

## 2018: A Year of Mixed Fortunes

### Headlines

- Northern and western property markets continue to thrive: prices were up by 7.4% in Wales, 5.2% in the West Midlands and 4.8% in the North West year-on-year (YoY).
- The average home price in England and Wales fell by 0.5% this month, pushed down by seasonal factors and price-correcting regions in the South and the East of England.
- Typical Time on Market continues to rise in London (+9%), the South East (+13%) and the East of England (+12%) year-on-year, leading to further vendor frustration and price cutting.
- The largest monthly fall was in the East of England again (-1.0%), as supply overwhelms demand.
- 10.9% more properties were reduced in price whilst on the market last month, compared to November 2017.
- Supply increases eased last month offering some respite for vendors: up by just 3% year-on-year.
- The largest surge in supply was observed in the beleaguered East of England (+12%).
- The mix-adjusted average price growth for England and Wales nudged up slightly to 0.8% YoY but looks set to fall into negative territory in 2019.
- Meanwhile, rents are rising by 3.4% nationally and a massive 6.3% in Greater London.
- Typical Time on Market for England and Wales has risen to 95 days, two days longer than in December 2017.

### Home Asking Price Trend for England & Wales



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

## Summary

Home prices are falling in England's three most populous and expensive regions. 2018 saw the South East and the East of England property markets slide into the red, following in the footsteps of long-suffering Greater London. Prices in the capital region have now been on a downward slide for 31 months and, during this time, the mix-adjusted average home price has fallen 6.3%.

The effect of the downturn in both the South East and East of England on the national average has been dramatic, taking the annualised growth from 'just about keeping pace with inflation' to 'seriously sub-inflation' during the course of 2018. In fact, when compared to Retail Price Index (ex-housing) growth in England and Wales, house price growth has been negative in real terms for 22 months.

The South West looks like the next region to slip into the red. Prices have fallen in five out of the last six months and the current annual growth is a mere 0.7%. Similarly, we expect the East and West Midlands markets to cool off during 2019 and consequential price erosion to follow. Nothing catastrophic, nor a consequence of Brexit, merely a natural post-boom rebalancing of supply and demand.

A far cry from the doom and gloom in the South and East, 2018 has been a good year for the North, West and Wales. Inflation-beating price growth is still evident in Yorkshire (4.7%), the North West (4.8%) and the West Midlands (5.2%) as their respective regional property markets continue to thrive. Wales remains the leader of house price growth, with annualised gains amounting to a whopping 7.4%. For the time being, marketing times are still falling rapidly and we expect that

this late-cycle boom will roll on through 2019. Overall, supply of property for sale in the UK is up by 3% and the total stock has increased by 10.8% year-on-year.

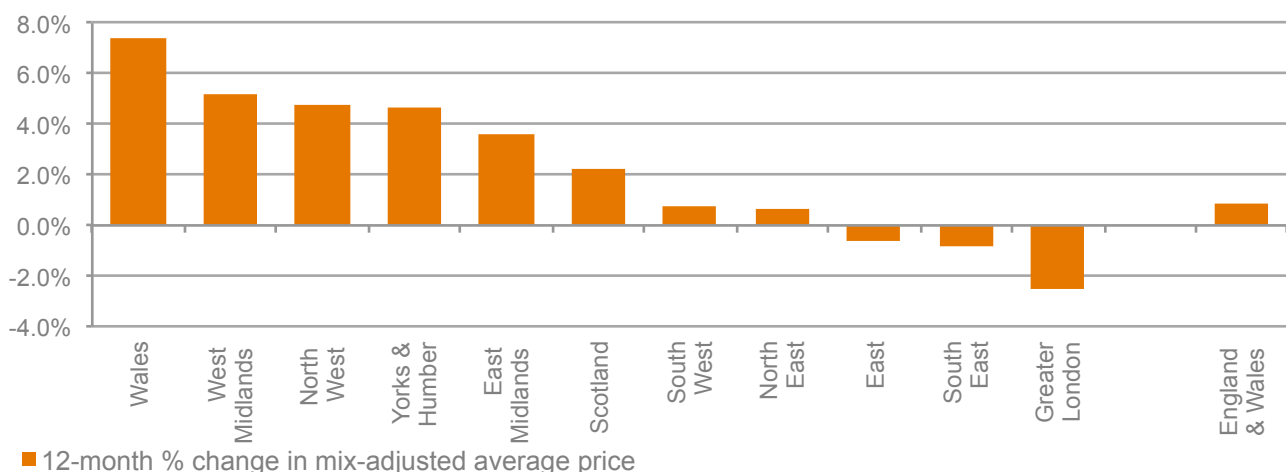
In December 2017, the annualised rate of increase of home prices was 2.6%; the same measure today is just 0.8% and continues to trend towards the negative.

