



Asking Price Index

Released 15/12/15 December 2015

Stock Levels Crash but Price Hikes Take a Seasonal Pause

Headlines

- The total stock of property for sale, which was already at unprecedented low levels, has diminished by a further 16% since December last year.
- Asking prices remain unchanged overall since last month.
- The average annual home price appreciation for England and Wales rises further to 8.0%, driven by lack of supply and cheap borrowing.
- Typical time on market is 104 days across England and Wales; six days less than in December 2014.
- Vigorous price hikes in East of England home prices have outpaced Greater London over the last six months.
- Supply of property entering the market indicates alarming annual declines in all regions, with the harshest shortages in London, the South East, West Midlands, Scotland and, most severely, in the East of England.
- Prices dipped in the East, North East, North West, South East, South West, Wales and Yorkshire during the last month.

Summary

The UK property marketplace continues to contract as supply continues to diminish. Currently, there are 47% fewer properties for sale than in Dec 2007. Shortages of stock for sale are worst in the regions where prices are rising the quickest, creating a vicious circle of spiralling price hikes.

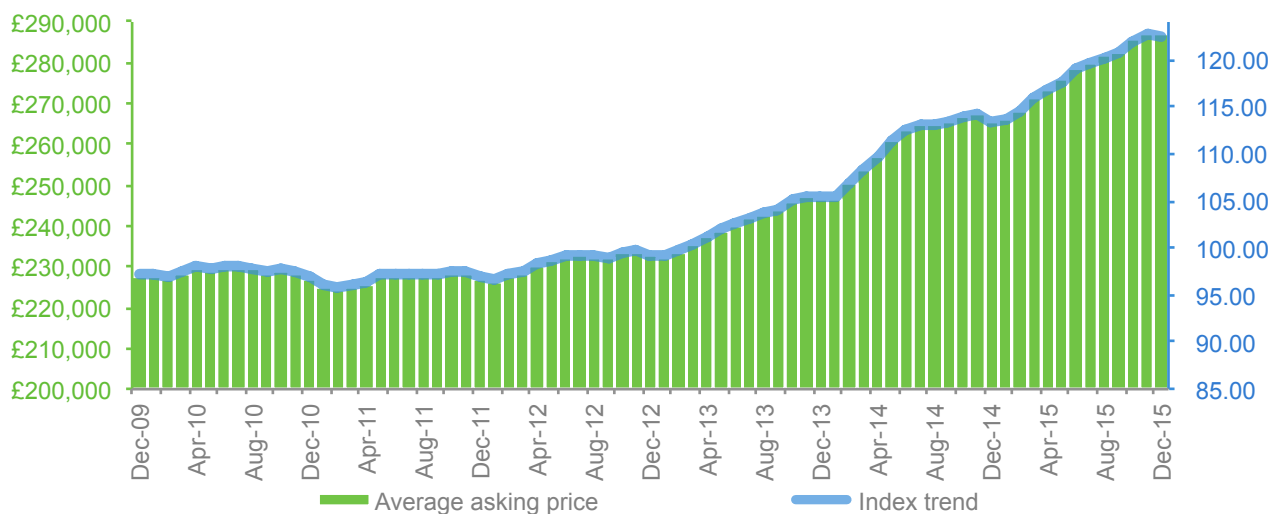
Last month, around 12,000 (15%) fewer properties entered the marketplace compared to November 2014, thereby accelerating the already well-established downward trend in stock levels. In turn, this lack of supply has driven overall annual price gains back up to 8.0%, despite the seasonal slowdown.

In the East of England, where price rises have eclipsed London and the South East over the last six months, the number of properties entering the market has fallen by 20% over the past 12 months. Moreover, there are 74% fewer properties entering the market in this region than there were back around the peak of the last property boom in 2007.

The typical time on market for England and Wales has also been reduced by the imbalance between demand and supply; currently 104 days, which is six days less than a year ago.

Overall, the current mix-adjusted average asking price for England and Wales is now 26.5% higher than it was in December 2010. Significant additional upward pressure on this headline figure will come from the Midlands and the South West, as well as from London, the East and the South East of England over the course of 2016, as competition in these regions intensifies for the limited stock available.

