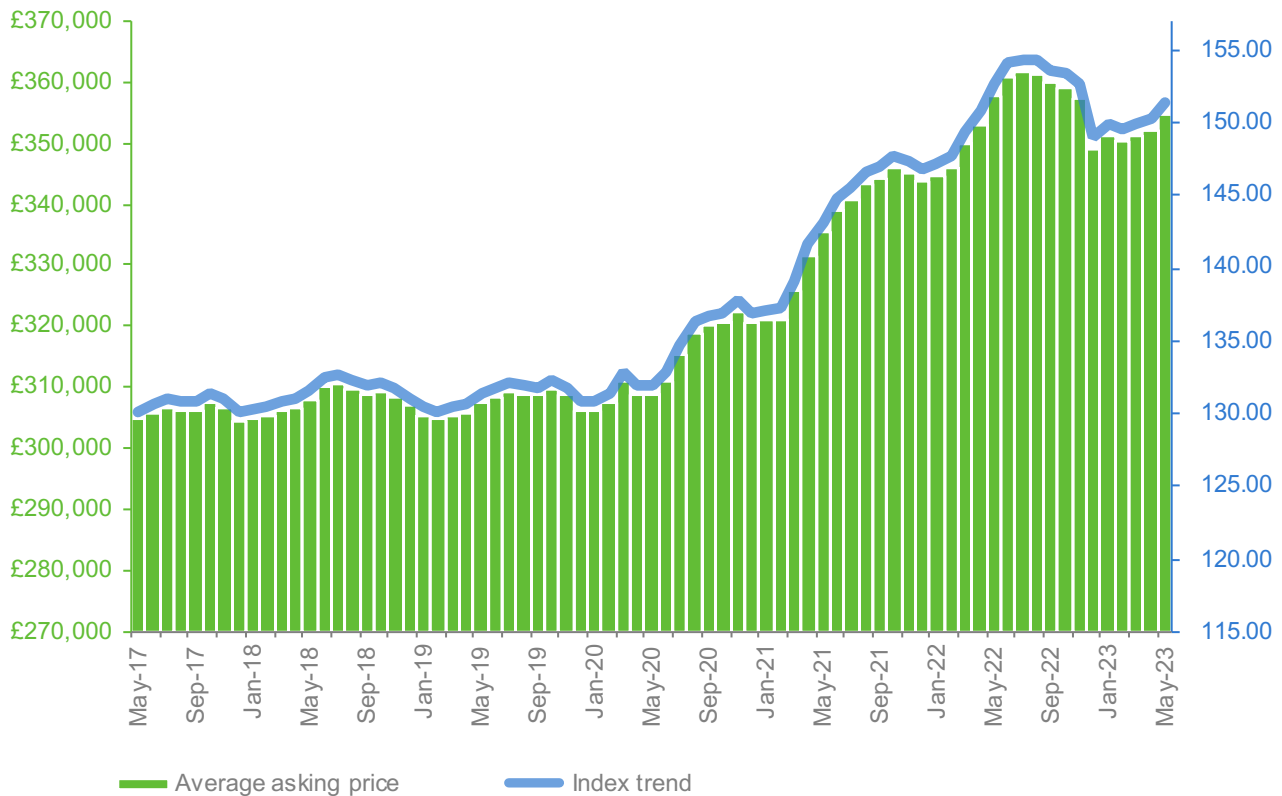


Prices Jump on Spring Optimism

Headlines

- Asking prices across England and Wales surged during April by 0.8% on a wave of optimism, although year-on-year growth slipped further into the negative (-0.8%).
- The Typical Time on Market for unsold property in England and Wales increased by four days during April to make the current median 81 days, in line with seasonal expectations.
- Asking prices in April rose in Scotland, Wales and all English regions. The steepest rise was in the South East (+1.6%).
- The total sales stock count for England and Wales increased again during April by 21,077 to reach 409,559. This further significant rise takes the total to just under the 10-year average of 418,885.
- The supply rate of new instructions entering the market remains relatively restrained: up 5% on April 2022 but down 6% on April 2021.
- Typical Time on Market rose in all English regions during April but fell in Scotland and Wales.
- The Scottish property market remains the new leader in terms of annualised regional price growth (5.5%), while London is the laggard at -3.0%.
- Rents across the UK continue to rise (12.4% annualised) led by Greater London (up 18.7%). Supply remains very tight in the lettings sector.
- The current new growth leaders in asking rents are the London boroughs of Bexley and Hillingdon (+32% and +30% annualised respectively).

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, May 2023, Indexed to May 2004 (Value=100).

