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Asking Price Index

Released 12/07/23 July 2023

Prices Flatline as Stock Levels Surge

Headlines

- Asking prices across England and Wales remain unchanged since last month, as is to be expected on the basis of seasonality, but mortgage woes will also have contributed to more conservative pricing. Meanwhile, year-on-year growth slid further into the negative (-1.5%).
- The Typical Time on Market for unsold property in England and Wales decreased by one day during June to make the current median a relatively healthy 78 days, although this will be partly driven by an increased influx of new instructions.
- The total sales stock count for England and Wales surged above the 10-year average during June, adding around 16,000 properties to make the current total 425,624. This signals that the era of scarcity-driven growth is drawing to a close.
- Asking prices continued to rise during June in the South West, North West, Wales and Yorkshire. However, prices in all other English regions and Scotland either fell or remained unchanged. The sharpest drop, surprisingly, was in Scotland (-0.6%).
- The supply rate of new instructions entering the market has improved: up 11% vs. June 2022 but down 8% vs. June 2018. The largest year-on-year rise is in the South West (+18%).
- Typical Time on Market during June rose in all English regions with the exception of the North East, which was down one day, as was Scotland.
- The Scottish property market continues to be the leader in terms of annualised regional price growth (3.7%), while growth in London remains the most negative at -3.5%.
- Rents across the UK continue to rise overall (11.8% annualised) and are now led by the West Midlands (up 18.1%) where supply of available properties to let has fallen year-on-year.
- The current rent growth leaders in London asking rents are the boroughs of Bexley, Kensington and Hillingdon (+40%, +39% and +34% annualised respectively).

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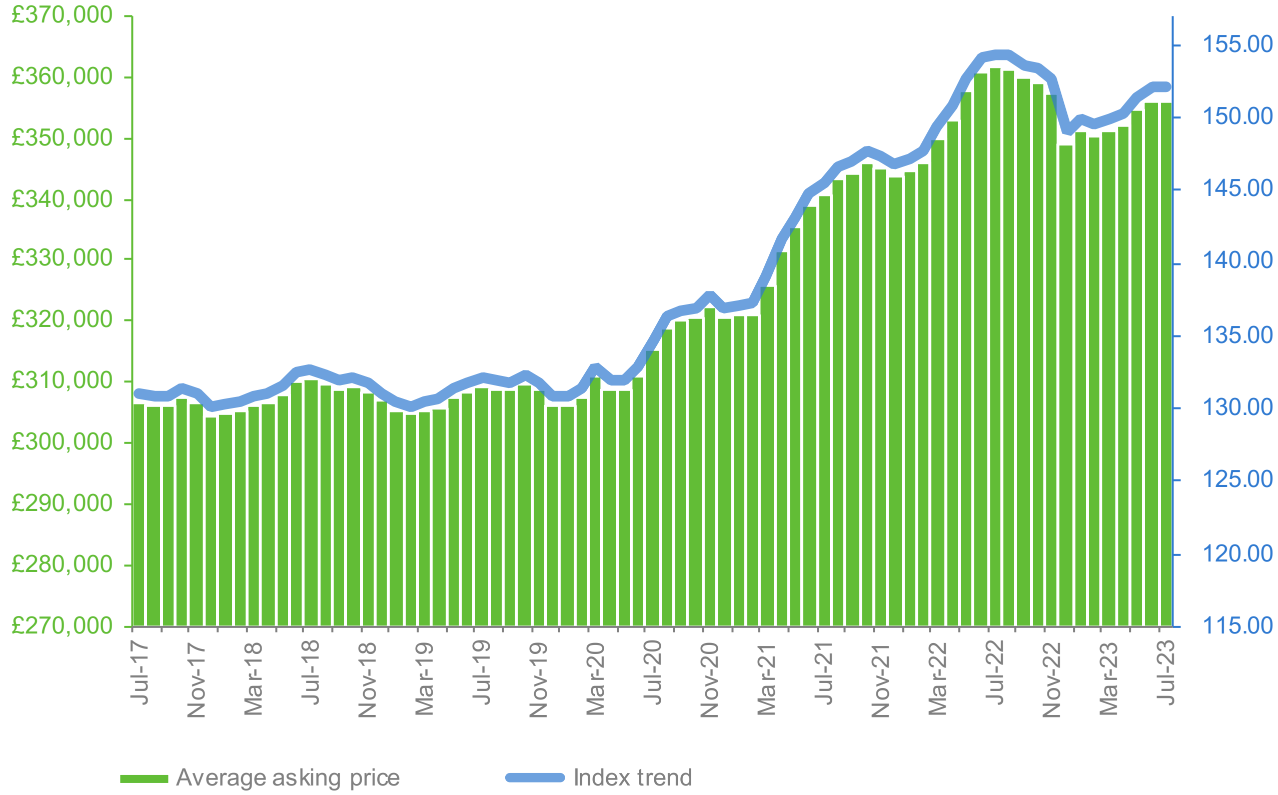
Home Asking Price Trend for England & Wales



