

7 ways the property market will change over the next 5 years

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1. Property price growth is slowing

Property Prices - Regions	Average price in 2000	Latest month's data Jan-19	Annual average increase since 2000
North East	£47,604	£125,233	5.2%
North West	£51,177	£160,811	6.2%
Yorkshire & The Humber	£50,489	£160,420	6.3%
East Midlands	£58,080	£192,757	6.5%
West Midlands	£63,833	£195,399	6.1%
South West	£81,381	£253,926	6.2%
East	£84,192	£288,494	6.7%
South East	£104,358	£321,174	6.1%
London	£130,411	£472,230	7.0%

Highest yearly average increase since 2000	
Date	% Increase
Jan-04	34.8%
Jul-04	33.0%
Jun-04	29.3%
Feb-03	33.9%
Jan-03	29.5%
Jan-03	29.8%
Jan-03	28.9%
Jun-00	25.0%
Apr-00	28.3%

How much do you think your region has grown year on year by since 2005?

Property Prices - Regions

North East

North West

Yorkshire & The Humber

East Midlands

West Midlands

South West

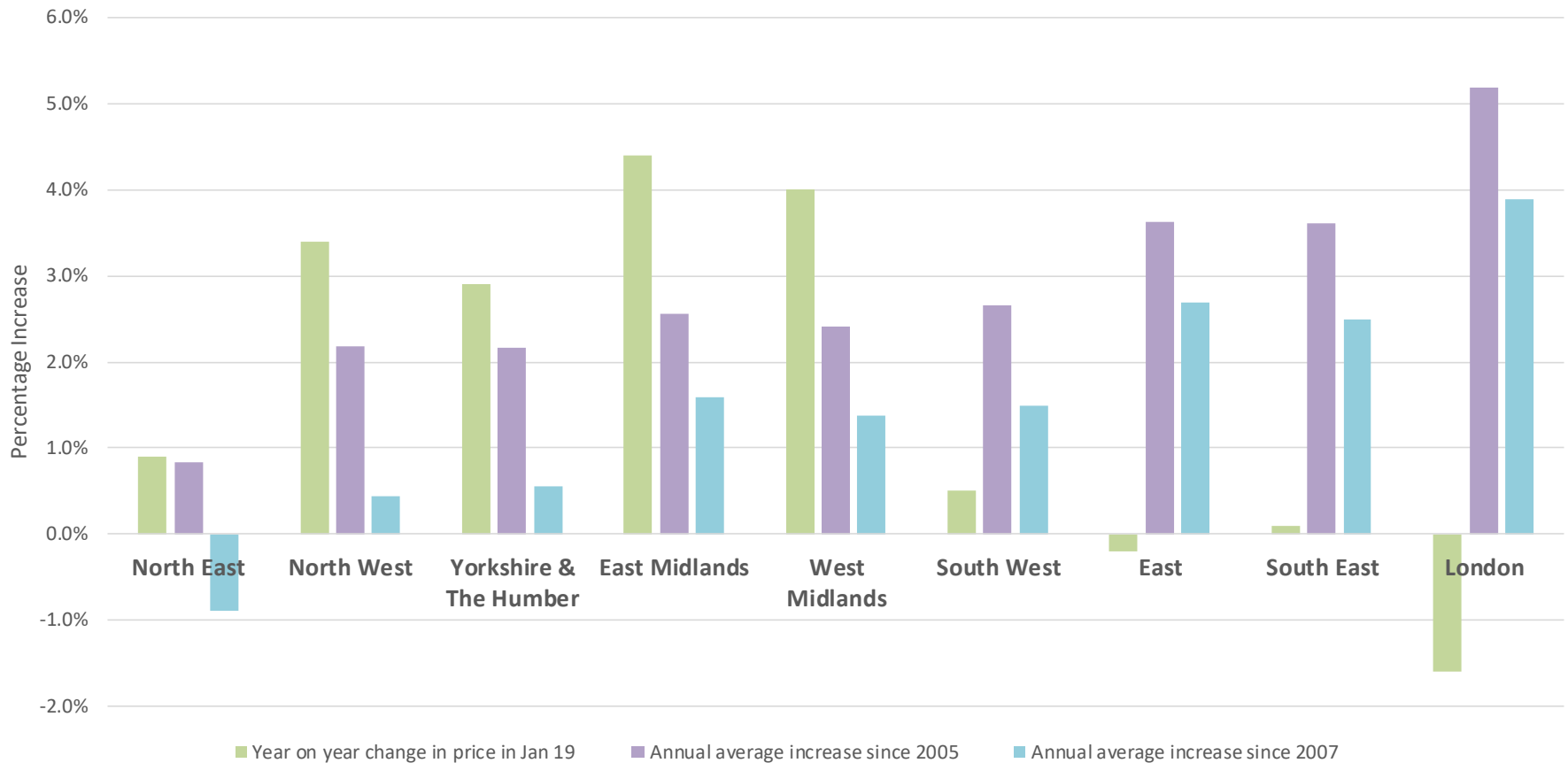
East

South East

London

1. Property price growth is slowing

Year on Year Change in Price in 2019 Compared to Previous Averages



If property price growth was **6%**
each year what growth would you
expect over 5 years?

34%

What are the forecasts?

Property Price Forecasts	Savills 5 Yr compound growth		Knight Frank 5 Yr Forecast		JLL 5 Yr cumulative growth
<i>Date of publication/source</i>	(Nov 18)		(May 18)		(Oct 18)
UK	14.8%		14.2%		11.4%
London	4.5%		13.1%		14.8%
South East	9.3%		14.2%		11.4%
South West	12.6%		14.2%		10.9%
East of England	9.3%		15.9%		13.1%
East Midlands	19.3%		14.2%		9.8%
West Midlands	19.3%		14.8%		9.3%
North East	17.6%		14.8%		6.6%
North West	21.6%		16.4%		12.0%
Yorks & Humber	20.5%		12.6%		10.4%
Wales	19.3%		13.1%		8.2%
Scotland	18.2%		12.0%		11.5%

What are the implications for investors?

Over 50% of people in England
own their properties outright

What's their problem over the next five
years if these forecasts are true?

