

'The Road Towards Recovery'

Market Insights and Online Opportunities for UK Property Businesses

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Insight	Facts	Opportunity
Growing audience for property online	<ul style="list-style-type: none"> Property searches on Google in the first half of 2010 rose 33% YoY. House sales increased 21% 	<ul style="list-style-type: none"> Capture growing user base online through online marketing channels
Search as a powerful market metric	<ul style="list-style-type: none"> Search reflects consumer trends e.g. Mortgage approvals in June went up by over 10% leading to search uplift 	<ul style="list-style-type: none"> Use Google Insights for Search to gauge search trends. Keep track of mortgage market to forecast query growth
Early bird buyers and the exit of seasonality	<ul style="list-style-type: none"> Uplift in property queries in Q2 reveals more buying intent from consumers 	<ul style="list-style-type: none"> Use search to reach consumers at each stage of the property research and purchase process
New entrants in the market on the rise	<ul style="list-style-type: none"> First-time buyer queries grew 75% in H1 2010 – accelerating faster than the overall market 	<ul style="list-style-type: none"> Adapt search campaigns to cover new buyers and promote relevant incentive schemes
Opportunities in new homes	<ul style="list-style-type: none"> Steady search volumes for new homes shows steady volumes, while interest in bargain property continues to decline 	<ul style="list-style-type: none"> More cost-effective CPCs in this area represent a good opportunity to attract buyers looking for new homes
Positive gains from government incentives	<ul style="list-style-type: none"> The abolition of HIPs and new stamp duty holiday have invigorated the market 	<ul style="list-style-type: none"> React quickly to major market announcements by using search campaigns to capture spiked interest
Evolving search behaviour	<ul style="list-style-type: none"> Average query length has increased by 16% 'Location modifiers' used in nearly 70% of all generic property searches 	<ul style="list-style-type: none"> Set campaigns to include a broader and more customised array of search terms – try 'broad match modifier' match type in AdWords campaigns Consider a more structured approach to geo-targeting in AdWords

1. Introduction

In the wake of the recent housing market crisis, property markets across the UK continue to demonstrate a gradual route towards recovery and growth. While this path has been fraught with uncertainty in the opening months of the year, there remain some potential prospects for growth.

During this new period of gradual growth and expansion in the housing market, the ways in which individuals engage in the search for property online has also been marked by dramatic changes. In addition to revealing market trends, search continues to be a powerful implement in helping businesses to capture the potential of a targeted online advertising environment. With 72% of UK households now with broadband connections (source: Ofcom CMR, 2010) and growing all the time, search has also been utilised in increasingly tailored and sophisticated ways by users to locate property online. This trend is even more prevalent when looking at accelerating internet usage from mobile phones, driven by rising adoption of web-friendly 'smartphones' – now 24% of the UK population own one of these devices (source: Ofcom CMR, 2010).

While the property market has faced a sea change over the past several years, the metrics by which we can use to analyse the property market has also become increasingly sophisticated.

Using a combination of Google internal data and third-party resources, the paper will explore the following areas to do with latest trends within the property market and online property search:

- The growing importance of the internet in the property space
- The value of search as market metric and evolving search behaviour
- The latest trends and related opportunities

2. Growing audience for property online

a. Property searches on the rise

An examination of online consumer interest in the property market reveals a clear trend towards more regular and continued expansion in the market. The overall volume of property searches on Google in the first half of 2010 rose 33% over the same period only one year ago. This rise in search volumes correlates with a 21% year-on-year increase in property transaction numbers according to HM Revenue & Customs (see fig. 1.1).

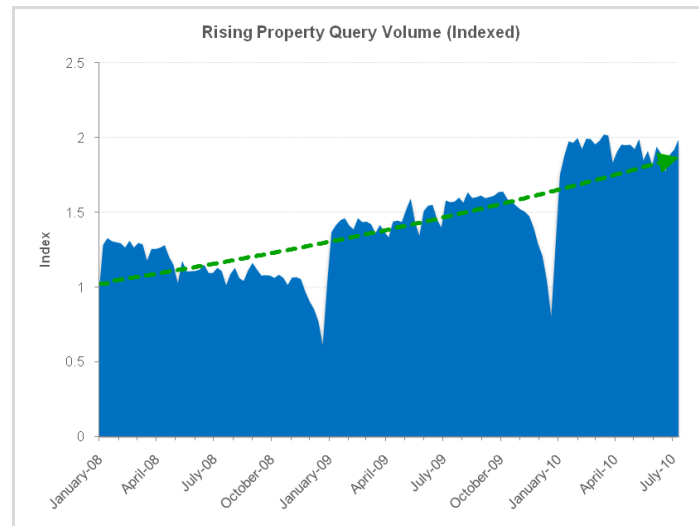


Fig 2.1 Total property-related queries indexed (Queries included generic and brand searches for property and property information in the sale and rental markets) *Source: Google internal data

3. Search as a powerful market metric

Key external market indicators have correlated consistently with online search trends over extended periods of time. In a sometimes hesitant and contradictory housing market, advertisers can use search as a powerful analytical tool to inform their decisions.

a. Search volumes related to changes in house price

To illustrate how search can be a powerful metric of external market trends, the chart below reveals how average property prices (source: Nationwide HPI) began to rise around the same time sale queries began to outstrip posting queries online i.e. house prices rising in response to rising demand for property to buy (see fig. 3.1).

