



Asking Price Index

Released 15/04/20 April 2020

UK Home Market Paralysed by Lockdown

Headlines

- Supply of new sales instructions plummets across the UK (down 23% year-on-year) as the COVID-19 lockdown thwarts activity.
- The largest regional fall in the number of new instructions year-on-year is in Scotland, followed by London and the South West.
- Home prices slip 0.6% month-on-month as fewer, perhaps more desperate, vendors list their properties.
- Owing to the pandemic, the average Time on Market for sales properties in England and Wales has begun to rise when normally it falls as springtime confidence surges.
- The North West and Wales remain atop the regional growth table, both with year-on-year price hikes of 4.3%.
- The total sales stock across England and Wales is now shrinking even more quickly; down by 13.0% year-on-year.
- For the time being, East of England remains the UK's worst-performing region with the average asking price just 0.7% lower than twelve months ago.
- A bad situation turns catastrophic for the rental sector, already suffering shortages, as the supply of newly available rental property across the UK plummets 23% year-on-year.
- Competition for the dwindling number of available properties to let has driven up the mix-adjusted average rent in Greater London by 9.0% in just twelve months.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, April 2020, Indexed to May 2004 (Value =100).



Summary

The lockdown imposed to curb the spread of the COVID-19 virus has frozen the housing market. Estate agent offices are closed until further notice. Hence, new listings have fallen off a cliff. Moreover, price movements in such times are essentially meaningless and forecasts of falling prices are premature to say the least. As in any market, price information is only representative when a certain threshold of transactions has been surpassed.

Lamentably, the market looked in great shape and showed considerable potential for growth this year. Confidence was returning, prices were rising over and above seasonal expectations in all regions and momentum was increasing. Only a month ago, the London market had just recovered from several painful years of price correction and looked set for considerable growth. The mix-adjusted average home price for England and Wales had risen to 1.8% year-on-year; the highest such growth seen for two years, but has now dropped to 1.0% (although that should not be taken as being representative of any real change in home values).

Pre-pandemic low stock levels and low supply were the key drivers in both the sales and rental markets. Of course, this situation will now worsen. The total stock of property for sale in England and Wales has now dropped 13% year-on-year, and panic-stricken London is the worst hit again with 43% less property entering the market in March compared to March 2018. Low and falling stock levels also characterise the Private Renting Sector (PRS). The lettings market has 14% less stock than a year ago and 21% less new rentals entering the market. This squeeze in supply is having a dramatic effect on rents in many regions. Rents in the Greater London area

are now up 9% year-on-year and some boroughs are seeing annualised hikes of around 20%.

However, for the time being, both supply and demand have essentially ceased. Only once the COVID-19 pandemic has ended will we see a return of both demand and supply. Demand, being chiefly credit based, looks set to return more quickly but the resurgence of supply may well be slower and start from very low levels. We do not yet know when the market will have the all clear to proceed, but, when it does, the imbalance between future supply and demand will have clear implications for significant upward price adjustments. Moreover, investors burned by the stock market will be looking for safer investments post-pandemic and this will boost demand even further.

Annualised mix-adjusted average price growth across England and Wales currently stands at +1.0%; in April 2019, the annualised rate of increase of home prices was -0.3%.

