

## Price Cutting Hits 7-Year High as Vendors' Patience Wanes

### Headlines

- The total number of properties that had their asking prices reduced in September soared to levels last seen in September 2011 (83,780 in mainland UK).
- 16% of properties currently for sale have had their prices reduced in the last 30 days (England and Wales): a percentage last seen in the dark days of January 2009.
- Despite this, home prices in England and Wales actually nudged up by 0.2% this month, buoyed by euphoric rises in the booming West Midlands and Yorkshire regions.
- The largest monthly slide was in Greater London (-0.4%), where prices have now fallen a total of 5.6% since their peak in May 2016.
- Supply increases indicate a worsening market for vendors: up by 6% year-on-year (YoY) and the highest September total since 2012.
- The mix-adjusted average price growth for England and Wales slid to a mere 0.6% year-on-year, far below the rate of monetary inflation.
- Some regional property markets remain in the grip of late-cycle booms and continue to indicate significant annualised gains: Welsh prices were up 6.6% and by 5.3% in the West Midlands (YoY).
- Typical Time on Market continues to rise in London (+12%), the South East (+11%) and the East of England (+13% YoY), leading to vendor frustration and price cutting.
- Typical Time on Market for England and Wales has risen to 92 days, three days longer than in October 2017.

### Home Asking Price Trend for England & Wales



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

## Summary:

Slower market conditions have triggered the classic response from sellers. Price cutting is becoming the new norm as the market adapts to reduced demand. This month a fourth region, the East of England, joined the year-on-year negative club as the slowdown spreads north and west. Expectations are that prices will slide in these regions (with others soon to follow) for several years as the 'double-bubble' deflates.

Despite another dismal month for London and surrounds, overall the mix-adjusted average home price for England and Wales actually nudged up slightly, propelled by huge leaps in Yorkshire and the West Midlands as their regional property booms reach their climax: high on optimism but low on sustainability. Meanwhile, both mean and median marketing times are longer than a year ago and still climbing. The scale and scope of the downturn continue to increase in line with our expectations. Consequently, year-on-year price growth is trending to zero (now a paltry 0.6%) while stock levels are moving up.

The same trend of supply-induced slowdown together with a reduction in demand which led to market saturation in London, the South East and East of England has now taken hold in the East Midlands. Supply is up by 9% compared to a year ago in this newly beleaguered regional market and price falls seem imminent.

Contrary to the doom and gloom engulfing the South and East, the northern and western regional property markets are outperforming the rest by a significant margin in terms of price growth, especially Wales which is leading the price growth table ahead of the West Midlands and the North West. However, as we stated last month, the end of the boom is within sight for the

West Midlands as rising supply starts to overtake demand.

Overall, supply of property for sale in the UK is up by 6% and the total stock for sale has increased by 10.7% year-on-year.

In October 2017, the annualised rate of increase of home prices was 3.3%; today the same measure is just 0.6% and is trending to zero (and below).

