

Price Hike Alert: London Leads the Charge

Headlines

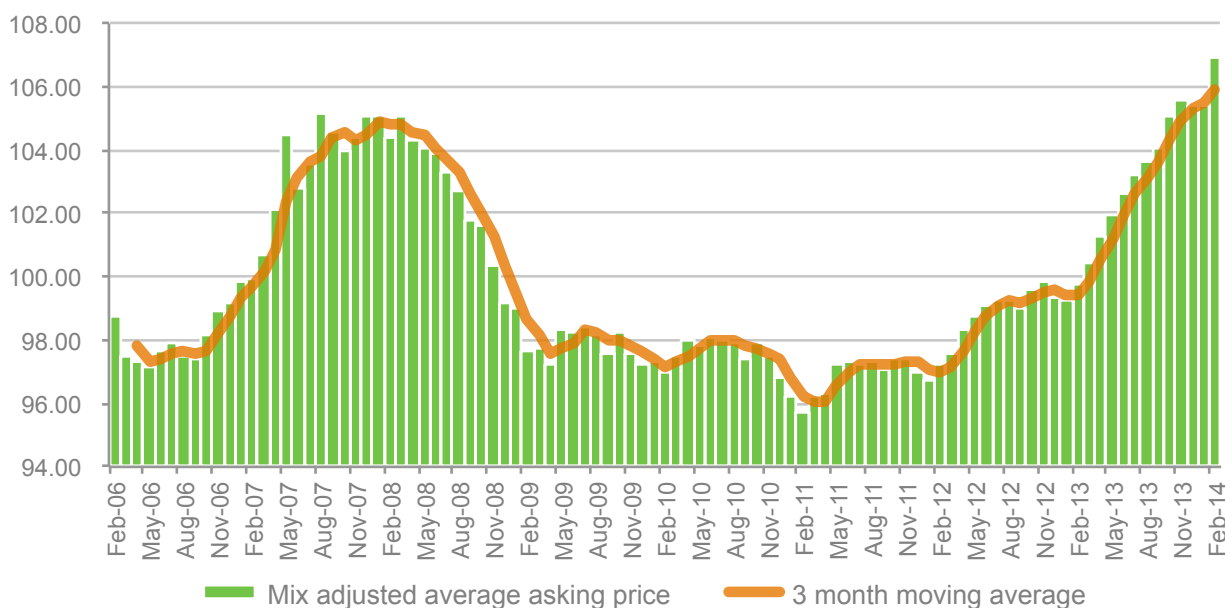
- Home prices across England and Wales leapt 1.5% over the last month, the greatest monthly price hike seen since May 2007
- Greater London home prices surge even higher: up 3.1% since January and up 16.7% year-on-year
- Typical time on market now three days less than in February 2013
- Supply of properties for sale down 11% nationwide and down 28% in Greater London since this time last year
- Prices on the rise in every English region, Scotland and Wales

Summary

As forecast by this index, home prices are 'quick out of the blocks' this year, fuelled by low mortgage rates and the Help to Buy scheme. Encouraged by a wave of optimism, vendors' asking prices are up all across mainland UK. London leads the charge with an eye-watering rise of 3.1% in just one month. Fierce competition amongst buyers for precious few properties on the market has now driven the annualised rise to a very bubbly 16.7%.

The stock drought, whilst most severe in and around the capital, continues to worsen across southern and eastern regions of England and Wales. However, perhaps tempted by positive media coverage, significantly more vendors entered the market last month in Yorkshire, the North East and the North West. Rising supply in these regions will serve to attenuate any further price rises. Despite this, overall stock levels remain severely depleted across England and Wales and the number of fresh sales stock that entered the market last month was down 11% year-on-year.

