

Don't Panic: Stock Levels are Low and Demand Persistent.

Headlines

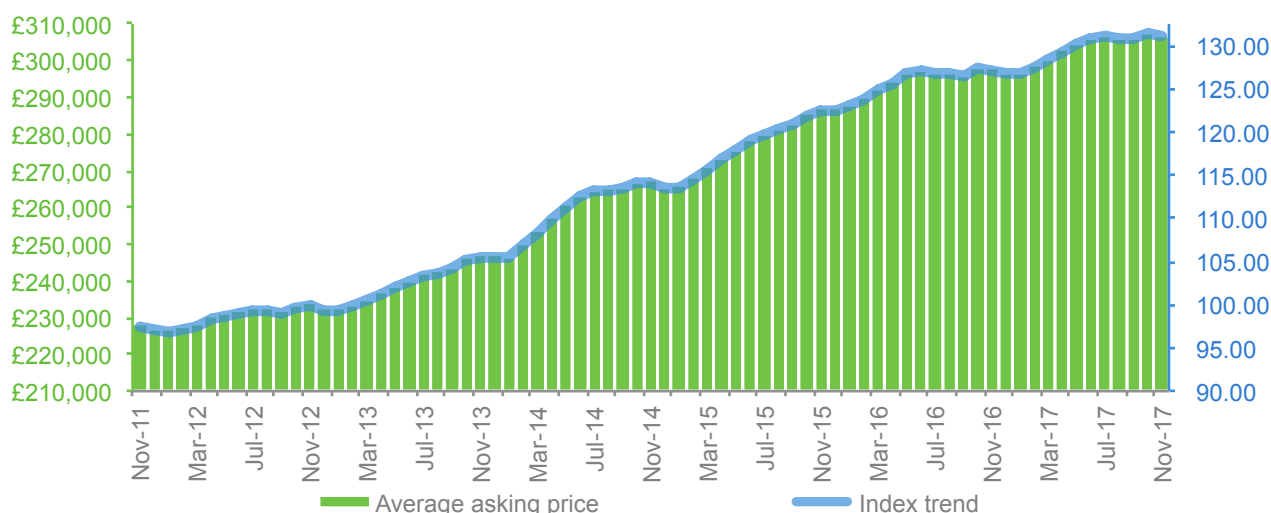
- The East and West Midlands together continue to lead the regional growth tables with annualised gains of 6.8% and 5.8% respectively, with the North West and Yorkshire not far behind.
- Strong regional growth continues, particularly in the Midlands and the North West, but, despite this, the average home price for England and Wales declined by 0.2% month-on-month dragged down by falls in London, the East, the South East and the South West.
- The Greater London slowdown worsens: the latest Typical Time on Market indicates the highest November reading for five years.
- Greater London prices slid for a fourth consecutive month, by 0.4%, pushing the year-on-year (YoY) change further into negative territory (-0.9%), while rents fell by 3.2% over the same period.
- Rents have risen most quickly in Wales, the North West, the East Midlands and the West Midlands over the last 12 months.
- Typical Time on Market for England and Wales remains unchanged at 89 days, three days less than in Nov 2016.
- The total stock of properties on the market in England and Wales is down slightly by 1% YoY.

Summary

Falling London prices and seasonal factors are weighing heavily on the national average, despite continued price growth in the country's most vigorous regional property markets (both the East and West Midlands and the North West). In fact, over the last month prices fell in six of the nine English regions and in Scotland and Wales. Home value depreciation in and around London continues but is by no means calamitous. Prices in the capital region have now been sliding for four consecutive months, consistent with a period of post-boom stagflationary malaise.

Indeed, with non-housing inflation running at around 4.5% (RPI) and the national average price gain at 3.0%, the overall picture is arguably one of stagflation. Five out of the nine English regions register annualised growth at or below the current RPI ex-housing figure. Moreover, it's not merely growth in capital value that lags behind inflation; rents across mainland UK are stagnant showing no change over the last 12 months. On a regional level the picture is mixed but landlords in London and the South East are the worst affected with the average rent declining by 3.2% and 1.2% respectively.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, November 2017

The converse is true of the UK's most dynamic regional markets. Substantial rent rises (over and above the rate of inflation) are evident in both the East and West Midlands and the North West (up 5.9%, 5.2% and 7.3% respectively YoY). The combination of both rising home values and rents, together with decreasing marketing times, indicates that these regions will continue to outperform the average.

