

# UK Properties Market Trend

## Housing Market Predictions For 2010

Issued on 6<sup>th</sup> January, 2010

### What is on the current market?

Rightmove.co.uk on 14<sup>th</sup> December 2009

#### Key points

- Traditional negative winter quarter continues with 2.2% (-£4,977) fall
- Rightmove forecasts for 2010:
  - \* New Year burst followed by post-election uncertainty, leaving prices on average static at 0% by year end
  - \* Shortage of new sellers and price rises in better locations to continue, though more forced sellers and price falls in recession hit areas post-election
  - \* Recession-induced structural changes encourage landlords to expand their portfolio
  - \* 2010 transactions to exceed 2009, but still predicted a third down on historic norms

NAEA.co.uk on 16<sup>th</sup> December 2009

#### NAEA: Housing market predictions for 2010

The National Association of Estate Agents (NAEA) today revealed its predictions for the UK property market over the next 12 months. Predicting a market hugely dependent on how much lending will be made available, the Association said:

-House prices could remain flat, or, in some markets possibly drop slightly, for the first six months, before picking up again and remaining stable in the second half of the year Supply will remain stable in the run up to the General Election, after which there are likely to be more houses available for sale, particularly if Home Information Packs are scrapped

- The General Election would cause a lull in activity as people adopt a “wait and see” approach · A number of buyers will continue to take advantage of lower interest rates and lower priced property.

- The continued presence of First Time Buyers will be critical to market success.

Peter Bolton King, chief executive of the NAEA, said: “While not being a brilliant year, 2009 was for many agents much better than the year before. In 2008 many couldn’t see how they would survive, in 2009 for a lot of agents there was at least enough activity to keep the business going. This was certainly a year of survival of the fittest and those able to offer a first class service. “The beginning of 2010 sees several things happen. The stamp duty holiday will end, despite warnings from much of the property industry that this is a mistake, and this has the potential to reverberate around the market.



“We also have an increase in VAT and an imminent General Election. This means that some people will adopt a wait and see attitude to housing as they study what tax changes will mean for them and how the election is likely to play out.

“In recent months the market has witnessed a slight increase in housing prices, driven largely by the fact that, in some markets, demand is outstripping supply. If more property comes onto the market the house price rise will flatten or, in some cases might fall slightly over the first six months of the year. “During the year we have however seen a pick up in demand as many take advantage of lower prices and interest rates. This clearly indicates that the British public still believes that investing in bricks and mortar is the right thing to do. “There have been encouraging levels of first time buyers throughout 2009 and I would hope this continues into 2010. Again, the situation with lending will have an impact. The NAEA believes that responsible lending to responsible people is crucial to any recovery.”



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NAEA.co.uk on 18<sup>th</sup> December 2009

### First-time buyers drop out of market

The proportion of first time buyers (FTBs) looking to put a foot on the property ladder has reached its lowest level for twelve months according to the National Association of Estate Agents (NAEA). The monthly market survey of the NAEA members found that in November, only 19 per cent of registered buyers were FTBs, the lowest since December 2008 when levels plummeted to 11%. This figure pales in comparison to six months ago when 43 per cent of the market was made up of FTBs. President of the NAEA Gary Smith said: "The decline in the first time buyer segment is exactly what the NAEA anticipated and warned the Government about some months ago. "Any tax holidays result in a distortion in the market and in the case of Stamp Duty needed to be carefully managed and phased out rather than falling off a cliff. Unfortunately as first time buyers often form the foundation of selling chains there could be repercussions throughout the sector." On a much more positive note, given the usually seasonal lull the number of sales remained steady in November with an average of eight sales made per branch. While the average number of properties available for sale per branch increased slightly from 57 in October to 58 in November. Gary Smith added: "It is encouraging to see that the market is in a stronger and more stable position than it was twelve months ago. To sustain these improvements, the Government should put more pressure on banks to ensure lending is available."

Guardian.co.uk on 28<sup>th</sup> December 2009

### House prices predicted to fall in 2010

- Analysts claim market needs a broader base of home buyers
  - Scarcity of supply offset by strained household incomes
- Rising unemployment, strained household incomes and a fragile economic backdrop are likely to push house prices lower in the coming year, according to the property research group Hometrack's latest housing market outlook.

