

Regions Prosper while London Home Prices Slide

Headlines

- Home prices remain up overall by 0.4% month-on-month and 2.8% year-on-year.
- Greater London prices slip by 0.1% this month making a year-on-year fall of 1.2%.
- Much improved marketing times in the East Midlands and North West: median time on market down 11% and 9% respectively.
- The slowdown continues in Greater London and the South East compared to June last year (Typical Time on Market up 15% and 11% respectively).
- The West Midlands, East Midlands and the North East top the monthly price rises, each with a surge of 0.8%.
- Typical Time on Market rises by one day to 78 days, two days less than in June 2016 (England and Wales).
- The number of properties entering the UK market in May was slightly down on the count for April, although supply is up overall by 5% YoY.
- Supply has increased further in the East, London and the South East by 21%, 18% and 15% respectively compared to May 2016.
- Rents soar in Wales and Yorkshire due to falling stock levels.

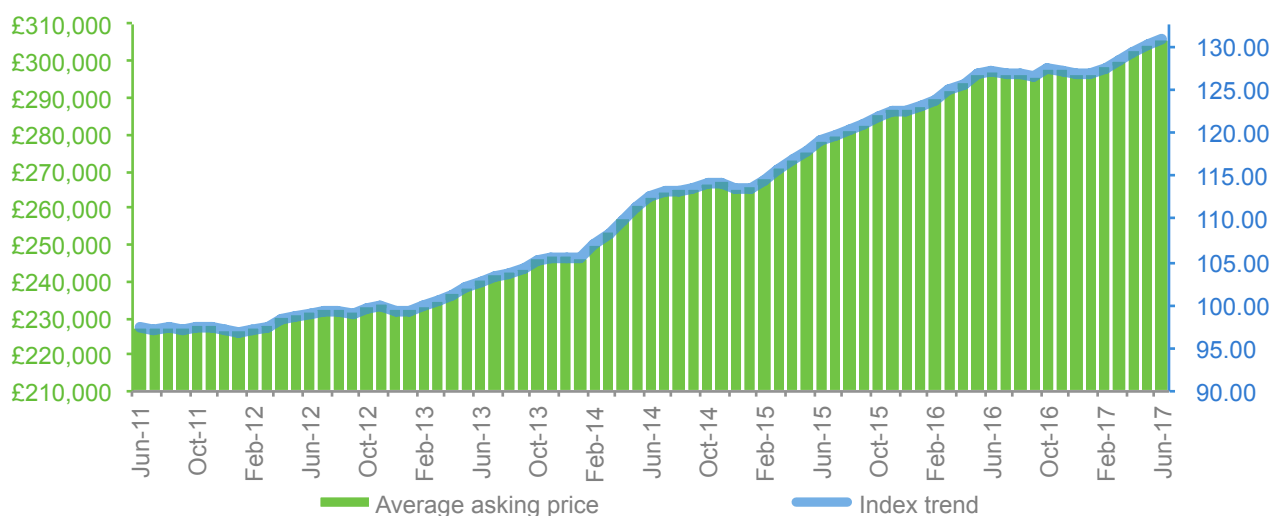
Summary

Asking prices rose by 0.4% across England and Wales over the last month, despite election uncertainty. Growth in the mix-adjusted average is being driven by price rises in the regions. As London prices slide, it is the North and South West and the Midlands that are thriving and supporting the national average figure. Significant price growth, over and above the rate of monetary inflation, is evident in only four English regions and not in Scotland or Wales.

The trend towards improved market conditions in the North continues, with considerable improvement in property marketing times. There, increased demand coupled with limited supply has pushed up prices significantly since last month. The North West is leading the charge with annualised growth of 3.7%, followed by Yorkshire (2.9%). The North East has yet to indicate significant year-on-year growth but marketing times are back down to 2008 levels and recovery looks set to follow.

The East of England continues to head the regional league table for price growth, followed by the East Midlands, the South West and the West

Home Asking Price Trend for England & Wales



Source: Home.co.uk, June 2017

Midlands. All show price growth over and above the rate of inflation and, with the exception of the East, marketing times are either the same or lower for all these regions compared to June 2016. As we predicted, marketing times are finally beginning to nudge up in the East of England as rising supply starts to overwhelm demand.

Overall, the national figures continue to reflect a stagflationary housing market. Whilst recent price rises in the regions indicate that there remains much confidence and momentum, the 'drag effect' of sliding prices in Greater London means the trend towards near-zero year-on-year price growth appears inevitable. Moreover, rapidly rising inflation due to a weaker post-Brexit pound means that, overall, capital values will not rise in real terms.

