



# Asking Price Index

Released 12/06/18 June 2018

## Oversupply and Overpricing Threaten to Stall Market

### Headlines

- Supply changes show a clear market shift compared to a year ago: up by 11% across the UK, with the biggest increases found in the East of England (+20%) and the South West (+21%) year-on-year (YoY).
- Home prices notched up another 0.7% this month, buoyed by a flood of overpriced properties.
- The total stock of properties on the market in England and Wales continues to rise (8.5% YoY) and is now at its highest level since July 2015.
- In a counter trend, the number of rental properties entering the market is down 12% compared to a year ago.
- The mix-adjusted average growth for England and Wales is only 1.4% year-on-year: well below the rate of inflation.
- The largest monthly price increases were detected in Scotland (1.4%) and the West Midlands (1.3%).
- Typical Time on Market continues to rise in London (+14%), the South East (+15%) and East (+17%) year-on-year.
- The North West joins markets in the East Midlands and the South West at the start of the cooling cycle, as Typical Time on Market figures increase year-on-year.
- Prices have risen in all English regions, Scotland and Wales since last month, with the exception of London where there was no change.
- Typical Time on Market for England and Wales is now 81 days, three days more than in June 2017.

### Home Asking Price Trend for England & Wales



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



## Summary

The property drought that helped drive prices to notable highs over the last five years has come to an end. Supply is up considerably on last year, especially in post-boom regions, and properties are spending longer on the market overall. Price cutting has also surged; the number of on-market reductions in May reached a level last seen in Oct 2012. These metrics clearly show that now, overall, the market is entering a slowdown phase in the property cycle. In short, the downturn that started when the London bubble began to deflate has now spread across sufficient regions that the national figures reflect the same. However, this message has not yet reached many of the vendors that placed their properties on the market last month with optimistically high prices.

Indeed, the time to 'cash in' at the top has probably passed for many. Prime Central London vendors have known this for some time but this new reality is just dawning on the majority. Of course, there are areas where property prices are still in their ascendancy in real terms and even some where they have yet to really take off (e.g. the North East). However, they are few and becoming fewer.

Overall, supply of property for sale in the UK is up by 11% and the total stock for sale has increased by 8.5% year-on-year.

In June 2017 the annualised rate of increase of home prices was 2.8%; today the same measure is just 1.4%.

