Asking Price Index

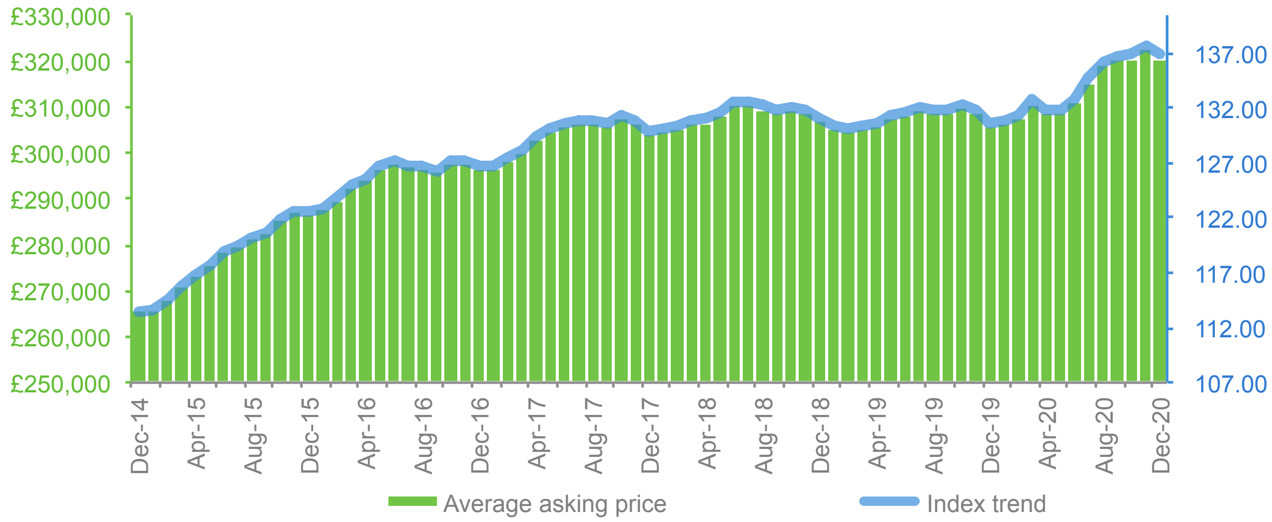
Released 15/12/20 December 2020

Prices Dip but Oversupply in London Continues

Headlines

- Asking prices have dipped 0.6% across England and Wales since last month, broadly in line with seasonal expectations.
- Record levels of supply continue unabated in Greater London, putting further downward pressure on prices (new listings up 57% in November compared to November 2019), although unsold stock levels have dipped slightly since last month.
- By contrast, supply across the English regions and Wales has reduced considerably, to the extent that significant undersupply is now evident in Wales and the North East.
- Despite this month's seasonal dip, the mix-adjusted average asking price for England and Wales registers a remarkably upbeat 4.7% year-on-year.
- The northern property markets indicate phenomenal strength, with Yorkshire showing the greatest year-on-year price growth of 9.8%, closely followed by the North West with an annualised gain of 8.9%.
- Greater London is currently the UK's worst-performing region with only 2.8% growth overall, but this figure hides significant price falls in more central areas.
- Average prices dipped in all regions of England, Scotland and Wales during the last month.
- The market continues to show exceptional pace with the Typical Time on Market at a mere 84 days for unsold property, 22 days less than in December 2019 (England and Wales), while UK-wide supply is up a mere 9% year-on-year.
- Overall supply in the UK rental sector is 1.4% down year-on-year. However, severe shortages are to be found in most English regions and in Wales, forcing up rents. The largest annualised hikes are in Wales (+16.2%) and the West Midlands (+17.0%).
- Meanwhile, the Greater London area shows acute oversupply in properties available to rent (+54% year-on-year) together with free-falling rents (-16.0%). This dire situation is having a severe knock-on effect for the capital's buy-to-let sales market.

Home Asking Price Trend for England & Wales



Source: Home.co.uk Asking Price Index, December 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

Given the breathtaking activity and demand-driven price hikes since the spring lockdown, it comes as no surprise that home prices show a correction this month. Broadly in line with seasonal expectations, this timely dip, apparent in all regions, will be reassuring for most property market observers. A sense of caution on the part of vendors in setting the asking price is an indication that the market has not overheated, and thereby reduces the chance of larger corrections in 2021. As in any market, seasonal dips and corrections are vital in rebalancing supply and demand.

