Asking Price Index

Released 13/04/22 April 2022

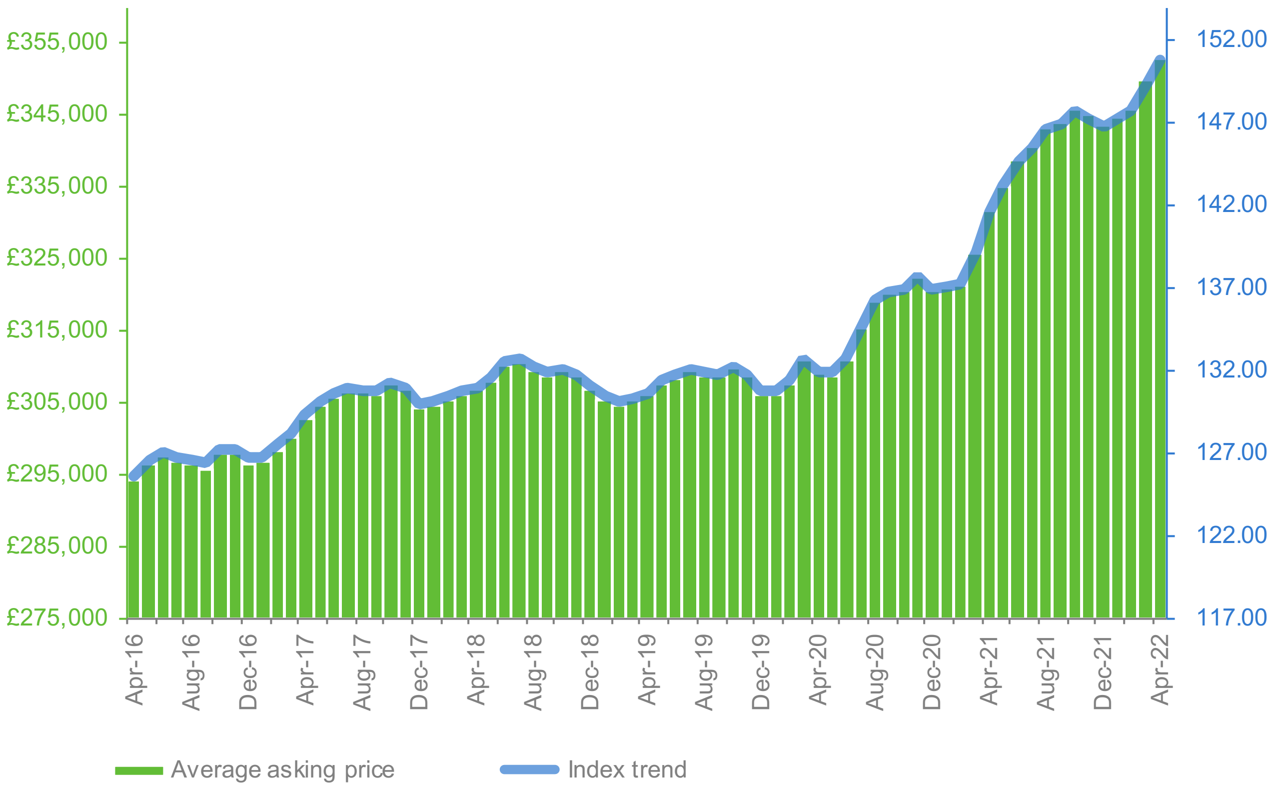
Buyer Frenzy Accelerates

Headlines

- Property is moving through the market at a record pace due to vast buyer demand. The Typical Time on Market for unsold property in England and Wales has plummeted to just 55 days (median), 31 days less than in April 2021 and the lowest such figure in the history of this Index.
- Consequently, asking prices across England and Wales rose a further 0.9% overall in March, while the average price in Yorkshire jumped a massive 1.7%.
- The total stock of property for sale in England and Wales remains extremely low despite a small nudge up again for the third consecutive month.
- Monetary inflation is high and climbing, thereby making real home price growth progressively more negative despite the apparent high nominal growth.
- Marginally fewer vendors entered the UK market last month compared to April 2021 (-3%), although there were significant regional differences. The biggest fall was in London (-18%) while the biggest rise by far was the North East with a 14% increase in new listings year-on-year.
- The South West property market now leads in annualised regional price growth (+9.6%), narrowly ahead of the East Midlands (+9.5%). Only these two regions show growth above the latest RPI (ex housing) inflation figure.*
- Rents in Greater London continue to soar. Scarcity due to a return to urban living has pushed annualised growth in asking rents to a staggering 37%. The rental property drought is worsening in the capital region with new instructions down 55% last month compared to April 2021.
- Central London rents continue to skyrocket. The greatest rises in asking rents over the last twelve months aside from the City (+81%) are in Camden (+53%) and Kensington (+52%) as supply in these boroughs plummets.
- Scarcity of rental properties remains a problem across the UK and this is creating significant upward price pressure. Rents are up in every region and by 18.5% overall across the UK since April last year.

*ONS Retail Price Index release for February 2022.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, April 2022, Indexed to May 2004 (Value=100).

