

UK Property Drought Worsens Driving Prices Higher

Headlines

- Supply of property for sale falls across the UK; down by 10% (July 2015 vs. July 2014).
- Prices move up 0.6% overall in England and Wales during the last month.
- London prices rose the most this month, up 1.5% since July.
- The South East remains the UK's fastest regional market, with a typical time on market of 61 days.
- The average annual home price appreciation for England and Wales rises to 6.2%.
- 'Housing crisis' is only apparent in London and surrounding regions.

Summary

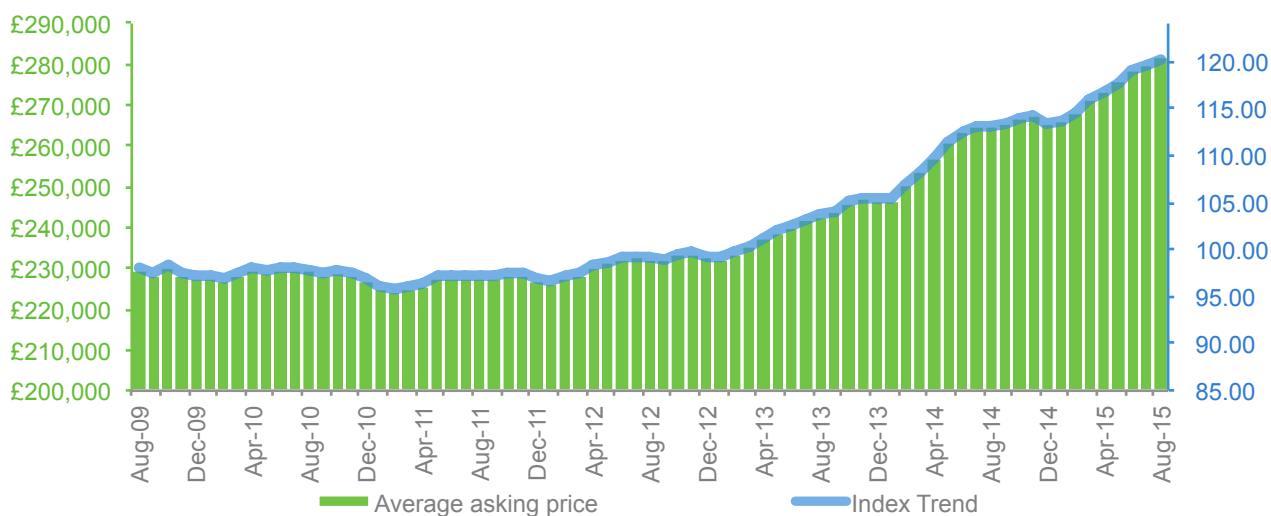
The UK property market continues to enjoy considerable momentum despite talk of mortgage rates rising in the near future. A combination of buyer demand and short supply is driving prices higher, but at a lesser rate than last year. The supply crisis is becoming more acute, and July recorded the lowest number of properties entering the market for that month since the onset of the financial crisis.

Lack of supply is felt most keenly in London and the East of England, where the volumes of properties entering the market are down 23% and 16% respectively. These and other southern regions are clearly sellers' markets and prices are firmly on an upward trajectory. Marketing times in the South East continue to be the lowest in the country. Indeed, across the nation, marketing times are currently around the lowest we have witnessed since 2008.

Buyer demand coupled with low numbers of properties entering the market has led to a significant reduction in the total stock for sale. The number of properties on the market in England and Wales is 11% lower than in August last year and 39% less than in August 2007. Hence in the southern regions, where supply problems are most acute, buyers have only half the choice that was afforded to them eight years ago. Ultra-low interest rates and other stimulus measures have ensured that more money (largely new debt) is chasing ever fewer properties.

Overall, the current mix-adjusted average asking price for England and Wales is 6.2% higher than it was in August 2014, and we expect further price rises over the coming months.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, August 2015

