

LACK OF SUPPLY SUSTAINING HOUSE PRICE RISES

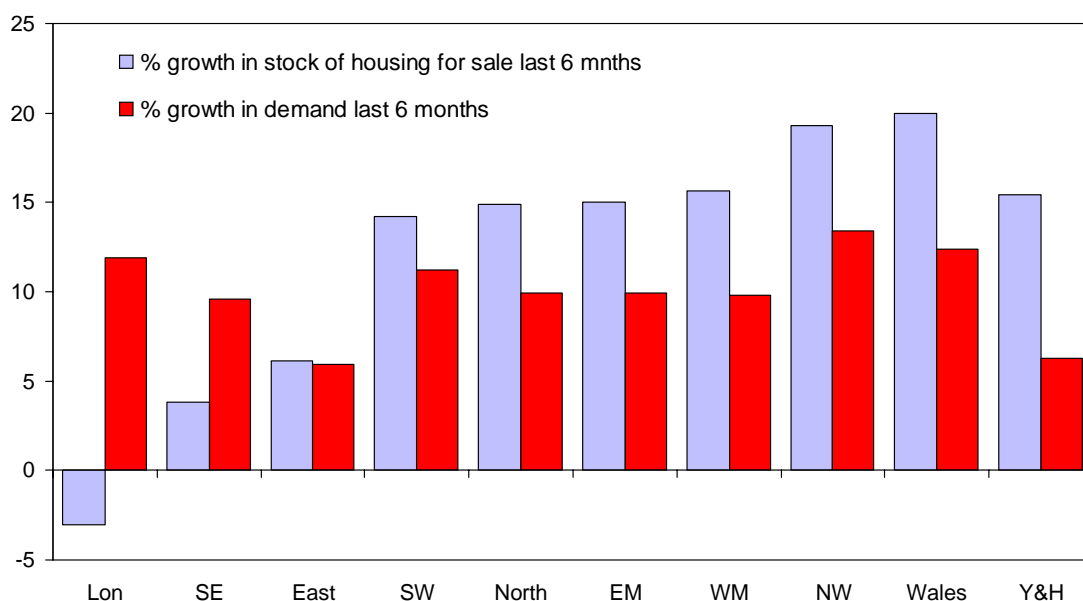
Average prices up by 0.4% in September despite recent rate rise

| | Jul-06 | Aug-06 | Sep-06 |
|--|--------|--------|---------------|
| National average monthly price change | +0.60% | +0.42% | +0.41% |
| 12 month price change | +3.2% | +3.9% | +4.3% |
| % postcode districts with price increase over month | 32.4% | 30.1% | 29.8% |

Average residential values increased by 0.4% over September, according to the latest monthly housing market survey by Hometrack, the housing information business. Average house prices are now 4.3% higher than they were a year ago, the fastest year on year rate of growth for two years. "Despite the rate increase in August, house prices continue to rise as we start the autumn selling season," comments Richard Donnell, Hometrack's Director of Research. "Prices have risen in 9 out of 10 regions over September, largely on the back of a -0.4% decline in the volume of homes available for sale over the month," he adds.

High house prices, fully mortgaged homeowners and relatively high transaction costs, especially in southern England, are all acting as a disincentive for households to put their homes on the market. As a result, the volume of property coming to the market over the last 6 months has been half the level seen over the same period for the last two years. This lack of supply, set against rising levels of demand, is providing extra impetus for house prices - negating the impact of the recent increase in interest rates.

Balance between supply and demand explains recent patterns of house price growth



The supply/demand balance is most out of kilter in London and the South East as shown by the previous chart. Set against a background of falling supply and rising levels of demand, it is no surprise that average residential values in the capital continue to rise well above the national average. Average values in the capital grew by 0.9% over September and have risen by 6.5% over the last 6 months compared to 3.3% growth nationally over the same time period. The same is true to a lesser degree in the South East where prices have grown by 3.2% over the last 6 months and by 0.3% in September.

In contrast growth has been far more subdued in most other regions where supply has been outstripping demand. As a result the impetus for house price growth has been far more limited. Average values in the East Midlands, the North and Yorkshire and Humberside regions have all been below 1% over the last 6 months.

