



February 2012

Asking Price Index

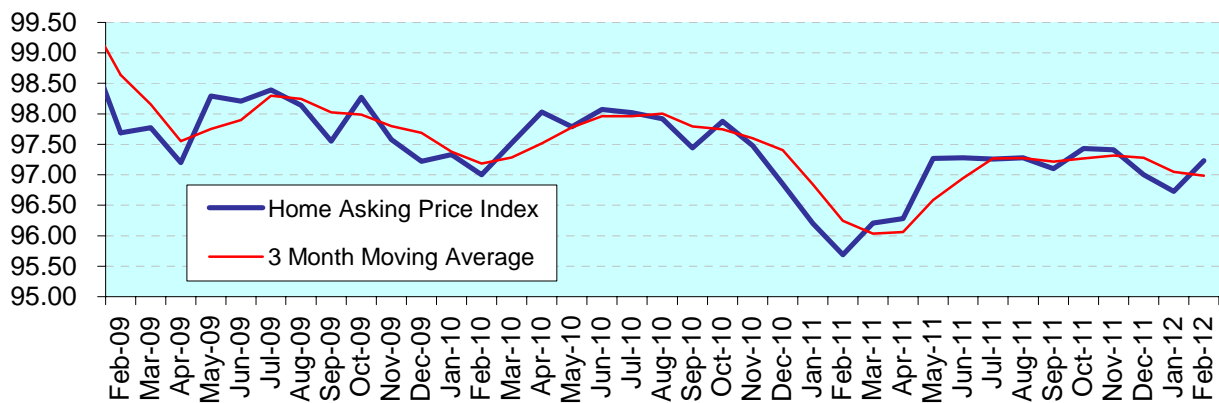
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 13th February 2012

Optimistic Sellers Raise Supply and Prices.

"The tightrope walk between recession and recovery continues. We've taken one step towards a double-dip recession, and it's now probably 50-50 as to whether we'll take the second, with a fall in output this quarter as well." Graeme Leach, chief economist at the Institute of Directors

Home Prices Trend for England and Wales



[Laspeyres](#) Index based on Weighted Arithmetic Mean of Weighted Arithmetic Mean of Regional House Prices. [May04 = 100]

Summary

Asking prices for homes on the market in England and Wales have risen 0.5% since January, despite poor market fundamentals.

Average time on market has dropped back significantly to 230 days: market activity is increasing but this is due mainly to new vendors.

New UK sales listings were up 12% in January compared to January 2011, and February looks set to follow this rising trend.

Scotland's housing market is flooded with a 48% rise in new listings (YoY).

A small fall (4% YoY) in supply of sales properties will serve to support prices in London in the near term.

Annual change in asking prices: +1.6%

6-month change: -0.1%

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For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

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The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd



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Overview

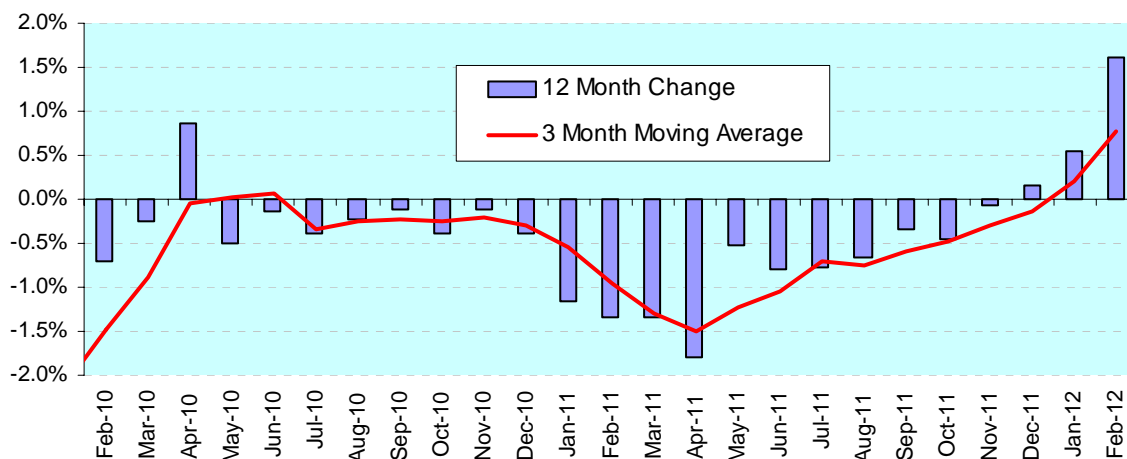
At a glance the latest property market statistics could suggest that the first two months of 2012 show a recovery is underway: home prices are up 1.6% year on year and time-on-market figures are falling. Look deeper into the figures on a regional basis and it becomes apparent that the UK housing market's troubles are far from over.

