



Asking Price Index

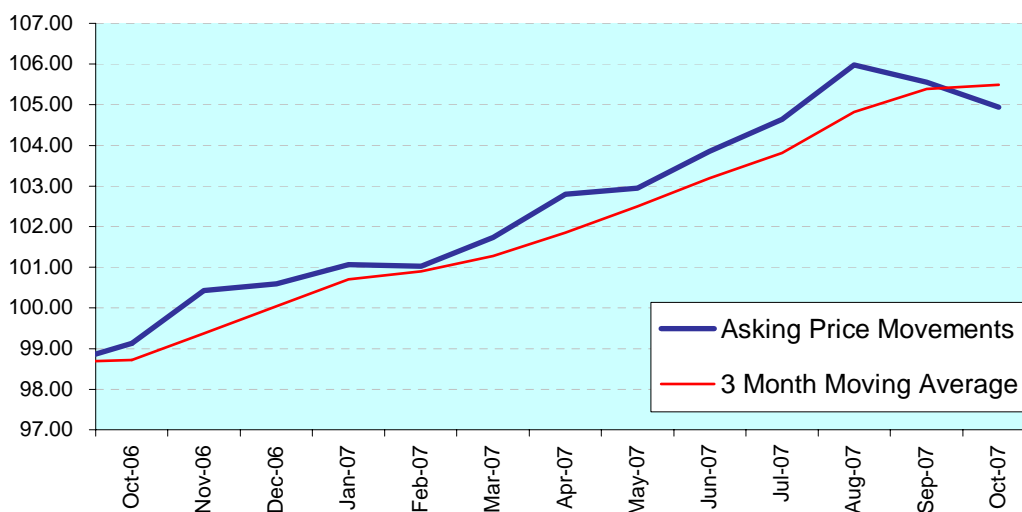
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12th October 2007

House Prices Fall Further.

"History has not dealt kindly with the aftermath of protracted periods of low risk premiums." [Alan Greenspan](#) (1926-)
Economist and former Chairman of the Board of Governors of the Federal Reserve

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

Prices of homes on the market in England and Wales have fallen for a second month by 0.6%.

Asking Prices for homes in England and Wales have risen 5.9% year-on-year & 2.0% over the last 6 months.

Greater London Asking Prices fall again, 0.5% in a month.

Asking prices in Wales fall 3.0% in one month.

Prices fall again in 6 of the 9 regions in England and Wales.

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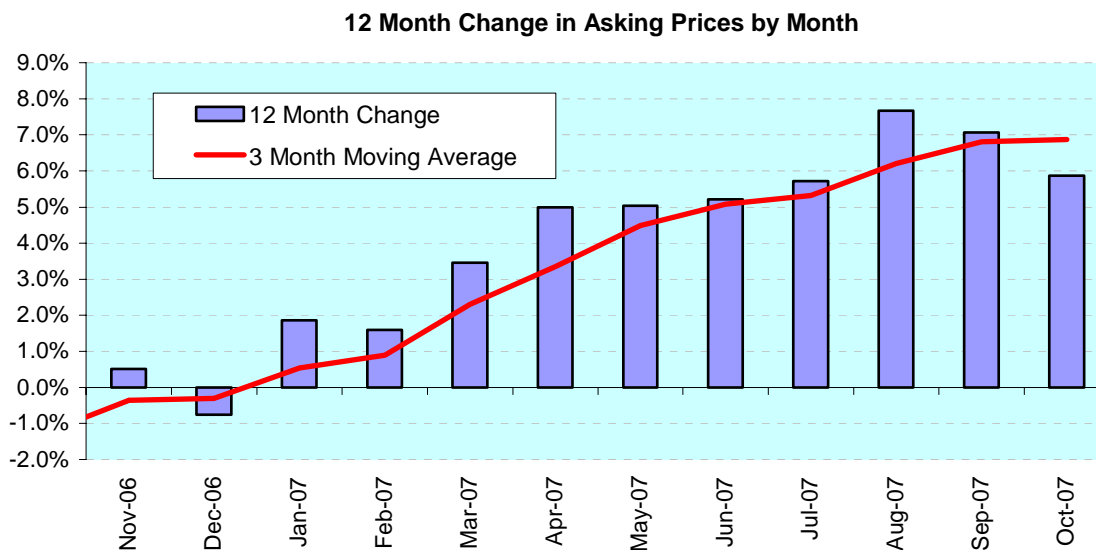
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Overview