Whilst London has been the engine for headline house price growth throughout this recent mini boom there are signs that, despite a lack of new homes coming onto the market for sale, pricing levels in the capital are coming under pressure. The latest Hometrack survey shows that the average time taken to sell property in the capital has remained unchanged over the last month and the proportion of the asking price that agents are achieving has declined for the third month in a row to 95.6%. This fits with the fact that the extent of price rises across London are also continuing to slow with prices up in 63% of postcode areas compared to 75% in April and 67% in August.

"The lack of new homes coming to the market is acting as a support for house prices at the moment but there are growing signs of price resistance, especially in the market where values have grown the most in recent months," Donnell concludes. "However, prices remain unchanged in large parts of the country with affordability pressures acting as a major constraint on house price growth. Whilst the supply constraints are unlikely to disappear in the very short term, we expect the extent of price rises to continue to slow over the rest of the autumn. This will result in a continued slowdown in the rate of growth with average prices likely to be around 5% higher by the year end" he concludes.

Ends

For further information please contact:

Richard Donnell
Director of Research
Hometrack

Office: 020 7761 9454
Mobile: 07725 822567
rdonnell@hometrack.co.uk

Alison Blease
Head of PR

Office: 020 7761 9598
Mobile: 07769 677825

Notes to editors:

Hometrack Index and National Housing Survey

The Hometrack index is based on a unique housing database that details the latest market information across more than 2,200 postcode districts in England and Wales. The index is compiled from over 6,000 individual reports, which are received from up to 3,500 estate agents. The survey collects market evidence from across the country not just where housing transactions happen to be taking place (where other indices tend to collect their evidence). The chart below shows the proportion of private housing stock that has sold over the last 5 years by region. In the East Midlands for example, 80% of private housing has gone unsold over the last 5 years. The Hometrack survey collects market evidence from across the whole market rather than in the areas where sales are happening.



Source: Hometrack

Hometrack Limited

Hometrack is a housing information business, delivering a range of innovative, largely on-line products and services to clients who need high quality information and analysis on the UK housing market. The business has a broad range of blue chip clients across the financial services, housing and government sectors. Hometrack have two main business streams. The first is the delivery of Automated Valuations to the mortgage lending industry via the Realtime™ Valuation System. Seventy percent of high street lenders use Hometrack's market leading valuation system to inform lending decisions and value large portfolios of property. The second business area is the delivery of high quality housing information and analysis via the RealDemand™ housing evaluation system. The system has comprehensive and unique information available at a highly granular level. The information is tailored to meet the needs of clients including developers, investors, housing associations and national and local government.

Appendix 1: Headline results - September 2006

| Region | Weighted Overall Average Price | Weighted Overall Ave. Price Change | Terraced property price | Semi-detached property price | Detached property price | Flat/Maisonette property price |
|-------------------------|--------------------------------|------------------------------------|-------------------------|------------------------------|-------------------------|--------------------------------|
| East Anglia | £150,800 | 0.2% | £104,100 | £128,700 | £187,000 | £78,900 |
| East Midlands | £122,700 | 0.1% | £70,500 | £99,200 | £163,100 | £60,500 |
| Greater London | £285,000 | 0.9% | £263,300 | £274,600 | £441,200 | £226,100 |
| North | £110,400 | 0.1% | £70,700 | £101,700 | £172,800 | £60,800 |
| North West | £126,300 | 0.0% | £66,000 | £108,300 | £193,600 | £61,600 |
| South East(outside M25) | £208,000 | 0.3% | £147,800 | £186,100 | £289,400 | £110,600 |
| South West | £174,500 | 0.2% | £128,100 | £155,000 | £238,200 | £105,500 |
| Wales | £133,200 | 0.1% | £79,100 | £106,600 | £172,700 | £65,100 |
| West Midlands | £142,200 | 0.3% | £87,400 | £117,400 | £194,700 | £70,100 |
| Yorkshire & Humberside | £125,400 | 0.2% | £72,200 | £100,700 | £180,500 | £69,600 |
| National | £167,900 | 0.4% | £121,100 | £141,300 | £230,300 | £134,900 |

