Asking Price Index

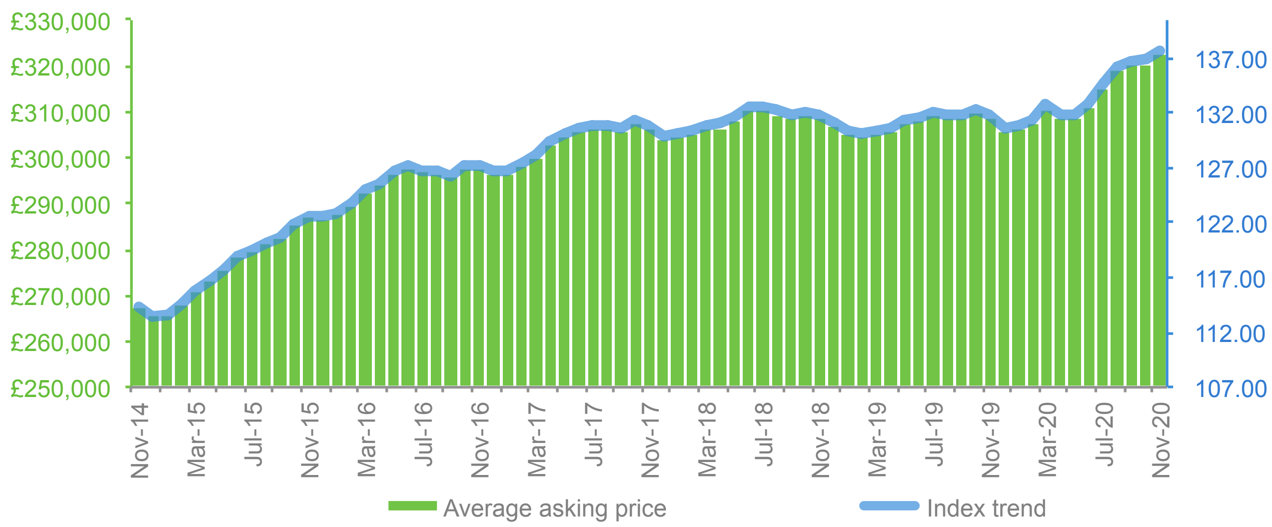
Released 12/11/20 November 2020

Prices Rise in Market Frenzy but Central London's Woes Worsen

Headlines

- Asking prices strengthen as buyer demand eats into stock levels. Correspondingly, the current unsold property count for England and Wales has fallen by around 15,000 since last month to 427,980.
- The mix-adjusted average asking price for England and Wales posts a 0.6% rise since the October reading while the year-on-year change rises to 4.5%.
- The post-lockdown supply surge of new sales instructions seen across the UK appears to be waning in all regions except London.
- Excessive supply in Greater London persists, further risking a severe market correction (new listings up 86% in October compared to October 2019) as unsold stock levels continue to grow (up 58% since May this year).
- The northern property markets are in much better shape, with Yorkshire showing the greatest year-on-year price growth of 9.0%, closely followed by the North West with an annualised gain of 8.9%.
- A further monthly rise of 0.8% takes the East of England safely into positive growth year-on-year (+2.6%) equal to that of London (jointly the UK's worst-performing regions).
- Prices also rose significantly in the South East (+1.3%) and North West (+1.3%) since last month.
- Scottish prices are the only regional faller this month, as vendors moderated their expectations since last month's massive hike of 1.8%, shaving 0.9% off the average price.
- The market continues to show exceptional momentum with the Typical Time on Market at a mere 75 days for unsold property, 26 days less than in November 2019.
- Overall supply in the UK rental sector is 7.0% down year-on-year. However, more severe shortages, driving up rents, are to be found in most English regions and in Wales. Meanwhile, the Greater London area shows vast and worsening oversupply in properties available to rent (+68% year-on-year) and this is having negative consequences for the sales market.

Home Asking Price Trend for England & Wales



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

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

Summary

The extraordinary pent-up demand, boosted by the Stamp Duty holiday, has more than matched the surge in supply in most regions following the UK's first lockdown. Apart from Greater London, the UK property market looks to be sailing into calmer waters as we head into a second lockdown. Significant price growth is evident in many regions (especially in the North) and this will serve to buoy confidence in these uncertain times. Mercifully for vendors and buyers alike, this time around agency offices will remain open and viewings permitted, thereby sparing the market from further supply shocks.

