

Prices Surge in the East and South East of England

Headlines

- East of England home prices surged by 2.3% over the last 30 days, driven by phenomenal demand and lack of supply.
- Supply of UK property for sale falls to new record low for September (down 65% vs. Sept 2007).
- Prices move up 1.0% overall in England and Wales during the last month.
- The South East continues to be the UK's fastest-moving regional market and price rises outshine Greater London with a 6-month rise of 7.0%.
- The average annual home price appreciation for England and Wales rises further to 6.9%.

Summary

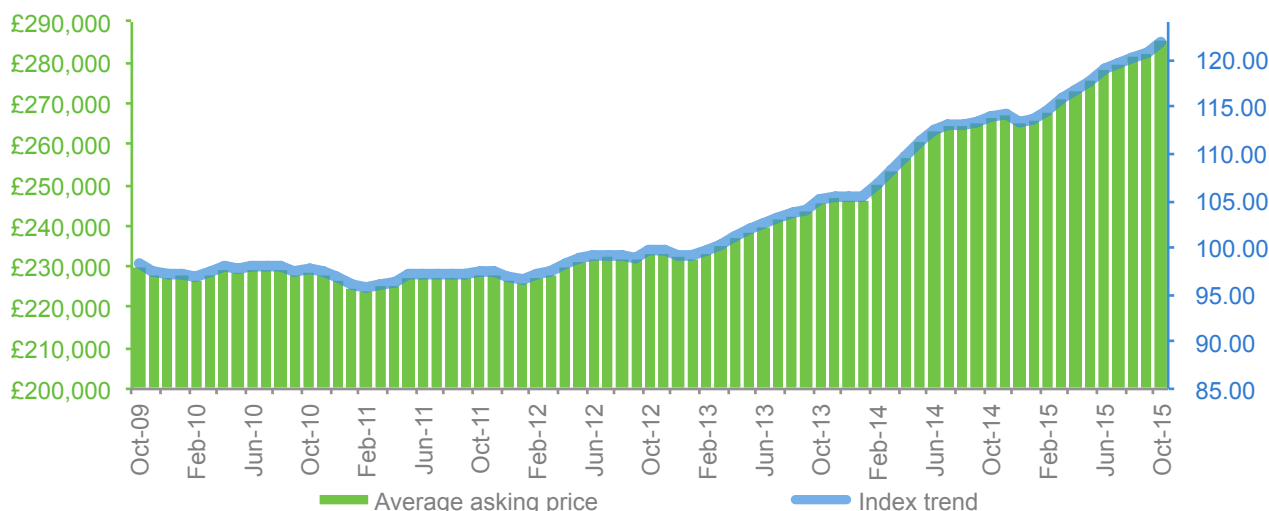
Surging demand coupled with lack of supply is driving home prices to new extremes in the East of England and the South East. Indeed, the uplift from these regions continues to drive the national average higher, thereby obscuring the poorer performance of several northern regions. The London and South East centred supply crisis is worsening, and September recorded the lowest number of properties entering these markets for that month since the onset of the financial crisis. The number of properties coming on to the market in Greater London, the East of England and the South East is down by 74%, 74% and 67% respectively vs. September 2007.

By way of stark contrast to the red hot markets in the South and East, home prices in the northern regions continue to stagnate. Annualised price changes for the North East, North West and Yorkshire of just 0.0%, 0.8% and 1.3% respectively indicate that the long-awaited market recovery is still not apparent.

The Welsh property market also shows a distinct lack of vigour. Home prices there have risen by a mere 1.9% over the last year, a long way behind the mix-adjusted average price rise for England and Wales of 6.9%.

Overall, the current mix-adjusted average asking price for England and Wales is now 20.0% higher than it was in September 2008. We expect further upward pressure on this headline figure to be applied by London and its surrounding regions.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, October 2015

Regional Market Round-up

The North-South divide continues to grow and, as we have stated before, is one of the most daunting imbalances in the UK economy. London and the southern regions may as well be part of a different economy, such is the disparity of both supply and demand when compared to the northern regions and Wales. Typical time on market figures by region underline the relative strengths of the individual markets.