| Region | Change in no. new properties listed (%) | Change in no. of sales agreed (%) | Sales price as a % of asking price | Change in no. new buyers registered (%) | Ave. time taken to sell (weeks) | Ave. number of viewings per sale |
|-------------------------|---|-----------------------------------|------------------------------------|---|---------------------------------|----------------------------------|
| East Anglia | -2.6% | 0.5% | 93.8 | 1.1% | 8.3 | 11.8 |
| East Midlands | 1.5% | 5.0% | 93.6 | 2.0% | 9.4 | 11.7 |
| Greater London | -1.7% | 1.2% | 93.6 | -1.2% | 5.9 | 14.3 |
| North | 1.2% | 0.3% | 93.1 | -1.4% | 7.4 | 10.8 |
| North West | 1.3% | 7.8% | 92.3 | 2.2% | 9.4 | 10.4 |
| South East(outside M25) | -1.6% | 0.8% | 93.6 | -0.4% | 7.4 | 13.4 |
| South West | -1.5% | -1.0% | 93.1 | -0.6% | 8.3 | 12.4 |
| Wales | 3.9% | 3.3% | 92.9 | -0.4% | 9.0 | 8.8 |
| West Midlands | 0.1% | 0.8% | 93.8 | 0.5% | 8.6 | 11.0 |
| Yorkshire & Humberside | -1.0% | 1.1% | 93.9 | -0.3% | 8.0 | 9.7 |
| National | -0.4% | 2.0% | 93.4 | 0.1% | 8.0 | 11.9 |

Appendix 2: Average residential prices by county and city – September 2006

| Region | Weighted Overall Average Price | Weighted Overall Ave. Price Change |
|--------------------------|--------------------------------|------------------------------------|
| London - North West | £286,500 | 1.2% |
| Central London & City | £480,100 | 1.1% |
| London - East | £212,100 | 1.1% |
| London - North | £293,600 | 1.0% |
| London - South East | £224,600 | 0.8% |
| London - South West | £285,900 | 0.8% |
| London - West | £284,100 | 0.8% |
| Berkshire | £262,400 | 0.6% |
| Northamptonshire | £150,900 | 0.5% |
| Oxfordshire | £224,800 | 0.5% |
| Suffolk | £150,100 | 0.5% |
| West Midlands | £100,700 | 0.5% |
| Gloucestershire | £185,300 | 0.4% |
| Hampshire | £216,200 | 0.4% |
| Hereford and Worcester | £155,900 | 0.4% |
| Hertfordshire | £222,000 | 0.4% |
| North Yorkshire | £167,300 | 0.4% |
| Staffordshire | £114,600 | 0.4% |
| Surrey | £272,400 | 0.4% |
| Buckinghamshire | £236,400 | 0.3% |
| Cornwall | £157,500 | 0.3% |
| Mid Wales | £141,000 | 0.3% |
| Nottinghamshire | £112,200 | 0.3% |
| West Sussex | £232,100 | 0.3% |
| Avon | £177,500 | 0.2% |
| Cumbria | £127,100 | 0.2% |
| Dorset | £198,900 | 0.2% |
| East Sussex | £186,700 | 0.2% |
| Kent | £182,200 | 0.2% |
| Norfolk | £139,100 | 0.2% |
| Somerset | £154,700 | 0.2% |
| South Lincolnshire | £143,300 | 0.2% |
| West Yorkshire | £112,100 | 0.2% |
| Wiltshire | £185,100 | 0.2% |
| Birmingham | £136,200 | 0.1% |
| Cambridgeshire | £168,100 | 0.1% |
| Cheshire | £159,100 | 0.1% |
| Derbyshire | £126,400 | 0.1% |
| Devon | £163,700 | 0.1% |
| Essex | £187,400 | 0.1% |
| Leicestershire | £142,300 | 0.1% |
| North Lincolnshire | £101,100 | 0.1% |
| North Wales | £119,400 | 0.1% |
| Northumberland | £124,400 | 0.1% |
| Shropshire | £146,900 | 0.1% |
| South Wales | £127,100 | 0.1% |
| Tyne and Wear | £110,900 | 0.1% |
| Warwickshire | £163,000 | 0.1% |
| County Durham | £82,600 | 0.0% |
| East Riding of Yorkshire | £95,400 | 0.0% |
| Greater Manchester | £102,900 | 0.0% |
| Isle of Wight | £146,800 | 0.0% |
| Lancashire | £119,800 | 0.0% |
| Merseyside | £90,300 | 0.0% |
| South Yorkshire | £90,300 | 0.0% |
| Teesside | £105,800 | 0.0% |
| Bedfordshire | £161,100 | -0.1% |