Looking forward towards the autumn and winter, we expect significant price falls in London and the South East, and these will impact negatively on the national figures. In June 2016 the annualised rate of increase of home prices was 6.8%; today the same measure is just 2.8%.

Regional Round-up

Looking back across the last year, we can analyse the varied fortunes of the UK property market by region. The Typical Time on Market of unsold property is a highly important leading indicator of future prosperity. Gain or loss of momentum in a given regional market is a sure sign that prices will adjust accordingly in due course.

The most improved regional market over the last 12 months is the East Midlands. At present, a typical property is marketed for 66 days, which

is currently eight days less than in June 2016 and the lowest June reading since 2007. Such an increase in market momentum means that prices will continue to rise in the area, especially since there is currently no increase in supply.

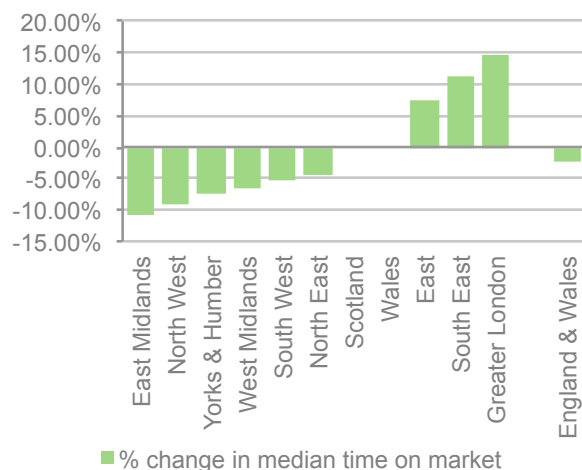
The North West and Yorkshire also head up the list of most improved regions, a further indication that these northern regional markets are in their ascendancy. Both of these regions are currently registering the lowest June Typical Time on Market since 2007. At the same time supply has contracted slightly (down 3% and 4% respectively) and this will serve to drive prices higher over the coming months.

Like its eastern counterpart, the West Midlands is firmly in the midst of a property boom and prices there look set to continue to rise as the Typical Time on Market falls further and supply remains tight. Prices have risen 4.1% over the last six months making it the UK's third fastest region for price growth, behind the East and East Midlands (both showing +4.5% growth since Dec 2016).

The South West property market is also showing considerable signs of healthy improvement. The typical property spends 71 days on the market, four days less than in June 2016, and consequently prices are rising steadily (up 4.7% year-on-year) while supply remains tight for the time being.

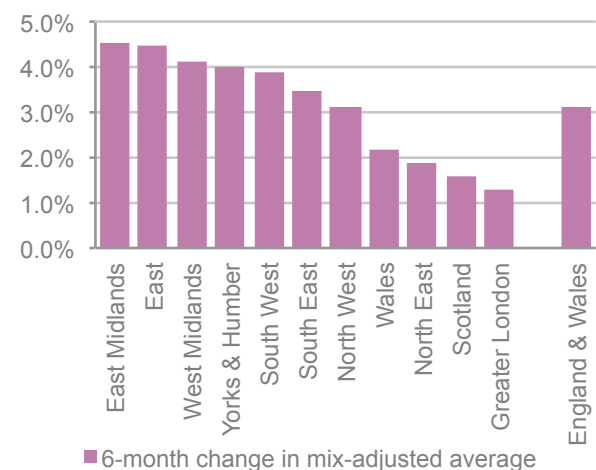
Analysis of price growth by region also reveals major disparity over the last six months. Greater London remains the worst performing regional market as prices have risen the least (1.3%). Even the North East has fared better over the same period and there, as mentioned previously, marketing times have improved enormously and

Change in Typical Time on Market by Region (June 2017 vs. June 2016)



Source: Home.co.uk, June 2017

6-month % Price Growth by Region



Source: Home.co.uk, June 2017

genuine price rises are sure to follow over the coming months. The Scottish and Welsh markets are still struggling to show tangible growth and their median marketing times are displaying no change.

The East of England market is clearly showing signs of a slowdown and joins London and the South East in the list of regions that have lost the most momentum. Growth has dropped back considerably since last year, and surging supply and rising marketing times will put further downward pressure on home prices as we have observed already, first in London and later in the South East.

As predicted, the East is being overtaken by the East Midlands as the leader in terms of price growth as supply continues to rise rapidly in the former property hotspot.



