



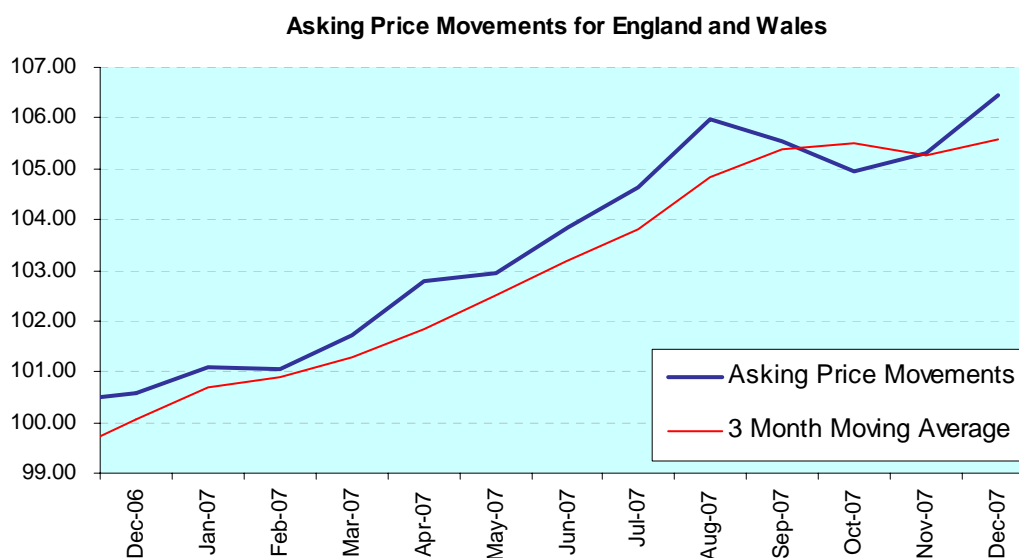
Asking Price Index

The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12th December 2007

IR Cut Buoy's Sellers' Confidence.

"By a continuing process of inflation, government can confiscate, secretly and unobserved, an important part of the wealth of their citizens." [John Maynard Keynes](#) (1883-1946) Economist.



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

Summary

Prices of homes on the market in England and Wales have leapt this month by 1.1%.

The Asking Price year-on-year change for homes in England and Wales currently stands at 5.8%.

Greater London Asking Prices rose again this month by +0.8%.

Prices rose in 6 of the 10 regions in England and Wales.

Most sellers prefer to 'wait and see' rather than cut their asking prices.

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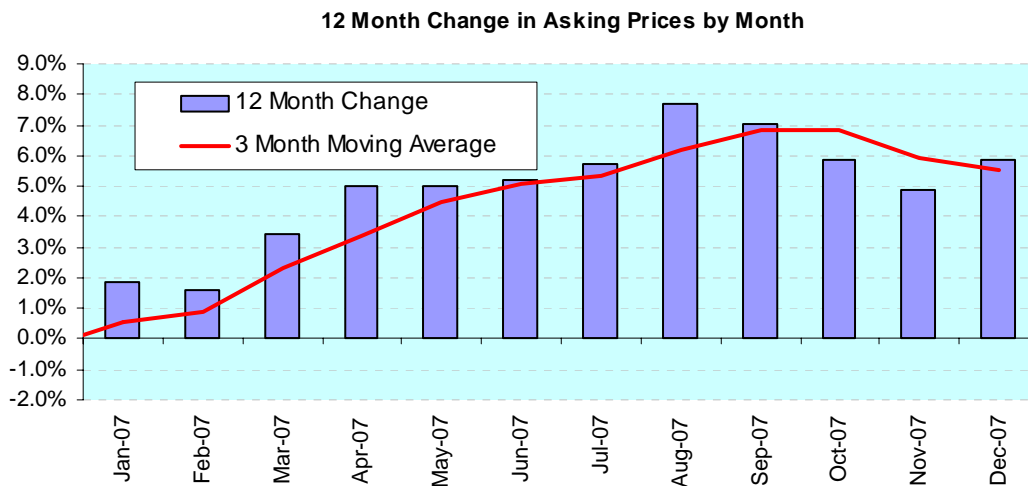
Overview

