



# Asking Price Index

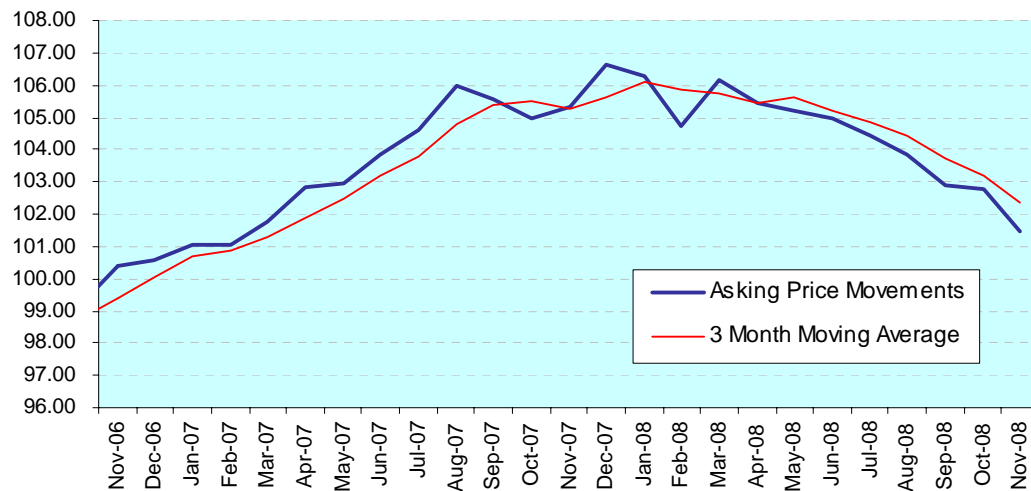
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12<sup>th</sup> November 2008

## Asking Price Cuts Deepen

"No amount of monetary or fiscal policy can fix the errors of the past," Krassimir Petrov, Economist.

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 1.3% in the last month.

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

Asking Prices across England and Wales have fallen 3.7% since November 07.

The average Asking Price reduction in October was £20,194.

London Asking Prices dropped 4.1% over the last 6 months.

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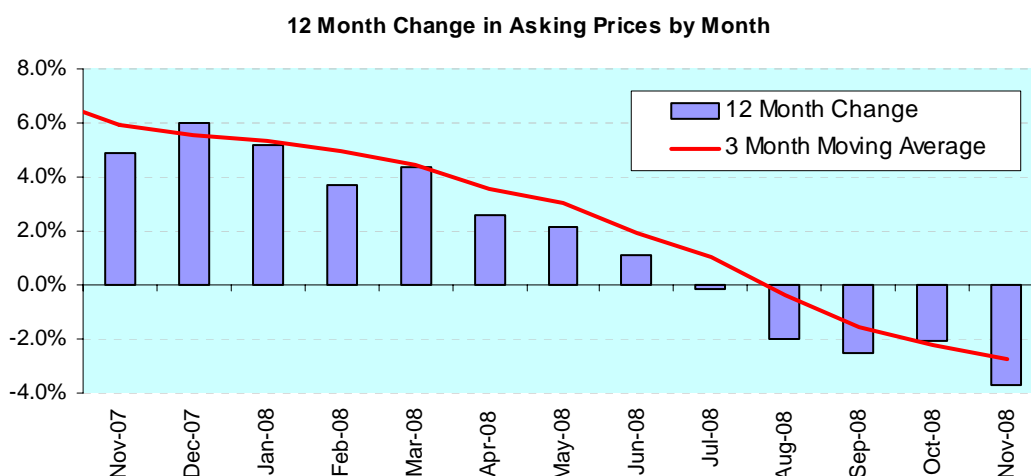
## Overview

There is no reprieve for the housing market and no quick fix. The failure of massive bailouts to shore up confidence in the ailing sector is now evident. Housing market sentiment is crashing across the UK as credit deflation begins to devastate the wider UK economy. The record 1.5% cut in the Bank of England base rate this month smacks of a panic measure which at best may slow the increase in home repossessions. As long as home values continue to depreciate, such a measure is unlikely to encourage mortgage lenders to risk supplying further finance to potential homebuyers. Rather Loan-to-Value ratios will continue to fall thereby driving house prices lower.

Housing market sentiment, across all regions of England, Wales and Scotland, tumbled further this month. Asking prices of 200,000 homes on the market were cut in October (187,000 in September), by an amount on average equal to £20,194. Deeper cuts in asking prices over coming months are to be expected.

Asking prices fell in 9 of the 9 English regions, Scotland and Wales over the last month.

## Twelve-Month Trend in Asking Prices



The November year-on-year (YoY) fall in Asking Prices for England and Wales (3.7%) shows a large increase on the September figure, continuing the downward trend.

