



Asking Price Index

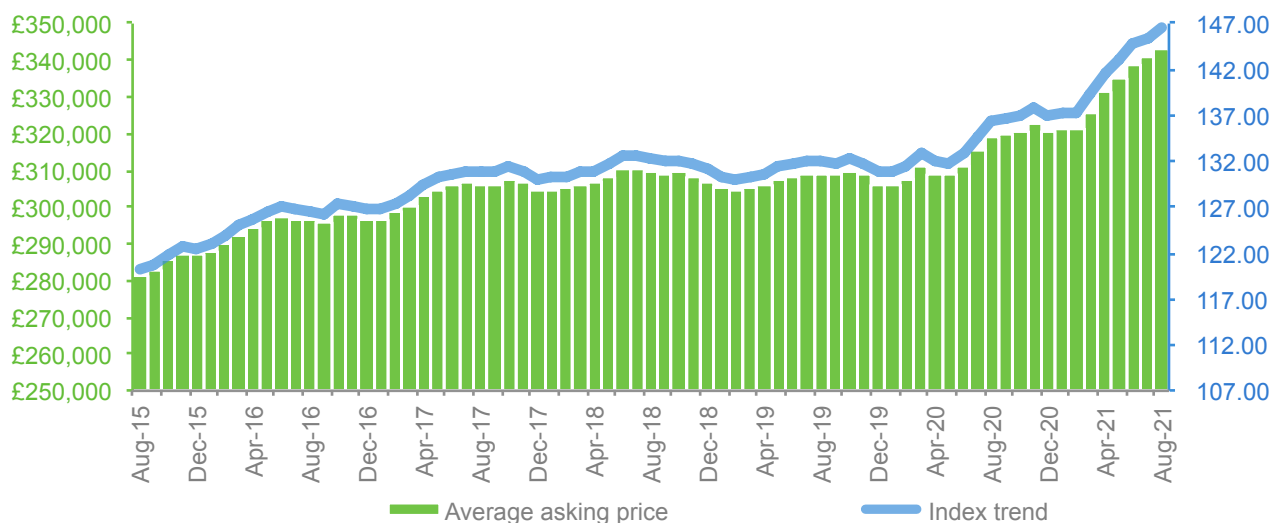
Released 12/08/21 August 2021

Scarcity Prevails Nationwide as London Attracts Renewed Demand

Headlines

- The total stock of property for sale in England and Wales has dropped again to a new record low of 266,369, 37.5% lower than in August 2020 and 45.3% less than in August 2018.
- Monthly supply of new instructions also remains vastly below normal expectations across the UK (-38% compared to July 2020). The South West is worst hit by scarcity (-51%) while Greater London, until now plagued by oversupply, indicates a distinct drop in the number of new vendors (down 30% compared to July 2020).
- Supported by scarcity, asking prices across England and Wales continue to rise overall as demand overwhelms supply, adding another 0.8% since last month, although the annualised average growth has slipped to 7.6%.
- Typical Time on Market for unsold property in England and Wales has risen slightly by four days since last month to 77 days although this is the lowest August figure since 2007. The lack of new stock and market fatigue after a feverish period of buying likely explain the rise in this key metric rather than the tapering of the stamp duty holiday.
- Fierce demand has again forced up prices in every English region (except the North East) and Wales since last month, with the largest hikes in Wales (+1.6%), the North West (+1.1%) and the West Midlands (+1.1%).
- The East of England property market continues to lead the 12-month regional price growth chart with a stunning rise of 11.2%, followed closely by Wales (+10.7%).
- Greater London remains the UK's worst-performing region with 3.9% annualised growth although the trend is now upward and there are clear signals that the capital's sales market will soon surpass the previous average high registered back in May 2016.
- The sales market is now supported by rising rents in the Greater London lettings market. Annualised growth in asking rents has now firmly moved into positive territory following the COVID exodus (+3.9%). The greatest rises in asking rents over the last six months are in the City (+47.8%), Wandsworth (+22.9%), Hackney (+19.5%) and Islington (+15.5%), indicating that the wealthy are returning to city living.
- Scarcity of rental properties persists in all English regions, Scotland and Wales, further supporting record rents outside of London. Rents are up 3.7% across the UK since August 2020.
- The largest annualised average rent hikes remain in the East of England (+10.1%) and the West Midlands (+11.7%).

