EMBARGOED UNTIL 12/08/22

Asking Price Index

Released 12/08/22 August 2022

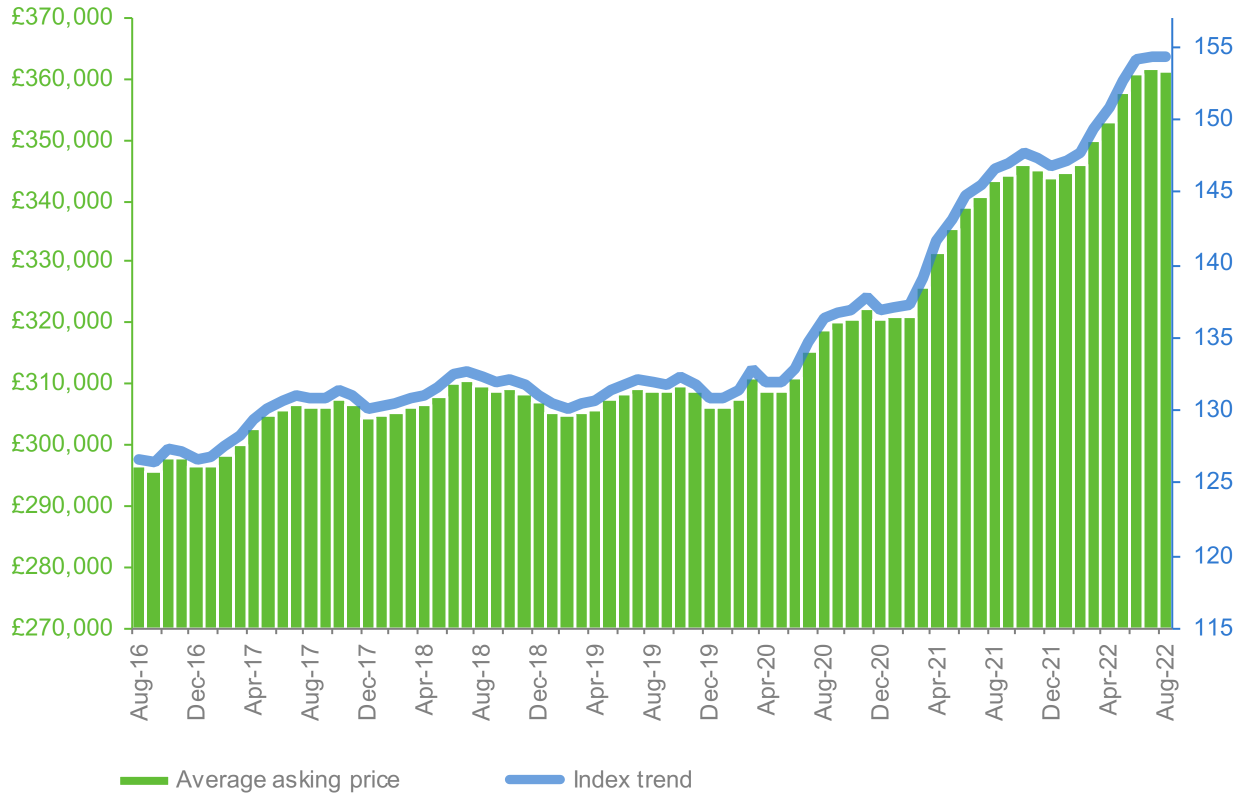
All Indicators Suggest Return to More Normal Market Conditions

