



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

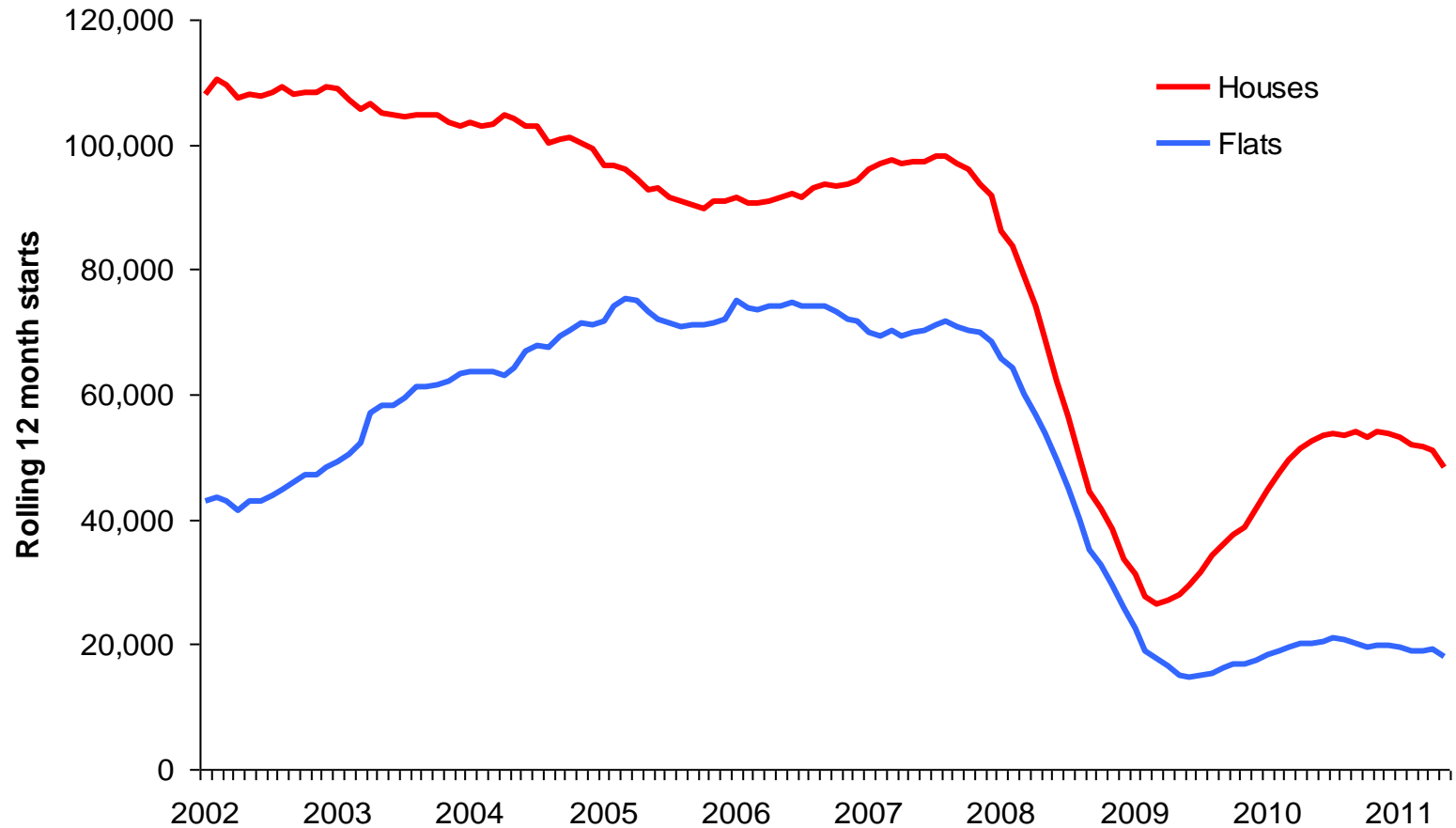
Housing Market Intelligence Conference
Richard Donnell – Director of Research
12 October 2011

