



Asking Price Index

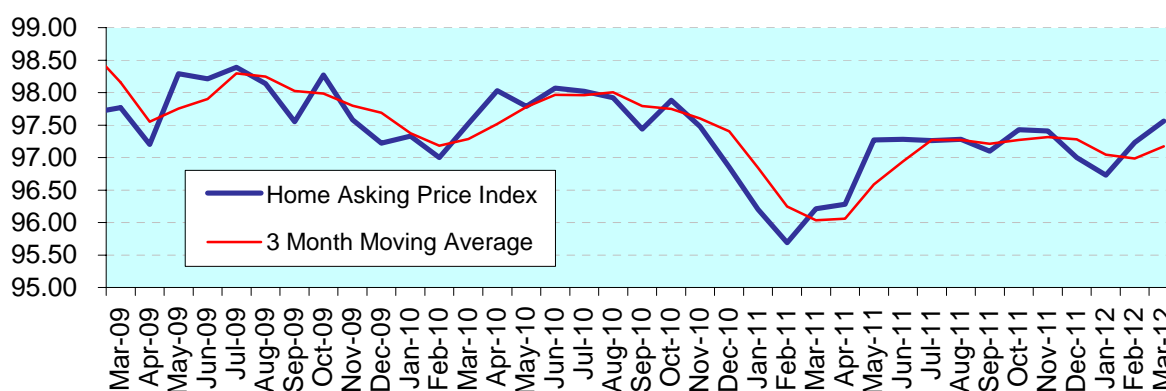
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12th March 2012

Shock Supply Drop Slows Market.

"The risks to financial stability from this kind of intervention [Quantitative Easing by central banks and government] is unknown. But intervention on this scale will have repercussions." Peter Sands of Standard Chartered Bank.

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 nudged up 0.3% since February, in line with seasonal expectations.

Average time on market has dropped back just one day to 229 days: market turnover is 20% lower than in March 2011.

New UK sales listings in the month of February were fewer than expected: 18% less than in February 2011.

Greater London home prices register a 40-month high as supply drops a massive 23% year on year.

East Anglia registers a 26% shortfall in new instructions year on year.

Annual change in asking prices: +1.4% 6-month change: +0.5%

Released 12th March 2012

Page 1 of 12

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Overview

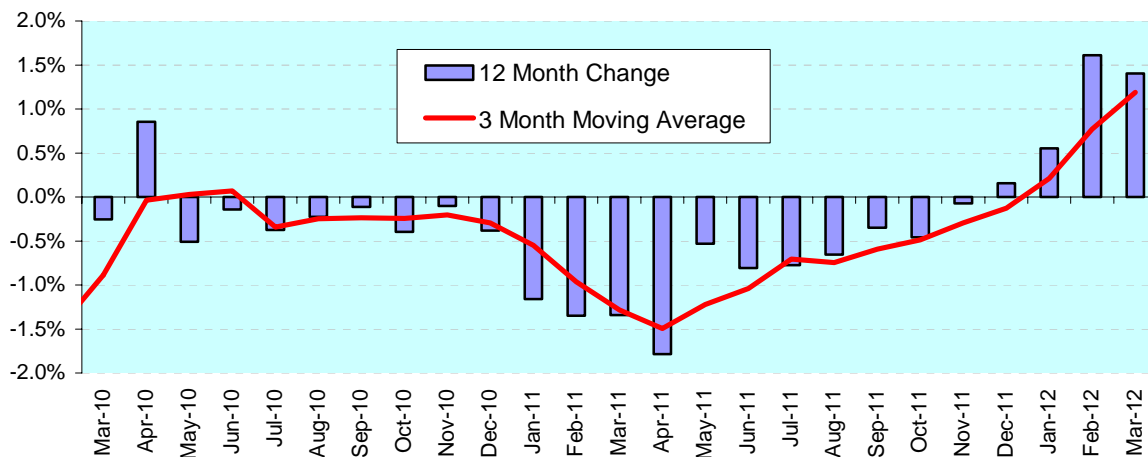
After a brief surge in January the number of new sales listings has plunged. February registered just 109,560 new listings which is around 24,000 less than in February 2011. This translates to 1.5 fewer new instructions for each and every estate agent sales office in the UK.