Summary

While spring is traditionally known for more optimistic pricing and an increase in the pace of the market, this year looks set to break all records. Already the Typical Time on Market has dropped to an all-time low and prices are surging. At the same time, supply remains very low thereby making for frenzied market conditions.

Market commentators who were predicting a slowdown this year (and there have been several) will be regretting their hasty words. It is difficult to understand how they could come to such a conclusion given that interest rates are still very low; the hikes forecast by the Bank of England are miniscule by historic standards; economic uncertainty is driving safe-haven investments (especially property); and, at current levels, inflation is rapidly eroding mortgage debt.

The fact is that the 2022 UK property market is continuing to follow the trend set in 2021, albeit at an even more frantic pace. In particular, Typical Time on Market for the East Midlands is indicating an unprecedented rate of turnover and, consequently, the second highest annualised price growth, just behind the South West. In this region too, unsold properties are spending very little time on the market (another record low), and huge reductions in marketing times are evident in all other regions. The largest year-on-year percentage reductions are to be found in the North East, Scotland and Wales. This is highly significant as drops in marketing time usually portend strong price growth in the near term.

Scarcity also persists across all regions with the average stock total drop at around 23% year-on-year. All current evidence, therefore, suggests that strong price growth will occur during the coming months.

Following a brief period of consolidation, rents are being hiked again (seemingly with increasing rapidity) across all regions. The mix-adjusted average for the UK has jumped to 18.5% over the last twelve months, with much of this overall increase caused by the stratospheric rise in Greater London, which now indicates an annualised rental growth of 37.1%. Scarcity of property available to let is apparent in every region.

