



Asking Price Index

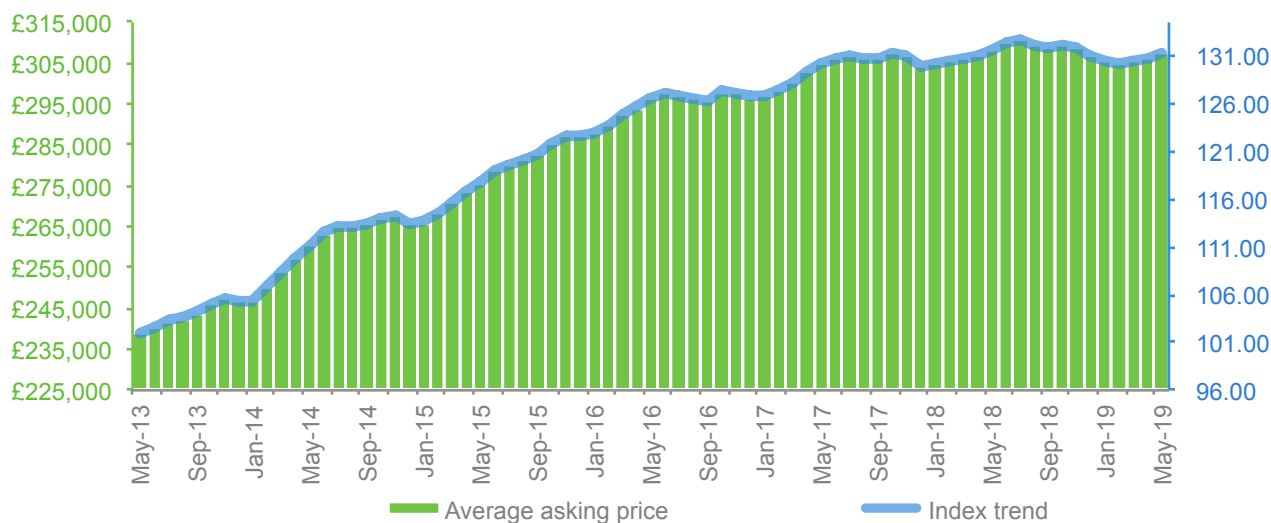
Released 14/05/19 May 2019

Prices Levitate in a Market Plagued by Uncertainty

Headlines

- Typical Time on Market indicates slowest London market for ten years.
- Typical Time on Market for England and Wales is currently 89 days (median), 11 days longer than in May 2018, making it the slowest May since 2014.
- Supply of new instructions down 9% year-on-year across the UK and down a massive 28% in London, as vendors play wait and see.
- National average price growth remains negative (-0.2% year-on-year).
- Seasonal factors lift the average home price in England and Wales by 0.5%, but low numbers of market participants undermine significance.
- In fact, prices rose in Wales, Scotland and all English regions over the last month, driven by hope rather than demand.
- Typical Time on Market rises indicate the worst regional slowdowns are in Greater London (+23%), the East of England (+25%), the South West (+20%) and the South East (+20%) year-on-year.
- Total stock levels across England and Wales are up just 1.7% year-on-year.
- The only regional supply increases were observed in the East and West Midlands (both +3%). All other regions show reductions in supply.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, May 2019, Indexed to May 2004 (Value =100).



Summary

Caution on the part of both buyers and sellers looks set to bring the market to a standstill. London is the worst affected by this crisis of confidence, brought on by Brexit uncertainty, where lack of demand means the Typical Time on Market for unsold property has soared by 23%. At the same time, vendors' reluctance to commit has meant that supply has dropped 28% year-on-year. Market pessimism is widespread and Brexit uncertainty, combined with the post-boom malaise, continues to hamper property sales. Meanwhile, home prices appear to be hovering for the time being, while both demand and supply shrink.

Negative sentiment is increasing and has acted to apply the brakes to the normally surging late spring property market, as evidenced by Typical Time on Market figures which are longer in every single English region and Wales and Scotland. A wait-and-see attitude is stifling both supply and demand. So far, these exceptional strains on the market have had little net effect on the established pricing trends but home values appear to be levitating, based more on aspiration than any real underlying market fundamentals.

Overall, annualised price growth in England and Wales remains just in the red at -0.2%, despite a month-on-month rise of 0.5%. Spring optimism has managed to lift prices in all the English regions, Wales and Scotland, although

this appears to be driven by wishful thinking on the part of a reduced number of vendors rather than by demand, as properties spend longer and longer on the market.

