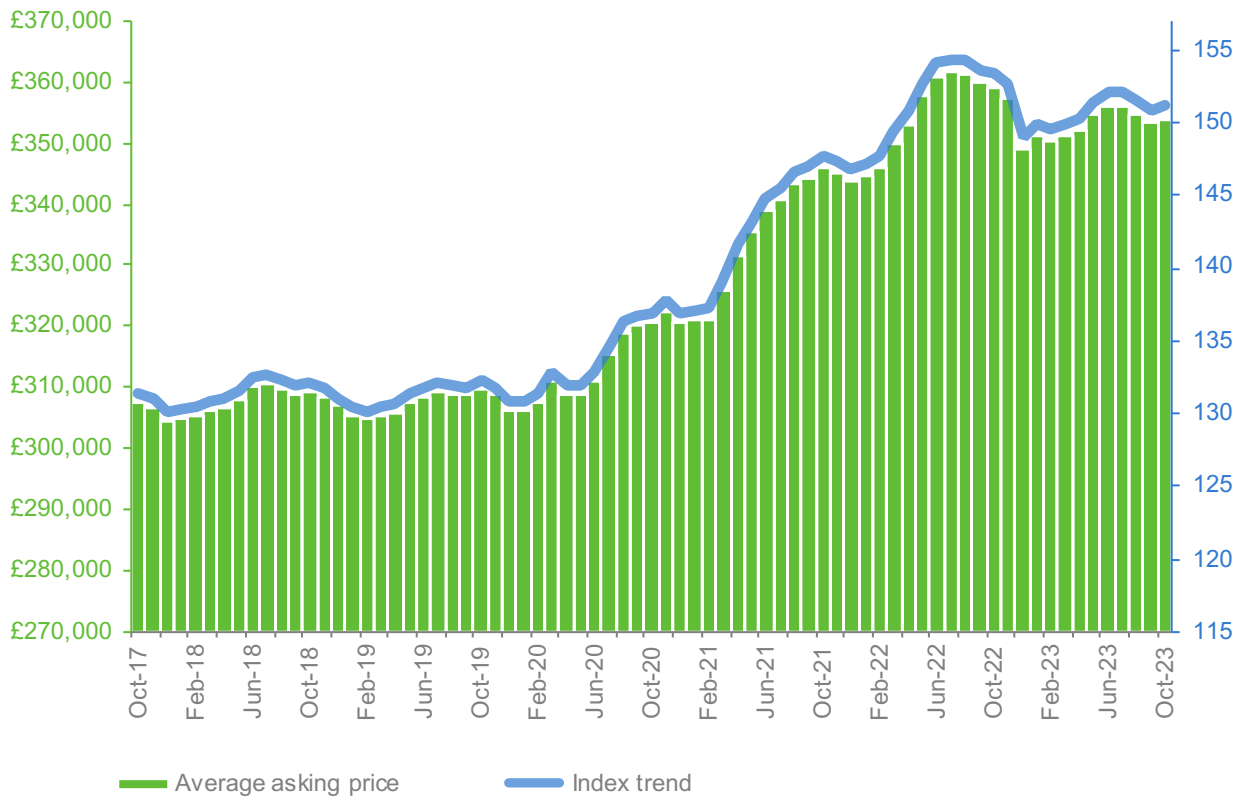


## Prices Tick Up as Supply Remains Tight

### Headlines

- Asking prices across England and Wales bounced by 0.2% during September, making the year-on-year fall in asking prices just -1.5%.
- The supply rate of new instructions entering the market remains remarkably restrained overall: no change year-on-year and down 8% vs. September 2018. The largest increase at the regional level was observed in the East of England while the largest year-on-year falls in supply were in Scotland (-7%) and Wales (-8%).
- The Typical Time on Market for unsold property in England and Wales increased by six days during September in line with seasonal expectations. The current median is 90 days; in pre-COVID October 2019, the same measure was 99 days.
- The total sales stock count for England and Wales continues a rising trend, surpassing the total for October 2019 but not that of October 2018. The current total of unsold property is 473,188.
- Prices have fallen in just four English regions and Scotland since last month, while the largest rise was in the North West where prices jumped 1.1% (see map).
- The Scottish property market remains the leader in terms of annualised price growth (5.6%), while the East of England remains the laggard at -3.4%.
- Rents across the UK continue to rise overall (9.7% annualised) and are now led by the North West (up 15.0%). Greater London is now the worst-performing region (at 6.6%), while also being the region with the greatest increase in supply year-on-year.
- The current growth leaders in London asking rents are now the boroughs of Enfield and Haringey (+18.7% and +19.6% annualised respectively). Rent growth in the capital has dropped considerably over the last month.

