

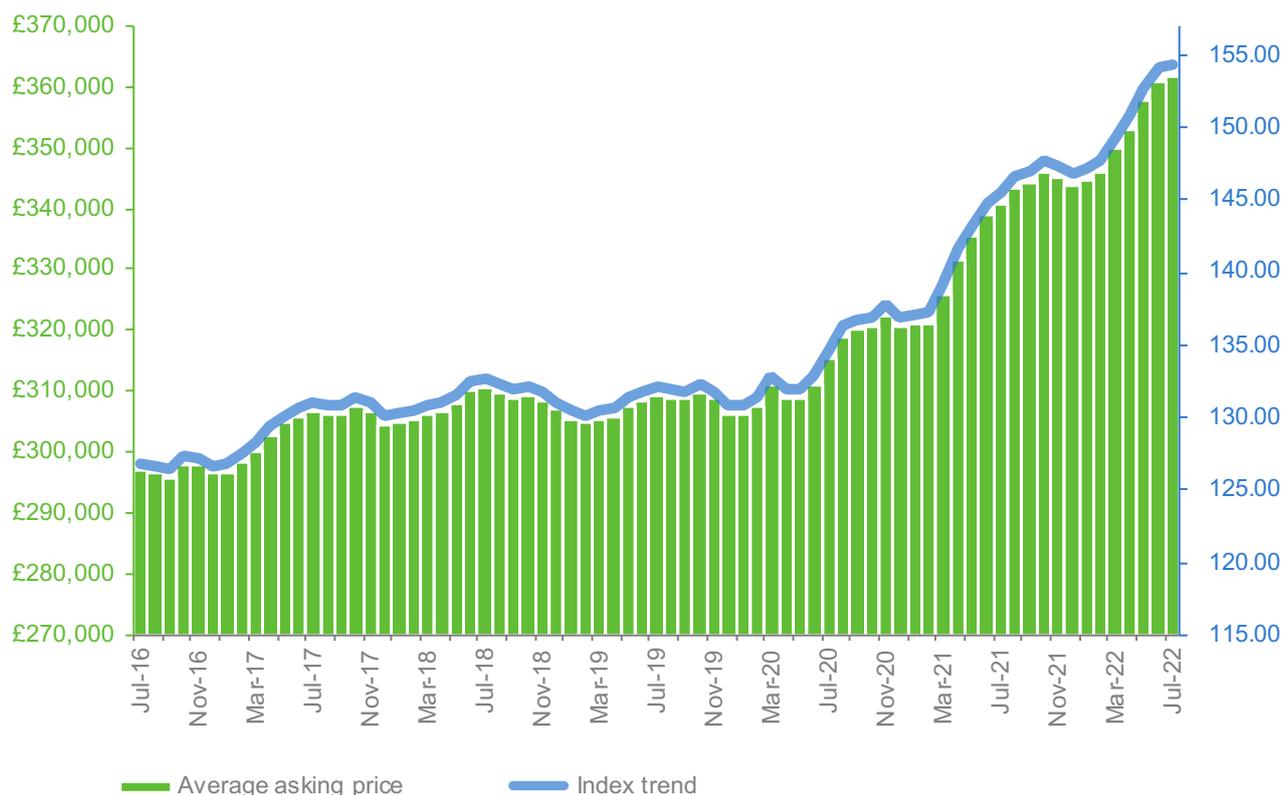
## Home Price Growth Slows, Stock Level Trends Up and Rents Skyrocket.

### Headlines

- Asking prices across England and Wales edged up a mere 0.2% overall in May, bringing the year-on-year rise to 6.1%, a more muted increase than seen in previous months, despite huge monthly rises in Wales (1.0%) and Yorkshire (1.3%).
- Monetary inflation increased further to 13.4% (RPI ex. housing).
- The total stock of property for sale in England and Wales moved up again by a larger margin than last month. The stock total has been in a rising trend since January 2022.
- Typical Time on Market (median) for unsold property is 59 days, which is 14 days less than in July 2021, a clear indication that properties continue to move through the market with extraordinary alacrity.
- Supply remains relatively tight as surprisingly few vendors are tempted by record prices. Only one per cent more properties were placed on the market last month compared to June 2021.
- Three regions – London, the North West and Yorkshire – indicate a year-on-year reduction in supply.
- The Welsh property market now leads in annualised regional price growth (+9.9%), ahead of the previous leader, the South West (+9.2%).
- Rents in Greater London continue their breathtaking ascent. Demand is persistently overwhelming a falling supply of available properties and has pushed annualised rental growth to an alarming 25.4%.
- Asking rent growth across the UK currently stands at 19.1% year-on-year as rents rise in every English region, Scotland and Wales.
- Central London rents continue to set new records as supply plummets. Hackney, Merton and Lambeth boroughs show the greatest rises in asking rents over the last twelve months, with all three indicating an increase of 42%.

