



Asking Price Index

Released 14/04/23 April 2023

Firmly on the Road to Recovery

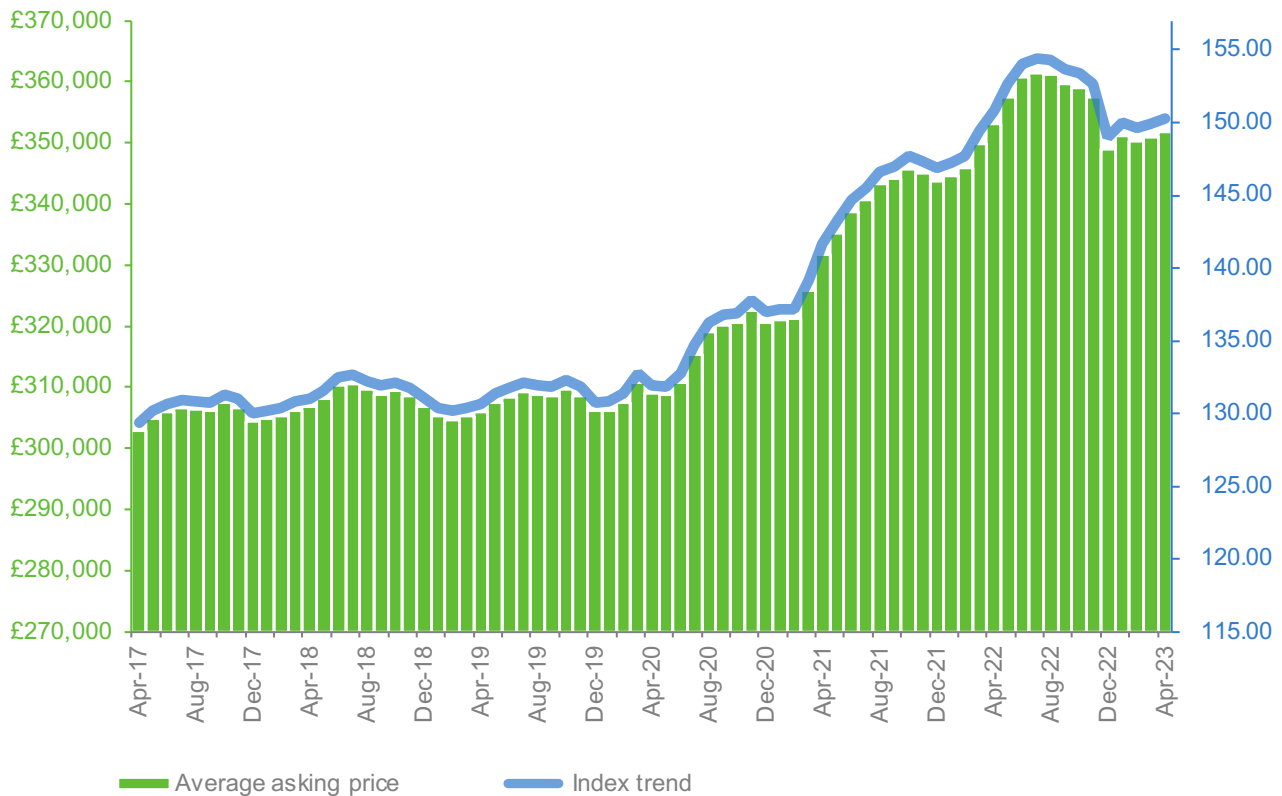
Headlines

- Asking prices across England and Wales rose for a second consecutive month¹ during March, by 0.2%, although the year-on-year growth slipped into the negative (-0.3%) for the first time since December 2019.
- The Typical Time on Market for unsold property in England and Wales plummeted by 18 days during March to make the median 77 days, indicating a dramatic uptick in market momentum.
- Asking prices in March rose in Scotland, Wales and all English regions except Greater London where prices slipped 0.3%.
- The total sales stock count for England and Wales increased during March by 15,844 to reach 388,482, although the total remains well below the 10-year average of 420,297.
- The supply rate of new instructions remains restrained, dipping 2% last month compared to March 2022.
- London shows a remarkable drop in Typical Time on Market from 106 to 90 days during March.
- The Scottish property market is the new leader in terms of annualised regional price growth (6.8%), having posted a huge monthly increase of 2.3%.
- Rents across Greater London continue to rise, up 19.6% year-on-year. Scarcity remains a persistent problem although supply is now slowly rising from a record low.
- The current new growth leaders in asking rents are the London boroughs of Ealing and Kensington and Chelsea (+33% and +31% annualised respectively).