## Home Asking Price Trend for England & Wales



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

### Summary

After just two months of sliding prices triggered by rising borrowing costs, the national average ticked up during September by a modest 0.2%. This is a clear indication that the UK housing market is much more resilient than many pundits have asserted. Despite higher borrowing costs, the current market shows marked similarities in all the key metrics to that of pre-COVID years 2018 and 2019.

Typical Time on Market, supply of new instructions and stock levels are all in a similar range. Asking prices are, however, 14.4% higher and asking rents are a staggering 52.6% higher than in October 2018. Obviously, gross yields have improved considerably and therefore many, if not most, landlords are better able to cope with higher interest rates. Moreover, the high cost of renting ensures that demand for home purchases remains significant.

A strong rental market has been key to supporting the sales market. Such large increases in rent over the last five years were brought about by a dramatic fall in the stock of on-market properties available to let. Today, the total rental stock is 48% lower than it was in October 2018, although the actual record low point was in September last year. Since then stock has steadily increased (by around 37%) and this is why rent hikes are now slowing. Despite this rise, the amount of property available to let is still historically very low and this will support smaller rent rises going forward and therefore also the sales market.

Stock levels of unsold property rose again during September but are, for the time being, within the previously observed range during the seven years pre-COVID. In a normal year, stock tends to peak in October and fall off to a low in

January, but it remains to be seen whether or not unsold stock totals continue to rise later this year. However, given both a low supply of new instructions and the relative strength of the rental sector, an overabundance scenario would appear unlikely, at least in the short term.

Rents continue to rise albeit more slowly due to an increase in supply of 19.7% over the last twelve months.

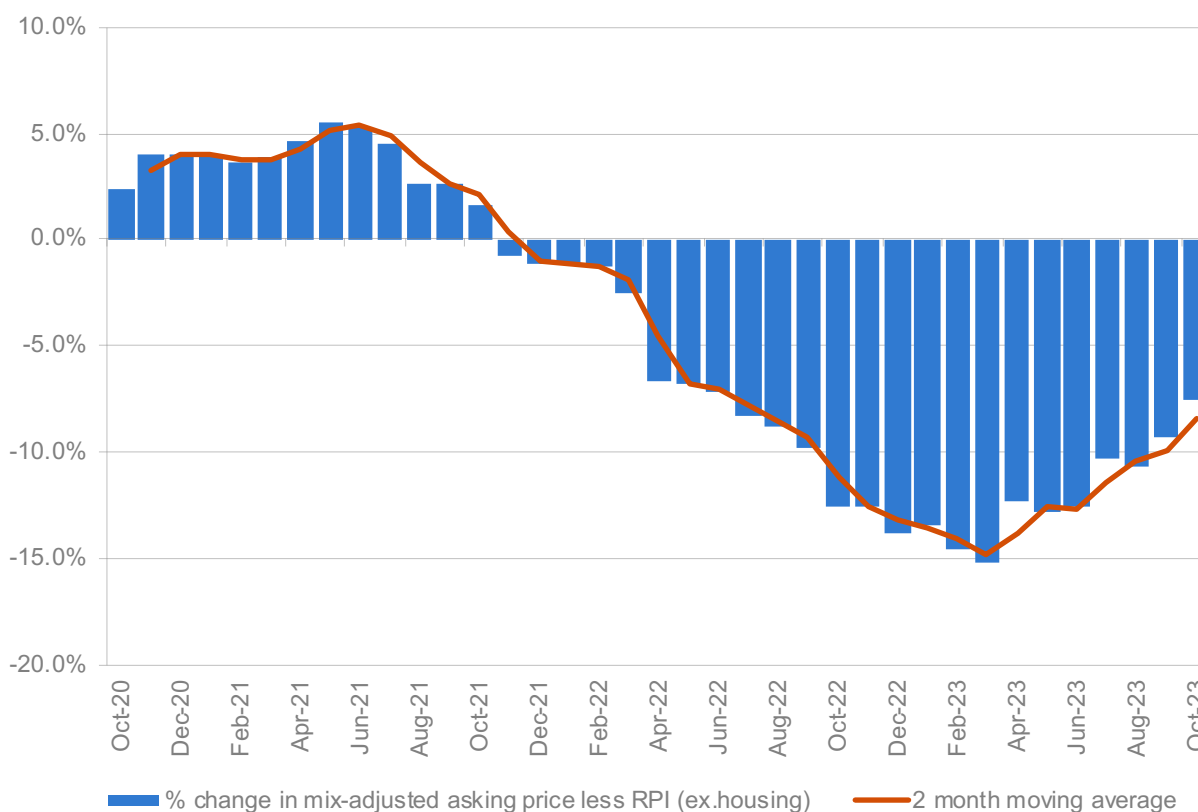
However, rental supply rose more markedly in the Scottish and Greater London markets (by 23.8% and 35.2% resp.). Overall, the mix-adjusted average annualised rise for the UK stands at 9.7%, while rent inflation in the North West continues to lead the regional growth table at 15.0%.

