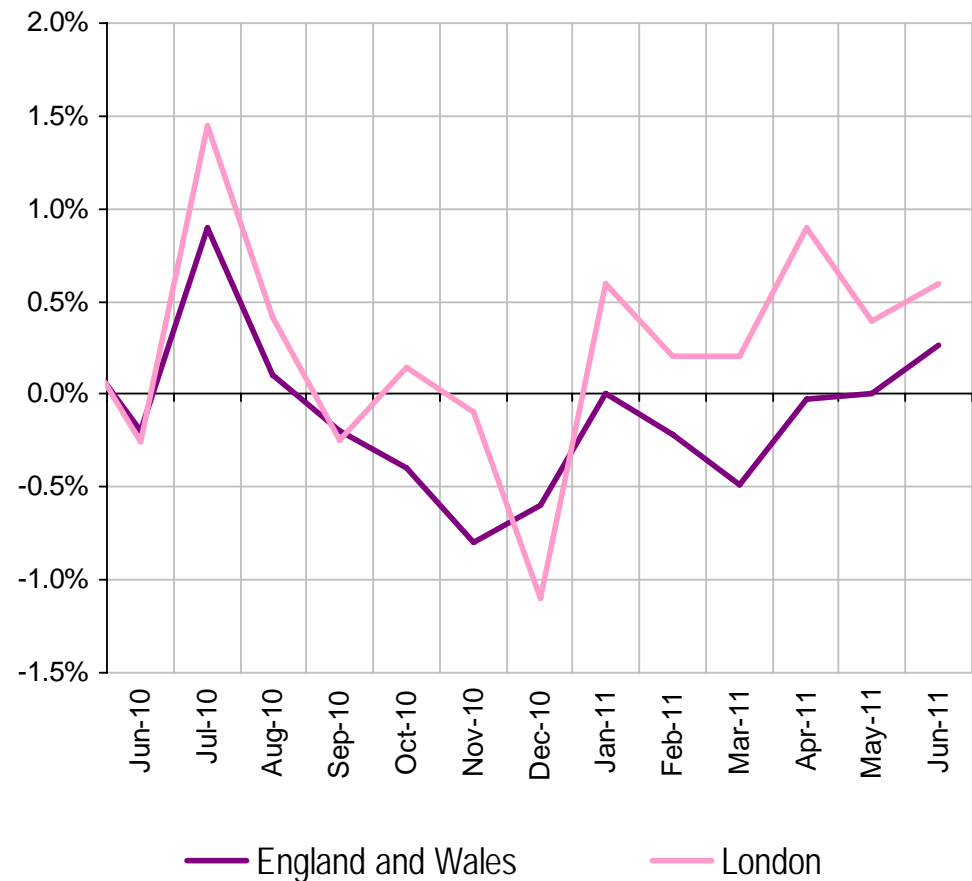


House prices may have bottomed out, following 0.3% increase in June.

- House prices rose by 0.3% over the month to June, the first significant increase in eleven months.
- We believe this marks the beginning of a turnaround for UK house prices overall, as the shortage of supply, increase in rents and weakness of the pound begin to drive up values.
- Within the UK, London still sets the pace.

Key findings	England and Wales	London
Latest estimate	£175,477	£344,161
Month-on-month change	+0.3%	+0.6%
Year-on-year change	-1.5%	3.5%

Month on month average growth in house prices



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overview

House prices edged up by 0.3% over the month to June, a moderate increase admittedly, but nevertheless the steepest rise in eleven months. This was also the first significant monthly increase so far in 2011 and is indicative of the stabilisation of house prices currently taking place across the country.

