

Average Prices Weighed Down by Steep Falls in London

Headlines

- Home prices in London continue to fall steeply, down a further 1.2% in just one month.
- Supply of property increases sharply in the key regions of London (+27%), East of England (+19%) and the South East (+19%).
- Prices fall in four English regions and Scotland, making the overall mix-adjusted average asking price drop 0.1% since last month.
- The number of properties reduced in price last month jumps to a 45-month high.
- Typical Time on Market edges up another four days to 86 days over the last month across England and Wales: still six days less than in August 2015.
- The average annualised rate of home price appreciation for England and Wales slips further to 5.3%.
- The total stock of property on the market edges up again and is just 0.5% less than in August last year.

Summary

Price drops in London have sparked a surge in new listings as sellers try to cash in, albeit probably too late to achieve the best sale value. Prices dropped a further 1.2% in the capital region over the last month, which equates to a fall in value of around £6,400 for the average property. Unnerved by Brexit, the Buy-to-Let taxation changes and warnings about overvaluation, vendors are increasing the property supply. However, a leap in new listings of 27% (July 2016 compared to July 2015) will only serve to worsen the market conditions in Greater London.

Property marketing times are rising across most parts of the country. Low confidence among sellers has already triggered a spate of price cutting, the magnitude of which we have not seen since October 2012.

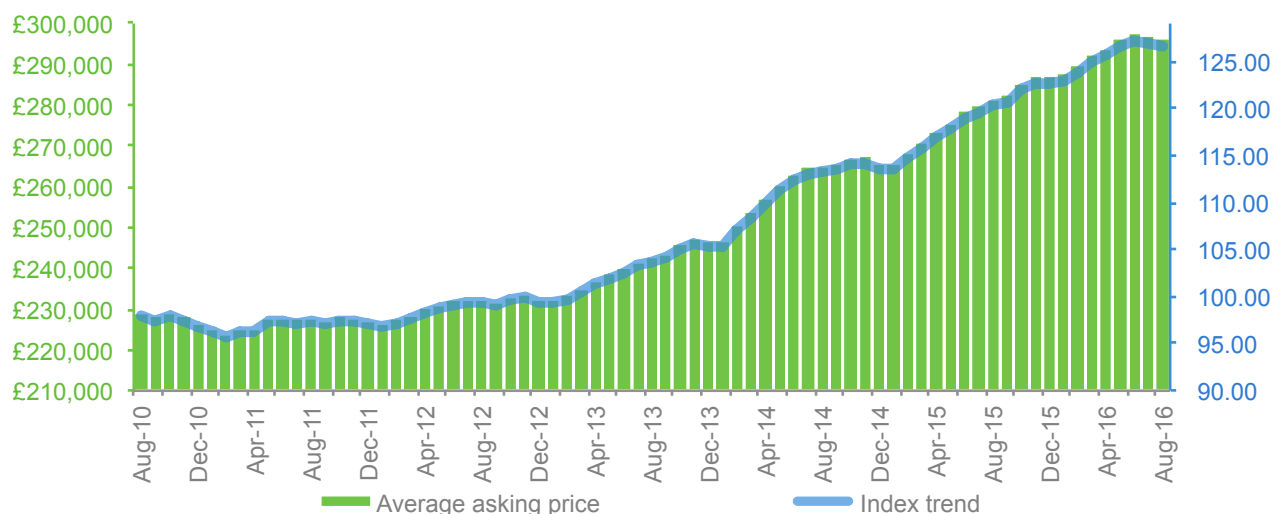
Nervousness among sellers also meant that prices slipped in the South East by a further 0.2% during the last month. This second monthly drop along with a concomitant rise in supply (+19%) may mean this region will follow London into a period of price falls. Scottish asking prices also slipped for a second consecutive month, by 0.5%.

