



August 2011

Asking Price Index

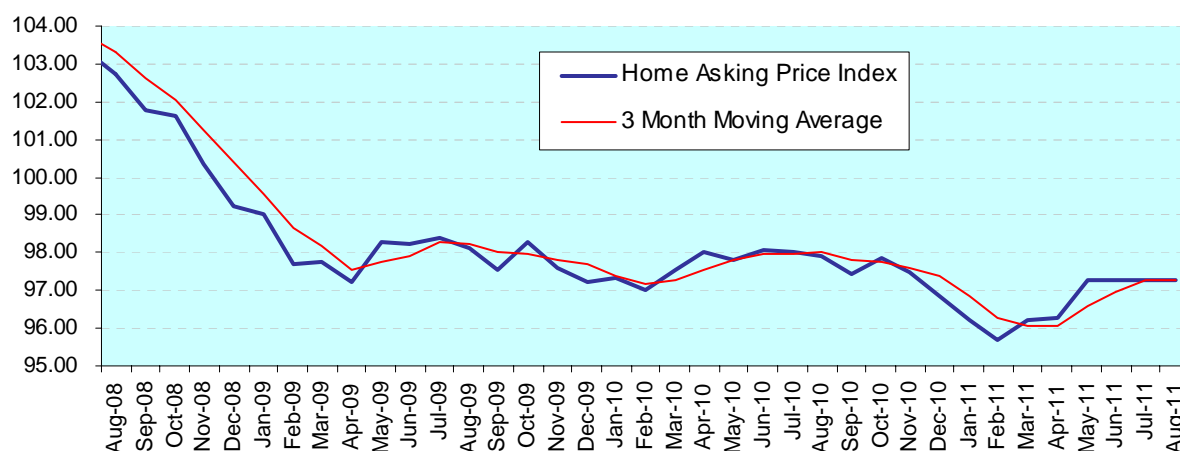
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12th August 2011

Home Prices Stagnate as Market Cools

"Buy when there's blood in the streets, even if the blood is your own."
Baron Rothschild, Banker (1777-1836)

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 remains unchanged since July.

London prices ended a long slide with a 0.9% bounce over the last month.

During the last month, home prices fell in 7 out of 9 English regions and in Scotland.

Typical time on market has increased a further 9 days to 122 days (median).

Supply of new properties to market fell back further to 109,273 in July, 21% less than in July 2010.

Annual change in asking prices: -0.7%

6-month change in asking prices: 1.7%

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



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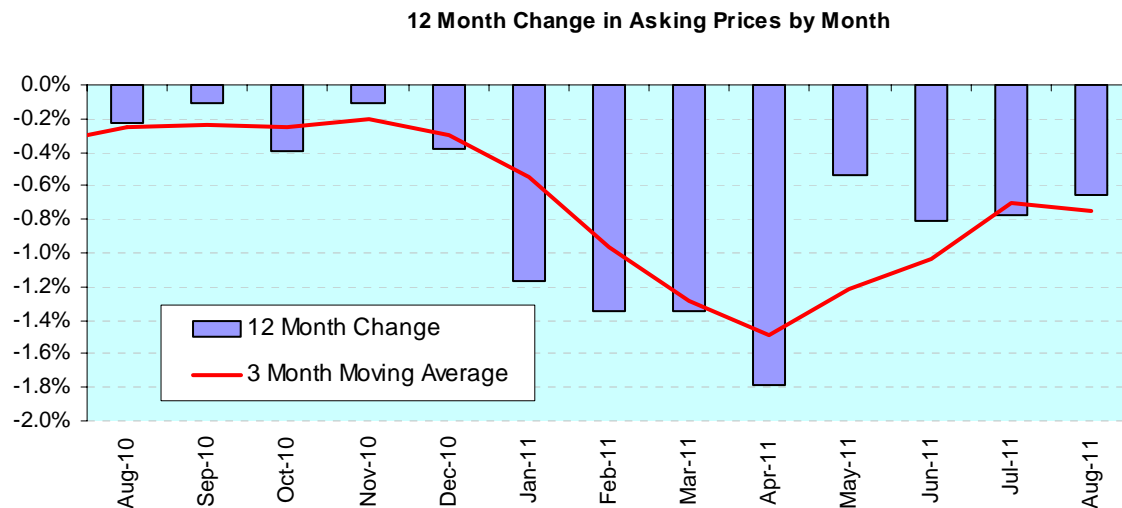
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Overview

