EMBARGOED UNTIL 12/06/19

Asking Price Index

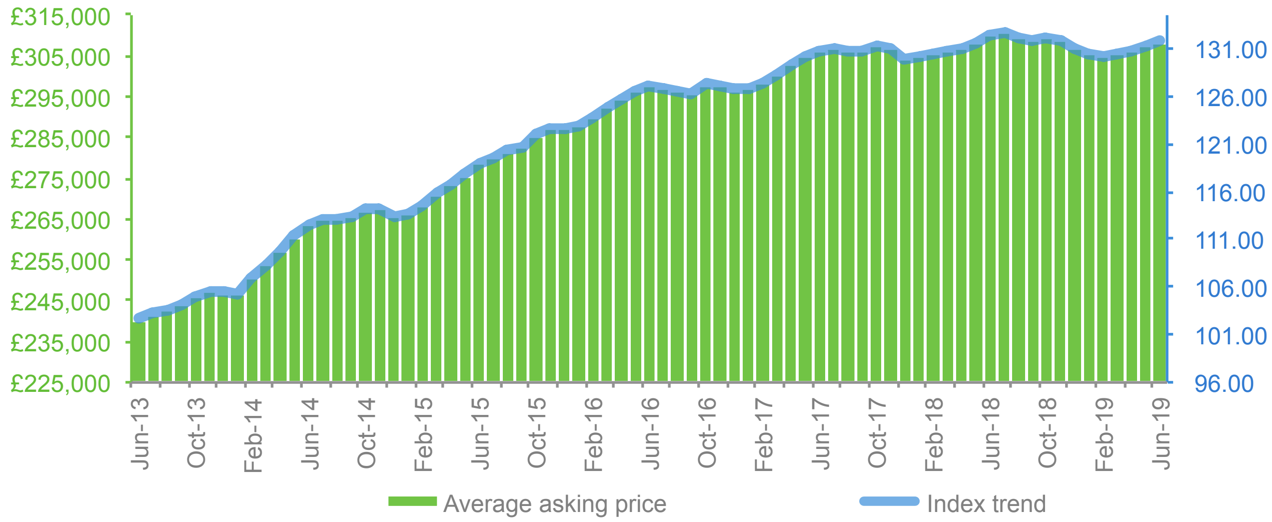
Released 12/06/19 June 2019

Slowdown Worsens as Prices Slip Further into the Red

Headlines

- Typical Time on Market for England and Wales is currently 90 days (median), nine days longer than in June 2018, making it the slowest June since 2013.
- National average price growth slides further into the negative (-0.6% year-on-year).
- Supply of new instructions recovers in some regions but remains down 15% in London, as potential vendors refrain.
- Typical Time on Market indicates the slowest June in the London market for ten years.
- Despite the slowdown, seasonal factors again nudge up the average home price in England and Wales (0.3% month-on-month).
- Asking prices rose again in all English regions (except the East and South East where there was no change), Wales and Scotland over the last month, mainly driven by aspiration but not mirrored by demand.
- Typical Time on Market rises indicate the worst regional slowdowns are in Greater London (+17%), the East of England (+19%), the South West (+18%) and the South East (+17% year-on-year).
- East of England is the UK's worst-performing region, with the average asking price down by 3.6% over the last year.
- Total stock levels across England and Wales remain stable.
- The largest regional supply increases were observed in the West and East Midlands (both +10%).

Home Asking Price Trend for England & Wales



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

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

Summary

It's becoming increasingly difficult to sell a property in the UK, especially in those regions undergoing a price correction. Buyers are playing a wait-and-see game as prices slide and homes spend longer on the market. Aside from London, a recovery in supply in most regions suggests that vendors have got over their Brexit jitters for now, but they are going to have to be very patient and perhaps lower their price expectations.

The slowdown is gradually spreading through the regions and this, coupled with Brexit uncertainty, is hampering home sales. Prices appear to be reaching their peak in several more regions, and price-cutting looks inevitable as properties spend longer and longer on the market. Only Wales, currently the UK's best-performing region, has so far escaped the slowdown. Overall, properties in the principality are spending no longer on the market than they were a year ago although in Cardiff, the leading Welsh property market, the slowdown may be just beginning as indicated by a 4% rise in the Typical Time on Market.

