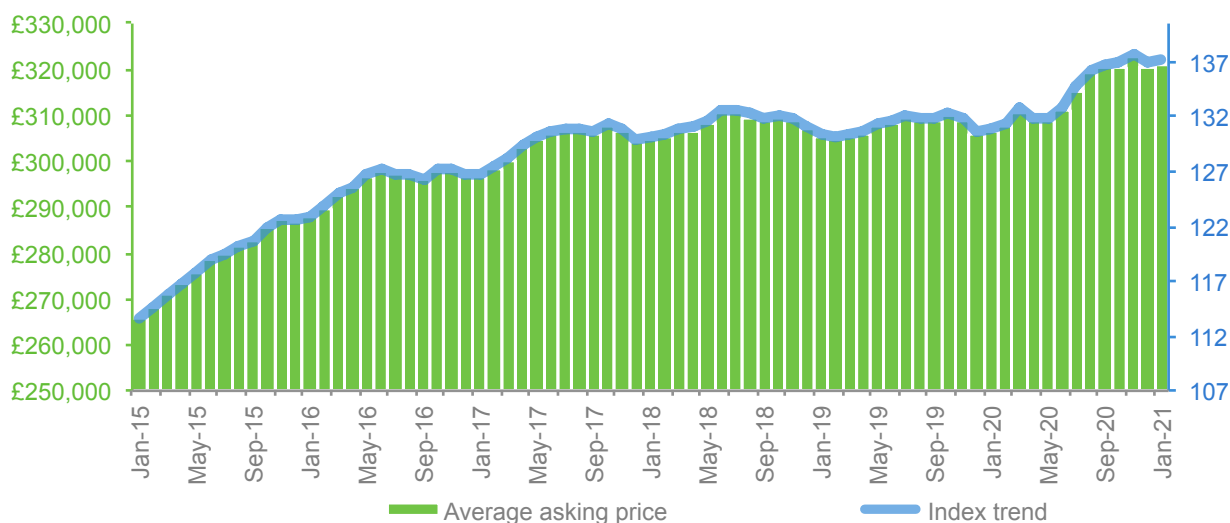


Vendors Remain Confident but London Exodus Continues

Headlines

- Asking prices hold firm, nudging up 0.1% across England and Wales since last month and retaining last year's growth.
- The mix-adjusted average asking price for England and Wales registers a remarkably upbeat growth of 4.9% year-on-year.
- Extraordinary levels of supply continue in Greater London (total new listings up 68% in December compared to December 2019), although unsold stock levels have reduced slightly for a second consecutive month.
- By contrast, supply across the English regions, Scotland and Wales is outpaced by demand and this is pushing up prices. Overall, total stock for sale in England and Wales has fallen to a new record low thus bolstering vendors' confidence.
- The northern property markets indicate phenomenal strength, with the Yorkshire and Humber region showing stunning year-on-year price growth of 10.1%, followed by the North West with an annualised gain of 8.2%.
- Greater London is currently the UK's worst-performing region with only 3.0% growth overall, weighed down by supply and significant price falls in more central areas.
- Average prices dipped in just two regions of England and in Scotland during the last month.
- The market retains exceptional momentum with the Typical Time on Market at a mere 101 days for unsold property, 19 days less than in January 2020 (England and Wales), while UK-wide supply is up a mere 14% year-on-year (including London).
- UK rents have fallen 0.9% year-on-year, dragged down by an exodus-induced average drop of 16.9% in the Greater London lettings market.
- By contrast, great scarcity is evident in most English regions and in Wales, thereby forcing up rents. The largest annualised hikes are in the East Midlands (+14.0%) and the West Midlands (+16.8%).
- Greater London continues to indicate an oversupply in properties available to rent (+37% year-on-year). This worrying situation is already weighing heavy on the capital's buy-to-let sales market and is likely to be exacerbated by the latest national lockdown.

Home Asking Price Trend for England & Wales



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

Summary

Despite the extraordinary events of 2020 the UK property market remains on a firm footing overall as we commence the new year. Home prices are up 4.9% overall and the market is showing significant momentum. Neither Brexit fears nor COVID have managed to topple this vital part of the economy, although the measures enforced to contain the pandemic have radically changed the nature of supply and demand. However, thus far the London exodus has not pushed down prices significantly, save for some more central locations. Growth remains at 3.0% year-on-year overall for the Greater London region and this is remarkable in itself given current events. Looking forward to how 2021 will play out, we see opportunity for further scarcity-driven price growth in the regions and a period of readjustment for the capital.

