



Asking Price Index

Released 16/06/20 June 2020

The Market Reanimates: Vendors Return with Higher Prices

Headlines

- Supply of new sales instructions ticks up across the UK in May (but is only 43% of the May 2019 total) as the lockdown eases.
- Vendors braving the market are confident and are pricing much higher, safe in the knowledge that supply is very low.
- Consequently, the mix-adjusted average for England and Wales has jumped 0.7% since the May reading.
- The North West and Yorkshire show confident price hikes of 1.5% and 1.3% respectively since last month.
- The supply rate of new instructions has recovered the most in London and the least in Scotland.
- The best-performing regions, the North West and Yorkshire, show the lowest rises in Typical Time on Market aside from London and have year-on-year price growth comfortably surpassing that of monetary inflation (3.4% and 3.2% respectively).
- The total sales stock on the market across England and Wales has increased slightly since last month but is still significantly down; 14% year-on-year.
- East of England remains the UK's worst-performing region with the average asking price 1.7% lower than twelve months ago, although a jump of 0.9% this month shows that confidence is rapidly returning.
- Supply in the rental sector across the UK recovers slightly but remains 15% down year-on-year.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, June 2020, Indexed to May 2004 (Value =100).



Summary

Vendors are re-entering the market and, most remarkably, they are pricing higher. Counter to the doom and gloom that has dominated the media recently, vendors who have been brave enough to place their properties on the market are showing considerable confidence and less caution than might be expected. However, considering the overall lack of supply (there are only around 40% of the new listings one might expect for the month of May), their bullishness would seem justified.

Supply was already low a year ago, according to longer-term trends, and the mere trickle of properties entering the market is highly unlikely to surpass demand. Moreover, it is clear that there is considerable pent-up demand post-lockdown, so much so that several major lenders have temporarily withdrawn 90% LTV products citing overwhelming demand, especially from first-time buyers.

The fact is that the market is currently in a state of transition and the new normal is yet to be defined. We anticipate that it will take two to three months for the market to find its new post-pandemic equilibrium.

Previously, we observed that the UK property market began the year with a plethora of encouraging activity and post-correction regions showed considerable potential for price growth. The optimistic scenario would be a return to this positive trend, although demand will certainly

be tempered to some degree by a mortgage credit bottleneck and the economic damage sustained by the lockdown cannot be ignored. The key question remains 'How vigorous will be the rebound be?' Indications thus far suggest the market is taking off with an unprecedented sense of urgency.

What is blatantly clear is that the situation could have been a whole lot worse. The annualised mix-adjusted average price growth across England and Wales currently stands at +0.8%; in June 2019, the annualised rate of increase of home prices was -0.6%.

Regional Recovery

How the rebalancing of supply and demand pans out is key to the future health of the property market. The clouds of COVID-19 uncertainty are now clearing thus revealing the initial transition to the new post-pandemic marketplace. This month we take a look at the resumption of vendor activity at the regional level. What is most apparent is that not all regions have left the starting blocks with same alacrity post-lockdown.

Whilst the volumes of new listings are clearly lower in all regions, it is Scotland and Wales that are the post-lockdown laggards (new instructions down 86% and 78% respectively). On the other hand, leading the way back to a functioning property market are the Midlands regions.

New sales listings there are appearing on the market at great speed, with the totals reaching just shy of 50% relative to May 2019 levels.

New Sales Listings, May 2020 vs. May 2019



Source: Home.co.uk Asking Price Index, June 2020

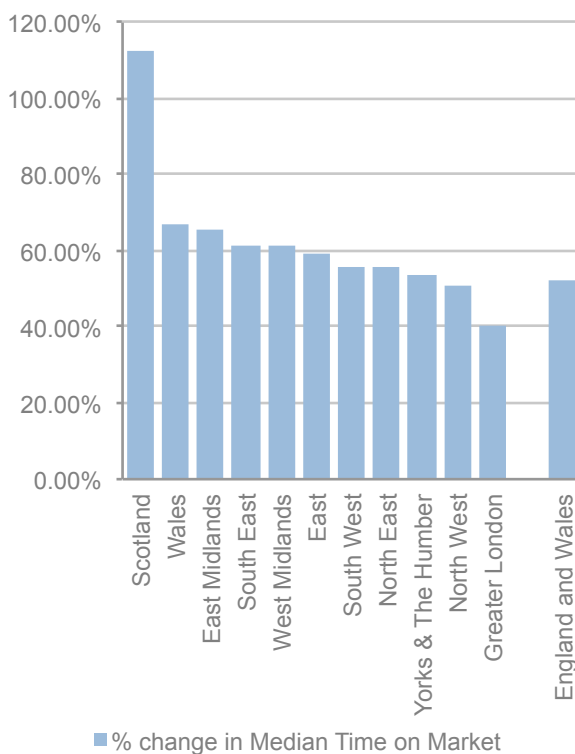
A sterling effort, given that was achieved in only two weeks of activity under strict social distancing rules plus seven weeks of lockdown prior to that.

