

Home Prices Flatline as Supply Increases

Headlines

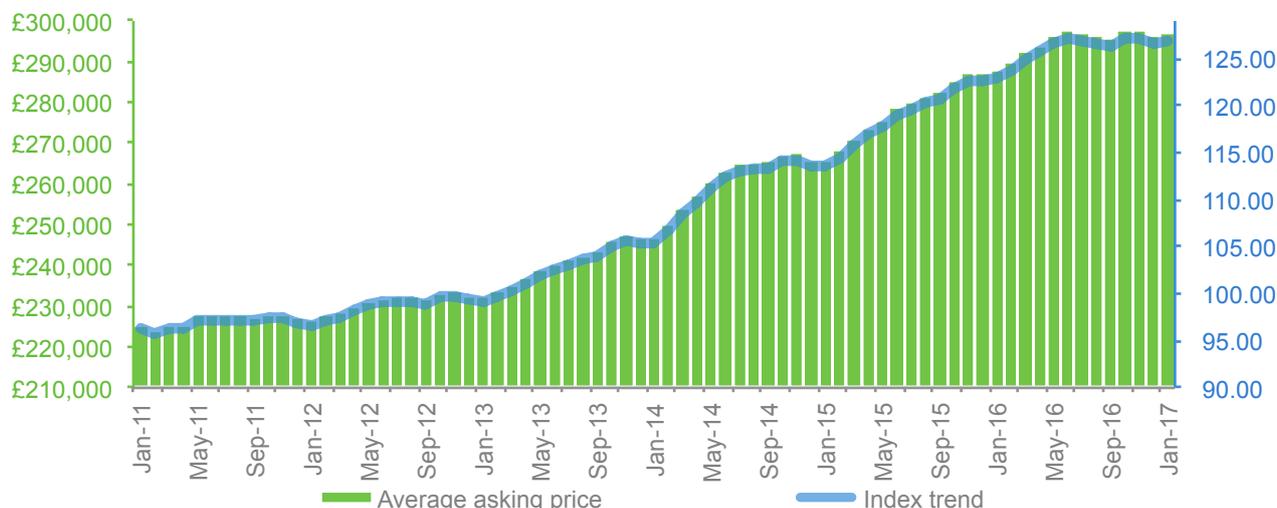
- Greater London slips further into negative territory with prices having lost 1.1% over the last year.
- The number of properties entering the market has increased in all regions with the largest rises in the East of England (+18%) and Scotland (23%) (Dec 16 vs. Dec 15).
- Average home price for England and Wales shows no significant change since last month's fall.
- Prices fell in three English regions and in both Wales and Scotland this month.
- Worst monthly falls were in the East of England (-0.6%) and Scotland (-1.1%).
- Typical Time on Market jumps up 16 days to 111 days over the last month across England and Wales.
- The overall rate of annualised home price appreciation for England and Wales drops to 3.1% (Jan 17 vs. Jan 16).
- The total stock of property on the market in England and Wales has slipped again but is 1.7% more than in January last year.
- Time on Market figures show London and the South East have slowed down considerably over the last year.

Summary

Overall price growth continues to fall as we commence 2017. The London market continues to decline and this is impacting negatively on the national average. However, not all regions registered average home price declines this month. The strongest rises are in the East Midlands (0.3%) and the North West (0.3%), although these figures were counterbalanced by falls in Scotland (-1.1%) and the East of England (-0.6%). A seasonal lull is, of course, to be expected at this time of year, but the rapidly declining year-on-year trend shows the real picture. In January 2016 the annualised rate of increase of home prices was 8.2%; today the same measure is a mere 3.1%.

The supply figures are telling. New instructions on the market were up across all English regions and in Scotland and Wales in December. The largest increases were in Scotland (+23%) and the East of England (+18%). The lowest supply figures were in the East Midlands (+5%), West Midlands (+6%) and the North East (+6%). This is a relatively rare event for vendors, who often prefer to defer the decision to sell until after the festive period. Such a 'rush to exit' may have been brought about by several factors, including

Home Asking Price Trend for England & Wales



Source: Home.co.uk, January 2017

the changes in buy-to-let taxation, overvaluation, fears of rising interest rates and falling prices.

