EMBARGOED UNTIL 14/07/21

Asking Price Index

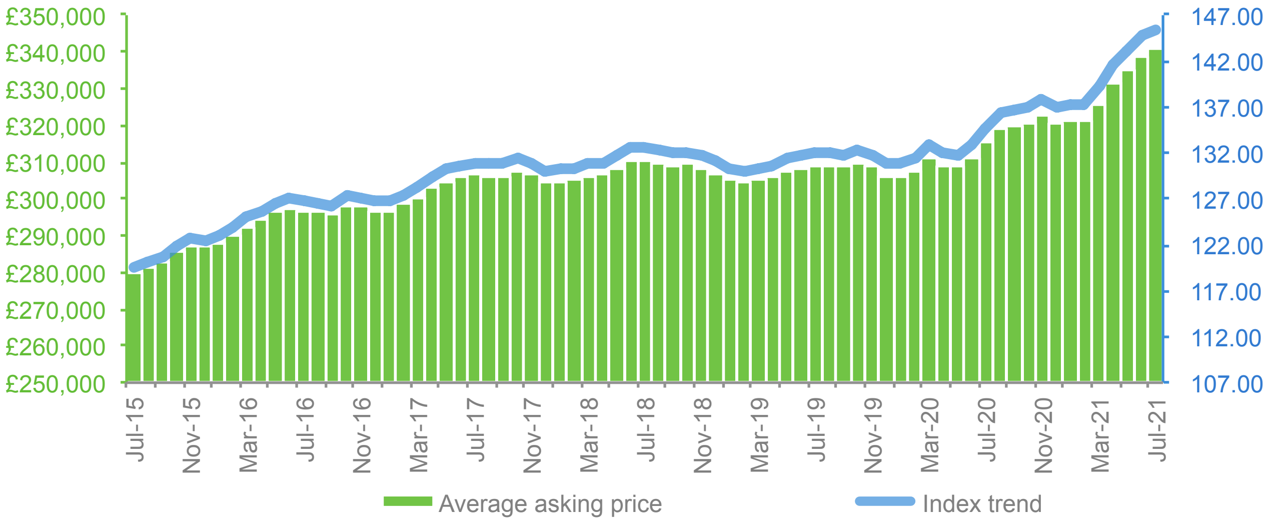
Released 14/07/21 July 2021

Regional Supply at Record Lows as London Primes for Recovery

Headlines

- The tapering of the Stamp Duty holiday is having no apparent calming effect on the market. In fact, the pace has quickened as buyers feverishly mop up the little sales stock available: Typical Time on Market for unsold property in England and Wales has fallen further to a mere 73 days (the lowest July figure since 2007).
- Asking prices across England and Wales continue to rise overall as demand continues to overwhelm supply, adding another 0.6% since last month, although the annualised average has slipped to 8.0%.
- Monthly supply remains vastly below normal expectations in all regions (-32% compared to June 2019). The South West is worst hit by scarcity (-44%) while Greater London, in contrast to all other regions, shows supply is only slightly below expectations (down 4% compared to June 2019).
- The total stock of property for sale in England and Wales has fallen again to a new low of 273,531, 34.6% lower than in June 2020 and 43.4% less than in June 2018.
- Fierce demand has again forced up prices in every English region (except London), Wales and Scotland since last month, with the largest hikes in the East (+1.4%) and South West (+1.0%).
- The East of England property market now leads the 12-month regional growth chart at 11.4%, followed closely by the East Midlands (11.3%) and further outpacing the former leading regions of Yorkshire, Wales and the North West.
- Greater London remains the UK's worst-performing region with 3.7% annualised growth, although there are clear indications that this sales market may soon pick up.
- Rents continue to recover in the Greater London lettings market. Annualised growth in asking rents has now moved into positive territory for the first time since the COVID exodus began (+1.3%) and all boroughs without exception indicate rent rises over the last three months. The most impressive rises in asking rents over just the last six months are in the City (+36.0%), Kensington and Chelsea (+20.0%), Westminster (+17.7%) and Wandsworth (+16.7%), suggesting that the wealthy are returning and creating significant demand.
- A marked reduction in supply of rental properties now persists in all English regions, Scotland and Wales, thereby supporting the recent record hikes outside of London. However, rent rises in the regions are slowing as some demand now shifts back towards central London.
- The largest annualised average rent hikes remain in the East of England (+11.0%) and the South West (+14.6%).

