



# Asking Price Index

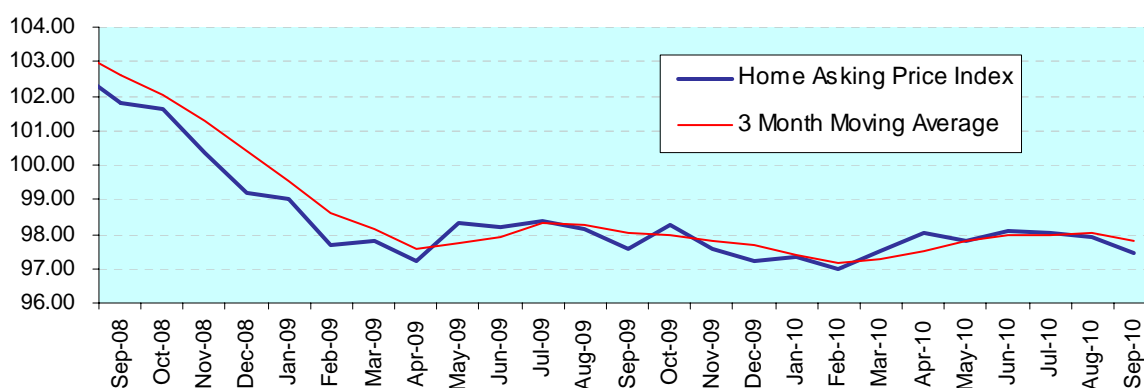
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 13<sup>th</sup> September 2010

## Weight of Home Supply Forces Price Drop

"...the housing market is heading for a double dip, with net mortgage lending pretty much flat and the number of mortgage approvals remaining very low." Andrew Goodwin, senior economic adviser to the Ernst & Young ITEM Club.

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 dropped 0.5% over the last month.

Monthly asking prices fell in 8 out of 9 English regions, Wales and Scotland.

Total number of UK properties for sale has increased 15% since September 2009.

The number of properties reduced in price during August fell back slightly to 83,000 from a 19-month high of 92,000 during July.

Annual change in asking prices: -0.1%.

6-month change in asking prices: -0.1%

Released 13<sup>th</sup> September 2010

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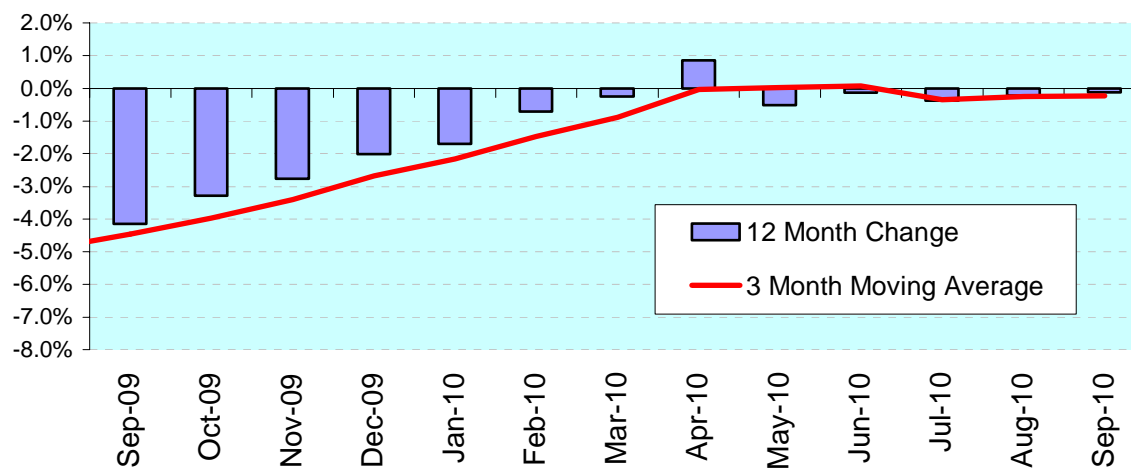
## Overview

Prices of homes on the market finally yielded to considerable oversupply pressure over the last month. Price falls were evident across most of the UK with only the East Midlands registering no change. Price cutting remains highly prevalent but less so than the 19-month high recorded last month. House prices look set to fall further over the coming months as oversupply, lower buyer activity and 'doom and gloom' across the wider UK economy weigh heavily on the housing market.