Headlines

- Asking prices across England and Wales show no change overall since July, bringing the year-on-year rise to 5.2%, consistent with seasonal expectations.
- The total stock of property for sale in England and Wales continues to increase but remains a long way short of what might be considered normal. The stock total has been in a rising trend since the all-time low registered in January 2022.
- Typical Time on Market (median) for unsold property is 65 days, which is 12 days less than in August 2021, indicating that properties continue to move through the market at a near-record pace.
- Supply is up year-on-year, suggesting that record prices are tempting more vendors to commit. Nine per cent more properties were placed on the market last month compared to July 2021. Only Greater London showed no increase in supply, while the largest increase was found in the South West (up 17%).
- The South West property market now leads in annualised regional price growth (+8.7%), ahead of the previous leader, Wales (+8.4%).
- Meanwhile, monetary inflation increased further to 13.6% (RPI ex. housing), making real growth around -7.1% year-on-year and the real mortgage interest rate around -11%.[1]
- Greater London rent hikes continue. Demand continues to overwhelm a falling supply of available properties, pushing annualised rental growth to an astonishing 25.9%.
- Central London rents have risen the fastest over the last twelve months, led by Tower Hamlets (+41%), Southwark (+39%) and Merton (+38%) boroughs.
- Asking rent growth across the UK currently stands at 20.5% year-on-year as rents rise in every English region, Scotland and Wales.

[1] ONS figure for June 2022.

Home Asking Price Trend for England & Wales



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

Summary

Thus far, the UK property market has seemingly brushed aside the recent rise in the cost of mortgage lending and shows no major sign of a slowdown. Seasonality indicates that prices typically peak in July and this is consistent with more normal market conditions.

Typical Time on Market has been edging up from the record low set in April but remains very low by historic standards. Stock levels are also recovering from an acute record low set in January 2022 but remain much lower than the 5-year average. Monthly supply of new instructions shows an increase of 9% overall as record prices encourage more vendors, with the greatest increase being in the South West (where prices have risen the most over the last 12 months).

Thus, the expected recovery in sales stock is steadily occurring, along with a return to more normal market conditions following the buying frenzy last year that was triggered by artificial stimuli, but the same cannot be said of the rental sector. In fact, the number of properties available for rent is in decline overall (down 27% over the last 12 months). This is due mainly to the steep decline in Greater London which is down by 51% over the same period. The effect of this lettings drought on Greater London rents is plain to be seen with annualised hikes averaging 25.9%, but much higher than that in the more central boroughs.

Given that rental yields are rising, we expect demand for UK property to remain high and perhaps rise into 2023 as investors (especially corporate investors who can sidestep Capital Gain Tax more effectively) seek the relatively safe returns afforded by bricks and mortar, facilitated by negative real interest rates.