With fewer homes on the market prices will, of course, remain firm but overall turnover of properties is down severely. The worst hit regions are Greater London, the South East, East Midlands and East Anglia where new instructions are down 23% or more year on year. Perhaps surprisingly, these are the country's most buoyant regional housing markets. It may not be coincidental that potential vendors are increasingly turning their attention to the booming rental sector.

The UK economy remains weak. Last month the Bank of England continued with its quantitative easing programme by injecting £50 billion into gilt purchases in a further effort to help stimulate economic recovery. However, there are growing concerns that such actions are not delivering the desired effect. As long as the UK economy continues to disappoint, there will be no spring sunshine for the property market.

Year-on-Year Trend in Asking Prices

12 Month Change in Asking Prices by Month



Year on year, asking prices are up by 1.4%. Overall UK prices have been supported by the stronger performing regions (Greater London, the South East and East Anglia) together with a general shortage of supply.



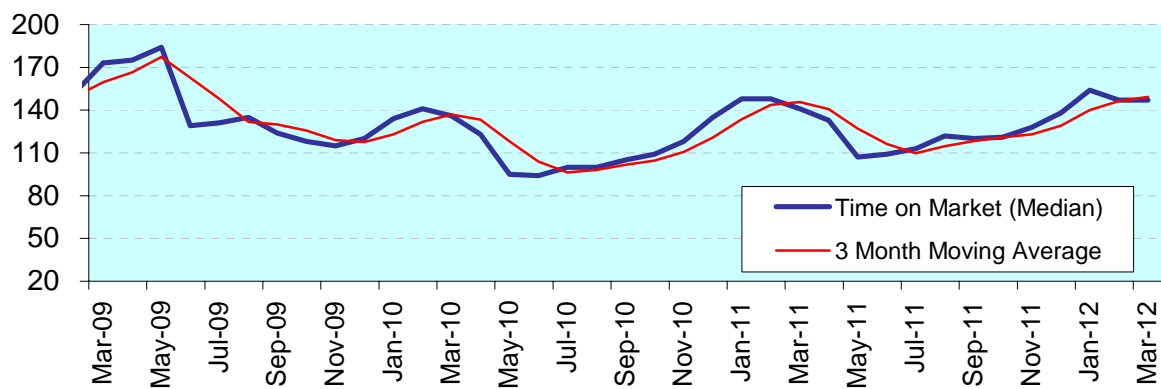
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Time-on-Market Analysis

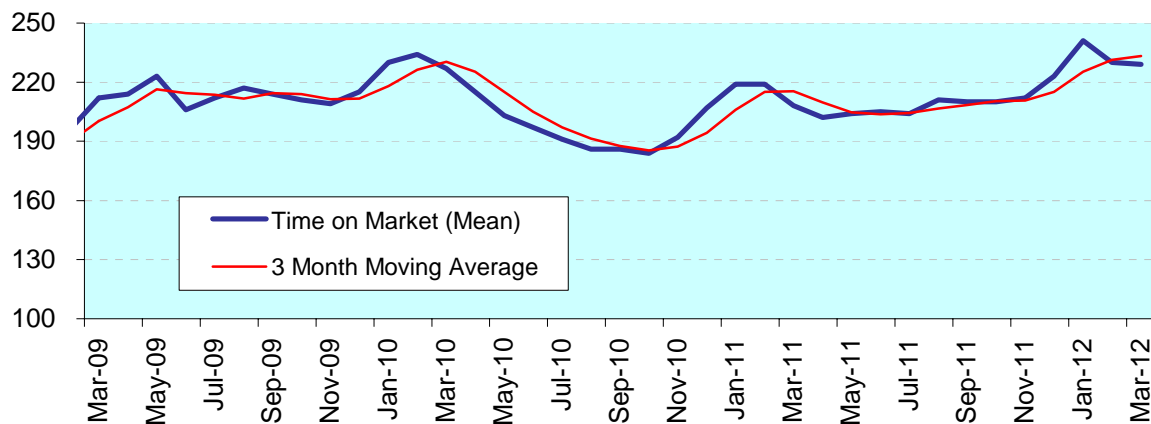
The typical (median) time on market for unsold property shows no change since last month (147 days), contrary to seasonal expectations. In most years, time on market registers a dramatic drop through the spring months as momentum returns to the housing market.