Vendors are out in force in these first few weeks of 2012, although their over-optimistic pricing coupled with the increase in supply is likely to drive the UK housing market to a tipping point. Restricted supply of properties for sale had served to support prices following the financial crisis and the current flood of market entrants could seriously destabilise home prices in 2012.

The UK's economic fortunes have not improved significantly and nor has mortgage credit become more available, hence buyers are still hard to find. We expect brutal on-market price cuts when the new over-priced inventory fails to sell in the coming months. Scotland in particular will have a tough time in 2012 with a massive 48% increase in supply, rising asking prices and no likelihood of a corresponding increase in buyers.

Year-on-Year Trend in Asking Prices

12 Month Change in Asking Prices by Month



Year on year, asking prices are moving further into positive territory, but such optimism is hard to justify in these difficult economic times. Again, this overall annual rise is due almost entirely to the stronger performing regions: Greater London, the South East and East Anglia.



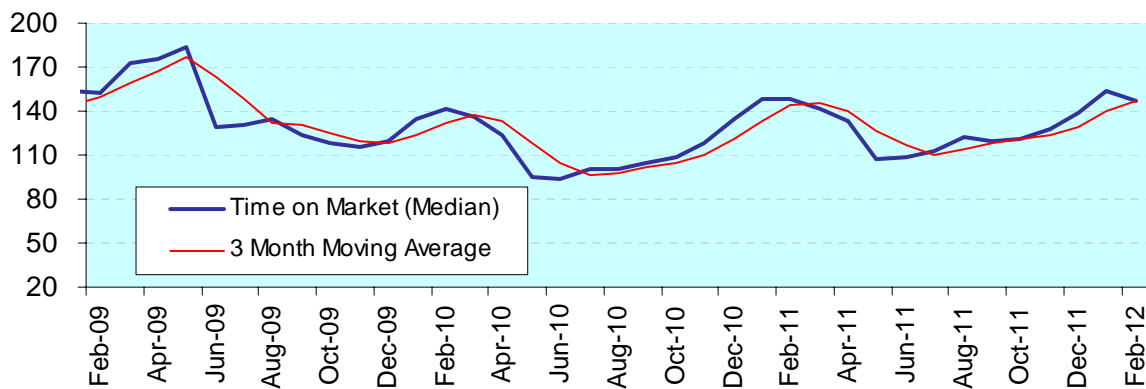
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Time-on-Market Analysis

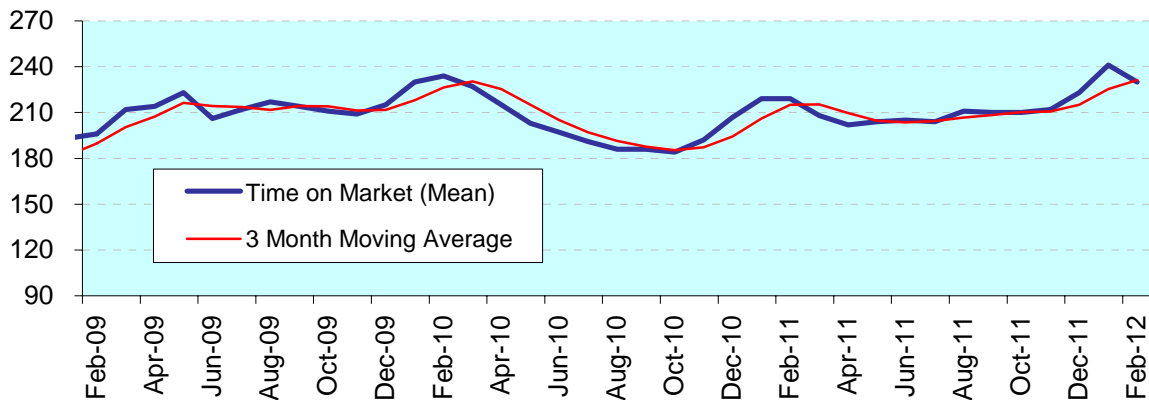
The typical (median) time on market for unsold property has fallen back by 7 days since last month, somewhat earlier than seasonally expected. However, much of this reduction can be accounted for by the recent surge in supply in all regions except Greater London.

