

Prices Push On Up as Property Drought Continues

Headlines

- Prices move up 0.4% overall in England and Wales during the last month.
- East of England prices rise the most this month, up 0.7% since June.
- Average time on market for England and Wales drops to 177 days; the lowest figure since November 2008.
- The South East remains the UK's fastest regional market, with a typical time on market of 59 days.
- Supply of property for sale remains low across the UK; down by 6% (June 2015 vs. June 2014).
- The average annual home price appreciation for England and Wales slips to 5.7%.
- Signs of oversupply in the North East as asking prices slide by 0.8%.

Summary

A resurgence of buyer demand continues to drive prices higher, predominantly in London and the South of England, bolstering confidence amongst vendors. Marketing times continue to fall in most parts of the country; consequently, the average time on market for England and Wales is now the lowest we have seen since November 2008.

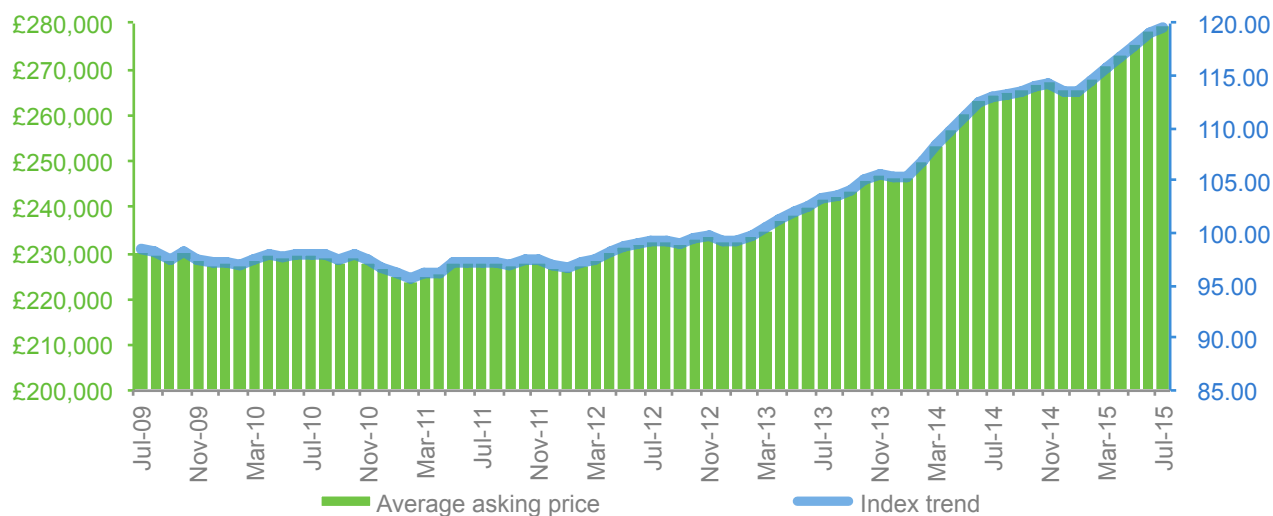
The UK property market is in good shape overall. Property supply remains behind buyer demand in most regions as evidenced by falling time on market figures. In Greater London, where marketing times showed a worrying increase earlier in the year, a post-election buyer resurgence has taken up the slack. Only in the North East region, where the recovery is still in its infancy, do we see a significant rise in supply (up 6% compared to a year ago) and this has served to make prices dip this month.

The Prime Central London market is showing signs of renewed momentum. After a prolonged period in the doldrums, prices there have indicated a new upward trend since May and time on market figures are beginning to fall.

Time on market data for the regions shows that the northern markets of Yorkshire and the North East are the most improved over the last 12 months, recording decreases in typical time on market of 9% and 6% respectively. However, they remain among the slowest markets when compared to the rest of the UK. It is only London and the southern regions that show marketing times indicating a similar vigour to the property market pre-crisis.