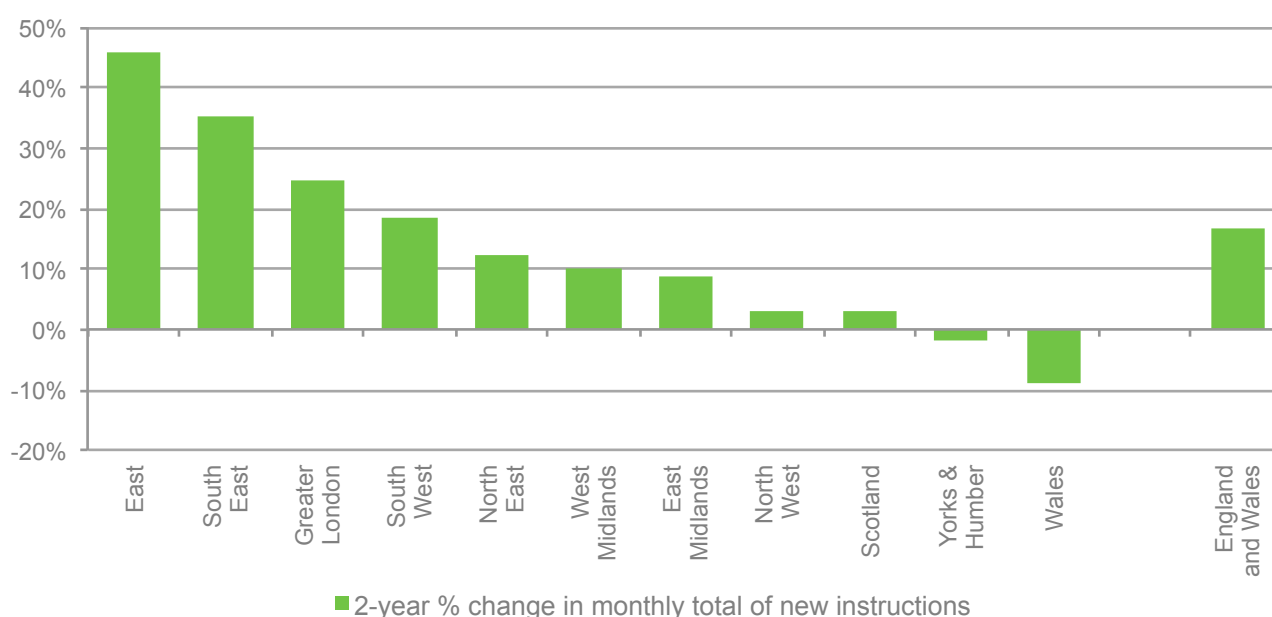
## Regional Round-up

Analysis of the UK property market at the regional level provides the observer with a much more refined picture of the current market dynamic. Currently, the diversity of fortune is extraordinary. On the one hand, Wales is enjoying the most market momentum for ten years as well as the greatest rate of price growth across the UK. On the other hand, London is suffering both sliding prices and rising supply (which usually means the worst is yet to come).

Oversupply in the post-boom regions of Greater London, the South East and the East poses a very real threat. London prices are being increasingly squeezed by a growing glut of properties on the market. This trend started in early 2016 and, 30 months later, the stockpile continues to grow. The average price for a flat in the capital has fallen 15% over the same time period. Worse still, in Central London, arguably the first domino to fall, the average property has lost 20% in value and agents' inventories have risen by 129% over the last 50 months. It has been a long and protracted slowdown, and the same fate will also be experienced by the South East and East and then perhaps by further post-boom areas.

Wales, as previously mentioned, is enjoying significant price growth with prices up 6.0% over the last 12 months. In contrast to London and surrounds, supply in the Principality has fallen by 9% and this paucity of stock has been a key price driver.

## Two-year regional supply changes, May 2018 vs. May 2016



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

The North East has yet to see a significant recovery in prices post-crisis and supply may well give us a clue as to why this has occurred. Over the last two years, the supply of new instructions has risen by 12% in the North East, enough to smother any new shoots of recovery.

After a price boom of several years, supply is now beginning to rise in the Midlands and this will slow growth in home values. Typical Time on Market, another key metric, has begun to rise in the East Midlands but not yet in the West Midlands.

For the time being, supply changes remain muted in the North West, Scotland and Yorkshire, hence further price growth may be expected in the near term.

The 2-year regional supply changes chart serves to illustrate the stark differences in the economic pressures being experienced by each of the regional property markets. Moreover, it clearly indicates which regions are the most hamstrung by oversupply and therefore most likely to suffer price falls going forward.