2. Inflation is a killer for low capital growth

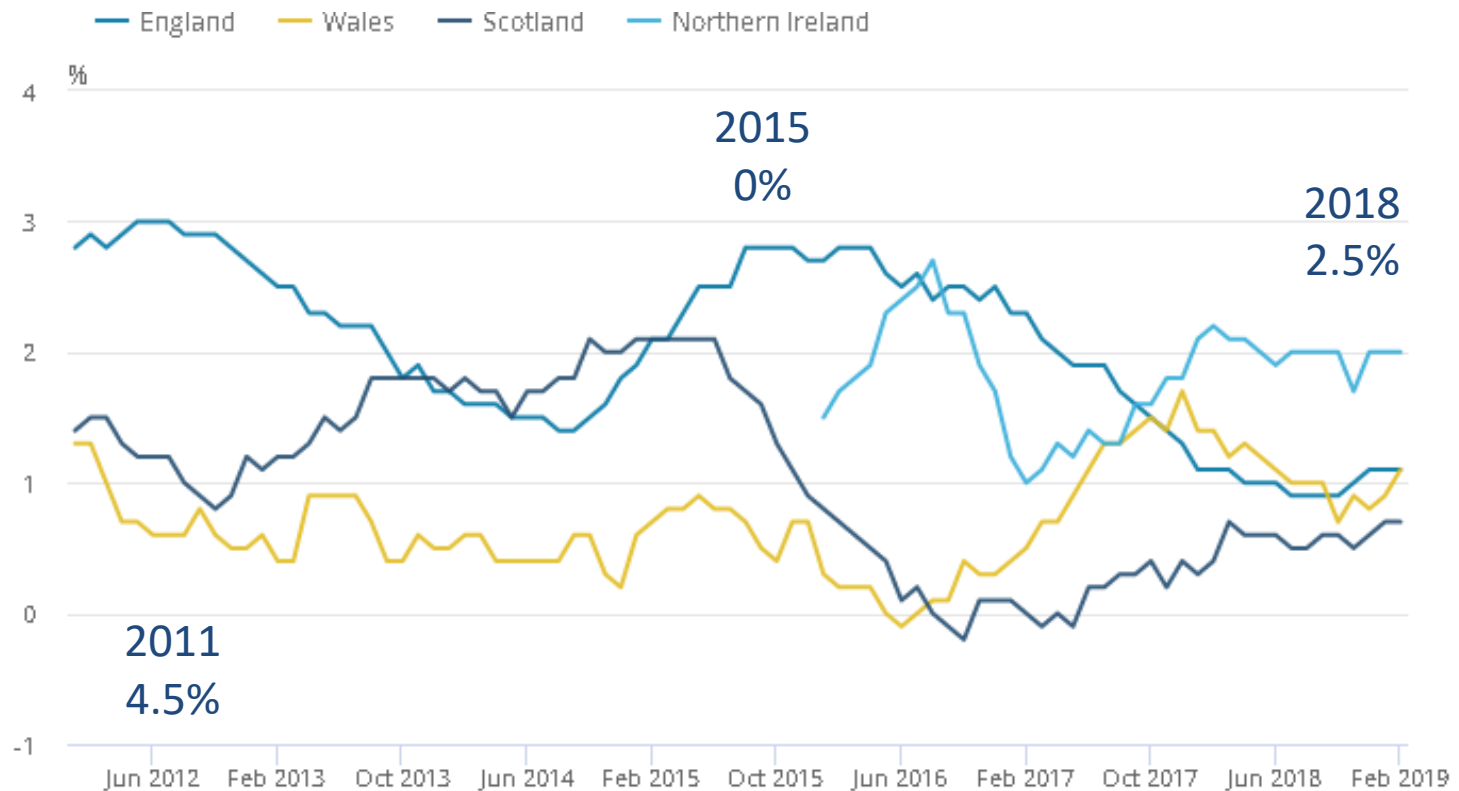
Property value

- Buy a £100,000 property
- Growth forecast of 14.8%
- In 5 years time, the property value will be:-
 - **£114,800**
- Costs of buying/selling
 - 3% stamp duty £3,000
 - Buying/selling £2,000
- $£114,800 - £5,000 =$ **£109,800**

Inflation increase

- Inflation rises at 2% each year
- Cash needs to grow at 10.5%
- £100,000 in 5 years time will need to be worth:-
 - **£110,408**






























