

Prices Hit New High as Supply Drops to New Post-Crisis Low

Headlines

- The total number of properties for sale hits a new post-crisis low: down 55% compared to November 2007
- House prices in England and Wales have risen a further 0.4% since last month, taking the annual rise to 5.7%
- The mix-adjusted average for England and Wales, now £247,137, has moved above the previous all-time high set in August 2007
- Home price inflation is mainly driven by prices in London and surrounding regions. Prices in the capital rose 1.8% last month alone and now stand 13.5% higher than 12 months ago
- Weaker regional housing markets, North East, West Midlands, Yorkshire and Scotland all recorded price deflation since last month at an average rate of -0.4%
- Typical time on market has edged up to 120 days: four days less than in November 2012

Summary

The imbalance of supply and demand continues to worsen as the number of properties for sale falls to a new post-crisis low and buyer demand increases. Surging demand, chiefly in London and its surrounding regions, has pushed the mix-adjusted average price for England and Wales to a new all-time high. This new price high was achieved despite the fact that the weaker housing markets all witnessed a seasonal dip in prices: the North East, West Midlands, Yorkshire and Scotland all recorded monthly price deflation ranging from -0.2% to -0.7%. Other areas of the UK recorded stagnant prices or marginal gains at best. Contrary to seasonal expectations, London experienced yet another price leap of 1.8% in just one month. Price growth in the capital's housing market continues to soar at an alarming rate and this is just one of the hallmarks of an asset price bubble evident today.

As potential buyers pull back in the run-up to the festive season, the typical time on market normally begins to rise at this time of year. The median figure for England and Wales now stands at 120 days (an increase of just seven days since October), four days less than in November 2012. However, the typical time on market for Greater London actually fell one day to 74 days.

Trend in Year-on-Year Change in Average Asking Price (England and Wales)



Source: Home.co.uk, November 2013

Number of Properties for Sale Hits a New Low

The total stock of the sales market has fallen by 7.9% since last month to stand at 518,556, 55 % lower than in November 2007. Whilst a small drop in on-market stock may be expected as vendors await the new year, the magnitude of the fall means that we are currently witnessing the lowest level of choice for potential buyers since the housing crisis of 2007-8. With demand outstripping supply, sensibly priced properties are being snapped up by desperate buyers but they are not being replaced with sufficient new stock. The supply of fresh property stock fell across the UK last month but the demand-supply imbalance remains most prevalent in London, the East and the South East of England where supply, compared to October 2012, is down 30.5%, 20.7% and 19.5% respectively.

Asking Prices Hit a New All-Time High

The corollary of increasing demand in the face of dwindling supply is a price spiral. The mix-adjusted average for England and Wales, at £247,137, has now eclipsed the previous record set in 2007 and the annualised rate of increase, currently 5.7%, is accelerating. Whilst we may see slowing of growth over the winter months ahead, it is unlikely that we will see this benchmark inflation figure retreat significantly. However, we stress that price growth is highly polarised across the country, and only London and the South East are registering growth over and above the average for England and Wales.

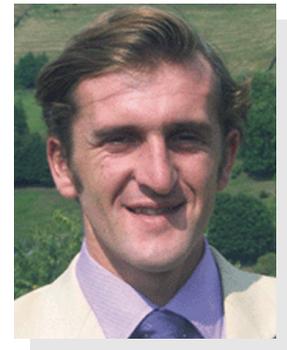
Seasonal Slowdown Starts in the North

Over the previous five years, the price of homes has fallen by an average 0.4% between October and November. However, this month we have the quite the opposite in the form of a rise of 0.4%. In most regions, the market is already showing signs of the seasonal slowdown although the true picture is concealed by the astronomical performance of the London market. If we take London and the South East out of the equation then this month's 0.4% rise across England and Wales would be effectively muted. However, more of the regions are showing annual price growth as the recovery spreads further afield. Only Scotland and the North East are currently recording a year-on-year fall in prices of 1.4% and 0.8% respectively. Of the growth areas, only the North West and Yorkshire have experienced price rises sub 1% whilst four of the English regions are recording annual price growth of 4% or greater.

