EMBARGOED UNTIL 15/03/23

Asking Price Index

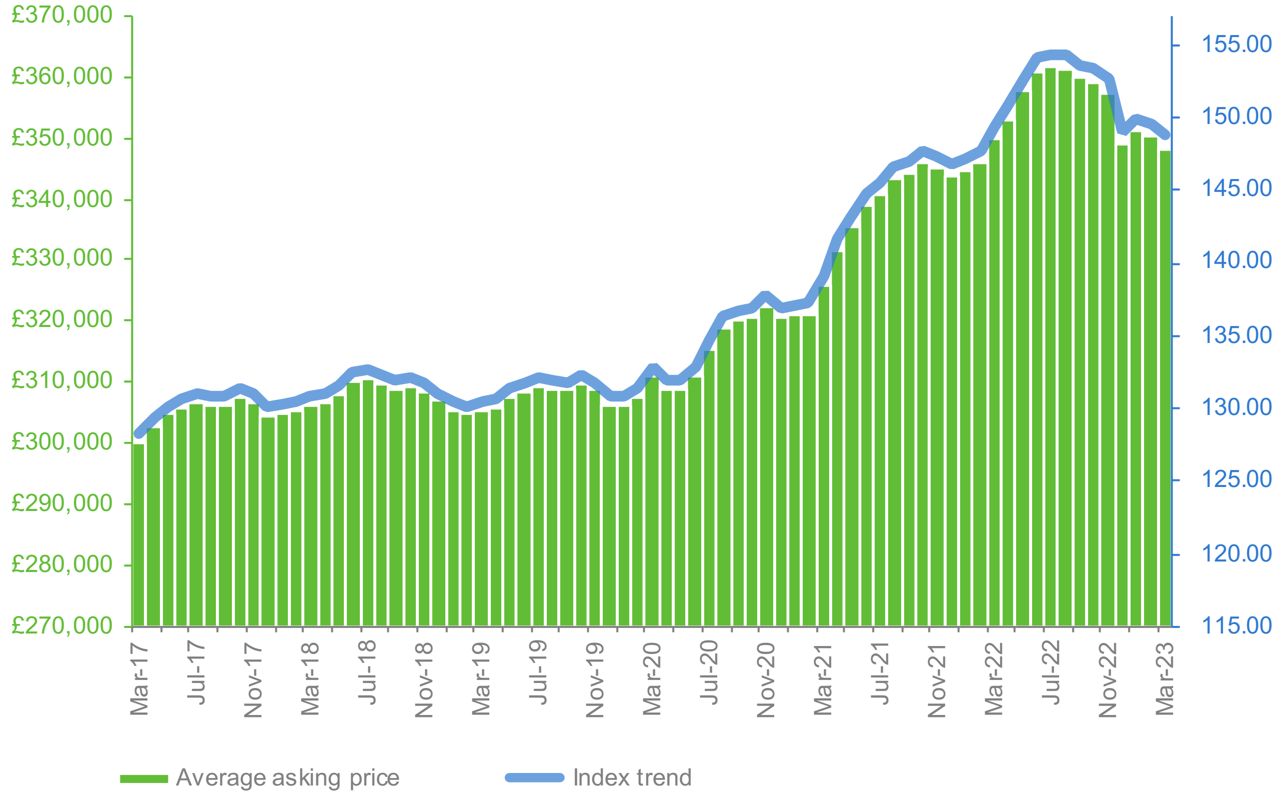
Released 15/03/23 March 2023

Lower Pricing Triggers Uptick in Demand

Headlines

- Asking prices across England and Wales slipped a further 0.6% during February, making the year-on-year growth negative (-0.5%) for the first time since Dec 2019.
- The Typical Time on Market for unsold property in England and Wales dropped by five days during February to make the median 95 days, showing that the market is picking up pace as demand increases.
- Asking prices in February fell in Wales, Scotland and all English regions except the North West and West Midlands where there was no change.
- The total sales stock count for England and Wales increased in February by just 3,585 to reach 372,638, indicating that property remains scarce relative to the 10-year average of 422,668.
- The supply rate of new instructions remains subdued, dipping 1% last month compared to February 2022.
- The East of England shows a remarkable drop in Typical Time on Market from 91 to 78 days, which is considerably lower than it was in February 2019.
- The Scottish property market falls into second place in terms of annualised regional price growth (4.0%), behind the North West at 4.1%.
- Rents across Greater London continue to rise, up 21.4% year-on-year. Low supply is still a persistent problem although the pace of the rent hikes in the more central boroughs has slowed somewhat over recent months.
- The current new growth leaders in asking rents are the outer London boroughs of Brent, Harrow and Ealing (+35%, +34% and +32% annualised respectively).

