



Asking Price Index

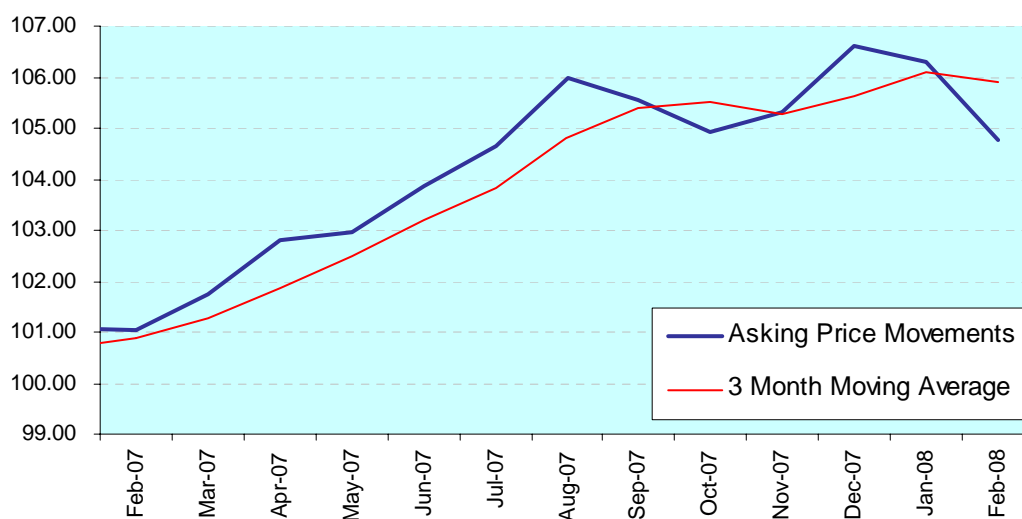
The UK's Independent Forward Market Indicator

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

House Prices Fall in all Regions.

" Credit expansion can bring about a temporary boom. But such a fictitious prosperity must end in a general depression of trade, a slump. " [Ludwig von Mises](#) (1881-1973) Economist, Libertarian.

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 price for homes on the market in England and Wales dropped sharply this month by 1.5%, which equates to an average reduction of £3,870.

The Asking Price year-on-year change for homes in England and Wales has fallen to only +3.7%.

West Midlands Asking Prices have fallen 3.6% over the last month.

Monthly falls were registered in *all* regions in England and Wales.

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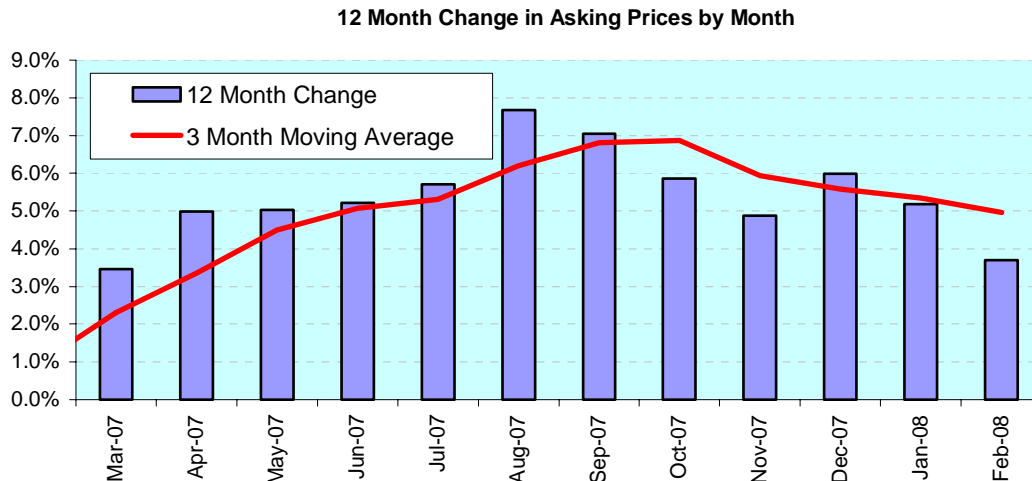
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Overview

Asking prices across the UK are falling fast. Sellers' confidence is sliding further as serious buyers are fewer and hard to find, prompting increased price cutting of properties on the market. A second cut this month of 0.25% in the Bank of England base rate will have been welcomed by sellers and buyers alike, although it will not be enough to stem the tide of falling prices.

Mortgage credit remains tight on account of a more cautious approach to lending in the wake of the collapse of the mortgage backed securities market in August 07. This crisis in the money markets has increased financing costs for lenders and reduced their appetite for risky lending. Increased Loan-to-Value (LTV) ratio demands by many lenders are indicative of the current credit market and are proving prohibitive for many potential buyers with insufficient deposits. Buyers with large cash deposits will undoubtedly have the upper hand over the coming months and they are likely to demand considerable discounts from sellers before agreeing to a purchase.

Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales continues to follow a downward trend since August 07. Asking prices have increased 3.7% since February 07, a fall in real terms of 0.3% (relative to the RPI December figures).

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Over the last 12 months, Asking Prices for homes in England and Wales have risen 3.7%, *ca.* 1.6% above the [CPI](#), *ca.* 0.3% below the [RPI](#) and *ca.* 0.1% above the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £255,544.

The HAPI for England and Wales has fallen 1.5 index points to 104.8 since Jan 08 [May04 = 100].

Regional Housing Markets

Regional average asking prices for Feb 2008 showing gains and losses since Aug 2007.

	Current average price	6-month change
Yorkshire and Humber	£184,391	+3.5%
East Anglia	£263,527	+0.2%
Greater London	£349,553	-0.3%
North	£168,901	-0.7%
North West	£190,192	-1.1%
West Midlands	£203,141	-2.0%
South West	£268,504	-2.1%
South East	£288,461	-2.7%
East Midlands	£188,754	-2.7%
Wales	£191,472	-3.5%
Scotland	£169,858	-5.4%
England & Wales	£255,544	-1.2%

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

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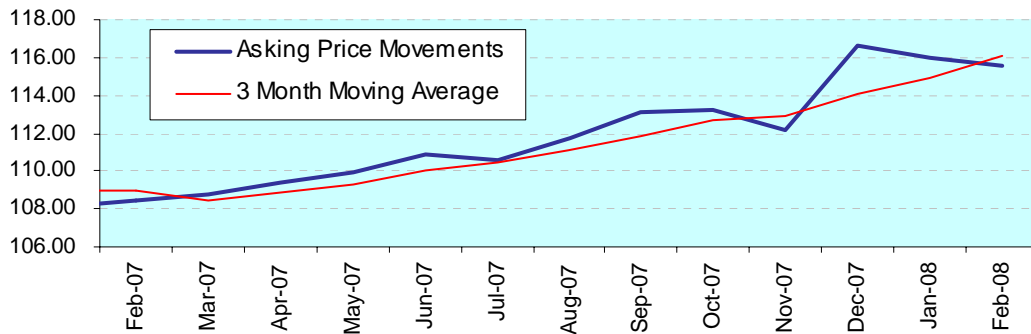
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Yorkshire & Humber

Significant cutting of asking prices is yet to be evident in Yorkshire and Humber region, although prices have retreated by around 1.0% since Dec 07. Asking prices for homes in Yorkshire and Humber have risen 6.5% since Feb 07 and 3.5% over the last 6 months.

Asking Price Movements for Yorkshire & Humber

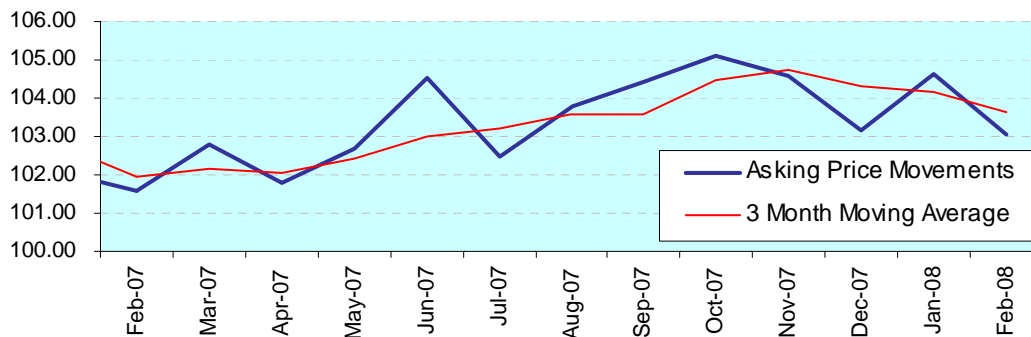


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

The North

Market house prices in the North of England peaked in Oct 07 from which point they have fallen around 2.0%.

Asking Price Movements for the North



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

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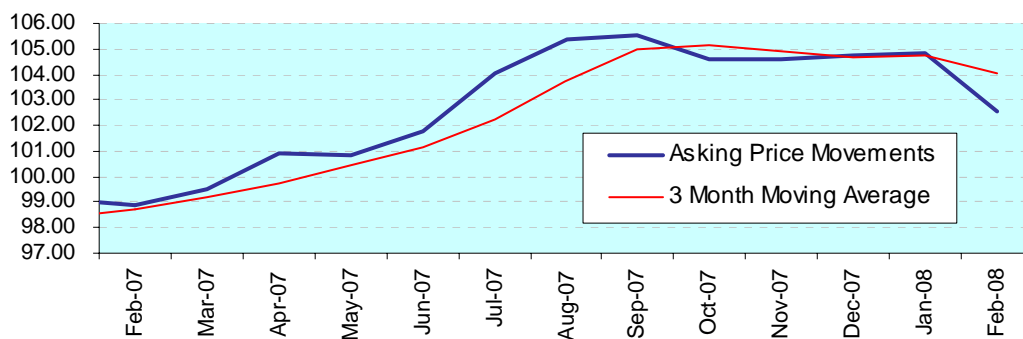
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South East

