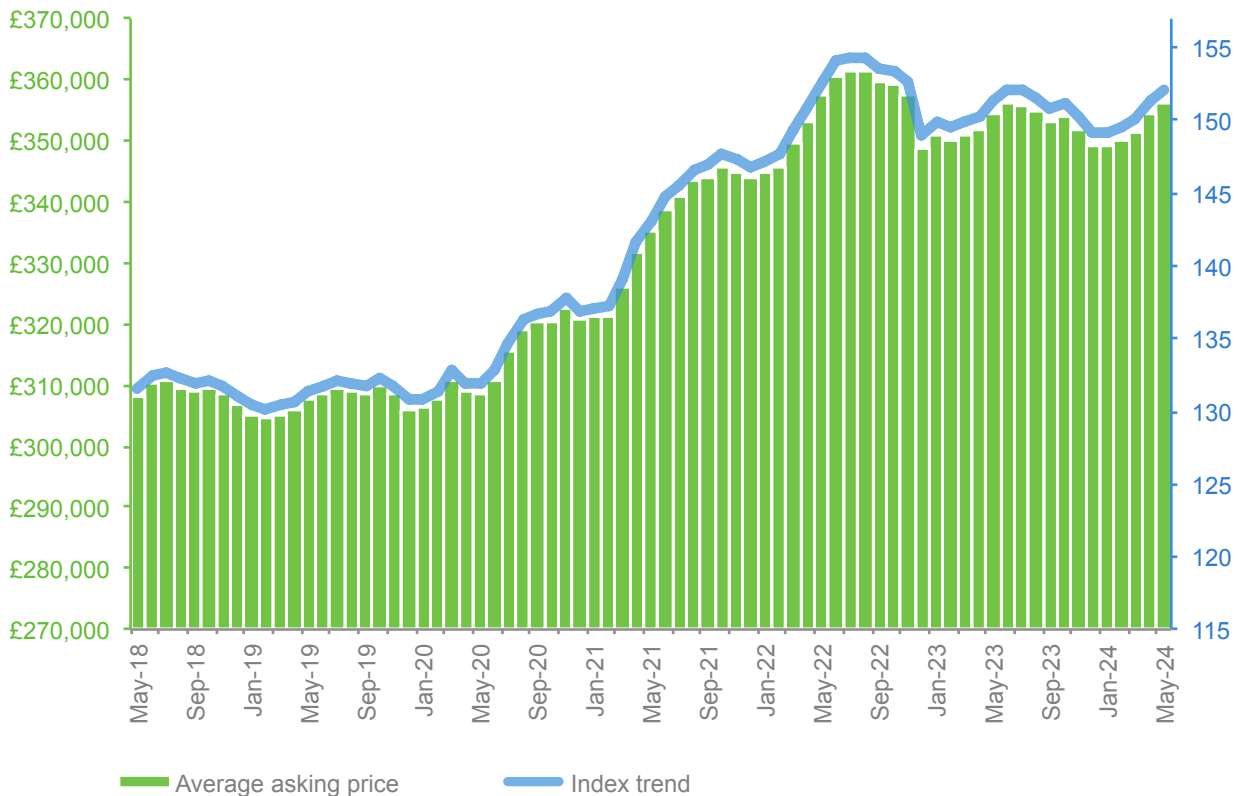


Home Prices Rise Further While Stock Levels Surge

Headlines

- Asking prices have risen a fairly modest 0.4% since last month across England and Wales and are up just 0.4% since May 2023.
- The total unsold sales stock count for England and Wales surged during the last month. Around 21,000 properties were added to agents' portfolios, surpassing the maximum total set in October 2023 and making the current count of 475,785 the largest since November 2018. Supply outpaced demand.
- Prices increased again in all English regions and in Scotland during the last month. Vendors in Wales were less optimistic and moderated their asking prices by the smallest margin (0.1%).
- Market momentum remains relatively healthy, as indicated by the Typical Time on Market (median) for unsold property in England and Wales being one day less than last year. However, the current mean time on market at 165 days is eight days higher than in May 2023, indicating that harder to shift properties are hanging around longer on the market.
- The number of new instructions during April 2024 was 7% more than during April 2023. The increase may be based on the hope of a cut in mortgage rates as opposed to the actual supply/demand balance of the current market.
- The North West remains the regional property market growth leader with a year-on-year gain of 3.7%, while the East Midlands is now the worst performing region over the same period at -1.3%.
- The national growth figure for asking rents is an annualised 3.4% although some regions, for example the North East and Yorkshire, are indicating growth at +17.4% and +15.1% year-on-year respectively. Meanwhile, Greater London rents are down 3.2%, which is a slower rate of decline than previously observed.
- Rents continue to correct in several London boroughs in response to increased supply. However, the overall picture shows that boroughs with falling rents are now in the minority, with 18 of the 33 boroughs indicating year-on-year rises. Some larger central boroughs such as Islington have returned to significant growth (+7.7%), while the worst performer is now Richmond with a year-on-year fall of 10.3%.

