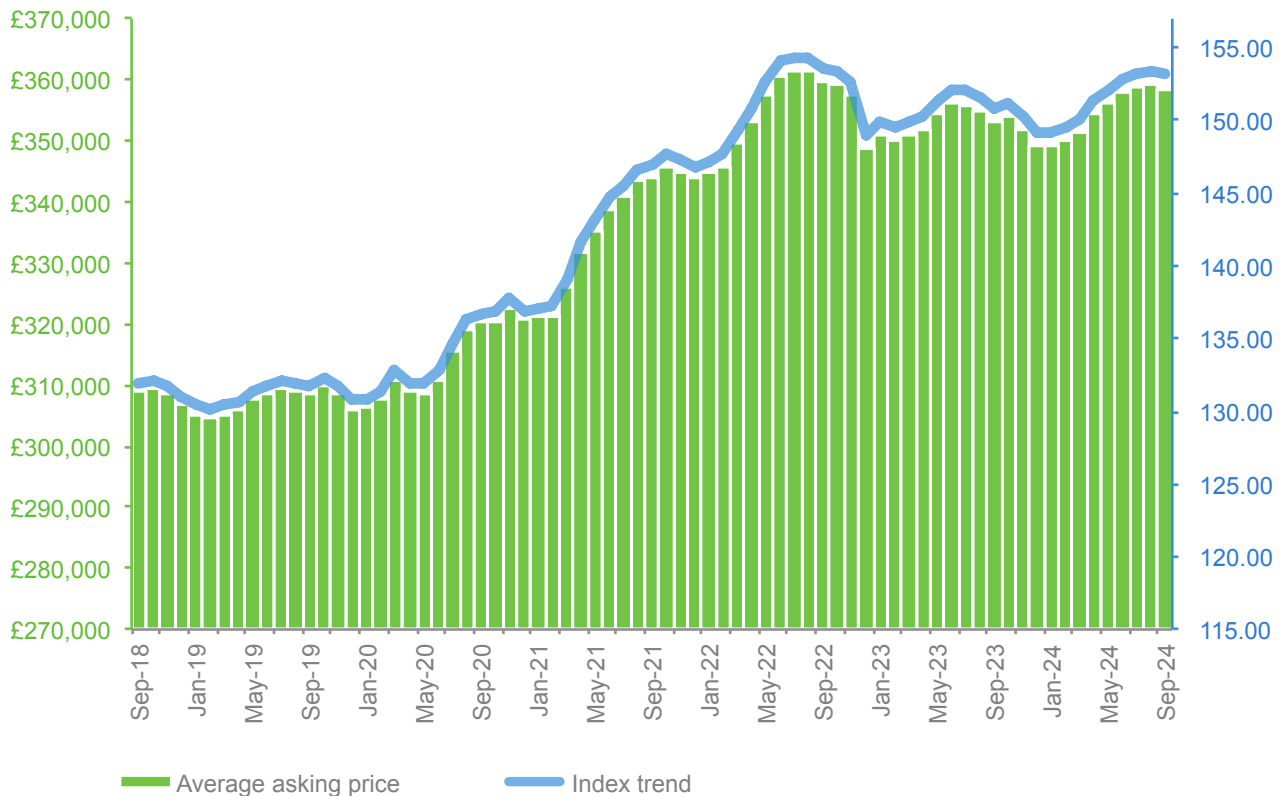


## Increased Supply Weighs Heavy on Southern Prices

### Headlines

- Asking prices dipped for the first time in nine months, by 0.2%, during the last month across England and Wales, yielding to both high supply and seasonal trends. Home prices are up 1.5% compared to September 2023.
- The worst monthly falls were in London and the West Midlands while prices continue to increase in Scotland, the North West and North East.
- The total number of new instructions entering the market during August 2024 was 14% more than during August 2023 and 8% more than August 2019.
- The unsold sales stock count for England and Wales increased again to make the current total the highest since November 2014. Nearly five thousand properties were added to agents' portfolios, making the current count of unsold properties 499,667.
- Despite both a notable slowdown and a 10-year high in unsold stock, the sales market momentum remains relatively healthy, as indicated by both the Typical Time on Market (median) for unsold property in England and Wales being seven days less than in September 2019 and our Market Turnover Indicator showing a performance comparable to pre-pandemic years. The current median Time on Market for unsold property is five days more than in August last year.
- The North East extends its lead as the regional property market growth leader with a very impressive year-on-year gain of 6.7%, while the East of England is now the worst performing region, indicating no change over the same period.
- The annualised national growth figure for asking rents has slowed again to just 0.8%, dragged down by London's poor performance. However, Wales continues to lead the regional growth table, followed by the South West, indicating rises of 14.6% and 9.7% respectively year-on-year. Meanwhile, the year-on-year decline in Greater London rents is now -1.1%.
- The boroughs of Haringey and Bexley indicate the worst declines in asking rents, with annualised rental falls of 10.7% and 8.9% respectively.

