



Asking Price Index

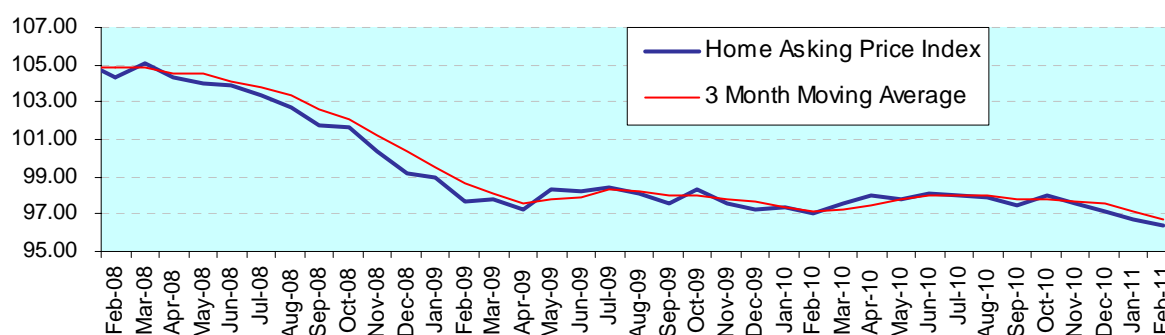
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 14th February 2011

Sellers Slash and Prices Tumble

" If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake-up homeless..." Thomas Jefferson, 3rd US President (1743 - 1826).

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 fallen for a fourth successive month: Down 0.3%.

Monthly asking price falls in all English regions (except East Anglia), Scotland and Wales.

The number of properties reduced in price has leaped to 65,692 for the month of January, a massive 64% more than in January 2010.

Typical time on market registered no change at 148 days (median).

Total properties new to market in Jan 2011 was 14% higher than in Jan 2010

Annual change in asking prices: -0.6%

6-month change in asking prices: -1.5%

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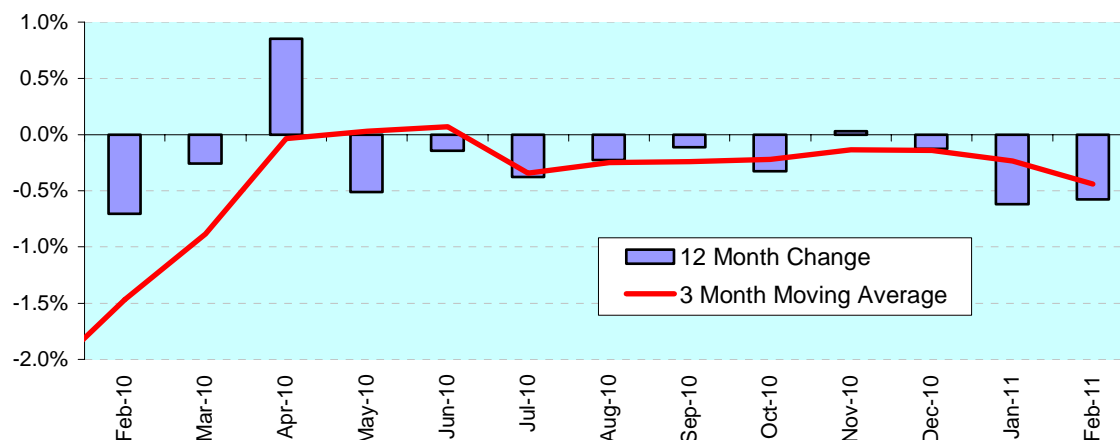
Overview

UK market home prices have fallen for a fourth successive month due to weakening buyer demand and increasing supply. Buyer sentiment is very subdued due to concerns over job security, house price stability and mortgage woes. Vendors, whilst not yet panic-selling, are also nervous about the health of the property market and are increasingly quick to action price-cutting: 64% more properties were reduced in price in Jan 2011 than compared to Jan 2010. First-time buyers, the 'life blood' of the property market, are now a rare breed and almost exclusively financed by family. However, Buy-to-Let is taking up some of the slack at the lower end of the market spurred on by a rejuvenated rental sector. Rental demand is strong and will serve to help support house prices in the near term. Mortgage lenders may turn to the rental market to obviate losses currently being made on repossessed properties sold at auction.

