



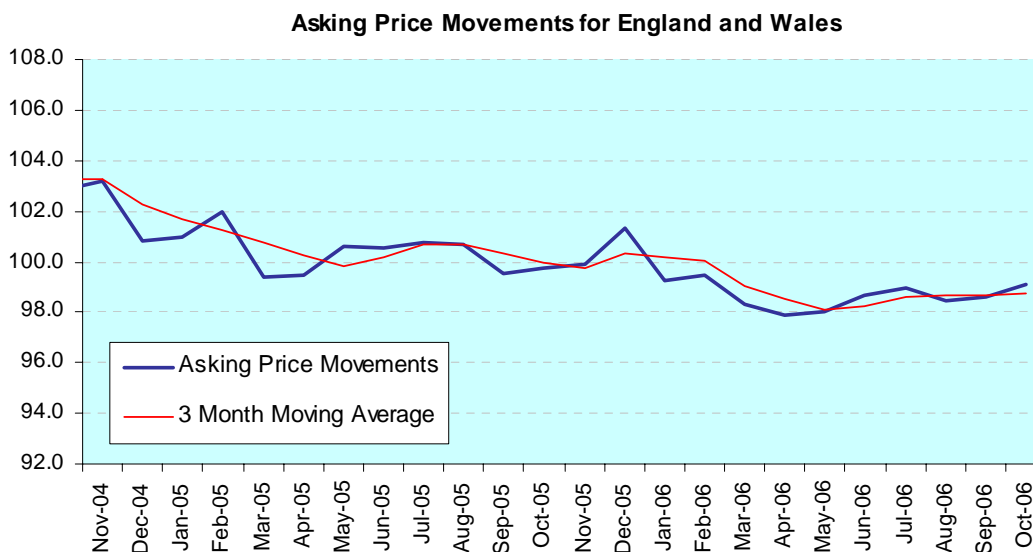
Asking Price Index

The UK's Independent Forward Market Indicator

Release date: 12th October 2006

Asking Prices Stable and Rising.

"...if you want to continue to be slaves of the banks and pay the cost of your own slavery, then let bankers continue to create money and control credit." [Josiah Stamp](#). (1880-1941) Civil servant, Industrialist, Statistician, Economist, Banker.



[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 this month by 0.5%.

Asking Prices in England and Wales fell 0.6% over the last year (*ca.* 3.1% below the [CPI](#), *ca.* 4.0% below the [RPI](#) and *ca.* 4.3% below the [AEI](#)).

Greater London Asking Prices rose by 0.4% this month.

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Overview

Asking prices for homes, currently on the market, in England and Wales moved up again this month, by 0.5%. Despite a rise in interest rates, confidence amongst sellers of residential property has firmed up over recent months. The sustained market correction in asking prices, noted in previous reports, has now slowed further to give a 12 month change of just -0.6%. The more recent national average trend, over the last six months, indicates a consolidating market. This new phase of asking price stability has been brought about through a combination of marginal price increases in market entrants and reduced discounting activity with respect to prices of houses already on the market.

Regional Housing Markets

Regional average asking prices for October 06, showing gains and losses over the last year.

Scotland	£150,469	+11.5%
Wales	£192,306	+3.6%
South West	£259,689	+2.5%
West Midlands	£199,309	+0.7%
Greater London	£308,503	+0.6%
Yorkshire and Humber	£169,378	-0.1%
East Midlands	£185,611	-1.9%
South East	£270,796	-2.0%
North West	£185,724	-2.6%
East Anglia	£253,140	-2.7%
North	£165,380	-4.8%