Home Asking Price Trend for England & Wales



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



Summary

The total stock of property for sale continues its downward trajectory, recording another new low this month. The supply rate of new sales listings remains remarkably low across all English regions, Scotland and Wales, despite the fact that properties outside of Greater London are achieving record valuations. While still below their May 2016 peak, London prices are beginning to rise and look to be entering a new period of growth, supported by a rapidly recovering rental market especially in the more central boroughs. After an 18-month battering by the COVID pandemic, confidence is returning to the capital's property market.

The sales stock total in London has been steadily eroded by 16% since the oversupply peak in Nov 2020. Moreover, the supply rate of new instructions has moderated considerably compared to summer last year when urban flight caused a wave of panic selling. Demand looks set to increase on the back of rapidly rising rents as investors, both private and institutional, spot yield and capital gains opportunities.

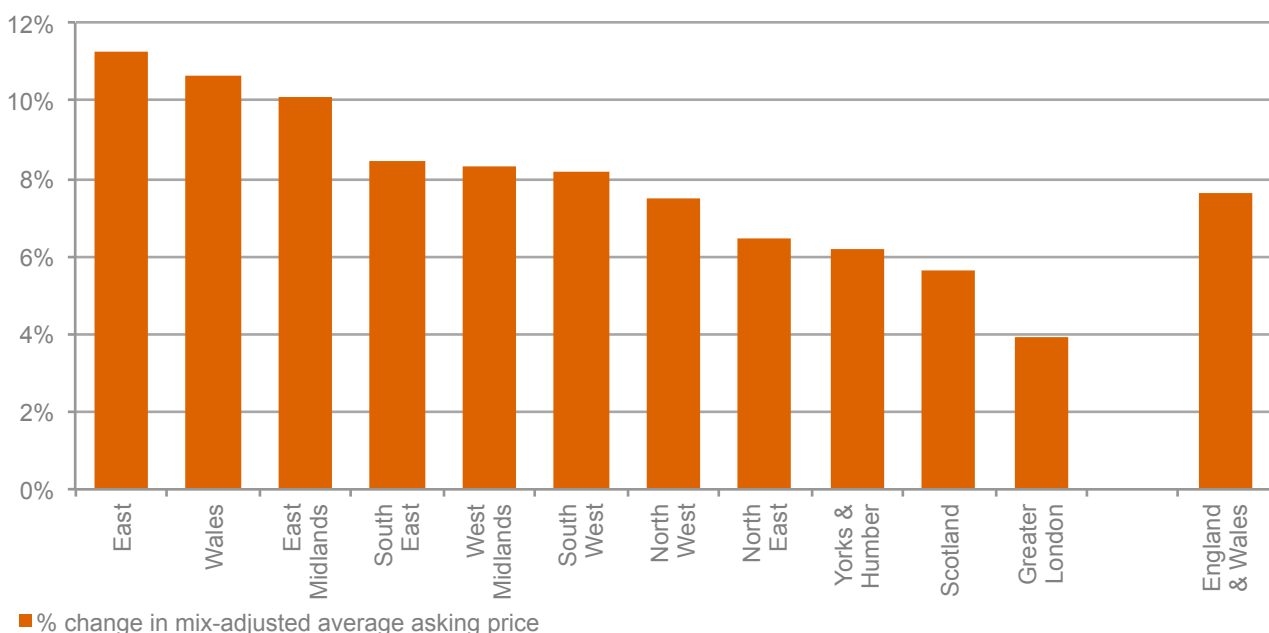
Beyond London, shrinking sales and rental inventories continue to push up both prices and rents. The number of new instructions entering the sales market across the UK

continues to be very low compared to pre-COVID levels (down 24% July 2021 vs. July 2019). The number of newly available rental properties entering the market is also down considerably across the UK (down 27% July 2021 vs. July 2020).

Sales supply looks set to remain low until mortgage payment forbearance schemes end. When these will be fully phased out by lenders is unclear but the end of the furlough scheme on the 30th September has been confirmed by Chancellor Rishi Sunak, which may well cause an uptick in supply in both the sales and rentals markets. For the time being, rent arrears are relatively low (according to a Paragon survey), thanks in part to forbearance on the part of landlords, although job losses are feared as government assistance comes to an end for the 1.9 million furloughed workers, of whom an estimated 687,000 are renting.

The East of England and Wales now lead in terms of regional price growth, with annualised home price inflation of 11.2% and 10.7% respectively, supported by vast demand and a dearth of supply. The tapering-off of the stamp duty holiday will have dampened buyer demand in these and other regional sales markets but it appears that supply is falling faster, ensuring that most parts of the UK remain a market for

Regional Price Changes, August 2021 vs. August 2020



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

sellers. We continue to expect that prices and rents will continue to rise in concert, but at a slower pace, until there is a significant loosening of supply in either market.

