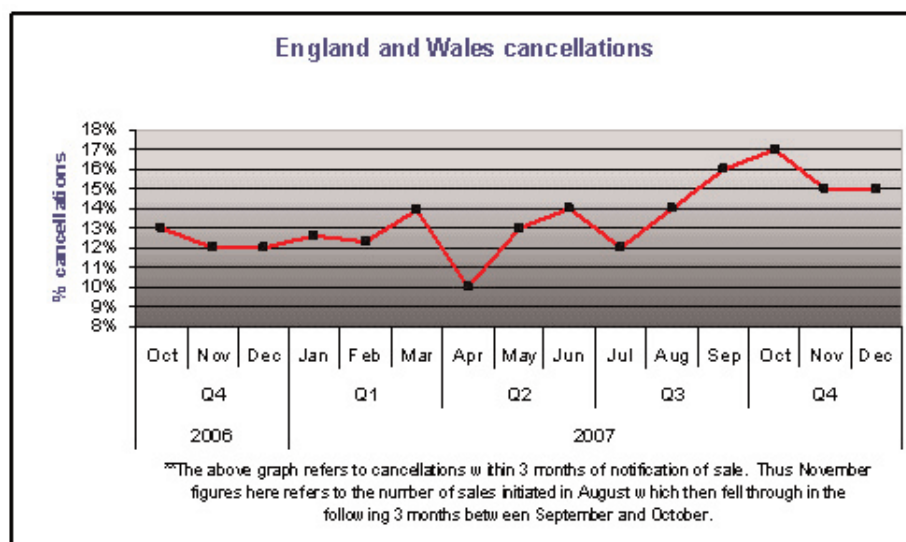


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## HOME SALE CANCELLATIONS DOWN FROM SUMMER PEAK, DESPITE MARKET TURBULENCE OVER THE LAST 4 MONTHS

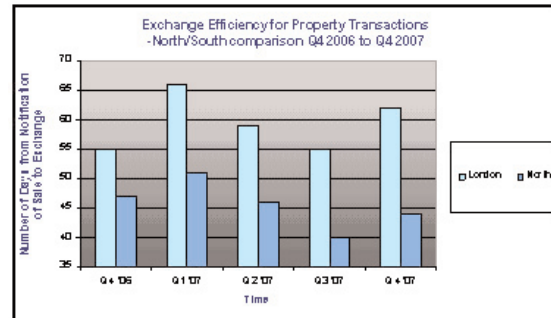
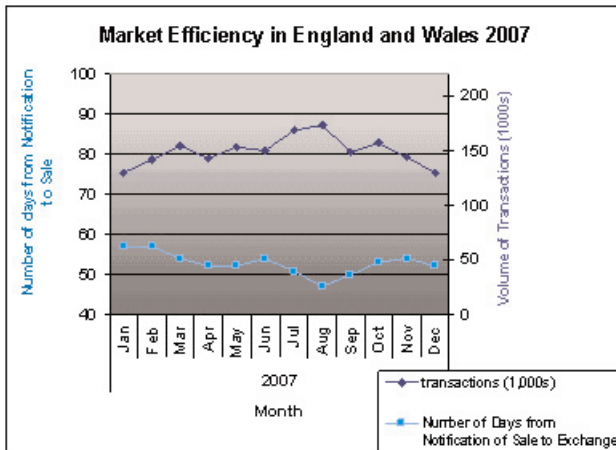
**LMS, the largest originator of conveyancing in the UK, has published their quarterly LMS Market Efficiency Monitor. Q4 2007 shows that cancellations to December 2007, based on sales originated after HIPs were introduced, have declined - despite market turbulence. Cancellations of instructed sales\* have fallen from a summer peak of 17% to 15% where they have remained for 2 months.**

Housing market analysts previously predicted a substantial rise in the number of cancellations in Q4. Stock market jitters in the wake of "credit crunch" fears reverberated in the property market, weakening the confidence of buyers and sellers. In a market already fragile due to several interest rate hikes and house price increases, plummeting investor confidence could reasonably be expected to correlate inversely with soaring cancellation levels. However, LMS data shown in the graph below indicates how contrary to projective forecasts, the level of cancelled transactions in Q4 (relating to sales initiated between July and September) has actually stabilised. It is too soon to say to what extent this trend will continue into 2008, but it is likely that in Q4, HIPs contributed to lower cancellation levels by dissuading vendors from simply testing price scales in the market when they are not serious about selling.

