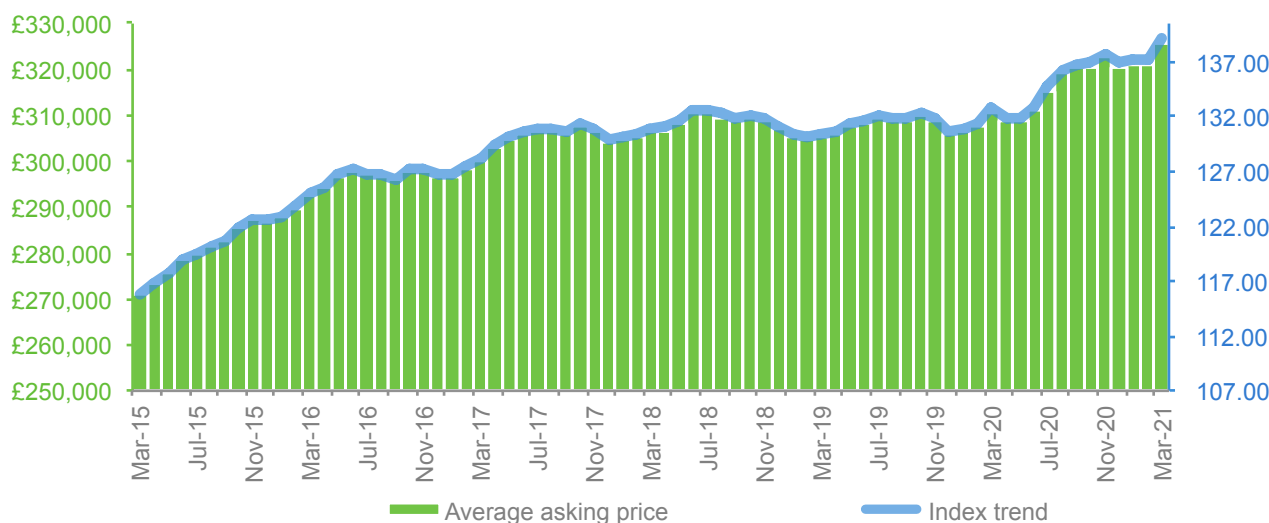


Home Prices and Rents Leap Amidst Property Drought

Headlines

- Asking prices across England and Wales surge 1.4% since last month pushing annualised growth up to 4.8%.
- February indicated a further dramatic shortfall in new sales listings due to the latest COVID lockdown. New instructions were down 27% year-on-year (same as in January) and again gave a new record low for the month in the history of this Index.
- Supply is down as much as 36% in some regions (East of England and the South West) but Greater London is the exception with new listings down a mere 2% compared to February 2020.
- Correspondingly, the total stock of property for sale in England and Wales has again fallen to set a further record low, 19.4% lower than in March 2020.
- Lack of supply has pushed up prices in every English region and Scotland and Wales since last month, with the largest hike in the South East; a massive 2.5%.
- The northern property markets continue to lead the 12-month regional growth chart, with Yorkshire and Humber showing a remarkable price rise of 9.1%.
- Welsh home prices have rallied the most over the last six months, boosting the annualised growth to 7.9%.
- Greater London is currently the UK's worst-performing region with only 2.7% annualised growth. Next is the South West where prices have risen only 3.7% over the last twelve months.
- The lockdown has meant market momentum has slowed a little with the Typical Time on Market for unsold property in England and Wales rising two days since last month to 113 days, counter to the normal seasonal trend. This figure is just two days more than in March 2020.
- Rents continue to crash in the Greater London lettings market due to oversupply, down 18.6% year-on-year overall compared to 2020, although several more central boroughs registered reductions in the average rent of around 30%.
- By contrast, unprecedented scarcity is evident in all other English regions, Scotland and Wales, thereby driving up rents. Some regions such as the East Midlands indicate drops of over 50% in the total of newly available rental properties entering the market compared to a year ago.
- The largest annualised rent hikes are in the South West (+17.8%) and the West Midlands (+20.5%).