3. What about rents?



Source: Office for National Statistics - Index of Private Housing Rental Prices

3. Rental forecasts – good!

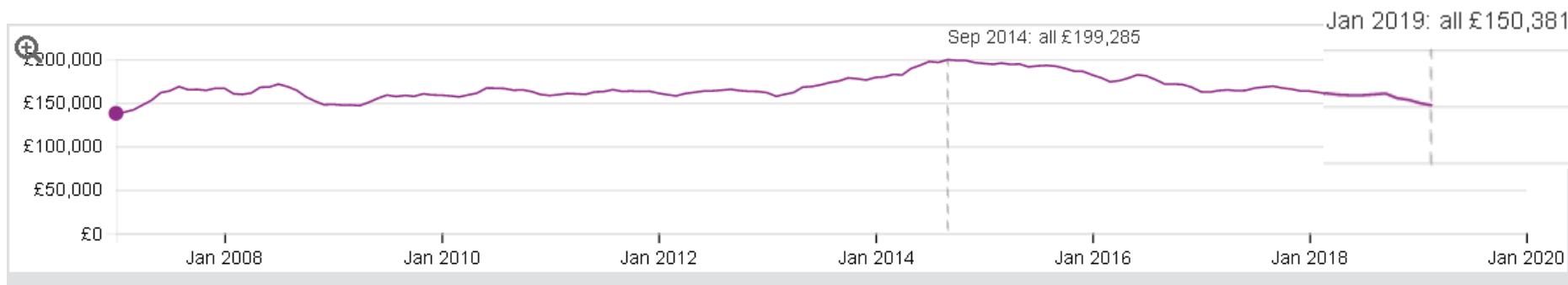
“Wages” will rise naturally

	2018	2019	2020	2021	2022	2023	5-year compound growth
UK	 0.5%	 1.0%	 2.0%	 3.0%	 3.5%	 3.5%	13.7%
UK exc. London	 1.5%	 1.5%	 2.0%	 2.5%	 2.5%	 2.5%	11.5%
London	 -0.5%	 0.5%	 1.5%	 4.0%	 4.5%	 4.5%	15.9%
Earnings	 1.7%	 2.0%	 2.9%	 3.4%	 3.5%	 3.5%	16.1%
CPI	 2.5%	 2.0%	 1.6%	 1.7%	 1.9%	 1.9%	9.1%