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

Summary

Home price growth has stalled and the stock of unsold property has surpassed the 10-year average to reach a new 30-month high. However, it should be noted that both prices and stock levels typically peak during the summer. It is, therefore, not yet clear whether or not the UK housing market has become collateral damage in the Bank of England's belated efforts in the war on inflation, as was the case in 2008.

Last month's rash decision by the Bank of England to hike the base rate by a further 0.5% to 5.0% has certainly rattled some nerves. The UK property market was steadily regaining confidence in the wake of the rapid price correction at the end of last year with a return to slow growth, but now many fear that increased borrowing costs, along with negative sentiment in the media, may tip the market into a downward spiral.

Rapidly rising stock levels are always a cause for concern. Pricing had, until now, been benefitting from low stock levels, but last month's surge over the 10-year average gives cause for anxiety. However, stock levels were recovering from rock bottom after the COVID boom depleted agents' portfolios to unprecedentedly low levels. Also, it should be noted that supply of new instructions remains subdued compared to pre-COVID years and is currently 8% less than in June 2018.

Furthermore, prices continue to rise in several regions. Marketing times remain in the normal range and in no way indicate an overall slowdown. The northern regions and Scotland and Wales continue to show considerable improvements on their July 2018 figures, while London and the Midlands, the East and South East of England show slight increases compared to their pre-COVID figures. The Typical Time on Market for the South West is unchanged from July 2018.

Most key indicators show that the sales market is still in good shape. Moreover, it must be emphasised that unprecedented demand in the rental market is playing a key role in restricting supply in the sales market. Rising yields and short void periods (typically less than three weeks) ensure that letting remains an attractive option for hesitant potential vendors, while also acting as a safety valve for the sales market.

Rents continue to rise overall. The mix-adjusted average annualised rise for the UK stands at 11.8%. Rent inflation in the West Midlands is now over 18% and rising mortgage rates are only likely to make the situation worse for tenants, as landlords are obliged to pass on their increased costs.

The annualised mix-adjusted average asking price growth across England and Wales is now -1.5%; in July 2022, the annualised rate of increase of home prices was 6.1%.

Expectations for price changes based purely on seasonal factors are consistent with a maximum during the summer months. The same goes for stock levels. The current trajectories of both pricing and stock levels are consistent with this overall analysis. The downward pressure on pricing exerted by rising borrowing costs, therefore, has yet to become apparent in these metrics. In fact, it may well be some time before we see the full effect on pricing play out, especially given that the market has just recently undergone a significant correction.

