

## Northern House Prices Power Up

### Headlines

- The North West and Yorkshire show lower marketing times and the best price performance for many years with gains of 4.1% and 5.1% respectively.
- Strong growth continues with the vibrant East and West Midlands markets continuing to lead the regional growth tables with annualised gains of 6.5% and 5.7% respectively.
- Typical Time on Market rises again in London (+7.3%), the South East (+5.9%) and East (+6.0%) but year-on-year improvements are apparent in all other regions.
- Home prices tick up by the slightest margin this month, taking the mix-adjusted average for England and Wales up 0.1% since December and 2.7% year-on-year.
- Greater London year-on-year prices are negative for a 14th consecutive month (currently -1.0%). Asking prices in the capital region have fallen 3.5% since their peak in May 2016.
- Prices fell in just one English region (East of England) and in Scotland over the last month, which suggests significant optimism among vendors for 2018.
- London shows a surprising rise of 0.3% since December: perhaps unjustified optimism on the part of vendors.
- Typical Time on Market for England and Wales has increased to 107 days, four days less than in January 2017.
- The total stock of properties on the market in England and Wales nudged up again slightly by just 1.6% year-on-year, indicating no great change in the overall balance of supply and demand.

### Summary

The slowdown that originated in London has clearly spread to the adjacent regions of the East of England and the South East. However, there are no indications, so far, that the same malaise is about to overtake other English regions or Wales in 2018. On the contrary, the Midlands and the North are currently enjoying steady price growth whilst falling marketing times show that demand is strong. Unlike the feverish pace of price rises previously observed in London and the Home Counties, the growth observed in the North and Midlands is, for the time being, more moderate and therefore appears more sustainable.

Hence, as we begin 2018, the overall property market dynamic is characterised by a balance between growth in the North and Midlands and the slowly deflating London market. Moreover, we expect the slowdowns to persist in the South East and East of England but their lower growth will be fairly neutral with regard to the national figures. Owing to this 'push-pull' dynamic, North & Midlands vs. London, the apparent stagflation in the national growth figures that characterised much of 2017 looks set to persist into 2018.

### Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, January 2018

North of the border, the Scottish property market has cooled rapidly over recent months, showing a 2.0% fall in prices over the last six months. Annualised growth sits at a mere 1.4%, reflecting a similar stagflationary environment with little change in marketing times.

Wales, on the other hand, has shown to be a consistently improving property market over the course of 2017 with the average price rising by 4.3% and this trend looks set to continue into 2018. Marketing times remain high but the current trend is downwards as demand rises.

Through the course of 2018 we will be keeping a keen eye on supply figures, especially in Greater London, as any significant increase in property for sale in the capital will adversely affect the current delicate balance. For the time being supply increases in London and the South East are relatively small, whilst in the North and Midlands supply is slowly tightening.

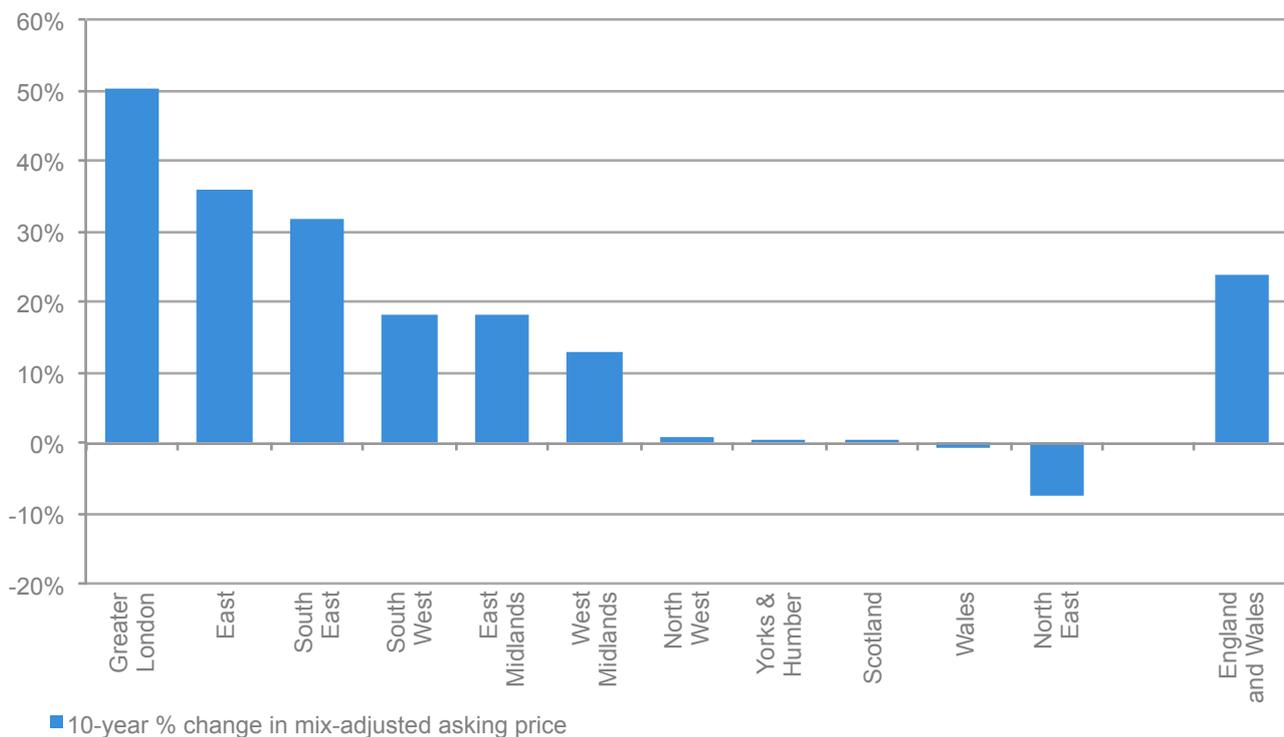
In Jan 2017 the annualised rate of increase of home prices was 3.1%; today the same measure is 2.7%.

