

Home Prices Feel a Winter Chill

Headlines

- Average home price remains unchanged since October as the market cools.
- Prices fell in six of the nine English regions and Wales but not in Scotland.
- Greater London is currently the UK's worst performing region with prices rising just 0.2% over the last twelve months.
- In a contrarian move, Scottish prices jumped 0.8% over the last month taking the annualised increase to 5.9%.
- East of England also shows an exceptional rise of 0.6% making the annualised gain 10.6% in the region.
- Supply of property for sale continues to increase in the key regions of London (+14%), East of England (+14%) and the South East (+15%) (Oct 16 vs. Oct 15).
- Typical Time on Market edges up just one day to 92 days over the last month across England and Wales: six days less than in November 2015.
- The overall rate of home price appreciation for England and Wales slips to 3.8% (Nov 16 vs. Nov 15).
- The total stock of property on the market has again dropped back slightly since last month and is currently 1.7% more than in November last year.

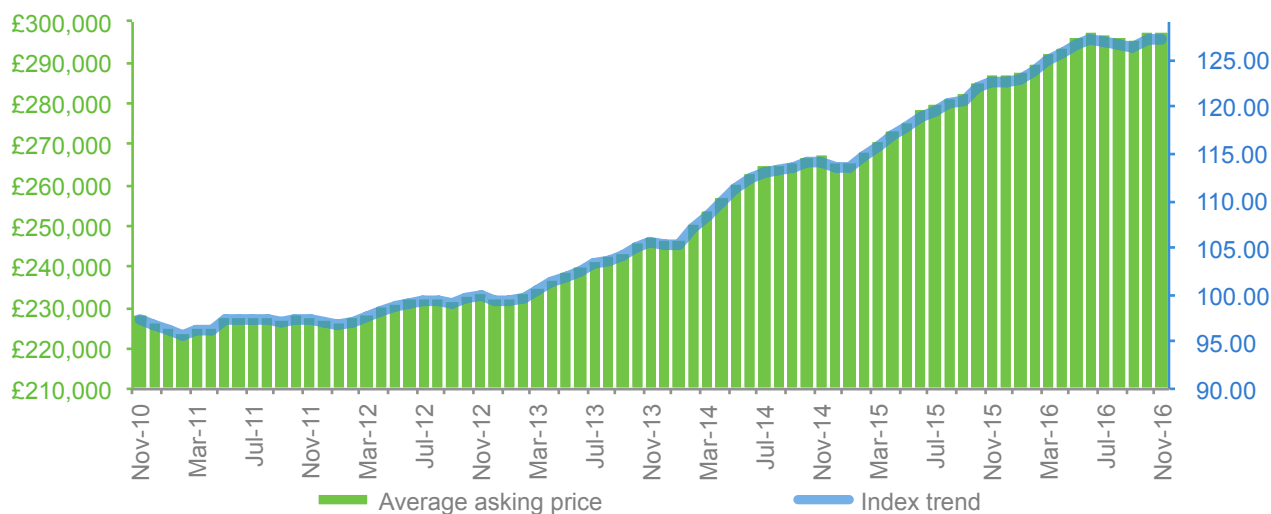
Summary

Overall, the UK property market continues to cool. Most regions registered small average price declines this month, partly in line with seasonal expectations, with the exception of Scotland and the East of England. The largest monthly price drops were in the North East (0.6%) and Yorkshire (0.5%). Last month's price jump has failed to show any real momentum and consequently prices have slipped in most regions despite further post-Brexit stimulus by the Bank of England.

Meanwhile, vendors continue to increase the supply of property for sale in the key regions of London (+14%), East of England (+14%) and the South East (+15%) (Oct 16 vs. Oct 15). Moreover, as we suggested last month, a rise in demand to match appears unlikely as we head into the slower part of the property year. The London market now has around 23% more properties than there were twelve months ago, with prices going nowhere and the typical marketing time now 17% higher than in November 2015.

The UK property market continues to experience diverse fortunes at the regional level. Along with London, the North East, Yorkshire and Wales have all shown significant price declines

Home Asking Price Trend for England & Wales



Source: Home.co.uk, November 2016

this month. The North West has fared better with no change since last month and up 3.9% over the last twelve months.

The East of England continues to be the UK's best performing region. Prices continue to rise at a fast pace despite increasing supply. Home prices have increased by 10.6% over the last twelve months indicating that this region is outperforming all others by a considerable margin.

The West and East Midlands are enjoying the next best price performance with respective home values increasing by 6.4% and 5.5% over the last twelve months. Supply in these regions is still contracting, hence we expect prices will remain robust.

