



Asking Price Index

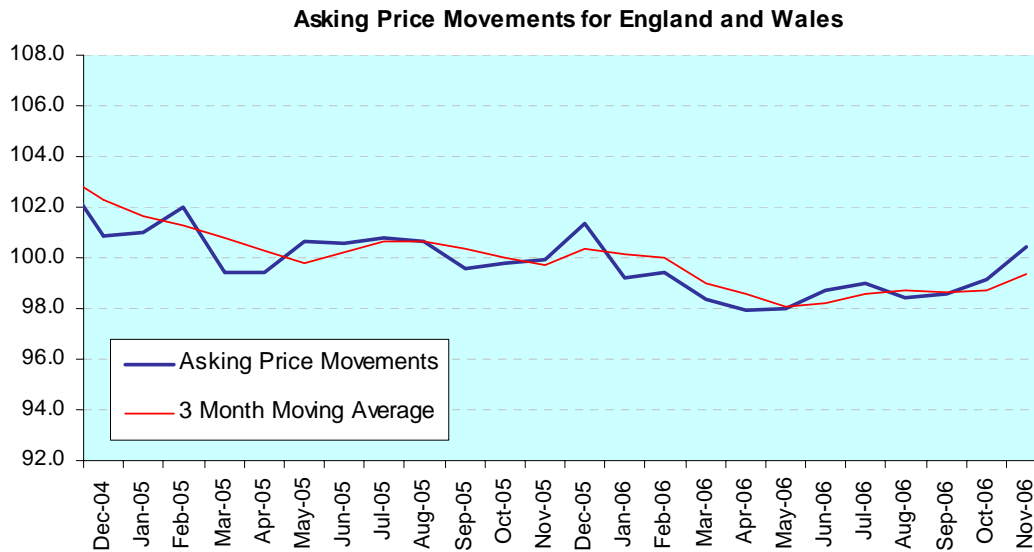
The UK's Independent Forward Market Indicator

Release date: 13th November 2006

Asking Prices Accelerate.

"Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hit man."

[Ronald Reagan](#). (1911-2004) US President



[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 rose strongly this month by 1.3%.

Asking Prices in England and Wales rose by 0.5% over the last year (*ca.* 1.9% below the [CPI](#), *ca.* 3.1% below the [RPI](#) and *ca.* 3.1% below the [AEI](#)).

Greater London Asking Prices rose by 1.6% this month, but the largest regional monthly rise was 3.1% in the North.

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Page 1 of 9

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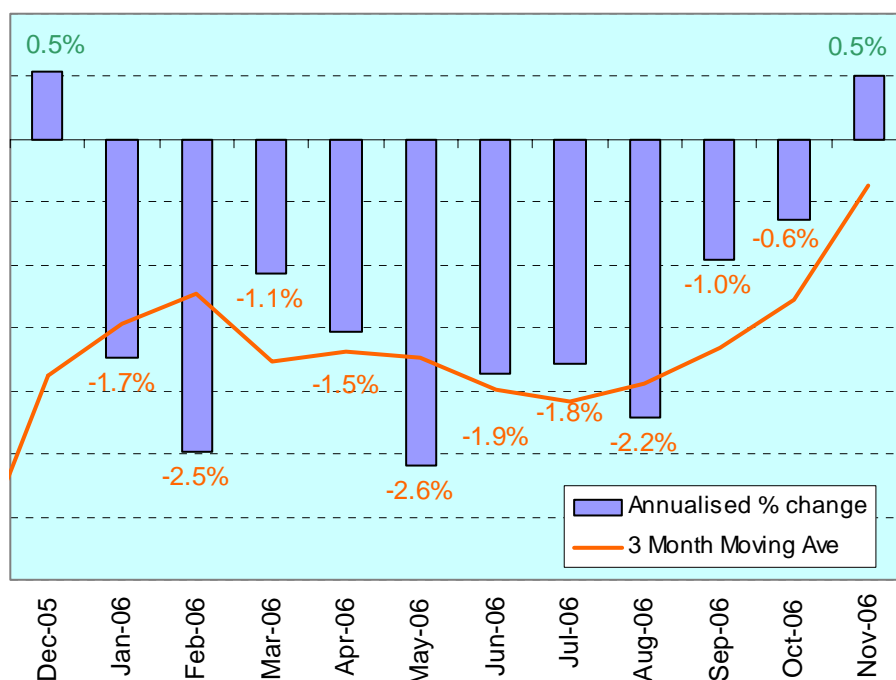
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Overview

Asking prices for homes, currently on the market, in England and Wales increased by 1.3% this month making November the third month in a row of consecutive price rises. This further rise takes the 12-month change in average asking prices into positive territory for the first time since December 05 and now stands at +0.5%. Confidence amongst sellers of residential property has increased markedly over recent months as indicated by a plentiful supply of properties new on the market with higher asking prices.

