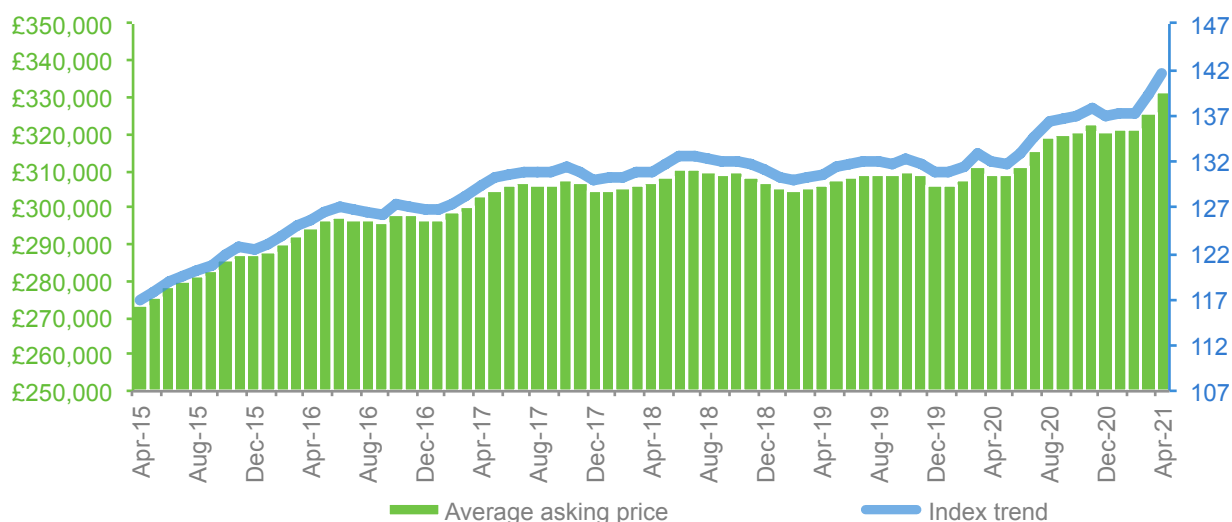


Prices Rocket as Stock Hits New Low

Headlines

- Asking prices across England and Wales add 1.8% since last month (the largest monthly rise since May 2007), pushing annualised growth up to 7.4%.
- The total stock of property for sale in England and Wales has fallen again, setting a new all-time low of 307,892, 22.5% lower than in April 2020.
- Monthly supply remains well below expectations in all regions except Greater London where new listings are up 20% compared to March 2019 and up 59% compared to March 2020.
- Renewed demand and lack of supply has forced up prices in every English region and Scotland and Wales since last month, with the largest hikes in the South West, Wales and East of England, all equalling 2.6%.
- The Welsh property market now leads the 12-month regional growth chart at 10.9%, while Yorkshire and the North West lead the English regions with annualised price rises of 10.5% and 10.6% respectively.
- Greater London remains the UK's worst-performing region with 4.1% annualised growth. Next worst is the South West where prices have risen 6.9% over the last twelve months.
- Market momentum has increased rapidly as buyers snap up the little stock available, with the Typical Time on Market for unsold property in England and Wales falling by 27 days since last month to just 86 days. This figure is 15 days less than in April 2020.
- Rents continue to collapse in the Greater London lettings market due to the worsening supply glut, down 17.8% year-on-year, while several central boroughs register reductions in average rent greater than 20%.
- Contrastingly, acute scarcity of available rental property is evident in all other English regions, Scotland and Wales, thereby driving up rents. By way of example, 40% fewer rental properties in the South West entered the market last month compared to a year ago.
- The largest annualised average rent hikes are in the North West (+11.1%) and the South West (+12.6%).

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, April 2021, Indexed to May 2004 (Value =100).

Summary

Asking prices outside of London are going berserk as demand completely overwhelms the little supply there is. The twin stimulus measures of the extended Stamp Duty holiday (till the end of June) and government-backed 95% mortgages are having a dangerously destabilising effect on home prices in regional markets plagued by lack of supply.

