

Asking Prices Surge on Spring Optimism

Headlines

- Seasonal confidence has raised asking prices by +0.9% this month: the largest monthly rise since March 2016.
- Year-on-year home price appreciation for England and Wales has made a countertrend move up to 3.0%.
- The average asking price in England and Wales is now £302,793.
- Regional supply figures indicate that significant increases in inventory hit the market last month in the East of England (+22%), the South East (+18%) and Greater London (+16%) (March 2016 vs. March 2017).
- The South East and South West both topped the regional spring price rises with a month-on-month leap of 1.3%.
- Asking prices gained in Greater London this month (+0.4% MoM) but have lost 1.1% year-on-year.
- Prices rose in all English regions (except the North East where there was no change), Wales and Scotland this month, in line with seasonal expectations.
- Typical Time on Market falls to 76 days, the same as in March 2016 (England and Wales).
- Rents rise by 15% year-on-year in the Yorkshire and Humber region.
- The supply of property entering the UK market has ticked up, by 7% YoY, to a 34-month high.

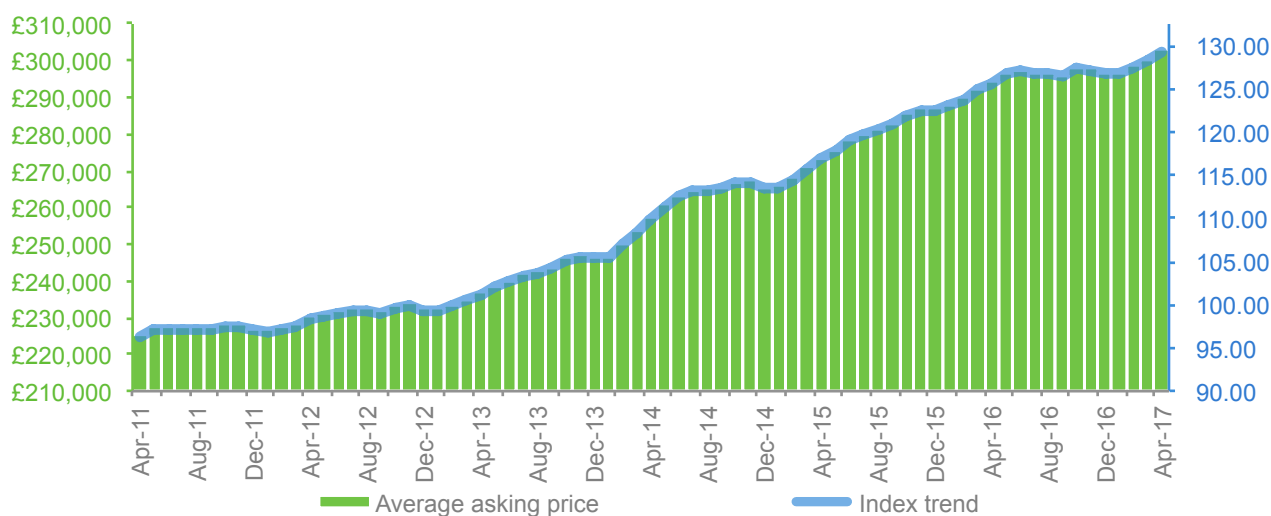
Summary

Spring optimism has served to rally home prices strongly this month. Consequently, year-on-year growth has also increased slightly (a countertrend uptick) but, with the latest inflation figures showing 3.5% (RPI ex. housing), UK home prices are really going nowhere overall. Despite significant year-on-year growth in several regions, 2017 looks set to be a year of stagflation for UK property.

Vendor confidence is benefitting from a spring boost in many regions and this effect is most apparent in the South East and South West. Whilst the London market remains subdued, it is the more outlying regions that are supporting the national housing market figures. Prices in the East of England and the East Midlands have risen most during the last 12 months (9.4% and 5.6% respectively). However, unlike the East Midlands, supply is rising rapidly in the East of England and this will serve to attenuate price rises over the coming months.

Thus far 2017 bodes well for the Midlands. Price growth is over and above the level of inflation but the rate appears sustainable as supply is not increasing. Moreover, rental yields, which fundamentally underpin house prices, are

Home Asking Price Trend for England & Wales



Source: Home.co.uk, April 2017

better there than in overbought London and the South East, and this will encourage continued investment.

Overall, price rises are much more subdued this year than last. In April 2016 the annualised rate of increase of home prices was 7.5%; today the same measure is just 3.0%.

