

Home Prices Push Higher Despite Rising Supply

Headlines

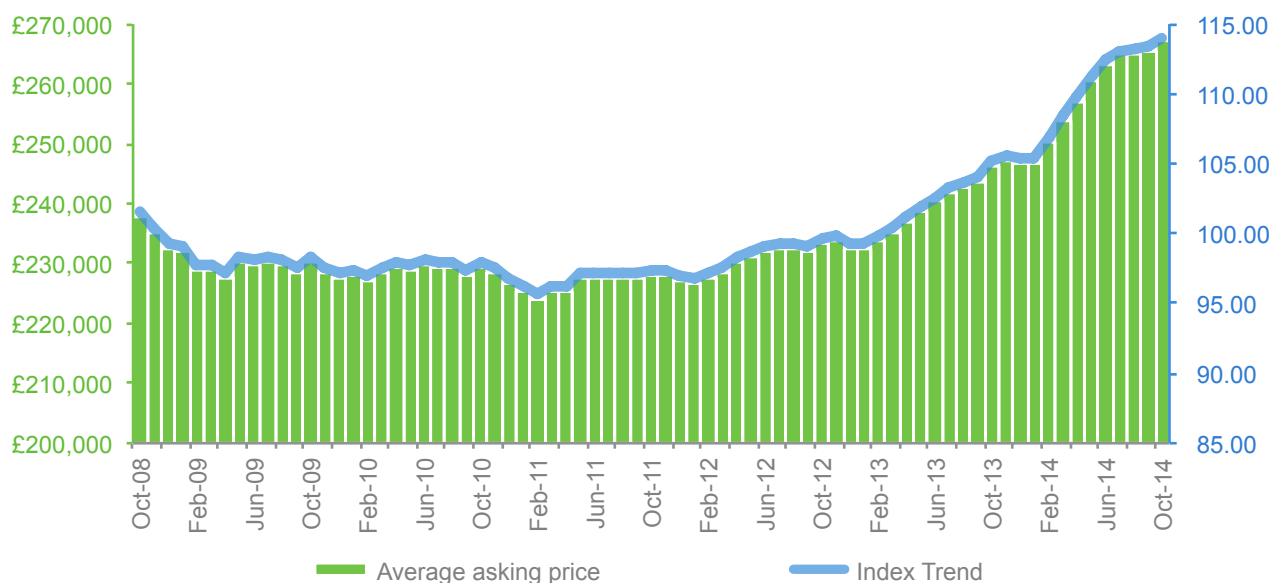
- Asking prices rise for a ninth consecutive month (by 0.6%), making the average annual appreciation for England and Wales 8.5%.
- Home prices rose across most of mainland UK over the last month (prices slipped in the North East, North West and Wales).
- Supply of property for sale continues to grow in Greater London: up by 49% vs. September last year.
- Price cutting hits 2-year high.
- The 20 worst performing property locations revealed.

Summary

The UK property market still has considerable momentum, especially in the South where demand remains high. Prices are not rising as quickly as they were, as evidenced by a falling trend in the year-on-year average price gains chart (page 2), although 8.5% per annum is still high¹ and probably not sustainable for much longer. The market is cooling and vendors' expectations are being moderated outside of the current hotspots. The monthly total of on-market price reductions has risen in recent months from a low in December 2013 to a 2-year high. 69,782 properties for sale had their prices cut in September, representing 13% of the total stock of property for sale.

Supply is growing across the UK as vendors are being encouraged by rising prices. Last month, 10% more properties entered the market than in September 2013. The rise in supply in London is much more extreme: up 49% by the same measure.

Home Asking Price Trend for England & Wales



Source: Home.co.uk, October 2014

¹ Over the last 40 years house prices have risen at only 2.9% per annum above the rate of inflation (Nationwide).

Regional Market Round-up

On a regional level, property market performance remains diverse. Prices slipped in the weaker regional markets over the last month (Wales -0.4%, North East -0.1% and North West -0.1%), and this is consistent with the normal seasonal price variations. Contrary to seasonality, prices pushed up significantly in the more vigorous southern regions. Asking prices in East Anglia, where supply remains very tight, jumped 1.1% over the last month, and prices look set to keep rising as long as the shortage of property for sale continues (the monthly rate of new instructions has fallen 70% over the last seven years).

London prices also rose by 1.1% following last month's dip and, for the time being, supply is historically low (down 67% vs. September 2007). However, this situation is changing rapidly: the number of properties being put up for sale in the capital region has soared by 49% over the last 12 months.

