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Asking Price Index

Released 19/02/25 February 2025

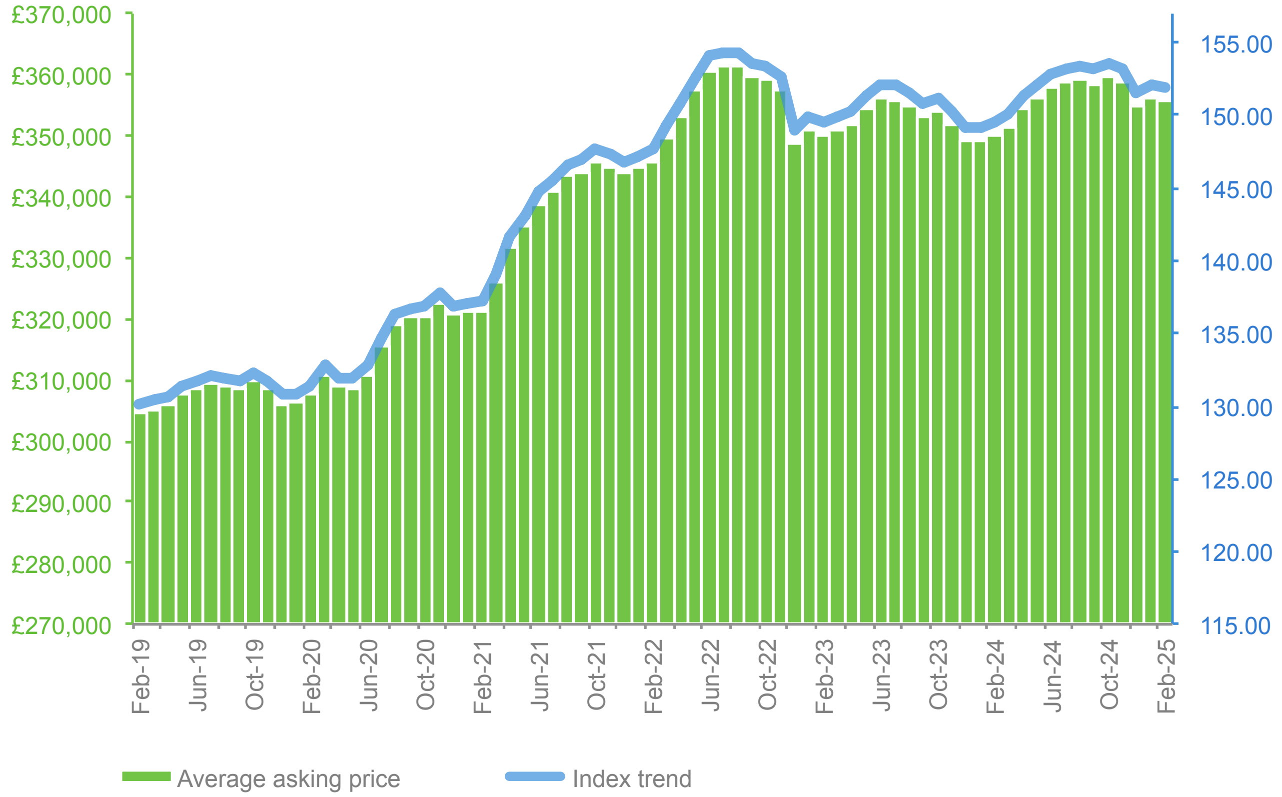
Oversupply Weighs Heavy on Pricing in London and the South

Headlines

- The expected seasonal rise in the national average asking price failed to materialise during the last month due to weaker pricing in London, the South East and the South West. Overall, asking prices have slipped by 0.1% since the January reading across England and Wales. Annualised home price growth is now just 1.7% overall.
- The total number of new instructions entering the market during January 2025 was 10% more than during January 2024. Oversupply is indicated in London and the South East which both show the highest regional increases, up by 21% and 13% respectively.
- Pricing remains strong in the North with Yorkshire and Scotland posting the largest month-on-month gains of 0.8% and 0.6% respectively.
- The North East cedes its top position in regional property market growth to Yorkshire which becomes the new leader with a year-on-year gain of 5.2%. Meanwhile, the South East replaces the East of England as the worst regional performer with an annualised gain of just 0.1%.
- For the time being, the UK property market continues to show significant momentum. Property turnover remains higher than the previous two February readings and the three February readings prior to the COVID event.
- The unsold sales stock count for England and Wales increased by around 13,000 properties during the last month, which is slightly above seasonal expectations. The current total of 469,279 is the largest February figure since 2013.
- Overall, price growth in the sales market continues to underperform relative to monetary inflation.
- At just 1.9%, annualised national growth in asking rents is also behind the rate of inflation. This mix-adjusted average is affected disproportionately by London's rent falls (-0.5%). However, the best performing region, the East Midlands, indicates 10.2% rental growth year-on-year.
- The City of London followed by Hounslow indicate the largest declines in asking rents of all London boroughs, with annualised rental falls of 18.9% and 7.7% respectively. Meanwhile, the best performers are Kingston-upon-Thames, Sutton and Wandsworth, with rents increasing by 8.9%, 8.8% and 8.3% respectively.

