EMBARGOED UNTIL 15/01/25

Asking Price Index

Released 15/01/25 January 2025

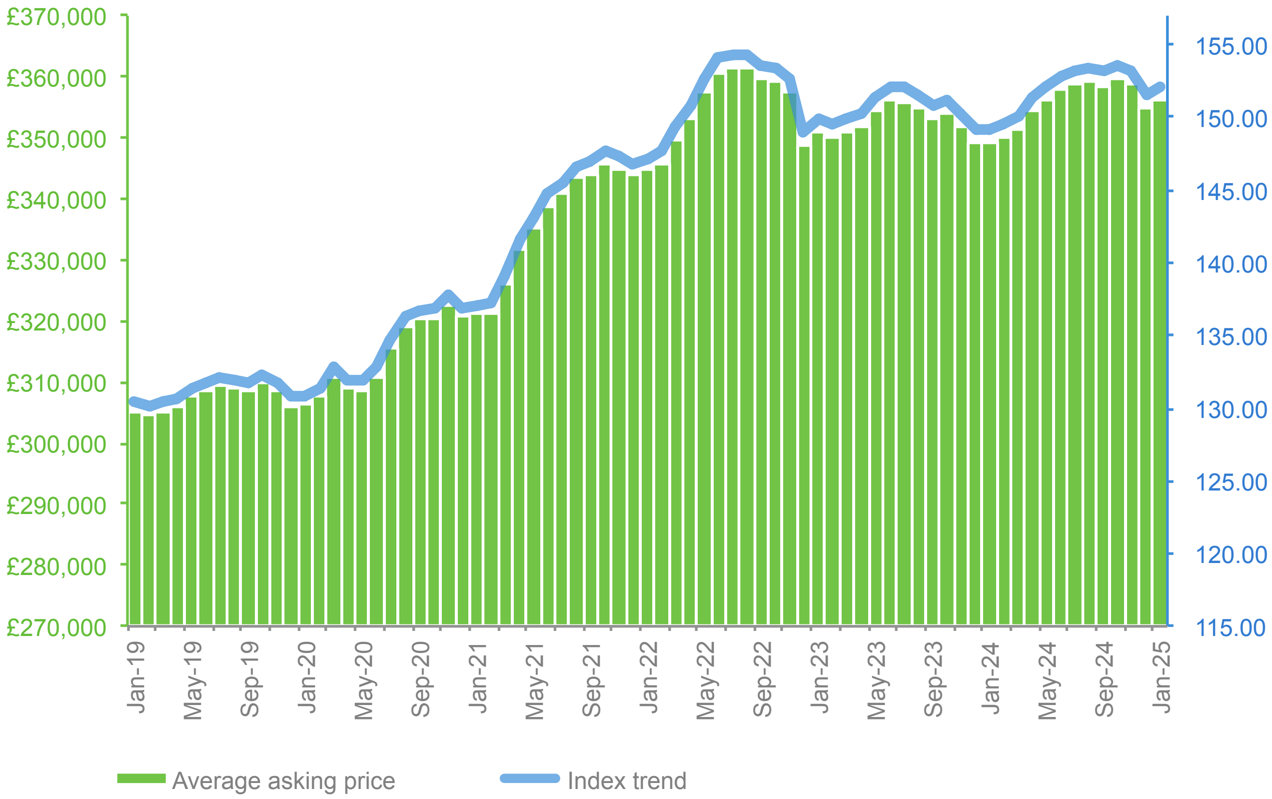
Prices Bounce into 2025: London Leads the Charge

Headlines

- Asking prices begin their seasonal ascent, rising 0.3% since last month across England and Wales. Annualised home price growth is now 1.9% overall.
- Seasonal price rises were observed in all English regions, while Scotland and Wales registered no change since last month. The largest rise was in London (0.7%).
- The UK property market continues to indicate significant momentum. Property turnover remains higher than during most of the last ten years and the Typical Time on Market is significantly lower than in pre-lockdown January 2020.
- The unsold sales stock count for England and Wales fell again during the last month, by around 9,000 properties. However, the current total of 456,216 is the largest such January figure since 2015.
- The total number of new instructions entering the market during December 2024 was 8% more than during December 2023. London saw the highest regional rise of 25%, a massive increase in supply.
- The North East retains its top position in regional property market growth, albeit with the year-on-year gain decreasing to 5.1%. In second place is Yorkshire at 4.6%.
- The East of England remains the worst performing region, indicating a tiny rise (0.4%) over the last twelve months.
- Overall, when taking inflation into account, the sales market has still yet to achieve real growth.
- The annualised national growth for asking rents is just 1.5% overall. This mix-adjusted average is affected disproportionately by London's rent falls (-1.2%). However, the East Midlands and Yorkshire indicate double-digit growth year-on-year.
- The City of London followed by Hackney indicate the largest declines in asking rents of all London boroughs, with annualised rental falls of 19.1% and 8.7% respectively. Meanwhile, rents in Kensington and Richmond are 10.9% and 6.8% higher than a year ago.