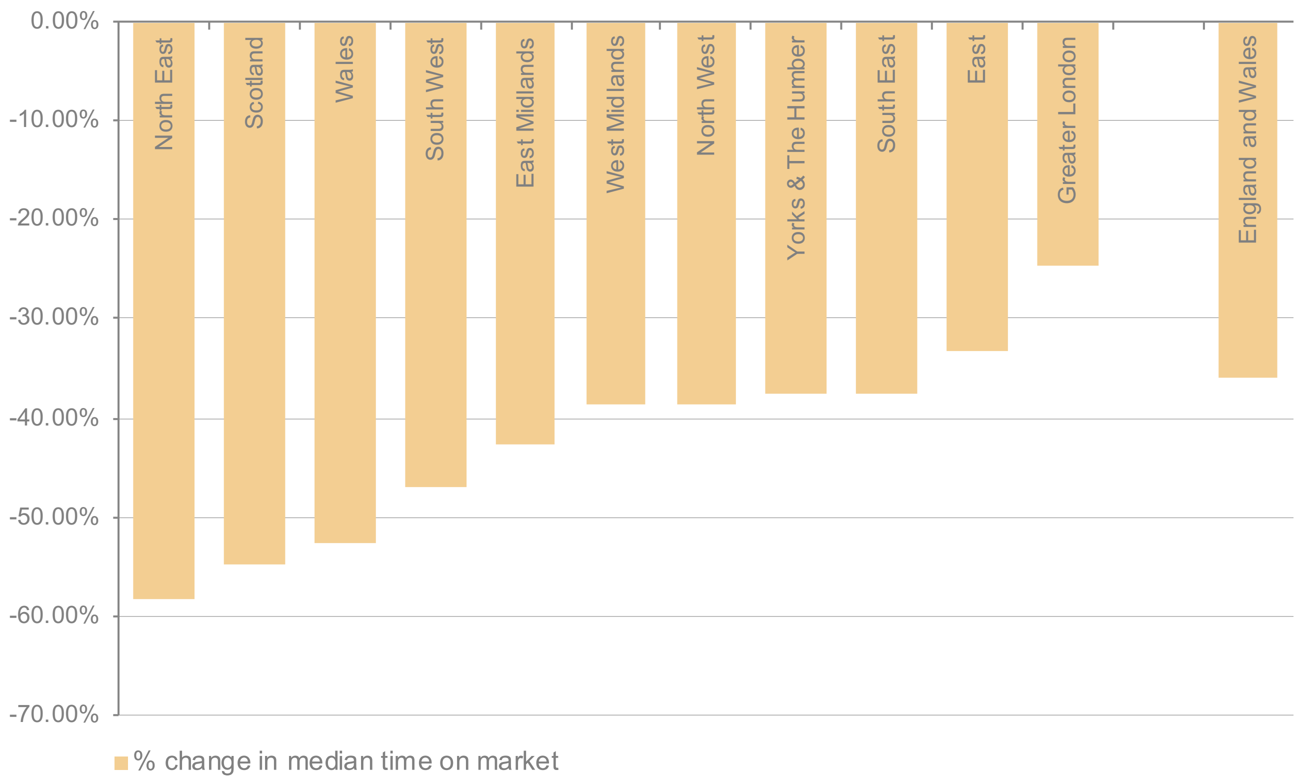
The annualised mix-adjusted average asking price growth across England and Wales is now at +6.4%; in April 2021 the annualised rate of increase of home prices was 7.4%.

Regional Roundup

While prices are rising overall, growth is far from uniform at the regional level. The current leader of the annualised growth table is the South West (+9.6%), closely followed by the East Midlands (+9.5%). These two regions are outperforming the rest of the country and both added 1.4% to their mix-adjusted average asking price during March, which is testament to their continued extraordinary vigour. Moreover, at 39 days, the East Midlands has the shortest median Time on Market for unsold property of all the English regions, Scotland and Wales. This figure is 29 days less than it was in April 2021 and the decline signals that more price hikes lie ahead.

In fact, huge falls in Typical Time on Market are evident across all the regions. The smallest reduction is in Greater

% Change in Typical Time on Market, Apr 2022 vs. Apr 2021



Source: Home.co.uk Asking Price Index, April 2022

London but even there the annualised drop is from 102 to 77 days (24.5%). Again, this suggests that significant price growth is to be expected in the capital region, which is currently the worst-performing English region with an annualised asking price growth of 2.4%. Scottish price growth is even worse, indicating a mere 1.3% growth over the last 12 months. However, given that Scotland shows the second largest drop in Typical Time on Market after the North East (compared to April 2021), we should expect much more price growth this year.

