EMBARGOED UNTIL 13/11/21

Asking Price Index

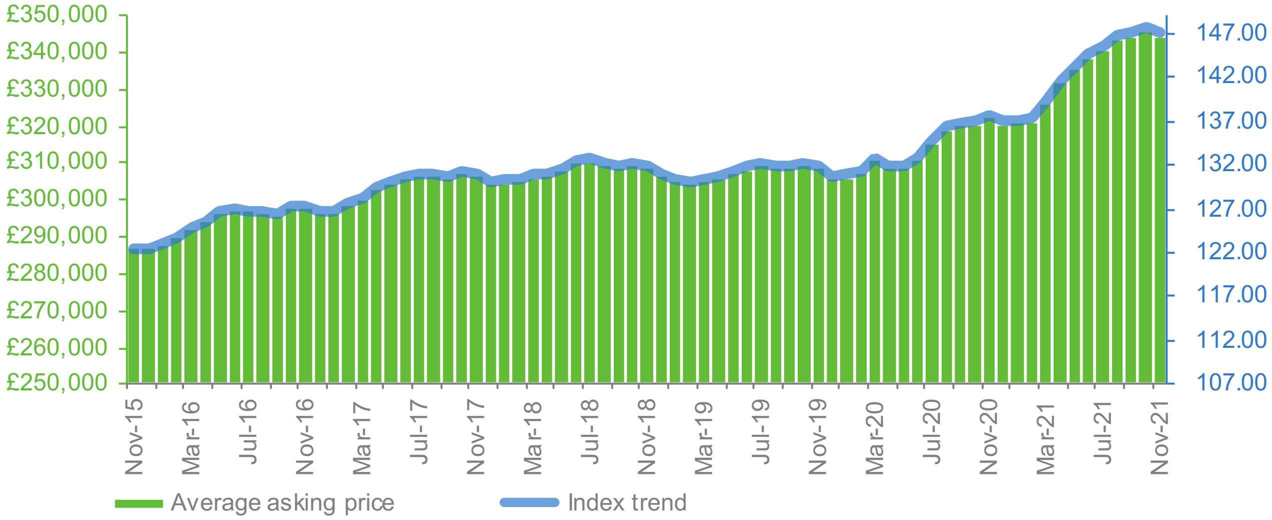
Released 13/11/21 November 2021

Overheated Prices Dip but Stock Levels Slide Further

Headlines

- Asking prices across England and Wales have fallen this month for the first time since Dec 2020, taking the annualised average growth down to 6.7%. The greatest price corrections were in the South West (-1.2%) and the North East (-1.0%).
- Surging inflation looks set to take real home price growth to zero by next month.
- The total stock of property for sale in England and Wales has dropped again to a new record low of 246,891, 42.31% lower than in November 2020 and 49.2% less than in November 2018.
- Monthly supply of new instructions remains low across the UK (-26% compared to the month of October 2020). Greater London and the South East show the greatest contractions (38% and 34% respectively).
- The market retains considerable momentum since our October report with the Typical Time on Market for unsold property in England and Wales remaining at 80 days, contrary to seasonal expectations of a slowdown.
- Low supply and considerable residual demand continue to support prices overall despite this month's correction. Greater London indicates a small rise of 0.1% since last month.
- The East of England property market continues to lead the 12-month regional price growth chart with a remarkable gain of 11.2%, followed closely by the East Midlands (+9.9%).
- The Greater London market continues to improve with 3.8% annualised growth, having overtaken Scotland (now the worst performer), the North East and Yorkshire.
- The sales market is currently supported by skyrocketing rents in central London. The greatest rises in asking rents over the last twelve months are in the City (+74.1%), Kensington and Chelsea (+37.6%) and Camden (+37.4%), confirming the continued return to upmarket city living.
- Low supply of rental properties is worsening in all English regions, Scotland and Wales (down 46% since November 2020). Rents are up 6.5% across the UK since November 2020. However, despite reduced supply, Scotland and Wales indicate the lowest rental growth (-2.8% and -7.7% respectively).
- The largest annualised average rent hikes remain in the South West of England (+10.5%) and Greater London (+10.2%).