Following the latest lockdown, the market is off to the races. Surging demand is everywhere except London, creating fierce competition for a diminishing sales stock. Across the UK, the number of properties entering the market is 25% less on average than it was two years ago, and in many regions the supply shortages are much worse. Lack of supply has meant that the total stock of property for sale has been whittled down to a new all-time low of just 307,892 properties. This total of unsold property on the market is 30% lower than it was three years ago and 65% less than the record high of 868,241 set in May 2008.

The London exodus continues as evidenced by the increasing supply of properties for sale as well as the growing surplus of available rental properties, especially in the more central boroughs where rents seem to be in freefall. This trend looks set to continue despite the good news about the vaccine rollout, and we expect further rises in supply in both the rental and sales sectors over the coming months. Of course, adding supply into an already saturated market will drive down asking prices in London further. The median flat price within a 10-mile radius of the centre has already fallen 9% over the last twelve months.

Outside of London, rents continue to rise rapidly in most of the regions due to scarcity. Given the current demand for rental property in the regions we do not expect supply to rise to meet demand in the near term, nor for demand to fall away. Rents will continue to inflate and this will support further sales price increases going forward, as attractive yields entice investors.

The annualised mix-adjusted average asking price growth across England and Wales is currently +7.4% and looks set to increase; in April 2020, the annualised rate of increase of home prices was just 1.0%.

Regional Roundup

The current state of the UK market shows vast disparities at the regional level, chiefly between Greater London and the rest of the UK. Fundamental differences in the supply/demand dynamic due to the COVID pandemic have translated into a two-speed market. On

the one hand, London prices are suffering from oversupply and lack of demand, while prices in the remaining English regions, Scotland and Wales are soaring due to scarcity and pumped-up demand.

The misery of urban lockdowns and the growing acceptance of remote working are well documented and have changed the very nature of demand, and the market is still in the throes of adapting to this new normal. There are 40% more flats on the market in London (10-mile radius) now than there were a year ago. Little wonder then that the median price of a flat has fallen 9% over the same period. During the same time, demand for a comparatively tiny number of semi-detached and terraced properties (which are more likely to have some green space and be less urban) has driven the median price up by 11% and 10% respectively. Hence, the headline average growth figure of 4.1% for Greater London masks a complex market dynamic.

This month, in order to make a more meaningful comparison of the rates of supply at the regional level, we compare current rates of new instructions with those of March 2019, thereby avoiding the distortive effect of the first UK lockdown. The rate of sales supply entering the market in Greater London is 19.7% higher than it was pre-COVID, a clear indication of how many vendors are looking to sell due to the continuing de-urbanisation trend. We expect supply to continue to overwhelm demand in London for at least the remainder of 2021. However, across the rest of mainland UK, the supply story is very different indeed.

Outside of London, significant supply shortfalls are evident in every English region, Scotland and Wales. Hardest hit last month were Scotland and the South West where 39.8% and 37.2% respectively of the expected number of new instructions failed to come to market. Of course, such a paucity of properties is likely to have a dramatic effect on pricing going forward. While some of the shortfall in supply may be ascribed to COVID restrictions, the vast difference between London and the other areas strongly suggests that vendor behaviour is more influenced by the local market dynamic.

Lack of supply is also evident in the regional lettings markets and soaring rents will be tempting many potential vendors to let their property instead of committing to a sale. The allure of gaining rental income whilst watching the capital value of the property increase will be pivotal in many property owners' decisions. In fact, letting properties in the regions has never been so easy, even at the newly inflated rent levels, as evidenced by the Typical Time on Market figures which have dropped across all

non-London regions. For example, the typical rental property in Wales was on the market for 40 days in April 2020 but now the same indicator of demand has dropped to a mere 18 days.

Supply is the fundamental difference between Greater London and the regional markets in both sales and rentals. The capital's lettings market remains overwhelmed by supply (pushing the mix-adjusted average rent down nearly 18% year-on-year), whilst in almost all other areas of the UK rents are soaring due to lack of inventory and high demand.

