

## LOOKING AHEAD

UK house prices ticked up slightly in October, while the pace of price growth in prime central London continued to slow. Prices are forecast to rise modestly next year, with a continuation of the regional variations that have become more entrenched in recent months.

### Key facts November 2015

UK house prices rose by 0.6% in October, taking the annual growth to 3.9%

Prime central London prices are up 1% on the year, after falling 0.3% during October

Average rents in prime central London dipped by 0.5% in October, taking annual growth to 1.5%

Average UK prices are forecast to rise by 4.1% in 2016, while prime central London prices forecast to grow by 2%

### Housing market and economic overview

The annual pace of UK house price growth rose from 3.8% to 3.9% in October amid strong demand and tighter availability of stock.

#### Shrinking stock

RICS: Average stock of housing on surveyors' books (per branch)

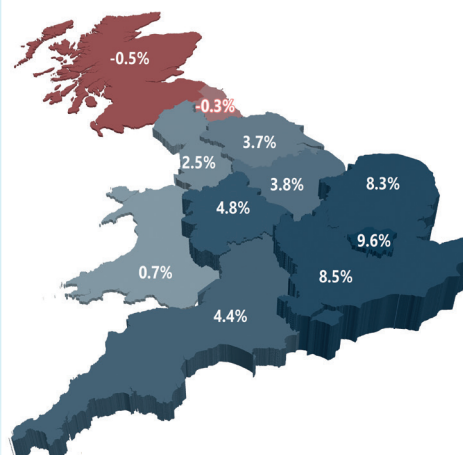


Source: Knight Frank Research / RICS

The number of homes available for sale dropped to a new record low in October, as shown in the chart above. This lack of stock is impacting activity levels, but is also one of the factors serving to underpin prices, alongside the improving economy, rising wages and high levels of consumer confidence.

#### Regional variations

Annual house price growth by region, Sept 2015



Source: Knight Frank Research / Land Registry

The rates of price growth across the country still remain highly regionalised, and localised, as the maps below show.

Knight Frank forecasts price growth of around 4% next year across the UK, with little unwinding of the regional differential currently being seen, although the cumulative growth seen in the East of England and the South East may marginally outpace that in London over the next five years.

#### Residential market forecast Nov 2015

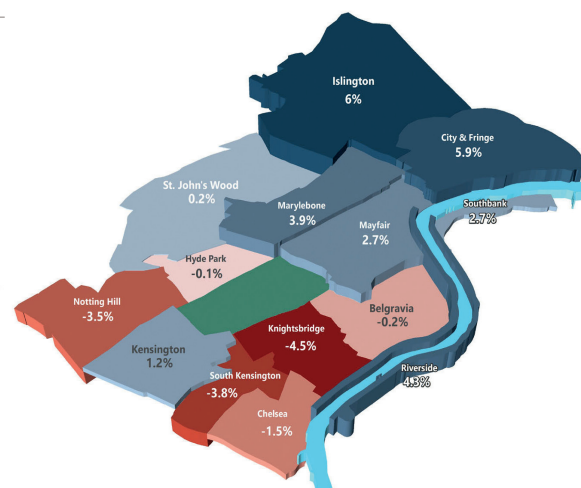
	2016	2016-2020
<b>Mainstream residential sales markets</b>		
UK	4.1%	20.3%
<b>Prime residential sales markets</b>		
Prime Central London	2.0%	20.5%
<b>Residential rental markets</b>		
Prime Central London	2.0%	15.4%

Source: Knight Frank Research

Read the forecasts, and the latest [Risk Monitor](#) in full on [Global Briefing](#), our residential research blog.

### Prime markets

#### Price growth in prime central London by area, year to October 2015



Source: Knight Frank Research



GRÁINNE GILMORE  
Head of UK Residential Research

“The UK outlook is for moderate price growth, with potential outperformance in some urban locations.”