The South East has been the fastest-moving property market in the UK since February when this overheating region displaced London from pole position. The typical time on market for unsold property is just 63 days, the same as it was towards the end of the last property boom in Dec 2007. This is much less than the national median of 96 days and a world away from the typical time on market in the North East of 136 days; back in Dec 2007, the typical time on market in the North East was just 93 days.

For more information on regional property market performance please see pages 2 and 3 of this report.

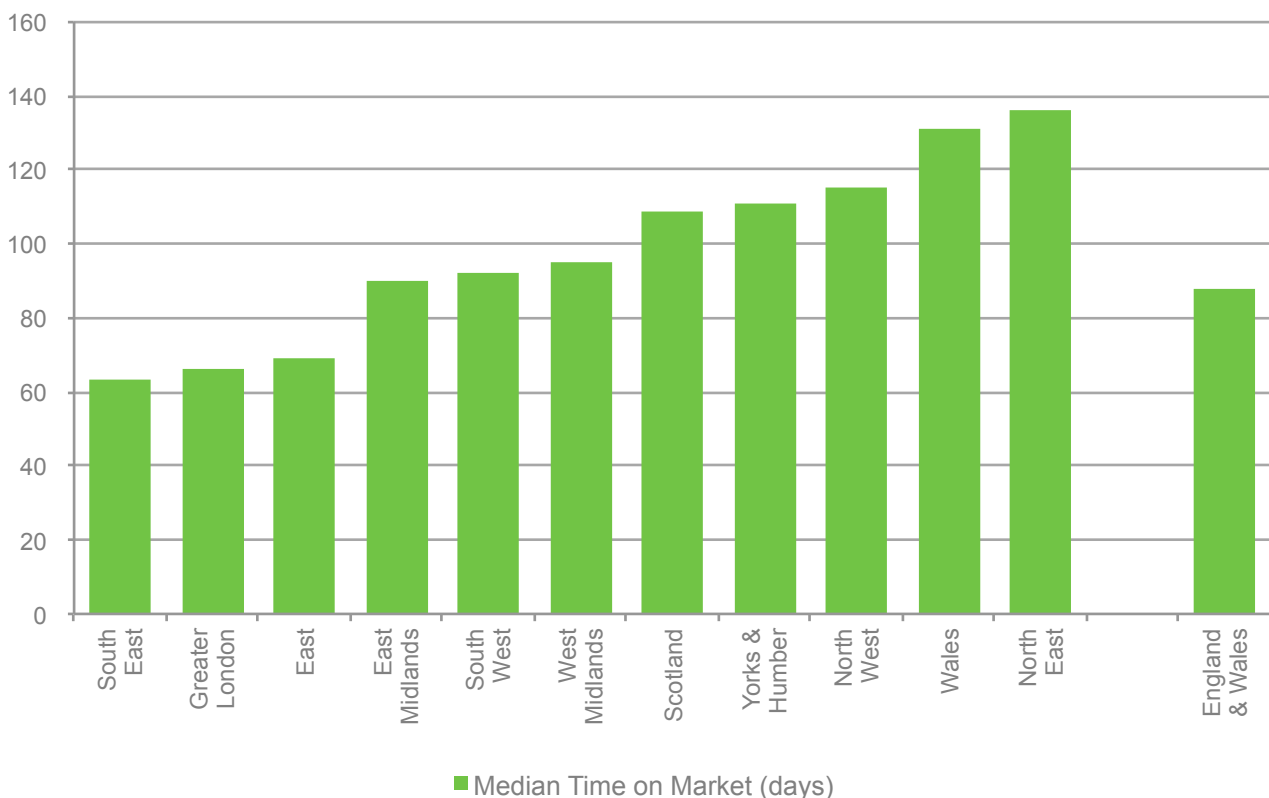
This Property Boom Could Have a Long Way to Run

The recent crash in oil prices seems to have put interest rates on hold for the foreseeable future as central bankers fear a wave of deflationary pressure. Hence, cheap borrowing looks set to stay and so the housing boom looks like it has a long way to run. In fact, the backdrop of overvalued and volatile stock exchanges and collapsing commodity markets may well entice even more money into the housing market over the next few years as risk-averse investors try to find safe investments.