London's annualised losses have notched back again slightly from 3.1% to 2.9% and now total 6.7% since the start of the price decline in May 2016. Asking price falls in the South East continued to ease (now 1.5% year-on-year) but worsened in the East (3.0%), where the post-boom price correction is fully underway.

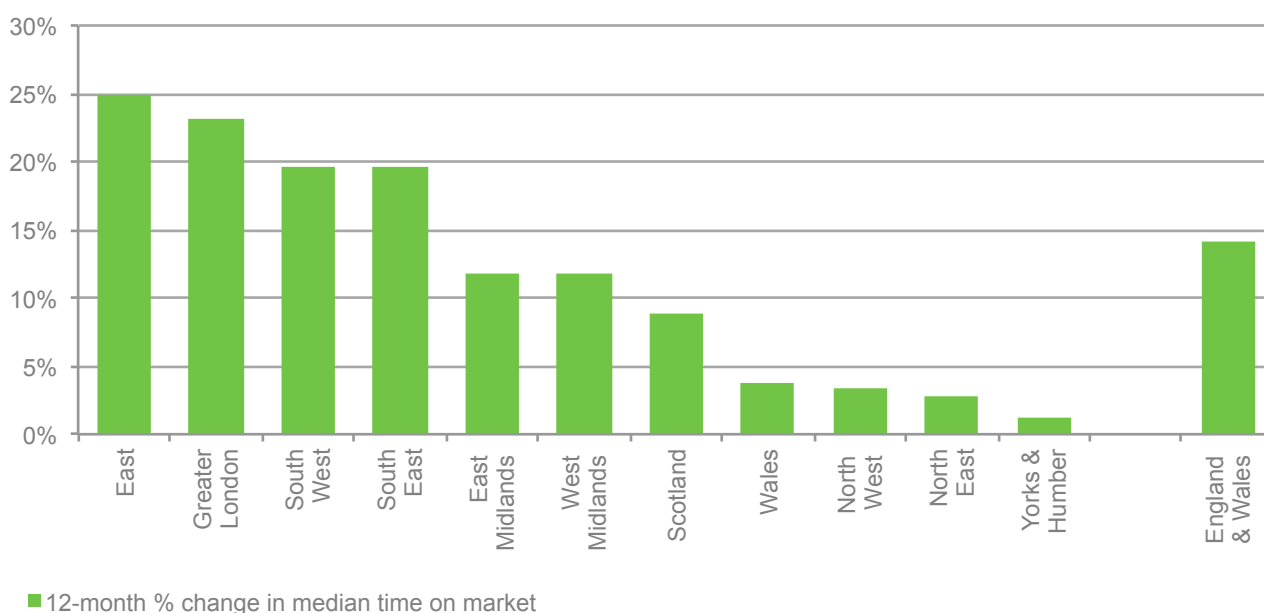
Overall, supply of property for sale entering the UK market is down by 9% while the total stock for sale has increased by a mere 1.7% year-on-year, as an increasing number of vendors withdraw from the sales market altogether (up 6.5% year-on-year).

In May 2018, the annualised rate of increase of home prices was 1.1%; today the same measure is -0.2%.

Regional Round-up

The Typical Time on Market for unsold property in England and Wales is now 89 days, 11 days longer than in May last year. In fact, year-on-year increases in this measure are evident in all English regions, Wales and in Scotland. The largest increases in marketing times are to be found in the regions where prices are undergoing a corrective phase (London, the East, the South East and the South West) but large rises are now also evident in the formerly booming West and East Midlands.

12-month Change in Typical Time on Market by Region, May 2019 vs May 2018



Source: Home.co.uk Asking Price Index, May 2019

The Greater London market was already suffering a slowdown, but the added effect of the Brexit debacle has been to reduce the market to a snail's pace. The Typical Time on Market for unsold property is now at its longest May value for ten years and double that of five years ago. Demand is clearly still falling but so too is supply in the capital region. The number of new instructions that entered the market last month was 28% down on the total recorded in April 2018. This means that nearly a third of potential vendors have chosen not to sell at this time, thereby creating a severe scarcity. This, in turn, will serve to support pricing. Whether or not supply has fallen sufficiently to compensate for the lack of demand remains to be seen. However, it should be noted that the total stock of property in London has fallen 17% over the last twelve months, thereby setting the stage for rapid price recovery when demand increases to a more normal level.

