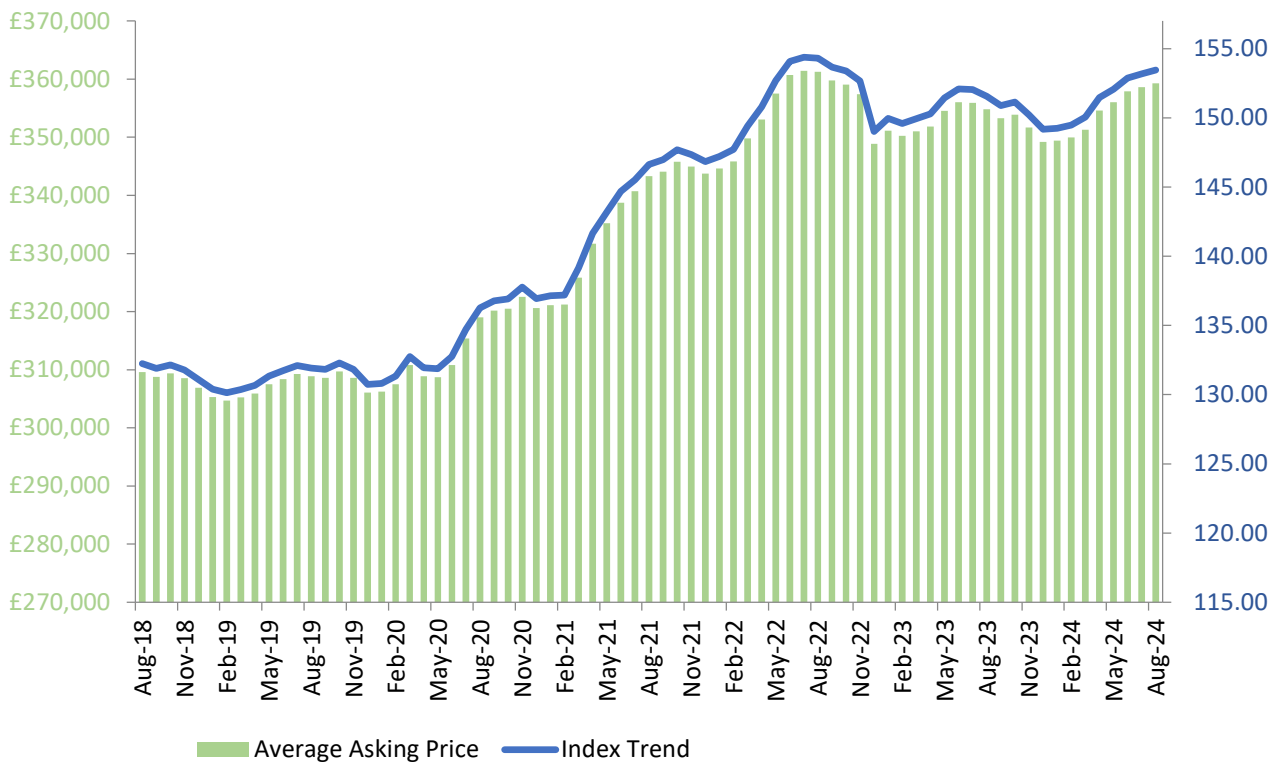


Bank Rate Cut to Boost Recovery

Headlines

- Asking prices rose by 0.2% during the last month across England and Wales (the seventh consecutive monthly rise) and are now up 1.2% compared to August 2023.
- Prices increased again in all English regions (except the North West and South East where they remain unchanged), Wales and Scotland last month. The mix-adjusted average jumped by 1.1% in Scotland and by 1.3% in the North East.
- The unsold sales stock count for England and Wales rose again over the last month to reach a 10-year high for August. Nearly 6,000 properties were added to agents' portfolios, taking the current total of unsold stock to 494,837.
- Despite this 10-year high, sales market momentum remains relatively healthy, as indicated by both the Typical Time on Market (median) for unsold property being four days less than in August 2019 and our Market Turnover Indicator. However, the current median time on market for unsold property is nine days more than in August last year.
- The total number of new instructions entering the market during July 2024 was 4% more than during July 2023.
- The North East extends its lead as the regional property market growth leader with a stunning year-on-year gain of 6.5% while the South West is now the worst performing region, indicating a loss of -0.3% over the same period.
- The annualised national growth figure for asking rents has slowed further to just 1.1%, dragged down by London's poor performance. However, Wales continues to lead the regional growth table, followed by the South West, with rises of 14.5% and 11.7% respectively year-on-year. Meanwhile, the year-on-year decline in Greater London rents is now -1.2%.
- The boroughs of Bexley and Haringey indicate the worst declines in asking rents with annualised rental falls of 16.6% and 9.4% respectively.

