



Asking Price Index

Released 13/08/19 August 2019

Home Prices Slip but Market Still Robust Despite Brexit

Headlines

- The mix-adjusted average home price in England and Wales slips 0.1% month-on-month.
- Typical Time on Market lowers in London counter to last year's H2 trend, suggesting momentum is returning.
- Supply of new instructions down in most regions but year-on-year increases for the month of July observed in the East Midlands (+1%) and West Midlands (+6%), while there was no change in the North West.
- Typical Time on Market for England and Wales is currently 93 days (median), nine days longer than in August 2018, making it the slowest August since 2013.
- National average price growth remains just into the negative (-0.2% year-on-year).
- Typical Time on Market rises indicate the worst regional slowdowns are in the East of England (+14%), the East Midlands (+13%), the South West (+12%) 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 3.0% over the last twelve months.
- Total sales stock levels across England and Wales slightly down by 3.6%.

Home Asking Price Trend for England & Wales



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



Summary

Overall, home prices are holding firm despite all manner of Brexit woes. Thanks to continued low interest rates, significant demand remains evident despite the slowdown. Home values are also being supported by reduced supply owing to caution on the part of vendors. Moreover, price corrections in London and the surrounding areas are playing out in an orderly fashion. No sign of panic selling and certainly no major price drops.

In fact, the price correction in London that has proceeded steadily during the last three years appears to be complete. Both supply and residual stock levels have reduced and this has cleared the way forward towards more normal market conditions. Some momentum has already returned and we expect price growth to return next year.

The East, South East and South West are all undergoing price corrections. The South East may, like London, soon recover momentum now that affordability has improved.

However, the price correction in the East of England has longer to play out. Despite a small reduction in supply, demand is not yet sufficient to stabilise prices.

Both the East and West Midlands property markets are slowing and price growth has eased significantly after lengthy booms in both regions. Lack of affordability and excess supply look set to drive growth towards zero over the coming months.

Sub-inflation home price rises continue in the northern regions but momentum is waning and consequently growth looks set to tail off further. Of all the regions, only Wales has shown price increases above the rate of inflation over the last twelve months.

Annualised price growth across England and Wales remains in the red, -0.2%; in August 2018, the annualised rate of increase of home prices was 1.1%.

Regional Round-up

The regions vary widely in where they are placed in the property cycle. Wales is still showing real price growth, but many northern regions are now indicating post-boom sub-inflation growth. Some regions are slowing rapidly and look set to enter a period of price correction. Other regions, for instance the East of England, are showing negative growth as supply equilibrates with demand.

London, the UK's leading market, looks to be on the mend. Caution on the part of vendors has cut the supply of new instructions and, after more than three years of sliding prices, fewer properties for sale has afforded London a timely realignment of supply and demand, thereby stabilising prices. Recovery appears near as suggested by several recent monthly reductions in the Typical Time on Market (median). In addition, year-on-year losses are being trimmed each month and there has been a reduction in total stock for sale of around 17% since August 2018.

Meanwhile, the adjacent regions of the East and South East remain firmly in the grip of their respective price corrections. Asking prices peaked in the South East in October 2017 and therefore this region may be regarded as being around 17 months later in the property cycle than London.

Prices are now 3.0% lower than the maximum and will continue to erode further over the coming months before they stabilise and the next growth phase commences. Prices may not take quite as long to correct as they have in London since growth in the South East was less vigorous and therefore overpricing less prevalent. Supply has begun to contract (down 5% year-on-year) and this will have the effect of attenuating price falls.

The South West is already showing some signs of recovery. Albeit still marginally in the red (-0.7% year-on-year), supply has reduced by 7% compared to twelve months ago. However, the median Time on Market is eight days higher than in August 2018 (currently 86 days).

The slowdown continues to spread gradually through the regions. Higher Time on Market figures and slowing growth indicate that the East and West Midlands are heading towards a period of price correction after many years of excessive growth (35.9% and 35.7% respectively since August 2012). Asking prices may have already reached their maxima in the Midlands this year.

Later still in the property cycle, the North West and Yorkshire regions are also slowing but, owing to more restrained growth over recent years (19.6% and 20.1% respectively since August 2012), these regions do not look likely to undergo a significant price correction, except perhaps some buy-to-let hotspots (for instance in Manchester and Leeds). Those properties may suffer price falls.

