

London Prices Leap into 2016

Headlines

- Greater London prices jump 0.9% since December.
- The average annual home price appreciation for England and Wales rises further to 8.2%, driven by lack of supply and low mortgage rates.
- The total stock of property on the market drops to a new record low.
- The mix-adjusted average asking price for England and Wales rises 0.3% since last month.
- Typical time on market is 117 days across England and Wales: nine days less than in January 2015.
- Supply of property entering the market indicates a slight annualised increase of 4%: the first such rise observed for many months.
- Prices rise in all regions except for the East, Scotland, Wales and Yorkshire during the last month.

Summary

2016 kicks off with significant optimism, especially in the capital region. Sellers know full well that there is a shortage of supply and therefore see no need for cautious pricing. Consequently, prices jumped nearly a percentage point over the last month in Greater London, which corresponds with an additional £15K on the average home value.

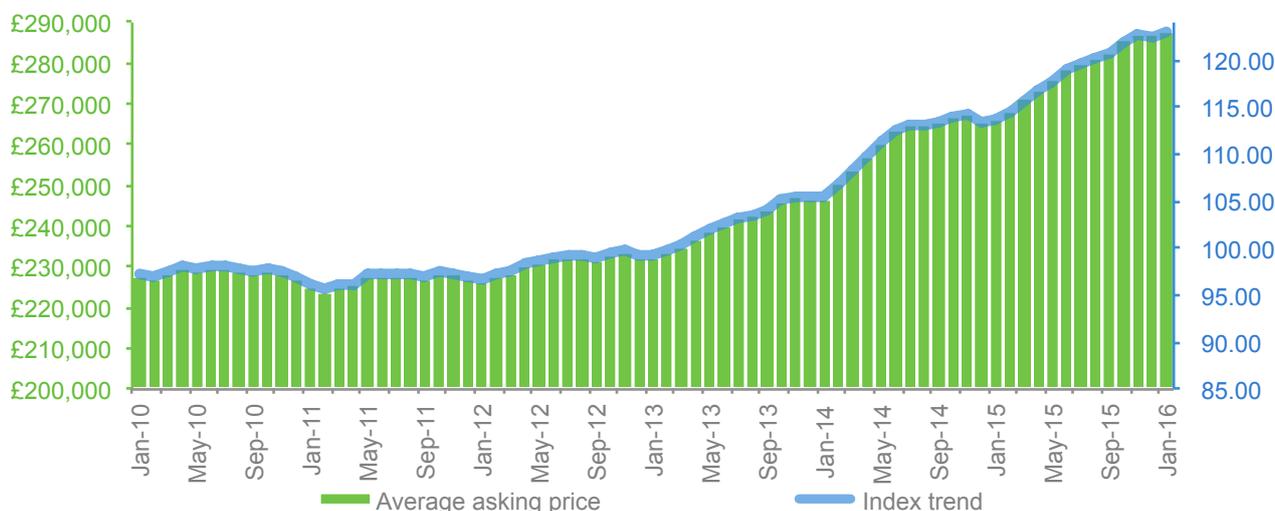
Despite a small uptick in supply, the total number of properties on the market has fallen to a new low. Just over 386,000 properties are currently for sale: 47% less than in 2008. This trend looks set to dominate the UK property market in 2016.

So buoyant is the market that prices rose 0.3% across England and Wales over the last month, which is the highest such rise observed for January since the onset of the financial crisis and is at odds with the 'normal' seasonal trend.

High demand means that the typical time on market for England and Wales has hit a new post-crisis low for the month of January: nine days less than a year ago.

Overall, the current mix-adjusted average asking price for England and Wales is now 8.2% higher than it was in January 2015. For as long as the supply-demand imbalance worsens, this figure will continue to rise.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, January 2016

Regional Market Round-up

All the regional property markets have shown significant improvements in marketing times over the last year. The biggest improvements were in the South East and East of England where competition is fierce; these two regions also experienced the largest price hikes outside of Greater London in 2015. We expect that home values in these regions will rise further this year before cooling as prices become out of reach of most buyers, thereby subduing demand.

Perhaps surprisingly, the next best improved markets in terms of reductions in median time on market were the formerly lacklustre North East and Yorkshire regions. This serves as a strong indication that a recovery, until now notably absent, is beginning to take place in these regions as properties begin to move through the market more quickly and the supply-demand balance tips in favour of the vendor. We expect the first significant price rises post-crisis to be observed in these regions in 2016.

