

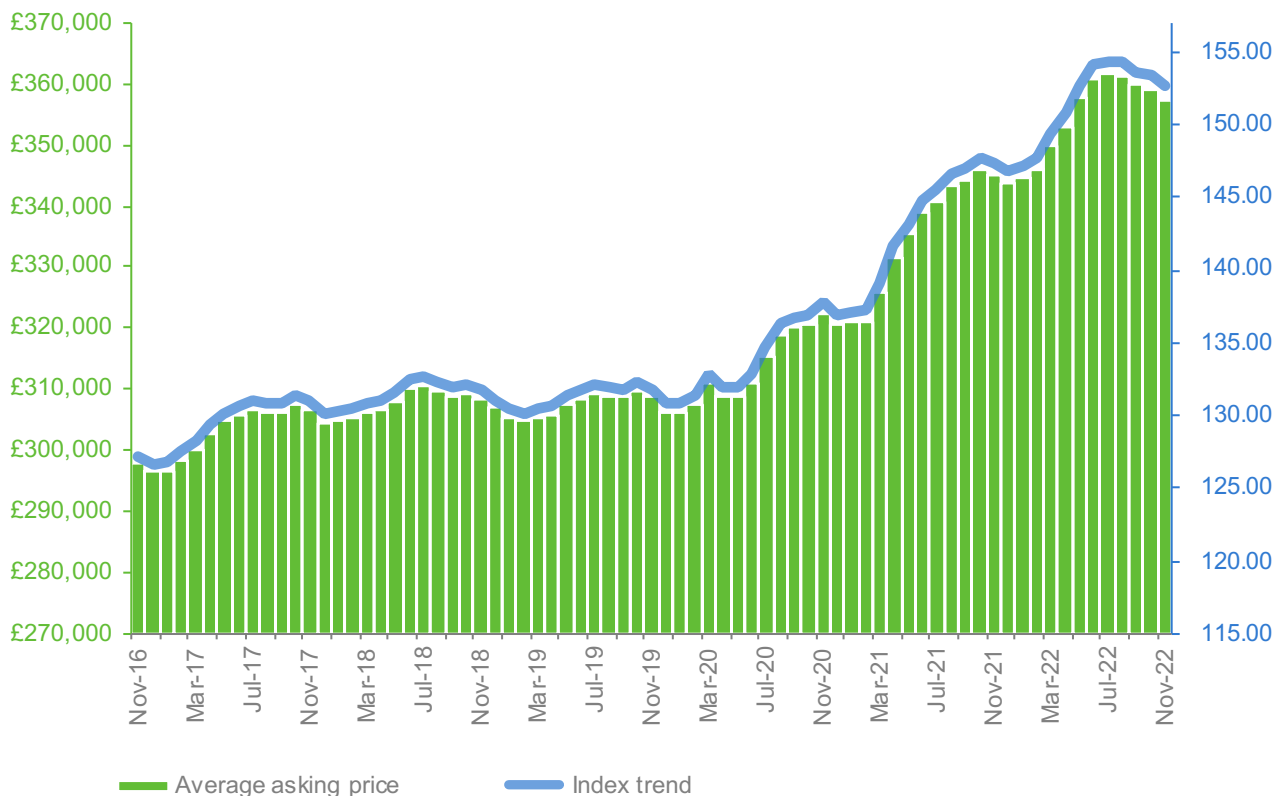
## Stock Levels Recover as Home Prices Take a Seasonal Dip

### Headlines

- Total sales stock in England and Wales increased again for a ninth consecutive month since the all-time low set in February, although the current total remains around 100,000 short of the 10-year average.
- Asking prices across England and Wales slid for a third consecutive month (by 0.5%), bringing the year-on-year rise to 3.6%, consistent with seasonal expectations.
- Stock of unsold property has increased by 39.3% over the last twelve months.
- By contrast, the stock of unsold property in Greater London has only increased by 3.5%.
- The Typical Time on Market (median) for unsold property in England and Wales rose a seasonal three days to 70 days since last month, but is 10 days less than in November 2021, despite pricier mortgages.
- The East Midlands is the first region to indicate a year-on-year increase in Typical Time on Market (five days), heralding a return to more normal market conditions in the wake of the buying frenzy post-lockdown.
- The supply of new instructions was just 6% higher last month compared to October 2021 and 22% less than in October 2020, despite a rise in repossessions.
- North West and Welsh property markets now lead in annualised regional price growth (equal at 7.1%).
- Monetary inflation continues to remain very high at 14.3% (RPI ex. housing), making current real growth around -10% year-on-year. Moreover, despite rising mortgage costs, the real mortgage interest rate remains negative (around -8%).<sup>1</sup>
- London rents continue to defy gravity. Renewed demand has decimated supply and this is driving annualised rental growth to a breathtaking rate of 26%.
- The current new growth leaders in asking rents are the boroughs of Newham, Hounslow and Merton (+47.5%, +43.7% and +35.4% annualised respectively).

<sup>1</sup> ONS figure for September 2022

## Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, November 2022, Indexed to May 2004 (Value=100).

