

Shock Monthly Rise of £10,000 for the Average London Home

Headlines

- Greater London leads the charge this month, with prices surging 2.0% since May.
- Asking prices post rise in ALL English regions and Wales for a fourth successive month.
- Prices rise by 1.1% overall in England and Wales during the last month.
- The average annual home price appreciation for England and Wales nudges up to 5.9%.
- Typical time on market for Greater London leaps 54% in just 12 months as higher prices slow down the market.
- Supply of property for sale remains steady across the UK; down by just 2% (May 2015 vs. May 2014)
- The North East becomes the most improved regional market over the last 12 months, with the average time on market falling by 13% to 274 days, but remains the slowest.

Summary

Home prices push up further, free of political uncertainty. Confidence is so high among sellers in the capital region that the average home price in Greater London increased by more than £10,000 during the last month. In fact, average prices rose in all English regions and Wales for a fourth consecutive month. Momentum is on the rise even in the formerly stagnant North East property market as indicated by a 13% improvement in the average marketing time.

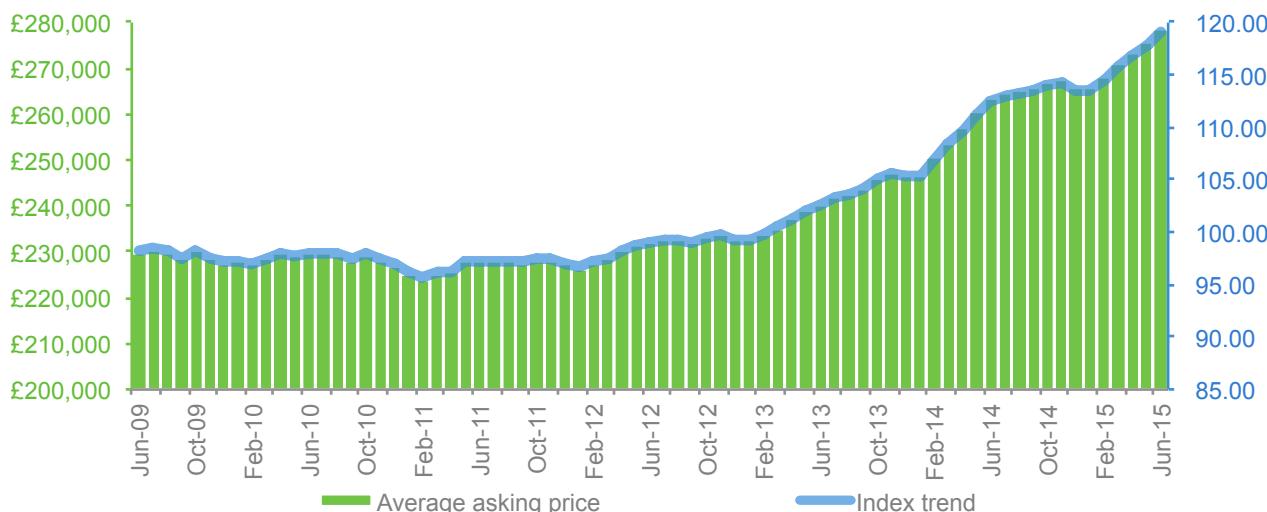
The UK property market is certainly in rude health. The supply of property for sale remains behind buyer demand in all regions except Greater London, where marketing times have increased considerably over the last year. Meanwhile, prices leaped by a stunning 2% over the last month in the capital region. This tends to suggest pricing may be moving out of step with the market dynamic due to over confidence; a common sign that a vigorous market is approaching a 'frothy top'.

The Prime Central London market may have been freed from the political uncertainty regarding the mansion tax and non-dom legislation but has yet to regain the momentum lost over the last 18 months. Pricing remains stagnant and flats in the likes of Belgravia are typically spending around 50% more time on the market than they were in June 2014.

Time on market data for the rest of the UK shows that the northern regional markets, Scotland and Wales have all increased their momentum over the last 12 months. However, the southern regions such as the South East, East of England and South West are indicating slight increases in marketing times as higher prices have lessened demand.

