



# Asking Price Index

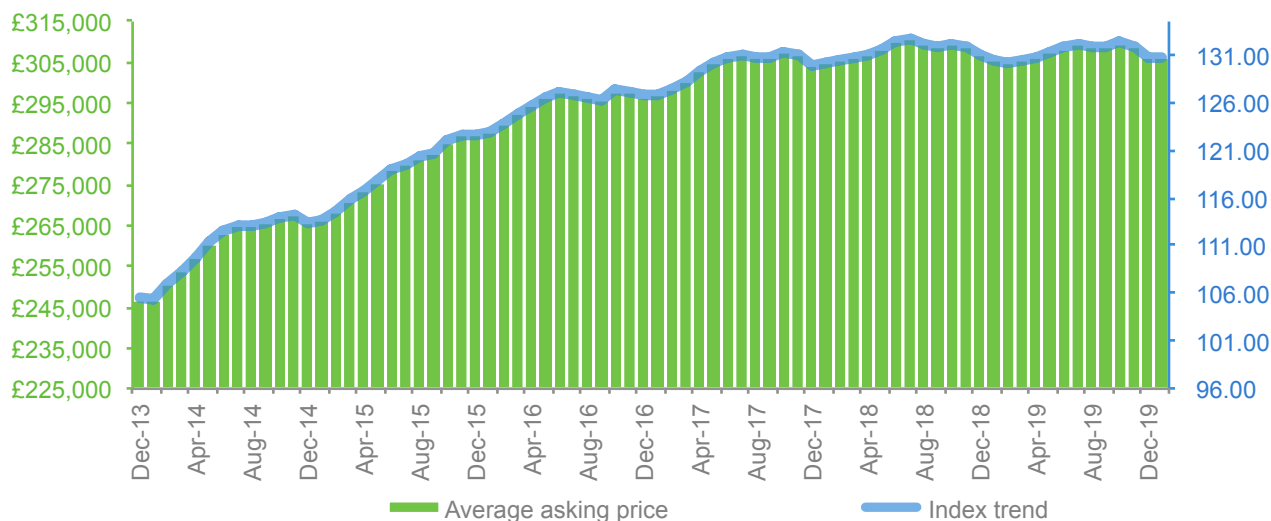
Released 14/01/20 January 2020

## Scarcity Primes the Market for Recovery

### Headlines

- London registered the lowest number of new instructions in any December in the history of this Index.
- The supply of new sales instructions in December plummeted to a 5-year low across the UK, as potential vendors sat on their hands or chose to let out their properties.
- The shortage is supporting asking prices. Market values remained unchanged overall for England and Wales, month on month, while significant increases were observed in London, the East Midlands, the North East and the North West.
- Scarcity is also rife in the rental sector as the supply of newly available rental property falls across the UK (down 15% year on year).
- The London lettings markets are worst hit by this alarming development (supply down 21% year on year) and rents are rocketing with twelve of the thirty-three boroughs showing annualised hikes above 10%.
- Overall, the average mix-adjusted asking price is up 0.3% across England and Wales since January 2019.
- The total sales stock continues to diminish across England and Wales, down by 9.7% year on year.
- Typical Time on Market for England and Wales is nine days longer than in January 2019, likely a post-election artefact; we expect this measure to fall markedly as we move towards the spring market.
- At the regional level, typical Time on Market rises indicate that the worst post-boom slowdowns continue to be in the East of England (+13%) and the South West (+12%), year on year.
- East of England remains the UK's worst-performing region with prices suffering an extended post-boom correction: The average asking price for the region has fallen by 2.6% over the last twelve months.

### Home Asking Price Trend for England & Wales



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



## Summary

Ultra-low stock levels are the key drivers in both the sales and rental markets. While the total stock of property for sale in England and Wales is down 9.7%, London is currently worst hit by the property drought with 23% less property on the market than a year ago. Similarly, the lettings market has 15% less stock entering the market and London is suffering the most with the supply of newly available rental properties down 21%.

Supply has dropped below the level of demand in both sectors and our expectations are for significant upward price adjustments in the London sales market over the course of 2020. Rents are already rocketing in the capital. This accelerating trend in the monthly cost of property to let is a direct result of a three-year decline in the available rental stock, during which time the overall stock level for Greater London has plummeted 51%.

While demand for the few rental properties currently available is inflating rents across much of Greater London, our research also shows that rent hikes are beginning to accelerate in the South East (now up 7.8% year on year). We expect this trend to continue throughout 2020 and house prices to begin to follow suit in the region later in the year. Overall, UK rents are up even more (8.0% year on year) but this figure is inflated disproportionately by the Greater London mix-adjusted average of 12.1%.