Home Asking Price Trend for England & Wales



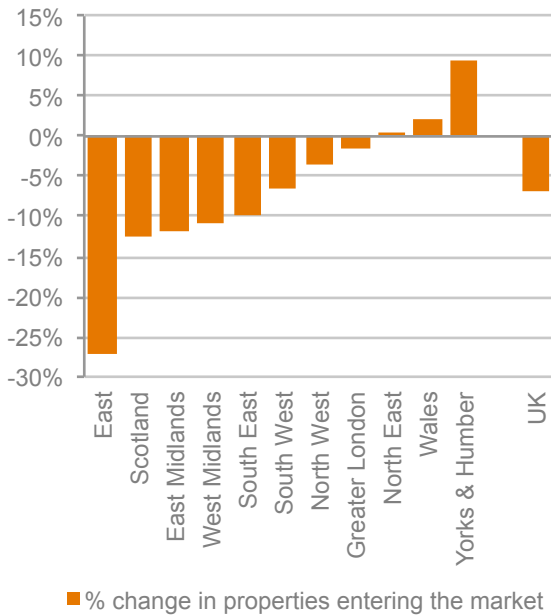
Source: Home.co.uk, December 2015



Regional Market Round-up

Supply, or rather the lack of it, is the key driver in the market today. Hence, we take a look at how the flow rates of properties have changed over the last five years at a regional level.

5-year Regional Supply Change (Nov 2015 vs. Nov 2010)



Source: Home.co.uk, December 2015

The largest contraction in supply for any region over the last five years is to be observed in the East of England. 27% fewer properties are currently entering the market, and this has led to the present imbalance in supply and demand which is driving prices higher faster than in any other region.

Scotland, the East and West Midlands also indicate significant supply drops (-13%, -12% and -11% respectively), and these regions look poised to see home price rises accelerate in 2016.

At the other end of the spectrum, Wales and Yorkshire have shown an increase in supply over the last five years. This strongly suggests that significant price growth will not materialise in these regions in the immediate future but, since stock levels are currently in decline, it may be 2017 before we see sufficient supply imbalance to make prices take off as we have seen in the South.

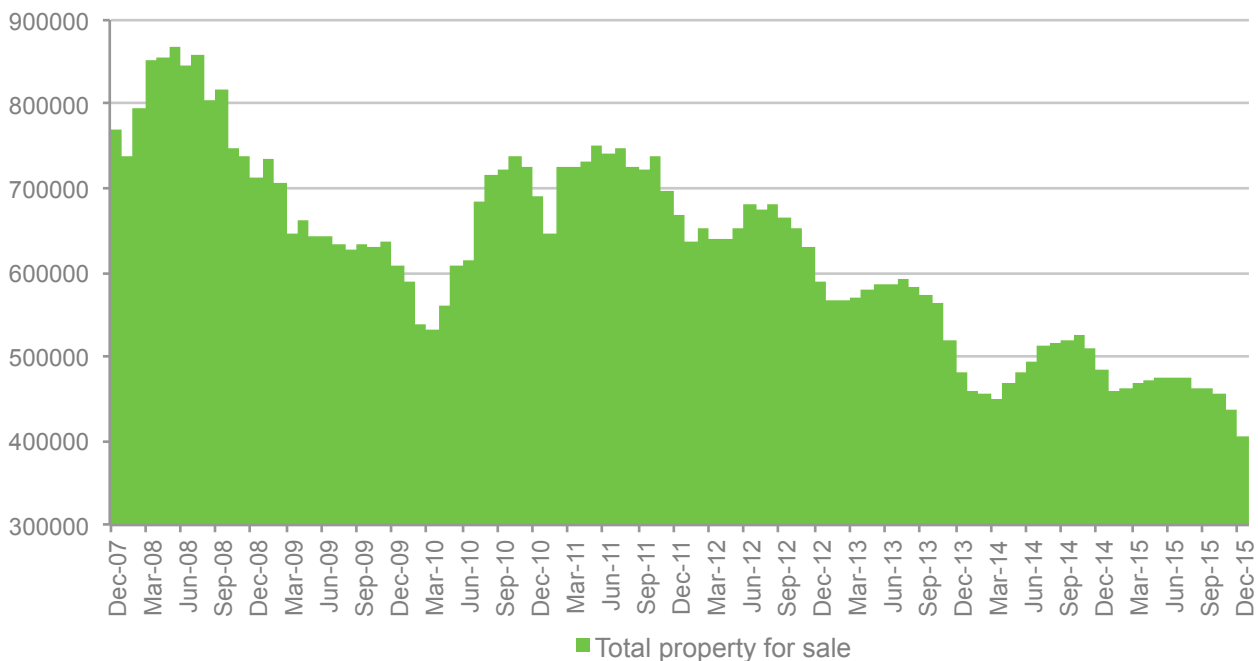
It is also worthy to note that, back in 2010, London's supply problems had already become established, and this in turn drove prices up by 58% over the following half-decade.