Overall, the current mix-adjusted average asking price for England and Wales is 5.9% higher than it was in June 2014 and we expect further price rises this year.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, June 2015

Regional Market Round-up

The regional picture of the UK property market remains highly disparate. At one extreme we observe a slower London market with precariously high pricing and at the other extreme the North is showing genuine signs of recovery as marketing times fall, although prices there have yet to recover their 2007 highs. Indeed in view of such a diversity of fortune across the country it is difficult to imagine how the Bank of England can devise an interest rate strategy that could successfully serve the needs of all regions. For some time it has been clear that the brakes need applying to the London market but an interest rate rise would be catastrophic for the green shoots beginning to appear in the North.

Broadly speaking, we are observing a two-tier property market. In the first tier we have three regional markets that are outperforming the rest of the country (Greater London, the South East and the East of England). In the second tier we have the 6 other English regions, Scotland and

Wales, which are all indicating price rises below that of the national average.

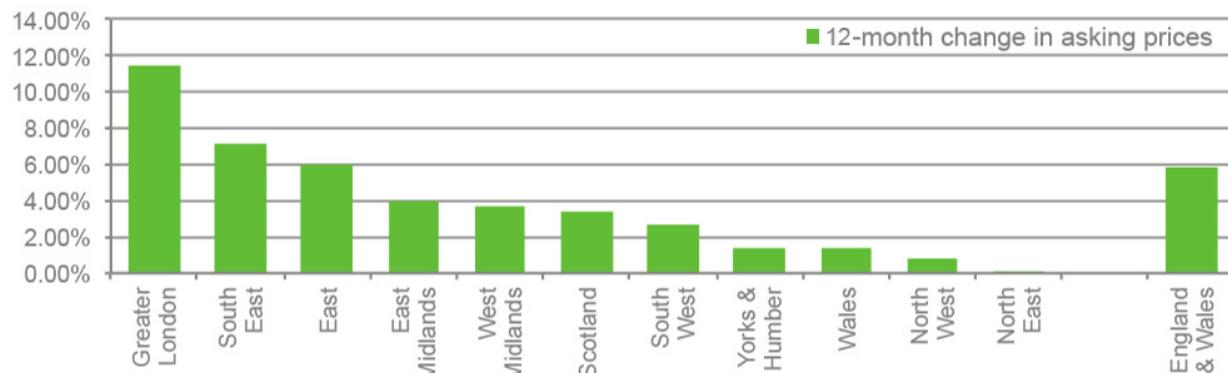
As greater confidence ripples out into regions over the coming months, we may well see further regions such as the East Midlands join the top tier group. Moreover, it is evident that without the stunning performance of London and the Home Counties the UK property market would be in a very poor state indeed overall.

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

London Pricing Seemingly Out of Step With Demand

Changes in marketing times give advance warning of key shifts in the balance of supply and demand. Increasing marketing times, as seen in London (now typically 53% longer than in June 2014), indicate that the recent boom in the capital has lost much of its former momentum but prices continue to shoot up.

Change in Asking Price by Region



Source: Home.co.uk, June 2015

Asking Price Trend for Greater London



Source: Home.co.uk, June 2015

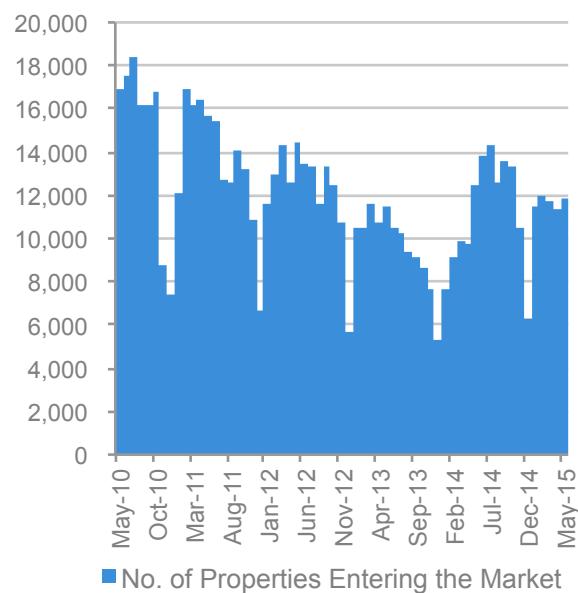
This month's further leap of 2.0% brings the average annual appreciation in the capital region to 11.5% (around 11.4% more than the Retail Price Index ex. housing) and this seems completely out of step with the market dynamic. Moreover, even higher prices could potentially create a stand-off between buyers and sellers, thereby worsening the market slowdown we have already observed and possibly triggering a significant correction in asking prices.