December's cut in interest rates by the Bank of England has served to increase home sellers' confidence. A majority of sellers have opted not to cut their asking prices in the belief that the IR cut is just the first of several and that the market will soon recover from the current downturn. This wave of renewed confidence in the market, coupled with a continued surge in 3+ bedroom properties delayed by HIPs legislation, has resulted in a rise of 1.1% for the mix-adjusted average house price in England and Wales. However, sellers' confidence in the market may be misplaced, since mortgage lenders, still in the midst of the *credit crunch*, have given no indication that they will relax their lending criteria over the coming months.

The HAPI for England and Wales has risen 0.9 index points to 106.5 in Q4 [May04 = 100].

Over the last 12 months, Asking Prices for homes in England and Wales have risen 5.8%, *ca.* 3.7% above the [CPI](#), *ca.* 1.6% above the [RPI](#) and *ca.* 1.7% above the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £259,721.

Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales has recovered slightly from a dip of 4.9% in August 07 to 5.8%.

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Regional Housing Markets

Regional average asking prices for Dec 07 showing gains and losses in Q4 2007.

	Current average price	Q4 change
East Anglia	£271,455	+4.3%
West Midlands	£210,960	+2.1%
Scotland	£181,597	+1.7%
East Midlands	£194,902	+1.5%
Greater London	£351,642	+1.5%
Yorkshire and Humber	£180,891	+0.6%
North West	£192,735	+0.6%
Wales	£197,861	-0.3%
South West	£272,209	-0.4%
South East	£294,172	-0.9%
North	£167,940	-1.9%
England & Wales	£259,721	+0.9%

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

Regional Analysis

House price growth in most regions of England and Wales has been stifled in Q4 by adverse market sentiment. Confidence remains strong in East Anglia and the West Midlands but has weakened in Scotland, the East Midlands and Greater London. The remaining regions have suffered small gains (annualised rates being lower than the RPI) or losses. Notably, house prices in the North have fallen 1.9% in Q4.

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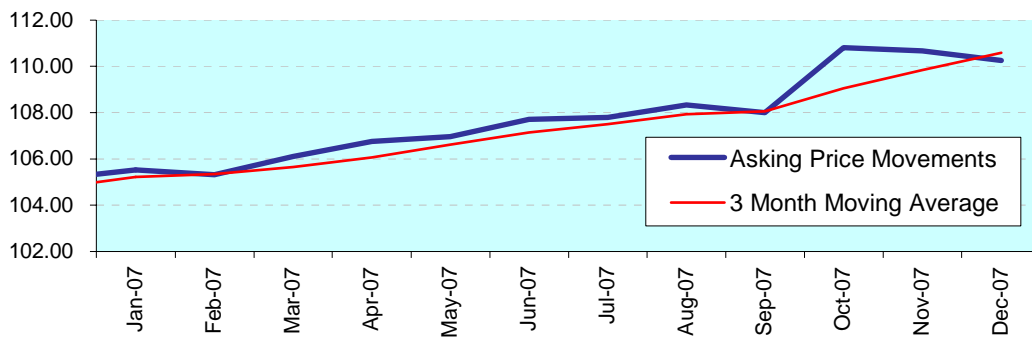
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West Midlands

Asking prices peaked for the West Midlands in October following a long rising run of gains but market sentiment in this region appears to have cooled in recent months. The West Midlands regional index has increased 5.1 points since December 2006.

