



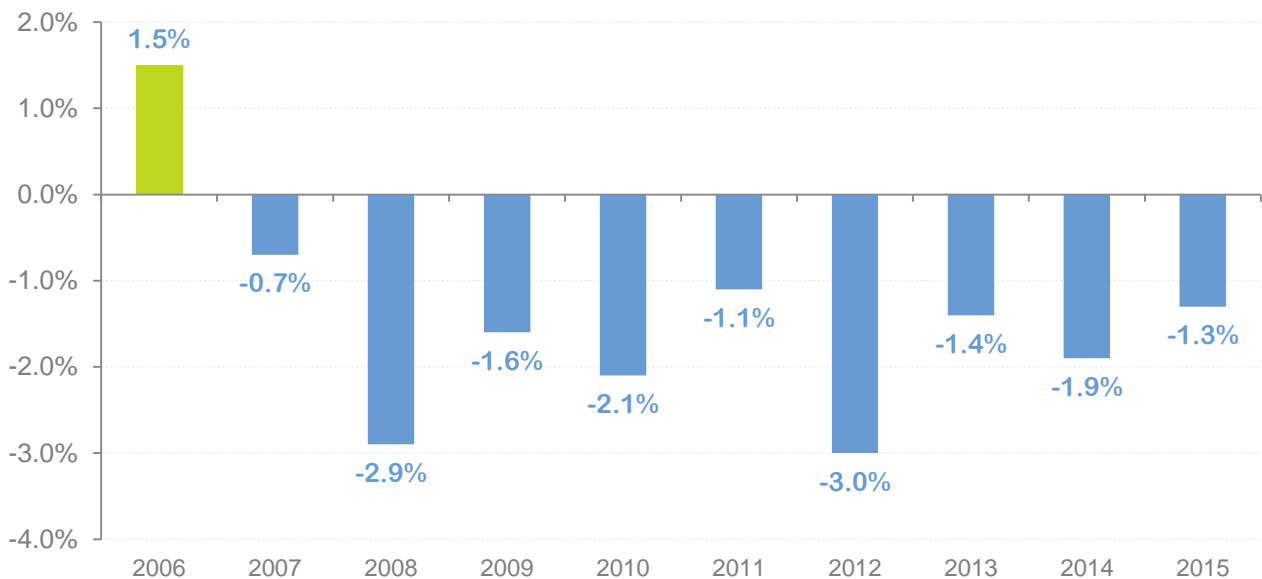
**Under embargo for 00:01 hours: Monday 16<sup>th</sup> November 2015**

## Home-owner confidence sets the scene for higher prices in 2016

- Smallest drop since 2011 in new seller asking prices (-1.3%) during seasonal November slowdown, indicative of even higher prices next year
- Rightmove research<sup>1</sup> reveals home-owners' confident property outlook for 2016:
  - 85% of home-owners expect their financial situation to get better (41%) or stay the same (44%) over the next year, unfazed by the risk of higher interest rates
  - Seven in ten home-owners think house prices will be more expensive in the next 12 months, despite an average increase of 6.2% (+£16,969) in the past year
- Bank of England policy not to use interest rates as a tool to control the housing market plus their forecasts of real wage growth and low base rates suggests those buying in 2016 will be paying a higher price
- Bargain-hunting buyers advised to stay active in December and potential new year sellers should come to market early to take advantage of the surge of Christmas and Boxing Day window shopping for homes

National average asking prices				
Month	Avg. asking price	Monthly change	Annual change	Index
November 2015	£292,572	-1.3%	6.2%	240.9
October 2015	£296,549	0.6%	5.6%	244.1
National average asking prices by market sector (excluding Inner London)				
Sector	November 2015	October 2015	Monthly change	Annual change
First-time buyers	£177,533	£184,676	-3.9%	7.6%
Second-steppers	£245,328	£247,004	-0.7%	7.2%
Top of the ladder	£520,219	£530,457	-1.9%	4.9%

## November monthly change in asking prices 2006-2015





## Overview

Sellers who come to market in the run-up to Christmas typically set lower asking prices as buyers are harder to attract at this time of year. However, this November's price-dip of 1.3% (-£3,977) is much less marked than usual, and is the smallest seen at this time of year since 2011. This indicates a positive underlying outlook for the year ahead among home-owners, with research by Rightmove showing them to be in a confident mood and largely unfazed by the risk of higher interest rates in 2016. Given these findings, and the likelihood that demand will continue to outstrip supply, prices look set to increase again in many locations in 2016. Rightmove's full 2016 house price forecast will be released in next month's House Price Index, on Monday 14th December.