Overall, the current mix-adjusted average asking price for England and Wales is now 3.8% higher than it was in November 2015, and we anticipate that this figure will continue to trend downwards over the coming months.

Regional Market Round-up

The trend towards increased supply in the East of England, the South East and Greater London continues. In Central London we observe that the stock of properties for sale started to build up from January 2014 onwards. Today, 34 months later, we can see that the number of properties for sale has increased by a startling 136% and the typical price of a flat has fallen 8%. Moreover, top end properties are simply not selling and the average marketing time has risen to 200 days.

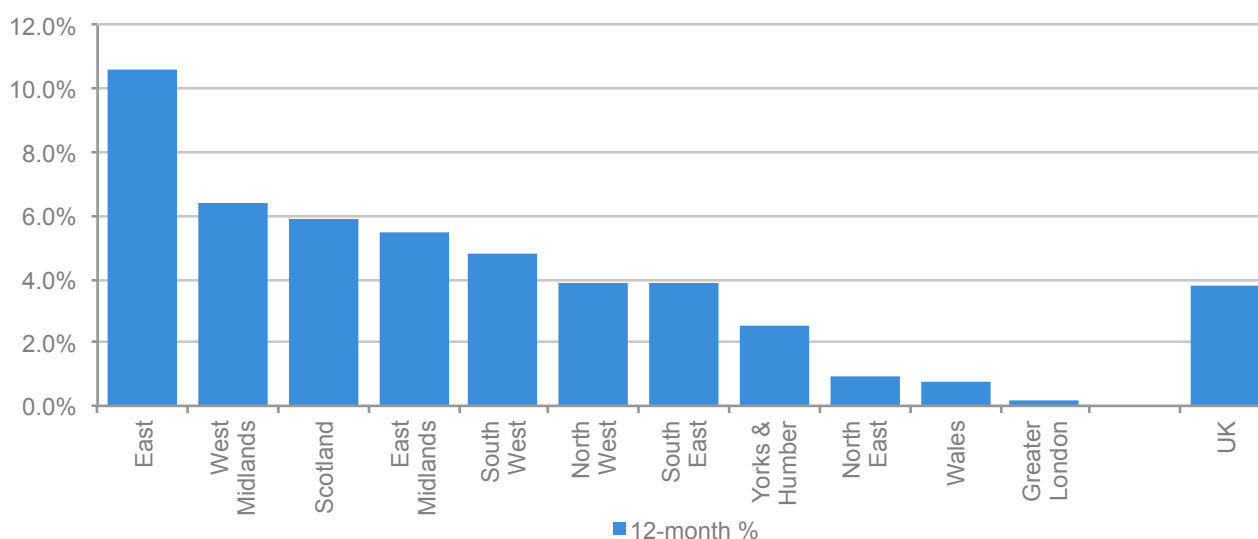
Greater London has followed a similar post-boom path, albeit persistent price declines have only been evident since January this year (median down 8%). Rising supply has overwhelmed demand in the Greater London region (now the worst performing region in terms of price rises in the UK) and this trend looks set to spread out to the South East next and later the East of England.

The South East has shown progressively weaker price growth over recent months due to increased supply. Over the last six months prices in this affluent region have only nudged up 0.4%. However, this regional property market still has considerable momentum and has the lowest average Time on Market figure (65 days) except for the East of England (63 days). We expect supply to continue to increase in 2017 and this will create downward pressure on prices.

For the time being the East of England property market is still booming, but, as with London before, prices have risen too high too fast and the region is due for a correction in 2017. By way of an example the average property asking price in Cambridgeshire has increased 22% since January this year. We expect the rising supply trend to stifle price growth next year as more and more investors look to cash in. The number of properties on the market in Cambridgeshire has already increased by 17% since January.

By stark contrast, supply actually continues to contract in the West and East Midlands, and we anticipate price growth there to continue unchecked through 2017. Of course, these regions are earlier in the economic cycle; significant price growth in the Midlands began

Price Change by Region (Oct 2016 vs. Oct 2015)



