

Home Prices Catch a Winter Chill

Headlines

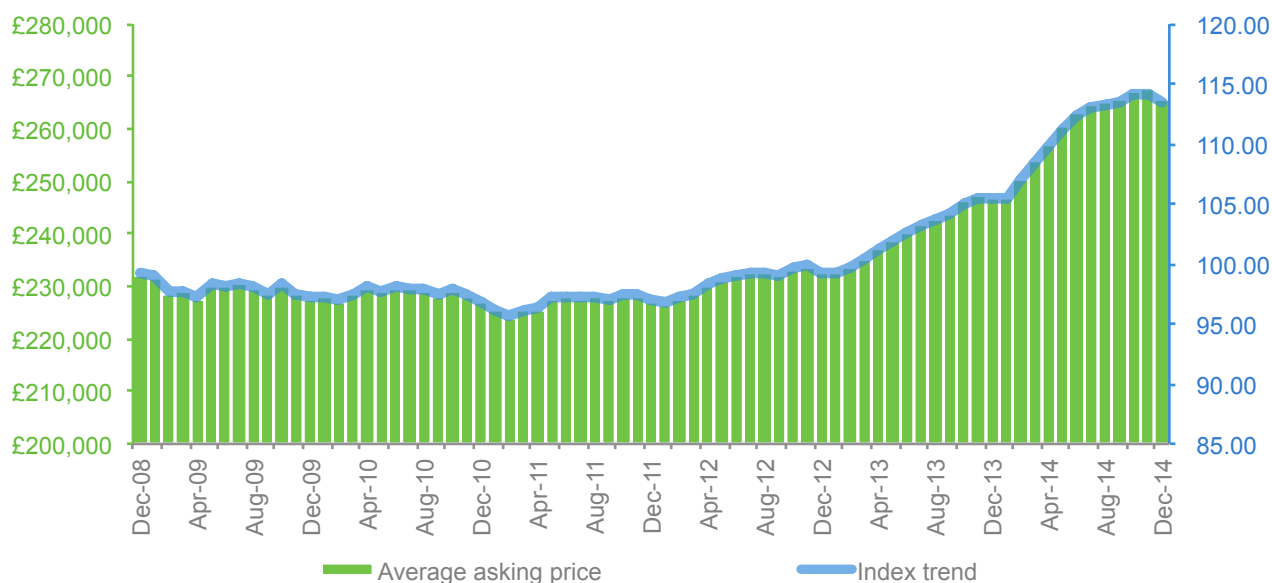
- Asking prices fall in all English regions and Wales.
- Prices fell 0.7% overall in England and Wales during the last month.
- The average annual appreciation for England and Wales falls to 7.6%.
- Only Scotland showed a month-on-month gain (0.3%).
- Supply of property for sale in Greater London up by 39% (vs. November 2013) and by 7% across the UK.
- Prices continue to tread water in the North.
- Prices predicted to rise 7% overall in 2015.

Summary

At the end of what was a very positive year for UK property overall, home prices have finally dipped in line with seasonal expectations. The mix-adjusted average asking price for England and Wales rose 7.6% during 2014. Most of the price growth was observed in London and the South. Indeed, Greater London experienced growth of 15.9% over the last twelve months, and some price moderation is sorely needed in this overheated market. Supply in the capital region has risen considerably since last year (+39%), and this will serve to attenuate price rises in 2015.

Looking ahead, we anticipate that 2015 will be a more consistent year for UK property prices than 2014. With the London market showing signs of slowing down (mainly Prime Central London), we expect the UK average price to rise less quickly next year. Record low mortgage rates will stoke demand whilst record prices in London and the South East will encourage more potential vendors to cash in. Hence, both supply and demand is expected to rise, thereby increasing the volume of the sales market (towards more 'normal' levels).

