



Asking Price Index

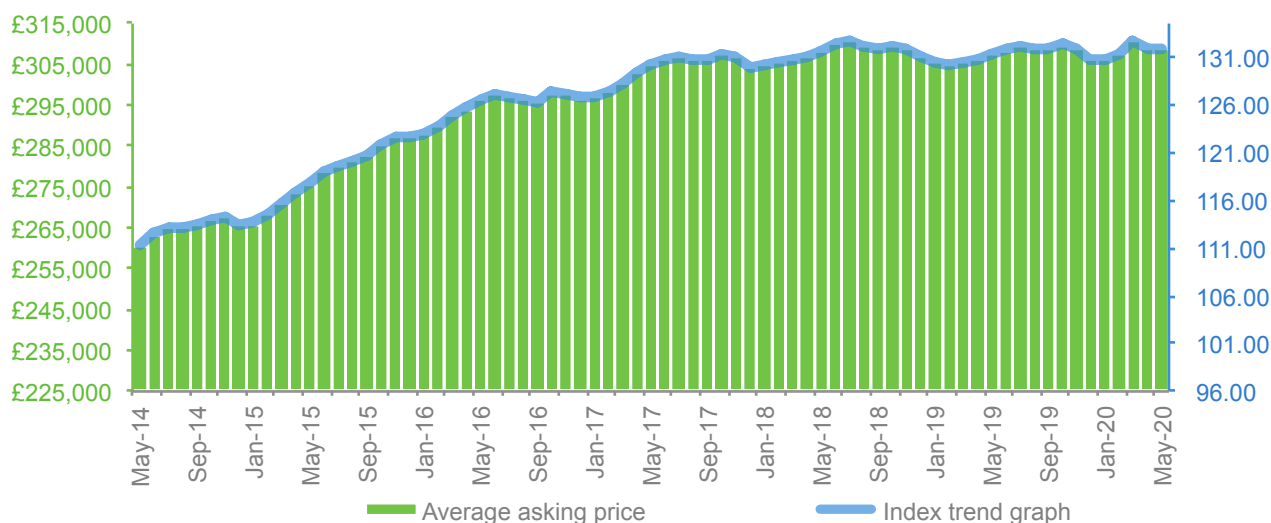
Released 13/05/20 May 2020

Collapse in Supply of New Instructions

Headlines

- Collapse in supply of new sales instructions across the UK (down an extraordinary 85% year-on-year) as the pandemic halts activity.
- The largest regional fall in the number of new instructions year-on-year is in Scotland, followed by East Anglia, the South East and the South West.
- While supply and demand are both on hold, home prices slipped just 0.1% month-on-month.
- Both the median and mean Time on Market for unsold sales properties in England and Wales are soaring in an unprecedented manner.
- Despite the pandemic, the best-performing regions – the North West, North East, Yorkshire and Wales - still show year-on-year price growth broadly in line with monetary inflation.
- The total sales stock on the market across England and Wales continues to melt away; down by 15.3% year-on-year, part of a longer-term trend.
- East of England remains the UK's worst-performing region with the average asking price 2.5% lower than twelve months ago.
- Already low, the supply in the rental sector across the UK has plummeted by 50% year-on-year.
- The trend of soaring rents in Greater London appears to have ceased for the time being although some boroughs, such as Hackney, still show double-digit rises over the last twelve months.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, May 2020, Indexed to May 2004 (Value =100).



Summary

The measures imposed to curb the spread of the COVID-19 virus have devastated the housing market. The closure of estate agent offices has meant that new listings effectively ceased last month. Prices have dipped a little but such movements in these troubled times are essentially meaningless when the market is basically frozen. Forecasts of falling prices are simply more doom and gloom. All eyes are looking to when the restrictions are lifted...

The UK property market began the year in good shape and showed considerable potential for growth. Hence we expect that, when the coronavirus restrictions are lifted, significant activity will return although demand will certainly be tempered by the economic damage sustained by the lockdown. The most difficult question to answer is 'How strong will the rebound be?'

In February, it was clear that the London market had recovered from several painful years of price correction and was set for considerable growth in view of rising demand and favourable interest rates. Given a return to normal operating conditions, it remains to be seen how much confidence has been knocked by the COVID pandemic. Many potential buyers will now be suffering economic hardship thereby reducing demand. Moreover, the inevitable rise in bankruptcies will lead to a rise in repossessions, thus adding to supply.

Pre-pandemic, sales and rental stock levels were low and so was supply of new stock. Of course, in the short term, this situation has worsened dramatically. The total stock of property for sale in England and Wales has now dropped 15% year-on-year, and there was 85% less property entering the market in April compared to April 2019. Post-pandemic, stock levels will likely bounce back but it will take some time before

the dust settles and we see how Adam Smith's invisible hand rebalances supply and demand in the sales market.