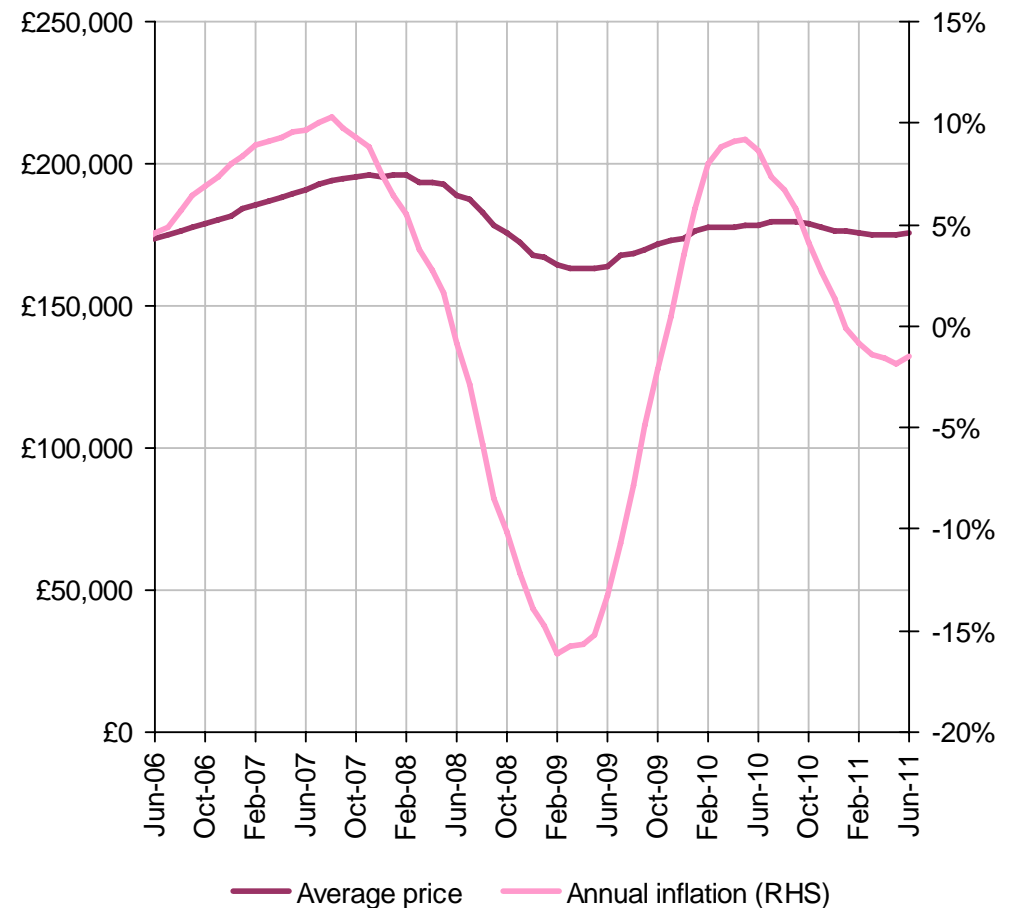
A more consistent measure of house prices, the three month moving average is now at its highest rate of change since November 2010. Whilst this quarterly change is still negative at -0.3%, it is up from -1.5% in January, having risen in each of the last five months.

All in all, it looks as if our prediction that 2011 would be a year of two halves for the housing market is coming through.

House price growth softened in the first half of 2011, dampened by consumer fears over public sector cutbacks and associated increases in unemployment. However, the shortage of available housing in addition to overseas demand and the cheap pound are forces pushing prices in the other direction.

We think the market is now close to the bottom for the UK as a whole, and may even already be on the way up.

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



how much is your property worth?

Interestingly, 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 -1.1%. Two indices showed prices flat-lining over the month to June; and two showed positive changes over the month – with the highest registering a +1.2% increase.

Such variation in asking price indices re-emphasises the need for authoritative and robust analyses of the true value of UK residential property like the Chesterton Humberts Poll of Polls, which provides the last word on house prices. 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 0.3% over the month to June.

This was the steepest monthly increase in just under a year. Prices rose by 0.9% in July 2010 before beginning a period of contraction that has lasted until now. As summer rolls on and the number of daylight hours – and hence viewing opportunities – remains high, we expect trend prices will continue to rise.