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, January 2025, Indexed to May 2004 (Value=100).

Summary

The UK property market begins the new year on a note of cautious optimism. Prices are rising in line with seasonal expectations and buyer activity is picking up. Increased supply attests to the fact that greater numbers of vendors are willing to commit, especially in London. Whether or not demand will be able to match this level of supply is uncertain, especially after the increase in stamp duty from 1st April 2025.

With unsold stock levels at a nine-year high and supply still rising, there is a notable amount of downward pressure on prices. However, regional differences are considerable and we expect home prices in the North, Scotland and Wales to continue to outperform London and the South. Market expectations are for a rate cut by the Bank of England in February and, should this materialise, buyer confidence may get the fillip it needs, at least in the short term.

For the time being, the vital signs of the UK property sales market indicate a positive state of health overall. The volume of property moving through the market is higher than during most of the five years prior to the pandemic. Room for significant price growth appears limited due to both affordability constraints (the cost of borrowing and stamp duty) and increased supply. The mix-adjusted average asking price for London and the southern regions still remains lower, by a large margin, than the peak pricing observed in the summer months of 2022. Therefore, prices may not return to these levels in the lower performing regions in 2025.

Owing to fears of increased taxation, lack of profit and further restrictive legislation, landlords continue to offload their least profitable properties, thereby adding to sales supply and, in most cases, further reducing rental property availability. On a regional basis, yields continue to be much better in the North than London and the South so this element of supply is likely to rise in the regions where price performance is weakest, thereby increasing the risk of price falls.

The North East remains the regional growth leader with the mix-adjusted average asking price now 5.1% higher than a year ago. Yorkshire is in second place at 4.6%. At the other end of the spectrum, the East of England shows a mere 0.4% growth over the last twelve months. The South East is only slightly better at 1.2%.

UK asking rent growth remains sub-inflation at 1.5% overall. However, the national average is dragged down by Greater London at -1.9% while the best performers, East Midlands and Yorkshire, indicate 12.7% and 11.5% growth year-on-year respectively.

The annualised mix-adjusted average asking price growth (sales) across England and Wales is now 1.9%; in January 2024, the annualised growth of home prices was -0.5%.

Price Trend

The mix-adjusted average home price for England and Wales nudged up during the last month by 0.3%. The rise is in line with seasonal expectations and marks the beginning of the annual growth cycle. This slight increase demonstrates significantly more optimism than the market showed in the wake of the Truss-Kwarteng mini-budget debacle. However, positive market sentiment could be short-lived. Mortgage rates could be badly affected due to the rise in the cost of government borrowing and the risk of oversupply due to landlords (eyeing the Renters' Rights Bill) who have simply had enough. Should the surge in listings already observed in London spill out to the adjacent regions, there could be the makings of a stand-off between buyers and sellers, which would force pricing downwards.

On the upside, the forthcoming hike in stamp duty for first-time buyers (from 1st April 2025) is likely to cause a burst of buyer activity over the next quarter. However, beyond that point in time, the market direction looks highly uncertain, with the Bank of England dithering as usual and a wider economic crisis looming in the UK.