¹ Figures for February have been revised.



Home Asking Price Trend for England & Wales



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

Summary

All the vital signs of the UK property market confirm a return to strength. The combination of cautiously rising prices, dramatically lower marketing times and a restrained supply of properties for sale confirms that the market has adapted to a rise in mortgage interest rates and buyer confidence has returned. Consequently, nominal price falls appear highly unlikely in the near term, contrary to the recent gloomy predictions in the property media.

Business as usual? Several indicators show that activity has returned to levels that rival the state of the market pre-COVID. Typical Time on Market is now much lower than it was in 2019 and the current total stock of property for sale remains significantly lower than during that pre-COVID year, despite recent rises.

Prices have clearly corrected to the new lending conditions and this has paved the way to the recovery we are now witnessing. For the time being, London, the South East

and the East are the weakest performing regions while the North of England, Scotland and Wales are all showing remarkable annualised growth, particularly considering the turmoil the market experienced towards the end of last year.

This regional performance is also reflected in the median time on market for unsold property: the North of England, Wales and Scotland show vast improvement on their 2018 marketing times while the remaining regions remain comparatively sluggish.

Mortgage rates remain very low compared to the rate of inflation and this is most certainly helping fuel buyer demand. It is without precedent that 10-year fixed-rate mortgages are available at just under 4% while inflation is north of 10% (either CPI or RPI).

The annualised mix-adjusted average asking price growth across England and Wales is now -0.3%; in April 2022, the annualised rate of increase of home prices was 6.4%.

Asking prices indicate a renewed bullishness on the part of vendors and agents. The

national average is now drifting upwards in the wake of the dramatic correction of -2.4% registered in December last year. We expect this trend to continue until the autumn provided there are no further shocks in financing.

Despite significant price falls in late 2022, the mix-adjusted average is currently 13.9% higher than it was in April 2020. Clearly, despite panic from certain quarters, the recent price correction has proved to be relatively minor and a far cry from the fallout triggered by the 2008 financial crisis.

Stock Levels

Despite the expected spring uptick in listings, the unsold stock total remains below pre-COVID levels. At 388,482, the total remains well below the 10-year average of 420,297. Indeed, supply remains restrained and, given the uptick in renewed demand, we may see this total decline over the coming months.

Regional Roundup

The stock of unsold property in England and Wales has largely recovered following

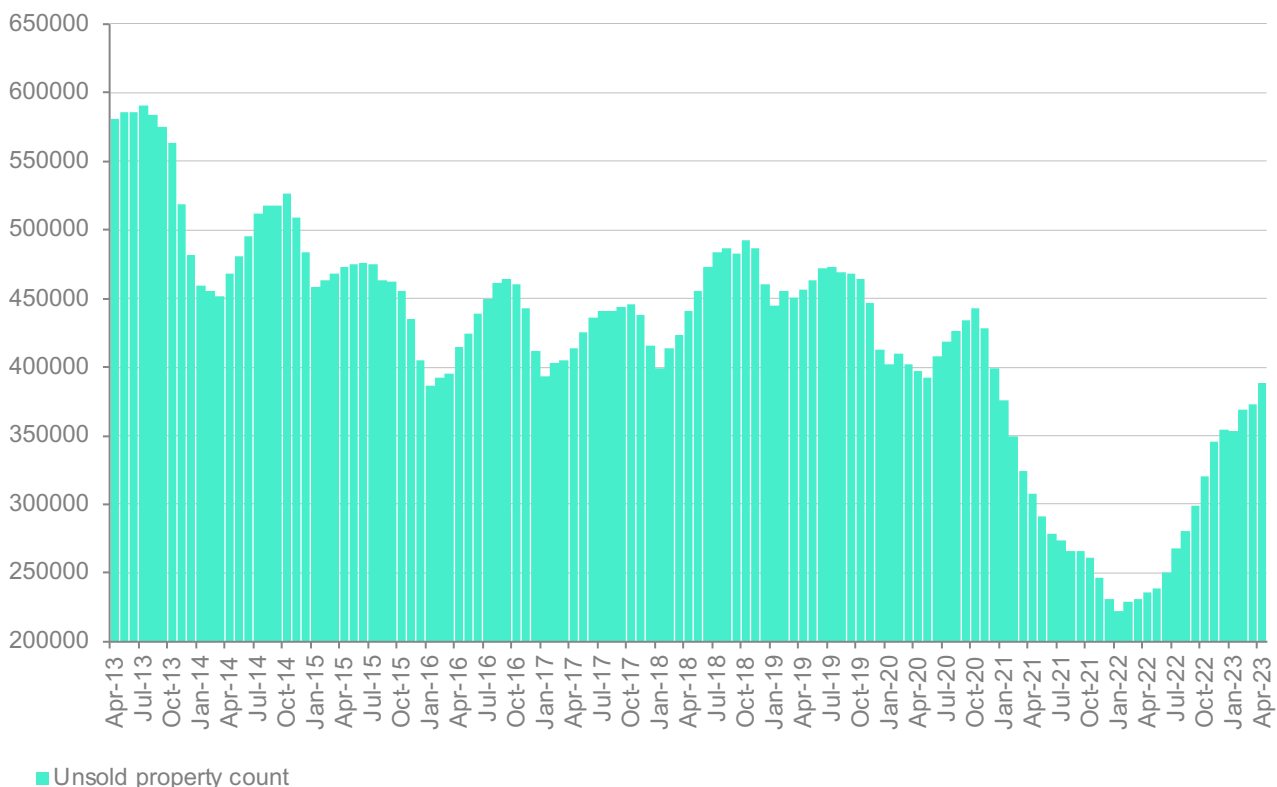
the severe depletion due to the post-COVID buying frenzy. However, on a regional level, there is considerable variation in the replenishment of agents' portfolios.

