



Asking Price Index

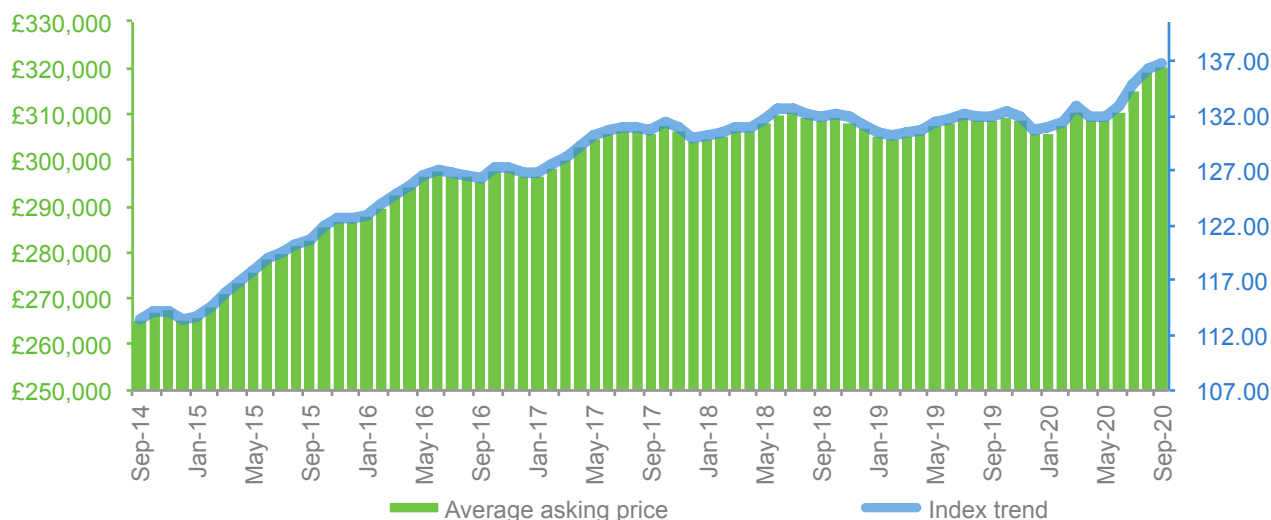
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Prices Up Again but Oversupply Risks London Correction

Headlines

- Yet another strong month for asking prices as the market recovery continues.
- Mix-adjusted average asking price for England and Wales rises a further 0.4% since the August reading, bringing the year-on-year rise to 3.8%.
- Supply of new sales instructions exceeds normal levels for the mainland UK (up 25% in August compared to August 2019).
- Excessive supply in Greater London now threatens a market correction (new listings up 71% in August compared to August 2019).
- Despite surging supply, the current stock count for England and Wales remains lower than in September 2019 by 7.3%, as pent-up demand eats into the new listings.
- Scottish vendors continue to show exceptional confidence (second month out of a prolonged lockdown) with a further large hike in the average home price of 1.5% since last month, making the annualised growth 7.7%.
- The best-performing region is Yorkshire, showing year-on-year price growth amounting to an annualised gain of 8.8%.
- A more cautious monthly rise of 0.3% takes the East of England (the UK's worst-performing region) further into positive growth year-on-year (+1.5%), although surging supply will hamper further growth.
- 6.0% fewer properties on the market were reduced in price last month compared to August 2019, suggesting that, for the time being, vendors remain confident and patient. However, the average price cut is now 8.8% higher than a year ago.
- Supply in the rental sector across the UK has mostly recovered but remains 6.3% down year-on-year. Only the Greater London area shows an increase in properties available to rent (+47% year-on-year), mirroring the oversupply in the sales market.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, September 2020, Indexed to May 2004 (Value =100).



Summary

Prices remain robust but the current spate of new listings suggests that the road to full recovery may soon be marred by oversupply, especially in London. Estate agents had another phenomenally busy month in August, taking on even greater amounts of new instructions, especially in the capital region, East and South East of England. Fortunately, mortgage approvals have also bounced back to more normal levels and this will help digest the glut of new stock.

Of course, the market has been playing catch-up in the wake of the nationwide lockdown and large amounts of new instructions should be expected. While London's stock levels have been inflated by 37% since April, it should also be borne in mind that the sum total of new listings from March to August inclusive is around 10% less than the same period in 2019. However, greater reassurance for the capital's property market would be achieved by the attenuation of supply.

