



Asking Price Index

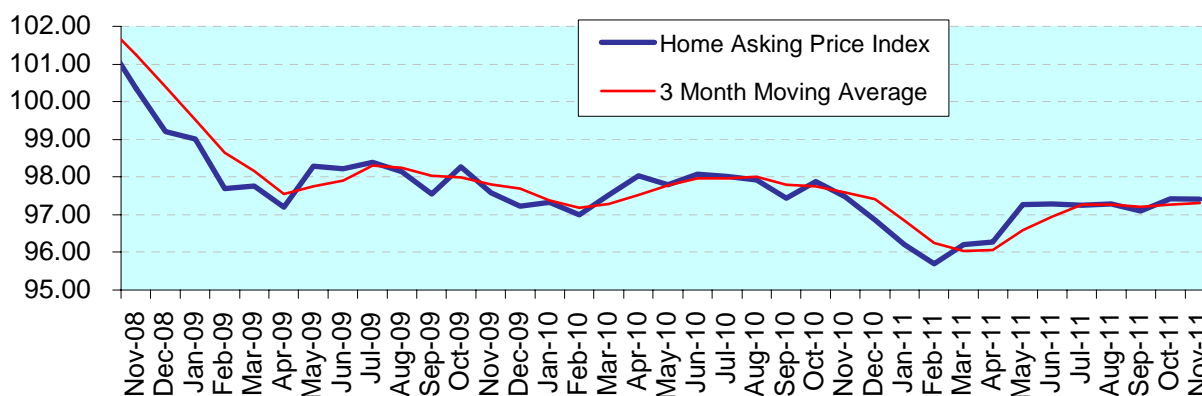
The UK's Independent Forward Market Indicator

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

Short Supply Supports Home Prices.

"Prices are trending slowly downwards at the moment, but our view is that this is really the start of the second leg of the correction, and we expect prices to fall significantly further," Paul Diggle, Economist at Capital Economics.

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 remains unchanged since October.

Sellers who cut their prices cut deeper in October, knocking a total £1.3 billion off the UK's property portfolio.

Home prices fell in 7 out of 9 English regions and in Scotland and Wales, during the last month. Greater London and the South East showed gains.

Typical time on market jumps to 128 days.

Supply of new properties to the UK market in October was 15% less than in October 2010. Greater London supply was down even further (-21%).

