



# Asking Price Index

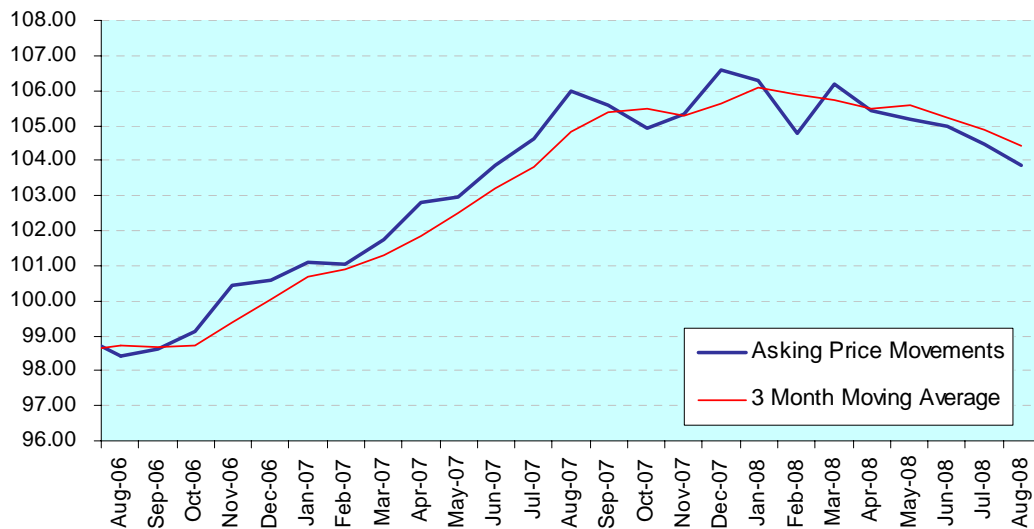
The UK's Independent Forward Market Indicator

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

## Decrease in House Prices Shows No Sign of Abating

"A bottom for the housing market is still not visible" Jamie Caruana, Director of the IMF's Monetary and Capital Markets Division.

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 in England and Wales are down by 0.6% this month, and down by 2.0% since Aug 07, a fall in *real terms* of *ca.* 6.6% relative to the Retail Price Index (June 08).

Falls were observed in all 9 English regions this month. Over the last six months only Greater London shows any rise and this, a mere 0.4%.

Asking Prices in Scotland fell by 2.9% this month, and are showing a loss over the past six months of 2.7%.

Only Welsh homes saw an increase in their mix-adjusted asking price this month.

Released 12<sup>th</sup> August 2008

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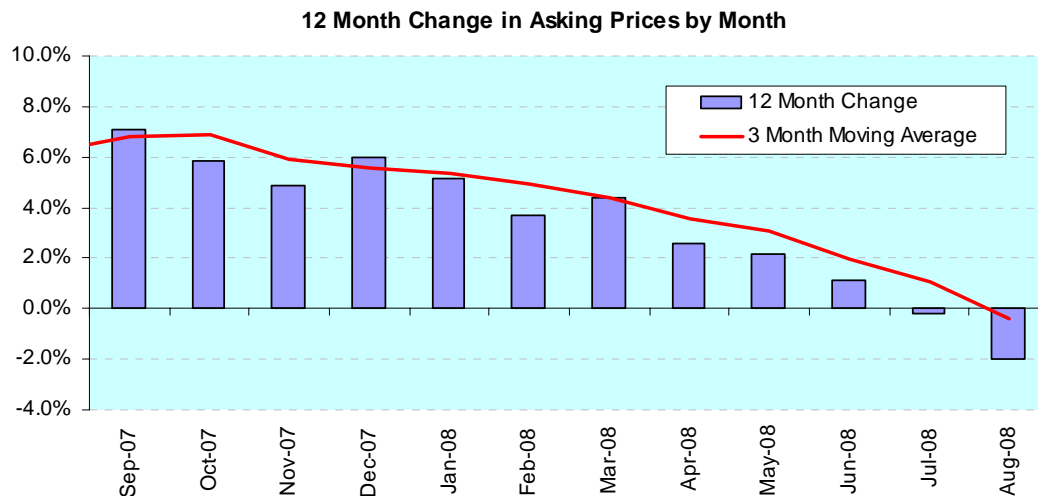
## Overview

Following another month of continued media speculation over falling house prices and the global credit crunch it is perhaps to be expected that the HAPI continues to record falls across all 9 English regions and in Scotland. The surprise is that Wales has bucked the trend and shown a monthly increase in asking price of +0.5%.

Overall, there are falls in the asking price of detached and semi-detached properties and flats this month. However, there is a slight monthly increase in asking prices of terraced properties, perhaps explained by landlords seeking to remove some of the larger capital investments from their portfolios.

