



Asking Price Index

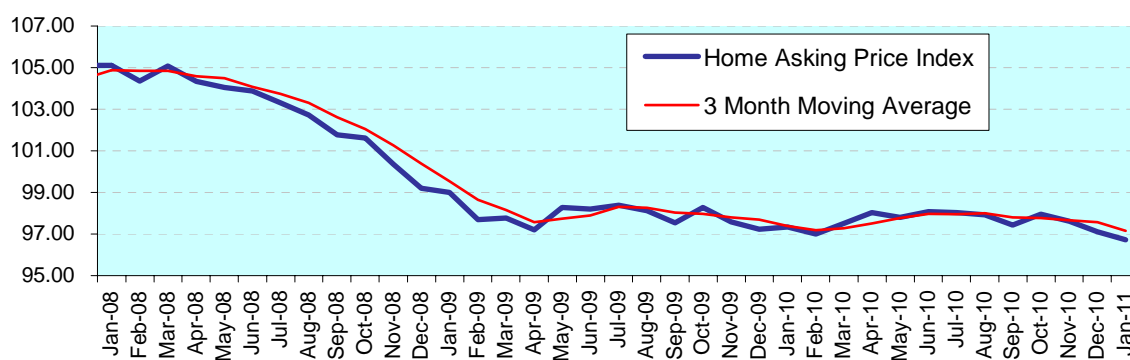
The UK's Independent Forward Market Indicator

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

Home Prices Hit New Post-Crisis Low

"I think if you look at the recent [inflation] figures they are concerning because they are well outside what the Bank of England is meant to deliver," UK Prime Minister, David Cameron.

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 by a further 0.4%.

There were monthly asking price falls in all English regions except Greater London, whilst prices rose in Scotland and Wales.

The number of properties reduced in price has fallen further to 26,940 for the month of December, but is still 32% more than in December 2009.

Typical time on market has risen for a 5th consecutive month: Up 13 days to 148 days (median).

Annual change in asking prices: -0.6%

6-month change in asking prices: -1.3%

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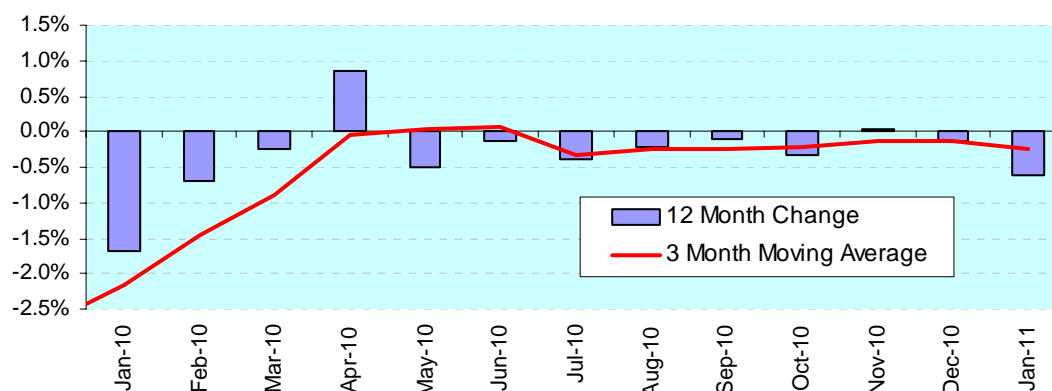
Overview

UK market home prices moved down for a third successive month due to weaker buyer demand and underlying seasonal factors. Sentiment amongst many buyers is dominated by frustration over mortgage availability and nervousness regarding future price drops. Sellers, on the other hand, are growing increasingly frustrated as properties stay on the market longer. The culmination of these factors has served to slow down the turnover of the property market and drive prices down to a new post-crisis low. However, the rental sector is now experiencing renewed vigour and this will help support transaction levels for suitable properties at the lower end of the market.

Over the last year asking prices have fallen by 0.6% in England and Wales, and this reflects the relative weakness of the property market. Moreover, the median Time on Market continues to rise in all English regions, Wales and Scotland at a faster rate than expected for the time of year. Furthermore, price cutting of properties on the market is more prevalent than a year ago.

Twelve-Month Trend in Asking Prices

12 Month Change in Asking Prices by Month



This month we observe the poorest year-on-year (YoY) result in Asking Prices for England and Wales since February 2010. Larger YoY falls may be expected over coming months as Time on Market figures (both median and average) continue to rise.