Home Asking Price Trend for England & Wales



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

Summary

Lower prices and lower mortgage rates have piqued buyer appetite. Returning buyer demand has reduced the Typical Time on Market by five days since last month and is a sure sign that the market is picking up pace in the wake of the Truss-Kwarteng debacle. This renewed momentum came at the cost of a price correction, effectively writing off all the gains of 2022 and a little more. However, with the froth of the COVID boom cleared from the market, UK home prices look set to consolidate over the coming months as demand and supply find a new equilibrium.

Fears of a flood of panic sales prove to be unfounded as supply remains restrained. In fact, the monthly rate of new instructions is slightly down on February 2022. Meanwhile, the total stock of unsold property on the market is still below pre-COVID levels despite having recovered significantly following the unprecedented buyer frenzy of 2020/21.

Rents are up significantly in all regions and most notably in Greater London and Scotland. The lettings market continues to be overwhelmed by demand and this has driven the mix-adjusted average rent up just over 17% overall. Since rental returns fundamentally underpin property values, this is clearly a very positive trend for the sales market. The typical gross yield on a two-bedroom flat in London has risen to 7%.

Demand is supported by the mortgage market which currently offers many fixed-rate deals at 4% or less. Moreover, for those that can afford a deposit, real mortgage rates remain negative by quite a margin, irrespective of the measure of inflation (RPI or CPI) you prefer. Additionally, pay growth at 7.3% helps support lending based on earnings multiples.

The annualised mix-adjusted average asking price growth across England and Wales is now -0.5%; in March 2022, the annualised rate of increase of home prices was 7.4%.

Prices continue to correct in the wake of interest rate hikes. Asking prices slipped a further 0.6% in February following a 0.2% fall in January. Despite recent price falls, the mix-adjusted average is currently 12% higher than it was in March 2020, before the COVID boom took off. It is therefore reasonable to assert that this price correction is relatively minor and far from severe, unlike the fallout from the 2008 financial crisis.

The fall in the national average since the peak in July last year is currently 3.7%.

