Asking Price Index

Released 15/06/22 June 2022

Inflation Outpaces Home Price Growth

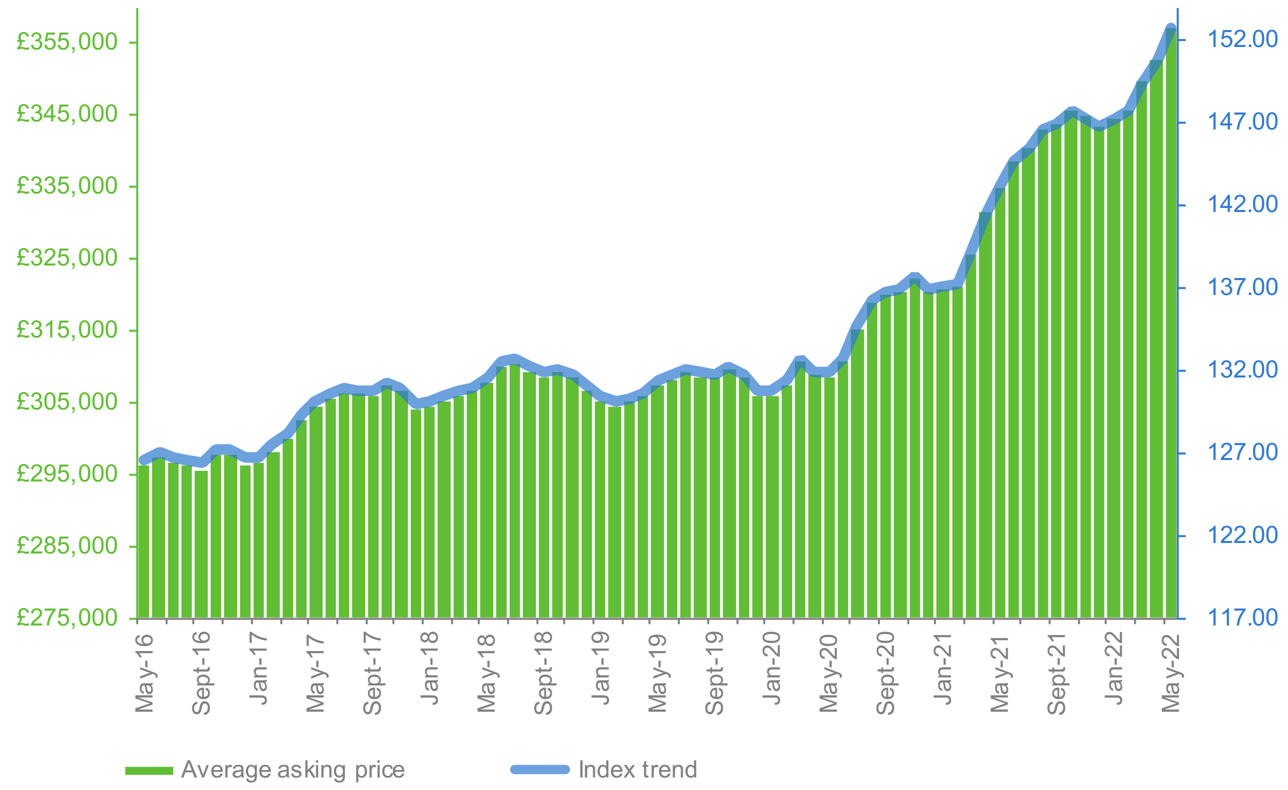
Headlines

- Asking prices across England and Wales surged a further 0.9% overall in May, bringing the year-on-year rise to 6.5% while inflation leapt to 13% (RPI ex. housing).[1]
- The property market continues to outpace even last year's blistering pace. Typical Time on Market (median) for unsold property is 60 days, which is 16 days less than in June 2021.
- Supply eases slightly as vendors are tempted by much higher prices. Five per cent more properties were placed on the market last month compared to May 2021. London, however, indicated a 4% year-on-year drop in supply.
- The total stock of property for sale in England and Wales nudged up again and passed the 250,000 mark for the first time since October last year.
- The South West property market continues to lead in annualised regional price growth (+10.0%), narrowly ahead of Wales (+9.5%).
- Rents in Greater London continue their upward spiral. High demand and falling supply of available properties to let has pushed up annualised rental growth an alarming 27.6%. The mix-adjusted average monthly rent in the capital region is now 25% higher than in pre-COVID June 2019.
- Asking rent growth across the UK currently stands at 18.8% year-on-year.
- Central London rents continue to set new records as supply plummets. Aside from the City (+51%), the greatest rises in asking rents over the last twelve months are now in Lambeth (+44%) and Hackney (+43%).