2011 is proving to be a slower and leaner year for UK property sales than 2010. The volume of properties moving through the market is down and asking prices are lower. Sentiment amongst buyers and sellers is clearly subdued by a poor macroeconomic outlook, which is weighing heavy on the UK property market. The market is witnessing a falling supply of property for sale whilst time on market is rising. Supply and demand are both in retreat. The latter looks set to remain subdued, as the Bank of England has cut its forecast for UK economic growth this year to 1.4% from 1.8%. Economic growth is likely to be sluggish in the next year or so as household incomes remain squeezed.

Whilst market sentiment across all regions of England, Wales and Scotland is currently lacklustre, the reduced supply of properties for sale is serving to support prices. The supply of mortgage credit looks set to remain unchanged in the near term. Interest rates are also likely to remain unchanged with the Bank of England intent on keeping the base rate ultra low. It is therefore unlikely that the property market will experience a flood of distressed sales this year. However, when interest rates do rise eventually, the dual effect of decreased affordability and increased supply will likely drive house prices lower.

Twelve-Month Trend in Asking Prices



The year-on-year (YoY) change in asking prices for England and Wales now stands at -0.7% , although when corrected for the effect of monetary inflation (CPI or RPI) the real fall is considerably greater (ca. 7% per annum vs. RPI ex housing).

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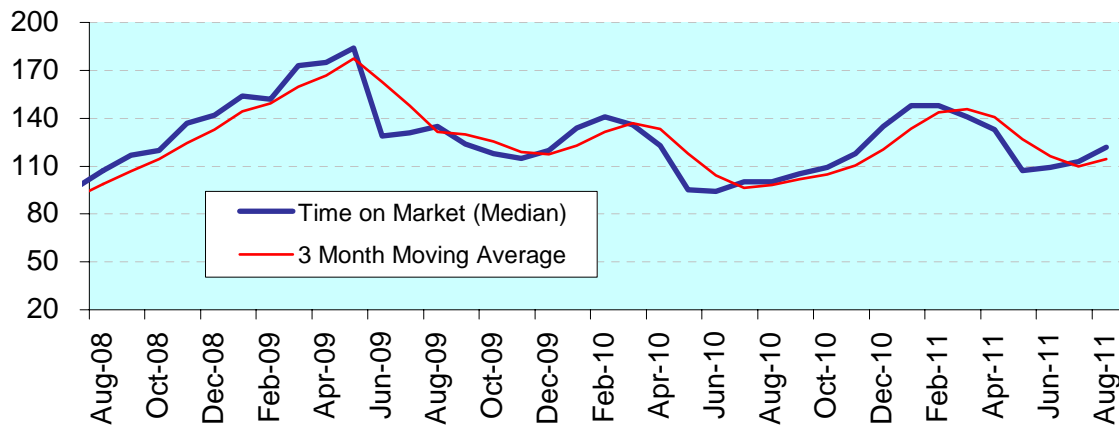
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Time-on-Market Analysis