## Home Asking Price Trend for England & Wales



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

### Summary

A surge in new instructions has swelled agents' portfolios further. However, given the large number of properties entering the market last month, the current total of stock for sale has only increased by a comparatively small margin. Hence, demand remains sufficiently strong to have prevented a large glut of unsold properties.

Vendors are clearly motivated given that, seasonally, prices usually dip from here towards the Christmas break. The drop in the bank rate will have been the green light for many vendors to commit, but a substantial and growing landlord exodus has also been observed.

Of course, higher stock levels put downward pressure on prices. The last

time the total stock of unsold properties on the market was this high was in 2019 and that year prices essentially went sideways (despite the base rate being a mere 0.75%). For the time being, it is reassuring that the rate at which properties are moving through the market is considerably higher than in 2019, although given the recent uptick in inflation (and the Bank of England's poor track record on forecasting), this may not be the case for much longer. Buyer optimism could evaporate very quickly should monetary inflation be found to be out of control again.

Overall, a two-speed market persists. The northern regions of England, the West Midlands, Scotland and Wales show all the indications of vibrant markets with price growth over and above

inflation. The North East, in particular, is racing ahead and has shown very strong price growth over the last twelve months. Elsewhere, prices have essentially stayed still this year and certainly have not yet recovered their 2022 highs.

The East of England and Greater London still have the most ground to make up before they return to the 2022 price highs. Meanwhile, the East, South East and the South West still have a few percentage points to recover. Given the high stock levels in these regions, we expect further recovery to remain very slow. Indeed, a further rate cut may be needed to elicit significant price growth through greater demand.

Despite the poor prospects for price growth in some regions, the UK property market is operating within normal parameters and could step up a gear next year if borrowing costs continue their steady decline. However, the risk of a further bout of inflation, tax increases and rent controls all continue to be dark clouds on the housing market horizon.

Overall, UK asking rents continue to show positive but low growth (+0.8% vs. September 2023). However, this national growth figure hides the enormous disparity between the worst regional performer (Greater London at -4.9%) and the best performer Wales (+14.6%). Given that London alone accounts for around 38% of the UK rental market (in terms of properties available to let), it is obvious why the mix-adjusted national average is near zero.

The annualised mix-adjusted average asking price growth (sales) across England and Wales is now 1.5%; in Sep-

tember 2023, the annualised growth of home prices was -1.8%.

## Price Trend

The average home price for England and Wales has failed to exceed the 2022 high this year. Due to seasonality, it will likely be next year before prices will have an opportunity to revisit their 2022 high. Over the last five years, the national average for England and Wales has risen by 16.2%, owing to the unprecedented COVID boom. Rising interest rates brought the party to a close in 2022 and the resulting hangover has played out over the last two years. Given the current level of supply, we expect no further price gains over the coming months on a national basis until the seasonal upturn at the beginning of next year.

