



January 2007

# Asking Price Index

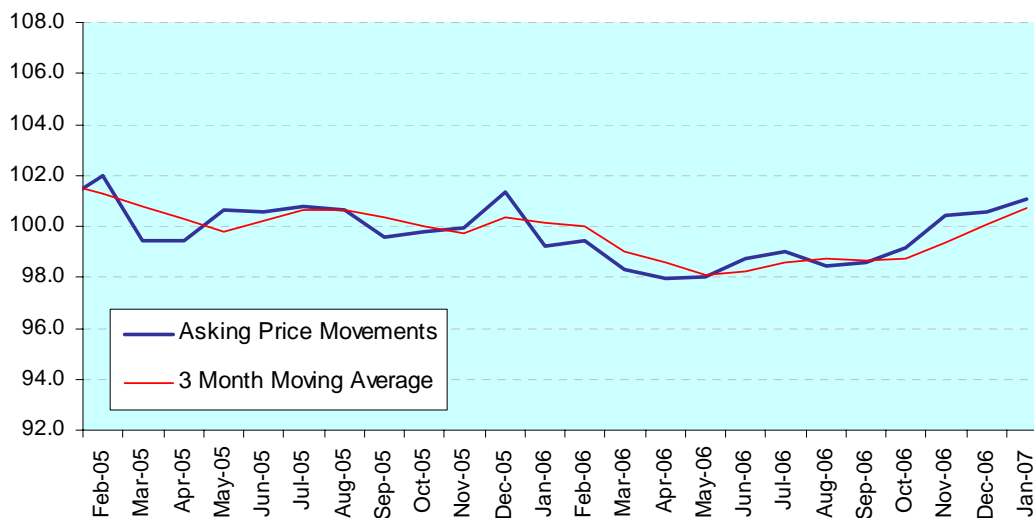
The UK's Independent Forward Market Indicator

Release date: 12<sup>th</sup> January 2007

## Asking Price Rally Continues

"Inflation is the one form of taxation that can be imposed without legislation."  
[Milton Friedman](#) (1912-2006) Economist.

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 rose again for the fifth consecutive month, by 0.5%.

Asking Prices in England and Wales rose by 1.9% in 2006 (*ca.* 0.8% below the [CPI](#),\* *ca.* 2.0% below the [RPI](#) and *ca.* 1.9% below the [AEI](#)).

Greater London Asking Prices rose this month by 0.9% (and 4.3% in 2006).

\*see [Comment](#)

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Page 1 of 8

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The [Home.co.uk](#) Asking Price Index is calculated by [Calnea Analytics Ltd](#)



# Asking Price Index

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## Overview

Asking prices for residential properties on the market in England and Wales increased by 0.5% this month, continuing the recent rising trend, which characterised the later half of 2006. Such confidence amongst sellers, despite two interest rate hikes by the Bank of England over the same period, signifies the renewed strength of the UK housing market. The present asking price rally follows in the wake of a 2-year period of eroding asking prices, which served to ease affordability constraints affecting the market to the point at which buyers returned. Correspondingly, the current up-turn in house prices has been driven by this increase in buyer demand, especially from first-time buyers. However as prices continue to surge, affordability will again diminish and buyer demand will begin to ebb in this finely balanced market.

## Regional Housing Markets

Regional average asking prices for January 07, showing gains and losses over 2006.

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Scotland	£166,308	+17.9%
Wales	£194,942	+8.5%
South West	£265,653	+4.9%
Greater London	£320,540	+4.3%
South East	£278,812	+1.9%
West Midlands	£201,896	+1.4%
Yorkshire and Humber	£171,786	0.0%
East Midlands	£187,918	-0.5%
East Anglia	£255,347	-0.9%
North West	£185,064	-1.3%
North	£167,198	-2.5%