The recovery in home values in the West and East Midlands is already well underway and their marketing times continue to improve. We expect increased price rises in these regions this year due to a combination of increased scarcity and

buyer demand. The North West property market is also showing signs of incremental improvement and we expect price rises in 2016 to be greater than last year.

It is interesting to note that Greater London heads up the four regions which have the least improved marketing times over the last year. Overall, the London market appears to be in a mature post-recovery phase where the breathtaking price hikes of the last six years have served to temper demand and cool this formerly red-hot region.

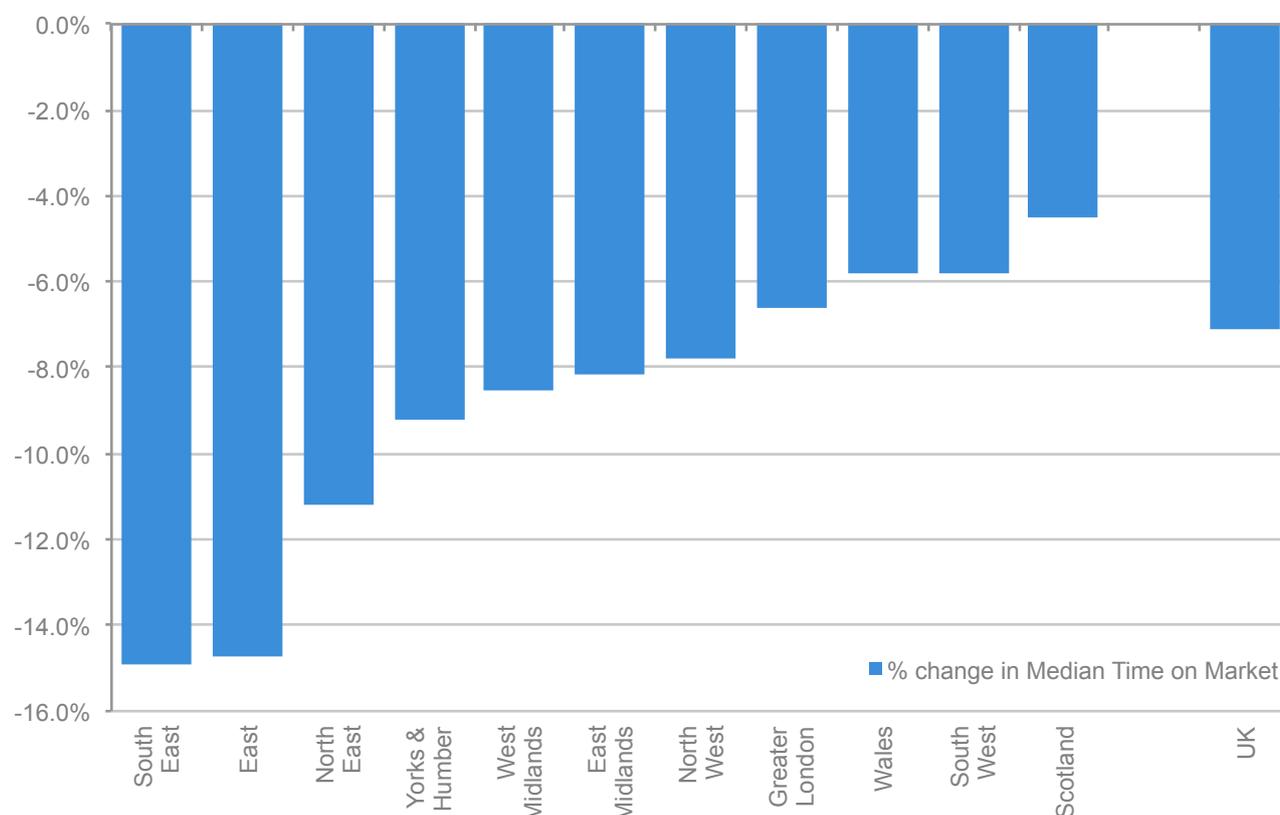
Market conditions in the South West remain little changed from last year. We anticipate average prices to rise around 6% in this region.

Wales remains the slowest regional market in the UK (typical time on market of 162 days) and has shown little improvement. We do not expect significant price rises in this region until 2017.

Scotland, on the other hand, shows a steadily improving market overall, although performance is mixed across the country with a vibrant Edinburgh and an economic downturn in Aberdeen.

