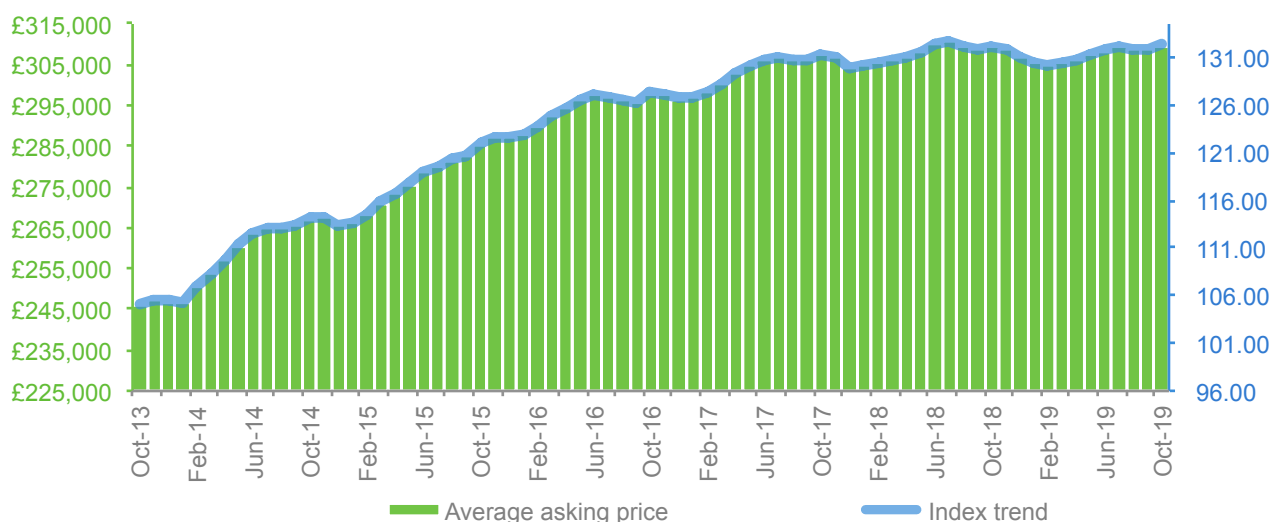


Reluctant Vendors Cut Supply and Boost Home Prices

Headlines

- The supply of new sales instructions has reduced in all regions, with the biggest drop in London of 33% (Sept 2019 vs. Sept 2018), as vendors fail to commit fearing Brexit fallout.
- This sudden supply shortage has consequently served to support prices. Since last month, asking price rises have been observed in every region except the North East.
- Overall, prices rose 0.3% across England and Wales.
- Stock levels are down further in London (-21% year-on-year), emboldening vendors when setting the asking price (up 0.2% month-on-month).
- Supply of new instructions is down 17% overall (year-on-year, UK).
- National average price growth has broken out of the negative after eight consecutive months to register +0.1% year-on-year.
- Total sales stock levels across England and Wales are down further, now by 5.8%.
- Typical Time on Market for England and Wales is currently 99 days (median), seven days longer than in October 2018.
- Typical Time on Market rises indicate the worst regional slowdowns are currently in the East of England (+15%), the East Midlands (+13%) and the South West (+13% year-on-year).
- East of England is the UK's worst-performing region, with the average asking price down by 2.4% over the last twelve months.

Home Asking Price Trend for England & Wales



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

Summary

London takes the spotlight again this month as risk aversion on the part of vendors leads to a massive drop in supply. Moreover, the capital is not alone; sudden supply drops are apparent in many regions and, nationally, supply is down 17% year-on-year as approximately one in six vendors sits on their hands.

Meanwhile, low and falling rental stock levels are initiating a surge in rent hikes, led by seven key boroughs. Wandsworth, Hackney, Haringey, Hammersmith and Fulham, Sutton, Brent and Islington are all showing double-digit rent inflation, yields are soaring and, consequently, property prices look set to surge over the next twelve months and beyond. In fact, asking prices are already beginning to follow rents upward in Wandsworth, Hammersmith and Fulham, Sutton, Brent and Islington.

