



# Asking Price Index

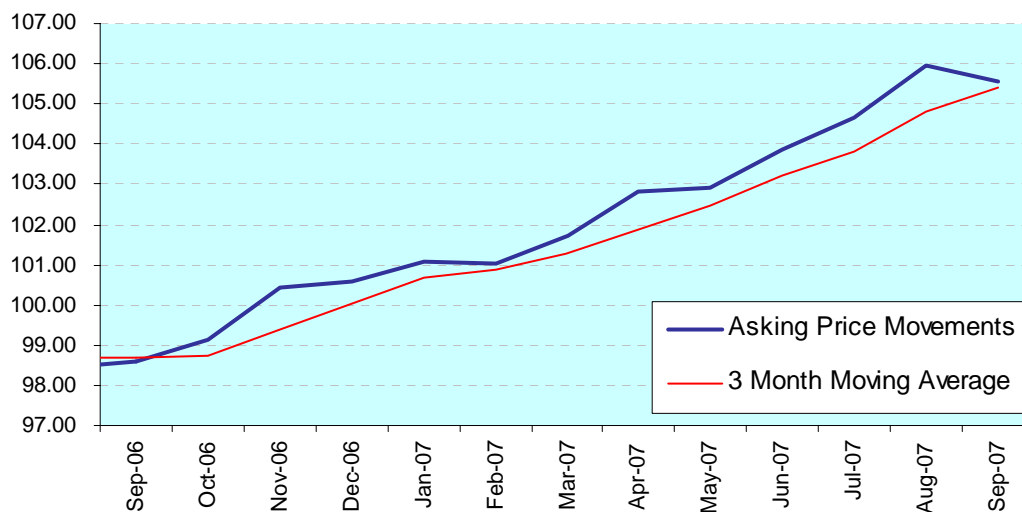
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 13<sup>th</sup> September 2007

## Prices slide as confidence crumbles.

"No longer the boom-bust economy, Britain has had the lowest interest rates for forty years." [Gordon Brown](#). (1951-)  
Politician, Chancellor of the Exchequer and Prime Minister

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

Prices of homes on the market in England and Wales fell by 0.4% between August and September, the first monthly fall since Aug06.

Asking Prices for homes in England and Wales have risen 7.1% year-on-year.

Greater London Asking Prices fell by 1.2% this month.

Asking prices fell in 6 of England's 9 regions and Scotland since August, whilst Wales registered the smallest possible rise of 0.1%.

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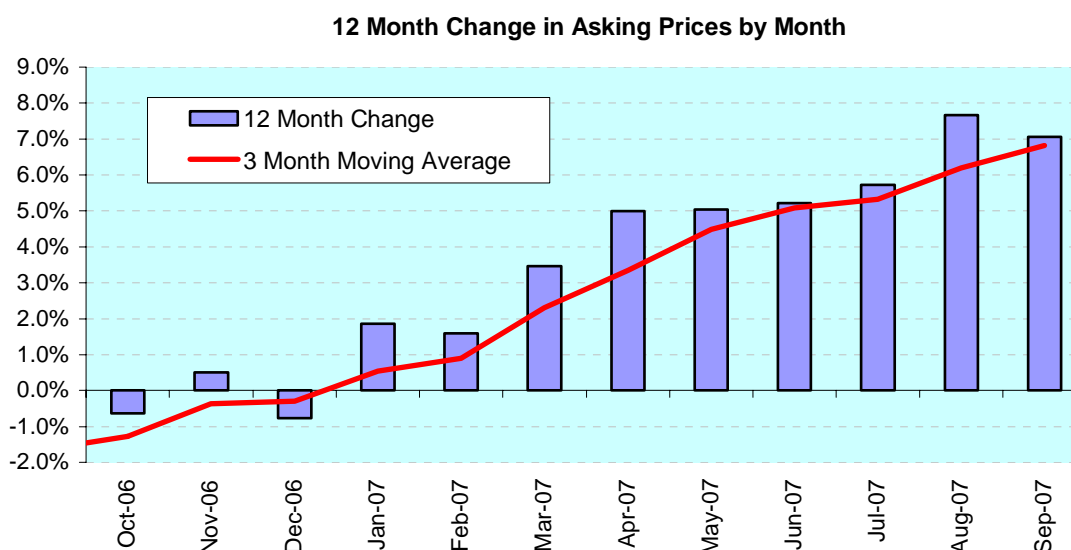
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## Overview

This month's fall in the mix adjusted average house price for England and Wales indicates a notable *sea change* in housing market sentiment. Sellers' confidence has finally begun to ebb in the face of rising interest rates and the house price high water market may well have been reached. The HAPI for England and Wales has dropped 0.4% to 105.6 since August [May04 = 100].

