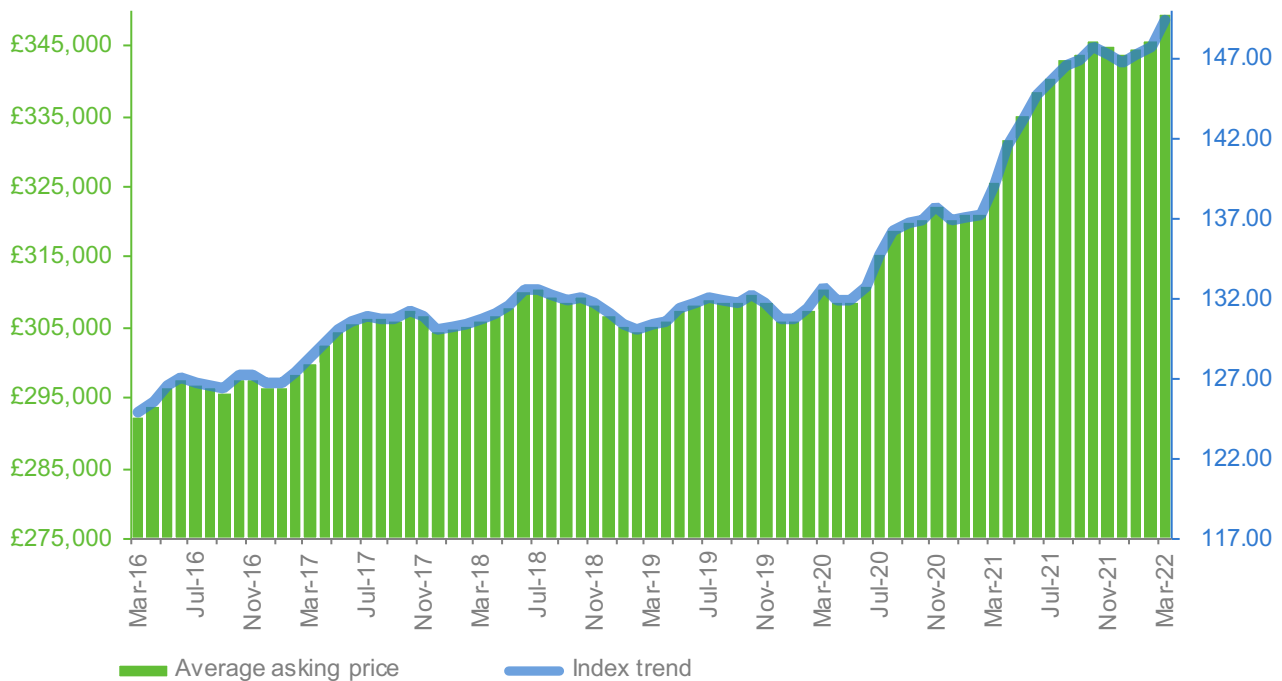


## Prices Leap as Market Accelerates to Warp Speed

### Headlines

- Asking prices across England and Wales leapt 1.1% in February, while prices in the South West and West Midlands jumped by a phenomenal 1.8% and 1.9% respectively.
  - The market is exceptionally fast for this time of year. The Typical Time on Market for unsold property in England and Wales has dropped to 70 days (median), 43 days less than in March 2021 and the lowest such figure since 2008.
  - The total stock of property for sale in England and Wales nudged up again for the second consecutive month, adding just 1,712 properties to the unsold stock total since last month.
  - Monetary inflation remains high and rising, making real home price growth increasingly negative overall. We estimate current real growth to be -2.6%. Costly sanctions look set to exacerbate this trend.
  - More vendors entered the market last month as evidenced by a 15% rise in the supply of new instructions across the UK compared to February 2021.
- The biggest rise by far was the North East with a 29% increase in new listings year-on-year.
- The East of England and the South West property markets now head up the 12-month regional price growth table, each with an inflation-beating annualised gain of 10.8%.
  - Rents in Greater London continue to soar and are now up a massive annualised 27%. Scarcity looks set to continue this trend as the supply of new rental properties nosedived by 52% last month compared to February 2021.
  - Central London rents appear to be going berserk. The greatest rises in asking rents over the last twelve months are in the City (+115%), Hammersmith and Fulham (+53%) and Camden (+47%), as massive demand completely overwhelms supply.
  - A lack of rental properties remains a problem across the UK and this is creating significant upward price pressure. Rents have risen by an annualised 10.1% across the UK since March last year, albeit most of this overall increase is driven by London.

## Home Asking Price Trend for England & Wales



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

### Summary

Predictions of a slowdown in the UK property market in 2022 are already ringing hollow. The market has accelerated to a blistering pace and prices are soaring. The total stock of property for sale is up slightly but remains very low at about half that seen in 2019. So far, the 2022 UK property market is shaping up like a replay of 2021.