Annual change in asking prices: -0.1%

6-month change in asking prices: +0.1%

Released 14th November 2011

Page 1 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

Press Office: 0845 373 3580



Asking Price Index

The UK's Independent Forward Market Indicator

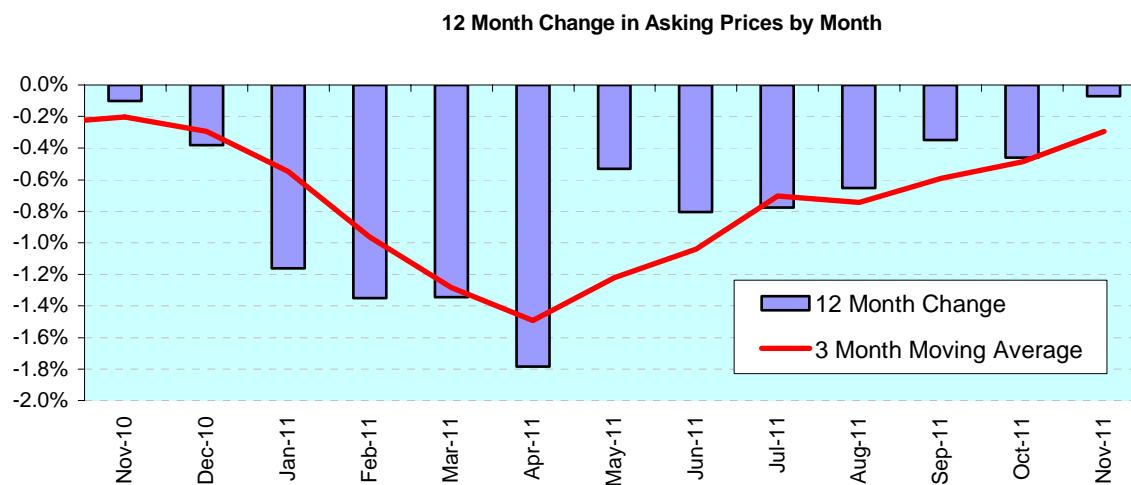
Overview

The autumnal slowdown in the UK property market is more acute this year than in 2010. Despite a fall in supply, homes are spending more time on the market and prices are flat overall. A total of 81,353 homes on the market had their prices reduced in October and the average price reduction was £16,632 (the largest figure since December 2010). Greater London and the South East are the exceptions to the gloomy national picture. Perhaps unsurprisingly, these property markets are relatively buoyant, benefiting the most from the financial bailout and foreign investment.

Mortgage approvals for purchase remain relatively unchanged year on year. Whilst according to the CML re-mortgaging and buy-to-let approvals are up significantly. The number of buy-to-let loans increased by 16% over the three months to the end of September, while the value of mortgages advanced in the sector went up by 19%. In the year to September, repossessions totalled 27,500, down 4 percent on the year to September 2010, and therefore repossessions in 2011 as a whole were now likely to be below their 40,000 forecast, the CML said.

However, the poor economic outlook continues to haunt the UK property market. Jobless totals are rising and cuts in government spending look set to thwart any further market recovery. Consequently market sentiment across most regions of England, Wales and Scotland remains cautious.

Twelve-Month Trend in Asking Prices



The year-on-year (YoY) change in asking prices for England and Wales now stands at -0.1%, although when corrected for the effect of increasing monetary inflation (CPI or RPI) the real fall is worsening (ca. 7% per annum vs. RPI ex housing).



