



March 2011

# Asking Price Index

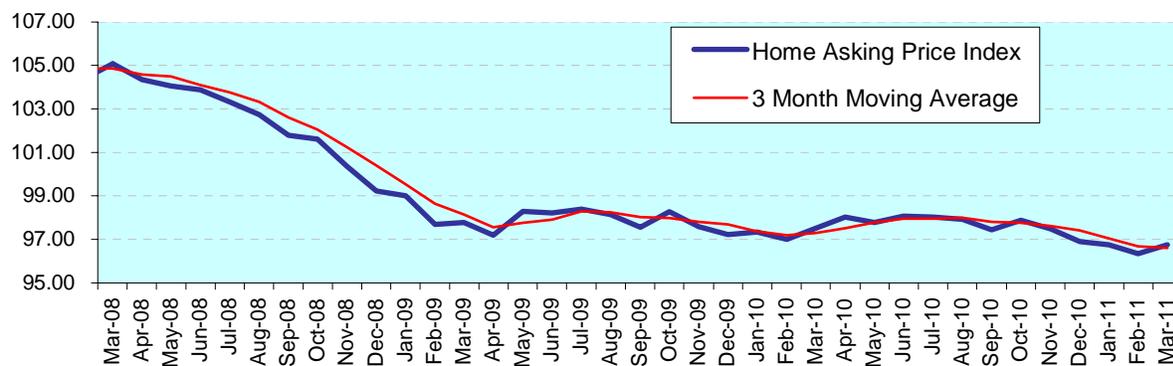
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 14<sup>th</sup> March 2011

## Home Prices Signal Spring Bounce

" Inflation, debt monetization, and currency debasement are not new. They have been used for the past few thousand years as means to get rid of debt. In fact, they work pretty well." John Maudlin, Author.

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

The mix-adjusted average Asking Price for homes on the market in England and Wales has risen by 0.4% since last month.

Monthly asking price rises in all English regions and Scotland but prices fell 0.5% in Wales.

The number of properties reduced in price has increased further to 76,075 for the month of February, 76% more than in February 2010.

Typical time on market has fallen 9 days to 141 days (median).

Properties new to market in Feb 2011 was 40% higher than in Feb 2010

Annual change in asking prices: -0.8%

6-month change in asking prices: -0.7%

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

Press Office: 0845 373 3580

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



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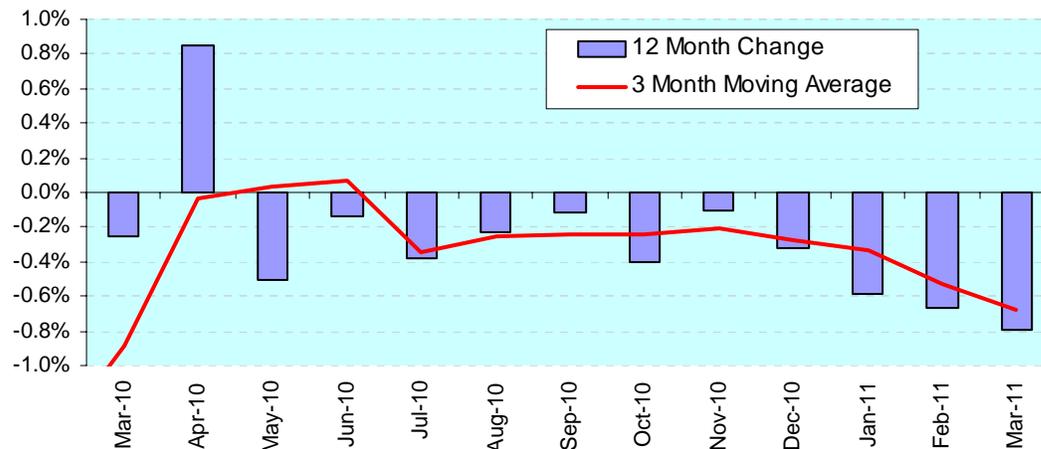
## Overview

Spring brings increased activity in the UK home market. Increased optimism among new sellers has lifted home prices this month bucking a 4-month downward trend. This more positive outlook has also produced a supply surge of properties new on the market in February (40% more than in Feb 2010). However, vendors are also resorting to price-cutting: 76% more properties were reduced in price in Feb 2011 than compared to Feb 2010. This underlines the fact that buyer sentiment remains subdued due to concerns over inflation, job security, future house price stability and mortgage-deposit woes. Numbers of first-time buyers remain very low but this is partly compensated for by increased buy-to-let activity. A rejuvenated rental sector will be attracting the attention of frustrated sellers and increasing numbers may choose to let out their properties. Rental demand is strengthening and this will serve to help support house prices in the near term.