Nationwide, home prices are holding remarkably steady, despite all manner of Brexit doom and gloom, and the supply drop will only serve to further support values.

At the regional level, the property market presents a more mixed picture: positive growth is still present but waning in the recently booming northern and western regions (especially Wales) while the East of England remains in the grip of the inevitable post-boom price correction.

The South East also has yet to exit a period of negative growth but looks set to follow London on the road to recovery. Acute supply shortages will help to reinvigorate these markets.

Meanwhile, increasing Time on Market figures and vanishing growth indicate that the East and West Midlands property markets are heading for their respective price corrections. 2020 portends a painful period of correction after many years of excessive growth (36.7% and 35.0% respectively since October 2012), although the current drop in new instructions may forestall the inevitable correction by several months.

Thanks to more conservative home price rises in the northern regions over recent years, the risk of price falls looks relatively low going forward. For the time being, of all the regions, only Wales continues to show real growth (year-on-year home price increases above the official rate of inflation).

Annualised price growth across England and Wales has moved out of the red and now stands at +0.1%, after eight consecutive months of negative growth; in October 2018, the annualised rate of increase of home prices was 0.6%.

Regional Round-up

The acute drop in supply, born of Brexit woes, is affecting all regions. Most show double-figure percentage drops year-on-year, with only two regions (West Midlands and Yorkshire) showing single-figure drops of 5% and 7% respectively. Of course, these shortages look tiny when compared to London's massive 33% fall, but all such reductions in supply will bolster both vendors' and agents' confidence when setting the asking price (see chart).

The observed acute shortages in new instructions overlies a mixed picture at the regional level, established over a longer timescale. Price growth, price correction and recovery can all be identified in different regions, depending on where they are in the property cycle. However, the drop in supply will push up growth and accelerate recovery while at the same time limiting the extent of price corrections.

Indeed, the East of England is a case in point, wherein the average mix-adjusted price has risen by 0.5% since last month, despite being in the throes of a price correction, thanks to a supply drop of 15%.

Recovery of both the Greater London region and the South East will advance more quickly due the dearth of property for sale. The severely limited stock available will soon be overwhelmed by pent-up demand, accelerating the transition back to the price growth phase of their respective property cycles.

As we heralded last month, London now shows the first green shoots of recovery following a long and protracted downturn. Rent hikes are gaining momentum (a total of seven London boroughs are now showing double-digit rent inflation) and this is rapidly translating into much-improved yields, thereby enhancing the attractiveness to the Buy-To-Let (BTL) investor. With the pound at a relatively low exchange rate, the promise of attractive yields will likely attract significant investment from overseas.

In view of the current drop in supply, such added demand would have a disproportionate effect on property values in the capital. Moreover, rising asking prices in Hammersmith, Islington, Camden, South Kensington and Tower Hamlets, to name but a few central locations, suggest the investors are already queuing up.

The East and West Midlands markets have been losing momentum over recent months, largely due to overpricing following a long period of home price growth. The new instruction rate has not fallen very much compared to other regions, suggesting that many vendors remain

keen to exit these overbought regions. Reduced supply may delay but not obviate the inevitable yet painful rebalancing of supply and demand that will take place in the Midlands.

Further afield, the South West is now clearly showing signs of recovery. Growth remains out of the red for a second consecutive month (albeit just 0.0% year-on-year) and supply has been cut radically: down 19% compared to twelve months ago. Despite the fact that the median Time on Market is eleven days higher than in October 2018 (currently 95 days), we expect the drop in supply to support prices going forward.

