

Home Prices Rising Faster Than Ever

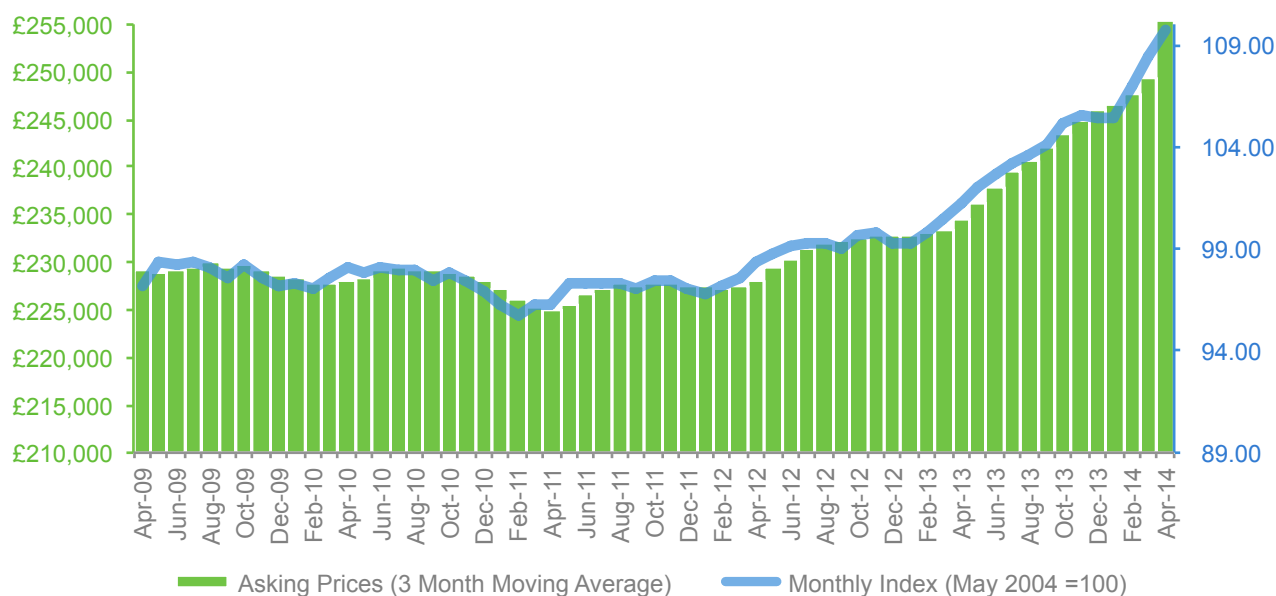
Headlines

- Home prices across England and Wales leapt a further 1.3% over the last month, bringing annual rise to 8.4%
- Home prices are now rising faster than at any time during the last property boom
- The Greater London home market still tops the regional rankings with an 18.9% year-on-year increase
- Typical time on market plummets to 96 days, 34 days less than in April 2013
- Supply of properties for sale down 12% year-on-year and down 48% since March 2008
- Prices in East Anglia play 'catch-up', rising 2.2% since March

Summary

The national average home price continues to rise at a breathtaking rate despite the lacklustre performance of the northern regions and Wales. Government initiatives stoking demand coupled with unprecedented low supply are driving prices inexorably higher. The annual rate of increase, currently 8.4%, is now higher than at any period prior to the financial crisis as measured by this index. This record price growth is all the more extraordinary when we consider the fact that sub-inflation price rises are still being observed in the North East, North West, Yorkshire and Wales. The key markets that are driving the national average so much higher are London and the South East, with East Anglia hot on their heels. Despite a seasonal uptick, Scottish asking prices remain unchanged since this time last year.

Home Price Trend for England and Wales



Source: Home.co.uk, April 2014

Regional Market Round-up

Home prices rose in all English regions (except the North East), Scotland and Wales over the last month. The most dramatic price rises were observed in the South East (1.8%), East Anglia (2.2%) and the South West (1.7%), all of which outpaced the rise in London (1.2%). All the English regions,

Scotland and Wales registered a drop in marketing times over the last month as is to be expected at this time of year. Moreover, typical marketing times are also lower year-on-year in all the English regions and Scotland, indicating improved market conditions even in the northern regions. Wales, however, shows a small increase in the typical marketing time: 179 days, four days higher than in April 2013.

