

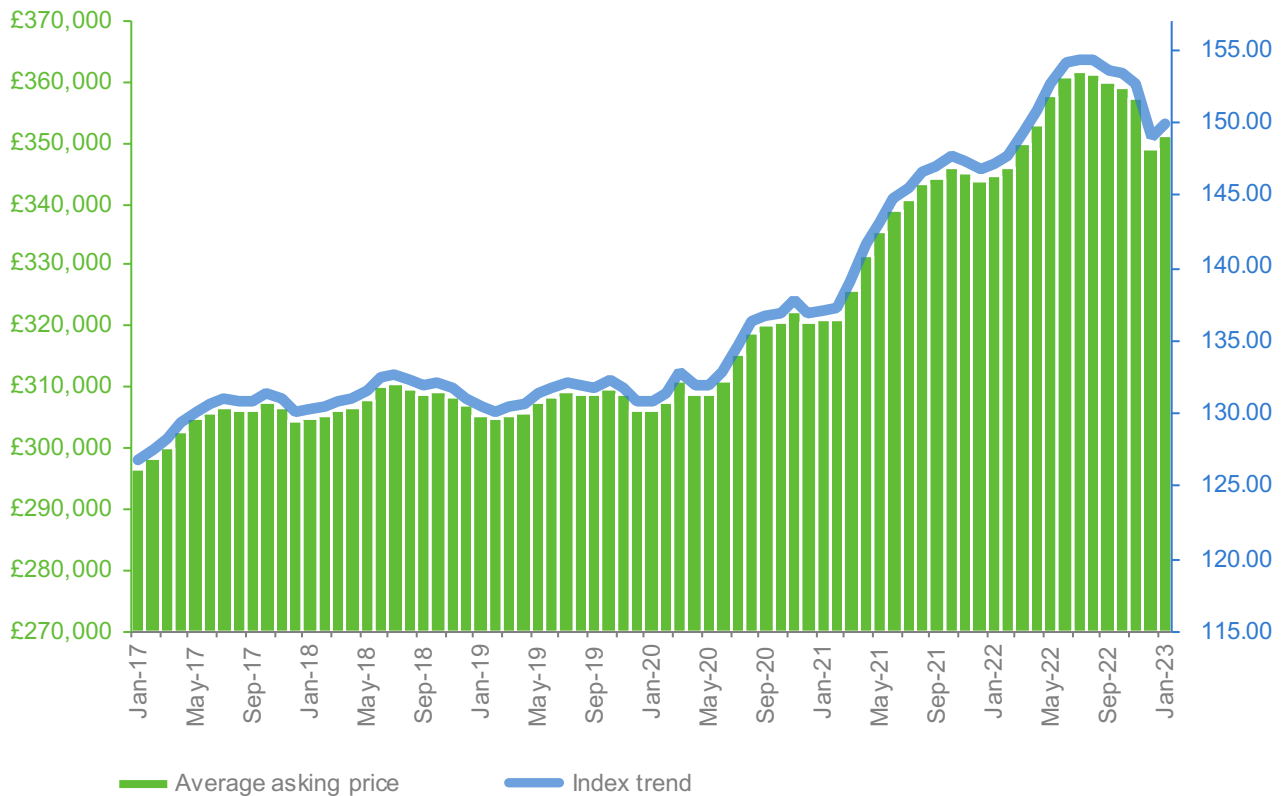
## Stock Drops as More Vendors Quit and Prices Bounce

### Headlines

- Asking prices across England and Wales surprise; recovering 0.6% during December following the shock drop of -2.4% in November, nudging the year-on-year growth up to 1.9%.
- Asking prices rose in every English region, Scotland and Wales during December.
- The number of properties withdrawn from the market soared in November, especially by vendors of upmarket properties.
- The total sales stock in England and Wales fell for the first time in 12 months (by 0.4%) due to a considerable number of vendors quitting the sales market.
- The supply of new instructions remains very moderate: 2% higher last month compared to December 2021 and 16% less than in December 2020.
- The Typical Time on Market for unsold property in England and Wales jumped in line with seasonal expectations, adding 16 days to make the median 94 days. This is just two days more than in January 2022 and seven days less than in January 2021.
- Eight English regions and Wales now show elevated median marketing times compared to January 2022. Greater London and Scotland both show a year-on-year reduction.
- The North West property market now leads in annualised regional price growth (5.8%), just ahead of Scotland at 5.6%.
- Monetary inflation dropped slightly to 16.1% (RPI ex. housing), suggesting that current real growth is around -15% year-on-year. Moreover, despite recent rises in mortgage costs, the real mortgage interest rate remains highly negative (around -10%) with respect to inflation.<sup>1</sup>
- Rents across Greater London continue to rise overall (22% year-on-year) due to severe scarcity, but the pace is perhaps slowing slightly as affordability limits are reached. Such growth while property prices are stagnant means yields are improving rapidly.
- The current new growth leaders in asking rents are the boroughs of Brent, Hounslow and Lambeth (+37%, +37% and +35% annualised respectively).

<sup>1</sup> ONS figure for November 2022 and Moneyfacts.

## Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, January 2023, Indexed to May 2004 (Value=100).

