EMBARGOED UNTIL 12/01/24

Asking Price Index

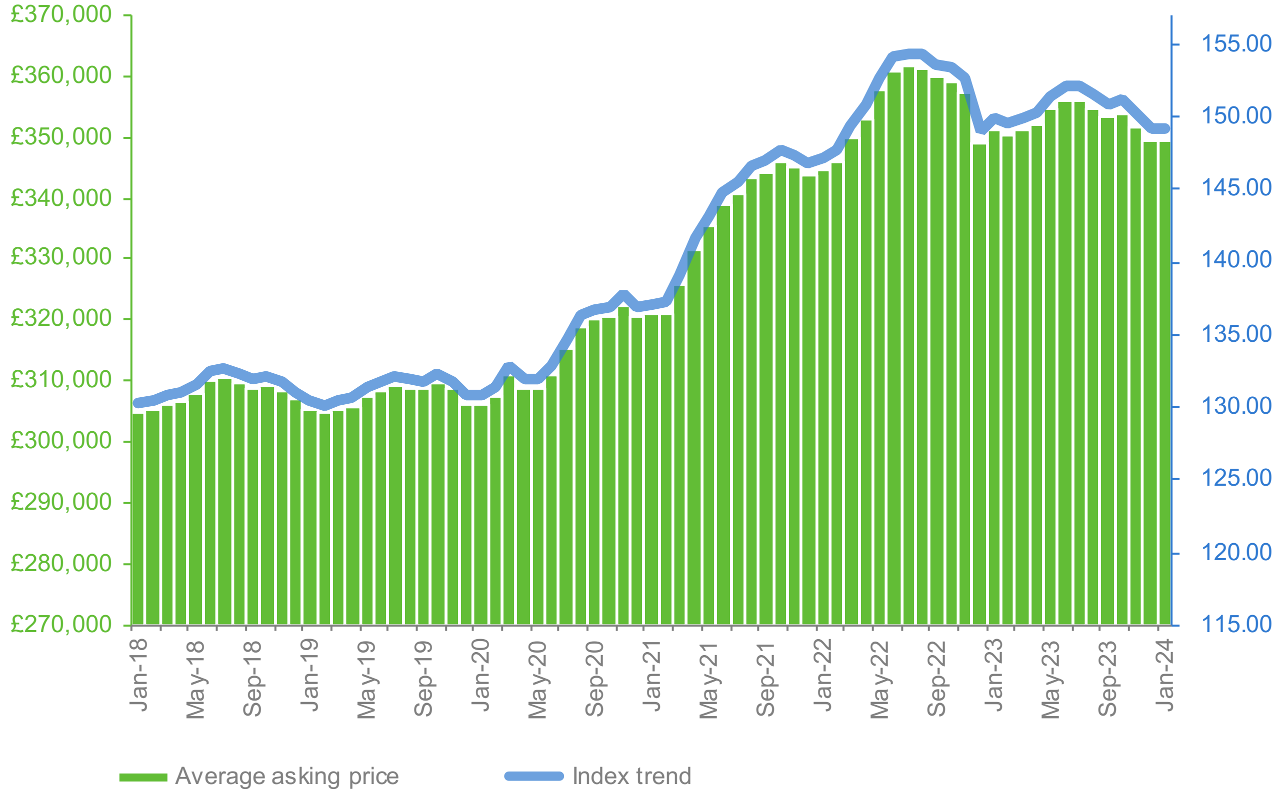
Released 12/01/24 January 2024

Prices Hold Firm on Rate Cut Optimism and Falling Stock

Headlines

- Asking prices remain unchanged since last month across England and Wales but are down year-on-year by just 0.5% vs. Jan 2023.
- The total sales stock count for England and Wales has fallen again. The current total of unsold property is 423,827, around 15,000 less than last month and typical for the time of year.
- The number of new instructions entering the market in December 2023 was only 3% more than during December 2022. This is a remarkably small increase given the market chaos caused by the doomed Truss-Kwarteng mini-budget, which led to a shock drop in prices of 2.4% in just one month.
- The Typical Time on Market for unsold property in England and Wales rose by twelve days during December, again in line with seasonal expectations. The current median is 112 days; in pre-COVID January 2020, the same measure was 120 days.
- Prices rose in three English regions and in Wales during the last month and remained unchanged in two, thus indicating significant vendor optimism for the time of year; the largest rise was in the North East (1.0%).
- The regional property market growth league table has a new leader: the North West displaces the North East with a year-on-year gain of 3.8%, while the North East totalled 3.3%. The East of England replaces Greater London as the worst performer at -2.0%.
- Rents across the UK continue to retreat from their 2023 highs, falling by 2.9% over the last three months, thereby trimming the annualised change to just +5.0%. The North West remains the regional leader in rental growth at +16.9% year-on-year. Greater London continues to be the worst-performing region at just -2.1% year-on-year due to an oversupply of property to let.
- The current growth leaders in London asking rents are now the boroughs of Barking and Dagenham and Hillingdon (+22.2% and +13.6% annualised respectively). However, growth is becoming increasingly negative overall and rents are falling in the more expensive central boroughs. A total of twelve prime boroughs now show year-on-year falls in asking rents, up from ten last month. The worst performer is Kensington and Chelsea with a year-on-year fall of 15.5%.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, January 2024, Indexed to May 2004 (Value=100).