News of the first COVID vaccine rollout is welcome and buoys hopes for a wider economic recovery. Indeed, in the wake of the devastating lockdown measures imposed to control the virus, there is a clear sense of urgency in the need to reanimate the worst-affected business sectors. The Stamp Duty holiday has certainly boosted property market sales but, alongside that, we are witnessing a refocusing of demand from urban dwelling to more leafy suburbs and the countryside. In fact, this new trend has created phenomenal upward pricing in corresponding locations and home types, more than matching the surge in supply in most regions. The market restart following the UK's first lockdown gave rise to remarkable regional price growth, especially in the north (Yorkshire prices are ending the year up nearly 10%). Outside of central London (and other heavily urban city centres), the property market looks to be sailing into calmer waters as we head into 2021.

On the downside, 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. Demand in more central parts of London has failed to keep up with supply in both the sales and rental markets over recent months. This certainly bodes ill for the capital region in 2021 as, while rents are collapsing in many boroughs, residential property is looking increasingly overpriced despite the price falls already observed. The typical price of a flat within a ten-mile radius of the centre of London has fallen 5% over the last year and, with rents falling more than 20% in central boroughs, we expect further price falls in 2021.

The fact that the market overall shows such vigour and significant price growth as we come to the end of what is one of the most economically devastating years in history is both encouraging and reassuring. In short, 2020 could have been a lot worse. Moreover, the current overall health of the property market is a testament to the hard work and determination of thousands of actors in the industry. Their sterling efforts in the most trying of circumstances have got the market back on its feet. As we look forward to 2021, we expect to see the market continue to adapt to the new pattern of buyer and renter demand.

The annualised mix-adjusted average price growth across England and Wales is currently a most remarkable +4.7%; in December 2019, the annualised rate of increase of home prices was -0.3%.

Regional Roundup

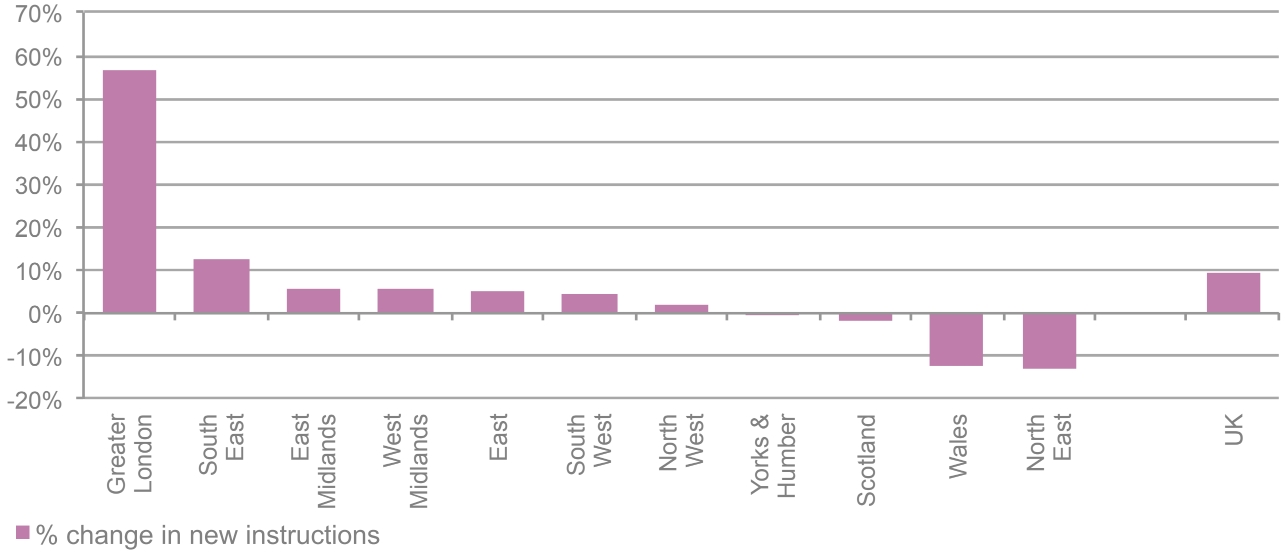
The fallout from the COVID pandemic has reshaped the nature of supply and demand. Analysis at the regional level can now provide insight as to how the market is shaping up as it adapts to new COVID-era trends. The supply and demand shocks that followed the spring lockdown have faded away and we now observe that most English regional markets (outside of London), Scotland and Wales have, for the time being, entered a more balanced state. However, until the 31st March, there remains the artificial distortive effect of the Stamp Duty holiday and all these markets have yet to deal with the consequences of the economic fallout of business failures and layoffs.

