

Demand Heads North as London Slumps

Headlines

- A dose of spring optimism has lifted home prices (+0.6% MoM) but year-on-year price appreciation for England and Wales has slipped to just 2.6%.
- Increased Time on Market figures continue to highlight the slowdown in Greater London, the South East and the East of England compared to March last year (Median Time on Market up 63%, 23% and 10% respectively).
- Yorkshire and Humber tops the regional spring price rises with a month-on-month leap of 1.2% driven, in part, by yield-seeking Buy-to-Let investment.
- Asking prices gained in Greater London this month (+0.6% MoM) but have lost 1.4% year-on-year.
- Prices rose in all English regions, Wales and Scotland this month, in line with seasonal expectations.
- Typical Time on Market falls to 100 days, two days less than in March 2016 (England and Wales).
- The supply of property entering the UK market has dropped again, by 6% YoY. However, supply has increased further in the East and South East by 4% and 5% respectively compared to March 2016.

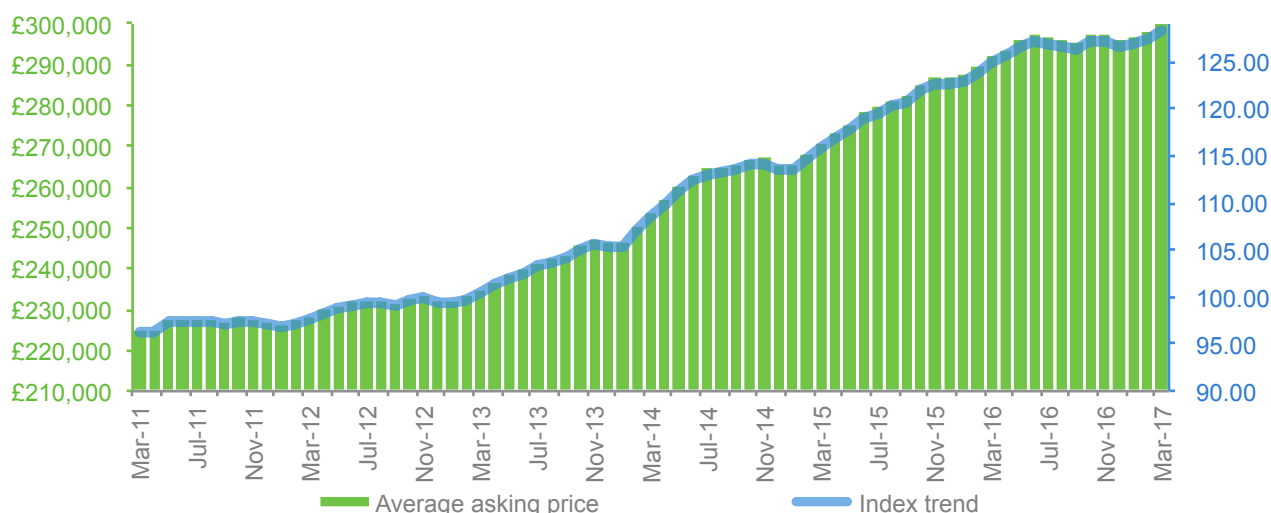
Summary

Stagflation in the UK property market looks highly likely this year. Whilst this month's price rises indicate a typical seasonal lift, the overall trend towards lower year-on-year price growth continues. Rising inflation due to a weaker post-Brexit pound means that capital values overall are not rising at all in real terms. However, there is significant growth in several regions over and above the rate of inflation.

Vendor confidence remains high in certain regions and is most apparent in the East of England, East Midlands, North West and South West. Whilst the slowdown persists in London and the South East, brought on by oversupply and overly high prices, it is these more outlying regions that are lending the greatest support to the national housing market figures. Prices in the East of England have risen by 9.6%, the most of any region during the last 12 months, but the pace of the price increases seems unsustainable in view of affordability constraints and comparatively low rental yields. Supply is rising in the region and this will apply downward pressure on prices over the coming months.

2017 looks set to be a good year for the Midlands and the North. Price growth is at

Home Asking Price Trend for England & Wales



Source: Home.co.uk, March 2017

sustainable levels and supply is not increasing. In addition, rental yields are generally good relative to overbought London and the South East, and this will tip the balance of Private Rented Sector investment in their favour.

Prices almost always enjoy a spring boost. However, as we approach the end of Q1 2017 with a continually declining year-on-year price trend, UK property looks fated to endure a year of stagflation at best. In March 2016 the annualised rate of increase of home prices was 7.9%; today the same measure is a mere 2.6%.

