EMBARGOED UNTIL 16/06/23

Asking Price Index

Released 16/06/23 June 2023

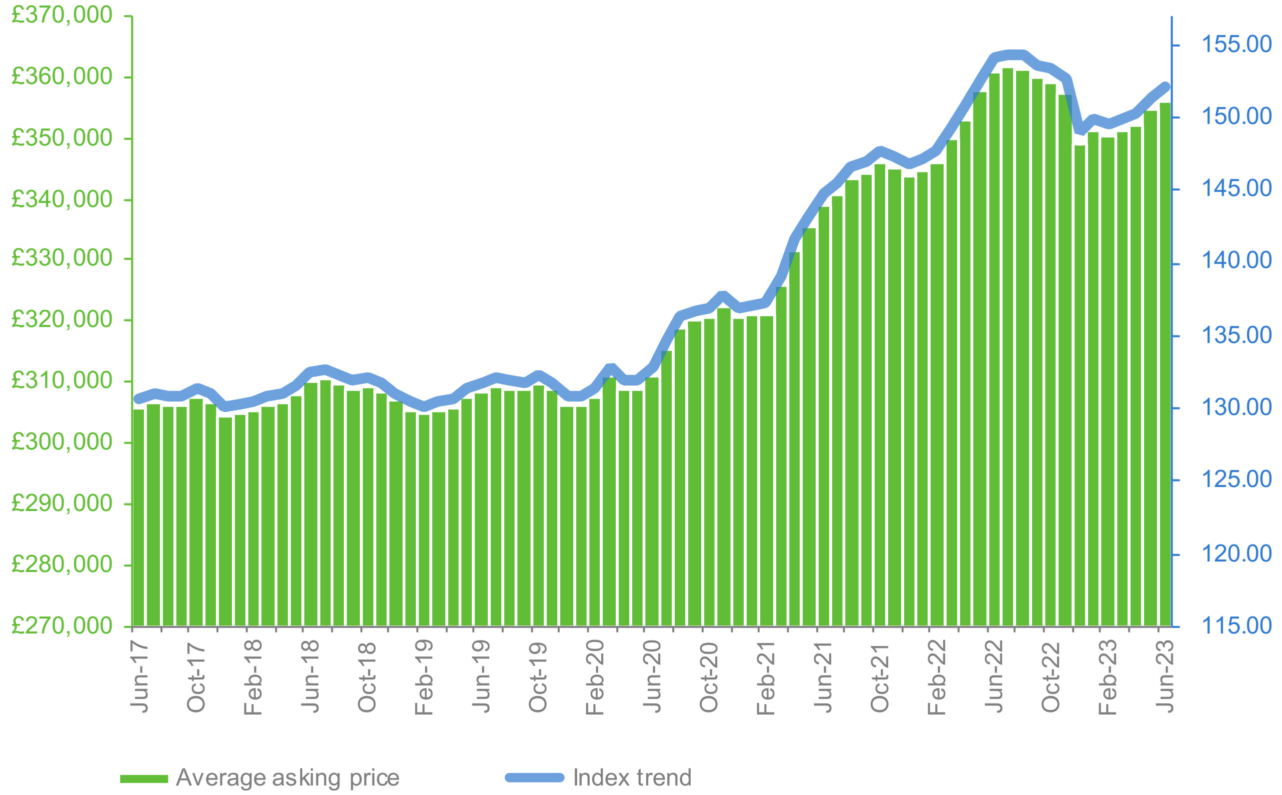
Lower Marketing Times and Limited Stock Afford Steady Price Growth

Headlines

- Asking prices across England and Wales rose again during May by 0.4% as the market shrugged off interest rate woes, although year-on-year growth slipped further into the negative again (-1.3%) due to the market correction late last year.
- The Typical Time on Market for unsold property in England and Wales decreased by two days during May to make the current median 79 days, indicating a healthy throughput of properties.
- Asking prices in April rose in Scotland, Wales and all English regions except the North East and East Midlands. The sharpest rise was in the South West (+0.9%).
- The total sales stock count for England and Wales dropped very slightly during May from 409,559 to 409,444. This total remains below the 10-year average of 417,431.
- The supply rate of new instructions entering the market continues to be benign: down 1% on May 2022 and down 15% on May 2018. Notably, London shows the largest regional year-on-year contraction (-12%).
- Typical Time on Market in May fell in Scotland, Wales and all English regions with the exception of the North West (up one day).
- The Scottish property market remains the new leader in terms of annualised regional price growth (4.9%), while London remains the backmarker at -3.5%.
- Rents across the UK continue to rise (11.4% annualised), led by Greater London (up 18.1%). Supply remains very tight in the lettings sector.
- The current new growth leaders in asking rents are the London boroughs of Bexley, Kensington and Hillingdon (+42%, +33% and +30% annualised respectively).