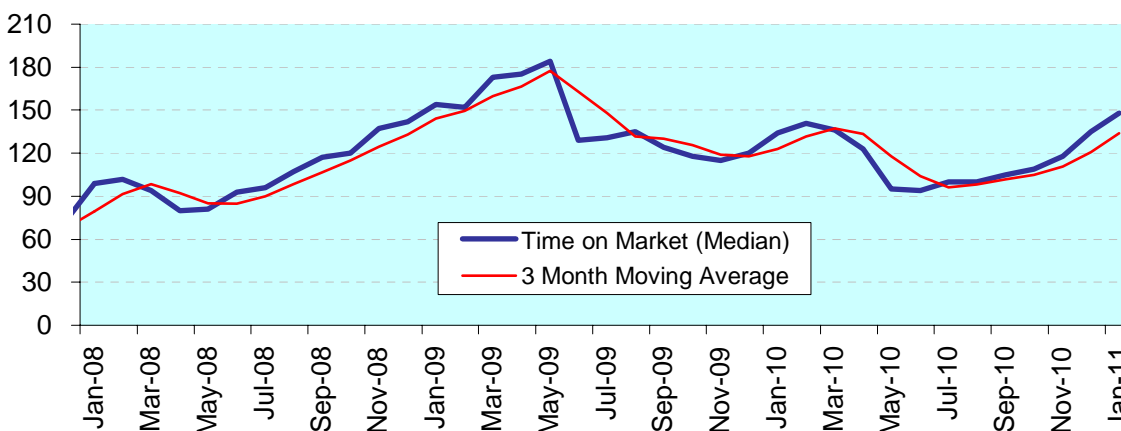


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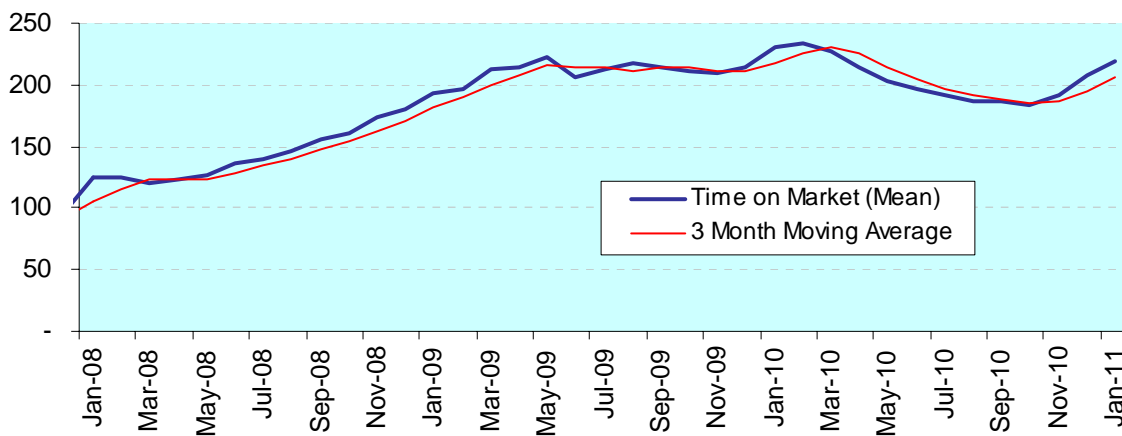
Time-on-Market Analysis

Typical Time on Market for England & Wales



Continuing a worrisome trend, the typical (median) Time on Market for unsold properties has risen a further 13 days since last month and now stands at 148 days. Meanwhile the average (mean) Time on Market is up 12 days to 219 days, only 15 days short of the record average time on market observed in February 2010.

Average Time on Market for England & Wales



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Asking Prices, Inflation and Average Earnings

The asking price for homes in England and Wales has fallen 0.6% since January 2010. Austerity measures planned by the UK government are eroding confidence in the property market. Nervousness among buyers and sellers is further compounded by uncertainty in the mortgage markets.

Yet when corrected for monetary inflation asking prices are still falling much faster in real terms. Residential property remains a poor store of capital value when compared to goods and services. By comparing ONS November figures and the YoY change in asking prices for the same month shows that asking prices were still falling in real terms, by 5.2% per year, relative to the [RPI](#) (ex. housing) and 2.6% below the [AEI](#) (October 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 January 2010, showing gains and losses since January 2010 and current typical Time-on-Market.