Home Asking Price Trend for England & Wales



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

Summary

Steadily rising mortgage costs have negatively impacted the market rebound. Earlier this year, the market factored in a cut in the Bank of England base rate as inflation fell precipitously, and this encouraged plenty of potential vendors to commit. However, actual mortgage rates have been rising ever since due to increasing market pessimism about inflation and this has gently put the brakes on the recovery. Understandable hesitancy on the part of buyers has resulted in a surge of oversupply which will negatively impact price growth going forward.

While uncertainty about a rate cut continues to hamstring the UK economy, the European Central Bank has, quite sensibly, firmly signalled an imminent cut and both Sweden and Switzerland have already cut. Uncertainty is eroding Britain's business and consumer confi-

dence and what we are seeing now is a minor dose of the jitters. Obviously, the danger for the UK property market is that rising supply will create a glut and therefore a standoff between buyers and sellers, while the procrastination experts of Threadneedle Street sit on their hands.

Rapidly rising stock levels is impacting price growth. This month's overall increase of just 0.4% indicates that vendors' confidence has been somewhat dented as transaction rates wane. However, vendors in the North East, Yorkshire and Scotland remain much more bullish than in the southern regions.

For the time being, price cutting of properties on the market is within the normal range. However, should the mortgage market not improve, vendors in the South will be the first to come under pressure to moderate their asking prices. Unfortunately, the East of England, London, East Midlands, the South West

and the South East are already on the back foot, as indicated by their negative year-on-year growth.

As spring optimism fades, properties are lingering on the market for longer. The average time on the market for unsold property is up eight days compared to May 2023. Only London and Scotland indicate year-on-year reductions in average marketing times. Of the remaining regions, the greatest slowdowns are visible in Wales and the East Midlands, with both having increased their average time on market by 21 and 17 days respectively compared to May 2023.

Asking rents continue to show positive growth in all regions except Greater London, the UK's largest rental market, where they continue to indicate weakness. However, the rate of decline has slowed to 3.2% as greater numbers of boroughs return to positive growth. The North East continues to be the regional growth leader, followed by Yorkshire,

registering hefty year-on-year hikes of 17.3% and 15.1% respectively. Unsurprisingly, supply in the North East is the tightest of all the regions.

