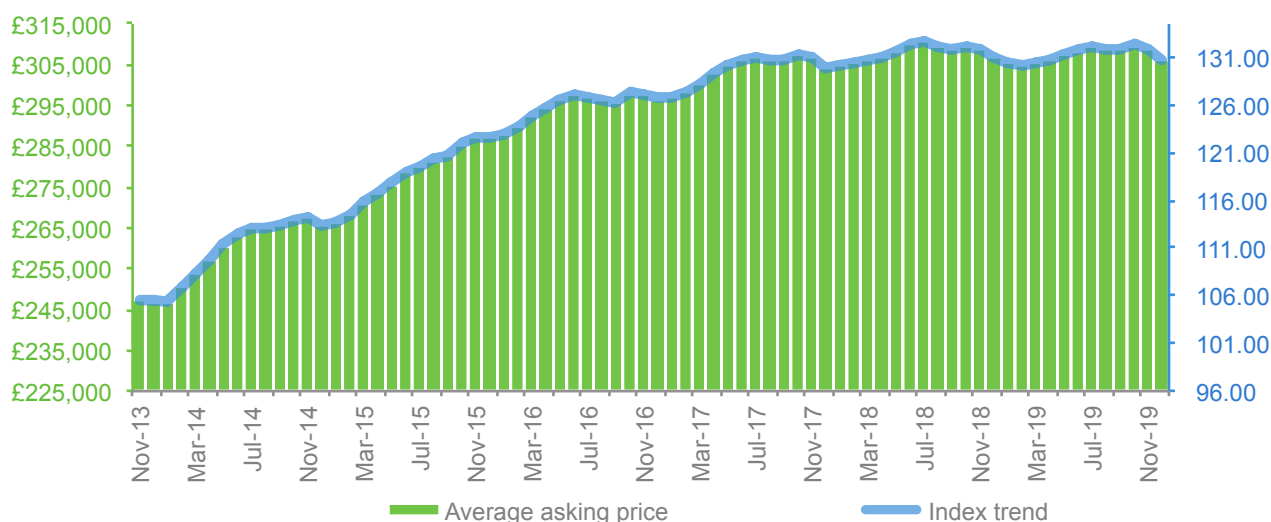


## Election Anxiety Hobbles the Market

### Headlines

- The supply of new sales instructions has plummeted 16% year-on-year across the UK as potential vendors steer clear of a market plagued with election uncertainty.
- London is worst hit by the drought: new instructions have crashed (-26% year-on-year, Nov 19 vs. Nov 18) and stock on the market is down by 25% year-on-year (Dec 19 vs. Dec 18).
- The current sales supply shortage has served to support prices, although a larger than usual seasonal dip in the mix-adjusted average of -0.8% since last month suggests vendor confidence is lower than at this time last year.
- Demand continues to outstrip supply in the rental sector as the supply of newly available rental property falls across the UK (down 13% year-on-year).
- The London lettings market is worst hit by this alarming trend towards scarcity (down 22% year-on-year) and rents are rocketing in many boroughs.
- Overall, the average mix-adjusted asking price slipped just 0.3% during the last year across England and Wales.
- The total sales stock continues to diminish across England and Wales; down by 10.4% year-on-year.
- Typical Time on Market for England and Wales is eleven days longer than in December 2018 (the longest such December figure since 2014), a clear indication of the reluctance of buyers to commit amidst the current uncertain political climate.
- At the regional level, typical Time on Market rises indicate the worst post-boom regional slowdowns continue to be in the East of England (+16%), Greater London (+16%) and the South West (+16% year-on-year).
- East of England remains the UK's worst-performing region with prices continuing an extended correction and causing the average asking price to drop by 2.8% over the last twelve months.

### Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, December 2019, Indexed to May 2004 (Value =100).

## Summary

Caution prevails. Caution on the part of buyers and caution on the part of vendors, such is the paralysing impact of the current political turmoil in the UK. As potential vendors sit on their hands, sales stock is falling hence choice is dwindling for the few buyers that are brave enough to buy at this time. Those that choose to rent instead are also the victims of scarcity; the availability of rental stock is falling even more dramatically than that of sales. London, the UK capital of the lettings market, is worst hit with new rental listings down a massive 22% year-on-year. Scarcity is driving rents up at a most alarming rate in a growing number of London boroughs. Indeed, a total of ten boroughs are now indicating annualised rent hikes of over 10%. Top of the list is Wandsworth where tenants need to fork out nearly 20% more per month than a year ago.