<sup>1</sup> ONS figure for May 2022.

## Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, July 2022, Indexed to May 2004 (Value=100).

### Summary

The UK property market shows no sign of a slowdown. Stock for sale is steadily trending up, albeit from a record low set in January this year, and monthly supply of new instructions remains relatively tight. Meanwhile, demand remains very strong as evidenced by a near all-time low in the Typical Time on Market of unsold property.

Rents continue their upward spiral, considerably outpacing monetary inflation by a large margin. Hence, yields are improving really rapidly across the country, thereby incentivising Buy-to-Let (BTL) purchases. Moreover, rental yield growth is certainly outpacing the tardy and tiny interest rate rises by the Bank of England (BoE). Furthermore, the unprecedented large and widening spread between mortgage interest rates and inflation continues to incentivise

leveraged property purchases (see quote section).

Despite a small uptick, acute scarcity persists across all regions when compared to stock totals for sale over the last decade. Real mortgage interest rates look to remain negative for the foreseeable future, even when further BoE hikes are factored in. Rents are soaring year-on-year across all regions and look set to continue to do so. The mix-adjusted average rise for the UK is 19.1%. Supply is worsening in this sector, with newly available rental properties down by 23% compared to June 2021, due mainly to the drop in London. Given the above, we expect demand for UK property to remain high and perhaps rise into 2023 as investors seek the relatively safe returns afforded by bricks and mortar, facilitated by artificially low interest rates.

The annualised mix-adjusted average asking price growth across England and Wales is now at 6.1%; in July 2021, the annualised rate of increase of home prices was 8.0%.