Further global turmoil, coming immediately on the back of the economic disaster that was triggered by the COVID pandemic, will serve only to further invigorate the market. Bricks and mortar, after all, have long been seen as safe haven in times of political and economic strife. Furthermore, any hopes that new builds would take away some of the demand pressure on existent stock is fading as supply chain problems, coupled with inflation, seriously impede the progress of the construction sector.

Despite mortgage interest rates nudging up, demand continues to overwhelm supply and thereby drive

asking prices through the roof. While spring normally triggers modest price rises, February's extraordinary increase of 1.1% overall is testament to this state of affairs and some regions show hikes approaching double this figure. In fact, prices have risen in every English region, Scotland and Wales during the last month. The smallest was in Greater London (0.5%, which is still on the large side for a month-on-month rise), and this sales market is still in recovery mode following the damage inflicted by the lockdowns.

The rate of take-up of properties by buyers, both individual and corporate, is astonishing given the further interest rate hikes planned by the Bank of England (BoE). The Typical Time on Market for unsold property in England and Wales has been driven down to a mere 70 days, a level not seen since the heady days of 2008 prior to the financial crisis. In the East Midlands, the Typical Time on Market is just 42 days, indicating that this is the UK's fastest regional market and strongly suggesting that further price hikes are inevitable.

Meanwhile, inflation has not gone away. Soaring energy and commodity prices mean that it is likely to get much worse. Building materials have also been affected with some constructors reporting up to 60% hikes in the cost of certain common items. Apart from inflation meaning that real house price growth is negative overall, it also spells disaster for many fixed-price construction contracts. We therefore expect new build disruption caused by bankruptcies.

Rents are also rising rapidly overall. The mix-adjusted average for the UK has risen 10.1% over the last twelve months. Most of this increase is driven by the phenomenal rebound in Greater London rents which indicate annualised growth of 27.3%, concomitant with a collapse in lettings supply. There were just under half the number of properties to let entering the capital's market compared to a year ago. Demand in the regions,

\*ONS RPI (ex.housing) for January 2022

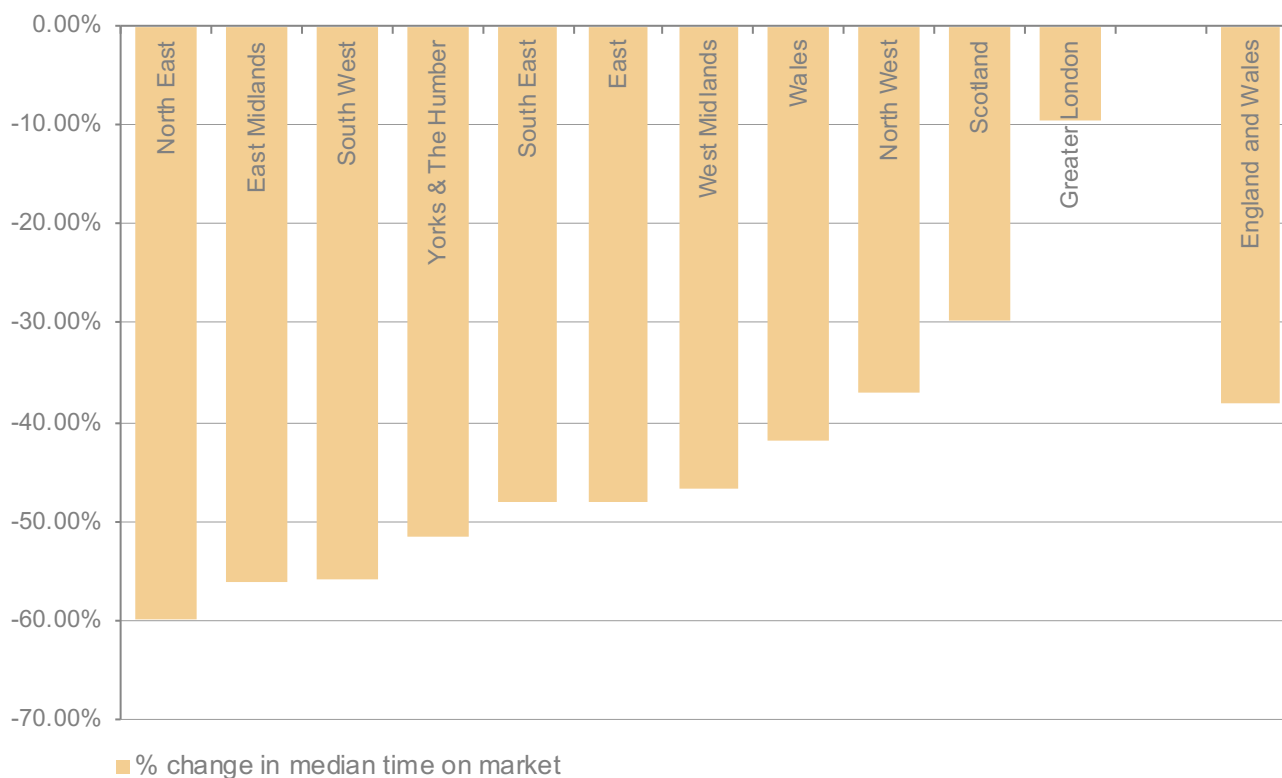
especially in the North and West, has eased and rents are either rising more slowly or correcting in the wake of the lockdown boom.

