

# RESIDENTIAL BRIEFING NOTE

July 2019

## Market Overview

*Growing concerns over global trade and growth, coupled with the Conservative Party leadership campaign has created a challenging economic environment this month. These conditions are not only borne out in the usual economic indicators this month but signs from the corporate sector are also remarkably gloomy. The latest [Deloitte Survey of CFOs released this month](#) found that Brexit was the top concern, with the majority of respondents showing the most pessimistic view of Brexit now than at any time over the last three years. The survey goes on to show that while growing earnings may be positive for the consumer, it is an additional pressure on businesses, while also contending with growing recruitment difficulties.*

## Executive Summary

- *Retail sales increased during June, probably as the warmer weather prompted consumers to start their summer shopping. Despite this, consumer spending during the first half of 2019 has not been lower since 2012, according to Visa's index;*
- *Following last month's small gains in consumer confidence, the Index fell back again this month, largely as a result of wider economic concerns rather than their own finances. Indeed wage growth and employment figures are still very positive, with earnings increasing a hefty 3.6% this month and unemployment still at all-time lows of 3.8%;*
- *All three Purchasing Managers Indices (PMI) fell in June with the Construction sector PMI showing an exceptionally low reading of just 43.1 with the Manufacturing PMI also indicating sector contraction at 48.0;*
- *No signs of a sluggish labour market though, in fact quite the opposite as employment figures remain at all-time highs of 76.0%, while unemployment held steady at 3.8% and annual wage growth bumped up to 3.6% in the three months to May;*
- *House price growth remains muted and falling according to both Nationwide (0.5%) and the Official house price index (1.2%) as Brexit worries and affordability factors continue to dampen demand;*
- *The Halifax meanwhile showed house price growth up 5.2% and we now believe there may be a methodology difference at play given the discrepancy between this and the other indices recently;*
- *RICS survey data finally showed a small degree of positivity this month as New Buyer Enquiries rose to +10%, a figure not seen since November 2016, while both New Instructions and Newly Agreed Sales also showed rises in June;*
- *Rents increased again this month, up by around 1.8% across the UK according to HomeLet. ARLA also reports a record number of respondents saying rents rose in their latest report, going on to say that the recently enacted Tenant Fees Act may be partly responsible for the rise.*