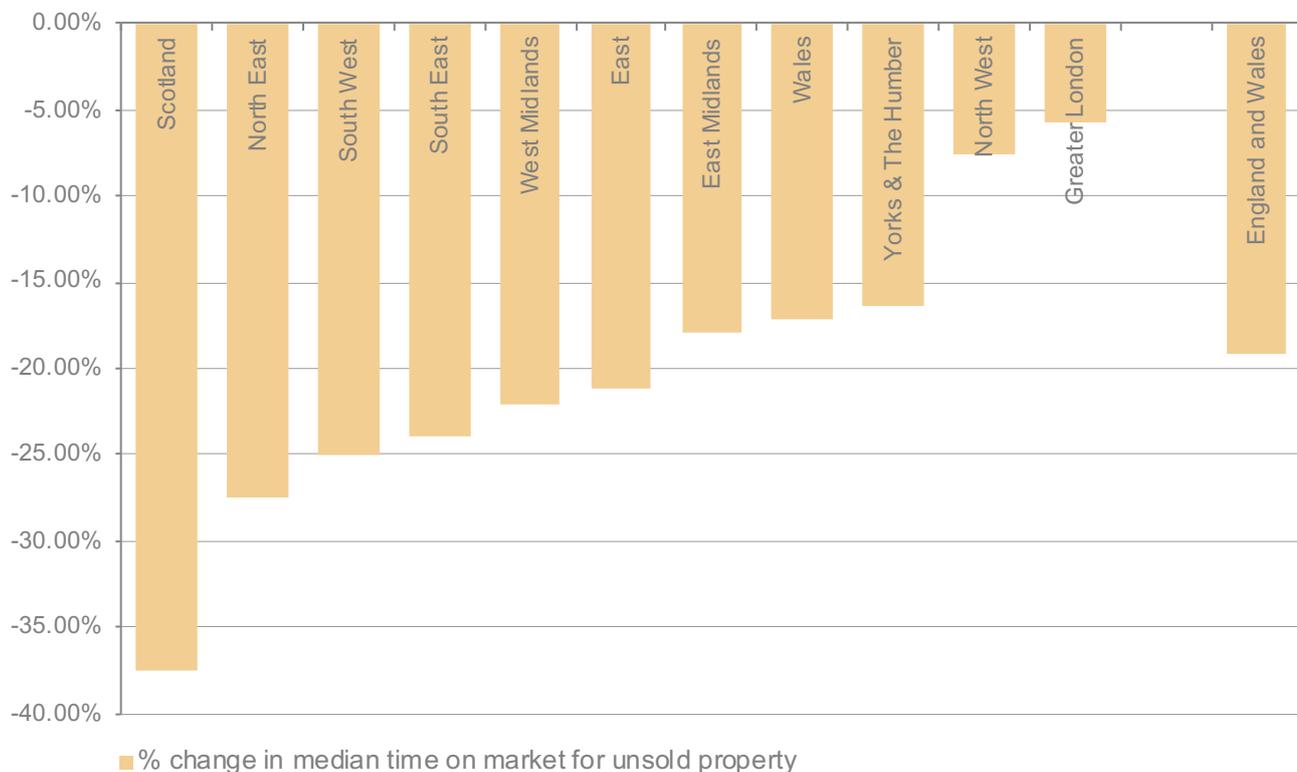
## Regional Roundup

The much-heralded slowdown of the UK property market has, so far, simply failed to materialise. And why should it while real mortgage interest rates are negative and investors are seeking safe-haven assets in these troubled times? Our chart shows the change in Typical Time on Market by region compared to a year ago. Once again, the data shows that unsold property is typically spending less time on the market than it was a year ago in every single English region, Scotland and Wales.

Again, marketing times in Scotland show the greatest improvement, with the median time on market falling from

72 days in June last year to the current value of 45 days (or a 37.5% drop). This clearly does not correspond with the slowdown that many property pundits forecast. Likewise, the North East also shows a drop from 73 days to the current 53 days. As we stated before, we have not seen marketing times so low in this region since before the financial crisis of 2008. Moreover, it may not be practically possible for the market to move any faster than it currently is. Perhaps ironically, price growth in the region has only taken off since the beginning of the COVID pandemic (16.2% since Feb 2020) as, prior to that, prices in the North East had been underwater since the demise of Northern Rock. The next chart shows that the total stock of unsold property has dropped by 10.4% over the last twelve months, such has been the increase in demand in the region.