	Current average price	12-month change	ToM (days)
Greater London	£342,238	+1.1%	116
Scotland	£159,413	+0.9%	161
East Midlands	£171,059	+0.1%	152
East Anglia	£236,852	-0.3%	126
Wales	£178,391	-0.3%	175
South West	£250,293	-0.4%	135
North East	£152,086	-1.0%	186
South East	£280,681	-1.3%	116
West Midlands	£187,664	-1.4%	150
North West	£173,101	-1.9%	174
Yorkshire and Humber	£167,823	-2.3%	175
England & Wales	£226,463	-0.6%	148

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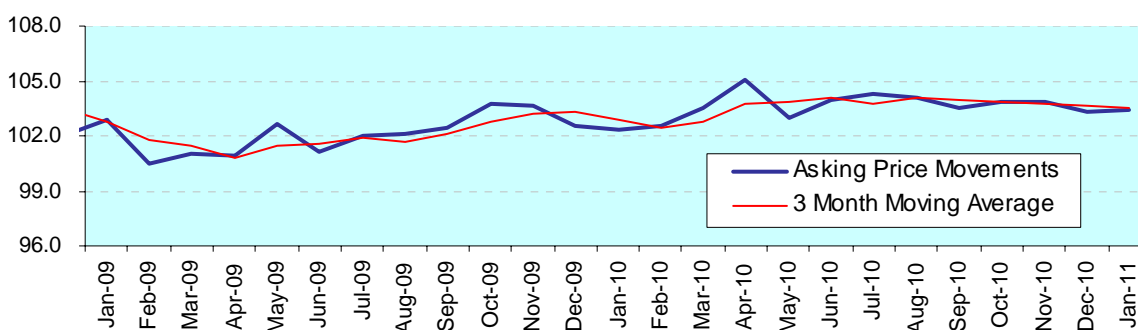
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Greater London

Despite positive gains for London market house prices over the last year, the overall trend is downward since July 2010. London property prices recovered strongly from Spring 2009 through early Summer 2010 but since then asking prices have been falling albeit slowly.

Asking Price Movements for Greater London

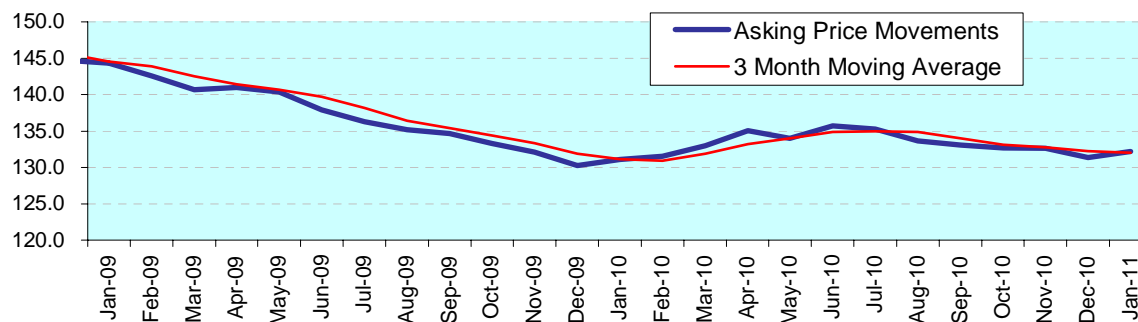


[Laspeyres](#) Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Scotland

Scottish house prices continue a downward trend overall despite a small rise this month. Prices have been sliding since June when the time on market fell to 88 days (median). Since then the typical time on market has risen to 161 days, the highest it has been for twenty months.