Of course, the exception is the Greater London market which, as indicated by the annualised supply change chart, is far from an equilibrated state. Oversupply still persists in the capital and this has kept price growth down to just 2.8%, making it the worst-performing region in the UK. November's new listings total is 57% higher than in November 2019. Although the excess is slightly less than was registered in the two previous months, the rate of oversupply remains a clear indication that this market is still in the midst of a radical readjustment, as vast amounts of the UK capital's formerly most sought-after property is being put up for sale.

In fact, supply is overwhelming demand in both the sales and lettings markets. Rents are collapsing in the more central London boroughs, slashed by landlords desperate to find new tenants. As we pointed out last month, trends in the fast-moving rental market are a forward indicator of the fate of the sales market, since ultimately it is the yield on property that fundamentally underpins its capital value.

Awash with new listings, supply in the Greater London rental market is up 54% year-on-year and most of this newly available letting stock is concentrated in the central boroughs. Such is the glut that, in iconic locations like Hammersmith

Regional Supply, Dec 2020 vs. Dec 2019



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

& Fulham, Kensington & Chelsea and Islington, landlords have slashed asking rents by 27%, 26% and 26% respectively. Moreover, judging by the current rate of decline, rents in central London are unlikely to stabilise anytime soon.

Last month, we reported that the average rent in Greater London had lost around 11.4% of its value twelve months ago; that same figure now stands at 16.0%. Rented property in central London is clearly much less desirable and a similar transition is taking place in the capital's sales sector, albeit more slowly. Stock levels are up 40% on a year ago and, without the option of letting out the property, prices in London's most expensive locations are being corrected downwards. The median asking price for a flat in Hammersmith is now down 13%, Belgravia down 12%, Hampstead down 6%, Westminster down 18%, Southwark 19% and Camden down 10%. It is most likely that these downward trends will play out well into 2021. Such declines in capital values will probably be arrested only once rents have stabilised. At this juncture, one can only speculate whether or not a successful vaccination program could reaffirm the desirability of high-density city living.

In stark contrast to central London's woes, rents and prices are climbing simultaneously throughout the rest of England and in Scotland and Wales. These markets, all supported by vibrant lettings markets (low supply and rapidly rising rents), show extraordinary strength and together have boosted the national average home price. The northern English regions of Yorkshire & the Humber and the North West lead the charge, indicating the greatest year-on-year price growth of 9.8% and 8.9% respectively. The North East also shows remarkable growth of 6.9%, although it is somewhat ironic that this region's first significant price rises since the financial crisis of 2008 have occurred during the pandemic.

Wales also shows significant annualised growth (7.3%), continuing a trend that began in February 2012. Rents are soaring to record levels (up 16.2%), propelled by a reported inward migration coupled with lack of supply. Scotland also shows impressive growth overall (7.8%) but, like London, the Edinburgh market continues to suffer from oversupply. Flats in particular have been accumulating on agents' books since the summer and the current stock total is 91% higher than in December 2019.

Further south, the surges in supply experienced earlier in the year have abated in the West Midlands and the East Midlands (both currently +6% year-on-year), and this stabilisation of supply will enable further price growth in 2021. Broadly speaking, home price trends in both regions appear to have returned to pre-COVID annualised rates of 4.9% and 4.4% respectively. In terms of average marketing times, the Midlands regions along with the East of England are the fastest-moving regional markets in the UK.

Supply surges in the South East, South West and East of England have essentially ceased. Outside of London, the South East remains the market most burdened by new instructions albeit with a year-on-year increase for the month of November of a mere 13%. Price rises have been moderate this year but stabilisation of supply will pave the way for further price growth in these regions in 2021.

What an extraordinary year for the UK property market.

2020 began in a positively forthright fashion, and the only dark clouds on the horizon were Brexit predictions of doom and gloom. Even the London market was climbing out of its long malaise. However, in the spring months, the UK came to realise it had indeed been invaded by the COVID virus and the consequences have reshaped our very lives and, of course, the property market. In April this year, I was in the unprecedented position of writing about a market that to all intents and purposes did not exist. With estate agency offices and solicitors shut, nothing moved and an eerie quiet awaited the restart. This was also a time for many to re-evaluate their lives in high-density city centre accommodation. Many soon realised that they didn't need to pay that much in rent or mortgage payments every month and, thanks to the modern age, could work remotely, perhaps even with the added benefit of a private garden they could enjoy with their loved ones. The COVID lockdown forced a change in perceptions and thereby the nature of demand for accommodation.

