



Asking Price Index

Released 12/06/13 June 2013

Buyers Compete as Supply Shrinks Further

Headlines

- Average asking prices across the UK rose another 0.6% in the last month, pushing the year-on-year increase to 3.6% (the highest annualised rise since March 2008)
- The mix adjusted average asking price for England and Wales has now recorded annual growth for 19 consecutive months
- Market supply of property for sale continues to diminish, with the volume of new properties last month down 8% vs. May 2012 and down 12% vs. May 2011
- Total on-market stock has contracted by 14% over the last 12 months
- Greater London, the South East and the South West record the highest annual price rises of 7.9%, 4.4% and 3.9% respectively

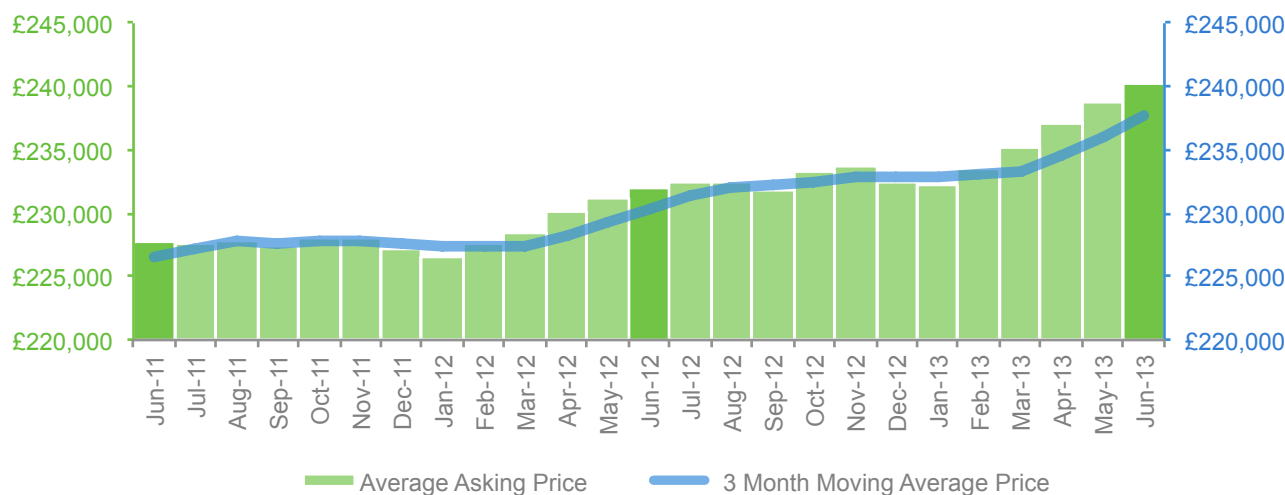
Summary

Overall, the UK housing market continues to show signs of increasing buyer demand in the face of limited supply. Whilst significant regional differences exist, the average asking price for England and Wales has risen another 0.6% (or by £1,516) on last month and is currently 3.6% up on June 2012. On the surface, an annual price rise of 3.6% appears to be a reasonably strong performance, although it is important to note that virtually all of this growth has been achieved in 2013 and predominantly in London and the South.

Looking at price trends around the country, the recovery is only clearly apparent in the South. Average prices across the northern regions of England are essentially static (slightly negative in the case of the North West) in stark contrast with the South which has recorded monthly increases of 0.8%. In terms of annual prices, Greater London, the South East and the South West recorded the highest rises of 7.9%, 4.4% and 3.9% respectively.

Active buyers are chasing ever fewer properties as supply continues to fall. The volume of new stock on the market has now fallen for six consecutive months and, in May 2013, the number of properties was down 8% on May 2012. In addition, a reduction in the typical marketing time for unsold property (currently 104 days, five days less than June last year) has further reduced the total volume of on-market properties, which is down 14% in the last 12 months.

