



# Asking Price Index

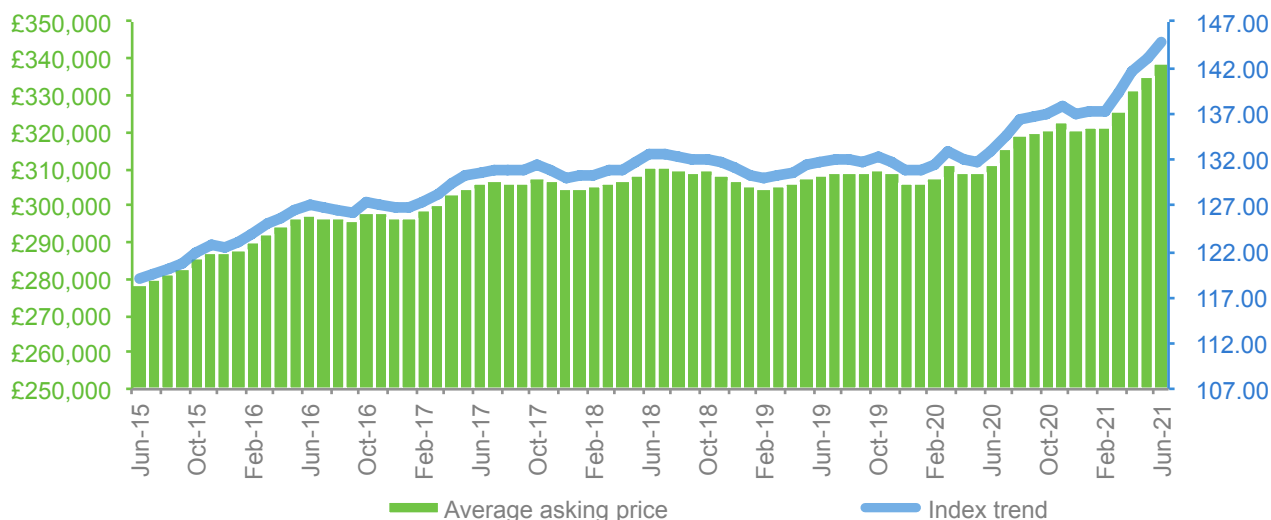
Released 16/06/21 June 2021

## Sales Supply Plummet in the Regions while London Rents Recover

### Headlines

- Monthly supply remains vastly below normal expectations in all regions (-37% compared to May 2019). The East of England is worst hit by scarcity (-47%) while Greater London shows the first month where supply has fallen below expectations (down 7% compared to May 2019).
- The total stock of property for sale in England and Wales has shrunk again, setting a further all-time low of 279,019, 31.6% lower than in June 2020 and 41.0% less than in June 2018.
- The pace of the market remains frantic as buyers feverishly grab what little sales stock remains available: Typical Time on Market for unsold property in England and Wales remains at just 76 days.
- Asking prices across England and Wales continue to soar, adding another 1.1% since last month and pushing up annualised average growth to 9.0% (the highest annualised growth since Sept 2014).
- Phenomenal demand chasing ever fewer properties has again forced up prices in every English region and Scotland since last month, with the largest hikes in the East Midlands (+2.1%), South West (+1.7%) and East of England (+1.5%).
- The East Midlands property market now leads the 12-month regional growth chart at 11.7%, followed closely by the East of England (11.5%), thereby outpacing the former leaders Yorkshire, Wales and the North West.
- Greater London remains the UK's worst-performing region with 5.1% annualised growth although early indicators suggest that this market may soon pick up.
- Rents show signs of a strong recovery in the Greater London lettings market. Whilst average rents are still down overall on a year ago, most boroughs show significant rises over the last three months. The greatest rises in asking rents over the last quarter were in the City (+30.1%), Wandsworth (+9.7%) and Westminster (+7.5%). The recovery is driven by returning demand and attenuation of supply.
- A marked scarcity of rental properties persists in all other English regions, Scotland and Wales, thereby driving up rents. Rent rises are in double digits in five of the nine English regions.
- The largest annualised average rent hikes are in the East of England (+11.1%) and the South West (+16.1%).

### Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, June 2021, Indexed to May 2004 (Value = 100).



## Summary

The home buying frenzy continues apace, driving up asking prices and radically reducing the stock of property for sale across most of the UK. The London sales market remains relatively slow and lack of demand due to COVID has suppressed prices, especially in more central areas. The London rental market, on the other hand, looks like it may have turned the corner after a disastrous performance during 2020 and the first quarter of this year. Significant rent rises over the last three months and a slowdown in supply indicates that demand is returning. Should this recovery continue, improving yields will help support the recovery of the London sales market going forward.

Scarcity continues to push up prices and rents in most parts of the country. Supply of new instructions remains surprisingly low compared to pre-COVID levels (down 37% in May 2021 vs. May 2019). Normally in such a hot market, potential vendors would rush to sell in order to cash in on frothy pricing. Not this time around, it seems, and the most likely cause of this reticence is the vibrant rental market that has a voracious appetite for new lettings stock. Double-digit rent rises and low void times are luring many owners to hang on to their properties and let them out instead.

The regional picture continues to evolve. The northern regions are no longer the growth leaders in the sales market, having been overtaken by even more rapid price rises in recent months in the East Midlands and East of England. Annualised home price inflation now tops 11%

in these regions, supported by paltry supply. The tapering off of stamp duty next month will likely dampen demand in the sales market but will do little to affect the dearth of properties entering the market. We therefore expect that prices and rents will continue to rise in the near term.

The annualised mix-adjusted average asking price growth across England and Wales is currently +9.0% and further increases look inevitable; in May 2020, the annualised rate of increase of home prices was just 0.8%.

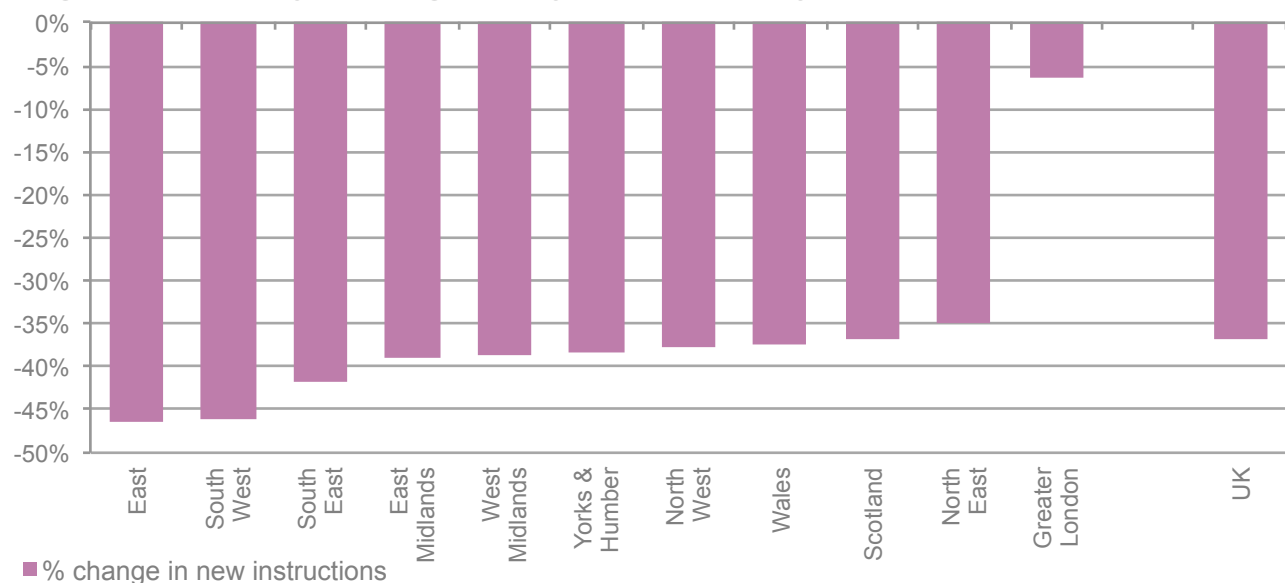
## Regional Roundup

In the current market the most important metric at the regional level of analysis is supply (or rather the lack thereof). The number of new instructions last month is vastly down on pre-COVID levels in every region outside of London and even there supply is down 7% compared to May 2019. Worst affected are the East and South West where the number of new instructions is down a staggering 47% and 46% respectively.

