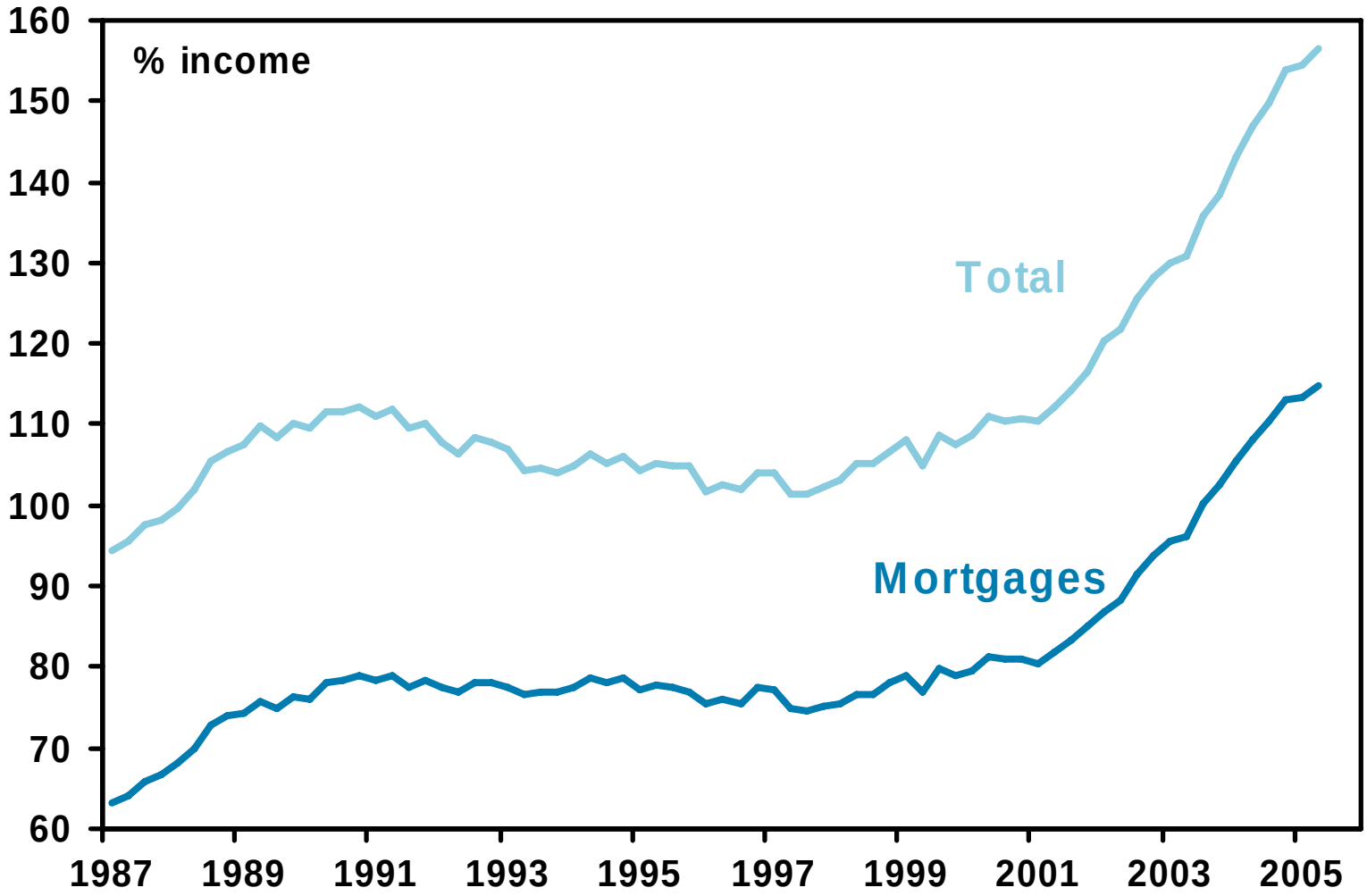
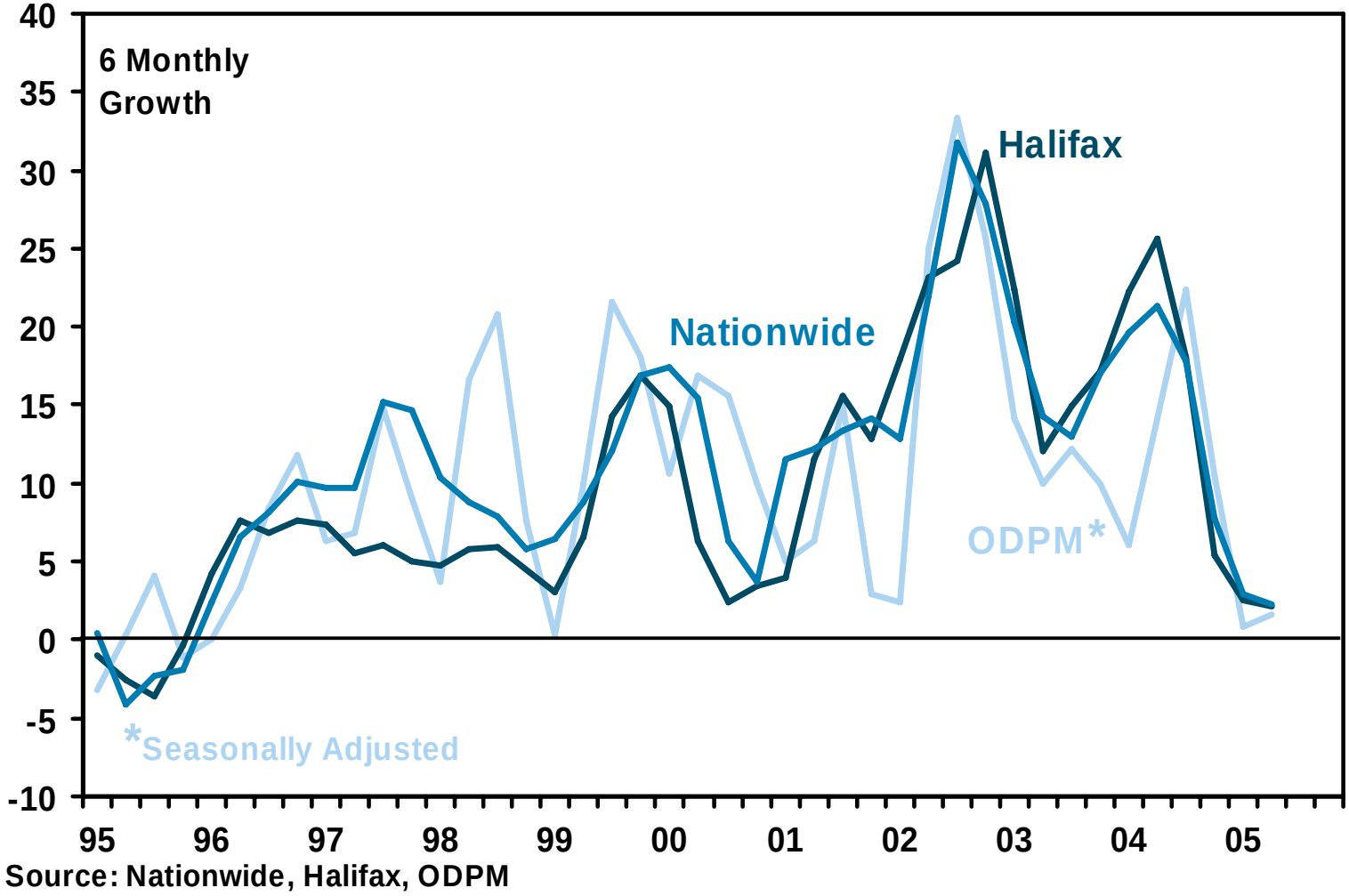
Household Debt is at Record Highs



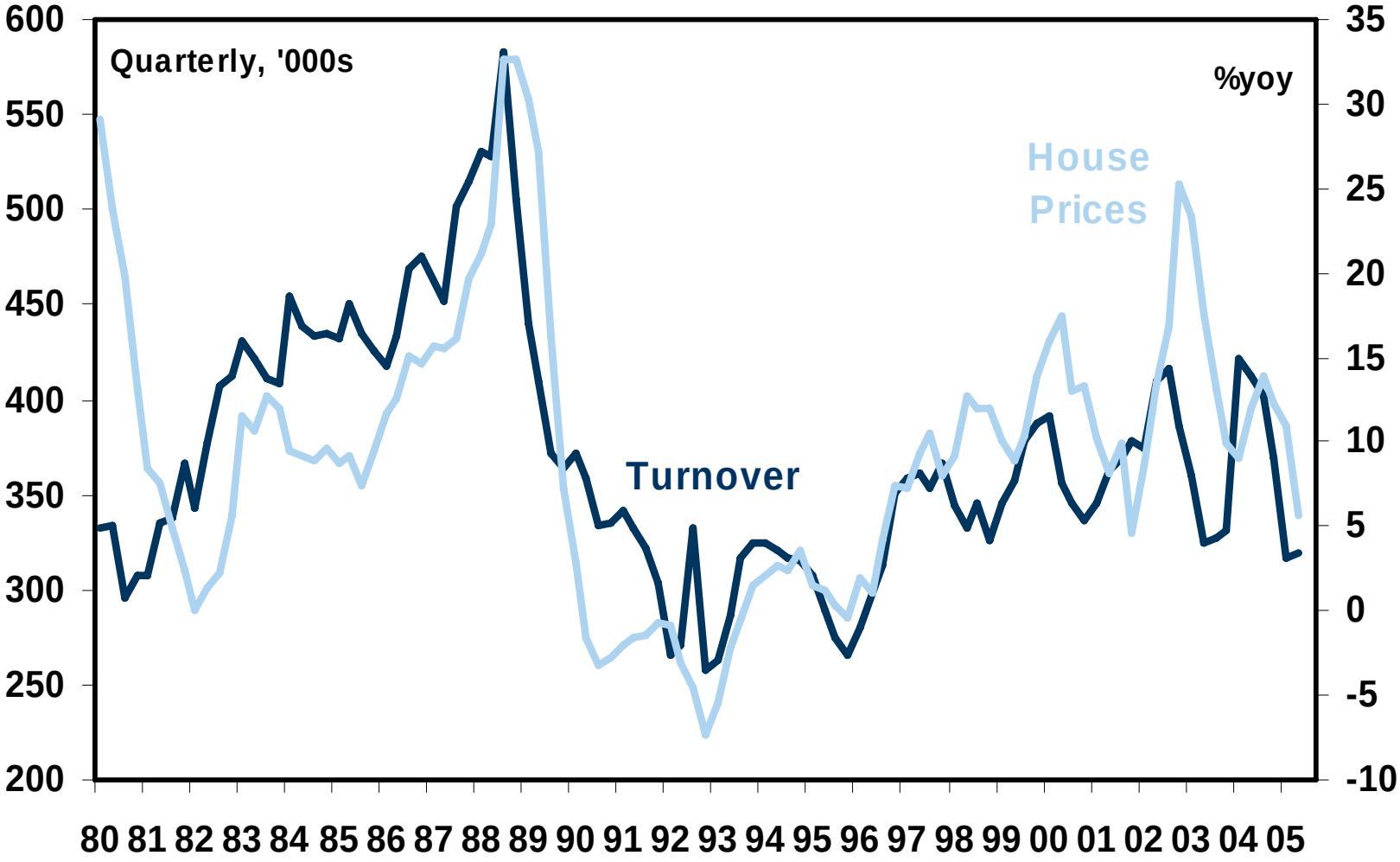
Source: Goldman Sachs Economics Research

