London Rallies While Prices Slide in Several Regions

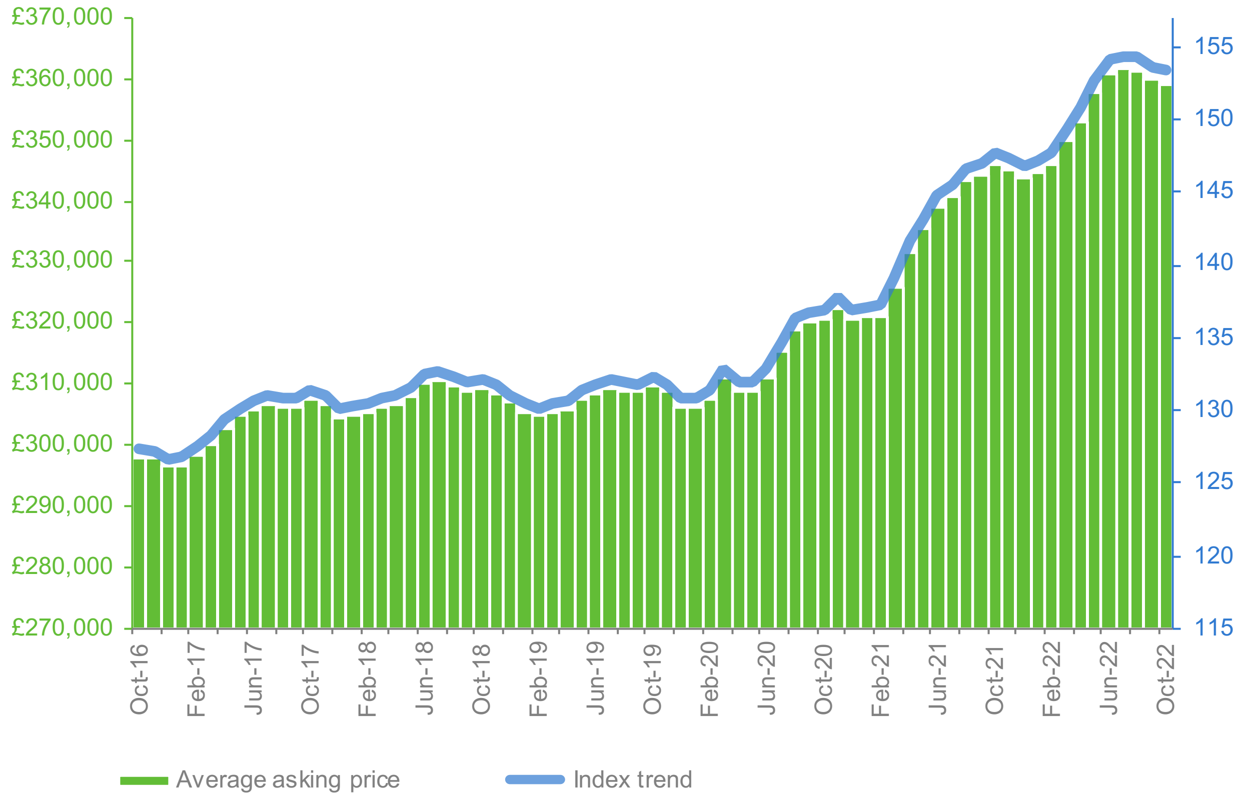
Headlines

- Asking prices across England and Wales have dipped for a second consecutive month (by just 0.2%), bringing the year-on-year rise to 3.9%, broadly in line with both seasonal expectations and post-boom price corrections.
- The total stock of property for sale in England and Wales ticked up yet again, affording more choice for potential buyers. Despite recent increases, the stock total is still a long way below what might be considered normal.
- Greater London is the only region where the stock of unsold property has fallen over the last twelve months (by 4.7%).
- The much-forecasted slowdown is yet to appear. The Typical Time on Market (median) for unsold property is up just two days at 67 days since last month but 13 days less than in October 2021, despite pricier mortgages. The average time on market actually fell two days since last month, continuing its downward trend.
- Record-high prices and a negative outlook for landlords are motivating more vendors to commit, thereby increasing the supply of new instructions. 16% more properties were placed on the market last month compared to September 2021.
- Yorkshire and Welsh property markets now lead in annualised regional price growth (+7.0%and +7.2% respectively).
- Monetary inflation remains very high at 13.9% (RPI ex. housing), making current *real* growth around 10% year-on-year. Moreover, despite rising mortgage costs, the *real* mortgage interest rate remains around -8%.[1]
- London rents continue their skywards trajectory. Demand has decimated supply and this is driving annualised rental growth to a phenomenal 28.2%.
- Central London rents rose the fastest at first but the current new growth leaders are the boroughs of Bexley, Hounslow and Newham (+42.6%, +39.7% and +39.1% annualised respectively).
- Correspondingly, yields across the entire capital region are vastly improving and this has not escaped the notice of investors.