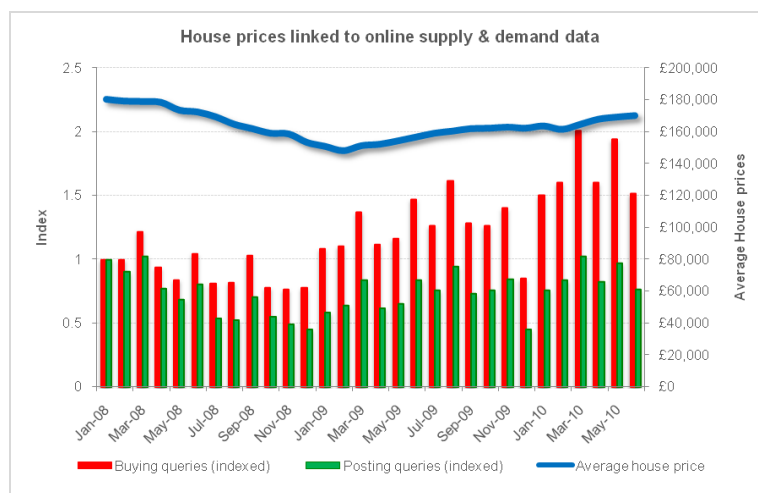


Fig 3.1 Bars of monthly UK average house prices juxtaposed against indexed volume of buying and posting property queries (Queries included "homes for sale" or "sell my house") *Source: Nationwide House Price Index and Google internal data

In the first quarter of 2010, demand for houses appears to have exceeded the supply. This has sparking an upward trend in house prices across the UK. As a result, this period represents a prime opportunity to reach potential buyers, particularly those who were put off buying from previous years.

As house prices rise across the UK, online search volumes for property to buy have also risen quite dramatically. The disappearance of seasonality during the post-2008 period is in part a reflection of how price-conscious consumers began to purchase properties again after it was clear the market had touched bottom and prices would begin to rise.

b. Search data in line with property transaction volumes

Data from the HMRC – on aggregate property transactions over £40,000 in the UK – shows a correlation with changes in the volume of indexed post-property purchase queries such as “conveyancing” and “land registry fees” (see fig. 3.2). These queries include terms commonly searched after a property transaction. Such terms have demonstrated significant growth, increasing by 43.8% over the first six months of 2009.

Again, this relationship demonstrates the insight a property professional could obtain by keeping track of trends in consumer search behaviour.

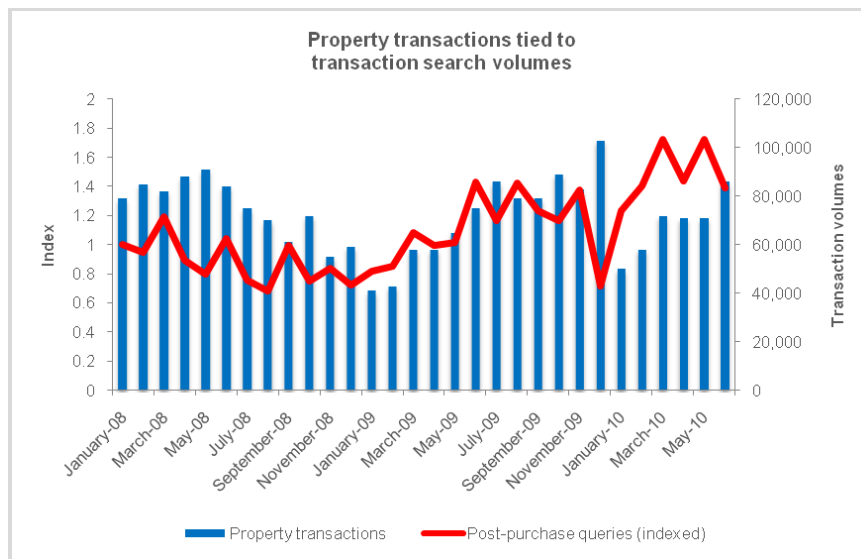


Fig 3.2 Gross UK property transactions indexed and volume of post-property purchase related queries indexed (Queries included “conveyancing,” “land registry fees,” and/or “property solicitors”) *Source: CML and Google internal data

c. Mortgage approvals sparks intense search activity

For most house hunters, getting a mortgage approval is one of the major steps in the process of buying a home. When taking a closer look at the relationship between mortgage approvals and property buying searches (fig. 3.3), we can see a clear link. Peaks and troughs in mortgage approvals have an almost immediate impact on search activity.

It would be advisable to keep track of this data, available from the Bank of England, in order to help forecast search behaviour and in turn plan related PPC campaigns.