### Summary

The UK property market continues to adapt to a tougher lending environment and high inflation in the wake of the COVID property boom. Following last month's shock price drop, we observe a small price bounce this month, which may surprise some observers. Moreover, prices rose in all English regions and Scotland, which is highly unusual for this time of year and attests to the resilience of home values despite rising borrowing costs.

A large part of this resilience is due to the fact that property for sale remains scarce. The total sales stock actually fell slightly during December and is currently 17% below the 10-year average. The small reduction in stock during the slowest sales month of the year is a result of vendors

withdrawing from the market. Speculative and opportunistic vendors are being purged from the post-boom marketplace. A further group of sellers with vacant possession will be opting to rent instead as the market continues to thrive, driven by scarcity and record rents. Supply of new instructions in December was restrained and certainly not indicative of a flood of panic sales.

Perhaps contrary to expectations, properties are not spending longer than usual on the market. While both the median and mean time on market for unsold property in England and Wales have increased, they have done so simply in line with seasonal expectations. Given the significant number of withdrawals from the sales market over recent months,

low numbers of distressed sales and relatively low sales stock levels, residual demand is unlikely to be swamped by supply.

The region most likely to lead price growth in 2023 is Greater London. Relatively low stock levels coupled with low supply of new instructions (down 8% year-on-year) means that sales properties remain scarce.

Moreover, given that the median price of a flat remains 15% lower than in 2016, there's plenty of room for upward pricing. In addition, when priced in US dollars, London property is offering a significant discount to foreign investors and rental yields are improving rapidly.

Persistent inflation and negative real mortgage rates will continue to support nominal house prices throughout 2023. The post-boom

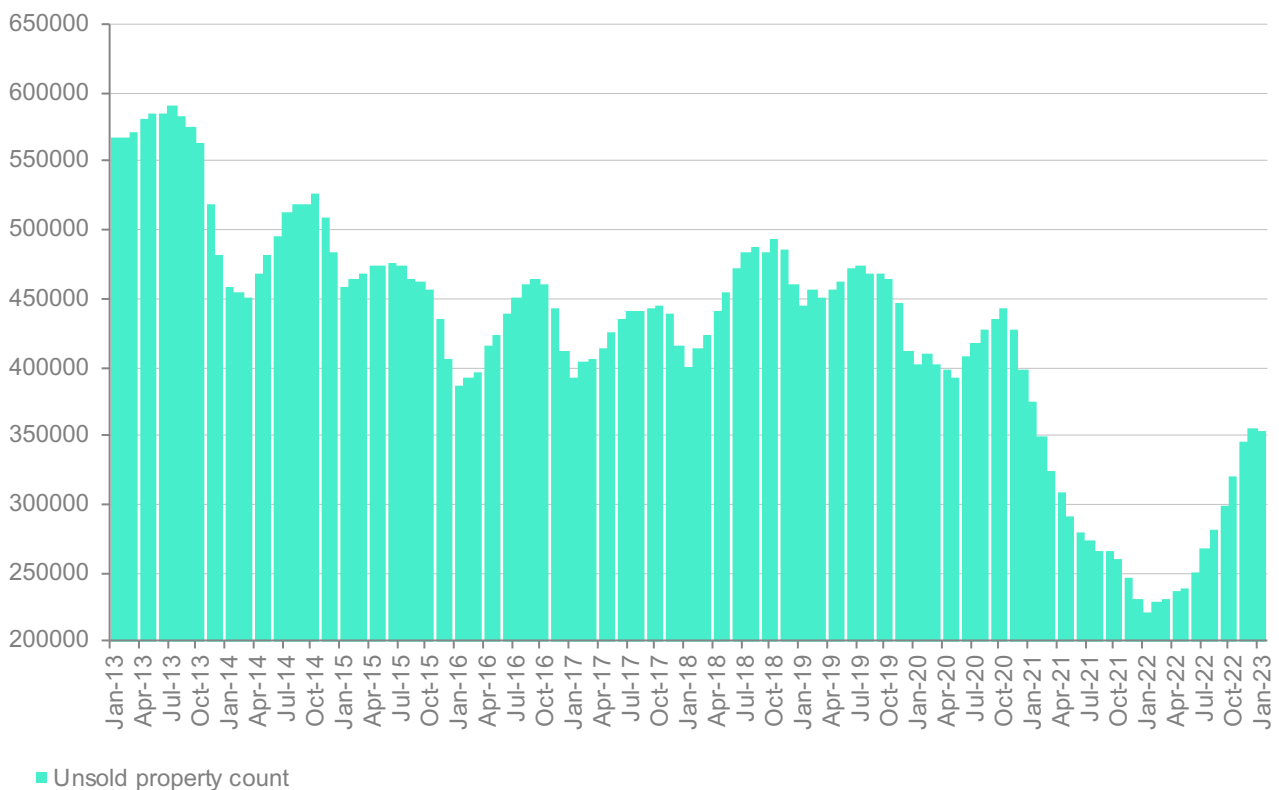
home price correction is occurring in the background while real growth remains firmly negative by either measure of inflation (CPI or RPI).

The rental market continues to thrive. High demand and persistently falling supply will continue to push up monthly rents in most regions in 2023, particularly in London.

