

# UK Properties Market Trend

Issued on 12<sup>th</sup> March, 2010

## What is on the current market?

*The Rightmove.co.uk on 15<sup>th</sup> February 2010*

### Price jump as agents scramble for stock

- Scarce new seller bump up asking prices by 3.2%, an average increase of £7,137 with London setting a new record of £427,987
- Monthly rise reminiscent of boom-times; there has been no higher rise since April 2007 when we saw a 3.7% increase
- January sees record search activity on rightmove.co.uk, up 29% on same period last year
- The economic fundamentals cannot support further price increases of this magnitude

*Telegraph.co.uk on 1<sup>st</sup> March 2010*

### Housing market picks up

Activity in the housing market showed signs of picking up during February after suffering a lull at the beginning of the year, figures showed.

There was an increase in both the number of buyers and sellers entering the market during the month, following falls in December and January, according to housing intelligence group Hometrack. There was also a 10 per cent jump in the number of sales agreed, after transaction levels dropped by 4 per cent during the previous month.

The pick up in activity led to house prices in England and Wales rising by 0.3 per cent during February. But despite the increases in activity during the month, the group warned that 2010 had seen a slow start to the year.

Richard Donnell, Hometrack's director of research, said: "February is traditionally a month when the Hometrack survey registers significant growth in the number of sales agreed – over the last eight years the growth in sales agreed over February has averaged 30 per cent.

"Yet this year (the increase in) the number of sales agreed has averaged just 10 per cent." He added that there had also been a below average increase in both the number of potential buyers looking for a property and the number of homes coming on to the market. New buyer registrations rose by 8 per cent during the month, a third less than the 24 per cent rise typically seen during February, while there was also a 4.6 per cent increase in the number of properties put up for sale, compared with an average of around 14 per cent in previous years.



*Guardian.co.uk on 9<sup>th</sup> March 2010*

### House price could fall for several years

Last month's fall could be a blip but some economists warn there is worse to come. February's drop in house prices could be down to cold weather and the end of the stamp duty exemption.

House prices may start rising again after last month's fall but the market will drop later in 2010 and this time the correction could last for several years, economists warn.

House prices had risen for nine months in a row until last month, and both the Nationwide and Halifax said last week that the February fall could have been caused by the ending of a stamp duty exemption for homes between £125,000 and £175,000 at the end of December and the snowy weather. Nationwide's chief economist Martin Gahbauer added that it wasn't clear whether this would be a blip or the start of a new trend. But Ed Stansfield of the consultancy Capital Economics thinks February's price fall is a precursor of worse to come: "The correction we saw in 2008 and the beginning of 2009 is probably not over yet," he said.

"We've seen a recovery [in house prices] and the number of sales has improved, but if you look at the extent of that recovery against the recessionary backdrop – salaries, rental yields and unemployment figures – they all give you a very similar picture: that house prices haven't finished their correction yet." He suspects that prices will start dropping in earnest after the election, once whichever party is in control begins to implement public spending cuts, and when the Bank of England base rate starts to rise again. "House prices will end the year lower than they started it," he said.

Danny Gabay, a former Bank of England economist and director of consultancy Fathom, was even more bearish at the weekend, saying that British homeowners would at best be facing a decade of "flat to slightly falling prices". He went on to predict a 5% fall this year and a 10% decline in 2011. However, Barry Naisbitt, chief economist at Santander, says homeowners (and economists) should not get carried away by the direction of the house price indices for one month.



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"Just because we've had one bad month, it doesn't mean it's going to carry on," he said. "You should look at three months' worth to identify a trend." He is also more positive about the future for homeowners: while he believes that economic uncertainty, unemployment, depressed pay settlements and higher house prices themselves making purchase difficult for first time buyers could mean an end to inflation this year, he adds that the scarcity of property in the UK means that in the medium term at least property values will continue to rise.



