

## North West Prices March On Up

### Headlines

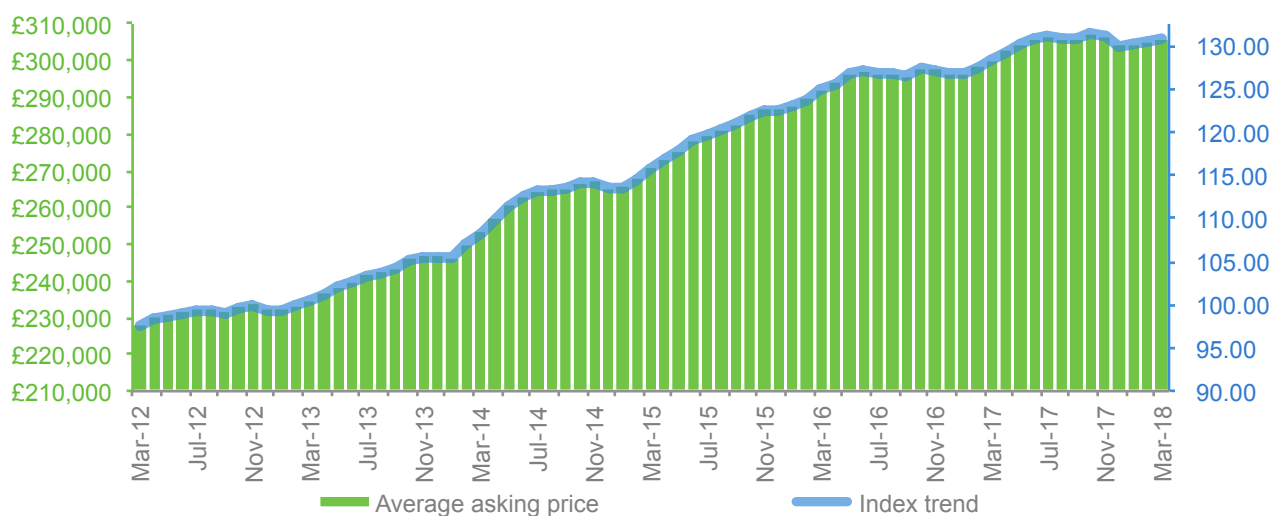
- Strong price growth in the North West, East Midlands, East and Yorkshire.
- London prices slide yet again and South East prices stall.
- Huge supply surges in the East (21%) and South West (22%) of England.
- Typical Time on Market rising fast in London (+18.8%), the South East (+25.9%) and East (+24.1%) but year-on-year improvements are evident in all other regions.
- Home prices ticked up by 0.3% this month, taking the mix-adjusted average for England and Wales up 2.0% year-on-year (YoY).
- Prices have risen in all English regions, Scotland and Wales since last month, with the exception of London and the South East.
- Typical Time on Market for England and Wales has dropped back to 99 days, one day less than in Mar 2017.
- The total stock of properties on the market in England and Wales is up again by 4.5% YoY.

### Summary

Home prices have taken a spring leap in the North and West amidst optimism and improving market conditions. By way of stark contrast, bubbly London prices are slowly deflating while prices in the South East appear frozen. A true reversal of fortunes, compared to five years ago, for Britain's bipolar property market. Rising supply and longer marketing times will only serve to worsen the already hamstrung markets in Greater London and the South East. The East of England looks set to share the same destiny as supply rises, marketing times lengthen and price growth falls below the level of inflation.

Whilst London and adjacent regions suffer the doldrums, and may well do so for some considerable time, regional markets in the Midlands, North and West are thriving. The East Midlands leads the price growth league table with a gain of 6.1% over the last 12 months. The West Midlands is also powering ahead while the North West and Yorkshire look set to challenge their primacy in the not too distant future. The Welsh property market is also showing increased vigour.

### Home Asking Price Trend for England & Wales



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

As we have stated before, unlike the frenzied pace of price rises observed previously 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. Over the last ten years we can see that prices in the North East have yet to recover their 2008 values while homes in Yorkshire and the North West have only just recently recovered those valuations. If we take into account inflation over the same time period then these regions are still playing catch-up.

Overall, supply of property for sale in the UK is up 10% YoY. The largest contributions over the month of January were from the East (+21%) and South West (+22%). These large jumps in new instructions in the East and South West will serve to slow these markets further and stifle price growth. By contrast, supply contracted in Wales (-5%) and rose only 2% in the North West.