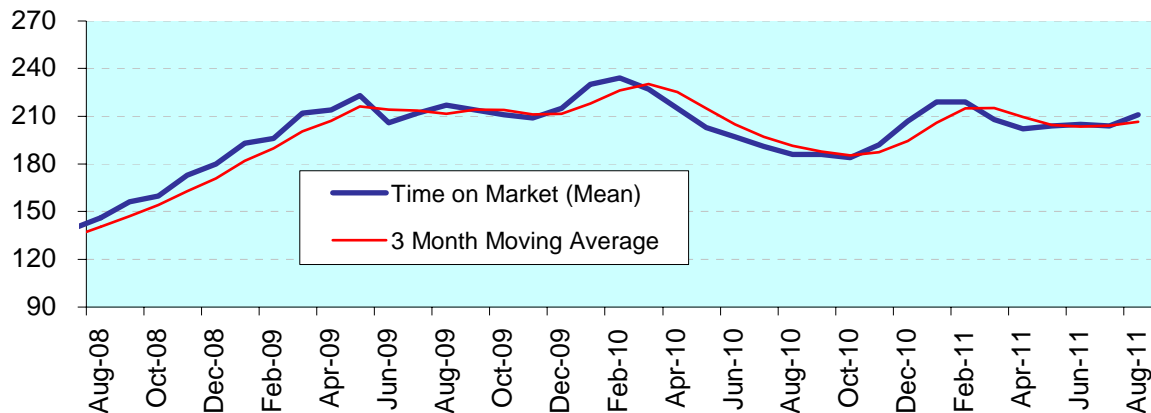
Typical (median) time on market has increased a further 9 days to 122 days, 22 days longer than in August 2010.

Typical Time on Market for England & Wales



The average time on market for unsold property is also on a rising trend. Overall, market conditions are more difficult than during the same period last year. The average time on market for England and Wales now stands at 211 days.

Average Time on Market for England & Wales



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Asking Prices, Inflation and Average Earnings

The mix-adjusted average asking price for homes in England and Wales has remained essentially unchanged since May. UK property sales are losing momentum: typical time on market is currently 22% longer than in August 2010. In terms of both supply and demand, the 2011 UK home market continues to experience diminishing levels of activity.

Whilst nominal home prices appear static, inflation is severely eroding capital invested in property. Comparing ONS June figures and the YoY change in asking prices for the same month shows that asking prices continue to fall, in real terms, by 6.8% per year relative to the [RPI](#) (ex. housing). Meanwhile, homes are becoming more affordable as prices fall relative to average earnings, 2.6% below the [AEI](#) (May figure from ONS ex. bonuses). The HAPI for England and Wales remains at 97.3 [May04 = 100].

Regional Housing Markets

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

	Current average price	6-month change	ToM (days)
Scotland	£162,786	+2.6%	130
Greater London	£342,094	+2.2%	91
East Midlands	£173,150	+2.1%	127
South East	£284,895	+2.0%	93
North West	£173,664	+1.8%	146
West Midlands	£187,793	+1.6%	127
East Anglia	£241,615	+1.4%	104
Yorkshire and Humber	£168,752	+1.3%	152
North East	£153,039	+1.2%	169
South West	£249,856	+1.0%	109
Wales	£175,539	+0.3%	157
England & Wales	£227,752	+1.7%	122

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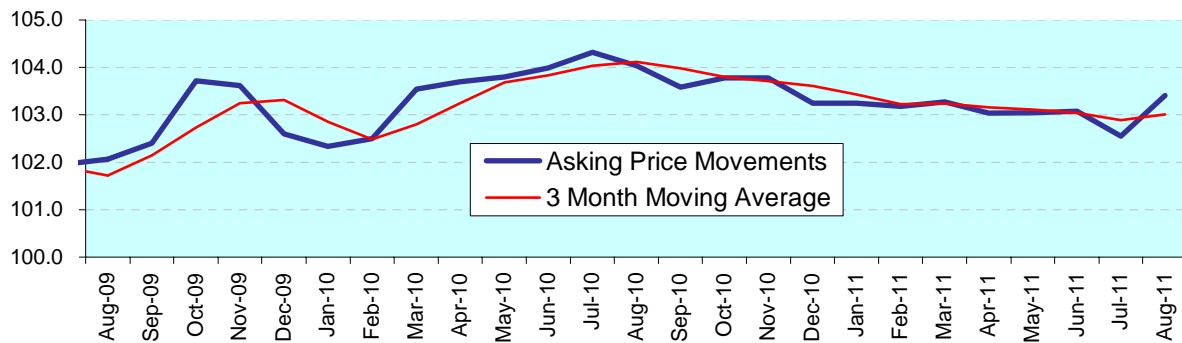
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Greater London