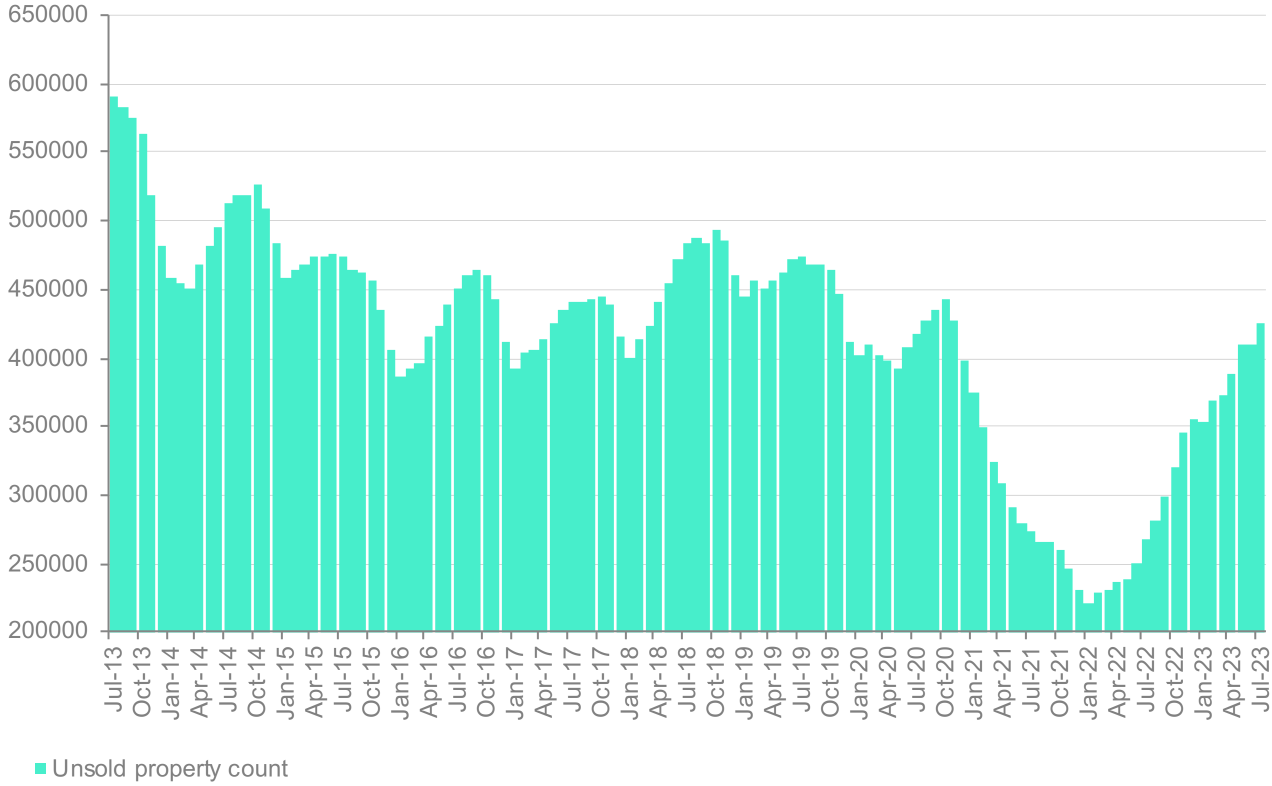
Given that the 5-year growth in the mix-adjusted average is 14.6% since July 2018 (despite the significant and sudden correction during the latter half of 2022), we expect prices overall to go sideways for quite some time. Some parts of the UK, such as Wales, have shown growth of more than double the national price growth figure over the same period. In London, by contrast, the typical (median) price of a flat (which account for around 70% of all properties on the market) has fallen by 3% since July 2018 despite all the massive government stimulus during COVID.

Stock Levels

Stock levels have been steadily recovering from the unprecedented low set in January 2022. This month the current total stock of unsold property has just surpassed the 10-year average for the first time in 30 months, ending what is perhaps the most aberrant episode in the history of the UK property market. This period of epic scarcity was, of course, brought about by massive intervention by both the government and the BoE. The current stock level is consistent with what might be considered the normal state of affairs for the market.

However, should stock levels continue to rise beyond seasonal expectations, this will indicate that the market is indeed in trouble and may point to a decline in demand (perhaps coupled with a rise in distressed sales). This scenario is consistent with prior episodes of monetary tightening where the ratcheting up of interest rates eventually triggered a market downturn. The financial crisis of 2008 was triggered in this fashion, although the current situation is very different, principally on two key points.

Total Stock of Property for Sale, England and Wales



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

Firstly, the banks are no longer dependent on short-term interbank lending to fund long-term mortgage lending; secondly, the lettings sector is enjoying overwhelming demand which effectively means that difficult to sell properties can be turned over to the rental market.

Therefore, we expect that stock levels will remain in the normal range provided the current cost of lending does not increase further, although our forecast is tipped from neutral to the downside should the BoE continue to hike the base rate, as is anticipated by the markets.