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

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, February 2025, Indexed to May 2004 (Value=100).

Summary

Reality bites as Greater London, the South East and the South West resort to competitive pricing in the face of a twelve-year high in stock levels. Contrary to seasonal expectations, the mix-adjusted national average asking price has dipped since last month, driven by significantly lower pricing in these three regions. Even the Bank of England's cut in the base rate, which was arguably already priced into mortgage rates, was not enough to bolster confidence in a property market plagued by increasing taxation and regulation. Consequently, vendors in these regions are increasingly willing to take a hit on their expectations in order to secure a sale.

In stark contrast, vendors in the North and Scotland are much more confident in their pricing. Among these top performing regions, Yorkshire indicated the largest monthly rise of 0.8%, seemingly a world apart from the pain felt in the South. Undoubtedly, the relative performance of the Private Rented Sector (PRS) is a key factor in the North-South divide. Yields remain significantly better in the North and this factor does not look set to change soon. In certain postal districts of London and the South East, rental yields are less than 3%; certainly not enough to pay a significant mortgage and all the other associated expenses. Meanwhile, savvy investors can find yields as high as 12% in certain postal districts, all of which are to be found in the North.[1]

These are the key factors driving the current market. Oversupply stems largely from landlords deciding to quit in low-yielding areas. Vendors and agents alike understand that demand is unlikely to be able to grow sufficiently in order to match the surge in new instructions, especially after the increase in stamp

1 https://www.trackcapital.co.uk/news-articles/uk-buy-to-let-yield-map/

duty on April 1st. The upside for savvy buyers is that there are certainly bargains to be had in some locations but, as many investors acknowledge, "catching a falling knife" is a risky business. The question that is difficult to answer is: When will the rate of supply return to more normal levels? Since rental returns fundamentally underpin the value of property, the answer may well be: When yields return to a tenable level for investors. Logically, this would only be achieved through a combination of rising rents and falling prices.

Despite the aforementioned difficulties in London and the South, the vital signs of the UK property sales market indicate a positive state of health overall, thanks to continued demand in the North. The current volume of property moving through the market is higher than in February last year, although the risk of a significant slowdown in London and the South is apparent. Room for notable price growth appears to be limited to Scotland and the northern regions, which means that prices are unlikely to return to their 2022 levels in the poorer performing regions.

The North East has been overtaken by Yorkshire as the new regional growth leader, with the mix-adjusted average asking price now 5.2% higher than a year ago. At the other end of the spectrum, the South East shows a mere 0.1% growth over the last twelve months, just ahead of the East of England at 0.4%.

UK annualised asking rent growth remains below inflation at 1.9% overall. However, the national average is dragged down significantly by the very large Greater London lettings market where prices are down -0.5% on February last year. Meanwhile, the best performer is the East Midlands at 10.2% growth year-on-year.

The annualised mix-adjusted average asking price growth (sales) across England and Wales is now 1.7%; in February 2024, the annualised growth of home prices was -0.1%.

Price Trend

The mix-adjusted average home price for England and Wales slipped by 0.1% during the last month. This dip is inconsistent with seasonal expectations and suggests that the market has a dose of the jitters. Positive sentiment has been undermined by the growing realisation that there is simply not enough demand in London and the South East to cope with the surge in new instructions. These higher value areas have a disproportionate impact on the national house price indices and therefore affect general sentiment in the sector despite solid performances in other regions.