## Regional Round-up

As we look back over 2018, it's clear that the North and West have had a much better time of it than the South and East. In fact, Wales, the West Midlands, the North West and Yorkshire have all enjoyed highly buoyant markets, characterised by falling marketing times and increased price growth. Welsh house price growth has soared from 4.3% in 2017 to a stunning 7.4%. For many years post-crisis, the principality's property market was in the doldrums. Prices stagnated under the weight of oversupply while many other regional markets boomed. Now the boot is on the other foot and, while London prices slide, Wales is enjoying a real recovery with prices now a full 9.9% higher than they were back in 2008. Moreover, this market is still gaining momentum and we expect the boom to continue through 2019.

Meanwhile, Greater London had another dreadful year. Prices in the capital region have now been sliding for 31 months and the damage so far to the mix-adjusted average price is 6.3% while the median home price has fallen an alarming 14%. During the past three years, overall stock levels have risen 36% and this, together with negative buyer sentiment, will weigh heavily on prices in 2019. One glimmer of hope may be that a contraction in supply was observed in Greater London last month (-7% YoY) for the first time in many months.

## 12-month Price Growth by Region, Dec 2018 vs Dec 2017



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

Of course, there are now three regions 'in the red': Greater London, the South East and the East of England, and together they represent 41% of dwellings in mainland UK. Price falls in the South East and East have not yet been as severe as in the capital region but the overall effect on the national growth figures is acute. Looking ahead into 2019, when house prices show year-on-year falls in the South West (this could be as soon as next month according to current trends), the majority of UK home values will be 'in the red.'

The North East has had yet another lacklustre year. Spring optimism evaporated and led to sliding prices in the latter part of the year, making the annualised growth a mere 0.6%. Sadly, this region has yet to show any sort of meaningful recovery.

The East Midlands market has benefitted from considerable investment activity over recent years but indicators show that this boom is coming to a close. Annualised price growth is falling (now down to 3.6%) and the Typical Time on Market is increasing. We expect these trends to continue in 2019.

The Scottish property market is holding up overall. Price growth this year at 2.2% was nothing to write home about but lower marketing times show that currently there is a little more momentum than a year ago. However, if we drill down to major cities, we see a more mixed picture. Edinburgh prices are sliding and have been since the spring: correcting in 'top down' fashion following a period of overexuberant investment. Flat prices actually gained 5% (median) this year but stock levels are increasing and a slowdown seems likely in 2019. Glasgow, on the other hand, looks in much better shape. Flats gained 13%

this year and stock levels are remaining fairly static, which portends more activity and price growth in 2019.