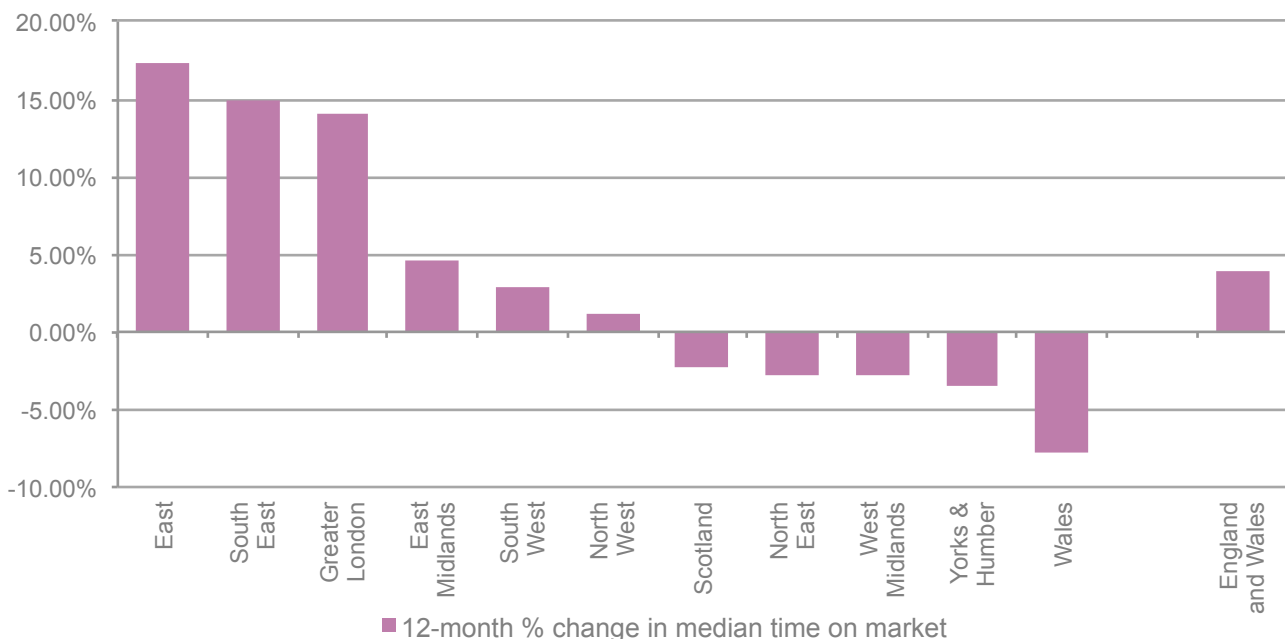
## Momentum Changes in the Regions

Median (or Typical) Time on Market is a key market indicator. In essence, the chart shows which regional markets are speeding up and which are slowing down. Burdened by oversupply, the East, South East and Greater London are slowing the most rapidly. Property

is spending much longer on the market than was the case a year ago in these formerly booming regions. Supply is overwhelming demand and the negative consequences for price growth are inevitable. London and the South East are already negative year-on-year and the East is sure to follow. Of course, softer pricing is good news for buyers, who should be able to negotiate a hefty discount in these regions.

For the time being, Scotland, the North East, West Midlands, Yorkshire and Wales are still gaining momentum. Prices in these areas will therefore remain fairly robust for the remainder of the year. Albeit, judging by price growth already accrued, the West Midlands will be the next region to join the growing list of slowing areas, perhaps even towards the end of the year.

### % Change in Typical Time on Market by Region, June 2018 vs June 2017



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



**So, why the surge in supply?  
And why now? The UK property  
market is never dull.**

Perhaps it should be, as it provides a key resource for the population, but it is not. Since records began it has cycled from boom to bust and back again. The cycles vary slightly in length depending on the levels of macro-economic intervention (aka government or central bank tinkering) but they always seem to recur. Former Chancellor of the Exchequer and PM, Gordon Brown, once hailed “No more boom and bust”, which was clearly delusional. Aside from the parameters of income multiples, minimum deposits and mortgage interest rates lies the less tangible driver of sentiment.

Confidence in the property market comes and goes. While prices are still rising, confidence soars and one often reads euphoric comments like “Property prices always go up” in the media. Then prices hit a top, perhaps due to affordability limits being reached, a hike in interest rates or rental yields falling too low, and then confidence falters. It is precisely this sentiment change that makes matters worse and leads to the inevitable bust. For many vendors at this part of the cycle the reasoning goes something like this: ‘I can’t see any likelihood of capital gains over the near term so I might as well sell up now.’ Problem is, many people think and act the same, such is the ‘madness of crowds’.

Of course, a good agent might suggest to their vendor to ride out the downturn by letting the property. In former times this may well have been an attractive

option but now it is distinctly less so, especially for the smaller investor or accidental landlord.

“The barrage of legislative changes landlords have faced over the past few years combined with political uncertainty has meant the buy-to-let (BTL) market is becoming increasingly unattractive to investors,” explains David Cox, ARLA PropertyMark chief executive. “Landlords are either hiking rents for tenants or choosing to exit the market altogether to avoid facing the increased costs incurred.” Moreover, our data shows that there are 12% fewer rental properties on the market than a year ago in the UK. The problem is more acute in London with a 20% drop. That’s huge and much of it may be ascribed to the BTL exodus.