Typical Time on Market for England & Wales



The current average time on market has fallen back 9 days from last month's record high (as measured by this index) of 241 days. Seasonality aside, the recent trend shows that UK homes for sale have been subject to increasing marketing times since October 2010.

Average Time on Market for England & Wales



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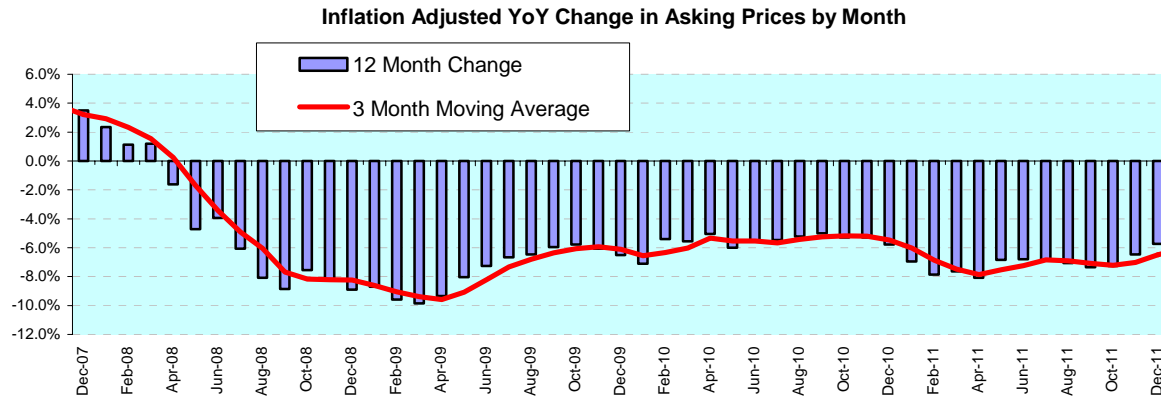
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Home Asking Prices vs. Inflation



Comparing ONS figures ([RPI](#) ex. housing) and the YoY change in asking prices shows that, in real terms, capital invested in UK property has been continually eroded since March 2008. The HAPI for England and Wales now stands at 97.2 [May04 = 100].

Regional Housing Markets

Regional asking prices for February 2012, showing gains and losses since August 2011 and current typical time on market.

	Current average price	6-month change	Median ToM (days)
South East	£288,344	+1.2%	114
East Anglia	£243,265	+0.7%	126
Greater London	£343,675	+0.5%	109
South West	£249,127	-0.3%	137
East Midlands	£172,150	-0.6%	155
West Midlands	£186,535	-0.7%	154
North West	£172,250	-0.8%	169
Yorkshire and Humber	£166,525	-1.3%	175
North East	£150,355	-1.8%	187
Wales	£171,663	-2.2%	201
Scotland	£158,539	-2.6%	185
England & Wales	£226,458	-0.1%	147

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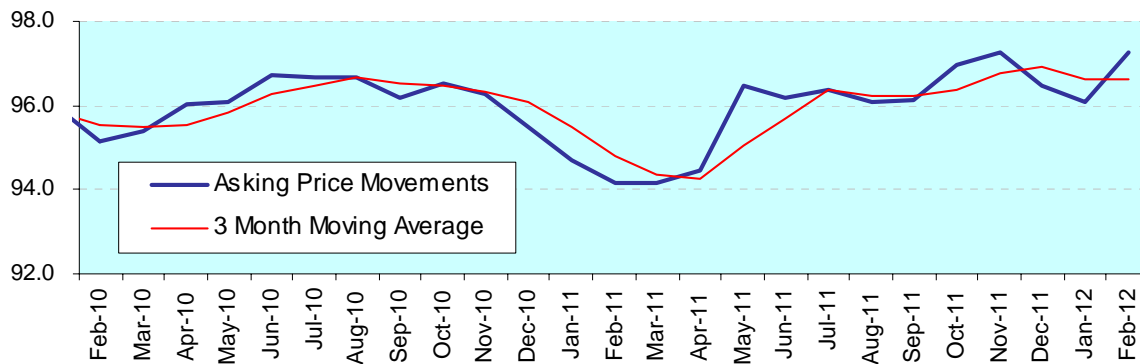
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South East

Market house prices in the South East have been outperforming the rest of the UK over the last six months and look set to register a new post-crisis high this year. This region is one of the few to have registered a 2011 price maximum higher than that registered in 2010.