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

Change in Typical Time on Market (Jan 2016 vs. Jan 2015)

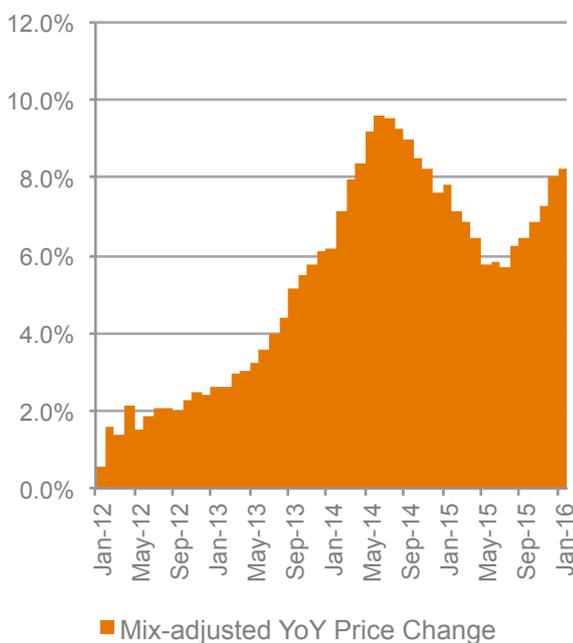


Source: Home.co.uk, January 2016

A Second Wave of Price Rises

Year-on-year price gains are in a new rising trend as more regions join the market recovery. The first wave of price rises was initiated by the explosive rise in London home values, which later cooled. Now we are seeing the national average being driven up by gains in the East and South East of England. Further impetus may soon be added to this 'second wave' by rapid growth in the West and East Midlands as the supply crisis widens.

12-Month Change in Asking Prices by Month (England and Wales)

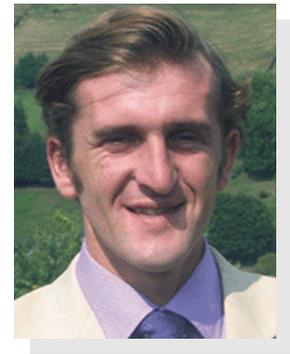


Source: Home.co.uk, January 2016



As we roll into 2016, we are witnessing a continuation of two major trends: rising prices

way over and above the rate of inflation and an ever reducing total of property for sale.



Given such high levels of interest in property investment by both large and small investors alike, it is difficult to imagine prices going anywhere but up in 2016. Moreover, interest rates, another key market driver, remain at historic lows and this does not look set to change anytime soon.

This is good news for vendors, who can be assured of getting the best price for their property. However, for buyers and renters, the outlook is bleak. First-time and next-time buyers are finding it nearly impossible to compete with the buy-to-let sector and renters look set to endure a wave of rent rises over the next couple of years.

The ultra-low interest rate environment is allowing the gap between earnings and house prices to widen to historically dangerous levels (mainly in the South and East). This is clearly one of several unsustainable trends in the current booming market.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Jan-16
Average Asking Price	£169,092
Monthly % change	-0.8%
Annual % change	4.5%

North East	Jan-16
Average Asking Price	£153,260
Monthly % change	0.1%
Annual % change	-0.2%

Yorks & The Humber	Jan-16
Average Asking Price	£175,350
Monthly % change	-0.1%
Annual % change	2.4%

North West	Jan-16
Average Asking Price	£180,449
Monthly % change	0.5%
Annual % change	2.3%

West Midlands	Jan-16
Average Asking Price	£213,616
Monthly % change	0.3%
Annual % change	5.4%

East Midlands	Jan-16
Average Asking Price	£201,513
Monthly % change	0.3%
Annual % change	4.3%

East	Jan-16
Average Asking Price	£310,506
Monthly % change	-0.2%
Annual % change	10.9%