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

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Page 2 of 8

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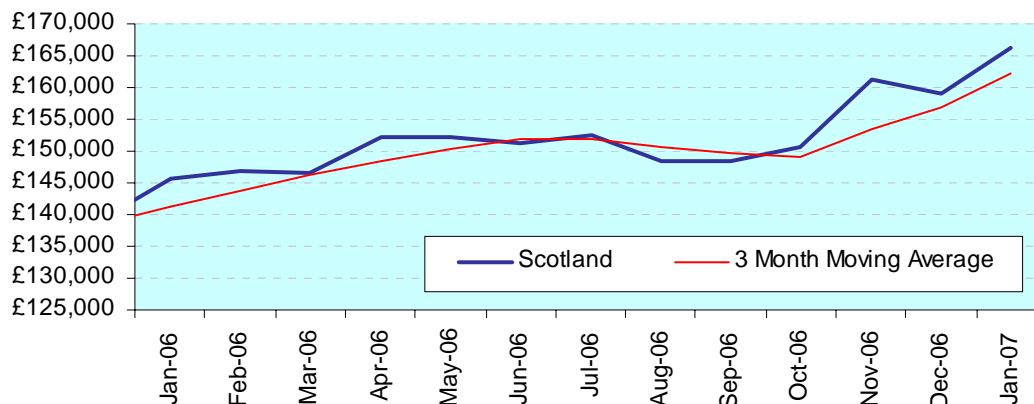
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## Regional Analysis

Looking at the regional asking price breakdown for the UK, what is most apparent is the significant degree of variation. Scotland heads the league table for house price growth in 2006. Scottish asking prices increased at more than twice the rate of that in Wales, the runner-up. At the other end of the spectrum, asking prices in the North and North West diminished, by 1.3% and 2.5% respectively, over the course of the last year. Asking prices in the South East followed the national average most closely in 2006 with a small overall rise of just 1.9%. Rises in Q4, boosted the 2006 gains significantly in all regions except the North, East Midlands, North West & East Anglia.

## Scotland

Asking Price Movements for Scotland



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

Scotland has experienced a considerable increase in the region's housing market confidence over the last four months. Despite rising interest rates and an asking price plateau observed in the summer months, sellers of property in Scotland pushed up the market's house prices by 9.2% in Q4 2006, raising the overall growth since Jan06 to a massive 17.9%. It remains to be seen whether there is sufficient buyer demand in the region to support transaction levels at these higher asking prices.

Released 12th January 2007

Page 3 of 8

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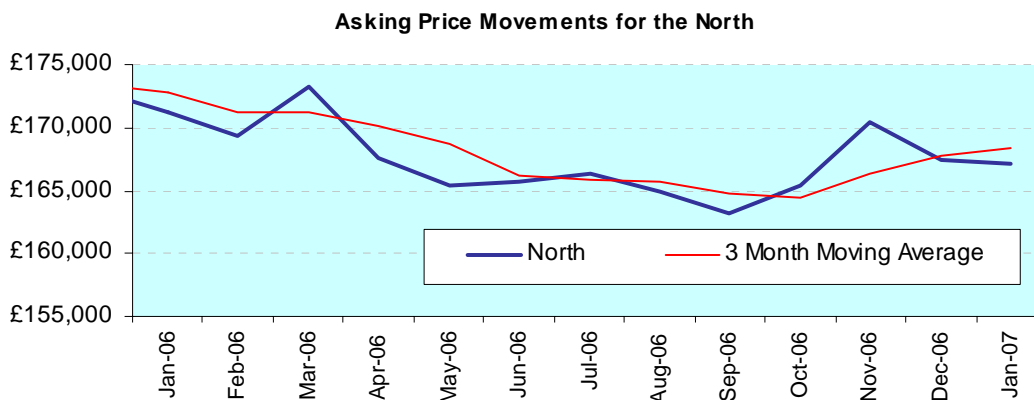