Despite regional fluctuations the UK property market is stable as supply remains relatively tight overall although regional variations do exist. Total stock levels remain near their 10-year lows.

In Nov 2016 the annualised rate of increase of home prices was 3.8%; today the same measure is 3.0%.

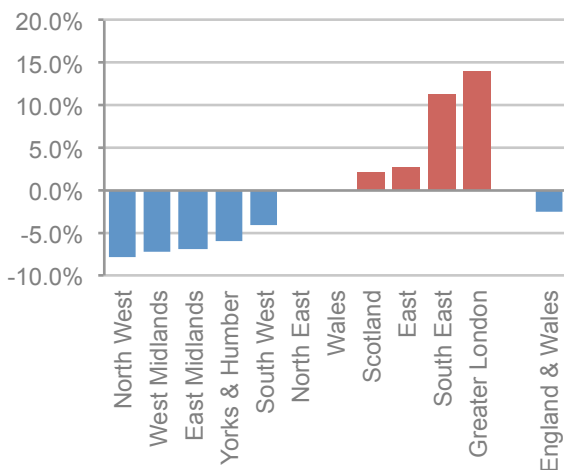
Regional Round-up

The current period of stagflation in the UK housing market has been brought about by a delicate balance between regions that show growth and those that are now price correcting post-boom. The national rental growth figures also show a balance between rises and falls on a regional basis. Moreover, there is a strong correlation between the two sets of figures.

In the East Midlands, West Midlands, Yorkshire and the North West we observe the combination of rapid home value hikes, faster sales and rising rents. Counter to this, Greater London has both falling asking prices and rents. The South East too has declining rents, increasing marketing times and house price growth is grinding to a halt.

A key driver for the contemporary UK property market is Buy-to-Let. The Private Rented Sector (PRS) has grown enormously over recent years

Change in Average Time On Market (Nov 2017 vs. Nov 2016)



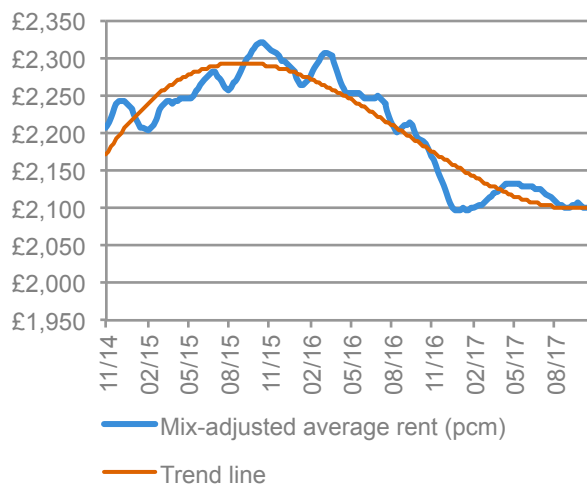
Source: Home.co.uk Asking Price Index, November 2017

and now accounts for around 20% of properties. Investment in the sector is still strong and demand (or lack of it) is sufficient to tip the balance of a regional property market in growth (or price depreciation).

Property investors are looking for returns on their capital and that means rental yield. Hence, areas with good potential yields attract investment and this in turn drives up prices. This is exactly the pattern we are witnessing at the moment in the Midlands and the North West. Yorkshire too has attractive rental yields and is a regional market on the move, notching up significant growth over the course of the last year.

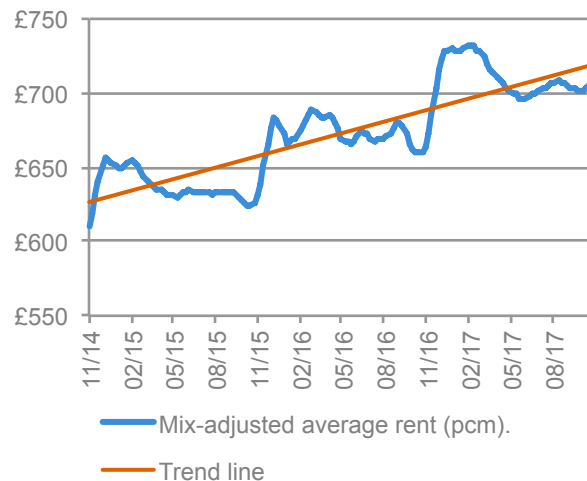
Yields in London, on the other hand, have become unattractive over recent years due to soaring house prices outpacing rents. Hence,

Greater London Rent Trend



Source: Home.co.uk Asking Price Index, November 2017

North West Rent Trend



Source: Home.co.uk Asking Price Index, November 2017



investors are now looking further afield. While the London market has shed much of the glut of rental properties caused by the rush to beat stamp duty changes, demand remains weakened and wage growth low. This means that home prices look set to slide in the near term until yields improve.