While demand for the few available rental properties is pushing up rents across most of Greater London, our research shows that these rent hikes have now spread out into the South East (up 6.2%) and we expect this trend to continue in 2020. Moreover, rents across the UK are up even more overall (7.6%) but this figure has been inflated disproportionately by the Greater London mix-adjusted average of 10.9% and those of the North West and Yorkshire (9.6% and 11.0% respectively).

In spite of unprecedented political turmoil, home prices are holding remarkably steady overall, as the supply shortage serves to further support values despite buyer hesitancy. The annualised mix-adjusted average is down a mere 0.3% for England and Wales (despite a seasonal drop of 0.8% since November and the impact

of the ongoing price correction in the East of England). Of course, low interest rates are to thank for the current relative stability in home prices, as very few vendors are forced to sell. What's more, with talk of a possible rate cut by the Bank of England early next year, given *any* potential election outcome, vendors (and buyers) are content to play wait and see.

Annualised price growth across England and Wales currently stands at -0.3%; in December 2018, the annualised rate of increase of home prices was 0.8%.

## Regional Round-up

As 2020 looms, political uncertainty has cast a shadow across the UK but price performance at the regional level remains diverse. Wales, for example, is coming to the end of a long period of growth while a post-correction London looks set for recovery in the New Year.

Wales was the shining star of the UK property market in 2018/19, but now shows annualised growth of a mere 2.4% (on a par with Yorkshire) and is just keeping pace with monetary inflation. Thus, in real terms, even the best-performing regions in the UK, by growth over the last twelve months, are going nowhere. For the time being, much momentum remains in both Yorkshire and Wales (Typical Time on Market of unsold property is effectively unchanged from December 2018) and supply is down 10% and 16% year-on-year respectively, which will serve to support prices going forward.

The next best regions for annualised growth are the North West and the East Midlands (both 2.0%), followed by the North East at 1.5% (see the regional map for all growth figures). Growth in the West Midlands market has fallen to a mere

## The Shrinking Sales Market (November 2019 vs. November 2018)



Source: Home.co.uk Asking Price Index, December 2019

1.0% over the course of 2019 and Scotland shows just 0.4%. Meanwhile, negative growth is evident in four English regions (the East of England, South East, Greater London and South West). The East of England is worst hit, being in the midst of its price correction, and the average price has declined 2.8% over the last year. Otherwise, the negative growth in the remaining three regions is relatively minor. Furthermore, it is worth noting that small price movements during periods of reduced market activity have little significance, but much more significant for the market in 2020 is the drop in supply of property for sale (see chart).

The overall supply drop in sales properties reflects the same (but even more severe) trend in the rentals market, although the regional details differ markedly. Decreased supply is often a good forward indicator of future price growth and nowhere is this more evident than in London. As a consequence, house prices in the capital next year look set to follow in the wake of the rapidly rising rents of 2019.

Scarcity of rental accommodation in London has been the key driver for rising rents. The drop in supply has been caused by a combination of several factors, although the key drivers have been higher taxation for landlords, increased regulation, hesitation by potential buyers and low yields for investors. The greater tax burden and the cost of regulation, of course, are now being passed on to tenants as rent hikes. However, the current scarcity of rental property, due to investor disincentivisation, is exacerbating the situation. We expect rent hikes to accelerate throughout the course of 2020 across the UK.

Of course, rising rents will have a positive effect on the sales market, as this will drive up yields and prompt potential buyers to commit, thereby increasing demand. Higher returns may well entice property investors back into the market, although they will be very wary of further regulation and taxation.

For many people, unfortunately, purchasing is not an option, especially young professionals and those with poor credit histories or low/no income. For them, rental accommodation is a practical necessity and paying the rent will be a much greater burden in 2020.



**'Never put off until tomorrow what you can do the day after tomorrow.'**



An old saying, but one that sums up the current behaviour of many potential buyers, investors and vendors alike. Political turmoil in the UK following the Brexit vote has seemingly boiled over into what amounts to a constitutional crisis. Hopefully, the crippling economic malaise caused by uncertainty will be cured by the ballot box but who knows?