## UK economic backdrop

- **Finally some good news from the retail sector as retail sales increased in June, indicating a rise of 1.0%** over May's figure. Non-food stores provided the largest contribution to growth with department store sales continuing their downward trend as the only sector to show a fall in non-food stores this month. Clothing stores meanwhile reported growth in June, having seen strong falls the previous month as **consumers reacted well to the warmer weather. Online sales as a proportion of all retailing declined slightly to 18.9% this month**, although still a very strong figure.
- **Visa's UK Consumer Spending Index provided no upbeat consumer news this month, reporting another 1.4% annual drop in spending**, unchanged from May. The report goes on to say that the data now marks the weakest first half of a year for consumer spending since 2012. On an annual basis spending fell 2.1% in high street categories while online retailing fell 0.8%. Spending increased the most across the Hotels, Restaurants and Bars sub-sector, which saw expenditure grow by 3.9% compared with the same month last year.
- **UK Consumer Confidence fell back again in June, with the GfK Index declining to -13** from -10 the previous month. Within the index, the five sub-indices all declined as well. That means that this month **saw a slightly more negative tone from consumers about both their current Personal Financial Situation (-1) and their finances going forward** over the next 12 months (+2). The Major Purchase Index also declined, to -2 compared with a reading of zero this time last year, while the two indices looking at the wider economic situation (both forward and backward looking) remain very low at -32 and -33 respectively. **The average consumer clearly feels more concerned about the general economic situation, largely which they have no control over.**
- **June's Manufacturing Purchasing Managers Index (PMI) fell to 48.0** down from 49.4 in May and below market expectations. **This is the lowest reading in the sector for over six years** and indicates contraction of the sector. Employment in the sector also fell for the third straight month while the forward looking indicator of business optimism declined to one of the lowest levels in the series history. All told, **the sector is suffering from a double blow of ongoing Brexit uncertainty and a wider global slowdown.**
- **The construction sector meanwhile fared no better as the Construction PMI plunged to 43.1** in June down from 48.6 the previous month and indicating **the sharpest contraction in the sector in over a decade.** House building fell the most it has in over three years as concerns about the sluggish housing market continue, while commercial building and civil engineering projects both recorded their steepest falls since 2009. **Brexit uncertainty and delays to project starts have clearly taken their toll and wider political uncertainty is not aiding a strong or growing economy.**
- **The sluggish economic conditions have also impacted the Services PMI this month as it fell to 50.2 in June**, down from 51 the previous month. This suggests there is some **risk aversion, likely due to ongoing Brexit concerns and indeed the confidence sub-index also dropped in the month.** New orders decreased in the sector for the fifth time in six months while input price inflation accelerated due to higher transportation costs. One positive takeaway from the index has been rising employment levels, increasing again this month and three out of the past four.
- **CPI Inflation (Consumer Prices Index) remained unchanged in June, at 2.0%**, once again hitting the Bank of England target. The largest contributor to inflation this month again comes from **housing and household services, now the eighth consecutive month where this sector has provided the largest contribution.** Within this sector are gas, electricity and general utility costs which continue to rise. Clothing and footwear was the only group which led to downward pressure on inflation, reflecting a fall of 0.4% on the year, marking the tenth consecutive month where this category has been negative.
- **Average earnings in the three months to May continues to rise, reaching 3.6%** (excluding bonuses), surpassing last month's figure of 3.4%, according to latest ONS data. The labour market report produced by the ONS suggests two contributing factors to higher pay growth this month including pay increases for some NHS staff, and the introduction of the new National Living Wage rate and National Minimum Wage rates.
- The estimated **employment rate was measured at 76.0% in the three months to May 2019** according to the latest figures. That is higher than 75.6% measured one year earlier but reflects a 0.1 percentage point fall over the figure from last month, the first such decrease since August 2018. **Unemployment levels meanwhile remained unchanged over last month's figure, remaining stable at 3.8%** in the three months to May. This figure has not been lower since 1974 with an estimated 116,000 fewer people unemployed than one year earlier, and 820,000 fewer unemployed people over the last five years.

- **Pound sterling has declined to one of its lowest levels in over two years**, reading \$1.24 against the US dollar, and just €1.11 against the euro at time of writing (16 July). Sluggish economic markers coupled with Brexit uncertainty are clearly effecting sterling's value this month.

