



# Asking Price Index

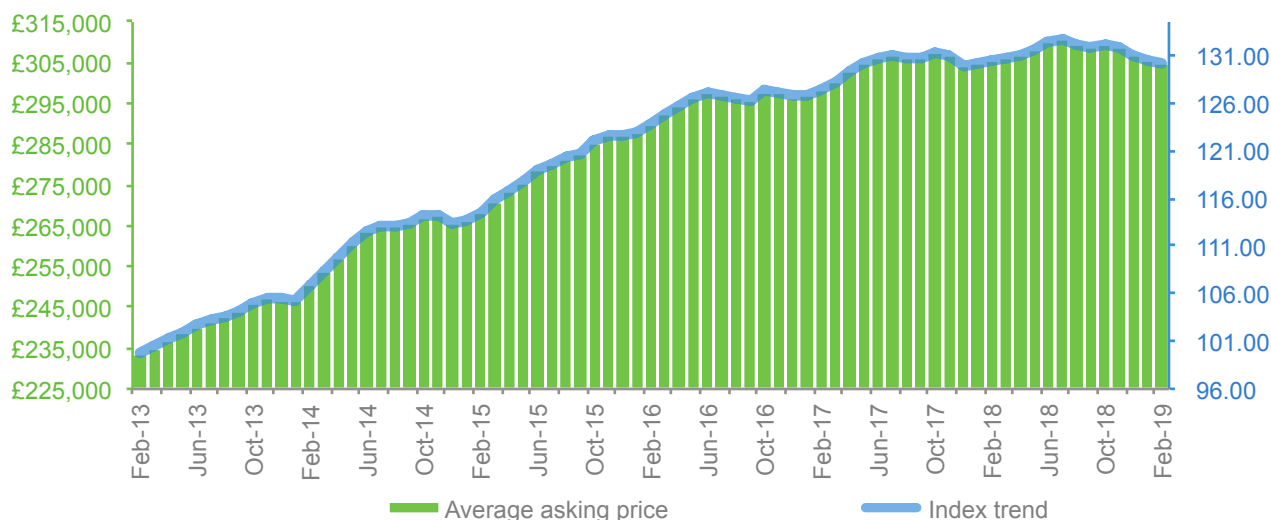
Released 12/02/19 February 2019

## Prices Move into the Red after Notching Up 87 Months of Growth\*

### Headlines

- National average price growth slides into the negative (-0.2% year-on-year), following 87 months of positive growth.
- Largest regional monthly fall is in the South West (-0.6%), as supply outweighs demand.
- Average home price in England and Wales falls again, by 0.2% this month.
- Typical Time on Market continues to rise in London (+16%), the South West (+16%), the South East (+19%) and the East of England (+19% year-on-year), as prices fall in each region.
- 26.3% more properties were reduced in price whilst on the market last month, compared to January 2018.
- Largest supply increases observed in the West Midlands (+10%), Scotland (+13%) and the East Midlands (+13%).
- Hope for London as supply slows (down 13% year-on-year (YoY)).
- Typical Time on Market for England and Wales rises to 114 days, six days longer than in February 2018.

### Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, February 2019. Indexed to May 2004 (Value = 100).

\*positive % year-on-year change in the mix-adjusted average home price for England and Wales



## Summary:

Overall average price growth in England and Wales slips into the negative, a situation not seen since November 2011. Sliding prices in London, the South East, the South West and the East of England have served to push down the national average into the red year-on-year. London's loss over the last twelve months has now edged up to 3.3%, and 6.9% since the start of the slide in May 2016. Asking prices in the South East and the East are now dropping faster and losses have increased to 2.5% and 1.8% respectively. Last month, the South West became the latest domino to fall and prices there are now down 0.5% year-on-year.

The grim national figures do, however, obscure significant growth in other regions further north and west. Growth has been nowhere more prevalent than in Wales and the West Midlands where asking prices are 6.4% and 5.0% higher than they were a year ago. The North West and Yorkshire have also pushed up their average asking prices by 4.3% and 3.4% respectively over the last twelve months.

However, the West and East Midlands markets are slowing as shown by their typical Time on Market increases. Supply in these regions is up 10% and 13% respectively and we expect this to increase further over the coming months as investors attempt to cash out at the top. This would suggest these two regions will be the

next dominoes to fall (the East Midlands first) and would be consistent with market behaviour observed previously when the East and South East markets peaked.