Aside from the mortgage market, a further gauge of demand is Typical Time on Market. This median figure provides insight at both the national and regional level regarding overall buyer activity (both credit and cash based).

While all regions are registering a longer Typical Time on Market for unsold property than a year ago, it is clear that there are major differences in market momentum. London's rise of 40% year-on-year is by far the lowest, indicating that this regional market along with the formerly hot markets in the North of England (North West and Yorkshire) have been least impacted by the stagnating effect of the lockdown. Moreover, confidence among sellers in the North West and Yorkshire is quite phenomenal as indicated by respective price rises of 1.5% and 1.3% in just the last month.

At the other end of the spectrum, the Typical Time on Market in Scotland has more than doubled over the same period, indicating that the market remains effectively frozen for the time being.

Relative Regional Market Momentum, June 2020 vs June 2019



Source: Home.co.uk Asking Price Index, June 2020



Both the overwhelming demand for mortgage applications and the remarkable confidence amongst vendors bode extremely well for the grand restart of the UK housing market.



Last month I was in the somewhat bizarre position of writing about a property market that, to all intents and purposes, did not exist. Thankfully, both supply and demand are now bouncing back. New listings are returning and are being met with significant demand.

Now that many of the COVID-19 restrictions have been lifted we are seeing a rebalancing of both demand and supply. Demand, being chiefly credit based, looks thus far to be considerable and little dented by the economic woes brought on by the pandemic. The resurgence of supply has been slower for practical reasons (social distancing) and perhaps also due to less motivated vendors preferring to wait and see before committing or, indeed, preferring to let their properties.

Whilst the initial signals show promise, what is becoming increasingly clear is that we will not be able to gauge the true strength of the property market recovery until the financial results are in for Q3. However, what is also clear is that the restart looks very promising indeed. What is also certain is that the UK government could do more to help facilitate property investment, especially for first-time buyers. The current withdrawal of 90% LTV mortgages, albeit temporary, clearly places this important group of buyers at an unfair disadvantage.

Next month's report will no doubt afford a fuller picture of the recovery in both the sales and rental markets. My expectations are for a profound uplift in activity and significant competition for the limited supply of properties will drive up prices.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	Jun-20
Average Asking Price	£189,381
Monthly % change	0.2%
Annual % change	0.9%

North East	Jun-20
Average Asking Price	£163,447
Monthly % change	0.7%
Annual % change	2.5%

Yorks & The Humber	Jun-20
Average Asking Price	£207,617
Monthly % change	1.3%
Annual % change	3.2%

North West	Jun-20
Average Asking Price	£213,764
Monthly % change	1.5%
Annual % change	3.4%

West Midlands	Jun-20
Average Asking Price	£257,622
Monthly % change	0.5%
Annual % change	1.0%

East Midlands	Jun-20
Average Asking Price	£239,832
Monthly % change	0.5%
Annual % change	0.8%

East	Jun-20
Average Asking Price	£345,845
Monthly % change	0.9%
Annual % change	-1.7%

