Asking Price Index

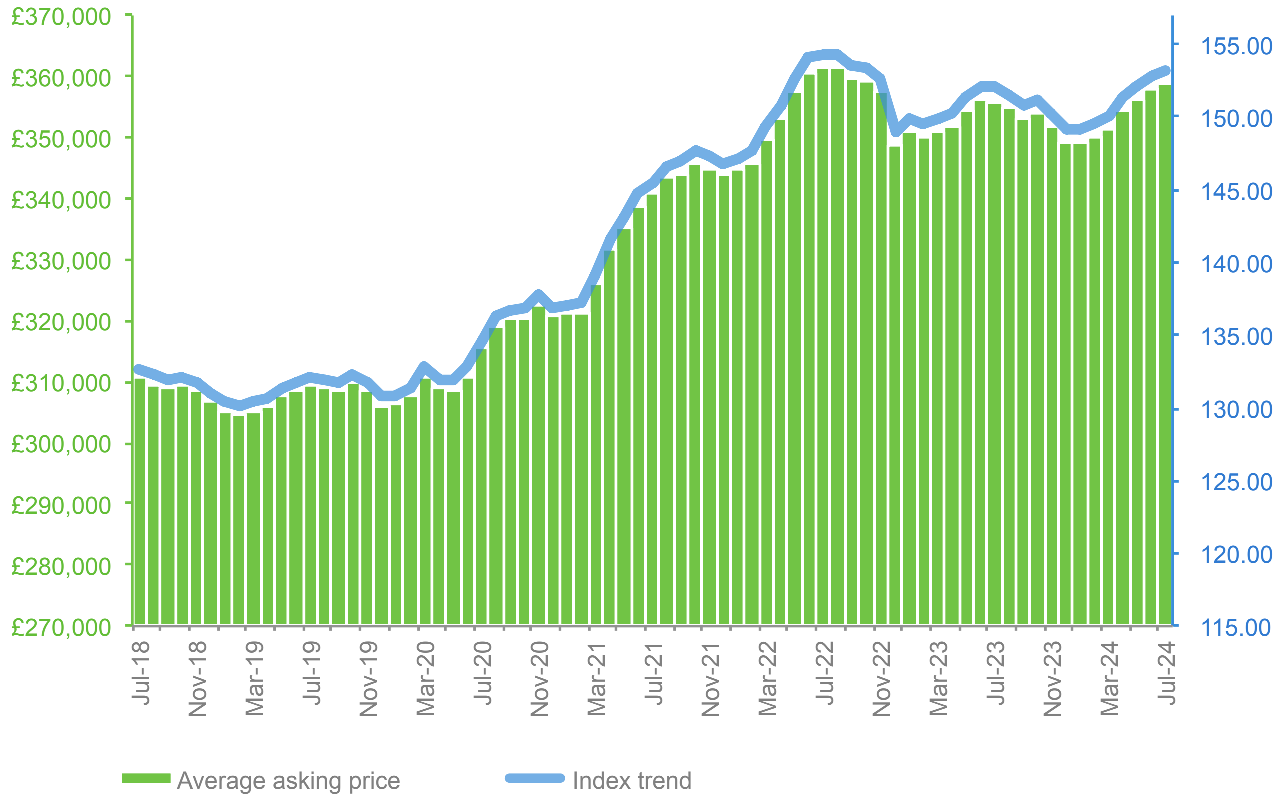
Released 12/07/24 July 2024

Market Activity Increases Despite Burdensome Bank Rate

Headlines

- Asking prices nudged up 0.2% during the last month across England and Wales (the sixth consecutive monthly rise) and are now up 0.7% compared to July 2023.
- The unsold sales stock count for England and Wales increased again during the last month to reach a 10-year high for July. Nearly 4,000 properties were added to agents' portfolios, making the current total 489,086.
- Prices increased again in all English regions (except the North West) and Wales during the last month. The mix-adjusted average was trimmed by 0.5% in Scotland and by 0.2% in the North West. Prices remained unchanged in the South West. Vendors in the North East were the most bullish, raising their prices by 0.9%.
- Despite the relatively large amount of stock for sale, market momentum remains relatively healthy as indicated by both the Typical Time on Market (median) for unsold property being seven days less than in July 2019 and our Market Turnover Indicator. However, the current median time on market for unsold property in England and Wales is six days more than in July last year.
- The total number of new instructions entering the market during June 2024 was 4% more than during June 2023.
- The North East is the new regional property market growth leader with a year-on-year gain of 4.8%, while the South West is now the worst performing region with a loss of -1.2% over the same period.
- The annualised national growth figure for asking rents has slowed further to just 2.5%. However, the North East and Wales continue to lead the regional growth table, indicating rises of 14.5% and 12.8% respectively year-on-year. Meanwhile, the decline in Greater London rents has slowed to -1.2%.
- The London boroughs of Redbridge and Havering are the current growth leaders with annualised rental growth of 13.0% and 10.1% respectively.