The annualised mix-adjusted average asking price growth across England and Wales is now at -1.5%; in October 2022, the annualised rate of increase of home prices was 3.9%.

With the mix-adjusted average asking price for England and Wales down 1.5% year-on-year yet up 14.4% since October 2018, the market is still clearly undergoing a period of adjustment. 1.5% represents a remarkably small retreat given the economic headwinds facing the sales market during the last 12 months. In fact, the total overall fall since the peak in July last year is 2.1%. However, several regions have fared worse (mainly the southern ones) and some much better (northern regions, Scotland and Wales).

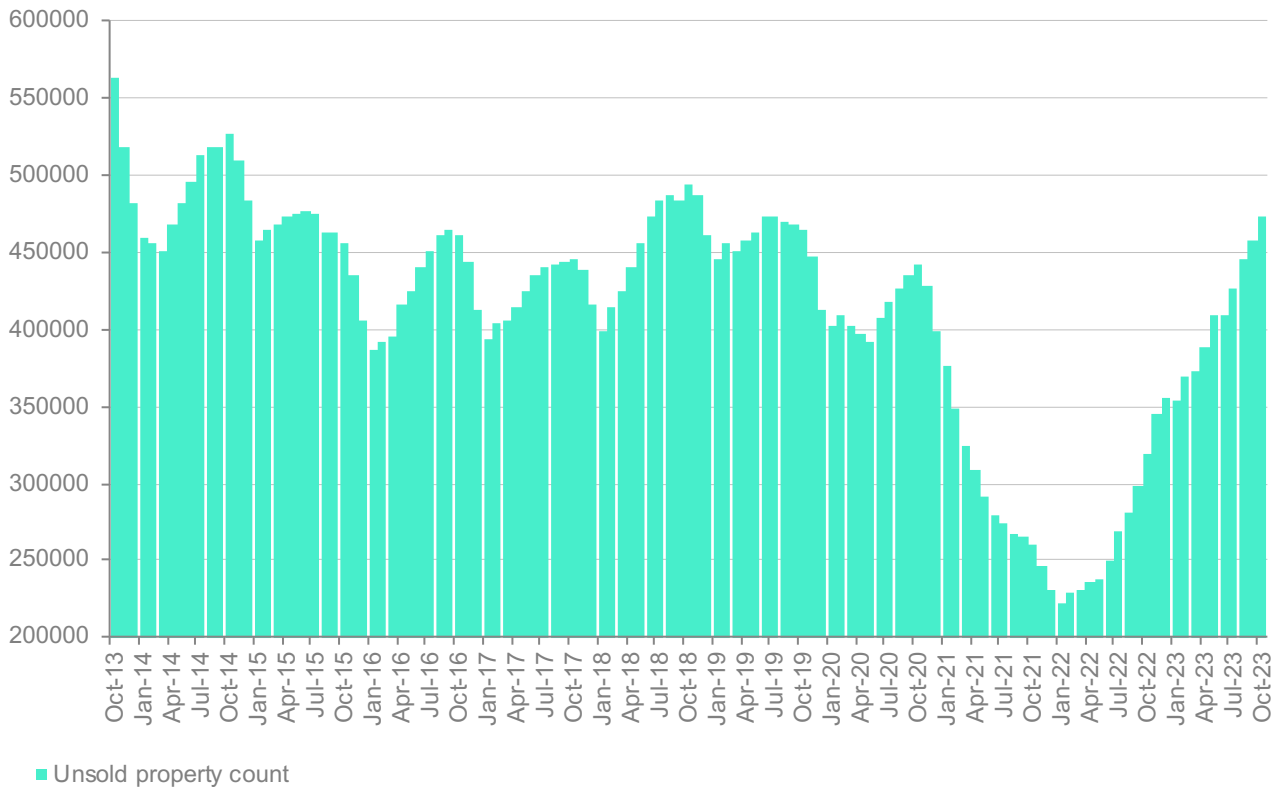
Higher interest rates have certainly cooled the housing market better than they have consumer expenditure as tracked by the CPI or RPI. Of course, that was to be expected since interest rates have little or no effect on the prices of life's essentials, much of which is imported. Neither have higher borrowing costs had any tangible effect on rents, although logic dictates that less

## Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, October 2023 and ONS [RPI ex. housing].  
Inflation for September and October are our estimates (7.4% and 6% respectively).

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



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

buy-to-let investment means less choice for tenants. Hence, costlier lending may well have an inflationary effect on rents by reducing supply.

