Supply Shortages Prompt Reacceleration Of Price Growth

Thursday 12 March, 2015

RICS UK Residential Market Survey, February 2015

London continues to buck UK-wide house price growth trend in February as 28% more surveyors see prices decline

London was the only place in the UK where more surveyors reported price declines than increases in February, with price rises across the rest of the country re-emerging due to the demand supply imbalance, according to the latest RICS UK Residential Market Survey.

While nationally Northern Ireland and Scotland continue to outperform the rest of the UK, there were upward shifts in price growth across the South West and the South East, while London saw its sixth consecutive monthly price decline.

The upward shift in prices is in part being driven by a decline in the number of houses coming onto the market in most parts of the UK, as 8% more surveyors saw declines in new supply in February and new instructions have now fallen in six out of the last seven months.

Price expectations over the next three months increased from a net balance of 3% to 10% and despite anecdotal evidence suggesting that political uncertainty may be leading to the 'election effect' of vendors sitting on the fence, the member forecast for house price growth over the next 12 months stand at 2.4% (up from 1.8% in January).

Notable exceptions to the trend however were London, the North of England and the East Midlands, which may indicate that political uncertainty may be weighing more heavily on specific markets.

As supply dips, the national picture of demand appears to be stabilising after seven consecutive months in which the headline reading for new buyer enquiries was negative - a slightly more upbeat trend is also emerging in more parts of the country than previously was the case.

In the lettings market, demand continues to rise, while instructions to let remained unchanged following 10 months of steady declines. This is being reflected in the medium term view for rents with respondents, on average, envisaging an increase of 2.6% over the coming year.

Simon Rubinsohn, RICS Chief Economist, said:

"It is encouraging that that the negative trend in buyer enquiries appears to be dissipating, perhaps in part because of growing confidence that the cost of borrowing will stay lower for longer, but more worrying that instructions to sell property continue to drop. This very modest reversal in the demand picture is already being felt in the key measures of price expectations highlighting the extent of the challenge policy makers will face in addressing the housing crisis in the aftermath of the coming general election.

"Even in London, where the key RICS indicators remain in negative territory, there is a strong view in the survey that property will become even more unaffordable over the medium term. Respondents suggests, on average, that house prices will rise by a further 30 percent in the capital over the next five years."

Notes for editors:

2015 RICS UK Residential Market Survey release dates:
09:30 GMT 15th January 2015 (issued under embargo on the 14th January 2015)
09:30 GMT 12th February 2015 (issued under embargo on the 11th February 2015)
09:30 GMT 12th March 2015 (issued under embargo on the 11th March 2015)
09:30 GMT 16th April 2015 (issued under embargo on the 15th April 2015)
09:30 GMT 14th May 2015 (issued under embargo on the 13th May 2015)
09:30 GMT 11th June 2015 (issued under embargo on the 10th June 2015)
09:30 GMT 9th July 2015 (issued under embargo on the 8th July 2015)
09:30 GMT 13th August 2015 (issued under embargo on the 12th August 2015)
09:30 GMT 10th September 2015 (issued under embargo on the 9th September 2015)
09:30 GMT 8th October 2015 (issued under embargo on the 7th October 2015)
09:30 GMT 12th November 2015 (issued under embargo on the 11th November 2015)

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09:30 GMT 11th December 2015 (issued under embargo on the 10th December 2015)

About RICS UK Residential Market Survey release
RICS housing market survey is the longest running monthly survey of house prices in the UK, collecting data since January 1978. The survey is cited by the Bank of England's monetary policy committee at its monthly interest rate setting meetings.

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