In Mar 2017 the annualised rate of increase of home prices was 2.6%; today the same measure is 2.0%.

## Regional Round-up

Behind the national headline figures for growth lies a highly diverse market across the English regions, Scotland and Wales. Analysis of the year-on-year growth in property prices throws the various disparities into stark relief. What is immediately clear is that growth in seven of the nine English regions, Scotland and Wales is at or above that of the average figure

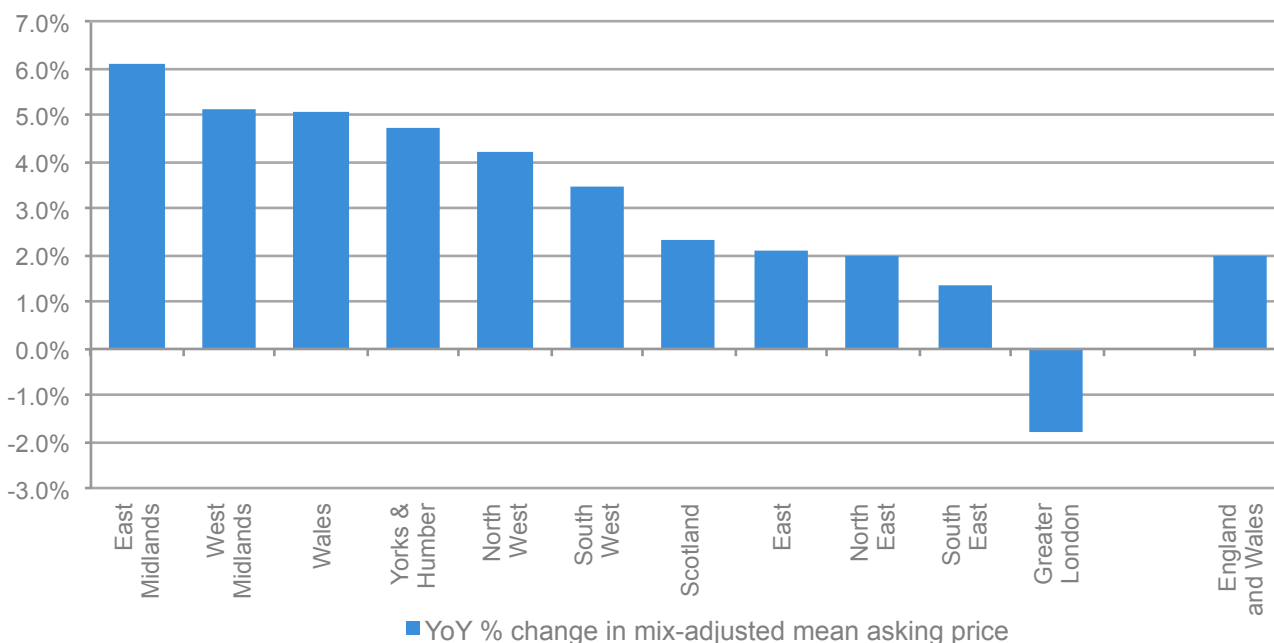
for England and Wales. In some cases, such as the two Midlands regions, home price inflation is significantly higher.

The chart also shows how the London and South East markets are dragging down the overall average. Officially, the two regions account for 30.4% of the English housing stock but, due to the much greater value of that stock, the drag effect on the average for England and Wales is disproportionate. Unfortunately, this underlying effect leads to London-centric bias in all the major house price indices, which tends to obscure the solid growth and price recovery seen in numerous other regions.

Hence, we take considerable pains to illustrate the market dynamic at the regional level. Five key English regions and Wales are driving the current market. The East and West Midlands, of course, are currently leading the charge but these booming markets will soon reach maturity and price growth will level out. The tell-tale signs are increases in supply and, later, a reversal of the Time on Market trend i.e. properties will begin to spend longer on the market year-on-year. Price growth will then taper off as supply overwhelms demand (first in the East Midlands and then in the West). This is the classic pattern.

By contrast, the North West and Yorkshire are very much in the ascendancy and those regional markets still have a long way to run. Manchester is a particularly hot market. The typical flat price there has increased by 23% over the last 12 months. Yields are still attractive and this

## Regional Price Changes Mar 2018 vs. Mar 2017



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



will entice many more investors to buy up the available stock, thereby driving prices higher. The room for growth in the North West and Yorkshire is considerable, as average prices have risen by only 2.6% and 2.5% respectively over the last ten years.