The North East has achieved growth of 1.9% since August 2018. There is no immediate risk of a correction in the North East. Moderate price growth has been evident recently, but it has

added little to the seven-year total increase of just 5.6%. A recent jump in the Typical Time on Market suggests that values will not increase much, if at all, in the immediate future.

The Scottish housing market is also slower than this time last year but considerable variation in market vigour is evident across the country. The Edinburgh market has slowed while Glasgow has gained some more momentum over the last twelve months. The Aberdeen market remains frozen with very long and increasing marketing times. The mix-adjusted average Scottish home price has plummeted by 1.2% since last month, taking the year-on-year growth down to just 0.8%. However, on the upside, supply is down by 5%.

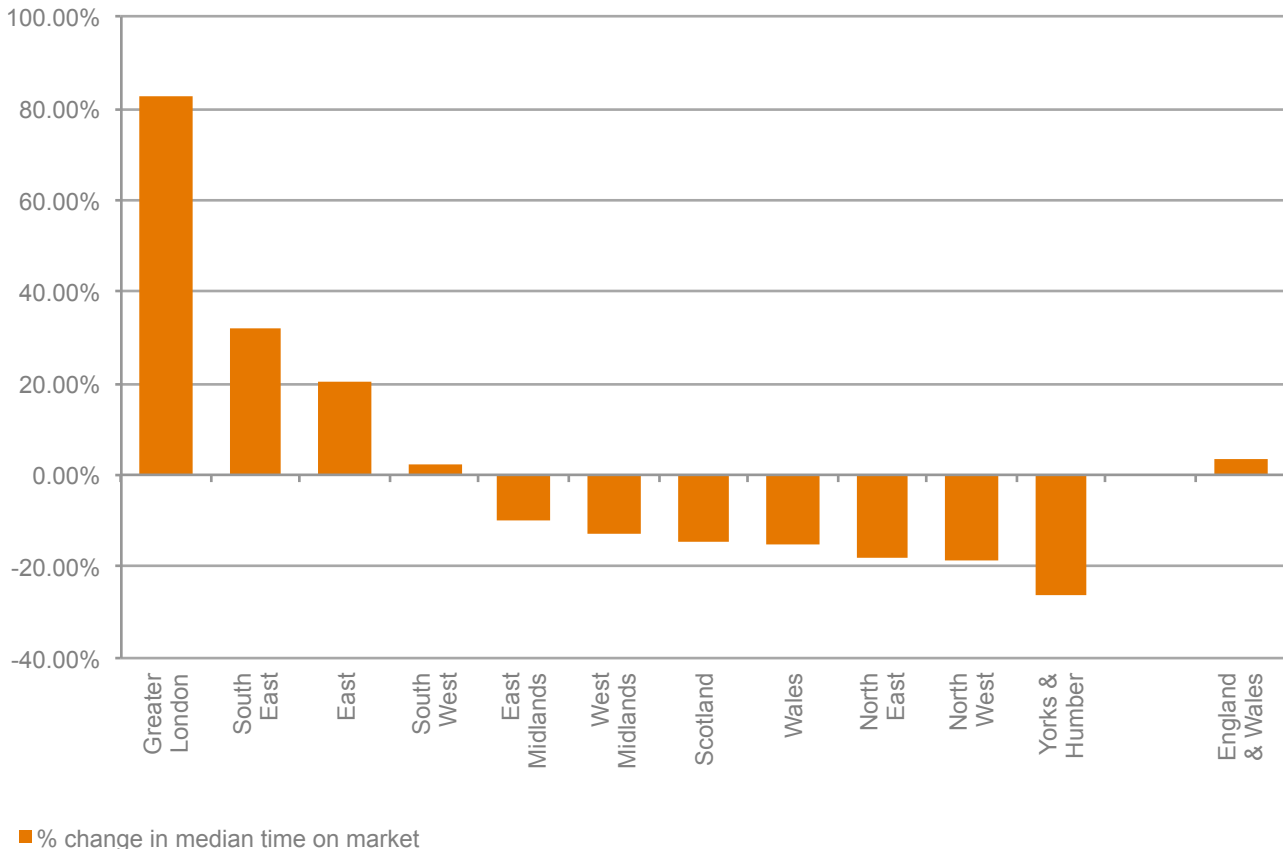
Only Wales, currently the UK's best-performing region, has achieved growth ahead of inflation (RPI ex. housing) during the last twelve months but the market is now slowing down. Supply has reduced by 6% and much momentum remains but properties in the Principality are now spending slightly longer on the market than they were a year ago.