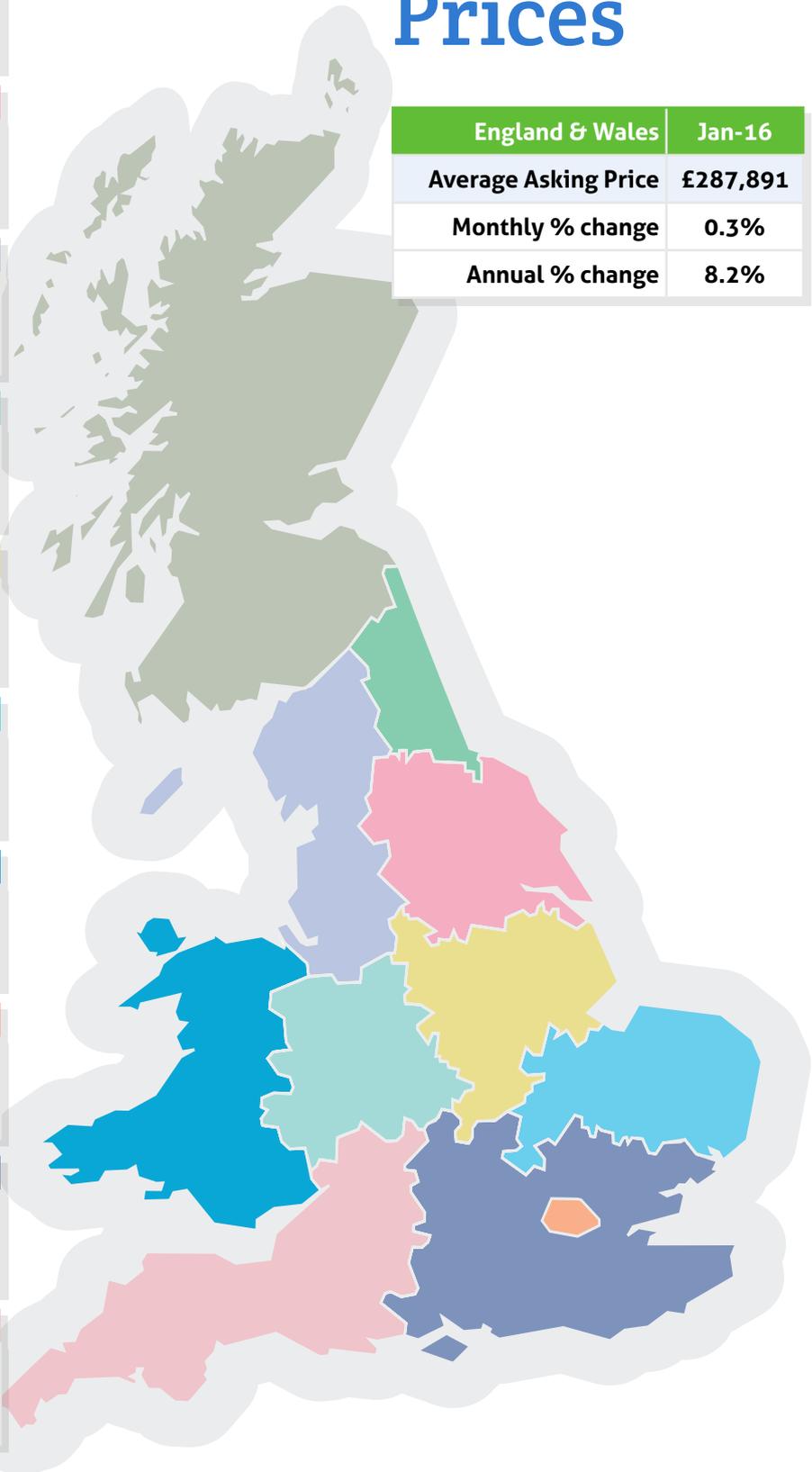
Wales	Jan-16
Average Asking Price	£182,633
Monthly % change	-0.7%
Annual % change	1.7%

Greater London	Jan-16
Average Asking Price	£544,046
Monthly % change	0.9%
Annual % change	13.7%

South East	Jan-16
Average Asking Price	£379,758
Monthly % change	0.1%
Annual % change	10.8%

South West	Jan-16
Average Asking Price	£294,263
Monthly % change	0.3%
Annual % change	5.2%

England & Wales	Jan-16
Average Asking Price	£287,891
Monthly % change	0.3%
Annual % change	8.2%



Source: Home.co.uk, January 2016

UK Time on Market

Scotland	Jan-16
Average Time on Market	271
Typical Time on Market	149
Annual % supply change	-21%

North East	Jan-16
Average Time on Market	284
Typical Time on Market	159
Annual % supply change	3%

Yorks & The Humber	Jan-16
Average Time on Market	232
Typical Time on Market	138
Annual % supply change	7%

North West	Jan-16
Average Time on Market	234
Typical Time on Market	142
Annual % supply change	2%

West Midlands	Jan-16
Average Time on Market	196
Typical Time on Market	118
Annual % supply change	3%

East Midlands	Jan-16
Average Time on Market	183
Typical Time on Market	113
Annual % supply change	8%

East	Jan-16
Average Time on Market	139
Typical Time on Market	87
Annual % supply change	7%