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## North

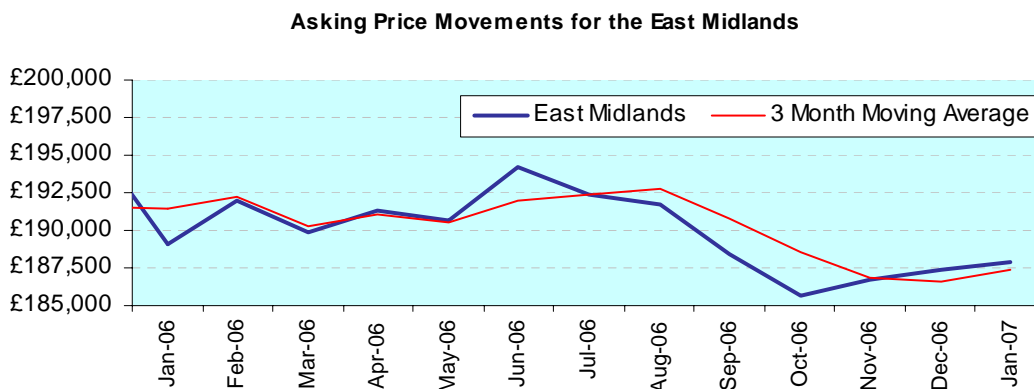
Asking prices in the North of England cooled markedly for the most part of last year. In more recent months, prices appear to have stabilised but remain subdued.



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

## East Midlands

Following a sharp fall in Q3 2006, property market prices in the East Midlands have been relatively slow to recover lost ground in more recent months.



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

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Page 4 of 8

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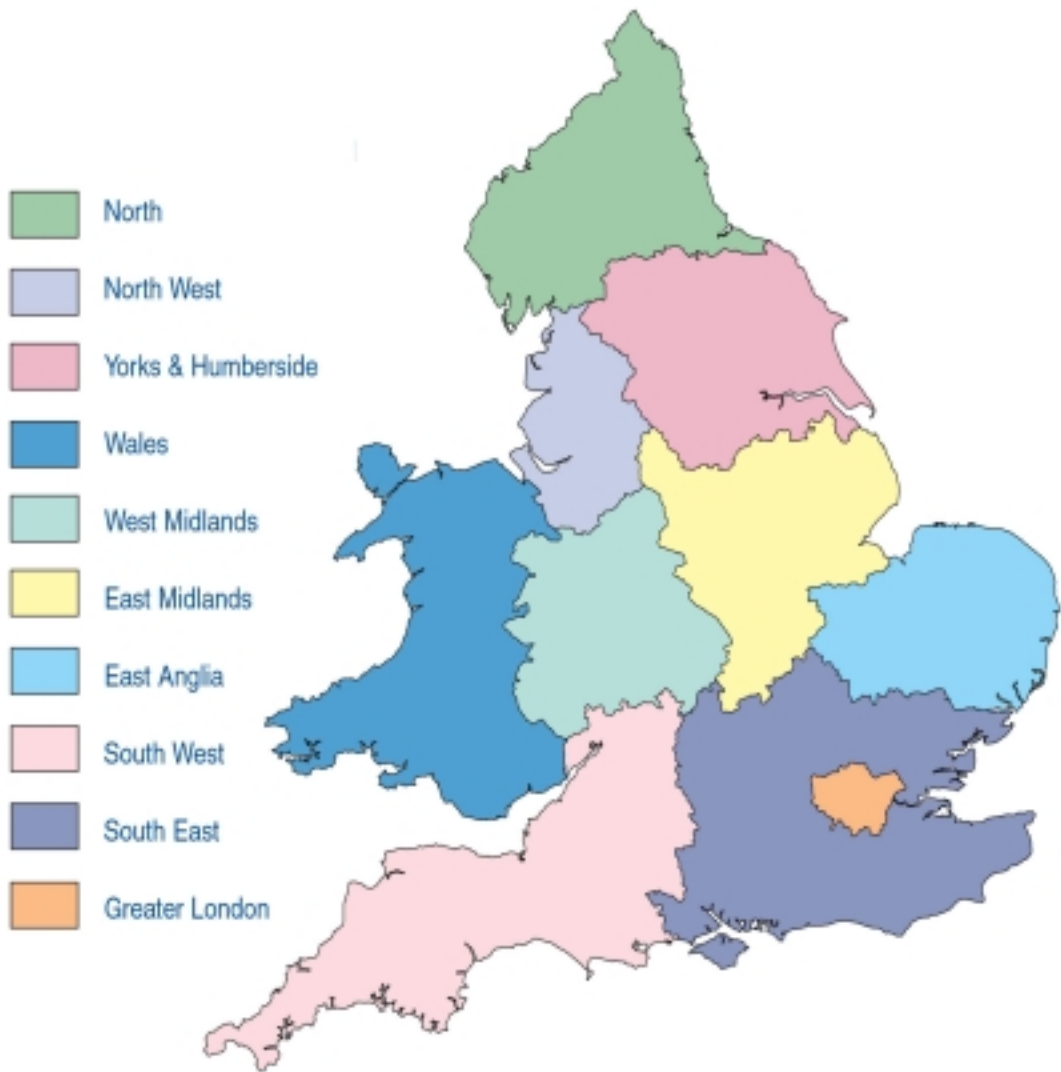
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**Regions** (as per DCLG)



