



June 2008

# Asking Price Index

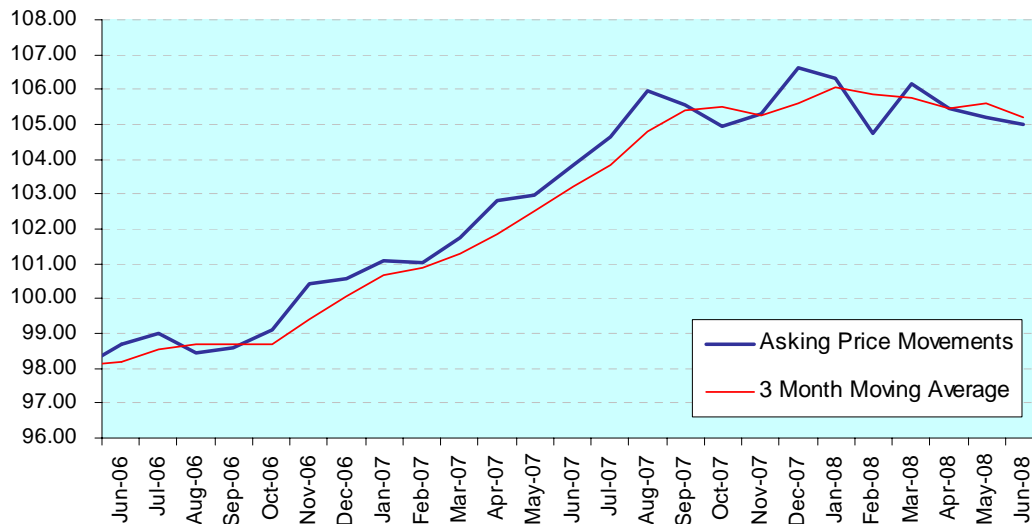
The UK's Independent Forward Market Indicator

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

## Decline in Asking Prices Continues.

"The impact of tighter credit conditions is most clear in property markets. Commercial property prices have fallen by 16% since the summer and house prices are now falling too." **Mervyn King (1948-) Governor of the Bank of England.**

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

The mix-adjusted average Asking Price for homes on the market in England and Wales fell this month by 0.2%.

Monthly falls were observed in 7 out of 9 English regions and in Scotland and Wales.

Asking Prices in England & Wales have fallen 1.1% over Q2 2008.

Each English region, Wales and Scotland registered asking price falls over Q2.

Scottish Asking Prices have fallen 0.5% since March 2008.

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Page 1 of 9

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



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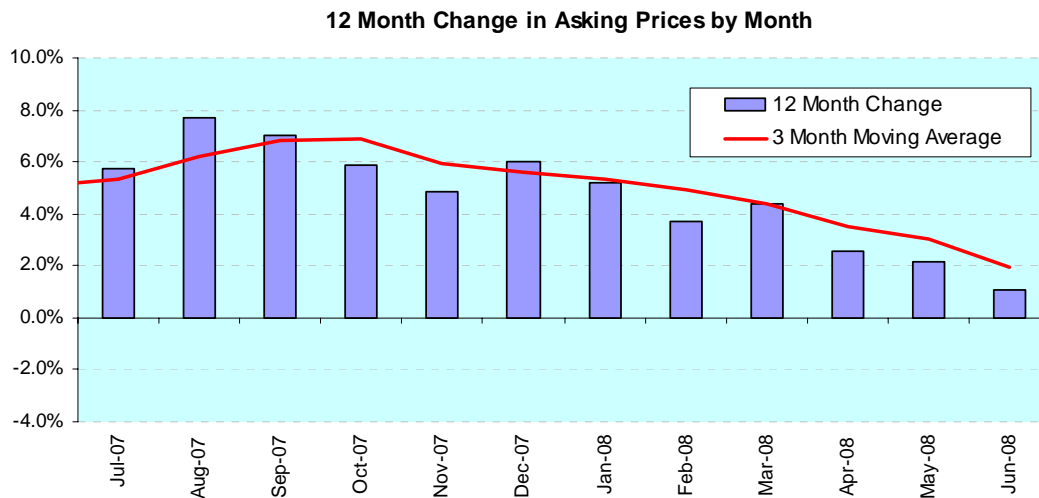
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## Overview

The UK housing market in June 08 is collapsing with a dearth of buyers and an increasing number of sellers desperate to rid themselves of property as the costs of finance increase. All regions of England, Scotland and Wales have seen a decrease in mix-adjusted average asking prices during Q2 2008. Only Greater London and the South East have seen any monthly increase in price from May and in the case of the South East this increase was a mere 0.1%.

