



Asking Price Index

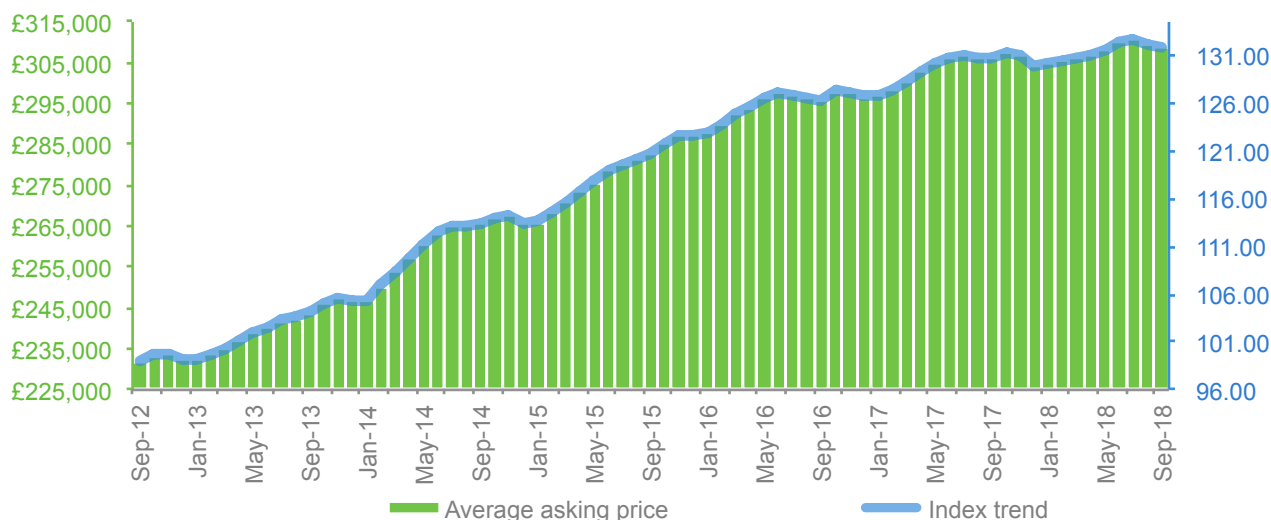
Released 12/09/18 September 2018

Price Growth Trends Towards Zero and Below

Headlines

- Home prices in England and Wales fell overall by a further 0.3% this month.
- The largest monthly falls were in the South West (-0.7%), London (-0.5%) and the East of England (-0.5%).
- Asking prices in Greater London, the UK's worst performing region, show a 12-month drop of 2.3% and have fallen 5.2% since their peak in May 2016.
- Supply increases indicate a worsening market for vendors: up by 7% year-on-year (YoY) across the UK, with the biggest regional surge in new instructions located in the East of England (+15%).
- The mix-adjusted average price growth for England and Wales slid to a mere 0.9% year-on-year, well below the rate of monetary inflation.
- Regional markets in the North and West continue to indicate significant annualised gains, with Welsh prices up 6.0% and up 5.2% in the West Midlands.
- Typical Time on Market continues to rise in London (+12%), the South East (+11%) and the East of England (+15% YoY).
- Prices rose only in Wales and Scotland, and in the North West and East Midlands since last month. All other English regions fell.
- Typical Time on Market for England and Wales has risen to 90 days, three days longer than in September 2017.

Home Asking Price Trend for England & Wales



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



Summary:

Home prices fell further this month as the slowdown tightened its grip. Price falls across most English regions have dragged the average for England and Wales down a further 0.3%, and both mean and median marketing times are longer than a year ago. The scale and scope of the downturn are both increasing, in line with our expectations. Consequently, price growth is trending to zero while stock levels are moving up.

The same pattern of supply-induced slowdown combined with a pullback in demand which led to market saturation in London, the South East and the East of England now looks set to envelop the East and West Midlands. Supply is up by 11% compared to a year ago in both these regional markets and this is making for more conservative asking prices.

Further ahead in the property cycle, the East of England continues to suffer increasing supply. Currently up 15% year-on-year, this overabundance of property on the market has driven annualised price growth down to just 0.5% and raised the Typical Time on Market by ten days.