Market Turnover

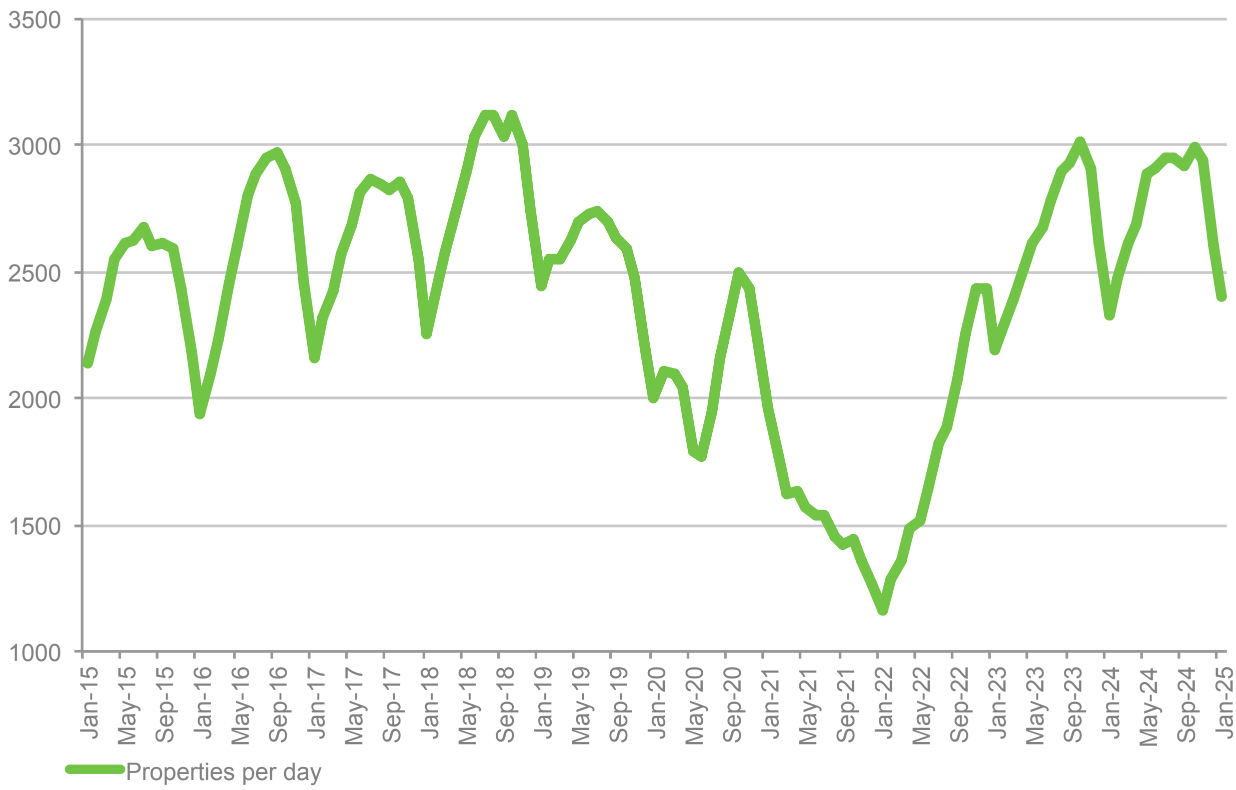
Properties continue to move through the market in significant volume. In fact, this month's measure of the market flux is slightly better than in January 2024 and compares very favourably against most of the last ten years of data.

Property turnover will now pick up from this seasonal low point. How quickly it rallies will give a direct indication of the overall health of the UK property market in 2025.

Real Price Growth

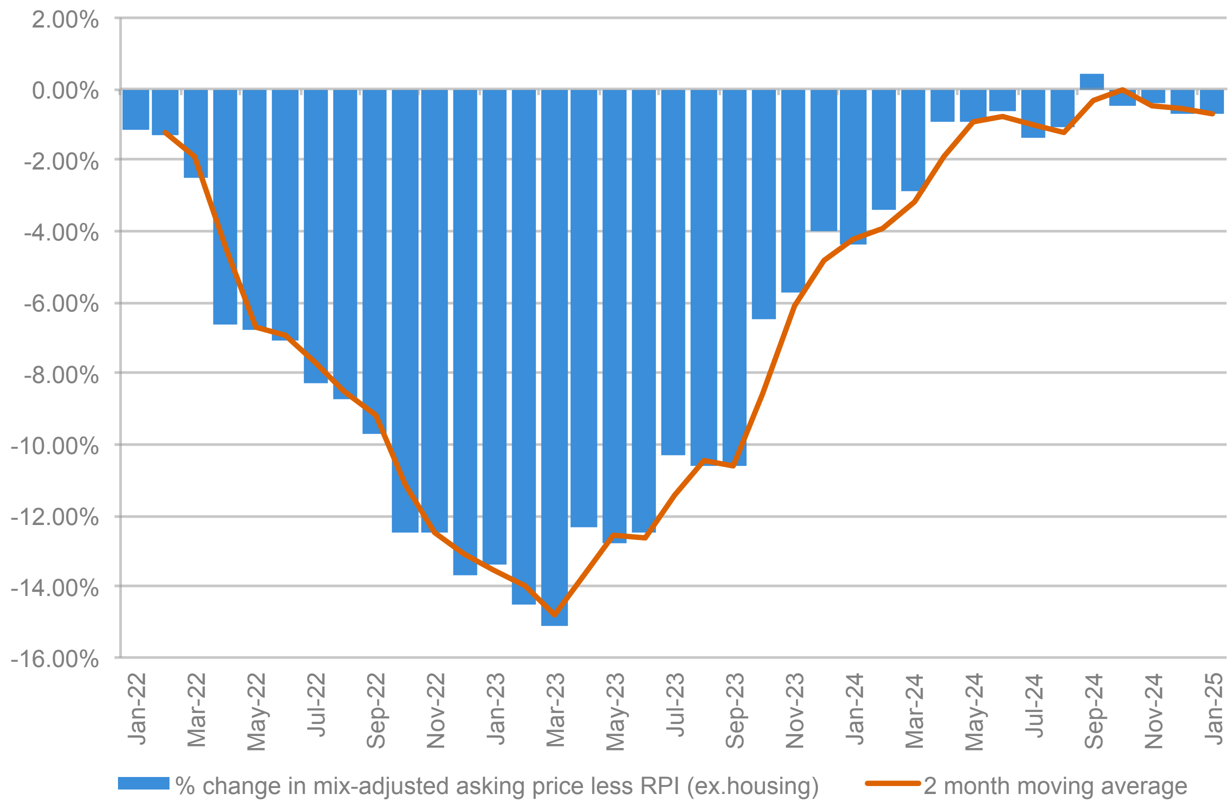
Growth in the national average home price continues to struggle to keep up with inflation, even at its relatively low current level. At present, only the northern regions, the West Midlands, Wales and Scotland are indicating sufficient capital appreci-