So, despite record-low interest rates and no hikes envisaged in the near term, government intervention in the market is triggering forced sales. These vendor landlords have done their maths and they know that if they continue to let the property, even with a rent hike, they will be losing money overall. Conclusion: time to sell. The problem is, though, that the private rented sector (PRS) constitutes 20% of the housing stock, the majority of which is owned by landlords with small portfolios. A recipe for disaster? Maybe. Negative sentiment in this sector is certainly sufficient to turn confidence in the wider property market to the downside, thereby creating misery for all, especially those wishing to rent.

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



# UK Asking Prices

Scotland	Jun-18
<b>Average Asking Price</b>	<b>£185,229</b>
Monthly % change	1.4%
Annual % change	1.6%

North East	Jun-18
<b>Average Asking Price</b>	<b>£158,006</b>
Monthly % change	1.0%
Annual % change	0.9%

Yorks & The Humber	Jun-18
<b>Average Asking Price</b>	<b>£195,324</b>
Monthly % change	1.2%
Annual % change	4.6%

North West	Jun-18
<b>Average Asking Price</b>	<b>£201,651</b>
Monthly % change	1.2%
Annual % change	5.0%

West Midlands	Jun-18
<b>Average Asking Price</b>	<b>£245,336</b>
Monthly % change	1.3%
Annual % change	5.0%

East Midlands	Jun-18
<b>Average Asking Price</b>	<b>£231,834</b>
Monthly % change	0.4%
Annual % change	4.9%

East	Jun-18
<b>Average Asking Price</b>	<b>£364,785</b>
Monthly % change	0.6%
Annual % change	1.5%

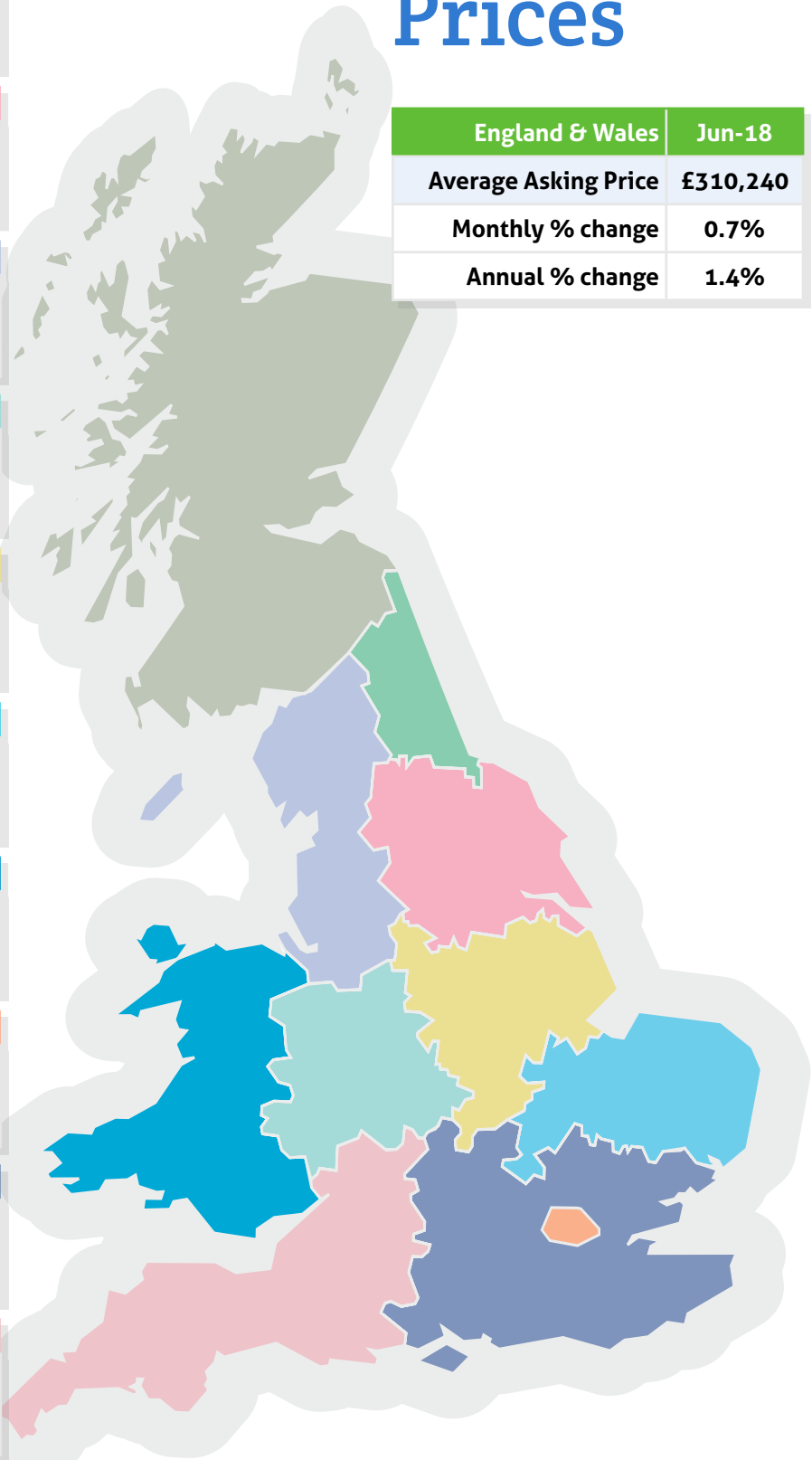
Wales	Jun-18
<b>Average Asking Price</b>	<b>£200,382</b>
Monthly % change	0.7%
Annual % change	6.0%

