



May 2008

Asking Price Index

The UK's Independent Forward Market Indicator

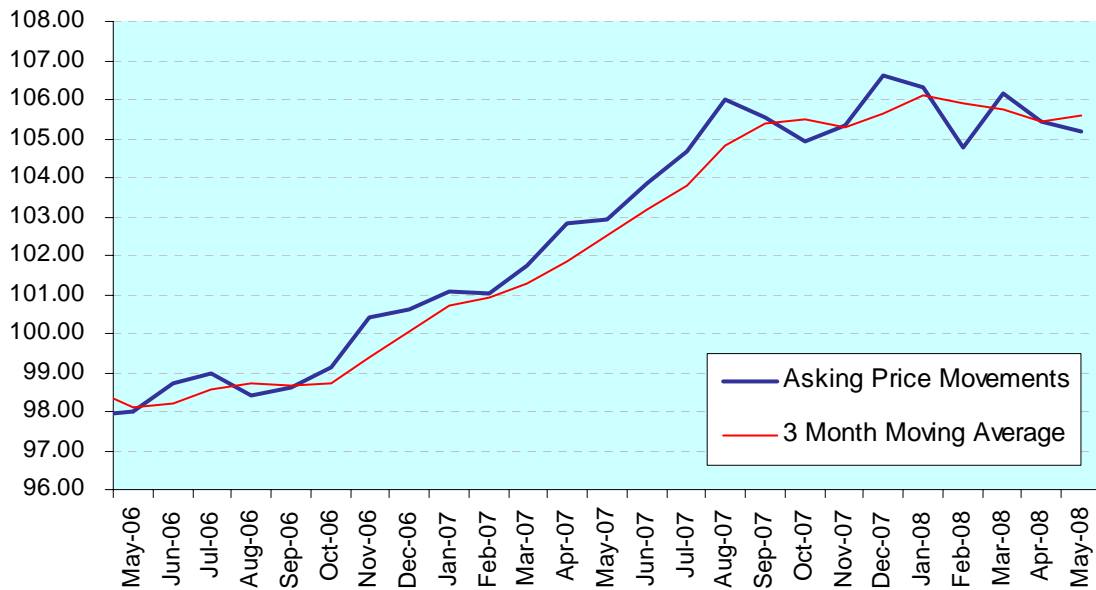
Home Asking Price Index. Release date: 12th May 2008

Asking Prices Weaken Further.

" In my view a correction of approximately one third in house prices does not seem implausible in the UK over a period of two or three years if house price-to-earnings ratios are to be restored to more sustainable levels." (April 2008)

[David Blanchflower](#), Economist, MPC Member, 1952-.

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

The mix adjusted average Asking Price for homes on the market in England and Wales fell this month by 0.3%.

Monthly falls were observed in 8 of the 9 English regions and in Scotland and Wales. Only East Anglia bucks the UK house price trend with a rise of 0.3%.

Asking Prices in England & Wales have risen only 2.2% since May 2007, a fall in *real terms* of 1.6% relative to the Retail Price Index (RPI Mar 08).

Scottish Asking Prices have fallen 2.4% since Nov 07.

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The Home.co.uk Asking Price Index is calculated by Calnea Analytics Ltd



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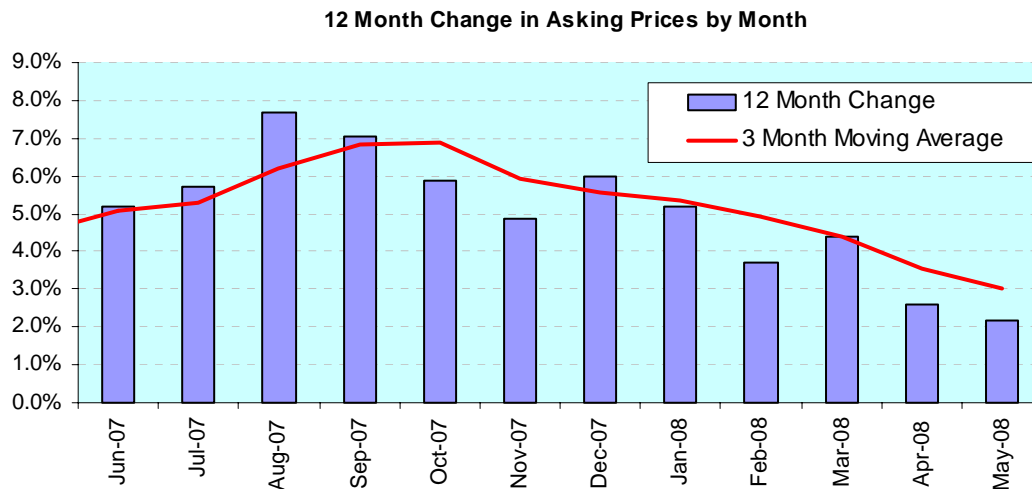
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Overview

