



July 2006

Asking Price Index

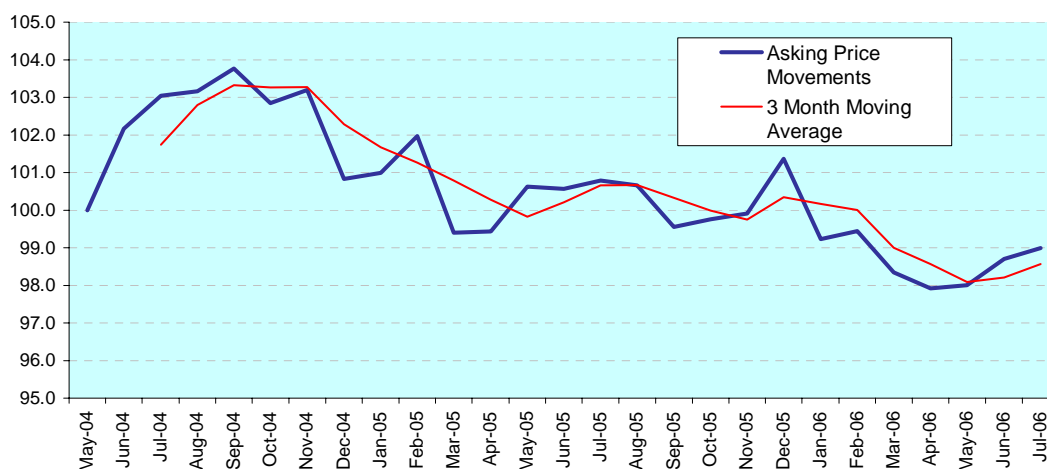
The UK's Independent Forward Market Indicator

Release date: 12th July 2006

Sellers' Confidence Tests the Market.

"No warning can save a people determined to grow suddenly rich." - [Lord Overstone](#)

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 residential property in England and Wales rose slightly this month by 0.3% heralding a firm start to H2.

Asking Prices in England and Wales fell 1.8% over last 12 months (4.0% below the [CPI](#)).

London Asking Prices jump 2.3% signifying a surge in confident sellers.

Yorkshire and Humberside show 2.2% Asking Price increase over the last year.

East Anglia is weakest performing region registering a 12 month fall of 6.0%.

Released 12th July 2006

Page 1 of 8

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Press Office: 0845 373 3580

The [Home.co.uk](#) Asking Price Index is calculated by [Calnea Analytics Ltd](#)



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Overview

Following a sustained period of price reductions, reflecting a cooling market, three consecutive months of steady rises in asking prices points to an overall strengthening of the housing market in England and Wales. A new wave of confident sellers has served to stem the tide of sliding prices recorded over the last 20 months and may indicate that a 'soft landing' has been found. However, it remains to be seen, whether or not, there is sufficient buyer demand to sustain the residential property market at this level.

Regional Housing Markets

The regional average asking prices for July 06 showing gains and losses since July 05.

Scotland	£152,465	+16.1%
Yorkshire and Humber	£171,210	+2.2%
East Midlands	£192,353	-0.3%
Greater London	£310,157	-0.4%
West Midlands	£197,540	-0.6%
South East	£271,374	-1.6%
South West	£254,003	-1.8%
North West	£184,638	-2.3%
Wales	£181,979	-3.8%
North	£166,343	-4.1%
East Anglia	£253,416	-6.0%

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

Yorkshire and Humberside is notably the only region in England and Wales to show an Asking Price increase over the last 12 months.