[1] ONS figure for April 2022.

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, June 2022, Indexed to May 2004 (Value=100).

Summary

The UK property market forges ahead seemingly undeterred by economic woes and foreign conflicts. Demand remains high, even increasing in London and the North East. Stock levels remain very low by historic standards and consequently prices continue to rise rapidly across all regions. The supply of new instructions entering the market nudged up slightly this month as more potential vendors are tempted by record prices.

It is becoming clear that the Bank of England's paltry efforts to tame inflation are not working. The Bank is expected to continue their impotent strategy and raise the UK benchmark rate by just a quarter point next week to 1.25%, while the purchasing power of sterling collapses. Even by their own preferred measure (CPI), inflation is now 4.5 times their target rate and climbing. Of course, the unprecedentedly large and widening spread between mortgage interest rates and inflation specifically incentivises highly leveraged property purchases.

Home prices rose significantly in every English region, Wales and Scotland during the last month. Marketing times remain very low by any historic precedent. Higher prices appear to pose no significant obstacle, as one should expect during a period of rapid monetary inflation. Such is the vim and vigour of the market that even the North East, formerly overwhelmed with stock and stagnating prices, has now entered a boom phase. Demand has decimated the stock for sale over the last year and prices are rising rapidly.

Relative scarcity persists across all regions with the average stock total dropping around 11% year-on-year. The largest falls in unsold sales stock

are found in the North East (19.0%) and London (18.7%), and these trends strongly suggest further strong price growth going forward. However, the first real indications of rising supply are evident in the East of England and East Midlands where the rate of new instructions rose by 10% and 12% respectively compared to May 2021. Overall, supply across the UK is up 5% year-on-year.

Rents are up year-on-year across all regions. The mix-adjusted average rise for the UK is 18.8%. Supply is worsening in this sector too, with newly available rental properties down by 24% compared to May 2021.

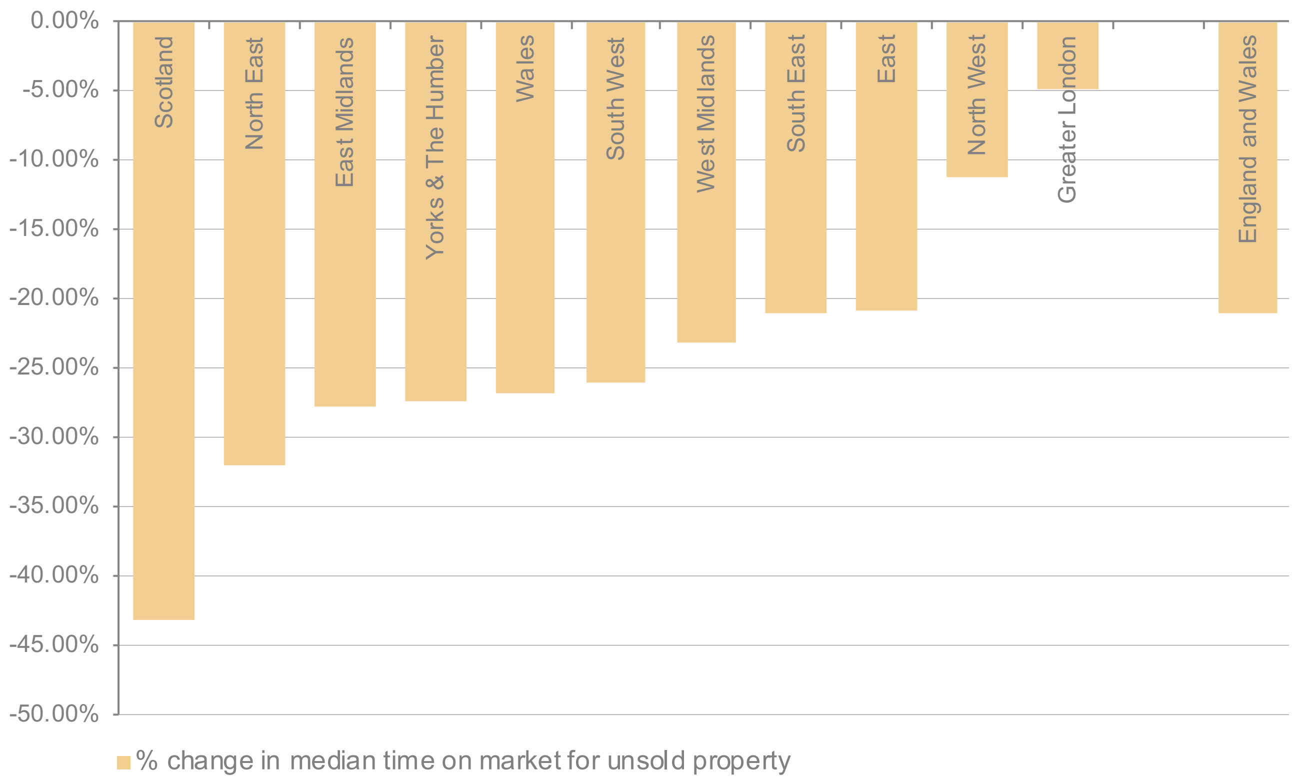
The annualised mix-adjusted average asking price growth across England and Wales is now at +6.5%; in June 2021, the annualised rate of increase of home prices was 9.0%.