The seasonal increase in property market turnover has served to reduce the typical time on market of unsold property to 141 days, although this remains 5 days higher than in March 2010. Average time on market has decreased in all English regions, Wales, Scotland and Northern Ireland.

## Twelve-Month Trend in Asking Prices

12 Month Change in Asking Prices by Month



Year-on-year (YoY) asking prices continue to slide suggesting that the current optimism among vendors with properties new to the market may be unfounded. When corrected for the effect of inflation (RPI ex. housing) the annual fall is around 7%. This represents a loss on capital invested in the typical UK home (£182,000) of around £12,000 per year.

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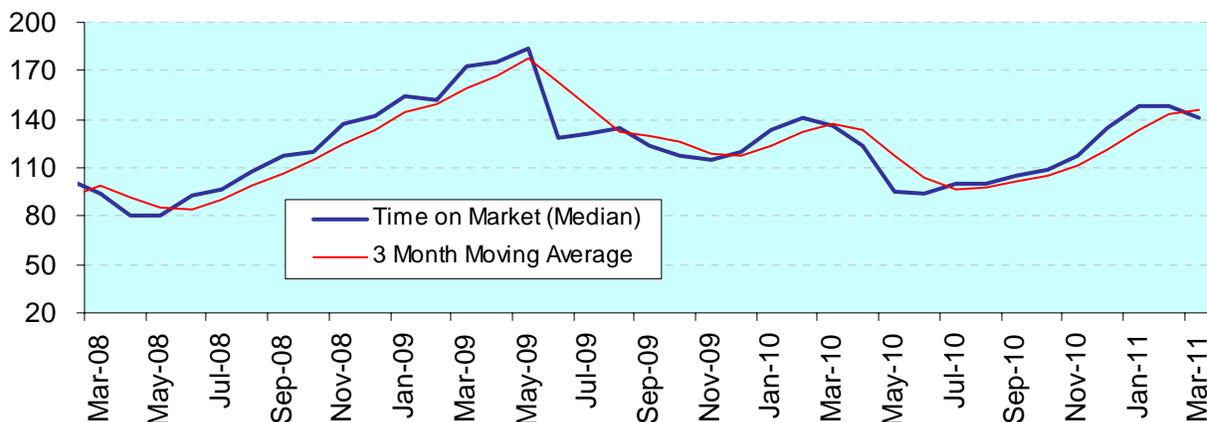


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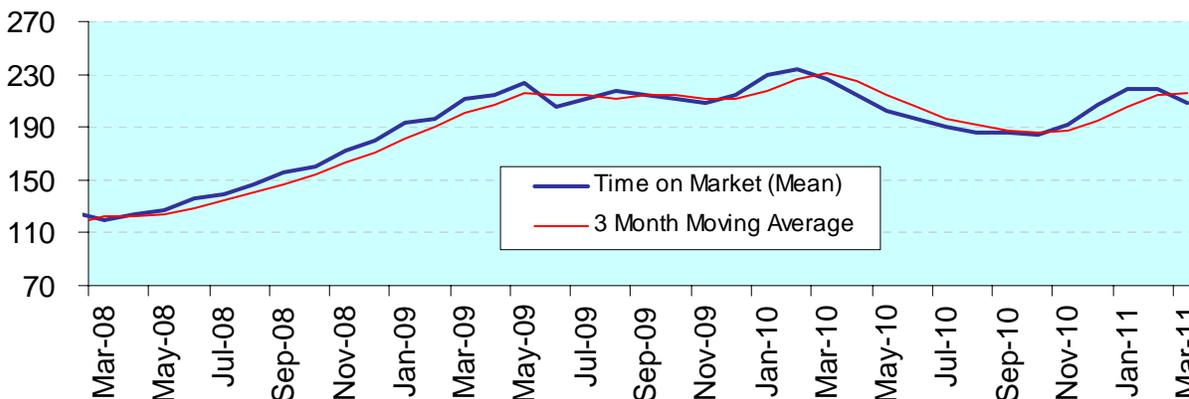
## Time-on-Market Analysis

Typical Time on Market for England & Wales



Both typical and average time-on-market figures for unsold property have fallen since February (by 9 and 11 days respectively) as expected for this time of year. The average time on market has also fallen in all English regions, Scotland, Wales and Northern Ireland as many new properties entered the market in February, the largest total since July 2010.