The annualised mix-adjusted average asking price growth across England and Wales is now at +7.4%; in March 2021, the annualised rate of increase of home prices was 4.8%.

## Regional Roundup

Prices rose significantly in every English region, Scotland and Wales during the last month. However, there are significant variations in annualised average price growth at the regional level. Four English regions and Wales show growth above the latest inflation-high tidemark of 8.5%\* (East and West Midlands, East of England and the South West). The worst of the sub-inflation performers is Scotland with annualised growth a mere 2.2%, which means

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



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

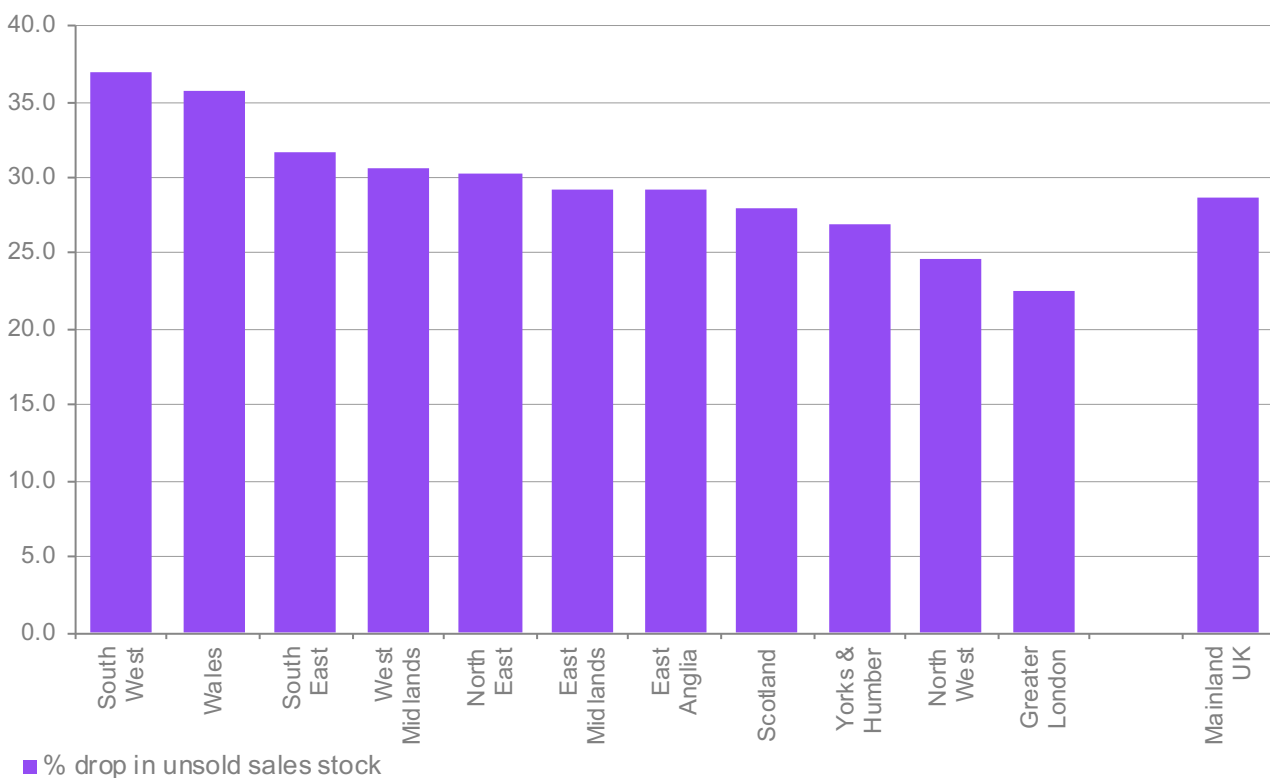
that prices are falling quite rapidly in real terms. The next worst is Greater London with only 3.7% growth. This sub-inflation growth is perhaps puzzling given that there are stock shortages (down 28% and 22% respectively) in both markets compared to a year ago. Moreover, according to median Time on Market figures, these two markets are currently the slowest of all despite some improvement. It is also worth noting that both markets are increasingly menaced by the threat of rent controls, which is a clear disincentive for buy-to-let investment.