Summary

Home prices remain unchanged overall since last month. Prices are supported by lower stock levels and increased expectations of lower mortgage rates as inflation falls. Annualised growth in home market values for England and Wales is currently just into the negative at -0.5%, indicating a resilient market given the headwinds of 2023 and much better than many pundits predicted.

Indeed, given the fact that the supply of new instructions remains relatively low and the worst of inflation appears to be far behind us, market participants may allow themselves some cautious optimism as we commence the new year.

While the market has slowed, it has certainly not frozen and still retains significant momentum. Current Typical Time on Market figures are consistent with pre-COVID years. Normal seasonal expectations are for large drops in marketing times in March and April. Given how mortgage rates are improving, this appears the most likely scenario.

At the regional level, Typical Time on Market figures indicate that the North of England, Scotland and Wales all continue to show large improvements over their January 2019 performance. Unsurprisingly, this correlates closely with annualised price growth in those regions which remains significantly positive.

However, in Greater London, the Midlands, the East and the southern regions, the contrary is true. These regions have yet to regain the momentum they had in 2019. Moreover, they are also the regions where price growth remains negative year-on-year.

Following a breathtaking rally, rents are falling overall in Greater London. During the last three months asking rents in the UK's largest rental market have taken a 5.5% haircut, meaning that they are now down 2.1% year-on-year. This has been driven by a large increase in supply. For the time being, all other regions indicate positive growth year-on-year but similar market corrections may be anticipated in other regions should supply increase significantly. The East of England and the South East are possible candidates.

UK asking rents are currently 5.0% above their January 2023 reading.

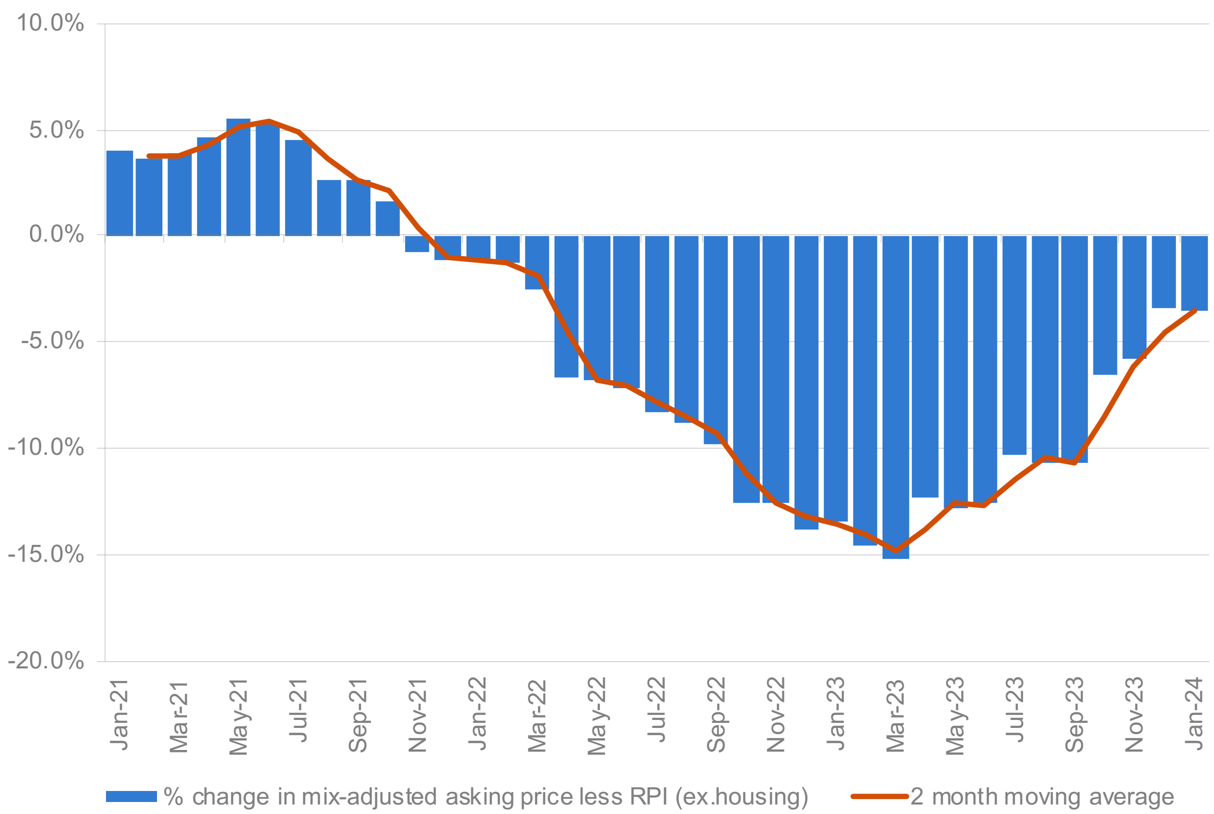
The annualised mix-adjusted average asking price growth across England and Wales is now -0.5%; in January 2023, the annualised rate of increase of home prices was 1.9%.

