



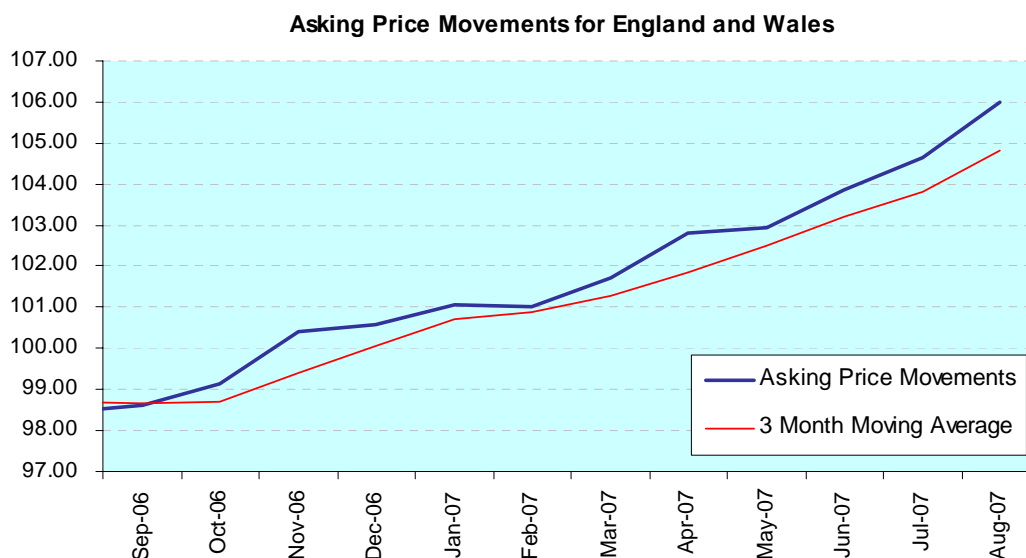
Asking Price Index

The UK's Independent Forward Market Indicator

Release date: 13th August 2007

Confident sellers shrug off rate hikes.

"The volatility of international capital is obviously destabilizing markets today."
[Jeffrey Sachs](#), 1954-, Economist.



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

Summary

Prices of homes on the market are rising at their fastest rate since Nov06

Asking Prices for homes in England and Wales are up 1.3% this month and are up 7.7% year-on-year (YoY).

Greater London average Asking Price is now above £350,000 for the first time.

Asking prices have risen in all England's regions, Scotland and Wales since July.

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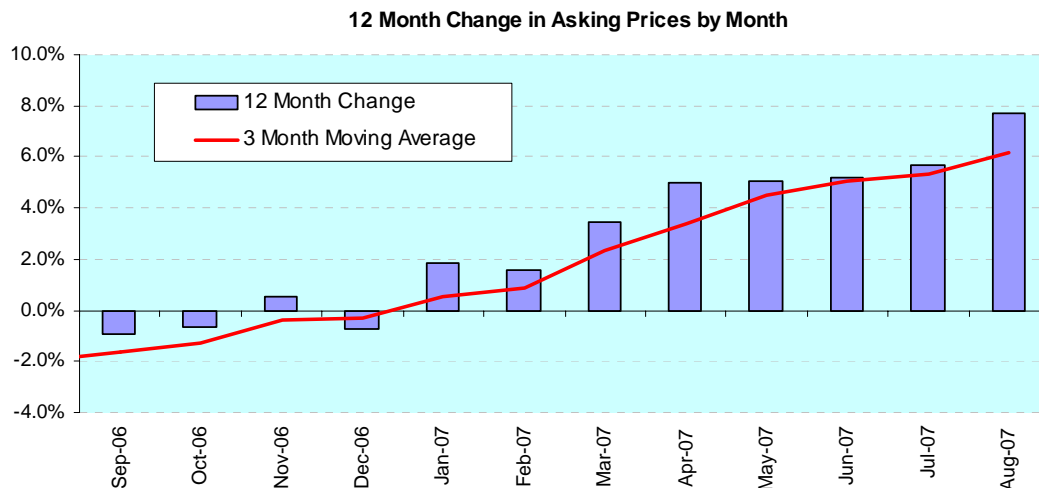
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Overview

Asking Prices for homes in England and Wales are rising at an annual rate of 7.7%, *ca.* 5.3% above the [CPI](#), *ca.* 3.3% above the [RPI](#) and *ca.* 4.1% above the [AEI](#) (excluding bonuses). Asking prices are now rising in all regions. Favourable seasonal factors, the introduction of Home Information Packs ([HIPs](#)) and considerable market momentum have all helped drive up asking prices of homes across all of the UK.