By contrast, English regions to the north as well as Scotland and Wales show much more moderate increases in supply, thereby ensuring that demand will not be overwhelmed. In fact, the North East shows no increase at all compared to a year ago, and the number of new instructions in Scotland in August was only 1% greater than in August 2019. Moreover, it is these regions where price growth is most vibrant, especially Yorkshire with annualised gains of 8.8%, and this is pushing up the national average home price significantly.

The annualised mix-adjusted average price growth across England and Wales is currently +3.8%; an extraordinary improvement on August 2019 given the circumstances, when the annualised rate of increase of home prices was -0.1%.

Regional Roundup

Supply remains a pivotal factor for the near-term health of the UK property market. August saw registration of the most new listings in a single month since May 2011. Whilst a surge of new listings is to be expected from frustrated vendors post-lockdown, the key question with respect to the health of the market is: 'Does supply threaten to overwhelm demand and, in doing so, drive down prices?'

Below, we present analysis of the rebalancing of supply and demand, both nationally and regionally. Just over 125,000 new instructions entered the UK market in August, which is 25% more than in August 2019. In itself this may appear excessive, although if we look at the sum

total of new sales listings over the last six months (482,000 for Mar-Aug), we can see that it is considerably below that of the total for the same six months in 2019 (620,000). Hence, taking the UK as a whole, one might be reassured that the current surge in supply is merely redressing a stock shortfall caused by the COVID restrictions. However, if we take a look at the regional level, there are significant differences regarding the rate at which new stock has been injected into these markets.

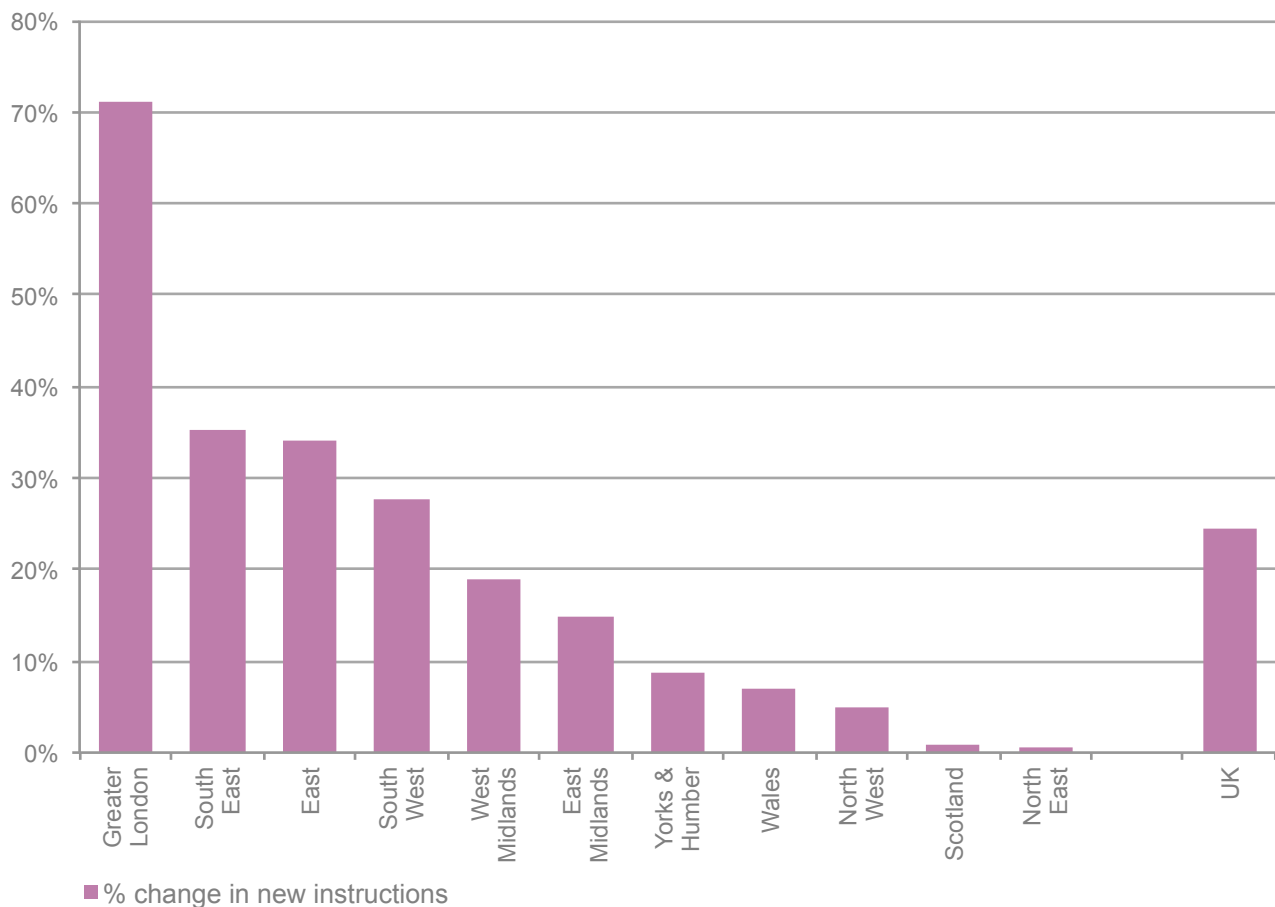
As we highlighted in the summary, London vendors have been particularly enthusiastic post-lockdown and this has led to an increase in stock levels of 37% since April. Moreover, August showed a 71% increase in new listings when compared to August 2019. Some of this huge wave of new stock will formerly have been Airbnb short lets, which are also flooding the lettings market. However, these figures do need to be put in context: if we look again at the total sum of new listings, we see that there is actually a shortfall of around 10% when compared to the same six months in 2019 and a shortfall of 27% when compared to the same months in 2018. We might conclude that, given the resumption of a reasonably normal level of demand, current stock levels should not pose a problem - but we live in anything but normal times.