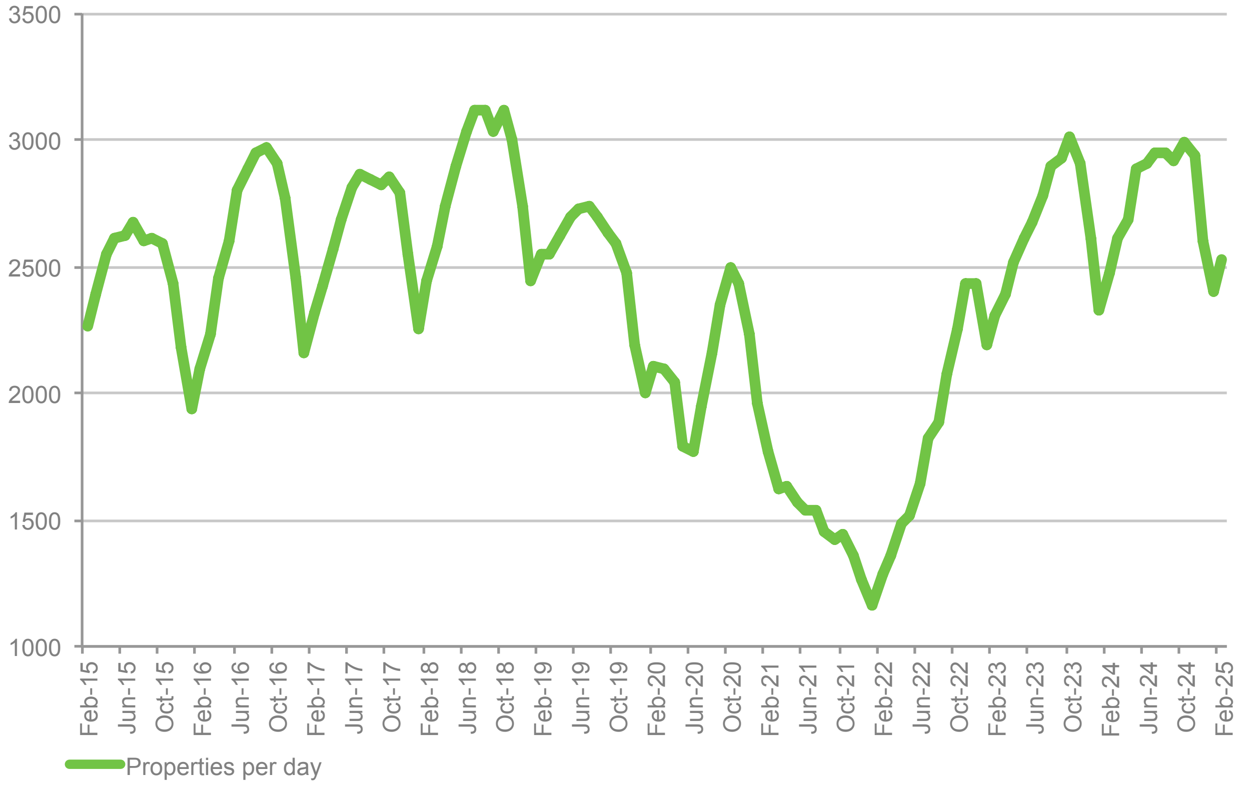
The good news is that mortgage rates have not been badly affected despite the soaring cost of government borrowing (30-year gilts at a 27-year high). Yet the bad news is that a growing number of landlords have simply had enough and have realised that their capital would be put to better use elsewhere. Seemingly, the surge in listings already observed in London is steadily spilling over into the South East, and this may spread into further adjacent regions.

The short-term upside is that first-time buyers will be scrambling to purchase before the forthcoming hike in stamp duty (from 1st April 2025). Beyond that point, however, buyer demand is likely to reduce and create further downward pressure on prices.

Market Turnover

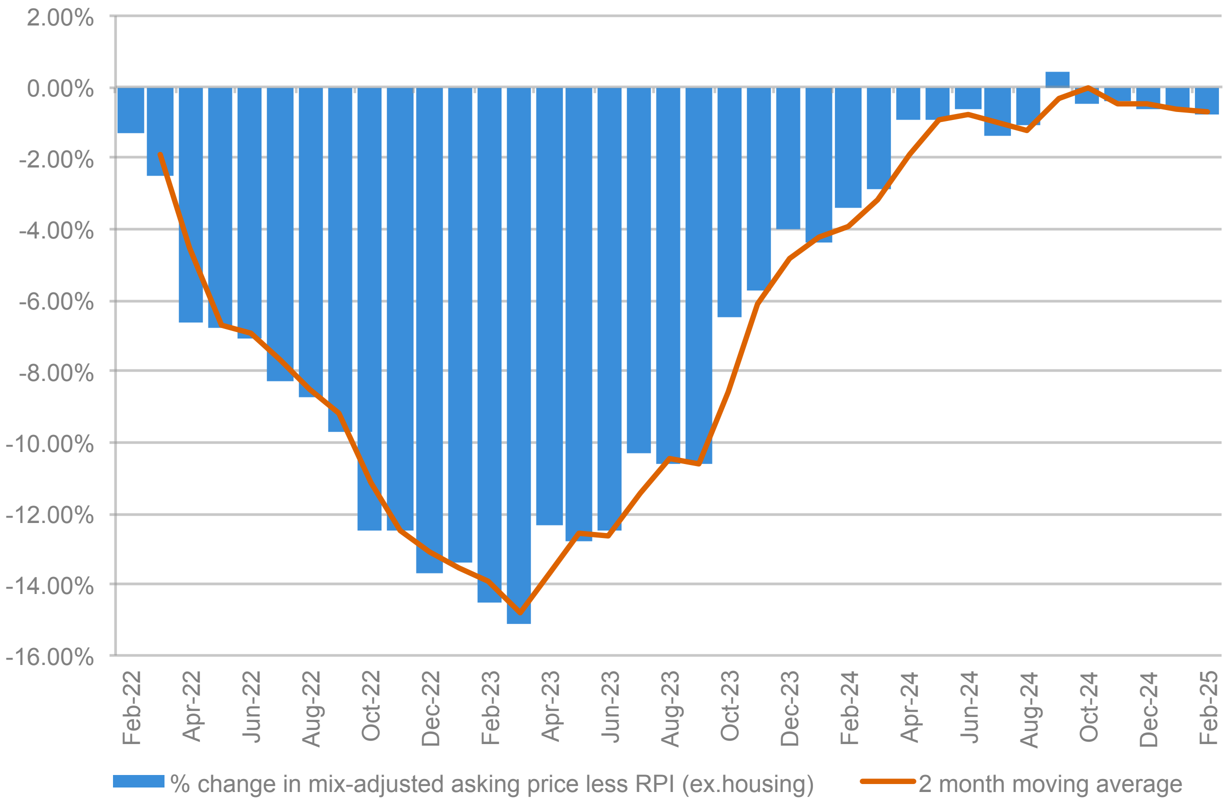
Properties continue to move through the market at a significant pace for the time being. In fact, this month's measure of the market flux is slightly better than in February 2024 and compares very favourably against most of the last ten years of data. However, the risk of a market slowdown later in the year appears significant.

