



Asking Price Index

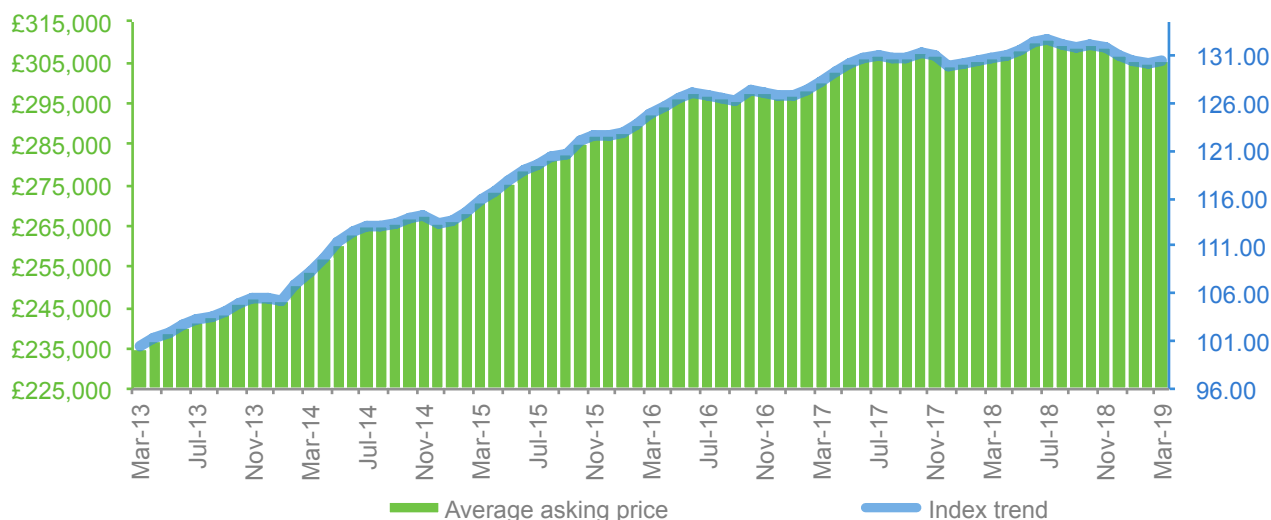
Released 12/03/19 March 2019

No Sign of Brexit Panic as Caution Crimps Supply

Headlines

- Supply of UK instructions is down 4% year-on-year.
- London supply drops further (down 19% year-on-year) and stock levels reduce (9%), paving the way for price recovery.
- National average price growth slides slightly further into the negative (-0.3% year-on-year).
- Spring optimism boosts the average home price in England and Wales by 0.2% this month.
- Seasonal positivity lifts prices in Wales, Scotland and all English regions with the exception of the East of England (-0.1%) and Greater London which remained the same (month-on-month).
- Typical Time on Market indicates the largest rises are in the South East (+38%) and the East of England (+46% year-on-year) as the slowdown worsens in both regions.
- Total stock levels across England and Wales are up just 6.4% year-on-year.
- Largest supply increases observed in the West Midlands (+8%) and the East Midlands (+4%).
- Typical Time on Market for England and Wales is currently 111 days (median), 12 days longer than in March 2018.

Home Asking Price Trend for England & Wales



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



Summary:

Overall annualised price growth in England and Wales slipped a little further into the negative to -0.3%, despite a small month-on-month rise of 0.2%. Spring optimism lifted prices over the last month in Wales, Scotland and all English regions apart from London (no change) and East of England (-0.1%). London's annualised losses edged back from 3.3% to 3.2% and remains at 6.9% since the start of the slide in May 2016. Asking price falls in the South East have also eased slightly (2.3% year-on-year) but worsened markedly in the East (2.7%) where the slowdown is really beginning to bite. The Typical Time on Market for unsold property in the East of England has risen by 46% since March 2018.

In contrast to the regions undergoing price corrections (Greater London, the South East, the South West and East of England), northern and western regions still show positive growth. The leader is Wales with annualised growth of 5.8%, followed by the West Midlands with 4.9%. The North West and Yorkshire have also seen growth in their average asking prices, both by 3.4%, over the last twelve months but momentum is waning steadily in both these regions.