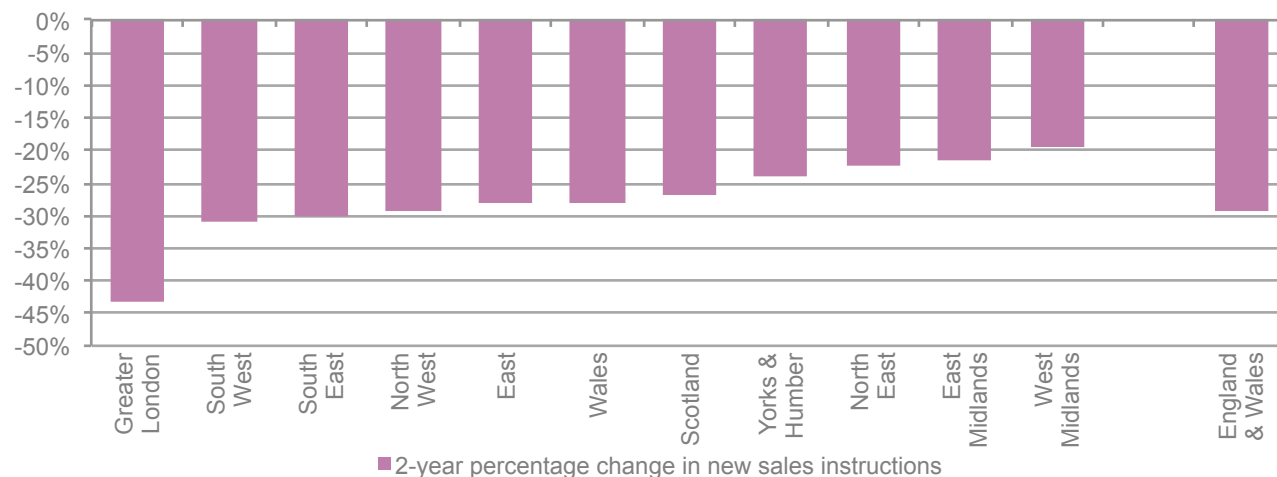
Supply Collapse

Whilst the latest house price movements in any region are essentially meaningless in the current situation, it is perhaps worth taking another look at the fall in supply across the regions over the last two years.

Pre-pandemic scarcity was affecting all the regions to a greater or lesser degree and London was suffering a property drought. The supply of new sales instructions is now a startling 43% less than it was two years ago. Moreover, once the pandemic is over, the rush to safety and rapidly rising rents will ensure the return of many more buy-to-let investors as yields are much more attractive.

However, for the time being, confidence has been dashed across the entire UK, and the uncertainty regarding any kind of return to normal market conditions is overwhelming.

Regional Supply Change, Mar 2020 vs. Mar 2018



Source: Home.co.uk Asking Price Index, April 2020



We extend our deepest sympathies to all those adversely affected by the coronavirus pandemic, especially to those who are sick, and to their families and friends.

We sincerely hope and pray that they will make a speedy recovery. Moreover, we extend our solemn condolences to all those who have lost a friend or family member to the virus.

Measures to curb the outbreak are affecting the whole UK population and therefore the entire housing market: a cornerstone of the economy, paralysed by the pandemic. On an individual and family level, many hopes and dreams will have been shattered by the outbreak. Some plans for a new home, of course, will simply be postponed but till when? We look optimistically to Q3 for a possible recovery given that Wuhan, the Chinese city where the virus emerged, has ended lockdown after just over two months.

The pandemic could have been much worse. To put the current situation in perspective, we should remember that the Spanish flu, also known as the 1918 flu pandemic, was an unusually deadly influenza pandemic. Lasting from January 1918 to December 1920, it infected 500 million people – about a quarter of the world’s population at the time. The death toll is estimated to have been anywhere from 17 million to 50 million, and possibly as high as 100 million, making it one of the deadliest pandemics in human history.^[1]

Given that even the worst projections of the current pandemic are nothing like as bad as 100 years ago and that economic recovery could be as soon as Q3, we also ask the questions: What will the wider economic fallout mean for the UK housing market? What will the recovery look like? These questions are more difficult

[1] https://en.wikipedia.org/wiki/Spanish_flu

to answer. The number of associated bankruptcies and job losses is as yet unknown. Whilst the tourist industry has certainly been hit very hard, other business sectors will naturally



bounce back after the lockdown. The eventual length of the lockdown, as yet unknown, will certainly be a key determinant as to the extent of economic carnage left in the wake of the virus.