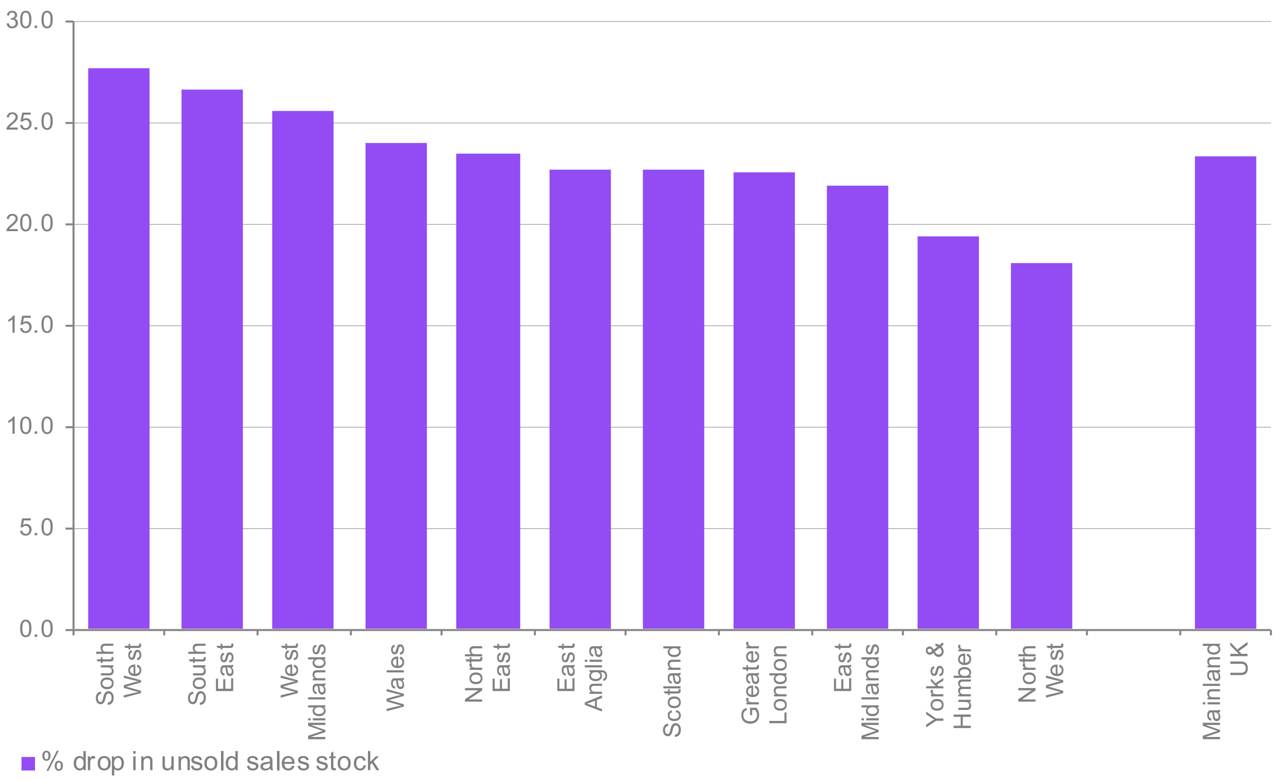
The largest price hike last month was in Yorkshire, jumping 1.7%, to give an annualised growth figure of 4.3%. This is less than inflation and less than the growth figure for England and Wales, but the drop in Typical Time on Market suggests there is much more growth to come. Stock levels are also down year-on-year in this region, as they are in all English regions, Scotland and Wales (see chart).

The South East, South West and West Midlands show the greatest trend towards scarcity of sales stock, a fundamental driver of price growth. Couple that with the huge falls in unsold stock levels by region (see chart) and it looks like the cost of living crisis has yet to have an impact, and it's full steam ahead for the majority of the property market. The smallest drop in stock levels was in the North West, which still recorded a huge 18% fall.

Stock Totals

The sales stock total remains way below the 10-year average. Our chart shows another minor rise since last month, although this is merely in line with seasonal expectations. Stock levels have stopped falling for the time