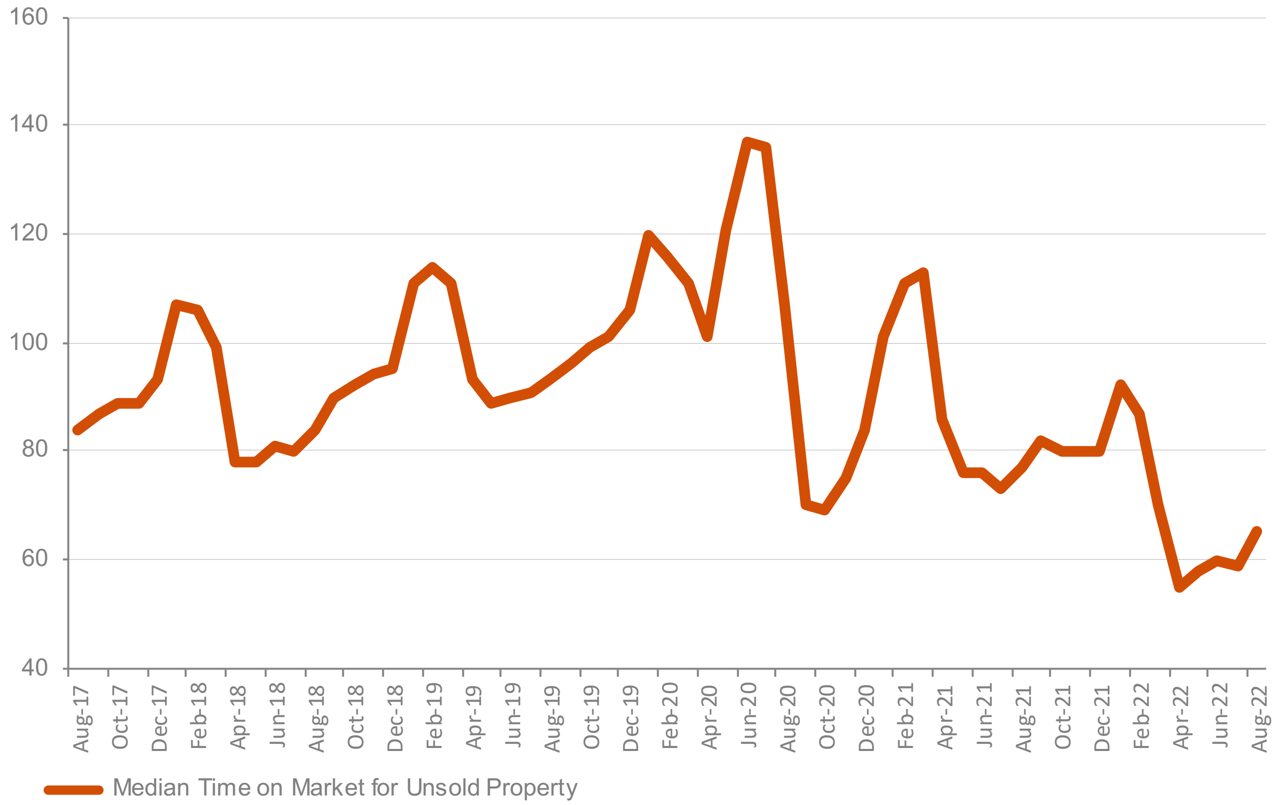
The annualised mix-adjusted average asking price growth across England and Wales is now at 5.2%; in August 2021, the annualised rate of increase of home prices was 7.6%.

Overview

Again, the property pundits are talking of a slowdown of the UK property market with little evidence to back up the claim. Ignoring seasonality leads to the false conclusion that growth has topped out, but the reality is that the market is recovering from the perilous overheating that occurred last year triggered by government intervention. Higher prices have elicited some more sellers, as is normal by any understanding of classical economics, but the market is far from flooded. On the contrary, the overall stock levels remain very low compared to the average for the last five years. Moreover, *real mortgage interest rates* are still hugely negative and, given the poor performance of the stock market, investors are increasingly looking for safe-haven assets.

It is important to note that the return to more normal market conditions is occurring slowly and the process is not happening at the same rate across all regions. Our first chart clearly shows that, despite a recent

Typical Time on Market, England and Wales



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

uptick, the Typical Time on Market is very low compared to the recorded performance across the last five years. A true slowdown would put this figure north of 100 days as was apparent in the wake of the 2008 financial crisis.

