



Asking Price Index

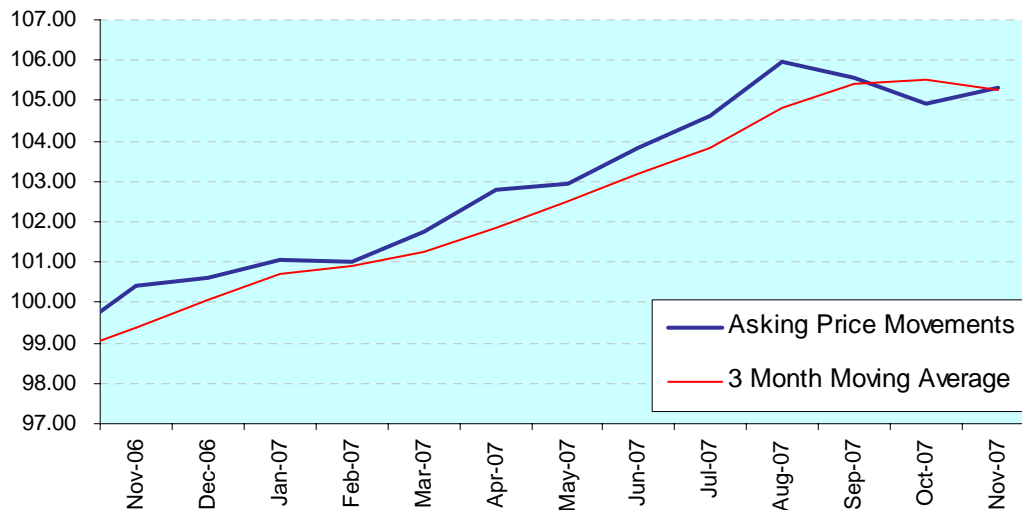
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12th November 2007

HIPs Afford Home Prices Hollow Boost.

"There are certainly lessons to be learned." [Alistair Darling](#) (1953-) Chancellor of the Exchequer

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

Prices of homes on the market in England and Wales have risen this month by 0.4%.

The Asking Price year-on-year change for homes in England and Wales has fallen by 2.8% since our August report to just +4.9%.

Greater London Asking Prices bounced back this month by +1.2%.

Prices rose in 7 of the 10 regions in England and Wales.

HIPs cause a belated surge of 3+ bedroom properties entering the market, increasing supply and average prices.

Released 12th November 2007

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For media enquiries and interviews please contact: rachael.bonfield@home.co.uk

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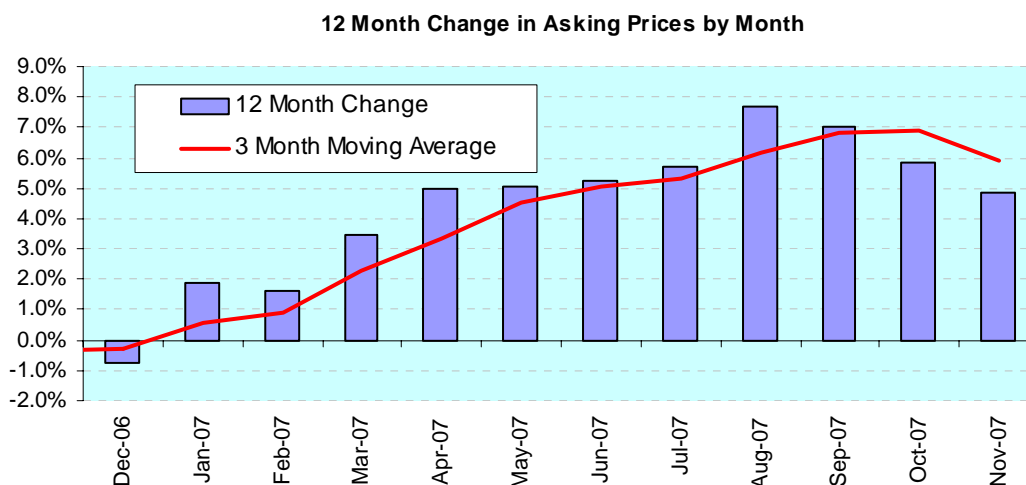
Overview

November's HAPI indicates a 0.4% up-tick for the mix-adjusted average house price in England and Wales. This month's indices have been affected by a *surge to market* of more expensive properties (with 3 or more bedrooms) that were previously held back by the new HIPs legislation. Accordingly, this market anomaly has served to shore up the national and regional average figures, despite severe underlying pressure on home sellers to cut their asking prices as buyer demand falls away.

