

House prices stabilise with 0.6% rise in July

- House prices rose by 0.6% between June and July, the highest monthly growth rate in twelve months.
- Despite the recent market correction, house prices in England and Wales have increased by 8.1% since the beginning of the housing market recovery, and by 14.7% in London.
- This compares with earnings growth of less than 4.0% since March 2009 and around 3.0% annual interest rates currently being offered to savers.

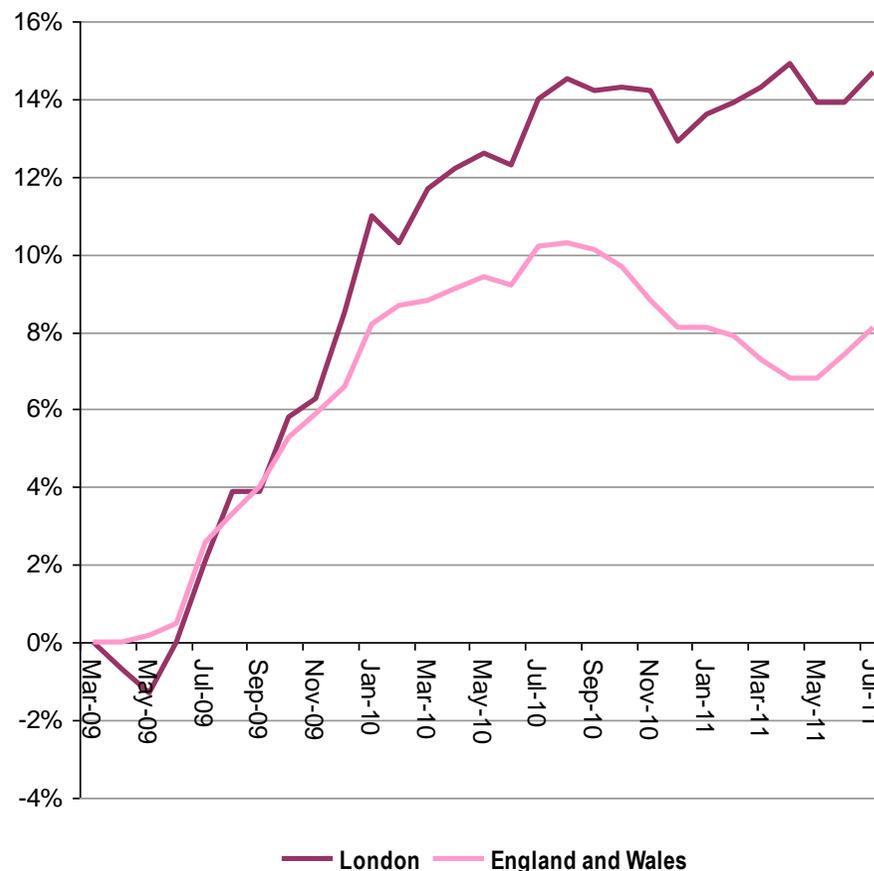
| Key findings | England and Wales | London |
|-----------------------|-------------------|----------|
| Latest estimate | £176,242 | £339,213 |
| Month-on-month change | +0.6% | +0.7% |
| Year-on-year change | -1.9% | +0.6% |