A further fall in the mix adjusted average house price for England and Wales confirms a dramatic change in UK housing market sentiment. Confidence amongst sellers is crumbling in many parts of the UK as the effect of five consecutive interest rate rises is felt. Sellers' problems have been further compounded owing to the knock-on effects of the credit-crunch, which has both reduced the availability of credit for homebuyers and shaken buyers' confidence in the housing market. The much publicised trouble at Northern Rock, Britain's fifth-largest mortgage lender and the first British bank in 15 years to be bailed out by regulators, has marked the beginning of a more troubled chapter in the history of the UK housing market. The HAPI for England and Wales has dropped 0.6% to 104.9 since September [May04 = 100].

Over the last 12 months, Asking Prices for homes in England and Wales have risen 5.9%, *ca.* 4.1% above the [CPI](#), *ca.* 1.8% above the [RPI](#) and *ca.* 2.4% above the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £256,008.

Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales has fallen back from a peak of 7.7% in August 07 to 5.9%.

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Regional Housing Markets

Regional average asking prices for Oct 07 showing gains since Oct 06.

	Current average price	12 month change
Scotland	£185,222	+23.1%
Greater London	£344,795	+11.8%
West Midlands	£212,009	+10.2%
South East	£294,345	+8.7%
Yorkshire and Humber	£180,029	+6.3%
North	£172,257	+4.2%
South West	£270,375	+4.1%
North West	£191,377	+3.0%
East Midlands	£191,063	+2.9%
Wales	£192,620	+0.2%
East Anglia	£253,256	+0.1%

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

Regional Analysis

All regions in England, Scotland and Wales are currently registering an overall increase in asking prices over the last 12 months, despite the recent slump in prices in September and this month. This is largely due to the strong house price growth experienced in late 2006 and Q1 2007. However, in several regions the gains have been severely attenuated by the recent slide in asking prices. Four English regions and Wales have experienced house price growth at a rate equal to or below the Retail Price Index.

For overall comparison, the average house price for England and Wales rose by 5.9% in since Oct 07.

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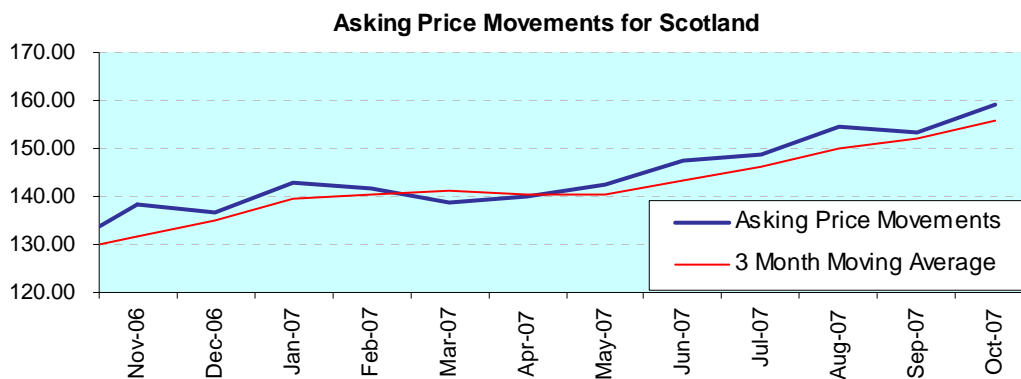


