

Edition Four, April 2010

Welcome to HOUSES!

HOUSES! is a quarterly online newsletter brought to you by property market specialists located in the property team of the School of Architecture, Design and the Built Environment and from Nottingham Economics a consultancy centre located in the Economics Division of Nottingham Business School.

The following articles aim to provide you with a simple guide to key information, interpretation and analysis of the residential property market:



Editorial – page 3

We all know that house prices are much lower now than at the peak of the market. Read our full editorial to find out what this means for potential buyers.



Feature article - page 4

In each edition we focus on a contemporary topic of relevance to the property market. In this edition we focus on residential surveys and valuations, explaining the differences between the various levels of survey inspection available..



Prices - page 8

Find out what's happening to house prices both nationally and regionally.



Affordability - page 12

Can households afford to buy the house of their dreams? Can households keep up with their mortgage repayments?



Mortgage lending - page 16

Learn more about the levels of mortgage lending and look into the future as we take stock of the latest numbers on mortgage approvals.



Activity - page 19

Are people buying and selling houses?



New supply - page 22

Housebuilders retreat! Where are all the new houses going to come from?



The economy - page 24

Find out more about the latest trends in GDP, employment, unemployment and the rate of inflation. And just how confident are we feeling?



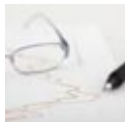
Investment - page 31

How do residential returns compare to those of competing investment assets?



Green Houses - page 33

How do environmental concerns impact on housing?



Meet the team and contributors - page 34

Links to the data sources and writers contributing to **HOUSES!**

Last time we were able to celebrate the economy finally coming out of recession. We reported the Office of National Statistics figure (released a few days before) of +0.1% for the third quarter of 2009. As you will see in The Economy section that figure has now been revised upwards to 0.4% and we now await the figures for 2010 Q1.

The economy is not 'out of the woods' yet and growth, at best, is forecast to be sluggish. The cold snap affected people's economic activity in January and February and this will impact upon the quarter's growth. The sun is out now but as we know ash clouds have gathered, and once again Iceland is punching above its weight. The volcanic ash saga will undoubtedly impact on current economic activity although this should be a temporary setback that is made up for once the clouds disperse.

Whilst GDP growth remains sluggish the same can't be said for inflation, which refuses to lie down. It has just been announced that this has risen to 3.4% in March from 3.0% in April (it was 3.5% in January). The Governor of the Bank of England will once again be getting his writing paper out but this time he may well point at the Chancellor and blame the rise of VAT (this reverted to 17.5% at the beginning of January).

But economic confidence has improved and this seems to be reflected in housebuyer activity. After a winter fall back in prices they appear to be rebounding quite strongly. The latest Rightmove (House Price Index, April) data reports a 2.6% monthly increase for April. This is a big figure. The rise is in asking prices so it may say more about renewed optimism from vendors than it does about genuine demand.

Mortgage lending figures support the case for the strengthening activity over recent weeks. Council of Mortgage Lenders (CML) figures show a 24% rise in mortgage lending for March. However affordability remains poor for first time buyers and the best mortgage deals are available at loan to value ratios of 75%. With average house prices of £165,000 this implies that first time buyers require a £40,000 plus deposit. In many parts of the country it will be much higher still.

Rightmove has also reported that supply coming to the market continues to increase and this gives buyers more choice. This should help buyers to play a stronger hand in their price negotiations and potentially reduce the pace of price increases. Nevertheless supply remains relatively thin compared to a few years ago.

Election uncertainty will hold back some buyers for the next few weeks. The Liberal Democrats current standing in the polls, following Nick Clegg's triumphant TV performance, has upset the Conservative apple cart and has made a hung Parliament more likely. Political uncertainty equates to economic uncertainty particularly if there are any doubts about tackling the UK's public deficit; sterling's recent strengthening may be quickly reversed. But at the moment confidence appears to be relatively robust and amongst businesses may, if anything, be strengthening. It will be interesting to see how this translates into housing market activity in the next quarter.

If you are in the market buying, our feature article this quarter is a timely reminder (if you need it) that the value of your house can be affected by its physical condition. Keith Agar, a Chartered Surveyor who heads undergraduate and postgraduate real estate courses at NTU has extensive experience prior to that of undertaking residential valuations. He says "the best way to reach an informed decision on such an important investment as a home is to have a professional survey or valuation". Given that it is surprising that many buyers still do not do this and they rely solely on the mortgage valuation report that their lenders call for. This can lead to some nasty surprises if the need for expensive repair work is later discovered.

Spring traditionally sees a bounce in the housing market and if anything that bounce is looking strong this year. This may be a rebound effect from the lack of activity during the cold snap. But as Dean Garratt warns monthly house price data can be very volatile particularly in 'thin' markets.

Residential Surveys and Valuations

Keith Agar, BSc(Hons) MRICS, who heads undergraduate and postgraduate Real Estate courses at Nottingham Trent University, is a Chartered Surveyor who previously ran his own residential practice and consulted for some of the largest firms of residential surveyors in the UK. He explains the differences between the various levels of survey inspection and gives some useful advice to purchasers who may be about to commission them.

The best way to reach an informed decision on such an important investment as a home is to have a professional survey and valuation of the property which interests you, in which case you need somebody who is a fully qualified member of the Royal Institution of Chartered Surveyors who uses the letters MRICS or FRICS after their name. Before you decide to go ahead and commit yourself to the purchase legally, you can minimise the risks by asking a Chartered Surveyor to answer these questions for you:

- Is the agreed price reasonable?
- Are there drawbacks I don't know about?
- If so, what do I need to do about them?

Commissioning your own survey is the simple, economical way to avoid unpleasant, and perhaps costly, surprises after moving in. In some cases, the surveyor's report may enable you to renegotiate the price.

What if I already have a Mortgage Valuation Report?

Even if you are seeking a mortgage, and may be paying for a Mortgage Valuation Report, it is still advisable and prudent to arrange a survey by your own surveyor. The Consumers' Association Which? Magazine and the Council of Mortgage Lenders both give this advice.

The reason is simple: the Mortgage Valuation Report is prepared for the lender, not for you: the borrower. It answers only the lender's questions concerning the appropriate security for your loan. You cannot rely on it to answer the questions which concern your personal interests. A Mortgage Valuation Inspection and Report is not as detailed as a survey and does not address the full range of issues and liabilities which could affect you as a home owner.

What choice of surveys do I have?

RICS members offer two forms of survey which are specifically designed to help homebuyers:

A Building Survey (formerly called a structural survey)

A Building Survey is suitable for all residential properties and provides a full picture of their construction and condition. It is likely to be needed if the property is, for example, of unusual construction, is dilapidated or has been extensively altered, or where a major conversion or renovation is planned. It is usually tailored to the client's individual requirements. The report includes extensive technical information on construction and materials as well as details of the whole range of defects, major to minor.

The Homebuyer Service

By contrast, The Homebuyer Service is in a standard format and is designed specifically as an economy service. It therefore differs materially from a Building Survey in three major respects:

- It is intended only for particular types of home: houses, flats and bungalows which are conventional in type and construction and apparently in reasonable condition
- It focuses on essentials: defects and problems which are urgent or significant and thus have an effect on the value of the property, although it also includes a great deal of other valuable information.
- It includes a valuation as standard: the Homebuyer Service, unlike a Building Survey, provides not only a survey but also a valuation as an integral part of the service.

The main features of the Homebuyer Service are compared below with those of a Building Survey:

Table 1: Comparing Homebuyer Service and Building Survey		
	Homebuyer service	Building survey
Type of property	Conventional houses, flats and bungalows, etc., in apparently reasonable condition	Any residential or other property, in any condition
Type of service	Economy package in standard form	Custom-made to client's individual needs
Objects of service	To assist client to: (i) make an informed judgement on whether or not to proceed; (ii) decide whether or not property is a reasonable purchase at agreed price; and (iii) assess urgent and significant matters before exchanging contracts	To provide client with (i) assessment of construction / condition of property; and (ii) technical advice on problems and on remedial works
Special features	Focus on urgent and significant matters	Details of construction / materials / defects
Valuation	Integral part of Homebuyer Service	Provided as agreed extra
Depth	Compact, fixed RICS report format	Usually much longer report in surveyor's bespoke format

Could my lenders mortgage valuer provide a Survey Report for me as well?

Chartered Surveyors are usually able to undertake mortgage valuations in tandem with either of the more detailed reports and your lender should be able to arrange this in conjunction with their valuation for an additional fee.

I would prefer to use a Chartered Surveyor who is independent from my lender. Where can I find one?

Chartered Surveyors are listed in the usual telephone directories, but you can also visit the RICS website which has a tool to 'find a Surveyor' on their website.

There are also some 'price comparison' type websites which you can use to obtain competitive quotes such as local surveyors direct. These sites require you to enter a range of basic details which are then forwarded to several local surveyors who then respond with their competitive price.

There is much to be said for commissioning a locally based surveyor who will have a better understanding of the local property market and any factors which may influence the property (for example, that a particular row of houses has been affected by drainage subsidence, or that the a new dual carriageway is likely to be built nearby).

I am a seller – is there anything I can do to support my sale price?

Evidence is everything in valuation, so sellers are advised to keep copies of any estate agents brochures for houses which are on the market locally and use the excellent website OurProperty to record any relevant transactions. You can do this even if your property is not on the market since you never know when this information might come in handy! Just remember, whilst the valuer will be happy to discuss any comparable evidence which you can provide, he or she will usually wish to avoid debating the valuation with you and is unlikely to finalise the valuation figure 'on the spot'. The surveyor will only make a decision on the valuation after gathering their own comparable evidence and reflecting upon all issues which have been uncovered during the inspection and this is usually done back at the office.

Is a valuation always necessary for a secured loan?

In cases of loans with a low 'LTV' (Loan to Value ratio) the lender may be happy to accept a more simple (and cheaper) assessment known as a 'drive by valuation'. In a nutshell, the lender will want to know that the proposed security actually exists, that it is likely to meet their lending policy criteria and that the value is sufficient to facilitate the loan. The valuer is simply asked to view the property from the road and have regard to basic information which is supplied by the lender (such as the number of bedrooms or whether the property has central heating). The valuer will quickly establish whether there are any issues which are likely to affect value, such as the property being of pre-fabricated construction, any obvious signs of subsidence or high voltage power lines passing overhead. Any such issues will be briefly flagged up in a short report which will enable the lender to decide whether to commission a more detailed inspection. The valuer will then

check for recent sales of similar properties in the immediate area and speak to any agents marketing nearby comparable properties, before forming an opinion of value based on the visible elements of the property. Such reports are usually turned around to the lender within three days from the date of instruction.

What actually happens during a mortgage valuation inspection?

