



April 2008

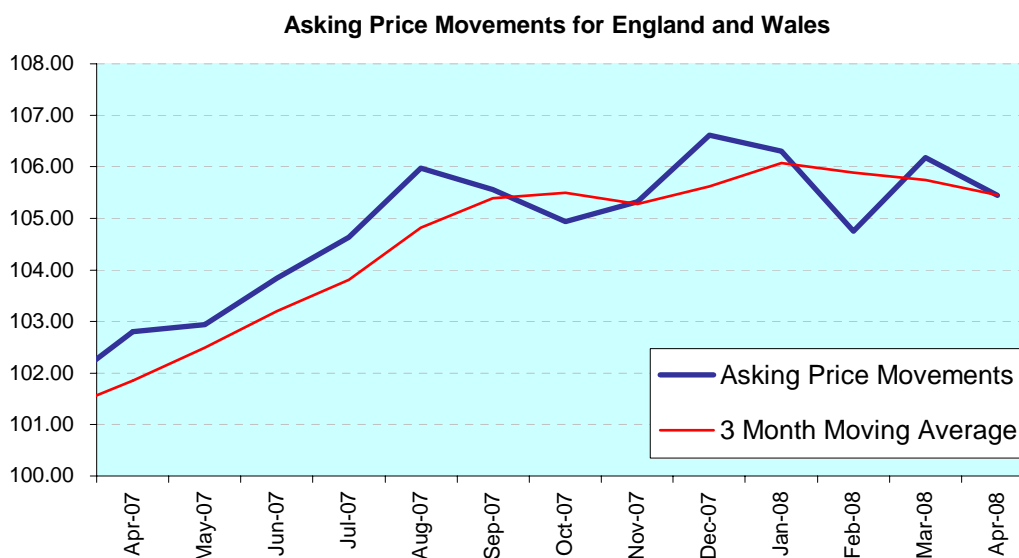
# Asking Price Index

The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 14<sup>th</sup> April 2008

## Sellers Begin to Price to Market.

" Debt-gorged British start to worry that the party is ending " [The New York Times](#), March 2008.



[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 0.7%.

Monthly falls were registered in 8 of the 9 English regions and in Scotland and Wales.

Asking Prices in England & Wales have risen only 2.6% since April 2007, a fall in real terms of 1.5% relative to the Retail Price Index (RPI).

Scottish Asking Prices fell 2.9% in six months.

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The [Home.co.uk](#) Asking Price Index is calculated by [Calnea Analytics Ltd](#)



# Asking Price Index

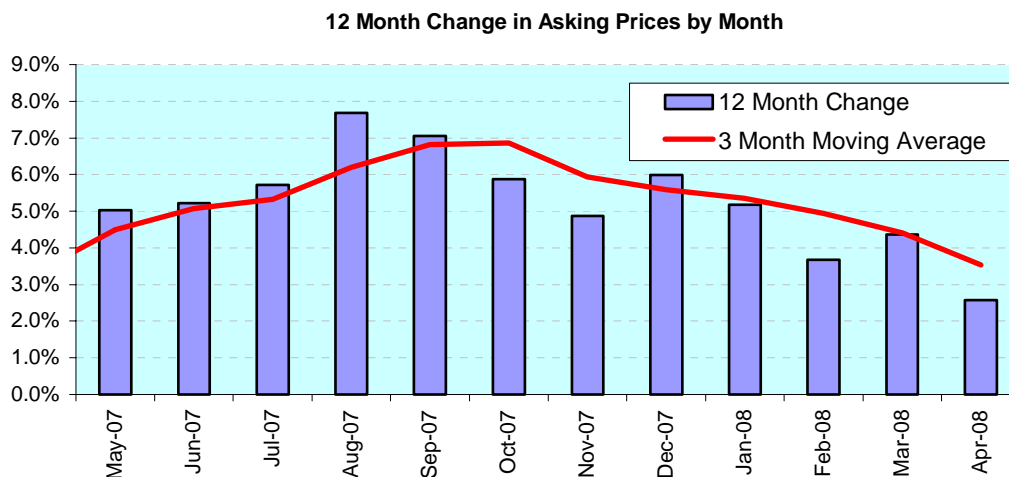
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## Overview