*\*Click to see the latest market indicators at the end of document*

## Residential property market

### Sales Prices and Rents

- Annual **house price growth remained subdued in June, according to Nationwide's latest house price index report. With annual UK growth reported as 0.5%** this is slightly down on last month's 0.6% growth and means the average house price is now £216,515 following a 0.1% monthly rise. This marks the seventh consecutive month that the index has shown annual growth below 1%. On a regional basis **London (-3.8%) and the South East (-1.1%) continue to drag** showing declining values with the rest of the regions indicating sluggish growth of between 0.5% in the South West to 2.9% across the North West and 3.3% in Northern Ireland.
- **Halifax house price index** showed another punchy figure this month, indicating annual UK **house price growth in the three months to June, of 5.7%** up from 5.2% last month. On a monthly basis however the index found a decline of 0.3% leading to an average UK price of £237,110. Halifax's press release again cited 'particularly low growth rate in the corresponding period in 2018' as the reason for the figure however we still remain sceptical that this is a true reflection of the current trajectory of house prices across the UK. It may well be that **the Halifax methodology and its inherent Northern bias (Halifax has traditionally had a stronger base of customers in the North of England - an area which is currently showing slightly stronger price growth than Southern areas) which could be causing the discrepancy** between this and the other indices.
- The **UK Official house price index continues to be more in line with the Nationwide data, showing annual growth this month (to May, latest data) of 1.2%**, down from (a revised) 1.5% in April. On a monthly basis prices are showing virtually no change leading to a UK average house price of £229,431.
- **House prices rose minimally across most of the UK this month, with the North West showing the greatest rise of just 3.4%** followed by Wales at 3.0% and the West Midlands at 2.7%. On the other end of the scale are London where prices continue to decline, down a hefty 4.4% on an annual basis, followed by a 0.7% decline in the North East.
- Data from our regional Carter Jonas locations shows a similar pattern of stable to low growth with strongest growth recorded in Oxford at 4.8%, West Berkshire at 3.6% and York at 2.8%. There are plenty of house price falls as well though with South Cambridgeshire showing declines of 4.1% and Wiltshire (-2.2%), among others while interestingly both West Oxfordshire and Vale of White Horse (next to Oxford) recording house price declines of nearly 2%.
- This month saw 27 London boroughs where house prices declined (annually), compared with 23 over the previous month. This led to a London-wide house price fall of 4.4% and the worst annual decline in house prices in the capital since August 2009. **This is also now the 15th consecutive month where London has seen a decline in house prices** and with an average London house price now coming in at around £457,500 **houses in the capital are around the same price they were in February 2016.**
- **The price of newly-listed properties this month is down 0.2% compared with the same month one year ago, according to Rightmove's latest House Price Index (July)**, leading to an average asking price of £308,692. This also marks a 0.2% monthly decline, offsetting gains seen last month. Aside from the small fall in asking prices, the tone of the report remains largely optimistic. Rightmove go on to say that apart from confidence, **housing market fundamentals are 'sound' in many parts of the country.** What's more, the report suggests that falling asking prices creates **a buyer's market which is a positive**, particularly considering that the latter half of the year tends to be quieter. **The report also mirrors what we are seeing in our own Carter Jonas locations** whereby vendors must be very realistic about asking prices given the current conditions and sometimes this has meant a small decline in order to find the right (increasingly discerning) buyer.
- The **RICS Residential Market Survey** this month (June) is a little more upbeat than it has been recently as it reports that a 'stable trend is beginning to emerge', and although it is not one of great growth, it is not one of declines either. The survey's headline **price balance rose to -1%, up from -9% in May and point to flat house price inflation over the next few months** with most contributors suggesting that this will continue at least for the next three months. Over the longer term forecast (12 months) the picture is slightly rosier with **more contributors expecting prices will rise, the highest level in nearly a year.**
- Once again this month the **RICS survey reiterates**

**that the fall in landlord instructions is fuelling rent rise expectations**, and this is forecast to continue over the year. Average five-year projections show that **rent values will rise by 3.6% per annum which is stronger than forecast house price growth at 2.7%**.

- ARLA Propertymark's latest PRS Report (May) indicates that **a record-high 45% of agents reported that landlords had increased rents in the month, at the same time as the average number of tenants negotiating a rent reduction decreased to just 1.6%, one of the lowest figures on record**. This comes at the same time as the **Tenant Fees Act** was introduced (1 June) which effectively limits any fees which the agent can impose on tenants. Many had suspected that the result would be increasing rents and this seems to be borne out here.
- **Rents rose in all 12 UK regions covered in this month's HomeLet's June Rental Index, increasing by an average of 1.8%** compared with the same month one year ago, up slightly over last month which saw a 1.6% annual rise. The latest average rent is now £941 per calendar month (pcm), or £781 pcm excluding London. Rent rises were strongest in Northern Ireland (4.7%), the South West (4.5%) and Wales (3.6%).
- Rents in London meanwhile increased by 0.9% on an annual basis with rents in the capital now averaging £1,611 pcm. Variations in rent growth are again wide across the various London boroughs this month, with **Westminster indicating annual growth of over 14% to £2,534 pcm compared with average rent declines in Camden and the City of London of around 9%** to £2,013. Chelsea, Fulham, Hammersmith and Kensington record a fall of 1.5% while Wandsworth shows rent growth of 1.3%. Of the 21 London areas covered, the majority (14) saw more stable rent growth of between 0.2% and 3.5% this month.