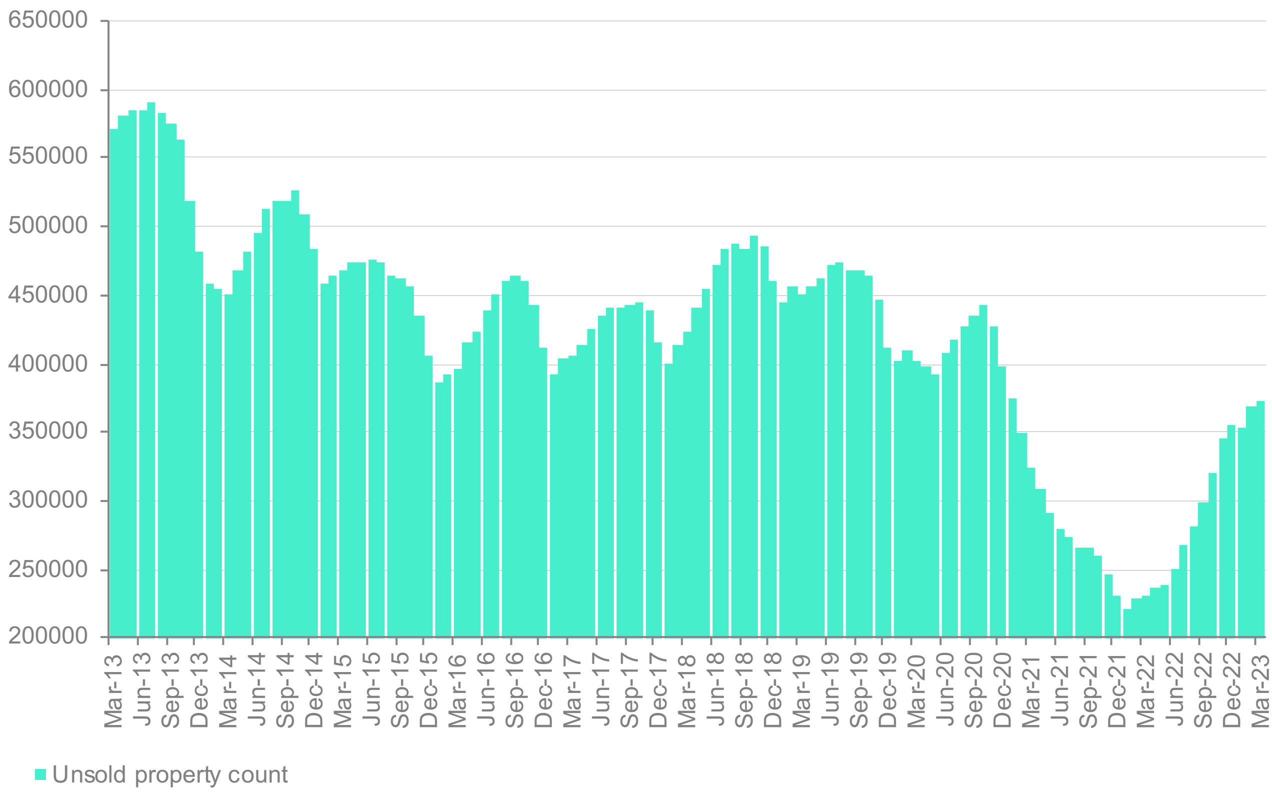
Stock Levels

Stock has yet to return to pre-COVID levels. The total remains considerably lower than the 10-year average of 422,668. Supply is also very restrained given the circumstances and this continued relative scarcity will support prices going forward.

Regional Roundup

While the overall stock of unsold property on the market has recovered significantly, there is considerable variation in the restocking rate on

Total Stock of Property for Sale, England and Wales



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

a regional basis. Sudden rises in inventory tend to impact prices negatively.

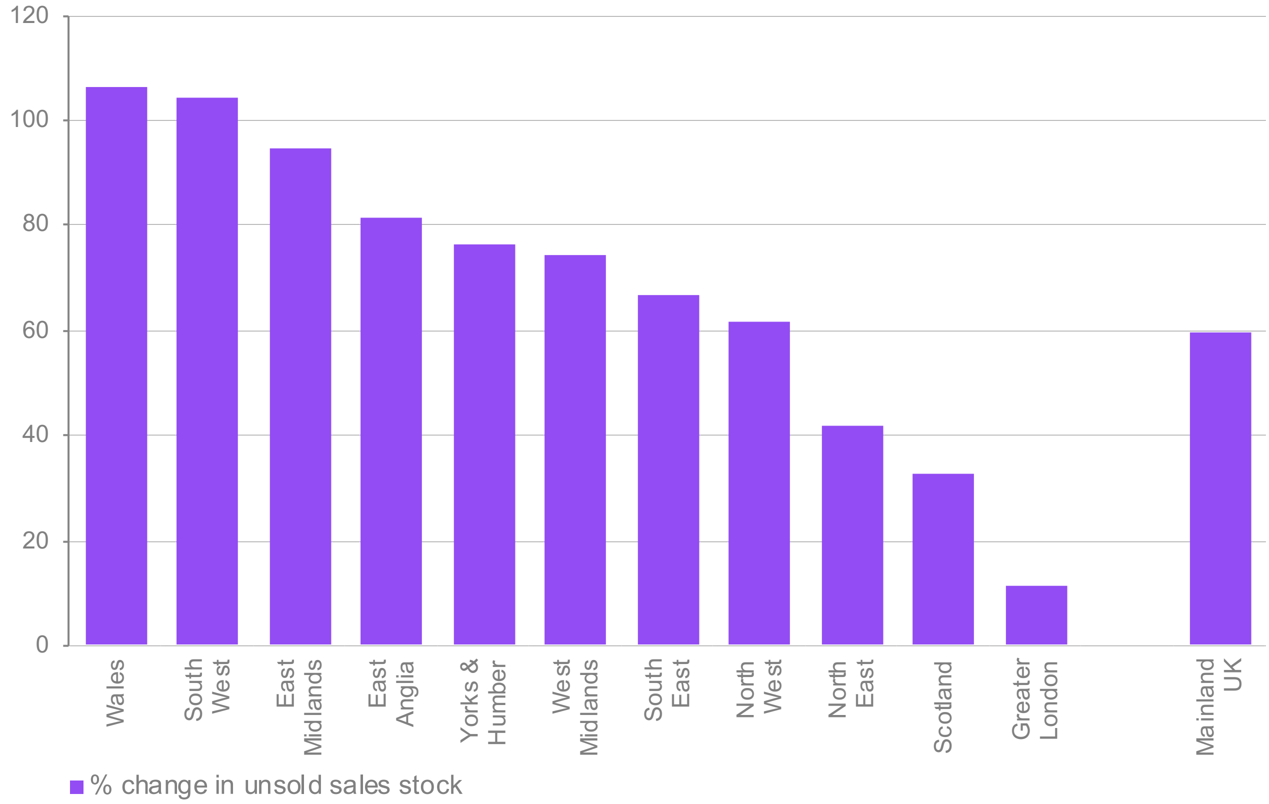
The largest percentage increases in stock levels broadly correlate with the regions that suffered the greatest depletion in unsold property totals. Stock in the South West, Wales and East Midlands was particularly eroded during the COVID boom. The South West saw an unprecedented 51.5% of the region's sales inventory consumed between January 2021 and January 2022.

