



Asking Price Index

Released 14/08/18 August 2018

Home Price Falls Spread Across More Regions

Headlines

- Home prices in England and Wales fell overall by 0.3% this month.
- The largest monthly falls were in London (-0.6%) and the South East (-0.6%).
- Supply changes continue to indicate a worsening market for vendors: up by 4% year-on-year (YoY) but around 10% less than June's recent record total of 115,526 new instructions.
- The biggest supply increase was in the South West (+15% YoY).
- The total stock of properties on the market in England and Wales continues to rise (up 10.3% YoY) and is now at its highest level since Nov 2014.
- The mix-adjusted average price growth for England and Wales is now a mere 1.1% year-on-year: well below the rate of inflation.
- Regional markets in the North and West continue to indicate significant growth with Welsh prices up 5.9% and up 5.8% in the West Midlands YoY.
- Typical Time on Market continues to rise in London (+10%), the South East (+9%) and the East of England (+14% YoY).
- Prices have risen in only the North West, West Midlands and in Scotland since last month. Prices in all other English regions and in Wales fell.
- Typical Time on Market for England and Wales has risen to 84 days, the same as in August 2017.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, August 2018



Summary:

Home prices have experienced a downward correction in the face of rising supply and falling demand. Rising supply has led to market saturation in the East of England, and this region looks set to join London and the South East in negative year-on-year growth before the end of the year. The same pattern of supply-induced slowdown combined with a pullback in demand is now affecting the East Midlands and the South West, and this is exerting downward pressure on prices. The West Midlands and the North West look like the next regions to be similarly affected as the negative sentiment that originally emanated from London and later the South East spreads north and west. Consequently, overall annual house price growth is trending to zero and stock levels are trending up.

The fact that London and the South East suffered the largest price falls over the last month serves to show that their woes are far from over. Asking prices in London have been slowly falling for 26 months and, thus far, the only solace is that the latest figures suggest that perhaps supply has stopped rising.

Meanwhile, the northern regional property markets continue to perform strongly as does Wales, which is leading the price growth tables ahead of the West Midlands. These regions, several years later in the cycle than London, are still showing significant market activity and low or falling Time on Market figures. Although, as stated earlier, slowdowns appear imminent in the West Midlands and the North West.

Overall supply of property for sale in the UK is up by 4% and the total stock for sale has increased by 10.3% year-on-year.

In August 2017 the annualised rate of increase of home prices was 3.3%; today the same measure is just 1.1%.