Moreover, we must consider the following question: 'Has the nature of demand changed across certain types of dwellings due to COVID-19?' Considerable anecdotal evidence suggests the answer is yes; that flats without green spaces such as tower blocks are now less desirable. Our data tends to confirm this, with median flat prices falling 4% while median prices for terraced and semi-detached homes have risen 5% and 7% respectively since April. Of course, many London flats do have access to a garden or similar and so the loss in the market value of flats devoid of green space may well be much greater.

Hence, while high demand is clearly present in London, buyers have become much more selective. Given that flats comprise around 78% of properties for sale in the Greater London area, it would appear likely that growth overall will be on the back foot for some time. Broadly speaking, we might infer that London is suffering from undersupply of terraced and semi-detached properties and oversupply of flats.

Furthermore, there is also anecdotal evidence of a new tendency to move to less urban areas post-lockdown. However, whether this exodus is comprised of a tiny privileged minority or presents the start of a significant depopulation of major cities remains to be seen.

Change in New Sales Listings, August 2020 vs. August 2019



Source: Home.co.uk Asking Price Index, September 2020

Remarkable surges in supply are also evident in the South East and East of England (new listings up 35% and 34% respectively in August vs. August 2019) and, as we anticipated, they have put an end to hikes in asking prices. Prices have risen a mere 0.3% and 0.2% in the East and South East respectively since the August reading.

Further afield, lesser but still significant surges in supply are to be found in the South West (+28%), West Midlands (+19%) and the East Midlands (+15%). Such a large total for the South West may be a sign of financial distress induced by the pandemic.

This region is traditionally popular with second homeowners and is most likely to see disposals triggered by economic hardship through job losses and business failure. However, the total of new sales listings for the Midlands does not appear excessive given the considerable pent-up demand and will likely not constitute a growth-impeding glut.

In stark contrast, northern England, Scotland and Wales all continue to show considerably more restraint on the part of vendors. Yorkshire, the UK's best-performing region in terms of

price growth, has registered a moderate rise in supply of 9% (August vs. August 2019) while the neighbouring regions of the North West and North East have indicated increases in supply of just +5% and +0% respectively (again compared to August 2019). Wales and Scotland also show much more moderate increases in supply, with rises of 7% and 1% respectively.

If we compare the chart for change in volumes of new listings with that of price growth by region, we can see that there is a strong reverse correlation i.e. supply is inversely related to price growth. The five regions showing the greatest price growth also show the least increase in supply. This is to be expected, of course, since scarcity is always a key driver for growth, but it also highlights the perils of oversupply.

Whilst the national average home price increased a further 0.4% over the last month, there are examples of much greater price inflation at the regional level (e.g. a further huge rise in Scotland of 1.5% and 1.1% in the North West). There is also the first example of deflation we have witnessed for several months (-0.5% in the South West). In short, the national average masks

considerable growth diversity at the regional level of analysis.