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making business sense

Average house price growth since March 2009



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overview

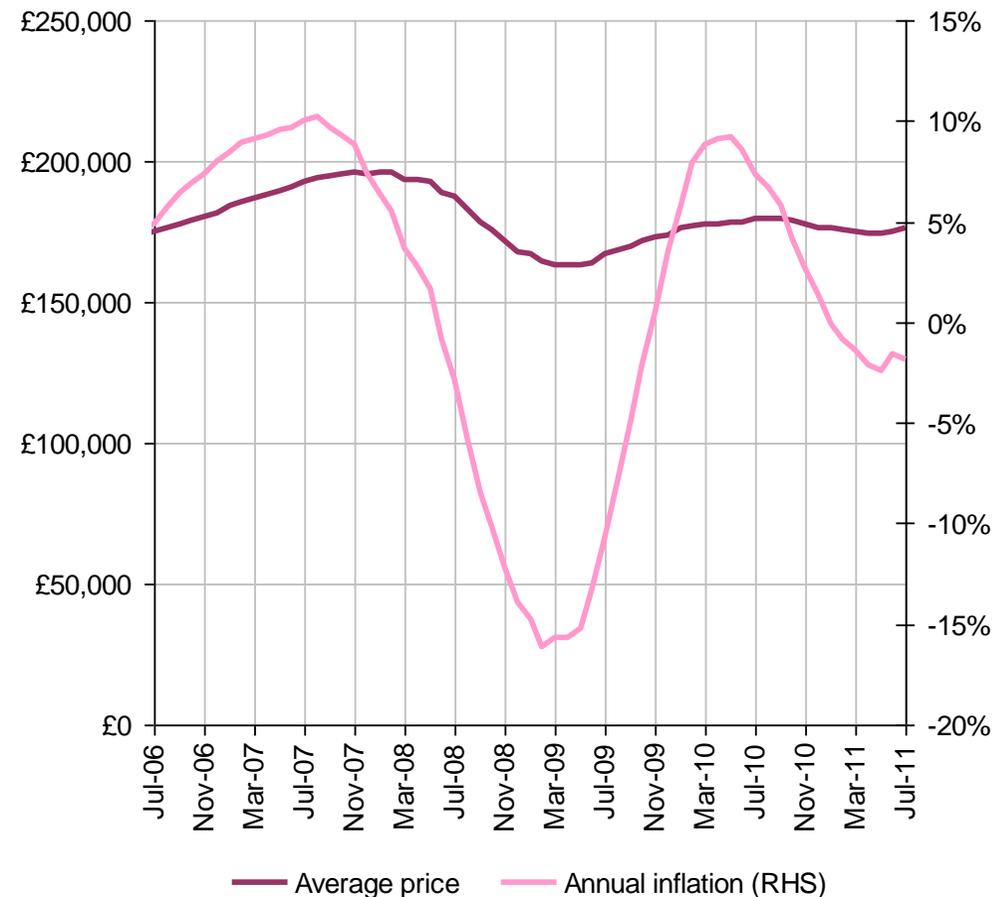
House prices rose for the third consecutive month in July, marking what is becoming an ever clearer picture of house price stability in England and Wales.

The typical house price edged up by 0.6% over the month to July, the highest monthly gain since the same month a year earlier. House prices typically rise in the summer months as the higher number of daylight hours permit a great number of viewings. However, this should not detract from a noticeable increase in house price stability over recent months, a trend which is expected to continue over the second half of 2011.

Cebr expects that house prices are unlikely to fall much further. A chronic shortage of home building over the past four years combined with a low interest rate environment have sown the seeds for a modest recovery in house prices in 2012.

As growth slowly re-enters the United Kingdom economy, investors will see few safer bets than property in certain parts of the United Kingdom. Despite the recent market correction, average house prices have increased by around eight percent since the beginning of the recovery in March 2009, and nearly fifteen percent in London.

Average residential property price & annual property price inflation / England & Wales



how much is your property worth?

Exactly half of the eight house price and asking price indices tracked in this report (see slides 9-10) showed falling values for the most recent month of data – with the steepest decline coming in at -1.6%. Two indices showed prices flat-lining over the most recent month; and two showed positive changes – with the highest registering only a +0.3% month-on-month increase.

This breakdown of house price and asking price indices is similar to that uncovered in last month's report, demonstrating the increasing stability of national house price movements.

Taking into account the timeliness, lag and accuracy of the various indices, the Poll of Polls shows that the average price of a residential property in England and Wales increased by 0.6% over the month to July, following a higher than previously thought 0.5% rise in June.