Over the last year we have observed a dramatic change of fortunes for the UK property market.

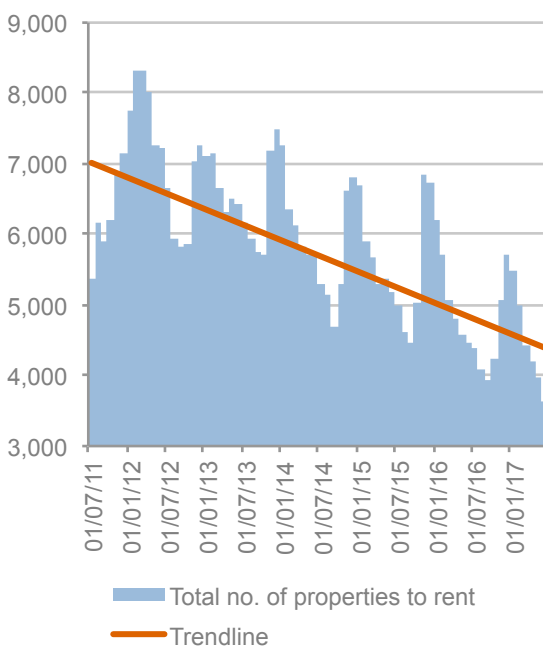


London was the first region to slow, later to be joined by the South East, and now the East of England. Prices in the capital are now sliding year-on-year and falling about 5% in real terms. Together, these three regions constitute about 35% of the UK housing stock and much more than that by value. Their deteriorating performance will undoubtedly weigh heavily on the overall market for the foreseeable future, despite many other regions performing very well indeed.

Meanwhile, prices are rising in the East and West Midlands and the South West at a much more sustainable rate than we observed previously in London and the South East. The North West and Yorkshire are also much improved and have considerable scope for growth over the next year. A key driver in these regional markets is buy-to-let investment and, judging by the falling stock levels of property for rent in Wales and in York, investment in both areas is an increasingly attractive proposition.

Indeed, we stated last month that the regions to watch are Wales and Yorkshire (rents up 11.5% and 8.5% YoY respectively). These rises are significantly above the rate of increase of the underlying home values. Rents, of course, follow the laws of supply and demand like any other fluid market. These large hikes in Wales are due to a calamitous fall in available stock for rent. Demand is outstripping supply and, as long as supply continues to fall, rents will become increasingly expensive. The stock of property available for rent in Wales has fallen by 36% over the last six years. We expect this situation, which ensures lower void periods and higher yields, to attract considerable buy-to-let investment going forward.

Welsh Rental Stock Trend



Source: Home.co.uk, June 2017

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Jun-17
Average Asking Price	£182,337
Monthly % change	0.6%
Annual % change	1.8%

North East	Jun-17
Average Asking Price	£156,669
Monthly % change	0.8%
Annual % change	0.7%

Yorks & The Humber	Jun-17
Average Asking Price	£186,683
Monthly % change	0.7%
Annual % change	2.9%

North West	Jun-17
Average Asking Price	£191,962
Monthly % change	0.5%
Annual % change	3.7%

West Midlands	Jun-17
Average Asking Price	£233,707
Monthly % change	0.8%
Annual % change	4.6%

East Midlands	Jun-17
Average Asking Price	£221,073
Monthly % change	0.8%
Annual % change	6.1%

East	Jun-17
Average Asking Price	£359,533
Monthly % change	0.4%
Annual % change	6.9%