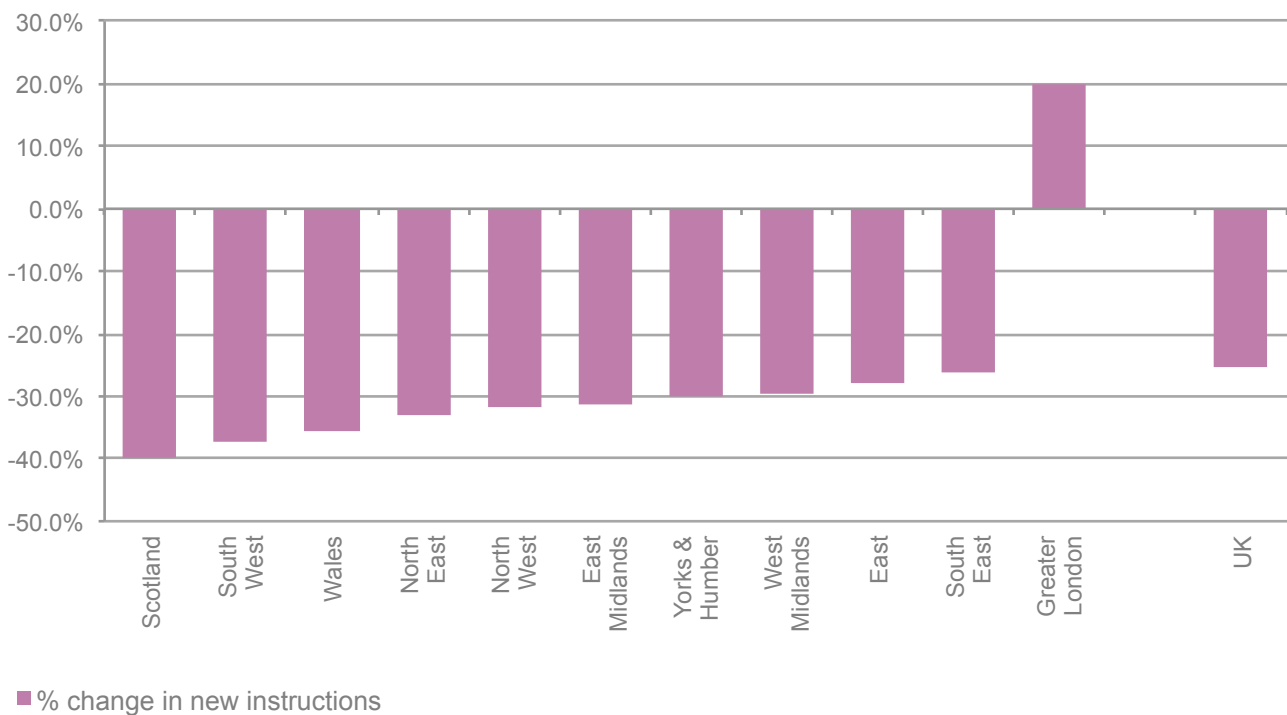
For many London owners, letting out their property at the new lower rent levels will not be economically viable even if they can find a tenant. However, as we suggested last month, for the rest of the UK, it is not only a potentially lucrative option (in non-urban areas) but may well be considered preferable to selling a hard asset in an uncertain economy and serves to

explain the lack of new instructions.

Over the last year home prices have been boosted thanks to the extended Stamp Duty holiday and we can expect more of the same artificial demand-driven growth with the added boost of government-backed 95% mortgages. However, stoking demand during a time of scarcity will only serve to exacerbate distortions in the market and risk a period of unsustainable growth. Nor will these stimulus measures help save the capital's property market from the hard correction it is now undergoing due to the de-urbanisation exodus and loss of international visitors.

While lack of supply remains the key market driver going forward outside of London, we expect prices and rents to rise considerably in both the sales and lettings markets over the rest of the year.

Regional Supply Change, Mar 2021 vs. Mar 2019



Source: Home.co.uk Asking Price Index, April 2021



“ We’re monitoring a market on steroids.