Typical Time on Market for England & Wales



Likewise, the current average time on market has fallen back only 1 day from last month's figure of 230 days. Seasonality aside, the 18-month trend shows that UK homes for sale have been subject to increasing marketing times despite diminished supply.

Average Time on Market for England & Wales



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Page 3 of 12

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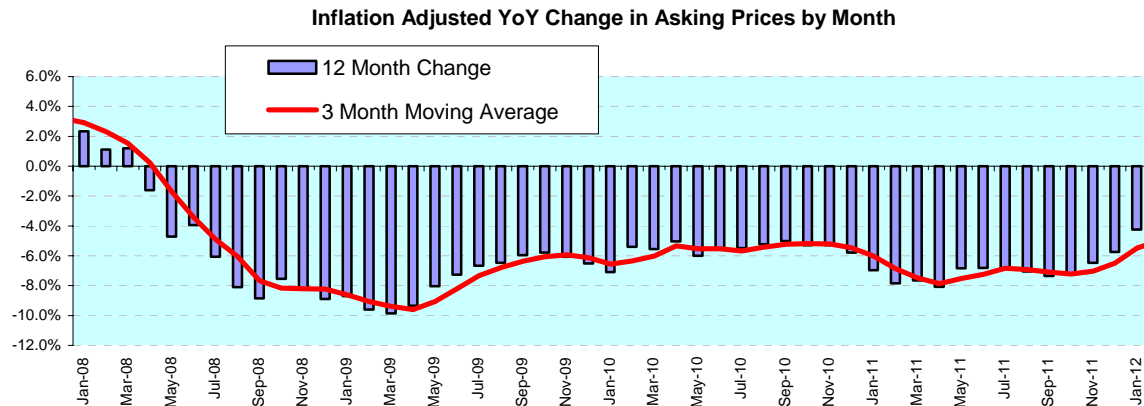
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Home Asking Prices vs. Inflation



Comparing ONS figures ([RPI](#) ex. housing) and the YoY change in asking prices shows that, in real terms, UK property has been a negative investment since March 2008. The HAPI for England and Wales now stands at 97.6 [May04 = 100].

Regional Housing Markets

Regional asking prices for March 2012, showing gains and losses in Q1 and current typical time on market.

	Current average price	3-month change	Median ToM (days)
South East	£289,951	+1.3%	109
Greater London	£345,398	+1.0%	105
East Anglia	£242,806	+0.5%	121
Yorkshire and Humber	£167,053	+0.5%	187
West Midlands	£187,197	+0.3%	157
North West	£172,662	+0.2%	176
South West	£250,436	+0.1%	131
East Midlands	£172,171	+0.1%	158
North East	£150,694	-0.2%	187
Wales	£172,362	-0.3%	202
Scotland	£158,025	-0.7%	187
England & Wales	£226,458	+0.6%	147

