

RESEARCH & FORECASTING UK RESIDENTIAL DATA SHOT | NOVEMBER 2011



MARKET COMMENTARY:

During 2010-2011, only 121,000 new homes were built and house building levels in the UK is at their lowest levels since World War II. The government has announced its housing strategy to support the delivery of new homes, support choice and quality for tenants and to tackle the empty homes issue. A large part of the process to get the housing industry moving again is the announcement of the new build indemnity scheme by which 95% LTV mortgages for first time buyers will be underwritten by the government and the £400m "Get Britain Building Fund". Thus making taxpayers, and to an extent the banks, responsible for any losses incurred when borrowers default.

If this sounds familiar, it is because the government announced similar plans during the March budget called FirstBuy, a shared equity scheme which provided a 20% equity loan to top up first time buyers' 5% deposits, effectively a 75% loan on the value of the property. Allocations were made in June of this year to build 10,500 new homes. It is unclear how many of these 'allocation' sales have exchanged and completed. Two key issues are the inability of the first time buyer to afford the deposit required and the ability of the borrowers to afford the loan repayments on such mortgages. Interest rates are artificially low at the moment but what happens when the interest rates rise to a level in which borrowers are unable to make the repayments?

The £400m "Get Britain Building" investment fund will also provide development finance to house builders on stalled building projects. A big part of these development projects will be a commitment from the developer to provide an element of affordable housing. A similar scheme was also announced in early summer called "Build First Pay Later" in which developers pay for the land after they have started work on the new homes. The Homes and Communities Agency offered six sites for this scheme, with the potential for up 3,000 homes being built. It is not clear how many of these homes have actually been built or sold.

The latest attempt to get the UK housing market moving again has come under much criticism as well as being welcomed by many. It is important to make mortgage finance more easily available to not only first time buyers but all house buyers; however, affordability is the key. Both the 95% LTV and the FirstBuy schemes are more likely to keep house prices artificially high at a time when first time buyers require them to fall to a level where they can realistically raise a deposit they can afford. As Britain faces the possibility of a return to recession, it is difficult to see how successful these endeavours will be in kick starting a housing market already slowed by difficult lending conditions, falling house prices and a lack of supply.

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INDICATOR	LATEST DATA			COLLIERS INTERNATIONAL COMMENT
	AUGUST	SEPTEMBER	OCTOBER	
Nationwide House Price Growth	-0.6%	0.1%	0.4%	The Nationwide House Price Index increased by 0.4% in October, lifting annual house price growth into positive territory for the first time in six months. The price of a typical home was 0.8% higher than October 2010.
Halifax House Price Growth	-1.1%	-0.3%	1.2%	The Halifax House Price Index indicated that house prices in the three months to October were 0.3% lower than in the preceding three months. The average UK house price in October was £163,311, which is 0.3% higher than in December 2010.
Rightmove Asking Price Growth	-2.1%	0.7%	2.8%	Rightmove reported a 2.8% (£6,533) increase in new sellers' asking prices in the UK residential market. Asking prices in the South rose by 4.7%, a record high, while asking prices in the north fell by 0.7% to levels first achieved over six years ago in May 2005. Average property prices in the south are now more than double those in the North.
CLG House Price Growth	0.4%	-0.7%		Prices paid by first time buyers were 1.8% lower on average than a year earlier and prices paid by former owner occupiers also decreased by 1.1%.
Bank of England Mortgage Approval Rates	52,347	50,967	52,743	Mortgage approvals by all UK-resident mortgage lenders for house purchases increased in the three months to August, though remained broadly unchanged compared to a year earlier. The Bank of England Trends in Lending publication expects mortgage approvals in 2011 to be broadly flat.
Bank of England Base Rate	0.5%	0.5%	0.5%	The Bank of England base rate remains unchanged at 0.5%. In response to the much weakened UK economic profile and, no doubt, Eurozone fallout worries, the MPC has extended quantitative easing (QE) by an additional £75bn.
Bank of England Average Rate on Two Year Fix (75% LTV)	3.00%	2.92%	3.04%	The Bank of England expects the overall availability of secured credit to households to increase slightly in Q4 2011, especially for those with higher than 75% LTV thresholds.
RICS Price Expectations Survey	-23	-23	-24	24% more surveyors reported falling rather than rising prices over the last three months. London continues to be the only region recording rising prices at the present time. It is also the only area where the price expectations net balance is positive.
RICS Sales to Stock Ratio	21.1%	21.2%	21.1%	The average amount of stock on surveyors' books increased by 2.7% to 70.9. As a result, there was little change in the sales to stock ratio.
ONS Housing Rent Inflation (% y/y)	3.1%	3.0%	3.0%	Housing rent inflation figures for the last three months appear to be stable and have been at the same level since July 2011.
HMRC Property Transactions	70,000	68,000	73,000	Property transactions remain in line with wider trends in the sector.