

RESEARCH & FORECASTING UK RESIDENTIAL DATA SHOT | SEPTEMBER 2011

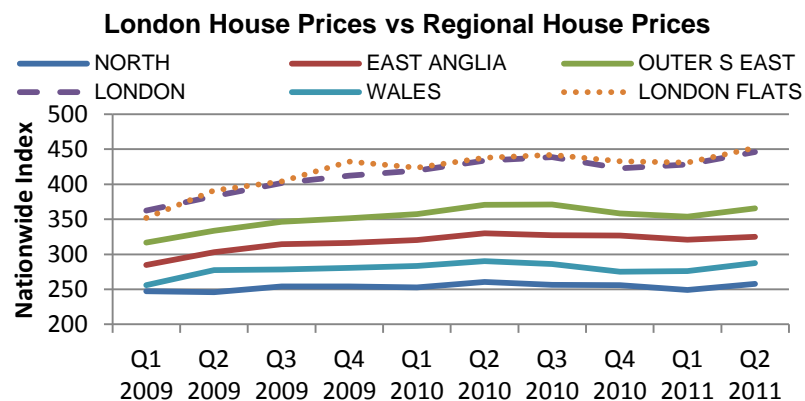


MARKET COMMENTARY:

REGIONAL HOUSE PRICES

With the London residential market outperforming the wider UK residential market, it is easy to lose focus on what is happening elsewhere in the rest of the UK.

The chart below analyses regional house prices since the lowest point in the downturn at the beginning of 2009. Overall residential prices in London have remained well above the rest of the UK. House prices have increased by more than 20%; whereas, flat prices have increased by nearly 30% since the beginning of 2009.



Source: Nationwide

Outside of London, house prices are relatively stable. The Outer South East increased the most since 2009 at nearly 16%. Of the regions indicated in the chart above, house prices in the North have increased the least in the last two years; increasing by 4%.

UK BUY-TO-LET MARKET

Family homes are also becoming a focus for the buy-to-let market. In a recent report from Paragon, its research found that 41% of investors were looking to invest in semi-detached houses and 22% were looking to buy a detached property. Paragon also found that a significant number of landlords were renting to families. These statistics suggest that families who were forced to sell during the downturn and are now finding it difficult to afford a new home, are being forced into the rental market. The typical deposit for a new home is £31,000.

Family homes are more popular with both buyers and developers in the regions. With only 17% of new builds consisting of flats, it is no surprise that over half of new builds are family homes. Data from the National House Building Council is in line with the analysis above in that the majority of housing starts are in the more buoyant South East, rather than in the North.

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INDICATOR	LATEST DATA			COLLIERS INTERNATIONAL COMMENT
	JUNE	JULY	AUGUST	
Nationwide House Price Growth	0.0%	0.2%	-0.6%	UK house prices dropped by 0.6% in August. This does not change the overall price stability seen in the market for the last 12 months. The Nationwide House Price Index reported that prices were largely unaffected compared with house prices a year ago – just 0.4% lower.
Halifax House Price Growth	1.5%	0.2%	-1.2%	The Halifax House Price Index reports that although house prices fell month on month by 1.2% and annually by 2.6%, the underlying trend in quarterly house price changes showed a slight improvement on the previous three months. The Halifax believes that the overall stability in both house prices and housing market activity will continue over the next few months.
Rightmove Asking Price Growth	0.6%	-1.6%	-2.1%	According to Rightmove, new sellers' average asking prices are up by 0.7% on the month and 3.0% down over the summer period. Rightmove reports that although new planning proposals may boost housing market activity it believes that long term initiatives like FirstBuy will also boost any housing market recovery.
CLG House Price Growth	0.3%	0.3%		According to the CLG, in July UK house prices decreased by 1.5% over the year and increased by 0.3% over the month.
Bank of England Mortgage Approval Rates	48,500	49,239		In July, mortgage approvals were 2.5% higher than a year earlier. Despite rising to the highest level since May 2010, the number of approvals remains within the range of 45,000-50,000 per month where it has been since the beginning of 2010.
Bank of England Base Rate	0.5%	0.5%	0.5%	The Bank of England base rate has remained at 0.5% since March 2009. The MPC is unlikely to raise interest rates this year but there is a possibility that further quantitative easing measures will be introduced before the end of the year.
Bank of England Average Rate on Two Year Fix (75% LTV)	3.36%	3.14%	3.01%	Despite weak prospects for house prices, lenders reported that lending availability to borrowers with high loan to value had increased.
RICS Price Expectations Survey	-27	-22	-23	Surveyors have become more pessimistic about future prices, with 23% more surveyors recording falling, rather than rising, prices.
RICS Sales to Stock Ratio	21.2%	20.2%	20.9%	The RICS reports that housing stocks fell more than housing sales. The sales to stock ratio increased from 20.2% to 20.9% but still remains well below its long run average of 33.4%.
ONS Housing Rent Inflation (% y/y)	2.3%	3.0%	3.1%	Housing rent inflation is now beginning to show increases as more and more would-be first time buyers are being forced to rent.
HMRC Property Transactions	70,000	73,000	69,000	HMRC property transactions continue to slow in line with the rest of the market.