The West and East Midlands markets continue to slow as evidenced by their Typical Time on Market increases (15% and 14% respectively). Supply in both regions is up 4% and 8% respectively and we expect supply and stock

levels to increase further over the coming months. Moreover, we anticipate that these two regions will be the next dominoes to fall (East Midlands first), consistent with our regional market trend analysis.

Overall, supply of property for sale entering the UK market is down by -4% (showing increased caution on the part of vendors) while the total stock for sale has increased by a reasonably benign 6.4% year-on-year.

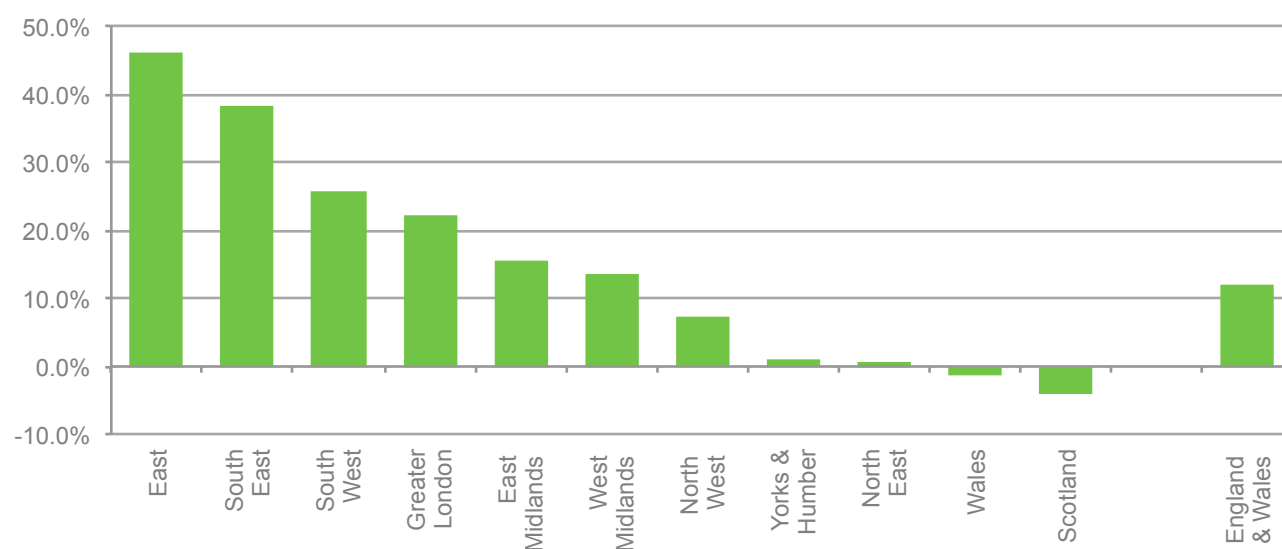
In March 2018, the annualised rate of increase of home prices was 2.0%; today the same measure is -0.3% and continues to trend further below zero.

Regional Round-up

In summary, price corrections are underway in four English regions and are yet to take place in the remaining five, although both the East and West Midlands are slowing markedly.

Headline figures indicate that, overall, 2019 is a year of house price correction, but the current fortunes of any given region depend on where they are in the property growth-correction cycle. The London market was the first to take off following the financial crisis and, naturally, the first regional market to go into the red. The corollary is that London will also be the first to recover and the initial green shoots are evident in both rapidly rising rents in many boroughs and a significant reduction of stock for sale over the last twelve months (down 9%).

12-month Change in Typical Time on Market by Region, Mar 2019 vs Mar 2018



■ 12-month % change in median time on market

Source: Home.co.uk Asking Price Index, March 2019

The corrections taking place in the South East, East and latterly the South West have further to go. Moreover, the next domino to fall will likely be the East Midlands, followed by the West Midlands. Both regions are currently transitioning from the growth phase of the property cycle to the corrective phase. During the last year the median Time on Market for unsold property has risen by 14% in the East Midlands and 15% in the West Midlands, while price growth is trending down in both regions.

The first indication of a slowdown in the North West was apparent last month and the trend is becoming established. The Typical Time on Market indicator now shows that properties are spending longer on the market than a year ago (eight days more than in March 2018). For the time being, Yorkshire, the North East, Scotland and Wales have not shown significant increases in marketing times. In fact, Wales continues to outperform the rest of the UK, posting annualised price gains of 5.8%.

