



# Asking Price Index

Released 14/02/17 February 2017

## Home Prices and Supply Surge in the East

### Headlines

- Explosive price growth in the East of England (+1.9% MoM) reverses previous falls in December and January and takes the average home price to a new all-time high.
- By contrast, prices hardly moved in Greater London (+0.1% MoM) and have lost 1.2% year-on-year.
- Yorkshire and Humber highlighted as the best yielding region for Buy-to-Let.
- Average home price for England and Wales shows a rise of 0.6% since last month driven chiefly by rises in the East and South East.
- Prices rose in all English regions but fell in both Wales and Scotland this month.
- Typical Time on Market falls to 109 days, five days less than in Feb 2016 (England and Wales).
- The overall rate of annualised home price appreciation for England and Wales has slipped to 3.0% (Feb 17 vs. Feb 16).
- The supply of property entering the UK market dropped unexpectedly by 5% YoY. However, supply has increased in the East and South East by 8% and 4% respectively, compared to February last year.
- Increased Time on Market figures continue to highlight the slowdown in London and the South East compared to February last year.

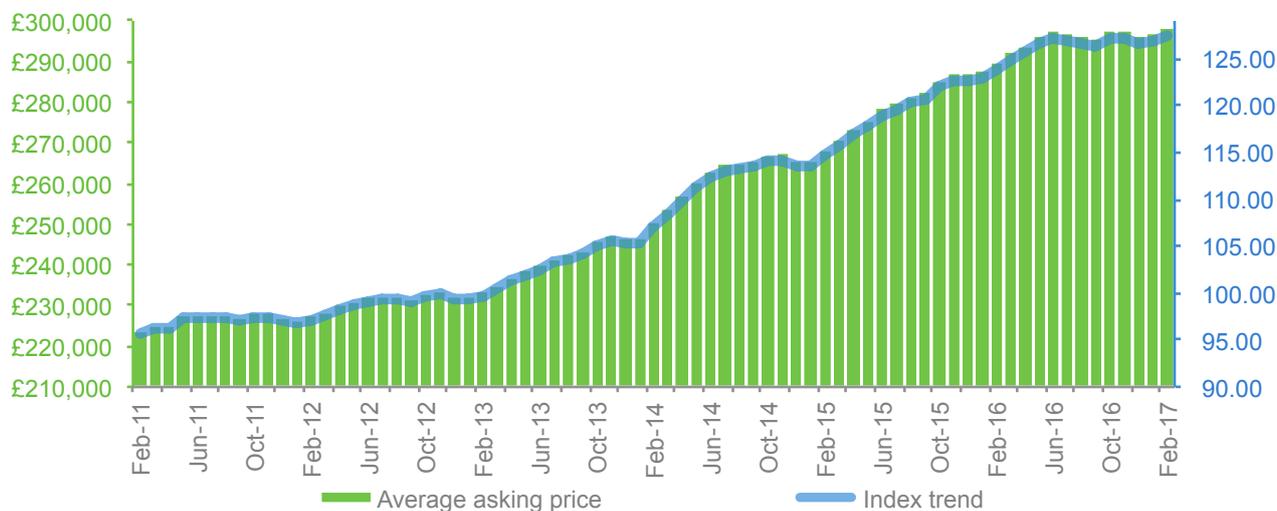
### Summary

In line with seasonal expectations, price rises indicate a spring lift but year-on-year price growth continues to decline. Moreover, a surge in monetary inflation due to a weak pound means that capital values are really going nowhere in real terms. Whilst the London market continues to suffer the consequences of oversupply and overly high prices, it is the East of England that leads the regional league table with stunning price appreciation. Prices there have risen twice as fast as the next best region, the East Midlands, over the last twelve months. Worryingly, supply is also rising in the region and this observation suggests that the East will soon be the next region to endure the same post-boom plight as London and the South East: such rapid growth raises concerns over the sustainability of this rally and home prices are becoming seriously out of step with earnings and rents.

Aside from London, the South East and the East of England, confidence is apparent across all other English regions. Prices are up both month-on-month and year-on-year and, typically, properties are spending less time on the market than they were a year ago. Only Scotland and Wales have shown price declines since January. The strongest monthly rises, aside from the East, were in the South East (0.9%), East Midlands (0.5%) and the North West (0.6%).

