Asking Price Index

Released 15/09/21 September 2021

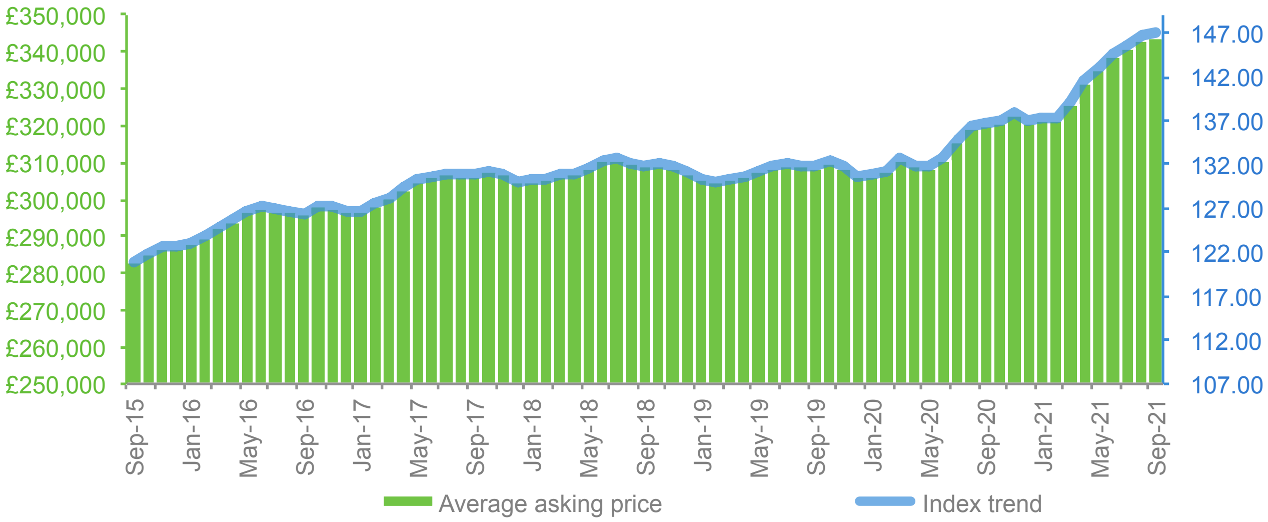
EMBARGOED UNTIL 15/09/21

Record Low Stock and Easy Lending Support Prices as Market Slows

Headlines

- The total stock of property for sale in England and Wales has been eroded further to a new record low of 265,774, 38.8% lower than in September 2020 and 45.0% less than in September 2018.
- Monthly supply of new instructions continues to weigh in below expectations across the UK (-40% compared to August 2020). The South East is worst hit (-49%) while Greater London, formerly plagued by vast oversupply, indicates a further drop in the number of new instructions (down 48% compared to August 2020).
- Thanks to lower supply, asking prices across England and Wales nudged up again despite the looming end of the stamp duty tax break, adding another 0.2% since last month, although the annualised average growth slipped a little to 7.4%.
- Whilst relatively low, Typical Time on Market for unsold property in England and Wales has risen slightly by five days since last month to 82 days, in line with seasonal expectations.
- Low supply and considerable residual demand continue to push up prices in most English regions (except the North East, West Midlands and Yorkshire) and in Scotland. Welsh prices showed their first monthly fall since December. The largest monthly rises are in the East of England (+1.1) and the East Midlands (+1.0%).
- The East of England property market continues to head up the 12-month regional price growth chart with a stunning gain of 12.1%, followed closely by the East Midlands (+10.1%).
- Greater London remains the UK's worst-performing region with 3.9% annualised growth although the trend is now upward. There are clear signals that the capital's sales market may soon catch up and overtake Yorkshire and the North East as demand returns and supply is much reduced.
- The sales market is now supported by rising rents in the Greater London lettings market. Annualised growth in asking rents has now firmly moved into positive territory following the COVID exodus (+6.9%). The greatest rises in asking rents over the last twelve months are in the City (+23.2%), Kensington and Chelsea (+22.4%) and Wandsworth (+18.9%), confirming the continued return to city living.
- Scarcity of rental properties persists in all English regions, Scotland and Wales, further supporting record rents outside of London. Rents are up 4.8% across the UK since September 2020.
- The largest annualised average rent hikes remain in the South West of England (+10.0%) and the West Midlands (+11.1%).