Home prices in the North East still show no signs of recovery. Prices there rose a mere 0.5% over the last twelve months and, during the last ten years, prices have actually fallen 2.6%.

The Scottish property market is faring better with low growth of 2.1%, although Edinburgh's prime residential areas look set for a period of price correction.

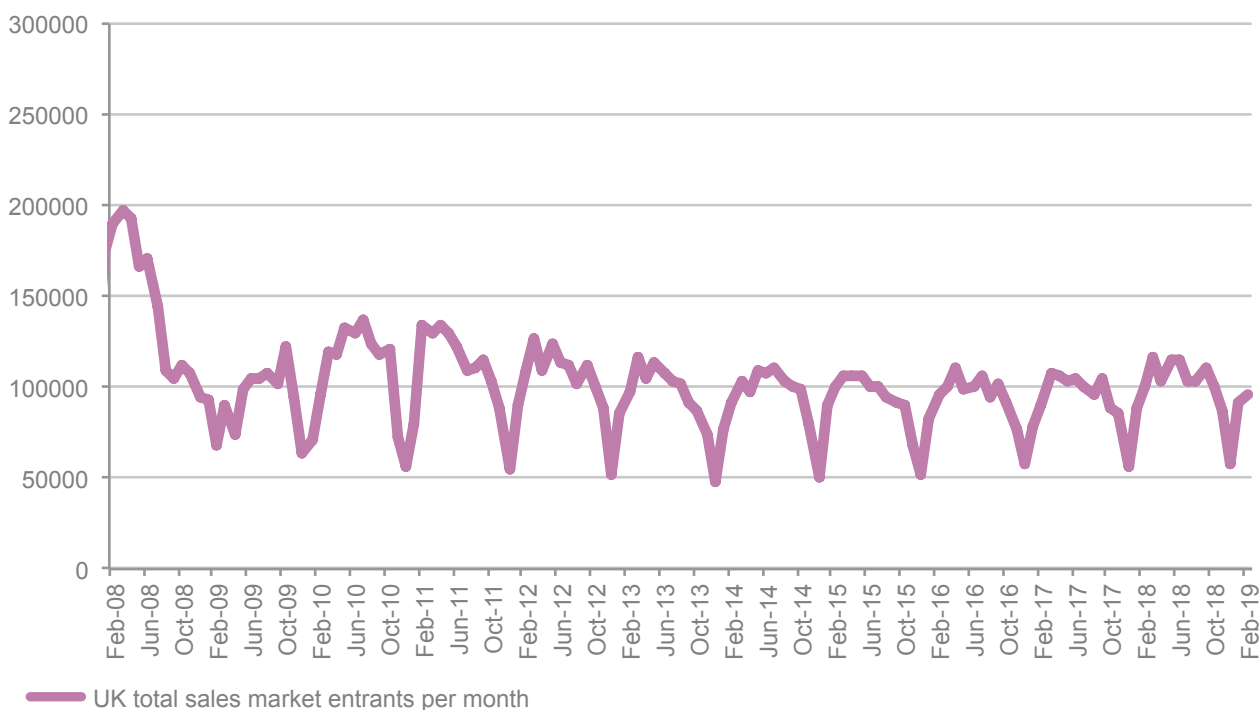
Supply Remarkably Stable Despite Brexit and Landlord Exodus

Whilst borrowing costs remain low and stable, buyer demand is likely to remain relatively stable. Hence, it is arguable that supply is perhaps the most important price driver in our current economic environment. Too much and prices slide, but too little and prices soar.

Overall, neither Brexit anxiety nor the landlord exodus has precipitated the level of oversupply required to cause a property crash. To see those kinds of levels we need only to look back to February 2008 when the sub-prime crisis hit lenders' ability to lend and the Typical Standard Variable Rate mortgage had been ratcheted up to 7.25%. The flood of forced sales that piled up – in a market with serious mortgage liquidity problems – drove price growth from 4.4% in February 2008 down to -6.4% in February 2009. Today's supply levels would need to more than double to match those darkest of days for the UK property market.