The May 08 UK housing market is characterised by a dearth of buyers and a relative glut of sellers. Market sentiment continues to deteriorate as media reports of falling house prices reinforce buyer apprehensions. Mortgage lending has been drastically reduced, in terms of both loan-to-value ratios and the numbers of monthly approvals for homebuyers. The dwindling number of serious buyers is a direct result of the more risk-averse attitude of mortgage lenders, burdened by liquidity concerns. Whilst large falls in asking prices have yet to materialise, sellers must now price properties more competitively to achieve a sale within a reasonable time frame.

Negative sentiment is now hampering regional housing markets across the UK. The weakest markets in terms of asking prices, over the last 6 months, are West Midlands (-3.1%) and Scotland (-2.4%). The most resilient markets over the same period are East Anglia (+3.5%), Yorkshire and Humber (+2.0%) and Greater London (+1.5%).

Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales has fallen to a 15 month low of 2.2%, following a downward trend which started in September 07.

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Over the last 12 months, Asking Prices for homes in England and Wales have risen 2.2%, *ca.* 0.3% below the [CPI](#), *ca.* 1.6% below the [RPI](#) and *ca.* 1.6% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £256,590.

The HAPI for England and Wales has fallen 0.2 index points to 105.2 since Apr 08 [May04 = 100].

Regional Housing Markets

Regional asking prices for May 2008, showing gains and losses since November 2007.

	Current average price	6-month change
East Anglia	£264,279	+3.5%
Yorkshire and Humber	£181,878	+2.0%
Greater London	£354,274	+1.5%
Wales	£193,595	-0.1%
North West	£190,140	-0.7%
South East	£290,303	-1.4%
South West	£267,932	-1.7%
North	£168,394	-1.8%
East Midlands	£187,744	-1.9%
Scotland	£179,792	-2.4%
West Midlands	£205,306	-3.1%
England & Wales	£256,590	-0.1%

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

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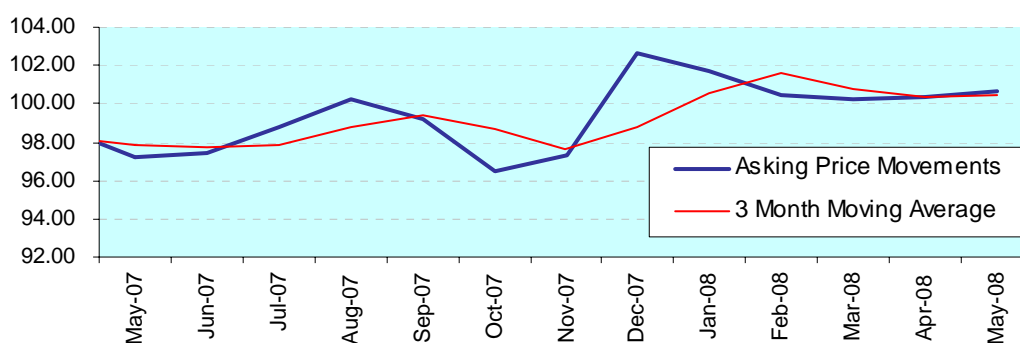
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East Anglia

The recent asking price trend for homes in East Anglia has proved exceptionally robust when compared to the rest of the UK. Market house prices in East Anglia have risen by 3.5% since May 07, which is approximately in line with inflation (RPI). Price fluctuations observed around the last quarter of 2007 are consistent with market distortions caused by the introduction of Home Information Packs.

