Asking Price Index

Released 12/07/19 July 2019

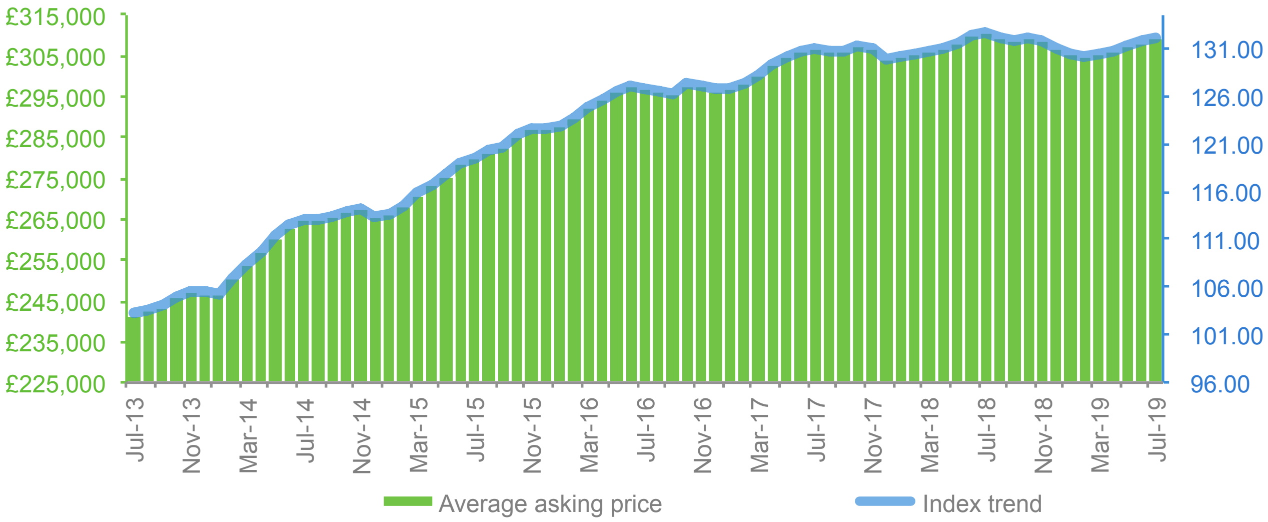
EMBARGOED UNTIL 12/07/19

Supply Drop Stabilises London Prices

Headlines

- London prices rise for fifth consecutive month.
- Supply of new instructions down in ALL regions, most severely in London (23%), as potential vendors refrain.
- Typical Time on Market for England and Wales is currently 91 days (median), eleven days longer than in July 2018, making it the slowest July since 2013.
- National average price growth remains negative (-0.4% year-on-year).
- Typical Time on Market in the London market indicates the slowest July for ten years, although consistent month-on-month improvements since April indicate momentum is returning.
- Despite the slowdown, seasonal factors again nudge up the average home price in England and Wales (0.3% month-on-month).
- Asking prices rose again in all English regions (except the West Midlands where there was no change), Wales and Scotland over the last month, driven mainly by aspiration and tightening supply but not increasing demand.
- Typical Time on Market rises indicate the worst regional slowdowns are in the East of England (+21%), the West Midlands (+21%) and the South East (+19% year-on-year).
- East of England is the UK's worst-performing region, with the average asking price down by 3.1% over the last year.
- Total stock levels across England and Wales remain broadly stable.

Home Asking Price Trend for England & Wales



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

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

Summary

The UK's leading market looks to be on the mend. Caution on the part of vendors has cut the supply of new instructions by nearly a quarter in the capital. Fewer properties for sale affords London a timely realignment of supply and demand, thereby preparing the road to recovery after more than three years of sliding prices.

Besides soaring rents in the central boroughs, further green shoots of recovery are evident in three consecutive monthly reductions in the Typical Time on Market (median) and a reduction of total stock for sale of around 19%.

Meanwhile, the adjacent regions of the East and South East remain firmly in the grip of their respective price corrections, although the South West, often a beneficiary of improvements in the London market, is already showing some signs of recovery.

The slowdown continues to gradually spread through the regions. Rising Time on Market figures and slowing growth indicate that the East and West Midlands are heading towards a period of price correction after several years of unsustainable growth.

