



# Asking Price Index

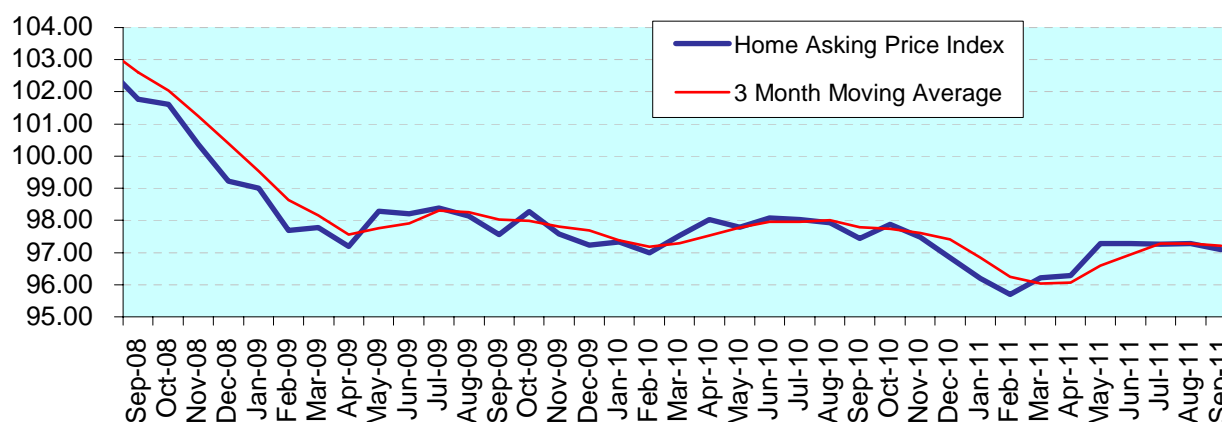
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12<sup>th</sup> September 2011

## Home Prices Take a Seasonal Dip

"HML's data shows that even if house prices dip by just 2.5 per cent, more than 1m UK households will have a mortgage debt that is larger than the value of their home." Neil Warman, chief finance officer of HML.

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

Overall the mix-adjusted average asking price for homes on the market in England and Wales has fallen 0.2% since August.

London prices dropped back by 0.9% over the last month.

Home prices fell in 6 out of 9 English regions and in Scotland and Wales, during the last month.

Typical time on market has remains essentially unchanged at 120 days.

Supply of new properties to market increased slightly to 110,648 in August, but this figure is 11% less than in August 2010.

Annual change in asking prices: -0.3%  
6-month change in asking prices: 0.9%

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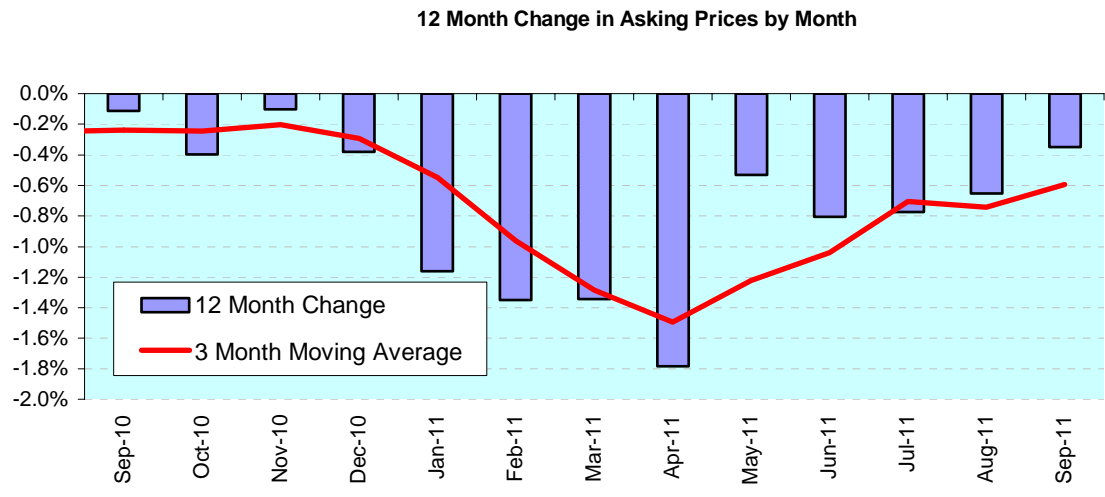
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## Overview

Autumn portends a slowdown in the UK property market, which has already endured a lacklustre year. Both sales volumes and prices are down compared to last year's figures. Sentiment amongst buyers and sellers continues to be subdued by a poor macroeconomic outlook, and despite a loosening of mortgage lending criteria over recent months, doom and gloom is weighing heavy on the UK property market. Poor economic news looks set to plague the money markets for the foreseeable future.