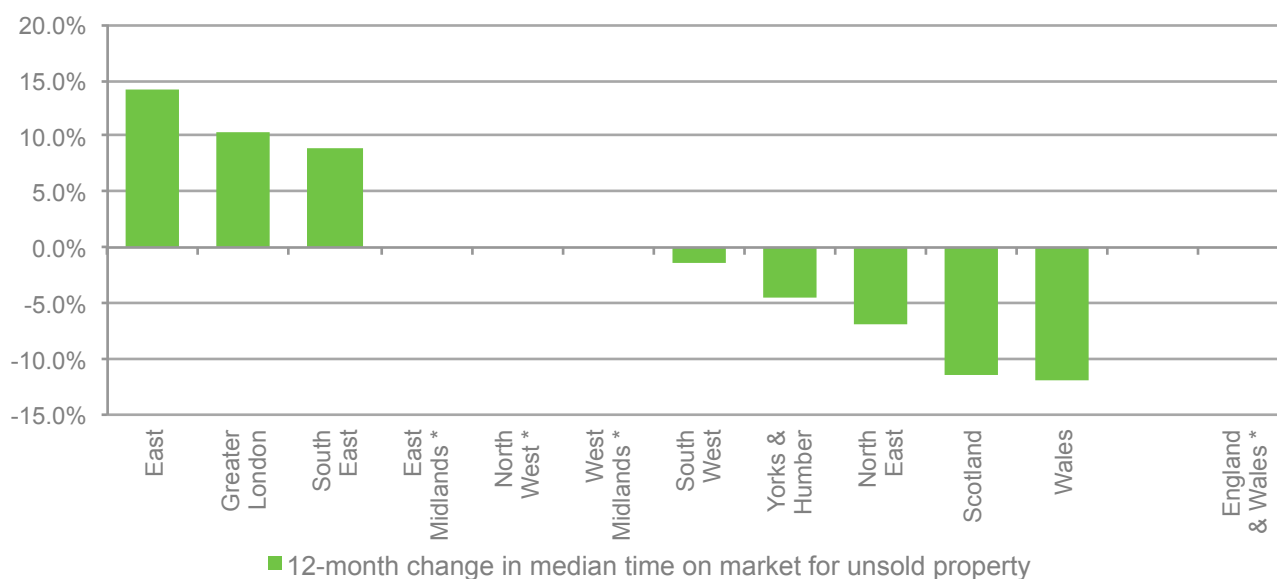
Regional Round-up

Whilst the national average figures show little or no growth in home values, analysis of the UK property market at the regional level affords greater insight as to the current market dynamic. Considerable disparity remains across the regions although price growth inconsistency is beginning to reduce as more regional markets cool off. For the time being, Greater London prices continue to slide (down 2.5% YoY) while Wales is enjoying the most market momentum for ten years and the greatest rate of price growth across the UK (up 5.9% YoY). Between these two outliers are the rest of the UK's regional property markets.

Oversupply in London continues to take its toll on prices, and this is particularly clear if one zooms in to analyse within a 10-mile radius. Since the peak in Jan 2016, the typical (median) asking price has dropped some 14%. That's the equivalent of a reduction in market value of a typical property of £91K, which equates to an average loss in value of around £2,800 per month. Consequently, a growing number of recent buyers will be living under the shadow of negative equity and unable to move home.

Later in the cycle, the South East and the East property markets face a similar fate, brought on by too much stock and sliding prices. Home

Change in Typical Time on Market, Aug 2018 vs. Aug 2017



Source: Home.co.uk Asking Price Index, August 2018 * = no change.

values are already year-on-year negative and sliding in the South East (-1.0%) while growth in the East of England is now down to (+0.9%) and looks set to sub-zero by the end of the year.

Wales, mentioned previously, remains the price growth leader ahead of the East and West Midlands (4.6% and 5.8%) but Yorkshire (+4.1%) and the North West (+4.8%) are not far behind: clearly, a very different situation to the South.

As yet, home values in the North East have failed to gain any real traction post-crisis; prices have risen a mere 0.6% over the last year and only 2.9% over the last five years. Time on Market figures (both mean and median) for unsold property have reduced significantly, but this has not yet translated into an uplift in prices.

Following a several-year price boom, growth in home values is slowing in the Midlands regions, caused by a combination of rising supply and lower rental yields due to high prices. Typical Time on Market, a key metric, now appears to have levelled off in both the East Midlands and the West Midlands. Typical Time on Market has also stopped falling in the North West.

Time on Market figures (especially the changes therein) reveal the direction of the market and our chart clearly shows how the three most challenging regional property markets correspond with lengthening marketing times. Moreover, this measure serves as a forward indicator of price changes. Only when the 12-month change in Typical Time on Market falls to zero will we see price stabilisation (the precursor to recovery) in Greater London.

As we reasoned last month, we expect a recovery in London prices to occur when rental yields improve. Due to the current scarcity of available accommodation to rent in the capital (down 20% year-on-year), we expect significant rent hikes over the next two years. Hence, price stabilisation could come as early as 2020.

7-Year Price Growth

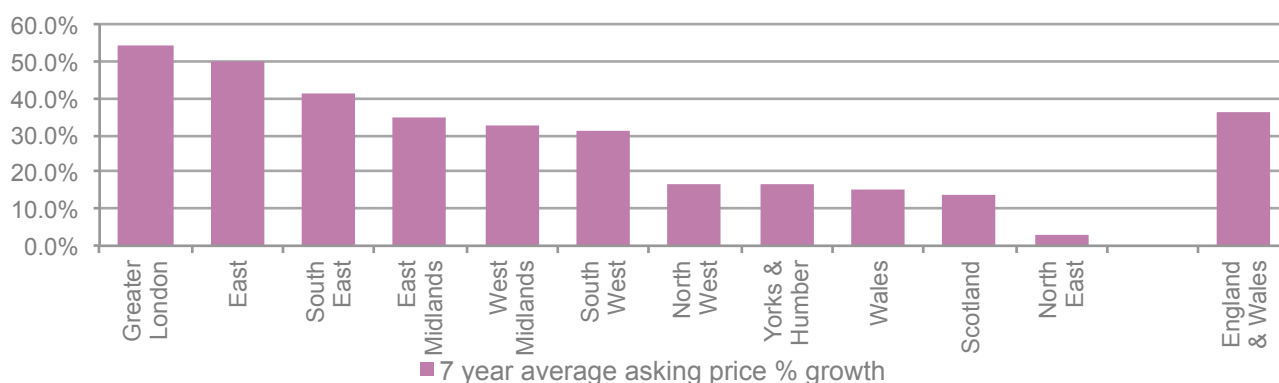
Taking the long view can help put current price movements in perspective. Over the last seven years the magnitude of price growth across the regions has been highly diverse, despite the fact that ultra-low mortgage rates were equally available. Greater London heads up the chart for growth over seven years with such phenomenal growth that prices simply had to head into corrective phase, as they are now. The East and South East also experienced unsustainable rates of growth. Interestingly, it appears that prices in the East may have further to fall than the South East assuming that, in order to correct, price growth needs to come down to something like the national average over time.