Average Time on Market for England & Wales



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## Asking Prices, Inflation and Average Earnings

The average asking price for homes in England and Wales has fallen 0.8% since March 2010. UK property market activity remains subdued, despite being supported by record low interest rates. However, mortgage rates are now rising due to expectations of increasing inflation.

Higher inflation is eroding home prices in real terms more quickly. Hence, capital tied up in bricks and mortar is losing purchasing power when compared to goods and services. By comparing ONS January figures and the YoY change in asking prices for the same month shows that asking prices were still falling in real terms, by 6.4% per year, relative to the [RPI](#) (ex. housing).

Homes are becoming more affordable as prices fall relative to average earnings: 2.6% below the [AEI](#) (December figure from ONS ex. bonuses). The HAPI for England and Wales now stands at 96.8 [May04 = 100].

## Regional Housing Markets

Regional Asking Prices for March 2011, showing gains and losses for Q1 and current typical Time on Market.

	Current average price	3-month change	ToM (days)
Scotland	£160,051	+1.0%	178
Greater London	£343,329	+0.5%	104
East Anglia	£240,426	+0.5%	116
East Midlands	£171,003	+0.4%	149
Yorkshire and Humber	£167,789	+0.1%	179
North West	£173,277	0.0%	172
Wales	£175,641	-0.6%	184
South East	£281,073	-0.7%	108
South West	£248,488	-0.7%	125
West Midlands	£185,786	-0.8%	146
North East	£151,542	-1.3%	186
England & Wales	£226,511	-0.2%	141

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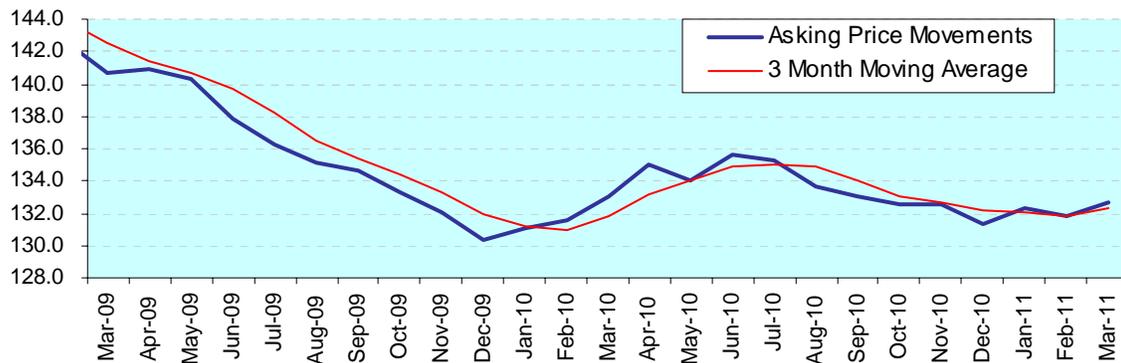
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## Scotland

Following the steep falls observed in 2009, asking prices in Scotland recovered some ground during the summer months of 2010. Home prices on the Scottish market are now 0.2% less, on average, than they were in March 2010.