Regional Time on Market

Whilst all regional markets have slowed since last year, it is worthwhile taking a longer view. The chart shows the five-year percentage change in Typical Time on Market. What is immediately apparent is how the median Time on Market has soared in those regions undergoing price corrections. In Greater London, the Typical Time on Market has nearly doubled since August 2014 and this highlights the relative change in momentum that occurs when a market moves from 'boom to bust'.

What is also clear is that five English regions, Scotland and Wales are all in much better shape than they were back in August 2014. This may come as a surprise considering all the doom and gloom being promulgated about Brexit. The fact is that the majority of regional property markets have more momentum than they did in 2014. Moreover, London is just beginning to pick up the pace after a long and painful price correction and now looks set to return to a period of price growth in 2020.

Five Year Change in Typical Time on Market, August 2019 vs. August 2014



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



The British property market is proving remarkably resilient.

Price falls in some regions are being countered by growth in others and hence the national average figures remain relatively benign for a post-boom period as we are experiencing. Low mortgage interest rates mean that there are few forced sales and this helps ensure that supply remains under control.

Whilst concerns over Brexit will have dampened sentiment, as does any political uncertainty, it is difficult to quantify the effect on actual prices. However, what is apparent is that the property cycle is playing out in a reasonably normal fashion, not at all resembling the potential 30% crash in prices forecast by the Bank of England.

Slowdowns and price corrections always take place after a period of overexuberant buying. This is how the market naturally realigns supply and demand, as with Adam Smith's invisible hand. Larger corrections occur after bigger booms and

London's long run of breathtaking price rises had to end and the market had to adjust.



Of course, the seeds of London's boom, which then spread out to almost all regions, were sown when the Bank of England radically slashed interest rates to unprecedented levels back in 2008/9. Standard variable rates went from north of 7% down to 2.5% within just a few months and, once the mortgage liquidity started to flow, the London house price bubble began to reinflate rapidly.

The market adapted to cheaper mortgages and then to the euphoria induced overpricing that followed. Thankfully, that's what markets do, if they are allowed to operate without too much government meddling. The London property market has rebalanced supply and demand and looks ready to return to growth next year. As they say, 'Keep Calm and Carry On'.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Aug-19
Average Asking Price	£186,681
Monthly % change	-1.2%
Annual % change	0.8%

North East	Aug-19
Average Asking Price	£160,599
Monthly % change	-0.3%
Annual % change	1.9%

Yorks & The Humber	Aug-19
Average Asking Price	£201,849
Monthly % change	-0.1%
Annual % change	2.8%

North West	Aug-19
Average Asking Price	£207,539
Monthly % change	0.1%
Annual % change	2.4%

West Midlands	Aug-19
Average Asking Price	£255,712
Monthly % change	0.2%
Annual % change	2.7%

East Midlands	Aug-19
Average Asking Price	£351,148
Monthly % change	-0.4%
Annual % change	-3.0%

East	Aug-19
Average Asking Price	£351,148
Monthly % change	-0.4%
Annual % change	-3.0%

