

RESEARCH & FORECASTING UK RESIDENTIAL DATA SHOT | OCTOBER 2011



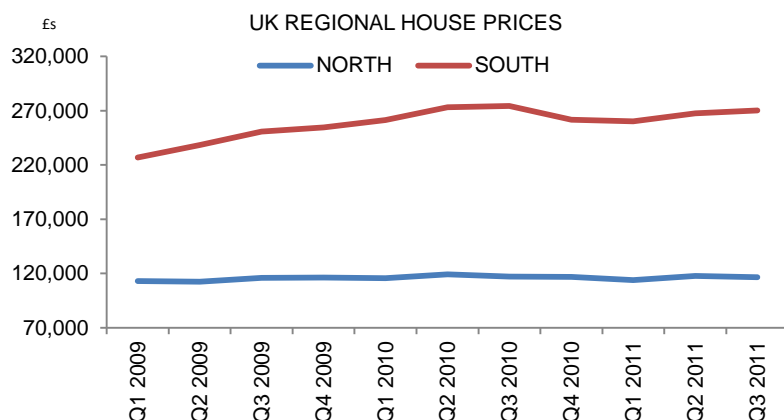
MARKET COMMENTARY:

London has seen a buoyant level of investment in commercial property compared to the Eurozone nations due to the uncertainty around the sovereign debt crisis and the knock-on effects that could happen as a consequence of a Greek default. As a result, over the last 12 months, London has seen £11.9bn of cross-border real estate transactions compared to Paris, which saw £5.1bn. Anecdotally, the Greeks seem to be active in the London prime residential market, finding a safe haven in the UK to invest their money.

In terms of lending to the property industry, 12 of the 16 largest lenders to UK real estate are based in the Eurozone. Now that a solution to the Greek debt problem has been agreed, lending to the UK market may decrease as the banks begin to write off their exposure to Greek debt. The smaller UK banks, building societies and insurance companies will move up the rankings as larger lenders vacate the market. It will take some time before credit availability returns to the sector. However, circumstantial evidence appears to indicate some companies, as well as banks, are beginning to lend to commercial property over the last six months.

The Chinese government crackdown on real estate lending and tighter ownership restrictions in China is beginning to subdue their market. As a result, wealthy Chinese families will diversify their portfolios by acquiring international assets in high capital cities across the world, among which, London residential real estate appears to be a safe investment with low holdings costs.

Foreign investors continue to put money into the London prime residential sector, helping to buoy house prices in the region and widen the gap between house prices in the south and the north.



Source: Nationwide

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INDICATOR	LATEST DATA			COLLIERS INTERNATIONAL COMMENT
	JULY	AUGUST	SEPTEMBER	
Nationwide House Price Growth	0.2%	-0.6%	0.1%	House prices remain relatively stable. Nationwide expects house prices to see marginal decreases over the remainder of 2011. However, recent market fluctuations mean increased short term risk in the period ahead.
Halifax House Price Growth	0.2%	-1.1%	-0.5%	The Halifax House Price Index reported that house prices fell by 0.5% in September. There has been a very mixed pattern of monthly price movements so far this year with four monthly rises, four falls and one month when prices were unchanged. The average UK house price in September was 1.0% lower than in December 2010 on a seasonally adjusted basis at £161,132.
Rightmove Asking Price Growth	-1.6%	-2.1%	0.7%	The 0.7% monthly rise in new sellers' average asking prices and a two year high in mortgage approvals are masking the tough state of the market in the north of the country while highlighting the more resilient conditions in the south. The gap in average asking prices is now the highest Rightmove has ever recorded, with prices in the south (£336,743) now more than double those in the north (£164,347).
CLG House Price Growth	0.3%	0.6%	-	According to the Department for Communities and Local Government, house prices in August decreased by 1.3% over the year and increased by 0.6% over the month. Average house prices decreased in eight of the nine English regions over the year to August 2011. The largest decrease was in the north east (-4.8%), while the smallest was in the east (-1.5%). London registered an annual house price increase of 3.2%.
Bank of England Mortgage Approval Rates	49,239	52,410	-	Approvals by mortgage lenders for house purchases rose in the three months to August though remained broadly stable compared to a year earlier. Total net consumer credit flows were positive over this period, though remained subdued.
Bank of England Base Rate	0.5%	0.5%	0.5%	The Bank of England base rate remains at 0.5%. The Bank has introduced further quantitative easing of £75bn as a means to stimulate the economy.
Bank of England Average Rate on Two Year Fix (75% LTV)	3.14%	3.01%	2.91%	The Bank of England reported that lenders want to increase market share and have a slightly increased risk appetite. The BoE credit conditions survey also indicated an increase in credit availability to borrowers with high loan to value ratios.
RICS Price Expectations Survey	-21	-23	-23	The headline net price balance remained unchanged at -23, meaning that 23% more surveyors recorded prices falling rather than rising over the last three months.
RICS Sales to Stock Ratio	20.2%	21.0%	21.1%	The RICS reports that the average volume of stock on surveyors' books increased by 3% to 68.9. Due to both stocks and sales increasing, the sales to stock ratio remained unchanged at 21.1%.
ONS Housing Rent Inflation (% y/y)	3.0%	3.1%	3.0%	Housing rent inflation has remained broadly stable since July.
HMRC Property Transactions	71,000	70,000	66,000	Property transactions continue to fall in line with market activity.