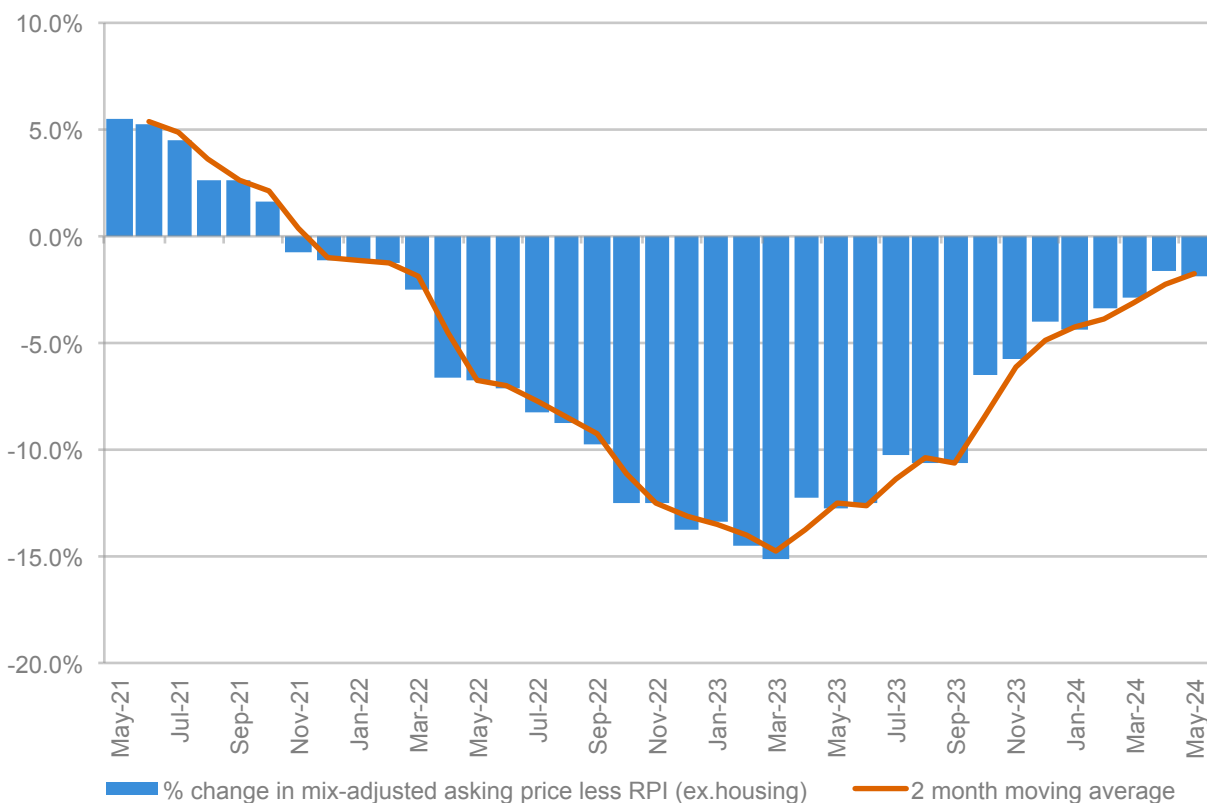
UK asking rents are currently 3.4% above their May 2023 reading.

The annualised mix-adjusted average asking price growth (sales) across England and Wales is now 0.4%; in May 2023, the annualised rate of increase of home prices was a dismal -0.8%.

Price Trend

Home prices are still rising as per seasonal expectations, but the upward drift of mortgage costs has taken a little wind out of the sails. Demand has waned through buyer hesitancy as many wait to see if they might get a better deal later in the year. Hence, further price rises are not looking likely this year, or at least not until the much hoped-for rate cut by the Bank of England finally materialises. Vendors will be feeling much less bullish as they see properties piling up on the market.

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, May 2024 and ONS [RPI ex. housing].
Inflation for April and May are our estimates (2.5% and 2.3% respectively).

Monetary inflation has now retreated to 3% (RPI ex. housing) while the BoE holds the rate at 5.25%. It is worth noting that, back in the latter half of 2017, the bank rate was 0.5% while the same measure of inflation was 4.5%: curiously inconsistent behaviour from the central bank.

Real Price Growth

The trend towards real price growth continues, albeit slowly. Given a rate cut this summer, real gains should be comfortably back in the black around the autumn.

Stock Levels

This month's shock rise in the total stock level is not good news for the market. Such a large jump is a very rare event and suggests that supply has overwhelmed demand for the time being. An additional 21,000 properties comes in above expectations and makes the grand

