

Reading

Something for everyone

70%

House price growth in the Reading area.

Source: Land Registry*

Market Insight

Spring | Summer 2017

The Reading area has homes for a broad spectrum of lifestyles, from first time buyers in new build urban apartments, to families in period detached rural homes, and downsizers. As a result, it isn't surprising that house prices continue to rise in our area.

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Housing market overview

House prices have continued to grow across the UK over the last 12 months and in most of our local markets. Annual price growth is running at 5.8%. Price rises have been fuelled by the low cost of borrowing and a reduction in properties coming to the market. An excess of demand over supply is also helping to support rental growth in the lettings market.



5.4%

Annual house price growth for the South East compared to 5.8% for UK

Source: ONS, February 2017



103,910

Annual transactions

Source: HMRC February 2017



£18.2bn

Gross Mortgage Lending

Closely matches the £18.1bn lent in February 2016

Source: Bank of England, February 2017



1.3%

Monthly rise in asking prices at national level

Source: Rightmove, March 2017

The national housing market

UK average house prices rose by 5.8% in the 12 months to February (ONS) and 5.4% in the South East, taking the price of an average property sale in the South East to £312,000. Asking prices also continued to rise.

Fewer homes are coming to the market. According to RICS, levels of available stock per agent fell to a record low in March 2017. The amount of mortgage lending to home-movers (those with a property to sell) is falling, and first time buyers or those seeking to re-mortgage are driving the lending figures.

The rate of mortgage lending dipped in March 2017, suggesting that demand may be starting to slow as consumer spending is tightened. Almost a fifth (18%) of all sales in 2016 were second homes or investments, when measured by the number of transactions that have incurred the 3% stamp duty surcharge for additional properties since April 2016.

The supply of rental property fell in February 2017 according to ARLA Propertymark but demand remains strong. As across the sales market, limited supply supports price growth with the average rent paid by tenants across the UK rising by 2% in the year to March 2017 (ONS private rental index).

The Economy

Inflation breached the Bank of England's 2% target in February for the first time since 2013. At 2.3%, it is likely to put pressure on wages and household spending.

The consensus forecasts published by the Treasury are for GDP growth of 1.7% in 2017 and inflation (CPI) of 3% by the end of the year, before falling back to 2.5% over 2018.

LOW MORTGAGE RATES

1.37% MARCH 2017

Average mortgage rates have fallen over recent years to record lows in March.

Based on average 2 year fixed mortgage and Loan to Value ratio of 75%.

Our market

Sales

The Reading area outperformed the rest of the South East over the past year, achieving annual price growth of 7% compared with 5.4% across the wider region, and taking the average sales price to £361,585 (year to February 2017). Growth began to slow in the early months of 2017 and, with the snap general election, a degree of caution is likely to remain in the short term, before business as usual resumes.

The vast majority of buyers in the last year were moving up the property ladder, with around 40% from within our area and another 24% from elsewhere. Just under 30% were first time buyers and only 10% were investors, though this naturally varies from office to office. The number of investors fell last year, with the change being particularly marked in Reading itself. This provides an even greater opportunity for first time buyers.

Over the year, price growth was strongest for larger family homes



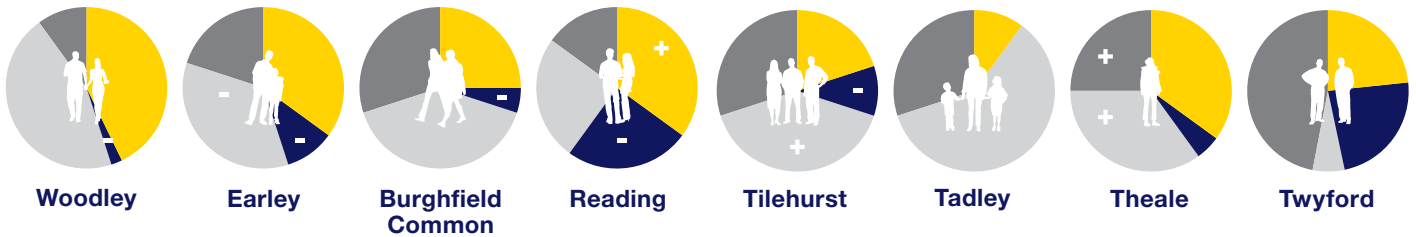
Source: dataloft/Land Registry

Who are our buyers?

Buyer profiles

First time buyers **Investors** **Home movers local** **Home movers relocation**

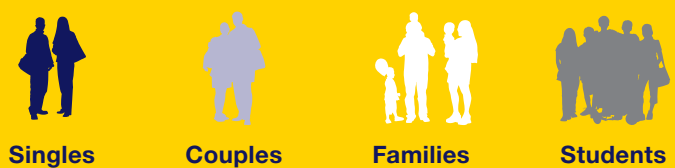
+ Indicates an increase while - shows a decrease. All others show no significant change.