Later still in the property cycle, the North West and Yorkshire regions are also slowing but, owing to more restrained growth over recent years, these regions do not look likely to undergo a significant price correction, although some buy-to-let hotspots may suffer capital depreciation. The North East, meanwhile, has achieved growth of 2.0% since July 2018 but rising Time on Market suggests that these gains will be pared back yet again.

The Scottish housing market is also slower than this time last year but considerable variation in market vigour is evident.

Only Wales, currently the UK's best-performing region, has achieved growth ahead of inflation (RPI ex. housing) during the last twelve months, but the Principality's housing market is now slowing down. Much momentum remains but properties are now spending slightly longer on the market than they were a year ago.

Overall, annualised price growth across England and Wales remains in the red (-0.4%) despite a further seasonal month-on-month rise of 0.3%.

In July 2018, the annualised rate of increase of home prices was 1.3% for England and Wales; today the same measure is -0.4%.

Regional Round-up

The overall mix-adjusted average price growth for England and Wales now stands at -0.4%, 1.7% less than in July last year, but the more detailed regional picture reveals a highly diverse set of fortunes caused by the systematic asynchronicity of the regional property cycles.

The UK's leading market, London, shows annualised losses have notched back yet again from 2.6% to 2.3%. A sharp drop in supply due to caution on the part of vendors has served to rebalance supply and demand and to stabilise prices in the capital region. Going forward, stable pricing will serve to increase confidence in a market where values have been sliding for over three years. Equally encouraging is the fact that the Typical Time on Market has been falling since April, indicating that the market is beginning to regain momentum.

The large drop in new listings across Greater London (23% less, June 2019 vs. June 2018) has the added benefit of helping to reduce stock levels significantly. The total number of properties on the market has fallen 19% over the last twelve months. In summary, supply and demand have realigned and prices are showing renewed stability, with this month's modest rise being the fifth such consecutive increase. This combination of positive trends in the key metrics indicates that London home prices are on the road to recovery.

As we stated last month, asking prices peaked in the South East in October 2017 and therefore this region may be regarded as being around 17 months later in the property cycle than London. Prices are now 2.7% lower than the maximum and will likely erode further over the autumn and winter months before the next growth phase. It is arguable that prices will not take quite as long to correct as in London since growth in the South East was less vigorous and therefore overpricing less prevalent. Supply has begun to contract (down 10% year-on-year) and this is perhaps a first step towards recovery.

Later in the property price cycle are the East and South West regions. Prices in both of these markets peaked a year ago although, judging by their respective 5-year growth figures (25.4% and 15.2%), it is the East where prices have furthest to fall. Several years of rampant home price inflation led to a frothy market out of step with affordability and values (also rental yields) are now correcting. The median property price in Cambridge has fallen 8% over the last twelve months. In contrast to the East, the South West made much more moderate gains during the boom and will most likely undergo a relatively gentle correction in prices. Any upturn in the London market will act as a fillip to the South West, which is the most popular retirement relocation destination.

Later still in the property cycle, the West and East Midlands look set to be the next regions to undergo a period of price correction. Both regions have had a long run of price inflation, adding over a third to average values during the last seven years. Time on Market is rising rapidly and home values look set to peak this year.

There is no immediate risk of a correction in the North East. Moderate price growth has been evident recently adding a little to the 5-year total increase of just 4.8%. A recent jump in the Typical Time on Market suggests that prices will not surge much further in the immediate future.

Further erosion of price growth is apparent in all other areas of England, and in Scotland and Wales. Typical Time on Market is also rising in all these remaining regions including Wales, which still shows the best annualised growth in UK property market. In fact, due to the slowdown, only Wales has seen price growth outpace monetary inflation (RPI ex-housing) over the last twelve months.