[1] ONS figure for August 2022 and Moneyfacts.co.uk

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, October 2022, Indexed to May 2004 (Value=100).

Summary

The London sales market finally returns to strength while the overheated regional markets indicate more realistic pricing. Sterling weakness, in US dollar terms, is now making the UK capital's property market more attractive, but the recovery has been on the cards since before the lockdowns wreaked havoc. Rapidly rising rents have brought yields back up significantly and worsening scarcity of available properties to let will ensure that the trend continues. The total stock of property for sale in the capital region is down 4.7% since October last year.

Meanwhile, stock levels are recovering after the rabid buying frenzy that drove sales agents' portfolios down to unprecedented levels. The greatest increases in sales stock over the last twelve months are in Wales (+49%), the South West (+46%) and the East of England (+42%). The drought is now over and the inevitable rebalancing of supply and demand is underway. More cautious pricing is apparent across most English regions, Wales and Scotland, as evidenced by small dips in average prices. Panic selling appears unlikely while strong rental demand continues to support property values.

Remarkable momentum remains. Property continues to move through the marketplace at a spritely pace. The Typical Time on Market for unsold property is lower now than it has been throughout the previous four years. This important fundamental measure seems to have been completely ignored by the irresponsible doomsters in the property media. Howling and gnashing of teeth is no substitute for keen and accurate analysis. Every single region in England, Wales and Scotland indicate shorter marketing times (both median and mean) compared to October last year.

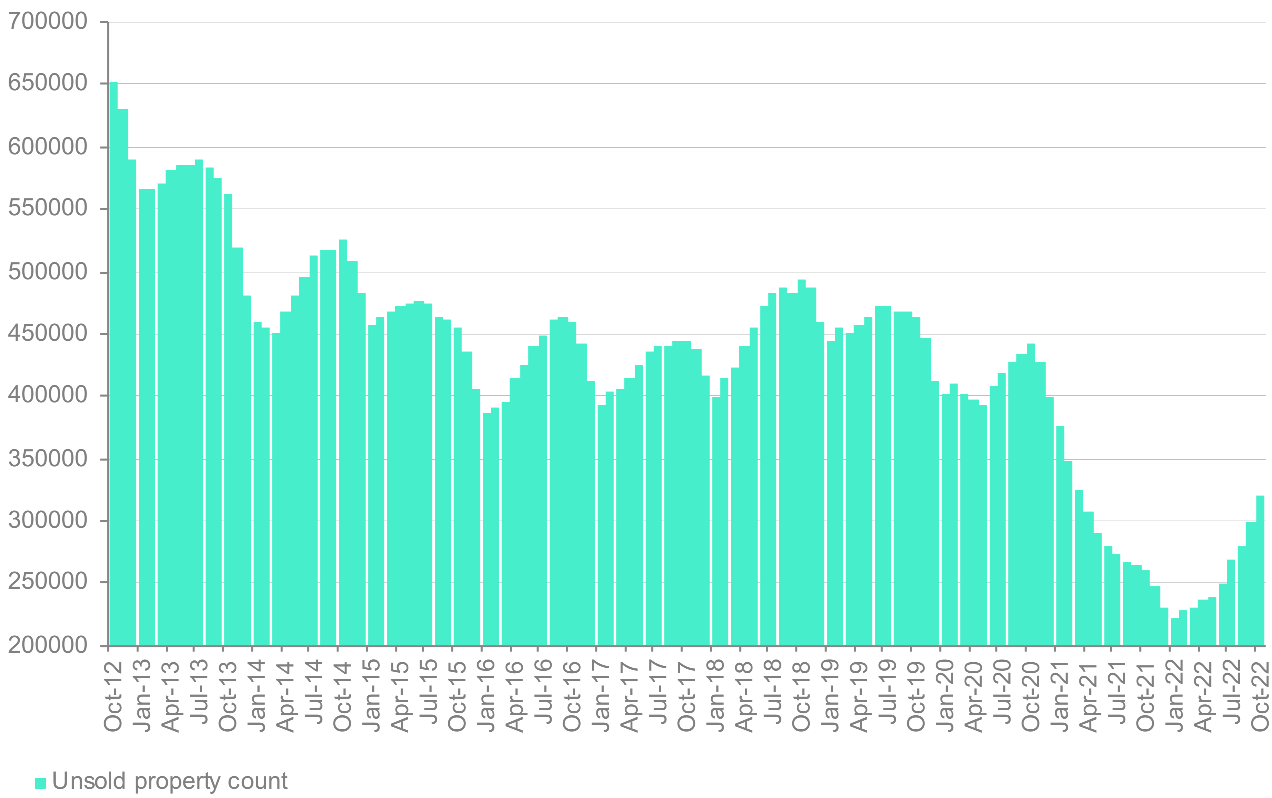
Overall, the UK market is returning to a healthier state. Market forces are bringing back balance to supply and demand that was seriously out of whack. Although interest rates have been raised in a vain attempt to curb rising prices, they are still a gift that keeps on giving when compared to inflation.