Regional Roundup

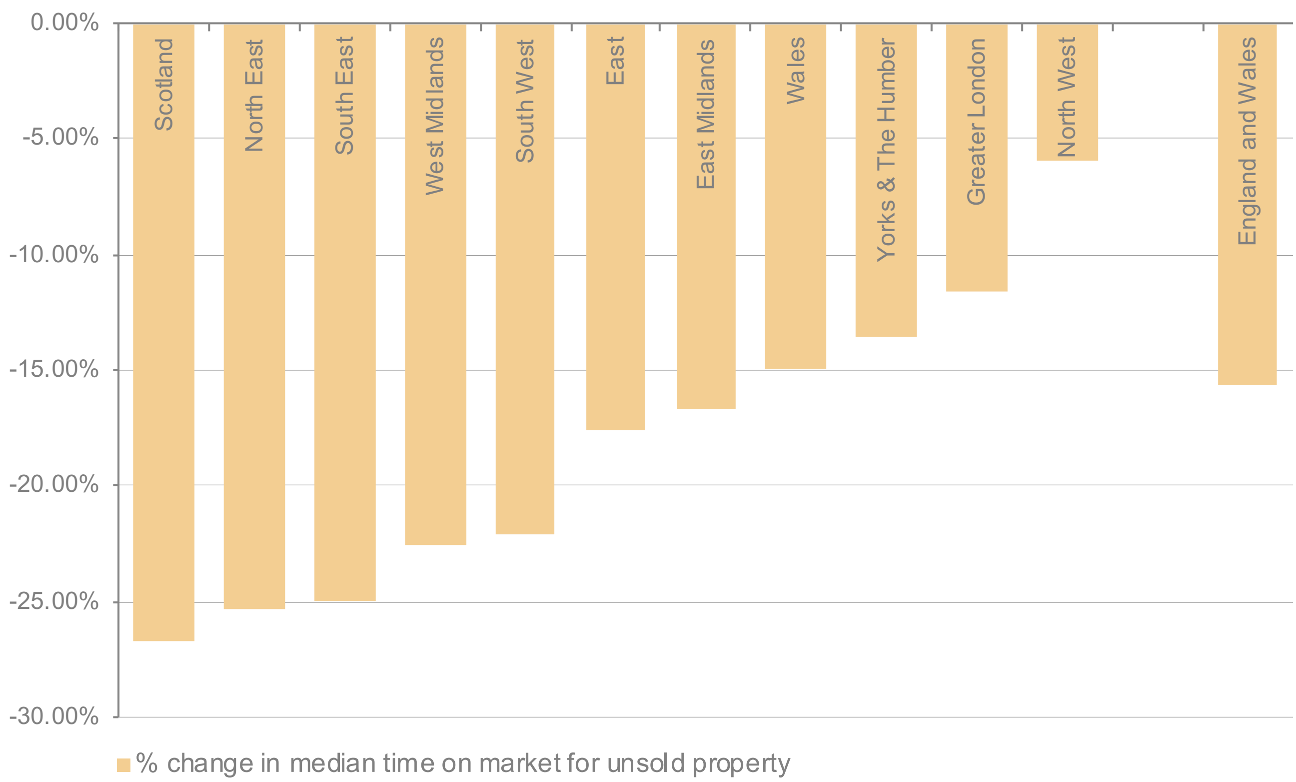
Our second chart presents the change in Typical Time on Market by region compared to a year ago. First thing to note is that every regional market is still outpacing their August 2021 performance. Furthermore, the data shows that unsold property is still typically spending considerably less time on the market than it was a year ago in every single English region, Scotland and Wales.

Whilst there was no overall change in the average price for England and Wales, prices did rise in two of the English regions (the North West and West Midlands) and in Wales over the last month. There was no change in the East Midlands and only marginal falls in the South East and South West (see map). The month-on-month falls in the remaining English regions were small and in line with seasonal expectations. Scotland showed the only major fall (-0.9%), albeit this is somewhat at odds with the rapidity of the market north of the border and is therefore unlikely to be anything more serious than a mere price correction after six months of rapid growth.

Stock Levels

To understand the overall relative scarcity despite the recent recovery in stock levels, we again present the longer-term chart using ten years of data. Stock levels remain well

