



April 2007

Asking Price Index

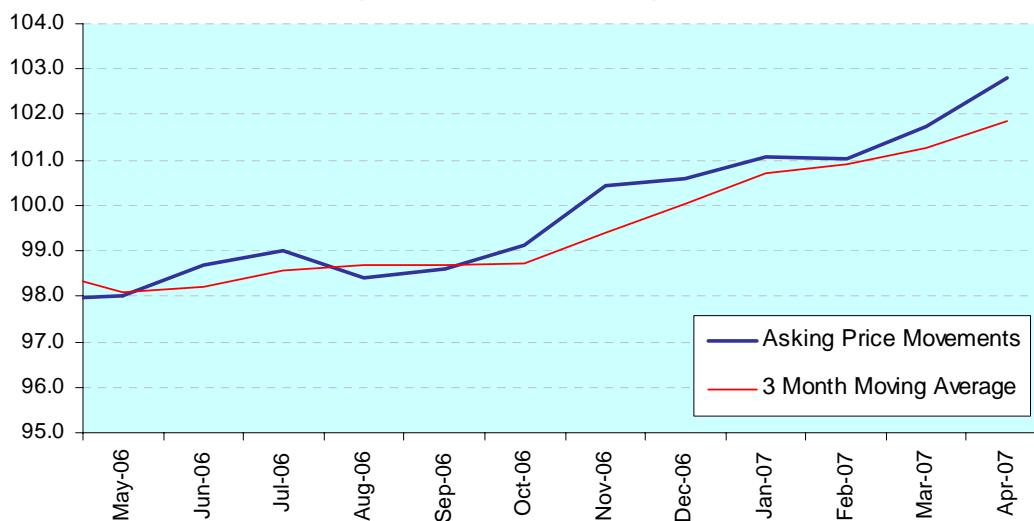
The UK's Independent Forward Market Indicator

Release date: 12th April 2007

London Soars Whilst Some Regions Suffer.

"If a government refrains from regulations and allows matters to take their course, essential commodities soon attain a level of price out of the reach of all but the rich, the worthlessness of the money becomes apparent, and the fraud upon the public can be concealed no longer" [John Maynard Keynes](#) (1883-1946) Economist.

Asking Price Movements for England and Wales



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

Summary

Asking Prices for homes in England and Wales moved up to their highest point since November 2004 with a monthly rise of 1.0%.

Asking Prices in England and Wales have risen 5.0% in the last year and 3.7% over the last 6 months. (ca. 2.2% above the [CPI](#), ca. 0.6% above the [RPI](#) and ca. 1.4% above the [AEI](#) excluding bonuses).

Greater London Asking Prices again accounted for much of this continued surge registering a monthly rise in the average market house price of 1.9%.

Asking Prices in the East Midlands fell by 0.9% over the last 12 months.

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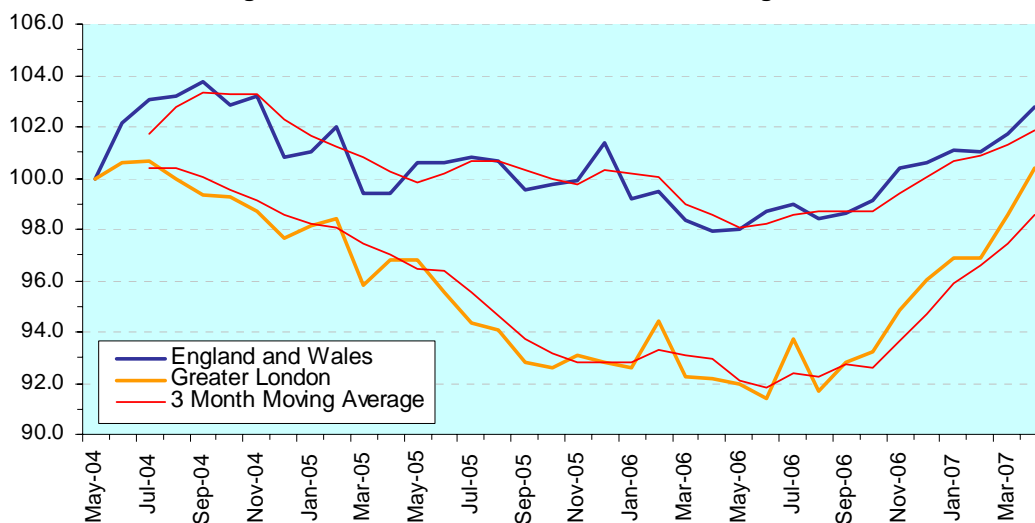
Overview