Annualised % change in asking prices for England and Wales by month



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Page 2 of 9

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Regional Housing Markets

Regional average asking prices for November 06, showing gains and losses over the last six months.

Scotland*	£161,146	+7.7%
Wales	£193,758	+7.4%
South West	£264,697	+5.8%
North	£170,366	+3.0%
Greater London	£313,854	+2.8%
South East	£275,059	+2.7%
Yorkshire and Humber	£172,535	+1.8%
West Midlands	£200,831	+1.5%
East Anglia	£255,135	+1.3%
North West	£186,068	+0.6%
East Midlands	£186,720	-2.0%

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

Regional Analysis

The overall strengthening of asking prices across England and Wales is reflected in regional asking prices. Over the last 6 months house prices have risen in all but one region (East Midlands) with Scotland, Wales and the South West taking the lead with rises of 7.7%, 7.4% & 5.8% respectively. As market sentiment continues to strengthen across the UK, the regional disparity in asking price trends between the various English regions, Wales and Scotland has diminished over the last six months, although a significant degree of regional variation continues to exist.

Released 13th November 2006

Page 3 of 9

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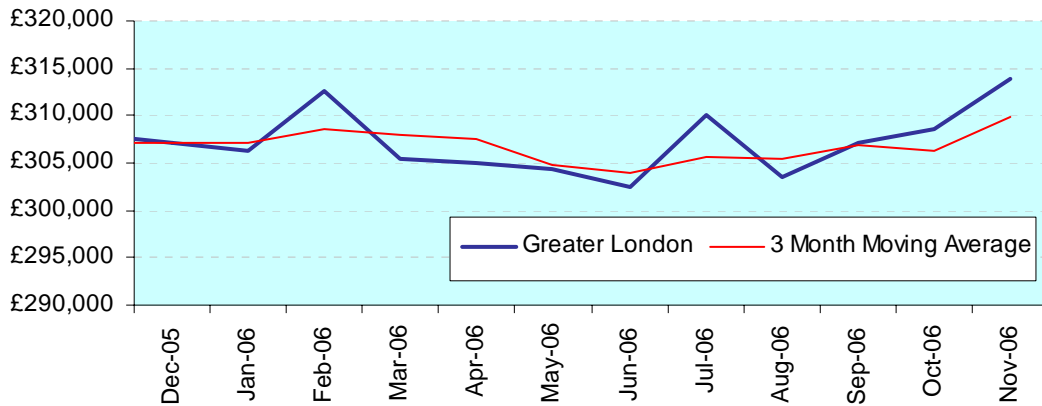


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Greater London

Asking Price Movements for Greater London



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

Overall market sentiment in Greater London has swung in favour of sellers as evidenced by a sustained trend reversal. Following a sustained period of slowly falling asking prices, the average asking price in Greater London has shown successive rises for the last three months. The formerly localised surge in asking prices in Central London, previously noted by this house price index, appears to have now affected the wider area of Greater London. This recent strengthening of the capital's housing market is at odds with the rising cost of borrowing. However, the trend appears likely to continue in view of the record bonus payments forecast for City workers and the ongoing investment for the forthcoming Olympics, which outweigh the downward price pressure of increased borrowing costs.