Home Asking Price Trend for England & Wales



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

Summary

Overall home price rises are being kept in check by high stock levels and stubbornly high mortgage costs. However, considerable regional variation is apparent. While Greater London, adjacent regions and the South West remain in recovery mode, the northern, Scottish and Welsh markets have more than made up for lost ground following the shock price drop in December 2022 and continue to thrive.

Key market indicators show that, despite lacklustre performances in the southern markets, the UK property market is in much better shape overall than in 2019. This is clearly remarkable and perhaps counterintuitive given the current higher levels of stock for sale and substantially higher borrowing costs. However, during the same 5-year period, UK rents have risen by 44.6% and this meteoric rise has provided enormous support for the sales market. Moreover, this support has a regional bias with respect to gross rental yields which are higher in the North.

Clearly, without this vast support from the rental market, the sales market would be in a much worse state. 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 casts dark shadows over the future of both the sales and rental markets.

The mix-adjusted average asking price for England and Wales increased

by a muted 0.2% during the last month and, while a little above the high of last summer, remains below the highs of 2022. Given that inflation has fallen below target, a cut in the Bank of England base rate is becoming long overdue. The Bank's reasoning for persisting with high rates in order to curb wage growth seems both cruel and cynical, given that remuneration is merely catching up with the cost of living rise that the same institution created.

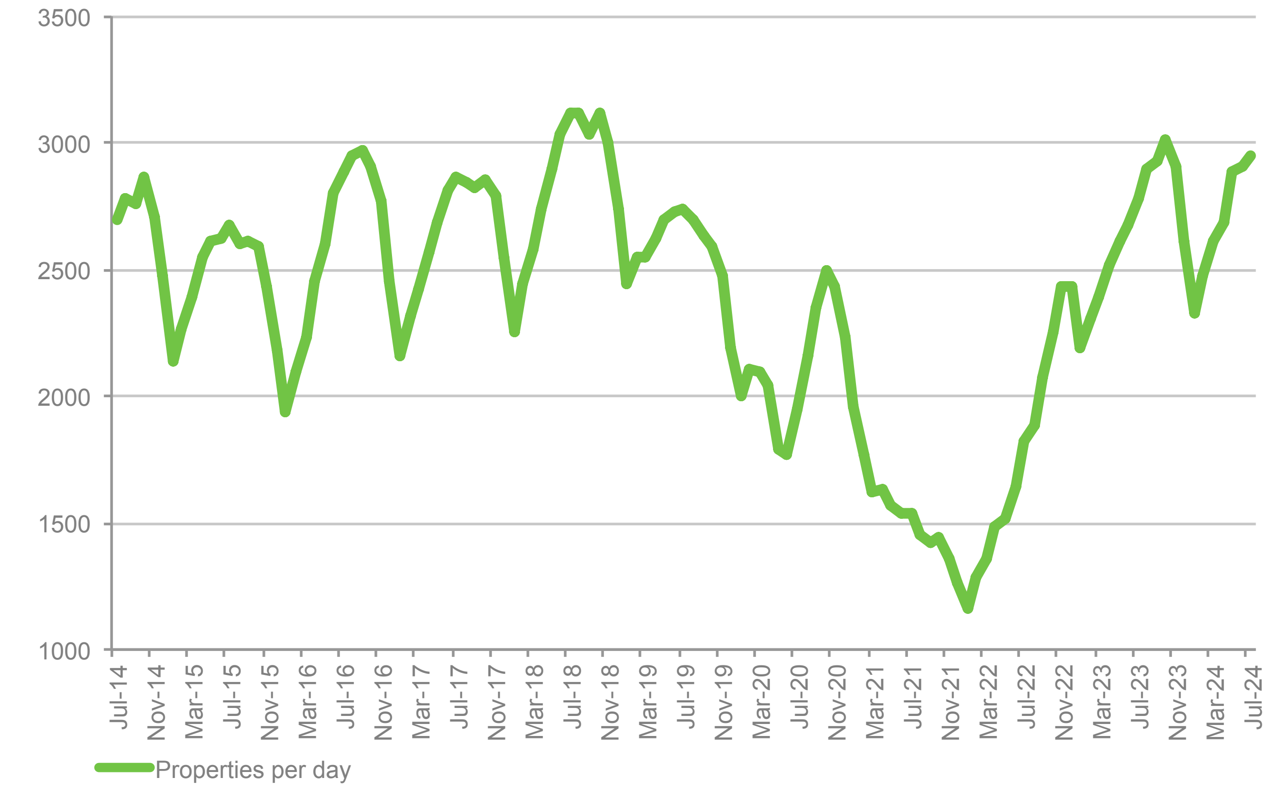
Meanwhile, the wider UK economy continues to suffer while European competitors already benefit from the first rate cuts. Investment in much-needed new-builds is also being thwarted by unnecessarily high interest rates. In particular, additional new energy-efficient rental stock is required to ease the shortfall of properties available to let. In July 2019, 122,000 properties were available for rent while today the total is 66,000.