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, July 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 UK property market shows little or no sign of cooling despite the tapering of the Stamp Duty tax break. Unsold property is spending even less time on the market and prices continue their upward march overall, despite a lacklustre London market. The total stock of property for sale continues its downward trajectory, recording new lows each month. Supply of property entering the market remains extremely low outside of London and even there the monthly total has fallen back to below expectations. Demand for rental property in central London is returning swiftly, accompanied by huge hikes in asking rents. Confidence is returning and will likely soon rekindle the capital's sales market where growth has been near zero over the last five years.

London sales stock and supply remain relatively high but this may not be the case for much longer. The recovery of the rental market brings with it a reaffirmation of fundamental value, namely in the form of yield. This key shift will attract the attention of investors who have been hitherto wary since the outbreak, but bargains are to be had right now in the capital region and the prospect for future capital gains is huge. The London sales market was primed for recovery at the beginning of the COVID outbreak after several years of sideways price action. It is therefore arguable that a return to the growth part of the property cycle is now well overdue and rapidly rising rents (amid highly favourable lending conditions) looks to be the green light that the market has been waiting for.

Outside of London, scarcity continues to push up prices and rents. The number of sales properties entering the market remains remarkably low compared to pre-COVID levels (down 32% June 2021 vs. June 2019). A likely factor inducing this reticence to sell is the vibrant lettings market that is exhibiting an unprecedented demand for properties to let. Double-digit rent rises and low void times are clearly an attractive alternative to selling a safe asset in uncertain times.

Another important factor reducing the supply of property entering the market is mortgage debt forbearance. 2.9 million such deferred payment schemes, under guidance from the Financial Conduct Authority, were taken up by borrowers in the year to the 31st March 2021, allowing deferral of mortgage payments during the COVID pandemic. We discuss how this situation may affect the market going forward later in this report.

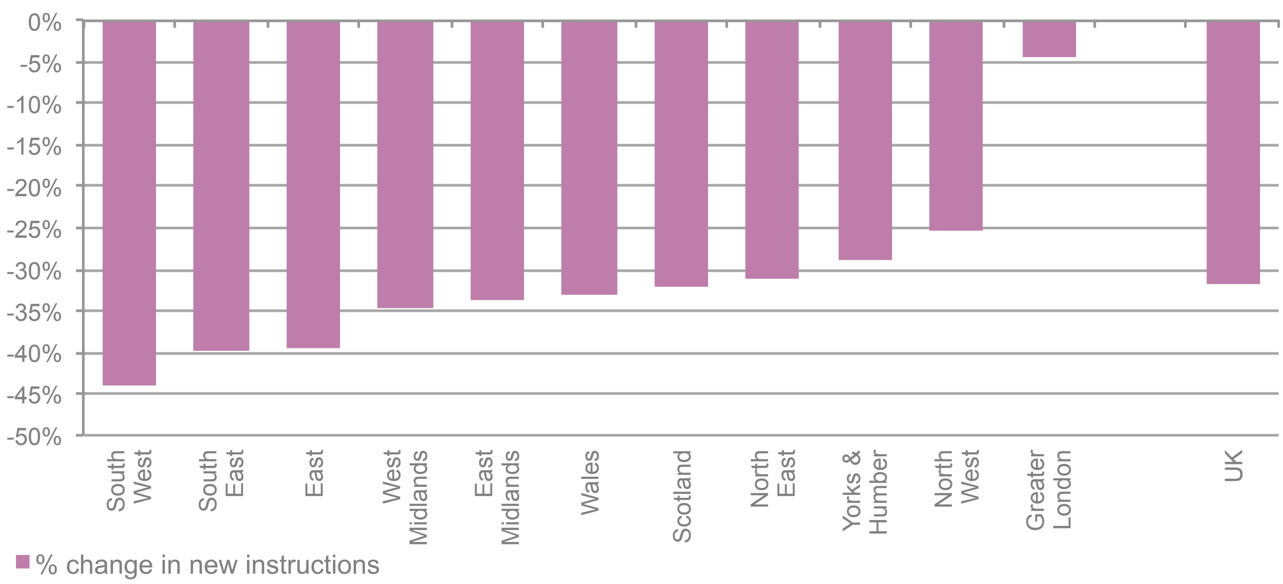
The East Midlands and East of England continue to lead in terms of regional price growth. Annualised home price inflation is just above 11% in both these regions, supported by vast demand and a dearth of supply. As with the rest of the country, the tapering off of the Stamp Duty holiday will likely reduce buyer demand in these sales markets but, such is the very low level of supply, price pressure looks set to remain upward. We therefore expect that prices and rents will continue to rise in concert, albeit at a slower pace, until there is a notable loosening of supply in either market.