A further month of strong gains for asking prices in England and Wales has pushed the year-on-year change up to 5%. Fears of an overall slowdown in the UK residential property market, following interest rate rises totalling 0.75% by the Bank of England, appear to have been unfounded as evidenced by the strength of this *second wave* of asking price inflation. However, several English regions lag far behind the national figures, such as the North and East Midlands where market house prices have actually fallen over the last twelve months. Asking prices are rising more quickly in Greater London than in any other region registering a further large monthly rise of 1.9% since March.

Greater London Asking Prices Playing 'Catch-Up'

Prices of homes on the market are now closing fast on previous highs set in 2004. Due to the apparent greater volatility of the London property market, asking prices fell further and faster in the Capital (relative to the combined index for England and Wales) during the two-year correction brought about by an overheated and frothy market. Thus far, the recent surge has returned Greater London asking prices to the same relative value recorded in July 04. This strong rising trend looks set to continue and thereby set new highs in Greater London housing market.

Asking Price Movements for Greater London vs. England and Wales



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

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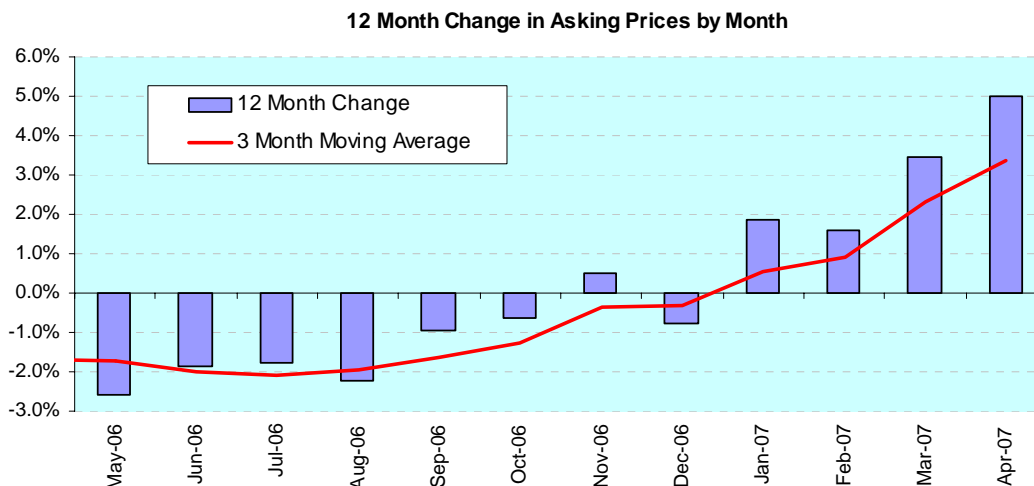
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Twelve-Month Trend in Asking Prices



Strong overall growth of asking prices in England and Wales over the last year has pushed the year-on-year change up from negative territory in 2006 to +5% in this month's report. Much of this recent growth has been a consequence of the upturn in the Greater London housing market where market sentiment now appears to be more positive than at any point in the last 3 years. Further strong annual growth in asking prices has also been recorded for the South West and South East regions.