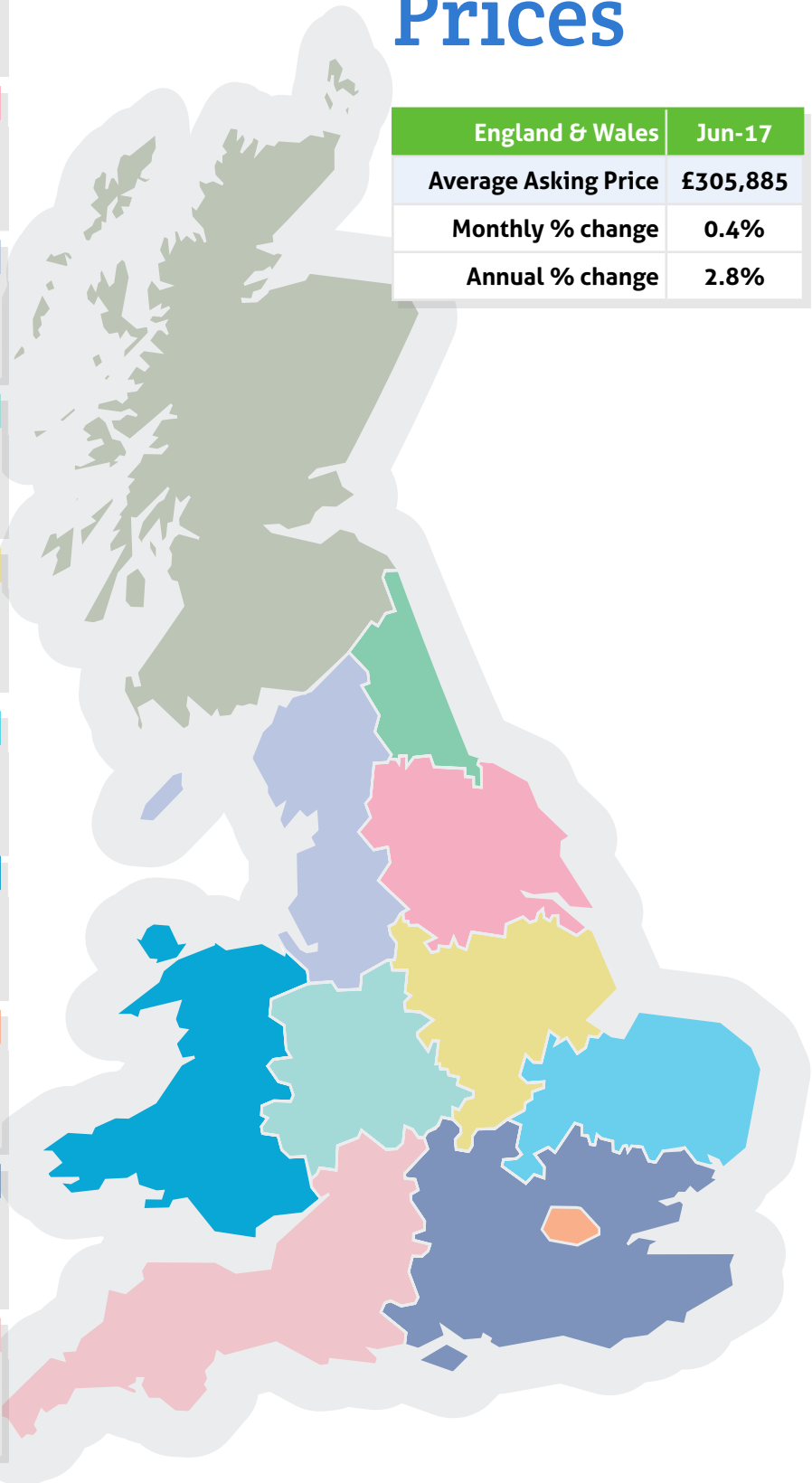
Wales	Jun-17
Average Asking Price	£189,002
Monthly % change	0.3%
Annual % change	2.2%

Greater London	Jun-17
Average Asking Price	£543,778
Monthly % change	-0.1%
Annual % change	-1.2%

South East	Jun-17
Average Asking Price	£405,106
Monthly % change	0.3%
Annual % change	2.9%

South West	Jun-17
Average Asking Price	£320,235
Monthly % change	0.7%
Annual % change	4.7%

England & Wales	Jun-17
Average Asking Price	£305,885
Monthly % change	0.4%
Annual % change	2.8%



Source: Home.co.uk, June 2017

UK Time on Market

Scotland	Jun-17
Average Time on Market	226
Typical Time on Market	87
Annual % supply change	-2%

North East	Jun-17
Average Time on Market	233
Typical Time on Market	109
Annual % supply change	2%

Yorks & The Humber	Jun-17
Average Time on Market	178
Typical Time on Market	85
Annual % supply change	-4%

North West	Jun-17
Average Time on Market	179
Typical Time on Market	88
Annual % supply change	-3%

West Midlands	Jun-17
Average Time on Market	141
Typical Time on Market	70
Annual % supply change	-1%

East Midlands	Jun-17
Average Time on Market	131
Typical Time on Market	66
Annual % supply change	0%

East	Jun-17
Average Time on Market	104
Typical Time on Market	58
Annual % supply change	21%