Summary

Rising asking prices across all English regions, Scotland and Wales indicate a renewed level of confidence among vendors and a further bold step along the road to recovery. At the same time, rising stock levels and longer marketing times, while normal for the time of year, will both serve to restrain further price hikes going forward. Of course, overly optimistic pricing risks a stand-off between buyers and sellers that could spark a further price correction and stall the market.

To date, the recovery of the UK property market in the wake of the interest rate shocks is well underway. Prices underwent a significant correction and subsequently the market regained much lost momentum. This month's data is consistent with the typical operation of the

marketplace for the time of year. In fact, the current key indicators are completely in line with market observations for the seven years prior to the pandemic.

More cautious pricing might have been expected given the considerable uncertainty about interest rates. However, vendors appear to have brushed aside the Bank of England's hand-wringing and negative messaging that was seemingly designed to undermine buyer confidence and create a fearful climate of wait-and-see hesitancy.

The most startling example of seller confidence during April was in the South East, culminating in a jump of 1.6% and making up for some of the ground lost during the correction. Buyers will be reminded that the market moves on quickly and the time for bargain-hunting is short.

Meanwhile, markets in the northern regions of England, Wales and Scotland are in great shape and continue to operate with marketing times much lower than in pre-COVID years. The North East sales market in particular has been transformed beyond recognition. It is in these areas that home price growth remains positive year-on-year and where we expect the most growth going forward.

Although mortgage rates have crept up slightly, they remain extraordinarily low compared to the rate of inflation and this will continue to support demand and aid the recovery.

Fixed-rate deals are still available below 4% while inflation remains stubbornly north of 10% (either CPI or RPI). Moreover, the same goes for remortgage rates and this serves to prevent the flood of repossessions that would be inevitable if interest rates were over and above

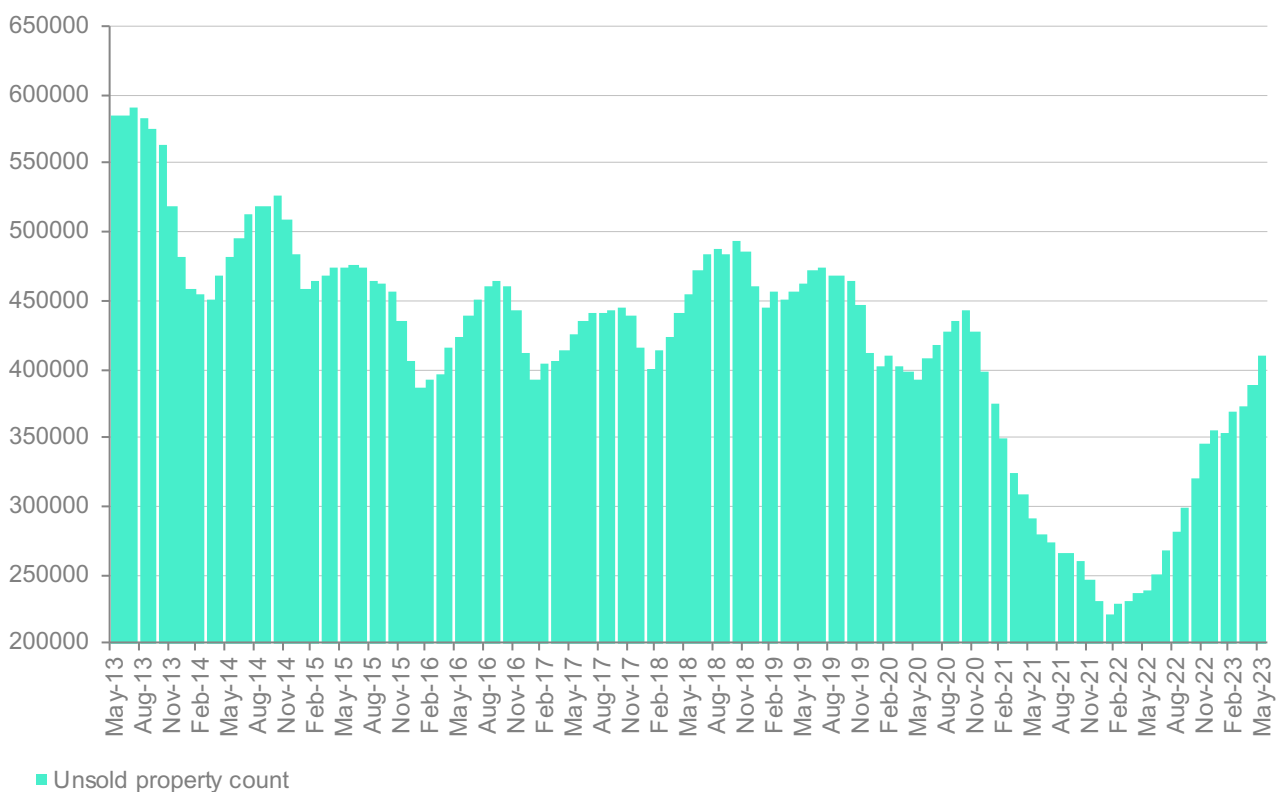
the rate of inflation as they were in the 1970s.