Little wonder then that many Brits are putting off major decisions. For most people, one of the most challenging decisions in life is the purchase (or sale) of a property. The financial commitment is certainly huge for the majority so, with doom-laden headlines dominating the media, it's perfectly understandable that many potential actors are sitting on their hands.

Meanwhile, I must stress that much activity in the market remains; the bolder investor/buyer is taking advantage of low interest rates and making intelligent investment decisions. Rents are on the rise so, for first-time buyers, it's time to get out of the rent trap, and for investors, it's time to take advantage of better and rising yields.

The key advice in such a situation is, as Rudyard Kipling put it: 'If you can keep your head when all about you are losing theirs and blaming it on you ... yours is the Earth and everything that's in it.'

**Doug Shephard**  
Director at [Home.co.uk](http://Home.co.uk)



# UK Asking Prices

Scotland	Dec-19
<b>Average Asking Price</b>	<b>£207,667</b>
Monthly % change	-0.6%
Annual % change	2.0%

North East	Dec-19
<b>Average Asking Price</b>	<b>£159,084</b>
Monthly % change	-0.6%
Annual % change	1.5%

Yorks & The Humber	Dec-19
<b>Average Asking Price</b>	<b>£201,541</b>
Monthly % change	-0.9%
Annual % change	2.4%

North West	Dec-19
<b>Average Asking Price</b>	<b>£207,667</b>
Monthly % change	-0.6%
Annual % change	2.0%

West Midlands	Dec-19
<b>Average Asking Price</b>	<b>£252,635</b>
Monthly % change	-0.8%
Annual % change	1.0%

East Midlands	Dec-19
<b>Average Asking Price</b>	<b>£237,838</b>
Monthly % change	-0.3%
Annual % change	2.0%

East	Dec-19
<b>Average Asking Price</b>	<b>£344,246</b>
Monthly % change	-1.5%
Annual % change	-2.8%

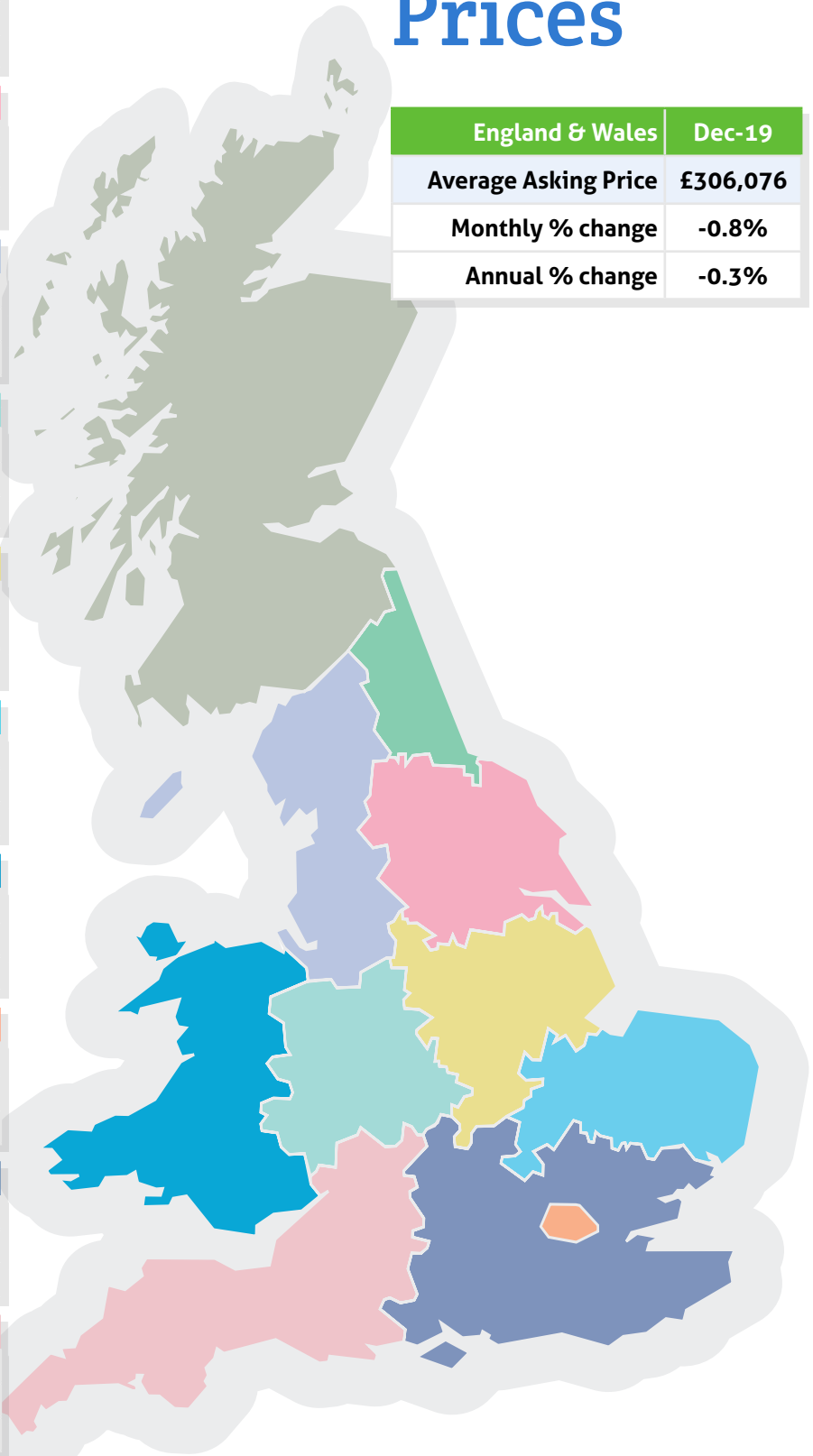
Wales	Dec-19
<b>Average Asking Price</b>	<b>£211,014</b>
Monthly % change	-0.5%
Annual % change	2.4%

