

LSL New Build Index

The market indicator for New Builds

May 2017

Note: This month's figures are based on projected data, generated whilst work is being undertaken on the data collection system.



In the year to end April 2017 new build house prices rose on average by 5.5% across the UK which is marginally down on last year's figure of 5.6%.

If Greater London is taken out of the calculation and we take a crude average of the remaining regions, then the average house price growth is 4.3% compared to a figure of 4.0% last year.

Looking across the regions it can be seen that the roll out of the housing market recovery has continued and some sustained price rises are now evident in all regions. That said some Northern areas are still achieving average sale prices that are below the peak years around 2007.

Although there are some more mixed reports coming out of the Greater London market, and the consequences of Brexit and the General election are yet to crystallise, we still believe that this region, taken as a whole is the best performing region. In the year to end May 2017, the South East is following close on Greater London's heels in second position and close behind that is the East Midlands where the market certainly appears to be

strengthening. Some of the heat seems to have come out of the market in East Anglia where year on year growth has fallen from 7.1% last year to 5.9% this year. Similarly the South West market has remained static at 5.8%. This is of course a healthy rate and indicates that demand for new build continues to outstrip supply but not at an accelerating rate.

With the exception of the North East, the remaining regions are achieving house price growth at or above the consumer price inflation figure. Generally speaking these regions are also showing some acceleration in the rate of price growth which suggests that there may still be some way to go for them.

First Time Buyers

The First Time Buyers index calculates an estimated value for a 70 sq m 2 bed property in each region of the UK. It adjusts

by region according to the number of flats or terraced houses that are being built and valued in those regions. The index has been recalibrated and is now calculated against the Office for National Statistics EARN05: *Average weekly gross earnings of full time employees, by region. People*. The table shows that whilst earnings are significantly higher in Greater London, this does little to compensate for the very significant difference in average residential property prices.

In fact a clear North South divide is evident with: Greater London, South East, South West and East Anglia having a HPE multiple at 5 or above and the remaining regions being below this number. The most affordable regions for first time buyers are the North East and Yorkshire and the Humber which both have multiples below 4. The one to watch must be the East Midlands which shows good levels of affordability combined with relatively high house price growth.

The Future

The Bank of England has warned of a credit squeeze as inflation is now exceeding wage settlements. In their latest report they also indicated that an interest rate rise may come sooner than expected. But against this there is positive employment data,

Weighted Average Price Change

REGIONS	YR TO APR 16	YR TO APR 17
East Anglia	7.1%	5.9%
East Midlands	5.8%	7.1%
Greater London	8.1%	8.8%
North East	0.2%	0.6%
North West	4.1%	4.4%
Scotland	2.6%	3.3%
South East	7.3%	7.6%
South West	5.8%	5.8%
Wales	2.5%	3.5%
West Midlands	3.0%	2.4%
Yorkshire and the Humber	1.6%	2.5%
Average excluding GL	4.0%	4.3%

albeit that uncertainty over the consequences of Brexit and the General Election will continue to influence consumer sentiment. Mortgage interest rates are a long way below the level of their previous peak and are almost certain to remain so, regardless of whether rates rise or not.





As always, new build offers a clear alternative to second hand property, which come with an inherent uncertainty about potential future maintenance expenditure. Leading housebuilders are continuing to report strong forward order books and this confidence is reflected

in the volume of starts in the first quarter which, according to Glenigan, are well ahead of the same period last year. Similarly the NHBC report a 10% increase in private sector registrations in the first quarter of 2017 over the same period last year and a 40% increase in affordable sector registrations. A strong stimulus to house building also seems to be a common theme to the plans for all major political parties. So although much is uncertain, the general prospects for the new build sector remain strong as the overall market recovery continues and the need for more new housing remains clear.

First Time Buyers - Affordability.