The largest year-on-year increases in inventory levels are to be found in the regions where scarcity became the most acute. The 'race for space', as it was dubbed, ransacked the sales stock totals in the South West and Wales, as agents simply couldn't keep up with demand. During the course of the last twelve months these regions, together with the East Midlands, have approximately doubled their property counts.

At the other end of the spectrum, Greater London shows the least growth in stock. However, once the post-lockdown backlog was cleared, inventories in this region did not continue to plummet as seen in Wales and the South West. Given the massive rises in rents of late, we anticipate that the region will return to long-awaited price growth.

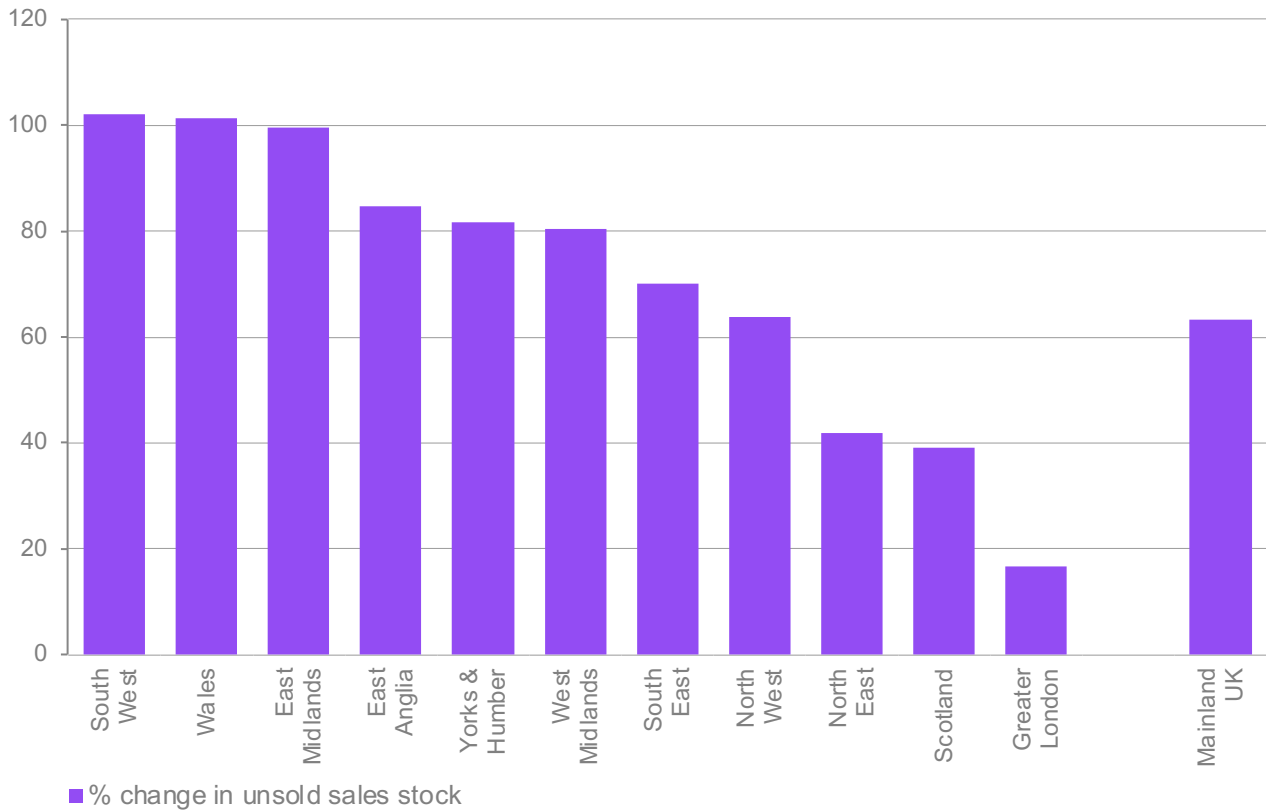
The restocking figures illustrate a return to normalcy after what was an extremely aberrant episode in the history of the market.