The UK's next best-performing region in terms of price inflation is the West Midlands and Time on the Market there is increasing rapidly (up 15% year-on-year), with the same trend showing for all other English regions and Scotland.

Overall, annualised price growth in England and Wales is sliding further into the red, -0.6%, despite a seasonal month-on-month rise of 0.3%. London's annualised losses have notched back again from 2.9% to 2.6%, paving the way for recovery. Asking price falls in the South East continue (now 2.4% year-on-year) and have worsened in the East of England (3.6%).

Only three regions have outpaced monetary inflation over the last twelve months: Wales, West Midlands and Yorkshire.

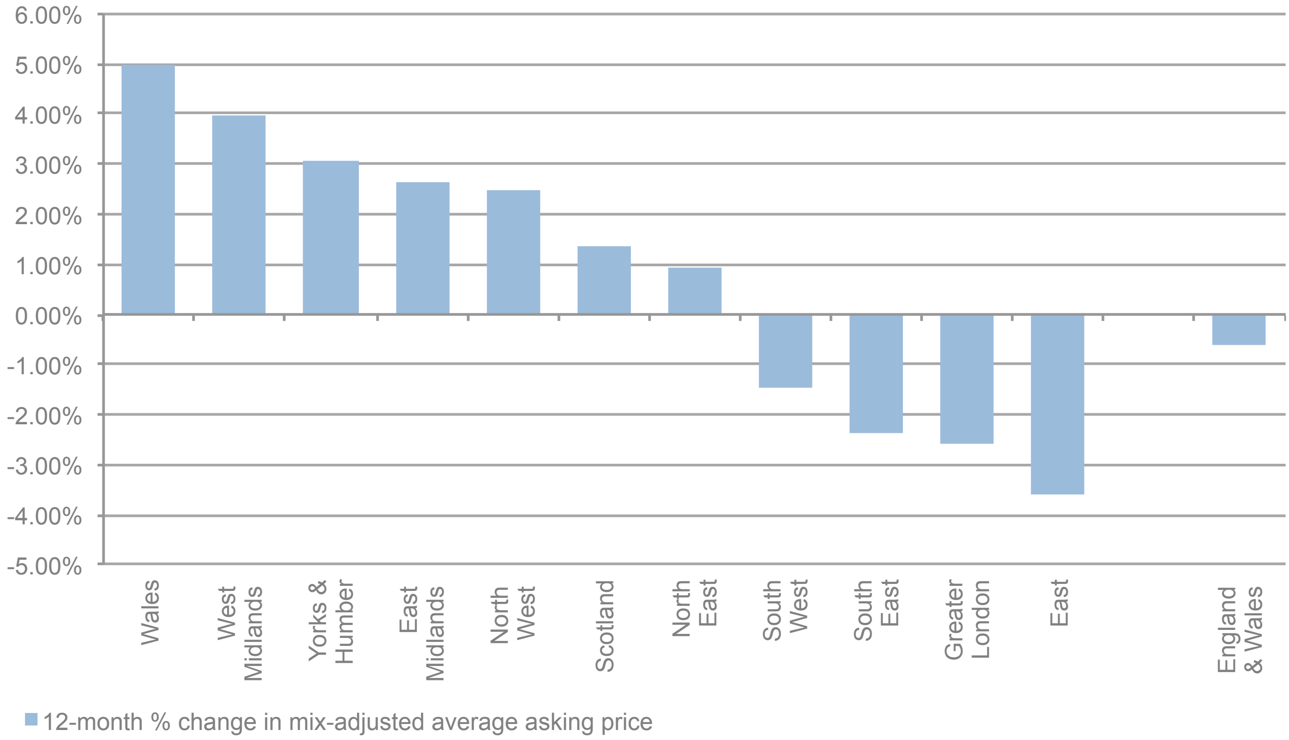
In June 2018, the annualised rate of increase of home prices was 1.4% for England and Wales; today the same measure is -0.6%.