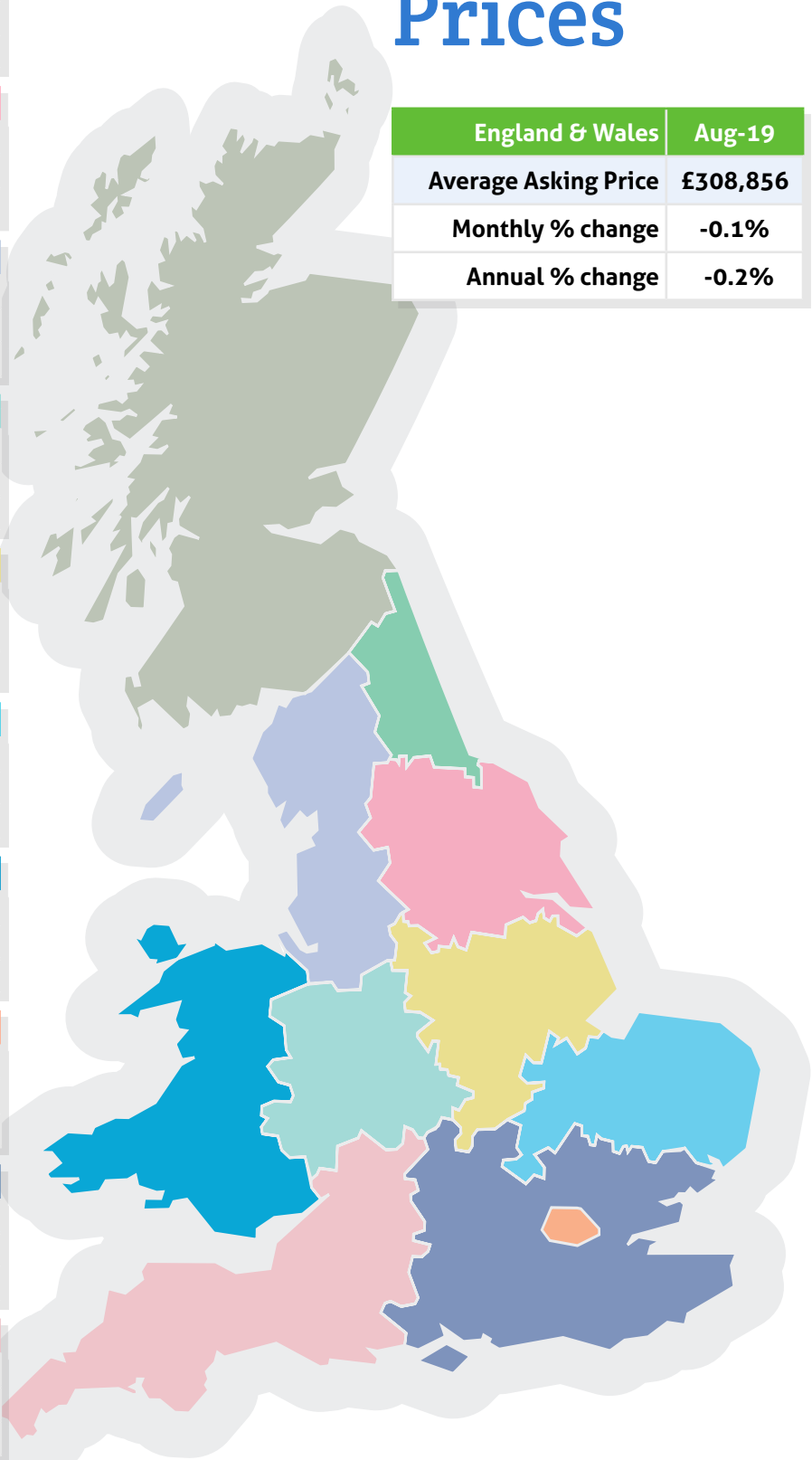
Wales	Aug-19
Average Asking Price	£211,490
Monthly % change	-0.3%
Annual % change	4.6%

Greater London	Aug-19
Average Asking Price	£516,572
Monthly % change	-0.2%
Annual % change	-1.9%

South East	Aug-19
Average Asking Price	£395,476
Monthly % change	-0.2%
Annual % change	-1.6%

South West	Aug-19
Average Asking Price	£325,282
Monthly % change	0.1%
Annual % change	-0.7%

England & Wales	Aug-19
Average Asking Price	£308,856
Monthly % change	-0.1%
Annual % change	-0.2%



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

UK Time on Market

Scotland	Aug-19
Average Time on Market	219
Typical Time on Market	95
Annual % supply change	-5%

North East	Aug-19
Average Time on Market	183
Typical Time on Market	93
Annual % supply change	-12%

Yorks & The Humber	Aug-19
Average Time on Market	167
Typical Time on Market	86
Annual % supply change	-2%

North West	Aug-19
Average Time on Market	178
Typical Time on Market	96
Annual % supply change	0%

West Midlands	Aug-19
Average Time on Market	147
Typical Time on Market	80
Annual % supply change	6%

East Midlands	Aug-19
Average Time on Market	147
Typical Time on Market	80
Annual % supply change	1%

East	Aug-19
Average Time on Market	148
Typical Time on Market	82
Annual % supply change	-3%