The annualised mix-adjusted average asking price growth across England and Wales has slipped to +8.0% this month, although further rises are to be expected when the London market steps up a gear; in July 2020, the annualised rate of increase of home prices was just 2.0%.

Regional Roundup

Lack of supply continues to be the key market driver in all regions outside of London. The South West is most seriously affected with a shortfall in new instructions of 44%. The South East and East of England also showed an alarming scarcity of new stock last month, both down by 40% compared to the

Regional Supply Change, June 2021 vs. June 2019



Source: Home.co.uk Asking Price Index, July 2021 same month two years ago (in what may be regarded as a typical pre-COVID year). The regional chart shows the same lack of supply for all English regions, Scotland and Wales, with London as the key exception. Correspondingly, price growth has been rampant where supply has been overwhelmed by pumped-up demand, owing to freely available mortgage credit (the reintroduction of 95% mortgages) and the Stamp Duty holiday. The latter, of course, is in the process of tapering off but this will do little to change the direction of the market while supply remains at such low levels.

In short, lack of supply coupled with artificially inflated demand has led to absurd price growth, with many regions topping 10% during a time when the wider economy has been decimated by the pandemic. Moreover, the continued scarcity of new instructions will likely support high prices in the near term.

Consequently, the total sales stock has been whittled down to a new low in the history of this index and is trending lower. In June 2008, there was a record number of 868,241 properties on the market; now, the sales stock total for England and Wales has been eroded to a mere 273,531 properties. The number of properties on the market has fallen 34.6% since July 2020, despite oversupply in London during the last year.

However, a sea change is now clearly apparent in the capital's sales market. Since April this year, vendors have stopped flooding the market with new instructions and supply seems to have reduced to more normal levels. Last month showed supply to be in line with normal market expectations, being just 4% lower than in June 2019. Why the sudden change? Falling supply and rising demand has brought the London rental market back to life. The prospects for renting out properties are improving rapidly and therefore many previously desperate landlords who were attempting to sell are turning back to the lettings market. Recent rises in rents and lower supply of properties to let in the capital region attest to this.

Indeed, the London exodus is now going into reverse and this redirection of demand appears to be attenuating rent hikes in the regions as demand is redirected to the capital. However, such are the grave shortages of rental stock in the regions, this new trend is unlikely to cause a sudden fall in rent levels going forward.