London and the South East again suffered some of the largest price falls over the last month - both -0.5% and second only to the South West (-0.7%) - and this further confirms how prices in these regions are stuck in reverse gear. Asking prices in London have been steadily declining for 2.5 years and, thus far, there is no indication of or cause for a change from this slow price erosion.

Counter to the doom and gloom engulfing the South and East, the northern and western regional property markets are outperforming the rest of the country by a significant margin in terms of price growth, as is Wales, which is leading the price growth tables ahead of the West

Midlands and the North West. However, 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 7% year-on-year and the total stock for sale has increased by 8.8%.

In September 2017, the annualised rate of increase of home prices was 3.5%; today the same measure is just 0.9% and is trending down.

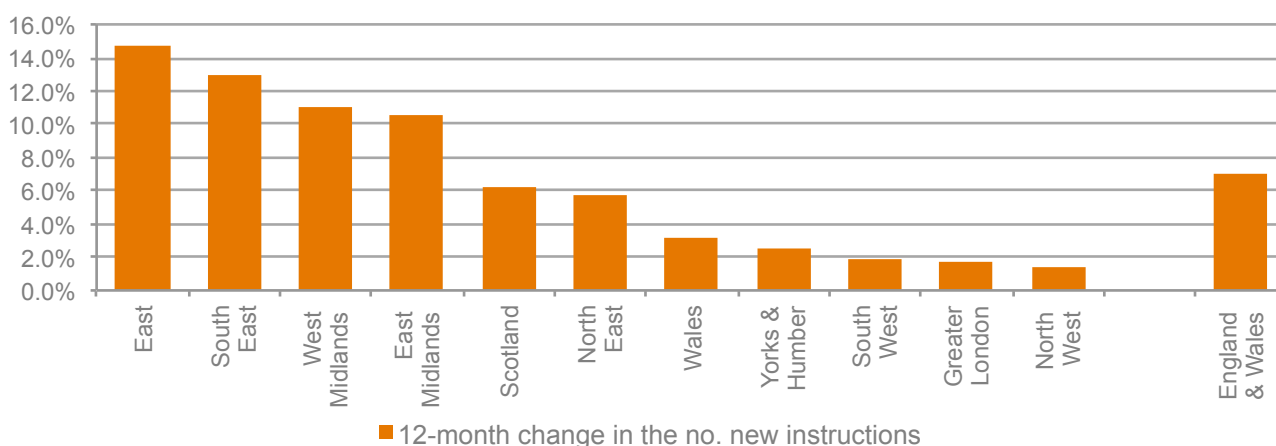
Regional Round-up

Whilst the national average growth in home values trends to zero, analysis of the UK property market at the regional level affords greater insight. Disparity remains across the regions although, compared to recent years, price growth difference is beginning to reduce as more and more regional markets cool off. At the extremes, Greater London prices continue to slide (down 2.5% YoY) whilst Wales is enjoying the most market momentum for around ten years and the greatest rate of price growth across the UK (up 6.0% YoY), and it may be the last domino to fall. The rest of the UK's regional property markets are in between.

As we stated last month, oversupply in London is taking its toll on prices. Updated analysis within a 10-mile radius reveals that, since the peak in Jan 2016, the typical (median) asking price has dropped some 14%. Hence, a typical property of £700K in Jan 2016 has suffered a reduction in market value of around £100K at today's prices. Clearly, an increasing number of recent buyers will be living under the shadow of negative equity and unable to move as home values fall further in the capital.

Prices in the South East are also falling. Annualised price growth has slipped again and is now down to -1.2% as marketing times lengthen

Change in Supply by Region, Aug 2018 vs. Aug 2017



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

further. In the East, a similar fate looks imminent. Already, marketing times are rising along with supply but, for the time being, annualised growth remains just above zero despite recent price falls. However, according to the current downward trend, growth looks set to sub-zero by the end of the year.

Wales remains the prince of price growth ahead of the West Midlands (5.2%) and the North West (+5.0%), seemingly a world apart from the woes of the South. However, we expect little further growth in the latter two regions as marketing times appear static. Meanwhile, growth in the East Midlands is diminishing. Rising supply has put an end to the boom in the region, as evidenced by a rapid rise in marketing times.

