

MARKET INSIGHT
AUG-SEP 2018

Time to Save



CONTENTS

Sterling's Weakness	03
Two years since the Brexit vote and currency remains one of the most affected areas of the economy.	
Time to Save	04
Raising a deposit continues to be the biggest barrier to getting on the housing ladder.	
Market Metrics	06
Second Home Renters	08
The number of people renting second homes has reached a record high.	
Chains	10
One in five homes in the UK were sold chain-free this year, down from one in three in 2015.	

STERLING'S WEAKNESS

Two years since the Brexit vote and currency remains one of the most affected areas of the economy.

Over two years after Britain voted to leave the European Union, the currency market remains one of the most affected areas of the economy. In Q1 2016, the quarter before the Brexit vote, one pound gave you 1.30 euros. Since the vote, the pound has depreciated 12% against the Euro and in Q2 this year, the pound averaged 1.14. However, economic uncertainty has also impacted housing market sentiment more widely.

The weaker pound now means that property in the UK is cheaper in overseas currency, but this varies amongst countries as their own currencies have also moved for varying reasons. Out of a basket of currencies, Russian buyers currently have the greatest advantage. A home in the UK cost a Russian buyer 19% less in H1 2018 than it did in H1 2016. On a £1million home that effectively gives Russian buyers a £187,770 discount compared to if they were buying at the start of 2016.

For an EU buyer, a home that would have cost £1million in H1 2016 now costs £885,450. This means it's 11% cheaper for an EU buyer to buy a home in the UK now than it was in H1 2016. US and Chinese buyers have a smaller advantage, with a 4% and 6%

respective reduction compared to two years ago. This also means that any existing property owned in the UK by an international buyer has fallen in value when converted back into their local currency.

However, the majority of transactions in the UK are domestic purchases, so the real impact of the Brexit vote on the property market will depend on the overall impact on the wider economy. In H1 2018, international buyers bought just over a third of homes (35%) in London. But the future of the pound will depend on the wider economy, which in turn will be dictated by the course the UK takes following its exit from the EU on 29th March 2019.

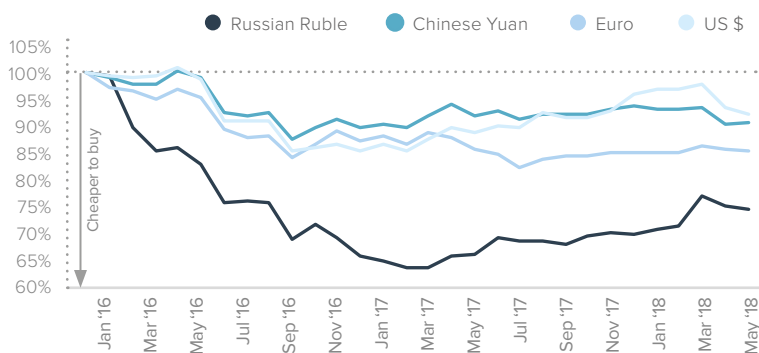


Since the Brexit vote the £ has depreciated against the Euro by

12% ▼

Change in the cost of a home in foreign currency (Jan 2016 = 100%)

Source: Bank of England & Hamptons International



TIME TO SAVE

Raising a deposit continues to be the biggest barrier to getting on the housing ladder.

The cost of buying a home is expensive. It's not just the financing of monthly mortgage payments that need to be taken into account, but take one step back in the buying process, and saving for a deposit continues to be one of the biggest barriers to getting an actual foot on the housing ladder.

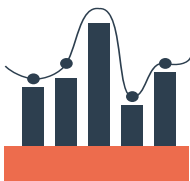
It now takes the average single first-time buyer in England and Wales, 10 and a half years to save for a typical 15% deposit – or 17 years if they're buying in London. This figure has changed little since 2017, when it took a fraction longer at 11 years.

