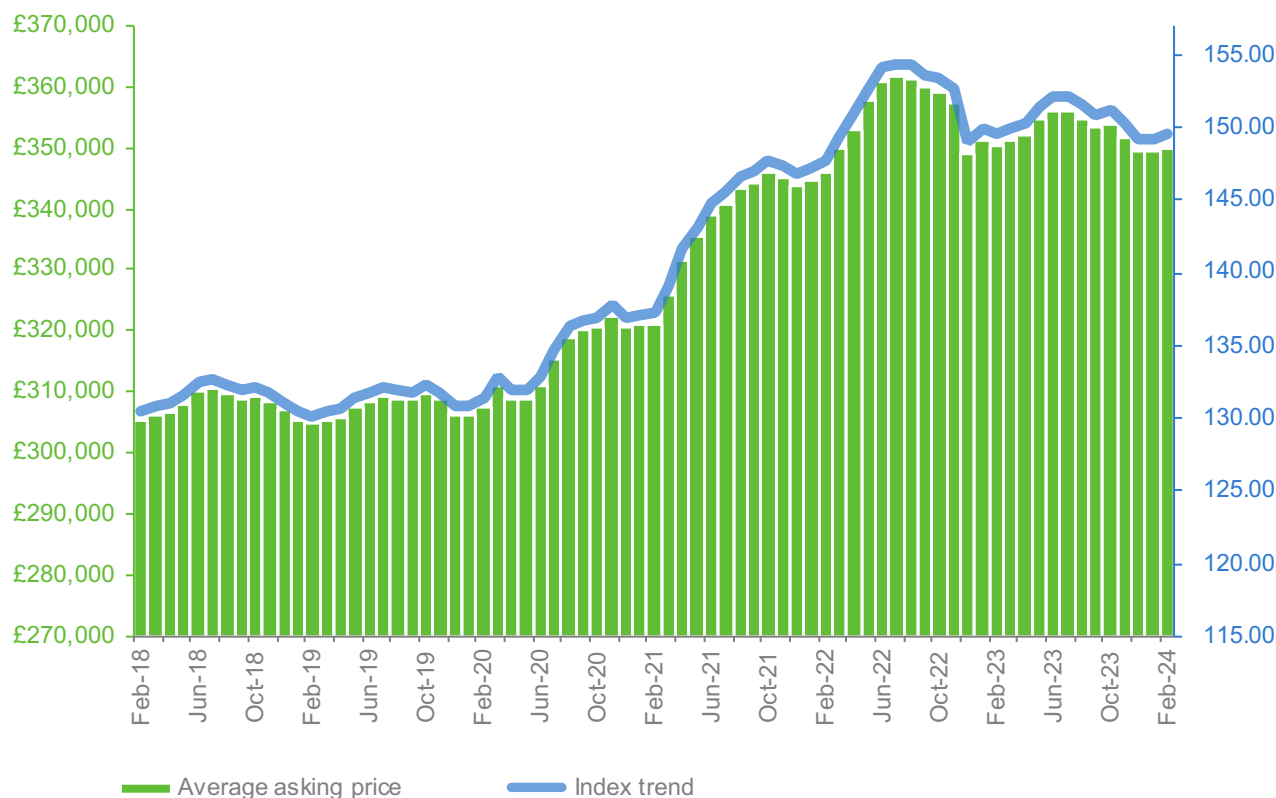


Spring Optimism Permeates the Market

Headlines

- Asking prices show a spring lift of 0.2% since last month across England and Wales but are down year-on-year, albeit by a mere 0.1% vs. Feb 2023.
- Prices rose in six English regions and Scotland and Wales during the last month, indicating significant vendor optimism. Prices slipped marginally in just three regions, namely Greater London, the East Midlands and the South West.
- The total sales stock count for England and Wales has risen in line with seasonal expectations. The current total of unsold property is 440,674, around 16,800 more than last month.
- The number of new instructions entering the market during January 2024 was 14% more than during January 2023. This jump may be explained by greater current optimism when compared to the market chaos caused by the doomed Truss-Kwarteng mini-budget. Compared to pre-COVID January 2019, supply is slightly down (by 2%).
- The Typical Time on Market for unsold property in England and Wales remains unchanged since January, again typical for the time of year. The current median is 112 days; in pre-COVID February 2020, the same measure was 116 days.
- The North West remains the regional property market growth league table leader with a year-on-year gain of 3.9%. The East Midlands replaces the East of England as the worst performer at -2.1%.
- Rent growth across the UK continues to slow, dragged down by London, reducing the annualised change to just +3.8%. The North East is now the regional leader in rental growth at +14.1% year-on-year. Greater London rents continue to decline (-3.4%), making it the worst performing region due to oversupply of property to let.
- Rents continue to fall in the more expensive central boroughs. Growth in the capital has become increasingly negative overall and a total of thirteen prime boroughs now show year-on-year falls in asking rents, up from twelve last month. The worst performer is Kensington and Chelsea with a year-on-year decline of 11.9%.

