



Asking Price Index

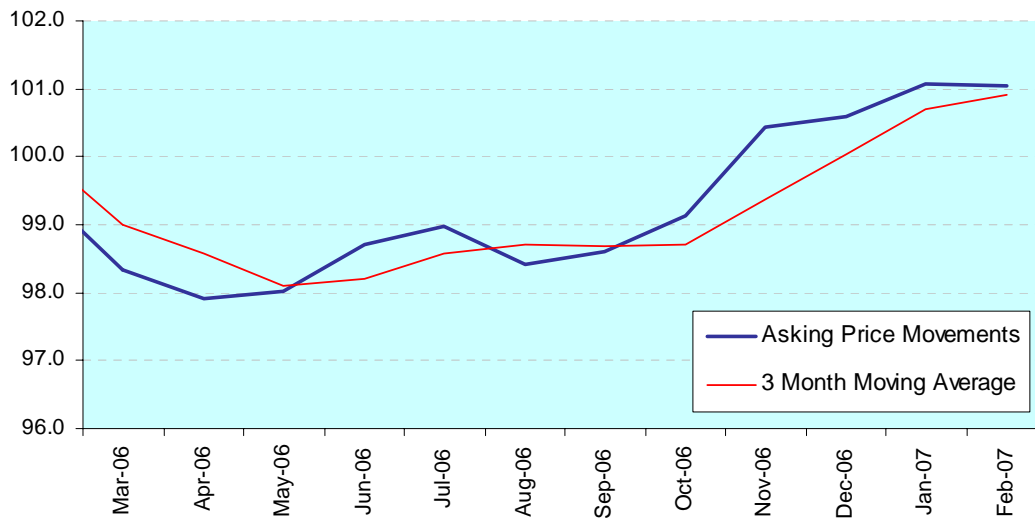
The UK's Independent Forward Market Indicator

Release date: 12th February 2007

Housing Market Sentiment Cools

"No one should expect that any logical argument or any experience could ever shake the almost religious fervour of those who believe in salvation through spending and credit expansion."
[Ludwig von Mises](#) (1881-1973) Economist, Libertarian.

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 homes in England and Wales fell slightly by 0.1% ending a five-month run of consecutive rises.

Asking Prices in England and Wales rose by 1.6% over the last 12 months (ca. 1.4% below the [CPI](#), ca. 2.8% below the [RPI](#) and ca. 2.1% below the [AEI](#)).

Greater London Asking Prices remain unchanged with a mix-adjusted average house price of £320,567

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Overview

This month's figures suggest that market sentiment is beginning to cool off and the recent asking price rally may indeed be over. February's mix adjusted average asking price for homes on the market in England and Wales is 0.1% lower than January's figure. Albeit slight, this is the first monthly fall registered by this Index since Aug06 and suggests that the recent rising trend is losing momentum. Weakening confidence amongst sellers, in the wake of three recent interest rate hikes by the Bank of England, signifies that affordability constraints are beginning to bite harder. With the supply of homes on the market rising and demand falling, especially from first time buyers, a 'tipping point' may well be within sight.

Regional Housing Markets

Regional average asking prices for February 07, showing gains and losses over the last six months.

Scotland	£164,727	+14.0%
Greater London	£320,567	+5.2%
South West	£264,305	+3.4%
South East	£278,222	+3.5%
Wales	£193,097	+2.8%
West Midlands	£201,509	+2.6%
Yorkshire and Humber	£172,424	+2.7%
East Anglia	£258,147	+2.0%
North	£166,494	+1.0%
North West	£184,717	-0.6%
East Midlands	£187,834	-2.0%