Greater London	Dec-19
<b>Average Asking Price</b>	<b>£514,336</b>
Monthly % change	-0.5%
Annual % change	-0.8%

South East	Dec-19
<b>Average Asking Price</b>	<b>£389,841</b>
Monthly % change	-1.1%
Annual % change	-1.8%

South West	Dec-19
<b>Average Asking Price</b>	<b>£320,442</b>
Monthly % change	-1.0%
Annual % change	-0.6%

England & Wales	Dec-19
<b>Average Asking Price</b>	<b>£306,076</b>
<b>Monthly % change</b>	<b>-0.8%</b>
<b>Annual % change</b>	<b>-0.3%</b>



Source: Home.co.uk Asking Price Index, December 2019

# UK Time on Market

Scotland	Dec-19
<b>Average Time on Market</b>	<b>236</b>
Typical Time on Market	118
Annual % supply change	-9%

North East	Dec-19
<b>Average Time on Market</b>	<b>238</b>
Typical Time on Market	127
Annual % supply change	-12%

Yorks & The Humber	Dec-19
<b>Average Time on Market</b>	<b>177</b>
Typical Time on Market	100
Annual % supply change	-10%

North West	Dec-19
<b>Average Time on Market</b>	<b>189</b>
Typical Time on Market	110
Annual % supply change	-15%

West Midlands	Dec-19
<b>Average Time on Market</b>	<b>161</b>
Typical Time on Market	91
Annual % supply change	-11%

East Midlands	Dec-19
<b>Average Time on Market</b>	<b>161</b>
Typical Time on Market	94
Annual % supply change	-12%

East	Dec-19
<b>Average Time on Market</b>	<b>162</b>
Typical Time on Market	96
Annual % supply change	-17%