Home prices remain unchanged since last month, demonstrating price resilience at what is the weakest part of the year. Clearly, this represents a reassuring development and prepares the ground for modest growth later this year.

Looking back, 2023 may be regarded as a year of market recovery, price consolidation and a restocking of agents' portfolios following three distorting events: the frenzied COVID boom; rampant inflation; and the Truss-Kwarteng debacle. The market has returned to calmer waters and the promise of improving mortgage rates allows for a certain degree of optimism. Having said that, the weakness of the wider economy, higher mortality rates, war in Europe and mounting government debt are still major causes for concern. The property market is not isolated from these factors.

How the macroeconomic situation will play out and what that will mean for the rental and sales markets is as yet unclear.

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, January 2024 and ONS [RPI ex. housing].
Inflation for December and January are our estimates (3.5% and 3.0% respectively)

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

However, for the time being, supply and demand have been rebalanced in the sales market and appear to be undergoing the same process in the rental market, albeit more slowly. The promise of better lending conditions later in the year bodes well for both sectors and may well trigger both modest growth in the sales market and renewed enthusiasm among landlords.

Whether or not growth will manage to outpace inflation is unclear. However, this possibility is distinctly more probable this year than last. Confidence in property would soar should it once again become a real store of value, as is traditionally the case. The current trend is clearly on track towards real annualised growth, perhaps achieving it later this year. Savvy investors will be aware of this opportunity.