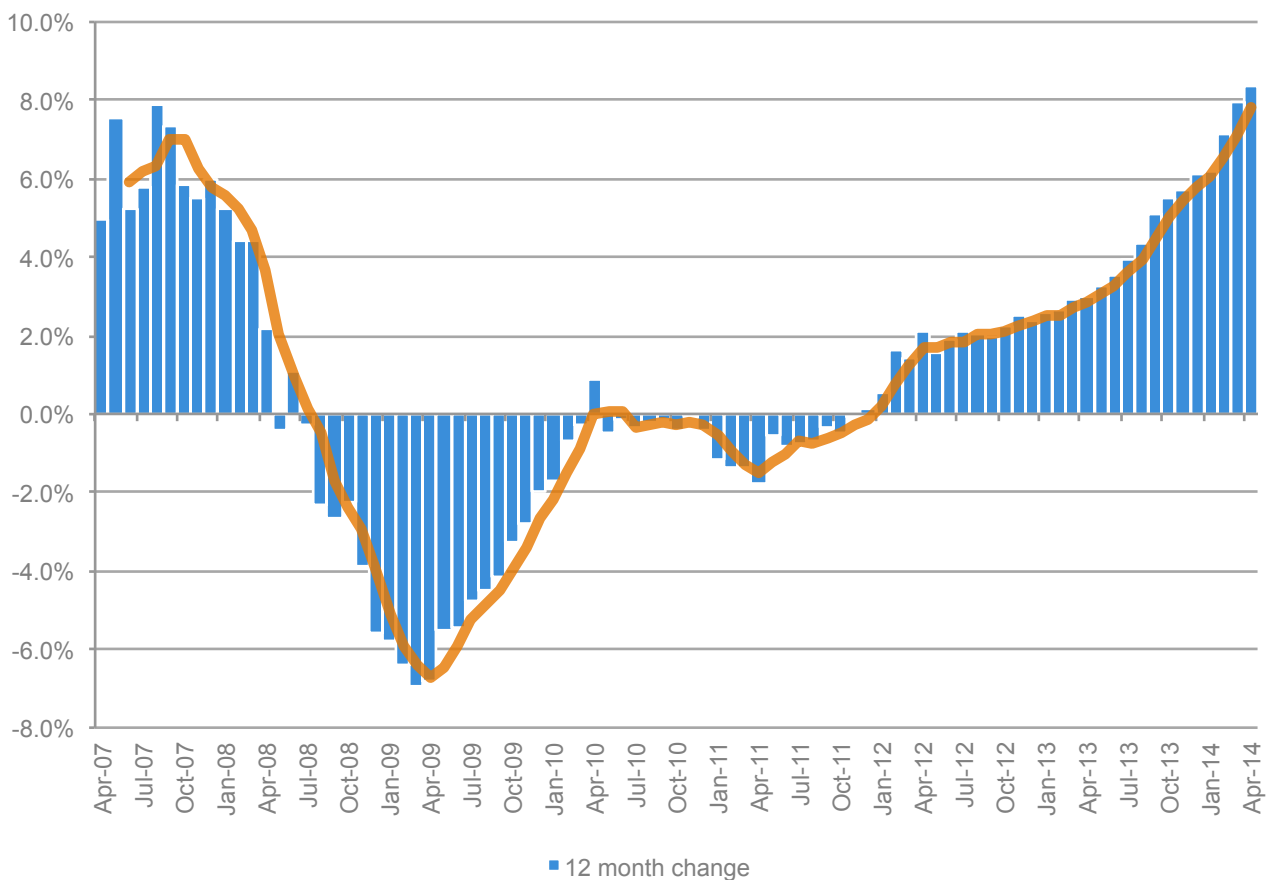
The most active English regions by far are Greater London, the South East, East Anglia, the South West and East Midlands, with typical

marketing times of 47, 59, 69, 83 and 86 days respectively. All five top performing regions have significantly lower marketing times than at this time last year, and this suggests that further strong price growth will continue.