The annualised mix-adjusted average asking price growth across England and Wales is now at 1.9%; in January 2022, the annualised rate of increase of home prices was 7.3%. 2022 was clearly a very sobering year for the UK housing market.

Asking prices bounced +0.6% following the steep decline registered last month. The mix-adjusted average rose despite a year-on-year increase in discounting of on-market properties (although compared to

## Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, January 2023



pre-COVID years, the number of discounted properties last month remains relatively normal for the time of year). Evidently, while scarcity persists, prices are unlikely to enter a period of freefall.

## Stock Levels

In a further example of market adaptation to the new lending environment, the total of unsold sales properties actually fell in December. A combination of vendor hesitancy and significant numbers of withdrawn properties (see chart) means that there are fewer properties for sale. The total remains well below the 10-year average of 425,000. Reassuringly, there is no panic-induced flood of properties entering the market. The fact that vendors are exercising prudence and choosing not to sell in what is clearly a more challenging

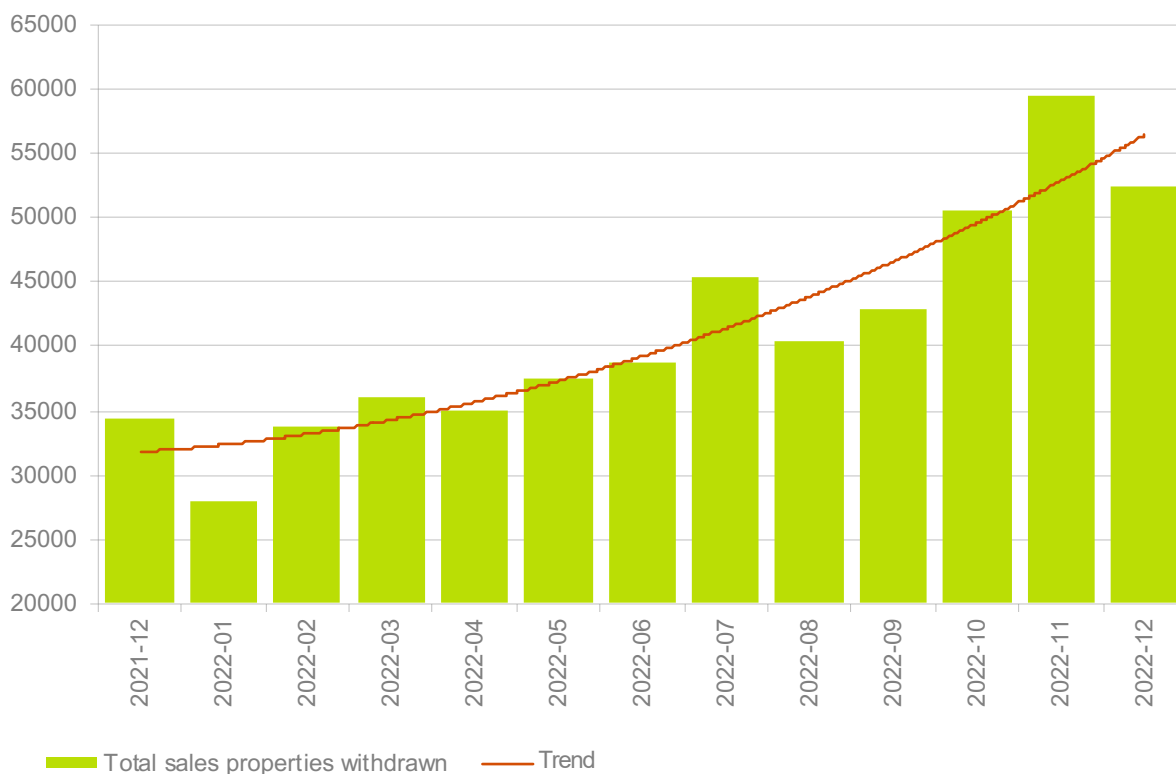
and uncertain economic environment bodes well for 2023.

A falling stock total suggests that prices will stabilise sooner rather than later. As mentioned last month, the current situation is in stark contrast to the last major correction that began in 2008 when there were over 800,000 properties on the market. Repossession orders are not yet sufficiently elevated to affect the market overall. More importantly, the UK housing crisis persists and therefore demand for housing will not diminish while the UK population continues to increase due to various demographic factors including divorce and immigration.

## Regional Roundup

Following the buyer frenzy that occurred during the COVID property boom, stock levels have recovered at

## Properties Withdrawn from the Market, Mainland UK



Source: Home.co.uk Asking Price Index, January 2023



remarkably different rates across the regions. Again, we present an update on how the restocking has occurred over the course of 2022. Of course, the percentage increases where there was most demand (and therefore most depletion of stock) will be the highest. However, sudden rises in the available stock always affects pricing negatively and therefore this chart serves to indicate where a return to growth in the near future is more or less likely.