London prices were the first to rise in the current boom and, after rising 54.6% over the last five years, they are still following a clear upward trend. The last boom lasted 11 years, during which time the national average price more than tripled. Could the same happen again?

The UK and world economies are currently operating under very different conditions than was the case back in the late nineties. Interest rates were then 'normal', not artificially held down near zero by central banks as they are now. In fact, it was the cost of borrowing that previously

Typical Time on Market, October 2015



Source: Home.co.uk, October 2015

'kept the lid on' the housing market. Now, with the global economy in such a fragile state, even talk of raising rates is enough to send the stock market into a tailspin, thus one might argue that they look likely to remain low for several years.

Hence, the stage is set for perhaps the biggest housing boom of all time (and then perhaps the biggest bust). Given a long enough time frame, low interest rates should eventually kindle a comparable recovery and price rises in the North and Wales, where there is arguably the biggest potential upside for investors.

Added to this, buy-to-let is a key driver this time around. Landlords tend to hold on to their properties a lot longer than first and next-time buyers, effectively reducing the supply of properties entering the market and thereby adding to the price spiral. We are already witnessing the effects of this in London, the South East and the East of England. Moreover, landlords have never in history had access to such cheap loans.

Of course, the downside to all this is that we are building a debt mountain and, one day, interest rates may have to be increased. That will be the day that the biggest boom becomes the biggest bust, but for now everything is 'safe as houses'.



The lack of global appetite for raising interest rates suggests that this property boom is no flash in the pan.