These areas together with the North West, the North East, Yorkshire and the South East are showing negative real growth when we factor in the latest RPI figure from the ONS. However, what is possibly perplexing is that, according to falling Typical Time on Market figures and low stock levels, demand still has the upper hand in these underperforming

regions. Whether this unusual situation continues to be the case remains to be seen, but the huge disparity between inflation and mortgage interest rates is clearly incentivising highly leveraged purchases.

Meanwhile, double-digit price growth in the East Midlands, East of England and the South West has served to ensure positive real growth. Given the dramatic falls in Time on Market and stock levels, these regions have significant further price growth potential this year. Price growth in the West Midlands and Wales is merely keeping pace with inflation for the time being. Of course, rising inflation may soon tip their real growth into the negative but they do have significant momentum and price growth may well rise in tandem. On the other hand, inflation has not yet officially peaked and hikes in fuel, metals and energy prices strongly suggest that we should expect double figures soon.

## Fall in Total Properties for Sale by Region, (Mar 2022 vs. Mar 2021)



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

What is apparent from our chart showing the percentage change in Typical Time on Market for unsold property is that all regions indicate much greater momentum than this time last year. The North East's improvement in marketing times is truly outstanding. The last time the median marketing time was so low (a mere 50 days) was in June 2007, just prior to the demise of Northern Rock and the onset of the financial crisis. The East Midlands, the South West, Yorkshire, the South East, the East of England, the West Midlands, Wales and the North West all show massive falls in marketing times and this is an extremely bullish price signal.

Couple that with the huge falls in unsold stock levels by region (see chart) and it looks like the cost of living crisis has yet to have an impact, and it's full steam ahead for the majority of the property market.

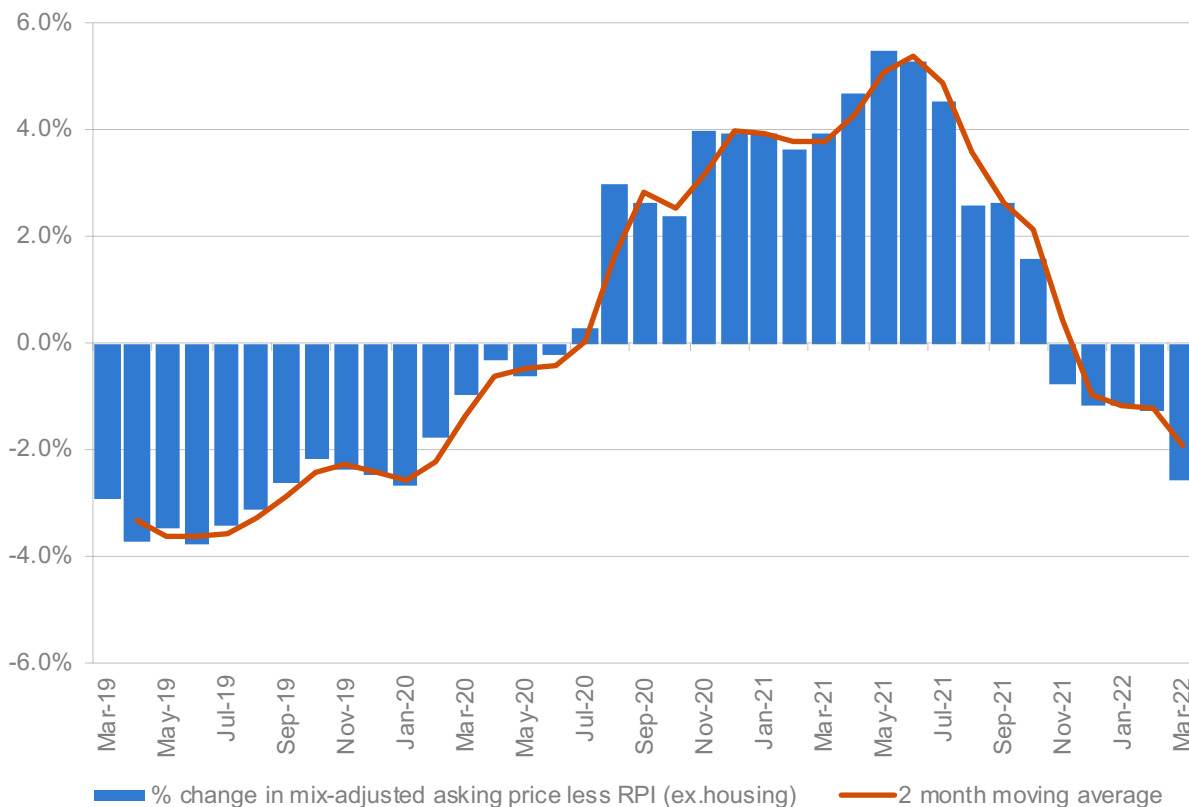
The Greater London sales market continues to improve. Cautious price growth, lower stock levels and modest reduction in marketing times all indicate that this market is on the road to recovery.