Home Asking Price Trend for England & Wales



Source: Home.co.uk, December 2014

Regional Market Round-up

Aside from the dramatic price performance in the capital, the best performing regions in 2014 were East Anglia and the South East, posting rises of 9.0% and 8.3% respectively. The worst performing English region was the North East which registered a sub-inflation rise of just 0.9%. Wales has not performed much better; prices in the principality have risen by just 1.6% over the last 12 months. The fortunes of the UK property market have been highly disparate on a geographic basis in 2014, and we expect this situation to lessen in 2015 as price growth spreads further out into the regions.

Supply of property for sale overall has not increased significantly, rising by around just 7% over the course of the year. However, exceptional rises in supply have been observed in London and the South East (+39% and +13% respectively). Scotland has also experienced a rise in supply post-referendum of 9%.

Time on market figures have improved across all the regions in 2014 as the market has gained momentum. The average marketing time for

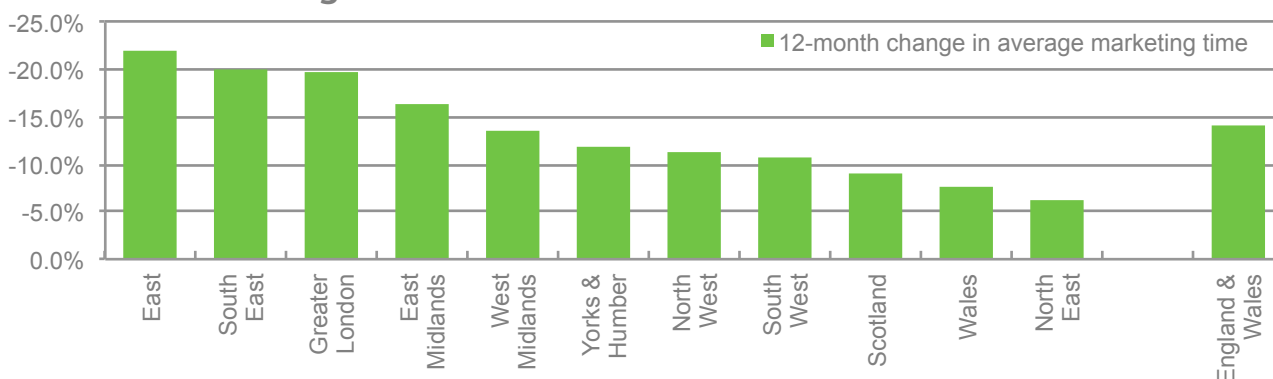
England and Wales has fallen from 227 days in Dec. 2013 to the current figure of 195 days (an improvement of 14%). Even in the North, where prices are essentially static, marketing times have improved. It is pertinent to note that the South East and East Anglia have both shown better relative improvements in marketing times than London. This observation leads us to suggest that it will be these two regions that will lead price growth in 2015.

Year-on-Year Asking Price Change Moderates Further

The average mix-adjusted 12-month change in asking prices for England and Wales surged to a maximum in June (9.6%) and is steadily falling back.