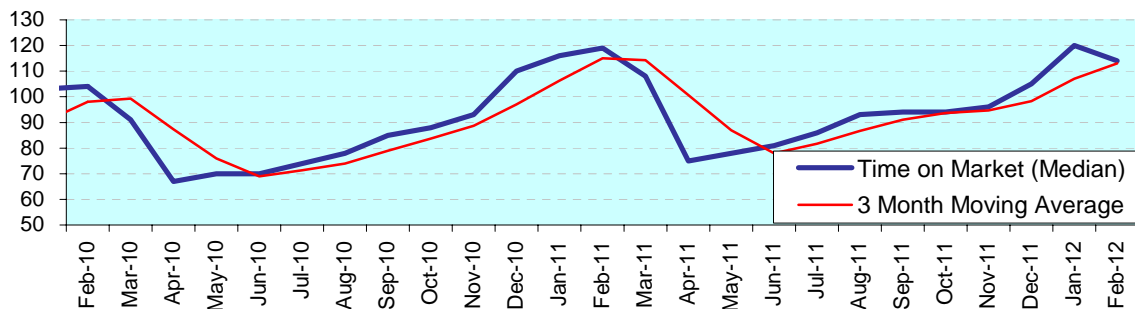
Asking Price Movements for the South East



Laspeyres Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Typical time on market for unsold property in the South East shows a seasonal decrease, perhaps earlier than expected when compared to previous years. Median time on market now stands at 114 days, 5 days less than in February 2011. Supply of new properties to market in January 2012 was 13% up on January 2011, and this will in itself have pushed down the typical (median) time-on-market figure. The average time on market for the South East has risen by 8 days since January.

Typical Time on Market for the South East





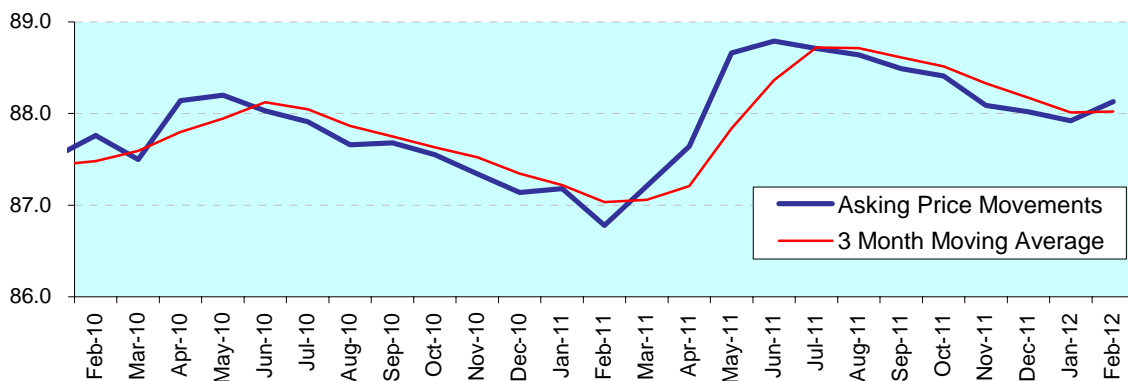
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East Midlands

The mix-adjusted average Asking Price for property in the East Midlands showed a steady decline in the latter half of last year. This month's figure indicates an optimistic up-tick in asking prices for the region. However, owing to a concomitant increase in supply, it appears unlikely that spring price growth will be as strong as last year in the East Midlands.

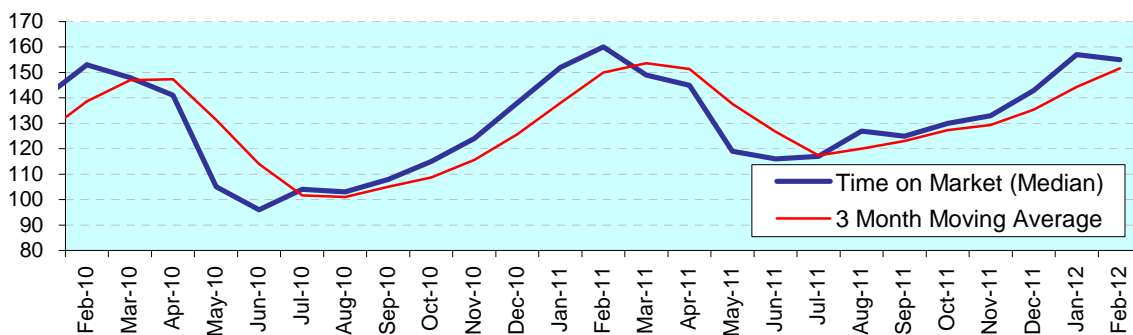
Asking Price Movements for the East Midlands



Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

The time-on-market chart for unsold property in the East Midlands housing market shows an earlier-than-expected seasonal dip and the current median (155 days) is 5 days shorter than February 2011. The average time on market for the East Midlands is 10 days longer then in February 2011, owing to a 10% rise in supply and static sales.

Typical Time on Market for East Midlands



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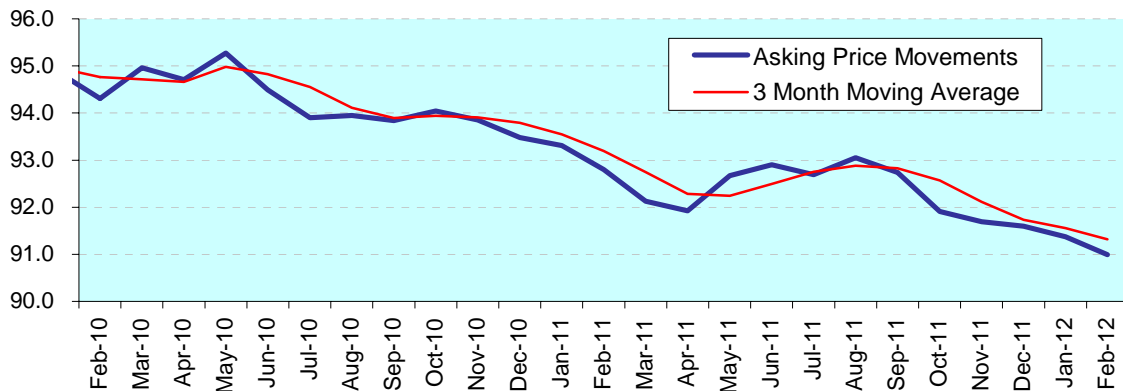
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Wales

Asking prices for properties for sale in Wales have experienced a difficult few years. Despite a 23% increase in new instructions, vendors in Wales (contrary to their counterparts in the South East and Scotland) are under no illusions regarding the state of their housing market and home prices continue to fall.

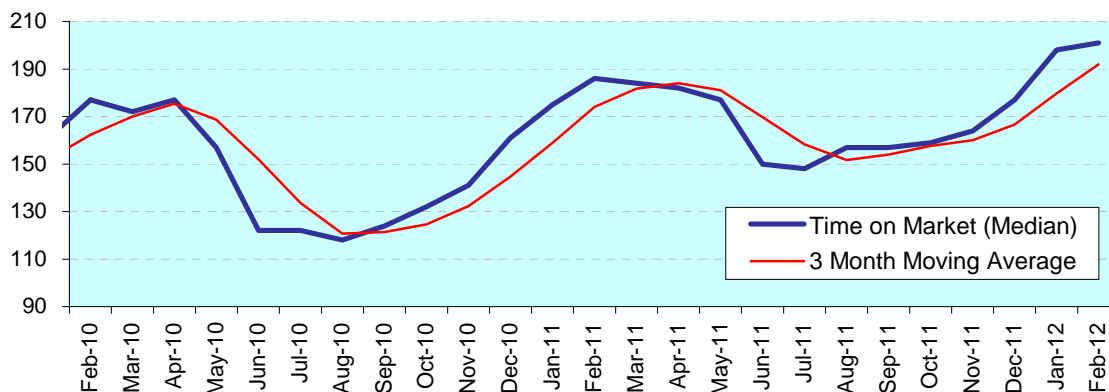
Asking Price Movements for Wales



Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Despite the surge in new market entrants, the current typical time on market for unsold property in Wales has risen 3 days to 201 days since last month, 15 days longer than this time last year.