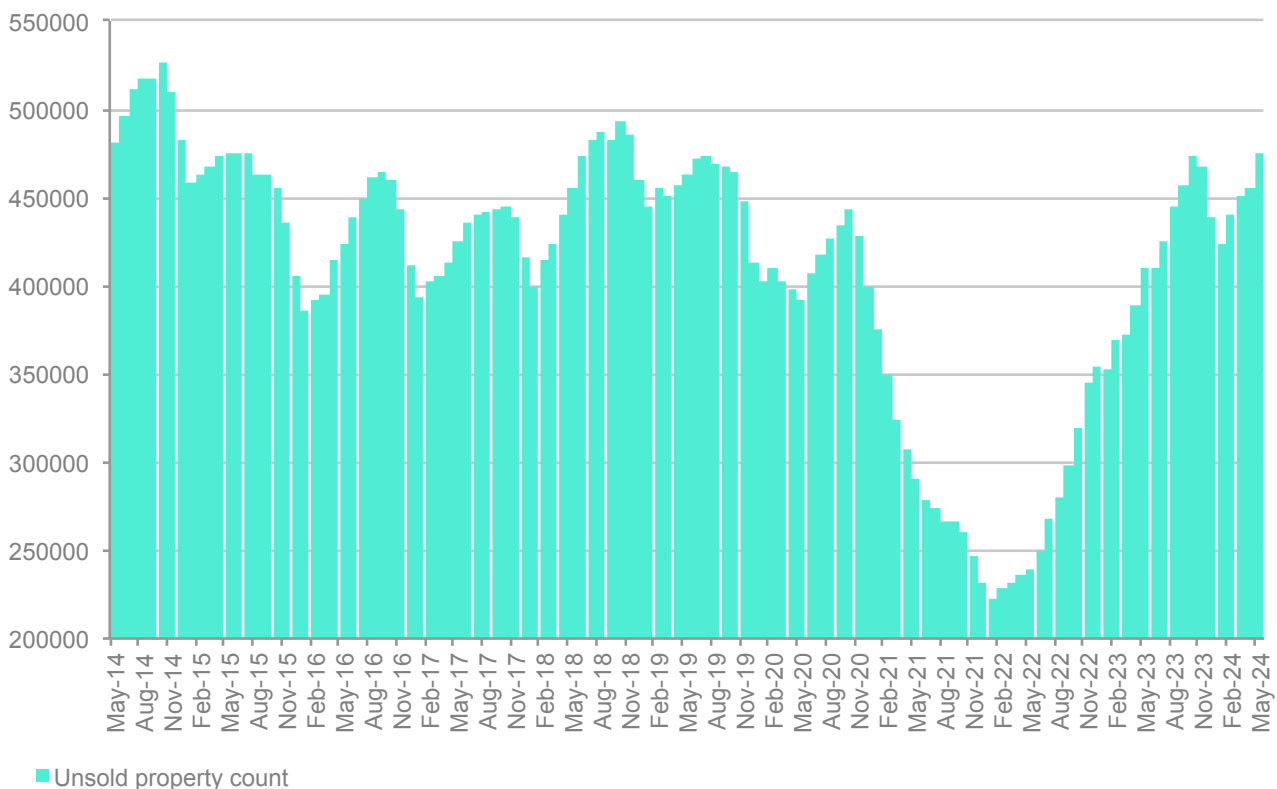
total of unsold properties in England and Wales 475,785. This figure is around 65,000 or 14% more than the 10-year average. Whilst we expect stock levels to rise until the autumn, this spike should ring warning bells for further potential vendors.

To surmise, previously hesitant vendors have committed to sell, encouraged by a calmer and more optimistic market, but buyers have been put off by rising mortgage rates.

Regional Roundup

The regions are highly diverse in their relative market performances. The East of England, East Midlands, Greater London, the South East and the South West are indicating negative growth over twelve months, despite recent price rises (see map). London and the South East have just slipped back into negative territory (both -0.2%). These regions took the biggest hit following the calamitous end

Total Stock of Property for Sale, England and Wales



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

to 2022. The East Midlands is currently the worst performer (-1.3%).

Meanwhile, the remaining English regions and Scotland and Wales all show significant growth over the last twelve months. The North West is the best performer, indicating growth of 3.7%.

Mix-adjusted average prices rose in every English region and Scotland; again, the largest rises during the last month were seen in Scotland in particular (+2.0%) and also the North of England (see map). Wales, however, slipped by just 0.1% as mounting stock levels and affordability constraints take effect.