Despite many dire predictions, the market leapt into action with breathtaking speed. By July, we were witnessing a level of supply of new instructions not seen since 2011 and, to the surprise of many, prices were very much on the rise. In the same month came Chancellor Sunak's announcement that Stamp Duty would be suspended for purchases under £500,000. Well, that government incentive added booster rockets to the recovery, but it soon became apparent that not all areas were benefiting from the same uplift. A profound change in buyer and renter demand began to reshape the market dynamic.

The hitherto normal steady migration of workers into central London went into reverse. Renters were the first to up sticks and leave, and some city centre homeowners managed to sell quickly while many others are still hoping to. Of course, the problem they face is that supply has overwhelmed demand in these areas. Such properties have been mounting up on the market, attracting insufficient interest from buyers (unless one is willing to radically drop the price and for those mortgaged to the hilt that is not an option). In the wake of the exodus, rents have plummeted and asking prices are following suit.

Meanwhile, this new trend has meant surging demand for sales and rental properties in leafier suburbs and countryside homes. Fierce demand has meant prices and rents have soared in most regions in the latter half of this year, especially in the non-urban parts. In fact, we have never observed rents rising so quickly in the regions and this will certainly invigorate buy-to-let activity in these areas.

As we head into 2021, we expect this trend to continue. For many, the move to lower-density housing is a very positive one, for health, wealth and family life. Moreover, the shock of finding oneself living under lockdown conditions was really the last straw. Our city centres are not what they once were. A seemingly constant rising tide of transport costs, violent protests, fear of terrorist attacks and crime in general has radically reduced the quality of life for perhaps millions of urban dwellers. The tide has turned and, vaccine or no vaccine, those that have a choice are unlikely to return to their old urban lives.

Of course, the corollary of the new nature of demand is that the property market will continue to adapt through 2021. This rebalancing will mean that urban properties will continue to be down valued until demand matches supply. On the other hand, the regions look set to enjoy a period of investment and population growth they have perhaps not experienced for several generations.

Doug Shephard
Director at Home.co.uk

UK Asking Prices

England & Wales	Dec-20
Average Asking Price	£320,627
Monthly % change	-0.6%
Annual % change	4.7%

Scotland	Dec-20
Average Asking Price	£200,632
Monthly % change	-1.5%
Annual % change	7.8%

North East	Dec-20
Average Asking Price	£170,057
Monthly % change	-0.5%
Annual % change	6.9%

Yorks & The Humber	Dec-20
Average Asking Price	£221,216
Monthly % change	-0.2%
Annual % change	9.8%

North West	Dec-20
Average Asking Price	£226,108
Monthly % change	-0.6%
Annual % change	8.9%

West Midlands	Dec-20
Average Asking Price	£264,893
Monthly % change	-0.6%
Annual % change	4.9%

East Midlands	Dec-20
Average Asking Price	£248,401
Monthly % change	-0.5%
Annual % change	4.4%