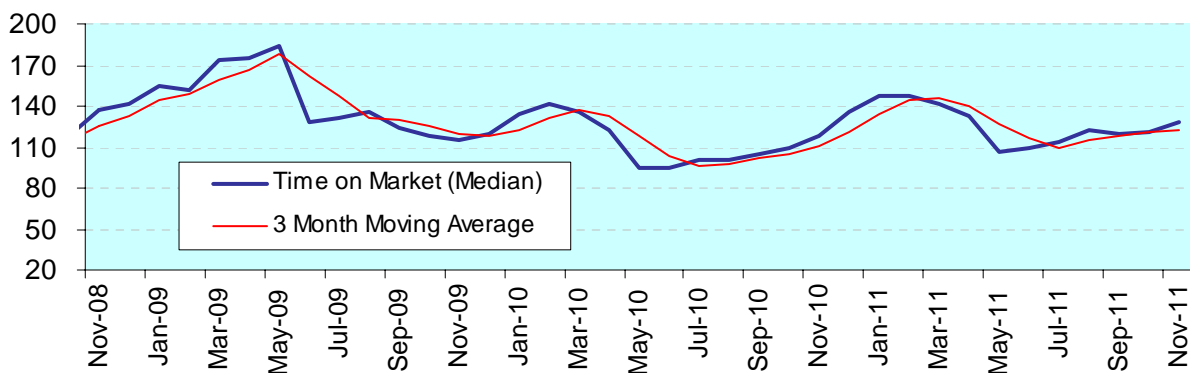
Asking Price Index

The UK's Independent Forward Market Indicator

Time-on-Market Analysis

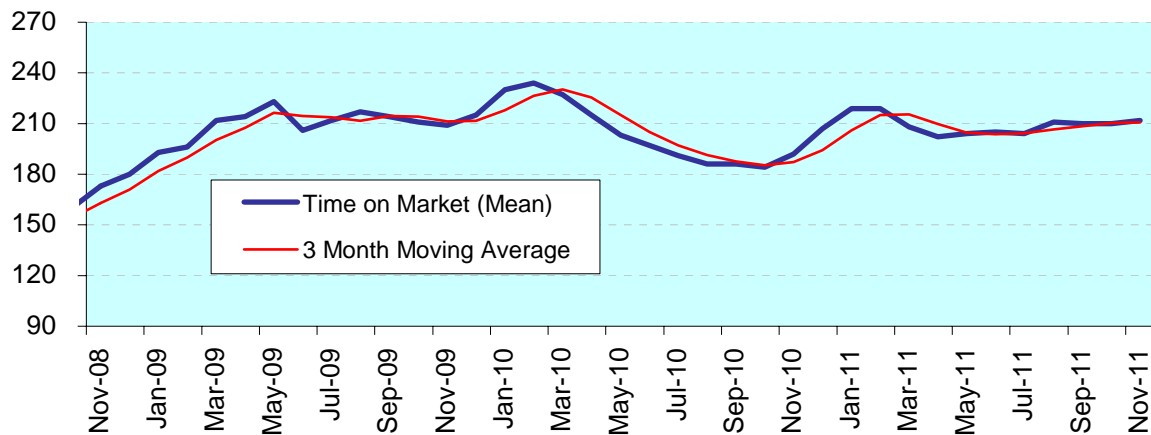
Despite falling supply, the typical (median) time on market for unsold property has risen 7 days to 128 days since last month, and is now 10 days longer than in November 2010.

Typical Time on Market for England & Wales



The current average time on market for unsold property has increased 2 days since November (now 212 days) and is 20 days longer than in November last year. Average marketing times for property continue to be considerably longer than those observed before the financial crisis (<100 days).

Average Time on Market for England & Wales



Released 14th November 2011

Page 3 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

Press Office: 0845 373 3580

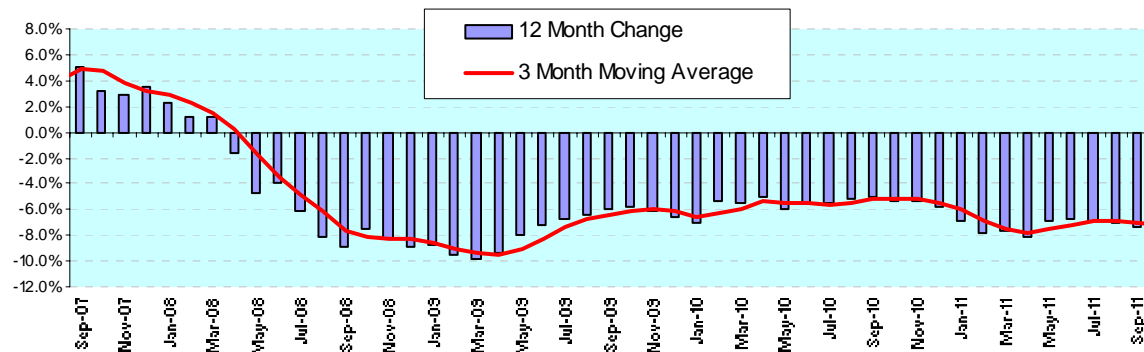


Asking Price Index

The UK's Independent Forward Market Indicator

Asking Prices and Inflation

Inflation Adjusted YoY Change in Asking Prices by Month



Comparing ONS figures ([RPI](#) ex. housing) and the YoY change in asking prices shows that asking prices continue to fall. The HAPI for England and Wales now stands at 97.4 [May04 = 100].

Regional Housing Markets

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

	Current average price	6-month change	ToM (days)
South East	£288,423	+0.8%	96
Greater London	£342,573	+0.5%	94
East Anglia	£242,393	+0.4%	108
South West	£250,696	+0.2%	115
North West	£173,454	+0.2%	149
West Midlands	£187,740	-0.1%	133
East Midlands	£172,071	-0.6%	133
North East	£151,635	-0.6%	179
Wales	£172,972	-1.1%	164
Yorkshire and Humber	£166,922	-1.2%	159
Scotland	£161,190	-1.4%	142
England & Wales	£228,047	+0.1%	128

