

## Rising Supply Pushes Market to the Brink

### Headlines

- Home prices in England and Wales fell by 0.3% this month, dragged down by hamstrung regions in the South and East of England where supply has overwhelmed demand.
- Supply increases across the UK indicate a worsening market for vendors: up by 14% year-on-year (YoY) and the highest October total since 2011.
- The largest surges in supply were observed in the South West (+24%) and the West Midlands (+21%) YoY.
- The number of properties that had their asking prices reduced last month (80,291 in mainland UK) was slightly lower than the total for September (83,780) but remains very high.
- The largest monthly fall was in the East of England (-0.6%), as the slump in this regional property market tightens its grip.
- The mix-adjusted average price growth for England and Wales remains a mere 0.6% year-on-year, and looks set to fall further.
- Meanwhile, rents are rising by 2.3% nationally and by a massive 5.8% in Greater London.
- Northern and western property markets continue to enjoy late-cycle booms: prices were up by 7.6% in Wales, 4.6% in the West Midlands and 4.5% in Yorkshire (YoY).
- Typical Time on Market continues to rise in London (+12%), the South East (+14%) and the East of England (+16%) year-on-year, leading to further vendor frustration and price cutting.
- Typical Time on Market for England and Wales has risen to 94 days, five days longer than in November 2017.

### Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, November 2018

## Summary

Soaring supply is smothering price growth and price cutting is widespread, as the market adapts to reduced demand and increasing supply. The property downturn that began in London continues to creep across the rest of the country, heading north and west. Region by region, prices have hit new euphoric highs and then begun the inevitable correction. In addition, many landlords continue to shed unprofitable rental properties in the wake of the twin assaults of taxation and regulation, and this new trend is exacerbating the supply situation, especially in the South and East.

Last month, the East of England was the latest region to register negative growth and this month shows it falling deeper into the red and supply still rising rapidly. The South West seems likely to be the next region to follow suit, with annualised growth having fallen to just 0.7% and supply surging strongly. Following that, the next region to succumb to this demise is most likely to be the East Midlands, wherein Time on Market figures are now beginning to increase.

Meanwhile, considerable market buoyancy remains in the late-cycle boom regions in the North, West and Wales. Inflation-beating price growth is still evident in Yorkshire (4.6%), the North West (4.5%) and the West Midlands (4.9%) as their respective regional property booms play out. However, it is Wales that is the current crown prince of house price growth, with an annualised gain of 7.4%. For the time being, marketing times are still falling significantly and so this late-cycle boom may roll on through 2019.

The end of the boom is within sight for both the West Midlands and the North West as rising supply starts to overtake demand.

Overall, supply of property for sale in the UK is up by 14% YoY and the total stock for sale has

increased by 11.0% year-on-year. In November 2017, the annualised rate of increase of home prices was 3.0%; today the same measure is just 0.6% and is trending towards the negative.

## Regional Round-up

Behind the national headline figures the regional picture continues to slowly evolve. The current fortune of any given region depends on where they are in the property boom-bust cycle. In textbook fashion, early booming (and hence early-to-bust) areas are London and the South East while late booming regions are the North and West. The latest region to move from boom to bust is the East of England, where prices are falling under their own immense weight following several years of rapid unsustainable growth.

Together, Greater London, the South East and the East of England represent 41% of dwellings in mainland UK. Hence, when prices slide in all three regions, the national growth figures are dragged down considerably. Moreover, when house prices show year-on-year falls in the South West (which appears inevitable due to current trends), and these are added to the 'big three', the majority of UK dwelling values will be 'in the red'.

As we mentioned last month, this new and evolving regional scenario follows the 'great reversal of fortunes', wherein growth in the North and West overtook that of overbought London and surrounding regions. At the extremes, we currently have London losing 2.3% per annum while Welsh prices soar, adding 7.4% to their values.

Wales is now the leader in price growth and by a growing margin. The principality is well ahead of the West Midlands (4.9%), the North West (4.5%) and Yorkshire (+4.6%) year-on-year and,

## 60-month Price Growth by Region, Nov 2018 vs Nov 2013



Source: Home.co.uk Asking Price Index, November 2018

for the time being, a world away from the woes of the South. However, growth is ebbing away in the West Midlands and the North West. Marketing times are essentially static and supply is on the rise at speed. Growth in the East Midlands is dropping off even more rapidly. Rising supply has put an end to the boom in the region and marketing times are beginning to increase.