Typical Time on Market for Wales



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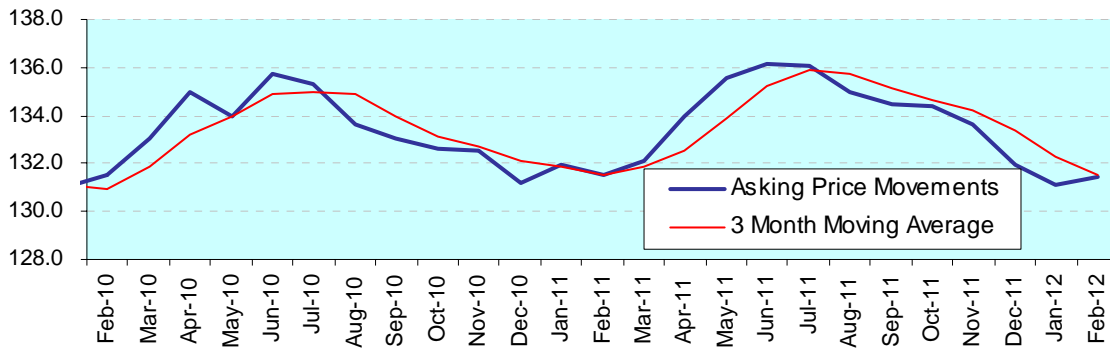
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Scotland

Asking prices for homes in Scotland fell away from their summer high last year, as may be expected seasonally. This month indicates an early spring price bounce brought on by a huge surge in properties new on the market (48% more than in January 2011). Home prices in Scotland remain unchanged over the course of the last 12 months but look set to founder this year as the current over-supply takes its toll.

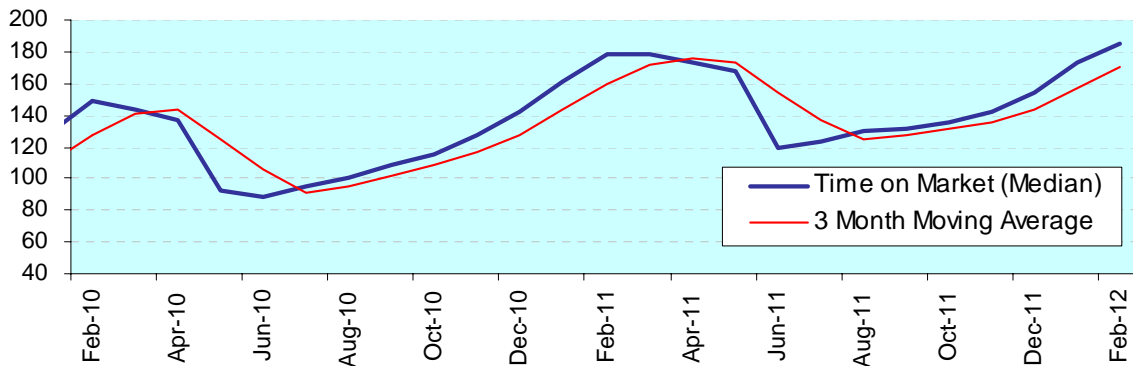
Asking Price Movements for Scotland



Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Typical (median) time on market for unsold property in Scotland is 185 days, 7 days higher than in February last year, despite the surge of new property for sale. The average time on market, at 269 days, is a new record.

Typical Time on Market for Scotland



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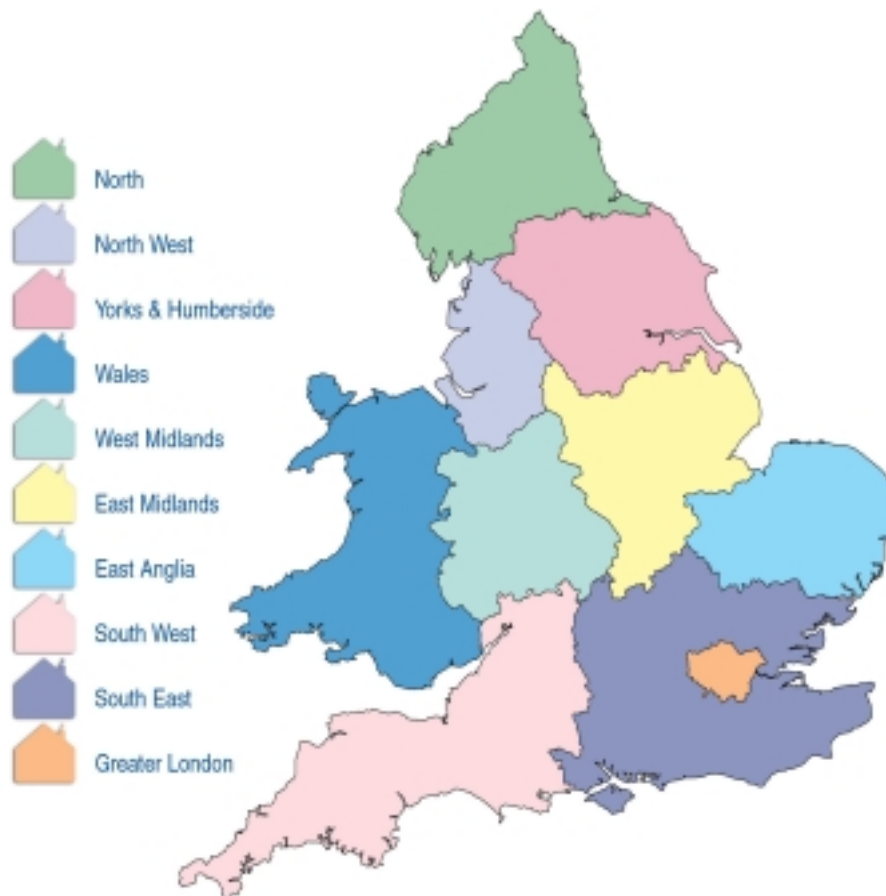
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Regions (as per DCLG)