Rightmove director and housing market analyst Miles Shippside says: *"New-to-the-market sellers have dropped their asking prices at this time of year for the last eight years, with an average drop of 1.9% over the last five years. Those looking to market their property as Christmas gets closer often have a greater sense of urgency to find a buyer and sensibly recognise that trimming their asking price will provide an incentive to potential buyers more focussed on seasonal Christmas trimmings. Buoyant market conditions and a confident outlook for 2016 mean that the reduction, while no-doubt welcome to hard-pressed buyers, is the most Scrooge-like since 2011! It's likely to be a short-lived respite as the combination of high confidence and low interest rates is a recipe for higher prices next year."*

High home-owner confidence is demonstrated by Rightmove research, with a sample size of over 23,000, which reveals that the majority (85%) don't think their financial situation will worsen in the next year. Despite the possibility of a 2016 rate rise that could increase mortgage repayments for many, 41% of home-owners said they thought their household's financial situation would get better over the next 12 months. Another 44% said things would stay the same, with only 15% forecasting they would get worse. The majority (69%) were also of the opinion that property would continue to rise in price over the next 12 months, with only 7% expecting prices to be lower.

Shippside observes: *"While confidence can be fragile, it is currently riding high. It seems that most home-owners are not worried by the risk of 2016 rate rises, with only one in seven thinking their financial situation will deteriorate. Home-owners have had a smooth ride over the past six or so years with a half-a-percent base rate, so you would think that more might have concerns about the extra drain on their financial resources when the base rate inevitably goes up. Whether in 2016 or early 2017, a rise won't come as a surprise as an increase has been well-trailed. Indeed, competitiveness among lenders means some of the possible effects of rate rises for both home-owners and movers will be softened, and buyers' ability to afford higher interest rates is already built into the current tighter lending criteria. Many recent buyers will also be shielded as they are locked into fixed rates, so the shock of the first rise for over six years will be a delayed one."*

The positive home-owner outlook will be influenced by the prospect of real wage growth out-stripping consumer price inflation (CPI) and aiding stretched buyer affordability. The latest Bank of England Inflation Report stated 'Confidence is firm, real income growth this year is expected to be the strongest since the crisis'. However, a deputy governor has recently re-affirmed that interest rates are 'not a tool to be used to control the housing market'. While long-term low interest rates have provided the necessary environment for wider economic recovery, from a property market perspective they are a double-edged sword. Investors keep seeing the prospect of higher rates on their cash getting further postponed. Agents report them looking to property as part of their quest for better returns, adding to upwards price pressure. In addition, low borrowing costs and reduced stamp duty enable some potential owner-occupiers to pay more, which further contributes to higher prices.



Shipside adds: *“Long-term low interest rates are typically a trigger for activity and price rises in the property market while other parts of the economy are less susceptible to such an incentive. The spur of cheap money (if you’ve got your credit rating in good order) helps buyers to pay the asking price or outbid the competition for their ideal home. It all fuels demand for property as evidenced by Rightmove traffic up in October by 23% year-on-year.”*

## **Advice for bargain-hunting buyers and early-bird sellers:**

Buyers keen to find their ideal home and looking to negotiate a relative bargain are advised to keep shopping for houses in the days before Christmas, at a time when competition from other buyers is typically less.

Shipside suggests: *“When other prospective buyers are taking a house-hunting break and are busy shopping for Christmas, a keen seller will be happy to see you and a lack of any other bids will make yours seem more appealing. With this year’s sellers’ market looking likely to continue into next year, there is a small window of opportunity to be ahead of some of your buyer competition.”*

Home-owners looking to come to market soon after New Year’s Day should contemplate acting slightly earlier given that buyer searches on Rightmove ramp up from Christmas Day.