With the election out of the way, home prices are up 0.3% year on year but flat month on month. Confidence amongst vendors, as shown by this month's price rises, is highest in London, the Midlands and the North. Moreover, reduced political uncertainty and talk of a possible rate

cut by the Bank of England will bolster buyer confidence going forward and thereby increase demand throughout 2020.

Annualised price growth across England and Wales currently stands at +0.3%; in January 2019, the annualised rate of increase of home prices was 0.2%.

## Regional Round-up

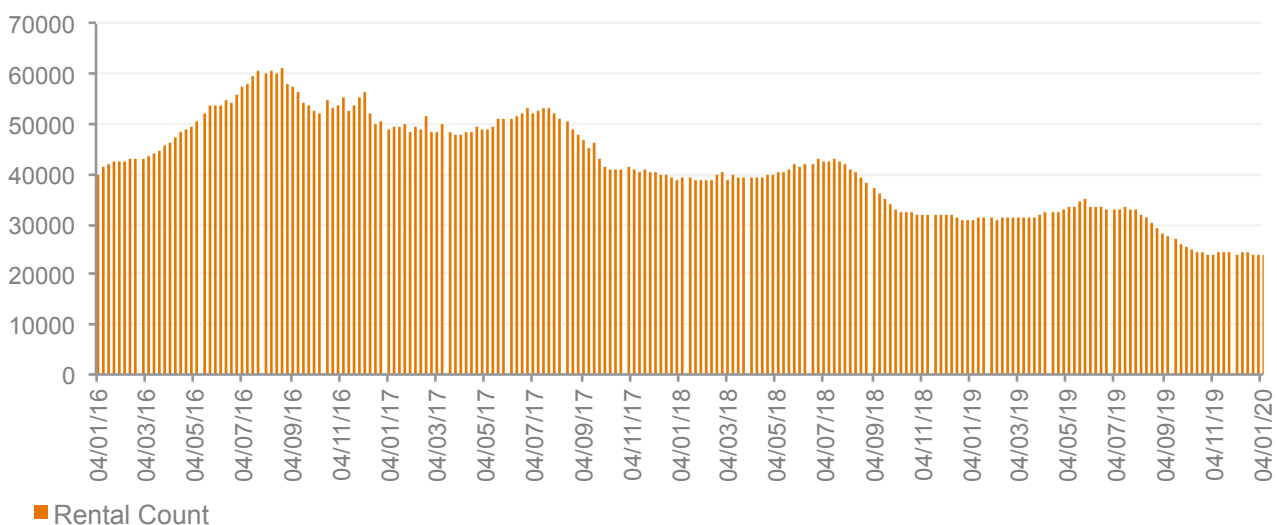
As we enter 2020, scarcity may be regarded as the principle factor affecting the regions. Even Wales, the UK's best-performing region over the last twelve months, has registered a drop in new instructions of 3%. Of course, as mentioned previously, the region worst hit by the property drought in both sales and rentals is London.

Wales was the leading regional market in 2019, in what was admittedly a dismal year for sales, but as we look forward, anticipating the New Year's fortune, it is the rental market that is perhaps the best indicator of future performance in home sales at the regional level.

As we have stated before, it is the rental yield that fundamentally underpins house prices and, hence, those regions wherein yields are improving the most are set to become the areas where home values will consequently increase the most. London's staggering 51% decline in rental stock is a case in point. This dramatic market change is now pushing up rents at a rate unseen for generations. Perhaps not since the 1970s have we seen such inflationary leaps in the capital's residential rental values as we do now.

The total stock of rental property in Greater London peaked during the summer months of 2016. This was a direct result of the imposition of the increased Stamp Duty for Landlords in April

## London's Shrinking Rental Market (January 2016 to January 2020)



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

that year. Many investors rushed to buy thereby flooding the market and, in doing so, they drove rents down. In fact, it took until 2018 to fully clear the glut of available rental properties but by then investors were steering clear of a market suffering from over-supply and plagued by further taxation (removal of tax relief) and regulation (mandatory licensing in many local authorities). Thus investment in the private-rented sector fell off a cliff in the capital region and now we are witnessing the consequences: Shortages and huge rent hikes.

Of course, given that property values in the capital region have been correcting since the peak in May 2016, yields have been improving considerably and, indeed, continue to do so. During the last two years the typical asking price of the two-bedroom property has fallen by 5%, while at the same time the yield has risen from 4.2% to 5.2%. Moreover, rents continue to rise at a much faster rate than property values and therefore yields will improve further, attracting more and more investors back into the private-rented sector. However, many will be very wary of further regulation and taxation. As a consequence, we predict that house prices in the capital will begin to make significant gains in 2020 following in the wake of surging rents.