Regional Round-up

Price analysis of the property market by region reveals a major diversity in fortunes over the last five years. Without doubt the regional market that has profited most is Greater London. Home prices there increased by a remarkable 56.5% on average over the period but this kind of growth was clearly unsustainable. Prices rose too far and too fast, and this 'overheating' is the root cause of the current stagnation of prices in the region.

It is interesting to note that only Greater London, the East of England and the South East show 5-year gains above the average for England and Wales. This is a clear indication of how imbalanced the UK property market has been post-crisis. Moreover, the chart below also shows both where price growth has hit the limits of

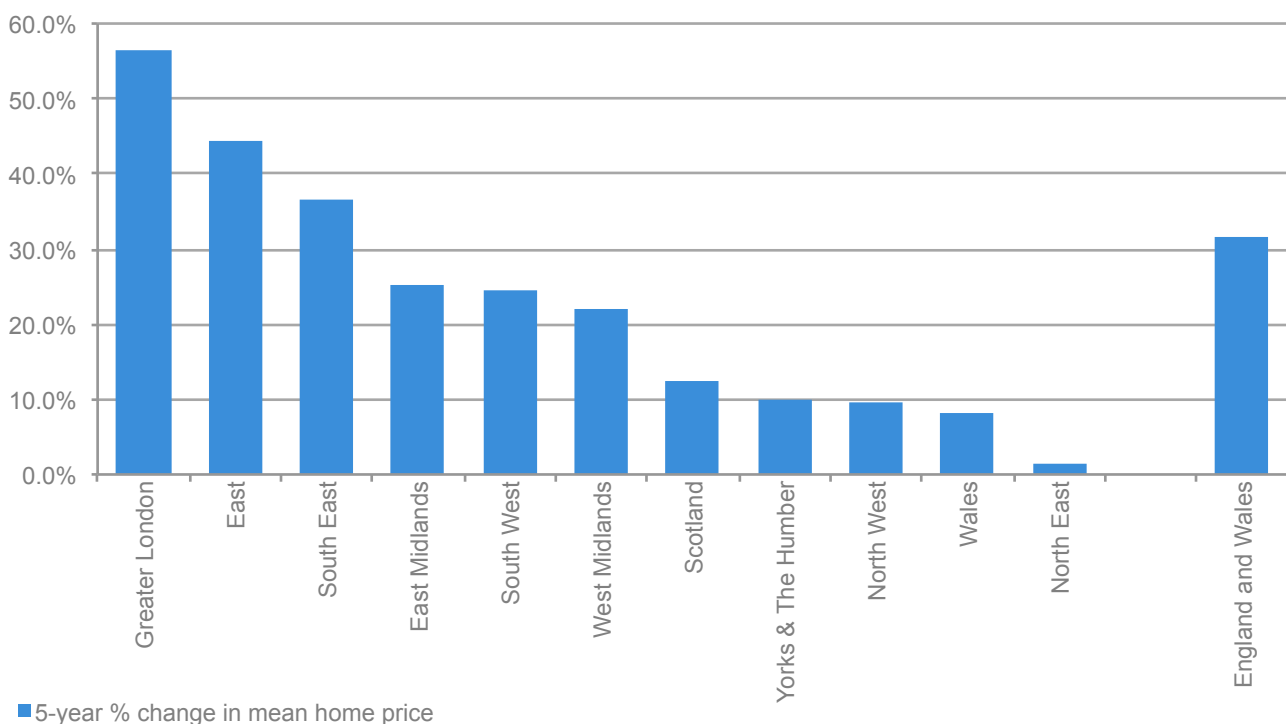
affordability and where there may be significant growth in the near future.

At the opposite end of the spectrum to the capital region, the North East has shown an average price increase of just 1.5%. If we take into account monetary inflation, prices have been going backwards for some time. However, given the attractive rental yields to be found there, this situation looks ripe for change although perhaps not immediately.

The Midlands and the South West are in the midst of a significant and sustained price growth phase. Supply remains limited in these regions and demand strong. Moreover, Typical Time on Market is still falling year-on-year, indicating that these regions are still in the throes of gaining momentum as demand outstrips supply.