Asking Price Movements for East Anglia

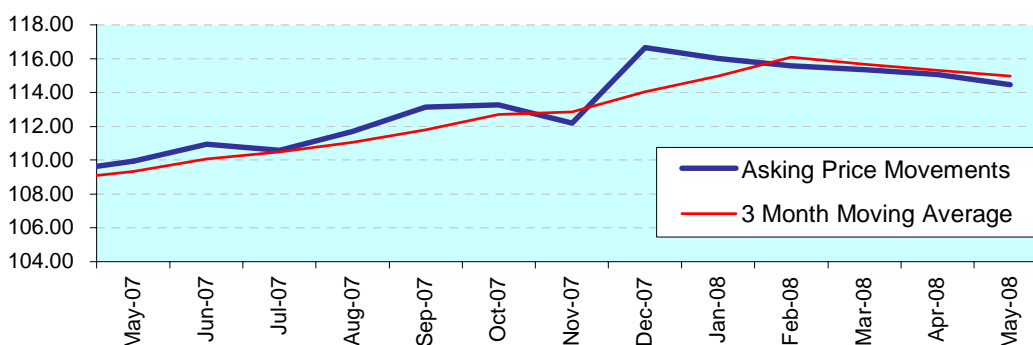


[Laspeyres](#) Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Yorkshire and Humber

The mix adjusted average asking price for properties for sale in Yorkshire and Humber has risen by 4.1% since May 07. However, market house prices have been falling steadily in this region since December 07.

Asking Price Movements for Yorkshire and Humber



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

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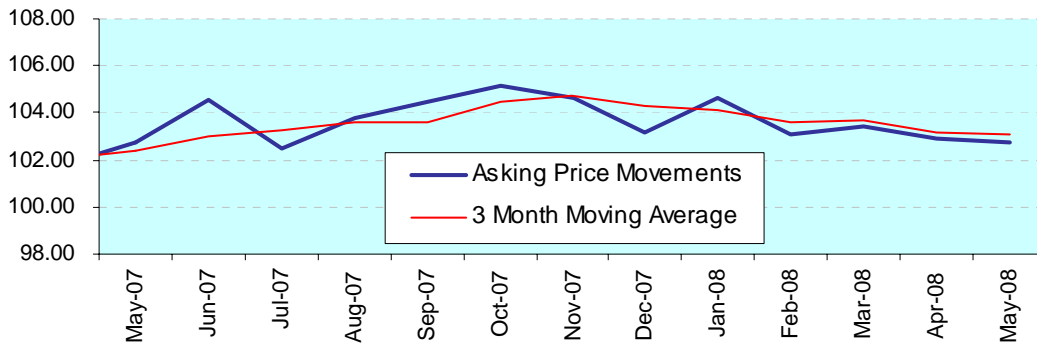
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The North

Market house prices in the North continue a downward trend, which started in October 07, falling by 2.2% since the peak. Asking prices in the North are now the same as they were in May 07.

Asking Price Movements for the North

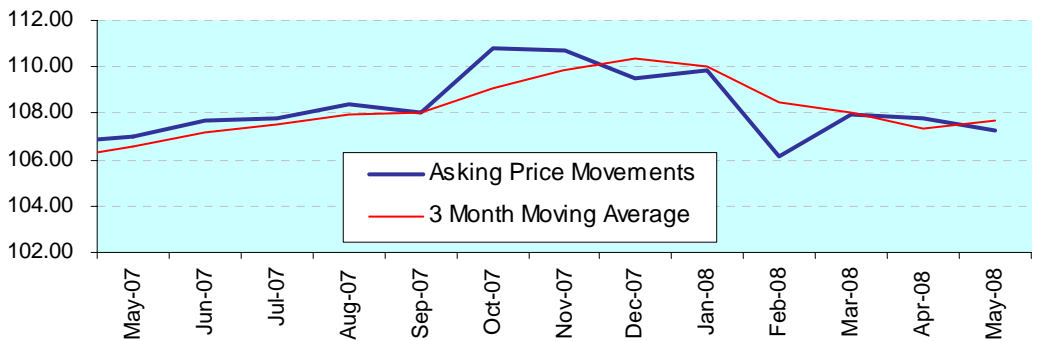


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

West Midlands

Market house prices in the West Midlands have declined by 3.1% since Nov 07, the largest regional fall in England for the period. The recent price trend in West Midland asking prices indicates a faltering recovery of sentiment amongst sellers following a dramatic dip in February.