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Over the last 12 months, Asking Prices for homes in England and Wales have fallen 3.7%, *ca.* 8.9% below the [CPI](#), *ca.* 8.7% below the [RPI](#) and *ca.* 7.1% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £247,483.

The HAPI for England and Wales has fallen 1.3 index points to 101.5 since Oct08 [May04 = 100].

## Regional Housing Markets

Regional Asking Prices for November 2008, showing 6-month change.

	Current average price	6-month change
North East	£164,987	-2.0%
Wales	£189,235	-2.3%
Yorkshire and Humber	£177,482	-2.4%
Scotland	£174,592	-2.9%
South West	£260,478	-2.9%
West Midlands	£199,376	-2.9%
North West	£183,795	-3.3%
South East	£278,989	-3.9%
East Anglia	£253,379	-4.1%
Greater London	£339,807	-4.1%
East Midlands	£177,558	-5.4%
England & Wales	£247,483	-3.5%

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

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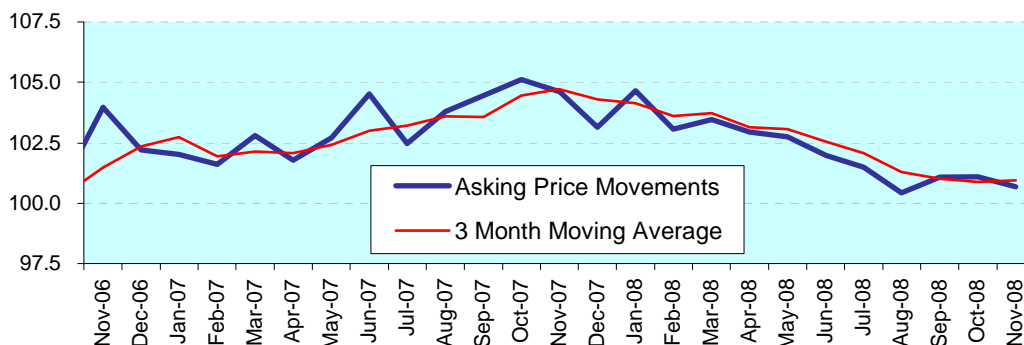
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## North East

North East of England asking prices have performed best of all the English regions Wales and Scotland over the last 6 months. Over this period asking prices in the North East fell by 2.0%, in nominal terms, and are currently 0.6% above their May 04 values.

Asking Price Movements for the North East

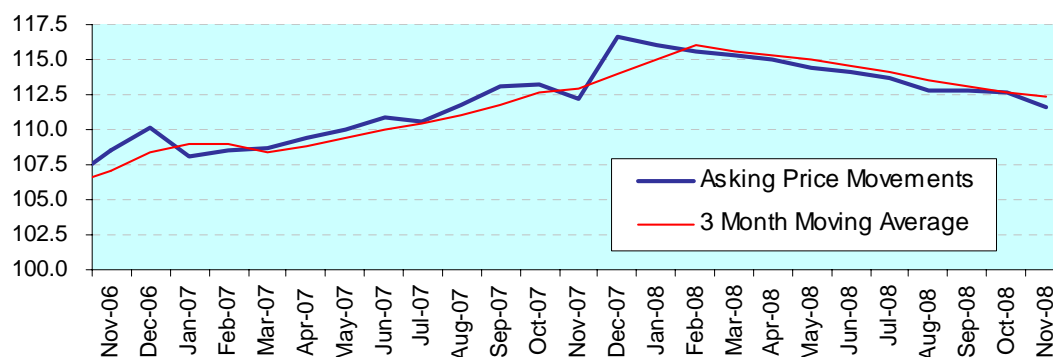


Laspeyres Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## Yorkshire and Humber

The mix-adjusted Asking Price for property in Yorkshire and Humber continues to decline steadily. Market prices have fallen 4.3% since they peaked in Dec 07.

Asking Price Movements for Yorkshire and Humber



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

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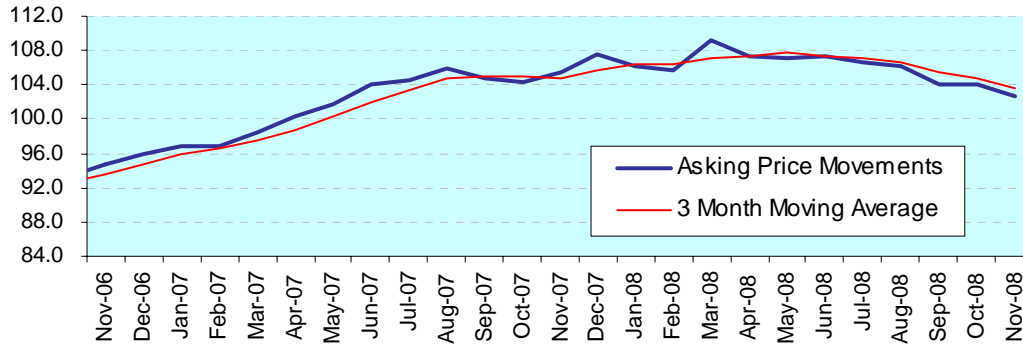
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## Greater London

The mix-adjusted average Asking Price for properties for sale in Greater London has now fallen by 6.0% since the peak in Mar08. The declines in Asking Prices of homes in this region appear to be accelerating over recent months.

