



# Asking Price Index

Released 13/08/13 August 2013

## Prices Up But North-South Disparity Worsens

### Headlines

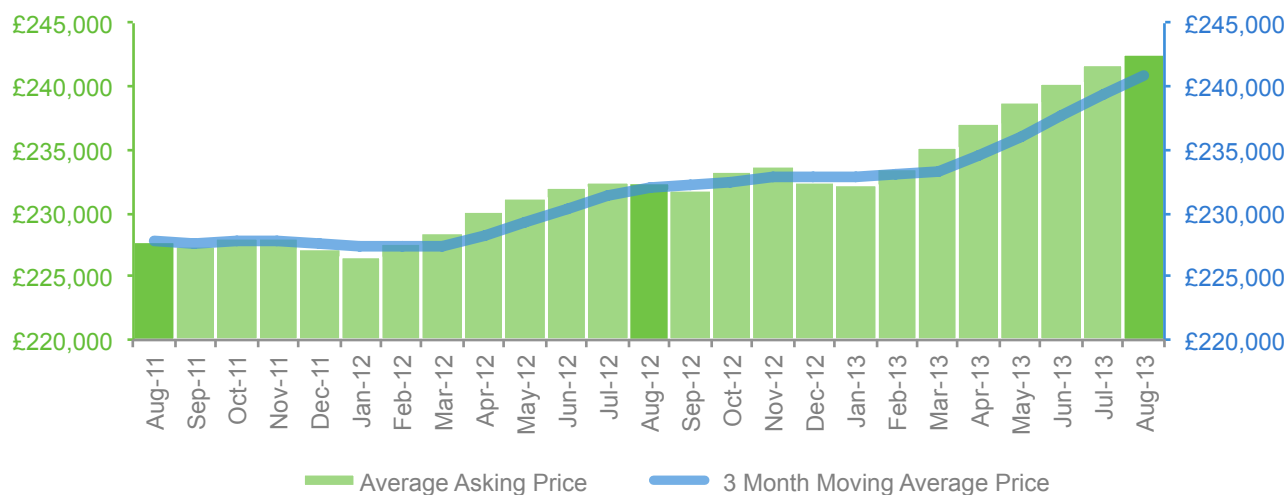
- The mix adjusted average asking price across England and Wales rose 0.3% on last month and now stands 4.4% higher than in August 2012
- However, the North-South property divide is worsening. Above average price growth is only evident in the London and South East regions
- Price stagnation and deflation has returned to the North of England and Scotland, with an average fall of 0.2% in the last month, while prices in Yorkshire and the West Midlands barely moved
- Restricted supply continues: the volume of new-to-market properties across the UK is down 7% on last year, and down a staggering 23% in the London region
- The average London property is now priced 60% above the average for England & Wales
- The number of price reduced properties on the market has fallen 20% since August 2012

### Summary

The average asking price for a home in England and Wales increased again this month and has now risen 4.4% in the last 12 months. However, the price growth has been driven by the southern parts of the country whilst prices in the North are coming under increasing pressure. At one extreme is London, where prices grew another 0.6% this month and are now 9.7% higher than they were five years ago. Contrast this with the North West where prices contracted this month and are now 7.5% below the average prices in August 2008.

The regional price differentials are related to the supply of property for sale. Overall, the volume of new properties entering the market last month was down 7% on July 2012, and supply drops were recorded across much of the country but mainly in the South. In London and the South East in particular, a relatively tiny trickle of property to market is causing competition amongst buyers and pushing up prices. In the North, however, stock still remains relatively unrestricted (actually increasing in Wales and the West Midlands), hence asking prices continue to be under pressure.

### Price trend



Source: Home.co.uk, August 2013



## Britain is a Market of Two Halves

Britain is developing an increasingly divided market. The South of England continues to experience monthly house price inflation whilst prices in the North of England and Scotland are still floundering. The strongest growth this month was again recorded in London and the South East with rises of 0.6% and 0.7% respectively. By contrast, Scottish prices fell by 0.6% last month and prices in all the northern regions fell marginally or stagnated.