*Guardian.co.uk on 9<sup>th</sup> March 2010*

### **Surveyors report second monthly drop in inquiries from house buyers**

Among surveyors polled 7% expect house prices to keep rising. Retailers report 2.2% sales spurt after 1.8% fall in January. There were signs that the housing market could face further falls today as surveyors reported the number of properties coming onto the market had continued to outstrip demand in February. The latest monthly housing market survey from the Royal Institution of Chartered Surveyors (Rics) showed that for the second consecutive month the net balance of surveyors reporting an increase in new instructions from sellers outweighed those reporting inquiries from would-be buyers.

Although this followed a January when activity almost stalled as a result of the cold snap and the removal of a stamp duty holiday on properties costing between £125,000 and £175,000, Rics said it was the "first sustained shift towards supply for two years". Last year's turnaround in house prices was widely attributed to a shortage of properties coming onto the market, and the shift in the supply and demand balance could have a big impact on where prices go next.

Halifax and Nationwide reported price drops in February, and today's Rics report showed surveyors were also seeing falls. A net balance of 17% said they had seen prices rise over the past three months, compared with 31% last month, and while the balance of those expecting this to continue dropped from 21% in January to just 7%. This is the lowest figure since July last year. Rics' chief economist, Simon Rubinsohn, said it was too early to say if the market had reached a turning point. "I think we're going to need to see another month's data before we can reach any conclusions ... but I would expect to see a bit more good news about transactions next month." Rubinsohn said monthly figures for house prices were always likely to be volatile, but that he did expect the pace of price increases to stabilise this year.



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*Guardian.co.uk on 9<sup>th</sup> March 2010*

### **Over the period, transaction volumes averaged 57,722 month, compared with 42,523 between August and November 2008. Housing market on hold ahead of general election**

The housing market is on hold as home buyers and sellers adopt a "wait and see" approach in the run up to the general election, estate agents have warned. They said people are holding off agreeing deals on property in anticipation of the general election, amid concerns about budget cuts and potential tax rises. A total of 17 per cent more estate agents reported a rise than a fall in house prices last month, down from 31 per cent in January, according to the Royal Institution of Chartered Surveyors.

### **The mortgage situation .....**

*Telegraph.co.uk on 23<sup>rd</sup> February 2010*

#### **Mortgage lending hits 8-year low**

The recovery of the housing market has appeared to become derailed, after figures indicated mortgage lending has hit an eight-year low.

The housing market enjoyed a rally during 2009, as a shortage of supply, forced home buyers to bid up the price of many houses. The end of stamp duty relief at the start of the year has helped cause a substantial dip in mortgage lending during January, with just £8.02 billion lent during the month, the lowest level since March 2001. This compares with an average monthly amount of about £18 billion during 2007.

*Guardian.co.uk on 1<sup>st</sup> March 2010*

#### **Mortgage approvals plunge in January**

Home loans at lowest level since May 2009 and suffer second consecutive monthly fall. The number of mortgages approved for house purchases dived by 17% during January as the housing market suffered a steep fall in activity, figures showed today. There were 48,198 homebuyer loans in the pipeline during the month, the lowest level since May 2009 and the second consecutive monthly drop, according to the Bank of England. The number of remortgages approved fell to 23,611 from 27,322 in December. There was also a fall in mortgage advances, with gross lending sliding to £10.24bn, down from £13.53bn in November. In recent weeks the Council of Mortgage Lenders and British Bankers' Association have also reported a sharp fall in mortgage approvals in January, both claiming the removal at the end of last year of the temporary stamp threshold on properties costing between £125,000 and £175,000 quelled demand. On Friday, figures from the Nationwide suggested the drop in demand from buyers could already be feeding through to house prices. It reported a 1.1% fall in prices in February, citing the stamp duty change and the wintry weather as possible factors.

The Bank's figures show that while mortgage activity was down in January, consumers' appetite for unsecured borrowing increased. Net lending through both secured and unsecured loans rose by £2bn in January, compared with £1.5bn in December. Consumer credit increased by £500m – nearly double December's £265m increase and a marked turnaround from the previous five months when consumers borrowed more than they repaid. However, unsecured borrowing remained well down on the levels seen during the peak of the credit boom, when collectively consumers regularly increased their outstanding debt by more than £2bn a month.