Home Asking Price Trend for England & Wales



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

Summary

Home prices enjoy a spring lift in line with seasonal expectations as the market picks up pace. Pricing suggests cautious optimism on the part of vendors and expectations of rising demand. Stock levels remain relatively low when compared to 2019 and other pre-COVID years, and this provides positive support for pricing. Annualised growth in home market values for England and Wales was notably absent overall in 2023 but the stage is now set for a return to capital appreciation. The northern regions and Wales and Scotland are already ahead of the curve in this respect.

2023 was a difficult and worrisome year for the property market and consequently many potential buyers stayed

away, choosing to wait and see. There is reason, therefore, to believe that at least some of this pent-up demand will be unleashed on the market this year. Current Typical Time on Market figures are consistent with pre-COVID years and we expect large reductions in marketing times in March and April.

At the regional level, Typical Time on Market figures indicate that the North of England, Scotland and Wales all continue to thrive, with activity over and above the pre-COVID years. Moreover, this enhanced momentum correlates closely with positive annualised price growth in those regions.

Greater London, the South East and South West regions now show an improvement in their respective marketing times compared to 2019, therefore



paving the way towards price growth. We expect the East of England and the Midlands to follow suit in due course.

Asking rents continue to show positive annualised growth in all regions except Greater London. Oversupply in the UK’s largest rental market has pushed the mix-adjusted average down 3.4% year-on-year. Longer marketing times in the South East, East of England, East Midlands and Scotland indicate that further significant growth is unlikely.

UK asking rents are currently 3.9% above their February 2023 reading.