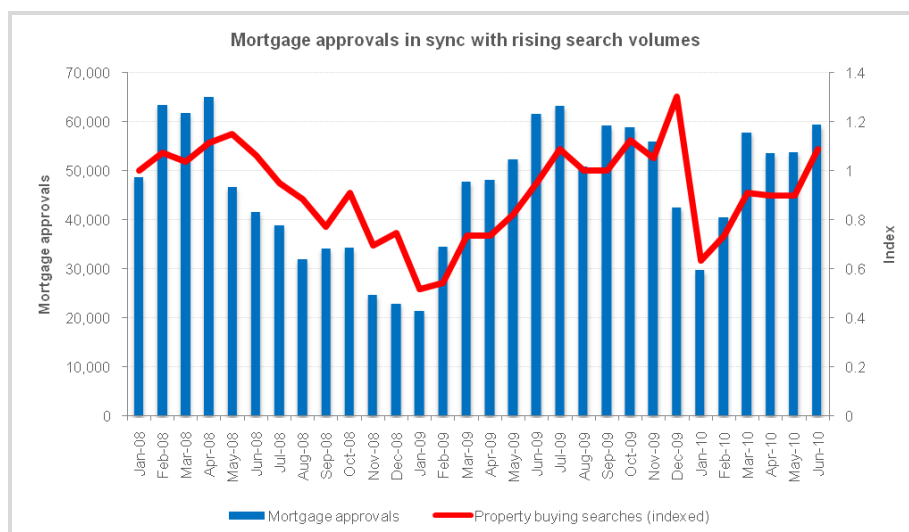


Fig 3.3 Mortgage approval numbers and indexed property buying search queries (Queries included generic and brand searches for property in the UK, e.g. “flats for sale in London,” “Barratt Homes”) *Source: Google internal search data and Bank of England statistics

4. Early bird buyers and the exit of seasonality

a. Buyers ramp up search intensity earlier

Although the summer months are not traditionally marked by increased buyer inquiries, search volumes may be poised to begin a gradual climb for the next several months based on upward trends during the second quarter of 2010 (see fig. 4.1). Referring back to property transaction data from HMRC, early summer saw a significant boost in home purchases ending with a 21% increase over the first six months of 2009.

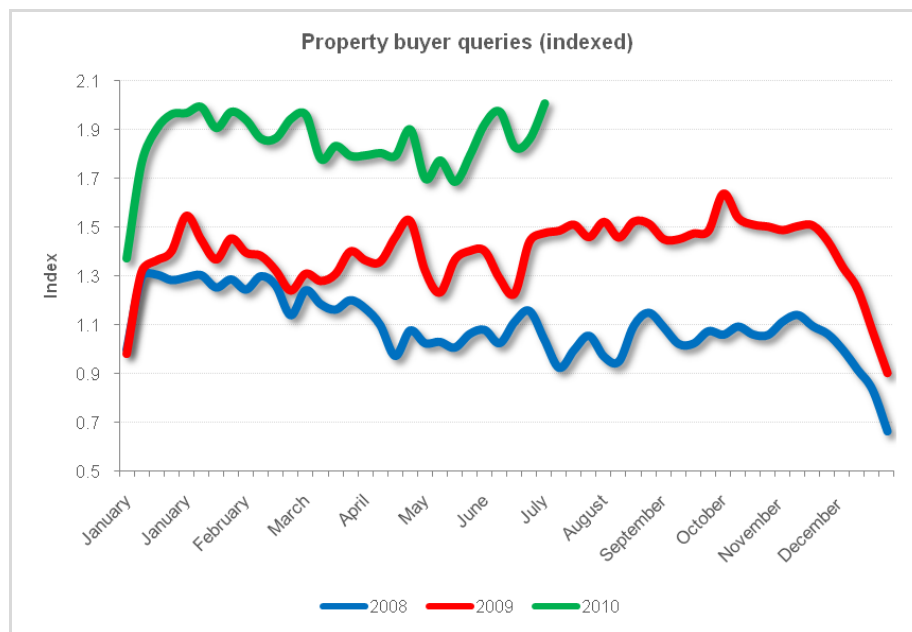


Fig 4.1 Total property buyer queries indexed (Queries included generic and brand searches for property in the UK, e.g. "new homes," "flats for sale in London," "Barratt Homes") *Source: Google internal data

In contrast to the sustained dive of property buying queries in 2008 or the jagged recovery curves of 2009, the first half of 2010 appears relatively more growth-driven. This rising online interest in the UK property market can be converted into additional leads through more effective and targeted advertising campaigns in the upcoming months.

b. Seasonality is still out the window

A notable uplift in property queries following the warm weather months of May and June 2010 supports the idea that buyers who plan to finalise transactions later in the year are beginning their research earlier in the summer. As the property market begins to recover, these consumers must search more extensively and begin their research earlier to capture property bargains. The correlation between rising property buyer queries and mortgage approvals indicate that these online consumers have an active intent to buy.

The suspension of seasonality also indicates that advertisers can be prepared to spend more on advertising throughout the year to capture increasingly savvy consumers at earlier stages of the property buying process.

5. New entrants into the market on the rise

a. Steady yearly surge in first-time buyer searches

The search data on first-time homebuyer queries shows similarly positive, steady growth over the past year and a half. Compared to search volumes in the first half of 2008, new homebuyer queries rose 75% in 2009 and 139% in 2010.

According to CML reports, an expanded pool of first-time buyers helped account for a dramatic 45% YoY mortgage lending increase in March. For these new homebuyers, their 13.3% interest payments would make up the lowest percentage of new buyer income since 2004, further contributing to an upswing in mortgage lending in June of 15% (see fig. 5.1).

