

According to the Rightmove House Price Index the average asking price for a property increased by 0.6% in July to £227,864, up from £226,436 in June.

The July increase more than cancels out the 0.4% decline in June, which had followed rises in the previous four months. This means that asking prices are now 6.9% higher than they were at the end of 2008.

Rightmove's market overview

This month sees a return to rising average asking prices, albeit up by a more modest 0.6% compared to the more dramatic price rebounds seen in the earlier months of 2009. This follows on from the previous month's slight fall of 0.4%, suggesting we will see the housing market remain in a 'steady state' during the second half of 2009.

The benefit of hindsight shows that the lowest ebb of prices, and thus the best time to pick up a bargain, was last winter. Prices were in freefall in the second half of 2008 as desperate sellers reduced prices by circa 2% a month, yet most buyers still held back leading to a 50-year low in transactions. As in most market corrections, there was a price undershoot that appears to have rectified itself this spring, with average rises of circa 1% a month. The window of opportunity to pick up the best buys in popular areas in this phase of the market is therefore closing.

Miles Shipside, commercial director at Rightmove comments: "There is now clear evidence that there were some fire-sale prices last winter, when a few brave buyers correctly called the bottom of the market. In most parts of the country prices have consistently improved during spring. With growing confidence that we've passed the bottom, buyers are more active, although they may discover that many of the best buys have gone."

Buyer activity remains strong, with traffic on Rightmove's website remaining much higher than we would expect during the months of June and July which are typically quieter. Last year traffic peaked in March then reduced significantly as summer approached. However, in 2009, the tail-off has been almost nonexistent. This year the number of pages viewed remains at 97% of its spring high, compared to 79% in 2008. Indeed, some agents are reporting some of their best

weeks' sales so far this year.

The increased confidence and activity is tempting more sellers to test the market, as they seek to take advantage of the smaller price difference to trade up to a better home. Normally two-thirds of sellers are also buyers, though they have proved reluctant to come to market while their main asset is still falling in value. With initial asking prices up by 6.7% since the beginning of 2009 and better prospects of finding a buyer, the number of new sellers measured is the highest so far this year. This month's average is 21,364 a week and, while still well below the historic norm of circa 35,000, it represents a 20% increase in sellers coming to market compared to the previous year-to-date average.

Shipside adds: "More sellers looking to buy are good news for the market, as they help build longer chains, which build transaction volumes. We are seeing this come through in the gradually increasing mortgage approval and transaction numbers, though for momentum to build, it is essential these sellers are realistic on their pricing. Many properties sold so far this year have been empty, and therefore their sellers have lower price expectations. This new batch of more discretionary sellers will be under less financial pressure to negotiate, but must accept that their buyer will be looking to do a deal as much as they are. It's all about the price differential to trade up, and by being too greedy they will join the large overhang of stale property and miss the current deals on both property and mortgage rates."

Having seen average asking prices rise by nearly 7% so far this year and transaction levels bottom out, the quandary for many existing and aspiring home owners is the future direction of the housing market given the continuing UK and global recession. We see three possible scenarios: a 'Double Dip', a 'Steady State', or a 'Resurgence'.

- The 'Double-Dip' scenario would see asking prices falling by 10% in the second half of the year to end 3% down overall in 2009, as mortgage lending remains tight, unemployment continues to rise, and many more repossessions come to market. This would give a further window of opportunity for bargain-hunters who missed out on the best buys last winter.
- The 'Steady-State' scenario would see prices stay flat for the rest of the year, ending at circa 7% up, as both mortgage availability and the number of sellers coming to market remain at historically subdued levels.

- The 'Resurgence' scenario would see prices go up by a further 5%, ending the year 12% up, as buyer interest and mortgage availability pick up significantly while supply remains relatively constrained.

While there are innate risks in forecasting, key indicators increasingly suggest that prices have bottomed out. We have seen a modest recovery in mortgage approvals and an improvement but not an oversupply of new sellers coming to market. However, with no real signs of increased mortgage funding or a relaxation of high deposit requirements, the 'Steady State' is the most likely scenario for the remainder of 2009. Historically low volumes will persist, which will mean that asking prices have seen most of their gains for this year following the recovery from the 2008 undershoot. In areas of chronic under- and oversupply there will be the scope for further price rises and falls. Unemployment-driven repossessions look likely to drag on into 2010 and 2011, giving continued downward price pressure in the parts of the country most affected.

Shipside comments: "Following a period of suspended animation in 2008 when activity froze, we have seen a considerable spring thaw. However, with only seven volume lenders remaining in the lending game, including three government-backed institutions that are prioritising their balance sheets over new lending, we are set to bump along the bottom for some time yet."