The annualised mix-adjusted average asking price growth across England and Wales is now -0.8%; in May 2022, the annualised rate of increase of home prices was 6.6%.

Overall, asking pricing has transitioned from cautiously optimistic to bullish despite the challenges facing the market. The sharp correction during the latter part of 2022 got the market moving again despite higher borrowing costs, and the latest hike reaffirms the business-as-usual mindset.

Looking across the last three highly eventful years, the mix-adjusted average has risen 14.8% since May 2020, despite the correction during the latter half of 2022. We expect more price rises over the next couple of months with a likely seasonal peak around August.

Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, May 2023

Stock Levels

The rising trend continues to dominate the Total Stock chart. Seasonality indicates that, during normal market conditions, stock levels peak during the summer. We therefore expect the unsold property count to increase for at least the next two months and peak around September. Currently at 409,559, the count is just below the 10-year average of 418,885 and this figure may well be surpassed during the summer months.

Regional Roundup

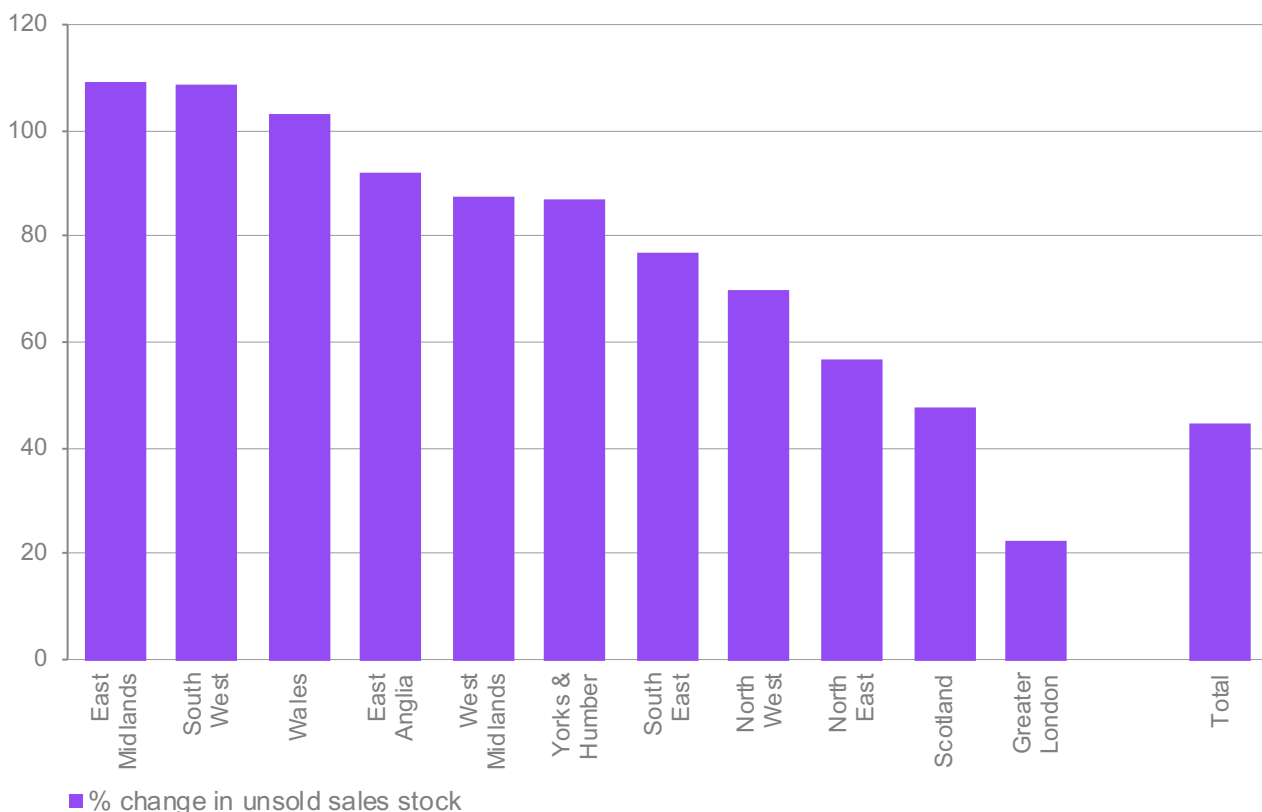
While the current trend is towards stock level recovery, not all regions have accrued new listings at the same rate. In fact, there is considerable variation in the replenishment of agents' portfolios.