Shipside advises: *“There’s a huge peak in the number of people home-hunting on Rightmove on Boxing Day, and last year there were over 1 million visits on Christmas day itself. It’s highly unlikely you’ll want prospective buyers to come round to have a look while you’re tucking into turkey or leftovers between Christmas and New Year, but being earlier to market means you won’t get left out of this surge in buyer interest if being an early-moving bird is your New Year resolution.”*

## **Agent’s View**

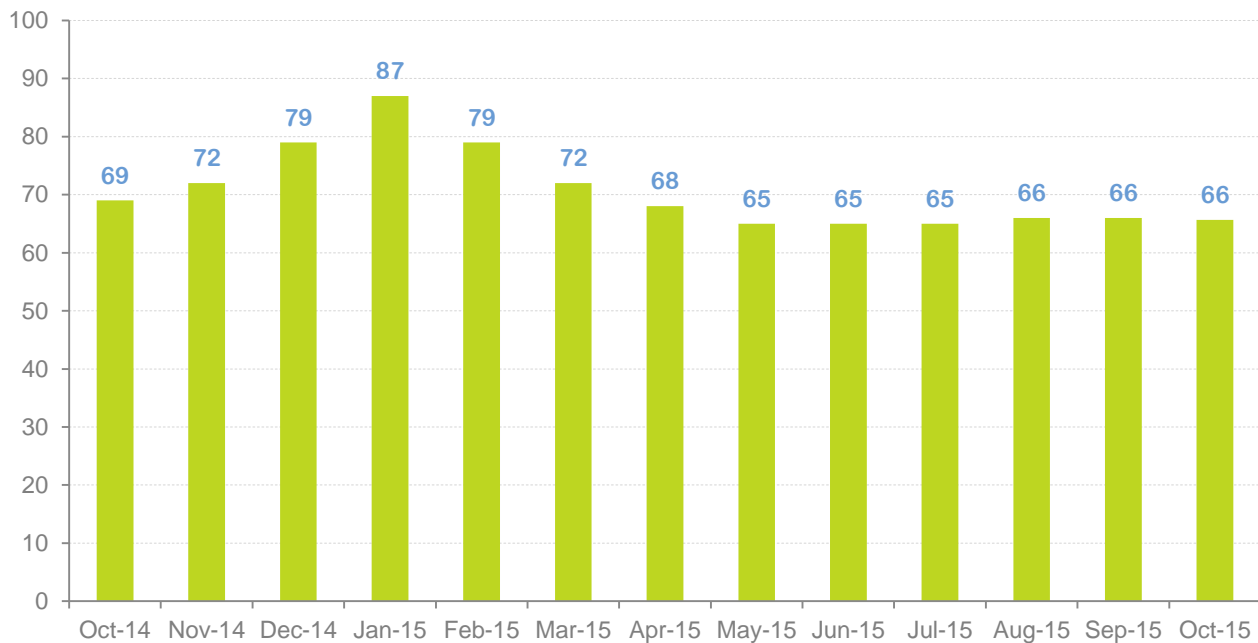
Philip Jackson, Director of Maguire Jackson in Birmingham says: *“The seasonal slowdown definitely hasn’t yet reached Birmingham city centre this year, as demand is still very high, and it’s for apartments & houses at all price ranges. There’s an overall increasing buyer confidence and the area has benefitted from people from the South East & elsewhere moving here for business or investing. Properties that are well presented are moving very quickly, especially ones where sellers have thought about how they can help assist the sale, such as redecorating, improving their kitchen & bathrooms or indeed decluttering. There’s still a stock shortage here but looking forward to next year we think there’ll be more properties available, as we’ve already had interest from potential sellers thinking already about moving in early 2016.”*