Overall, supply of property for sale in the UK is up by 4% YoY and the total stock for sale has increased by 10.1%.

In February 2018, the annualised rate of increase of home prices was 2.3%; today the same measure is -0.2% and continues to trend further below zero.

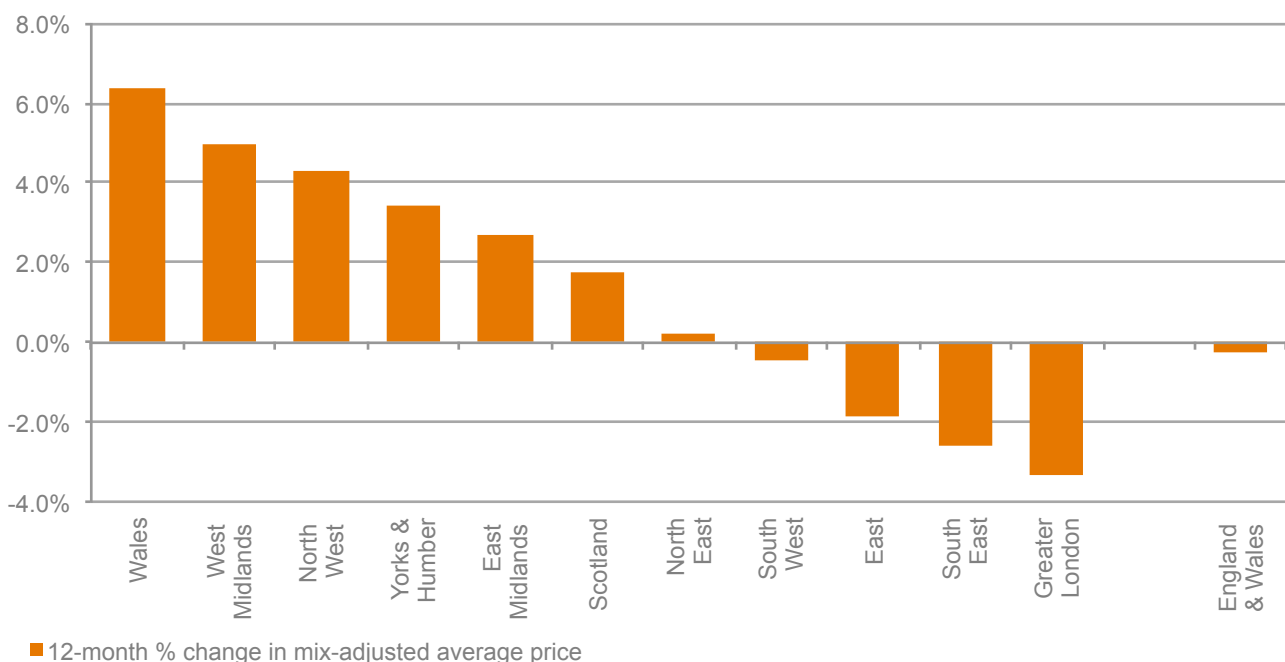
## Regional Round-up

Price corrections are underway in four English regions and are yet to take place in the remaining five, although two are slowing markedly. However, it is highly unlikely that prices will enter a corrective phase in the North East as there has not yet been a post-crisis growth phase.

Whilst the headline figures indicate that 2019 is a year of house price correction, the current fortune of any given region depends on where they are in the property boom-bust cycle. Early booming (and hence early-to-bust) areas are London, the South East and East while later growth regions are to be found in the north and west. Of course, the fact that London was the first regional market to go into the red means it will also be the first to recover.

With the South West having already tipped to the downside, the next domino to fall is

## 12-month Price Growth by Region, Feb 2019 vs Feb 2018



Source: Home.co.uk Asking Price Index, February 2019

likely to be the East Midlands, followed by the West Midlands. As we stated last month, the East Midlands is currently transitioning from the growth phase of the property cycle to the corrective phase, slightly ahead of its western counterpart. During the last five years, prices have risen by 26.6% in the East Midlands and 27.9% in the West Midlands.