Regional Round-up

The mix-adjusted average price growth for England and Wales now stands at -0.6%, 2.0% lower than in June last year. Year-on-year reductions in the regional versions of this measure are evident in all English regions, Wales and in Scotland. Growth is slowing or going backwards in some regions, but the more detailed regional picture reveals a highly diverse set of fortunes.

Average home prices in Greater London peaked back in May 2016. Following three years of market correction, they are now 6.5% lower than they were. Of course, this market was

Home Price Growth by Region, June 2019 vs June 2018



Source: Home.co.uk Asking Price Index, June 2019 already suffering a slowdown after a fearsome runup in prices, but the Brexit debacle served to add further uncertainty and thereby exacerbated the downturn. Initially, prices in the capital region slid in response to falling demand, but later on vendors reacted to weak pricing by cutting supply.

Sellers in London are clearly much less enthusiastic about the market than they were 12 months ago but that should come as no surprise. Worst-affected by the slowdown is Central London where Time on Market for unsold property has soared by 33% over the last year, taking the average to a staggering 322 days. Deterred by such market conditions, many potential vendors have chosen not to sell and, consequently, stock levels have fallen by 20% over the same period, which has helped to stabilise prices despite lower demand.

Fewer new instructions across Greater London (15% less, May 2019 vs. May 2018) has helped stock levels reduce significantly. The total number of properties for sale has fallen 19% over the last twelve months. In short, supply and demand have both readjusted and prices appear to be showing renewed stability, with this month's modest rise of 0.3% being the fourth such consecutive increase. This combination of positive trends in the key metrics indicates that London home prices are no longer on the ropes and paves the way for a rapid recovery when pent-up demand returns to the marketplace. This may occur as soon as spring 2020.

Asking prices peaked in the South East in October 2017 and therefore this region may be regarded as being around 17 months later in the cycle than London. Prices are now 3.0% lower than the maximum and will likely deflate further before the next growth phase. However, it is arguable that prices will not take as long to correct as in London since growth in the South East was less vigorous and therefore overpricing less prevalent. Supply has stabilised and, should this reduce later this year, we may see the first indication of the road to recovery. For the time being, it's a difficult period for vendors as Time on Market is high and rising.

Later still in the property price cycle are the East and South West regions. Prices in both of these markets peaked a year ago although, judging by their respective 5-year growth figures (26.3% and 15.3%), it is the East where prices have the furthest to correct over the near term. Several years of rampant inflation in the region took prices a long way north of affordability and they must now adjust to reduced demand. By contrast, the South West made much more moderate gains and will most likely undergo a gentle correction in prices. Any upturn in the London market will act as a fillip to the South West, which is the most popular retirement relocation destination.

There is no risk of a correction in the North East, where prices have risen only 3.4% over the last five years. In fact, no sign of a real recovery since the financial crisis signifies the poor state of the region's economy.

Price growth is gradually being eroded in all other regions of England, and in Scotland and Wales. Typical Time on Market is also rising in all these areas except Wales, which remains the shining star in an increasingly gloomy UK property market. The fact that growth in only three regions has outpaced monetary inflation (RPI ex-housing) over the last twelve months (Wales, West Midlands and Yorkshire) serves to underline the recent poor performance of UK property investments.

Going forward, a wait-and-see attitude on the part of buyers will continue to plague the regions undergoing corrections, whilst affordability constraints will drag down growth in the remaining regional markets.

Finally, it is worthy to note the increases in supply in the West and East Midlands, both up 10% since this time last year, as this will likely be the trigger for price corrections in the near term. Both regions have had a long run of price inflation, adding over a third to average values during the last seven years, and values look set to peak this year, first in the East Midlands and then in the West.

When a significant proportion of potential buyers begin to believe that prices will be lower in the future, a standoff is created: purchases are delayed, transaction volumes plummet and vendors become increasingly frustrated.

Typically, some will break ranks and lower their asking prices, and there begins the price correction. News of falling prices only serves to convince more buyers to wait and see.

Such a standoff can seriously prolong a downturn in the property market. The only remedies are either cheaper lending (unlikely in the current economic climate) or a reduction in supply. The latter has played out already in the London market. Quite remarkably, substantial numbers of vendors have refrained from selling during the downturn, so much so that stock levels have been significantly reduced over the last year.

