

London Prices Fall as Supply Leaps in the East and South

Headlines

- Greater London remains the UK's worst performing region with prices falling 0.4% over the last twelve months.
- Supply of property for sale continues to increase rapidly in the key regions of London (+19%), East of England (+30%) and the South East (+27%) (Nov 16 vs. Nov 15).
- Average home price for England and Wales suffers biggest monthly fall in two years.
- Prices fell in every English region, Wales and Scotland this month.
- Worst drop was in the South East of England: 0.8% in just one month.
- Typical Time on Market edges up three days to 95 days over the last month across England and Wales: nine days less than in December 2015.
- The overall rate of home price appreciation for England and Wales slips to 3.4% (Dec 16 vs. Dec 15).
- The total stock of property on the market in England and Wales has again dropped back a little since last month but is 1.7% more than in December last year.

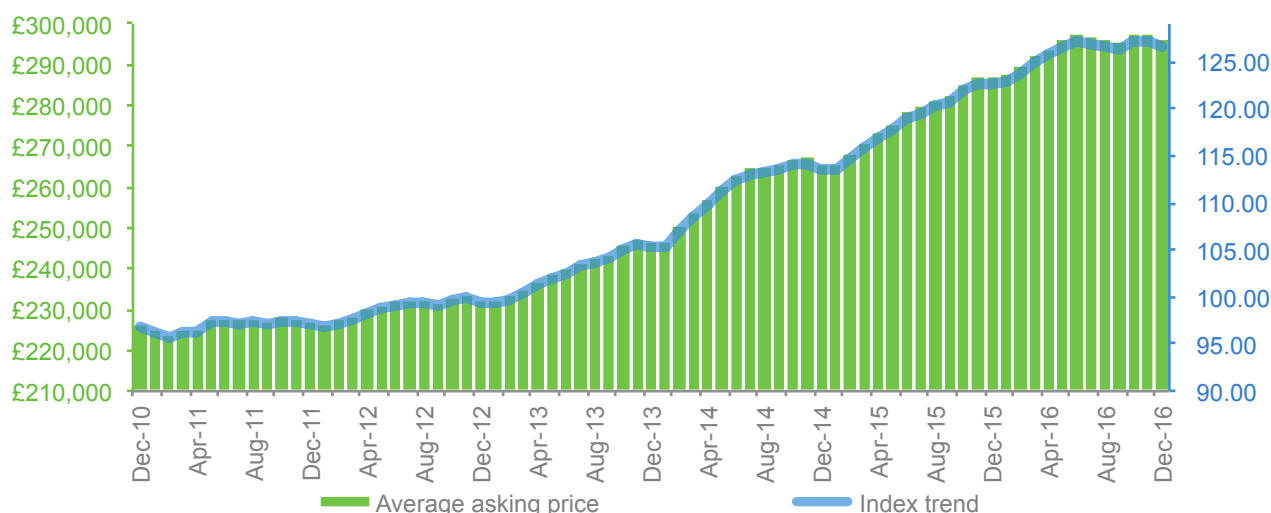
Summary

Price growth in the UK property market continues to diminish. All regions registered average home price declines this month, with the worst fall being in the South East (0.8%). Whilst a seasonal dip is expected at this time of year, it is the year-on-year figures that indicate a growing malaise in the property market.

In December 2015, the annualised rate of increase in home prices was 8.0%; today the same measure is a mere 3.6% and the trend is clearly to the downside. Ahead of the curve is London, where year-on-year growth is negative for the first time in six years.

The same slowdown that hit London is rippling out to the South East and East of England. Supply of homes for sale has risen very rapidly in both regions and we expect that this will soon impact negatively on marketing times and later on prices. In fact, the Typical Time on Market is already creeping up in the South East and price growth has dropped to just 3.2% (cf. 10.6% in Dec 2015).

