



Asking Price Index

Released 12/04/18 April 2018

Oversupply Exacerbates London and South East Downturn

Headlines

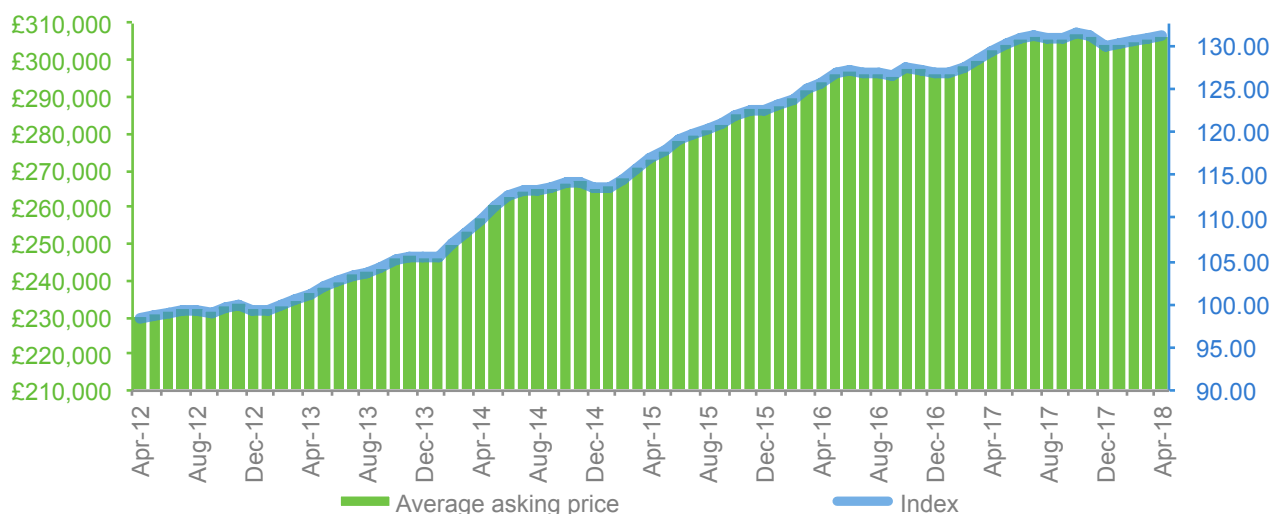
- London and South East prices slide again.
- Strong price growth in the North West, South West, West Midlands and Yorkshire since last month.
- Huge supply surges in the East (17%) and South East (16%) of England.
- Typical Time on Market rising fast in London (+15%), the South East (+18%) and East (+17%) year-on-year.
- Home prices nudged up by 0.2% this month, making the mix-adjusted average growth for England and Wales a mere 1.3% year-on-year (YoY).
- Prices have risen in all English regions, Scotland and Wales since last month, with the exception of London, the North East and the South East.
- Typical Time on Market for England and Wales has dropped back to 78 days, two days less than in Apr 2017.
- The total stock of properties on the market in England and Wales is up again, this time by 6.5% YoY.

Summary

Home prices may have nudged up this month across England and Wales but red warning lights are flashing as market conditions in London and the South East deteriorate. Prices continue to slide and marketing times are rising but, most worrying of all, is that the supply of property for sale has risen to near 7-year highs in both regions, and this rising trend shows no signs of abating. In stark contrast, Wales, the East Midlands, West Midlands, the North West and Yorkshire have thriving property markets.

The reversal of fortunes continues for Britain's bipolar property market. Oversupply threatens to tip downturn into disaster in the already hamstrung markets in Greater London and the South East. The psychology of property market downturns is well documented and buyer sentiment may be summarised by the phrase 'Who wants to catch a falling knife?' Moreover, the East of England looks set to follow the same path as supply rises rapidly, marketing times lengthen and price growth falls further below the level of inflation.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, April 2018



While London and the South East look set to suffer a deepening malaise, regional markets in the Midlands, Wales, Yorkshire and the North West are powering ahead. The East Midlands leads the price growth league table with a gain of 5.3% over the last 12 months, closely followed by Wales with 5.1%. The West Midlands and the North West are also powering ahead.