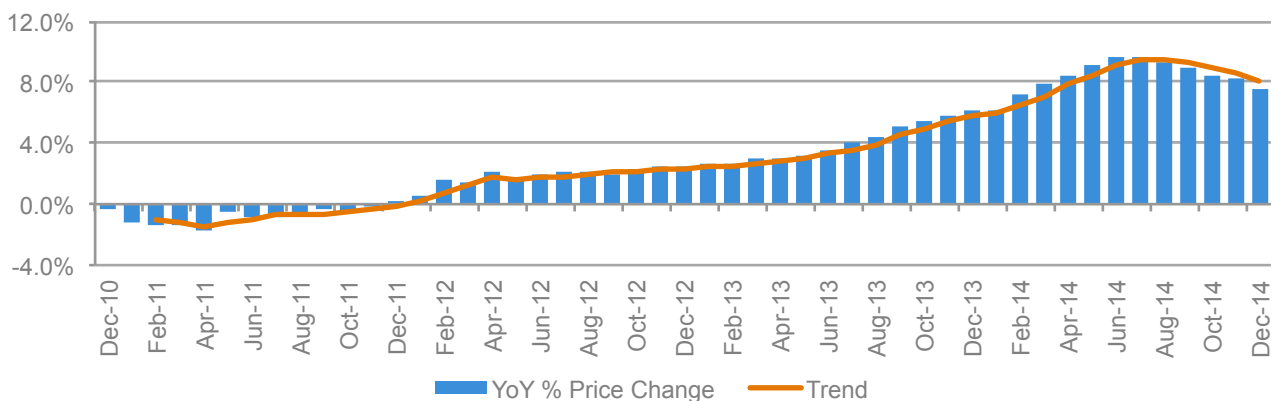
The average year-on-year price change trend for England and Wales (below) shows an end to the accelerating price growth observed over most of the last two years. Annualised gains are being eroded in the current cooler market (now 7.6%), and we expect this gentle downtrend to level out in 2015.

Reductions in Regional Time on Market



Source: Home.co.uk, December 2014

12-Month Change in Asking Prices by Month (England & Wales)



Source: Home.co.uk, December 2014



What does 2015 hold in store for UK property?

At this time of year, it is common practice to offer some tentative predictions as to how the UK property market will fare in the New Year. Last year, we successfully predicted the meteoric rise in London home prices and the poor performance of the North and Wales. However, Scottish home prices performed somewhat better than we anticipated. So without further ado, here are our expectations for 2015.

Key points:

1. **Property asking prices will continue to rise overall by around 7%.**
2. **Price growth will be most pronounced in the South (especially the South East and East Anglia), although the northern markets will continue to improve, albeit slowly.**
3. **Price rises will be less pronounced in London than they were in 2014 (+10%).**
4. **Supply of property for sale will increase by around 25% over the course of 2015.**

2015 will be a year of more even growth for UK property prices than 2014. As the London market shows further signs that supply is rising to meet demand, we expect the UK average price to rise less quickly overall next year. However, record low mortgage rates will continue to stoke demand, whilst record prices in London and the South East will encourage more potential vendors to cash in. Both supply and demand will rise, thereby increasing the volume of the sales market. As in 2014, Buy-to-Let will continue to be a highly popular investment choice despite falling yields (due a combination of rising prices and a squeeze on lower earners' real incomes).

It should be noted that the above predictions are based on a key assumption: no change in interest rates. Should there be even a small rise in the Bank of England base rate, market sentiment would be severely dampened. A more dramatic hike of 1% would likely bring down price growth to zero for 2015.



2014 has been a strong year for UK property but not all regions prospered the same. 2015 looks likely to be a year of more even growth across the country.



East Anglia and the South East look set to be the leading regional markets next year owing to their much improved marketing times. Supply of property for sale remains low historically in these regions and this will keep prices on an upward trajectory, although we do anticipate market volume to steadily increase over the course of 2015.

The East Midlands also looks primed for a good year ahead; we expect above average price growth and lower marketing times in 2015.

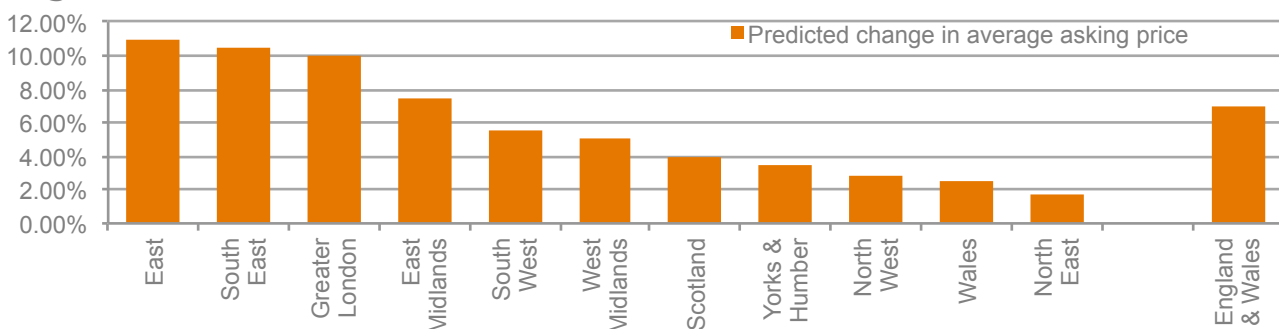
Looking further afield, the North of England property market, hampered by employment problems and austerity measures, will continue to improve slowly, as will Wales.