House Prices Have Been Flat for Nine Months



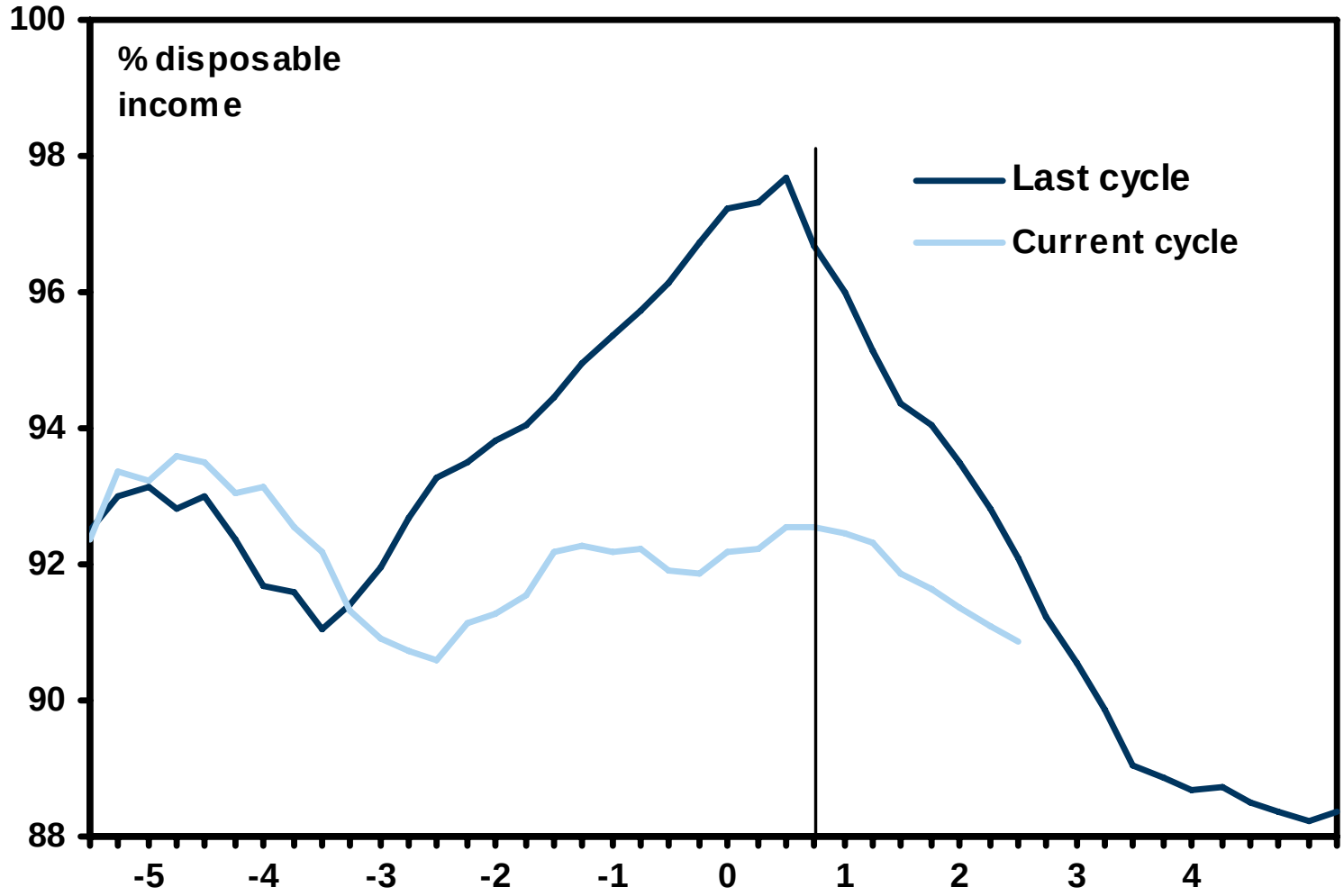
Source: Goldman Sachs Economics Research

Turnover Has Weakened



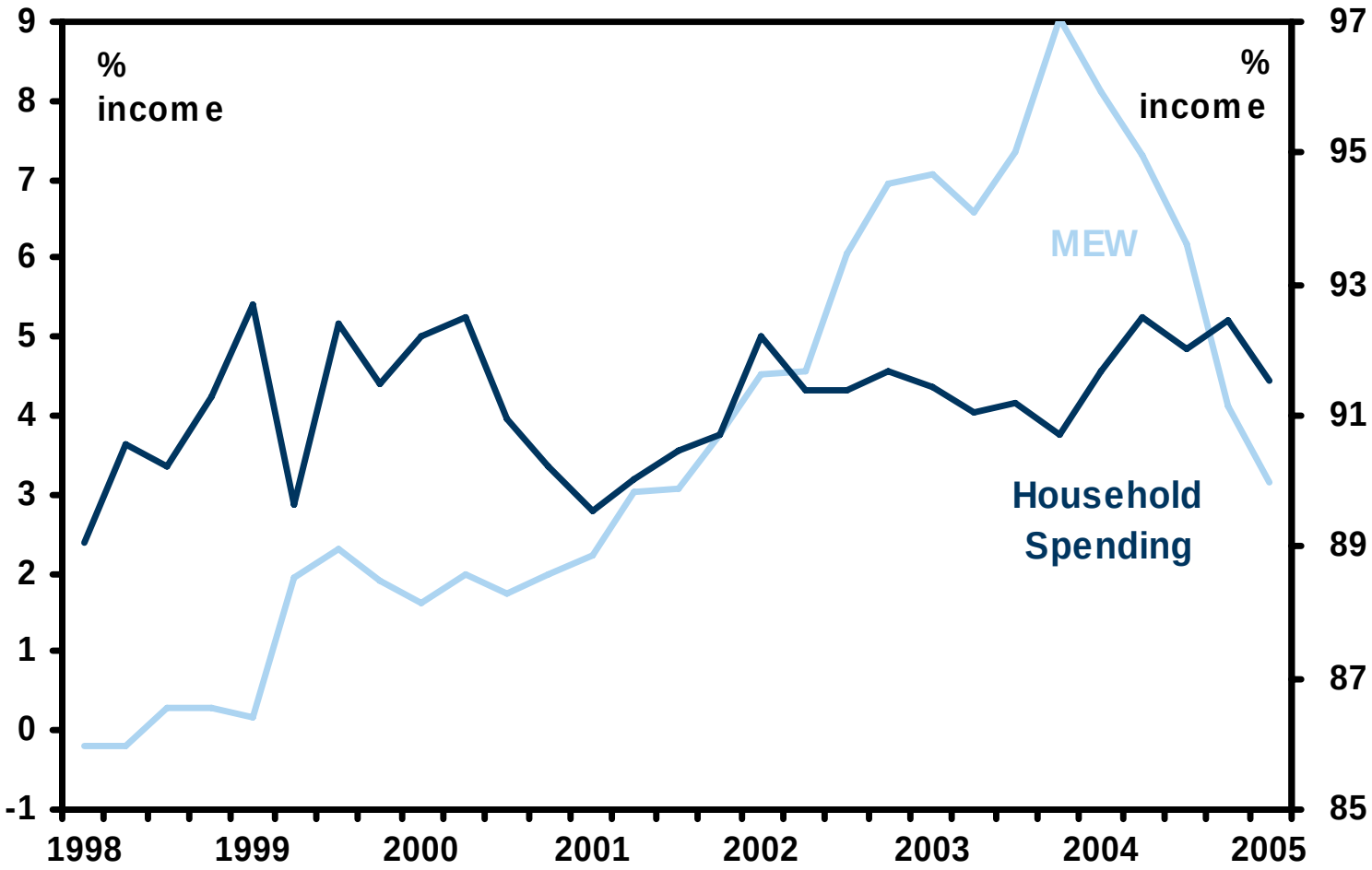
Source: Goldman Sachs Economics Research

Household Spending



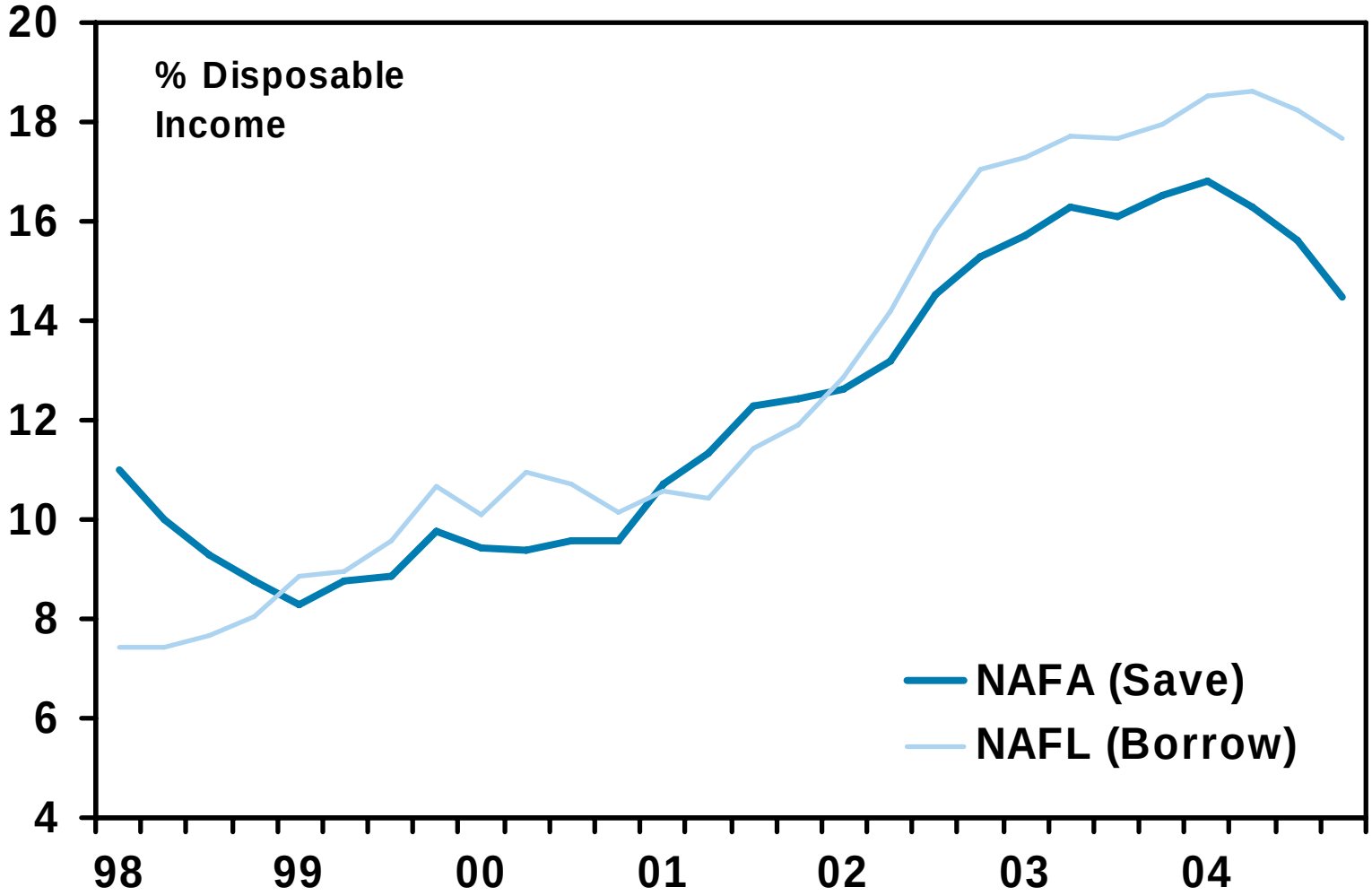
Source: Goldman Sachs Economics Research

There is No Correlation Between MEW and Household Spending



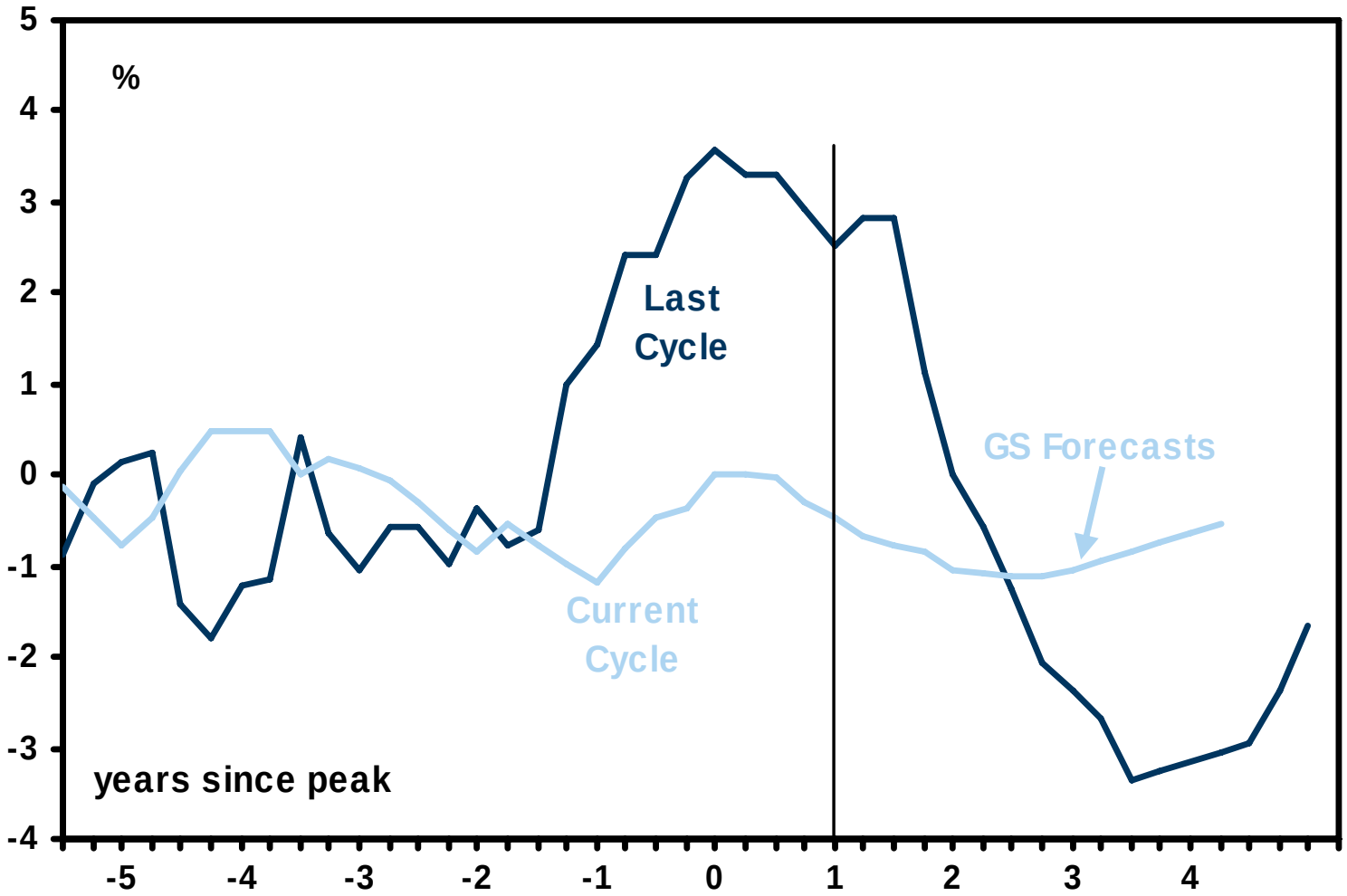
Source: Goldman Sachs Economics Research