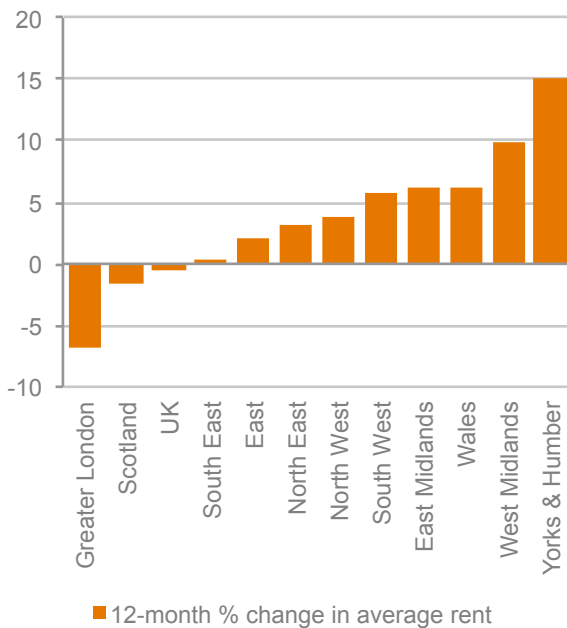
The regions with the most room for improvement in house prices are the North East, the North West, Yorkshire and Wales. Signs of increased market momentum are already apparent. Properties in Yorkshire and the North West are spending significantly less time on the market thanks to increased buyer demand and a limited supply of sales stock.

5-year Change in Average Asking Price by Region



Source: Home.co.uk, April 2017

Regional Rent Rises (Apr 17 vs Apr 16)



Source: Home.co.uk, April 2017

As we discussed last month, Buy-to-Let investors represent a significant proportion of buyer demand in today's property market and their investment decisions are based primarily on potential returns (yield). Areas where rents are rising and yields are above average present a much more attractive and less risky proposition than those where rents are falling and yields are low (e.g. London). Of the aforementioned regions, Yorkshire and Wales stand out with significant rent rises, way over and above inflation. Moreover, yields are also rising, especially in Yorkshire where rents have soared over the last year, making investment look increasingly attractive.

By contrast, London rents continue to fall due to oversupply and this will stifle property investment in the region until they stabilise. For more information on regional property market performance please see later in this report.



We are living in a highly unusual economic environment. Due to artificially cheap credit, investors can currently obtain mortgages with a rate of interest lower than the real rate of inflation.



In more 'normal' times we would see interest rates hiked above the rate of inflation but such is the indebtedness of the UK, the economy is too fragile to withstand such a move. As long as this situation persists, we can expect this 'free money' to continue to be invested in the property market in search of a decent return.

However, one should not expect this to be 'blanket' investment. The growing number of corporate landlords will focus their investment based on two key factors: immediate returns (rent) and potential returns (capital gains). On balance, the current front runners for the best returns appear to be Yorkshire and the Midlands. We expect significant investment demand to be directed into these regions, further stimulating growth in these housing markets.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Apr-17
Average Asking Price	£179,296
Monthly % change	1.0%
Annual % change	1.9%

North East	Apr-17
Average Asking Price	£154,368
Monthly % change	0.0%
Annual % change	-0.3%

Yorks & The Humber	Apr-17
Average Asking Price	£184,333
Monthly % change	1.2%
Annual % change	3.2%

North West	Apr-17
Average Asking Price	£190,120
Monthly % change	0.7%
Annual % change	3.9%

West Midlands	Apr-17
Average Asking Price	£229,221
Monthly % change	0.9%
Annual % change	3.9%

East Midlands	Apr-17
Average Asking Price	£217,413
Monthly % change	1.0%
Annual % change	5.6%

East	Apr-17
Average Asking Price	£355,062
Monthly % change	0.8%
Annual % change	9.4%