Home Asking Price Trend for England & Wales



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

Summary

Sales stock shortages are now forcing up prices outside of London. Moreover, given the Stamp Duty holiday extension (till the end of June) and the government's pledge to back 95% mortgages, home prices look set to go ballistic in the regions as demand looks set to completely overwhelm the little supply there is.

The latest lockdown has radically reduced the supply of new sales listings entering the market. Less than three-quarters of the expected number of new instructions materialised during January and February making stock levels fall to a new all-time low. Vendors are likely to return to the market in greater numbers as the lockdown is rolled back but it is unlikely, in our view, that the supply of properties for sale will be sufficient to meet demand outside of Greater London.

De-urbanisation continues in Greater London, as evidenced by the glut of available rental properties, especially in the more central boroughs. The exodus looks set to continue and we expect a flood of new instructions from homeowners and landlords to swell estate agents' already large sales portfolios over the coming months.

London prices are already on the back foot. Overall averages for Greater London hide the fact that the median flat price within a 10-mile radius of the centre has fallen 7% over the last twelve

months, while in prime central areas such as Belgravia the median asking price has dropped as much as 15%. We expect prices in central areas of the capital to continue to slide as rental yields collapse despite the recently announced market stimulus measures.

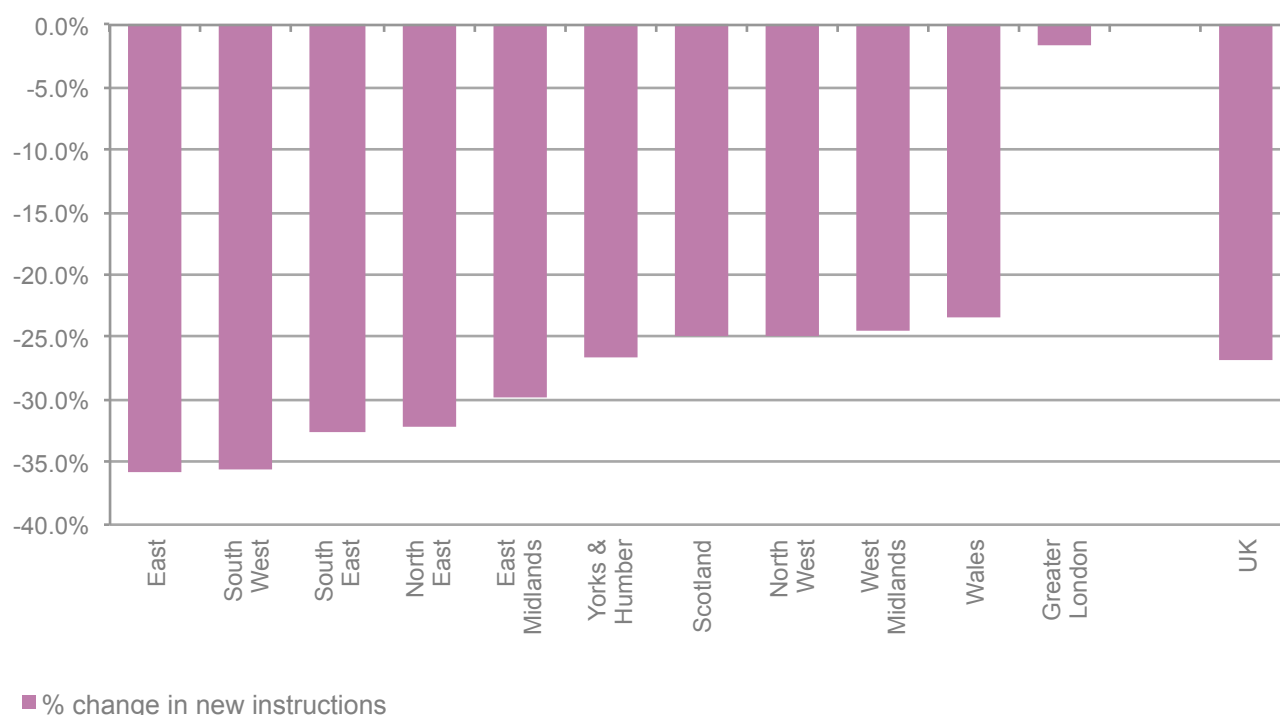
In stark contrast, rents are rising very rapidly in most of the regions with year-on-year growth reaching 20.5% in the West Midlands. Such phenomenal rises are due to an acute shortage of stock to let. We do not expect supply to rise to meet demand in the immediate future, and therefore rents will continue to inflate. This will also help to push up sale prices in the English regions, Scotland and Wales as yields improve for prospective investors.