The rate of stock recovery in the other regions outside of London is significant but less pronounced. In the South East, despite a 69% rise in stock, the total has yet to return to the January 2021 level. Moreover, the North East and Scotland continue to have significant deficits relative to January 2021, despite the fact that the COVID boom was well under way at this point.

London's increase of 11.6% is tiny in comparison. Admittedly, stock levels in the capital region were not decimated to the same extent during the COVID boom, hence less restocking is to be expected. Supply remains tight, however, with the total of new instructions for February coming in at 6% less than in February 2022. Many potential vendors are clearly playing wait and see or simply letting out their properties in the most vigorous rental market we have witnessed.

Aside from limited supply, it is also important to appreciate that the capital's property market has not slowed. The Typical Time on Market

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



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

has barely changed since March last year. The current median time on market for unsold property at 106 days is just one day more than it was in March 2022 when the COVID boom was still raging.

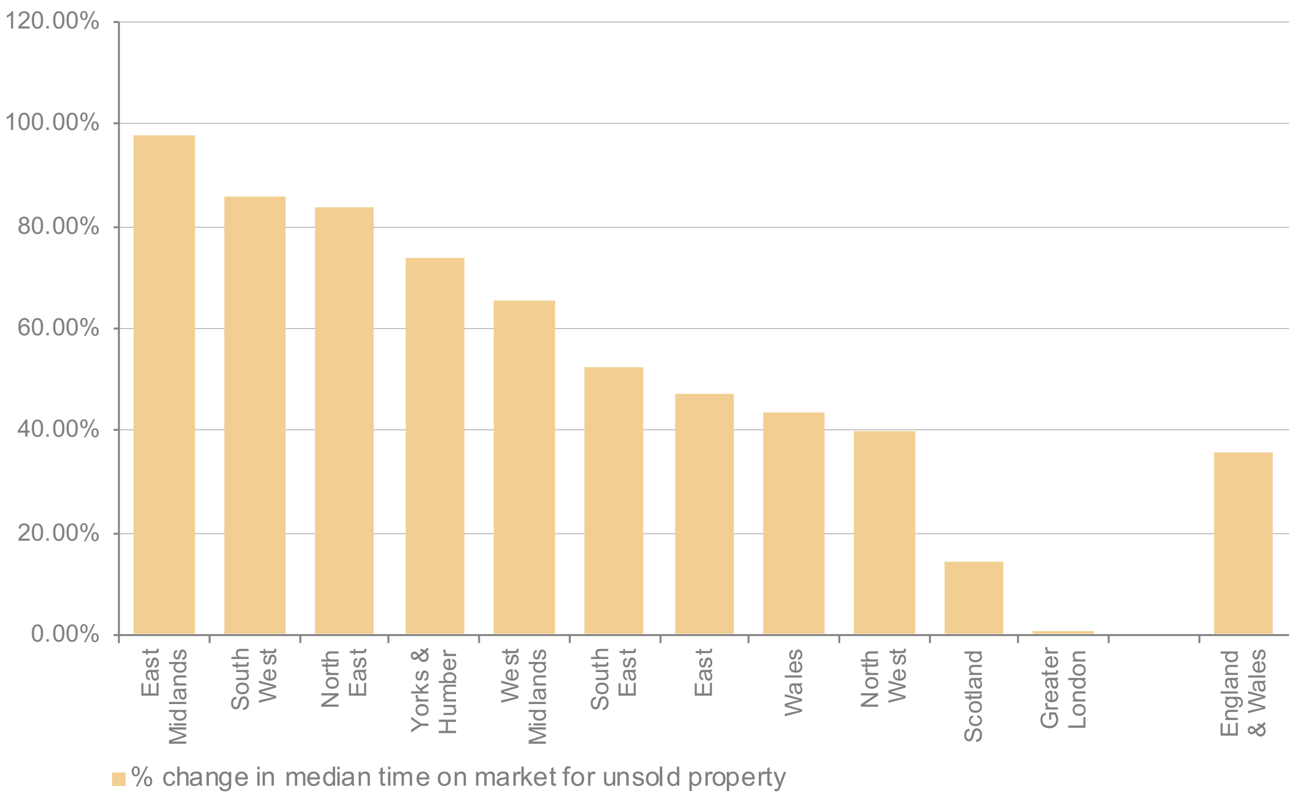
Other regions show significant deceleration over the last twelve months. Most notably, the East Midlands indicates a near doubling of the median time on market. However, when we look at the absolute figures, it is clear that this market has simply returned to a more normal pace. In fact, the current reading of 85 days is five days less than it was in March 2019.

