

# UK Properties Market Trend

Issued on 31<sup>st</sup> May, 2010

## What is on the current market?

*Guardian.co.uk on 11<sup>th</sup> May 2010*

### House price set for post-election bounce, surveyors say

House price rose in April and will climb further as the market enjoys renewed optimism, according to Rics. House prices rebounded in April, helped along by better weather, with surveyors expecting a further bounce in the market following the election, the Royal Institution of Chartered Surveyors (Rics) said today. The latest monthly housing market survey from Rics says that 17% more surveyors reported a rise than a fall in house prices in April, up from 9% in March.

London led the upsurge with 55% more surveyors reporting a rise, up from 32% the previous month. Elsewhere, surveyors are still reporting house price rises in every region except for Wales, Yorkshire and Humberside. Rics spokesman Jeremy Leaf said: "For much of 2010 the housing market has been under the shadow of the general election, with the gap between supply and demand growing wider as potential house buyers opted to stand on the sidelines awaiting the outcome of the poll.

"However, the start of spring has seen renewed optimism, with the good weather improving sentiment and surveyors expecting an increase in both sales and house prices. The housing market often sees an increase in new instructions in the early part of the year with sales boosted in the spring, and this year has been no exception." Rics said activity was expected to increase over the coming months, with many surveyors anticipating a post-election bounce. About 25% more surveyors expected sales to increase rather than decrease compared to 6% in March, while 7% more expected prices to rise rather than fall. Last month 2% more surveyors expected house prices to fall rather than rise.

The average number of completed sales rose for the first time in three months to 17.4 per surveyor, said Rics, while the average stock of property on surveyors' books decreased by 6% over the month to 61 properties. This had the effect of raising the sales-to-stock ratio – a key indicator of future house price inflation – from 25% in March to 28% in April. This is the first upward movement of this indicator in 2010.

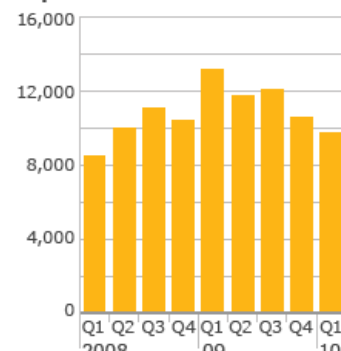


*BBC News on 13<sup>th</sup> May 2010*

### Home repossessions 'down by 7.5%'

The number of homes repossessed in the UK fell by 7.5% in the first three months of 2010, according to lenders. Figures show that the number of homes repossessed dropped from 10,600 in the last three months of 2009 to 9,800 in the first quarter of 2010. This was also lower than the 13,200 of the same period a year ago, the Council of Mortgage Lenders (CML) said. But many homeowners remained vulnerable to falling into arrears, the CML said. It added that it could revise its forecast of 53,000 repossessions in 2010 in the summer, describing it as "pessimistic" if there are no further economic shocks. 'No complacency' The number of homes repossessed was at its lowest in two years, down 7.5% on the previous three months and 26% lower than the first three months of 2009.

Number of UK homes repossessed



Source: Council of Mortgage Lenders

Low interest rates were the key to the dropping figures, allowing people - even those who have lost their jobs - to stave off the threat of repossession owing to low mortgage bills. The figures also reveal that the proportion of mortgage holders getting into payment difficulties also fell in the first three months of the year. The number of home loans in arrears equivalent to at least 2.5% of the outstanding mortgage balance stood at 186,300 in the first three months of the year. This was down from 196,400 in the last quarter of 2009, and below the 206,800 of the first quarter of last year. But the figures gave "no cause for complacency", according to CML director general Michael Coogan.



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BBC News on 13<sup>th</sup> May 2010

### UK house price rose in March, says government

The annual rate of house price increases reached its highest level since November 2007, the government's own data shows. Property prices rose by 9.7% year-on-year in March - the 12th consecutive month of annual price rises, the Department for Communities said. The average value of a UK home rose by 0.7% compared with February. London saw the biggest rise in prices over the year, but prices fell in Northern Ireland. The cost of the average home reached £205,598 in March, although the typical sale price for those getting on to the property ladder was lower. The average house price paid by first time buyers was £151,749, 12.6% higher than a year ago, and the average price paid by former owner occupiers was £238,794, some 8.6% up on 12 months earlier. National picture- Annual house price growth was 10.1% in England, 7.2% in Scotland and 8.1% in Wales. In Northern Ireland, prices fell by 6.9% on average in the year to March. This put the cost of the typical home at £212,266 in England, £165,106 in Scotland, £150,648 in Wales and £174,172 in Northern Ireland. In the regions of England, annual house price inflation rose in every area. The largest was in London (15.6%) and the smallest in the North West (5.1%). Annual price growth was 11.3% in the South East of England, 9.7% in the South West, 9% in the West Midlands, 8.4% in the East, 8.3% in Yorkshire and the Humber, 5.7% in the North East and 5.2% in the East Midlands. Despite these rises, many analysts are expecting a rocky year for the property market.

