

## Home Prices Bounce Back but Supply is on the Rise

### Headlines

- Home prices bounce back – up 0.7% since September, reversing prior falls.
- East of England prices leap 1.1% in just one month, taking the annualised increase to 11.5%.
- Supply of property for sale continues to increase in the key regions of London, (+19%), East of England (+30%) and the South East (+23%) (Sept 16 vs. Sept 15).
- Prices rise in all nine English regions, Wales and Scotland.
- Price cutting of properties on the market rises to 36-month high.
- Typical Time on Market edges up two days to 91 days over the last month across England and Wales: two days less than in October 2015.
- The overall rate of home price appreciation for England and Wales slips to 4.4% (Oct 16 vs. Oct 15).
- The total stock of property on the market drops back slightly since last month and is currently just 0.9% more than in October last year.

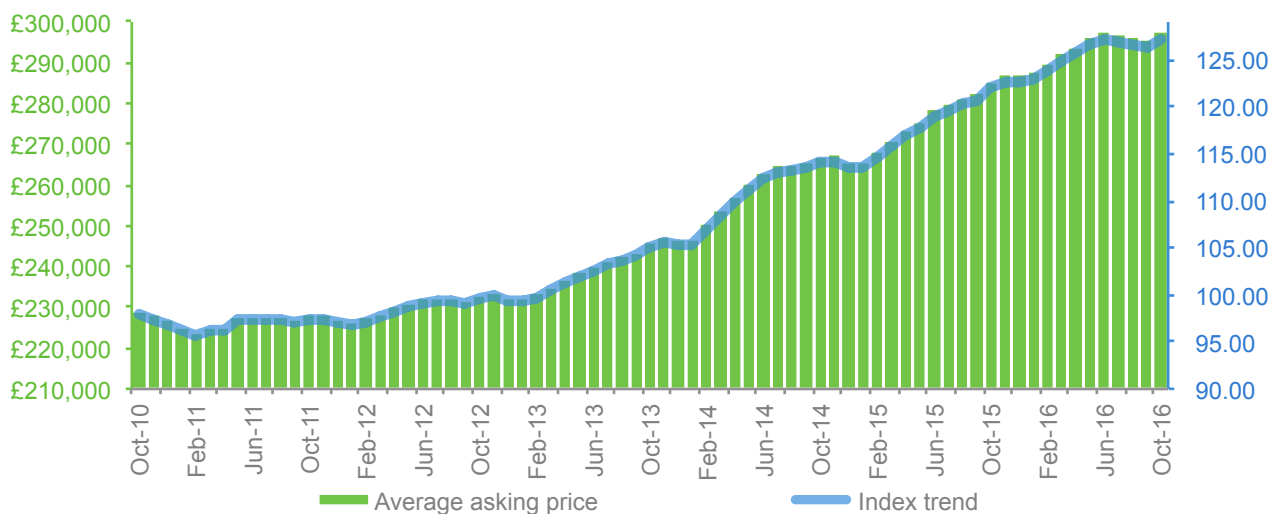
### Summary

Prices are up across the board this month as optimism rises on the back of further post-Brexit stimulus by the Bank of England. Meanwhile, vendors begin to flood the market. Supply is up by 11% year-on-year but it is the key regions of London (+19%), East of England (+30%) and the South East (+23%) (Sept 16 vs. Sept 15) where we observe the largest increases. A rise in demand to match appears unlikely as we head into the slower part of the property year.

A further price fall in Greater London was avoided this month, chiefly due to a surge in generously priced new listings, but this market continues to slow down. The Typical Time on Market is now 18% higher than this time last year and supply is up 19% year-on-year.

The supply trend continues to be upward and we expect further price falls over the coming months. Despite this month's rise of 0.8%, due to price declines over the previous four months, the year-on-year price appreciation in Greater London has been eroded to a mere 1.5%. In real terms, taking into account monetary inflation, this is probably closer to zero.

