

RESEARCH & FORECASTING UK RESIDENTIAL DATA SHOT | JANUARY 2012



MARKET COMMENTARY:

2011 saw weak, yet resilient, house prices. Halifax recorded a 1.3% decrease in house prices over the last 12 months, while Nationwide recorded a 1% increase overall for the 12 months to December. What they do agree on is that house prices held up well under pressure exerted by the strains in the wider economy. The lending environment remained difficult for first time buyers despite government initiatives like FirstBuy and Get Britain Building. These schemes are designed to help first time buyers get on the property ladder by offering shared ownership and requiring more affordable deposits. More and more home owners resolved not to sell their homes, rather than sell at prices less than they originally paid. The supply chain was unable to keep up with demand in the market, hampered by planning restrictions and difficult lending conditions for house builders.

2012 has begun with more of the same. Recent reports that Q4 UK GDP has fallen by 0.2% and looks to have slipped back into recession will no doubt affect the decisions made by any would-be buyers or sellers as well as lenders. The lending environment is still difficult. In the first few weeks of 2012, Nationwide Building Society decided not to lend to new customers. They join the likes of foreign banks, like Eurohypo and Société Générale, who stopped lending to UK property last year.

First time buyers will find the property market largely unchanged. Halifax recently forecast that 2012 may be the year of a first time buyer comeback. Statistics show that although houses were at their most "affordable" in 2011, the number of first time buyers only reached 187,000, compared to 568,200 a decade earlier. The average deposit came down slightly last year, from around £31k to around £27k. According to the Guardian, the choice of residential mortgages has improved over the last 12 months and higher LTV loans (90%-95%) are becoming more widely available. These lower deposit mortgages will be attractive to first time buyers especially as the stamp duty holiday on homes up to £250,000 ends in March this year. Due to the popularity of these loans they are often fully subscribed in a very short time. Therefore, although the number of available mortgages has increased, there are still not enough deals to satisfy demand.

2011 also saw the return of buy-to-let mortgages. In its latest Trends in Lending report, the Bank of England believe there will be a slight decrease in the demand for buy-to-let purchases in the first three months of 2012. On the other hand, the Co-operative Bank is offering £600m of buy-to-let loans in 2012, based on its assumption that continued uncertainty in the economy, employment and house prices will continue to drive demand for rental properties.

2012 looks set to deliver more of the same in terms of increasing demand, lack of supply and a difficult lending environment.

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| INDICATOR | LATEST DATA | | | COLLIERS INTERNATIONAL COMMENT |
|--|-------------|----------|----------|--|
| | OCTOBER | NOVEMBER | DECEMBER | |
| Nationwide House Price Growth | 0.4% | 0.4% | -0.2% | According to the latest Nationwide data, house prices fell by 0.2% in December, but increased by 1% in 2011 as a whole. The outlook for 2012 is uncertain and remains dependent on the performance of the wider UK economy. Nationwide believes that the 2012 housing market will likely be characterised by low levels of activity, with prices remaining stagnant or modestly lower over the course of the year. |
| Halifax House Price Growth | 1.1% | -1.0% | -0.9% | According to Halifax, house prices fell by 0.9% between November and December. The stability in the overall supply/demand balance in the market explains the modest movement in house prices. |
| Rightmove Asking Price Growth | 2.8% | -3.1% | -2.7% | Rightmove forecasts more of the same in terms of property supply and buyer demand, with a small rise in nominal average asking prices as a result. |
| CLG House Price Growth | 0.6% | 0.0% | | In November UK house prices decreased by 0.3% over the year whilst they remain unchanged over the month. Average house prices decreased in six of the nine English regions over the year to November 2011. The largest decrease was in the North West (-3.3%) whereas the smallest was in the South East (-0.3%). London registered an annual house price increase of 3.2%. |
| Bank of England Mortgage Approval Rate | 52,786 | 52,854 | | The Bank of England announced that mortgage approvals by UK mortgage lenders for house purchases were broadly unchanged in the three months to November. It also reported that some major UK lenders expected mortgage arrears to remain broadly stable in the coming year; however, with recent increases in unemployment this could put pressure on arrears in the latter part of 2012. |
| Bank of England Base Rate | 0.5% | 0.5% | 0.5% | The Bank of England base rate remains at 0.5% and the size of the quantitative easing programme remains at £275bn; this will come under review in February. |
| Bank of England Average Rate on Two Year Fix (75% LTV) | 3.04% | 3.14% | 3.24% | The Bank of England reported that overall availability of secured credit is expected to increase slightly in Q1 2012 with the increase concentrated on borrowers with high loan to value ratios. The Bank of England also reported that although lenders expected market share objectives to impact positively on credit availability in Q1, the economic outlook and expectations for house prices were all expected to pull down on credit availability. |
| RICS Price Expectations Survey | -24 | -17 | -16 | The RICS reported in its latest research that the net price balance remained negative at -16, but this was the highest reading since July 2010. |
| RICS Sales to Stock Ratio | 21.3% | 21.1% | 22.5% | The RICS ratio of sales to unsold stocks on surveyors' books increased from 21.1% to 22.5%. |
| ONS Housing Rent Inflation (% y/y) | 3.0% | 2.9% | 3.0% | Housing rent inflation remains broadly stable over the three months to December, reflecting the wider market. |
| HMRC Property Transactions | 76,000 | 79,000 | 80,000 | The HMRC property transactions statistics show a steady increase since September 2011 to December 2011 (18%). |