

Home Prices Hit 5-Year High

Headlines

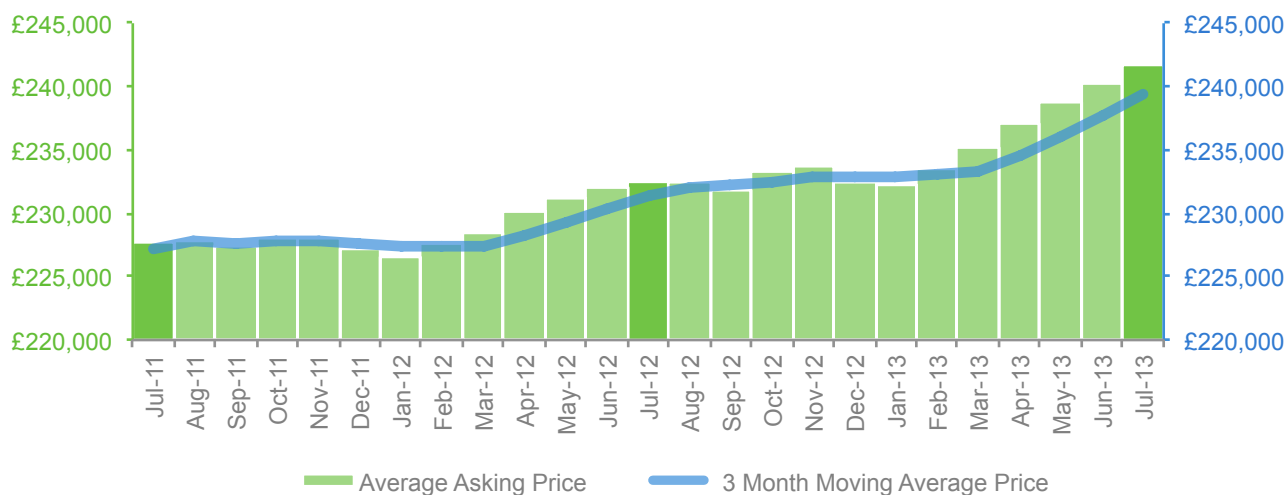
- Average asking prices across England and Wales are now at their highest point since July 2008
- A further 0.6% rise in the last month has pushed annual house price inflation to 4.0%, the highest annualised increase since March 2008
- All areas of the UK recorded price rises in the last month, save for Yorkshire and Scotland
- Overall, the number of properties entering the market is only slightly down (-4.4%) on last year
- The volume of new properties entering the Greater London market was 22% lower last month (vs. June 2012), fuelling an increasingly fierce rate of home price inflation (now at 9.5%)

Summary

The mix adjusted average asking price for homes in England and Wales is now £241,710, a rise of 4.0% on July 2012. Following steady monthly growth in 2013, average house prices are now at their highest level since July 2008, providing a further boost in vendor confidence. The regional picture remains very diverse. London prices continue to soar at more than twice the rate of any other region. Price growth is now being recorded across most areas of the UK, although the Northern regions, Wales and Scotland continue to exhibit the poorest performance. The worst performer over the last 12 months is the North West which experienced a price fall of 0.2%.

The volume of new properties entering the market last month was down 4.4% overall on June 2012, although it should be noted that stock trends do vary considerably across the country. At one end of the scale, new stock in the Midlands, Yorkshire and the North East has risen compared to last year and this will serve to suppress price growth. At the other extreme, annual price rises in Greater London are being driven by a 22% fall in new stock compared to last year.

Price trend



Source: Home.co.uk, July 2013

Averages Prices Hit a 5-Year High

Annual price growth has now been recorded for 20 consecutive months. A rise of 4.0% over the past 12 months now places the average asking price of a home in England and Wales at a 5-year high. The current average home price of £241,710 is just £4,441 lower than the peak price recorded in August 2007. Should economic conditions continue to gradually improve, thus maintaining the current rates of house price growth, the 2007 peak may well be surpassed before the end of 2013.