These are huge falls, even higher than the UK shortfall of 37% overall. If the government was worried about demand falling off a cliff after the stamp duty holiday, well, supply already has. In order to make a meaningful comparison of the rates of supply at the regional level, we compare current rates of new instructions with those of May 2019 so as to avoid comparison with the first UK lockdown period when the property market was shut down.

Significant shortfalls in the flow of new instructions were evident in every English region (outside the M25), Scotland and Wales in April. May's supply figures are much worse. The largest

## Regional Supply Change, May 2021 vs. May 2019



Source: Home.co.uk Asking Price Index, June 2021

undersupply was in the South West where 29% of the expected number of new instructions failed to arrive on the market. This month the shortfall in the South West is 46% but has been eclipsed by the East of England with a drop of 47%. In fact, all regions other than Greater London are at least 35% down on expectations and such scarcity will likely have a dramatic effect on pricing.

The total sales stock has never been so low in the history of this index and, judging by supply, looks set to go lower. In June 2008 there was a record number of 868,241 properties on the market; now, the sales stock total for England and Wales has been eroded to a mere 279,019 properties. The number of properties on the market has fallen 31.5% since June last year, despite the oversupply in London.

In April, it was remarkable how many vendors continued to place their properties on the market in Greater London despite weak demand (new instructions were up +35% vs. April 2019). However, in this month's report, we note a drop in supply of 7% in May when compared to May 2019. A sea change, perhaps? While the prospects for renting out properties was poor, we expected sales supply to continue to increase, thereby overwhelming demand for at least the remainder of 2021. However, recent rises in rents and lower supply of properties to let in the capital region may change all that.

## London Rents

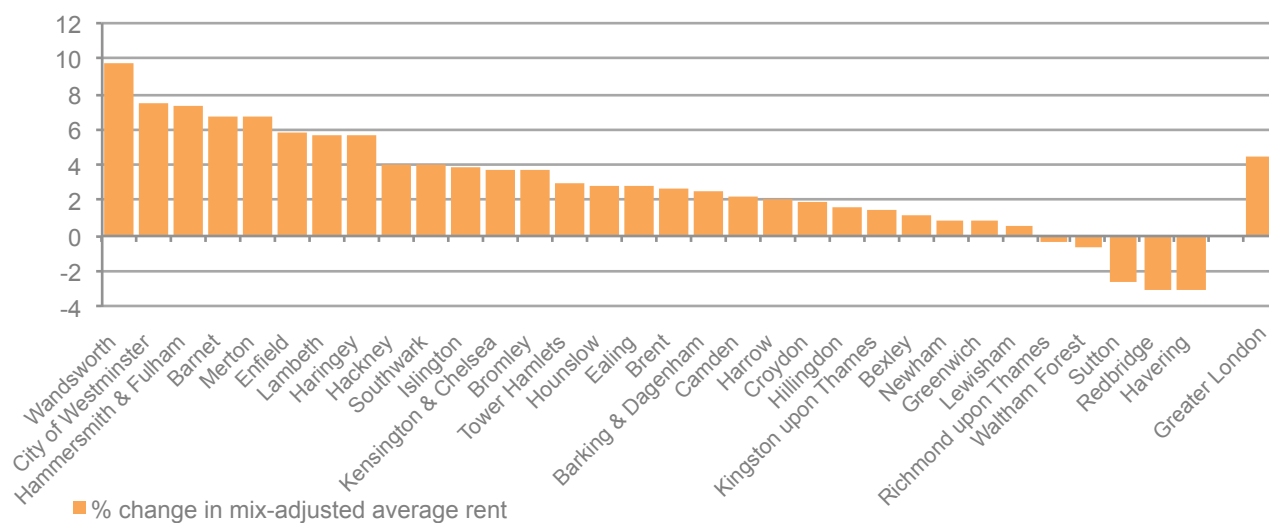
The devastating impact of the pandemic on the London lettings market has been well documented. The vast exodus meant that many rental properties were vacated and left empty for many months for want of a new tenant. Landlords desperate to fill their void properties