Negative sentiment in the housing market continues with the Royal Chartered Institute of Surveyors (RICS) announcing that completed transactions in the three months to May were the lowest since records began in January 1978. The media focus on mortgage lenders' problems to secure capital and struggling borrowers compounds the problems and may well fuel the downward slide.

## Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales is only 1.1%, a fall of 1.1% on last month which continues the downward trend that started in September 07.

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Page 2 of 9

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Over the last 12 months, Asking Prices for homes in England and Wales have risen 1.1%, *ca.* 1.9% below the [CPI](#), *ca.* 3.1% below the [RPI](#) and *ca.* 1.6% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £256,112.

The HAPI for England and Wales has fallen 0.2 index points to 105.0 since May 08 [May04 = 100].

### Regional Housing Markets

Regional asking prices for June 2008, showing gains and losses for Q2 2008.

	Current average price	Q2 change
East Anglia	£262,969	-0.1%
Scotland	£179,371	-0.5%
West Midlands	£205,035	-0.8%
North West	£189,547	-1.0%
South East	£290,333	-1.0%
South West	£266,623	-1.0%
Yorkshire and Humber	£181,462	-1.0%
North	£167,104	-1.5%
Wales	£193,039	-1.5%
Greater London	£355,401	-1.7%
East Midlands	£186,381	-2.2%
England & Wales	£256,112	-1.1%

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

Released 12th June 2008

Page 3 of 9

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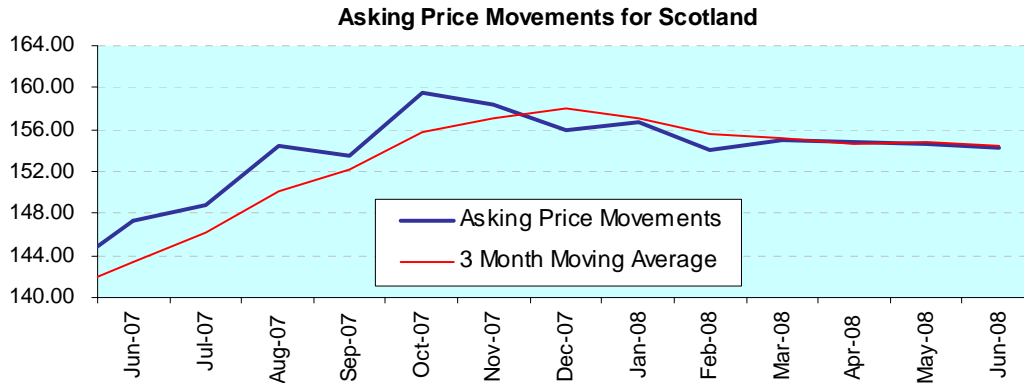


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## Scotland

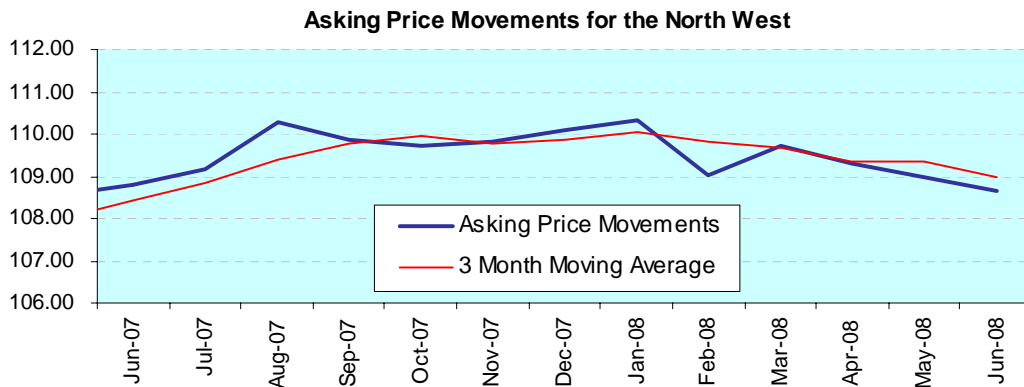
Asking prices for homes in Scotland have fallen 0.5% since March 08. Scottish asking prices have now fallen for four consecutive months.



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

## North West

The mix-adjusted average asking price for properties for sale in the North West has fallen by 1% in Q2 08 continuing the general downward decline since September 07.