Over the last year, stock levels have more than doubled in the East Midlands, South West and Wales. This is clearly very

good news for buyers in these regions as more properties provide more choice and more negotiating power. For the time being, pricing perhaps looks a little optimistic in these areas, given the increase in marketing times in the East and South West since last month. England's most northern region and Scotland, however, have added much less additional stock to agents' portfolios, although the rises are still significant.

By contrast, the national rise in stock [see chart] is a mere 44%. This is due to the very low levels of restocking apparent in Greater London. The capital region has added only 22% to the unsold property count since May last year. Consequently, time on market has only increased by 15% in this region over the last twelve months, a much lower figure than the 40% rise in the median for England and Wales. Clearly, spared the supply-side

Rise in Total Properties for Sale by Region, Apr 2023 vs. Apr 2022



Source: Home.co.uk Asking Price Index, May 2023

shock, a price correction is much less likely, especially given the exceptional vitality of London's rental market.

Higher stock levels at higher prices have pushed up marketing times in all English regions, increasing the risk of a further, albeit minor, price correction, although this may simply occur naturally in the autumn.

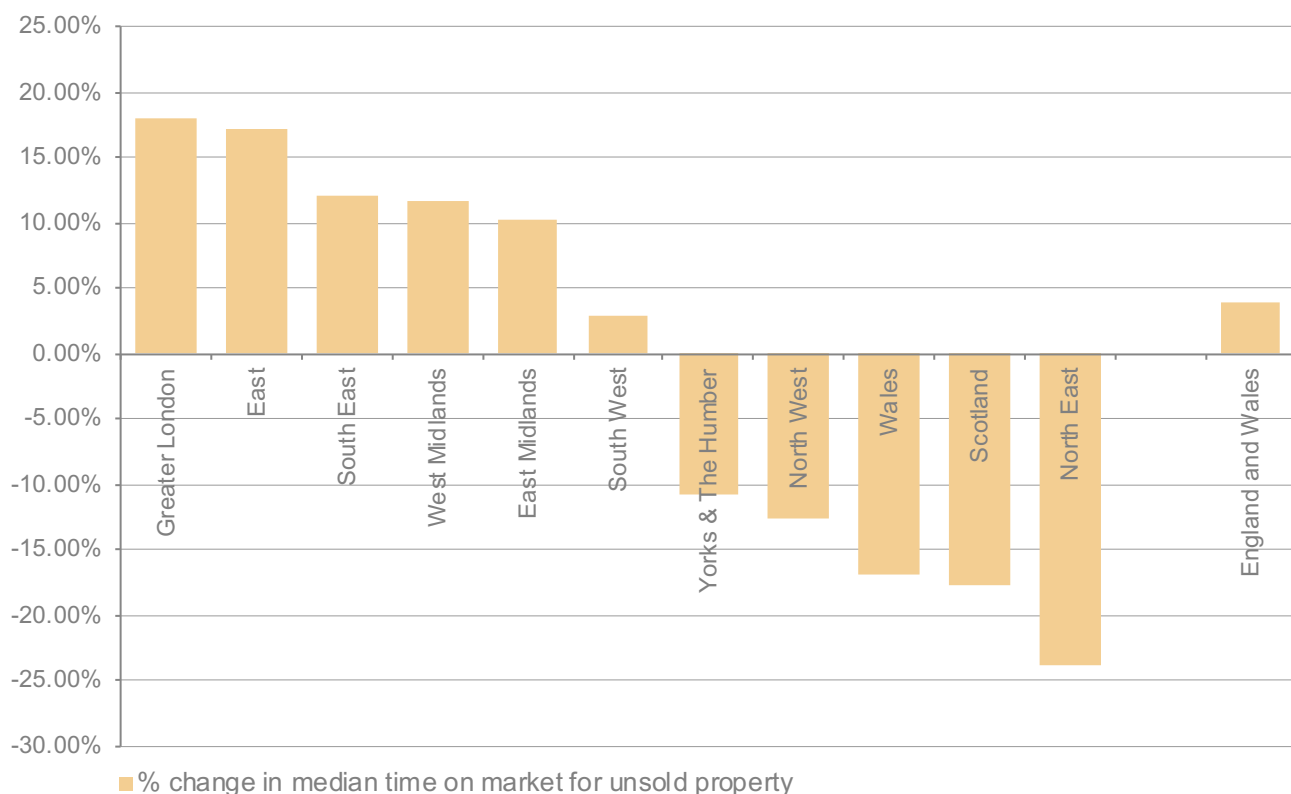
However, the northern regions continue to show enhanced vitality compared to their pre-COVID performance and are, therefore, likely to shoulder the higher volume with ease and continue price growth.