Sales Market Turnover Indicator



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

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, January 2025 and ONS [RPI ex. housing].
Inflation for December and January are our estimates (2.4% and 2.6% respectively).

ation to keep up with the erosion of purchasing power. The real growth in these regions is generally very minor compared to their paper gains and, in some cases, is almost nothing.

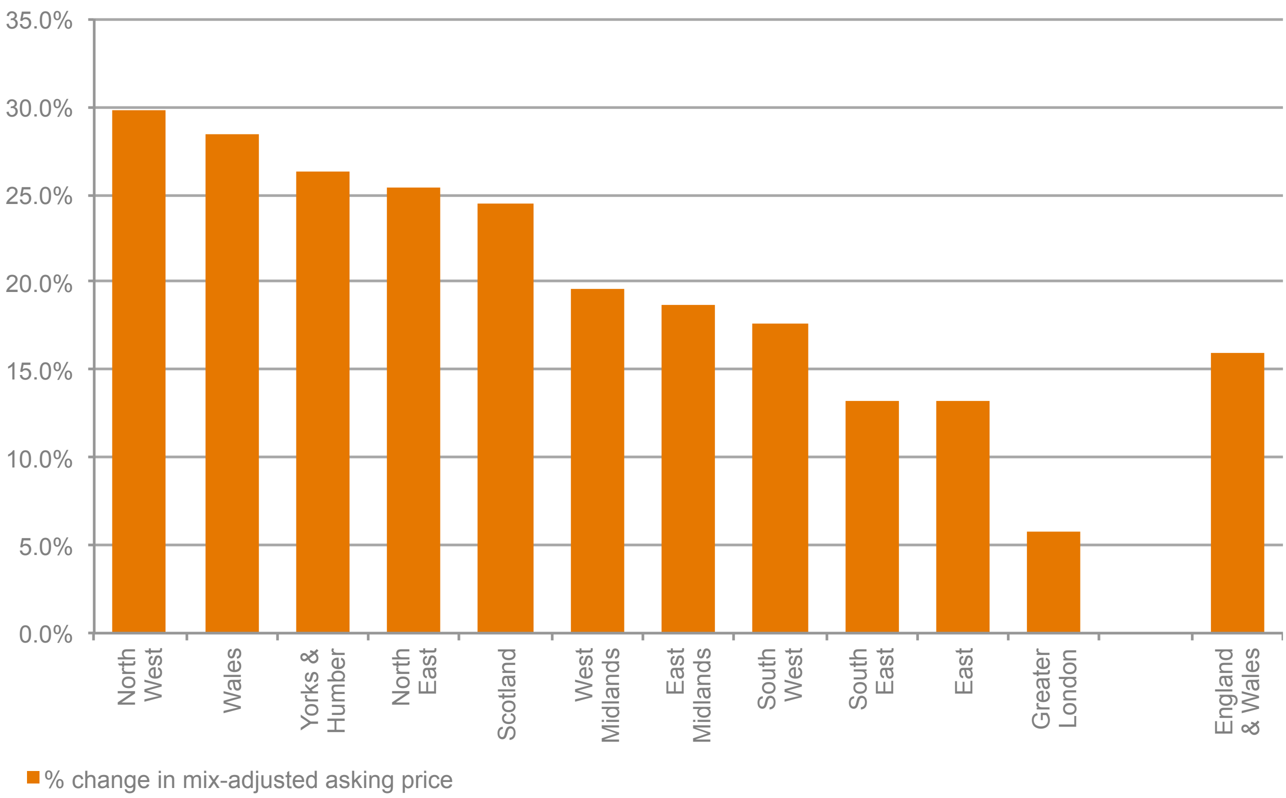
However, their fortunes are much better than Greater London, adjacent regions and the South West where sub-inflation growth means losses in value in real terms. Moreover, given uncertainties regarding anti-landlord legislation and borrowing costs, real prices may well continue to go sideways or even decline further this year.

The UK property market has still not fully recovered from the devastating period of monetary inflation that wiped out the paper gains made during the COVID boom. Inflation remains stubbornly high, leaving little leeway for the Bank of England to cut rates. Ironically, it is the very same institution that caused the problem, in coordination with central banks around the world, that is now unable to fix it without damaging an already crippled economy.