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Page 4 of 12

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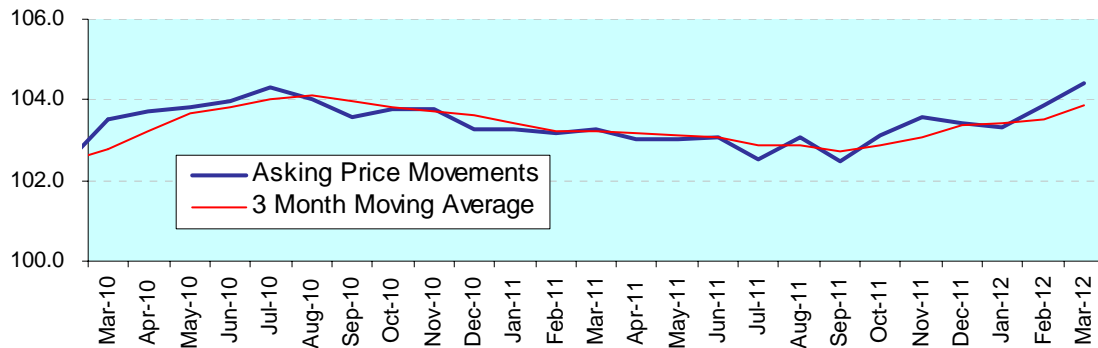
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Greater London

Market house prices in Greater London continue to outperform most other regions. Greater London asking prices are now the highest they have been since October 2008.

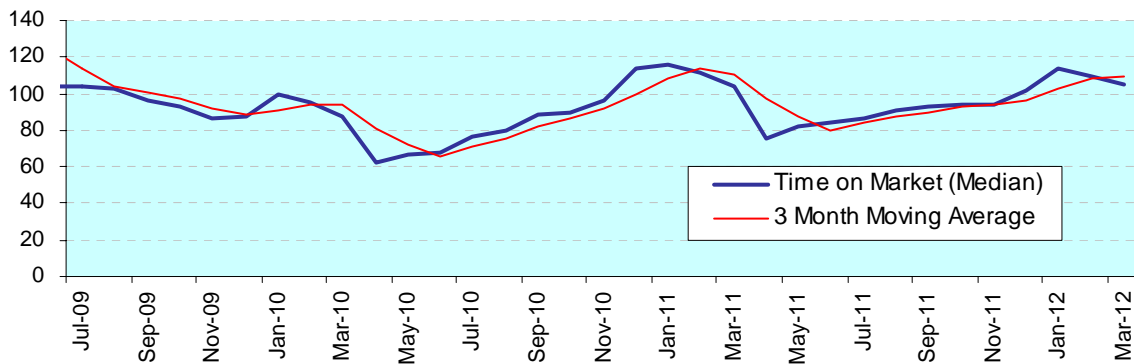
Asking Price Movements for Greater London



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

The typical time on market trend for unsold property in Greater London registered a seasonal decrease as expected. Median time on market now stands at 105 days, 1 day more than in March 2011. Supply of new properties to market in February 2012 was down a dramatic 23% on February 2011, and this will serve to support prices in the near term.

Typical Time on Market for Greater London



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Page 5 of 12

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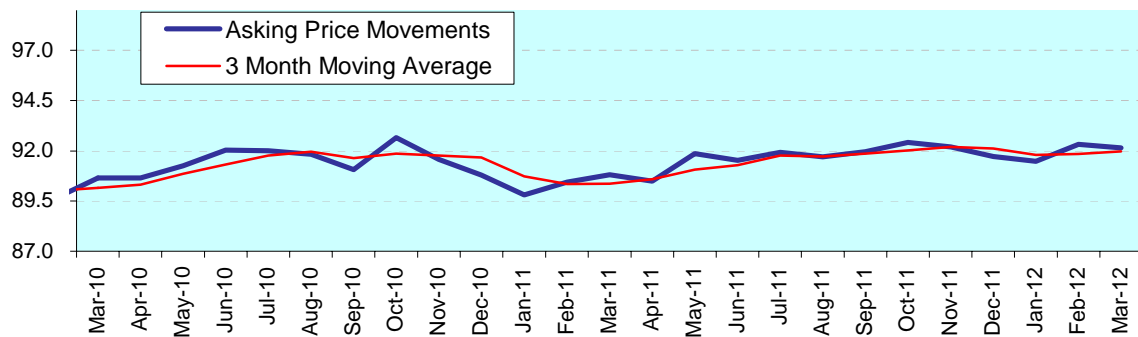
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East Anglia