Released 14th November 2011

Page 4 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

Press Office: 0845 373 3580



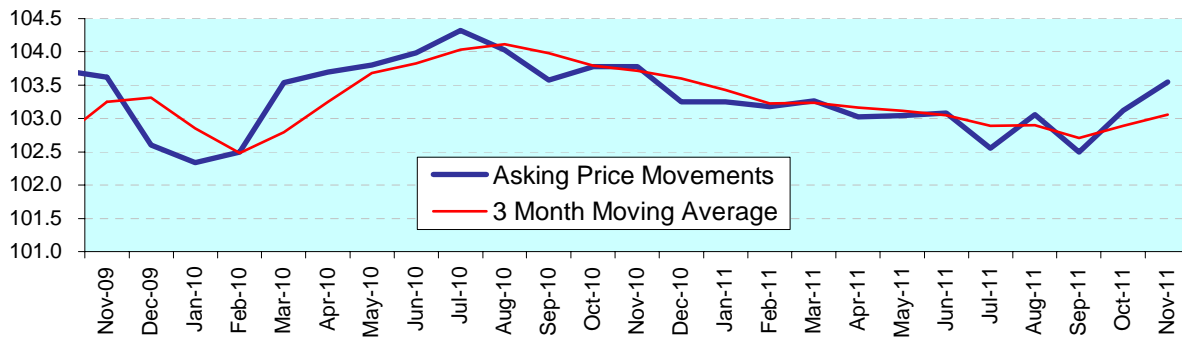
Asking Price Index

The UK's Independent Forward Market Indicator

Greater London

Market house prices in Greater London have been performing very strongly over the last two months, driven chiefly by a lack of supply. London may well have ended the long downward trend from the recent high in July 2010. However, London home prices show little or no change since November 2010 and are performing far behind rents, which show an average rise of 19.5% and median rise of 13.7% over the last year.

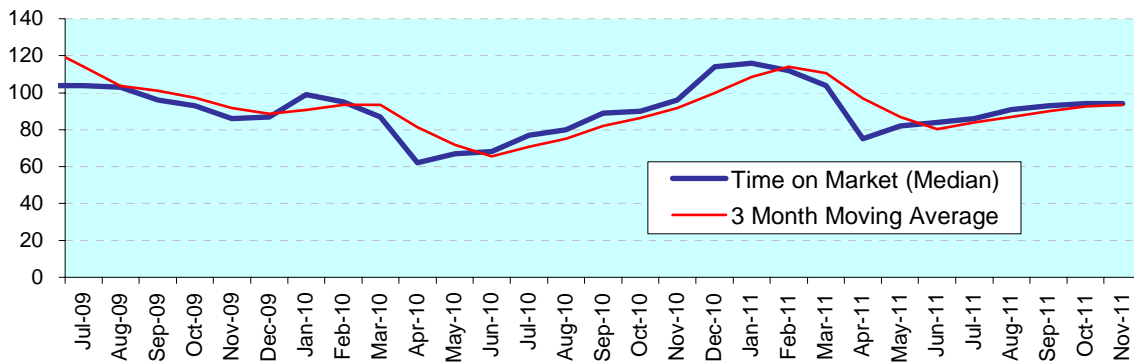
Asking Price Movements for Greater London



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

Typical time on market for Greater London showed no change this month when a seasonal rise would be expected. Shortage of supply and strong BTL demand will keep marketing times down and support prices over the coming months. Median time on market now stands at 94 days, two days lower than November 2010.