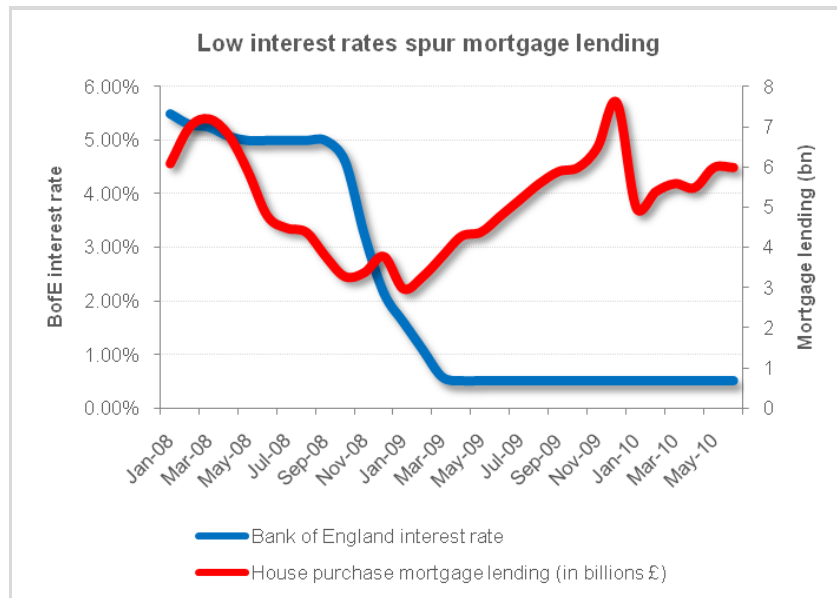


Fig 5.1 Bank of England monthly interest rates and mortgage lending to individuals for house purchases in the UK *Source: Bank of England data

b. Searches by first-time buyers outstrip overall property searches

While largely mirroring the dips and curves of the overall market in 2008, searches relating to first-time homebuying have surged far ahead of the overall property market since 2009 and continue to grow (see fig. 5.2).

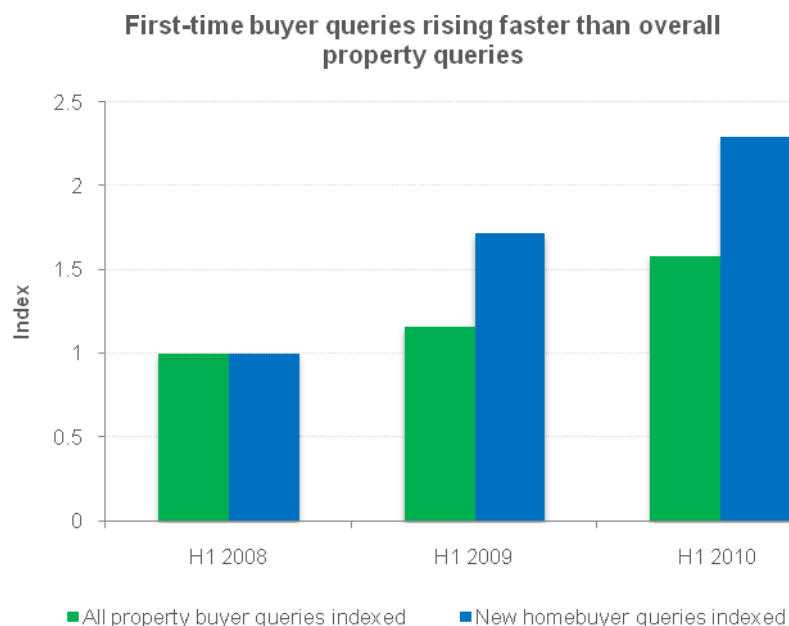


Fig 5.2 Bar graph of indexed first-time buyer queries and indexed property buyer queries (Queries included generic terms such as "homebuy direct properties" or brand and generic searches for sale property such as "houses for sale," "Redrow Homes," etc.) *Source: Google internal data

These trends have been stimulated by increasing numbers of consumers taking interest in government measures (such as HomeBuy Direct and the stamp duty holiday) that would allow them to capitalise on still relatively depressed house prices. To take advantage of this surge of interest by first-time buyers in these schemes, advertisers should increase their bids on these keywords.

6. Opportunities in new homes

a. Steady growth in new homes queries

Search data on queries regarding new homes shows overall steady volumes for the past year (see fig. 6.1). While growth may appear slightly less pronounced this year, the new homes sector could be poised for greater growth as

interest rates hold steady and mortgage lending rates and mortgages approval numbers across the UK appear on the rise.

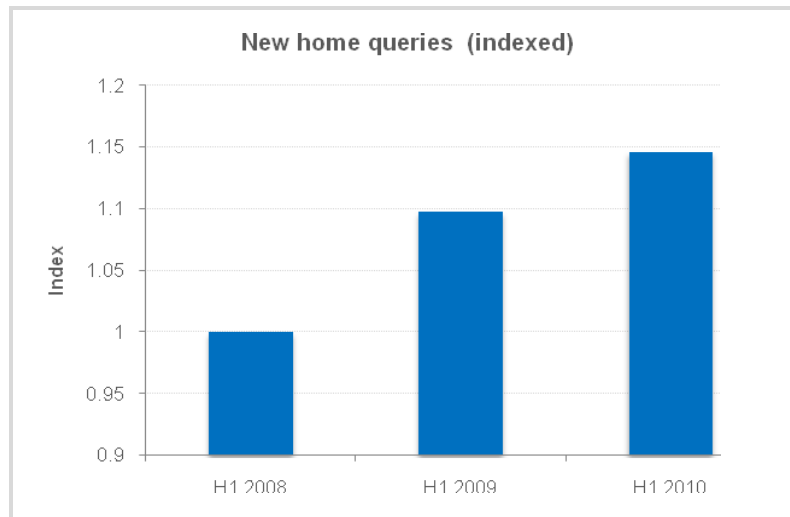


Fig 6.1 Indexed volume of brand and generic queries related to new homes ("new build homes," "new houses for sale," "Taylor Wimpey")
*Source: Google internal data