Regional Roundup

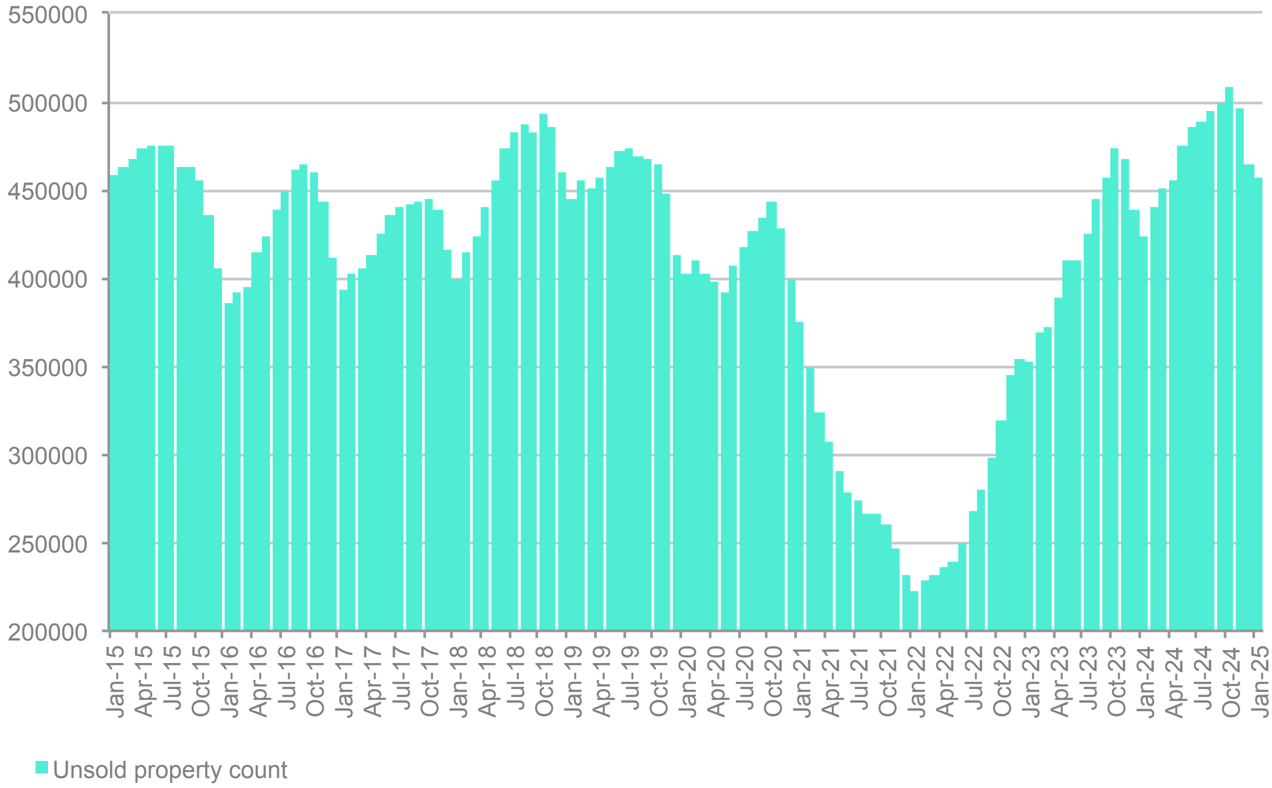
Looking at the price growth performance at the regional level over the last five years, one could easily be under the impression that no one wants to live in London anymore. During the last month, 25% more new instructions were registered in the capital compared to December 2024; compared to December 2020, it's an increase of 40%. Given the appalling experience many Londoners had during the lockdowns, it's hardly surprising. Moreover, the sheer expense, whether you buy or rent, is out of reach for most aside from the international elite. Now, it's the turn of landlords to quit the capital. Already

5-Year Regional Price Growth, Dec. 2024 vs. Dec. 2019



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

Total Stock of Property for Sale, England and Wales



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

demoralised by low yields, licensing schemes, higher mortgage costs and increased tax, the impending Renters' Rights Bill is the last straw for many. The South East and East of England are not faring much better and are likely to see plenty of landlords quit this year.

Meanwhile, the "race for space" and better buy-to-let yields are the key drivers for the stronger performances of the northern English regions, Scotland and Wales.

Stock Levels

Over the last three months, the market has cleared out a significant portion of the unsold sales stock. This expected seasonal decline clears the decks for the spring uptick in new listings. However, as our chart shows, stock levels are already at a ten-year high for the month of January. Should the new vendor surge in London be the beginning of a sustained trend, stock levels could go through the roof. The only way this situation could be thwarted is through a corresponding surge in demand, although this scenario is looking increasingly unlikely. More likely is lower demand once stamp duty is raised for first-time buyers on the 1st April. Our expectations, therefore, are that excessive amounts of sale property will build up on the market during the first half of this year, which will then lead to price falls in the latter half.

