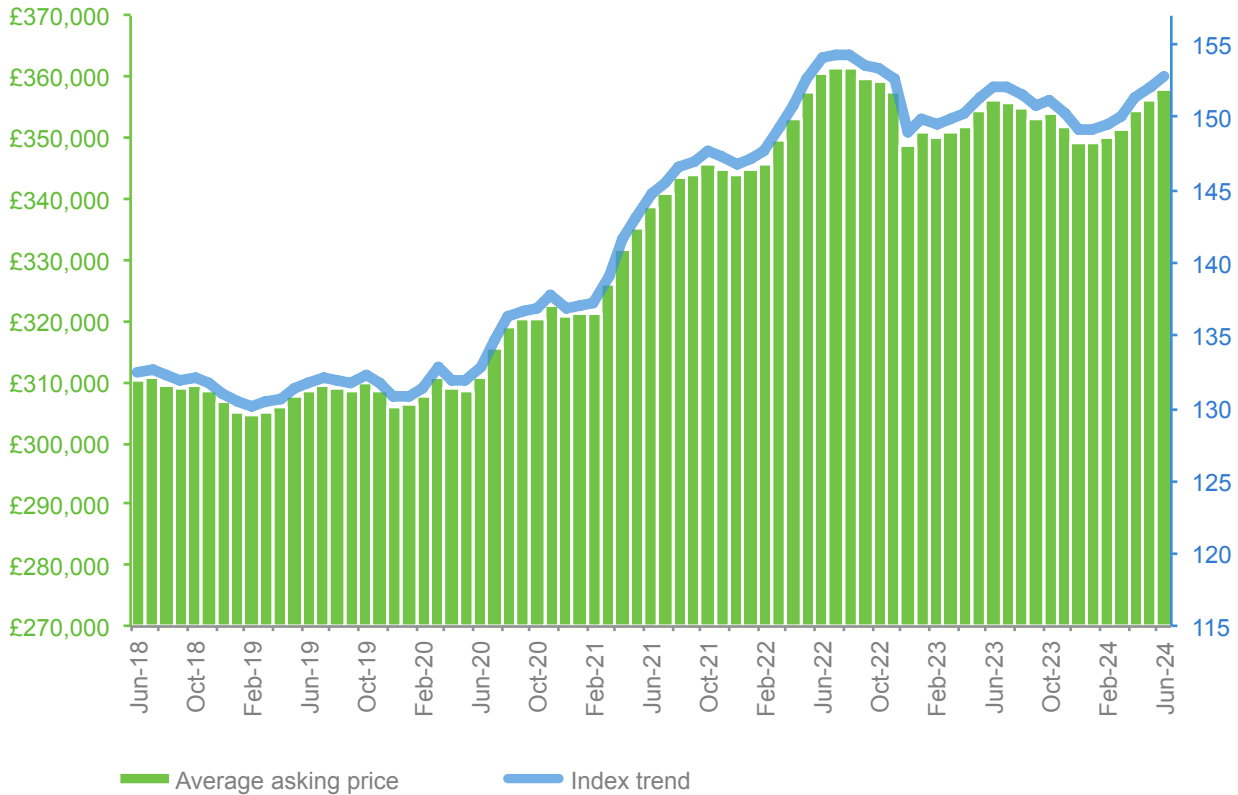


## High Borrowing Costs Risk Stalling the Market

### Headlines

- Asking prices have risen 0.5% since last month across England and Wales (the fifth consecutive monthly rise) and are up just 0.5% compared to June 2023.
- The total unsold sales stock count for England and Wales increased again during the last month. Nearly 10,000 properties were added to agents' portfolios, making the current count of 485,269 the highest June total since 2014.
- Prices increased again in all English regions, Wales and Scotland during the last month. Vendors in the East of England were the least optimistic and upped their asking prices by the smallest margin (0.1%), while vendors in Yorkshire and the West Midlands were the most bullish, raising their prices by a full percentage point.
- Despite the vast amount of stock for sale, market momentum remains relatively healthy as shown by the Typical Time on Market (median) for unsold property in England and Wales being seven days less than in June 2019. However, the current median is four days more than in June last year.
- The total number of new instructions entering the market during May 2024 was 14% more than during May 2023. However, the total is 2% less than in May 2019.
- The North West remains the regional property market growth leader with a year-on-year gain of 3.8%, while the East of England is now the worst performing region with a loss of -1.5% over the same period.
- The annualised national growth figure for asking rents has slowed to just 3.0%. However, the North East and Yorkshire continue to lead the regional growth table, indicating rises of 15% and 16% respectively year-on-year. Meanwhile, the decline in Greater London rents has slowed to -1.7%.
- Prime central London rents have recovered some of their lost ground over recent months. For instance, Kensington and Chelsea rents have rebounded 13% over the last quarter but remain down year-on-year by 10%.

## Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, June 2024, Indexed to May 2004 (Value=100).

### Summary

Key market indicators portray a relatively buoyant and dynamic market under the strain of a growing supply-demand imbalance. Oversupply concerns persist. Despite greater market optimism, spurred by improving inflation figures and therefore expectations of a rate cut, demand is looking outpaced. Vast amounts of properties continue to move through the current UK sales market; aside from three busy months last year, this is a level of activity not seen since the final quarter of 2018, but sales stock levels continue to swell.

The mix-adjusted average asking price increased by 0.5% during the last month but prices remain essentially on a par with last summer overall and have yet to return to their 2022 high. Notably, the northern regions are indicating significant positive annualised growth while poorer performing regions such as the East of England and the South West remain significantly down com-

pared to June 2023. This mixed picture of regional market performance, with the North consistently outperforming the South post-COVID, looks set to persist while yields in the northern regions offer considerably better returns to investors.

A cut in the Bank of England base rate is both justifiable, thanks to lower inflation, and necessary in order to shore up the weaker regional markets. However, Rishi Sunak's decision to call a general election on the 4th of July means the City now expects action later in the summer or even early autumn, after the voting is over. Already, the sloth-like inaction of the Bank has put the UK economy at a disadvantage compared to European countries where rates have already begun to come down.

In view of the plentiful supply of properties for sale and the inevitable election disruption, the potential for further price growth appears rather limited over the coming months. More likely is that, overall, prices will go sideways until borrowing

costs finally come down and boost demand. Price cutting of properties currently on the market remains within the normal range; in fact, the total of reduced properties is very similar to that observed during the summer months of 2019. Hence, for the time being, most vendors remain hopeful, even in the slower regional markets, but this situation could change rapidly as patience wears thin.

Whilst the Typical Time on Market has increased in all regions except London compared to June 2023, the same median time on market figures remain much improved in most regions compared to June 2019. Therefore, whilst slower than last year, properties continue to move through the market at a fairly normal pace, relative to previous observations.

Asking rents continue to show positive, albeit lower, growth in all regions except Greater London and the West Midlands (-1.7% and -1.0% respectively). Scotland, Yorkshire and the North East still boast double-digit annualised growth. UK asking rents are currently 3.0% above their May 2023 reading.