A typical inspection takes around 45 minutes and is carried out both internally and externally. The exterior of the property is measured to help in the calculation of re-building cost for insurance purposes. The valuer may wish to open fitted cupboards and will carry out a 'head and shoulders' inspection of the main roof void from the loft hatch, but the void is not actually entered. The existence of services are noted, but they are not inspected. The surveyor may use a damp meter to check for rising damp and will look for any signs of structural instability.

Thankfully, most properties have only minor issues which would not hinder the mortgage advance, however in some cases the valuer may advise the lender to commission a more detailed survey inspection, or to hold back part of the loan until certain remedial works are completed (which is known as a 'retention'). Typical problems might relate to structural issues, rising or penetrating damp, wood decay and infestation, close proximity of trees, general deterioration, but certain other issues may prevent the mortgage altogether, such as a two-storey single skin elevation, timber framed construction older than 45 years, or recent mining activity in close proximity. The valuer is expected to know the lending criteria for each bank, each of whom provide a thick policy document of what they consider to be an acceptable mortgage security. For example, some lenders refuse steel framed houses whilst others will view them as adequate security, all of which is detailed in their policy documents.

As with all valuations, comparable evidence of sales would be gathered, especially as many report forms require details of at least three similar transactions in close proximity. Whilst gathering sufficient evidence can be very straightforward in suburbia, it can be problematic in rural areas or for unusual properties. In such cases, the valuer has to use skill and market experience to judge the value of the subject property.

What happens during a homebuyer service inspection?

These reports are commissioned by purchasers and the emphasis is quite different, looking at the property from an occupational point of view rather than from that of the lender. The inspection is more thorough, let's say 2½ to 3 hours for a typical three bedroom detached house and the surveyor is expected to cover all visible surfaces of the property, including an inspection of any accessible roof voids.

Whilst the Homebuyer format has been in existence since the 1970's, the RICS have recently re-designed the format to provide clearer and more concise information about the condition of a property, reflecting the changes in the home buying and selling process. It is designed to assist the purchaser in their decision by reporting on a property's condition, value, need for repairs and replacements, and what further advice is required before exchanging contracts.

Properties receive colour-coded condition ratings, based on the surveyor's professional judgment on the state of repair of elements of the building. A green rating indicates no repairs are necessary, whilst red points to serious defects that require urgent attention, making the assessment more straightforward for the buyer.

The Homebuyer Service also highlights issues which will be of relevance to legal advisors, which is very important since the Conveyancer will not normally visit the property. The surveyor will identify risks and hazards which affect the property, such as structural movement, damp and timber defects and finally provide an opinion of the current market value having regard to those issues, and an insurance reinstatement assessment.

The Homebuyer Report does however have limitations, it is a budget report which is designed to cater for traditionally built dwellings built after 1900. Anything which is not traditionally built, older or particularly large would usually require a more bespoke Building Survey Report. So don't expect a surveyor to provide this service for a Listed thatched cottage with a fourteenth century crooked frame!

What happens during a building survey inspection?

Building Survey Reports are usually more detailed than Homebuyer Reports and based on a more extensive inspection. The level of service is by agreement with the client and the

fee may be substantially higher than for the budget Homebuyer format. Unlike the Homebuyer format, the surveyor may decide to move furniture, lift floorboards, unscrew hatches and take samples for analysis. The surveyor may decide to monitor structural movement over a period of months. Take for example roof trusses, whereas with a Homebuyer Report it might be sufficient for the surveyor to inspect a sample of trusses and comment on their overall condition, with a Building Survey the surveyor needs to ensure that each are inspected in detail as far as practicable.

In essence, it is the surveyor's role to identify and quantify any dilapidations, usually taking a holistic view of the whole property. This is fundamentally different from the role of a structural engineer, whose role is primarily to design and oversee repairs, often only having regard to a specific problem area. As such, in certain cases the surveyor may call for an additional report by a structural engineer which will often include an indication of the likely cost of repair.

Building Survey Reports do not usually include valuations, although valuation reports can be provided separately if required.

Summary

Valuing and surveying houses is a professional skill which needs to be left to an experienced Chartered Surveyor. Only a professionally qualified member of the RICS has the skill to give the property a thorough health check and express the condition in terms of value. Further information about the services of Chartered Surveyors can be found on the Royal Institution of Chartered Surveyors website, or by telephoning their enquiry line on +44 (0)870 333 1600.

Prices

Table 1: House prices and monthly and annual rates of house price inflation
Source: HBOS (Lloyds Banking Group) and Nationwide Building Society.

	Price	March 2010		February 2010		January 2010		December 2009		15 year average	
		Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual
HBOS	£167,808	1.1%	6.8%	-1.6%	4.3%	0.4%	3.6%	0.8%	5.6%	0.6%	7.0%
Nationwide	£164,519	0.4%	9.0%	-0.8%	9.2%	1.4%	8.6%	0.5%	5.9%	0.7%	8.2%

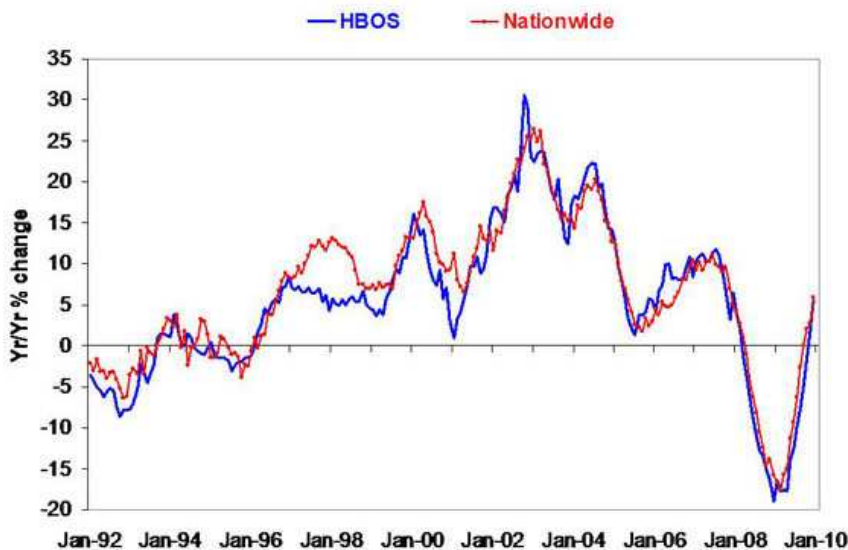
Better than last year, but demand-supply imbalances create volatility

Over the last few months commentators have got a tad excited by the short-term movements in house prices! Consequently, headlines have tended to be especially focused on month-to-month changes in house prices and the uncertainty about the future direction of prices. For instance, February saw both the Nationwide and the Halifax report house price falls and this led to some rather alarmist headlines. In truth, in what continues to a relatively 'thin' market, we can expect to experience volatility in prices. Furthermore, house prices movements will be sensitive to even small changes in the relative number of instructions to buy (housing demand) compared with the number of instructions to sell (housing supply).

Looking back, it does appear that the autumn of 2009 saw a strengthening of housing demand which was not matched by supply. Demand was buoyed partly by a number of relatively cash-rich buyers, on the back of low interest rates, looking to trade-up, but also by the Stamp Duty holiday which finished at the end of last year. The Stamp Duty holiday meant that no tax was liable on purchases of up to £175,000 rather than £125,000. The temporary nature of the increase in the Stamp Duty created demand pressures in the run-up to its cessation which resulted in rising house prices.

Some of the demand pressures seem to have eased a little in the first few months of this year with a greater balance between the number of instructions to buy and the number of instructions to sell. Nonetheless, the autumnal bounce in house prices means that the annual rate of house price inflation across the UK is currently running at between 7% and 9%.

Chart 1: HBOS and Nationwide annual rates of house price inflation



Source: Based on data from HBOS (Lloyds Banking Group) and Nationwide Building Society

Evidence suggests that it has been in the South and East of England where the biggest rebound in house prices has occurred. The Nationwide reports the annual rate of house price inflation in Q1 2010 running at 15.7% in London, 12.2% in the Outer Metropolitan area of the South East, 12.9% in the Outer South East and 12.5% in East Anglia. Only one area of the UK had a negative annual rate of house price inflation in Q1; this was Northern Ireland where house prices were 3% lower year-on-year.

East Midland cities

Source: HM Land Registry

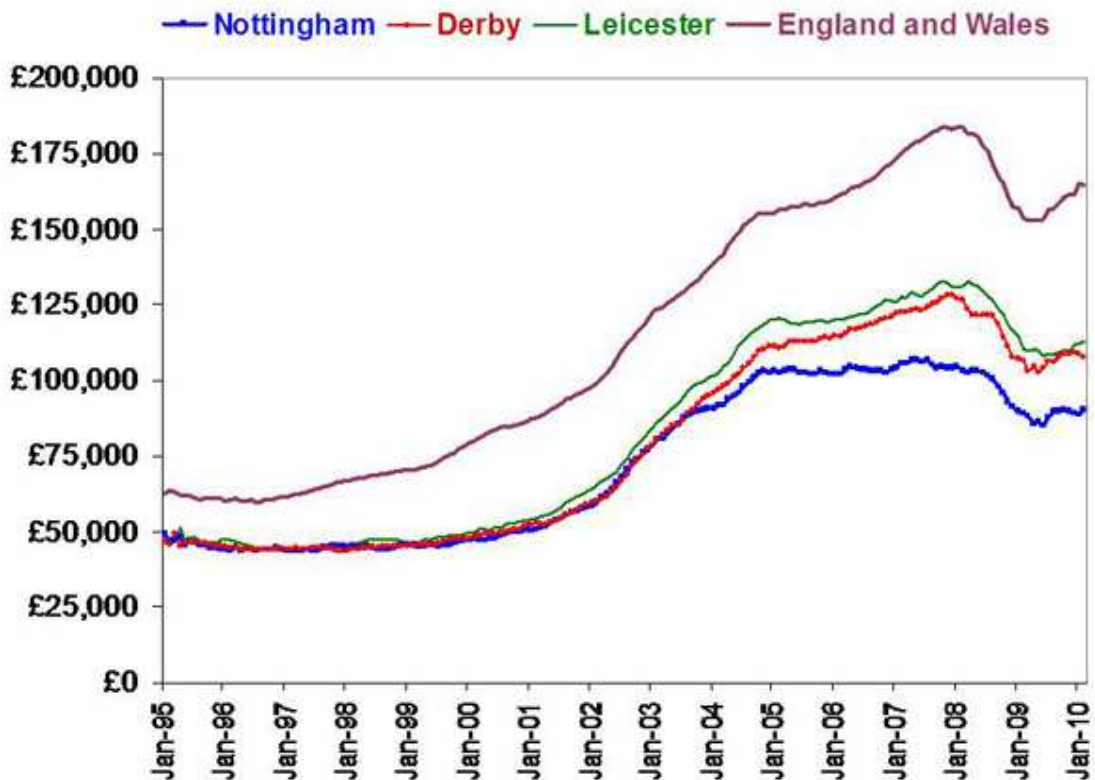
	Nottingham			Derby			Leicester			England and Wales		
	Price (£)	M/M (%)	Yr/Yr (%)	Price (£)	M/M (%)	Yr/Yr (%)	Price (£)	M/M (%)	Yr/Yr (%)	Price (£)	M/M (%)	Yr/Yr (%)
September 2009	89,522	-0.4	-8.5	107,882	1.9	-9.0	109,153	0.3	-11.8	158,668	0.3	-5.2
October 2009	90,185	0.7	-5.7	108,741	0.8	-4.7	109,905	0.7	-10.1	160,412	1.0	-2.8
November 2009	89,824	-0.4	-3.3	109,776	0.0	-2.4	109,920	0.0	-7.2	161,578	1.1	0.4
December 2009	89,151	-0.7	-2.5	109,160	0.4	1.4	111,868	1.8	-4.0	161,644	0.7	2.8
January 2010	88,974	-0.2	-1.0	108,703	0.4	1.6	112,367	0.4	-2.0	165,006	0.0	5.3
February 2010	90,335	1.6	-1.2	107,921	0.7	1.2	112,874	0.5	2.3	164,455	2.1	7.0
One yr avg		0.1	-9.1		0.1	-8.2		0.2	-10.7		0.6	-6.1
Ten yr avg		0.5	7.4		0.7	9.3		0.5	9.3		0.6	8.2