Regional Time on Market

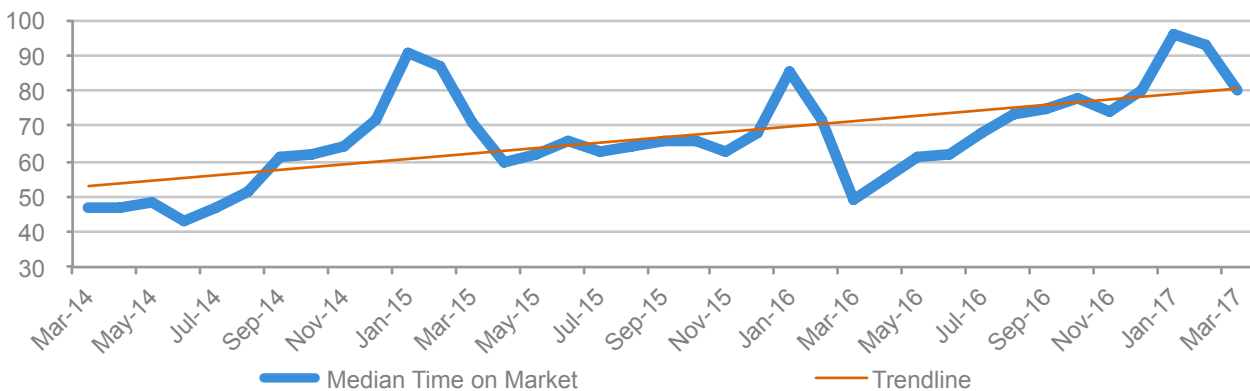
Analysis of the property market by region reveals the major sea change that has occurred over the last year. Without doubt the regional market that has deteriorated the most is Greater London. Unsold properties in the capital region typically spent a mere 49 days on the market in March 2016 but are now lingering for 80 days (median). In fact, the trend towards longer marketing times started around three years ago, as can be seen if we

iron out the seasonal oscillations with a simple trend line. Interestingly, prices in the region only became adversely affected after March last year. This suggests that a rising median Time on Market trend is a good forward indicator of price falls.

The South East and East of England markets have also slowed down over the last 12 months but to a lesser extent. With their current Typical Time on Market figures of 58 and 54 days respectively, they remain the fastest moving regional markets in the UK.

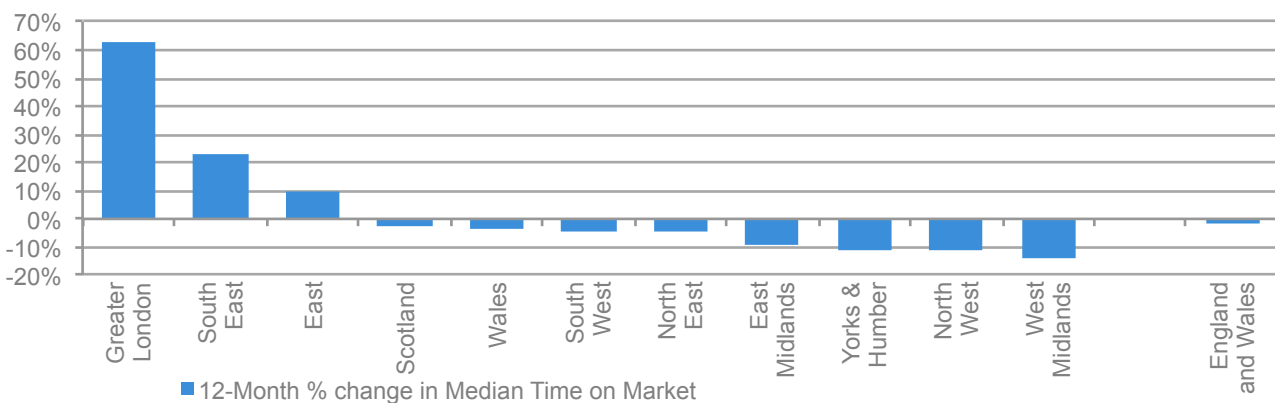
The most improved regions in terms of market momentum are the West Midlands, the North West, Yorkshire and the East Midlands. Properties in these regions are spending less time on the market thanks to increased buyer demand and limited supply of sales stock. Demand is, of course, composed of both homebuyer demand and Buy-to-Let investment. Buy-to-Let investors represent a significant proportion of buyer demand in today's property market and their investment decisions are based primarily on potential returns (yield).