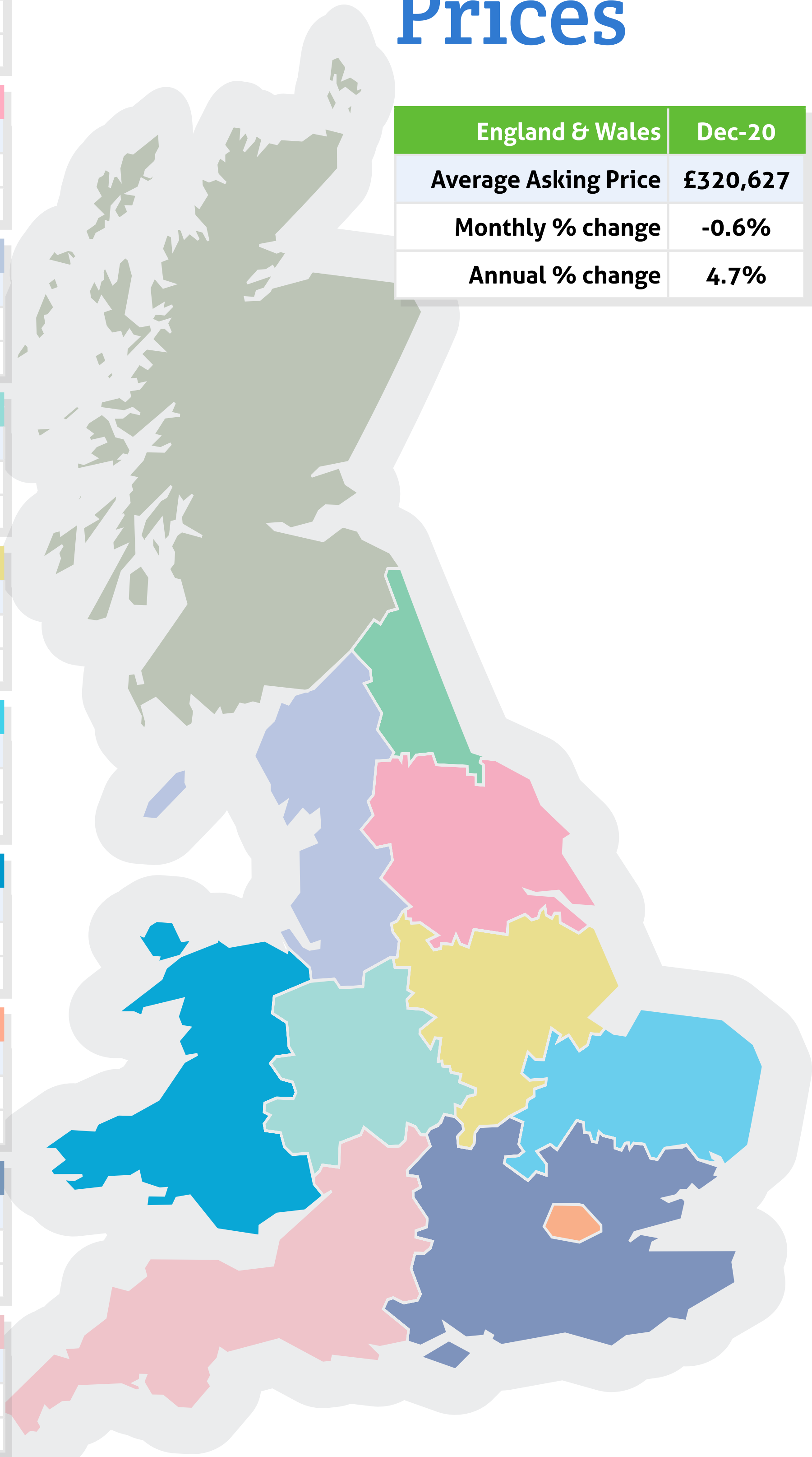
East	Dec-20
Average Asking Price	£356,232
Monthly % change	-0.6%
Annual % change	3.5%

Wales	Dec-20
Average Asking Price	£226,345
Monthly % change	-0.6%
Annual % change	7.3%

Greater London	Dec-20
Average Asking Price	£528,505
Monthly % change	-0.3%
Annual % change	2.8%

South East	Dec-20
Average Asking Price	£407,164
Monthly % change	-1.0%
Annual % change	4.4%

South West	Dec-20
Average Asking Price	£330,695
Monthly % change	-0.7%
Annual % change	3.2%



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

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UK Time on Market

England & Wales	Dec-20
Average Time on Market	179
Typical Time on Market	84
Annual % supply change	9%

Scotland	Dec-20
Average Time on Market	244
Typical Time on Market	84
Annual % supply change	-2%

North East	Dec-20
Average Time on Market	238
Typical Time on Market	104
Annual % supply change	-13%

Yorks & The Humber	Dec-20
Average Time on Market	169
Typical Time on Market	79
Annual % supply change	-1%

North West	Dec-20
Average Time on Market	183
Typical Time on Market	85
Annual % supply change	2%

West Midlands	Dec-20
Average Time on Market	157
Typical Time on Market	79
Annual % supply change	6%

East Midlands	Dec-20
Average Time on Market	152
Typical Time on Market	76
Annual % supply change	6%