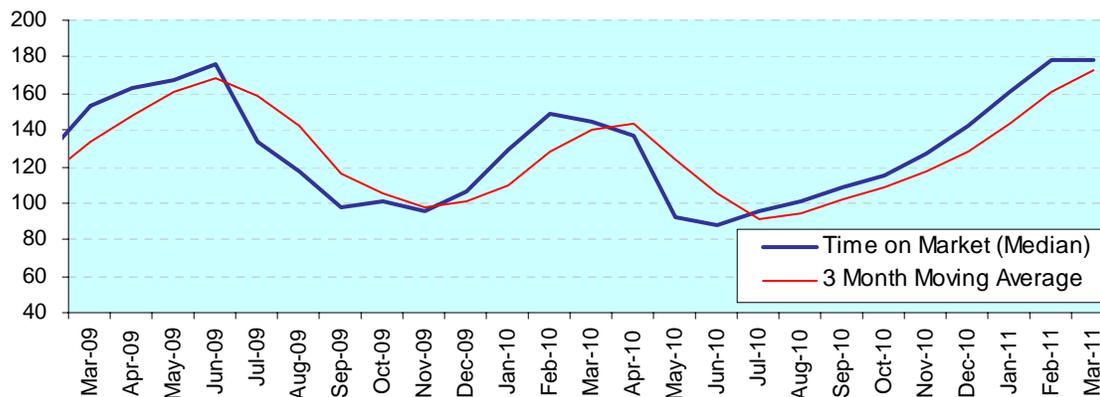
Asking Price Movements for Scotland



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

Correspondingly, the current Time on Market trend (median) for Scotland indicates that activity has increased but the market is very slow.

Typical Time on Market for Scotland





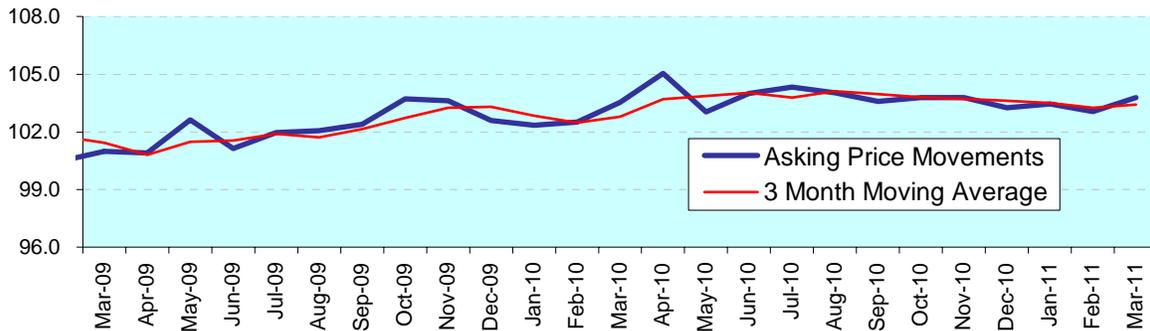
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## Greater London

Following a strong rally in asking prices throughout 2009 and spring 2010, asking prices in Greater London slowly fell away toward the end of 2010. This month prices have bounced up 0.7%, and are now 0.2% higher than in March 2010.

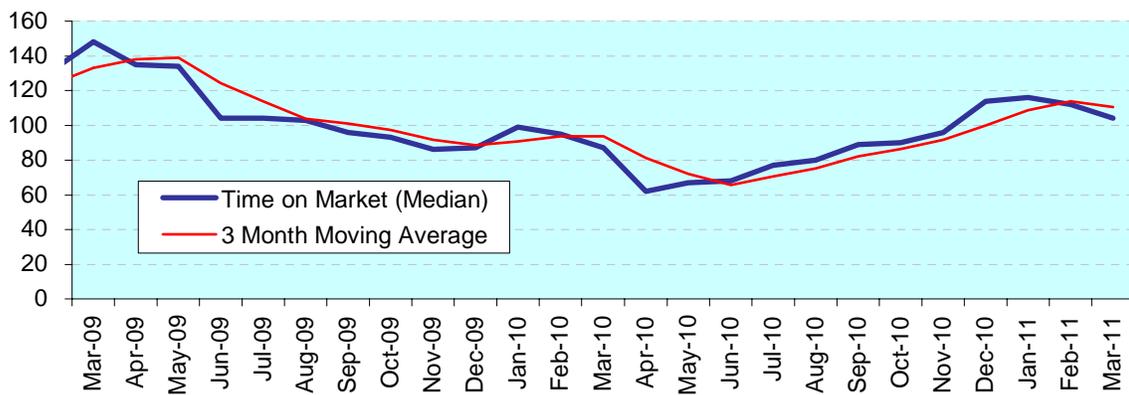
Asking Price Movements for Greater London



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

Rising Time on Market figures for Greater London served to suppress further price rises during the latter half of 2010. The current typical Time on Market for Greater London is 104 days: 17 days more than in March 2010.