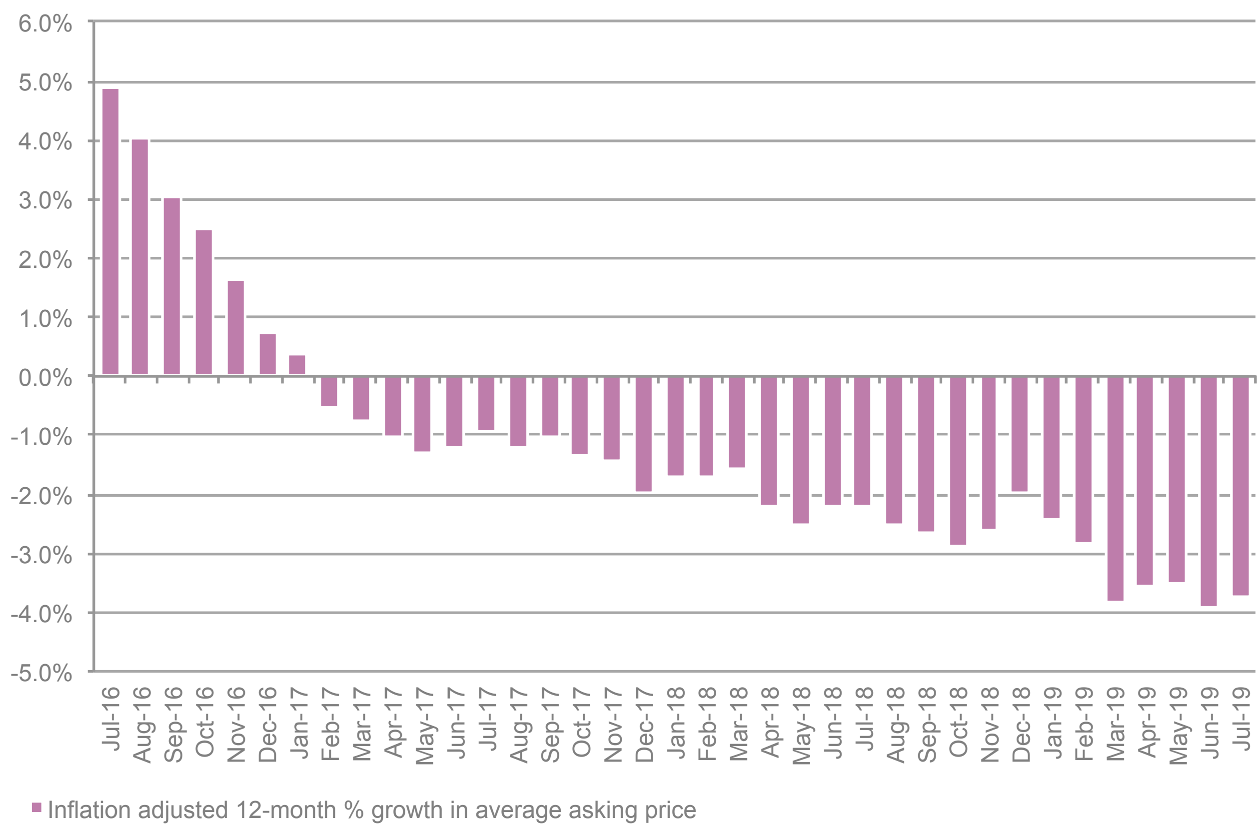
Real Asking Price Growth

Monetary inflation remains far from zero and should be taken into account when considering how far prices are really correcting. In nominal terms, price falls may look small but in real terms these capital losses are much more significant.

The – perhaps shocking – reality when we take into account monetary inflation is that the average UK home price has been falling in real terms for around 30 months. We have used RPI (excluding housing costs) to create the chart (below) and have estimated the last three months at 3.3% since the data is not yet available from the Office of National Statistics.

The slowdown that began in 2016 gradually reduced growth until the point at which we see that in early 2017 real growth became negative. Looking at the English regions and Scotland, it is apparent that real capital gains have been non-existent over the last twelve months. Only Wales, for the time being, can claim a real gain ahead of inflation of around just 1.5%.

Real Home Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, July 2019. ONS RPI (ex. housing)

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Strange economic times we live in, when the Bank of England base rate is below the rate of monetary inflation.

So too are savings rates. So low that money deposited in such accounts is, in real terms, slowly melting away. Of course, it is this very concern (coupled with super cheap mortgage rates) that drove many to invest in property in an effort to gain a return on their money. The twin attractions of capital gains and rent were sufficient to encourage thousands of investors who became 'amateur landlords'.

A further attraction of property investment is the security that such tangible assets afford in an increasingly uncertain world. British property law is respected worldwide and this reputation attracts additional investors from overseas. Such was the enormous post-crisis demand for UK property (particularly in London) that prices were driven sky high. The banks' lending portfolios were suddenly back in the black and buy-to-let looked like the no-brainer investment of the century.

Little did investors know back then of the future actions of government policy. Over the last few years, the increased taxation and regulation of the private rental sector has been like shooting fish in a barrel. For many landlords, their secure asset has been transformed, through legislation, into a loss-making liability. Many have chosen to exit the sector or at least trim their portfolios of all but the profitable properties and pay down some or all of their debt. However, they are perhaps the lucky ones.

