Price optimisation and the differential of new and re-sale pricing
Outline

> National and regional trends in new and re-sale pricing

> Analysis of new and re-sale differential on £psf basis

> Implications and outlook
National and regional trends
Housing starts by type – rolling 12 months total

Source: Hometrack / NHBC
Mix of private housing starts

Source: NHBC data analysed by Hometrack

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New build and re-sale prices – UK

Source: Hometrack
Pricing differential re-sale to new build (UK, £ actual)

Source: Hometrack
New build differential (%)
New build and re-sale prices – North West

Source: Hometrack
New and re-sale £psf pricing levels
Localised £psf pricing analysis

> Analysis of pricing on schemes currently assessed for land purchase
  > 375 Developer Pricing Analytics Reports
  > Supportable values for over 2,500 tranches of property
  > Enables analysis of new build differential on a £psf basis
  > Comparison against
    > all re-sale
    > ‘recently new’ up to 5 years old

> An analysis of inactive or dormant sites is likely to paint a different picture
£psf % differential by type and size

Source: Hometrack
New build premium – new versus re-sale £psf

Source: Hometrack
Hometrack target £psf new build pricing model

Source: Hometrack
Implications and outlook
Observations

- Demand is prepared to pay a higher price for new build property

- Drivers of the pricing differential
  - Location
  - Quality, lower running costs and warranty
  - Scarcity and low turnover
  - Marketing & incentives

- Lenders focused on ‘what premium at brand new’ versus in 6 months time
  - Adjust through valuation process
  - … or the maximum LTV

- Differential highly localised and product/type specific
Summary

> Price optimisation strategy working

> Low turnover market to maintain the opportunity

> How deep is the pool of latent demand for new 2/3 homes?

> Greater focus on optimising pricing on affordable housing