The same goes for other regions too, with the apparent braking effect merely a reflection of how much they accelerated during the buying frenzy. The reality is that marketing times are simply returning to normal. There is no indication of a stand-off between buyers and sellers.

It is also interesting to note the change in Typical Time on Market since February. Every single English region, Scotland and Wales indicated a reduction in the median marketing time. This is consistent with seasonal expectations as spring gives a fillip, increasing market momentum.

In particular, the East of England shows a dramatic drop of 13 days, taking the Typical Time on Market from 91 days to 78 days. Such a sudden increase in pace runs counter to the doom and gloom narrative and indicates that there is a resurgence of demand now that prices have taken a haircut. The direction of travel of marketing times is a key predictor of price strength.

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



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

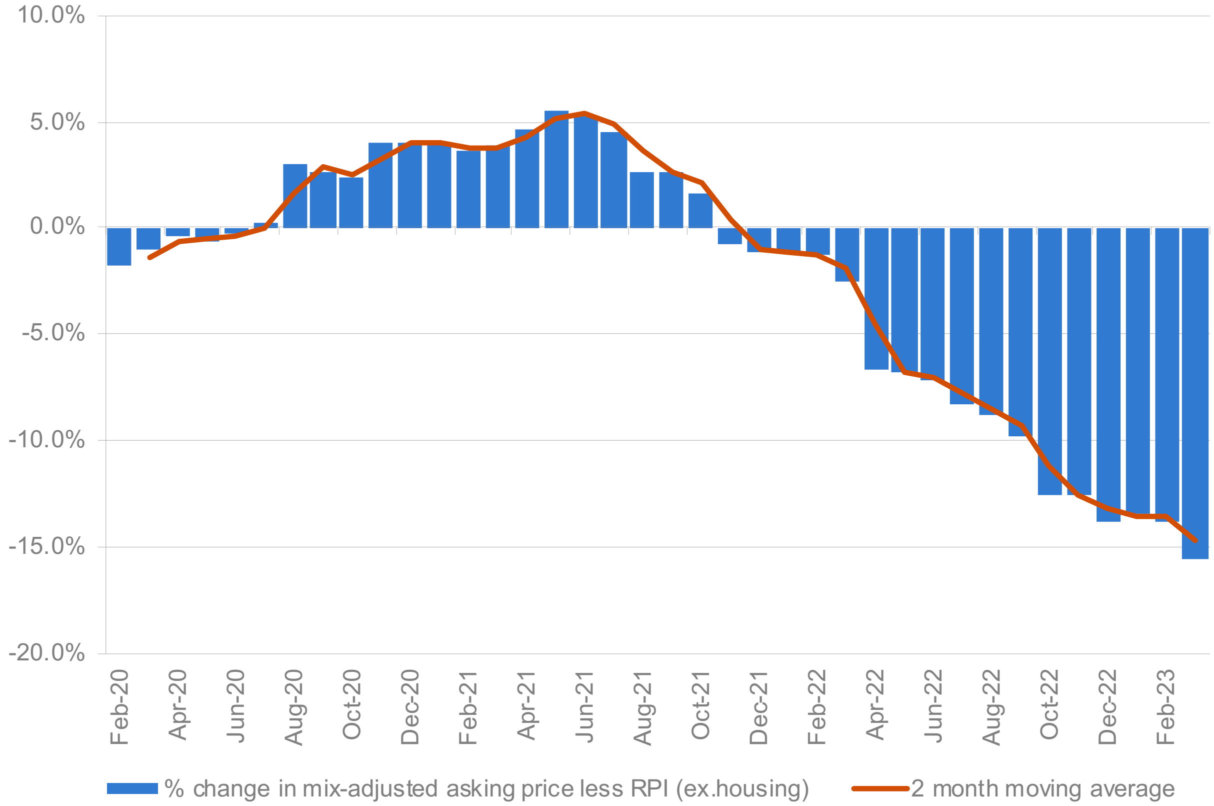
Meanwhile, asking price movements suggest that the market continues to adapt to higher mortgage costs, although one might conclude that we are at the fine tuning stage of the correction. In fact, there's considerable variation with some regions showing no change and others showing large month-on-month price falls (see map). The North West and West Midlands remain unchanged, while the largest falls were in the South East (-1.2%) and the South West (-1.1%). It is a far cry from the precipitous falls observed across the board in December 2022 which culminated in an overall drop in the mix-adjusted average of 2.4% in just one month.