Source: Home.co.uk, November 2016

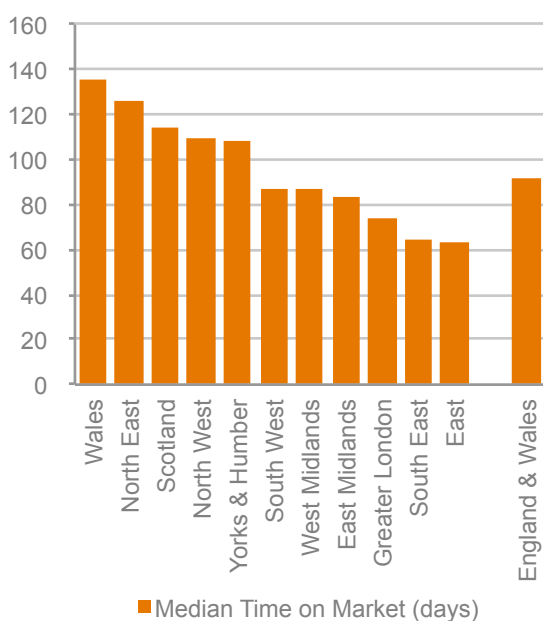
much later than in London and the South East, hence these booms have further to run.

Looking further north, the North West is clearly the best performing region, with a 3.9% rise over the last twelve months, while the North East and Yorkshire have added 0.9% and 2.4% to their home values over the same period. In real terms, the North East is actually losing value when we take into account monetary inflation.

Wales' home price performance over the last twelve months is similarly lacklustre, rising a mere 0.8%, and it currently has the longest Typical Time On Market in mainland UK. The Scottish property market, however, is performing very well, posting a significant rise in asking prices of 5.9% over the last twelve months, despite having one of the highest Typical Time on Market figures.

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

Typical Time on Market



Source: Home.co.uk, November 2016



The post-crisis story of the UK property market continues to play out. Ultra-low interest rates pushed up prices in London to extreme levels and the downturn that began in Prime Central London has now spread across the entire Greater London area.



Prices are stagnating and properties are spending longer and longer on the market. In fact, the most recent home price figures for the region show that they lag behind monetary inflation, hence in real terms they are already falling.

Supply is increasing in the East of England and the South East as it did in London. Oversupply is clearly a danger as it will cause a stand-off between buyers and sellers which could lead to a rapid downward spiral in prices. As we pointed out previously, foreign investment was once the saviour of the London market following the onset of the financial crisis, but euroland or dollar-based investors are simply not interested at the moment. Prime properties in the capital are not selling and the rental yields are some of the worst in the country.

Due to sterling weakness we can already expect a large wave of inflation to hit soon; indeed, it's already on the rise. Should inflation increase much beyond 2% then expect mortgage rates to rise to well above that figure. More expensive borrowing will create a major headwind for the UK property market. In fact, interest rates are already predicted to quadruple over the next 5-10 years, according to the yield curves produced by the Bank of England (but they may well rise even further than forecast).

Of course, all this should come as no surprise. ZIRP policies cannot last forever; they are meant to be a temporary fix while the 'real economy' takes off again. Unfortunately, there is little evidence of that and instead we have the headache of both widening fiscal and trade deficits.

Like a Greek tragedy, the UK's national obsession with owning property may well be its undoing.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Nov-16
Average Asking Price	£180,002
Monthly % change	0.8%
Annual % change	5.9%

North East	Nov-16
Average Asking Price	£154,607
Monthly % change	-0.6%
Annual % change	0.9%

Yorks & The Humber	Nov-16
Average Asking Price	£180,594
Monthly % change	-0.5%
Annual % change	2.6%

North West	Nov-16
Average Asking Price	£186,725
Monthly % change	0.0%
Annual % change	3.9%

West Midlands	Nov-16
Average Asking Price	£226,074
Monthly % change	0.2%
Annual % change	6.4%

East Midlands	Nov-16
Average Asking Price	£211,503
Monthly % change	0.1%
Annual % change	5.5%

East	Nov-16
Average Asking Price	£345,109
Monthly % change	0.6%
Annual % change	10.6%