Over the last 12 months, Asking Prices for homes in England and Wales have risen 7.1%, *ca.* 5.2% above the [CPI](#), *ca.* 3.3% above the [RPI](#) and *ca.* 3.8% above the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £257,519.

## Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales has now slowed from a peak of 7.7% in August to 7.1%.

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## Regional Housing Markets

Regional average asking prices for Sept 07 showing gains and losses in Q3 07.

	Current average price	Q3 change
Scotland	£178,484	+4.0%
South East	£296,855	+3.7%
Wales	£198,486	+2.4%
South West	£273,212	+2.2%
Yorkshire and Humber	£179,814	+2.0%
East Anglia	£260,299	+1.8%
East Midlands	£191,969	+1.0%
North West	£191,621	+1.0%
Greater London	£346,497	+0.6%
West Midlands	£206,658	+0.3%
North	£171,159	-0.1%

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

## Regional Analysis

Most regions in England, Scotland and Wales have registered increases in asking prices over the last quarter. The observed gains are more muted than those observed for Q2 especially for the best performing regions.

For overall comparison, the average house price for England and Wales rose by 1.7% in Q3 2007, a slower rate of increase than Q2 (2.1%). This trend indicates that confidence amongst sellers is falling in the UK housing market as increasing numbers of buyers are priced-out due to repeated rises in the cost of mortgage borrowing.

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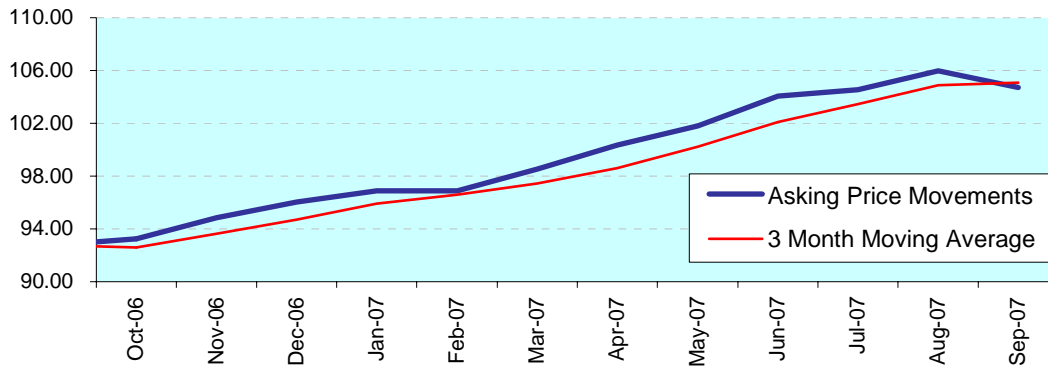
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## Greater London

Asking prices in Greater London fell by 1.2% this month, the largest fall for any region in England, Scotland and Wales. Housing market sentiment in the capital has been dealt a further blow in recent weeks as turmoil in the financial services sector adds to the pain of higher interest rates. Reduced availability of 'super-sized' loans and cancelled City bonuses mean higher priced properties are struggling to find buyers.

Asking Price Movements for Greater London



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

Greater London, with 14.8% of the UK housing stock, is widely regarded as a leading market for the UK residential market since historically price movements in this area are later reflected across more outlying regions. Therefore, this notable fall bodes ill for future house prices across the UK as a whole over the coming months.