Overall, the current mix-adjusted average asking price for England and Wales is 5.7% higher than it was in July 2014, and we expect only minor price rises towards the end of this year.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, July 2015

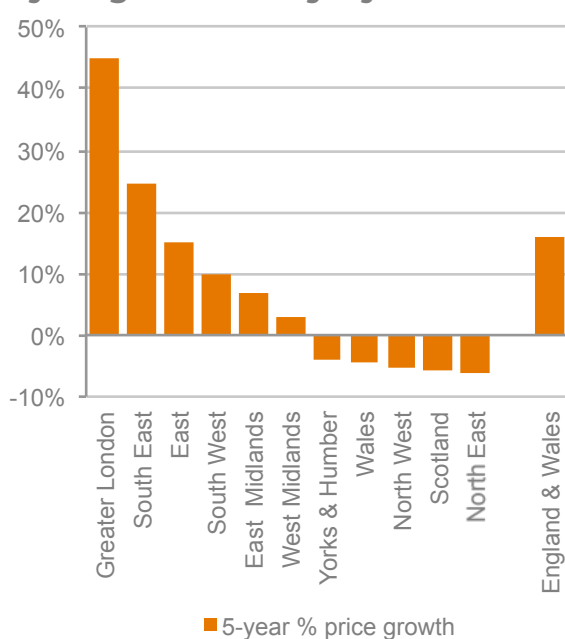
Regional Market Round-up

Over the last seven years, the fortunes of the regional property markets have varied considerably. At one extreme we have observed a price growth in London of 44.9%, whilst at the other end of the spectrum prices in the North East remain 6.4% below their July 2008 levels. It is most apparent that ultra-low interest rates and other stimulus measures have had very diverse effects on the UK regional property markets. In fact, prices in the three northern regions of England plus Scotland and Wales all remain significantly below their pre-crisis levels, in nominal terms. Indeed, in real terms, taking into account seven years of inflation, the actual capital losses for property in those regions are in the range of 25-30%.

Viewed from this perspective, it is only London and the South East that have beaten the eroding effects of monetary inflation. The East of England and the South West have performed well over recent years but not well enough to keep up with inflation. The East and West Midlands, meanwhile, have only recently regained positive territory on a nominal basis, suggesting there is plenty of room for further price rises.

In view of such diversity of fortunes across the country, it is difficult to imagine how the Bank of England could raise interest rates anytime soon. Owing to the culture of irresponsible lending pre-crisis, many mortgages will still be under water in the North. Moreover, the raft of further austerity measures announced by the Chancellor last week will undoubtedly hit the North harder than the relatively well-off South.

% Change in Asking Price by Region Since July 2008



Source: Home.co.uk, July 2015

It is interesting to note that only London and the South East have performed better than the mix-adjusted average figure for England and Wales. This provides a clear example as to how national averages are skewed by regions that significantly outperform the rest of the country.

Greater confidence has rippled out into the regions over recent months, but it looks like we will have to wait until 2016 to see if the North can recover the painful losses incurred since 2008.

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

The Property Drought Continues...

Lack of supply has been a key driver for house price rises over recent years and the drought is getting worse. Dwindling sales stock means that buyers are competing for ever fewer properties. The total stock for sale in England and Wales has fallen dramatically since 2007. On average, buyers now have half the choice that was formerly available and in more popular locations the situation is much worse. Moreover, in regions where demand is higher than average, such as London and the South East, prices have soared over recent years, driven by lack of supply. In fact, offers over and above the asking price are not uncommon in areas where buyer demand is at its most intense.

With mortgage rates artificially reduced to all-time lows, it is perhaps understandable that renewed buyer activity has depleted the stock of property for sale over the last five-plus years. However, the stock is not being replenished as it once was. Since 2007, we have observed a drop-off in the number of properties entering the market. In 2010, the trend suggested that supply was recovering, although since then there has been a steady but sure decline in stock levels. Of course, during periods of rising house prices, vendors are tempted to sit on their hands as they see the value of their bricks and mortar soar each month. However, that was the same back in 2006 and 2007 prior to the banking crisis when there were twice as many properties entering the market, so what is different about the current market dynamic?