Remarkably, home values in the anomalous North East have failed to gain any real traction post-crisis. In fact, prices there have actually fallen 0.1% over the last year and have gained only 2.7% over the last five years. Time on Market figures (both mean and median) for unsold property have reduced significantly over recent years, but this has not yet translated into the expected uplift in prices.

Scottish asking prices remain subdued. Annualised growth of only 0.9% indicates a tougher market with rising supply, albeit marketing times have edged down compared to a year ago.

The chart indicates how supply is surging in the formerly hot markets of the East and South East of England. Over-abundance of property for sale in these regions will drive prices lower in the near term. The Midlands will follow suit as prices

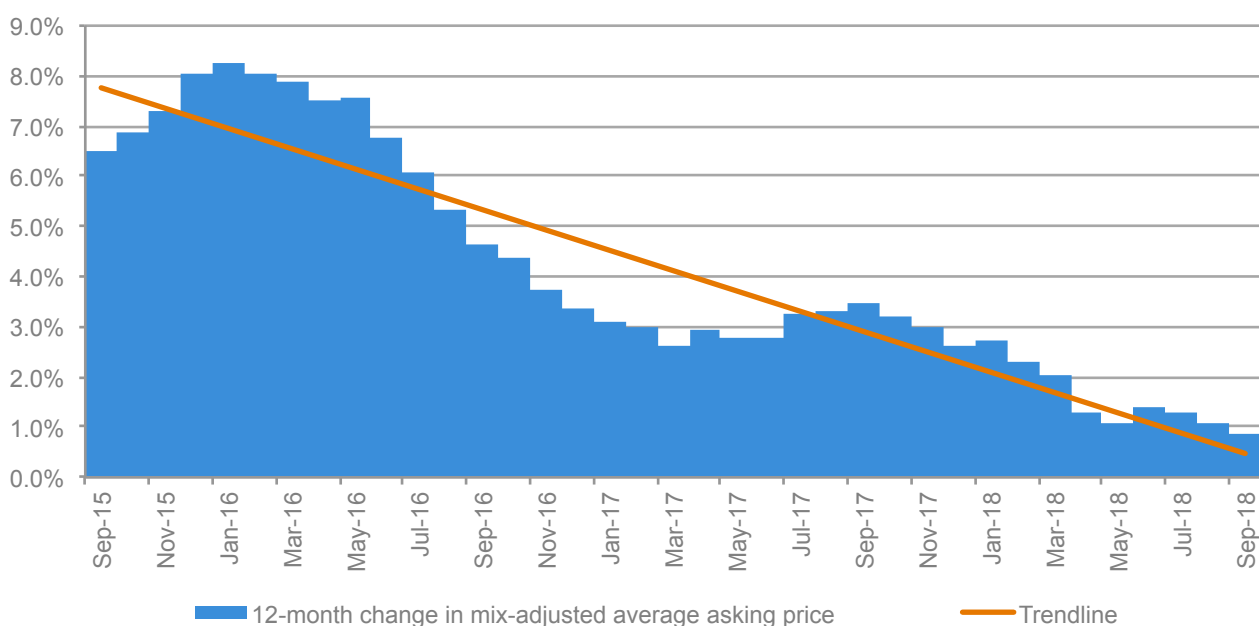
cave in under the weight of supply. Somewhat less elevated increases in supply in Scotland and the North East will keep a check on price growth but is unlikely to shift these markets significantly into the red. Wales and the remaining English regions are enjoying relatively stable flows of properties entering the marketplace. However, it is important to note that Greater London already had an elevated level of new instructions hitting the market in 2017.

Price Growth Trend

Over the last three years, we have witnessed a dramatic fall in annualised price growth across England and Wales. The chart plots the decline from a euphoric 8.2% to a mere 0.9% today. Moreover, the trend is undeniable: towards zero and below. At the current rate of descent, the growth rate should pass through zero around Jan 2019 and then, should the trend continue, hit -1.0% in April.