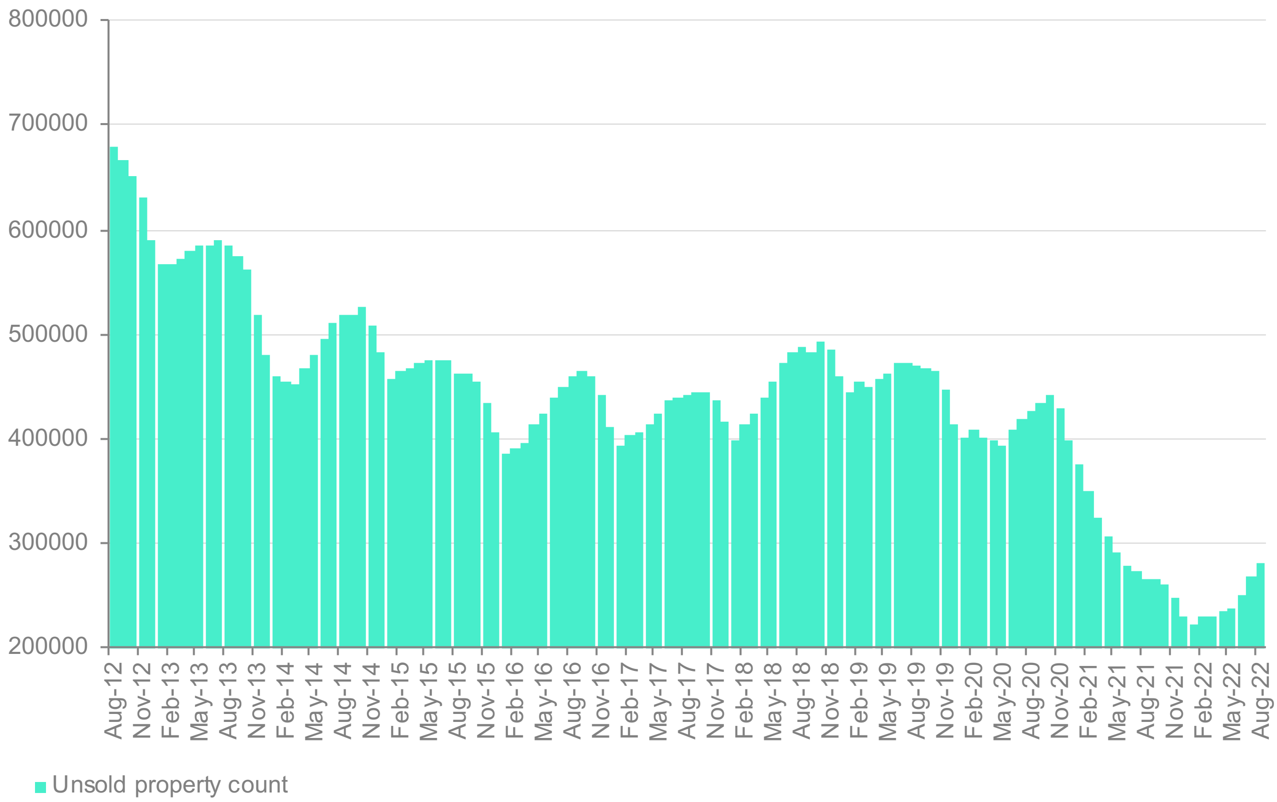
% Change in Typical Time on Market, August 2022 vs. August 2021



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

below the average set over the last decade. Stock totals are returning to more 'normal' levels, but it will be some time before they actually do (between 400,000 and 500,000 properties). For this to occur, supply will have to increase rapidly and demand must fall significantly. Given the relatively small increase in mortgage costs (the latest 0.5% rise by the Bank of England equates to around an additional £100 per month on an outstanding mortgage debt of £250,000), demand will not be significantly dented. Bear in mind that even a stretched borrower of £250K, where the loan is 4x income, will have a salary of £5,200 per month.

Total Stock of Property for Sale, England and Wales



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

"Property is still looking like a good bet in an increasingly uncertain world, especially when we consider that real interest rates are highly negative, which means that inflation will erode the outstanding mortgage debt. I simply can't make this point more strongly.

The Bank of England, despite all its recent incompetence and tough talk of combatting inflation, has no intention of crashing the UK housing market (the goose that lays the golden eggs). The latest rate rise has shored up the value of the pound and that's all that is really required when the cause of inflation is mainly 'cost push' and not 'demand pull' i.e. it's imported energy, food and raw materials that have been rising rapidly and UK interest rates have no effect on those prices. However, these world prices are now falling back and, over time, this will filter through to the consumer, an important point made by Professor Blanchflower who, until 2009, sat on the Bank's Monetary Policy Committee (MPC).

As I predicted before, after scaring the living daylights out of everyone with talk of raising rates to crippling levels, the Bank will most likely do a U-turn and then claim credit for 'saving the economy'. Sorry if that sounds cynical but it's pretty much par for the course these days.