## Market Turnover

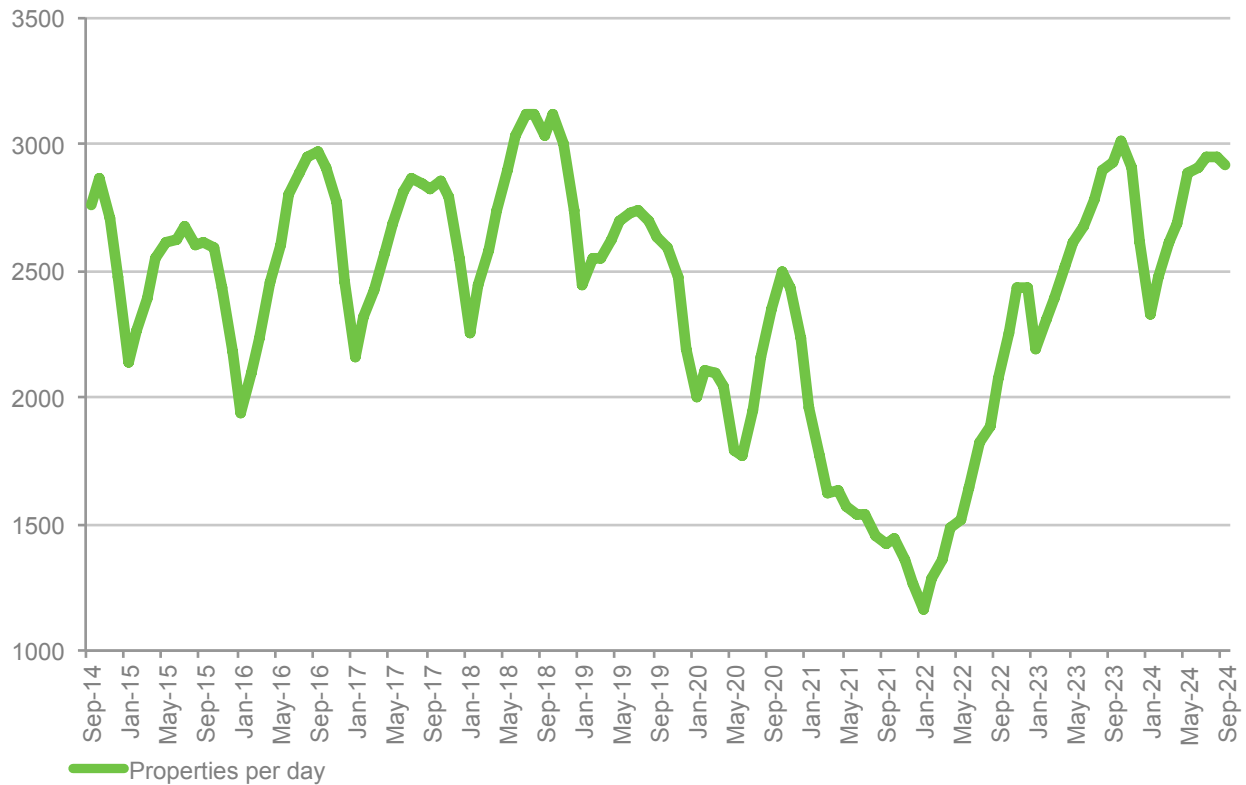
Our Market Turnover Indicator chart serves to confirm continued high activity, despite the lacklustre price growth performance in the southern regions. What is clear is that properties are moving through the market at a rate that is pretty much equivalent to the pre-COVID years.

The current turnover trend is now heading for the seasonal downturn which always bottoms out in January.

## Real Price Growth

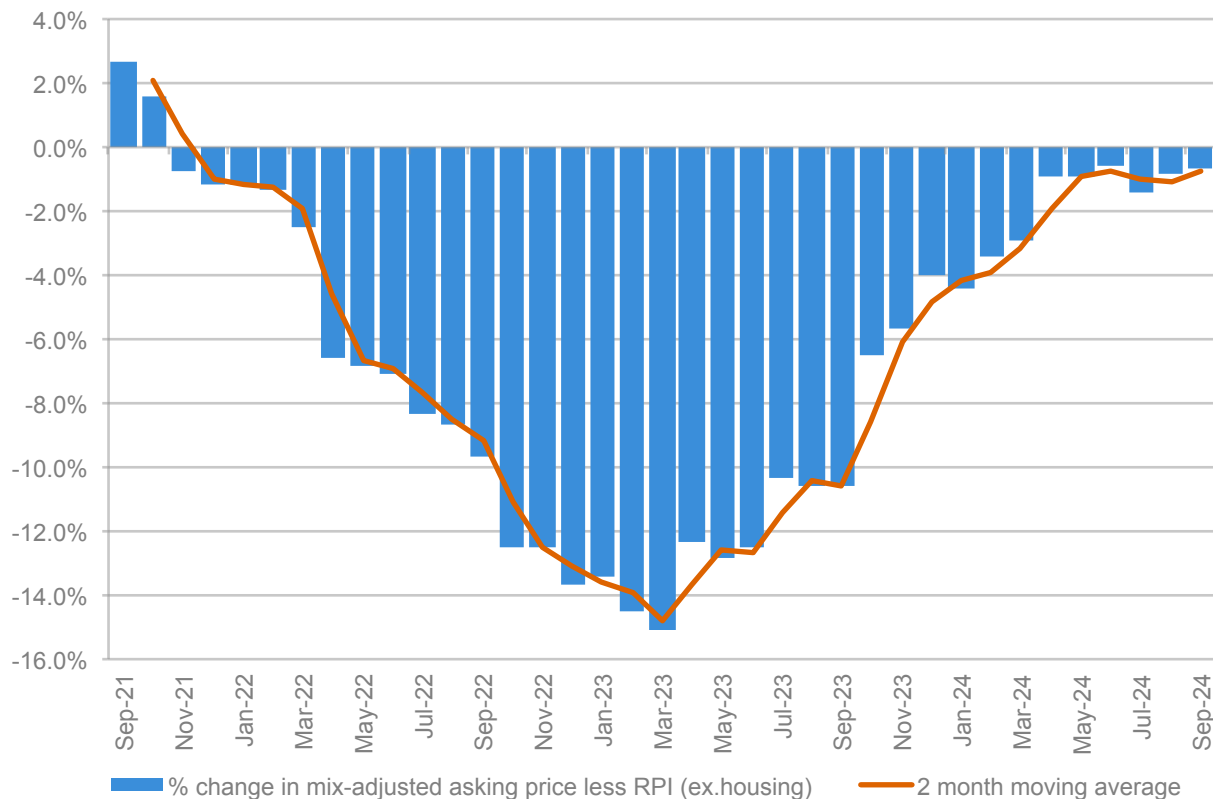
Many were hoping inflation was old news. In July, however, the rate nearly doubled in just one month. Our inflation estimates for July and August were incorrect, and therefore real home price growth remains in the red overall. Of course, this does not concern the northern regions which have been enjoying real growth for quite some time. The