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

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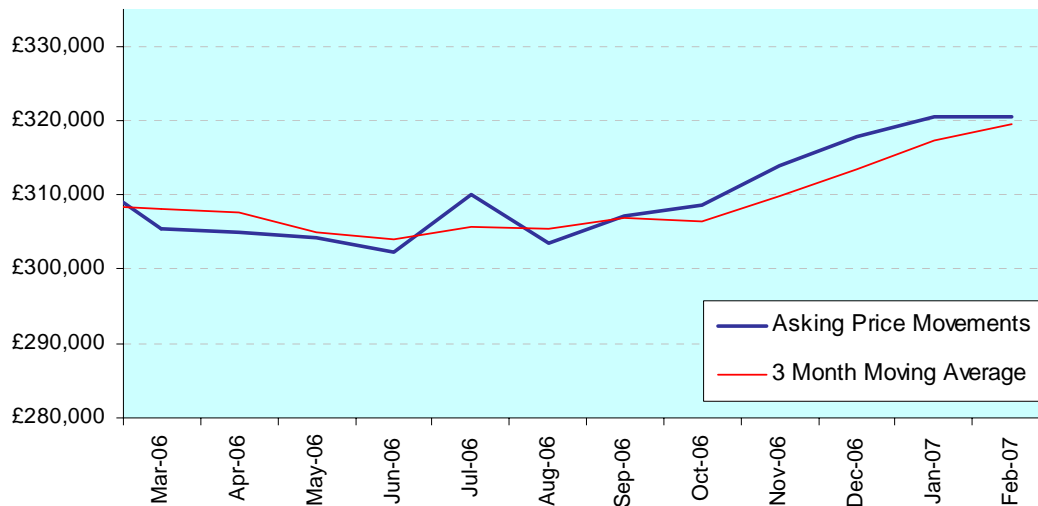
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Regional Analysis

Most regions in England, Scotland and Wales have shown significant asking price growth over the preceding 6 months. By far and away the strongest market is in Scotland with prices rising 8.8% more quickly than Greater London, England's most vigorous housing market. Scottish asking prices have increased far more quickly than any part of England or Wales for over two years. However, a dip of 1.3% this month suggests that affordability constraints have already begun to slow the rate of house price inflation north of the border.

Greater London

Asking Price Movements for Greater London



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

Prices of the homes on the market, valued at less than £1Million, in Greater London showed no further increase this month. It is likely that sellers, aware of the rise in the cost of borrowing, understand the need to price their property competitively to ensure sufficient interest. However, with the average house price just above the £320K mark, London remains the most expensive area of England in which to buy a home.

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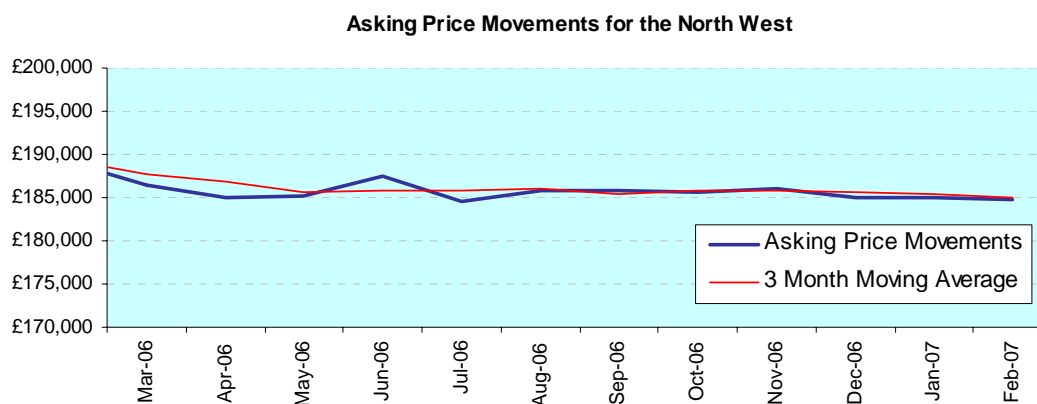


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North West

Asking prices in the North West have stagnated for the most part of last year. This trend sets the North West apart from most other regions, which have registered significant gains in the latter half of 2006.



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

Taking a closer look at the one of the most populous areas in this region, [Liverpool](#) (named *European Capital of Culture 2008*), it is apparent that house prices are lower here than in many other comparable UK cities and therefore represent better value for money.