Regional Roundup

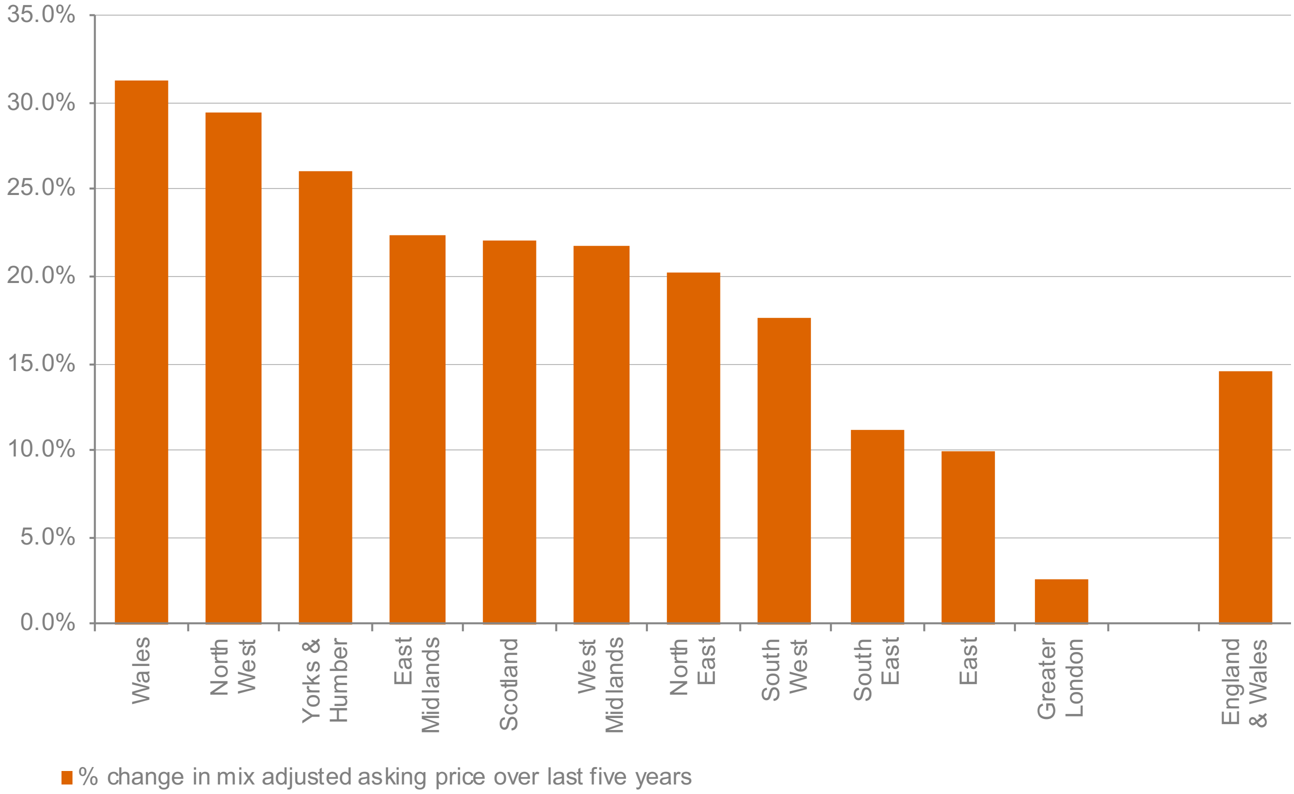
Home price growth at the regional level has been highly asymmetrical over the last five years. Our chart shows that London and adjacent regions have shown much less growth than those further west and north. In fact, London's growth over this period is negligible, while Wales, the North West and Yorkshire indicate vast increases in home values.

This regional disparity is important to bear in mind when national statistics are reported. Moreover, what has occurred since 2018 is effectively a wealth transfer from London and surrounds to the more far-flung English regions, Scotland and particularly Wales.

It appears that the trend is likely to continue. When we compare the relative changes in marketing times at the regional level, we can see that, broadly speaking, the most improved markets correspond with those that have already enjoyed the greatest growth.