Market sentiment across all regions of England, Wales and Scotland continues to be downbeat. A vibrant rental sector together with limited supply of properties for sale is serving to support prices to some degree, yet this situation may not last, as forbearance amongst lenders cannot continue indefinitely. The rental sector continues to perform strongly with many sales properties being bought to let or being let in lieu of a suitable buyer.

## Twelve-Month Trend in Asking Prices



The year-on-year (YoY) change in asking prices for England and Wales now stands at -0.3%, although when corrected for the effect of monetary inflation (CPI or RPI) the real fall is considerably greater (ca. 6% per annum vs. RPI ex housing).



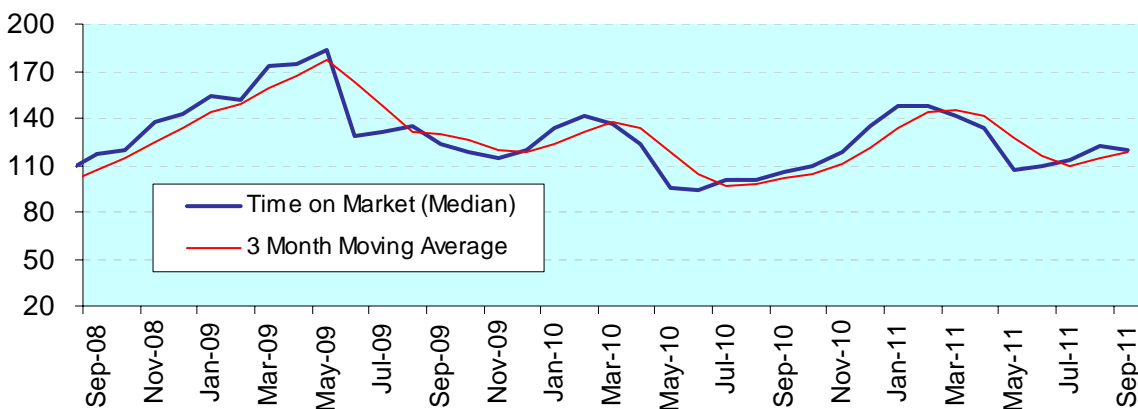
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## Time-on-Market Analysis

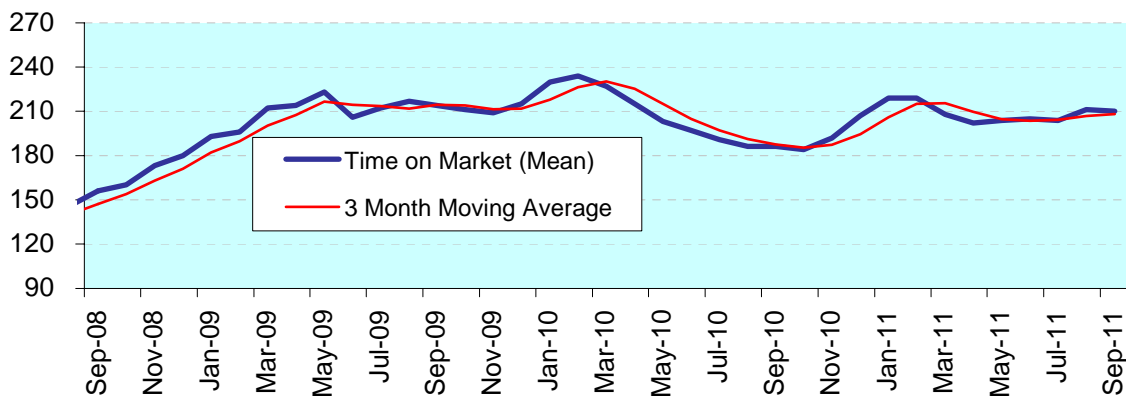
Typical (median) time on market has dipped slightly by 2 days to 120 days, since last month, but remains 15 days longer than in September 2010.