What is almost certain is that a prescriptive medicine for the economy will involve both cheap credit and bailouts from the UK government. For the home sales sector that means low interest rates and for the rental sector that means fewer job losses and therefore less rent arrears and repossessions than would otherwise be the case.

Given that lending rates remain low and look set to go even lower, thanks to the wider economic malaise and market panic, British bricks and mortar will continue to be a highly attractive safe haven for investors once the lockdown has ceased.

Added to that, buy-to-let investment was looking like a better deal with every month that passed. Shortages of rental property still affect the whole country and the scarcity is worst in London where rents were already skyrocketing before the pandemic took hold. Despite a recent lack of investment due to added taxation and costly regulation, many landlords will be tempted to reinvest. Moreover, the possibility of a reasonable return on investment might entice more investors to return to the PRS and thereby redress the pitiful shortfall in available homes to rent.

The UK government could certainly help encourage property investment post-pandemic.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Apr-20
Average Asking Price	£188,575
Monthly % change	-0.4%
Annual % change	2.2%

North East	Apr-20
Average Asking Price	£161,375
Monthly % change	-0.4%
Annual % change	2.4%

Yorks & The Humber	Apr-20
Average Asking Price	£205,073
Monthly % change	0.2%
Annual % change	3.7%

North West	Apr-20
Average Asking Price	£210,247
Monthly % change	1.0%
Annual % change	4.3%

West Midlands	Apr-20
Average Asking Price	£256,498
Monthly % change	0.7%
Annual % change	3.1%

East Midlands	Apr-20
Average Asking Price	£238,885
Monthly % change	-0.4%
Annual % change	2.5%

East	Apr-20
Average Asking Price	£343,371
Monthly % change	-1.3%
Annual % change	-0.7%

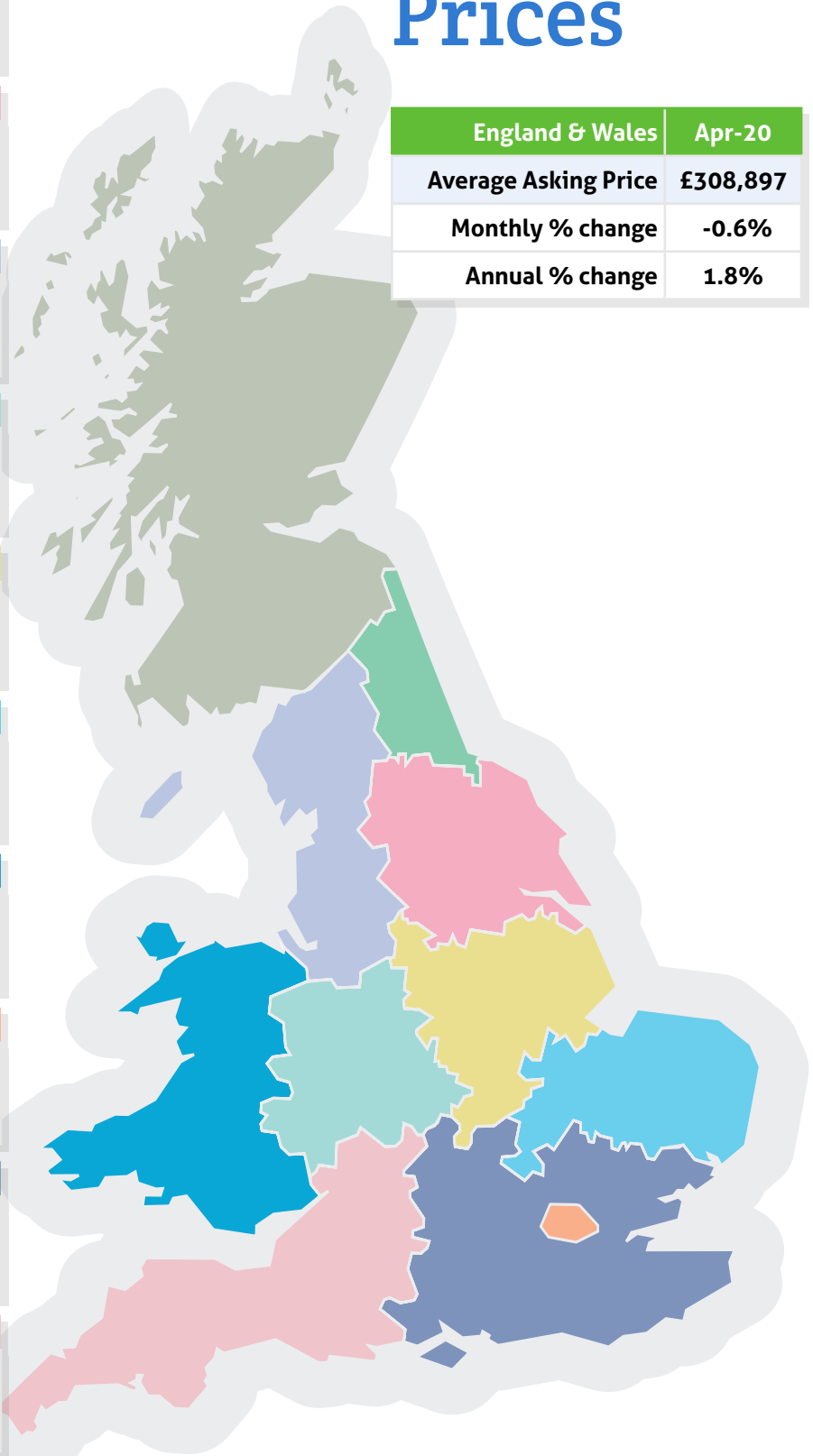
Wales	Apr-20
Average Asking Price	£214,534
Monthly % change	-0.2%
Annual % change	4.3%