With regions such as the North West, Yorkshire and Wales already showing price growth in the double figures, it would appear that the additional twin government stimulus is having the desired effect on the UK property market. Seemingly unsatisfied with the rapid growth in prices during 2020, which was the strongest we’ve seen in five years, the government pushed ahead with an extension to the Stamp Duty holiday and the 95% mortgage guarantee scheme, thereby pouring yet more fuel on the fire.

Of course, the objective may be to save the stricken London market from a painful correction but this risks a dangerous overinflation of house prices just about everywhere else in the UK. Moreover, given the current trend towards less urban living, the current stimulus measures may well be making the problems in the capital’s property market worse.

Meanwhile, throughout the rest of the country, any savings that may have been made on Stamp Duty have simply been swallowed up by vast price rises, and this is especially painful for first-time buyers. “Ah, but that’s where the 95% mortgage guarantee scheme comes in,” one might say.

However, overleveraging has always been considered the cause of house

price crashes. As Josh Ryan-Collins pointed out last year in the Guardian, “These mortgages contributed to the last banking crisis, before being phased out. Why bring them back?” and suggested a better course, “Rather than subsidising demand, subsidise the supply of land and housing, most obviously via a major public home building programme.” Indeed, supply is the problem everywhere but London, in both sales and rentals markets. The situation in the rental market has already been made worse by recent government tax changes that disincentivise Buy-to-Let, effectively reducing supply.

Clearly, while sending home prices to the moon may give a short-term feel-good factor to some, it will not serve the majority of those who wish to reside in Britain. Housing booms always divert public and private resources away from other vital parts of the wider UK economy, which is on its knees and sorely in need of investment. After all, without productivity, how else will we pay down all this new debt?



Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Apr-21
Average Asking Price	£206,072
Monthly % change	1.3%
Annual % change	9.3%

North East	Apr-21
Average Asking Price	£173,460
Monthly % change	0.7%
Annual % change	7.5%

Yorks & The Humber	Apr-21
Average Asking Price	£226,581
Monthly % change	1.5%
Annual % change	10.5%

North West	Apr-21
Average Asking Price	£232,544
Monthly % change	1.6%
Annual % change	10.6%

West Midlands	Apr-21
Average Asking Price	£274,646
Monthly % change	1.8%
Annual % change	7.1%

East Midlands	Apr-21
Average Asking Price	£257,557
Monthly % change	2.2%
Annual % change	7.8%

East	Apr-21
Average Asking Price	£374,154
Monthly % change	2.6%
Annual % change	9.0%