Given the vast improvements in marketing times in the North East and in

5-year Regional Price Growth



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

% Change in Typical Time on Market, July 2023 vs. July 2018

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

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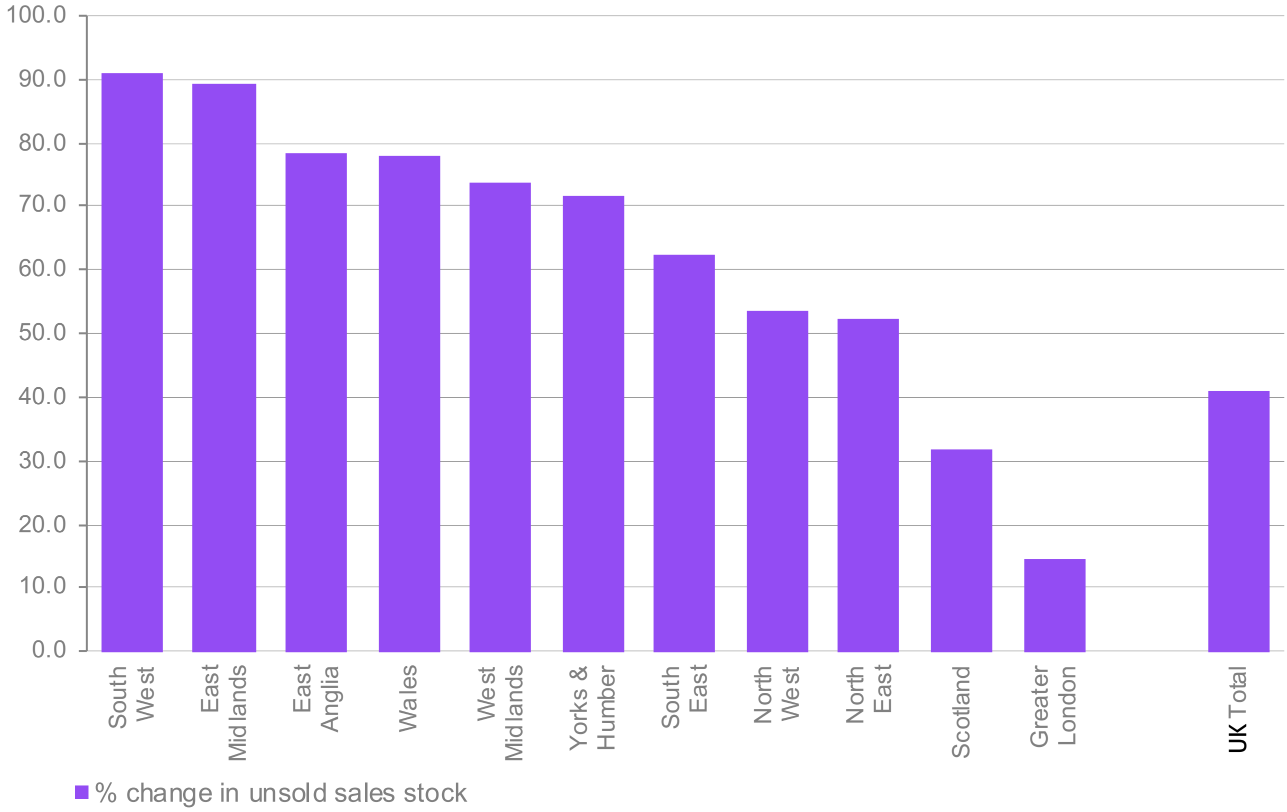
Scotland, we may see them overtake the 5-year growth leaders of Wales and the North West. One should also note that, overall, the current Typical Time on Market for England and Wales is a snip pacier than in pre-COVID July 2018.

As discussed previously, agents have been busily restocking their inventories since the all-time stock low of January 2022. However, as shown in the next chart, not all regions' sales portfolios have recovered in the same manner.

It is important to note that these are not absolute changes in stock but are relative to the regional stock levels as registered a year ago. This means that they tend to show where the transition from scarcity to abundance has occurred the most acutely and, therefore, where newly inflated stock levels will put downward pressure on prices previously inflated by lack of supply.

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



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

Well, who would've thought they could be so reckless?