Sales Market Turnover Indicator



Source: Home.co.uk Asking Price Index, February 2025

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, February 2025 and ONS [RPI ex. housing].
Inflation for January and February are our estimates (2.5% for each month).

Property turnover normally picks up from this seasonal low point. How quickly and how far it rallies will give a good indication of the overall health of the UK property market in 2025.

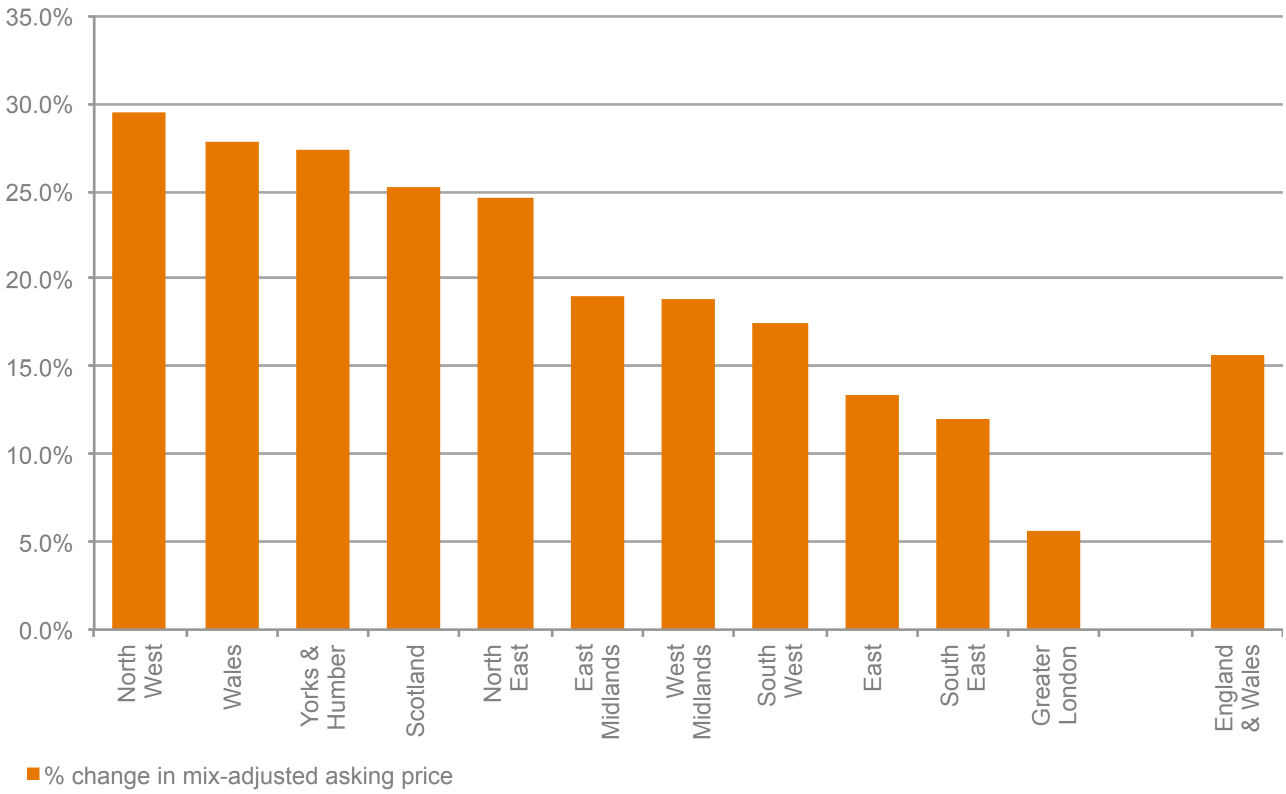
Real Price Growth

Another reason for investor dissatisfaction is that growth in the national average home price continues to struggle to keep up with inflation despite the fact that the Retail Price Index has fallen considerably since 2022. As we pointed out last month, only the northern regions, the West Midlands, Wales and Scotland are indicating sufficient capital appreciation to keep up with the erosion of purchasing power. The real growth in these regions is, in general, rather small when compared to their paper gains.

However, the nightmare for landlords is when they have to factor in a capital loss to their gross yields. In some parts of London and the South East, for example, yields can be as low as 3% and, if you factor in 2.5% inflation, maintenance costs, a letting agent and some borrowing costs (depending on the equity level), then it's highly likely the investor is making a loss. In this scenario, if the rent cannot be raised significantly, the only realistic option is to sell. Hence, the surge in supply in areas where letting no longer adds up is unlikely to cease anytime soon.