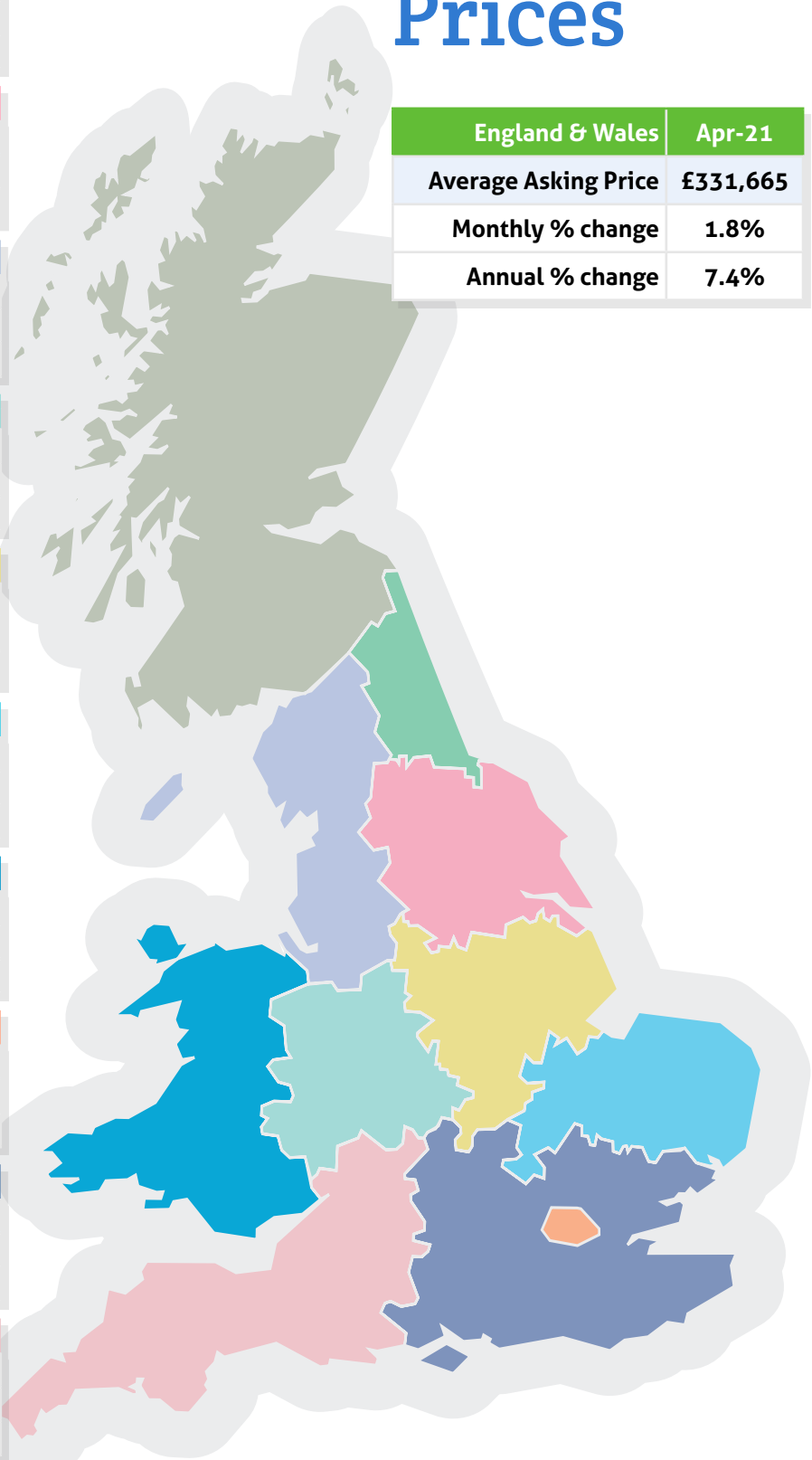
Wales	Apr-21
Average Asking Price	£237,829
Monthly % change	2.6%
Annual % change	10.9%

Greater London	Apr-21
Average Asking Price	£541,264
Monthly % change	1.2%
Annual % change	4.1%

South East	Apr-21
Average Asking Price	£421,360
Monthly % change	1.7%
Annual % change	7.3%

South West	Apr-21
Average Asking Price	£345,567
Monthly % change	2.6%
Annual % change	6.9%

England & Wales	Apr-21
Average Asking Price	£331,665
Monthly % change	1.8%
Annual % change	7.4%



Source: Home.co.uk Asking Price Index, April 2021

UK Time on Market

Scotland	Apr-21
Average Time on Market	279
Typical Time on Market	126
Annual % supply change	-18%

North East	Apr-21
Average Time on Market	238
Typical Time on Market	103
Annual % supply change	-15%

Yorks & The Humber	Apr-21
Average Time on Market	173
Typical Time on Market	69
Annual % supply change	-10%

North West	Apr-21
Average Time on Market	188
Typical Time on Market	83
Annual % supply change	-12%

West Midlands	Apr-21
Average Time on Market	167
Typical Time on Market	75
Annual % supply change	-9%

East Midlands	Apr-21
Average Time on Market	156
Typical Time on Market	68
Annual % supply change	-12%

East	Apr-21
Average Time on Market	162
Typical Time on Market	72
Annual % supply change	-6%