### Home Asking Price Trend for England & Wales



Source: Home.co.uk, October 2016

Price rises in the North and Wales were much more subdued than in the South over the last month. The North West, North East and Yorkshire showed marginal increases of around only 0.2%. This underlines the fact that the UK property market continues to be bipolar with little or no real price recovery in the North and long marketing times. However, this year the North West has shown the best price performance post-crisis in the North, up 4.2%.

For the time being, prices in the East of England continue to rise at dramatic pace despite rising supply. Home prices there have increased by 11.5% over the last twelve months, making this the UK's best performing region by a considerable margin.

The West Midlands continues its solid performance with home values increasing by 6.5% over the last twelve months. Supply in the region is still contracting (uniquely so among the regions) and we expect prices there will remain robust.

A key warning sign showing the fragility of the current market is that price cutting of properties whilst on the market has risen to a 3-year high across the UK.

Overall, the current mix-adjusted average asking price for England and Wales is now 4.4% higher than it was in October 2015, and we anticipate that this figure will trend downwards over the coming months.

## Regional Market Round-up

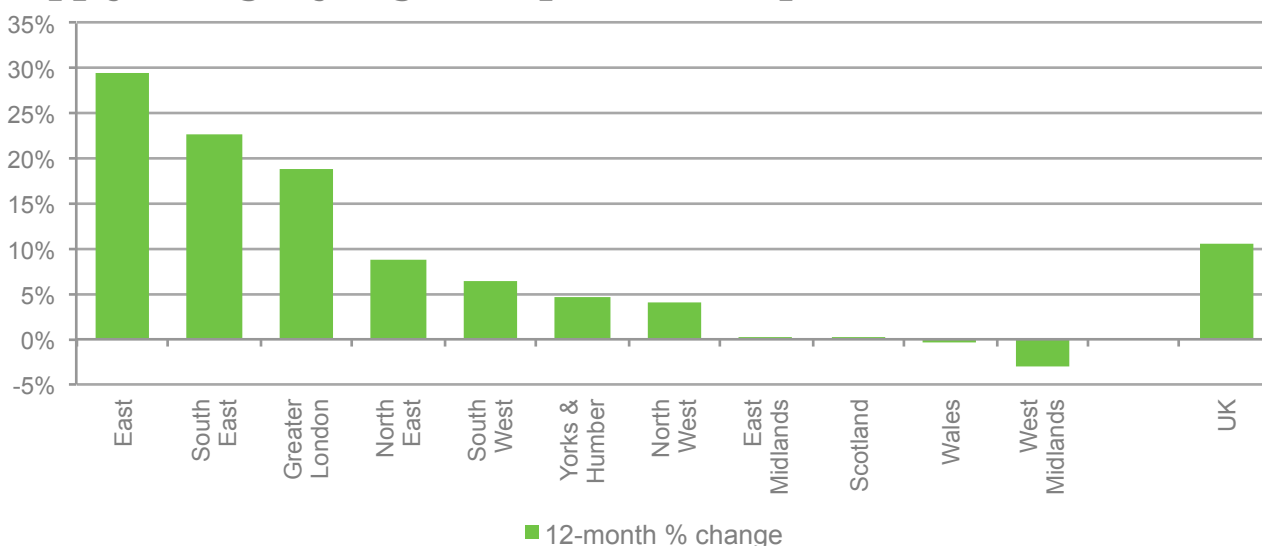
Increased supply is often the first indicator of a change in market sentiment and a precursor to price weakness. Looking at the regions we can see a marked increase in the number of properties entering the market, notably in the East of England, the South East and Greater London.

From 2011 until the end of 2015 we witnessed falling supply in these regions and this trend drove prices to new record highs over the same period. Now the trend has reversed and rising supply may well overwhelm demand in these regions in the coming months. We have already seen price weakness, due in part to increasing numbers of new instructions, in London (down 2.0% over the last six months) and this trend looks set to ripple out to adjacent regions.