Regional Roundup

All indicators show that the UK property market continues to hurtle along. Mortgage credit remains phenomenally cheap by historic standards and this, coupled with soaring inflation, is driving demand. It should be noted that this combination of low interest rates and high inflation is unprecedented in the entire history of the UK property market. On the other hand, supply remains relatively low despite a small uptick last month. Our chart shows the change in Typical Time on Market by region compared to a year ago. What is immediately apparent is that unsold property is typically spending less time on the market than it was a year ago in every single area.

Marketing times in Scotland show the greatest improvement, with the median time on market falling from 81 days in

% Change in Typical Time on Market, June 2022 vs. June 2021



Source: Home.co.uk Asking Price Index, June 2022

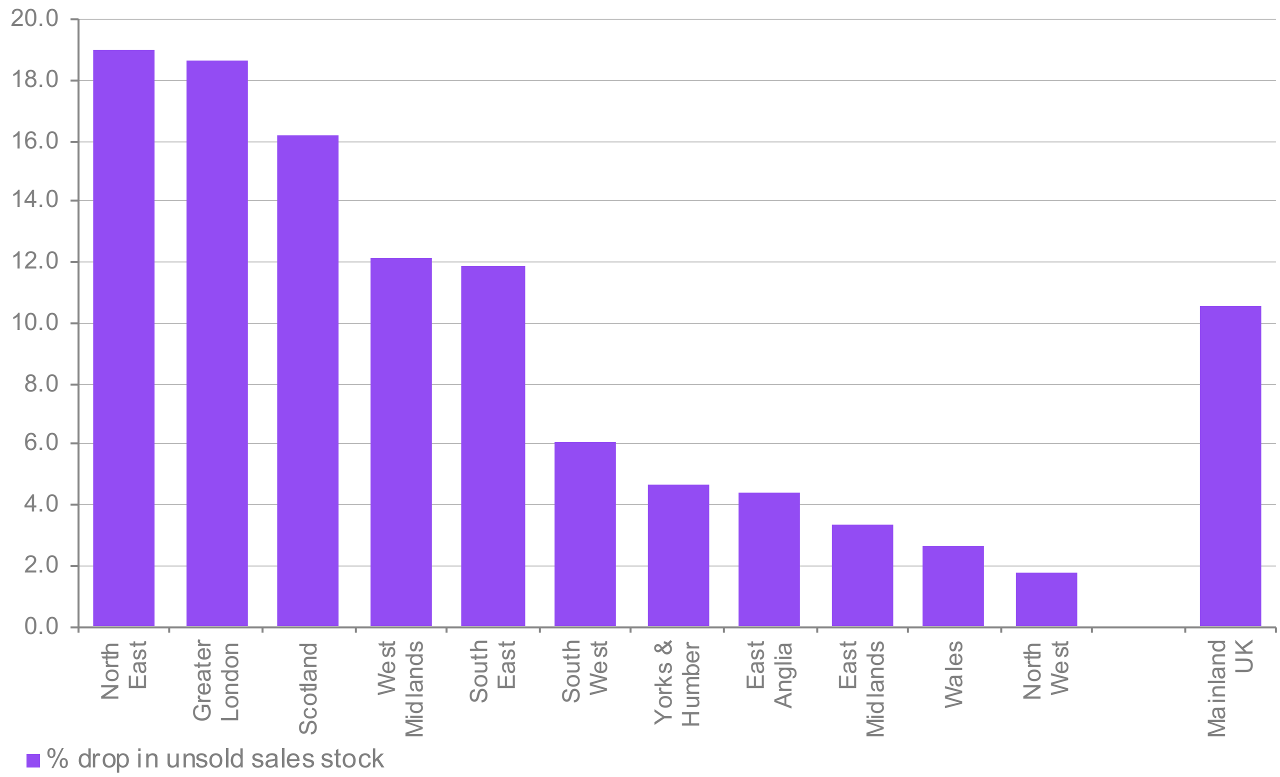
June last year to the current value of 43 days. Not quite the slowdown that many pundits forecast. Likewise, the North East also shows a drop from 78 days to the current 53 days. Not since before the financial crisis of 2008 have we seen marketing times so low in this region. Consequently, price growth has taken off and mix-adjusted average price for property in the North East has risen 6.5% in the last six months alone. In the next chart we observe that the total stock of unsold property has dropped by 19% over the same period, such has been the increase in demand.