Regional Market Round-up

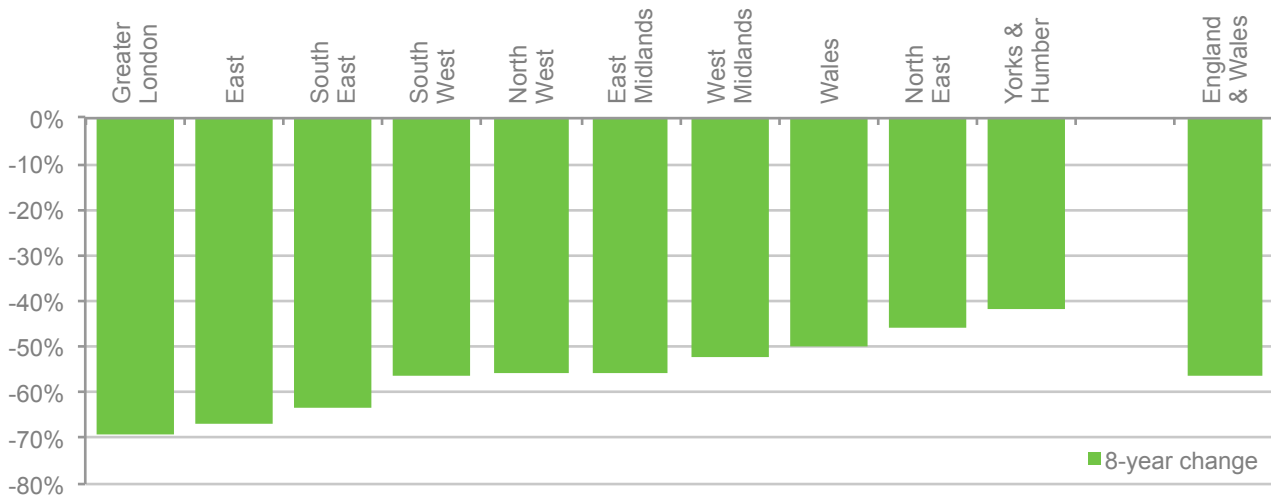
Whilst national supply levels are at an all-time low and trending down, a more detailed regional analysis of supply shows how this key market driver varies across the nation. What is immediately evident is that those regions which have suffered the greatest reductions in supply over the last seven years have also shown the greatest price growth.

Along with demand, supply is a key market driver with direct consequences for regional property market performance. London shows the biggest contraction in supply over the last eight years, of 69%. For the buyer, this means that whereas before there were, say,

ten houses of interest entering the market, there are currently only three. Consequently, the competition is fierce and prices have skyrocketed.

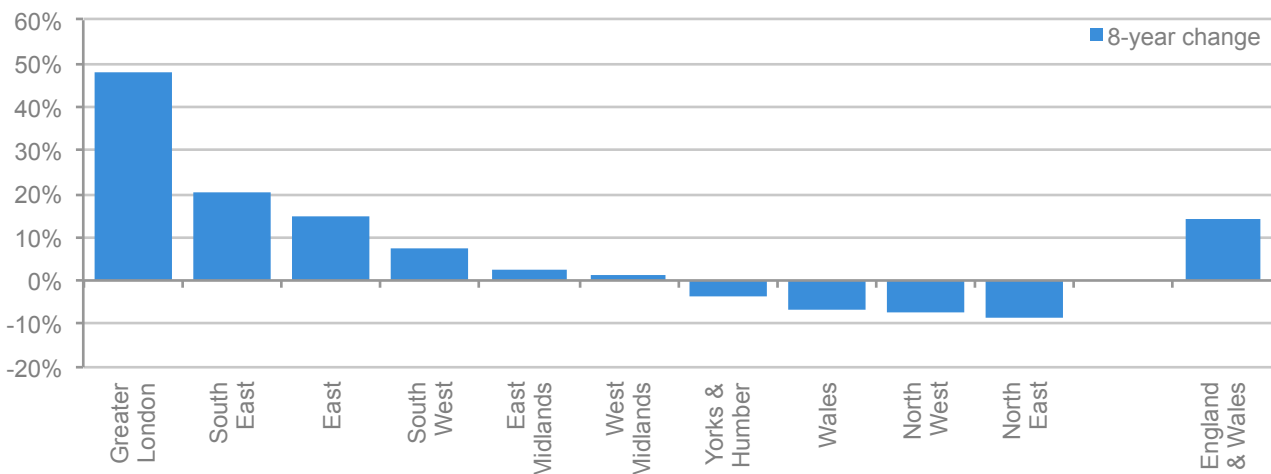
At the other extreme, the North East and Yorkshire show considerably less change in supply (-46% and -42% respectively) over the same period. Prices there, in contrast to London and the South, remain below their pre-crisis peaks (-8.7 and -4.0% respectively). Moreover, it is clear that supply has not reduced sufficiently in relation to demand in these regions. The same may be said for Wales and the North West, where prices also remain below their 2007 levels. Demand in the North and Wales has been diminished more than in the South due to higher levels of unemployment.

