



# Asking Price Index

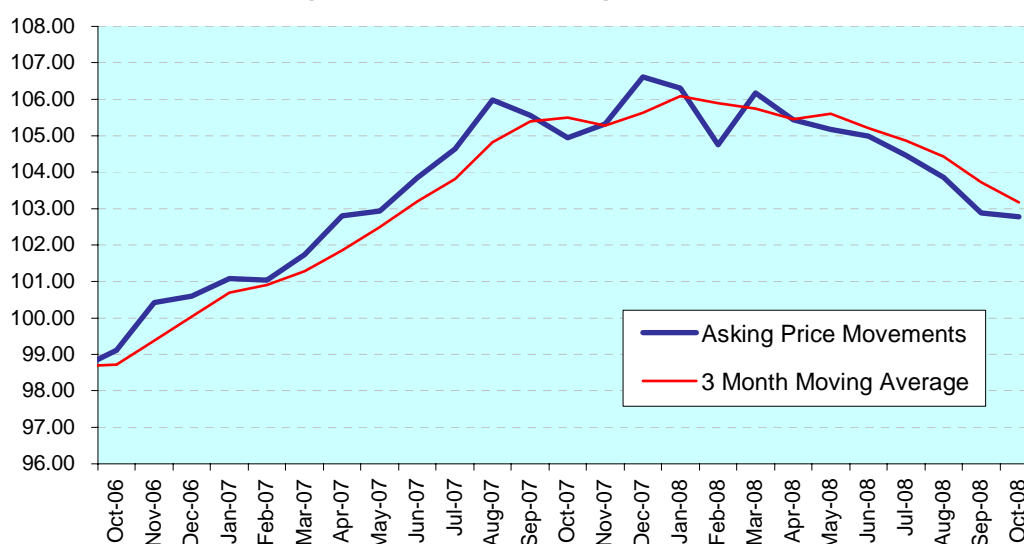
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 13<sup>th</sup> October 2008

## 'Bail-out' Plans Offer Hope to Sellers

"The financial crisis has clearly gotten worse, and no country will be fully immune from the effects on the real economy,"  
[Olivier Blanchard](#), IMF Director of Research

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 0.1% in the last month.

Monthly price falls were observed in 5 out of 9 English regions and in Wales.

Asking Prices across England and Wales have fallen 2.1% since October 07.

2 in 9 homes on the UK market had their Asking Prices cut in September.

Scottish asking prices show upturn as home sellers switch from 'Offers Over' to 'Fixed Price' selling.

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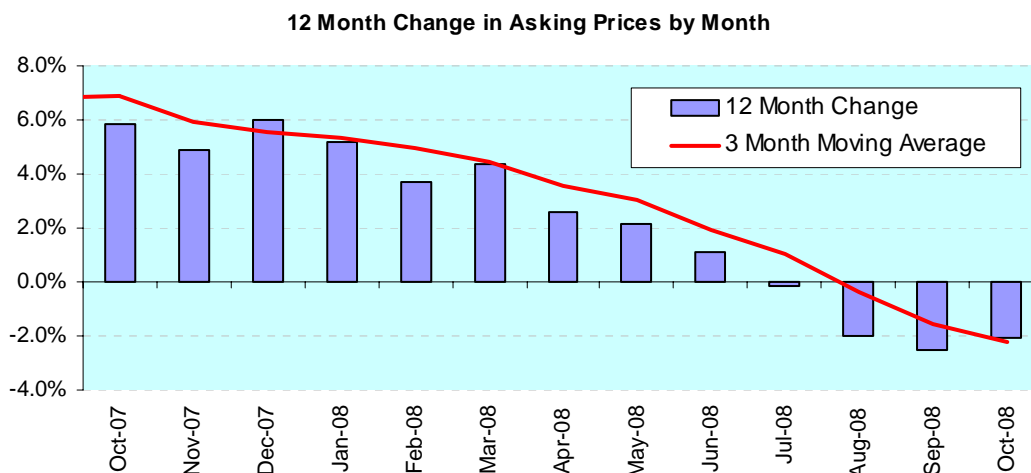
## Overview