Without doubt, the East of England was the UK's best performing region in 2016. Prices there have risen solidly for the last five years but this growth period looks to be coming to a close. Home prices have become seriously out of step with earnings (and rents), rising a further 10.2% over the course of the last twelve months. Prices in the region have risen by 44% during the last five years and rapidly increasing supply suggests that we should expect a slowdown during the course of 2017.

Overall, the current mix-adjusted average asking price for England and Wales is now 3.1% higher than it was in January 2016, and we envisage that this figure will continue to trend downwards during 2017.

2017: A Year of Correction?

'What goes up must come down' or so the saying goes. Ultra-low interest rates have served to add around another 50% to the home values in London and adjacent regions over the last five years or so. Mortgage interest rates can't really go down any further from their record lows so is a painful correction in house prices imminent?

The UK property market remains highly diverse from region to region. The North East, for example, has yet to experience any sort of meaningful recovery. Prices there have hardly budged over the last five years, increasing just 2.5%. Bearing that in mind, a 'correction' looks rather unlikely. However, any region where prices rose too high too quickly runs the risk of price deflation. London is already suffering this fate and the South East and later the East of England look set to follow.

That said, 2017 is likely to be a mixed picture, with the East and West Midlands, who are still both in the growth phase, adding positive values to the national average. However, their gains are unlikely to change the overall direction of the price growth curve.

Regional Market Round-up

Looking at the regional level we can see clearly that the tables have turned. No longer is London storming ahead with blistering price rises. In fact the opposite is true. Prices are in retreat in the capital region and the market in the South East is also slowing rapidly. Meanwhile, it is the East and West Midlands that are the new shining stars of the UK property market.

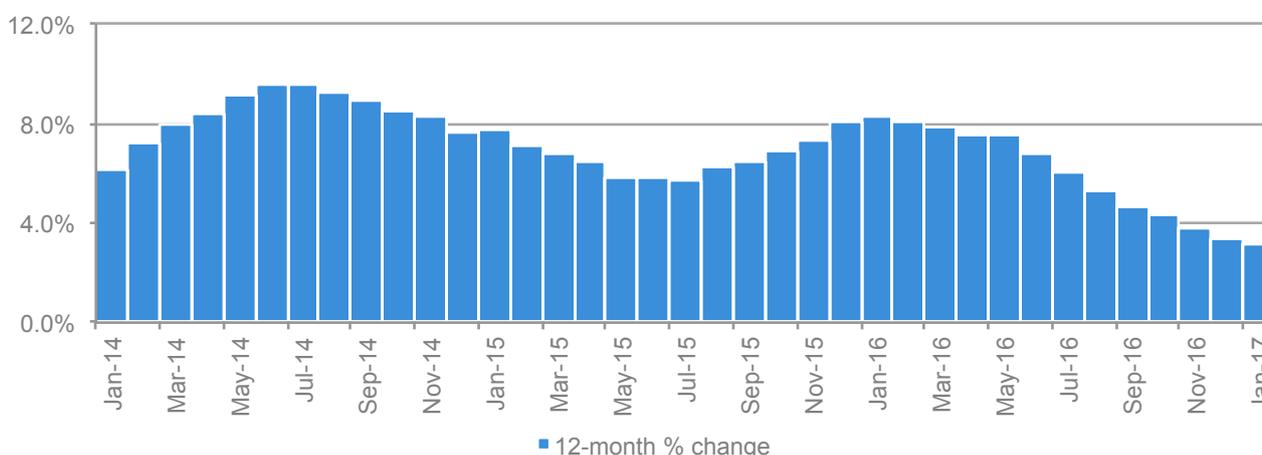
Both of these markets gained momentum in 2016 (Typical Time on Market reductions of 11% and 12% respectively) and prices are firmly on the rise. Moreover, these regions continue to enjoy low supply and this will keep prices rising throughout 2017.

