

RESIDENTIAL DATA SHOT

June 2018

MARKET COMMENTARY

The government has published the draft study, by Sir Oliver Letwin, on the causes of the gap between the number of housing completions and the amount of land allocated or with planning permission in areas with strong housing demand. The full recommendations from the draft study will be published in November 2018, in time for the Autumn Budget.

The draft study found that there are two major factors inhibiting the government from reaching its building target of 300,000 new homes a year by 2020. The two main factors are:

- Absorption rates, or the rates at which newly constructed homes can be sold into the local market without driving down the local market price, are causing developers to slow the development process by restricting the release of new-build homes into the market
- Severe shortages of skilled labour, like bricklayers, are having a significant impact on the speed of construction

By looking into the practices of developers, the Letwin Review has found that the long-held view that developers are

deliberately land banking was “implausible” as they make a profit from the sale of housing. Instead, they were deliberately slowing the development process in order not to depress the prices of the new homes in the local market.

Letwin has called for more than 15,000 bricklayers to be trained over the next five years. He recommends that the government and major housebuilders work together to create an “on-the-job” training programme to fill the skills shortage gap.

It will be interesting, in November, to read the full recommendations of the review and the full suggestions on how the housebuilder/government trainee programme will work in order to meet the skills gap. The lack of skilled labour in the construction industry has been widely reported on in recent years and it is encouraging that the government is finally taking notice; however, instead of focussing on traditional “brick” housebuilding, the government should also look to support alternative building practices like pre-fabricated homes or using non-standard building materials to help with the housing supply in the UK.



| INDICATOR | LATEST DATA | | | | COLLIERS INTERNATIONAL COMMENT |
|--|-------------|--------|--------|-------|--|
| | MARCH | APRIL | MAY | TREND | |
| Nationwide House Price Growth | -0.2% | 0.2% | -0.2% | ↓ | House price growth dipped to -0.2% between April and May. The Nationwide reports that annual house price growth has been between 2-3% over the last year, which suggests there is little change in the demand and supply balance over the last 12 months. |
| Halifax House Price Growth | 1.6% | -3.1% | 1.5% | ↑ | According to the Halifax House Price Growth Index, UK house prices rose by 1.5% in May, turning around, somewhat, the 3.1% monthly decline in April. Average house prices now stand at £224,439. |
| Rightmove Asking Price Growth | 1.5% | 0.4% | 0.8% | ↑ | Rightmove reported that new sellers increased their asking prices up by 0.8% in May, pushing up asking prices to a record high of £308,075. It is a mixed picture regionally, but overall the view is that the market is less buoyant in terms of price growth and the number of sales agreed. |
| Bank of England Mortgage Approval Rate | 62,802 | 62,455 | N/A | ↓ | April saw marginal falls in mortgage approvals. This may be due, in part, to the expectation that the Bank of England would be increasing the base rate in May. |
| Bank of England Base Rate | 0.50% | 0.50% | 0.50% | → | The Bank of England base rate remains the same. |
| Bank of England Average Rate on Two Year Fix (75% LTV) | 1.53% | 1.70% | 1.72% | ↑ | The average rate on a 75% LTV mortgage continued to rise in May to stand at 1.72%. Rates were last at this level in July 2016. |
| RICS Price Expectations Survey | -5% | -7% | -9% | ↓ | RICS price expectations show a UK-wide marginal decline, with the net balance at -9%. |
| RICS Sales-to-Stock Ratio | 35% | 35% | 34% | ↓ | The sales-to-stock ratio remained largely unchanged. |
| HMRC Property Transactions | 94,890 | 98,820 | 99,590 | ↑ | The number of residential property transactions increased by 0.8% between April 2018 and May 2018. This figure is 0.5% lower compared with the same month last year. |



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