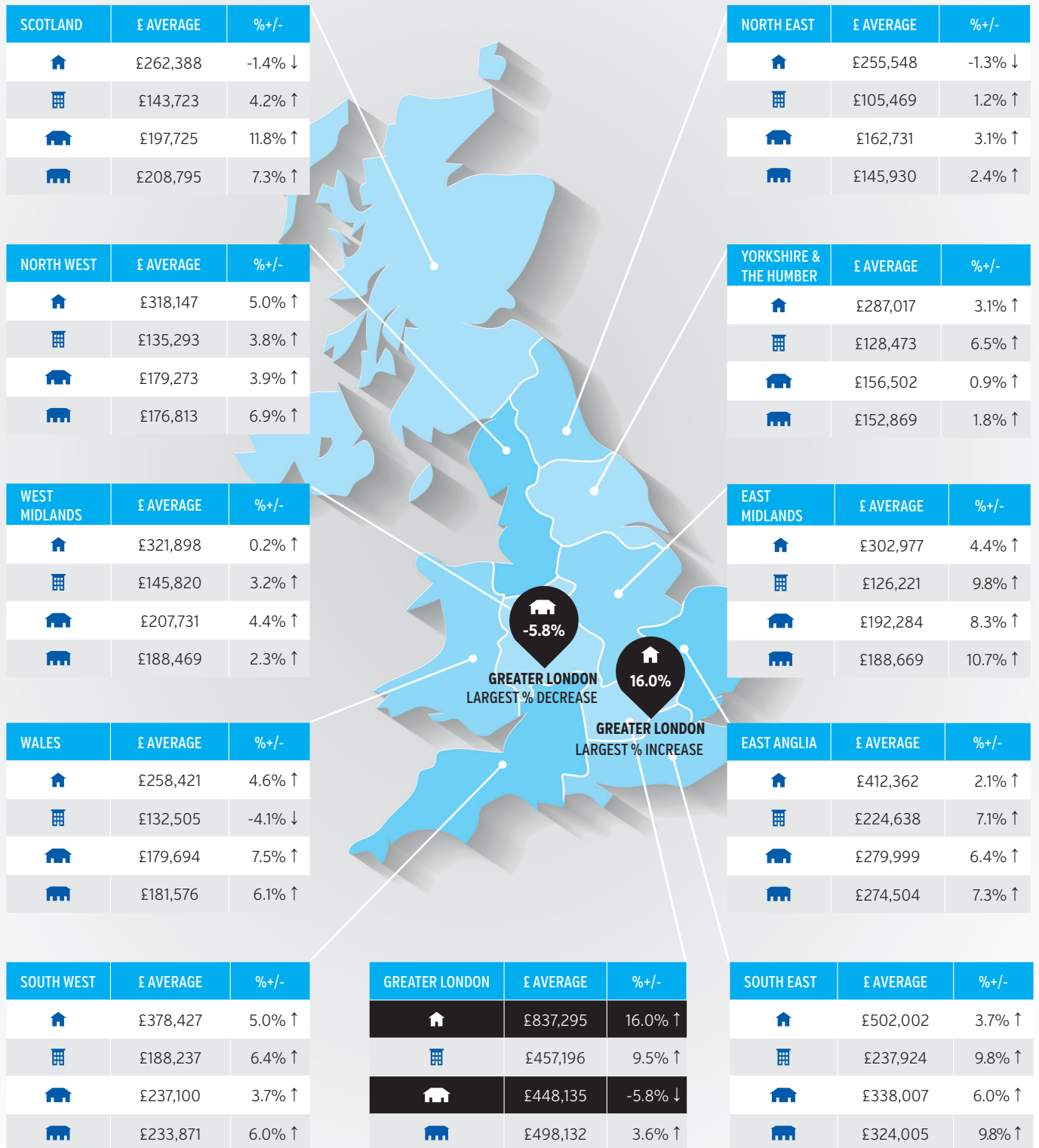
	2 BED 70 SQ.M STARTER HOME	AVE ANNUAL EARNINGS FULL TIME EMPLOYEES	HPE	AFFORDABILITY INDEX
East Anglia	£210,335	£32,610	6.45	114
East Midlands	£130,633	£28,585	4.57	81
Greater London	£467,039	£38,188	12.23	216
North East	£104,614	£27,032	3.87	69
North West	£120,128	£27,240	4.41	78
Scotland	£146,638	£30,486	4.81	85
South East	£231,308	£33,966	6.81	121
South West	£160,935	£28,484	5.65	100
Wales	£122,076	£26,771	4.56	81
West Midlands	£133,689	£27,794	4.81	85
Yorkshire and the Humber	£109,604	£27,608	3.97	70
			5.65	100

This is based on a weighted calculation which reflects regional differences in sales volumes of flats and terraced property. Ave annual earnings from ONS EARN 05: Average Gross Earnings of Full Time Employees.

-  Detached
-  Flats
-  Semis
-  Terrace

Average New Home Prices

Period May 2016 to April 2017 and % variation over same period 2015/16.



*Size adjusted average price

Notes

This Index has been prepared by e.surv using anonymised data based on a proportion of all new build valuations provided for lending purposes. Figures represent 12 month rolling averages for each period. The copyright and all other intellectual property rights in the Index belong to e.surv. Reproduction in whole or part is not permitted unless an acknowledgement to e.surv as the source is included. No modification is permitted without e.surv's prior written consent.

Whilst care is taken in the compilation of the Index no representation or assurances are made as to its accuracy or completeness. e.surv reserves the right to vary the methodology and to edit or discontinue the Index in whole or in part at anytime.

e.surv (www.esurv.co.uk) is the Valuation business of LSL Property Services plc (www.lslps.co.uk) and is the UK's largest residential valuation practice, acting for lenders, developers, Social Housing organisations and other stakeholders in the residential property market.

The business employs circa 450 chartered surveyors and covers the entire UK.

LSL Land & New Homes is a trading style for members of the LSL Property Services Group Estate Agency Division, one of the leading residential property services groups in the UK. It's strategy is to create partnerships with developers and builders to support their objectives and add value to their businesses.

It can provide integrated solutions for their benefit drawing on the expertise of companies who are also under the LSL Group umbrella including valuation services (e.surv), rental portfolio services, asset management services and estate agency services fronted by well-known high street estate agency brands like Your Move and Reeds Rains. Services can be tailored to suite individual needs from bespoke site sales and marketing, agency referral to the disposal of part exchange, assisted schemes and new build stock, land sales and acquisitions.

Report sources:

See Government press release on white paper.

DCLG released 7th Feb 2017

Housing White paper rented sector and house building

Headed: Government announces ambitious plan to build the homes Britain needs

For further information or enquiries regarding the underlying data of the LSL New Build Index, please contact Shaun Peart via email Shaun.Peart@lslnewhomes.co.uk or by phoning 07789 948411.

For further information about the LSL Property Services Group including LSL Land & New Homes and e.surv, visit www.lslps.co.uk

Disclaimer: The data is provided by LSL Land & New Homes and is based on data provided as described above. While reasonable skill and care has been taken in the preparation of the data - the copyright and all other intellectual property rights of which belong to e.surv limited - neither e.surv Limited nor LSL Land & New Homes can accept liability for the accuracy or completeness of the data provided.

Reproduction in whole or part is not permitted unless an acknowledgment to e.surv Limited is included. No modification is permitted without e.surv Limited's prior written consent.

No warranty of the figures is given and no responsibility or liability of any nature to you or any third party for the whole or any part of its content is accepted. It is assumed that you will carry out your own due diligence before proceeding with any proposals or making any financial commitments.