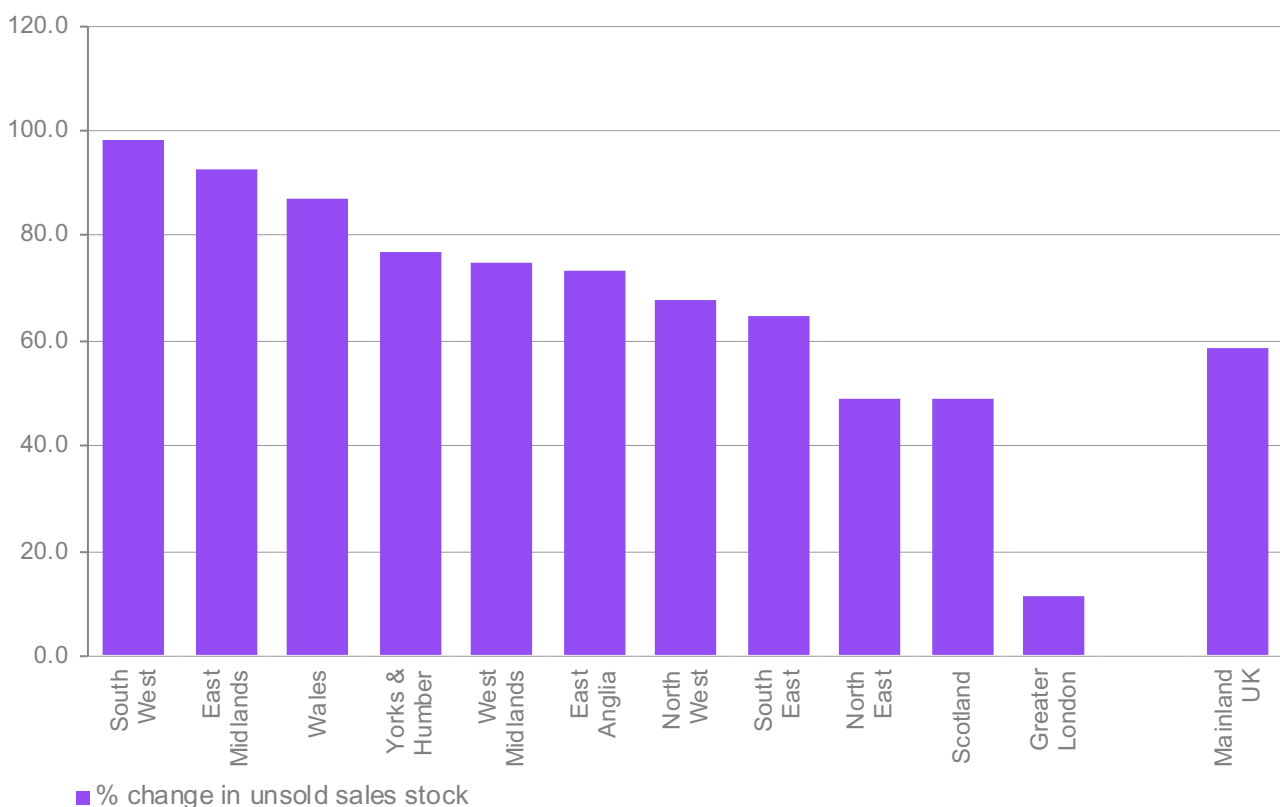
Stock numbers in Wales, East Midlands and the South West continue to show the greatest percentage increase over the last twelve months. A year ago, of course, these regions were among the most popular locations for purchases and so these stock rises come on the back of exceptionally low stock levels

brought about by overwhelming demand. Despite that, these current stock rises are in no way excessive.

Greater London stands out in the chart. The capital region has only around 11% more properties for sale than in January 2022. Greater London was the least popular region in the initial race for space following the lockdowns but, in late 2021, the backlog of unsold properties dispersed with little or no price growth.

There exists a market dynamic in stark contrast to the rest of the UK, save perhaps for Scotland. In fact, the capital's property market has not slowed: its Typical Time on Market is 12 days less than it was a year ago, adding further evidence supporting our expectations of near-term price growth.

## Rise in Total Properties for Sale by Region, Jan. 2023 vs. Jan. 2022



Source: Home.co.uk Asking Price Index, January 2023

The next chart also shows that the regions are adapting to the new lending environment very differently. East Midlands and Yorkshire have slowed by far the most over the last twelve months, although even these regions still indicate more momentum in absolute terms than they did for several years pre-COVID.

Again, there is still no solid evidence of a major slowdown. In fact, most regions are simply returning to a more normal pace while some have clearly accelerated.

Asking prices rose in all the English regions, Scotland and Wales during December (see map), which is highly unseasonal. There are normally at least some regional falls during the festive period. Most importantly, we have not seen a repeat of November's radical price adjustments, which saw