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

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, June 2023, Indexed to May 2004 (Value=100).

Summary

The UK property market continues to improve despite mortgage rate uncertainty. Prices are steadily recovering ground lost during last year's sudden correction. Marketing times are in the normal range and in no way indicate an overall slowdown. The northern regions, Scotland and Wales all show considerable improvements on their 2018 figures, while London and the southern English regions show slight increases compared to their pre-COVID figures.

Rapidly rising stock levels, which previously gave cause for concern, may well have maxed out at below the 10-year average, and this would be consistent with the seasonal ebb and flow of agents' portfolios which typically peak during the summer months. Supply of new instructions remains subdued and is currently running at 15% less than in May 2018. Going forward, this relative scarcity will serve to support prices further.

All these key indicators show how truly resilient the market is: both quick to adapt to even severe financial shocks and then quick to recover. Of course, the unprecedented demand in the rental market is playing a key role in restricting supply in the sales market. Vastly improved yields and very short void periods (typically less than three weeks) make letting an attractive option for hesitant potential vendors.

Rents continue to rise overall. The mix-adjusted average annualised rise for the UK stands at 11.4%. Supply remains tight in the face of overwhelming demand. This is undoubtedly the unintended consequence of many years of landlord disincentivisation through increased taxation and regulation. The levelling up agenda has, ironically, made it even more difficult for renters to get a foot on the property ladder while rising rents gobble up any spare cash they might have had. Meanwhile, the HMRC is clearly the main beneficiary, along with local councils and their costly yet mandatory registration schemes.

Contrary to all the doom and gloom in the media, mortgage rates remain around 4% which remains extraordinarily reasonable relative to the rate of inflation despite the recent decline. Of course, the welcome drop in both CPI and RPI reduces the risks of further hikes in the Bank of England base rate and this will serve to encourage buyer demand. Furthermore, the drop in April's inflation reading may serve to mark a trend reversal in real price growth.