Market house prices in Greater London are, perhaps surprisingly, showing a 0.9% up-tick since last month. Previously prices have been sliding in the UK capital following a strong recovery.

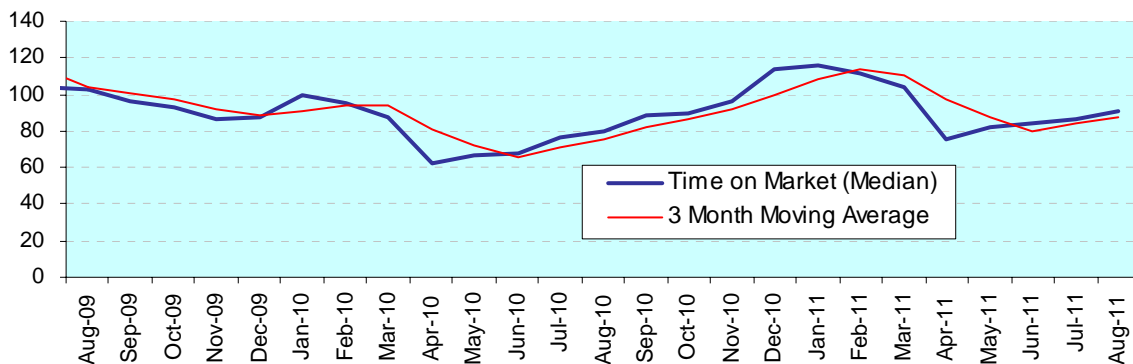
Asking Price Movements for Greater London



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

However, typical time on market is rising in Greater London and hence this rally may be expected to be short lived. Median time on market now stands at 91 days.

Typical Time on Market for Greater London



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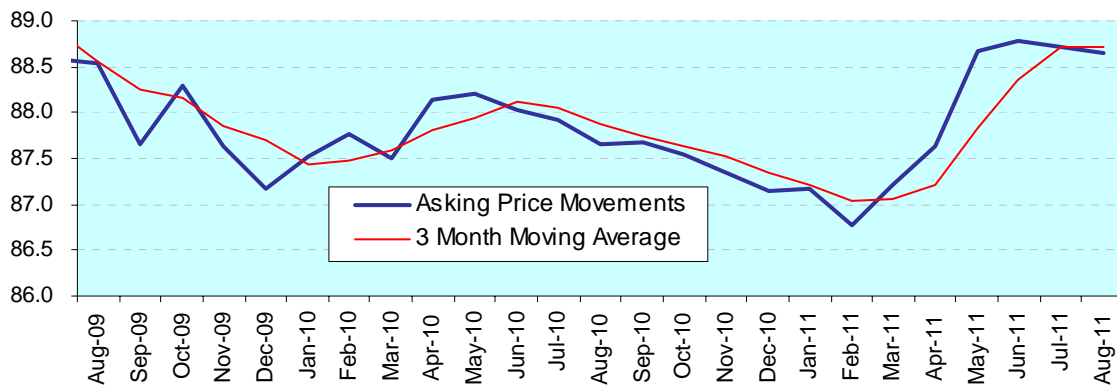
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East Midlands

The mix-adjusted Asking Price for property in the East Midlands has risen considerably since February (2.1%), although prices in this region are beginning to fall back.