While May's uptick in marketing times will increase pressure on prices and perhaps cause a minor price correction, it is important to also understand the longer-term transformation the market has undertaken during the COVID boom to what is now the new normal.

A broadly north-south divide is apparent in the change in marketing times over the last five years. Properties are now spending longer on the market in the southern regions and less so in the northern regions and Wales and Scotland. By far the most improved region is the North East which seemed to stagnate for many years before the pandemic came along. Prior to 2020, prices went sideways for 13 years and the market was plagued by an excess of old stock.

Several key drivers for the recovery of all the northern markets have been the race for space during and just after the lockdowns; higher yields for landlords; and, of course, simply the lower cost of property. Moreover, it should come as no surprise that the northern regions and Scotland currently show significant year-on-year growth while the southern regions have lost ground [see map].

% Change in Typical Time on Market, Apr 2023 vs. Apr 2022



Source: Home.co.uk Asking Price Index, May 2023

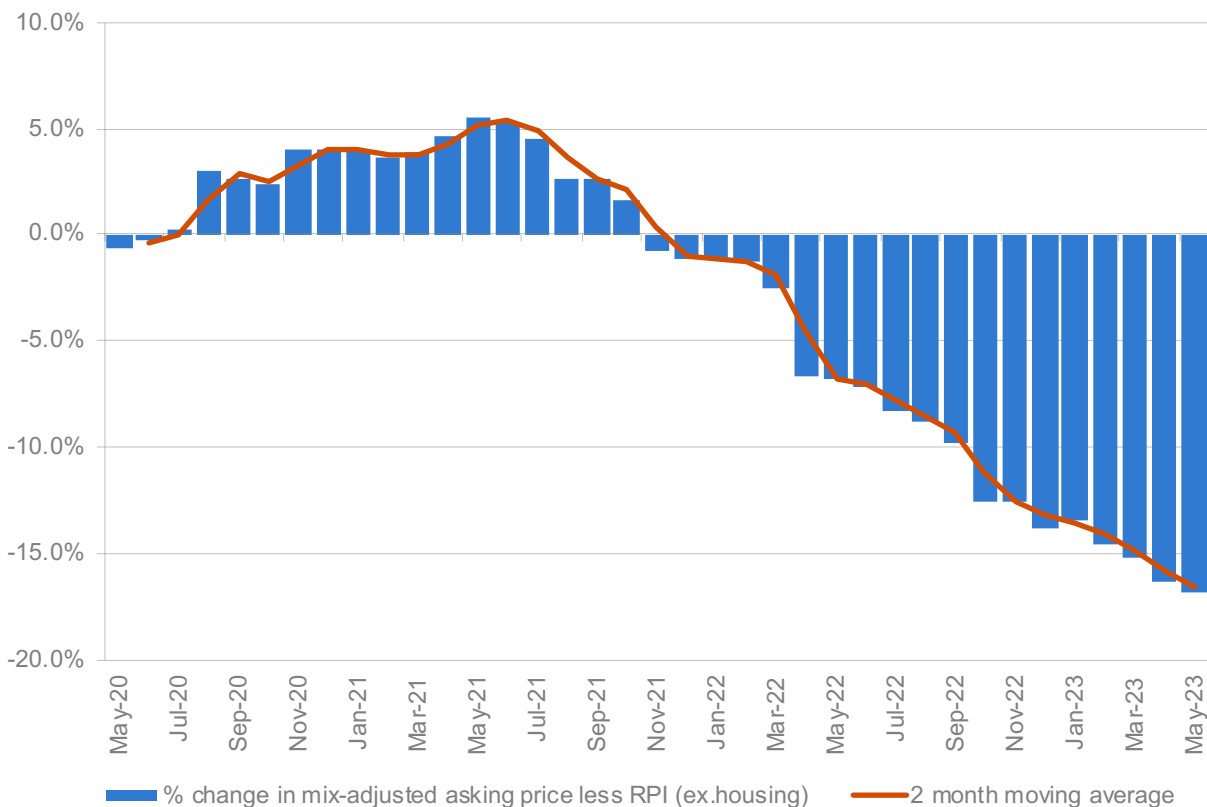
Real Price Growth

The relative performance of home price growth to monetary inflation continues to deteriorate. Real growth has been in a downtrend for exactly two years and clearly we have yet to see the trough.