Positive territory for house price inflation in 'the three cities'

According to the Land Registry, of the three cities in the East Midlands triangle, only Derby ended with house prices higher. In Derby house prices were up by 1.4% in December 2009 on a year earlier, while, in contrast, Leicester and Nottingham finished with prices 4% and 2.5% lower respectively. But, as of February 2010 each of the three cities was experiencing positive rates of house price inflation.

Nonetheless, the Land Registry numbers show the annual rates of house price inflation in the three cities lagging behind the rate for England and Wales as a whole. In the seven months from September 2009, when nationally we saw the beginning of the autumnal bounce in house prices, Leicester has seen house prices rise each month, Derby in five of these months, while in Nottingham the picture is rather more erratic with increases in only two months.

Chart 2: East Midlands house prices



Source: Land Registry

Rightmove asking price

Table 3: Rightmove asking price and rates of change											
	April 2010		March 2010		February 2010		Average over last six months		Average since August 2003		
Price	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	
235,512	2.6%	6.0%	0.1%	5.3%	2.8%	0.2%	0.4%	4.1%	0.4%	5.7%	

Table 4: Difference between asking price and nationwide price at mortgage approval stage				
March 2010	February 2010	January 2010	Average over last six months	Average since August 2003
39.6%	42.2%	36.0%	39.3%	31.5%

Source: Rightmove and Nationwide Building Society

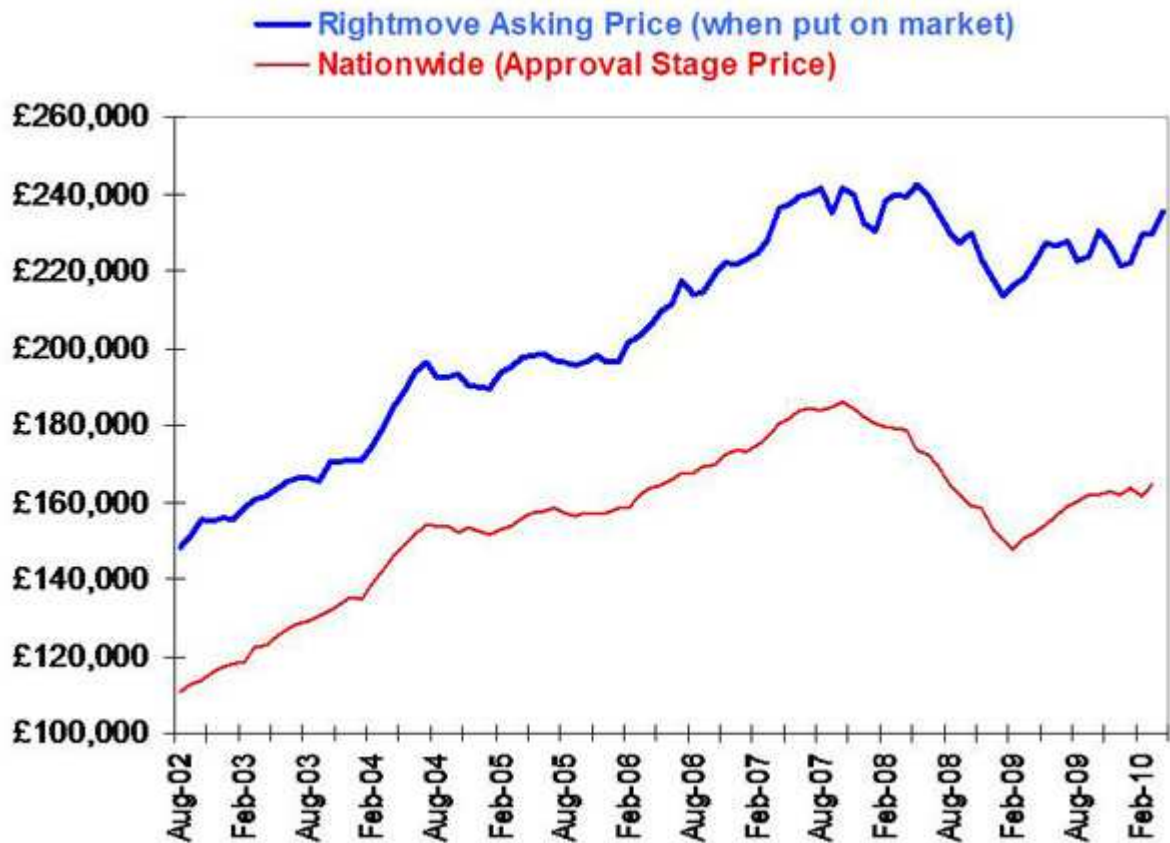
Asking price stagnates as suppliers come in from the cold!

The patterns in the Rightmove Price Index, which records the asking price for new instructions to sell, mirror very closely those in the agreed selling price for properties. In other words, the asking price is up over the year – in this case by 6% - but monthly movements are subject to variation. March, for instance, saw the asking price increase by only 0.1%, the lowest March-increase reported by Rightmove since it series began in 2002, while the price increased in April by 2.6% which is above the average April increase of 1.7%.

Rightmove have reported a significant upturn in the number of instructions to sell over the past few months. In part, this has been driven by an improvement in the weather. But, more generally, it is also likely to have been the result of a modest improvement in sentiment amongst sellers. Consequently, according to Rightmove,

March saw the highest amount of new supply for some 18 months, with the number of instructions to sell up by one-third on March of last year. Again, this points to a greater balance between demand and supply than was the case in the latter part of 2009 and even the possibility that supply will begin to outstrip demand, at least in the short term. But, as we said at the outset, activity levels remain 'thin' by historic standards, so monthly house price movements are likely to remain sensitive to relatively small changes in demand or supply conditions.

Chart 3: Rightmove asking price and nationwide house price



Affordability of house prices

Table 1: House prices, advances and deposits relative to borrowers' incomes

	Existing Owner Occupiers			First Time Buyers			All buyers		
	House price to income	Advance to income	Deposit to income	House price to income	Advance to income	Deposit to income	House price to income	Advance to income	Deposit to income
2008 Q1	4.4	2.7	1.7	3.9	3.1	0.8	4.2	2.8	1.4
2008 Q2	4.3	2.6	1.6	3.9	3.1	0.8	4.2	2.8	1.4
2008 Q3	4.2	2.5	1.7	4.0	2.9	1.1	4.2	2.6	1.6
2008 Q4	4.2	2.4	1.8	3.9	2.8	1.1	4.1	2.5	1.6
2009 Q1	4.2	2.4	1.8	3.9	2.8	1.2	4.1	2.5	1.6
2009 Q2	4.1	2.4	1.7	4.0	2.8	1.2	4.1	2.5	1.6
2009 Q3	4.3	2.5	1.8	4.1	2.8	1.3	4.3	2.6	1.7
2009 Q4	4.3	2.5	1.8	4.1	2.8	1.3	4.3	2.6	1.7
One year average	4.2	2.4	1.8	4.0	2.8	1.2	4.2	2.5	1.6
Five year average	4.3	2.6	1.7	3.9	3.0	0.9	4.2	2.7	1.5
Ten year average	4.1	2.5	1.6	3.6	2.8	0.8	3.9	2.6	1.4
15 year average	3.8	2.3	1.4	3.3	2.6	0.7	3.6	2.4	1.2

Source: Based on data from the Department of Communities and Local Government

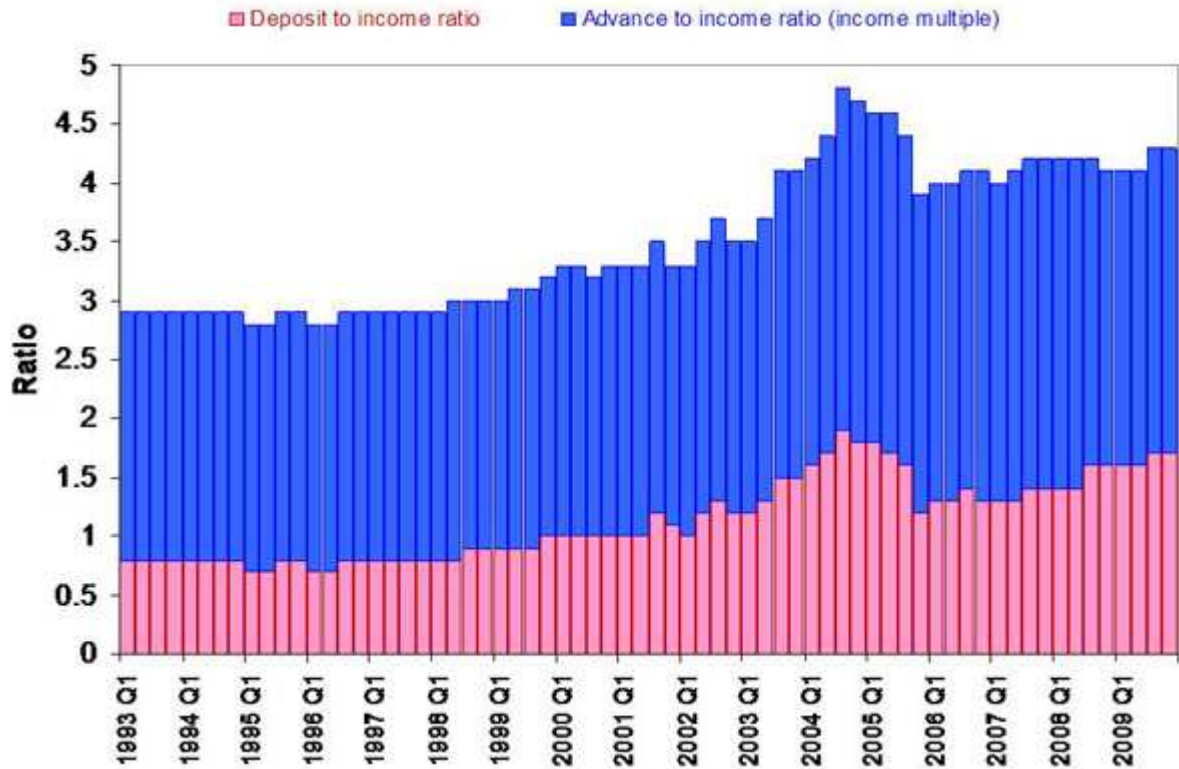
Deposit hurdle stands tall

There are no signs, as yet, of any decrease in the size of the deposit hurdle facing buyers. Consequently, the attainability of housing remains relatively poor. The average UK household purchasing property at the end of 2009 needed a deposit equivalent to 1.7 times their annual gross income. This deposit figure was slightly up on the 1.6 times incomes needed at the start of the year. To put the current size of the deposit hurdle into perspective we need only compare it with its average of 1.2 times income over the past 15 years.