At the same time, interest in bargain property has flagged tremendously since its peak around the housing market crash in late 2009, dropping 12.6% from Q1 to Q2 of this year. As a result, online interest in new homes has trumped interest in bargain property and reveals that consumers may have higher house price thresholds than in previous years.

b. Capitalise on low CPCs

Many homebuilders can take advantage of this opportunity to increase their bids on terms related to new homes in the UK. Indeed, CPC levels for this group of keywords have decreased slightly to 2008 levels, representing a new opportunity for unlocking potential growth in online advertising (see fig. 6.2)

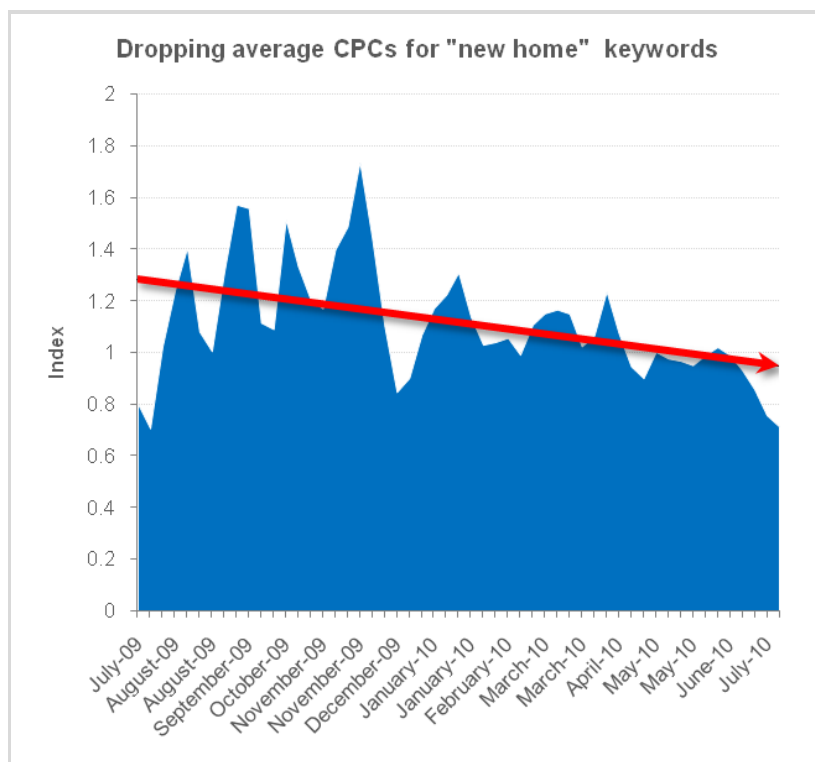


Fig 6.2 Indexed average CPCs for keywords related to new homes (Queries included "new build homes," "new houses for sale," "Taylor Wimpey") Source: Google internal data

7. Positive gains from government incentives

As the market continues its gradual path toward recovery, various government measures have been implemented to incentivise UK homebuyers.

a. HIPs spur online interest

One such measure, announced in May 2010 was the abolition of Home Information Packs (HIPs), which had been a requirement for those selling properties in the UK and had contributed an additional several hundred pounds to fees associated with selling homes.

While this announcement caused an uplift in search interest, its immediate impact on prices and transaction volumes may have been dampened given other impeding factors including the announcement of a new emergency budget by the government the following month. Despite these factors, new instructions increased overall across the UK from 16% to 21% from April to May 2010, and property portals such as Rightmove.com announced a dramatic surge of 35% in new property postings in the week after the announcement.

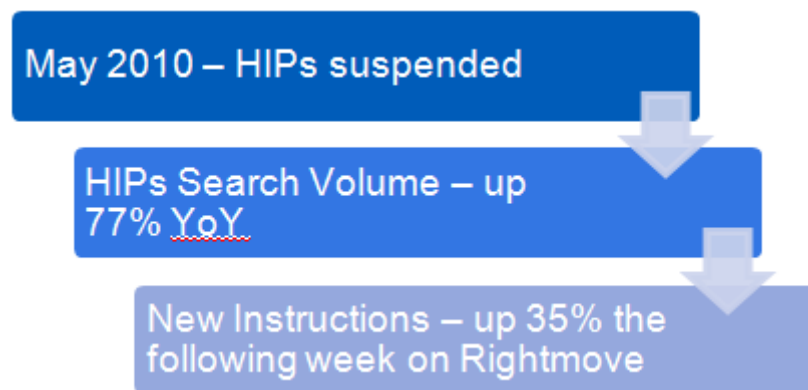


Fig 7.1 Flow chart of rising interest in HIPs (Queries included “home information packs,” “HIPs,” “home information pack”) *Source: Google internal search data

b. Stamp duty announcement fuels search interest

In addition to HIPs, the stamp duty holiday has again had an immediate effect on search behaviour. After the first announcement of the stamp duty holiday in the latter half of the 2008 housing downturn, search interest was again piqued by an announcement in April 2009 that the stamp duty holiday would be extended until the close of the year.