### Summary

The UK stock of unsold property on the market is well on the way to recovery following the unprecedented buying frenzy that depleted agents' portfolios by around 50% in the wake of the COVID lockdowns. While there is still some way to go before stock levels return to the 10-year average, buyers can benefit from a growing choice of property for sale and be reassured that vendors now have less bargaining power than they did. Moreover, higher stock levels naturally put downward pressure on price growth which is vital for a resumption of more normal market conditions.

The market still retains much momentum despite the headwinds of higher mortgage rates and economic turmoil. Both the median and mean time on market for unsold property in England and Wales are less than they were a year

ago. Of course, some slowing is inevitable over the winter months and we can expect next year's market to proceed at a more leisurely pace. However, we expect demand to remain significant, especially given the new nil-rate stamp duty rate for properties under £250K.

UK property is still very attractively priced in US dollar terms and yield-hungry international investors will be drawn to the extremely buoyant rental market. London will be of particular interest due to soaring rents and the opportunity for significant capital gains. The fact that the median price of a two-bedroom flat in London is currently 10% less than it was in 2015 indicates that there is considerable room for growth.

Meanwhile, inflation continues to erode home prices insidiously. In real terms, growth is currently around -10%, effectively correcting overinflated home prices without adversely affecting banks'

balance sheets. Concomitantly, the fact that real mortgage rates are significantly negative is a distinct peculiarity of this market.

Whilst there are some initial indications that rents are stabilising across several regions, they continue to soar in London due to scarcity. The wild rise in rents that started in the more central boroughs has now mapped out to the outlying administrative areas. Greater London has currently a mere seventeen thousand properties to let. Five years ago, there were around forty-five thousand advertised as available for rent.

Mortgage rates are now beginning to stabilise following the chaos triggered by Truss's ill-conceived mini-budget. Sunak's appointment seems to have soothed the financial markets for the time being, but more such crises are to be expected given the levels of government debt and systematic economic woes.

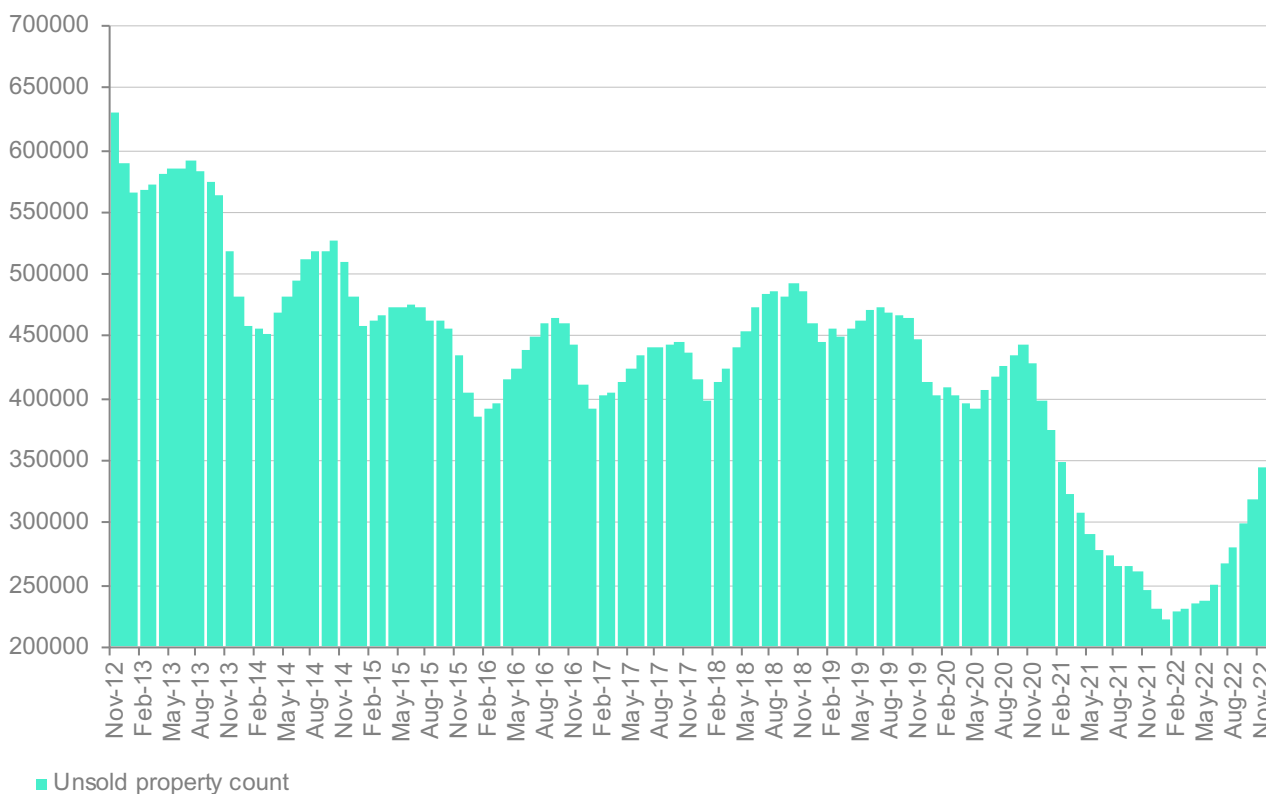
The annualised mix-adjusted average asking price growth across England and Wales is now at 3.6%; in November 2021, the annualised rate of increase of home prices was 6.9%. Incidentally, that was the month when real asking price growth went negative.