The last month has been a truly extraordinary one for the UK housing market. The UK government pledged up to £500 billion to buy shares in UK banks, extend loans and underwrite inter-bank loans. The Bank of England (BoE), meanwhile, took the unprecedented step of cutting the base rate by 0.5% in concert with several other central banks including the US Fed and the ECB. An immediate effect of these dramatic moves has been to raise hopes amongst home sellers that UK house prices may be spared further falls.

Market sentiment across all regions of England, Wales and Scotland, whilst at a low ebb, appears to have stabilised over the last month in view of concerted efforts to get the mortgage market moving again. However, asking prices of homes on the market continue to be cut (187,000 in September), albeit by a smaller amount on average than in August. If the recent measures by the UK Government and the BoE fail to improve the availability of mortgages over the coming months, deeper cuts in asking prices are indeed inevitable.

Asking prices fell in 5 of the 9 English regions and Wales over the last month. Asking prices rose slightly in the South West and the West Midlands, while average asking prices in London and the North East saw no change since September.

## Twelve-Month Trend in Asking Prices



The October year-on-year (YoY) fall in Asking Prices for England and Wales (2.1%) is slightly less than for September, thereby slowing the downward trend.

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Over the last 12 months, Asking Prices for homes in England and Wales have fallen 2.1%, *ca.* 6.8% below the [CPI](#), *ca.* 6.9% below the [RPI](#) and *ca.* 5.8% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £250,710.

The HAPI for England and Wales has fallen 2.2 index points to 102.8 since Oct07 [May04 = 100].

## Regional Housing Markets

Regional Asking Prices for October 2008, showing YoY losses.

	Current average price	YoY change
Greater London	£344,138	-0.2%
Wales	£192,058	-0.3%
Yorkshire and Humber	£178,991	-0.6%
South West	£264,629	-2.1%
East Anglia	£258,462	-2.1%
North West	£184,793	-3.4%
Scotland	£178,592	-3.7%
North East	£165,691	-3.8%
South East	£282,798	-3.9%
West Midlands	£201,216	-5.0%
East Midlands	£181,357	-5.1%
England & Wales	£250,710	-2.1%

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

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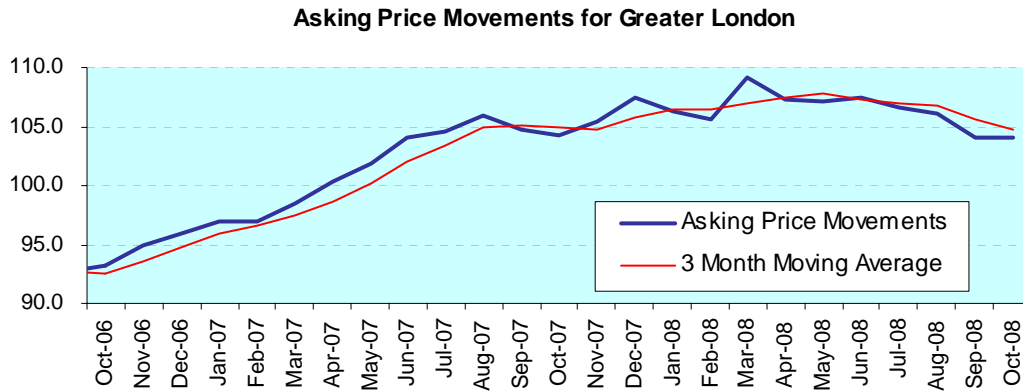