The real dark clouds on the horizon for the UK property market are further fiscal and regulatory interference in the sector by central and local government. Absurd proposals by left-leaning pressure groups like rent capping and expensive bureaucratic licensing schemes are existential dangers to the proper functioning of the Private Rented Sector and the property market as a whole. Increased taxation of landlords has already taken its toll and discourages investment when the sector needs significantly more.

Furthermore, irresponsible fiscal policy is also a threat to the housing market. The recent mini-budget presented by the new Truss cabinet was enough to trigger chaos in the UK debt markets and it required massive intervention by the Bank of England. Such a reaction by market players serves to indicate what a precarious position the UK is now in, having raised interest rates against a backdrop of massive government debt and a failing economy. The pain threshold has been reached and it's just a matter of time before the Old Lady of Threadneedle Street realises her blunder and backtracks.

In London, rents continue to rise over and above official inflation. What began in Prime Central London with the exodus reversal is now spreading out wider towards the M25. These now high-yielding residential investment properties are looking very attractive, especially to US investors. Given the size

Total Stock of Property for Sale, England and Wales



Source: Home.co.uk Asking Price Index, October 2022

and value of the Greater London property market, a return to growth in the sales market will support the entire UK market going forward.

The annualised mix-adjusted average asking price growth across England and Wales is now at 3.9%; in October 2021, the annualised rate of increase of home prices was 7.9%.

Stock Levels

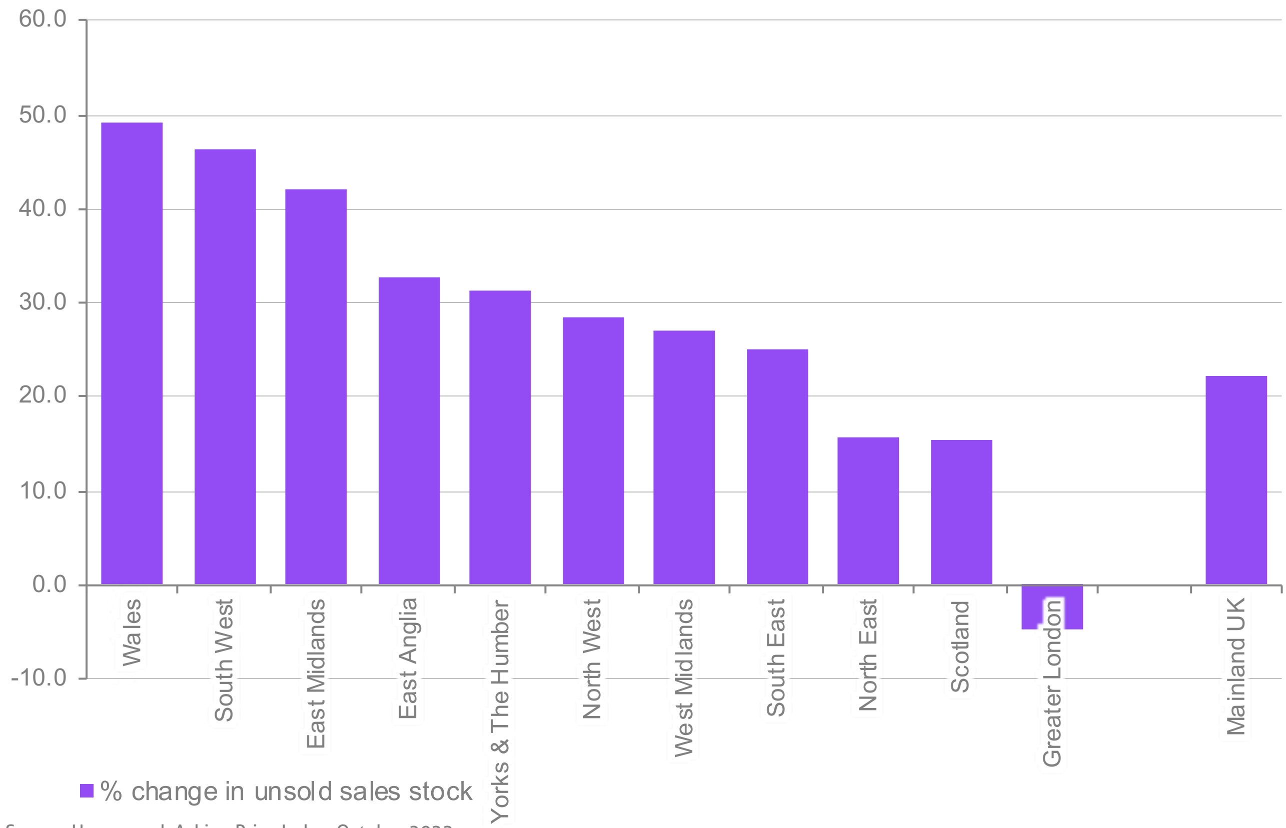
The overall stock level is now recovering quickly from a period of unprecedented scarcity but remains a long way short of what might be considered normal. Given the current trend, it may well be 2023 before it returns to between 400,000 and 500,000 properties. The total is now 23% up on October last year, during the most frantic part of the buying frenzy. Meanwhile, supply of new instructions has increased by 16% (Sept 2022 vs. Sept 2021), which is a moderate rise and certainly not a flood of panic sellers. For the time being, we retain the opinion that major supply shocks look unlikely at this point, although it remains to be seen how landlords will react to the increasing pressure to freeze rents.

