

## Prices Overheat in the East while the Northern Regions Recover

### Headlines

- East of England prices leap 2.0% over the last month, indicating that the region's property market is overheating.
- The northern regions of England show huge improvements in marketing times, suggesting that these formerly lacklustre markets are in recovery.
- Prices rise in all parts of the UK, including London, making the mix-adjusted average asking price for England and Wales jump a further 0.8% since last month.
- Supply of property for sale is beginning to increase: 4% year-on-year overall but 22% in Greater London.
- Typical Time on Market edges up two days to 78 days over the last month across England and Wales: nine days less than in May 2015.
- The average annual home price appreciation for England and Wales holds at 7.5%.
- The total stock of property on the market edges up further but is still 10.6% less than in May last year.

### Summary

The anticipated slowdown following the stamp duty hike for Buy-to-Let is already fading away. Buyer activity is up and prices continue to rise across the country, driving the mix-adjusted average home price to within an inch of the £300K mark.

Overall, the property market is in better shape than last year. Significant improvements in marketing times in the North suggest that these formerly stagnant regions are experiencing uplift in demand. Supply in the North East, North West and Yorkshire remains subdued and we expect prices to rise steadily over the summer months.

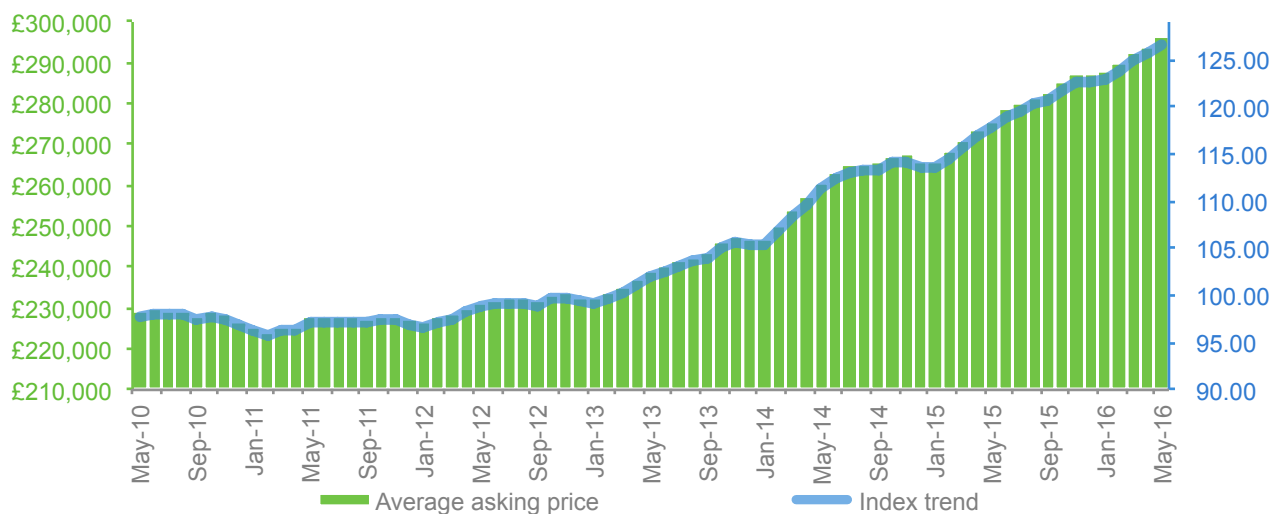
Indeed, the total stock of property for sale remains historically very low despite an uptick in supply in London. Scarcity remains the key price driver. The acute supply shortage in the East of England is driving prices ever skyward (up 12.9% since May 2015) and this region is now outpacing London and the South East in terms of home appreciation. We anticipate that prices will soon reach their affordability limits (as happened in London) and price rises will be more subdued next year.

Market activity in London is slower now than back in 2014 when fierce competition for limited supply was driving up prices at an unsustainable pace. However, the market still has significant momentum and sufficient demand remains to elicit more modest price rises. A notable increase in supply is currently providing more choice for buyers and is attenuating price rises.