Real Price Growth

When we take into account monetary inflation, price performance looks rather different.

By these estimates, real growth peaked in May 2021 and it's been downhill ever since. We have yet to determine the bottom of this decline in *real* growth.

Real Asking Price Growth, England and Wales



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

The UK property market has stepped up a gear since last month.

Increased availability of mortgage credit and fixed-rate deals at below the Bank of England base rate have had the effect of reanimating UK home sales. Our key observation is not pricing but Typical Time on Market for unsold property. This leading and reliable measure of market vitality indicates a sudden uptick in activity as properties spend significantly less time on the market. Price recovery always comes later.

A frozen market, much like the proverbial rabbit in the headlights of the interest rate juggernaut, indicates a rapid rise in marketing times. This happened in autumn last year when the Truss-Kwarteng mini-budget put the cat amongst the pigeons and caused chaos in the gilt markets. Since that panic, mortgage availability has gradually improved and fixed rates have fallen to the point where they are just under the Bank of England base rate. The mortgage credit taps have been turned on again and, consequently, property has started moving through the market more quickly.

Bear in mind that borrowers can still get deals with interest rates well below the rate of inflation, which means that at least a part of the loan is actually a gift. A truly remarkable and, to my knowledge, unprecedented situation, meaning that the outstanding debt will be eroded at around 10% per annum if you prefer the older measure of RPI (ex. housing) or somewhat less so if you trust the newer CPI.

Inflation is also doing some heavy lifting as John Stepek puts it, writing for Bloomberg. Our estimates show that, in real terms, a large market correction has been ongoing for over a year. Using RPI, the real fall is around 16% but, thanks to the mirage of inflation, this will not show up as negative equity on lenders' balance sheets. Whether or not we are at the bottom of this correction in real terms will depend on when the market returns to nominal price growth and the future direction of predominately cost-push inflation.

Given a further month of improving marketing times (and no nasty shocks from the Bank of England or UK Treasury), asking prices will likely form a firm base from which growth can occur. The large reduction in Typical Time on Market since last month in the East of England is a good example. This region is currently showing a 2.5% fall year-on-year but this situation could turn around very quickly as confidence amongst vendors inevitably improves, leading to a return to nominal growth.

Meanwhile, the lettings market continues to show considerable rent growth. Overall, asking rents are up just over 17% across the UK year-on-year, which corresponds to growth in real terms of at least 2% or more if you prefer CPI. However, yields, whilst improving rapidly, are as yet nowhere near the level of inflation. Property, therefore, is not serving to protect investors' capital against inflation, although the fact that yields are rising shows that returns on the underlying value of investment property are increasing.

All eyes will be on the Monetary Policy Committee on the 23rd of this month. Their decision will decide whether it's 'business as usual' or 'we're not out of the woods yet.'

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Mar-23
Average Asking Price	£348,197
Monthly % change	-0.6%
Annual % change	-0.5%

Scotland	Mar-23
Average Asking Price	£216,377
Monthly % change	-0.9%
Annual % change	4.0%

North East	Mar-23
Average Asking Price	£185,617
Monthly % change	-0.5%
Annual % change	3.2%

Yorks & The Humber	Mar-23
Average Asking Price	£241,112
Monthly % change	-0.1%
Annual % change	3.8%

North West	Mar-23
Average Asking Price	£254,773
Monthly % change	0.0%
Annual % change	4.1%

West Midlands	Mar-23
Average Asking Price	£296,128
Monthly % change	0.0%
Annual % change	0.9%

East Midlands	Mar-23
Average Asking Price	£281,967
Monthly % change	-0.7%
Annual % change	1.4%