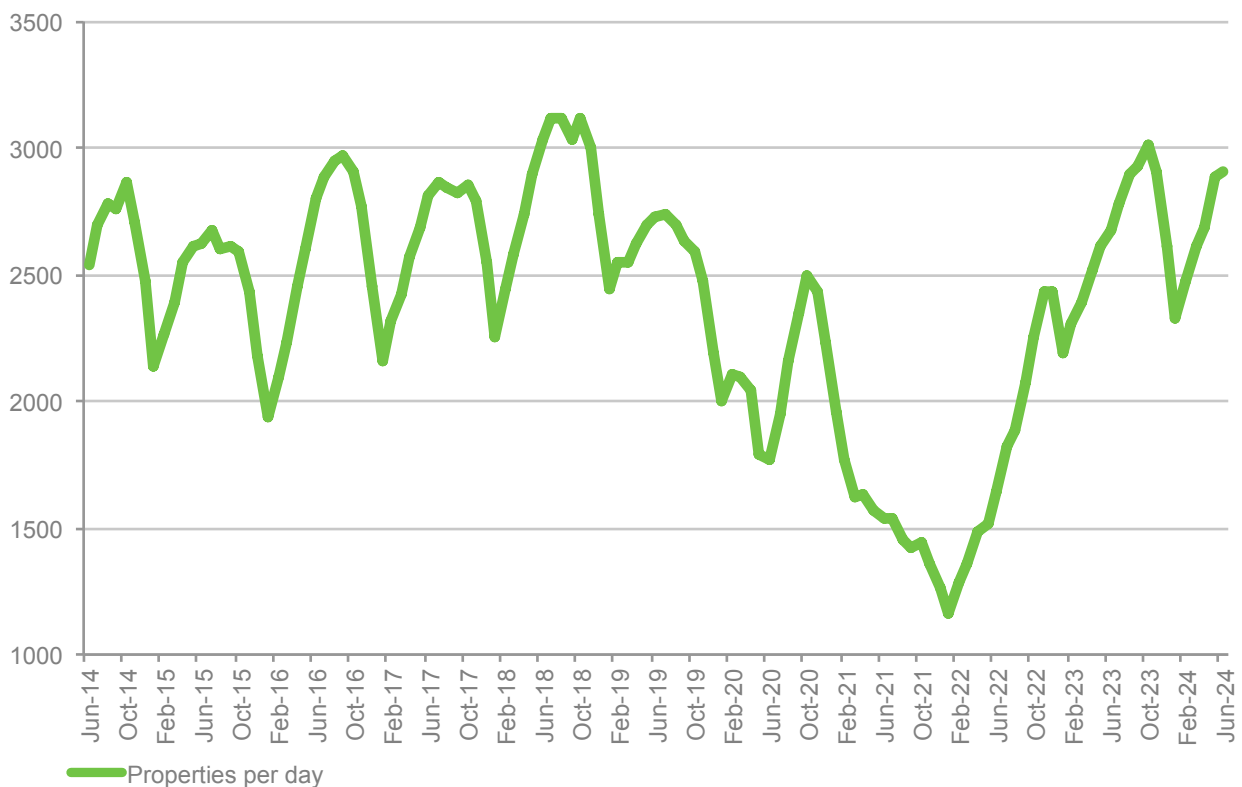
The annualised mix-adjusted average asking price growth (sales) across England and Wales is now 0.5%; in June 2023, the annualised rate of increase of home prices was still negative at -1.3%.

## Price Trend

Home prices continue to drift upwards overall, driven mainly by the stronger regional markets in the North. However, the current high supply levels will put downward pressure on pricing going forward. Aside from a few aberrant months in 2020, we have not seen this amount of property entering the market since May 2019. At that time, apart from some seasonal fluctuation, prices were flat due to high supply levels despite much lower mortgage costs.

The looming election may cause some buyer hesitancy going forward; we expect some potential buyers to wait and see if they can get a better deal later in the year. Hence, further price rises are now looking much less likely in the near term. That could change should the much anticipated rate cut by the

## Sales Market Turnover Indicator



Source: Home.co.uk Asking Price Index, June 2024

Bank of England finally materialise, providing a positive turning point for the market.

## Market Turnover

Our Market Turnover Indicator chart shows clearly how the market recovered post-COVID and is operating at levels comparable to the pre-pandemic years.

The current activity level is currently below the peak turnover recorded in autumn last year. As the average Time on Market increases further, the likelihood of reaching the same throughput this year diminishes.

Monetary inflation has now retreated to 1.7% (RPI for April ex. housing) while the BoE continues inexplicably to hold the rate at 5.25%. As we noted in last month's report, back in the latter half of 2017, the bank rate was 0.5% while the same measure of inflation was 4.5%.

## Real Price Growth

Falling inflation is great news for homeowners. As the steady trend towards real price growth continues, UK property is once

again becoming a real store of value. Given a rate cut later in the summer/early autumn, real gains could be positive once again around Q4. However, should the market stall, nominal growth will continue to be outpaced by monetary inflation.