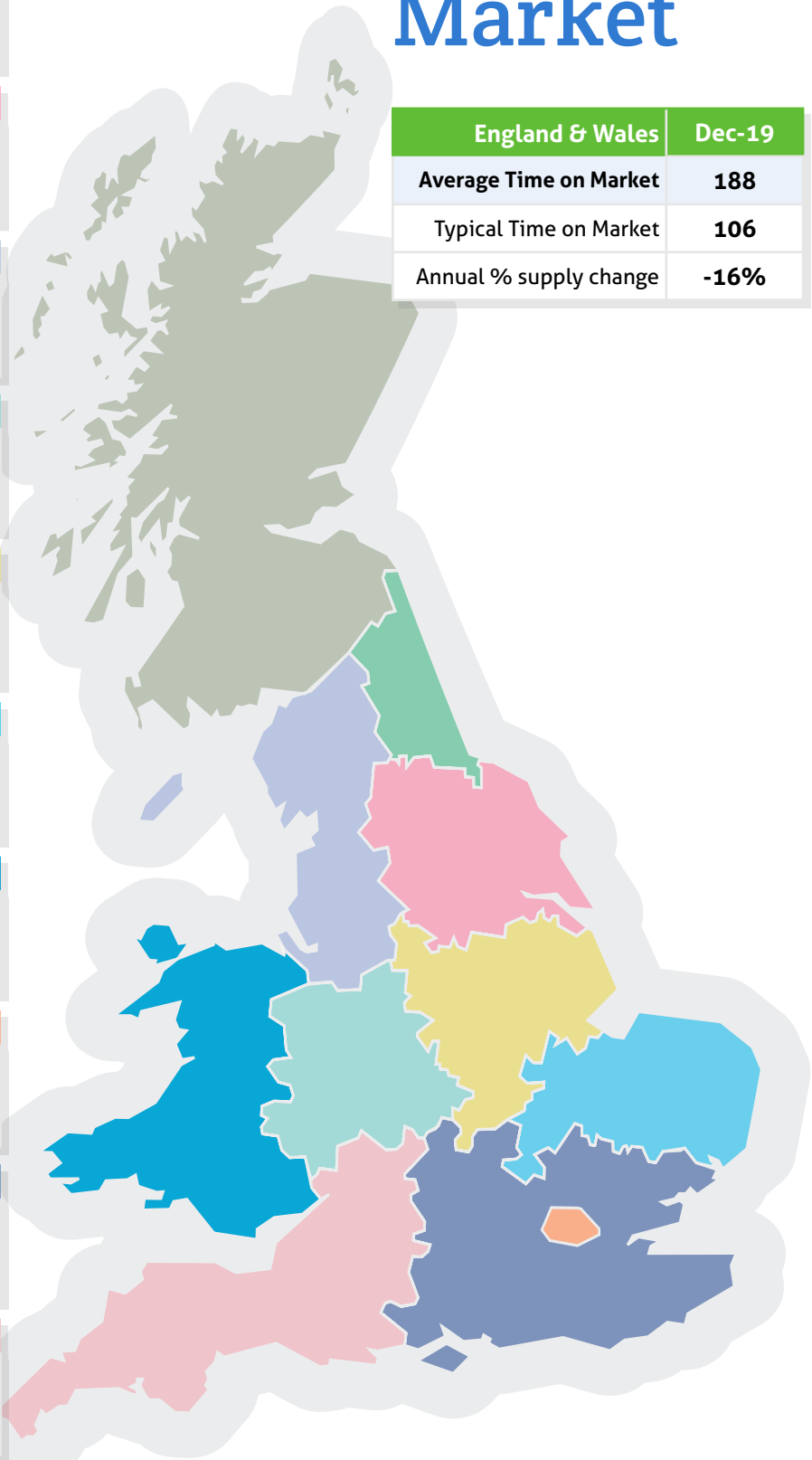
Wales	Dec-19
<b>Average Time on Market</b>	<b>230</b>
Typical Time on Market	124
Annual % supply change	-16%

Greater London	Dec-19
<b>Average Time on Market</b>	<b>201</b>
Typical Time on Market	110
Annual % supply change	-26%

South East	Dec-19
<b>Average Time on Market</b>	<b>165</b>
Typical Time on Market	96
Annual % supply change	-16%

South West	Dec-19
<b>Average Time on Market</b>	<b>179</b>
Typical Time on Market	104
Annual % supply change	-19%

England & Wales	Dec-19
<b>Average Time on Market</b>	<b>188</b>
Typical Time on Market	<b>106</b>
Annual % supply change	<b>-16%</b>



Source: Home.co.uk Asking Price Index, December 2019. 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:  
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- For further details on the methodology used in the calculation of the HAPI please visit:  
[https://www.home.co.uk/asking\\_price\\_index/Mix-Adj\\_Methodology.pdf](https://www.home.co.uk/asking_price_index/Mix-Adj_Methodology.pdf)
- To learn more about Home.co.uk data services please visit:  
<https://www.home.co.uk/company/data/>

## Future release dates:

- Wednesday 15<sup>th</sup> January
- Wednesday 12<sup>th</sup> February
- Thursday 12<sup>th</sup> March