Total Stock of Property for Sale, England and Wales



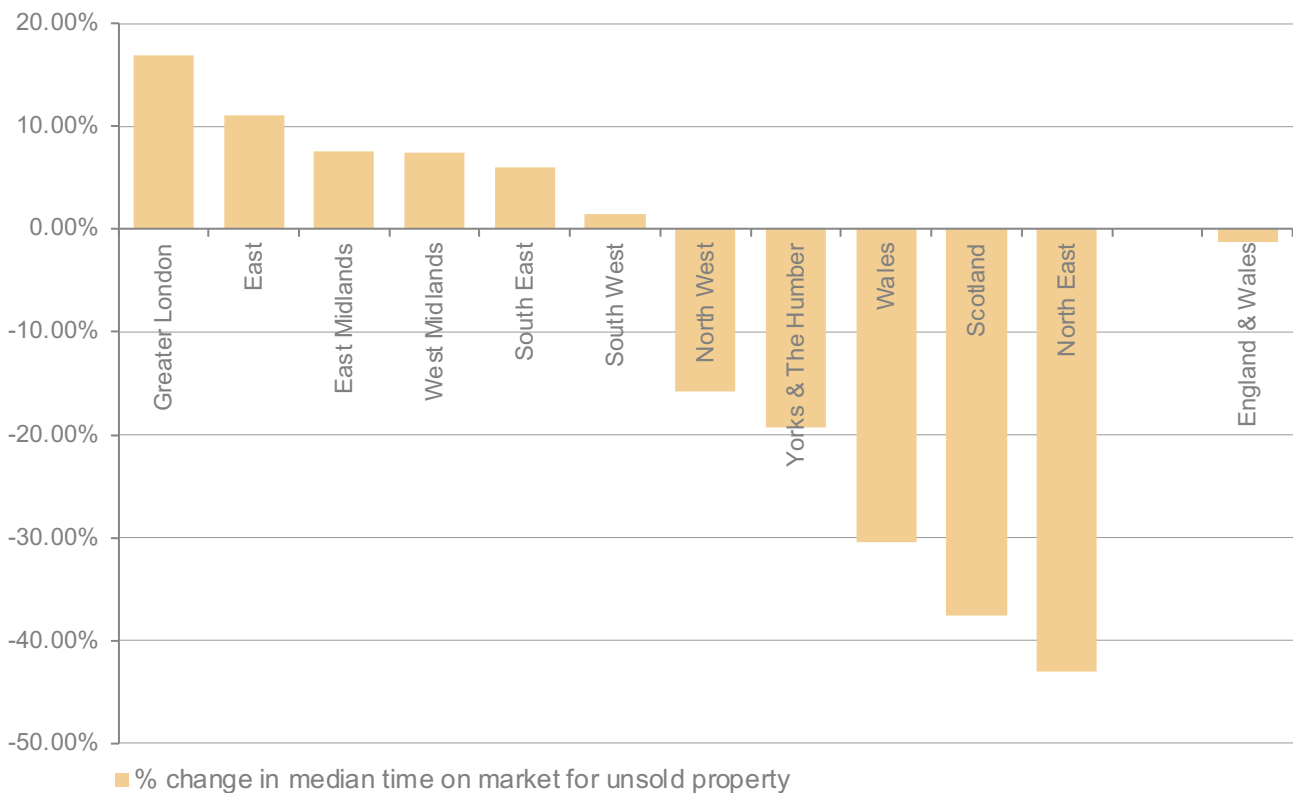
Source: Home.co.uk Asking Price Index, April 2023

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



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

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



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



Indeed, what we are witnessing is a return to more normal market conditions despite the rise in mortgage costs.