However, it's not all 'doom and gloom' as several English regions and Wales still indicate price growth. Perhaps surprisingly, the North East rose the most (1.0%) over the last month, followed by the West Midlands (0.8%), East of England (0.6%), South West (0.5%), Wales (0.3%) and the North West (0.1%).

Whilst cheap credit remains a key market driver, its counterpart 'scarcity' is being eroded by increasing supply. There is a significant risk that falling prices and uncertainty over Brexit in London and the South East will trigger a stampede to market, causing a major market slump.

Overall, the current mix-adjusted average asking price for England and Wales is now 5.3% higher than it was in August 2015, and we anticipate that this figure will trend towards 0% over the coming months.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, August 2016

Regional Market Round-up

A third month of price falls confirms the downward trend for London, but more widely the regional picture remains mixed.

At the current rate of decline, it will be just two more months before we see that London prices show no annual gains at all. Negative equity is just around the corner. What has become clear this month is that Brexit uncertainty has served to worsen the decline. Supply is increasing dramatically and the Typical Time on Market is now showing the highest August figure for three years (74 days).

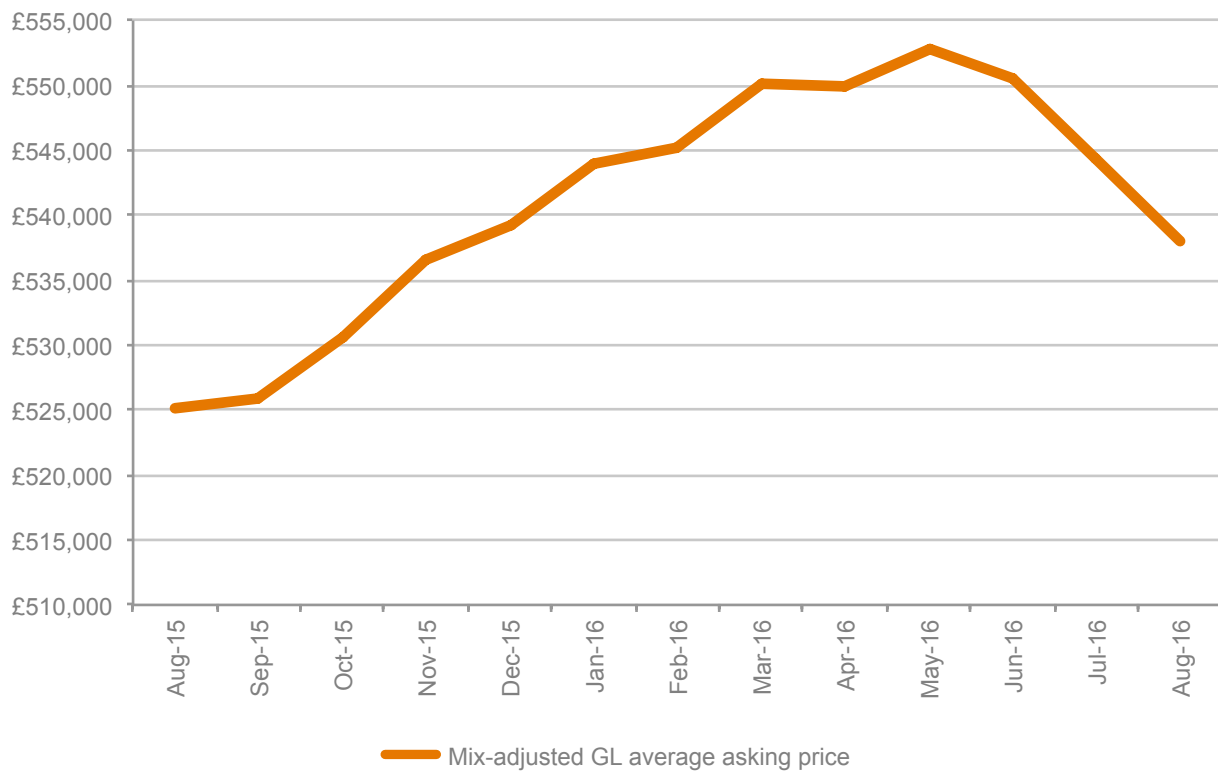
Prices are slipping in the South East too. Our indicators show that supply is increasing, and when this overwhelms current demand, prices may head south rapidly as already observed in London. For the time being, the Typical Time on

Market is holding steady (currently 63 days) but the observed increase in supply is likely to slow the market.