The deposit hurdle facing first-time buyers is also historically high such that the falls in prices in 2008 and in the first half of 2009 have been more than offset by the tightening of lenders' credit criteria. A first-time buyer household now needs a deposit equivalent to 1.3 times annual gross income, almost double the 0.7 times income seen over the past 15 years.

The house price to income ratio remains stubbornly high at 4.3 compared with 3.6 over the past 15 years as a whole. In London the average house price was 4.6 times household income at the end of last year and the average household needed a deposit some 1.9 times income. Conditions are especially tough in the capital for first-time buyers who need a deposit of 1.6 times income.

Chart 1: Income multiple and deposit to income Ratio (All buyers)



Source: Based on data from Communities and Local Government



Our verdict on house price affordability: RED

Strict lending criteria and high house prices relative to incomes mean that house price affordability remains poor. Conditions are especially tough in the south of England and, in particular, for first-time buyers.

Affordability of mortgage repayments

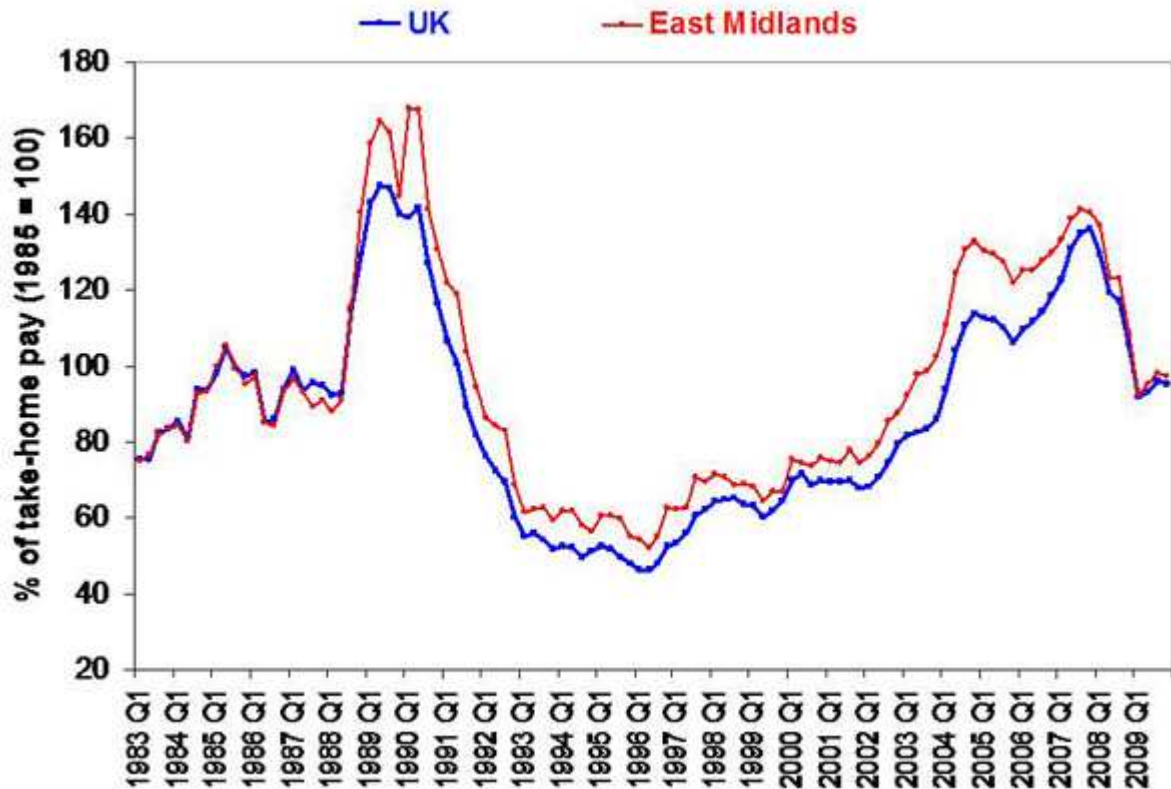
Table 2: Repayments as a percentage of full-time adult earnings		
	Mortgage payments for first-time buyer as % of take-home pay of full-time worker (1985 = 100)	Properties taken in possession in quarter
Q1 2008	129.3	8,500
Q2 2008	119.1	10,000
Q3 2008	117.3	11,300
Q4 2008	105.6	10,400
Q1 2009	91.8	12,700
Q2 2009	93.1	11,400
Q3 2009	95.9	11,700
Q4 2009	95.1	10,200
1 year average	94.0	11,500
2 year average	105.9	10,775

Source: HBOS (Lloyds Banking Group) and Council of Mortgage Lenders

Debt-servicing rises during autumnal house price bounce

An important measure of the sustainability of housing investment is the proportion of income that households need to set aside for servicing the mortgage (interest and capital payments). The Nationwide's first-time buyer affordability index, which measures such debt-servicing costs, suggests that repayment affordability in 2009 was at its best since 2003. However, there was some deterioration in the third quarter of 2009, corresponding with the autumnal rebound in house prices, before a very slight improvement in the final quarter.

Chart 2: Mortgage repayments as a percentage of disposable earnings



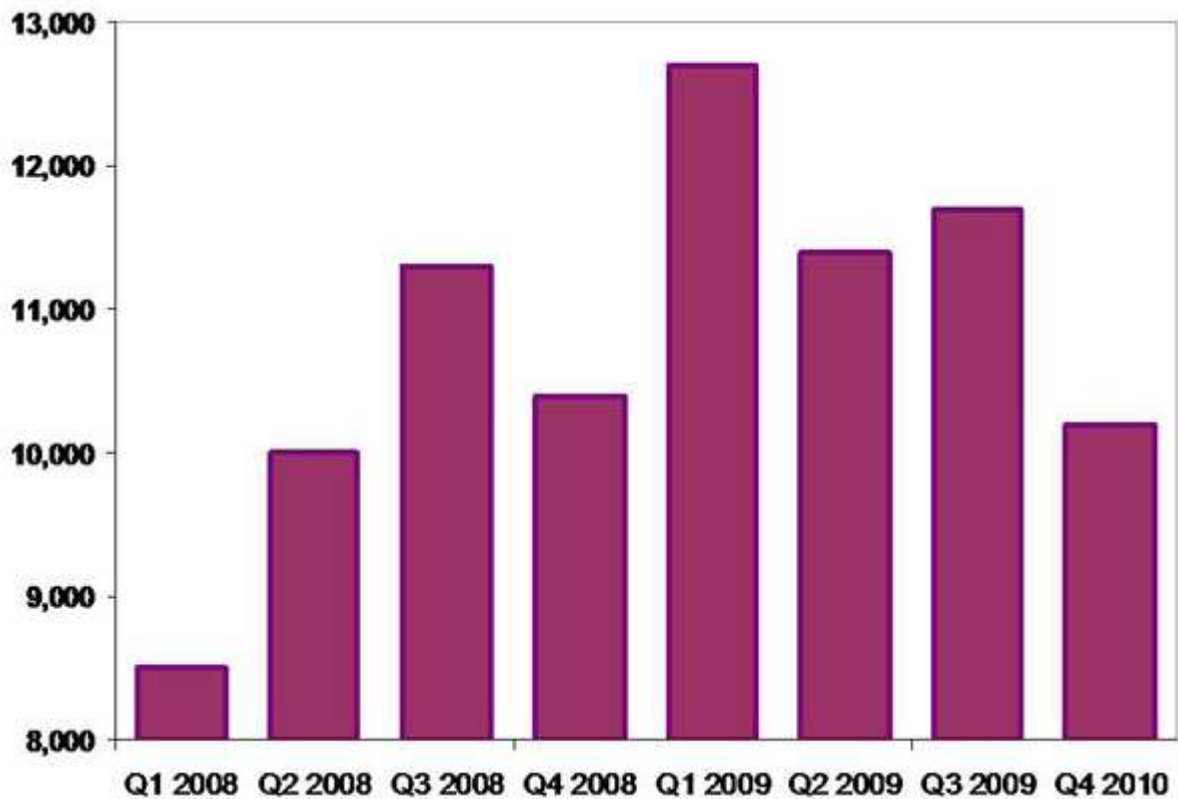
Source: HBOS (Lloyds Banking Group)

Fall in possessions surprises forecasters

Forecasting is a notoriously difficult job, but, some times it's nice to be wrong and this is surely true for those at the Council of Mortgage Lenders who were charged with forecasting repossessions for 2009! The CML twice revised down their forecast for the number of properties to be taken into possession last year. In part, this can be attributed to unemployment levels not rising quite as much as many had feared and, of course, to the continuation of relatively low mortgage rates. The result was that the total number of possessions last year was 46,000 considerably less than the 75,000 the CML had forecast at the start of 2009.

Across 2009, there were 24,100 possessions in the first half of the year and 21,900 in the second half of the year. The hope, therefore, is that the rate at which properties are taken into possession has now peaked. However, one needs to guard against becoming too optimistic on the back of the possession numbers. Firstly, the true state of many households' financial position can take time to become clear, particularly if some households hit by the economic downturn have, in the short-term, been able to muddle through. Secondly, the outlook for the economy and for the household sector's financial position remains fragile.