The research, which covers the first three months of the year, takes into account how much a buyer might be able to save after tax, national insurance, rent and council tax. It also considers essential spending on food, transport and utility bills and assumes that households are able to put aside 22% of their income to save towards a deposit.

On this basis, couples have it slightly easier. Sharing bills and pooling savings means that they're able to amass a 15% deposit in half the time it takes a single buyer. A couple saving for a 15% deposit in England and Wales today, will need to save for five

Time to save a 5% deposit

Source: Hamptons International



Using the 5% deposit Help to Buy scheme reduces the time it takes a single person to save by

6.5yrs

	Couple	Single
	Q1 2018	Q1 2018
East	2y 0m	4y 3m
East Midlands	1y 6m	3y 3m
London	3y 0m	5y 9m
North East	1y 0m	2y 3m
North West	1y 3m	2y 9m
South East	2y 3m	4y 9m
South West	1y 3m	4y 6m
Wales	1y 6m	2y 9m
West Midlands	1y 3m	3y 3m
Yorkshire & Humber	1y 3m	2y 9m
England & Wales	1y 9m	3y 9m

years before they can raise enough to qualify for a mortgage and buy their first home. If they want to buy in London, it would take them eight years.

However, it's much quicker to save a 5% deposit – the minimum needed to take advantage of the government's 'Help to Buy' scheme. Under the terms of the equity loan part of the scheme, the government lends a buyer up to 20% of the cost of a new build home, leaving a 5% deposit and 75% mortgage for the buyer to find and manage.

“ It now takes the average single first-time buyer in England and Wales 10 and a half years to save for a typical 15% deposit.

This figure has changed little since 2017, when it took a fraction longer at 11 years.

”

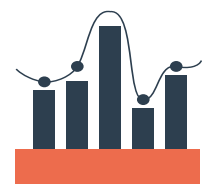
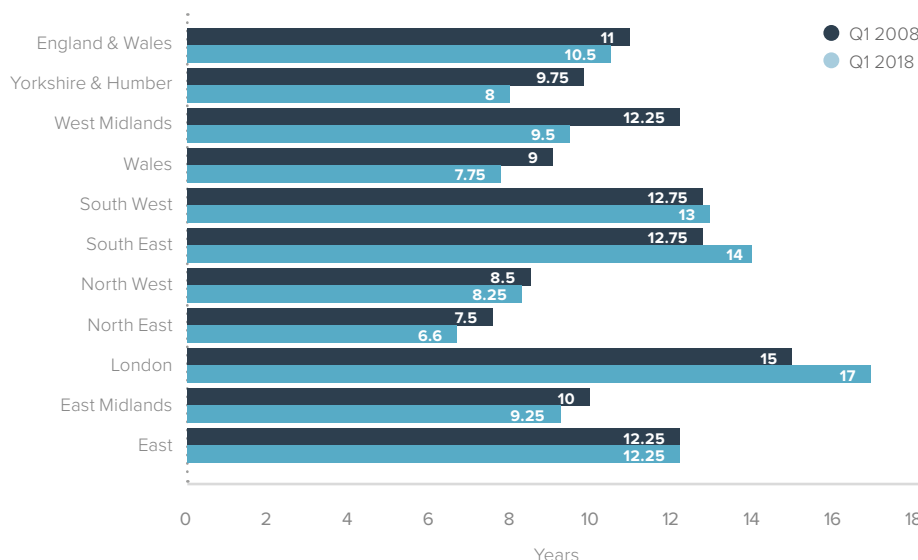
Saving for a 5% rather than a 15% deposit means that first-time buyers can save and move into their new home significantly faster. In the case of a single first-time buyer, it's over six and half years faster (it would take them three years and nine months to save a 5% deposit). And for a couple putting money aside for their 5% deposit, it would take just one year and nine months – three years and three months faster.

In London, the higher costs of buying a home mean that it takes longer to save. The time to save for a 5% deposit in the capital rises to three years for a couple and five years and nine months for a single first-time buyer.