Asking prices are correcting following the steep rise earlier this year. Moreover, the fact that home values rose at all during the worst part of the pandemic is simply staggering. Between February 2020 and today, UK home prices have risen 16.2% and this increase was due to growth almost exclusively outside of London.

## Stock Levels

Stock levels are bouncing back from the unprecedented low set in February this year. At the current rate, it will be another four months before the total of unsold property reaches the 400K mark. However, not all regions are showing the

## Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, November 2022

same stock growth rate and therefore we need to drill down to the regional level to see where excess stock will likely affect pricing going forward. Supply, on the other hand, remains moderate overall with just a six per cent increase from a year ago (last month vs. October 2021) and 22% less than in October 2020, which coincided with the last peak in the England and Wales stock level.

However, the latest government report<sup>2</sup> shows that repossessions are on the rise. Having essentially stopped during 2020, the courts are now working through an enormous backlog of possession claims and consequently repossessions for owner-occupiers are up 91%, comparing Q3 of 2022 with Q3 of 2021. This upward trend will begin to significantly affect supply of property for sale. Landlord possession claims are also rising rapidly (up 106%), totalling 21,012 in Q3, and

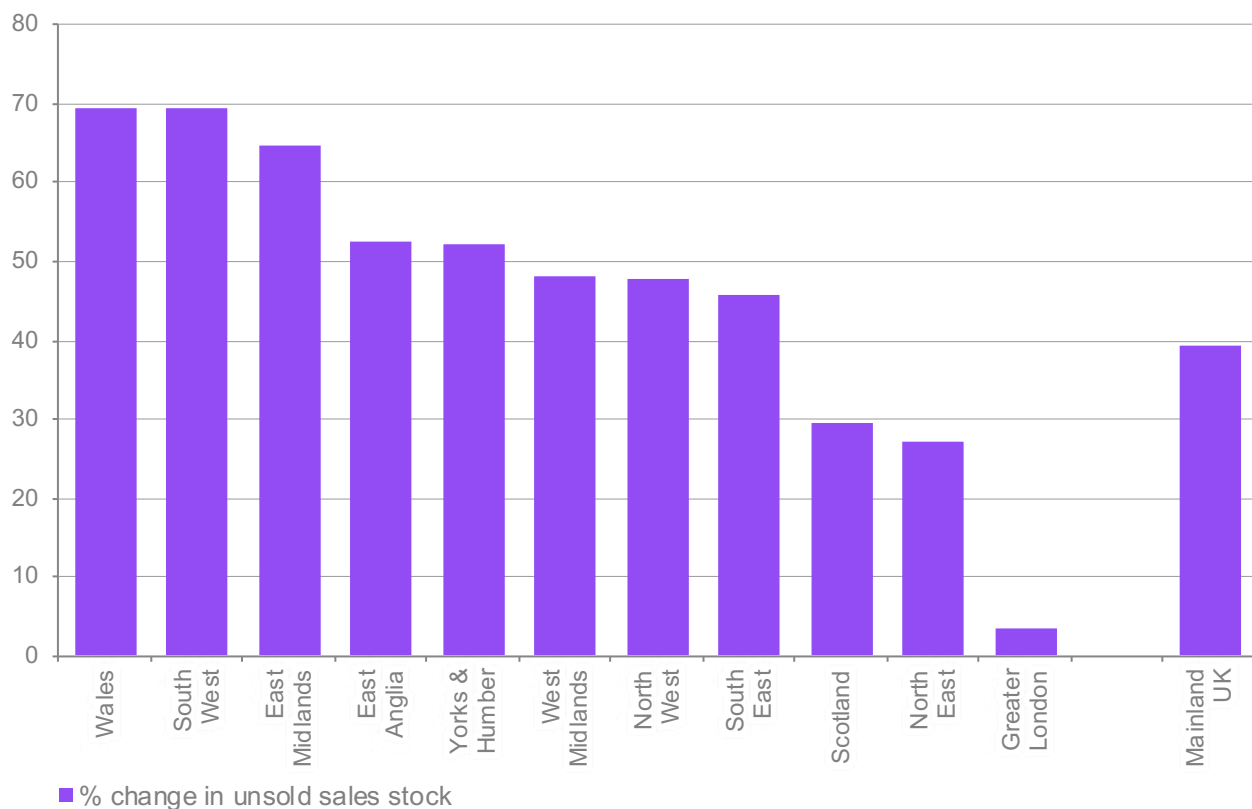
they account for around six times the number of properties compared to owner-occupiers. The report goes on to state: "In July to September 2022, a similar proportion (36% or 7,570) of all landlord possession claims were social landlord claims compared to private landlord claims (32% or 6,823). 32% (6,619) were accelerated claims.