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, November 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 COVID property boom seriously overheated the market virtually everywhere outside of London. The inevitable price corrections are underway, albeit in muted form, thanks to the extraordinary dearth of property on the market. Never in the 15-year history of this index has the total property count of unsold property been so low.

Such scarcity strongly suggests that prices will not fall far. Especially since, for the time being, a vast amount of cheap mortgage credit is chasing ever decreasing stock. Overall, home prices slipped 0.4% since last month, thereby easing the rather frothy valuations following the COVID boom.

However, more significant corrections in asking prices are evident at the regional level this month in the South West (-1.2%), North East (-1.0%) and the South East (-0.8%). The South West and the South East price drops come as no surprise given their recent gains although the North East correction appears out of place given the relatively small rise in home values over the last year (see Regional Roundup).

Arguably, too much stimulus has distorted the UK housing market. The lack of sales stock alone is unprecedented in recent times and the fact that home prices soared whilst the wider economy tanked is aberrant to say the least. On the other hand, the rental market also appears to be highly distorted. A chronic and worsening lack of available stock (46% down on November 2020) portends further rent hikes going forward.

The London lettings market is a case in point. No longer hamstrung by oversupply, this rental market now offers 54% fewer properties to let than a year ago and central London rents are really skyrocketing. The boroughs of Kensington and Chelsea, Camden and Tower Hamlets lead the charge with annualised hikes of up to 38%, more than compensating for last year's declines during lockdown.

The return to growth in central London rents (and yields) is also accelerating demand in the London sales market. This international city will likely once again attract further foreign and domestic investment going forward. Prices post-COVID are far from frothy and capital gains are to be anticipated but whether or not this market will attain growth in real terms is unclear. Increased activity has cut the total sales stock total in London by 22% since Nov 2020 and supply has plummeted compared to last year.

Across most of the UK, scarcity continues to support both prices and rents. However, Scotland, Greater London and the North of England are now indicating sub-inflation growth, while the South, Midlands and Wales continue to indicate real growth for the time being. The East of England and the East Midlands remain the top performers in terms of regional price growth, with annualised home price inflation of 11.2% and 9.9% respectively, supported by considerable residual demand and low supply (see Regional Roundup).

Our forecast is that prices and rents will continue to rise overall due to the vast amount of recent credit expansion. A significant loosening of supply in the near term appears unlikely, and any sort of significant mortgage rate hikes look impossible given the indebtedness of government and the private sector alike (See Comment section).

The annualised mix-adjusted average asking price growth across England and Wales edged down to +6.7% this month; in November 2020, the annualised rate of increase of home prices was 4.5% and in a rising trend.

Regional Roundup

Despite the fact that sales stock shortages are prevalent across most regions and demand continues to be supported by ultra-low mortgage rates, significant price corrections in several regions are evident this month. Asking prices slipped in all regions except London and the West Midlands, and the worst hit are the South West (-1.2%), North East (-1.0%) and the South East (-0.8%). Of course, such corrections are inevitable after the buying frenzy we witnessed due to the stamp duty holiday.

As mentioned, the drop in the North East is aberrant as prices simply have not risen sufficiently to describe this regional market as overheated. More likely, looking at the rental data for the region, unlike most other English regions, low and falling rents are dragging down prices. Add to that the social and economic malaise that has blighted the area since the demise of the Northern Rock (and before) and it is clear to see why investors may be wary.

In fact, the North East, North West, Yorkshire and Scotland have all gone off the boil and now show negative real growth. Prices are correcting in the wake of the COVID boom, which we expect to be a minor event in monetary terms although significant in real terms due to rising inflation.

Scarcity continues to support prices in all regions. However, Scotland appears to be showing a small loosening of supply. Meanwhile, the sales markets in the South East, the East of England and West Midlands indicate the tightest supply of new instructions compared to pre-COVID October 2019 (see Map).