slashed their asking rents by as much as 25%. Consequently, rents crashed in the more central boroughs of London. Moreover, as yields fundamentally underpin property values, this nightmare scenario negatively impacted the sales market too. Asking prices of flats in urban central London tumbled while unsold stock piled up on the market as both homeowners and landlords tried to sell up.

Taking the formerly booming borough of Southwark as an example, rents in March 2021 had plummeted by 27% year-on-year and this was enough to trigger panic selling. The sales market has yet to recover from the severe blow and the typical (median) asking price for a flat remains down 22% compared to December 2019. However, the light at the end of the tunnel has appeared and at last we have witnessed a rebound in rents, indicating that demand is returning. Over the last three months asking rents are up 4.0% in Southwark and the same upward recovery is evident in all but five London boroughs.

Wandsworth leads the recovery of the most populous central boroughs with an extraordinary leap of 9.7% over the last 90 days. Back in March, still overwhelmed by supply, asking rents were down by 24.6% year-on-year in the borough. Rents in Hammersmith and Fulham are also posting a strong rebound, recovering by 7.4%. Confidence is clearly returning to the rental market and over the coming months this will spill over into the sales market, which is still plagued by a glut of unsold stock. Given the astonishing speed in the recovery in rents (and therefore yields), we expect buyer interest to increase significantly. Moreover, given that Greater London home prices have gone nowhere over the last five years, there's plenty of room for growth.

## Q2 change in Rents by London Borough



Source: Home.co.uk Asking Rent Index, June 2021

**“ The sudden return to growth in London rents portends a wider recovery in the capital’s property market.**

Of course, the sales market will be slower to respond to returning demand but, should this trend continue, the uplift in buyer interest and prices is inevitable. The consequential rise in prices could indeed be explosive given that Greater London has been by far the worst-performing region over the last five years.

If COVID lockdowns are soon to be history and urban flight goes into a full reversal, it’s not just wannabe homeowners and private investors that will want to pick up bargains in the capital. Lloyds Bank’s public statement<sup>1</sup> on their intention to enter the residential landlord space will doubtless add to demand. Of course, as the UK’s largest mortgage lender, Lloyds PLC has a lot of investing clout and knowledge of the sector. Eyebrows have certainly been raised by the move as they will be entering a sector beside the many buy-to-let landlords that they are also financing.

According to Cathal McElroy in S&P Global, ‘Lloyds’ attraction to the U.K. residential rental sector is understandable. A chronic national housing shortage has fuelled a sustained rise in home prices in recent decades, increasing demand for high-quality, professionally managed rental properties as the prospect of buying becomes increasingly remote for many. The lender can also call on its vast knowledge of the sector through its mortgage and commercial lending divisions.’

1 <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/lloyds-landlord-ambition-offers-test-case-for-income-hungry-european-peers-63249143>

He continues ‘The bank has been forced to look beyond its core lending business by the low interest rate environment that has prevailed since the global financial crisis.



Lloyds’ net interest margin has remained stubbornly low in recent years, failing to exceed 1.74% since 2016, according to S&P Global Market Intelligence data.’ So, this huge banking conglomerate with access to the cheapest money possible is looking to improve their returns on their capital, just like many retail property investors, but with an enormous cost advantage.

They are not alone. ‘The U.K. private rented sector and senior living markets are likely to be pretty stable moving forward over the long term,’ said Mark Clegg, head of residential capital markets at multinational real estate services company Cushman & Wakefield. ‘We are seeing a huge amount of new capital looking at the sector.’ So, alongside new entrant Lloyds, buy-to-let is likely to attract new corporate players joining the likes of Grainger PLC (the UK’s largest corporate landlord) in search of secure yields on their capital.