This contrasts with pre-COVID proportions. For example, in July to September 2019, the majority (62% or 17,629) of all landlord possession claims were social landlord claims, while accelerated claims and private landlord claims made up just 17% and 21% of all landlord claims respectively."

Private landlords are clearly suffering from bankruptcy much more than they were, and this does not bode well for rental supply.

<sup>2</sup> <https://www.gov.uk/government/statistics/mortgage-and-landlord-possession-statistics-july-to-september-2022/mortgage-and-landlord-possession-statistics-july-to-september-2022#regional-repossessions-by-county-court-bailiffs>

## Rise in Total Properties for Sale by Region, Nov. 2022 vs. Nov. 2021



Source: Home.co.uk Asking Price Index, November 2022

## Regional Roundup

Stock levels continue to recover at very different rates across the regions.

Stock numbers in Wales and the South West have shown the greatest % increase over the last year. It should be borne in mind that these rises are from severely depleted stock levels and that no region has yet fully recovered the stock totals they had two years ago, although Wales, the South West and East Midlands are getting close. Hence, these markets are not yet flooded with properties for sale. Should the trend continue towards oversupply, some vendors will have the option of turning towards the rental market instead, where demand remains very strong. Hence, fears of a property crash appear to be unfounded at this juncture.

Meanwhile Greater London, at the opposite end of the spectrum, has around 20% fewer properties for sale than in

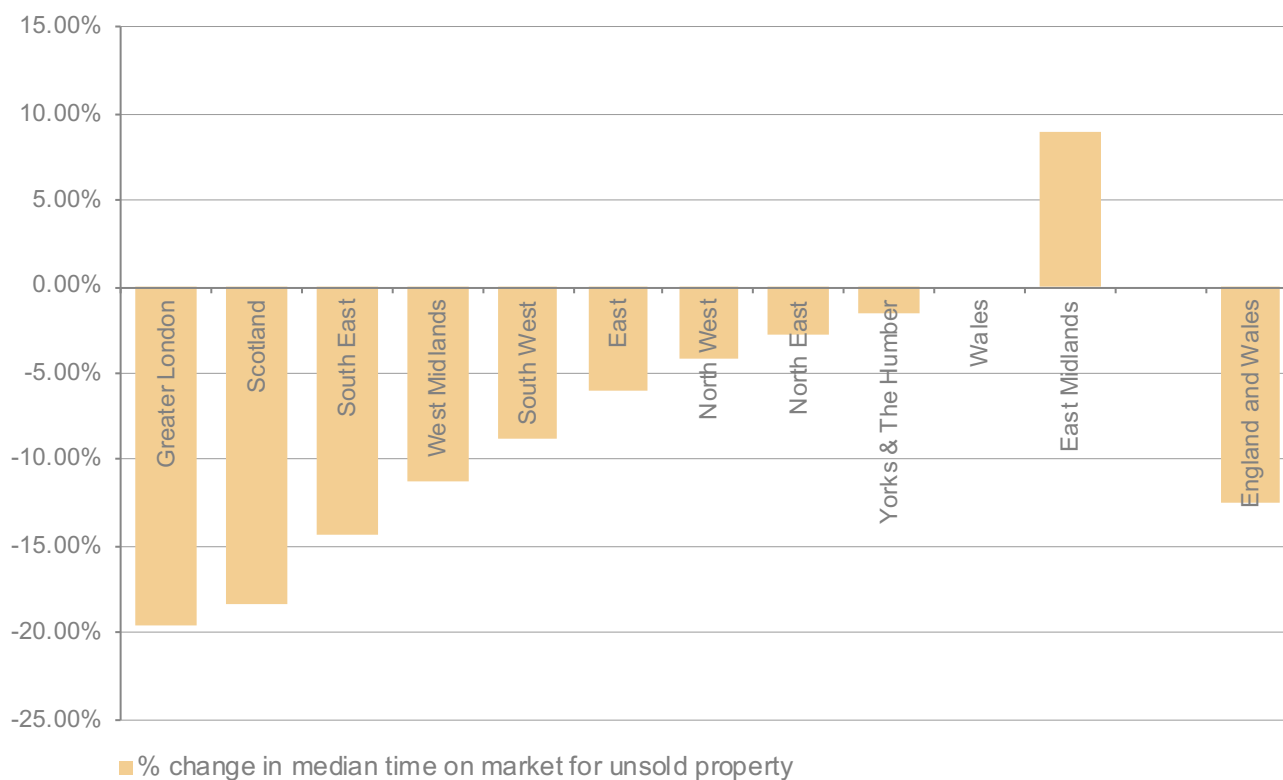
November 2020. Moreover, the capital's property market is the most improved in terms of momentum over the last twelve months; Typical Time on Market is down by 20 days and this median figure is currently 82 days.