Alternatively, such is the desire for London property (both internationally and domestically) that we may well see a pickup in demand, which would ease the supply-demand imbalance we have observed. However, this scenario would only lead to further price rises which are presently looking dangerously unsustainable, having already risen 50% over the last 5 years.

Perhaps surprisingly, such sky-high pricing has not elicited a flood of property on the market. Whilst we have observed a trend to increasing supply over previous months, the month of May indicated a contraction in the volume of property entering the marketplace (by -5% compared to May 2014). Should supply continue to remain tight then we may see prices rise into even more precarious territory.

Whichever path the London market takes, property in the capital looks very expensive even from a **global perspective**. In terms of price per square foot, London property is second only to Monaco and 50% more expensive than third placed Hong Kong. By contrast New York and Paris property looks relatively cheap.

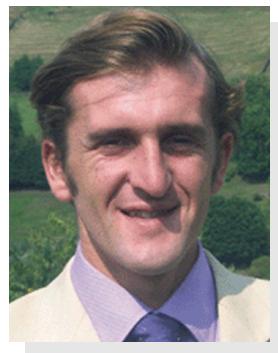
Greater London Property Supply Trend



Source: Home.co.uk, June 2015



Whilst 2015 is looking like a much better year for the northern regions, Scotland and Wales, hopes that the market in London and surrounding southern regions might slow to a more sustainable pace have been swept aside by further relentless price rises. This will create significant cause for concern at the Bank of England.



For the time being the key economic drivers of ultra low interest rates and low supply of property for sale remain. Buy-to-let landlords and first-time buyers alike are able to borrow very large sums to purchase property at very low rates of interest. And this situation looks set to drive prices higher in the near term.

Notable recovery in the wider economy, as reported by the CBI, also suggests that demand for property will remain high, thereby supporting further price rises. Rain Newton-Smith, the CBI's director of economics, said: 'A stellar increase in activity in the business and professional service sector and retail sales bounding ahead are clear indications of strong business and consumer confidence and increased spending power.'

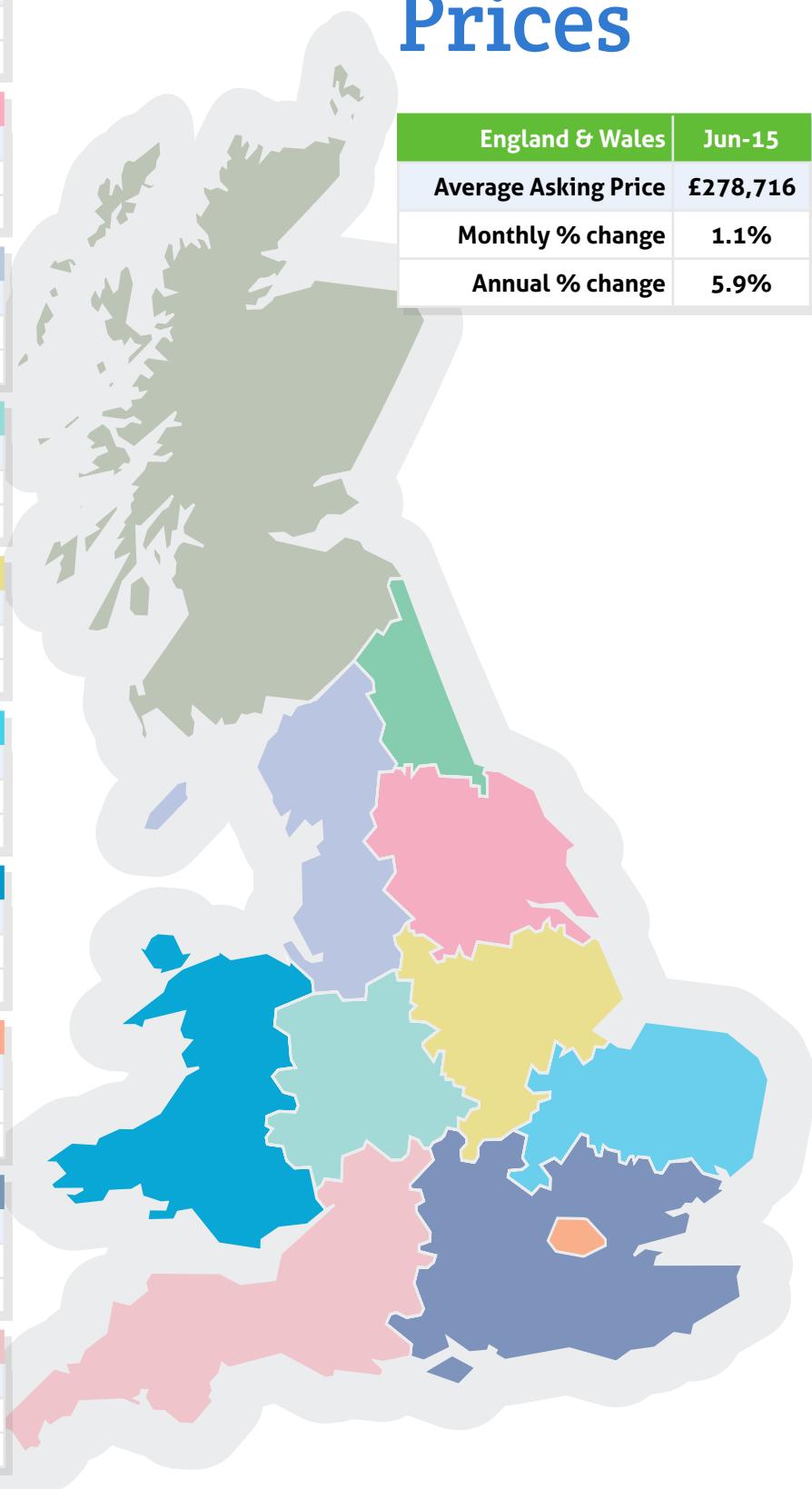
With such euphoric reporting of growth in the business sector it is understandable why vendors in Greater London and the South East pushed up prices by 2.0% and 1.8% respectively over the last month.