The Welsh property market is also very much on the uptrend. Prices there have risen 5.1% over the last 12 months and sustained growth looks set to continue for the medium term. The average Welsh home price is currently at parity with their 2008 valuations. The North East is even later in the cycle. Property prices there are just beginning to rise consistently but are still 6% lower than they were in March 2008.

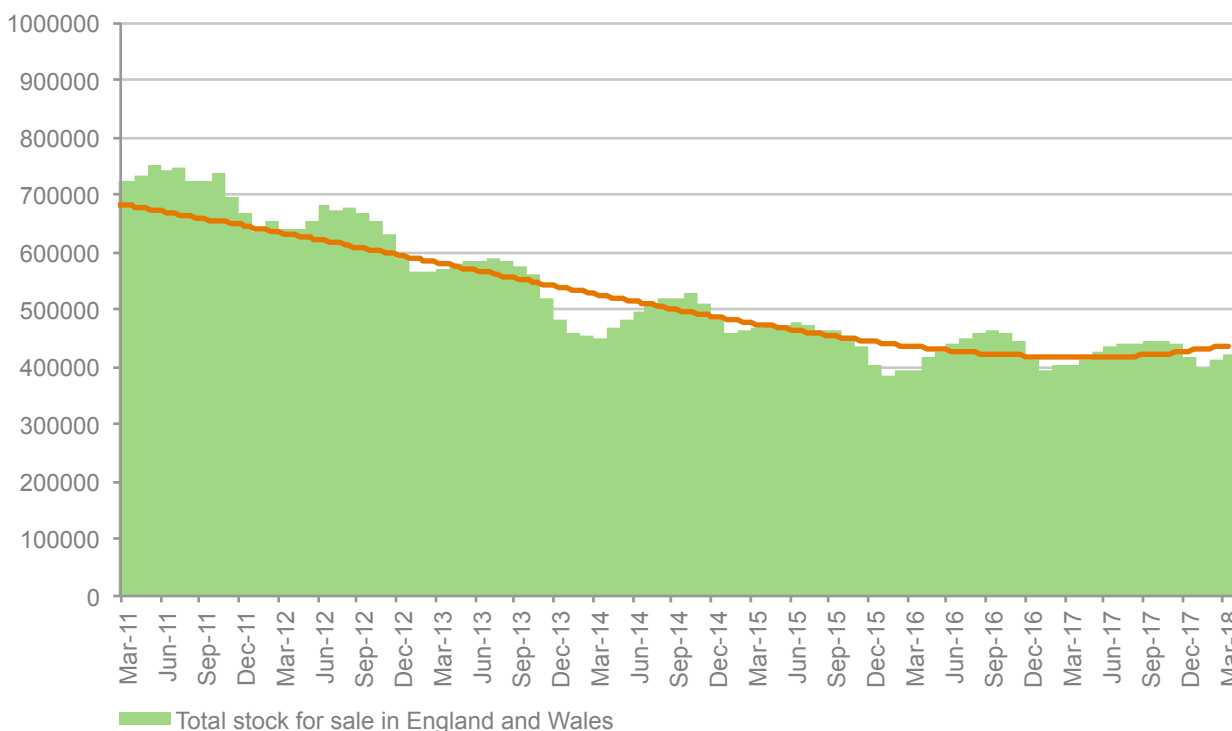
Falling stock levels have been a key characteristic of the property market over recent times, creating scarcity and thereby driving up prices. However, analysis of the last two years suggests that a trend reversal has taken place in

this highly seasonal measure of supply. The stock low set in January 2016 looks very much like the turning point and levels have been rising since, with each seasonal low higher than the previous.

A tailwind turned headwind, although the real impact is again on a regional level. It's the post-boom regions of London, South East and East of England (and to some extent the South West) that are showing the big rises in supply and, in London, demand has been overwhelmed for some time. Stock is up 10% YoY and prices are sliding.

By way of contrast, in Lancashire and West Yorkshire stock levels are down 10% and 7% respectively. Such scarcity in these locations ensures further price growth over the course of 2018. The same, however, cannot be said of the South East and London, such is the boom and bust nature of the UK housing market. It brings to mind the adage 'it never rains but it pours'.