A seasonal fillip is, of course, to be expected at this time of year. However, we enter 2017 on a declining

### Home Asking Price Trend for England & Wales



Source: Home.co.uk, February 2017

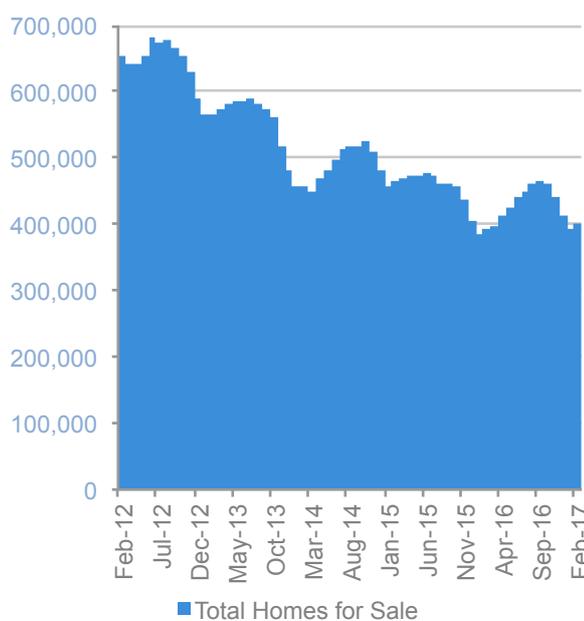


year-on-year price trend and this key indicator shows that the UK property market is cooling overall. In February 2016 the annualised rate of increase of home prices was 8.1%; today the same measure is a mere 3.0%.

## Supply and Stock Levels

Aside from ultra-cheap mortgages, a key driver for price growth over the last five years has been the growing scarcity of property for sale. Diminishing supply and fervent buyer activity has decimated stock levels. In fact, they have been in overall decline since the financial crisis. From the peak in May 2008 to today, the total number of properties on the market has fallen by 54%. In the last five years alone we have seen stock levels eroded by 38%. This is an unsustainable trend. At some point we will witness a turning point: stock levels will stabilise and then begin to rise as the market enters the next phase of the property cycle.

## Stock Trend for Property for Sale, England & Wales

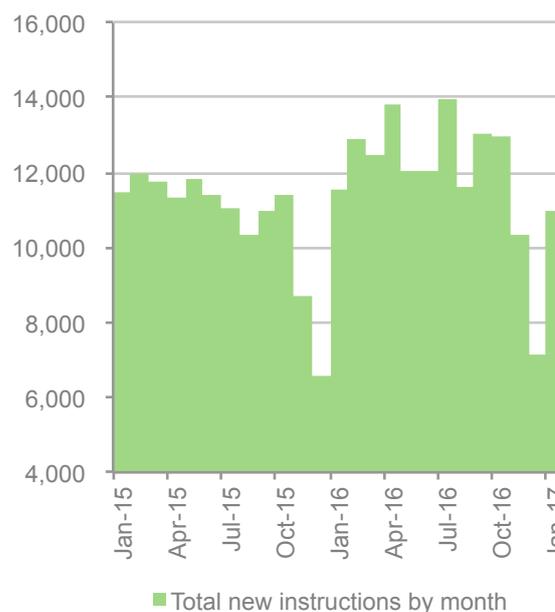


Source: Home.co.uk, February 2017

Looking at the stock level chart for the last five years we can identify a downward trend overlaid by seasonal variation. To date, the lowest stock level for England and Wales was encountered in Jan 2016. Bearing in mind the slowdown in the London market (and latterly the South East), it is possible that we are presently in the stabilisation phase and that stock levels will rise going forward.

For that to happen, either supply must increase or properties must spend more time on the market, or both. Looking at the supply trend for Greater London, the UK's leading market, we can see that this process has begun. Supply of new properties for sale was 11% higher in 2016 than it was in 2015.