## Inflation and Real Home Asking Prices

While inflation surges higher, posing a serious threat to the wider economy, we calculate that real home price growth has been negative since November last year. We use the official figure of RPI (ex. housing) as opposed to CPI, since we consider it to be a more realistic measure of monetary inflation. Unfortunately, the ONS serve up these statistics with a 2-month time delay so, in order to illustrate the trend to negative real growth, we suggest conservative estimates for February and March of 9.0% and 10.0% respectively.

If we input these figures we calculate

## Real Asking Price Growth



Source: ONS and Home.co.uk (RPI ex. housing for February and March 2022 are our estimates).

that in we are five months into a period of negative real growth for England and Wales overall. We present this chart in order to understand the insidious effects of inflation and how it undermines what appear to be positive returns in purely nominal terms. It's bad news for homeowners, especially those that own their property outright, and yet good news for the highly indebted who will see their debt eroded faster than the decline in real home price growth.

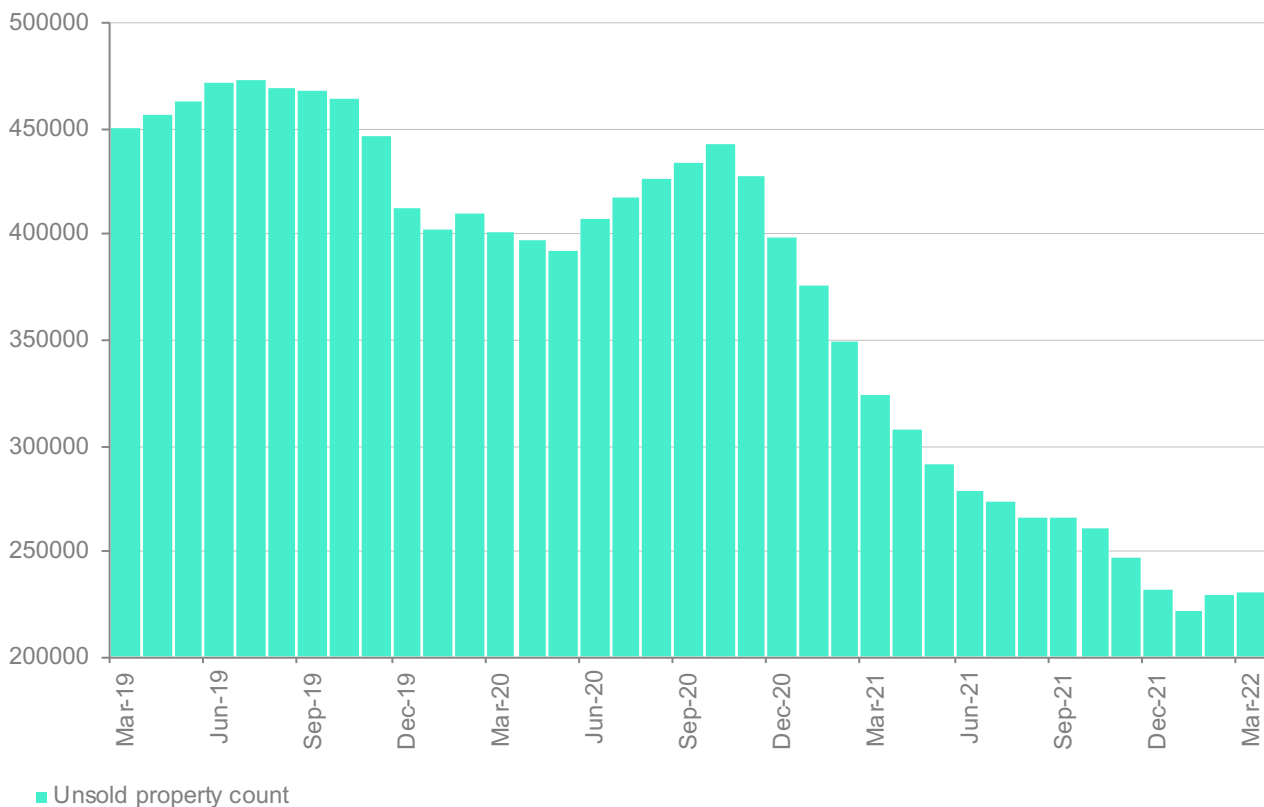
Landlords, on the other hand, have the added benefit of rental yield which will fill the gap caused by negative real growth to some extent.

## Stock Totals

The sales stock total chart has recorded a further small uptick since last month, making it the second consecutive monthly increase. While the actual number of additional unsold properties

on the market is small, this may well be the beginning of a trend reversal. At the very least, stock levels have stopped falling, but this doesn't change the fact that we are witnessing unprecedented low numbers of property for sale. Moreover, this is a key market driver. Even if demand is dampened by the interest rate hikes the BoE has pencilled in for this year, together with the rise in the cost of living, it will still have the upper hand while stock levels remain so scant. Over time, of course, stock levels may drift up to where a tipping point is reached but we remain a long way from such an event. We should also bear in mind that, given the political and economic turmoil surrounding conflict in Ukraine, capital flight may increase investor demand for the safe haven that is UK property over the coming months. It's not just Russian oligarchs that invest in UK property.