This was the steepest monthly increase since July last year, when house prices rose by 0.9% over the month. While house prices do have a tendency to rise during the summer months, the fact that they are doing so in the current economic environment highlights the emerging price floor in the housing market.

| | Average residential property price | month-on-month change | year-on-year change |
|---|------------------------------------|-----------------------|---------------------|
| Houses on the market today will sell for... | £176,242 | 0.6% | -1.9% |
| Top 20% of market will sell for... | £381,310 | 0.2% | 0.2% |
| Bottom 20% of market will sell for... | £105,894 | -0.3% | -5.5% |
| Detached house | £256,299 | 0.7% | -1.8% |
| Semi-detached house | £154,958 | 0.7% | -1.6% |
| Terraced property | £122,623 | 0.7% | -3.9% |
| Flat / apartment / maisonette | £152,778 | 0.6% | -2.0% |



Indicator is higher or lower compared to the previous month

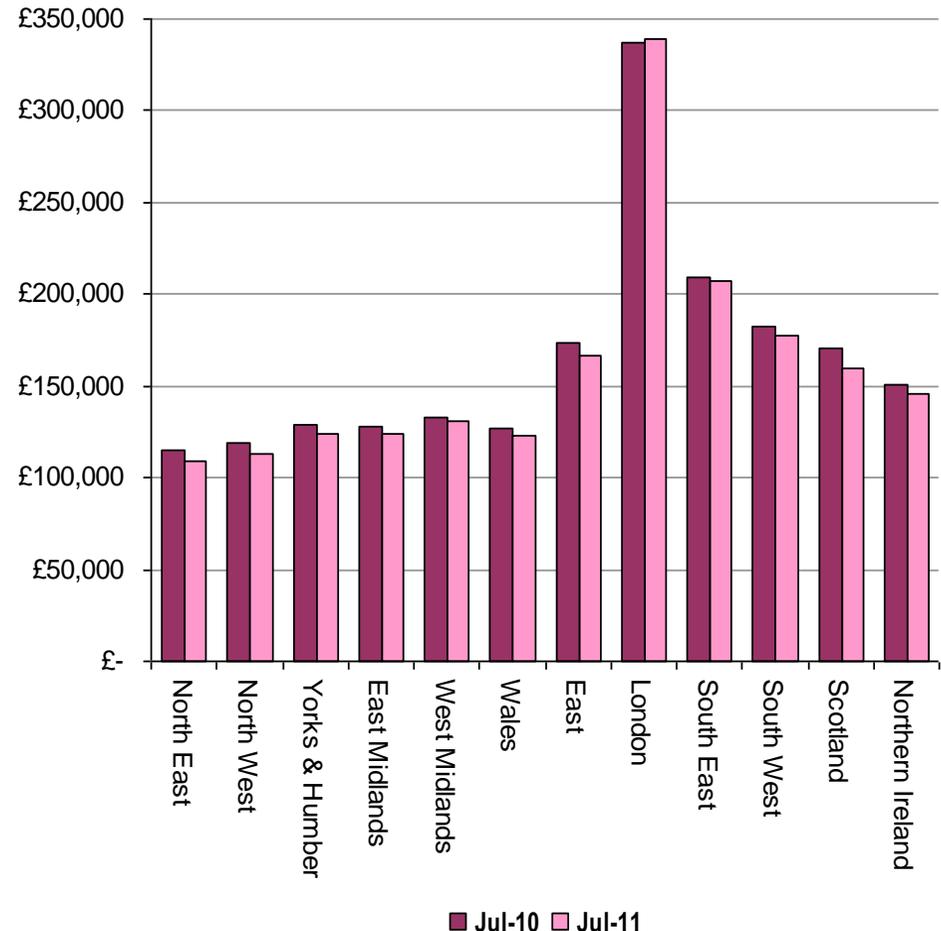
regional analysis

Three of the twelve countries and regions within the United Kingdom, saw prices fall between June and July. The three regions that make up the manufacturing belt of the country (Wales, West Midlands and East Midlands) saw marginal price declines over the month.

The North East was the only part of the country to experience monthly growth in excess of 1.0%. A strong rebound considering the former industrial hub has experienced a -5.1% house price loss over the year to July, the steepest annual decline of any English region.

Homes in England performed better than in any of the other three nations of the United Kingdom; with house prices in Scotland unchanged over the month. Homes in Northern Ireland increased in value by 0.6%, in line with the national average. However, to put this in context, house prices in Northern Ireland are two-fifths below their level in August 2007.

