



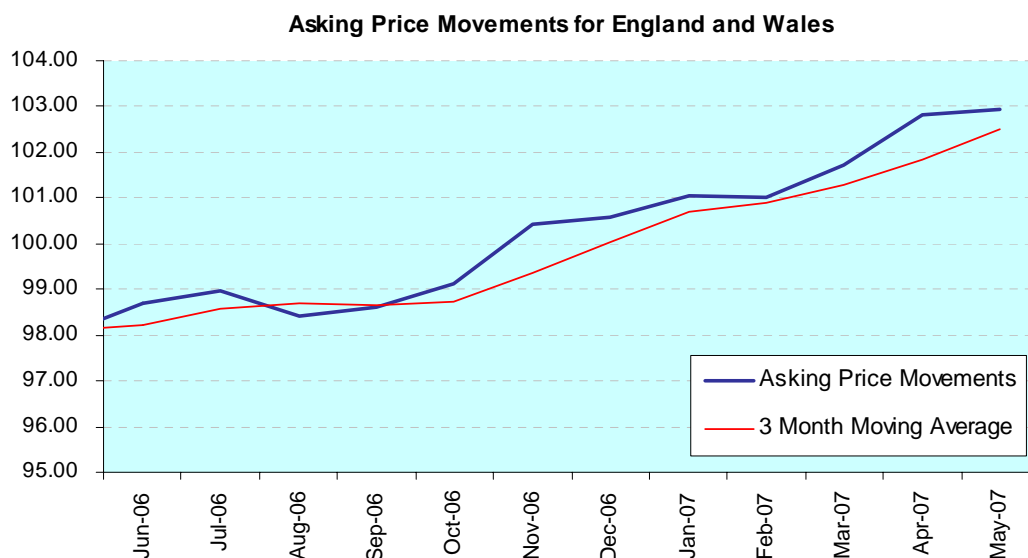
Asking Price Index

The UK's Independent Forward Market Indicator

Release date: 14th May 2007

Asking Price Growth Slows.

[Dec 2005] "I believe the monetary authorities have sought to take action to head off the possibility of higher inflation over the course of the next two years," [Gordon Brown](#). (1951-) Politician, Chancellor of the Exchequer.



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

Summary

Asking Prices for homes in England and Wales rose only slightly this month by 0.1%.

Asking Prices in England and Wales have risen 5.0% in the last year and 2.5% over the last 6 months. (*ca.* 1.9% above the [CPI](#), *ca.* 0.2% above the [RPI](#) and *ca.* 0.4% above the [AEI](#) excluding bonuses).

Greater London Asking Prices rose 1.5% this month making the total rise over the last six months equal to 7.0%.

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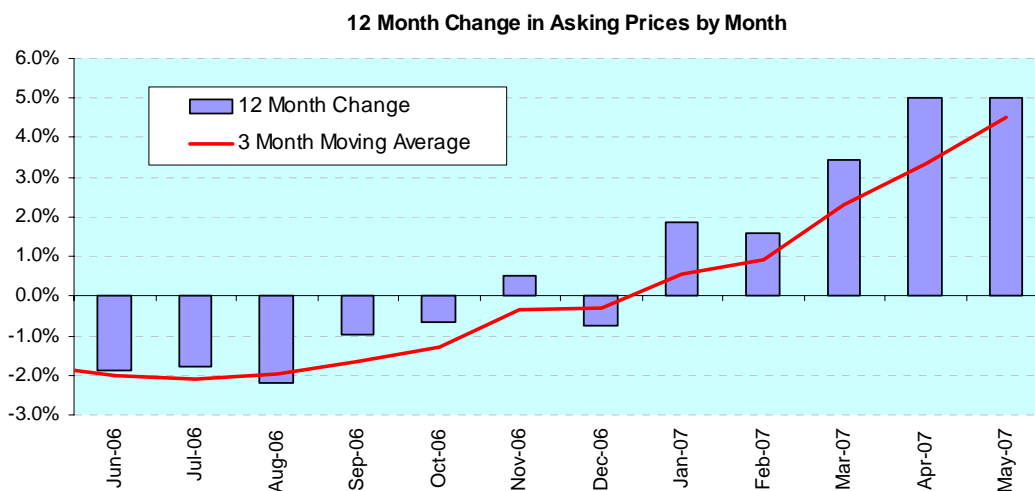
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Overview