## Monthly asking price trend

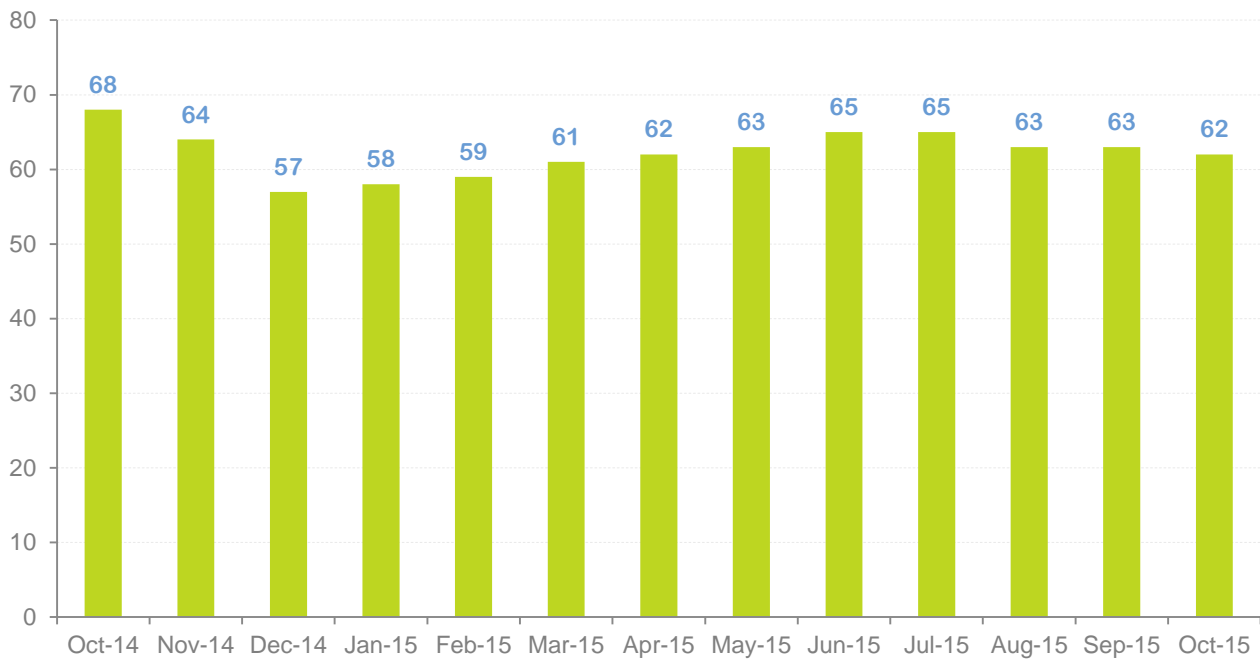


## Average 'time to sell' (no. of days) - National

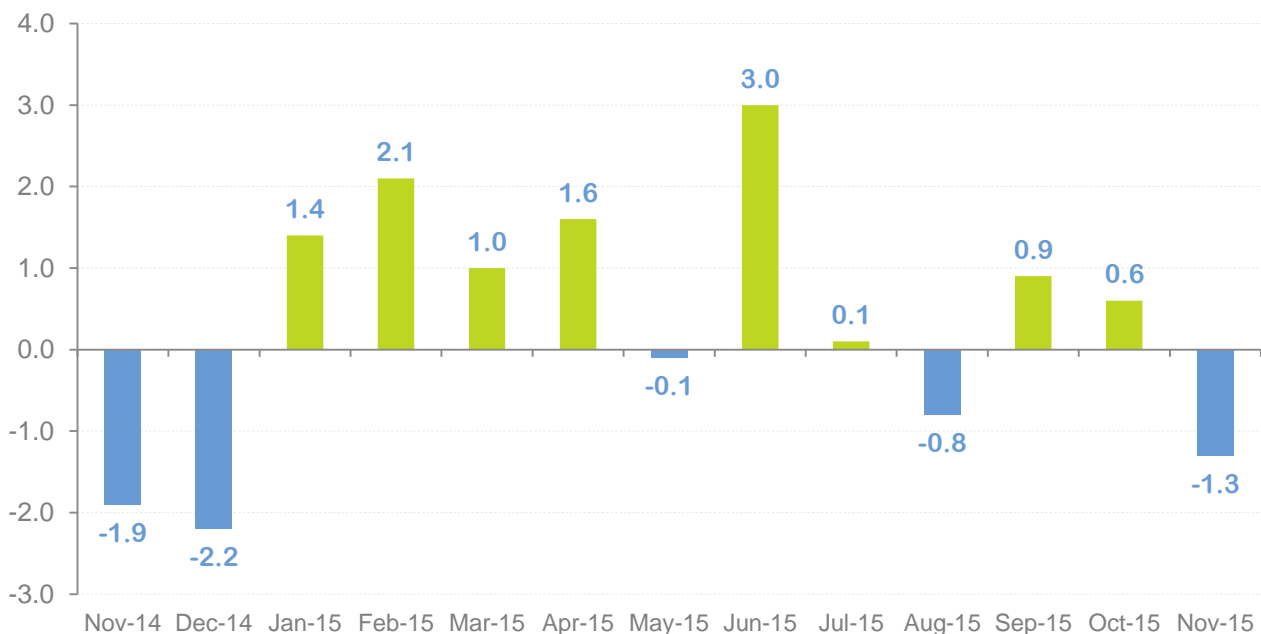