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

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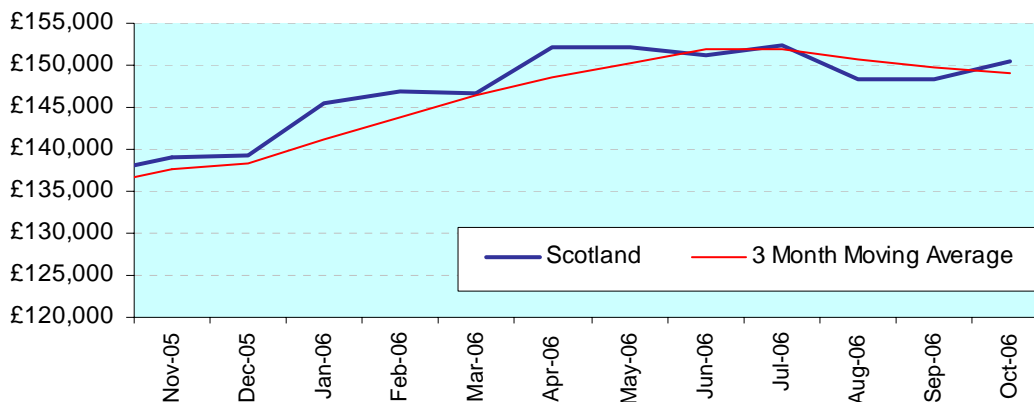
Regional Analysis

The preceding table clearly illustrates the continued regional disparity in average house price trends between the various English regions, Wales and Scotland over the last year. The strongest and weakest areas, Scotland and the North respectively, show a striking price change differential of 16.3%, which serves to underline the relative diversity in market sentiment around the UK.

Despite a having the highest price to earnings ratio (12.4), asking prices in the South West continue to rise (1.0% since the September report and 2.5% since November 05). Scotland, Wales and the South West are the only regions to have shown notable asking price rises over the last 12 months.

Scotland

Asking Price Movements for Scotland



Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices

After a period of extraordinary growth lasting several years, the average asking price in Scotland has been essentially stagnant for the last six months, showing little deviation from the £150,000 mark. This trend is consistent with a market wherein the affordability constraints have been reached.