The current market resembles that of the pre-COVID years of 2018/9 but with more activity in the north than before. Median time on market figures illustrate the situation well (see chart).

While the overall pace of the market is little changed, we can see that, this side of the pandemic, the northern regions, Scotland and Wales all show significantly more pace than in 2018. Properties are moving through the market more quickly and this correlates with the regions enjoying the most price growth at present.

Given the relative rapidity of the Scottish and North East markets, it is less surprising that these regions posted price gains of 2.3% and 1.3% respectively during last month alone.

On the other hand, Greater London is more than sluggish than it was, as is the East of

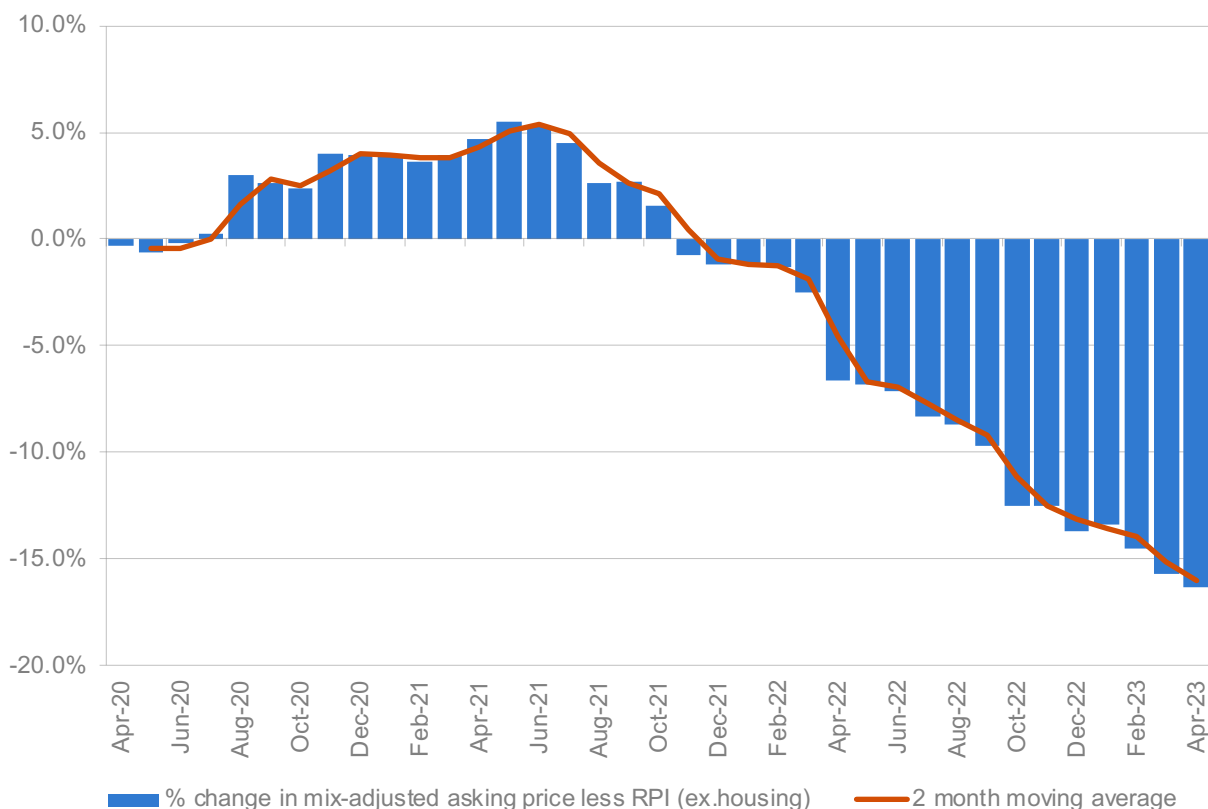
England, where prices have fallen 2.7% over the last twelve months. This is a drop second only to the capital, where asking prices have fallen 3.3% over the same period. Together with the Midlands and the South East, these regional markets will need to pick up their pace before price growth returns.

Real Price Growth

Again, we present a reality check for investors. Property has not been a safe store of value over the last year. However, as we have illustrated before, those investors who are highly leveraged will be benefitting the most 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.