Again, prices rose significantly in every English region, Scotland and Wales during the last month. Vendors are supremely confident and they will remain so as long as there is so little stock for sale and credit conditions remain favourable. A further measure of vendors' bullishness is the number of price-reduced properties on the market; this remains very low by historic standards. Currently around 30,000 properties on the market have had their prices cut (12% of the total). In June 2019, the pre-COVID total was around 70,000 (16%).

The South West and Wales continue to head up the regional growth table with annualised gains of 10.0% and 9.5% (see maps). Scotland remains the poorest performer for the time being, indicating annualised growth of 3.0%, just behind Greater London with a rise of 3.3%. Given the massive reduction in stock levels and the contraction in marketing times, we expect price growth in these two areas to accelerate. Moreover, in contrast to all the other regions, supply is still tightening in Greater London.

Rents in the Greater London region are soaring even higher. High demand and falling supply of available properties to let has pushed up annualised rental

Fall in Total Properties for Sale by Region, May 2022 vs. May 2021



Source: Home.co.uk Asking Price Index, June 2022

growth by a breathtaking 27.6%. The mix-adjusted average monthly rent in the capital region is now 25% higher than in pre-COVID June 2019. These gains in rental values clearly affect fundamental underlying property values. If the threat of rent controls, further taxation and red tape can be mitigated, we can expect a natural rise in the sorely needed buy-to-let investment in Greater London. The number of newly available rental properties being marketed online during the last 30 days is 46% down on a year ago.

The largest increases in supply year-on-year are in the East of England and the East Midlands. New instructions for May in these two regions were 10% and 12% higher than in May 2021. Despite this, the total stock levels of unsold property on the market were down slightly year-on-year.

Sales stock levels are significantly down in four English regions and Scotland compared to June last year (see chart). The remaining English regions and Wales show minor decreases over the same period but it is noteworthy that none show an increase in stock for sale as yet.

Inflation and Real Price Growth

House price growth looks much less attractive when inflation is taken into account. RPI, the older and arguably more representative measure of inflation, hit 13% in April (excluding housing), double the asking price growth for England and Wales. The current figure could be at least as high as 17%. Even the CPI figure, which many believe underestimates the true level of inflation, hit 9% which is 4.5 times the Bank of England's target rate of 2%. Meanwhile, the UK GDP is contracting and stock markets around the world are in the red.

The stock market sell-offs were triggered by central banks indicating that they will have to do something about inflation after all, having previously dismissed initial price rises as a mere blip. The same experts, whose complacency missed the opportunity to nip inflation in the bud, are now rather belatedly suggesting that interest rates must be raised further, albeit in tiny increments. Their timidity is palpable, unlike the great Paul Volker who courageously tamed 1970s inflation by taking the Fed Rate all the way up to 20%. Obviously, such a move today would destroy the highly debt-dependent housing market, as well as most of the wider economy.