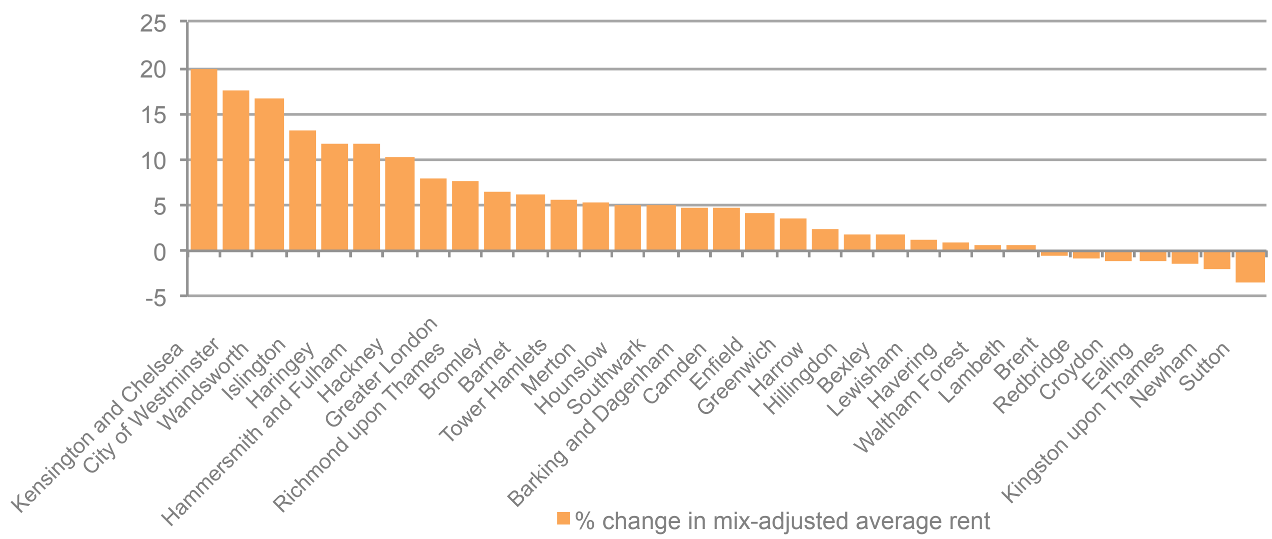
London Rents Rebound

Arguably, the most important trend in the current market is the reanimation of the London rental market. As we stated last month, the pandemic lockdowns had a devastating impact on the London lettings market. The ensuing exodus left many rental properties vacant for many months for want of a new tenant. Landlords slashed their asking rents by as much as 25% and many tried to sell up. Rents crashed in the more central boroughs of London and the sales market was flooded.

However, all that has changed and the London exodus is now reversing. Last month we presented the Q2 growth figures as proof that a light has appeared at the end of the tunnel. This month we present the 6-month growth figures confirming the dramatic turnaround this market has taken.

Kensington and Chelsea now leads the recovery of the most populous central boroughs with a stunning leap of 20.0% over the last 180 days. In fact, asking rents are surging back up and supply is falling in most of the central boroughs. Much-needed confidence is returning to the capital's rental market and, with it, a return to a more normal state of affairs. We will be watching this trend very intently over the coming months as it also serves as a green light for a return to growth in the sales market. Given the blistering pace in the recovery in both rents and yields, we expect investor interest (both foreign and domestic) to rise in the near term. This may well be the trigger for the return to growth in London property prices which was delayed by the COVID outbreak. What is certain is that, given that Greater London home prices have merely gone sideways over the last five years, there's plenty of room for growth.

6-month % Change in London Borough Rents



Source: Home.co.uk Asking Rent Index, July 2021

Given that the COVID pandemic has brought about the worst economic downturn in the UK for 300 years, it's hard to reconcile that fact with soaring house prices and dwindling supply of property for sale.

Seemingly, the housing market is isolated from the pain in the wider UK economy, at least for the time being, and one might ask 'How has this remarkable feat been achieved?'

The answer lies in the vast amounts of additional government borrowing that has been used to protect households and businesses from the worst immediate effects of the pandemic. In just the last year, £300bn of new debt has been used to fund the likes of the furlough scheme (£100bn) and other initiatives. According to Bloomberg Economics, the government has replaced 57% of the income that UK households would otherwise have lost during the lockdowns. Thus far the economy has been propped up to an enormous extent but, as schemes for business and households are set to end, the burden of the economic shock will increasingly move back to the private sector.