Across in the South West and West Midlands, further market improvements are to be expected, but growth there is likely to be slightly lower than the national average.

Doug Shephard
Director at Home.co.uk



Regional Home Price Predictions for 2015



Source: Home.co.uk, December 2014

UK Asking Prices

Scotland	Dec-14
Average Asking Price	£162,789
Monthly % change	0.3%
Annual % change	3.7%

North East	Dec-14
Average Asking Price	£152,946
Monthly % change	-0.1%
Annual % change	0.9%

Yorks & The Humber	Dec-14
Average Asking Price	£171,266
Monthly % change	-0.9%
Annual % change	1.8%

North West	Dec-14
Average Asking Price	£176,251
Monthly % change	-0.8%
Annual % change	2.0%

West Midlands	Dec-14
Average Asking Price	£202,323
Monthly % change	-0.7%
Annual % change	3.5%

East Midlands	Dec-14
Average Asking Price	£192,662
Monthly % change	-0.4%
Annual % change	5.6%

East	Dec-14
Average Asking Price	£282,236
Monthly % change	-0.7%
Annual % change	9.0%

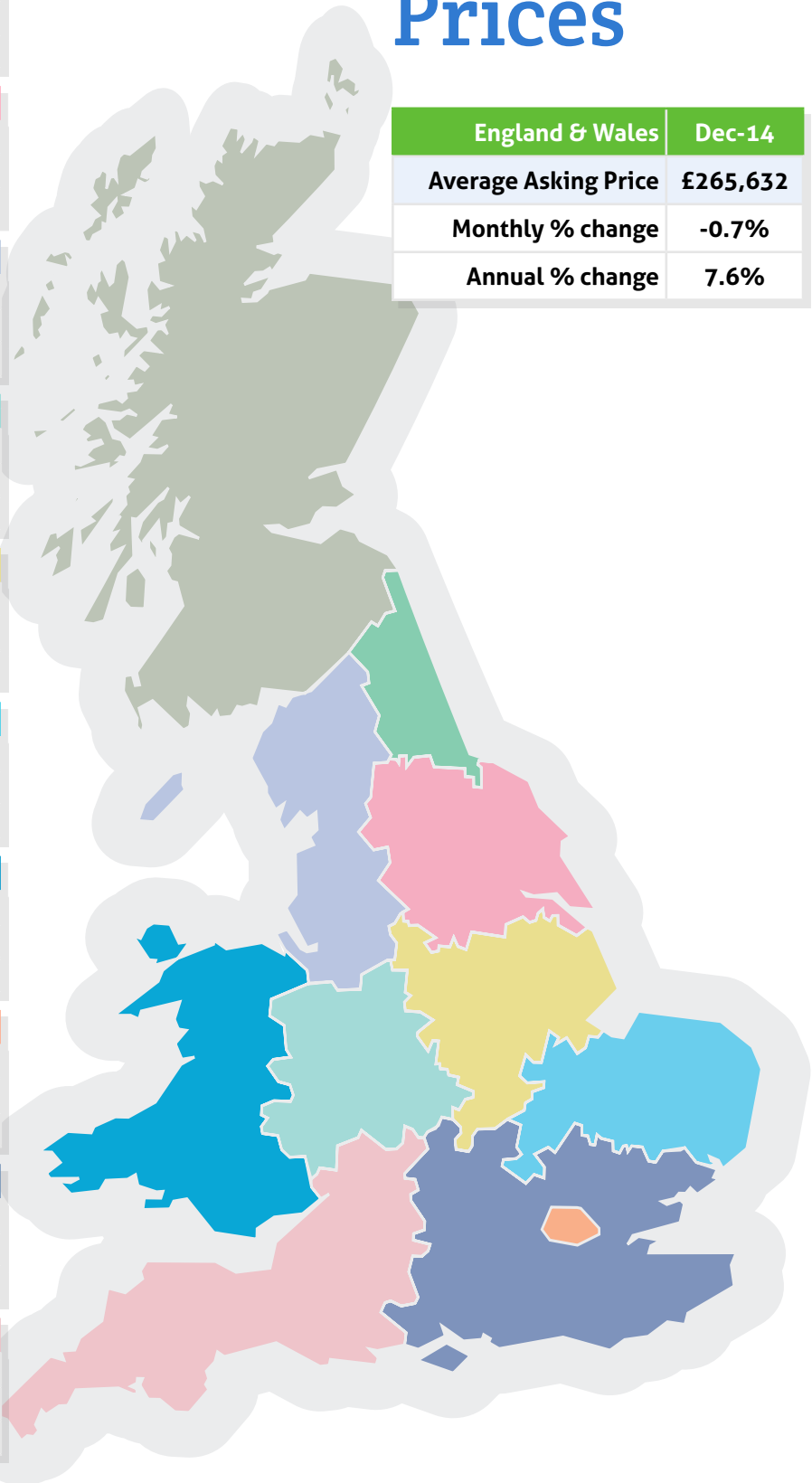
Wales	Dec-14
Average Asking Price	£179,259
Monthly % change	-0.4%
Annual % change	1.5%