Chart 3: UK properties repossessed



Source: Council of Mortgage Lenders



Our verdict on mortgage repayment affordability: AMBER

As we had said on several occasions of late, low interest rates are helping to keep the lid on debt-servicing costs even though last autumn's house price rebound seems to have adversely impacted on mortgage repayment affordability. But, the uncertainties remain, not least the fragility of economic growth. Therefore, households should continue to remain cautious when contemplating house purchasers.

Mortgage Lending

Net lending and debt outstanding

Table 2: Net lending and debt outstanding (seasonally adjusted)

Source: Bank of England

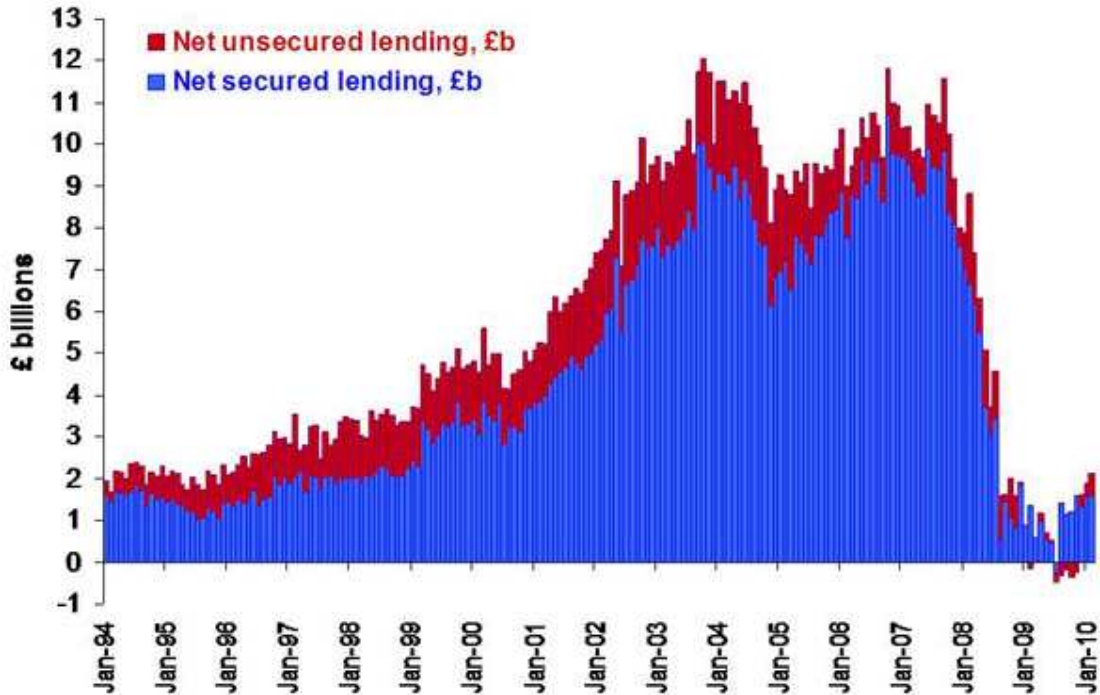
	Secured on dwellings			Consumer credit			Total Lending		
	Net lending £m		Annual growth in debt stock, %	Net lending £m		Annual growth in debt stock, %	Net lending £m		Annual growth in debt stock, %
	Total in month	Three month total		Total in month	Three month total		Total in month	Three month total	
September 2009	1,142	17.9	0.7	-303	-755	-3.2	723	1,579	0.1
October 2009	1,195	464.2	0.6	-591	-847	-2.5	508	2,919	0.2
November 2009	1,584	146.1	0.6	-376	-773	-2.7	1,083	3,148	0.1
December 2009	1,300	146.1	0.6	-376	-289	-2.7	1,083	3,790	0.2
January 2010	1,536	-44.7	1.2	22	421	-3.4	405	4,841	0.3
February 2010	1,586	-81.0	0.8	-333	1,192	-3.4	-581	5,614	0.3
Six month average	1,391	78.4	1.4	-325	-175	-3.0	515	3,649	0.2
One year average	1,005	38.2	2.5	-97	-59	-1.8	854	2,859	0.6
Ten year average	6,112	2.9	10.1	1,371	4,072	7.1	7,518	22,447	9.4
Debt stock, £b	1,237.5			225.4			1,462.9		

Small steps for net lending

Net lending – gross lending less repayments - secured against property increased slightly in both the first two months of 2010 to edge back above £1½ billion. Over the three months to February the total amount of net secured lending was £4.4 billion. This sum compares more than favourably with the historic low of just £739 million in the three months to July 2009, when housing market activity was especially weak, but less so with the average three-month sum over the last ten years of some £18.4 billion.

In other words, despite the recovery from last summer's low, net secured lending over the past three months is still only one-fifth of the typical level seen over the past ten years. As we have said before, it does seem that we have got to get ourselves accustomed to new norms so far as the various measures of housing market activity are concerned.

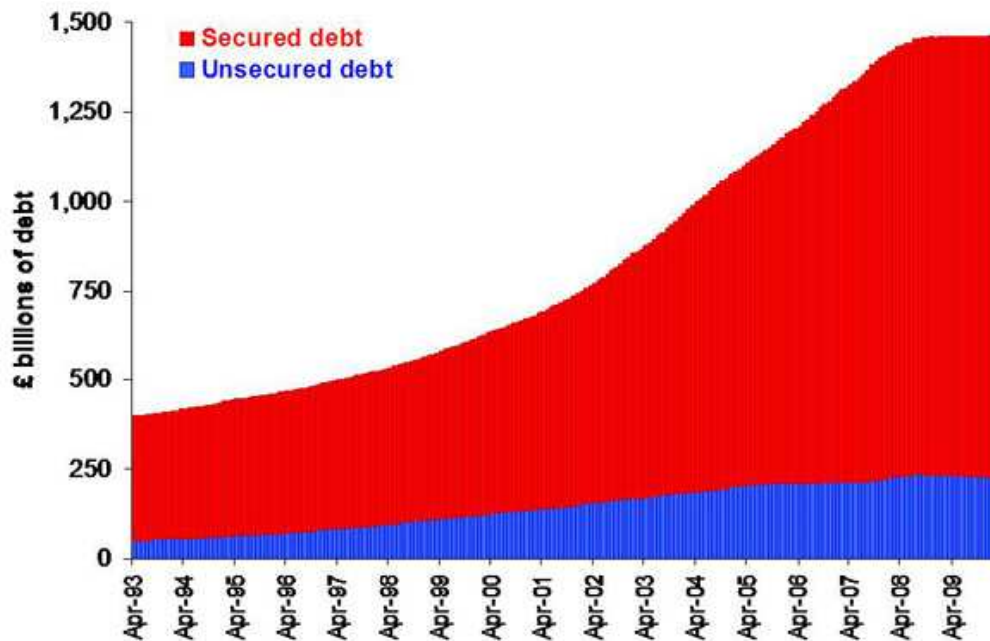
Chart 1: Net lending (gross lending less repayments)



Source: Based on data from the Bank of England

In contrast, the flows of unsecured net lending have increased a little more significantly in the early part of 2010. Indeed, during seven months of 2009 consumer credit was actually repaid and so unsecured net lending levels were negative. In the three months to February the amount of new consumer credit was just short of £1.2 billion. Despite this, the writing-off of unsecured debts, such as outstanding credit debts and personal loans, is resulting in the stock of unsecured debt continuing to fall month-on-month. In the 12 months to February the household sector's stock of unsecured debt fell by £7.9 billion or by 3.4%, while the stock of debt secured against property increased by £4.0 billion or by 1%.

Chart 2: Stocks of debt outstanding



Approvals for house purchase

Table 1: Approvals for house purchase (Seasonally adjusted)							
		Value			Number		
		£ m	3m/3m	3m/yr	No.	3m/3m	3m/yr
2009	September	7,559	20.6	75.7	55,495	12.8	64.4
	October	7,925	15.1	87.5	56,751	10.1	70
	November	8,089	12.3	110.5	59,514	10.1	87.8
	December	7,995	9.6	126.0	58,253	8.4	93.1
2010	January	6,557	-0.4	109.7	48,099	0.6	79.8
	February	6,335	-11.4	67.0	47,094	-10.7	45.2
Six month average		7,410	7.6	96.1	54,201	5.2	73.4
One year average		6,837	19.8	45.5	51,281	15.1	37.6
Ten year average		10,225	2.5	13.0	94,443	-0.5	-1.8

Source: Bank of England

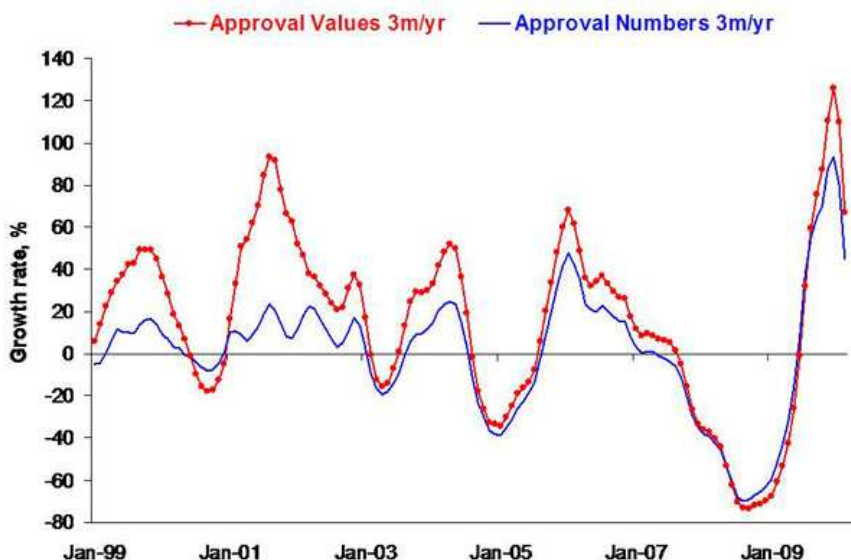
Approval numbers indicate an easing in housing demand

While new secured borrowing numbers have ticked up, the latest approval figures suggest that this might be relatively short-lived. The Bank of England's figures show the number of mortgage approvals for house purchase, after seasonal adjustment, falling from 48,099 in January to 47,094 in February. This was the third consecutive monthly fall in the number of mortgage approvals and the lowest number since the 46,551 recorded back in May 2009.

In the three months to February there were 153,446 approvals worth £20.89 billion. Compared with the same period a year earlier, the number of approvals is up 45.2%, while the value of approvals is 30.8% higher. But, it is short-term growth or, more accurately, the lack of it which is worrying commentators with signs that the autumnal recovery in housing market activity could be petering out. Approval numbers in the three months to February are down 10.7% on the previous three months, while the value of approvals is down 11.4%. These numbers do appear to show housing demand weakening again.