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Scotland

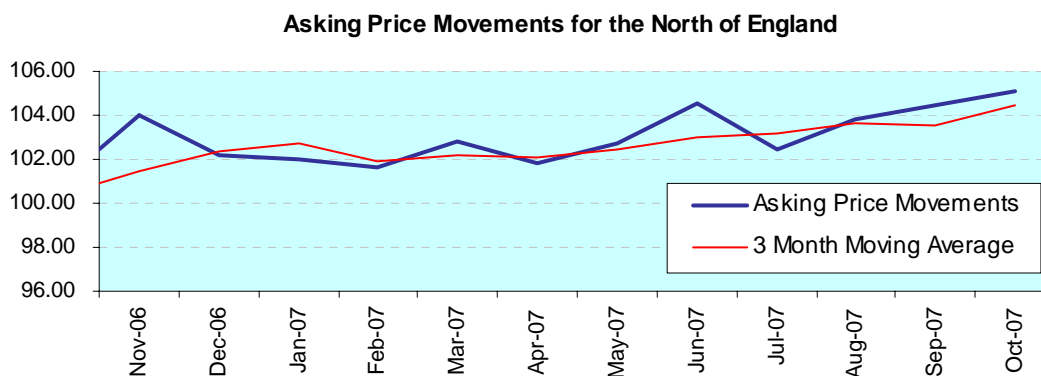
Asking prices in Scotland have continued to rise, seemingly unaffected by the rapid cooling of the housing market south of the border. Over the last twelve months Scotland has registered the largest rise in asking prices for any region in the UK, increasing by 30 index points or 23.2%. Scottish housing market sentiment has been the most bullish in mainland UK over recent years, but as the pain of higher interest rates is felt, by homeowners and buyers alike, it seems likely that this market will lose much of its current momentum over coming months.



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

The North

Just South of the border house price growth is much more subdued. House prices in the North of England have risen only 4.2% over the last twelve months.



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

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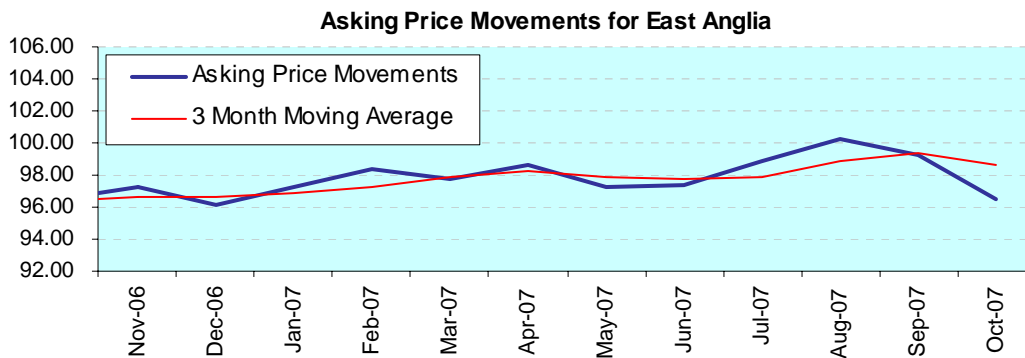
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East Anglia

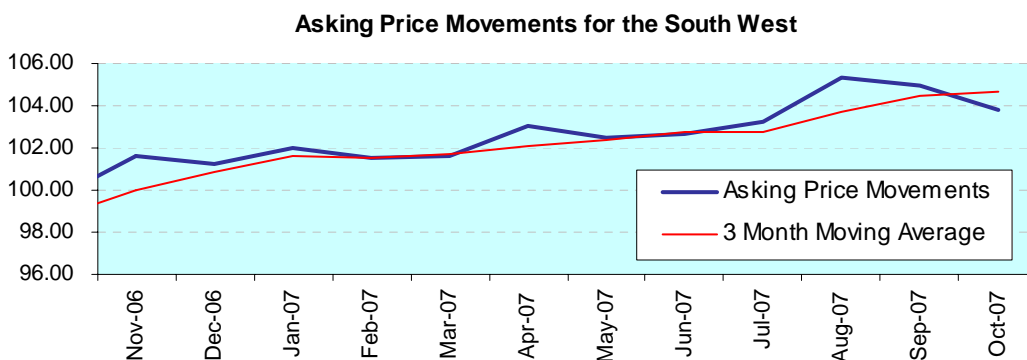


[Laspeyres](#) Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Asking prices in East Anglia, like much of Southern England, have fallen quickly in recent months, thereby reducing price growth in this region to a mere 0.1% over the last 12 months.