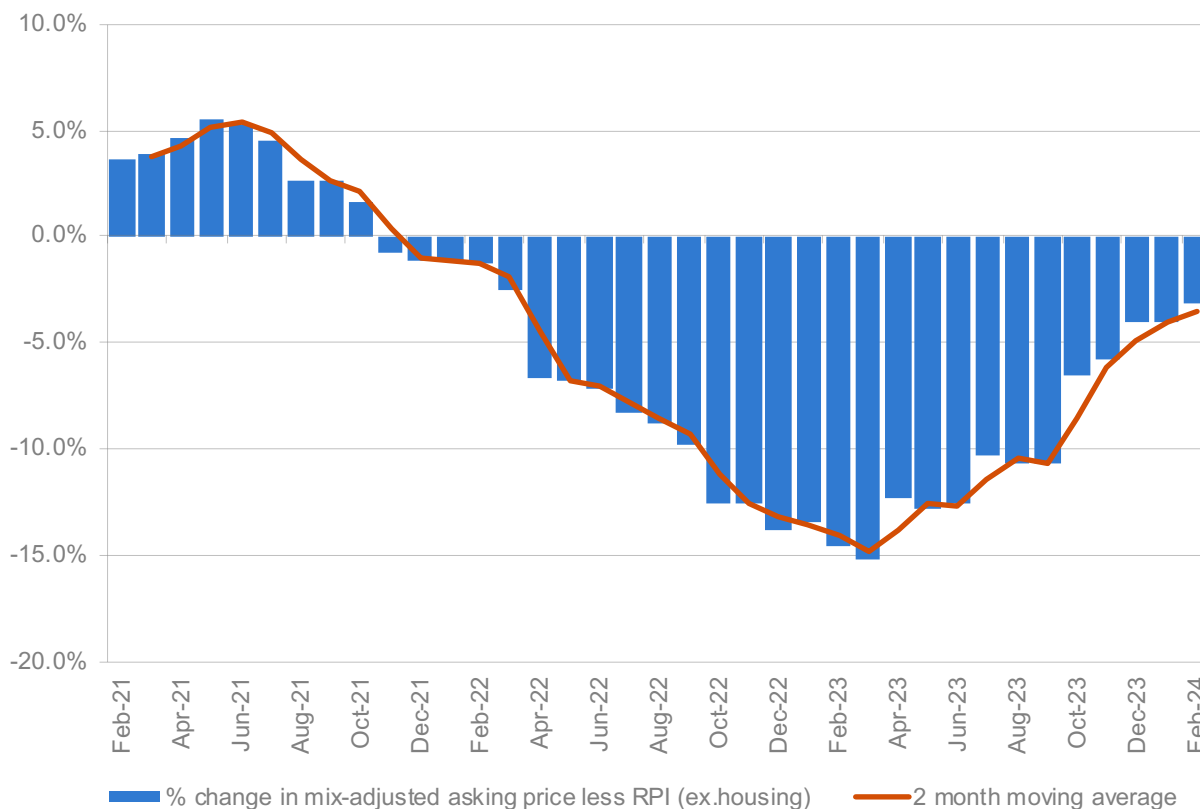
The annualised mix-adjusted average asking price growth across England and Wales is now -0.1%; in February 2023, the annualised rate of increase of home prices was 1.3%.

Home prices are edging up overall as we head towards the best part of the

year to sell. Both supply and demand appear to have returned to pre-COVID levels. Moreover, demand may well increase over the coming months as previously hesitant buyers enter the market. This would be a reassuring development which may offer the prospect of modest growth later this year.

Indeed, the UK property market has been through a difficult time since the summer of 2022, but potential buyers will be encouraged that prices have stabilised in most regions. Naturally, confidence is returning and expectations are that activity should return to normal, unless there is another market shock such as the Truss-Kwarteng mini-budget. For the time being, mortgage rates are relatively stable and, although more expensive, such loans are in fact affordable to many. What is clear is that a return

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, February 2024 and ONS [RPI ex. housing]. Inflation for January and February are our estimates (3.5% and 3.0% respectively).



to the ultra-cheap mortgage rates of the COVID boom is not on the cards now or in the foreseeable future, according to the two-year swap rate proxy. The market continues to adapt, as it always does, to changes in mortgage rates.

Moreover, it's worth remembering that current mortgage rates are lower than they were for thirty years prior to the financial crisis of 2008. Also worth noting is that asking prices have increased by 14.9% overall during the last five years, despite recent falls in several regions. In short, the market is in good shape when compared to most of the last half century.