London has bucked the market's usual seasonal trend and prices show no signs slowing down. A 1.8% rise in November is simply phenomenal, and the average price of a house in the region now stands at £407,354. Prices in the capital have risen over 8.3% in the last six months alone and are now 18.9% higher than five years ago. Dwindling supply of new stock is a key price driver. The flow of new sales stock into London's market last month was down 30.5% vs. the same period last year, inevitably placing further upward pressure on prices.



Potential buyers, especially those in London and the South East, are set for more frustration for the rest of 2013 and into 2014.



Their choice of properties to consider is the lowest it has been since 2007 and there are no signs of possible improvement. The flip side for vendors is, of course, more positive. The low volumes of property that do make it to the market are in higher demand, and the typical time on market is four days shorter than this time last year.

The situation is compounded as the seasonal slowdown takes hold and, in general, we are seeing a cooling of prices. These fluctuations are somewhat hidden by the fact that the London market seems to be playing by a different set of rules. Given the capital's recent price performance we expected another rise in prices, albeit a more subdued one. However, a leap of 1.8% in a month is phenomenal and elevates our concerns that London property is becoming a potentially catastrophic asset price bubble inflated by both government-backed lending and foreign investment.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Nov-13
Average Asking Price	£159,106
Monthly % change	-0.3%
Annual % change	-1.4%

North East	Nov-13
Average Asking Price	£152,177
Monthly % change	-0.7%
Annual % change	-0.8%

Yorks & The Humber	Nov-13
Average Asking Price	£168,802
Monthly % change	-0.4%
Annual % change	0.8%

North West	Nov-13
Average Asking Price	£173,290
Monthly % change	0.0%
Annual % change	0.7%

West Midlands	Nov-13
Average Asking Price	£196,131
Monthly % change	-0.2%
Annual % change	3.6%

East Midlands	Nov-13
Average Asking Price	£182,505
Monthly % change	0.1%
Annual % change	4.2%

East	Nov-13
Average Asking Price	£260,974
Monthly % change	0.1%
Annual % change	3.9%

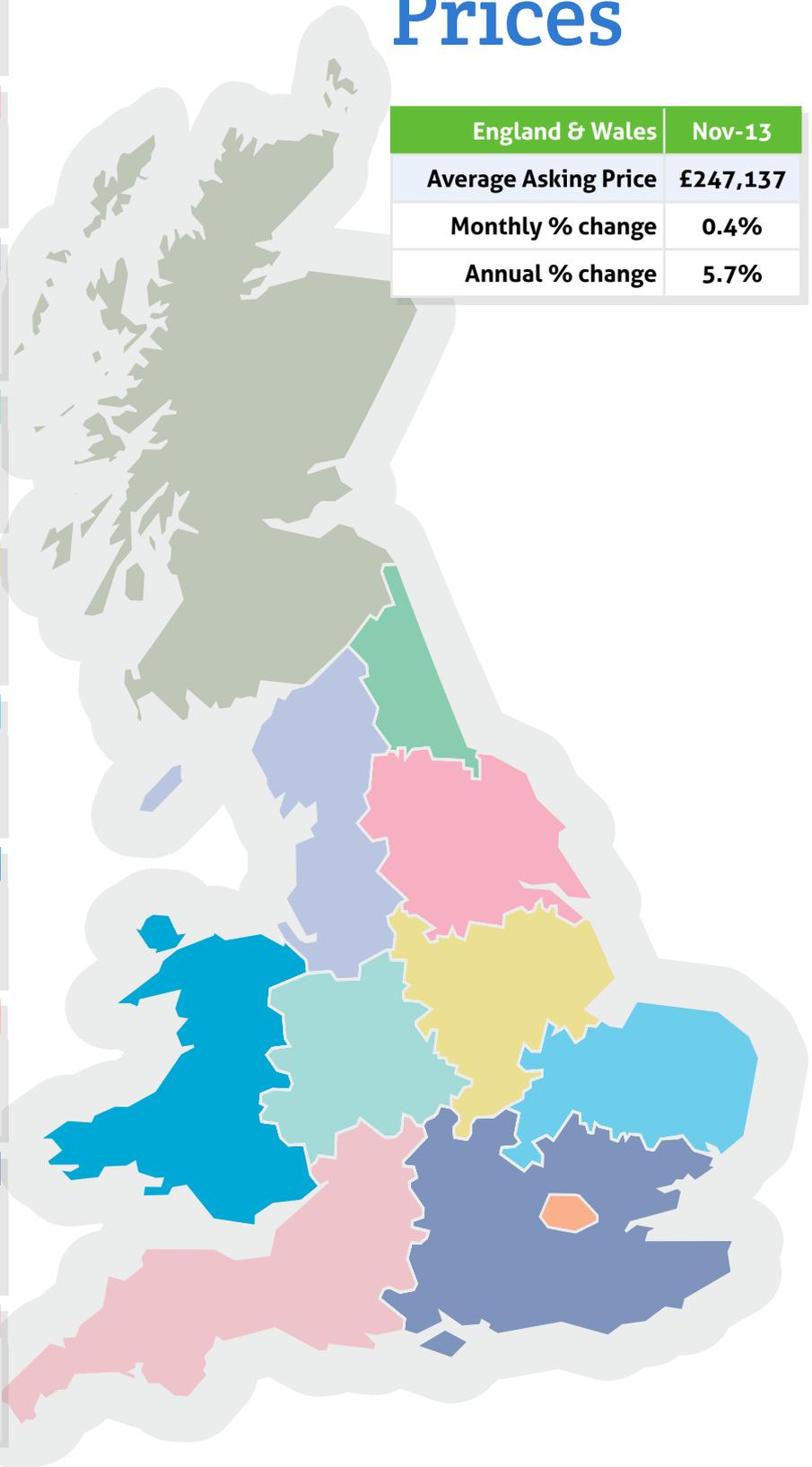
Wales	Nov-13
Average Asking Price	£177,387
Monthly % change	0.3%
Annual % change	1.4%