Contrary to the worrying signs in London and the South East, the East of England and the West Midlands are still showing significant price growth. Rises of 0.8% and 0.6% this month show that confidence has not fallen as observed elsewhere. However, supply has jumped in the East of England and will serve to place downward pressure on prices. But, thus far, Brexit jitters have not notably diminished these markets' performance.

The South West also appears to be in good health for the time being, rising by 0.5% over the last month. Moreover, supply is little changed from last year and this will help to keep prices rising. In Wales, the supply of homes for sale has fallen 6% year-on-year and prices are on a gentle upward trend.

Greater London Home Price Trend



Source: Home.co.uk, August 2016

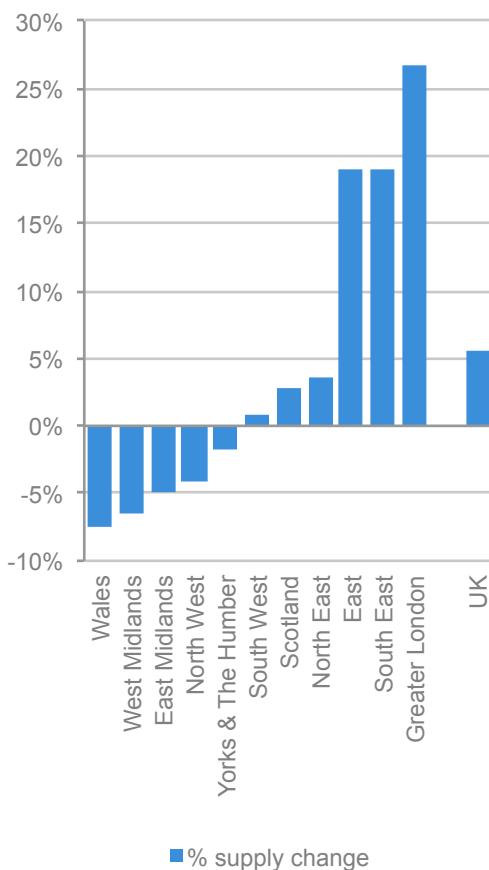
Meanwhile, prices in the North West increased just 0.1% over the last month. Supply is steady so we anticipate continued slow growth in the region.

An even greater shift in regional supply dynamics has been revealed this month. The number of properties entering the market has increased rapidly in London and the Home Counties. This data further indicates that the property booms in these regions are either over or coming to a close.

In the other regions, supply changes appear less pronounced although it is encouraging to note that five regions show falling supply.

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

Supply Change of Property for Sale by Region (July 2016 vs. July 2015)



Source: Home.co.uk, August 2016



Last month was simply too early to fully appreciate the Brexit fallout for UK property. This month we are seeing significant market changes but not all to the downside.



Whilst the London market is looking rather panicky with falls being accentuated by Brexit worries, there are several strongly performing regions that remain unaffected so far.

While it is clear that the referendum result certainly unnerved many investors, it is also clear that they are not all running for the exit at once. We will be keeping a particularly close eye on the London market over the next month, watching whether or not the surge in new listings becomes a stampede. Such a panic would inevitably lead to a home price crash in the region and stress mortgage lenders to the limit or beyond.