Reports that mortgage approvals have reached a 13-year high, together with the COVID vaccine rollout, is welcome news and buoys confidence in the property market and the wider economy. The announcement of grant aid for the hospitality businesses of the UK will also be well received given the new and potentially lengthy lockdown. However, it is unrealistic to think that the UK property market will not be affected by the worst economic downturn in 300 years. In fact, the warning signs are already apparent. Rent arrears are on the rise, with more than half of UK landlords surveyed by the National Residential Landlords Association having lost income due to the pandemic. This is clearly not a sustainable situation.

Indeed, the true level of economic devastation is as yet unknown. Given the best outcome, that

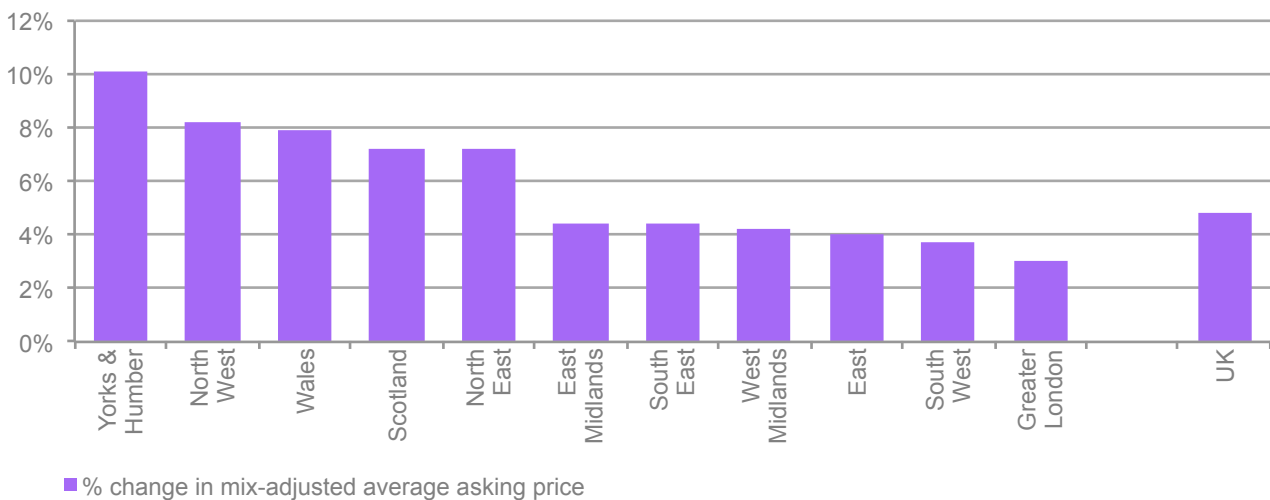
the virus is brought under control by vaccination, restarting the economy will not be like switching a light back on. Many businesses (and livelihoods) will simply be gone forever and it will take time for those businesses that remain to return to profitability. Moreover, forbearance on the part of mortgage lenders is likely to be limited in the absence of further government intervention. Precisely how many homeowners will be forced to sell in 2021 due to job losses and business failure is as yet unknown.

For the time being, the UK property market remains in good shape but dark clouds of uncertainty loom over both the sales and rental sectors for the year ahead. The annualised mix-adjusted average price growth across England and Wales is currently a remarkable +4.9%; in January 2020, the annualised rate of increase of home prices was a mere 0.3%.

Regional Roundup

The fact that the market overall shows such strength and significant price growth following one of the most economically devastating years in history is both surprising and reassuring. In short, 2020 could have been much worse. However, the property market remains far from unaffected. The fallout from the COVID pandemic has reshaped the nature of supply and demand. Over recent months we have witnessed a refocusing of demand from urban dwelling to more leafy suburbs and the countryside. In fact, this new trend has created phenomenal upward pricing in corresponding locations and home types, with demand more than matching supply in most regions. Analysis at the regional level provides insight as to how the market is shaping up as it adapts to new COVID-era trends.

Regional Price Growth, Jan 2021 vs. Jan 2020



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

The supply and demand shocks that followed the spring lockdown have faded away, and we now observe that most English regional markets (outside of London), Scotland and Wales have, for the time being, entered a more equilibrated state. However, until the 31st March, there remains the artificial distortive effect of the stamp duty holiday and, what is also certain, is that all the regional markets have yet to deal with the full consequences of the economic fallout of business failures and layoffs.