Thus far, there is little indication that it will stop there. In fact, the best guide is perhaps the fate of London, where annualised losses seem to have bottomed out at around 2.5%, at least for the time being. Of course, the green shoots of recovery will come and are most likely to arise in London first. Our projections suggest that may happen as early as 2020, as rents rise and capital values realign so as to provide attractive returns for investors. London rents have risen 4.0% over the last twelve months. However, further rises in interest rates will only serve to delay the recovery and a series of hikes could make such a recovery impossible in the near term.

Trending to Zero Growth & Below (England and Wales)



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



For the time being and during the next few years, UK property is no longer a safe store of capital value.

In fact, inflation beating growth in property has been absent for 19 months, if we compare annualised growth in asking prices with the Retail Price Index (ex. housing). Moreover, the gap between inflation and house price growth is widening as the latter heads to zero. Hence, an insidious correction is already fully underway for most of the UK and it looks like it will get worse before it gets better.

The price growth trend suggests that the UK property market is holed below the water line and is slowly sinking. The government's assault on landlords, through various forms of additional taxation and regulation, tipped the balance to the downside and has hastened the onset of the next property recession. Hastened but not caused.

As when the Titanic sunk beneath the waves, the bow went under first and the stern rose above the waves at the same time. The current performance of the regions vs. London and the South East appears analogous to this. While values in the capital and the South East slowly sink, the best performing markets are the engines of industry in the North



and West. But this is a transient state of affairs, as was the final trajectory of Captain Edward Smith's stricken vessel. As with the regional markets, more and more compartments filled with water until the entire ship broke up and sank.

Of course, the panic descent to near-zero interest rates by the Bank of England combined with massive 'stimulus loans' to the banks in response to the financial crisis was causal. Those actions created a property bubble upon a bubble (especially in London). The International Monetary Fund (IMF) knows this too, claiming that property in the UK is overvalued by 12%, and this may be an underestimate. In fact, the level of overvaluation probably depends on location. Judging by growth over the last seven years it would appear that London is probably the most overvalued, along with the South East and East of England. By contrast, the North East may not be overvalued at all.

As they say, 'What goes up must come down,' at least for a while. Good news for buyers but troubling times for vendors, especially those in negative equity.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Sep-18
Average Asking Price	£185,831
Monthly % change	0.4%
Annual % change	0.9%

North East	Sep-18
Average Asking Price	£157,279
Monthly % change	-0.2%
Annual % change	-0.1%

Yorks & The Humber	Sep-18
Average Asking Price	£195,893
Monthly % change	-0.3%
Annual % change	3.7%

North West	Sep-18
Average Asking Price	£203,537
Monthly % change	0.5%
Annual % change	5.0%

West Midlands	Sep-18
Average Asking Price	£248,823
Monthly % change	-0.1%
Annual % change	5.2%

East Midlands	Sep-18
Average Asking Price	£233,461
Monthly % change	0.1%
Annual % change	4.5%

East	Sep-18
Average Asking Price	£360,033
Monthly % change	-0.5%
Annual % change	0.5%