Looking at the overall performance of the UK housing market across the last 12 months it has become clear that the market recovery stalled in April. Nominal asking prices have been stagnant since then, hampered by growing supply pressures. Taking into account non-housing inflation, house prices are still falling at an annual rate of 5-6% relative to goods and services.

## Twelve-Month Trend in Asking Prices

12 Month Change in Asking Prices by Month



The trend in the year-on-year (YoY) change in Asking Prices for England and Wales continues to indicate nominal price stability. Current market trends combined with the poor economic outlook suggest that it is likely that we will observe YoY falls in asking prices over the coming months.



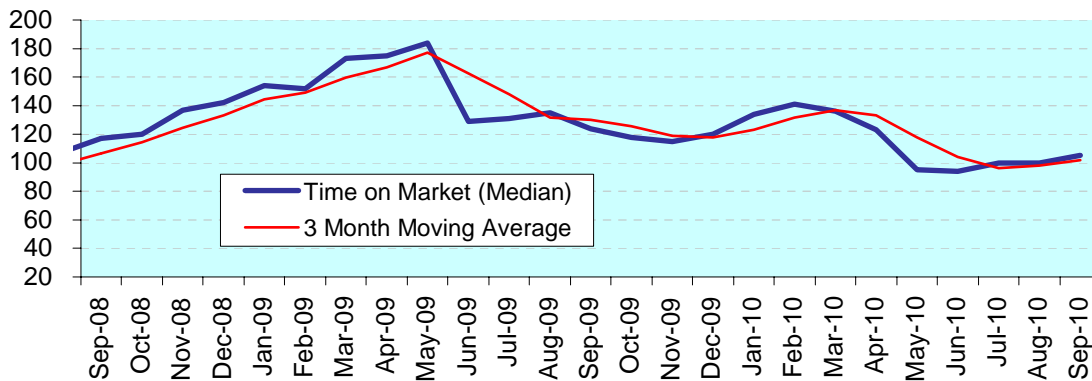
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## Time-on-Market Analysis

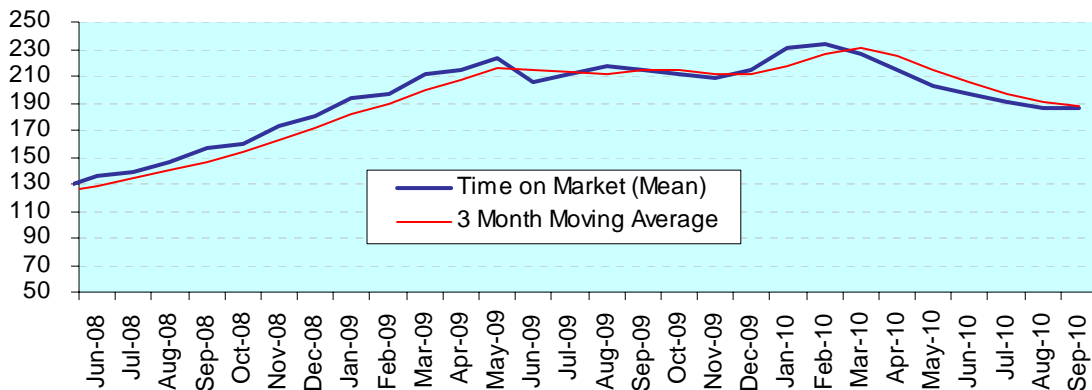
Typical (median) Time on Market for unsold properties has risen a further 5 days since last month and now stands at 105 days. Meanwhile the average (mean) Time on Market remains unchanged at 186 days. This further indicates that supply of properties for sale is outpacing buyer demand.

Typical Time on Market for England & Wales



Average Time on Market (mean) at 186 days remains the lowest average time on market since December 2008.

Average Time on Market for England & Wales





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## Asking Prices, Inflation and Average Earnings

Since June 2010 asking prices for homes in England and Wales have decreased 0.6%, as the sheer volume of property for sale forces prices down in a market with credit availability limiting the numbers of buyers. Whilst nominal market house prices appear reasonably stable, asking prices are still falling in real terms, when corrected for monetary inflation. Comparing ONS July figures and the YoY change in asking prices for the same month shows that asking prices were trailing by 5.5% relative to the [RPI](#) (ex. housing) and *ca.* 1.7% below the [AEI](#) (April figure from ONS excluding bonuses). The HAPI for England and Wales now stands at 97.4 [May04 = 100].