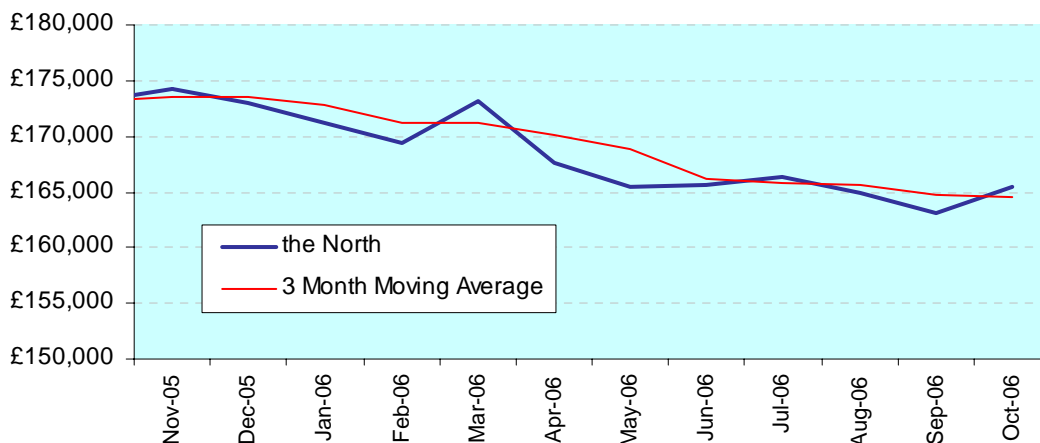


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The North

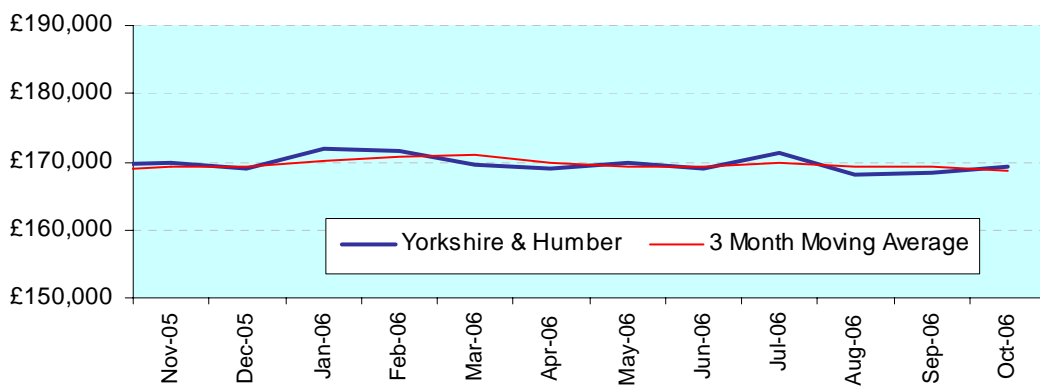
Asking Price Movements for the North



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

Yorkshire and Humber

Asking Price Movements for Yorkshire & Humber



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

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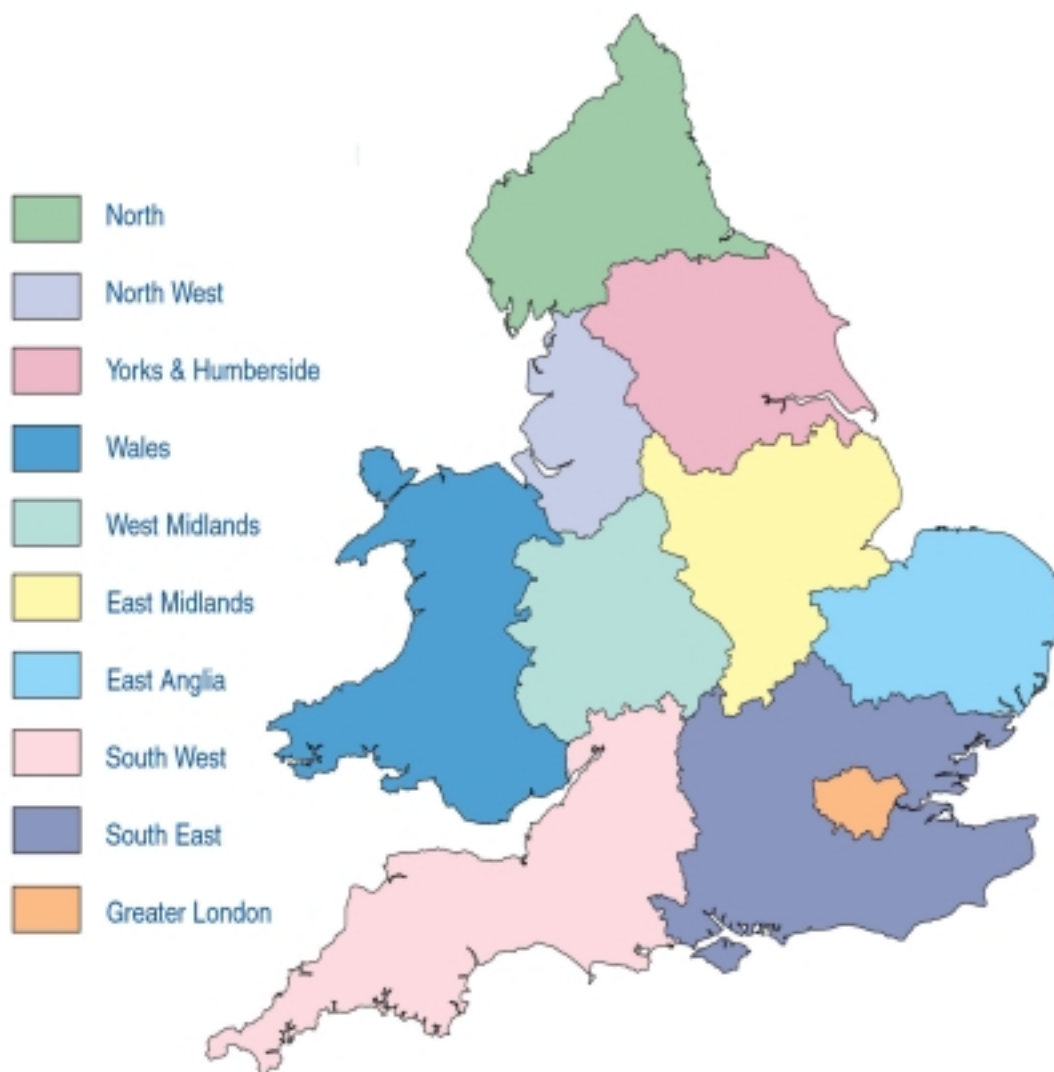
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Regions (as per DCLG)