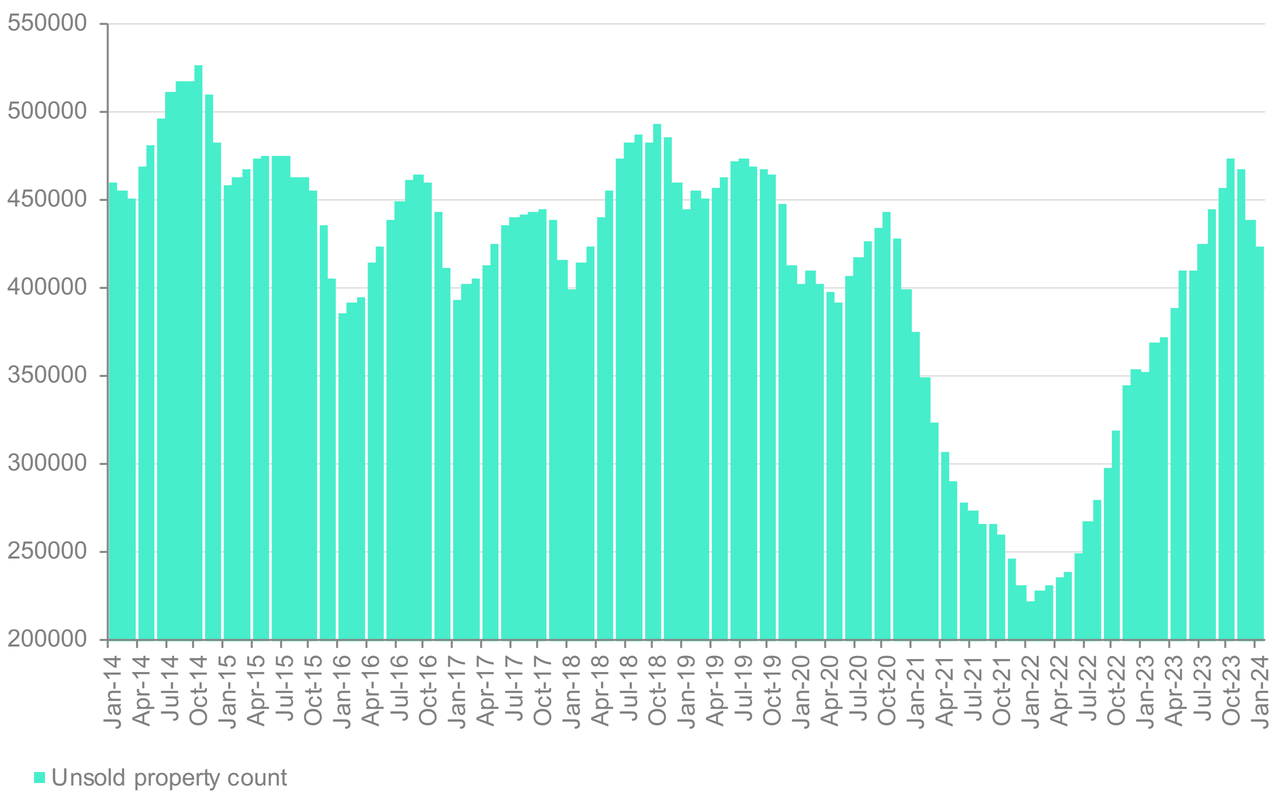
Stock Levels

Further good news for vendors and homeowners is that stock levels have fallen back further, in line with the normal seasonal pattern. The trend reversal occurred in October last year and since then the total stock level of unsold property has reduced significantly. On a seasonal basis, we should expect the total of unsold properties on the market to increase steadily from this point until it reaches a maximum around September.

Regional Roundup

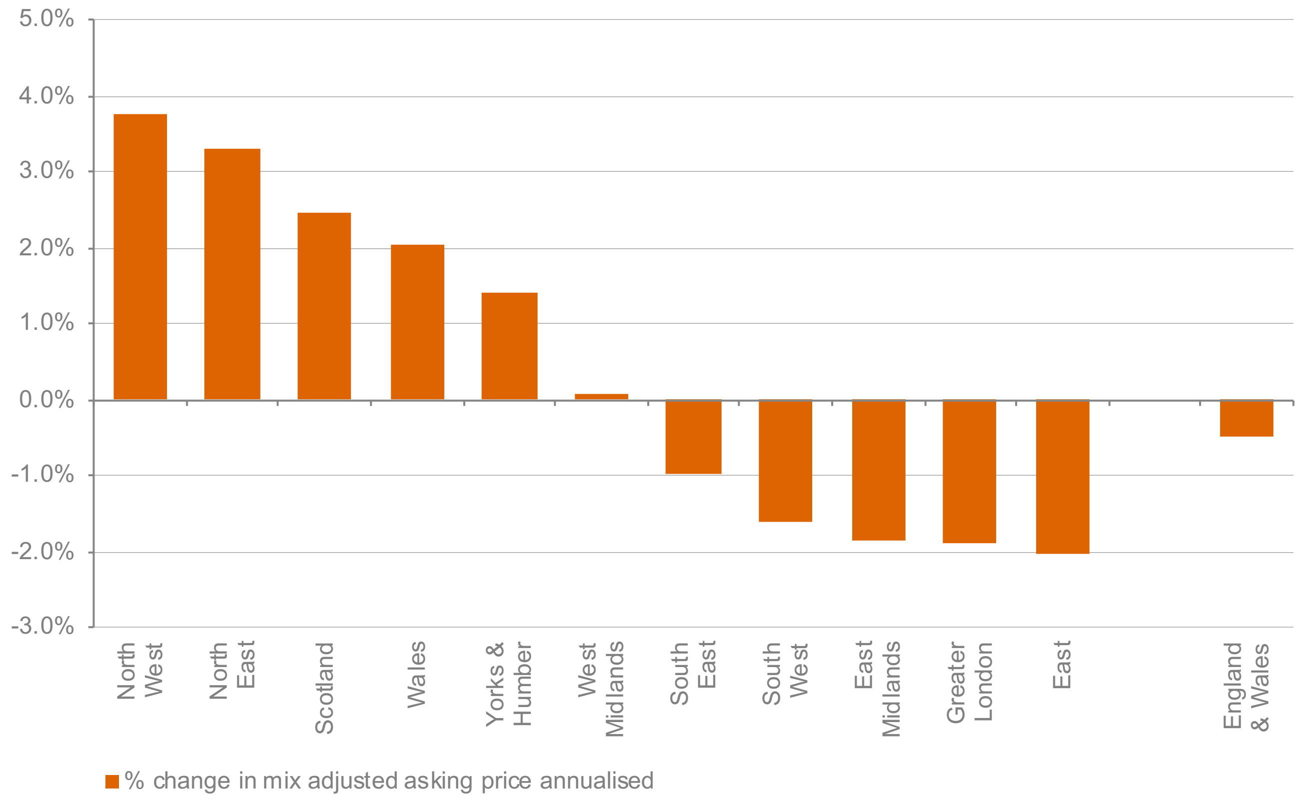
The 'new normal' post-COVID continues to favour the northern English regions, Wales and Scotland in terms of price growth. This month's data shows that the former growth leader, the North East, has been pipped to the top spot by the North West. It is remarkable that

Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, January 2024

12-month Regional Price Growth, Jan 2024 vs. Jan 2023



Source: Home.co.uk Asking Price Index, January 2024

these regions, despite all the challenges since late 2022, have managed to retain a state of overall growth. This is clear testament to the considerable demand-driven vigour in these markets.