Regional Roundup

Regional stock levels continue to repopulate in the wake of the property drought. For the time being, overall stock remains around 25% down on what might be considered normal but there is considerable disparity between the regions as to the rate of stock replenishment.

Stock numbers in Wales and the South West have risen relatively rapidly, followed by the East Midlands and East of England. Yorkshire and the North West also show above-average accumulation of sales stock. These regional stock changes correlate broadly with those regions that showed the greatest price growth. Somewhat ironically, vendors

Rise in Total Properties for Sale by Region, Oct. 2022 vs. Oct. 2021



Source: Home.co.uk Asking Price Index, October 2022

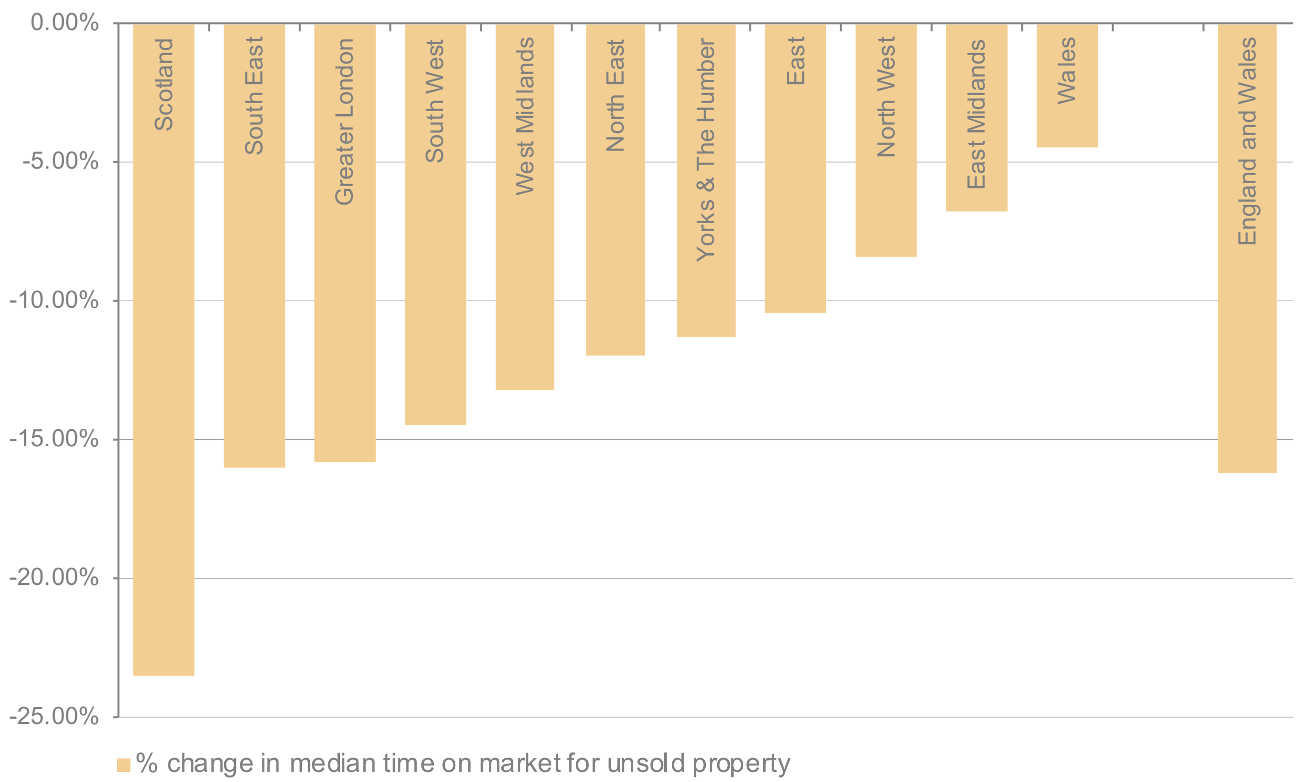
looking to cash in their recent gains produce surges in supply that lead to a softening of prices and sometimes a downward revision.