In the meantime, the Bank will take advantage of the opportunity to offload some of the government bonds it purchased during more than a decade of quantitative easing (which incidentally doubled during the COVID pandemic), with a £40 billion ($49 billion) sales programme likely to start next month, as reported by David Milliken writing for Reuters.

So, if we take the Bank's most hawkish comments seriously and they do indeed move rates up to 3% and trigger a recession, what will the fallout be for the UK property market? 'Nothing too serious' is the simple answer. Sure, there may be an uptick in repossessions but that will be from a very low base. Price growth will slow but that was already inevitable in the wake of the frenzied buying last year following the stamp duty holiday and other stimulus measures.

Bear in mind that the 3% mortgage interest rate rise stress test imposed by the Bank of England had been in place until only last month when it was dropped. (The Bank argued that income multiple rules were sufficient.) So, just about all current mortgage holders have passed this test, ergo, not a problem. One might argue that energy and fuel bills are putting the biggest squeeze on household budgets, but that is mainly a problem for renters and the retired (many of whom own their homes outright). On the other hand, according to the latest measure, wage growth is at 6.1% (inc. bonuses) which is actually ahead of home asking price growth.

Don't be fooled by the doomsters. Wise investors will use this lower growth period as a window of opportunity to secure rentable properties with freebie loans (negative real interest rates), all the while focused on substantial and improving rental yields."

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Aug-22
Average Asking Price	£361,262
Monthly % change	0.0%
Annual % change	5.2%

Scotland	Aug-22
Average Asking Price	£214,756
Monthly % change	-0.9%
Annual % change	2.1%

North East	Aug-22
Average Asking Price	£185,924
Monthly % change	-0.4%
Annual % change	4.5%

Yorks & The Humber	Aug-22
Average Asking Price	£244,749
Monthly % change	-0.2%
Annual % change	5.7%

North West	Aug-22
Average Asking Price	£257,436
Monthly % change	0.3%
Annual % change	8.2%

West Midlands	Aug-22
Average Asking Price	£305,321
Monthly % change	0.5%
Annual % change	6.7%

East Midlands	Aug-22
Average Asking Price	£289,801
Monthly % change	0.0%
Annual % change	7.1%