Low and falling stock levels also characterised the Private Rented Sector (PRS) pre-pandemic, but it was more severe than in the sales market. We expect this to remain the case and for demand to soar once the restrictions are lifted. The lettings market had 50% less new rentals entering the market in April than in April 2019. This squeeze in supply will likely have a dramatic upward effect on rents going forward. Currently, the mix-adjusted average rent is 4.1% higher than it was a year ago.

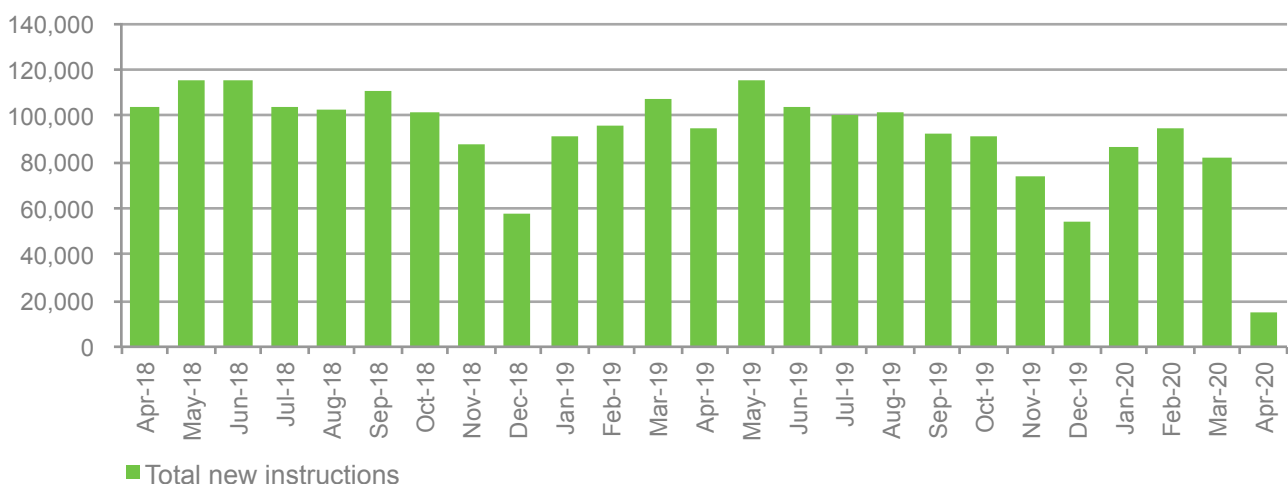
For what it's worth, the annualised mix-adjusted average price growth across England and Wales currently stands at +0.4%; in May 2019, the annualised rate of increase of home prices was -0.2%.

Unprecedented Supply Drop

The housing market is, to all intents and purposes, frozen by the COVID-19 lockdown. We have witnessed a dramatic (and probably unprecedented) drop in new sales listings. While the latest house price movements in any region are essentially meaningless in the current situation, it is worth considering the fall in supply across the UK over the month of April. To put this miniscule number of new instructions in context, we show the monthly trend chart across two years.

Pre-pandemic scarcity was already affecting most of the UK market and London in particular was suffering a property drought. However, the fall in new listings in April is probably without precedent, showing a startling 85% drop compared to April 2019. What has become clear is that, given a return to more normal conditions, the market will restart from an extremely low supply base. This factor is enough in itself to

Monthly Sales Supply, from April 2018 to April 2020



Source: Home.co.uk Asking Price Index, May 2020

avoid price falls in the immediate future. Only when listings return to more normal levels will we see how supply relates to demand. Post-pandemic demand, on the other hand, will most certainly be dented by the economic carnage of recent events but to what degree it is difficult to predict.

Added to this, once the pandemic is over, we may anticipate a rush to safer investments, and rapidly rising rents will likely attract many more buy-to-let investors as yields become much more

“ I’m in the rather unusual position of writing about a property market that, for the time being, does not exist.

For now, both supply and demand have essentially ceased. New listings have all but stopped and viewings (other than virtual) are impossible. Clearly, the UK housing market has endured nothing like it before and we may hope that such circumstances do not arise again.

Once the COVID-19 pandemic restrictions are lifted (and this may be very soon), we will see a rebalancing of both demand and supply. Demand, being chiefly credit-based, looks set to return more quickly but to what extent it has been dented by the coronavirus is difficult to estimate. The resurgence of supply may well be slower for practical reasons as well as vendor nervousness and certainly looks set to restart from extraordinarily low levels.