## Stock Trend for England and Wales



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





**Ultra-low interest rates have had their inevitable effect. Region by region, super-cheap mortgages have driven home valuations through the roof (and made the banks' post-crisis balance sheets look healthy once again).**

Buy-to-Let, the 'no-brainer' investment of the decade, accentuated the London property bubble and propelled a wave of property investment that spread out through the Home Counties then to the West and North. In fact, the North is only now in the early stages of recovery (soon to be boom) nearly two years after prices peaked in Greater London (May 2016).

Now there is considerable talk of raising interest rates. Perhaps a rise in May? Perhaps by a quarter point? Surely not more, as the golden goose that is the UK housing market would be cooked. The North would never achieve any sort of meaningful recovery in prices and the London market would seriously tank: all to be avoided.

A solid housing market, historically, is a reflection of a sound and productive economy, not the result of central bank shenanigans. Moreover, the cost of accommodation should not be a great burden on the

competitiveness of the economy. Ultra-low interest rates may indeed have caused more problems

for the country as whole than they solved. The Bank of England recently admitted that its post-financial crisis policy of quantitative easing (QE) has contributed to lower levels of investment and productivity in the UK economy in recent years.

Clearly, the UK needs to reverse the trends of escalating debt and falling productivity. The work required will be significant because the debt is huge: around 1.1 trillion in mortgage debt alone, plus around 4 trillion in unfunded State Pension payments (according to the Office of National Statistics) and 1.8 trillion in national debt. Productivity and reinvestment of the profits over decades might just do it if taxation is reduced.

Borrowing costs are now in a rising trend, albeit from a multi-year low (10-year bond yields have been in a new upward trend since August 2016) and the feel-good factor of a housing boom is slowly fading away. The need for policies that allow the real economy (productivity and trade) to reinvest profits and grow is immediate.



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



# UK Asking Prices

Scotland	Mar-18
<b>Average Asking Price</b>	<b>£181,555</b>
Monthly % change	0.1%
Annual % change	2.3%

North East	Mar-18
<b>Average Asking Price</b>	<b>£157,362</b>
Monthly % change	0.2%
Annual % change	2.0%

Yorks & The Humber	Mar-18
<b>Average Asking Price</b>	<b>£190,786</b>
Monthly % change	0.7%
Annual % change	4.8%

North West	Mar-18
<b>Average Asking Price</b>	<b>£196,789</b>
Monthly % change	1.0%
Annual % change	4.2%

West Midlands	Mar-18
<b>Average Asking Price</b>	<b>£238,827</b>
Monthly % change	0.1%
Annual % change	5.1%

East Midlands	Mar-18
<b>Average Asking Price</b>	<b>£228,340</b>
Monthly % change	0.7%
Annual % change	6.1%

East	Mar-18
<b>Average Asking Price</b>	<b>£359,639</b>
Monthly % change	0.7%
Annual % change	2.1%