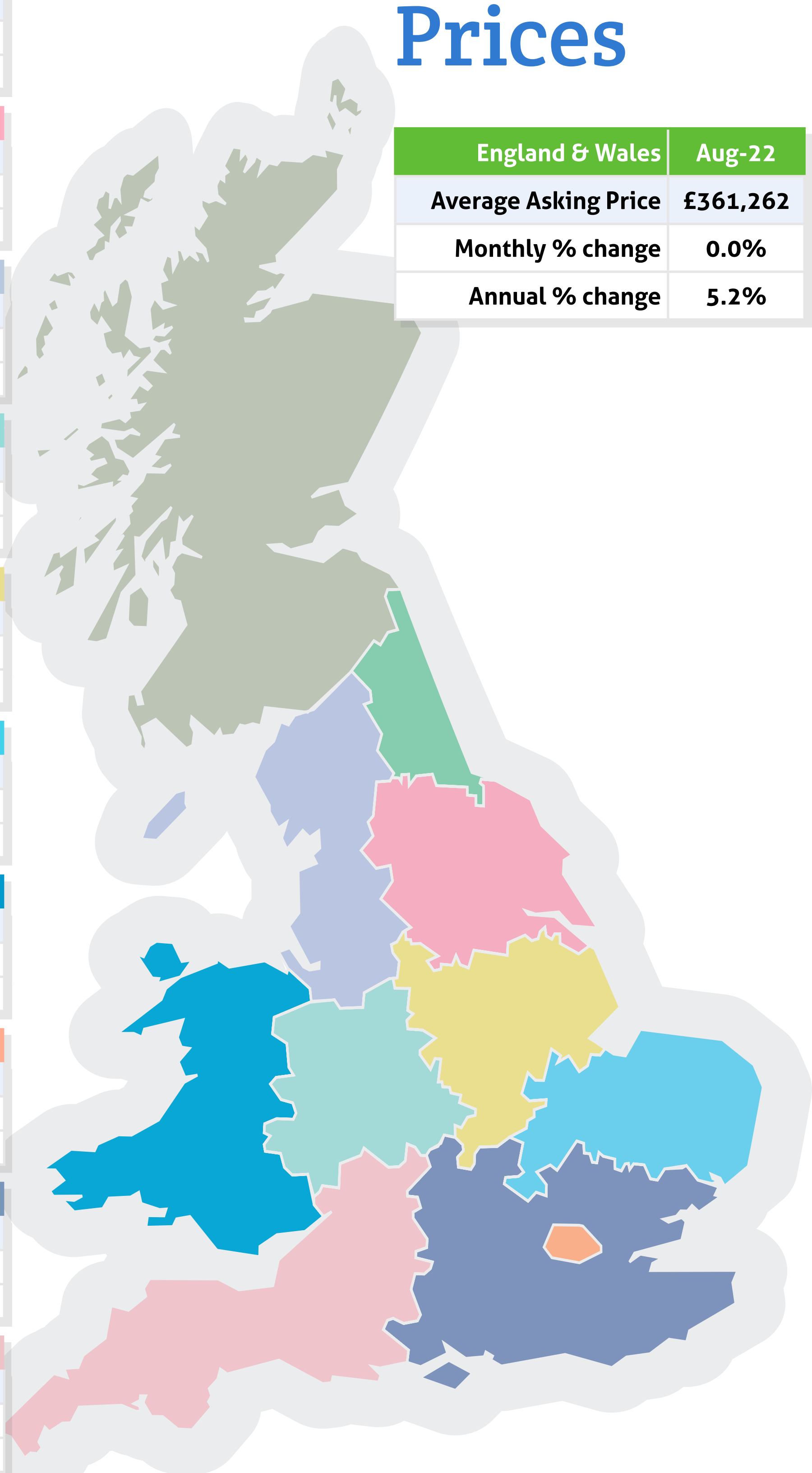
East	Aug-22
Average Asking Price	£413,109
Monthly % change	-0.3%
Annual % change	5.1%

Wales	Aug-22
Average Asking Price	£265,717
Monthly % change	0.2%
Annual % change	8.4%

Greater London	Aug-22
Average Asking Price	£561,916
Monthly % change	-0.2%
Annual % change	2.3%

South East	Aug-22
Average Asking Price	£456,946
Monthly % change	-0.1%
Annual % change	3.5%

South West	Aug-22
Average Asking Price	£393,205
Monthly % change	-0.1%
Annual % change	8.7%



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

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

Scotland	Aug-22
Average Time on Market	202
Typical Time on Market	52
Annual % supply change	4%

North East	Aug-22
Average Time on Market	143
Typical Time on Market	56
Annual % supply change	6%

Yorks & The Humber	Aug-22
Average Time on Market	119
Typical Time on Market	51
Annual % supply change	9%

North West	Aug-22
Average Time on Market	142
Typical Time on Market	63
Annual % supply change	7%

West Midlands	Aug-22
Average Time on Market	136
Typical Time on Market	55
Annual % supply change	10%

East Midlands	Aug-22
Average Time on Market	103
Typical Time on Market	50
Annual % supply change	13%

East	Aug-22
Average Time on Market	127
Typical Time on Market	56
Annual % supply change	10%