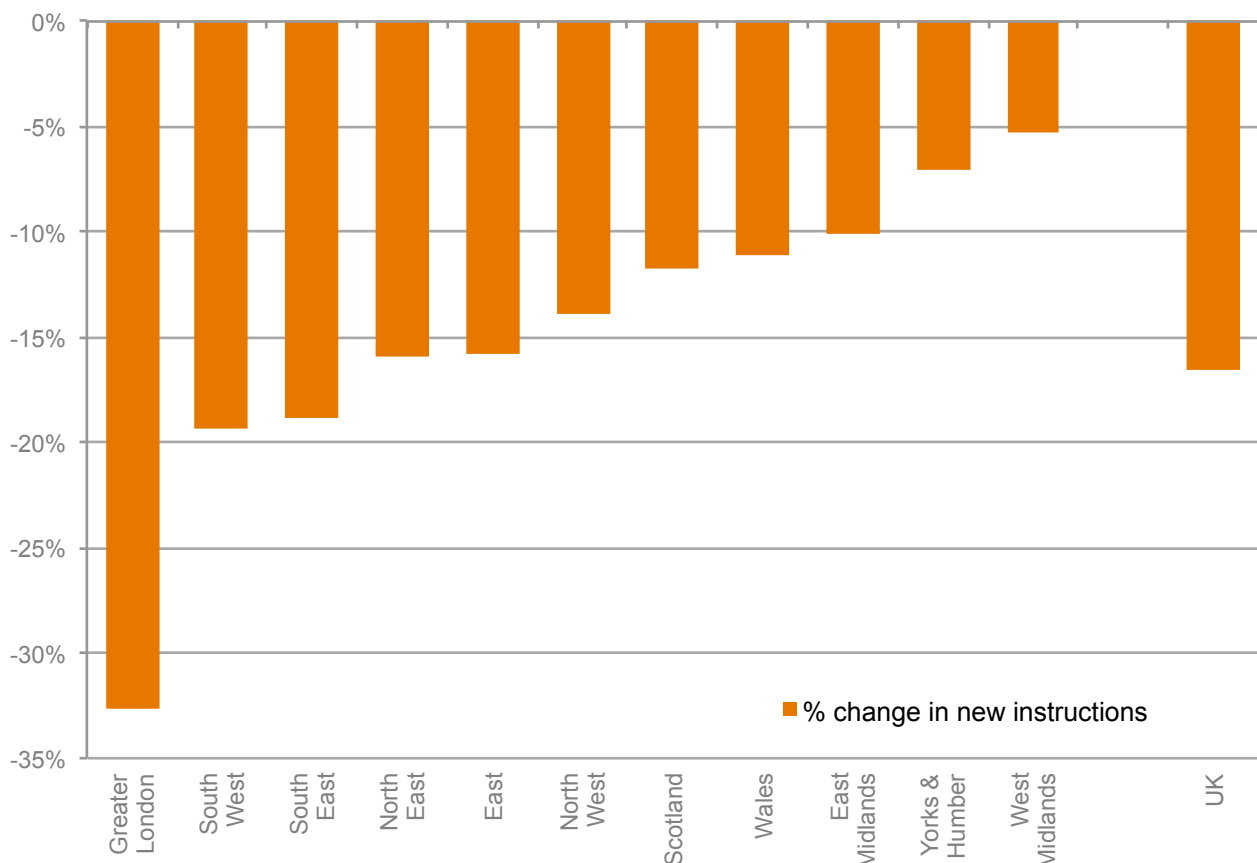
The North West and Yorkshire also show cuts in supply of 14% and 7% respectively. Thanks to much more restrained growth over recent years (20.0% and 20.7% respectively since September 2012), prices are not correcting but merely shadowing inflation. As stated before, we consider that the risk of a significant price correction in either of these regions looks very low, save for popular buy-to-let locations such as flats in Manchester and Leeds. Properties in those overbought pockets may well suffer significant price falls once supply picks up again.

The North East has shown growth of 2.4% since October 2018, a significant achievement for this struggling regional property market wherein prices have grown a mere 5.3% over the last seven years. However, supply is suddenly down 16% year-on-year and this may be the fillip that the region needs to get price growth underway.

Scottish asking prices recorded a further monthly jump (up 0.7%), recovering ground after a nasty drop of 1.2% in August. Supply is down 12% and will serve to bolster prices going forward. Typical Time on Market is just six days higher than it was in October 2018.

Only Wales, the shining star of the UK property market in 2018/9, still shows annualised growth (4.1%) above the level of inflation (RPI ex. housing ca. 3%). However, price increases are waning, down from 6.6% in October last year. Despite this, much momentum remains (Time on Market is only two days higher than October 2018) and supply has reduced by 11%, which will put a backstop under prices going forward.