Scarcity in the rental market is now a nationwide problem. Hence, the same support for property values we have seen in London will soon translate to all regions, effectively putting a back-stop under prices and keeping new instructions in the sales market low as owners opt to let out their properties.

Unfortunately, as we have pointed out before, purchasing is not a realistic option for many, especially young professionals and those with poor credit histories or low/no income. For those people, rental accommodation is a practical necessity and paying the rent will be a much greater burden in 2020. However, rent controls are not the answer as they will only serve to further disincentivise landlords. More effective measures would be those that encourage investment back into the private-rented sector and thereby increase the supply of property to let which will, in turn, keep rents in check and provide more choice for tenants.



**In a world plagued by fear and uncertainty UK property still looks a good bet.**



You just need to take a brief look at the news headlines to realise that, in the current political climate, conservative investments in bricks and mortar in reasonably safe countries with solid property law and relatively low transaction costs are a 'no-brainer'.

British property fits the bill and we can expect both foreign and corporate investment to increase in 2020, enticed by rising rent yields and a weak pound. Moreover, with strong hints of a further cut in the base lending rate by the Bank of England, domestic investment looks set to rise in 2020 as well. Confidence amongst investors is rising from recent lows as political uncertainty and the risk of 'loony left' policies being imposed on the property sector fade away.

A year ago I wrote: "Whilst it is encouraging that 32 out of 33 London boroughs are showing increased yield year on year, it is where they are growing most quickly that is of keen interest to investors. When they approach 6% in 16 or more boroughs, demand in the London sales market will reignite."

Now, rents are soaring and prices are beginning to pick up in the UK's leading market. As predicted, scarcity will be the key driver of the 2020 property market.

Finally, on behalf of all the team at Home.co.uk, I'd like to wish all our readers a Happy and Prosperous New Year.

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



# UK Asking Prices

Scotland	Jan-20
<b>Average Asking Price</b>	<b>£185,069</b>
Monthly % change	-0.6%
Annual % change	0.8%

North East	Jan-20
<b>Average Asking Price</b>	<b>£160,250</b>
Monthly % change	0.7%
Annual % change	2.0%

Yorks & The Humber	Jan-20
<b>Average Asking Price</b>	<b>£200,723</b>
Monthly % change	-0.4%
Annual % change	2.4%

North West	Jan-20
<b>Average Asking Price</b>	<b>£208,855</b>
Monthly % change	0.6%
Annual % change	2.9%

West Midlands	Jan-20
<b>Average Asking Price</b>	<b>£254,681</b>
Monthly % change	0.8%
Annual % change	1.9%

East Midlands	Jan-20
<b>Average Asking Price</b>	<b>£239,006</b>
Monthly % change	0.5%
Annual % change	2.7%

East	Jan-20
<b>Average Asking Price</b>	<b>£342,521</b>
Monthly % change	-0.5%
Annual % change	-2.6%