Typical marketing times have also surged in the other three regions undergoing price corrections. The East, South East and South West of England have registered hikes of 25%, 20% and 20% respectively in their median Time on Market figures. Again, the Brexit melee has exacerbated the slowdown in these regions. Importantly, unlike London, they have not seen a correspondingly large drop in supply, and such sluggish performance will exert further downward pressure on prices.

The East and West Midlands are also slowing, as evidenced by the Typical Time on Market

extending by 12% in both regions. Home prices were set to undergo a correction after a sustained period of inflation but, with Brexit blues affecting both regions, they now look set to slide further. Moreover, the rate of supply has not diminished compared to a year ago.

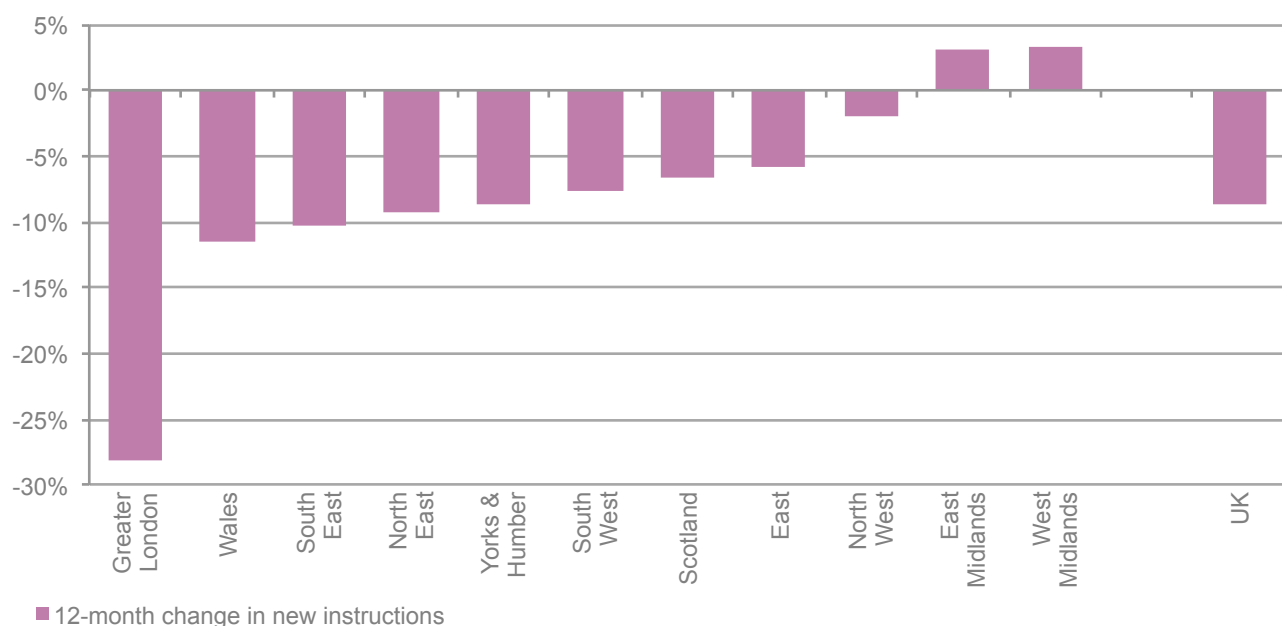
Whilst there is arguably more potential price growth in the late-cycle regions (northern regions and Wales), the effect of Brexit uncertainty may well bring these regional booms to a premature halt; the increase in marketing times so far is slight but stock levels are on the rise. A wait-and-see attitude on the part of buyers has reduced market activity and annualised price growth is waning in Wales, the North West and Yorkshire.

North of the border, the Scottish market has seen significant increase in marketing times of 9% as more buyers sit on their hands. Prices remain in the ascendant but are only matching inflation.

It is important to reiterate that vendor behaviour has also been further affected by Brexit woes.

London is by far the worst affected with a further dramatic drop in the number of vendors committing to the market. Scarcity is also increasing in the South East, North East, Wales, Yorkshire, the South West, Scotland, the East and the North West, but to a lesser extent. These drops in supply will, of course, help counterbalance the effect of falling demand. Indeed, it will be a stabilising effect for prices in all areas apart from the Midlands.

Regional Supply Change, May 2019 vs May 2018



Source: Home.co.uk Asking Price Index, May 2019



You can almost hear the screeching of the brakes as this huge, £200 billion market slows down.