## Growth in Real Terms

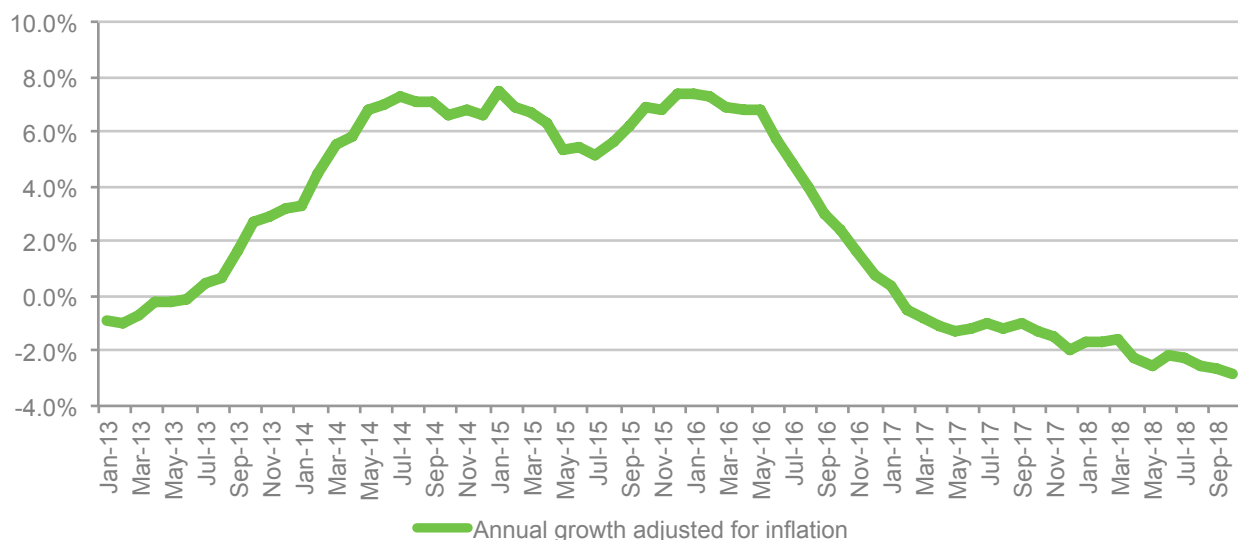
If you want to know how capital values of property are keeping pace relative to the perpetual devaluation of sterling then we need to account for the effect of inflation. The result: in real terms, growth in England and Wales turned negative in February 2017 and has remained so ever since.

Little wonder that savvy investors want out. Aside from the onslaught of taxation and regulation on the Private Rented Sector (PRS), the rent simply doesn't cover the losses in real terms.

The chart shows changes in annualised growth by month corrected for inflation: a key indicator as to whether property is a safe store of capital value or not.

The major decline in real growth was concomitant with the peak in London home prices. The subsequent long slide in home prices dragged down real overall growth to sub-zero in February 2017. Since then, property has been losing capital value relative to inflation despite all the nominal growth observed in the West and North. Had we calculated the chart using the government's preferred measure, Consumer Price Index, real growth would appear to have turned negative a few months later in 2017, but the overall trend would remain the same. The latest figure from the Office of National Statistics for CPI (all items) is 2.4% compared to 3.5% for RPI (ex-housing), which is our preferred measure. By either method, real growth is negative.

## Real Price Growth (England and Wales)



Source: Home.co.uk Asking Price Index, December 2018 and ONS (RPI ex. housing).



**Looking ahead to 2019, our trend indicators suggest that national price growth will likely be in the red by 1.0% towards the end of next year. We don't expect London prices to pull out of their shallow dive until 2020 and, what's more, other regions look set to slide into negativity in 2019.**

The London property boom and bust was 'baked into the cake' a long time before Brexit. Bank bailouts coupled with historic low interest rates guaranteed that the capital's property bubble would be reinflated to colossal proportions. Of course, that same bubble is now deflating. Lending won't get any cheaper (rather the contrary) and prices must correct in the aftermath of the malinvestment that always accompanies the buying frenzy.

So far, London prices have been correcting in an orderly fashion of around 2.5% per annum. We expect these losses to extend to 3.5% in 2019 as sentiment worsens and more potential homebuyers play 'wait and see' based on the logical assumption that prices will be lower next year.

We also expect to see further price declines around London. Prices in the South East and the East of England are already falling under their own weight and we expect the situation to worsen in both regions, extending losses to 2.0% and 1.5% respectively, together with increased stagnation in these markets.

The South West is perhaps just one month away from being year-on-year negative as prices continue to slide. We predict losses could extend to 1% over the course of 2019. The East Midlands also looks set to slow to stalling point before becoming the next casualty of price correction later in 2019, followed by the West Midlands. We expect the East Midlands to register around zero growth by the end of 2019, with the West Midlands seeing growth reduced to around 2%.

The North West and Yorkshire may expect further price growth next year as their respective property booms approach the

top. Growth will be slightly less than this year (we expect around 4%) as affordability constraints begin to bear down on pricing. It is possible that we will see price maxima in both these regions in 2019.



Wales will be the shining star of the 2019 property market. Prices there look set to grow considerably, perhaps adding a further 7% to current values.

Scotland's fate looks less favourable. The market overall looks rather 'toppy' by current trends despite pockets of significant growth. We expect annualised growth to slide to around the 1.5% mark over the course of 2019.