Higher Borrowing Matched by Asset Accumulation



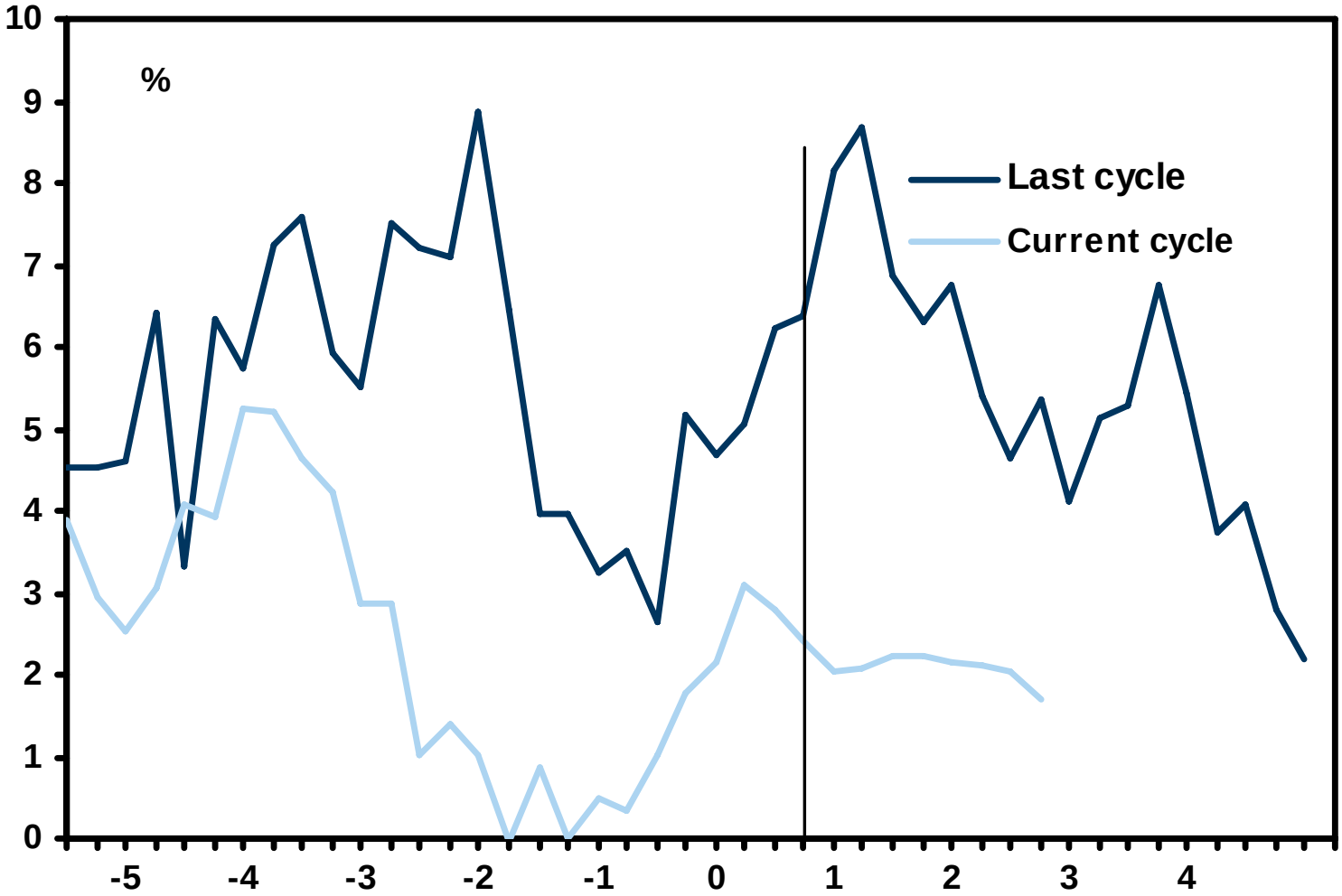
Source: Goldman Sachs Economics Research

Estimated Output Gap



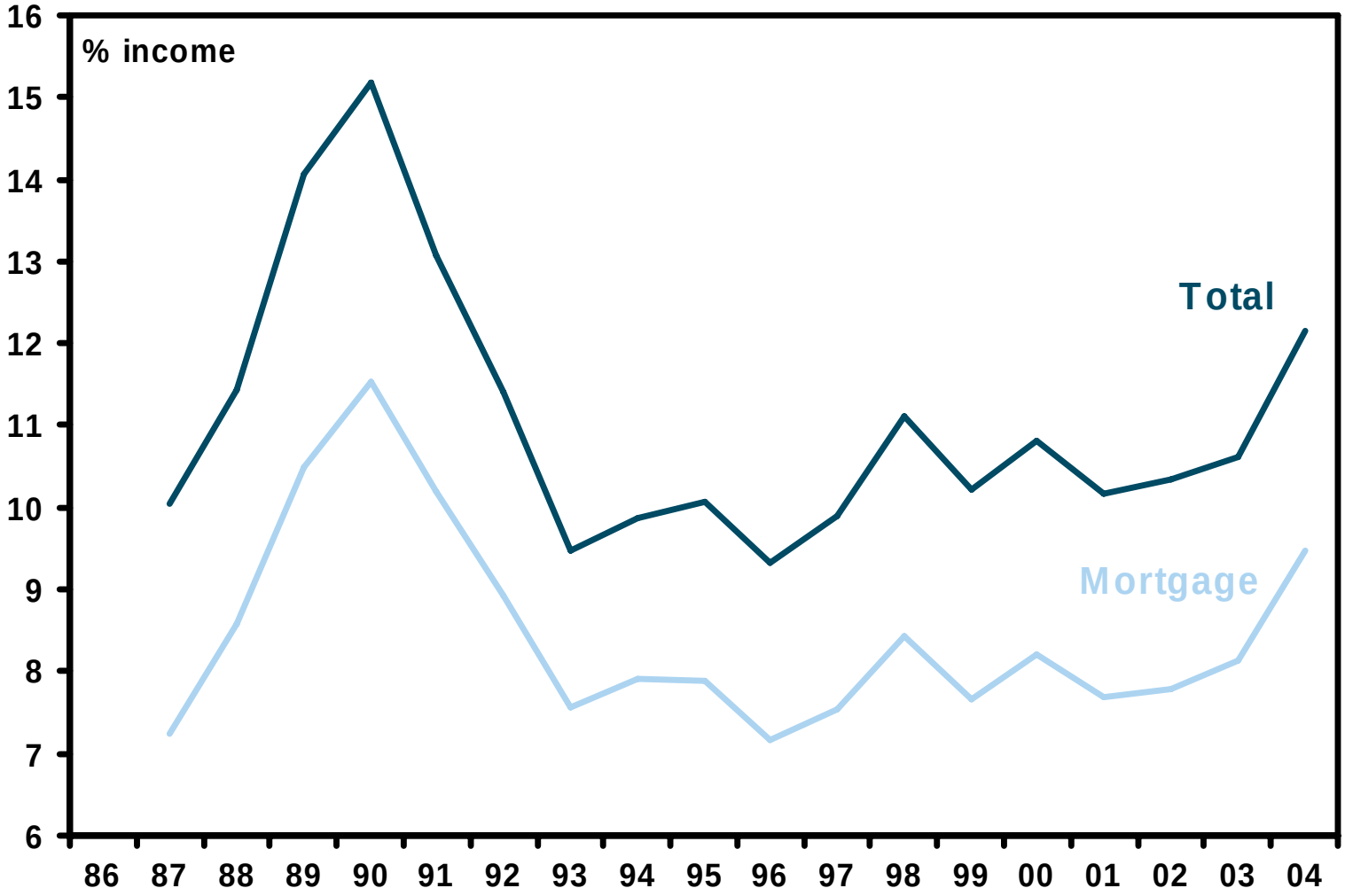
Source: Goldman Sachs Economics Research

Real Short Rates



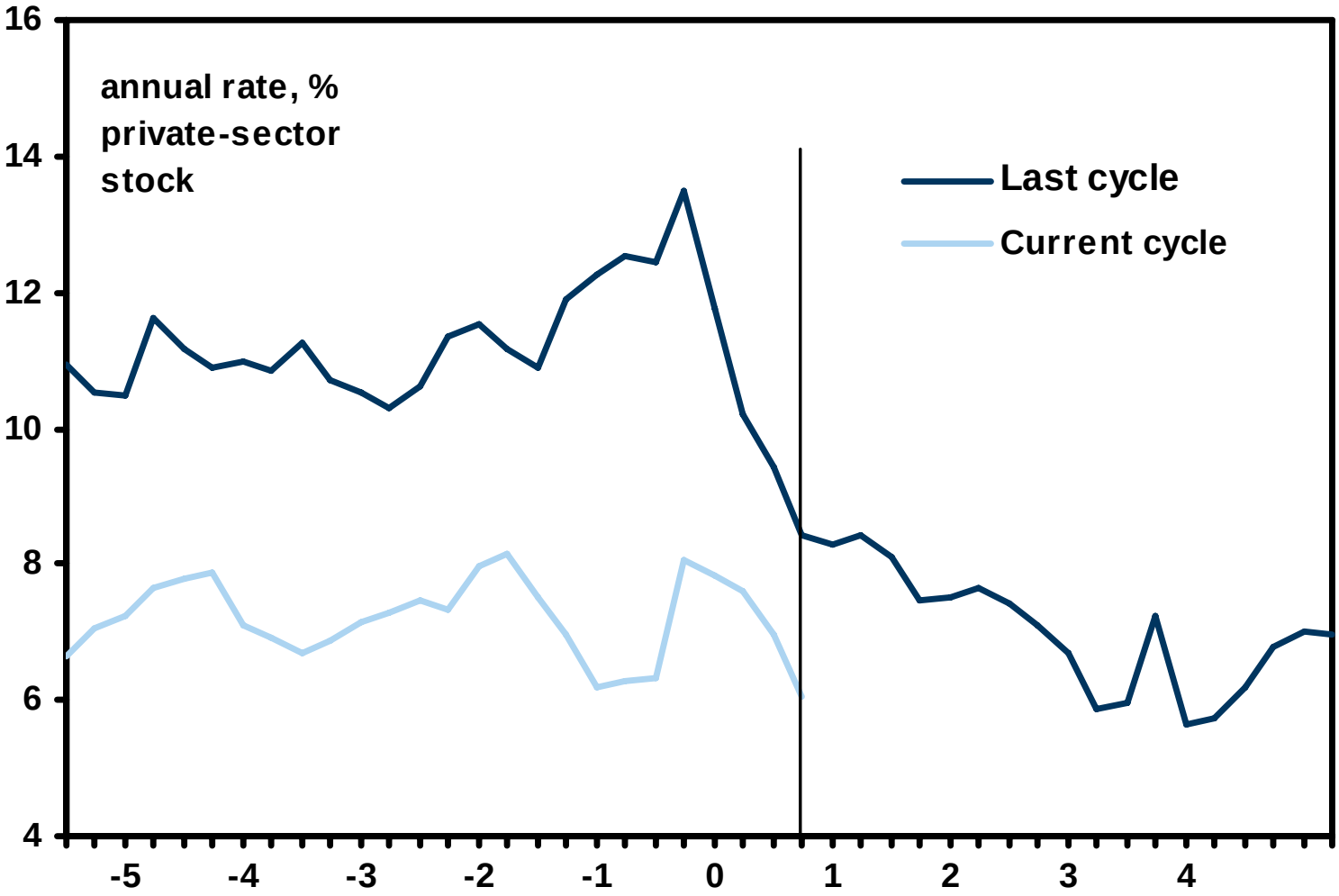
Source: Goldman Sachs Economics Research