Buyer interest has picked up as expected as Spring approaches, although asking prices are still 0.6% lower than where they were last year. Turnover of property on the market is still very low when compared to pre-crisis levels as confirmed by persistently high median and mean Time on Market figures.

Twelve-Month Trend in Asking Prices

12 Month Change in Asking Prices by Month



Another poor year-on-year (YoY) result in Asking Prices for England and Wales, perhaps signalling a further downward move.

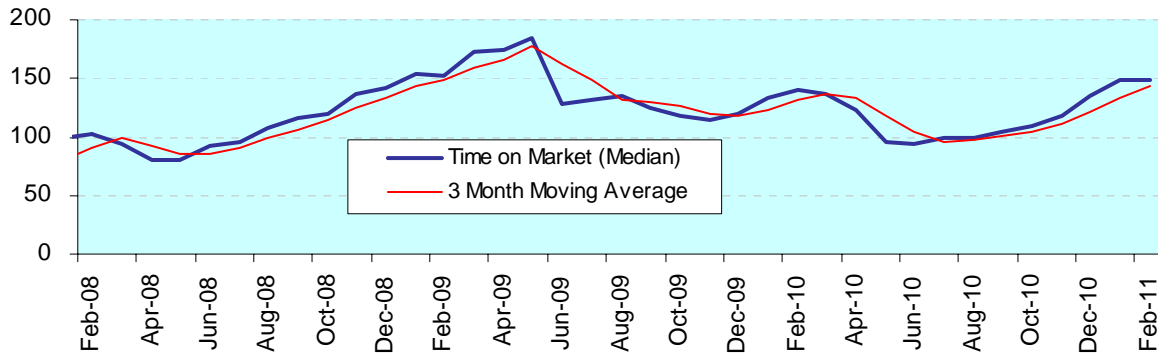


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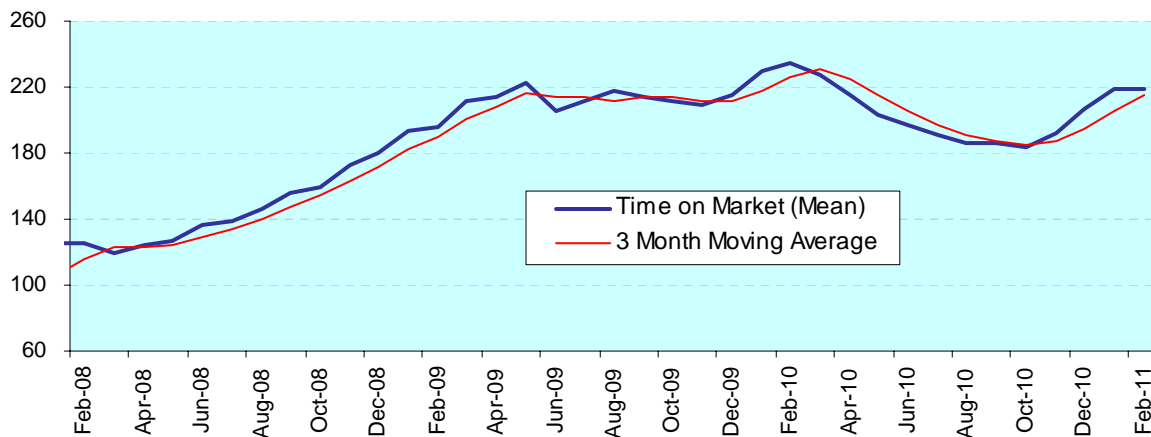
Time-on-Market Analysis

Typical Time on Market for England & Wales



Both Typical and Average Time on Market figures remain unchanged since January (148 and 219 days respectively). Our data suggests that transaction volumes are increasing but at lower average prices.

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 0.6% since February 2010. UK property market remains on life support, propped up by artificially low interest rates and sell-and-rent-back schemes.

Yet inflation is eroding home prices in real terms. Property is proving to be a poor store of capital value when compared to goods and services. By comparing ONS December figures and the YoY change in asking prices for the same month shows that asking prices were still falling in real terms, by 5.5% per year, relative to the [RPI](#) (ex. housing).