Typical Time on Market Trend for Greater London



Source: Home.co.uk, March 2017

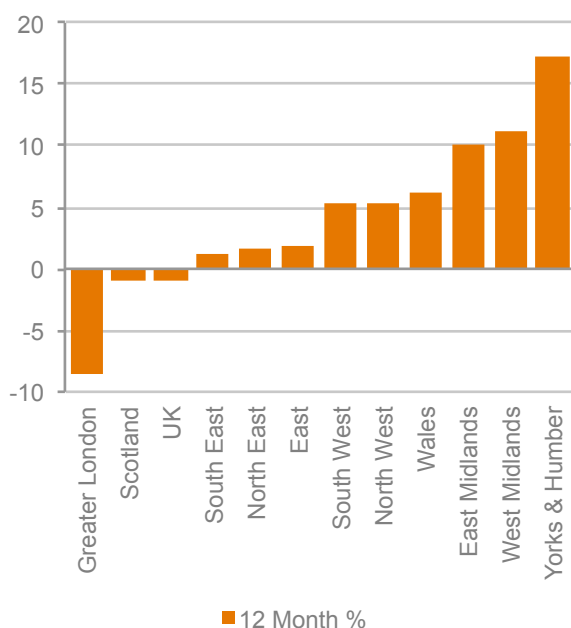
Change in Typical Time on Market (Mar 17 vs. Mar 16)



Source: Home.co.uk, March 2017



Regional Rent Rises (Mar 17 vs Mar 16)



Source: Home.co.uk, March 2017

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. All four of the aforementioned regions are currently enjoying significant rent rises. Moreover, in all cases the 12-month % average asking rent increase is greater than the % average rise in asking price. This is especially the case in Yorkshire where rents have soared over the last year, making investment yields look increasingly attractive.

By contrast, London rents are falling due to oversupply and this will stifle property investment in the region until they stabilise. For more information on regional property market performance please see later in this report.



Hope springs eternal but a period of rapid, near double-digit growth in UK home prices is now a long way behind us.



This year we see underperforming regions like London and the South East weighing heavily on the national figures, keeping growth merely at the pace of inflation or perhaps less, given the weakness of the pound post-Brexit. This situation may persist well into 2018 as oversupply in both the rental and sales sectors drags down property values.

At the same time we observe property investment head north and west in search of rising rents and underlying asset values that are less prone to post-boom correction. This additional demand is welcome stimulus for these formerly lacklustre regions which have hitherto not made a meaningful recovery post-crisis. This investment-driven boost means marketing times have fallen considerably over the last year and prices are now firmly on the rise. The North West, North East, Yorkshire and Wales have all seen their average prices rise less than 10% over the last five years. With the added tailwind of low interest rates, 2017 and 2018 look set to be years of sustainable growth for these previously underperforming regions.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Mar-17
Average Asking Price	£177,459
Monthly % change	0.2%
Annual % change	1.6%

North East	Mar-17
Average Asking Price	£154,301
Monthly % change	0.1%
Annual % change	0.3%

Yorks & The Humber	Mar-17
Average Asking Price	£182,118
Monthly % change	1.2%
Annual % change	2.8%

North West	Mar-17
Average Asking Price	£188,804
Monthly % change	0.6%
Annual % change	4.2%

West Midlands	Mar-17
Average Asking Price	£227,119
Monthly % change	0.8%
Annual % change	3.6%

East Midlands	Mar-17
Average Asking Price	£215,225
Monthly % change	1.0%
Annual % change	5.4%

East	Mar-17
Average Asking Price	£352,191
Monthly % change	1.0%
Annual % change	9.6%