Price trend



Source: Home.co.uk, June 2013



House Price Inflation Closes In on RPI

Following 19 consecutive months of annual growth, the average asking price of a home in England and Wales now stands at £240,238. Over the past 12 months, prices have risen by 3.6% and, consequently, property values are now outperforming the Retail Prices Index (excluding housing), which fell to 3.2% in April 2013. This situation will offer some relief to home owners, providing reassurance that the value of their largest asset is not eroding in the face of above-target inflation. It is also great news for buyers who are able to secure low rate finance as they can be confident that their investment's capital value is growing over and above RPI.

Competition Between Buyers Intensifies

Whilst average house prices continue to recover, vendors seemingly remain cautious about entering the market in any significant volume. For many, bricks and mortar constitute one of the safest investments in today's uncertain economic climate. The flow of properties into the sales market continues to fall and this has helped to push the total on-market stock is down by 14% vs. June 2012. As buyer confidence gradually improves in line with mortgage availability and economic growth, this restriction in supply will only intensify the competition for property. This is reflected in falling marketing times in areas of the country where demand is higher, and implies that the current stock is beginning to flow through the market at a faster pace.

The North-South Divide

Across England and Wales, the average price rise equates to £8,240 over the last 12 months or £687 per month. However, these increases are largely driven by the South which benefits from both stronger price performance and higher average property values. Whilst there is no considerable nominal price deflation in any region of mainland UK, there are enormous differences between the rates of market recovery in terms of regional pricing. In the last month alone, prices in the South have risen 0.8% in contrast to 0.5% in the Midlands, static prices in the North, 0.4% in Scotland and a fall of 0.2% in Wales.



The current trends are clearly showing an overall market shift in favour of vendors.



Prices continue to recover and restricted supply is encouraging more competition between buyers. However, many potential vendors are still reluctant to sell. Relatively cheap mortgages, strong demand in the rental sector and rising values make property an attractive and secure investment, especially in high demand areas which attract relatively high rents and benefit from appreciating capital values. Until other investment options (shares, bonds, commodities etc.) can offer a premium over and above the yields available in property, the supply shortage will continue, and perhaps worsen.

As always, the relative strengths of supply and demand will determine the rate of recovery of each local market. Given the current North-South divide, it is already obvious that the turnaround of each area of the UK will differ considerably. London, at one extreme, appears to be operating as a separate entity, bloated by BoE stimulus money and foreign buyers, seemingly immune to the overall economic conditions affecting the rest of the UK. In contrast, Wales and the North East continue to struggle with subdued price performance and typical marketing times that are over 60% longer than the national average.

Doug Shephard
Director at Home.co.uk



UK Asking Prices

Scotland	June-13
Average Asking Price	£162,828
Monthly % change	0.4%
Annual % change	1.6%

North East	June-13
Average Asking Price	£152,887
Monthly % change	-0.1%
Annual % change	0.2%

Yorks & The Humber	June-13
Average Asking Price	£169,712
Monthly % change	0.0%
Annual % change	0.9%

North West	June-13
Average Asking Price	£172,993
Monthly % change	0.1%
Annual % change	-0.6%

West Midlands	June-13
Average Asking Price	£193,503
Monthly % change	0.8%
Annual % change	2.3%

East Midlands	June-13
Average Asking Price	£178,281
Monthly % change	0.2%
Annual % change	2.4%

East	June-13
Average Asking Price	£255,564
Monthly % change	0.7%
Annual % change	2.4%