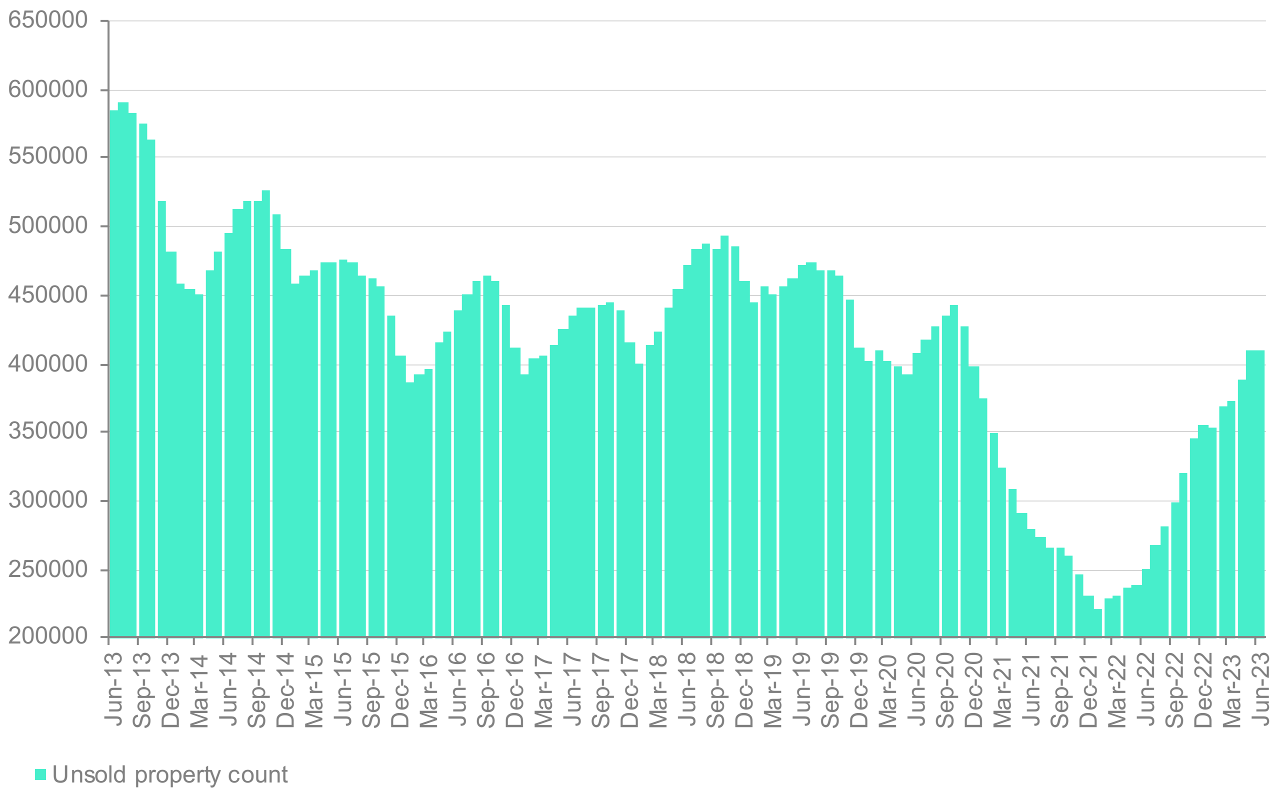
The annualised mix-adjusted average asking price growth across England and Wales is now -1.3%; in June 2022, the annualised rate of increase of home prices was 6.5%.

Price Growth

The price growth trend continues, further confirming the recovery of the market. Vendors' confidence is self-evident and the brief buyers' market period is over. Most of the growth is being driven by the northern regions of England and Wales. Scotland is also enjoying significant growth, but those figures are not included in this chart due to their use of the 'offers over' pricing system. If they were factored in, the upward trend would be steeper as prices are rising quickest north of the border.

The 5-year growth in the mix-adjusted average is still 14.8% (since June 2018)

Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, June 2023

despite the correction during the latter half of 2022. We expect this upward trend to continue over the summer, ending with a likely seasonal peak in the autumn.