The Bank of England is taking the situation very seriously and responded again to the Brexit vote (beyond allowing banks to lower their capital requirements) by taking interest rates even lower to a record low of 0.25%. Whilst this is intended to head off a post-Brexit house price slump and a wider recession, it may be too little too late. For most home purchases, it is not the interest rates that present a problem, it is the deposit. Current market indications suggest that the banks may soon ask for larger deposits to mitigate their risk in lending.

The Bank is also forecasting "slower earnings growth and 250,000 job losses". This certainly is not good news for the housing market. Further measures include printing £60 billion to buy government debt, £10 billion to buy corporate debt and £100 billion to banks to ensure they lend at a new (slightly) lower rate.

Such moves are clearly designed to shore up confidence, but we still expect key investment decisions to be delayed until there is considerably less uncertainty about the post-Brexit UK economy. However, the sudden rise in supply observed in Greater London, the South East and the East of England suggests that many investors have already decided to exit. This and price cutting of properties currently on the market are the sort of events that the Bank would probably want to avoid.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Aug-16
Average Asking Price	£177,799
Monthly % change	-0.5%
Annual % change	6.0%

North East	Aug-16
Average Asking Price	£155,957
Monthly % change	1.0%
Annual % change	1.8%

Yorks & The Humber	Aug-16
Average Asking Price	£181,212
Monthly % change	-0.4%
Annual % change	3.4%

North West	Aug-16
Average Asking Price	£186,122
Monthly % change	0.1%
Annual % change	3.8%

West Midlands	Aug-16
Average Asking Price	£225,601
Monthly % change	0.8%
Annual % change	7.0%

East Midlands	Aug-16
Average Asking Price	£209,375
Monthly % change	-0.2%
Annual % change	5.3%

East	Aug-16
Average Asking Price	£338,623
Monthly % change	0.6%
Annual % change	13.7%

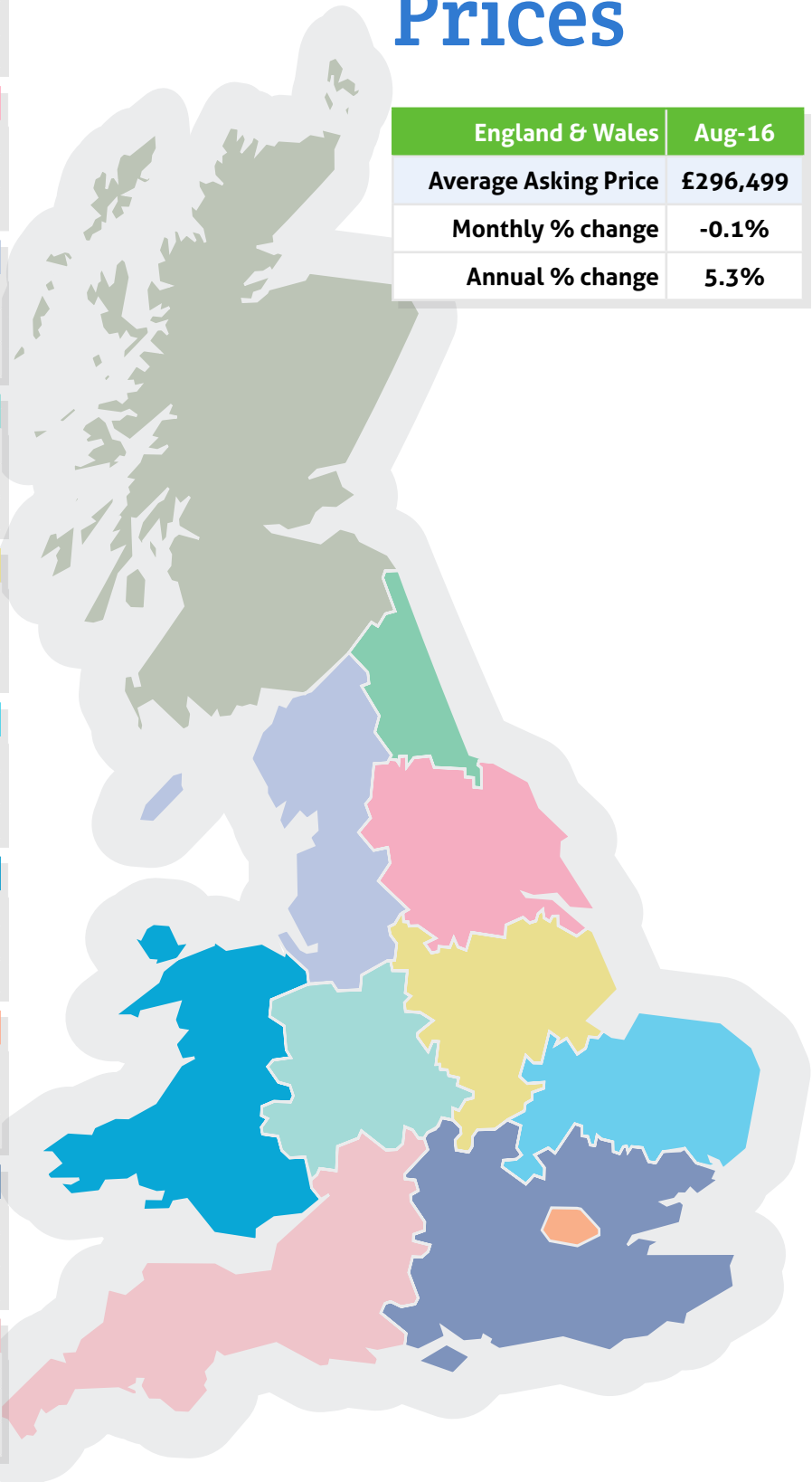
Wales	Aug-16
Average Asking Price	£186,146
Monthly % change	0.3%
Annual % change	1.4%