“‘It’s the economy, stupid!’, the phrase coined by Jim Carville in 1992, is often quoted because it cuts to the chase. Today is no exception, with the UK economy looking increasingly fragile and burdened with a crippling ‘perma-debt’ load. Decades of government malinvestment, from green pipe dreams to failed banks and foreign wars, has ballooned the UK public debt to nearly three trillion pounds. As a consequence, we’re witnessing a sterling crisis not seen since Callaghan’s 1976 government had to beg for a bailout loan from the IMF.

Unfortunately, the UK property market is not isolated from shocks in the wider economy. Unlike many other countries, mortgage deals are relatively short term and must be renewed several times before the outstanding debt is paid off. Many were hoping for several progressive cuts in the Bank of England base rate, but the money markets’ response to the Labour budget is making such a move increasingly unlikely.

UK long-term borrowing costs have now reached a 27-year high, which industry experts have blamed on the government’s tax and spending plans alongside sluggish economic growth. The yield on 10-year gilts has reached 4.9%, the highest since 2008, while 30-year gilts yields have hit their highest level since 1998.

As quoted in the Financial Reporter last week, Oliver Faizallah, head of Fixed Income Research at Charles Stanley, stated: ‘Market views on Bank of England cuts are more bearish than the Bank themselves, and the market is now looking at only 40bps worth of rate cuts for the year vs. 60bps at the end of December. Higher gilt yields have increased borrowing costs, which has eroded most, if not all the UK government’s fiscal headroom. With poor growth numbers the Labour government may be forced to reduce spending, increase taxes, or increase borrowing.

‘We are potentially looking at a stagflationary environment (higher inflation and poor growth) or a recessionary environment (growth falling to such an extent that inflation drops as well) in the UK.’ Either way, it’s not looking pretty, but stagflation seems more likely to me. Tenants will have greater difficulty paying the rent (which will lead to a rise in arrears), mortgagees will have trouble keeping up their monthly payments and home prices may fall.

No need to panic just yet, though! Rozi Jones, editor for the

Financial Reporter, cites Sarah Coles, head of personal finance at Hargreaves Lansdown: 'The rise in gilt yields always raises the spectre of rising fixed mortgage rates, because they're very responsive to changes in interest rate expectations. Rates have already crept up very slightly, but there's no need for prospective borrowers to panic at this stage.

'It's worth noting that although the bond markets have thrown a wobbly, it hasn't particularly altered expectations of what the Bank of England is likely to do to rates. The market is still pricing in just over a 60% chance of a rate cut in February – it has moved from 66% to 64%, but that's nothing to frighten the horses.

'Very slightly higher rates have been brought in by some mortgage lenders, who had to secure a fixed rate in the swap markets while they're more expensive, but as yet there's nothing more widespread. This is likely to filter into more deals, but it's not yet clear how long this disruption in the bond markets will last.

'The bond market in the UK reacted dramatically to news out of the US – more so than other markets around the world. In the coming days, this could subside if the bond markets decide they've got a bit ahead of themselves. There are no guarantees, but the strength of the immediate reaction means there's room for the markets to gain a bit of perspective. If that happens, we'll see yields drop again, and mortgage rates could ease.

'Of course, there are no guarantees. If more worrying news comes out of the US, or fears of stagflation spread, bond yields could remain higher, and if this happens, there's more of a chance it will be reflected in more widespread higher mortgage rates.'

I suspect that higher bond yields are here to stay, as investors need a risk premium given the state of the UK's finances, and therefore, so too is costlier borrowing for home buyers.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Jan-25
Average Asking Price	£356,167
Monthly % change	0.3%
Annual % change	1.9%

Scotland	Jan-25
Average Asking Price	£231,708
Monthly % change	0.0%
Annual % change	4.1%

North East	Jan-25
Average Asking Price	£200,210
Monthly % change	0.3%
Annual % change	5.1%

Yorks & The Humber	Jan-25
Average Asking Price	£255,375
Monthly % change	0.3%
Annual % change	4.6%

North West	Jan-25
Average Asking Price	£270,480
Monthly % change	0.4%
Annual % change	2.7%

West Midlands	Jan-25
Average Asking Price	£302,886
Monthly % change	0.2%
Annual % change	2.6%

East Midlands	Jan-25
Average Asking Price	£282,686
Monthly % change	0.1%
Annual % change	1.6%