Our chart shows that the next best improvement in marketing times is in Scotland, followed by the South East and West Midlands. By way of contrast, the East Midlands is the first region to show a year-on-year increase in the median time on market for unsold property, although at 61 days it is currently the second fastest region after Scotland. Moreover, it was the best-performing region in terms of marketing times for most of spring and summer this year.

In summary, there is no evidence of a major slowdown. However, most regions are returning to what may be considered a more normal pace.

The mix-adjusted average price for England and Wales slipped -0.4% since

### % Change in Typical Time on Market, Nov. 2022 vs. Nov. 2021



Source: Home.co.uk Asking Price Index, November 2022

last month, which is in line with seasonal expectations. Accordingly, next month we should see a further fall as we enter the slowest part of the calendar year for property sales.

Prices rose by 0.3% in the East Midlands and by 0.9% in the North East since last month. There was no change in the North West and falls in all other English regions, Scotland and Wales. The largest falls were observed in the West Midlands (-0.9%) and Yorkshire (-1.1%). Otherwise, price drops were relatively minor (see map).

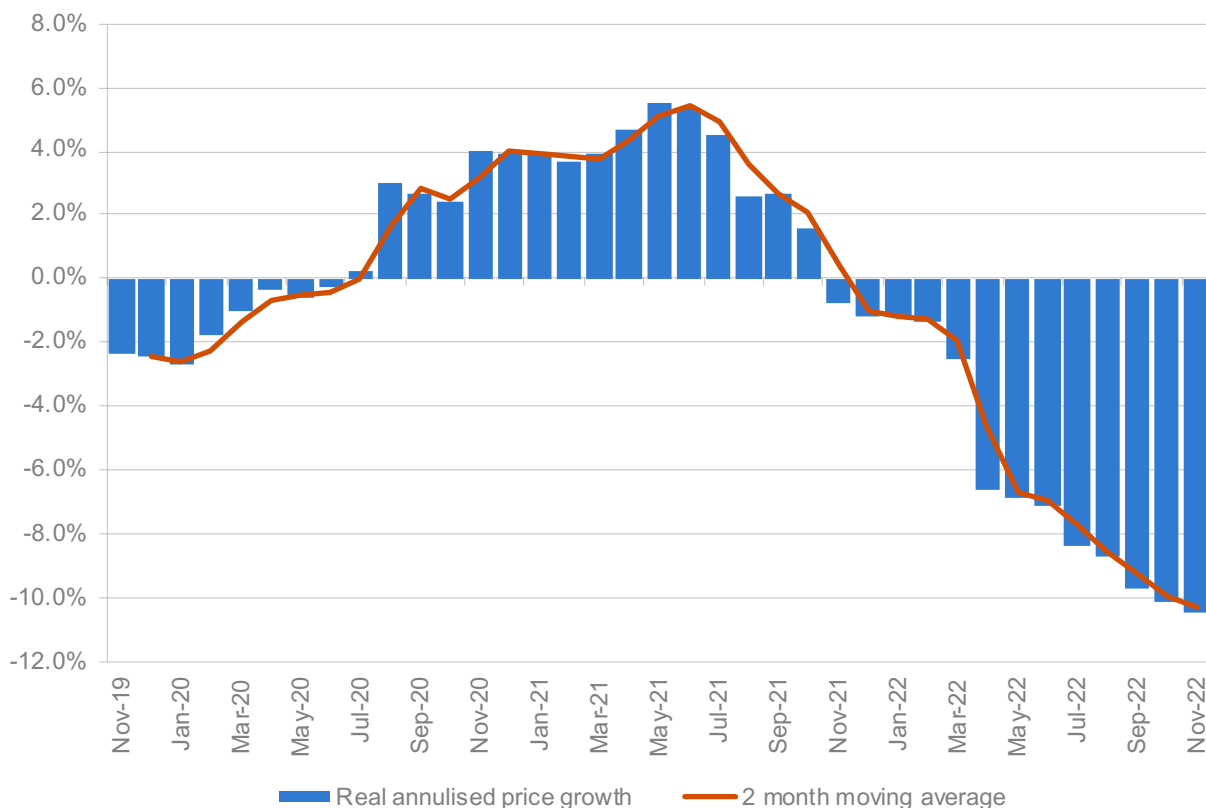
## Real Home Price Growth

In this chart we present a further update of real home price growth, again

with the addition of our conservative estimates for current inflation. Real asking price growth went negative in November 2021. Since then, the erosion of purchasing power of capital invested in UK property has accelerated to around the 10% mark.

Clearly, this presents a behind-the-scenes revaluation of property, unseen in nominal terms. Of course, the effect of inflation should be taken into account when calculating Capital Gains Tax but lamentably that is not the case. 'Indexation' was withdrawn on the 6th April 2008.

## Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, November 2022. Figures for October and November include our estimates of RPI (ex. housing) of 14% in each case.

## “ So, the Bank of England hiked the base rate.

CNN reported: “Bank of England sets biggest rate hike in 33 years and warns of a long recession.” Can anyone join the dots? Isn't it the rapid rise in the cost of borrowing that is the direct cause of recession fears? Inflation in itself does not cause recession. However, vast amounts of money printing does cause inflation and the BoE are experts at that.