Meanwhile, the Welsh property market remains the slowest region despite an 11% fall in Typical Time on Market (currently 132 days (median)). Prices there have risen by just 1.9% over the last year.

Overall, the current mix-adjusted average asking price for England and Wales is now 7.5% higher than it was in May 2015, and we predict this upward trend will continue into 2017.

### Home Asking Price Trend for England & Wales



Source: Home.co.uk, May 2016

## Regional Market Round-up

Eight years after the financial crisis, it would appear that the northern regions are finally showing genuine signs of recovery. Whilst some affluent enclaves in the North have been relatively buoyant, overall the North of England has, until now, posted rather disappointing results. However, much improved Typical Time on Market figures clearly indicate that momentum is on the rise and demand is clearing away the backlog of unsold stock that stifled the recovery for so long. The median Time on Market for the North East, North West and Yorkshire is now 113, 98 and 92 days respectively. The last time they looked this good was back in May 2008. The Welsh property market is also picking up speed but, with the typical property spending 132 days on the market, it will require several months of persistent improvement before we see the kind of marketing times last observed in 2007.

Further south, all indicators for the East of England confirm the market is red-hot. Prices are soaring way ahead of the national average and the Typical Time on Market is now as low as it was back in 2007 (currently 55 days). Lack of supply is the key market driver for this region.

London and the South East both continue to post price gains above the national average and whilst the London market has slowed since 2014, the South East is registering Time on Market figures comparable to those last experienced in 2007. However, the volume of properties moving through the market is much lower (about 50% less than in 2007).

Further west, we are observing both significant improvements in market activity and price rises. The East Midlands, West Midlands and the South West are all benefiting from increased demand and consequently properties are not spending as long on the market. Limited supply in these regions is driving prices higher. The annualised figure for the West Midlands now stands at 6.5% and this region looks set to become one of the next regional hotspots.

The North East is by far the most improved property market, in terms of marketing times, over the last 12 months.

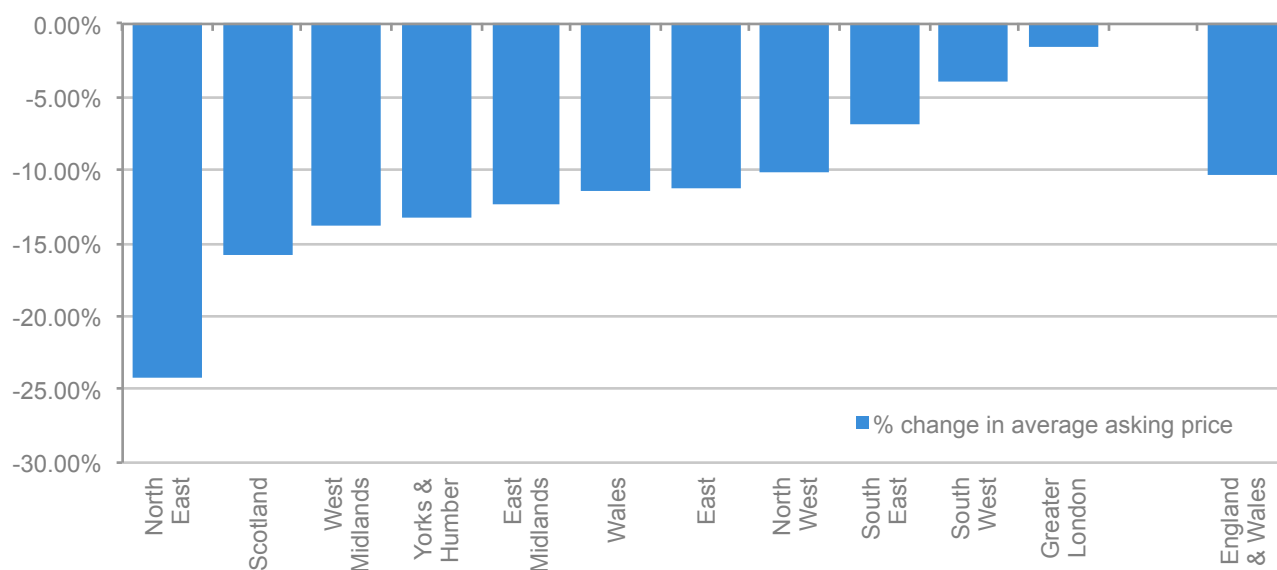
For more information on regional property market performance please see pages 4 and 5 of this report.