Asking Price Movements for the West Midlands

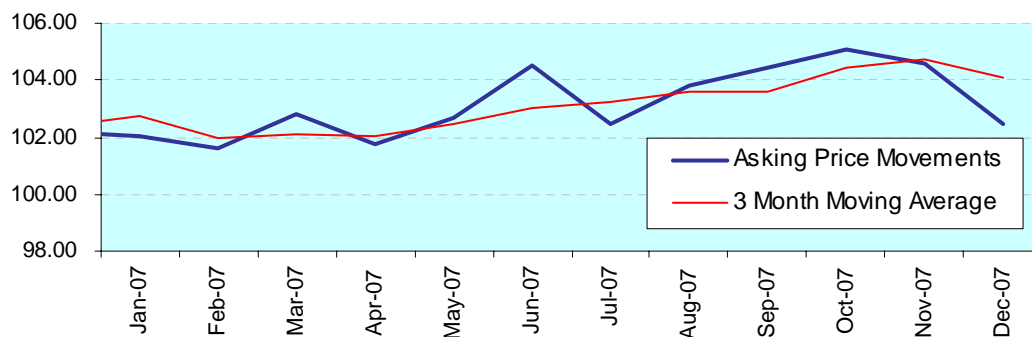


[Laspeyres](#) Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

The North of England

The asking price index for the North of England indicates a lacklustre performance since December 06, rising by only 0.3 points overall due to the recent downturn.

Asking Price Movements for the North



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

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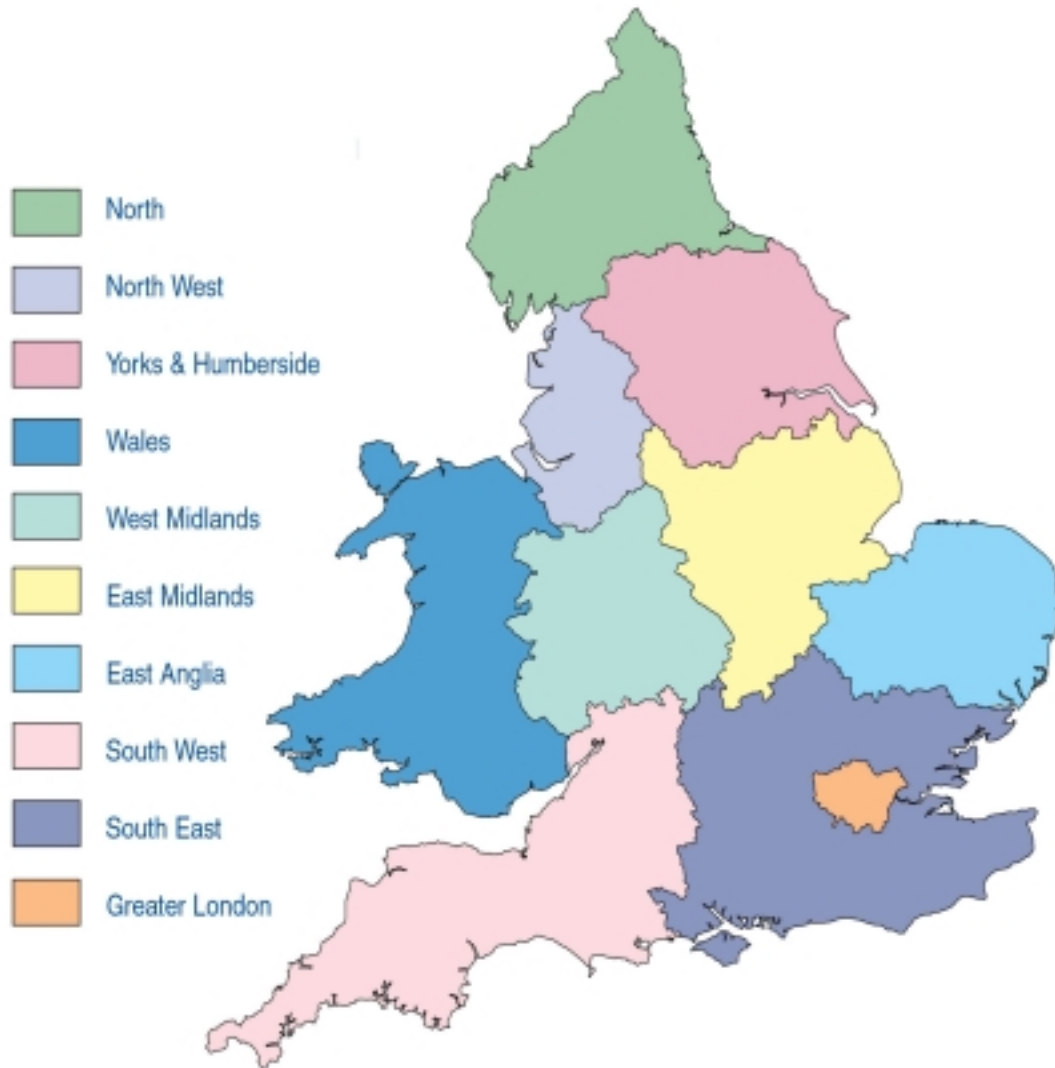
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Regions (as per DCLG)