In addition to direct spending by the government in order to support households, indirect help has been made available in the form of mortgage forbearance. Basically, the government has told lenders to be kind to distressed borrowers and allow repayments to be deferred. According to the Financial Conduct Authority in a report published in April this year, some 19% of the customers of the UK's top six mortgage lenders had deferred mortgage payments due to financial hardship brought about by the COVID pandemic. Non-bank lenders had an even higher proportion of struggling borrowers. Some 28% of their customers needed some sort of delay in repayments. Data released in May by UK Finance Ltd, the collective voice for the banking and finance industry, showed that, aside from the 2.9 million deferred payments made under the FCA guided scheme, there were relatively few borrowers that were technically in arrears (77,640 in arrears of 2.5 per cent or more of the outstanding balance), although a rising trend is apparent since Q4 2019.

For the time being, it appears that such forbearance is being extended, as UK Finance states: 'For borrowers who need additional support beyond the [initial] six month payment deferral, lenders are continuing to offer tailored forbearance.' But that leads to the question of how many of those 2.9 million borrowers will get back on track with their mortgage payments and how many will fall into arrears when the forbearance scheme comes to an end?

It is clear that mortgage forbearance and the furlough scheme have essentially disconnected the housing market from the economic woes of the coronavirus pandemic. Even repossessions have been temporarily reduced from around 1,700 per quarter to a mere 300 or so. Rising house prices have also insulated mortgagees from financial distress as they see their equity rise in value. At some point, however, the music may stop and lenders will need to recover their bad debts, and that will lead to a surge in repossessions and distressed sales. How large the surge will be is difficult to estimate but it may be enough to radically affect the balance of supply and demand. Be warned!

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Jul-21
Average Asking Price	£340,678
Monthly % change	0.6%
Annual % change	8.0%

Scotland	Jul-21
Average Asking Price	£211,952
Monthly % change	1.3%
Annual % change	10.3%

North East	Jul-21
Average Asking Price	£178,427
Monthly % change	0.6%
Annual % change	7.9%

Yorks & The Humber	Jul-21
Average Asking Price	£229,556
Monthly % change	0.5%
Annual % change	7.7%

North West	Jul-21
Average Asking Price	£235,351
Monthly % change	0.3%
Annual % change	8.0%

West Midlands	Jul-21
Average Asking Price	£282,951
Monthly % change	0.6%
Annual % change	8.0%

East Midlands	Jul-21
Average Asking Price	£269,868
Monthly % change	0.7%
Annual % change	11.3%