The HAPI for England and Wales has dropped 0.6% to 104.9 since September [May04 = 100].

Over the last 12 months, Asking Prices for homes in England and Wales have risen 4.9%, *ca.* 3.1% above the [CPI](#), *ca.* 1.0% above the [RPI](#) and *ca.* 1.2% above the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £256,930.

Twelve-Month Trend in Asking Prices



Year-on-year (YoY) growth in asking prices for England and Wales has fallen back from a peak of 7.7% in August 07 to 4.9%.

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Regional Housing Markets

Regional average asking prices for Nov 07 showing gains and losses since May 06.

	Current average price	6-month change
Scotland	£184,246	+11.2%
South East	£294,298	+3.7%
Greater London	£349,006	+3.6%
West Midlands	£211,775	+3.5%
South West	£272,548	+2.1%
Yorkshire and Humber	£178,309	+2.0%
East Midlands	£191,413	+1.2%
North West	£191,530	+1.1%
North	£171,413	+0.2%
East Anglia	£255,334	+0.1%
Wales	£193,701	-0.1%
England & Wales	£256,930	+2.3%

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

Regional Analysis

House price growth is slowing in all regions in England and Wales. The elite group comprising the South East, Greater London and West Midlands have continued to show above-average growth over the last 6 months, albeit at an attenuated rate due to the current market conditions. The 6 other English regions and Wales have all under performed during this period, with respect to the 6-month average for England and Wales (+2.3%).

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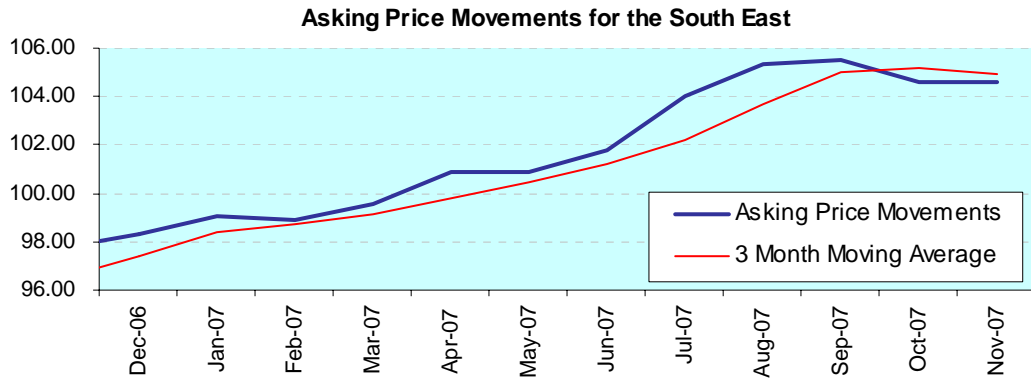


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South East

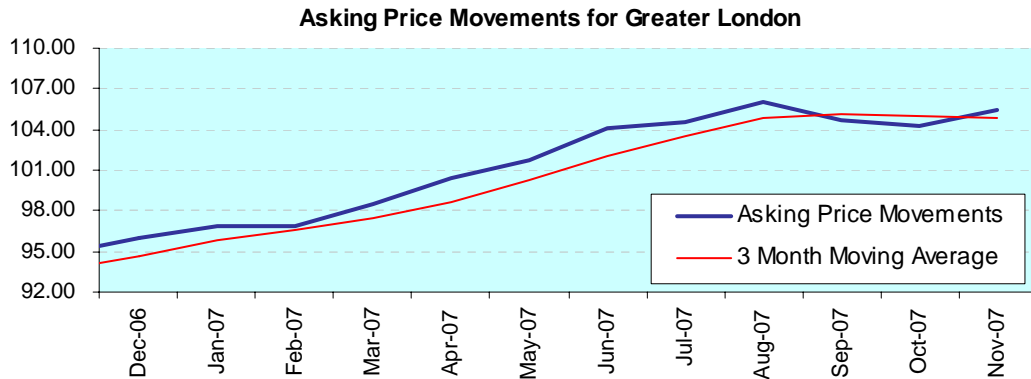
Asking prices in the South East peaked in September after a long rising run of gains but sentiment amongst sellers in the region has now changed in response to weaker market conditions.



