

Brexit Ends 19-Month House Price Rally

Headlines

- Britain's post-crisis success story ends in fear as home prices drop after Brexit.
- Brexit woes pop the London bubble as prices slide 1.1% in just one month.
- Prices fell in four English regions and Scotland, making the overall mix-adjusted average asking price drop 0.2% since last month.
- Supply of property increases in the key regions of London (+6%), East of England (+7%) and the South East (+4%).
- Typical Time on Market edges up another two days to 82 days over the last month across England and Wales: still six days less than in July 2015.
- The average annualised rate of home price appreciation for England and Wales slips further to 6.1%.
- The total stock of property on the market edges up again but is still 5.2% less than in July last year.

Summary

Confidence among sellers has been seriously dampened by the outcome of the Brexit vote. London prices, which were already looking the most overvalued, have been hit the hardest, falling 1.1% in just one month (which equates to around £6K less for the average home in the region). The average house price in the South East also slipped 0.2% during the last month, but the biggest drop outside London was in the North East (-0.7%). This fall comes as a serious blow to a region that was just showing the first signs of genuine recovery since the financial crisis sent the market into a downward spiral.

However, several English regions and Wales still indicate price growth. The East Midlands rose the most (0.7%) over the last month, followed by the North West (0.4%), Wales (0.4%), Yorkshire (0.3%), the West Midlands (0.2%) and the East of England (0.1%). As the Brexit vote is only about two weeks old, we may well see these figures turn negative next month.

Whilst the key drivers of lack of supply and cheap credit remain, uncertainty brought about by the Brexit vote is undermining the property market. Investors are justifiably concerned. Capital inflows into UK commercial property have already dropped by 50% over the last quarter, according to the Bank of England, and Barclays Plc has recently downgraded UK homebuilders. Moreover, according to the financial news agency Bloomberg, the FTSE 350 Real Estate Investment Trust has fallen 19% since the vote, and the Bloomberg UK Homebuilder Index has slumped 35%. The confidence in the marketplace that took years to restore after the fall of Lehman Brothers has simply evaporated post-Brexit.

Overall, the current mix-adjusted average asking price for England and Wales is now 6.1% higher than it was in July 2015, and we predict this figure will tend towards 0% over the coming months.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, July 2016

Regional Market Round-up

The fallout from the Brexit vote looks set to cut short the price rallies of several regions; prevent a recovery in the North; and make the inevitable correction for London and the South East deeper and more painful.

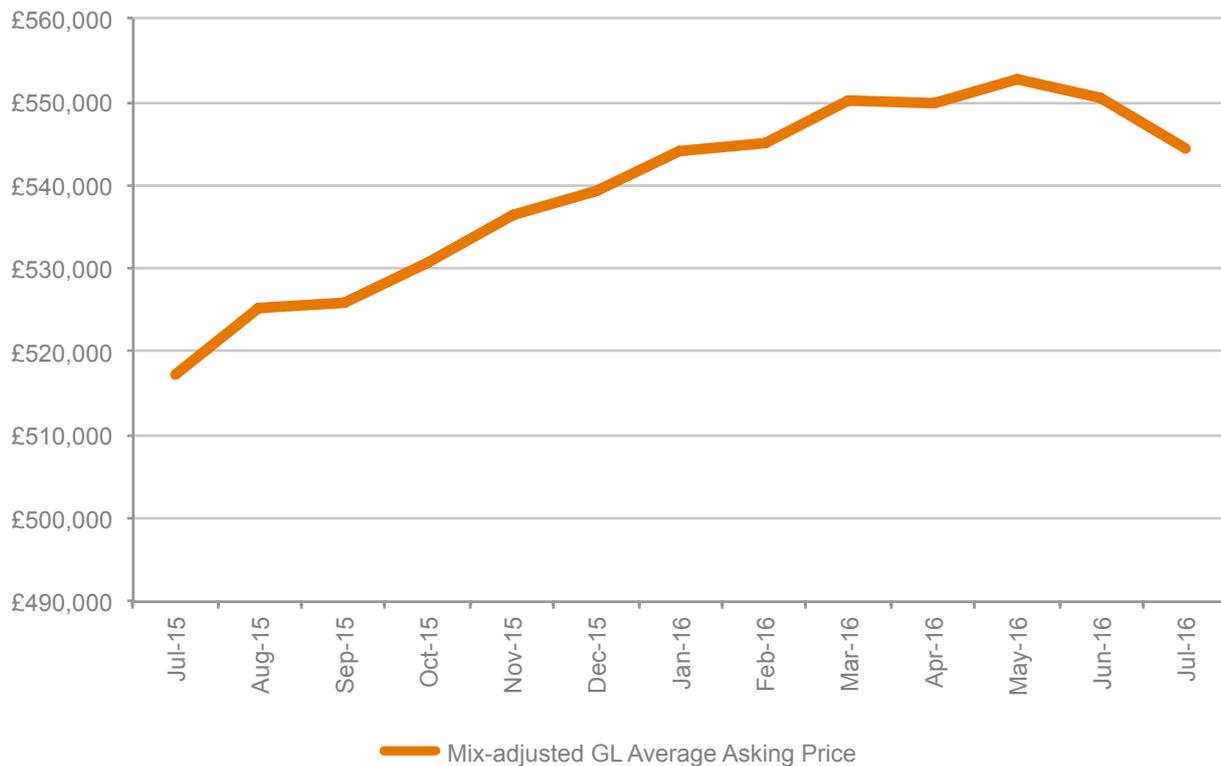
Greater London home prices had already started to dip under the burden of sky-high valuations, and Brexit uncertainty has served to worsen the decline. Supply is on the increase and the Typical Time on Market is now showing the highest July figure for three years (68 days). The boom in the South East may also be coming to an end and entering a 'corrective' phase exacerbated by spooked investors. Prices in the region slipped 0.2% over the last month and our