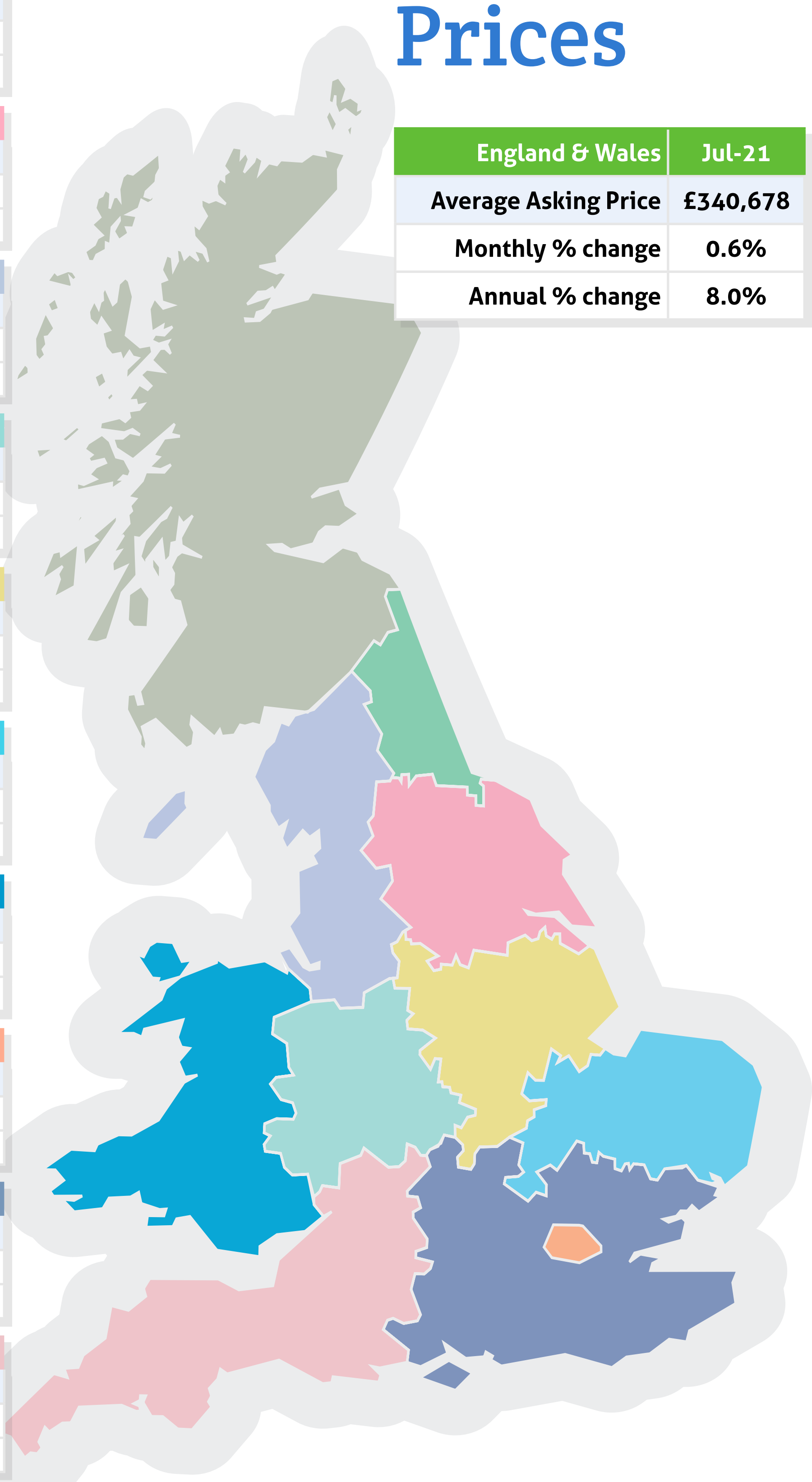
East	Jul-21
Average Asking Price	£391,164
Monthly % change	1.4%
Annual % change	11.4%

Wales	Jul-21
Average Asking Price	£241,373
Monthly % change	0.6%
Annual % change	10.5%

Greater London	Jul-21
Average Asking Price	£545,754
Monthly % change	-0.1%
Annual % change	3.7%

South East	Jul-21
Average Asking Price	£436,903
Monthly % change	0.7%
Annual % change	9.2%

South West	Jul-21
Average Asking Price	£360,125
Monthly % change	1.0%
Annual % change	9.1%



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

UK Time on Market

England & Wales	Jul-21
Average Time on Market	178
Typical Time on Market	73
2 year % supply change	-25%

Scotland	Jul-21
Average Time on Market	251
Typical Time on Market	72
2 year % supply change	93%

North East	Jul-21
Average Time on Market	213
Typical Time on Market	73
2 year % supply change	-20%

Yorks & The Humber	Jul-21
Average Time on Market	151
Typical Time on Market	55
2 year % supply change	-23%

North West	Jul-21
Average Time on Market	169
Typical Time on Market	66
2 year % supply change	-19%

West Midlands	Jul-21
Average Time on Market	161
Typical Time on Market	68
2 year % supply change	-34%

East Midlands	Jul-21
Average Time on Market	139
Typical Time on Market	56
2 year % supply change	-31%

