

**Woking Borough Council  
Community Infrastructure Levy  
Viability Assessment – Follow-Up**

Ref: DSP 14263

Property market update – house price trends

March 2014

Dixon Searle LLP  
The Old Hayloft  
28C Headley Road  
Grayshott  
Hindhead  
GU26 6LD

[www.dixonsearle.co.uk](http://www.dixonsearle.co.uk)



# Contents

<b>Introduction</b>	<b>2</b>
<b>Updated market overview – House price trends</b>	<b>3</b>
<b>Overall - Summary</b>	<b>11</b>



## Introduction

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The following note serves simply to provide a brief updated overview of the property market, and in particular house price trends – bearing in mind that in the usual way (owing the nature of the CIL preparation process) there is an inevitable gap between the viability study (VS) period and the CIL examination and implementation stages.

The research informing the VS (including seeking of soundings from development industry stakeholders) was carried out in the main during the summer to Autumn of 2012, though kept open through to the January 2013 study completion date.

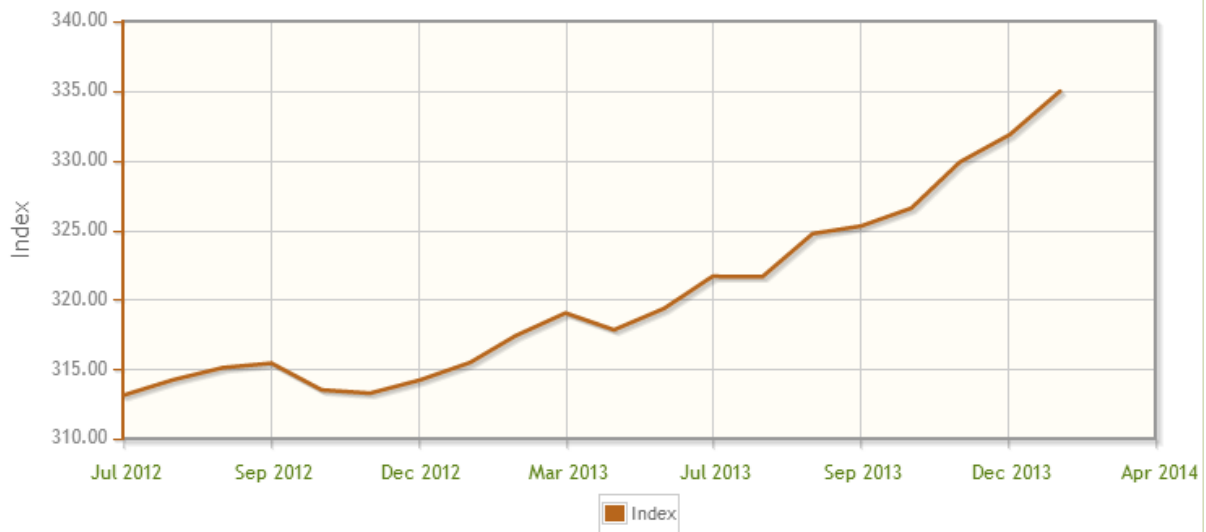
The VS assumptions need to be fixed at a point in time, to allow the appraisal stage to go-ahead. Nevertheless, the established VS approach to sensitivity testing allows the review of a wide range of scenarios; including in respect of varying values (seen through the use of a range of Value Levels – VLs) enabling review of results based on varying values by location / scheme type and / or through market variations.

# Updated market overview

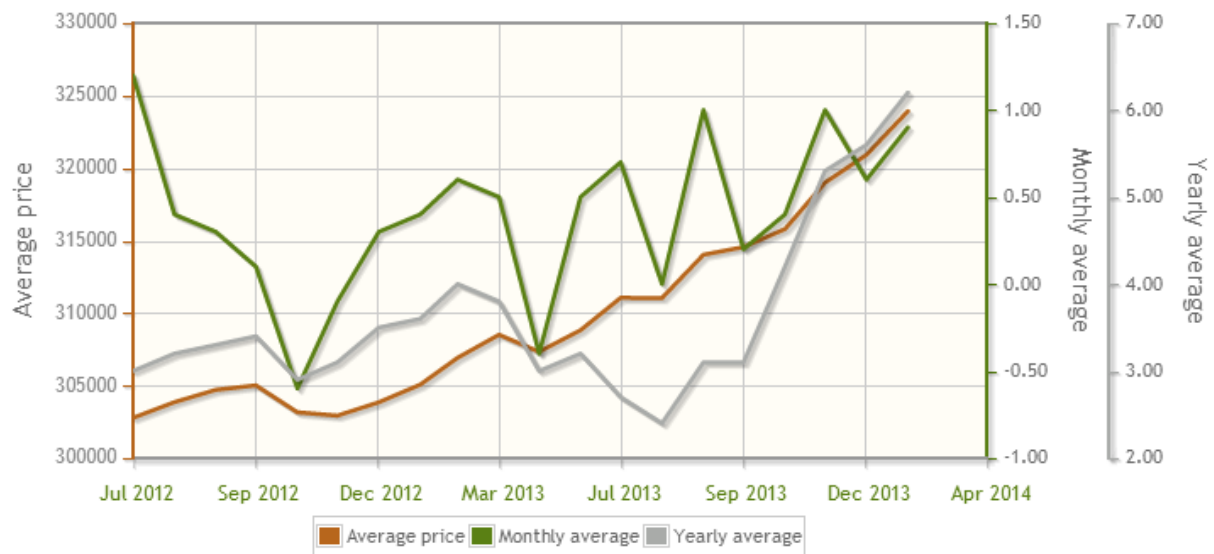
## – House price trends - information and reporting extracts