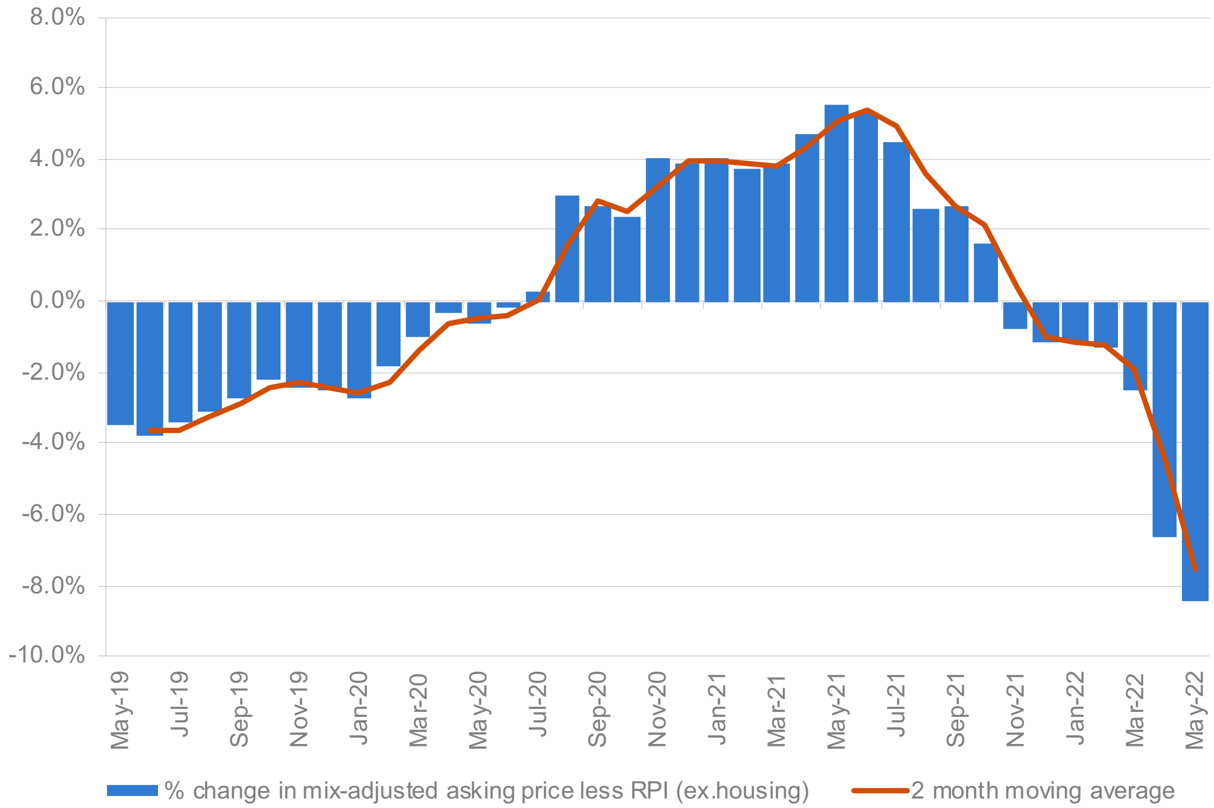
The tiny hikes implemented thus far by central banks in the UK and US have already had a devastating effect on stock markets. What is immediately apparent is that our economies are far too fragile to withstand the kind of measures required to bring inflation under control. As we suggested previously, they will likely try a couple more miniscule hikes of the base rate but then pull back when the economic pain becomes unbearable.

Two things are becoming increasingly clear. Firstly, the Bank of England and the MPC are rapidly losing credibility along with confidence in sterling. Secondly, inflation is not going away any time soon. Our chart shows the devastating impact of inflation on real home price growth. Due to the latency of the ONS figures, we have included our estimates for May and June.

Clearly, property is not a safe store of value for hard-earned savings. Using the RPI figure for April, a pound invested in property in April 2021 now has the purchasing power of only 93.4 pence, despite nominal home prices rising over the same period.

A troubling situation for those that own their homes outright but, for those

Real Asking Price Growth, (England and Wales)



Source: Home.co.uk Asking Price Index, June 2022

who are highly indebted, the current inflationary spiral is good news. Today, a debtor servicing a loan at 3% will only have to pay back 90 pence for each pound outstanding (in terms of 2021 pounds using RPI). Ten per cent of the debt has miraculously disappeared in real terms and this percentage will only increase as inflation climbs further.

Of course, the money locked up in the deposit will be losing purchasing power, so the incentive in this topsy-turvy world of modern finance is towards highly leveraged purchases.

For instance, take a 70% LTV (loan to value) mortgage which is typical for a BTL mortgage. The deposit lost 6.6% of its purchasing power but the debt, given an interest rate of 3%, was reduced by 10%. Overall, the investor has effectively gained 5.02% of the value of the property.