There are significant numbers of landlords who bought into the market towards the top. Remember the 1st April stamp duty deadline in 2016? This caused a huge rush of hasty investment. For a while London was flooded with rental property as a consequence of this frantic buy-to-let surge. Moreover, one month later, London prices hit their peak and the bubble slowly deflated for three years. Thousands bought to beat the deadline only to find they were holding an illiquid asset yielding less than anticipated due to oversupply in the rental market at that time. Perhaps they were left wondering if it was just coincidence that the government chose April Fools' Day?

Now the boot is on the other foot. Fewer landlords mean fewer rental properties.

In 2017, around 28,800 properties entered the Greater London rental market in June. Two years later, our research reveals that only around 18,700 rental properties were newly advertised as 'To Let' last month: a drop in supply of 35%. The natural consequence of this wholly unnatural state of affairs is that rents look set to rocket. In fact, they already are.

Rents across Greater London are up by an annualised 7.3% (growth in mix-adjusted average) but, if we take a look at the more central boroughs, the effect of this severe shortage of available rental property is shocking. Wandsworth rents are up an eye-watering 22.1%, Southwark rents are up 14.6%, Camden 12.1% and Hammersmith and Fulham 10.8%. So it looks like, after many years of awful yields and sliding capital values, landlords might actually be able recover their losses, pay the newly imposed taxes, registration fees and return to profit, although Generation Rent are not going to be happy with this state of affairs.

The most likely vote winning 'solution' to these hikes, already suggested by both the Labour Party and Mayor Sadiq Khan, is rent capping. In other words, a possible future government will ignore the previous failures in policy (that actually caused the shortage) and instead dictate the price level at which a landlord can let out their property. I'm not convinced that London landlords will want to be participants in this Marxist dystopia, and the likely consequences for future supply are obvious. Price controls in communist Russia kept bread very affordable but the shelves were bare and many went hungry (unless you had friends in the Politburo).

Finally, the folly of rent capping would likely postpone the recovery in the London sales market indefinitely. Not an attractive proposition (or a vote winner) for the many new homeowners who managed to escape the rent-trap but are now currently trapped in negative equity. Food for thought: our median figure analysis shows that the typical London home is now worth 14% less than back in May 2016.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

Scotland	Jul-19
Average Asking Price	£188,906
Monthly % change	0.6%
Annual % change	2.6%

North East	Jul-19
Average Asking Price	£161,021
Monthly % change	1.0%
Annual % change	2.0%

Yorks & The Humber	Jul-19
Average Asking Price	£202,056
Monthly % change	0.4%
Annual % change	2.6%

North West	Jul-19
Average Asking Price	£207,247
Monthly % change	0.3%
Annual % change	2.5%

West Midlands	Jul-19
Average Asking Price	£255,206
Monthly % change	0.0%
Annual % change	2.9%

East Midlands	Jul-19
Average Asking Price	£239,154
Monthly % change	0.5%
Annual % change	2.5%

East	Jul-19
Average Asking Price	£352,499
Monthly % change	0.2%
Annual % change	-3.1%