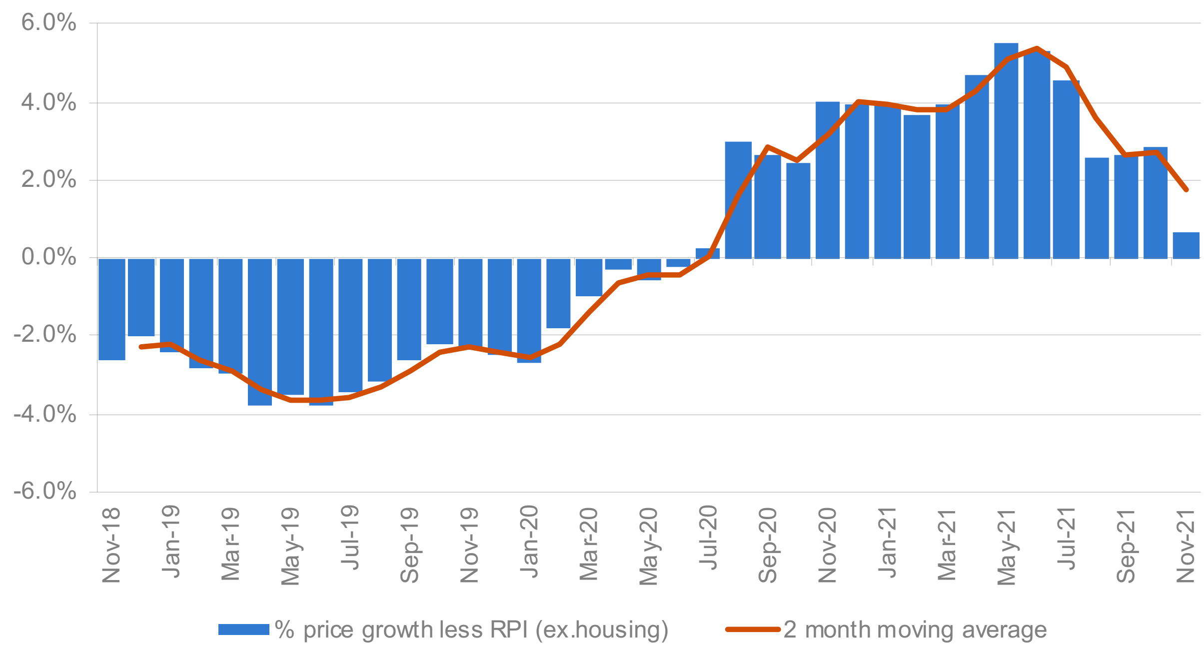
London's sales market has been buoyed by the sudden revival of the rental market. Both sales supply and stock levels are contracting and this suggests strongly that this key market is poised to return to significant growth. Additionally, the current weakness of sterling will no doubt make foreign investment more attractive in the capital.

The greatest regional price growth over the last twelve months has been in the East of England (11.2%), followed by the East Midlands (9.9%) and the South West (8.8%). Annualised growth in double figures is normally exceptional in property, but inflation (RPI ex-housing) accounts for at least 5% of these gains. Moreover, according to Typical Time on Market figures, there are no immediate signs of a slowdown in these markets. In fact, the East Midlands has actually gained further momentum since last month.

Real Home Asking Prices

Rising inflation, caused by a massive expansion in credit, threatens to undermine all the gains of the COVID property boom. Our chart shows that real home price growth is heading for negative territory. Moreover, four regions now show growth lower than the latest ONS figure (4.8%, RPI ex-housing September), which is probably an underestimate of the current rate of loss of purchasing power of sterling. Our conservative estimates for October and November are 5% and 6% respectively. Should these prove to be correct, price growth in five regions is currently less than inflation, hence price falls in real terms (i.e. Greater London, the North West, North East, Yorkshire and Scotland). By extrapolation,

Real Asking Price Growth



Source: ONS and Home.co.uk Asking Price Index, November 2021 (RPI for October and November 2021 are our estimates).

we expect negative real price growth overall for England and Wales to arrive as soon as next month.