This figure broadly equates to what we might expect to be repayments on the loan over the course of the year. Hence, the cost of purchase for the investor is effectively zero. Add to that an average annualised rent rise of 18.8% boosting the gross rental yield and the savvy investor is most certainly quids in.

We may conclude that, due to the unprecedented spread between mortgage interest rates and inflation, debt may indeed be regarded as the new wealth. Alice in Wonderland economics at its finest and a clear demonstration as to why demand for property will not diminish any time soon.

The cost of living crisis is a somewhat disingenuous phrase.

Sure, the price of life's essentials (food and energy, for example) is soaring, but this widely used phrase diverts attention from what is really a currency problem. In fact, what we are observing is the debasement of the currency through the myopic and irresponsible policy of money printing for over a decade and a wildly unaccountable crescendo in public spending during the COVID panic. Cost-push inflation is a symptom of this economic malaise. Of course, the intrinsic value of life's essentials has not changed. How could it? A sack of wheat offers essentially the same nutritional value now as it did to previous generations. The problem we face is that a pound today buys far less of these vital commodities than it used to.

What is clear is that that we have the wrong kind of inflation. Not the inevitable yet reassuring inflation that is the side effect of a booming economy but rather the Zimbabwe, French post-revolution or Weimar type that follows a sovereign debt crisis. We are experiencing institutional failure across the board. Incompetence is glaringly apparent in the management of the nation's economy, health system, justice system, food production, energy infrastructure, foreign relations and trade.

What amazes me is that our institutions are not being held to account. Take the Bank of England, for instance. How can inflation, even by their preferred measure of CPI, be 4.5 times their target rate without the MPC committee being hauled before parliament to answer questions about their utter failure? Where is the public outrage?

This week, the same bunch of buffoons told the world that "Britain's biggest banks are no longer 'too big to fail' with no need for taxpayer bailouts in the event of collapse." Are we really expected to believe this? If we dig down into the details it turns out that all the main high street banks except Santander have 'deficiencies', and this is 14 years after the financial crisis. What have they been doing, one wonders?

One explanation for the MPC's failure to adhere to their mandate is that they wanted high inflation all along. Prince Michael of Liechtenstein, president of the European Centre of Austrian Economics Foundation (ECAEF), stated last year that "Inflation is a grave economic and social illness. The policymakers and central bankers who colluded in running up excessive public debts and rigging monetary policy to sustain them might silently have been praying for higher inflation rates for quite some time. Finally, they are getting their wish. But for the rest of us, this is terrible news."

As the great writer, Ernest Hemingway, put it: "The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin. But both are the refuge of political and economic opportunists.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Jun-22
Average Asking Price	£360,715
Monthly % change	0.9%
Annual % change	6.5%

Scotland	Jun-22
Average Asking Price	£215,446
Monthly % change	1.3%
Annual % change	3.0%

North East	Jun-22
Average Asking Price	£185,784
Monthly % change	0.9%
Annual % change	4.8%

Yorks & The Humber	Jun-22
Average Asking Price	£242,151
Monthly % change	1.3%
Annual % change	6.0%

North West	Jun-22
Average Asking Price	£254,902
Monthly % change	1.1%
Annual % change	8.7%

West Midlands	Jun-22
Average Asking Price	£304,056
Monthly % change	1.4%
Annual % change	8.1%

East Midlands	Jun-22
Average Asking Price	£289,085
Monthly % change	1.3%
Annual % change	7.9%