For several years, the Midlands have been important growth engines for the UK property market, helping prop up the national figures. Now, however, falling growth, increasing supply and rising Time on Market all serve to indicate that the eastern regional market is cooling. Growth in the East Midlands has now dropped to 2.7% and is trending downward. As expected, marketing times in the West Midlands are now increasing as rising supply (up 10% year-on-year) begins to overwhelm demand. We estimate that price corrections will arrive towards the end of the year, once growth has tailed off to zero.

The first indication of a slowdown in the North West is now evident. The Typical Time on Market indicator shows that properties are spending longer on the market now than a year ago (six days longer than in February 2018).

For the time being, Yorkshire, the North East, Scotland and Wales are not showing increases in marketing times. In fact, Wales continues to outperform the rest of the UK, posting annualised gains of 6.4%.

Home prices in the North East show no signs of recovery. This region suffered falls and then stagnation in the wake of the financial crisis of 2008. During the last ten years, prices have actually fallen 2.4%.

North of the border, with growth dropping to 1.8%, the Scottish property market is cooling overall. The slowdown that began in Edinburgh's prime residential areas, where stock is piling up on the market, is now spreading. Glasgow is relatively unaffected so far but this could soon change.

## Rents on the Rise

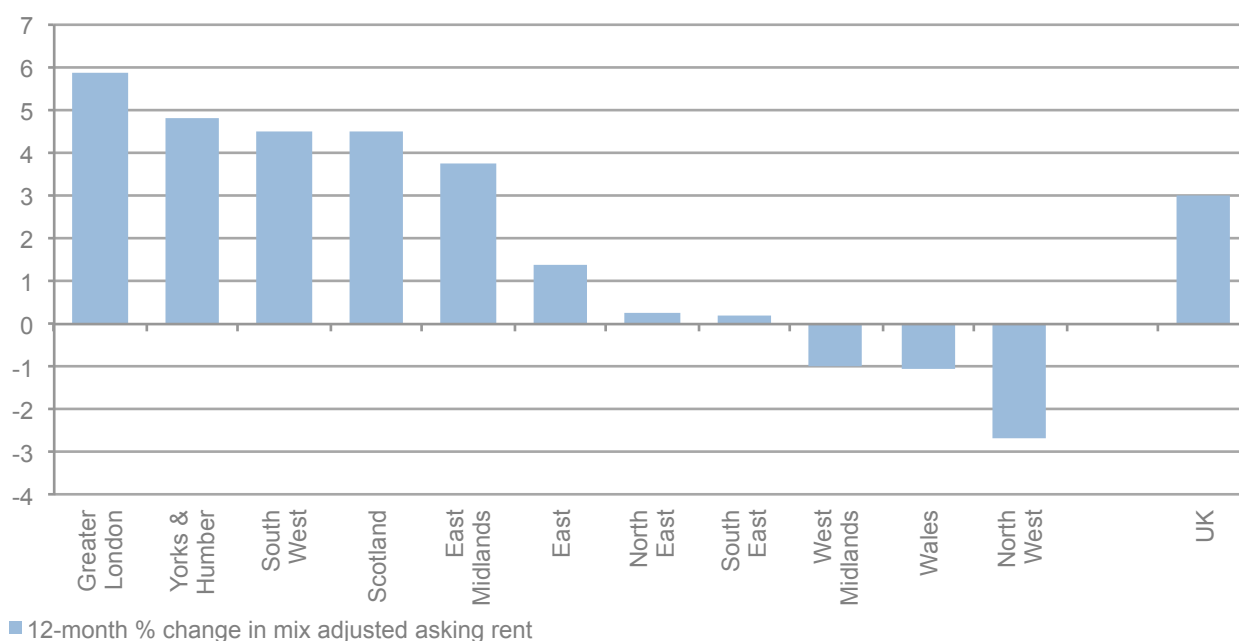
Rents fundamentally underpin house prices, with growth in this rapidly moving and demanded market providing a valuable indicator of future growth and stability in house prices.

UK-wide, rents have risen by 3.0% over the last 12 months and by 3.1% over the last three months.

Investors seek strong yields. Undersupply of rental property in any given location will serve to drive up rents. Rental inflation in such areas often causes yields to rise and this, in turn, attracts investment. Of course, the knock-on effect is increased buyer demand, thereby raising the sale value of homes.