As mentioned, Greater London is weighed down by oversupply and this has kept price growth down to just 3.0%, making it the worst-performing region in the UK. December's new listings total was 68% higher than in December 2019, slightly more than was registered in the two previous months. The rate of oversupply remains a clear indication that this market is still in the midst of a radical shake-up. Unsold stock levels, whilst high, have not surpassed the previous peak set in June 2018 and are gradually being eroded by an uptick in demand. Hence, we anticipate that the risk of major price falls has been much reduced for most of the capital region, save perhaps for the more central London boroughs.

Oversupply is more acute in the London lettings market. Consequently, rents are collapsing in the more central London boroughs, slashed by landlords desperate to avoid painful void periods. This situation is undermining the fundamentals of the central London sales market, since ultimately it is the yield on property that underpins its capital value. Landlords in prime locations such as Westminster, Hammersmith & Fulham, Kensington & Chelsea and Islington have dropped asking rents by 34%, 29%, 28% and 25% respectively. These are unprecedented falls and, judging by the continuing rate of decline, rents in central London are unlikely to stabilise anytime soon.

Accelerated by the London exodus, rents and prices are climbing simultaneously throughout the rest of England and in Scotland and Wales. These markets, all underpinned by competitive lettings markets (low supply and rapidly rising rents), show extraordinary vigour and together they have boosted national average home price growth. The northern English regions of Yorkshire & the Humber and the North West lead the growth chart, with the greatest year-on-year price growth of 10.1% and 8.2% respectively. The North East also shows remarkable growth of 7.2%, and the fact that this region's first significant price rises since the financial crisis of 2008 have occurred during the pandemic suggests that institutional investors are bolstering demand.

Wales is also showing increased annualised growth (7.9%), boosting a trend that began back in February 2012. Likewise, rents are soaring, propelled by a reported inward migration coupled with lack of supply. Scotland also shows impressive asking price growth overall (7.2%) but certain parts, such as central Edinburgh, continue to suffer from oversupply. Flats in particular have been accumulating on agents' books since the summer and, whilst the glut is now beginning to be eroded by a resurgence in demand, the current stock total remains 111% higher than in January 2020.

Further south, supply has abated in the West Midlands and the East Midlands (currently +6% and +7% respectively year-on-year), and this stabilisation of supply will likely trigger further price growth in 2021. For the time being, home price trends in both regions appear to have returned to pre-COVID annualised rates of 4.4% and 4.2% respectively. In terms of average marketing times, the Midlands regions along with the East of England continue to be the fastest sales markets in the UK.

The surges in supply experienced in the wake of the first lockdown in the South East, South West and East of England markets have now faded away. Price rises in these regions were moderate last year but stabilisation of supply has paved the way for further price growth in 2021.

10-Year Supply Trend

As we head into 2021, we take a look at a key underlying fundamental: stock of property for sale. The magnitude of pent-up demand, boosted by the reduction in stamp duty, has driven the overall stock of property in England and Wales to a new record low. Not since this Index was launched in 2006 have we observed so few properties on the market, and this is particularly remarkable in view of the vast amount of supply and raised stock levels in Greater London.

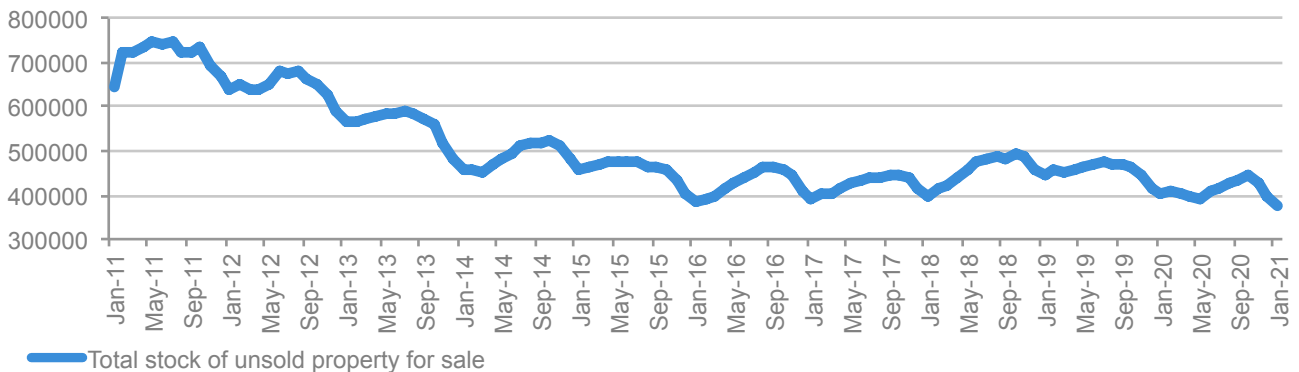
Hence, for the market as a whole, scarcity is a key market driver going forward. Should supply remain low then competitive demand for the limited amount of stock available, facilitated by ultra-low mortgage rates, will doubtless push up prices until, and probably beyond, the end of the stamp duty holiday. However, rising rent arrears and mortgage arrears both point to potential increases in supply of property for sale. Both the evictions ban and the ban on repossessions were due to end this month, although given the current lockdown these may well be extended by the government.