Source: HM Land Registry



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Comment

Surging Supply

As we move through the first quarter of 2012 the UK housing market is experiencing a 12% increase in supply of property for sale when compared to 2011. In a thriving economy where mortgage credit is abundant, GDP rising above inflation and job prospects looking good, such a rise in the numbers of properties entering the market would be a sign of good fortune. However, in the current context of unemployment figures at a 17-year high (and rising), a contraction of lending by banks to individuals, shrinking economic output and over-burdened consumers increasingly resorting to 'pay-day loans' to make ends meet, the foundations of a healthy housing market are deteriorating.

Asking Prices Too High

Over-pricing in the current economic climate is simply folly. False optimism usually leads to disappointed sellers but, worse still, it could lead to a homebuyers' strike and consequently rapidly falling home prices. We've already seen such a scenario play out in 2008. Properties piled up on the market and asking prices fell by 6%. Only savage price-cutting and massive government involvement in the financial sector averted catastrophe and got the market moving again. No one would wish to see a repeat of 2008 but, with both asking prices and supply rising despite dwindling demand, this could be a recipe for another disastrous year for UK property.



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About the Home.co.uk Asking Price Index

The Home.co.uk Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

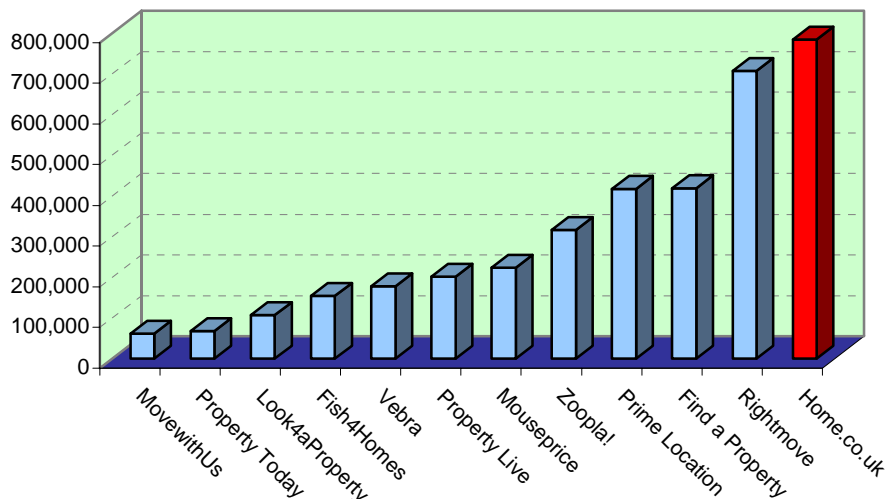
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of 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 800,000 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.

Searchable UK Properties for Sale by Website.

Source: Home.co.uk June 2011



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Contact Details

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To learn more about Home.co.uk please visit:
<http://www.home.co.uk/company/about.htm>

For details on the methodology used in the calculation of the HAPI please visit:
http://www.home.co.uk/asking_price_index/Mix-Adj_Methodology.pdf

Future release dates:

Monday 12th March

Thursday 12th April

Monday 14th May



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