There are other regional differences too. The area where a first-time buyer can move into their new home fastest is in the North East where it takes a couple saving for a 15% deposit just under three years (two years and nine months), and a single person six years and three months. While saving for a 5% deposit is even faster – just one year for a couple and two years and three months for a single person.

The time it takes a single person to save for a 15% deposit

Source: Hamptons International

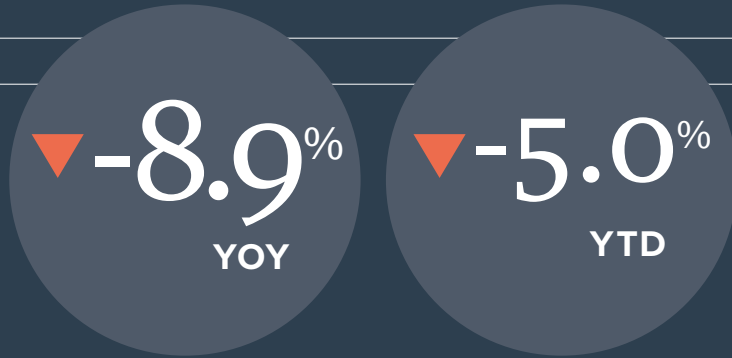


The time it takes a single first-time buyer to save a 15% deposit in London is **17 yrs**

MARKET METRICS

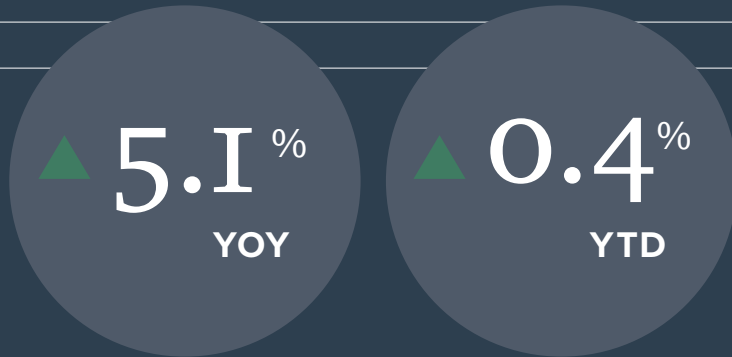
Transactions (HMRC)

Transactions in England, Scotland & Wales fell 8.9% YOY in June. During the first six months of this year, completions are 5.0% lower than in H1 2017. The Spring market hasn't been as strong as previous years, and this chimes with other data showing a softening in the market.



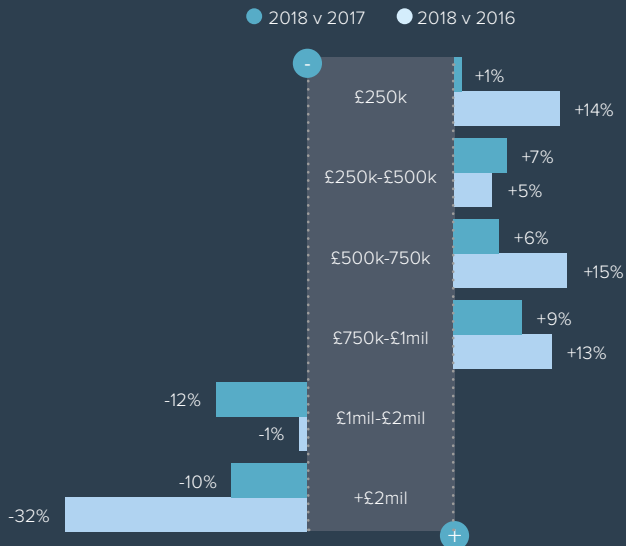
Mortgage Approvals

Bank of England mortgage approvals are a good indicator of future transactions. Mortgage approvals continued to tick upwards in June, rising 5% YOY. So far this year, mortgage approvals are up 0.4% compared with the same period last year. This is mainly driven by re-mortgages as consumers try to fix rates before future interest rate hikes.



