EMBARGOED UNTIL 15/08/17

Asking Price Index

Released 15/08/17 August 2017

The West and North Prosper while London and the South East Weaken

Headlines

- East Midlands leads the regional growth table with annualised gains of 6.5%.
- Home prices dip by 0.1% month-on-month but remain up 3.3% year-on-year.
- Greater London prices drop 0.8% this month but are 0.4% higher than in August 2016.
- Properties continue to spend longer on the market in the East of England, South East and Greater London as these high-priced markets lose favour with buyers.
- The West Midlands and East Midlands markets are the most improved over the last 12 months, as indicated by falling Time on Market figures and rising prices.
- Typical Time on Market rises by two days to 84 days, two days less than in August 2016 (England and Wales).
- The total number of properties on the market in England and Wales is down by 4% YoY.
- Following an intense surge, supply has now slowed in the East, London and South East.

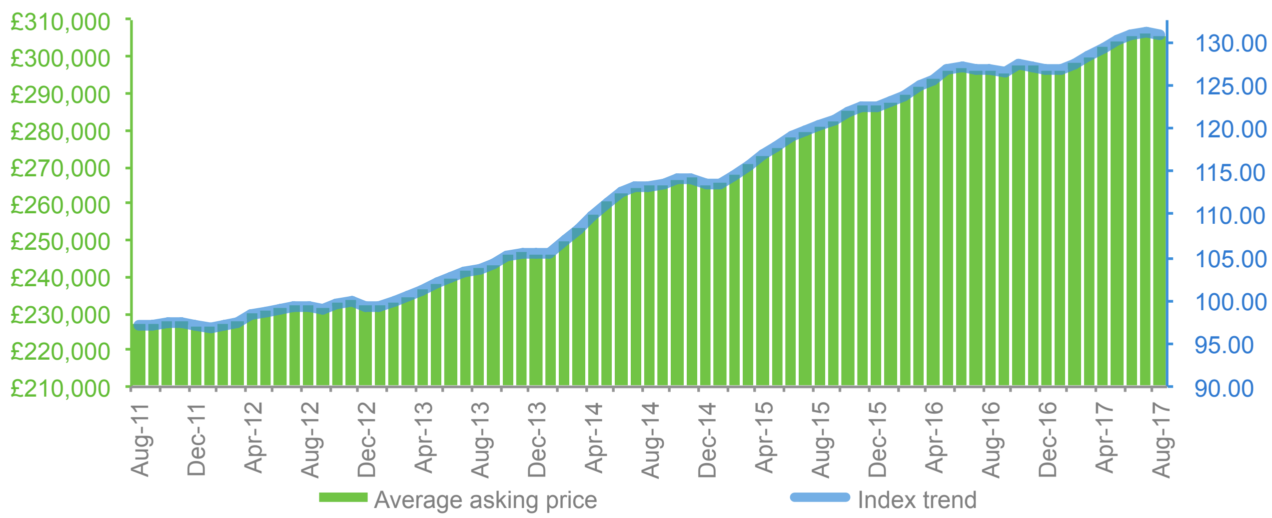
Summary

Whilst the overall picture is one of stagflation, with the national average price rising slightly slower than inflation, the UK property market shows considerable diversity at the regional level. The East and West Midlands are in the midst of a post-recovery property boom and supply remains tight in both regions. The North West and Yorkshire are also showing considerable new-found vigour, while the London and South East markets are suffering a post-boom malaise weighed down by high prices and falling rents.

Wales and the South West have shown solid performances over the last six months, during which time prices have risen faster than the national average. Rents are also rising in both regions and this will attract further investment, but Wales has already had by far the biggest rise over the last year at 8.3%.

Scotland and the North East both suffered price drops over the last month (1.1 and 0.3% respectively). The Scottish property market is slowing and rents there are falling (-2.2% on average since August 2016). The North East has shown a small increase in pace over the last year

Home Asking Price Trend for England & Wales



Source: Home.co.uk, August 2017

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

and looks set to gather more momentum akin to that observed in the neighbouring regions of Yorkshire and the North West.