If we take a slightly longer-term perspective it is apparent just how low, by historic standards, current activity levels are. Over the past ten years the average number of mortgage approvals for house purchase each month has been 94,443, more than double the number reported for February.

Chart 3: Growth rates of approvals for house purchase



Source: Bank of England

Activity

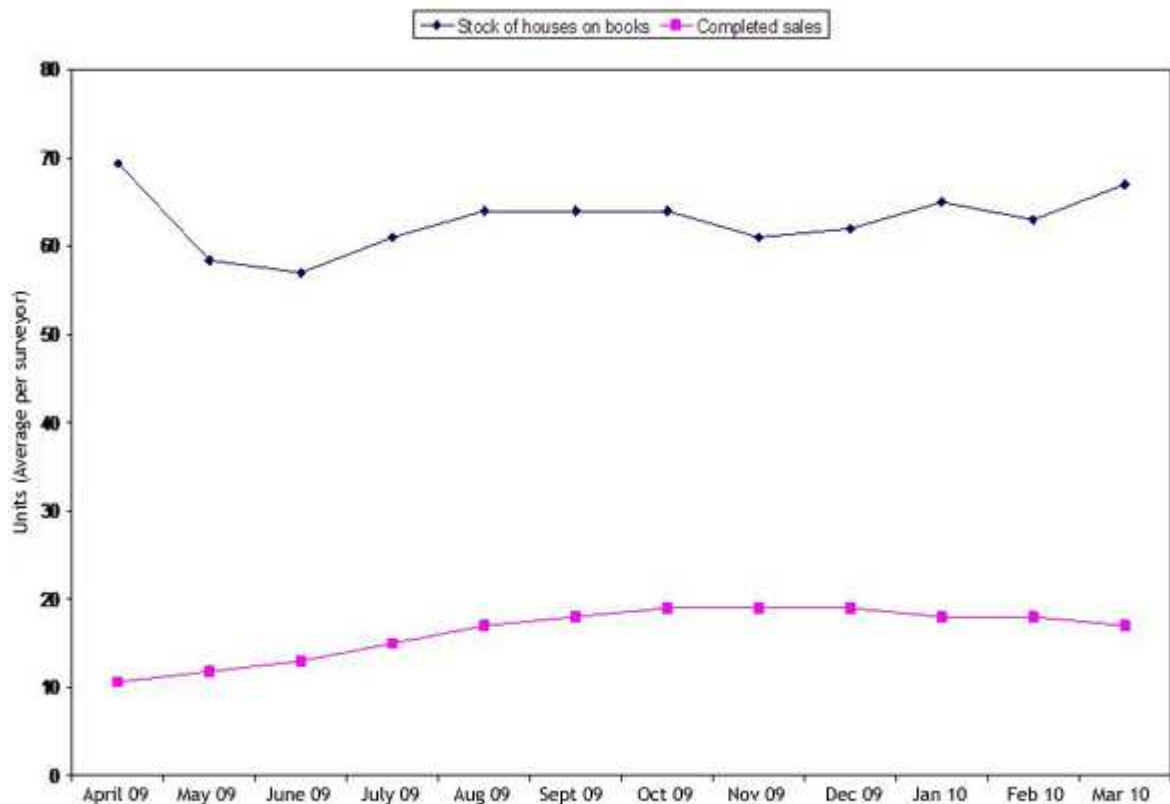
,More choice for buyers

The snow has gone and spring is in the air. However, the prolonged cold spell probably deterred many buyers and sellers in January and February and therefore perhaps not surprisingly stock levels have significantly risen during March.

RICS (Housing Market Survey, March 2010) reports a 6% monthly rise for March in the stock of property on surveyors' books. This was the highest monthly rise for over two years. This was accompanied by a monthly fall (2.8%) in sales and hence the RICS' sale to stock ratio fell to 25.5% (from 27.8% in February).

This increase in the sales to stock ratio can be picked up in Chart 1 and is illustrated by the two lines spreading further apart. The ratio was higher in July 2009 but then decreased as market activity strengthened.

Chart 1: Stocks and sales



Source: RICS Housing Market Survey

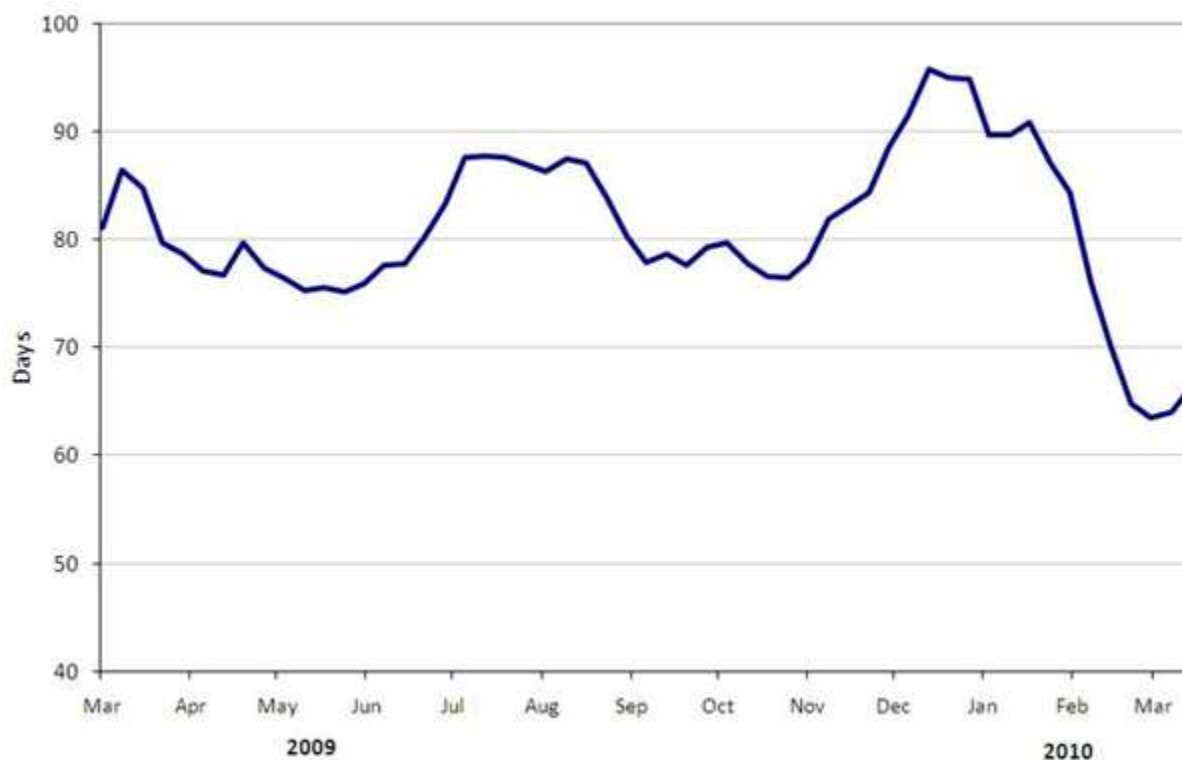
The more recent increase reflects more sluggish sales over the winter months and into March as Table 1 shows. The traditional spring buying bounce may not materialise this year. In the immediate short-term it is quite possible that buyers will continue to hold off during a period of election and economic uncertainty.

Table 1: Stocks, sales and time on market			
		Stock of houses on books (average per surveyor)	Completed sales (average per surveyor)
2010	March	67	17
	February	63	18
	January	65	18
2009	December	62	19
	November	61	19
	October	64	19
	September	64	18
	August	64	17
	July	61	15
	June	57	13
	May	58.4	11.8
	April	69.4	10.6

Source: RICS Housing Market Survey

The rise in stock levels in surveyors and estate agents windows, although relatively modest, does give more choice to buyers. This should strengthen their ability to trade-off potential purchases against each other and negotiate more strongly on price.

Chart 2: Time on market indicator



Source: Rightmove

A different picture is painted by Rightmove data (see Chart 2). Their 'time on the market' indicator fell substantially in January and February. The biggest fall was in February with the average number of days on the market decreasing from 84 to 63. They report that this has more to do with the continued dearth of supply than it does with property being snapped up as soon as it comes on the market. This indicator has now recorded slightly and stands at 71 days. Their figures support the increased stock

reported in the RICS survey. Rightmove report a 17.5% increase in the number of properties coming onto the market in March. This is a large monthly rise but overall stock levels are 26% lower levels prior to the financial crisis.

Wait and see.....

The market is finely poised at the moment and a clear pattern may not emerge until election uncertainties are resolved. There is now more choice for buyers. Following a steady bounce back in prices in the latter half of 2009 the annual rate of increase fell back during the winter. Once the election is out of the way, there may be an uplift in activity as buyers decide to take the plunge encouraged by hopefully improving (albeit still probably subdued) economic performance. If that is the case they should have more choice as stock levels continue to rise and the opportunity to play a tougher negotiation game on price.

New Supply

As we have demonstrated to date the issue of housing supply is somewhat more complex than a simple study of the numbers built each quarter. Whilst there continues to be a sense that supply from new construction is much diminished just this week the RICS reported in the 2010 Housing Market Survey that the number of houses for sale is now at its highest level since May 2007.

RICS report that the consequence is representative of an over-supply of available housing, particularly when considered in the context of the number of sales occurring. This is noteworthy when we set to explore the levels of new housing completions and the assumptions that can be attached to declining new house building levels.

Completions data, nevertheless, is a useful aspect to consider in addition to other factors. As Chart 1 below illustrates the overall picture is of a reduced level and with arguably some indicator of an emerging stability rather than increased decline. Of course housebuilders and commentators alike all note the forthcoming general election and the implications of changed planning and housing policy. In our next issue we will consider the outcome of the election in the context of housing supply.