## Sales Market Turnover Indicator



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

## Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, September 2024 and ONS [RPI ex. housing]. Inflation for August and September are our estimates (2.0 % and 2.2% respectively).



problem is concentrated in London and the southern regions where property has not been a store of value for several years. In short, investors lost money in real terms.

### Stock Levels

Around 5,000 properties were added to the total of unsold stock on the market during August. The total, which remains below the level seen in 2014, may increase again this month before the expected seasonal decline kicks in. December typically indicates the annual minimum in unsold stock.

The current large amount of unsold properties represents a 10-year high and is likely amplified by vendors who postponed their decision during the COVID era. It is also notable that a growing number of landlords are either down-

sizing their portfolios or selling up completely as they see letting become increasingly untenable due to spiralling costs, taxation and red tape.

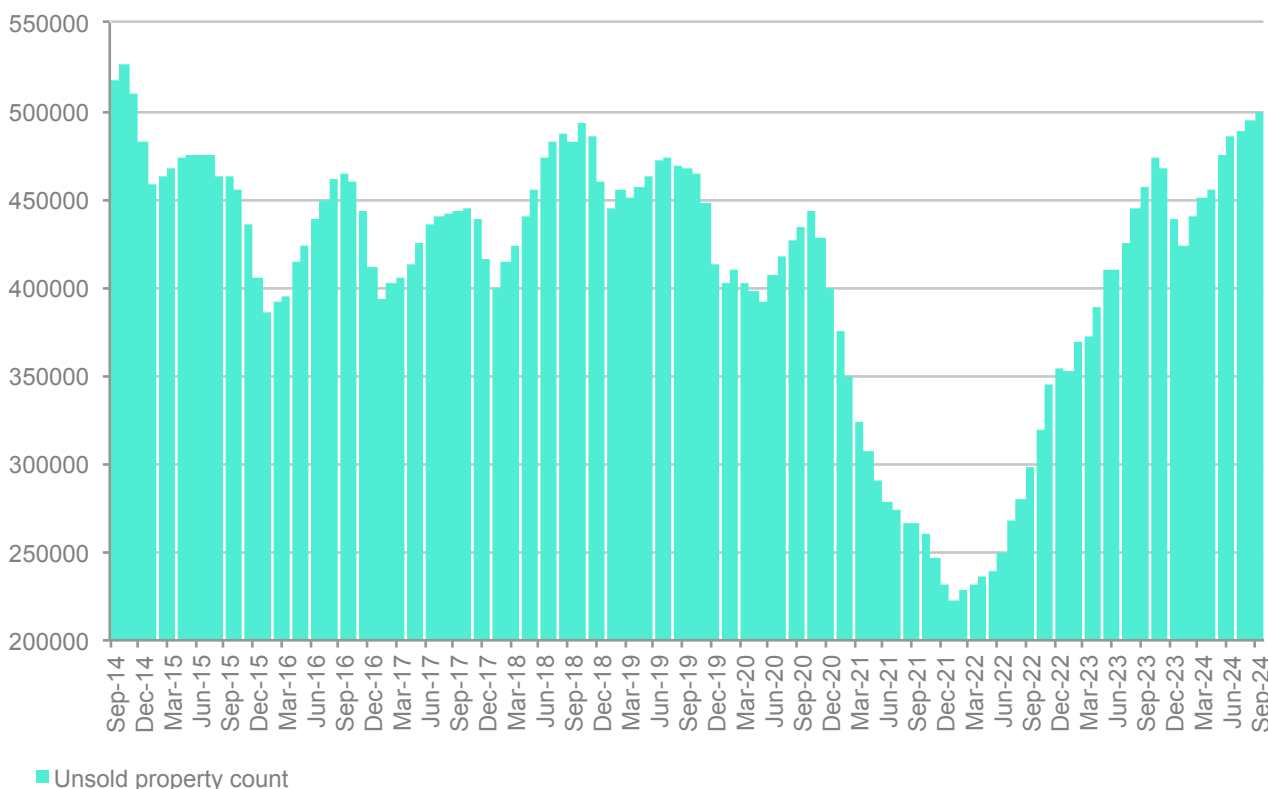
### Regional Roundup

Extraordinary disparity in price growth persists at the regional level of analysis.

