



July 2008

Asking Price Index

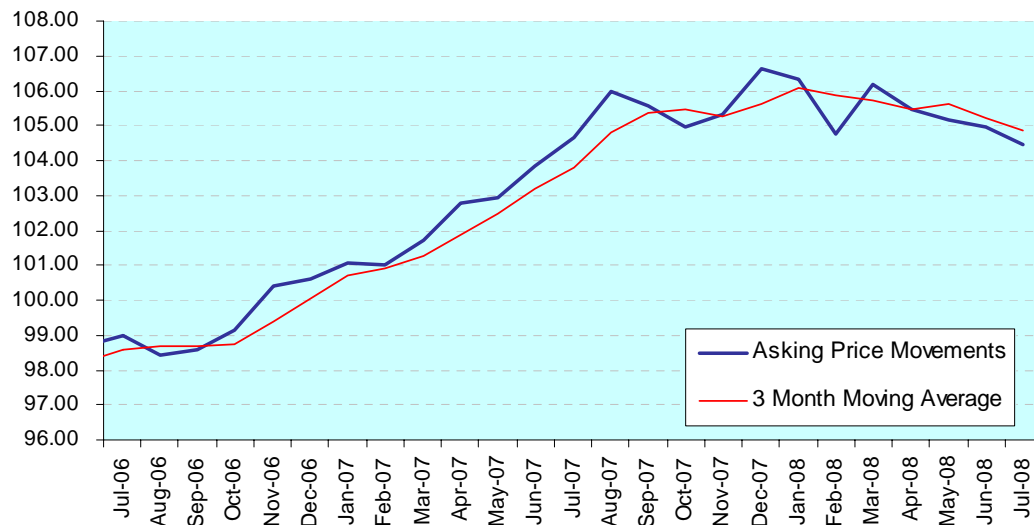
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 14th July 2008

Market Sentiment Deteriorates Further

"As things stand, inflation is likely to rise sharply in the second half of the year, to above 4%" Open letter on behalf of the Monetary Policy Committee to Chancellor of the Exchequer (16 June 2008).

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 0.5% and is 0.2% down year-on year (YoY).

YoY falls were observed in 6 out of 9 English regions and in Wales.

Asking prices in the East Midlands held steady this month but show a YoY decrease of 2.5%.

Asking Prices in Scotland show a YoY increase of 3.7% but have been dropping steadily since October 07.

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



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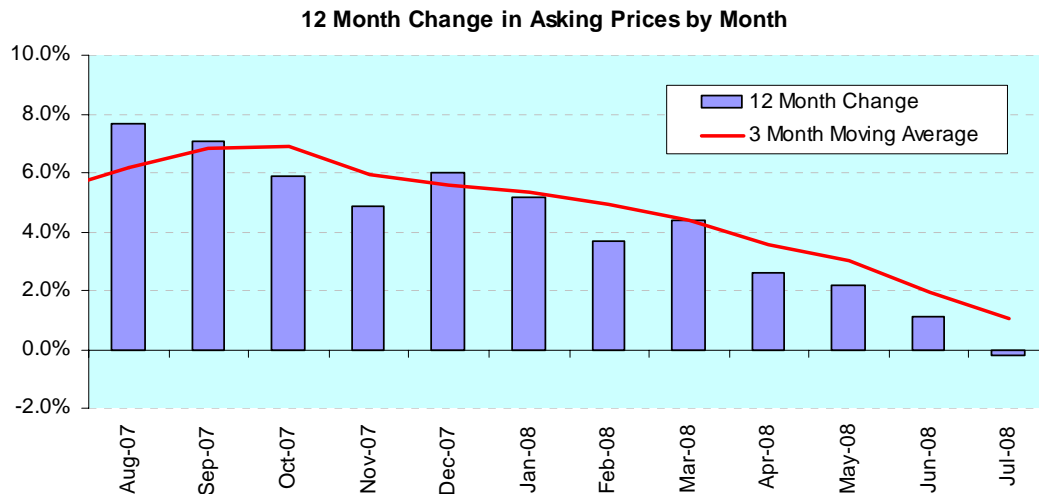
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Overview

As the availability of credit continues to tighten and most economic indicators point toward a recession, the mix-adjusted average asking prices continue to fall on a monthly basis and the YoY figures also highlight the trend of falling prices. Ongoing problems in the banking sector continue to cause problems in the mortgage markets, with relatively few mortgage deals available, sharply increased arrangement costs and the requirement to put down a significant deposit. These factors will further deter first time buyers in an already stagnant market. As the Special Liquidity Scheme has had little effect on the availability of credit, attention will now focus on Sir James Crosby's preliminary findings, into his review of the UK mortgage market, which are due to be published at the end of the month.