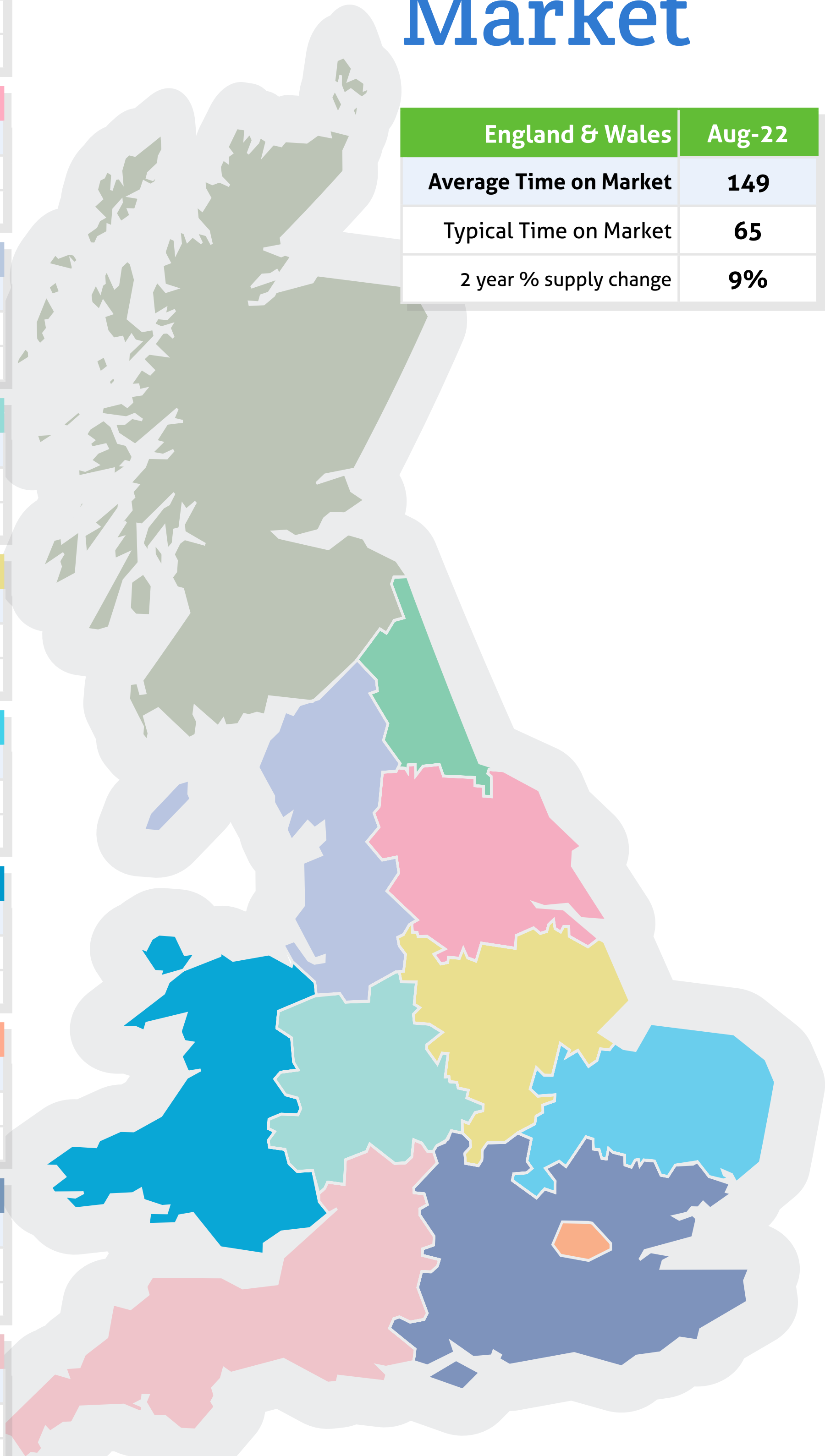
Wales	Aug-22
Average Time on Market	137
Typical Time on Market	57
Annual % supply change	11%

Greater London	Aug-22
Average Time on Market	190
Typical Time on Market	84
Annual % supply change	0%

South East	Aug-22
Average Time on Market	136
Typical Time on Market	57
Annual % supply change	12%

South West	Aug-22
Average Time on Market	126
Typical Time on Market	53
Annual % supply change	17%

England & Wales	Aug-22
Average Time on Market	149
Typical Time on Market	65
2 year % supply change	9%



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

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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 14th September**
- **Wednesday 12th October**
- **Wednesday 16th November**