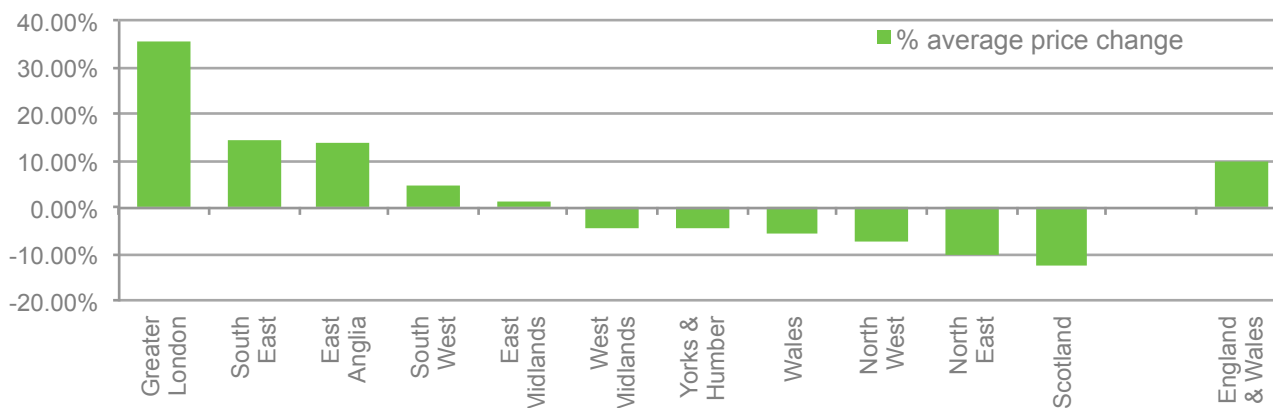
Looking back further, we can see that only five of England's nine regions have prices that are nominally higher than they were in October 2007, whilst home prices in Scotland and Wales remain below those levels. If we take the effects of inflation into account – RPI (excl. housing) totals approximately 28% since October 2007 – then only Greater London has shown any real price gains over this period.

Year-on-Year Asking Price Change Falls Further

The average mix-adjusted 12-month change in asking prices for England and Wales reached a maximum in June (9.6%) and is steadily falling back.

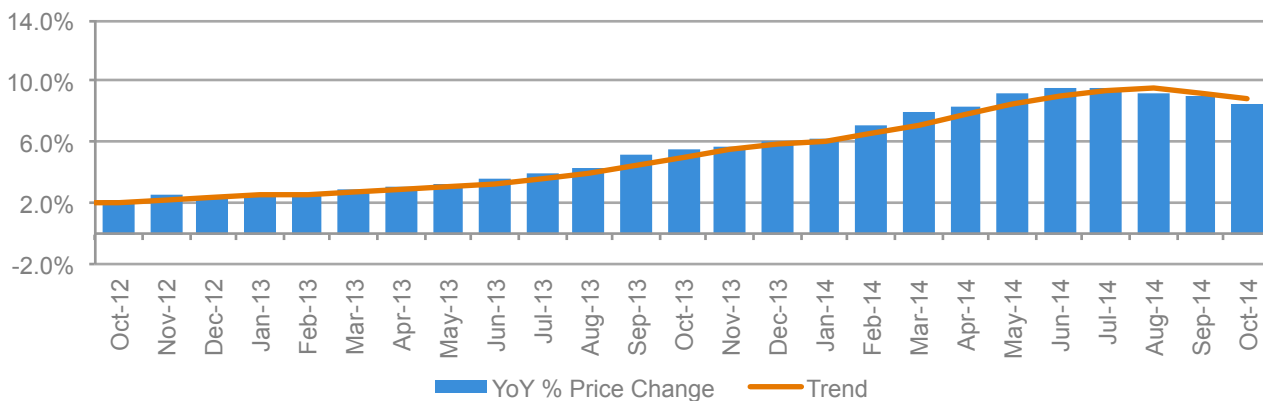
The year-on-year price trend confirms that average price increases are moderating overall. Moreover, we expect this trend to continue in 2015 as rising supply will tend to stifle further price rises, as already seen in Greater London.

Regional % Price Change Since October 2007



Source: Home.co.uk, October 2014

12-Month Change in Asking Prices by Month (England & Wales)



Source: Home.co.uk, October 2014



Where Home Prices are Falling...

Home prices are not rising in all locations of the UK. Indeed, the very positive national average figures tend to obscure the fact that, in many locations, prices are falling. Our data shows that, in fact, there are well over 100 towns and suburbs where the price of 2-bedroom properties is falling on aggregate. Most interestingly, such capital depreciation is not just to be found in the North – some of the richest central London suburbs are on the list of the 20 worst performing locations.