Investment remains a key driver in the current market despite the increased tax burden for landlords, but such investment is focused upon yield (both rent and potential capital gains). Hence, Buy-to-Let investors are looking outside of the overbought regions of London and the South East, where yields are lower and overinvestment has created oversupply of properties for rent. The Midlands and the North are seemingly now more attractive options for BTL and, looking at home price appreciation over the last five years, these areas have much more room for growth than London, the East of England and the South East.

The East of England has now been overtaken by the booming East Midlands in terms of annualised price growth. We note also that asking rents in the Greater London region continue to fall (and have fallen around 10% over the last two years) and this will discourage investment and further depress asking prices. We expect further significant price falls, as observed this month, in the capital region over the autumn and winter months. In Aug 2016, the annualised rate of increase of home prices was 5.3%; today the same measure is 3.3%.

Regional Round-up

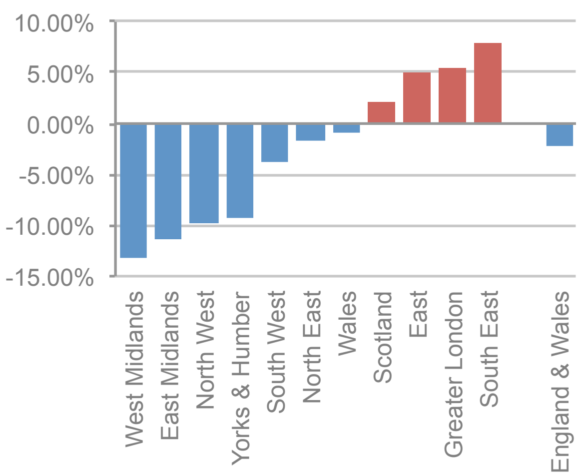
The regional picture remains very mixed. The former big three regional drivers of the overall UK market - Greater London, the South East and the East of England - are all slowing down. In Scotland too, property is more difficult to sell now than in August last year. Meanwhile, the rest of England and Wales are faring comparatively well and broadly supporting the national average but, due to the vast number and higher value of homes in London and the Home Counties, their performance may not be enough to prevent the national average price from falling over the coming months.

Some regions are performing very well indeed. The East Midlands, as mentioned, is now the leading market for price growth (6.5%), pushing the East of England into second place (6.0%). However, the most improved in terms of Typical Time on Market is neighbouring West Midlands, where the median time on market is 13% (11 days) less than in August last year. Such an improvement in the market dynamic is normally followed by further price appreciation. Therefore, we expect price rises in the region to accelerate over the next year as demand outweighs supply.

The North West and Yorkshire markets have also improved considerably since August last year. Property is moving through the market more quickly and prices are beginning to rise more quickly too (current annualised gains are 3.9% and 4.1% respectively). In the present day property market, investment in the Private Rented Sector can tip the balance between supply and demand. Investors are attracted by better yields in these more northerly regions and will likely keep prices rising and increase the market dynamic in the near term.

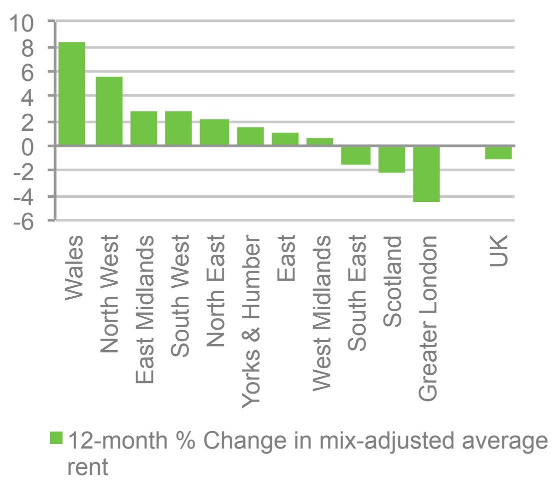
Rent, the key return on property investment, is a fundamental supporting factor of home prices. This is especially the case now, with the enormous growth of the PRS and the consequent erosion of homeownership which is now around 62%, a level

Change in Typical Time on Market (Aug 2017 vs. Aug 2016)



Source: Home.co.uk, August 2017
Median Time on Market of Unsold Property.