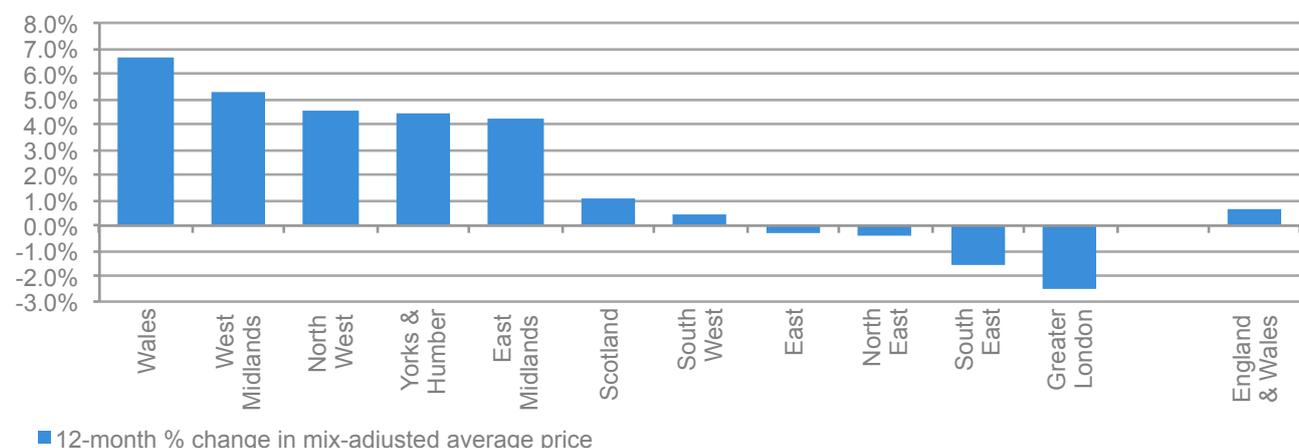
## Regional Round-up

As the national average annualised growth in home values continues to fall, analysis of the UK property market at the regional level shows how, one by one, the formerly booming regions slide into negative year-on-year growth. The latest domino to fall is the East of England, where prices have begun to drop under their own immense weight following several years of rapid unsustainable growth. Greater London, the South East, the East of England and the anomalous North East are now all indicating negative price growth over the last 12 months. 'Anomalous' because the North East is the only region not to have experienced a market recovery post-crisis, and prices simply continue to slide.

Of course, this new and evolving regional scenario follows the 'great reversal of fortunes' wherein growth in the North and West overtook that of overbought London and surrounding regions. At the extremes we currently have London losing 2.5% per annum while Welsh prices soar, adding 6.6% to their values per annum. Between these two outsiders lie the rest of the UK's regional property markets.

Prices in the South East continue to fall. Annualised price growth has slipped further and is now down to -1.5% and marketing times are lengthening. As mentioned, the East has become

## 12-month Price Growth by Region, Oct 2018 vs Oct 2017



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

year-on-year negative this month and, like the South East, marketing times are still rising quickly along with supply.

Wales is currently the crown prince of price growth, ahead of the West Midlands (5.3%) and the North West and Yorkshire (both showing +4.5% growth YoY), for the time being a world apart from the woes of the South. However, we expect growth to ebb away in the West Midlands and the North West as marketing times are now static and supply is on the rise. Meanwhile, growth in the East Midlands is dropping off rapidly. Rising supply is putting an end to the boom in the region and marketing times are beginning to increase.

Scottish asking prices remain subdued. Annualised growth of only 1.1% (sub-inflation) indicates a tougher market than before, although marketing times have edged down compared to a year ago and supply appears to have stabilised.

The chart indicates how price growth is largely confined to the North and West. While prices slide in the formerly hot markets of the East and South East of England along with London, the South West could be the next domino to fall into negative year-on-year growth. Overabundance of property for sale in these regions will continue to drive prices lower in the near term. The East Midlands will follow suit as prices cave in under the weight of supply.

## Price Cutting Trend

As markets slow, vendors' frustrations increase and prices began to drop like autumn leaves. The