Home Asking Price Trend for England & Wales



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

For media enquiries and interviews please contact: press@home.co.uk 0845 373 3580

The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

Summary

The current state of the property market is a direct result of overall low supply of both rental and sales instructions. Moreover, London now shows a return to strength with rising demand and reduced availability of both rental and sales stock. Scarcity is driving up rents across the UK and supply is continuing to fall rapidly. The total stock of property for sale indicates a record low in the history of this index and the trend suggests that it may not fall much further. Meanwhile, the supply rate of new sales listings remains consistently low across all English regions, Scotland and Wales, more than compensating for any reduction in demand owing to the end of the stamp duty holiday.

The turnaround in the London lettings market is truly remarkable. In merely a matter of months, the market has swung from a tenant's market to that of a landlord's market. Rents are soaring in the more central boroughs and supply continues to fall, suggesting that rent rises will continue for the rest of this year and perhaps into next.

The return to growth in rents is also boosting demand in the London sales market. It's worthy to note that the 5-year growth in London asking prices is equivalent to the 6-month growth (both 2.8%) and a clear indication that there is plenty of room for further growth, especially in such a low interest rate environment. The total sales stock total in London continues to fall and is now down by 17% since the oversupply peak in Nov 2020. Moreover, the supply rate of new instructions has dropped 48% compared to August last year, when urban flight triggered a wave of panic selling. Given that yields on rental properties are improving rapidly, we firmly expect demand to increase as investors eye opportunities in this formerly troubled market.

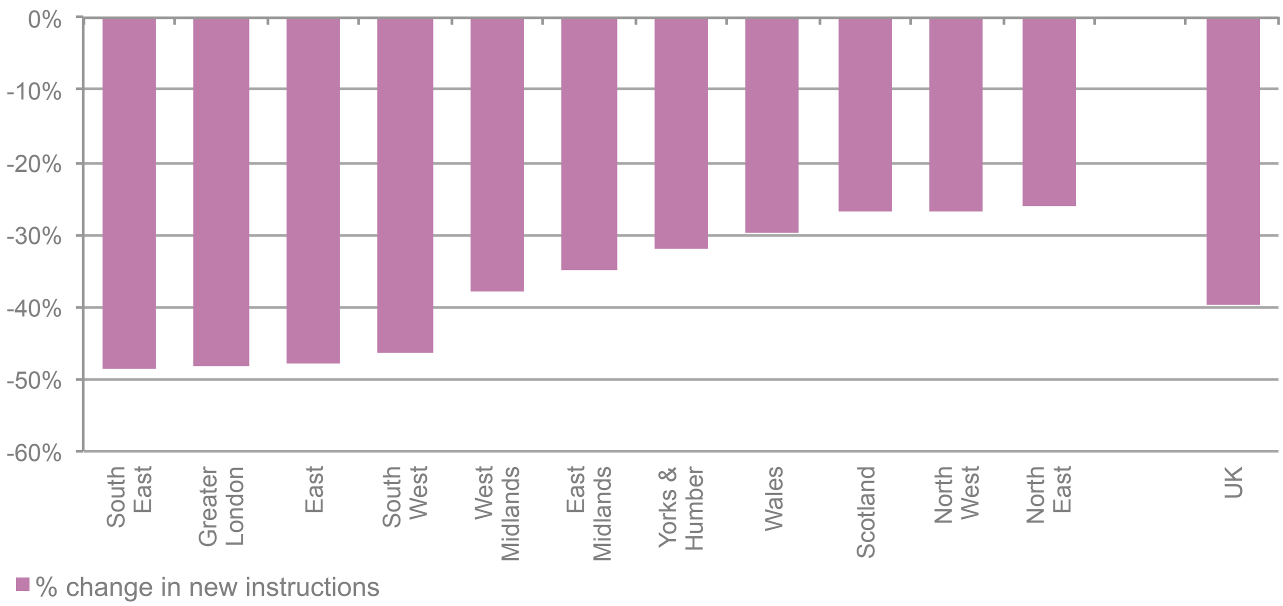
Across the UK, scarcity continues to push up both prices and rents. The number of new instructions entering the sales market continues to be very low compared to pre-COVID levels (down 16% August 2021 vs. August 2019). The number of newly available rental properties entering the market is also down considerably across the UK (down 35% August 2021 vs. August 2020).