United Kingdom average property price by region / July 2010 & July 2011



region summary

| | Average residential property price | month-on-month change | year-on-year change | Monetary value of monthly change |
|--------------------|------------------------------------|-----------------------|---------------------|----------------------------------|
| North East | 🏠 £109,524 | 🏠 1.1% | 📉 -5.1% | 🏠 £1,178 |
| North West | 🏠 £113,327 | 🏠 0.6% | 🏠 -5.0% | 🏠 £653 |
| Yorkshire & Humber | 🏠 £124,430 | 🏠 0.7% | 📉 -3.2% | 🏠 £873 |
| East Midlands | 📉 £123,614 | 🏠 -0.2% | 📉 -3.5% | 🏠 -£224 |
| West Midlands | 📉 £130,743 | 📉 -0.2% | 📉 -1.8% | 📉 -£264 |
| Wales | 📉 £123,299 | 📉 0.0% | 📉 -2.9% | 📉 -£16 |
| East | 🏠 £167,003 | 🏠 0.7% | 🏠 -3.6% | 🏠 £1,221 |
| London | 🏠 £339,213 | 🏠 0.7% | 📉 0.6% | 🏠 £2,344 |
| South East | 🏠 £206,882 | 📉 0.6% | 📉 -0.9% | 📉 £1,334 |
| South West | 🏠 £177,545 | 🏠 0.5% | 📉 -2.7% | 🏠 £946 |
| Scotland | 🏠 £159,425 | 🏠 0.0% | 📉 -6.7% | 🏠 £43 |
| Northern Ireland | 🏠 £145,972 | 🏠 0.6% | 🏠 -3.2% | 🏠 £826 |

🏠 📉 Indicator is higher or lower compared to the previous month

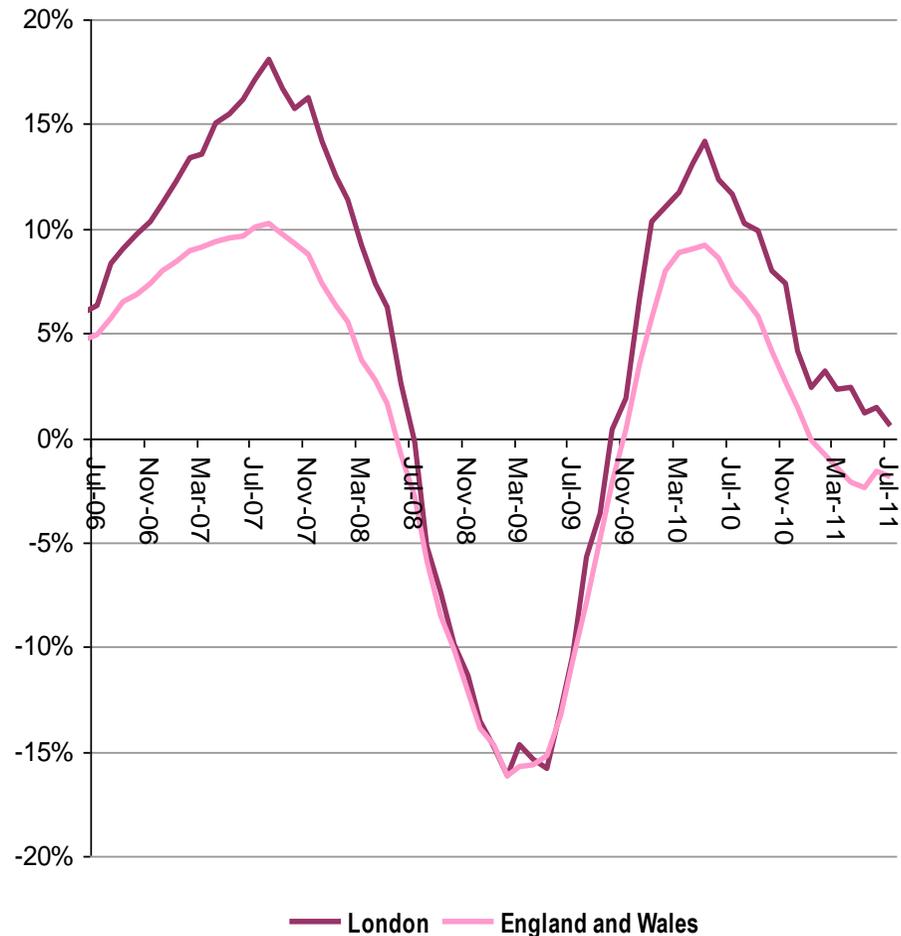
London's property market

House prices in the capital rose by 0.7% between June and July, slightly higher than the national average. However, over the year house prices in London have risen by 0.6%, compared to an annual fall of -1.9% for the country as a whole.