Similarly rapid asking price inflation occurred in these southern regions during the *first wave* of price rises in 2003/4 and prices soared out of reach of most homebuyers. This over-pricing caused property sales to slump in 2005 and led to a two-year period of price-cutting by sellers. As the affordability gap subsequently closed, transaction volumes increased and these markets took off again in 2006. Now it appears that this similar *second wave* of rapid growth in asking prices could once again stall these markets as affordability declines, especially in the more volatile Greater London area.

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Regional Housing Markets

Regional average asking prices for April 07 showing gains and losses since April 06.

Scotland	£163,024	+9.4%
Wales	£195,730	+8.6%
Greater London	£332,112	+8.2%
South West	£268,415	+7.9%
South East	£283,855	+6.0%
West Midlands	£204,248	+3.8%
Yorkshire and Humber	£173,796	+3.2%
East Anglia	£258,878	+2.8%
North West	£188,275	+1.8%
North	£166,803	-0.5%
East Midlands	£189,644	-0.9%

[Laspeyres](#) Indices based on Weighted Arithmetic Mean of Regional House Prices. See Notes.

Regional Analysis

Most regions in England, Wales and Scotland have continued to show gains in asking prices over the last twelve months. However, both the North and East Midlands regions registered an overall fall in asking prices since April 2006. Scotland, Wales and Greater London head up the annual growth figures, with rises of 9.4%, 8.6% and 8.2% respectively. Asking prices in the South West and South East are also showing gains significantly above the [Retail Price Index](#) (RPI).

Only moderate annual growth was observed in the West Midlands, Yorkshire & Humber, East Anglia and North West regions. A total of six of the eleven regions show year-on-year changes below the current RPI figure of 4.4%.

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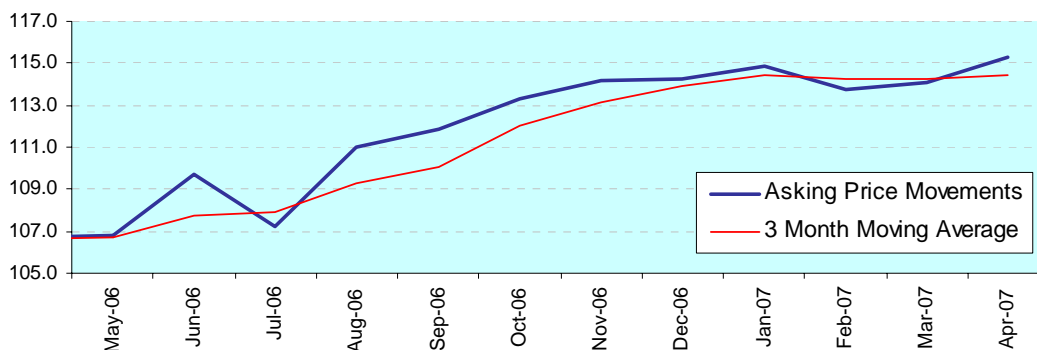
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Wales

Asking prices in Wales rose this month by 1.2%, although most of the house price growth over the last year occurred in the summer months of 2006.

Asking Price Movements for Wales

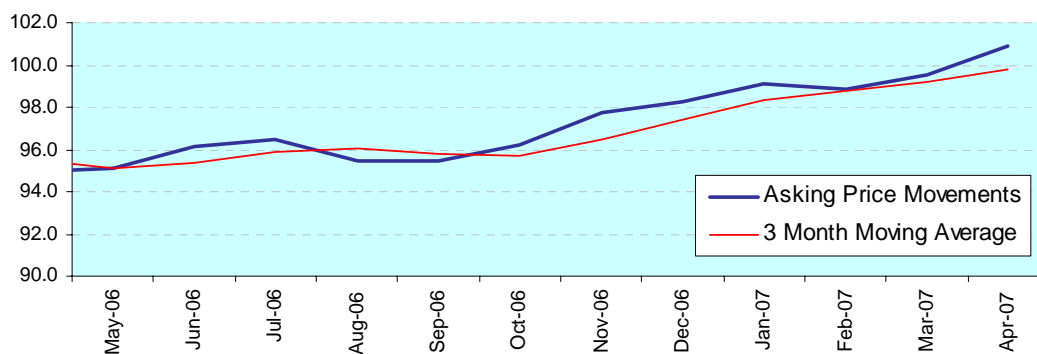


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

South East

Asking prices in the South East of England show signs of steadily accelerating growth over the last twelve months and have now returned to the record levels registered in 2004.