## % Change in Typical Time on Market, July 2022 vs. July 2021



Source: Home.co.uk Asking Price Index, July 2022

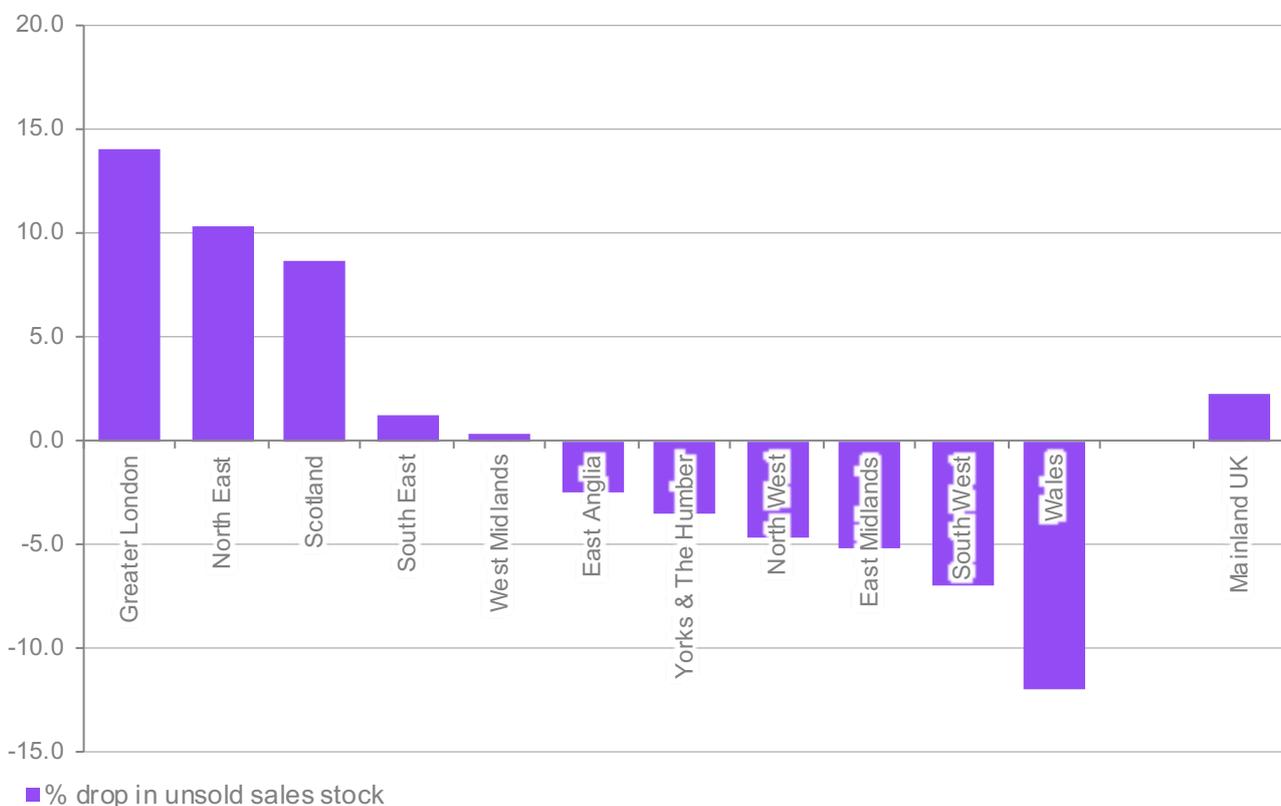
Prices rose in six of the nine English regions, Wales and Scotland during the last month. The largest gains were in Yorkshire and Wales, indicating rises in the mix-adjusted average asking price of 1.0% and 1.3% respectively. Vendors' confidence clearly remains very high in these regions despite year-on-year increases in the total stock for sale (see chart). The North West and Scotland also showed bullish price hikes (see map). Wales and the South West continue to head up the regional growth table with annualised gains of 9.9% and 9.2% (see map), followed by the North West (9.1%).

Meanwhile, prices slipped marginally in London, the South East and the West Midlands by 0.2%, 0.2% and 0.1% respectively. These minor price corrections come on the back of several months of price increases. It is interesting to note that the four worst-performing

regions in terms of annualised price growth are also those that have shown the greatest reduction in stock for sale over the last twelve months, namely Greater London, the North East, Scotland and the South East. This apparent scarcity will support prices going forward.

Rent rises in the Greater London region continue to astound. Demand is completely overwhelming the dwindling supply of available properties to let. The number of newly available rental properties being marketed online during the last 30 days is 46% down on a year ago. Central London rents continue to set new records as supply plummets. Hackney, Merton and Lambeth boroughs show the greatest rises in asking rents over the last twelve months, with all three indicating an increase of 42%, which is several times the rate of monetary inflation by any chosen measure. Such