The annualised mix-adjusted average asking price growth across England and Wales is currently +4.8%; in March 2020, the annualised rate of increase of home prices was 1.8%.

Regional Roundup

The headline growth figure of 4.8%, whilst both remarkable and reassuring given these turbulent times, is a national average. To glean a more detailed understanding of the current market dynamic, we must drill down to the regional level. Supply, of course, is a fundamental indicator and the last two months' data show that the latest lockdown has had a highly disproportionate effect.

Regional Sales Supply Change, Mar 2021 vs. Mar 2020



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

The rate of new instructions entering the market in Greater London is barely changed from last year; a mere 2% less properties have entered the market. The fact that London has essentially retained a relatively high instruction rate is a clear indication of how desperate vendors are to sell owing to the de-urbanisation trend. However, across the rest of the mainland UK, the story is very different.

Whilst the property market remained officially open for business, supply has dropped significantly due at least in part to strict social distancing and an understandable degree of hesitancy on the part of potential vendors. The East of England and the South West were hit hardest, each with 36% of the expected number of new instructions failing to come to market.

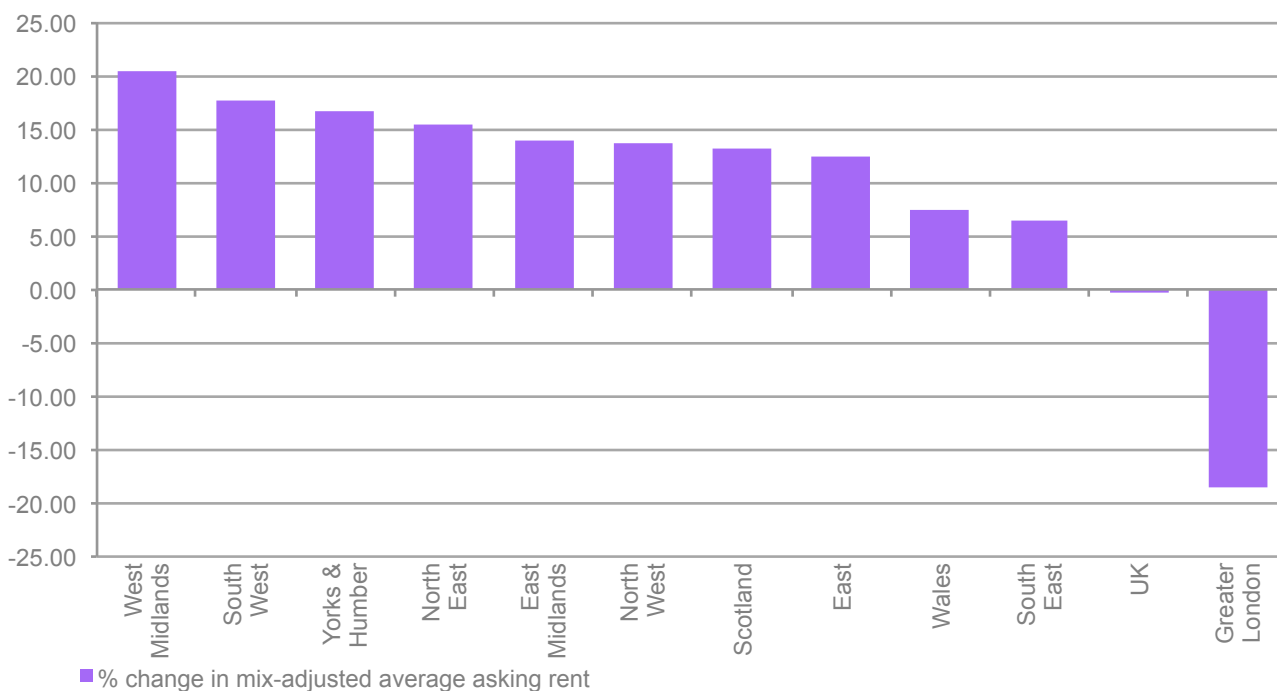
Further lockdown-induced supply drops are evident in all the other English regions apart from Greater London, and in Scotland and Wales (as indicated on the updated chart). However, not all the shortfall in supply can be ascribed to COVID restrictions. Soaring rents will be tempting many potential vendors to let their property instead. After all, why sell if you can secure a tenant within a month, paying a significant premium over last year’s rent level? In fact, the Typical Time on Market for rental properties in the East of England has dropped to just 17 days.