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

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Page 4 of 9

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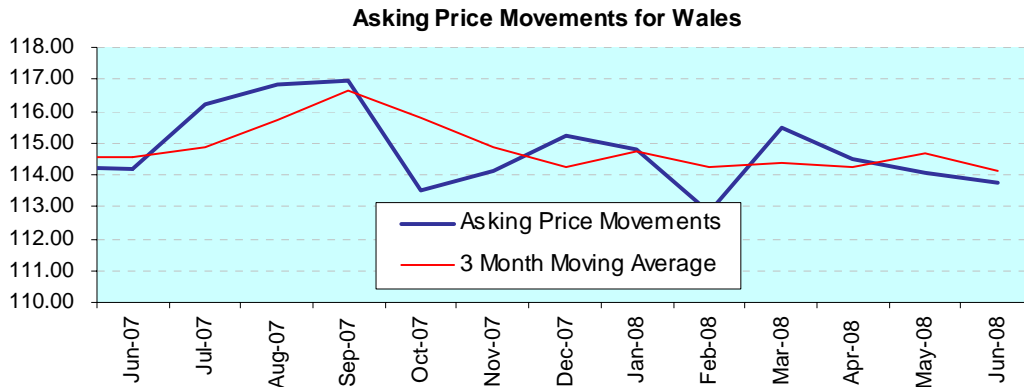


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## Wales

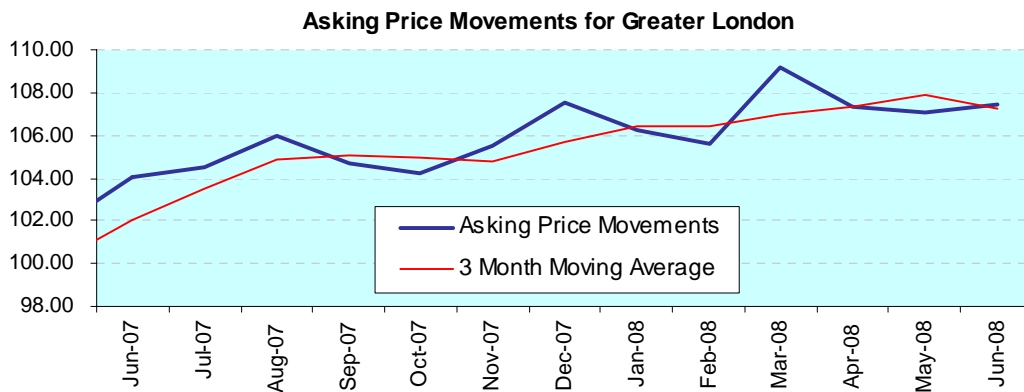
Asking prices in Wales continue a downward trend with a fall of 1.5% in Q2 2008. However, the recent mix-adjusted average asking price shows a recovery from the low in February 08.



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

## Greater London

Market house prices in Greater London have declined by 1.7% since March 08, the second largest regional fall in England for the period. For the first time since August 06 the 3-month moving average asking price is falling in Greater London.



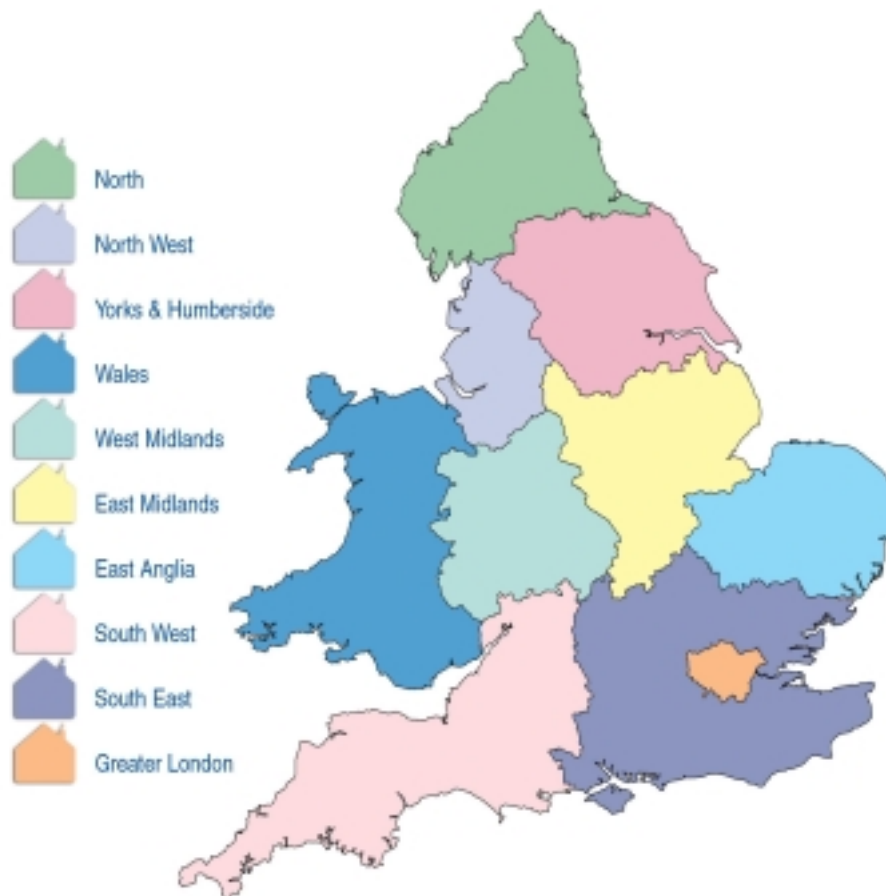
Laspeyres Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]