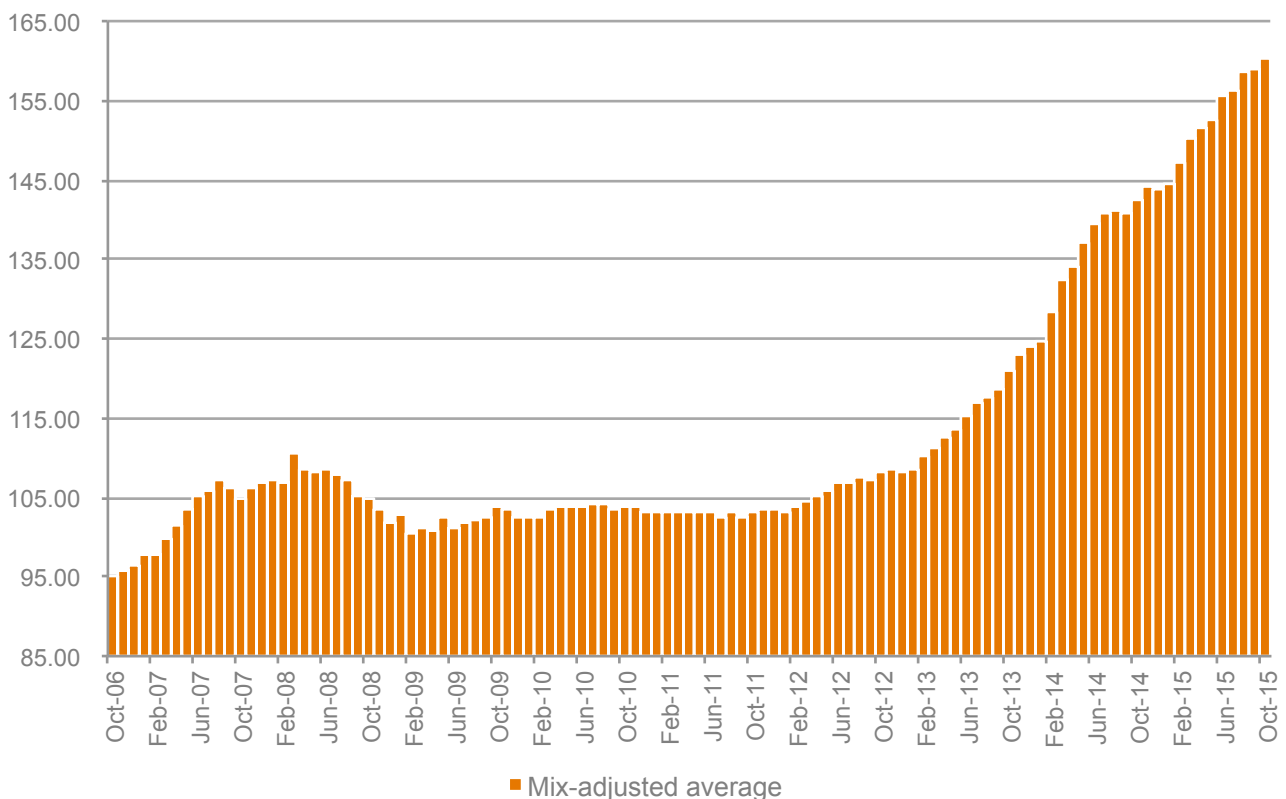


Rising house prices keep the pound strong which, in turn, keeps inflation very low, which keeps interest rates low, which ensures house prices rise. It's a truly virtuous circle for property.

Doug Shephard
Director at Home.co.uk



Booming London Home Prices



Source: Home.co.uk, October 2015

UK Asking Prices

Scotland	Oct-15
Average Asking Price	£169,491
Monthly % change	0.8%
Annual % change	3.8%

North East	Oct-15
Average Asking Price	£153,947
Monthly % change	0.1%
Annual % change	0.0%

Yorks & The Humber	Oct-15
Average Asking Price	£176,212
Monthly % change	0.0%
Annual % change	1.3%

North West	Oct-15
Average Asking Price	£179,233
Monthly % change	-0.1%
Annual % change	0.8%

West Midlands	Oct-15
Average Asking Price	£211,910
Monthly % change	0.4%
Annual % change	4.0%

East Midlands	Oct-15
Average Asking Price	£200,340
Monthly % change	0.5%
Annual % change	3.6%

East	Oct-15
Average Asking Price	£307,485
Monthly % change	2.3%
Annual % change	7.9%