Despite buyers' frustration with borrowing costs, vendors remain patient. In fact, price-cutting of properties while on the market declined between May and June, in terms of both the number of properties and the average discount. Indeed, Typical Time on Market remains very reasonable given the higher stock levels; it is slightly slower than last year when stock was limited but considerably better than in July 2019.

Asking rents continue to show positive, albeit lower, growth in most regions although year-on year falls are evident in Greater London, East Midlands and the West Midlands (-1.2%, -0.6% and -0.5% respectively). Scotland, Wales, Yorkshire, the South West and the North East indicate double-digit annualised growth.

UK asking rents are currently 2.5% above their July 2023 reading.

Sales Market Turnover Indicator



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

The annualised mix-adjusted average asking price growth (sales) across England and Wales is now 0.7%; in July 2023, the annualised growth of home prices was in the red at -1.5%.

Price Trend

Home prices continue to nudge upwards overall but have yet to return to their 2022 high. Price growth is severely limited by the current high stock levels which ensures that properties must be competitively priced to sell. The supply of new instructions moderated slightly in June but may well pick up again now the election is out of the way. We expect further price rises to be slight at best until the BoE rate cut finally materialises.

Market Turnover

Our Market Turnover Indicator chart shows that activity continues to increase and is currently comparable to the pre-COVID years.

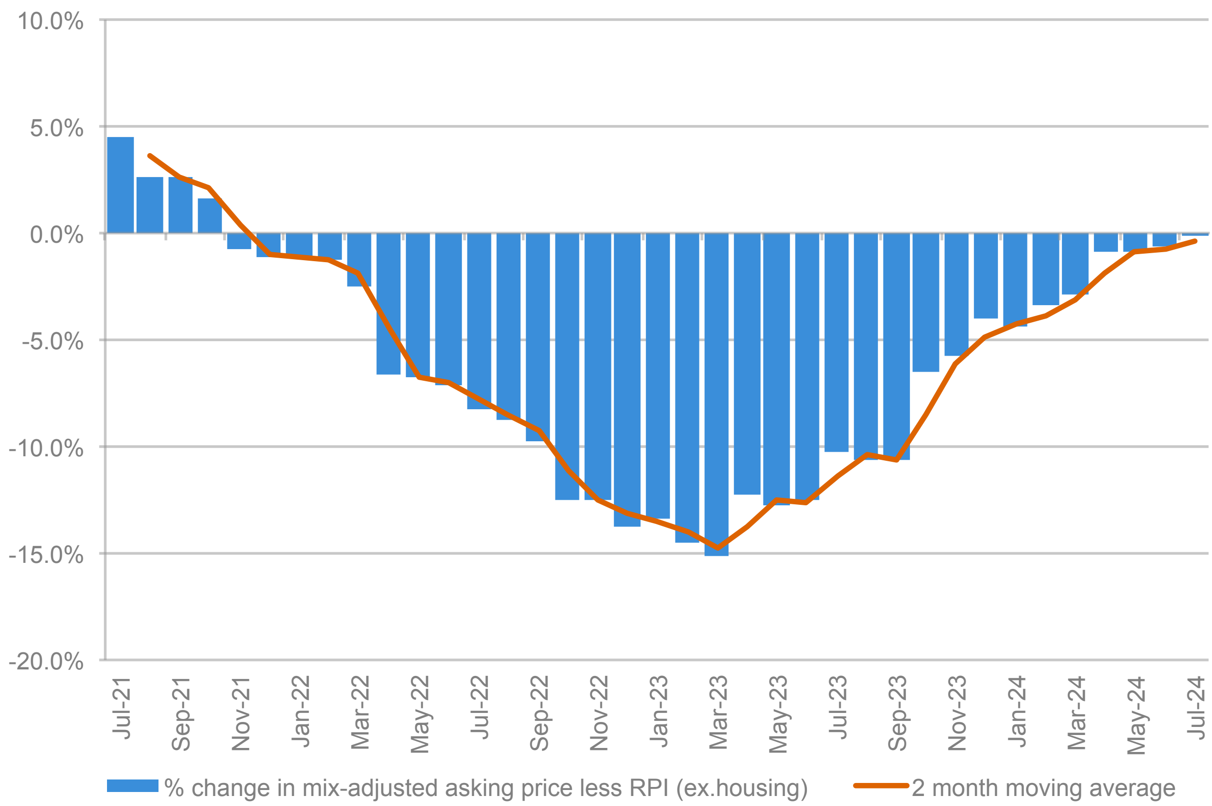
The present turnover is currently just below the peak activity recorded in autumn last year and stands a chance of exceeding that level given a rate cut in August. However, should rates stay on hold (and currently there is a 40% chance of this), activity will slow and more properties will build up on the market.