indicators show that supply is increasing, which will put further downward pressure on prices over the coming months.

Pre-Brexit, the East and West Midlands showed considerable potential for capital growth. The current fear and uncertainty will likely stymie such prospects. In the light of the referendum result, we revise our prediction of 10% growth per annum for these regions down to 2%.

The South West also looked set to become one of the next regional hotspots; however, Brexit and a falling London market will hamper this region's growth as retirees find it more difficult to sell in the capital and transfer their equity to the region. Prices slipped 0.1% over the last month but are 5.3% higher than in July last year.

Greater London Home Price Trend



Source: Home.co.uk, July 2016

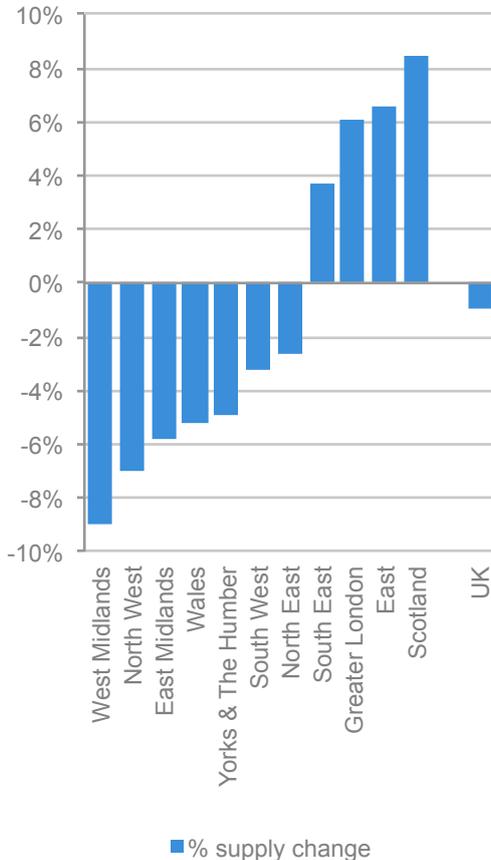
Meanwhile, in the North East, where we were reporting signs of genuine recovery, prices have dropped back by 0.7% over the last month, making the entire price appreciation for the last 12 months just 0.8%.

There has been a discernible shift in regional supply dynamics. The number of properties entering the market has increased significantly in Scotland, London and the Home Counties. This data serves to suggest that the property booms in these regions are either over or coming to a close.

In the other regions, supply shortages are lessening. This is likely to curtail further price rises as demand (as indicated by an inverse correlation with Typical Time on Market) is falling in all regions with the exception of, for the time being, Yorkshire and Wales.