Chart 1 : House building: completed dwellings started and completed (England)

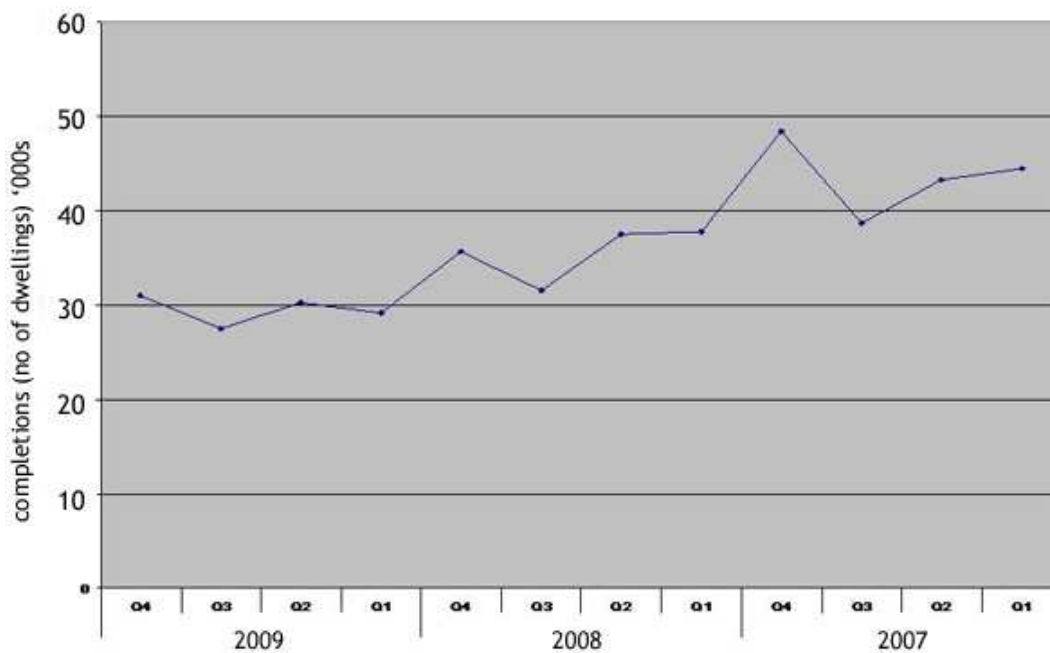


Table 1: Year on year change of completions

Period	Completions (number of dwellings)	Year on year change (%)
Q4 2009	31010	-13
Q3 2009	27480	-13
Q2 2009	30300	-19.2
Q1 2009	29210	-22.7
Q4 2008	35660	-26.4
Q3 2008	31590	-18.3
Q2 2008	37510	-13.3
Q1 2008	37780	15
Q4 2007	48420	13.8
Q3 2007	38680	2.6

Q2 2007	43260	0.0
Q1 2007	44450	-18.1

Housebuilders

In considering a selection of major housebuilders, a range of issues are raised relating to the levels of supply and the condition of the market.

Bellway report a return to profit (£19m pre-tax) to January 2010, compared with a loss (£48.6m) for the previous year. Bellway reportedly spent some £76 million on land and land creditors over a half year period. In considering the ability to provide greater supply they reported that "landowners' aspirations and the planning process" were reasons for delay.

Berkeley Homes report having secured targeted sales levels for the year ending 30th April 2010 and the acquisition of further land.

Persimmon Homes report sales of over 8900 dwellings for 2009, and reduced pre-tax profit from prior years. The supply, in terms of sales, was reduced from some 10,200 in 2008 and in turn 16,700 in 2006.

Taylor Wimpey reports completion of just over 10,180 dwellings in 2009, a reduction from the 13,390 in 2008. This is, however, stated alongside an increase in orders for new houses in 2009. The company reports the acquisition of over 3,000 new plots in 2009 for future development.

Whilst clearly the picture is mixed it can be surmised that housebuilding activity appears to have at least stabilised in 2009, with some signals of returning profitability and new land acquisition. Of note are comments relating to a reason given for delay in provision being related to the planning system alongside commentary on reduced sales related to increased housing stock on the market, with uncertainty evident and some expectation of price reduction in the coming months.

Public funding and housing provision

The London Development Agency have announced, within their major development strategy, that some 12,000 new homes could be constructed in east London. This would be via a partnership between the Agency and the private sector.

An additional aspect of supply raised with this announcement is that of quality standards. In this case the London Design Guide will be used to set a quality measure of the housing planned.

The Kickstart programme, a national programme explored in previous issues, continues. On 31 March 2010 the Homes and Communities Agency (HCA) announced £27.5m across 24 further sites. This, the HCA report, brings the number of new homes to be delivered from the second round of the Kickstart scheme to a total of 5,696, added to the 6,000 from round one. There are further announcements intended from round two later in the spring.

In earlier issues we have made mention of new council house building. In January 2010 the Housing Minister, John Healey, advised that some £500m would be allocated to the building of new homes by local councils. This represented an additional round of funding over that reported in the October 2009 issue. The announcement further indicated that some 4,000 new council homes would result from this funding, with some 87 councils to build new homes.

Heralded as a return to house building by local councils by the Housing Minister this is a further dimension to the overall levels of housing supply, as well as considering further sub division of supply by tenure, an issue that we will return to in future issues. In considering only the numerical data we can recall that the stated target for new housing completions remains at 3 million by 2020.

Economic growth

Table 1: Economic growth

Period	Quarterly growth %	Annual growth %
Q1 2008	0.7	2.4
Q2 2008	-0.1	1.7
Q3 2008	-0.9	0.2
Q4 2008	-1.8	-2.1
Q1 2009	-2.5	-5.2
Q2 2009	-0.7	-5.8
Q3 2009	-0.2	-5.1
Q4 2009	0.1	-3.2
One year average	-0.8	-4.8
Five year average	0.1	0.7
Ten year average	0.4	1.8
25 year average	0.6	2.4

Source: Office for National Statistics

UK output estimated at £1.396 trillion in 2009

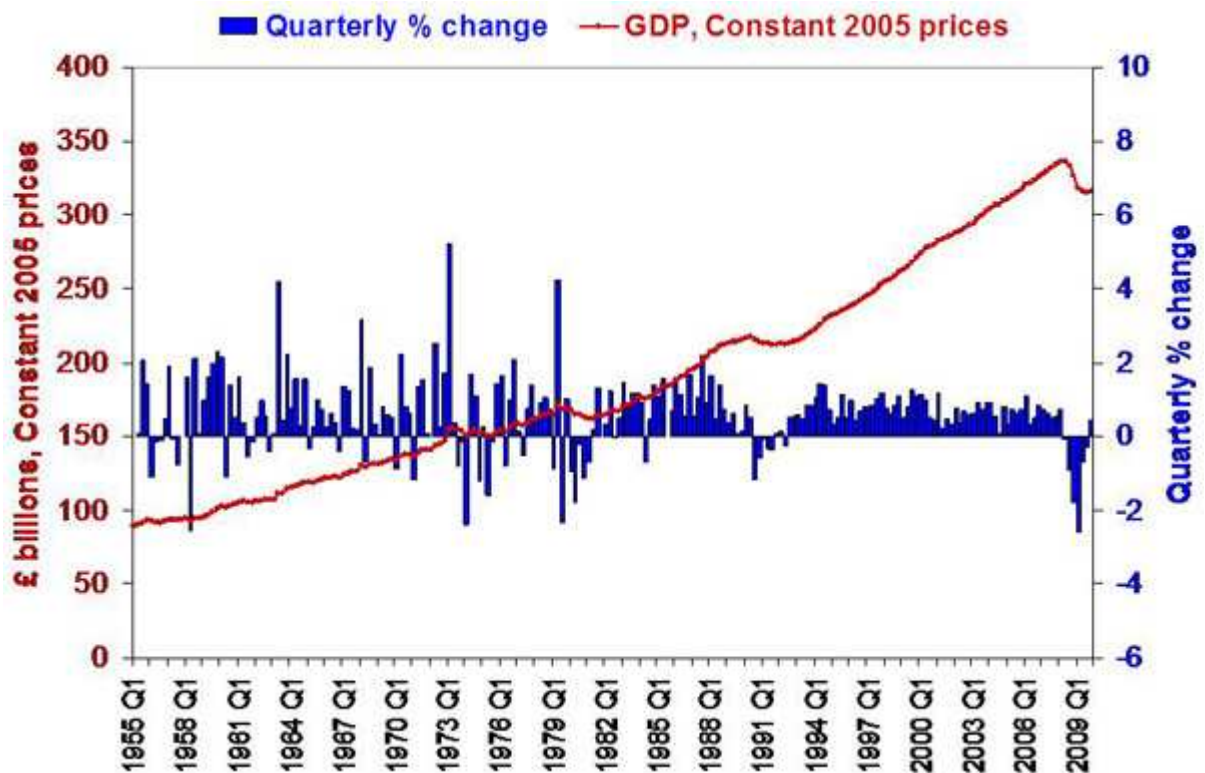
The Quarterly National Accounts from the Office for National Statistics (ONS) show the output of the UK economy growing by 0.4% in the fourth quarter of 2009. This number was the result of another upward revision: the first estimate put growth at 0.1% and the second estimate at 0.3%.

The value of the UK economy's output in 2009 is estimated at £1.396 trillion. This is known as the current-price estimate of Gross Domestic Product (GDP) because it measures the economy's output using the prevailing prices, in this case the prices of 2009. If we look at current-price GDP estimates for the UK from 1948 up to 2008, we find that they rise each year even though the economy's output fell in some years. This is because the increase in prices from year-to-year have been sufficient to cause current-price GDP to rise. But, this was not true in 2009: current-price GDP fell from the £1.448 trillion in 2008.

Current-price GDP fell in 2009 because prices rose only moderately (the average price of the economy's output rose by only 1.36%) while output fell by 4.9%. This very sharp decline in output was the largest since the constant-price GDP (output) series began in 1948.

If we look at the breakdown of the growth in expenditure on the UK output in 2009, we find that the volume of private and public-sector capital expenditure (i.e. investment in non-financial fixed assets such as machines and buildings) fell by an incredible 21.6%, while the volume of expenditure by households fell by 3.2%. The contractions in capital spending and in household sector spending were the largest single-year falls since these series began. In contrast, the volume of current government purchases rose by 2.2%, indicative of the government's support for the economy's aggregate demand.