Now the geniuses at the BoE want to sell off their £837 billion quantitative easing stockpile (and their recent purchase of nearly £20 billion of gilts due to the so-called mini-budget fiasco). However, surprise, surprise, there's not much demand. Institutional investors quite sensibly want a higher yield due to inflation but that would send government borrowing costs through the roof. Meanwhile supply is increasing. The Debt Management Office, according to the Financial Times, issued an unusually high 11 billion pounds of debt last week, including around 5 billion pounds of a new 15-year government bond via syndication. Let's face it, support for Ukraine is very, very expensive.

No one at the BoE has explained how raising the base rate can defeat cost-push inflation (e.g. energy and food imports) beyond shoring up

the pound, but it certainly has increased the cost of mortgages and loans in general. That will certainly hurt the economy and impoverish millions of Britons, many of whom are already heavily indebted.



Obviously, the UK needs to rebuild the economy in the wake of the catastrophic effects of the lockdowns (job losses and business closures). Current financial policy does not create the fertile ground for the green shoots of recovery; in fact, it's quite the opposite.

COVID chickens are coming home to roost. Repossessions are in a rising trend. The backlog of possession claims that built up during 2020/21 is now being processed. This will add to the already growing supply of property for sale. As mentioned earlier in this month's report, most of these claims are against landlords (remember, evictions were also banned) and the trend is very much upward. Rising interest rates will only exacerbate the situation.

Demographics have always been a key driver for the housing market, along with interest rates and economic output. Immigration, emigration, long-term sickness rates, birth rates, death rates and divorce

rates all shape both supply and demand. In the post-COVID world, excess deaths remain stubbornly high at around 12% above the 5-year average and, according to the ONS, this is mainly non-COVID related. Given that most of these deaths (but not exclusively) are among the older age groups (70% outright homeowners), we can expect a large increase in probate related sales.<sup>3</sup> Of note is that, according to the ICD-10 chapter grouping of excess deaths, diseases of the nervous system and 'findings not elsewhere classified' (i.e. mysterious deaths) dominate the numbers.

A further new demographic change is that of a large increase in the long-term sick, something that the BoE's monetary policy committee mentioned in their report. Doctors may be baffled but the upshot is a shrinking workforce. Added to that, the birth rate is also down significantly and that will reduce the demand for upsizing.

So, there are plenty of dark clouds looming over the UK property market, but where else would you put your money? In times like these, the winners are those that lose less than others. The FTSE 100 peaked back in 2018. Gold is going nowhere. Savings accounts offer little more than 5%. Meanwhile, real

mortgage rates are still significantly negative relative to inflation and, according to moneyfacts.co.uk, there are 159 BTL mortgages, even at an 80% LTV ratio. Some of those deals are fixed as low as 2% for the first two years. Food for thought.

Finally, I should also mention that the BoE is beginning to sound more dovish. Silvana Tenreyro, an external member of the BoE's Monetary Policy Committee, voted for a mere 0.25% raise instead of the adopted 0.75% hike. She said it was too early to see the full effects of 'the fastest tightening in policy in the MPC's history', arguing that interest rate rises fed through to the economy more slowly than in the past, as fixed-rate mortgages were more common and most homeowners had yet to refinance. She also suggested that rates would be cut in 2024 but, in my opinion, that may come earlier.

Doug Shephard  
Director at Home.co.uk



<sup>3</sup> EuroMOMO (euromomo.eu) 2022 show most excess deaths in 65+ year olds.



# UK Asking Prices

Scotland	Nov-22
<b>Average Asking Price</b>	<b>£217,100</b>
Monthly % change	-0.1%
Annual % change	4.0%

North East	Nov-22
<b>Average Asking Price</b>	<b>£187,284</b>
Monthly % change	0.9%
Annual % change	5.6%

Yorks & The Humber	Nov-22
<b>Average Asking Price</b>	<b>£243,191</b>
Monthly % change	-1.1%
Annual % change	6.2%

North West	Nov-22
<b>Average Asking Price</b>	<b>£257,878</b>
Monthly % change	0.0%
Annual % change	7.1%

West Midlands	Nov-22
<b>Average Asking Price</b>	<b>£300,194</b>
Monthly % change	-0.9%
Annual % change	5.3%

East Midlands	Nov-22
<b>Average Asking Price</b>	<b>£290,806</b>
Monthly % change	0.3%
Annual % change	5.8%

East	Nov-22
<b>Average Asking Price</b>	<b>£407,038</b>
Monthly % change	-0.5%
Annual % change	1.7%