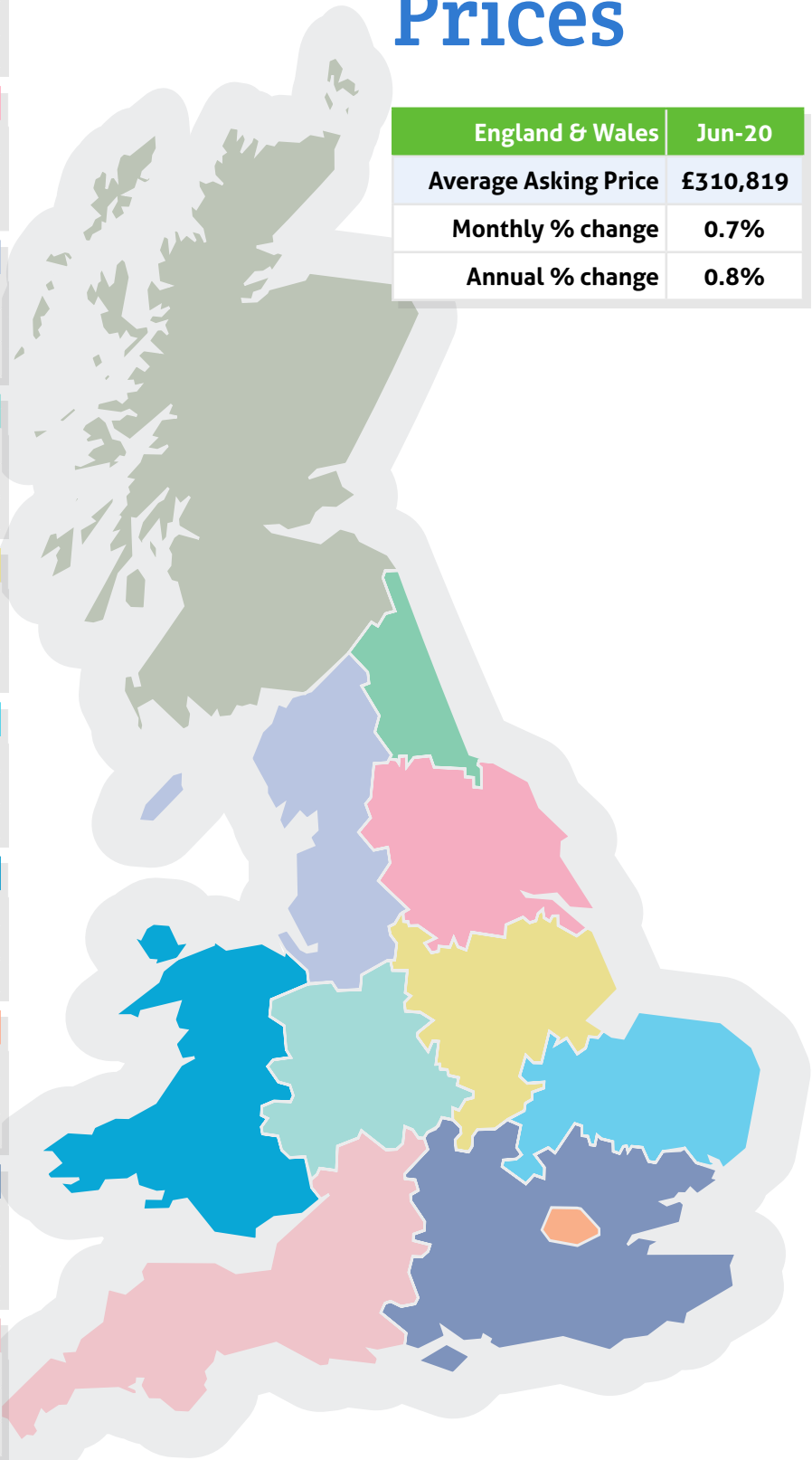
Wales	Jun-20
Average Asking Price	£215,484
Monthly % change	0.4%
Annual % change	2.4%

Greater London	Jun-20
Average Asking Price	£519,681
Monthly % change	0.1%
Annual % change	0.5%

South East	Jun-20
Average Asking Price	£394,717
Monthly % change	0.7%
Annual % change	-0.1%

South West	Jun-20
Average Asking Price	£326,728
Monthly % change	1.0%
Annual % change	0.9%

England & Wales	Jun-20
Average Asking Price	£310,819
Monthly % change	0.7%
Annual % change	0.8%



Source: Home.co.uk Asking Price Index, June 2020

UK Time on Market

Scotland	Jun-20
Average Time on Market	312
Typical Time on Market	200
Annual % supply change	-86%

North East	Jun-20
Average Time on Market	281
Typical Time on Market	171
Annual % supply change	-66%

Yorks & The Humber	Jun-20
Average Time on Market	217
Typical Time on Market	132
Annual % supply change	-59%

North West	Jun-20
Average Time on Market	231
Typical Time on Market	140
Annual % supply change	-58%

West Midlands	Jun-20
Average Time on Market	199
Typical Time on Market	126
Annual % supply change	-56%

East Midlands	Jun-20
Average Time on Market	198
Typical Time on Market	126
Annual % supply change	-57%

East	Jun-20
Average Time on Market	205
Typical Time on Market	129
Annual % supply change	-60%