Lastly, we turn to the moribund North East property market. One thing is for sure: relative to the rest of the UK, property is very cheap. So why so little demand? Perhaps the reason we have seen no significant growth in this region is simply the high levels of economic inactivity. Unfortunately, without significant reinvestment in this former industrial powerhouse, the story will remain unchanged for this stagnating property market. Save for such a miracle, growth could remain as low as 1%.

Going forward, the major challenge for estate agents will be to manage the expectations of vendors in the growing number of regions where prices are sliding. Failing that, property auctions look well placed to profit from the increasing malaise enshrouding the UK housing market.

As 2019 unfolds, we expect London rents to hit the news headlines. Due to a dramatic shortage of available rental property (supply down by nearly 34% over two years), rents are beginning to soar. In fact, they are already up by 6.3% this year and climbing.

Finally, we would like to send Season's Greetings to our entire readership and wish you all a prosperous New Year.

**Doug Shephard**  
Director at Home.co.uk



# UK Asking Prices

Scotland	Dec-18
<b>Average Asking Price</b>	<b>£185,491</b>
Monthly % change	-0.1%
Annual % change	2.2%

North East	Dec-18
<b>Average Asking Price</b>	<b>£156,679</b>
Monthly % change	0.0%
Annual % change	0.6%

Yorks & The Humber	Dec-18
<b>Average Asking Price</b>	<b>£196,739</b>
Monthly % change	-0.5%
Annual % change	4.7%

North West	Dec-18
<b>Average Asking Price</b>	<b>£203,545</b>
Monthly % change	-0.5%
Annual % change	4.8%

West Midlands	Dec-18
<b>Average Asking Price</b>	<b>£250,181</b>
Monthly % change	-0.3%
Annual % change	5.2%

East Midlands	Dec-18
<b>Average Asking Price</b>	<b>£233,172</b>
Monthly % change	-0.2%
Annual % change	3.6%

East	Dec-18
<b>Average Asking Price</b>	<b>£354,075</b>
Monthly % change	-1.0%
Annual % change	-0.6%

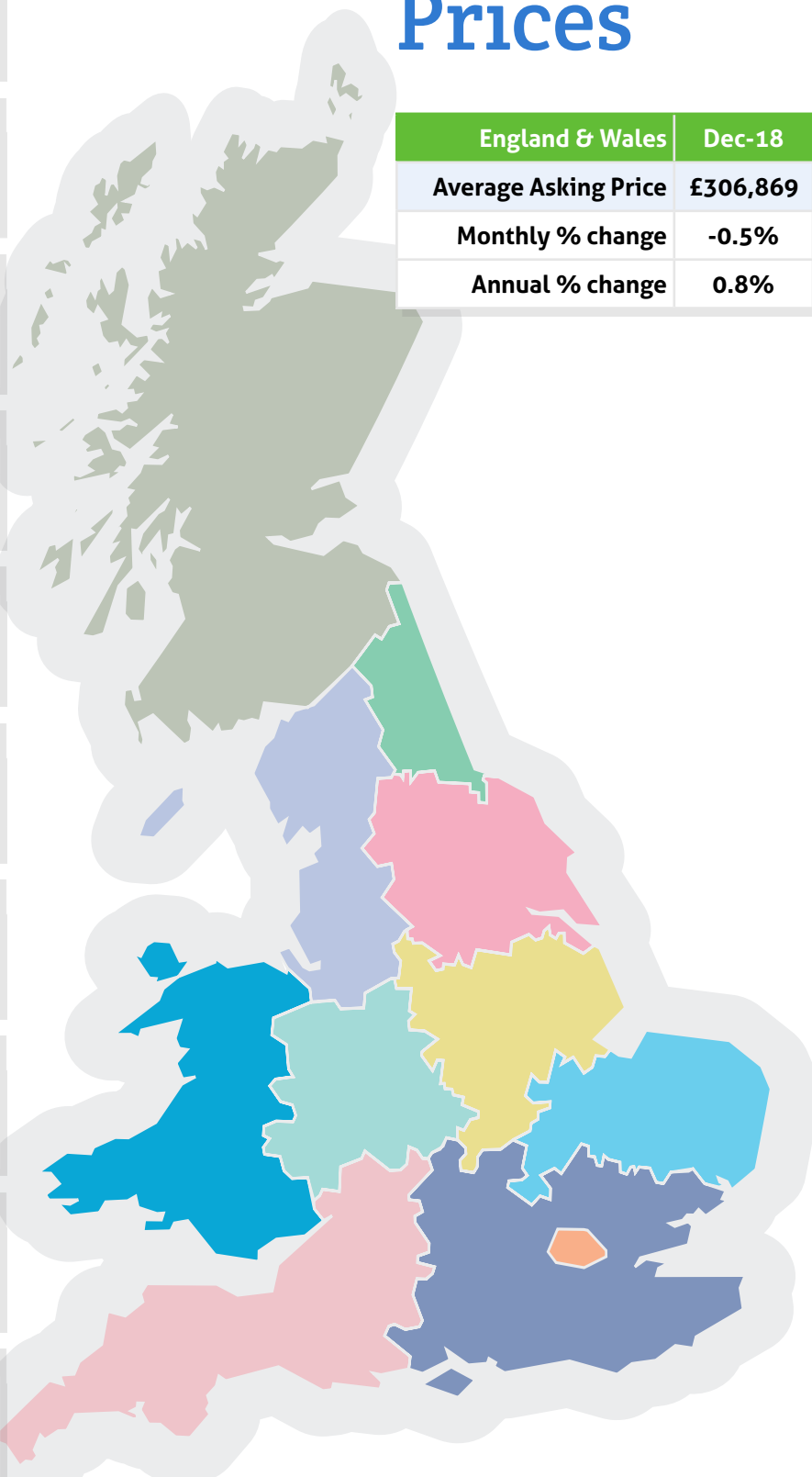
Wales	Dec-18
<b>Average Asking Price</b>	<b>£206,069</b>
Monthly % change	0.2%
Annual % change	7.4%