	Average residential property price	month-on-month change	year-on-year change
Houses on the market today will sell for...	£175,477	0.3%	-1.5%
Top 20% of market will sell for...	£414,097	0.1%	3.4%
Bottom 20% of market will sell for...	£106,216	-0.4%	-4.7%
Detached house	£256,297	0.2%	-1.2%
Semi-detached house	£153,323	0.4%	-2.1%
Terraced property	£123,578	0.4%	-2.9%
Flat / apartment / maisonette	£151,581	0.4%	-2.2%



Indicator is higher or lower compared to the previous month

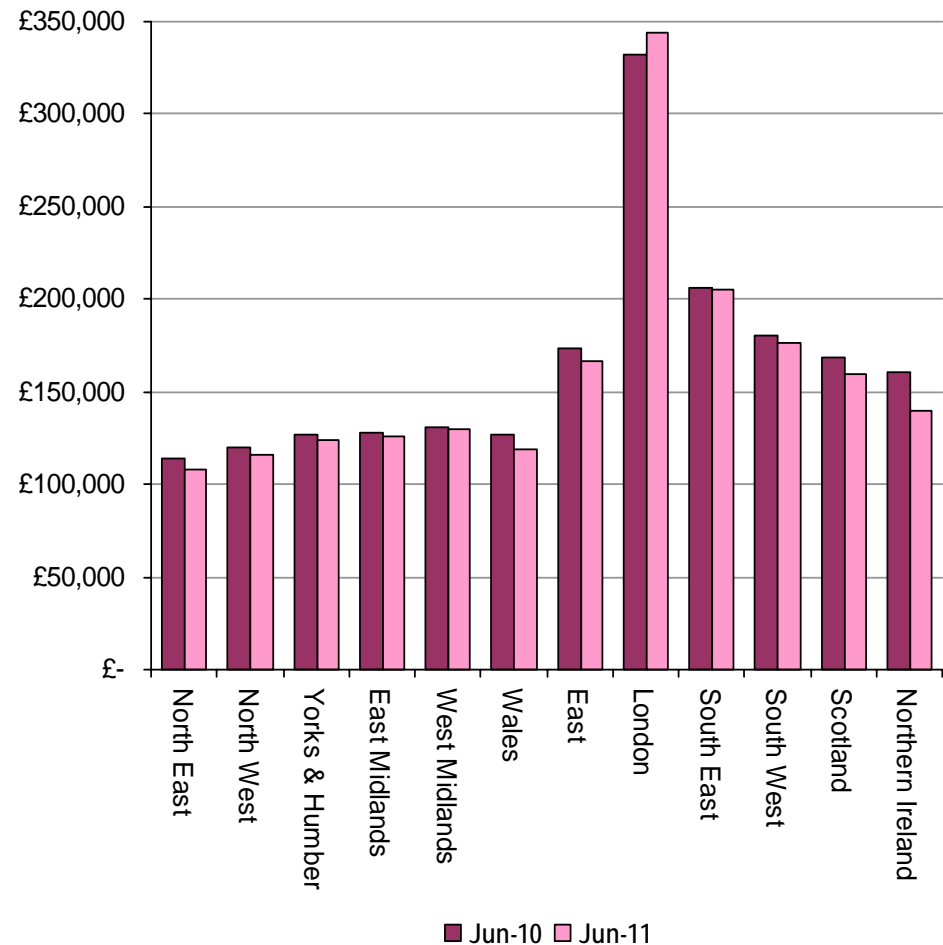
regional analysis

Of the twelve countries and regions within the United Kingdom, only Scotland saw house prices fall over the month to June. Scotland has remarkably different rules and regulations for house purchases compared to the rest of the UK. As such, house price movements can be seen almost as being mutually exclusive from the rest of the UK.

To illustrate this point, consider that prices in Scotland are only 6.8% below their previous peak of summer 2010. This compares to an average difference from peak of 13.1% for the nine English regions and Wales.

Regular followers of the Poll of Polls will be unsurprised to learn that Northern Ireland has seen the steepest fall in house prices over the year to date. Prices are -13.0% lower compared to June 2010, a long way behind Wales, the next closest, which has seen a more modest decline of -6.2% over the past twelve months. The chart opposite clearly shows London as the only part of the United Kingdom where house prices are higher now compared to the same time in 2010.