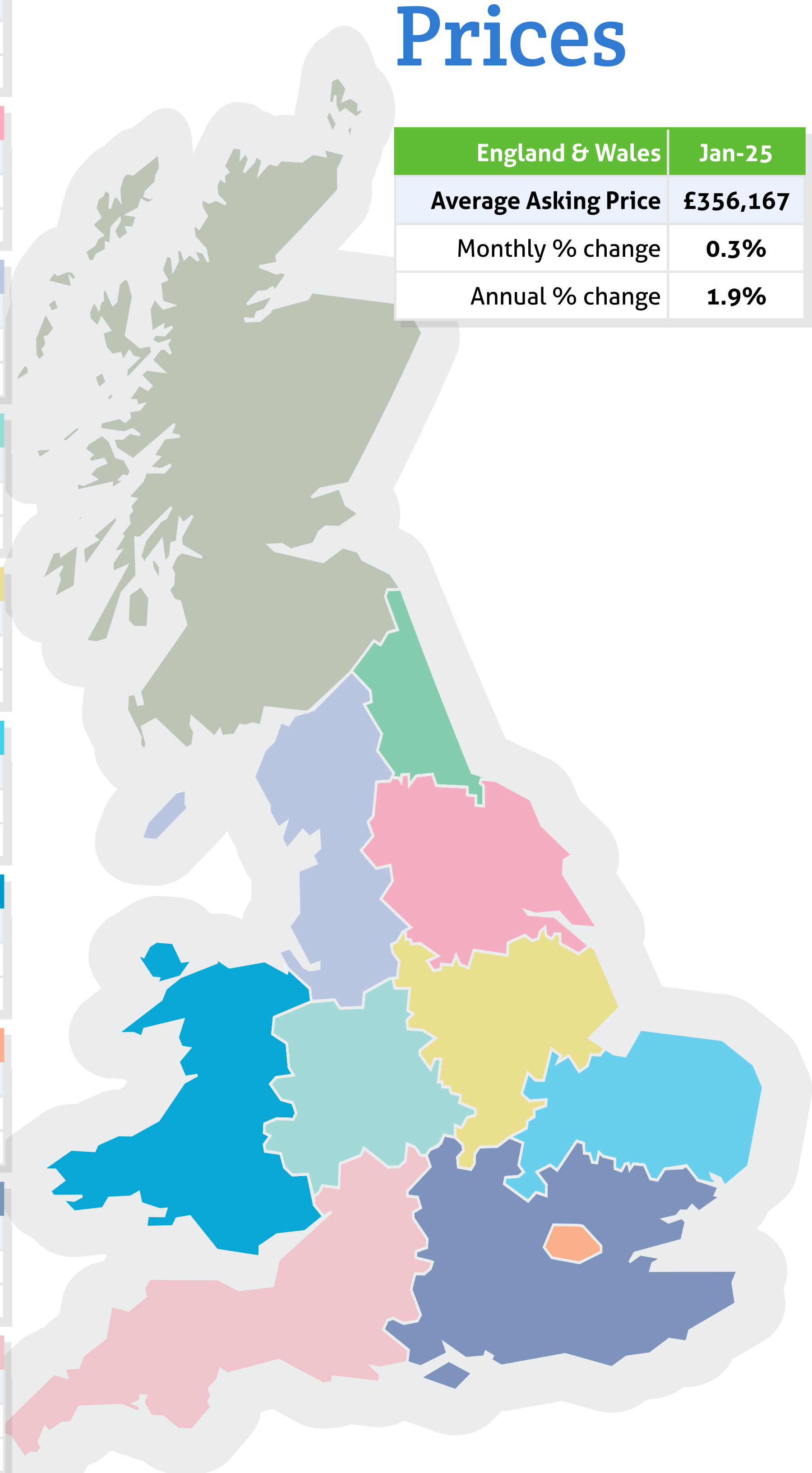
East	Jan-25
Average Asking Price	£390,034
Monthly % change	0.1%
Annual % change	0.4%

Wales	Jan-25
Average Asking Price	£270,844
Monthly % change	0.0%
Annual % change	2.6%

Greater London	Jan-25
Average Asking Price	£547,289
Monthly % change	0.7%
Annual % change	1.6%

South East	Jan-25
Average Asking Price	£442,339
Monthly % change	0.2%
Annual % change	1.2%

South West	Jan-25
Average Asking Price	£378,278
Monthly % change	0.3%
Annual % change	1.7%



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

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

UK Time on Market

England & Wales	Jan-25
Average Time on Market	**190**
Typical Time on Market	112
Annualised % supply change	8%

Scotland	Jan-25
Average Time on Market	**220**
Typical Time on Market	110
Annualised % supply change	-3%

North East	Jan-25
Average Time on Market	**179**
Typical Time on Market	104
Annualised % supply change	-5%

Yorks & The Humber	Jan-25
Average Time on Market	**170**
Typical Time on Market	111
Annualised % supply change	10%

North West	Jan-25
Average Time on Market	**179**
Typical Time on Market	107
Annualised % supply change	13%

West Midlands	Jan-25
Average Time on Market	**181**
Typical Time on Market	110
Annualised % supply change	8%