However, the stark reality is that the national property market has become highly polarised since the banking crisis. Over the last five years, Greater London prices have increased 8.5% whilst the average price in Wales, the North West and Scotland have fallen by 8.3%, 8.6% and 8.9% respectively and, consequently, many homeowners will still be in negative equity. Clearly, owing to the current slow rates of price growth in the poorer performing regions, it is likely to be several years before prices return to their peak values in the aforementioned areas.

Vendor Confidence Boosted

The current market conditions will continue to boost the confidence of active vendors and those considering placing their property on the market. Supply-demand balance continues to work in their favour across many areas of the country. The current total volume of sales stock across the country is 12.4% less than in July last year. Moreover, sellers are being tougher on pricing as evidenced by a sharp fall in the number of price reductions (down 17% year-on-year). Vendors will be further encouraged by the fact that the average time on market for England and Wales has fallen by four more days to 208.

Additionally, the average time on market for unsold property appears to be defying the normal seasonal trends. At this time of year, median marketing times normally begin rising steadily. However, increasing market momentum has meant that eight of the 11 areas of the UK actually recorded further falls in this time on market metric. Even the North East, which currently suffers the longest marketing times, fell by 28 days; vendors there will be hoping that this downward trend continues and stock begins to flow through the local market at a less glacial pace.

London Market Pulls Away

A further monthly rise of 0.7% for home prices in the capital pulls Greater London further ahead of the rest of the country. Average prices have risen 7.6% in the last six months alone and they now stand 9.5% higher than in July 2012. These prices are no doubt being fuelled by both investors and high demand to live in the region. The extremely low volume of sales property entering estate agents' portfolios makes it firmly a seller's market. Buyers' choice is severely restricted. A 22% shortfall in new stock compared to last year is making competition for good quality stock in the most sought-after areas truly intense. In June 2007, potential buyers in Greater London could choose from three times more newly marketed properties than they could in June 2013.



Glance at the headline property metrics and anyone could be fooled into thinking that the wider UK economy was booming.



The reality is that, whilst there are areas showing great improvement and even some showing signs of overheating (Greater London), there are also several very poorly performing regional markets. The wider economy remains very fragile (industrial and manufacturing output is declining and faster than expected) and yet the property market continues to be used by the media to define the wider economic health of the nation. Buy-to-let may well be booming but do the tenants have jobs? Government stimulus and bank bailouts seem to have saved the UK property market but attention must now be turned to jobs and reducing government debt.

First-time buyers are, and always have been, the life blood of the property market. Buy-to-let landlords may be filling the gap for the moment but, ultimately, this trend will lead to fewer next-time buyers and much fewer transactions. Wannabe first-time buyers need jobs and job security. The difficulties facing first-time buyers are onerous. Mortgage lenders seemingly favour the buy-to-let sector and, owing to rising living costs, their ability to save a substantial deposit remains an enormous challenge. Very low interest rates for saving accounts and severe pressure on their disposable incomes place them in a very difficult situation.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	June-13
Average Asking Price	£162,012
Monthly % change	-0.5%
Annual % change	1.0%

North East	June-13
Average Asking Price	£153,328
Monthly % change	0.3%
Annual % change	0.7%

Yorks & The Humber	June-13
Average Asking Price	£169,421
Monthly % change	-0.2%
Annual % change	0.4%

North West	June-13
Average Asking Price	£173,109
Monthly % change	0.1%
Annual % change	-0.2%

West Midlands	June-13
Average Asking Price	£194,123
Monthly % change	0.3%
Annual % change	3.0%

East Midlands	June-13
Average Asking Price	£179,569
Monthly % change	0.7%
Annual % change	2.4%

East	June-13
Average Asking Price	£256,292
Monthly % change	0.3%
Annual % change	2.6%