YoY prices are now falling in England and Wales with only Yorkshire and Humber, Greater London and East Anglia still showing any positive growth over this time-frame. Scotland is still showing the highest positive growth YoY but even this has faltered in recent months.

Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales has entered negative territory for the first time since December 06 and stands at -0.2% in July 08.

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Over the last 12 months, Asking Prices for homes in England and Wales have fallen 0.2%, *ca.* 3.5% below the [CPI](#), *ca.* 4.5% below the [RPI](#) and *ca.* 4.1% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £254,818.

The HAPI for England and Wales has fallen 0.2 index points to 104.5 YoY [May04 = 100].

Regional Housing Markets

Regional asking prices for July 2008, showing gains and losses YoY.

| | Current average price | YoY change |
|----------------------|-----------------------|------------|
| Scotland | £179,483 | +3.7% |
| Yorkshire and Humber | £180,613 | +2.8% |
| Greater London | £352,866 | +2.0% |
| East Anglia | £264,281 | +1.9% |
| North East | £166,309 | -1.0% |
| North West | £188,612 | -1.0% |
| West Midlands | £203,715 | -1.2% |
| South West | £265,406 | -1.3% |
| South East | £286,894 | -2.0% |
| Wales | £193,067 | -2.1% |
| East Midlands | £186,332 | -2.5% |
| England & Wales | £254,818 | -0.2% |

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

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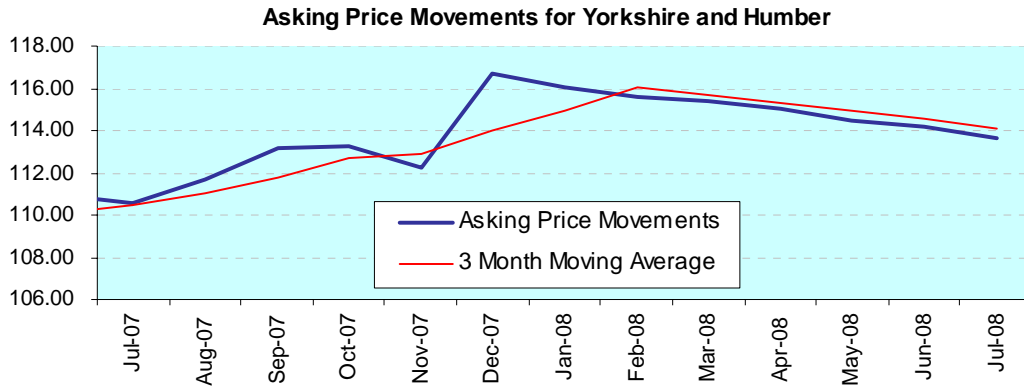


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Yorkshire and Humber

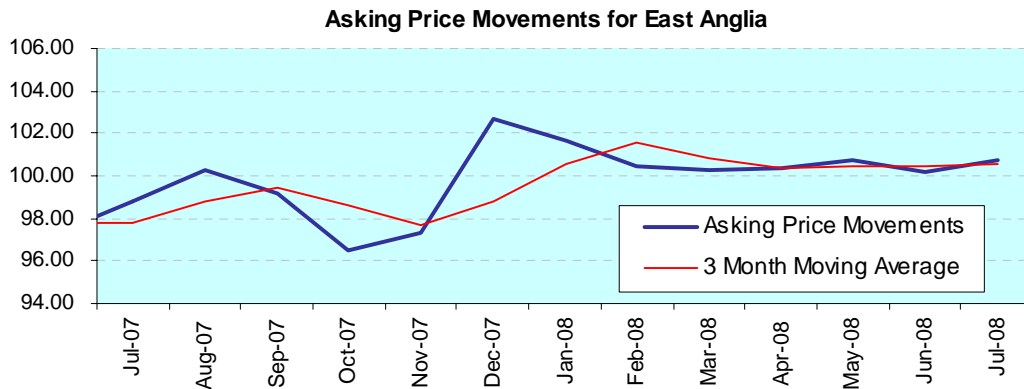
Asking prices for homes in Yorkshire and Humber have increased YoY by 2.8%. However, they have been falling steadily throughout 2008.



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

East Anglia

The mix-adjusted average asking price for properties for sale in East Anglia has risen by 1.9% YoY. Asking prices in East Anglia appear to be bucking the current national trend and not declining at the same rate as seen in other regions.