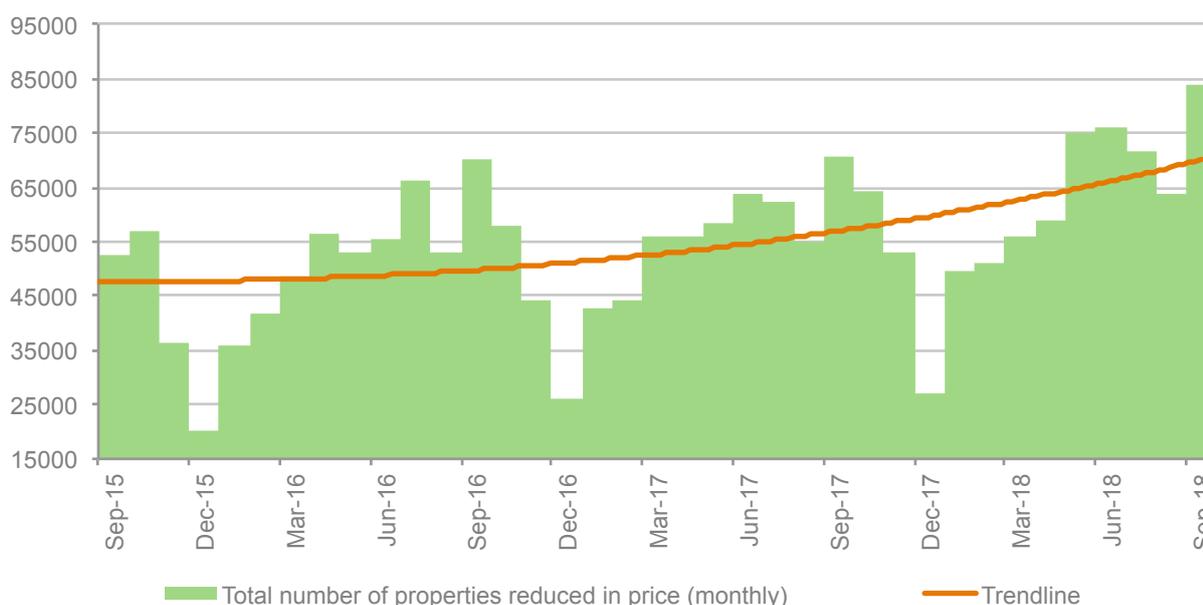
'discounting level' is one of the key indicators as to the health of any market. Low levels reflect strong market confidence and demand, but high levels of price cutting are symptomatic of falling confidence and demand.

The chart shows that we are in a rapidly rising discounting trend. Properties on the market are having their asking prices reduced in order to attract buyers and this is the natural mechanism of a price correction. Of course, these lower prices will also affect the initial asking prices of properties entering the market, and this process will continue until supply and demand return to equilibrium.

The last time we saw price cutting of this magnitude was back in September 2011 when Greater London was showing the first signs of recovery post-crisis. Back then, price cutting was in a downward trend as demand and confidence in the housing market were both on the rise. Moreover, the current total of properties for sale is much lower than in 2011 and therefore the current level of discounting is proportionally more. In fact, we need to go back to the dark days of January 2009 to see this proportion of discounting relative to the total stock for sale (currently around 16% or one in six properties on the market).

We expect this price correction mechanism to both continue and increase as sellers' expectations are moderated and properties in the post-boom regions such as London and the South East become more affordable.

## Price Slashing on the Rise



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



**The market correction is now well underway. This month another key region, the East of England, joined the year-on-year negative club and the South West is applying for membership.**

Looking at the 7-year growth figures, it appears that London and the East of England have the furthest to fall in this downturn, having notched up ludicrous growth of 53% and 48% respectively.

Overall, annualised price growth for England and Wales looks set to hit zero by the end of the year and fall into the negative in early 2019. This is the hangover after one of the biggest property investment binges in UK history, fuelled, of course, by ultra-low interest rates. How long it will take to play out is unclear but we don't expect the market to return to overall growth anytime soon.

The key backstop for sliding prices will always be rental yield. Rents are rising rapidly in the capital region (up 5% YoY) and we expect this to continue. That may offer a ray of hope for the sales market, but it will take some time for yields to improve

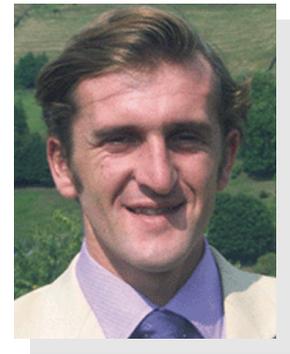
appreciably to the extent that investors once again buoy demand.

Our most optimistic forecast is for some time in 2020.

All eyes will be on the Greater London market for signs of recovery, since the first to fall will be expected to be the first to show 'green shoots'. In particular, it will be the likes of Belgravia and Chelsea that should recover first as it was there that the current downturn first took hold before spreading out into the rest of the country.