The East of England and the East Midlands are now the top performers in terms of regional price growth, with annualised home price inflation of 12.1% and 10.1% respectively, supported by considerable residual demand and a dearth of supply. The tapering-off of the stamp duty holiday will have dented buyer demand in these and other regional sales markets, but it appears that supply and mortgage rates falling faster are ensuring that most parts of the UK remain a seller's market.

Our outlook is that prices and rents will continue to rise in tandem in this highly inflationary environment, but perhaps at a slower pace, until there is a significant loosening of supply in either market or mortgage lending becomes tighter. However, lenders are taking a very 'softly softly' approach to arrears and the repossessions court backlog will take a long time to unwind. Moreover, mortgage rates look set to remain extremely low with many lenders offering sub 1% deals.

The annualised mix-adjusted average asking price growth across England and Wales edged

Regional Supply Changes, August 2021 vs. August 2020



Source: Home.co.uk Asking Price Index, September 2021 down slightly to +7.4% this month; in September 2020, the annualised rate of increase of home prices was 3.8%.

Regional Roundup

Stock shortages and low mortgage rates remain the key market drivers across all regions. Overall stock is at an all-time low and supply is trending down in all regions. The South East, London, the East of England and the South West are the most seriously affected by falling supply, all with a shortfall in new instructions last month of 46% or greater compared to August 2020 (see chart). Even when compared to pre-COVID August 2019, supply is down significantly in all regions including London (see map). Across all the remaining English regions, Scotland and Wales the same lack of supply is evident. The least affected region is the North East but even there we observe an enormous shortfall of 26%.

That London's sales supply is contracting so rapidly indicates a radical step change for the capital region. Last year the UK's most valuable market was plagued by oversupply and so the current turnaround, coinciding with returning demand, is truly startling. Before the pandemic hit, it was clear that the London property market was ready to return to growth after a long and protracted price correction. Bearing in mind that prices have risen a mere 2.6% over the last five years and we currently have some of the cheapest mortgage deals ever, there is the potential for explosive price growth.