While sales prices continue to fall in Greater London, our latest data on rental prices gives cause for optimism that the value of homes in

## Rent Growth by Region, Feb 2019 vs Feb 2018



Source: Home.co.uk Asking Rent Index, February 2019

the capital will rise again in the not-too-distant future. In the 12 months to February this year, the average rent in Greater London has increased by 5.9% to £2,242. This is the highest annual rise of any region and is part of a clear upward trend. In fact, asking rents have been rising since their recent low in January 2017, which was caused by oversupply in the wake of a surge in Buy-to-Let (BTL) investment. The UK's largest regional rental market is currently suffering from significant undersupply: 19% down on a year ago. We therefore expect rents to continue to rise through 2019.

It is a different annual picture in the South East where rents have stagnated since February 2018, with just a 0.2% rise. Over the last six months, average rents have fallen by 1.4%. However, a 4.0% rise over the last three months to £1,260 may be the first indication that rent growth has returned and that will, in turn, help stabilise sale prices in the region.

Another region to watch out for in terms of rent hikes is Yorkshire and Humberside, where the average rent stands at a more modest £828. Over the past 12 months, it has seen the second-best regional growth in the average rental price, of 4.8%.

The South West's annual rise in rents of 4.5% is also noteworthy, especially in view of the slowdown in the sales market and a drop in 3.5% on the supply of rental properties. In the three months to February 2019, the average rent has surged by 6.9% to reach £970 a month, thereby suggesting there are more rises in store later this year.

The East Midlands is another area to have seen rents rise over and above inflation during the last 12 months, by 3.8%. The supply of rental property is also slightly down in this region.

In sharp contrast, neighbouring West Midlands has seen rents fall by 1.0% over the last 12 months, taking the average monthly rent to £816. The West Midlands has seen a boom in the sales market over recent years, driven in part by BTL investors, and this has served to increase the supply of rental property in the region. The sales market is now slowing and consequently we expect the rental supply to contract going forward and rents to recover.

East Anglia is suffering rent stagnation, rising by just 1.4% over the 12 months to February 2019 (a fall in real terms), taking the average rent to £1,049. Rents in the region have been kept down by a large supply of rental accommodation being placed on the market over recent years. However, there was such a boom in the sales market that prices rose to a record high and yields became

less attractive to investors. We expect the supply of rental property to reduce going forward as the sales market continues to slow down.

Despite indicating high yields the North East is actually a poor market for BTL investment due to long void periods. This may well explain why the North East has not shown any sort of appreciable recovery since the financial crisis. The typical rental property spends by far the longest period on the market in this region (54 days vs. 27 for the UK overall). Rents rose by only 0.3% in the 12 months to February and now stand at £616.

Two further regions join the West Midlands in seeing rental deflation over the 12 months to February 2019: The North West and Wales. In the North West the average rental value dropped 2.7% to £816, and in Wales the fall in rental value was a less dramatic 1.0% over the same period to £786. Both these regions' sales markets have recently benefitted from significant BTL investment, especially the North West, and this has served to drive down the cost of renting.

A rise of 4.5% in rental prices in Scotland takes the average rent to £736. A typical Time on Market of just 25 days indicates a healthy market dynamic with considerable demand for properties to let. We anticipate that rents will continue to rise over the course of 2019 and this will help support the slowing sales market.



**The British property roller coaster continues its hair-raising ride. There is certainly never a dull moment when one considers the diverse fortunes of the regions.**

Just compare and contrast Wales, enjoying the best home price rally for many years, and London sliding further into the red. At the same time, rents are down in Wales and up in London. Of course, there is a clear link between these contrary trends in the fundamental indicators of the UK housing market.

BTL investment has been a key driver in house price growth, helping drive prices to new highs in region after region in the wake of the financial crisis. At the same time, this augmented the supply of rental property and put downward pressure on rents. So much so that, at the height of the BTL boom in London, rents were driven down by 9.7% between Oct 2015 and Jan 2017 by a flood of property to let.

The sales market promptly cooled when investors refocused their sight on regions to the north and west in search of more attractive yields and greater potential capital gains. Rents are now on the rise again in London while home prices slide due to lacklustre demand.