The rise in Buy-to-Let has radically changed the UK property sales market. According to the Bank of England, total lending to landlords is now almost £200 billion, which represents 15% of total loans, having represented just 2% in 2000. Perhaps alarmingly, most of these loans are interest only.

This huge growth correlates with an explosion in the Private Rental Sector where a growing number of investors are in it for the medium to long term, often as an alternative to a traditional

pension fund. The knock-on effect has been that properties are not re-entering the market as they once did. Landlords typically hold onto their properties for much longer than owner-occupiers thereby restricting the number of properties coming back onto the market. Moreover, this trend has diverted funds away from other forms of investment and has priced out many first-time buyers.

The government and the Bank seem to be aware of the risks posed and the Chancellor introduced new tax changes for landlords in last week's Budget, which will pour a little cold water on this surging market. Currently, high-earning landlords can claim back 45p for every £1 of interest payments they make, but the changes will mean that they can only claim up to 20p for every £1.

The Treasury will phase in the changes from 2017, and the move is expected to cost the sector £665 million by 2020. Around one fifth of landlords are expected to be affected. Mark Garnier, Conservative MP for Wyre Forest, said the Chancellor's changes should bring private landlords' tax relief more in line with the rates of relief companies could claim, currently 20%.

He said: 'Buy-to-Let has massively distorted the property market, resulting in rises in prices. We also don't particularly want the nation's working capital in non-productive assets. When you have a Buy-to-Let you don't employ people to create widgets or manufacture aircraft engines.' Added to this, the recently announced cut in the Benefit Cap will also put downward pressure on rents and increase the risk of arrears for many landlords, especially those in high unemployment areas.

Indeed, with UK home-ownership levels now falling, growth in Buy-to-Let must be tamed if it is not to thwart the home-owning aspirations of hard-working families and divert investment capital from innovators in the wider economy.



With the recent political uncertainty now consigned to history, UK property has a clear path forward. Consequently, buyers are back in force but hampered by a lack of supply in most regions.



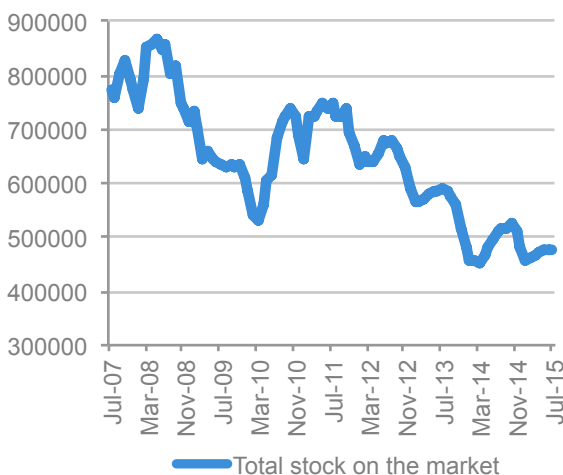
Demand, on the other hand, looks set to remain high, with indications from the Bank of England that interest rates will stay at their record low until at least next year, perhaps later.

Hence, we expect that further competition between aspirant homeowners and landlords will continue to drive prices higher in a growing number of areas, especially in the South. Contrarily, despite clear improvements in marketing times, prices remain stagnant in the North of England and Wales, and we do not expect any significant rises until 2016 in these regions.