Typical Time on Market for Greater London



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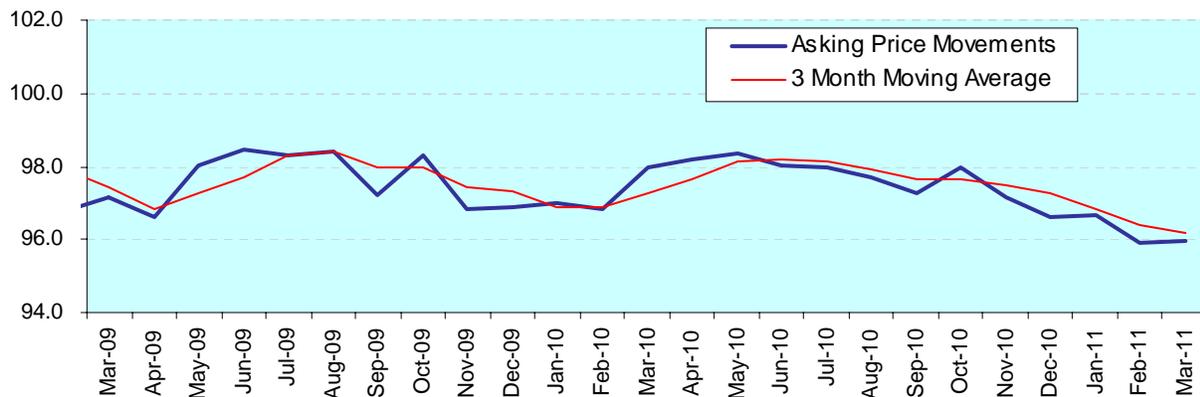
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## South West

Asking prices of homes on the market in the South West have been subject to a declining trend since May 2010. Market house prices have fallen 2.0% over the last year in this region.

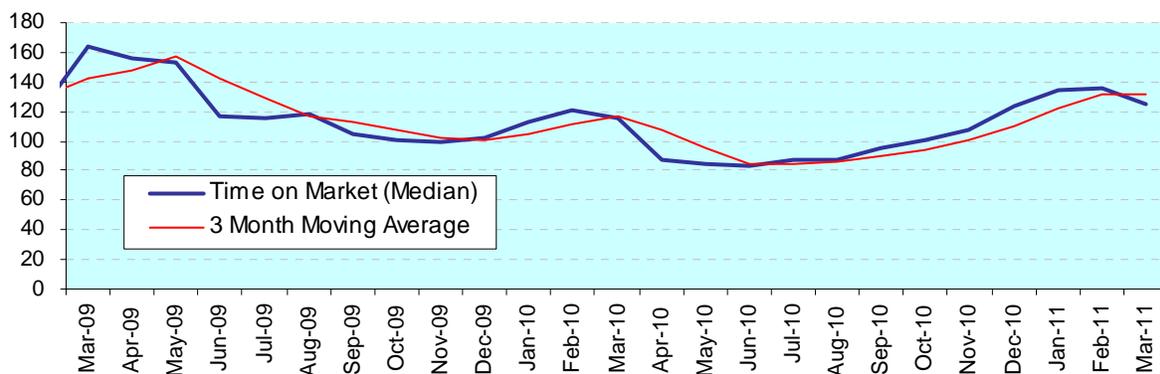
Asking Price Movements for the South West



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

Typical Time on Market statistics show that, in accordance with this recent downward price trend, properties for sale have been spending longer on the market. This month we observe a drop in typical Time on Market suggesting an increase in activity in the South West's property market.

Typical Time on Market for the South West



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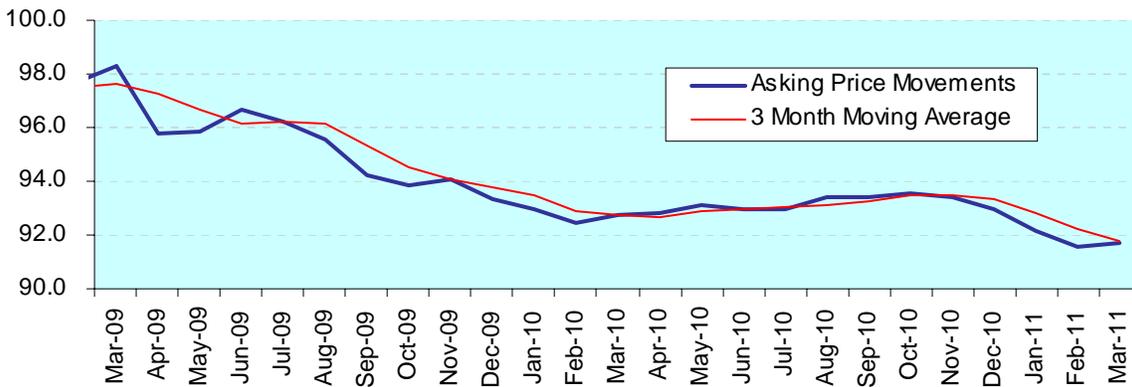
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## North East

Asking Prices for homes in the North East may have ended a recent downward trend. Prices reached a new post-crisis low last month and may now recover some ground with the Spring bounce. Home asking prices are now 1.1% less than they were in March 2010.