Outline

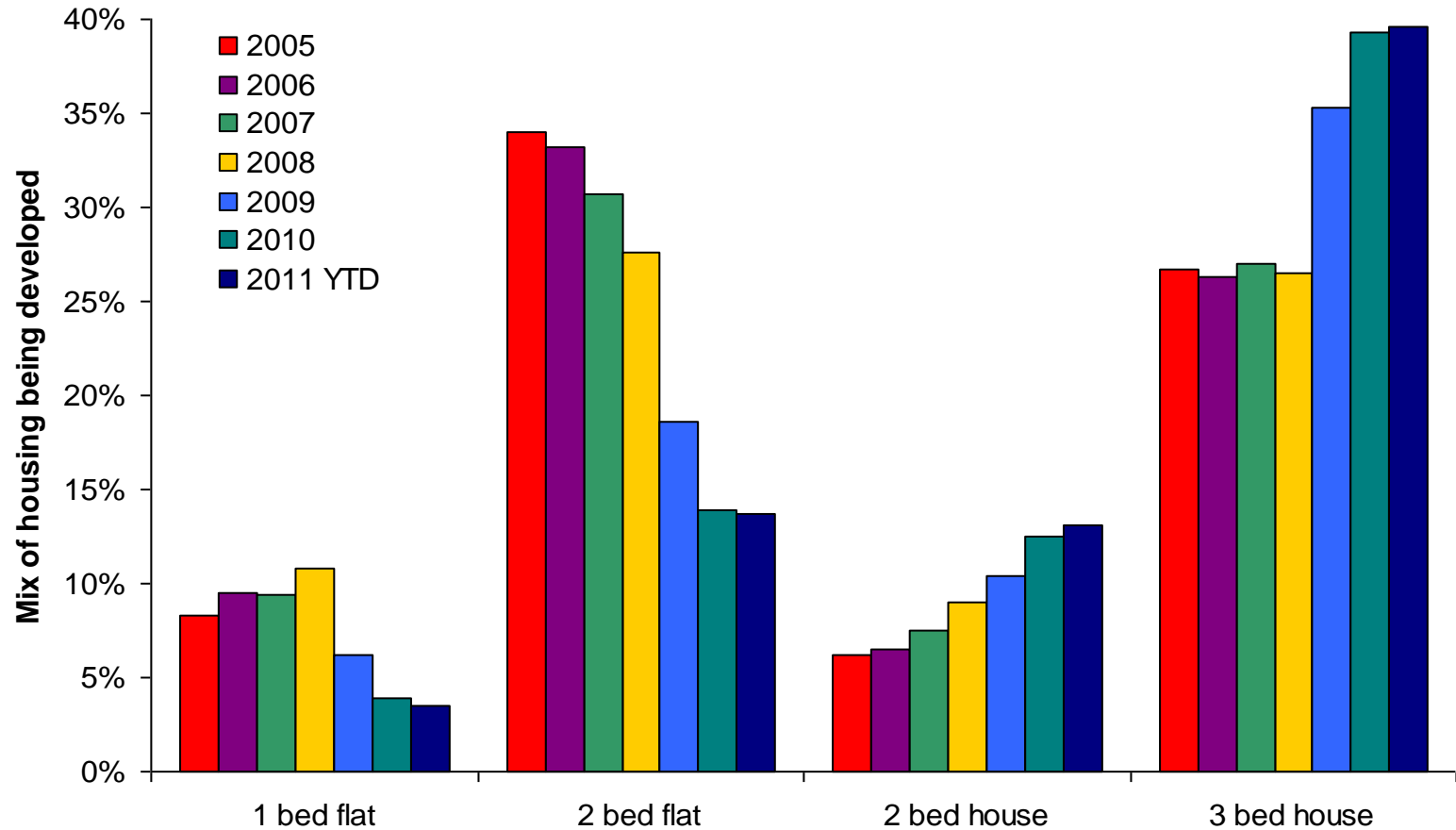
- > National and regional trends in new and re-sale pricing
- > Analysis of new and re-sale differential on £psf basis
- > Implications and outlook