These factors have pushed the HAPI for England and Wales up to a new high of 106.0 [May04 = 100]. The mix-adjusted average price of a UK home advertised on the open market now stands at £258,531.

Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales now stands at 7.7%. Interest rate rises over the last 12 months have so far had little effect in slowing house price inflation despite the fact that affordability levels have fallen for the majority of buyers. The [BBA](#)'s report that mortgage approvals for house purchase were down 11% in June 07 (compared to June 06). Higher pricing by sellers will serve to further reduce the number of potential buyers.

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Regional Housing Markets

Regional average asking prices for Aug 07 showing gains and losses since Feb 07.

	Current average price	6 month change
Greater London	£350,697	+9.4%
Scotland	£179,613	+9.0%
South East	£296,421	+6.5%
South West	£274,354	+3.8%
East Midlands	£194,079	+3.3%
Yorkshire and Humber	£177,554	+3.0%
West Midlands	£207,301	+2.9%
Wales	£198,315	+2.7%
North West	£192,355	+2.2%
North	£170,096	+2.2%
East Anglia	£263,068	+1.9%

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

Regional Analysis

Remarkably, this month's report shows that all regions in England, Scotland and Wales have registered significant increases in asking prices over the last six months. This strong overall performance indicates that there is still strong confidence in the UK housing market despite repeated rises in the cost of mortgage borrowing.

All regional markets have registered gains in house prices since July's report. The last report in which month-on-month rises were evident across all regions was Nov 06.

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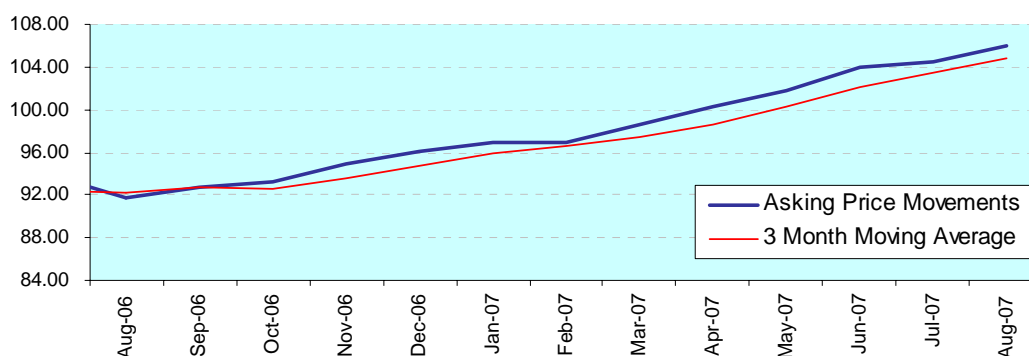
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Greater London

Asking prices in the Greater London rose by 1.4% this month, consistent with the recent upward trend. The average asking price of residential property for sale in London (excluding £1M+ properties) has risen by 14.6% since Aug 06, which is equivalent to a rise in value of around £4,000/month.

Asking Price Movements for Greater London

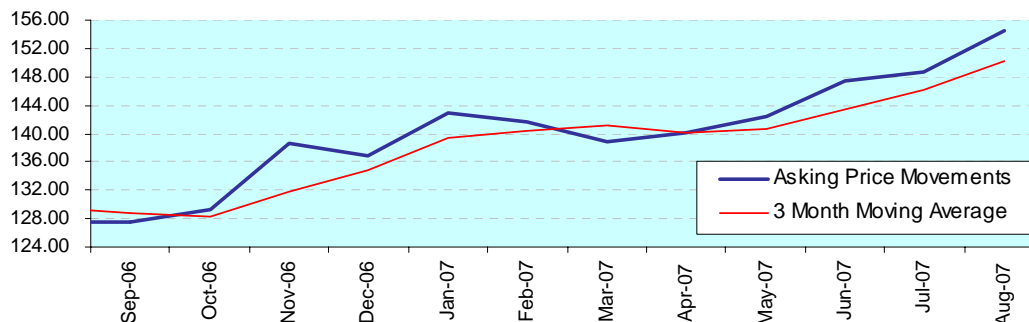


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Scotland

House prices in Scotland are again rising quickly after faltering earlier this year. Scottish asking prices have risen 21% since Aug 06, and in doing so have, for the first time, surpassed the average values for Yorks & Humber and the North of England.