The mix-adjusted average Asking Price for property in East Anglia has yet to show a convincing spring bounce, as might be expected for one of the UK's best performing property markets. For the time being, the average home price in this region remains just below last year's high of £243,528 set in October.

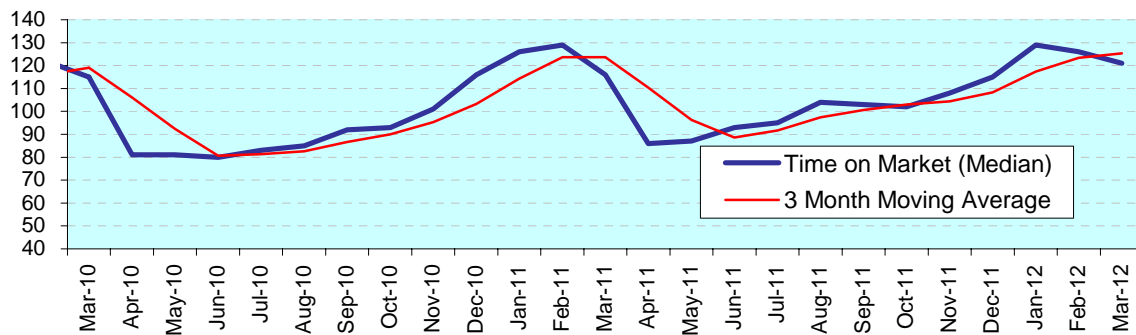
Asking Price Movements for East Anglia



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

The time-on-market chart for unsold property in the East Anglia housing market indicates a seasonal drop in marketing times, which is consistent with expectations. However, a dramatic drop in supply in February (down 26% year on year, the largest shortfall for any UK region) will support home prices in East Anglia over the coming months.

Typical Time on Market for East Anglia



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Page 6 of 12

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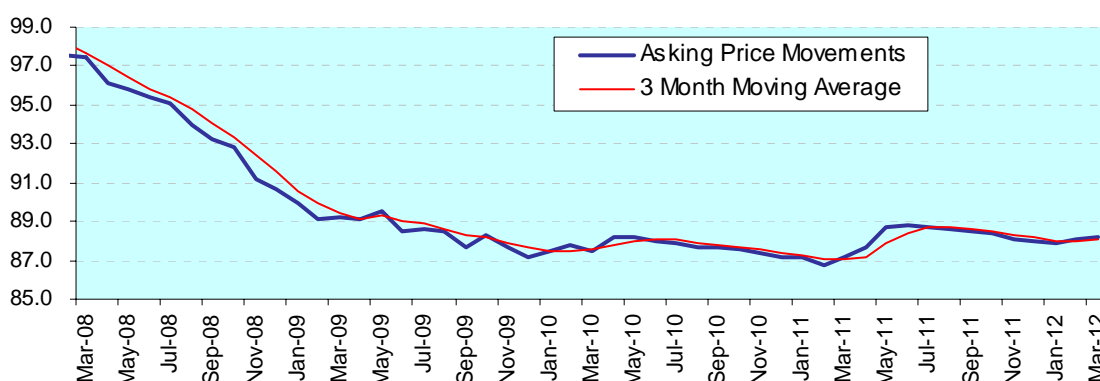
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East Midlands

Asking prices for properties for sale in the East Midlands have recovered little of the ground lost during 2008. However, prices performed marginally better in 2011 than 2010. This region has also been subject to a shock fall in new instructions in February (down 25%) and again this will support prices.