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

Greater London

Similarly the London asking price index has ceased to post further gains since Aug 07 due to tough market conditions, although, the belated marketing of properties affected by HIPs has served to prop up this month's change (+1.2%).



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

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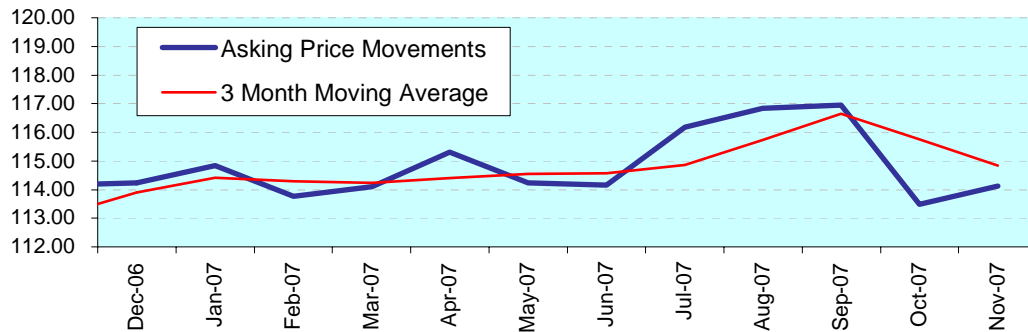


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Wales

Asking Price Movements for Wales



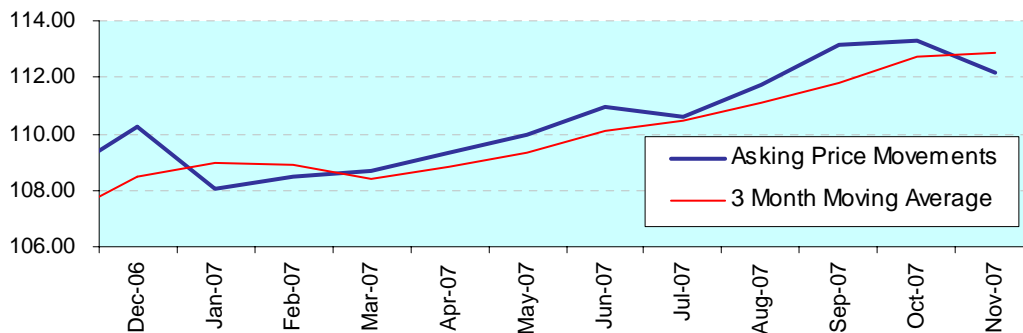
Laspeyres Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

Asking prices in Wales peaked in September, like many English regions, and fell hard in October only to recover slightly this month due to market entry of more valuable properties requiring HIPs. Asking prices in Wales have fallen 0.1% over the last 12 months.

Yorkshire and the Humber

Yorkshire and the Humber region has been slower to react to a slowing market but this month the expected correction in asking prices was observed. House prices have risen by only 2.0% since May 07, broadly in line with the Retail Price Index.

Asking Price Movements for Yorkshire and the Humber



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

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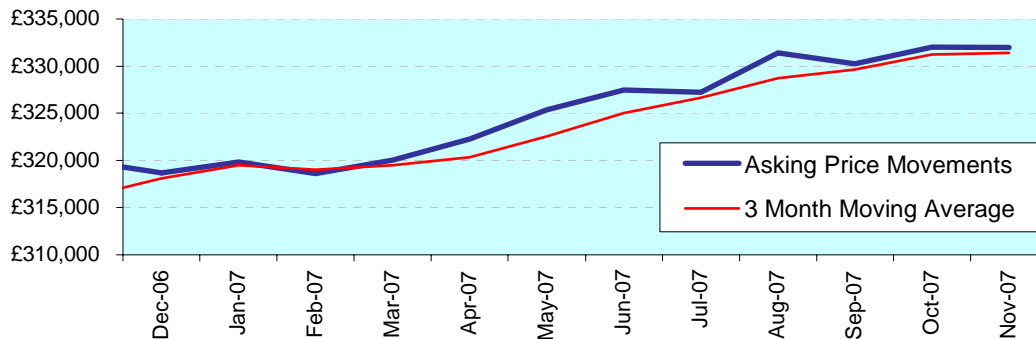
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Asking Prices by Property Type