Belgravia, Soho, Westminster and the Strand have suffered significant losses in value over the last year alongside seaside towns in the South and West such as Margate and Poole. Perhaps less surprising is the inclusion of post-industrial northern towns such as Hartlepool, Salford, Halifax and North Shields, where joblessness and austerity measures hamper any sort of meaningful recovery in these property markets.



Whilst much coverage is given to the best performing property locations (currently Stratford, Stepney, Mill Hill and Canning Town), it is equally important to look at the other end of the spectrum. The list of the 20 worst performing locations given below highlights the mixed fortunes of the current overall buoyant property market.



Price falls in the super-rich suburbs of central London have come about for very different reasons to the falls observed in the North. Prices in Belgravia, for example, did not decline following the financial crisis. In fact, prices soared in central London post-crisis as foreign investors sought safe haven investments. Such was the demand for this type of premium property that prices overheated, reaching a peak last year, and are now in the throes of the painful process of market correction.

By contrast, Hartlepool home prices fell hard following the financial crisis and price recovery has been elusive. In fact, price erosion continues in many such locations where supply seemingly continues to outweigh demand.

Doug Shephard
Director at Home.co.uk



Location	Average 2 Bedroom Property Price Sep 2014	Average 2 Bedroom Property Price Sep 2013	12-month % price change
Belgravia	£2,089,484	£2,262,781	-7.66%
Hartlepool	£86,921	£93,983	-7.51%
Poole	£244,424	£263,105	-7.10%
Salford	£161,713	£173,727	-6.92%
Soho	£1,817,965	£1,951,512	-6.84%
Halifax	£92,765	£99,226	-6.51%
North Shields	£105,815	£113,062	-6.41%
Margate	£168,885	£179,685	-6.01%
Plymouth	£142,046	£150,655	-5.71%
St Helens	£81,880	£86,645	-5.50%
Burnley	£72,568	£76,578	-5.24%
Westminster	£1,434,577	£1,513,420	-5.21%
Stockton On Tees	£90,493	£95,296	-5.04%
Stalybridge	£99,386	£104,558	-4.95%
Middlesbrough	£91,567	£95,991	-4.61%
Strand	£1,603,150	£1,663,421	-3.62%
Gateshead	£116,191	£120,017	-3.19%
Rochdale	£87,940	£90,699	-3.04%
Newcastle Upon Tyne	£113,935	£117,292	-2.86%
South Shields	£103,054	£105,942	-2.73%

Source: Home.co.uk October 2014. The average price falls for the locations shown above were calculated for 2 bedroom properties on the market where there were at least 100 such properties for sale and to let.

UK Asking Prices

Scotland	Oct-14
Average Asking Price	£163,207
Monthly % change	0.8%
Annual % change	2.3%

North East	Oct-14
Average Asking Price	£153,960
Monthly % change	-0.1%
Annual % change	0.5%

Yorks & The Humber	Oct-14
Average Asking Price	£174,003
Monthly % change	0.1%
Annual % change	2.6%

North West	Oct-14
Average Asking Price	£177,799
Monthly % change	-0.1%
Annual % change	2.6%

West Midlands	Oct-14
Average Asking Price	£203,835
Monthly % change	0.2%
Annual % change	3.7%

East Midlands	Oct-14
Average Asking Price	£193,331
Monthly % change	0.3%
Annual % change	6.1%

East	Oct-14
Average Asking Price	£284,925
Monthly % change	1.1%
Annual % change	9.2%