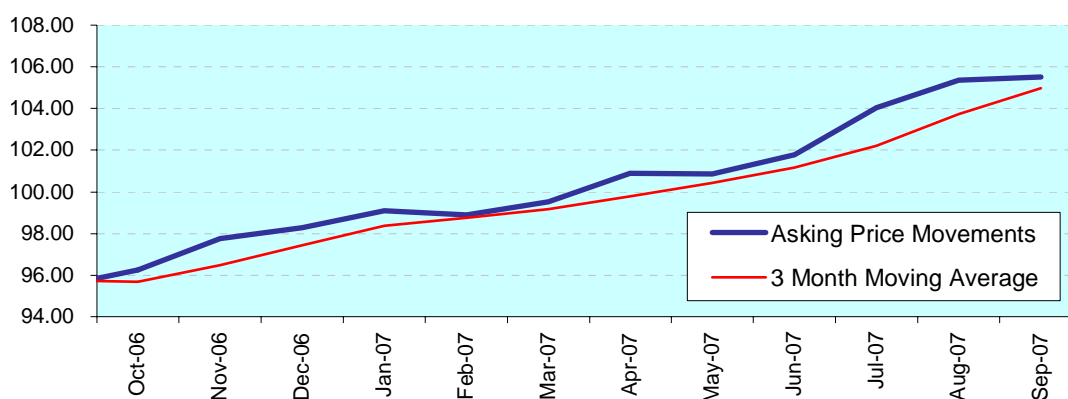
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## South East

House prices in the South East have risen strongly over the last twelve months (+10.6%) but a weak performance over the last month (+0.1%) suggests that this market may be finally slowing as tighter affordability constraints on buyers take their toll on asking prices.

**Asking Price Movements for the South East**

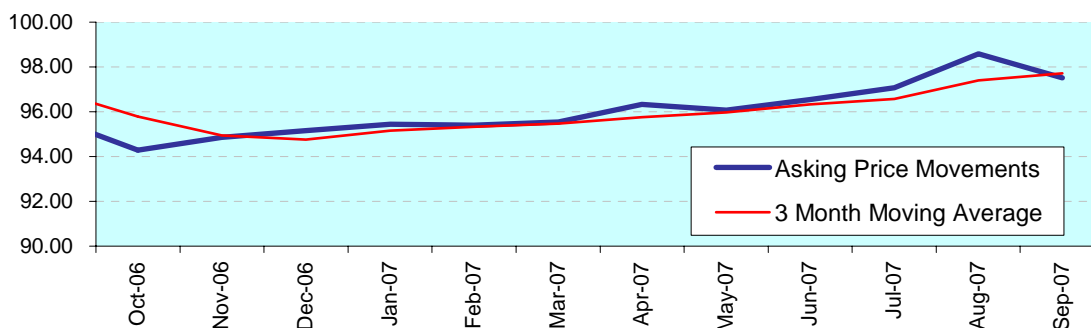


[Laspeyres](#) Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## East Midlands

Asking prices in the East Midlands have performed poorly, compared to the national average (+7.1%), over the last twelve months rising by only 1.8% since Sept 06.

**Asking Price Movements for the East Midlands**



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

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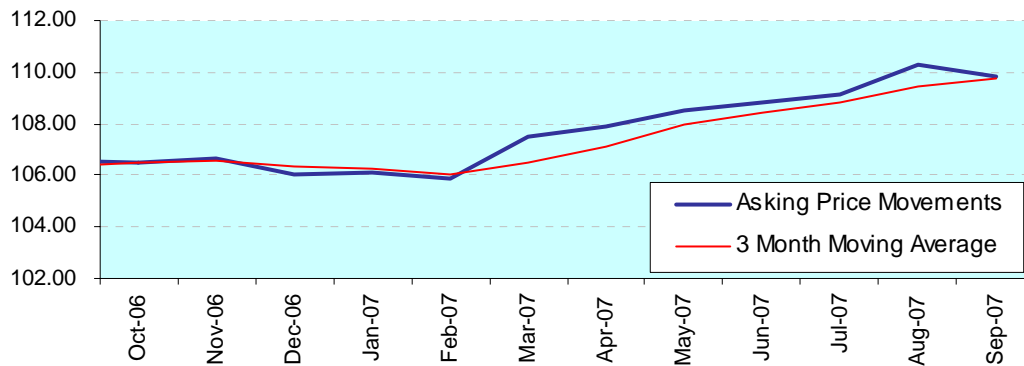
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## North West

The North West has also under performed with respect to the average for England and Wales, with market house prices rising by only 3.1% since Sept 06.