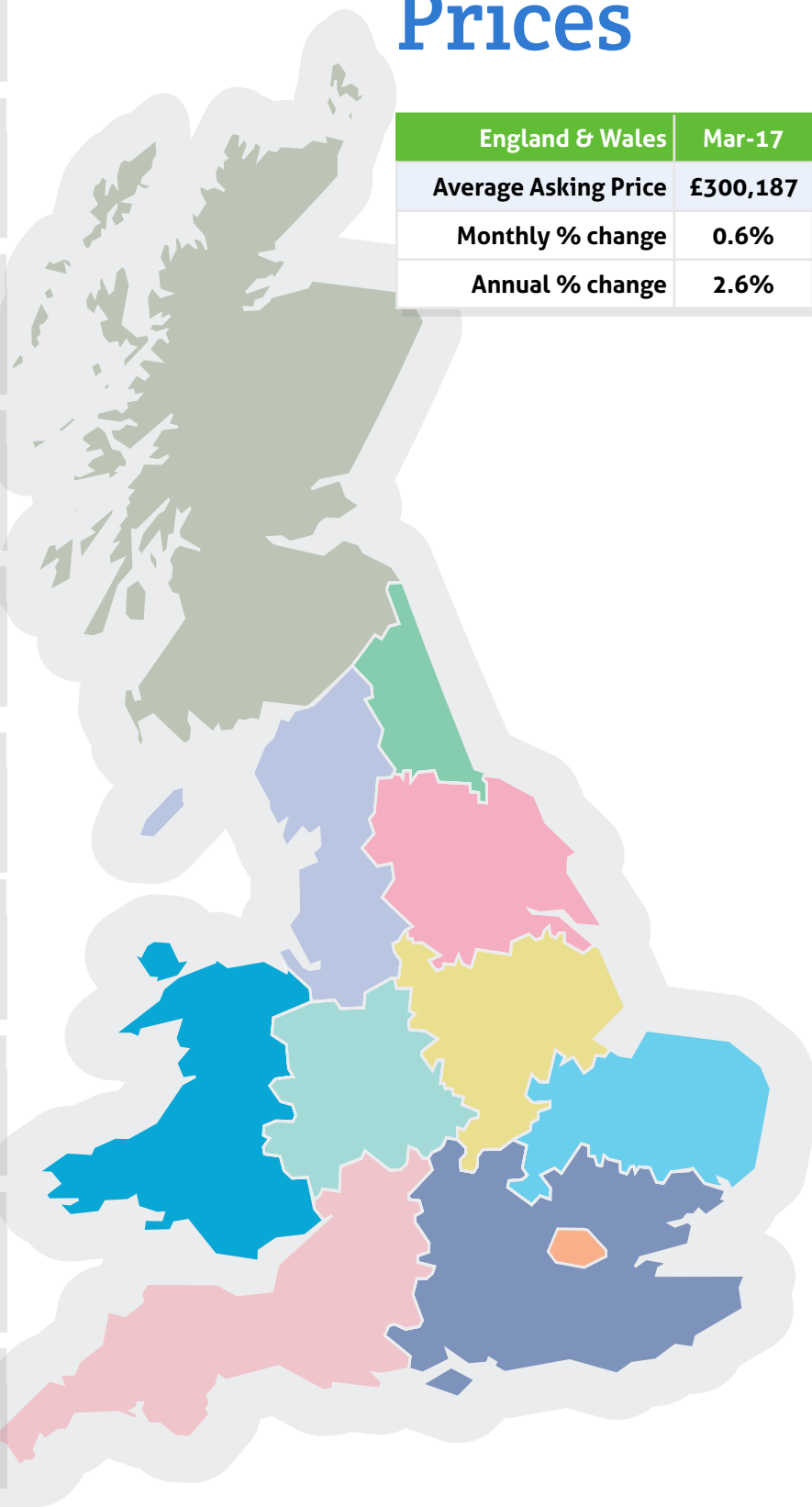
Wales	Mar-17
Average Asking Price	£185,225
Monthly % change	0.3%
Annual % change	1.0%

Greater London	Mar-17
Average Asking Price	£541,618
Monthly % change	0.6%
Annual % change	-1.5%

South East	Mar-17
Average Asking Price	£395,785
Monthly % change	0.1%
Annual % change	2.1%

South West	Mar-17
Average Asking Price	£310,466
Monthly % change	0.4%
Annual % change	4.2%

England & Wales	Mar-17
Average Asking Price	£300,187
Monthly % change	0.6%
Annual % change	2.6%



Source: Home.co.uk, March 2017

UK Time on Market

Scotland	Mar-17
Average Time on Market	250
Typical Time on Market	144
Annual % supply change	-12%

North East	Mar-17
Average Time on Market	246
Typical Time on Market	144
Annual % supply change	-12%

Yorks & The Humber	Mar-17
Average Time on Market	195
Typical Time on Market	117
Annual % supply change	-12%

North West	Mar-17
Average Time on Market	196
Typical Time on Market	120
Annual % supply change	-7%

West Midlands	Mar-17
Average Time on Market	154
Typical Time on Market	89
Annual % supply change	-7%

East Midlands	Mar-17
Average Time on Market	146
Typical Time on Market	84
Annual % supply change	-11%

East	Mar-17
Average Time on Market	112
Typical Time on Market	54
Annual % supply change	4%