Debt Servicing to Below Last Peak



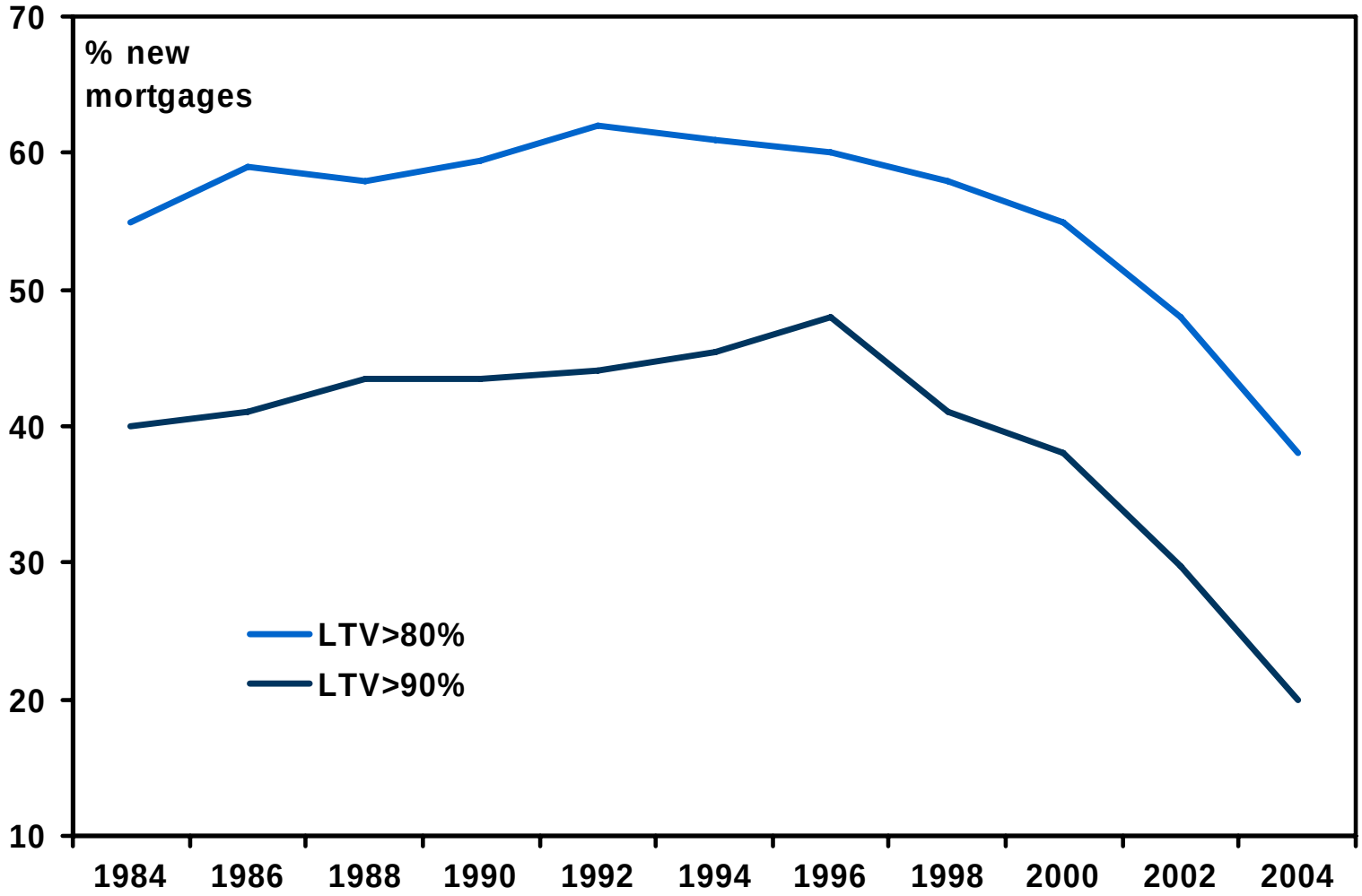
Source: Goldman Sachs Economics Research

Housing Market Turnover



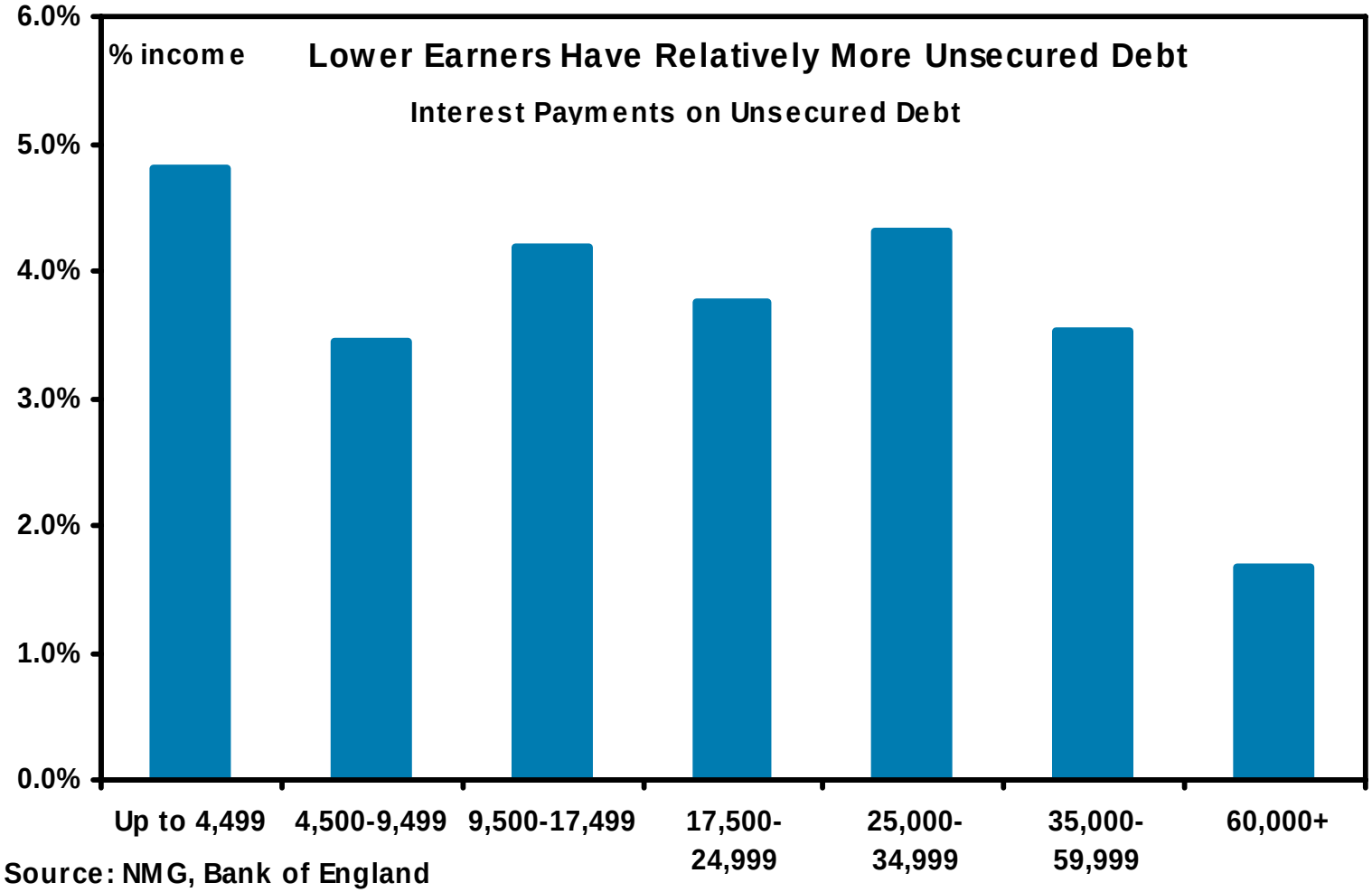
Source: Goldman Sachs Economics Research

New Mortgagors Have More Collateral



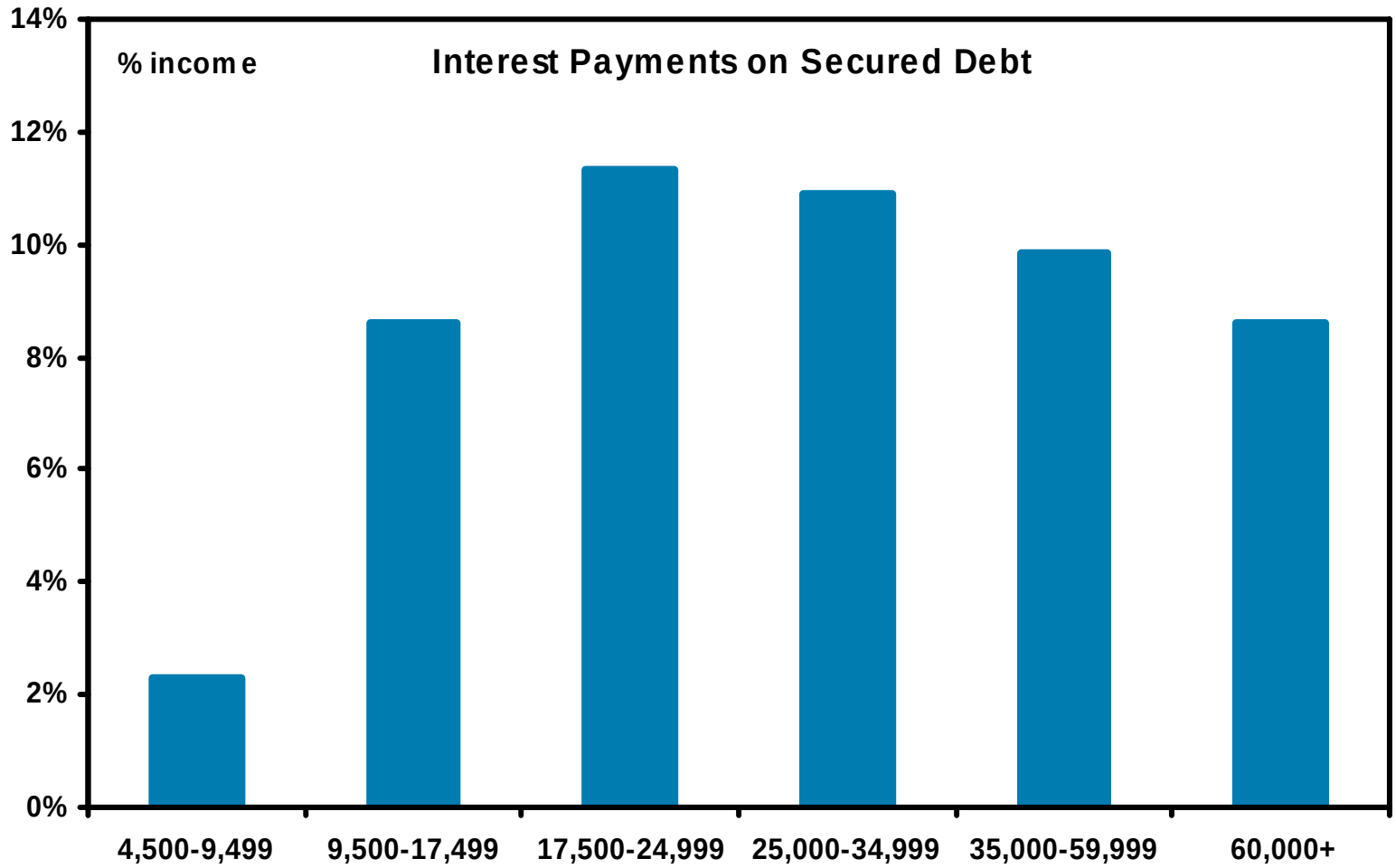
Source: Goldman Sachs Economics Research