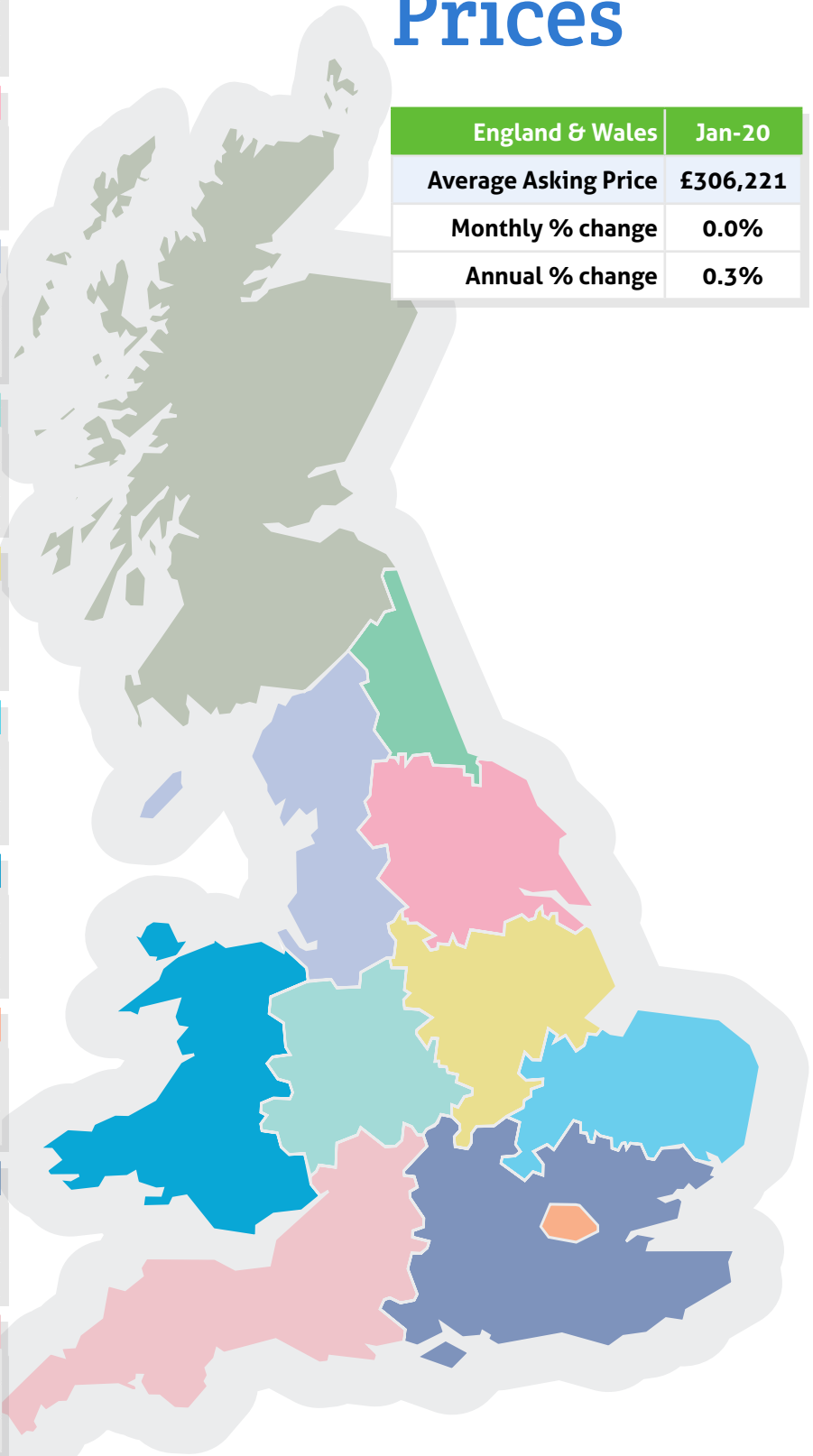
Wales	Jan-20
<b>Average Asking Price</b>	<b>£210,421</b>
Monthly % change	-0.3%
Annual % change	3.2%

Greater London	Jan-20
<b>Average Asking Price</b>	<b>£516,283</b>
Monthly % change	0.4%
Annual % change	0.0%

South East	Jan-20
<b>Average Asking Price</b>	<b>£388,686</b>
Monthly % change	-0.3%
Annual % change	-1.1%

South West	Jan-20
<b>Average Asking Price</b>	<b>£318,684</b>
Monthly % change	-0.5%
Annual % change	-0.5%

England & Wales	Jan-20
<b>Average Asking Price</b>	<b>£306,221</b>
<b>Monthly % change</b>	<b>0.0%</b>
<b>Annual % change</b>	<b>0.3%</b>



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

# UK Time on Market

Scotland	Jan-20
<b>Average Time on Market</b>	<b>258</b>
Typical Time on Market	139
Annual % supply change	-7%

North East	Jan-20
<b>Average Time on Market</b>	<b>250</b>
Typical Time on Market	141
Annual % supply change	-7%

Yorks & The Humber	Jan-20
<b>Average Time on Market</b>	<b>190</b>
Typical Time on Market	113
Annual % supply change	-3%

North West	Jan-20
<b>Average Time on Market</b>	<b>250</b>
Typical Time on Market	141
Annual % supply change	-7%

West Midlands	Jan-20
<b>Average Time on Market</b>	<b>173</b>
Typical Time on Market	107
Annual % supply change	0%

East Midlands	Jan-20
<b>Average Time on Market</b>	<b>172</b>
Typical Time on Market	107
Annual % supply change	-2%

East	Jan-20
<b>Average Time on Market</b>	<b>174</b>
Typical Time on Market	111
Annual % supply change	-9%