Home Asking Price Trend for England & Wales



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

Summary

The “better late than never” rate cut by the Bank of England serves to boost an already very busy property market. The added tailwind of entering a likely prolonged period of falling mortgage rates will most certainly stimulate demand and come to the aid of the five English regions which have yet to recover their 2022 price highs. Our expectations are that home price growth overall will remain moderate while high stock levels persist. However, considerable regional variation is apparent, and the already vibrant inflation-beating northern markets (e.g. the North East) will potentially move into overdrive in the near term.

The East of England and Greater London still have considerable ground to make up before they return to their

2022 price highs. We expect recovery to remain slow despite the recent rate cut due to their relatively poor rental yields. Meanwhile, the northern, Scottish and Welsh markets have long since surpassed their 2022 highs and are indicating inflation-beating growth. Their prospects have just improved further thanks to the rate cut.

Overall, key market indicators confirm that the UK property market is in good shape and looks set to prosper as borrowing costs steadily decline. Typical Time on Market is slightly lower than in pre-pandemic August 2019 and annualised price growth is significantly better overall despite the poor performance of several regions, predominantly in the South and East. A key driver of current growth is buy-to-let investment focused on the best yields available and this cor-

relates with the more vigorous northern markets.

The mix-adjusted average asking price for England and Wales increased by just 0.2% during the last month and, although 1.2% above the August 2023 figure, it remains 0.6% below the all-time high of August 2022. Given the first rate cut by the Bank of England with expectations of more to follow, it is conceivable that the 2022 peak could be surpassed in the next couple of months before the inevitable seasonal decline. Should our estimates of current inflation be correct, the UK property market has now entered the first month of real growth since November 2021, when the Bank of England stated: "We expect inflation to rise to around 5% in the spring next year. We expect these high rates of inflation to be temporary." By April 2022, inflation was already at 13% and then continued to

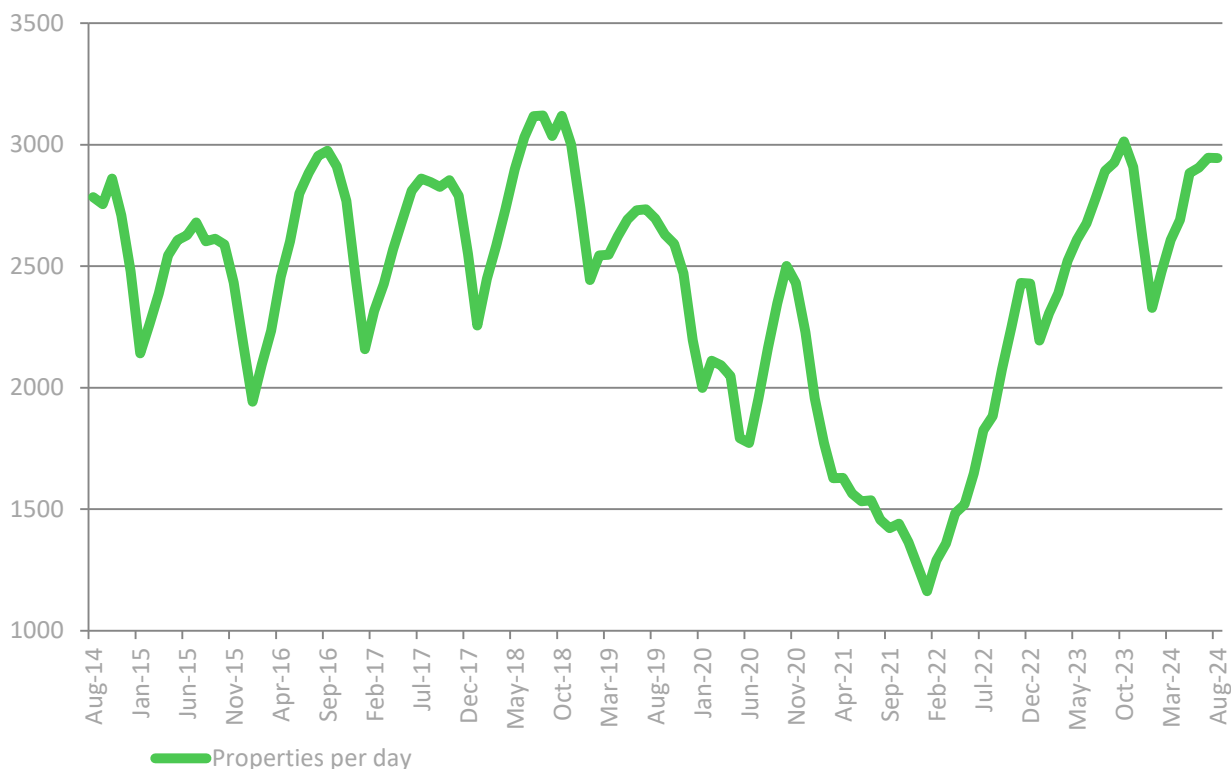
rise to peak around 16%.