Home Asking Price Trend for England & Wales



Source: Home.co.uk, December 2016

However, for the time being, the East of England is the UK's best performing region. Prices rose rapidly throughout most of 2016 (up 10.6% over the course of the last twelve months), but this blistering pace appears unsustainable. Prices in the region have risen by over 42% during the last five years and there is significant evidence to suggest that we should expect a slowdown during the course of 2017.

Outside of London the worst performing regions are the North East (+0.5%) and Wales (+0.6%) (Dec 16 vs. Dec 15). A meaningful recovery in the North East is conspicuous by its absence. Prices there have increased by only 1.8% over the last five years, considerably behind the official inflation rate figures.

Overall, the current mix-adjusted average asking price for England and Wales is now 3.4% higher than it was in December 2015, and we expect that this figure will continue to trend downwards during 2017.

The Market Cools

The slowdown that began in Prime Central London three years ago has engulfed all of Greater London and is now spreading to the South East and the East of England. It is noteworthy that the first indication of the downturn in premium locations in the capital, such as Belgravia, was a rapid rise in the supply of property for sale. Since then the typical price of a flat in Belgravia has fallen by 25% whilst stock levels have leapt by

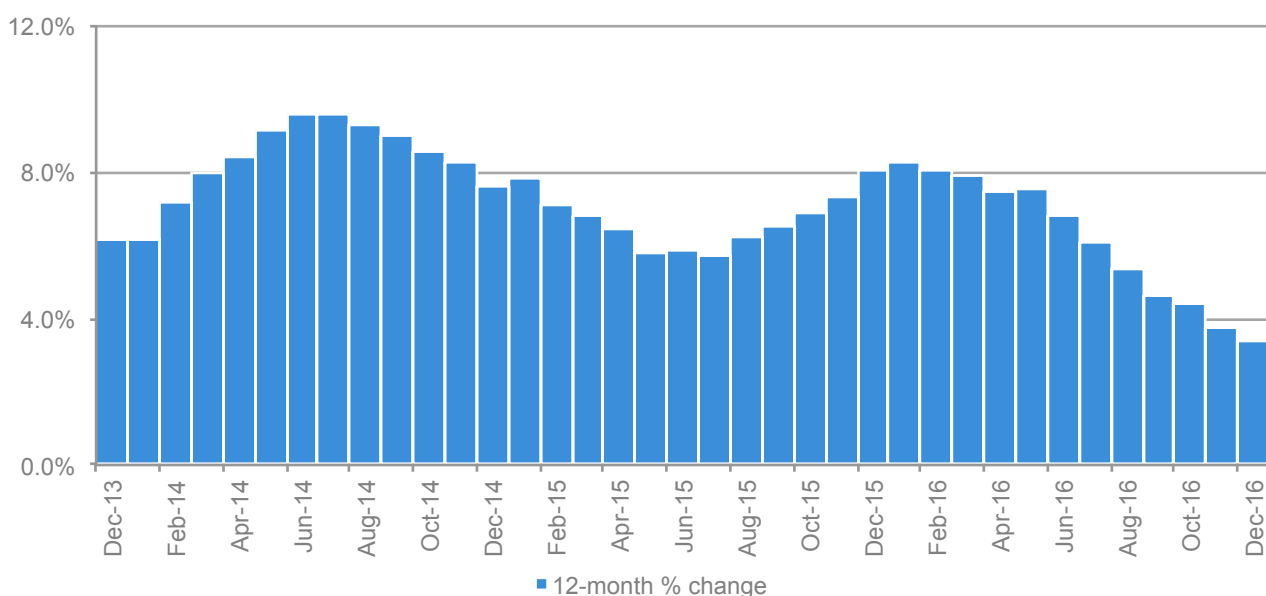
130% over the same period. This observation prompts the question as to whether we will see the same magnitude of price falls in Greater London and the South East over the next couple of years.