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

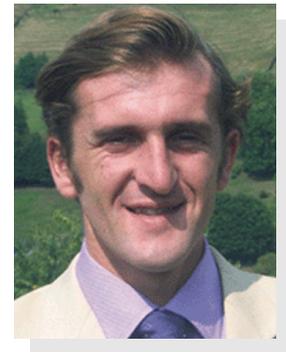
Supply Change of Property for Sale by Region (June 2016 vs. June 2015)



Source: Home.co.uk, July 2016



It is too early to fully appreciate the Brexit fallout for the UK property market but the initial indications are certainly worrying.



The foreign exchange markets and stock exchanges reacted quickly, sending the pound's value downwards; the share values of homebuilders down dramatically; and, as this Index shows, the value of residential property in the UK is also now falling.

The referendum result has certainly unnerved many investors, so much so that seven commercial property investment funds have been closed and the Financial Conduct Authority forced to step in with guidance. Residential property investment has also been hit, with homebuilders losing over 30% of their share value.

The Bank of England has responded by allowing banks to lower their capital requirements in an attempt to smooth the path for lending through a difficult time. Whilst this is intended to head off another credit crunch, the downside is that lenders will become overleveraged and vulnerable to drops in asset prices (such as property).

The Bank of England is also concerned about household indebtedness. Increasing expectations for a recession in the UK economy will likely lead to a weaker employment situation and weaker income growth, and thus affect the ability of some households to service their debt. The BOE says that such a situation would lead consumers to cut back their spending sharply. For this reason, as well as the heavy impact of uncertainty on business investment, spending - which is already falling - will be cut back further.

Expect both consumer and investment decisions to be delayed until there is somewhat less uncertainty about future prospects for the UK economy; unfortunately, however, uncertainty looks set to remain for some time. While continued weakness in the pound should help the exports of some companies, we cannot export our houses.

Until last month, the property market had been functioning well and was helping to shore up the fragile UK economy. Brexit just knocked off one of the wheels.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

| Scotland | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £178,721 |
| Monthly % change | -0.2% |
| Annual % change | 6.6% |

| North East | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £154,437 |
| Monthly % change | -0.7% |
| Annual % change | 0.8% |

| Yorks & The Humber | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £181,844 |
| Monthly % change | 0.3% |
| Annual % change | 3.5% |

| North West | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £185,861 |
| Monthly % change | 0.4% |
| Annual % change | 3.6% |

| West Midlands | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £223,747 |
| Monthly % change | 0.2% |
| Annual % change | 6.7% |

| East Midlands | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £209,699 |
| Monthly % change | 0.7% |
| Annual % change | 5.8% |

| East | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £336,547 |
| Monthly % change | 0.1% |
| Annual % change | 13.3% |