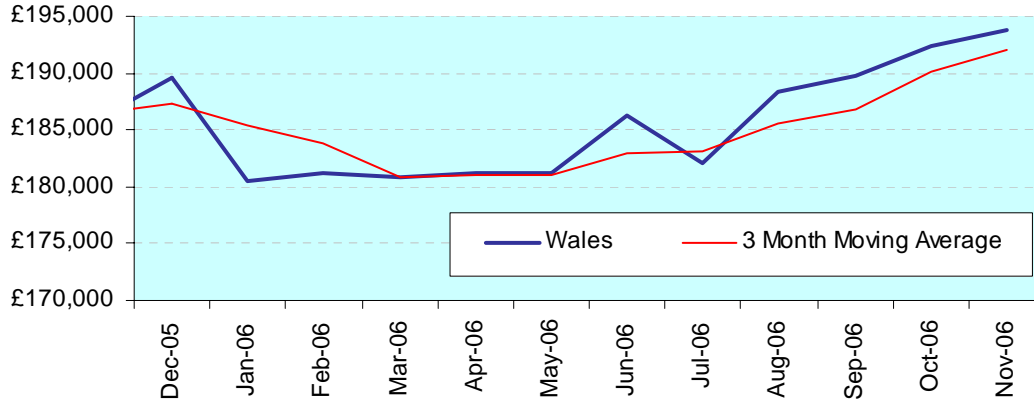


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Wales

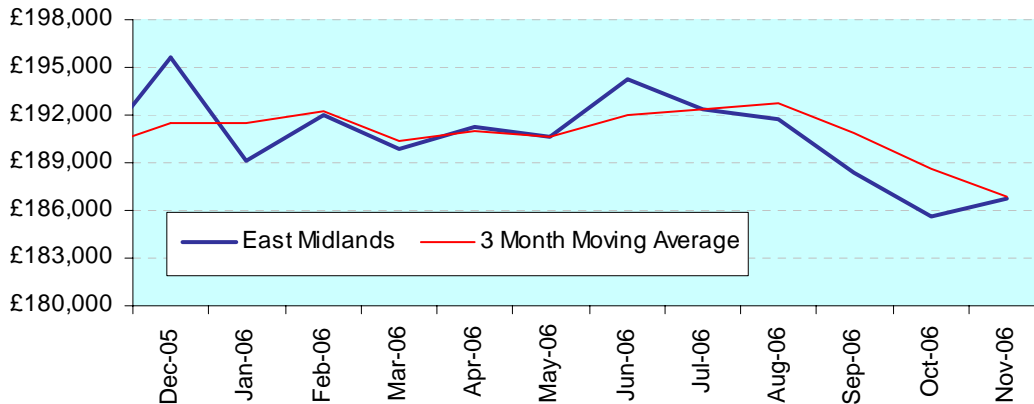
Asking Price Movements for Wales



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

East Midlands

Asking Price Movements for East Midlands



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

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Page 5 of 9

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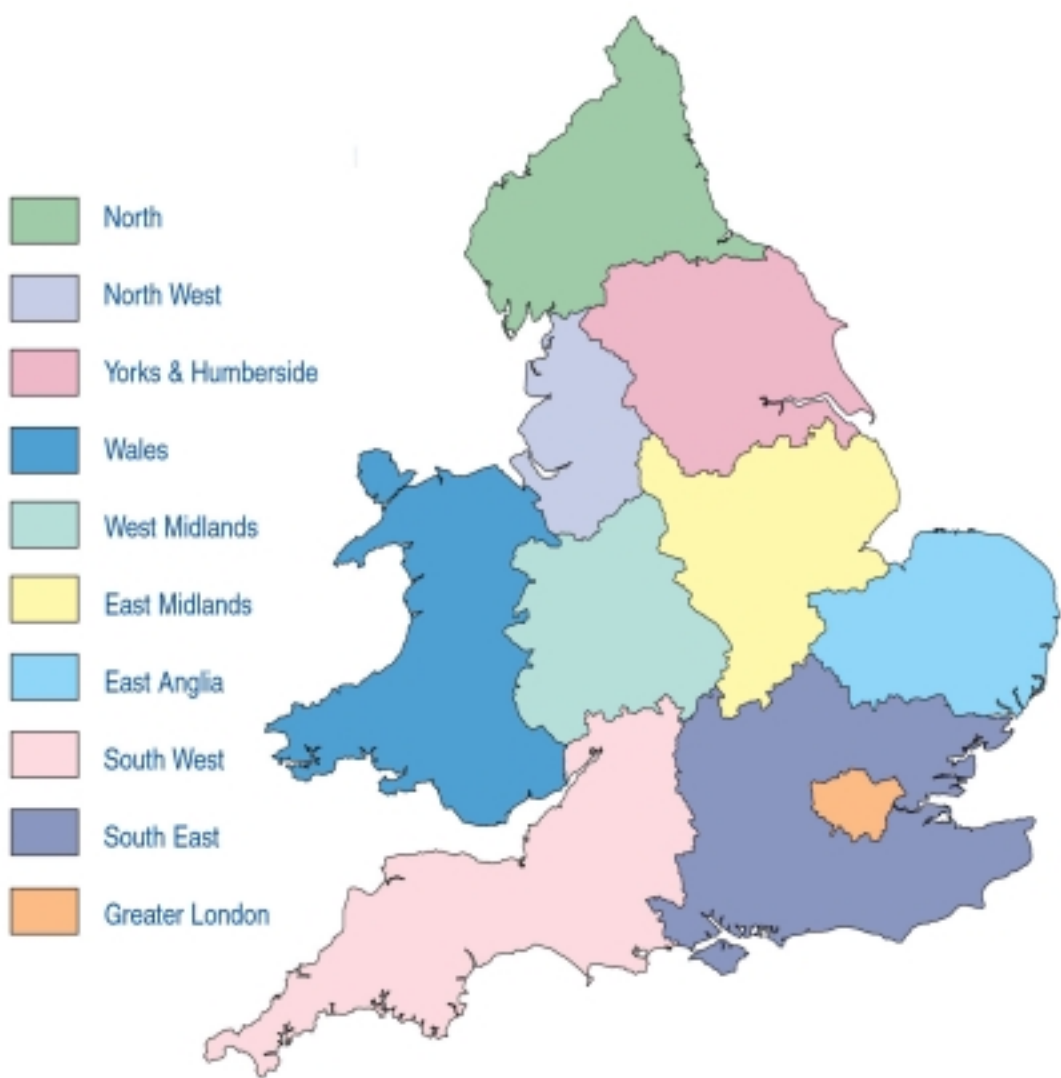
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Regions (as per DCLG)