London is, in fact, the only one of the twelve official regions of the United Kingdom to have experienced rising prices over the year to date. House prices in the capital are now only 3.3% lower than their highest ever point, set in February 2008. This compares with a 10.0% peak-to-current value fall for the country as a whole.

With the Olympic Games now slightly less than a year away, the world's attention is beginning to focus on London, bringing with it noticeable transport and infrastructure improvements. Financial market turmoil has also seen private investors increasingly looking to diversify, with property in the capital being one of the prime beneficiaries of this new capital flight. London property is also seen as a good bet for an increasingly wealthy set of Asian investors, many of whom, evidence suggests, are looking to purchase accommodation for the rising number of foreign students in the capital.

**London and England & Wales /
year-on-year average residential property price changes
/ July 2006 – July 2011**



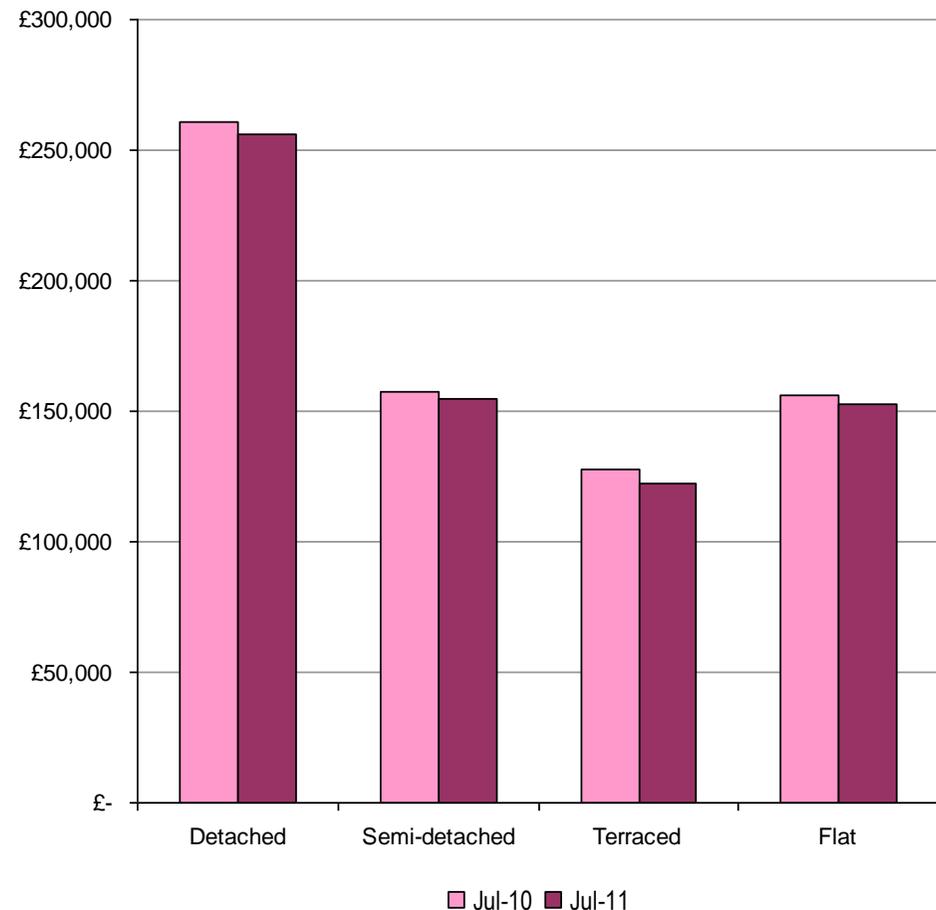
by type of property

Prices of all four main property types rose by similar amounts over the month to July demonstrating yet again, the increasingly stability in the United Kingdom housing market.