Home prices are also falling relative to average earnings: 2.3% below the [AEI](#) (November figure from ONS ex. bonuses). The HAPI for England and Wales now stands at 96.7 [May04 = 100].

Regional Housing Markets

Regional Asking Prices for February 2011, showing gains and losses since August 2010 and current typical Time-on-Market.

	Current average price	6-month change	ToM (days)
Wales	£177,692	+0.3%	186
Greater London	£342,035	-0.6%	112
East Midlands	£170,208	-0.6%	160
East Anglia	£240,128	-0.8%	129
Scotland	£159,352	-1.1%	178
North West	£171,802	-1.7%	184
South West	£247,970	-2.0%	136
North East	£151,369	-2.0%	195
South East	£279,759	-2.4%	119
West Midlands	£185,573	-2.4%	157
Yorkshire and Humber	£166,769	-2.5%	187
England & Wales	£226,463	-1.5%	148

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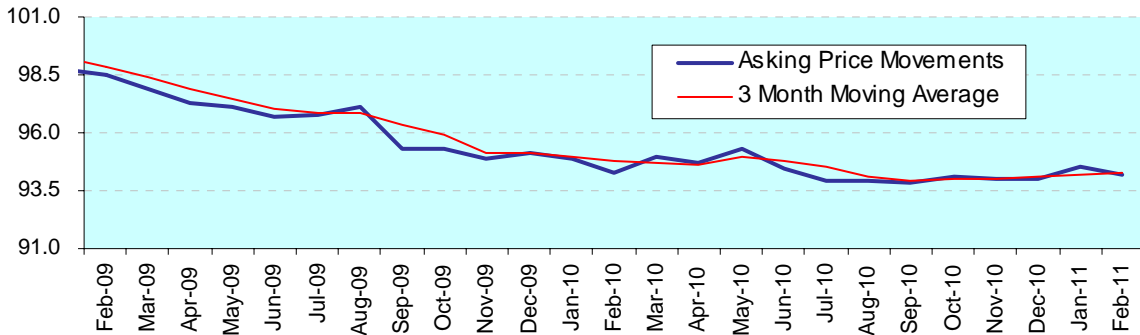
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Wales

After three years of steady falls, asking prices in Wales have stabilised and recovered slightly following their recent low in September 2010.

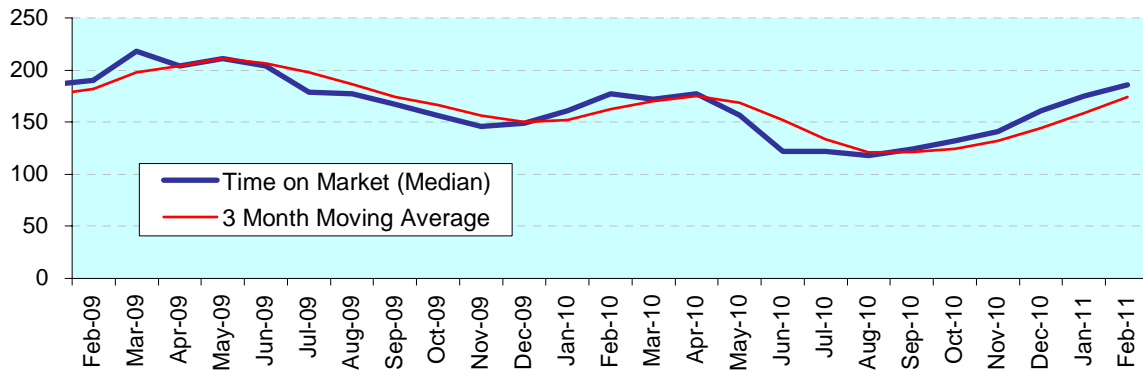
Asking Price Movements for Wales



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

However, the current Time on Market trend (median) indicates that asking prices will soon resume their downward trajectory.