Source: HM Land Registry

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



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Comment

House prices have entered a new era of stability. Following a sustained period of downward adjustment in the wake of the dramatic rises experienced prior to Q2 2004, asking prices have stabilised sufficiently to suggest a 'soft landing' was found in April this year. The more speculative pricing practices, characteristic of surging markets, have been significantly reduced over the last two years in most regions. This 'froth' has died away to reveal asking prices that are more consistent with current affordability constraints as primarily dictated by the cost of borrowing. More recently, corresponding sale price and mortgage based transaction value trends have begun to plateau, as evidenced by the [FT House Price Index](#)* and the [Halifax Index](#) respectively. These indices clearly suggest a levelling off of house values at the new affordability ceiling, as anticipated by the change in market sentiment previously observed in this Asking Price Index.

Future changes in house prices are dependent on both wage inflation and the cost of borrowing. It is the latter relationship that will prove critical in house price movements, as interest rates may need to be raised to help curb money supply and thereby bring inflation under control. As long as inflation remains above the Bank of England's target rate of 2% there is a strong likelihood that such measures will be implemented. However, if interest rates remain unchanged, house prices may be expected to rise in accordance with average earnings growth, although comparatively large rises in other household expenditure such as energy, food and taxation will attenuate this lower growth trend.

Even a perceived weakness in the property market could have serious consequences for the security and bond markets, as this is where much of the £1Trillion mortgage debt is now traded. Ironically for the bond markets, higher interest rates will increase fears of growing numbers of mortgage defaulters, making mortgage-backed bonds and securities less attractive. This in turn slows down the flow of credit into the market creating downward pressure on house prices. Therefore, rises in interest rates by the Bank of England could have a disproportionate effect on the availability of credit, thereby further destabilising a market underpinned by record debt. This scenario has already occurred in the [troubled US mortgage bond market](#), a problem compounded by risky sub-prime lending.

*produced by [Acadameetrics](#).

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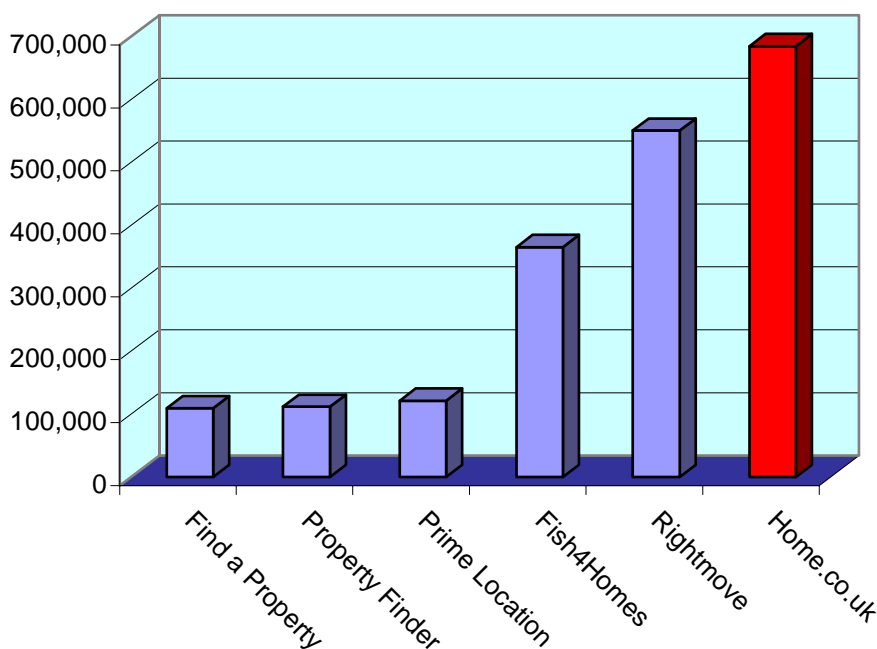
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Notes

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 reflect 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.

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 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.

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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:

- Monday 13th November 06
- Tuesday 12th December 06
- Friday 12th January 07