By way of contrast, rents in the North West are on a clear uptrend thereby ensuring yields remain attractive and ensuring further investment.

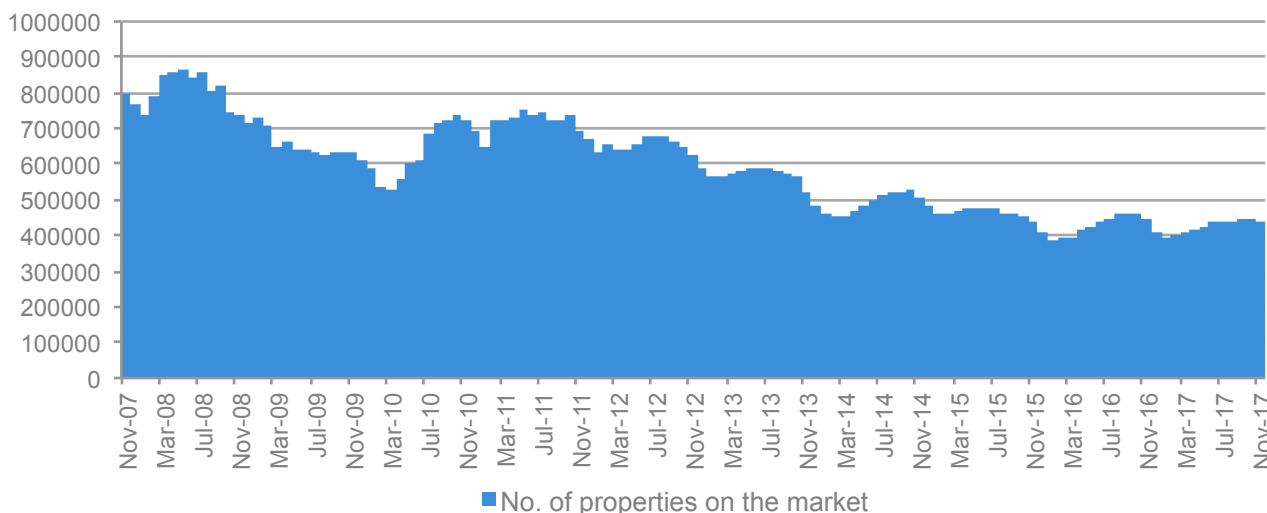
In conclusion, rental yields have come to the fore as a key market indicator. Investors seeking the best returns on their capital are looking beyond the overbought regions of London and the South East. We expect investment-driven price growth to continue in the North and Midlands over the course of 2018.

Stock and Supply

Whilst the overheated regions of the UK start, one-by-one, a period of steady correction, historically low stock levels should serve to allay fears of a crash. What is clear is that, despite Brexit, a hike in interest rates, increased regulation, taxation and stamp duty for the PRS, there is no major rush to exit the property market.

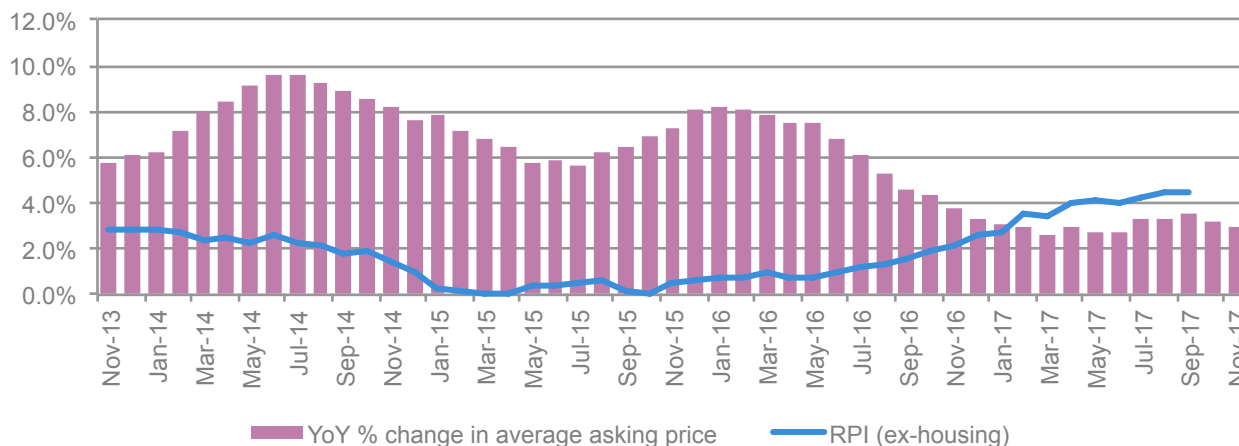
Even in London, stock levels have only risen by 8% over the last year and supply last month was only 1% higher than in October 2016. No sign of panic selling even in the worst performing part of the UK suggests that owners can choose to bide their time and this, we believe, will be the case for the foreseeable future. Only a large rise in interest rates to more historically 'normal' levels could seriously upset the apple cart.