Monetary inflation has now retreated to 1.3% (RPI for May ex. housing) while the BoE continues to prevaricate. We note that previously the Bank sat on their hands while inflation took off and told the public that there was nothing to worry about.

Real Price Growth

Falling inflation is good news for homeowners, not simply because interest rates must follow suit but since

Real Asking Price Growth, England and Wales



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

equity in the home becomes a real store of value. As our chart shows, the steady trend towards real price growth continues and, by our estimates, UK property is a hair's breadth from becoming a real store of value once again. Given a rate cut later in August, significant real gains could be a certainty around Q4. However, should the Bank dither, the market may lose confidence and nominal growth could struggle to outpace monetary inflation. On the other hand, if the BoE has really messed up their inflation projections and we enter a period of deflation, this would only bolster real growth.

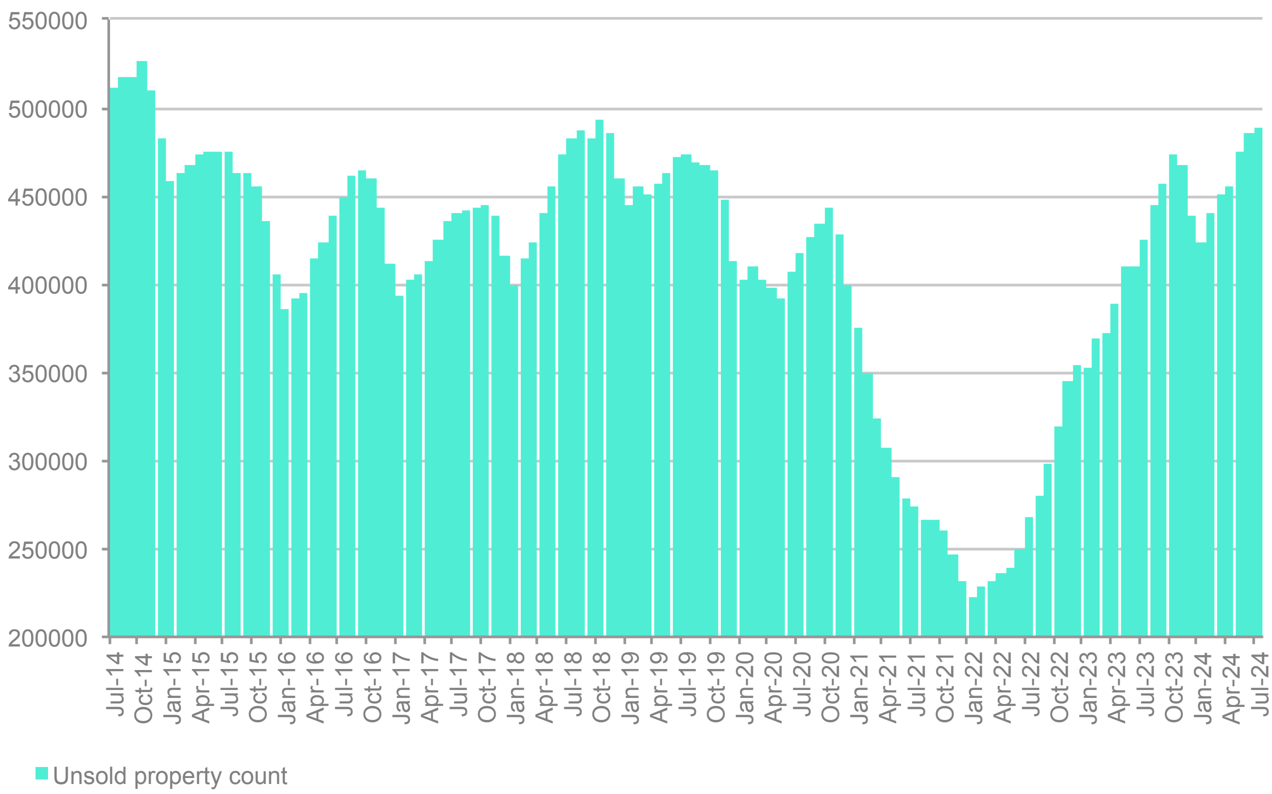
Stock Levels

The total stock of unsold property on the market rose again during the last month but by less than in May and much less than the exceptionally large increase in April. The current total of 489,086 is testing the higher limits of the last ten years, although the high levels in 2014 were when price growth was nearing 10% year-on-year. Stock levels are clearly no problem given sufficient demand and that is chiefly dependent on the cost of borrowing.