For more information on regional property market performance please see pages 4 and 5 of this report.

Ever Fewer Properties For Sale

We published this chart last month but such is the importance of this trend, here it is again, updated:

Property on the Market (England and Wales)



Source: Home.co.uk, December 2015





If we extrapolate the current downward trend in stock levels, there will be no property for sale in December 2022.

Of course, this is merely an absurd hypothesis, but it serves to illustrate that, at some point, the market dynamic must change and supply must increase. When supply does increase at a rate sufficient to rebuild stock levels, it will of course be greater than buyer demand. Such periods in the economic cycle of the property market are commonly referred to as 'downturns' and during such times prices fall.

What will trigger the next downturn? Property is a highly leveraged market and history shows that a rise in interest rates has almost always been the cause of a house price correction. This could be the case again although the trigger may well be different in these interventionist times.

Current economic policy is far from normal. The financial crisis elicited desperate measures and interest rates have been pegged at the lowest level they have been since the formation of the Bank of England in 1694. In the short term, this has allowed our government to service extraordinary debt levels and fuelled an artificial house price

boom. However, we must be mindful that we are risking our futures in the biggest economic experiment of all time. Japan has shown us that, despite many attempts, they have found no escape from their multi-decade-long Zero Interest Rate Policy, hence the much discussed interest rate rise may never materialise.



For the time being, stock levels look set to fall further over the course of 2016 and prices will continue their upward spiral. However, at some point in the not too distant future there will be an economic shift (for example, heavy taxation of Buy-to-Let landlords?) that will cause the supply of property for sale to exceed demand (as has occurred in Central London). Which levers the economic interventionists will pull at that point is anybody's guess.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Dec-15
Average Asking Price	£170,381
Monthly % change	0.2%
Annual % change	4.7%

North East	Dec-15
Average Asking Price	£153,067
Monthly % change	-0.1%
Annual % change	0.1%

Yorks & The Humber	Dec-15
Average Asking Price	£175,440
Monthly % change	-0.4%
Annual % change	2.4%

North West	Dec-15
Average Asking Price	£179,533
Monthly % change	-0.1%
Annual % change	1.9%

West Midlands	Dec-15
Average Asking Price	£212,894
Monthly % change	0.2%
Annual % change	5.2%

East Midlands	Dec-15
Average Asking Price	£200,848
Monthly % change	0.2%
Annual % change	4.2%

East	Dec-15
Average Asking Price	£311,140
Monthly % change	-0.3%
Annual % change	10.2%