National and regional trends

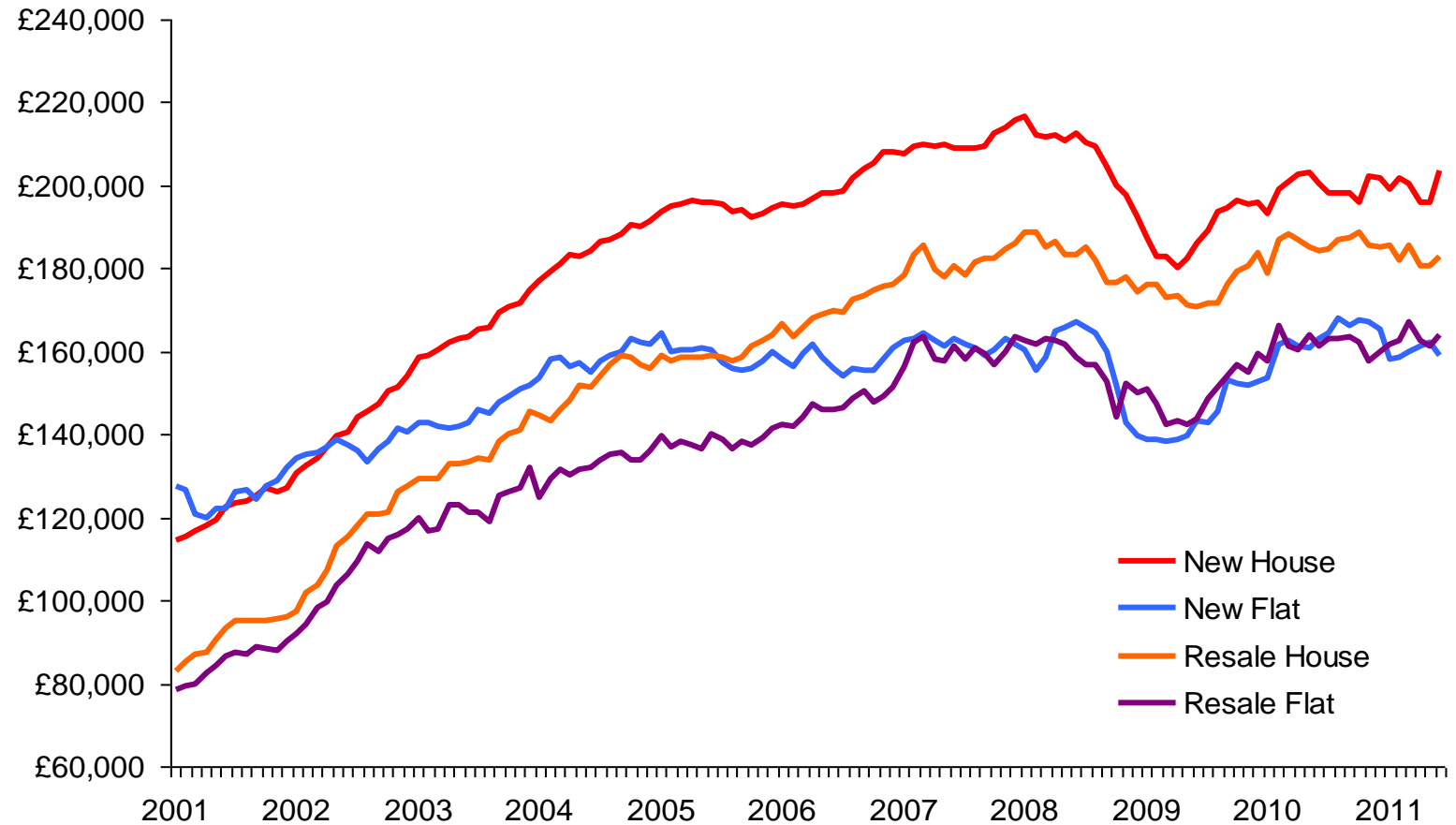
Housing starts by type – rolling 12 months total