Overall, supply of property for sale in the UK is up 8% YoY. The largest contributions over the month of March were from the East (+17%) and South East (+16%). These large jumps in new instructions in the East and South East will serve to slow these markets further and stifle price growth. By contrast, supply contracted in Wales (-5%), Scotland (-2%) and the North East (-4%).

In Apr 2017 the annualised rate of increase of home prices was 3.0%; today the same measure is a mere 1.3%.

Regional Round-up

The beginning of a downturn in the UK property market started with the first domino: Greater London. Next it was the South East, and this month the South West joined London in the year-on-year negative club. Long before prices were affected in these regions, the Time on Market figures showed tell-tale signs of market maturation and then backwardation.

Backwardation is already evident in the East of England and prices will soon stagnate and slide in a manner similar to the South East and London.

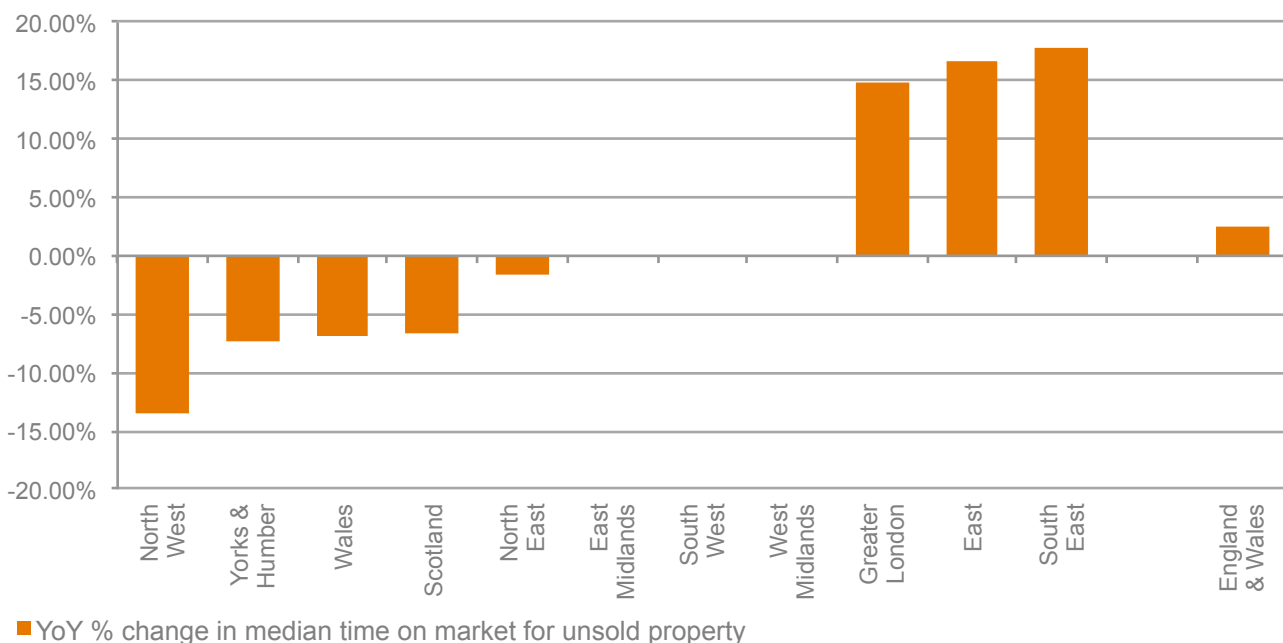
Price rises have already shrunk to sub-inflation levels (1.5% YoY) and typical Time on Market is 17% higher than last year. Market maturation is now evident in the East and West Midlands and the South West. The median Time on Market is the same as in April 2017, and this forward indicator has consistently revealed the tipping point to the downside for any regional market.

The chart serves to highlight the disparities across the regions. Significant rises in the median Time on Market for unsold property confirms that London, the East and South East markets are in backwardation. These three regions account for 41.5% of the total English housing stock and much more by value.

The centre of the chart depicts three markets at the tipping point (market maturation in the Midlands and South West) and a further five still gaining momentum. The East and West Midlands and the South West have been leading the regional price growth chart but these markets have reached maturity and price growth is falling off. The first tell-tale sign was an increase in supply and now we will see the Time on Market trend reverse.