Typical Time on Market for Wales





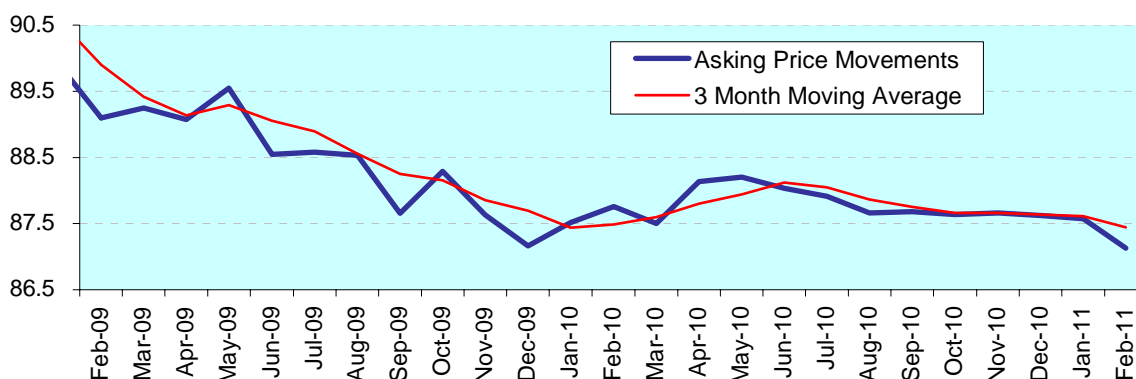
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East Midlands

Following a strong rally in asking prices in Spring last year, asking prices fell away in the East Midlands to plateau in the Autumn of 2010. This month prices have fallen to a new post-crisis low, despite being one of the strongest regional property markets during the last 6 months.

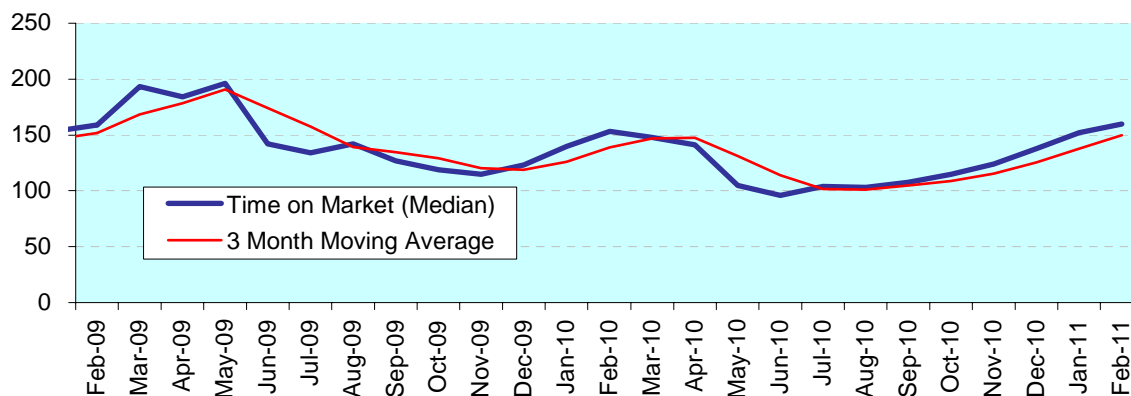
Asking Price Movements for the East Midlands



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

Rising Time on Market figures for this region will most likely have triggered this month's market price correction.

Typical Time on Market for East Midlands



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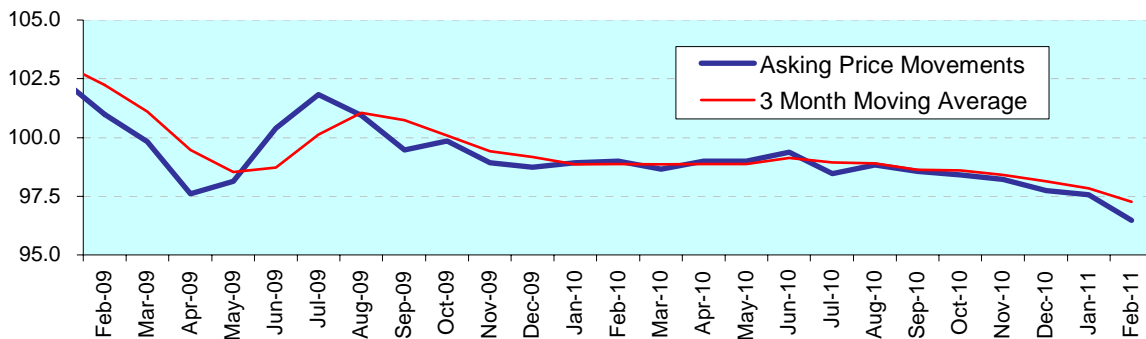
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West Midlands

Asking prices of homes on the market in the West Midlands have been subject to a declining trend since June 2010. Market house prices have fallen 2.5% over the last year in this region.