Sufficient demand is, of course, vital to support UK home values. According to Rightmove, online searches have increased significantly during the lockdown but whether or not this represents real buyer interest or lockdown boredom remains to be seen. There is also the problem of confidence. Potential buyers are notoriously reticent when there is too much talk of falling prices and prefer to sit on the sidelines. Moreover, the world status of London property as a safe-haven investment has been heavily tarnished by the outbreak. Added to this, the creditworthiness of many would-be buyers will have been adversely affected. Job losses and bankruptcies will certainly attenuate demand.

Lay-offs and repossession orders will also affect supply going forward. A rise in such distressed sales is seemingly inevitable but whether or not this will have a tangible effect on a market plagued by lack of supply is anyone’s guess.

Until the financial results are in for Q3, when we might gauge the strength of the recovery,

attractive. However, it may be worth noting that the short-term rental sector has been devastated by the pandemic and many of those properties may return to the long-term sector.

How the rebalancing of supply and demand pans out remains to be seen but, for the time being, economic confidence has been damaged across the entire UK, and the uncertainty regarding any kind of return to normal market conditions is painfully apparent.

much uncertainty will remain. However, fortune is known to favour the bold and bargain hunters will not miss such an opportunity.

What is certain is that the UK government could certainly help encourage property investment by wannabe

homeowners, home movers and landlords alike, post-pandemic. What is less clear is whether or not such measures will be put in place soon enough to ensure a smooth recovery.

Fortunately, low interest rates are already in place (and may go even lower), but the number of available mortgage deals seems to be shrinking, especially for Buy-to-Let, and this is a worrying trend. Shortages of rental property were a problem before the pandemic and are acutely worse at the moment. Scarcity is worst in London and rents there were already skyrocketing before the pandemic took hold. Despite a recent lull in investment due to added taxation and costly regulation, many landlords will be tempted to reinvest if given the financial tools required: reduction in red tape and taxation. Moreover, the possibility of a reasonable return on investment might entice more investors to return to the PRS and thereby redress the pitiful shortfall in available homes to rent.

Again, we extend our deepest sympathies to all those adversely affected by the coronavirus pandemic, especially to those who are sick, and to their families and friends. We sincerely hope and pray that they will make a speedy recovery. Moreover, we extend our solemn condolences to all those who have lost a friend or family member to the virus.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

| Scotland | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £188,908 |
| Monthly % change | 0.2% |
| Annual % change | 1.4% |

| North East | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £162,334 |
| Monthly % change | 0.6% |
| Annual % change | 2.3% |

| Yorks & The Humber | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £205,024 |
| Monthly % change | 0.0% |
| Annual % change | 2.1% |

| North West | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £210,602 |
| Monthly % change | 0.2% |
| Annual % change | 2.5% |

| West Midlands | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £256,420 |
| Monthly % change | 0.0% |
| Annual % change | 1.4% |

| East Midlands | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £238,544 |
| Monthly % change | -0.1% |
| Annual % change | 0.4% |

| East | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £342,919 |
| Monthly % change | -0.1% |
| Annual % change | -2.5% |