## Regional Round-up

Analysis of the growth across the English regions, Scotland and Wales over the last ten years reveals a remarkable diversity of fortune. London's extraordinary and unsustainable growth over the period is more than twice the average for England and Wales. In fact, most of this growth took place in the five years following 2010 when the 'stimulus measures' kicked in post-crisis. The London market was awash with cash, resulting in dramatic double digit annualised gains, whilst most of the rest of the country suffered low or negative growth in real terms. Of course, this frothy growth period led us to the current ongoing market correction in the capital where prices have been sliding for the last 20 months.

The chart also shows how the inflated East and South East markets have significantly outperformed the average for England and Wales. Growth in these regions also accelerated to an unsustainable pace, although arguably less bubbly than London, and hence we now observe

### Growth Since 2008 by Region, Jan 2018 vs. Jan 2008



Source: Home.co.uk Asking Price Index, January 2018

the inevitable slowdown in both regions. Like London, prices leapt ahead of rents thereby reducing yields to the point of being unviable.

As we have stated before, the Private Rented Sector (PRS) has grown enormously over recent years and now accounts for around 20% of properties. This key driver of the property market has meant that investors have increasingly looked towards the Midlands, South West and the North over recent years, in search of better yields. Moreover, it is clearly apparent from the 10-year growth chart that these regions offer much greater scope for potential capital gains in the near term.

The North, in particular, shows a huge potential for growth compared to London. Average prices in Yorkshire and the North West are now basically the same as they were ten years ago and in the North East they remain 7% lower. It is clear that the 'recovery' is still taking place in these regions so we expect renewed vigour to accelerate these formerly lethargic markets and price growth to increase.