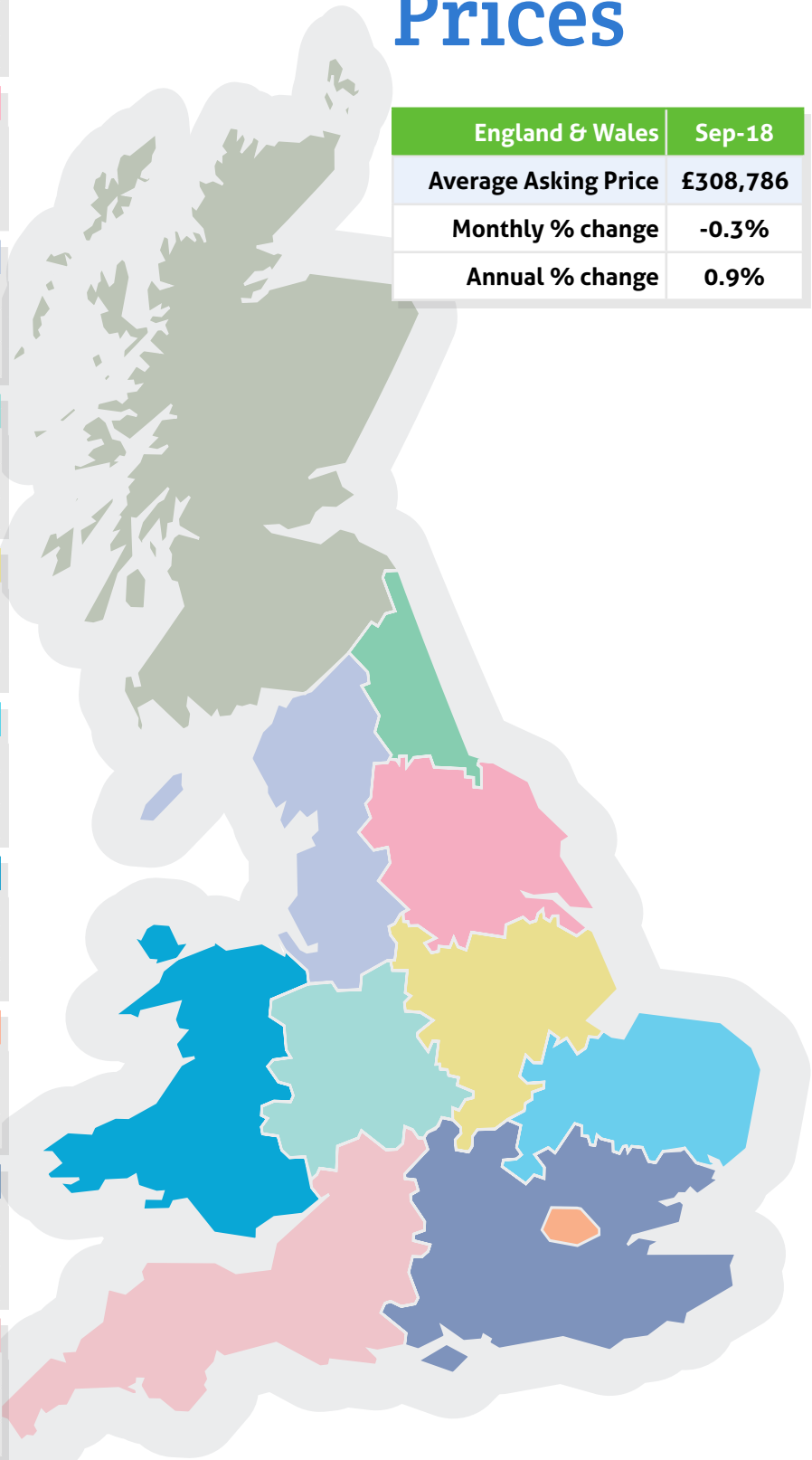
Wales	Sep-18
Average Asking Price	£203,444
Monthly % change	0.6%
Annual % change	6.0%

Greater London	Sep-18
Average Asking Price	£523,911
Monthly % change	-0.5%
Annual % change	-2.3%

South East	Sep-18
Average Asking Price	£400,912
Monthly % change	-0.2%
Annual % change	-1.2%

South West	Sep-18
Average Asking Price	£325,110
Monthly % change	-0.7%
Annual % change	1.1%

England & Wales	Sep-18
Average Asking Price	£308,786
Monthly % change	-0.3%
Annual % change	0.9%



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

UK Time on Market

Scotland	Sep-18
Average Time on Market	208
Typical Time on Market	95
Annual % supply change	6%

North East	Sep-18
Average Time on Market	222
Typical Time on Market	112
Annual % supply change	6%

Yorks & The Humber	Sep-18
Average Time on Market	166
Typical Time on Market	89
Annual % supply change	3%

North West	Sep-18
Average Time on Market	174
Typical Time on Market	97
Annual % supply change	1%

West Midlands	Sep-18
Average Time on Market	135
Typical Time on Market	75
Annual % supply change	11%

East Midlands	Sep-18
Average Time on Market	130
Typical Time on Market	75
Annual % supply change	11%

East	Sep-18
Average Time on Market	123
Typical Time on Market	77
Annual % supply change	15%