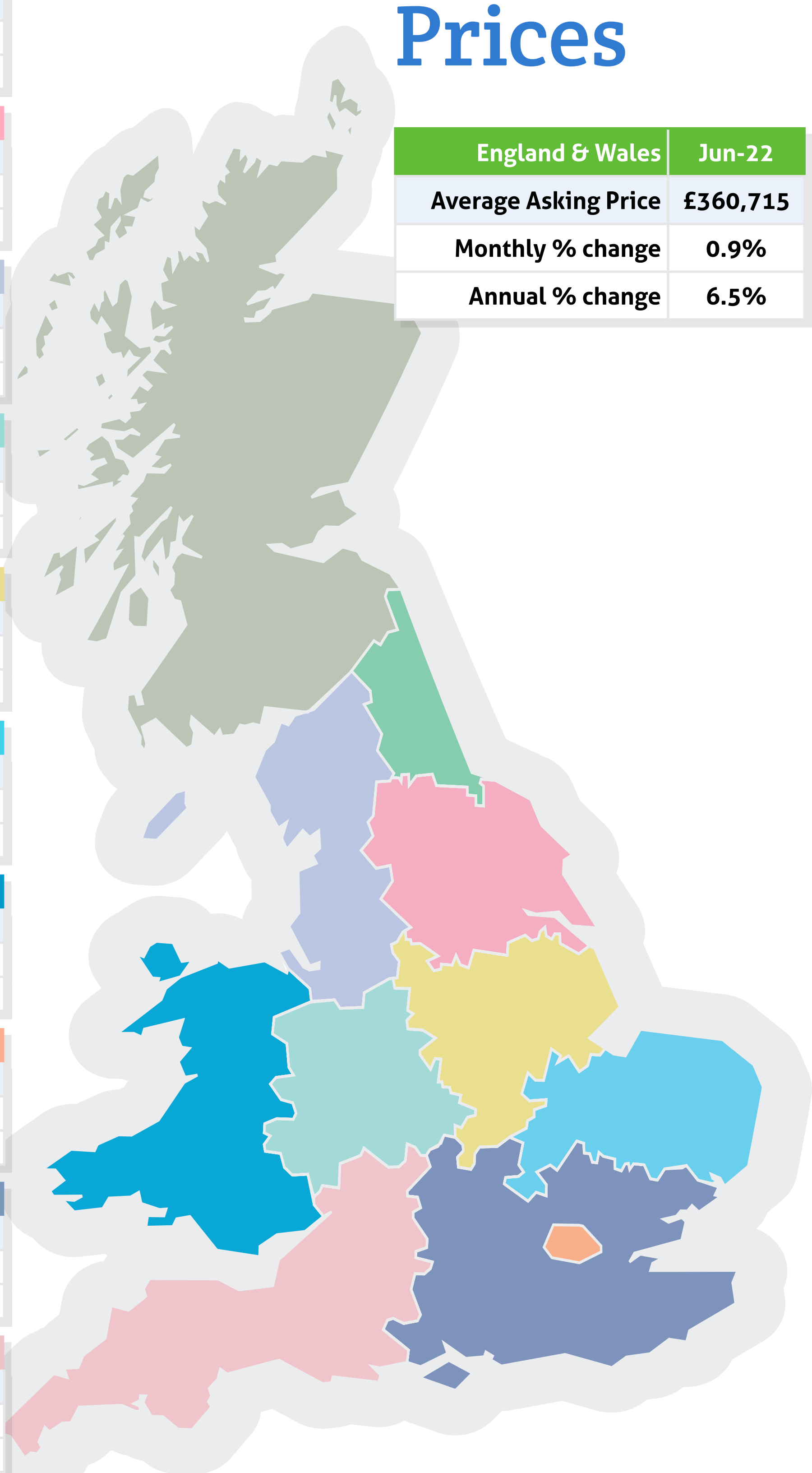
East	Jun-22
Average Asking Price	£413,266
Monthly % change	0.7%
Annual % change	7.1%

Wales	Jun-22
Average Asking Price	£262,607
Monthly % change	1.0%
Annual % change	9.5%

Greater London	Jun-22
Average Asking Price	£564,126
Monthly % change	0.7%
Annual % change	3.3%

South East	Jun-22
Average Asking Price	£458,000
Monthly % change	0.3%
Annual % change	5.5%

South West	Jun-22
Average Asking Price	£392,407
Monthly % change	1.3%
Annual % change	10.0%



Source: Home.co.uk Asking Price Index, June 2022

UK Time on Market

England & Wales	Jun-22
Average Time on Market	**152**
Typical Time on Market	60
2 year % supply change	5%

Scotland	Jun-22
Average Time on Market	**215**
Typical Time on Market	46
Annual % supply change	8%

North East	Jun-22
Average Time on Market	**152**
Typical Time on Market	53
Annual % supply change	6%

Yorks & The Humber	Jun-22
Average Time on Market	**115**
Typical Time on Market	45
Annual % supply change	7%

North West	Jun-22
Average Time on Market	**147**
Typical Time on Market	63
Annual % supply change	3%

West Midlands	Jun-22
Average Time on Market	**137**
Typical Time on Market	53
Annual % supply change	5%

East Midlands	Jun-22
Average Time on Market	**104**
Typical Time on Market	44
Annual % supply change	12%