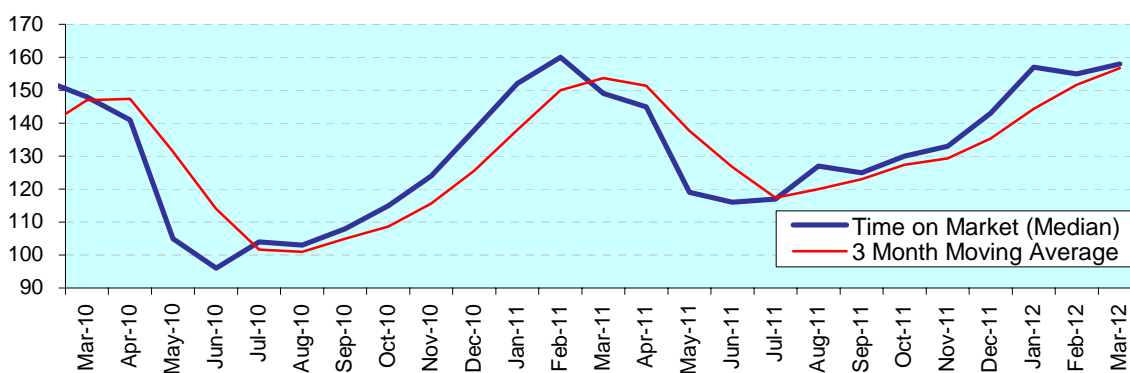
Asking Price Movements for the East Midlands



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

Typical time on market for the East Midlands ticked up this month unexpectedly, due to the shortfall in instructions and difficult market conditions.

Typical Time on Market for East Midlands





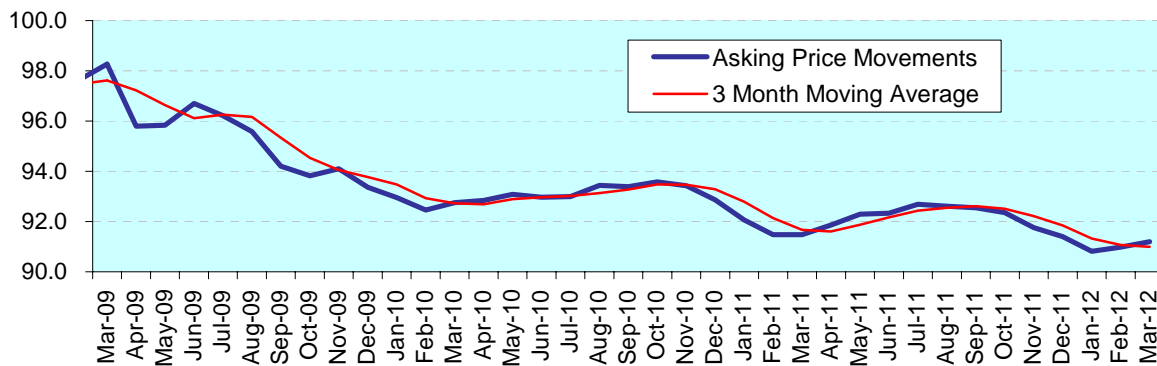
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North East

Asking prices for homes in the North East fell away from their summer high last year and registered a new low in January 2012. Over the last two months this region has registered a tentative spring bounce. However, it would appear unlikely that prices this year will exceed the summer maximum registered in 2011 since supply of new instructions is relatively unchanged year on year in this region.