Telegraph.co.uk on 17<sup>th</sup> May 2010

### David Cameron: second home owners deserve higher taxes

The owners of second homes should pay higher taxes, David Cameron has said, provoking accusations that he is betraying core middle-class Conservative voters. He defended the change in policy, which is expected to see capital gains tax (CGT) for second-home owners and shareholders rise from 18 per cent towards 40 or even 50 per cent. It is designed to pay for a Lib Dem plan to reduce income tax for the low paid. Under the terms of the coalition agreement, the Conservatives have dropped plans to raise the inheritance tax threshold to £1 million. Mr. Cameron confirmed that he was likely to give way to Lib Dem demands that middle-income families be stripped of child tax credits.



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BBC News on 20<sup>th</sup> May 2010

### Hips scrapped by coalition government

The announcement was made by the government in its coalition document, but the Conservatives especially have long been opposed to the information packs. The requirement for packs will be suspended for anyone selling their home from 21 May, with the government needing legislation to outlaw them completely. The energy performance certificate, which ranks the energy efficiency of a home with A to G ratings, will be retained and must be produced by the seller within 28 days of putting a home on the market. It costs about £60. The burden of paying about £200 for searches from local authorities and search companies will now fall on house buyers, which could add to costs for first-time buyers. The dramatic reduction in the Hips requirements could spell a round of redundancies among home inspectors - some of whom are self-employed. The Association of Home Information Pack Providers (AHIPP) estimates that there are between 3,000 and 10,000 people whose livelihoods are either directly or indirectly dependent on Hips.

Times online on 21<sup>st</sup> May 2010

### Tax change prompts a rush to sell

The Government's decision to raise capital gains tax on second homes to 40 per cent has alarmed many owners. If success in the property market is all about timing, buy-to-let investors have reason to feel smug. News that the Government had cast around for a means to pay off the national overdraft and settled on capital gains tax (CGT) came as a shock. But that surprise was accompanied by a convenient welter of reports showing vast demand-driven increases in the cost of renting. These statistics from the past few months — rents up 11 per cent in a year, according to the London agent Ludlow Thompson, or up 2.7 per cent around the country in only three months, according to Findaproperty.com — have helped to illustrate what kind of rises might follow if landlords, who provide three million homes for private rent according to the Association of Residential Lettings Agents, are forced out of the sector.

## The mortgage situation .....

BBC News on 17<sup>th</sup> May 2010

### UK mortgage borrowing is recovering, lenders say

Mortgage borrowing by house buyers is recovering, the Council of Mortgage Lenders (CML) has said. The number of loans made to home buyers rose by 25% between February and March, to 45,000. And borrowing by first-time buyers rebounded faster than that by existing home owners, the CML said. But it warned that mortgage rationing might continue for many years unless the new government helped lenders raise finance. "Today's figures indicate there is currently some momentum to house purchase lending," said the CML's director general Michael Coogan. "But for the sake of the future health of the housing and mortgage markets, the new government will need to focus on the critical issue of funding and how to address the issues arising from the repayment of the emergency support provided during the financial crisis," he added. "The UK is at risk of a chronic under-supply of credit - and the rationing of mortgages for customers - for years to come."

Guardian.co.uk on 17<sup>th</sup> May 2010

### Mortgage lending jumps 45% as first-time buyers return to market

March figures up 45% year on year, with 42% more first-time buyers than the same period last year –but remortgaging falls. House purchase lending increased by 45% year on year in March, the ninth consecutive month of growth, according to figures published by the Council of Mortgage Lenders today. But remortgaging was down 29% year on year, the 23rd consecutive fall, reflecting the "moribund" nature of the remortgaging market, said the CML. Forty-five thousand loans were borrowed in March, up 25% on the previous month in volume and 24% in value. The CML said that first-time buyers contributed a large amount to the increase, borrowing 17,300 loans worth £2bn in March, up 27% on February and 42% compared to March 2009. In contrast, home movers borrowed 27,500 loans worth £4.3bn, a 24% rise in volume and 23% in value compared to February.