Having shown extraordinary and unsurpassed growth over the last five years (+36%), Welsh home prices look ripe for a price correction. However, experience tells us this haircut must be preceded by a rise in Typical Time on Market and, thus far, this measure has indeed been rising steadily since the frenzied pace set in June this year, although the year-on-year change remains slightly negative for the time being. Wales may well be the first region to experience sliding prices and we expect other regions that experienced huge price growth to follow suit. The North West, Yorkshire, East Midlands and West Midlands look similarly overvalued, judging by their 5-year growth figures.

Greater London, however, the UK's largest and most valuable regional market, is in a completely different part of the property cycle. Such is the rise in demand that stock levels are actually falling despite a rise in supply. By stark contrast to several overinflated regions, London shows a mere 4.3% growth in the mix-adjusted average price over the last five years. Savvy investors, encouraged by soaring rental returns, are aware of the huge potential for capital gains and are now making their move. Demand is clearly outweighing supply and prices look set to rise into 2023, despite higher mortgage costs.

There is much talk of the market slowing in the property sections of the media. Our data shows that, in most of the regions, properties are moving through the market more quickly than their long-term average. Small rises in the median time on market for unsold property are evident, but this is consistent with the time of year as the market naturally slows in the run-up to the festive period.

% Change in Typical Time on Market, Oct. 2022 vs. Oct. 2021



Source: Home.co.uk Asking Price Index, October 2022

Properties in certain regions may be expected to hang around longer as price corrections take place but this will likely not be the case for all regions. As we have already mentioned, the London market is picking up (and the South East may follow), and so it will be the spring of 2023 before we can fully evaluate the pace of the market.

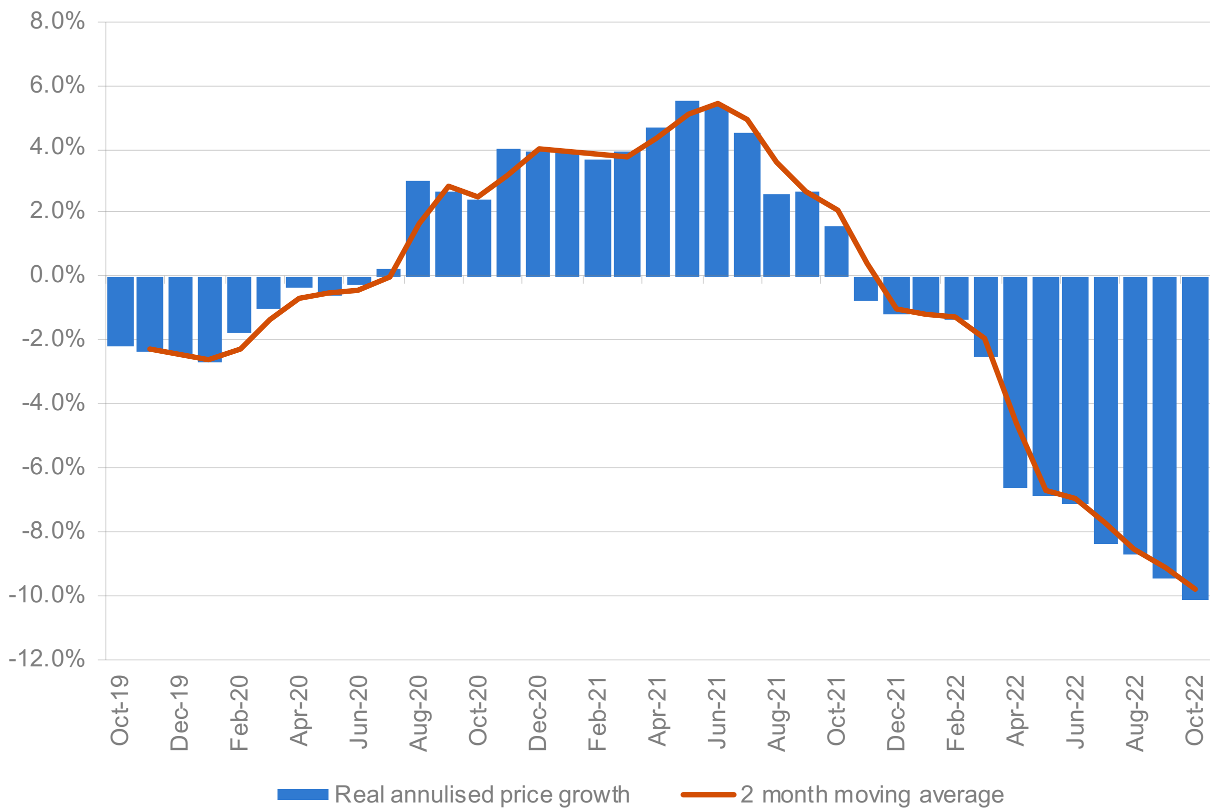
The overall change in the mix-adjusted average price for England and Wales was just -0.2% since last month. While prices rose by 0.3% in both London and the East Midlands, they fell in Scotland, Wales and in all other English regions with the exception of Yorkshire where there was no change. The largest fall was in the North East (-2.0%) but, given that prices in the region rose by almost the same during the month prior, it would appear to be an inconsequential spike. However, the next largest fall was in Wales (-0.7%), which is in line with expectations of the cumulative effects of seasonality and the inevitable post-boom correction.