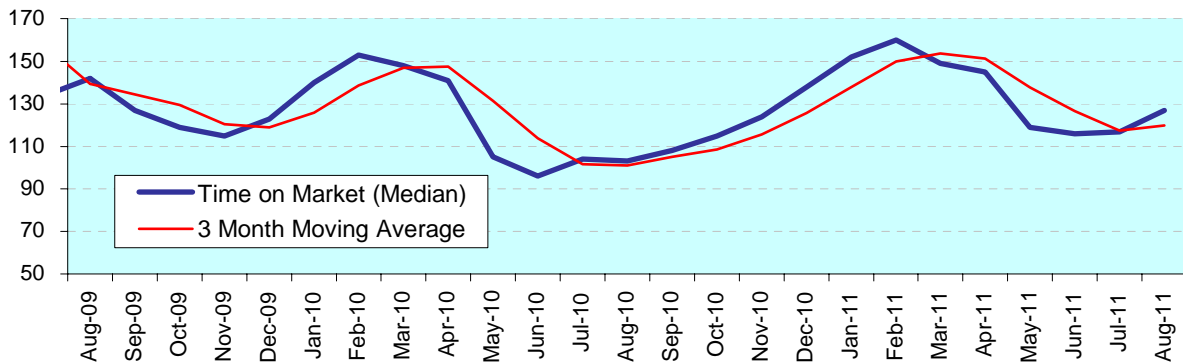
Asking Price Movements for the East Midlands



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

Time-on-market figures for the East Midlands fell sharply at the beginning of the year, as expected. However, the typical time on market for East Midlands, at 127 days, is 24 days higher than in August 2010 and has been rising since June. Hence, this trend suggests there is little scope for further price rises and that the current fall in prices will continue.

Typical Time on Market for East Midlands



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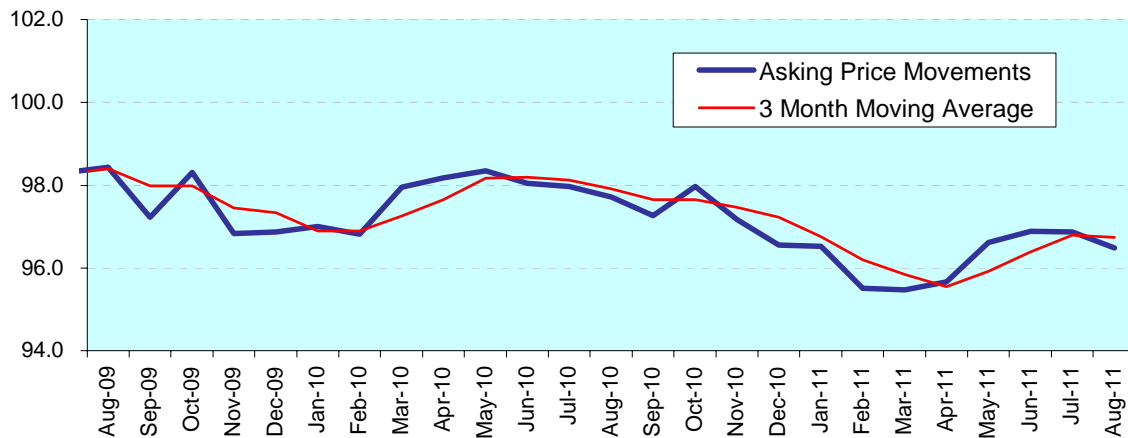
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South West

The mix-adjusted average asking price for properties for sale in the South West has fallen by 1.3% over the last year. The asking prices of properties in this formerly strong region have failed to show a significant seasonal rally this year.