Asking Price Movements for the North West



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

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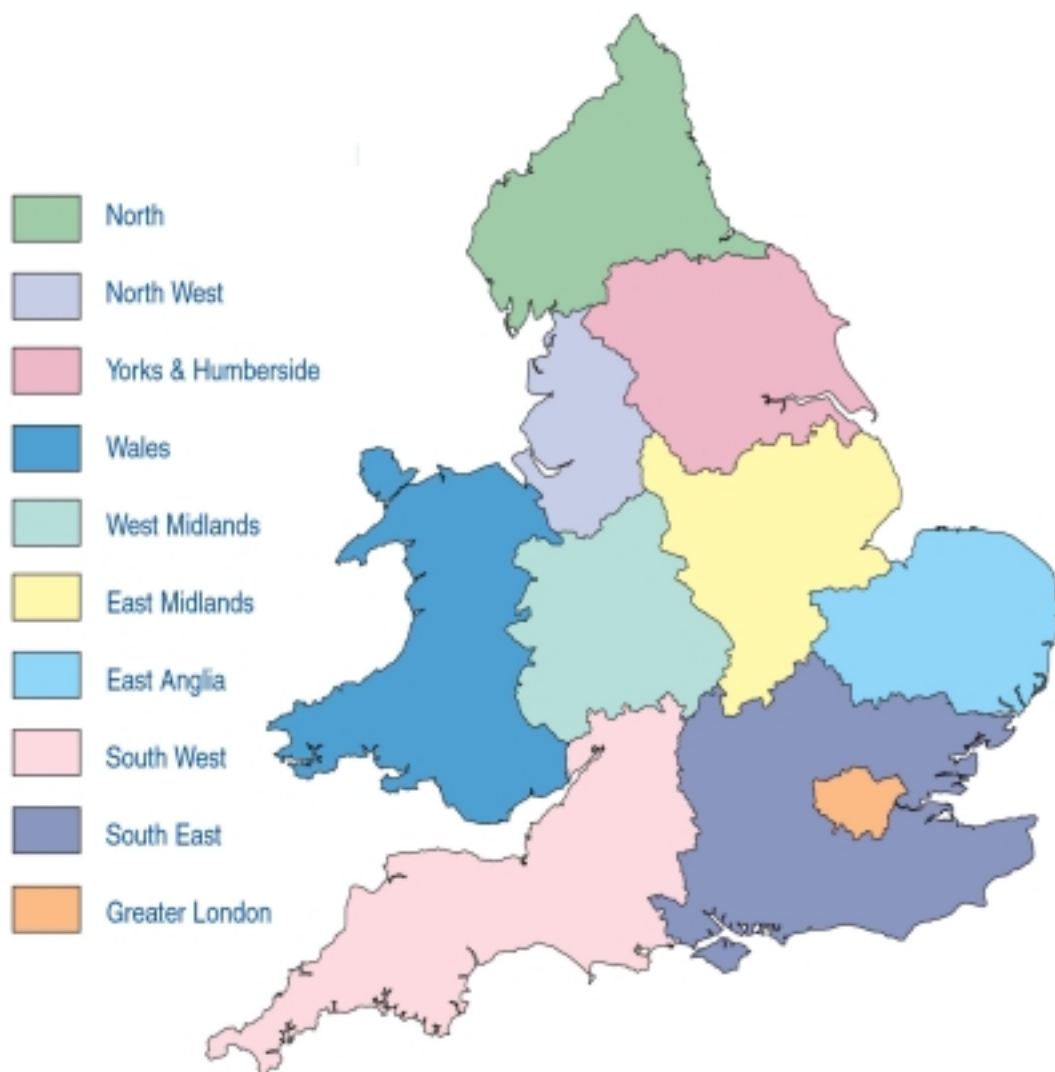
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**Regions** (as per DCLG)



Source: HM Land Registry

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## Comment

A profound *sea change* in market sentiment is evident in the UK housing market. The sustained *second wave* of house price inflation that followed the slump in 2005 has now lost all impetus and prices have begun to slide in the majority of England's regions. That such a *tipping point*\* would eventually be reached was clearly apparent, should the economic observer have compared the trends in interest rates, house prices and average earnings, as far back as Q4 2006. However, the precise timing of when the transition from a sellers' market to one that favours buyers would take place was less clear.