From Boom to Bust to Even Greater Boom

Home price growth accelerates to a new record. The below table charts the stunning turnaround in the fortunes of the UK property market over the last seven years. Moreover, with more price rises almost certainly in the pipeline, we have yet to see the peak price growth of the present boom. The current key economic drivers for the housing market (ultra-low interest rates, government buyer schemes, buy-to-let and shortage of supply) suggest that this boom may well be much bigger than any previously.

12 Month Change in Asking Prices by Month (England & Wales)



Source: Home.co.uk, April 2014

East Anglia Market Hots Up

A monthly rise of 2.2% outpaced all other regions and puts East Anglia firmly in the premier property boom league. Prices are rising in the region at an annualised rate of 7.2%, which is well ahead of the latest RPI inflation figure of 2.7%. The average home in East Anglia rose by around £6,000 last month to attain a new all-time high of £271,036. Over the last five years, the mix-adjusted average price of a home in East Anglia has risen by 13.7%, meaning that more than half of that rise was achieved in the last year alone.

As the property boom spreads out from London, East Anglia is the latest region to feel the impact of the supply-demand imbalance. The typical time on market has plummeted to just 69 days, which is 18 days less than in April 2013. Rising demand and falling supply (there are 24% less properties for sale in the region than at this time last year) will ensure that prices keep on rising swiftly.



Overall, the property market continues to race ahead of many people's expectations.



Momentum is picking up in more and more regions as confidence and optimism grow. On the one hand, the news is good for most homeowners and vendors. First-time buyers, the lifeblood of the industry, are getting a helping hand and this, in turn, is getting the slower markets moving. Added to that, the elixir of low interest rates looks set to remain until at least 2015, according to the Bank of England Governor, and even then rises will only be 'gradual'.

On the other hand, perhaps ironically, it is the best performing markets that warrant the greatest concern. Overheating regional property markets present structural risk and imbalance to the UK economy. The risk of bust aside, the UK property market is increasingly bipolar. Mark Carney, Governor of the Bank of England, commented recently that 'if a recovery is just based in the South-East it is neither sustainable nor balanced. It has to include the North-East.' The clear and present danger is that, judging by current trends, the more prosperous regional property markets will be close to bust before the northern regions and Wales show significant growth, especially the North East.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Apr-14
Average Asking Price	£160,517
Monthly % change	1.98%
Annual % change	-0.04%

North East	Apr-14
Average Asking Price	£153,362
Monthly % change	-0.04%
Annual % change	0.54%

Yorks & The Humber	Apr-14
Average Asking Price	£170,045
Monthly % change	0.22%
Annual % change	0.54%

North West	Apr-14
Average Asking Price	£176,093
Monthly % change	0.63%
Annual % change	2.47%

West Midlands	Apr-14
Average Asking Price	£199,000
Monthly % change	0.95%
Annual % change	3.93%

East Midlands	Apr-14
Average Asking Price	£187,026
Monthly % change	0.96%
Annual % change	5.53%

East	Apr-14
Average Asking Price	£271,036
Monthly % change	2.24%
Annual % change	7.18%