Demand in Greater London, however, has failed to keep up with supply over recent months, resulting in a rapid build-up of stock on the market. This bodes ill for the capital region and home prices are looking increasingly fragile, burdened by the growing glut of inventory. The desirability of central London's bricks and mortar has taken a severe tumble in the wake of the first COVID lockdown; consequently, the most urban locations are now experiencing a period of price rediscovery.

Fortunately for vendors in the South West and the South East, oversupply has eased considerably, indicating that these regions may well be spared a price correction in the near term while significant demand remains. Similarly, respective supply surges post-lockdown in the East and West Midlands crimped further price growth but demand, perhaps also boosted by the London exodus, has been sufficient to deal with the new inventory. While these regions, still hampered by supply, may not return to significant growth this year, further north (and in Wales and Scotland), supply increases have been much lower and it is there that price growth is outstanding.

Yorkshire and the North West are the current shining stars of the regions, posting annualised gains of 9.0% and 8.9% respectively. The North East, after many years of stagnant or sliding house prices, is also enjoying a period of significant growth (currently 6.7% year-on-year). Extraordinary price rises are also evident in Wales and Scotland (7.4% and 8.1% respectively year-on-year). Aside from lower supply, these regions are also benefiting from vibrant rental markets, wherein shortages have resulted in rapidly rising rents. The combination of both rising capital values and yields is likely to entice landlords to invest.

The 13-year record level of mortgages approved during September, according to the Bank of England, kept pace with supply in most parts of the UK but not where oversupply is greatest. London's sales stock levels have been inflated by 58% since May and, owing to a further record number of new listings in October (also a 13-year record total), the capital's woes look set to worsen. Moreover, concomitant oversupply in the London rental market (which has led to rapidly falling rents) may have created the conditions for the perfect storm.

The annualised mix-adjusted average price growth across England and Wales is currently +4.5%; in November 2019, the annualised rate of increase of home prices was 0.0%.

Regional Roundup

The headline growth figure of 4.5%, whilst both remarkable and reassuring given these turbulent times, is of course a national average. To glean a more detailed understanding of the current market dynamic, we must drill down to the regional level. Following the spring lockdown and subsequent supply and demand shocks, we can now observe that most English regions, Scotland and Wales have transitioned to a more equilibrated state. Perhaps not quite business as usual, given the artificial distortive effect of the Stamp Duty holiday, but, broadly speaking, most regional markets have reassumed their pre-COVID trends in accordance with their respective positions in the property cycle.

Northern England and Wales all continue to indicate the key metrics consistent with the growth phase of the property cycle. These markets, all underpinned by vibrant lettings markets (and rapidly rising rents), show remarkable vigour and collectively have significantly uplifted the national average. Leading the northern English regions is Yorkshire and the Humber, showing the greatest year-on-year price growth of 9.0%, closely followed by the North West with an annualised gain of 8.9%. The North East also shows remarkable growth of 6.7%, especially due to the fact that most of the increase in capital values in the region over the last ten years (10.7%) has occurred in just the last twelve months.

This observation suggests that the North East has only just begun the growth part of the cycle and that there is much more room for growth over the next few years. Wales continues to show significant annualised growth (7.4%), which is remarkable inasmuch as prices have been constantly rising there since February 2012. This observation strongly suggests that growth, without further government stimulus, will likely tail off in the near term. The speed of these markets is also impressive: the median Time on Market for unsold property in these regions and Wales is now at the lowest levels we have observed since 2007. Largely spared by the surges in supply experienced by more southern regions, such market momentum will most likely have been boosted by pent-up demand and the Stamp Duty holiday.

Scotland also shows impressive growth overall (8.1%) but the picture is mixed. While significant growth persists in many locations such as Glasgow, the Edinburgh market is plagued by oversupply. Like London, flats have piled up since the reopening of the property market and the current total is 82% higher than in November 2019. This month's dip of 0.9% in the average Scottish home price suggests that growth will likely moderate going forward.

Further south, the post-lockdown surges in supply are clearly slowing down in the West Midlands (currently +22% year-on-year) and the East Midlands (+13% year-on-year) and this will ease downward pressure on prices going forward. Over recent months, considerable pent-up demand, boosted by the Stamp Duty holiday, helped support prices and eased the transition to more normal market conditions, corresponding to the post-boom part of the cycle in these regions. Home price growth in both regions appears to have returned to the pre-lockdown trend at an annualised rate of 4.6%. In terms of marketing times, the Midlands regions are the fastest-moving markets in the UK.

