

PREMIER PROPERTY

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Property Market Analysis

August 2017

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Property Investment Market Debrief

The property market changes constantly. That's why we're here. With the help of our Founder Kam Dovedi and the Premier Property community, we stay up-to-date on all the latest trends & changes happening in the property market, from newest & fastest cashflow accelerating strategies, to Tax changes, to how you can create a safe, secure and sustainable income.

The only smart property investment is an informed investment, so we go to great lengths each month to source, collate and analyse the latest data so that you can make smart, informed decisions.

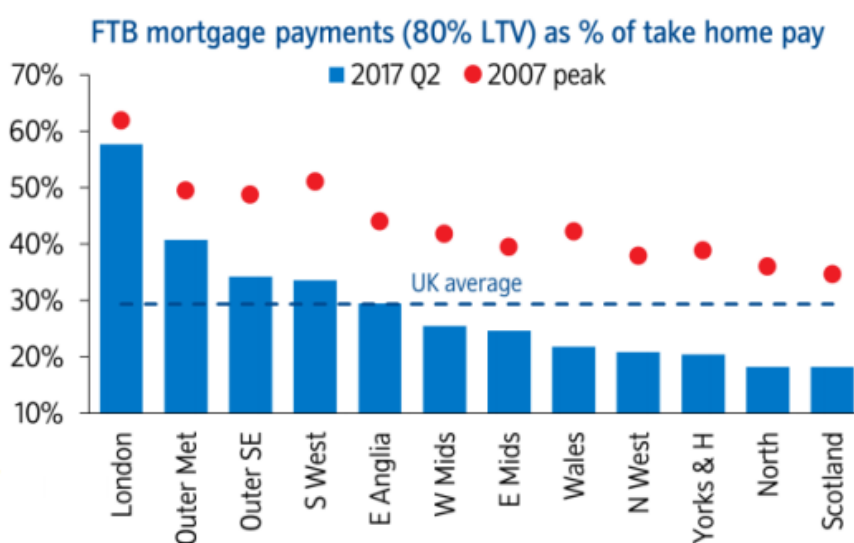
Each month we release a Property Investment Market Debrief to ensure that you have everything you need to succeed. We believe in giving you the correct, current and practical information you need to make your property investing profitable so you can invest with peace of mind and confidence.

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Introduction

August has been an interesting month for the property investment market. The stumbling Brexit talks have left the UK's construction industry at risk of recession which has directly impacted the number of new homes entering the market, and fewer investors are interested in putting money down for property due to increasingly slowing growth. The number of mortgages approved is the lowest it has been this year, and the growth of the economy is half that in 2016. All of these factors combined mean that property investors in August this year saw slow growth on previous investment, though did not lose significant monies in terms of house prices – maintaining their investments for the time being.



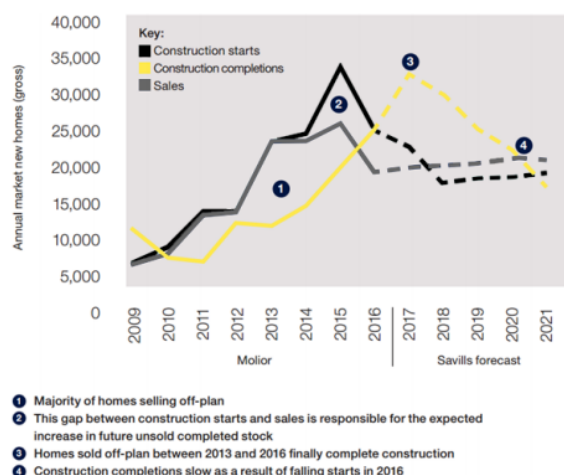
Source: Nationwide, ONS, UK Finance

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The Wider Economy's Effect on August's Property Statistics

Looking at the statistics for this month, we have seen a 0.3% growth in the UK economy compared to the 0.2% last quarter, and we are on track with current predictions. Average rents across the UK also rose by 1.8% on the year which was good news. August saw the prices for central London and other cities slump by 0.1%, with a 0.1% rise in the countryside.



The economy has had an effect on pricing due to wages failing to keep up with the cost of living in the past few months, coupled with weakened faith in the property investment arena. That said, it has been expected that the strength of the labour market and the continued creation of new jobs coupled with an ever decreasing unemployment rate would mean that the housing market would be stimulated – especially since actual mortgage rates have decreased to the lowest they've ever been. The actual effect of the wider economy on the property industries has been mixed, however

The Wider Economy's Effect on August's Property Statistics (2)

Several tax changes in 2016 have also shaken up the property investment industry, and we can still see minor repercussions in the figures for 2017. The hike in stamp duty and the removal of interest relief for landlords has also caused the market to slow as more landlords are choosing to sell their properties as profits fall. This is still affecting us in August, though is expected to decrease throughout this winter.