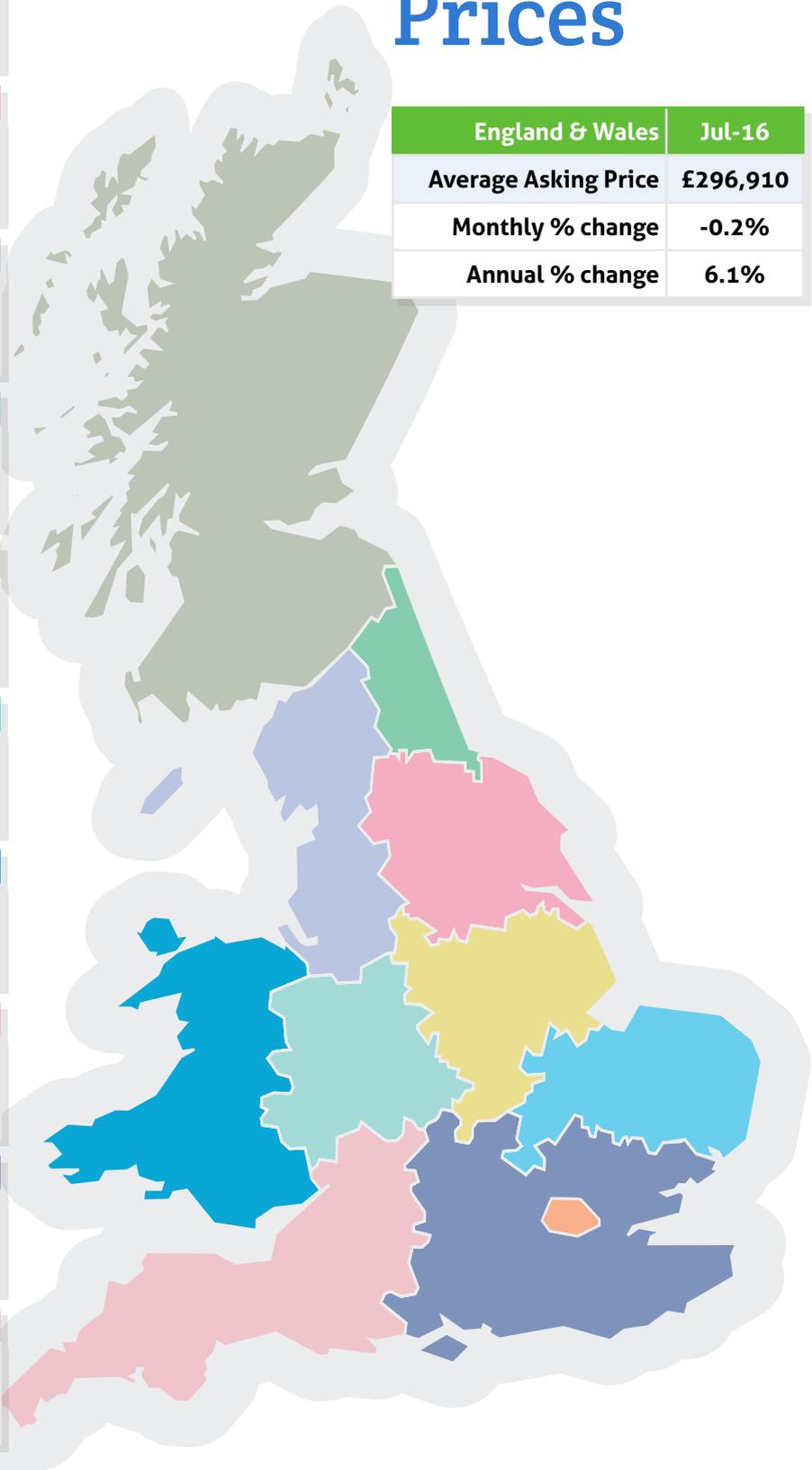
| Wales | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £185,617 |
| Monthly % change | 0.4% |
| Annual % change | 1.3% |

| Greater London | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £544,461 |
| Monthly % change | -1.1% |
| Annual % change | 5.3% |

| South East | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £392,872 |
| Monthly % change | -0.2% |
| Annual % change | 6.9% |

| South West | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £305,644 |
| Monthly % change | -0.1% |
| Annual % change | 5.3% |

| England & Wales | Jul-16 |
|-----------------------------|-----------------|
| Average Asking Price | £296,910 |
| Monthly % change | -0.2% |
| Annual % change | 6.1% |



Source: Home.co.uk, July 2016

UK Time on Market

| Scotland | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 209 |
| Typical Time on Market | 88 |
| Annual % supply change | 8% |

| North East | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 235 |
| Typical Time on Market | 117 |
| Annual % supply change | -3% |

| Yorks & The Humber | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 183 |
| Typical Time on Market | 91 |
| Annual % supply change | -5% |

| North West | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 190 |
| Typical Time on Market | 99 |
| Annual % supply change | -7% |

| West Midlands | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 149 |
| Typical Time on Market | 77 |
| Annual % supply change | -9% |

| East Midlands | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 139 |
| Typical Time on Market | 75 |
| Annual % supply change | -6% |

| East | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 103 |
| Typical Time on Market | 56 |
| Annual % supply change | 7% |