The Midlands and the South West occupy the middle ground. Growth in these regions appears much more sustainable and price corrections in the foreseeable future should be less severe. Should the cost of borrowing not rise appreciably, price stagnation would seem the most likely scenario whereby the real correction occurs via monetary inflation exceeding home price growth for a sustained period.

Set apart is the group composed of the North West, Yorkshire, Wales and Scotland. In contrast to the top six UK markets, these locations appear to have considerable room for further growth. However, one needs to take into account the weakness of these economies and poorer average earning power of the average worker.

The North East stands alone as not having had any sort of meaningful price recovery post-crisis. Its most recent economic inactivity rate tops the regional table for mainland UK at 24.7%. This statistic perhaps sheds some light on why it has not seen a recovery in house prices. Economically inactive people are unlikely to get mortgages approved and are likely to have difficulty paying the rent on time.

Asking Price Growth by Region, Aug 2018 vs. Aug 2011



Source: Home.co.uk Asking Price Index, August 2018



So Mark Carney and his committee of rate setters at the Bank of England actually went through with a mini-hike of +0.25% this month.

Okay, so it's not going to 'break the bank' for most property owners and investors, but with London prices on the ropes and many other regions set to follow suit, the timing is far from great for the UK property market. Moreover, the last time they did a quarter point rise, GDP growth stopped dead for three months.

Whilst this hike will not radically affect the economics of property investment (mortgage costs will not be significantly impacted), sentiment will be adversely affected. Having said that, increasingly hard-up landlords (owing to increased taxation and regulation), will likely pass on even small increases in their borrowing costs. In fact, controversial landlord Fergus Wilson already has. Rents are currently rising in Greater London in line with inflation (RPI ex-

housing), and this move by the central bank will only serve to push up the hikes even more.



The main driver for rent hikes going forward is an alarming lack of homes to rent, especially in Greater London. The number of available rental properties on the market is 20% down in Greater London and 10.5% down across mainland UK compared to August last year. Basic economics tells us that when supply falls prices must rise. In the case of London, it looks like rents will increase quickly – and they need to. For too long, rents have lagged behind house price inflation, to the point where yields have sunk too low. Rental returns fundamentally underpin property values and London prices desperately need a fillip to prevent the slide into negative equity.

Watch the rents. It's catch-up time.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Aug-18
Average Asking Price	£185,144
Monthly % change	0.5%
Annual % change	2.0%

North East	Aug-18
Average Asking Price	£157,653
Monthly % change	-0.1%
Annual % change	0.6%

Yorks & The Humber	Aug-18
Average Asking Price	£196,385
Monthly % change	-0.3%
Annual % change	4.1%

North West	Aug-18
Average Asking Price	£202,618
Monthly % change	0.2%
Annual % change	4.8%

West Midlands	Aug-18
Average Asking Price	£249,015
Monthly % change	0.4%
Annual % change	5.8%

East Midlands	Aug-18
Average Asking Price	£233,251
Monthly % change	0.0%
Annual % change	4.6%

East	Aug-18
Average Asking Price	£362,010
Monthly % change	-0.5%
Annual % change	0.9%