The 2008 Spring-bounce in the UK housing market is conspicuous by its absence. Market sentiment is deteriorating along with consumer confidence. Since the *tipping-point* in August 2007, mortgage credit for buyers has been increasingly difficult to secure as more and more deals are withdrawn from the market. Understandably, home sellers are therefore becoming increasingly desperate to sell and a minority have begun to make small cuts in their asking prices, although most properties are still priced according to last years credit market.

A further 0.25% cut in the base rate by the Bank of England has made little difference to mortgage rates. In fact, mortgage interest rates have been raised this month by several lenders including the Nationwide Building Society. Banks and Building Societies are now especially unwilling to lend large Loan-to-Value ratios and this is due to a perceived risk of falling house prices akin to the US housing market crash. Such risk aversion may well turn out to be self-fulfilling prophecy. The International Monetary Fund (IMF) has warned that UK property is nearly 30% overvalued and that house prices may fall 10% this year.

## Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales fell this month by 1.8%, continuing a downward trend since August 07.

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Over the last 12 months, Asking Prices for homes in England and Wales have risen 2.6%, *ca.* 0.1% above the [CPI](#), *ca.* 1.5% below the [RPI](#) and *ca.* 1.1% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £257,235.

The HAPI for England and Wales has fallen 0.7 index points to 105.4 since Mar 08 [May04 = 100].

### Regional Housing Markets

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

	Current average price	12-month change
Scotland	£180,018	+10.4%
Greater London	£355,073	+9.9%
Yorkshire and Humber	£182,861	+5.2%
South East	£291,643	+2.7%
East Anglia	£263,386	+1.7%
North West	£190,669	+1.3%
North	£168,704	+1.1%
West Midlands	£206,266	+1.0%
South West	£268,114	-0.1%
East Midlands	£188,420	-0.6%
Wales	£194,379	-0.7%
England & Wales	£257,235	+2.6%

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

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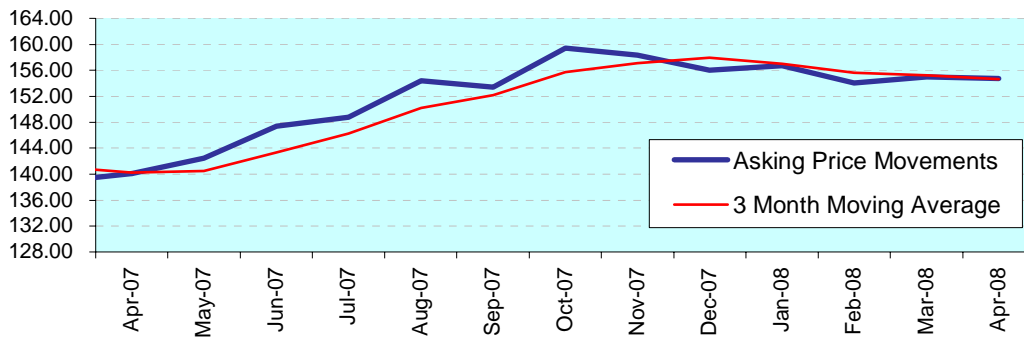
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## Scotland

Asking prices for homes in Scotland (usually 'offers over') have increased 10.4% since April 07. However, Scottish asking prices' meteoric rise over recent years was halted abruptly in October 07, owing to the credit crisis, and have since fallen by 2.9%.