The group predicts UK house prices will fall by 1% in 2010 following what it reports as "no growth" in prices over 2009. Hometrack sees a scarcity of supply being offset by a murky economic outlook. "While economic growth is expected to pick up in 2010, rising unemployment and slow growth in household incomes is set to act as a drag on demand," says the group's director of research Richard Donnell. "The new year will also see a growing focus on the election and further speculation over possible changes to fiscal policies and government spending. On the basis of the economic outlook and market evidence we believe it is unlikely that the improved market conditions of 2009 will be replicated in the new year."

The picture will, of course, vary around the country. Hometrack predicts equity-rich households that do not depend on getting big mortgages to buy homes could continue to put upward pressure on prices in localised markets in 2010, after pushing up prices in southern England in particular this year. "Yet a sustainable and broad-based recovery in the housing market needs a broader base of buyers," says Donnell.

Over the last year, estate agents across the country registered a 41% increase in demand, while in London that figure reached 70%, Hometrack said. In contrast, the volume of homes for sale across the country grew by just 7%. "Those regions with the greatest increase in demand also registered the strongest growth in pricing, namely London, the south-east and south-west. These regions also saw the greatest supply shortages. In contrast Wales, the east Midlands and the north-east saw below average levels of demand and pricing levels have remained weaker," said Donnell. Hometrack's latest monthly house price report shows December prices were down 1.9% on a year ago, albeit a slower rate of annual decline than November's 2.9% fall. The survey showed the usual seasonal slowdown with the first monthly decline in buyer demand since January as the number of new buyers registering with agents fell 2.2%. Hometrack said results from December's survey of estate agents and surveyors in England and Wales continued to highlight evidence of "pricing resistance". Namely, the average time on the market for properties had been falling this year, but the decline abated in the last three months to hit 8.3 weeks in December – while the proportion of the asking price achieved has plateaued at about 93%. Hometrack's forecast contrasts with the 2010 house price outlook from the Centre for Economics and Business Research (CEBR) thinktank. Its central prediction is that house price growth will moderate, with prices at the end of the year being between 2-4% higher than today. "Over the longer term, the weak recovery will continue to hold growth back, but we still expect house prices to be around 15% higher at the end of 2012 than they are today," says CEBR's managing economist, Ben Read.



Guardian.co.uk on 31<sup>st</sup> December 2009

### Housing market's 2009 rebound caps record decade for prices- Nationwide

House prices rose 5.9% in 2009 after a decade in which property values more than doubled, according to Nationwide building society. Despite the 2007-2009 price crash, Nationwide said the noughties had generally been "a very strong decade in terms of house price growth", with prices rising by 117% between the fourth quarter of 1999 and the fourth quarter of 2009. The area that tops the table for house price growth this decade is the London borough of Newham, where typical prices are up 190% since the start of 2000. This turbo-charged performance indicates Newham – officially ranked one of the most deprived areas in the country – is benefiting from the "Olympic effect". The borough will host the majority of the games, and Stratford and Canning Town are undergoing regeneration. Neighbouring Tower Hamlets and Hackney also enjoyed a big uplift, with prices up 146% and 143% respectively.

Other star performers are spread far and wide across the country, including Plymouth and Cornwall, where prices are up 160% and 152%; Aberdeenshire and Moray in Scotland (159%); the cities of York (146%) and Sheffield (144%); and the Isle of Wight (152%). Areas which saw some of the smallest price rises over the decade – about 70% – include Bracknell Forest and nearby West Berkshire.

Nationwide said that in 2009, the UK property market surprised commentators by bouncing back from the previous year's double-digit falls. The new figures indicate that as an investment, residential property performed considerably better than shares and many other asset classes. But many commentators insist that performance cannot be repeated; Nationwide's prediction for house price growth in 2010 is "something close to 0%," and the Halifax is taking a similar view.

Nationwide said the average price of a home was £162,103 up from £153,048 in December last year. Its index showed prices rose by 0.4% in December, the lowest monthly increase since the spring. Taking into account overall retail price inflation over the period, UK prices were up 68% in real terms, making this the strongest decade on record. In the 1990s, prices fell by 14% in real terms.