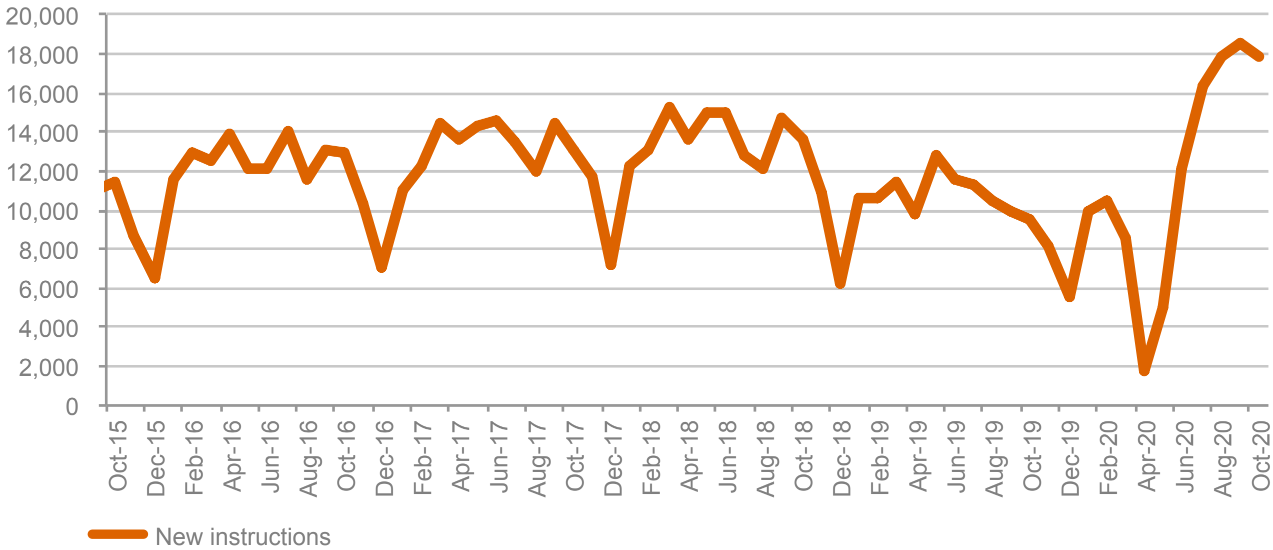
Supply surges in the South East, South West and East of England are also slowing, although, outside of London, the South East remains the market most burdened by new instructions with a year-on-year increase for the month of October of 27%. Despite this, vendors remain confident in the South East, adding 1.3% to the average price since last month. Prices also nudged up by 0.8% in the East of England and 0.5% in the South West, spurred on by the Stamp Duty holiday. However, this was not enough to raise these regions from the bottom of the regional growth table alongside supply-stricken London.

An alarming rate of supply persists in the Greater London region. October saw 17,833 new listings hit the market, a massive 86% increase on October 2019 and only slightly short of last month's total. The UK's most valuable property market has undergone a reversal of fortune, triggered by the health crisis.

Supply is overwhelming demand in both the sales and lettings markets. Rent levels continue to collapse in the more central London boroughs, driven down by a glut of lettings stock, and asking prices in central areas are sliding. Measures to combat COVID have negatively affected demand for accommodation in the capital and trends in the fast-moving rental market are the canary in the coal mine.

The Greater London rental market is simply awash with new listings. Supply is up 68% overall compared to a year ago but most of this newly available letting stock is concentrated in the central boroughs. Most affected are Tower Hamlets (up 247% year-on-year), Islington (+222%), Southwark (+221%) and Lambeth (+170%). The consequent fierce competition for tenants in these boroughs has meant asking rents being slashed by an annualised 18.8%, 22.1%, 17.7% and 6.7% respectively. The sheer size of this huge and seemingly growing supply surge means that rents in central London are unlikely to stabilise anytime soon.

Supply of Property For Sale in Greater London



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

The average rent in Greater London has lost around 11.4% of its value at twelve months ago. In the worst-hit boroughs, landlords have dropped their rents by more than double that figure: the City of London (-28.8.0%), Hammersmith and Fulham (-23.5%) and Kensington and Chelsea (-22.5%). At the other end of the spectrum, limited supply in the peripheral low-density leafy boroughs such as Bexley, Havering and Croydon has meant they are still enjoying moderate growth in rents (+4.2%, +4.6% and 6.7% respectively), although these rental markets are very small compared to the higher-density central boroughs.

