

Inventory Hits All-Time Low as Seasonal Slowdown Takes Hold

Headlines

- The overall volume of property for sale falls further to hit an all-time low and now stands 38% lower than in December 2007
- The seasonal downturn impacts on the core market metrics less than expected as average prices across England and Wales dip by just 0.1% on November
- Contrary to seasonal expectations, prices in London surge a further 0.8% since last month
- Considerable regional variations still remain: prices in the North East of England fell 0.7% over the last year and are down 2.2% in Scotland
- Even with a seasonal slowdown, average prices in England and Wales show a post-crisis record increase of 6.1% since this time last year

Summary

Following ten consecutive months of rises, seasonality in the property market is evident, and prices across England and Wales fell marginally (-0.1%) in December. However, there are at least two discrepancies which are unique to 2013. Firstly, the market backdrop is one where the volume of properties for sale is at its lowest level ever recorded by this index and secondly, London continues to ignore the usual market norms, recording yet another monthly price rise of 0.8%.

The total volume of property for sale in the UK has hit a new low and is now 38% below the property count in December 2007. Whilst average prices have dropped marginally this month, the shortage of stock plus improved market sentiment have helped minimise the seasonal dip, in stark contrast to the seasonal falls of around 0.6% observed in previous years. The supply crisis is frustrating an increasing number of potential buyers in the hottest regional markets, and these markets are not showing any signs of rebalancing in the near future. Consequently, average prices remain inflated for this time of year in those areas, and we expect considerable price hikes in early 2014.

Total Number of Properties for Sale (England & Wales)



Source: Home.co.uk, December 2013

Vendors Remain Reluctant

Even though prices are up on last year in all areas but the North East of England and Scotland, vendors are still holding back and not placing their homes on the market. The total stock of properties for sale is currently just over 481,000. Compare this figure to late 2007, when the market was offering over 771,000 properties. Such a considerable decline (-38%) in supply is without doubt keeping prices from falling further than the usual seasonal patterns would normally dictate.

The fundamental issue is not one of voracious demand but one of lack of supply. The monthly flow of new property into the UK market has fallen by 16.9% in the last year and by 61% since 2007, but this overview masks considerable regional variations. New stock has all but disappeared in London, where the volume of new properties recorded a fall of 28.5% in the last 12 months alone and a staggering drop of 74% since 2007. In contrast, fresh stock in the North East has risen marginally in the last 12 months (+0.7%), and comparison of the price trends in the two regions is simply staggering. London asking prices now stand 14.7% higher than in December 2012, whilst annual price deflation (-0.7%) has been recorded in the North East of England.

Regional Variations of the Seasonal Lull

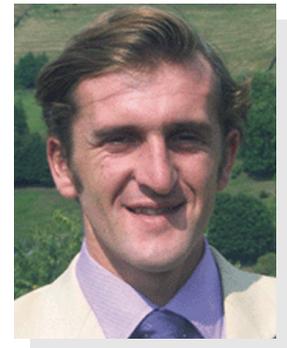
Over the previous five years, the average price of homes has fallen by 0.6% between November and December. In general, the UK market is following this pattern; the performance of London, however, is attenuating the seasonal trends. The capital aside, monthly price deflation ranged from -0.1% to -1.3% with the largest falls being experienced in Scotland (-1.3%) and the East of England (-0.8%).

The ongoing market conditions in the North East are particularly worrying. Prices in the region continue to fall (to an average of £151,586 in December) and now stand at 61% of the England and Wales average (£246,781). Additionally, as stock levels are rising and potential buyers pull back in the lead-up to Christmas, typical marketing times are escalating which, in turn, will place further downward pressure on values.

Whilst typical time on market figures are up across the country, the London market recorded yet another fall to just 71 days. Greater London has experienced an average monthly price rise of 1.1% throughout 2013 and so, whilst the hike of another 0.8% in December is lower than in recent months, it is not far short of the monthly average. All metrics support the thesis that the property market in Greater London is running dangerously hot.



With such a low volume of properties for sale, there are concerns about how the market will cope with the impending upturn in buyer interest in early 2014.



On the demand side, individuals and investors have access to relatively cheap credit and yet, due to the sheer lack of choice, the number of transactions that can actually be realised is very much restricted. Growing demand and diminishing supply will no doubt place further pressure on prices in the coming months, especially in London and the South East.