Unsecured Debt Burden Weighs on Lower Income Households



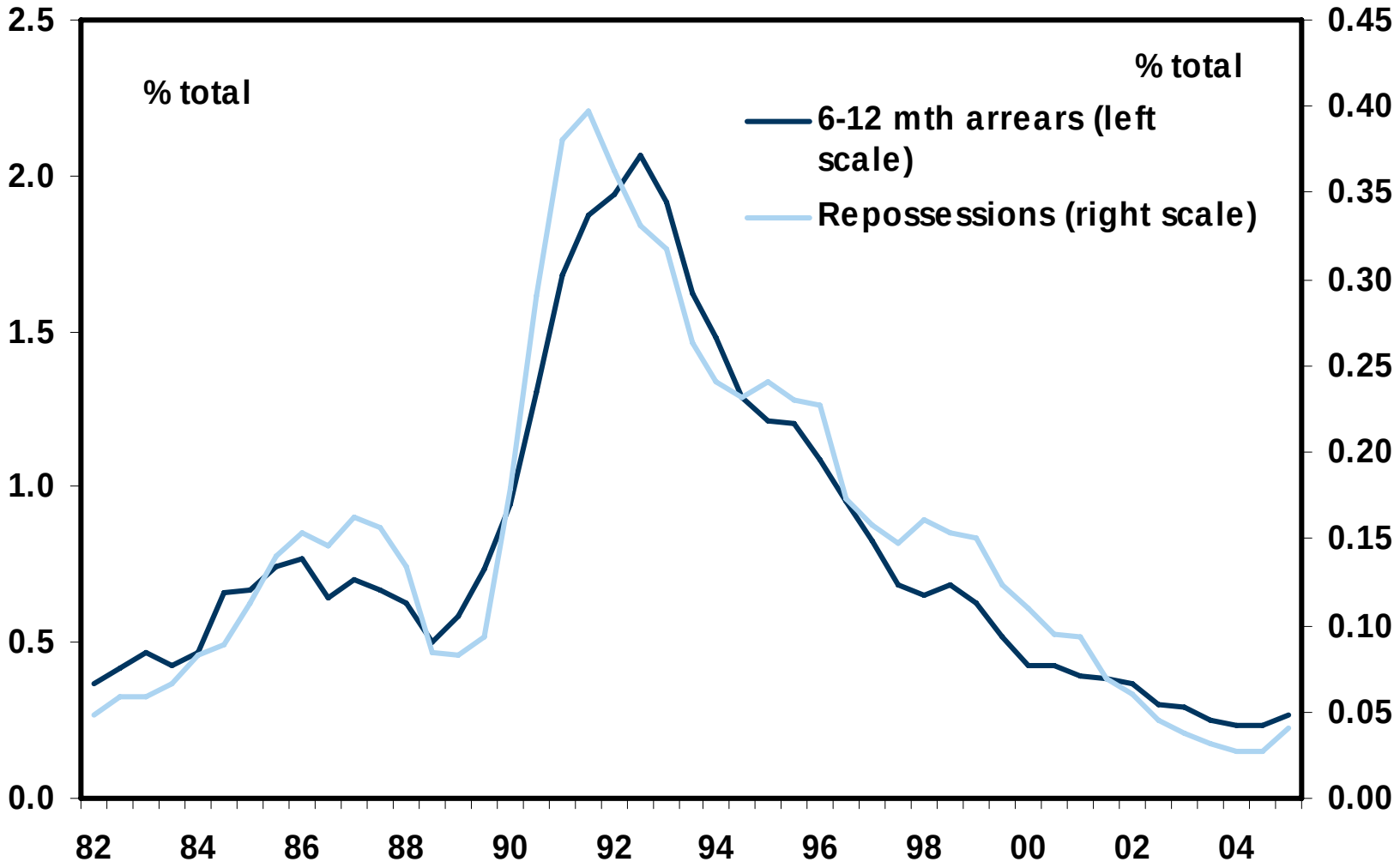
Source: Goldman Sachs Economics Research

Mortgage Costs Evenly Distributed



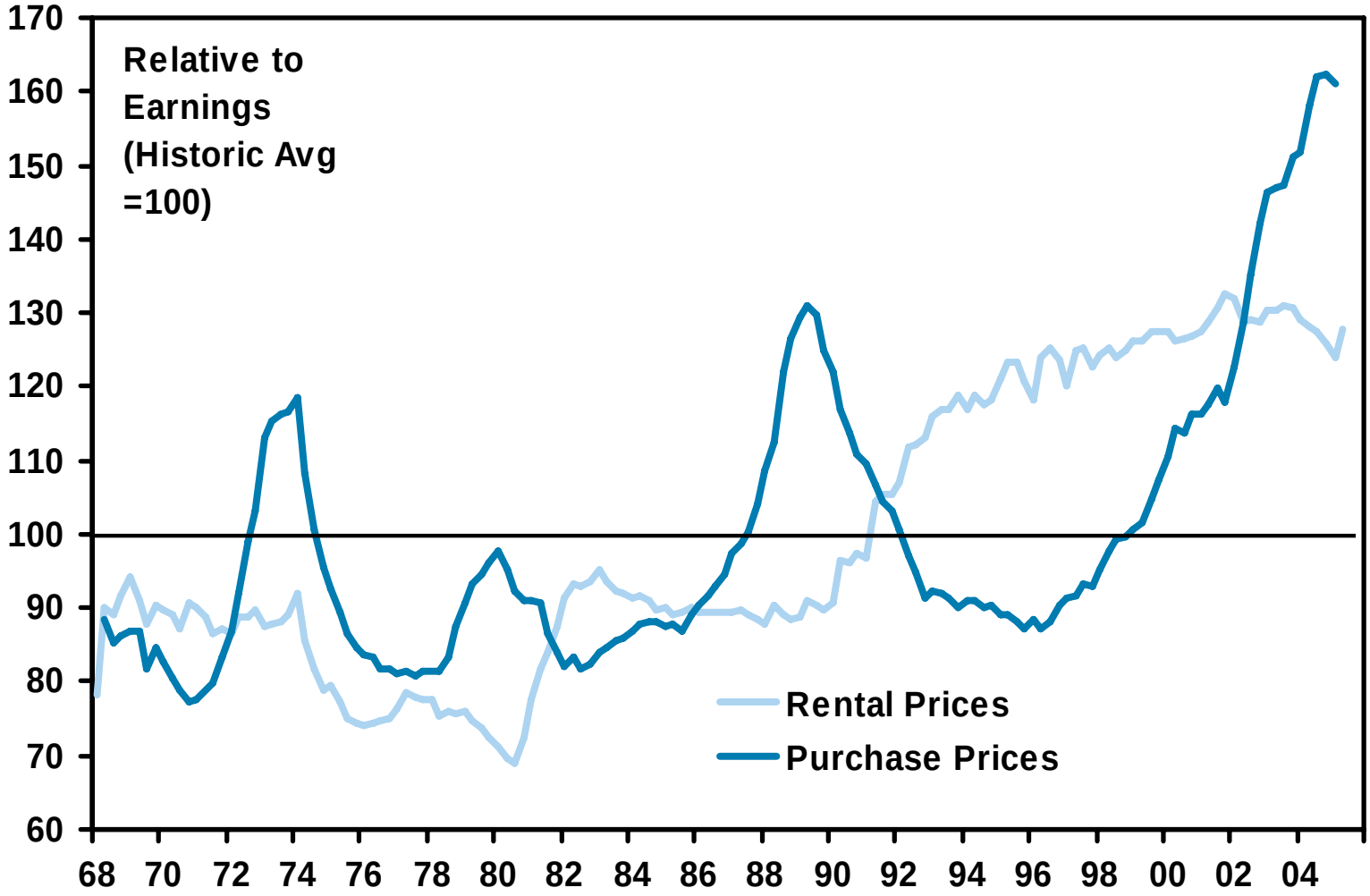
Source: Goldman Sachs Economics Research

Repossessions Up, But Still Very Low



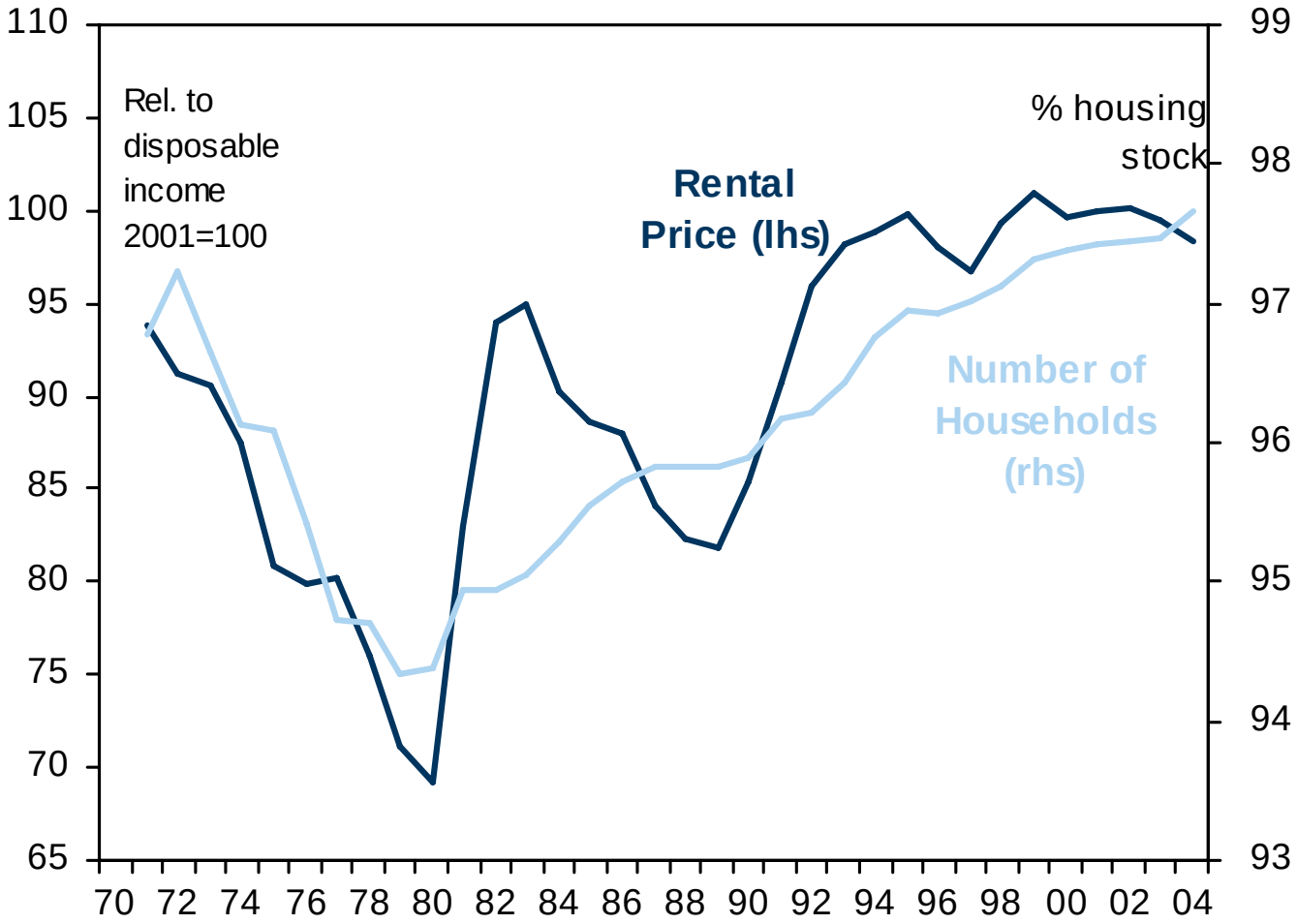
Source: Goldman Sachs Economics Research