Released 12th July 2006

Page 2 of 8

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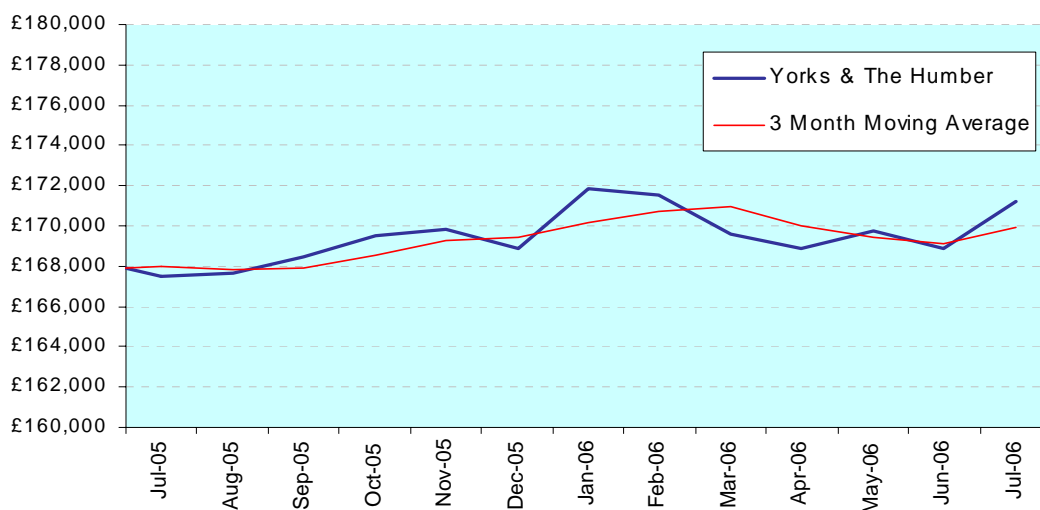


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Yorkshire and Humber

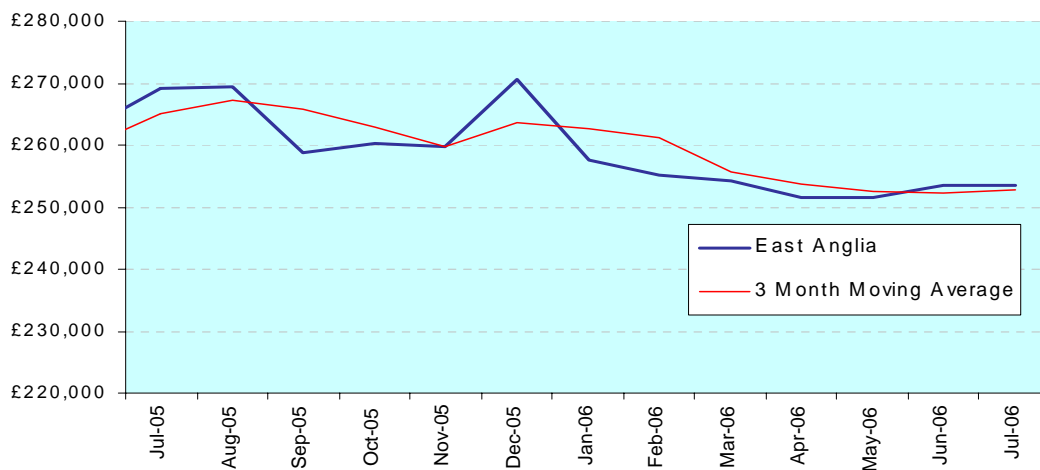
Asking Price Movements for Yorkshire & Humber