Stock Levels

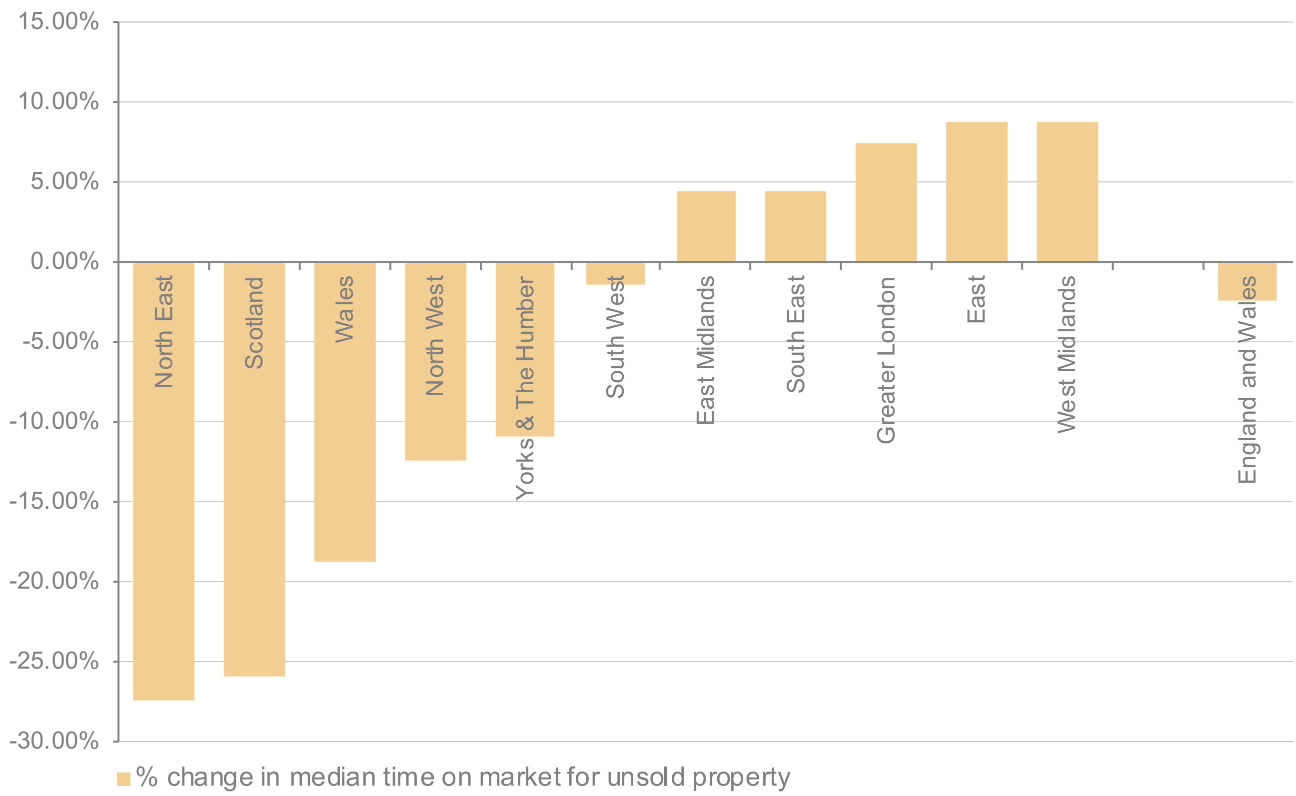
The near constant rising trend in total stock that began in January 2022 may well have ended. This month's figure indicates that the property count for England and Wales dropped slightly since May. Should this indeed turn out to be the typical seasonal peak in the number of properties for sale, it will elicit a sigh of relief for savvy property investors. Clearly, too much stock is always bad news for pricing and a genuine recovery of the market cannot be claimed while property portfolios continue to swell. Seasonality indicates that, during normal market conditions, stock levels peak during the summer. The total sales stock count for England and Wales dipped very slightly since May's count of 409,559 to 409,444. Should this total remain below the 10-year average, the market may be considered to be in a state of relative scarcity.

Regional Roundup

Given the massive market upheaval during and post-COVID it makes sense to compare the current market with more regular times when assessing the state of the new normal. To this end, we compare the relative changes in marketing times at the regional level.

The chart shows enormous improvements in marketing times in the northern English regions and in Scotland and Wales. This correlates strongly with the regions that are currently enjoying the greater price growth. On the downside, we see that London, the South and the

% Change in Typical Time on Market, Apr 2023 vs. Apr 2022



Source: Home.co.uk Asking Price Index, June 2023

Midlands markets are relatively slower than in 2018. Overall, however, the new normal is a relatively speedier market than before, albeit by a small margin.