Vendor Caution Shrinks Supply, (Sept 2018 vs. Sept 2019)



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



One thing is for sure: there's never a dull moment in the UK property market!

Brexit jitters have slashed supply across the UK. No one predicted this: a result of extreme caution on the part of potential sellers. Non-committal vendors are, through their inaction, cutting off supply. Supply in the (possibly more Brexit-hysterical?) English capital has fallen off a cliff. One in three potential vendors failed to commit last month in London. Consequently, stock levels are falling rapidly, thereby creating (at least for the time being) a mismatch between supply and demand, which is pushing up prices.

Who would have thunk it? No crash. No flood of panic selling (as some doomsters predicted). Moreover, this is no buyers' market. There is relatively very little to choose from and competition will be fierce, especially in London, exactly where the first green shoots of recovery are already showing.



The flashing green light of rising rents indicating a revitalisation of the London market has been apparent for several months (albeit pretty much entirely ignored, even by the property specialist media) and, to date, a total of seven London boroughs are showing double-digit growth. Why rents? Because investors know that rents fundamentally underpin the value of property.

Moreover, price growth is already evident in some parts of central London. Wandsworth, Hammersmith, Sutton, Brent, Tower Hamlets, Greenwich, Camden and Islington all show positive annualised growth and this is by no means an exhaustive list. So, it's off to the races for London home prices, boosted by a shortage of inventory across the board. Savvy vendors will enjoy their bargaining position over the next few months, whilst the fearful may regret that they missed the moment.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Oct-19
Average Asking Price	£188,937
Monthly % change	0.7%
Annual % change	1.6%

North East	Oct-19
Average Asking Price	£160,754
Monthly % change	-0.2%
Annual % change	2.4%

Yorks & The Humber	Oct-19
Average Asking Price	£203,593
Monthly % change	0.7%
Annual % change	2.8%

North West	Oct-19
Average Asking Price	£208,807
Monthly % change	0.6%
Annual % change	2.3%

West Midlands	Oct-19
Average Asking Price	£256,077
Monthly % change	0.4%
Annual % change	1.8%

East Midlands	Oct-19
Average Asking Price	£239,550
Monthly % change	0.5%
Annual % change	2.1%

East	Oct-19
Average Asking Price	£351,237
Monthly % change	0.5%
Annual % change	-2.4%