Home Price Trend for England and Wales

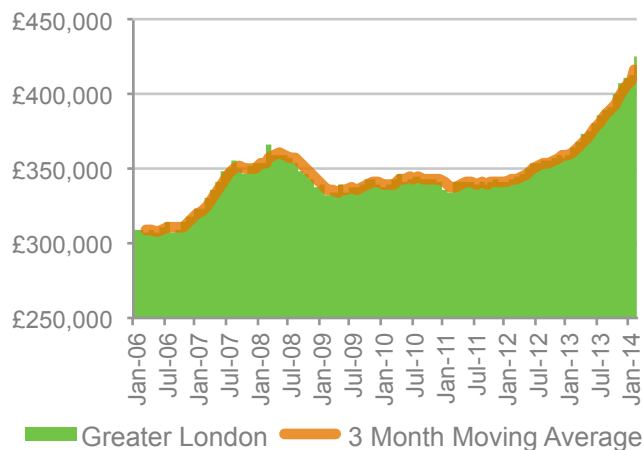


Source: Home.co.uk, February 2014

London Leads the Charge

A 3.1% rise in a single month is simply breathtaking. The accelerating pace of price rises suggests that the London property market will easily achieve price growth of 20.2% in 2014 (our forecast). Only around 55% of the current for sale stock in this region weighs in below the £600,000 threshold for the Help to Buy scheme. As prices continue to rise, this portion of the market will almost certainly become a minority.

Asking Price Movements for Greater London



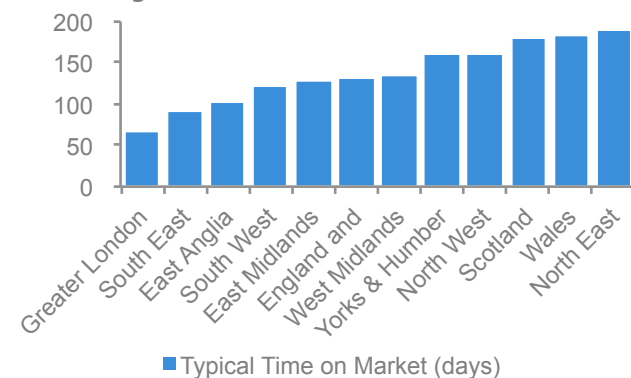
Greater London 3 Month Moving Average

The London market is now cursed with the unpleasant modus operandi of a market in the throes of a speculative bubble. Gazumping and price rises whilst on market are now commonplace, much to the ire of desperate buyers who have 28% fewer properties to choose from compared to just one year ago.

Time on Market Falls

Whilst prices in the capital continue to inflate, buyer demand has reduced the typical time on market to just 67 days. This is the lowest February figure since 2007. Elsewhere, marketing times are also falling as spring approaches. East Anglia witnessed the largest monthly drop of 12 days to give a current median marketing time of 102 days, as this regional market picks up momentum. Time on market remains essentially unchanged in the North East, Scotland and Wales since last month, as these areas have yet to see the expected seasonal upturn in activity.

Marketing Times



■ Typical Time on Market (days)

Sources: Home.co.uk, February 2014



Home prices are rising unsustainably fast in London and the South



East. Whilst many applaud the effects of neo-Keynesian economic wizardry, more sober observers may wonder how this asset bubble-inflating policy might play out in the medium term for one of the most indebted nations on Earth.

Of course, rapidly rising house prices precipitate a groundswell of support for current economic policy (and makes banks and building societies' lending books look much more solid). However, inflating the cost of housing does nothing for the nation's international competitiveness and will only hasten the current tide of quality jobs heading overseas. Until interest rates return to normal levels and government incentives for buyers cease, we remain in an artificial market subject to the vagaries of government policy and economic tinkering on an unprecedented scale.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

| Scotland | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £157,938 |
| Monthly % change | 1.01% |
| Annual % change | -0.91% |

| North East | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £152,050 |
| Monthly % change | 0.58% |
| Annual % change | 0.01% |

| Yorks & The Humber | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £167,998 |
| Monthly % change | 0.14% |
| Annual % change | 0.54% |

| North West | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £173,455 |
| Monthly % change | 0.39% |
| Annual % change | 1.38% |

| West Midlands | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £195,796 |
| Monthly % change | 0.49% |
| Annual % change | 3.81% |

| East Midlands | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £184,071 |
| Monthly % change | 0.64% |
| Annual % change | 5.56% |

| East | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £262,207 |
| Monthly % change | 1.48% |
| Annual % change | 5.05% |