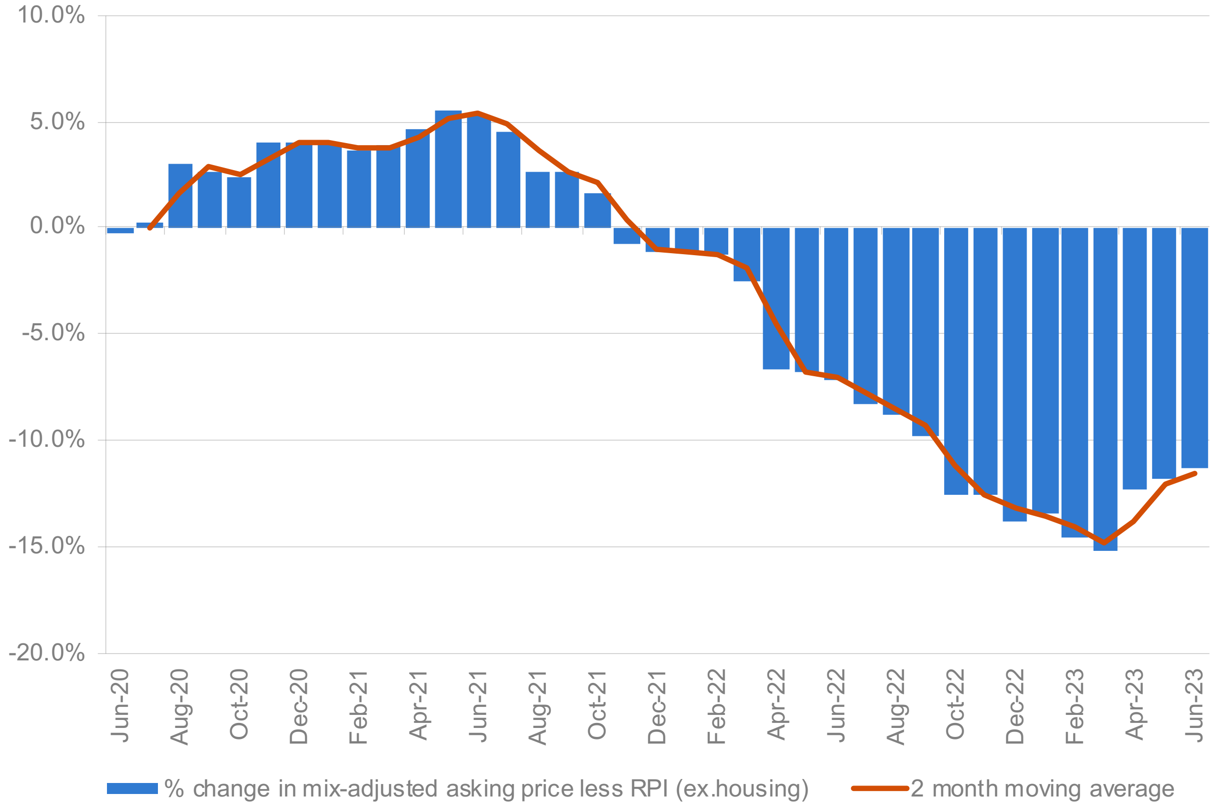
This north-south divide is a distinct feature of the present market. The renaissance in the North East is truly remarkable as this region suffered a lacklustre performance for many years before the pandemic came along. Prior to 2020, price stagnation persisted for 13 years and the market was hamstrung by vast amounts of properties that continued to linger on the market.

Real Price Growth

In a remarkable turnaround due to April's much improved inflation figures, the real price growth trend looks as if it has possibly turned the corner. Since 2022, the trend in inflation-adjusted home price growth has been dire as property was no longer a safe store of value for the money invested. However, between March and April, the Retail Price Index fell by 3.4%; a huge drop in just one month. We anticipate that inflation will continue to fall in the near term, hence our estimates for May and June are 11% and 10% respectively. Using these figures, we forecast that real growth is now heading back towards positive territory. However, it may take a whole year before genuine real growth is achieved by this measure.

The drop in inflation is highly encouraging as it makes further interest hikes by the BoE less likely and therefore reduces the risk of a deep recession.

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, June 2023 and ONS [RPI ex. housing]. Inflation for May and June are our estimates.

The UK property market continues to confound the doomsters.

The vital signs are remarkably good and appear to be improving with each month that passes. Of course, the question many are asking is: 'Will borrowing costs rise to the point where the market is brought to a standstill?' History tells us that when borrowing costs are raised too high, demand is destroyed. This has happened several times in recent history, with perhaps the most savage takedown of property values being in the late 1980s when house prices crashed as a result of the massively high interest rates used to quell inflation. Later, in 2007, it was the constant ratcheting up of interest rates by the BoE that revealed the mortgage lenders were 'swimming naked' and thereby triggered the liquidity crisis that brought the financial world to its knees.

The lesson we should have learned from these painful episodes is that central banks should be very cautious when they try to tackle inflation as they can easily do more harm than good if they are overly zealous. It takes quite some time for higher interest rates to take their full effect on the economy and so the risk of overshooting the target and sending the whole economy on a pointless downward spiral is very real. April's inflation report showing a very large drop in RPI from 15.4% to 12% should have the Old Lady of Threadneedle Street contemplating a victory lap, especially since, as I mentioned, the full effect of the recent hikes has yet to become apparent. Instead, the 'experts' on the Monetary Policy Committee are hand-wringing about rising wages and the need for further hikes. To me, this is less than reassuring and suggests a cavalier attitude that could produce calamitous results.