% Change in Supply by Region since August 2007



Source: Home.co.uk, August 2015

% Change in Asking Prices by Region since August 2007



Source: Home.co.uk, August 2015



Viewed from this perspective, it is only London, the East of England and the South East that have experienced a level of demand that has outweighed supply. Market performances in the South West, East Midlands and West Midlands indicate that supply and demand have been in balance overall. Therefore, the 'housing crisis' would appear to be very much centred on London and the Home Counties. It is not, from our analysis, a nationwide phenomenon.

For more information on regional property market performance please see pages 4 and 5 of this report.



Our analysis indicates that the 'housing crisis' is basically localised in London and the South East.



It is there, where the economies are most upbeat, that the 'property drought' is most severe. Higher salaries, more jobs and a constant influx of workers from the rest of the UK and abroad keep demand considerably ahead of supply.

By contrast, the northern and Welsh property markets have not recovered their pre-crisis valuations due to a chronic oversupply. Only a fundamental improvement in these regions' economies could elicit the kind of demand required to turn around their lacklustre property markets.

In view of such diversity of fortunes across the country, it is difficult to imagine how the Bank of England can realistically raise interest rates anytime soon. Property markets in the North and Wales simply are not strong enough to cope with more costly borrowing.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Aug-15
Average Asking Price	£167,680
Monthly % change	0.0%
Annual % change	3.6%

North East	Aug-15
Average Asking Price	£153,202
Monthly % change	0.0%
Annual % change	-0.5%

Yorks & The Humber	Aug-15
Average Asking Price	£175,265
Monthly % change	-0.3%
Annual % change	1.4%

North West	Aug-15
Average Asking Price	£179,336
Monthly % change	0.0%
Annual % change	0.7%

West Midlands	Aug-15
Average Asking Price	£210,787
Monthly % change	0.5%
Annual % change	4.0%

East Midlands	Aug-15
Average Asking Price	£198,826
Monthly % change	0.3%
Annual % change	3.6%

East	Aug-15
Average Asking Price	£297,720
Monthly % change	0.2%
Annual % change	6.0%

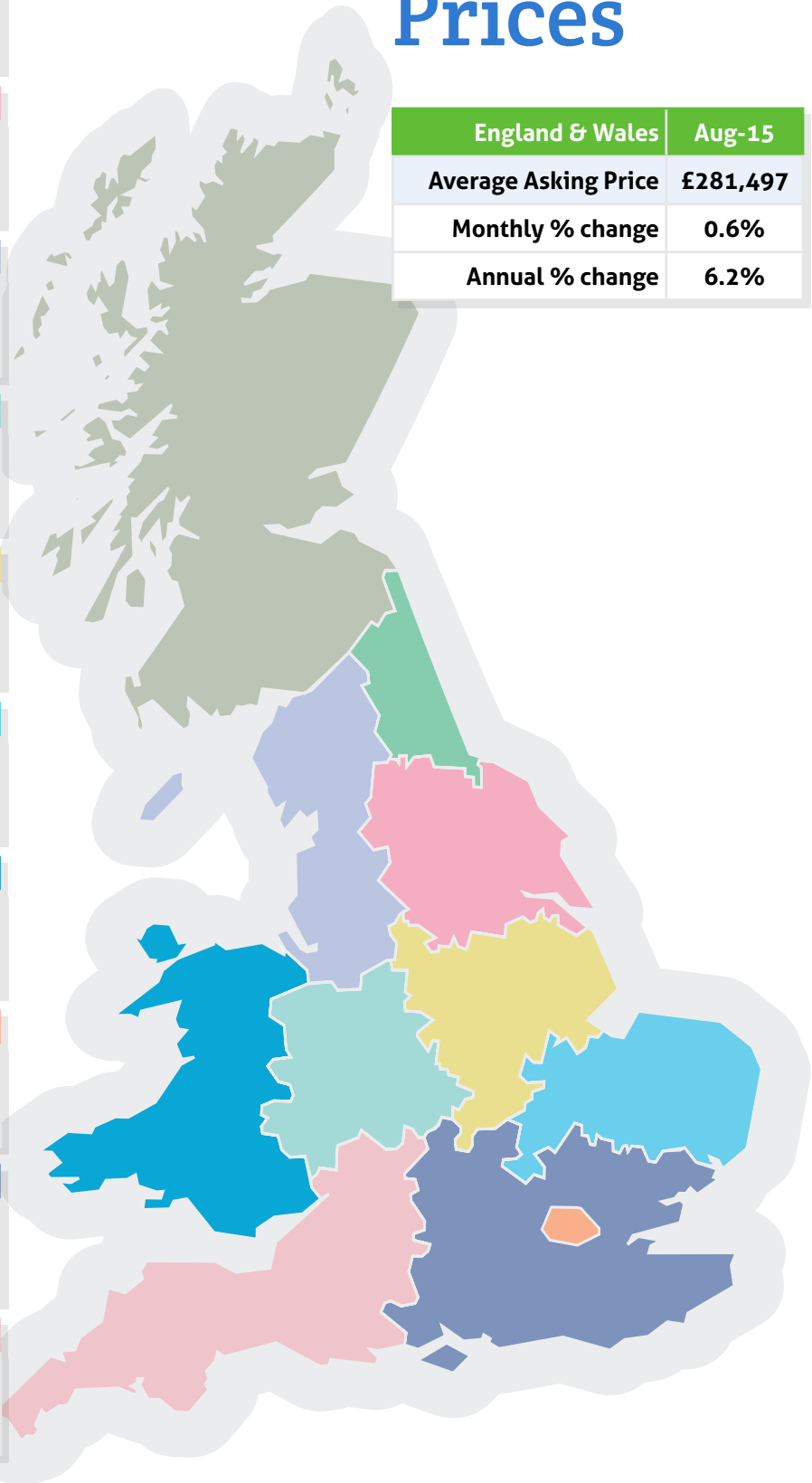
Wales	Aug-15
Average Asking Price	£183,634
Monthly % change	0.3%
Annual % change	1.4%