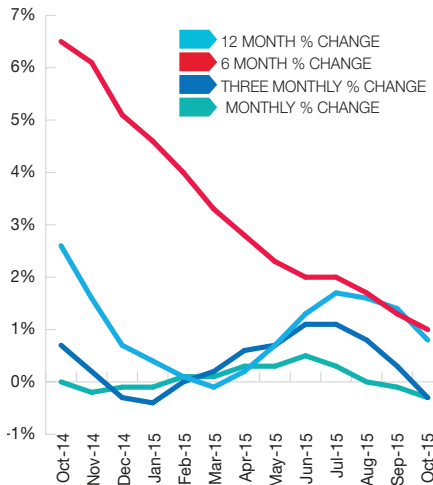
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# UK RESIDENTIAL MARKET UPDATE NOVEMBER 2015

In prime central London annual price growth slowed to 1% in October, the lowest rate of growth since October 2009. Increased stamp duty charges for transactions worth more than £1.1 million continue to dampen demand at the top end of the London market, and that has led to a stand-off between buyers and sellers.

## Price growth in prime central London



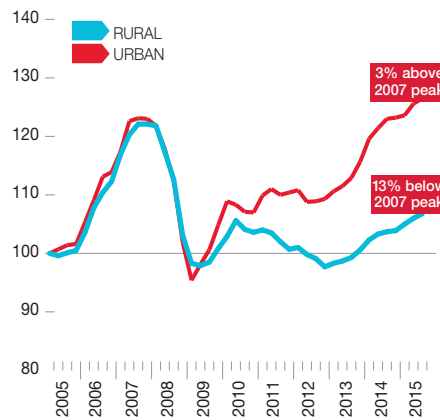
Source: Knight Frank Research

Knight Frank forecasts cumulative price growth in prime central London between 2016 and 2020 of 20.5%.

Annual price growth in the prime country market stands at 2.7% over the year to September, down from a recent high of 5.2%. While the general trend has been for more subdued growth, several prime urban markets have outperformed this rate of growth, as examined in the latest Prime Country Review. Such outperformance is expected to continue, underpinned by the improving economic and employment picture in the regions.

## Urban properties outperform

Prime urban v prime rural property price growth (nominal)



Source: Knight Frank Research

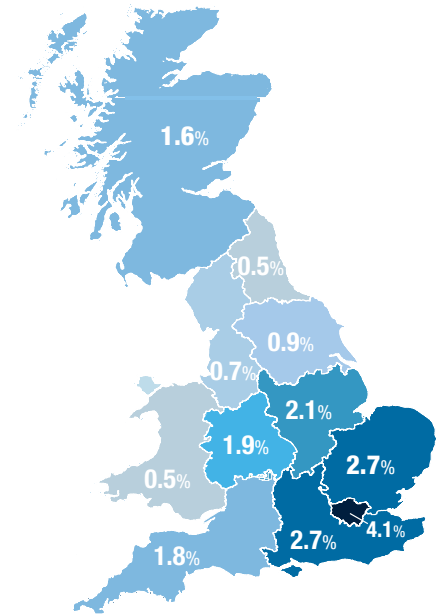
The top end of the prime Scottish market is still adjusting to the introduction of Land and Buildings Transaction Tax (LBTT) in April this year. The levy, which replaced Stamp Duty Land Tax, has resulted in a significant increase in purchase costs for buyers in the prime market. Prices here fell by 0.7% in Q3, the first decline in two years.

## Rental market

Average rents across Great Britain rose by 2.7% in the year to September, according to the latest data from the Office for National Statistics. Rents increased in all the English regions over this time, as shown in the map above, with the fastest growth, at 4.1%, in London.

Meanwhile, in prime central London Knight Frank's own data shows that rents eased to 1.5% annual growth in September, down from a high of 4.2% in May. This slowing in prime rents reflects a slowdown in demand for rental property

## Rental growth in year to Sep 2015



Source: Knight Frank Research / ONS

among corporate tenants. Firms are feeling risk-averse due to geo-political concerns and this has caused some companies to curb relocation budgets and recruitment plans.

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