## Regional Housing Markets

Regional Asking Prices for September 2010, showing gains and losses since June 2010.

	Current average price	Q3 change
North East	£154,334	+0.5%
Greater London	£342,663	-0.4%
East Midlands	£171,270	-0.4%
South East	£285,161	-0.6%
Wales	£177,025	-0.7%
Yorkshire and Humber	£169,857	-0.7%
South West	£251,880	-0.8%
West Midlands	£189,585	-0.8%
North West	£174,233	-1.0%
East Anglia	£239,959	-1.1%
Scotland	£160,463	-1.9%
England & Wales	£228,122	-0.6%

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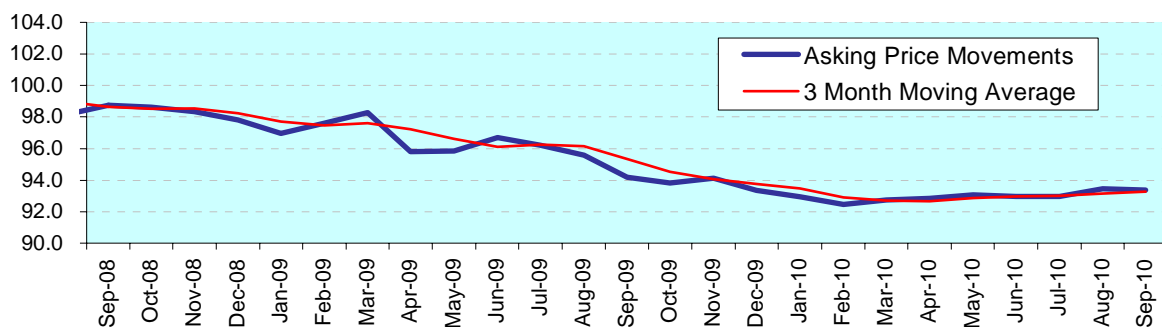
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## North East

The recovery in market house prices in the North East has endured longer than the rest of the country, albeit the price declines in 2007-8 in this region were greater than in most other UK regions. Asking prices may well have now reached an intermediate top and over the next six months, we expect prices to decline in this region.

Asking Price Movements for the North East

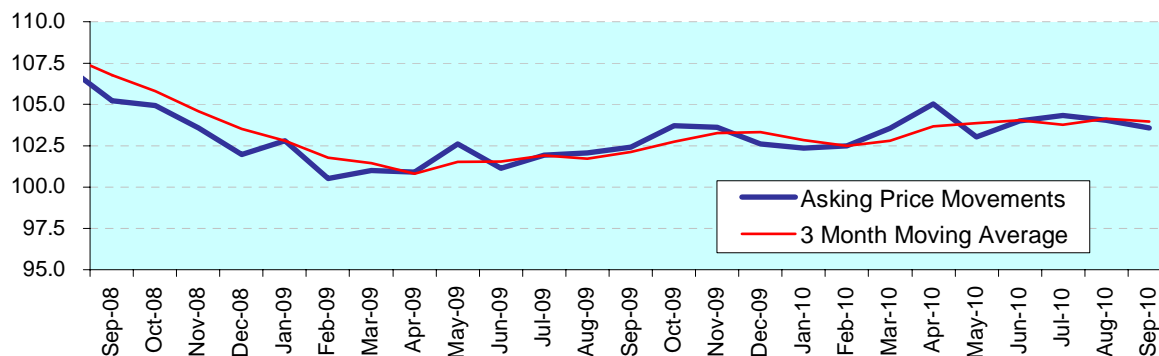


[Laspeyres](#) Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## Greater London

By contrast, asking prices in Greater London recovered much sooner and reached a maximum in April this year. London prices have declined by 0.4% over the last three months, due largely to oversupply and a stronger pound.