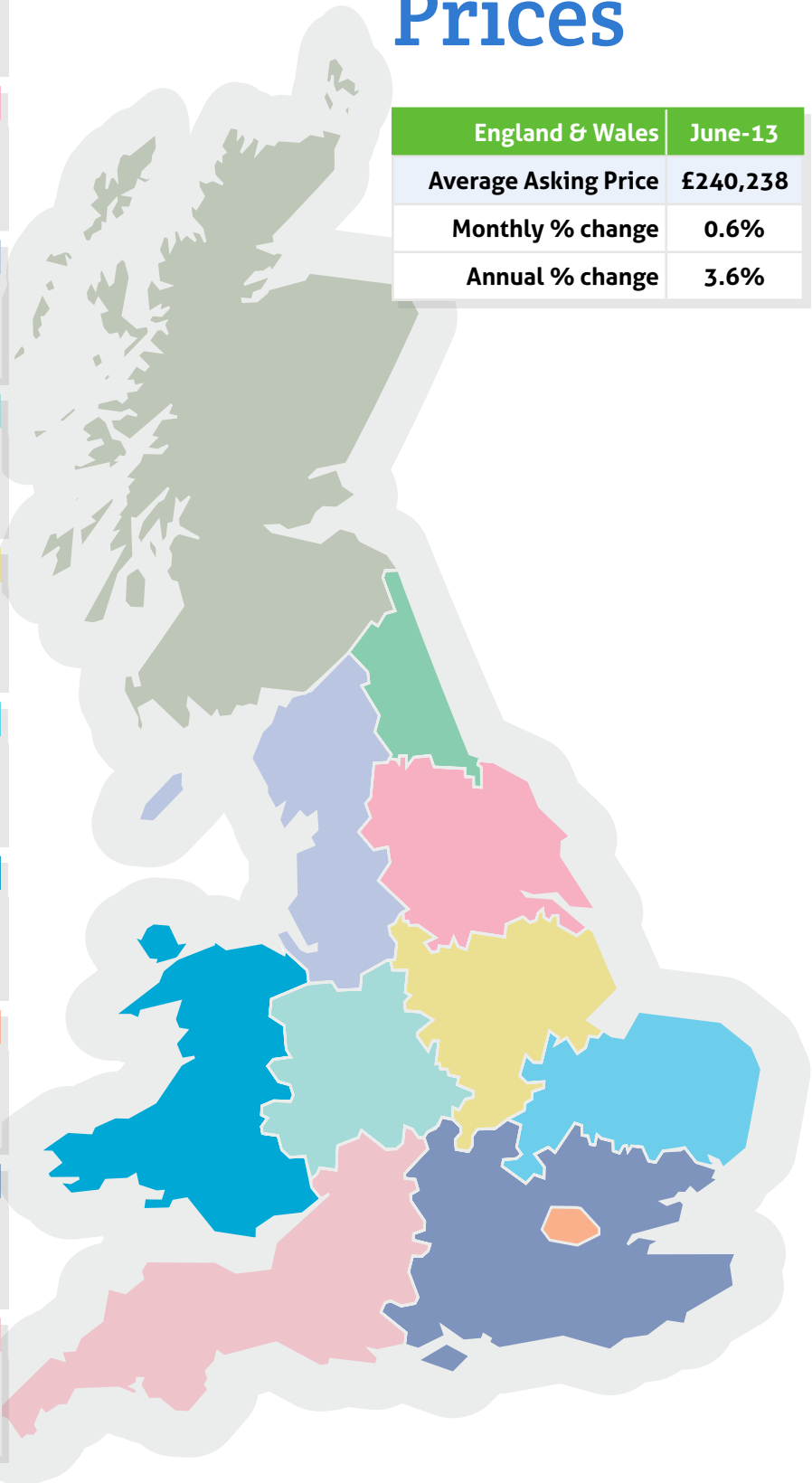
Wales	June-13
Average Asking Price	£174,978
Monthly % change	-0.2%
Annual % change	1.0%

Greater London	June-13
Average Asking Price	£380,904
Monthly % change	1.3%
Annual % change	7.8%

South East	June-13
Average Asking Price	£308,444
Monthly % change	0.7%
Annual % change	4.4%

South West	June-13
Average Asking Price	£262,727
Monthly % change	0.7%
Annual % change	3.9%

England & Wales	June-13
Average Asking Price	£240,238
Monthly % change	0.6%
Annual % change	3.6%



Source: Home.co.uk, June 2013

Market Turnover Trend

Questions Real Recovery

Today's market is experiencing restricted supply and rising prices. It is vital for anyone involved in the home buying and selling process (e.g. solicitors, mortgage lenders, builders and estate agents) to understand the overall flow of properties moving through the market. To track the rate of flow of stock, Home.co.uk created the Home Market Turnover Indicator (HMTI), combining monthly data on overall stock levels and average marketing times from 2005 to the present day. The result is a robust view on the volume of property turnover and, ultimately, the health of the property sales marketplace.