Meanwhile, it is the East Midlands, South West, East and London that have borne the brunt of the price corrections. The East of England is the current laggard with a fall of 2.0% since January 2023. Should these regions recover their losses and return to growth, the national average figures would almost certainly return to real growth.

London Rents

The Greater London rental market has been a rollercoaster ride over recent years. The mass COVID exodus forced rents down by 19.3% as supply completely overwhelmed demand. Then, in the spring of 2021, there was an almighty rise over a 30-month period which increased the average per calendar month rent by 67.5%. In all likelihood, the scale of this event is unprecedented in the history of the capital's rental market.

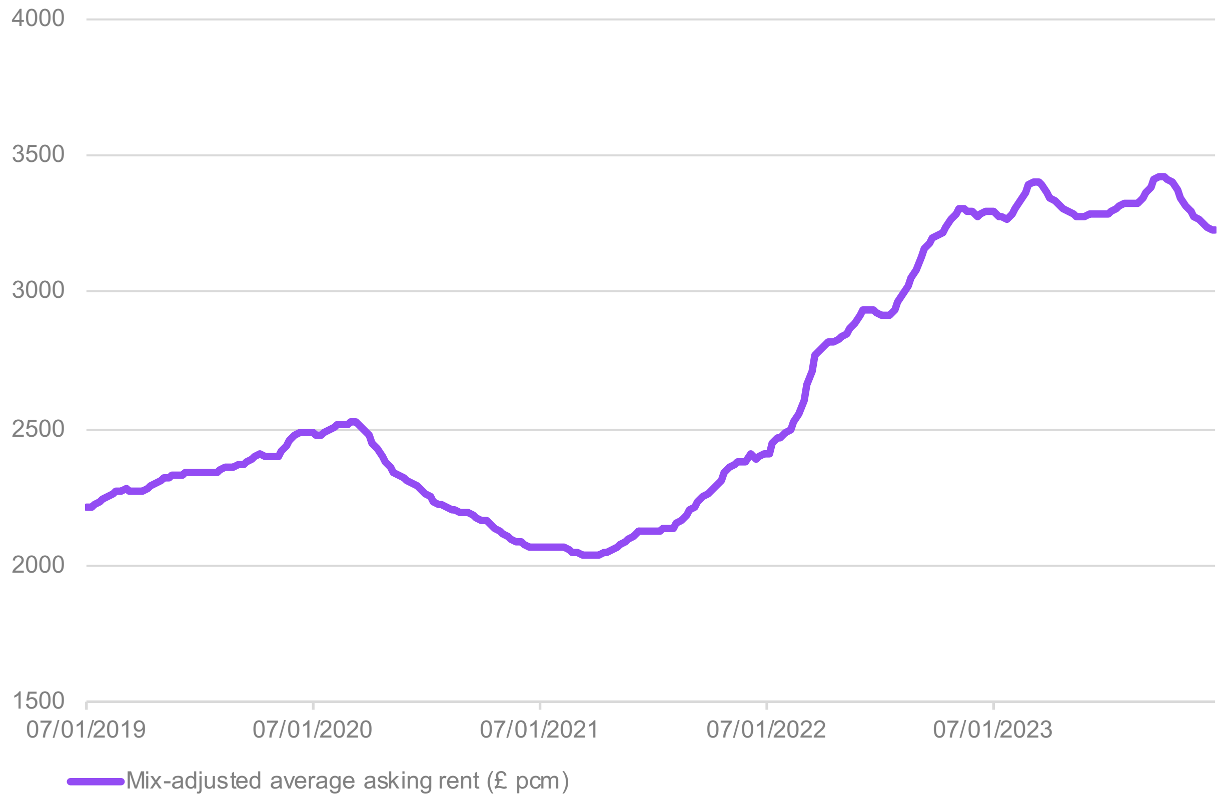
Throughout the first 24 months of this rally, driven by returning workers, demand had the upper hand, but elementary economics shows that demand creates supply.

Supply has been on the rise for the best part of a year now and the effect on rents is clearly apparent. Moreover, oversupply continues apace. During the last month, 37.9% more properties to let have appeared on the market than during December 2022. The obvious outcome of this trend will be to drive rents down further.

Of course, the market is simply doing its job. COVID caused a huge distortion and the exodus reversal had a massive whiplash effect on rents. Now we are in the price correction phase. Unsustainable sky-high rents will be crushed by the supply tsunami until a new balance is found by Adam Smith's famous 'invisible hand'.