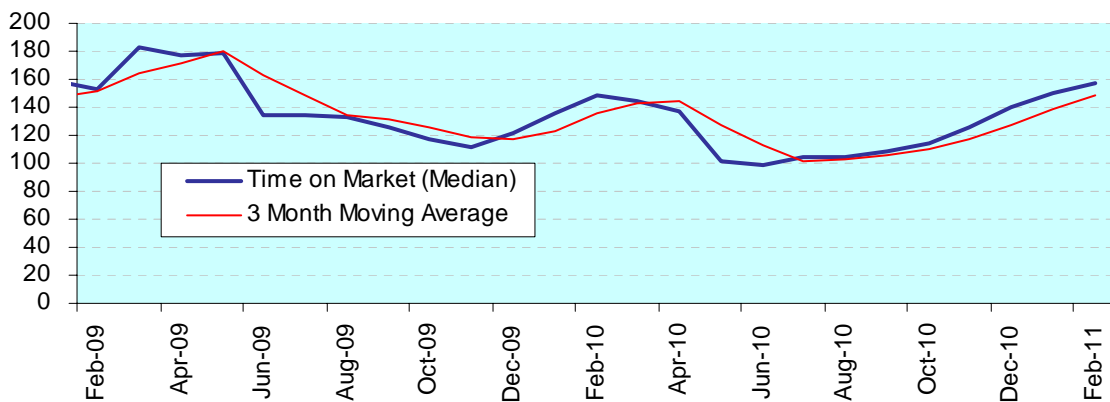
Asking Price Movements for the West Midlands



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

Typical Time on Market statistics reveal that, in accordance with this recent downward price trend, properties for sale have been spending longer on the market.

Typical Time on Market for West Midlands



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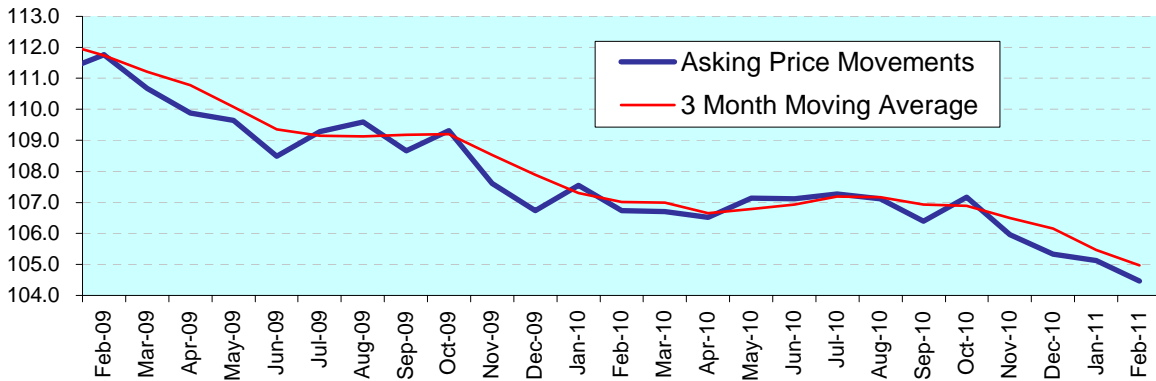
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Yorkshire and Humber

Asking Prices for homes in Yorkshire and Humber continue a downward trend, following 10 months of stable pricing, which began in Dec 2009. Typical Time on Market in this region has risen considerably since the recent low of 117 days in June 2010.