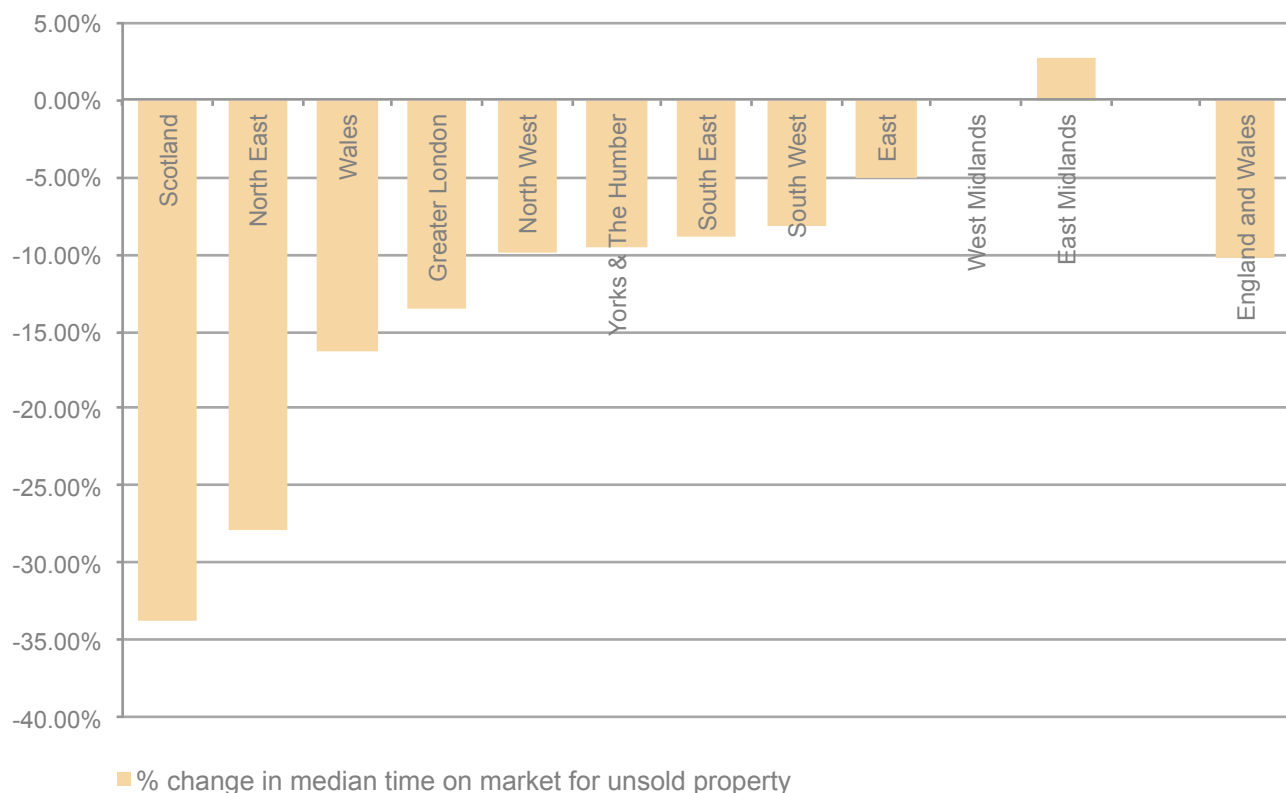
Regional Time on Market

The Typical Time on Market for England and Wales is 80 days which is one day lower than it was in May 2023. However, there are large amounts of higher priced new stock that are not proceeding to sales. Mean time on market figures capture this increasing from 157 days

in May 2023 to 165 days today. At the regional level, the data gives a mixed picture (see map). The most improved in terms of market momentum over the last year is Scotland, followed by Greater London (12.2% and 9.8% reductions in median marketing times respectively). During the same time period, the South West has slowed the most, increasing the median marketing time by 6.9%.

We also present a chart covering median marketing time changes since pre-COVID 2019 to the present. This chart indicates how truly transformative the last five years have been. It is noteworthy that Greater London indicates significant improvement since 2019 and, in particular, during the last year. This is usually a good signal for price growth in the near term.

% Change in Typical Time on Market, May 2024 vs May 2019



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

“ While the upward drift of mortgage interest rates is causing some buyers to delay their plans, we note that there are plenty of vendors still keen to sell.

Some of these vendors will be landlords who want to quit. Why? Because for many, the 'Renters Reform Bill' is the writing on the wall for the Private Rental Sector (PRS).

The Bill was introduced into Parliament in May 2023 and has just finished its third reading in the House of Commons. It will now make its way through the House of Lords, where it will face further scrutiny by peers. It is likely to see further changes before it is passed.

However, it has been beset by delays and now has a staggering 200 amendments added to it. Complicated, to say the least, and not very surprising when you consider they are trying to fix a system that isn't broken.

The Bill has been nicknamed the 'Resenters Reform Bill' due to it being, in many landlords' eyes, an outright attack on their property rights and the PRS in general by resentful activists such as Generation Rent.