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



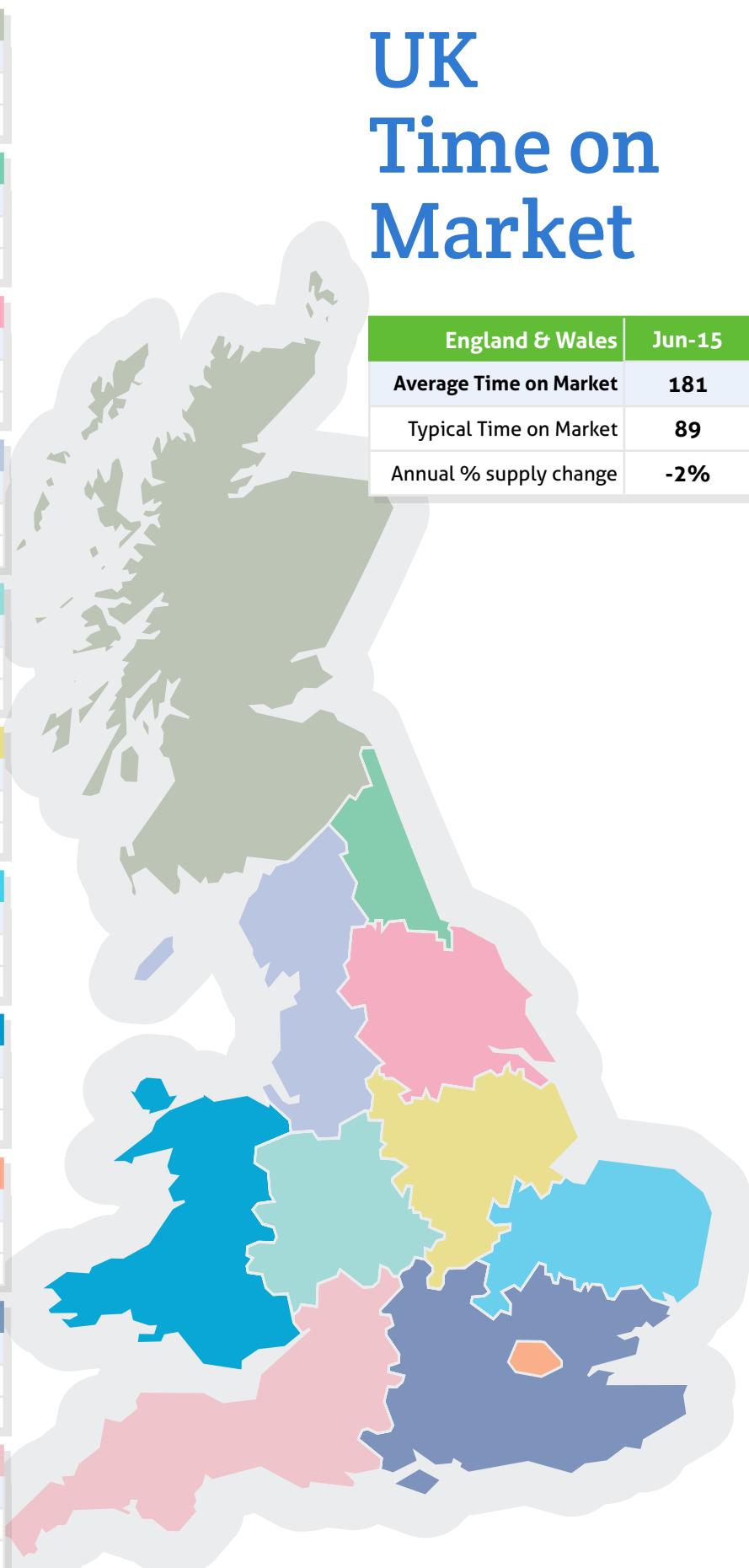
Scotland	Jun-15
Average Asking Price	£167,917
Monthly % change	0.3%
Annual % change	3.5%
North East	Jun-15
Average Asking Price	£154,478
Monthly % change	0.3%
Annual % change	0.2%
Yorks & The Humber	Jun-15
Average Asking Price	£175,046
Monthly % change	0.4%
Annual % change	1.4%
North West	Jun-15
Average Asking Price	£179,189
Monthly % change	0.1%
Annual % change	0.8%
West Midlands	Jun-15
Average Asking Price	£209,515
Monthly % change	0.6%
Annual % change	3.8%
East Midlands	Jun-15
Average Asking Price	£197,826
Monthly % change	0.5%
Annual % change	4.0%
East	Jun-15
Average Asking Price	£295,146
Monthly % change	0.6%
Annual % change	6.0%
Wales	Jun-15
Average Asking Price	£182,745
Monthly % change	0.4%
Annual % change	1.4%
Greater London	Jun-15
Average Asking Price	£514,596
Monthly % change	2.0%
Annual % change	11.5%
South East	Jun-15
Average Asking Price	£365,311
Monthly % change	1.8%
Annual % change	7.2%
South West	Jun-15
Average Asking Price	£288,552
Monthly % change	0.4%
Annual % change	2.7%

UK Asking Prices



Source: Home.co.uk, June 2015

Scotland	Jun-15
Average Time on Market	240
Typical Time on Market	103
Annual % supply change	-1%
North East	Jun-15