Asking Price Movements for the West Midlands



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

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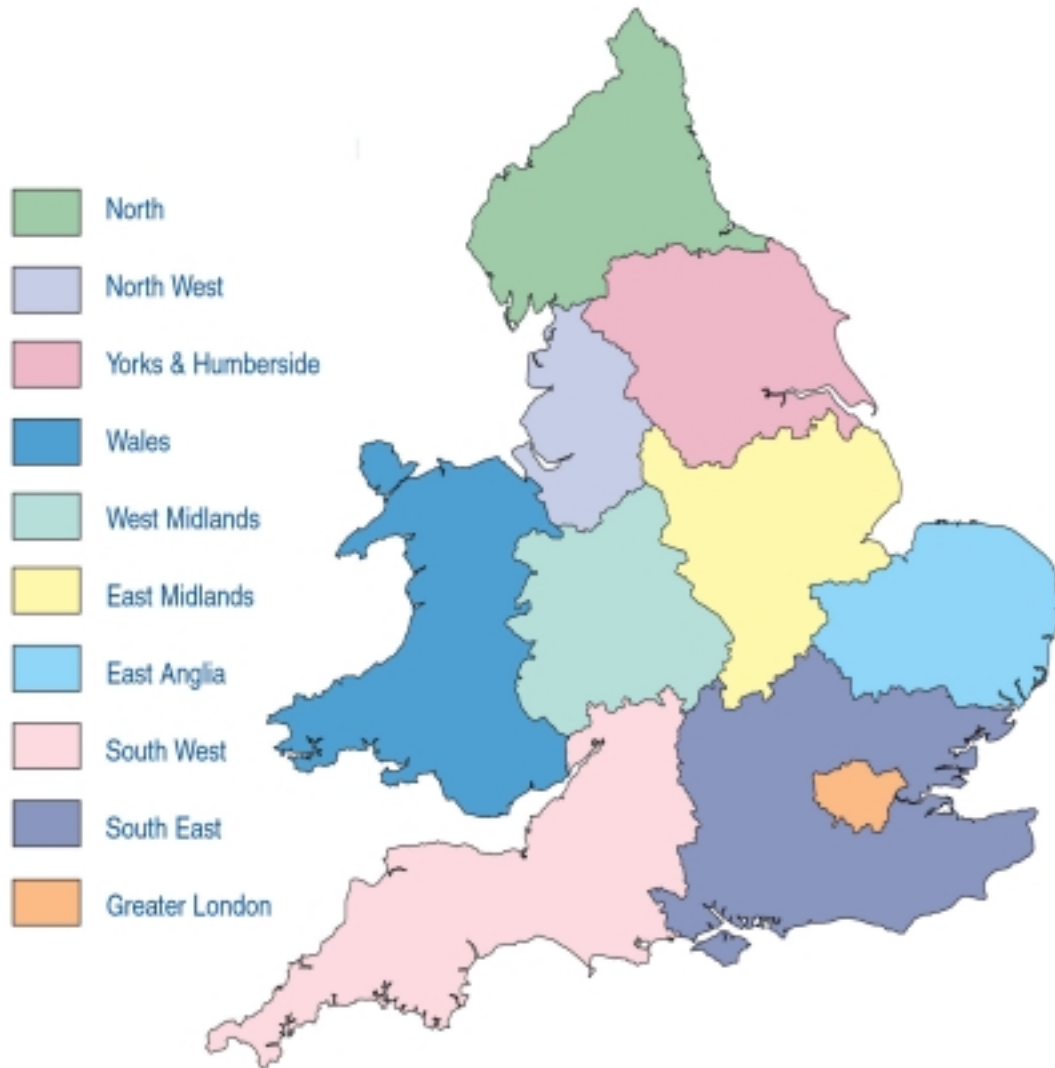
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Regions (as per DCLG)