Nationwide's chief economist, Martin Gahbauer, said last year's turnaround had been unexpected after 2008's 15.9% drop in average prices. "Few could have foreseen this development at the start of the year, when the near term price trend was still pointing to a repeat of the double digit annual decline experienced in 2008."

With hindsight, there were good reasons why the housing market had defied the recession. Low interest rates, the re-entry of cash buyers to the market, and a continued lack of homes for sale had all put upward pressure on prices, despite only a modest increase in demand.

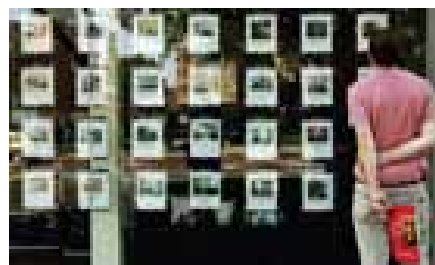
"There are of course other factors that have been important in driving the recovery of house prices. Most notably, unemployment has not risen by as much as would normally be the case in such a deep recession, as many employers have kept workers on reduced hours and lower pay.

"In addition, the stabilisation of the banking system and emerging signs of economic recovery have helped to boost consumer confidence and tempt previously hesitant buyers back into the market."

While the strong housing market performance of the noughties is good news for homeowners and the large numbers who have invested in property as an alternative to a pension plan, it has been disastrous for those wanting to get on the housing ladder.

Looking at the prospects for this year, Gahbauer said there was "still a significant amount of fog" obscuring the outlook for the market, with uncertainty over the job market and mortgage availability. "This year's recovery has to some extent been driven by transitory factors and there are reasons to believe that it will lose momentum over the coming year. At the same time, there is no obvious catalyst on the near-term horizon that would trigger significant renewed falls in prices."

As a result, Gahbauer said it was unlikely there would be significant movements up or down over the coming year.



BBC NEWS on 3<sup>rd</sup> January 2010

### Price boost for first-time buyers

Property is now affordable for first-time buyers in nearly four out of 10 areas of the UK, research indicates.

Someone on average earnings could now afford the average first-time buyer property in 39% of local authority districts, the Halifax bank said. In 2007, the year in which house prices peaked, homes in only 6% of areas were affordable for average earners. The improved affordability has come about through a combination of lower interest rates and house price falls. However many first-time buyers have been unable to take advantage of the situation because of tighter lending criteria imposed by banks and building societies.

London problems persist – For most of 2009, the average person buying their first home with a mortgage put down a deposit of 25%, figures from the Council of Mortgage Lenders show. Martin Ellis, housing economist at Halifax, said: "Mortgage payments in relation to earnings are currently significantly below the average during the past 25 years." The tightening in lending criteria over the past two years is, however, making it very difficult for some to take advantage of lower property prices and mortgage rates." The largest increase in the proportion of local authority areas where homes are now affordable for first-time buyers is in north-east England. But in both London and Northern Ireland, the average first-time buyer property remains unaffordable for someone on average earnings in all local authority areas. The average price of a property bought by a first-time buyer was £133,794 during 2009 - 10% lower than in 2008. And first-time buyers borrowed an average of about £104,000 in 2009, putting down a deposit of £29,439.



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## The mortgage situation .....



BBC NEWS on 31<sup>st</sup> December 2009

### Mortgages 'more easily available'

More mortgages were made available by lenders in the UK in the final quarter of 2009, the Bank of England has said. An improved economic outlook and house price rises had driven the rise in lending, the Bank said in a report. People looking to borrow more than 75% of their property's value saw the biggest improvement in choice. The report also said that lenders expected to make credit more easily available to households and businesses in the first quarter of 2010. "Credit availability was expected to improve further in the first quarter of 2010 for corporates and for secured lending to households and to stabilise for household unsecured credit," the central bank's credit conditions survey said. The quarterly survey asks lenders about credit conditions over the past three months. "The survey raises hopes that credit conditions will increasingly become less of a constraint on economic activity over the coming months," Howard Archer, chief UK economist at Global Insight. "This is critical to sustainable recovery prospects."