The North West, Wales and Yorkshire are still very much in the ascendancy and those regional markets still have significant growth expectations. Scotland on the other hand is more mixed. High-priced properties in the capital and elsewhere are already falling (cf. Prime Central London) and this is dragging down the average growth figures.

Change in Typical Time on Market, Apr 2018 vs. Apr 2017



Source: Home.co.uk Asking Price Index, April 2018

The Welsh property market is gaining momentum and prices are much on the uptrend, rising 1.0% in just the last month and 5.1% over the last 12 months. The principality looks set to continue sustained growth for the medium term, despite the fact that Cardiff is already looking like it has reached market maturity. Welsh home prices are only just above their 2008 valuations, hence there is plenty of room for growth. We expect Wales to lead the regional growth tables going forward.

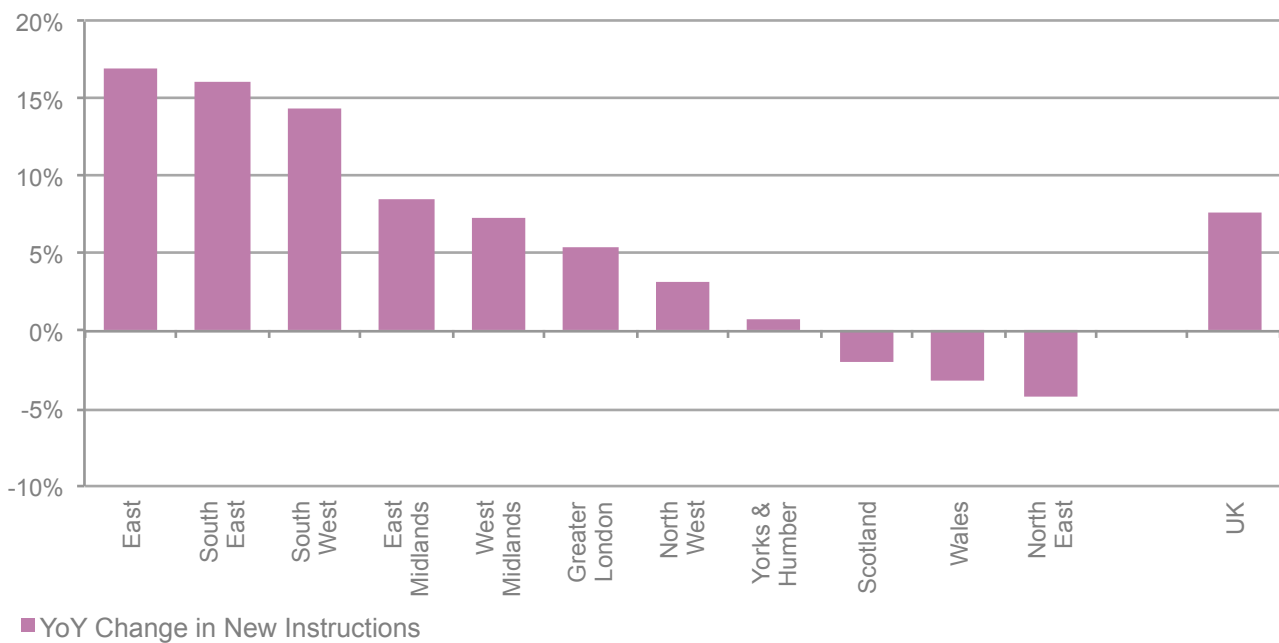
Supply of New Instructions

Scarcity of property entering the market has been a key price driver over recent years but this is no longer the case. In fact, the number of properties being added to agent portfolios is climbing year-on-year. Oversupply is the number one concern for the post-boom markets of

London and adjacent regions. The supply of new instructions in the capital region started climbing from a low point back in Dec 2013. However, such was the extraordinary level of demand at the time that it took just over two years of supply growth to overwhelm demand then a further year before price rises came to a halt. Since then, two years of backwardation has meant that the typical property bought in April 2016 has now lost 11% of its market value, a fall large enough to mean that many new owner-occupiers will now be in negative equity.