## Volume of Property Turnover

Whilst marketing times have improved across the country since the onset of the credit crunch, the total current number of properties for sale is around 40% less than in May 2007. Indeed, aside from cheaper mortgages, the scarcity of property for sale has been the key market driver, pushing up prices wherever there has been a perceived shortage of property.

The corollary, of course, is that fewer properties have been moving through the marketplace. The Home Market Turnover Indicator uses stock and marketing time data to provide an indication of how much volume is passing through the market. Back in the heady property boom days of 2007, around 10,000 properties moved through the

### % Change in Typical Time on Market (May 2016 vs. May 2015)



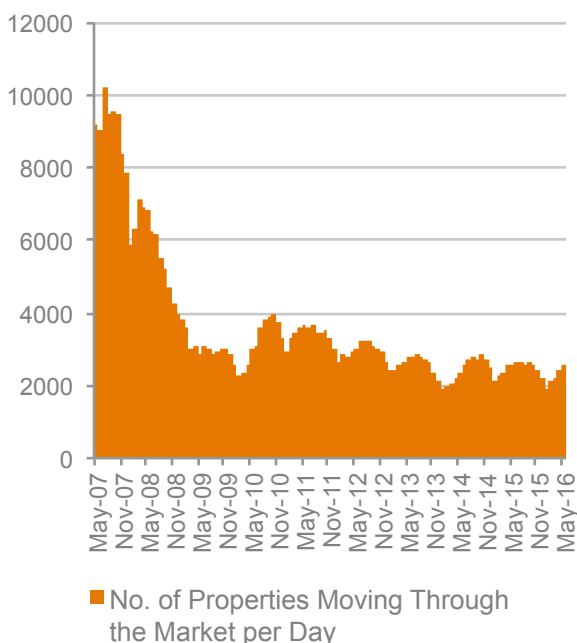
Source: Home.co.uk, May 2016

market per day. Since 2009, this figure has been considerably lower, range-bound between 2,000 and 4,000 properties.

Consequently, estate agents across the country have seen their sales portfolios shrink and competition for vendor clients intensify. Of course, this reduction in sales volume has been offset to some degree by increased lettings business, which has been considerable over the last ten years. Back in 2007, around £2.4 billion pounds' worth of property was moving through the market each day. Today, even with the average house price setting new all-time highs each month, only £0.7 billion is passing through estate agents' books. Bearing in mind that agents are usually paid on a commission basis and that only around 20% of marketed properties proceed to a successful sale, this represents a dramatic drop in revenue.

It is unlikely that the future volume of property moving through the market will return to former levels. The growth of the Private Rented Sector means that many more properties remain tied up in landlords' portfolios nowadays when formerly they would have been put on the market. Within the industry the outlook is pessimistic. The UK's largest estate agents, Countrywide, released a profit warning in November, and Foxtons, the London estate agents, stated: "We expect any recovery of the property sales market to be slow due to low current levels of stock."

## Home Market Turnover Indicator (England and Wales)



Source: Home.co.uk, May 2016



**The underlying fundamentals of cheap borrowing and tight supply remain prevalent. The only dark cloud on the horizon for the UK property market would appear to be Brexit.**



George Osborne recently stated: "You will see the analysis we will do, but I'm pretty clear that there will be a significant hit to the value of people's homes and to the costs of mortgages. That is one example of the kind of impact, economic impact, that we get from leaving the EU."

Undoubtedly, any increase in the cost of borrowing would be bad for home values. Moreover, higher interest rates would likely put the entire economy into a tailspin. We are only just beginning to see the recovery of the northern regional property markets, all of which have yet to regain their 2007 valuations. Brexit would certainly jeopardise the important progress made in these regional economies and possibly throw many homeowners back into the trap that is negative equity.

