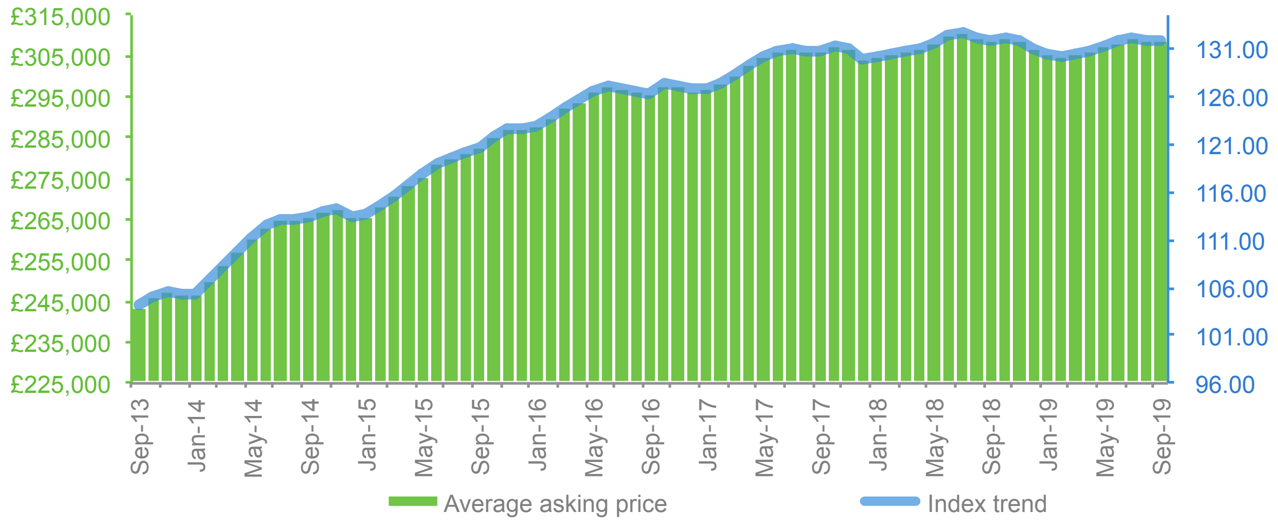
First Green Shoots in London Despite Brexit Ire

Headlines

- Hackney, Fulham and Haringey markets are on the rebound as competition for the limited stock available drives down the Typical Time on Market and stabilises the median price.
- In fact, prices are already on the rise in Haringey with the typical asking price up 2% year-on-year.
- Stock levels down 18% year-on-year in London, rebalancing supply and demand.
- Supply of new instructions down 14% in Greater London and by 2% overall (year-on-year, England and Wales).
- National average price growth remains just into the negative by a mere -0.1% month-on-month.
- Effectively no change in the mix-adjusted average home price in England and Wales (down just 0.1% year-on-year).
- Total sales stock levels across England and Wales slightly down again by 3.0%.
- Typical Time on Market for England and Wales is currently 96 days (median), just six days longer than in September 2018, a narrowing margin.
- Typical Time on Market rises indicate the worst regional slowdowns are in the East of England (+13%), the East Midlands (+13%), the South West (+11%) and the West Midlands (+11% year-on-year).
- East of England is the UK's worst-performing region, with the average asking price down by 2.9% over the last twelve months.

Home Asking Price Trend for England & Wales



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

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

Summary

London takes the spotlight this month as soaring rents tempt investors back into the capital's letting market. Rock-bottom sales *and* rental stock levels are initiating a revitalisation of the London sales market, led by several key boroughs. Wandsworth, Hackney, Haringey, Hammersmith and Fulham, Southwark and Islington, are all showing *double digit* rent inflation, yields are soaring and, consequently, home prices are about to surge.

Overall, Greater London's price correction is complete. Both supply and residual sales stock levels have shrunk and this portends a return to price growth. Such is the rate at which yields are improving we predict a wave of investment, commencing in the central boroughs and moving outwards, which will trigger breath-taking growth in home values over the next twelve months and beyond.