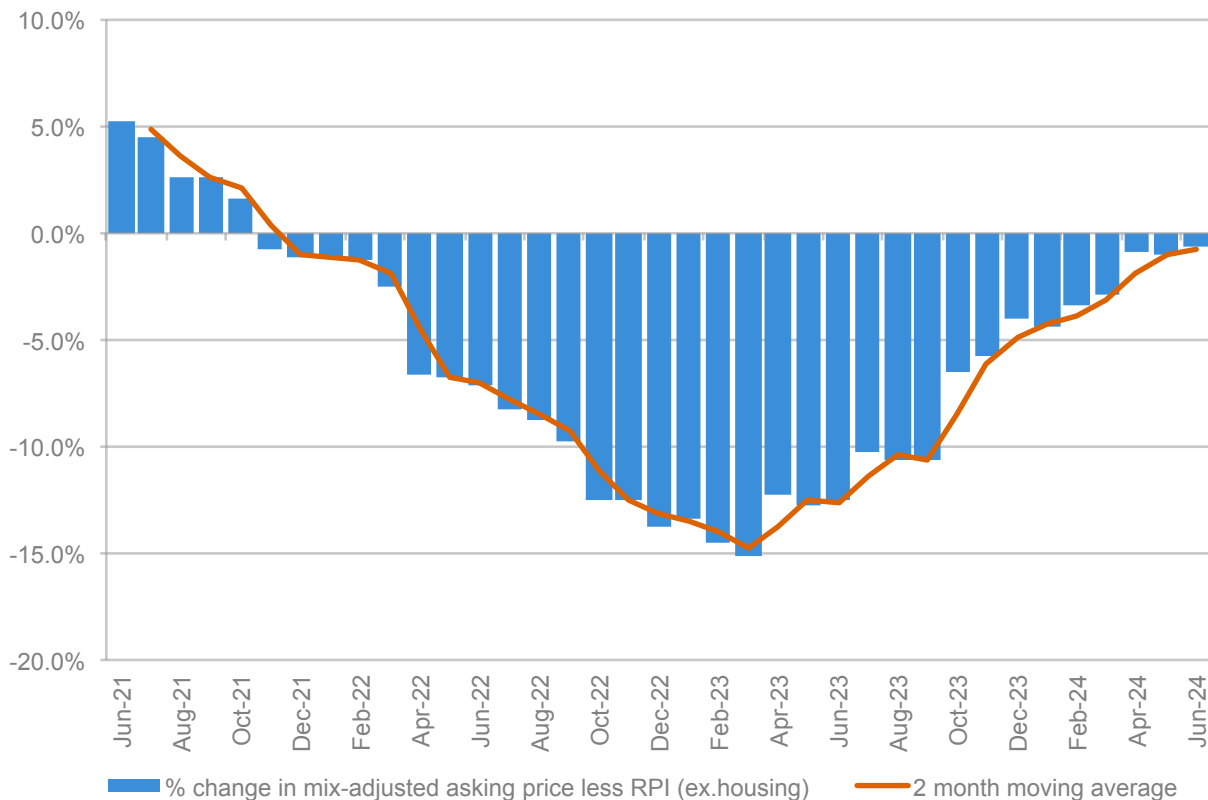
## Stock Levels

The total stock of unsold property on the market rose again during the last month but by less than the exceptionally large increase in April. The current total of 485,269 is only just below the overweight sum of inventory observed in 2018. This suggests the market is saturated and, without a further uptick in demand, stagnation followed by price cutting will be the inevitable consequence. Clearly, a cut in interest rates is the fillip the market most needs right now.

## Regional Roundup

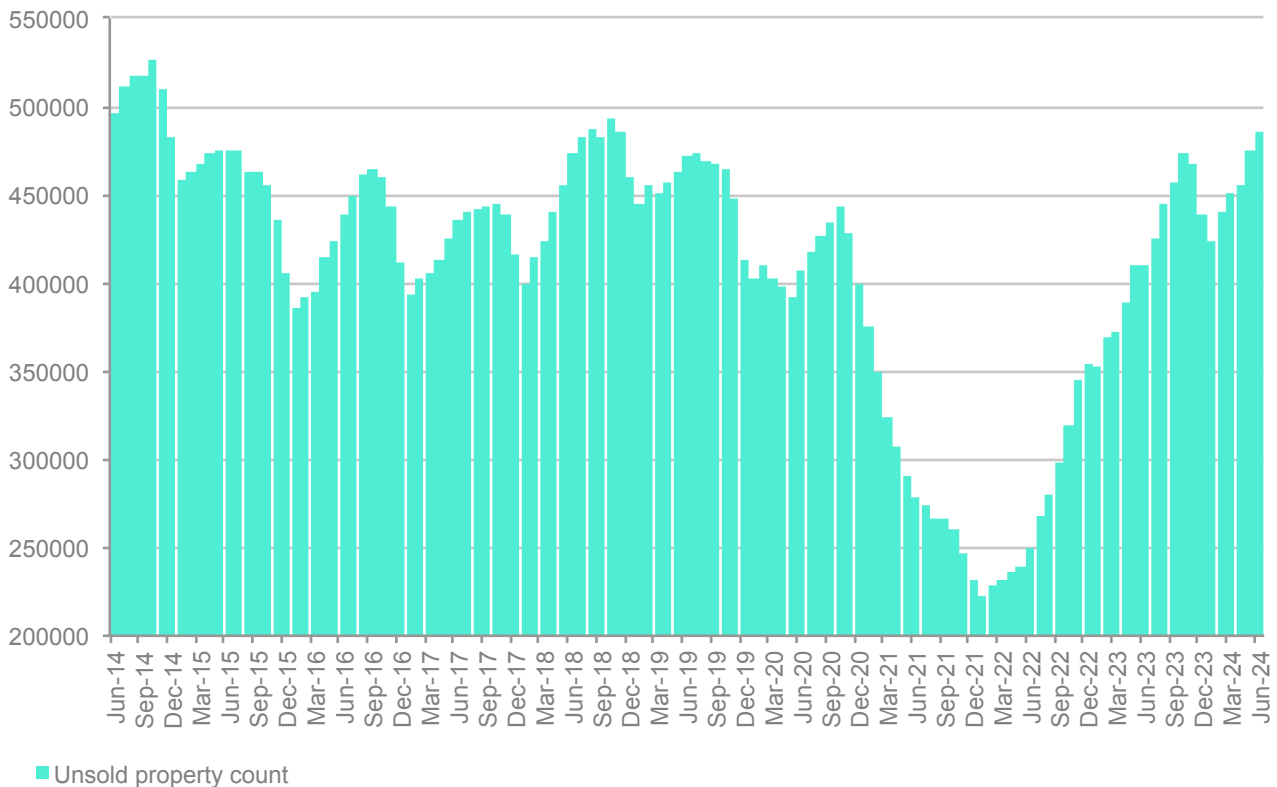
Winners and losers at the regional level can be broadly grouped into North and South. The diverse relative market performances of the regions may be described as the post-

## Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, June 2024 and ONS [RPI ex. housing].  
Inflation for May and June are our estimates (1.4% and 1.1% respectively).

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



Source: Home.co.uk Asking Price Index, June 2024

COVID 'new normal'. The East of England, East Midlands, Greater London, the South East and the South West continue to indicate asking price falls over the last twelve months (see map). The East of England is currently the worst performer by far (-1.5%), followed by the South West (-0.9%). London, the East Midlands and the South East are only slightly into negative territory and therefore may be the most likely to recover lost ground in the near term. Prices in all these southern regions took a beating at the end of 2022 and, given the current level of supply, it will take some time for them to return to their previous highs.

In stark contrast, the remaining English regions, Scotland and Wales all indicate significant inflation-beating growth over the last twelve months. The North West remains the best performer, indicating strong growth of 3.8%, followed closely by the North East (3.7%). This regional market has transformed beyond recognition post-COVID and is one of the truly good news stories of recent years.

During the last month, mix-adjusted average prices rose in every English region, Wales and Scotland, with the largest rises of 1.0% seen in both Yorkshire and the West Midlands (see map). The smallest rise of 0.1% was observed in the East of England.



## We need a rate cut and we need it now!

Not just for the sake of the UK property market but for the economy as a whole. Moreover, a cut would save the taxpayer a fortune in interest payments.

However, the strong likelihood of a delay to what should have been a simple and straightforward move by the Bank of England is already priced into the markets due to the upcoming election. How infuriating!

Writing for the Telegraph, Julian Jessop stated: 'The Bank's own staff forecasts have inflation dropping to the 2pc target and remaining there or thereabouts, even on the basis of market expectations of a string of rate cuts.

'If the MPC fails to deliver soon, a longer period of unnecessarily high interest rates could still sink the recovery.' I couldn't agree more.

Mortgagees are not the only ones forced into paying usurious sums to the banks these days. The Bank of England itself is paying 5.25% interest on nearly a trillion pounds of deposits it holds on behalf of UK banks. If you think your mortgage payments are bad, try finding 3.6 billion a month!

Ironically, as Joaquin Monfort explains in an article for FXStreet, 'These reserves, totalling an estimated £830 billion, were built up by UK banks from the BoE's Quantitative Easing (QE) programme between 2009-2021. QE involved the BoE buying mainly government bonds from banks to provide them with liquidity during the credit crisis.

'Under the current state of affairs, the BoE pays interest on the full amount of these reserves at Bank Rate (5.25%). Interest payments are backed by a state guarantee signed by the UK government in 2009.

'The scheme worked well when interest rates were low. However, since 2019 when the BoE began raising interest rates to combat inflation, the scheme has made a loss – a loss the UK government has

had to plug with taxpayer money.'

So the longer interest rates stay high, the more the banks' deposits of bailout money will pay.