Doug Shephard
Director at Home.co.uk

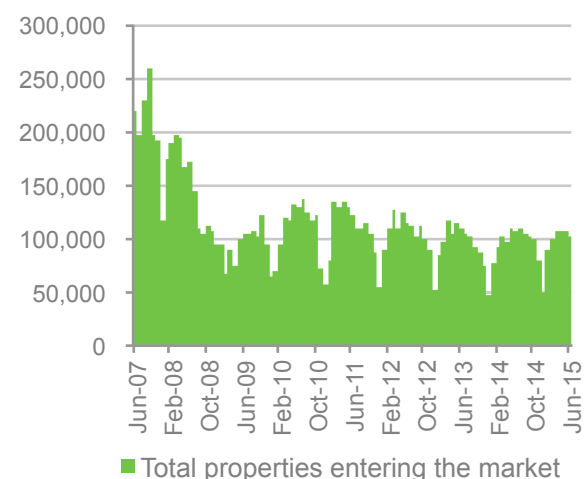


Sales Stock Trend, England and Wales



Source: Home.co.uk, July 2015

Sales Property Supply Trend, United Kingdom



Source: Home.co.uk, July 2015



UK Asking Prices

Scotland	Jul-15
Average Asking Price	£167,685
Monthly % change	-0.1%
Annual % change	3.8%

North East	Jul-15
Average Asking Price	£153,247
Monthly % change	-0.8%
Annual % change	-0.3%

Yorks & The Humber	Jul-15
Average Asking Price	£175,721
Monthly % change	0.4%
Annual % change	1.6%

North West	Jul-15
Average Asking Price	£179,333
Monthly % change	0.1%
Annual % change	0.8%

West Midlands	Jul-15
Average Asking Price	£209,745
Monthly % change	0.1%
Annual % change	3.7%

East Midlands	Jul-15
Average Asking Price	£198,202
Monthly % change	0.2%
Annual % change	3.8%

East	Jul-15
Average Asking Price	£297,152
Monthly % change	0.7%
Annual % change	5.7%

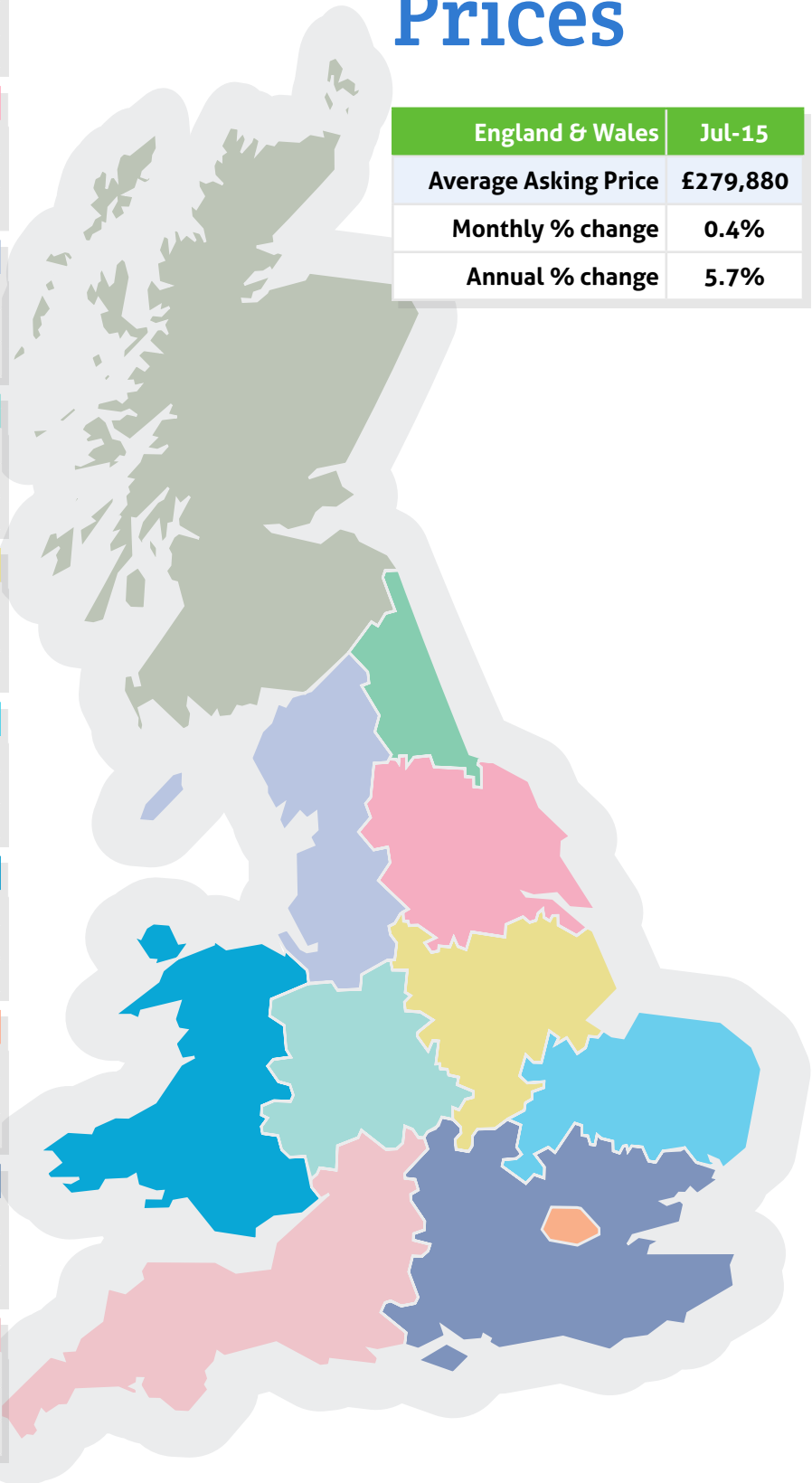
Wales	Jul-15
Average Asking Price	£183,145
Monthly % change	0.2%
Annual % change	1.3%