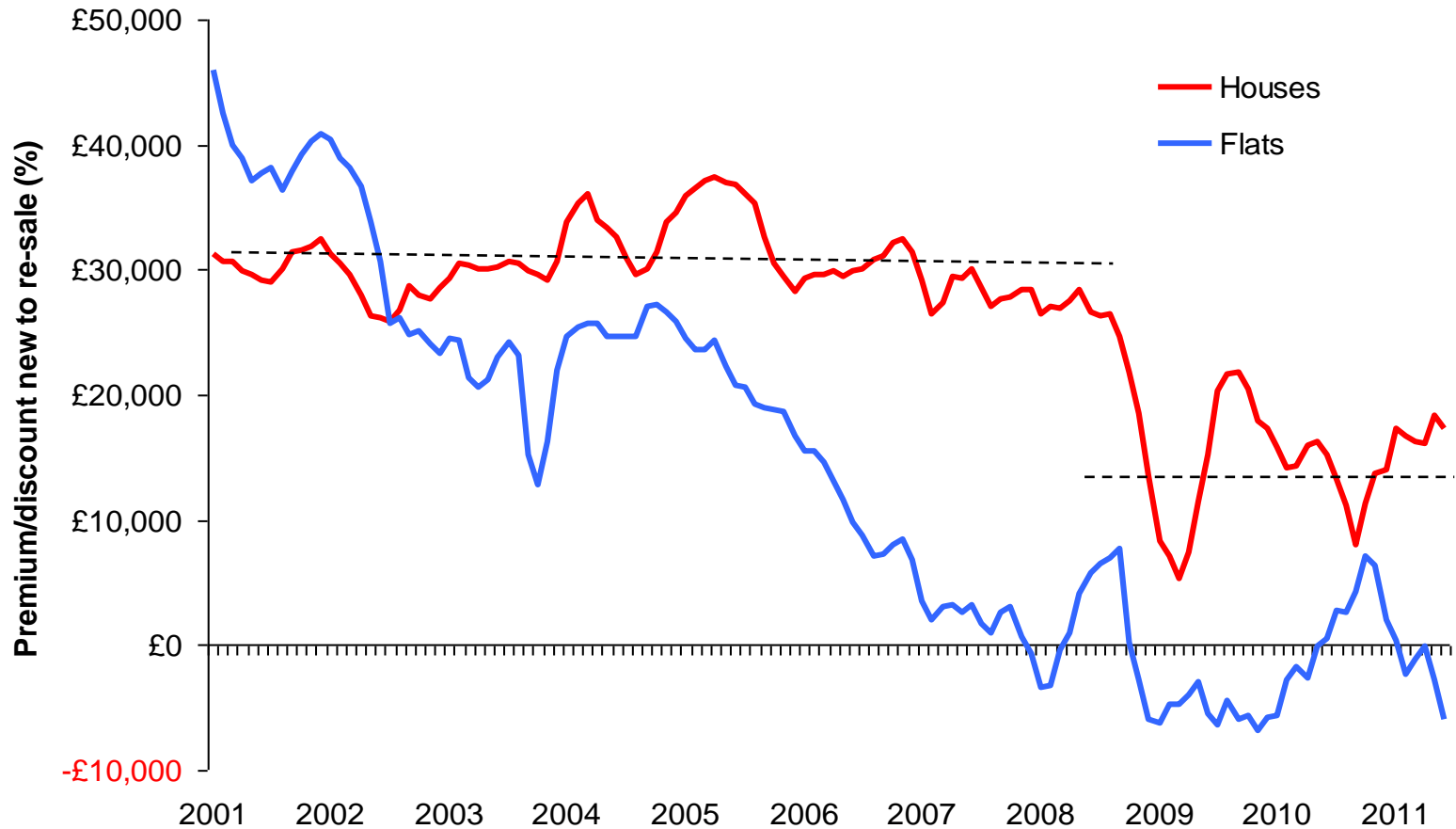
Mix of private housing starts



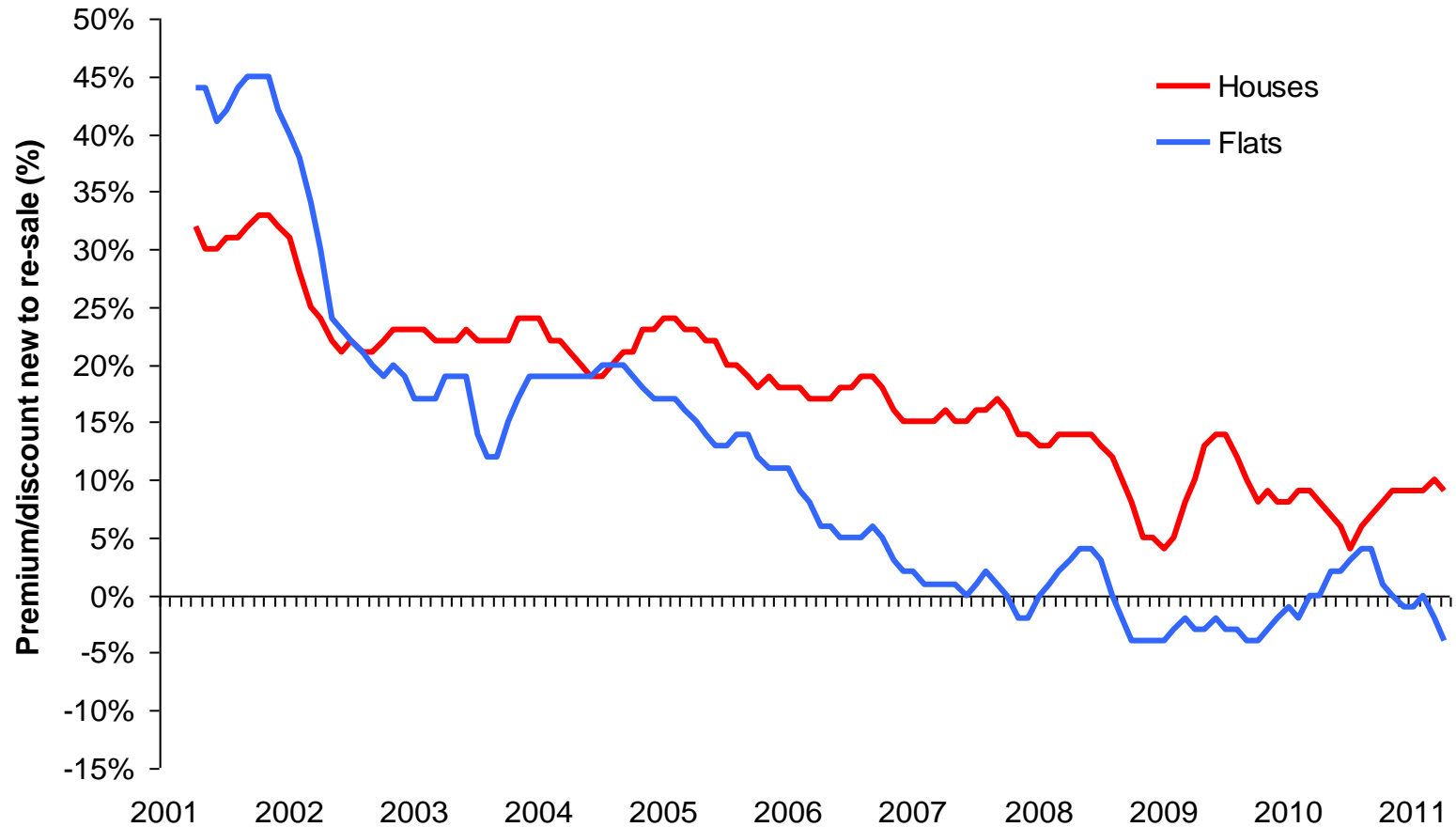