Some politicians, such as Sadiq Khan, would like to use this market distortion, brought about by an unprecedented pandemic, as an excuse to impose rent controls in London. Clearly, this measure would be counterproductive in that it would scare off landlords and never allow the market to solve the problem of high rents. Supply would waste away, as it did during the rent control era of the 1970s, making life much more difficult for tenants and landlords alike. Ironically, the current wave of supply created by the market will do far more for London renters than any short-sighted legislation penned by the well-meaning but naive.

Greater London Rents



Source: Home.co.uk Asking Price Index, January 2024

I don't think we are out of the woods just yet. However, with both inflation and mortgage rates heading in a more favourable direction, we may allow ourselves to be more optimistic about 2024 than last year.

The property sales market came through a very troubling time relatively unscathed and has dealt with the massive market distortion caused by ultralow interest rates and suspension of stamp duty etc. Admittedly, the rental market (London especially) is taking a little more time to normalise due to the massive amount of relocation that occurred during the pandemic. In short, though, both markets have or will autocorrect much to everyone's benefit, since housing economics are at best 'boring and predicable' while 'black swan' events (including central bank and government intervention) cause volatility and inevitable pain.

However, the reason I say we're not out of the woods yet is the wider economy. Unless you have been living under a rock, you will know that extra government borrowing during COVID took the national debt to officially within a hair's breadth of 100% of GDP. Aside from the inflation that caused, such a debt handicap puts our country at a severe disadvantage when it comes to competitiveness on the world stage. Moreover, the government remains unable to balance the budget and now plans a further borrowing binge.

According to Tim Wallace, Eir Nolsøe and Daniel Martin in the Telegraph: 'Britain is on track to borrow a record £206bn from private investors this year as Rishi Sunak embarks on a debt binge ahead of the general election.'

Economists at Nomura have forecast that the government will be forced to rely heavily on financial markets to fund borrowing this year and next as the Bank of England reverses bond buying which was carried out under its quantitative easing (QE) programme.

George Buckley, economist at Nomura, estimated that the private sector is being asked to fund £206bn of borrowing this year and £237bn next year: a record high. Mr Buckley said: 'In those two years there is going to be more for the market to [buy] in gilts than there has been over the previous nine years [combined].'

Essentially, it's a vote-buying spree that all British taxpayers will be responsible for. The article continues: 'Imogen Bachra an analyst at NatWest Markets said: "The extreme scenario is that the UK is unable to fund itself via the capital market. More likely is just a rise in gilt yields as the clearing price for the market to absorb all of this supply is pushed lower and lower, and we return back to higher yield levels across the curve."'

That means higher interest rates and therefore higher mortgage rates. Higher borrowing costs already mean the government is spending an increasing amount on debt interest, which is costing it more than £100bn per year according to official forecasts. Hence, government borrowing costs would increase further and so the downward spiral would worsen.

The recent Truss-Kwarteng debacle is fresh in bond investors' minds and you can be sure the bond vigilantes will be even less forgiving next time around. Should Sunak's proposed borrowing binge materialise, we should expect a spike in interest rates. Last time the government made a blunder like this, it wiped around £3bn off property prices in just one month, and that was just the property that was on the market. I can't help but wonder if Rishi's hedge fund is putting together a short position on gilts now that Moderna is flailing.

Dark clouds aside, I'd like to wish all our readers a happy and prosperous 2024.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Jan-24
Average Asking Price	£349,400
Monthly % change	0.0%
Annual % change	-0.5%

Scotland	Jan-24
Average Asking Price	£222,634
Monthly % change	-1.0%
Annual % change	2.5%

North East	Jan-24
Average Asking Price	£190,546
Monthly % change	1.0%
Annual % change	3.3%

Yorks & The Humber	Jan-24
Average Asking Price	£244,028
Monthly % change	0.0%
Annual % change	1.4%

North West	Jan-24
Average Asking Price	£263,444
Monthly % change	0.2%
Annual % change	3.8%

West Midlands	Jan-24
Average Asking Price	£295,176
Monthly % change	0.2%
Annual % change	0.1%

East Midlands	Jan-24
Average Asking Price	£278,141
Monthly % change	0.0%
Annual % change	-1.9%