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



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

**“ Inflation cannot be ignored. Its devastating effects have led to what is now commonly referred to as ‘the cost of living crisis’, whereby the pound in your pocket is unable to buy the same amount of life’s essentials as it did before.**

The Bank of England (along with many other central banks) has failed in its duty to preserve the purchasing power of the currency. We are now witnessing the fallout from the myopic folly of quantitative easing and over-indebtedness. Simply put, our central bank cannot raise interest rates to where they should be to tame inflation without crashing the entire economy. Hence, inflation looks set to run and run.

Spare a thought for the construction industry, who we rely on to alleviate housing shortages and improve existing dwellings. Input costs are soaring and some key materials are simply unavailable. This is causing severe delays in homebuilding and renovation projects. In some cases where projects are based on fixed-price contracts bankruptcies are inevitable. Greg Pitcher reports in Construction News that “According to an index published by the Department for Business, Energy and Industrial Strategy, contractors were paying, on average, a fifth more for their materials when the bells chimed to herald the start of 2022 than they were 12 months earlier.

Of course, some grades of material rose by far greater amounts. The price of particle board soared by 60 per cent last year, while fabricated structural steel increased in value by a similar amount. And that is before factoring in regional variations and specific contracts that would have seen some contractors hit with eye-watering bills for the items they needed to deliver their projects.”

Chloë McCulloch writing for Building.co.uk states, “In the construction sector the sharp end is where construction products such as bricks, steel, concrete, ceramics and aluminium are manufactured. According to UK Steel, electricity and gas costs for steel manufacturers in the UK have quadrupled

over the past year.”

This was the fallout from the COVID restrictions during the last two years. Now factor in further spiralling energy costs in the wake of the plethora of severe economic sanctions that are further disrupting the global supply chains.



McCulloch continues, “Energy-intensive industries in the UK say they face higher energy costs than in Europe because of carbon pricing methods and less government subsidy for firms’ decarbonising commitments. UK Steel says the price of electricity in the UK is 61% more than in France and 51% more than in Germany.

“The Energy Intensive Users Group has led on this argument, criticising the government’s lack of action over rapidly rising carbon pricing. It says the rate of these rises should have triggered an intervention. On top of that, the group thinks that other government measures designed to bring relief to businesses are inadequate.

“For its part, the government says it is working with industry to mitigate the impact of high energy prices, and a spokesperson even added in a comment to Building that it sees no sign [that] construction product costs will delay building projects.”

The government spokesperson’s comment is clearly ludicrous and tantamount to a denial of the facts on the ground. He or she clearly missed the memo from the Department for Business, Energy and Industrial Strategy. The BoE is clearly not the only failing institution in the UK and the construction sector will seemingly have to fend for itself or collapse.

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



# UK Asking Prices

Scotland	Mar-22
<b>Average Asking Price</b>	<b>£207,983</b>
Monthly % change	0.9%
Annual % change	2.2%

North East	Mar-22
<b>Average Asking Price</b>	<b>£179,920</b>
Monthly % change	1.2%
Annual % change	4.5%

Yorks & The Humber	Mar-22
<b>Average Asking Price</b>	<b>£232,324</b>
Monthly % change	1.3%
Annual % change	4.0%

North West	Mar-22
<b>Average Asking Price</b>	<b>£244,751</b>
Monthly % change	1.0%
Annual % change	6.9%

West Midlands	Mar-22
<b>Average Asking Price</b>	<b>£293,491</b>
Monthly % change	1.9%
Annual % change	8.8%

East Midlands	Mar-22
<b>Average Asking Price</b>	<b>£278,108</b>
Monthly % change	0.6%
Annual % change	10.3%

East	Mar-22
<b>Average Asking Price</b>	<b>£403,958</b>
Monthly % change	1.1%
Annual % change	10.8%