South West

The South West has also registered two consecutive monthly falls. House prices have risen by only 4.1% since Oct 06, in line with the Retail Price Index.



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

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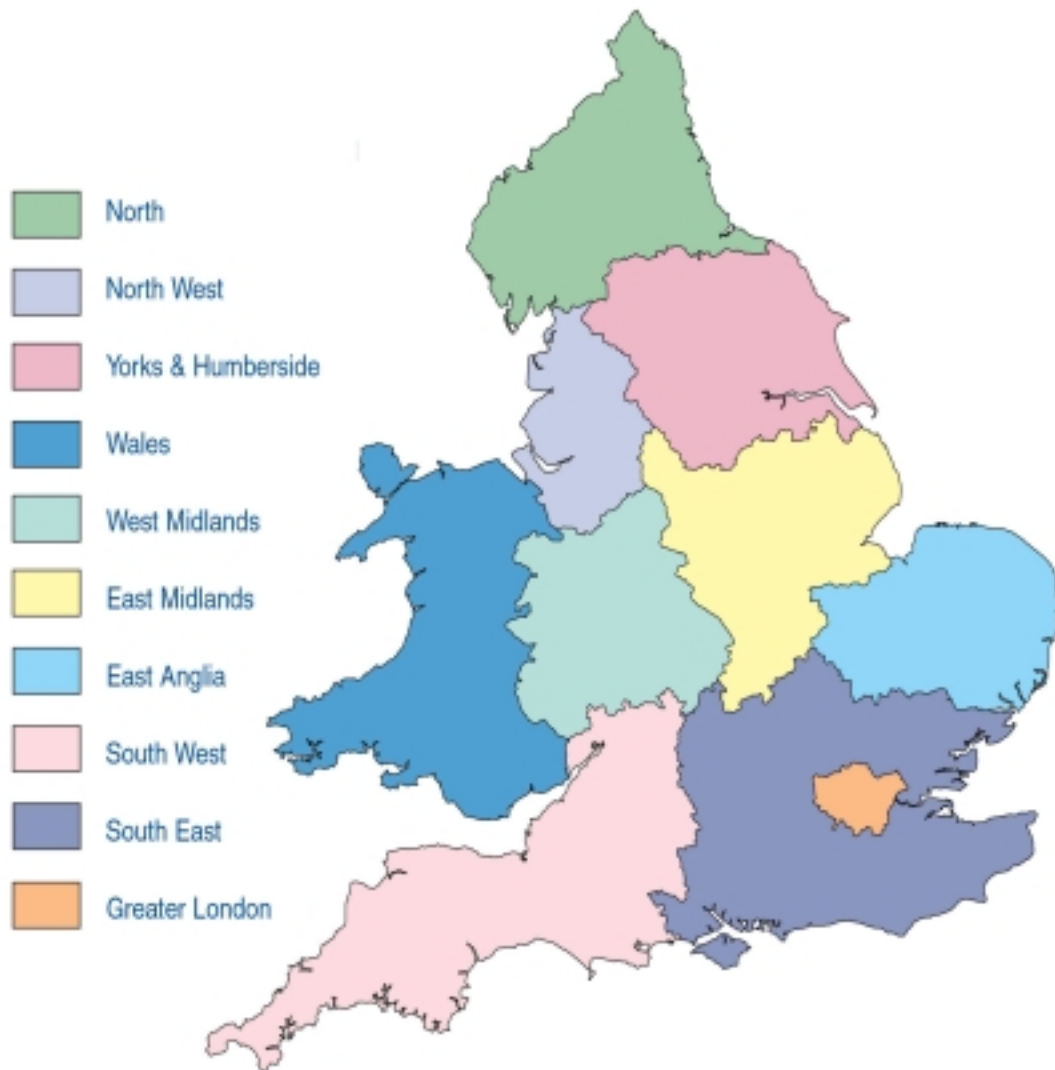
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Regions (as per DCLG)