## Greater London Supply Trend



Source: Home.co.uk, February 2017

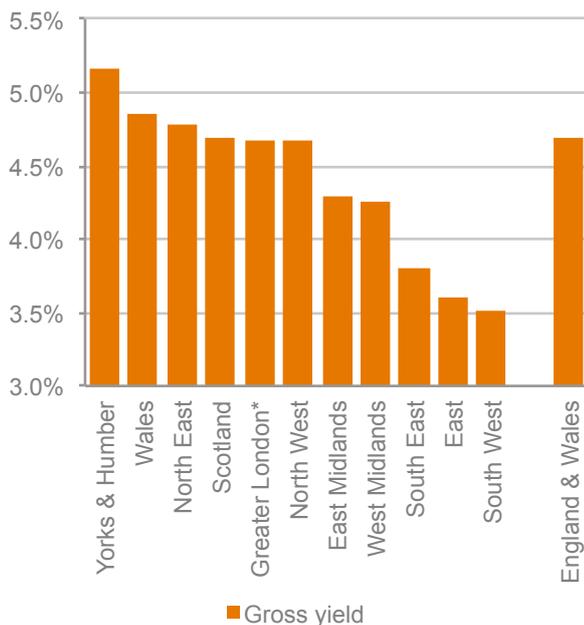
Marketing times in Greater London have also increased. The Typical Time on Market for unsold property in the region is currently 93 days: 21 more than in Feb 2016. Moreover, a very similar turn of events is unfolding in the South East. As these formerly red-hot markets cool and mature we are seeing stock levels slowly rebuild. We expect the same trends to ripple out to more regions (East of England next) and this will ensure that overall stock levels begin to increase and consequently prices stagnate or fall.

## Regional Market Round-up

Whilst the slowdown in Greater London persists, with 30% longer marketing times and sliding prices (-1.2% YoY) and rents (-8.0% YoY), some other regions are still in the grip of a rapid growth phase. For the time being, the East of England is the hottest regional property market, registering rapid price growth of 9.9%, but the concomitant rise in supply suggests that we may be witnessing the 'blow-off top'. When we consider that the average property price in the region is now around 10.8 times the average salary, rents are around 42% of the average salary and yields are some of the lowest in the country, it is clear that further growth is unsustainable. Moreover, rents in the region are increasing at a mere 3% per annum thereby creating a downward trend in the gross yield.

The next best regions for price growth are the East and West Midlands, the North West and the South West. All four regions show price growth of between 4.9% and 4.1% over the last twelve months. Remarkably, both the East and West Midlands show some of the largest annualised rent increases of all English regions (11.4% and 12.0% respectively). Of course, Buy-to-Let investors represent a significant proportion of

## Regional Buy-to-Let Returns (gross per annum)



Source: Home.co.uk, February 2017 \*Excluding Prime Central London

buyer demand in today's property market and their investment decisions are based primarily on potential returns (yield). Regions where rents are rising and yields are above average present a much more attractive and less risky proposition compared to those where rents are falling and yields are low. Hence, on this basis, we anticipate that home price growth will persist in the Midlands throughout the remainder of 2017 and perhaps beyond.

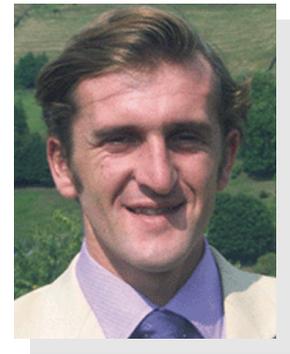
Of all the regions, it is Yorkshire that has shown the largest rent hike over the last 12 months. Rents there have shot up a remarkable 14.4% and this will be irresistibly attractive to BTL investors. Therefore, we expect price rises to accelerate in this region over the course of the year. It is an established fact that some of the best BTL yields in the country are to be found in the North, and Yorkshire will not be alone in attracting the attention of investors going forward. The North West is currently showing significant home price inflation: 4.1% over the last twelve months and only 9.0% over the last five years, which means there is plenty of room for future capital growth and rent rises (up 7.9% since Feb 2016), unlike the overbought areas such as Central London and the South East.

On the basis of BTL investment yield, Wales, the North East and Scotland also look promising. However, as rents are falling in Scotland (-1.4%) and hardly moving in the North East (+1.7%), it appears that of the three, investors will favour Wales where rents have risen 5.3% over the last year.