### Land Registry House Price Index (latest reporting to February 2014)

#### House price index



#### Average price



### Sales volume



(Source of above 3 graphs: Land Registry House Price Index to March 2014)

The above indicates for Surrey as a whole average house prices around 6% higher than at the VS completion point; approximately 7% higher than at the timing of most VS research.

### RICS UK Residential Market Survey – February 2014

Summary of the RICS latest market reporting tone:

*‘Market Continues to Tighten as Demand Strengthens Further*

- *Sales-to-stock ratio hits a post-crisis high*
- *Price momentum remains strong across all UK regions*
- *Expectations for price and sales growth at the 12 month horizon remain at or near series peaks*

*‘The February 2014 RICS Residential Market Survey shows a broad continuation at the national level of the trends that we have witnessed since the middle of last year. The headline price net balance remains firmly in positive territory with prices reported to be rising across all of the UK’s regions.....’*

## Summary table

Month	Index	Average price (£)	Monthly average	Yearly average	Volume
July 2012	313.1	302,769	1.2	3	1576
August 2012	314.22	303,852	0.4	3.2	1918
September 2012	315.1	304,703	0.3	3.3	1435
October 2012	315.42	305,012	0.1	3.4	1567
November 2012	313.5	303,155	-0.6	2.9	1574
December 2012	313.26	302,925	-0.1	3.1	1487
January 2013	314.21	303,846	0.3	3.5	1189
February 2013	315.47	305,064	0.4	3.6	1149
March 2013	317.39	306,916	0.6	4	1350
April 2013	319.03	308,503	0.5	3.8	1295
May 2013	317.81	307,330	-0.4	3	1639
June 2013	319.35	308,816	0.5	3.2	1672
July 2013	321.66	311,048	0.7	2.7	2041
August 2013	321.65	311,038	0	2.4	2156
September 2013	324.73	314,019	1	3.1	1876
October 2013	325.28	314,548	0.2	3.1	1934
November 2013	326.56	315,790	0.4	4.2	2071
December 2013	329.88	318,995	1	5.3	2056
January 2014	331.85	320,907	0.6	5.6	-
February 2014	334.97	323,919	0.9	6.2	-

(Source of above summary table: Land Registry House Price Index to March 2014)

**BBC News – house prices reporting 28/02/14**

***House prices rose by 0.6% in February, a 9.4% increase on the same month in 2013, according to the Nationwide Building Society.***

*The annual rate of growth is the fastest for almost four years.*

*It puts the average price of a UK home at £177,846, which is still almost 5% below the 2007 peak.*

*Meanwhile the average house price in London has risen to £410,000, according to the Land Registry for England and Wales.*

*Its latest monthly report said London prices were rising fast - up 2.1% in January - which left them 11% higher than a year ago.*

**No bubble**

*The Nationwide said the rise in sales and prices were being driven by record low interest rates, higher employment and the easier availability of mortgages.*

***The supply of housing remains constrained, with housing completions still well below their pre-crisis levels"***

*The lender's chief economist, Robert Gardner, acknowledged that prices could accelerate even faster in the coming months, as more people took the plunge to buy for the first time or move.*

*But he denied a house price "bubble" was being created.*

*"If you look at prices relative to earnings then housing does look relatively expensive by historic standards," Mr Gardner told BBC News.*