Regional Roundup

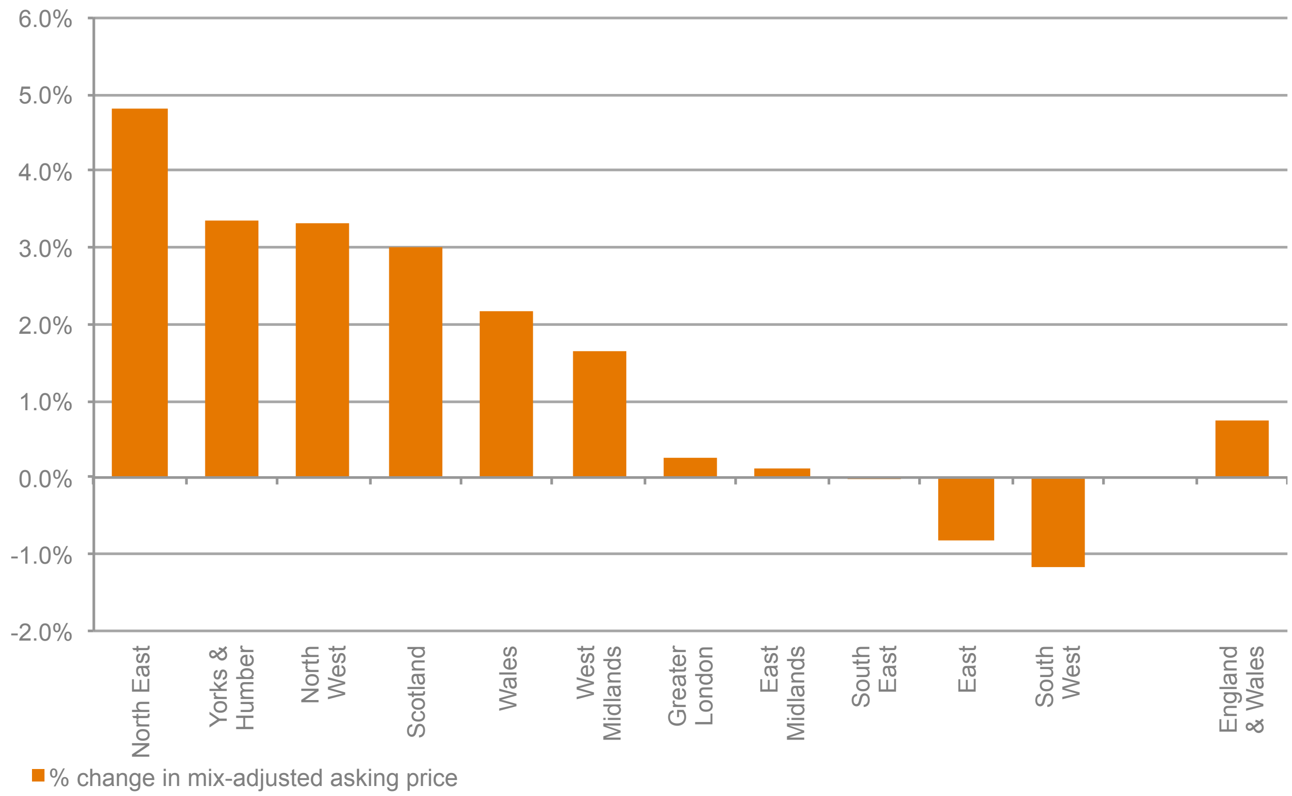
The broadly North and South divide persists. While the national figures indicate less than 1% growth, four English regions together with Scotland and Wales all indicate vastly better performance over the last twelve months. Looking back to 2013, it was then that London and the adjacent regions really took off in terms of house price growth, leaving the North far behind. The North East was the worst performer for around ten years, with negative equity meaning that homeowners were unable to

Total Stock of Property for Sale, England and Wales



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

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



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

move without losses. Today, however, this small northern region tops the price growth league table. Somewhat ironically, it took a pandemic of all things to turn around the fortunes of this northern property market, but now its growth is head and shoulders above the rest.

In contrast to 2013, the boot is firmly on the other foot with London and the adjacent regions now being the worst performers. The South West is also faring badly, and it has long been the case that this retirement destination property market depends on buyers from the wealthier parts of the UK (e.g. Londoners) selling up and reinvesting their capital around the Cornish and Devon coastlines. The current market conditions make that process much more difficult.

It is probably no coincidence that the regions that are faring the best are those that have the best Buy-to-Let yields. This serves as a further reminder of the importance of the Private Rented Sector, both in supporting the sales market and providing vital rental accommodation. Should legislation further deter investment in the sector then both homeowners and renters will feel the negative consequences.

The new Labour government have some major challenges ahead in the housing sector.

Taking back control of the Bank of England and making it serve the UK economy would be a good start. That's something the old Labour would have contemplated but I very much doubt the Sir Keir Starmer version will have the courage or the motivation to grasp the nettle.