Asking Price Movements for Scotland



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



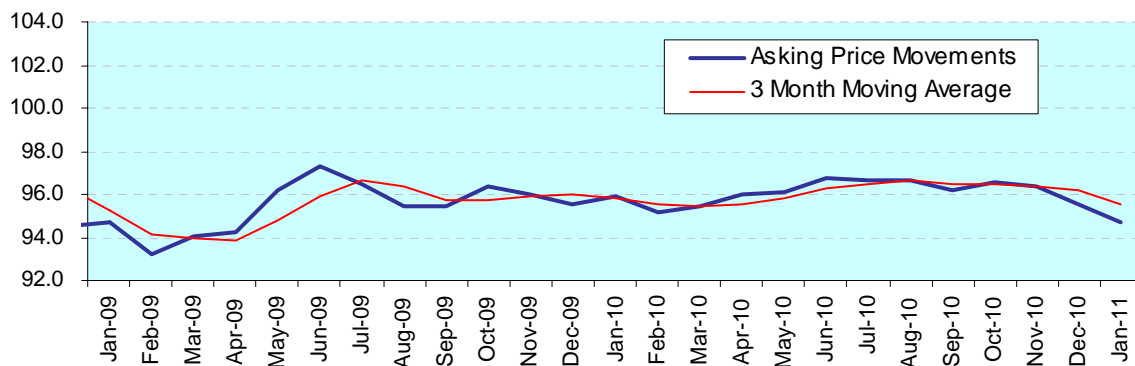
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South East

Asking prices of homes on the market in the South East have been declining quickly since November 2010. Market house prices have fallen 1.3% over the last year in this region. At 116 days, the typical Time on Market is lower in the South East than many regions but has been rising quickly of late, from a recent low of 67 days in April 2010.

Asking Price Movements for the South East

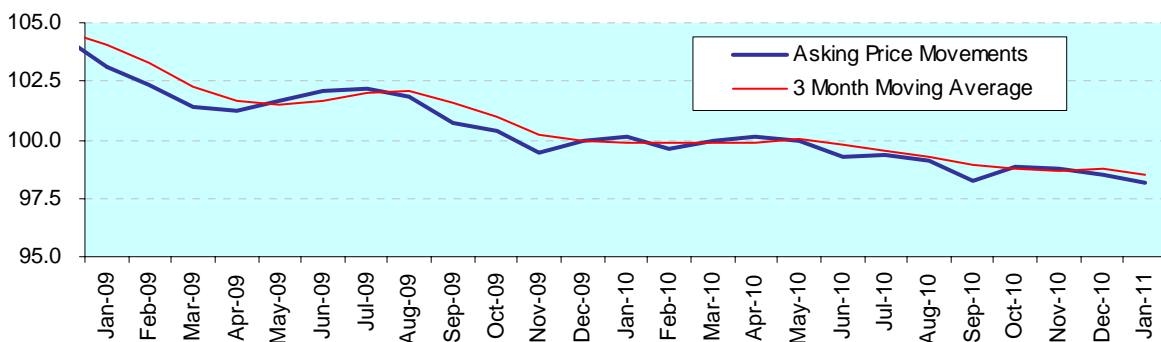


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

North West

Asking Prices for homes in the North West continue their downward trend. Typical Time on Market in this region has now increased to 174 days from the recent low of 117 days in June 2010.

Asking Price Movements for the North West



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

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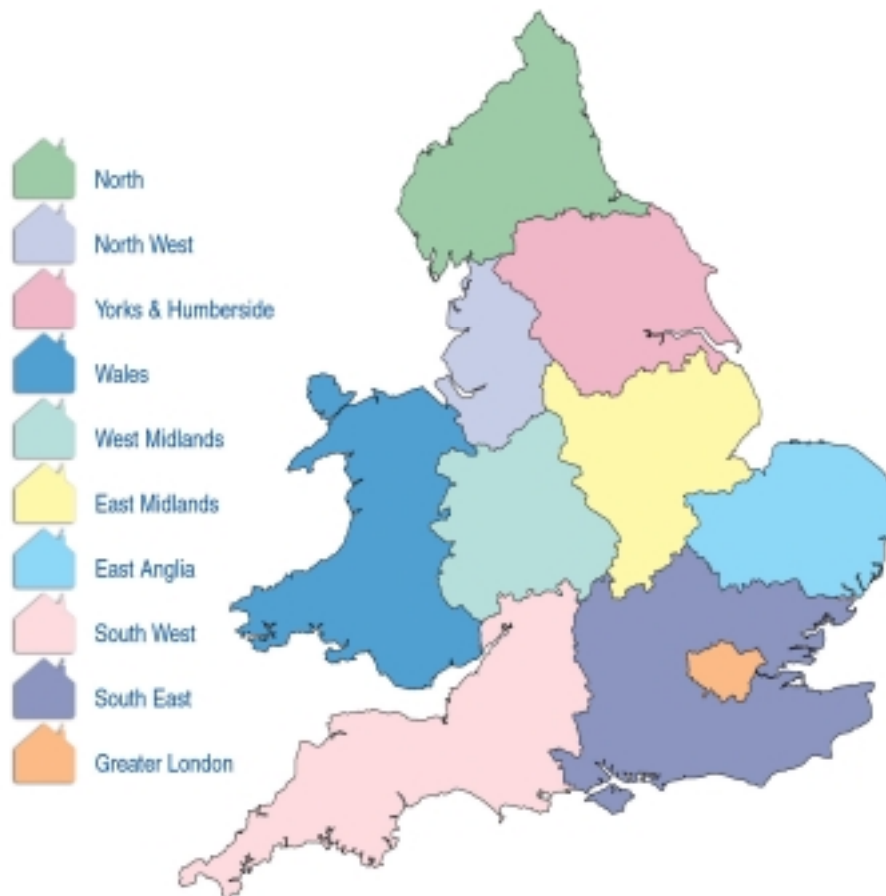
The Home.co.uk Asking Price Index was originally devised in association with Calnea Analytics Ltd