Source: HM Land Registry

Released 13th November 2006
Page 6 of 9
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Comment

Following the vote by members of the MPC on the 9th November the Bank of England base rate was again raised by 0.25%. This is the second hike this year and it remains to be seen whether this second hike will have any observable effect on house prices. Evidently, the first hike has had little effect on market sentiment, as shown by rising average asking prices for England and Wales since the September rate increase.

This latest increase in the cost of borrowing will, of course, produce some downward pressure on asset price inflation. However, the questions that economic commentators would like to answer are 'How much downward pressure?' and 'Will it be sufficient to counter the inflationary pressures that currently exist or will further hikes be needed?'

Interest rate hikes are unlikely to create significant downward pressure on house prices if lenders respond by relaxing their lending criteria. Such moves, recently demonstrated by the Abbey, as increasing the allowable lending multiples for mortgages are, in effect, moving the goal posts and fuelling further house price inflation. However, some commentators suggest that the fact we are seeing such revision of long standing lending rules, in favour of more highly geared lending, is a sure sign that the market is at its peak.

Run away train or dead cat bounce?

The current trends of renewed vigour in the housing market and continually rising house prices suggest it will take several further IR hikes to slow the 'run away train'. But what if what we are seeing now is a 'dead cat bounce' or 'suckers rally'? Market indices display this sort of behaviour when there is a false perception by investors that the worst uncertainty is over and expectations are inclined towards 'business as usual'. If the latter case is true, the market is about to 'self-correct' and therefore no more IR hikes will be needed. If the former case is true, then the fuel that drives the train must be cut back and that is the supply of credit and broad money [M4] yet it would appear that whilst a soaring M4 has been noted for some time, the Bank of England does not have either the power or the will to the control M4 that they once had. "...the growth rate of broad money and credit in the economy is now higher than at any point since 1990." [Mervyn King](#) (In a speech made in Winchester on the 10th October 2006).

To old fashioned monetarists this would be perceived as a dangerous state of affairs but the more fashionable neo-Keynesian economists seem to wish to test their faith and belief in the 'uncoupling' of money supply from inflation and risk playing this one out.

Released 13th November 2006

Page 7 of 9

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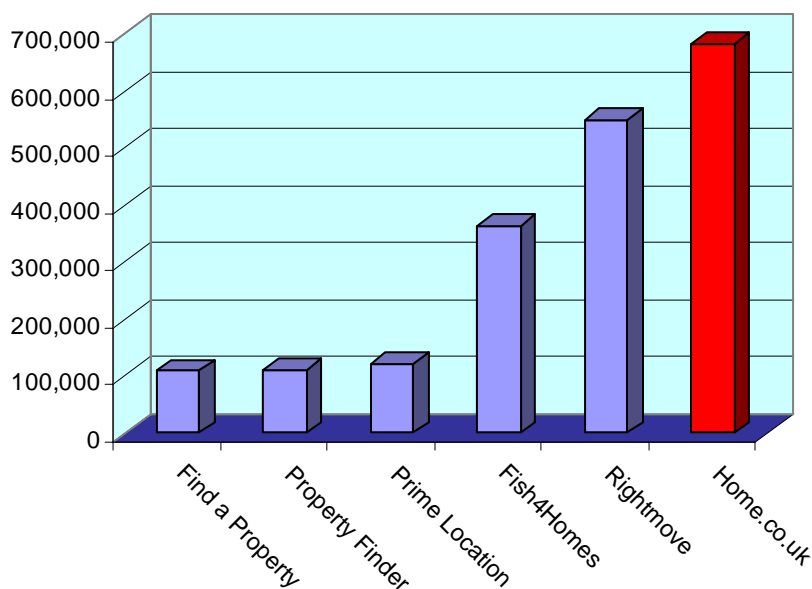
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The Home.co.uk Asking Price Index

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 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.

Searchable Properties for Sale by Website.



Sources: [Home.co.uk](#) and Estate Agency News

Properties above £1m and below £20k are excluded from the calculations. 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.

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

The [Home.co.uk](http://www.home.co.uk) Asking Price Index is calculated by [Calnea Analytics](http://www.calnea.com) who is also the statistical consultancy responsible for the production of the official [Land Registry House Price Index](http://www.landregistry.gov.uk).

Future release dates:

- Tuesday 12th December 06
- Friday 12th January 07
- Monday 12th February 07