Not just a rise of 25 basis points but a full 50 was voted by the BoE's Monetary Policy Committee last month. At least there were two sane members who voted for no change, choosing to keep the rate at 4.5%. Their reasoning? According to the minutes, they both understood that, as I've been saying all along, the main problem is cost-push inflation (that the UK base rate does nothing to control) and also that the previous hikes in the base rate have yet to fully take effect and, when they do, they're likely to be sufficient to tame the little demand-pull inflation that exists. Well done to those two but the other seven members who have clearly put the country on the road to recession should be sacked, in my opinion.

Let's remember that the buffoons on the MPC were predicting in November 2021 that inflation would rise to a mere 5% in the spring of 2022 and then 'fall back' and also that interest rates would only need to rise 'modestly'. Perhaps they hadn't noticed the crazy COVID spending (much of which is unaccounted for) that sent the UK government debt skywards? After sitting on their hands during many months of above-target inflation and a wildly booming property market, they only started hiking rates in December 21, expertly closing the stable door after the horse had bolted.

Oh, and that government debt which is north of £2.5 trillion (not counting off-balance sheet liabilities) has now surpassed 100% of GDP for the first time since 1961 when the UK was still paying off the WW2 debt. The interest payments on that are eye-watering. Tax receipts from last year's property boom and 'windfall taxes' have plugged the gap for now but, going forward, one can expect a significant shortfall. Landlords and energy companies have something in common here: higher taxation has disincentivised investment, with the respective upshots of fewer homes to let (driving up rents) and less domestically produced energy (driving up energy imports). Controversially, the HMRC are also raking in record Inheritance Tax receipts since COVID (just over £7 billion for tax year 2022/23) and, with excess mortality continuing at well above 10%, this is one source of revenue that is likely to continue.

That aside, the overall picture going forward will be of an increasingly cash-strapped government trying to further tax an increasingly cash-strapped economy due to higher interest rates. It's not a pretty outlook and I expect that landlords may well continue to be used as cash cows, with the government claiming that rising rents are some kind of 'windfall'. Meanwhile, the UK's housing crisis worsens, with badly needed investment in the sector becoming too expensive (and risky) for the majority of market participants.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Jul-23
Average Asking Price	£355,941
Monthly % change	0.0%
Annual % change	-1.5%

Scotland	Jul-23
Average Asking Price	£224,734
Monthly % change	-0.6%
Annual % change	3.7%

North East	Jul-23
Average Asking Price	£189,816
Monthly % change	-0.2%
Annual % change	1.7%

Yorks & The Humber	Jul-23
Average Asking Price	£248,070
Monthly % change	0.1%
Annual % change	1.1%

North West	Jul-23
Average Asking Price	£261,892
Monthly % change	0.3%
Annual % change	2.0%

West Midlands	Jul-23
Average Asking Price	£301,905
Monthly % change	0.0%
Annual % change	-0.6%

East Midlands	Jul-23
Average Asking Price	£285,367
Monthly % change	0.0%
Annual % change	-1.5%