The annualised mix-adjusted average asking price growth across England and Wales has slipped again to +7.6% this month; in August 2020, the annualised rate of increase of home prices was just 3.3%.

Regional Roundup

Scarcity remains the key market driver in all regions, with both stock and supply trending down. The South West continues to be the most seriously affected with a shortfall in new instructions of 39%. The South East and East of England again showed an alarming scarcity of new stock last month, down by 34% and 32% respectively compared to the same month two years ago (what may be regarded as a typical pre-COVID year). Across all the remaining English regions, Scotland and Wales the same lack of supply is evident. London, however, shows supply to be on a par with that observed in 2019 but is still 30% down on last year's huge surge of panic selling.

With most regions indicating that demand is clearly overwhelming supply, it comes as

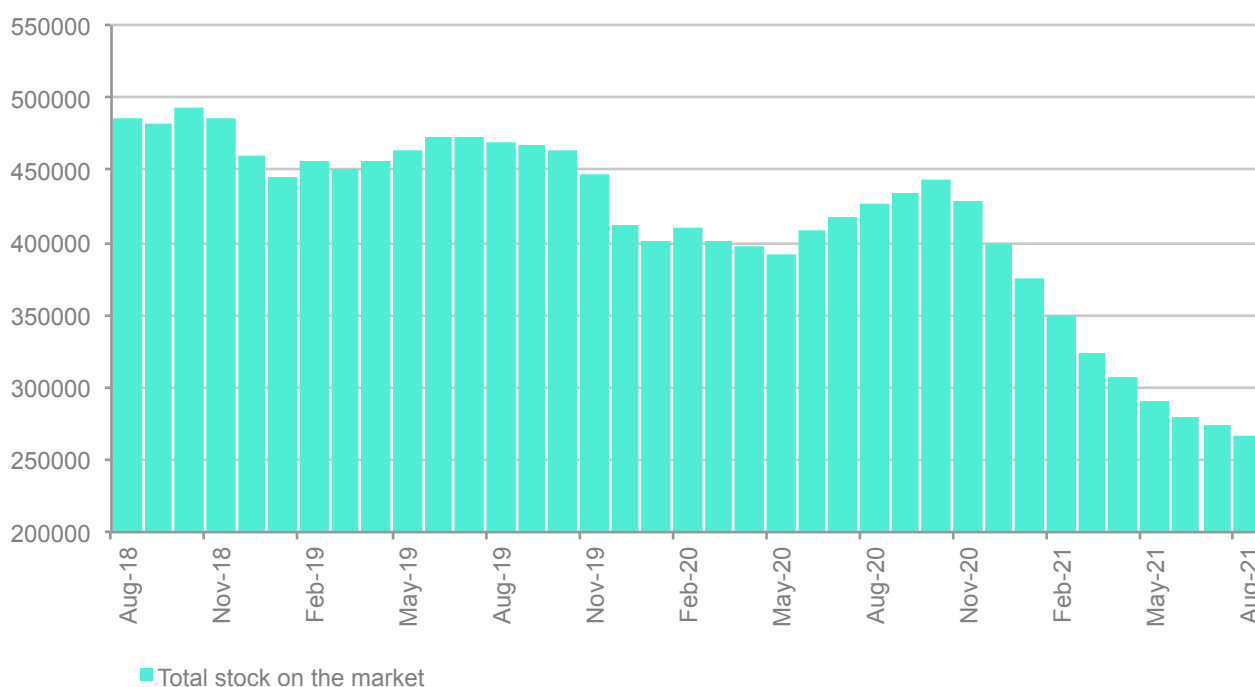
no surprise that prices have been rocketing. Moreover, there still seems to be more room for growth with Wales showing a jump in the mix-adjusted average asking price of 1.6%. The North West and West Midlands also showed strong monthly gains, both rising by 1.1% since last month.

Overall, lack of supply coupled with artificially stoked demand is leading to alarming price hikes with several regions topping 10% growth at the same time as the wider economy has been severely damaged by the pandemic. Scarcity will support higher prices in the near term and perhaps longer depending on how the end of the furlough scheme plays out.