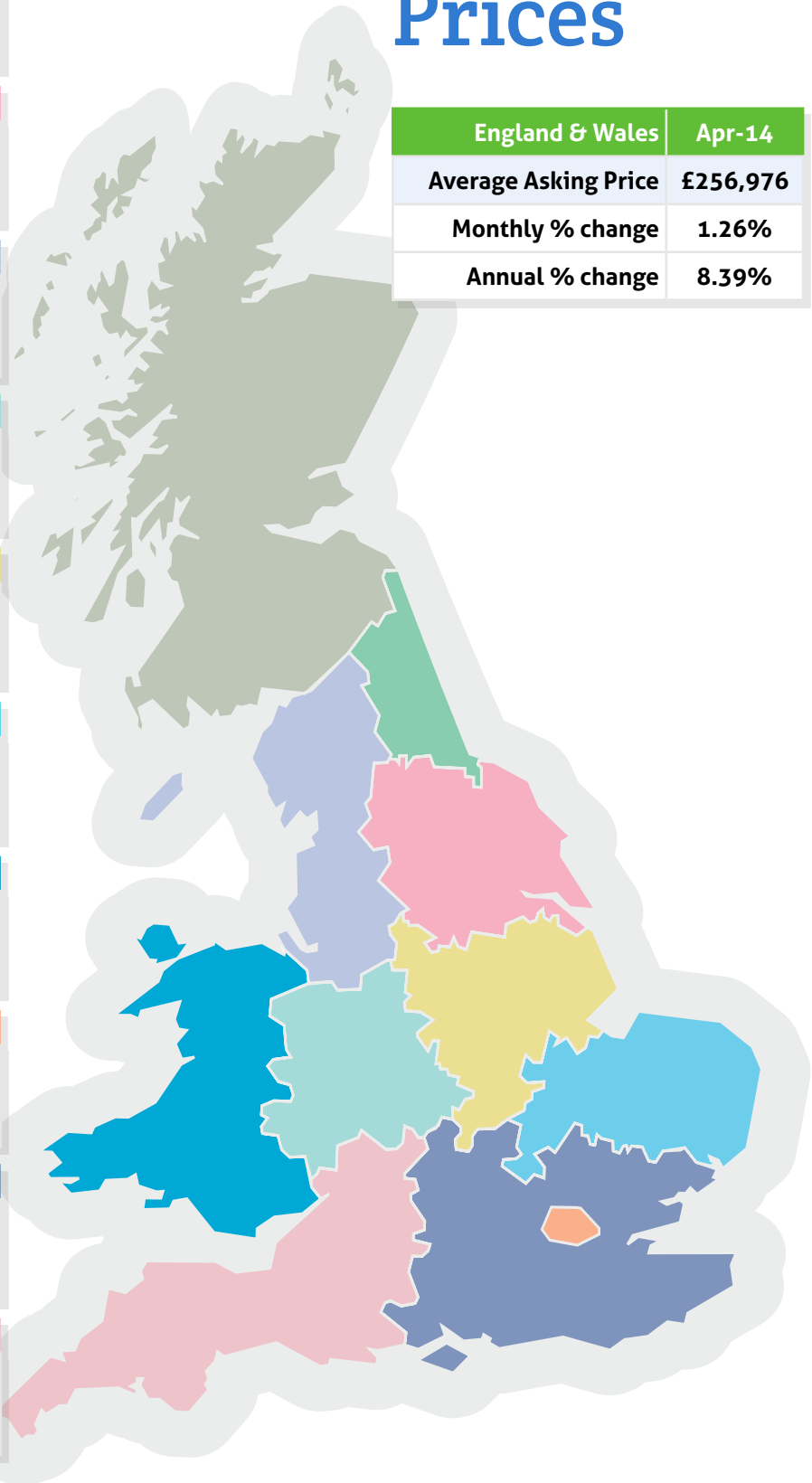
Wales	Apr-14
Average Asking Price	£178,964
Monthly % change	0.34%
Annual % change	2.02%

Greater London	Apr-14
Average Asking Price	£443,420
Monthly % change	1.21%
Annual % change	18.88%

South East	Apr-14
Average Asking Price	£332,250
Monthly % change	1.83%
Annual % change	9.84%

South West	Apr-14
Average Asking Price	£273,573
Monthly % change	1.74%
Annual % change	5.94%

England & Wales	Apr-14
Average Asking Price	£256,976
Monthly % change	1.26%
Annual % change	8.39%



Source: Home.co.uk, April 2014

Home Prices vs. Inflation

The mix-adjusted average home price in England and Wales has now been rising ahead of inflation since July 2013. Only when we take into account the rate of inflation do we get a real idea of how property prices are performing over time.

Between March '08 and July 2013, home prices in England and Wales underperformed with respect to inflation. This 5-year lull (crash followed by stagnation) caused great pain for the majority of homeowners across the country, the banks and the economy at large. The market since then has truly turned the corner and real capital value is being restored in most regions. Viewed from this keen perspective, we have only witnessed eight months of real price growth following 64 months of actual price falls in real terms. This firmly suggests that the current price cycle has a long way to go.