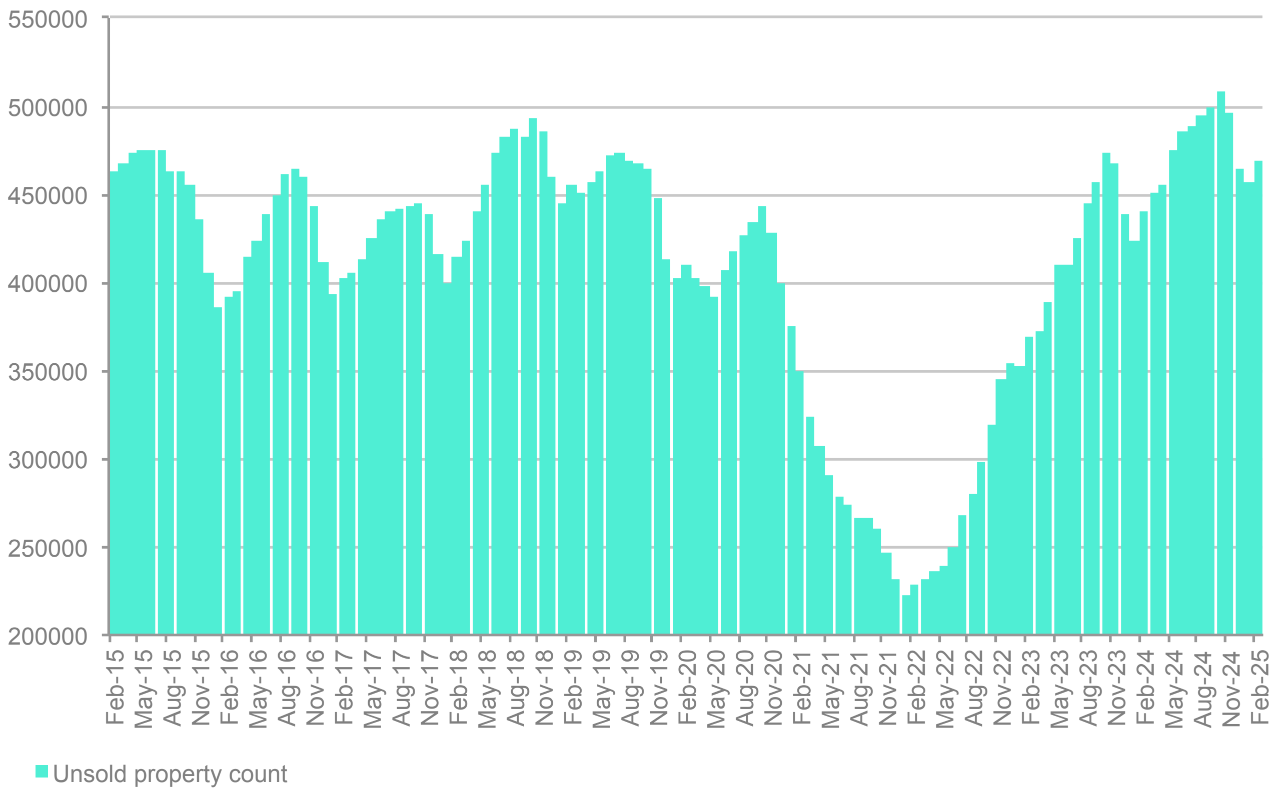
Overall, the UK property market has still not returned to positive real growth since the devastating period of monetary inflation (2022-2023) that obliterated the paper gains made during the COVID boom. The deeply unfair reality for investors is that they will still be taxed on those paper gains through Capital Gains Tax. As we have argued before, CGT should only apply to real gains and the government should not be able to profit through the inflation it creates.

5-Year Regional Price Growth, Feb. 2025 vs. Feb. 2020



Source: Home.co.uk Asking Price Index, February 2025

Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, February 2025

Regional Roundup

Yorkshire is now the new regional price growth leader, having pipped the North East into second position. Seemingly, as a general rule of thumb for several years now, the further away a region is from London, the better it performs, both in terms of price growth and in rental yields. Our 5-year growth chart shows this perfectly clearly. When we take into account that the cost of goods and services increased by 34.2% over this period as indicated by the RPI, it becomes clear that owning a property outright in London during this time means a capital loss in real terms of around 30%. Such a fall would normally be called a property crash, but this one happened too stealthily for most people to notice. At least those landlords who are heading for the exit won't be liable for much in the way of CGT.

Oversupply in London and the South East will only serve to worsen the already huge regional disparity.

Stock Levels

This year's seasonal uptrend in the total stock of unsold property on the market begins from a significantly higher starting point than last year. The total is currently around 29,000 higher than in February 2024 and, given the 10% higher instruction rate, last year's peak stock level is likely to be surpassed this autumn. Moreover, we haven't witnessed a February total this high since 2013. Tangible price growth overall therefore seems highly unlikely, yet some regions furthest from London may perform well. Our expectations continue to be that excessive amounts of property for sale will build up on the market during the first half of this year, which will then lead to price falls in the latter half.

“Starmer's government seems hell-bent on destroying the Private Rented Sector (PRS) as we know it and it will be tenants who pay dearly in the end as no viable alternative exists (or perhaps one does exist?).