Whilst the North and Scotland have seen marginal price growth over the last six months of around 1%, the extent of the North-South divide is clearly evident over the longer term. Property prices in the North of England and Scotland are down by 6.7% on average, compared to five years ago. Greater London and the South East are up 9.7% and 6.2% respectively over the same period. The continued fragility of prices in the North and Scotland and relentless demand for housing in the South is widening this gap.

## Price Cutting Much Reduced

The total number of price reduced properties has fallen by 20% over the last year, reflecting the improved fortunes of the UK market overall. The average price cut, effected by sellers, is little changed from a year ago but is also falling in real terms. Vendors are clearly much more confident about their asking prices but this is mainly so in the South where the typical time on market is half that of the North.

## Equity Holders and BTL Support Prices of Different Property Types

Those buyers with equity looking to move up the property ladder are helping to maintain the price of detached houses, whilst the price performance of flats lags behind despite strong Buy-to-Let (BTL) activity. Given the ongoing challenge for first-time buyers, the demand for flats has been dampened in recent years and this has been reflected in prices. The average price of a flat over the past two years has risen by 1.8% compared to a detached house that has risen by 4.5%. Arguably, without BTL demand, the price performance of flats, which has been plagued by oversupply, would not have recovered as it has in recent years. Shortage of supply has helped detached properties perform very well post-crisis (now at an all-time high of £341,891, around 2% higher than the previous 2007 high). In stark contrast, the average price for a flat in England and Wales is 16% lower than it was in August 2007.



**This new set of property metrics illustrates the fragmented nature of the recovery of the property market.**



Overall, the picture looks positive but regional economic weakness, low affordability and poor confidence are impacting negatively on half the UK. Put simply, there are more buyers in the South who are willing and able to commit to a transaction, creating stronger demand for a diminished volume of property stock. In the North, property is languishing on the market for longer, and potential buyers are holding back or are unable to secure the required financial backing. In view of the widening regional house price differences, one might come to the conclusion that the North has borne the brunt of the austerity measures while London and the South East have benefitted most from the government's stimulus measures.

The Bank of England's announcement to hold interest rates at their record low until unemployment falls will provide some short-term confidence to potential buyers. However, given the widening gap of the North-South property divide, many will question whether low interest rates alone will be enough to assist the recovery of the local markets in the northern regions. The reality is that, until government policy is able to rebalance the economy as a whole, both over a wider geography and across multiple sectors, the North-South divide is likely to widen further as the South continues on its growth trajectory.

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



# UK Asking Prices

| Scotland                    | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£161,007</b> |
| Monthly % change            | -0.6%           |
| Annual % change             | 0.5%            |

| North East                  | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£153,160</b> |
| Monthly % change            | -0.1%           |
| Annual % change             | 0.7%            |

| Yorks & The Humber          | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£169,445</b> |
| Monthly % change            | 0.0%            |
| Annual % change             | 0.8%            |

| North West                  | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£173,015</b> |
| Monthly % change            | -0.1%           |
| Annual % change             | -0.3%           |

| West Midlands               | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£194,280</b> |
| Monthly % change            | 0.1%            |
| Annual % change             | 3.1%            |

| East Midlands               | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£180,348</b> |
| Monthly % change            | 0.4%            |
| Annual % change             | 2.9%            |

| East                        | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£256,639</b> |
| Monthly % change            | 0.1%            |
| Annual % change             | 3.0%            |