Across the UK the regional picture remains very mixed. Supply actually continues to contract in the West Midlands and there is little or no change in Wales, Scotland and the East Midlands. The marked sea change in market sentiment observed in London, the East of England and the South East over the last six months is not yet manifest in all regions. Moreover, these three major regional increases have not materially affected the total stock of property on the market (up just 1% year-on-year).

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

## Supply Change by Region (Sept 2016 vs. Sept 2015)



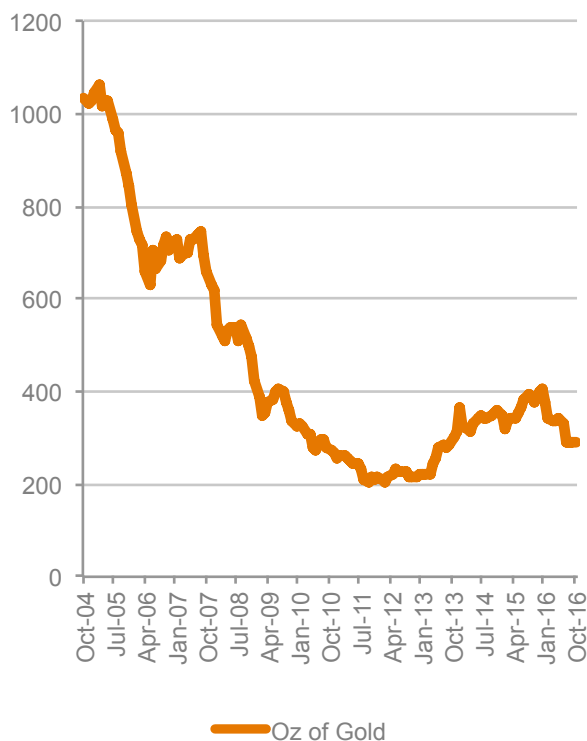
Source: Home.co.uk, October 2016

## Gold vs. Home Prices

Investors often compare the performance of different asset classes. Gold is probably the most established asset class there is, with a reputation as long and varied as that of human history. The chart below shows how many troy ounces of gold were required to purchase the average UK home over time. Back in 2004, a buyer would have required over 1000 oz of gold to buy the average home. This figure fell over the following eight years to around just 200 oz in 2011, representing a fall in value relative to gold of 80%.

Since then home prices rallied relative to gold, thanks to the massive stimulus by the Bank of England and central banks around the world, for four years. However, over the last 12 months we have seen that gold once again has the upper hand. In ounces of gold, home prices have fallen by 22.5% since October 2015 and the trend looks set to continue owing to increased supply and sterling weakness. We expect a retest of the 200 oz level in the coming months and further declines to around the 100 oz mark should political and economic uncertainty worsen.

### Average Home Price in Gold (Troy ounces)



Source: Home.co.uk, October 2016



**Supply is increasing rapidly in the East, South East and London. What's more, the pricing of these new instructions is looking rather optimistic.**



London was the first to show an uptick in properties entering the market and the total stock for sale in the region has risen by around 24%. Oversupply is clearly a danger here and in the neighbouring regions, which would trigger a rapid downward spiral in prices. Foreign investment was the saviour of the London market following the onset of the financial crisis, but Euroland or dollar-based investors will not be tempted back until sterling stabilises and that may take some considerable time.

Indeed, aside from oversupply, the other dark cloud on the horizon is the threat of further sterling weakness. The pound has already lost around 15% against the euro since the Brexit vote. How low will it go? Will the Bank of England have to intervene and raise interest rates to support the currency? Clearly, that would be disastrous for the highly leveraged UK property market, but at some point the Bank may have no choice in view of the worsening trade deficit and the lack of buyers for gilts.

We can already expect a wave of inflation to hit soon, due to the recent falls in the value of the pound. The Bank may choose to ignore their inflation target in the first instance but these things have a habit of running away with themselves. A head-in-the-sand approach will only serve to increase the chance of a severe sterling crisis or a current account crisis or both.