Uncertainty is a highly corrosive factor for the economy. Decisions are postponed indefinitely, projects put on hold and normally bold actors become cautious in the midst of the unknown. The Brexit mess may not hamper the purchase of a pair of jeans, but the housing market is severely affected because the stakes are so high. Key factors such as cost, importance of timing and the irreversible commitment involved in a home purchase make the current economic environment almost unbearable for the average buyer or seller.

Uncertainty in the market moves the 'invisible hand', a term coined by Adam Smith to describe the unobservable market force that helps the supply and demand of goods in a free market to reach equilibrium. That equilibrium is vital for price recovery but is currently being undermined by a growing *crisis of confidence* in the housing market, especially in Greater London. While evidence of falling demand is widespread across the UK, in London both supply and demand are collapsing, and this is causing an acute distortion of the market.

Price fluctuations during such episodes are to be taken with a pinch of salt. Low volumes lead to extreme volatility in several key market price indicators.

For instance, take the Halifax and Rightmove indices: both are showing wild variations from month to month, which is merely adding to confusion in the marketplace. In such exceptional times, the wiser investor will turn their attention to primary indicators of supply *and* demand (or proxies thereof) since the 'invisible hand' has not yet created the new equilibrium.



The 28% drop in supply and the 17% drop in stock levels for London are highly significant and point towards price recovery in the near future, despite lower demand. Brexit or no Brexit, London remains a highly desirable world city. Post-boom, prices have been correcting in the capital for 36 months and, should the mists of *uncertainty* clear, the stage looks set for this leading property market to return to the growth phase of the property cycle. Key evidence for this comes from the rental sector where three central London boroughs (Hammersmith and Fulham, Wandsworth and Southwark) are now showing double-digit rent rises. Demand is fierce due to scant supply and yields are rising rapidly in a growing number of boroughs: the perfect invitation for investors to return.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

| Scotland | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £186,383 |
| Monthly % change | 0.1% |
| Annual % change | 2.0% |

| North East | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £158,702 |
| Monthly % change | 0.6% |
| Annual % change | 1.4% |

| Yorks & The Humber | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £200,859 |
| Monthly % change | 1.3% |
| Annual % change | 4.1% |

| North West | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £205,523 |
| Monthly % change | 0.6% |
| Annual % change | 3.1% |

| West Midlands | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £252,770 |
| Monthly % change | 0.4% |
| Annual % change | 4.4% |

| East Midlands | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £237,521 |
| Monthly % change | 1.3% |
| Annual % change | 2.9% |

| East | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £351,707 |
| Monthly % change | 0.5% |
| Annual % change | -3.0% |

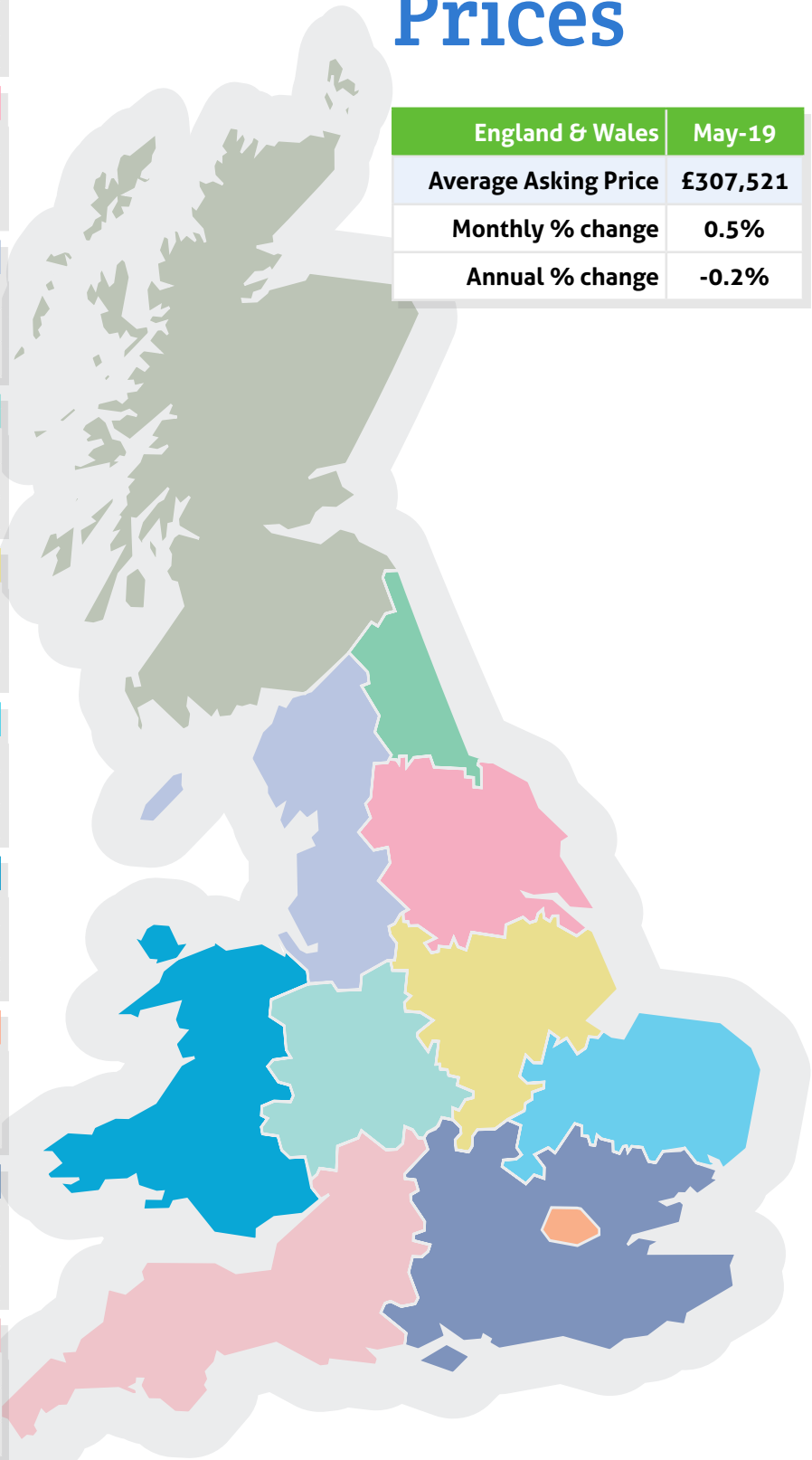
| Wales | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £209,022 |
| Monthly % change | 0.7% |
| Annual % change | 5.1% |