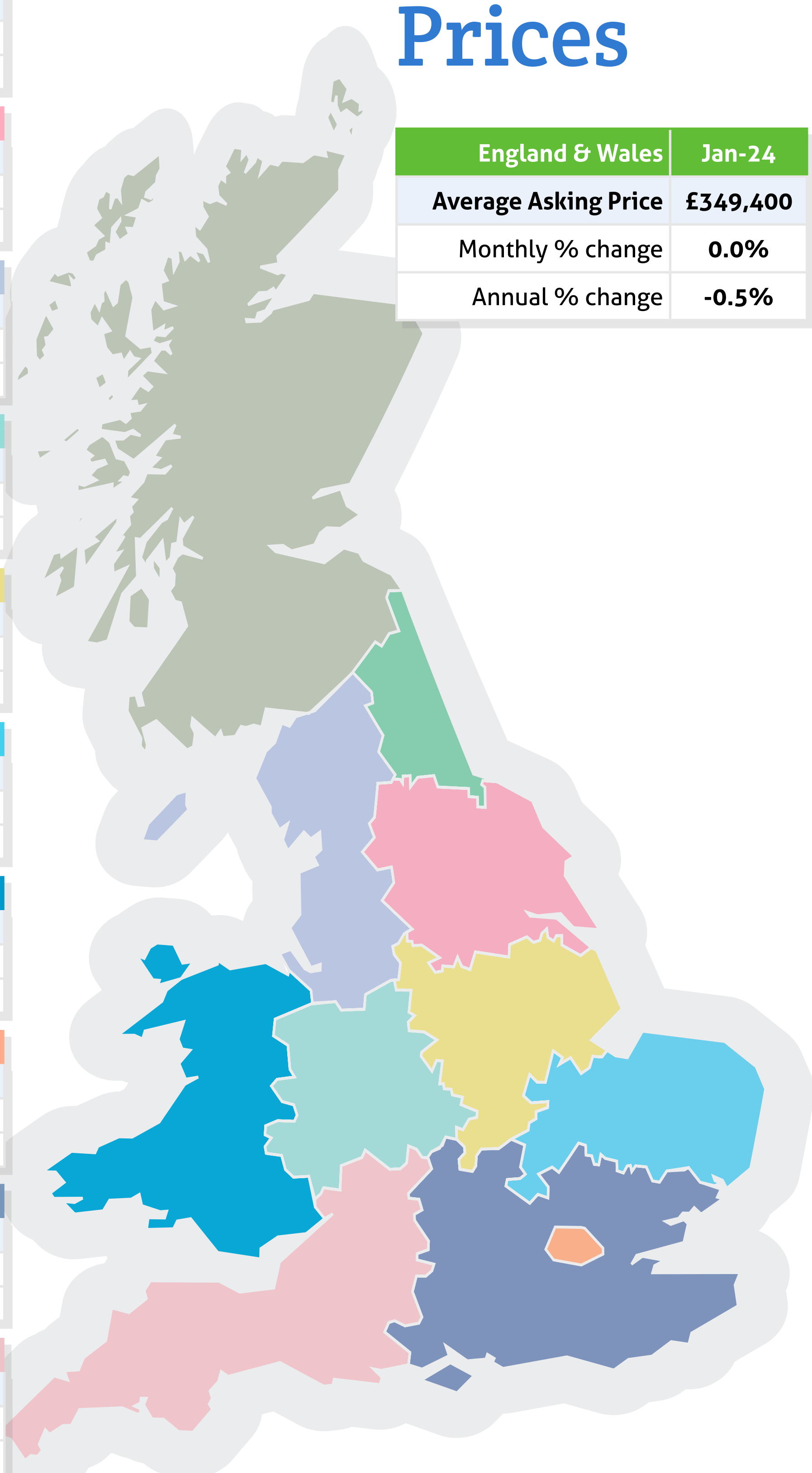
East	Jan-24
Average Asking Price	£388,644
Monthly % change	-0.3%
Annual % change	-2.0%

Wales	Jan-24
Average Asking Price	£264,040
Monthly % change	0.4%
Annual % change	2.1%

Greater London	Jan-24
Average Asking Price	£538,593
Monthly % change	0.4%
Annual % change	-1.9%

South East	Jan-24
Average Asking Price	£437,106
Monthly % change	-0.2%
Annual % change	-1.0%

South West	Jan-24
Average Asking Price	£371,793
Monthly % change	-0.5%
Annual % change	-1.6%



Source: Home.co.uk Asking Price Index, January 2024

UK Time on Market

Scotland	Jan-24
Average Time on Market	**213**
Typical Time on Market	109
Annualised % supply change	3%

North East	Jan-24
Average Time on Market	**174**
Typical Time on Market	109
Annualised % supply change	6%

Yorks & The Humber	Jan-24
Average Time on Market	**161**
Typical Time on Market	107
Annualised % supply change	3%

North West	Jan-24
Average Time on Market	**179**
Typical Time on Market	115
Annualised % supply change	0%

West Midlands	Jan-24
Average Time on Market	**174**
Typical Time on Market	110
Annualised % supply change	2%

East Midlands	Jan-24
Average Time on Market	**162**
Typical Time on Market	110
Annualised % supply change	-2%