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## Greater London

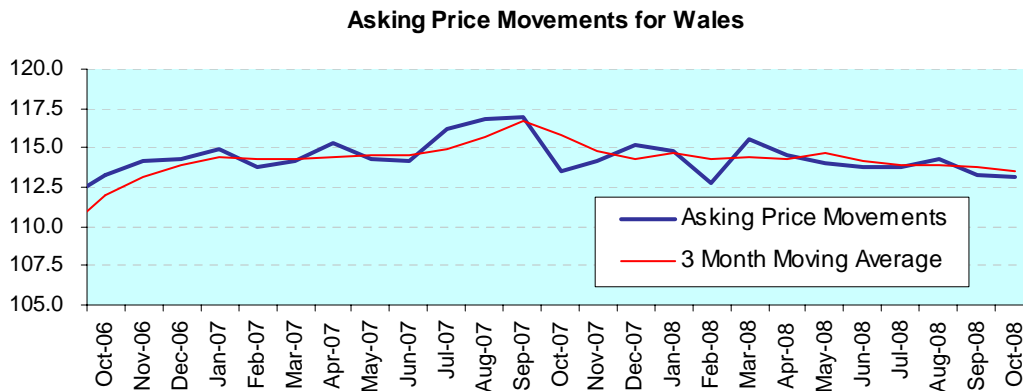
A closer look at market house prices in Greater London reveals a clear downward trend from a peak in March 08. In nominal terms asking prices in London are little changed from a year ago, although taking into account inflation the fall is around 6%.



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

## Wales

The mix-adjusted Asking Price for property in Wales has fallen only 0.3% over the last year in nominal terms. The inflation-adjusted figure would indicate a ca. 6% fall in real terms.



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

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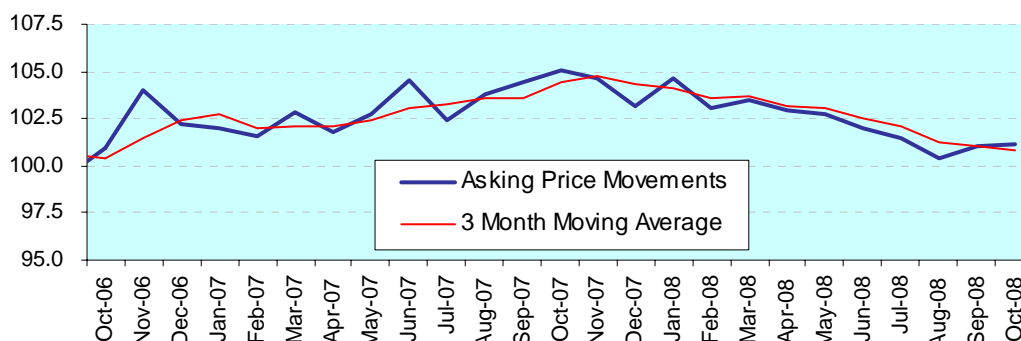
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## The North East

The mix-adjusted average Asking Price for properties for sale in the North East has fallen by 3.8% since Oct07. The Asking Prices of homes in this region appear to have stabilised over recent months in nominal terms.

Asking Price Movements for the North East

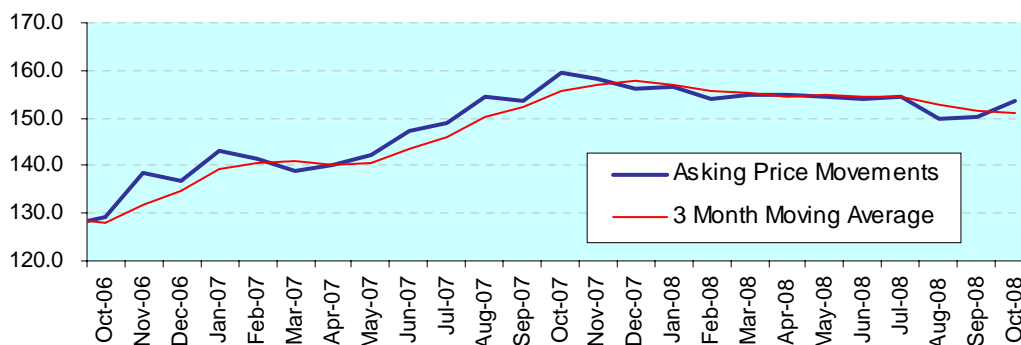


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## Scotland

Asking Prices for homes in the Scotland show a deceptive rise of 2.1% since September. A switch to 'Fixed Price' selling from the more usual 'Offers Over' has been accompanied by a wave of Asking Price hikes. Adoption of 'Fixed Price' selling is a sign of considerable distress in the Scottish housing market.