Greater London	Aug-16
Average Asking Price	£538,021
Monthly % change	-1.2%
Annual % change	2.5%

South East	Aug-16
Average Asking Price	£392,136
Monthly % change	-0.2%
Annual % change	6.4%

South West	Aug-16
Average Asking Price	£307,058
Monthly % change	0.5%
Annual % change	5.2%

England & Wales	Aug-16
Average Asking Price	£296,499
Monthly % change	-0.1%
Annual % change	5.3%



Source: Home.co.uk, August 2016

UK Time on Market

Scotland	Aug-16
Average Time on Market	214
Typical Time on Market	95
Annual % supply change	3%

North East	Aug-16
Average Time on Market	232
Typical Time on Market	117
Annual % supply change	4%

Yorks & The Humber	Aug-16
Average Time on Market	185
Typical Time on Market	98
Annual % supply change	-2%

North West	Aug-16
Average Time on Market	190
Typical Time on Market	103
Annual % supply change	-4%

West Midlands	Aug-16
Average Time on Market	151
Typical Time on Market	83
Annual % supply change	-6%

East Midlands	Aug-16
Average Time on Market	141
Typical Time on Market	80
Annual % supply change	-5%

East	Aug-16
Average Time on Market	104
Typical Time on Market	60
Annual % supply change	19%