Typical Time on Market for England & Wales



The average time on market for unsold property also fell slightly (by 1 day) since August. Marketing property continues to be more difficult than last year. The average time on market for England and Wales now stands at 210 days.

Average Time on Market for England & Wales



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## Asking Prices, Inflation and Average Earnings

Expectations are for a slow seasonal decline over the coming months. UK property sales remain sluggish: typical time on market is currently 14% longer than in September 2010. The current stock of property for sale appears static, with the total essentially equal to that registered in September 2010. In terms of both supply and demand, the 2011 UK home market continues to experience much lower levels of activity, when compared to 2007.

Whilst nominal home prices appear static or falling slowly, inflation continues to severely erode capital invested in property. Comparing ONS June figures and the YoY change in asking prices for the same month (July) shows that asking prices continue to fall, in real terms, by 6.9% per year relative to the [RPI](#) (ex. housing). The HAPI for England and Wales now stands at 97.1 [May04 = 100].

## Regional Housing Markets

Regional asking prices for September 2011, showing gains and losses since June 2011 and current typical time on market.

	Current average price	3-month change	ToM (days)
East Anglia	£242,329	+0.5%	103
North East	£152,918	+0.2%	177
South East	£285,085	0.0%	94
West Midlands	£188,164	0.0%	125
Wales	£174,966	-0.2%	157
East Midlands	£172,863	-0.3%	125
Yorkshire and Humber	£168,247	-0.3%	154
Scotland	£162,198	-1.2%	131
Greater London	£339,071	-0.6%	93
North West	£173,356	-0.3%	145
South West	£249,883	-0.4%	107
England & Wales	£227,325	-0.2%	120

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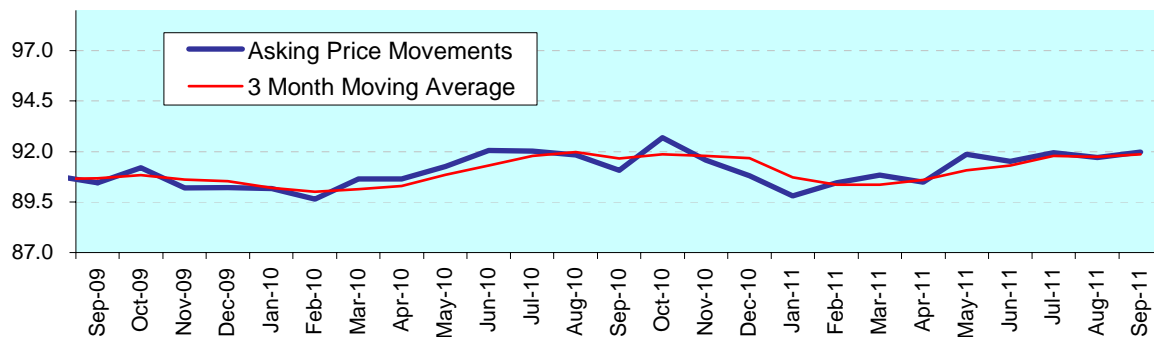
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## East Anglia

Market house prices in East Anglia are performing relatively strongly. East Anglia is one of the few regions where this summer's asking price approached the previous years maximum.

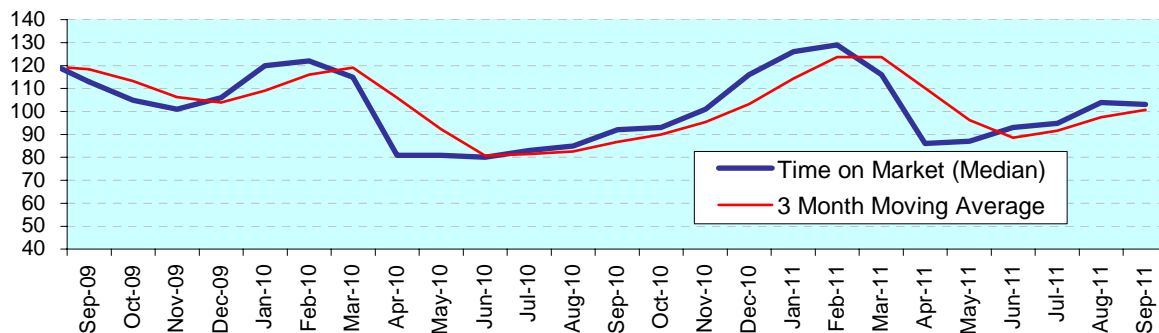
Asking Price Movements for East Anglia



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

Typical time on market for East Anglia is experiencing a rising trend and, hence, a seasonal decline in pricing may be expected over the next few months. Median time on market now stands at 103 days.