Currently, the Treasury is bailing out the Bank of England to the tune of around £35 billion this year to cover the losses incurred by their Quantitative Easing (QE) folly. The taxpayer has clearly been had. Not only did the Bank recklessly cause the worst inflation wave in 40 years thereby crippling household budgets, but now we are liable for their losses. The situation echoes the 2008 financial crisis where the fraudulent banks were recapitalised and no one went to jail.

This is perhaps a good example of the 'moral hazard' that the former chairman of the Bank of England warned about when QE first started. More recently, he asserted that pumping money into the economy during the Covid-19 crisis was a mistake that fuelled inflation: 'All central banks in the west, interestingly, have made the same mistake... central banks decided it was a good time to print a lot of money. That was a mistake. We had too much money chasing too few goods.' I would go further. I don't believe for a moment that the central banks didn't know what the consequences of their actions would be.

Far more likely is that they intentionally brought about the current situation. Of course, these public losses are in fact private gains for the super-rich. Cut-price government bonds (gilts) paying a premium coupon (interest) handed out to an elite club of investors, all in the name of 'unwinding QE'.

Let's face it, if a friend or family member said they were going to sell their property at a loss, wouldn't you say, 'Hey, why not hold on to it till prices rise?' This, in effect, is precisely what some anonymous analysts at Barclays have suggested. Akin to the reserve tiering I wrote about last month, Chris Dorrell reported in City AM: 'Analysts at Barclays suggested a three-step process to help reduce QE's costs.

'First, the assets bought through QE should be transferred to the Bank's own balance sheet rather than be held in the Asset Purchase Facility (APF). The APF is a vehicle created in 2009 to buy bonds.

'Legislation should then be introduced, allowing the Bank to retain seigniorage income, which is currently transferred to the Treasury. Seigniorage is the profit made by a government for issuing currency, reflecting the difference between the value of money and the costs to produce it.

'Finally, losses from the gilt portfolio should be framed as a deferred asset, similar to what the Fed does.

'"This would mean that the Bank of England could continue to operate without the need for an immediate capital injection from HMT as it could earmark future seigniorage income to cover the losses, spreading them over a much longer period than just the moment in which they are realised," the analysts wrote.

'Although the Treasury would no longer receive seigniorage, the savings from the scheme would easily outweigh the costs, they wrote.

'"The saving implied by this plan could more than cover the real-terms cuts to unprotected government budgets implied by current spending plans across both the Conservatives and Labour," the analysts argued.'

This is basically one way out of unnecessary austerity measures and increased taxation. However, I'm not convinced about handing over the right to seigniorage income to a private institution, as that is matter of national sovereignty.

It would be simpler to tackle the Bank head-on, restructure the debt as deferred assets, introduce tiering of deposit interest and, of course, drop interest rates. The £35 billion would go a long way to preserving vital support for families, education and housing. It would allow tax incentives for house builders, the PRS and much-needed renovation of the UK's housing stock.

It would require courage to take back control of the Bank of England. However, Labour has already backtracked on plans for a windfall tax on banks' superprofits back in May and now the new Chancellor, Rachel Reeves, seemingly prefers to further tax cash-strapped Britons than deal with the catastrophic actions of the pirates of Threadneedle Street.

A final and somewhat radical thought: rather than kicking the can down the road by 'restructuring' £600 billion in the Asset Purchase Facility, why not simply nationalise the BoE? It can be argued that the Bank is itself bankrupt, so you could either steadily exchange these assets for gold or cancel them.

With that kind of buying power (around 11,000 tonnes, which is around twice annual world production), the gold price would soar, likely covering any losses, and would give the country something to back the pound.

In any case, reducing interest rates to around 2-3% would radically improve both the economy and the state of public finances.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Jul-24
Average Asking Price	£358,603
Monthly % change	0.2%
Annual % change	0.7%

Scotland	Jul-24
Average Asking Price	£231,481
Monthly % change	-0.5%
Annual % change	3.0%

North East	Jul-24
Average Asking Price	£198,929
Monthly % change	0.9%
Annual % change	4.8%

Yorks & The Humber	Jul-24
Average Asking Price	£256,372
Monthly % change	0.5%
Annual % change	3.3%

North West	Jul-24
Average Asking Price	£270,575
Monthly % change	-0.2%
Annual % change	3.3%

West Midlands	Jul-24
Average Asking Price	£306,860
Monthly % change	0.0%
Annual % change	1.6%

East Midlands	Jul-24
Average Asking Price	£285,704
Monthly % change	0.3%
Annual % change	0.1%