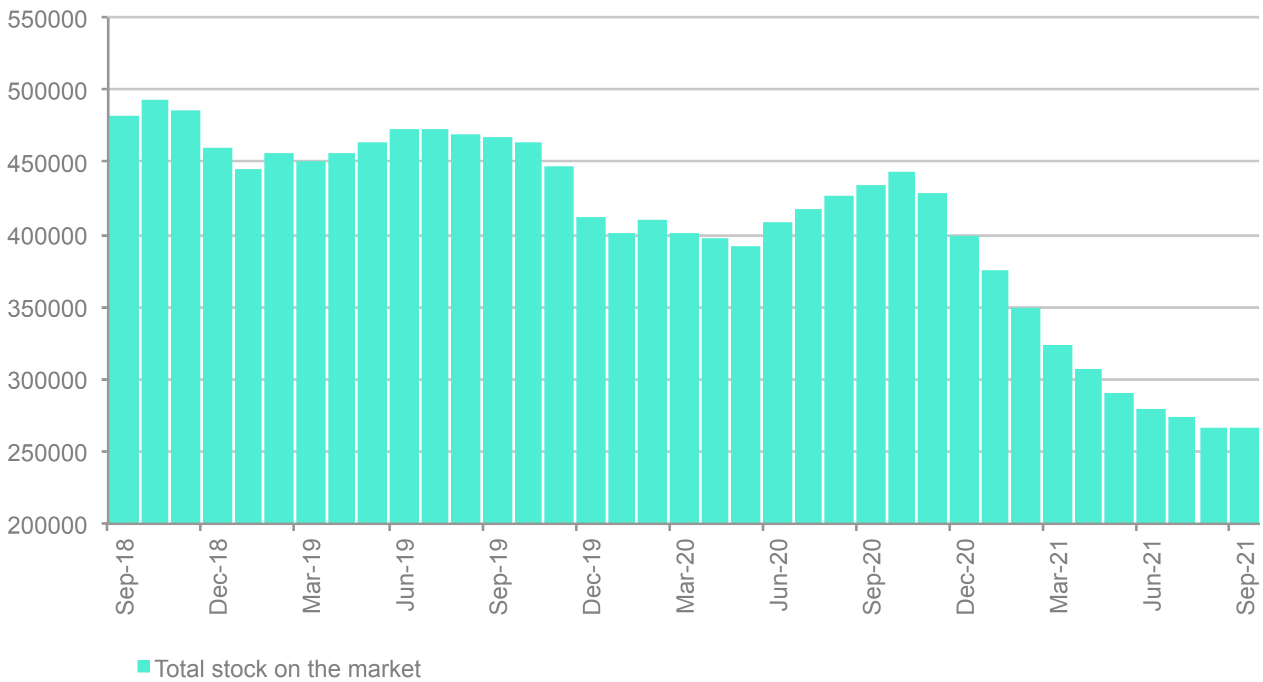
With most regions continuing to indicate that demand is overwhelming supply it is no surprise that prices have been rocketing. This month we see further price hikes in the East and East Midlands of 1.1 and 1.0% respectively. However, three English regions (the North East, the West Midlands and Yorkshire & Humber) all indicate a seasonal dip this month of -0.8%. This should not come as a surprise given their previous rapid price growth. Wales indicated a smaller correction of -0.3%.

Stock Total

Extraordinary demand coupled with low supply has eroded the total sales stock to another new low in the history of this index, albeit this last month's fall was relatively minor. Since September last year the number of properties on the market has fallen by a dramatic 38.8%, the likes of which we have not observed since the financial crisis of 2008.

Given that mortgage rates will remain ultra-low for the foreseeable future and that repossessions remain a mere trickle, there seems little or no reason why supply should increase in the near term. In fact, the London market is now showing considerable tightening of supply. Overall demand remains strong from investors, next-time and first-time buyers and therefore the stock looks set to remain at this low level at least into 2022.

Total Stock of Property for Sale, England and Wales



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

What a wild ride it has been for property this year.

From a macroeconomic standpoint, lack of supply coupled with artificially stoked demand led to alarming price hikes with several regions topping 10% growth, whilst at the same time the wider economy was brought to its knees by the pandemic. Moreover, the same story can be seen around the world in most developed nations. The US and Europe have also witnessed a huge surge in home price inflation.

But it's not only home prices that are going up. Prices of raw materials, food, energy and transport are all rising globally. The wider economic situation begs the question: 'Is this the beginning of the unstoppable inflationary wave that many economists warned us about when we gave our governments the keys to the money-printing press?' The question needs to be asked in order to put the massive home price inflation we have witnessed in context.

Monetary inflation is, of course, the loss of purchasing power of the currency, commonly caused by debasement. Price inflation, on the other hand, can be due to two effects: debasement of the currency or the wealth effect (i.e. an economic upturn injects more money into the economy). The latter would not seem to apply in the current situation. The country does not get richer through furlough schemes or deficit spending for that matter.

The Austrian school of economics, led by the work of von Mises, warns of what is called the 'crack-up boom'. In the beginning of such an event (and there have been several in history), all seems rosy. Lax economic policy creates price inflation which is misinterpreted as economic growth but eventually this spirals out of control. Weimar Germany is the classic example. Germans at first marvelled how much their property had increased in value only to later find that they couldn't afford to eat.