% Change in Asking Rents (Aug 2017 vs Aug 2016)



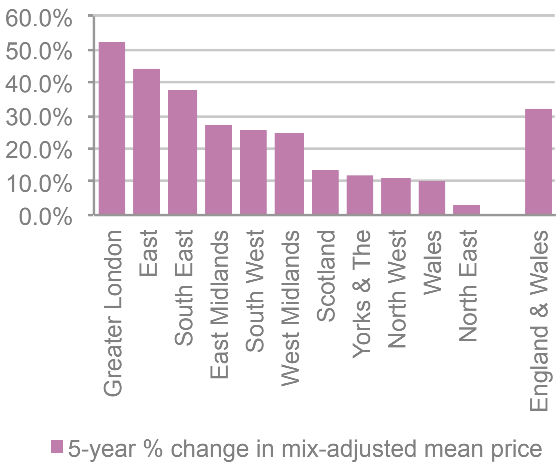
Source: Home.co.uk, August 2017
Asking Rent Index

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

last seen back in 1985. When rents fall, as they are doing in London and the South East, prices slide. BTL gross yields are currently around the 5.5% mark on new purchases. The profit margin is slim, especially when borrowing costs are taken into account. Moreover, void periods or problem tenants can quickly make the returns negative. Hence, investors are keen to find properties with better yields, for instance, Homes in Multiple Occupation or properties where values haven't yet gone through the roof and consequently destroyed the potential rental yield, as may be found more easily in the North and West.

Potential capital gains are also to be considered. Looking at the chart showing home value increases over the last five years, we can see that those regional markets that are now slowing down are those that have significantly exceeded the national average growth. By contrast, the currently vigorous markets in the Midlands and the South West do seem to have more room for price growth. Moreover, the North West and Yorkshire, which are already in the ascendency, would appear to have plenty of scope for price increases going forward.

Room for Further Growth?



Source: Home.co.uk, August 2017

Like it or not, the PRS is a major part of the contemporary property market.

Its growth was unintentionally accelerated by ultra-low interest rates and it became the 'no-brainer' investment of the decade. Importantly, it has changed the way the market operates in several ways. First-time buyers, once thought of as the 'lifeblood' of the market, have been replaced to a great extent by BTL investors. The same investment demand has also driven up prices ahead of wages and has therefore made first-time purchases more difficult. On the other hand, there is now a lot more rental property available and that is a great benefit for many, keeping rents competitive and providing flexible accommodation for an increasingly mobile workforce.

BTL has changed the market in other ways too. Landlords tend to hold onto properties much longer than first-time buyers do and so the number of properties coming back onto the market has diminished. Consequently, at present, we only see about half the number of properties passing through the market compared to pre-2007. Hence, the wannabe buyers are not the only ones to suffer; estate agents too have seen their revenues fall in line with sales volumes. Of course, many have opened up new lettings branches but that sector does not earn the same.

There's a further way that BTL has changed the property market: instability. Until now we have only witnessed the rapid growth phase of the PRS: the boom. But like all markets, sectors within them grow and decline cyclically. Owner occupiers make for a relatively stable and almost boring property market. When prices or rents decline, they mainly stay put and wait for the sun to come out again. However, highly leveraged BTL investors with large portfolios are a very different animal and the Bank of England is rightly worried about them. Should rents fall to a point where they cannot meet their mortgage payments, they will be obliged, by their lender, to offload considerable numbers of properties. Sure, volumes will go up again but, should that happen, prices will plummet, severely hurting the 60% or so of owner occupiers that remain. The scary thing is, recent government tinkering with tax changes and more red tape has already severely disincentivised the sector. All they need to do next to complete the calamity is raise interest rates and, if the pound goes much lower, they may well be forced to do so.