## Average stock per agent (including Under Offer/Sold STC)



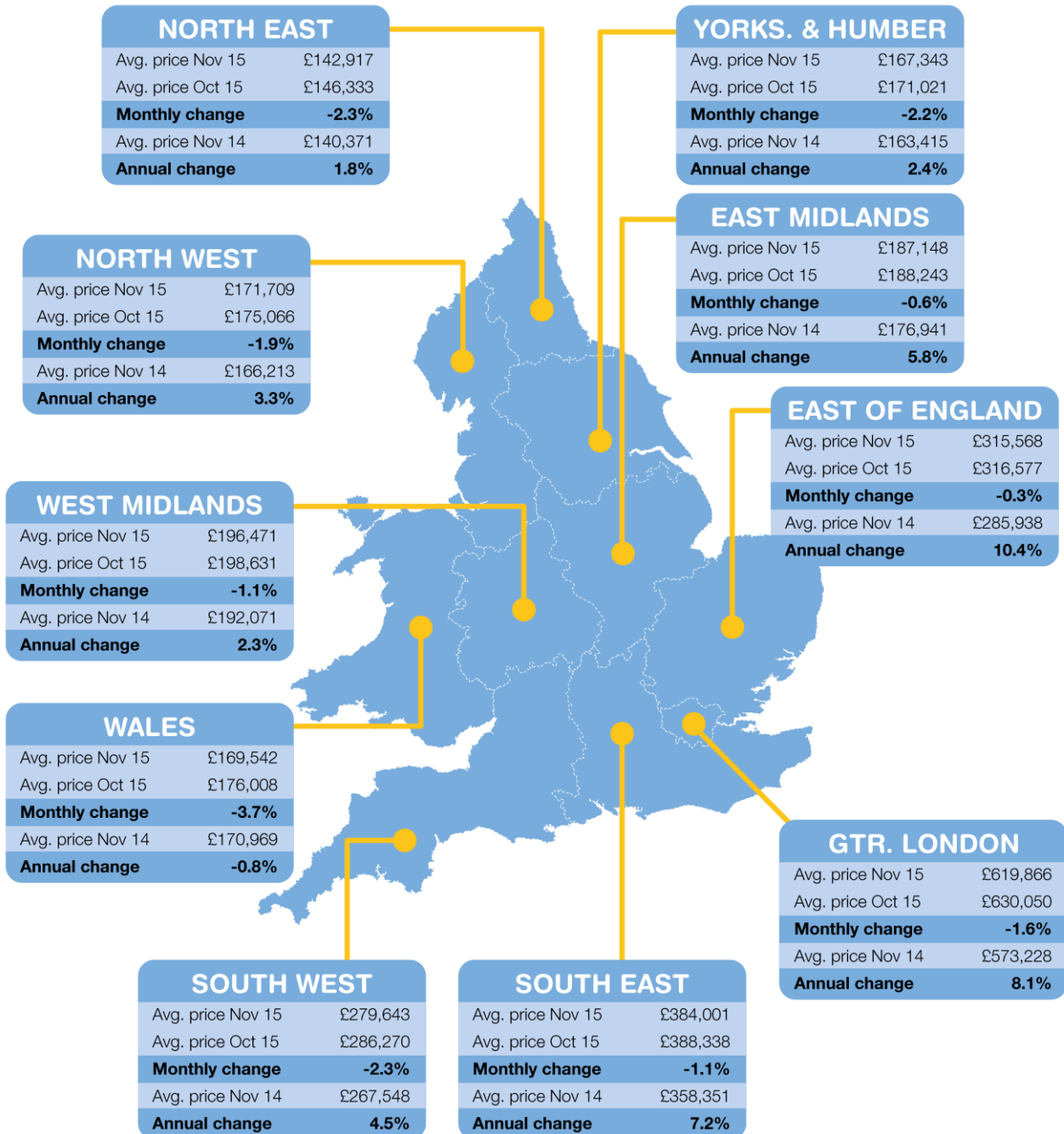
## % monthly change in average asking prices