Benign lending conditions allow for this. Low borrowing costs mean that most vendors are not forced to sell. They can opt for short-term lets or similar while market conditions improve. Moreover, the dearth of available rental accommodation in the capital makes this process relatively easy, and rents are rising rapidly in the central boroughs. As we stated last month: "Brexit or no Brexit, London remains a highly desirable world city." The conditions required for a return to price growth look to have been largely met and the window of opportunity for bargain hunters is now open but may not last for long.

Of course, London leads the property cycle, arguably by around three years, when compared to the rest of the UK, and history tells us that the behaviour of this market is a reasonably reliable indicator as to how things will play out elsewhere. To date, four English regions, Scotland and Wales have yet to reach their price peak in the growth part of the cycle while three English regions are already in the price correction phase. It seems most likely that a similar pattern of events that are occurring in London will be repeated sequentially through the regions.

The pattern appears thus: prices rise to the point where rental yields are unattractive. This, in turn, triggers a surge in supply as investors try to cash out. The supply surge puts an end to price growth and buyers become hesitant. Demand falls and prices steadily correct without disastrous consequences. Thanks to relatively benign lending conditions, potential vendors can (and do) choose not to sell and supply is reduced to the point where price growth is rekindled. The cycle is complete.

Of course, there are plenty of possible Black Swan events that can (and sometimes do) upset the apple cart but – fingers crossed – things pan out as per London's example.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

Scotland	Jun-19
Average Asking Price	£187,746
Monthly % change	0.7%
Annual % change	1.4%

North East	Jun-19
Average Asking Price	£159,483
Monthly % change	0.5%
Annual % change	0.9%

Yorks & The Humber	Jun-19
Average Asking Price	£201,261
Monthly % change	0.2%
Annual % change	3.0%

North West	Jun-19
Average Asking Price	£206,650
Monthly % change	0.5%
Annual % change	2.5%

West Midlands	Jun-19
Average Asking Price	£255,087
Monthly % change	0.9%
Annual % change	4.0%

East Midlands	Jun-19
Average Asking Price	£237,922
Monthly % change	0.2%
Annual % change	2.6%

East	Jun-19
Average Asking Price	£351,672
Monthly % change	0.0%
Annual % change	-3.6%