Nationwide, home prices are holding steady despite all manner of Brexit hysteria. However, at the regional level, the property market presents a very mixed picture. At one extreme northern and western regions (especially Wales) are in the final throes of their growth phase while the East of England is firmly in the grip of the inevitable price-correction, following a long period of unsustainable growth. Such is the cyclical complexity of the British property market.

The South East property market, like that of London, is showing some renewed strength.

Meanwhile, the East and West Midlands property markets are heading for period of negative growth.

Both the East and West Midlands property markets are destined for a painful period of price correction after many years of excessive growth (36.4% and 35.9% respectively since September 2012).

Steady home price rises continue in the northern regions and the risk of price falls looks very low. However, only Wales continues to show *real* growth (year-on-year home price increases above the official rate of inflation).

Annualised price growth across England and Wales remains in the red by the smallest margin of -0.1%, making this the eighth consecutive month registering negative growth; in September 2018, the annualised rate of increase of home prices was 0.9%.

Regional Round-up

This month we are witness to an extraordinary part of the UK property cycle, wherein northern and western regions (especially Wales) are in the final throes of their growth phase while London shows the first green shoots following a long and protracted downturn. Such is the cyclical complexity of the British property market.

Concomitantly, several regions are slowing rapidly, a precursor to the inevitable period of post-boom price correction (East and West Midlands), whilst other regions, for instance the East of England, are showing negative growth as the painful rebalancing of supply and demand takes effect.

But it is London, the UK's leading market, which takes the spotlight this month. Dramatic falls in stock levels, down 18% over the last twelve months, have cleared the way to recovery and the Typical Time on Market in several key central boroughs is falling. In fact, prices are already on the rise in Haringey (up 2% year-on-year), heralding a return to price growth in the capital after a long winter of discontent.

The prognosticator of this welcome news was, of course, the observation of rapidly rising rents in the corresponding boroughs. This flashing green light indicating a revitalisation of the market has been apparent for several months (although it has been almost entirely ignored, even by the property specialist media) and now a total of six London boroughs are showing double-digit growth. Why rents? Because rent *fundamentally underpins* the value of property.

For the time being, the overall growth figures for the London sales market remain negative (-1.6%) as the outer boroughs have yet to catch up. Remember, it was in *prime central London* where the rot first set in back in autumn 2013 and the recovery may be expected to follow a similar pattern, albeit biased towards central boroughs with an attractive rental yield (for instance Hackney, Fulham and Haringey). We will cover this aspect in more detail in the next section.

For owners of property in prime central London, any signs of a recovery will be very welcome news. Flat prices in Belgravia and Chelsea have crashed 42% and 29% respectively since their apogee in 2013. Perhaps a ruinous affair for many but even these London locations will recover, lifted by the forthcoming rising tide of growth. Moreover, we suggest that Brexit, when eventuated, may well attract the sort of international investor wealth to reinvigorate these parts of the London residential sales market.

In summary, lower stock levels and rising rents have been instrumental in London's timely realignment of supply and demand, thereby stabilising prices. The recovery is being led by key central boroughs showing the largest rent rises and this is confirmed by reductions in the Typical Time on Market (median). Accordingly, Greater London's overall year-on-year losses are being trimmed each month (now only -1.6% year-on-year) and prices have actually risen by a small margin (0.2%) over the last six months. Supply is down 14% year-on-year and this will further boost the recovery, adding upwards pressure on property values in the UK's leading properly market.

Recovery appears none too distant for the South East either, with the region showing a notable growth of 0.8% over the last six months. Average asking prices remain down year-on-year (-1.5%) but supply has been trimmed here too, albeit by just 3% year-on-year, and this will bolster the confidence of vendors. However, the Typical Time on Market is currently 88 days, seven days more than in September 2018, indicating a somewhat slower market, but we expect this trend to reverse in 2020.

Meanwhile, adjacent to London, the East of England remains firmly in the grip of its inevitable price correction after a long period of unsustainable growth. Asking prices peaked in the East in January 2018 so this region's cycle may be regarded as being around 20 months later than that of London (peak May 2016). Prices are now 2.9% lower than the maximum and will continue to erode further over the coming months before they stabilise and the next growth phase commences.