Figures confirming that repossessions in the first six months of the year increased by 48% and the continuing uncertainty over any government intervention in the housing market will do nothing to steady confidence. As such any halt in the decline in asking prices appears unlikely in the foreseeable future.

## Twelve-Month Trend in Asking Prices



The year-on-year (YoY) change in asking prices for England and Wales now stands at -2.0%, a significant decline from the 7% growth seen a year ago.

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Over the last year, Asking Prices for homes in England and Wales have fallen 2.0%, *ca.* 6.4% below the [CPI](#), *ca.* 5.5% below the [RPI](#) and *ca.* 5.4% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £253,351.

The HAPI for England and Wales has fallen 2.1 index points to 103.8 YoY [May04 = 100].

## Regional Housing Markets

Regional asking prices for August 2008, showing gains and losses since February 2008.

	Current average price	6 month change
Wales	£193,955	+1.3%
Greater London	£351,063	+0.4%
West Midlands	£202,661	0.0%
East Anglia	£262,572	-0.4%
South East	£285,698	-1.0%
South West	£264,933	-1.3%
North West	£186,349	-2.0%
East Midlands	£184,352	-2.3%
North East	£164,606	-2.5%
Yorkshire and Humber	£179,166	-2.5%
Scotland	£174,354	-2.7%
England & Wales	£253,351	-0.9%

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

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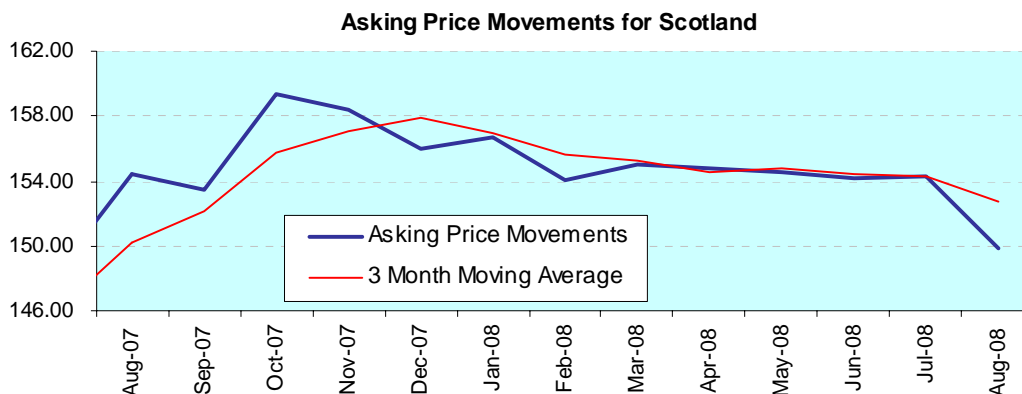


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## Scotland

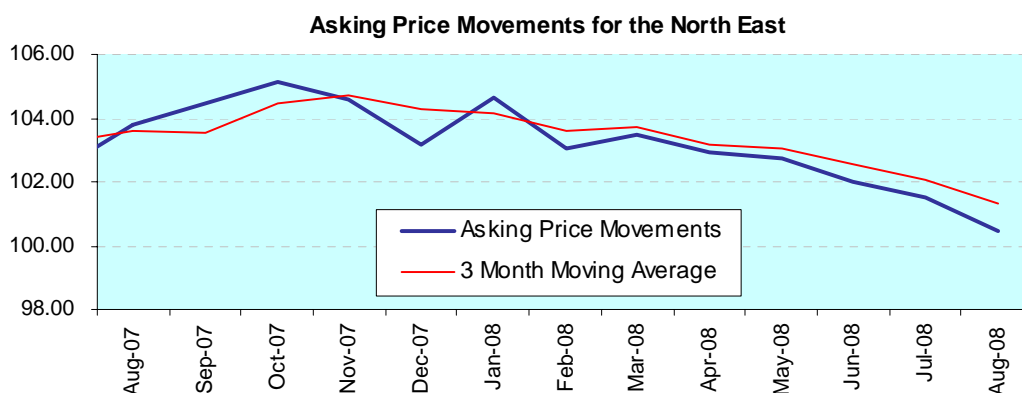
Market house prices in Scotland are showing a 2.7% decrease over six months and saw a significant drop of 2.9% this month alone.



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

## North East

The mix-adjusted asking price for property in the North East has fallen by 2.5% since Feb 08, indicating a downward trend which started when the credit crunch went global in Q4 2007.