For the time being, prices are still sliding in these London boroughs. Since the peak in December 2015, the typical price of a flat has fallen 19% in both locations. Moreover, both Time on Market figures and stock levels are still rising in these prime areas and, as long as that is the case, prices will be heading south.

So buckle up and hold on to your hats. Fingers crossed that the 'crash test dummies' at the Bank of England have done their maths right.



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



# UK Asking Prices

Scotland	Oct-18
<b>Average Asking Price</b>	<b>£185,950</b>
Monthly % change	0.1%
Annual % change	1.1%

North East	Oct-18
<b>Average Asking Price</b>	<b>£157,051</b>
Monthly % change	-0.1%
Annual % change	-0.4%

Yorks & The Humber	Oct-18
<b>Average Asking Price</b>	<b>£198,015</b>
Monthly % change	1.1%
Annual % change	4.5%

North West	Oct-18
<b>Average Asking Price</b>	<b>£204,024</b>
Monthly % change	0.2%
Annual % change	4.5%

West Midlands	Oct-18
<b>Average Asking Price</b>	<b>£251,433</b>
Monthly % change	1.1%
Annual % change	5.3%

East Midlands	Oct-18
<b>Average Asking Price</b>	<b>£234,722</b>
Monthly % change	0.5%
Annual % change	4.2%

East	Oct-18
<b>Average Asking Price</b>	<b>£359,840</b>
Monthly % change	-0.1%
Annual % change	-0.3%

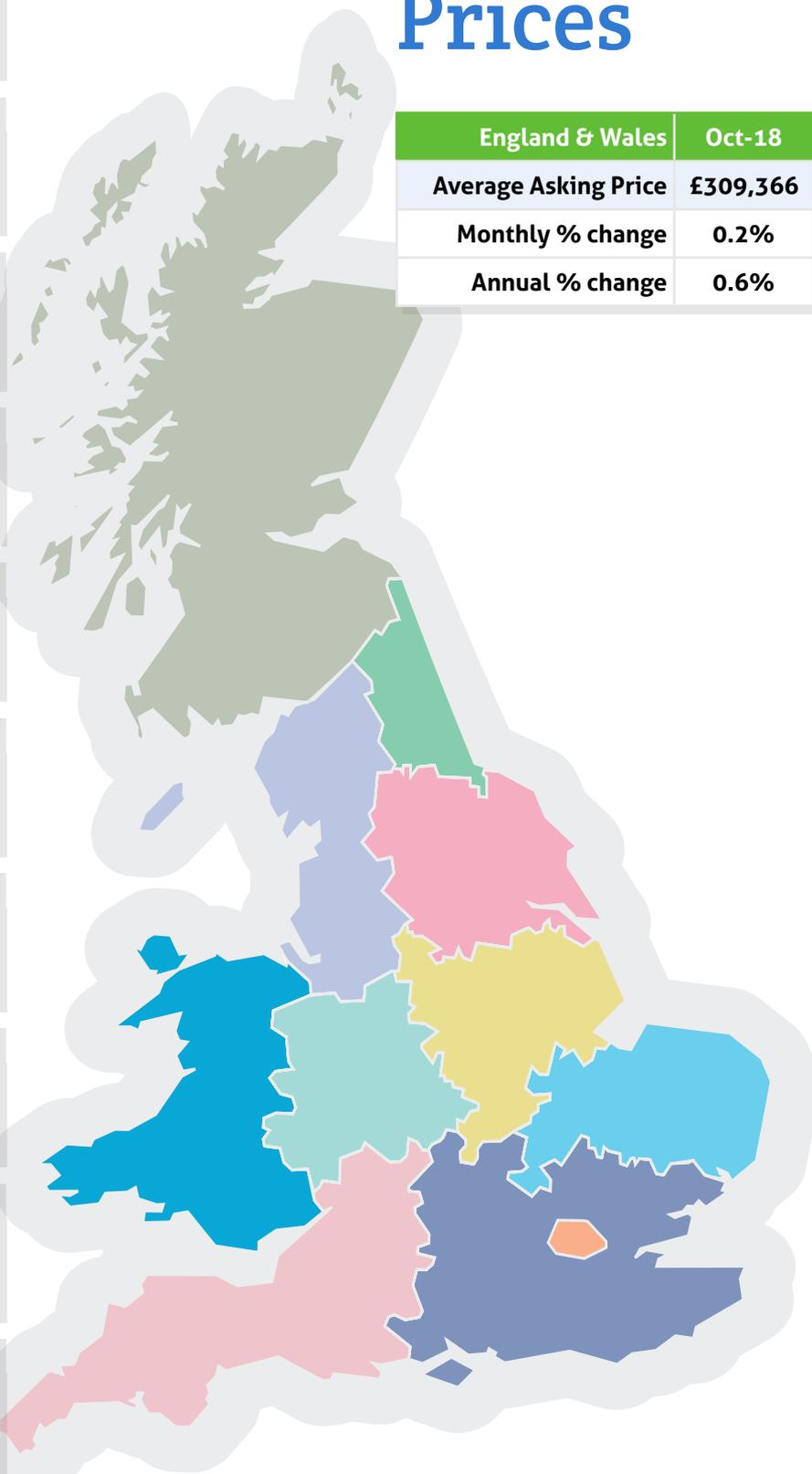
Wales	Oct-18
<b>Average Asking Price</b>	<b>£204,866</b>
Monthly % change	0.7%
Annual % change	6.6%