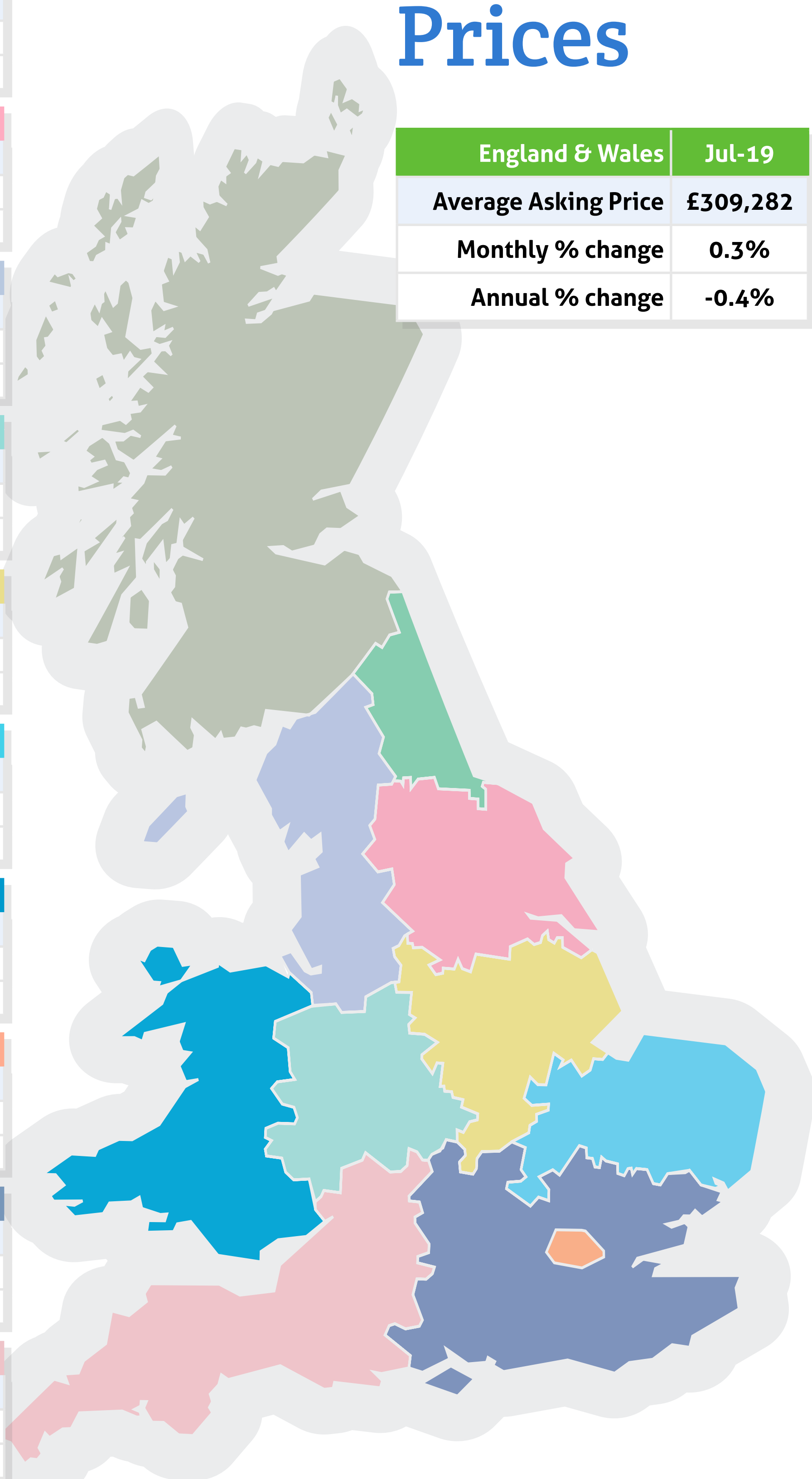
Wales	Jul-19
Average Asking Price	£212,067
Monthly % change	0.8%
Annual % change	4.8%

Greater London	Jul-19
Average Asking Price	£517,353
Monthly % change	0.1%
Annual % change	-2.3%

South East	Jul-19
Average Asking Price	£396,425
Monthly % change	0.3%
Annual % change	-1.9%

South West	Jul-19
Average Asking Price	£325,050
Monthly % change	0.4%
Annual % change	-1.1%

England & Wales	Jul-19
Average Asking Price	£309,282
Monthly % change	0.3%
Annual % change	-0.4%



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UK Time on Market

Scotland	Jul-19
Average Time on Market	220
Typical Time on Market	95
Annual % supply change	-9%

North East	Jul-19
Average Time on Market	228
Typical Time on Market	116
Annual % supply change	-7%

Yorks & The Humber	Jul-19
Average Time on Market	167
Typical Time on Market	88
Annual % supply change	-8%

North West	Jul-19
Average Time on Market	178
Typical Time on Market	96
Annual % supply change	-8%

West Midlands	Jul-19
Average Time on Market	146
Typical Time on Market	82
Annual % supply change	-2%

East Midlands	Jul-19
Average Time on Market	146
Typical Time on Market	81
Annual % supply change	-4%

East	Jul-19
Average Time on Market	145
Typical Time on Market	82
Annual % supply change	-7%