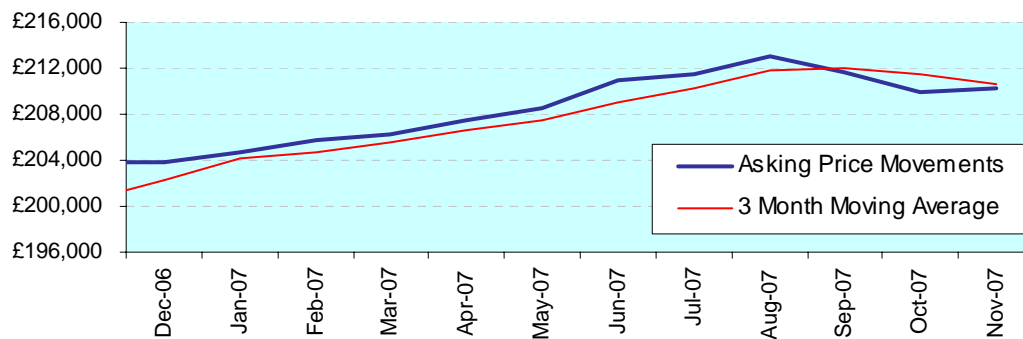
The charts below indicate average price trends for each respective dwelling type in England and Wales.

Asking Price Movements for Detached Houses



Detached properties have held their asking prices well over recent months, thanks in part to supply having been temporarily limited by the new HIPs procedures.

Asking Price Movements for Semi-Detached Houses



Asking prices for semi-detached houses, the most common property type in most of England's regions and Wales, peaked in Aug 07 after a long run of gains. Average prices then fell over the following two months before being boosted this month by a delayed influx of 3+ bedroom properties of this type.

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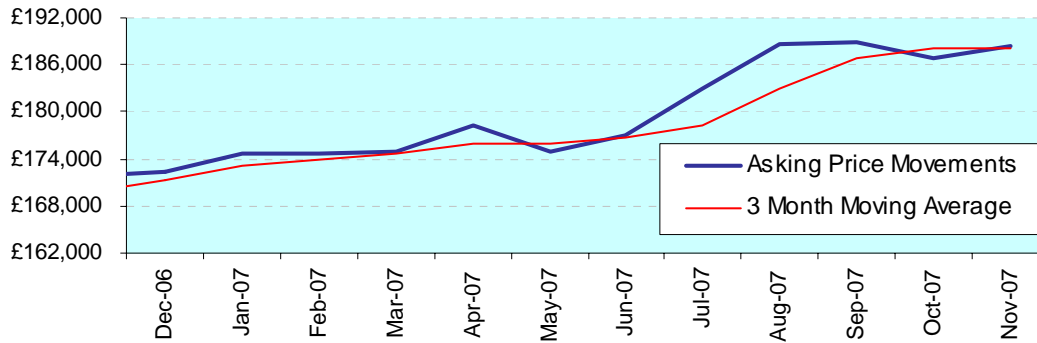
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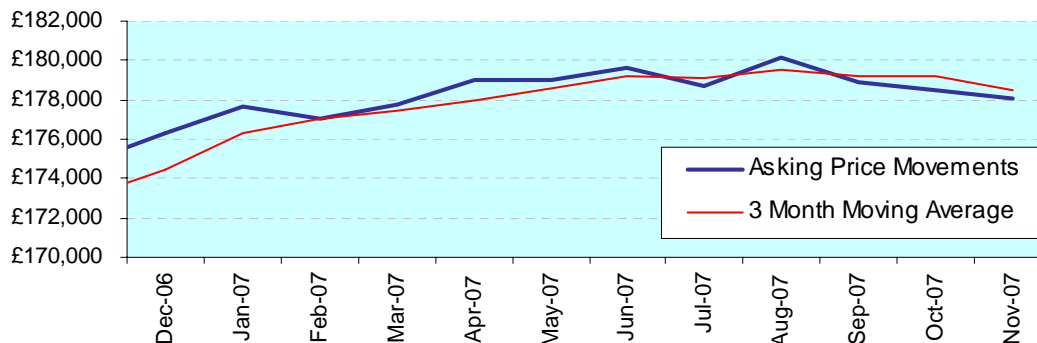
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Asking Price Movements for Terraced Houses



A particular favourite of Buy-to-Let investors, Terraced house prices soared over the summer months only to reach an average price ceiling around £189K.