Whether or not they are extended will be irrelevant for those whose businesses and jobs have been the unfortunate casualties in the

war against the pandemic. The stark reality of mounting debt will eventually force the hand of landlords and homeowners alike, triggering a rise in distressed sales. How much this will affect the balance of supply and demand on the open market is difficult to predict as many such transactions will be conducted by well-financed

'quick home purchase' companies. However, given that the economy has taken the biggest downturn for 300 years, a rise in supply due to debt and bankruptcies is inevitable, although the influx of such properties entering the market is likely to be slow, at least at first.

Stock For Sale, England and Wales



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

“ We start 2021 in the midst of a third COVID lockdown. Vaccines are being rolled out in record time but new, more virulent, strains of the virus compound and exacerbate the country's woes. However, many will be relieved to know that the property sector is allowed to continue to do business and thereby avoid a repeat of the market disruption experienced in the spring of 2020.

The market made an extraordinary recovery from being frozen last year, and the growth figures and record levels of transactions are testament to a thriving industry despite the pandemic. However, the market has not come through unscathed. The London exodus (and consequent collapse of rents in the central boroughs) and the mounting pressures of rent arrears and mortgage arrears pose significant challenges going forward.

The central London rental market has been devastated by the pandemic. Asking rents in several prestigious areas have dropped in excess of 20% due to lack of demand. For many landlords with mortgages to pay, the maths will no longer add up at these new lower rents. Moreover, many of those that have retained tenants are suffering from late payments or none at all. Both renter activists and landlord associations are turning to the

government for help in order to circumvent this growing crisis in personal housing debt.

For the time being, the key indicators for the sales and rental markets (outside of London)

show a positive picture of price growth and rising rents. Supply is relatively low and stock levels are at a record low overall. However, this somewhat rosy picture may not persist for long as the real fallout of the COVID pandemic comes to bear on personal fortunes.

A rise in distressed sales is to be expected as business failures and job losses take their toll. However, there are many well-financed operations ready to pick up such properties both on and off the market. Indeed, in the current ultra-low interest rate environment, there is seemingly no shortage of major investors looking for yield and the security of bricks and mortar in these uncertain times.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Jan-21
Average Asking Price	£198,418
Monthly % change	-1.1%
Annual % change	7.2%

North East	Jan-21
Average Asking Price	£171,769
Monthly % change	1.0%
Annual % change	7.2%

Yorks & The Humber	Jan-21
Average Asking Price	£220,958
Monthly % change	-0.1%
Annual % change	10.1%

North West	Jan-21
Average Asking Price	£226,060
Monthly % change	0.0%
Annual % change	8.2%

West Midlands	Jan-21
Average Asking Price	£265,431
Monthly % change	0.2%
Annual % change	4.2%

East Midlands	Jan-21
Average Asking Price	£249,565
Monthly % change	0.5%
Annual % change	4.4%

East	Jan-21
Average Asking Price	£356,157
Monthly % change	0.0%
Annual % change	4.0%