## Fall in Total Properties for Sale by Region, July 2022 vs. July 2021



Source: Home.co.uk Asking Price Index, July 2022

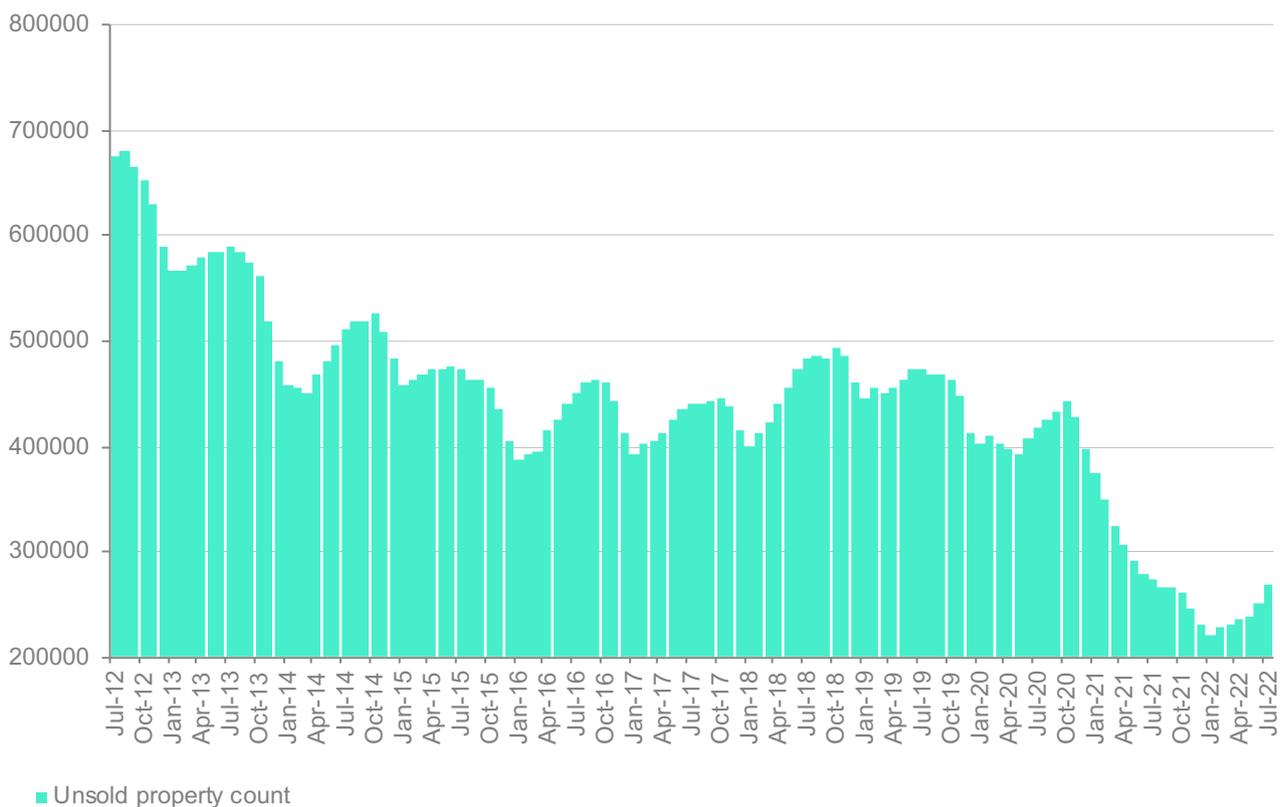
a rapid improvement in yields will stimulate BTL investment in the capital region.

The largest increases in supply of new instructions year-on-year are in Scotland and Wales (both 6%) although, overall, the UK shows a mere 1% rise. Meanwhile, stock levels of unsold property are up only 2.3% across the UK, but there is significant regional variation between the two outliers of Greater London (down 14.1%) and Wales (up 11.9%, see chart). It is noteworthy that, for the first time in many months, we observe an increase in stock for sale in any region. In fact, six regions show an increase as stock levels finally trend up from record lows.

## Stock Levels

To get a better perspective on the current rise in stock levels we include the longer-term chart using ten years of data. What is immediately apparent is that the recent uptick in stock is dwarfed by the average stock levels over the last decade. Moreover, for stock to return to more normal levels (between 400,000 and 500,000 properties), supply will have to increase considerably and demand must crumble. The fulfilment of both these requirements seems highly unlikely at the present time.

## Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, July 2022

**“ Due to the immense amount of inflation in the system and rising interest rates, corporate bonds, gilts and other fixed-income strategies are highly unlikely to provide real positive returns (or even a modest negative real return) for investors over the coming years.**

‘For example, the benchmark 10-year gilt yield has surged higher over recent months. At the start of the year it was around 1%. Currently, it stands at around 2.5%. Although this represents a large rise in a short space of time, today’s yield is not high by historical standards. Indeed, it could easily be argued that it continues to lack appeal in an era where inflation is set to rise so that it reaches more than five times the Bank of England’s 2% target,’ explains Lawrence Gosling writing for What Investment.

Hence, we pose the question: While stock markets are looking increasingly shaky due to rising interest rates, where might institutional investors direct their attention in search of real positive yields with relatively low risk? UK property fits the bill.

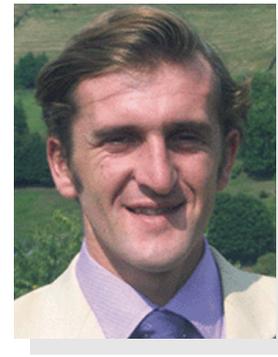
Let’s imagine a property bought for £100K in July 2021 with a mortgage of £70K. Let’s assume (for simplicity) that the mortgage is interest-only and ignore fees. 6.1% annualised growth means the property is now worth £106,100 in July 2022; the mortgage debt, given a 3% interest rate is £72,100. Should the investor sell now (again ignoring fees), they would get back £34,000. Compared to holding cash for a year, the investor is £4,000 or 13.3% better off. If the property had also been let over the same

period, there could be a gross yield of 6% to add to the profits i.e. £6,000. That means the total return on the investment of £30,000 is £10,000 less

costs, which equates to a whopping 33% in nominal terms or a real return (accounting for inflation) of around 19% using the RPI deflator (13.4%).