The observed asking prices trend since the peak is a textbook example of a market finding its feet again after an unsustainable boom. The overvaluation seen in early 2022 has been cleared away and we are now witnessing a rebalancing of market forces.

Expectations are that monetary inflation will fall into the Bank of England target area of 2% by the end of next year. A Goldman Sachs report showed that they have cut their UK inflation forecasts, saying: 'Volatile oil prices won't stop the deflationary process that is underway in the UK.' This clearly suggests that interest rates will be coming down sooner rather than later, thereby increasing demand for property. Added

to that, lower inflation also means that real home price growth is more likely to return to positive territory.

UK property has not been a safe store of value since around the beginning of 2022. Following the largest monthly falls in real terms around March this year, the current trend is heading back towards real growth, perhaps around Q3 2024.

### Stock Levels

The total stock of unsold property on the market rose again during September. Taken in isolation and without comparison to pre-COVID data, this trend would be alarming. However, the total has yet to surpass the 2018 and 2014 peak levels when the market may be considered as operating 'normally'. The current level of 473,188 should represent a peak, according to seasonal expectations, followed by a slight downward trend until January. Hence, if we observe a dip next

month, it would suggest that the market has normalised.

On the other hand, should stock levels continue to push up creating a property glut, we will see further downward price adjustments. The number of properties that were reduced last month is at a 5-year high. If that was not enough to elicit greater buyer interest, further price cutting will be required. As discussed, the vibrancy of the lettings sector and the restrained supply of new instructions into the marketplace run counter to this scenario. September's total of new sales entrants across the UK was unchanged compared to September 2022 and 8% lower than September 2018.

## Regional Roundup

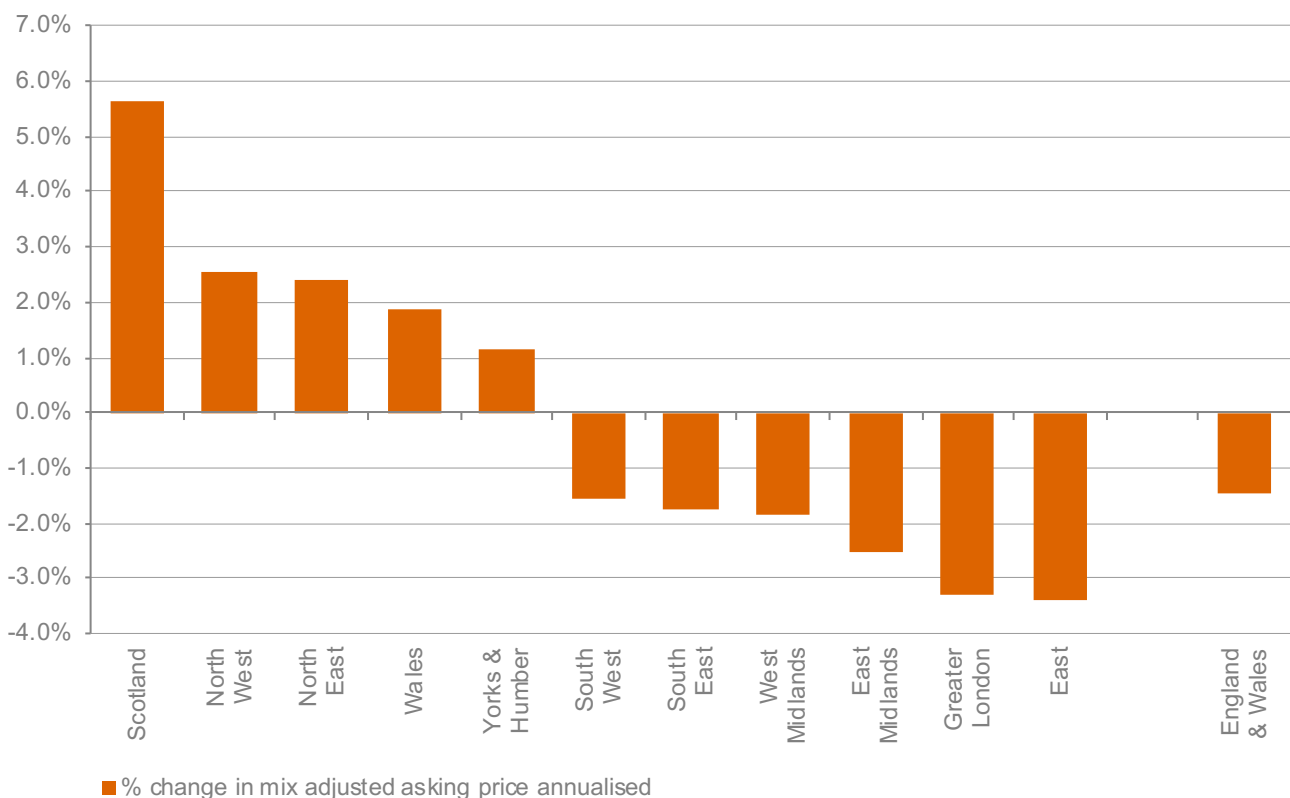
A north-south divide in home price growth persists. In fact, annualised growth in the northern regions of England and in Wales has improved since last month's report. The chart indicates that

the northern regions and Wales are comfortably in positive territory and Scotland leads the pack by quite a margin. London and the other southern regions continue to indicate losses over the last twelve months, with the East of England being the worst performer at -3.4%. However, none of these regional falls approach the red line that is negative equity territory.