Investment in much-needed new housing stock may begin to recover thanks to lower interest rates but tax incentives could go a long way to encourage more builders to commit. In particular, new energy efficient rental stock is required to ease the massive shortfall of properties available to let. In August 2019, 96,000 properties were available for rent compared to the current total of 66,000, representing a drop of 31%.

Consequently, asking rents continue to show positive, albeit lower, growth in most regions although year-on-year falls continue to be evident in Greater London, East Midlands and the West Midlands (-1.3%, -2.8% and -0.8% respectively). Meanwhile, Wales, Yorkshire, the South West and the North East continue to indicate double-digit annualised growth.

Overall, UK asking rents are currently

Sales Market Turnover Indicator



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



1.1% above their August 2023 reading.

The annualised mix-adjusted average asking price growth (sales) across England and Wales is now 1.2%; in August 2023, the annualised growth of home prices was -1.8%.

Price Trend

Home prices continue their steady ascent overall, although they have not yet revisited their 2022 high. Significant price growth is confined to the northern English regions and Wales (also Scotland), while London and the southern regions' poor performances weigh heavy on the national average. The first rate cut since the pandemic opens the door to increased demand and a return to real growth in these lacklustre regions which have thus far stagnated in the wake of the sudden price correction at the end

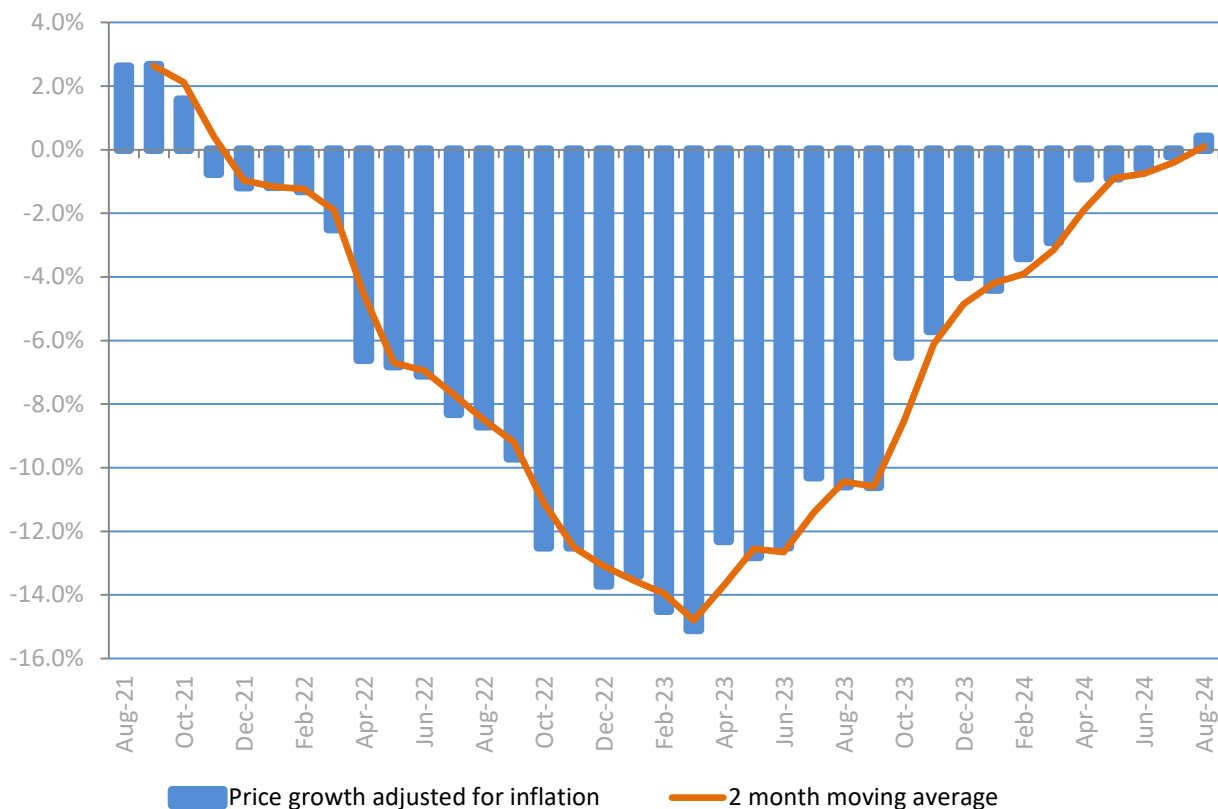
of 2022. Nationwide, the supply of new instructions remained steady in July, increasing by only 4% year-on-year. Overall, we expect further price gains over the coming months until the inevitable seasonal downturn towards the end of the year.