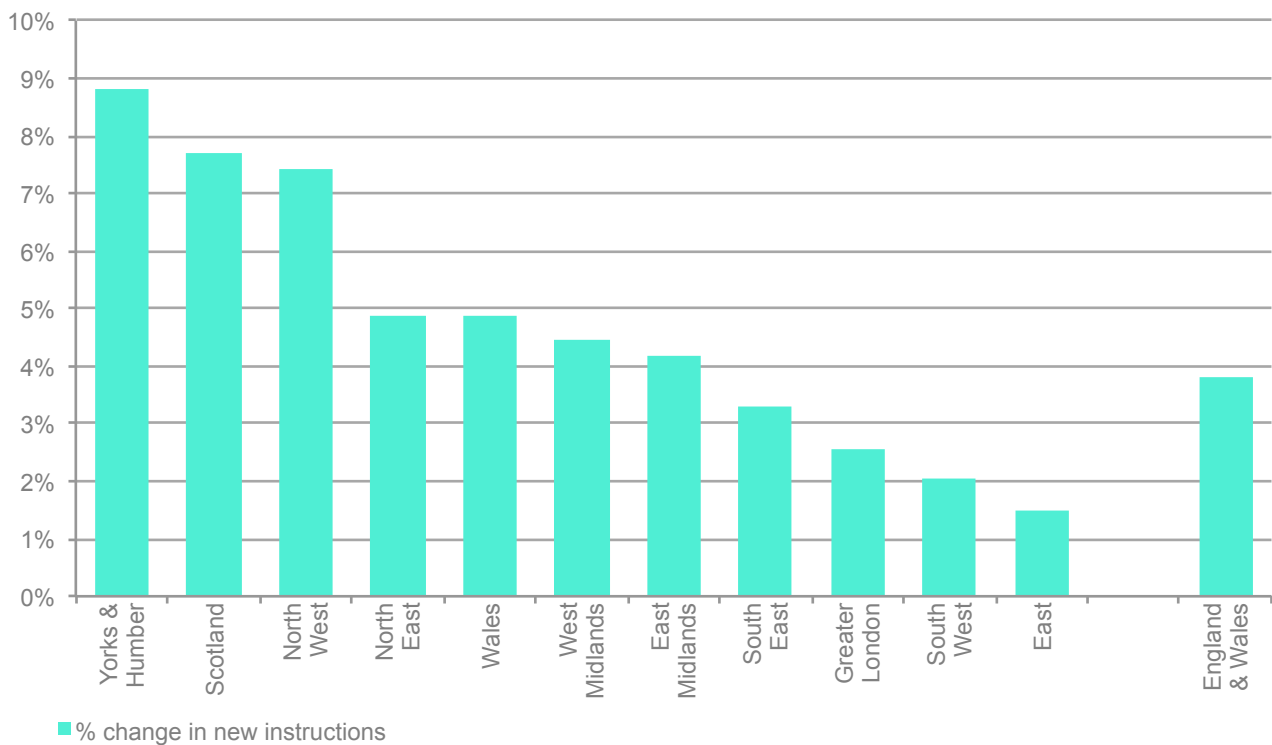
Yorkshire continues to lead the regions with an exceptional price growth figure of 8.8% since September last year. The North West also indicates rapid growth of 7.4% over the last year. Both these regional markets as well as the North East and Scotland are currently experiencing record prices and the highest growth rates since the financial crisis. It is quite remarkable that, after nearly a decade of price stagnation, the North East property market finally takes off post-pandemic! Together these regions may presently be regarded as the northern powerhouse of the UK property market, and their performance is compensating for the lacklustre performance of London and adjacent regions.

Wales and the Midlands regions continue to show consistent moderate growth. Supply remains relatively low and stable in Wales and we

expect continued steady growth. In the Midlands, supply has picked up over the last couple of months, but the increase is below that of the UK and really only sufficient to compensate for the lack of stock brought about by the lockdown.

The southern regions tell a different story. The South West, South East, East and London are all indicating below-average growth and are now plagued by oversupply. Given another month of near-record numbers of properties entering these markets (especially London), a return to substantial price growth will be significantly delayed. At best, we expect these regions to undergo a period of low growth extending into 2021. However, continued excessive supply vastly increases the likelihood of a price correction. The South West faltered this month and the next wobble will most likely be observed in London.