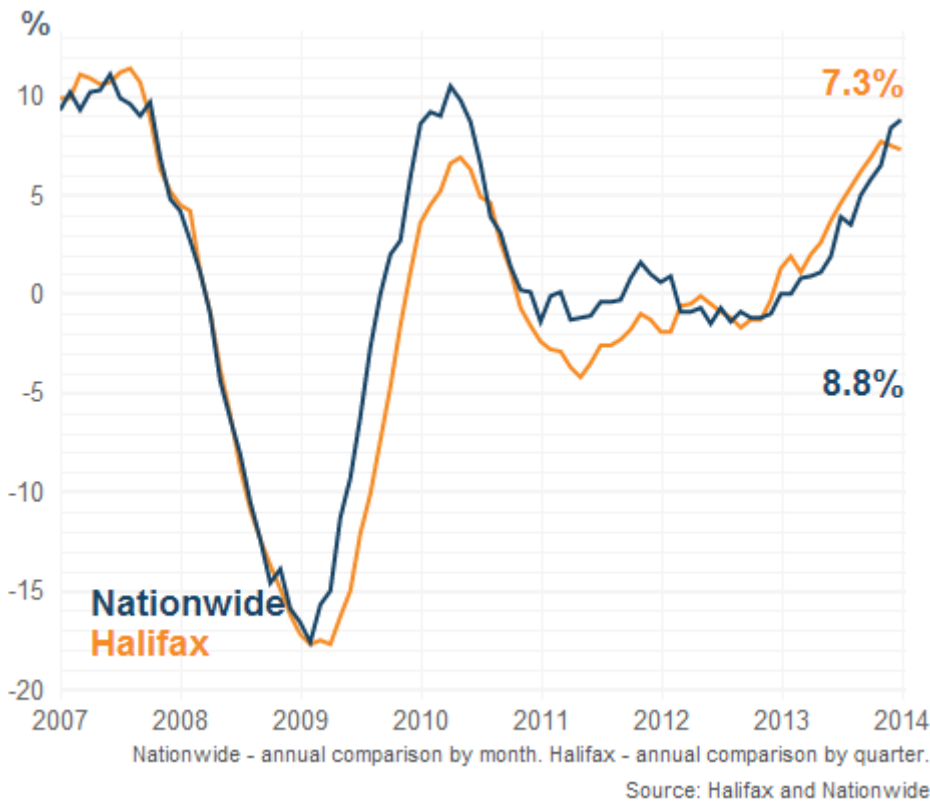
*"But if you look at how much it costs to service a typical mortgage, that suggests that housing isn't overly expensive at this point... because interest rates are at such low levels."*

## Halifax and Nationwide house prices reporting

Annual increases are now at a level not seen for at least three years.

### UK house prices

Year on year % change



### Other views – house price forecasting (Source: BBC)

*'Ray Boulger, of mortgage broker John Charcol, says that he expects an 8% rise in house prices in 2014, based on the Halifax and Nationwide indexes.*

*This would match the kind of annual increases seen at the end of 2013, which he admits would have been a surprise for anyone studying the market at the start of 2013.*

*He says that two schemes to stimulate the housing market "moved the goalposts" during the year.*

*They were the Funding for Lending scheme, which offers cheap funds to lenders under the proviso that this is then lent on to mortgage borrowers and small businesses, and the Help to Buy scheme. The former is being restricted to just small business lending, but the latter has been extended, giving borrowers access to mortgages if they are able to afford the repayments, but have little to put down as a deposit.*



*Mr Boulger says that there is no great shortage of funding. He predicts that this will be borrowed by people buying homes across the UK - not just in London, which drove the increase in average prices in 2013.*

*"There is a ripple effect, so next year, I do not see London as having the biggest regional rise in house prices," he says.*

*That is not a view shared by housing market commentator Henry Pryor. He predicts that house prices will go up by 5% nationally in 2014, but rise by 8% within the M25 motorway.*

*There is, he suggests, little appetite among politicians to put the brakes on the housing market.*

*"Next year, the coalition [government's] ambition is that the housing market goes from strength to strength ahead of the next election," he says.*

*The result is that homeowners will see the kind of prices that neighbouring homes are being sold for, tempting them to put their property up for sale.*

*Price rises in 2013 were the result, in part, of a lack of supply, so this could even out a little in 2014. Yet, Mr Pryor still predicts a "buoyant" London market.*

#### **Bank's toolkit**

*Ed Stansfield, chief property economist at Capital Economics, says he too expects London to be "at the front of the pack" when it comes to house price rises. Overseas investment in London property means this market differs from the rest of the country.*

*Despite the distinction, he predicts price rises of 4% to 5% on average across the UK next year.*

*He points out that rising house prices will not be greeted with "universal glee", and the Bank of England has tools at its disposal to cool the market.*

*However, he says that these tools are untested. It is not clear how the market would cope with an increase in interest rates, the traditional way to control runaway prices.*

**The Royal Institution of Chartered Surveyors**, with members including estate agents, says that it is dangerous to see the UK market as a single entity.