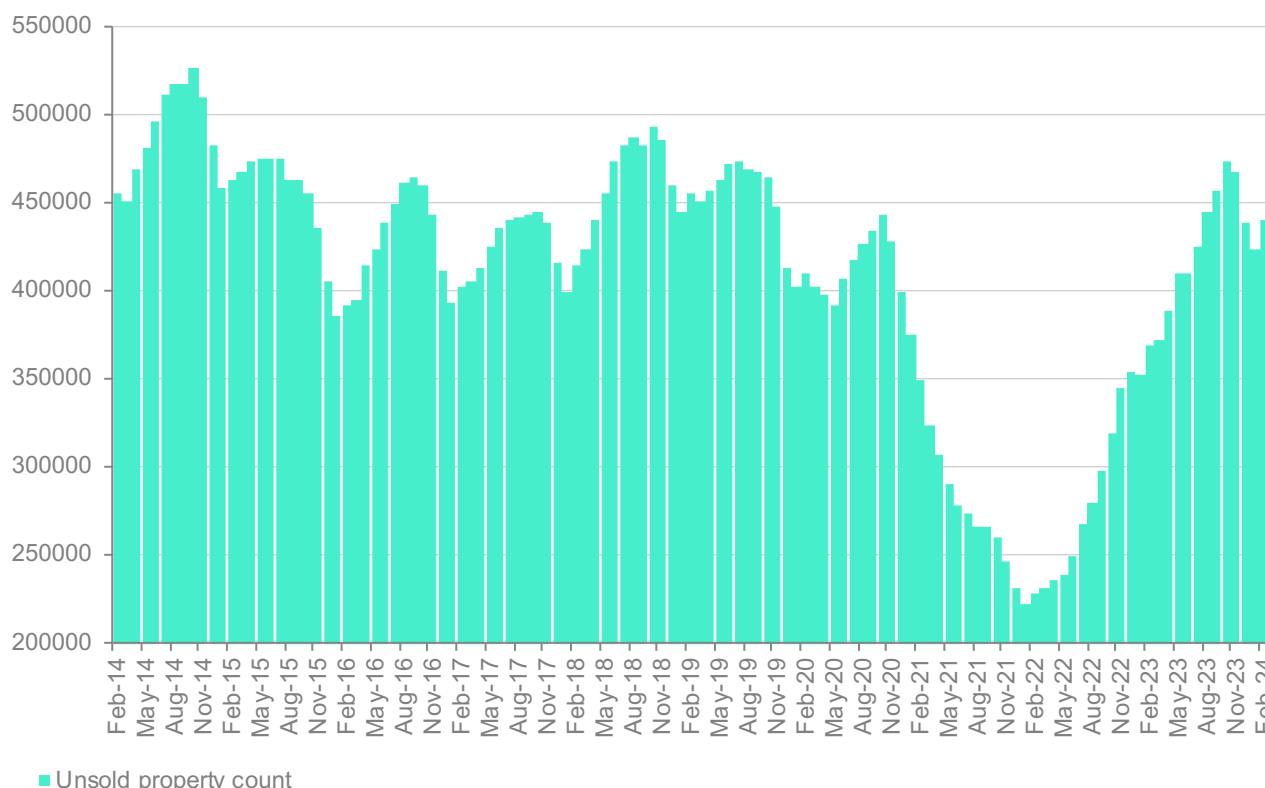
Of course, to be a real store of value, property prices must increase at an equal or greater rate than monetary inflation. The current rate of inflation, CPI or RPI,

is around 4%. Northern regions are already showing growth comparable to this figure but it will require significant improvements in London and the southern regions for overall growth to reach this recovery milestone. A tall order, perhaps, but it's much more possible this year than last, as a cut in mortgage rates before midsummer may virtually guarantee this scenario (see quote).

Stock Levels

Stock levels are once again following the long-established seasonal pattern in contrast to the massive market distortion that occurred during the COVID boom. The expected seasonal low was hit last month and the typical spring surge in new listings came in right on time this month. Moreover, the current stock of