| Greater London | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £515,592 |
| Monthly % change | 0.1% |
| Annual % change | -2.9% |

| South East | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £395,165 |
| Monthly % change | 0.7% |
| Annual % change | -1.5% |

| South West | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £322,490 |
| Monthly % change | 0.2% |
| Annual % change | -0.9% |

| England & Wales | May-19 |
|-----------------------------|-----------------|
| Average Asking Price | £307,521 |
| Monthly % change | 0.5% |
| Annual % change | -0.2% |



Source: Home.co.uk Asking Price Index, May 2019

UK Time on Market

| Scotland | May-19 |
|-------------------------------|------------|
| Average Time on Market | 230 |
| Typical Time on Market | 98 |
| Annual % supply change | -7% |

| North East | May-19 |
|-------------------------------|------------|
| Average Time on Market | 229 |
| Typical Time on Market | 108 |
| Annual % supply change | -9% |

| Yorks & The Humber | May-19 |
|-------------------------------|------------|
| Average Time on Market | 174 |
| Typical Time on Market | 84 |
| Annual % supply change | -9% |

| North West | May-19 |
|-------------------------------|------------|
| Average Time on Market | 181 |
| Typical Time on Market | 91 |
| Annual % supply change | -2% |

| West Midlands | May-19 |
|-------------------------------|------------|
| Average Time on Market | 144 |
| Typical Time on Market | 76 |
| Annual % supply change | 3% |

| East Midlands | May-19 |
|-------------------------------|------------|
| Average Time on Market | 143 |
| Typical Time on Market | 76 |
| Annual % supply change | 3% |

| East | May-19 |
|-------------------------------|------------|
| Average Time on Market | 144 |
| Typical Time on Market | 80 |
| Annual % supply change | -6% |