Asking Price Movements for the South East



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

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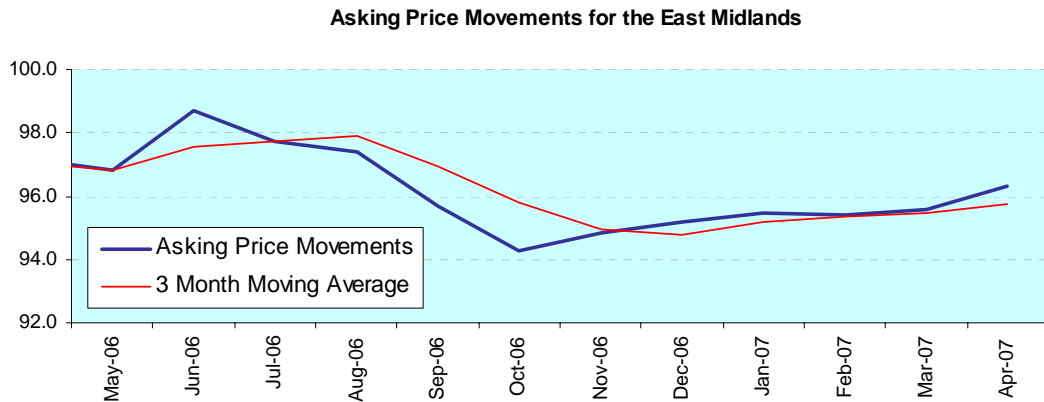


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East Midlands

The more recent trend indicates that the troubled East Midlands property market may be entering a period of stabilisation and recovery. However, asking prices in the East Midlands remain far below previous highs set in 2004.



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

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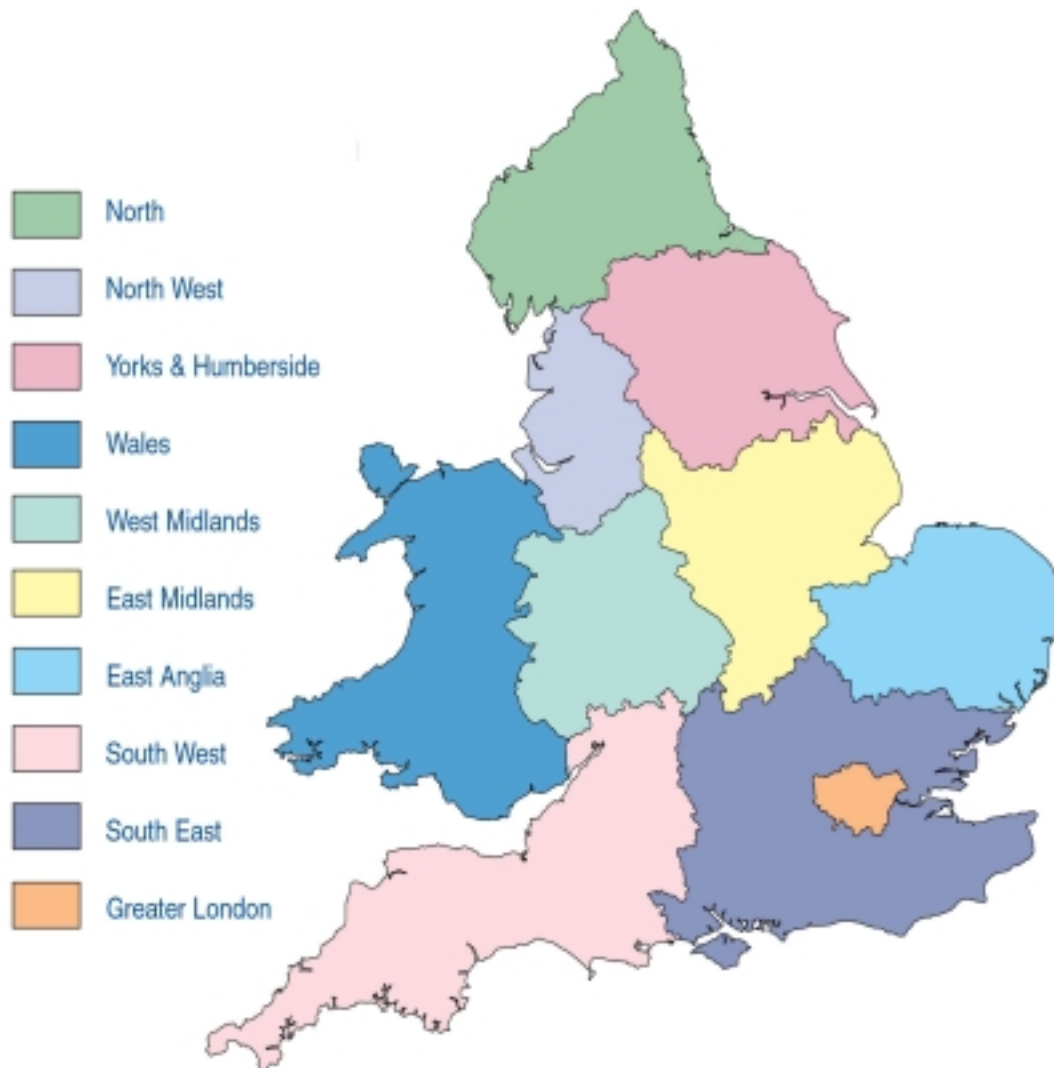