As we noted for the South East, prices in the East may not take quite as long to correct as they did in London; growth was somewhat less vigorous in this region compared to the capital and therefore frothy overpricing less prevalent. Prices have slipped a further 0.2% over the last six months but, on the upside, supply continues to contract (down 4% year-on-year) and this will help attenuate further price falls.

The South West is now clearly showing signs of recovery. Growth has moved out of the red this month (0.2% year-on-year) and supply has been trimmed: down 5% compared to twelve months ago. However, the median Time on Market is nine days higher than in September 2018 (currently 91 days).

The slowdown has spread to the East and West Midlands, as confirmed by higher Time on Market figures and slowing growth. These regions are about to begin, apparently simultaneously, a period of price correction after many years of excessive growth (36.4% and 35.9% respectively since September 2012). Rapidly rising marketing times and increasing supply look set to force asking prices lower over the forthcoming year.

The North West has also slowed but much less so and Yorkshire not at all (compared to September 2018), thanks to much more restrained growth over recent years (20.0% and 20.7% respectively since September 2012). The risk of a significant price correction in either of these regions looks very low, save perhaps for popular buy-to-let locations such as flats in Manchester and Leeds. Properties in those overbought pockets may well suffer significant price falls.

The North East has achieved growth of 2.4% since September 2018, which is a significant achievement for this beleaguered regional property market. Clearly, with a seven-year growth figure of 5.4%, there is no danger whatsoever of a price correction. The moderate price growth of late continues but the Typical Time on Market is still trending in the wrong direction, signalling that values will not surge any time soon.

Scottish asking prices recorded a jump this month (up 0.5%; a rebound following last month's big dip of 1.2% which may be ascribed to Brexit jitters), despite the housing market being slightly slower than this time last year. As we illustrated last month, a vast variation in market vigour is evident across the country.

The Edinburgh market has slowed post-boom and is in price-correction mode while Glasgow is still booming with the typical flat price increasing a massive 28% over the last twelve months. Meanwhile, the Aberdeen market remains pretty much frozen with the average Time on Market for unsold flats currently at nearly an entire year (356 days).

Only Wales, still the UK's best-performing region, shows growth (4.6%) above the level of inflation (RPI ex. housing ca. 3%), over the course of the last twelve months. This remarkable property market continues to trundle on unabated. Much momentum remains and supply has reduced by 6%, which will support prices going forward. However, prime properties in Cardiff are beginning to look over-bought; consistent with the archetypal behaviour of the property cycle just prior to the asking price peak.