Of course, these major players are likely to focus on acquisition of large residential projects but some investment will be directed into portfolios of individual residential properties. However it pans out, what is certain is that there is a vast amount of capital eyeing opportunities in the UK residential property market. Watch this space!

**Doug Shephard**  
Director at Home.co.uk



# UK Asking Prices

Scotland	Jun-21
<b>Average Asking Price</b>	<b>£209,147</b>
Monthly % change	0.9%
Annual % change	10.4%

North East	Jun-21
<b>Average Asking Price</b>	<b>£177,341</b>
Monthly % change	1.0%
Annual % change	8.5%

Yorks & The Humber	Jun-21
<b>Average Asking Price</b>	<b>£228,411</b>
Monthly % change	0.5%
Annual % change	10.0%

North West	Jun-21
<b>Average Asking Price</b>	<b>£234,649</b>
Monthly % change	0.0%
Annual % change	9.8%

West Midlands	Jun-21
<b>Average Asking Price</b>	<b>£281,394</b>
Monthly % change	1.8%
Annual % change	9.2%

East Midlands	Jun-21
<b>Average Asking Price</b>	<b>£267,898</b>
Monthly % change	2.1%
Annual % change	11.7%

East	Jun-21
<b>Average Asking Price</b>	<b>£385,732</b>
Monthly % change	1.5%
Annual % change	11.5%

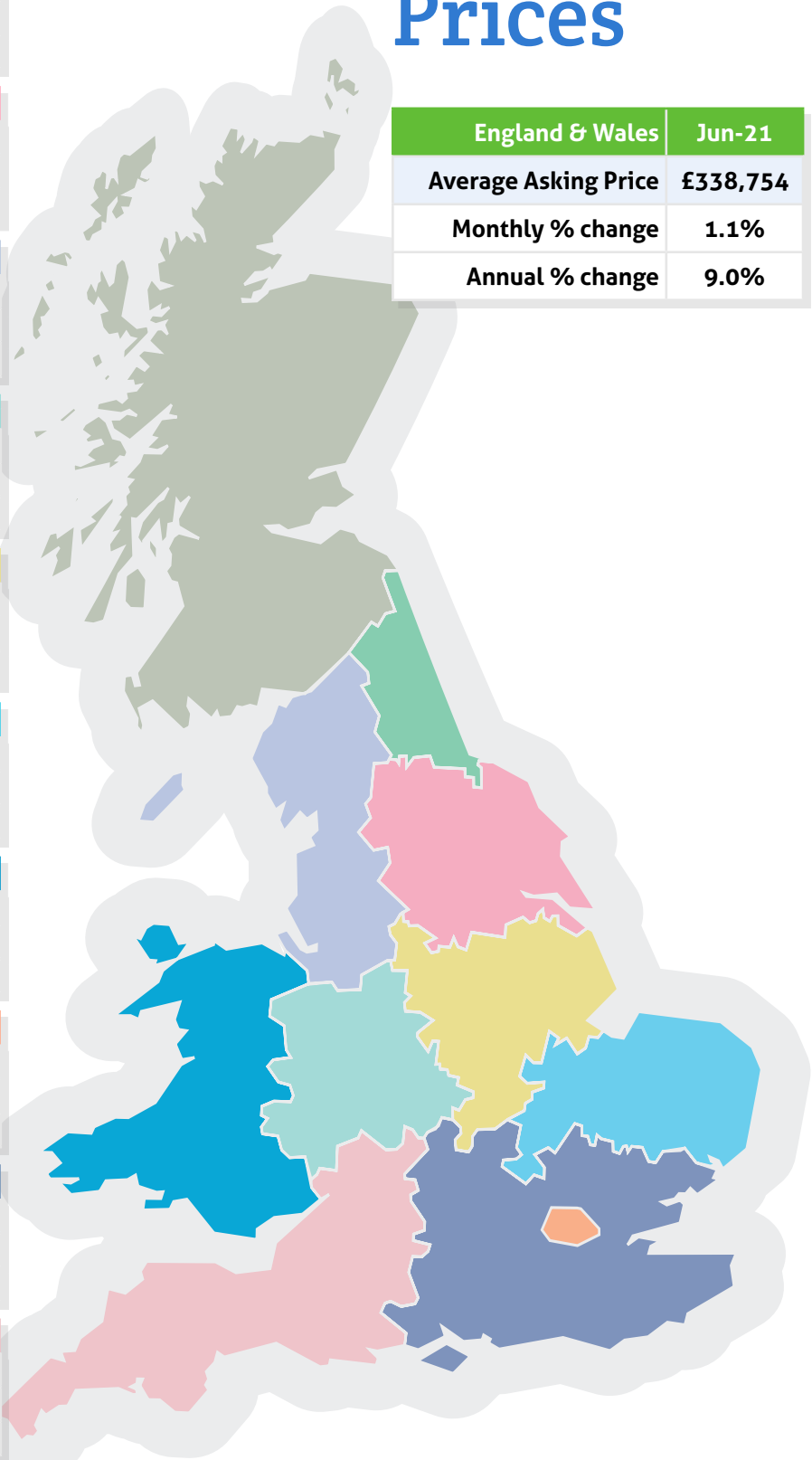
Wales	Jun-21
<b>Average Asking Price</b>	<b>£239,840</b>
Monthly % change	0.8%
Annual % change	11.3%