In fact, the long view shows the market to be relatively stable in terms of supply, despite all the fearmongering over Brexit and fiscal and regulatory attacks on private landlords. It may be argued that this overall stability of supply

Supply of New Instructions



Source: Home.co.uk Asking Rent Index, March 2019

is a key strength of the UK property market. Of course, supply surges and dips do occur and have their effect on pricing at the regional level but, by virtue of the highly diverse nature of the UK housing market, overall supply remains relatively stable. Key to this stability is the asynchronicity of the regional property market growth cycles.

This vital characteristic of the UK property market, known since at least the 1980s, appears

to be hard-wired into the way the sales market operates. Moreover, owing to the fact that the regions' surges in supply and demand are asynchronous, they tend to be averaged out at the national level. Should the converse be the case, where all regions operate their boom bust cycles synchronously, the market would be alarmingly volatile and a truly ruinous affair for all concerned.



Whilst the national headline figures for home price growth don't look so pretty at present, there remains much to be optimistic about in terms of the UK property market.

In particular, interest rates are low and look set to remain so and the necessary price corrections are taking place without too much bloodshed.

The current outlook for interest rates remains benign. In fact, the Bank of England is touting a base rate cut if the no-deal Brexit scenario should play out. So, no dark clouds there apart from the doom-laden hallucinations frequently articulated from Threadneedle Street. Moreover, the reduced value of the pound is making UK property much more attractive to overseas investors who are eager to find safe-haven investments in an increasingly troubled world. Research by Knight Frank confirms this, with UK property coming "very much top of the preferred investment list for 2019" for foreign investors. The inevitable price correction in London has occurred in a relatively calm and orderly manner. Nothing resembling a crash has occurred, just a slow and fairly gentle deflation of the bubble.



In fact, the drop of 6.9% since the peak (in May 2016) coupled with inflation takes the loss to around 13.7% in real terms and certainly enough to take the froth off the market. Moreover, the supply surge that brought about the correction has abated and the glut of property that was on the market has been significantly cut back over the last year. For the time being, marketing times remain comparatively high but the stage looks set for an uptick in momentum. Soaring rents in London boroughs such as Southwark, Hammersmith & Fulham, Islington and Camden are likely to be a key driver, attracting significant investment demand, both domestic and foreign. Greater London's example in orderly price correction lends succour for the other regions undergoing or about to undergo the same. Three years of slowly sliding prices would appear to be enough to rebalance supply and demand, paving the way for transactions to pick up and growth to return.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Mar-19
Average Asking Price	£185,279
Monthly % change	0.4%
Annual % change	2.1%

North East	Mar-19
Average Asking Price	£158,212
Monthly % change	0.5%
Annual % change	0.5%

Yorks & The Humber	Mar-19
Average Asking Price	£197,353
Monthly % change	0.7%
Annual % change	3.4%

North West	Mar-19
Average Asking Price	£203,579
Monthly % change	0.1%
Annual % change	3.4%

West Midlands	Mar-19
Average Asking Price	£250,427
Monthly % change	0.0%
Annual % change	4.9%

East Midlands	Mar-19
Average Asking Price	£234,021
Monthly % change	0.5%
Annual % change	2.5%

East	Mar-19
Average Asking Price	£350,180
Monthly % change	-0.1%
Annual % change	-2.6%