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Regions (as per DCLG)



Source: HM Land Registry

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Comment

The 'spring bounce' always comes to the South of England property market before the North. However, the year-on-year changes in regional asking prices published in this report show the widening North-South divide is a medium-term trend and one that cannot be explained merely in terms of seasonality. A degree of spring bounce is to be expected in the northern regions over Q2 but the market fundamentals appear quite different to the South.

London's booming financial sector has injected considerable vigour into the housing market (especially the higher price end) and there are signs that this renewed confidence is spreading out into the South East. Sellers in popular second home locations in the South West and Wales are also benefiting from City bonuses and easily available credit.

In contrast, the North is more dependent on the manufacturing sector, which is suffering from rising energy costs and a strong pound making imports cheap and exports uncompetitive. UK manufacturing output was down 0.2% in Q1 2007 and the outlook does not look good. Somewhat ironically the strength of the pound is a direct result of rising UK house prices. Therefore, as the property market surges in the South and pushes up national house prices, the regional economies of the North look set to suffer further.

Without the benefit of capital gains to make up for the shortfall in rental payments versus interest payments, considerable numbers of Buy-to-Let investors in the northern property markets will have difficulty turning a profit this year and may choose to release their properties onto the market. Such an increase in supply of ideal 'starter homes' will create downward pressure on house prices and be welcome news for first-time buyers who are currently priced out of the market.

Interest Rates

Thus far credit tightening in the UK has not yet been as severe as in the US where the housing market is experiencing a severe downturn. Despite above-target CPI data, the Bank of England again chose to hold interest rates at 5.25% this month. The MPC decision makers may be justifiably alarmed at the prospect of precipitating a US-style housing crash with the attendant clamour and chaos of banking collapse. However, the danger of inaction is that, if inflation is not brought under control soon, more painful measures will be needed in the future that could be catastrophic for the UK housing market.

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The Home.co.uk Asking Price Index 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 600,000+ 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.



Source: Home.co.uk Search Index Date: November 06

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.

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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 data please visit:
<http://www.calnea.com/asking-price-index/>

Future release dates:

Monday 14th May 07
Tuesday 12th June 07
Thursday 12th July 07



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