Back in the Sixties my father was visiting a client. She had recently purchased a car from him and he was there to do the paperwork. That done, the conversation turned to the nice row of cottages over the road that belonged to her (mortgage-free) and that she let out to tenants. She asked my father if he wouldn't mind taking them off her hands as the rent didn't even cover the maintenance and she was tired of subsidising her tenants. He declined.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Aug-17
Average Asking Price	£306,317
Monthly % change	-0.1%
Annual % change	3.3%

Scotland	Aug-17
Average Asking Price	£181,484
Monthly % change	-1.1%
Annual % change	2.1%

North East	Aug-17
Average Asking Price	£156,729
Monthly % change	-0.3%
Annual % change	0.5%

Yorks & The Humber	Aug-17
Average Asking Price	£188,603
Monthly % change	0.8%
Annual % change	4.1%

North West	Aug-17
Average Asking Price	£193,317
Monthly % change	0.5%
Annual % change	3.9%

West Midlands	Aug-17
Average Asking Price	£235,359
Monthly % change	0.1%
Annual % change	4.3%

East Midlands	Aug-17
Average Asking Price	£222,902
Monthly % change	0.0%
Annual % change	6.5%

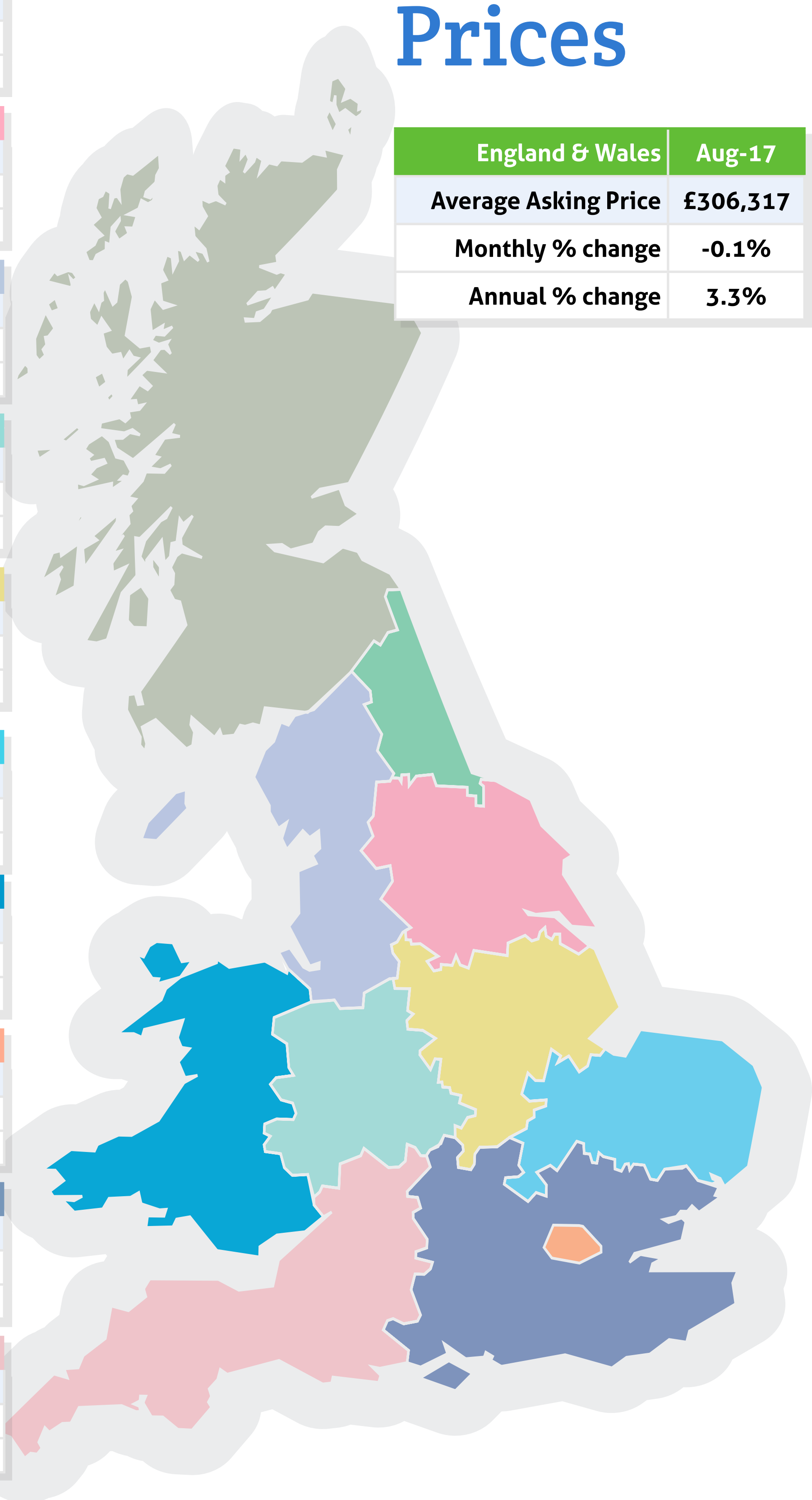
East	Aug-17
Average Asking Price	£358,786
Monthly % change	0.0%
Annual % change	6.0%