This is the fundamental difference between Greater London and the regional markets. The capital’s lettings market is in a state of oversupply-induced collapse, while in almost all other areas of the UK rents are soaring due to lack of inventory and high demand. For most owners of London property, letting is simply not a realistic option. However, for the rest of the UK, it is not only a potentially lucrative option but may well be deemed preferable to selling a hard asset in an uncertain world.

Over the last six months, home prices have certainly been boosted thanks to the stamp duty holiday and, as the March 31st deadline has now been extended to the end of June, we can expect more of the same with the added boost of government-backed 95% mortgages. However, these stimulus measures will not solve the supply problems in the sales and rentals markets outside of London nor will they save the capital region’s property market from the ravages of the de-urbanisation exodus and loss of international visitors.

Outside of London, scarcity is the key market driver going forward. Moreover, since supply looks set to remain low, demand for a limited amount of stock facilitated, of course, by low mortgage rates will doubtless push up both home prices and rents for the foreseeable future.

Rental Growth by Region, Mar 2021 vs. Mar 2020



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



“ Vaccinations for the people and steroids for the property market seems to be the government prescription, along with copious amounts of new public debt.

While the UK's vaccination program may be hailed as a great success (certainly when measured by the yardstick of mainland Europe), further stimulus for the property market may well be courting disaster.

Of course, government meddling in markets is now commonplace and we predicted the Stamp Duty holiday extension back in November last year. Prices have already soared, seemingly uncoupled from the real economy but joined at the hip with the availability of cheap credit and tax incentives. Furthermore, the additional introduction of government-backed 95% mortgages may seem like a vote winner but the policy has chilling similarities to the overleveraging that triggered the financial crisis in 2008.

Encouraging wannabe homeowners to become over-indebted at a time when prices have been artificially inflated to record levels would seem irresponsible to many. Moreover, is this policy not simply fuelling demand when, outside of London, the elephant in the room is lack of supply? Indeed, arguably the regions' sales markets are showing unsustainable growth while the same lettings markets are already seriously overheating as demand completely overwhelms supply.

It should come as no surprise that a stock-deprived lettings market offering soaring returns will divert supply from the sales market and, outside of London, this is most certainly the case. Across the regions, yields are rising

faster than prices as rents skyrocket and there seems to be no shortage of demand. For many, dreams of buying their own home will have been dashed by the COVID pandemic



as they are obliged to spend their hard-earned deposits simply to live and pay the rent. Moreover, mortgage lenders have been notably risk averse, favouring those with larger deposits. The new government-backed 95% mortgages have been introduced to redress this imbalance but they are unlikely to make a significant impact as prices soar out of reach of the first-time buyer.