For more information on regional property market performance please see later in this report.



**Buy-to-Let is not dead. However, the various new tax rules recently imposed will mean astute investors will be incentivised to focus on locations that offer the best yields and rising rents.**



The counterpoint, of course, is that BTL investors stop investing in locations where yields fall below acceptable levels. Moreover, since Private Rented Sector investment constitutes a large and growing part of the market, their collective migratory investment preferences are capable of turning the fortunes of the property market on both a regional and a national level. The richest seams of BTL opportunity in most of London, the South East and the East of England have already been mined out over recent years and investors are looking elsewhere in the quest for yields on their capital. But who can blame them?

Home prices have been, are, and always will be underpinned by rents. Yields, be they dividends, interest on capital or rents, are always tied to the underlying investment. In today's near zero interest rate environment and volatile stock markets, unprecedented sums have been ploughed in to the property market in search of a decent return on capital. Why? Interest rates are set below the rate of inflation and stock markets are increasingly susceptible to shifts in economic and political policy. Those with capital to invest neither wish to watch it 'melt away' due to inflation or risk it on the modern, seemingly 'casino style' stock market.

In today's property market, it is investment (or lack of) in the PRS that ultimately will dictate the direction of the regional markets. Moreover, should the sector be further disincentivised, for example by more regulation or taxation, then we may see the whole market turn to the downside.

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



# UK Asking Prices

| Scotland                    | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£177,037</b> |
| Monthly % change            | -0.3%           |
| Annual % change             | 2.3%            |

| North East                  | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£154,185</b> |
| Monthly % change            | 0.1%            |
| Annual % change             | 0.8%            |

| Yorks & The Humber          | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£179,967</b> |
| Monthly % change            | 0.4%            |
| Annual % change             | 2.5%            |

| North West                  | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£187,776</b> |
| Monthly % change            | 0.6%            |
| Annual % change             | 4.1%            |

| West Midlands               | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£225,273</b> |
| Monthly % change            | 0.1%            |
| Annual % change             | 4.3%            |

| East Midlands               | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£213,016</b> |
| Monthly % change            | 0.5%            |
| Annual % change             | 4.9%            |

| East                        | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£348,651</b> |
| Monthly % change            | 1.9%            |
| Annual % change             | 9.9%            |