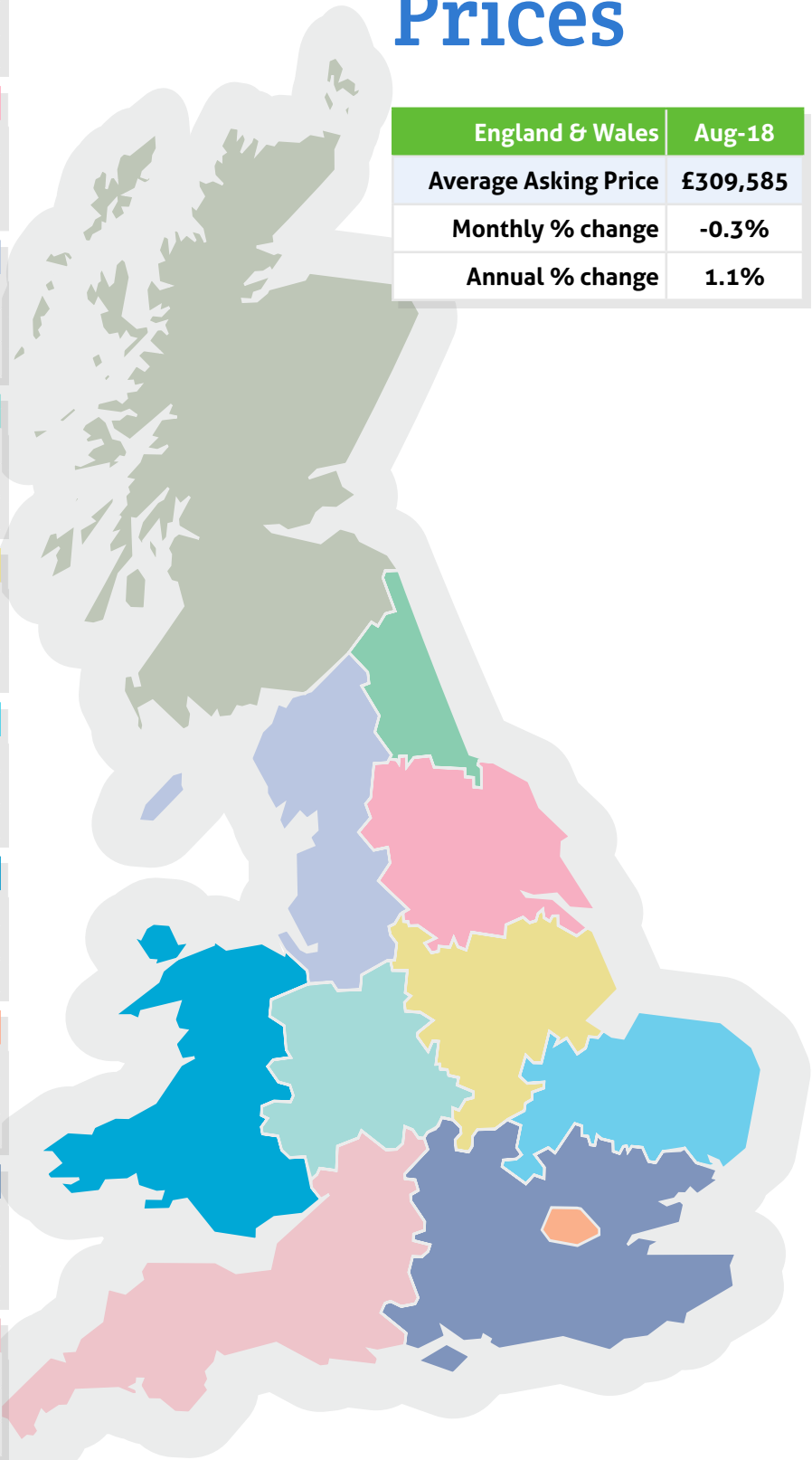
Wales	Aug-18
Average Asking Price	£202,264
Monthly % change	-0.1%
Annual % change	5.9%

Greater London	Aug-18
Average Asking Price	£526,470
Monthly % change	-0.6%
Annual % change	-2.5%

South East	Aug-18
Average Asking Price	£401,791
Monthly % change	-0.6%
Annual % change	-1.0%

South West	Aug-18
Average Asking Price	£327,483
Monthly % change	-0.4%
Annual % change	1.7%

England & Wales	Aug-18
Average Asking Price	£309,585
Monthly % change	-0.3%
Annual % change	1.1%



Source: Home.co.uk Asking Price Index, August 2018

UK Time on Market

Scotland	Aug-18
Average Time on Market	210
Typical Time on Market	86
Annual % supply change	5%

North East	Aug-18
Average Time on Market	220
Typical Time on Market	107
Annual % supply change	-1%

Yorks & The Humber	Aug-18
Average Time on Market	163
Typical Time on Market	85
Annual % supply change	0%

North West	Aug-18
Average Time on Market	171
Typical Time on Market	93
Annual % supply change	-3%

West Midlands	Aug-18
Average Time on Market	138
Typical Time on Market	72
Annual % supply change	3%

East Midlands	Aug-18
Average Time on Market	129
Typical Time on Market	71
Annual % supply change	7%

East	Aug-18
Average Time on Market	119
Typical Time on Market	72
Annual % supply change	9%