*\*Click to see detailed house price and rent tables*

## Activity

- Following April's small boost in **mortgage approvals** as reported by the Bank of England, May data shows a small fall back by 1% to a total of 65,400 approvals. **This figure remains within the range that we have seen over the last 36 months** and year to date is in line with the same time last year, with a total of 326,500 approvals so far in 2019.
- Mortgage completions on the other hand showed a substantial rise in May according to UK Finance (latest data), up 12% over April's figure, equating

to just over 65,000 mortgage completions compared with 58,000 the previous month. Despite this, the total is still 4% below the same month last year and means that year to date mortgage completions are down around 2% compared with 2018. Disaggregated and it appears that it is **home movers who are shying away from the market more so than first time buyers (FTB)** as completions for this category are 5.5% below this time last year, while FTB mortgages are down around 4%. On the other hand, buy to let mortgage completions have shown no change in figures over the same period last year.

- **New Buyer Enquiries, according to the RICS Residential Market Survey have finally come in with a degree of strength this month, at +10%, the first time since November 2016** when contributors have reported a modest rise in buyer demand. The report goes on to show that demand rose in seven of the twelve regions covered. **New Instructions meanwhile also moved into positive territory for the first time in a year**, indicating that supply may also be on the rise albeit average stock levels by estate agent are still at record lows. Newly Agreed Sales balance also rose in June, up to +2% and the first time in ten months that this balance did not show a decline.
- **The RICS survey moves on to the lettings market and finds that there has been another drop in the supply of rental properties coming to the market**, marking the 20th month a row which has seen this indicator fall. The report specifically suggests that the changes in tax treatment of investment properties is to blame for the continuing decline in supply.
- Meanwhile, ARLA Propertymark reports (May) that **the number of available properties managed per branch remained virtually unchanged** for the third month in a row, with an average of 201 properties per branch. Meanwhile on the demand side, **demand decreased** in May with agents registering interest from an average of 69 new prospective tenants, up from 64 in April. The figure was again the highest in London with 106 new tenants registered, and lowest in Wales at just 31.

## Other

- Carter Jonas Residential Research have just launched our half-yearly housing market reports covering our various regional locations on an individual basis, and our national housing market update which focuses on pricing and activity across the UK, in both sales and lettings. Follow the [link here to take you to the national housing update](#), and if you scroll down that page, you will find links to the individual regional reports. Enjoy!
- This briefing will be taking a summer holiday in August! We will return as normal in September.

**HM Treasury Forecasts for the UK Economy: June 2019**  
(latest data)

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Official Bank Rate (%)</b>	0.86	1.05	1.45	1.64	1.86
<b>House Price Growth (annual, %)</b>	1.4	1.8	3.4	3.6	3.4
<b>CPI inflation rate (annual average, %)</b>	1.8	2.1	1.9	1.9	2.0
<b>Unemployment rate (%)</b>	3.9	4.0	4.2	4.2	4.2
<b>GDP (annual, %) (OBR in brackets)</b>	1.4	1.4	1.7	1.7	1.8
<b>Average earnings growth (annual, %)</b>	3.1	3.2	3.1	3.2	3.3

Sources: HM Treasury Consensus Forecasts (2019-2020 June 2019, latest) (2021-2023 May 2019, latest)