A large surge in the number of properties entering the market albeit with more competitive pricing has made for a month of weak gains in asking prices. The year-on-year change for England and Wales remains unchanged at 5.0%. With so much property on the market, the small 0.1% rise registered since the April report suggests that confidence amongst sellers may be beginning to ebb. The recent underlying trend of strengthening market sentiment is still evident in Greater London, whilst other regions show more mixed results. The UK property market appears to have lost some of the spring in its step under the increasing pressure of rising interest rates.

Twelve-Month Trend in Asking Prices



Strong growth of asking prices in England and Wales over the last year has now pushed the year-on-year change up to +5.0%. This second wave of rising house prices began with a strong upturn in the Greater London housing market but this increasing confidence on the part of sellers has yet to spread beyond the South East. Such strong growth over the last year, coupled with rising interest rates, will price out many potential buyers and further increases the likelihood that the market is closing in on a possible [tipping point](#).

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Regional Housing Markets

Regional average asking prices for April 07 showing gains and losses since Nov 06.

	Average Price	6 Month Change
Greater London	£336,902	+7.0%
Scotland	£165,760	+4.0%
South East	£283,771	+3.1%
West Midlands	£204,664	+2.0%
North West	£189,357	+1.9%
Yorkshire and Humber	£174,742	+1.4%
East Midlands	£189,137	+1.2%
South West	£266,919	+0.9%
Wales	£193,881	+0.1%
East Anglia	£255,091	0.0%
North	£169,303	-1.3%

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

Regional Analysis

Most regions in England, Wales and Scotland have shown gains in asking prices over the last six months. House prices in Greater London are rising far faster than in any other part of the UK and since this strong housing market accounts for 14.6% of the UK market (excluding Scotland) its current performance heavily influences the headline figures for England and Wales. Scotland and the South East have also registered strong growth since Nov 06.

At the opposite end of the regional league table is the North where prices fell 1.3% in the course of the last six months. Asking prices were essentially static in Wales and East Anglia over the same period.

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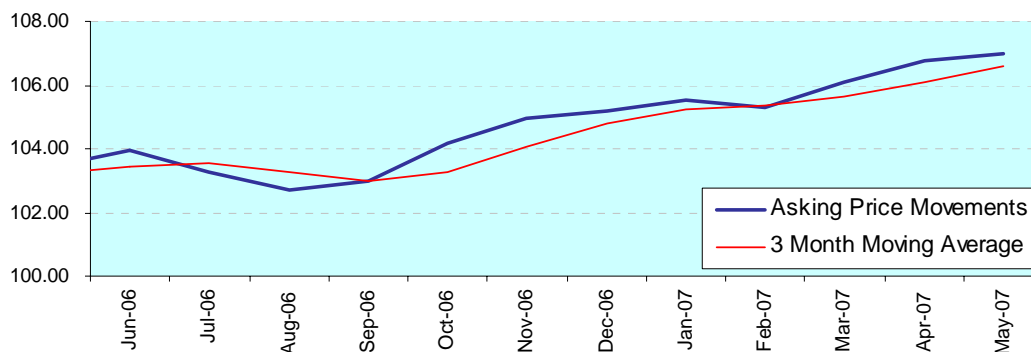
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West Midlands

Asking prices in the West Midlands rose slowly this month by 0.2% indicating continued confidence amongst sellers following the recovery in this region in Sept 06. House price growth in the West Midlands totalled 3.5% over the last year.