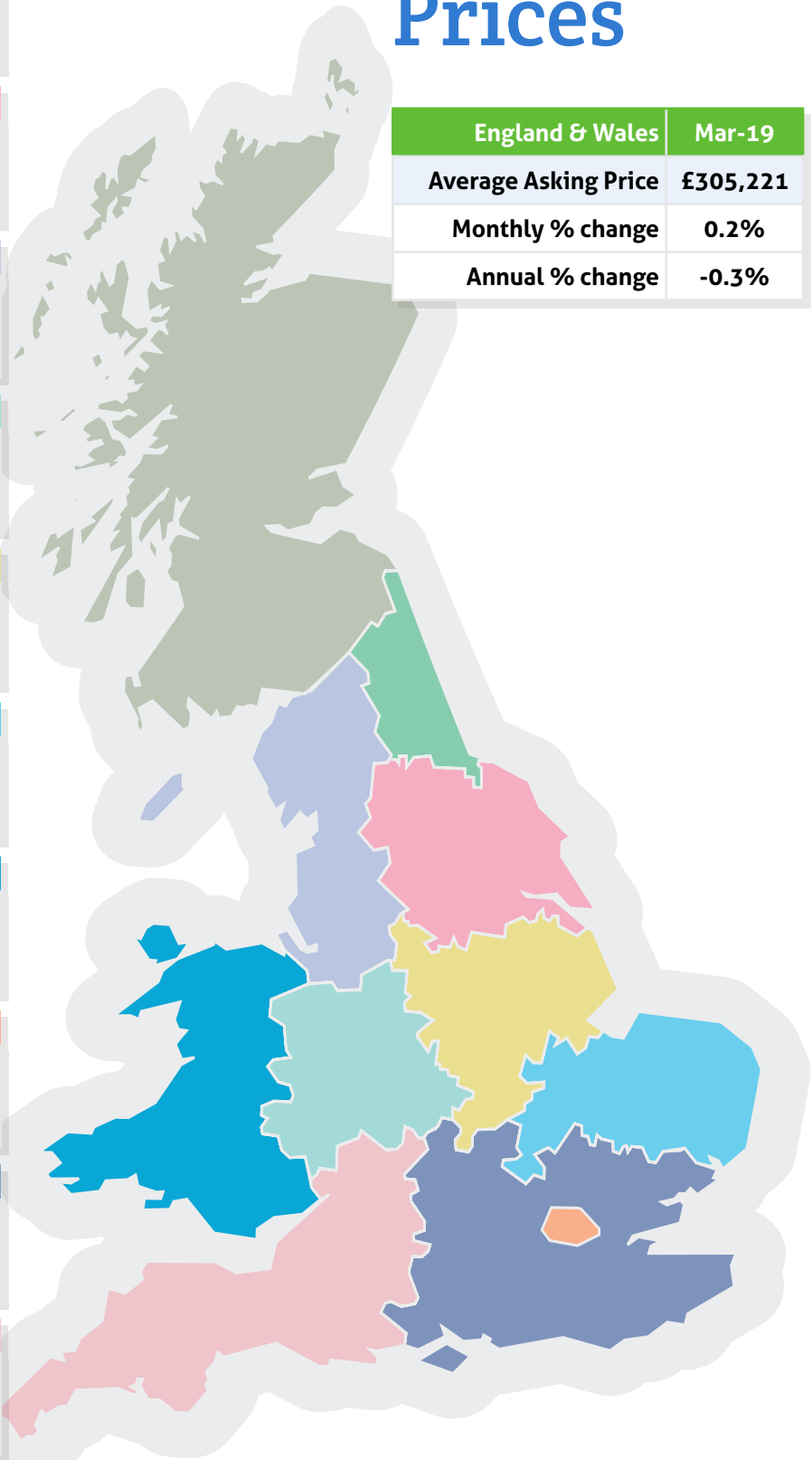
Wales	Mar-19
Average Asking Price	£206,030
Monthly % change	0.1%
Annual % change	5.8%

Greater London	Mar-19
Average Asking Price	£514,815
Monthly % change	0.0%
Annual % change	-3.2%

South East	Mar-19
Average Asking Price	£391,678
Monthly % change	0.2%
Annual % change	-2.3%

South West	Mar-19
Average Asking Price	£320,280
Monthly % change	0.6%
Annual % change	-0.3%

England & Wales	Mar-19
Average Asking Price	£305,221
Monthly % change	0.2%
Annual % change	-0.3%



Source: Home.co.uk Asking Price Index, March 2019

UK Time on Market

Scotland	Mar-19
Average Time on Market	236
Typical Time on Market	137
Annual % supply change	2%

North East	Mar-19
Average Time on Market	238
Typical Time on Market	137
Annual % supply change	-4%

Yorks & The Humber	Mar-19
Average Time on Market	180
Typical Time on Market	109
Annual % supply change	0%

North West	Mar-19
Average Time on Market	184
Typical Time on Market	116
Annual % supply change	-4%

West Midlands	Mar-19
Average Time on Market	148
Typical Time on Market	91
Annual % supply change	8%

East Midlands	Mar-19
Average Time on Market	146
Typical Time on Market	90
Annual % supply change	4%

East	Mar-19
Average Time on Market	146
Typical Time on Market	98
Annual % supply change	-2%