It’s important to note that the use of artificially cheap debt (highly negative real interest rates) is pivotal in the profitability of such a scheme. If the investor had bought for cash, the return would be only £6,100 or 6.1% on the principle of £100,000. Even with the rental yield added in we can only achieve a gross yield of 12.1%. Using the RPI deflator, the real return is around 1% in the negative and there are, of course, still some fees that need to be paid.

Going back to the 30% deposit scenario, even if BTL mortgage interest rates rise to 5% (broadly in line with BoE projections), the total return would be £8,600 less costs or 28.6%. That’s still miles ahead of inflation at the current level. Given the hypothetical illustration above, it’s very hard to see demand from investors being reduced anytime soon. The magic cash machine that is UK property enabled by cheap borrowing is still whirring away.



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



# UK Asking Prices

Scotland	Jul-22
<b>Average Asking Price</b>	<b>£216,812</b>
Monthly % change	0.6%
Annual % change	2.3%

North East	Jul-22
<b>Average Asking Price</b>	<b>£186,681</b>
Monthly % change	0.5%
Annual % change	4.6%

Yorks & The Humber	Jul-22
<b>Average Asking Price</b>	<b>£245,336</b>
Monthly % change	1.3%
Annual % change	6.9%

North West	Jul-22
<b>Average Asking Price</b>	<b>£256,674</b>
Monthly % change	0.7%
Annual % change	9.1%

West Midlands	Jul-22
<b>Average Asking Price</b>	<b>£303,824</b>
Monthly % change	-0.1%
Annual % change	7.4%

East Midlands	Jul-22
<b>Average Asking Price</b>	<b>£289,864</b>
Monthly % change	0.3%
Annual % change	7.4%

East	Jul-22
<b>Average Asking Price</b>	<b>£414,280</b>
Monthly % change	0.2%
Annual % change	5.9%