Typical Time on Market for East Anglia





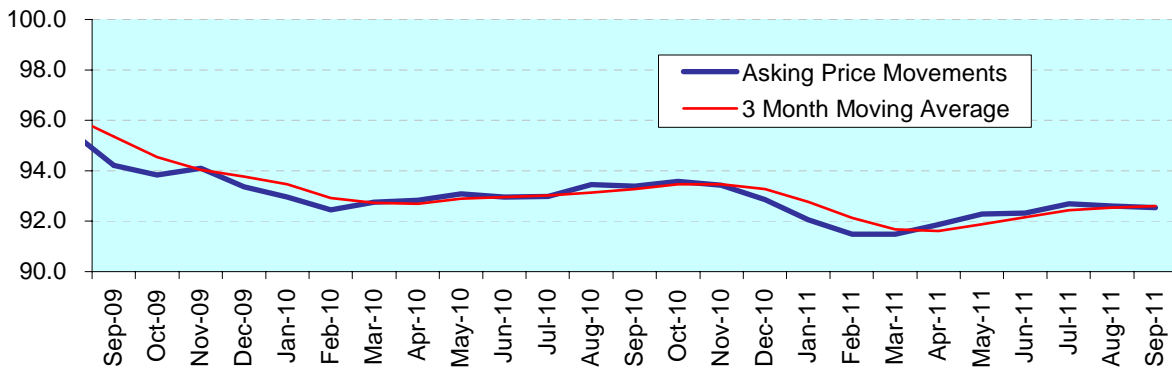
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## North East

Over recent months, the mix-adjusted Asking Price for property in the North East has risen in line with seasonal expectations. However, prices remain below the levels registered during summer and autumn 2010.

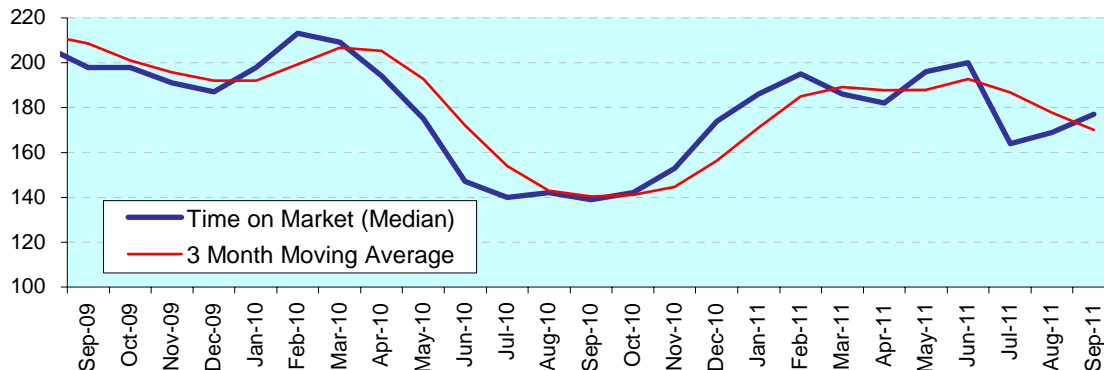
Asking Price Movements for the North East



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

The time-on-market chart for the North East housing market shows that the momentum experienced in 2010 was not regained this year. The typical time on market for the North East stands at 177 days, 57 days higher than the median time on market for England and Wales.