Source: dataloft/Parkers

Lettings

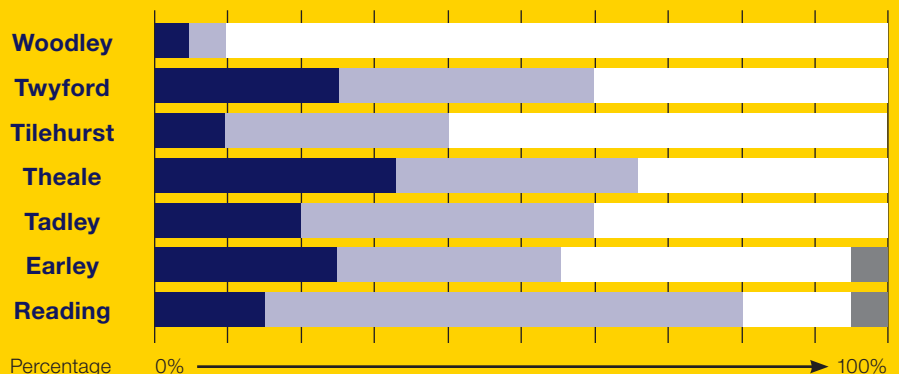
The rental market is relatively steady in the Reading area. There has been a slight rise in the number of new instructions and lets agreed but viewing numbers remain largely unchanged and so rental values have softened a little in most markets.



Who is renting?

A profile of our tenants

Woodley and Tilehurst are predominantly family rental markets, while Reading is the hotspot for young couples.



Source: dataloft/Parkers

First time buyers

A healthy flow of first time buyers at the bottom of the chain helps promote liquidity in residential markets, even if they buy outside the local area. So the fact that first time buyers (FTBs) have reached a new post-recession high in the UK is welcome news in any market. In 2016, 42% of all mortgage loans in the UK issued for house purchase (i.e. not including re-mortgaging) were to FTBs, up 8% in five years.

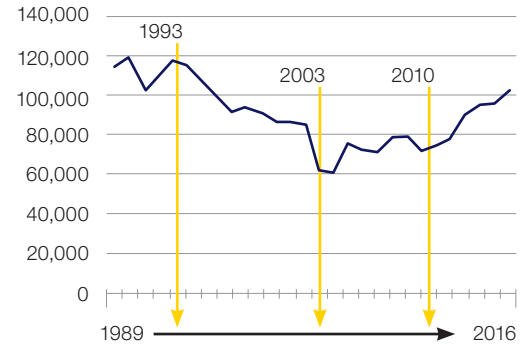
In the South East, 67,000 new loans were issued to FTBs – up by 78% since 2011. The average age of a FTB in the South East was 30 and they accounted for almost 20% of the UK's FTBs, according to the Council of Mortgage Lenders (CML).

Government initiatives, such as the Help to Buy scheme, have helped to boost FTB numbers, as have persistently low interest rates and rising employment. Despite Government support however, FTBs still need to secure some equity. The latest English Housing Survey estimates that 29% were helped by family and friends – the so called 'Bank of Mum and Dad'.

In the Reading housing market, FTBs make up around 26% of all sales. This is below the UK average, due to the fact that our market is predominantly family-sized homes with a strong link between prices and school catchment areas. The proportion of FTBs varies with location, type of stock and entry level prices. In some areas, such as Tadley, FTBs account for around 10% of sales, but in Woodley, where there has been more new development, the levels are as high as 43%. In Reading itself, over 35% of demand is presently from FTBs.

First time buyers are recovering but remain below levels of the 1990s and early 2000s

Number of loans



Source: dataloft/Council of Mortgage Lenders

“Low interest rates have been a huge stimulus to the market, especially for first time buyers – whose monthly repayments are subsequently much more affordable.”

Reading is more accessible to FTBs than surrounding areas

Source: dataloft/Cameo

A comparison of Reading itself with the wider Reading area highlights the contrasting demographic profiles in our markets. In Reading, just under 10% of residents live in 'professional detached neighbourhoods', while in the wider area the proportion rises to 15%. In contrast, Reading has twice the proportion of young professional flat dwellers than in the wider area.

HOUSEHOLD INCOME	WIDER AREA	TOWN
£50k–£75k Professional Detached Neighbourhoods	14.9%	9.9%
£30k–£40k Young Professional Flat Dwellers	5.5%	10.4%

* from front cover

Based on the period between December 2016 and February 2017 vs the same period a year earlier.

Disclaimer: This report has been prepared in good faith on the basis of calculations that rely on a set of assumptions that will vary considerably between geographical regions and over time. They illustrate hypothetical examples of returns that may be possible under the given set of assumptions, however no warranty is given as to the accuracy or completeness of information contained in this report. Accordingly, this report is for general information purposes only and no liability is accepted by Parkers, its associates, employees, directors and representatives for any negligence in relation to the information, forecasts, figures or conclusions contained in this Report or for any loss, damage, or consequence whatsoever, arising from any action taken based on its content. This report does not constitute and must not be treated as investment advice or guidance and users should always obtain independent professional advice before making any investment decision. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without the express prior written permission of Parkers.
Date of publication: May 2017

Data, charts, editorial and design by DataLoft.
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Founded in 1948, Parkers is one of the South East's most well-established and respected estate and lettings agencies. Our focus is on providing an honest and straightforward approach, and high quality customer care to achieve the very best results for our valued clients.