In a recent survey conducted by Octane Capital and reported on by Graham Norwood for Landlord Today, a shocking ‘One in five landlords plan to reduce portfolio size in 2025, with the government’s high-profile Renters’ Rights Bill the key reason for doing so.’

Oddly enough, the Renters’ Rights Bill is just the tweaked reincarnation of the Tories’ Renters (Reform) Bill, which also threatened the very existence of the PRS. So it doesn’t seem to matter which party gets elected as they still want to carry on with pretty much the same destructive policies. ‘Lockdown harder’ Starmer said himself that the World Economic Forum (WEF), that elite club that meets in Davos in Switzerland, was more important than the UK Parliament, and Sunak is also a member. Let’s remember that the WEF’s deeply disturbing slogan is ‘You’ll own nothing and be happy’. They’ve also got some bizarre ideas about how we ‘useless eaters’ are going to live in the future, but we’ll come to that later.

If the 21% of landlords mentioned in the Octane survey sell only one property (best case scenario), how many properties will be unleashed on the market? According to the English Housing Survey (2022-2023), 4.6 million households are in the private rented sector (19% of all households) and, according to the English Private Landlord Survey, there are an estimated 2.82 million private landlords in England. Using these figures, we can estimate that 564,000 properties will exit the PRS if those 21% of landlords shed just one property each. That’s substantially more than all the current unsold stock on the market! Moreover, it would shrink the PRS by 12% in just one year.

The upshot of such a massive exodus from the PRS would be catastrophic for both the sales and rental markets. Such a tsunami of additional sales stock in just one year would completely crash the sales market and the squeeze on rental supply would drive rents through the roof. That would mean misery for homeowners in the form of negative equity and misery for tenants locked into a rent hike spiral.

For those 21% of landlords who do plan to reduce their portfolio size this year, the proposed changes via the incoming Renters’ Rights Bill ranked as the number one reason for doing so. The appointment of the Labour government ranked second, with the third biggest factor being that they were approaching retirement.

When asked which aspects of the Renters’ Rights Bill they feel will pose the biggest challenges for landlords, the abolition of Section 21 (no fault evictions) ranked top of the table. Prohibiting landlords from not renting to those on benefits or with children was the second biggest challenge, along with the abolition of shorthold tenancies. Octane chief executive, Jonathan Samuels, commented that, although some believe talk of an exodus in the past has been exaggerated, the situation is changing in 2025.

Large corporations such as official WEF Partner Lloyds Banking Group have enormous ambition in the UK PRS. Back in August 2021, the BBC reported that 'Lloyds is planning to become one of the UK's biggest landlords as it aims to buy 50,000 homes in the next decade. The banking giant is to charge tenants rent as a private landlord under its recently launched Citra Living brand.' Moreover, the Financial Times also reported that the bank was aiming to buy 10,000 homes by the end of 2025. Clearly, given a private landlord exodus, giant players such as Lloyds and Grainger plc could pick up properties for pennies on the pound.

Such powerful entities have no fear of the Renters' Rights Bill. They have the legal resources to cope and accountants who know how to minimise taxation. In fact, the upending of the PRS would only inflate the values of their already massive portfolios. What could be more pleasing to them than to see their competitors committing hara-kiri?

The WEF website quotes Christian Ulbrich, Chief Executive Officer and President of JLL, a leading global real estate services and investment management company. Headquartered in Chicago, Jones Lang LaSalle Incorporated (JLL) employs more than 100,000 people across five business lines and has a worldwide client base. He says: 'As we plan for a sustainable global post-pandemic recovery, this framework shows how we can come together to shape the future of real estate for a better world.'

Well, with their man Starmer at the helm (as well as Sadiq Khan and other English mayors), they look to be well on their way to reshaping the real estate world. Corporatization of the PRS appears to be their dream and they have created the opportunity to enact their ambitions by squeezing out the small players. According to the English Private Landlord Survey 2024, only 7% of properties in the PRS were controlled by incorporated entities while 93% were in private hands. The WEF's elite real estate corporations envisage inverting this distribution. According to the National Residential Landlords Association (NRLA), the UK PRS generates an impressive £45 billion per annum in Gross Value Added (GVA). It should come as no surprise that big business wants a larger slice of the pie.

The classic modus operandi, sometimes referred to as the Hegelian Dialectic, for market (or political) disruption is Problem, Reaction, Solution. The Problem in this case: Create a potentially catastrophic property market crisis. The Reaction: Public outcry and panic. The Solution: Wheel in the pre-prepared plan for massive corporate investment in the sector; welcome these giant predators as our saviours; and, of course, give them all the perks and incentives that they want.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Feb-25
Average Asking Price	£355,838
Monthly % change	-0.1%
Annual % change	1.70%

Scotland	Feb-25
Average Asking Price	£233,051
Monthly % change	0.6%
Annual % change	3.50%

North East	Feb-25
Average Asking Price	£200,228
Monthly % change	0.0%
Annual % change	4.80%

Yorks & The Humber	Feb-25
Average Asking Price	£257,407
Monthly % change	0.8%
Annual % change	5.20%

North West	Feb-25
Average Asking Price	£271,145
Monthly % change	0.2%
Annual % change	2.40%