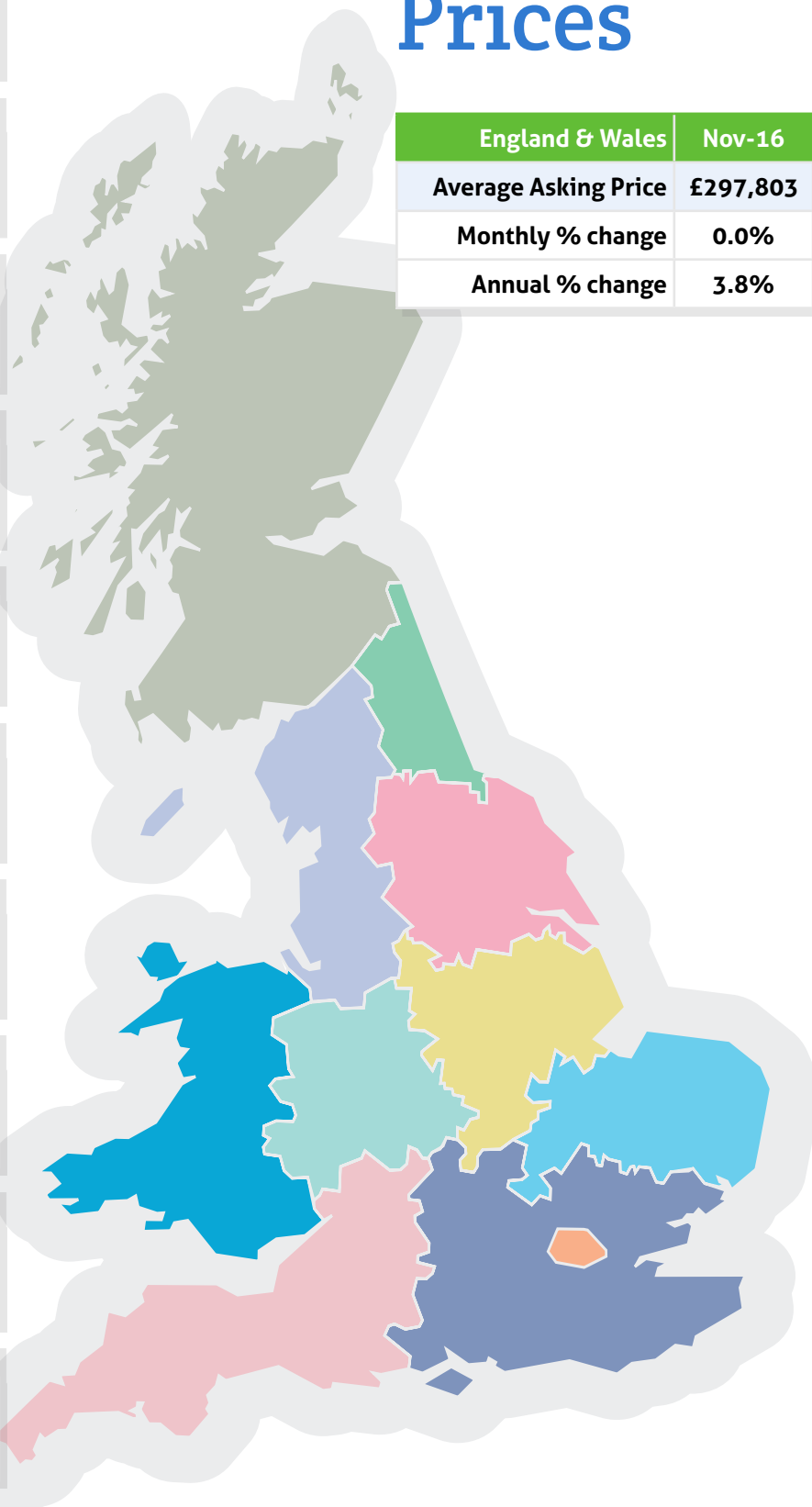
Wales	Nov-16
Average Asking Price	£186,205
Monthly % change	-0.2%
Annual % change	0.8%

Greater London	Nov-16
Average Asking Price	£537,490
Monthly % change	-0.2%
Annual % change	0.2%

South East	Nov-16
Average Asking Price	£394,448
Monthly % change	-0.1%
Annual % change	3.8%

South West	Nov-16
Average Asking Price	£309,064
Monthly % change	0.0%
Annual % change	4.8%

England & Wales	Nov-16
Average Asking Price	£297,803
Monthly % change	0.0%
Annual % change	3.8%



Source: Home.co.uk, November 2016

UK Time on Market

Scotland	Nov-16
Average Time on Market	224
Typical Time on Market	114
Annual % supply change	-9%

North East	Nov-16
Average Time on Market	234
Typical Time on Market	126
Annual % supply change	-2%

Yorks & The Humber	Nov-16
Average Time on Market	187
Typical Time on Market	108
Annual % supply change	-8%

North West	Nov-16
Average Time on Market	192
Typical Time on Market	109
Annual % supply change	-8%

West Midlands	Nov-16
Average Time on Market	153
Typical Time on Market	87
Annual % supply change	-5%

East Midlands	Nov-16
Average Time on Market	143
Typical Time on Market	83
Annual % supply change	-8%

East	Nov-16
Average Time on Market	108
Typical Time on Market	63
Annual % supply change	14%