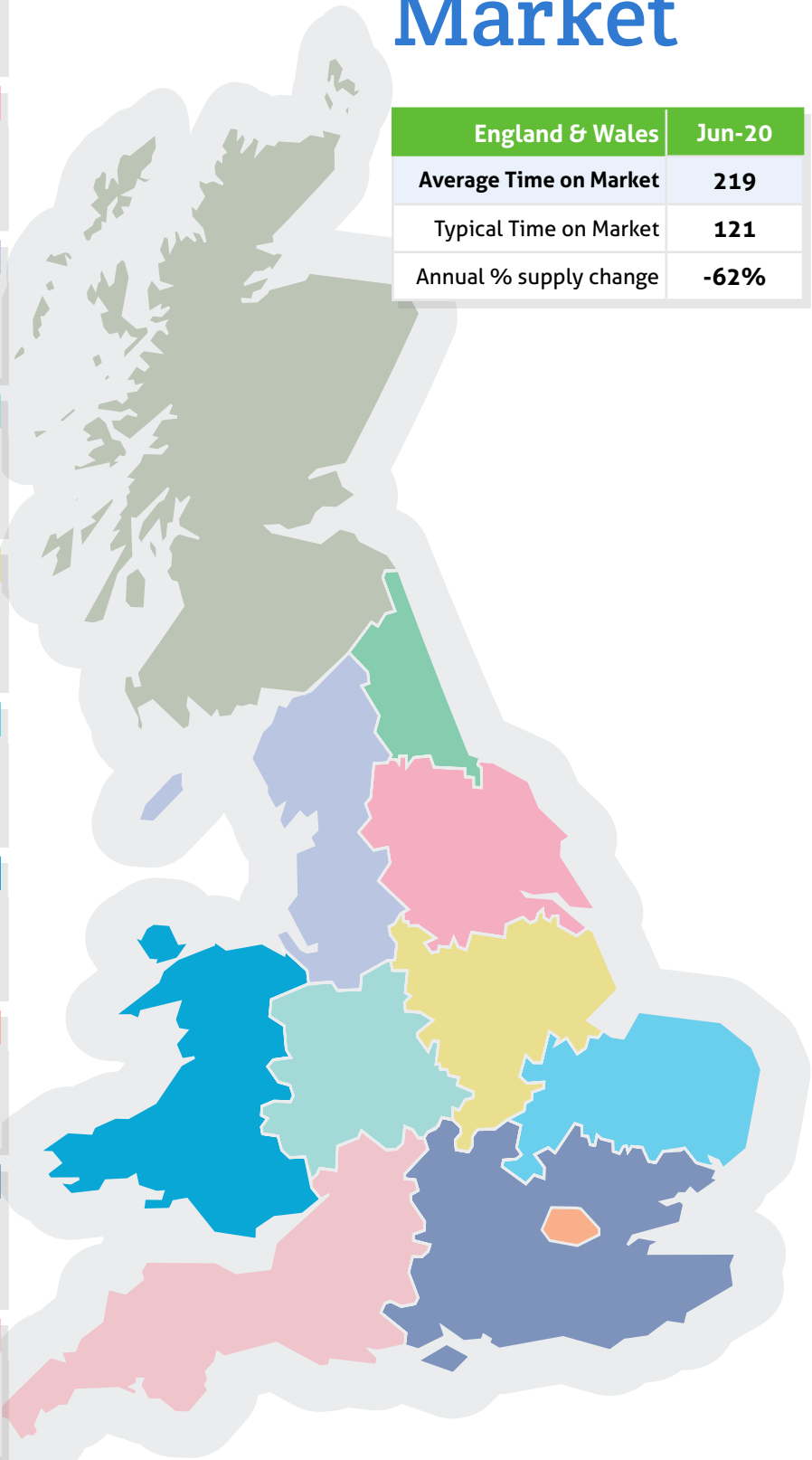
Wales	Jun-20
Average Time on Market	282
Typical Time on Market	179
Annual % supply change	-78%

Greater London	Jun-20
Average Time on Market	237
Typical Time on Market	133
Annual % supply change	-61%

South East	Jun-20
Average Time on Market	210
Typical Time on Market	131
Annual % supply change	-59%

South West	Jun-20
Average Time on Market	222
Typical Time on Market	134
Annual % supply change	-58%

England & Wales	Jun-20
Average Time on Market	219
Typical Time on Market	121
Annual % supply change	-62%



Source: Home.co.uk Asking Price Index, June 2020. Note: 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:

- Wed 15th July
- Wed 12th August
- Tuesday 15th September