Wales	Aug-17
Average Asking Price	£191,010
Monthly % change	0.4%
Annual % change	2.6%

Greater London	Aug-17
Average Asking Price	£539,885
Monthly % change	-0.8%
Annual % change	0.4%

South East	Aug-17
Average Asking Price	£405,678
Monthly % change	0.0%
Annual % change	3.5%

South West	Aug-17
Average Asking Price	£321,992
Monthly % change	0.1%
Annual % change	4.9%



Source: Home.co.uk, August 2017

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

UK Time on Market

Scotland	Aug-17
Average Time on Market	228
Typical Time on Market	97
Annual % supply change	-15%

North East	Aug-17
Average Time on Market	233
Typical Time on Market	115
Annual % supply change	-10%

Yorks & The Humber	Aug-17
Average Time on Market	174
Typical Time on Market	89
Annual % supply change	-10%

North West	Aug-17
Average Time on Market	176
Typical Time on Market	93
Annual % supply change	-6%

West Midlands	Aug-17
Average Time on Market	138
Typical Time on Market	72
Annual % supply change	-7%

East Midlands	Aug-17
Average Time on Market	133
Typical Time on Market	71
Annual % supply change	-7%

East	Aug-17
Average Time on Market	105
Typical Time on Market	63
Annual % supply change	3%