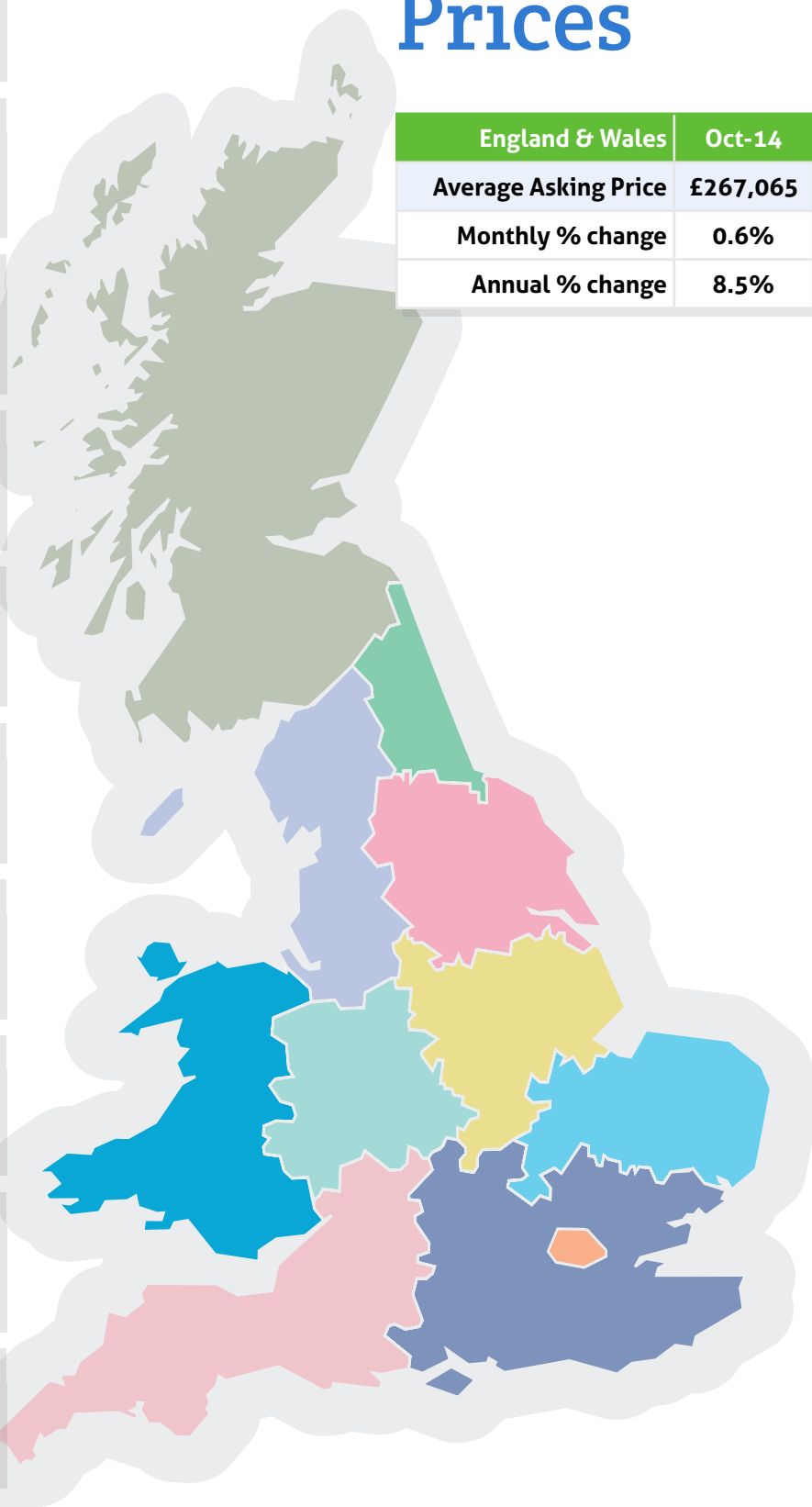
Wales	Oct-14
Average Asking Price	£180,921
Monthly % change	-0.4%
Annual % change	2.3%

Greater London	Oct-14
Average Asking Price	£471,124
Monthly % change	1.1%
Annual % change	17.8%

South East	Oct-14
Average Asking Price	£347,279
Monthly % change	0.8%
Annual % change	9.4%

South West	Oct-14
Average Asking Price	£282,524
Monthly % change	0.2%
Annual % change	5.3%

England & Wales	Oct-14
Average Asking Price	£267,065
Monthly % change	0.6%
Annual % change	8.5%



Source: Home.co.uk, October 2014

UK Time on Market

Scotland	Oct-14
Average Time on Market	238
Typical Time on Market	117
Annual % supply change	10%

North East	Oct-14
Average Time on Market	304
Typical Time on Market	146
Annual % supply change	6%

Yorks & The Humber	Oct-14
Average Time on Market	229
Typical Time on Market	120
Annual % supply change	3%

North West	Oct-14
Average Time on Market	231
Typical Time on Market	122
Annual % supply change	2%

West Midlands	Oct-14
Average Time on Market	184
Typical Time on Market	100
Annual % supply change	4%

East Midlands	Oct-14
Average Time on Market	172
Typical Time on Market	94
Annual % supply change	4%

East	Oct-14
Average Time on Market	129
Typical Time on Market	75
Annual % supply change	1%