Average Time on Market	274
Typical Time on Market	127
Annual % supply change	-2%
Yorks & The Humber	Jun-15
Average Time on Market	219
Typical Time on Market	104
Annual % supply change	-1%
North West	Jun-15
Average Time on Market	222
Typical Time on Market	110
Annual % supply change	-5%
West Midlands	Jun-15
Average Time on Market	179
Typical Time on Market	89
Annual % supply change	-4%
East Midlands	Jun-15
Average Time on Market	166
Typical Time on Market	83
Annual % supply change	-1%
East	Jun-15
Average Time on Market	127
Typical Time on Market	68
Annual % supply change	1%
Wales	Jun-15
Average Time on Market	251
Typical Time on Market	125
Annual % supply change	1%
Greater London	Jun-15
Average Time on Market	116
Typical Time on Market	66
Annual % supply change	-5%
South East	Jun-15
Average Time on Market	109
Typical Time on Market	62
Annual % supply change	-2%
South West	Jun-15
Average Time on Market	153
Typical Time on Market	81
Annual % supply change	-6%



Source: Home.co.uk, June 2015. 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
- To learn more about Home.co.uk data services please visit:
<http://www.home.co.uk/company/data/>

Future release dates:

- Tuesday 14th July**
- Wednesday 12th August**
- Tuesday 15th September**