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

East Anglia

Asking Price Movements for East Anglia



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

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Page 3 of 8

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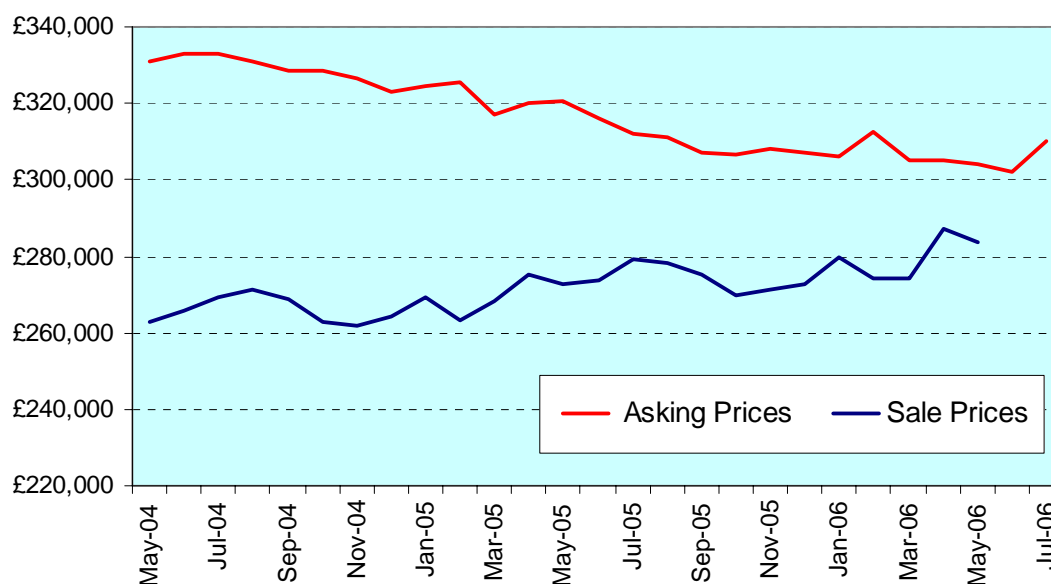


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Greater London

Price Movements in Greater London



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

The Greater London house price indices show a distinctly convergent trend indicating a continuous increase in the Asking Price : Sale Price ratio since the height of the London boom, when Asking Prices reached their peak in July 04. Such had been the upward momentum that Sales Prices trailed at *ca* 80% of the Asking Price in July 04 catching up to around 93% of the Asking Price in May 06. Such a convergence of Asking Prices and Sale Prices may be taken to signify an end to the more speculative selling practices and a return to more stable market conditions. Despite a downward trend in Asking Prices, in response to affordability constraints, actual transaction values have increased over this period albeit much more slowly than in the previous two years.

The graph above indicates trends in Asking Prices and Sale Prices (HM Land Registry Data) residential property in the capital. For the purpose of comparison both Indices have been calculated and weighted in the same way. Due to the timescale of the property selling process, care should be taken in any comparisons of Asking Price and Sale Price data. The [Bank of England](#) estimated Asking Price data to be around 5 months ahead of HM Land Registry data, however the period of the respective trends far exceeds this figure and therefore allows meaningful analysis in this instance.