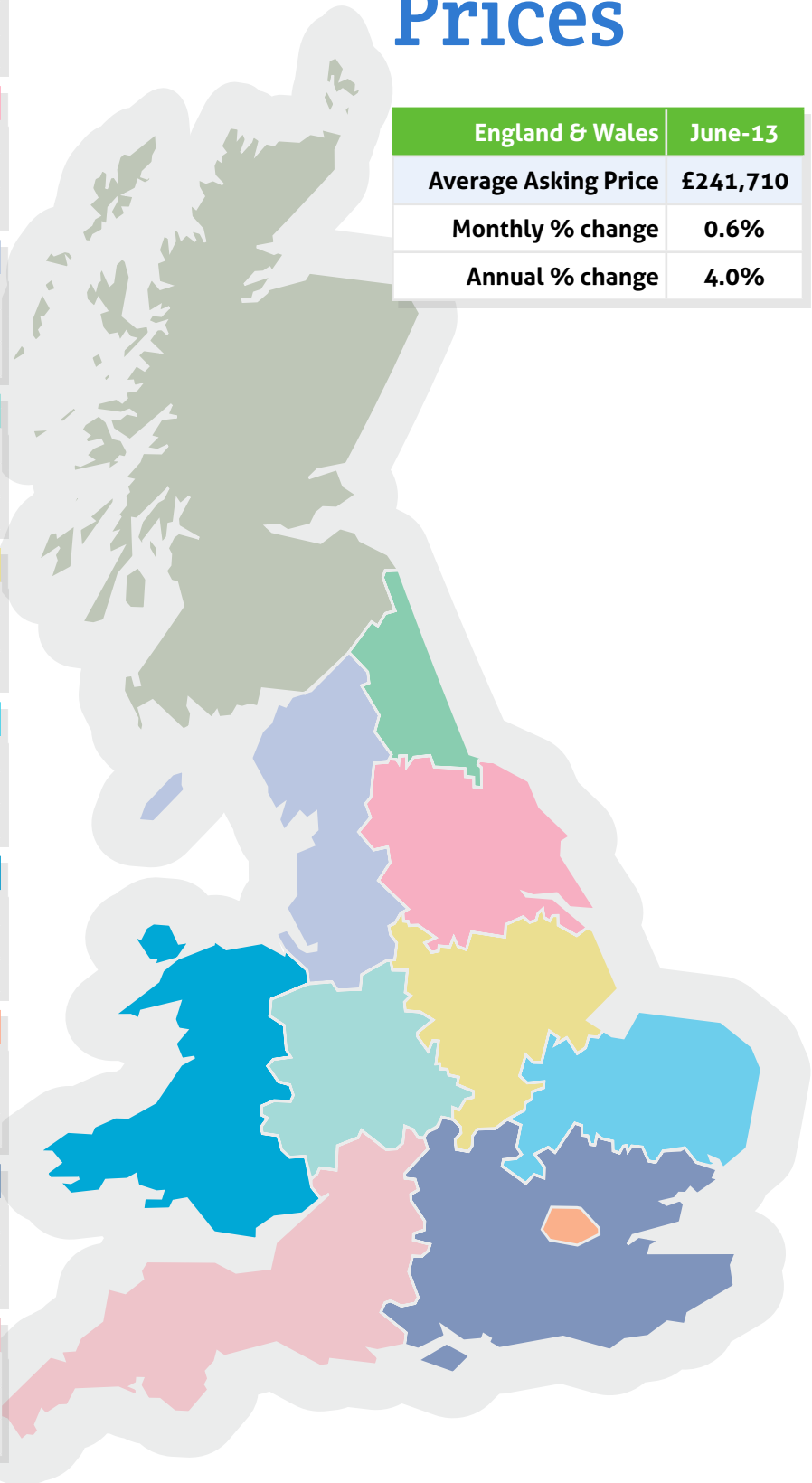
Wales	June-13
Average Asking Price	£175,977
Monthly % change	0.6%
Annual % change	1.2%

Greater London	June-13
Average Asking Price	£386,767
Monthly % change	1.5%
Annual % change	9.5%

South East	June-13
Average Asking Price	£310,031
Monthly % change	0.5%
Annual % change	4.5%

South West	June-13
Average Asking Price	£263,986
Monthly % change	0.5%
Annual % change	3.5%

England & Wales	June-13
Average Asking Price	£241,710
Monthly % change	0.6%
Annual % change	4.0%



Source: Home.co.uk, July 2013

The Greater London Property Drought

The extent of the growing housing crisis in the UK is often debated amongst political parties and in the media. Whilst the situation is being felt across the country, the crisis is most prevalent within the 32 boroughs of Greater London that are now home to almost eight million people and counting. The relentless demand to live and work in the region is one factor but this is compounded by the severe shortage of property being built and fewer numbers of existing stock being placed on the market.