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

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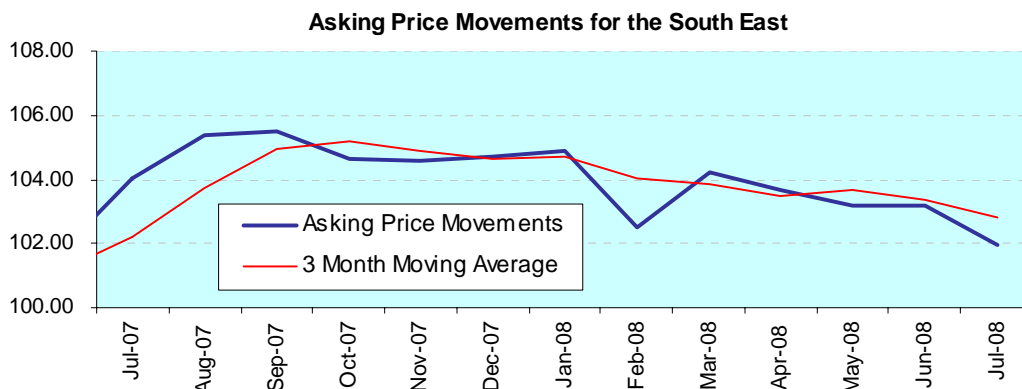


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South East

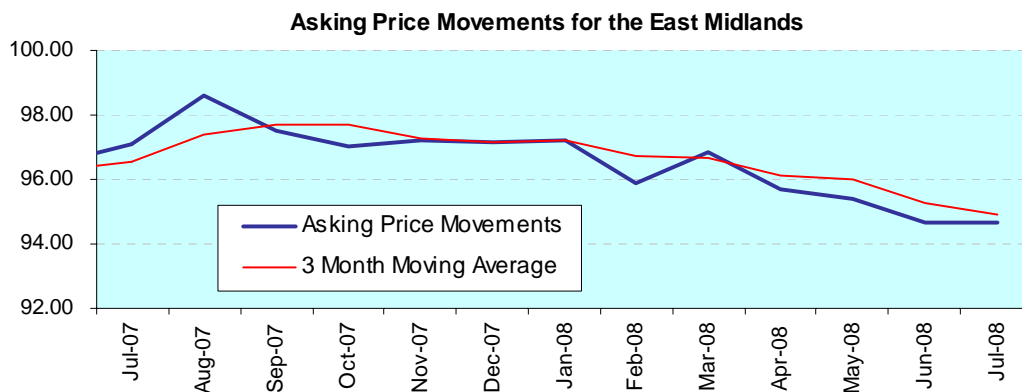
Asking prices in the South East clearly show the downward trend which began in September 07 with a fall of 2.0% YoY.



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

East Midlands

Market house prices in the East Midlands have declined by 2.5% YoY, the largest regional fall seen in the period. The HAPI for the East Midlands currently stands at 94.6 and the only region in the UK to indicate below May 2004 asking prices.



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

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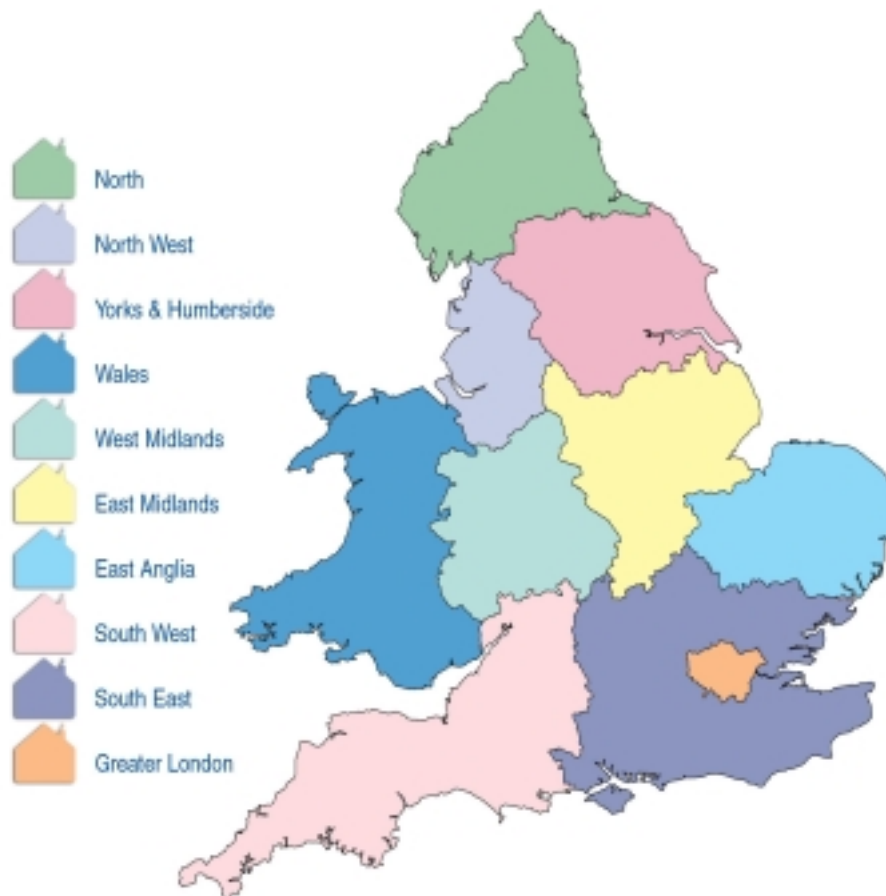
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Regions (as per DCLG)