Asking Price Movements for Scotland



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

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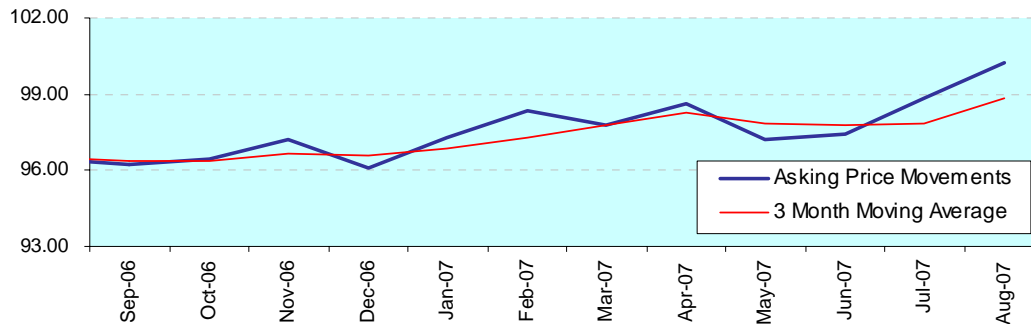
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East Anglia

Asking prices in East Anglia have performed less well than the average for England and Wales, rising by only 4.0% since Aug 06.

Asking Price Movements for East Anglia

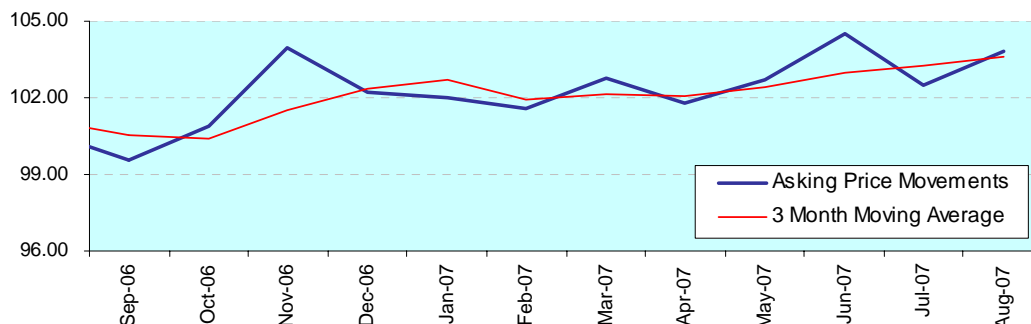


Laspeyres Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

North of England

The North of England has also underperformed with respect to the average for England and Wales, with market house prices rising by only 3.2% since Aug 06.