This brutal shake-up of the Greater London rental sector provides a clear forward indication of the new tendency to move to less urban areas. In line with our expectations, a similarly severe rebalancing is taking place in the capital's sales sector. Price corrections in London's most expensive locations are now underway. The median asking price for a flat in Hammersmith is now down 12%, Islington down 7%, Kensington down 8%, Westminster down 20%, Southwark 17% and Camden down 7%, and this is merely the beginning. More precipitous falls are quite possible going forward. Basic economics insists that home prices must decline until rental yields recover. Hence, a key question remains: how far will prices have to fall in order to entice sufficient buyer demand to stabilise prices in these areas? The best indication we have is the decline in rents...

"The Stamp Duty holiday may have given wings to the property market post-lockdown but what about the homes over £500K?

I think we can safely agree that most of them are in London and that means almost no stimulus for the UK's most beleaguered property market. In central London (using a 5-mile radius), of the 10,236 properties for sale, 9,080 are priced over £500K. In fact, the average flat price in this area is north of £1.7M and subject, in part, to an eye-watering 12% tax. If we cast the net wider to a 10-mile radius, we find that 59% of the homes for sale are over the £500K mark. Not an awful lot of help there either.

While the London exodus is being explained away as a direct response to the unpleasant anti-COVID restrictions combined with a trend towards homeworking, we should not overlook the huge incentive the Stamp Duty holiday presents to London homeowners: to move to the country, tax free. "It's now or never darling" may well be couples' mantra as they decamp to the Home Counties (saving around £15K, downsizing the mortgage and upsizing home and garden).

But surely, with sales stock piling up on estate agents' books in the capital and central London prices already in decline, Chancellor Sunak has scored an own goal? Moreover, with rents plummeting in the more central boroughs, buy-to-let investors are not going to save the country's most valuable property market anytime soon. If Sunak's plan had been to make London prices fall and raise prices in the regions then it has been well executed, but I suspect the truth is more about voter appeal, and tax breaks for the rich are not popular.

Meanwhile, media pundits keep saying that house prices will falter, first over Brexit fears and now over job losses induced by the COVID shutdown. However, the fact is that they keep on rising overall and, while interest rates are so low, this should come as no surprise.

Historically, property has always been one of the go-to investments in times of economic and political uncertainty. To call the current price growth a mini boom is speculative to say the least. More likely, given the government's proven intention to save the property market at any cost, the worst-case scenario is that growth slows a little in 2021. Don't be surprised if the Stamp Duty holiday gets extended and perhaps widened to include London prices."

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Nov-20
Average Asking Price	£322,532
Monthly % change	0.6%
Annual % change	4.5%

Scotland	Nov-20
Average Asking Price	£203,786
Monthly % change	-0.9%
Annual % change	8.1%

North East	Nov-20
Average Asking Price	£170,846
Monthly % change	0.6%
Annual % change	6.7%

Yorks & The Humber	Nov-20
Average Asking Price	£221,703
Monthly % change	0.3%
Annual % change	9.0%

North West	Nov-20
Average Asking Price	£227,494
Monthly % change	1.3%
Annual % change	8.9%

West Midlands	Nov-20
Average Asking Price	£266,540
Monthly % change	0.1%
Annual % change	4.6%

East Midlands	Nov-20
Average Asking Price	£249,609
Monthly % change	0.3%
Annual % change	4.6%