For the time being, the North East and Wales are indicating contracting supply and this will stimulate further price growth going forward, especially in Wales. Scotland also seems to be keeping reasonable control of supply and this bodes well for the market north of the border.

Regional Supply Change, Mar 2017 vs. Mar 2018



Source: Home.co.uk Asking Price Index, April 2018





And so we move to the next stage of the property cycle. The downturn that began in London is spreading out to other regions.

The Midlands and South West look to be peaking and only the far North, West and Wales show opportunities for significant growth in the near term.

The question posed by such a situation is, of course, "When will London prices 'bottom out'?" Basic economics would suggest that demand must rise or supply must stop growing. Since demand is allied very closely to mortgage interest rates, it's hard to imagine that aspect improving. Hence, the key signals to detect the bottom of the cycle must be when supply stops increasing and stock levels stabilise. Looking at the current trends, this could be a long while coming.

Of course, many 'hard to sell' properties in and around London will enter the rental market but they won't be cheap. Thanks to the government's 'Dick Turpin' policies against the rental sector, landlords will need to hike their rents even higher to offset the costs of increased taxation and



regulation. They can too, thanks to strong demand, and will still be able to going forward as there is always enhanced demand during periods of capital depreciation.

Rents in Greater London have risen by only 2.7% over the last 12 months but available properties to rent have fallen by 20% over the same period. This clearly portends a large increase in rental values in the near term. However, should Corbyn one day implement his 'rent control' policies, the story may unfold very differently. It's worth remembering that food price controls in Soviet Russia ultimately led to empty shelves in the shops.

With the way the property market is looking right now, never mind the overall economy, any sort of move to raise interest rates would be an act of madness. There may perhaps have been an opportunity to do so (e.g. before the London bubble grew too big) but now is certainly not the time. Moreover, we don't want to have to bail out those 'too big to fail' banks again now, do we?

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Apr-18
Average Asking Price	£181,849
Monthly % change	0.2%
Annual % change	1.4%

North East	Apr-18
Average Asking Price	£157,311
Monthly % change	0.0%
Annual % change	1.9%

Yorks & The Humber	Apr-18
Average Asking Price	£191,935
Monthly % change	0.6%
Annual % change	4.1%

North West	Apr-18
Average Asking Price	£198,082
Monthly % change	0.7%
Annual % change	4.2%

West Midlands	Apr-18
Average Asking Price	£240,211
Monthly % change	0.6%
Annual % change	4.8%

East Midlands	Apr-18
Average Asking Price	£228,974
Monthly % change	0.3%
Annual % change	5.3%

East	Apr-18
Average Asking Price	£360,418
Monthly % change	0.2%
Annual % change	1.5%