Scottish asking prices are rising slowly. Annualised growth of only 1.8% (sub-inflation) indicates a tougher market than before, although marketing times have edged down compared to a year ago (median Time on Market 5% less) despite rising supply.

'The higher they climb, the harder they fall' or so the saying goes. The five-year price growth chart helps us identify the regions most vulnerable to a London-style correction: the East of England and the Midlands. With a staggering growth over five years of 37%, the East looks set to undergo the most severe correction. The Midlands will most likely suffer the same fate, while the South West is looking much less overvalued, hence a smaller correction may be expected. Scotland, Wales and the North have enjoyed relatively moderate growth and look less prone to a major correction.

The North East, on the other hand, has yet to show any significant growth post-crisis but perhaps growth will pick up in 2019.

## Market Momentum

As markets accelerate, vendors price optimistically. As markets slow, vendors are obliged to price competitively amidst static or falling prices. Typical Time on Market is one of the key indicators as to the health of any market.

Low levels reflect high market confidence and high demand, but high levels are symptomatic of falling confidence and demand.

The chart shows changes in the median regional Time on Market and provides key insights into the relative health of each region. Moreover, it's a good indicator as to whether supply and demand are in equilibrium or tipped one way or another.

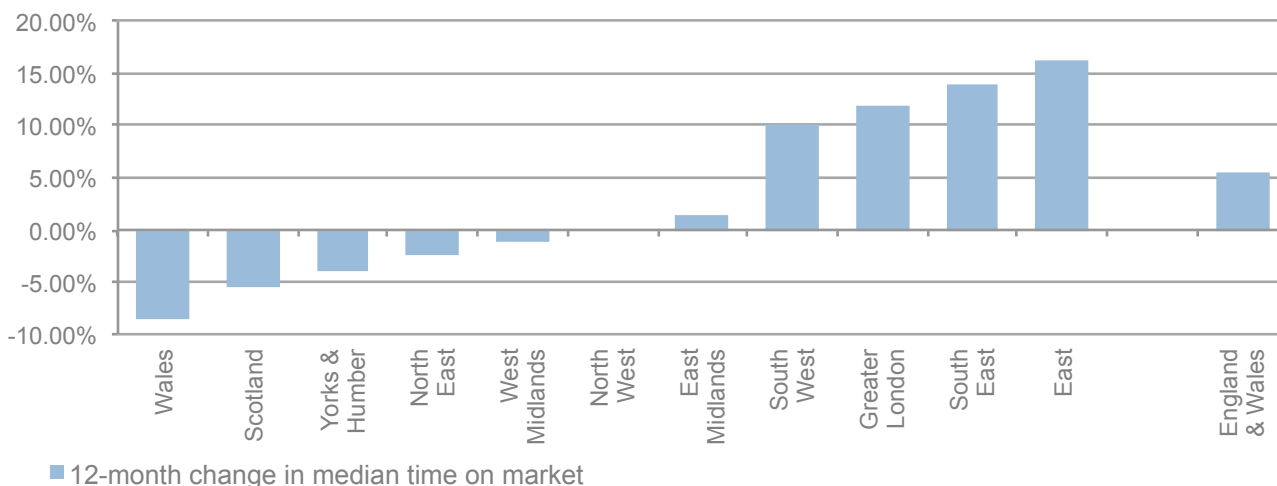
The East of England market clearly has the brakes severely applied, as have London and the South East. The South West, having gone through a period of oversupply, now shows a large increase in marketing times, but this has yet to translate into year-on-year negative growth although the region is not far off. This exemplifies the predictive capacity that the 12-month change in median Time on Market affords us when coupled with supply trends.

The small increase in the East Midlands is ominous. Our supply trend for the region indicates that Time on Market figures will lengthen going forward and this, in turn, will bring downward pressure on prices, probably during the latter half of 2019.

Meanwhile, the regions where the markets have accelerated since last year are also the regions that have the greatest price growth. In particular, the Welsh market has seen a rapid acceleration over the last 12 months and this has driven up prices considerably.

On a final note, the North West shows no change in Typical Time on Market. Without supply data we would not be able to tell whether the region was about to accelerate or decelerate. However, knowing that supply is trending upwards, we can safely assume that the North West is about to decelerate.