In the early stages of such an event, disaster can normally be avoided by raising interest rates and thereby stamping out the forest fire that is monetary inflation. However, given our current severe dependency on ultra-low interest rates (for both government and private debt), such a move would be untenable.

Russia, on the other hand, who does not have such enormous government debt, is in the process of raising rates to ward off inflation. Our only option would be for the government to set price controls, which is exactly the same disastrous policy that led to bare shelves in the shops of Communist Russia and post-Revolution France. Rent controls would lead to a similar situation by making buy-to-let unprofitable thereby making rental accommodation unavailable and also undermining the fundamental underpinning of the value of property: a classic case of treating a symptom and not the cause of inflation.

For the time being, central banks insist that the current wave of inflation which we are now experiencing is temporary, hence they can sit on their hands. They blame 'supply chain disruption' and insist that, given time, the problem will sort itself out. Some scepticism is warranted here, as you will perhaps remember they also claimed that quantitative easing was a temporary measure. A laissez faire attitude to forest fires is undoubtedly irresponsible.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Sep-21
Average Asking Price	£343,998
Monthly % change	0.2%
Annual % change	7.4%

Scotland	Sep-21
Average Asking Price	£211,546
Monthly % change	0.6%
Annual % change	4.7%

North East	Sep-21
Average Asking Price	£176,386
Monthly % change	-0.8%
Annual % change	4.5%

Yorks & The Humber	Sep-21
Average Asking Price	£229,648
Monthly % change	-0.8%
Annual % change	4.3%

North West	Sep-21
Average Asking Price	£239,784
Monthly % change	0.7%
Annual % change	7.6%

West Midlands	Sep-21
Average Asking Price	£283,984
Monthly % change	-0.8%
Annual % change	6.6%

East Midlands	Sep-21
Average Asking Price	£273,262
Monthly % change	1.0%
Annual % change	10.1%

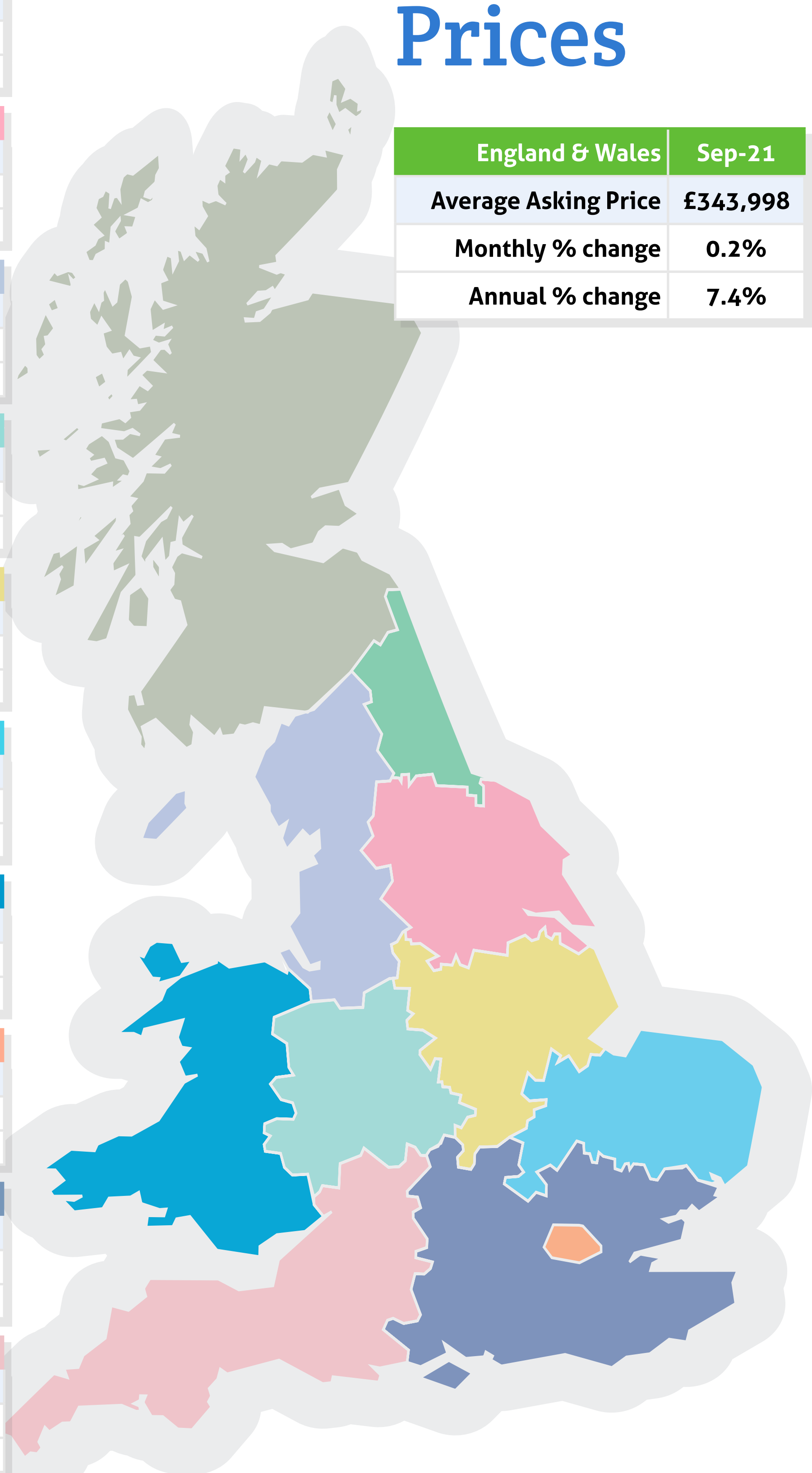
East	Sep-21
Average Asking Price	£397,642
Monthly % change	1.1%
Annual % change	12.1%