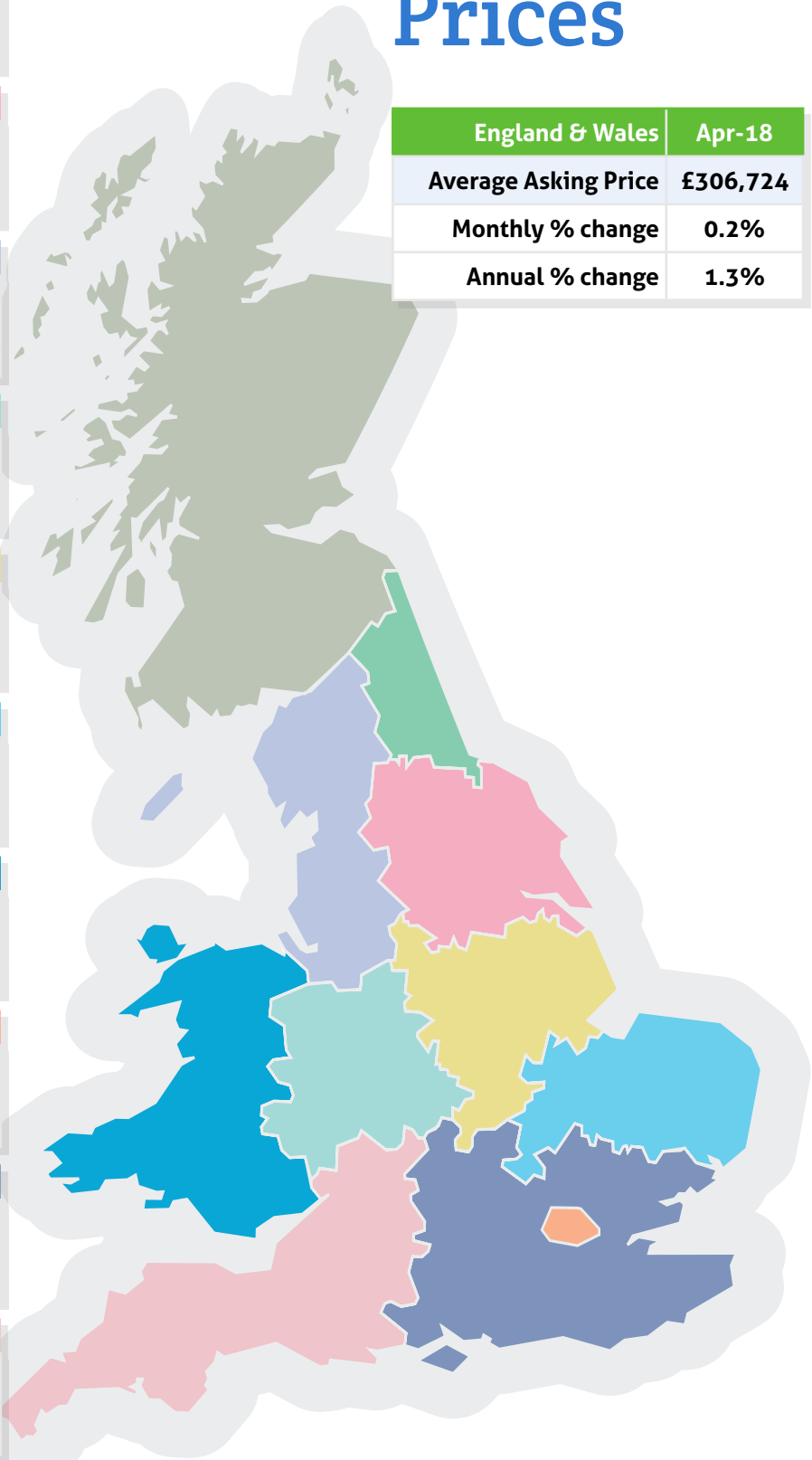
Wales	Apr-18
Average Asking Price	£196,561
Monthly % change	1.0%
Annual % change	5.1%

Greater London	Apr-18
Average Asking Price	£531,337
Monthly % change	-0.1%
Annual % change	-2.3%

South East	Apr-18
Average Asking Price	£399,315
Monthly % change	-0.4%
Annual % change	-0.4%

South West	Apr-18
Average Asking Price	£323,129
Monthly % change	0.6%
Annual % change	2.8%

England & Wales	Apr-18
Average Asking Price	£306,724
Monthly % change	0.2%
Annual % change	1.3%



Source: Home.co.uk Asking Price Index, April 2018

UK Time on Market

Scotland	Apr-18
Average Time on Market	242
Typical Time on Market	125
Annual % supply change	-2%

North East	Apr-18
Average Time on Market	236
Typical Time on Market	130
Annual % supply change	-4%

Yorks & The Humber	Apr-18
Average Time on Market	178
Typical Time on Market	88
Annual % supply change	1%

North West	Apr-18
Average Time on Market	176
Typical Time on Market	89
Annual % supply change	3%

West Midlands	Apr-18
Average Time on Market	146
Typical Time on Market	67
Annual % supply change	7%

East Midlands	Apr-18
Average Time on Market	135
Typical Time on Market	66
Annual % supply change	8%

East	Apr-18
Average Time on Market	117
Typical Time on Market	63
Annual % supply change	17%