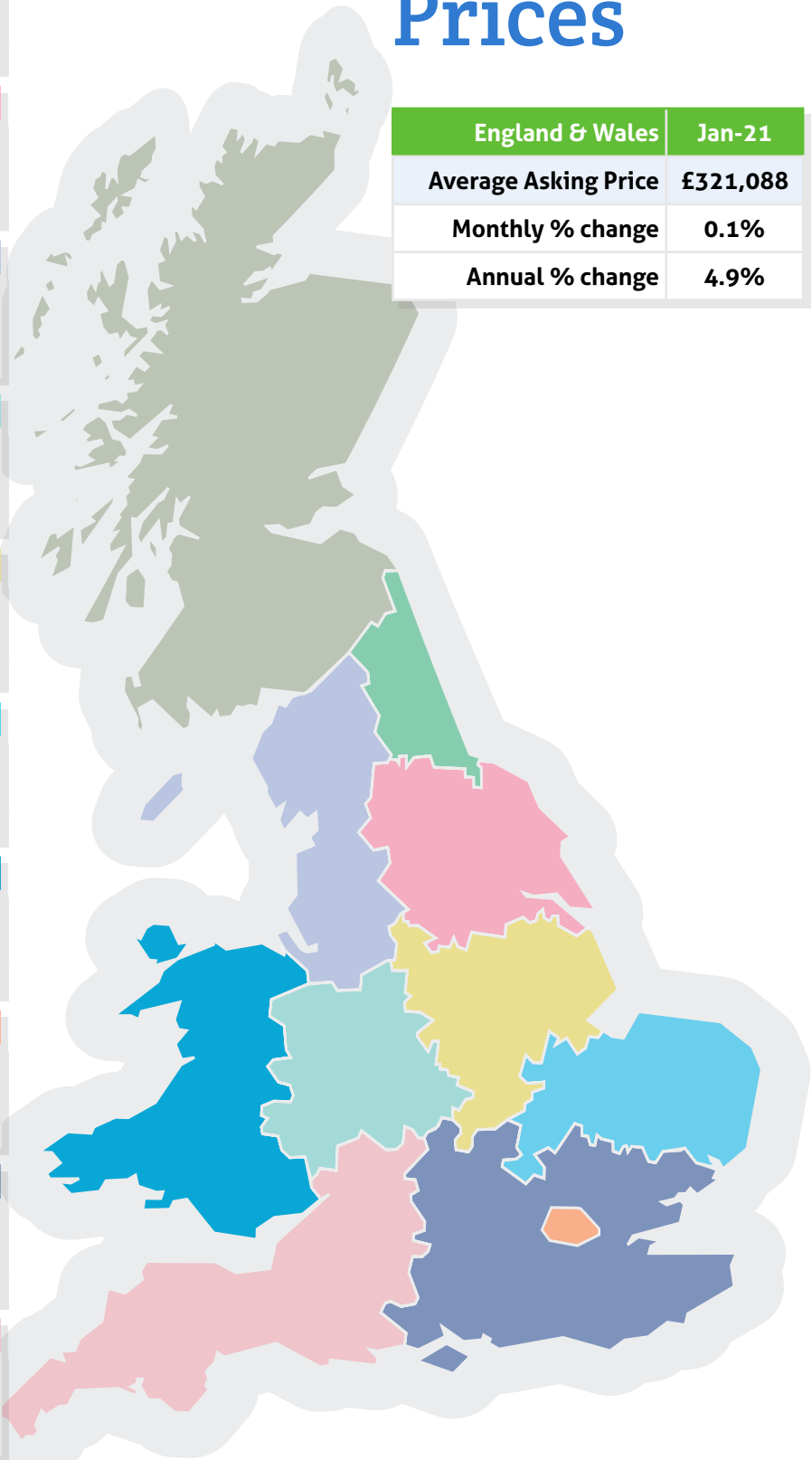
Wales	Jan-21
Average Asking Price	£227,070
Monthly % change	0.3%
Annual % change	7.9%

Greater London	Jan-21
Average Asking Price	£531,662
Monthly % change	0.6%
Annual % change	3.0%

South East	Jan-21
Average Asking Price	£405,792
Monthly % change	-0.3%
Annual % change	4.4%

South West	Jan-21
Average Asking Price	£330,648
Monthly % change	0.0%
Annual % change	3.8%

England & Wales	Jan-21
Average Asking Price	£321,088
Monthly % change	0.1%
Annual % change	4.9%



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

UK Time on Market

Scotland	Jan-21
Average Time on Market	266
Typical Time on Market	106
Annual % supply change	13%

North East	Jan-21
Average Time on Market	251
Typical Time on Market	120
Annual % supply change	-4%

Yorks & The Humber	Jan-21
Average Time on Market	182
Typical Time on Market	94
Annual % supply change	12%

North West	Jan-21
Average Time on Market	197
Typical Time on Market	101
Annual % supply change	8%

West Midlands	Jan-21
Average Time on Market	172
Typical Time on Market	95
Annual % supply change	6%

East Midlands	Jan-21
Average Time on Market	163
Typical Time on Market	90
Annual % supply change	7%

East	Jan-21
Average Time on Market	169
Typical Time on Market	94
Annual % supply change	9%