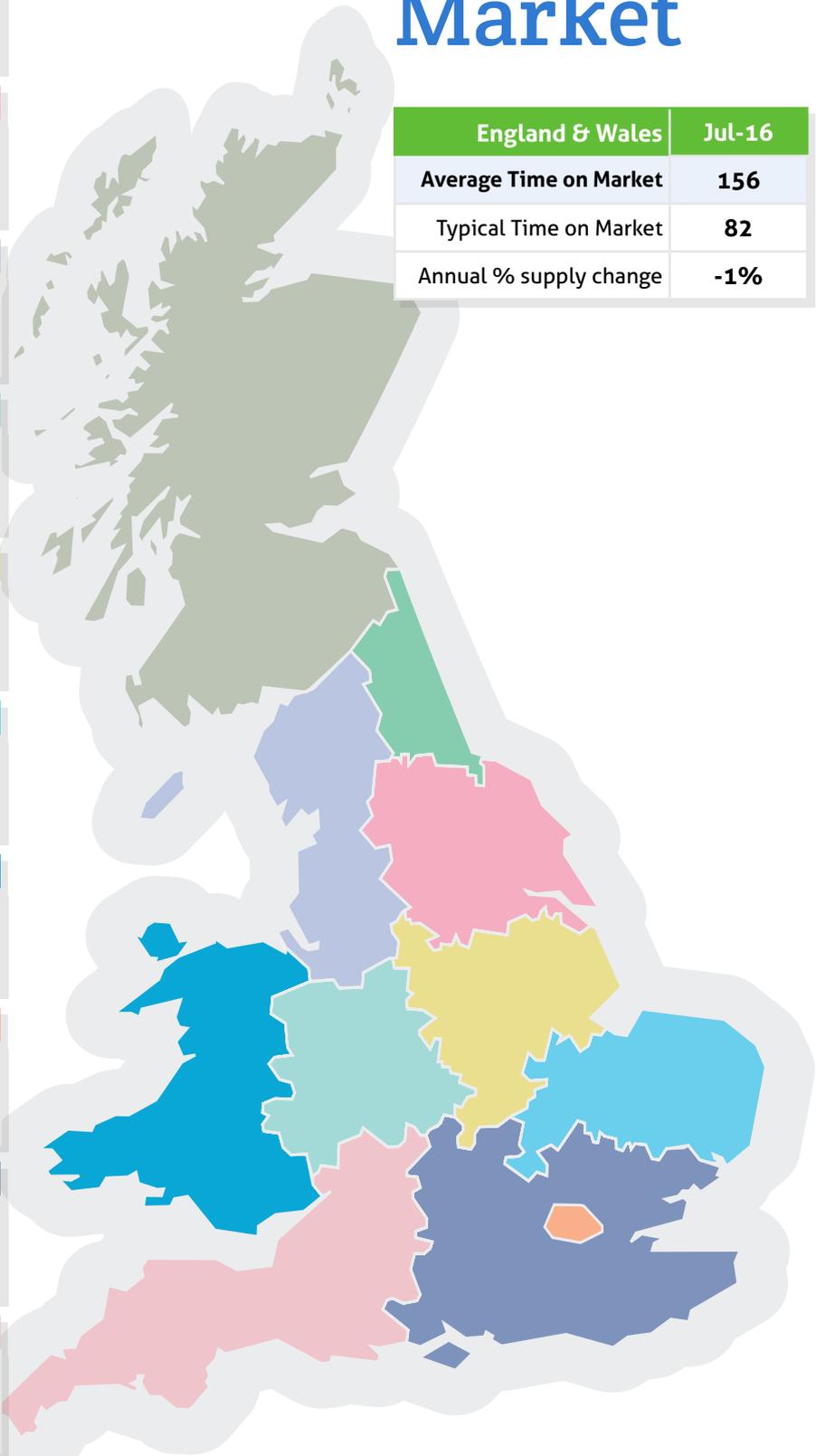
| Wales | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 224 |
| Typical Time on Market | 116 |
| Annual % supply change | -5% |

| Greater London | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 109 |
| Typical Time on Market | 68 |
| Annual % supply change | 6% |

| South East | Jul-16 |
|-------------------------------|-----------|
| Average Time on Market | 98 |
| Typical Time on Market | 59 |
| Annual % supply change | 4% |

| South West | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 140 |
| Typical Time on Market | 76 |
| Annual % supply change | -3% |

| England & Wales | Jul-16 |
|-------------------------------|------------|
| Average Time on Market | 156 |
| Typical Time on Market | 82 |
| Annual % supply change | -1% |



Source: Home.co.uk, July 2016. 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:

- Friday 12th August
- Tuesday 13th September
- Wednesday 12th October