Leading Rent Rises in the London Boroughs

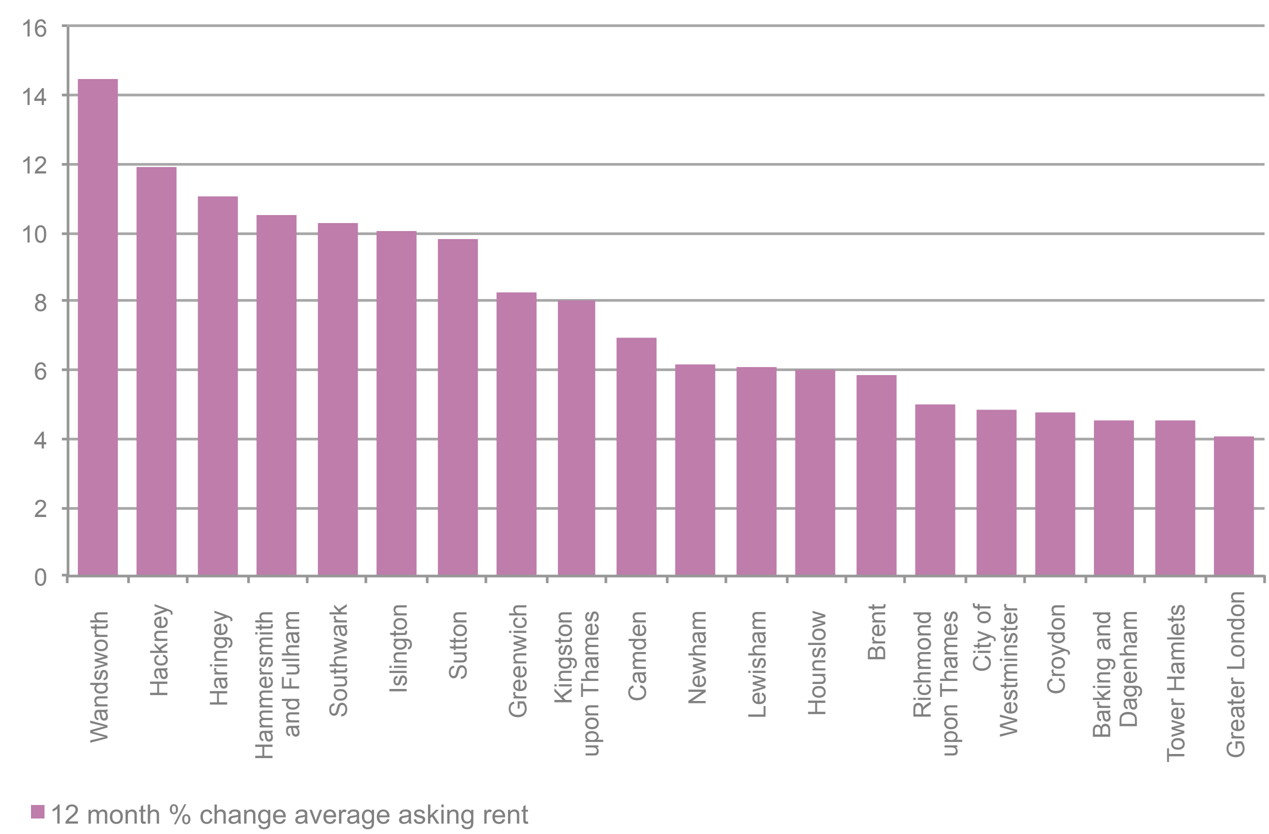
Rents *fundamentally underpin* the value of property. So when looking for signs of recovery in the sales market a good signal to look for is rising rents.

London hasn't seen rent rises like this for a long time, but to the attentive market observer these huge hikes should come as no surprise. Supply has been falling away for over two years while demand has remained relatively high. Indeed, the current situation was clearly inevitable, brought on by insanely low interest rates and over-zealous measures by the government to 'level the playing field.'

Before renters complain too bitterly, they should be reminded of this quote from our February edition of the Home Asking Price Index: *BTL (Buy-to-Let) investment has been a key driver in house price growth, helping drive prices to new highs in region after region in the wake of the financial crisis. At the same time, this augmented the supply of rental property and put downward pressure on rents. So much so that, at the height of the BTL boom in London, rents were driven down by 9.7% between Oct 2015 and Jan 2017 by a flood of property to let.*

Wherein we went on to say: *Unfortunately, anti-landlord sentiment and rhetoric has resulted in a concerted government policy of bashing the Private Rented Sector (PRS) over recent years via increased taxation and regulation. Whilst there have been some laudable efforts to raise standards in the sector, most of the legislation appears to be a short-sighted effort to win a few votes from a disgruntled 'Generation Rent'. Rendering the PRS unattractive to investors will most certainly backfire on renters. Such ill-considered government policy is reducing the supply of rental property and this will trigger rent hikes. Of course, such is the modern meddling mentality of policymakers that now there is talk of rent controls...*

Rising Tide of London Borough Rents



Source: Home.co.uk Asking Rent Index, September 2019 (3-month moving average of mix-adjusted average).

Even Brexit pandemonium is not enough to quench the natural re-emergence of vigour in the London property cycle.

We predicted the emergence of 'green shoots' in the London sales market in our press release in January this year. Observant investors will be glad of our research and may well have picked up a bargain while vendors were on the back foot.

Back then, our research revealed rapidly improving rental yields in Hammersmith, Newham, Southwark and Hackney. Attractive yields attract investment, and since then the combined effect of a dearth of available rental property and much reduced asking prices has brought investors back into the London market. Today several more boroughs are showing rapidly improving yields thanks to spiralling rents. In some cases four times the rate of monetary inflation.