Expectations for next week's rate setting meeting is for a further quarter point rise to 4.75%. Many hoped that this would be the end of this hiking cycle but the financial markets are now forecasting a rise to around 5.75% by December. Doubtless, this news will have the bearish media pundits penning numerous doom-laden columns, but it's not a done deal. Mortgage rates have not moved much and fixed-rate deals of two, three and five years are still available at under 5%. This strongly suggests that the BoE is expected to backtrack and start cutting rates sooner rather than later. Indeed, given the massive rise in government borrowing costs (now higher than under the ill-fated Truss mini-budget), these elevated BoE rates are unsustainable.

There's also a Catch-22 and that's to do with rent inflation. Rents are already rising very quickly and therefore fuelling inflation, chiefly due to a lack of supply. Raising the cost of borrowing for landlords will have the inevitable results of 1) raising rents even further as the costs are passed on to tenants and 2) disincentivising investment in the private rental sector thereby making a difficult undersupply situation much worse.

There's also a moral question when it comes to trying to reduce wage inflation. "According to the Office for National Statistics, wages rose by 7.2% between February and April, putting the Bank of England under pressure to raise interest rates again, even as high inflation swallowed up the increase, leaving employees worse off," stated Valeria Martinez, writing for Investment Week. Furthermore, she points out that "Growth in average total pay, including bonuses, was 6.5%. However, when adjusted for inflation, real terms growth in total and basic pay fell year-on-year in February to April by 2% for total pay and by 1.3% for basic pay."

This poses the question: 'How does the BoE expect the economy to recover if they intend to crush consumers' ability to save or spend?' And, let's face it, while Andrew Bailey squirms in denial, the inflation we are witnessing was created by the BoE quantitative easing excesses during the COVID pandemic.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Jun-23
Average Asking Price	£356,055
Monthly % change	0.4%
Annual % change	-1.3%

Scotland	Jun-23
Average Asking Price	£226,095
Monthly % change	0.8%
Annual % change	4.9%

North East	Jun-23
Average Asking Price	£190,202
Monthly % change	-0.8%
Annual % change	2.4%

Yorks & The Humber	Jun-23
Average Asking Price	£247,948
Monthly % change	0.3%
Annual % change	2.4%

North West	Jun-23
Average Asking Price	£261,225
Monthly % change	0.7%
Annual % change	2.5%

West Midlands	Jun-23
Average Asking Price	£301,943
Monthly % change	0.4%
Annual % change	-0.7%

East Midlands	Jun-23
Average Asking Price	£285,470
Monthly % change	-0.4%
Annual % change	-1.3%