Greater London	Jul-15
Average Asking Price	£517,209
Monthly % change	0.5%
Annual % change	11.1%

South East	Jul-15
Average Asking Price	£367,604
Monthly % change	0.6%
Annual % change	7.1%

South West	Jul-15
Average Asking Price	£290,177
Monthly % change	0.6%
Annual % change	2.9%

England & Wales	Jul-15
Average Asking Price	£279,880
Monthly % change	0.4%
Annual % change	5.7%



Source: Home.co.uk, July 2015

UK Time on Market

Scotland	Jul-15
Average Time on Market	236
Typical Time on Market	101
Annual % supply change	-2%

North East	Jul-15
Average Time on Market	270
Typical Time on Market	127
Annual % supply change	6%

Yorks & The Humber	Jul-15
Average Time on Market	216
Typical Time on Market	105
Annual % supply change	0%

North West	Jul-15
Average Time on Market	217
Typical Time on Market	111
Annual % supply change	-3%

West Midlands	Jul-15
Average Time on Market	175
Typical Time on Market	87
Annual % supply change	-5%

East Midlands	Jul-15
Average Time on Market	165
Typical Time on Market	85
Annual % supply change	-5%

East	Jul-15
Average Time on Market	124
Typical Time on Market	66
Annual % supply change	-11%