The anticipated slowdown in the wake of the Buy-to-Let buying frenzy seems not to have happened. Any sort of lull in demand from investors has been made up for by eager first- and next-time buyers. Demand is strong and strengthening everywhere but London where affordability is constraining the market.

Owing to phenomenal demand and low supply, the East of England remains the UK's leading price growth region and we expect prices to keep on rising quickly over the summer months. There and in the South East, we expect that prices will begin to hit their affordability limits towards the end of this year as already seen in London. Moreover, we expect a similar price growth dynamic to take hold in the West Midlands, the South West and the East Midlands this summer, together with further significant price growth in 2017.

**Doug Shephard**  
Director at Home.co.uk



# UK Asking Prices

Scotland	May-16
<b>Average Asking Price</b>	<b>£177,121</b>
Monthly % change	0.7%
Annual % change	5.8%

North East	May-16
<b>Average Asking Price</b>	<b>£155,518</b>
Monthly % change	0.5%
Annual % change	0.9%

Yorks & The Humber	May-16
<b>Average Asking Price</b>	<b>£179,661</b>
Monthly % change	0.6%
Annual % change	3.1%

North West	May-16
<b>Average Asking Price</b>	<b>£183,996</b>
Monthly % change	0.6%
Annual % change	2.8%

West Midlands	May-16
<b>Average Asking Price</b>	<b>£221,898</b>
Monthly % change	0.6%
Annual % change	6.5%

East Midlands	May-16
<b>Average Asking Price</b>	<b>£207,598</b>
Monthly % change	0.8%
Annual % change	5.5%

East	May-16
<b>Average Asking Price</b>	<b>£330,990</b>
Monthly % change	2.0%
Annual % change	12.8%

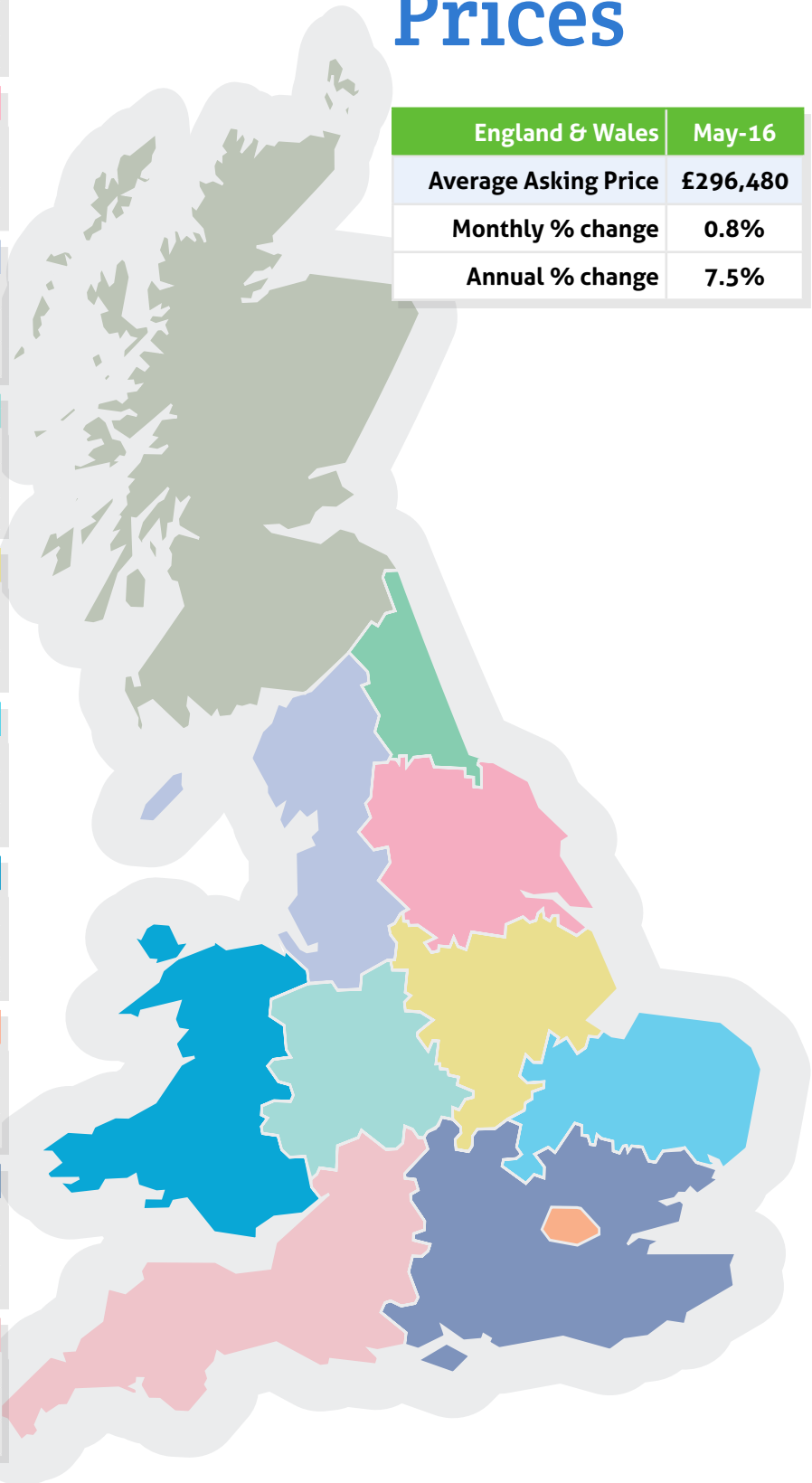
Wales	May-16
<b>Average Asking Price</b>	<b>£185,527</b>
Monthly % change	0.8%
Annual % change	1.9%