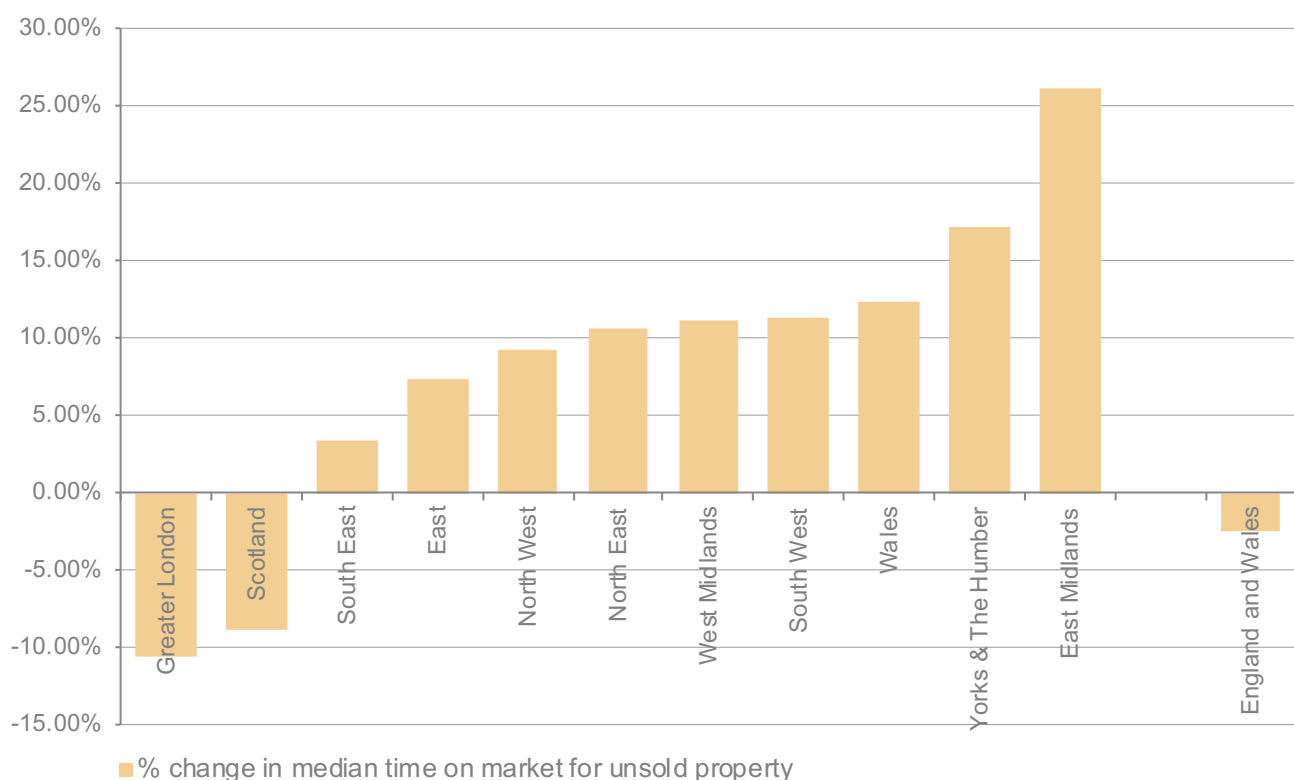
prices drop 2.4% overall and much more in certain regions (see last month's report). The biggest bounce back was in the North East followed by Wales and the North West.

Such rises might suggest that the market has already adapted to the new lending environment, but we expect further adjustments to the balance of supply and demand over the coming months and further downward price adjustments in the slowest regions with the highest stock levels. London, on the other hand, is already showing several buy indicators.

## Real Home Price Growth

The Bank of England is beginning to realise that inflation will be persistent. As we asserted previously, the effects of monetary inflation on the housing market can't be overstated. We live in a most peculiar period wherein

### % Change in Typical Time on Market, Jan. 2023 vs. Jan. 2022



Source: Home.co.uk Asking Price Index, January 2023



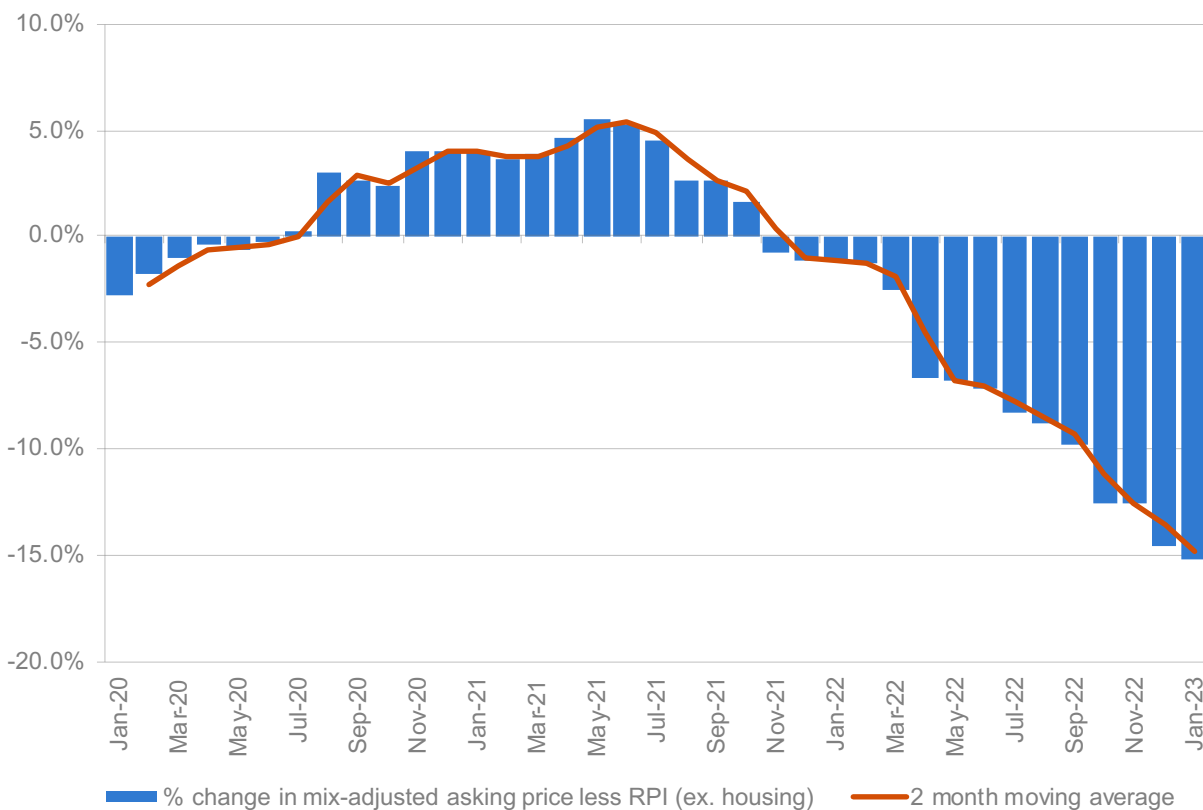
mortgage rates are significantly below the rate of inflation. The upshot of this unprecedented situation is that, in real terms, the mortgage lender will pay off part of the outstanding debt. In fact, since the current system is based on arbitrage on loans from the central bank, then they will foot the bill and not the mortgage lender.