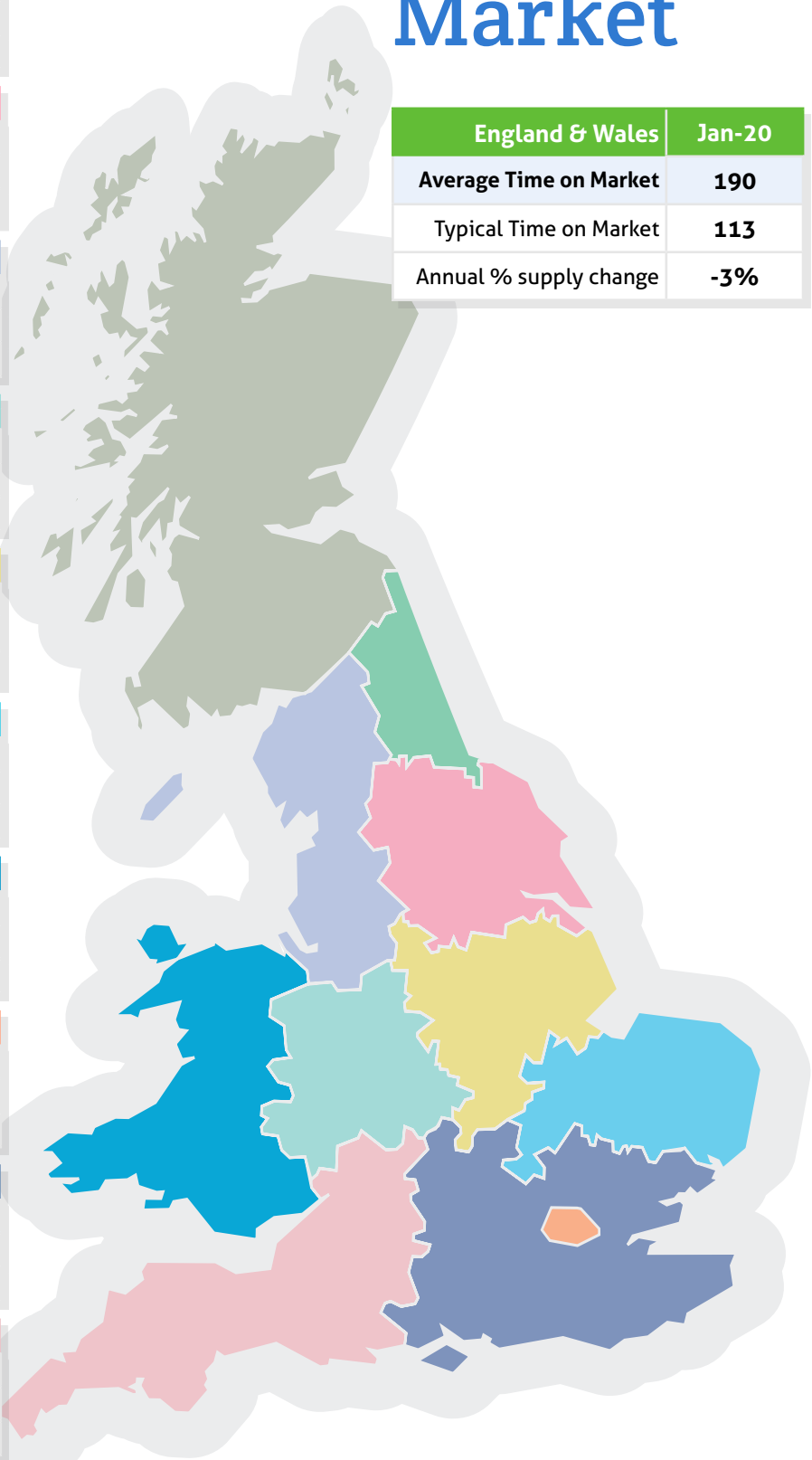
Wales	Jan-20
<b>Average Time on Market</b>	<b>242</b>
Typical Time on Market	139
Annual % supply change	-3%

Greater London	Jan-20
<b>Average Time on Market</b>	<b>172</b>
Typical Time on Market	107
Annual % supply change	-2%

South East	Jan-20
<b>Average Time on Market</b>	<b>177</b>
Typical Time on Market	109
Annual % supply change	-3%

South West	Jan-20
<b>Average Time on Market</b>	<b>194</b>
Typical Time on Market	119
Annual % supply change	-7%

England & Wales	Jan-20
<b>Average Time on Market</b>	<b>190</b>
Typical Time on Market	<b>113</b>
Annual % supply change	<b>-3%</b>



Source: Home.co.uk Asking Price Index, January 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](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 12<sup>th</sup> February
- Thursday 12<sup>th</sup> March
- Wednesday 15<sup>th</sup> April