Source: HM Land Registry



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Comment

The Bank of England's cut in interest rates on the 6th December came as a surprise to some and welcome relief to many in the housing market. A surprise because the current CPI data at 2.1% is above the stated target of 2.0% and relief for those that hope mortgage lending rates will also fall and therefore reinvigorate the housing market.

The cycle of interest hikes began in the US (followed by the UK) as the Fed and other central banks around the world tried to get to grips with inflationary pressures which were beginning to loom large on the horizon. None foresaw or would have wished for the banking crisis that ensued; their forward predictive models failed. The Credit Crunch, the monstrous consequence of irresponsible lending and mis-selling of that debt, is now threatening the existence of some of the world's largest financial institutions. Given that the BoE's Monetary Policy Committee failed to foresee the current catastrophe, we can only hope that their current course of action isn't just a panicky measure that lets rampant inflation destroy what is left of the UK economy. A worst-case scenario could be that the MPC are tempted to inflate their way out of the Credit Crunch, as inflation erodes debt and capital alike, to the detriment of all UK wage earners.

Of course, a possible upside to making credit cheaper again (the market expectations are that rates will be cut to around 5.0% in 2008) is that house prices may not suffer large nominal falls. The logic is that cheaper mortgages would tempt more buyers back into the housing market and create sufficient demand to keep prices high. This is regarded by some as the answer to the current stand-off between buyers and sellers. However, in the present climate of caution lenders may not wish to follow the BoE's lead and lower their mortgage rates accordingly in view of the risk in a shaky market. Indeed, perceived risk is a key driver in the mortgage market where many lenders have withdrawn products and increased loan-to-value ratios.

It is likely that the outcome of banking crises, such as that we are currently experiencing, are beyond the scope of any predictions based on financial models. The BoE, for all its elaborate reporting, may simply be 'shooting from the hip', hoping to prevent any more bank runs and save the UK economy from a depression. Growth in UK GDP has been fundamentally coupled to growth in the housing market over recent years, so attempts to breath life back into it are understandable.

In 2005 the MPC voted for a 0.25% cut during a minor downturn and the market took off again at breakneck speed. This time its different: the stakes are so much higher and the UK Government has a multi-billion pound vested interest (loans to the Northern Rock) in resuscitating the housing market cash machine.

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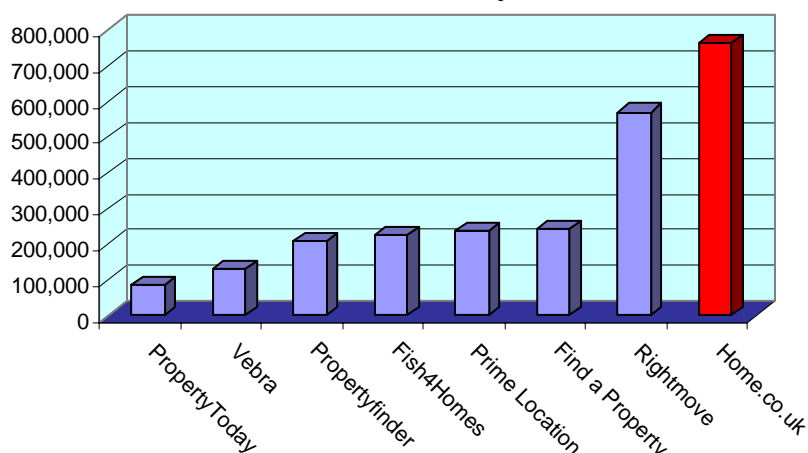
The Home.co.uk Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

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 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.

Searchable Properties for Sale by Website.

Source: Home.co.uk August 07



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

Future release dates:

Monday 14th January 08

Tuesday 12th February 08

Wednesday 12th March 08