Typical Time on Market for Greater London



Released 14th November 2011

Page 5 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

Press Office: 0845 373 3580



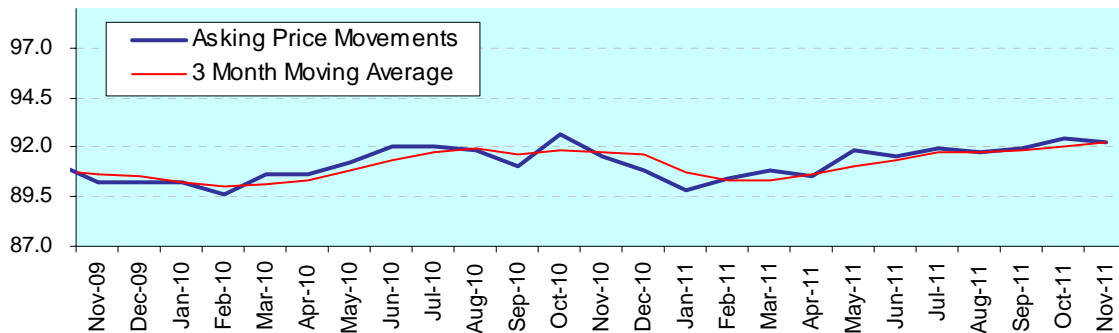
Asking Price Index

The UK's Independent Forward Market Indicator

East Anglia

Over the last year, the mix-adjusted average Asking Price for property in East Anglia has performed well and more recently has surpassed seasonal expectations. East Anglian home prices are now 0.7% higher than in November 2010.

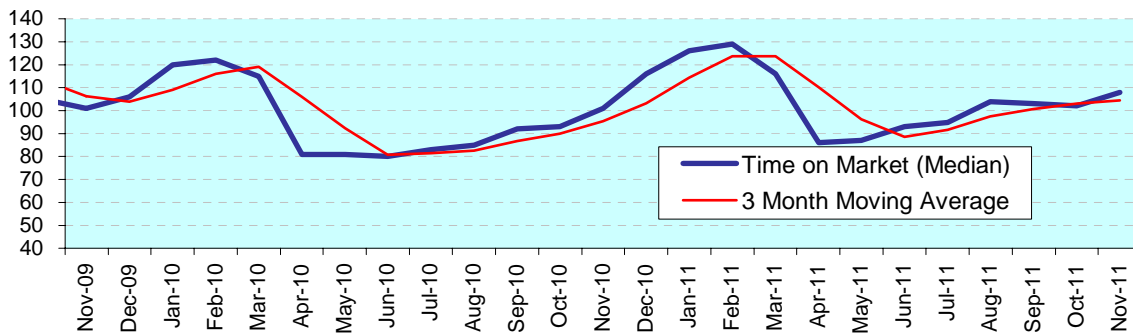
Asking Price Movements for East Anglia



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

The time-on-market chart for the East Anglian housing market shows a normal seasonal trend; however, lack of supply (14% down on October 2010) is supporting home prices in this region. The typical time on market for East Anglia stands at 108 days, 7 days longer than in November 2010.

Typical Time on Market for East Anglia



Released 14th November 2011

Page 6 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

Press Office: 0845 373 3580



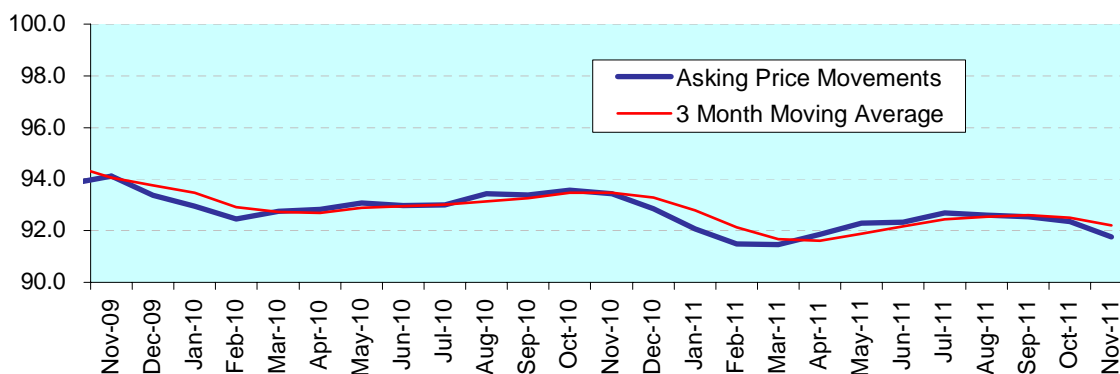
Asking Price Index

The UK's Independent Forward Market Indicator

North East

The 2011 price maximum for properties for sale in the North East fell a long way short of the 2010 high in October last year. The asking prices for properties in the North East are currently 1.8% lower than in November 2010, despite the fact that supply of sales properties is 22% down on last year.