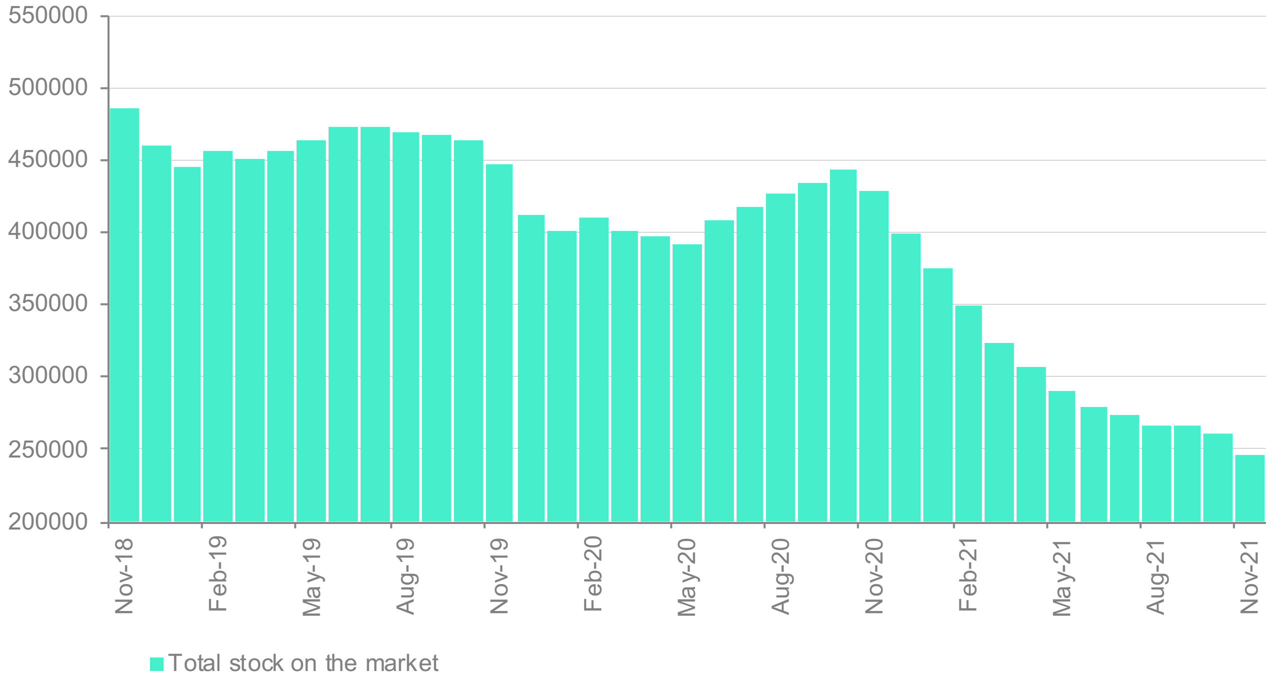
Stock Total

It's hard to believe but ferocious demand and low supply of new instructions has meant that the total sales stock this month has hit yet another new low in the history of this index. Only 246,891 unsold properties are currently on the market in England and Wales, marking a contraction of 71.2% since the peak stock level of May 2008.

Despite mixed messages from the Bank of England, expectations among most investors are that mortgage rates will remain low for the foreseeable future. The BoE and the European Central Bank both consider that the current energy price hikes are merely temporary and that inflation will fall naturally around six months down the line, but the futures markets are notoriously unreliable. The fact is that the real economy is in very poor shape and any actual move towards higher interest rates would hamstring any potential recovery.

Vast amounts of stimulus money have ended up in a lot of non-productive assets and services. Even the Ministry of Justice has attracted a £2.2 billion fillip which may, in part, help the possessions court which is currently overwhelmed by a huge backlog of cases. Although, what is essentially a technological revamp, will take at least three or more years to implement so don't expect a flood of repossessed properties hitting the market any time soon. Moreover, for the time being, possessions remain relatively tiny due to forbearance by the banks. On the surface, there seems little or no reason why supply should increase in the near term. In fact, the London market is also showing a considerable reduction in new instructions and stock levels are falling (down 22% over the last year). For the time being, overall demand remains relatively strong and therefore the total stock looks set to remain at this low level or lower into mid-2022 at least.

Total Stock of Property for Sale, England and Wales



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

Inflation in the wider economy is back with a vengeance.

Last month I mentioned that, when measured in real terms, house prices are already going backwards in two English regions and Scotland. Now it's three English regions and Scotland. The odd thing about inflation caused by credit expansion is that, at least at first, it creates a false feel-good factor. At first glance, property owners can get the impression that their wealth has increased but what they are really seeing is the loss of purchasing power of the currency. The house has the same intrinsic value as last year but money is worth less this year.