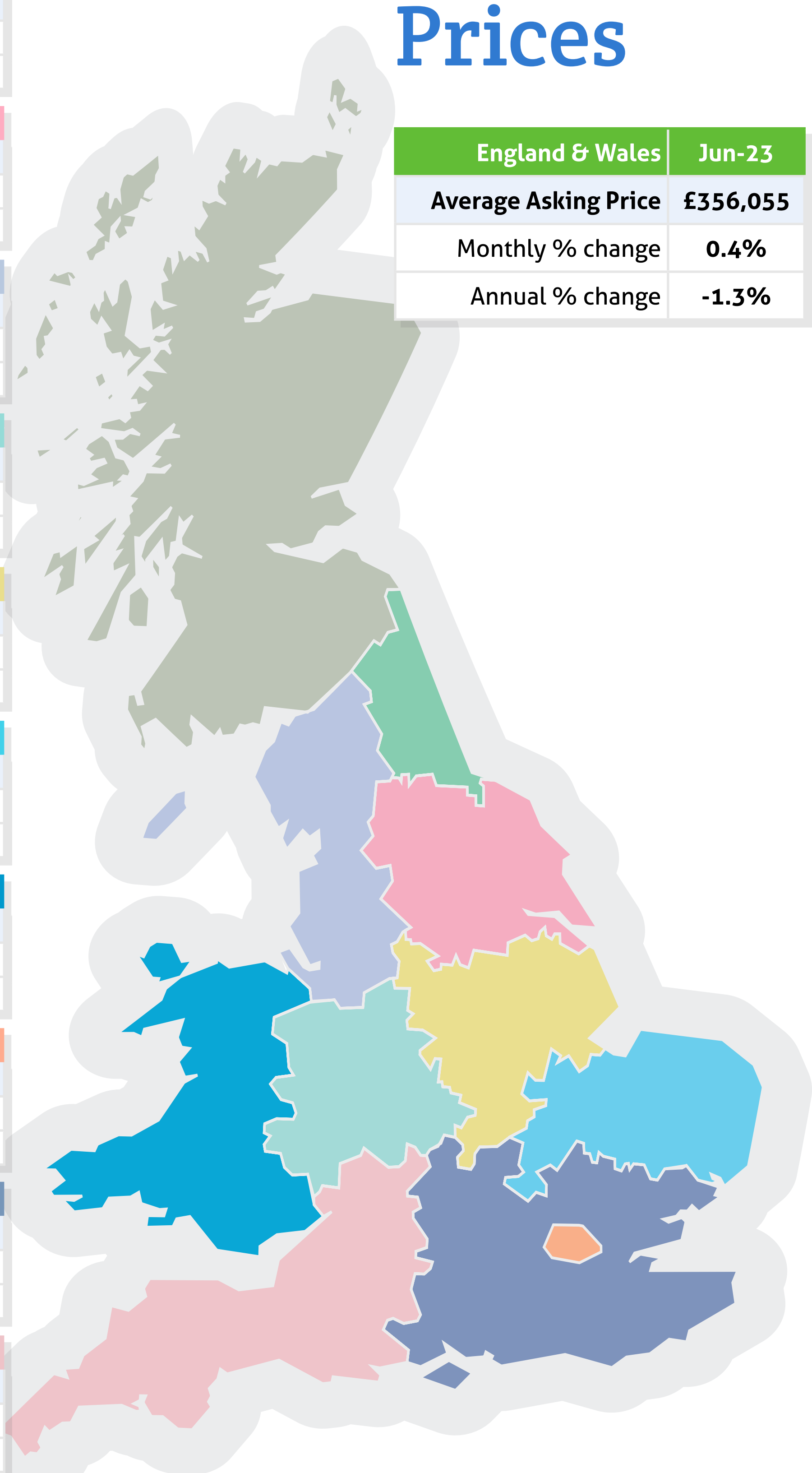
East	Jun-23
Average Asking Price	£400,906
Monthly % change	0.5%
Annual % change	-3.0%

Wales	Jun-23
Average Asking Price	£263,078
Monthly % change	0.6%
Annual % change	0.2%

Greater London	Jun-23
Average Asking Price	£544,495
Monthly % change	0.3%
Annual % change	-3.5%

South East	Jun-23
Average Asking Price	£450,211
Monthly % change	0.6%
Annual % change	-1.7%

South West	Jun-23
Average Asking Price	£385,655
Monthly % change	0.9%
Annual % change	-1.7%



Source: Home.co.uk Asking Price Index, June 2023

UK Time on Market

England & Wales	Jun-23
Average Time on Market	**153**
Typical Time on Market	79
Annualised % supply change	-1%

Scotland	Jun-23
Average Time on Market	**193**
Typical Time on Market	63
Annualised % supply change	-5%

North East	Jun-23
Average Time on Market	**148**
Typical Time on Market	77
Annualised % supply change	-10%

Yorks & The Humber	Jun-23
Average Time on Market	**131**
Typical Time on Market	73
Annualised % supply change	-4%

North West	Jun-23
Average Time on Market	**148**
Typical Time on Market	78
Annualised % supply change	-1%

West Midlands	Jun-23
Average Time on Market	**143**
Typical Time on Market	74
Annualised % supply change	3%

East Midlands	Jun-23
Average Time on Market	**126**
Typical Time on Market	72
Annualised % supply change	-1%