*It is predicting an 8% rise in house prices nationally in 2014, but this ranges from an 11% rise in London to a 5% increase in the North East of England. It expects the cost of renting a home to go up by 2%.*

*Miles Shipside, director of property website **Rightmove**, says he expects prices to rise by 6% to 8% in 2014, depending on the decisions made by potential sellers.*

"A good and plentiful choice of property for sale would limit sellers from getting over-ambitious with their asking prices and result in a national average increase closer to 6%," he says.

Martin Ellis, of the **Halifax**, makes a similar prediction of a 4% to 8% rise, owing to a continued economic recovery and low interest rates.

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### House price predictions 2014

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- Ray Boulger: 8% rise
- Henry Pryor: 5% rise
- Ed Stansfield: 4% to 5% rise
- Miles Shippside: 6% to 8% rise
- Peter Bolton King (RICS): 8% rise
- Martin Ellis: 4% to 8% rise

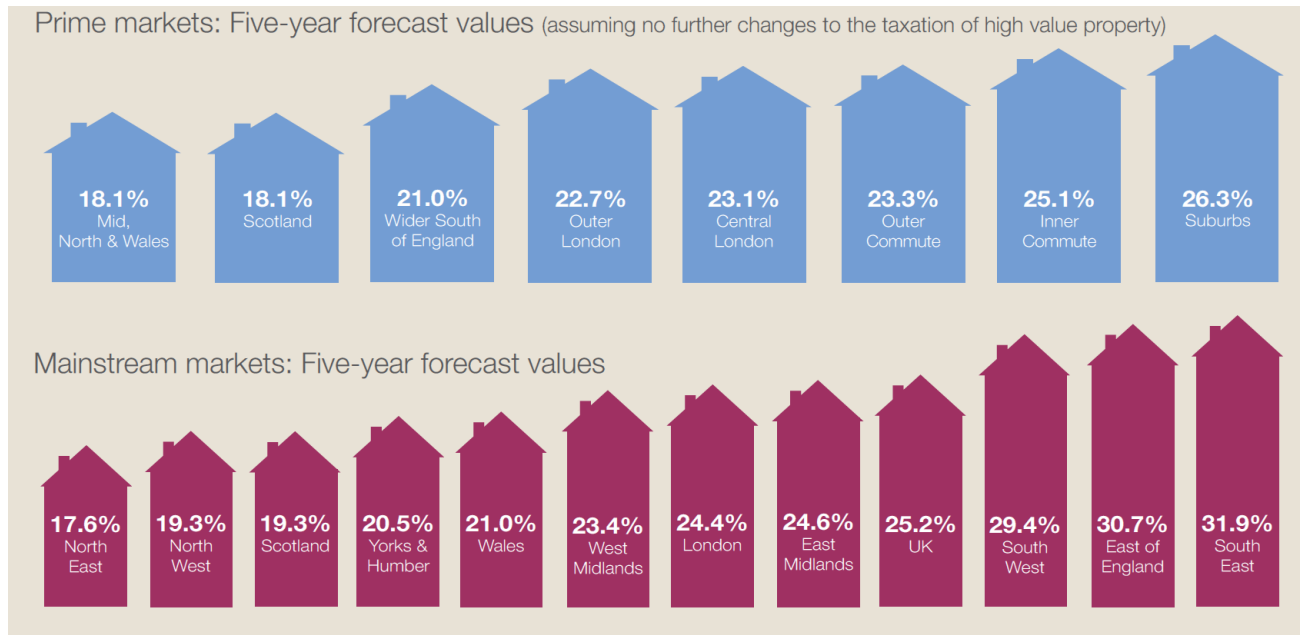
(Source: BBC 3<sup>rd</sup> January 2014)

## Savills' Residential Property focus Q1 2014

### Market Forecasts – House prices 2014 - 18

Annual house price growth						
	2014	2015	2016	2017	2018	Five-year
Prime London	4.5%	-0.5%	7.0%	7.0%	4.5%	22.7%
Prime Regional	4.5%	1.0%	5.0%	5.5%	5.0%	22.7%
Mainstream UK	6.5%	5.0%	4.5%	4.0%	3.0%	25.5%
Mainstream London	8.5%	6.5%	4.0%	2.0%	2.0%	24.4%

Overall, this forecast suggests that house prices are currently expected to have increased by 20 – 25% over the next 5 years, with a mid-range figure indicated for the 'outer commute' area that we believe is relevant to Woking.