This will, of course, be at the expense of the already

cash-strapped UK taxpayer. Might these banking giants have influence over the BoE's Monetary Policy Committee?

Other central banks in Europe don't pay the full interest at the current base rate. Instead, they use a system called 'Tiered Remuneration' in which central banks only pay interest on a fraction of these reserves, removing the government's burden. Monfort points out that 'The system is used by the European Central Bank (ECB), the Swiss National Bank (SNB), and the central banks of Denmark and Sweden.' Notably, these banks have already cut their base rates.

Former Prime Minister Gordon Brown is an advocate of reserve tiering, suggesting that the vast savings could be used to reduce child poverty in the UK. The Office of Budgetary Responsibility (OBR) has shown that adoption of a policy of reserve tiering could have saved the government £103 billion: equivalent to '63%-84% of average UK government debt-servicing costs, or between 7.6% and 10.5% of the UK's annual spending on defence, health and education,' according to Economist Paul Tucker, former Deputy Governor of the Bank of England for Financial Stability.<sup>1</sup>

Understandably, there is stiff opposition to the adoption of such a policy from certain quarters. The current Chancellor of the Exchequer Jeremy Hunt rejected the idea because it could 'impact the competitiveness of UK Banks' and the Governor of the Bank of England Andrew Bailey once described it as a 'tax on banks'. Well, fancy that!



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



<sup>1</sup> <https://ifs.org.uk/publications/quantitative-easing-monetary-policy-implementation-and-public-finances>

# UK Asking Prices

Scotland	Jun-24
<b>Average Asking Price</b>	<b>£232,582</b>
Monthly % change	0.7%
Annual % change	2.9%

North East	Jun-24
<b>Average Asking Price</b>	<b>£197,216</b>
Monthly % change	0.3%
Annual % change	3.7%

Yorks & The Humber	Jun-24
<b>Average Asking Price</b>	<b>£255,163</b>
Monthly % change	1.0%
Annual % change	2.9%

North West	Jun-24
<b>Average Asking Price</b>	<b>£271,144</b>
Monthly % change	0.8%
Annual % change	3.8%

West Midlands	Jun-24
<b>Average Asking Price</b>	<b>£306,802</b>
Monthly % change	1.0%
Annual % change	1.6%

East Midlands	Jun-24
<b>Average Asking Price</b>	<b>£284,748</b>
Monthly % change	0.6%
Annual % change	-0.3%

East	Jun-24
<b>Average Asking Price</b>	<b>£394,911</b>
Monthly % change	0.1%
Annual % change	-1.5%