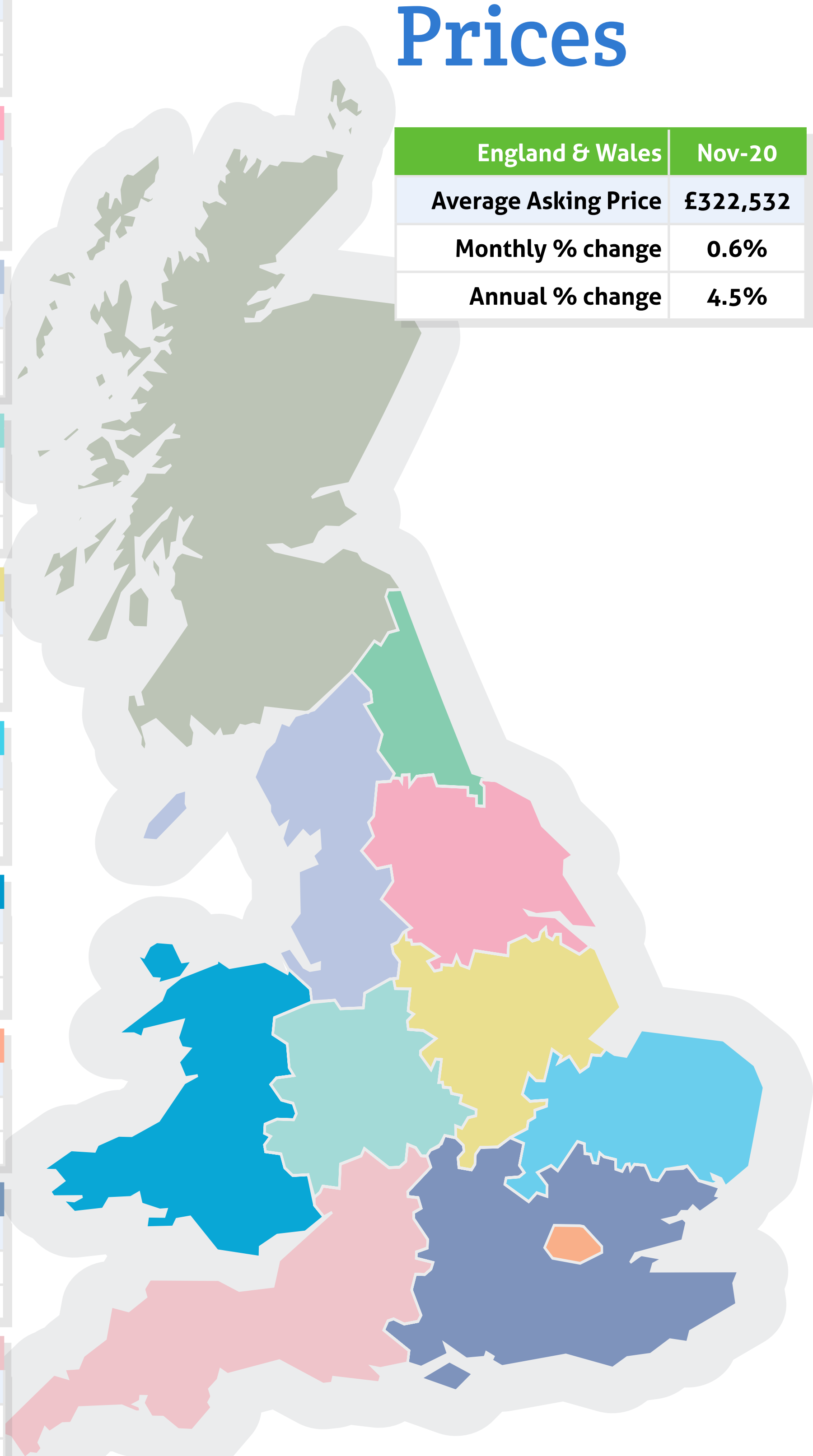
East	Nov-20
Average Asking Price	£358,546
Monthly % change	0.8%
Annual % change	2.6%

Wales	Nov-20
Average Asking Price	£227,699
Monthly % change	0.5%
Annual % change	7.4%

Greater London	Nov-20
Average Asking Price	£530,203
Monthly % change	0.1%
Annual % change	2.6%

South East	Nov-20
Average Asking Price	£411,208
Monthly % change	1.3%
Annual % change	4.4%

South West	Nov-20
Average Asking Price	£333,035
Monthly % change	0.5%
Annual % change	2.8%



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

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UK Time on Market

Scotland	Nov-20
Average Time on Market	**240**
Typical Time on Market	74
Annual % supply change	21%

North East	Nov-20
Average Time on Market	**236**
Typical Time on Market	96
Annual % supply change	-2%

Yorks & The Humber	Nov-20
Average Time on Market	**169**
Typical Time on Market	72
Annual % supply change	7%

North West	Nov-20
Average Time on Market	**184**
Typical Time on Market	81
Annual % supply change	2%

West Midlands	Nov-20
Average Time on Market	**150**
Typical Time on Market	69
Annual % supply change	22%

East Midlands	Nov-20
Average Time on Market	**149**
Typical Time on Market	68
Annual % supply change	13%

East	Nov-20
Average Time on Market	**151**
Typical Time on Market	69
Annual % supply change	20%