Rental Yield Below Average



Source: Goldman Sachs Economics Research

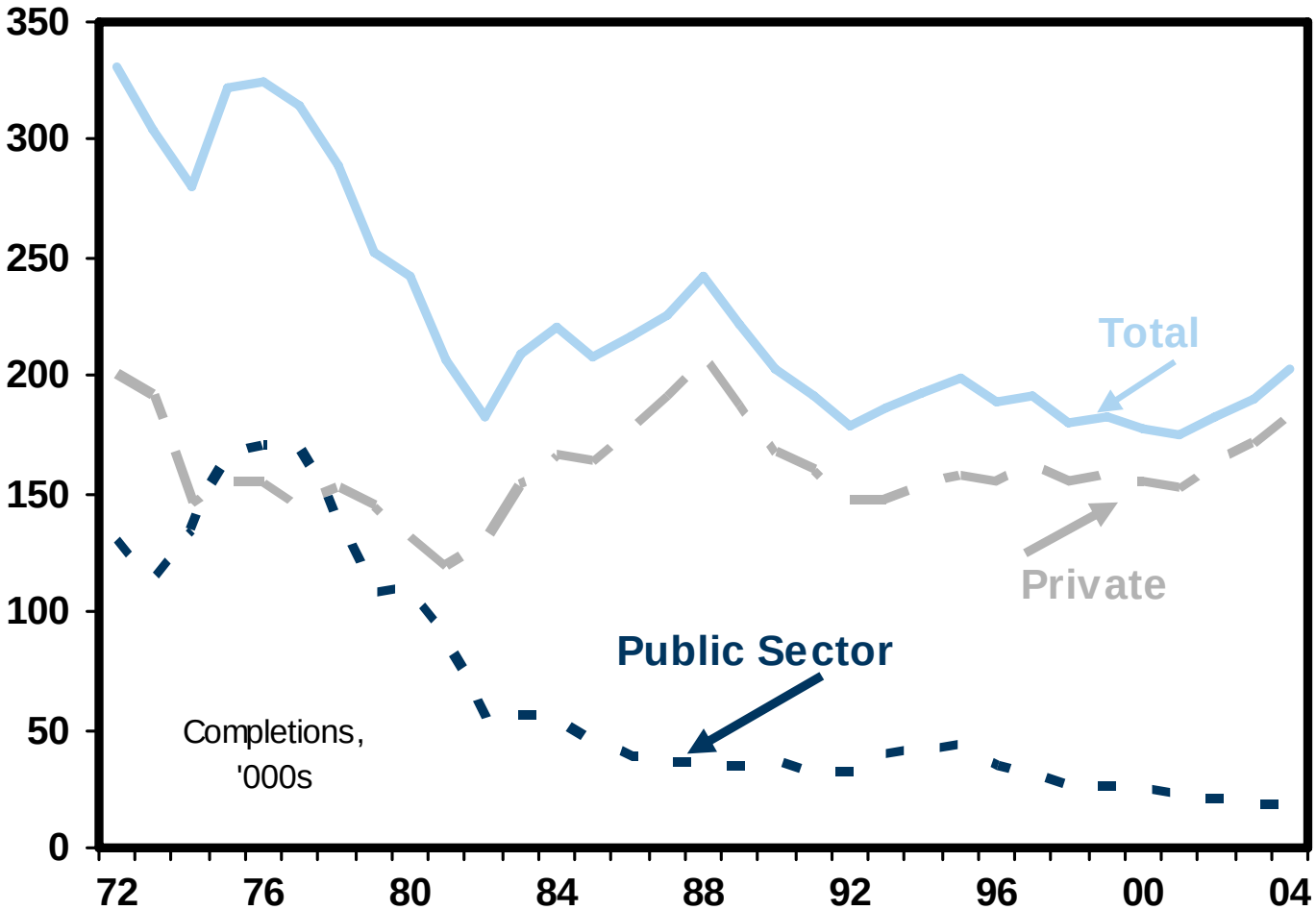
Tighter Supply Has Raised Cost of Housing



Source: ONS, ODPM

Source: Goldman Sachs Economics Research

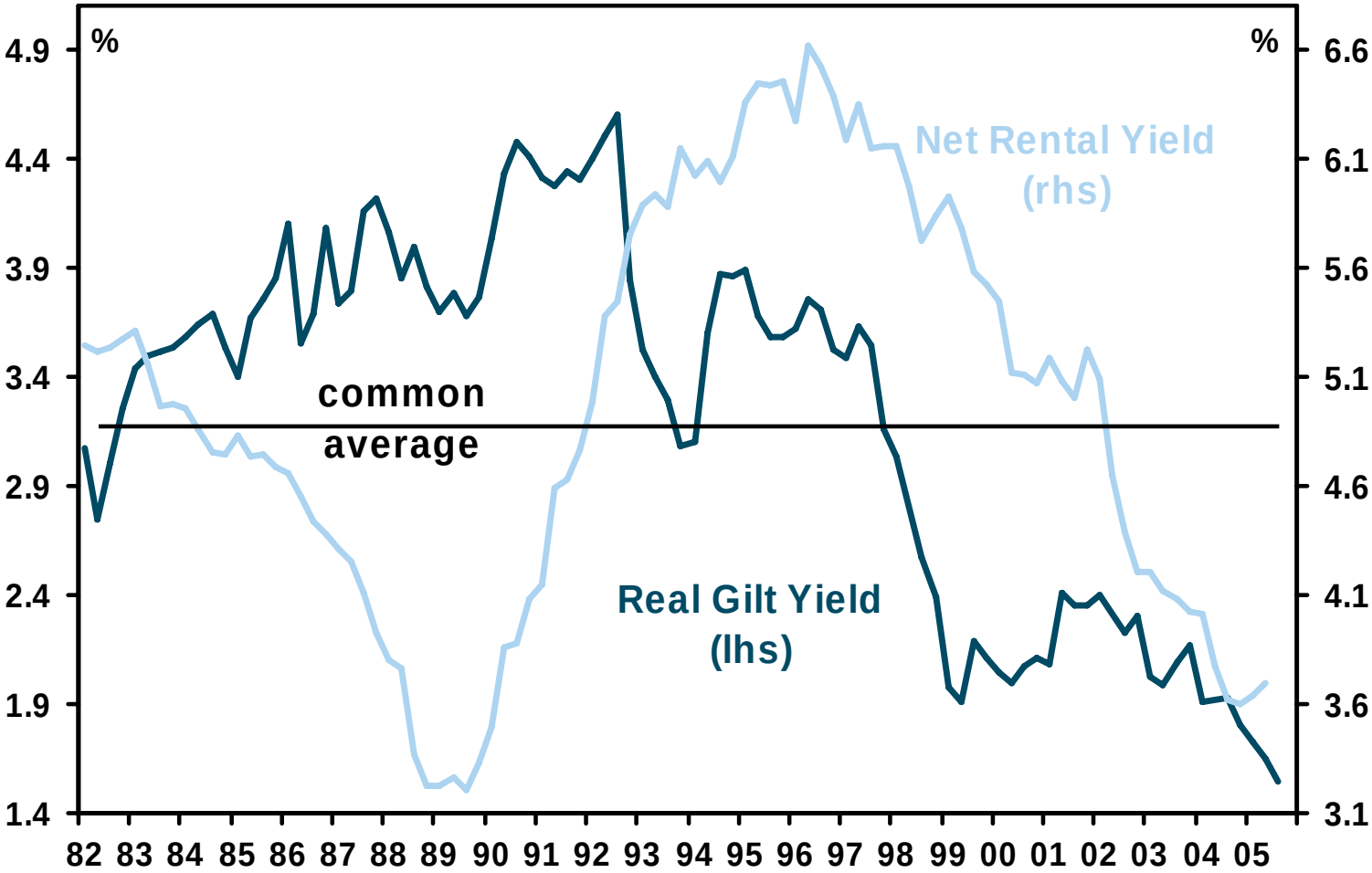
Public-Sector Housebuilding Has Declined Sharply



Source: ODPM

Source: Goldman Sachs Economics Research

Houses Cheap Relative to Bonds



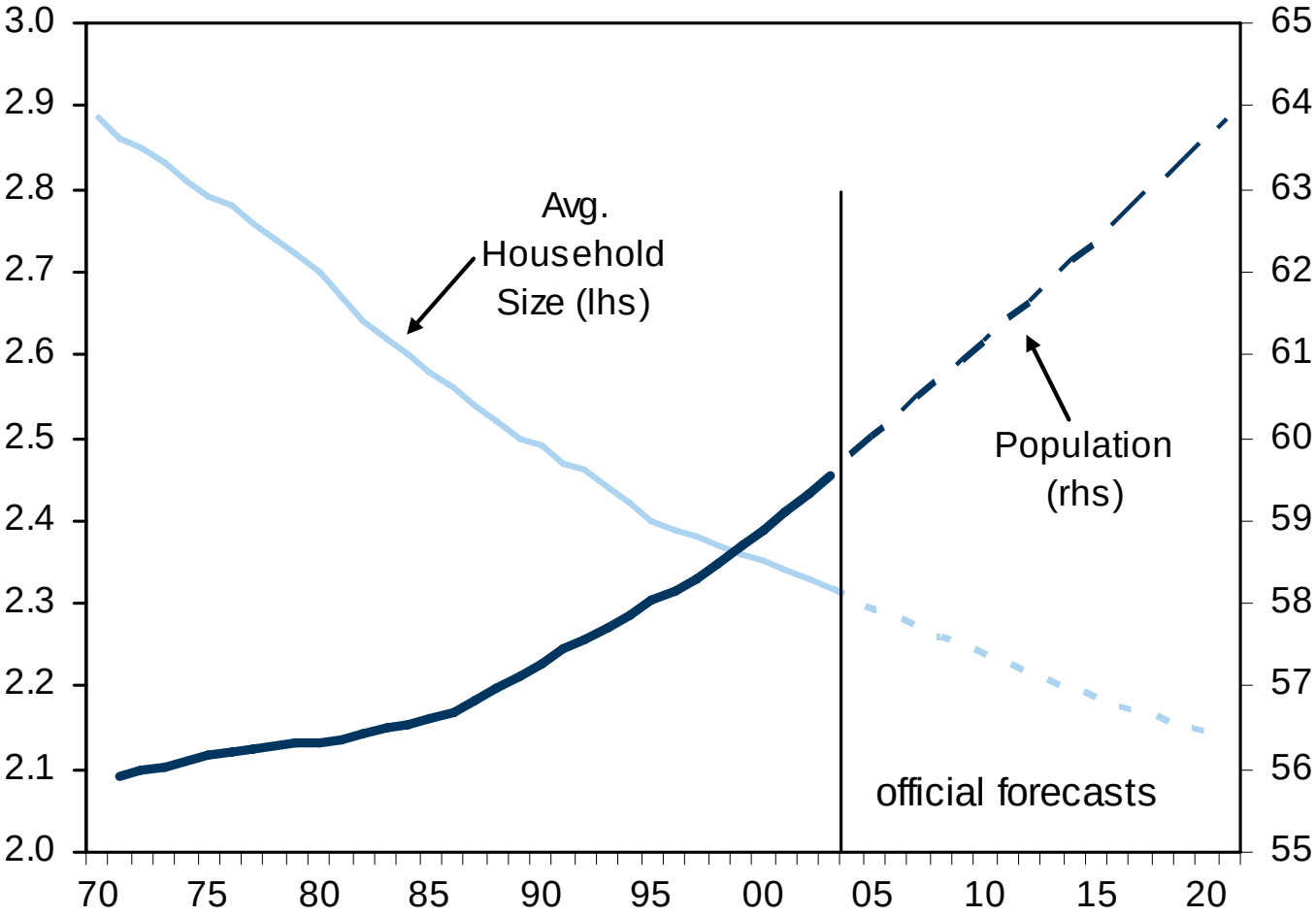
Source: Goldman Sachs Economics Research

Yields

%	1982-2004 (avg)	2005Q2
Rental	4.95	3.70
Indexed Gilts	3.25	1.55
Real short rates	4.20	1.80

Source: Goldman Sachs Economics Research

The Government Predicts Strong Growth of Housing Demand Will Continue



Source: ODPM

Source: Goldman Sachs Economics Research

The Effects of Housebuilding on Prices

annl. avg, 2004-21		Baseline I	Baseline II	Barker I	Barker II
Extra Completions ('000s)[2]	Private	–	45	50	100
	Public	–	0	20	20
	Total	17	45	70	120
Housing Stock (%yoy)		0.69	0.76	0.87	1.03
Price of housing (%yoy)[3]	Real (Barker est.)	–	–	1.8	1.1
	Real (GS)	3.2	2.4	1.8	0.5
	Nominal (GS)	5.7	4.9	4.3	3.0