According to Amber Murray writing for City AM, 'The original bill contained wording to abolish Section 21 no-fault evictions. If this is carried out, pressure on the courts will increase as landlords will serve more Section 8 eviction notices, which often go through courts.' And this is the real frightener for landlords; that they cannot easily retake possession of the property when the tenancy agreement comes to its natural end but instead must make legal representation to the courts that are, as we all know, already overwhelmed with other business. Backlogs of court cases could mean interminable delays and perhaps bankruptcy for the landlord.

An article for Property118.com written under the pseudonym The Landlord Crusader says, 'Ending Section 21 without fixing the courts will see a whistle being blown on a stampede to sell. The knock-on effect will see house prices take a hit – a hugely important election issue – including the homes of MPs'. I agree wholeheartedly with this statement and I can't see the courts being fixed any time soon. We've already seen what happens to rents when there are shortages of

available properties to let: they soar! Ending Section 21 would mean permanent shortages and high rents.

Meanwhile, the activists moan that the Bill has been watered down! Generation

Rent's Policy and Public Affairs Manager, Conor O'Shea, is quoted in City AM: '[The bill] has been slowed down dramatically through all the stages of its process and by what we think of possible vested interests. It's more like a landlord Bill of Rights than the Renters Reform Bill [now].

'There have been more concessions to make things better for landlords, worse for tenants... to the point where we think that if the bill passed [right now], it would be a failure and would not sufficiently change the lives of tenants,' O'Shea continued.

Well, they have removed some even crazier stuff from the Bill. Previously, it allowed tenants to break their lease – with two months' notice – from day one of the tenancy. Now, a tenant can only give two months' notice after living in a property for at least four months, meaning a minimum term of six months.

Also, the original draft Bill only allowed landlords who were letting purpose-built student accommodation to serve a Section 8 notice – an eviction for a legal reason – on a tenant. Now, they are able to serve eviction notices on all students, including those in the private rented sector.

However, these concessions don't really amount to much as far as landlords are concerned. The loss of control over their assets is enough to force them to sell up. Moreover, with the likes of newly re-elected Sadiq Khan pushing for rent controls and a likely Labour landslide at the next election, the writing is indeed on the wall.

The irony is that it will be renters who end up paying through the nose for this mess.



Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	May-24
Average Asking Price	£230,937
Monthly % change	2.0%
Annual % change	2.9%

North East	May-24
Average Asking Price	£196,627
Monthly % change	0.9%
Annual % change	2.5%

Yorks & The Humber	May-24
Average Asking Price	£252,528
Monthly % change	0.8%
Annual % change	2.2%

North West	May-24
Average Asking Price	£269,034
Monthly % change	0.2%
Annual % change	3.7%

West Midlands	May-24
Average Asking Price	£303,868
Monthly % change	0.7%
Annual % change	1.1%

East Midlands	May-24
Average Asking Price	£282,946
Monthly % change	0.5%
Annual % change	-1.3%

East	May-24
Average Asking Price	£394,677
Monthly % change	0.3%
Annual % change	-1.1%