Annualised Regional Price Growth, Sep 2020 vs Sep 2019



Source: Home.co.uk Asking Price Index, September 2020



“ Supply shocks always trigger a period of price rediscovery.

This is the case for any market, including the troubled London property market. Prior to the COVID pandemic, the UK's leading market looked set for a return to growth after a protracted period of price correction. Now, post-lockdown, with supply going through the roof, London's prospects look hugely different.

The UK capital's property market is suffering from a multiplicity of problems. First and foremost, in complete contrast to the rest of the country, rents are falling. Over recent months, rents have taken a severe tumble and are currently down by 9.2% compared to a year ago. In several of the more central boroughs, rents have dropped much further - in Kensington and Chelsea, for instance, they are down a shocking 25%. Oversupply is the key causal factor, partly triggered by the collapse in Airbnb-style short-term lets hammering down asking rents. Since rents fundamentally underpin home prices, it's little wonder that London prices are looking increasingly shaky right now. Moreover, buy-to-let investment is hardly going to come to the rescue of the sales market while rental returns look like they are melting away.

Secondly, mortgage lenders are understandably nervous about unemployment and have correspondingly increased the cost of borrowing for those with anything less than a 25% deposit. That's really tough for first-time buyers and even tougher for anyone wishing

to buy in one the most expensive cities in the world. Hence, a section of normal demand has been knocked out of the game.

Thirdly, there's an exodus. As John Stepek puts it in MoneyWeek: "Why pay up to live in central London if you can move to a decent-sized town less than an hour away, get a bigger home for less money, and no longer have to shell out £5,000 a year plus two hours of your life each working day? That's just what the latest RICS (Royal Institution of Chartered Surveyors) survey suggests is happening. Surveyors and estate agents point to surging prices and activity in every part of the UK except for London." COVID has made London a less attractive place to live. Those with the means are moving out and who can blame them after suffering city lockdown conditions? Moreover, working from home has become the new normal for many and heralds a much-improved quality of life outside of the capital.

Step outside of Greater London and the story is vastly different, especially up north. House prices there are rising in tandem with rents. Moreover, homes remain much more affordable, especially for the first-time buyer. It's quite remarkable that, as a consequence of COVID, over two centuries of urbanisation may be about to be reversed.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Sep-20
Average Asking Price	£202,036
Monthly % change	1.5%
Annual % change	7.7%

North East	Sep-20
Average Asking Price	£168,864
Monthly % change	1.1%
Annual % change	4.9%

Yorks & The Humber	Sep-20
Average Asking Price	£220,099
Monthly % change	0.9%
Annual % change	8.8%

North West	Sep-20
Average Asking Price	£222,945
Monthly % change	0.7%
Annual % change	7.4%

West Midlands	Sep-20
Average Asking Price	£266,481
Monthly % change	0.9%
Annual % change	4.5%

East Midlands	Sep-20
Average Asking Price	£248,221
Monthly % change	1.0%
Annual % change	4.2%

East	Sep-20
Average Asking Price	£354,711
Monthly % change	0.3%
Annual % change	1.5%