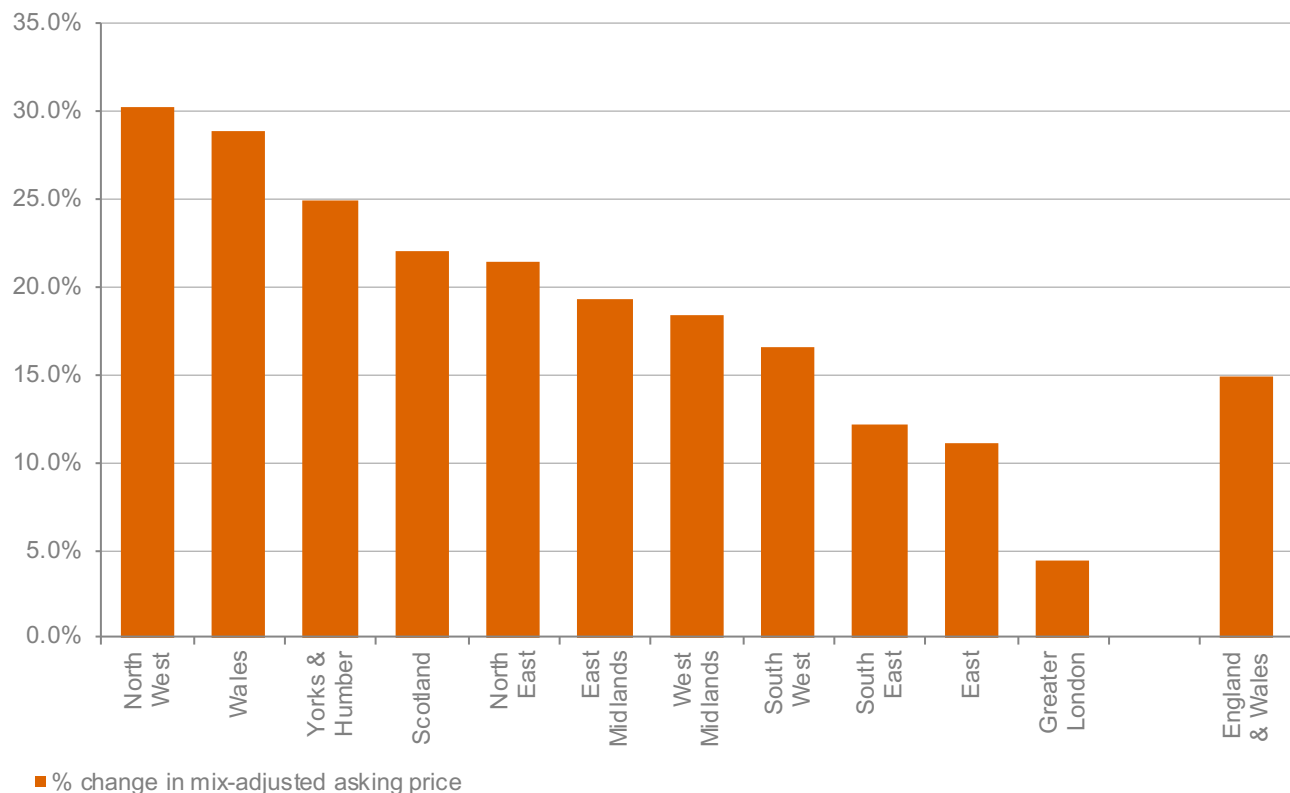
Total Stock of Property for Sale, England and Wales



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



5-year Regional Price Growth, Feb 2024 vs. Feb 2019



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

unsold property on the market is well within the range indicated during the six years prior to the pandemic and serves as a clear indication that the market is operating within normal bounds.

This data should serve to reassure both vendors and buyers going forward. Seasonal expectations lead us to expect that the total of unsold properties on the market will continue to increase steadily until it reaches a maximum around September/October.

Regional Roundup

Looking at regional price growth over the last five years, it is clearly apparent that the northern English regions, Wales and Scotland benefitted most from the COVID boom, while London and surrounds fared worst. Moreover,

far from being a flash in the pan, these top regional performers continue to post the highest annualised growth rates. The current leader is the North West, over both 5-year and 1-year timescales. This stunning performance continues with the region adding 0.5% to the average asking price since last month.

The underperformance of London, the East of England and the South East over the last five years is quite remarkable. However, such trends rarely continue for long in the property market and what is apparent is that there is plenty of room for price growth in the capital region. Looking at regional price performance over the last 12 months (see map), it is the East Midlands that is the current laggard, having lost 2.1% since Feb 2023.