Yorkshire and the North West have also shown considerable improvements in marketing times over the course of 2016. Corresponding price rises have so far been moderate but may well pick up through 2017 as buy-to-let investors seek the better yields to be found in the North.

The South West and Scotland have both shown solid price performance in 2016 (up 4.6% and 5% respectively). Marketing times have also improved, typically down six days in the South West and four days in Scotland (Jan 2017 vs. Jan 2016).

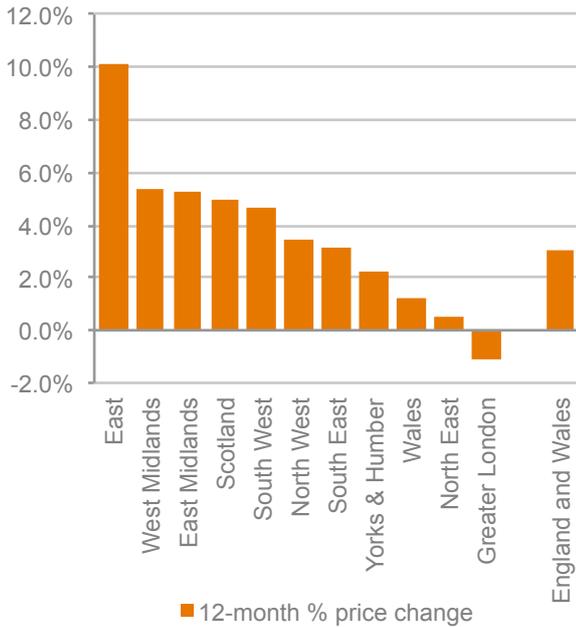
The East of England had enjoyed the highest price increases of any region over the course of 2016 but rising supply and sky-high pricing suggest strongly that the intense rally there is finally coming to an end after five years of growth.

Year-on-Year Price Growth Trend (Mix adjusted average for England and Wales)



Source: Home.co.uk, January 2017

Asking Price Change by Region

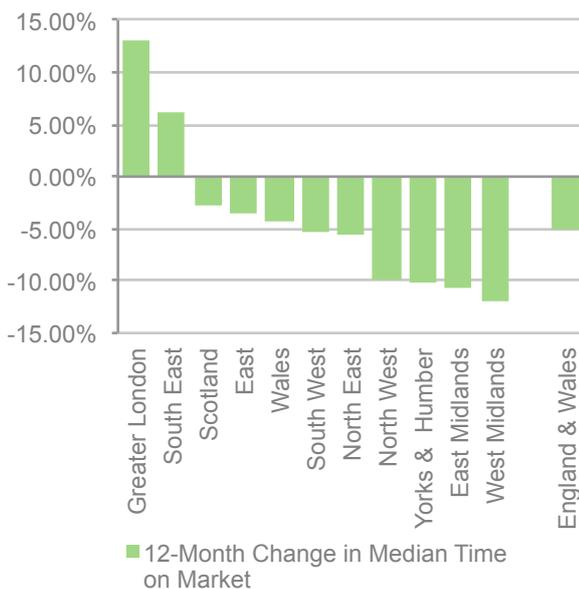


Source: Home.co.uk, January 2017

At the other end of the spectrum, Wales and the North East continue to have the longest marketing times and stagnating prices (at or below the rate of inflation). 2017 may show improvements in these property markets as investors look for better rental yields; however, at present it appears unlikely that price rises will exceed the national average.

For more information on regional property market performance please see pages 4 and 5 of this report.

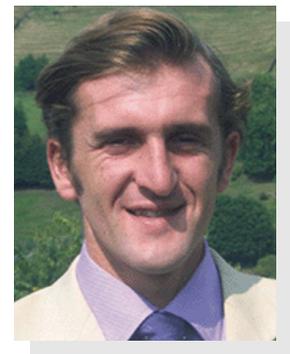
Change in Typical Time on Market by Region



Source: Home.co.uk, January 2017



2017 looks set to be a year of mixed fortunes for the UK property market. Sentiment has clearly shifted to the downside.