4. Local area factors will dictate investment returns

City of Aberdeen

Prices fallen by 25% since 2014, back to 2008 levels



Source: Land Registry

Market Overview - Q4 18

Beds	Average Rent	Rent Change 1yr	Rent Change 5yrs	Rent Change 10yrs	Av. TTL (days)
1 bed	£465	-4.9%	-29.8%	-17.7%	46
2 bed	£659	-6.8%	-34.4%	-19.5%	56
3 bed	£972	2.0%	-29.9%	-16.6%	66
4 bed	£1,367	-11.0%	-31.0%	-5.4%	67
Total	£715	-5.3%	-30.4%	-18.2%	53

Economies drive prices and rents

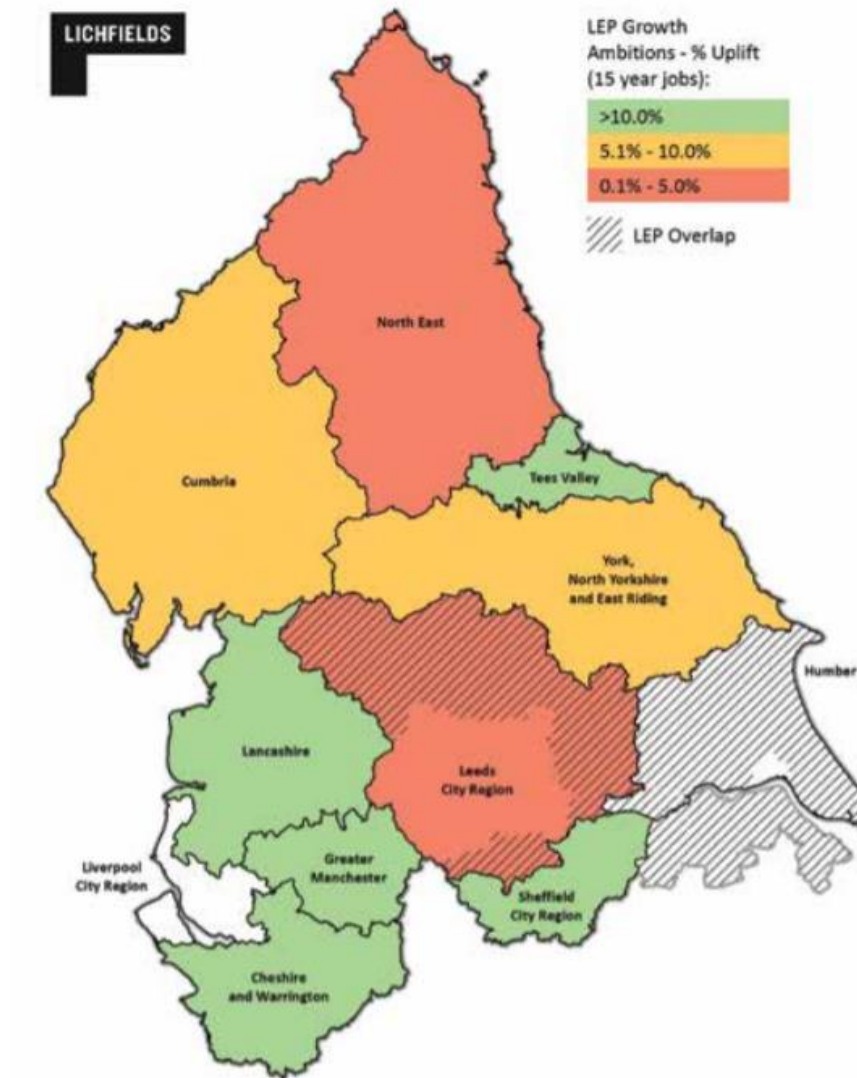


Figure 5.6 LEP Growth Ambitions - % Uplift (over a 15 year period)

Source: SEP

Which is the next town to suffer?