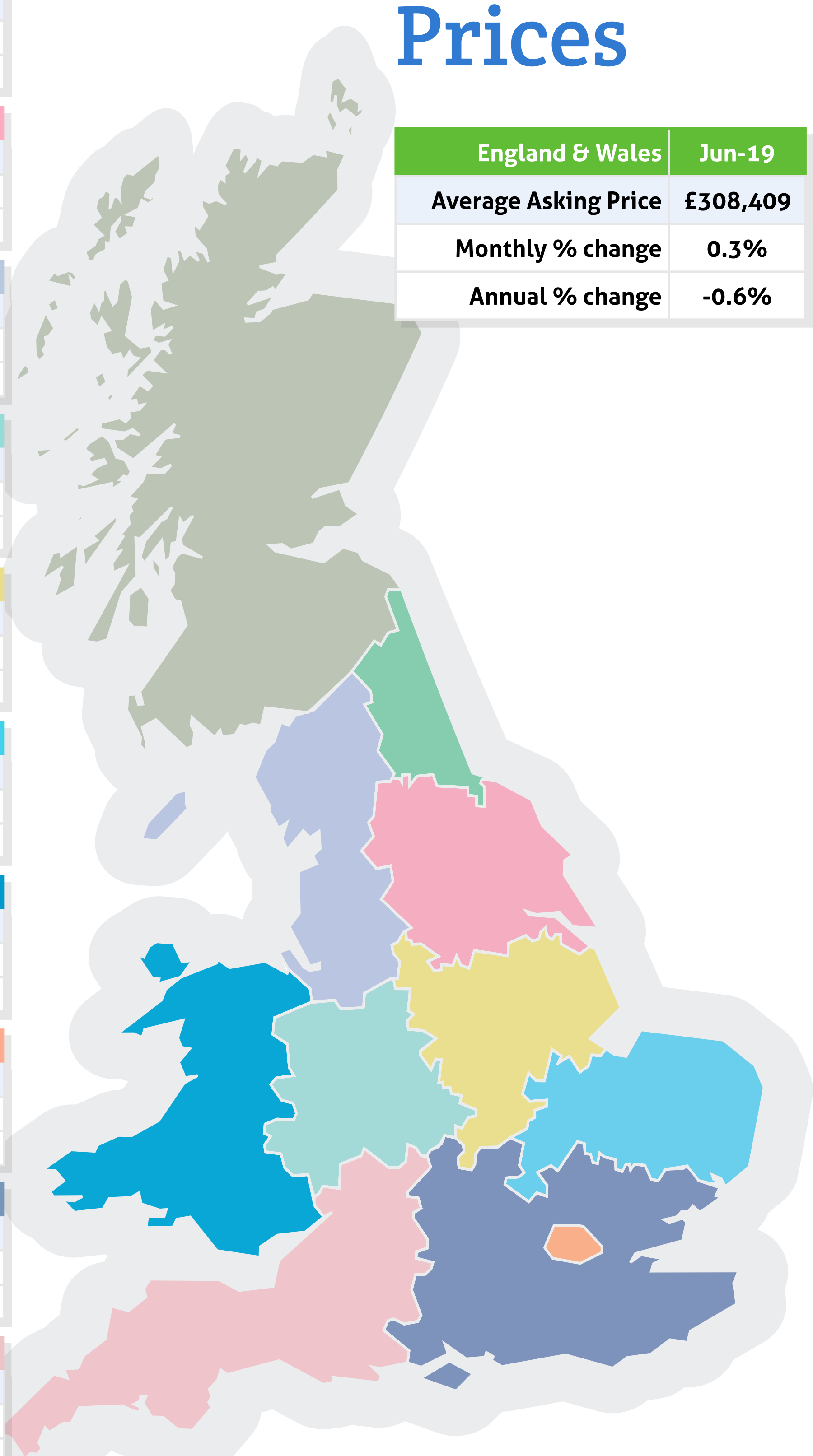
Wales	Jun-19
Average Asking Price	£210,391
Monthly % change	0.6%
Annual % change	5.0%

Greater London	Jun-19
Average Asking Price	£517,011
Monthly % change	0.3%
Annual % change	-2.6%

South East	Jun-19
Average Asking Price	£395,171
Monthly % change	0.0%
Annual % change	-2.4%

South West	Jun-19
Average Asking Price	£323,852
Monthly % change	0.4%
Annual % change	-1.5%

England & Wales	Jun-19
Average Asking Price	£308,409
Monthly % change	0.3%
Annual % change	-0.6%



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

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

UK Time on Market

Scotland	Jun-19
Average Time on Market	220
Typical Time on Market	94
Annual % supply change	2%

North East	Jun-19
Average Time on Market	226
Typical Time on Market	110
Annual % supply change	-5%

Yorks & The Humber	Jun-19
Average Time on Market	169
Typical Time on Market	86
Annual % supply change	8%

North West	Jun-19
Average Time on Market	176
Typical Time on Market	93
Annual % supply change	3%

West Midlands	Jun-19
Average Time on Market	145
Typical Time on Market	78
Annual % supply change	10%

East Midlands	Jun-19
Average Time on Market	144
Typical Time on Market	76
Annual % supply change	10%

East	Jun-19
Average Time on Market	145
Typical Time on Market	81
Annual % supply change	5%