Britain's dilemma is summed up well by former hedge fund manager and mortgage bond trader, Andrew Jarmolkiewicz, writing from Nassau, "The real question in all this is whether there is a sustainable economic model that the UK can migrate to without a severe and permanent diminution of its people's living standards – and how it could navigate such a transition without a long and brutal adjustment."

Back in 2008, the Bank of England kicked the can a long way down the road. Brexit has brought the time of reckoning much nearer.

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



# UK Asking Prices

Scotland	Oct-16
<b>Average Asking Price</b>	<b>£178,510</b>
Monthly % change	0.3%
Annual % change	5.3%

North East	Oct-16
<b>Average Asking Price</b>	<b>£155,577</b>
Monthly % change	0.2%
Annual % change	1.1%

Yorks & The Humber	Oct-16
<b>Average Asking Price</b>	<b>£181,459</b>
Monthly % change	0.2%
Annual % change	3.0%

North West	Oct-16
<b>Average Asking Price</b>	<b>£186,746</b>
Monthly % change	0.1%
Annual % change	4.2%

West Midlands	Oct-16
<b>Average Asking Price</b>	<b>£225,664</b>
Monthly % change	0.5%
Annual % change	6.5%

East Midlands	Oct-16
<b>Average Asking Price</b>	<b>£211,328</b>
Monthly % change	1.0%
Annual % change	5.5%

East	Oct-16
<b>Average Asking Price</b>	<b>£342,915</b>
Monthly % change	1.1%
Annual % change	11.5%

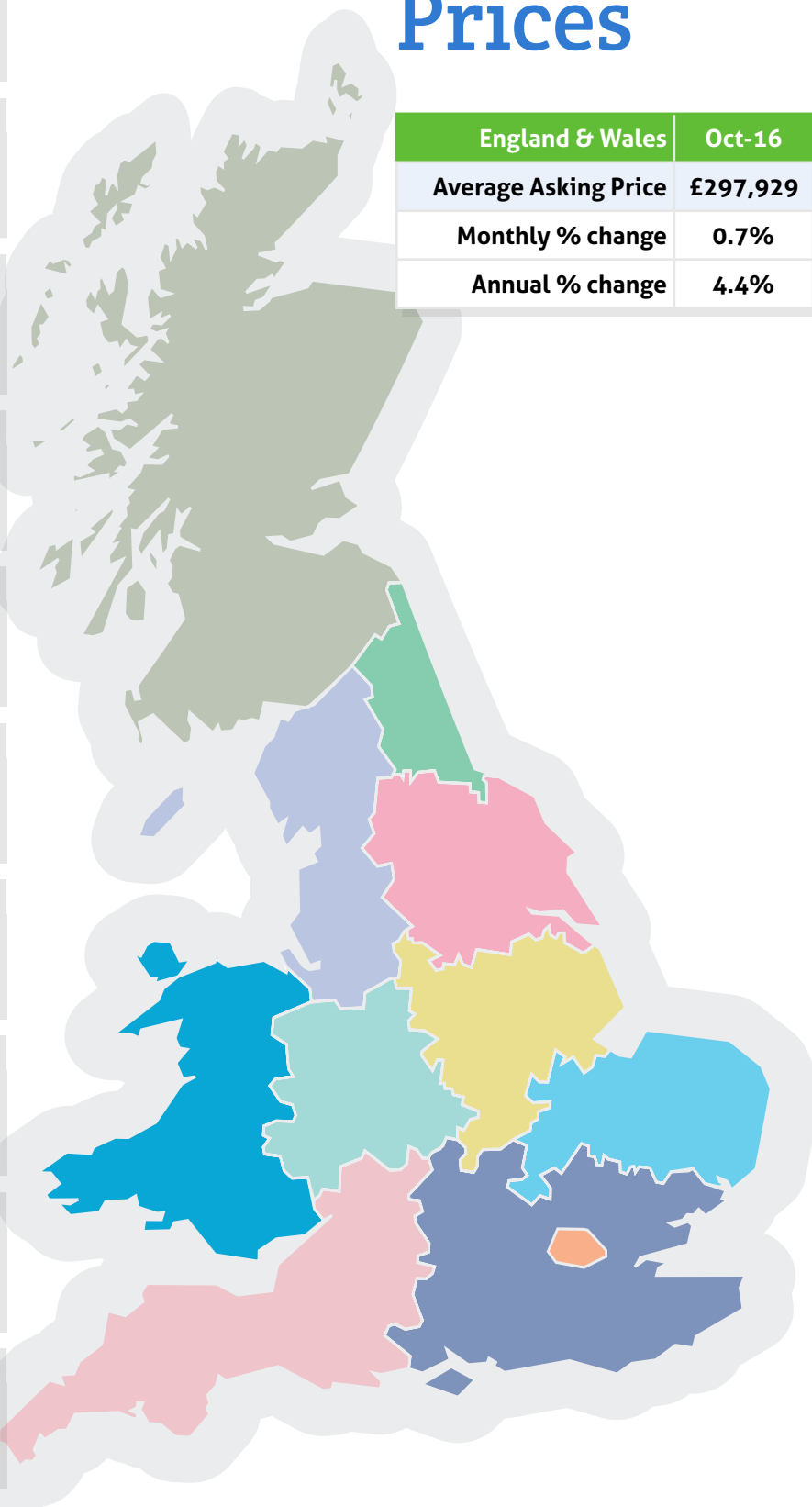
Wales	Oct-16
<b>Average Asking Price</b>	<b>£186,646</b>
Monthly % change	0.2%
Annual % change	1.3%