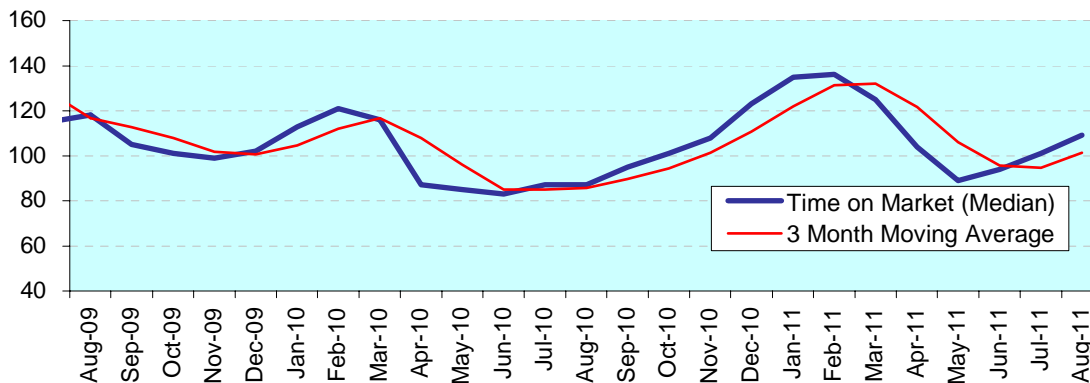
Asking Price Movements for the South West



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

Typical time on market in the South West is rising. The median time on market is now 109 days, which is 22 days longer than in August 2010.

Typical Time on Market for the South West



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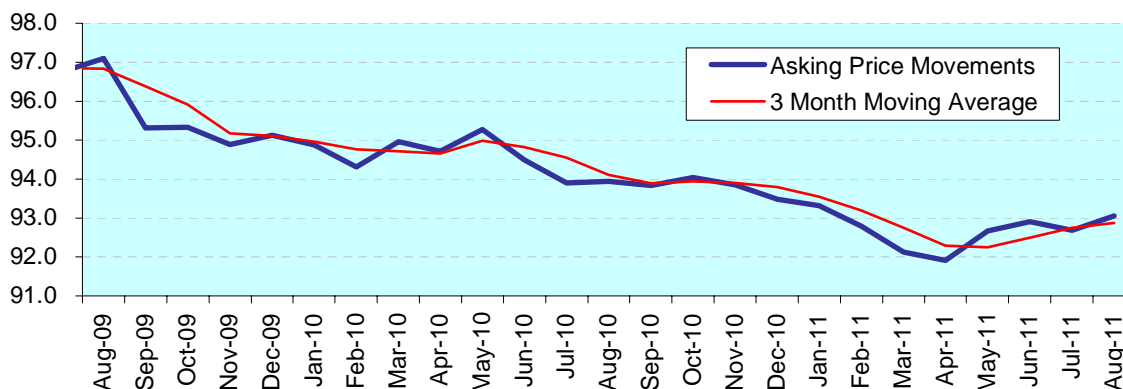
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Wales

asking prices for homes in Wales have fallen by 1.0% since August 2010. However, this year there has been a rally in Welsh property asking prices since April.

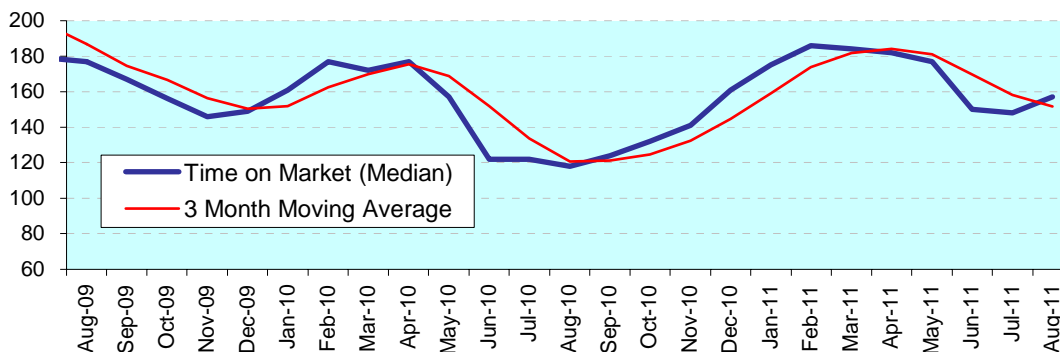
Asking Price Movements for Wales



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

Time on market in Wales has begun to rise signalling the end of the seasonal rally in home prices. It is important to note that the time on market has not returned to the levels experienced last summer and this suggests that the overall downward trend in prices will be resumed.