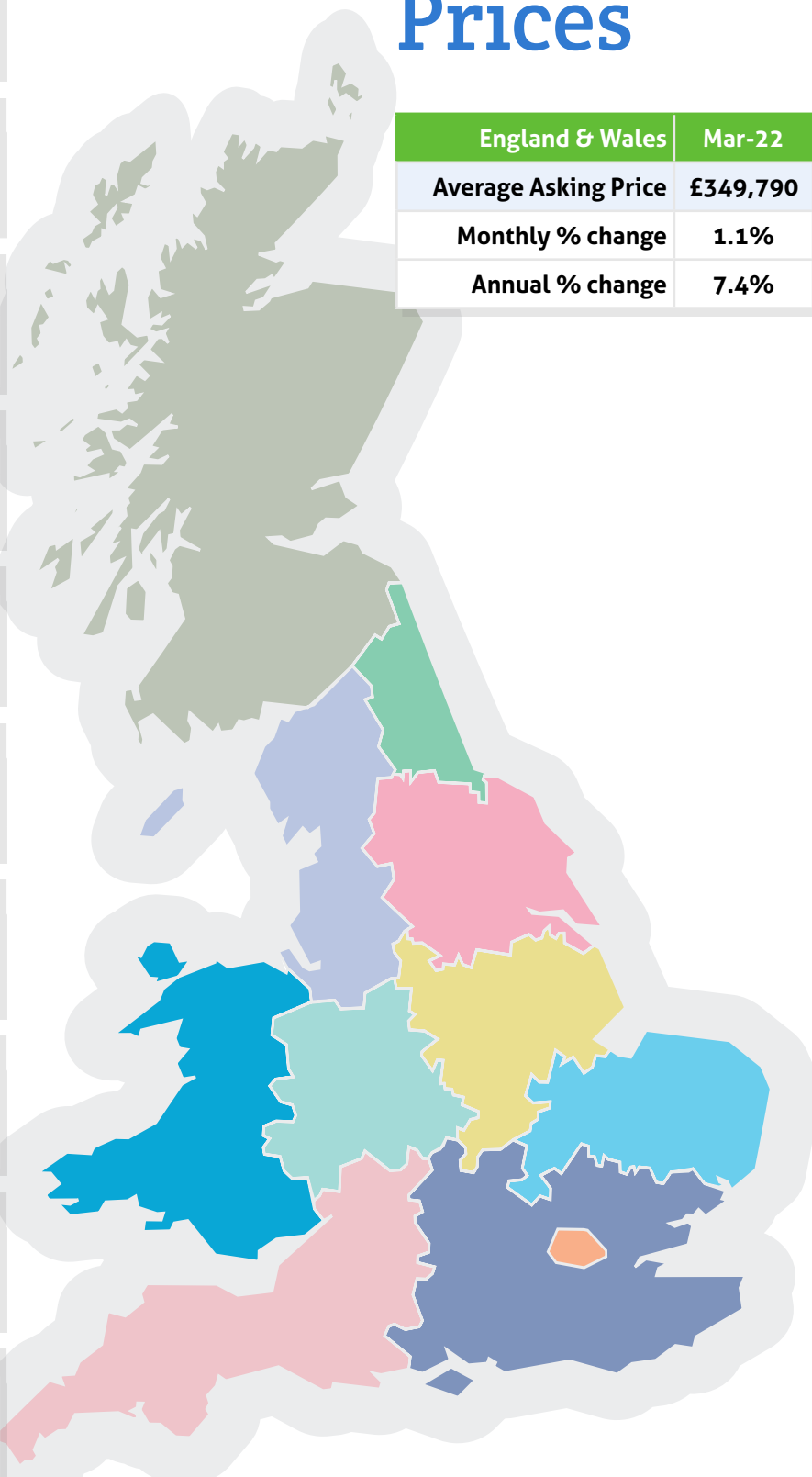
Wales	Mar-22
<b>Average Asking Price</b>	<b>£251,800</b>
Monthly % change	0.9%
Annual % change	8.6%

Greater London	Mar-22
<b>Average Asking Price</b>	<b>£554,579</b>
Monthly % change	0.5%
Annual % change	3.7%

South East	Mar-22
<b>Average Asking Price</b>	<b>£446,537</b>
Monthly % change	1.4%
Annual % change	7.7%

South West	Mar-22
<b>Average Asking Price</b>	<b>£373,423</b>
Monthly % change	1.8%
Annual % change	10.8%

England & Wales	Mar-22
<b>Average Asking Price</b>	<b>£349,790</b>
<b>Monthly % change</b>	<b>1.1%</b>
<b>Annual % change</b>	<b>7.4%</b>



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



# UK Time on Market

Scotland	Mar-22
<b>Average Time on Market</b>	<b>252</b>
Typical Time on Market	92
Annual % supply change	14%

North East	Mar-22
<b>Average Time on Market</b>	<b>165</b>
Typical Time on Market	50
Annual % supply change	29%

Yorks & The Humber	Mar-22
<b>Average Time on Market</b>	<b>136</b>
Typical Time on Market	50
Annual % supply change	16%

North West	Mar-22
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	68
Annual % supply change	12%

West Midlands	Mar-22
<b>Average Time on Market</b>	<b>151</b>
Typical Time on Market	55
Annual % supply change	14%

East Midlands	Mar-22
<b>Average Time on Market</b>	<b>118</b>
Typical Time on Market	43
Annual % supply change	17%

East	Mar-22
<b>Average Time on Market</b>	<b>142</b>
Typical Time on Market	53
Annual % supply change	21%