Greater London	Oct-16
<b>Average Asking Price</b>	<b>£538,775</b>
Monthly % change	0.8%
Annual % change	1.5%

South East	Oct-16
<b>Average Asking Price</b>	<b>£394,837</b>
Monthly % change	1.0%
Annual % change	4.2%

South West	Oct-16
<b>Average Asking Price</b>	<b>£309,168</b>
Monthly % change	0.7%
Annual % change	5.0%

England & Wales	Oct-16
<b>Average Asking Price</b>	<b>£297,929</b>
<b>Monthly % change</b>	<b>0.7%</b>
<b>Annual % change</b>	<b>4.4%</b>



Source: Home.co.uk, October 2016

# UK Time on Market

Scotland	Oct-16
<b>Average Time on Market</b>	<b>216</b>
Typical Time on Market	106
Annual % supply change	0%

North East	Oct-16
<b>Average Time on Market</b>	<b>233</b>
Typical Time on Market	123
Annual % supply change	9%

Yorks & The Humber	Oct-16
<b>Average Time on Market</b>	<b>185</b>
Typical Time on Market	105
Annual % supply change	5%

North West	Oct-16
<b>Average Time on Market</b>	<b>190</b>
Typical Time on Market	108
Annual % supply change	4%

West Midlands	Oct-16
<b>Average Time on Market</b>	<b>153</b>
Typical Time on Market	89
Annual % supply change	-3%

East Midlands	Oct-16
<b>Average Time on Market</b>	<b>141</b>
Typical Time on Market	83
Annual % supply change	0%

East	Oct-16
<b>Average Time on Market</b>	<b>107</b>
Typical Time on Market	63
Annual % supply change	30%