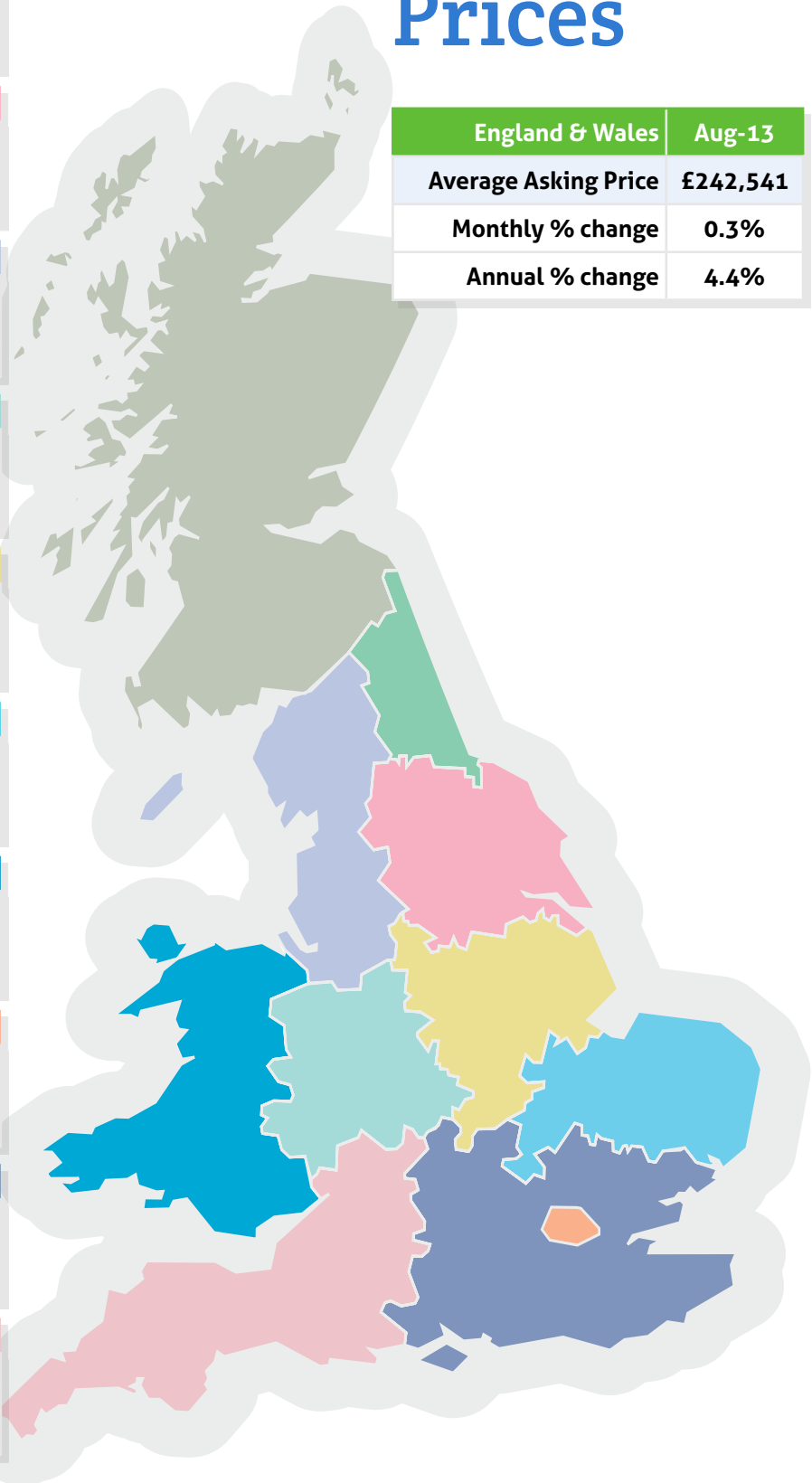
| Wales                       | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£176,415</b> |
| Monthly % change            | 0.2%            |
| Annual % change             | 1.6%            |

| Greater London              | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£389,025</b> |
| Monthly % change            | 0.6%            |
| Annual % change             | 9.5%            |

| South East                  | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£312,061</b> |
| Monthly % change            | 0.7%            |
| Annual % change             | 6.0%            |

| South West                  | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£264,985</b> |
| Monthly % change            | 0.4%            |
| Annual % change             | 3.5%            |

| England & Wales             | Aug-13          |
|-----------------------------|-----------------|
| <b>Average Asking Price</b> | <b>£242,541</b> |
| <b>Monthly % change</b>     | <b>0.3%</b>     |
| <b>Annual % change</b>      | <b>4.4%</b>     |



Source: Home.co.uk, August 2013

# Bipolar Britain

A huge surge in London property prices is well underway and, as yet, shows no signs of slowing down. The average asking price for a property within Greater London now stands at £389,025, a rise of 6.8% in the last six months alone. Such growth and further relentless demand all point towards an overheating market. Despite this, the UK government and Bank of England are continuing their support for mortgage lending and loose monetary policies.