New build and re-sale prices – UK



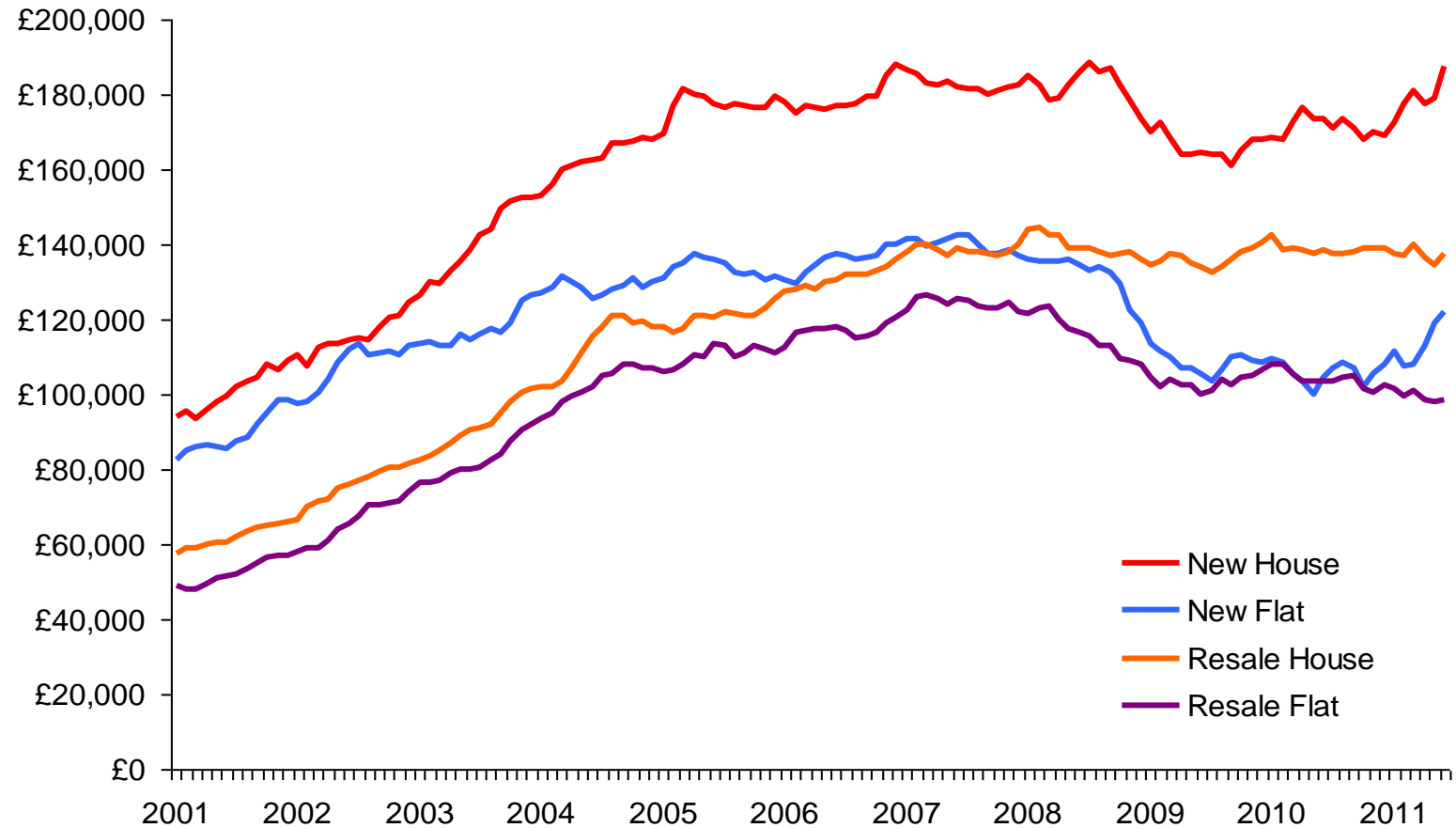
Pricing differential re-sale to new build (UK, £ actual)