East Midlands	Jan-25
Average Time on Market	**170**
Typical Time on Market	108
Annualised % supply change	8%

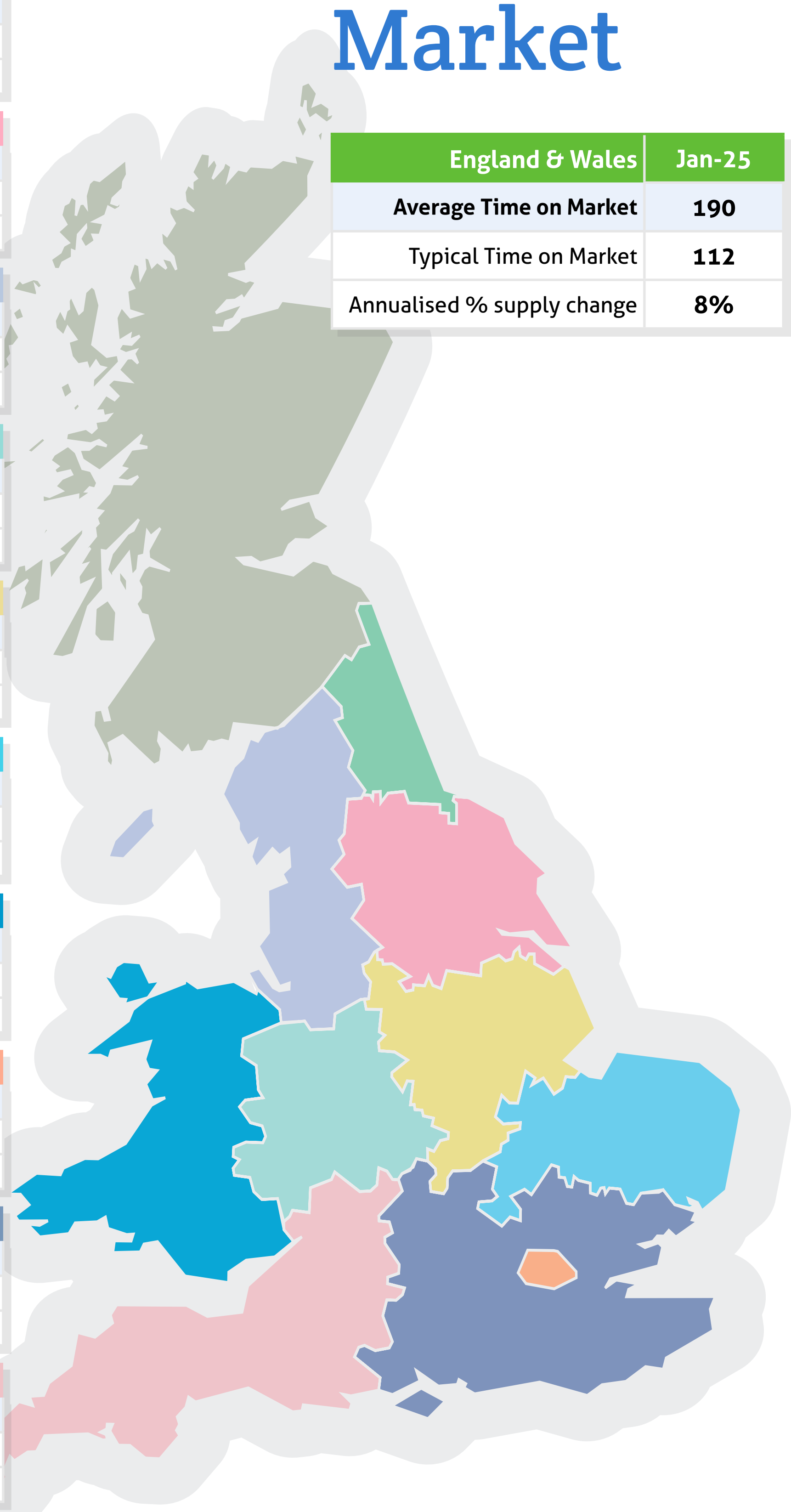
East	Jan-25
Average Time on Market	**175**
Typical Time on Market	106
Annualised % supply change	6%

Wales	Jan-25
Average Time on Market	**206**
Typical Time on Market	127
Annualised % supply change	6%

Greater London	Jan-25
Average Time on Market	**213**
Typical Time on Market	108
Annualised % supply change	25%

South East	Jan-25
Average Time on Market	**179**
Typical Time on Market	105
Annualised % supply change	6%

South West	Jan-25
Average Time on Market	**181**
Typical Time on Market	113
Annualised % supply change	9%



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

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

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

- For media enquiries please contact:
  press@home.co.uk
  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 February**
- **Wednesday 12th March**
- **Wednesday 16th April**