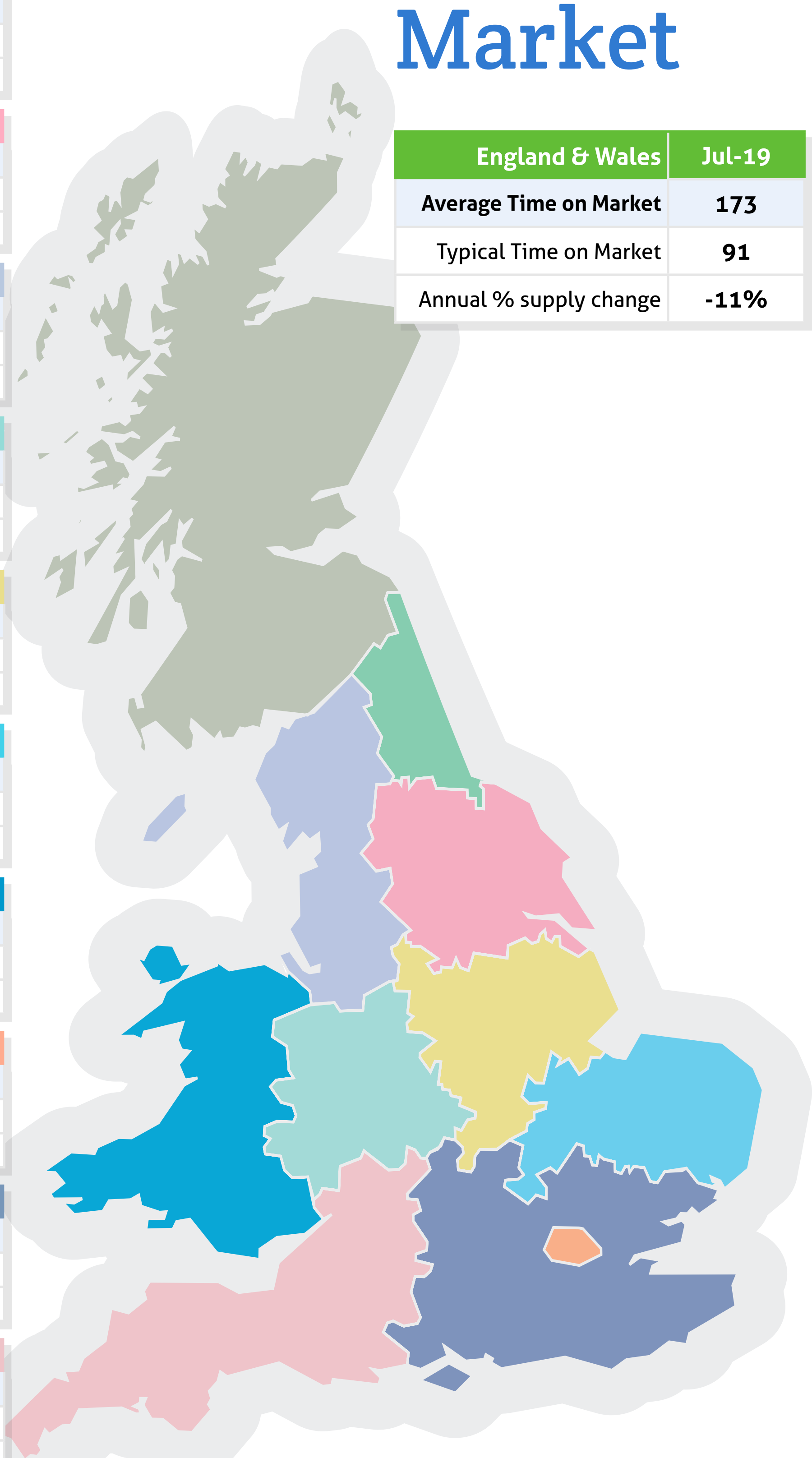
Wales	Jul-19
Average Time on Market	218
Typical Time on Market	106
Annual % supply change	-9%

Greater London	Jul-19
Average Time on Market	182
Typical Time on Market	95
Annual % supply change	-23%

South East	Jul-19
Average Time on Market	149
Typical Time on Market	83
Annual % supply change	-10%

South West	Jul-19
Average Time on Market	160
Typical Time on Market	86
Annual % supply change	-10%

England & Wales	Jul-19
Average Time on Market	173
Typical Time on Market	91
Annual % supply change	-11%



Source: Home.co.uk Asking Price Index, July 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

- For media enquiries please contact:
  press@home.co.uk
  0845 373 3580
- To learn more about Home.co.uk please visit:
  https://www.home.co.uk/company/about.htm
- 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
- To learn more about Home.co.uk data services please visit:
  https://www.home.co.uk/company/data/

Future release dates:

- **Tuesday 13th August**
- **Thursday 12th September**
- **Tuesday 15th October**