Source: HM Land Registry



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## Comment

The combination of surging asking prices and rising interest rates makes for a most perilous start to 2007 for the UK housing market.

### Another Interest Rate Rise

By any method of measurement one might choose, CPI or RPI, inflation is on the loose. The latest CPI figure, which is the UK government's more 'dovish' measure, stands at a record high of 2.7%. The RPI is heading skywards and currently stands at 3.9%. Meanwhile broad money (M4) is spiralling up at around 15% *per annum*, according to the Bank of England, seemingly out of control. The supply of credit is still essentially an 'open tap' as the two quarter turns of the interest rate screw in H2 2006 did little or nothing to stem the flow. Consequently, the 'Old Lady' has added a further quarter turn this month (+0.25%) in a further attempt to apply the brakes as the asset price juggernaut careers ahead into 2007.

### The Tipping Point Approaches

Each turn of the screw takes the UK housing market closer to the brink and in a market hamstrung by affordability constraints there is very little room to manoeuvre. The current US housing slump is a direct consequence of a series of interest rate hikes in 2006, by their central bank, in an attempt to curb inflation. A similar chain of events appears to be now unfolding in the UK.

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Released 12th January 2007

Page 6 of 8

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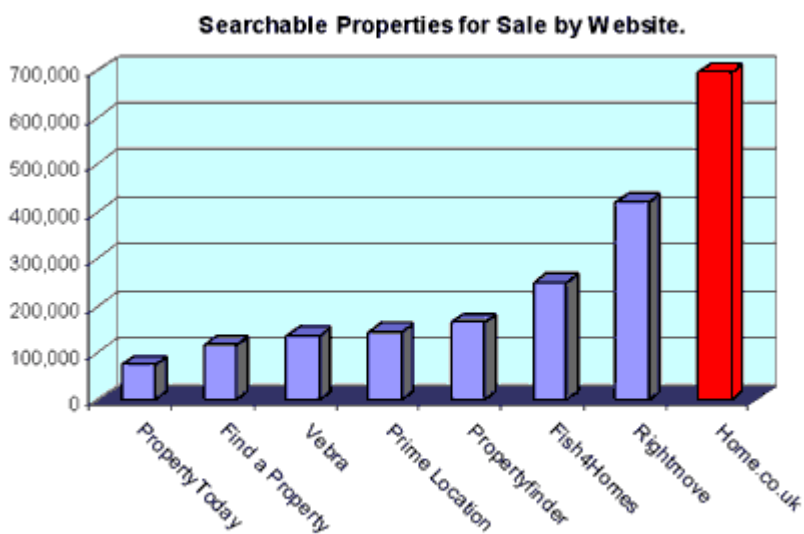
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## The Home.co.uk Asking Price Index

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 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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Page 7 of 8

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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 12<sup>th</sup> February 07
- Monday 12<sup>th</sup> March 07
- Thursday 12<sup>th</sup> April 07