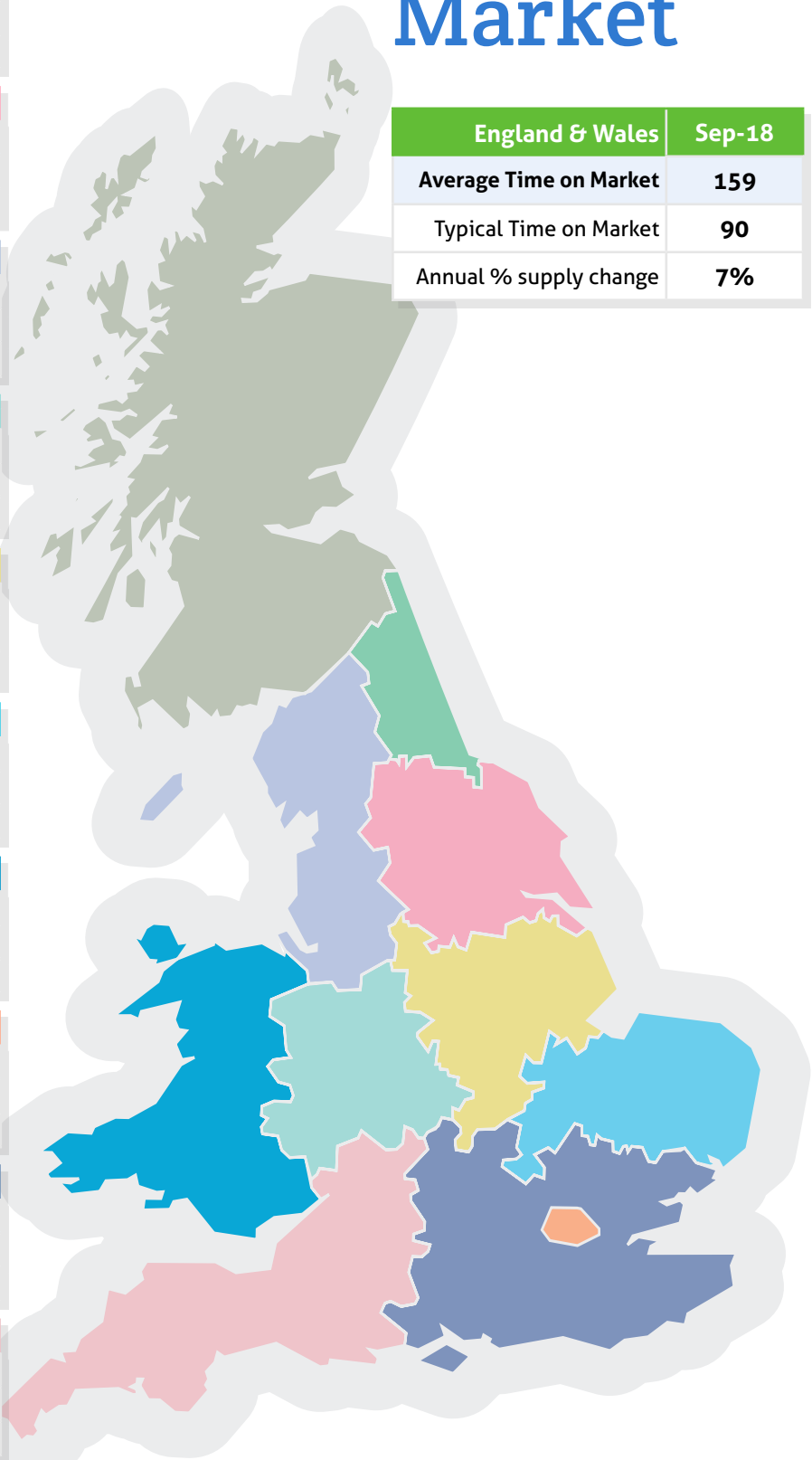
Wales	Sep-18
Average Time on Market	217
Typical Time on Market	109
Annual % supply change	3%

Greater London	Sep-18
Average Time on Market	159
Typical Time on Market	93
Annual % supply change	2%

South East	Sep-18
Average Time on Market	128
Typical Time on Market	81
Annual % supply change	13%

South West	Sep-18
Average Time on Market	141
Typical Time on Market	82
Annual % supply change	2%

England & Wales	Sep-18
Average Time on Market	159
Typical Time on Market	90
Annual % supply change	7%



Source: Home.co.uk Asking Price Index, September 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:
<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 October
- Tuesday 13th November
- Wednesday 12th December