The South West showed the next largest drop of -0.5% which is typical of the more accentuated seasonal nature of this regional property market. Otherwise, price falls were relatively minor (see map) in the remaining English regions and in Scotland.

Real Home Price Growth

In this chart, we present an update of real home price growth with the addition of our conservative estimates for current inflation. It is worthwhile bearing this in mind when property pundits issue wild claims that UK property is overvalued. This is the real correction going on in the background while prices hover in nominal terms.

Real Asking Price Growth, England and Wales



Source: Home.co.uk Asking Price Index, October 2022 and ONS (RPI ex. housing). Our estimates for Sept and Oct both 14%.

What a pickle the Bank of England has got itself into by raising interest rates when the economy is already on its knees in the wake of the pandemic.

Our so-called experts at Threadneedle Street ought to know that it's a completely ineffective tool to counter cost-push inflation. Moreover, it will hamper the kind of investment the UK needs to alleviate many of our most pressing needs such as building more homes and getting more oil and gas out of the ground.

Truss and Kwarteng's mini- budget really put the cat amongst the pigeons. Analysts soon realised that the numbers just didn't add up without a vast increase in government borrowing. Buyers of both government debt (gilts) and commercial property funds immediately baulked. This sent prices tumbling which, in turn, forced a selloff by pension funds. Consequently, the Bank of England had to do a 180-degree turn: drop their tapering ambitions and start buying up government debt in a new aggressive wave of QE to the tune of £10 billion per day (if necessary) to prevent gilts crashing (and yields rising).

Their blundering has perfectly illustrated the Catch-22 we are in. When debt levels are so astronomical, even a relatively small rise in interest rates causes massive disruption in the markets. Again, the only solution was emergency money-printing in order kick the can down the road. The BoE said it had commenced this programme to "restore market functioning in long-dated government bonds and *reduce risks from contagion to credit conditions for UK households and businesses*".

As I have said before, we have long since passed the debt 'event horizon'. The black hole of debt just gets bigger exponentially while bouts of QE debase the currency, leading to more inflation. As interest payments on the national debt leap, analysts have seen the 'doom loop' - a vicious circle wherein the government's borrowing to pay interest generates yet more interest and yet more borrowing.

So what's the upshot of all this for the property market? High inflation will persist and continue to erode *real* property values (that is the *real* market correction occurring). Rents will continue to rise (and so will political pressure for rent caps). Fewer properties will be built (due to soaring costs). Independent or not, the BoE will have great difficulty raising interest rates any further and will likely capitulate its phoney war on inflation. What is also clear is that, despite all the doom and gloom promulgated by the property media, bricks and mortar remains a safe-haven asset in these troubled times.

Meanwhile, proposals for reform of the Private Rented Sector by way of the Renters' Reform Bill are being reviewed. Section 21 or 'no fault' evictions may not be scrapped after all. This may herald a wind of political change following a decade of anti-landlord legislation (and taxation) and help stem the tide of the landlord exodus. In my view, the next priority must be to tackle the grossly unfair Capital Gains Tax. Indexation must be reintroduced to offset the nominal gains against the effects of inflation. We are no longer in a period of benign inflation and therefore the current rules are tantamount to fraud on the part of the HMRC.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

Scotland	Oct-22
Average Asking Price	£217,219
Monthly % change	-0.1%
Annual % change	3.8%

North East	Oct-22
Average Asking Price	£185,592
Monthly % change	-2.0%
Annual % change	3.7%

Yorks & The Humber	Oct-22
Average Asking Price	£245,932
Monthly % change	0.0%
Annual % change	7.0%

North West	Oct-22
Average Asking Price	£257,980
Monthly % change	-0.3%
Annual % change	6.6%

West Midlands	Oct-22
Average Asking Price	£302,994
Monthly % change	-0.1%
Annual % change	6.6%

East Midlands	Oct-22
Average Asking Price	£290,059
Monthly % change	0.3%
Annual % change	5.1%

East	Oct-22
Average Asking Price	£409,135
Monthly % change	-0.1%
Annual % change	2.3%