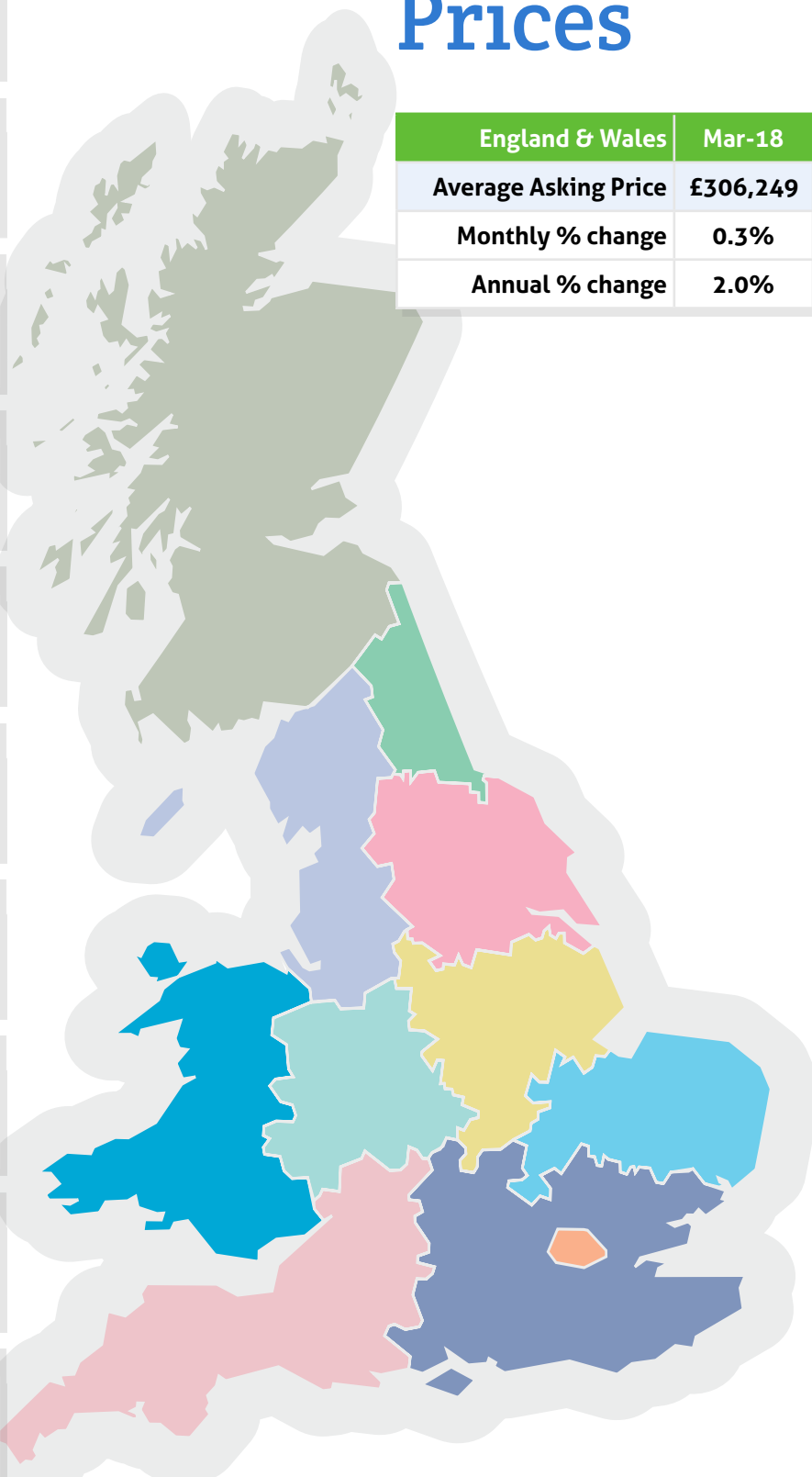
Wales	Mar-18
<b>Average Asking Price</b>	<b>£194,654</b>
Monthly % change	0.6%
Annual % change	5.1%

Greater London	Mar-18
<b>Average Asking Price</b>	<b>£531,995</b>
Monthly % change	-0.1%
Annual % change	-1.8%

South East	Mar-18
<b>Average Asking Price</b>	<b>£401,089</b>
Monthly % change	0.0%
Annual % change	1.3%

South West	Mar-18
<b>Average Asking Price</b>	<b>£321,290</b>
Monthly % change	0.4%
Annual % change	3.5%

England & Wales	Mar-18
<b>Average Asking Price</b>	<b>£306,249</b>
<b>Monthly % change</b>	<b>0.3%</b>
<b>Annual % change</b>	<b>2.0%</b>



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

# UK Time on Market

Scotland	Mar-18
<b>Average Time on Market</b>	<b>255</b>
Typical Time on Market	143
Annual % supply change	6%

North East	Mar-18
<b>Average Time on Market</b>	<b>242</b>
Typical Time on Market	136
Annual % supply change	6%

Yorks & The Humber	Mar-18
<b>Average Time on Market</b>	<b>183</b>
Typical Time on Market	108
Annual % supply change	4%

North West	Mar-18
<b>Average Time on Market</b>	<b>179</b>
Typical Time on Market	108
Annual % supply change	2%

West Midlands	Mar-18
<b>Average Time on Market</b>	<b>144</b>
Typical Time on Market	80
Annual % supply change	7%

East Midlands	Mar-18
<b>Average Time on Market</b>	<b>138</b>
Typical Time on Market	78
Annual % supply change	13%

East	Mar-18
<b>Average Time on Market</b>	<b>119</b>
Typical Time on Market	67
Annual % supply change	21%