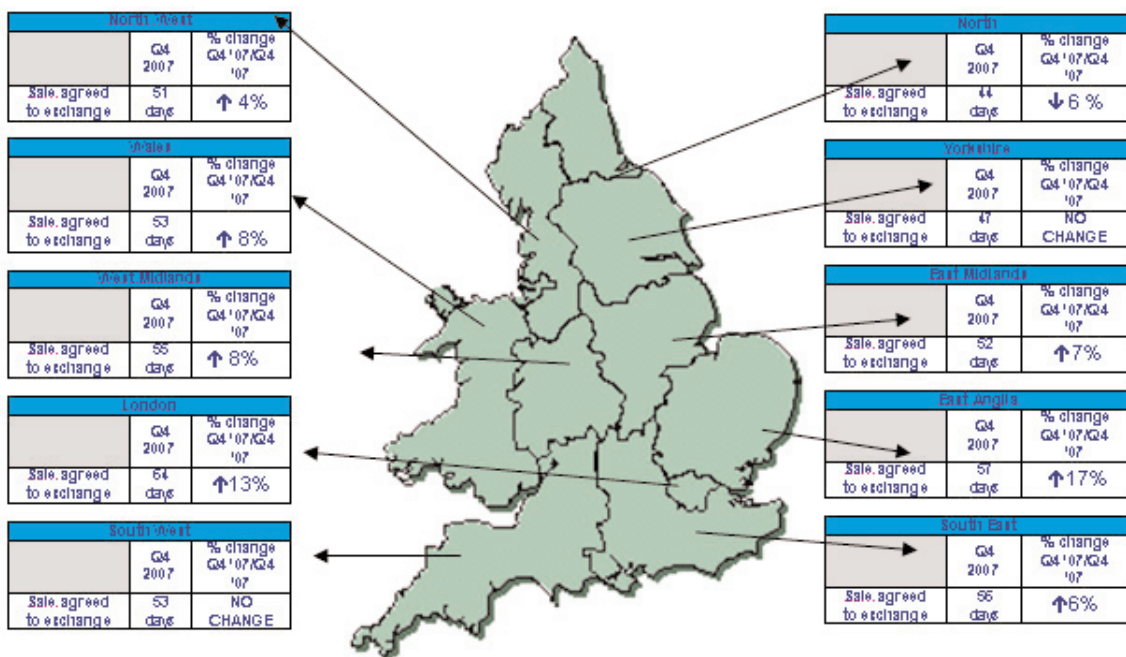


The second half of the year was also markedly more efficient than the first, with the number of days it takes to sell a house dropping over the course of the year. The average number of days between notification of sale and exchange dropped 3 days after the introduction of Home Information Packs in the second half of the year, falling from 54 (Q1, 2) to 51 (Q3, 4). Recent improvements between November and December 2007 illustrate how we are witnessing gradual housing market reform with an overall decrease in average transaction times to 52 days, down from 57 in January. As full roll out for HIPs was only introduced in December 2007, it is unlikely that their beneficial potential for the housing market is measurable at this stage. The increase in efficiency seen here in Q4 here is likely to be partially derivative of a reduction in transaction volumes from October to December. Since

December 14th a HIP has been required for all sales so all vendors in a property chain must now obtain a pack. As all parties involved are now better informed we should start to see HIPs produce a concrete improvement in efficiency figures by the end of Q2 2008.



## Regional Analysis



Regional analysis shows clear variations in market efficiency. The North has shown the biggest improvement from Q4 2006, with the number of days taken from notification of sale to exchange dropping 6% from 47 days to an average of 44

"This is in stark contrast to London, where the average time taken to complete transactions has increased by 13% from Q4 2006 (55 days) to 62 days in Q4 2007. The disparity between the North and the South can be explained by the delay in southern water companies' delivery of search data. Whereas in December Yorkshire Water took an average of 4\*\* days to provide information on a property, Southern Water took 43\*\*.

Both water companies have however improved their search times already this year, reacting to pressure from both consumers and the industry to provide quicker information. Anecdotal evidence from HIP providers shows Southern Water's turnaround time has improved from 43 days in December 07 to 6 days for new search requests in January 08, and statistics show Yorkshire Water, in the same time, has dropped to an average of 1 day\*\*\*. These changes can be attributed directly to direct lobbying from by HIP providers for water companies to

improve their efficiency. HIPs create search transparency and make it easier to pinpoint any inefficient areas- pushing search times forward, and making the process quicker for the consumer."

Dominic Toller, Director of Marketing & New Business, LMS, commenting on this latest research, said:

"Given the turbulence that has rocked the housing and credit markets in the last few months, it is remarkable that cancellations haven't plummeted to unseen depths. HIPs promote a more informed decision-making process - only people truly serious about selling will put their house on the market, and a buyer is completely informed about a house before they make an offer. In the future when the market has stabilised, we should see these factors significantly reduce the amount of transactions cancelled.

Toller goes on to say:

"With the volume of processed transactions down, the market tends to be more efficient. In light of this, improvements in efficiency figures from the last three months are probably due more to a decrease in the number of listings as a result of damaged investor confidence, rather than down to the full roll out of HIPs.

"It is frustrating however, to think that on top of larger economic worries rocking the property market, the potential for faster market transactions is being further hindered unnecessarily. There is still room for the property buying and selling process to be much more efficient and HIPs can help transaction times improve. However, HIP turnaround times are greatly affected by how quickly the search data can be gathered. The Government has finally acknowledged local authorities' and water companies' restriction on information, and taken affirmative action against the delay in transactions that this causes. It is great that HIPs have already created market transparency, so that any inefficient areas can be identified and fixed. With faster property searches for homebuyers we should start to see an improvement in efficiency. As long as councils and water companies continue to delay the gathering and transferral of their data, then the house-buying process will never be as quick and hassle-free as we would like".

**All data provided by LMS.**

\* Sales cancelled within three months of notification

\*\* LMS searches for period December 2007, Average Turnaround by Water Company for Residential Searches, data provided by OneSearch Direct

\*\*\* LMS searches for period January 2008, Average Turnaround by Water Company for Residential Searches, data provided by OneSearch Direct