Although the expiration of the stamp duty at the close of 2009 had a negative impact on the Q1 housing market, its reintroduction seems to have helped reinvigorate the market again as it did in 2009. The incentive should then help significantly boost first-time buyer interest in the market because up to 95% of first-time buyers would be eligible under the expanded stamp duty rule, which cover properties up to £250,000 in value.



Fig 7.2 Timeline of percentage growth in search queries for stamp duty keywords (“stamp duty holiday,” “stamp duty property,” “stamp duty house”)

This recent announcement in March 2010 of an extension and expansion of the stamp duty holiday until next year spurred another massive rise in online interest, which is poised to remain heightened until the holiday expires or is renewed again.

c. Optimise opportunities with broad match bidding

Online advertisers can take advantage of this temporary spike and increase their bids on keywords related to the major announcements and schemes such as the stamp duty holiday for homebuyers. The figure below (see fig. 7.3) shows a new interactive search tool available on the Google search results page called the 'Google Wonder Wheel'. It shows a range of related queries for the term "stamp duty." These terms could then be used to help plan search campaigns

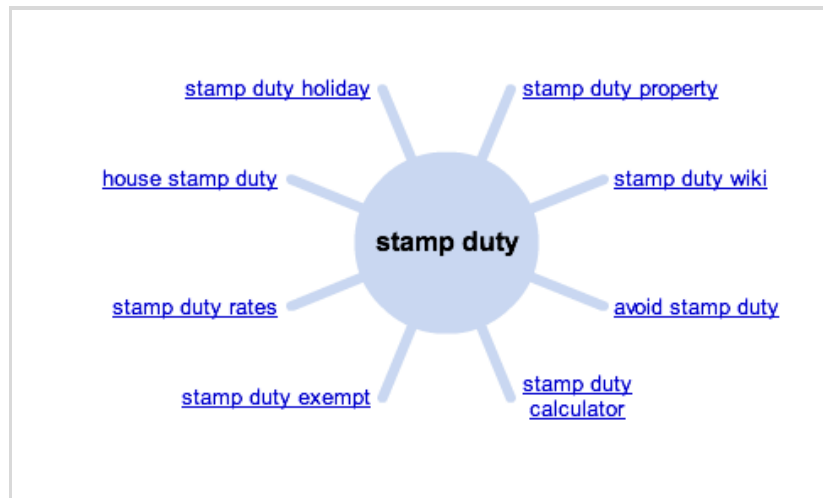


Fig 7.3 Google Wonder Wheel of "stamp duty" related queries

In addition to the immediate related terms generated by the Google Wonder Wheel, there are additional related terms that can be explored by clicking related items. These demonstrate how interest in stamp duty expands to other areas can serve as a guide when looking to capture the interest instigated by the stamp duty holiday.

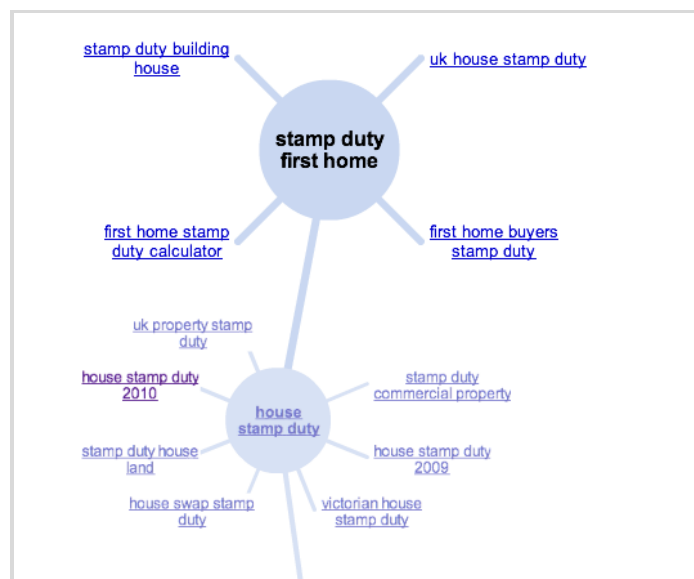


Fig 7.4 Extended Google Wonder Wheel of "stamp duty first home" related queries ("Stamp duty first home" is a spoke of "house stamp duty," which is in turn a spoke of "stamp duty")

Furthermore, an examination of Insights for Search data reveals how searches closely related to the stamp duty holiday are rising exponentially in popularity. Advertisers should strike while the iron is hot and begin bidding on these keywords that continue to spark homebuyer interest.

8. Evolving search behaviour

Consumer behaviour online and how they search continues to evolve all the time. In the property sector we have seen interesting changes in the type of queries Google users enter in order to find what they're looking for. Overall, we have seen an increasing sophistication and specificity in online search queries – an important area to keep track of in order to maximise the value your business receives from PPC campaigns.

a. Increasing query length

A growth in the customization and uniqueness of each search query is shown by data revealing steadily increasing property query length (see fig. 8.1). Online homebuyers are now more apt to tailor generic searches to their particular needs.

This trend represents an opportunity that online advertisers can capitalise on by ensuring coverage on more specific keywords.