In fact, six boroughs, Wandsworth, Hackney, Haringey, Hammersmith and Fulham, Southwark and Islington, are indicating *double digit* rent inflation. The corresponding yields are soaring while, for the moment, prices are essentially static. Thus far only Haringey is showing a rise in the median asking price year-on-year, but, of course, this only just the very start of the renaissance. Sales stock levels in the borough are down a massive 29% on September last year and the competition for this higher yielding stock will likely be fierce.

All the top performing boroughs in the lettings market (in terms of rent growth) will soon translate into the top performing sales markets in London, as increasing numbers of investors spot the opportunity and capitalise on better

yielding housing assets. Sales stock levels in the central London boroughs haven't been this low for several years and prices look set to surge accordingly as demand picks up.

A timely fillip for London's long suffering sales market but also great news for the rental market, especially renters. Rising rents may well be hard to swallow in the short term but the return of private investors to the capital's rental market, after the stamp duty induced mass exodus, will have the welcome effect on increasing supply of rental accommodation. More choice and more competition will benefit renters and, after a period of re-equilibration, this supply increase will inevitably thwart further rent rises.

Finally, it is arguable that rents in London have been too low for far too long. Until recently they had been kept down by over-investment due to numerous landlords incentivised by ultra-low interest rates. Providing quality rental accommodation is actually a costly exercise and those that do so well should be justly rewarded for their effort, risk and responsibilities. Furthermore, many landlords desperately need to increase their income to cover a large array of newly imposed regulatory costs and higher taxation. Looks like 'their ships come in', at last.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Sep-19
Average Asking Price	£308,607
Monthly % change	-0.1%
Annual % change	-0.1%

Scotland	Sep-19
Average Asking Price	£187,545
Monthly % change	0.5%
Annual % change	0.9%

North East	Sep-19
Average Asking Price	£161,018
Monthly % change	0.3%
Annual % change	2.4%

Yorks & The Humber	Sep-19
Average Asking Price	£202,232
Monthly % change	0.2%
Annual % change	3.2%

North West	Sep-19
Average Asking Price	£207,532
Monthly % change	0.0%
Annual % change	2.0%

West Midlands	Sep-19
Average Asking Price	£255,115
Monthly % change	-0.2%
Annual % change	2.5%

East Midlands	Sep-19
Average Asking Price	£238,287
Monthly % change	0.0%
Annual % change	2.1%