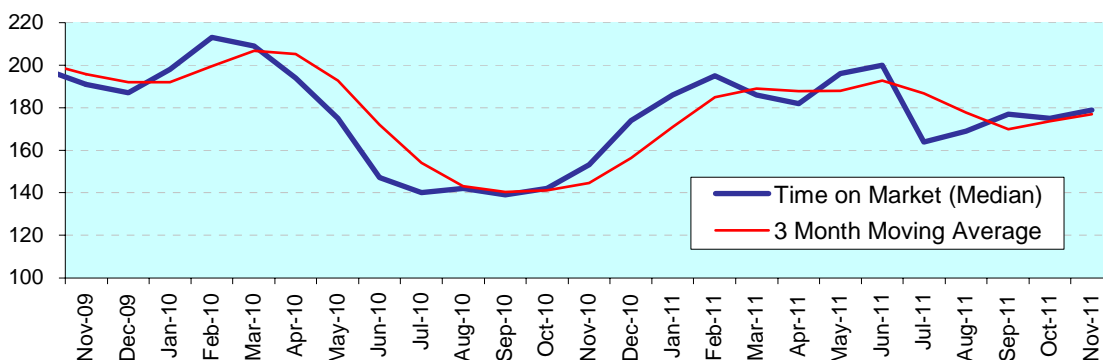
Asking Price Movements for the North East



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

Typical time on market in the North East is considerably higher than last year. The median time on market is now 179 days, which is 26 days longer than in November 2010.

Typical Time on Market for the North East



Released 14th November 2011

Page 7 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

Press Office: 0845 373 3580



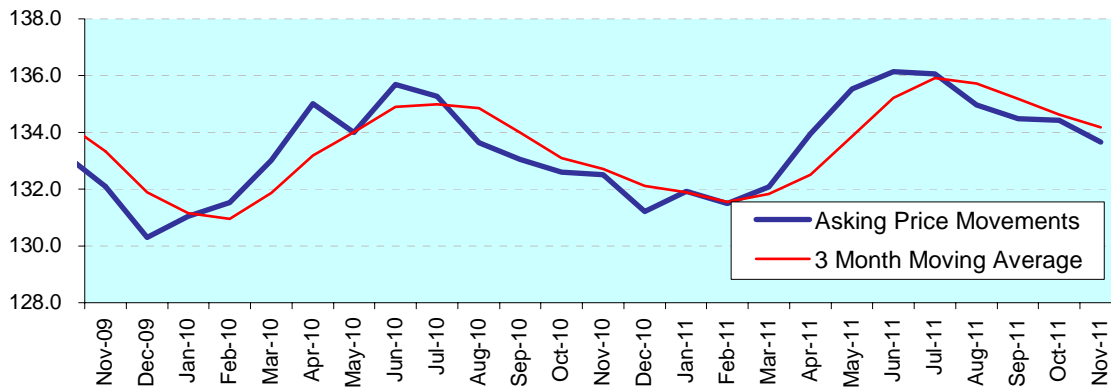
Asking Price Index

The UK's Independent Forward Market Indicator

Scotland

Asking prices for homes in Scotland have fallen recently in line with seasonal expectations but remain 0.9% higher than in November 2010.