## The Buy to let activities .....

Telegraph.co.uk on 2<sup>nd</sup> December 2009

### Rents to rise next year

Rents to rise as number of let properties looks set to fall in 2010.

The recent pick up in the housing market led to the first fall in the number of new properties available to rent since January 2008, according to the Royal Institution of Chartered Surveyors.

New instructions during the three months to the end of October were at their lowest level since the survey was first launched in 1998, with 11pc more surveyors reporting a fall than those who saw a rise. But the low level of available properties, probably triggered by so-called accidental landlords now being able to sell their homes rather than having to let them out, boosted surveyors' optimism for the first time since July 2008. Around 22pc more surveyors said they expected rents to rise during the coming three months than those who expect further falls. A balance of just 4pc of surveyors reported falling rents during the three months, suggesting the downward pressure that had been caused by the imbalance of supply and demand is already beginning to ease. In London and the North the majority of surveyors are already reporting seeing rent rises. Meanwhile, demand for rented property continued to increase, with 16pc more surveyors reporting a rise, with demand for houses particularly strong. RICS spokesman Jeremy Leaf said: "It seems the current upward trend in the housing market is having a more significant effect on the lettings market, with many of the accidental landlords returning to the sales market to take advantage of the recent price increases. "As a result the recent oversupply is reversing, with new instructions at the lowest levels we have seen. This of course is impacting on prices and tenants no longer have as strong a bargaining power as they did."

ARLA.co.uk on 11<sup>th</sup> December 2009

### 2010 looking tough for PRS, says ARLA

While 2009 was a difficult year for the entire property market, 2010 looks likely to present an even greater challenge for the private rented sector (PRS), according to the Association of Residential Letting Agents (ARLA). Yet there are also opportunities, in particular as availability of lending begins to increase while house prices are still historically low, enabling timely investors to purchase properties for the buy-to-let market.

#### Supply & Demand

The residential rental market will continue to stabilise in 2010, with property oversupply decreasing due to reluctant landlords leaving the market. Evidence of increasing sales in certain areas seems to indicate this trend.

#### Rental arrears and mortgage defaulting

Should unemployment continue to rise, putting pressure on tenants' financial stability, many will not be able to pay their rent – often because of deficiencies in the system with the Local Housing Allowance (LHA). While ARLA research has shown that the number of tenants struggling to meet rental payments dropped towards the end of 2009, other research shows it is still a problem that has a knock-on effect across the sector.

#### Licensing of agents

Mr Potter says: "The Government has still not made good its proposal to introduce a regulatory scheme for letting agents, or a national register of landlords. Yet with increasing numbers of new landlords and new properties coming onto the market, as investors take advantage of the downturn in property prices, it will be crucial to ensure best practice and high standards across the sector."

#### Fuel poverty and energy efficiency

ARLA predicts that throughout 2010 standards will become an even greater issue, as homeowners and landlords alike are encouraged to make their homes energy efficient. Yet without incentives like tax relief, it will be difficult for an already struggling sector to make the necessary improvements.



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Source website	Period covered	Average house price	Monthly change (%)	Annual Change (%)	Peak average house price	Change since peak (%)
<a href="#">Communities and Local Government House Price Index</a>	Oct 09	£198,450	N/A	↓2.20	£221,758 (Jan 08)	↓10.51
<a href="#">FT House Price Index (Acadametrics)</a>	Nov 09	£212,018	↑0.90	↑1.40	£231,595 (Feb 08)	↓8.45
<a href="#">Halifax House Price Index</a>	Oct 09	£165,528	↑1.20	↓4.70	£199,770 (Aug 07)	↓17.14
<a href="#">Land Registry Monthly Report</a>	Oct 09	£159,546	↑0.60	↓3.40	£186,045 (Jan 08)	↓14.24
<a href="#">Nationwide House Price Index</a>	Oct 09	£162,038	↑0.40	↑2.00	£186,044 (Oct 07)	↓12.90
<a href="#">Rightmove House Price Index</a>	Dec 09	£221,463	↓2.20	↑1.70	£242,500 (May 08)	↓8.68

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