Typical Time on Market for the North East





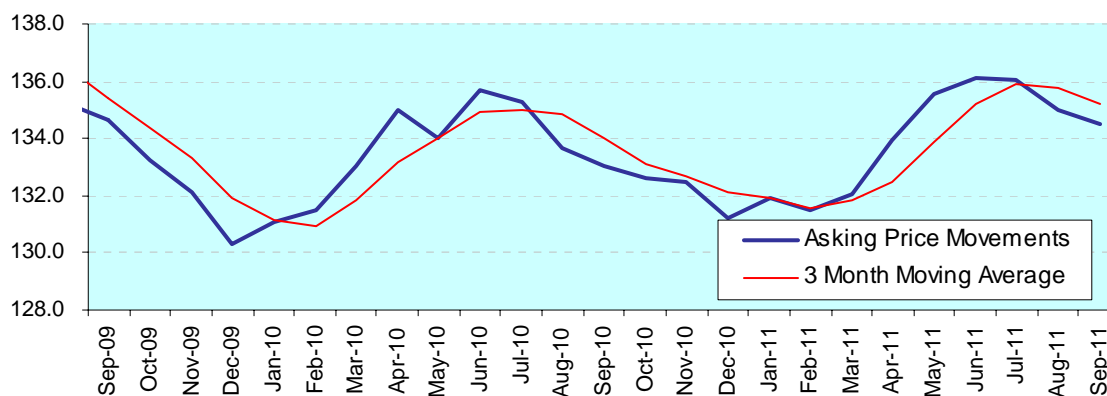
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## Scotland

The mix-adjusted average asking price for properties for sale in Scotland surpassed the 2010 maximum in June and July this year. The asking prices of Scottish properties are currently 1.1% higher than in September 2010.

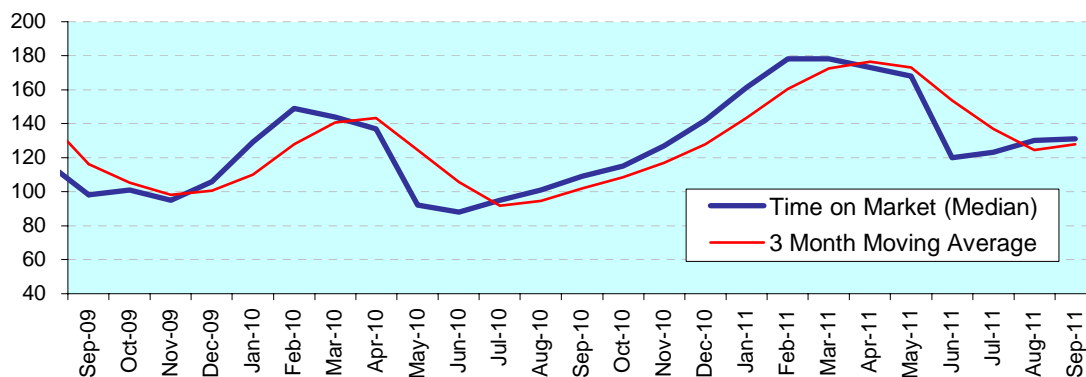
Asking Price Movements for Scotland



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

Typical time on market in Scotland has resumed the seasonal rising trend. The median time on market is now 131 days, which is 22 days longer than in September 2010.

Typical Time on Market for Scotland





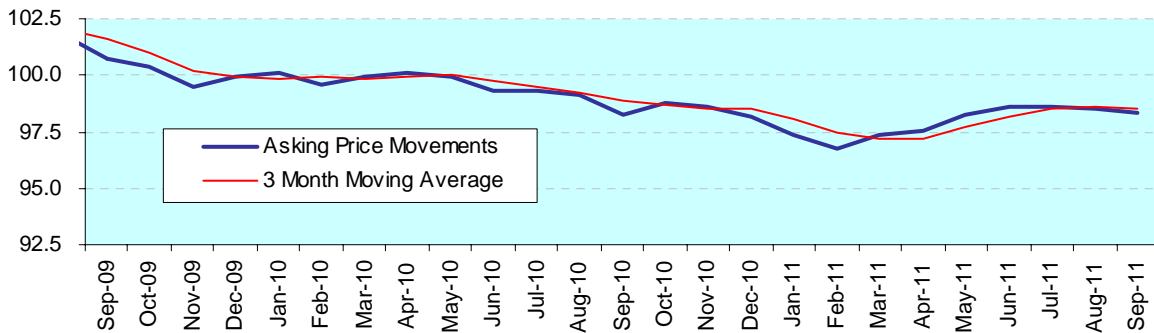
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## North West

Asking prices for homes in the North West have fallen by 0.3% since June 2011 and have risen 0.1% since September 2010.