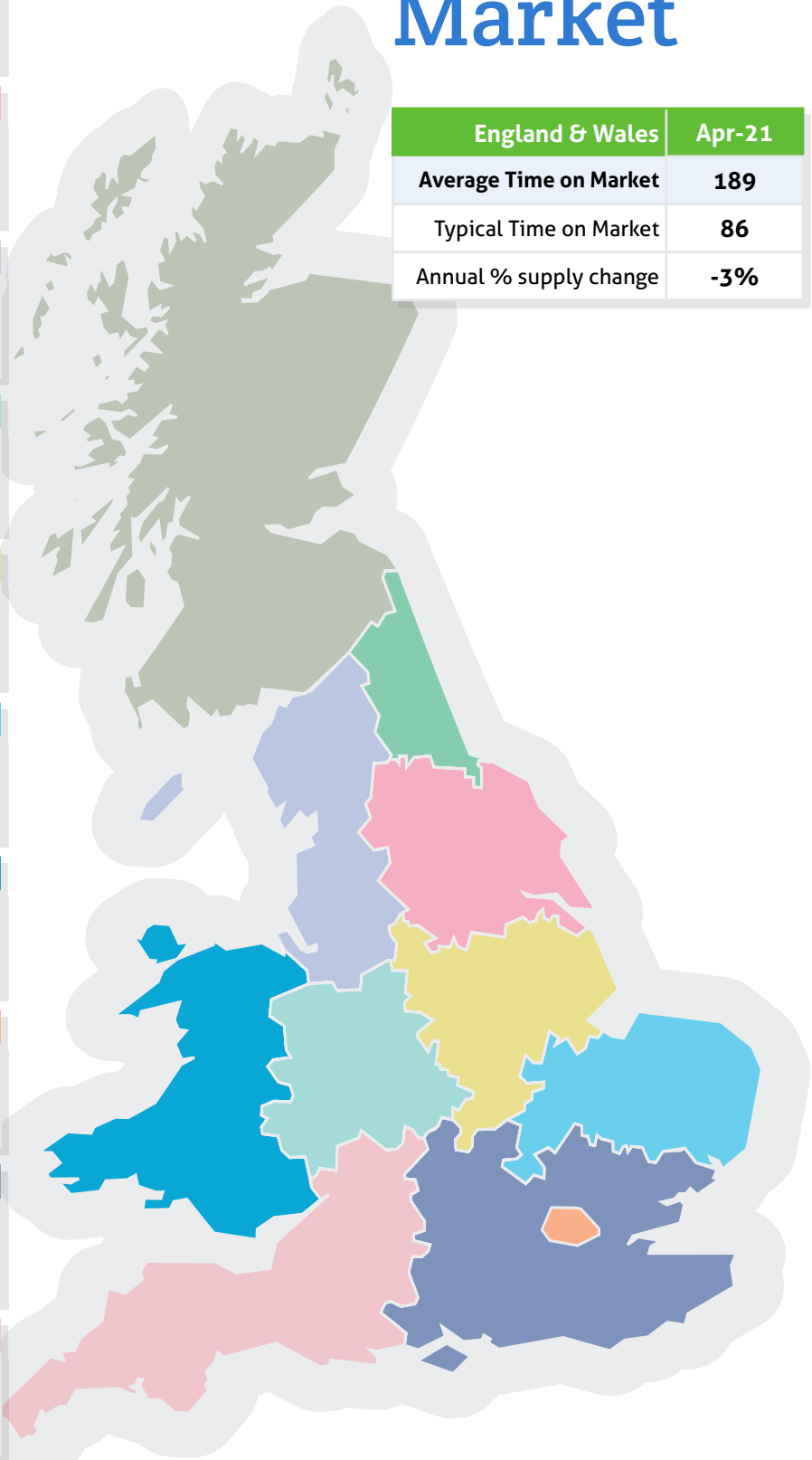
Wales	Apr-21
Average Time on Market	232
Typical Time on Market	112
Annual % supply change	-17%

Greater London	Apr-21
Average Time on Market	189
Typical Time on Market	102
Annual % supply change	59%

South East	Apr-21
Average Time on Market	176
Typical Time on Market	80
Annual % supply change	-5%

South West	Apr-21
Average Time on Market	179
Typical Time on Market	81
Annual % supply change	-16%

England & Wales	Apr-21
Average Time on Market	189
Typical Time on Market	86
Annual % supply change	-3%



Source: Home.co.uk Asking Price Index, April 2021. 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 12th May
- Tuesday 15th June
- Tuesday 13th July