The North East continues to extend its stunning price growth, posting a 6.7% increase over the last twelve months, which is clearly head and shoulders above even the other members of the northern group of well-performing regions.

Next up are the North West and Yorkshire regions, both neck and neck at 3.5%. What sets these regions apart is much more attractive buy-to-let yields compared to London and adjacent regions. The West Midlands, Scotland and Wales are also posting healthy

## Total Stock of Property for Sale, England and Wales

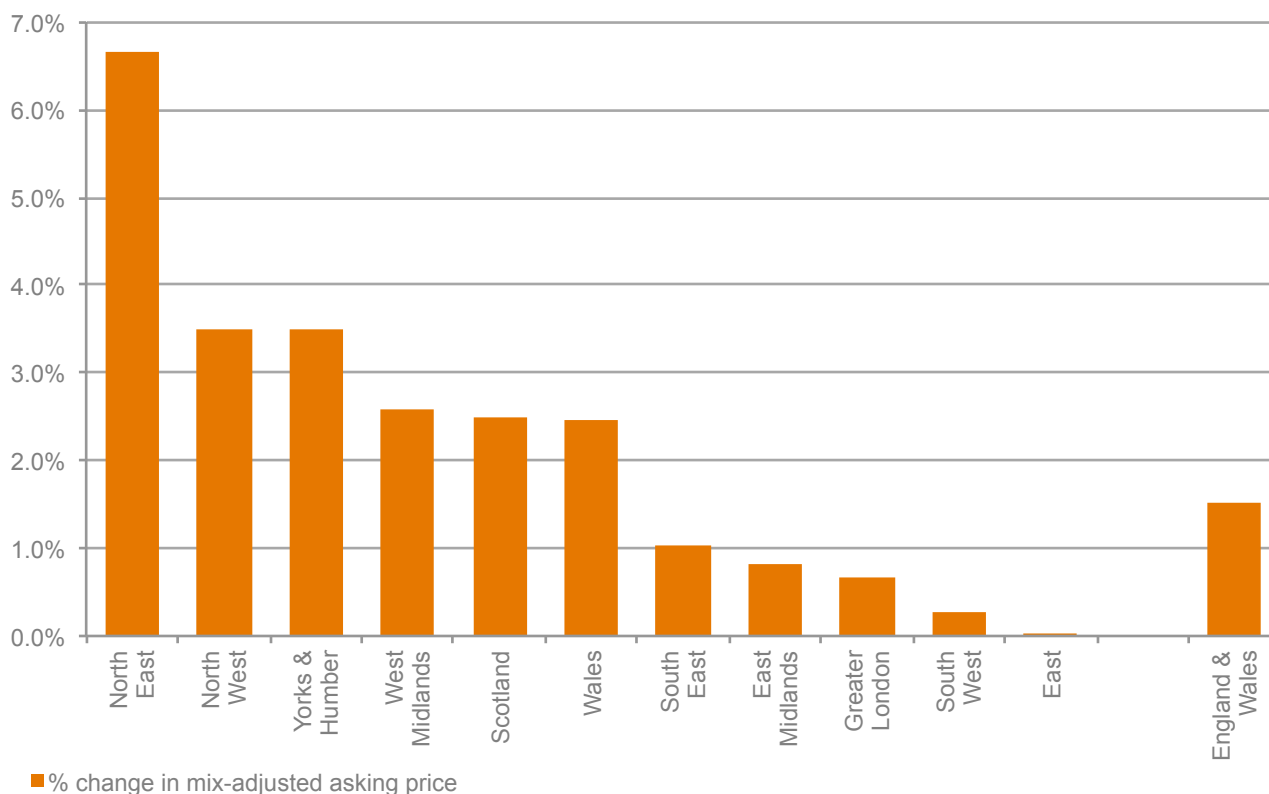


■ Unsold property count

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



## 12-month Regional Price Growth, Sep 2024 vs. Sep 2023



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

inflation-beating gains, albeit of a lesser magnitude. Notably, the Scottish property market has been transformed over the last five years. This formerly sluggish market now boasts a 25% reduction in Typical Time on Market.