Market Turnover

Our Market Turnover Indicator chart continues to show high activity, more or less on a par with the pre-COVID years.

The present turnover appears to be levelling off slightly below the peak activity recorded in autumn last year, although this may simply be a side effect of the elections. We may well yet see an uptick of activity over the next two months, given the added buyer confidence triggered by the bank rate cut.

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, August 2024 and ONS [RPI ex. housing]. Inflation for May and June are our estimates (1.4 % and 1.1% respectively).



Real Price Growth

Inflation is now old news. In fact, the current danger is deflation and, without further rate cuts, this crippling scenario for the wider economy could become a reality. However, for property owners, the path towards real growth is now clear. If our inflation estimates for July and August are correct, real home price growth is back in the black overall. Having said that, the northern regions have been enjoying real growth for some considerable time, whilst London and the southern regions have yet to achieve the same.

Conditions look set for a sustained period of real growth, greenlighting significant further investment in the sector.

Stock Levels

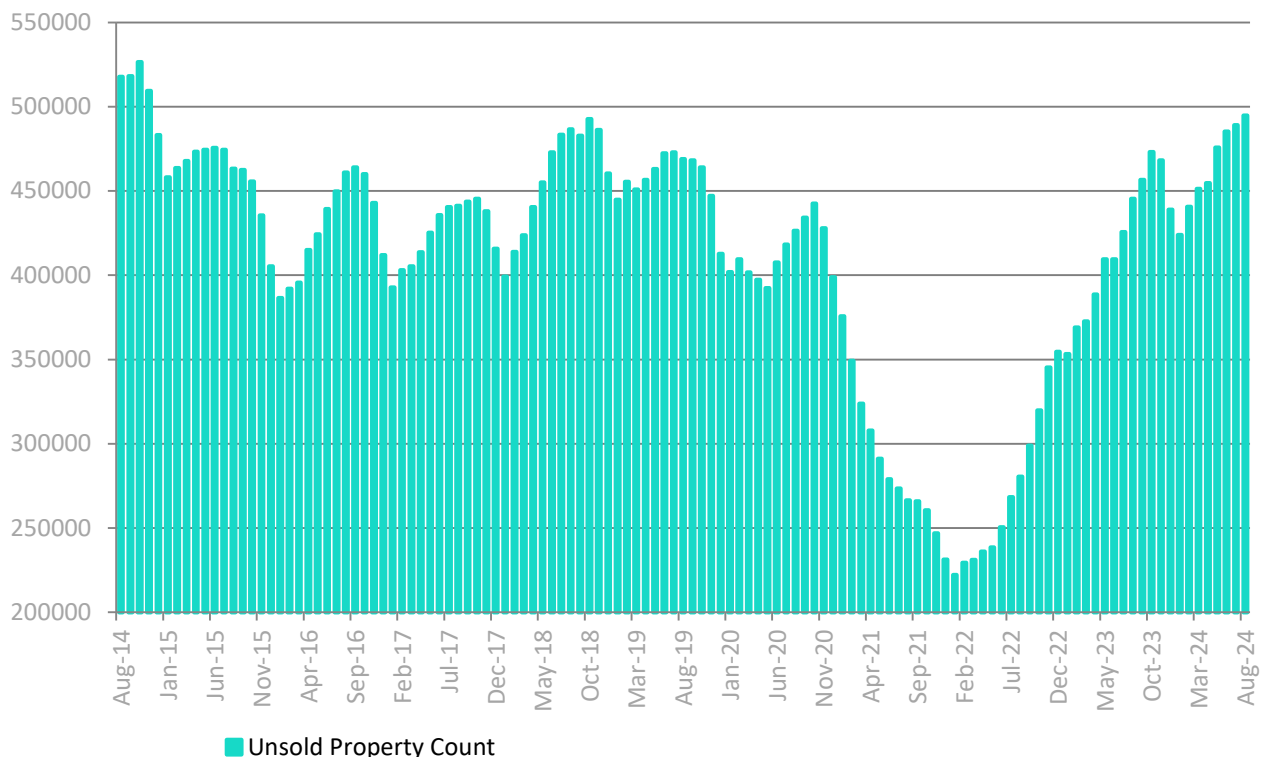
The total stock of unsold property on

the market climbed again during the last month, surpassing the 2018 high but still less than the maximum in 2014. Seasonally, the maximum stock of unsold property occurs in either September or October in a normal year. The COVID era was truly aberrant but the market has returned to a more recognisable pattern of seasonal waves. Demand is likely to rise on the back of the first rate cut and this in turn will start to erode agents' portfolios, which have swelled to a 10-year high this year.