Stock Total

The combination of fierce demand and low supply has whittled down the total sales stock to another new low in the history of this index and the chart is trending lower. Back in June 2008 there were a record 868,241 properties on the market; now the sales stock total for England and Wales has been eroded to a mere 266,369 properties. The number of properties on the market has fallen 37.5% since August last year, despite recent oversupply in London.

Total Stock of Property for Sale, England and Wales



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

However, as we stated last month, the tide is turning for the capital's sales market. Since April this year vendors have stopped flooding the market with new instructions and supply has reduced to pre-COVID levels. Data for the last three months shows supply to be in line with normal market expectations. Confidence is returning to the sales market because renters are returning to the capital. Rents are rising rapidly in many central boroughs as supply falls and this, of course, reaffirms the fundamental capital value of property in London. Moreover, since

the prospects for renting out properties has improved rapidly as void periods fall and rents are in the ascendancy, many landlords who were attempting to sell have returned to the lettings market.

The London exodus has halted and is clearly undergoing a reversal. This redirection of demand is taking some pressure off the regional rental markets as tenants return to the capital. However, such is the continued and worsening scarcity of rental stock in the regions that this trend reversal is unlikely to cause a fall in rent levels in the near term.

“ Prices are up again but, as we established last month, mortgage forbearance and the furlough scheme have essentially disconnected the housing market from the economic woes of the coronavirus pandemic.

Mortgage forbearance will likely persist, as per the UK Finance report, by 'continuing to offer tailored forbearance', although what is certain is that the furlough scheme is to end on the 30th September. To date, the scheme is helping support 1.9 million furloughed workers, of whom an estimated 687,000 are renting. So how will those 687,000 tenants pay their rent if they have no jobs to go back to? Some will, of course, return to work and others may well be fortunate enough to find new posts, but the likelihood is that many will not find gainful employment and be unable to pay the rent. What happens then is anyone's guess.

Reporting for iNews, Vicky Spratt points out that 'since 1st August, a temporary extension on the amount of notice required to evict tenants in rental arrears has been removed.' Landlords now need to give two months' notice

for evictions. The period reduces to four weeks if tenants owe more than four months' rent. According to Polly Neate, chief executive of Shelter, which estimates 445,000 private renters are currently in arrears, 'We could be facing a wave of evictions and homelessness in the coming months unless the government steps in to provide a package of support for people facing COVID arrears.'



The current level of supply of available properties to let is low at around 40,000 per month. If only 10% of those currently in arrears (according to Shelter's estimate) were evicted in a given month, that would mean 44,500 new lettings units on the market, more than doubling current supply. That's one heck of a dark cloud on the horizon for the lettings market and a potential wave of homelessness misery to boot.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Aug-21
Average Asking Price	£210,211
Monthly % change	-0.8%
Annual % change	5.6%

North East	Aug-21
Average Asking Price	£177,878
Monthly % change	-0.3%
Annual % change	6.5%

Yorks & The Humber	Aug-21
Average Asking Price	£231,591
Monthly % change	0.9%
Annual % change	6.2%

North West	Aug-21
Average Asking Price	£238,034
Monthly % change	1.1%
Annual % change	7.5%

West Midlands	Aug-21
Average Asking Price	£286,195
Monthly % change	1.1%
Annual % change	8.3%

East Midlands	Aug-21
Average Asking Price	£270,683
Monthly % change	0.3%
Annual % change	10.1%

East	Aug-21
Average Asking Price	£393,190
Monthly % change	0.5%
Annual % change	11.2%