Greater London	Jun-21
<b>Average Asking Price</b>	<b>£546,328</b>
Monthly % change	0.4%
Annual % change	5.1%

South East	Jun-21
<b>Average Asking Price</b>	<b>£433,968</b>
Monthly % change	1.2%
Annual % change	9.9%

South West	Jun-21
<b>Average Asking Price</b>	<b>£356,506</b>
Monthly % change	1.7%
Annual % change	9.1%

England & Wales	Jun-21
<b>Average Asking Price</b>	<b>£338,754</b>
<b>Monthly % change</b>	<b>1.1%</b>
<b>Annual % change</b>	<b>9.0%</b>



Source: Home.co.uk Asking Price Index, June 2021

# UK Time on Market

Scotland	Jun-21
<b>Average Time on Market</b>	<b>264</b>
Typical Time on Market	81
2 year % supply change	-37%

North East	Jun-21
<b>Average Time on Market</b>	<b>220</b>
Typical Time on Market	78
2 year % supply change	-35%

Yorks & The Humber	Jun-21
<b>Average Time on Market</b>	<b>162</b>
Typical Time on Market	62
2 year % supply change	-38%

North West	Jun-21
<b>Average Time on Market</b>	<b>179</b>
Typical Time on Market	71
2 year % supply change	-38%

West Midlands	Jun-21
<b>Average Time on Market</b>	<b>162</b>
Typical Time on Market	69
2 year % supply change	-39%

East Midlands	Jun-21
<b>Average Time on Market</b>	<b>145</b>
Typical Time on Market	61
2 year % supply change	-39%

East	Jun-21
<b>Average Time on Market</b>	<b>159</b>
Typical Time on Market	67
2 year % supply change	-47%