In the first six months of 2013, almost 65,500 homes were put on the sales market. This may sound like a considerable number but, just three years ago, the volume of property on the London market in the first six months of 2010 was close to 87,400 properties. Since then, seasonal peaks and troughs aside, the flow of new property to the sales market has been in gradual free fall and, by June 2013, supply has contracted by 40% over three years to just shy of 10,500 homes. Looking back further, over the last six years, supply has contracted by a staggering 67% in the Greater London area.

Economic uncertainty, lending restrictions, low new build completion rates and overseas buyers have all played their part in restricting stock in recent years. However, the current situation is merely a function of investors' quest for both yield and security. The average monthly rent for a London home now stands at over £2,400. If one couples that with a monthly rise in the underlying value of the property by around

10% per annum, then the investor is presented with a highly attractive proposition.

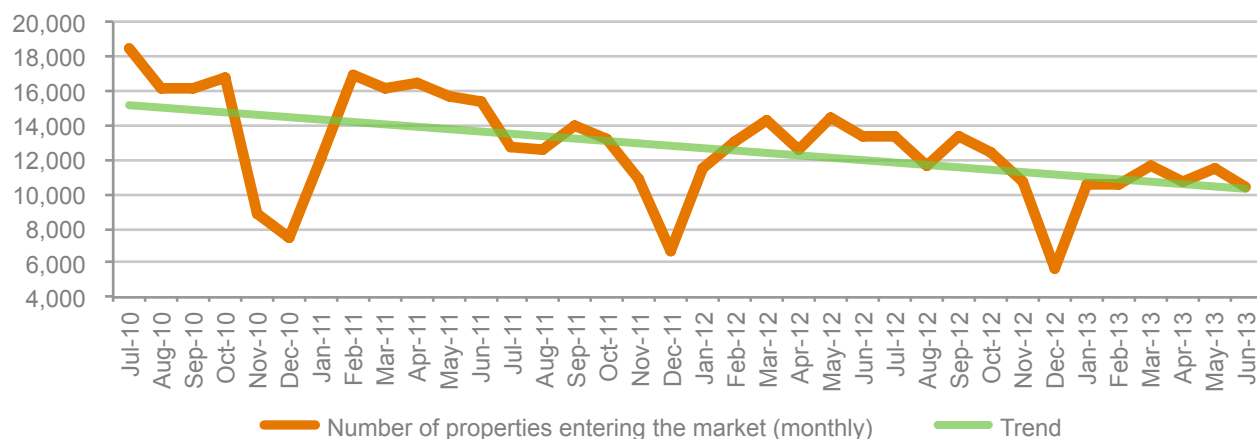
Doug Shephard, director at Home.co.uk, commented:

"Home price rises in and around London seem to be relentless. Affordability issues for equity holders, let alone first-time buyers, are growing and hinder attempts to move. Consequently, the capital finds itself in a bizarre situation: market prices are showing signs of overheating but, despite this, they are being further inflated by the severe drought in property stock – the characteristics of a classic investment bubble."

Given the market conditions, it is no surprise that London homeowners are increasingly looking to let their existing home and then rent an alternative property, often outside of the region. This so-called 'double renting' can obviously help homeowners access a different lifestyle yet it places even more pressure on the stock of properties for sale.

As the number of new builds under construction in the capital continues to fall behind government targets with no major turnaround in sight, the emphasis must be on creating the right economic and market conditions that give potential vendors enough incentive to return to the London market in significant volumes. Economic theory suggests that incentive to divest will only come from either better performing investments aside from London property or, much worse, a bust."

Graph: Supply of Property for Sale in Greater London



Source: Home.co.uk, July 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

- For media enquiries please contact: Andrew Smith
andrew.smith@home.co.uk
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:

- Tuesday 13th August
- Thursday 12th September
- Tuesday 15th October