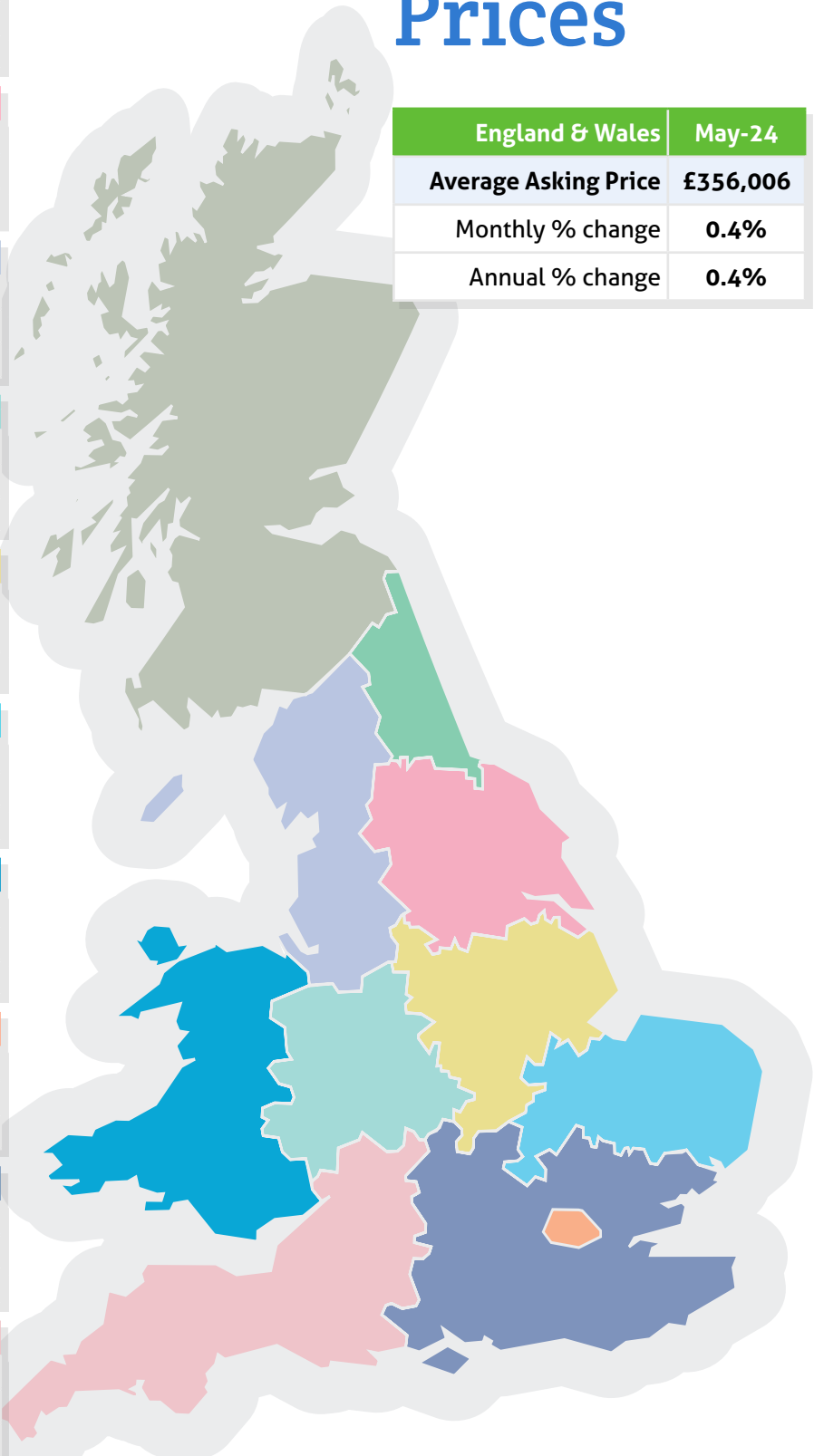
Wales	May-24
Average Asking Price	£268,539
Monthly % change	-0.1%
Annual % change	2.7%

Greater London	May-24
Average Asking Price	£542,019
Monthly % change	0.2%
Annual % change	-0.2%

South East	May-24
Average Asking Price	£446,451
Monthly % change	0.6%
Annual % change	-0.2%

South West	May-24
Average Asking Price	£379,634
Monthly % change	0.3%
Annual % change	-0.7%

England & Wales	May-24
Average Asking Price	£356,006
Monthly % change	0.4%
Annual % change	0.4%



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

UK Time on Market

Scotland	May-24
Average Time on Market	191
Typical Time on Market	65
Annualised % supply change	9%

North East	May-24
Average Time on Market	160
Typical Time on Market	78
Annualised % supply change	2%

Yorks & The Humber	May-24
Average Time on Market	147
Typical Time on Market	76
Annualised % supply change	7%

North West	May-24
Average Time on Market	164
Typical Time on Market	82
Annualised % supply change	5%

West Midlands	May-24
Average Time on Market	158
Typical Time on Market	76
Annualised % supply change	12%

East Midlands	May-24
Average Time on Market	149
Typical Time on Market	78
Annualised % supply change	1%

East	May-24
Average Time on Market	151
Typical Time on Market	76
Annualised % supply change	7%