Source: HM Land Registry

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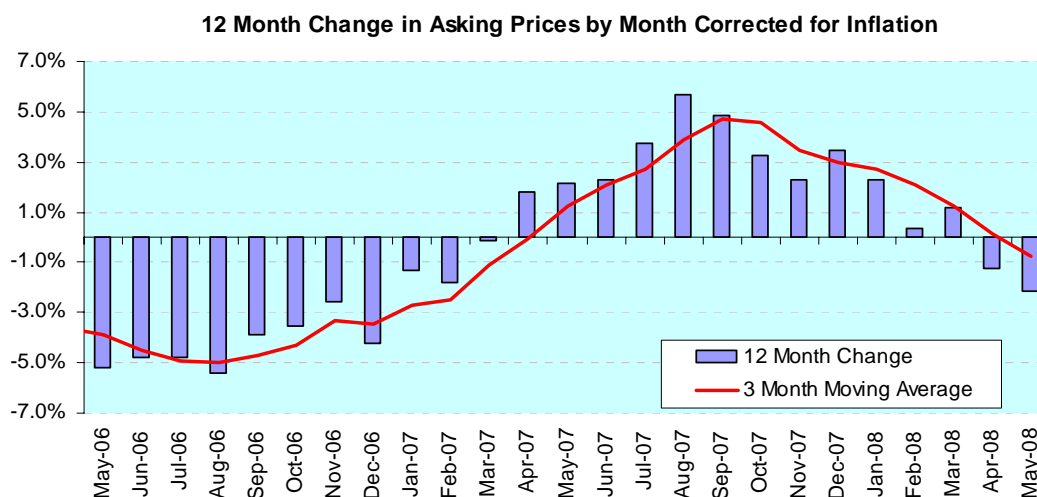


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Comment

In real terms, house prices are declining rapidly. Hitherto, real mix-adjusted average asking prices show a steep decline since their peak in August 07. Should this trend continue it would result in a year-on-year fall in real asking prices of around 20% by May 09.



Year-on-year change in mix-adjusted average asking prices for England and Wales corrected for inflation (RPI all items ex. housing).

Bank of England Base Rate

The Bank of England's Monetary Policy Committee, very aware of growing inflationary pressure, voted once again to hold the base rate at 5.00% this month. With CPI inflation predicted by the Bank to hit 4% by the year end, an increase at some point in the near future is highly likely. In any event the mortgage lenders in protecting their own positions are unlikely to consider any reduction in mortgage rates even should the MPC make the highly unlikely move of cutting rates.

UK Economic Factors

As the economic indicators point towards a recession in the UK, the number of buyers entering the property market declines. Already new buyers have been deterred by the ongoing credit crunch, which has severely reduced the flow of credit particularly to first time buyers. Until credit is more freely available, demand for property will not strengthen except amongst cash buyers and with recession forecast those with cash are unlikely to be spending.

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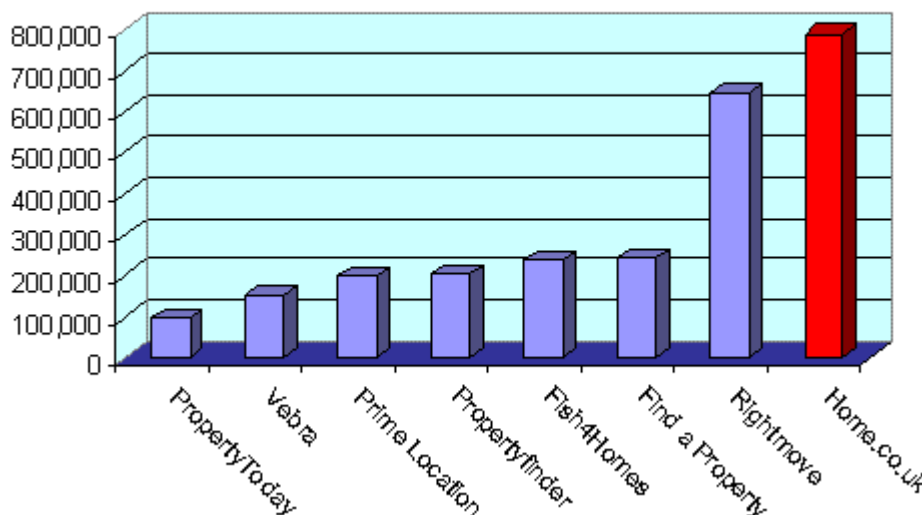
The Home.co.uk Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

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:

Tuesday 12th August 08

Friday 12th September 08

Monday 13th October 08



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