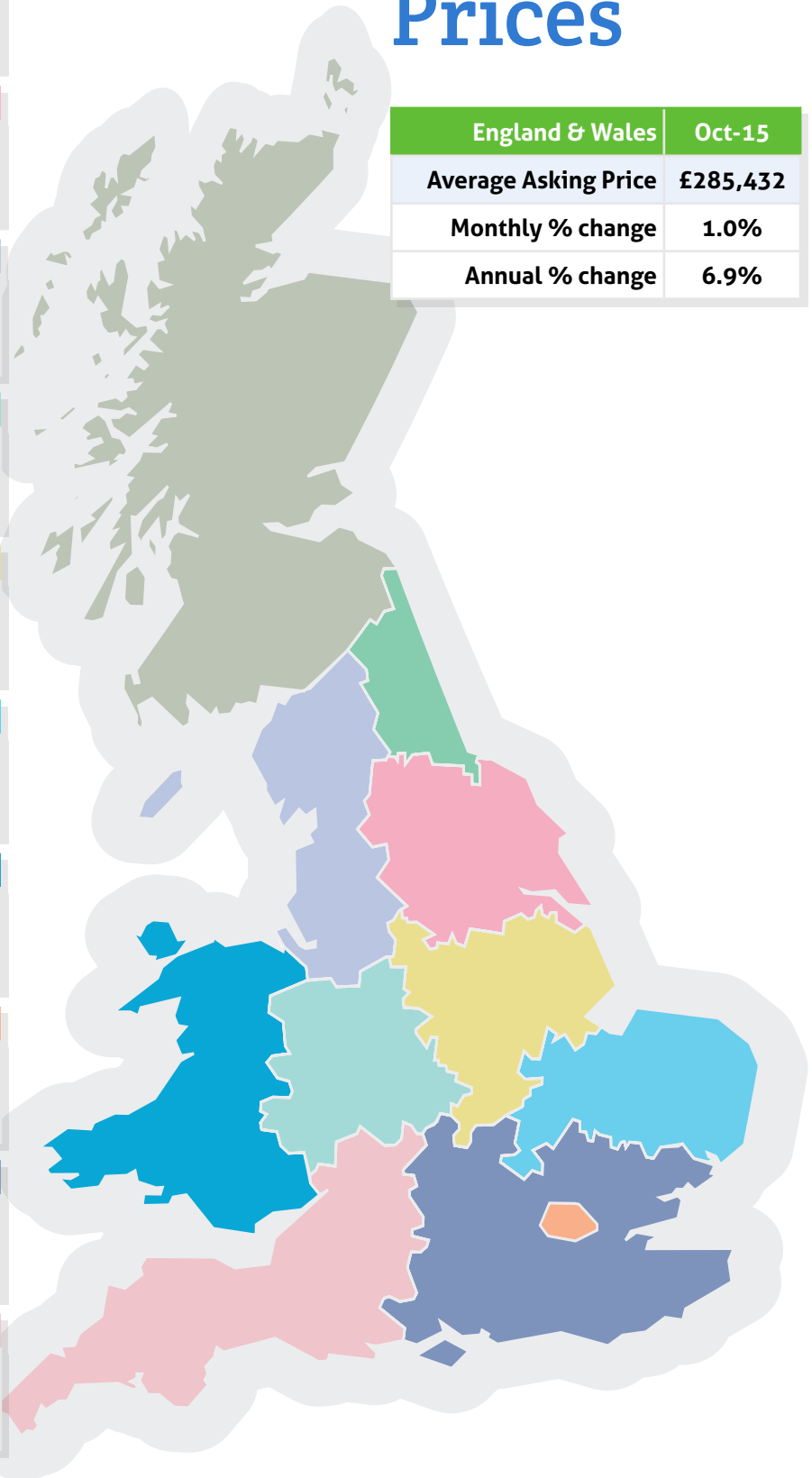
Wales	Oct-15
Average Asking Price	£184,312
Monthly % change	0.1%
Annual % change	1.9%

Greater London	Oct-15
Average Asking Price	£530,587
Monthly % change	0.9%
Annual % change	12.6%

South East	Oct-15
Average Asking Price	£378,991
Monthly % change	1.8%
Annual % change	9.1%

South West	Oct-15
Average Asking Price	£294,552
Monthly % change	0.6%
Annual % change	4.3%

England & Wales	Oct-15
Average Asking Price	£285,432
Monthly % change	1.0%
Annual % change	6.9%



Source: Home.co.uk, October 2015

UK Time on Market

Scotland	Oct-15
Average Time on Market	231
Typical Time on Market	109
Annual % supply change	4%

North East	Oct-15
Average Time on Market	265
Typical Time on Market	136
Annual % supply change	0%

Yorks & The Humber	Oct-15
Average Time on Market	211
Typical Time on Market	111
Annual % supply change	-5%

North West	Oct-15
Average Time on Market	214
Typical Time on Market	115
Annual % supply change	-3%

West Midlands	Oct-15
Average Time on Market	173
Typical Time on Market	95
Annual % supply change	-8%

East Midlands	Oct-15
Average Time on Market	163
Typical Time on Market	90
Annual % supply change	-9%

East	Oct-15
Average Time on Market	123
Typical Time on Market	69
Annual % supply change	-16%