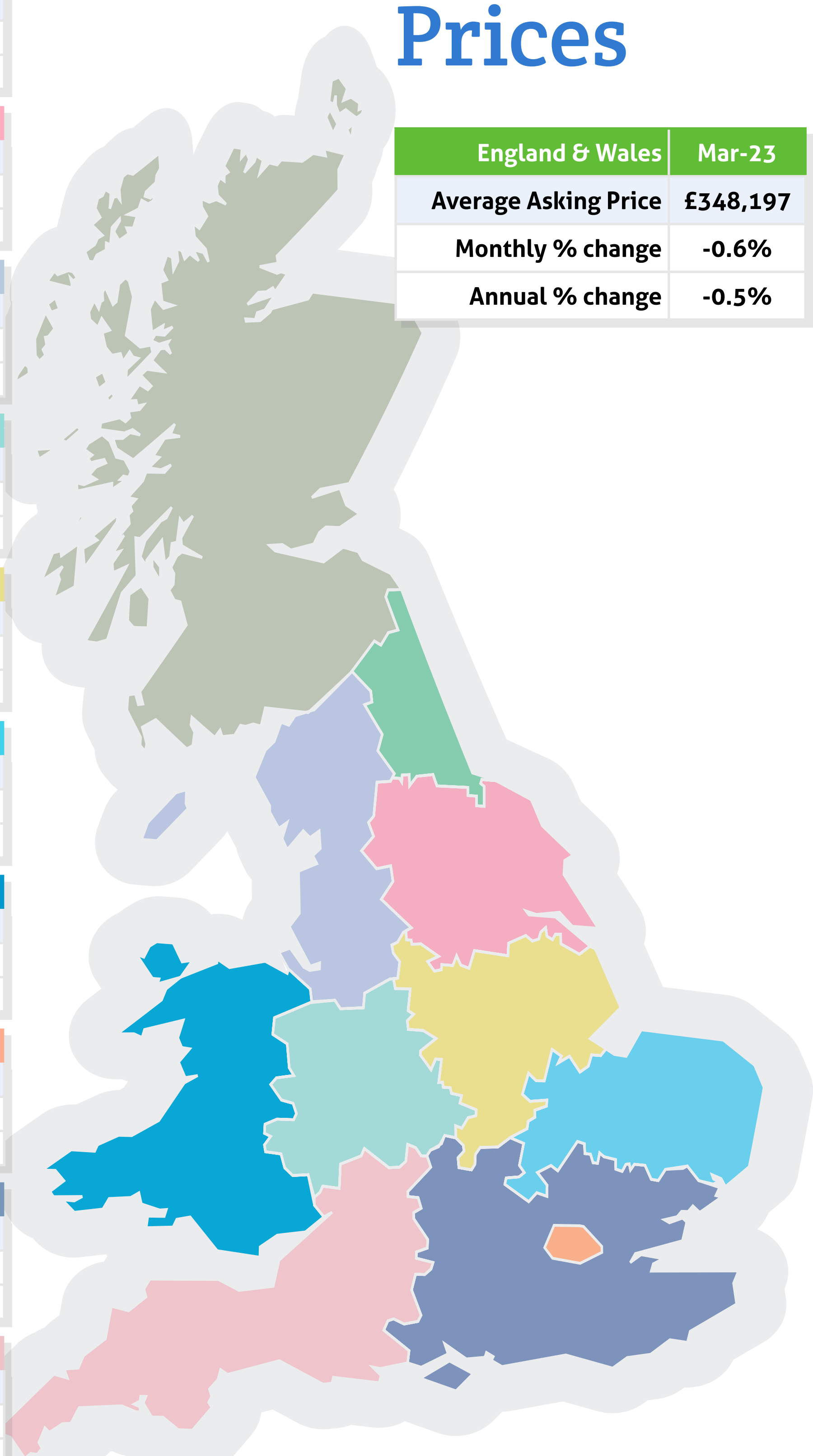
East	Mar-23
Average Asking Price	£393,832
Monthly % change	-0.8%
Annual % change	-2.5%

Wales	Mar-23
Average Asking Price	£255,699
Monthly % change	-0.5%
Annual % change	1.6%

Greater London	Mar-23
Average Asking Price	£541,416
Monthly % change	-0.3%
Annual % change	-2.4%

South East	Mar-23
Average Asking Price	£434,277
Monthly % change	-1.2%
Annual % change	-2.7%

South West	Mar-23
Average Asking Price	£371,963
Monthly % change	-1.1%
Annual % change	-0.4%



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

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

UK Time on Market

Scotland	Mar-23
Average Time on Market	**212**
Typical Time on Market	105
Annualised % supply change	-7%

North East	Mar-23
Average Time on Market	**152**
Typical Time on Market	92
Annualised % supply change	-12%

Yorks & The Humber	Mar-23
Average Time on Market	**131**
Typical Time on Market	87
Annualised % supply change	-1%

North West	Mar-23
Average Time on Market	**151**
Typical Time on Market	95
Annualised % supply change	-2%

West Midlands	Mar-23
Average Time on Market	**145**
Typical Time on Market	91
Annualised % supply change	-1%

East Midlands	Mar-23
Average Time on Market	**127**
Typical Time on Market	85
Annualised % supply change	4%