Greater London	Apr-20
Average Asking Price	£519,779
Monthly % change	-0.2%
Annual % change	1.2%

South East	Apr-20
Average Asking Price	£392,727
Monthly % change	-1.0%
Annual % change	1.2%

South West	Apr-20
Average Asking Price	£323,238
Monthly % change	-0.5%
Annual % change	1.4%

England & Wales	Apr-20
Average Asking Price	£308,897
Monthly % change	-0.6%
Annual % change	1.8%



Source: Home.co.uk Asking Price Index, April 2020

UK Time on Market

Scotland	Apr-20
Average Time on Market	261
Typical Time on Market	147
Annual % supply change	-26%

North East	Apr-20
Average Time on Market	240
Typical Time on Market	132
Annual % supply change	-21%

Yorks & The Humber	Apr-20
Average Time on Market	182
Typical Time on Market	97
Annual % supply change	-22%

North West	Apr-20
Average Time on Market	197
Typical Time on Market	113
Annual % supply change	-22%

West Midlands	Apr-20
Average Time on Market	166
Typical Time on Market	84
Annual % supply change	-23%

East Midlands	Apr-20
Average Time on Market	165
Typical Time on Market	83
Annual % supply change	-22%

East	Apr-20
Average Time on Market	168
Typical Time on Market	84
Annual % supply change	-23%