Detached housing, the most expensive of the four property types, experienced the biggest monthly gain with a 0.7% increase between June and July. The value of flats increased by 0.5%, equivalent to rise of around £900.

Terraced housing has been relatively slow to catch up with the other three main property types, having seen a -3.9% decline over the past year. This compares with a -1.6% annual decline for semi-detached housing, the shallowest fall of the four.

Property price by type /
July 2010 & July 2011



sub-regional analysis

Looking at a more detailed picture of house prices reveals a familiar story about price growth divergence between the top and bottom ends of the housing market.

The top 20% of property areas by value experienced marginally positive price growth of 0.2% over the month to July. In contrast the cheapest fifth of properties saw prices fall by -0.3%.

When this picture is broken down even further to the five most expensive and five least expensive local authorities, the stark contrast becomes clearer still. The five most expensive property areas, which are all in London, experienced rising prices over the month to July.

Prices in Kensington and Chelsea increased by 1.3% between June and July. However, given the persistently low number of home purchases, this figure is more volatile than in previous years. The average price of a house in the country's most expensive borough is approximately fourteen times higher than a house in Blaenau Gwent in Wales.

Average property price & annual inflation in most expensive and least expensive local authorities / England & Wales / July 2011

| | Average residential property price | Annual change% | Monetary value |
|----------------------------|------------------------------------|----------------|----------------|
| Kensington And Chelsea | £857,256 | 2.8% | £23,593 |
| City Of Westminster | £663,933 | 7.4% | £45,931 |
| Camden | £532,623 | -5.2% | -£29,493 |
| Hammersmith And Fulham | £529,733 | 3.3% | £16,775 |
| Islington | £453,784 | 5.5% | £23,678 |
| Rhondda Cynon Taff | £73,932 | -10.0% | -£8,176 |
| Blackburn With Darwen | £73,715 | -17.1% | -£15,167 |
| City Of Kingston Upon Hull | £69,557 | -16.4% | -£13,649 |
| Stoke-On-Trent | £67,295 | -8.6% | -£6,354 |
| Blaenau Gwent | £62,987 | 8.9% | £5,148 |



Indicator is higher or lower compared to the previous month

what happened to the other indices this month?

| Index | Month which report refers to | Monthly inflation | Details |
|--|------------------------------|-------------------|--|
| Department of Communities and Local Government | May | -0.5% | In May UK house prices decreased by 1.6% over the year and decreased by 0.5% over the month. Average house prices were 0.1% lower over the quarter to May, compared to a quarterly decrease of 0.3% over the quarter to February. |
| Halifax | July | +0.3% | Prices rose for the third consecutive month, increasing by 0.3% in July. House prices in the three months to July were 0.5% higher than in the previous three months. This was the first increase in this key measure of underlying price movements for 14 months. |
| Land Registry (Calnea Analytics) | June | 0.0% | House prices were static over the month to June. Annual house price change currently stands at -2.5%. This is the greatest fall seen since October 2009 and the sixth month in a row in which the figure has been below zero. |
| Nationwide | July | +0.2% | Stability has been the watchword for the UK housing market over the past 12 months. This pattern was maintained in July, with UK house prices rising by a modest 0.2% during the month, leaving prices 0.4% below the level prevailing in the same month of 2010. |

what happened to the other indices this month?

| Index | Month which report refers to | Monthly inflation | Details |
|---------------------------------|------------------------------|-------------------|---|
| Financial Times (Acadameetrics) | June | -0.8% | Since the start of the year, house prices have fallen by -0.8%. However, June saw a similar size fall. In the current market, a monthly fall of 0.8% is relatively large. |
| Home.co.uk (Calnea Analytics) | July | 0.0% | Overall the mix-adjusted average Asking Price for homes on the market in England and Wales remains unchanged since June but down 0.8% year on year. Over the six months to July, however, asking prices have increased by 1.1%. |
| Hometrack | July | -0.1% | Headline prices fell by -0.1% in July. There are wide variations to the headline trend in prices. Average prices were up by 0.3% in London and East Anglia in July but fell across all other regions. Prices were down by as much as -0.6% in the South West. |
| Rightmove.co.uk | July | -1.6% | The average asking price of property coming to market has fallen for the first time this year. After six consecutive months of rising prices, Rightmove recorded a fall of -1.6%. |

appendix & methodology

There are a number of house price indices currently available which track the United Kingdom housing market. However, they vary in terms of their accuracy, timeliness and the stage of the transaction process to which they relate.