Typical Time on Market for Wales

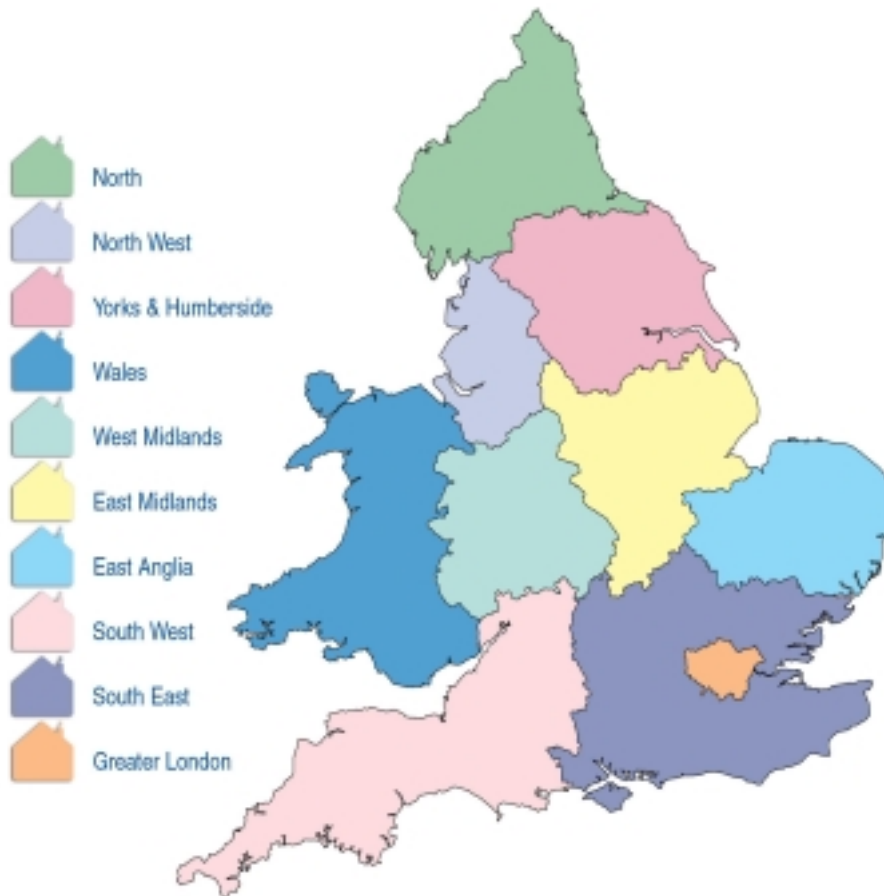




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Regions (as per DCLG)



Source: HM Land Registry



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Comment

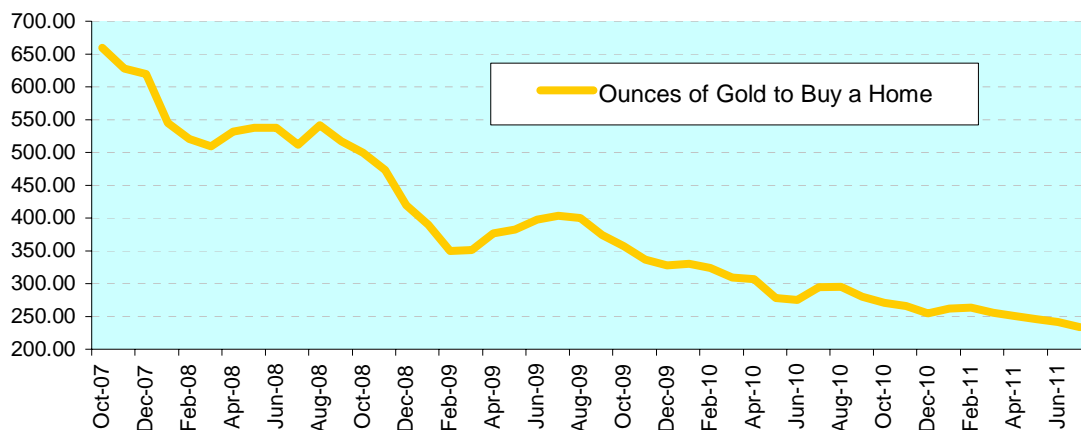
When is the time to invest in property?

