



January 09

Asking Price Index

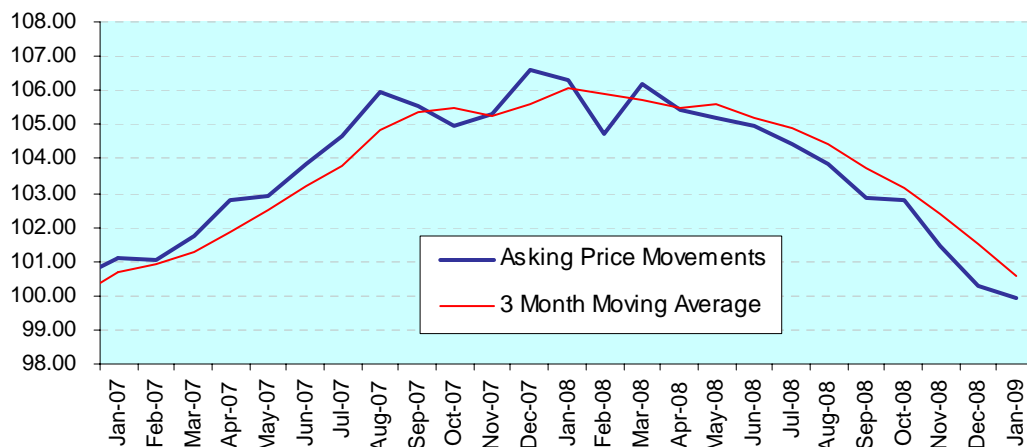
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12th January 2009

Fewer Price Cuts Over Festive Season

"We didn't think it [the financial crisis] was going to be anything like as severe as it's turned out to be," Sir John Gieve, Deputy Governor, Bank of England.

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

Asking Prices for homes on the market in England and Wales fell by just 0.3% in the last month.

Monthly price falls observed in 8 of 9 English regions, Wales and Scotland.

Market house prices in Greater London bucked the UK trend and rose, by 0.4%, over the last month.

Asking Prices across England and Wales have fallen 6.0% since January 08.

The average Asking Price reduction in December was £20,250.

Market house prices in the East Midlands are now 10.6% lower than in May 2004.

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Overview

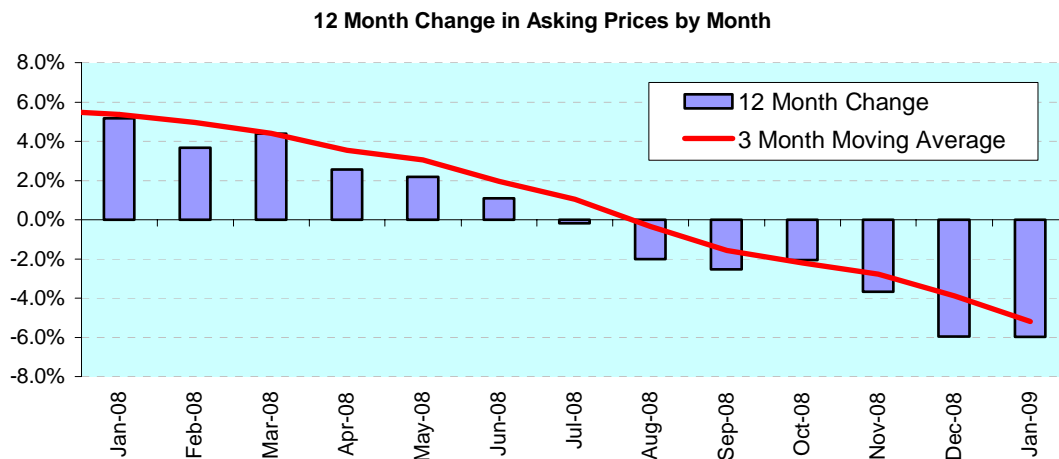
Asking prices for UK residential property are in the midst of a painful corrective phase. Mortgage credit remains unobtainable to many potential buyers. Widespread job losses across the UK economy looks set to further destabilise the balance of homebuyers and sellers in 2009.

Time-on-market indicators are rising and for some worst affected locations the average marketing period for homes for sale is approaching a year. Clearly, vendors in such areas of the country are being overly optimistic and need to adjust their asking prices accordingly. Keenly priced homes are still selling within a reasonable timeframe.

Asking prices of 73,000 homes on the market were cut in December, which is much less than the 175,000 reductions found in November (and October 200,000). However, the festive season is traditionally a very quiet month for property sales. The value of the average price cut increased slightly from November (£20,174) to December (£20,250).

Asking prices fell in 8 of the 9 English regions, Scotland and Wales over the last month. Only Greater London indicated a rise in prices although this was due to proportionally more expensive homes lingering in estate agents' portfolios, rather than any upturn in market sentiment.