Fall in Total Properties for Sale by Region, Apr 2022 vs. Apr 2021



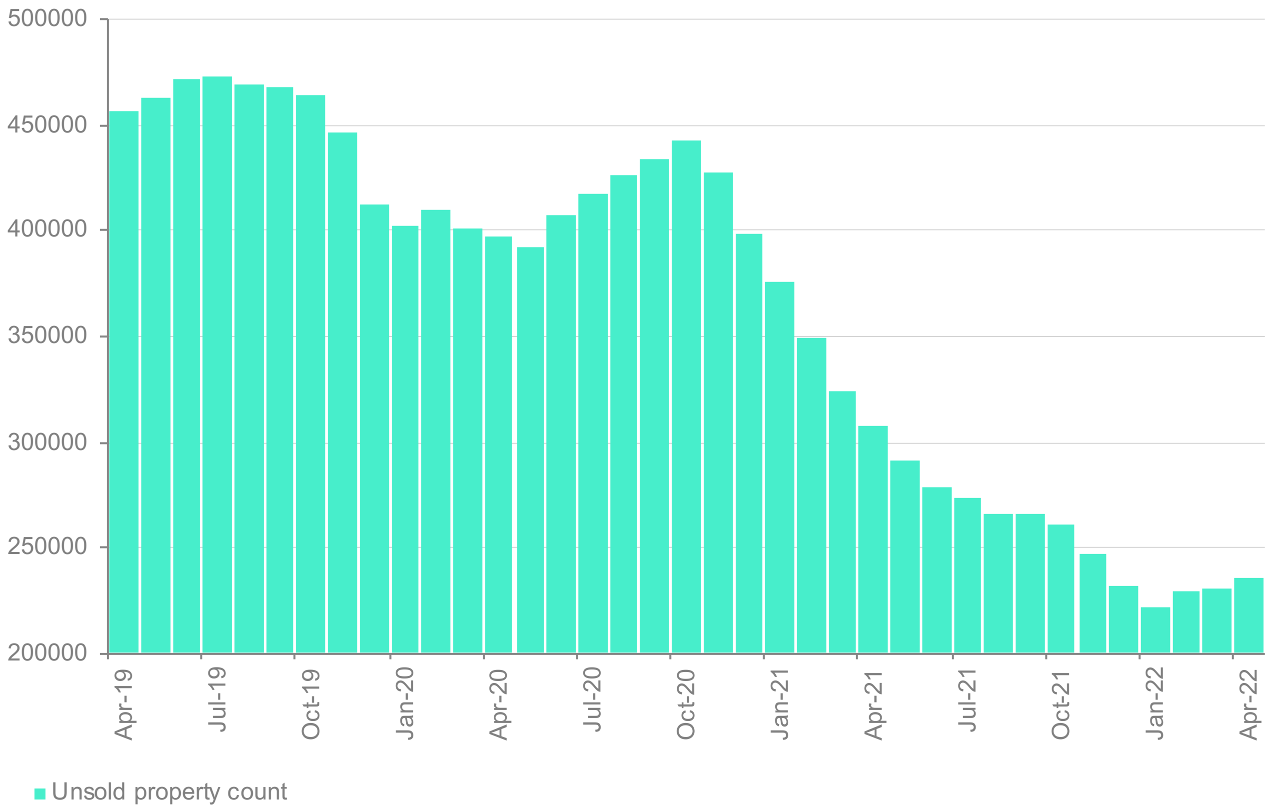
Source: Home.co.uk Asking Price Index, April 2022

being, but what is clear is that there is remarkably little property for sale and agents are struggling to get enough into their sales portfolios.

Equally apparent is that, due to the speed of sales, the supply of new instructions is rapidly consumed by high demand, seemingly undeterred by record prices. 129,241 properties entered the market last month and the stock total has only risen by around 5,000.

There's plenty of talk about rising mortgage costs dampening demand, but when one looks at the actual monthly increases for the typical mortgage, they are no more than the cost of filling up at the petrol station once a month. Even if the Bank of England continues to implement the small hikes in the base rate they have suggested, the extra monthly mortgage costs would be dwarfed by rising rents.

Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, April 2022

“The Bank of England has been talking in increasingly dovish tones about the need for further hikes in the base rate.

In fact, despite runaway inflation, the minutes of the Monetary Policy Committee (MPC) show the decision to raise the base rate last month by a mere 25 basis points was not unanimous. Inflation has now climbed way above the so-called 2% target rate, thereby largely destroying the MPC’s credibility.

Astonishingly, deputy Governor Jon Cunliffe voted against the hike. He stated: “I do not think we are yet seeing a psychology of persistently higher inflation emerge.” Odd, as I thought they were meant to be economists and not psychologists. To my mind, his comment doesn’t seem consistent with either the facts on the ground or with wider expectations (which presumably he is trying to manage). Higher energy and commodity costs will inevitably feed into the entire economy and most expectations are for exactly that. I doubt very much that a poll of consumers would show that a majority expect fuel and rents to come down any time soon.

So why the dithering? The Chief Economist, Huw Pill, made a comment that was more revealing: “Restricting ourselves to a 25 basis point (rate rise) now - albeit with the prospect of more to come in the coming months - is an investment in containing market expectations of aggressive ‘activism’ that I saw as worth making. That is what I would label a ‘steady-handed’ approach.” I would translate that as ‘We’re acting with extreme caution as we don’t want to crash the entire economy.’ I contend that they know that their hands are tied and they can’t really do anything about inflation but must be seen to be doing something.