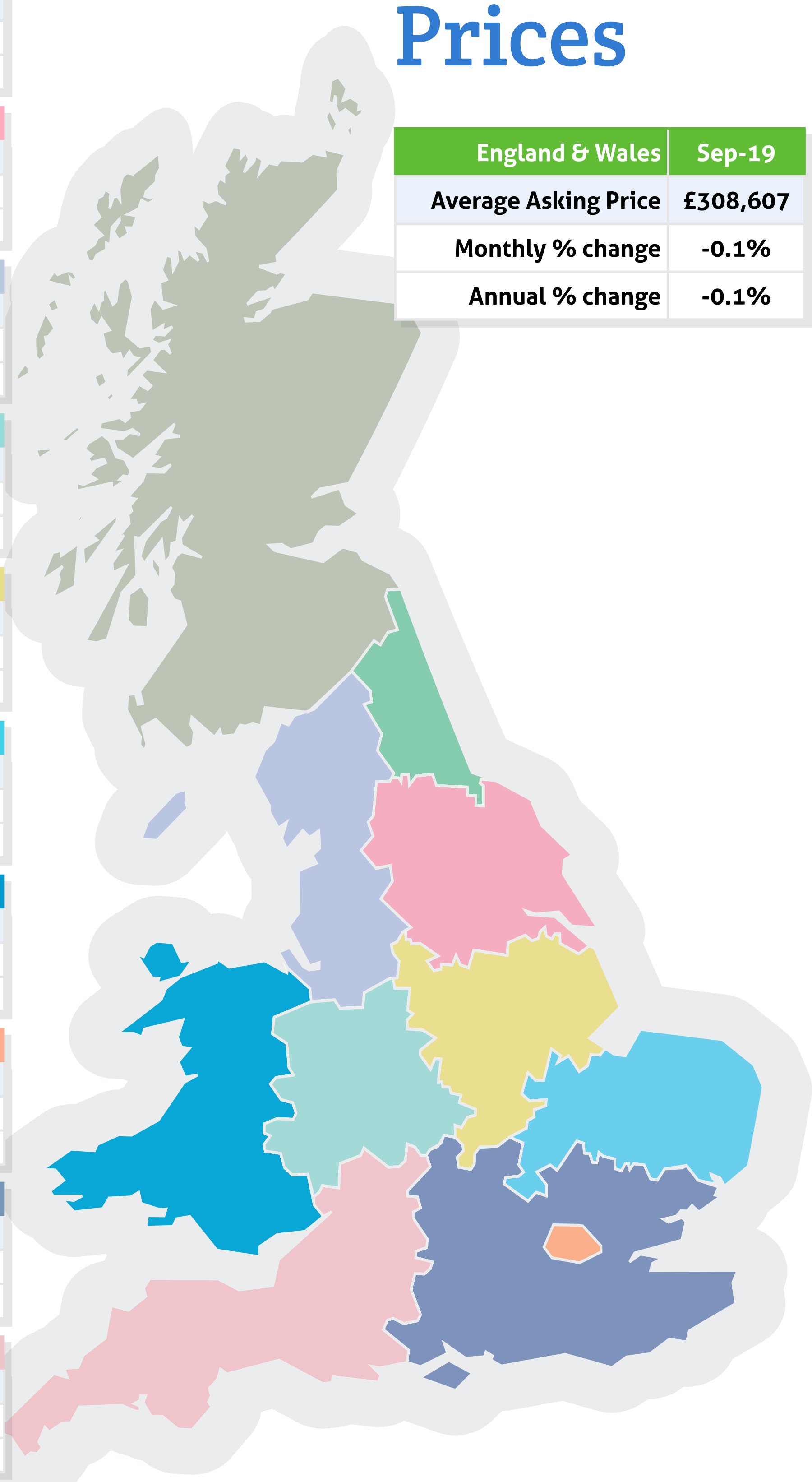
East	Sep-19
Average Asking Price	£349,525
Monthly % change	-0.5%
Annual % change	-2.9%

Wales	Sep-19
Average Asking Price	£212,761
Monthly % change	0.6%
Annual % change	4.6%

Greater London	Sep-19
Average Asking Price	£515,727
Monthly % change	-0.2%
Annual % change	-1.6%

South East	Sep-19
Average Asking Price	£394,877
Monthly % change	-0.1%
Annual % change	-1.5%

South West	Sep-19
Average Asking Price	£325,791
Monthly % change	0.2%
Annual % change	0.2%



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

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UK Time on Market

England & Wales	Sep-19
Average Time on Market	178
Typical Time on Market	96
Annual % supply change	-2%

Scotland	Sep-19
Average Time on Market	217
Typical Time on Market	98
Annual % supply change	2%

North East	Sep-19
Average Time on Market	229
Typical Time on Market	117
Annual % supply change	-2%

Yorks & The Humber	Sep-19
Average Time on Market	168
Typical Time on Market	89
Annual % supply change	4%

North West	Sep-19
Average Time on Market	179
Typical Time on Market	101
Annual % supply change	1%

West Midlands	Sep-19
Average Time on Market	150
Typical Time on Market	83
Annual % supply change	6%

East Midlands	Sep-19
Average Time on Market	150
Typical Time on Market	85
Annual % supply change	2%