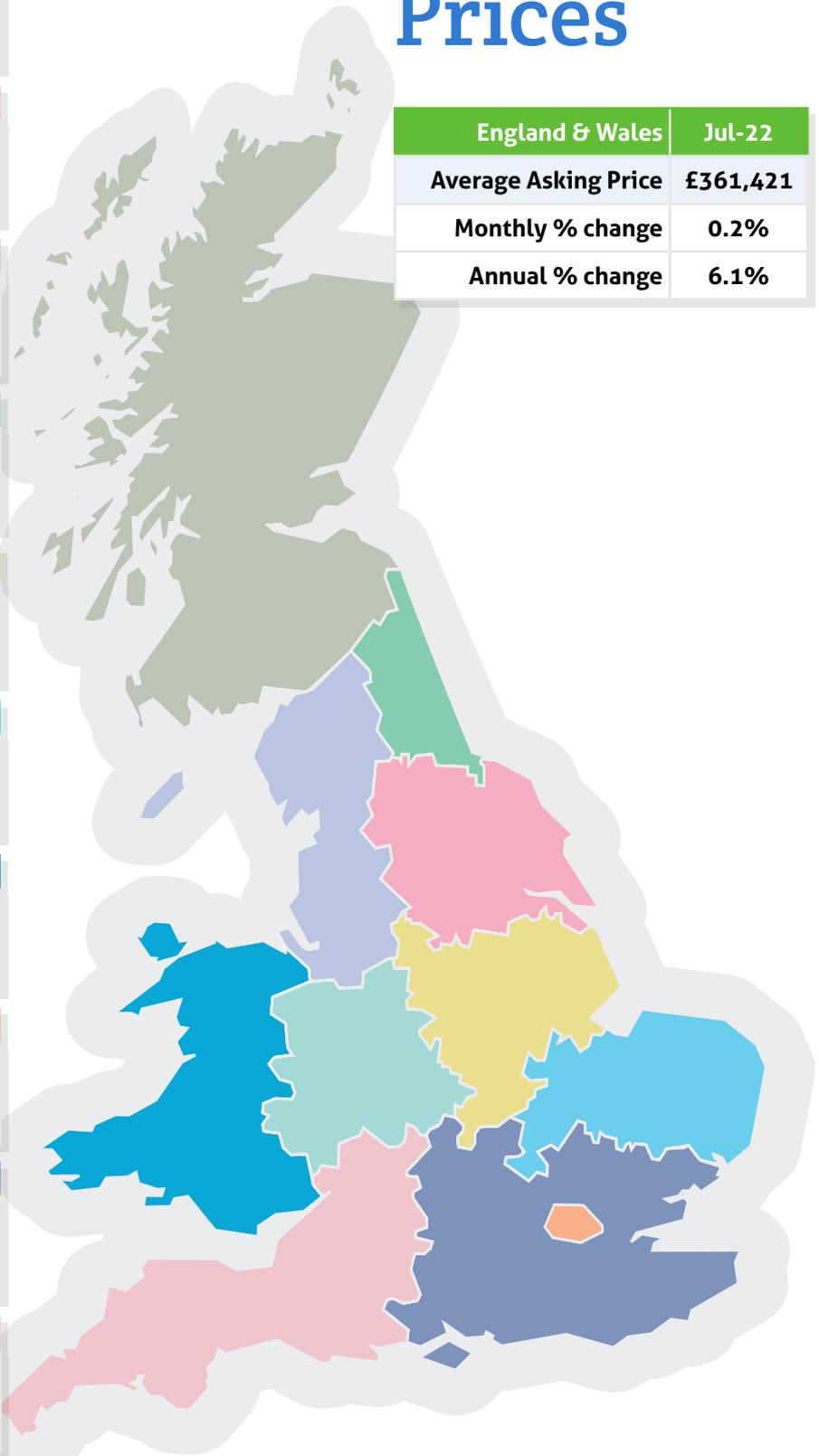
Wales	Jul-22
<b>Average Asking Price</b>	<b>£265,263</b>
Monthly % change	1.0%
Annual % change	9.9%

Greater London	Jul-22
<b>Average Asking Price</b>	<b>£562,920</b>
Monthly % change	-0.2%
Annual % change	3.1%

South East	Jul-22
<b>Average Asking Price</b>	<b>£457,222</b>
Monthly % change	-0.2%
Annual % change	4.6%

South West	Jul-22
<b>Average Asking Price</b>	<b>£393,527</b>
Monthly % change	0.3%
Annual % change	9.2%

England & Wales	Jul-22
<b>Average Asking Price</b>	<b>£361,421</b>
<b>Monthly % change</b>	<b>0.2%</b>
<b>Annual % change</b>	<b>6.1%</b>



Source: Home.co.uk Asking Price Index, July 2022

# UK Time on Market

Scotland	Jul-22
<b>Average Time on Market</b>	<b>199</b>
Typical Time on Market	45
Annual % supply change	6%

North East	Jul-22
<b>Average Time on Market</b>	<b>143</b>
Typical Time on Market	53
Annual % supply change	-2%

Yorks & The Humber	Jul-22
<b>Average Time on Market</b>	<b>118</b>
Typical Time on Market	46
Annual % supply change	-2%

North West	Jul-22
<b>Average Time on Market</b>	<b>142</b>
Typical Time on Market	61
Annual % supply change	-2%

West Midlands	Jul-22
<b>Average Time on Market</b>	<b>131</b>
Typical Time on Market	53
Annual % supply change	3%

East Midlands	Jul-22
<b>Average Time on Market</b>	<b>102</b>
Typical Time on Market	46
Annual % supply change	4%

East	Jul-22
<b>Average Time on Market</b>	<b>124</b>
Typical Time on Market	52
Annual % supply change	1%