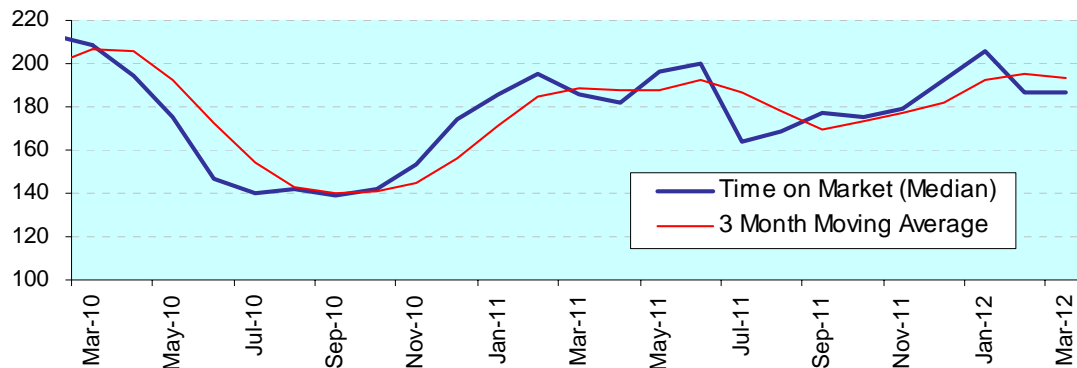
Asking Price Movements for the North East



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

Typical (median) time on market for unsold property in the North East is currently 187 days, 8 days less than in February last year. However this improved figure remains 40 days longer than the overall median time on market for the UK.

Typical Time on Market for the North East

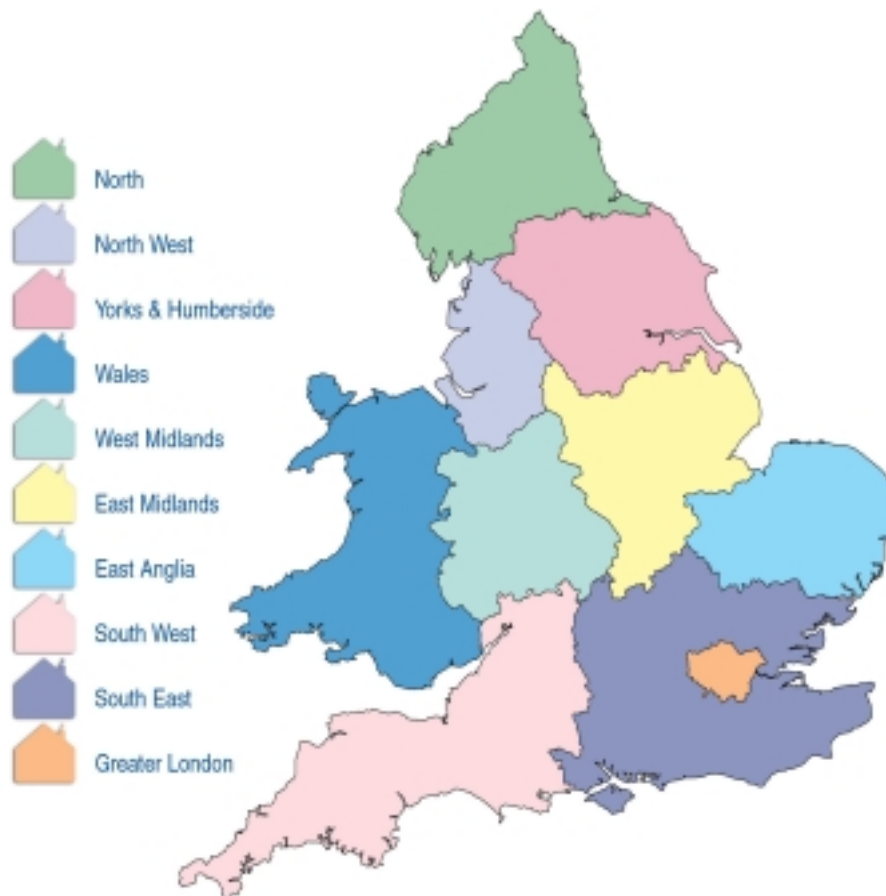




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Regions (as per DCLG)



Source: HM Land Registry



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Comment

The End of Forbearance?