Stock Levels

Source: Hamptons International



Interest Rates

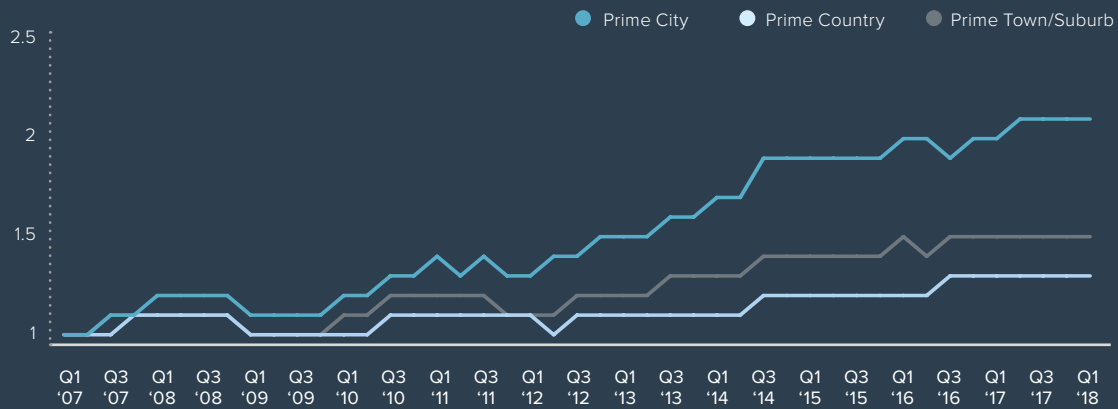
Source: Bank of England

Mortgage Interest Rates	May-18 Interest Rate	YOY Change
2Y Fix • 75% LTV	1.74%	0.26%
2Y Fix • 90% LTV	2.36%	-0.14%
5Y Fix • 75% LTV	2.04%	0.00%
2Y Variable • 75% LTV	1.59%	0.17%
Standard Variable (SVR)	4.16%	-0.12%
Buy to Let 75% • LTV Fixed	2.33%	-0.28%

Deposit Rates	May-18 Interest Rate	YOY Change
Instant Access Savings	0.21%	0.06%
1Y Fix Cash ISA	1.25%	0.27%
2Y Fix Cash ISA	1.24%	0.33%
1Y Fixed-Rate Bond	0.80%	0.07%
2Y Fixed-Rate Bond	1.24%	0.19%

House Price Growth (Q1 2007 = 1.0)

Source: Hamptons International & Land Registry



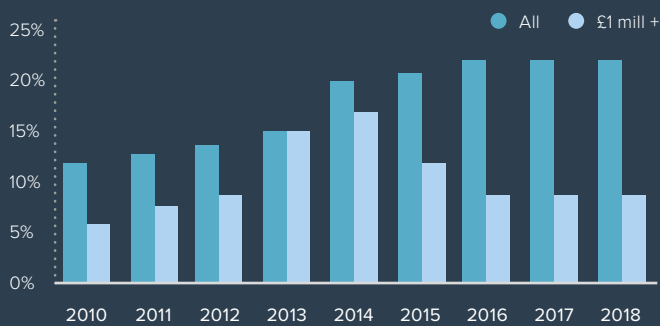
Price Growth

Source: ONS



Sold Above the Asking Price

Source: Hamptons International



Days to Sell

Source: Hamptons International

Instruction to Offer Accepted	GB	London
2012	54	40
2013	48	29
2014	38	25
2015	54	34
2016	34	29
2017	36	46
2018 YTD	35	41

SECOND HOME RENTERS

The number of people renting second homes has reached a record high.

Whether it's a bolt-hole in town or a place to unwind in the country, the appeal of a second home is an enduring one. However, in April 2016, the introduction of increased stamp duty on second home purchases meant that for many, hopes of future ownership were dashed.