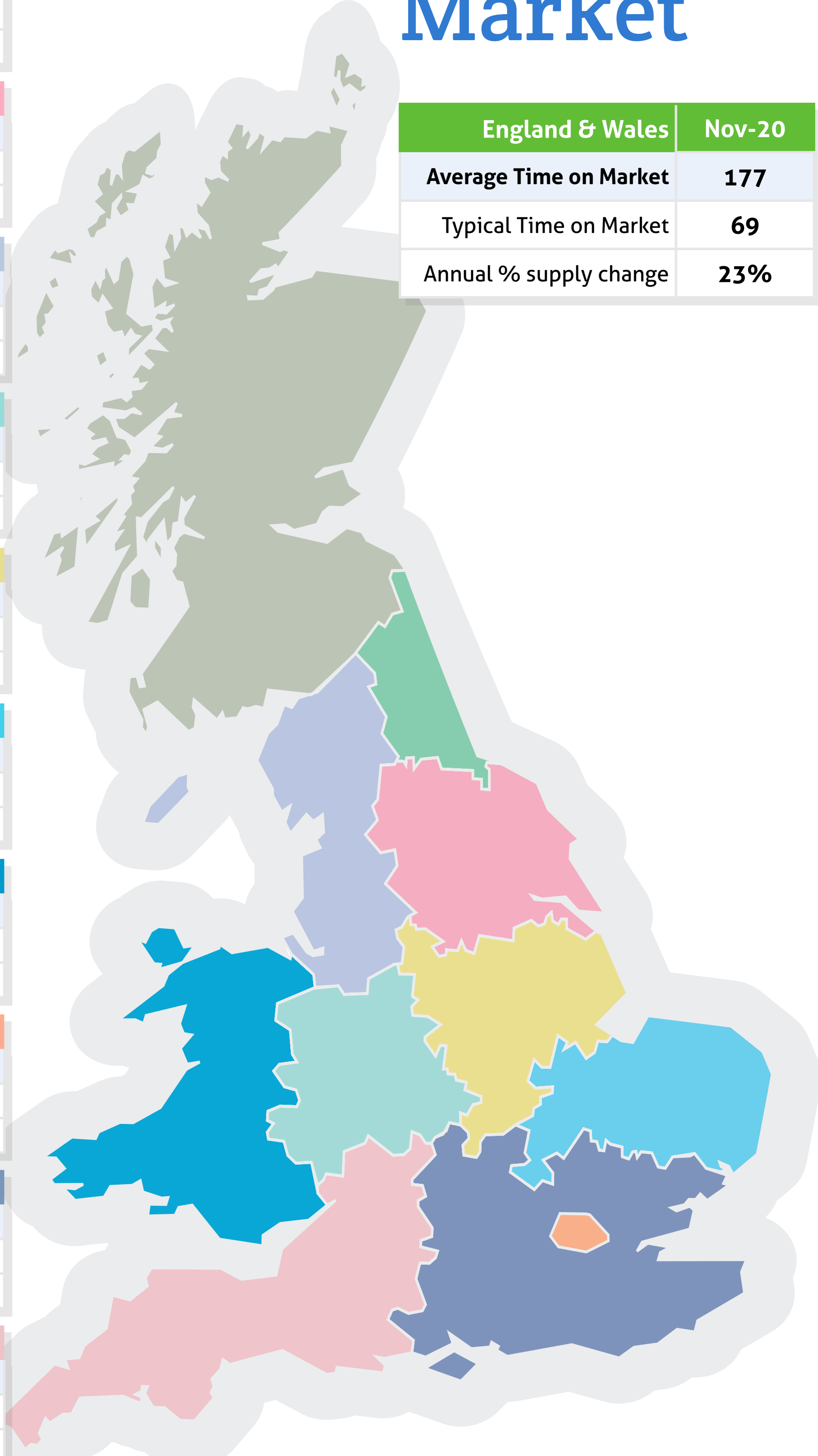
Wales	Nov-20
Average Time on Market	**222**
Typical Time on Market	83
Annual % supply change	7%

Greater London	Nov-20
Average Time on Market	**170**
Typical Time on Market	70
Annual % supply change	86%

South East	Nov-20
Average Time on Market	**159**
Typical Time on Market	69
Annual % supply change	27%

South West	Nov-20
Average Time on Market	**169**
Typical Time on Market	74
Annual % supply change	19%

England & Wales	Nov-20
Average Time on Market	**177**
Typical Time on Market	**69**
Annual % supply change	**23%**



Source: Home.co.uk Asking Price Index, November 2020. Note: Average = Mean (days), Typical = Median (days)

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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

- For media enquiries please contact:
  press@home.co.uk
  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:

- **Tuesday 15th December**
- **Tuesday 12th January**
- **Friday 12th February**