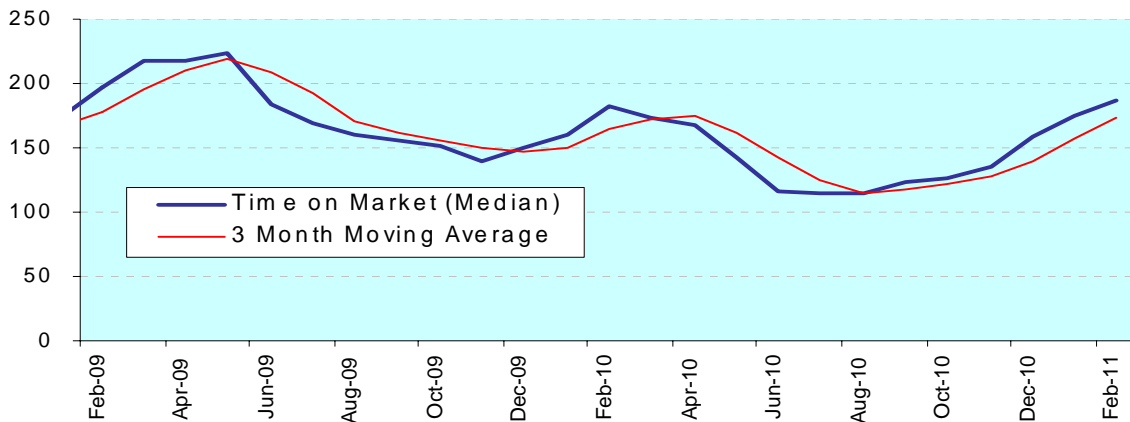
Asking Price Movements for Yorkshire & Humber



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

Typical Time on Market in Yorkshire and Humber has now increased to 187 days and it would appear unlikely that prices will stabilise again until ToM statistics also stabilise and/or begin to fall.

Typical Time on Market for Yorkshire and Humber



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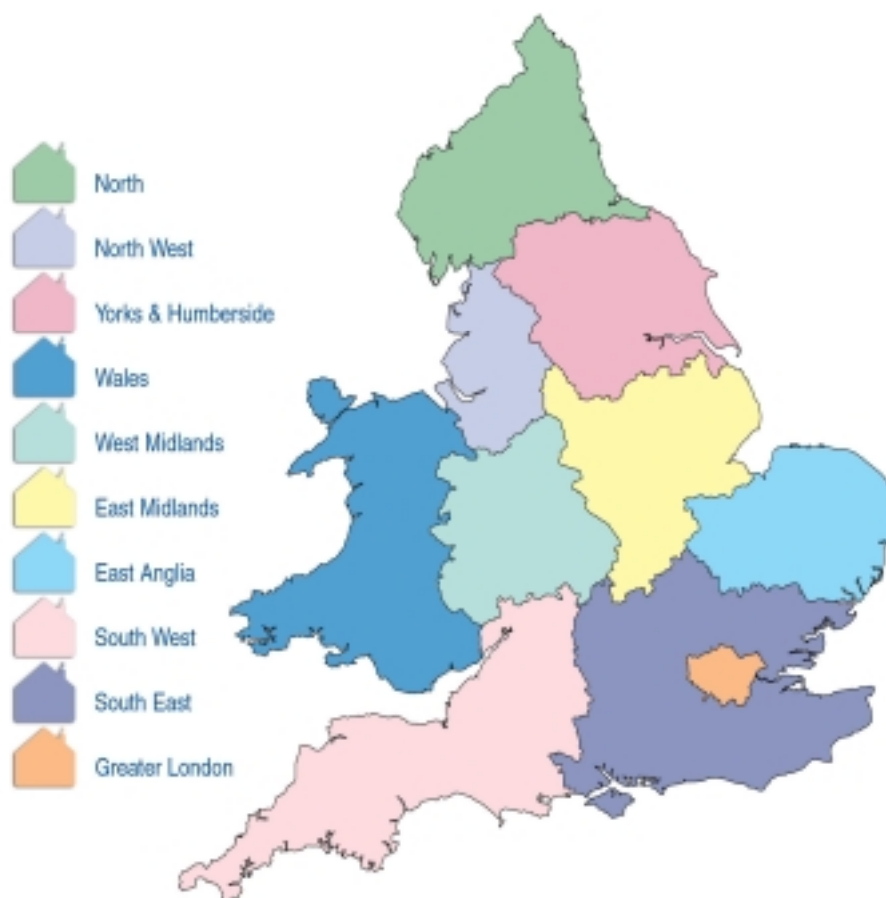
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Regions (as per DCLG)



Source: HM Land Registry



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Comment

Health of the UK Housing Market: A New Leading Barometer?

