



Homes & Communities Agency

HCA Monthly Housing Market Bulletin - August 2014

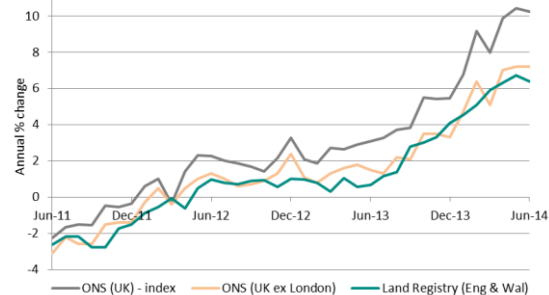
This HCA bulletin provides the latest information on trends in the housing market and the economy. For more information please click on the links provided, or contact the HCA's Strategic and Market Intelligence team Market.Intelligence@hca.gsi.gov.uk.

OVERVIEW

- House prices:** Average house prices continue to increase, although the rate seems to be easing, particularly in the dominant London market.
- Transactions:** Numbers of housing transactions have increased, but remain below their 2007 peak. Numbers of mortgage advances continue to grow.
- House building:** Average British residential building land values have increased. Greenfield land is now at some three quarters of its 2007 level, and the average urban value is around half of the 2007 peak.
- The economy:** The economy continues to grow, with GDP increasing by 0.8% in Q2 2014 (3.2% y/y). The unemployment rate is decreasing, currently at 6.5%. CPI inflation is at 1.5%.

HOUSING MARKET

Data source for House Prices	Date	% increase over previous:		
		one month	three months	one year
ONS	Jun 14	1.1%	5.1%	9.5%
ONS (UK, excl London)	Jun 14	1.0%	3.8%	6.5%
Land Registry	Jul 14	1.7%	2.5%	7.2%
Nationwide	Jul 14	0.1%	2.3%	10.6%
Halifax	Jul 14	1.4%	3.6%	10.2%
Hometrack	Jul 14	0.1%	-	-
Rightmove	Aug 14	-2.9%	-3.5%	5.3%



ONS mix-adjusted house price indices (UK) <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/index.html>
 Land Registry (England & Wales) <http://www.landregistry.gov.uk/public/house-prices-and-sales>
 Nationwide (UK) <http://www.nationwide.co.uk/hpi/>
 Halifax (UK) http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp
 Hometrack (E&W) <http://www.hometrack.co.uk/our-insight/monthly-national-house-price-survey>
 Rightmove (E&W) www.rightmove.co.uk/news/house-price-index

Housing affordability

- The house price to earnings ratio was 5.02 in July 2014, based on a standardised average property price of £186,322.
- This compares to the series high of 5.83 in July 2007, and a low of 3.07 in December 1995. (Halifax and ASHE)
<http://www.lloydsbankinggroup.com/Media/economic-insight/halifax-house-price-index/>

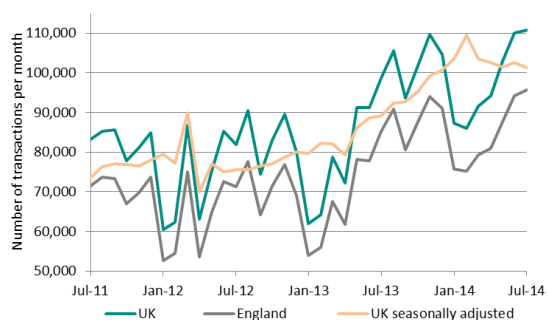
House price indicators vary depending on their individual methodology and sampling process:

- ONS and the Land Registry are based on completions data, so record later in the house buying process.
- The Land Registry data is the most comprehensive, as it includes all property sales, including cash buyers.
- The Nationwide and Halifax indices are based on mortgage offers approved by them. Rightmove is based on asking prices from its website. Hometrack is based on a survey of estate agents which includes the agents' opinion of achievable selling prices.
- Seasonal variation occurs in the market. Halifax, Nationwide and Land Registry data are seasonally adjusted, the others are not.

HOUSING TRANSACTIONS

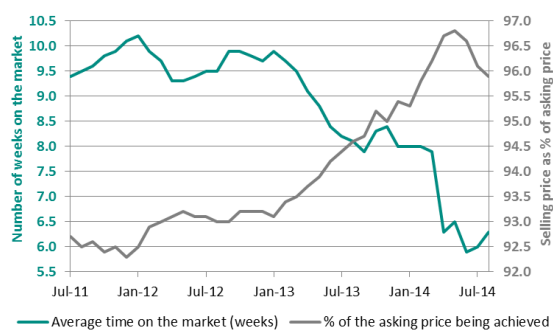
Transactions

- There were 95,700 residential property transactions in England in July 2014. There were a total of 1,032,770 transactions over the 12 month period to the end of July 2014, which is 23.0% more than in the previous 12 months.
- This compares to the series high of 136,790 in August 2007, and a low of 34,750 in January 2009. (HMRC)



Supply and demand

- In August 2014 the average time taken to sell a home was 6.3 weeks. The average sale price was 95.9% of the asking price. (Hometrack)



Mortgage

- Council of Mortgage Lenders data on mortgage market growth (house purchase loans):

Category of buyer	Measure (loans)	June 2014	Change from June 2013
First time buyers	Number	28,600	19%
	Value £m	4,200	27%
Home movers	Number	31,900	11%
	Value £m	5,900	23%
Buy to Let investors	Number	15,600	23%
	Value £m	2,200	38%