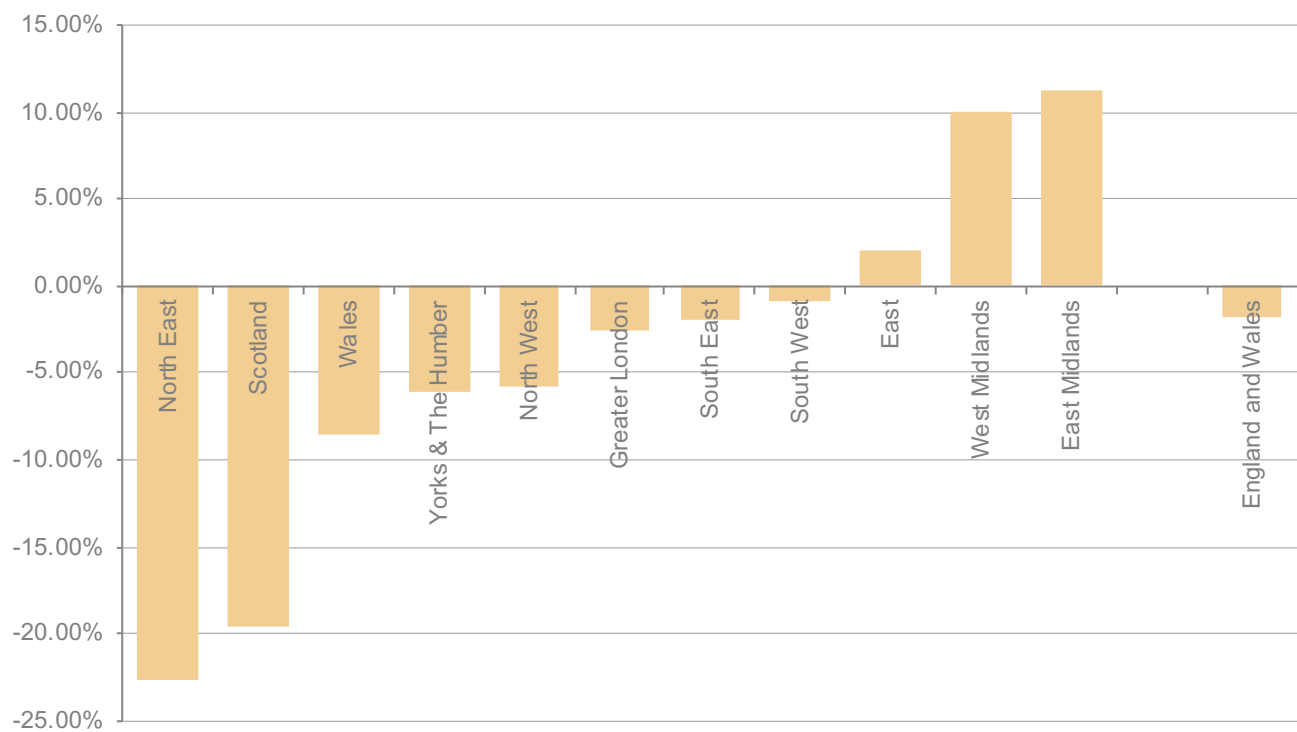
Regional Time on Market

The change in Typical Time on Market at the regional level since pre-COVID Feb 2019 serves to underline the increased vigour of the northern English markets and those of Scotland and Wales. The North East has undergone a complete transformation from the worst perform-

ing region for many years following the financial crisis to one of the very best in terms of growth and momentum.

It is also interesting to note that London and the South East indicate a slightly better marketing time performance now than they did back in February 2019. Falls in Typical Time on Market are usually a prelude to price growth.

% Change in Typical Time on Market, Feb 2024 vs. Feb 2019



■ % change in median time on market for unsold property

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



“ The market is clearly on a much firmer footing now than in February 2023.

As I mentioned last month, we could see a steady return to growth this year that would complete the market recovery if the government doesn't mess it up by trying to borrow and spend too much before the election.

There's now much more talk of a cut in interest rates which would certainly help the flagging economy (especially the property market) and be well received by the electorate. Let's face it, there are more borrowers than savers these days. A City AM poll of economists suggests that the Bank of England could cut interest rates as early as May.

Chris Dorrell writes in City AM: 'At the beginning of the year, markets were betting that the Bank would start cutting rates in March, but a surprise rise in inflation and comments from members of the Monetary Policy Committee has pushed those bets back. Nevertheless, it is increasingly certain that cuts are coming. Although Threadneedle Street left rates on hold last week, policymakers opened the door to cutting rates later in the year.