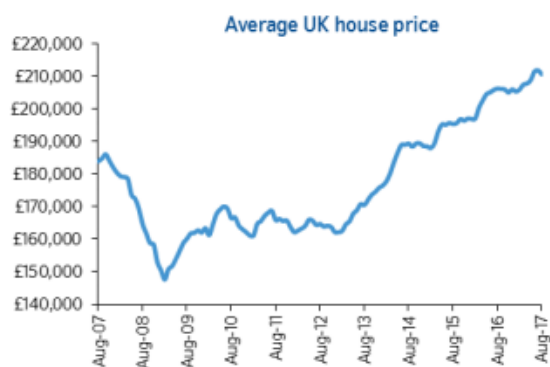
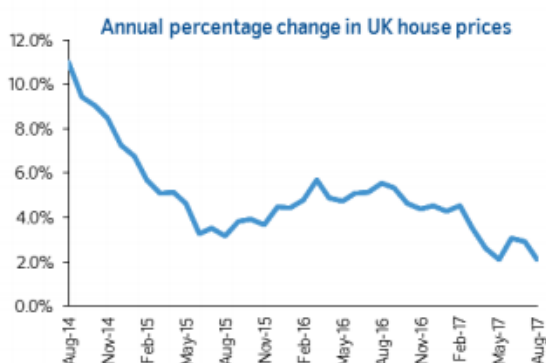
The number of homes on the books of estate agents is the lowest it has been in 30 years, which is doing wonders for house prices. Due to the aforementioned construction woes there are also fewer new houses being built than ever before which means we can expect house price to be quite robust, and not suffer to severely despite recent setbacks. The house prices are continuing to rise on average, despite the percentage increase losing steam in recent months.

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Property Pricing and Price Growth

This last quarter saw the increase in prices slow to a four-year low and it shows no sign of stopping. However, asking prices continue to be on the rise. This could be an indication that property investors looking to sell are over-optimistic in their expectations and are routinely being forced to severely compromise to meet the buying power of cash-strapped buyers. This problem is especially noticeable in the £1 million homes and over market, where deviation from agreeing final prices is by far the largest. This is also the case for older and historic homes. In contrast, lower value homes are meeting the asking price with some regularity.



As a result, investors are becoming more attracted to the more inexpensive side of the housing market and are increasingly deciding to leave more expensive homes until a more secure political and financial climate can be achieved.

Property Pricing and Price Growth (2)

One pattern we are continuing to see in property pricing is a slew of house price slumps spreading out from London towards the rest of the South-West.

The rest of the UK is holding up well, but this slump is beginning to reach out to areas like Southampton, Portsmouth and Ipswich. Within London currently only 37.3% of listed properties result in a sale – down 11% in just 12 months.

This difficulty selling doesn't affect home owners, for whom the recent market changes are all good news. Increasing house prices mean home owners who are aiming for a change of scenery may want to keep a close eye on the market to discover the best time to sell up.

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High Growth Areas

An area of high growth can be found in a particular niche – Student Housing. Investors, not put off by the otherwise uninspiring market situation, are still scrambling to pay premiums for greater student bed numbers. 68,000 student beds traded last year for £4.5 billion. That is expected to rise to 75,000 for £5.3 billion in 2017, and all signs point to that target being met and exceeded. Much of this investment comes offshore from places such as Singapore, a nation which has seen a massive amount of growth in the UK property investment market in the past 24 months.

Table 1: Top and bottom 5 UK Local Authorities, by annual growth in the year to January 2017

Top 5 Local Authorities	% change	Average price (£)
Shetland Islands	21.9	182,184
Na h-Eileanan Siar	19.7	110,298
Waltham Forest	15.7	453,292
Medway	14.1	232,381
Newham	14.0	371,734

Bottom 5 Local Authorities	% change	Average price (£)
City of Aberdeen	-10.2	163,176
Middlesbrough	-6.0	105,754
Inverclyde	-5.3	97,841
Orkney Islands	-4.3	108,224
Aberdeenshire	-4.2	189,695

Source: Land Registry, Registers of Scotland and Land and Property Services Northern Ireland.

Stamp Duty Land Tax (SDLT)

When it comes to SDLT (Stamp Duty Land Tax), the income for the government in tax pounds has been far more resilient. Reaching all-time highs in the last few quarters, we have seen a £2.2 billion increase over the last 10 years which shows that transactions are hardly slowing at all. Despite property transactions remaining quite low, higher prices are resulting in a higher SDLT.

Rents and Landlords

Currently, the rate of private renting in the UK is the highest it has been since the 1960s. Private rental prices have risen steadily in recent years, and have seen a rise of 1.8% in the last 12 months. All regions of the UK have seen average rent increases, with the current average being £675 pcm - £1495 pcm in London. This means that investing in property to let is still a lucrative and profitable investment, with good money to be made by those willing to put in the effort.

However, the Stamp Duty change is now in effect and as a result current mortgages advanced to landlords are just over half those in 2015.

Being a landlord has remained highly profitable in recent years and this has continued through August, with Buying to Let remaining a crucial part of most property investment portfolios.

What We Can Expect in September

In September we can expect to see housing prices increase slightly, though slower than they have in previous months. It is hoped that low mortgage rates, low rates of unemployment and a growing economy will help stimulate the housing market near the tail end of the year but the benefits could be offset by continually stalled Brexit negotiations.

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Sources

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