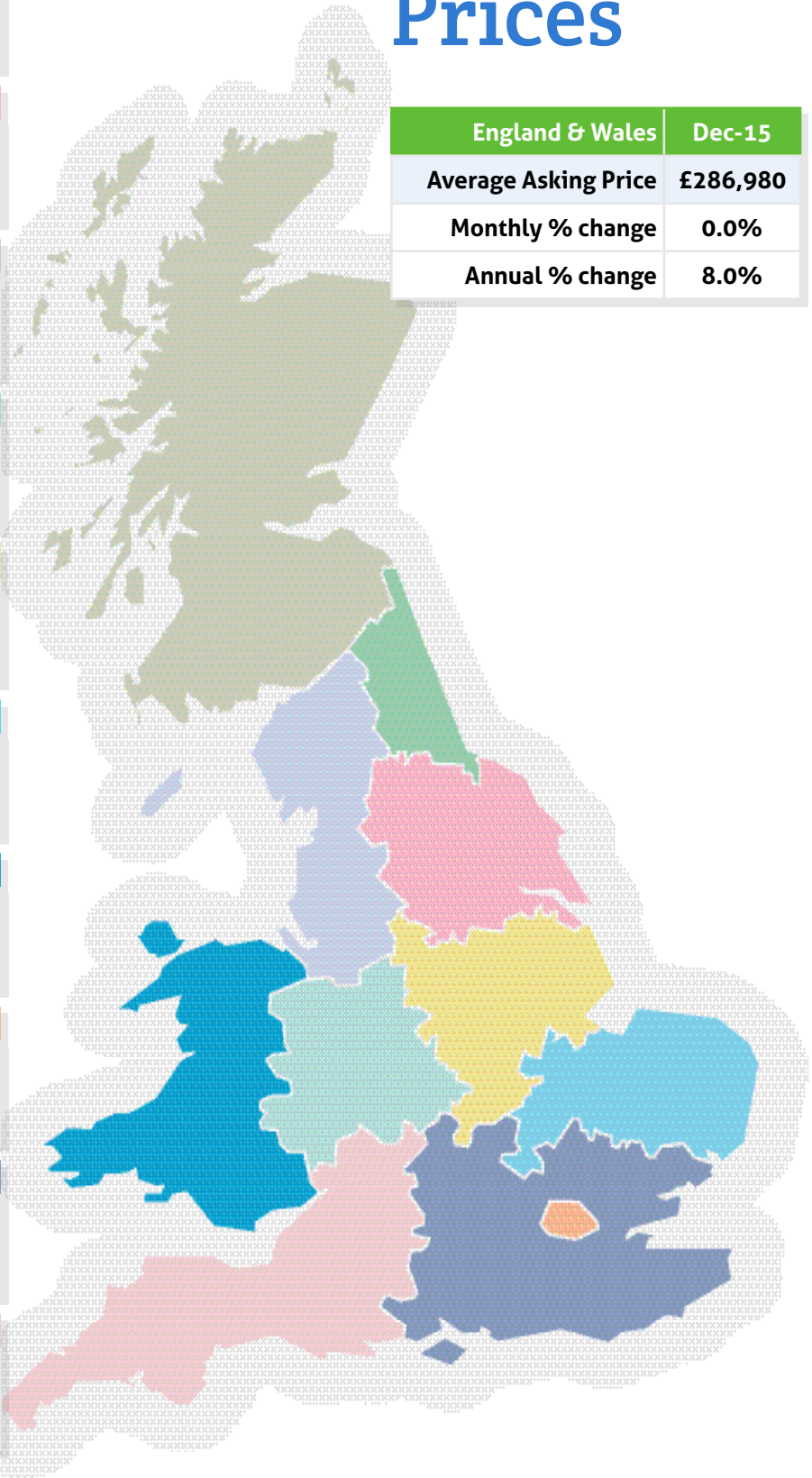
Wales	Dec-15
Average Asking Price	£183,928
Monthly % change	-0.4%
Annual % change	2.6%

Greater London	Dec-15
Average Asking Price	£539,228
Monthly % change	0.5%
Annual % change	13.3%

South East	Dec-15
Average Asking Price	£379,355
Monthly % change	-0.1%
Annual % change	10.6%

South West	Dec-15
Average Asking Price	£293,420
Monthly % change	-0.5%
Annual % change	5.2%

England & Wales	Dec-15
Average Asking Price	£286,980
Monthly % change	0.0%
Annual % change	8.0%



Source: Home.co.uk, December 2015

UK Time on Market

Scotland	Dec-15
Average Time on Market	249
Typical Time on Market	128
Annual % supply change	-17%

North East	Dec-15
Average Time on Market	275
Typical Time on Market	145
Annual % supply change	-3%

Yorks & The Humber	Dec-15
Average Time on Market	219
Typical Time on Market	123
Annual % supply change	-10%

North West	Dec-15
Average Time on Market	219
Typical Time on Market	126
Annual % supply change	-14%

West Midlands	Dec-15
Average Time on Market	183
Typical Time on Market	106
Annual % supply change	-18%

East Midlands	Dec-15
Average Time on Market	171
Typical Time on Market	100
Annual % supply change	-15%

East	Dec-15
Average Time on Market	130
Typical Time on Market	74
Annual % supply change	-20%