'Andrew Bailey, the Bank's governor, noted the "good news" on inflation while Huw Pill, the Bank's chief economist, suggested rate cuts were a "when rather than an if." The dovish pivot came after a sharp fall in inflation over the final quarter of last year.

'The Bank's November round of forecasts predicted that inflation would only have fallen to 4.6 per cent by the end of 2023. Despite December's surprise uptick, inflation ended the year

at four per cent. Other measures, such as wage growth and services inflation, have also seen more progress than the Bank expected in November.



'Although inflation is likely to rise slightly in January, the Bank now thinks inflation will return to two per cent in the second quarter of this year, aided by a sharp fall in energy prices. Economists largely agree, with over 70 per cent predicting it will fall to target in the spring.'

The Bank has long been criticised for steering by the rear-view mirror and we may well be about to see a too little, too late situation due to Bank inaction as the economy slumps. Chris Dorrell continues: 'Some economists raised concerns the Bank would be too sluggish in responding to the slowdown in inflation. "It tightened policy too late when inflation spiked and now keeping rates elevated for too long risks needlessly squeezing an already flagging economy," one said.'

Even a small cut in interest rates sooner rather than later would go a long way towards restoring confidence in the UK property market. Action speaks louder than words but will the Old Lady of Threadneedle Street just sit on her hands once again?

Doug Shephard
Director at [Home.co.uk](https://www.home.co.uk)



UK Asking Prices

Scotland	Feb-24
Average Asking Price	£225,138
Monthly % change	1.1%
Annual % change	3.1%

North East	Feb-24
Average Asking Price	£191,039
Monthly % change	0.3%
Annual % change	2.4%

Yorks & The Humber	Feb-24
Average Asking Price	£244,686
Monthly % change	0.3%
Annual % change	1.4%

North West	Feb-24
Average Asking Price	£264,723
Monthly % change	0.5%
Annual % change	3.9%

West Midlands	Feb-24
Average Asking Price	£296,372
Monthly % change	0.4%
Annual % change	0.1%

East Midlands	Feb-24
Average Asking Price	£277,964
Monthly % change	-0.1%
Annual % change	-2.1%

East	Feb-24
Average Asking Price	£389,694
Monthly % change	0.3%
Annual % change	-1.9%