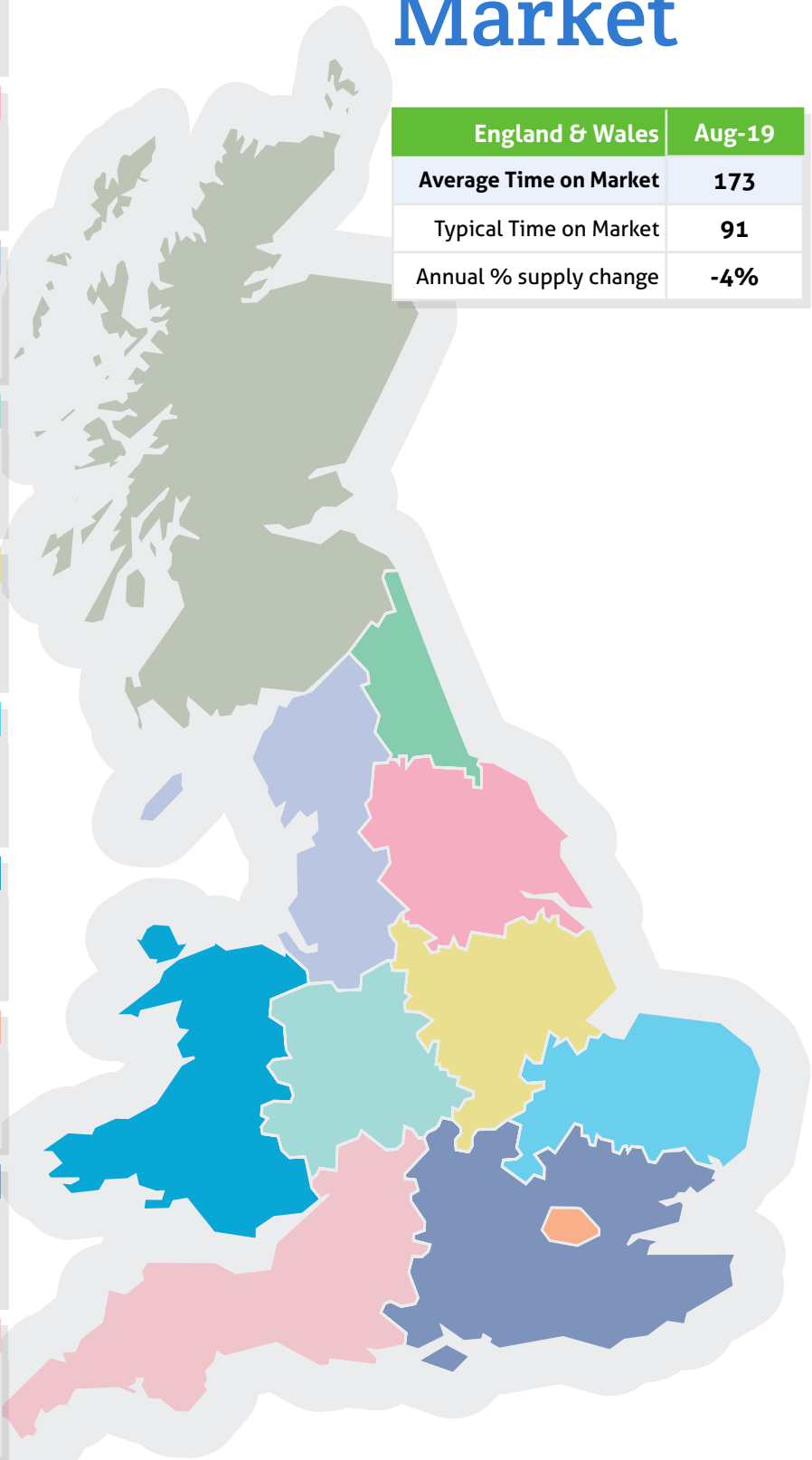
Wales	Aug-19
Average Time on Market	214
Typical Time on Market	107
Annual % supply change	-6%

Greater London	Aug-19
Average Time on Market	183
Typical Time on Market	93
Annual % supply change	-12%

South East	Aug-19
Average Time on Market	151
Typical Time on Market	82
Annual % supply change	-5%

South West	Aug-19
Average Time on Market	163
Typical Time on Market	86
Annual % supply change	-7%

England & Wales	Aug-19
Average Time on Market	173
Typical Time on Market	91
Annual % supply change	-4%



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

- Thursday 12th September
- Tuesday 15th October
- Tuesday 12th November