Asking Price Movements for Scotland



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

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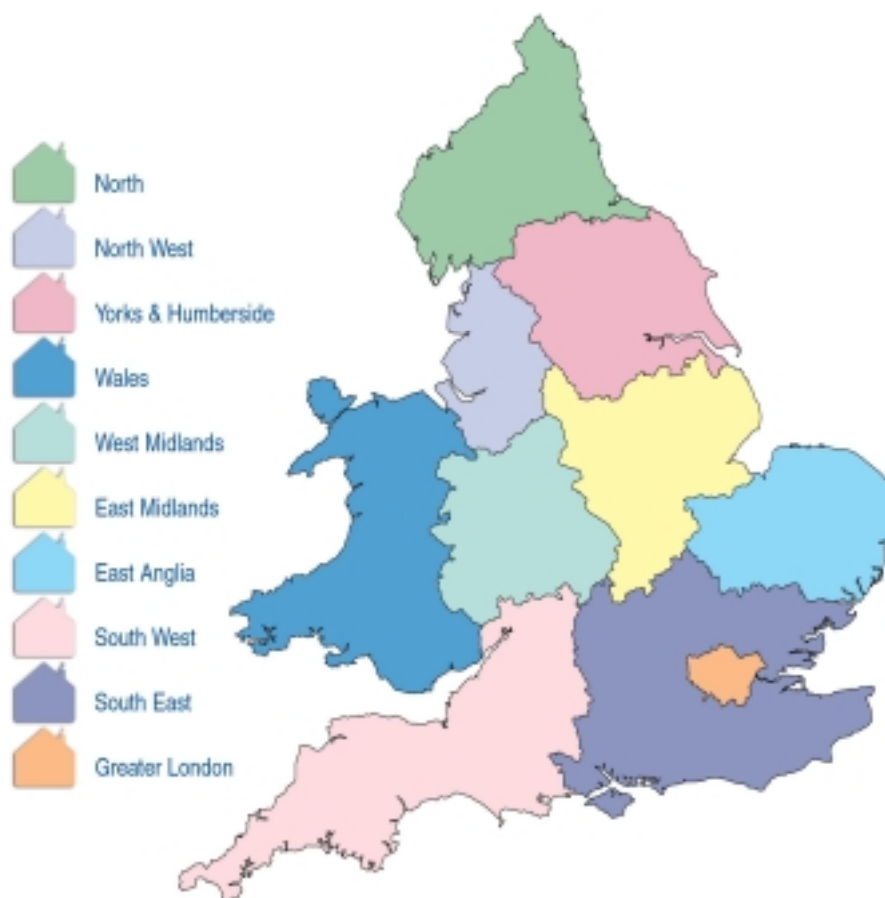


October 08

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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

### UK Government Attempts to Rescue the Banks

Paradoxically, the UK government's answer to banking problems caused by over indebtedness on the part of US and UK mortgagees has been to increase the national debt. The unprecedented bail-out of UK banks, according to the [Telegraph](#), increases the potential liability for each UK taxpayer by around £20,000.

The size of the attempted rescue is colossal, rivalling that of the government's own annual spending, but any credible attempt needs to be. According to data from Bridgewater Associates, UK banks' short-term liabilities amount to 1.5 times UK GDP. This action has significantly increased risk of a further slide in Sterling, further inflation and putting the UK government's credit rating in question. In other words, in attempting to avoid the financial meltdown spreading to the wider economy the UK Treasury has taken on huge risk for UK plc.