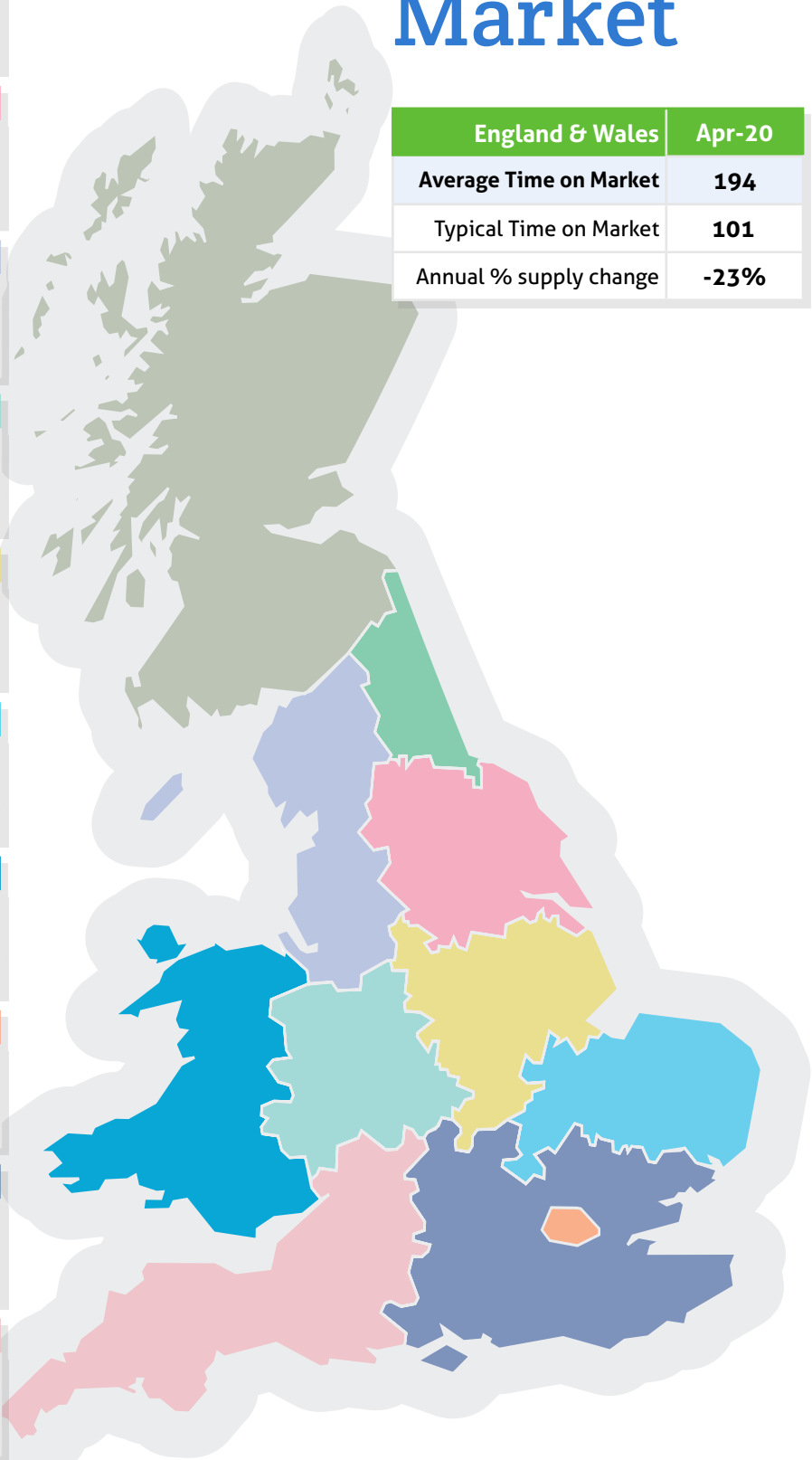
Wales	Apr-20
Average Time on Market	237
Typical Time on Market	134
Annual % supply change	-22%

Greater London	Apr-20
Average Time on Market	205
Typical Time on Market	97
Annual % supply change	-25%

South East	Apr-20
Average Time on Market	172
Typical Time on Market	84
Annual % supply change	-22%

South West	Apr-20
Average Time on Market	189
Typical Time on Market	100
Annual % supply change	-25%

England & Wales	Apr-20
Average Time on Market	194
Typical Time on Market	101
Annual % supply change	-23%



Source: Home.co.uk Asking Price Index, April 2020. 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:
<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:

- Wednesday 13th May
- Friday 12th June
- Wednesday 15th July