## Slowing Down and Speeding Up



Source: Home.co.uk Asking Price Index, November 2018



**So the sun sets once again on the UK property market. Supply is soaring, especially where pricing is weakest. Time on Market is rising. The national year-on-year price growth figure looks set to go into the red and we've only had one tiny rise in interest rates.**

Some good news for buyers, perhaps, for those who have kept their powder dry. Plenty of choice (and it's growing rapidly), but how many such 'cash buyers' are waiting in the wings to snap up a bargain? I would suspect not many. So for most homeowners, moving house will be more difficult in the current climate. Securing a mortgage approval is trickier. Securing a buyer takes longer and getting them to commit while prices are still sliding is a devil of a job. Hence the fall-through rate soars under such market conditions and agents and vendors alike begin to tear their hair out.

Property auctions look well placed to profit from the growing malaise enshrouding the UK housing market.

We put the rent rise for London in the headlines this month. Yes, as predicted, the 'rent rocket' seems

to have taken off. Okay, so it's only up 5.8% over the last 12 months but the rate of increase

is accelerating. Bearing in mind that around 40% of the lettable Greater London rental stock has evaporated over the last 24 months, a sustained period of significant rent hikes seems inevitable. Of course, the drought in available lettings stock is a direct result of the government's further taxation and costly regulation of the Private Rented Sector: a swathe of measures that turned marginal low-yielding investments into loss makers that needed to be disposed of or switched to more lucrative Airbnb-style letting. But like all markets where supply has collapsed and yet demand remains high, the London rental market will take time to pick up momentum and price-correct upwards.

This process, of course, will be the key to the recovery of the London sales market. Rents underpin home prices and, as the yield increases, so will the attractiveness of property in the capital to investors.

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



# UK Asking Prices

Scotland	Nov-18
<b>Average Asking Price</b>	<b>£185,743</b>
Monthly % change	-0.1%
Annual % change	1.8%

North East	Nov-18
<b>Average Asking Price</b>	<b>£156,746</b>
Monthly % change	-0.2%
Annual % change	0.3%

Yorks & The Humber	Nov-18
<b>Average Asking Price</b>	<b>£197,752</b>
Monthly % change	-0.1%
Annual % change	4.6%

North West	Nov-18
<b>Average Asking Price</b>	<b>£204,478</b>
Monthly % change	0.2%
Annual % change	4.5%

West Midlands	Nov-18
<b>Average Asking Price</b>	<b>£250,898</b>
Monthly % change	-0.2%
Annual % change	4.9%

East Midlands	Nov-18
<b>Average Asking Price</b>	<b>£233,563</b>
Monthly % change	-0.5%
Annual % change	3.4%

East	Nov-18
<b>Average Asking Price</b>	<b>£357,584</b>
Monthly % change	-0.6%
Annual % change	-0.8%