Likewise, falling rents in the North West are a result of the massive BTL investment that has taken place in

the area and raised home prices by 17.2% over the last five years. The same goes for Wales and the West Midlands.



The key message here for those that attempt to 'manage' the UK's housing market is that BTL investment drives down rents by increasing the supply of rental property. Added to that, investors provide and maintain much-needed accommodation for millions of people.

Unfortunately, anti-landlord sentiment and rhetoric has resulted in a concerted government policy of bashing the Private Rented Sector (PRS) over recent years via increased taxation and regulation.

Whilst there have been some laudable efforts to raise standards in the sector, most of the legislation appears to be a short-sighted effort to win a few votes from a disgruntled 'Generation Rent'.

Rendering the PRS unattractive to investors will most certainly backfire on renters. Such ill-considered government policy is reducing the supply of rental property and this will trigger rent hikes. Of course, such is the modern meddling mentality of policymakers that now there is talk of rent control: Perhaps the last nail in the coffin for the PRS?

**Doug Shephard**  
Director at [Home.co.uk](http://Home.co.uk)



# UK Asking Prices

Scotland	Feb-19
<b>Average Asking Price</b>	<b>£184,597</b>
Monthly % change	0.5%
Annual % change	1.8%

North East	Feb-19
<b>Average Asking Price</b>	<b>£157,397</b>
Monthly % change	0.2%
Annual % change	0.3%

Yorks & The Humber	Feb-19
<b>Average Asking Price</b>	<b>£195,970</b>
Monthly % change	0.0%
Annual % change	3.4%

North West	Feb-19
<b>Average Asking Price</b>	<b>£203,325</b>
Monthly % change	0.1%
Annual % change	4.3%

West Midlands	Feb-19
<b>Average Asking Price</b>	<b>£250,415</b>
Monthly % change	0.2%
Annual % change	5.0%

East Midlands	Feb-19
<b>Average Asking Price</b>	<b>£232,956</b>
Monthly % change	0.1%
Annual % change	2.7%

East	Feb-19
<b>Average Asking Price</b>	<b>£350,560</b>
Monthly % change	-0.3%
Annual % change	-1.8%

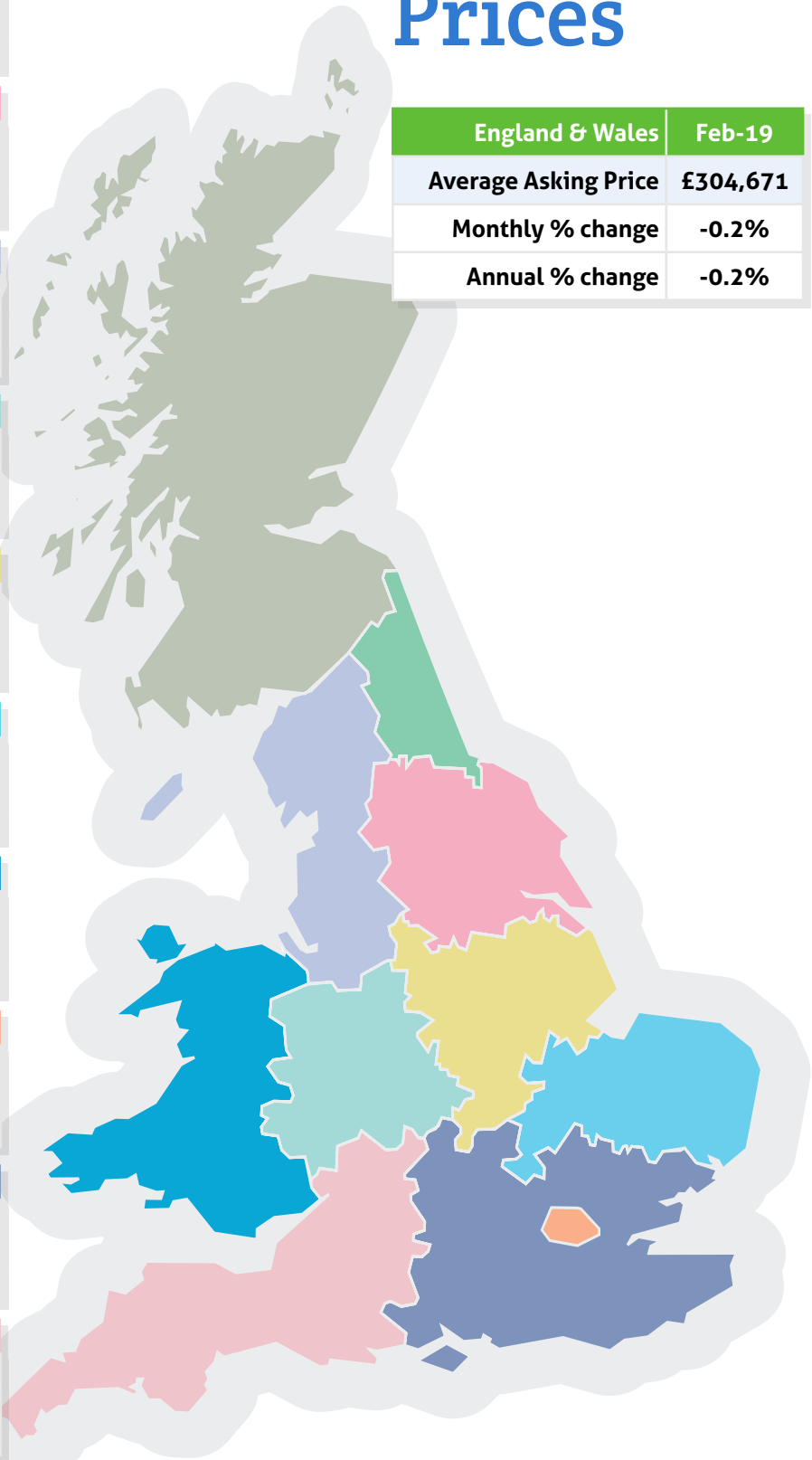
Wales	Feb-19
<b>Average Asking Price</b>	<b>£205,768</b>
Monthly % change	1.0%
Annual % change	6.4%