Asking Price Movements for Greater London

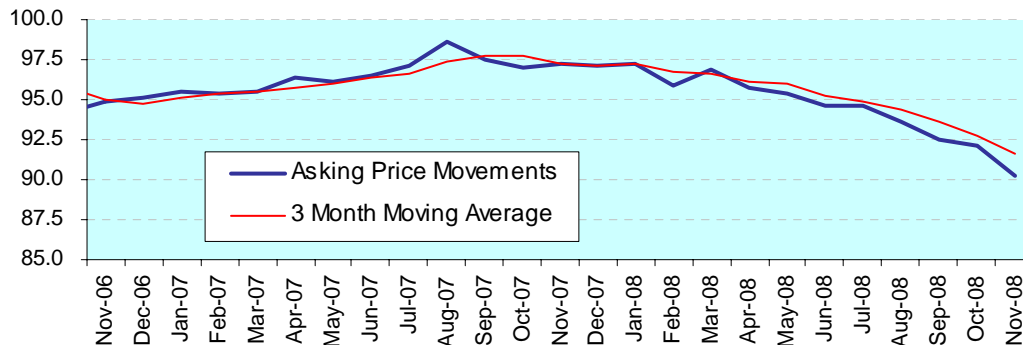


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## East Midlands

The Asking Price chart for homes in the East Midlands show a clear deterioration of market sentiment since the peak in Aug07, over which time prices have fallen 8.5%. Moreover, East Midlands asking prices are now 9.8% lower than they were in May04.

Asking Price Movements for the East Midlands



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

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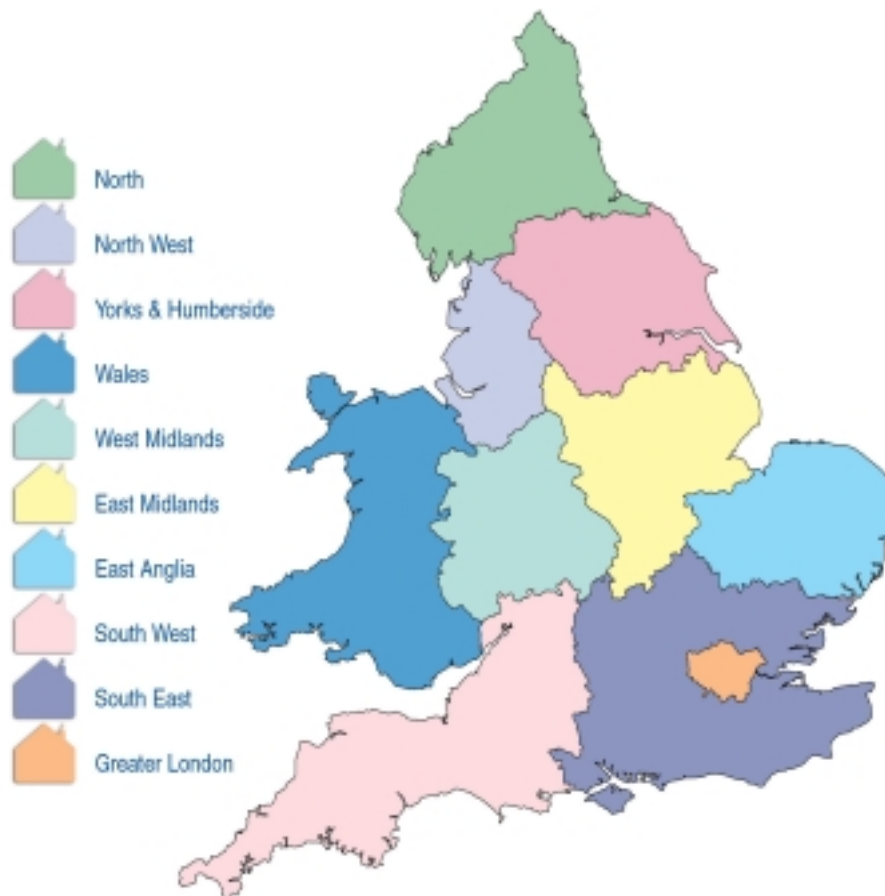
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**Regions** (as per DCLG)



Source: HM Land Registry

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



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## Comment

### Bank of England Slashes Base Rate by 1.5% to 3.0%

Desperate times call for desperate measures. Following last month's colossal bailout by the UK Government, this month the BoE set the lowest interest rate since 1955. This drastic action appears to be more an exercise in damage limitation than a panacea for the economic ills gripping the UK. Moreover, further cuts may be needed to stave off a deep recession.