During the boom times of 2007, the HMTI was a staggering 10,000 properties per day but, when the financial crisis hit, the flow of properties through the market fell drastically. Since the dark days of early 2010, the HMTI managed to recover to the 4,000 per day level later that year. However, somewhat alarmingly, the overall trend over the last three years has been downward as stock levels have fallen faster than marketing times. Currently standing at 2,761 properties a day, the turnover is 14% lower than it was in June 2012. Despite a seasonal upturn, such a trend questions whether the current price rises are really a sign of a stable recovery in the sales market. In fact, the HMTI is at an all-time low for the time of year, indicating that the market in England and Wales has downsized by around 75% since the peak in 2007. If stock levels remain restricted (continued economic uncertainty and a booming rental sector suggest that they will), then we expect the HMTI to continue its downward trend.

Based on current average prices, at the current low rate of turnover, Home.co.uk estimates that there is £656 million of property value flowing through the market per day. This is completely dwarfed by the turnover in July 2007, the highest recorded HMTI, when close to £2.5 billion moved through the market on a daily basis.

Doug Shephard, director at Home.co.uk, commented:

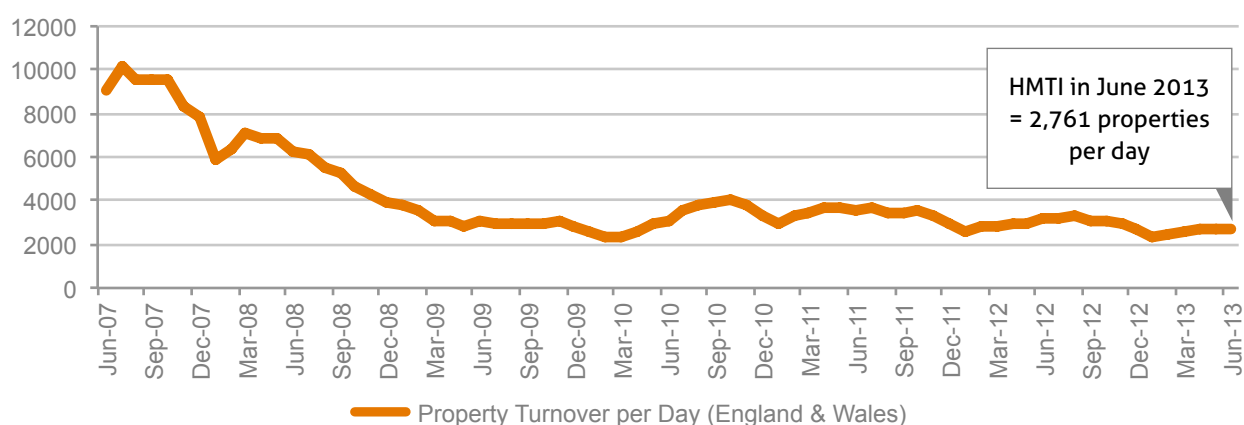
"Rising property values are less significant if sales activity is stagnant or falling. Hence, it is vital not to overlook the pulse of the sales market. Translating the daily rates of turnover into money flows helps the observer gain a genuine perspective on the health and wealth of the marketplace. To consider that the flow of wealth at the pre-crisis peak was 277% more than today's rates is very sobering news for any party involved in the buying and selling of residential property."

*It is not just about cash flows between financial institutions. Lower transaction rates have a very negative impact on local economies. Vendors spend money preparing their homes, buyers spend money post-purchase and both sides hire professional services. A US study looking at how much money is injected directly into the economy puts the figure at around 17% of the property value.**

Looking ahead, the real test for each local market is: when will vendors begin to return in significant volume? The answer very much depends on the fortunes of the wider UK economy."

*Authors: RCF Economic and Financial Consulting, Inc. March 31, 2011

Graph: Home Market Turnover Indicator (HMTI)



Source: Home.co.uk, June 2013

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 700,000 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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- To learn more about Home.co.uk please visit:
<http://www.home.co.uk/company/about.htm>
- For further 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
- To learn more about Home.co.uk data services please visit:
<http://www.home.co.uk/company/data/>

Future release dates:

- Friday 12th July
- Tuesday 13th August
- Friday 13th September