Asking Price Movements for Scotland

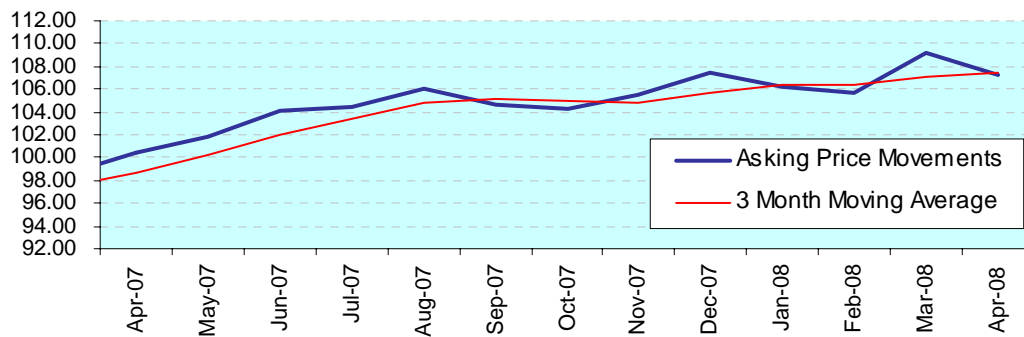


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## Greater London

The asking price for properties for sale in Greater London has risen by 9.9% since April 07 and has been the strongest housing market in England over the last year by far. However, market house prices fell back in London this month by 1.8%, reversing a hefty rise last month when new premium property listings surged. Fewer homes were placed on the market in Greater London this month.

Asking Price Movements for Greater London



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

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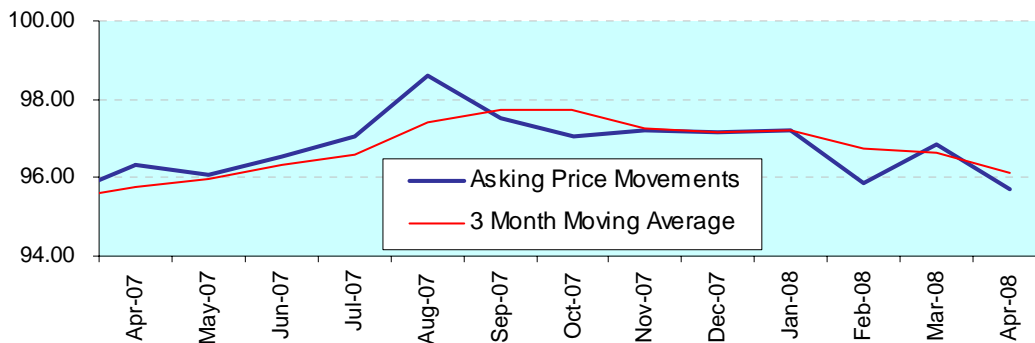
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## East Midlands

Market house prices in the East Midlands have established a downward trend since August 07, falling by 2.9% since their peak. Asking prices in the East Midlands are now 0.6% lower than they were in April 07.

Asking Price Movements for the East Midlands

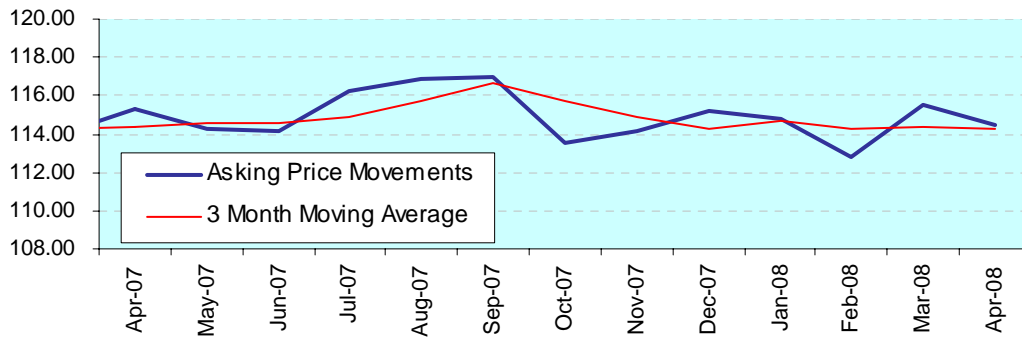


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## Wales

Market house prices in Wales have declined 0.7% over the last 12 months. The trend in Welsh asking prices is typical of a stagnating market, suggesting a standoff between buyers and sellers.