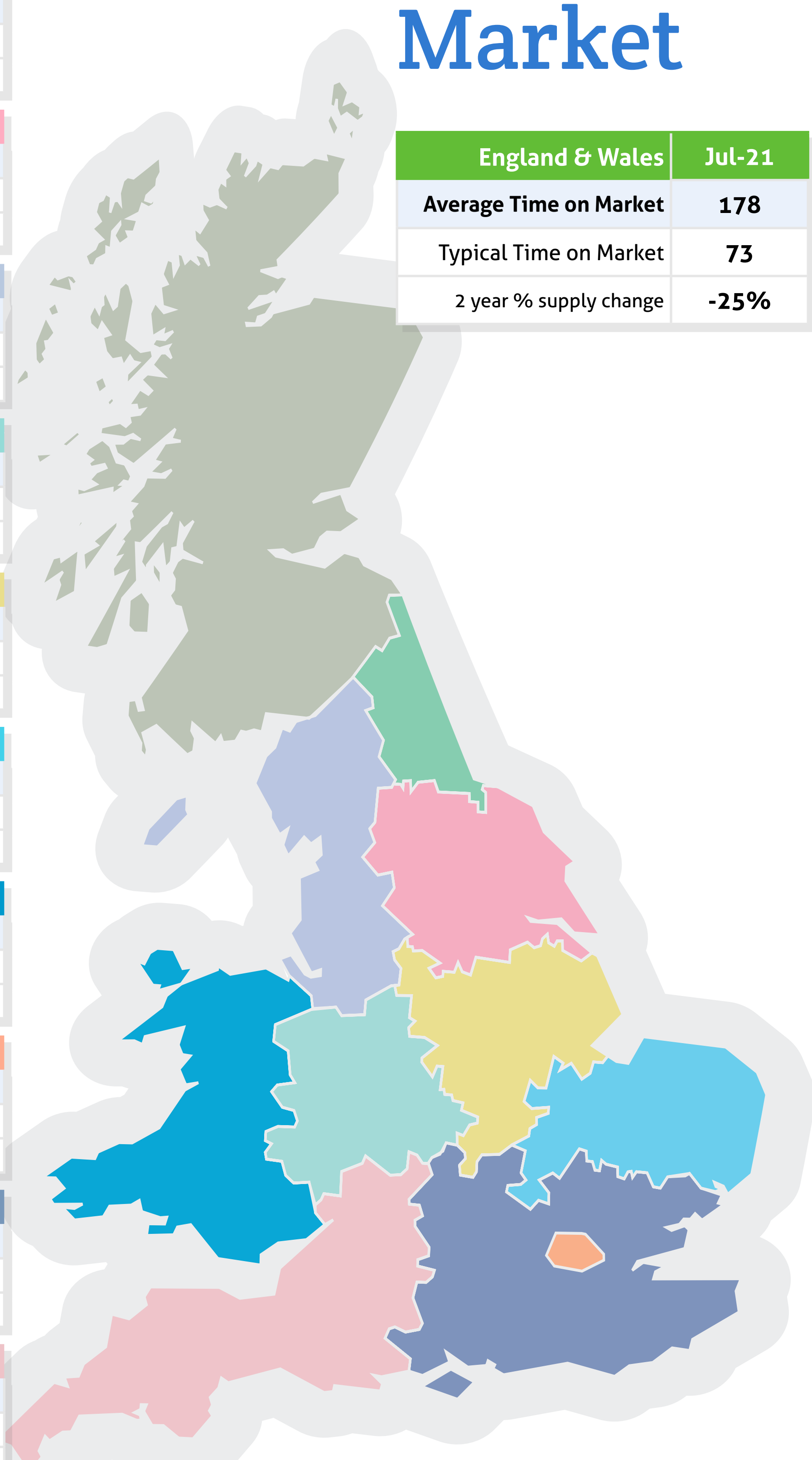
East	Jul-21
Average Time on Market	154
Typical Time on Market	66
2 year % supply change	-38%

Wales	Jul-21
Average Time on Market	196
Typical Time on Market	64
2 year % supply change	15%

Greater London	Jul-21
Average Time on Market	187
Typical Time on Market	86
2 year % supply change	-8%

South East	Jul-21
Average Time on Market	168
Typical Time on Market	71
2 year % supply change	-39%

South West	Jul-21
Average Time on Market	165
Typical Time on Market	64
2 year % supply change	-42%



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

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

- For media enquiries please contact:
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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:

- **Thursday 12th August**
- **Wednesday 15th September**
- **Wednesday 13th October**