Nationally, year-on-year price rises are trending towards zero and, given the recent hike in inflation, we may be there already in real terms. Of course, we should not be surprised by this turn of events. Prices in Greater London rocketed by 57% over the last five years, completely out of step with earnings or the real economy. Over the same period, prices in the South East and the East of England shot up by an equally unsustainable 38% and 44% respectively. Rapidly rising supply in these regions confirms that the cycle is complete and the 'fat lady has sung'.

So 2017 will be a year wherein London and the Home Counties are subdued while the Midlands add to the growth they have enjoyed over the course of 2016. The Midlands show considerable vitality, as evidenced by their improved marketing times, and will continue to prosper this year. The North West is also a much improved market. Yields there are much better overall than in London and the South East and this will attract further investment in the rental market.

At the same time, it is interesting to note figures just out from the Halifax claiming that house prices have risen 6.5% annually. These figures seem ludicrous in the current climate and one wonders which sector of the market they are actually measuring? In fairness, asking prices, as measured by this index, tend to be several months ahead of mortgage approval data and even more ahead of the Land Registry figures. Even so, the last time we reported price increases of that magnitude was back in July 2016.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Jan-17
Average Asking Price	£177,516
Monthly % change	-1.1%
Annual % change	5.0%

North East	Jan-17
Average Asking Price	£154,101
Monthly % change	0.2%
Annual % change	0.5%

Yorks & The Humber	Jan-17
Average Asking Price	£179,274
Monthly % change	-0.1%
Annual % change	2.2%

North West	Jan-17
Average Asking Price	£186,689
Monthly % change	0.3%
Annual % change	3.5%

West Midlands	Jan-17
Average Asking Price	£225,016
Monthly % change	0.2%
Annual % change	5.3%

East Midlands	Jan-17
Average Asking Price	£212,029
Monthly % change	0.3%
Annual % change	5.2%

East	Jan-17
Average Asking Price	£342,086
Monthly % change	-0.6%
Annual % change	10.2%