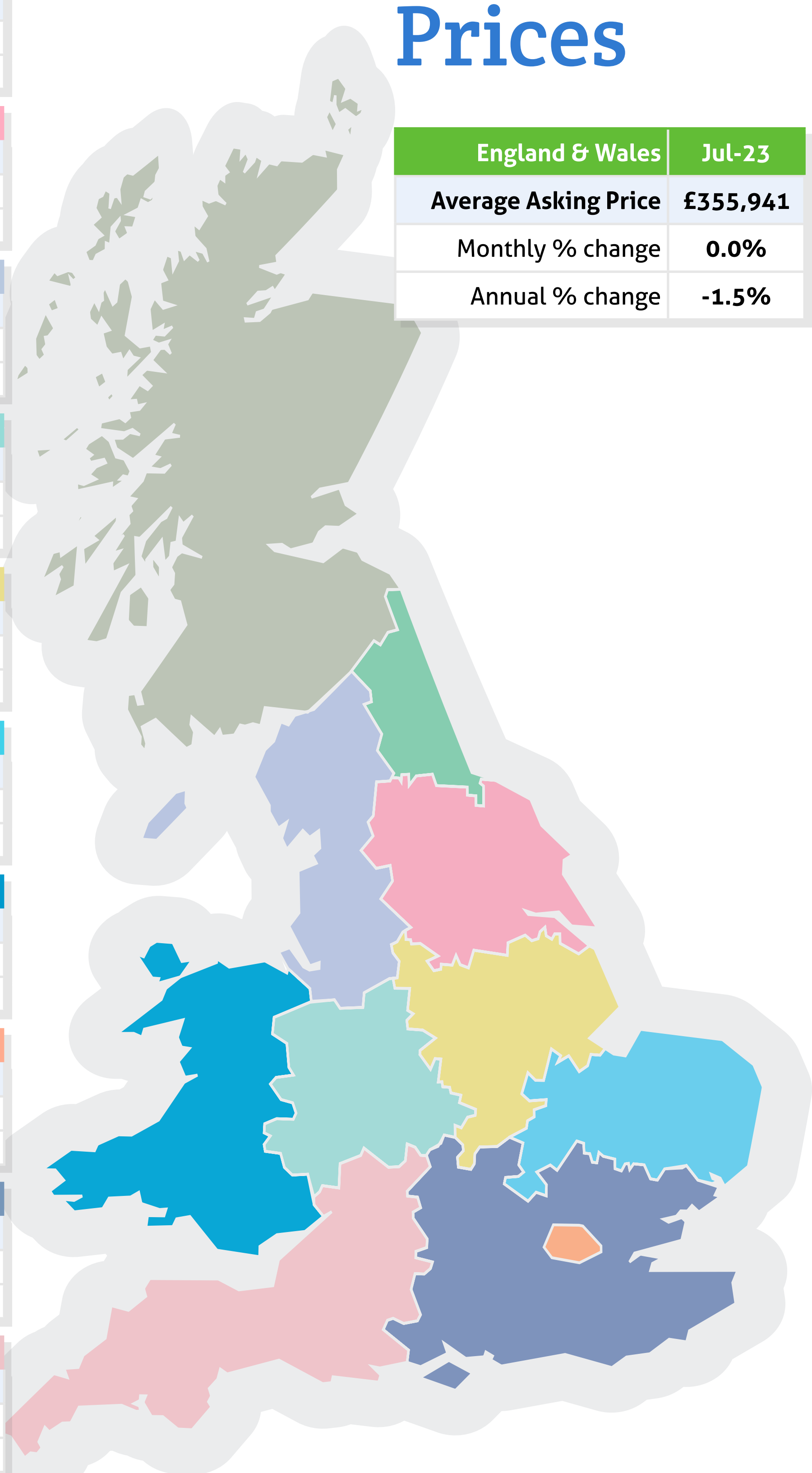
East	Jul-23
Average Asking Price	£400,016
Monthly % change	-0.2%
Annual % change	-3.4%

Wales	Jul-23
Average Asking Price	£265,646
Monthly % change	1.0%
Annual % change	0.1%

Greater London	Jul-23
Average Asking Price	£543,328
Monthly % change	-0.2%
Annual % change	-3.5%

South East	Jul-23
Average Asking Price	£449,187
Monthly % change	-0.2%
Annual % change	-1.8%

South West	Jul-23
Average Asking Price	£386,480
Monthly % change	0.2%
Annual % change	-1.8%



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

UK Time on Market

England & Wales	Jul-23
Average Time on Market	153
Typical Time on Market	78
Annualised % supply change	11%

Scotland	Jul-23
Average Time on Market	189
Typical Time on Market	62
Annualised % supply change	1%

North East	Jul-23
Average Time on Market	147
Typical Time on Market	76
Annualised % supply change	10%

Yorks & The Humber	Jul-23
Average Time on Market	131
Typical Time on Market	74
Annualised % supply change	10%

North West	Jul-23
Average Time on Market	149
Typical Time on Market	80
Annualised % supply change	9%

West Midlands	Jul-23
Average Time on Market	142
Typical Time on Market	74
Annualised % supply change	16%

East Midlands	Jul-23
Average Time on Market	129
Typical Time on Market	74
Annualised % supply change	11%