Greater London	Nov-13
Average Asking Price	£407,354
Monthly % change	1.8%
Annual % change	13.5%

South East	Nov-13
Average Asking Price	£318,529
Monthly % change	0.3%
Annual % change	6.9%

South West	Nov-13
Average Asking Price	£268,335
Monthly % change	0.0%
Annual % change	4.3%

England & Wales	Nov-13
Average Asking Price	£247,137
Monthly % change	0.4%
Annual % change	5.7%



Source: Home.co.uk, November 2013

London's Bigger Boom

Prices in London are booming and, in recent months, have been accelerating at a faster rate. With all the debate around whether the capital's property market is entering yet another bubble, home.co.uk compares the recent growth with the boom of 2007.

Key Comparison Data for Greater London

	November 2007	November 2013
Average Price	£351,549	£407,354
Rate of annual price change	+10.8%	+13.5%
Typical Time on Market	58 days	74 days
Annual change in new stock	+28.7%	-30.5%

The direct comparisons reveal booming markets but with very different backdrops. During the 2007 boom, the market was being flooded with new stock, transactions were relatively high and, consequently, the typical time on market was under two months. The current backdrop is the very opposite, with prices being driven by a sheer lack of stock that is overwhelmed by a consistently high level of demand.

Prices in London are now 15.9% higher than in November 2007, but the key fact here is that growth is at a higher rate. Annual growth now is 2.7 percentage points higher than in 2007 and the price trends also indicate that growth is stronger this time round.

The flow of new property stock last month is down 30.5% compared to a year ago and is no doubt placing further pressure on prices. Property is selling though, and the typical time on market for Greater London now stands at just 74 days, the shortest time recorded since the end of 2007.

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

"London continues to astound housing analysts, buyers and vendors alike, and it clearly does not require any further stimulation. The fact that the growth is stronger than the boom in 2007 may well be welcomed by vendors but only if they are not also looking to buy new property in the capital, as the competition is vicious."

Investment and government schemes need to be focused on the areas of the UK that are struggling, hence our calls for the Help to Buy scheme to be implemented in a more targeted manner. Such vote-winning schemes will not help in vibrant markets such as London; instead they will simply serve to further elevate already spiralling prices."

Average Asking Price Movements for Greater London



Sources: Home.co.uk, November 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

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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:

- Thursday 12th December
- Tuesday 14th January
- Thursday 13th February