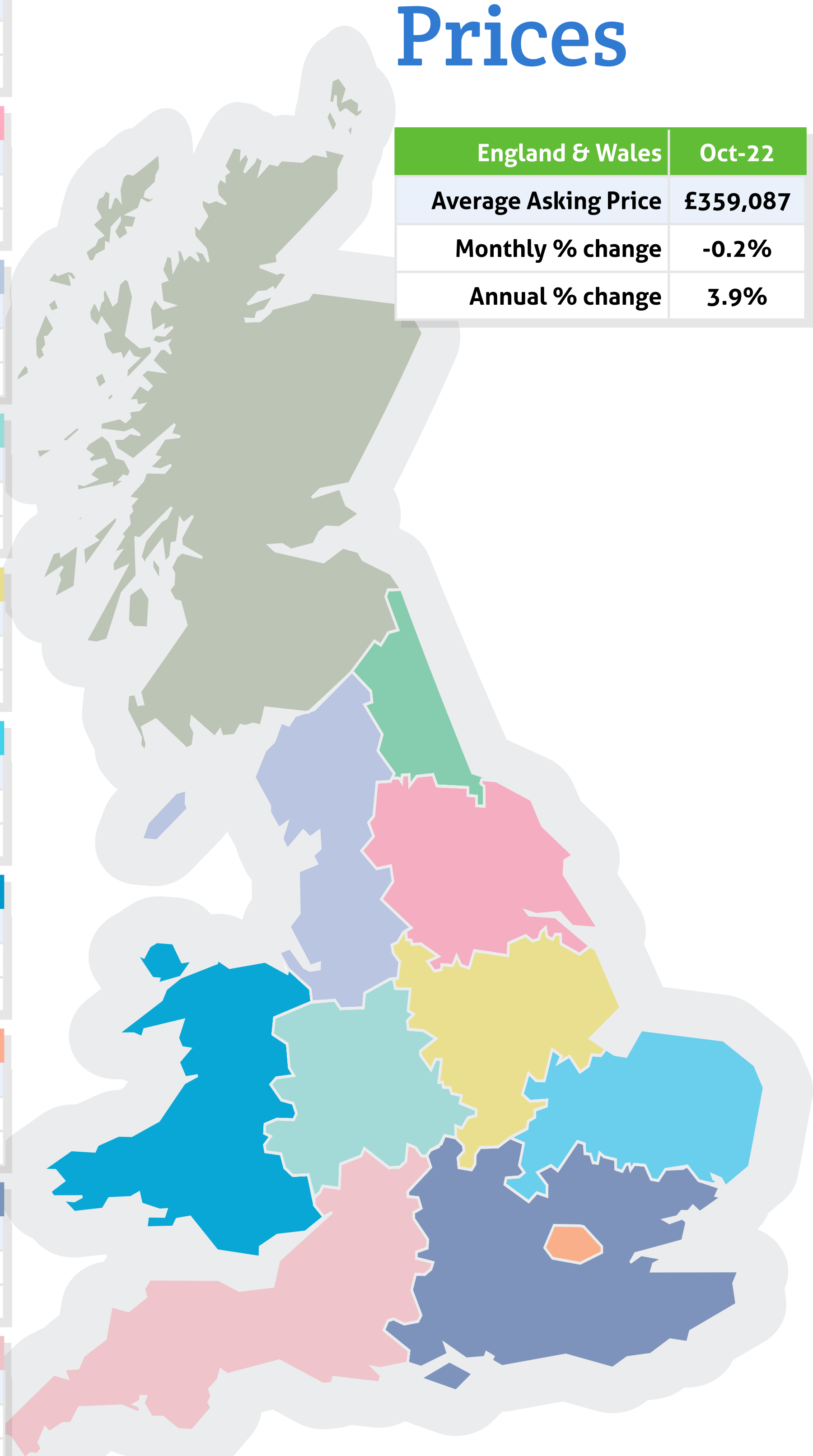
Wales	Oct-22
Average Asking Price	£261,886
Monthly % change	-0.7%
Annual % change	7.2%

Greater London	Oct-22
Average Asking Price	£559,230
Monthly % change	0.3%
Annual % change	1.8%

South East	Oct-22
Average Asking Price	£452,420
Monthly % change	-0.4%
Annual % change	1.5%

South West	Oct-22
Average Asking Price	£388,405
Monthly % change	-0.5%
Annual % change	5.8%

England & Wales	Oct-22
Average Asking Price	£359,087
Monthly % change	-0.2%
Annual % change	3.9%



Source: Home.co.uk Asking Price Index, October 2022

UK Time on Market

England & Wales	Oct-22
Average Time on Market	142
Typical Time on Market	67
2 year % supply change	16%

Scotland	Oct-22
Average Time on Market	177
Typical Time on Market	52
Annual % supply change	14%

North East	Oct-22
Average Time on Market	141
Typical Time on Market	66
Annual % supply change	14%

Yorks & The Humber	Oct-22
Average Time on Market	112
Typical Time on Market	55
Annual % supply change	18%