Total Stock For Sale (England and Wales)



Source: Home.co.uk Asking Price Index, November 2017

Inflation: Home Prices vs. Money (England and Wales)



Source: ONS and Home.co.uk Asking Price Index, November 2017





“So is this the ‘top’?” is the question on the lips of many observers of the property market.

Sensational reporting of the most recent RICS survey would have us believe that it’s all downhill from here, but without a crystal ball we cannot be certain. Looking at the facts, annualised growth has certainly reduced from the heady heights of previous years. This year, overall price growth appears to have stabilised around the 3% mark: less than inflation but certainly not negative. Given that above-inflation growth will continue in the Midlands and the North in 2018, the fate of the national growth figures will depend on how severe the correction will be in London and the South East.

Current evidence suggests that prices in and around the capital are more likely to go sideways than down. There are several factors that support this view of the near term.

Despite the first rate hike in ten years by the Bank of England, the cost of borrowing remains extremely low: much lower than the historic average. Repossessions due to inability to service debt on property appear unlikely.

Supply and stock levels remain historically low. Stock levels, even

in London remain well below their post-crisis highs. Properties are certainly not being dumped on the market by panicking vendors.

Demand from foreign investors, especially outside the EU, is likely to increase owing to the weakness of sterling and softer prices in the capital.

Such investments will be for the long term. However, in the short term, rents will continue to slide and home values will follow: nothing dramatic but a correction that is both needed and expected.

Of course, Brexit uncertainty continues to be a persistent dark cloud on the horizon but negotiations look set to go on and on. Any sort of firm agreement is looking unlikely before the end of 2018. What is certain is that the vast majority of the 60% of London’s renters who were born overseas will continue to reside there. Moreover, pent-up demand for larger and better living space in the capital will ensure continued demand.



Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Nov-17
Average Asking Price	£182,398
Monthly % change	-0.8%
Annual % change	1.3%

North East	Nov-17
Average Asking Price	£156,286
Monthly % change	-0.9%
Annual % change	1.1%

Yorks & The Humber	Nov-17
Average Asking Price	£189,020
Monthly % change	-0.3%
Annual % change	4.7%

North West	Nov-17
Average Asking Price	£195,674
Monthly % change	0.2%
Annual % change	4.8%

West Midlands	Nov-17
Average Asking Price	£239,269
Monthly % change	0.2%
Annual % change	5.8%

East Midlands	Nov-17
Average Asking Price	£225,798
Monthly % change	0.2%
Annual % change	6.8%

East	Nov-17
Average Asking Price	£360,527
Monthly % change	-0.2%
Annual % change	4.5%