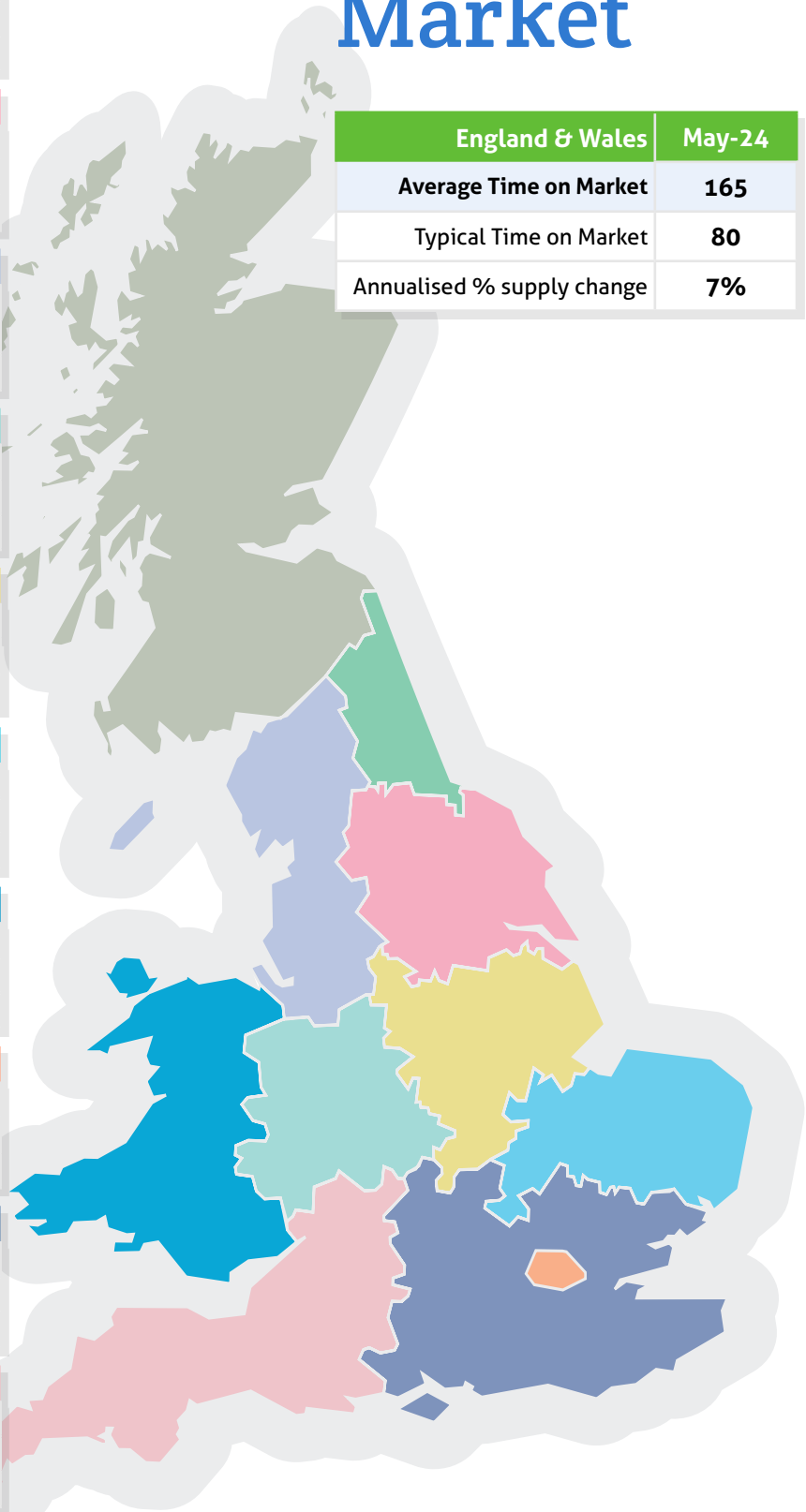
Wales	May-24
Average Time on Market	179
Typical Time on Market	93
Annualised % supply change	3%

Greater London	May-24
Average Time on Market	190
Typical Time on Market	83
Annualised % supply change	12%

South East	May-24
Average Time on Market	153
Typical Time on Market	72
Annualised % supply change	7%

South West	May-24
Average Time on Market	153
Typical Time on Market	78
Annualised % supply change	8%

England & Wales	May-24
Average Time on Market	165
Typical Time on Market	80
Annualised % supply change	7%



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

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