## Regions of England and Wales

■ Increase from previous month    ■ Decrease from previous month





## Editors' notes

1 Survey results taken from Rightmove survey of 23,140 home-owners, carried out between 28th July and 12th August 2015.

### About the Index:

The Rightmove House Price Index methodology has been refined as of January 2015. The Index now uses new mapping technology to define regions at a postcode rather than postcode district or area level, and the mix adjustment has been updated to reflect the current proportion of stock by property type in each area, to provide even more accurate data. All regional breakdowns are now reported in line with ONS regions. For the purpose of historical comparisons, the historical figures have been restated based on the new methodology.

The Index can now include further breakdowns in the housing market to offer trends at three different sectors of the market: first-time buyer, second-stepper and top of the ladder. Inner London prices have been excluded from this categorisation as the normal housing ladder is not really applicable.

Advertising property for over 90% of all UK estate agents, Rightmove is in a unique position to identify any immediate changes in the market. Rightmove's House Price Index is compiled from the asking prices of properties coming onto the market via over 13,000 estate agency branches listing on Rightmove.co.uk. Rather than being a survey of opinions as with some other indices, it is produced from factual data of actual asking prices of properties currently on the market. The sample includes up to 200,000 homes each month – representing circa 90% of the market, the largest and most up-to-date monthly sample of any house price indicator in the UK. 95% of properties are sold via an agent, whilst only 75% are purchased with a mortgage. The Index differs from other house price indicators in that it reflects asking prices when properties first come onto the market, rather than those recorded by lenders during the mortgage application process or final sales prices reported to the Land Registry. In essence, Rightmove's Index measures prices at the very beginning of the home buying and selling process while other indices measure prices at points later in the process. Having a large sample size and being very up-to-date, the Rightmove Index has established itself as a reliable indicator of current and future trends in the housing market.

Rightmove measured 95,040 asking prices – circa 90% of the UK market. The properties were put on sale by estate agents from 11<sup>th</sup> October 2015 to 7th November 2015 and advertised on Rightmove.co.uk. This month 4,420 properties have been excluded due to being anomalies.

### Market sectors explained:

**First-time buyer:** This figure represents the typical property a first-time buyer would purchase, covering all two bed properties and smaller that come to market (houses and flats).

**Second-stepper:** This figure represents the typical property of a person moving from their first home, covering all three and four bed properties that come to market (houses and flats) excluding four bed detached houses.

**Top of the ladder:** This figure represents asking prices at the top end of the market, covering all five bed properties and above (houses and flats), as well as four bed detached houses.

### About Rightmove.co.uk:

Rightmove.co.uk is the UK's leading property website, displaying details of homes for sale or rent to the largest online audience. It is consistently ranked the number one property website in the UK (source: Experian Hitwise). It has around 90% of all properties for sale and at any time displays a stock of over one million properties to buy or rent, worth around £270 billion. The Rightmove.co.uk site attracts over 90 million visits from home movers each month who view in excess of one billion pages (Rightmove data, October 2014).