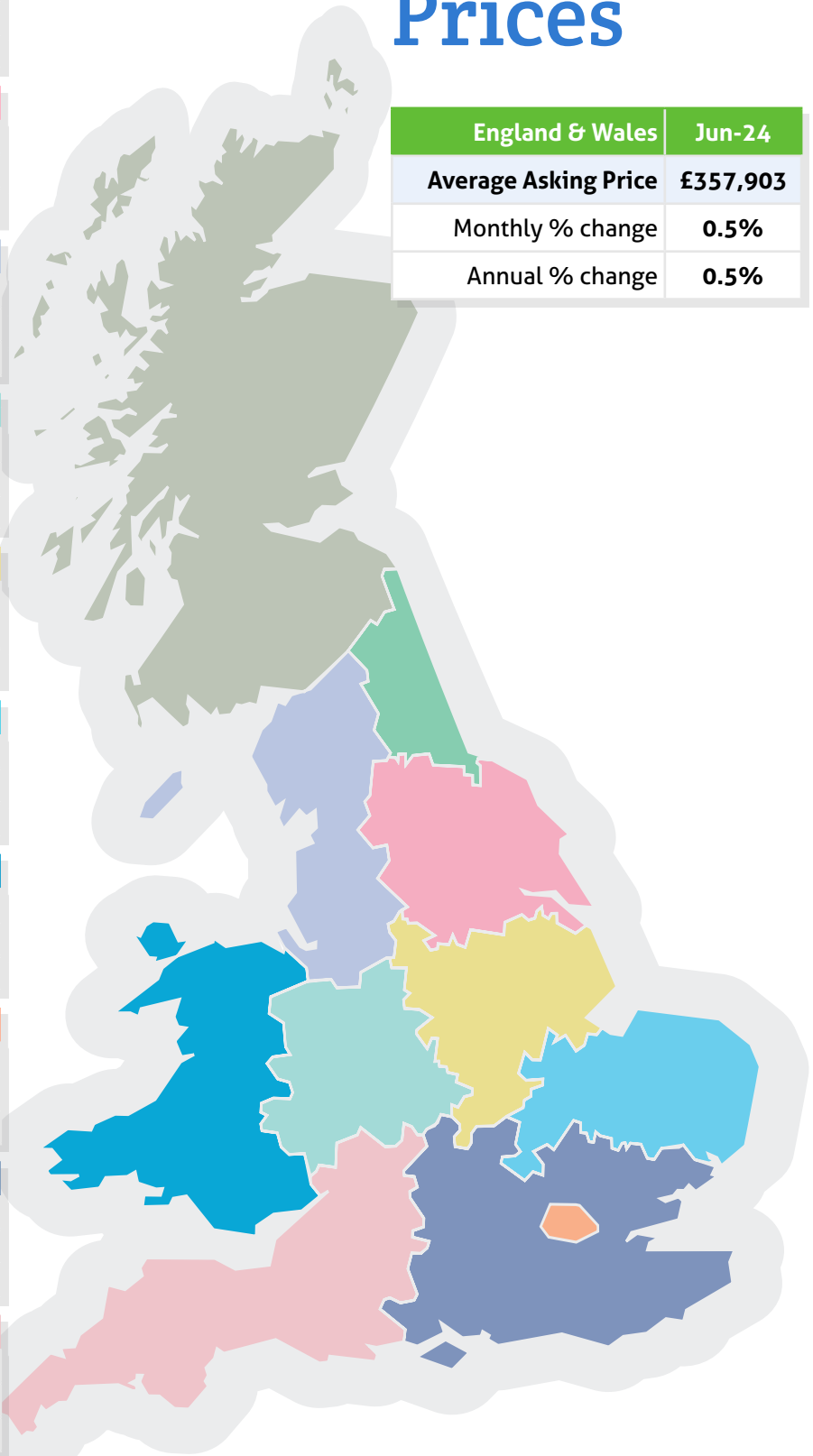
Wales	Jun-24
<b>Average Asking Price</b>	<b>£270,290</b>
Monthly % change	0.7%
Annual % change	2.7%

Greater London	Jun-24
<b>Average Asking Price</b>	<b>£543,866</b>
Monthly % change	0.3%
Annual % change	-0.1%

South East	Jun-24
<b>Average Asking Price</b>	<b>£448,316</b>
Monthly % change	0.4%
Annual % change	-0.4%

South West	Jun-24
<b>Average Asking Price</b>	<b>£382,175</b>
Monthly % change	0.7%
Annual % change	-0.9%

England & Wales	Jun-24
<b>Average Asking Price</b>	<b>£357,903</b>
Monthly % change	<b>0.5%</b>
Annual % change	<b>0.5%</b>



Source: Home.co.uk Asking Price Index, June 2024

# UK Time on Market

Scotland	Jun-24
<b>Average Time on Market</b>	<b>187</b>
Typical Time on Market	65
Annualised % supply change	17%

North East	Jun-24
<b>Average Time on Market</b>	<b>162</b>
Typical Time on Market	82
Annualised % supply change	16%

Yorks & The Humber	Jun-24
<b>Average Time on Market</b>	<b>148</b>
Typical Time on Market	80
Annualised % supply change	17%

North West	Jun-24
<b>Average Time on Market</b>	<b>166</b>
Typical Time on Market	86
Annualised % supply change	13%

West Midlands	Jun-24
<b>Average Time on Market</b>	<b>160</b>
Typical Time on Market	82
Annualised % supply change	11%

East Midlands	Jun-24
<b>Average Time on Market</b>	<b>150</b>
Typical Time on Market	82
Annualised % supply change	12%

East	Jun-24
<b>Average Time on Market</b>	<b>153</b>
Typical Time on Market	81
Annualised % supply change	13%