The seasonal slowdown is clearly upon us, although it appears that no one informed participants in the London market! Both activity and prices tend to cool off at this time of year, yet values in London have risen once again. In the previous three years, prices in the capital have dropped by an average of 0.6% at this time of year. This situation simply reinforces the case for another London property bubble, and this is before the full impact of the Help to Buy scheme has been felt. The reality is that potential buyers in the capital will be faced with spending and borrowing much more money to secure a home in 2014 than in 2013.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Dec-13
Average Asking Price	£157,039
Monthly % change	-1.3%
Annual % change	-2.1%

North East	Dec-13
Average Asking Price	£151,586
Monthly % change	-0.4%
Annual % change	-0.7%

Yorks & The Humber	Dec-13
Average Asking Price	£168,227
Monthly % change	-0.3%
Annual % change	0.8%

North West	Dec-13
Average Asking Price	£172,855
Monthly % change	-0.3%
Annual % change	0.8%

West Midlands	Dec-13
Average Asking Price	£195,424
Monthly % change	-0.4%
Annual % change	3.6%

East Midlands	Dec-13
Average Asking Price	£182,375
Monthly % change	-0.1%
Annual % change	4.9%

East	Dec-13
Average Asking Price	£258,836
Monthly % change	-0.8%
Annual % change	3.9%

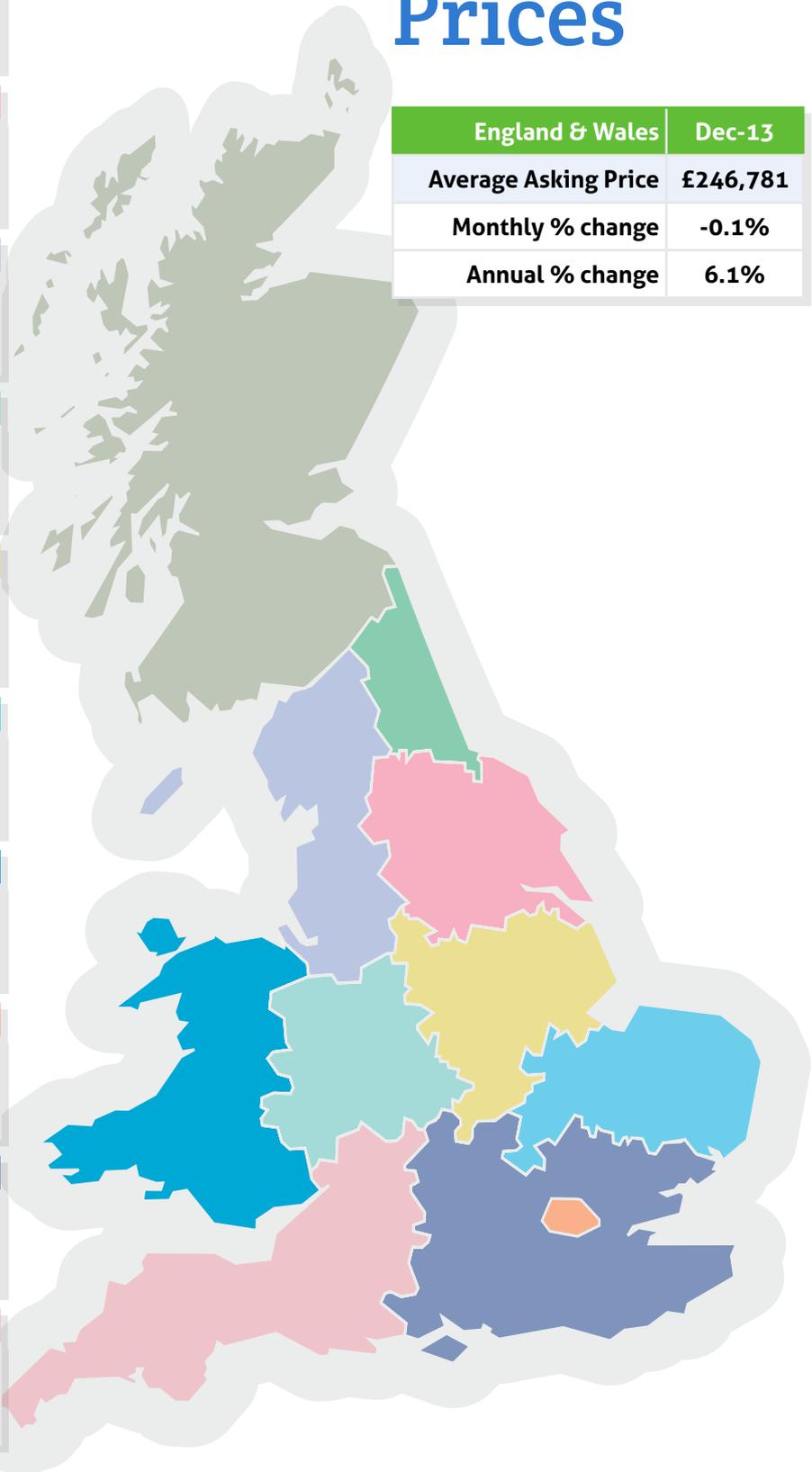
Wales	Dec-13
Average Asking Price	£176,516
Monthly % change	-0.5%
Annual % change	1.0%

Greater London	Dec-13
Average Asking Price	£410,738
Monthly % change	0.8%
Annual % change	14.7%

South East	Dec-13
Average Asking Price	£316,766
Monthly % change	-0.6%
Annual % change	6.9%

South West	Dec-13
Average Asking Price	£267,636
Monthly % change	-0.3%
Annual % change	5.1%

England & Wales	Dec-13
Average Asking Price	£246,781
Monthly % change	-0.1%
Annual % change	6.1%



Source: Home.co.uk, December 2013

The Amazing Shrinking Property Market

The main theme of the current property market is one of restricted supply that is bolstering prices in most areas and delivering boom prices in others. This may well boost vendor confidence but, given that the flow of stock has hit a new low, it is definitely not sustainable.