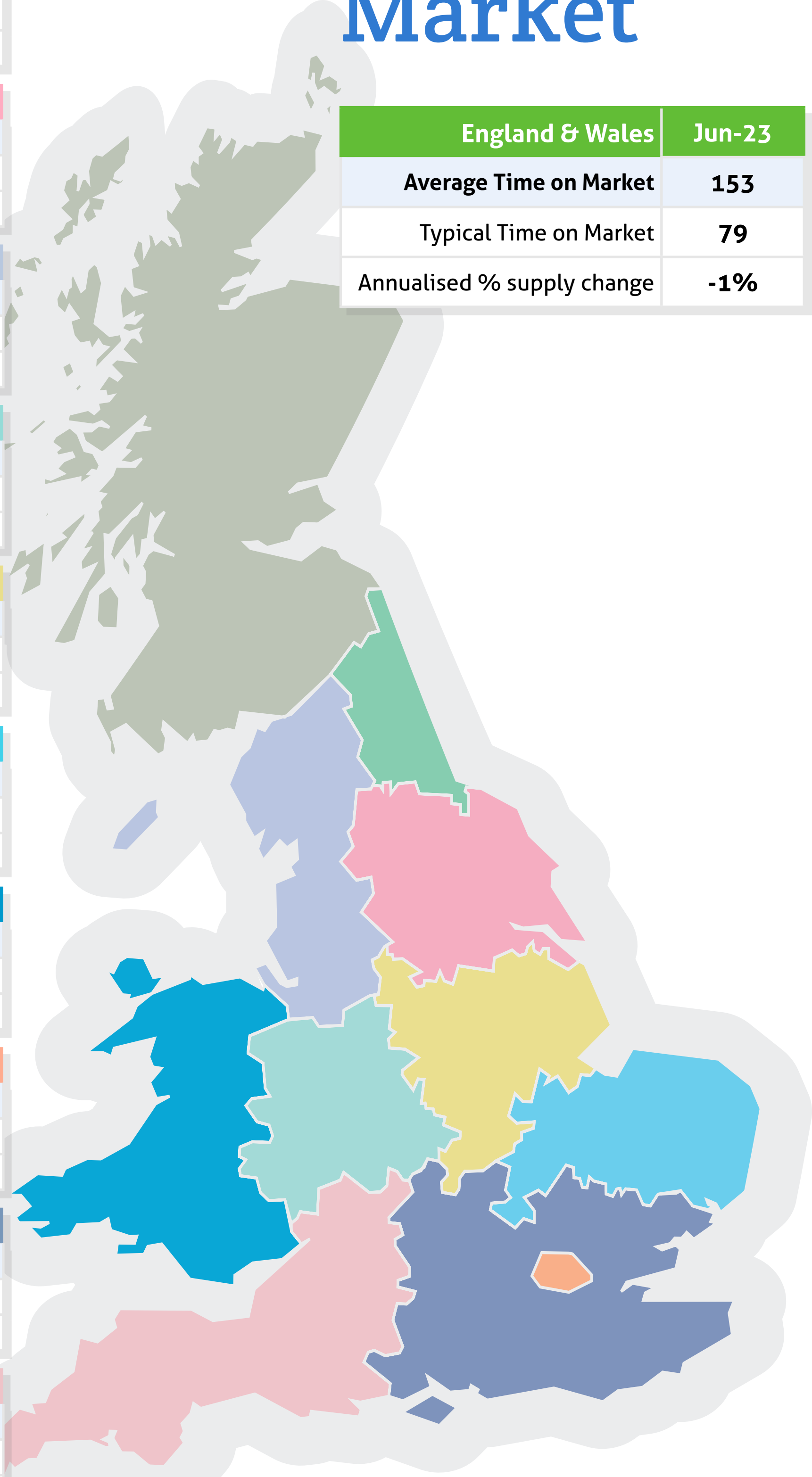
East	Jun-23
Average Time on Market	**138**
Typical Time on Market	74
Annualised % supply change	1%

Wales	Jun-23
Average Time on Market	**157**
Typical Time on Market	87
Annualised % supply change	-2%

Greater London	Jun-23
Average Time on Market	**191**
Typical Time on Market	87
Annualised % supply change	-12%

South East	Jun-23
Average Time on Market	**143**
Typical Time on Market	72
Annualised % supply change	1%

South West	Jun-23
Average Time on Market	**135**
Typical Time on Market	72
Annualised % supply change	5%



Source: Home.co.uk Asking Price Index, June 2023. 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 12th July**
- **Wednesday 16th Aug**
- **Wednesday 13th Sept**