Greater London	Jun-18
<b>Average Asking Price</b>	<b>£530,762</b>
Monthly % change	0.0%
Annual % change	-2.4%

South East	Jun-18
<b>Average Asking Price</b>	<b>£404,862</b>
Monthly % change	0.9%
Annual % change	-0.1%

South West	Jun-18
<b>Average Asking Price</b>	<b>£328,695</b>
Monthly % change	1.0%
Annual % change	2.6%

England & Wales	Jun-18
<b>Average Asking Price</b>	<b>£310,240</b>
<b>Monthly % change</b>	<b>0.7%</b>
<b>Annual % change</b>	<b>1.4%</b>



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

# UK Time on Market

Scotland	Jun-18
<b>Average Time on Market</b>	<b>218</b>
Typical Time on Market	85
Annual % supply change	5%

North East	Jun-18
<b>Average Time on Market</b>	<b>226</b>
Typical Time on Market	106
Annual % supply change	10%

Yorks & The Humber	Jun-18
<b>Average Time on Market</b>	<b>168</b>
Typical Time on Market	82
Annual % supply change	2%

North West	Jun-18
<b>Average Time on Market</b>	<b>173</b>
Typical Time on Market	89
Annual % supply change	7%

West Midlands	Jun-18
<b>Average Time on Market</b>	<b>140</b>
Typical Time on Market	68
Annual % supply change	11%

East Midlands	Jun-18
<b>Average Time on Market</b>	<b>131</b>
Typical Time on Market	69
Annual % supply change	9%

East	Jun-18
<b>Average Time on Market</b>	<b>117</b>
Typical Time on Market	68
Annual % supply change	20%