Greater London	Aug-15
Average Asking Price	£525,145
Monthly % change	1.5%
Annual % change	12.5%

South East	Aug-15
Average Asking Price	£368,669
Monthly % change	0.3%
Annual % change	7.5%

South West	Aug-15
Average Asking Price	£291,951
Monthly % change	0.6%
Annual % change	3.6%

England & Wales	Aug-15
Average Asking Price	£281,497
Monthly % change	0.6%
Annual % change	6.2%



Source: Home.co.uk, August 2015

UK Time on Market

Scotland	Aug-15
Average Time on Market	236
Typical Time on Market	104
Annual % supply change	-2%

North East	Aug-15
Average Time on Market	265
Typical Time on Market	132
Annual % supply change	-2%

Yorks & The Humber	Aug-15
Average Time on Market	213
Typical Time on Market	106
Annual % supply change	-2%

North West	Aug-15
Average Time on Market	216
Typical Time on Market	112
Annual % supply change	-5%

West Midlands	Aug-15
Average Time on Market	176
Typical Time on Market	91
Annual % supply change	-10%

East Midlands	Aug-15
Average Time on Market	165
Typical Time on Market	88
Annual % supply change	-7%

East	Aug-15
Average Time on Market	125
Typical Time on Market	68
Annual % supply change	-16%