Asking Price Movements for Greater London



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



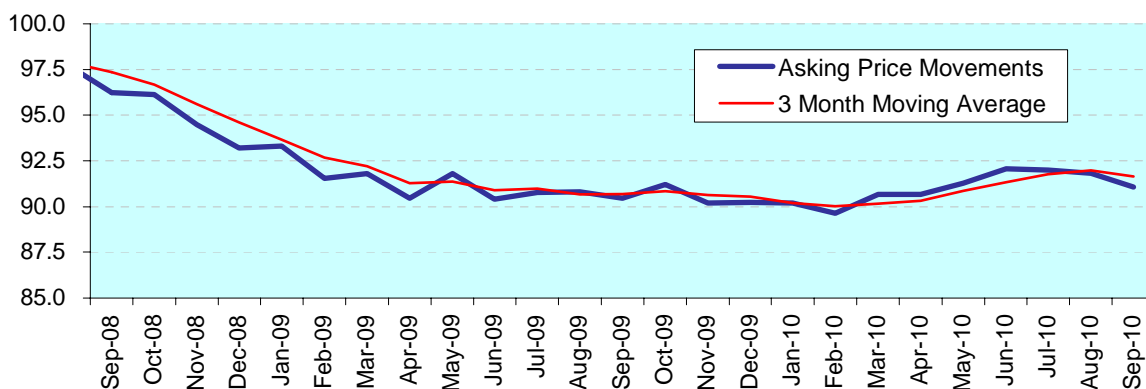
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## East Anglia

Asking prices in East Anglia have fallen away from their recent highs, following a brief recovery in prices earlier in the year. Market house prices fell 1.1% over the last quarter in this region.

Asking Price Movements for East Anglia

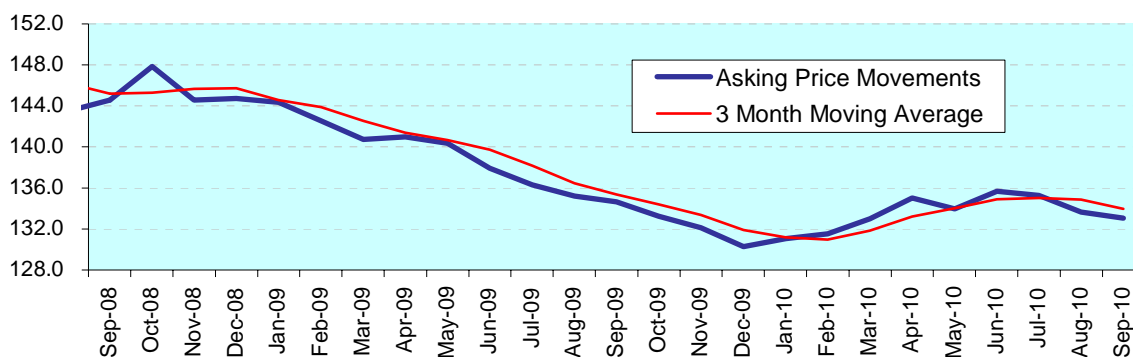


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## Scotland

Asking Prices for homes in Scotland are falling again following a brief recovery observed over the first six months of this year.

Asking Price Movements for Scotland



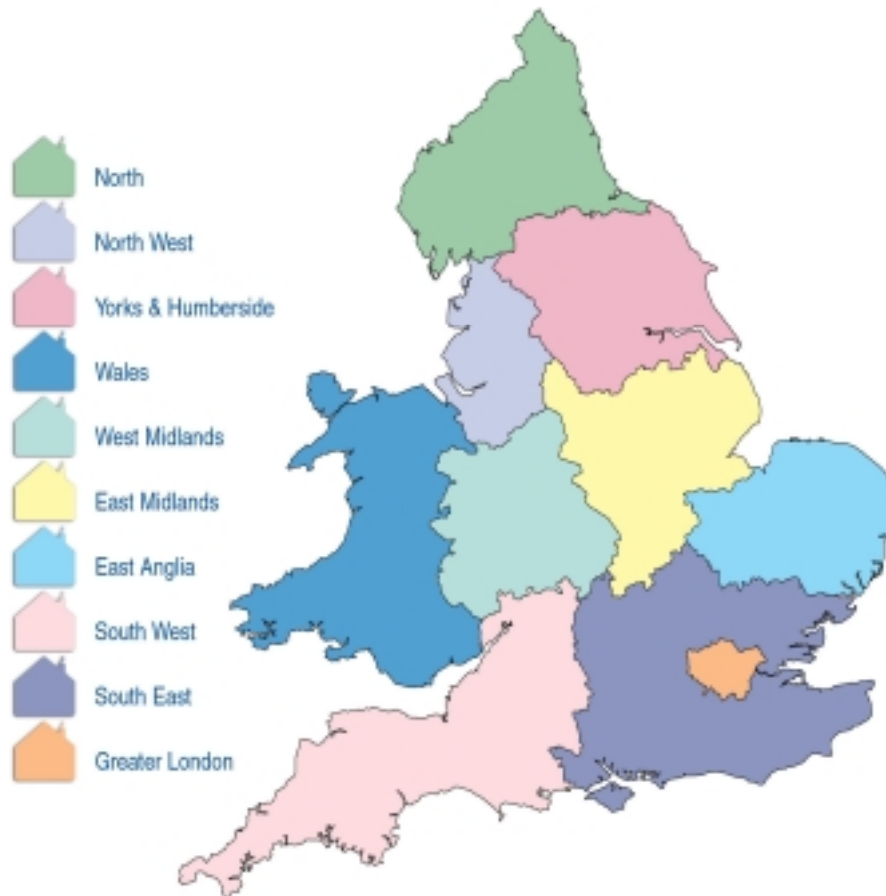
Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]