Source: HM Land Registry

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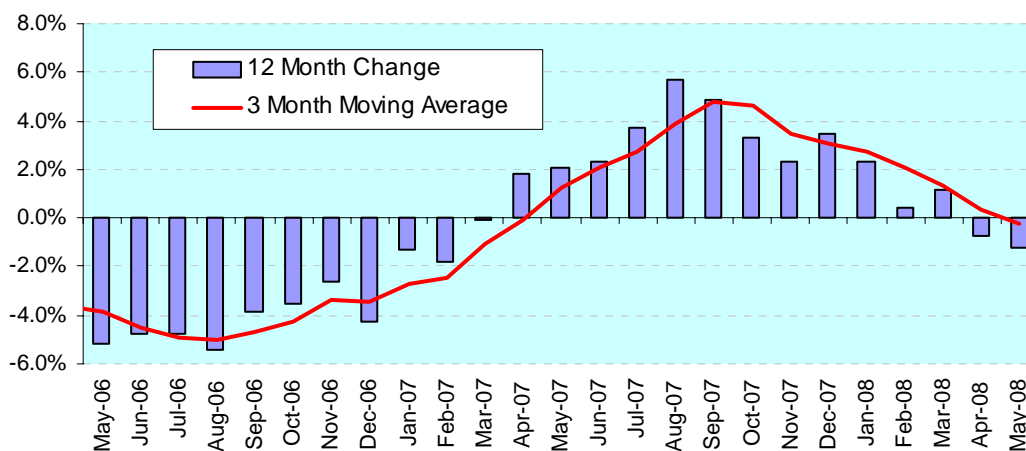
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Comment

Asking prices are now clearly falling in real terms. The sustained rally that followed the 2005/6 housing slowdown reached a *tipping point* in Aug 07. The subsequent decline in real asking prices that followed has now firmly entered negative territory. Should the present rate of decline in real year-on-year asking price growth persist until May 09, the fall in real asking prices would be around 10%. More aggressive price cutting by sellers would steepen the decline, as would increased rates of inflation.

12 Month Change in Asking Prices by Month Corrected for Inflation



Year-on-year change in mix adjusted average asking prices for England and Wales corrected for inflation (RPI all items ex. housing). Note: Apr08 and May08 figures are based on estimates.

Interest Rates

The Bank of England's Monetary Policy Committee, perhaps wary of growing inflationary pressures, voted to hold the base rate at 5.00% this month, a move that will have disappointed many hoping for a cut in interest rates to ease the flow of mortgage credit. However, in the current credit market, a cut in the BoE official bank rate is unlikely to elicit a reduction in actual mortgage rates, which are more influenced by the London Inter-Bank Offered Rate (LIBOR) and risk premiums, called Credit Default Swaps (CDS).

Looking forward, at least two further quarter-point cuts in the BoE official bank rate are expected according to [Gilt yields](#) by the end of 2008. The first of which may be implemented as soon as next month, as the negative effects of the credit crisis become increasingly evident in the wider UK economy. The downside of such actions will be to further weaken Sterling and fan the flames of inflation.

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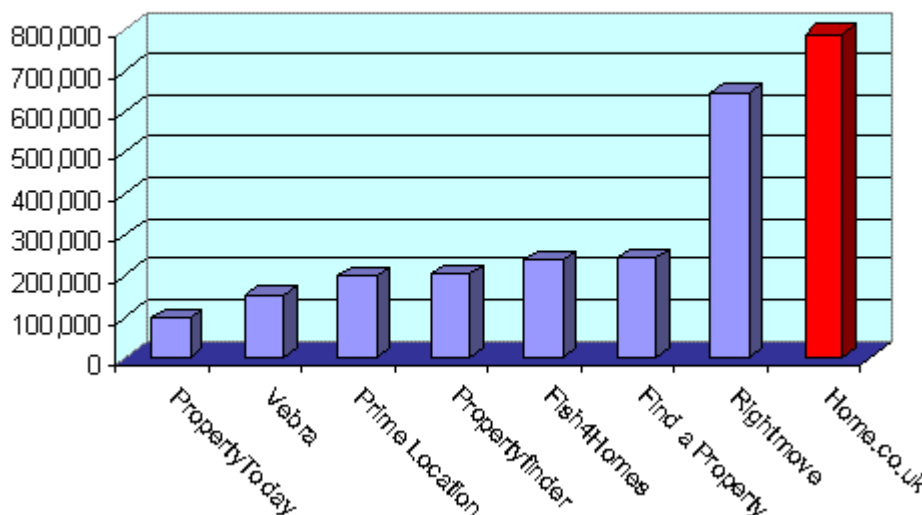
The Home.co.uk Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

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 February 08



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:

Thursday 12th June 08

Monday 14th July 08

Tuesday 12th August 08



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