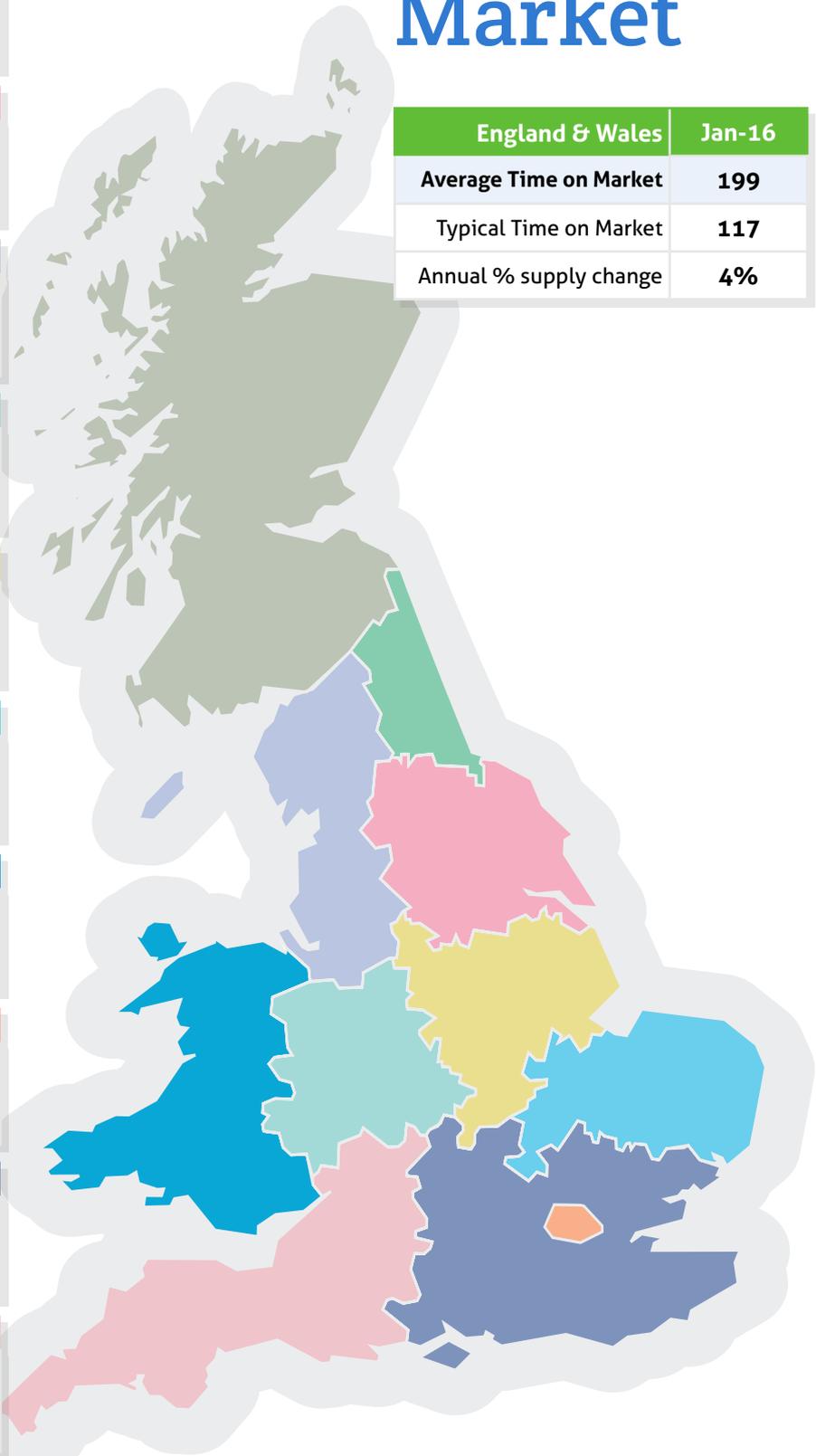
Wales	Jan-16
Average Time on Market	264
Typical Time on Market	162
Annual % supply change	7%

Greater London	Jan-16
Average Time on Market	131
Typical Time on Market	85
Annual % supply change	4%

South East	Jan-16
Average Time on Market	122
Typical Time on Market	80
Annual % supply change	9%

South West	Jan-16
Average Time on Market	178
Typical Time on Market	114
Annual % supply change	6%

England & Wales	Jan-16
Average Time on Market	199
Typical Time on Market	117
Annual % supply change	4%



Source: Home.co.uk, January 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:

- Friday 12th February
- Monday 14th March
- Tuesday 12th April