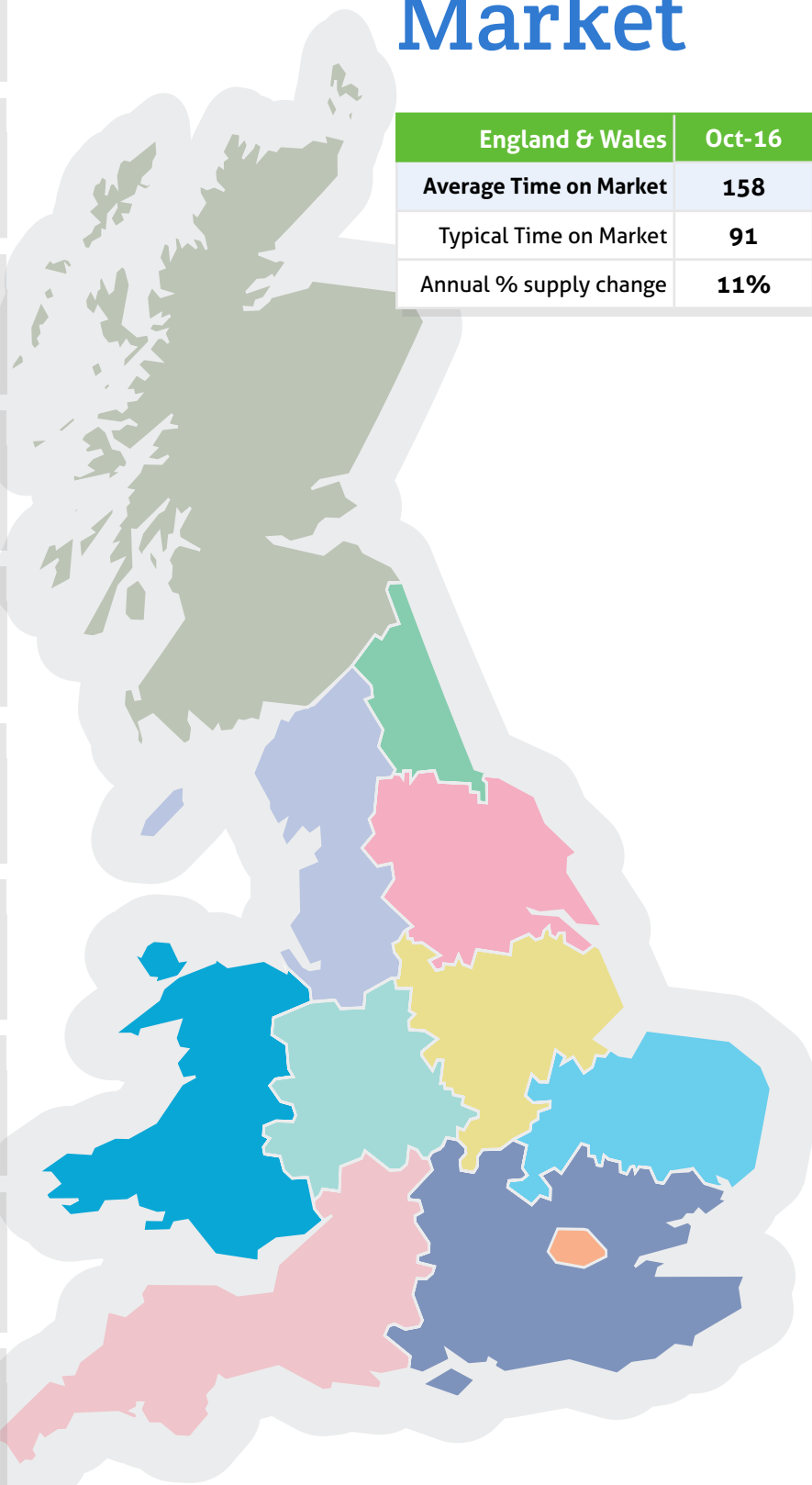
Wales	Oct-16
<b>Average Time on Market</b>	<b>226</b>
Typical Time on Market	130
Annual % supply change	0%

Greater London	Oct-16
<b>Average Time on Market</b>	<b>120</b>
Typical Time on Market	78
Annual % supply change	19%

South East	Oct-16
<b>Average Time on Market</b>	<b>104</b>
Typical Time on Market	66
Annual % supply change	23%

South West	Oct-16
<b>Average Time on Market</b>	<b>146</b>
Typical Time on Market	87
Annual % supply change	6%

England & Wales	Oct-16
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	<b>91</b>
Annual % supply change	<b>11%</b>



Source: Home.co.uk, October 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](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 15<sup>th</sup> November**
- **Tuesday 13<sup>th</sup> December**
- **Thursday 12<sup>th</sup> January**