Greater London	May-16
<b>Average Asking Price</b>	<b>£552,878</b>
Monthly % change	0.5%
Annual % change	9.6%

South East	May-16
<b>Average Asking Price</b>	<b>£392,712</b>
Monthly % change	0.7%
Annual % change	9.5%

South West	May-16
<b>Average Asking Price</b>	<b>£303,189</b>
Monthly % change	0.9%
Annual % change	5.5%

England & Wales	May-16
<b>Average Asking Price</b>	<b>£296,480</b>
<b>Monthly % change</b>	<b>0.8%</b>
<b>Annual % change</b>	<b>7.5%</b>



Source: Home.co.uk, May 2016

# UK Time on Market

Scotland	May-16
<b>Average Time on Market</b>	<b>229</b>
Typical Time on Market	91
Annual % supply change	4%

North East	May-16
<b>Average Time on Market</b>	<b>245</b>
Typical Time on Market	113
Annual % supply change	0%

Yorks & The Humber	May-16
<b>Average Time on Market</b>	<b>197</b>
Typical Time on Market	92
Annual % supply change	3%

North West	May-16
<b>Average Time on Market</b>	<b>203</b>
Typical Time on Market	98
Annual % supply change	0%

West Midlands	May-16
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	75
Annual % supply change	-2%

East Midlands	May-16
<b>Average Time on Market</b>	<b>145</b>
Typical Time on Market	71
Annual % supply change	-5%

East	May-16
<b>Average Time on Market</b>	<b>107</b>
Typical Time on Market	55
Annual % supply change	3%