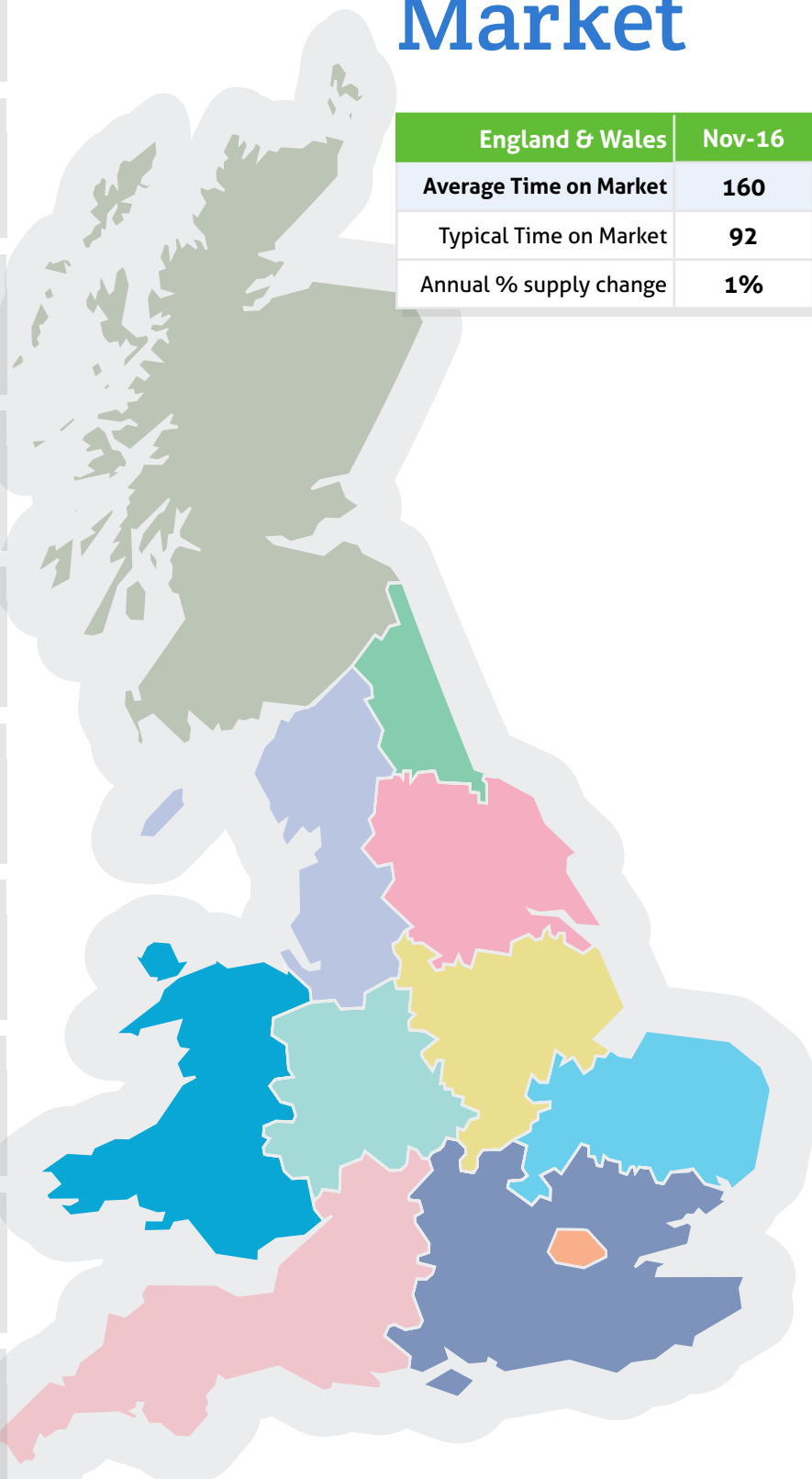
Wales	Nov-16
Average Time on Market	232
Typical Time on Market	135
Annual % supply change	-12%

Greater London	Nov-16
Average Time on Market	121
Typical Time on Market	74
Annual % supply change	14%

South East	Nov-16
Average Time on Market	106
Typical Time on Market	65
Annual % supply change	15%

South West	Nov-16
Average Time on Market	146
Typical Time on Market	87
Annual % supply change	-4%

England & Wales	Nov-16
Average Time on Market	160
Typical Time on Market	92
Annual % supply change	1%



Source: Home.co.uk, November 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:
<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 13th December
- Thursday 12th January
- Tuesday 14th February