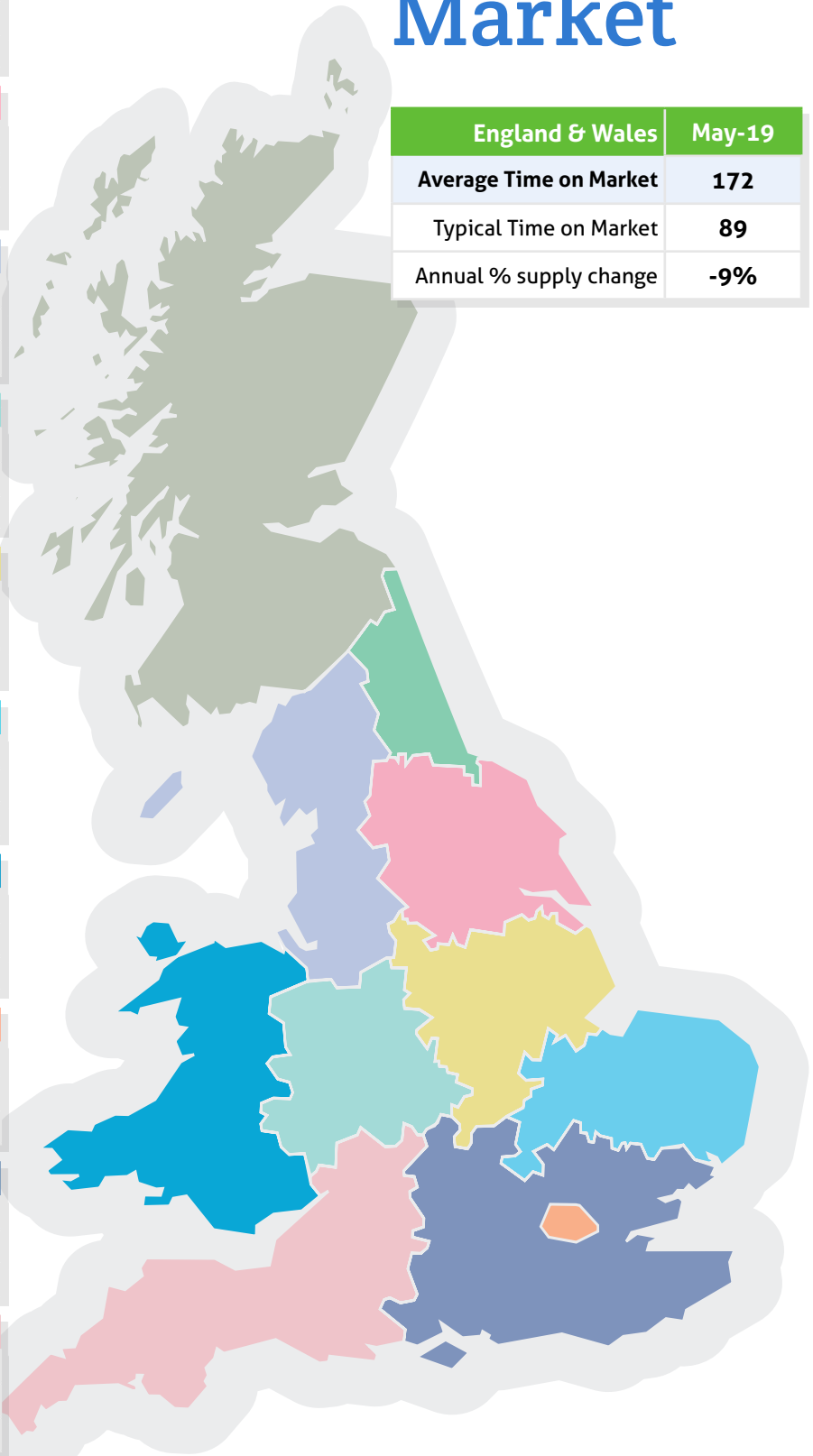
| Wales | May-19 |
|-------------------------------|------------|
| Average Time on Market | 231 |
| Typical Time on Market | 111 |
| Annual % supply change | -11% |

| Greater London | May-19 |
|-------------------------------|------------|
| Average Time on Market | 180 |
| Typical Time on Market | 96 |
| Annual % supply change | -28% |

| South East | May-19 |
|-------------------------------|------------|
| Average Time on Market | 147 |
| Typical Time on Market | 79 |
| Annual % supply change | -10% |

| South West | May-19 |
|-------------------------------|------------|
| Average Time on Market | 161 |
| Typical Time on Market | 85 |
| Annual % supply change | -8% |

| England & Wales | May-19 |
|-------------------------------|------------|
| Average Time on Market | 172 |
| Typical Time on Market | 89 |
| Annual % supply change | -9% |



Source: Home.co.uk Asking Price Index, May 2019. 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:
<https://www.home.co.uk/company/about.htm>
- For further details on the methodology used in the calculation of the HAPI please visit:
https://www.home.co.uk/asking_price_index/Mix-Adj_Methodology.pdf
- To learn more about Home.co.uk data services please visit:
<https://www.home.co.uk/company/data/>

Future release dates:

- **Wednesday 12th June**
- **Friday 12th July**
- **Tuesday 13th August**