Prices of houses on the market have fallen back in the South East following a recent high point in Sept 07. Asking prices have fallen dramatically in the last month, which is indicative of a loss of confidence in this region's housing market. Asking prices have fallen in the South East by around 3.0% since Sept 07.

Asking Price Movements for the South East

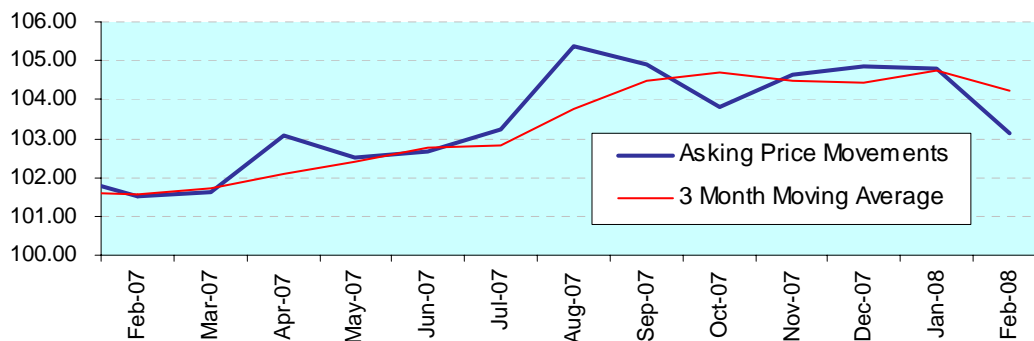


[Laspeyres](#) Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

South West

South West housing market prices have fallen back from a recent high in Aug 07. Reduced demand for second homes and a poor economic outlook for 2008 leave little scope for a near-term revival of this housing market. Asking prices have fallen by around 2.2% since Aug 07.

Asking Price Movements for the South West



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

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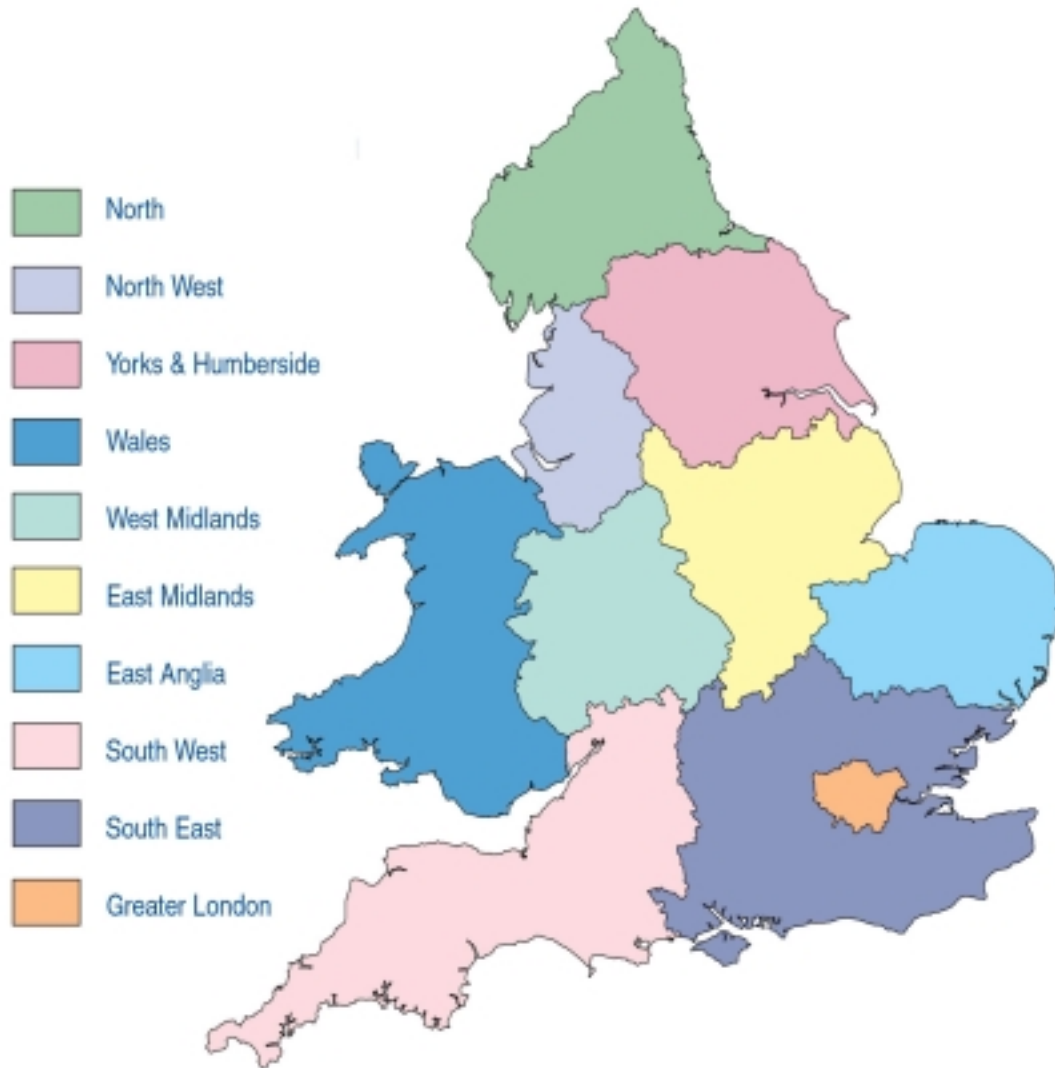
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Regions (as per DCLG)