First-time buyers also borrowed an average of 76% for the second month running, the first time average deposits for first-time buyers have been lower than 25% for more than a month since January 2009.

Guardian.co.uk on 21<sup>st</sup> May 2010

### Mortgage lending falls in April

Gross mortgage lending fell to £10.2bn in April, the lowest figure for that month in a decade, the CML said.

The value of new mortgage lending fell last month to its lowest April total in 10 years, according to latest figures from the Council of Mortgage Lenders (CML).

Gross mortgage lending declined to £10.2bn in April, down 12% from £11.6bn in March and down 1% from £10.3bn in April 2009. In April 2000 the total was £9.3bn.

A slight seasonal decline was expected as Easter fell in April this year, the CML said, but the slowdown was compounded by the continuation of a difficult mortgage market with first-time buyers in particular struggling to save big enough deposits to make a purchase.

Despite the fall in lending last month, the number of loans agreed year-on-year in March increased by 45%, according to CML figures released earlier this week. Remortgaging over the year was down 29%.

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

ARLA.co.uk on 13<sup>th</sup> May 2010

### Capital gains threat to rental market

A lack of available properties and the proposed increase to the rate of Capital Gains Tax presents a grave threat to the Private Rental Sector (PRS), according to the Association of Residential Lettings Agents (ARLA)

The PRS currently represents more than three million homes, and is a crucial component in offsetting the shortage of homes being built to house the growing UK population. ARLA believes that the new CGT policy could create a shortage in rental property supply as investors look to sell off their portfolios and also deter future investors from entering the sector.

"Our latest research shows that rent levels are on the rise, indicating a potential market stabilisation, but also highlighting the dearth of available rental properties," said Ian Potter, operations manager of ARLA.

"With the anticipated increase in Capital Gains Tax rates for non-business assets, we could potentially see a fire sale situation arise in the buy-to-let market with investors offloading properties. Consequently, the number of available rentals will greatly diminish and the fragile market recovery jeopardised.

"There are some potential solutions, one of which is that landlords should be treated as exempt businesses. For example, could the new Government propose taper relief, or rollover relief into the CGT changes? We need clarity before this new Government risks damaging the confidence of the recovering property market."

ARLA's latest research reveals that almost a third of ARLA members (30.8%) felt that achievable rent levels had increased in the last six months. This compares with just 12.5% of members at the end of 2009. In central London the situation is even more prolific, where almost half (46.7%) of members surveyed reporting an increase in achievable rent levels.

Guardian.co.uk on 18<sup>th</sup> May 2010

### Paragon restarts buy-to-let lending

Paragon, the lender that issued 10% of landlord mortgages before the crunch, is going back into the buy-to-let market. The lender at the heart of the buy-to-let boom and bust said today it was pushing ahead with plans to resume volume lending despite the potential for the new chancellor raising the capital gains tax rate on property speculation. Paragon was the third largest buy-to-let lender in the UK, issuing one in ten of all landlord mortgages until the credit crunch forced it to freeze lending. Its shares tumbled from a peak of above £10 to below 60p and in January 2008 it launched a heavily-discounted emergency rights issue. But today it reported profits up 84% to £29.3m and said it was exploring new funding avenues. "A return to new lending is a key objective going forward," said chief executive Nigel Terrington. "It is our assessment that the economics of new lending, taking into account the higher funding costs and capital now required, appears feasible."



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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>	Mar 10	£205,598	N/A	↑9.70	£221,758 (Jan 08)	↓7.29
<a href="#">FT House Price Index (Acadametrics)</a>	Apr 10	£225,963	↑0.50	↑12.90	£231,595 (Feb 08)	↓2.43
<a href="#">Halifax House Price Index</a>	Apr 10	£168,202	↓0.10	↑6.60	£199,770 (Aug 07)	↓15.80
<a href="#">Land Registry Monthly Report</a>	Mar 10	£164,288	↓0.60	↑7.50	£186,045 (Jan 08)	↓11.69
<a href="#">Nationwide House Price Index</a>	Apr 10	£167,802	↑1.00	↑10.50	£186,044 (Oct 07)	↓9.81
<a href="#">Rightmove House Price Index</a>	May 10	£237,134	↑0.70	↑4.30	£242,500 (May 08)	↓2.21

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