The famous banker and enormously wealthy contrarian investor Baron Rothschild said about buying property, "Buy when there's blood in the streets, even if the blood is your own." He made a fortune buying property in Paris after the battle of Waterloo. Britain is now in the throes of social turmoil in the wake of the *credit crunch*. Does this signify a new beginning of the economic cycle in property as Rothschild suggests? Or should the patient and intelligent investor wait until this economic *winter* has run its course?

House prices are still rather high historically relative to incomes. They haven't fallen as far as perhaps they should have, bearing in mind the huge house price bubble that popped in 2007. And this is simply because of the record-breaking low interest rates set by the Bank of England. This policy has avoided forced selling (repossessions) on a massive scale by keeping mortgage rates low. Moreover, quantitative easing and increased government debt has lost the pound much value and this has served to avoid nominal price falls of the magnitude seen in the US.

Investors often talk of investment cycles. The cycle for property in the UK appears to be around 18 years.¹ The last bottom in house prices was around 1996; hence, based on this rule of thumb, we should expect house prices to find a new low around 2014. However, the unprecedented acts of quantitative easing perpetrated by the western central banks may well have served to lengthen the current cycle. Only time will tell if this is to be the case, but a good indicator of the next market low will be when the number of ounces of gold required to buy the average UK home stops falling.

Average UK Home Value in Ounces of Gold



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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](#).

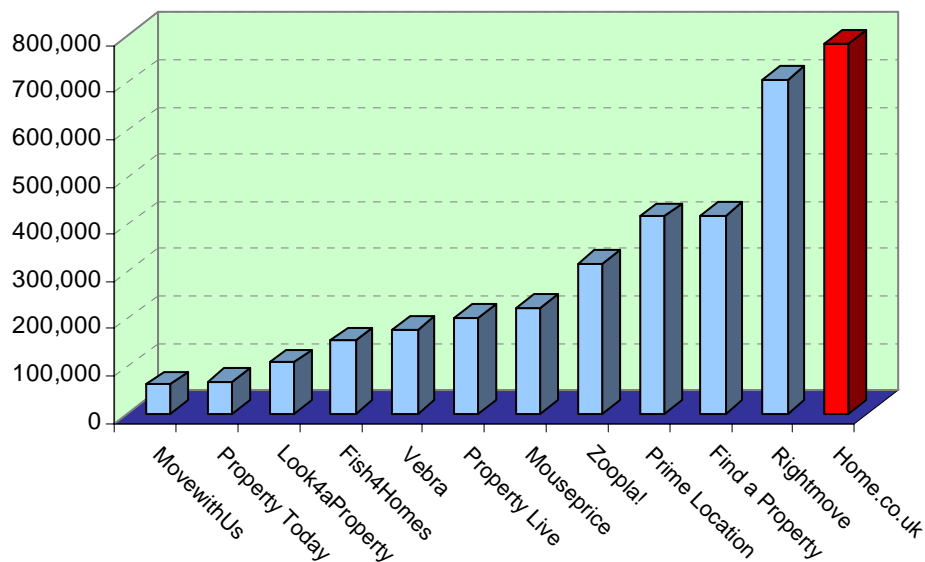
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of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

Monday 12th September

Wednesday 12th October

Monday 14th November



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