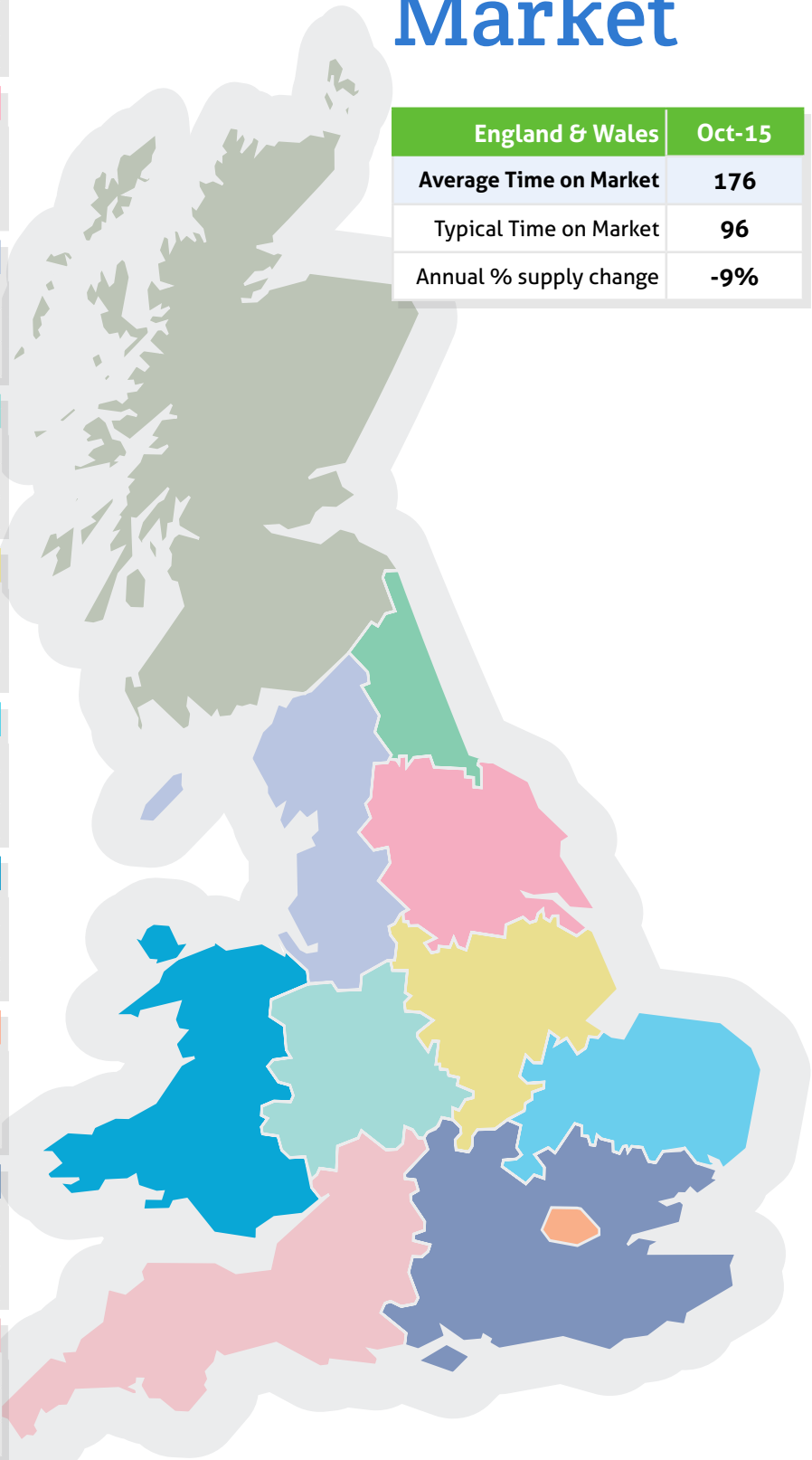
Wales	Oct-15
Average Time on Market	243
Typical Time on Market	131
Annual % supply change	-6%

Greater London	Oct-15
Average Time on Market	110
Typical Time on Market	66
Annual % supply change	-19%

South East	Oct-15
Average Time on Market	108
Typical Time on Market	63
Annual % supply change	-9%

South West	Oct-15
Average Time on Market	155
Typical Time on Market	92
Annual % supply change	-14%

England & Wales	Oct-15
Average Time on Market	176
Typical Time on Market	96
Annual % supply change	-9%



Source: Home.co.uk, October 2015. 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:
<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 November
- Tuesday 15th December
- Tuesday 12th January