

# UK Housebuilding and property is doing fine

One of the many wrong forecasts by official bodies before the referendum was a likely fall in house prices and in housebuilding after a No vote. Almost a year and half later, house prices are up modestly and housebuilding has expanded by around 15%.

The latest house price survey from Nationwide shows prices up 2.5% over the last year. The rate of price growth rose to 5.6% after the vote in August 2016 and has since calmed down a bit. The movements post the vote are not very different from before the vote. The February 2017 level of 4.5% growth was the same as the growth rate in December 2015, as an example. The recent cooling in house price rises reflects the Bank's decision to slow credit growth a bit.

In 2016-17 the UK added 217,350 dwellings to the stock, a rise of 15%. Housebuilding numbers are continuing to expand. The biggest source of growth by far is new construction. Conversions from commercial property are also making a growing and useful contribution. The decision to allow conversion of office space to residential with simplified planning has helped. There will also be shops on the edges of retail areas that will be suitable for conversion as the public switches to more on line and main centre shopping. 37,190 new homes have come from change of use over the last year.

The previous high for new homes came in 2007-8 just before the crash, when the UK produced 223,530. There was then a 44% fall in numbers as a result of the banking slump.

Meanwhile main commercial property companies still report good tenant demand. British Land is the latest company to report sales of properties at 13% above their valuations, showing that valuers continue to be unduly cautious about values.