To borrow a phrase from economist Friedrich Hayek, the western central banks 'grabbed the tiger by the tail' when they began Quantitative Easing (aka credit expansion) back in 2009. The problem, of course, is how do you let go without getting bitten (or worse)? Investopedia states that, according to Austrian business cycle theory (ABCT), "In the normal course of an economic boom driven by the expansion of money and credit the structure of the economy becomes distorted in ways that eventually result in shortages of various commodities and types of labour, which then lead to increasing consumer price inflation." Sounds familiar, doesn't it?

"The rising prices and limited availability of necessary inputs and labour put pressure on businesses and causes a rash of failures of various investment projects and business bankruptcies. In ABCT this is known as the real resource crunch, which triggers the turning point in the economy from boom to bust." But that would mean letting go of the tiger...

"As this crisis point approaches, the central bank has a choice: either to accelerate the expansion of the money supply in order to try to help businesses pay for the increasing prices and wages they are faced with and delay the recession, or to refrain from doing so at the risk of allowing some businesses to fail, asset prices to fall, and disinflation (and possibly a recession or depression) to occur. The crack-up boom occurs when the central bank chooses and sticks with the first option."

Adjusted for inflation, house prices fell in the late 70s; in the late 80s they began a 7-year decline; currently, they have yet to return to their 2007 peak in real terms. I hear some people say things like 'House prices always go up!' but they miss the point. In a fiat money system, the currency always loses value over time, and that is a more enlightened way of looking at the phenomenon.

Venezuela is the latest country to be a victim of a crack-up boom. Prices rose by 100,000% and the economy contracted rapidly. Despite warnings from the IMF and their huge wealth in natural resources, policy makers just couldn't bring themselves to let go of the tiger. The gutless wonders at the Bank of England probably won't either.

Governor of the BoE, Andrew Bailey, stated last week that it "will always focus on the medium-term prospects for inflation rather than factors that are likely to be transient." Transient?! Don't crack me up.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Nov-21
Average Asking Price	£344,239
Monthly % change	-0.4%
Annual % change	6.7%

Scotland	Nov-21
Average Asking Price	£209,893
Monthly % change	-0.3%
Annual % change	2.4%

North East	Nov-21
Average Asking Price	£177,536
Monthly % change	-1.0%
Annual % change	3.6%

Yorks & The Humber	Nov-21
Average Asking Price	£229,844
Monthly % change	-0.6%
Annual % change	3.0%

North West	Nov-21
Average Asking Price	£240,007
Monthly % change	-0.6%
Annual % change	5.6%

West Midlands	Nov-21
Average Asking Price	£284,756
Monthly % change	0.2%
Annual % change	6.8%

East Midlands	Nov-21
Average Asking Price	£273,576
Monthly % change	-0.5%
Annual % change	9.9%