## Stock of Property for Sale

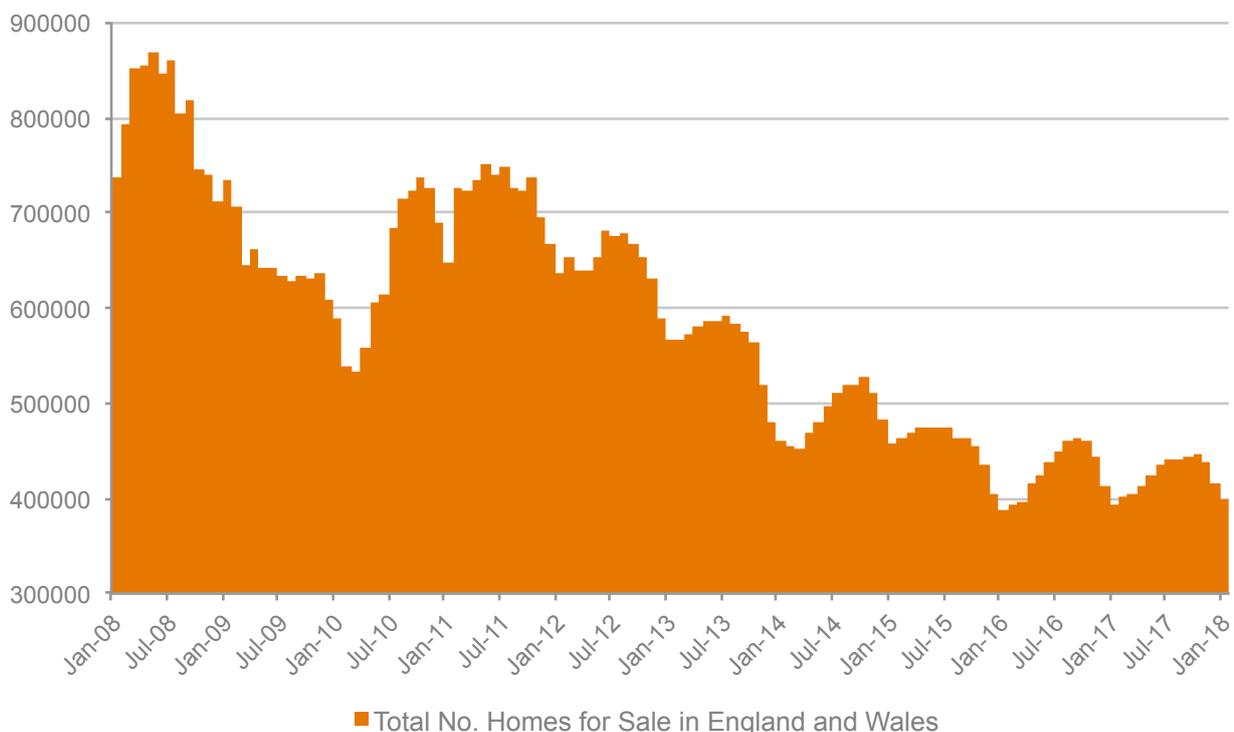
The total stock of property for sale in England and Wales remains near to its all-time low. The actual lowest point was in January 2016 when the total number of properties on the market was around 386,000. This was about 12 months before

the slowdown in the Greater London market had finally resulted in year-on-year negative growth (Dec 2016). Since the low, we have witnessed a small rise in the minimum counts (each January due to seasonal fluctuations) but the trend is not yet fully established.

What is clear is that the available stock is currently very limited in number and a far cry from the huge quantity of properties on the market prior to Lehman's collapse in September 2008. The peak was just over 868,000 in May 2008. In the dark days that followed, many properties were withdrawn from a basically frozen market. During that time the Typical Time on Market rose to a record 184 days in May 2009. Prices fell rapidly (-6.9% was the worst year-on-year drop in asking prices in March 2009) and the situation was compounded by repossessed properties flooding a dysfunctional market.

Since the crisis the UK property market has revised greatly in many respects. Stability has improved significantly and this in turn has helped mobility of the labour force. On the downside, both equality and the possibility of getting on the housing ladder have diminished for many, despite various government schemes. London may be suffering the consequences of investors' overexuberance but it's in a far less perilous position than back in 2008 and houses are becoming more affordable, albeit slowly.

## Total Stock for Sale

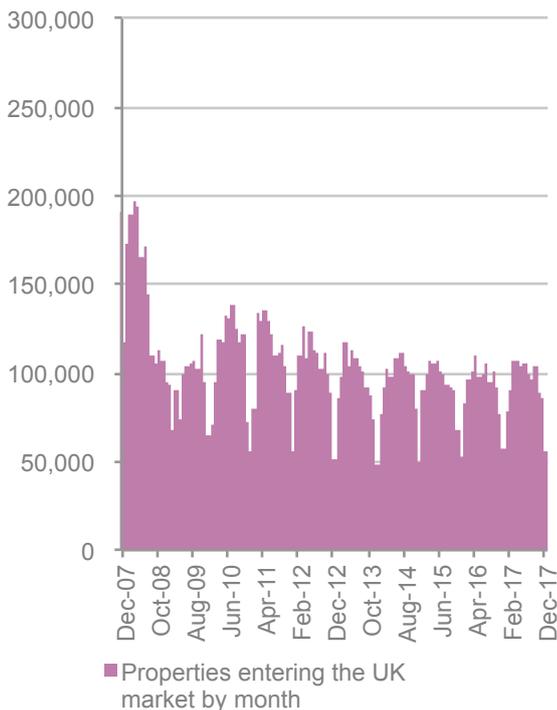


Source: Home.co.uk Asking Price Index, January 2018

## Supply

Whilst there are various regional fluctuations, the overall rate of supply of properties for sale is remarkably stable and has been so for several years. What is clear is that there is no significant rush to market. Low numbers of vendors in the Midlands and North is effectively serving to compensate for increases in Greater London and thereby ensuring supply remains stable.