(Source: Savills' Residential Property focus Q1 2014 - Market Forecasts – House prices 2014 – 18)

## Overall - Summary

The Woking market is strong. Conservative indications based on the Surrey and wider picture show that house prices have risen by a minimum of around 6% since the VS completion date; approximately 7% since the key research timing. Other indications suggest on a wider basis that prices have risen at a slightly higher rate of approximately 8 to 9% over the last year.

This picture is confirmed by reference to zoopla sourced information for Woking, as follows:


### Area guide for Woking

Woking Zed-Index 

**£422,294**

stats for

Value change

 **£30,525 (7.79%)**

from

Avg. price paid: **£373,950**

No. of property sales: **1,840**

over

Avg. asking price in Woking: **£605,851**

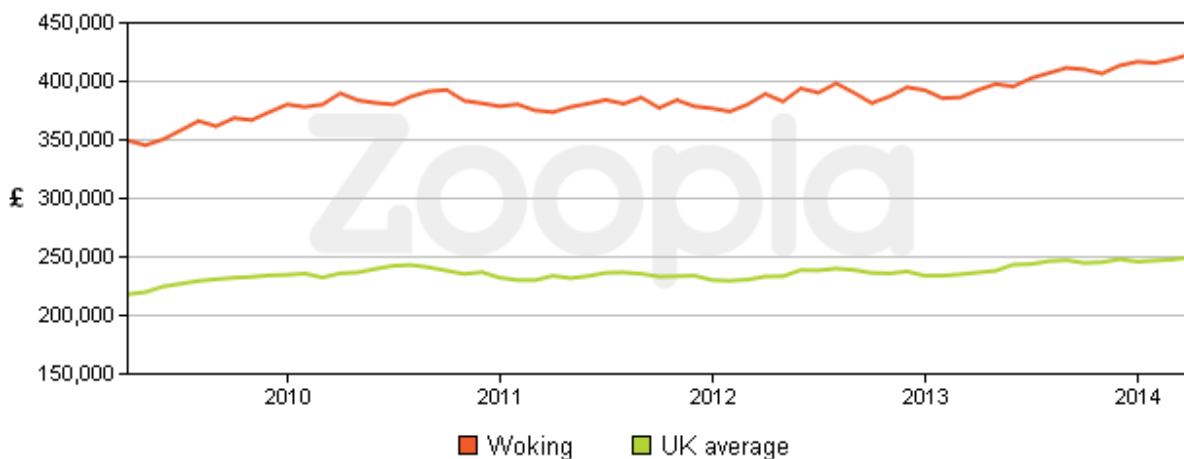
No. of properties for sale in Woking: **476**

Avg. asking rent in Woking: **£1,429 pcm**

No. of properties to rent in Woking: **641**

(Source: [www.zoopla.co.uk](http://www.zoopla.co.uk))

Average home values



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In line with DSP's established comprehensive and robust approach to considering viability, the VS also gave consideration, as an additional indicator only, to the level of the proposed CIL charges (and indeed the wider 'trial rates' tested) when viewed as a proportion (%) of the GDV. The %s are considered to be modest and certainly within appropriate parameters if that is considered an additional measure of the proposals. Examples are noted at Figure 12 (para. 3.9.3, page 70) and Figure 13 which follows in the VS.

Linked to this and to give a feel for the impact of the recent house price trends on viability, these levels of values increases represent around twice the proportion of sales value that the proposed CIL charging levels represent. In other words since the VS work timing, the improvement in values has more than outweighed the level of proposed CIL charging. The Council will look to monitor market trends as part of its review processes.

On the basis of the above, DSP would certainly not expect to see any deterioration in viability outcomes relative to those within the VS. It is anticipated that the market improvements would largely, if not more than, balance out the cost impact of CIL at the rates proposed, together with having the capacity to bear costs increases in other areas if necessary whilst maintaining at least a similar viability picture.

**Note ends.  
March 2014.**

## Contact Us

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### By Post

The Old Hayloft  
28C Headley Road  
Grayscott  
Hindhead  
GU26 6LD

### By Phone:

Richard Dixon:	07917 176752
Rob Searle:	07810 326428
Land line/Helena Jones:	01428 288101

### By E-mail:

[richard@dixonsearle.co.uk](mailto:richard@dixonsearle.co.uk)

[rob@dixonsearle.co.uk](mailto:rob@dixonsearle.co.uk)

[info@dixonsearle.co.uk](mailto:info@dixonsearle.co.uk)

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