Greater London	Dec-14
Average Asking Price	£475,864
Monthly % change	-0.2%
Annual % change	15.9%

South East	Dec-14
Average Asking Price	£342,957
Monthly % change	-1.3%
Annual % change	8.3%

South West	Dec-14
Average Asking Price	£278,901
Monthly % change	-0.9%
Annual % change	4.2%

England & Wales	Dec-14
Average Asking Price	£265,632
Monthly % change	-0.7%
Annual % change	7.6%



Source: Home.co.uk, December 2014

UK Time on Market

Scotland	Dec-14
Average Time on Market	251
Typical Time on Market	138
Annual % supply change	9%

North East	Dec-14
Average Time on Market	311
Typical Time on Market	159
Annual % supply change	-5%

Yorks & The Humber	Dec-14
Average Time on Market	239
Typical Time on Market	133
Annual % supply change	-3%

North West	Dec-14
Average Time on Market	237
Typical Time on Market	134
Annual % supply change	4%

West Midlands	Dec-14
Average Time on Market	192
Typical Time on Market	111
Annual % supply change	3%

East Midlands	Dec-14
Average Time on Market	183
Typical Time on Market	107
Annual % supply change	-3%

East	Dec-14
Average Time on Market	139
Typical Time on Market	85
Annual % supply change	3%