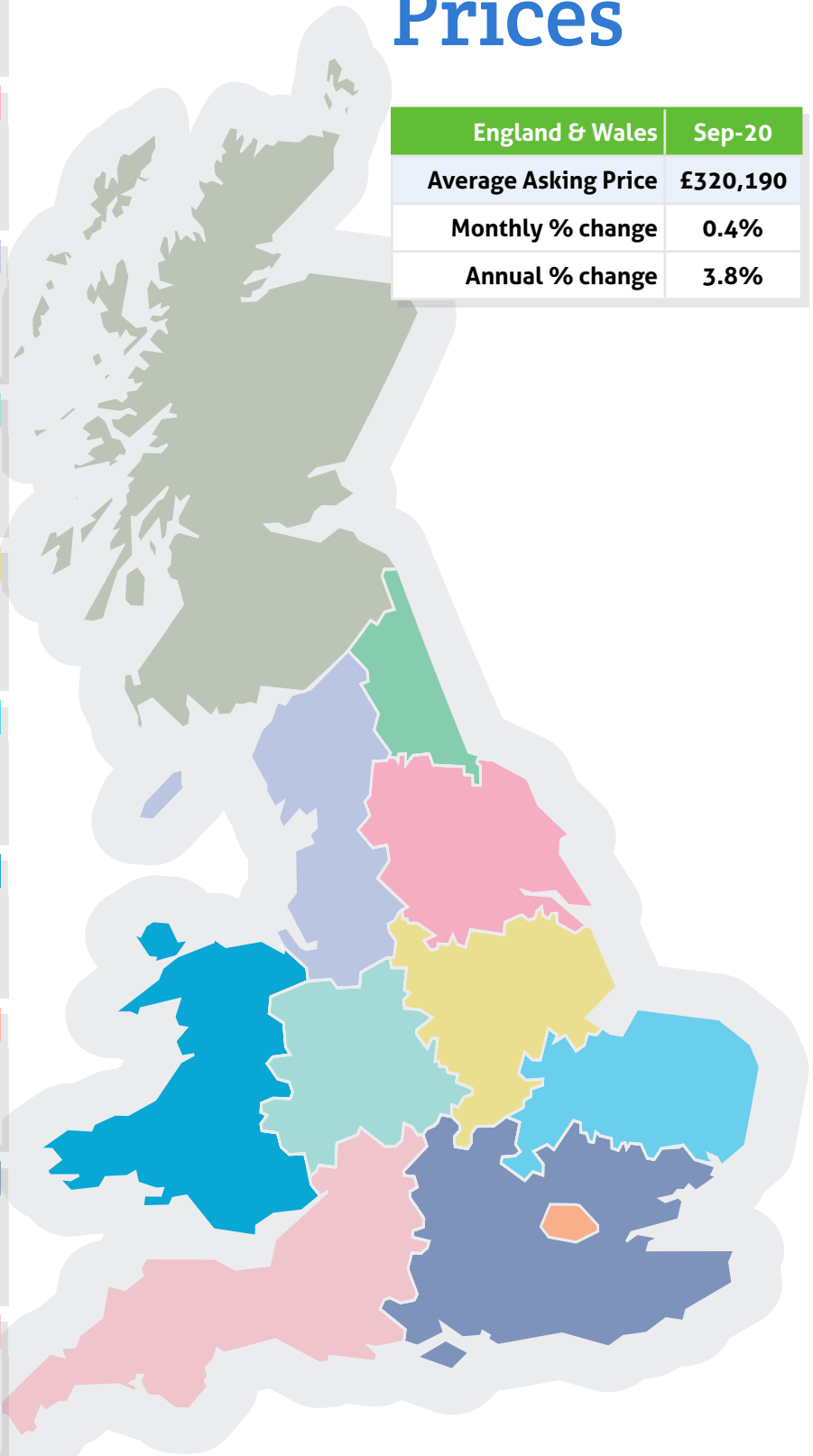
Wales	Sep-20
Average Asking Price	£223,101
Monthly % change	0.7%
Annual % change	4.9%

Greater London	Sep-20
Average Asking Price	£528,958
Monthly % change	0.1%
Annual % change	2.6%

South East	Sep-20
Average Asking Price	£407,839
Monthly % change	0.2%
Annual % change	3.3%

South West	Sep-20
Average Asking Price	£332,510
Monthly % change	-0.5%
Annual % change	2.1%

England & Wales	Sep-20
Average Asking Price	£320,190
Monthly % change	0.4%
Annual % change	3.8%



Source: Home.co.uk Asking Price Index, September 2020

UK Time on Market

Scotland	Sep-20
Average Time on Market	264
Typical Time on Market	103
Annual % supply change	1%

North East	Sep-20
Average Time on Market	247
Typical Time on Market	105
Annual % supply change	0%

Yorks & The Humber	Sep-20
Average Time on Market	175
Typical Time on Market	68
Annual % supply change	9%

North West	Sep-20
Average Time on Market	193
Typical Time on Market	80
Annual % supply change	5%

West Midlands	Sep-20
Average Time on Market	158
Typical Time on Market	64
Annual % supply change	19%

East Midlands	Sep-20
Average Time on Market	158
Typical Time on Market	64
Annual % supply change	15%

East	Sep-20
Average Time on Market	156
Typical Time on Market	61
Annual % supply change	34%