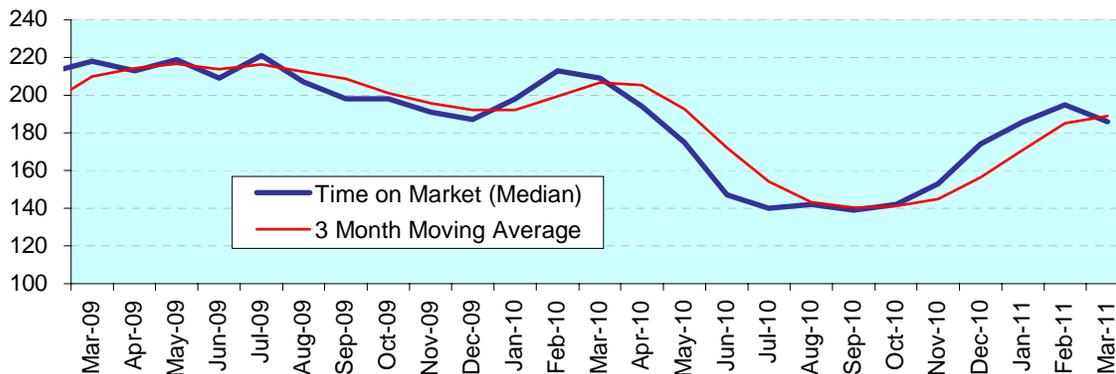
Asking Price Movements for the North East



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

Typical Time on Market in this region has risen considerably since the recent low of 139 days in September 2010. Typical Time on Market in the North East has now dropped to 186 days from a recent high last month of 195.

Typical Time on Market for the North East



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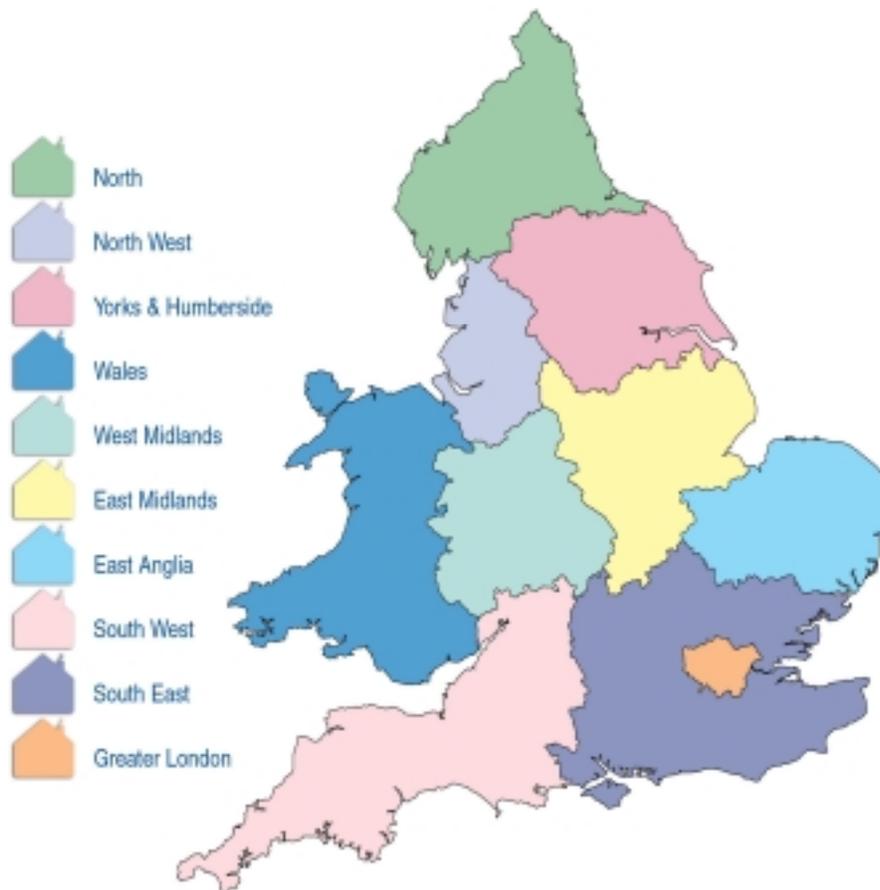
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**Regions** (as per DCLG)