Real growth has been in a downtrend for nearly two years and we clearly have yet to see the bottom.

Real Asking Price Growth, England and Wales



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

“ I suppose it’s too much to ask that the doomsters admit that they were wrong about the imminent demise of the UK property market.

However, they should really apologise because their fearmongering will have flushed smaller players out of the market and ruined the plans of aspirant homebuyers. Headlines like “UK house prices will fall 10% from their peak in the fourth quarter of 2022, the Office for Budget Responsibility predicted” from Bloomberg and “London house prices to ‘fall 10 per cent by autumn’ as interest rate rises send mortgage payments soaring” from the Evening Standard scare off potential buyers and cause rash sales by panicked vendors. Put plainly, it is irresponsible journalism cynically employed to grab attention. Also, one has to wonder how the role of the OBR extends to predicting home values.

These pseudo-analyses ignore both facts and fundamentals. How can they ignore soaring rents in London which are constantly adding to the underlying value of property? How do they fail to appreciate that there are not enough homes being built? Do they not understand the nature of inflation and how it drives investment in hard assets? Do they not realise that credit for mortgages is potentially infinite while the Bank of England still has the power to print money willy-nilly and lend it out below the rate of inflation?

I’m no permabull on housing. I predicted the 2008 crisis and house price crash two years beforehand and, later, the slump in London rents (followed by sales values) due to oversupply caused by overinvestment triggered by the stamp duty deadline in 2016. My opinion was shaped by the facts and fundamentals evident at the time, and so it is today.

The fact is that home prices adapted quickly to rising borrowing costs and that haircut

has reinvigorated demand. Confidence has returned and the fact that fixed-rate mortgages are available at below the current BoE base rate shows that a rate cut is already



expected. Savvy investors also know that the Fed, ECB and BoE don’t have any more room to raise rates as proven by the recent bank failures, notably SVB and Credit Suisse. The UK’s pension funds also took a beating on their gilt holdings and had to be bailed out by the BoE (although it amazes me that the fund managers hadn’t hedged against rising rates). The BoE, as I predicted, are losing the battle against inflation (that they helped create) and are busily trying to implement ‘Bitcoin’ which would afford them a totalitarian level of control over spending and earnings. It may be sometime before that happens, though, as they are somewhat behind the ECB on that score, as revealed by Christine Lagarde.

However, for the time being, key fundamental measures show the market to be in good shape. Typical Time on Market shows that homes are moving through the sales market at a fairly vigorous pace once again and supply of new instructions is surprisingly sober and restrained given the amount of doom and gloom promulgated by the mainstream. A further fact is that mortgage rates remain low by historic standards. Moreover, the stability of the UK banks is tied fundamentally to a healthy property market.

So, it’s business as usual? Yes. Confidence has returned.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Apr-23
Average Asking Price	£222,760
Monthly % change	2.3%
Annual % change	6.8%

North East	Apr-23
Average Asking Price	£190,598
Monthly % change	1.3%
Annual % change	4.4%

Yorks & The Humber	Apr-23
Average Asking Price	£245,185
Monthly % change	0.8%
Annual % change	3.8%

North West	Apr-23
Average Asking Price	£257,762
Monthly % change	0.3%
Annual % change	3.8%

West Midlands	Apr-23
Average Asking Price	£298,790
Monthly % change	0.4%
Annual % change	0.5%

East Midlands	Apr-23
Average Asking Price	£284,239
Monthly % change	0.1%
Annual % change	0.8%

East	Apr-23
Average Asking Price	£398,293
Monthly % change	0.2%
Annual % change	-1.9%