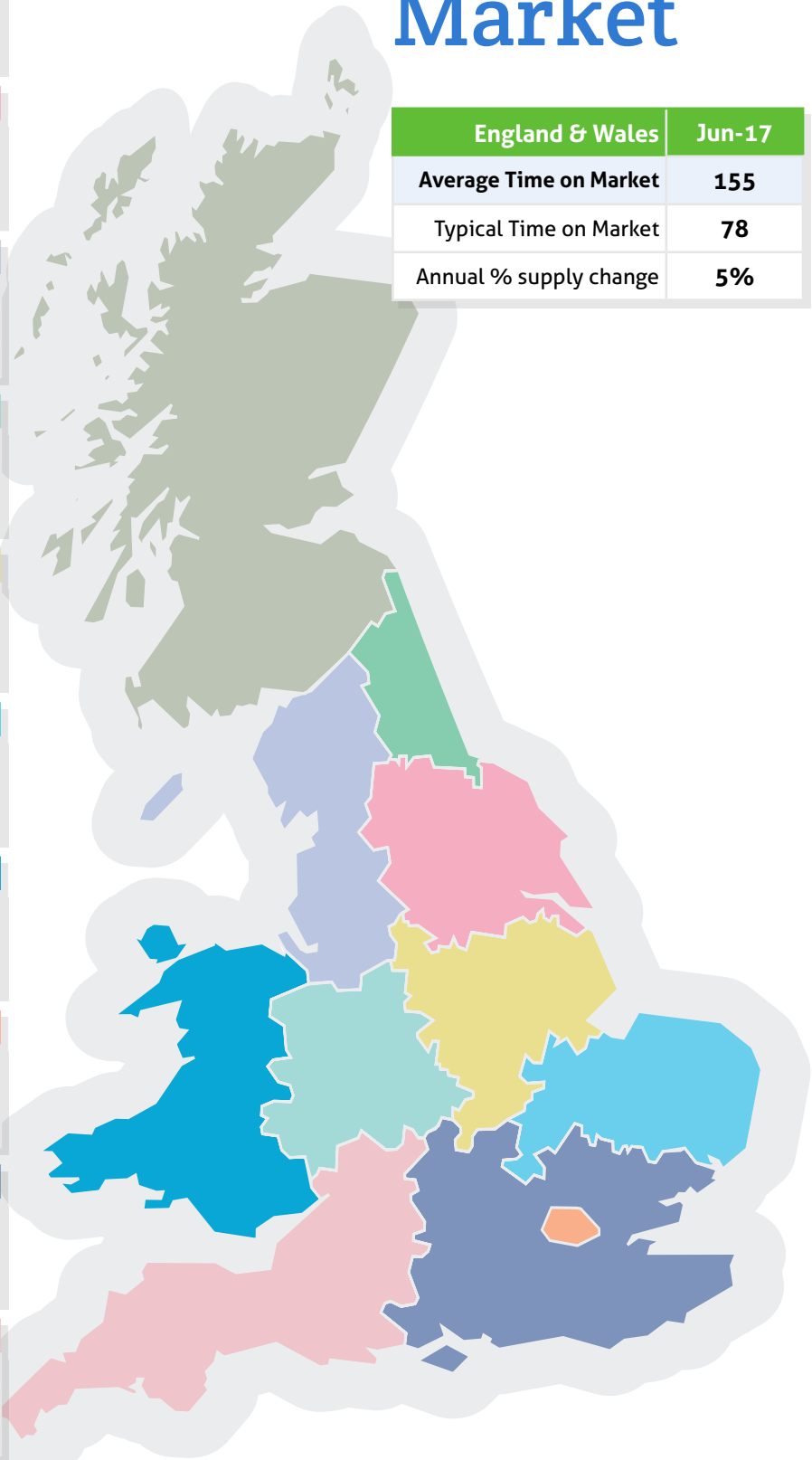
Wales	Jun-17
Average Time on Market	233
Typical Time on Market	116
Annual % supply change	-12%

Greater London	Jun-17
Average Time on Market	127
Typical Time on Market	71
Annual % supply change	18%

South East	Jun-17
Average Time on Market	107
Typical Time on Market	60
Annual % supply change	15%

South West	Jun-17
Average Time on Market	140
Typical Time on Market	71
Annual % supply change	-2%

England & Wales	Jun-17
Average Time on Market	155
Typical Time on Market	78
Annual % supply change	5%



Source: Home.co.uk, June 2017. 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:

- Wednesday 12th July
- Tuesday 15th August
- Tuesday 12th September