The remaining five English regions may be regarded as the “one per cent or less” club, all of which show growth well below the average for England and Wales. Unable to keep up with inflation, these regions are effectively losing ground in real terms, in particular the East of Eng-

land where prices remain unchanged from a year ago.

Improving mortgage rates are unlikely to close the North-South divide. As we discussed last month, rental yields are more attractive in the northern regions and this will continue to tip the investment balance in their favour. Moreover, with rents rising ahead of home values in the three top northern regions, yields are constantly improving. Meanwhile, rents are falling in London and stagnating in the surrounding regions.



## “ The Private Rented Sector (PRS) needs more investment but government policy is instead causing divestment from the sector.

Indeed, according to Tim Wallace writing for the Telegraph: 'Landlords are racing to sell their properties amid fears Rachel Reeves will launch a raid on capital gains in next month's Budget.' Of course, this is not the first such assault on the PRS but it could be the straw that breaks the camel's back. As I wrote last month, there's also the prospect of rent controls if Capital Gains Tax (CGT) isn't terrifying enough for investors.

Detailed research conducted by Rightmove shows that one in five properties on the market were formerly let and that rises to one in three in the Greater London area. Tim Bannister, commenting for Rightmove, pointed out that renters will suffer unless landlords are given an incentive to stay in the market. I couldn't agree more.

Bannister said: 'We've seen over the last few years how the supply and demand imbalance can contribute to rising rents, so there is a worry that without encouragement for landlords to stay in rather than leave the rental sector, it is tenants who will pay the price.'

'In recent years it has become more attractive for some landlords to leave the rental sector rather than to continue to invest in it, due to rising costs, taxes and legislation. A healthy private rental sector needs landlord investment to provide tenants with a good choice of homes.'

Indeed, I have been harping on about these issues for some time, as our own data analysis points to systemic problems for the PRS.

Just last month, I noted that 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.'

Of course, the landlord exodus will logically start with the least profitable properties i.e. where yields are lowest and red tape is greatest. That is exactly what we are witnessing. Tim Wallace is right to point out that London landlords want out most of all. Cornered in a Sadiq Khan ULEZ and threatened by Keir Starmer's ruthless tax plans, they've had enough. Just a glance at London's poor price growth over the last ten years (16.5%) compared to inflation over the same period which, according to the RPI, is 51.4%, suggests that they've perhaps hung on too long. Many realise this and want to cash out, even if it means taking a substantial loss.

Doug Shephard  
Director at Home.co.uk



# UK Asking Prices

Scotland	Sep-24
<b>Average Asking Price</b>	<b>£235,508</b>
Monthly % change	0.6%
Annual % change	2.5%

North East	Sep-24
<b>Average Asking Price</b>	<b>£202,681</b>
Monthly % change	0.5%
Annual % change	6.7%

Yorks & The Humber	Sep-24
<b>Average Asking Price</b>	<b>£257,706</b>
Monthly % change	-0.1%
Annual % change	3.5%

North West	Sep-24
<b>Average Asking Price</b>	<b>£270,898</b>
Monthly % change	0.1%
Annual % change	3.5%

West Midlands	Sep-24
<b>Average Asking Price</b>	<b>£306,275</b>
Monthly % change	-0.4%
Annual % change	2.6%

East Midlands	Sep-24
<b>Average Asking Price</b>	<b>£285,753</b>
Monthly % change	0.0%
Annual % change	0.8%

East	Sep-24
<b>Average Asking Price</b>	<b>£395,835</b>
Monthly % change	-0.3%
Annual % change	0.0%