Twelve-Month Trend in Asking Prices



The Jan 09 year-on-year (YoY) fall in Asking Prices for England and Wales of 6.0% shows no change from Dec 08, although the downward trend is clear.

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Over the last 12 months, Asking Prices for homes in England and Wales have fallen 6.0%, *ca.* 10.1% below the [CPI](#), *ca.* 9.0% below the [RPI](#) and *ca.* 9.6% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £243,791.

The HAPI for England and Wales has fallen to 99.9 [May04 = 100].

Regional Housing Markets

Regional Asking Prices for January 2009, showing % change since January 2008.

	Current average price	YoY change
Wales	£187,589	-3.9%
Greater London	£336,602	-4.2%
Scotland	£174,162	-4.4%
Yorkshire and Humber	£174,595	-5.3%
North East	£162,433	-5.3%
North West	£181,344	-5.8%
South West	£256,351	-6.0%
East Anglia	£248,932	-6.7%
West Midlands	£195,179	-7.1%
South East	£273,422	-7.3%
East Midlands	£176,050	-8.0%
England & Wales	£243,791	-6.0%

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

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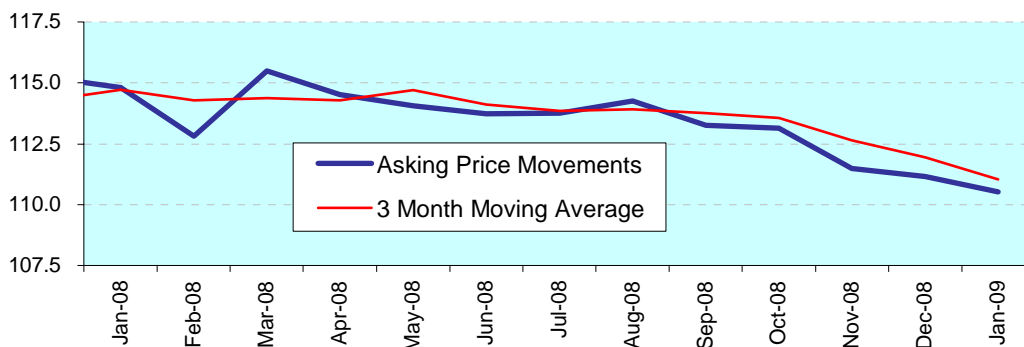
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Wales

Wales was the best performing housing market in 2008 falling only 3.9% since Jan 08. However, most of this decline in asking prices in Wales occurred in the last quarter indicated by a steeper downward trend, which needs to continue through 2009 if sales volumes are to recover in the Principality.

Asking Price Movements for Wales

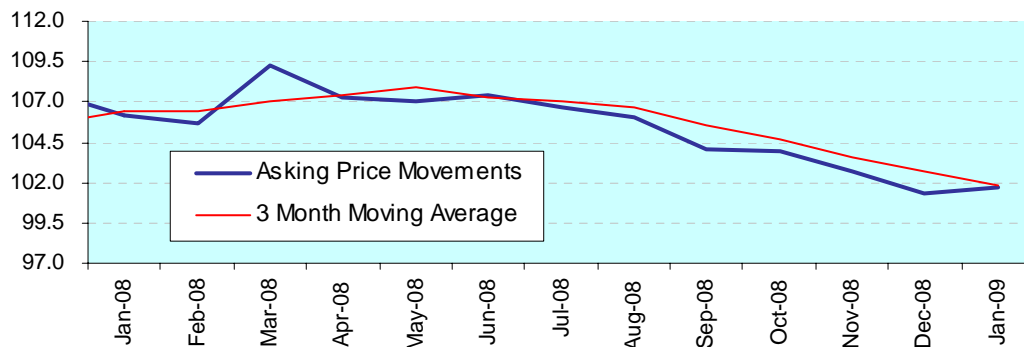


Laspeyres Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Greater London

Similarly, the mix-adjusted Asking Price chart for homes in Greater London indicates that most falls occurred in the latter half of 2008. Market house prices have fallen 4.4% over the course of 2008 in the English capital, the second best performing regional market over this period.