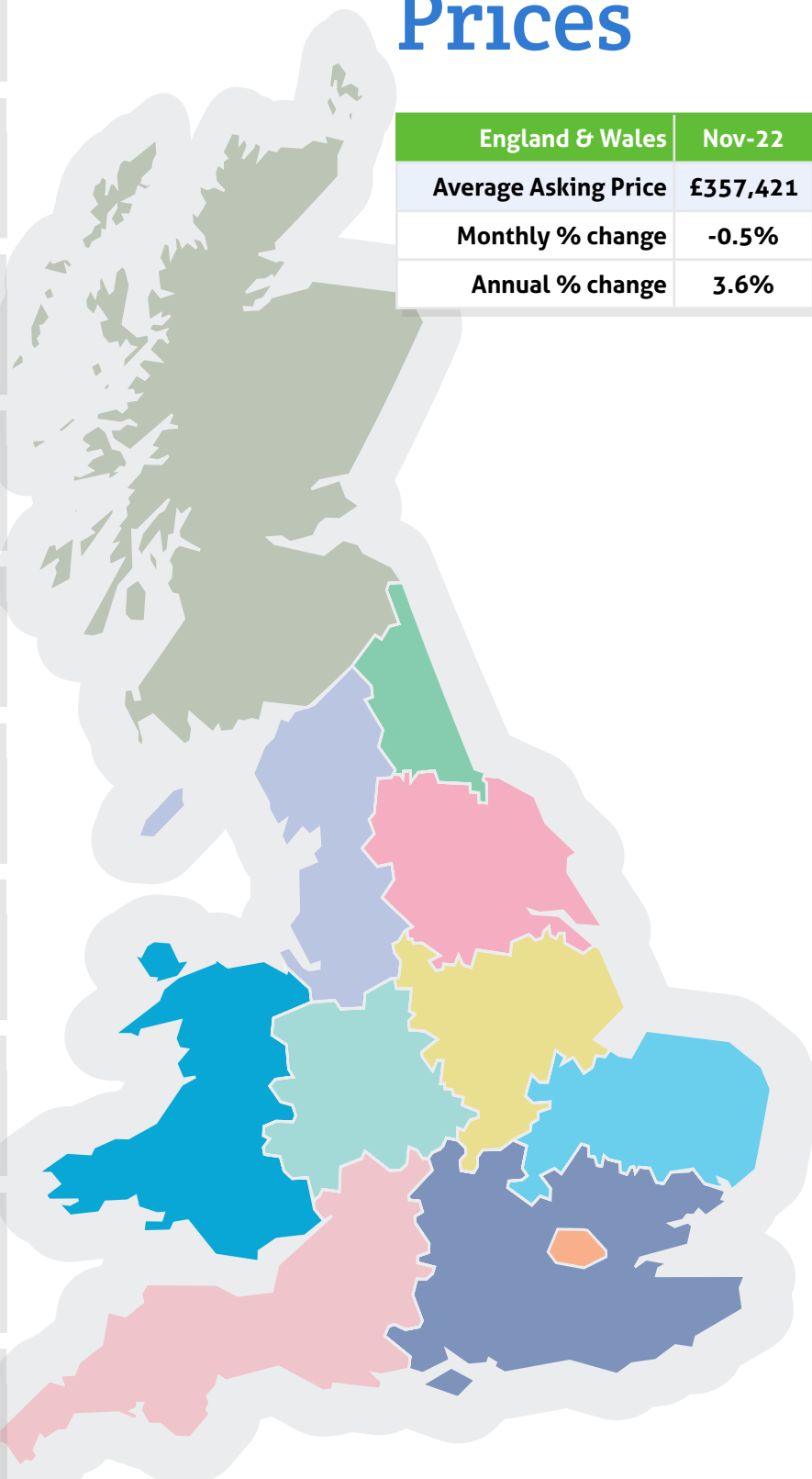
Wales	Nov-22
<b>Average Asking Price</b>	<b>£260,915</b>
Monthly % change	-0.4%
Annual % change	7.1%

Greater London	Nov-22
<b>Average Asking Price</b>	<b>£555,513</b>
Monthly % change	-0.7%
Annual % change	0.9%

South East	Nov-22
<b>Average Asking Price</b>	<b>£450,124</b>
Monthly % change	-0.5%
Annual % change	1.5%

South West	Nov-22
<b>Average Asking Price</b>	<b>£387,082</b>
Monthly % change	-0.3%
Annual % change	6.3%

England & Wales	Nov-22
<b>Average Asking Price</b>	<b>£357,421</b>
<b>Monthly % change</b>	<b>-0.5%</b>
<b>Annual % change</b>	<b>3.6%</b>



Source: Home.co.uk Asking Price Index, November 2022

# UK Time on Market

Scotland	Nov-22
<b>Average Time on Market</b>	<b>174</b>
Typical Time on Market	58
Annual % supply change	0%

North East	Nov-22
<b>Average Time on Market</b>	<b>141</b>
Typical Time on Market	71
Annual % supply change	-8%

Yorks & The Humber	Nov-22
<b>Average Time on Market</b>	<b>115</b>
Typical Time on Market	62
Annual % supply change	5%

North West	Nov-22
<b>Average Time on Market</b>	<b>137</b>
Typical Time on Market	70
Annual % supply change	9%

West Midlands	Nov-22
<b>Average Time on Market</b>	<b>131</b>
Typical Time on Market	63
Annual % supply change	7%