Regional Roundup

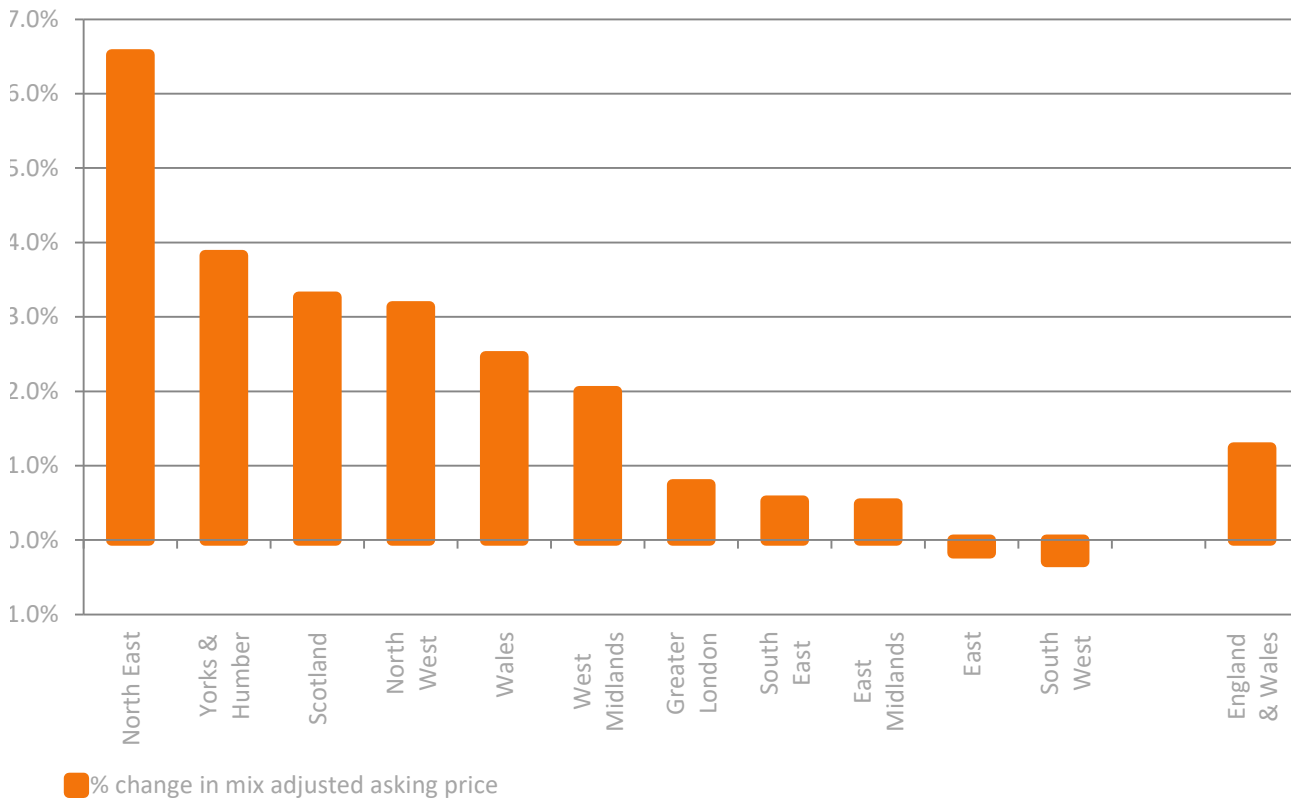
The North and South divide deepens. The northern regions, led by the North East posting annualised gains of a staggering 6.5%, are pulling away from the southern group. Our chart indicates the widening disparity across England, with the three northern regions plus the West

Total Stock of Property for Sale, England and Wales



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

12-month Regional Price Growth, Aug 2024 vs. Aug 2023



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

Midlands indicating collective growth well above inflation, while the southern group including London continue to lose ground in real terms.

Improving mortgage rates are unlikely to close the gap. Rental yields are higher in the northern regions and this will continue to tip the investment balance in their favour. Moreover, with rents falling year-on-year in the East of England and Greater London (-2.8% and -1.3% respectively), indicating an affordability gap, investment in these regions will be disincentivised. The South East is not faring much better in terms of rent, posting a paltry rise of 2.3% year-on-year.

However, rents in the South West are increasing rapidly (+11.7%) and this

may serve to support prices in the short term within this stagnating sales market until yields improve sufficiently so as to encourage further investment. As we mentioned last month, it has long been the case that this property market partly depends on retirees from the wealthier parts of the UK (e.g. Londoners) selling up and reinvesting their capital around the Cornish and Devon coastlines. For the time being, this flow of investment capital has been reduced to a mere trickle due to the poor performance of London and the surrounding regions.

“ As I mentioned last month, Keir Starmer’s new government needs to understand that rent fundamentally underpins the value of property and therefore future legislation regarding the lettings market should be very carefully considered.