Current Property Asking Prices in Liverpool by Number of Bedrooms

	No. of properties	Average price	Median price
One bedroom	612	£120,455	£110,000
Two bedrooms	2,746	£142,327	£132,975
Three bedrooms	5,694	£161,957	£150,000
Four bedrooms	1,899	£250,168	£225,000
Five bedrooms	420	£320,538	£274,972

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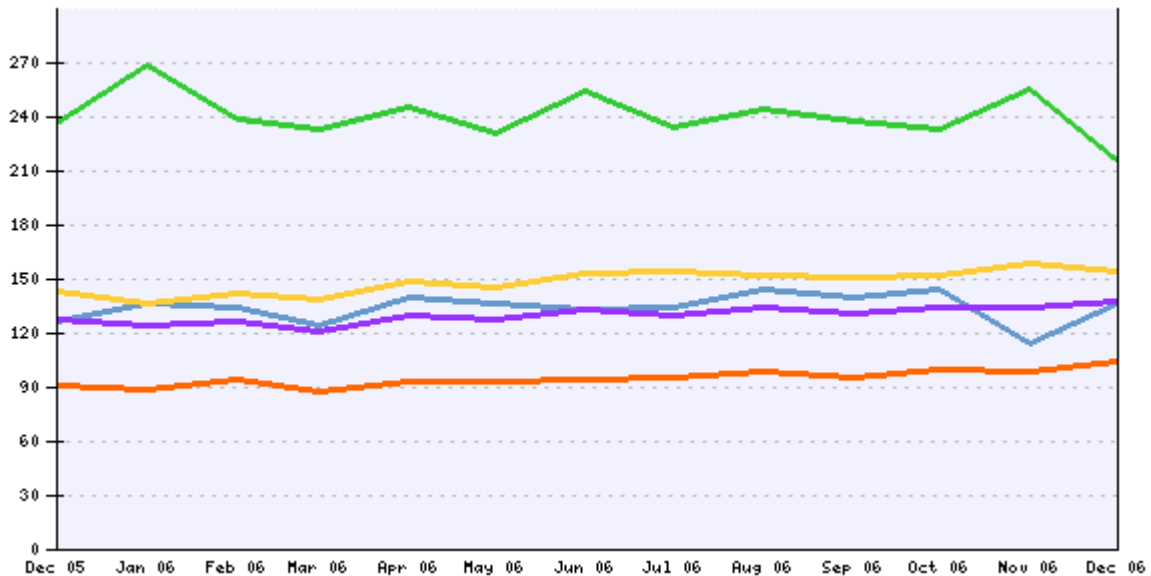
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Current Asking Prices in Liverpool by Dwelling Type

	No. of properties	Average price	Median price
Flat	2,177	£157,727	£139,995
Detached	1,805	£281,945	£239,500
Semi-detached	3,704	£179,981	£165,000
Terraced	2,392	£123,742	£115,000

Note: These house prices for Liverpool were calculated by averaging over all properties for sale in the Home.co.uk Search Index within 7 miles of the centre of Liverpool

Average Property Selling Prices in Liverpool (£000's)



	Dec 2005	Dec 2006	Change
■ Detached	£236,889	£216,163	-9%
■ Semi	£143,017	£154,358	+8%
■ Terraced	£91,201	£103,805	+14%
■ Flat	£126,524	£136,531	+8%
■ All	£127,612	£138,267	+8%