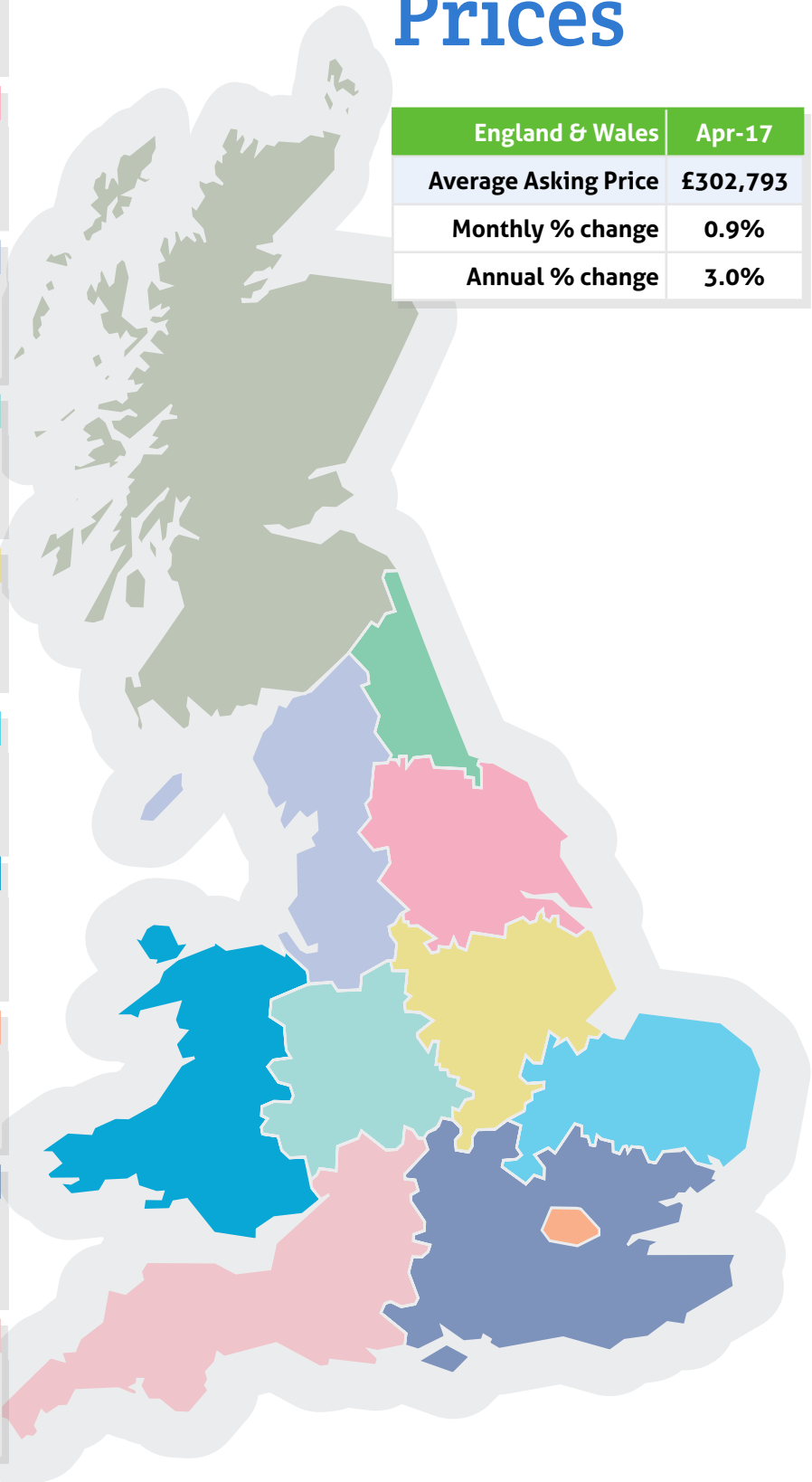
Wales	Apr-17
Average Asking Price	£186,978
Monthly % change	0.9%
Annual % change	1.6%

Greater London	Apr-17
Average Asking Price	£543,896
Monthly % change	0.4%
Annual % change	-1.1%

South East	Apr-17
Average Asking Price	£400,726
Monthly % change	1.3%
Annual % change	2.7%

South West	Apr-17
Average Asking Price	£314,463
Monthly % change	1.3%
Annual % change	4.7%

England & Wales	Apr-17
Average Asking Price	£302,793
Monthly % change	0.9%
Annual % change	3.0%



Source: Home.co.uk, April 2017

UK Time on Market

Scotland	Apr-17
Average Time on Market	248
Typical Time on Market	134
Annual % supply change	-4%

North East	Apr-17
Average Time on Market	238
Typical Time on Market	132
Annual % supply change	6%

Yorks & The Humber	Apr-17
Average Time on Market	187
Typical Time on Market	95
Annual % supply change	0%

North West	Apr-17
Average Time on Market	190
Typical Time on Market	103
Annual % supply change	4%

West Midlands	Apr-17
Average Time on Market	148
Typical Time on Market	67
Annual % supply change	2%

East Midlands	Apr-17
Average Time on Market	139
Typical Time on Market	66
Annual % supply change	-1%

East	Apr-17
Average Time on Market	107
Typical Time on Market	54
Annual % supply change	22%