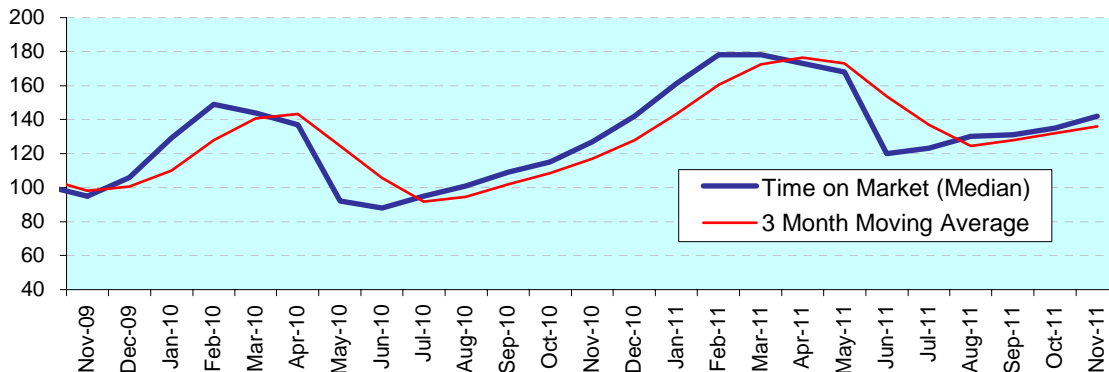
Asking Price Movements for Scotland



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

Time on market in Scotland is 15 days higher than in November last year and has continued a rising trend suggesting that further price falls are to be expected. Supply of property for sale in Scotland is down only 7% on this time last year.

Typical Time on Market for Scotland



Released 14th November 2011

Page 8 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

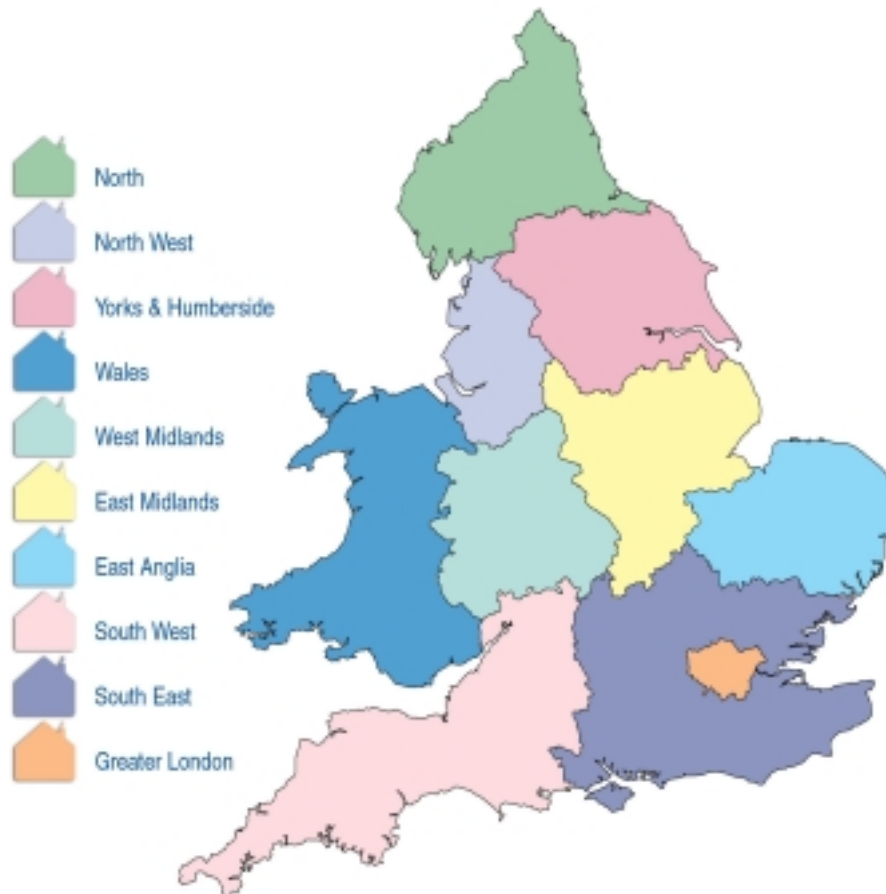
Press Office: 0845 373 3580



Asking Price Index

The UK's Independent Forward Market Indicator

Regions (as per DCLG)



Source: HM Land Registry



Asking Price Index

The UK's Independent Forward Market Indicator

Comment

Buy-to-Let Bounces back

With London home prices showing little or no change over the last year (£1million-plus properties excluded) and average rents showing a rise of 19.5% (median rents up 13.7%) over the last year, it is hardly surprising that interest in buy-to-let is growing quickly. Lending to the sector is at a 3-year high and tenant demand is soaring.