The answer is probably 'no', and that price falls will be more moderate across the wider Greater London area. Rental yields in PCL were exceptionally poor before the downturn and this is a key indicator of how overinflated their underlying asset prices were. Throughout most of Greater London, gross rental yields are much higher and this fact will serve to underpin the property prices. However, what is certain is that a downturn in London and the South East will weigh very heavily on the national average growth figures, and we can expect the recent trend to continue. Forward extrapolation suggests that home price growth in England and Wales will fall to zero or below before the end of 2017.

Regional Market Round-up

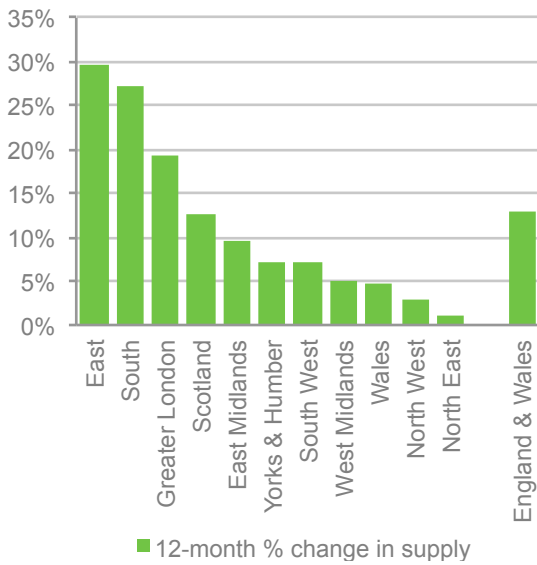
Aside from London and the South East, there are several regions that are performing well and show no signs of an imminent downturn. The East and West Midlands, together with Scotland, show price growth gains north of the 5% mark and thus far only moderate increases in supply. Both Midlands regions show the best improvement in marketing times across all the English regions over the course of the last year. We expect the moderate price growth in these regions to continue throughout 2017.

Year-on-Year Price Growth Trend (Mix-adjusted average for England and Wales)



Source: Home.co.uk, December 2016

Supply Change by Region

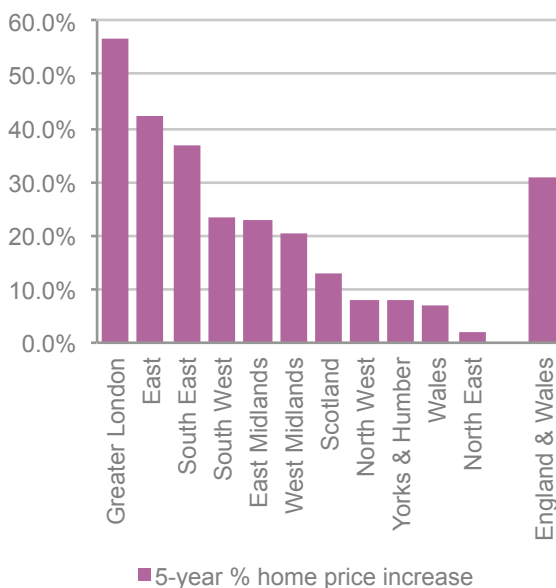


Source: Home.co.uk, December 2016

Looking further north, the North West remains the best performing northern region with a 3.7% rise over the last twelve months, while the North East and Yorkshire have added only 0.5% and 2.3% to their home values over the same period. However, if we look at the price gains over the last five years, home values in these regions are looking a lot less precarious than those down south.

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

5-Year Regional Home Price Growth



Source: Home.co.uk, December 2016



Whilst we should expect seasonal price declines at this time of year, it is clear that the UK property market is no longer in great shape.



Brexit is not really to blame. The super low interest rates imposed by the Bank of England in the wake of the financial crisis acted like steroids on any regional market that still showed a flicker of life. Consequently, prices in the nation's leading property market, Greater London, soared for almost seven years but 2016 saw this market hit the buffers. After many months of declining demand and rising supply, year-on-year growth in this region is now negative.