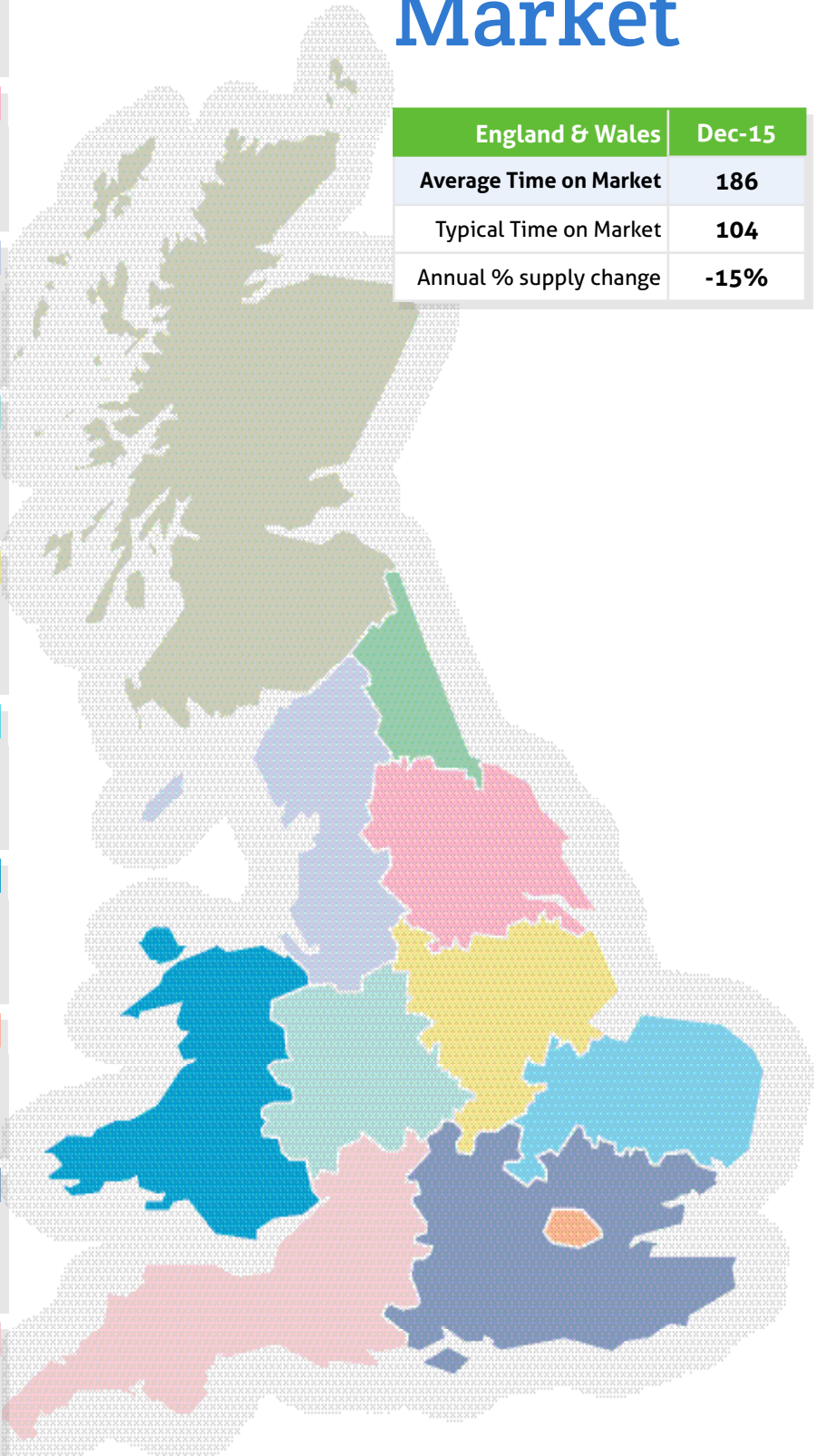
Wales	Dec-15
Average Time on Market	256
Typical Time on Market	149
Annual % supply change	-11%

Greater London	Dec-15
Average Time on Market	117
Typical Time on Market	68
Annual % supply change	-17%

South East	Dec-15
Average Time on Market	114
Typical Time on Market	69
Annual % supply change	-19%

South West	Dec-15
Average Time on Market	166
Typical Time on Market	100
Annual % supply change	-14%

England & Wales	Dec-15
Average Time on Market	186
Typical Time on Market	104
Annual % supply change	-15%



Source: Home.co.uk, December 2015. 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:
<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:

- **Tuesday 12th January**
- **Friday 12th February**
- **Monday 14th March**