamptons International

SALES

The impact of the EU Referendum vote on the housing market

The EU referendum took place over three years ago and while the government continues to grapple with how best the country should untie itself from Europe, property prices in areas that voted to leave have risen almost twice the rate of those that voted to remain.

Analysis of ONS data shows that since the first five months of 2016 (the period leading up to the referendum), average house prices in leave areas rose 12% compared to 7% in remain. In fact, eight out of the top 10 areas with the strongest price growth since 2016 voted to leave.

The average house price in a leave area, at £235,000, is around half that of a property in a remain area (£423,000). This reflects the geographic split in which people voted. The remain areas tended to be in the more expensive Southern regions of the country.

In London just 40% of voters chose to leave the EU and here prices have risen by 1% since the referendum. Whereas 59% of voters in the West Midlands voted to leave and this region has seen the strongest price growth (19%) since 2016.

While the analysis is compelling, it's worth remembering though that in the period leading up to the referendum house price growth in London and the South had already been slowing. Strong historical house price growth combined with tax changes affecting the top end of the market all impacted on affordability. The outcome

of the vote simply added further uncertainty and exacerbated the markets slowdown.

In contrast, Northern regions, who happened to have stronger leave constituencies, have seen less price growth leading up to the referendum and are still playing catch-up today.

Average price growth Source: Hamptons International & ONS

Region	% of voters who voted Leave	Average Price 2016	Average Price 2019	% Price Change
Scotland	38%	£136,470	£149,970	10%
London	40%	£461,680	£464,890	1%
Northern Ireland	44%	£120,610	£134,810	12%
South East	52%	£297,680	£321,320	8%
Wales	53%	£142,110	£159,880	13%
South West	53%	£229,330	£255,220	11%
North West	54%	£144,410	£162,330	12%
East of England	57%	£258,900	£289,690	12%
Yorks & Humber	58%	£146,070	£160,960	10%
North East	58%	£122,440	£126,580	3%
East Midlands	59%	£166,240	£190,960	15%
West Midlands	59%	£154,490	£184,280	19%

Average price growth in Leave areas = 12%
Average price growth in Remain areas = 7%

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