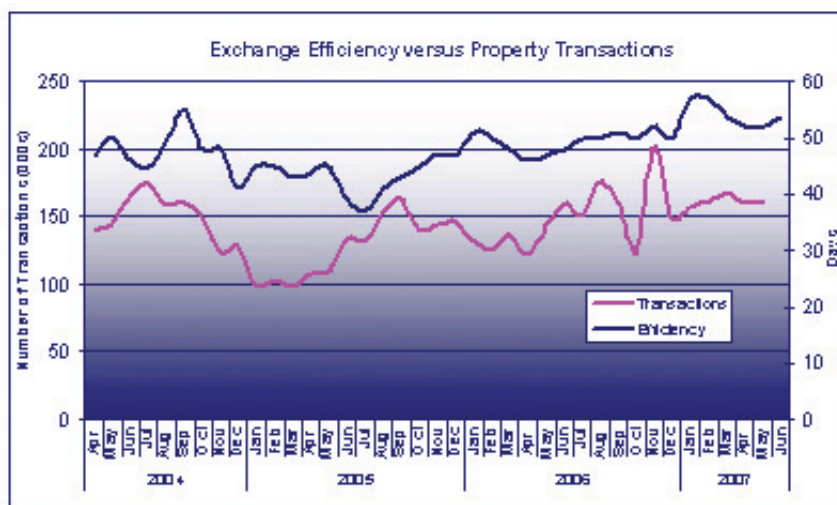


DATE: 30 JULY 2007

MARKET EFFICIENCY MONITOR - Q2 2007

MARKET EFFICIENCY STILL AT RECORD LOW - HIPS NEEDED ASAP

Graph 1

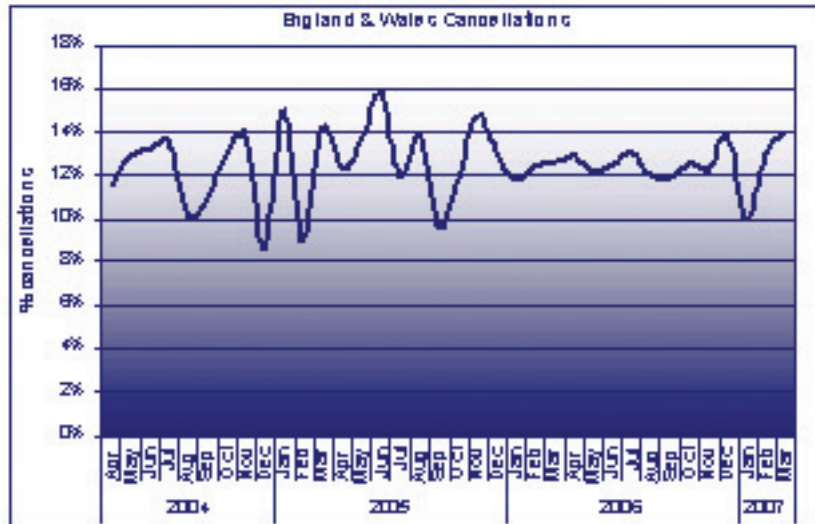


The Q2 2007 Market Efficiency Monitor illustrates that housing market efficiency remains in crisis. Transaction efficiency, as measured by the number of days from notification of sale to exchange, has been slow from the start of the year with January and February taking a record 57 days. Quarter 2 has continued the trend of inefficient housing transactions although not reaching such record levels.

Although there has been a marginal improvement in efficiency in Quarter 2, the fact that the number of transactions has also dipped in this period suggests that this may be a result of fewer sales taking place.

Changes to the plans for the introduction of Home Information Packs (HIPs) have reduced the pressure to get properties on the market in a hurry. However, the consistently poor levels of efficiency suggest that a new regime could not come at a better time. Once the market has adapted to using HIPs, there should be some indication of improvement.

Graph 2



Cancellations (within three months of notification of sale) have continued to fluctuate between 10% and 14% in the last quarter. If they continue to rise we may see similar levels to mid-way through 2005, at 16%. This would represent a substantial number of failed transactions. In the same way that market efficiency is in crisis, the housing market cannot afford for cancellations to creep up towards one fifth of instructed sales falling through. A key aim of the HIP is to reduce the number of cancellations by providing up-front information to facilitate informed decision-making.

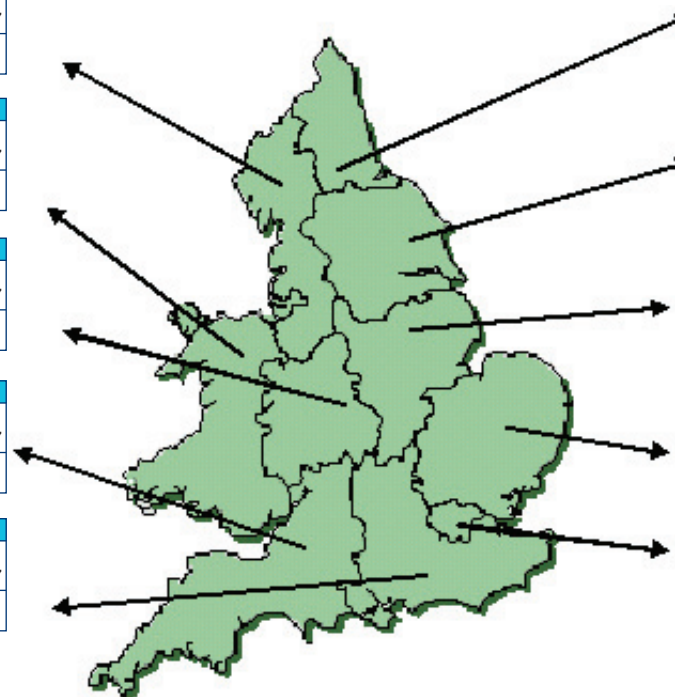
North West		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	47 days	↓15%

Wales		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	50 days	↑7%

West Midlands		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	53 days	↓6%

South West		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	57 days	↑3%

South East		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	56 days	↓5%



North		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	46 days	↓9%

Yorkshire		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	47 days	↓6%

East Midlands		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	50 days	↓8%

East Anglia		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	54 days	↓6%

London		
	Q2 2007	% change Q2 '07/Q1 '07
Sale agreed to exchange	59 days	↓11%



The regional picture shows varying levels of improvement in market efficiency in every area except the South West. In the South West efficiency has fallen by 3% since Q1 of this year, bringing the transaction time up to a high of 57 days.

The most improved region is the North West, and this now has one of the fastest average times between sale agreed to exchange of 47 days. This time is matched by Yorkshire and only beaten by the North where the average is 46 days.

Despite showing the second biggest improvement of 11% in Q2, London remains the slowest place to buy or sell a property, with the average being 59 days.

Methodology:

- **Exchange Efficiency versus Property Transactions:** Efficiency is measured in days from the Notification of Sale to Exchange. This monitor tracks the efficiency of the market since April 2004.
- **England & Wales Cancellations:** tracks the percentage of cancellations within three full months from Notification of Sale since April 2004.
- **Regional Exchange Efficiency:** regional efficiency figures and the quarterly change.
- **All data is provided by LMS (July 2007) except property transactions that are from HMRC.**