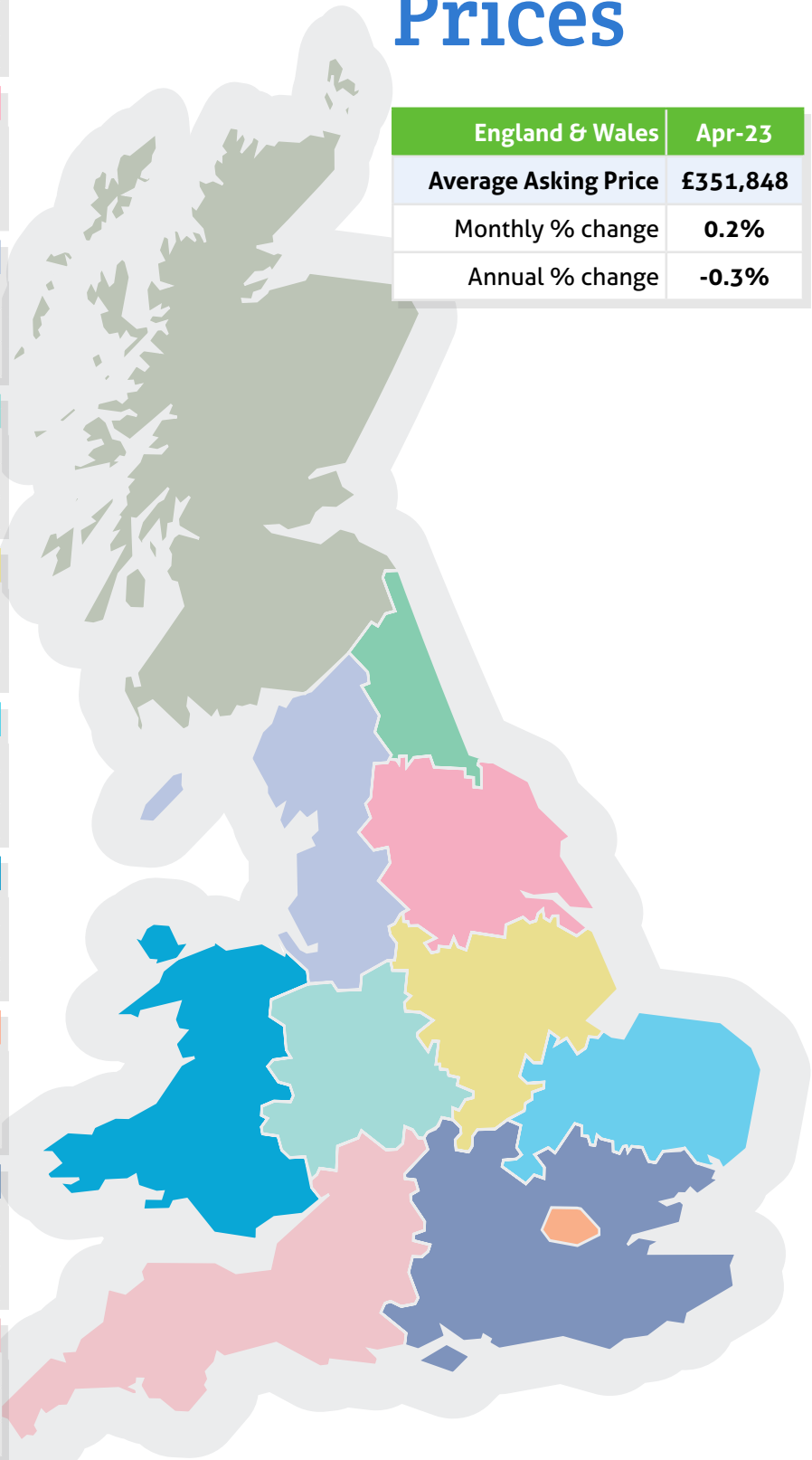
Wales	Apr-23
Average Asking Price	£259,959
Monthly % change	0.8%
Annual % change	2.6%

Greater London	Apr-23
Average Asking Price	£540,582
Monthly % change	-0.3%
Annual % change	-2.5%

South East	Apr-23
Average Asking Price	£440,324
Monthly % change	0.3%
Annual % change	-2.6%

South West	Apr-23
Average Asking Price	£379,032
Monthly % change	0.4%
Annual % change	0.1%

England & Wales	Apr-23
Average Asking Price	£351,848
Monthly % change	0.2%
Annual % change	-0.3%



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

UK Time on Market

Scotland	Apr-23
Average Time on Market	208
Typical Time on Market	78
Annualised % supply change	-7%

North East	Apr-23
Average Time on Market	151
Typical Time on Market	74
Annualised % supply change	-18%

Yorks & The Humber	Apr-23
Average Time on Market	131
Typical Time on Market	71
Annualised % supply change	0%

North West	Apr-23
Average Time on Market	149
Typical Time on Market	75
Annualised % supply change	-1%

West Midlands	Apr-23
Average Time on Market	143
Typical Time on Market	72
Annualised % supply change	-1%

East Midlands	Apr-23
Average Time on Market	129
Typical Time on Market	71
Annualised % supply change	-1%

East	Apr-23
Average Time on Market	136
Typical Time on Market	70
Annualised % supply change	1%