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**Regions** (as per DCLG)



Source: HM Land Registry



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## Comment

The new trend of falling asking prices continues with a Q2 fall of 1.1% for England and Wales. The only region to buck this trend has been Greater London where month on month house prices increased by 0.3%. However, over Q2 2008 London suffered the second largest decline in asking prices of -1.7%. All English regions, Wales and Scotland registered asking price falls over Q2.

Problems in the supply of mortgage finance are the root cause of the observed falls and continue to blight the UK property market. The Special Liquidity Scheme announced with much fanfare in April has not had the desired effect of shoring up confidence in the beleaguered financial markets. The problems at Bradford & Bingley, echoing those of the Northern Rock, have further unsettled the lending market, which is reacting by attempting to reduce exposure by limiting the availability of new credit through the tightening of lending criteria.

## Mortgage Rates

Several lenders have increased their mortgage rates in the last month in attempts to avert risk and shore up their balance sheets. Further increases in the mortgage rate are looking likely as the London Inter-Bank Offered Rate (LIBOR) continues to rise steadily. The Bank of England Monetary Policy Committee held rates at 5.00% again this month but with the European Central Bank issuing warnings that it may need to increase its base rate as early as next month to counter spiralling inflation the same analysis is already appearing relevant to the UK economy. An increase in the UK base rate rather than the much hoped for decrease may yet be on the cards.

Further increases in mortgage rates will have a significant impact on families already struggling to meet increases in the costs of living. According to Credit Action, "27,100 properties (74 a day) were taken into possession during 2007. This is a 21% increase on 2006. The Council of Mortgage lenders (CML) estimates this will increase to 123 a day during 2008".

## The Law of Supply and Demand

The fundamental macroeconomic law is now laid bare: as the supply of finance decreases, the cost of borrowing increases. But for now, the point at which the upward sloping supply curve and downward sloping demand curve intersect is still in doubt, leaving homeowners unable to sell their property and struggling to meet the increased costs.

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Released 12th June 2008

Page 7 of 9

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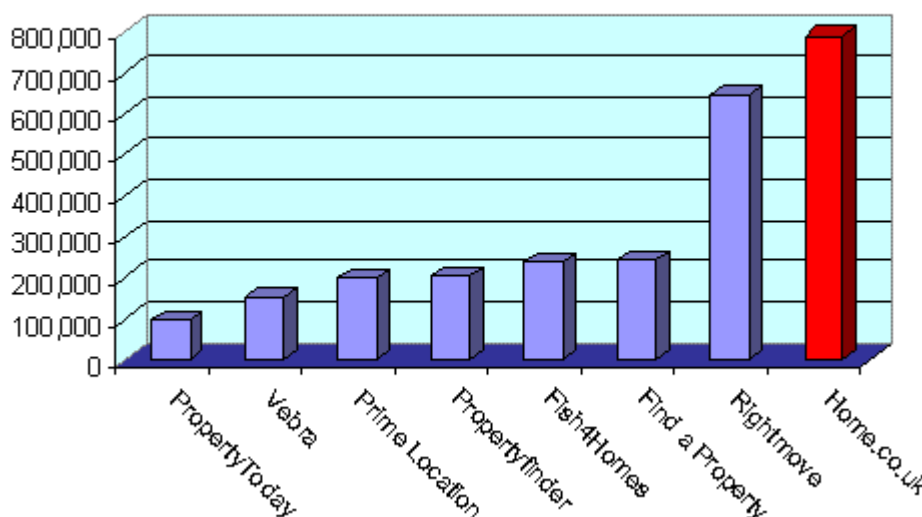
The [Home.co.uk](http://Home.co.uk) Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

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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Page 8 of 9

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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 14<sup>th</sup> July 08

Tuesday 12<sup>th</sup> August 08

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