Outside of London, the supply problem looks set to persist. Investors understand that 'money printing' will not only continue for the foreseeable future but will increase to fill the tax shortfall caused by the pandemic and provide further cheap credit. What is also clear is that government policy is resigned to propping up the UK property market at all costs. Holding on to bricks and mortar assets is a no-brainer while rental returns are soaring and other asset classes are looking comparatively risky.

Meanwhile, London is seemingly a world apart. Cut off from international visitors and haemorrhaging residents to less urban climes, rents are in freefall. Correspondingly, as yields collapse, this places downward pressure on prices. Hence, only when rents stabilise will the capital's sales market be on the road to recovery.

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



UK Asking Prices

Scotland	Mar-21
Average Asking Price	£203,517
Monthly % change	1.0%
Annual % change	7.5%

North East	Mar-21
Average Asking Price	£172,211
Monthly % change	0.5%
Annual % change	6.3%

Yorks & The Humber	Mar-21
Average Asking Price	£223,327
Monthly % change	1.3%
Annual % change	9.1%

North West	Mar-21
Average Asking Price	£228,863
Monthly % change	1.5%
Annual % change	7.8%

West Midlands	Mar-21
Average Asking Price	£269,823
Monthly % change	1.7%
Annual % change	4.5%

East Midlands	Mar-21
Average Asking Price	£252,101
Monthly % change	1.2%
Annual % change	5.1%

East	Mar-21
Average Asking Price	£364,579
Monthly % change	1.9%
Annual % change	4.8%

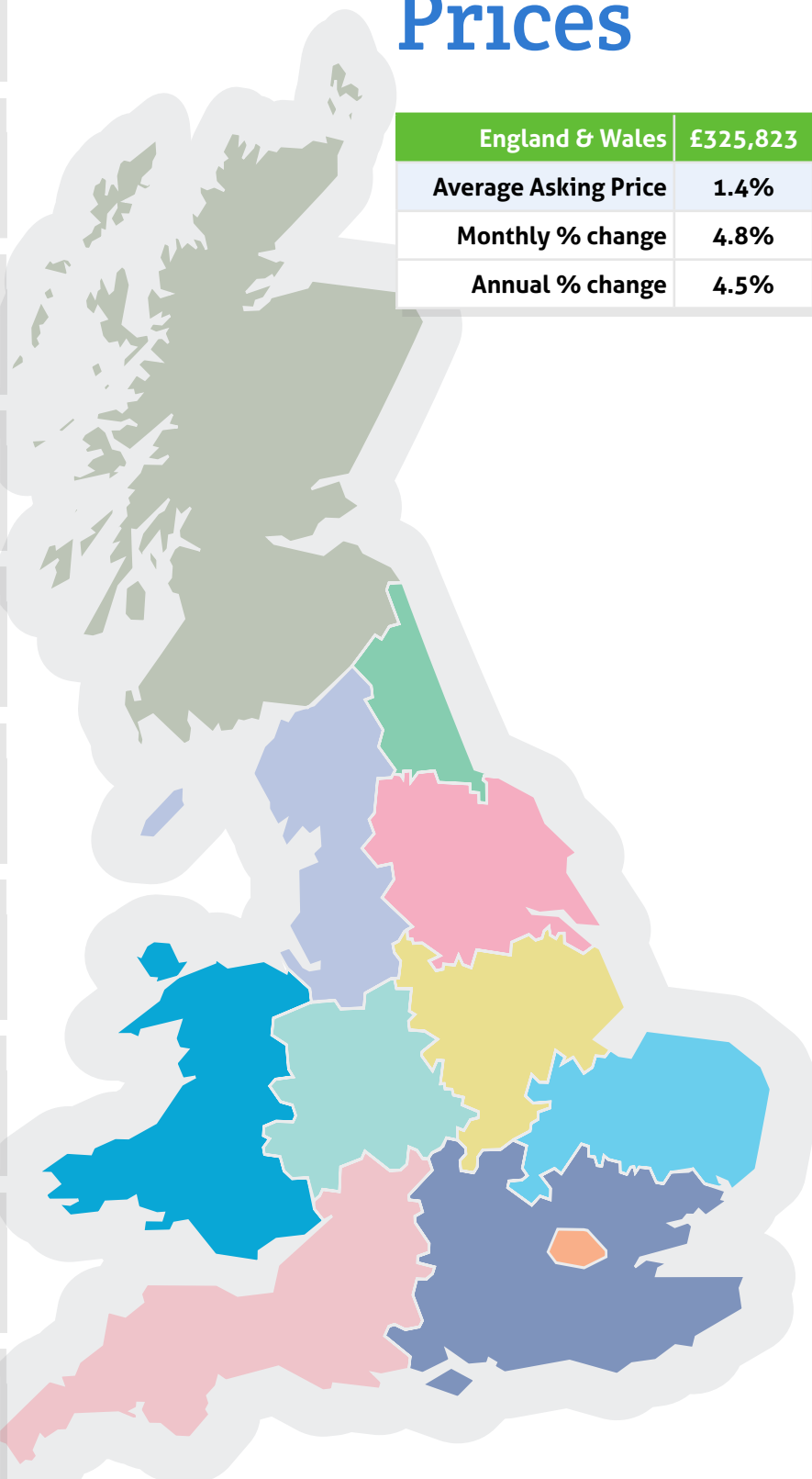
Wales	Mar-21
Average Asking Price	£231,909
Monthly % change	1.0%
Annual % change	7.9%