At the same time, real home price growth is largely negative, whichever measure of inflation you care to use. In real terms, therefore, the purchasing power of the capital invested in property is being eroded (but so too is the debt). Quite bizarrely, this means

that the winners in the current market are those with the greatest leverage.

In this chart we present a further update on real growth, again with the addition of our conservative estimates for current inflation (Dec and Jan). Using RPI ex. housing, we can see that real asking price growth first went negative in November 2021. Since then, real growth in UK property has fallen to around -15% (or -9% using CPI). This is the real correction occurring in the market and therefore large nominal falls in house prices remain unlikely.

### Real Asking Price Growth, England and Wales



Source: ONS and Home.co.uk Asking Price Index, December 2023. Figures for December and January include our estimates of RPI (ex. housing) of 16% and 17% respectively.





“ **Happy New Year! As we enter 2023, I'd like to wish all our readers the very best in health and prosperity, in this, the 200th issue of the Home Asking Price Index report.**

While there are plenty of challenges facing the UK economy and, more specifically, the UK property market, the key to successfully navigating these troubled waters is to chart a course based on objective reality and not fear, fantasy and hearsay. As we approach the 17th anniversary of this index, we continue to adhere to our original objectives: to inform, educate and forewarn. Our first release was led by a quote from J.K. Galbraith (1908-2006) who sadly passed away the same year: “There is something wonderful in seeing a wrong-headed majority assailed by truth.”

In later editions, we correctly predicted the financial crisis and warned of the consequences of quantitative easing and the near-zero interest rate policy that followed. We informed our audience how Keynesian attempts to manage the economy would eventually lead to high and persistent inflation through monetary expansion. Moreover, to date, we remain the only independent house price index in the UK that provides timely analysis of the entire market.

We're independent because we are not beholden to large financial or government agendas. We have our client base for market data and bespoke research, of course, and that does include banks and government

agencies in the mix. However, we have never taken money to publish editorial bias or suppress information (although we have had such offers).



It's been a long road for a small company formed by friends with PCs in their spare rooms and a good idea. We've had to defend ourselves from legal challenges on many occasions, from big players to dodgy local agents. We've had to deal with unscrupulous investors attempting to hijack our business. The cumulated sleepless nights, I care not to estimate. Unfortunately, this is simply the way of the world we live in and one should expect to hit more than a few bumps in the road during 26 years of business.

So, as another year begins, I remind myself and others that our resilience has stemmed from our ability to remain cool-headed and to use critical reasoning in the face of adversity and uncertainty. In other words, don't panic, it's dangerous. The current challenging state of the UK property market will offer new opportunities that may require a change of course, but I thoroughly recommend that you do your research and make sure the maths add up first.

**Doug Shephard**  
Director at [Home.co.uk](https://www.home.co.uk)





# UK Asking Prices

Scotland	Jan-23
<b>Average Asking Price</b>	<b>£217,255</b>
Monthly % change	0.2%
Annual % change	5.6%

North East	Jan-23
<b>Average Asking Price</b>	<b>£184,440</b>
Monthly % change	2.4%
Annual % change	4.7%

Yorks & The Humber	Jan-23
<b>Average Asking Price</b>	<b>£240,620</b>
Monthly % change	1.1%
Annual % change	5.3%

North West	Jan-23
<b>Average Asking Price</b>	<b>£253,920</b>
Monthly % change	1.1%
Annual % change	5.8%

West Midlands	Jan-23
<b>Average Asking Price</b>	<b>£294,941</b>
Monthly % change	0.5%
Annual % change	2.0%

East Midlands	Jan-23
<b>Average Asking Price</b>	<b>£283,394</b>
Monthly % change	0.2%
Annual % change	2.2%

East	Jan-23
<b>Average Asking Price</b>	<b>£396,698</b>
Monthly % change	0.4%
Annual % change	0.4%