- Gross lending grew 6% in the month to £17.9bn. A 20% increase in the year.
- Mortgage arrears (of three months or more) at the end of June rose to an estimated 125,100. This is 4% higher than December. Of these, over half (71,800) were in arrears of 3-6

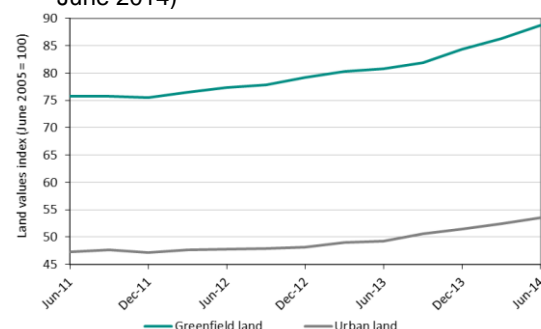
months, under a third (38,300) were in arrears 6-12 months, over a tenth (15,000) more than 12 months. This represents about 1% of all mortgages.

- 14,000 properties were taken into possession in the first six months of the year, which is an 18% increase on the previous six months. <http://www.cml.org.uk/cml/media/press>

HOUSE BUILDING

Land Value

- British urban land values are around half the level they held in 2007 (101.6 in March 2007), whilst greenfield values are around three quarters of their pre-slump maximum (117.4 in September 2007). (Savills Research: Development Land Statistical Supplement, June 2014)



Construction

- In Q2 2014 there was no growth when compared to Q1 2014. However, yearly growth was estimated to be 4.8%, when compared to Q2 2013.
- Monthly estimates for construction output for June 2014 increased by 1.2% when compared with May 2014, with new work increasing by 0.9% and repair and maintenance increasing by 1.6%. <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/index.html>

House building

- In Q2 2014, there were 37,730 starts, and 30,680 completions in England. This is an increase of 11.4% and 7.2% on Q2 2013 respectively. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>
- 43,926 homes were granted planning permission in Q1 this year. The moving annual total (Q2 2013 – Q1 2014) is up to 177,731, which is the highest level since 2008.
- The number of sites consented has dropped from 885 in Q4 2013 to 679 in Q1. <http://www.hbf.co.uk/media-centre/news/view/new-home-permissions-rise-to-2008-level/>

House builders

- For financial information on housebuilders that are listed on the London Stock Exchange please try this link: <http://www.londonstockexchange.com/prices-and-markets/stocks/stocks-and-prices.htm>

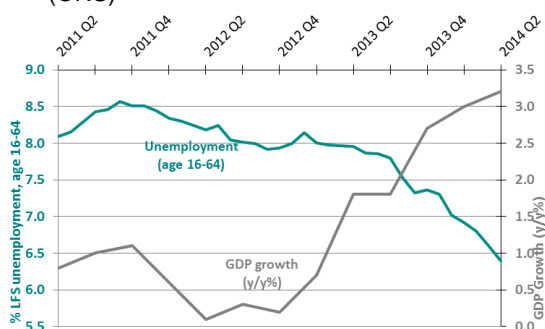
THE ECONOMY

Growth

- In the second quarter of 2014 UK gross domestic product (GDP, Secondary estimate) increased by 0.8%, which is the same increase as in the previous quarter.
- GDP was 3.2% higher in Q2 2014, compared with the same quarter a year ago.
<http://www.ons.gov.uk/ons/taxonomy>

Employment and unemployment

- In April to June 2014, there were 30.67m people in work, which is 383,000 more than a year earlier.
- The unemployment rate for people aged 16-64 in April to June 2014 was 6.5%, down 1.5 percentage points from the same month one year before. 2.08m people aged 16+ were unemployed, down 437,000 from one year earlier.
- The number of people claiming Jobseeker's Allowance (the Claimant Count) was 1.01m in July, down 421,600 from one year before. (ONS)



<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market#tab-overview>

Inflation

- CPI annual inflation grew by 1.6% in the year to July 2014, up from 1.9% in June.
- Falls in clothing prices provided the largest contribution to the fall in rate. Other large downward effects came from alcohol, financial services and food.
- CPIH, the measure of consumer price inflation which includes owner occupiers' housing costs, grew by 1.5% in the year to July, down from 1.8% in June (ONS).
<http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/index.html>

Interest rates

- UK gilt yields at 29 August 2014, were as follows:

Maturity	Yield	
	Current	One month ago
10 year	2.39%	2.55%
20 year	2.84%	3.15%
30 year	2.97%	3.29%

<http://markets.ft.com/Research/Markets/Bonds>

Forecasts

- Data from HM Treasury's August 2014 compilation of independent forecasts for the UK economy is presented below.

Median forecast, % increase (annual average, unless stated otherwise)	Year	
	2014	2015
GDP growth	3.1	2.6
CPI inflation, Q4	1.7	2.1
RPI inflation, Q4	2.6	3.3
Average earnings	2.5	3.2
Official Bank Rate	0.5	1.2
House price inflation, Q4	9.0	7.1
Real household disposable income	1.2	1.8
LFS unemployment, Q4	6.7	6.4

<https://www.gov.uk/government/collections/data-forecasts>

Homes and Communities Agency, Strategic and Market Intelligence

If you have any comments, questions or feedback about this bulletin we would love to hear from you.

Please contact us at Market.Intelligence@hca.gsi.gov.uk

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