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

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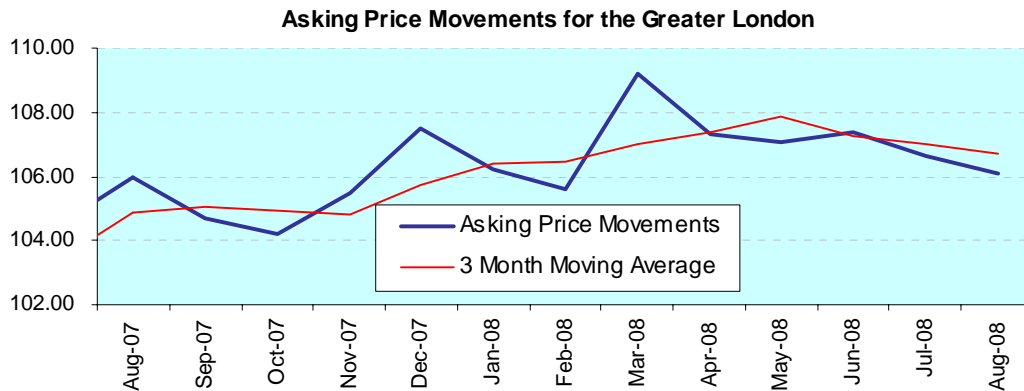


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## Greater London

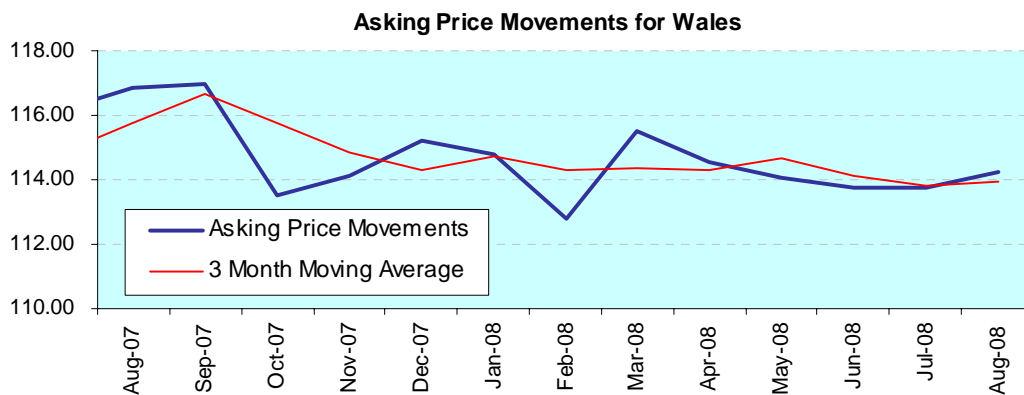
The mix-adjusted average asking price for properties for sale in Greater London has risen just 0.4% in the last six months and the 3-month moving average asking price which started to fall in May 08 is continuing its downward trend.



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

## Wales

Asking prices for homes in Wales have risen by 1.3% over the past six months. The mix-adjusted asking price movements in Wales over the past 12 months have been somewhat erratic but a downward trend since Sept 07 and start of the global credit crunch is evident.



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

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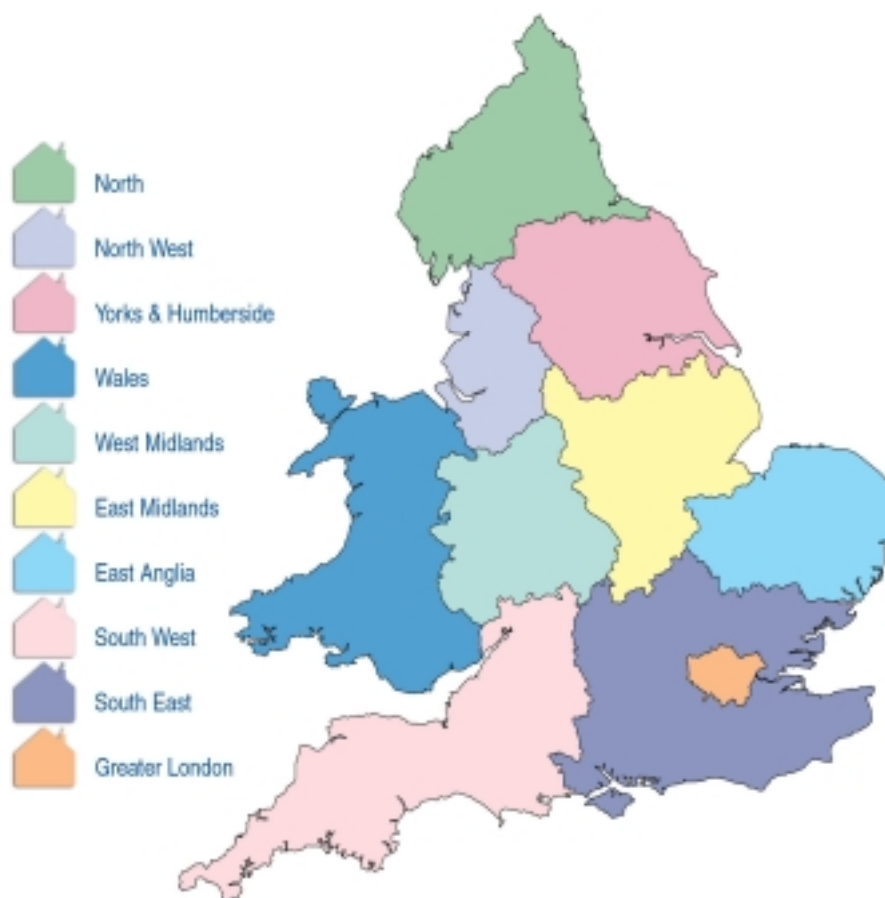