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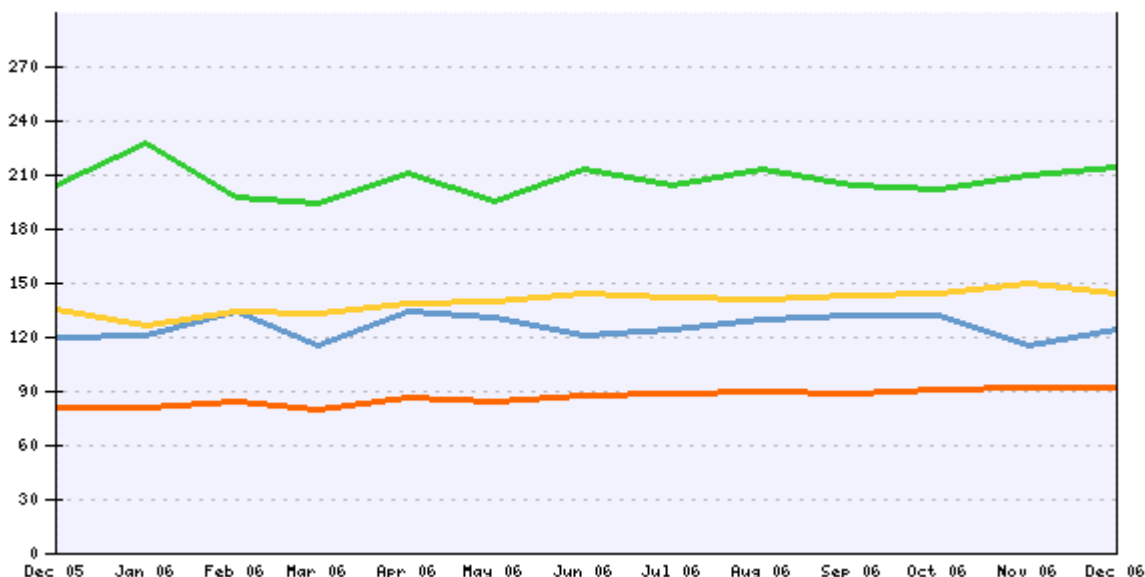
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Median Property Selling Prices in Liverpool (£000's)



	Dec 2005	Dec 2006	Change
■ Detached	£205,250	£215,000	+5%
■ Semi	£135,917	£144,500	+6%
■ Terraced	£81,000	£92,250	+14%
■ Flat	£119,890	£125,000	+4%

Note: The selling price trends for Liverpool were calculated by averaging over all properties sold, as recorded by the Land Registry, within 7 miles of the centre of Liverpool.

Any city that is set to become a European Capital of Culture may be expected to attract property investment. Correspondingly, selling prices in Liverpool have risen steadily overall throughout the course of 2006, according to the Land Registry figures. Of the four dwelling types, terraced houses made the greatest gains in 2006, which is consistent with significant first-time-buyer and/or buy-to-let activity in the city.

Differences between asking prices and selling prices for Liverpool are large and this suggests that significant numbers of cheaper properties may have not been advertised on the open market. Properties sold at auction or properties sold by developers directly to investors are not included in the asking price statistics.