Indeed, activists’ calls for rent controls and an end to contractual tenure are casting dark shadows over the future of both the sales and rental markets. Too many landlords are already selling up, fearful that either they won’t be able to set the rent required to cover their costs or they’ll be forced to join expensive licensing schemes or both.

Their fears are not unfounded. Scotland already has rent control legislation in place. Wales is considering the same, and many English local authorities are jumping on the lucrative licensing scheme bandwagon. Just this month, the Royal Institution of Chartered Surveyors’ chief economist, Simon Rubinsohn, said: ‘The difficulties in the lettings market remain as intense as ever with little prospect of any relief in sight.

‘Demand is continuing to run ahead of supply with many respondents to the RICS survey noting that landlords are looking to reduce holdings in the face of an increasingly hostile environment for investment in the sector.’

So, it’s already bad but it may well get much worse. If additional taxation of several sorts and red tape weren’t enough to deter landlords, Starmer’s government plan to reincarnate the Renters Reform Bill (now the Renters Rights Bill) may well be the final straw. We won’t see any details till at least October but likely components will be the abolition of Section 21

eviction powers; empowering tenants to challenge undefined ‘unreasonable’ rent increases; banning rental bidding wars; allowing pets unless there are exceptional



reasons; expanding the Decent Homes Standard to both the public and private sectors (as opposed to just public); a digital database of landlords; increased redress rights for tenants; and stricter rules for agents and landlords to fix damp and mould problems quickly.

I doubt many landlords will sleep easy while this kind of legislation hangs over their investments like a dark cloud. You can be sure the Labour party will be egged on by activists such as Generation Rent. Graham Norwood, writing for Landlord Today, points out that Shelter and Generation Rent are already pressing for more powers for tenants, with Polly Neate - Shelter chief executive - stating: ‘The new Renters Rights Bill has to be a fresh start at reforming broken private renting. Not only does this mean urgently scrapping no fault evictions, but also setting clear limits to in-tenancy rent increases. The government cannot allow landlords to continue to force tenants out of their homes with eye watering rent hikes.’

Ben Twomey, chief executive of Generation Rent, also expects this Bill to go much further than the Tories’ failed attempt. He says: ‘It is welcome to see the end to no-fault evictions included in the government’s plans. After five years of promises from the previous government, with no improvements at the end of it, renters are understandably demoralised and wary of new commitments. The government faces

a big test to reassure voters that it can quickly turn promises into action and change things for the better.

'These reforms must therefore go further than the previous government planned, with real support for tenants whose landlord wants to sell or move back in to prevent homelessness. This includes more time to enjoy our homes without fearing eviction, and more notice and financial support if this happens. Similarly, empowering tenants to challenge rent increases won't work if we still end up with rents rising faster than our incomes.'

Twomey also says that he wants rent control powers given to the metro mayors across England who, with one exception, are all Labour.

He continues: 'The housing crisis has different impacts depending on where you are in the country. In many cases, metro mayors will know better than Westminster what is needed to make sure their constituents can afford a decent home.'

They are also in a good position to try out new ideas that could spread elsewhere. This legislation is an opportunity to give metro mayors powers to slam the brakes on soaring rents and allow breathing space for those areas hardest hit by the renting crisis.'

So, there we have it. Rent controls are coming. The last time they were tried, during the post-war years, half the country's rental accommodation disappeared as private investors left the sector en masse.

I might remind you that Starmer's beloved World Economic Forum has an ominous slogan: 'You will own nothing and be happy.'

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Aug-24
Average Asking Price	£234,057
Monthly % change	1.1%
Annual % change	3.3%

North East	Aug-24
Average Asking Price	£201,588
Monthly % change	1.3%
Annual % change	6.5%

Yorks & The Humber	Aug-24
Average Asking Price	£257,945
Monthly % change	0.6%
Annual % change	3.8%

North West	Aug-24
Average Asking Price	£270,533
Monthly % change	0.0%
Annual % change	3.1%

West Midlands	Aug-24
Average Asking Price	£307,466
Monthly % change	0.2%
Annual % change	2.0%

East Midlands	Aug-24
Average Asking Price	£285,876
Monthly % change	0.1%
Annual % change	0.5%

East	Aug-24
Average Asking Price	£397,212
Monthly % change	0.1%
Annual % change	-0.2%