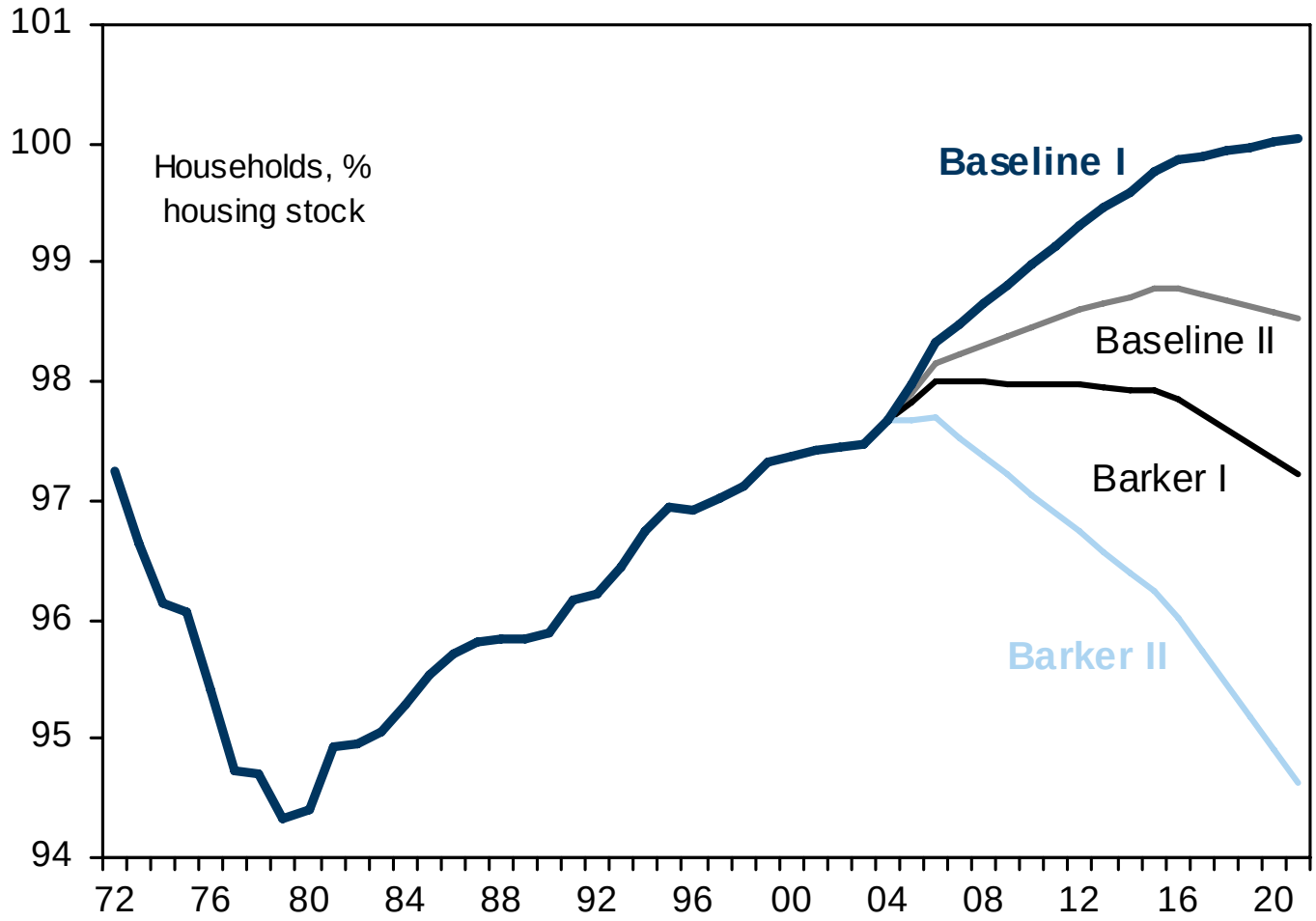
[1] Baseline I assumes unchanged growth of housing stock; Baseline II allows for response of private-sector supply.

[2] Extra completions relative to (approx.) 200,000 built in 2004.

[3] GS price projections assume trend average earnings growth of 2.0% a year in real terms, 4.5% in nominal terms.

Source: Goldman Sachs Economics Research

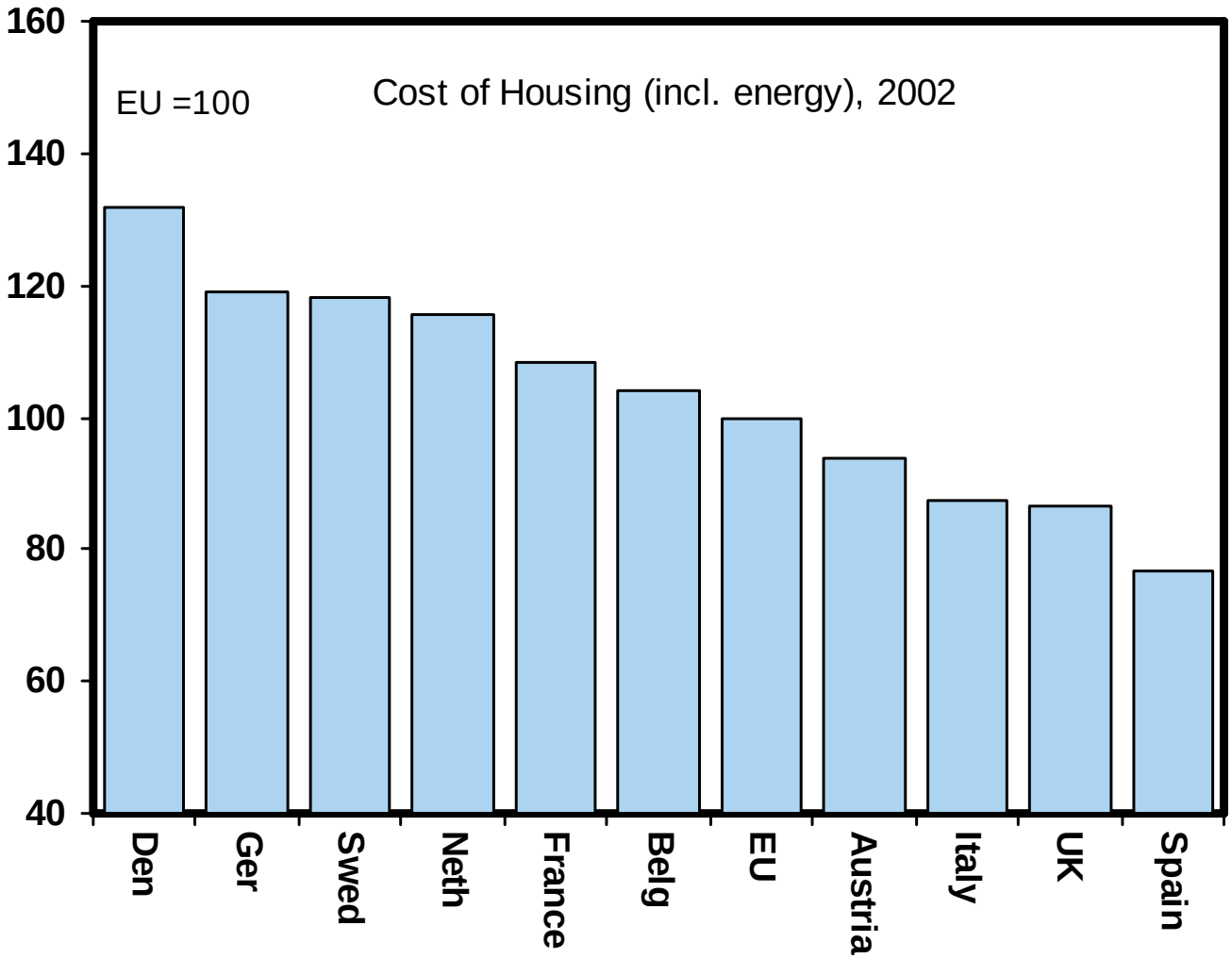
Barker Review: Spare Capacity Could Rise



Source: ONS, ODPM, Barker Review.

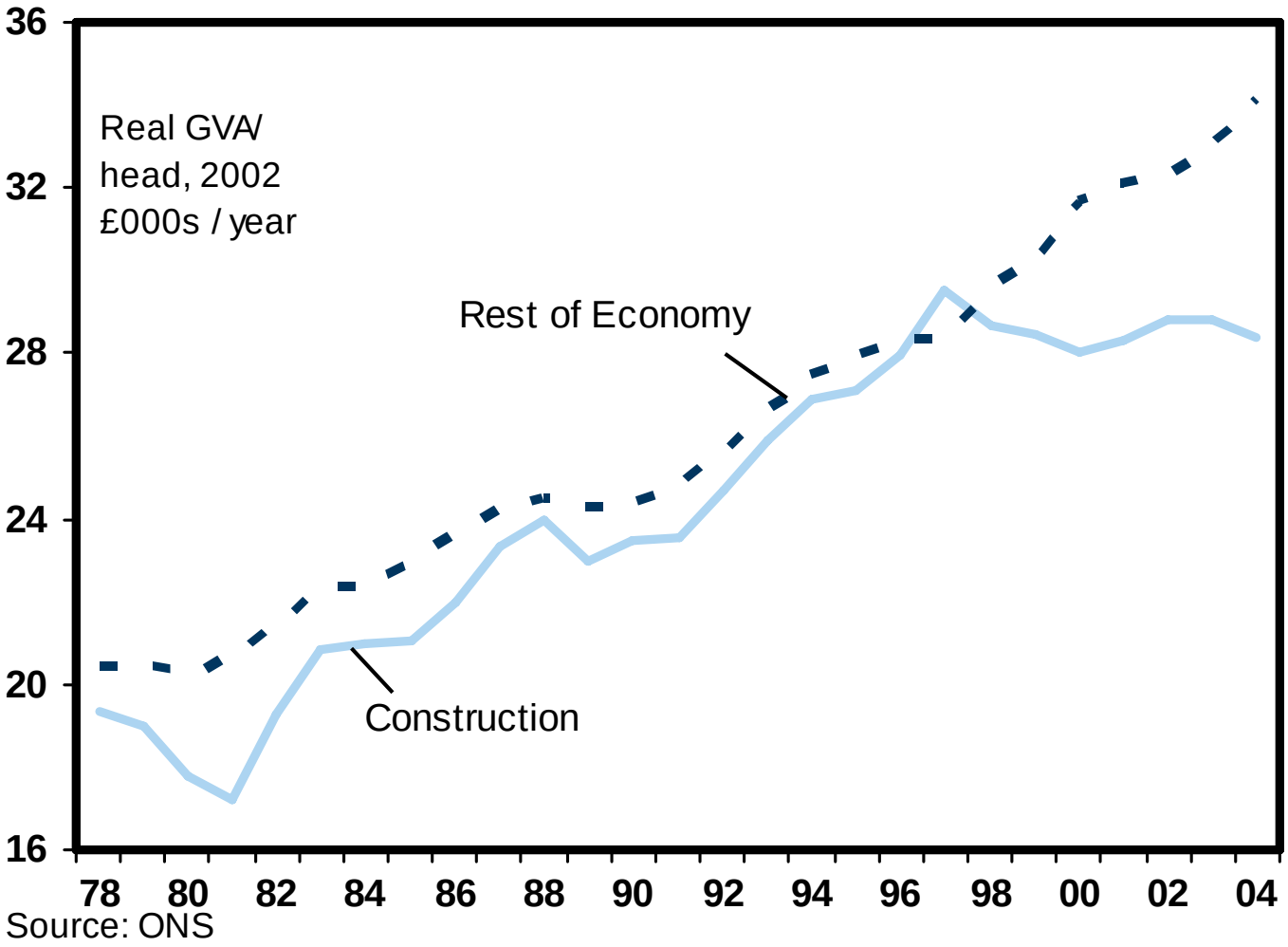
Source: Goldman Sachs Economics Research

UK Housing: Is It Really "Unaffordable"?



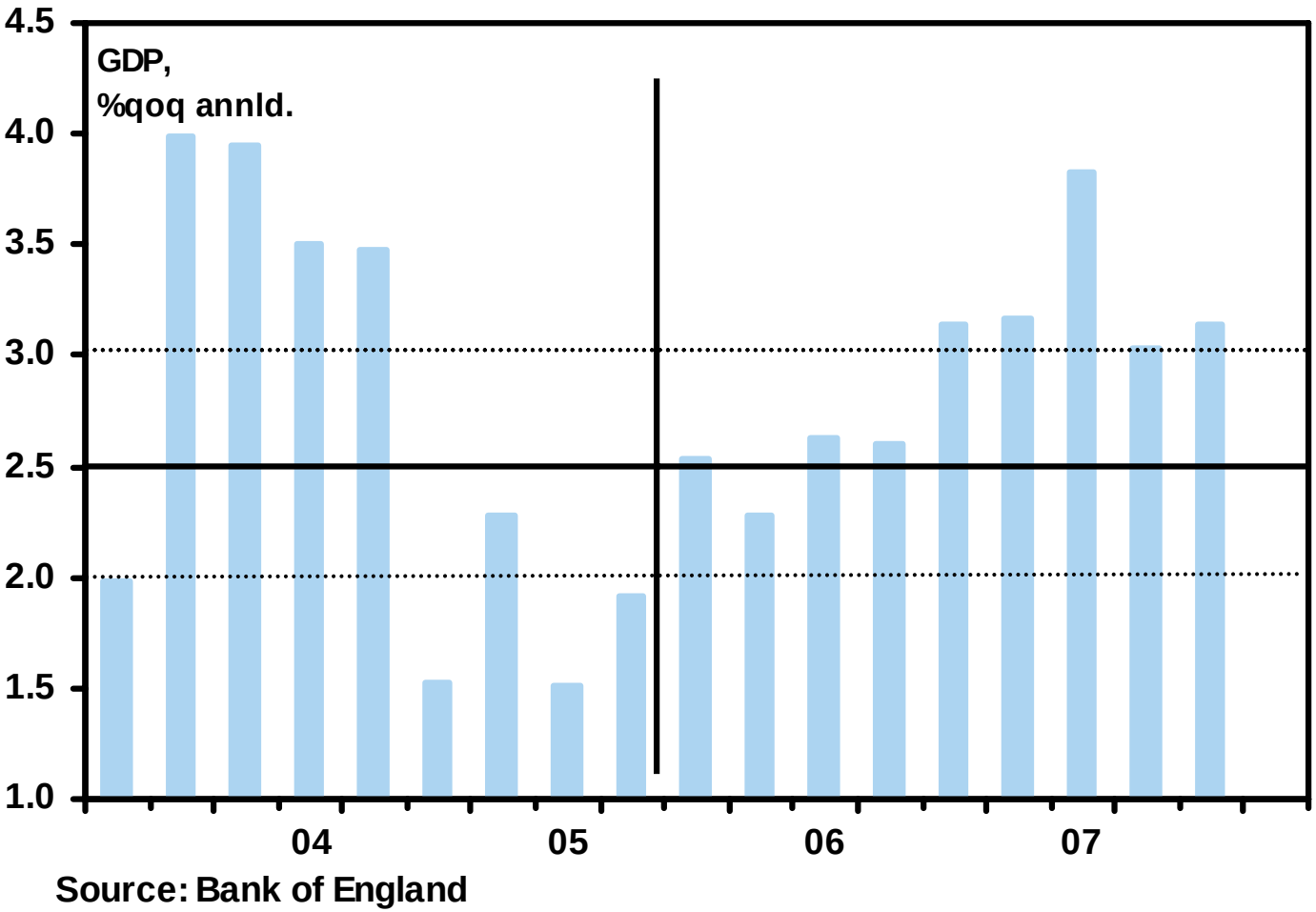
Source: Goldman Sachs Economics Research