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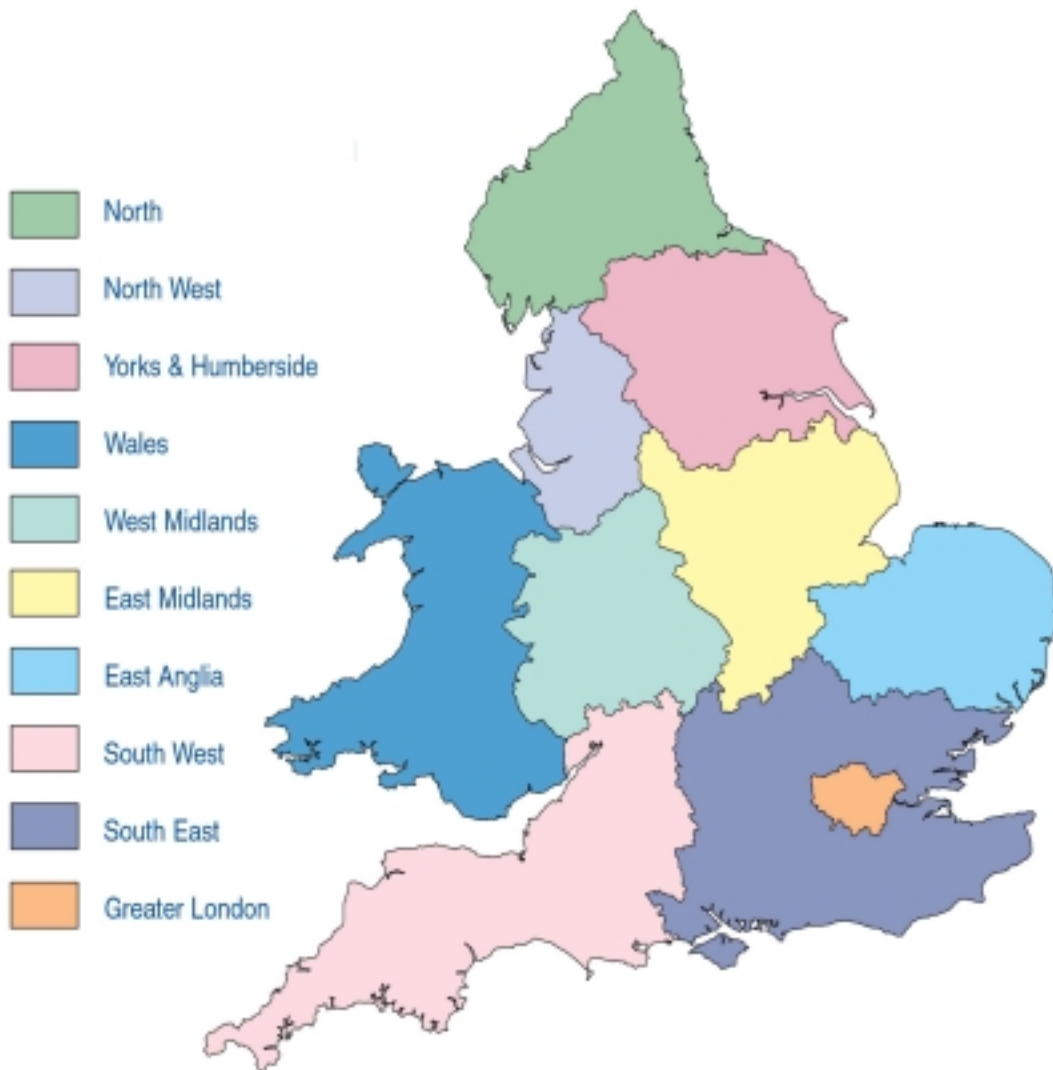
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Regions (as per DCLG)



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

Asking prices have been halted in their tracks this month, thereby ending a five-month run of consecutive rises. Despite a surge in new listings, typical for this time of year, sellers have been compelled to price their properties more competitively. This cooling of market sentiment is a direct result of a considerable tightening of affordability constraints caused, in part, by the three recent hikes in the Bank of England interest rate. Buyers are now beginning to feel the pinch as mortgage lenders notch-up their interest rates accordingly.

Inflation

Economists will be keen to learn the new CPI figure and read the contents of the Bank of England's Inflation Report, both due to be released this week. With the last CPI figure reported to be a record 3.0% and RPI at 4.4%, commentators on the UK economy will wish to see whether or not the last three turns of the interest rate screw have been sufficient to slow inflation in the wider UK economy. Members of the Monetary Policy Committee were perhaps playing 'wait and see' when they voted last week to leave the base rate unchanged at 5.25%.

Further interest rate hikes may indeed be necessary to bring inflation under control and back to the CPI target figure of 2.0%. The knock-on effect for UK house prices could be catastrophic. Confidence amongst sellers is already weakening as more and more buyers are priced-out of the market and hence any further rise in interest rates could simply be the last straw.

Repossessions

Data on mortgage possession orders released earlier this month serves as clear evidence that an increasing number of homebuyers are struggling to keep up with their mortgage payments. The number of mortgage possession orders issued in 2006 rose from 10,310 in 2005 to 17,000 in 2006. These figures probably represent the 'tip of the iceberg' with respect to the number of mortgage holders already behind with their payments. As many fixed rate deals will now be coming to the end of the reduced rate term (and therefore switch over to the lender's standard variable rate) many more households will soon have greater difficulty meeting their mortgage payments. The best option for homeowners in this unenviable position is to seek [mortgage advice](#) from a qualified mortgage advisor as soon as possible to find them a better deal.

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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 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.



Source: Home.co.uk Search Index Date: November 06

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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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](#) who is also the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

Future release dates:

- Monday 12th March 07
- Thursday 12th April 07
- Monday 14th May 07