The same symptoms of overvaluation are now evident in the South East and East of England. Home prices have gone beyond affordability limits, rental yields are consequently low and the number of new instructions is on the rise in both regions. Of the two, the South East is further down the road to price stagnation and looks set to hit the buffers first. Prices there have only risen 3.2% over the last twelve months. Meanwhile, the East of England is still showing considerable growth (10.6%) but rising supply and lack of affordability suggest that this may not be the case for much longer.

It is arguable that these three regions together have served as the key growth engine for the UK property market (in fact, they constitute more than 40% of the housing stock and much more than that by value). Should the fate of the South East and East of England markets be to follow the pattern set by London, 2017 will be a difficult year and may even herald a very different chapter in the story of the UK property market.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Dec-16
Average Asking Price	£179,511
Monthly % change	-0.3%
Annual % change	5.4%

North East	Dec-16
Average Asking Price	£153,813
Monthly % change	-0.5%
Annual % change	0.5%

Yorks & The Humber	Dec-16
Average Asking Price	£179,497
Monthly % change	-0.6%
Annual % change	2.3%

North West	Dec-16
Average Asking Price	£186,088
Monthly % change	-0.3%
Annual % change	3.7%

West Midlands	Dec-16
Average Asking Price	£224,452
Monthly % change	-0.7%
Annual % change	5.4%

East Midlands	Dec-16
Average Asking Price	£211,460
Monthly % change	0.0%
Annual % change	5.3%

East	Dec-16
Average Asking Price	£344,007
Monthly % change	-0.3%
Annual % change	10.6%

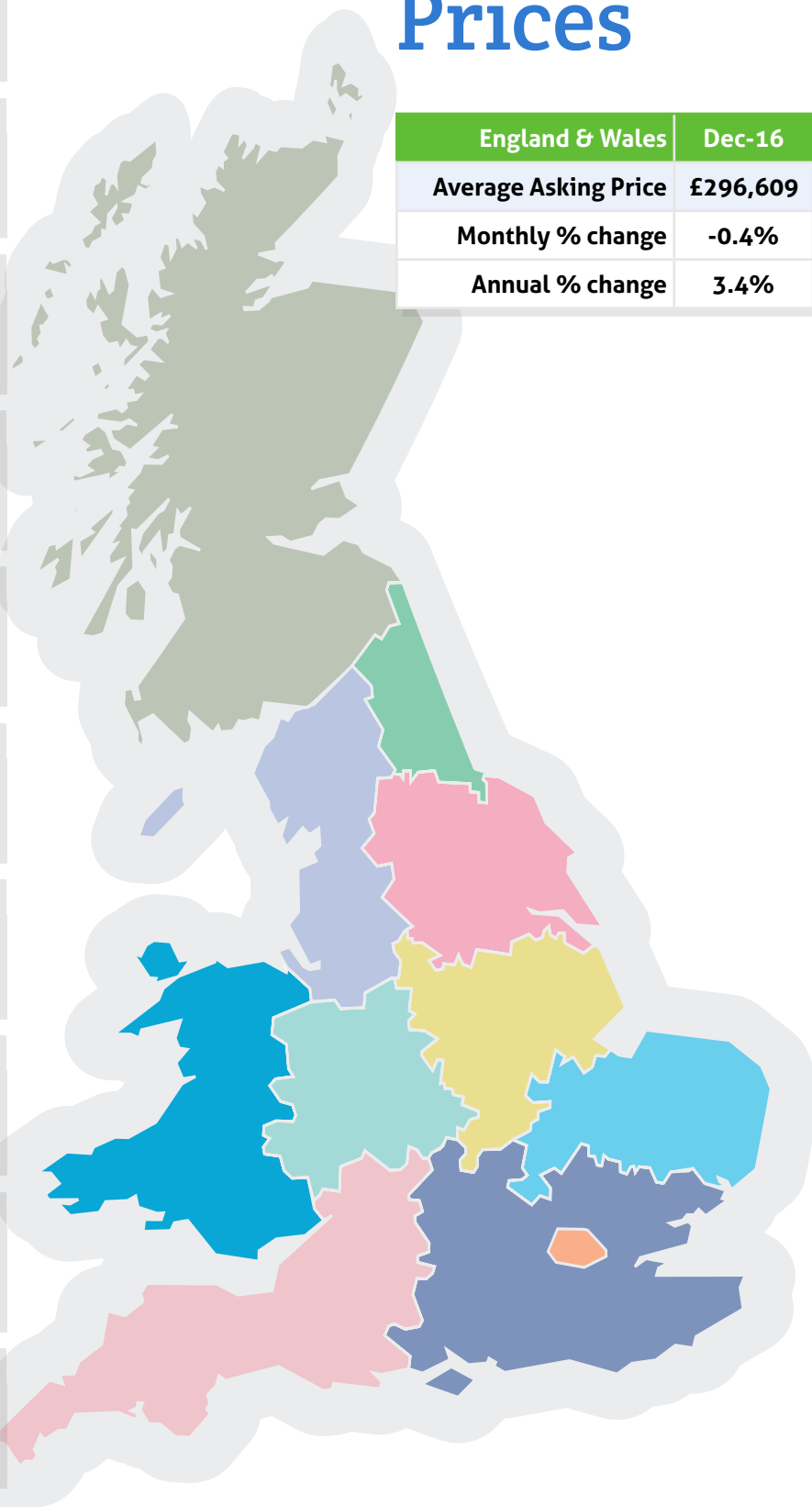
Wales	Dec-16
Average Asking Price	£184,975
Monthly % change	-0.7%
Annual % change	0.6%