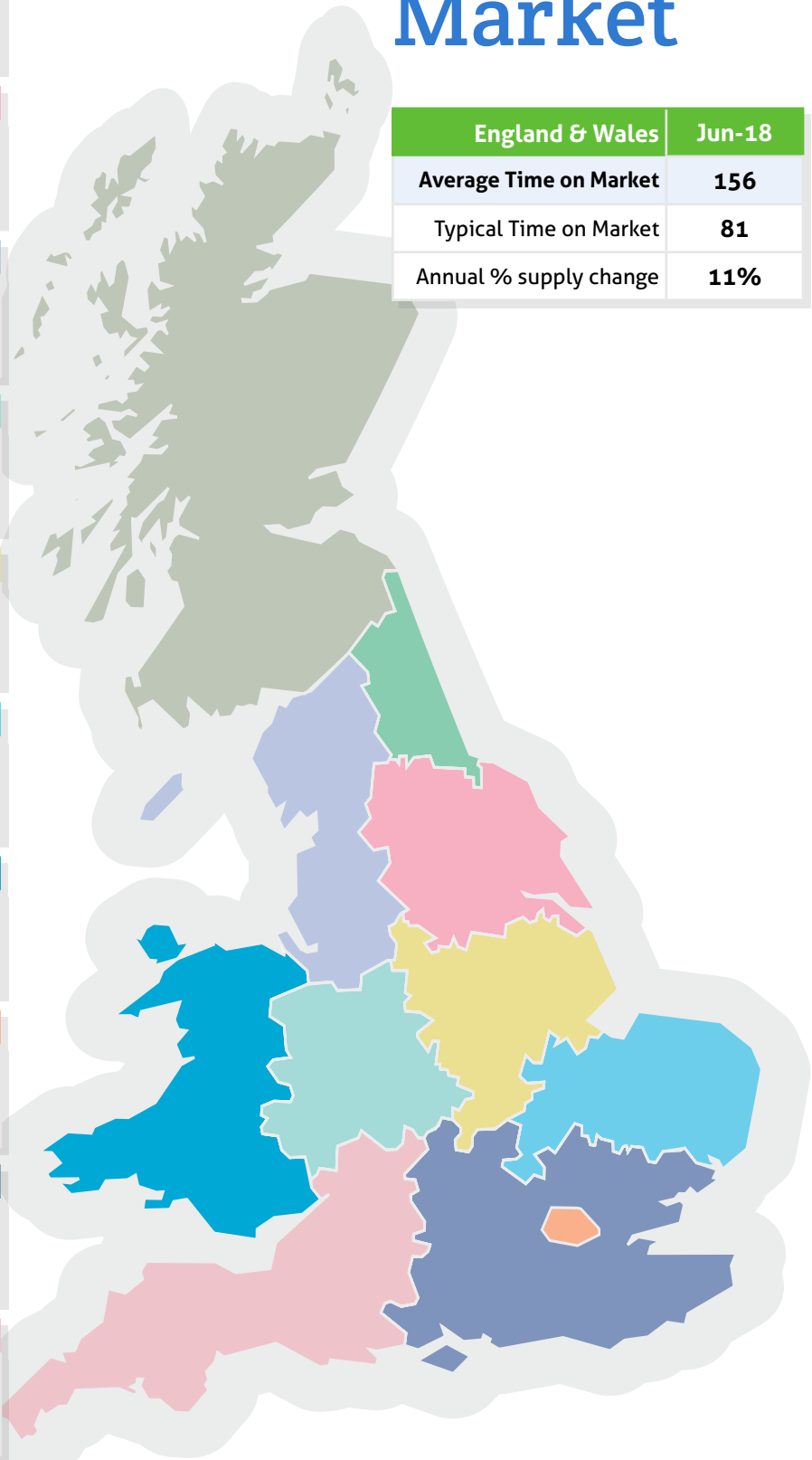
Wales	Jun-18
<b>Average Time on Market</b>	<b>222</b>
Typical Time on Market	107
Annual % supply change	4%

Greater London	Jun-18
<b>Average Time on Market</b>	<b>148</b>
Typical Time on Market	81
Annual % supply change	5%

South East	Jun-18
<b>Average Time on Market</b>	<b>121</b>
Typical Time on Market	69
Annual % supply change	18%

South West	Jun-18
<b>Average Time on Market</b>	<b>136</b>
Typical Time on Market	73
Annual % supply change	21%

England & Wales	Jun-18
<b>Average Time on Market</b>	<b>156</b>
Typical Time on Market	<b>81</b>
Annual % supply change	<b>11%</b>



Source: Home.co.uk Asking Price Index, June 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:  
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- 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](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 12<sup>th</sup> July
- Tuesday 14<sup>th</sup> August
- Wednesday 12<sup>th</sup> September