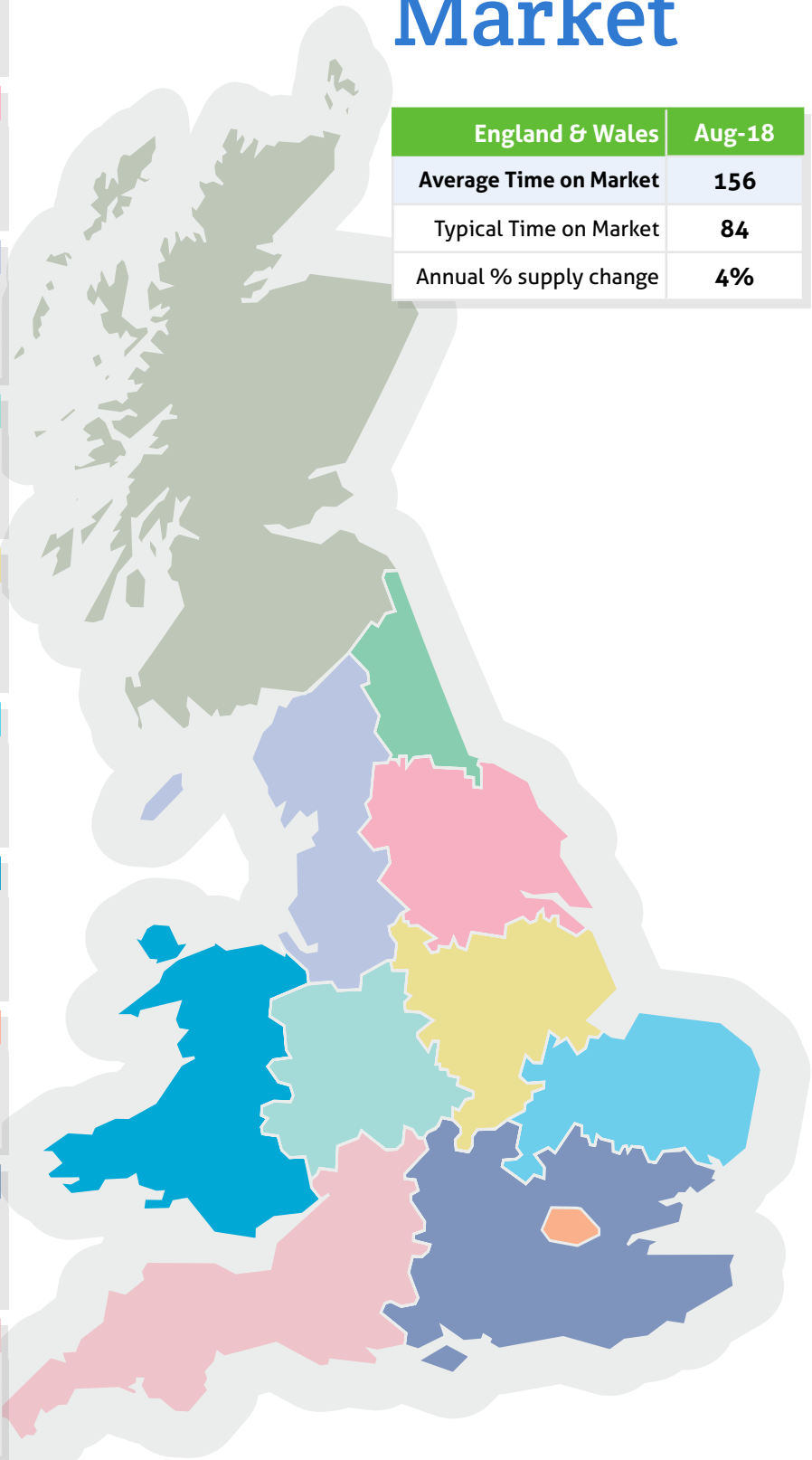
Wales	Aug-18
Average Time on Market	215
Typical Time on Market	104
Annual % supply change	-2%

Greater London	Aug-18
Average Time on Market	152
Typical Time on Market	85
Annual % supply change	-5%

South East	Aug-18
Average Time on Market	124
Typical Time on Market	74
Annual % supply change	8%

South West	Aug-18
Average Time on Market	137
Typical Time on Market	77
Annual % supply change	15%

England & Wales	Aug-18
Average Time on Market	156
Typical Time on Market	84
Annual % supply change	4%



Source: Home.co.uk Asking Price Index, August 2018. 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:

- **Wednesday 12th September**
- **Friday 12th October**
- **Tuesday 13th November**