Until now Banks and Building Societies have been very lenient regarding taking possession of properties where mortgage payments fall into arrears. One recent report suggested that repossessions could be as much as twice current levels if lenders chose to say 'enough is enough'.

Paul Diggle, property economist at Capital Economics commented: "The risk now is that a renewed contraction in the economy triggers job losses and a rise in the number of households struggling to cope with the huge squeeze on their real incomes. In that environment it's plausible that lenders lose patience with some borrowers and withdraw forbearance, removing what has been a critical support keeping arrears and possessions low."

Until now arrears have been swept under the carpet by capitalising the outstanding balance as part of the loan. However, this process can only go on for so long and when all the home equity is used up a possession order is often not far away. [Gary Styles](#), Strategy, Risk and Economics Director, at Hometrack commented that "based on the data for 2011, repossession cases make up around 29% of serious arrears. The Bank of England estimates that between 5% and 8% of mortgage households were helped by some kind of forbearance, such as a payment holiday or reduced interest payments. However, it says only around 5% of these households would have moved into serious arrears without help. This implies around 27,500 additional households may have moved into serious arrears without this help."

In the article the repossession forecast for 2012 looks benign but he warned of a "backlog of underlying serious arrears" should customers not experience a significant improvement in their economic circumstances or if interest rates rise. "If, as we suspect, the economic recovery disappoints and the backlog of serious arrears remains persistently high, repossessions could easily return to around 45,000 a year."

Mortgage Interest Rates Are Going Up.

Rising mortgage interest rates suggest that the long period of forbearance that has helped prop up the UK housing market is coming to a close. Standard Variable Rates (SVRs) have been hiked by several lenders. Last week, Clydesdale and Yorkshire Banks announced a change to their Standard Variable Rate for residential mortgage customers. With effect from 1 May 2012, the banks' SVR will move from 4.59% to 4.95%: the change will affect 30,000 existing mortgage customers. Similar announcements of SVR rate hikes by the Bank of Ireland, RBS, Halifax will affect a total of well over 1 million borrowers.

Clearly, these initial rate rises will make little difference for the majority of mortgage holders. However, should this trend continue, further rate hikes could put many more households in serious financial difficulties.

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Page 10 of 12

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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](#).

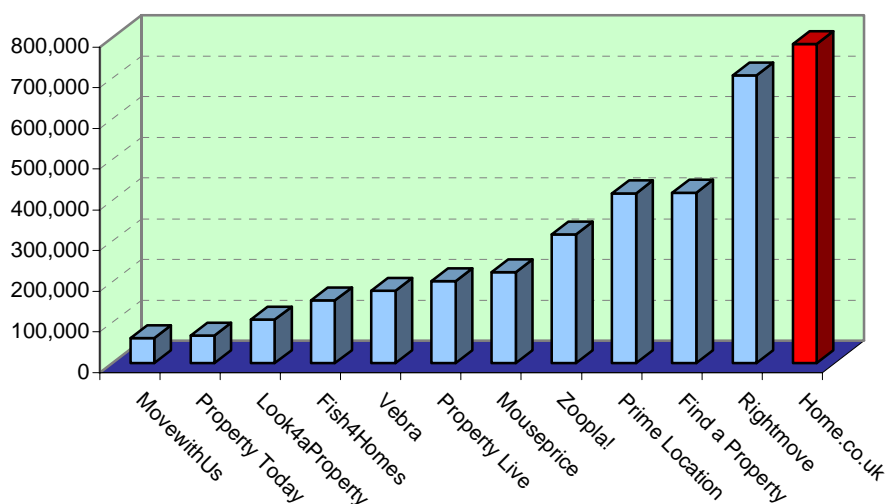
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of 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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Page 11 of 12

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March 2012

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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:

Thursday 12th April

Monday 14th May

Tuesday 12th June



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Page 12 of 12

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