LONDON SET TO LEAD THE WAY

Tim Cann, Head of Residential at BNP Paribas Real Estate, the leading property adviser, summaries the findings from the latest Housing & The Economy Report, which revealed that London is to lead the UK house price recovery with 41% cumulative growth between now and the end of 2016:

“Activity in the UK housing market continues to remain sluggish, as values in South East, outside London, have been flat or have fallen in the last nine months, but since our summer report there have been some very early tentative signs of improving market conditions.

At a regional level, London and the South East remain resilient and are the only markets where we are forecasting positive house price growth this year. England’s seven remaining regions are forecast to see negative house price growth in 2012, with five of these regions expected to see greater falls than those experienced in 2011.

The overall UK picture is more positive, with 24% cumulative growth expected between now and 2016. However, growth this year is likely to be -1.1% following last year’s marginal fall of -0.2%. Next year is looking more positive, with a forecast growth of 0.9%.

In London, growth last year was 2.7%, growth this year will be 2.65%, but in 2013 it will reach 6.6% and by 2014 is forecast to rise to 7.1%. This means that in the decade from 2006 to 2016, London house prices will have grown by an impressive 73%.

Looking at the national figures, construction levels across the rest of the country are at the lowest levels for 13 years. The UK remains separated by a very distinct North/South divide - the North remains constrained by there being greater costs on remediation and infrastructure against what is achievable in terms of sales revenue, due to the region’s industrial legacies. The South is more affected by the level of affordability of the stock than by availability.

Our forecast for 2013 is more upbeat than 2012, with some very early tentative signs of some improvements in the housing market, with UK house prices forecast to grow 0.9%. Whilst this increase won’t offset the falling values experienced in 2011 and 2012, positive growth will certainly
be a move in the right direction. Beyond 2014 we are expecting the UK growth rate to accelerate, with UK house prices forecast to rise 8.8% in 2015.”

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The Housing & The Economy report is BNP Paribas Real Estate’s annual house price forecasts, which are put together with Professor Patrick Minford, a former economics adviser to Margaret Thatcher and the current Professor of Economics at Cardiff Business School.

About BNP Paribas Real Estate
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