House price data, for a long time, been used to gauge the current state of the housing market. First principles suggest home values provide a reasonable indication of housing market vigour, since the average house price is derived from the delicate balance between buyers and sellers.

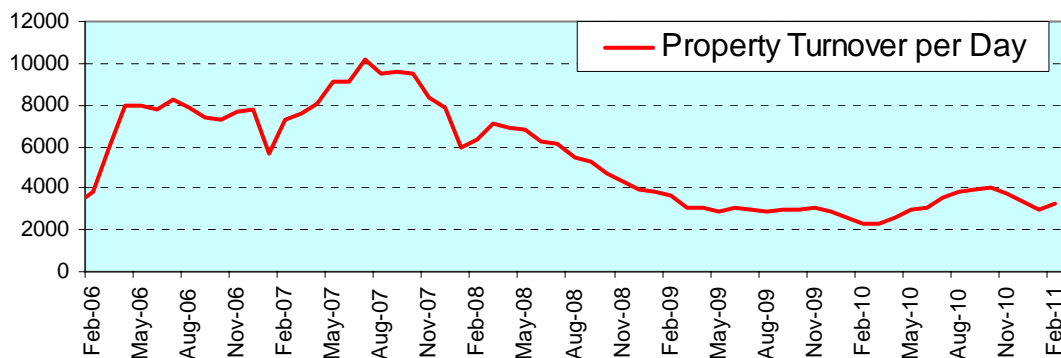
However, in certain circumstances, the house price model does not always reflect the actual health of the market, as there is no immediate relation to volumes of properties moving through the market. *Market liquidity* if you like.

Take for instance the now familiar scenario where there is a shock to the mortgage market (e.g. Aug 2007) and following that there is a *standoff* between buyers and sellers. Prices don't change for some time and hence all the house price indices are wrong-footed with regard to the real health of the housing market. Likewise, when a market suddenly really takes off, as happened in early 2006, we know that house prices take time to respond to the new market dynamic.

Hence we present a new leading indicator, built around two key variables for property sales:

- Total volume of UK property for sale.
- Average Time on Market for all properties.

UK Home Market Turnover Indicator



This simple model provides a trend line that shows accurately the sudden changes in the housing market dynamics for the events mentioned above. Moreover, it is far superior to house price trends in showing more sudden changes and thereby more timely. As of today, this new indicator shows a clear up-tick showing an increase in property moving through the market. By the same gauge a significantly healthier market than in Feb 2010 and hinting at further recovery in 2011.

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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](#).

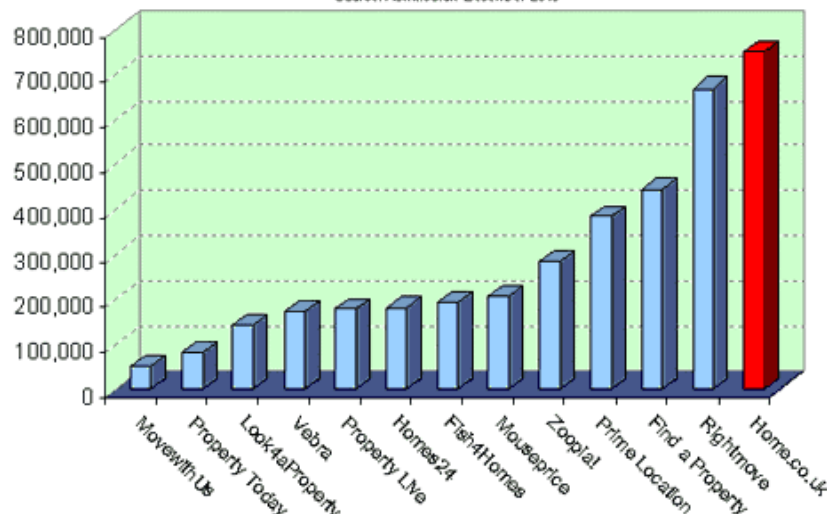
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of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



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February 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 14th March

Tuesday 12th April

Thursday 12th May



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