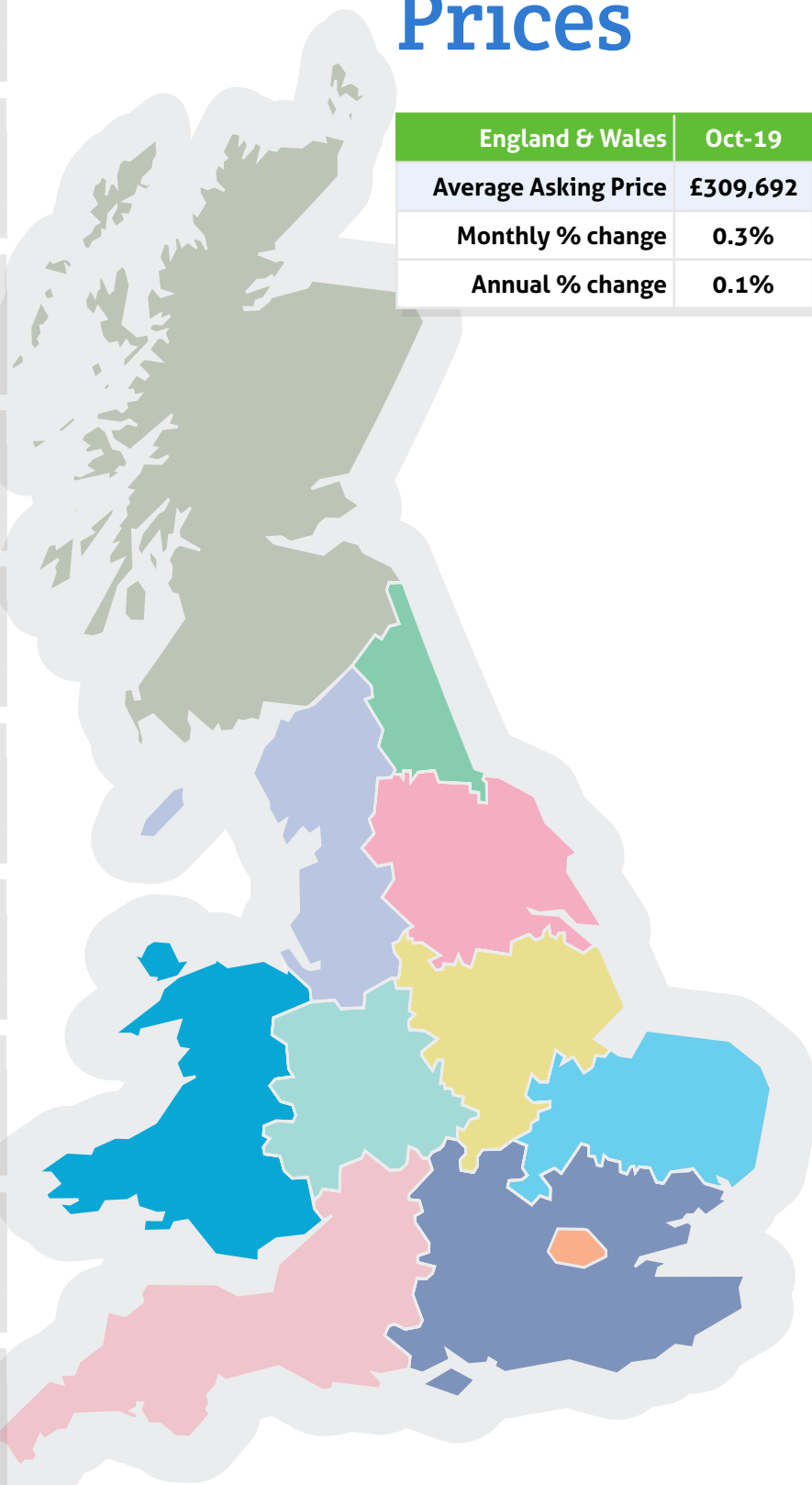
Wales	Oct-19
Average Asking Price	£213,275
Monthly % change	0.2%
Annual % change	4.1%

Greater London	Oct-19
Average Asking Price	£516,854
Monthly % change	0.2%
Annual % change	-1.0%

South East	Oct-19
Average Asking Price	£396,214
Monthly % change	0.3%
Annual % change	-1.3%

South West	Oct-19
Average Asking Price	£326,247
Monthly % change	0.1%
Annual % change	0.0%

England & Wales	Oct-19
Average Asking Price	£309,692
Monthly % change	0.3%
Annual % change	0.1%



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

UK Time on Market

Scotland	Oct-19
Average Time on Market	223
Typical Time on Market	105
Annual % supply change	-12%

North East	Oct-19
Average Time on Market	232
Typical Time on Market	118
Annual % supply change	-16%

Yorks & The Humber	Oct-19
Average Time on Market	170
Typical Time on Market	92
Annual % supply change	-7%

North West	Oct-19
Average Time on Market	180
Typical Time on Market	100
Annual % supply change	-14%

West Midlands	Oct-19
Average Time on Market	151
Typical Time on Market	85
Annual % supply change	-5%

East Midlands	Oct-19
Average Time on Market	151
Typical Time on Market	87
Annual % supply change	-10%

East	Oct-19
Average Time on Market	152
Typical Time on Market	90
Annual % supply change	-16%