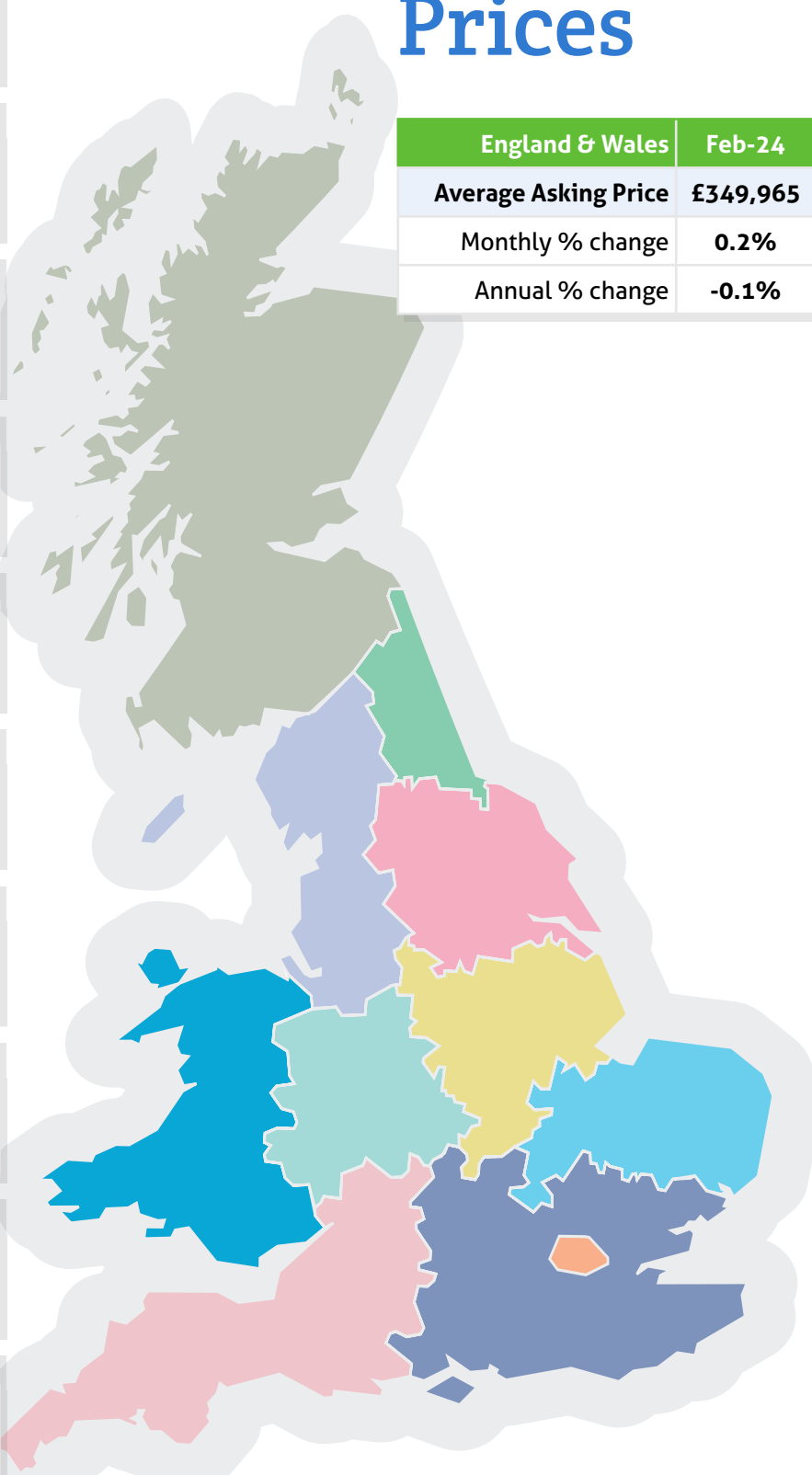
Wales	Feb-24
Average Asking Price	£265,259
Monthly % change	0.5%
Annual % change	3.3%

Greater London	Feb-24
Average Asking Price	£537,605
Monthly % change	-0.2%
Annual % change	-1.0%

South East	Feb-24
Average Asking Price	£438,443
Monthly % change	0.3%
Annual % change	-0.3%

South West	Feb-24
Average Asking Price	£371,439
Monthly % change	-0.1%
Annual % change	-1.2%

England & Wales	Feb-24
Average Asking Price	£349,965
Monthly % change	0.2%
Annual % change	-0.1%



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



UK Time on Market

Scotland	Feb-24
Average Time on Market	211
Typical Time on Market	111
Annualised % supply change	17%

North East	Feb-24
Average Time on Market	170
Typical Time on Market	106
Annualised % supply change	14%

Yorks & The Humber	Feb-24
Average Time on Market	159
Typical Time on Market	107
Annualised % supply change	14%

North West	Feb-24
Average Time on Market	175
Typical Time on Market	114
Annualised % supply change	12%

West Midlands	Feb-24
Average Time on Market	171
Typical Time on Market	109
Annualised % supply change	15%

East Midlands	Feb-24
Average Time on Market	160
Typical Time on Market	109
Annualised % supply change	10%

East	Feb-24
Average Time on Market	161
Typical Time on Market	102
Annualised % supply change	13%

Wales	Feb-24
Average Time on Market	191
Typical Time on Market	129
Annualised % supply change	13%

Greater London	Feb-24
Average Time on Market	210
Typical Time on Market	113
Annualised % supply change	10%

South East	Feb-24
Average Time on Market	166
Typical Time on Market	103
Annualised % supply change	16%

South West	Feb-24
Average Time on Market	163
Typical Time on Market	109
Annualised % supply change	18%

England & Wales	Feb-24
Average Time on Market	178
Typical Time on Market	112
Annualised % supply change	14%

Source: Home.co.uk Asking Price Index, February 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 13th March
- Friday 12th April
- Wednesday 15th May