West Midlands	Feb-25
Average Asking Price	£303,870
Monthly % change	0.3%
Annual % change	2.50%

East Midlands	Feb-25
Average Asking Price	£283,720
Monthly % change	0.4%
Annual % change	2.10%

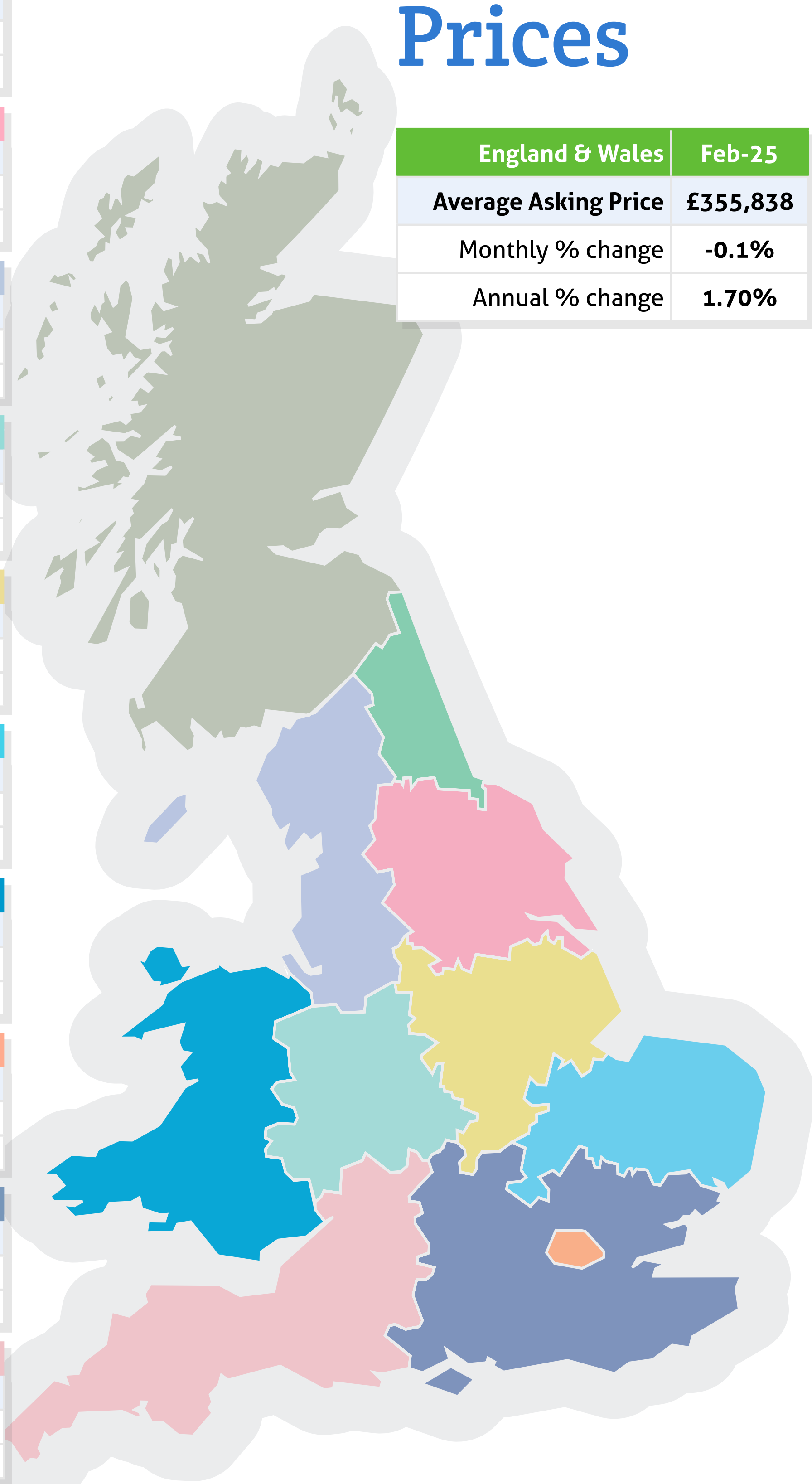
East	Feb-25
Average Asking Price	£391,395
Monthly % change	0.4%
Annual % change	0.40%

Wales	Feb-25
Average Asking Price	£270,732
Monthly % change	0.0%
Annual % change	2.10%

Greater London	Feb-25
Average Asking Price	£545,911
Monthly % change	-0.3%
Annual % change	1.50%

South East	Feb-25
Average Asking Price	£438,717
Monthly % change	-0.8%
Annual % change	0.10%

South West	Feb-25
Average Asking Price	£376,211
Monthly % change	-0.5%
Annual % change	1.30%



Source: Home.co.uk Asking Price Index, February 2025

UK Time on Market

England & Wales	Feb-25
Average Time on Market	186
Typical Time on Market	112
Annualised % supply change	10%

Scotland	Feb-25
Average Time on Market	219
Typical Time on Market	114
Annualised % supply change	3%

North East	Feb-25
Average Time on Market	175
Typical Time on Market	102
Annualised % supply change	9%