Owing to the fact that mortgage rates are only around half the rate of inflation,

those investors who are highly leveraged will be benefitting the most in the current market as inflation erodes away their debt. For those in the know, this will be a key incentive to buy right now, even at current mortgage rates. For those that fully own their properties and were hoping to preserve the purchasing power of their capital, the current situation will be distasteful.

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, May 2023 and ONS [RPI ex. housing]. Inflation for April and May are our estimates.



“ This month’s price hike presents a quite remarkable show of confidence among vendors and confirms that the market has adapted to changing credit conditions and is back to business as usual.

Perhaps the doomsters in the media will be silenced for a while but somehow I doubt it. After all, fear sells newsprint.

If one takes into account all the relevant data points, the current course of the market should come as no surprise. Prior to 2008, if someone had told you that in the future you would be able to borrow money at half the rate of official inflation, you might have laughed in their face. What a ludicrous proposition! Well, the banks have been borrowing at sub-inflation rates for quite some time, and now it’s the same for mortgagees.

Yes, the Bank of England will most likely have raised the base rate by 25 basis points when you read this, but that is already priced in to the mortgage rates currently available. Such a move is fully anticipated and coordinated with the Federal Reserve in the US. It may be described as an intentionally half-hearted attempt to curb inflation.

Why half-hearted? Well, there are several reasons. First, the UK needs inflation to reduce the massive national debt. Second, there isn’t the spare capacity in the economy to permit further rises without catastrophic damage. Interest rates are pretty much useless against cost-push inflation (imported energy and food) as opposed to consumer-pull inflation. Third, banks and pension funds holding government bonds see their value drop each time interest rates are raised and this is too painful and destabilising (as recently exemplified by Credit Suisse).

Therefore, it looks like inflation (neither ‘unexpected’ nor ‘short-lived’) is here

to stay for quite some time. During times of inflation, investors tend to seek hard assets such as gold, commodities or property in order to preserve the purchasing power of their capital. Indeed, gold has just touched new all-time highs due to a buying frenzy led by the world’s central banks.



Meanwhile, residential property offers a rising return (thanks to increasing rents and a long-term shortage of rental accommodation) and inflation will erode the outstanding debt by 10-15% per annum (depending on which measure of inflation you prefer). All the investor has to do is stump up the deposit and pay the interest payments. Of course, there are taxes and irksome regulations to deal with, but the risks appear minimal compared to holding cash or investing in a pension fund that may go belly up. Real interest rates are negative at the moment and may be for a long time.

I’ll end this month with a quote from the great Ernest Hemingway: ‘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.’

He’s right of course; both inflation and war are ruinous. The current objective for the individual or family is therefore financial damage limitation.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	May-23
Average Asking Price	£224,390
Monthly % change	0.7%
Annual % change	5.5%

North East	May-23
Average Asking Price	£191,789
Monthly % change	0.6%
Annual % change	4.1%

Yorks & The Humber	May-23
Average Asking Price	£247,112
Monthly % change	0.8%
Annual % change	3.4%

North West	May-23
Average Asking Price	£259,500
Monthly % change	0.7%
Annual % change	2.9%

West Midlands	May-23
Average Asking Price	£300,635
Monthly % change	0.6%
Annual % change	0.3%

East Midlands	May-23
Average Asking Price	£286,611
Monthly % change	0.8%
Annual % change	0.5%

East	May-23
Average Asking Price	£398,986
Monthly % change	0.2%
Annual % change	-2.7%