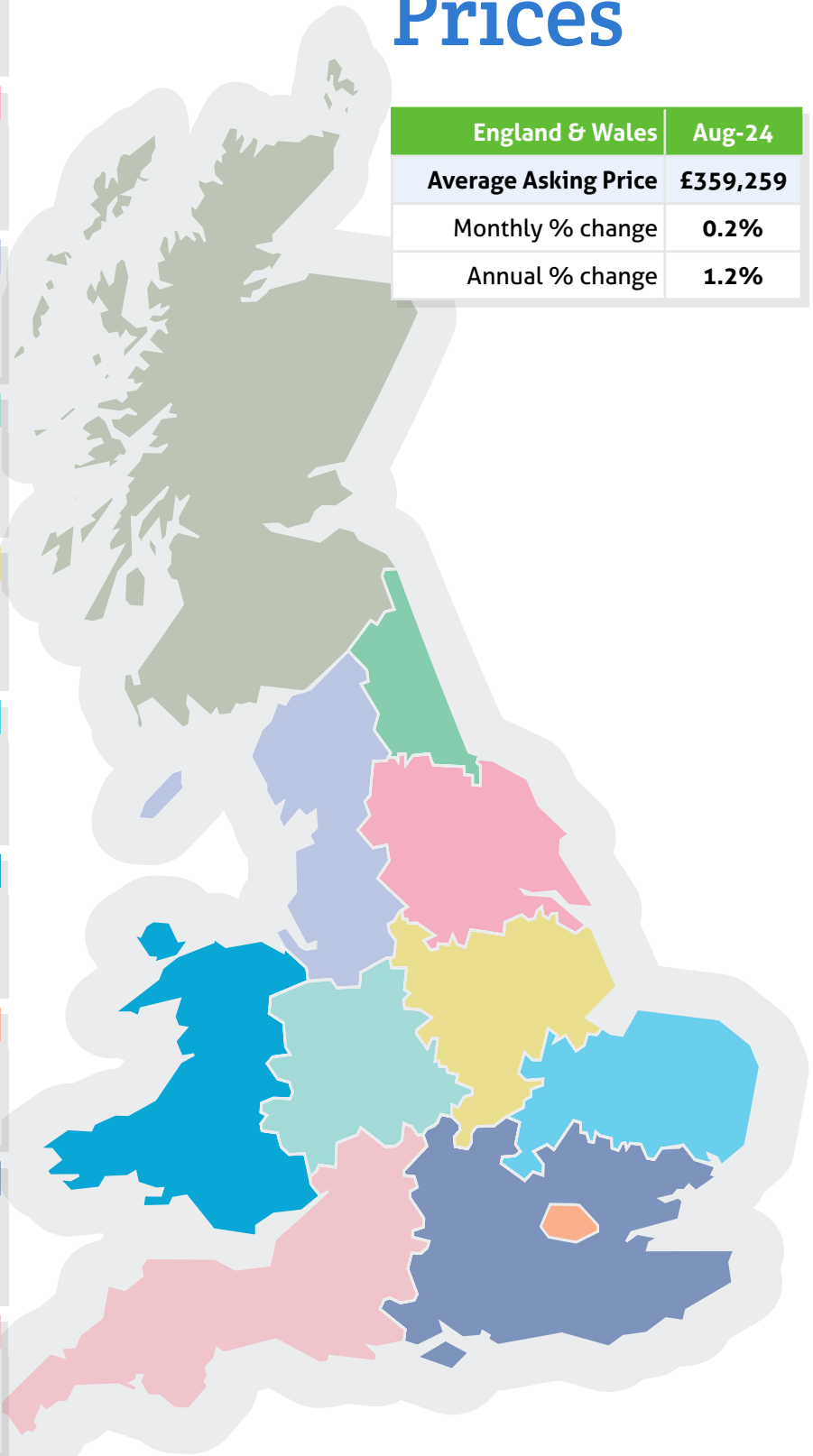
Wales	Aug-24
Average Asking Price	£272,308
Monthly % change	0.3%
Annual % change	2.5%

Greater London	Aug-24
Average Asking Price	£545,674
Monthly % change	0.2%
Annual % change	0.7%

South East	Aug-24
Average Asking Price	£448,945
Monthly % change	0.0%
Annual % change	0.5%

South West	Aug-24
Average Asking Price	£383,126
Monthly % change	0.3%
Annual % change	-0.3%

England & Wales	Aug-24
Average Asking Price	£359,259
Monthly % change	0.2%
Annual % change	1.2%



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

UK Time on Market

Scotland	Aug-24
Average Time on Market	188
Typical Time on Market	72
Annualised % supply change	5%

North East	Aug-24
Average Time on Market	162
Typical Time on Market	86
Annualised % supply change	-2%

Yorks & The Humber	Aug-24
Average Time on Market	148
Typical Time on Market	84
Annualised % supply change	7%

North West	Aug-24
Average Time on Market	163
Typical Time on Market	87
Annualised % supply change	2%

West Midlands	Aug-24
Average Time on Market	161
Typical Time on Market	86
Annualised % supply change	6%

East Midlands	Aug-24
Average Time on Market	150
Typical Time on Market	86
Annualised % supply change	4%