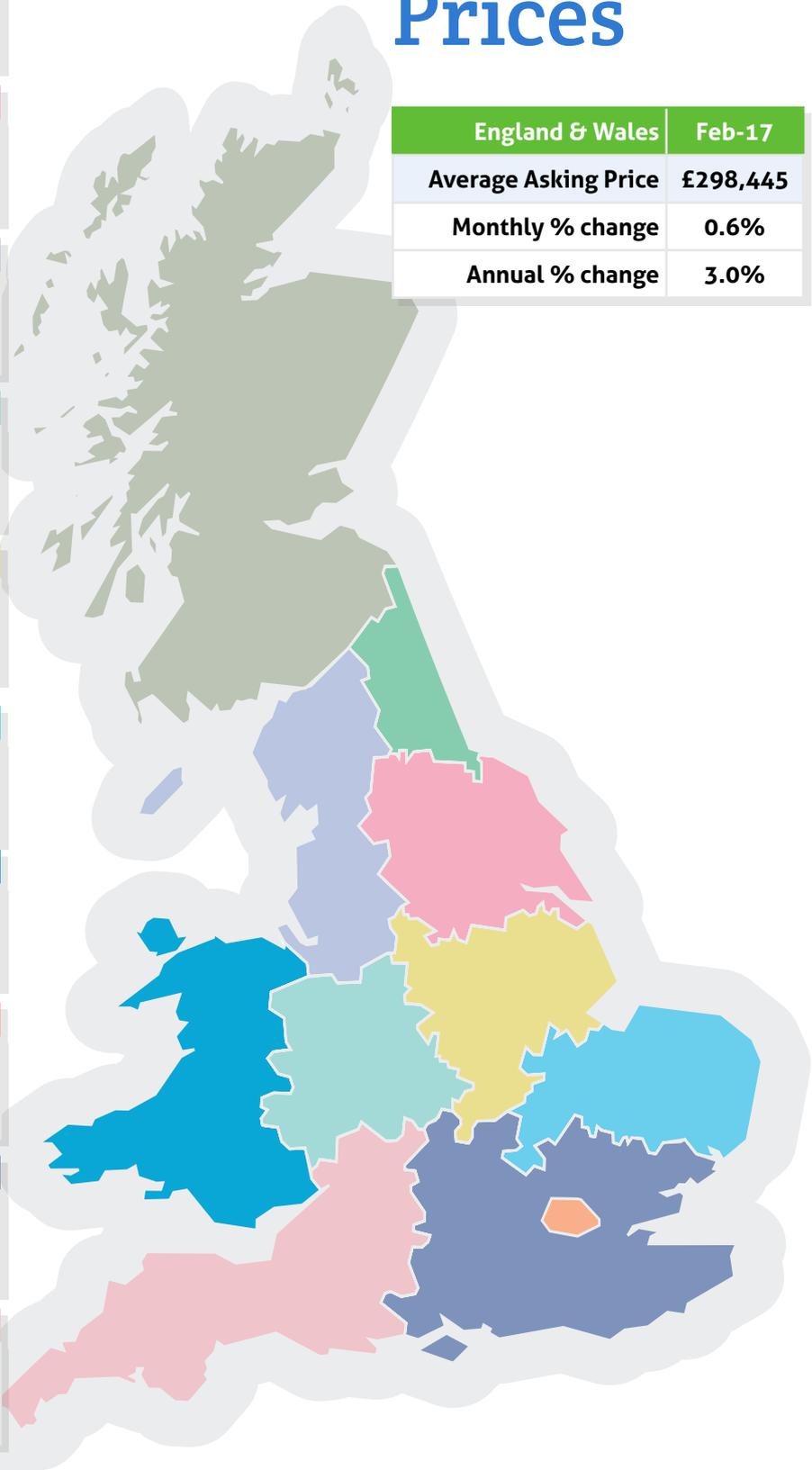
| Wales                       | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£184,594</b> |
| Monthly % change            | -0.2%           |
| Annual % change             | 1.1%            |

| Greater London              | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£538,548</b> |
| Monthly % change            | 0.1%            |
| Annual % change             | -1.2%           |

| South East                  | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£395,235</b> |
| Monthly % change            | 0.9%            |
| Annual % change             | 3.1%            |

| South West                  | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£309,157</b> |
| Monthly % change            | 0.4%            |
| Annual % change             | 4.5%            |

| England & Wales             | Feb-17          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£298,445</b> |
| <b>Monthly % change</b>     | <b>0.6%</b>     |
| <b>Annual % change</b>      | <b>3.0%</b>     |



Source: Home.co.uk, February 2017

# UK Time on Market

| Scotland                      | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>261</b> |
| Typical Time on Market        | 150        |
| Annual % supply change        | -12%       |

| North East                    | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>253</b> |
| Typical Time on Market        | 148        |
| Annual % supply change        | -7%        |

| Yorks & The Humber            | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>201</b> |
| Typical Time on Market        | 124        |
| Annual % supply change        | -10%       |

| North West                    | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>204</b> |
| Typical Time on Market        | 127        |
| Annual % supply change        | -9%        |

| West Midlands                 | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>161</b> |
| Typical Time on Market        | 101        |
| Annual % supply change        | -6%        |

| East Midlands                 | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>151</b> |
| Typical Time on Market        | 95         |
| Annual % supply change        | -5%        |

| East                          | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>118</b> |
| Typical Time on Market        | 78         |
| Annual % supply change        | 8%         |