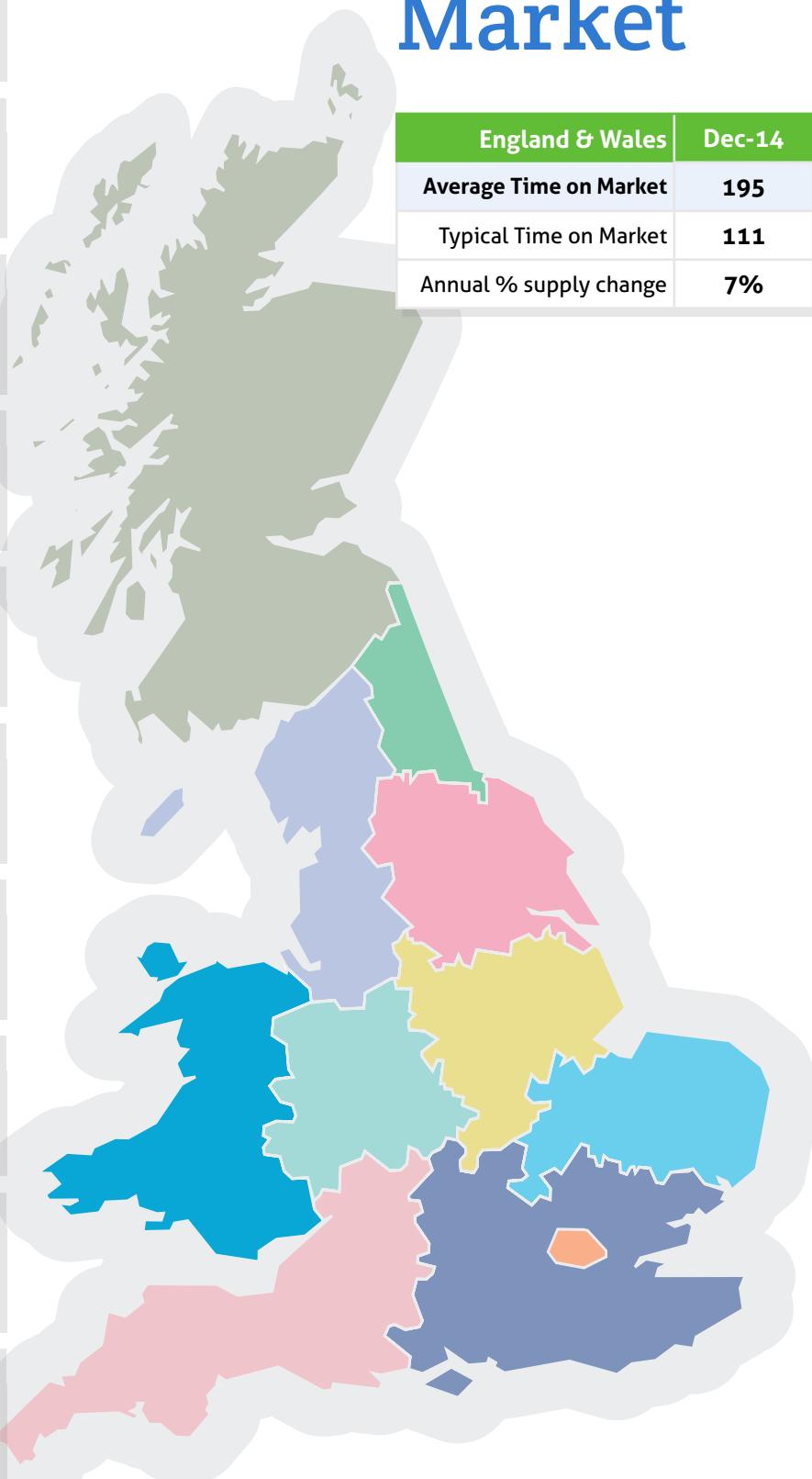
Wales	Dec-14
Average Time on Market	275
Typical Time on Market	152
Annual % supply change	4%

Greater London	Dec-14
Average Time on Market	110
Typical Time on Market	72
Annual % supply change	37%

South East	Dec-14
Average Time on Market	123
Typical Time on Market	77
Annual % supply change	13%

South West	Dec-14
Average Time on Market	168
Typical Time on Market	105
Annual % supply change	-1%

England & Wales	Dec-14
Average Time on Market	195
Typical Time on Market	111
Annual % supply change	7%



Source: Home.co.uk, December 2014. 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:

- Wednesday 14th January
- Thursday 12th February
- Thursday 12th March