New build differential (%)



New build and re-sale prices – North West

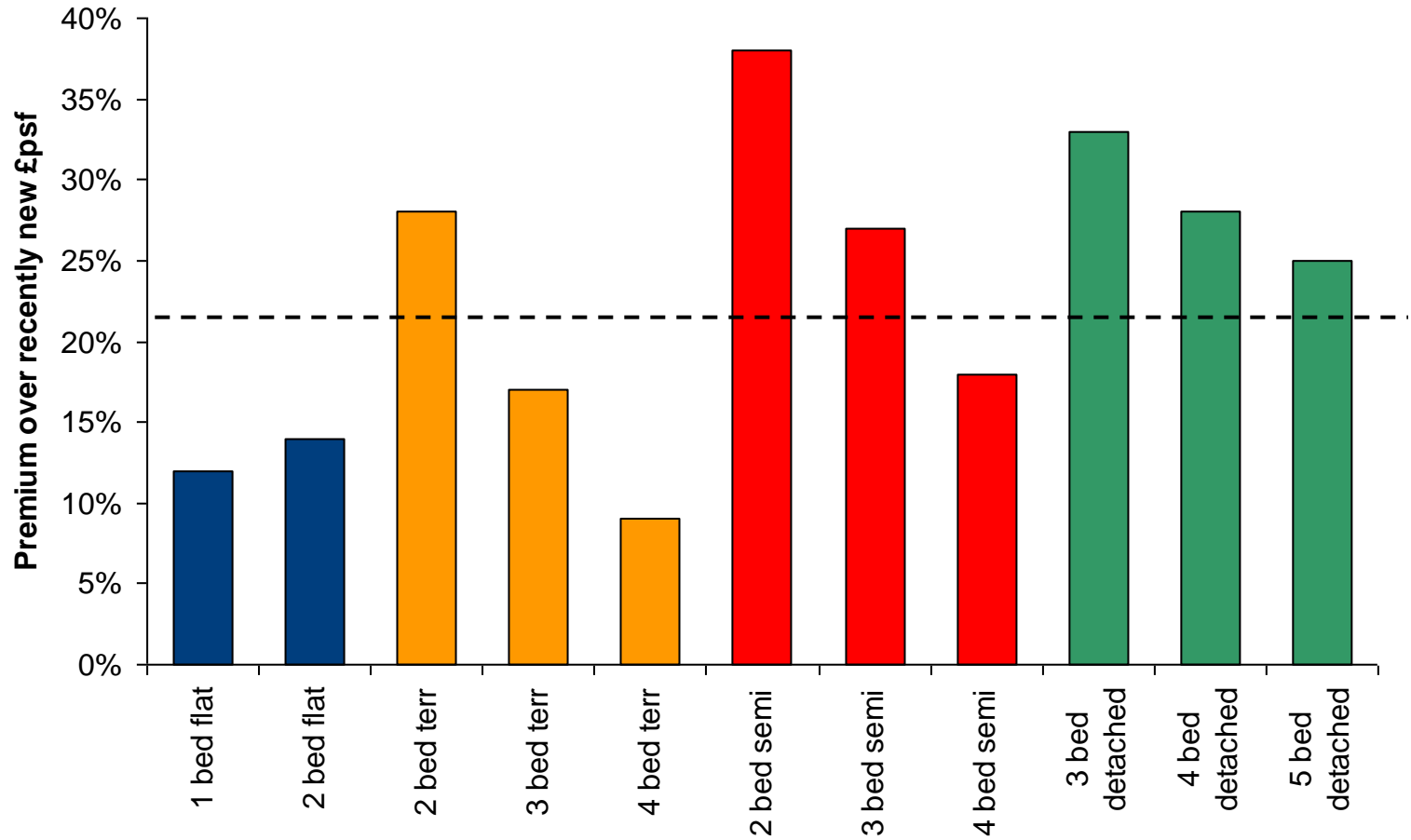


New and re-sale £psf pricing levels

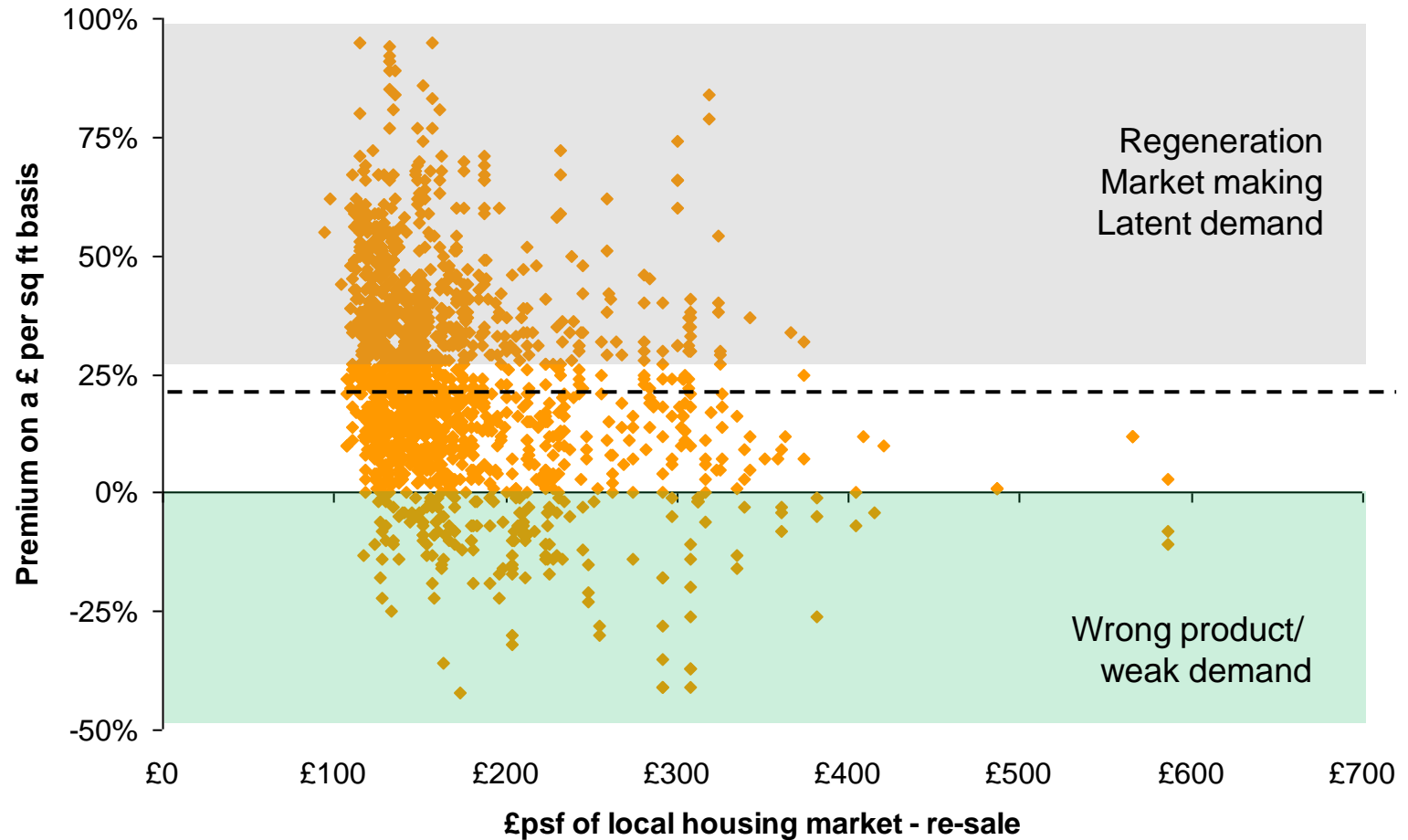