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



region summary

	Average residential property price	month-on-month change	year-on-year change	Monetary value of monthly change
North East	🏠 £107,953	🏠 0.0%	🏠 -5.0%	🏠 £107,953
North West	🏠 £115,654	🏠 0.4%	🏠 -3.7%	🏠 £115,654
Yorkshire & Humber	🏠 £123,703	🏠 0.1%	🏠 -2.5%	🏠 £123,703
East Midlands	🏠 £125,532	🏠 0.5%	📉 -2.2%	🏠 £125,532
West Midlands	🏠 £129,653	🏠 0.4%	🏠 -1.2%	🏠 £129,653
Wales	🏠 £119,063	🏠 0.2%	📉 -6.2%	🏠 £119,063
East	🏠 £166,838	🏠 0.4%	📉 -3.8%	🏠 £166,838
London	🏠 £344,161	🏠 0.6%	🏠 3.5%	🏠 £344,161
South East	🏠 £205,136	🏠 0.4%	🏠 -0.7%	🏠 £205,136
South West	🏠 £176,900	🏠 0.3%	🏠 -2.0%	🏠 £176,900
Scotland	📉 £159,226	📉 -0.1%	📉 -5.4%	📉 £159,226
Northern Ireland	📉 £139,783	🏠 0.6%	🏠 -13.0%	🏠 £139,783

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

London's property market

House prices increased by 0.6% in London between May and June, the steepest increase of any part of the UK. The capital has once again demonstrated its attractiveness as a destination for foreign investment, given the relatively cheap value of sterling and limited supply of housing in the European Union's largest city.

London is also the only part of the UK where house prices are now higher year on year. House prices have risen by 3.5% over the year to June, compared to a fall of -1.5% for the UK overall. This equates to an average increase of £11,795 for the capital's home owners, more than half of the median UK annual salary, but less than half of the median annual salary for someone living in London*.

We are more confident about calling the bottom of the market for house prices in London than for the rest of the United Kingdom given its relatively better position in relation to future cuts in public spending. However, much of the City becomes very quiet in July and August and house price movements in London can be fairly unpredictable during the summer.

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



* Annual Survey of Hours and Earnings (2010), Office for National Statistics

by type of property

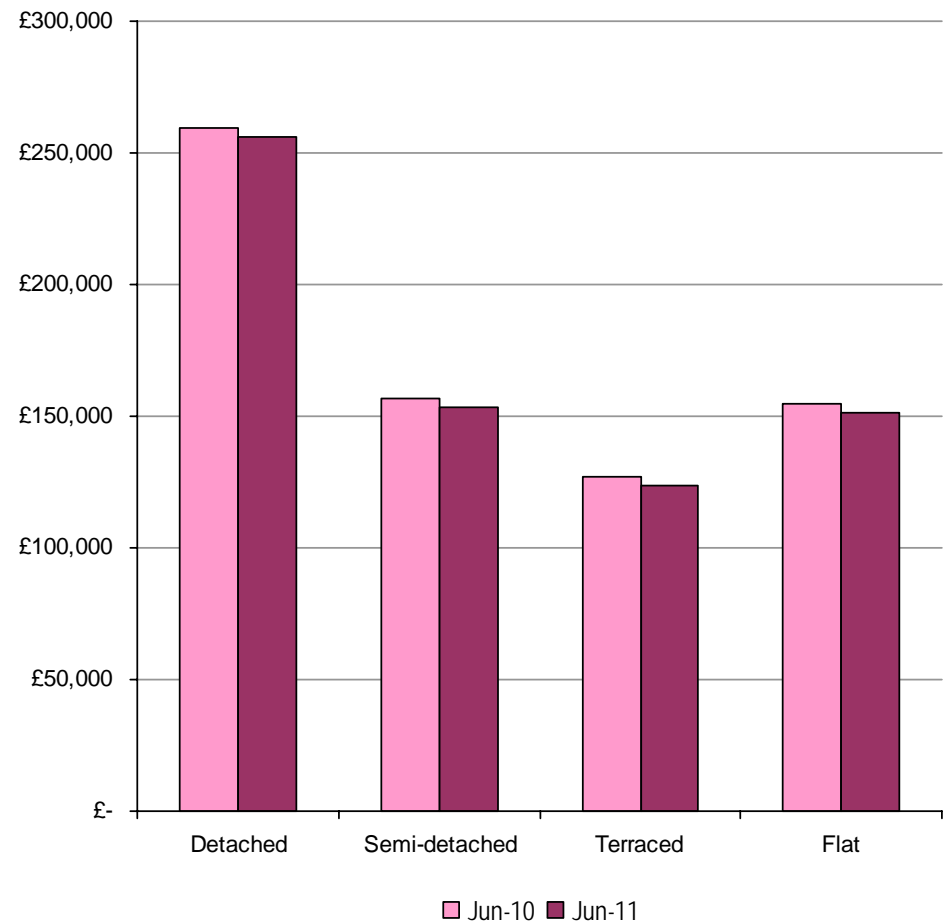
Prices of all four main property types rose in June from May. Detached houses was the outlier from the rest of the series as prices increased by only 0.2% over the month. The three remaining property types saw monthly gains of 0.4%.