Greater London	Feb-19
<b>Average Asking Price</b>	<b>£514,812</b>
Monthly % change	-0.3%
Annual % change	-3.3%

South East	Feb-19
<b>Average Asking Price</b>	<b>£390,974</b>
Monthly % change	-0.5%
Annual % change	-2.5%

South West	Feb-19
<b>Average Asking Price</b>	<b>£318,488</b>
Monthly % change	-0.6%
Annual % change	-0.5%

England & Wales	Feb-19
<b>Average Asking Price</b>	<b>£304,671</b>
<b>Monthly % change</b>	<b>-0.2%</b>
<b>Annual % change</b>	<b>-0.2%</b>



Source: Home.co.uk Asking Price Index, February 2019

# UK Time on Market

Scotland	Feb-19
<b>Average Time on Market</b>	<b>239</b>
Typical Time on Market	138
Annual % supply change	13%

North East	Feb-19
<b>Average Time on Market</b>	<b>239</b>
Typical Time on Market	137
Annual % supply change	5%

Yorks & The Humber	Feb-19
<b>Average Time on Market</b>	<b>184</b>
Typical Time on Market	114
Annual % supply change	6%

North West	Feb-19
<b>Average Time on Market</b>	<b>188</b>
Typical Time on Market	121
Annual % supply change	4%

West Midlands	Feb-19
<b>Average Time on Market</b>	<b>151</b>
Typical Time on Market	99
Annual % supply change	10%

East Midlands	Feb-19
<b>Average Time on Market</b>	<b>149</b>
Typical Time on Market	98
Annual % supply change	13%

East	Feb-19
<b>Average Time on Market</b>	<b>145</b>
Typical Time on Market	100
Annual % supply change	8%