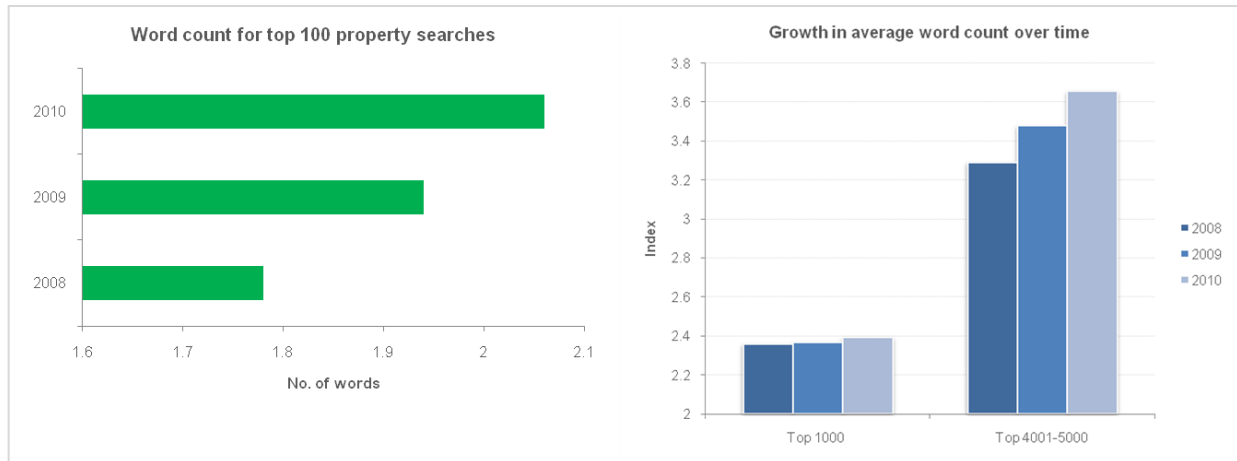


Fig 8.1 Bar chart of average word count in top 100 property-related searches from 2008 to 2010 (Queries included brand and generic searches related to property and property information) *Source: Google internal data

Fig 8.2 Side-by-side bar chart of average word count in top 1000 and top 4000-5000 property-related queries (Queries included brand and generic searches related to property and property information) *Source: Google internal data

Since 2008, the average query length in the property sector has increased by 16%. As we examine the long tail for property query length, we see that particularly in recent years, the 'long-tail' queries outside of the top 1000 have increased in word count even more dramatically (see fig. 8.2).

Moreover, external research by Chitika earlier in the year shows that three-word queries captured over one-fourth of all search traffic, followed by two-word and four-word queries leading to 17% and 19% respectively. However, the true metric of online ROI, clickthrough rates, show that consumers who used longer four to six word searches were substantially more likely to click on ads.

b. Banking on hybrid and generic queries

Generic searches (i.e. terms that do not include a brand) have come to represent nearly 50% of the top property related searches on Google (see fig 8.3).

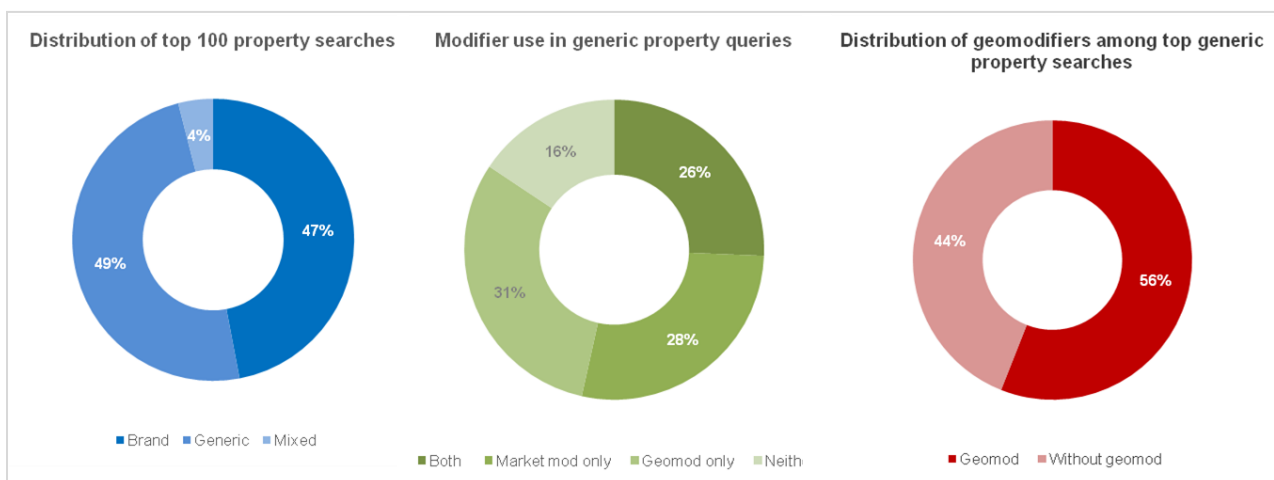


Fig 8.3 Pie chart of the most popular 1500 property search queries by query type (Queries included brand and generic property and property information searches) *Source: Google internal data

Fig 8.4 Pie chart showing distribution of location and market modifiers among multiple word generic property queries (e.g. "houses in Wales," "homes to let," "buy property Scotland") *Source: Google internal data

Fig 8.5 Pie chart showing distribution of location modifiers among multiple word generic property queries (e.g. "studio flat in London," "houses for sale in Edinburgh," "French property") *Source: Google internal data

These online search trends represent another opportunity for business to capture interest in property at every stage in the property researching and buying process. As a result, it is important to make sure your search campaigns reflect the kind of searches users would do at various stages of the property buying cycle.

c. Search intent now more visible

In addition to longer word counts and more generic terms, the use of various 'search modifiers' has also increased considerably. As the frequency of core generic searches on terms such as "house" or "property" decline, the use of additional modifiers to add specificity to property queries is growing.