Greater London	Dec-16
Average Asking Price	£536,909
Monthly % change	-0.1%
Annual % change	-0.4%

South East	Dec-16
Average Asking Price	£391,391
Monthly % change	-0.8%
Annual % change	3.2%

South West	Dec-16
Average Asking Price	£308,213
Monthly % change	-0.3%
Annual % change	5.0%

England & Wales	Dec-16
Average Asking Price	£296,609
Monthly % change	-0.4%
Annual % change	3.4%



Source: Home.co.uk, December 2016

UK Time on Market

Scotland	Dec-16
Average Time on Market	236
Typical Time on Market	124
Annual % supply change	13%

North East	Dec-16
Average Time on Market	243
Typical Time on Market	134
Annual % supply change	1%

Yorks & The Humber	Dec-16
Average Time on Market	194
Typical Time on Market	112
Annual % supply change	7%

North West	Dec-16
Average Time on Market	197
Typical Time on Market	115
Annual % supply change	3%

West Midlands	Dec-16
Average Time on Market	158
Typical Time on Market	90
Annual % supply change	5%

East Midlands	Dec-16
Average Time on Market	149
Typical Time on Market	87
Annual % supply change	9%

East	Dec-16
Average Time on Market	114
Typical Time on Market	70
Annual % supply change	30%