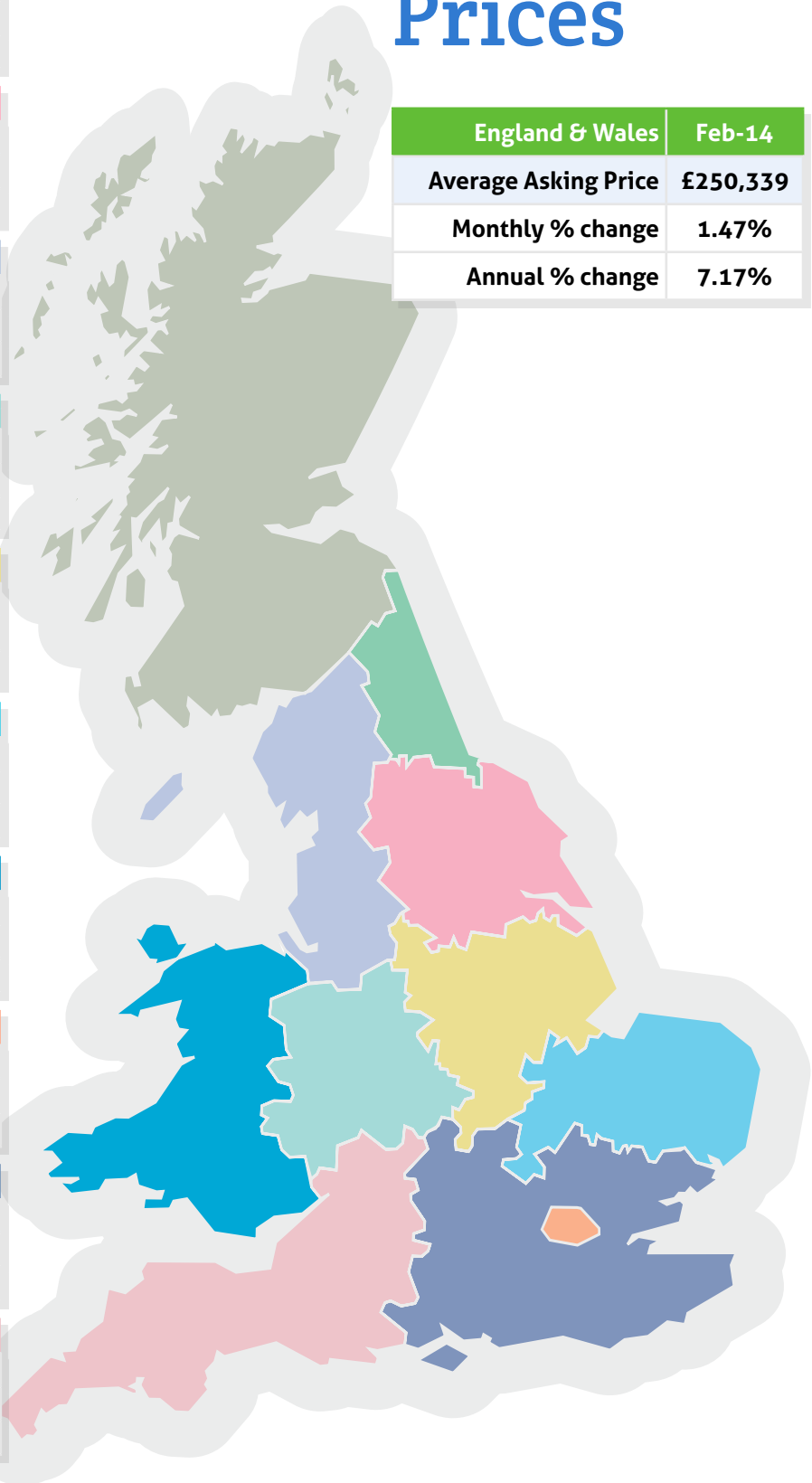
| Wales | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £177,517 |
| Monthly % change | 0.28% |
| Annual % change | 1.95% |

| Greater London | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £424,965 |
| Monthly % change | 3.07% |
| Annual % change | 16.67% |

| South East | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £322,746 |
| Monthly % change | 1.90% |
| Annual % change | 8.17% |

| South West | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £268,150 |
| Monthly % change | 0.84% |
| Annual % change | 5.58% |

| England & Wales | Feb-14 |
|-----------------------------|-----------------|
| Average Asking Price | £250,339 |
| Monthly % change | 1.47% |
| Annual % change | 7.17% |



Source: Home.co.uk, February 2014

The UK's Bipolar Housing Market Gets Worse

Over the last five years, home prices in Greater London have risen by 27.8% while prices in the North East have fallen 5.8%. The mix-adjusted average house price in Greater London is £424,965 whilst in the North East it is £152,050. Moreover, the gap is getting wider and wider.