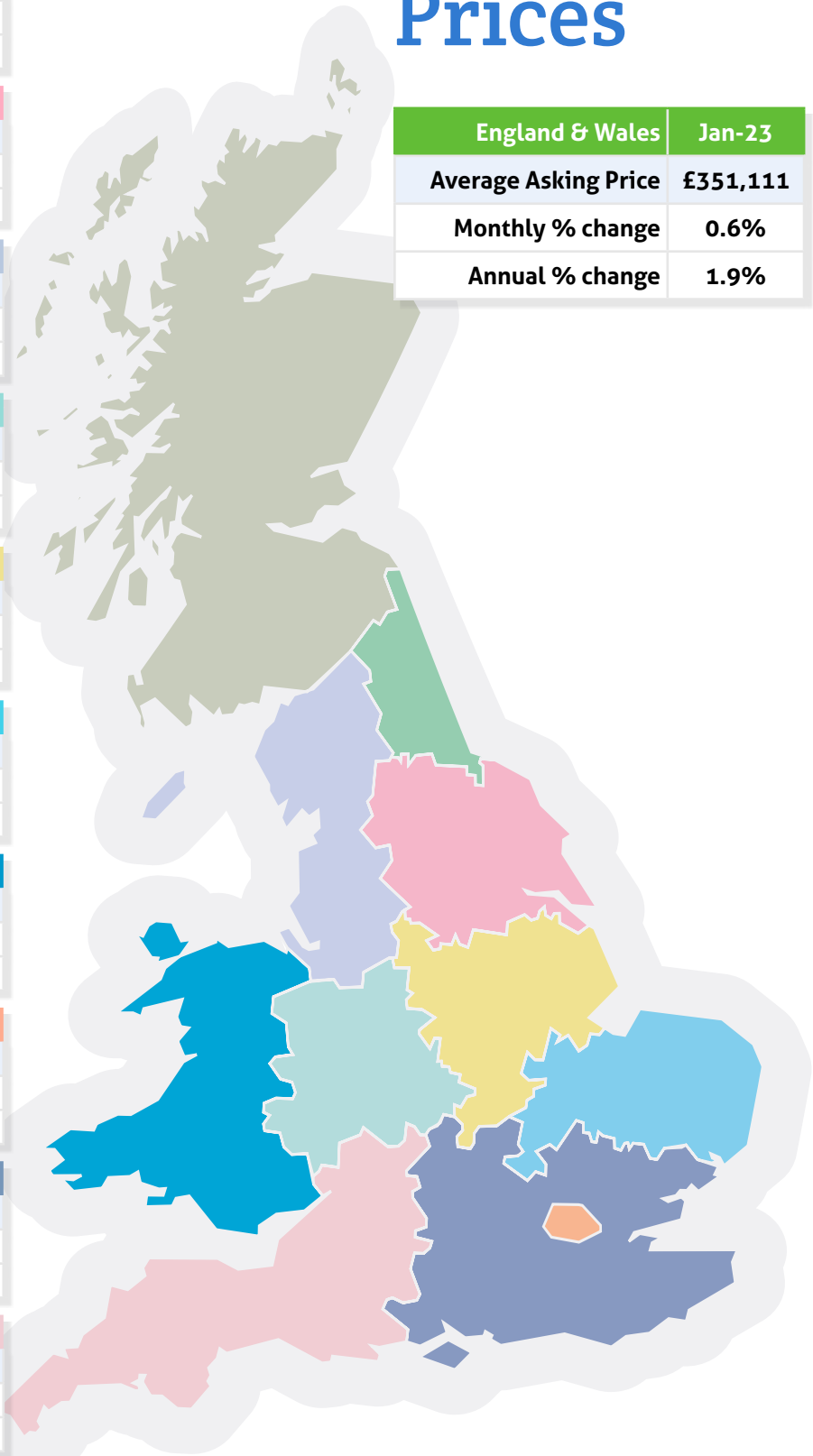
Wales	Jan-23
<b>Average Asking Price</b>	<b>£258,731</b>
Monthly % change	1.2%
Annual % change	5.1%

Greater London	Jan-23
<b>Average Asking Price</b>	<b>£548,878</b>
Monthly % change	0.2%
Annual % change	-0.8%

South East	Jan-23
<b>Average Asking Price</b>	<b>£441,481</b>
Monthly % change	0.6%
Annual % change	0.7%

South West	Jan-23
<b>Average Asking Price</b>	<b>£377,818</b>
Monthly % change	0.7%
Annual % change	3.6%

England & Wales	Jan-23
<b>Average Asking Price</b>	<b>£351,111</b>
<b>Monthly % change</b>	<b>0.6%</b>
<b>Annual % change</b>	<b>1.9%</b>



Source: Home.co.uk Asking Price Index, January 2023



# UK Time on Market

Scotland	Jan-23
<b>Average Time on Market</b>	<b>204</b>
Typical Time on Market	94
Annual % supply change	-8%

North East	Jan-23
<b>Average Time on Market</b>	<b>154</b>
Typical Time on Market	93
Annual % supply change	1%

Yorks & The Humber	Dec-22
<b>Average Time on Market</b>	<b>121</b>
Typical Time on Market	71
Annual % supply change	8%

North West	Jan-23
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	94
Annual % supply change	1%

West Midlands	Dec-22
<b>Average Time on Market</b>	<b>135</b>
Typical Time on Market	72
Annual % supply change	9%