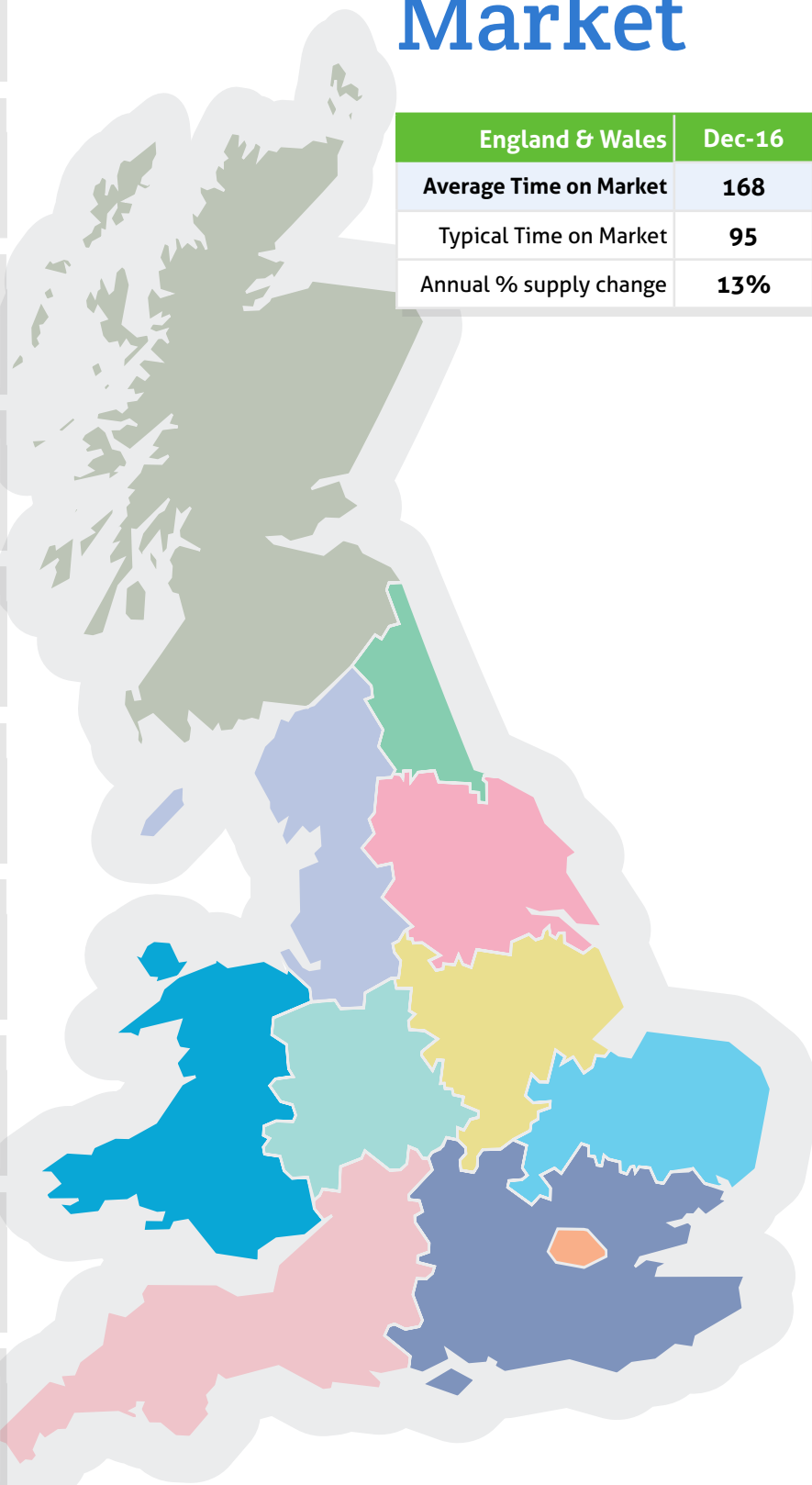
Wales	Dec-16
Average Time on Market	236
Typical Time on Market	141
Annual % supply change	5%

Greater London	Dec-16
Average Time on Market	130
Typical Time on Market	80
Annual % supply change	19%

South East	Dec-16
Average Time on Market	112
Typical Time on Market	71
Annual % supply change	27%

South West	Dec-16
Average Time on Market	155
Typical Time on Market	94
Annual % supply change	7%

England & Wales	Dec-16
Average Time on Market	168
Typical Time on Market	95
Annual % supply change	13%



Source: Home.co.uk, December 2016. 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

- For media enquiries please contact:
press@home.co.uk
0845 373 3580
- 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:

- Thursday 12th January
- Tuesday 14th February
- Tuesday 14th March