East	Mar-23
Average Time on Market	**138**
Typical Time on Market	78
Annualised % supply change	4%

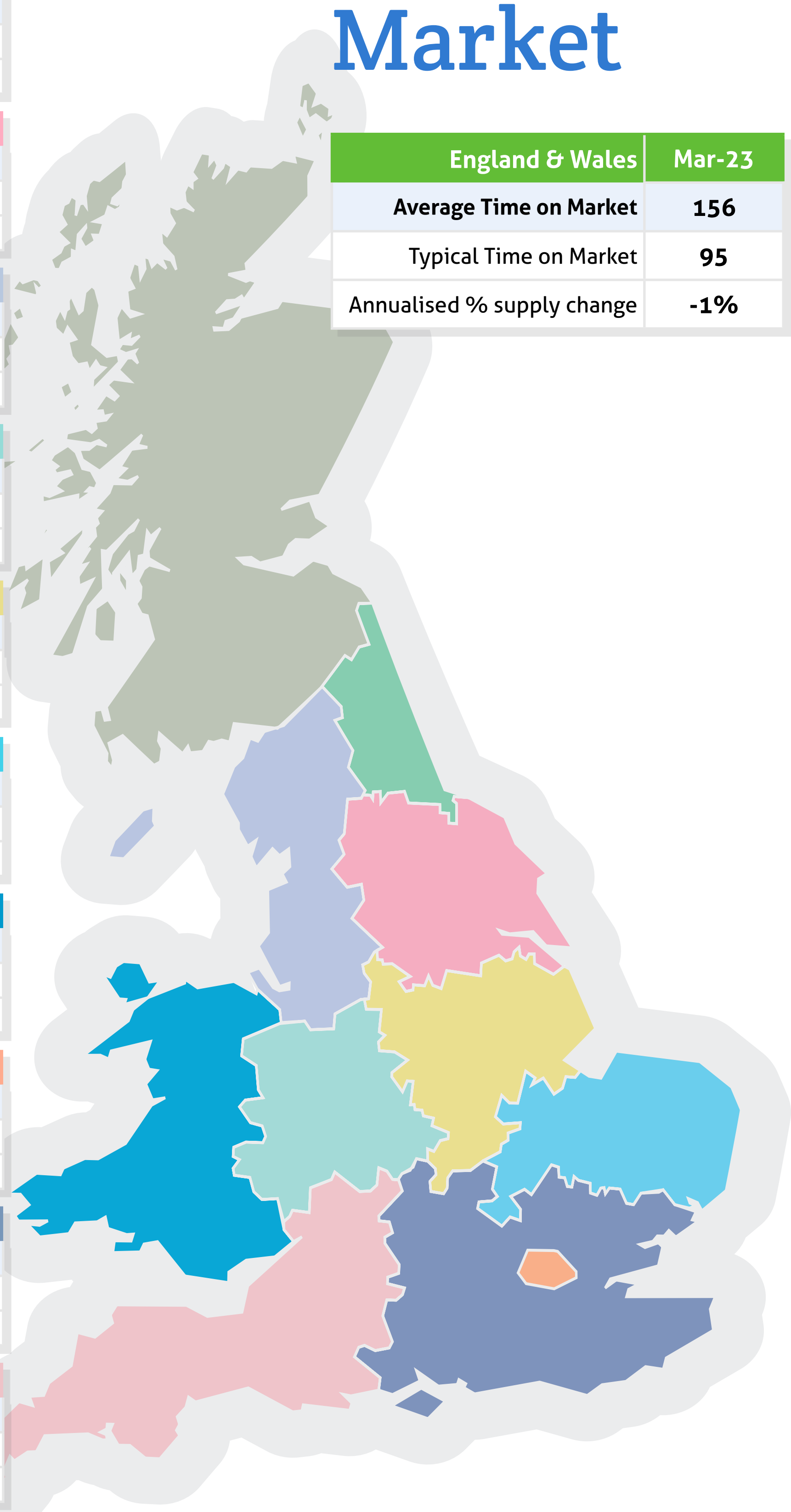
Wales	Mar-23
Average Time on Market	**159**
Typical Time on Market	109
Annualised % supply change	6%

Greater London	Mar-23
Average Time on Market	**193**
Typical Time on Market	106
Annualised % supply change	-6%

South East	Mar-23
Average Time on Market	**146**
Typical Time on Market	87
Annualised % supply change	0%

South West	Mar-23
Average Time on Market	**140**
Typical Time on Market	91
Annualised % supply change	7%

England & Wales	Mar-23
Average Time on Market	**156**
Typical Time on Market	95
Annualised % supply change	-1%



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

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