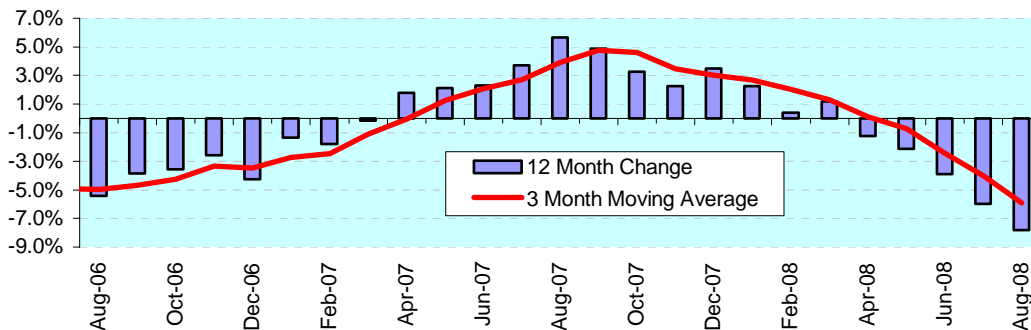
### But Will Mortgages Become More Affordable?

The 0.5% cut in interest rates should do it, right? Not if the London Inter-Bank rates are anything to go by. The rates for Dollars, Sterling and Euros have hardly moved from their recent highs following the coordinated cut by the BoE, ECB and US Fed. Three-month sterling Libor, the underlying rate for some tracker mortgages, rose to 6.28% on Friday, despite the UK bail-out plans. Several mortgage lenders, including Halifax, Royal Bank of Scotland and West Bromwich Building Society, have pulled their variable-rate mortgages during the last week, as funding costs have soared, and Abbey have raised their tracker for new borrowers by 0.5%, which cancels out the BoE rate cut.

### Don't Forget Inflation

The latest RPI figure (August, ex. housing) is 5.8% making the real YoY asking price fall 7.8%.

12 Month Change in Asking Prices by Month Corrected for Inflation



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

Sellers' hopes of a near term recovery in the UK housing market appear to be unfounded by economic fundamentals, as the country now faces the prospect of a 'Winter of Discontent.'

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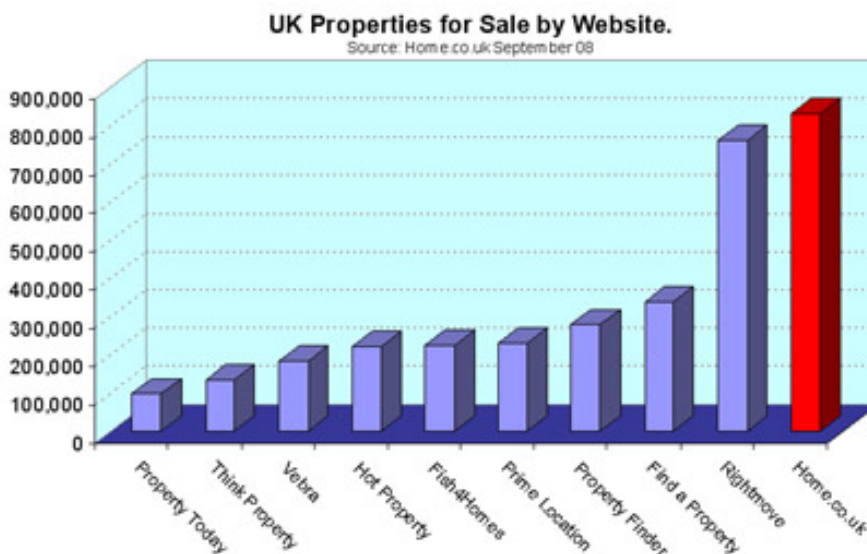
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## The Home.co.uk Asking Price Index

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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October 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:

Wednesday 12<sup>th</sup> November 08

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

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



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