East Midlands	Nov-22
<b>Average Time on Market</b>	<b>106</b>
Typical Time on Market	61
Annual % supply change	9%

East	Nov-22
<b>Average Time on Market</b>	<b>125</b>
Typical Time on Market	63
Annual % supply change	8%

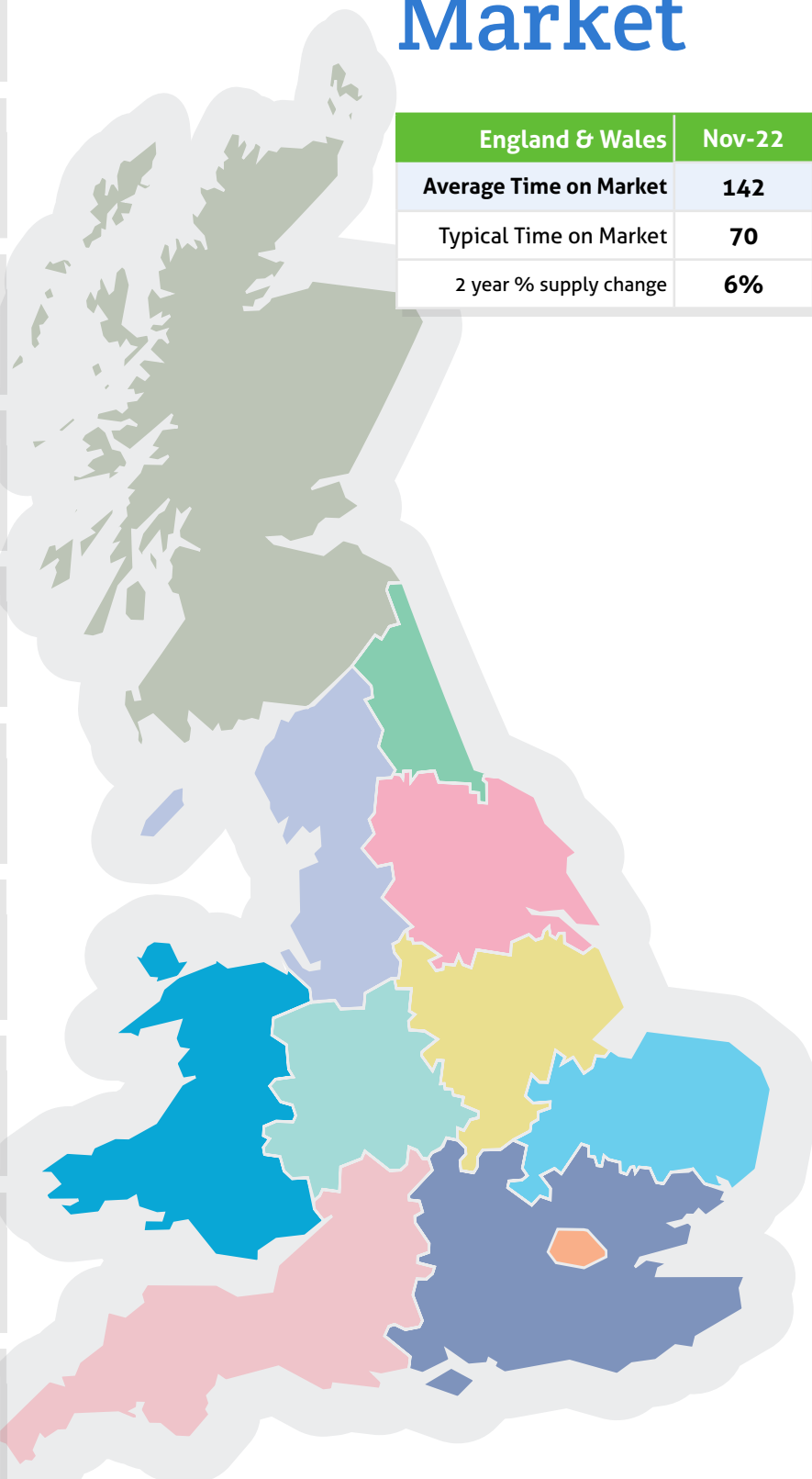
Wales	Nov-22
<b>Average Time on Market</b>	<b>133</b>
Typical Time on Market	71
Annual % supply change	14%

Greater London	Nov-22
<b>Average Time on Market</b>	<b>177</b>
Typical Time on Market	82
Annual % supply change	3%

South East	Nov-22
<b>Average Time on Market</b>	<b>132</b>
Typical Time on Market	66
Annual % supply change	10%

South West	Nov-22
<b>Average Time on Market</b>	<b>123</b>
Typical Time on Market	62
Annual % supply change	11%

England & Wales	Nov-22
<b>Average Time on Market</b>	<b>142</b>
Typical Time on Market	<b>70</b>
2 year % supply change	<b>6%</b>



Source: Home.co.uk Asking Price Index, November 2022. 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

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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](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 14<sup>th</sup> December
- Thursday 12<sup>th</sup> January
- Wednesday 15<sup>th</sup> February