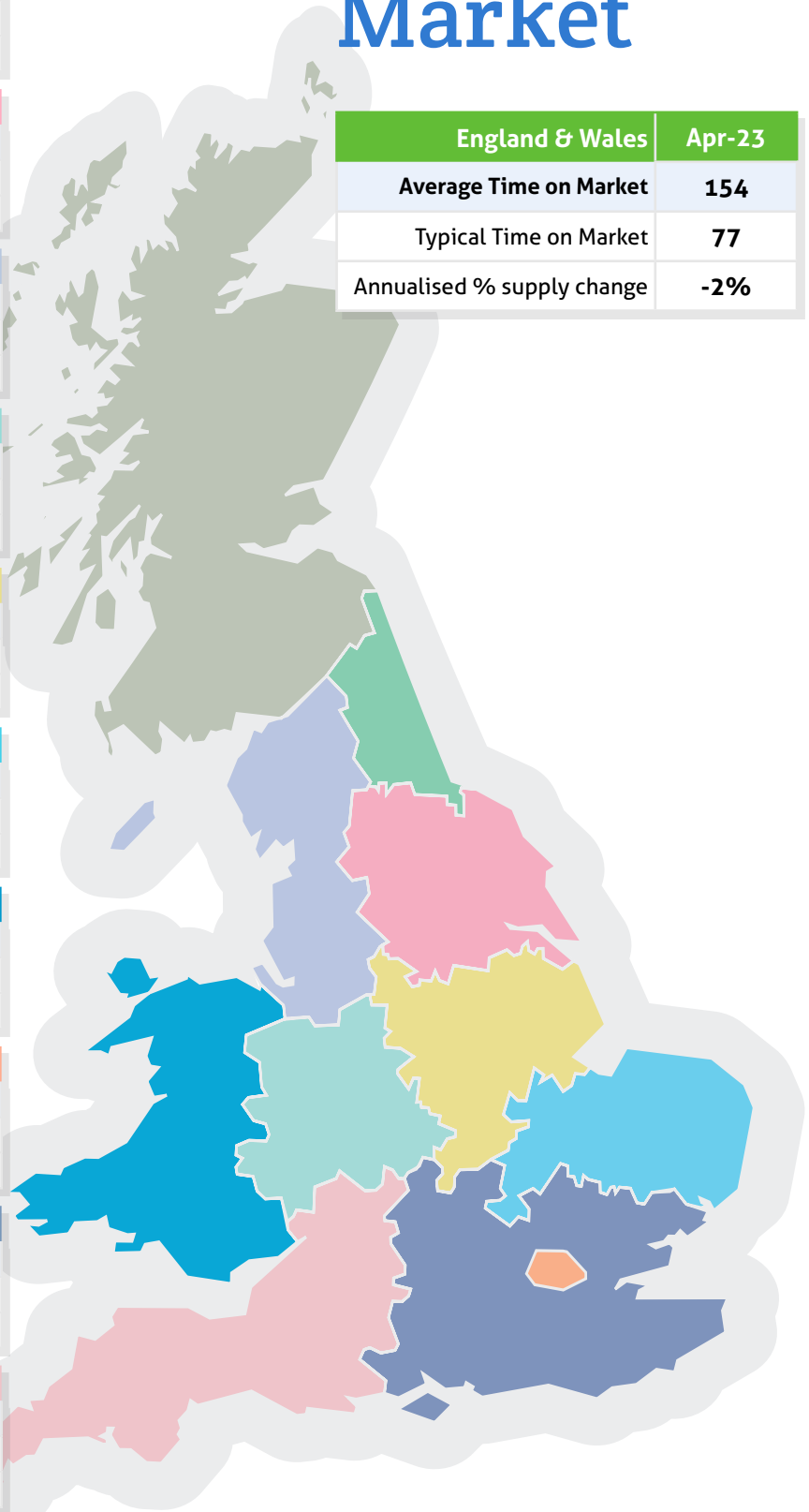
Wales	Apr-23
Average Time on Market	158
Typical Time on Market	96
Annualised % supply change	3%

Greater London	Apr-23
Average Time on Market	191
Typical Time on Market	90
Annualised % supply change	-8%

South East	Apr-23
Average Time on Market	143
Typical Time on Market	70
Annualised % supply change	1%

South West	Apr-23
Average Time on Market	138
Typical Time on Market	70
Annualised % supply change	3%

England & Wales	Apr-23
Average Time on Market	154
Typical Time on Market	77
Annualised % supply change	-2%



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

- **Friday 12th May**
- **Wednesday 14th June**
- **Wednesday 12th July**