Asking Price Movements for West Midlands

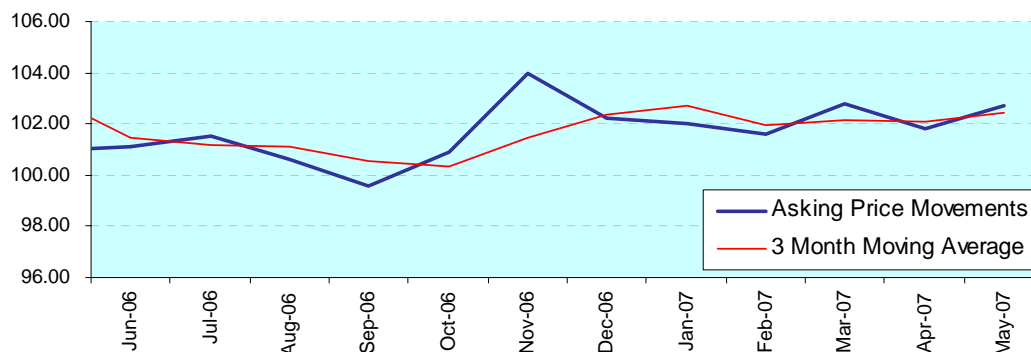


[Laspeyres](#) Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

The North

Asking prices in the North of England show signs of an unsettled market troubled by affordability constraints over the last twelve months. Currently at 102.9 this regional index remains far below the record of 106.3 set in Nov05 [May04 = 100].

Asking Price Movements for the North



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

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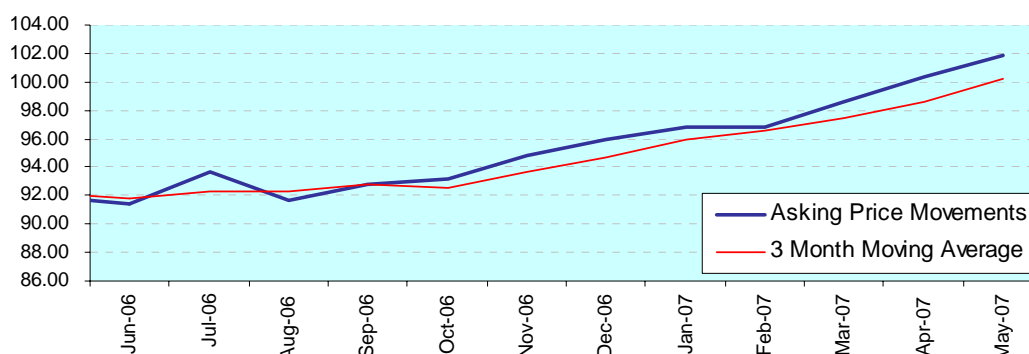
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Greater London

Greater London house prices continue to climb at a fast rate, rising 1.5% this month to make the current average home sale price equal to £336,902. The Greater London asking price index has surpassed its previous record set in July 04 [100.68] this month and now registers 101.8 [May04 = 100].

Asking Price Movements for Greater London



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

Fierce competition for London property naturally spills over into the South East where house prices can actually look like relatively good value to priced out Londoners. Consequently market sentiment and house price inflation in the South East is second only to that of the Greater London powerhouse, with asking prices rising at a more moderate 3.1% over the last six months. Taken together, these two housing markets account for 30% of the property in England and Wales. Exclude their growth figures and the remaining 70% of the property market in England and Wales is simply marking time with annual growth currently around a mere 3% *per annum*.