Asking Price Movements for Greater London



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

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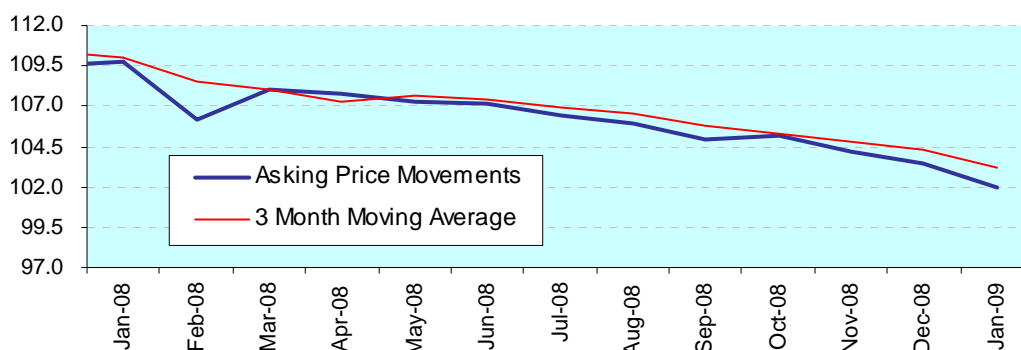
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West Midlands

The West Midlands is the third fastest falling region in 2008, indicating near continuous price declines throughout the year. The mix-adjusted average Asking Price fell by 7.1% through 2008. Moreover, over recent months the rate of decline in Asking Prices of homes in the West Midlands appears to be increasing.

Asking Price Movements for the West Midlands

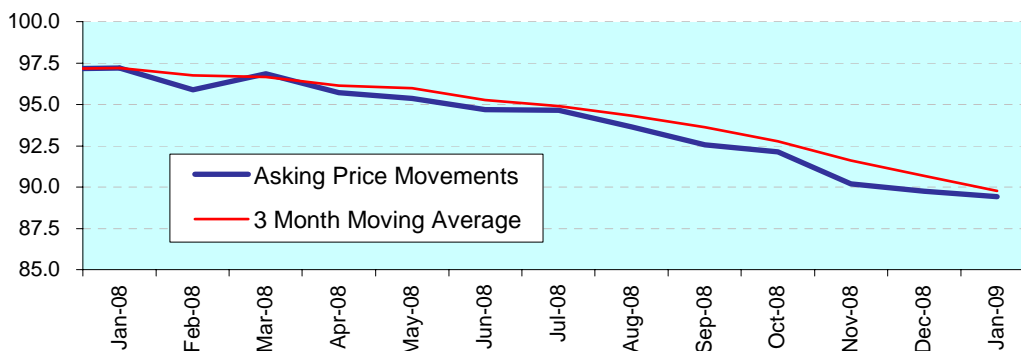


[Laspeyres](#) Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

East Midlands

The Asking Price chart for homes in the East Midlands, the heaviest regional faller in 2008, shows a steady deterioration of market sentiment on the region over the last year. Market house prices in the East Midlands have fallen 8.0% since Jan08 and are now 10.6% lower than in May 2004.

Asking Price Movements for the East Midlands



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

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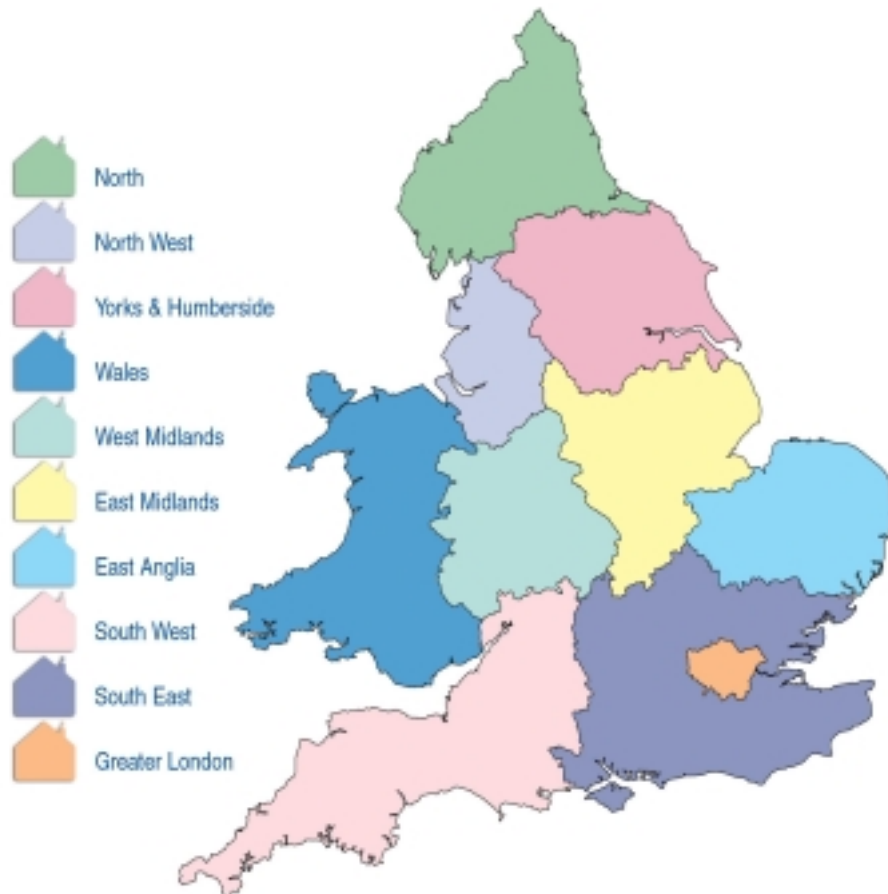