Asking Price Movements for Flats



The market for flats has been suffering from over-supply in many areas for some time. Average prices have been slowly falling in this market segment for the last three months. The average asking price for a flat in England and Wales has appreciated by only 1.9% over the last 12-months.

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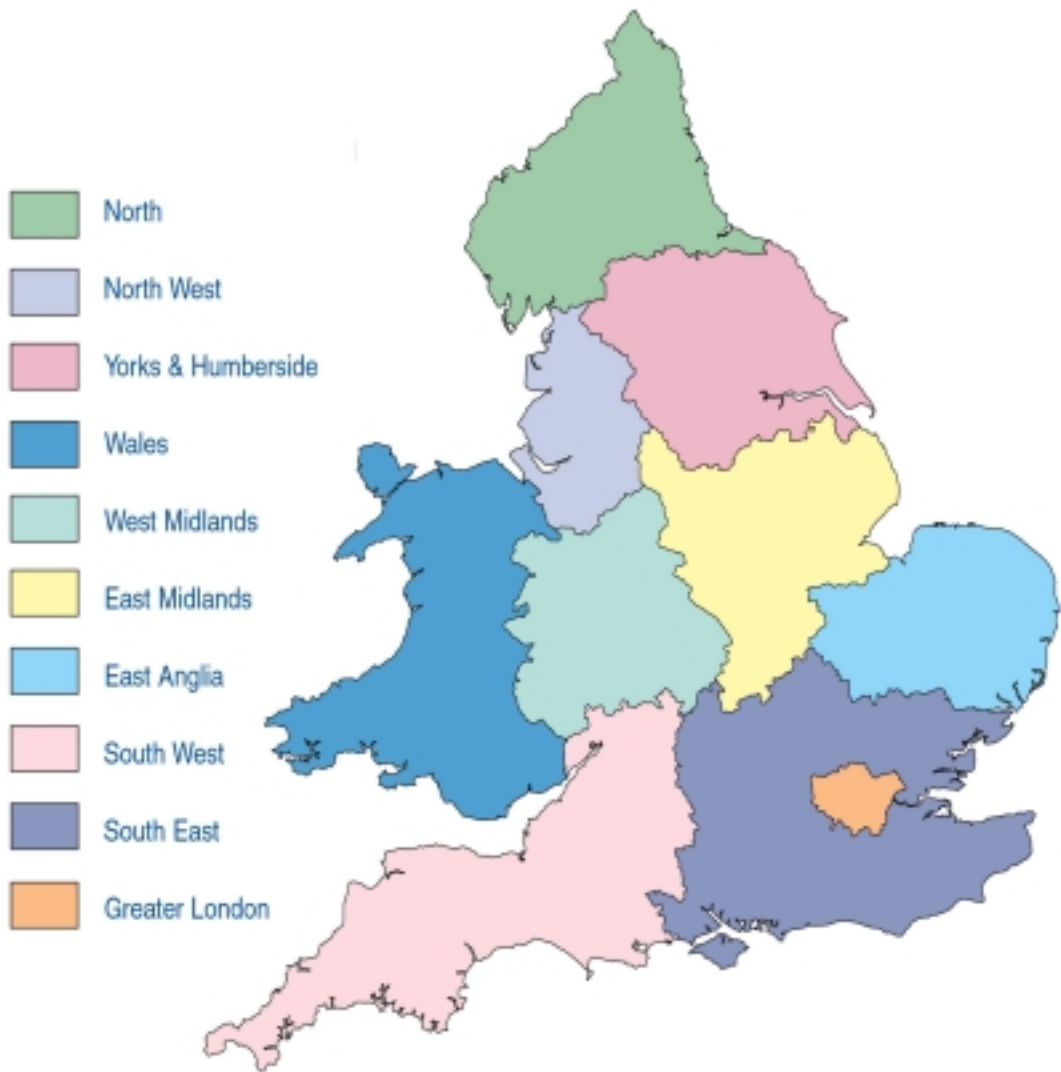
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Regions (as per DCLG)