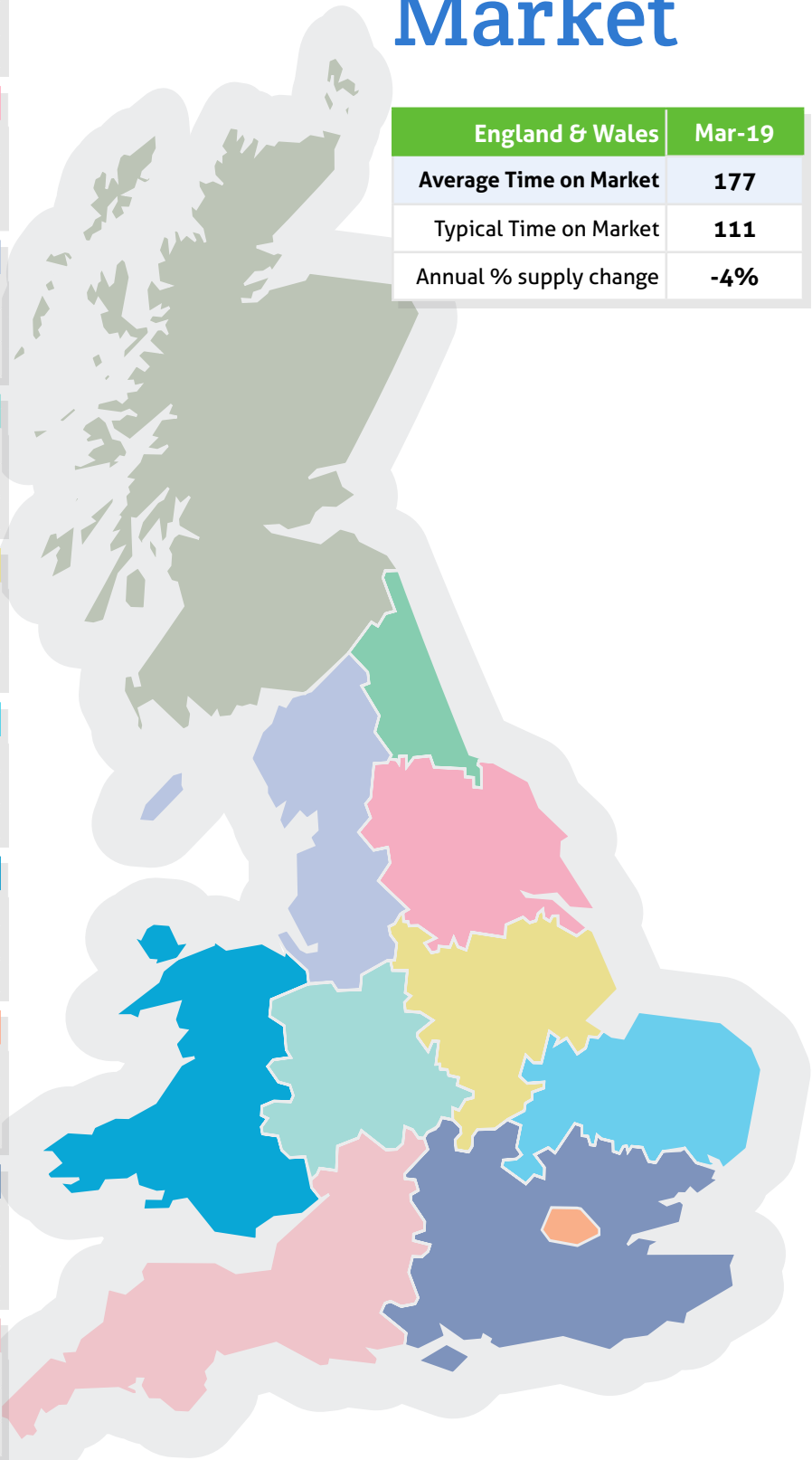
Wales	Mar-19
Average Time on Market	237
Typical Time on Market	141
Annual % supply change	-5%

Greater London	Mar-19
Average Time on Market	180
Typical Time on Market	116
Annual % supply change	-19%

South East	Mar-19
Average Time on Market	150
Typical Time on Market	101
Annual % supply change	-3%

South West	Mar-19
Average Time on Market	165
Typical Time on Market	107
Annual % supply change	-8%

England & Wales	Mar-19
Average Time on Market	177
Typical Time on Market	111
Annual % supply change	-4%



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

- **Friday 12th April**
- **Tuesday 14th May**
- **Wednesday 12th June**