How will technology change the property market?

The best smart thermostat for 2019

We review the best smart thermostats and heating systems to let you control the temperature of your home remotely and save money on your energy bills, including the latest thermostats from Nest, Hive, Honeywell and more

In Estonia, 98 per cent of citizens have ID cards. The country also has [mobile and smart ID systems](#) that let people prove their identity online. Microsoft has [also revealed](#) it is experimenting with using the blockchain to prove identities.



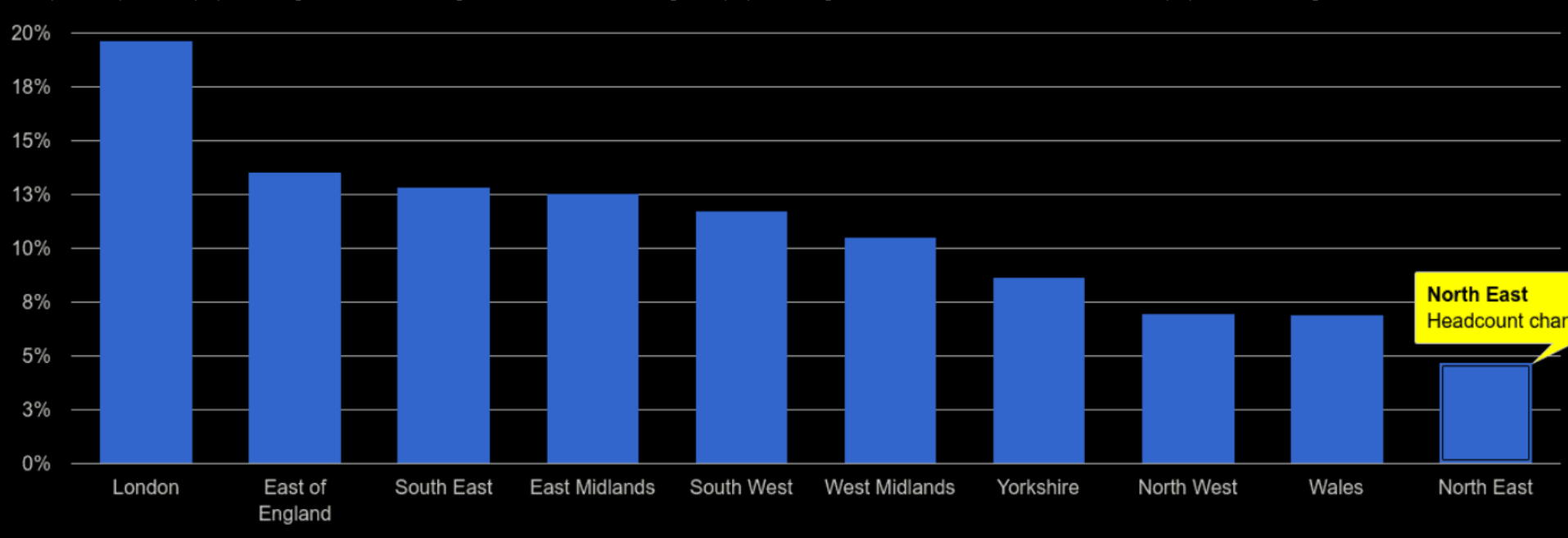
A new entrant?



6. Population affects supply and demand

North East headcount change rank

Compares speed of population growth to other regions. Areas with the highest population growth are on the left. Shows relative population change between 2002 and 2017.



Which population is growing?



7. Government impact

- Some good, some bad
 - Changes to buying and selling
 - Improved EPC performance
 - Industry will professionalise
 - Agent regulation
 - Property MOTs
 - Build to Rent
 - Leasehold changes
 - Custom build opportunities
 - Property income
 - Tax changes
 - Rent controls



Summary

- Property can still be a good investment
 - But you have to understand the property and area you are investing in
- Be sure it will deliver the returns you want
 - Buy to let? Rent to Rent? Building?
- Don't invest without independent expert advice
 - Finance
 - Tax
 - Legal, surveyor
 - Local property area experts
 - Tradespeople
- Keep up with changes
 - Invest in a quality team
 - Member of a landlord association
 - www.propertychecklists.co.uk