Source: HM Land Registry

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Comment

The effect of a tighter credit market on UK housing has now become painfully clear, as potential buyers have found securing a mortgage agreement difficult or impossible. After six months of hopeful stagnation, following the August 2007 tipping point for the UK housing market, it is evident that asking prices are now being cut by increasingly desperate sellers. Moreover, market sentiment continues to deteriorate as those in a position to buy play a waiting game in the knowledge that house prices are falling. A nightmarish scenario for sellers: Waiting for an elusive buyer as £000s of pounds are wiped off the value of the property for sale every month. This is the psychology of a house price crash.

A Further 0.25% Cut in Interest Rates

Whilst it may be tempting to suggest that the further cut from the Bank of England this month may re-ignite interest from buyers, the mortgage finance markets have now changed beyond recognition compared to recent years. Economist Ludwig von Mises a long time ago warned that "imprudent granting of credit is bound to prove just as ruinous to a bank as to any other merchant" and so it is a lesson now being re-learned by mortgage lenders in the wake of the sub-prime crisis. The reassessment of default risk on mortgage loans means that minimum LTV requirements will inevitably fall and adverse premiums rise as banks and building societies seek to minimize their potential losses in a falling market. In other words, the availability of mortgage credit, the key driver for the UK housing market, looks set to worsen as house prices fall.

When Will the Market Stabilise?

The short answer to this question is 'When homes become affordable again.' Currently they are not affordable for sufficient numbers of buyers to maintain prices as they are. Hence a correction is taking place in the housing market the length and depth of which will depend on both future interest rates and the health of the wider economy. More rate cuts are expected in 2008, although the onset of increasing inflation due to soaring commodity prices may throw this trend into reverse in 2009. It is worth remembering that house prices took six years to stabilise following the disastrous crash in late 1989.

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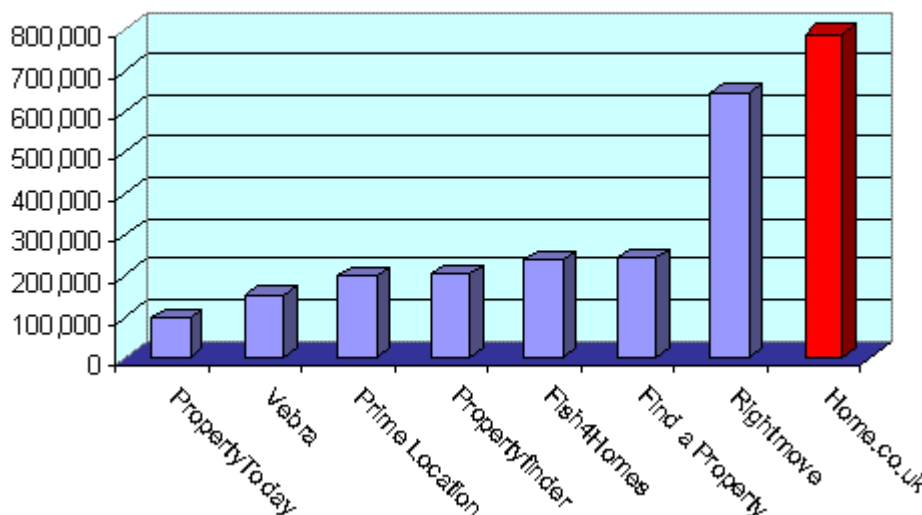
The Home.co.uk Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

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:

Wednesday 12th March 08

Monday 14th April 08

Monday 12th May 08



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