Localised £psf pricing analysis

- > 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

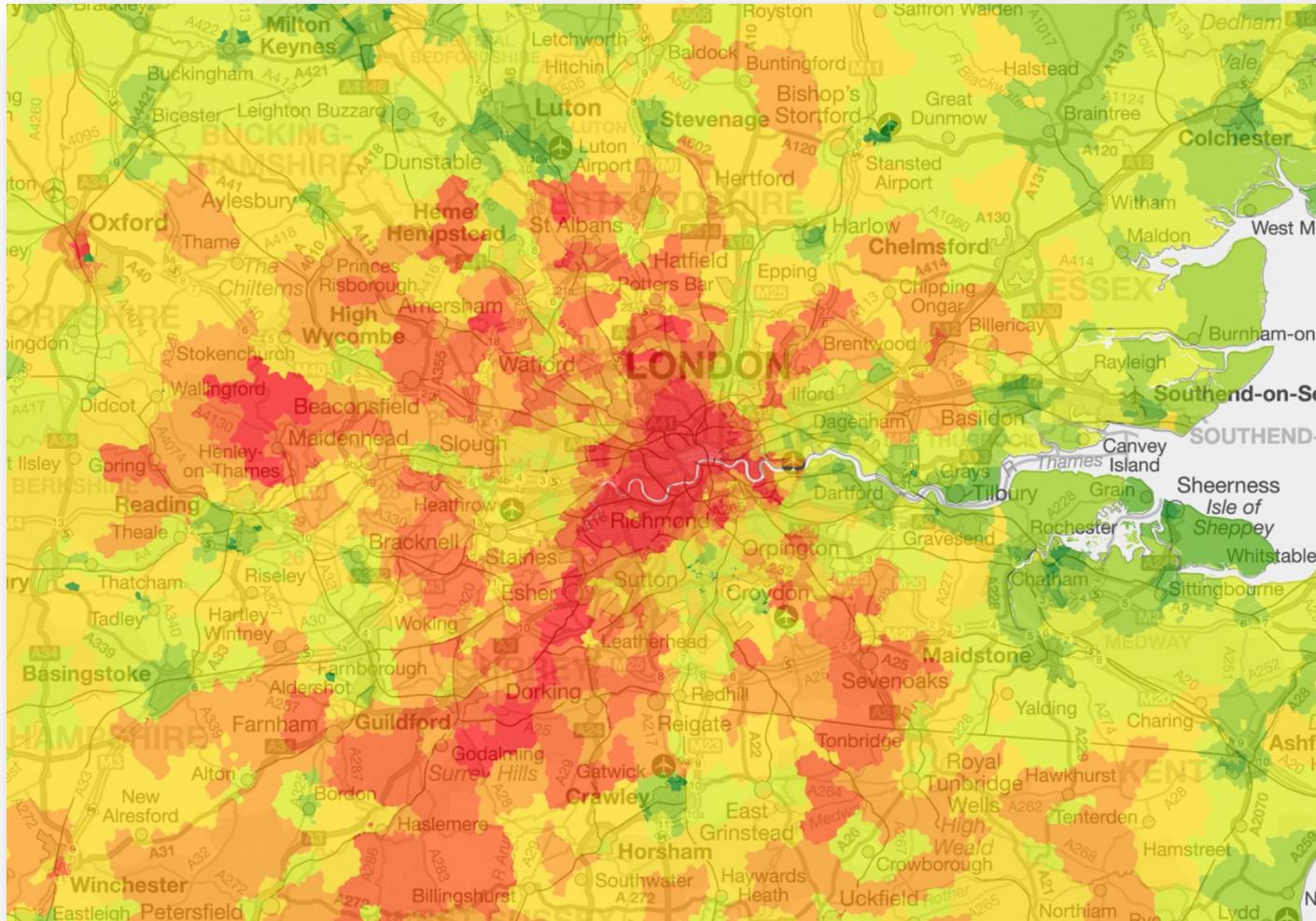
£psf % differential by type and size



New build premium – new versus re-sale £psf



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



Hometrack
6th Floor, The Chambers
Chelsea Harbour
London
SW10 0XF

enquiries@hometrack.co.uk

www.hometrack.co.uk