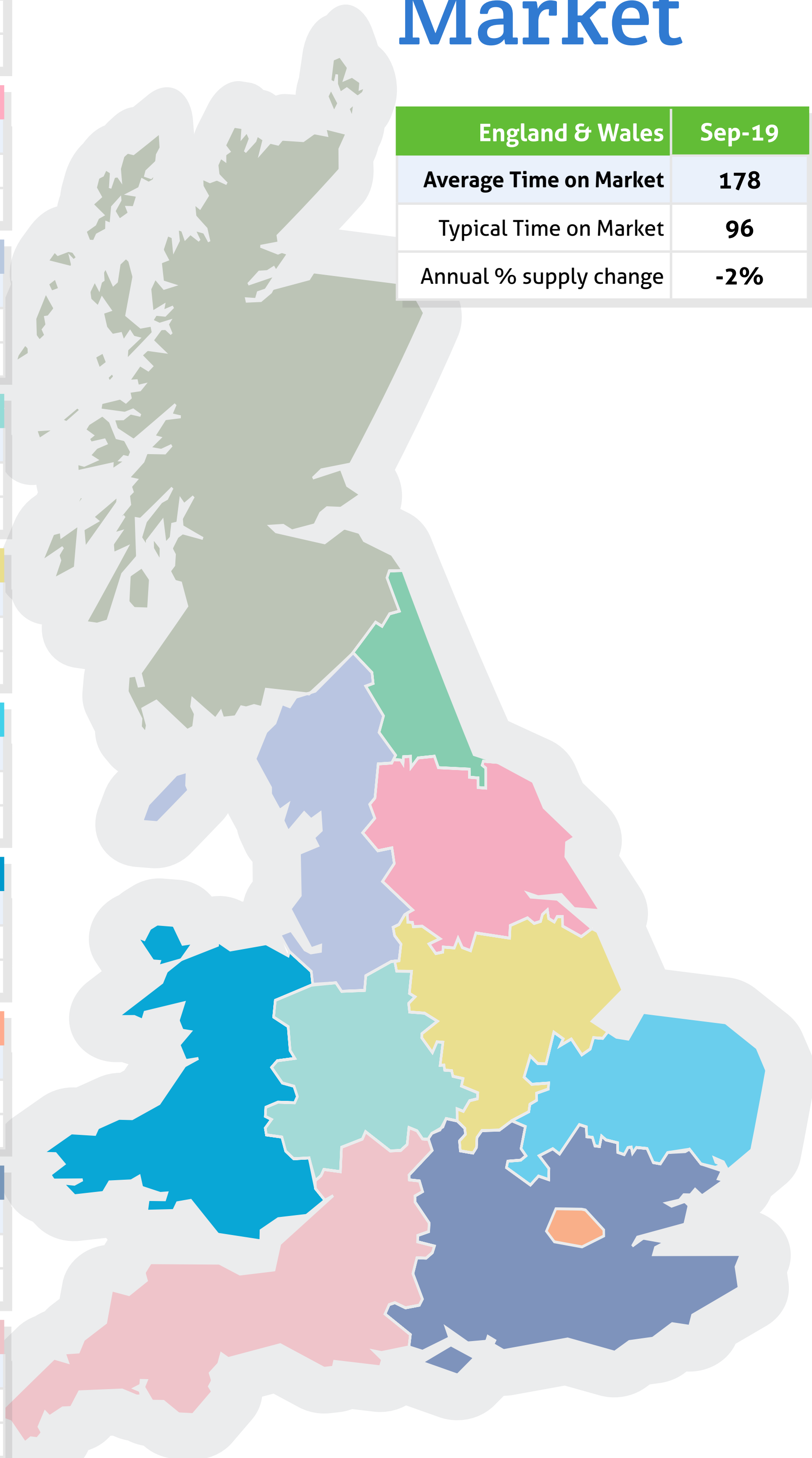
East	Sep-19
Average Time on Market	152
Typical Time on Market	87
Annual % supply change	-4%

Wales	Sep-19
Average Time on Market	216
Typical Time on Market	109
Annual % supply change	0%

Greater London	Sep-19
Average Time on Market	188
Typical Time on Market	98
Annual % supply change	-14%

South East	Sep-19
Average Time on Market	157
Typical Time on Market	88
Annual % supply change	-3%

South West	Sep-19
Average Time on Market	167
Typical Time on Market	91
Annual % supply change	-5%



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

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  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:

- **Tuesday 15th October**
- **Tuesday 12th November**
- **Thursday 12th December**