Overall, once again, property has become a real store of capital value, but not in all regions. The North East, North West, Yorkshire and Wales all still indicate price growth that lags behind inflation observed in goods and services (notably energy). By contrast, London, its surrounding regions and the South West are indicating price growth well in excess of the underlying national rate of inflation.

Back in March 2008, home prices were falling at an annualised 9.8% in real terms when

corrected for the effects of inflation (then 2.9%). According to official figures, we have witnessed around 17.5% of monetary inflation since 2007. Only the Greater London property market has outpaced monetary depreciation over the same period, posting a whopping nominal gain of 32% and hence a real gain of 14.5%.

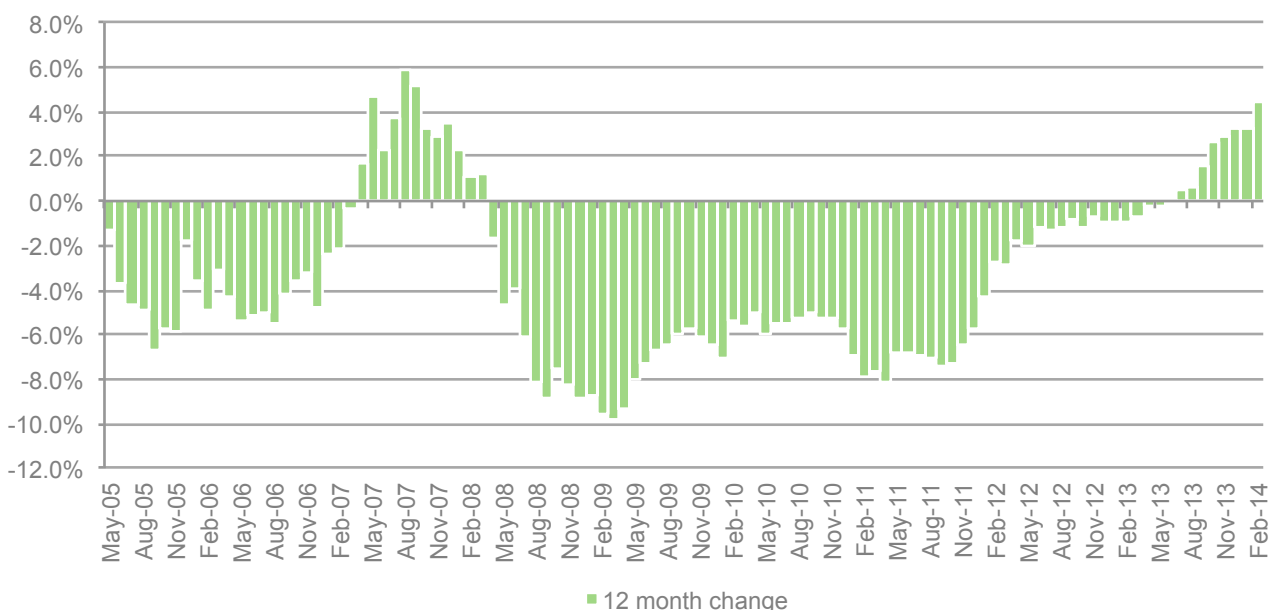
All other English regions, Scotland and Wales have registered price growth below the rate of inflation. Even the strongest performers, the South East and East Anglia, show losses of 4.5% and 10% respectively in real terms. At the other end of the scale, Wales shows the worst inflation adjusted price performance over the last seven years of -26%.

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

"More effort should be taken to correct published house price figures for the effects of inflation as it is vital if we are to compare current prices with historic figures accurately.

The current boom looks much less significant when we correct the current prices for the effects of inflation. If home prices had kept pace with inflation over the last seven years, the average home would cost around £290,000. As of today, it only attracts an asking price of £256,976."

Inflation Adjusted YoY Change in Asking Prices by Month (England and Wales)



Sources: ONS [RPI ex. housing], Home.co.uk

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:

- Wednesday 14th May
- Thursday 12th June
- Tuesday 15th July