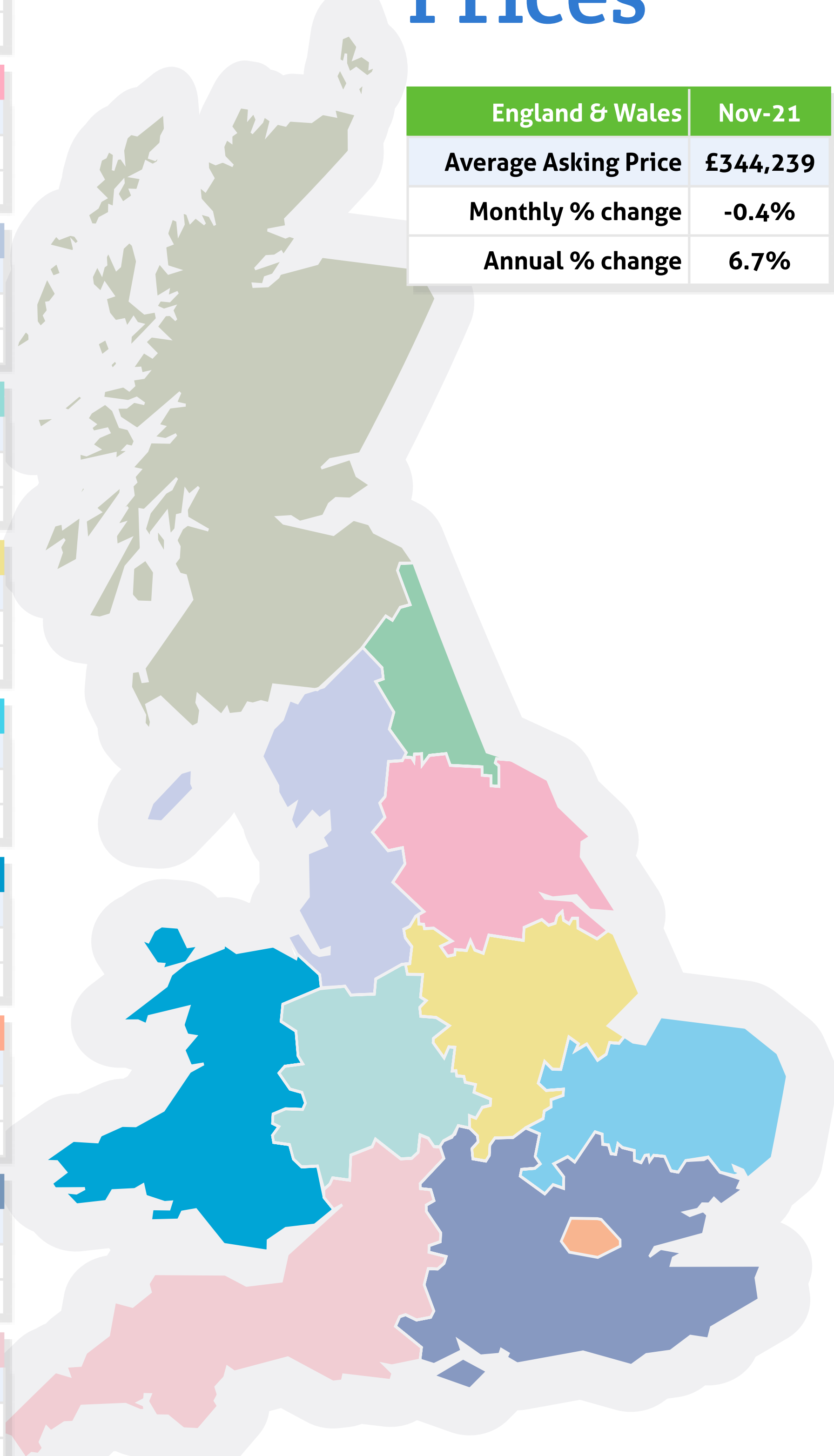
East	Nov-21
Average Asking Price	£397,288
Monthly % change	-0.2%
Annual % change	11.2%

Wales	Nov-21
Average Asking Price	£244,347
Monthly % change	-0.4%
Annual % change	6.9%

Greater London	Nov-21
Average Asking Price	£549,636
Monthly % change	0.1%
Annual % change	3.8%

South East	Nov-21
Average Asking Price	£442,701
Monthly % change	-0.8%
Annual % change	7.4%

South West	Nov-21
Average Asking Price	£363,232
Monthly % change	-1.2%
Annual % change	8.8%



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

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UK Time on Market

Scotland	Nov-21
Average Time on Market	**234**
Typical Time on Market	71
2 year % supply change	6%

North East	Nov-21
Average Time on Market	**197**
Typical Time on Market	73
2 year % supply change	3%

Yorks & The Humber	Nov-21
Average Time on Market	**150**
Typical Time on Market	63
2 year % supply change	-2%

North West	Nov-21
Average Time on Market	**167**
Typical Time on Market	73
2 year % supply change	-6%

West Midlands	Nov-21
Average Time on Market	**164**
Typical Time on Market	71
2 year % supply change	-6%

East Midlands	Nov-21
Average Time on Market	**133**
Typical Time on Market	56
2 year % supply change	-1%

East	Nov-21
Average Time on Market	**156**
Typical Time on Market	67
2 year % supply change	-5%