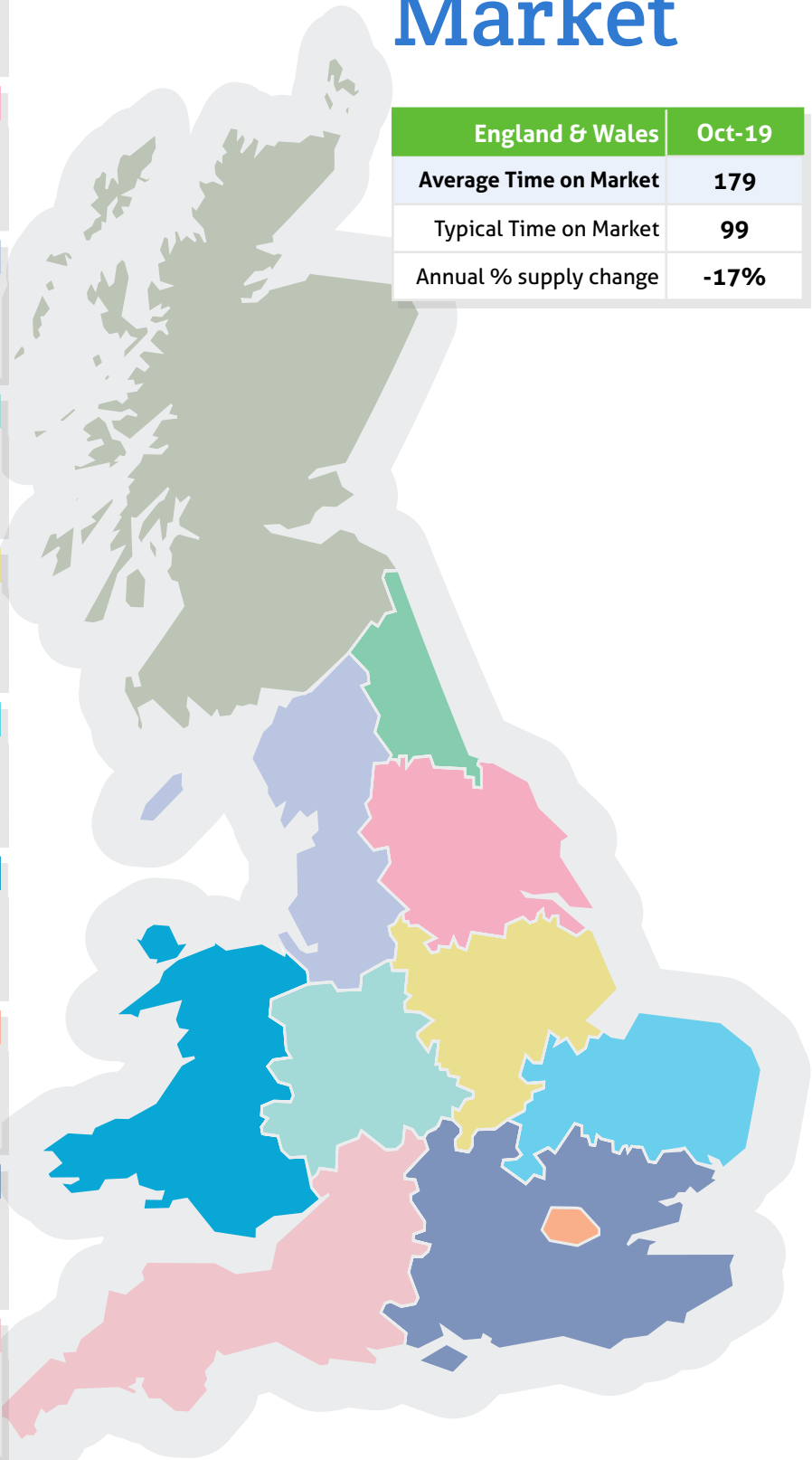
Wales	Oct-19
Average Time on Market	219
Typical Time on Market	113
Annual % supply change	-11%

Greater London	Oct-19
Average Time on Market	189
Typical Time on Market	101
Annual % supply change	-33%

South East	Oct-19
Average Time on Market	157
Typical Time on Market	90
Annual % supply change	-19%

South West	Oct-19
Average Time on Market	169
Typical Time on Market	95
Annual % supply change	-19%

England & Wales	Oct-19
Average Time on Market	179
Typical Time on Market	99
Annual % supply change	-17%



Source: Home.co.uk Asking Price Index, October 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.

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- 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:

- **Tuesday 14th November**
- **Thursday 12th December**
- **Tuesday 14th January**