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Regions (as per DCLG)



Source: HM Land Registry

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Comment

Bank of England Reduces Base Rate Again to 1.5%

As widely anticipated, the BoE cut interest rates by a further 0.5% this month. This follows a cut of 1.0% in December and takes the BoE base rate to the lowest level in the history of the Bank of England, established in 1694. In the statement that accompanied the rate decision the Bank admits that "the availability of credit to both households and businesses has tightened further", a clear indication that the interest rate cutting policy is not working.

Despite this evidence the MPC persist with further cuts, akin to 'pushing on a string', and risks a ruinous Sterling crisis to boot. As we have warned before, market manipulation such as this in seeking to fix the price of anything (including credit) ever lower inevitably leads to greater and greater shortages. Tracker mortgages from major lenders are being withdrawn and some smaller lenders have now withdrawn from the mortgage market completely.

Perhaps only the now partially government owned banks can be coerced into lending into a perilous UK housing market at these lower rates. But the risks posed to the public purse and Sterling by the UK Government's bank guarantees are very real. This situation echoes the parlous state of affairs in Japan in the 1990s, an economic trap we discussed in detail in [Nov 06](#). It should be noted that the Bank of Japan's Zero Interest Rate Policy did not save them from the 'lost decade' and the horrendous levels of negative equity as house prices plunged 64% between 1991 and 2004.

Of course, caution should be exercised in comparing the economies of Japan and the UK. The UK runs a large trade deficit and Japan a trade surplus. The much needed inflation (to erode the debt) was never forthcoming for the Japanese following their spectacular housing bust, but persistent falls in the value of sterling will ultimately have this desired effect as import prices soar. The rapidly rising cost of imports will be felt throughout the UK in 2009 following Sterling's large falls against all major currencies over the last year. Deflation fears are therefore likely to evaporate giving renewed impetus to the UK housing market.

We expect transaction levels to increase slightly towards the end of 2009 together with a corresponding small increase in mortgage credit availability. Asking prices will remain subdued following further falls during the first half the year. However, if Sterling falls too far and too quickly, emergency interest rate rises will be required, trampling on any 'green shoots' of market recovery.

The UK government, via the FSA, now has a very real opportunity to rebuild the UK housing market within a more stable and sustainable framework. We strongly suggest that strict limits on loan to value ratios (e.g. 80% maximum) and income multiples (e.g. x3.5 maximum) would help pave the way for a better market for homeowners and mortgage lenders alike.

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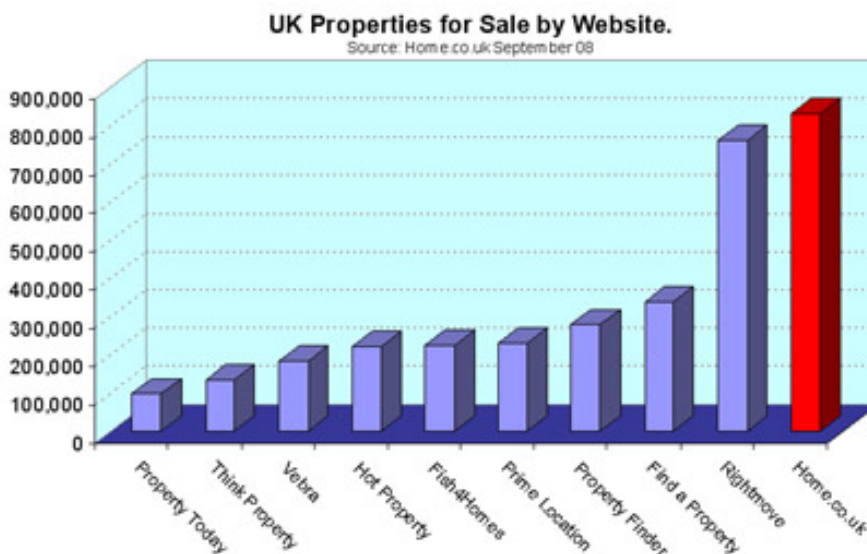
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The Home.co.uk Asking Price Index

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.



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 February 09

Thursday 12th March 09

Monday 13th April 09



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