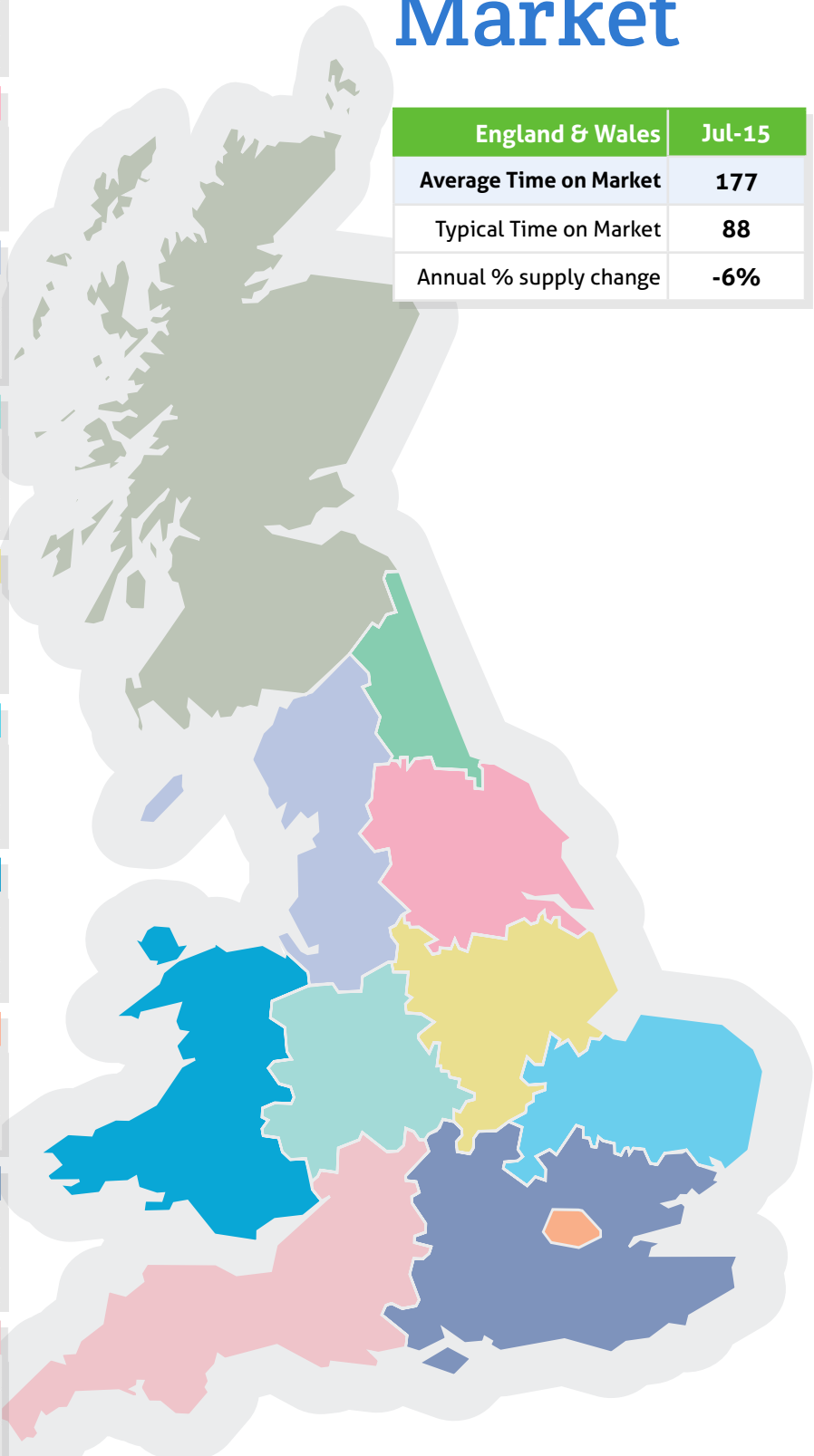
Wales	Jul-15
Average Time on Market	246
Typical Time on Market	121
Annual % supply change	-5%

Greater London	Jul-15
Average Time on Market	111
Typical Time on Market	63
Annual % supply change	-18%

South East	Jul-15
Average Time on Market	107
Typical Time on Market	59
Annual % supply change	-3%

South West	Jul-15
Average Time on Market	152
Typical Time on Market	81
Annual % supply change	-10%

England & Wales	Jul-15
Average Time on Market	177
Typical Time on Market	88
Annual % supply change	-6%



Source: Home.co.uk, July 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

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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 12th August
- Tuesday 15th September
- Tuesday 13th October