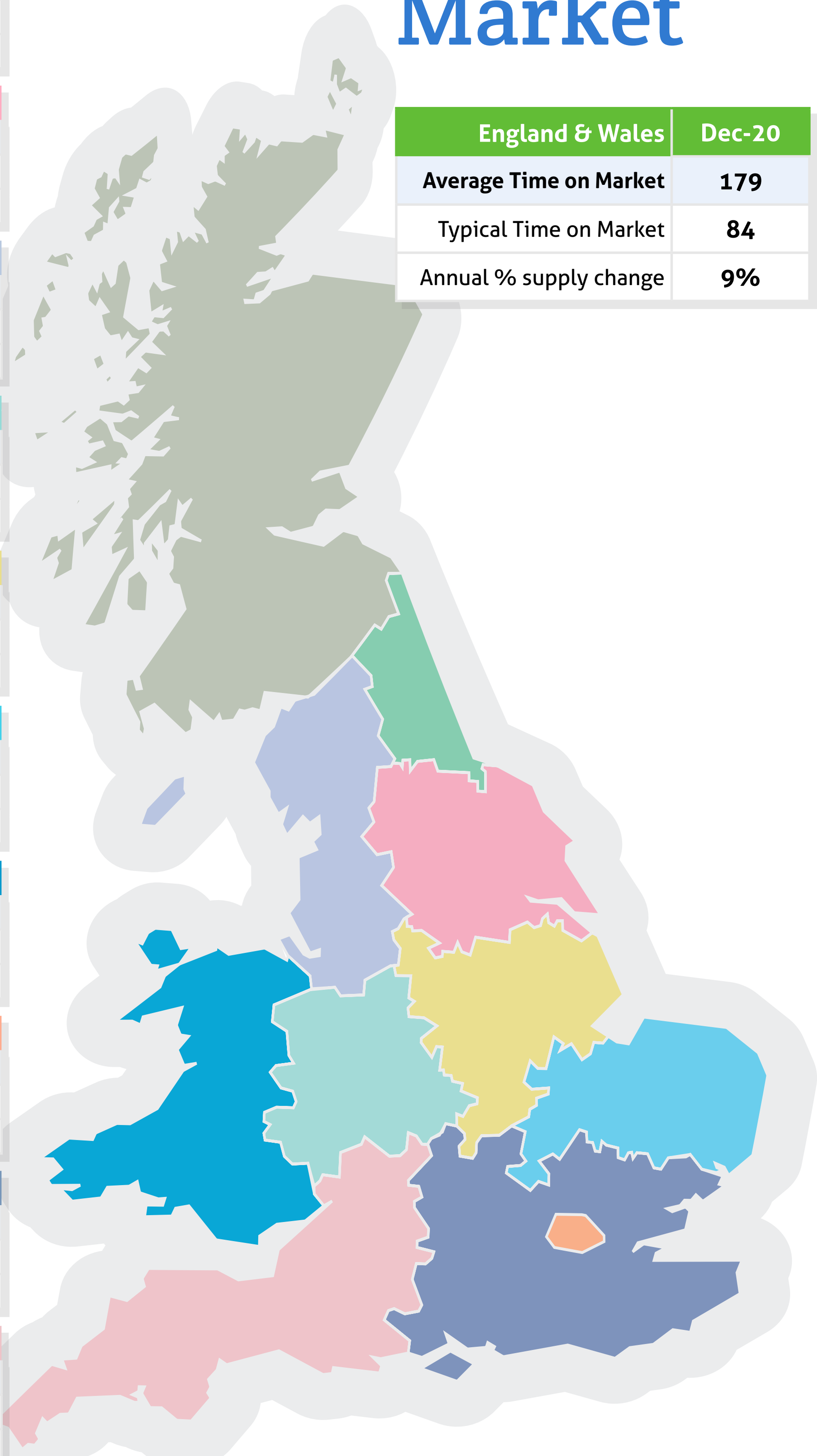
East	Dec-20
Average Time on Market	157
Typical Time on Market	79
Annual % supply change	5%

Wales	Dec-20
Average Time on Market	222
Typical Time on Market	96
Annual % supply change	-12%

Greater London	Dec-20
Average Time on Market	170
Typical Time on Market	79
Annual % supply change	57%

South East	Dec-20
Average Time on Market	162
Typical Time on Market	78
Annual % supply change	13%

South West	Dec-20
Average Time on Market	173
Typical Time on Market	82
Annual % supply change	5%



Source: Home.co.uk Asking Price Index, December 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

- 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:

- **Tuesday 12th January**
- **Friday 12th February**
- **Friday 12th March**