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**Regions** (as per DCLG)



Source: HM Land Registry

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## Comment

The Bank of England has held interest rates at 5% for the fifth month in a row, a move welcomed by the Council of Mortgage Lenders (CML) who went on to call for a drop next month in a bid to boost the mortgage markets. However, even a drop in interest rates, which is highly unlikely until inflation peaks and begins to move back toward the 2% CPI target figure, is not going to provide much impetus to a stagnant mortgage market. Softening demand and the holding of the Bank of England Base Rate over the past few months has already resulted in more attractive rates being offered by lenders, but the main factor restricting the availability of mortgages remains the global credit crunch, which spilled over from the US a year ago. The Aug 07 [Asking Price Index](#) foresaw the climate becoming significantly tougher for borrowers and until lenders are able to restructure sufficiently so as to regain confidence in each other and in their ability to support further lending, the poor availability of credit to all but the most creditworthy will continue.

## When will credit become more freely available?

The gung-ho attitude of both lenders and borrowers, which has perpetuated in the three years to August 2007 needed to suffer a reality check. However, the fact that the credit crunch is global in nature leaves the UK government with very little room to manoeuvre to bring about any improvement in the markets. As Sir James Crosby stated in his report on the condition of the mortgage market "In time, these markets will stage some sort of recovery, but I am firmly of the opinion that, in the foreseeable future, there will be very little new issuance of UK mortgage-backed securities". It will not be until the global banking industry has put its house in order that confidence to lend will return and until that time only those with whiter than white credit records and significant deposits will be able to obtain credit.

## Knock-on effect of banking crisis on wider economy

The threat of the crisis deepening with falling house prices further weakening banks' balance sheets and potentially leading to a cutback in lending more generally, was highlighted this week by David Kern of the British Chambers of Commerce when he stated that the IMF's global financial stability report "confirms the growing pressures on the international banking system could hit businesses, with dire consequences for jobs."

If individuals already suffering from higher living costs were further hit by increases in unemployment and worries about job security then the current concerns about a theoretical recession could turn out to be true. Already market sentiment has nigh on collapsed but the longer this downturn persists and the more reports are issued showing little good news the more likely it is that the current fall in house asking prices will continue for some time to come and may yet accelerate.

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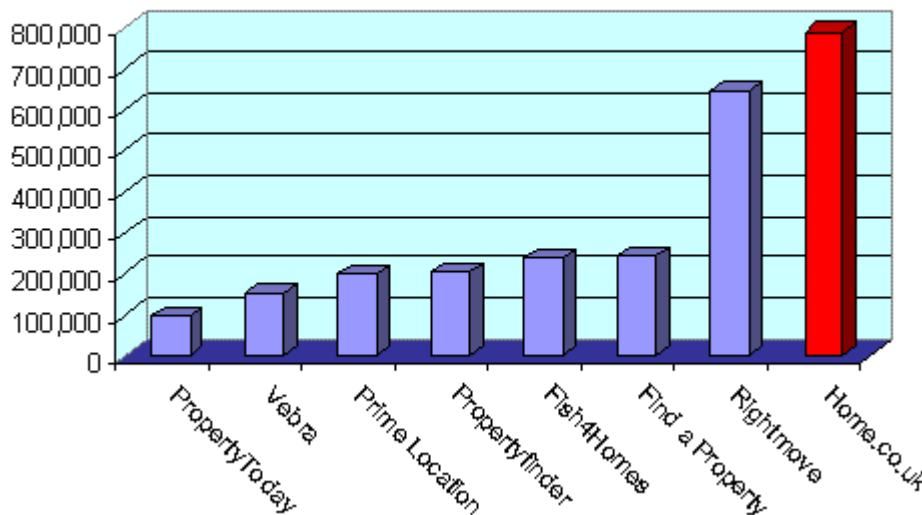
The [Home.co.uk](http://Home.co.uk) Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

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.

**Searchable Properties for Sale by Website.**

Source: Home.co.uk February 08



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:

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

Monday 13<sup>th</sup> October 08

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



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