The smaller increase in the price of detached housing, the most expensive of the four property types, is consistent with expectations following April's stamp duty rise on homes worth more than £1 million.

Despite the smaller monthly increase, detached house prices have seen the shallowest annual decline of any of the four property types. Prices of the larger type have fallen by only -1.2% over the year, as shown by the chart opposite. Flats and terraces, in contrast have experienced price falls of -2.2% and -2.9% respectively over the year.

The current economic uncertainty has increased the attractiveness of renting over buying for cheaper and smaller property types, with many first time buyers being unable to get onto the property ladder.

Property price by type /
June 2010 & June 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 0.1% over the month to June. In contrast the cheapest fifth of properties saw prices fall by -0.4%.

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 year to June, equalling an average increase of 8.5%. In contrast four of the five cheapest local authorities have experienced falling prices over the year to June, with an average decline of -3.0%.

This picture is reflective of the different economic realities in the four corners of the United Kingdom, with London and the South East doing relatively well.

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

	Average residential property price	Annual change%	Monetary value
Kensington And Chelsea	£947,523	14.5%	£120,238
City Of Westminster	£650,525	6.1%	£37,616
Camden	£545,958	5.6%	£29,180
Hammersmith And Fulham	£527,968	8.7%	£42,045
Islington	£469,657	7.3%	£31,918
Stoke-On-Trent	£77,457	-2.7%	-£2,161
Blaenau Gwent	£73,892	-5.6%	-£4,404
City Of Kingston Upon Hull	£70,970	-5.1%	-£3,809
Merthyr Tydfil	£70,915	11.9%	£7,521
Blackburn With Darwen	£69,375	-13.5%	-£10,816



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	April	-1.1%	In April UK house prices decreased by 0.3% over the year and decreased by 1.1% over the month. Average house prices were 0.3% lower over the quarter to April, compared to a quarterly decrease of 0.4% over the quarter to January.
Halifax	June	+1.2%	House prices in the three months to June were 0.5% lower than in the previous quarter. This was the smallest quarterly fall in prices since the second quarter of 2010. There was a 1.2% rise in prices in June.
Land Registry (Calnea Analytics)	May	-0.4%	May's data shows a monthly house price fall of 0.4%. The average house price in England and Wales is now £161,823. The annual change is also negative, at -2.2%. This is the largest decrease seen since October 2009.
Nationwide	June	+0.0%	Stability was the theme in June, with house prices flat over the month. This left house prices 1.1% below the level prevailing in June 2010. At 0.3%, the three month on three month measure of house prices was slightly weaker than the 0.6% pace of increase recorded in May.

what happened to the other indices this month?

Index	Month which report refers to	Monthly inflation	Details
Financial Times (Acadameetrics)	June	-0.8%	Prices fell by 0.8% in June on a monthly basis. The annual change declined to -0.8%. Eight out of 10 regions in England and Wales showed price falls in the three months to June
Home.co.uk (Calnea Analytics)	May	+0.0%	The mix-adjusted average Asking Price for homes on the market in England and Wales remains unchanged since May. The number of properties reduced in price last month surged to 88,815, 34% more than in May 2010.
Hometrack	June	-0.1%	House prices fell marginally by 0.1% over the month to June reaching £152,700. Seven out of 10 English regions saw house prices fall.
Rightmove.co.uk	June	+0.6%	June sees Rightmove record the sixth consecutive monthly rise in new sellers' average asking prices, up by 0.6%. At the halfway point of 2011 our price statistics are following a very similar pattern to last year, with overall gains of 8.1% this year compared to 7.4% in the first half of 2010.

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.