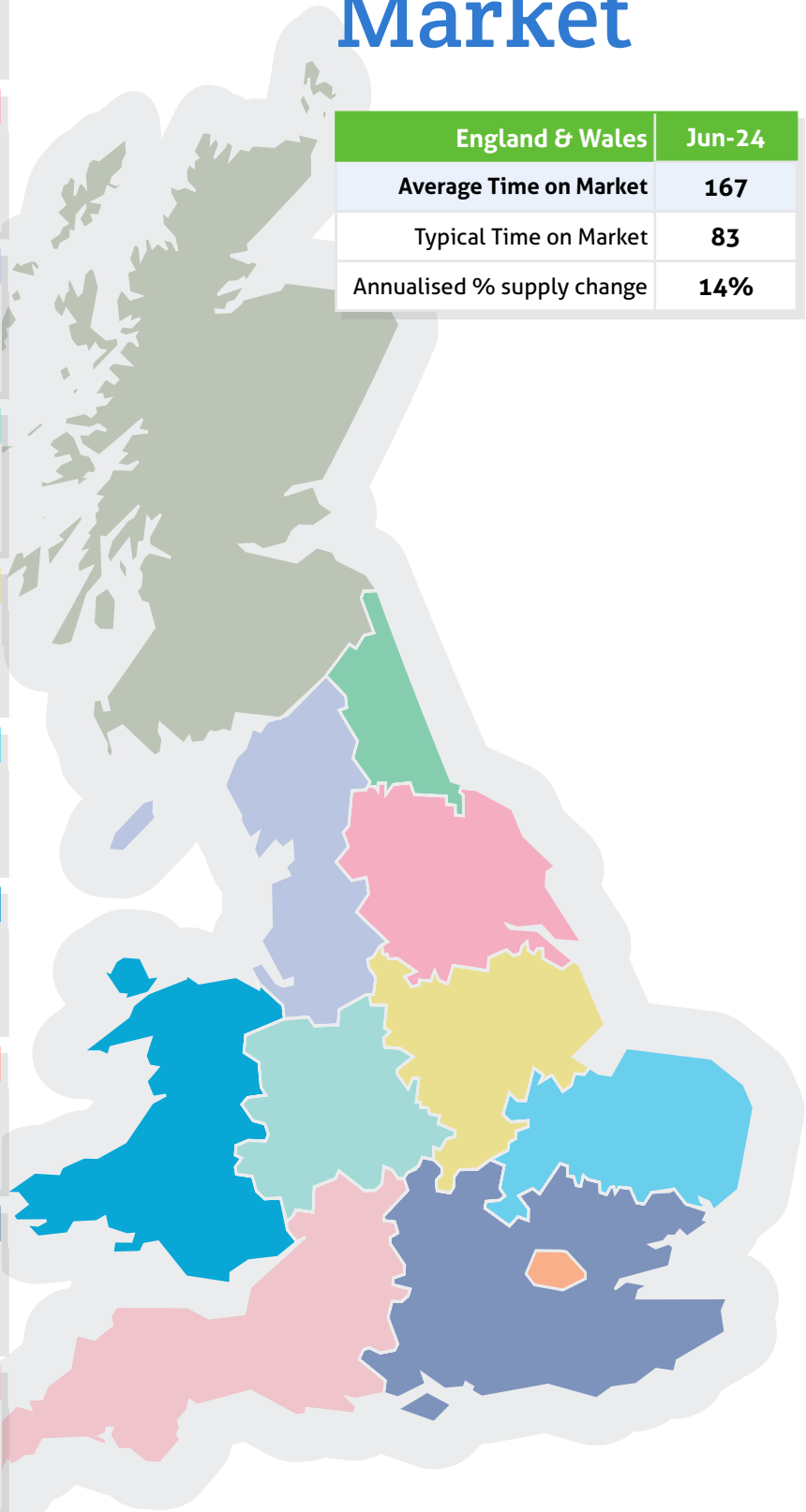
Wales	Jun-24
<b>Average Time on Market</b>	<b>181</b>
Typical Time on Market	95
Annualised % supply change	17%

Greater London	Jun-24
<b>Average Time on Market</b>	<b>194</b>
Typical Time on Market	87
Annualised % supply change	15%

South East	Jun-24
<b>Average Time on Market</b>	<b>156</b>
Typical Time on Market	76
Annualised % supply change	14%

South West	Jun-24
<b>Average Time on Market</b>	<b>154</b>
Typical Time on Market	80
Annualised % supply change	18%

England & Wales	Jun-24
<b>Average Time on Market</b>	<b>167</b>
Typical Time on Market	<b>83</b>
Annualised % supply change	<b>14%</b>



Source: Home.co.uk Asking Price Index, June 2024. 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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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:

- Friday 12<sup>th</sup> July
- Wednesday 14<sup>th</sup> August
- Thursday 12<sup>th</sup> September