Greater London	Dec-18
<b>Average Asking Price</b>	<b>£518,257</b>
Monthly % change	-0.5%
Annual % change	-2.5%

South East	Dec-18
<b>Average Asking Price</b>	<b>£397,056</b>
Monthly % change	-0.7%
Annual % change	-0.8%

South West	Dec-18
<b>Average Asking Price</b>	<b>£322,386</b>
Monthly % change	-0.8%
Annual % change	0.7%

England & Wales	Dec-18
<b>Average Asking Price</b>	<b>£306,869</b>
<b>Monthly % change</b>	<b>-0.5%</b>
<b>Annual % change</b>	<b>0.8%</b>



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



# UK Time on Market

Scotland	Dec-18
<b>Average Time on Market</b>	<b>111</b>
Typical Time on Market	220
Annual % supply change	7%

North East	Dec-18
<b>Average Time on Market</b>	<b>122</b>
Typical Time on Market	229
Annual % supply change	3%

Yorks & The Humber	Dec-18
<b>Average Time on Market</b>	<b>100</b>
Typical Time on Market	176
Annual % supply change	0%

North West	Dec-18
<b>Average Time on Market</b>	<b>103</b>
Typical Time on Market	178
Annual % supply change	-1%

West Midlands	Dec-18
<b>Average Time on Market</b>	<b>81</b>
Typical Time on Market	142
Annual % supply change	7%

East Midlands	Dec-18
<b>Average Time on Market</b>	<b>83</b>
Typical Time on Market	141
Annual % supply change	3%

East	Dec-18
<b>Average Time on Market</b>	<b>83</b>
Typical Time on Market	135
Annual % supply change	12%