Released 12th July 2006

Page 4 of 8

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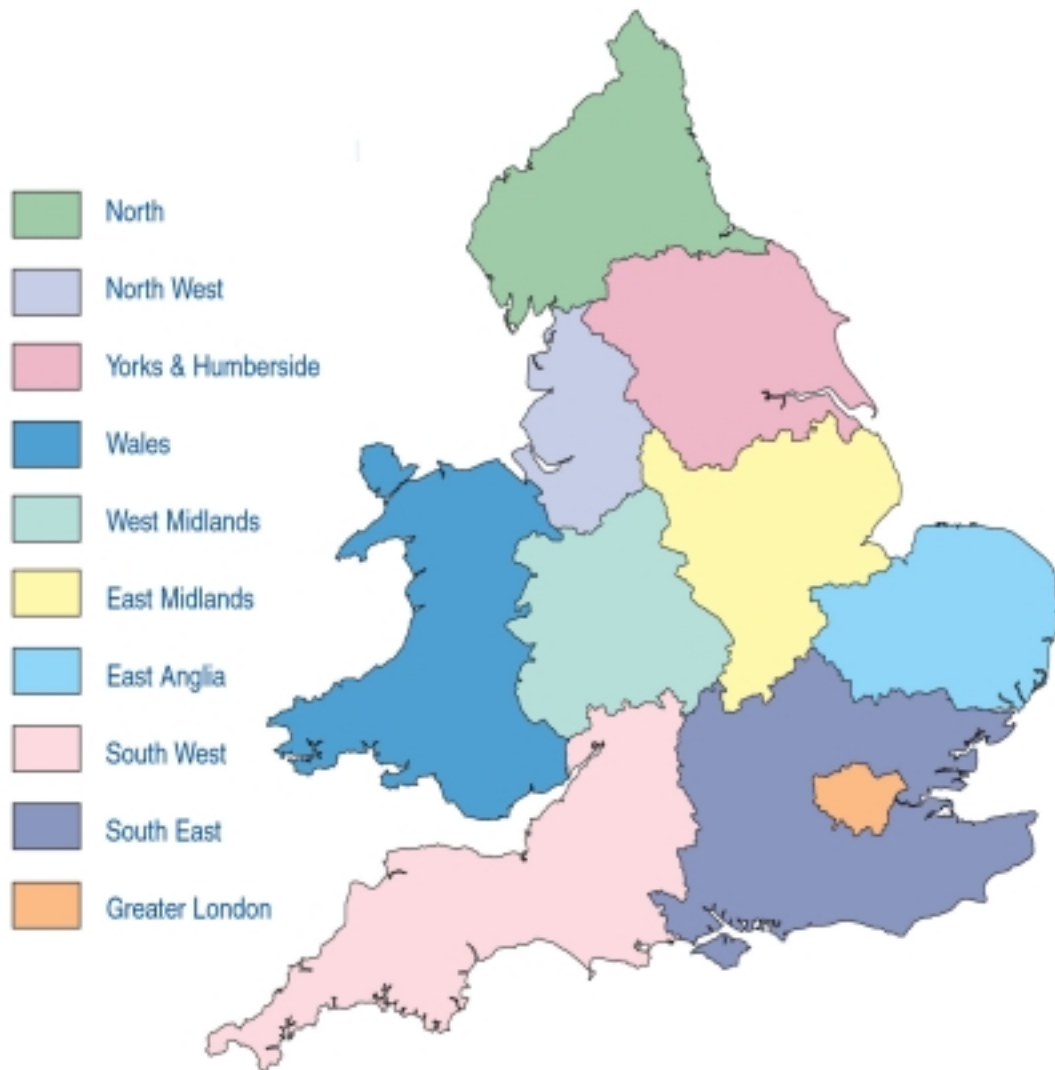


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Regions (as per DCLG)



Source: HM Land Registry

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Page 5 of 8

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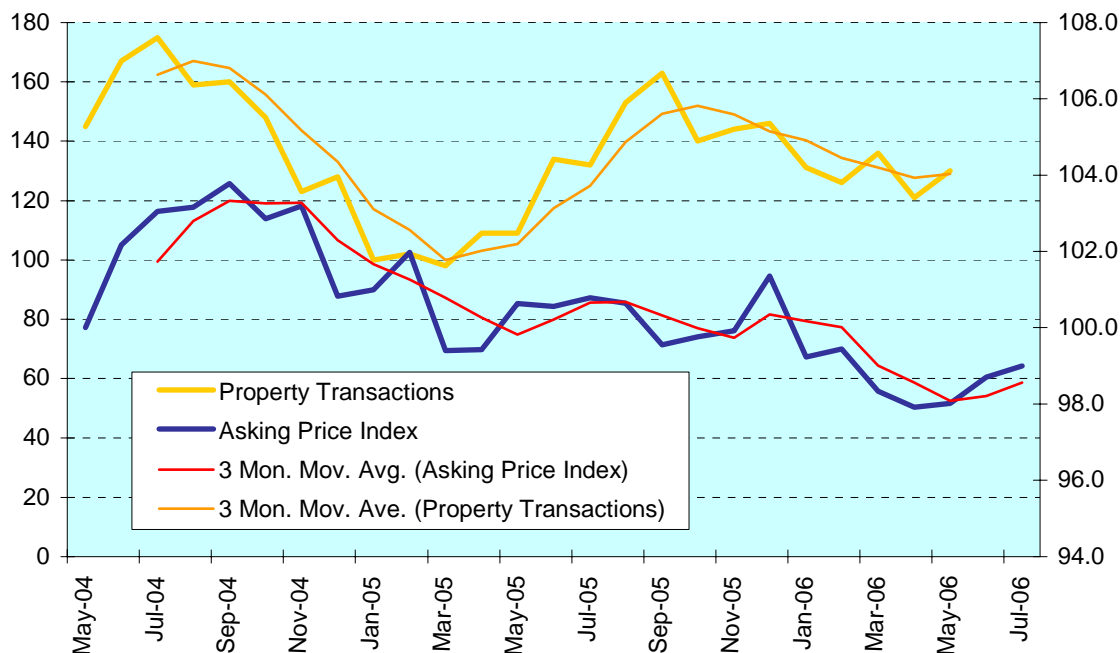