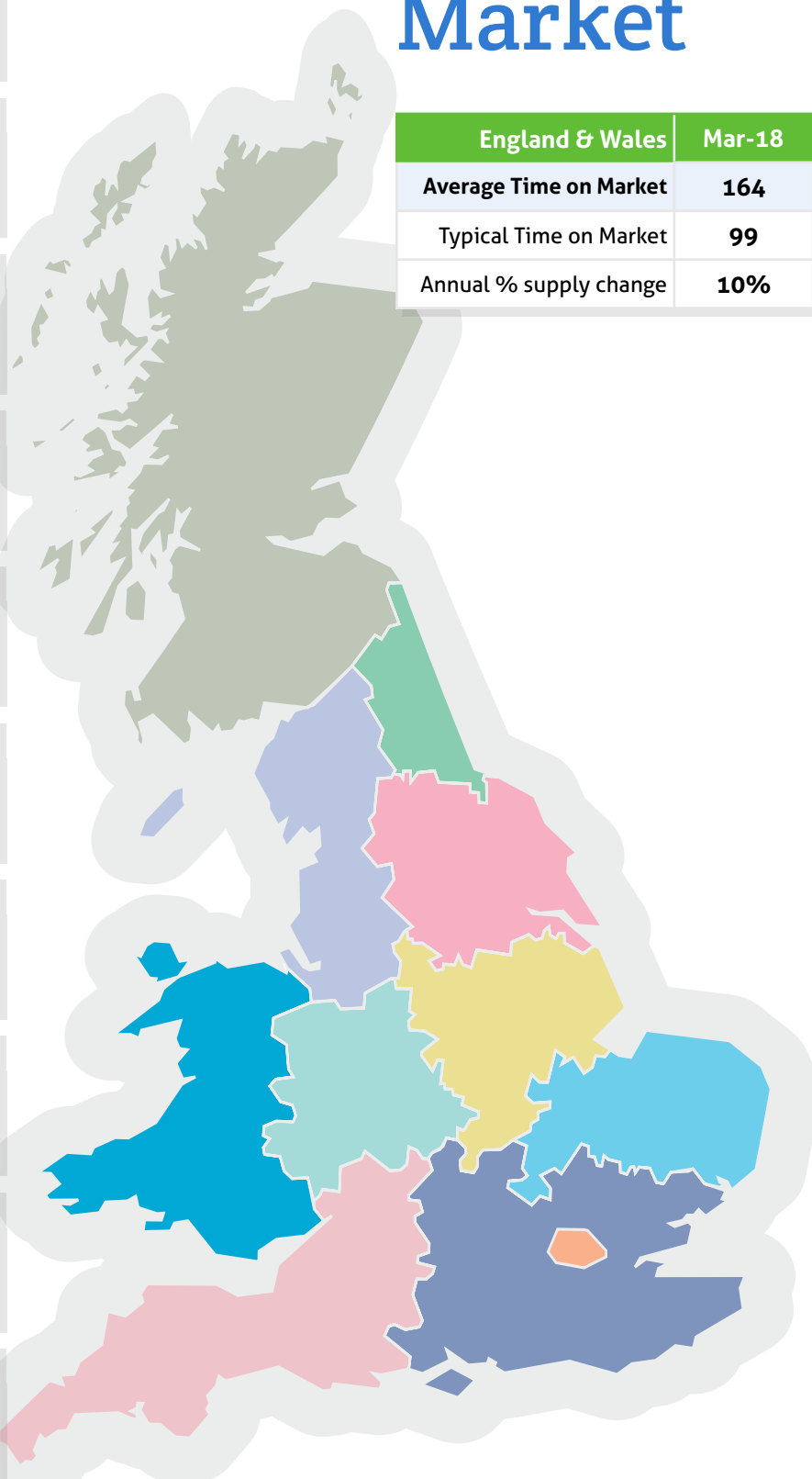
Wales	Mar-18
<b>Average Time on Market</b>	<b>243</b>
Typical Time on Market	143
Annual % supply change	-5%

Greater London	Mar-18
<b>Average Time on Market</b>	<b>150</b>
Typical Time on Market	95
Annual % supply change	7%

South East	Mar-18
<b>Average Time on Market</b>	<b>124</b>
Typical Time on Market	73
Annual % supply change	14%

South West	Mar-18
<b>Average Time on Market</b>	<b>143</b>
Typical Time on Market	85
Annual % supply change	22%

England & Wales	Mar-18
<b>Average Time on Market</b>	<b>164</b>
Typical Time on Market	<b>99</b>
Annual % supply change	<b>10%</b>



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

- Thursday 12<sup>th</sup> April
- Friday 11<sup>th</sup> May
- Tuesday 12<sup>th</sup> June