Clearly, sufficient buyer demand remains in the north to support prices and even a little growth despite the rise in borrowing costs. Properties in these regions represent better value for money for both homebuyers (in terms of space) and landlords (in terms of better yields).

Relative changes in marketing times have a profound effect on price strength, as demonstrated in the next chart. By comparing the current marketing times at the regional level to those in October 2018, one may observe a very close correlation between reduced marketing

## 12-month Regional Price Growth

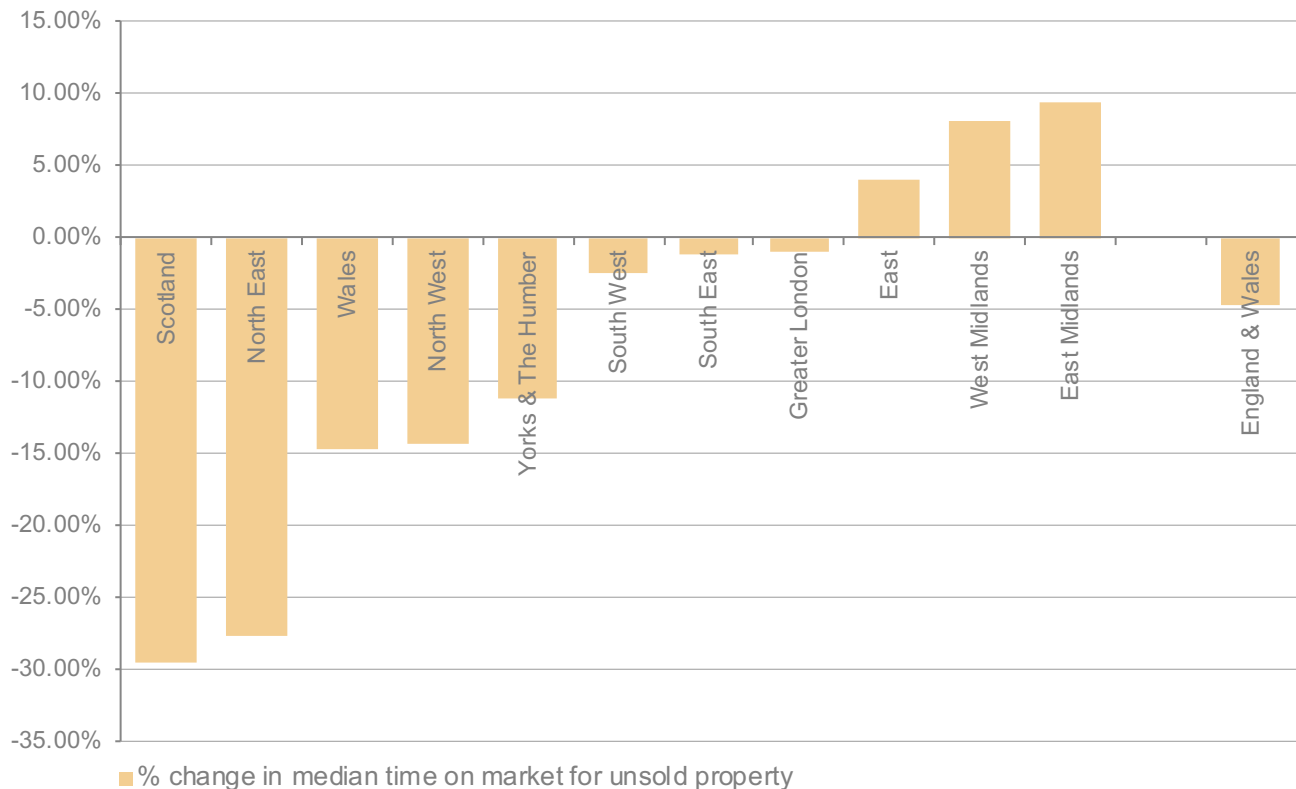


Source: Home.co.uk Asking Price Index, October 2023

times and price growth and vice versa. In fact, it is important to note that this transformation of the northern regional markets occurred mainly after the COVID lockdowns and they have subsequently retained much of the improved momentum, whereas the Midlands and southern regions have not.