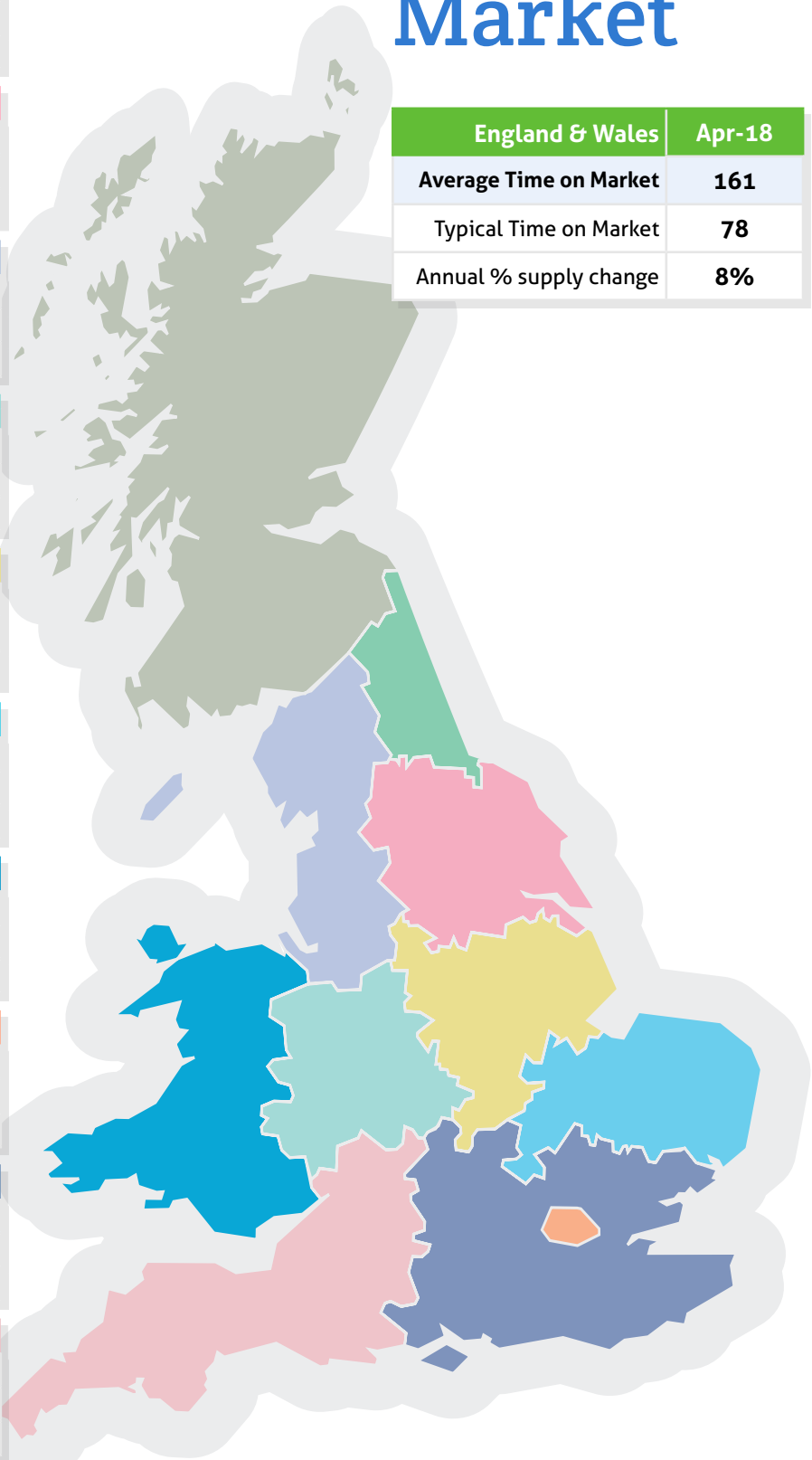
Wales	Apr-18
Average Time on Market	236
Typical Time on Market	138
Annual % supply change	-3%

Greater London	Apr-18
Average Time on Market	149
Typical Time on Market	77
Annual % supply change	5%

South East	Apr-18
Average Time on Market	123
Typical Time on Market	66
Annual % supply change	16%

South West	Apr-18
Average Time on Market	140
Typical Time on Market	69
Annual % supply change	14%

England & Wales	Apr-18
Average Time on Market	161
Typical Time on Market	78
Annual % supply change	8%



Source: Home.co.uk Asking Price Index, April 2018. 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:

- **Friday 11th May**
- **Tuesday 12th June**
- **Thursday 12th July**