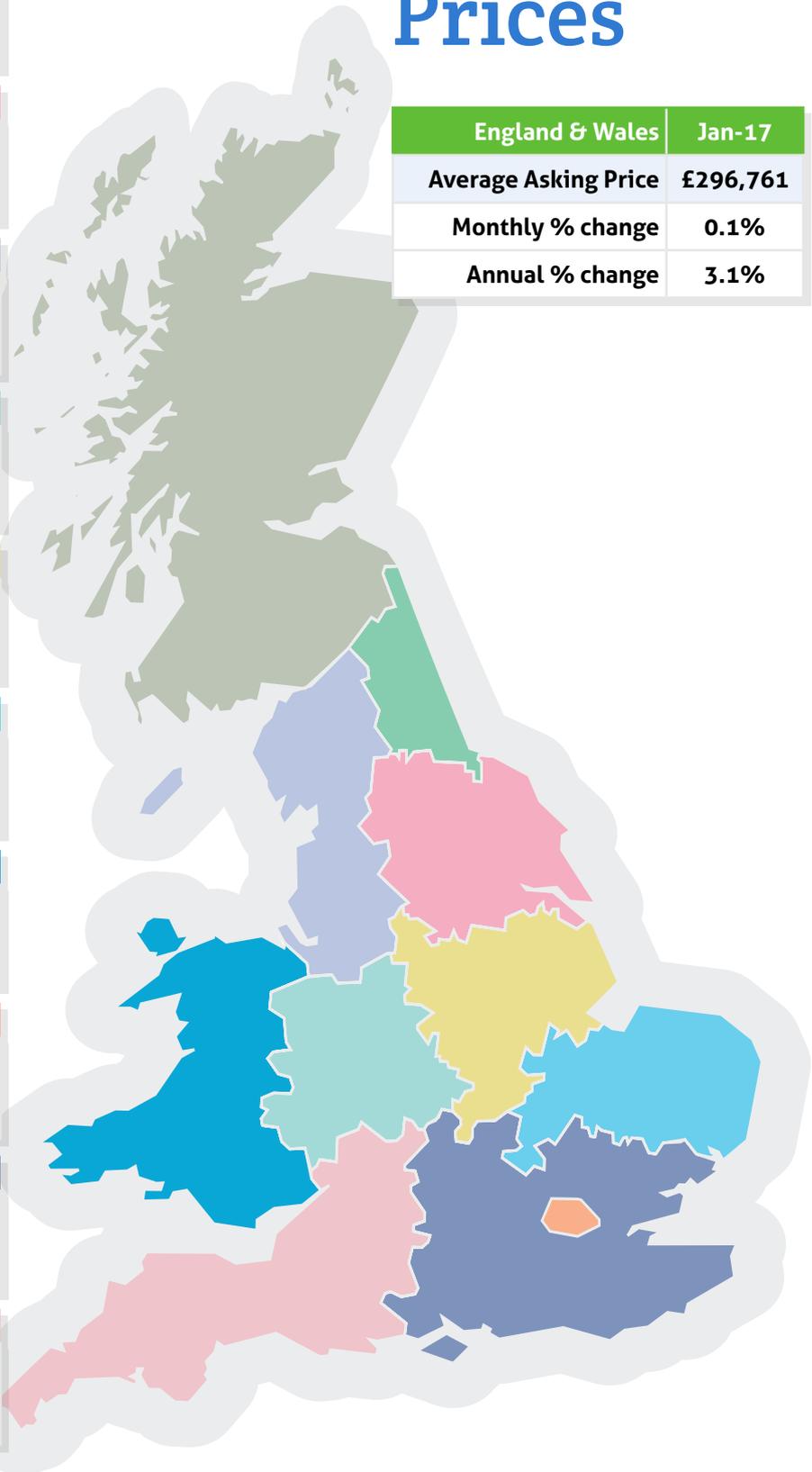
Wales	Jan-17
Average Asking Price	£184,954
Monthly % change	0.0%
Annual % change	1.3%

Greater London	Jan-17
Average Asking Price	£538,074
Monthly % change	0.2%
Annual % change	-1.1%

South East	Jan-17
Average Asking Price	£391,743
Monthly % change	0.1%
Annual % change	3.2%

South West	Jan-17
Average Asking Price	£307,859
Monthly % change	-0.1%
Annual % change	4.6%

England & Wales	Jan-17
Average Asking Price	£296,761
Monthly % change	0.1%
Annual % change	3.1%



Source: Home.co.uk, January 2017

UK Time on Market

Scotland	Jan-17
Average Time on Market	258
Typical Time on Market	145
Annual % supply change	23%

North East	Jan-17
Average Time on Market	258
Typical Time on Market	150
Annual % supply change	6%

Yorks & The Humber	Jan-17
Average Time on Market	207
Typical Time on Market	124
Annual % supply change	10%

North West	Jan-17
Average Time on Market	210
Typical Time on Market	128
Annual % supply change	10%

West Midlands	Jan-17
Average Time on Market	171
Typical Time on Market	104
Annual % supply change	6%

East Midlands	Jan-17
Average Time on Market	160
Typical Time on Market	101
Annual % supply change	5%

East	Jan-17
Average Time on Market	126
Typical Time on Market	84
Annual % supply change	18%