Wales	Sep-21
Average Asking Price	£244,592
Monthly % change	-0.3%
Annual % change	9.6%

Greater London	Sep-21
Average Asking Price	£549,640
Monthly % change	0.1%
Annual % change	3.9%

South East	Sep-21
Average Asking Price	£442,578
Monthly % change	0.3%
Annual % change	8.5%

South West	Sep-21
Average Asking Price	£362,548
Monthly % change	0.3%
Annual % change	9.0%



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UK Time on Market

England & Wales	Sep-21
Average Time on Market	187
Typical Time on Market	82
2 year % supply change	-16%

Scotland	Sep-21
Average Time on Market	236
Typical Time on Market	72
2 year % supply change	-5%

North East	Sep-21
Average Time on Market	208
Typical Time on Market	79
2 year % supply change	-15%

Yorks & The Humber	Sep-21
Average Time on Market	154
Typical Time on Market	65
2 year % supply change	-15%

North West	Sep-21
Average Time on Market	170
Typical Time on Market	72
2 year % supply change	-12%

West Midlands	Sep-21
Average Time on Market	167
Typical Time on Market	73
2 year % supply change	-18%

East Midlands	Sep-21
Average Time on Market	146
Typical Time on Market	64
2 year % supply change	-17%

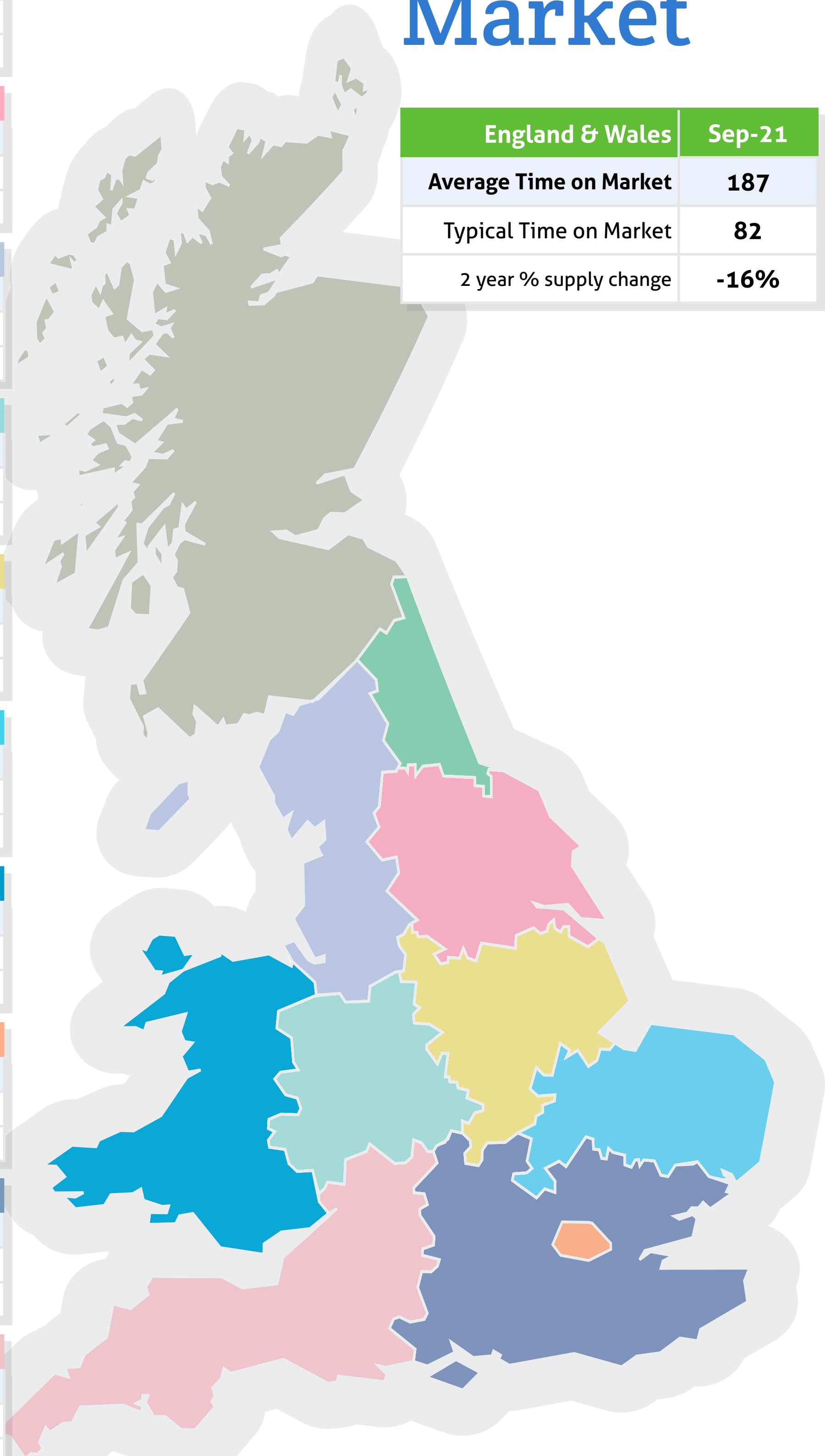
East	Sep-21
Average Time on Market	166
Typical Time on Market	73
2 year % supply change	-22%

Wales	Sep-21
Average Time on Market	188
Typical Time on Market	67
2 year % supply change	-14%

Greater London	Sep-21
Average Time on Market	202
Typical Time on Market	103
2 year % supply change	-5%

South East	Sep-21
Average Time on Market	181
Typical Time on Market	81
2 year % supply change	-22%

South West	Sep-21
Average Time on Market	179
Typical Time on Market	73
2 year % supply change	-23%



Source: Home.co.uk Asking Price Index, September 2021. Average = Mean (days), Typical = Median (days).
Supply change % has been calculated over 2 years rather than 12 months due to first lockdown distortion.

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 13th October**
- **Friday 12th November**
- **Wednesday 15th December**