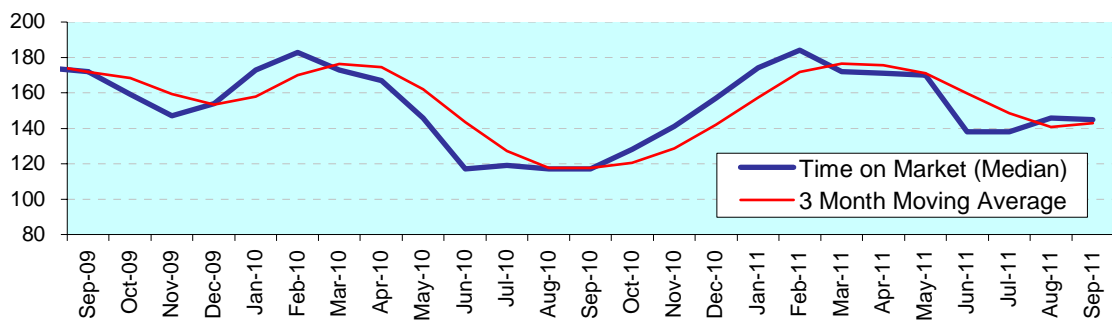
Asking Price Movements for the North West



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

Time on market in the North West has begun to rise signalling the end of the seasonal rally in home prices. It is also important to note that the time on market did not return to the levels experienced last summer and this fact suggests that prices may fall further than the recent low in February this year.

Typical Time on Market for the North West



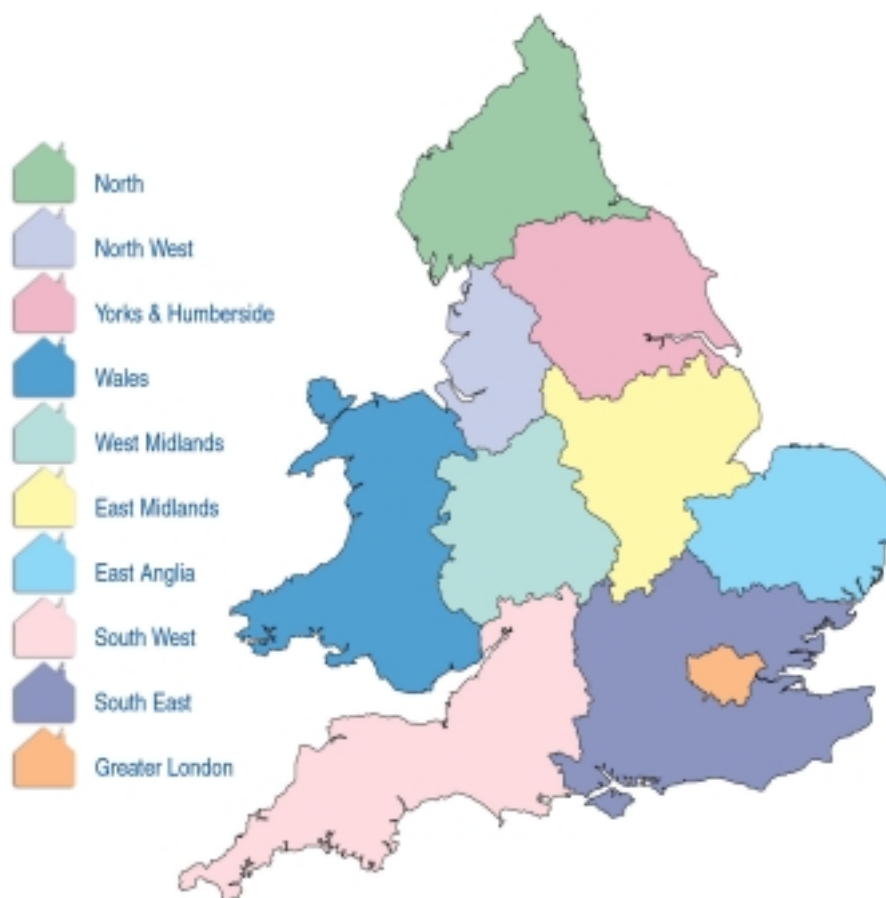




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**Regions** (as per DCLG)



Source: HM Land Registry



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## Comment

### Negative equity imperils the housing market

Four years ago we witnessed the monumental bad mortgage bank busts in the US (Bear Stearns) and UK (Northern Rock). The ensuing financial crisis meant that in September 2008 the Bank of England began slashing interest rates as the economy ground to a halt. Hence, nearly three years on we can look at the results of the ZIRP (zero interest rate policy) intended to save the housing market and mortgage lenders. Of course, setting ultra-low rates was not enough to reinvigorate the economy. Quantitative Easing (printing money) was the next rabbit to be pulled out of the hat by our financial wizards (and it looks like more of this potent elixir will need to be poured on the smouldering fires of commerce).