The current Typical Time on Market for unsold property for England and Wales remains slightly lower than it was in October 2018. This median figure affords us a positive indicator as to the state of the current market.

### % Change in Typical Time on Market, Oct 2023 vs. Oct 2018



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





“ **Landlords around the country will be heaving a sigh of relief after Sunak signalled a U-turn on the imposition of Minimum Energy Efficiency Standards (MEES).**

Given his previous rhetoric, the change in tack was simply breathtaking. ‘No one in Westminster politics has yet had the courage to look people in the eye and explain what’s really involved,’ Sunak said, adding that those who wanted stronger climate policies were gripped by an ‘ideological zeal’ and were pushing to do more ‘no matter the cost or disruption to people’s lives.’

Frankly, I was gobsmacked to hear some sense for a change. Of course, the climate alarmists – always keen to be generous with other people’s money – are having hissy fits over their soya lattes. But have they really done the maths? While grants might be available, they don’t cover the whole cost and so the outlay is likely to be recovered in higher rents.

Moreover, even if CO2 is a problem (that many doubt, including the latest winner of the Nobel Prize in Physics), will the so-called carbon saving over subsequent years be greater than the carbon emitted in order to produce, transport and install the insulation? Rockwool, double glazing, heat pumps and the like are extremely energy intensive to make and it’s known that their efficacy deteriorates over time.

Then there’s the question of practicality. Certain dwellings are harder to insulate than others. The UK has very diverse housing built over several centuries and according to a myriad of different standards. Where will the tenants live

while a property is being ripped apart in order to install the required upgrades? How will the landlord cope with the loss of rental income during the works?



Of course, no one wants people to be forced to live in substandard housing. However, tenants in the private sector choose the property they wish to rent (or buy). Energy Performance Certificates (EPCs) provide a good indication as to how costly the property will be to rent. Hence, a savvy prospective tenant will choose to pay a bit more rent to ensure their energy bills are lower. On the other hand, a tenant who chose a grade ‘F’ EPC rental property should expect to pay more for heating. Higher demand for energy-efficient housing will naturally drive the sector in the right direction provided there is sufficient choice.

Sunak is right not to impose draconian rules on an eclectic mix of housing types, which would only scare landlords out of the market. Better to encourage more focused investment in the private rental sector (especially Green Mortgages for Landlords and Build to Rent), thereby increasing the stock of energy-efficient rental accommodation. Let’s hope that future policy pushes harder in this direction, which would have the added bonus of alleviating the chronic shortage of rental properties.

**Doug Shephard**  
Director at Home.co.uk



# UK Asking Prices

Scotland	Oct-23
<b>Average Asking Price</b>	<b>£229,441</b>
Monthly % change	-0.2%
Annual % change	5.6%

North East	Oct-23
<b>Average Asking Price</b>	<b>£190,065</b>
Monthly % change	0.0%
Annual % change	2.4%

Yorks & The Humber	Oct-23
<b>Average Asking Price</b>	<b>£248,809</b>
Monthly % change	-0.1%
Annual % change	1.2%

North West	Oct-23
<b>Average Asking Price</b>	<b>£264,533</b>
Monthly % change	1.1%
Annual % change	2.5%

West Midlands	Oct-23
<b>Average Asking Price</b>	<b>£297,404</b>
Monthly % change	-0.4%
Annual % change	-1.8%

East Midlands	Oct-23
<b>Average Asking Price</b>	<b>£282,787</b>
Monthly % change	-0.2%
Annual % change	-2.5%

East	Oct-23
<b>Average Asking Price</b>	<b>£395,233</b>
Monthly % change	-0.1%
Annual % change	-3.4%