| City | Weighted Overall Average Price | Weighted Overall Ave. Price Change |
|--------------------|--------------------------------|------------------------------------|
| Ipswich | £151,900 | 1.3% |
| Coventry | £121,900 | 0.8% |
| Bournemouth | £204,100 | 0.6% |
| Brighton | £169,500 | 0.6% |
| Cheltenham | £231,800 | 0.6% |
| Leeds | £132,700 | 0.6% |
| Reading | £289,900 | 0.6% |
| Newcastle | £157,100 | 0.4% |
| Newport | £87,900 | 0.4% |
| Southampton | £183,700 | 0.4% |
| York | £137,500 | 0.4% |
| Bristol | £162,000 | 0.3% |
| Nottingham | £106,000 | 0.3% |
| Swindon | £151,000 | 0.3% |
| Gloucester | £148,100 | 0.2% |
| Norwich | £149,700 | 0.2% |
| Cambridge | £189,900 | 0.1% |
| Liverpool | £50,200 | 0.1% |
| Salisbury | £210,100 | 0.1% |
| Bath | £190,700 | 0.0% |
| Birmingham | £118,700 | 0.0% |
| Blackpool | £78,500 | 0.0% |
| Bradford | £79,600 | 0.0% |
| Canterbury | £179,800 | 0.0% |
| Cardiff | £182,100 | 0.0% |
| Carlisle | £115,100 | 0.0% |
| Chester | £136,100 | 0.0% |
| Croydon | £195,500 | 0.0% |
| Derby | £129,300 | 0.0% |
| Durham | £89,700 | 0.0% |
| Exeter | £203,700 | 0.0% |
| Guildford | £250,300 | 0.0% |
| Hull | £81,600 | 0.0% |
| Lancaster | £161,100 | 0.0% |
| Leicester | £127,600 | 0.0% |
| Lincoln | £100,200 | 0.0% |
| Manchester | £103,800 | 0.0% |
| Middlesbrough | £110,000 | 0.0% |
| Oxford | £217,200 | 0.0% |
| Plymouth | £126,300 | 0.0% |
| Portsmouth | £134,200 | 0.0% |
| Sheffield | £119,300 | 0.0% |
| Shrewsbury | £143,800 | 0.0% |
| Stoke | £87,900 | 0.0% |
| Sunderland | £81,100 | 0.0% |
| Swansea | £137,700 | 0.0% |
| Taunton | £158,400 | 0.0% |
| Warwick | £191,900 | 0.0% |
| Welwyn Garden City | £208,200 | 0.0% |
| Winchester | £311,100 | 0.0% |
| Yeovil | £152,000 | 0.0% |
| Peterborough | £140,400 | -0.2% |
| Preston | £132,900 | -0.2% |
| Milton Keynes | £129,000 | -1.0% |

Appendix 3: Average residential prices by London Borough – September 2006

| London Borough | Weighted Overall Average Price | Weighted Overall Ave. Price Change |
|------------------------|--------------------------------|------------------------------------|
| Harrow | £271,100 | 1.9% |
| Islington | £371,500 | 1.8% |
| Brent | £250,700 | 1.7% |
| Hackney | £228,600 | 1.7% |
| City of London | £367,700 | 1.6% |
| Kensington & Chelsea | £636,000 | 1.6% |
| Tower Hamlets | £237,300 | 1.6% |
| Hounslow | £206,100 | 1.5% |
| Camden | £363,300 | 1.4% |
| Bromley | £246,300 | 1.3% |
| Newham | £170,400 | 1.3% |
| Sutton | £209,300 | 1.3% |
| Ealing | £305,000 | 1.1% |
| Hammersmith and Fulham | £367,100 | 1.1% |
| Hillingdon | £222,100 | 1.1% |
| Waltham Forest | £212,100 | 1.1% |
| Redbridge | £244,900 | 1.0% |
| Southwark | £283,900 | 1.0% |
| City of Westminster | £455,800 | 0.8% |
| Lewisham | £170,400 | 0.8% |
| Wandsworth | £314,100 | 0.8% |
| Enfield | £253,800 | 0.7% |
| Haringey | £271,200 | 0.7% |
| Lambeth | £263,500 | 0.7% |
| Merton | £306,100 | 0.7% |
| Bexley | £172,000 | 0.6% |
| Havering | £197,900 | 0.6% |
| Kingston-upon-Thames | £279,500 | 0.5% |
| Barking and Dagenham | £144,200 | 0.4% |
| Barnet | £297,700 | 0.4% |
| Croydon | £207,600 | 0.3% |
| Richmond-upon-Thames | £397,600 | 0.2% |
| Greenwich | £191,300 | 0.1% |