The London Interbank Offered Rate (LIBOR) has indeed fallen and bodes well for mortgage rates but net lending by now risk averse banks and building societies is unlikely to increase in the near term. Lower Standard Variable Rates will help those borrowers who have come to the end of fixed rate deals and therefore help to stem the flow of home repossession orders. However, Loan-to-Value ratios are also being reduced forcing potential homebuyers to produce even larger deposits.

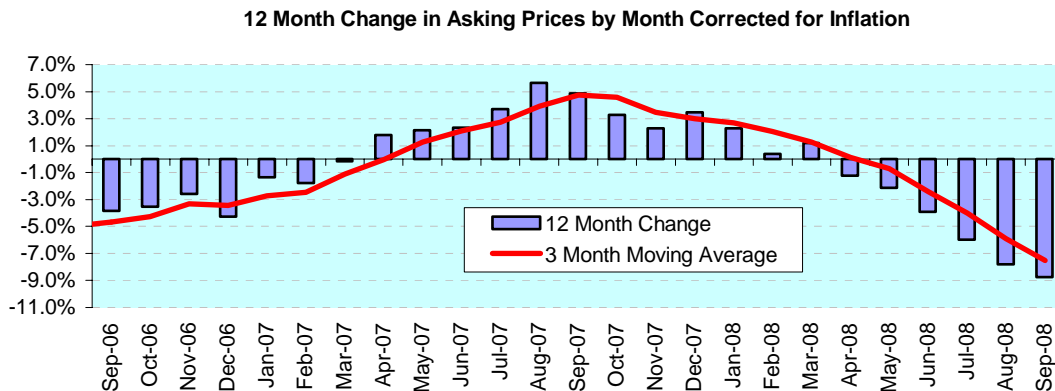
We are now clearly in a buyers market. The few potential buyers with large deposits (40%+) will soon be in a commanding position to negotiate both a low interest rate loan and a much reduced purchase price relative to recent years.

## Sterling

As mentioned in last month's report, recent actions on the part of the UK Government and the BoE have significantly increased the risk of a larger slide in the value of Pound Sterling, further imported inflation and putting the UK government's credit rating in question. Recent weeks have seen an exodus of foreign capital out of UK Government Bonds (Gilts) although domestic demand has ensured that recent auctions have thus far been successful. A run on Sterling would close the door on further cuts in the BoE base rate and increase the cost of government borrowing.

## Home Asking Prices Relative to Retail Prices

The latest RPI figure (September, ex. housing) is 6.2% (up 0.4% MoM) making the real YoY asking price fall 8.7%. Although expected by the BoE, UK inflation has not yet fallen.



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

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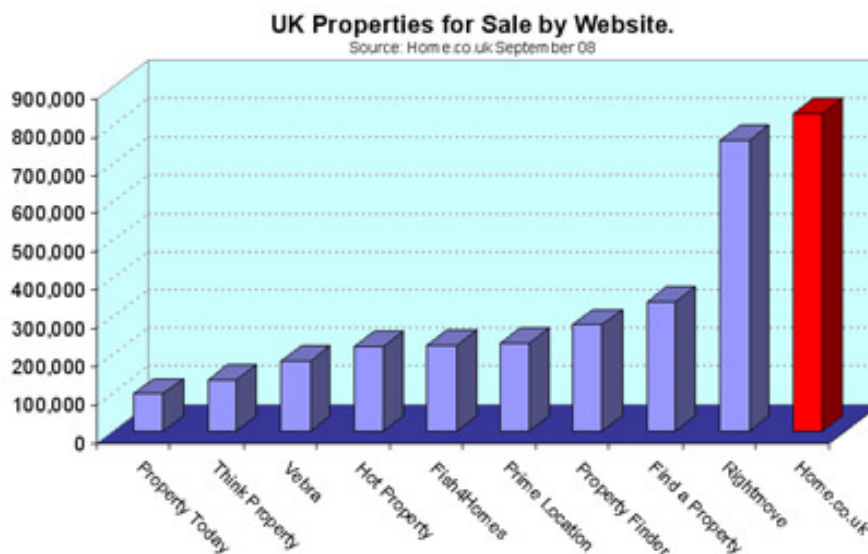
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## The Home.co.uk Asking Price Index

The [Home.co.uk](http://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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November 08

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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:

Friday 12<sup>th</sup> December 08

Monday 12<sup>th</sup> January 09

Thursday 12<sup>th</sup> February 09



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