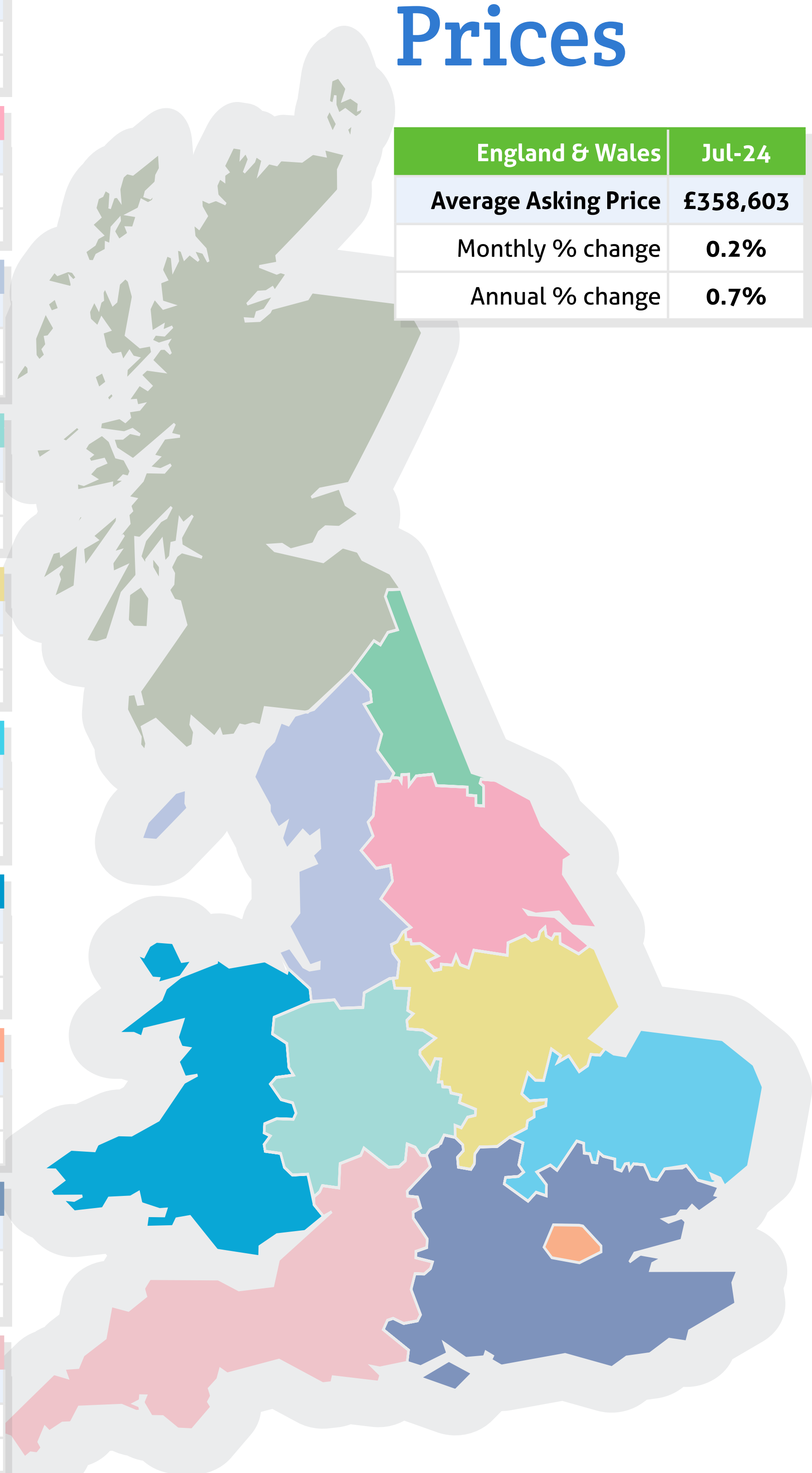
East	Jul-24
Average Asking Price	£396,724
Monthly % change	0.5%
Annual % change	-0.8%

Wales	Jul-24
Average Asking Price	£271,390
Monthly % change	0.4%
Annual % change	2.2%

Greater London	Jul-24
Average Asking Price	£544,821
Monthly % change	0.2%
Annual % change	0.3%

South East	Jul-24
Average Asking Price	£449,146
Monthly % change	0.2%
Annual % change	0.0%

South West	Jul-24
Average Asking Price	£381,989
Monthly % change	0.0%
Annual % change	-1.2%



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

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The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd

UK Time on Market

England & Wales	Jul-24
Average Time on Market	**166**
Typical Time on Market	84
Annualised % supply change	4%

Scotland	Jul-24
Average Time on Market	**184**
Typical Time on Market	67
Annualised % supply change	5%

North East	Jul-24
Average Time on Market	**162**
Typical Time on Market	83
Annualised % supply change	-3%

Yorks & The Humber	Jul-24
Average Time on Market	**147**
Typical Time on Market	81
Annualised % supply change	4%

North West	Jul-24
Average Time on Market	**163**
Typical Time on Market	84
Annualised % supply change	5%