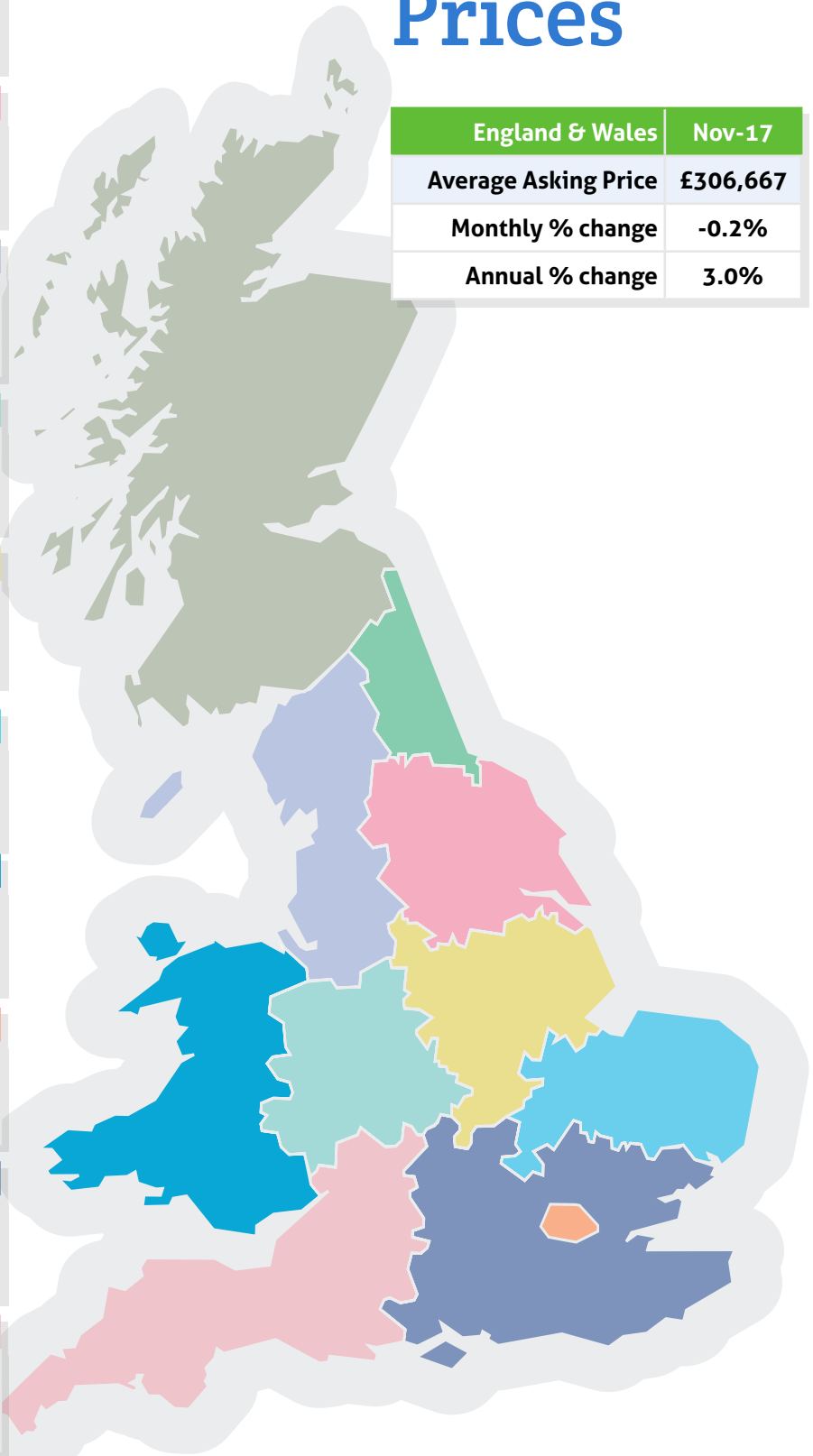
Wales	Nov-17
Average Asking Price	£191,363
Monthly % change	-0.4%
Annual % change	2.8%

Greater London	Nov-17
Average Asking Price	£532,840
Monthly % change	-0.4%
Annual % change	-0.9%

South East	Nov-17
Average Asking Price	£406,274
Monthly % change	-0.3%
Annual % change	3.0%

South West	Nov-17
Average Asking Price	£322,904
Monthly % change	-0.6%
Annual % change	4.5%

England & Wales	Nov-17
Average Asking Price	£306,667
Monthly % change	-0.2%
Annual % change	3.0%



Source: Home.co.uk Asking Price Index, November 2017

UK Time on Market

Scotland	Nov-17
Average Time on Market	229
Typical Time on Market	109
Annual % supply change	-9%

North East	Nov-17
Average Time on Market	234
Typical Time on Market	120
Annual % supply change	-9%

Yorks & The Humber	Nov-17
Average Time on Market	176
Typical Time on Market	99
Annual % supply change	-8%

North West	Nov-17
Average Time on Market	177
Typical Time on Market	101
Annual % supply change	-10%

West Midlands	Nov-17
Average Time on Market	142
Typical Time on Market	80
Annual % supply change	-9%

East Midlands	Nov-17
Average Time on Market	133
Typical Time on Market	77
Annual % supply change	-2%

East	Nov-17
Average Time on Market	111
Typical Time on Market	68
Annual % supply change	9%