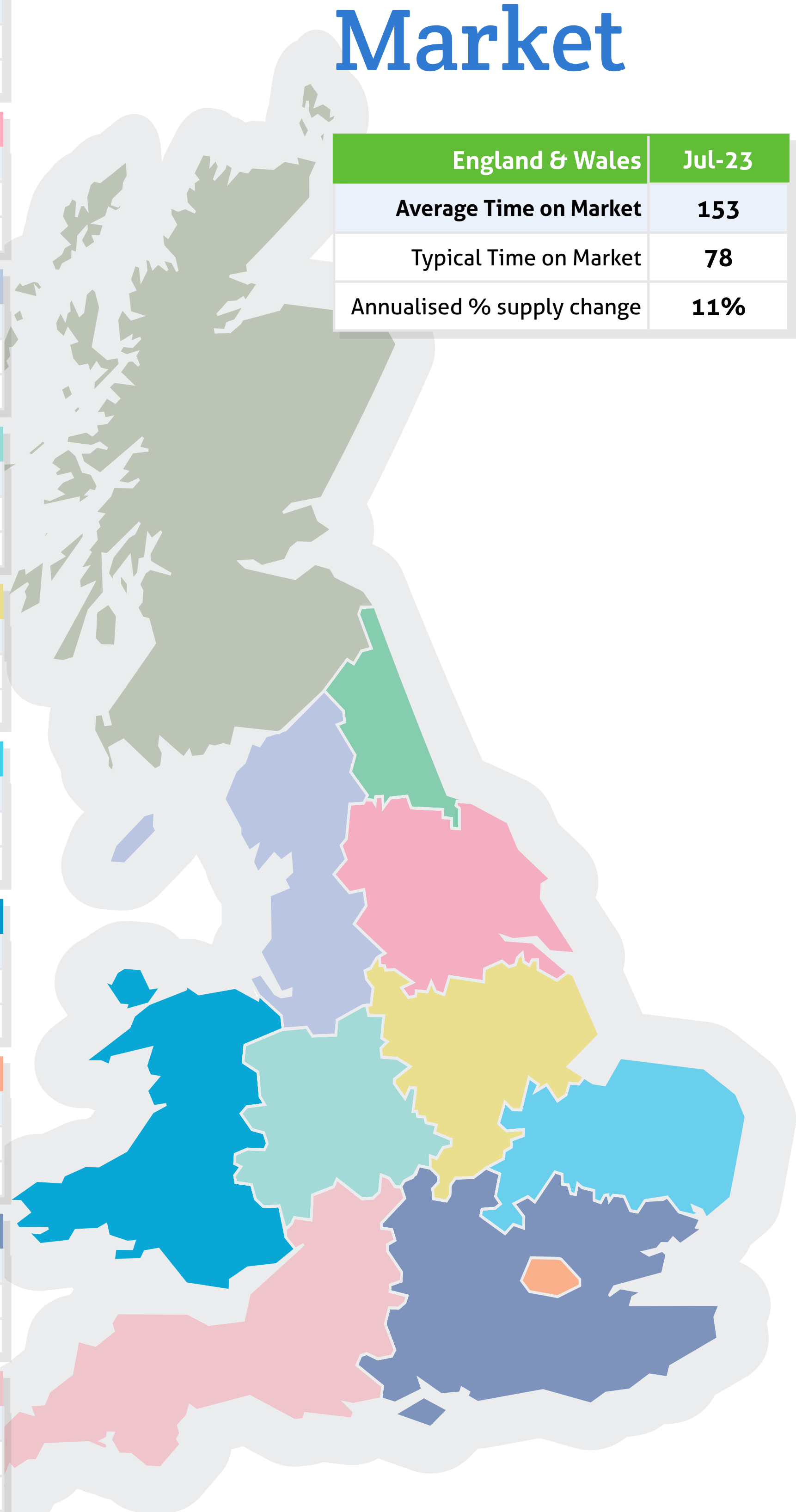
East	Jul-23
Average Time on Market	139
Typical Time on Market	75
Annualised % supply change	16%

Wales	Jul-23
Average Time on Market	158
Typical Time on Market	89
Annualised % supply change	5%

Greater London	Jul-23
Average Time on Market	192
Typical Time on Market	90
Annualised % supply change	5%

South East	Jul-23
Average Time on Market	144
Typical Time on Market	74
Annualised % supply change	13%

South West	Jul-23
Average Time on Market	136
Typical Time on Market	73
Annualised % supply change	18%



Source: Home.co.uk Asking Price Index, July 2023. Average = Mean (days), Typical = Median (days).

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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 16th Aug**
- **Wednesday 13th Sept**
- **Thursday 12th October**