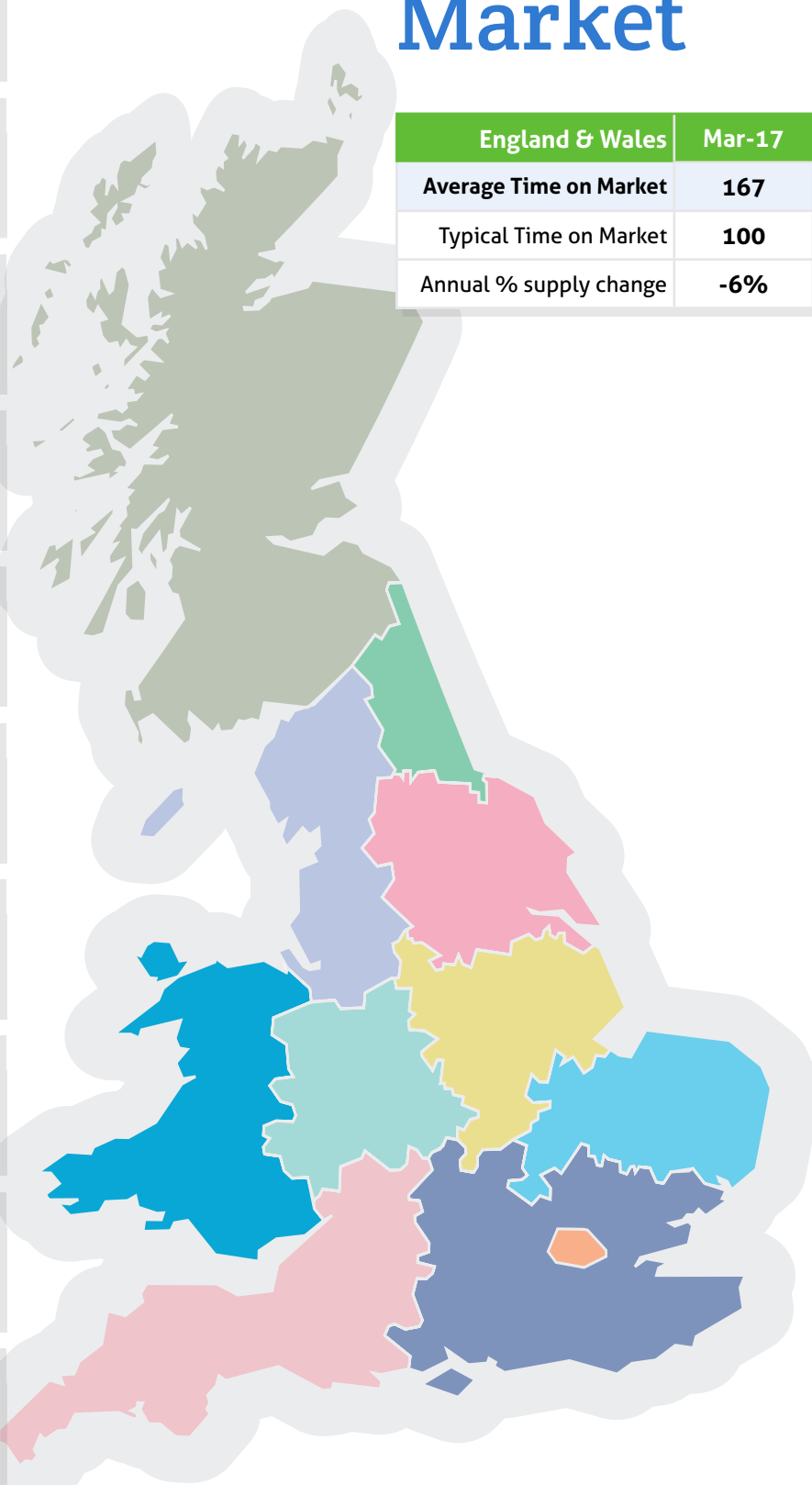
Wales	Mar-17
Average Time on Market	245
Typical Time on Market	155
Annual % supply change	-13%

Greater London	Mar-17
Average Time on Market	132
Typical Time on Market	80
Annual % supply change	-5%

South East	Mar-17
Average Time on Market	111
Typical Time on Market	58
Annual % supply change	5%

South West	Mar-17
Average Time on Market	151
Typical Time on Market	89
Annual % supply change	-10%

England & Wales	Mar-17
Average Time on Market	167
Typical Time on Market	100
Annual % supply change	-6%



Source: Home.co.uk, March 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:

- Wednesday 12th April
- Thursday 11th May
- Tuesday 13th June