Asking Price Movements for the North



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

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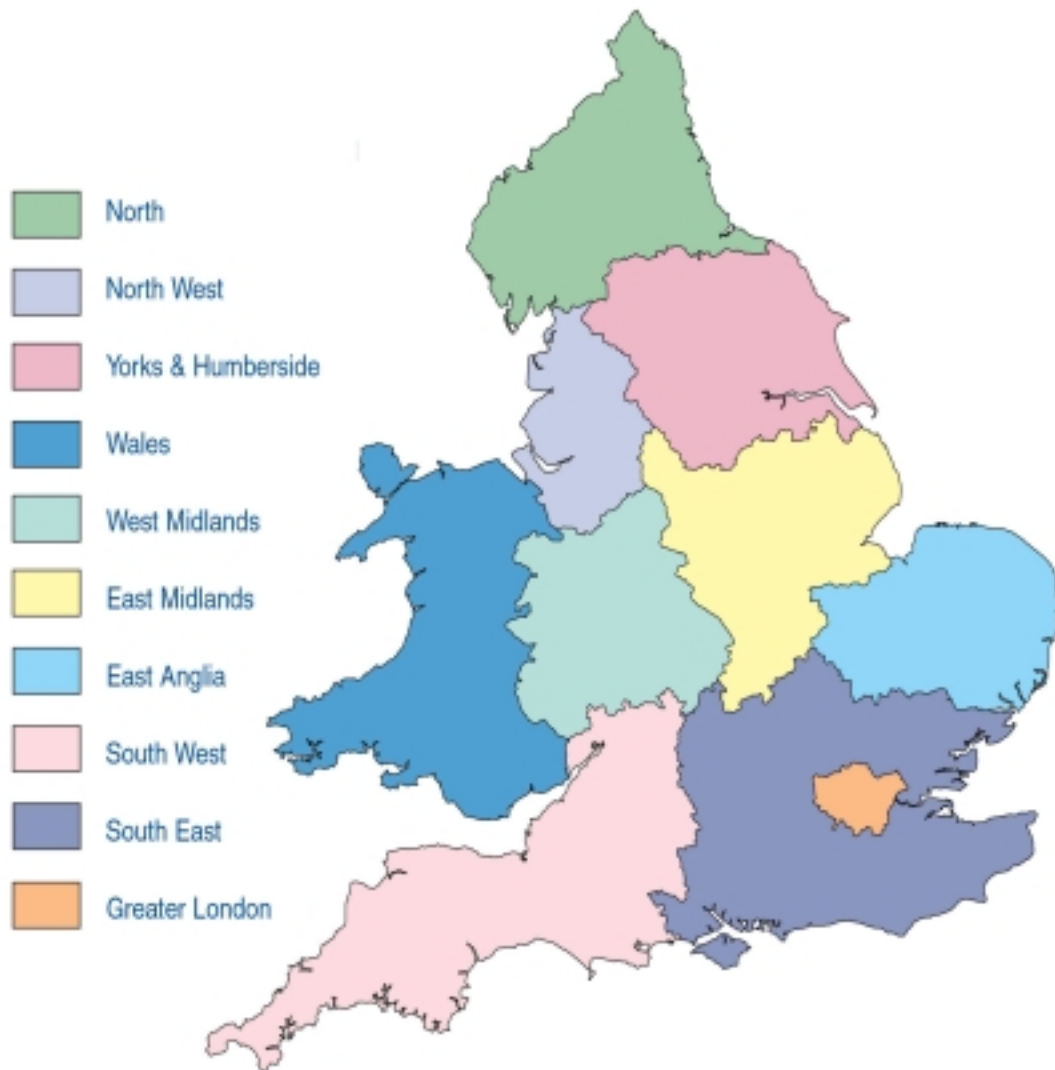
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Regions (as per DCLG)



Source: HM Land Registry

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Comment

Despite several small interest rate rises over the last year, the UK residential property market appears to be in surprisingly rude health. Greater London and Scotland, in particular, show all the signs of high confidence in hot markets. House prices benefited from an extra push this month thanks to the introduction of Home Information Packs for properties with four bedrooms or more, but with credit tightening occurring through higher interest rates and the threat of tighter lending criteria there are also some dark clouds on the horizon.

Home Information Packs

Figures from the Home.co.uk Property Search Index show that the proportion of homes with 4+ bedrooms on the market increased markedly from June-August as sellers sought to beat the HIPs August 1st deadline. Such a rapid influx of high value properties onto the market is estimated to account for around 0.3% of this month's 1.3% rise overall for England and Wales.

Global Credit Crunch

The financial news in late July and August has been dominated by the spread of the 'US sub-prime contagion', creating fear and a consequent 'credit crunch' in the money markets. Collapse of the US housing market caused by interest rate rises first affected the ability of what are called 'sub-prime' borrowers, those with poor credit ratings, to keep up with their mortgage payments. It now appears that 'Alt-A', the next level of creditworthiness is also affected and the whole situation is resembling a falling 'house of cards' as both more and more borrowers default and the values of the homes the loans were secured on continue to fall.

With so much fear of exposure to bad debt around, Banks are now less willing to lend to each other the essential liquidity needed for day-to-day business, lest their debtors collapse. Consequently, the LIBOR (London Interbank Offered Rate) soared to unaffordable levels effectively freezing the flow of capital and creating a 'liquidity crisis'. The credit crunch is so bad around the globe that central banks such as the ECB, Fed Reserve and BoJ have had to offer commercial banks cheap cash loans worth hundreds of billions of dollars just to keep the whole system from grinding to a halt.

(Continues next page)

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Tougher Climate for Borrowers

Apart from the distinct possibility that some mortgage lenders may face collapse, the most likely upshot of this severe credit crunch on the UK housing market is that cheaper mortgages will be much more difficult to get. Poor credit ratings in particular will attract fewer and fewer offers at higher rates of interest and all mortgage lenders will be forced to introduce much more stringent checks on the data the applicant provides.

Credit tightening always happens when lenders have had their 'fingers burnt' and are therefore more wary of risky lending. Re-mortgaging will also be more expensive and fewer 'agreements in principle' will mean fewer buyers in the market and perhaps more distressed sellers...

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

Future release dates:

Wednesday 12th September 07
Friday 12th October 07
Monday 12th November 07



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