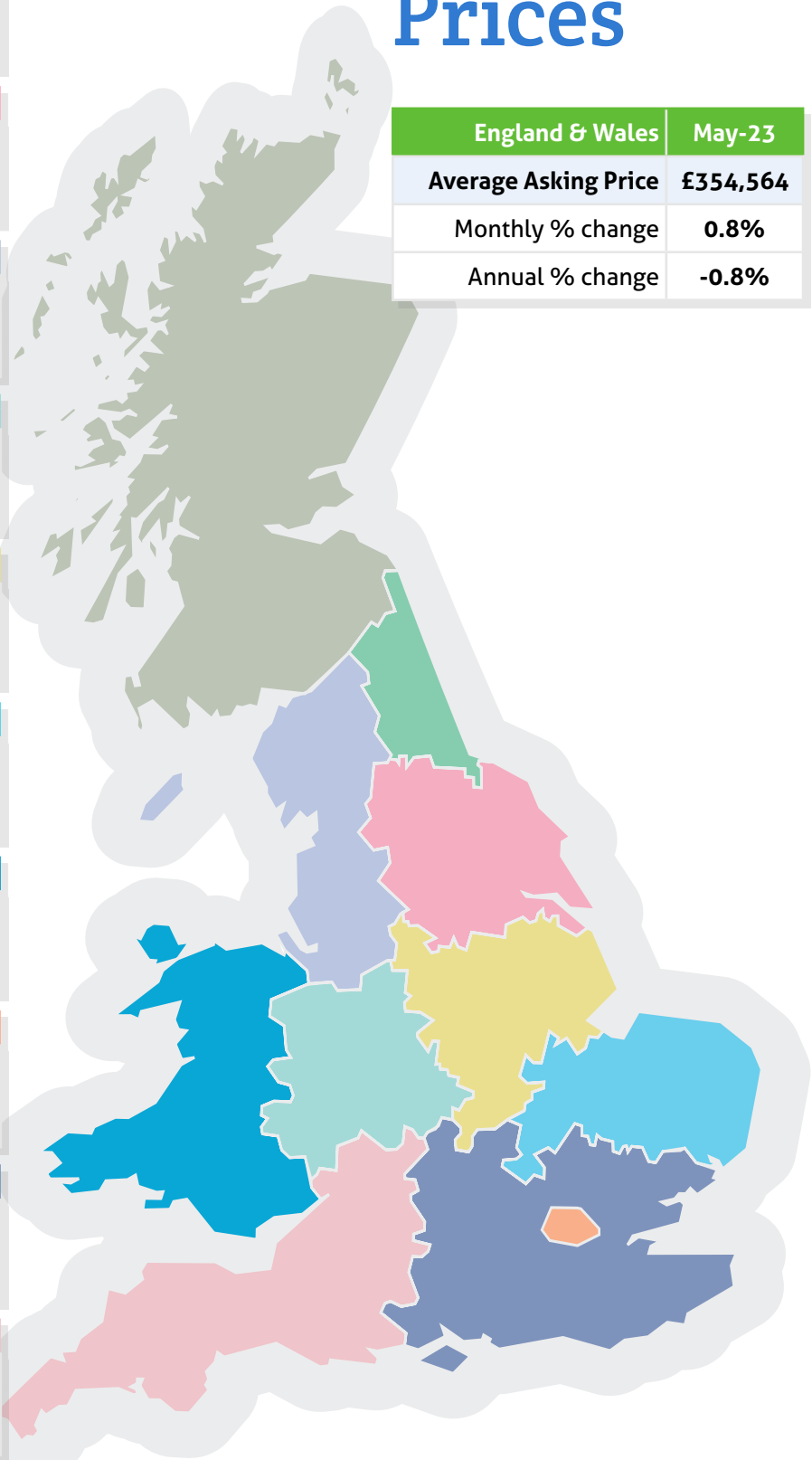
Wales	May-23
Average Asking Price	£261,457
Monthly % change	0.6%
Annual % change	0.6%

Greater London	May-23
Average Asking Price	£543,010
Monthly % change	0.4%
Annual % change	-3.0%

South East	May-23
Average Asking Price	£447,440
Monthly % change	1.6%
Annual % change	-2.0%

South West	May-23
Average Asking Price	£382,322
Monthly % change	0.9%
Annual % change	-1.3%

England & Wales	May-23
Average Asking Price	£354,564
Monthly % change	0.8%
Annual % change	-0.8%



Source: Home.co.uk Asking Price Index, May 2023

UK Time on Market

Scotland	May-23
Average Time on Market	200
Typical Time on Market	74
Annualised % supply change	-1%

North East	May-23
Average Time on Market	154
Typical Time on Market	80
Annualised % supply change	-3%

Yorks & The Humber	May-23
Average Time on Market	133
Typical Time on Market	74
Annualised % supply change	5%

North West	May-23
Average Time on Market	152
Typical Time on Market	77
Annualised % supply change	3%

West Midlands	May-23
Average Time on Market	147
Typical Time on Market	76
Annualised % supply change	5%

East Midlands	May-23
Average Time on Market	132
Typical Time on Market	75
Annualised % supply change	11%

East	May-23
Average Time on Market	140
Typical Time on Market	75
Annualised % supply change	9%