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**Regions** (as per DCLG)



Source: HM Land Registry



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## Comment

### How Deep Will This Second Dip Be?

The combination of increased supply, reduced buyer activity and restricted mortgage availability is bringing about a second dip in asking prices. The pertinent questions now are: how long will this falling market last and how deep will it go? During the course of the first price drop, from March 08 to April 09, asking prices fell 7.5%. This fall was arrested by extraordinary stimulus measures, bank bailouts and the imposition of the lowest Bank of England base rate in the history of the UK central bank. The unprecedented level of intervention in the UK financial markets 'worked' for a while – in as much as property prices stopped falling and UK banks are still trading. However, such was the scale of public borrowing required to 'stabilise' the system of credit, it was soon clear that this approach was unsustainable.

The new coalition government is now in the very difficult position of huge public debt on the one hand and a floundering economy on the other. Their only recourse to balance the books and to ease pressure on the UK government credit rating has been to attempt to cut public spending and raise taxes where possible. Clearly this new fiscal policy direction will have negative consequences for the UK housing market. A reduction in consumer confidence is already evident and fears of further house price falls will make banks even more reluctant to lend to prospective homebuyers.

The corollary for UK asking prices going forward is that one can expect falls of at least the same magnitude as seen before. However, the precise depth and duration of the next 'leg down' will depend on several factors.

1. GDP growth: If economic output picks up then this will help stem the decline in prices, although most economic indicators suggest this is doubtful.
2. Sterling: Weaker sterling would help encourage foreign investment in property and the wider economy. Unfortunately the currencies of the UK's major trading partners, the Euro and Dollar, are also weak.
3. Interest rates: Interest rates must rise at some point. When this will occur is difficult to predict, but when they do, mortgages and therefore housing will become less affordable.
4. Mortgage availability: Deposit requirements are likely to remain high and risk premiums may well increase thereby raising the overall cost for homebuyers.





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## 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](#).

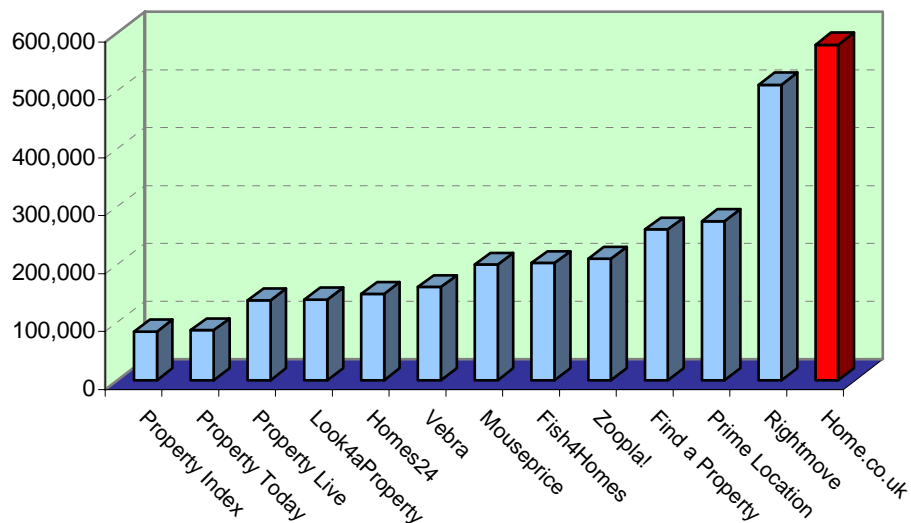
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of 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 600,000 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 February 2010



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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> October

Friday 12<sup>th</sup> November

Monday 13<sup>th</sup> December