East Midlands	Jan-23
<b>Average Time on Market</b>	<b>128</b>
Typical Time on Market	87
Annual % supply change	8%

East	Jan-23
<b>Average Time on Market</b>	<b>142</b>
Typical Time on Market	87
Annual % supply change	10%

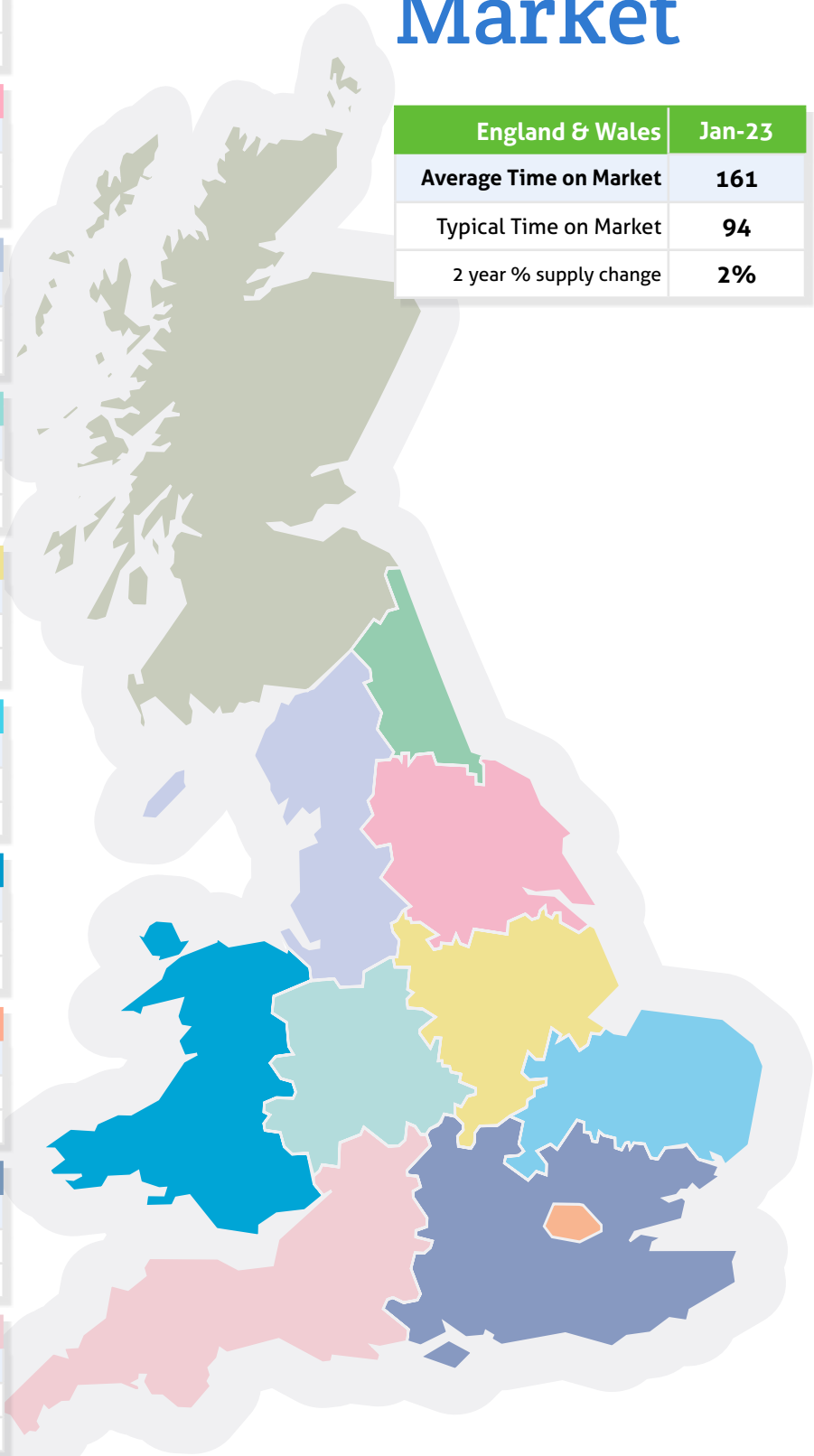
Wales	Dec-22
<b>Average Time on Market</b>	<b>139</b>
Typical Time on Market	81
Annual % supply change	10%

Greater London	Jan-23
<b>Average Time on Market</b>	<b>201</b>
Typical Time on Market	102
Annual % supply change	-8%

South East	Jan-23
<b>Average Time on Market</b>	<b>151</b>
Typical Time on Market	89
Annual % supply change	5%

South West	Dec-22
<b>Average Time on Market</b>	<b>130</b>
Typical Time on Market	71
Annual % supply change	11%

England & Wales	Jan-23
<b>Average Time on Market</b>	<b>161</b>
Typical Time on Market	<b>94</b>
2 year % supply change	<b>2%</b>



Source: Home.co.uk Asking Price Index, January 2023. 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

- For media enquiries please contact: [press@home.co.uk](mailto: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](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 15<sup>th</sup> February
- Wednesday 15<sup>th</sup> March
- Wednesday 12<sup>th</sup> April