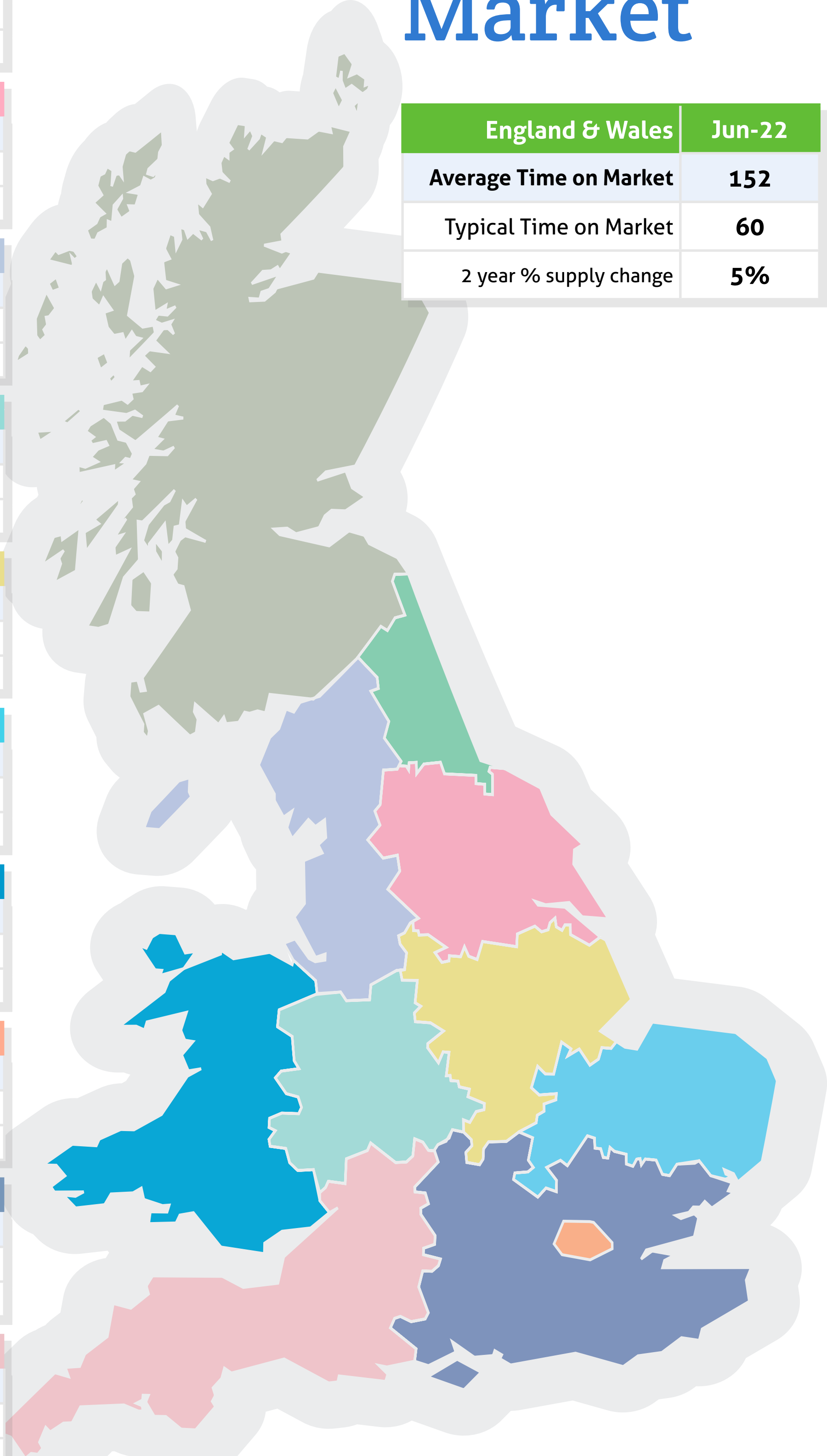
East	Jun-22
Average Time on Market	**128**
Typical Time on Market	53
Annual % supply change	10%

Wales	Jun-22
Average Time on Market	**143**
Typical Time on Market	52
Annual % supply change	6%

Greater London	Jun-22
Average Time on Market	**189**
Typical Time on Market	79
Annual % supply change	-4%

South East	Jun-22
Average Time on Market	**140**
Typical Time on Market	56
Annual % supply change	5%

South West	Jun-22
Average Time on Market	**127**
Typical Time on Market	48
Annual % supply change	6%



Source: Home.co.uk Asking Price Index, June 2022. 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

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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:

- **Wednesday 13th July**
- **Friday 12th August**
- **Wednesday 14th September**