**Select Market Indicators, latest versus previous data**

<b>Market Indicator</b>	<b>Current</b>	<b>Previous</b>	<b>Direction of change</b>
Retail sales volumes (monthly % change)	1.0%	-0.5%	↑
GfK Consumer Confidence Index	-13	-10	↓
Visa UK Consumer Spending Index (annual % change)	-1.4%	-1.4%	↔
IHS Markit / CIPS Manufacturing PMI	48.0	49.4	↓
IHS Markit / CIPS Construction PMI	43.1	48.6	↓
IHS Markit / CIPS Services PMI	50.2	51.0	↓
Inflation rate	2.0%	2.0%	↔
Interest rate	0.75%	0.75%	↔
Employment rate	76.0%	76.1%	↓
Unemployment rate	3.8%	3.8%	↔
Weekly earnings growth (not incl bonuses)	3.6%	3.4%	↑
£ Sterling: \$ USD	\$1.24	\$1.27	↓
£ Sterling: € Euro	€1.11	€1.12	↓
Rightmove annual average asking price inflation (newly-marketed)	-0.2%	0.0%	↓
Nationwide annual house price inflation	0.5%	0.6%	↓
Halifax annual house price inflation	5.7%	5.2%	↑
Official UK House Price inflation (annual, HM Land Registry)	1.2%	1.5%	↓
HomeLet Rental Index (annual growth, UK)	1.8%	1.6%	↑

Sources: ONS (unless otherwise indicated)

**Official House Price data, HM Land Registry, May 2019**

<b>CJ Regional Location</b>	<b>Average Price</b>	<b>Monthly Change (%)</b>	<b>Annual Change (%)</b>
Oxford	£423,156	4.0%	4.8%
West Berkshire	£354,920	1.6%	3.6%
York	£255,768	0.1%	2.8%
Winchester	£420,757	1.7%	2.2%
Leeds	£182,832	0.7%	2.0%
Suffolk	£241,910	-0.2%	1.1%
Bath and North East Somerset	£346,021	2.3%	1.0%
Northamptonshire	£227,812	-0.2%	0.4%
Babergh	£285,444	0.0%	0.3%
Cambridgeshire	£293,064	0.7%	0.3%
South Oxfordshire	£414,292	1.8%	0.2%
Northampton	£213,707	0.9%	0.0%
Harrogate	£280,982	1.7%	-0.4%
Vale of White Horse	£350,479	0.6%	-1.7%
West Oxfordshire	£320,453	-0.1%	-1.9%
Cambridge	£430,282	0.0%	-2.0%
Wiltshire	£269,787	-0.2%	-2.2%
South Cambridgeshire	£361,990	-0.1%	-4.1%

Source: HM Land Registry (May 2019, latest data)

<b>UK Region</b>	<b>Average Price</b>	<b>Monthly Change (%)</b>	<b>Annual Change (%)</b>
North West	£164,261	0.8%	3.4%
Wales	£159,428	-1.4%	3.0%
West Midlands region	£196,489	0.2%	2.7%
South West	£257,563	1.2%	2.6%
Yorkshire and The Humber	£162,520	0.4%	1.9%
<b>United Kingdom</b>	<b>£229,431</b>	<b>0.1%</b>	<b>1.2%</b>
East of England	£291,239	0.7%	1.0%
<b>England</b>	<b>£245,817</b>	<b>0.1%</b>	<b>1.0%</b>
South East	£323,745	0.9%	0.6%
East Midlands	£189,622	-1.2%	0.4%
North East	£127,885	-1.0%	-0.7%
London	£457,471	-2.5%	-4.4%

Source: HM Land Registry (May 2019, latest data)

<b>London</b>	<b>Average Price</b>	<b>Monthly Change (%)</b>	<b>Annual Change (%)</b>
London	£457,471	-2.5%	-4.4%
Prime Central London	£1,111,239	-0.9%	-2.6%
South West London	£629,149	-1.0%	-3.8%

Source: HM Land Registry (May 2019, latest data)