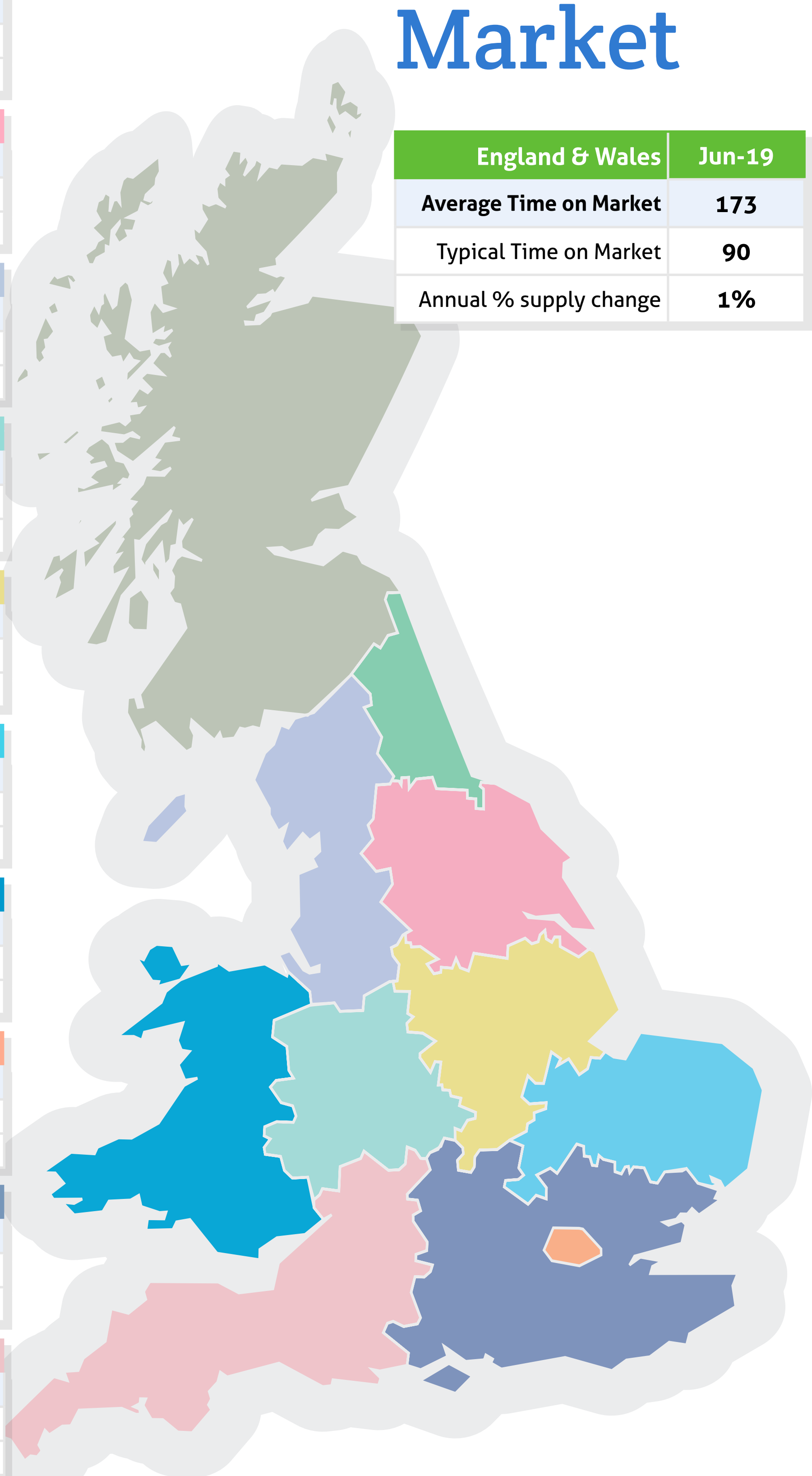
Wales	Jun-19
Average Time on Market	221
Typical Time on Market	107
Annual % supply change	1%

Greater London	Jun-19
Average Time on Market	182
Typical Time on Market	95
Annual % supply change	-15%

South East	Jun-19
Average Time on Market	149
Typical Time on Market	81
Annual % supply change	0%

South West	Jun-19
Average Time on Market	162
Typical Time on Market	86
Annual % supply change	-1%

England & Wales	Jun-19
Average Time on Market	173
Typical Time on Market	90
Annual % supply change	1%



Source: Home.co.uk Asking Price Index, June 2019. Note: Average = Mean (days), Typical = Median (days)

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

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:
  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
- To learn more about Home.co.uk data services please visit:
  https://www.home.co.uk/company/data/

Future release dates:

- **Friday 12th July**
- **Tuesday 13th August**
- **Thursday 12th September**