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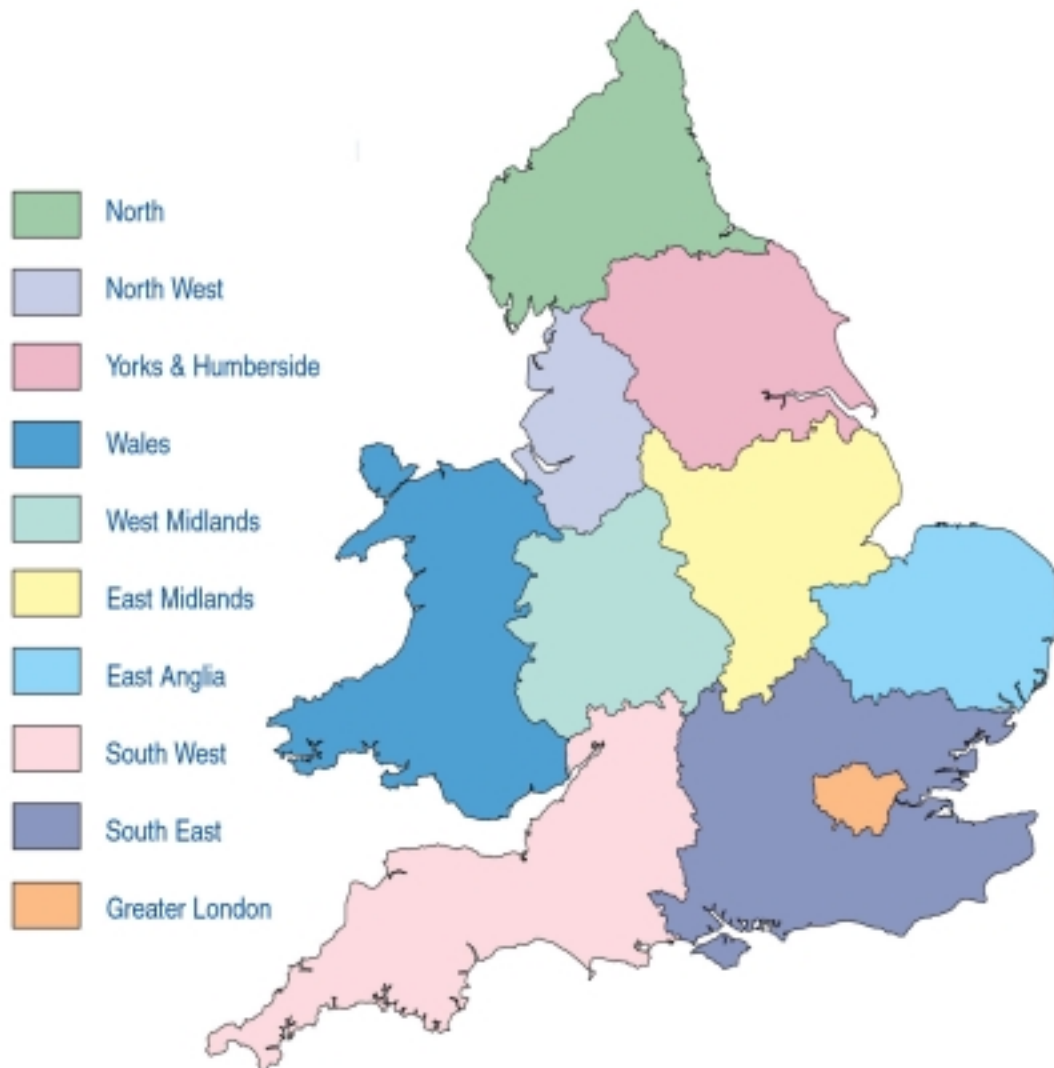
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Regions (as per DCLG)



Source: HM Land Registry

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



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Comment

Interest Rates

The affordability of property is fundamentally linked to interest rates. In extending its efforts to curb inflation, The Bank of England raised the base rate again this month by 0.25% to 5.50% and in doing so inflicted a further blow on the UK residential property market. Homebuyers will now be feeling the pinch, following the fourth such rise in 9 months, as the affordability of mortgage payments, and therefore property, diminishes further. Typical mortgage repayments on loans made against UK property have risen around 17% since August 2006.

Thanks to the extraordinary vigour of the current London property market, the Capital's homeowners and homebuyers may, for the time being, take this rise in the cost of borrowing in their stride, although the same cannot be said for most of England's regions and Wales. Excluding Greater London, Scotland and the South East, the 8 remaining regional asking price indices are now being overtaken by rising inflation according to the [Retail Price Index](#). Collectively they have registered a rate of house price growth of only *ca.*3% over the last year indicating that property in these regions is no longer a safe store of capital value.

Without the lure of sufficient capital appreciation potential investors will refrain from entering the market and those with large portfolios may wish to reduce their exposure to risk and therefore place more properties on the market. Such is the danger of rising interest rates for the UK property market in creating a *tipping point* beyond which the market would unravel.



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The Home.co.uk Asking Price Index

The 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.



Source: Home.co.uk Search Index Date: November 06

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 data please visit:
<http://www.calnea.com/asking-price-index/>

Future release dates:

Tuesday 12th June 07
Thursday 12th July 07
Monday 13th August 07



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