What is sure and certain is that, unlike the capital, the North East is not in the throes of a speculative bubble, but that is little succour for those homeowners trapped in negative equity ever since the financial crisis of 2007.

Since the fall of Northern Rock, we have witnessed a redistribution of housing wealth across the UK. Over recent years, prices have rocketed in London and the South East, taking home values to well above their pre-crisis peaks, whilst other regional markets such as the North East, the North West, Yorkshire & Humber, Wales and Scotland all still register negative price growth over the last five years. Help to Buy may well do some good in these regions, but more jobs would be much better for the regional economies.

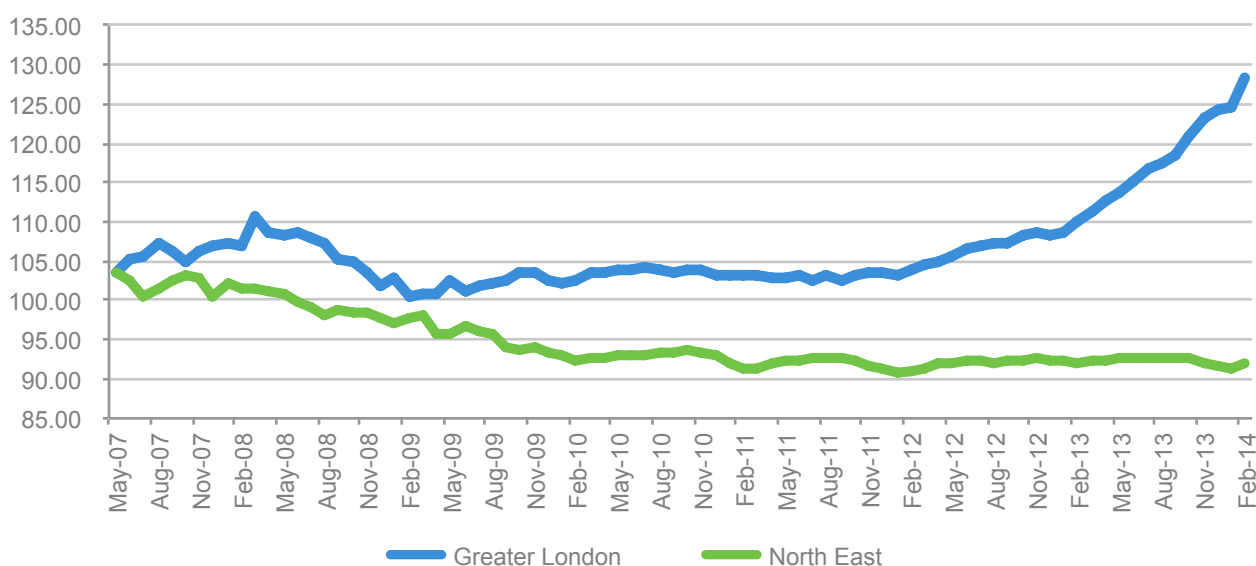
Doug Shephard, director at Home.co.uk, warned:

"Clearly, a one-size-fits-all economic policy cannot work across such disparate markets. The North, Wales and Scotland need to see more stimuli and less austerity.

However, aside from the gross economic inequalities between the North and South, the greatest danger lies in the fact that London and the South East alone represent more than half the value of the English private housing stock. The Greater London property bubble is now spreading out into the South East and East Anglia, and should these property markets crash, they will take down the rest of the country with them.

The Bank of England is currently 'stress testing' UK mortgage lenders to see if they could withstand such a catastrophe, but I think we already know that it very much depends on how far prices fall and that, in turn, depends on how far they are inflated in the first place. Rebalancing property equity between the North and South would go some way to achieving a safer and more sustainable housing market."

Chart 1: Comparison of Average Asking Price Trends



Source: Home.co.uk, February 2014

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 700,000 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:

- Thursday 13th March
- Tuesday 15th April
- Tuesday 13th May