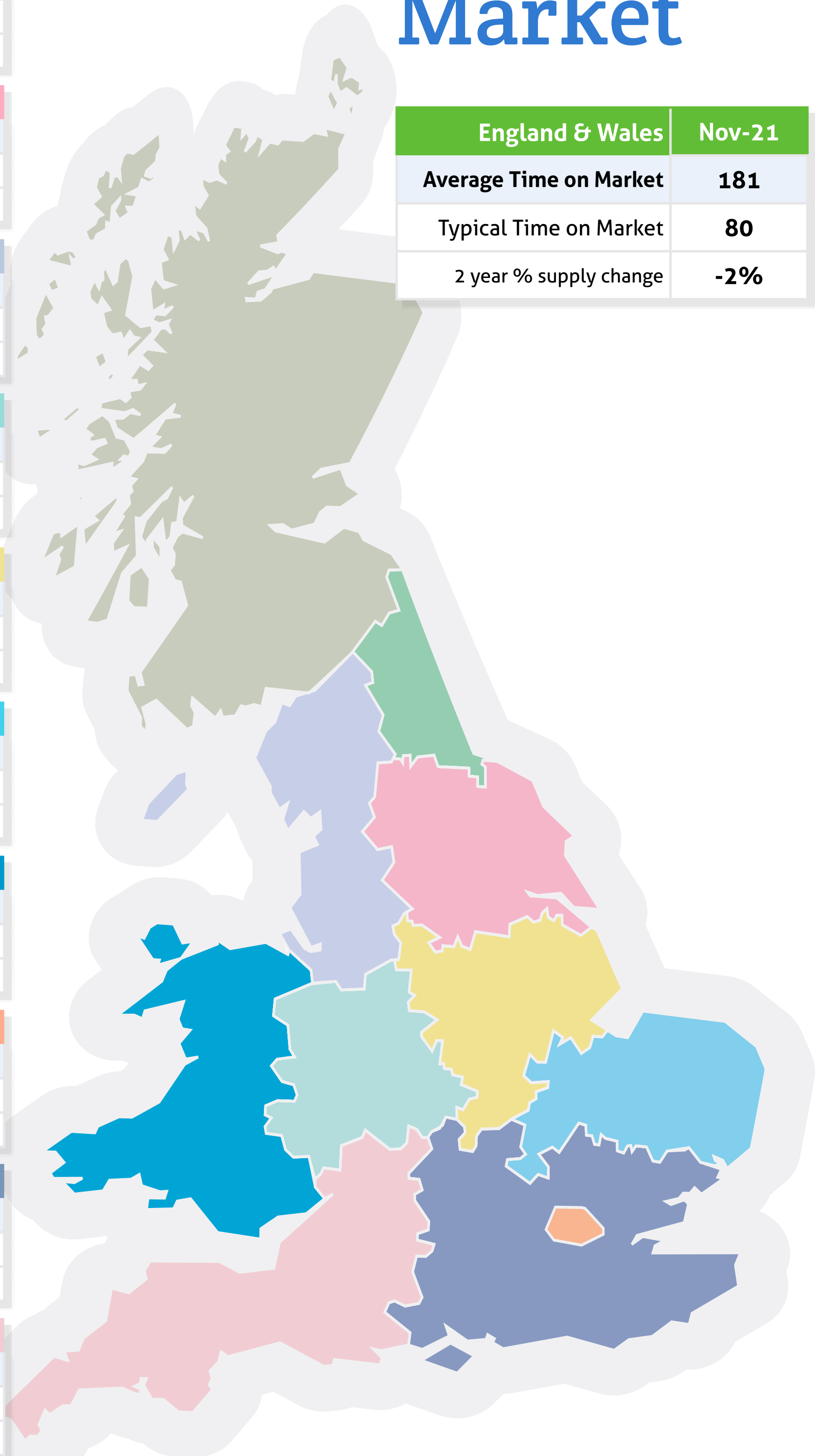
Wales	Nov-21
Average Time on Market	**178**
Typical Time on Market	71
2 year % supply change	-2%

Greater London	Nov-21
Average Time on Market	**201**
Typical Time on Market	102
2 year % supply change	18%

South East	Nov-21
Average Time on Market	**174**
Typical Time on Market	77
2 year % supply change	-8%

South West	Nov-21
Average Time on Market	**168**
Typical Time on Market	68
2 year % supply change	-4%

England & Wales	Nov-21
Average Time on Market	**181**
Typical Time on Market	**80**
2 year % supply change	**-2%**



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

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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 15th December**
- **Wednesday 12th January**
- **Tuesday 15th February**