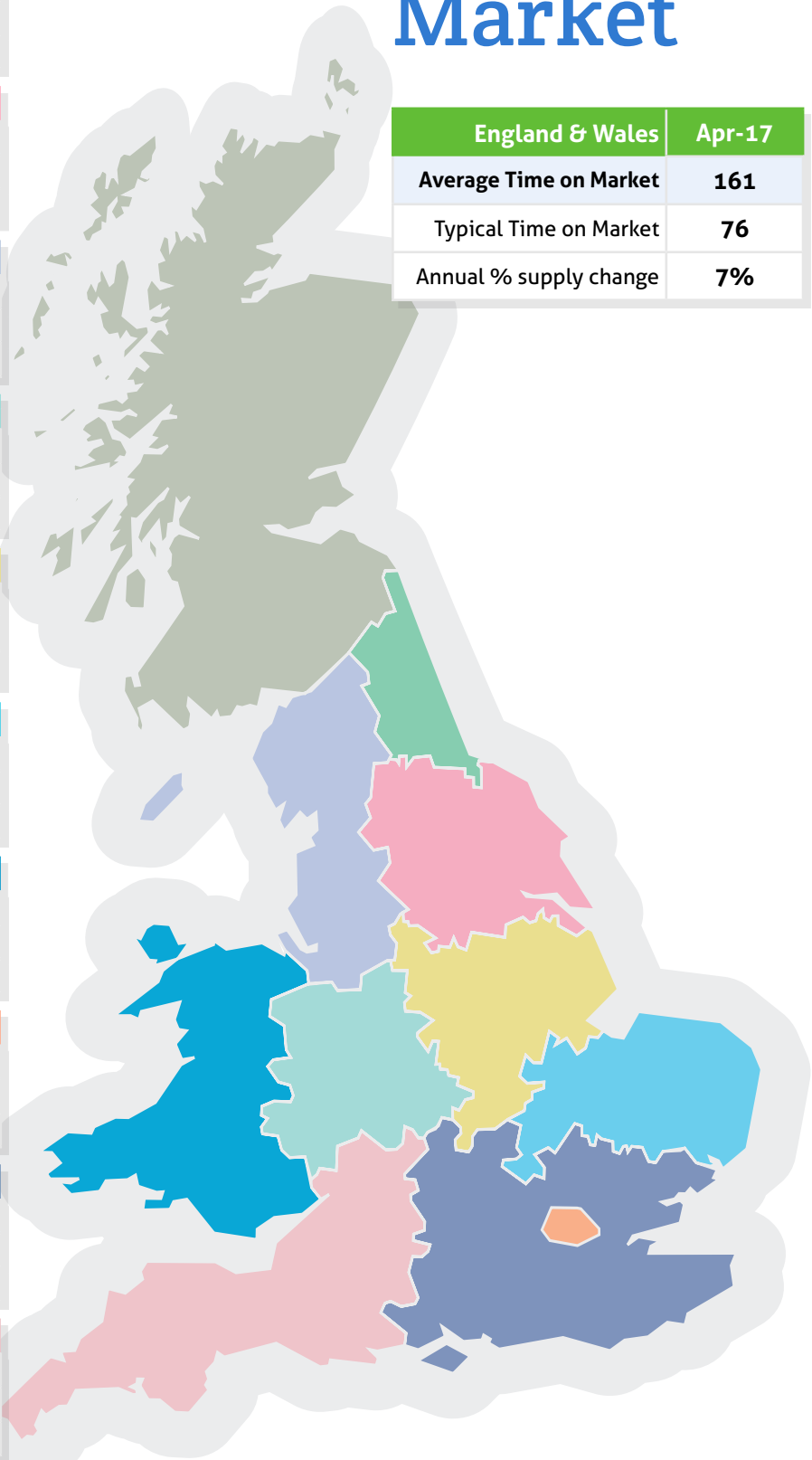
Wales	Apr-17
Average Time on Market	239
Typical Time on Market	148
Annual % supply change	-5%

Greater London	Apr-17
Average Time on Market	129
Typical Time on Market	67
Annual % supply change	16%

South East	Apr-17
Average Time on Market	109
Typical Time on Market	56
Annual % supply change	18%

South West	Apr-17
Average Time on Market	146
Typical Time on Market	69
Annual % supply change	3%

England & Wales	Apr-17
Average Time on Market	161
Typical Time on Market	76
Annual % supply change	7%



Source: Home.co.uk, April 2017. 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:
<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 11th May
- Tuesday 13th June
- Wednesday 12th July