In August 2013, an average London property is priced 60% higher than the average for England & Wales. The South East, South West and East Anglia also record above average prices whilst the rest of the country, Wales and Scotland fall below the average of £242,541. Whilst we have reported on the regional variations and North-South divide before, it is important to track how the situation has evolved over the past five years.

Property prices in London are higher than ever before and the market in the capital bears little resemblance to the rest of the country. Property in the surrounding South East has performed reasonably well, yet the price differential is still dwarfed by London's super-premium pricing.

Given the pressure on prices in the North and Scotland, the gap with these regions has actually widened over the past five years. For example, an average property in the North East now costs £153,160 which is 6% lower than in 2008.

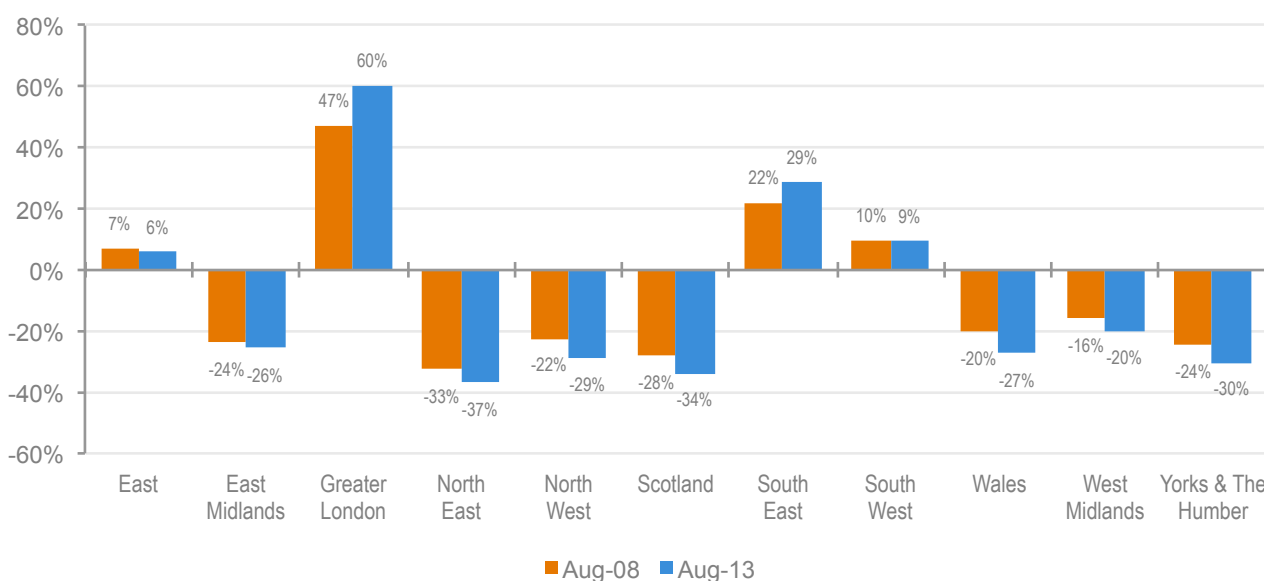
This, in turn, has widened the price average differential from 33% to 37%. The situation in Wales, the Midlands, the North and Scotland is the same: average property price differential has actually grown in the past five years.

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

*"The London property market is a law unto itself. Relentless demand from both domestic and foreign buyers is creating a market that is seemingly isolated from the grim economic challenges that face the rest of the country. Slower sales and slower price recovery (or even deflation) in other areas serve only to highlight the unique performance of the capital's property market."*

*The North-South divide has evolved to the point where financial policy makers need to treat London differently to the rest of the country. The London property market clearly needs no further stimulus; it's running too hot already. Only time will tell if the market will overheat and naturally realign prices in the process. However, the concern is that, if the capital's property bubble does burst, it may well shake the confidence of the wider market (and financial sector) and make no difference to the price differential. Given the government policies and a wealth of buyers favouring the capital, the property gap between London and the rest of the country is likely to grow further in the immediate future."*

## Average Price Differentials by Area (compared to England & Wales average)



Source: Home.co.uk, August 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:  
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- 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:

- Thursday 12<sup>th</sup> September
- Tuesday 15<sup>th</sup> October
- Wednesday 13<sup>th</sup> November