To be fair to the MPC, we are in uncharted economic territory. Never before has government, private and corporate debt been so high relative to GDP and never has there been such large spread between interest rates and inflation. They painted themselves into a corner many years ago with the onset of Quantitative Easing and there are no options in their playbook other than to try to talk down inflation.

The thing is, more and more people understand this. Moreover, what many investors in property have realised is that the situation is different this time. Historically, property has proved to be a poor store of value in times of high inflation. Why? Since most of it is bought with borrowed money, when lending rates rise (as they did in the late '80s to quash inflation), the property market goes into recession, repossessions rise and prices fall. This time around, as I argued recently, there isn't the scope to raise interest rates without crashing the entire economy and bankrupting the nation. Hence, after a few feeble moves to raise the base rate, the Bank will throw up their hands and admit defeat and be obliged to let inflation run its course. Meanwhile, mortgage holders will, at least in part, have their debt paid off for them due to the spread between inflation and the lending rate: effectively, a kind of homebuying subsidy.

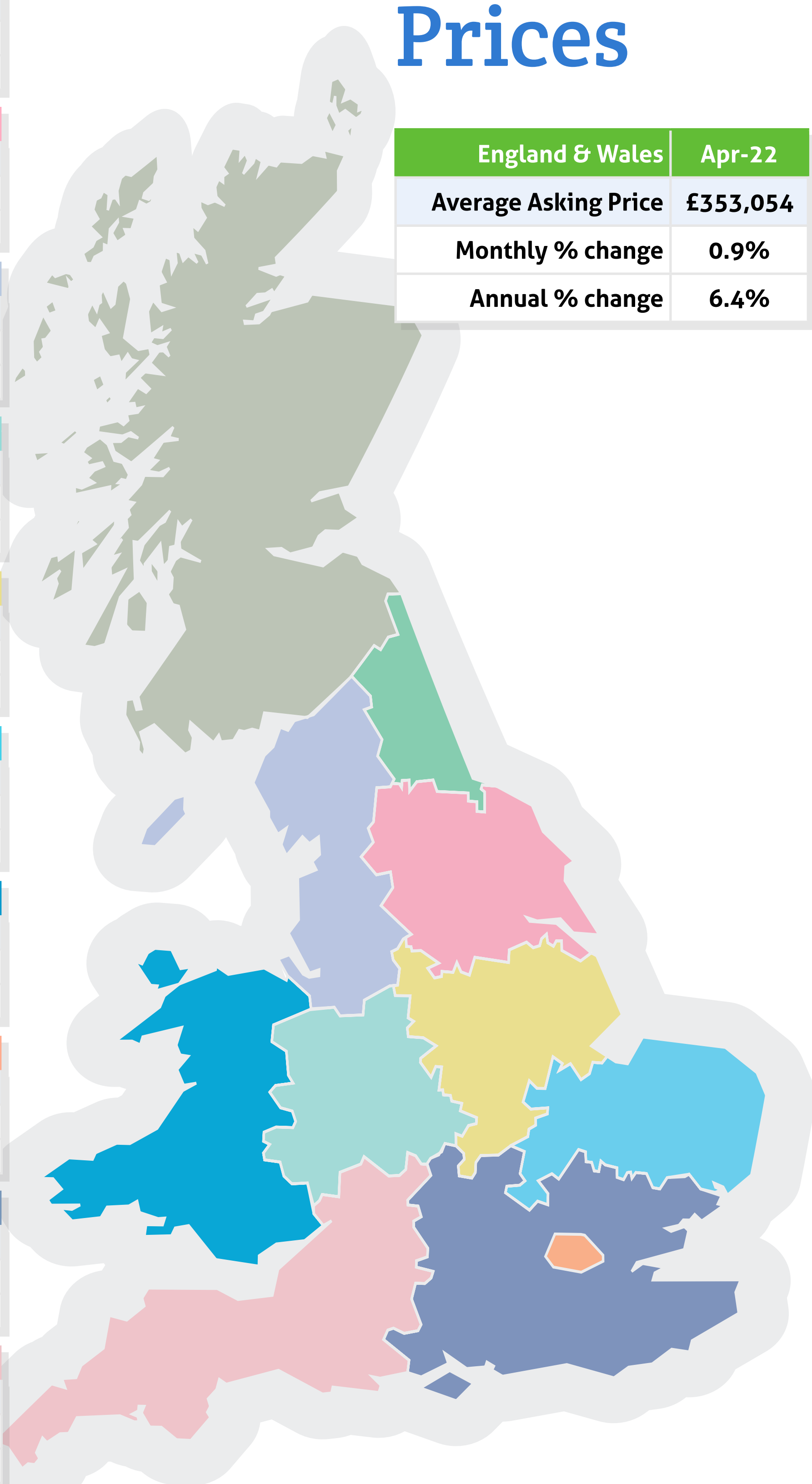
Once you understand that, you know that demand for property is not going to diminish. In fact, it may simply get stronger and stronger. An 80% LTV mortgage is a great deal right now when you consider that rising property values will broadly protect the value of the deposit while inflation will erode the outstanding debt at the rate of the difference between the mortgage interest rate and inflation (around 6% using RPI). This quirk of current economic policy is unprecedented in the economic history of the UK.