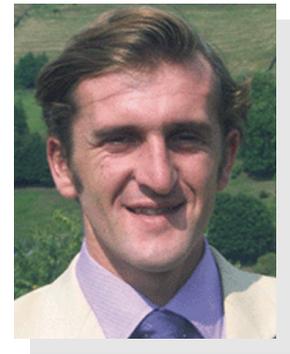
### Supply of New Instructions



Source: Home.co.uk Asking Price Index, January 2018



**Prompted by several sensationalist headlines over recent weeks suggesting the immediate demise of the UK property market we elected to take the long view this month.**



A 10-year perspective helps put the various trends in the current property market in context. A slowly deflating London market is to be welcomed, as is the steady (non-volatile) growth occurring in many regions. All these current trends lead towards a more stable property market.

Home price growth in the North will stimulate more investment in regeneration projects and create more much-needed jobs. The North East in particular, probably the last region to still be haunted by negative equity, has the long road to recovery before it.

Of course, we mustn't be complacent. Despite these relatively calm waters there are dark clouds on the horizon. At some point interest rates will need to be raised further in order to return to more normal levels. The Bank of England took the first step towards this goal in November, but will doubtless be very careful not to raise them too quickly and cause panic in the markets.

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



# UK Asking Prices

Scotland	Jan-18
<b>Average Asking Price</b>	<b>£179,955</b>
Monthly % change	-0.8%
Annual % change	1.4%

North East	Jan-18
<b>Average Asking Price</b>	<b>£156,649</b>
Monthly % change	0.6%
Annual % change	1.7%

Yorks & The Humber	Jan-18
<b>Average Asking Price</b>	<b>£188,423</b>
Monthly % change	0.3%
Annual % change	5.1%

North West	Jan-18
<b>Average Asking Price</b>	<b>£194,267</b>
Monthly % change	0.0%
Annual % change	4.1%

West Midlands	Jan-18
<b>Average Asking Price</b>	<b>£237,901</b>
Monthly % change	0.0%
Annual % change	5.7%

East Midlands	Jan-18
<b>Average Asking Price</b>	<b>£225,858</b>
Monthly % change	0.4%
Annual % change	6.5%

East	Jan-18
<b>Average Asking Price</b>	<b>£354,418</b>
Monthly % change	-0.5%
Annual % change	3.6%