Yorks & The Humber	Feb-25
Average Time on Market	170
Typical Time on Market	111
Annualised % supply change	4%

North West	Feb-25
Average Time on Market	175
Typical Time on Market	106
Annualised % supply change	11%

West Midlands	Feb-25
Average Time on Market	176
Typical Time on Market	109
Annualised % supply change	7%

East Midlands	Feb-25
Average Time on Market	167
Typical Time on Market	108
Annualised % supply change	8%

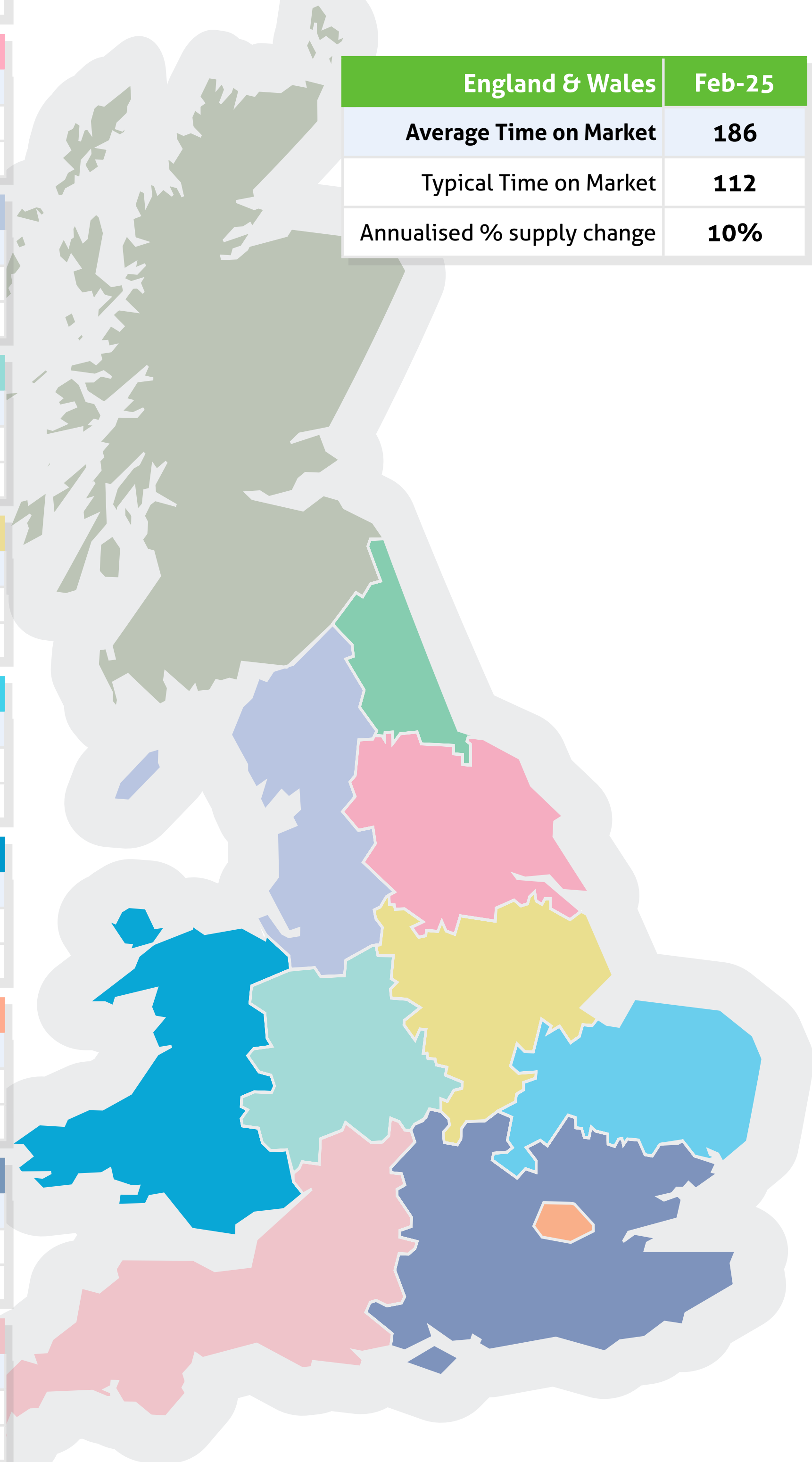
East	Feb-25
Average Time on Market	170
Typical Time on Market	104
Annualised % supply change	6%

Wales	Feb-25
Average Time on Market	208
Typical Time on Market	132
Annualised % supply change	4%

Greater London	Feb-25
Average Time on Market	205
Typical Time on Market	104
Annualised % supply change	21%

South East	Feb-25
Average Time on Market	175
Typical Time on Market	105
Annualised % supply change	13%

South West	Feb-25
Average Time on Market	181
Typical Time on Market	116
Annualised % supply change	10%



Source: Home.co.uk Asking Price Index, February 2025. Average = Mean (days), Typical = Median (days).

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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

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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
- To learn more about Home.co.uk data services please visit:
  https://www.home.co.uk/company/data/

Future release dates:

- **Wednesday 12th March**
- **Wednesday 16th April**
- **Wednesday 14th May**