Asking Price Movements for Wales



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

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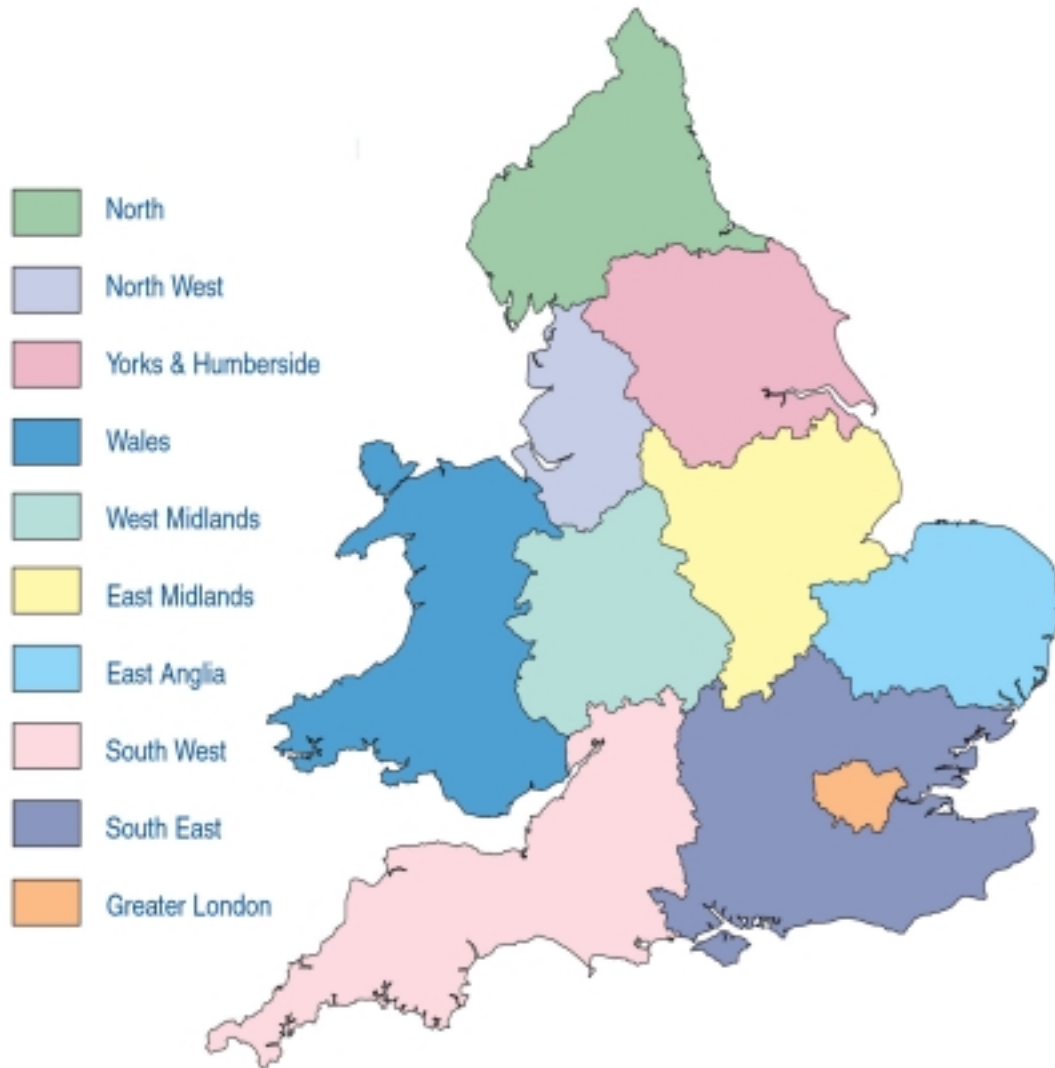
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**Regions** (as per DCLG)



Source: HM Land Registry

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## Comment

The UK housing market is now in the midst of a severe downturn. Sentiment in most regions has started a downward spiral, as the key driver for house prices, mortgage availability, melts away in the wake of the credit crunch. Only the London property market, popular with overseas buyers, has resisted successive falls in asking prices thus far.