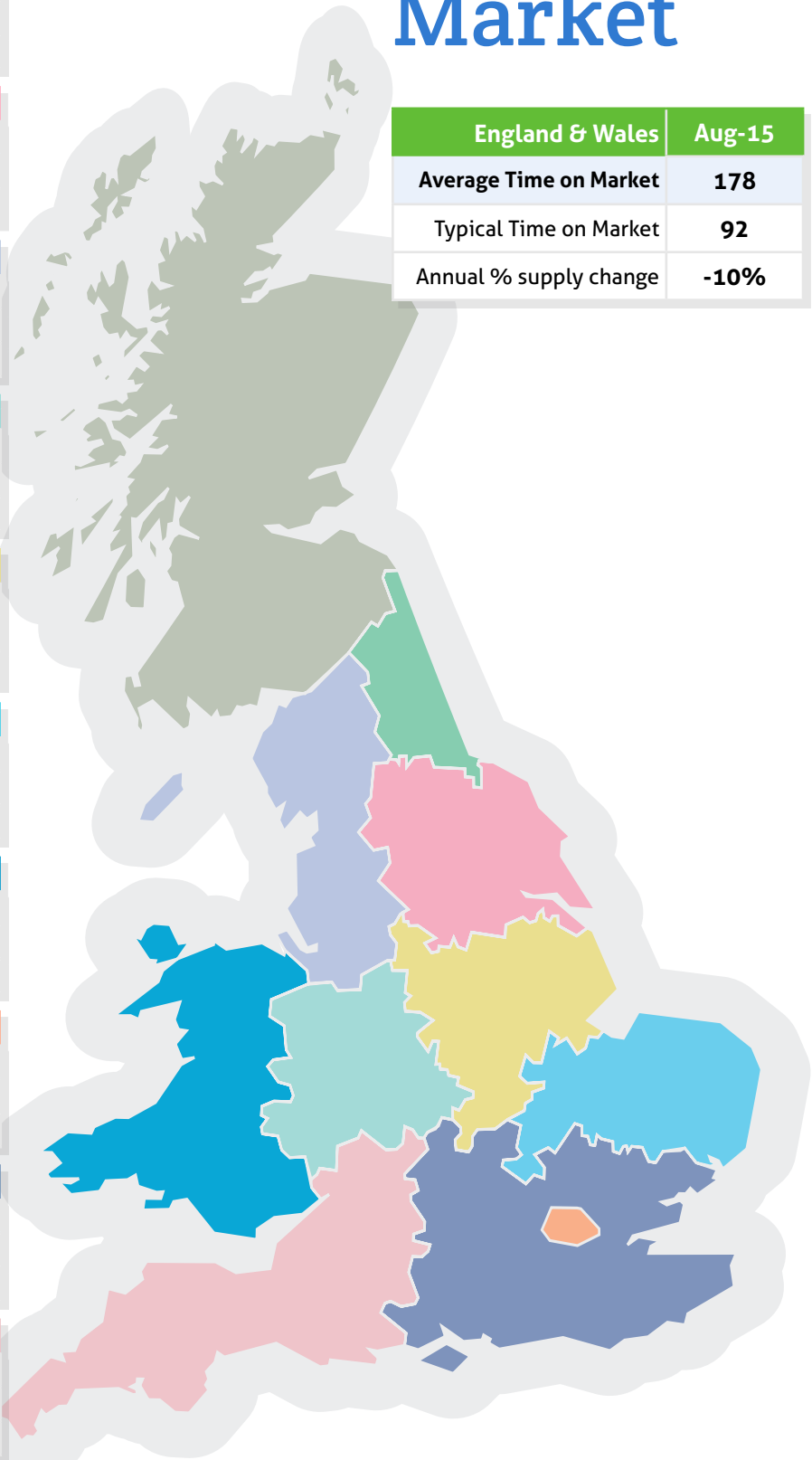
Wales	Aug-15
Average Time on Market	244
Typical Time on Market	126
Annual % supply change	-6%

Greater London	Aug-15
Average Time on Market	112
Typical Time on Market	64
Annual % supply change	-23%

South East	Aug-15
Average Time on Market	109
Typical Time on Market	61
Annual % supply change	-10%

South West	Aug-15
Average Time on Market	154
Typical Time on Market	85
Annual % supply change	-11%

England & Wales	Aug-15
Average Time on Market	178
Typical Time on Market	92
Annual % supply change	-10%



Source: Home.co.uk, August 2015. Note: Average = Mean (days), Typical = Median (days)

About the Home.co.uk Asking Price Index

- The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics: the statistical consultancy responsible for the production of the official Land Registry House Price Index.
- The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) Survey of English Housing Stock (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the Office of National Statistics.
- The HAPI is the UK's only independent forward market indicator. The published figures reflect current and historic confidence of buyers and sellers of UK property on the open market. The HAPI is calculated every month using around 500,000 UK property house prices found in the Home.co.uk Property Search Index. This figure represents the majority of the property for sale on the open market in the UK at any given time.
- The HAPI is based on asking price data which means the index can provide insights into price movements around 5 months ahead of mortgage completion and actual sales data – thus making it the most forward looking of all house price indices. Properties above £1m and below £20k are excluded from the calculations.

Contact details and further information

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- To learn more about Home.co.uk please visit:
<http://www.home.co.uk/company/about.htm>
- For further details on the methodology used in the calculation of the HAPI please visit:
http://www.home.co.uk/asking_price_index/Mix-Adj_Methodology.pdf
- To learn more about Home.co.uk data services please visit:
<http://www.home.co.uk/company/data/>

Future release dates:

- Tuesday 15th September
- Tuesday 13th October
- Thursday 12th November