

2nd March 2020

DATA: Nationwide reported UK house prices rose by 2.3% in the 12 months to February 2020

Annual house price growth continues to rise with prices up 2.3% over the last year and 0.4% in the first two months of this year. This rate suggests year-end growth of over 5% based on historic trends though the next few months will be telling given the seasonal nature of the housing market.

DATA: MHCLG reported Help to Buy Equity Loan completions of 11,676 in Q3 2019, an increase of 3.6% on the previous year.

Help to Buy Equity Loan continues to be an important support for new housing supply, with around 1/3 of open market new build transactions using the scheme. The proposed changes in 2021 and end of the scheme two years later will have a massive impact on housing delivery and so it will be a surprise if an extension is not announced in the budget.

POLICY: Prime Minister sets out new measures to end rough sleeping

The causes of and solutions to homelessness are well established in research. The key to ending homelessness is putting them into practice.

NEWS: CMA finds evidence of serious issues in leasehold selling

The evidence presented reinforces the seriousness of the leasehold scandal and the CMA reports it “is now completing all the necessary legal work to launch direct enforcement action against companies it believes have broken consumer protection law”.

NEWS: Goldman Sachs and Wellcome sell iQ Student Accommodation to Blackstone

The rapid growth in the purpose-built student accommodation market has been a significant component of new supply in many university towns and cities in recent years. However, there is growing concern about the negative impact these developments are having in terms of rental affordability and the delivery of other types of housing, not least affordable housing. The sector’s continued success will also be reliant on an open approach to international student migration in future government policy.

Chart of the Week

Since the introduction of Help to Buy in 2013, the average selling price of a Persimmon home has increased by £34,768 (19%). Over the same period the gross profit per home has also increased by £34,768 (95%). While the increase in average selling price may reflect changes in product mix and location as much as the underlying market, it is clear that Persimmon have managed to capture all the increase in house prices in their profit rather than paying more for land. While Persimmon may be the most extreme example (other companies have seen bigger increases in construction costs), there are limited signs of the major housebuilders being constrained by access to land.

Persimmon Costs & Profit Per Plot

Source: Persimmon Results Presentations (total = average selling price)