East	Jan-24
Average Time on Market	**167**
Typical Time on Market	106
Annualised % supply change	3%

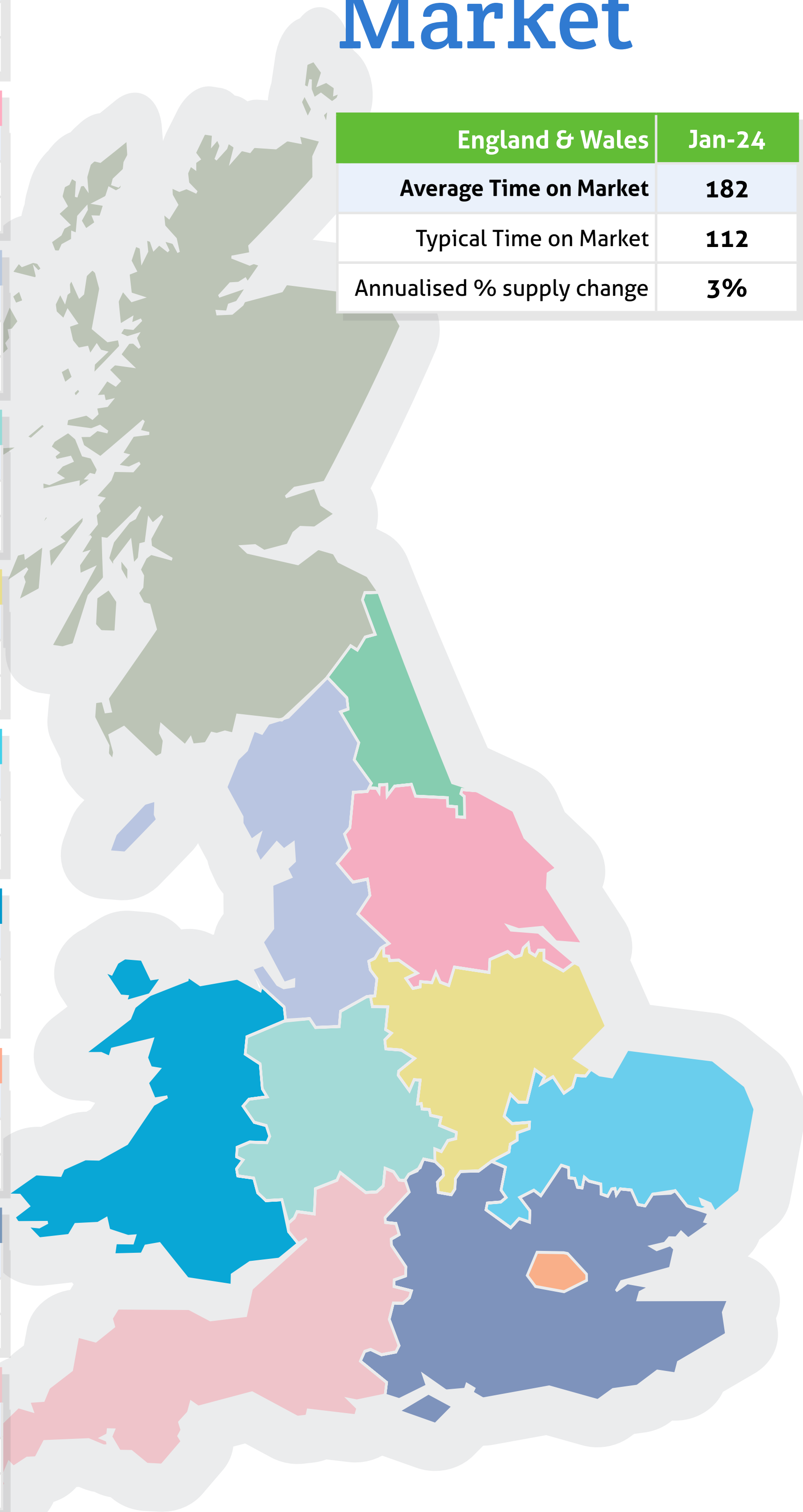
Wales	Jan-24
Average Time on Market	**190**
Typical Time on Market	124
Annualised % supply change	12%

Greater London	Jan-24
Average Time on Market	**216**
Typical Time on Market	116
Annualised % supply change	5%

South East	Jan-24
Average Time on Market	**171**
Typical Time on Market	105
Annualised % supply change	0%

South West	Jan-24
Average Time on Market	**166**
Typical Time on Market	110
Annualised % supply change	6%

England & Wales	Jan-24
Average Time on Market	**182**
Typical Time on Market	**112**
Annualised % supply change	**3%**



Source: Home.co.uk Asking Price Index, January 2024. Average = Mean (days), Typical = Median (days).

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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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- 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 February**
- **Wednesday 13th March**
- **Friday 12th April**