The two main types of search modifiers that have increasingly dominated online property searches are those that specify the location and the market prospective homebuyers are interested in (see fig. 8.4).

d. Location, location, location

When users conduct a generic search for property listings, they often use 'location modifiers', also known as 'geomodifiers' (see fig. 8.5)

Geomodifier usage is poised to continue to increase as online consumers learn to tailor their searches. For those advertisers already bidding on market modifier terms, bidding on geomodifiers can increase the expansiveness of their scope to over three-fourths of generic property searches.

e. Understanding the regional property market online

By analysing the locations used in searches, we can learn more about the consumer interest and intent on a regional basis. As shown in the following charts (See fig. 8.6), the majority of property queries in the market come from the Southern half of England, reflecting the traditional divide between transaction volumes in the North and South of England.

As a result, the areas in England that encompass the greatest proportion of property search volumes also happen to be the most active property markets in the country.

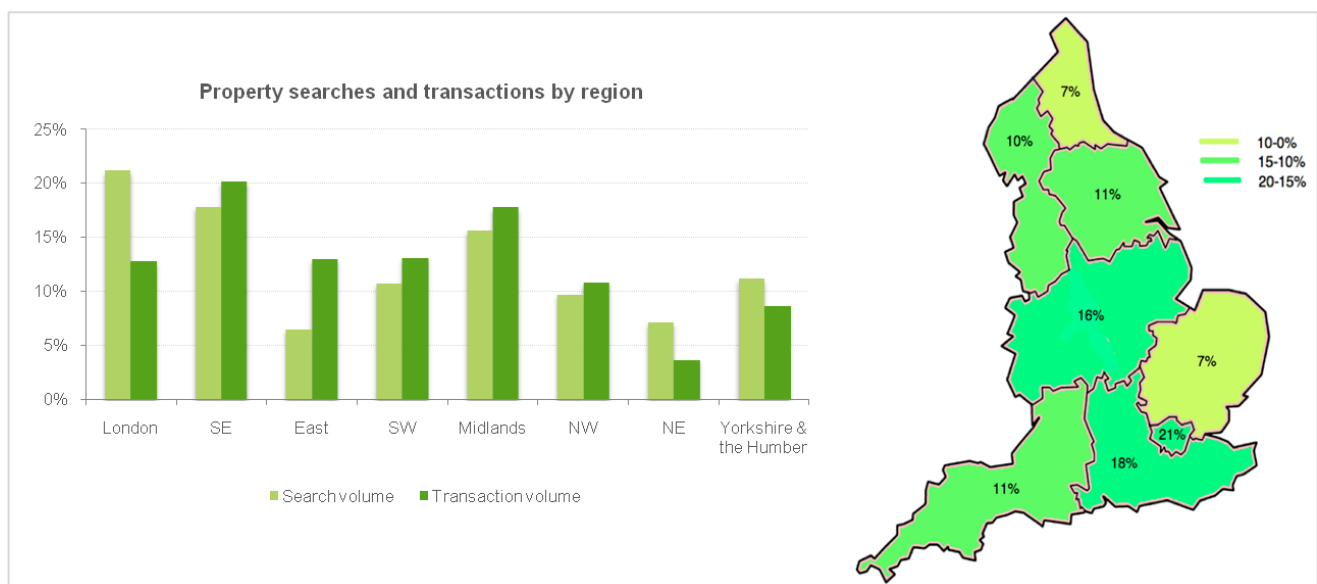


Fig 8.6 Side-by-side bar graph of relative search volumes and property transaction volumes by region in England *Source: RICS and Google internal data

Fig 8.7 Color-graded map of England showing proportion of total property search volumes by region (Queries included local or regional brand queries and generic queries with geomodifiers, e.g. "Marsh and Parsons" or "houses in Bristol") *Source: Google internal data

Some search volumes may not map as cleanly onto transaction volumes in London as the data was taken from only top property queries from across the UK, in which London is overrepresented. Overall, however, the correspondences are largely accurate and regional trends have allowed search data to provide a more granular picture of the larger market.

The second chart (see fig. 8.7) gives a more granular view on the regions (in England only) where property searching takes place. Again, London is the most active, but opportunities to capture search traffic are present throughout England.

9. Conclusion

During the first half of 2010, the housing market showed some signs of recovery and renewed growth throughout the UK as it continues to chart a cautious route toward recovery. Incentives for first-time homebuyers as well as homebuyers overall have been strongly supported by the new coalition government, while online search interest has risen steadily in various sectors of the property market.

In order to take full advantage of the growing dynamism of the property market, online advertisers can begin to craft more tailored approaches based upon the increasingly sophisticated ways in which users search for property online. These trends involve increasing query word count and specificity through the use of location and market modifiers. By capitalizing on these ongoing trends, property companies can begin to use the increasing granularity and descriptiveness of online search data to remain up-to-date with these new trends.

If you would like more information about this report, or wish to find out more about working with the Google property team, please contact: team-property@google.com

More information on the Google tools mentioned in this report and other online resources can be found in the websites listed below:

- Google for Advertisers: <http://services.google.com/advertisers/uk/>
- Google AdWords Help Centre: <http://adwords.google.com/support/>
- Google Barometer Blog: <http://googlebarometer.blogspot.com/>

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