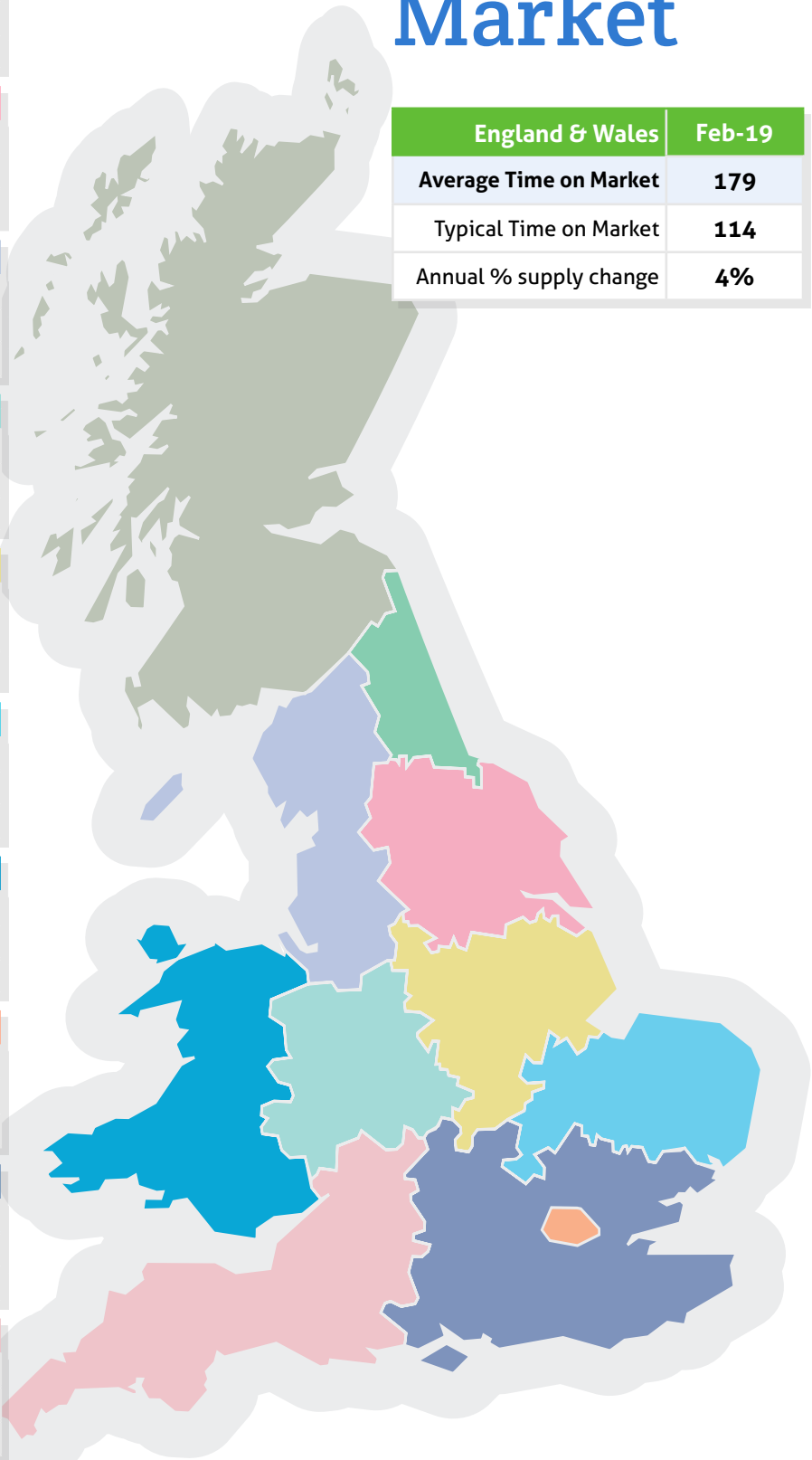
Wales	Feb-19
<b>Average Time on Market</b>	<b>239</b>
Typical Time on Market	141
Annual % supply change	2%

Greater London	Feb-19
<b>Average Time on Market</b>	<b>181</b>
Typical Time on Market	116
Annual % supply change	-13%

South East	Feb-19
<b>Average Time on Market</b>	<b>152</b>
Typical Time on Market	105
Annual % supply change	3%

South West	Feb-19
<b>Average Time on Market</b>	<b>166</b>
Typical Time on Market	110
Annual % supply change	5%

England & Wales	Feb-19
<b>Average Time on Market</b>	<b>179</b>
Typical Time on Market	<b>114</b>
Annual % supply change	<b>4%</b>



Source: Home.co.uk Asking Price Index, February 2019. 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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0845 373 3580
- 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 12<sup>th</sup> March**
- **Friday 12<sup>th</sup> April**
- **Tuesday 14<sup>th</sup> May**