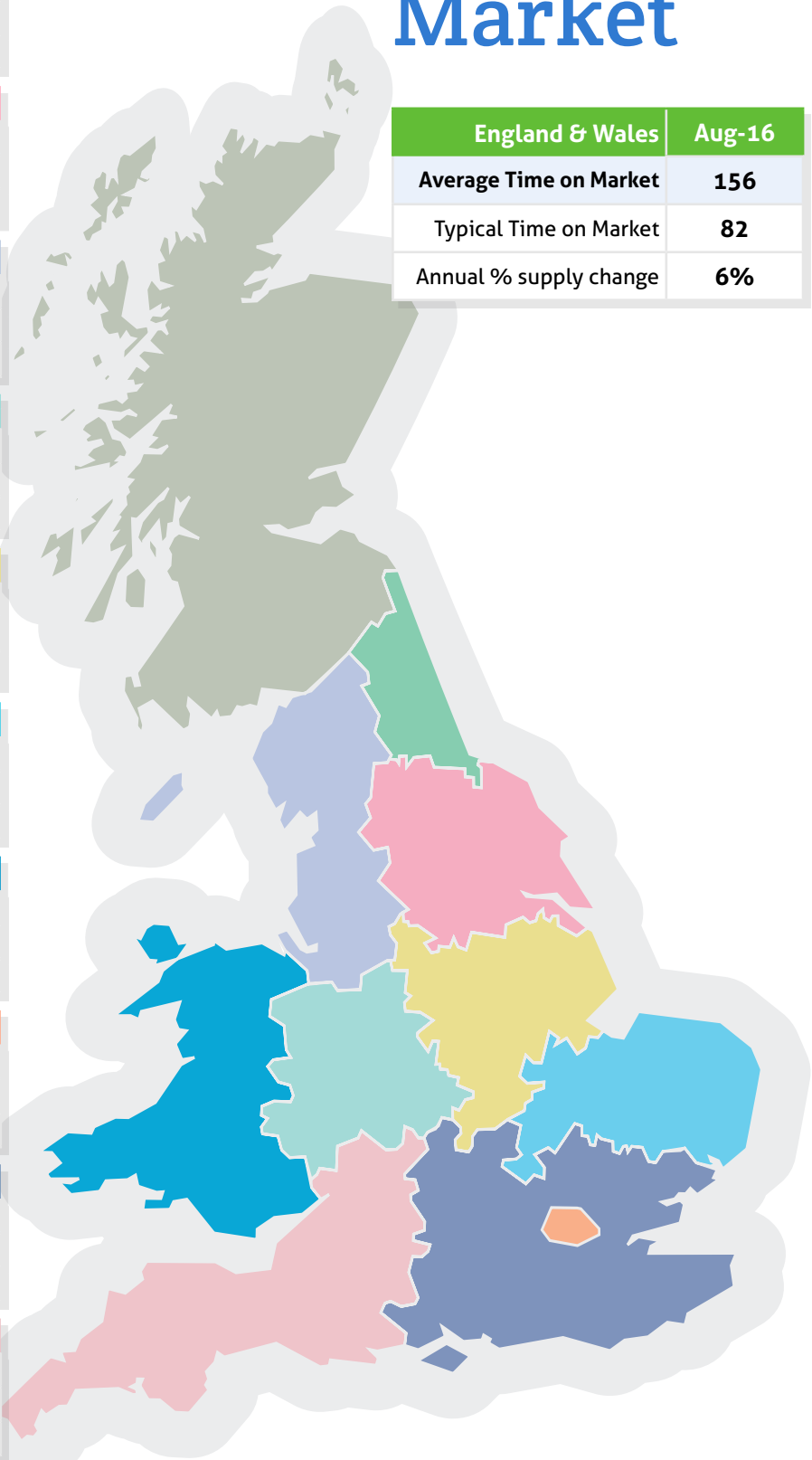
Wales	Aug-16
Average Time on Market	226
Typical Time on Market	119
Annual % supply change	-8%

Greater London	Aug-16
Average Time on Market	111
Typical Time on Market	73
Annual % supply change	27%

South East	Aug-16
Average Time on Market	101
Typical Time on Market	63
Annual % supply change	19%

South West	Aug-16
Average Time on Market	142
Typical Time on Market	81
Annual % supply change	1%

England & Wales	Aug-16
Average Time on Market	156
Typical Time on Market	82
Annual % supply change	6%



Source: Home.co.uk, August 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
- To learn more about Home.co.uk data services please visit:
<http://www.home.co.uk/company/data/>

Future release dates:

- Tuesday 13th September
- Wednesday 12th October
- Tuesday 15th November