The US and UK are not the first countries to take this course of action following an almighty housing bust. Japan took the ZIRP route in the 1990's and the resulting negative equity burdened their housing market with years of woe and was dubbed the 'Lost Decade'. In fact, for many the period of being trapped in the same property as prices slide year after year was longer than 10 years. Here is an excerpt from an article we published in 2006 where we warned of the looming '[Tipping Point](#)' for the UK property market and the possible consequences.

*Japan suffered one of the biggest, and best documented, property market collapses in modern times. At the market's peak in 1991 all the land in Japan was worth about £10 trillion, or almost four times the value of all property in the United States at that time. Then came the property crash, after the Japanese central bank finally moved to raise interest rates. House prices plunged into a 14-year slump, from which they have only recently started to recover.*

*In 2005 Japanese property was worth less than half its 1991 peak, meanwhile un-mortgaged property in the United Kingdom has more than tripled in value, to reach a total value of around £3.6 trillion and debt secured on UK property has risen to around £1 trillion, both all time highs. Private homeowners were amongst the hardest hit. In Japan's six largest cities, residential prices dropped 64% between 1991 and 2004. By most estimates, millions of homebuyers suffered substantial losses on the single largest purchase of their lives.*

*Their experience contains clear warnings for UK homebuyers.*

Moreover, a recent report by HML, the financial outsourcer, stated that, "*Currently 827,321 homeowners - 7.3 per cent of all households with a mortgage - have a debt that is greater than the value of their property. If house prices fall by 10 per cent that number will double to 1.67m - 14.8 per cent - which is close to the record 1.8m negative equity cases seen in the house price crash of the early 1990s.*"

As house prices slide further year after year, more and more homeowners fall into the negative equity trap. The consequences for the UK property market are that fewer and fewer properties will change hands. Even those people that must move through work, divorce or growing family will chose to rent out their property (and there is plenty of demand for rented property) rather than accept the financial loss required to make a sale.

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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](#).

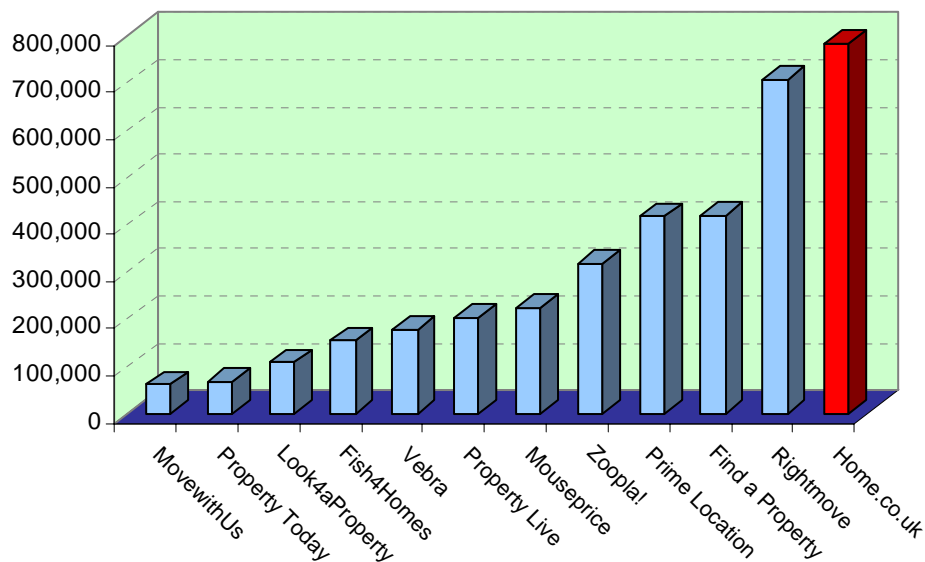
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of 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 June 2011



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September 2011

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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:

Wednesday 12<sup>th</sup> October

Monday 14<sup>th</sup> November

Monday 12<sup>th</sup> December



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