Greater London	Oct-18
<b>Average Asking Price</b>	<b>£521,952</b>
Monthly % change	-0.4%
Annual % change	-2.5%

South East	Oct-18
<b>Average Asking Price</b>	<b>£401,404</b>
Monthly % change	0.1%
Annual % change	-1.5%

South West	Oct-18
<b>Average Asking Price</b>	<b>£326,113</b>
Monthly % change	0.3%
Annual % change	0.4%

England & Wales	Oct-18
<b>Average Asking Price</b>	<b>£309,366</b>
<b>Monthly % change</b>	<b>0.2%</b>
<b>Annual % change</b>	<b>0.6%</b>



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

# UK Time on Market

Scotland	Oct-18
<b>Average Time on Market</b>	<b>209</b>
Typical Time on Market	99
Annual % supply change	-1%

North East	Oct-18
<b>Average Time on Market</b>	<b>223</b>
Typical Time on Market	115
Annual % supply change	-2%

Yorks & The Humber	Oct-18
<b>Average Time on Market</b>	<b>166</b>
Typical Time on Market	92
Annual % supply change	1%

North West	Oct-18
<b>Average Time on Market</b>	<b>172</b>
Typical Time on Market	98
Annual % supply change	5%

West Midlands	Oct-18
<b>Average Time on Market</b>	<b>135</b>
Typical Time on Market	77
Annual % supply change	7%

East Midlands	Oct-18
<b>Average Time on Market</b>	<b>131</b>
Typical Time on Market	77
Annual % supply change	9%

East	Oct-18
<b>Average Time on Market</b>	<b>124</b>
Typical Time on Market	78
Annual % supply change	10%