As for landlords, the only dark cloud on the horizon is the increasingly popular idea of introducing rent controls. As I mentioned before, their implementation was crippling for the lettings sector in the inflationary period of the 1970s. Indeed, it reduced the UK rental portfolio by a huge margin. Prudent landlords will therefore invest where rents are less likely to be controlled and where Airbnb style letting will not be banned. For the time being, London and Scotland appear to be prime targets and, perhaps unsurprisingly, both these areas are currently indicating lower demand and hence lower price growth. However, other locations such as Bristol and Wales may be gearing up to follow suit. Impeding the freedom of landlords to set and raise the rent for the properties they own and maintain effectively amounts to a partial nationalisation of the Private Rental Sector.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Apr-22
Average Asking Price	£353,054
Monthly % change	0.9%
Annual % change	6.4%



Scotland	Apr-22
Average Asking Price	£208,678
Monthly % change	0.3%
Annual % change	1.3%

North East	Apr-22
Average Asking Price	£182,483
Monthly % change	1.4%
Annual % change	5.2%

Yorks & The Humber	Apr-22
Average Asking Price	£236,283
Monthly % change	1.7%
Annual % change	4.3%

North West	Apr-22
Average Asking Price	£248,228
Monthly % change	1.4%
Annual % change	6.7%

West Midlands	Apr-22
Average Asking Price	£297,241
Monthly % change	1.3%
Annual % change	8.2%

East Midlands	Apr-22
Average Asking Price	£282,032
Monthly % change	1.4%
Annual % change	9.5%

East	Apr-22
Average Asking Price	£405,944
Monthly % change	0.5%
Annual % change	8.5%

Wales	Apr-22
Average Asking Price	£253,290
Monthly % change	0.6%
Annual % change	6.5%

Greater London	Apr-22
Average Asking Price	£554,434
Monthly % change	0.0%
Annual % change	2.4%

South East	Apr-22
Average Asking Price	£452,045
Monthly % change	1.2%
Annual % change	7.3%

South West	Apr-22
Average Asking Price	£378,817
Monthly % change	1.4%
Annual % change	9.6%

Source: Home.co.uk Asking Price Index, April 2022

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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	Apr-22
Average Time on Market	159
Typical Time on Market	55
2 year % supply change	-3%

Scotland	Apr-22
Average Time on Market	235
Typical Time on Market	57
Annual % supply change	7%

North East	Apr-22
Average Time on Market	151
Typical Time on Market	43
Annual % supply change	14%

Yorks & The Humber	Apr-22
Average Time on Market	127
Typical Time on Market	43
Annual % supply change	0%

North West	Apr-22
Average Time on Market	144
Typical Time on Market	51
Annual % supply change	5%

West Midlands	Apr-22
Average Time on Market	142
Typical Time on Market	46
Annual % supply change	-3%

East Midlands	Apr-22
Average Time on Market	107
Typical Time on Market	39
Annual % supply change	5%