The health of any market is largely determined by the rate of turnover or the volume of products or services that flow through it. Home.co.uk tracks the flow of properties moving through the market by combining monthly data on overall stock levels and average marketing times. We call it the Home Market Turnover Indicator (HMTI), and the fact that it has fallen by such a great extent is clear indication that the market is shrinking.

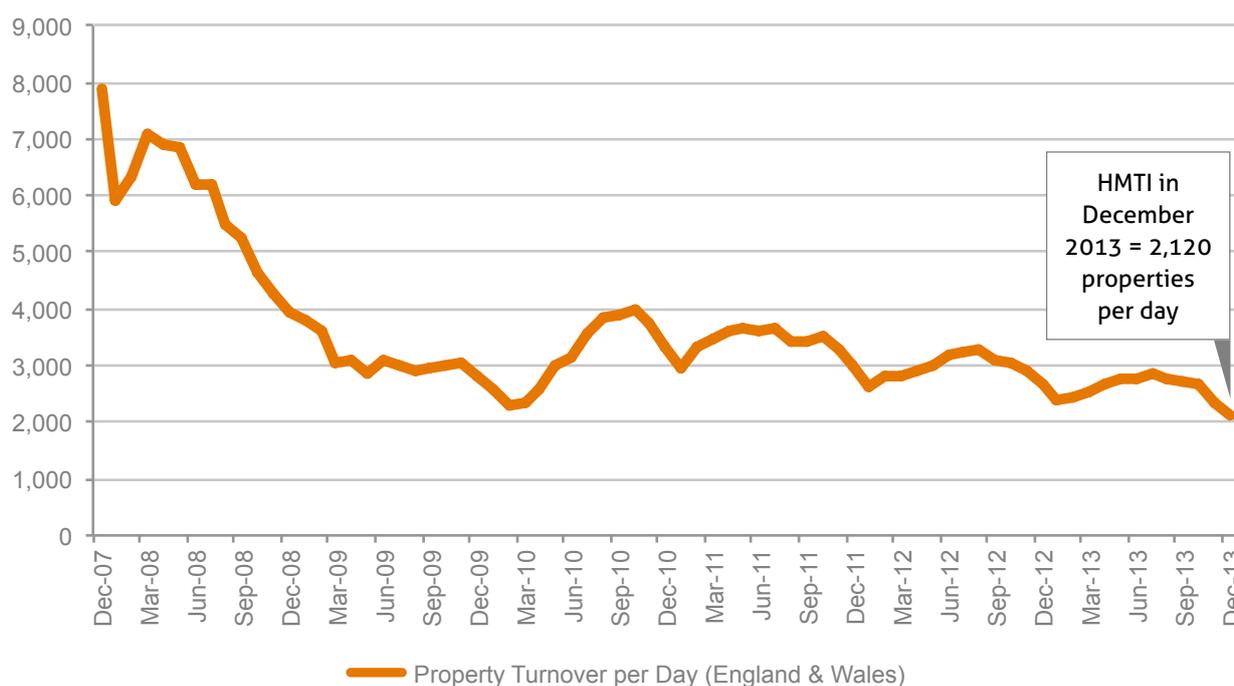
During the last boom of 2007, the HMTI was as high as 10,000 properties per day as transactions and prices grew in parallel. Since those times, activity has been gradually falling and, throughout 2013, the market has continued to shrink year-on-year – aside from a brief rally in 2010 – to the current rate of just 2,120 properties a day. This turnover rate represents a fall of 20.1% in the last 12 months alone and a

tumble of 73.1% since December 2007. Given the extent of the contraction in property moving through the sales market, it is clear that, given current average prices which are only a shade over their 2007 highs, the turnover rate in terms of value is currently around a mere quarter of the 2007 boom high.

Doug Shephard, director at Home.co.uk, commented:

"Any market that contracts by over 20% in just one year is showing signs of distress, let alone one that traditionally holds as much value as the UK property market. Potential buyers and investors, encouraged by government-backed credit, are chasing ever fewer properties. This is especially true in London where new stock is down by 29% on last year, but the demand to live in the capital remains as high as ever. Government policy may well be stimulating the average value per transaction but, when supply is so restricted, there are wider concerns for all those involved in the property market, and knock-on effects for the country's macroeconomics."

The Falling Home Market Turnover Indicator (HMTI)



Source: Home.co.uk, December 2013

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 700,000 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:

- Tuesday 14th January
- Thursday 13th February
- Thursday 13th March