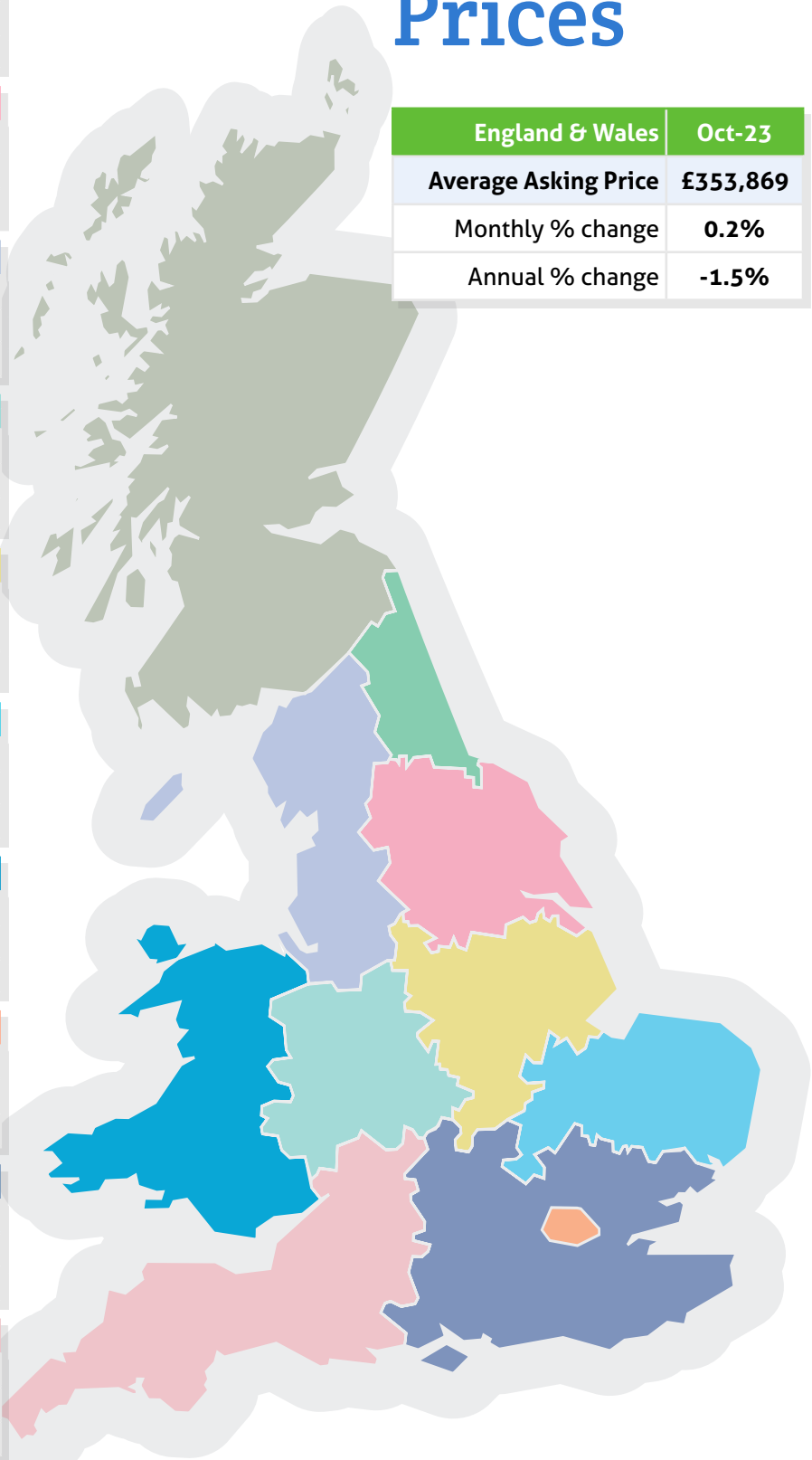
Wales	Oct-23
<b>Average Asking Price</b>	<b>£266,754</b>
Monthly % change	0.5%
Annual % change	1.9%

Greater London	Oct-23
<b>Average Asking Price</b>	<b>£540,936</b>
Monthly % change	0.3%
Annual % change	-3.3%

South East	Oct-23
<b>Average Asking Price</b>	<b>£444,538</b>
Monthly % change	0.2%
Annual % change	-1.7%

South West	Oct-23
<b>Average Asking Price</b>	<b>£382,436</b>
Monthly % change	0.1%
Annual % change	-1.5%

England & Wales	Oct-23
<b>Average Asking Price</b>	<b>£353,869</b>
Monthly % change	<b>0.2%</b>
Annual % change	<b>-1.5%</b>



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



# UK Time on Market

Scotland	Oct-23
<b>Average Time on Market</b>	<b>178</b>
Typical Time on Market	69
Annualised % supply change	-7%

North East	Oct-23
<b>Average Time on Market</b>	<b>152</b>
Typical Time on Market	89
Annualised % supply change	0%

Yorks & The Humber	Oct-23
<b>Average Time on Market</b>	<b>136</b>
Typical Time on Market	83
Annualised % supply change	2%

North West	Oct-23
<b>Average Time on Market</b>	<b>152</b>
Typical Time on Market	89
Annualised % supply change	-3%

West Midlands	Oct-23
<b>Average Time on Market</b>	<b>149</b>
Typical Time on Market	87
Annualised % supply change	1%

East Midlands	Oct-23
<b>Average Time on Market</b>	<b>136</b>
Typical Time on Market	87
Annualised % supply change	-2%

East	Oct-23
<b>Average Time on Market</b>	<b>144</b>
Typical Time on Market	85
Annualised % supply change	5%