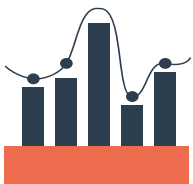
However, for those who remain distracted by thoughts of a home by the sea or a pied-à-terre in the town, there may still be a way. Ownership is

not necessarily a barrier to realising a second home dream as would-be buyers are now increasingly choosing to rent instead. In fact, last year (2017) a record 13,680 properties were rented as second homes, up 11% on 2016 and a huge 136% increase on 2007.

Six of the ten second home rental hotspots were located in the South East or the South West. Windsor and Maidenhead, close to good schools,

Second Home Rental Properties in Great Britain

Source: Hamptons International

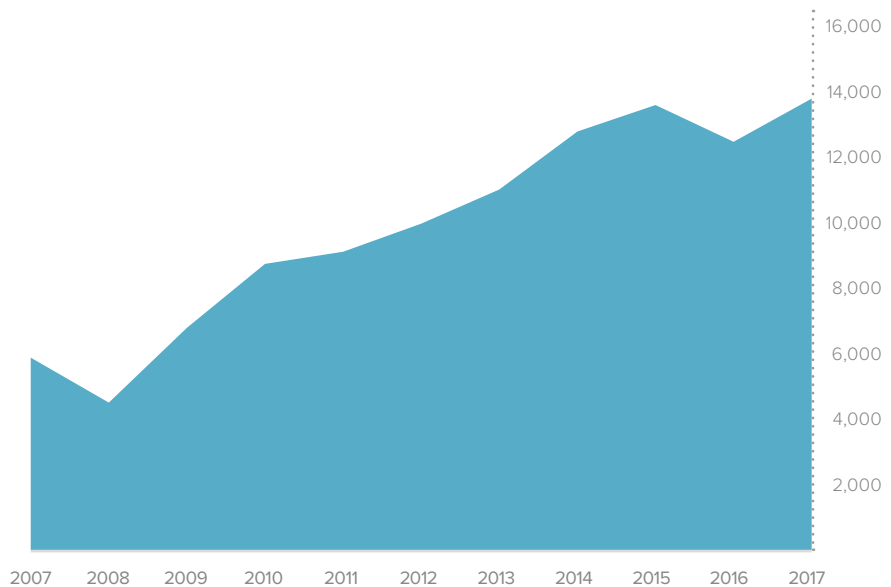


13,680

properties were rented as second homes in 2017

6/10

second home rental hotspots were located in the SE or SW



places of work, proximity to London and Heathrow topped the list with 14% of properties let there were rented as second homes. While the more rural areas of Gloucester and Tewkesbury in the South West followed with 11% and 6% respectively.

What about the capital? London, had the third highest proportion of rented homes let as second homes. Many of these are used as a pied-à-terre during the week and an alternative to the small apartment which could have quite possibly been purchased before the stamp duty change.

Second home renters are more likely to pay more than the average tenant renting a primary home. Last year an average rent on a second home cost £1,060 a month, some 24% more than the average home for rent. And in London, the figure was almost double at £2,030 a month.

“Ownership is no barrier to realising a second home dream as would-be buyers are now increasingly choosing to rent instead.”

”

Properties with fast transport links into the capital command some of the best rental incomes. Places such as St Albans in Hertfordshire, close to the countryside but just 20 minutes into London by train.

While second home rentals may be on the up, sales of second homes have undoubtedly suffered. Only 3,850 second homes were bought in the first quarter of this year, which compares to 6,400 in Q1 2016, prior to the introduction of the additional stamp duty surcharge. The average cost of a second home in Great Britain is £312,450, but this rises to £1.8 million in prime areas, and surprisingly, over two thirds of second homes located in prime areas are cash sales. But second home sales hotspots differ for rentals, with Scarborough, Pendle and Torbay topping the list.

RENTAL GROWTH

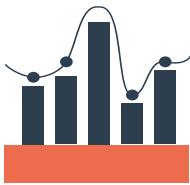
Average rents continue to rise, but the pace of growth is slowing. Rents rose 0.7% year-on-year in June, falling below 1% for the first time in seven months as the shortage in lettings stock begins to level out. The lull in landlord purchasing activity following the stamp duty surcharge for second homes appears to have bottomed out as investors find new ways to make their returns.