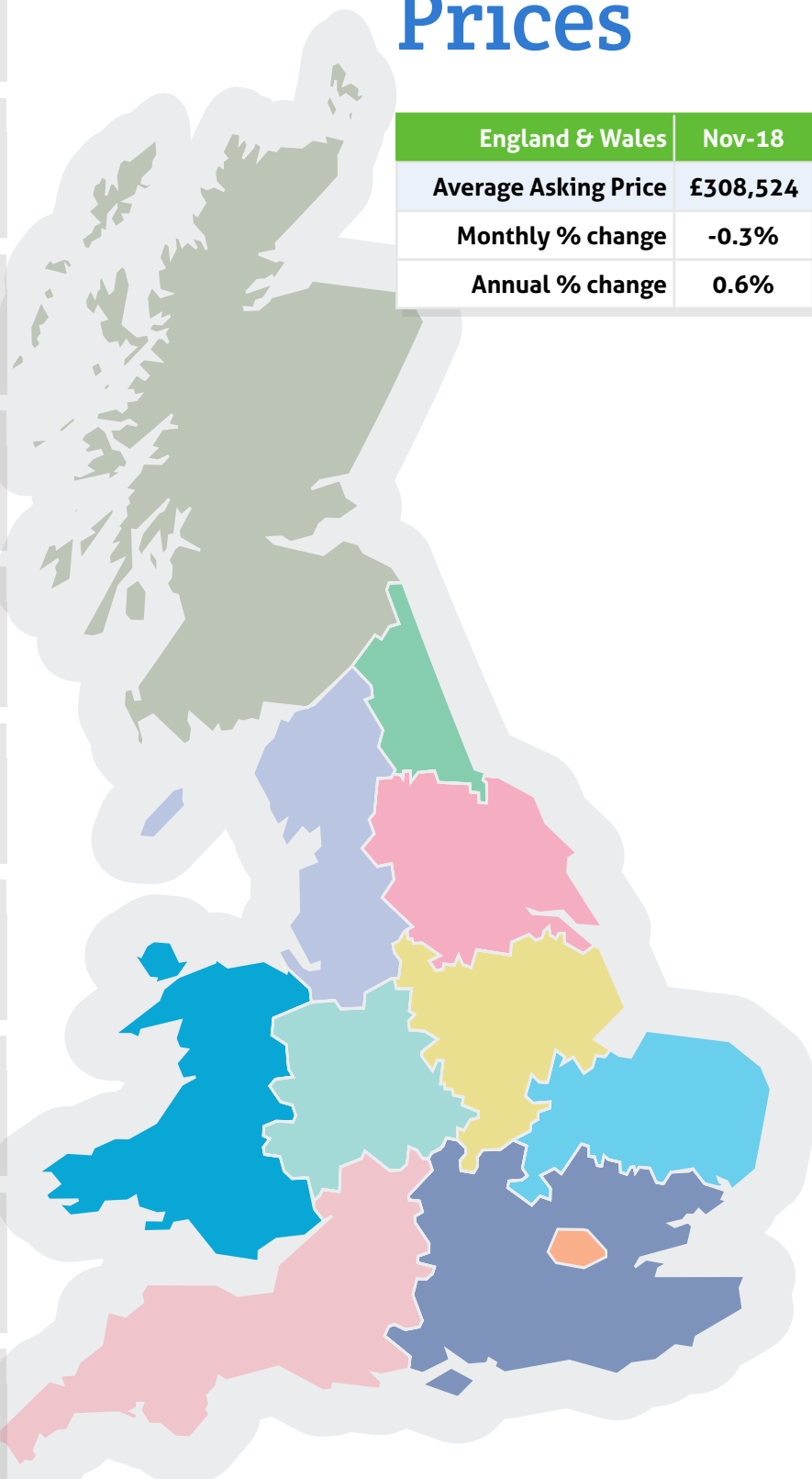
Wales	Nov-18
<b>Average Asking Price</b>	<b>£205,554</b>
Monthly % change	0.3%
Annual % change	7.4%

Greater London	Nov-18
<b>Average Asking Price</b>	<b>£520,628</b>
Monthly % change	-0.3%
Annual % change	-2.3%

South East	Nov-18
<b>Average Asking Price</b>	<b>£399,814</b>
Monthly % change	-0.4%
Annual % change	-1.6%

South West	Nov-18
<b>Average Asking Price</b>	<b>£325,073</b>
Monthly % change	-0.3%
Annual % change	0.7%

England & Wales	Nov-18
<b>Average Asking Price</b>	<b>£308,524</b>
<b>Monthly % change</b>	<b>-0.3%</b>
<b>Annual % change</b>	<b>0.6%</b>



Source: Home.co.uk Asking Price Index, November 2018

# UK Time on Market

Scotland	Nov-18
<b>Average Time on Market</b>	<b>213</b>
Typical Time on Market	103
Annual % supply change	16%

North East	Nov-18
<b>Average Time on Market</b>	<b>225</b>
Typical Time on Market	117
Annual % supply change	8%

Yorks & The Humber	Nov-18
<b>Average Time on Market</b>	<b>169</b>
Typical Time on Market	95
Annual % supply change	8%

North West	Nov-18
<b>Average Time on Market</b>	<b>174</b>
Typical Time on Market	101
Annual % supply change	9%

West Midlands	Nov-18
<b>Average Time on Market</b>	<b>138</b>
Typical Time on Market	79
Annual % supply change	21%

East Midlands	Nov-18
<b>Average Time on Market</b>	<b>135</b>
Typical Time on Market	78
Annual % supply change	19%

East	Nov-18
<b>Average Time on Market</b>	<b>129</b>
Typical Time on Market	79
Annual % supply change	18%