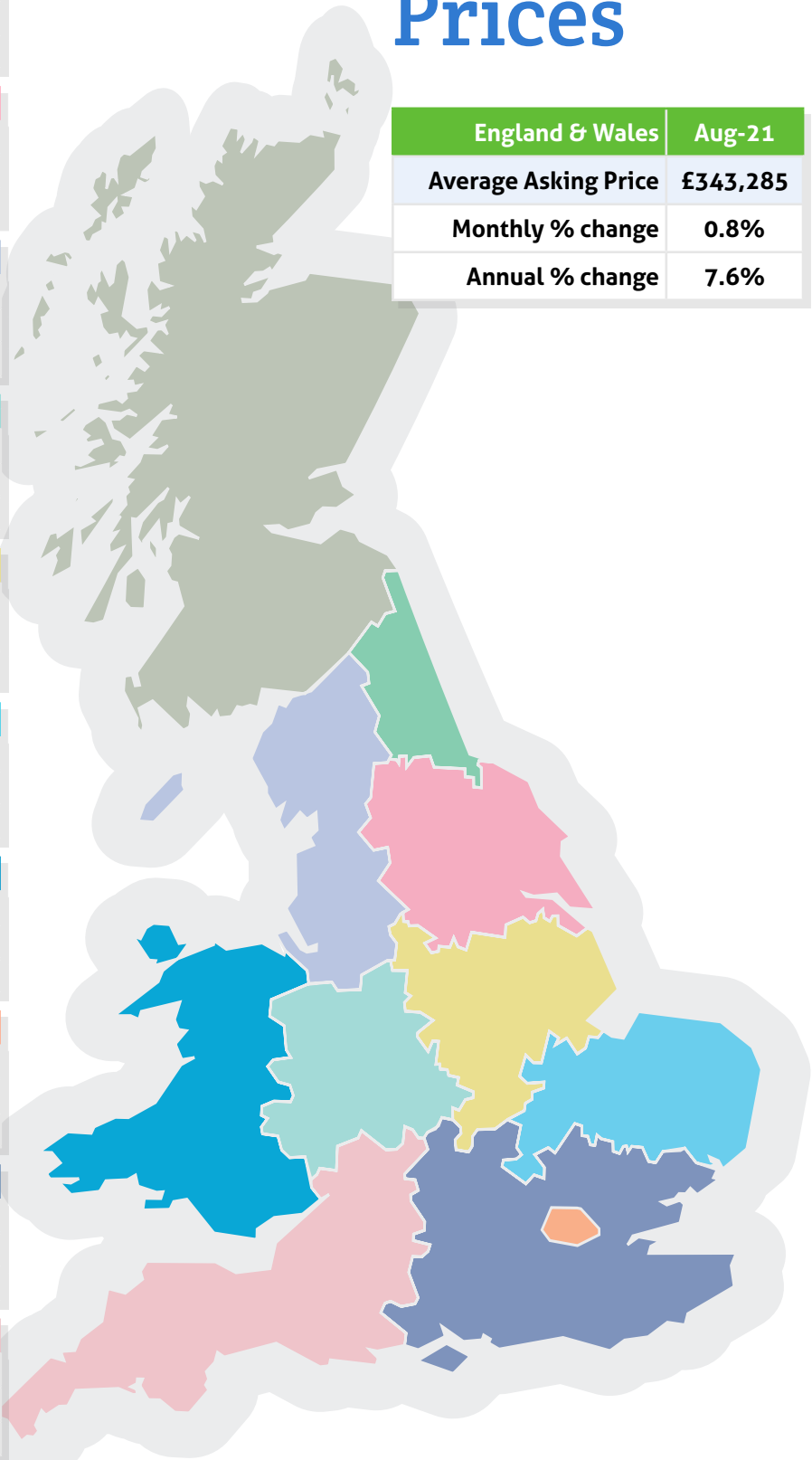
Wales	Aug-21
Average Asking Price	£245,230
Monthly % change	1.6%
Annual % change	10.7%

Greater London	Aug-21
Average Asking Price	£549,211
Monthly % change	0.6%
Annual % change	3.9%

South East	Aug-21
Average Asking Price	£441,320
Monthly % change	1.0%
Annual % change	8.5%

South West	Aug-21
Average Asking Price	£361,569
Monthly % change	0.4%
Annual % change	8.1%

England & Wales	Aug-21
Average Asking Price	£343,285
Monthly % change	0.8%
Annual % change	7.6%



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

UK Time on Market

Scotland	Aug-21
Average Time on Market	245
Typical Time on Market	71
2 year % supply change	-11%

North East	Aug-21
Average Time on Market	211
Typical Time on Market	75
2 year % supply change	-25%

Yorks & The Humber	Aug-21
Average Time on Market	154
Typical Time on Market	59
2 year % supply change	-21%

North West	Aug-21
Average Time on Market	170
Typical Time on Market	67
2 year % supply change	-21%

West Midlands	Aug-21
Average Time on Market	166
Typical Time on Market	71
2 year % supply change	-29%

East Midlands	Aug-21
Average Time on Market	142
Typical Time on Market	60
2 year % supply change	-28%

East	Aug-21
Average Time on Market	161
Typical Time on Market	68
2 year % supply change	-34%