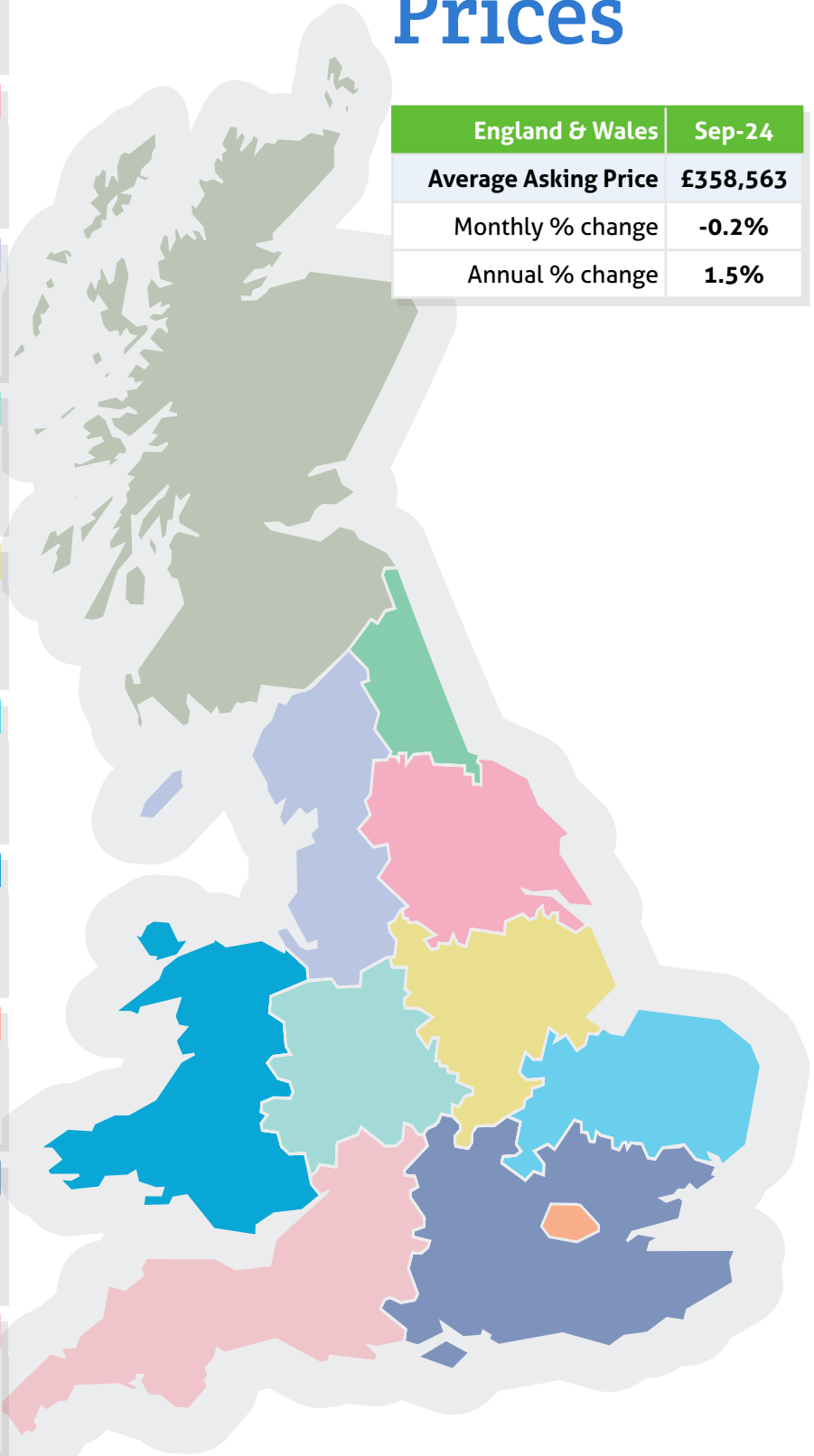
Wales	Sep-24
<b>Average Asking Price</b>	<b>£271,989</b>
Monthly % change	-0.1%
Annual % change	2.5%

Greater London	Sep-24
<b>Average Asking Price</b>	<b>£542,971</b>
Monthly % change	-0.5%
Annual % change	0.7%

South East	Sep-24
<b>Average Asking Price</b>	<b>£448,232</b>
Monthly % change	-0.2%
Annual % change	1.0%

South West	Sep-24
<b>Average Asking Price</b>	<b>£383,045</b>
Monthly % change	0.0%
Annual % change	0.3%

England & Wales	Sep-24
<b>Average Asking Price</b>	<b>£358,563</b>
Monthly % change	<b>-0.2%</b>
Annual % change	<b>1.5%</b>



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



# UK Time on Market

Scotland	Sep-24
<b>Average Time on Market</b>	<b>186</b>
Typical Time on Market	75
Annualised % supply change	13%

North East	Sep-24
<b>Average Time on Market</b>	<b>164</b>
Typical Time on Market	88
Annualised % supply change	9%

Yorks & The Humber	Sep-24
<b>Average Time on Market</b>	<b>150</b>
Typical Time on Market	88
Annualised % supply change	17%

North West	Sep-24
<b>Average Time on Market</b>	<b>166</b>
Typical Time on Market	90
Annualised % supply change	14%

West Midlands	Sep-24
<b>Average Time on Market</b>	<b>162</b>
Typical Time on Market	89
Annualised % supply change	13%

East Midlands	Sep-24
<b>Average Time on Market</b>	<b>152</b>
Typical Time on Market	89
Annualised % supply change	15%

East	Sep-24
<b>Average Time on Market</b>	<b>157</b>
Typical Time on Market	89
Annualised % supply change	14%