East	Aug-24
Average Time on Market	155
Typical Time on Market	86
Annualised % supply change	2%

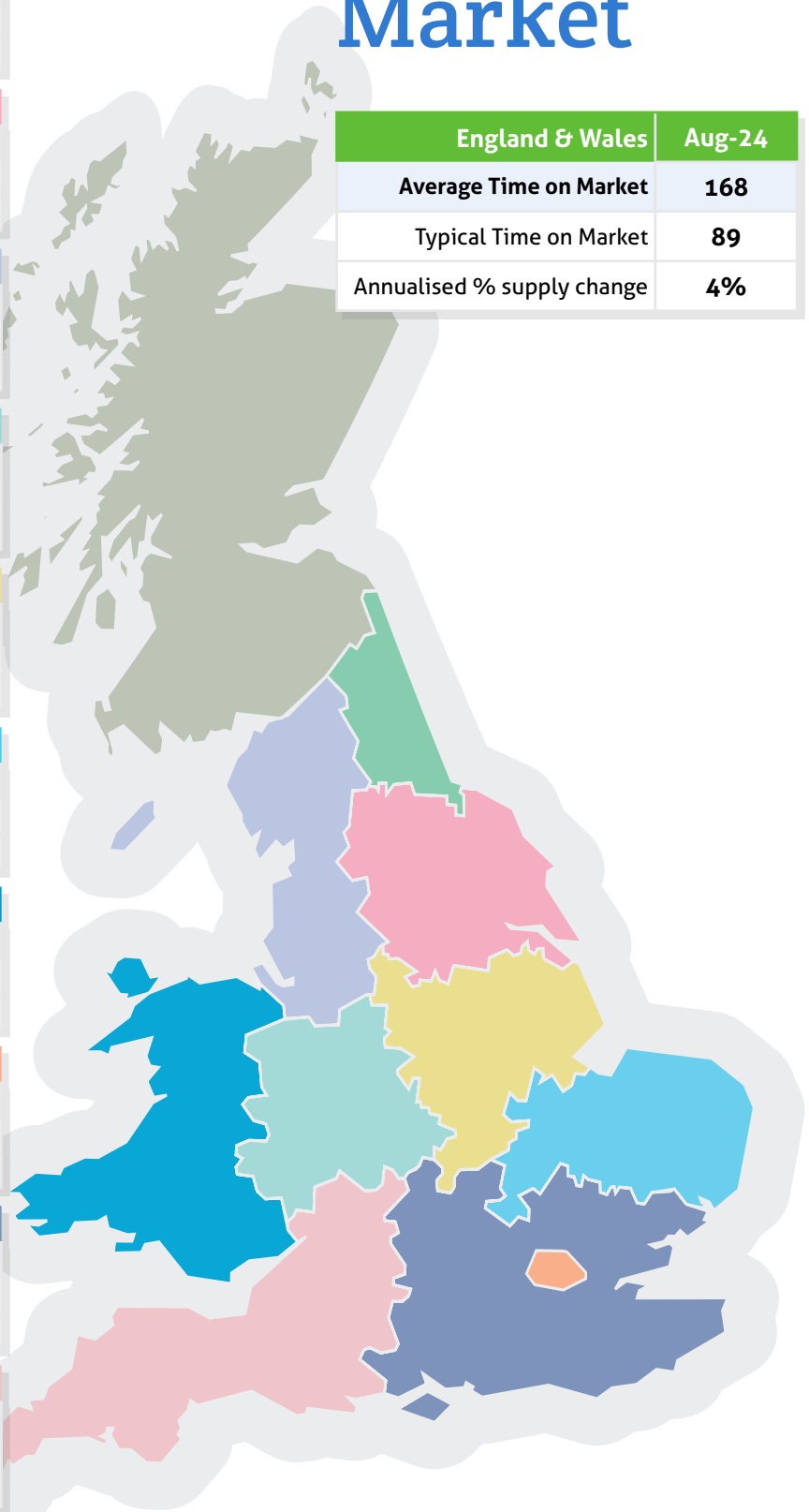
Wales	Aug-24
Average Time on Market	178
Typical Time on Market	97
Annualised % supply change	9%

Greater London	Aug-24
Average Time on Market	192
Typical Time on Market	91
Annualised % supply change	5%

South East	Aug-24
Average Time on Market	159
Typical Time on Market	84
Annualised % supply change	3%

South West	Aug-24
Average Time on Market	157
Typical Time on Market	87
Annualised % supply change	3%

England & Wales	Aug-24
Average Time on Market	168
Typical Time on Market	89
Annualised % supply change	4%



Source: Home.co.uk Asking Price Index, August 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

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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:

- Thursday 12th September
- Wednesday 16th October
- Wednesday 13th November