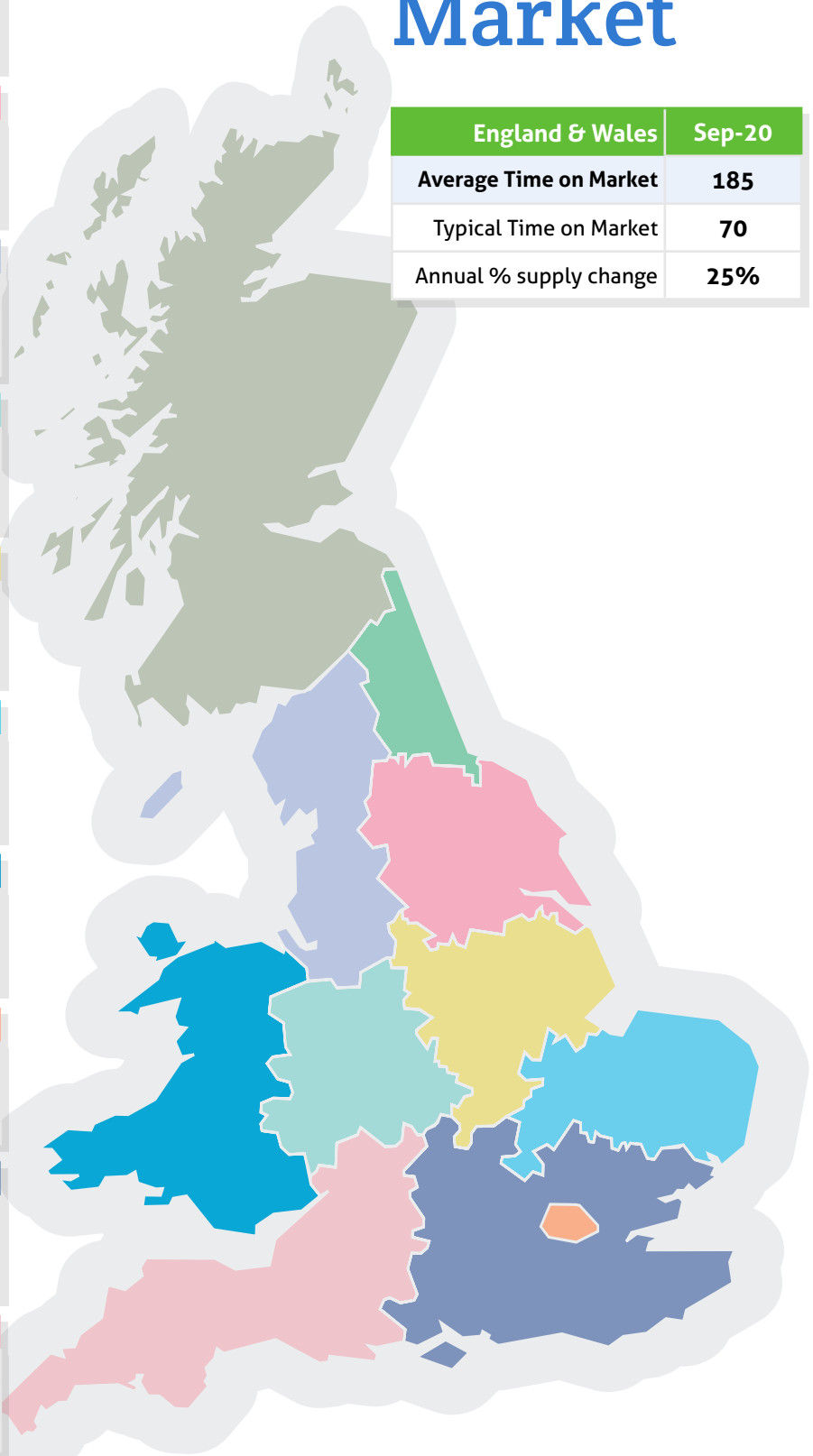
Wales	Sep-20
Average Time on Market	242
Typical Time on Market	141
Annual % supply change	7%

Greater London	Sep-20
Average Time on Market	182
Typical Time on Market	62
Annual % supply change	71%

South East	Sep-20
Average Time on Market	165
Typical Time on Market	63
Annual % supply change	35%

South West	Sep-20
Average Time on Market	174
Typical Time on Market	68
Annual % supply change	28%

England & Wales	Sep-20
Average Time on Market	185
Typical Time on Market	70
Annual % supply change	25%



Source: Home.co.uk Asking Price Index, September 2020. Note: 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
- To learn more about Home.co.uk data services please visit:
<https://www.home.co.uk/company/data/>

Future release dates:

- Tuesday 13th October
- Thursday 12th November
- Tuesday 15th December