The 'sub-prime' lending crisis that began in the US has also affected the UK housing market and may indeed have triggered this tipping point. The perceived risk of mortgage loans to those with less than perfect credit histories has increased around the world, including the heavily indebted UK. In response, most lenders have now either removed their sub-prime offerings or added a further *risk premium* to the interest chargeable on the money loaned. Consequently, the cost of borrowing for the UK sub-prime sector, which constitutes an estimated 8%\*\* of buyers, has soared above the rises to be expected due to hikes in the base rate by the Bank of England and effectively priced out many prospective buyers. Fewer buyers in the market means fewer buyer enquiries and those sellers that really need to sell have reduced their asking prices, as is evident in this month's HAPI report.

The outlook for UK house prices is rather bleak as the already observed slowdown is likely to precipitate further price falls, brought about by increased supply. In a speech given in April 07 at the Council of Mortgage Lenders Annual Lunch, Clive Briault (Managing Director of Retail Markets at the FSA) gave a clear warning about sub-prime risks, "Placing a one way bet on rising house prices as a mechanism guaranteed to bail out both borrowers and lenders is not a sensible course of action - even a slowdown in house price rises could expose a number of seriously over-indebted borrowers." The 'over-indebted' will be therefore forced to sell.

Mortgage lending to landlords is at record levels and this reflects the current boom in this sector. However, unregulated lax lending to speculators could mean this type of mortgage is the next victim of credit tightening after sub-prime.

## The Buy-to-Let Snowball Effect

Investors in residential property who have been 'steering by the rear view mirror' are likely to be in for a shock. In particular, highly leveraged buy-to-let investors will find that, without the promise of capital gains and with rents essentially static, their sums will no longer add up. Lenders are also beginning to realise that landlord loans are becoming riskier and some are putting up their rates accordingly. The obvious course of action for some landlords will be to place some of their properties on the market to reduce their debt burden. Add these to the increasing numbers of distressed sales from sub-prime borrowers and the 'snowball effect' is well on its way.

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\* Forecast in the HAPI Nov 06 report.

\*\* According to the FSA, however, it may be higher.





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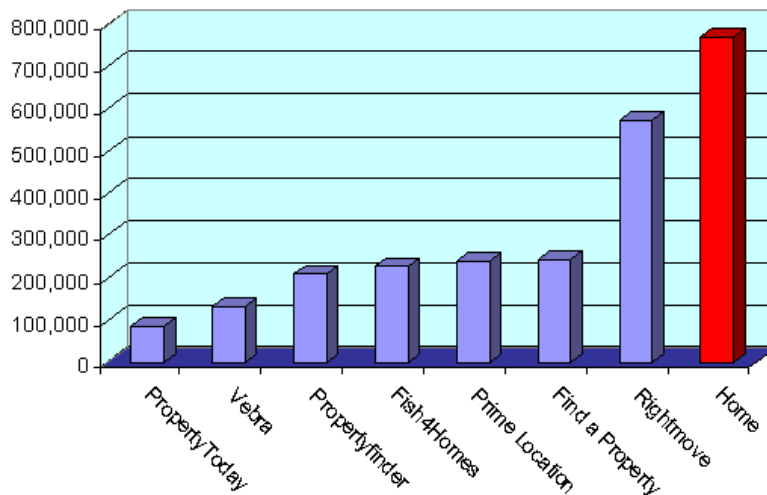
## The Home.co.uk Asking Price Index

The [Home.co.uk](http://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.

**Searchable Properties for Sale by Website.**  
Source Home.co.uk, August 2007



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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## Contact Details

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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:

Friday 12<sup>th</sup> October 07  
Monday 12<sup>th</sup> November 07  
Wednesday 12<sup>th</sup> December 07