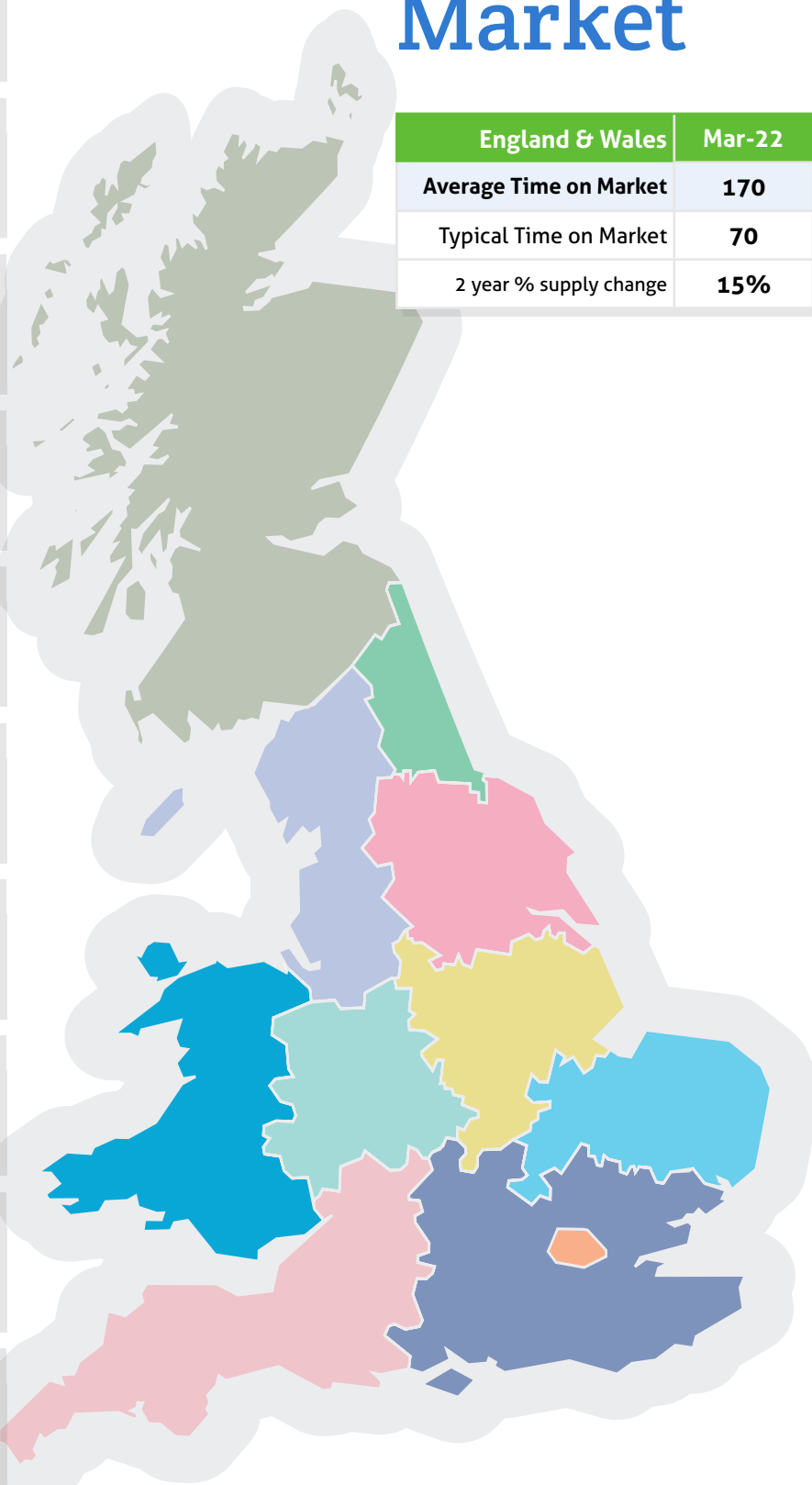
Wales	Mar-22
<b>Average Time on Market</b>	<b>173</b>
Typical Time on Market	76
Annual % supply change	4%

Greater London	Mar-22
<b>Average Time on Market</b>	<b>204</b>
Typical Time on Market	105
Annual % supply change	5%

South East	Mar-22
<b>Average Time on Market</b>	<b>158</b>
Typical Time on Market	57
Annual % supply change	16%

South West	Mar-22
<b>Average Time on Market</b>	<b>149</b>
Typical Time on Market	49
Annual % supply change	16%

England & Wales	Mar-22
<b>Average Time on Market</b>	<b>170</b>
Typical Time on Market	<b>70</b>
2 year % supply change	<b>15%</b>



Source: Home.co.uk Asking Price Index, March 2022. 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 13<sup>th</sup> April
- Thursday 12<sup>th</sup> May
- Wednesday 15<sup>th</sup> June