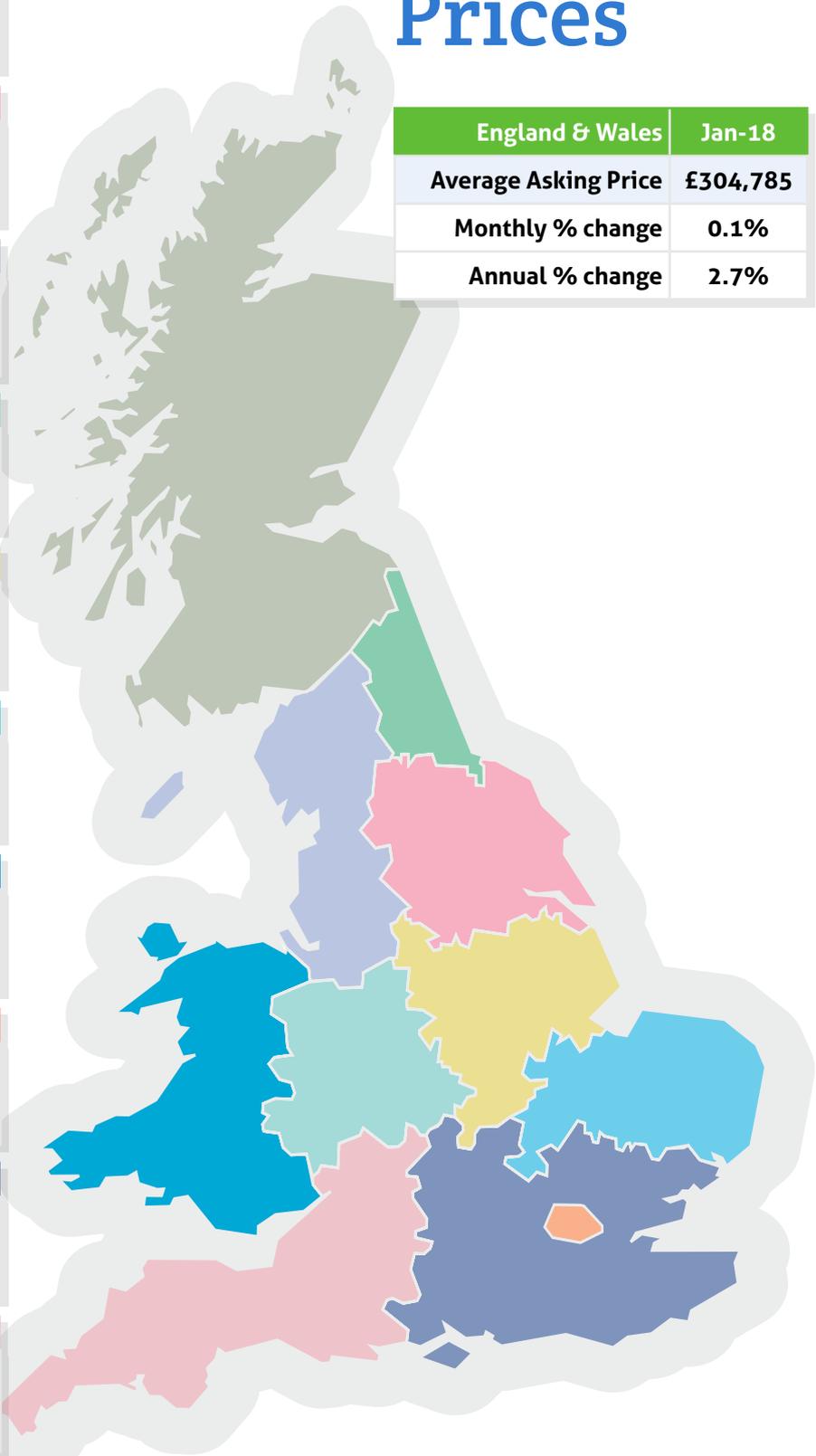
Wales	Jan-18
<b>Average Asking Price</b>	<b>£192,872</b>
Monthly % change	0.5%
Annual % change	4.3%

Greater London	Jan-18
<b>Average Asking Price</b>	<b>£533,334</b>
Monthly % change	0.3%
Annual % change	-0.9%

South East	Jan-18
<b>Average Asking Price</b>	<b>£400,613</b>
Monthly % change	0.1%
Annual % change	2.3%

South West	Jan-18
<b>Average Asking Price</b>	<b>£320,730</b>
Monthly % change	0.2%
Annual % change	4.2%

England & Wales	Jan-18
<b>Average Asking Price</b>	<b>£304,785</b>
<b>Monthly % change</b>	<b>0.1%</b>
<b>Annual % change</b>	<b>2.7%</b>



Source: Home.co.uk Asking Price Index, January 2018

# UK Time on Market

Scotland	Jan-18
<b>Average Time on Market</b>	<b>264</b>
Typical Time on Market	142
Annual % supply change	-14%

North East	Jan-18
<b>Average Time on Market</b>	<b>254</b>
Typical Time on Market	141
Annual % supply change	-1%

Yorks & The Humber	Jan-18
<b>Average Time on Market</b>	<b>197</b>
Typical Time on Market	116
Annual % supply change	-9%

North West	Jan-18
<b>Average Time on Market</b>	<b>195</b>
Typical Time on Market	118
Annual % supply change	-8%

West Midlands	Jan-18
<b>Average Time on Market</b>	<b>161</b>
Typical Time on Market	98
Annual % supply change	-9%

East Midlands	Jan-18
<b>Average Time on Market</b>	<b>150</b>
Typical Time on Market	94
Annual % supply change	-2%

East	Jan-18
<b>Average Time on Market</b>	<b>130</b>
Typical Time on Market	89
Annual % supply change	4%