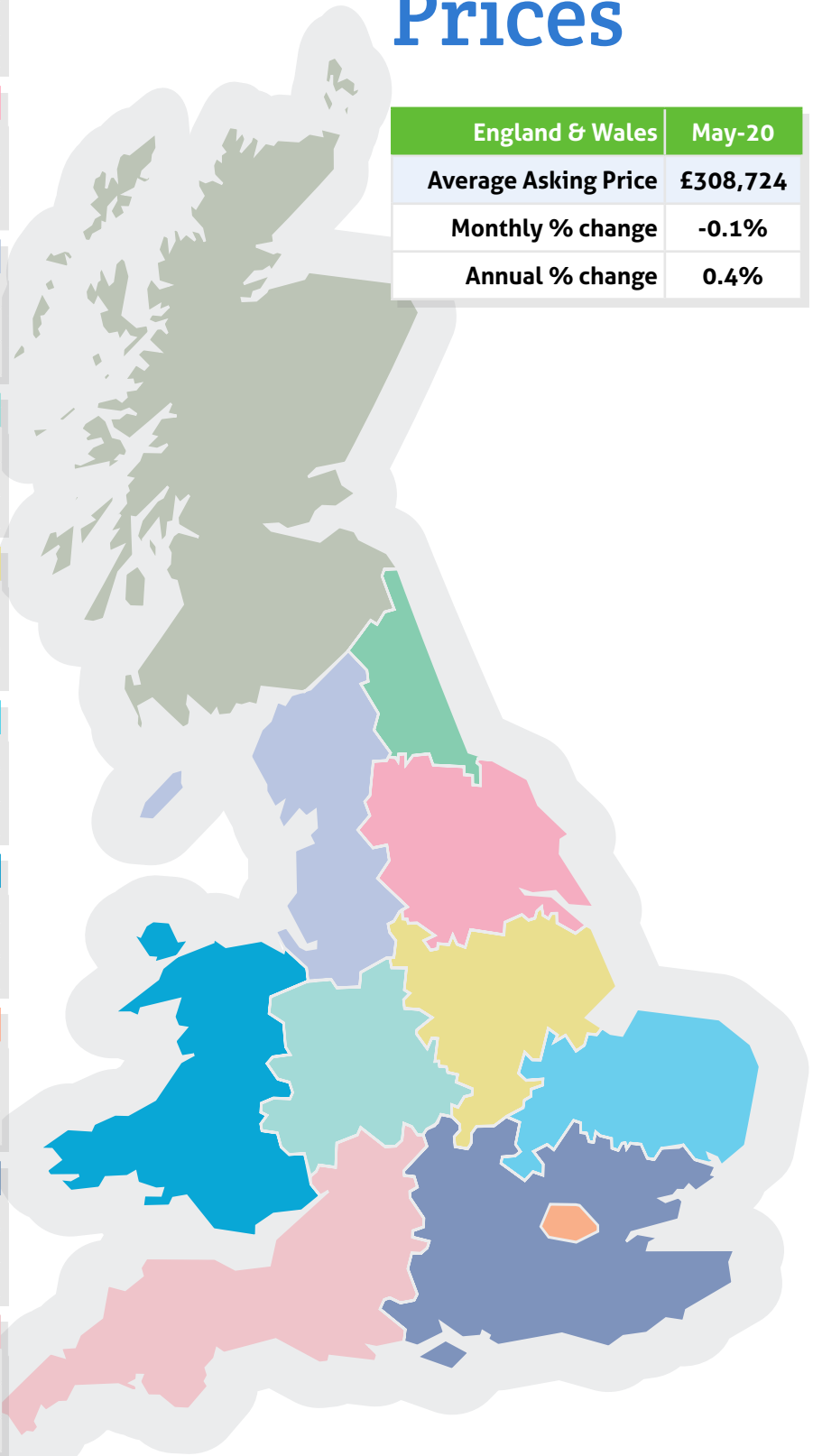
| Wales | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £214,691 |
| Monthly % change | 0.1% |
| Annual % change | 2.7% |

| Greater London | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £518,985 |
| Monthly % change | -0.2% |
| Annual % change | 0.7% |

| South East | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £391,970 |
| Monthly % change | -0.2% |
| Annual % change | -0.8% |

| South West | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £323,586 |
| Monthly % change | 0.1% |
| Annual % change | 0.3% |

| England & Wales | May-20 |
|-----------------------------|-----------------|
| Average Asking Price | £308,724 |
| Monthly % change | -0.1% |
| Annual % change | 0.4% |



Source: Home.co.uk Asking Price Index, May 2020

UK Time on Market

| Scotland | May-20 |
|-------------------------------|------------|
| Average Time on Market | 287 |
| Typical Time on Market | 174 |
| Annual % supply change | -90% |

| North East | May-20 |
|-------------------------------|------------|
| Average Time on Market | 264 |
| Typical Time on Market | 156 |
| Annual % supply change | -84% |

| Yorks & The Humber | May-20 |
|-------------------------------|------------|
| Average Time on Market | 206 |
| Typical Time on Market | 115 |
| Annual % supply change | -82% |

| North West | May-20 |
|-------------------------------|------------|
| Average Time on Market | 222 |
| Typical Time on Market | 137 |
| Annual % supply change | -84% |

| West Midlands | May-20 |
|-------------------------------|------------|
| Average Time on Market | 191 |
| Typical Time on Market | 109 |
| Annual % supply change | -83% |

| East Midlands | May-20 |
|-------------------------------|------------|
| Average Time on Market | 189 |
| Typical Time on Market | 108 |
| Annual % supply change | -84% |

| East | May-20 |
|-------------------------------|------------|
| Average Time on Market | 194 |
| Typical Time on Market | 110 |
| Annual % supply change | -87% |