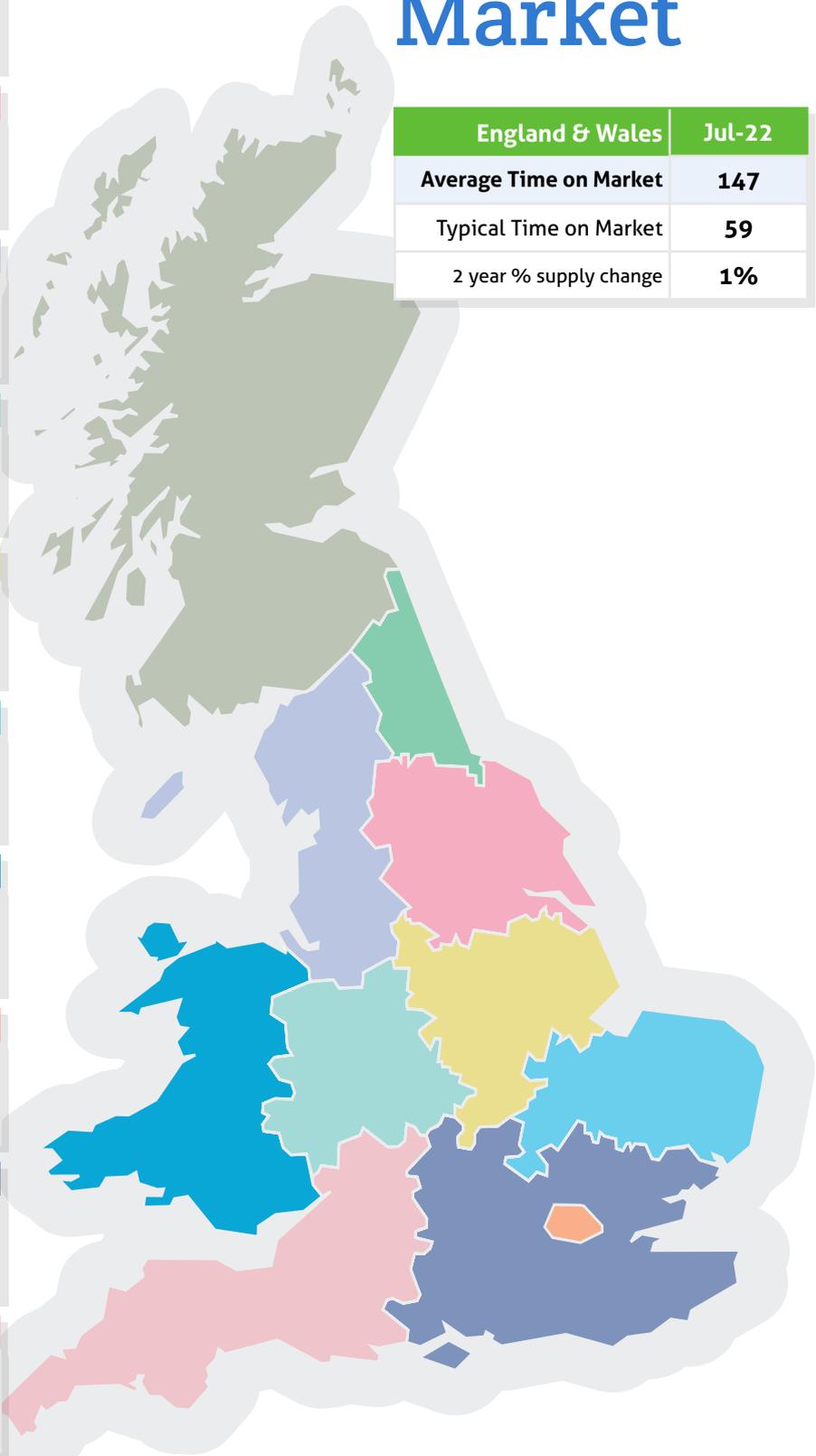
Wales	Jul-22
<b>Average Time on Market</b>	<b>138</b>
Typical Time on Market	53
Annual % supply change	6%

Greater London	Jul-22
<b>Average Time on Market</b>	<b>187</b>
Typical Time on Market	81
Annual % supply change	-4%

South East	Jul-22
<b>Average Time on Market</b>	<b>135</b>
Typical Time on Market	54
Annual % supply change	4%

South West	Jul-22
<b>Average Time on Market</b>	<b>125</b>
Typical Time on Market	48
Annual % supply change	3%

England & Wales	Jul-22
<b>Average Time on Market</b>	<b>147</b>
Typical Time on Market	<b>59</b>
2 year % supply change	<b>1%</b>



Source: Home.co.uk Asking Price Index, July 2022. 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:

- **Friday 12<sup>th</sup> August**
- **Wednesday 14<sup>th</sup> September**
- **Wednesday 12<sup>th</sup> October**