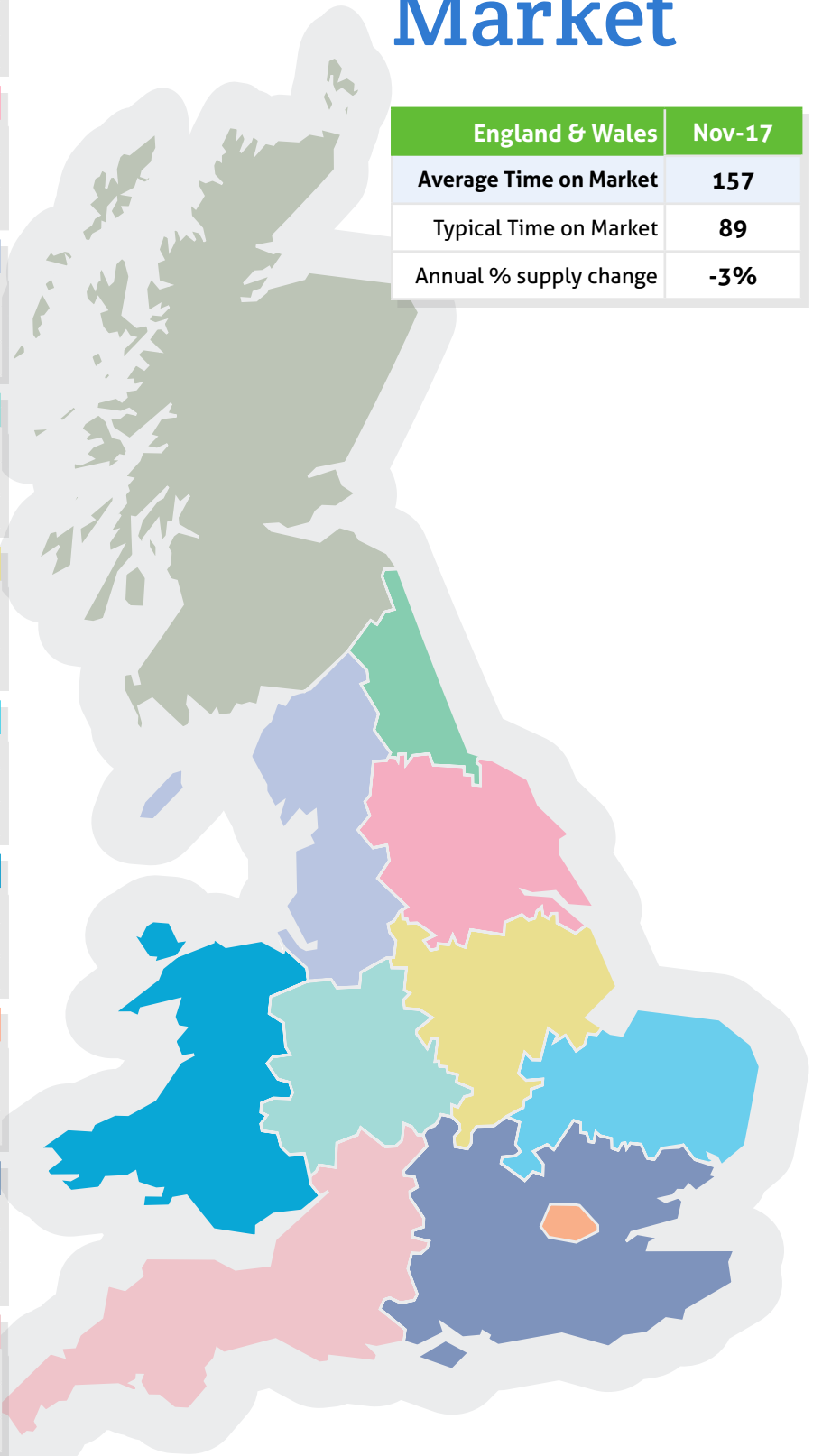
Wales	Nov-17
Average Time on Market	232
Typical Time on Market	128
Annual % supply change	-12%

Greater London	Nov-17
Average Time on Market	138
Typical Time on Market	84
Annual % supply change	1%

South East	Nov-17
Average Time on Market	118
Typical Time on Market	72
Annual % supply change	2%

South West	Nov-17
Average Time on Market	140
Typical Time on Market	79
Annual % supply change	-2%

England & Wales	Nov-17
Average Time on Market	157
Typical Time on Market	89
Annual % supply change	-3%



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

- Tuesday 12th December
- Friday 12th January 2018
- Tuesday 13th February