West Midlands	Jul-24
Average Time on Market	**159**
Typical Time on Market	82
Annualised % supply change	3%

East Midlands	Jul-24
Average Time on Market	**149**
Typical Time on Market	82
Annualised % supply change	6%

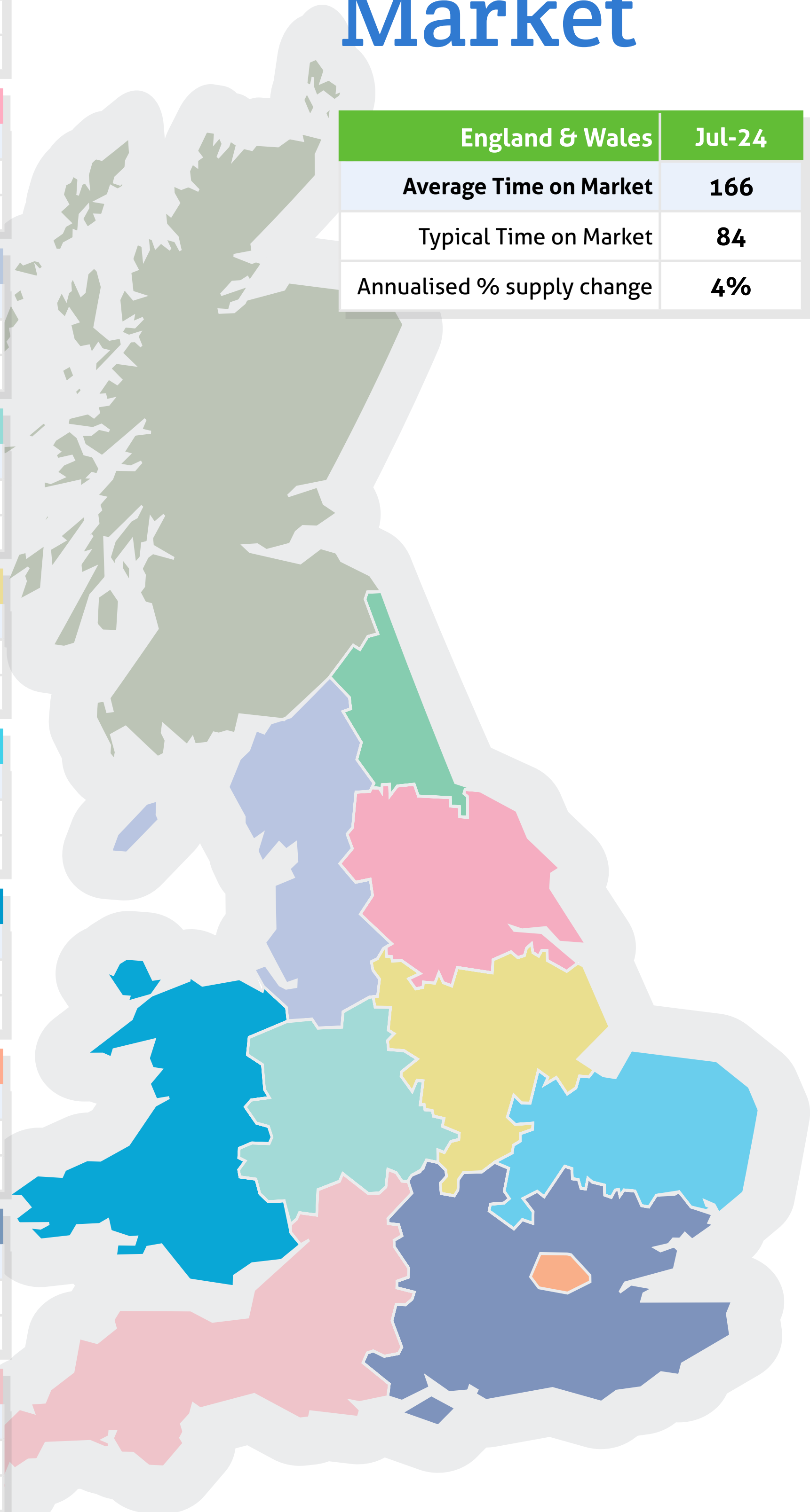
East	Jul-24
Average Time on Market	**154**
Typical Time on Market	83
Annualised % supply change	3%

Wales	Jul-24
Average Time on Market	**179**
Typical Time on Market	97
Annualised % supply change	6%

Greater London	Jul-24
Average Time on Market	**192**
Typical Time on Market	89
Annualised % supply change	5%

South East	Jul-24
Average Time on Market	**157**
Typical Time on Market	78
Annualised % supply change	4%

South West	Jul-24
Average Time on Market	**153**
Typical Time on Market	81
Annualised % supply change	9%



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

- **Wednesday 14th August**
- **Thursday 12th September**
- **Wednesday 16th October**