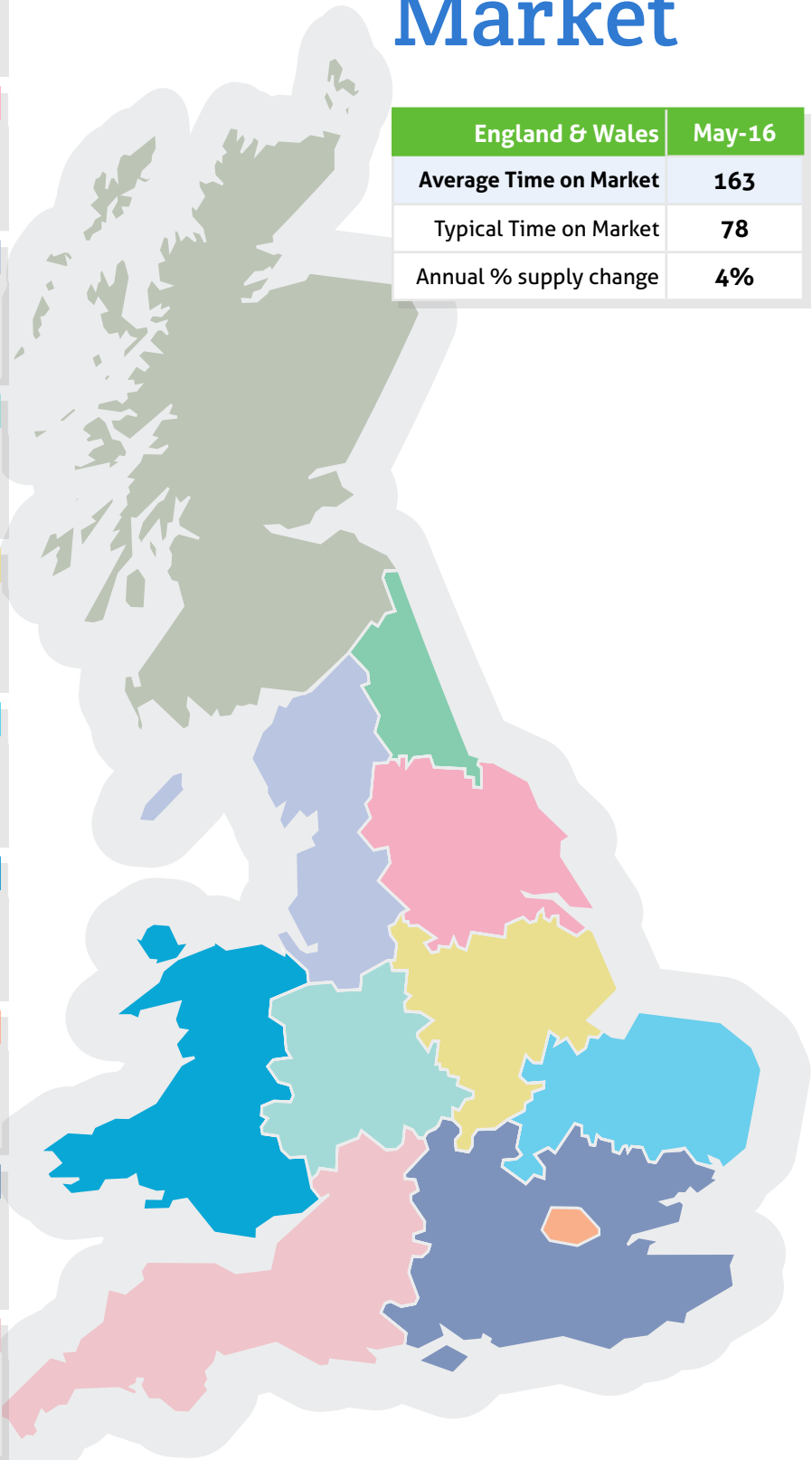
Wales	May-16
<b>Average Time on Market</b>	<b>242</b>
Typical Time on Market	132
Annual % supply change	3%

Greater London	May-16
<b>Average Time on Market</b>	<b>103</b>
Typical Time on Market	61
Annual % supply change	22%

South East	May-16
<b>Average Time on Market</b>	<b>97</b>
Typical Time on Market	54
Annual % supply change	9%

South West	May-16
<b>Average Time on Market</b>	<b>144</b>
Typical Time on Market	74
Annual % supply change	-2%

England & Wales	May-16
<b>Average Time on Market</b>	<b>163</b>
Typical Time on Market	<b>78</b>
Annual % supply change	<b>4%</b>



Source: Home.co.uk, May 2016. 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:  
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- 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](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 14<sup>th</sup> June
- Tuesday 12<sup>th</sup> July
- Friday 12<sup>th</sup> August