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



ARLA.co.uk on 11<sup>th</sup> February 2010

### Reaction to CML Buy-To-Let Lending Statistics

In response to the Council of Mortgage Lenders' buy-to-let lending statistics for 2009, Ian Potter, Operations Manager of the Association of Residential Letting Agents (ARLA), comments:

"The contraction of the buy-to-let market in the past year will have a significant impact on the supply of stock within the Private Rented Sector. The Government now recognises the importance of the Private Rented Sector to the future of UK housing. The plethora of recent announcements concerning the regulation of agents, the register of landlords and the strengthening of HMO legislation have all helped but these statistics show just how much work has to be done to ensure that the PRS is a viable long term solution. "There is some light at the end of the tunnel, with buy-to-let lending increasing for a second consecutive quarter at the end of 2009. It is encouraging that the amount of remortgaging in the buy-to-let sector is decreasing, and this indicates that investors are taking a more long-term and pragmatic view. However, 48% of landlords surveyed by ARLA say that they do not expect to acquire more buy-to-let properties during 2010. This is a stark reminder of the lack of available mortgage finance despite the billions of public money poured into the banking sector." "Unless the Government frees up further buy-to-let lending for responsible landlords who recognise the importance of investment in residential property, then the UK is going to struggle to house future generations."

ARLA.co.uk on 11<sup>th</sup> February 2010

### Rental arrears another worrying symptom of the recession

A significant number of tenants are still struggling with rental payments, according to the Association of Residential Letting Agents (ARLA). Results from the latest ARLA survey show that 55 per cent of members have seen an increase in tenants struggling to meet their rental payments. Despite being a decrease on the previous quarter, this figure remains worryingly high. Ian Potter, Operations Manager of ARLA, said: "Unemployment has been the primary factor behind rental arrears throughout the recession. If the jobless total rises in 2010 it is inevitable that the number of tenants forced to default on their rent will also increase." "The housing market looks increasingly buoyant with demand for rental properties having risen strongly since October. The problem of rental arrears will therefore persist and potentially grow in seriousness as tenants get caught in a web of debt." As rental arrears begin to stack up residents run the risk of being evicted from their property. Simultaneously, landlords could be forced to default on their mortgage repayments which would ultimately lead to the property itself being repossessed. "As the housing market continues to pick up and demand begins to exceed supply, there is likely to be an increase of new landlords and properties in the rental sector." Mr Potter explained.

"It is crucial that agents engage in a careful selection process for both tenants and landlords, and ensure the relevant contracts and agreements are in place." The ARLA licensing scheme, launched last year, aims to drive up standards in the lettings industry. But ARLA believes that the Government must also act to create uniform legislation to nurture the improving housing market and protect both consumers and landlords.

### Housepricecrash.co.uk House Price Statistics –UK National on 11<sup>th</sup> March 2010

Source website	Period covered	Average house price	Monthly change (%)	Annual Change (%)	Peak average house price	Change since peak (%)
Communities and Local Government House Price Index	Dec 09	£200,307	N/A	↑2.90	£221,758 (Jan 08)	↓9.67
FT House Price Index (Acadametrics)	Jan 10	£215,016	↑0.70	↑5.40	£231,595 (Feb 08)	↓7.16
Halifax House Price Index	Feb 10	£166,857	↓1.50	↑4.50	£199,770 (Aug 07)	↓16.48
Land Registry Monthly Report	Jan 10	£165,088	↑2.10	↑5.20	£186,045 (Jan 08)	↓11.26
Nationwide House Price Index	Feb 10	£161,320	↓1.00	↑9.20	£186,044 (Oct 07)	↓13.29
Rightmove House Price Index	Feb 10	£229,398	↑3.20	↑6.10	£242,500 (May 08)	↓5.40

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