Construction Productivity Has Performed Poorly



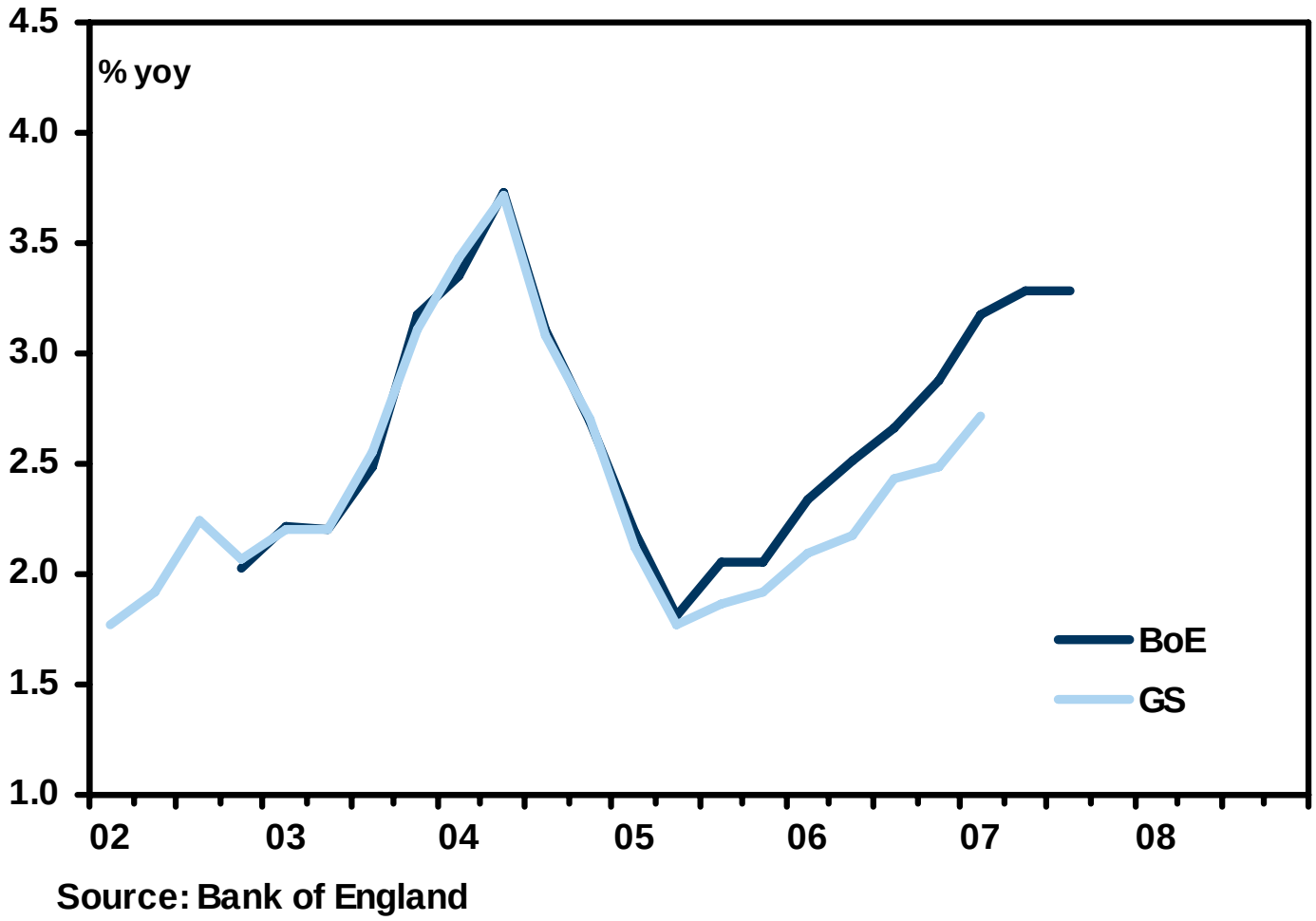
Source: Goldman Sachs Economics Research

MPC Forecasts Suggest No More Cuts



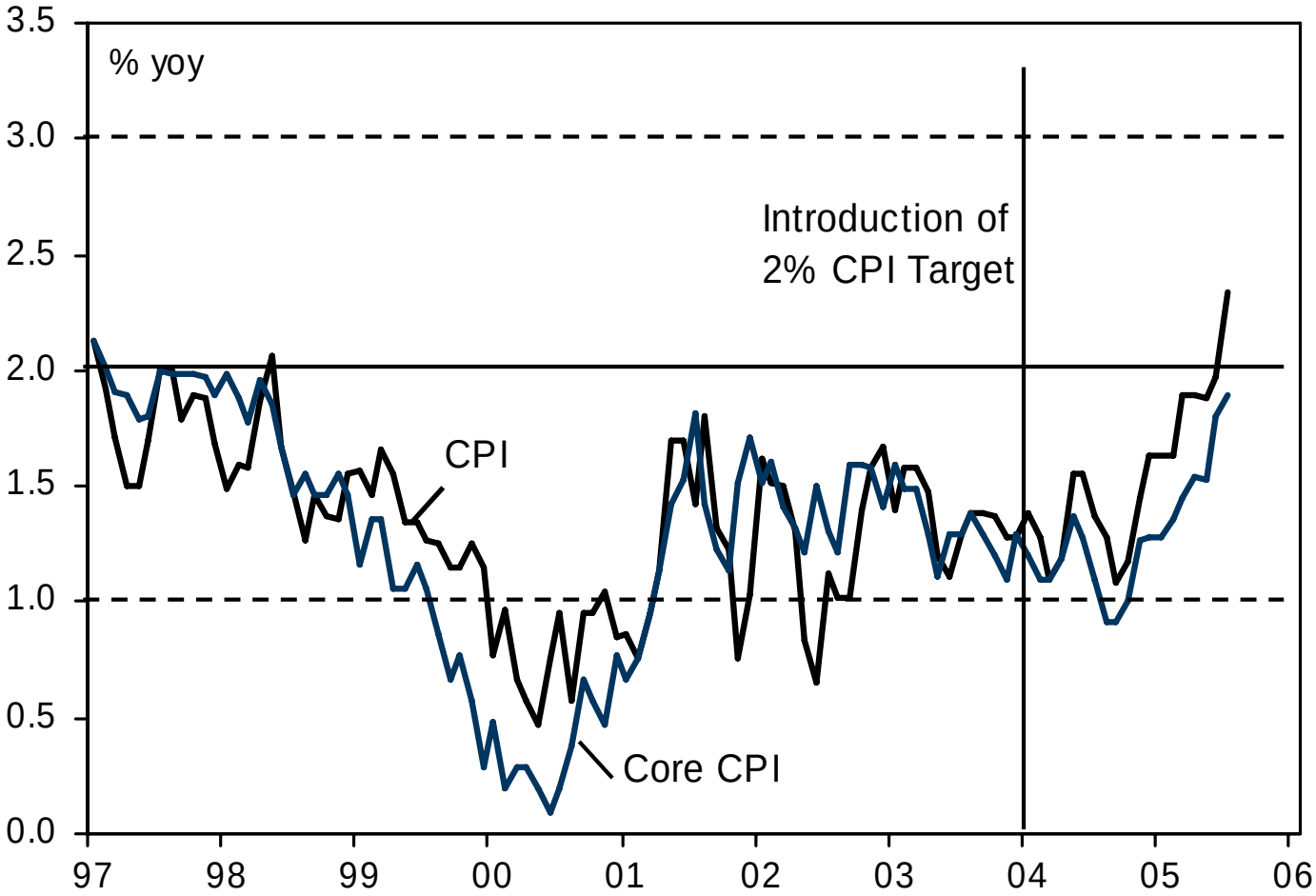
Source: Goldman Sachs Economics Research

Still Downside Risks to Growth



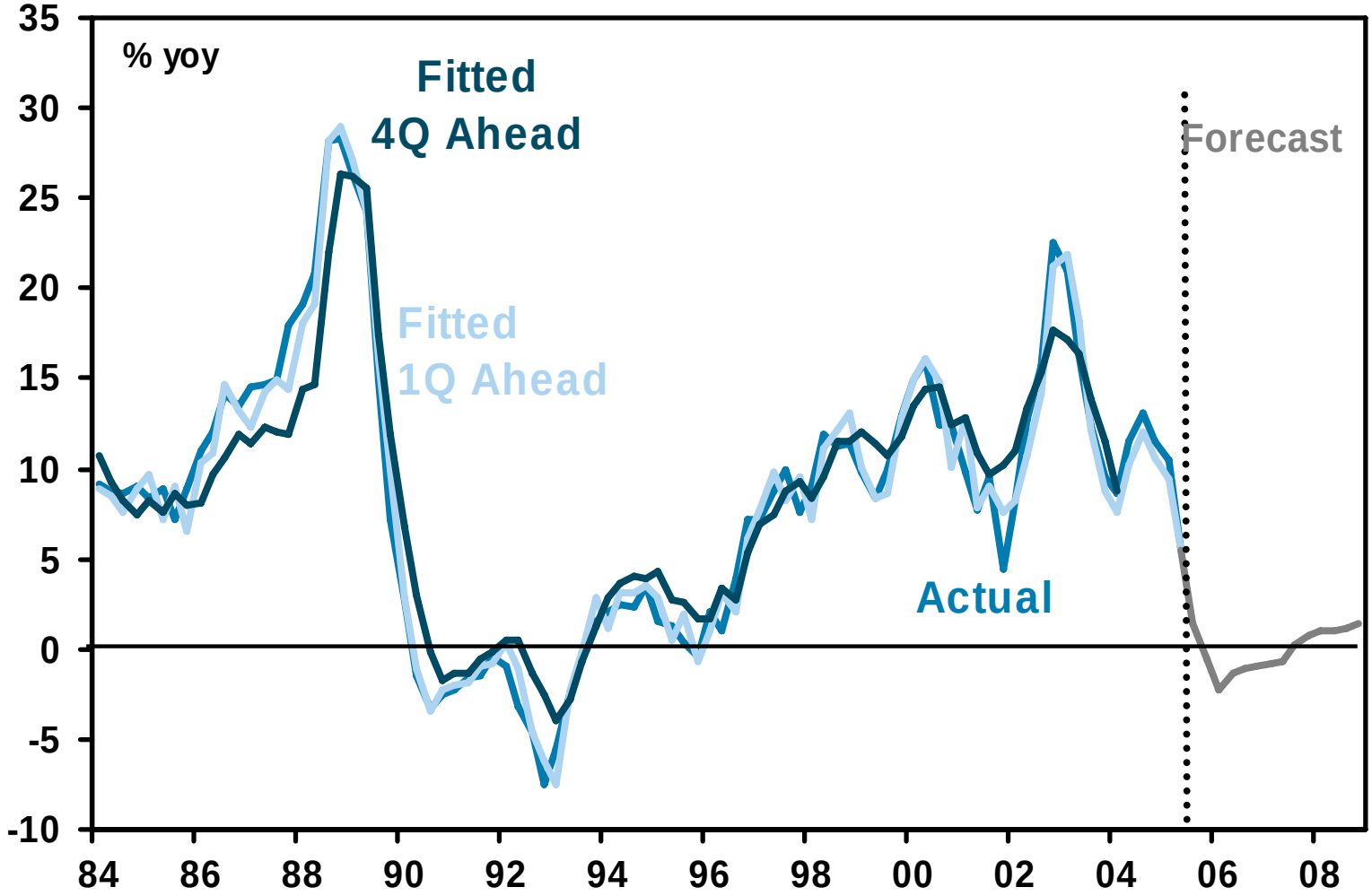
Source: Goldman Sachs Economics Research

Core Inflation Rises Above Target



Source: Goldman Sachs Economics Research

Central Forecast: House Prices to Fall 5% Over Two Years



Source: Goldman Sachs Economics Research

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