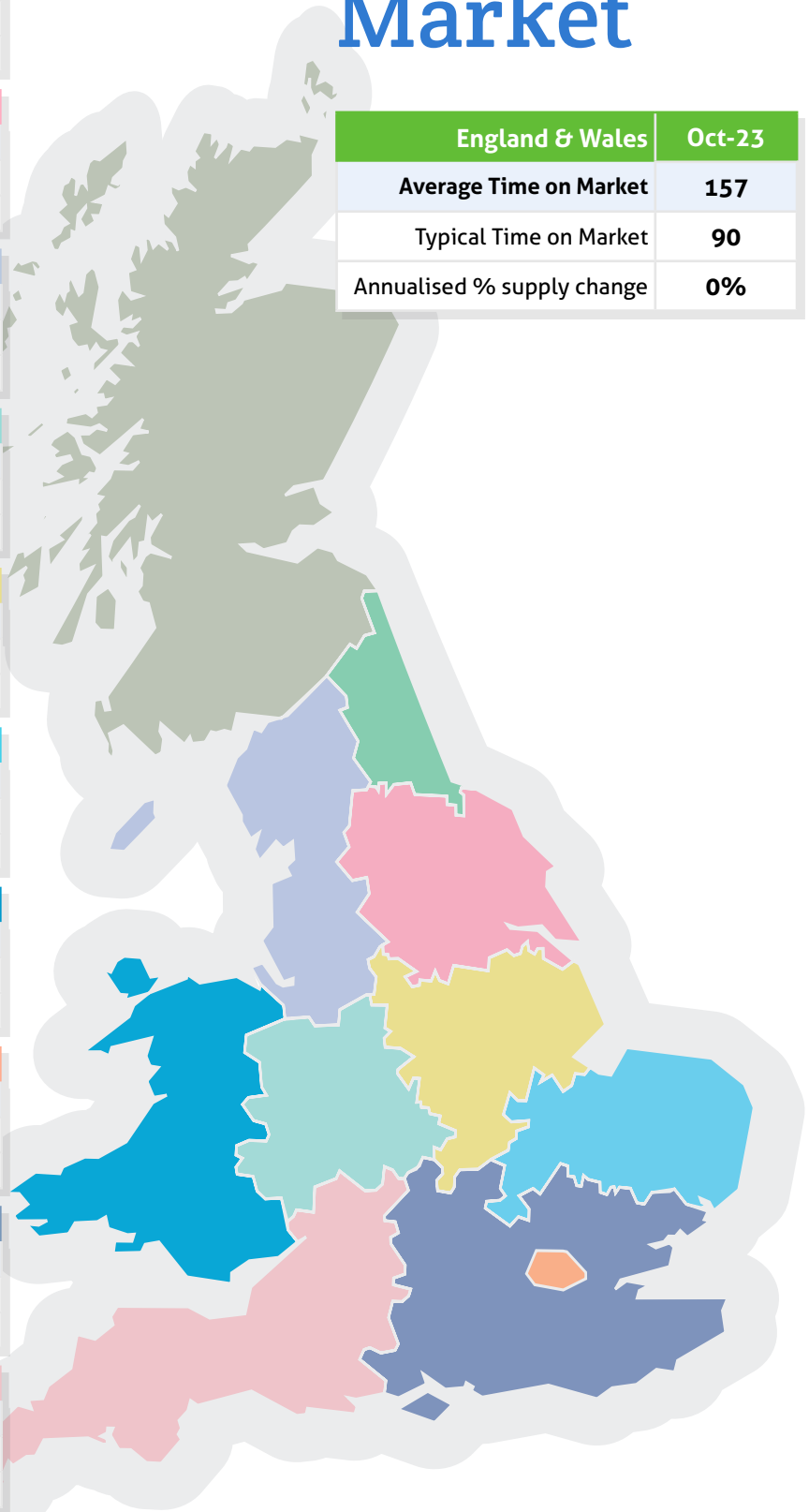
Wales	Oct-23
<b>Average Time on Market</b>	<b>165</b>
Typical Time on Market	98
Annualised % supply change	-8%

Greater London	Oct-23
<b>Average Time on Market</b>	<b>191</b>
Typical Time on Market	96
Annualised % supply change	-3%

South East	Oct-23
<b>Average Time on Market</b>	<b>149</b>
Typical Time on Market	85
Annualised % supply change	3%

South West	Oct-23
<b>Average Time on Market</b>	<b>142</b>
Typical Time on Market	85
Annualised % supply change	3%

England & Wales	Oct-23
<b>Average Time on Market</b>	<b>157</b>
Typical Time on Market	<b>90</b>
Annualised % supply change	<b>0%</b>



Source: Home.co.uk Asking Price Index, October 2023. 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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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](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 15<sup>th</sup> November
- Wednesday 13<sup>th</sup> December
- Friday 12<sup>th</sup> January 2024