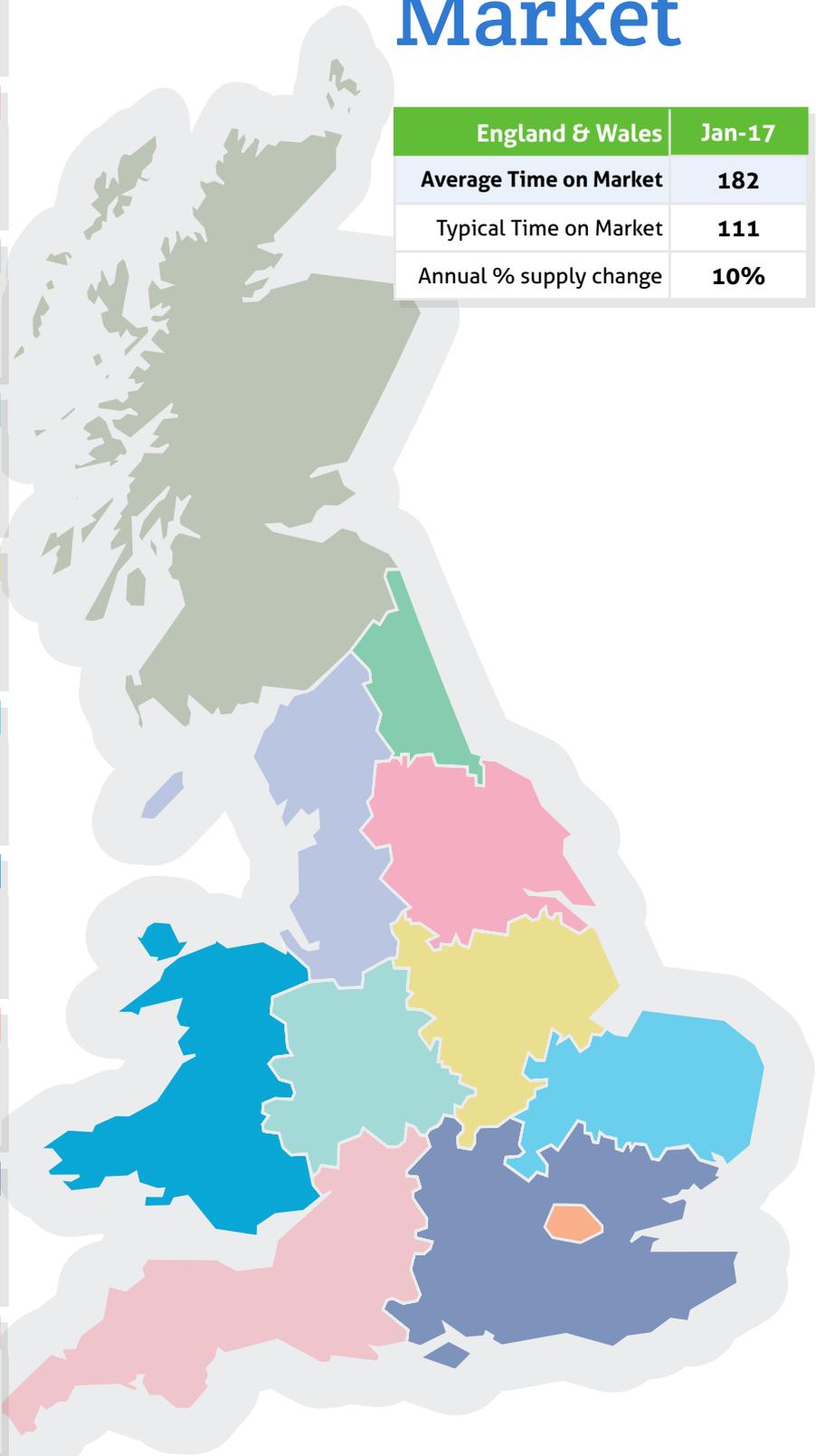
Wales	Jan-17
Average Time on Market	252
Typical Time on Market	155
Annual % supply change	7%

Greater London	Jan-17
Average Time on Market	145
Typical Time on Market	96
Annual % supply change	9%

South East	Jan-17
Average Time on Market	125
Typical Time on Market	85
Annual % supply change	12%

South West	Jan-17
Average Time on Market	169
Typical Time on Market	108
Annual % supply change	7%

England & Wales	Jan-17
Average Time on Market	182
Typical Time on Market	111
Annual % supply change	10%



Source: Home.co.uk, January 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:

- Tuesday 14th February
- Tuesday 14th March
- Wednesday 12th April