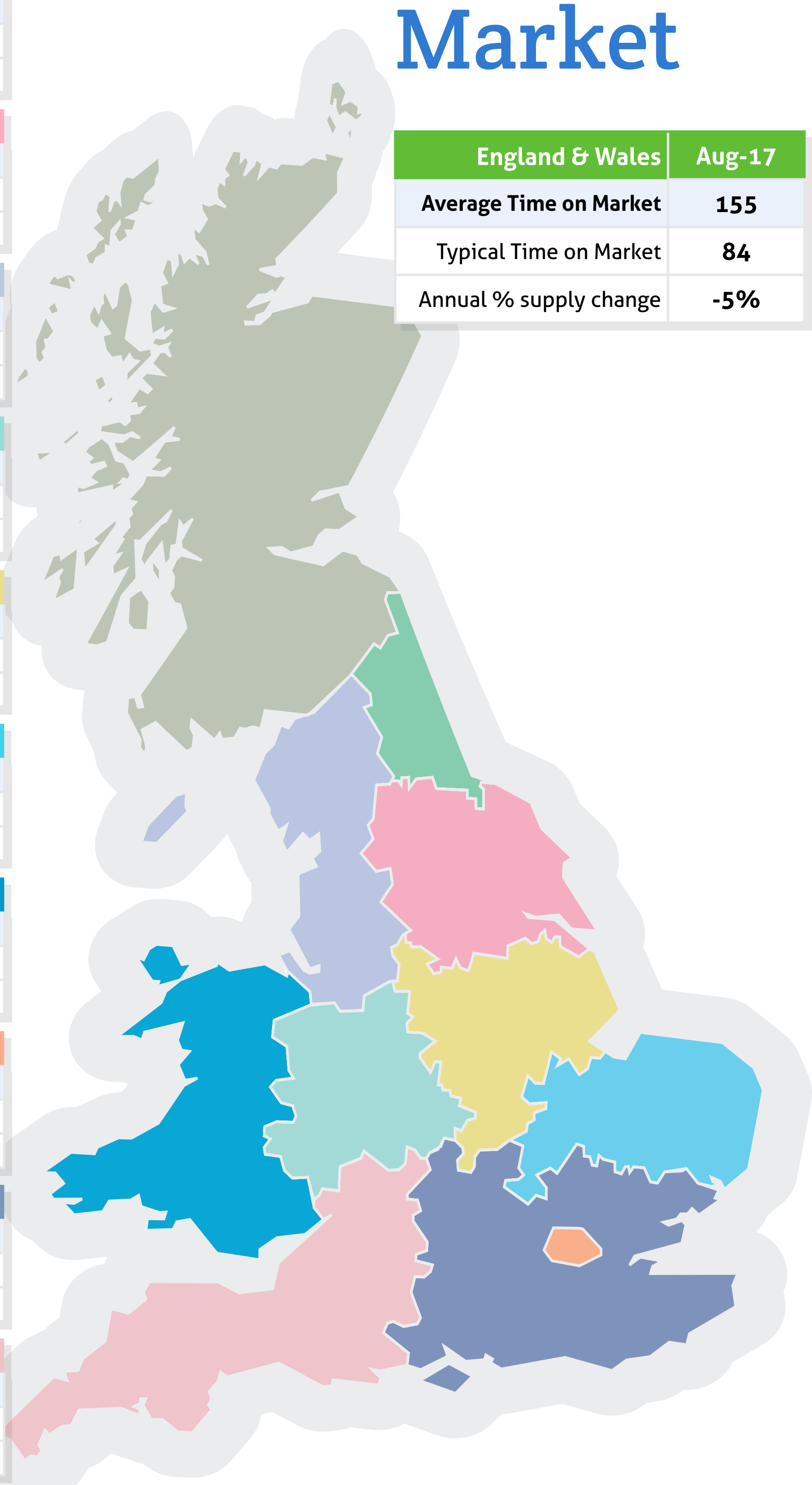
Wales	Aug-17
Average Time on Market	228
Typical Time on Market	118
Annual % supply change	-9%

Greater London	Aug-17
Average Time on Market	132
Typical Time on Market	77
Annual % supply change	-3%

South East	Aug-17
Average Time on Market	111
Typical Time on Market	68
Annual % supply change	1%

South West	Aug-17
Average Time on Market	142
Typical Time on Market	78
Annual % supply change	-7%

England & Wales	Aug-17
Average Time on Market	155
Typical Time on Market	84
Annual % supply change	-5%



Source: Home.co.uk, August 2017. Note: Average = Mean (days), Typical = Median (days)

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

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

- For media enquiries please contact:
  press@home.co.uk
  0845 373 3580
- 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 12th September**
- **Thursday 12th October**
- **Tuesday 14th November**