Source: HM Land Registry



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## Comment

### The Rental Market is Booming but Where to Buy-to-Let in the UK?

Rents and house prices both vary considerably across the UK but, most importantly, investors in the rental market must consider the potential *rental yield* before purchasing a property to let. This month we take a look at the best (and worst) performing towns in the UK in terms of typical returns on capital invested. We have calculated the typical annual percentage yields for 2 bedroom properties using typical asking prices and rent values (medians) for 246 popular lettings locations.

### Top 10 Locations for 2 Bedroom Property Rental Yields

Location	No. 2 Bed Properties for Sale	Typical Asking Price (£)	No. 2 Bed Properties for Rent	Typical Rent (£ pcm)	% Rental Yield (gross <i>per annum</i> )
Bootle	331	70000	113	450	7.7
Hamilton	410	80000	129	495	7.4
Thamesmead	169	175000	180	1075	7.3
Mansfield	464	85000	113	494	7.0
Manor Park	128	156250	116	895	6.9
Brentford	214	307500	238	1733	6.7
Becton	115	195000	128	1094	6.7
Dundee	362	89475	214	490	6.6
London*	21754	305000	22600	1650	6.5
Hull	1213	87950	221	472	6.4

\*The typical asking prices and rent for London were calculated by sampling over all properties in the Home.co.uk property search within 10 miles of the centre of London.

These top gross rental yields are highly attractive to buy-to-let investors. They more than cover typical mortgage interest payments and present a good potential return on capital. However, the *net rental yield* may be considerably less depending on inflation, service costs, vacancy and maintenance.

The worst letting locations in terms of gross rental yield are dominated by the most expensive parts of London (Knightsbridge, Charring Cross, Soho, Holborn, Marylebone, Mayfair, The Strand, Regents Park, Bloomsbury) with typical rental yields between 3.6% and 4.3%. Such annual rental yields are much less attractive and appear unlikely to achieve an overall profit through renting.

Outside of London, Margate gives the worst return for investors with a typical rental yield of 4.3%.

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## About the Home.co.uk Asking Price Index

The [Home.co.uk](http://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](#).

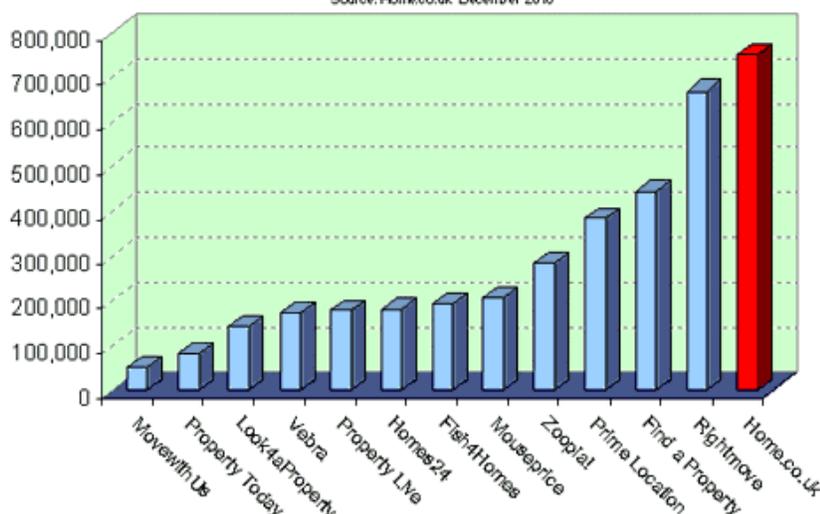
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of 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 December 2010





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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](http://www.home.co.uk/asking_price_index/Mix-Adj_Methodology.pdf)

## Future release dates:

Tuesday 12<sup>th</sup> April

Thursday 12<sup>th</sup> May

Monday 13<sup>th</sup> June



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