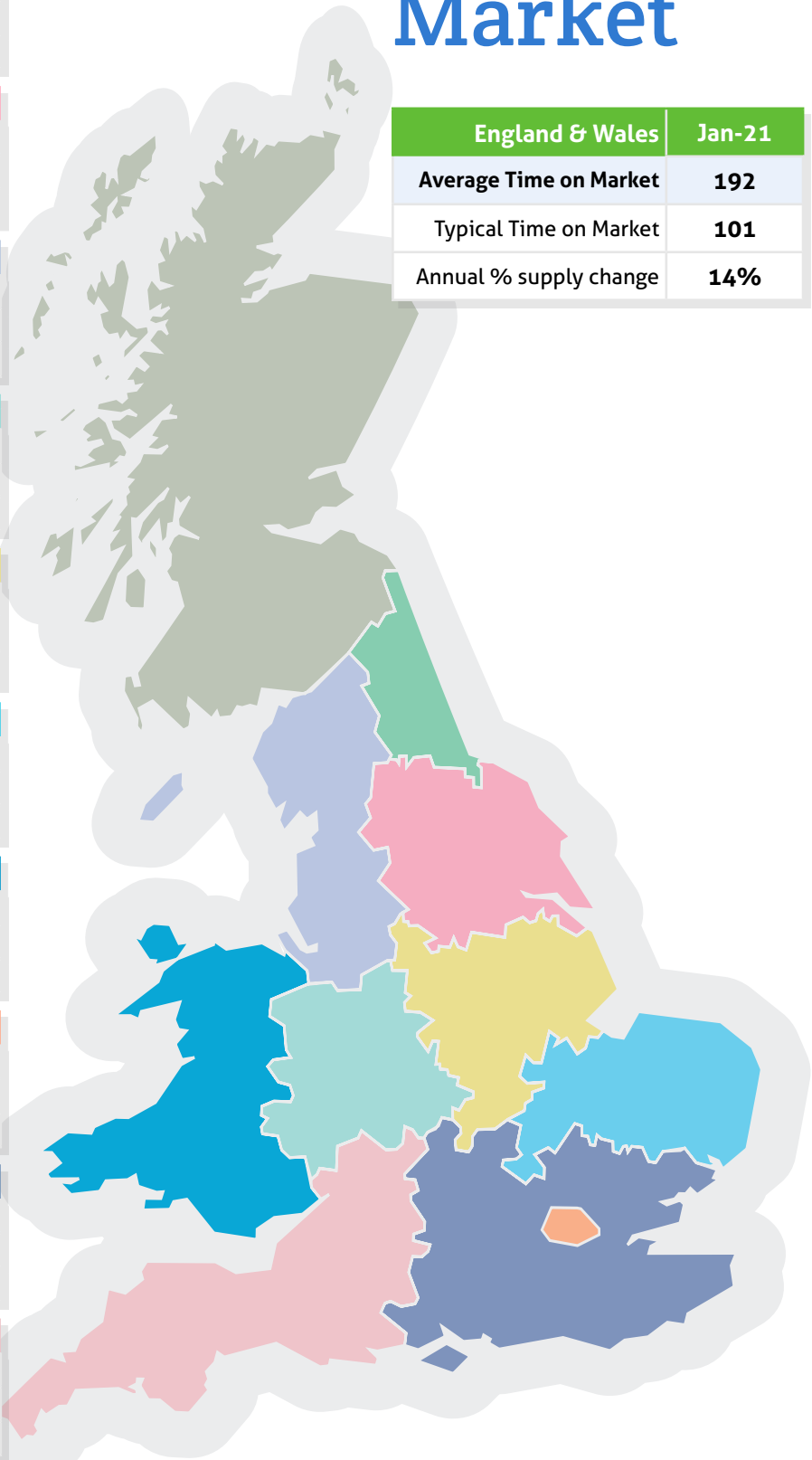
Wales	Jan-21
Average Time on Market	233
Typical Time on Market	110
Annual % supply change	8%

Greater London	Jan-21
Average Time on Market	185
Typical Time on Market	96
Annual % supply change	68%

South East	Jan-21
Average Time on Market	177
Typical Time on Market	94
Annual % supply change	6%

South West	Jan-21
Average Time on Market	186
Typical Time on Market	99
Annual % supply change	4%

England & Wales	Jan-21
Average Time on Market	192
Typical Time on Market	101
Annual % supply change	14%



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

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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:

- **Friday 12th February**
- **Friday 12th March**
- **Tuesday 13th April**