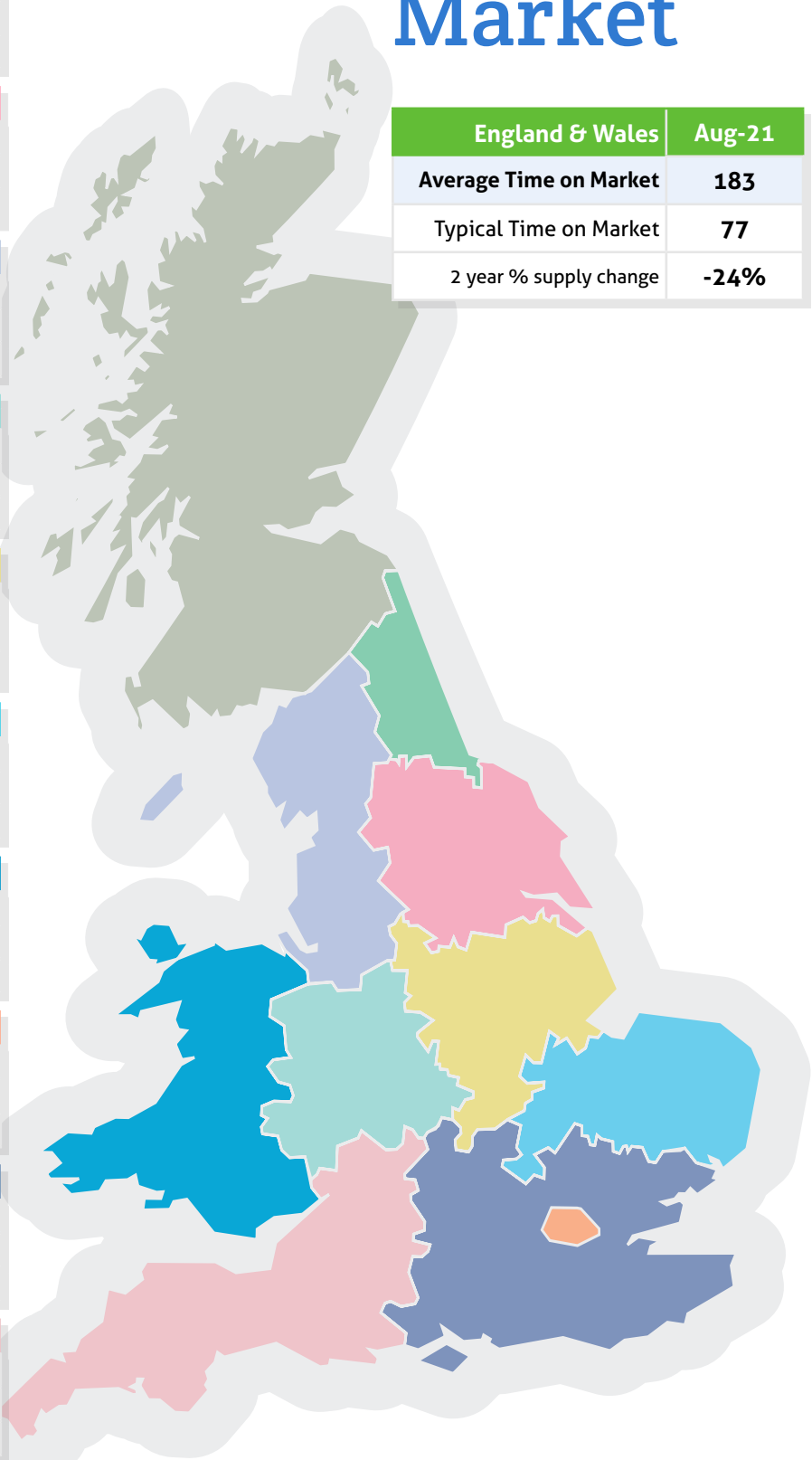
Wales	Aug-21
Average Time on Market	194
Typical Time on Market	67
2 year % supply change	-23%

Greater London	Aug-21
Average Time on Market	194
Typical Time on Market	95
2 year % supply change	1%

South East	Aug-21
Average Time on Market	175
Typical Time on Market	76
2 year % supply change	-32%

South West	Aug-21
Average Time on Market	172
Typical Time on Market	68
2 year % supply change	-39%

England & Wales	Aug-21
Average Time on Market	183
Typical Time on Market	77
2 year % supply change	-24%



Source: Home.co.uk Asking Price Index, August 2021. Average = Mean (days), Typical = Median (days). Supply change % has been calculated over 2 years rather than 12 months due to first lockdown distortion.

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

- For media enquiries please contact:
press@home.co.uk
0845 373 3580
- 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 15th September
- Wednesday 13th October
- Friday 12th November