Asking Price Index

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Regions (as per DCLG)



Source: HM Land Registry



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Comment

House Prices in 2011

The fortunes of many Britons (and UK banks and building societies) will be dependent on the direction of house prices in 2011. Hence, listed below are the major influences on the price of a UK home in 2011.

Factors Are Pushing House Prices Down

- The mortgage and remortgage market remains in turmoil. In particular proposed mortgage regulation could make it even more difficult to get mortgages. Moreover, banks may be very reluctant to advance mortgage funding when they need to pay back their huge government bailout loans (via the Special Liquidity Scheme).
- Falling buyer demand.
- Distressed sales are becoming more prevalent particularly at the higher end of the market.
- The financial squeeze and lack of consumer confidence dissuade potential buyers from large financial commitments. In particular, the prospect of spending cuts in 2011 is raising fears over a prolonged economic slump. Many jobs cuts are planned in the public sector with knock-on effects.
- As prices drop the equity accrued against a mortgage debt drops and it is harder to remortgage.
- Some new build property on the market and has yet to become fully occupied.
- First time buyers have lost confidence and have lower savings for a sizeable deposit as the cost of living rises.
- The housing market is being viewed as increasingly risky.

Factors Supporting House Prices

- Record low interest rates are likely to persist for foreseeable future. In some instances they have reduced mortgage payments, but most importantly they have served to reduce the number of distressed sales entering the market.
- House prices defied expectations in 2009 and early 2010, suggesting the UK still has an underlying belief in home ownership.
- The rental sector shows renewed vigour.
- The likelihood of rising inflation due to further stimulus measures (Quantitative Easing) will encourage capital flight to hard assets such as property.
- Any extension to bank bailouts will ease mortgage supply.

Learn more about likely trends in UK property in our forthcoming 2011 Outlook.

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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.

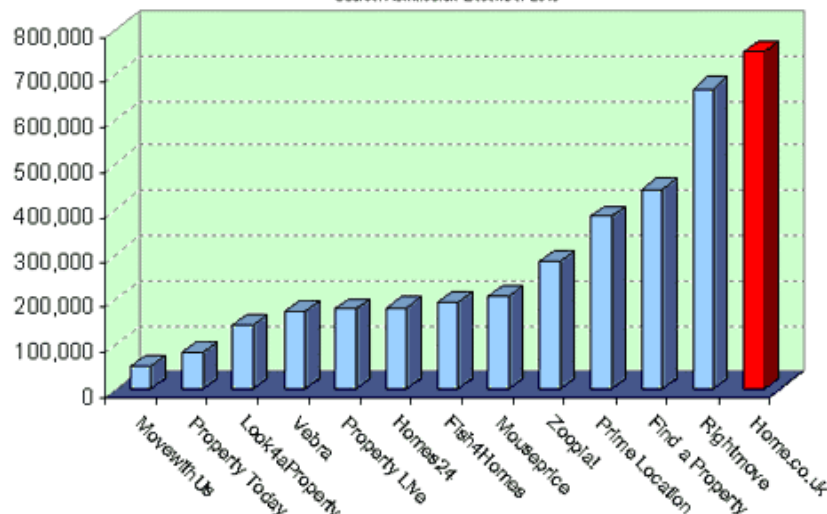
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) Survey of English Housing Stock (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the Office of National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





January 2011

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Contact Details

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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 February

Monday 14th March

Tuesday 12th April



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