How is ours different?

We bring the leading house price indices together to create a **house price poll of polls**. This poll of polls is timely, accurate, and includes the total stock of properties in the United Kingdom.

The leading indicators included in our index are the following:

- Communities and Local Government House Price Index¹
- The Land Registry House Price Index
- Halifax House Price Index
- Nationwide House Price Index
- Rightmove.co.uk House Price Index
- Home.co.uk Asking Price Index
- Hometrack National Survey

These indices are aligned and weighted to take into account a mixture of factors including:

- Timeliness
- Accuracy
- Relevance for each region
- Relevance for type of property
- Availability
- Statistical methods used

Our weighting is based on a statistical methodology, using regressions to analyse the historical accuracy of each of the indices.

To ensure the index captures all residential properties, rather than only those which have been sold or for sale, we incorporate the stock of residential properties in England and Wales using a weighting process.

For a full picture of the current United Kingdom housing market we disaggregate our findings into four main areas:

- Average property price by region
- Average price by type of property
- Average price by county

Separate models are built for England and Wales as a whole, the twelve regions in the United Kingdom and for four types of property.

Our poll of polls methodology and report were improved as of December 2007. As a result previous reports are not directly comparable. However, we have backdated our new methodology and figures are compared to revised results.

¹A full explanation of the indices is included in the full methodology. This is available upon request

appendix & methodology

In summary we:

- **Align** the **indices** – taking into account their timeliness, accuracy, relevance, availability and the statistical methods used – and develop this into a **poll of polls**
- **Weight** our index by **stock** to take into account all residential property prices

Aligning the indices

The accuracy, timeliness and relevance of each index's house price level and inflation rate were assessed using both analytical and statistical techniques. As a part of the statistical analysis we compared the historical relationship of each index with the Land Registry's index. We use regression analysis to quantify the correlation of each index with the Land Registry data. Separate regressions were run for each region and for each type of property.

Weighting by stock

To ensure the index captures all residential properties, rather than only those which have been sold or been for sale, we weight house price figures by the stock of residential properties. The index for England and Wales is calculated using the average price of a property in every county and its corresponding stock level.

We repeat this weighting process for every region, using the price of each county in the specified region and its respective stock level. Using the weighted index we calculate the inflation rates for each region in the United Kingdom and for England and Wales as a whole. Using a similar process we weight our indices for each type of property by stock levels.

Creating a timely index

To create a timely index we use an econometric model which analyses the housing market's relationship with the economic environment and the latest available house price indices. Separate models are built for England and Wales as a whole, the **twelve regions in the United Kingdom** and the **four types of property**.

Residential property price by county

Residential county property prices are available from the Land Registry. We take these county prices and use the relationship between the Land Registry's index and our poll of polls to calculate the inflation rate for each county.

This report has been produced by Chesterton Humberts' and the centre for economics and business research (Cebr).

With a network of 60 offices across the United Kingdom, including 27 in London, Chesterton Humberts is one of the United Kingdom's leading property consultancies with a full range of property services including residential sales and lettings, commercial agency and management, rural land management, professional advisory services, professional valuation and other surveying services. The company also has a significant international presence with offices in St Tropez, Gibraltar, Lake Como, Mallorca, Singapore, Abu Dhabi, Sydney and Brisbane.

Cebr is an independent economics and business research consultancy established in 1993 providing forecasts and advice to City institutions, government departments, local authorities and numerous blue chip companies throughout Europe. The contributors to this report are economists Douglas McWilliams and Benjamin Williamson.

Whilst every effort has been made to ensure the accuracy of the material in this report, the authors, Chesterton Humberts' and Cebr will not be liable for any loss or damages incurred through the use of this report.