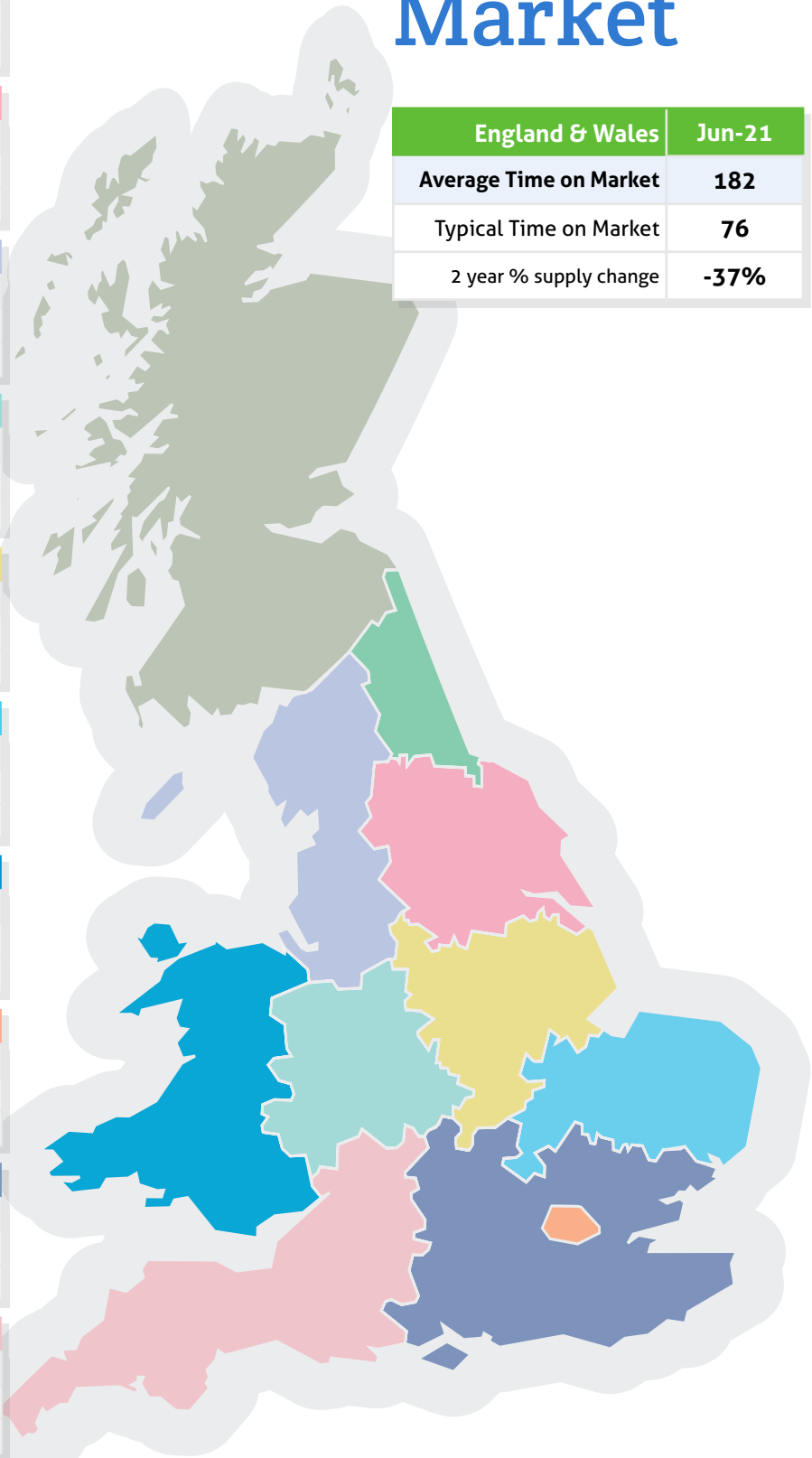
Wales	Jun-21
<b>Average Time on Market</b>	<b>209</b>
Typical Time on Market	71
2 year % supply change	-37%

Greater London	Jun-21
<b>Average Time on Market</b>	<b>187</b>
Typical Time on Market	83
2 year % supply change	-7%

South East	Jun-21
<b>Average Time on Market</b>	<b>170</b>
Typical Time on Market	71
2 year % supply change	-42%

South West	Jun-21
<b>Average Time on Market</b>	<b>168</b>
Typical Time on Market	65
2 year % supply change	-46%

England & Wales	Jun-21
<b>Average Time on Market</b>	<b>182</b>
Typical Time on Market	<b>76</b>
2 year % supply change	<b>-37%</b>



Source: Home.co.uk Asking Price Index, June 2021. Average = Mean (days), Typical = Median (days).  
Supply change % has been calculated over 2 years rather than 12 months due to first lockdown distortion.

# 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:  
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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 14<sup>th</sup> July
- Thursday 12<sup>th</sup> August
- Wednesday 15<sup>th</sup> September