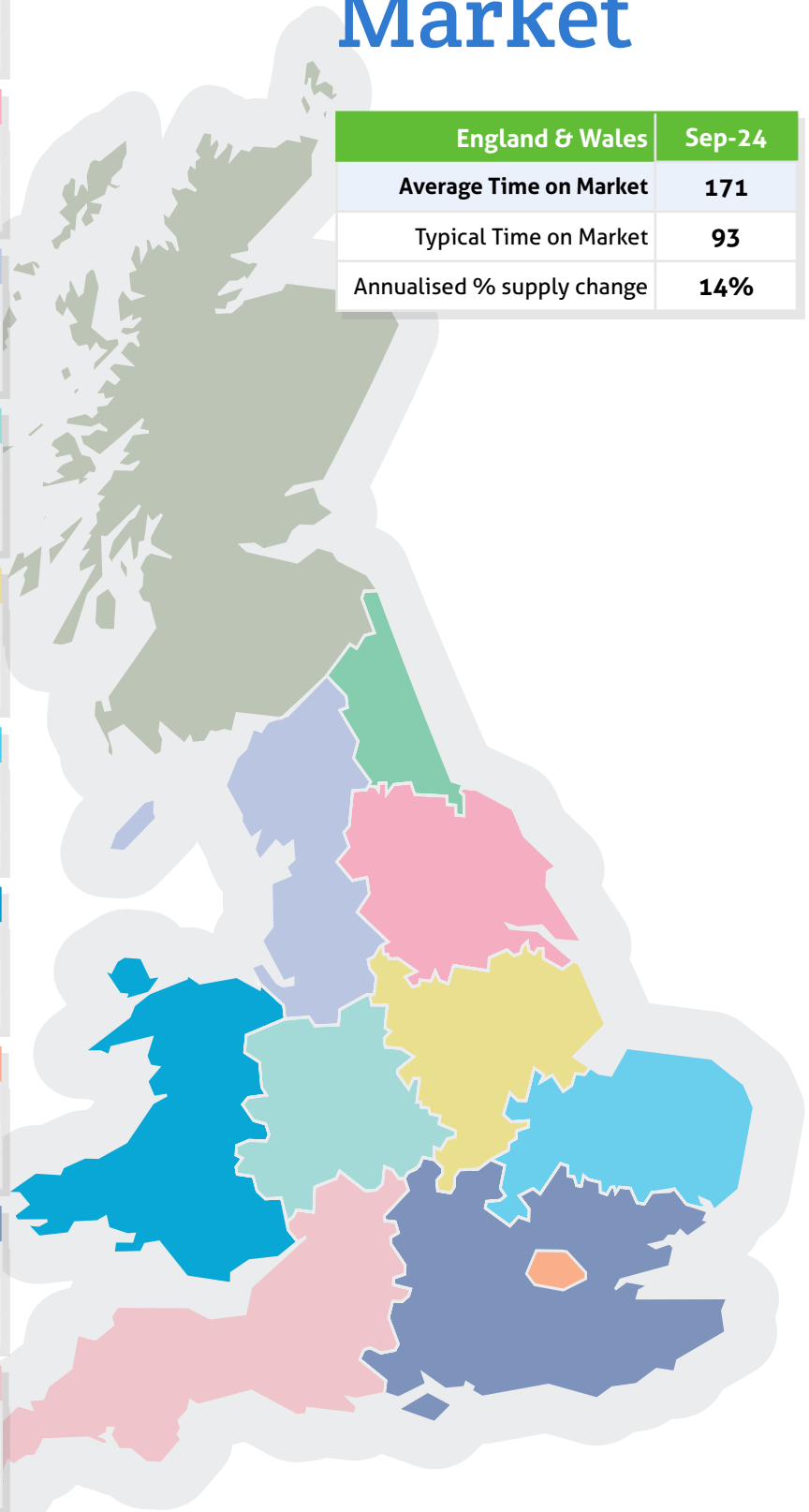
Wales	Sep-24
<b>Average Time on Market</b>	<b>183</b>
Typical Time on Market	103
Annualised % supply change	18%

Greater London	Sep-24
<b>Average Time on Market</b>	<b>197</b>
Typical Time on Market	94
Annualised % supply change	12%

South East	Sep-24
<b>Average Time on Market</b>	<b>161</b>
Typical Time on Market	88
Annualised % supply change	16%

South West	Sep-24
<b>Average Time on Market</b>	<b>160</b>
Typical Time on Market	93
Annualised % supply change	13%

England & Wales	Sep-24
<b>Average Time on Market</b>	<b>171</b>
Typical Time on Market	<b>93</b>
Annualised % supply change	<b>14%</b>



Source: Home.co.uk Asking Price Index, September 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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- 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](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 16<sup>th</sup> October
- Wednesday 13<sup>th</sup> November
- Thursday 12<sup>th</sup> December