Source: HM Land Registry

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



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Comment

Two consecutive months of falling house prices clearly confirms a slowdown in the UK housing market. Asking prices for homes on the market have finally yielded to intense downward pressure caused by several key factors: Affordability, severe credit tightening for sub-prime borrowers, increasingly negative market analysis by the media and the introduction of Home Information Packs closing the door on speculative marketing of 3+ bedroom homes. All these factors have created a braking effect on UK house prices but the precise *tipping point* was precipitated by a radical rethink in underlying attitudes to the risks posed to mortgage lenders in an over-valued property market.

Credit-Crunch

The fundamental factor for a buoyant housing market is a steady supply of credit for buyers. Five rises in the Bank of England base rate had already begun to reduce the availability of credit for many potential homebuyers when the fall-out from the US sub-prime crisis hit UK banks.

The credit-crunch in the banking sector was triggered by a change in attitude to risk of default on US home loans. Alarm bells then rang for the booming UK mortgage industry, where record lending figures were soon found to be bloated by risky lending. As fear mounted, the money markets quickly singled out mortgage lenders thought to have arranged the riskiest loans and applied punitive risk premiums to the cost of short-term loans. The results were spectacular.

The Northern Rock suffered the first run on a UK bank in over 150 years as panic stricken depositors queued to withdraw their cash and looked on the verge of collapse. In an unprecedented move, the Bank of England then stepped in to guarantee all deposits in the sub-prime lender and provided large cash loans to keep the business functioning in order to avert further financial chaos. Northern Rock's share price plummeted, along with several other mortgage lenders caught in the credit crunch trap, as investors soon realised that without cheap money they could no longer make a profit.

Outlook

The recent reawakening of mortgage lenders to real risk means that mortgage approvals will be both fewer and incur higher rates of interest. If the UK economy were to remain robust then a small market correction or *soft landing* could be expected to relieve affordability pressures. However, HM Government has already revised down GDP growth for the next year and job losses are certain in financial services, construction and manufacturing sectors. A cut in interest rates by the Bank of England may be tempting, but that would weaken Sterling and serve to fuel import-led inflation. In short, below the cloud cover of uncertainty there could lay a very *hard landing* for UK house prices.

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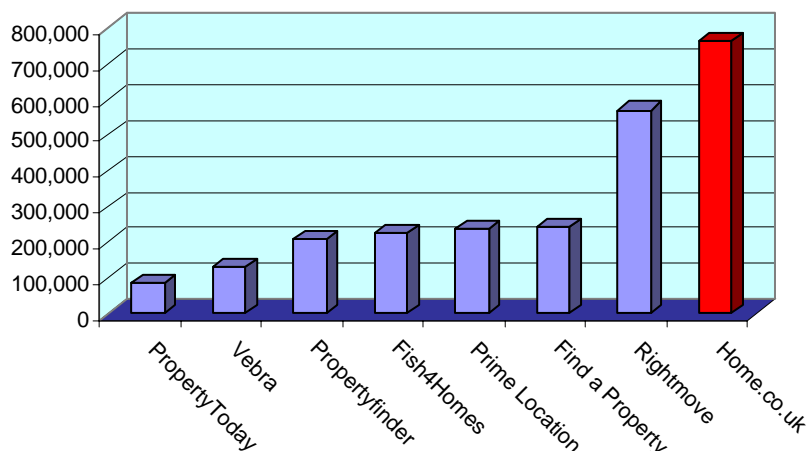
The Home.co.uk Asking Price Index is produced in association with Calnea Analytics: the statistical consultancy responsible for the production of the official Land Registry House Price Index.

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 August 07



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:

Monday 12th November 07

Wednesday 12th December 07

Monday 14th January 08



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