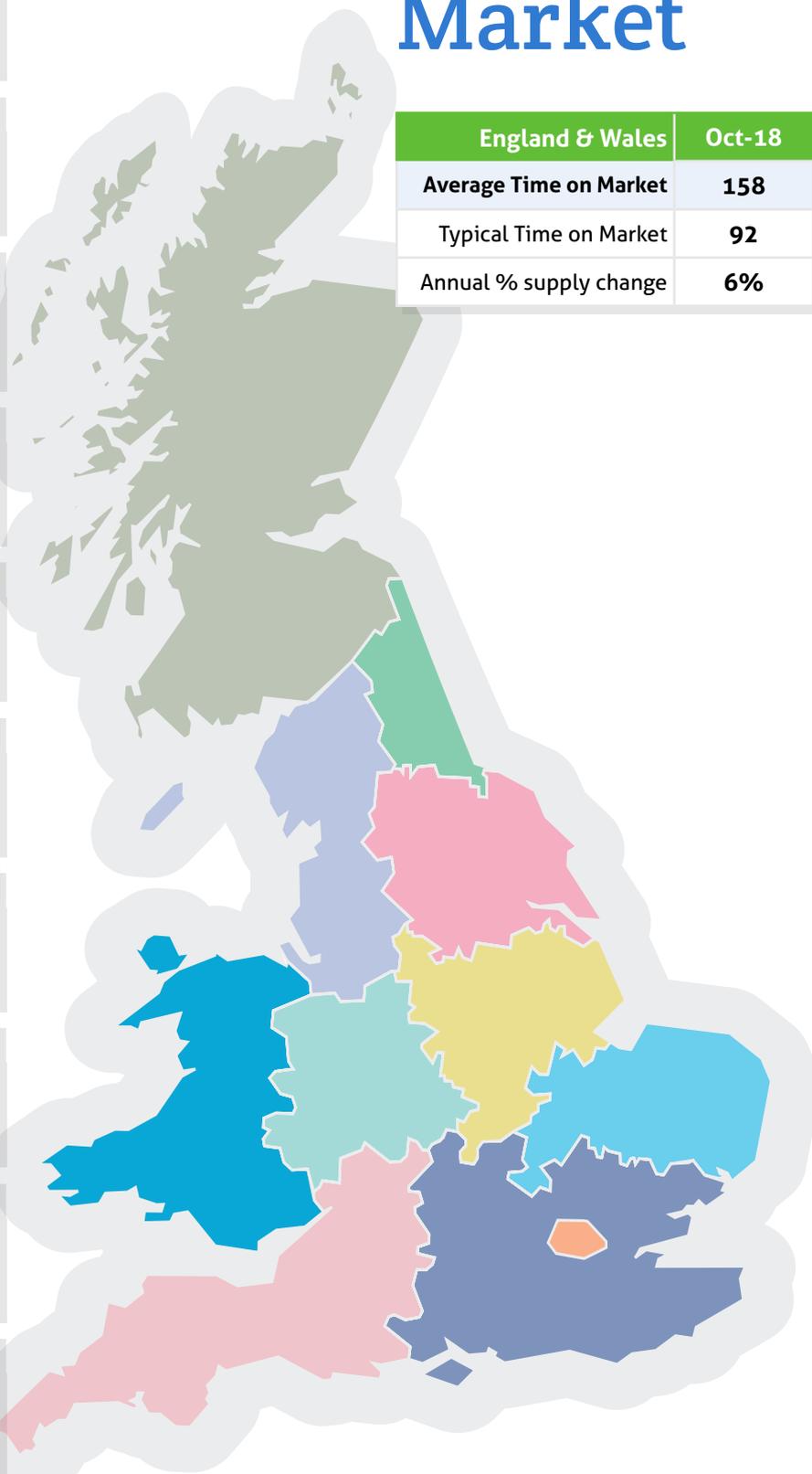
Wales	Oct-18
<b>Average Time on Market</b>	<b>216</b>
Typical Time on Market	111
Annual % supply change	0%

Greater London	Oct-18
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	94
Annual % supply change	3%

South East	Oct-18
<b>Average Time on Market</b>	<b>129</b>
Typical Time on Market	82
Annual % supply change	11%

South West	Oct-18
<b>Average Time on Market</b>	<b>140</b>
Typical Time on Market	84
Annual % supply change	11%

England & Wales	Oct-18
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	<b>92</b>
Annual % supply change	<b>6%</b>



Source: Home.co.uk Asking Price Index, October 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:  
[https://www.home.co.uk/asking\\_price\\_index/Mix-Adj\\_Methodology.pdf](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 13<sup>th</sup> November
- Wednesday 12<sup>th</sup> December
- Tuesday 15<sup>th</sup> January 2019