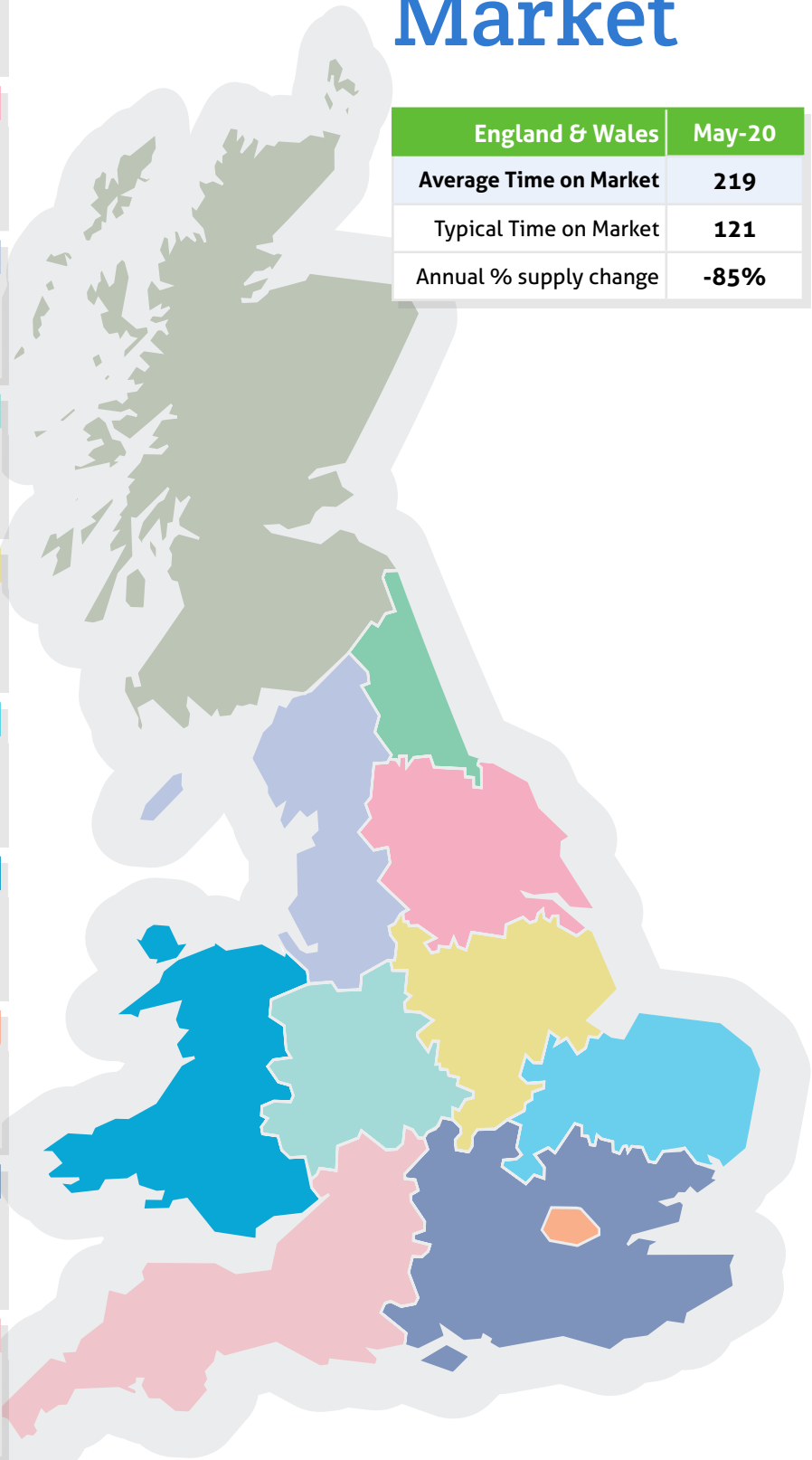
| Wales | May-20 |
|-------------------------------|------------|
| Average Time on Market | 261 |
| Typical Time on Market | 158 |
| Annual % supply change | -81% |

| Greater London | May-20 |
|-------------------------------|------------|
| Average Time on Market | 228 |
| Typical Time on Market | 115 |
| Annual % supply change | -82% |

| South East | May-20 |
|-------------------------------|------------|
| Average Time on Market | 197 |
| Typical Time on Market | 109 |
| Annual % supply change | -85% |

| South West | May-20 |
|-------------------------------|------------|
| Average Time on Market | 215 |
| Typical Time on Market | 121 |
| Annual % supply change | -85% |

| England & Wales | May-20 |
|-------------------------------|-------------|
| Average Time on Market | 219 |
| Typical Time on Market | 121 |
| Annual % supply change | -85% |



Source: Home.co.uk Asking Price Index, May 2020. 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

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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
- To learn more about Home.co.uk data services please visit:
<https://www.home.co.uk/company/data/>

Future release dates:

- **Friday 12th June**
- **Wed 15th July**
- **Wed 12th August**