North West	Oct-22
Average Time on Market	135
Typical Time on Market	65
Annual % supply change	16%

West Midlands	Oct-22
Average Time on Market	128
Typical Time on Market	59
Annual % supply change	17%

East Midlands	Oct-22
Average Time on Market	103
Typical Time on Market	55
Annual % supply change	21%

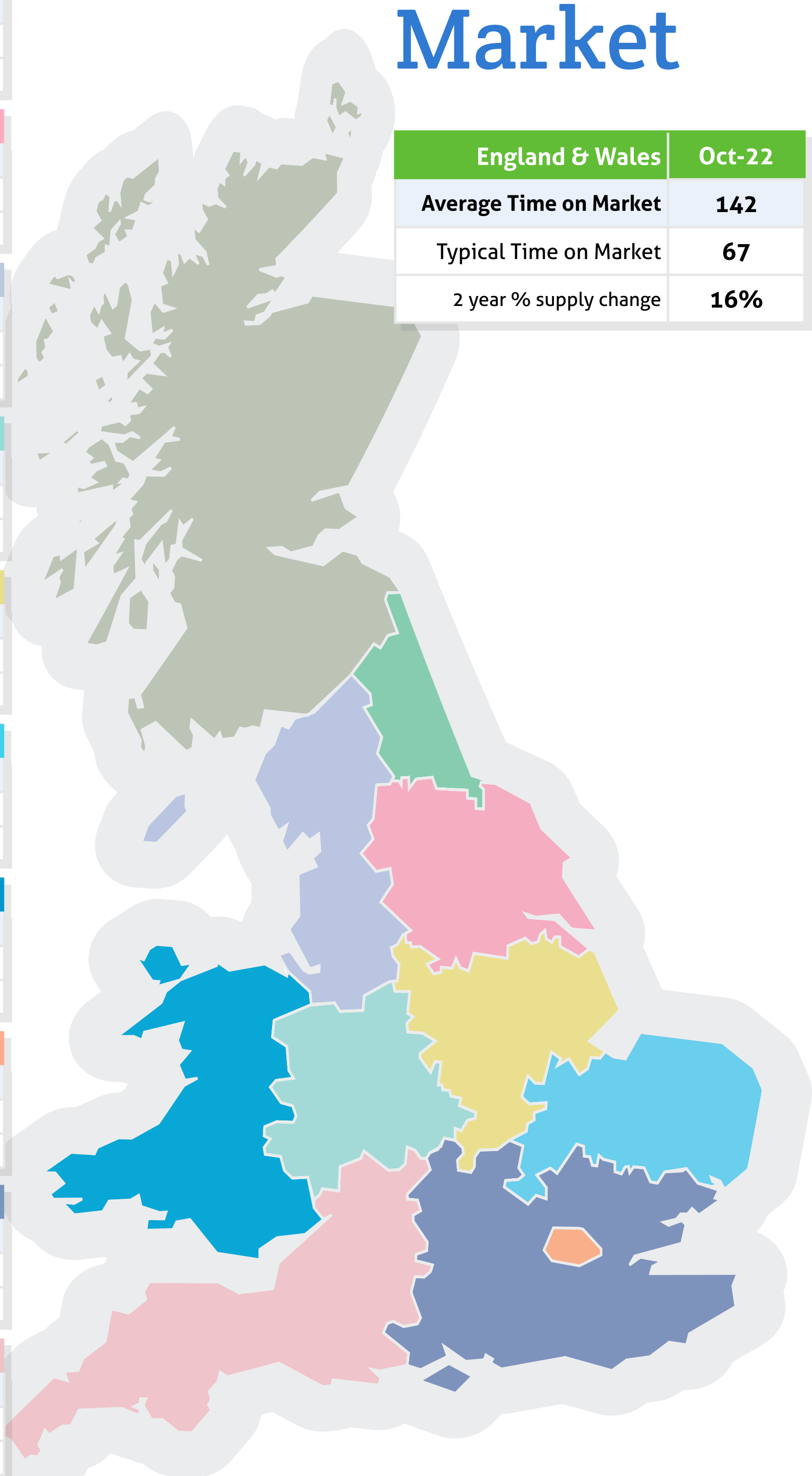
East	Oct-22
Average Time on Market	124
Typical Time on Market	60
Annual % supply change	17%

Wales	Oct-22
Average Time on Market	131
Typical Time on Market	64
Annual % supply change	22%

Greater London	Oct-22
Average Time on Market	183
Typical Time on Market	85
Annual % supply change	9%

South East	Oct-22
Average Time on Market	132
Typical Time on Market	63
Annual % supply change	16%

South West	Oct-22
Average Time on Market	121
Typical Time on Market	59
Annual % supply change	27%



Source: Home.co.uk Asking Price Index, October 2022. 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:
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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 16th November**
- **Wednesday 14th December**
- **Thursday 12th January**