Source: HM Land Registry

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Comment

Further Credit Tightening

An increasing proportion of potential home buyers are being kept out of the market simply because they cannot arrange a mortgage. Tighter credit control on the part of mortgage lenders is meaning many more applications for home loans are being rejected. According to *MoneyExpert*, the number of rejected mortgage applications in October was up 60% versus the same figures for March.

Lenders are also withdrawing mortgage deals from the market. *Moneyfacts* estimates that the number of mortgage deals has fallen by 40% over the past few months. The biggest drop has been in sub-prime type mortgages, although there have also been 16% and 20% falls in the number of prime residential deals and prime buy-to-let mortgages, respectively. The Bank of England base rate remained unchanged this month at 5.75%.

HIPs

A surge in the number of more valuable properties entering the market, a consequence of the staged introduction of Home Information Packs, comes at an unfortunate time for the UK housing market. These belated 3+ bedroom homes for sale, with newly produced HIPs, will only add to supply at a time when buyer demand is falling and are hollow support for a cooling housing market. A further market distortion will be observable when HIPs for homes with 1 and 2 bedrooms become mandatory, owing to a temporary reduction in the supply of these cheaper homes. However, it is as yet unknown when the next HIPs phase-in will commence.

Yet More Banking Turmoil

The current degree of suspicion surrounding UK mortgage lenders regarding the tranches of sub-prime debt they have been left holding in the wake of the collapse of the securities markets is at an all time high. Consequently share prices of many high street banks have tumbled, assisted by rumour over the last weeks, including the likes of Barclays and Bradford & Bingley. With so much liquidity locked up in un-sellable assets these banks have been forced to find credit anywhere they can. Since the LIBOR rate remains high and the Bank of England remains the *lender of last resort* many have been looking to the risky international money markets in a desperate search for funds – typically the carry trades.

Now it appears that players in the Yen Carry Trade¹, amongst others, have become more risk averse and the net flow of Yen is back to Japan, which is raising the value of the Japanese currency. One of the last supply lines of credit is at least temporarily cut and presents some very difficult choices for the UK banks. None wish to become another Northern Rock but without sufficient credit lines they cannot offer reasonable mortgage deals, without which the UK housing market will almost entirely collapse.

The Rise of the Cash Buyer

Cash buyers in a market stuck for credit are in a very strong position. Desperate home sellers are becoming increasingly likely to accept cash bids well below the asking price.

¹ This risk to the UK housing market was identified in the [HAPI Report for July 06](#)



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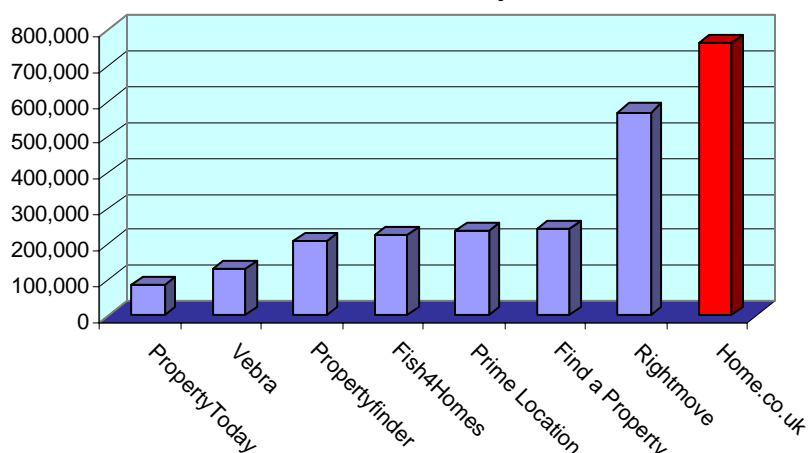
The Home.co.uk Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

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 August 07



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

Future release dates:

Wednesday 12th December 07

Monday 14th January 08

Tuesday 12th February 08



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