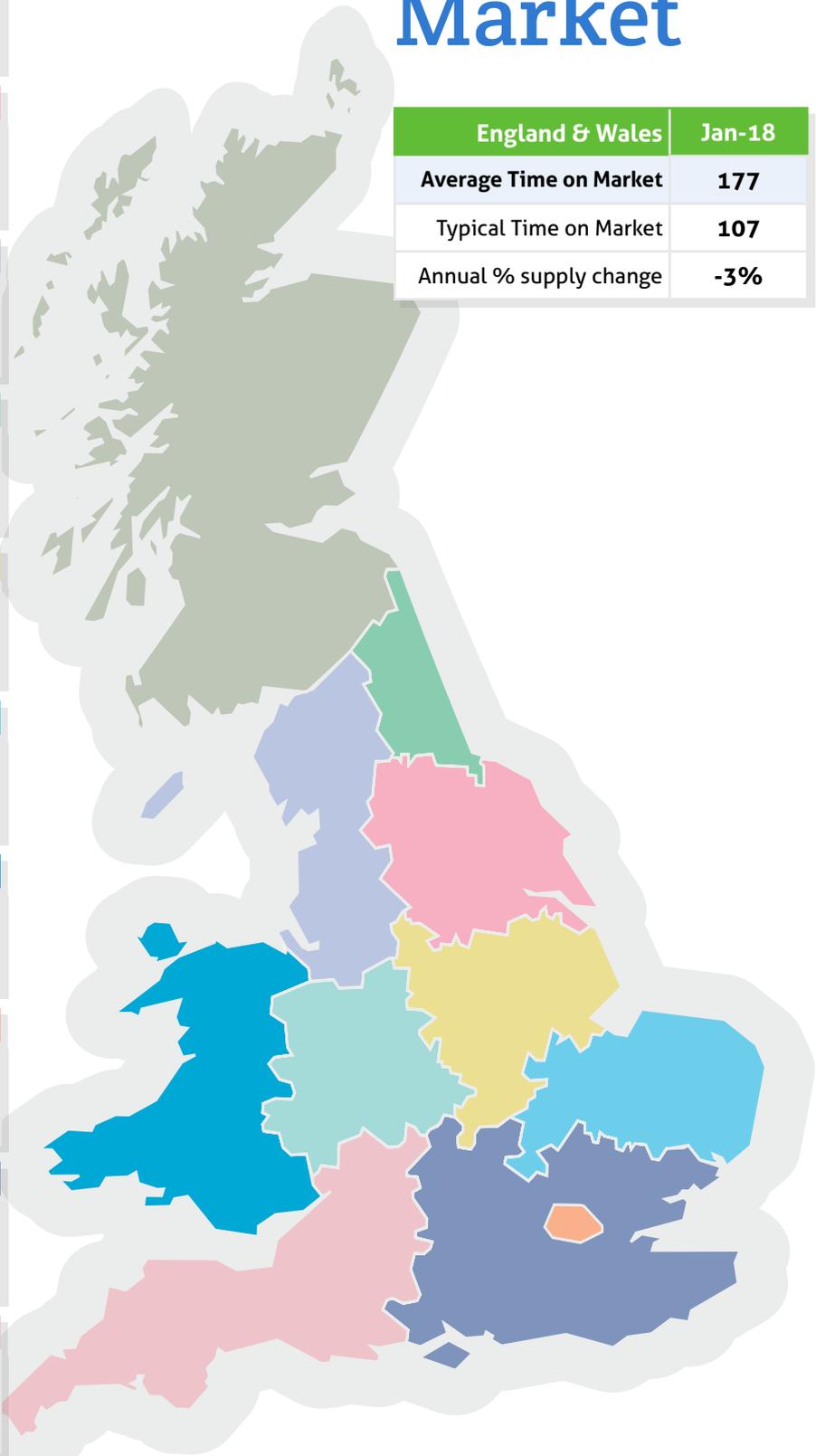
Wales	Jan-18
<b>Average Time on Market</b>	<b>252</b>
Typical Time on Market	149
Annual % supply change	-13%

Greater London	Jan-18
<b>Average Time on Market</b>	<b>160</b>
Typical Time on Market	103
Annual % supply change	1%

South East	Jan-18
<b>Average Time on Market</b>	<b>134</b>
Typical Time on Market	90
Annual % supply change	6%

South West	Jan-18
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	102
Annual % supply change	-1%

England & Wales	Jan-18
<b>Average Time on Market</b>	<b>177</b>
Typical Time on Market	<b>107</b>
Annual % supply change	<b>-3%</b>



Source: Home.co.uk Asking Price Index, January 2018. 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:  
[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:

- Tuesday 13<sup>th</sup> February
- Tuesday 13<sup>th</sup> March
- Thursday 12<sup>th</sup> April