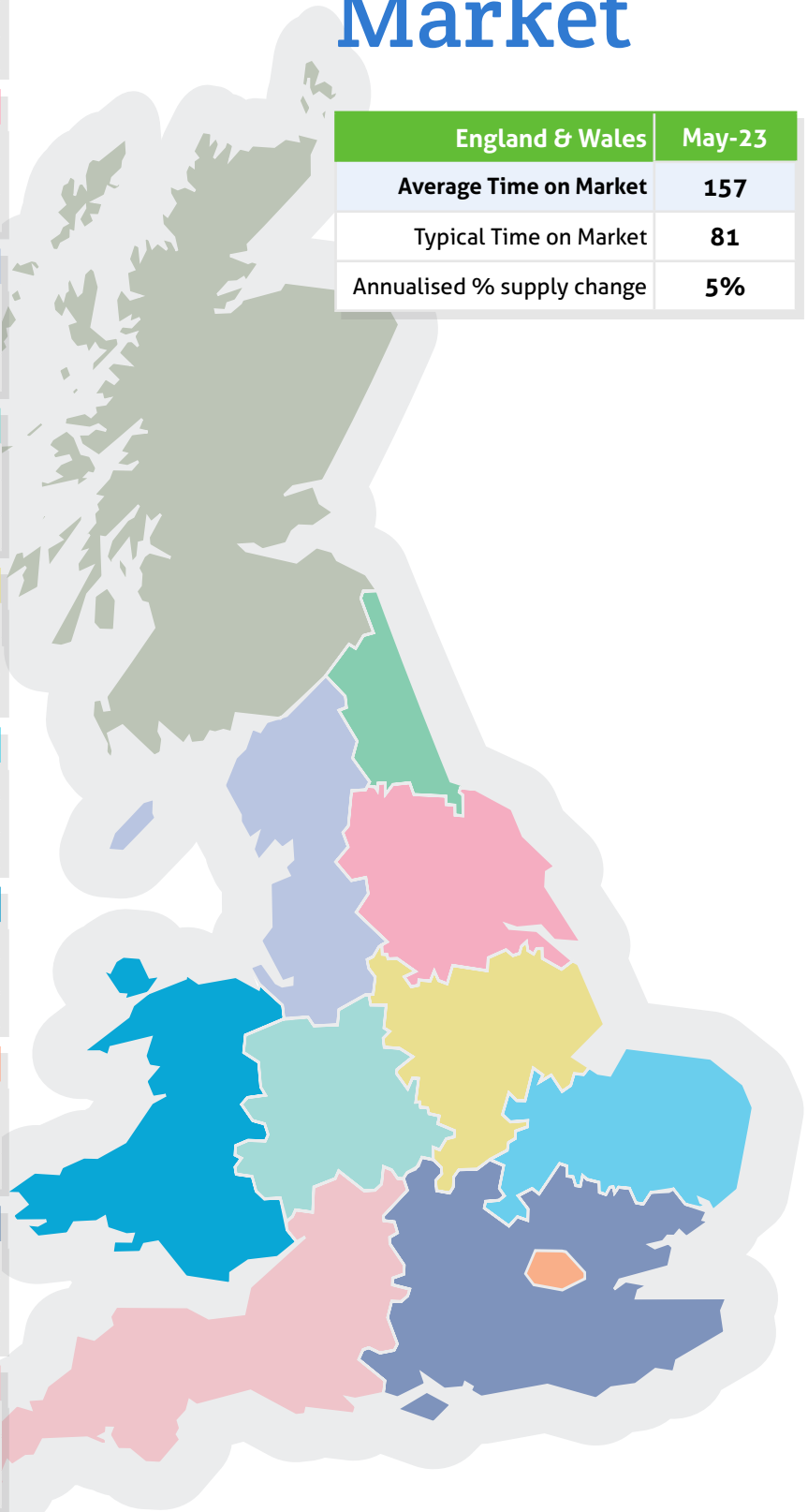
Wales	May-23
Average Time on Market	158
Typical Time on Market	89
Annualised % supply change	11%

Greater London	May-23
Average Time on Market	195
Typical Time on Market	92
Annualised % supply change	-2%

South East	May-23
Average Time on Market	146
Typical Time on Market	74
Annualised % supply change	8%

South West	May-23
Average Time on Market	140
Typical Time on Market	73
Annualised % supply change	11%

England & Wales	May-23
Average Time on Market	157
Typical Time on Market	81
Annualised % supply change	5%



Source: Home.co.uk Asking Price Index, May 2023. 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:

- **Wednesday 14th June**
- **Wednesday 12th July**
- **Wednesday 16th Aug**