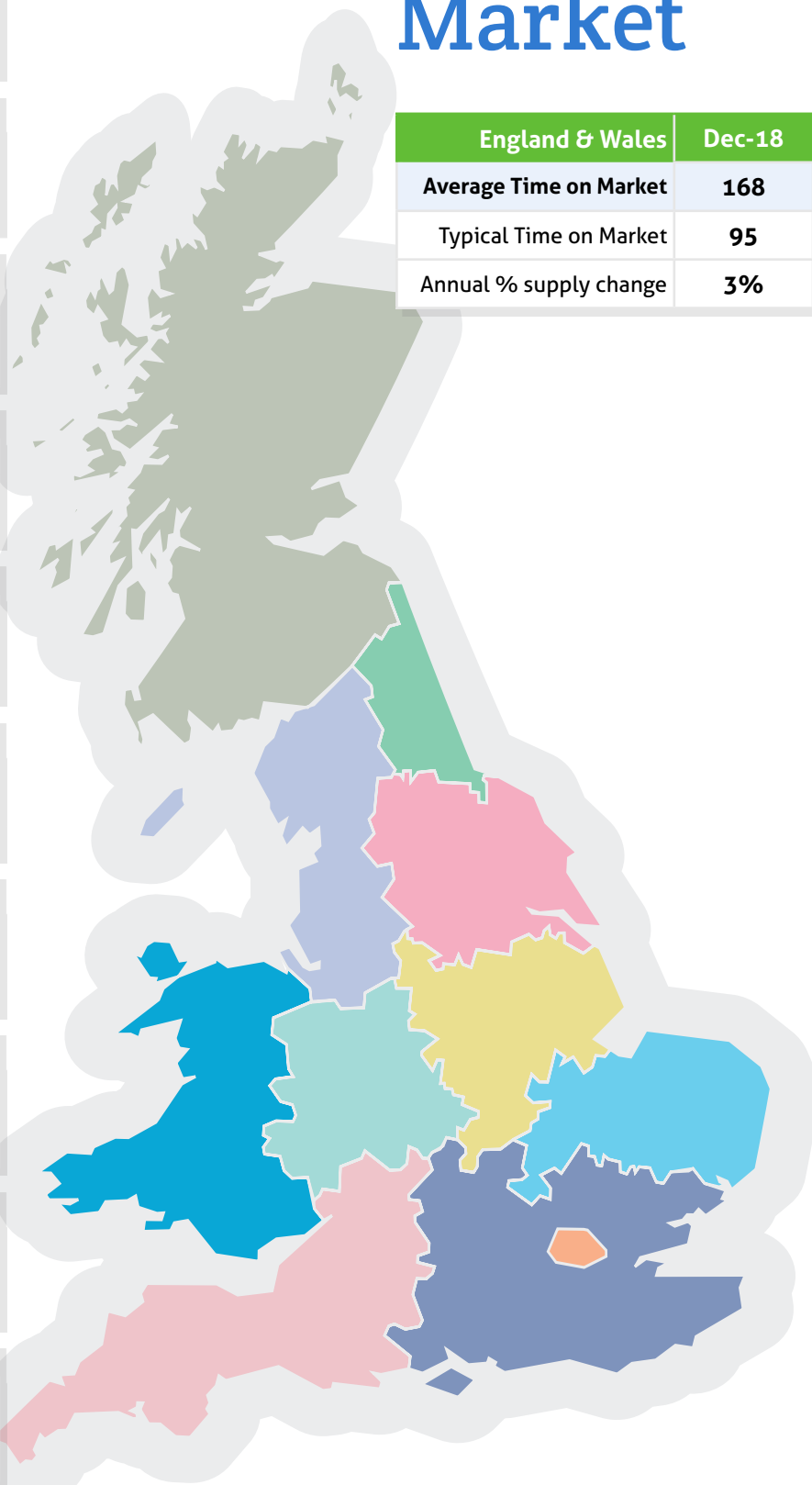
Wales	Dec-18
<b>Average Time on Market</b>	<b>123</b>
Typical Time on Market	226
Annual % supply change	10%

Greater London	Dec-18
<b>Average Time on Market</b>	<b>95</b>
Typical Time on Market	168
Annual % supply change	-7%

South East	Dec-18
<b>Average Time on Market</b>	<b>86</b>
Typical Time on Market	140
Annual % supply change	5%

South West	Dec-18
<b>Average Time on Market</b>	<b>90</b>
Typical Time on Market	153
Annual % supply change	5%

England & Wales	Dec-18
<b>Average Time on Market</b>	<b>168</b>
Typical Time on Market	<b>95</b>
Annual % supply change	<b>3%</b>



Source: Home.co.uk Asking Price Index, December 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:  
<https://www.home.co.uk/company/about.htm>
- For further details on the methodology used in the calculation of the HAPI please visit:  
[https://www.home.co.uk/asking\\_price\\_index/Mix-Adj\\_Methodology.pdf](https://www.home.co.uk/asking_price_index/Mix-Adj_Methodology.pdf)
- To learn more about Home.co.uk data services please visit:  
<https://www.home.co.uk/company/data/>

## Future release dates:

- Tuesday 15<sup>th</sup> January 2019
- Tuesday 12<sup>th</sup> February
- Tuesday 12<sup>th</sup> March