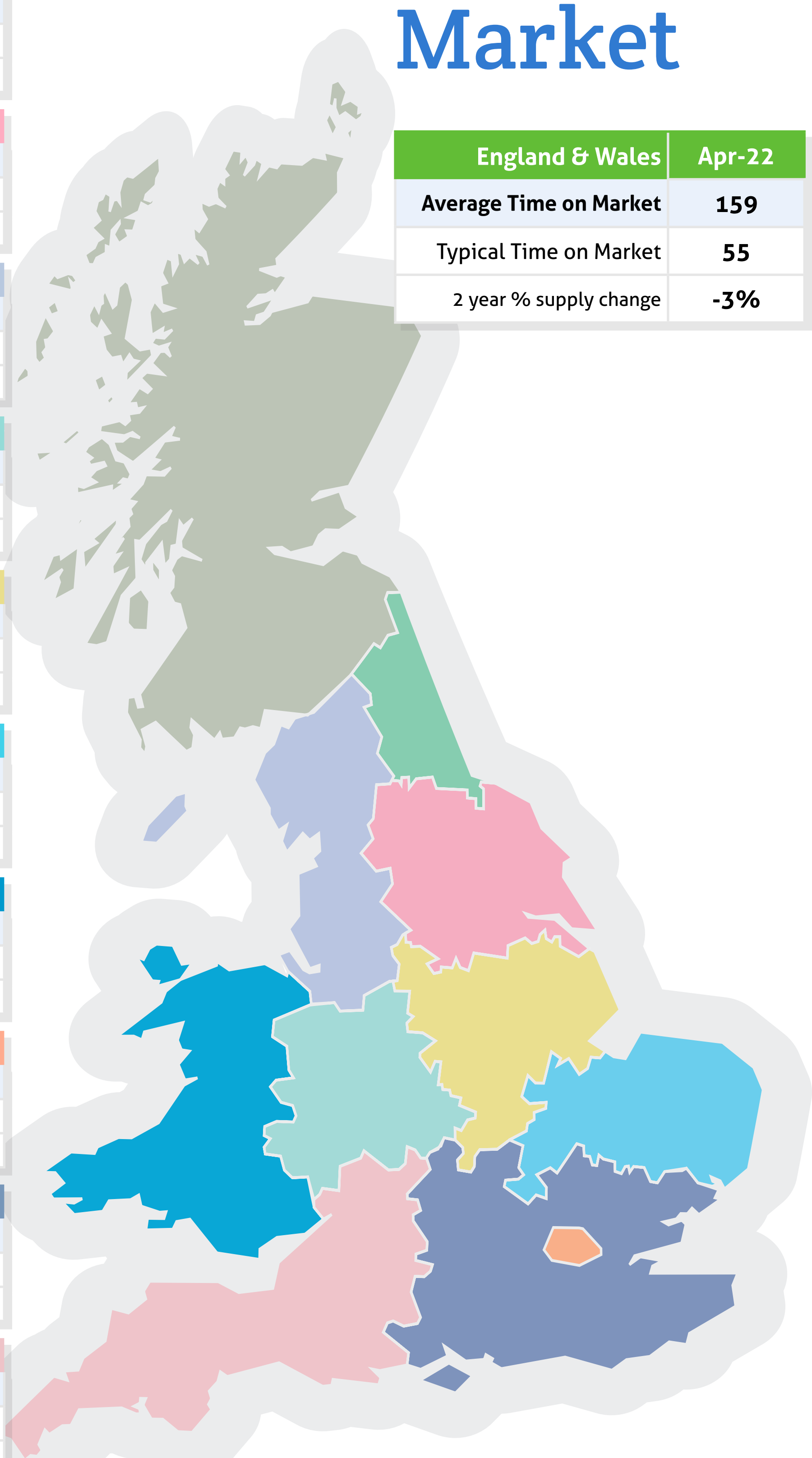
East	Apr-22
Average Time on Market	134
Typical Time on Market	48
Annual % supply change	-6%

Wales	Apr-22
Average Time on Market	158
Typical Time on Market	53
Annual % supply change	4%

Greater London	Apr-22
Average Time on Market	197
Typical Time on Market	77
Annual % supply change	-18%

South East	Apr-22
Average Time on Market	148
Typical Time on Market	50
Annual % supply change	-8%

South West	Apr-22
Average Time on Market	138
Typical Time on Market	43
Annual % supply change	-3%



Source: Home.co.uk Asking Price Index, April 2022. 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

- 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:

- **Thursday 12th May**
- **Wednesday 15th June**
- **Wednesday 13th July**