According to the CML, "in the third quarter, there were 18,580 loans for the purchase of buy-to-let properties, accounting for almost 12% of all house purchase loans. But the proportion remains significantly lower than the former peak in the first quarter of 2008, when 32,650 mortgages for buy-to-let property purchase accounted for 19% of all loans for house purchase." However, the proportion of loans to the BTL sector is growing quickly and if the trend continues the sector will account for 20% of all home purchase loans by 2015.

Yields and Risk to Capital

At first glance, yields from residential investment property may seem attractive. Some of the best BTL locations offer over 7%, whilst the worst are around 3%. However, as well as choosing the best rental property location the prudent investor must also take into account capital values, especially in an inflationary environment.

Prior to the banking crisis, BTL investors enjoyed the tailwind of rising capital values. Real home prices, corrected for the effects of inflation (RPI ex. housing), are currently falling at around 7% per year. Hence, the 100%-cash investor will find that, aside from maintenance costs and voids, rental income is unlikely to compensate for the loss in purchasing power of their invested capital. However, if London rents continue to rise at 13% *per annum* BTL investment could turn out to be very profitable over the next few years, especially if property prices also start to move up.

Peculiarly, some BTL mortgage lenders are offering short-term interest rates below the rate of inflation and this may be an interesting proposition to some BTL investors. In this scenario, inflation will erode the value of the outstanding loan while rental income is rising. Of course, BTL investors must do their own research but they may well be tempted to keep the purchase deposit as small as their lender will allow and thereby benefit from the current gap between interest rates and inflation.

Newbies are being attracted to the BTL sector. According to a recent report by Countrywide Residential the mix of landlords has shifted since the beginning of 2011, with both a larger number and proportion of landlords falling into the first-time investor category. In Q3, 23.5% of all landlords were those investing in property for the first time, compared to 18.7% at the start of the year.

All investments carry risk and BTL investors must be wary of the possibility of falling property values, voids, falling rental income and rising interest rates.



Asking Price Index

The UK's Independent Forward Market Indicator

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](#).

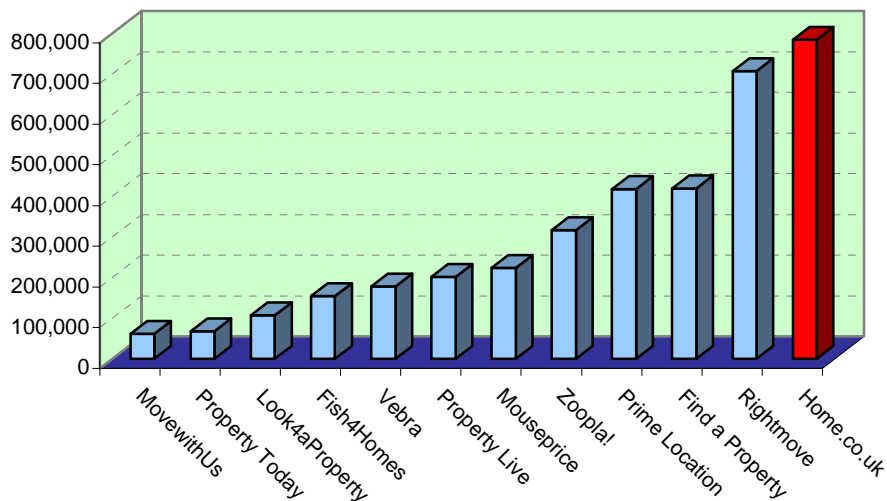
The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of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



Released 14th November 2011

Page 11 of 12

Copyright © 2011, HomeCo Internet Property Ltd

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

Press Office: 0845 373 3580



Asking Price Index

The UK's Independent Forward Market Indicator

Contact Details

For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

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 December

Thursday 12th January

Monday 13th February