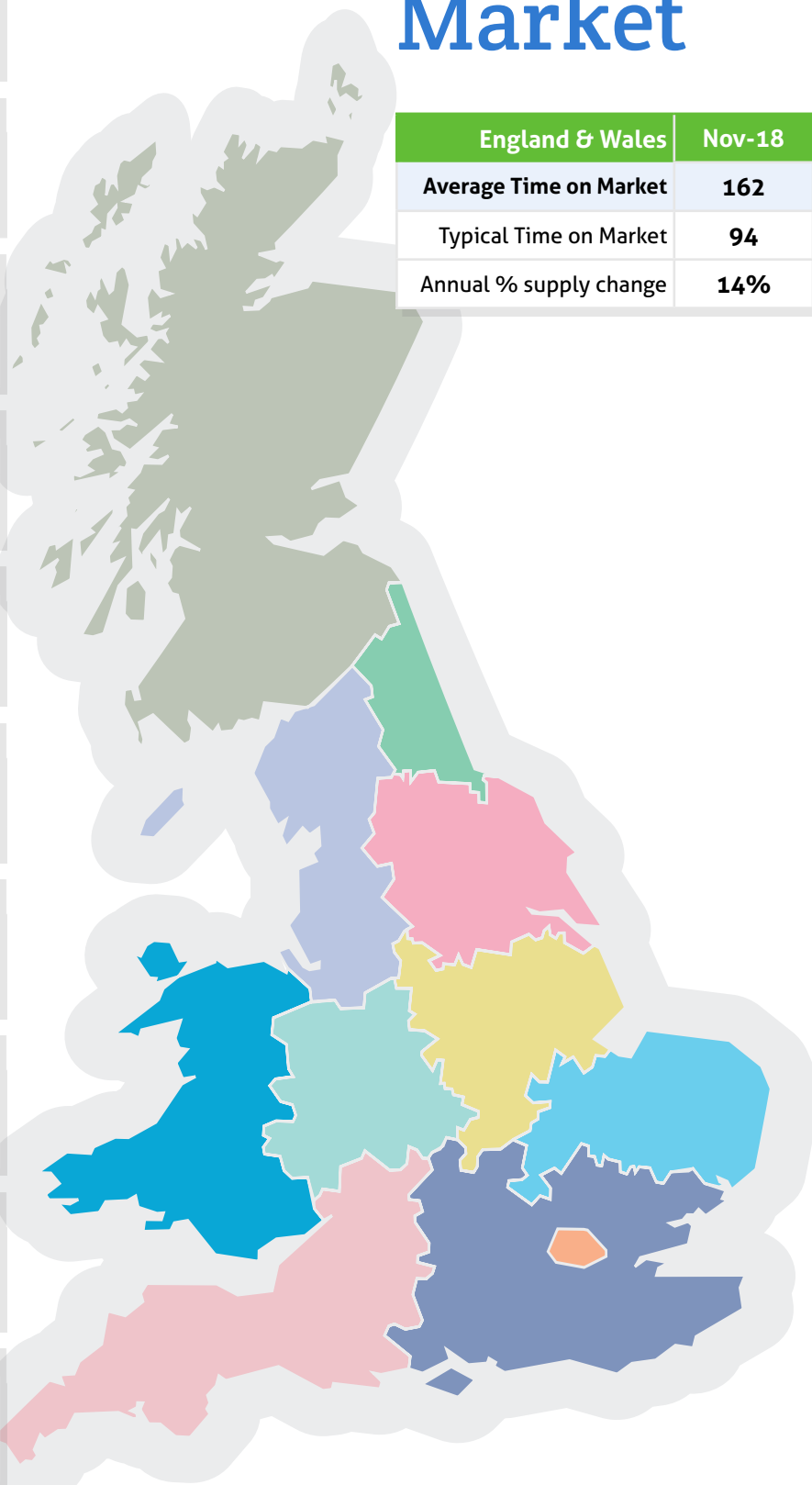
Wales	Nov-18
<b>Average Time on Market</b>	<b>221</b>
Typical Time on Market	117
Annual % supply change	7%

Greater London	Nov-18
<b>Average Time on Market</b>	<b>160</b>
Typical Time on Market	94
Annual % supply change	4%

South East	Nov-18
<b>Average Time on Market</b>	<b>134</b>
Typical Time on Market	82
Annual % supply change	17%

South West	Nov-18
<b>Average Time on Market</b>	<b>147</b>
Typical Time on Market	87
Annual % supply change	24%

England & Wales	Nov-18
<b>Average Time on Market</b>	<b>162</b>
Typical Time on Market	<b>94</b>
Annual % supply change	<b>14%</b>



Source: Home.co.uk Asking Price Index, November 2018. 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:  
[https://www.home.co.uk/asking\\_price\\_index/Mix-Adj\\_Methodology.pdf](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 12<sup>th</sup> December
- Tuesday 15<sup>th</sup> January 2019
- Tuesday 12<sup>th</sup> February 2019