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Price Sensitivity

Property Transactions and Asking Prices for England and Wales



Sources: Home.co.uk and Statistics.gov.uk

High Asking Prices around September 04 proved to be out of reach for many buyers, thereby causing a 40% reduction in the number of Property Transactions over the months that followed, reaching a minimum in March 05. Sellers responded rapidly with discounting and more competitive initial pricing, which served to re-stimulate demand and build sales volumes toward a further maximum in September 05. Correspondingly, price reductions slowed over this period as Sellers were encouraged by the pick-up in demand. Despite a quarter point cut in the Bank of England base rate in August 05, transaction volumes have shown an overall downward trend from September 05 until April 06. Sellers reacted to this with further reductions in Asking Prices until a minimum in April 06, thereby helping to preserve the renewed transaction levels. Small rises in Asking Prices over the last three months by more confident Sellers will again exert downward pressure on Transaction Volumes, thereby preserving a delicate balance in a highly price sensitive market.

Released 12th July 2006

Page 6 of 8

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Comment

Following the extraordinary growth in house prices experienced up to May 04, the UK housing market is has been characterized by tight affordability constraints. This in turn has led to a resumption of more stable market conditions, underpinned by remarkably consistent and accommodative credit conditions.

Such a finely balanced market is dominated by two main factors, namely Asking Prices and Credit. The availability of Credit is probably the single most important factor for future trends in the UK housing market. Indeed, a sustained period of low interest rates was the main driver for soaring UK House Prices until they reached a new affordability maximum, based on the servicing of mortgage debt, in 2004. Recent events in the USA have shown that changes in Credit conditions occur rapidly in response to rising inflation as exemplified by the Federal Bank's interest rate hikes. However, the overall effect on global Credit (and money supply) of these recent hikes by the world's largest economy has been somewhat less than many commentators suggested.

The muted effect of such interest rate hikes in the US and Eurozone is due to the fact that other large sources of cheap credit still exist. A prime example is the [Yen-carry trade](#) driven by the Bank of Japan's (BoJ's) effectively zero interest rate, since September 01, which has delivered cheap Credit and growth to all the world economies. In 2005 the Yen accounted for around 15% of the worlds money supply (For comparison the US\$ totals around 14% ([M2](#))). "All liquidity starts in Japan, the world's largest creditor country," stated Jesper Koll, chief economist for Japan at Merrill Lynch & Co. "When rates go up here, rates go up everywhere." The release of the quarterly Tankan report, removed much doubt that the Zero Interest Rate Policy (ZIRP) would be lifted. For many commentators, the only question is whether the change in monetary policy will be announced in July at this week's BoJ meeting or delayed until August. The [spill-over effects](#) of such a move by the central bank of the world's second largest economy will be far reaching, especially in asset values such as property. The Credit dependency of UK house prices means the housing market will be especially vulnerable to further tightening of global money supply by the BoJ.

The Bank of England chose to leave interest rates unchanged following the last meeting of the MPC. However, a rise in inflation as signaled by the CPI suggests a rate rise by the BoE is likely, thereby joining the major central banks in measures to reduce money supply and increase the cost of borrowing.

Released 12th July 2006

Page 7 of 8

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Notes

The Home.co.uk Asking Price Index 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 Home.co.uk Asking Price Index is the UK's only independent forward market indicator. The published figures represent current and historic confidence of buyers and sellers of UK property on the open market. The Home.co.uk Asking Price Index is calculated every month using 650,000+ 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. Properties above £1m and below £20k are excluded from the calculations. The Home.co.uk Index 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.

Contact Details

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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 data please visit:

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

Future release dates:

Friday 11th August 06

Tuesday 12th September 06

Thursday 12th October 06



Released 12th July 2006

Page 8 of 8

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