



UNITED KINGDOM

RESIDENTIAL DATASHOT

JULY | 2018





MARKET COMMENTARY

There is much controversy in the press about homeowners who are caught in “leasehold traps” whereby escalating ground rents on their leasehold properties can make the property virtually unsaleable.

Recent proposals by the Law Commission will give leaseholders more security and control over their homes. The Government published its own consultation on the leasehold market this time last year called, “Tackling unfair practices in the leasehold market”. As a result of that consultation, the Law Commission was tasked by the Government to set out solutions before the Parliamentary summer recess this year.

In July 2017, the Government proposed to ban the sale of houses on a leasehold basis. The Law Commission has suggested the following:

- Altering the valuation formula
- Making it easier to buy the freehold
- Eliminating the requirement for owning one’s house for more than two years before beginning the enfranchisement procedure
- Making the enfranchisement procedure easier

The Law Commission will also release an additional consultation study on enfranchisement, which allows leaseholders to either buy their freehold or extend the length of their lease, in September of this year. Expectations are that this will make the process not only fairer but easier for leaseholders.

According to a report from the DCLG (Department of Communities and Local Government), there are an estimated 4.3 million leasehold properties in the UK, equating to 18% of English housing stock. Of the 4.3 million leaseholds, 68% of that total are flats. 82% of flats in the private sector are leasehold.

It is encouraging that the Law Commission has set out processes to ensure that leaseholders are no longer caught in a financial minefield regarding the purchase of their freehold or on costs payable to their landlords.



Recent proposals by the Law Commission will give leaseholders more security and control over their homes

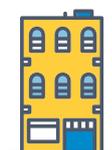


LEASEHOLD AS A PROPORTION OF STOCK AND NUMBER OF DWELLINGS

by tenure and dwelling type



HOUSES



FLATS



TOTAL

	HOUSES		FLATS		TOTAL	
	% dwellings leasehold	no. leasehold dwellings, '000s	% dwellings leasehold	no. leasehold dwellings, '000s	% dwellings leasehold	no. leasehold dwellings, '000s
Owner occupied	7.4	986	90.3	1,255	15.3	2,241
Private rented sector	11.0	311	76.8	1,496	37.9	1,807
All private	8.0	1,297	82.4	2,751	20.8	4,048
Local Authority	0.2	2	5.3	40	2.6	42
Housing Association	5.5	74	8.0	83	6.6	157
All social sector	3.4	76	6.8	124	5.0	200
All tenures	7.5	1,373	55.9	2,875	18.1	4,247

Source: DCLG, estimating the No. of leasehold dwellings in England 2015/2016. September 21st 2017

INDICATOR	LATEST DATA			TREND	COLLIERS INTERNATIONAL COMMENT
	APRIL	MAY	JUNE		
Nationwide House Price Growth	0.1%	-0.2%	0.5%		The Nationwide House Price Index saw positive growth between May and June by 0.5%. Year-on-year prices grew by 0.2%. The Nationwide indicates that annual growth figures have remained between 2-3% over the past 12 months, suggesting little change in the balance between demand and supply in the market over that period.
Halifax House Price Growth	-3.1%	1.7%	0.3%		Halifax house price growth remained positive between May and June at 0.3%. The Halifax say that the annual rate (1.8%) is within their forecast range of 0-3% for 2018.
Rightmove Asking Price Growth	0.4%	0.8%	0.4%		June saw a new record in asking prices for the third month in a row. Rightmove reported that between May and June asking prices increased by 0.4%.
Bank of England Mortgage Approval Rate	62,941	64,526	N/A		Mortgage approval rates increased by 3% between April and May to stand at 64,526.
Bank of England Base Rate	0.50%	0.50%	0.50%		There is new speculation that the Bank of England will raise interest rates further in August.
Bank of England Average Rate on Two Year Fix (75% LTV)	1.70%	1.74%	1.74%		The Bank of England average rate on two year fixed rate mortgages remains unchanged since May.
RICS Price Expectations Survey	-7%	-9%	0%		The RICS Price Expectations recorded cautious views on activity, which saw the net balance at zero.
RICS Sales-to-Stock Ratio	35%	34%	34%		The sales-to-stock ratio remained largely unchanged.
HMRC Property Transactions	97,850	99,290	96,340		The number of residential property transactions decreased by 3.0% between May and June 2018.

FOR MORE INFORMATION

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