The formerly gushing supply of credit to the UK property market is now reduced to a conservative trickle. Despite this month's cut in the Bank of England base rate, mortgage rates remain unchanged (or higher) and LTV ratios are falling. 100% mortgages are now unavailable. Over recent months literally thousands of mortgage products have been withdrawn from the marketplace as lenders shy away from the newly perceived risks of both substantial falls in home values and inflation, which are now factored into the cost of wholesale funding.

## A Buyers' Market

Credit conditions have finally fostered a buyers' market in UK property after 10 years of sellers having the upper hand. Buyers should be ready to bargain hard or play a waiting game to ensure value for money. However, mortgages are really only available to those with sizeable deposits and a good credit rating. Moreover, substantial reductions in asking prices may be needed to secure a sale (as much as 25%) in the current market to satisfy nervous buyers, concerned that they may catch a falling knife. First time buyers must be especially wary in the present market as the risk of negative equity is looming large.

## UK Government Intervention

Considerable rhetoric has been cited in the press regarding the possibility of government intervention in the UK housing market to help 'support' the housing market. Brown and Darling, in particular, appear desperate to ensure that lenders pass on the latest BoE base rate cut and therefore loosen mortgage credit. In the current risk-averse financial market their pleas appear to have fallen on deaf ears. The Prime Minister and the Chancellor are painfully aware of the wider implications for the UK economy of a housing bust. Darling revealed that he has "asked Sir James Crosby, the deputy chairman of the Financial Services Authority and a former chief executive of HBOS, to work with the industry, the Bank of England and the Treasury to see whether or not we can get more money into the system." Crosby is to present a preliminary report by the summer with proposals that could make it easier for first-time buyers and others to continue to get mortgages.

Thus far, interest rate cuts have done little to reinvigorate the housing market whilst damaging the value of Sterling and risking serious inflation. The UK government may conjure up new measures to help encourage UK homebuyers but their finances are already highly strained following the rescue of the Northern Rock.

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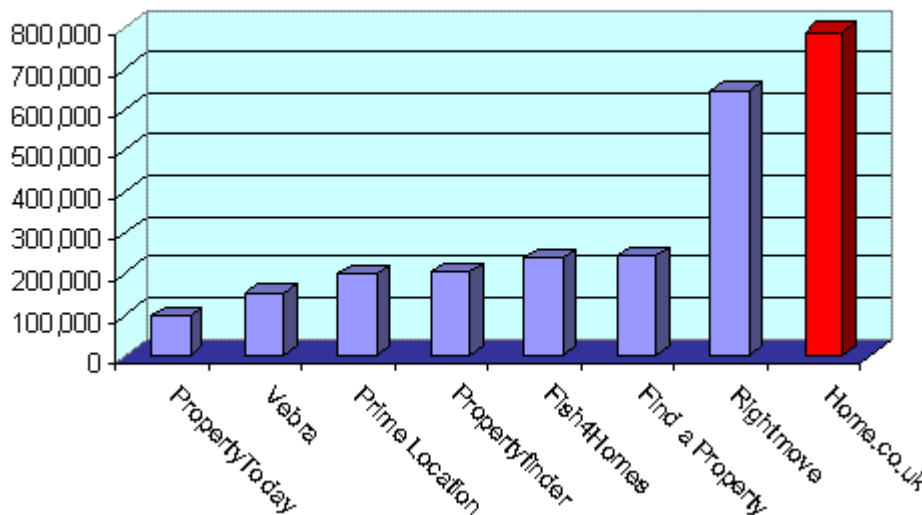
The [Home.co.uk](http://Home.co.uk) Asking Price Index is produced in association with [Calnea Analytics](http://Calnea Analytics): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](http://Land Registry House Price Index).

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](http://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](http://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:

Monday 12<sup>th</sup> May 08

Thursday 12<sup>th</sup> June 08

Monday 14<sup>th</sup> July 08



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