Greater London	Mar-21
Average Asking Price	£534,914
Monthly % change	0.4%
Annual % change	2.7%

South East	Mar-21
Average Asking Price	£414,441
Monthly % change	2.5%
Annual % change	4.5%

South West	Mar-21
Average Asking Price	£336,865
Monthly % change	1.8%
Annual % change	3.7%

England & Wales	£325,823
Average Asking Price	1.4%
Monthly % change	4.8%
Annual % change	4.5%



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

UK Time on Market

Scotland	Mar-21
Average Time on Market	280
Typical Time on Market	131
Annual % supply change	-25%

North East	Mar-21
Average Time on Market	250
Typical Time on Market	125
Annual % supply change	-32%

Yorks & The Humber	Mar-21
Average Time on Market	187
Typical Time on Market	103
Annual % supply change	-27%

North West	Mar-21
Average Time on Market	196
Typical Time on Market	108
Annual % supply change	-25%

West Midlands	Mar-21
Average Time on Market	175
Typical Time on Market	103
Annual % supply change	-25%

East Midlands	Mar-21
Average Time on Market	167
Typical Time on Market	98
Annual % supply change	-30%

East	Mar-21
Average Time on Market	175
Typical Time on Market	102
Annual % supply change	-36%

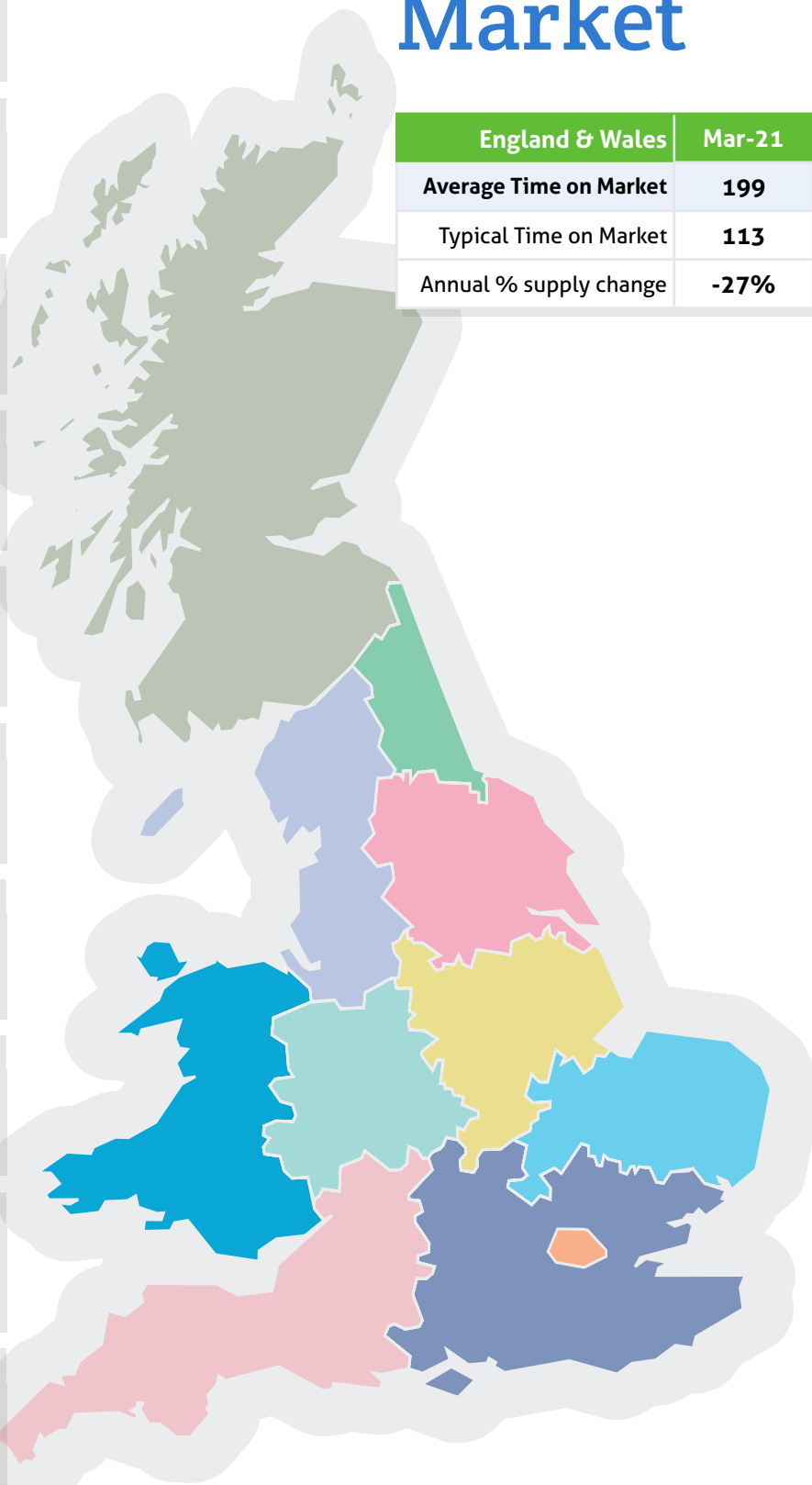
Wales	Mar-21
Average Time on Market	239
Typical Time on Market	131
Annual % supply change	-23%

Greater London	Mar-21
Average Time on Market	197
Typical Time on Market	116
Annual % supply change	-2%

South East	Mar-21
Average Time on Market	185
Typical Time on Market	110
Annual % supply change	-33%

South West	Mar-21
Average Time on Market	192
Typical Time on Market	111
Annual % supply change	-36%

England & Wales	Mar-21
Average Time on Market	199
Typical Time on Market	113
Annual % supply change	-27%



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

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:

- Tuesday 13th April
- Wednesday 12th May
- Tuesday 15th June