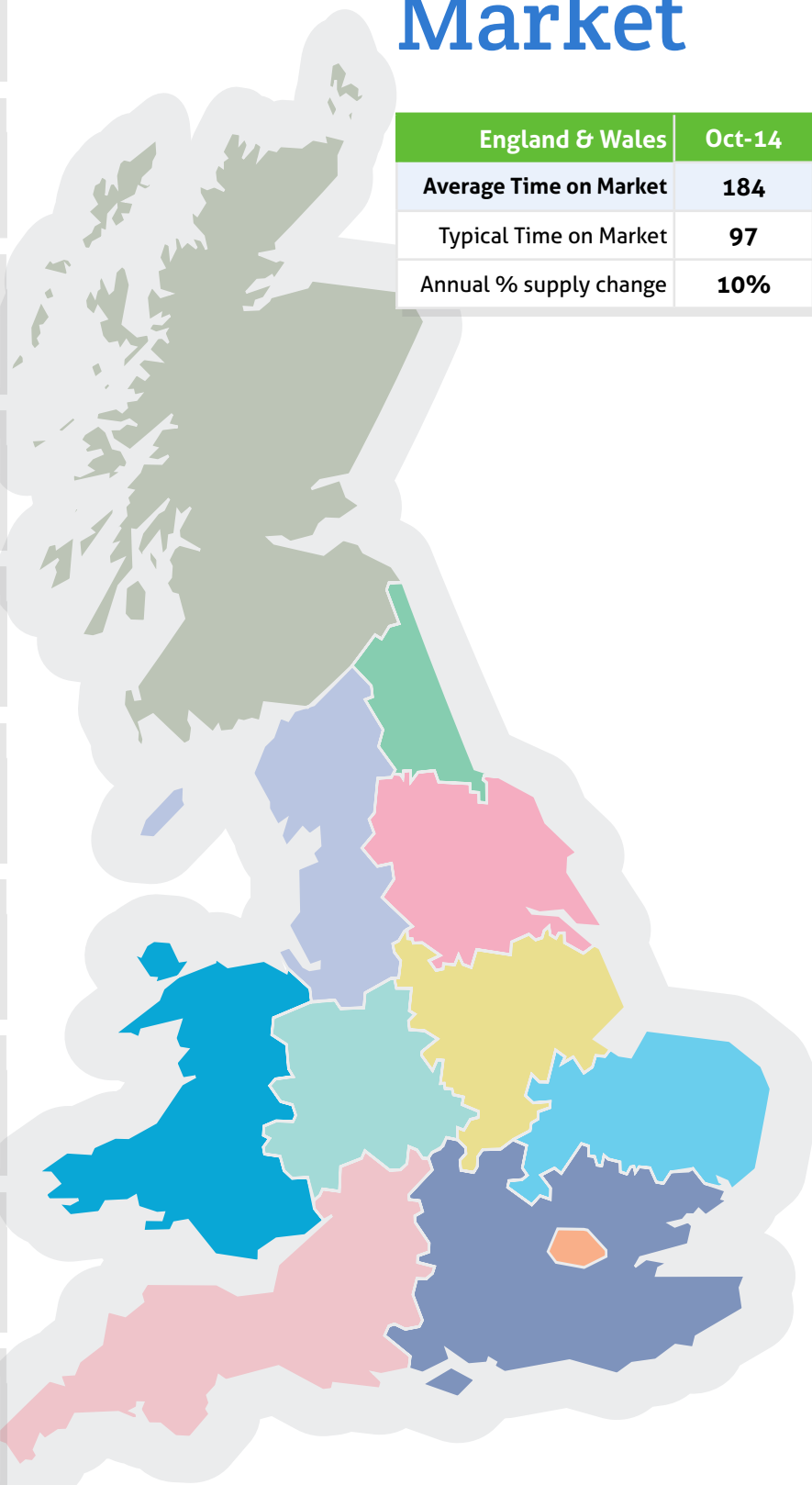
Wales	Oct-14
Average Time on Market	261
Typical Time on Market	132
Annual % supply change	9%

Greater London	Oct-14
Average Time on Market	97
Typical Time on Market	62
Annual % supply change	49%

South East	Oct-14
Average Time on Market	114
Typical Time on Market	68
Annual % supply change	4%

South West	Oct-14
Average Time on Market	154
Typical Time on Market	91
Annual % supply change	6%

England & Wales	Oct-14
Average Time on Market	184
Typical Time on Market	97
Annual % supply change	10%



Source: Home.co.uk, October 2014. 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 November**
- **Friday 12th December**
- **Tuesday 13th January**