	Average Rent June-18 (pcm)	Average Rent June-17 (pcm)	YOY Change
Greater London	£1,666	£1,672	-0.4%
Inner London	£2,596	£2,603	-0.3%
Outer London	£1,489	£1,496	-0.5%
South East	£1,041	£1,022	1.9%
South West	£786	£786	0.0%
East	£952	£930	2.3%
Midlands	£679	£665	2.2%
North	£628	£628	0.0%
Scotland	£639	£631	1.1%
Wales	£671	£644	4.1%
Great Britain	£956	£949	0.7%

Source: Hamptons International

CHAINS

One in five homes in the UK were sold chain-free this year, down from one in three in 2015.



23%

the proportion of homes sold chain-free in the UK

Chain-free sales are becoming increasingly rare. In the UK, most homeowners who move are reliant on the sale of their current home. While in some cases owners might briefly choose to move into rented accommodation to help with the sale of their home, most look to find a buyer for their own home at the same time as buying a property for themselves. A chain is formed when two or more homeowners are reliant on the sale of their property simultaneously to fund the purchase of somewhere else to live.

This year, only one in five homes (23%) in the UK have been sold chain-free,

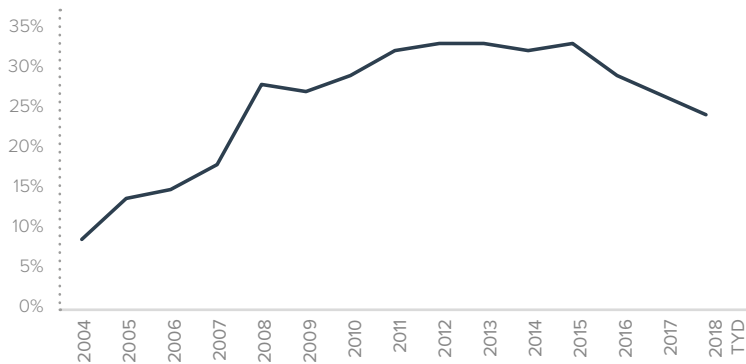
down from one in three in 2015 (32%). Investors, who tend to buy chain-free, have bought fewer homes since the introduction of the stamp-duty surcharge on second homes in April 2016, and have played a significant part in contributing to the overall fall. In June, landlords bought 11% of homes in Great Britain, down from 16% three years ago.

For other homeowners, affordability has been stretched as house prices have risen faster than wages. This has meant fewer buyers have had the luxury of moving without selling first. More recently house price growth has slowed, and as a result, homeowners aren't accumulating as much capital as they were. Some movers, particularly downsizers, are choosing to sit tight until prices start rising again before they cash in on their property.

All that said, the rise in the number of landlords selling-up due to tax and regulatory changes go a small way to counteract the fall in chain-free sales. So far this year, landlords have made up 16% of all vendors in Great Britain. But even though these properties are now less likely to be snapped up by fellow investors, first-time buyers are stepping in, keeping the sale chain-free.

Proportion of Chain Free Sales

Source: Hamptons International



Aneisha Beveridge

Research Analyst

beveridgea@hamptons-int.com

Alison Blease

Head of Research PR

bleasa@hamptons-int.com

This report was published for the purpose of general information and Hamptons International accept no responsibility for any loss or damage that results from the use of content contained therein, including any errors or negligence from third party information providers. It is your sole responsibility to independently check and verify the facts contained within this report. All opinions and forecasts within this report do not in any way represent investment or other advice. Reproduction of this report in whole or in part is not allowed without the prior written consent of Hamptons International.

The logo for Hamptons International, featuring a stylized 'H' symbol followed by the words 'HAMPTONS' and 'INTERNATIONAL' in a serif font.

HAMPTONS
INTERNATIONAL