London Borough	Average Price	Monthly Change (%)	Annual Change (%)
Haringey	£583,850	9.7%	6.1%
Hackney	£571,462	-1.3%	5.7%
Newham	£371,772	2.1%	2.4%
Barking and Dagenham	£297,039	-0.7%	2.3%
Hounslow	£395,642	-0.9%	1.3%
Waltham Forest	£435,384	0.3%	1.2%
Brent	£485,225	0.9%	0.9%
Redbridge	£413,719	1.8%	-0.1%
Bexley	£335,884	-0.9%	-0.2%
City of Westminster	£971,552	0.6%	-0.9%
Hillingdon	£405,812	-0.3%	-1.4%
Camden	£822,741	1.7%	-1.8%
Greenwich	£378,082	-1.2%	-2.2%
Lewisham	£404,977	-0.1%	-2.3%
Enfield	£388,017	-1.2%	-2.6%
Richmond upon Thames	£638,266	-1.5%	-2.8%
Merton	£487,549	-3.3%	-2.9%
Bromley	£425,082	-1.6%	-2.9%
Sutton	£368,180	-0.5%	-3.1%
Ealing	£458,135	-1.7%	-3.2%
Kensington And Chelsea	£1,250,926	-2.1%	-3.9%
Hammersmith and Fulham	£683,804	-1.1%	-4.0%
Havering	£354,994	-0.7%	-4.2%
London	£457,471	-2.5%	-4.4%
Lambeth	£495,609	-0.6%	-4.5%
Wandsworth	£565,377	-0.2%	-4.6%
Croydon	£353,194	-2.3%	-4.7%
Tower Hamlets	£440,166	0.6%	-5.2%
Harrow	£437,793	-2.1%	-5.4%
Islington	£615,316	-0.2%	-5.5%
Kingston upon Thames	£473,184	-0.3%	-5.6%
Southwark	£475,319	0.5%	-5.8%
City of London	£729,967	-0.7%	-8.3%
Barnet	£481,821	-4.9%	-9.6%
Outer London	£413,554	-1.3%	-2.7%
Inner London	£561,247	0.6%	-2.8%

Source: HM Land Registry (May 2019, latest data)

Note: Boroughs in orange indicate an Inner London borough.

## HomeLet Rental Index, June 2019

Region	Rent (£pcm)	Monthly Change (%)	Annual Change (%)
South West	£842	1.7%	4.5%
Northern Ireland	£671	0.9%	4.5%
Wales	£625	2.0%	3.6%
Scotland	£671	2.8%	2.9%
East Midlands	£635	-0.8%	2.1%
South East	£1,035	0.6%	2.0%
North West	£711	0.9%	2.0%
<b>UK excluding Greater London</b>	<b>£781</b>	<b>0.6%</b>	<b>1.8%</b>
<b>UK Average</b>	<b>£941</b>	<b>0.7%</b>	<b>1.8%</b>
West Midlands	£695	0.3%	0.9%
Greater London	£1,611	0.6%	0.9%
Yorkshire & Humberside	£634	1.1%	0.8%
East Of England	£917	0.1%	0.2%
North East	£530	1.5%	0.2%

Source: HomeLet Rental Index, June 2019 (latest data)

### ABOUT CARTER JONAS

Carter Jonas LLP is a leading UK property consultancy working across commercial property, residential sales and lettings, rural, planning, development and national infrastructure. Supported by a national network of 33 offices and 700 property professionals, our commercial team is renowned for their quality of service, expertise and the **simply better advice** they offer their clients.

### Residential Research

**Leslie Schroeder**  
Head of Residential Research  
020 7529 1538  
leslie.schroeder@carterjonas.co.uk

**020 7518 3200**  
**One Chapel Place, London W1G 0BG**

© Carter Jonas 2019.

The information given in this publication is believed to be correct at the time of going to press. We do not however accept any liability for any decisions taken following this report. We recommend that professional advice is taken.