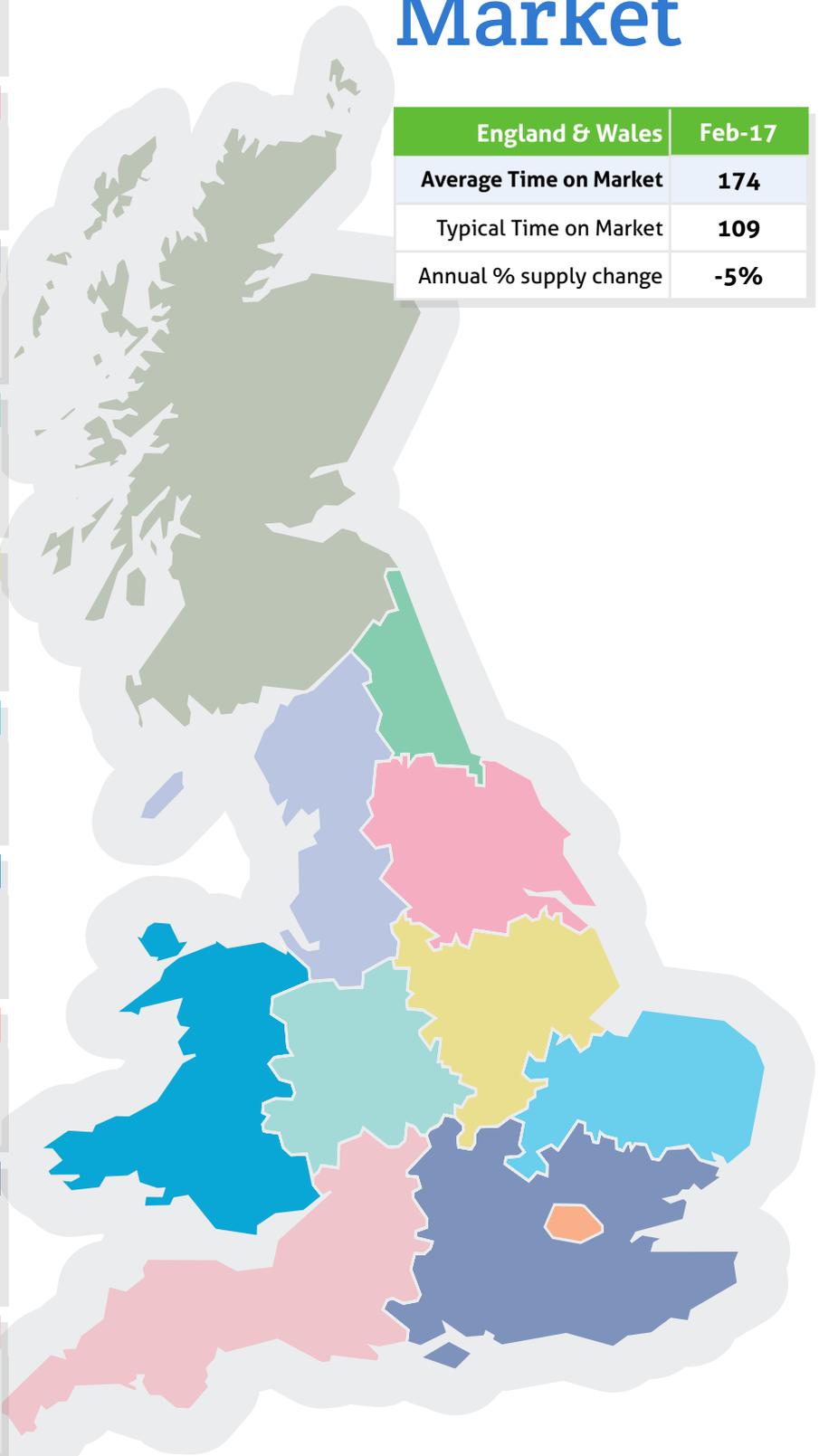
| Wales                         | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>248</b> |
| Typical Time on Market        | 155        |
| Annual % supply change        | -12%       |

| Greater London                | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>137</b> |
| Typical Time on Market        | 93         |
| Annual % supply change        | -5%        |

| South East                    | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>118</b> |
| Typical Time on Market        | 80         |
| Annual % supply change        | 4%         |

| South West                    | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>159</b> |
| Typical Time on Market        | 104        |
| Annual % supply change        | -10%       |

| England & Wales               | Feb-17     |
|-------------------------------|------------|
| <b>Average Time on Market</b> | <b>174</b> |
| Typical Time on Market        | <b>109</b> |
| Annual % supply change        | <b>-5%</b> |



Source: Home.co.uk, February 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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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](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 14<sup>th</sup> March
- Wednesday 12<sup>th</sup> April
- Thursday 11<sup>th</sup> May