Chart 1: Quarterly and annual growth in real GDP



Source: Based on data from Office for National Statistics

Labour market

Table 2: Unemployment and employment

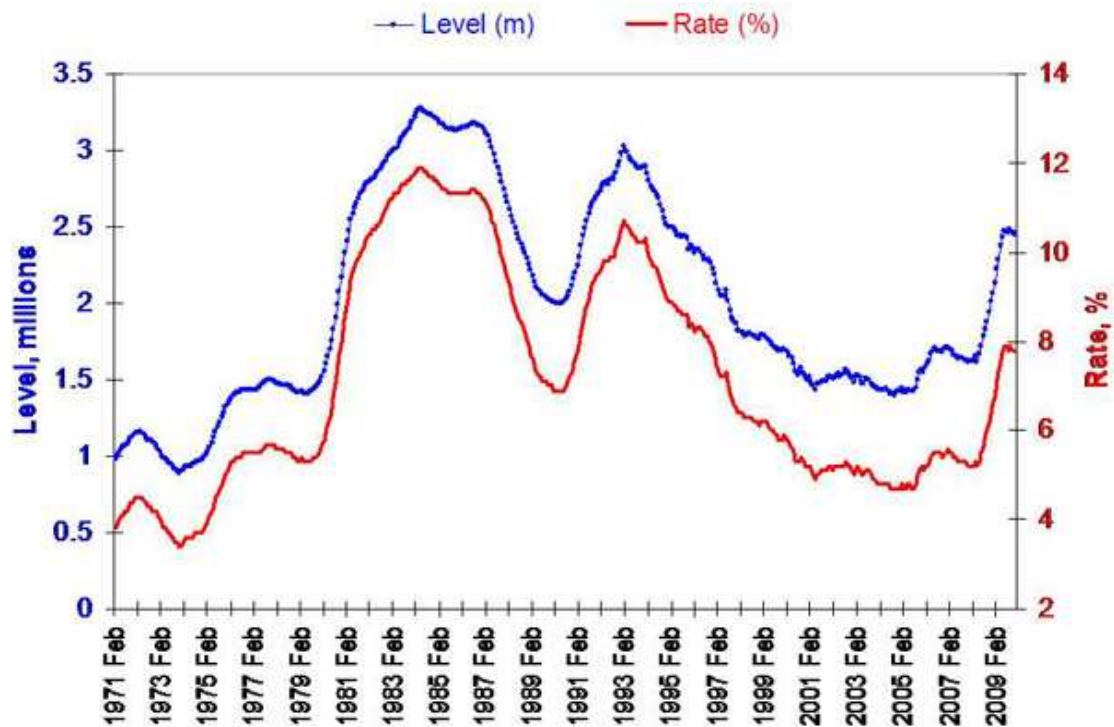
Period	Unemployment rate %				Unemployment levels (m)				Employment levels (m)			
	Total	Male	Female	18-24 year olds	Total	Male	Female	18-24 year olds	Total	Male	Female	Part-time
August - October 2008	5.7	6.2	5.1	13.3	1.782	1.949	0.766	0.559	29.412	15.875	13.536	7.506
November 2008 - January 2009	6.2	6.8	5.5	14.6	1.947	1.060	0.822	0.617	29.333	15.820	13.514	7.501
February - April 2009	6.8	7.5	5.9	15.3	2.127	1.147	0.892	0.636	29.170	15.685	13.486	7.529
May - July 2009	7.6	8.5	6.4	17.3	2.377	1.261	0.944	0.724	28.295	15.468	13.439	7.539
August - October 2009	7.8	9.0	6.5	17.7	2.465	1.458	0.951	0.740	28.914	15.413	13.501	7.584
November 2009 - January 2010	7.8	8.9	6.6	17.7	2.458	1.534	0.938	0.728	28.860	15.352	13.508	7.661

Source: Labour Force Survey, Office for National Statistics

Unemployment falls as inactivity rises

In the three months to January 2010, the total number of economically active individuals (those 16 or over) in the UK stood at 31.309 million. Of these, 28.860 million were employed and 2.449 million were unemployed.

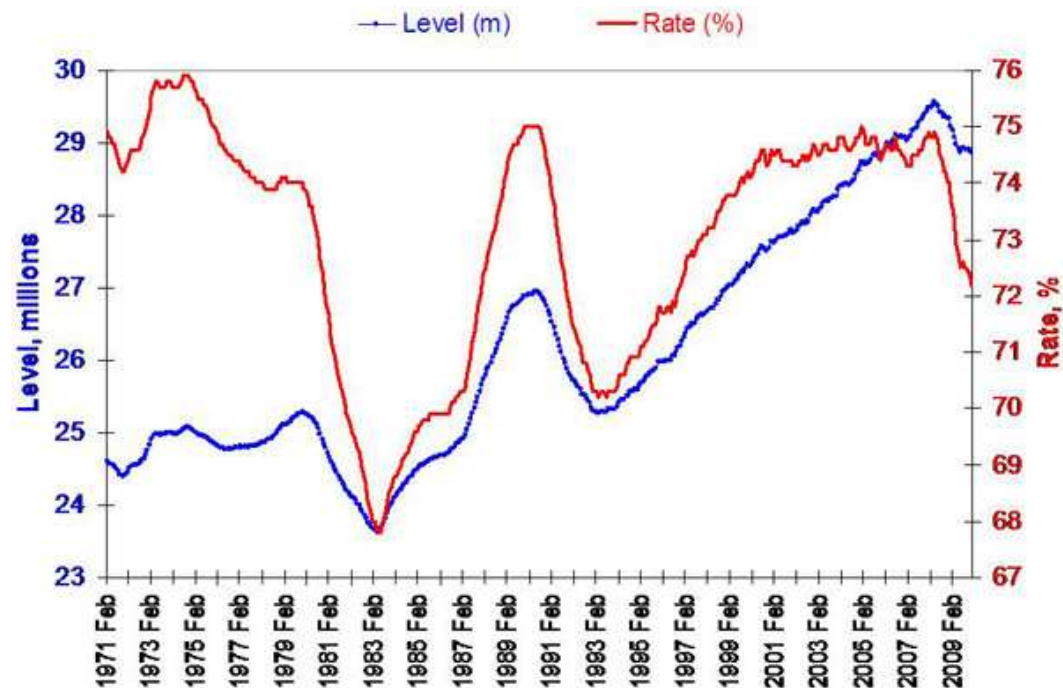
Chart 2: Level and rate of UK unemployment



Source: Labour Force Survey, Office for National Statistics

The number unemployed fell by 33,000 in the three months to January from 2.482 million in the previous three months. When expressed as a percentage of those economically active, the unemployment rate fell to 7.8% in the three months to January from 7.9% in the previous three months.

Chart 3: Level and rate of UK employment



Source: Labour Force Survey, Office for National Statistics

The total number of economically inactive individuals of working age, stood at 8.157 million in the three months to January, which, as well being an historic high, was a rise from 8.009 million in the previous three months. This means that the inactivity rate amongst those of working age is 21.5%, the highest since the three months to October 2004.

Inactivity rates are likely to reflect perceptions amongst individuals of the probability of finding employment. So, while unemployment fell by 33,000 over the three months to January we do have to view this in the context of an increase of 149,000 in those economically inactive.

One manifestation of today's UK labour market is the growth in part-time work. In the three months to January, 26.69% of those employed were employed part-time: this was another record high which would be easy to miss amongst the mass of statistics.

Inflation

Table 3: Inflation rate	
Period	Annual change in Consumer Price Index %
October 2009	1.5
November 2009	1.9
December 2009	2.9
January 2010	3.5
February 2010	3.0
March 2010	3.4
One year average	2.3
Five year average	2.6
Ten year average	1.9

Source: Office for National Statistics

Retail price inflation remains stubborn, while input price inflation is on the up

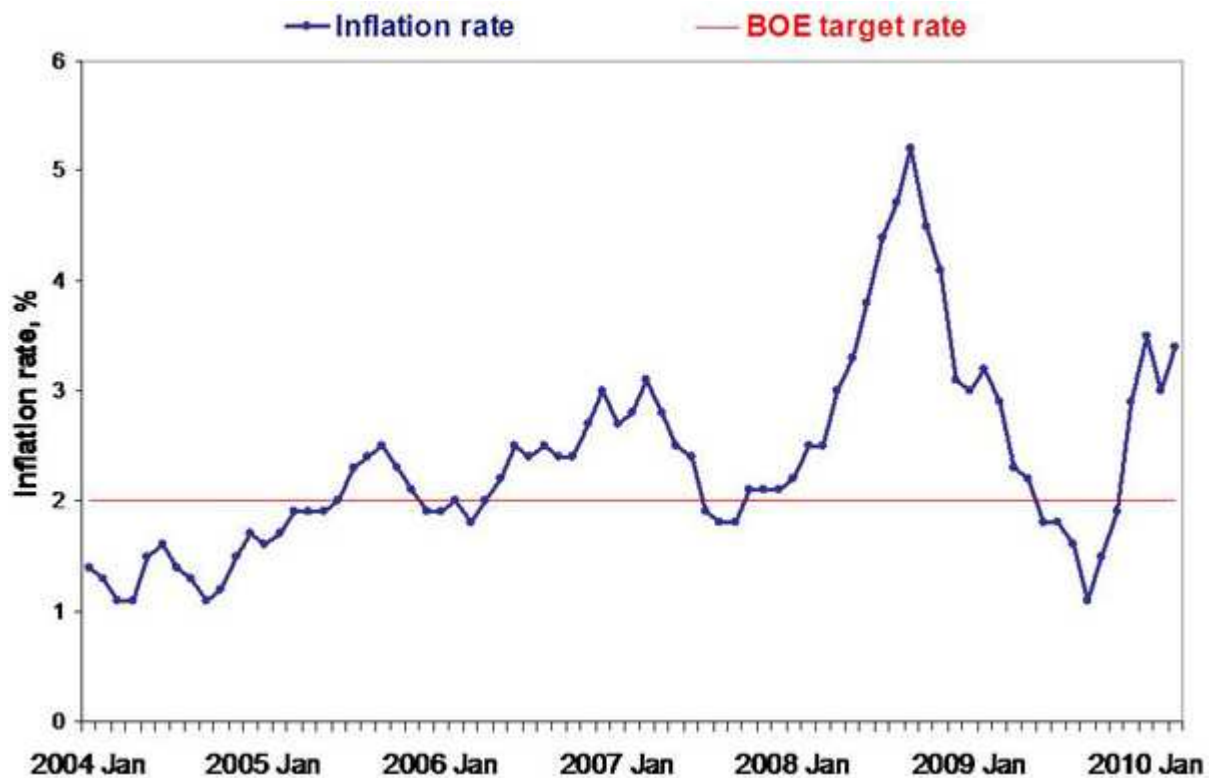
The annual rate of CPI inflation fell from 3.5% in January to 3% in February, but rose again to 3.4% in March. In other words, the weighted price of a representative basket of consumer goods and services rose by 3.4% in the 12 months to March.

After reporting 'widespread' downward pressures in February, the ONS again reported 'widespread' pressures in March, but this time is an upward direction! March saw large upward pressure from 'household services' (e.g. domestic gas prices) 'transport', (e.g. petrol prices) and also from 'food and alcoholic drink' where the adverse weather has had an inflationary impact. Interestingly, some product groups continue to experience long-term price deflation; these include 'clothing and footwear' and 'audio-visual, photo and data processing'.

There are some concerns about inflationary pressures in the pipeline. The prices of certain raw materials including oil and metals (e.g. copper, nickel and zinc) have been rising. These price increases have come on the back of the global recovery reflecting their income-sensitive demand. The ONS figures show the input price index for materials and fuels purchased by the manufacturing industry rising by 10.1% in the year to March. The annual rate of input (materials and fuels) price inflation had been negative for much of 2008 and 2009.

The extent to which these price pressures will feed through to the high street will depend on the extent to which retailers feel they can pass-on increases in costs to consumers in what remain still very uncertain economic times.

Chart 4: UK annual CPI inflation rate



Source: Office for National Statistics

Interest rates

Period	Bank of England base rate %	Average variable mortgage rate %	LIBOR (Inter-bank Lending Rate) %	Mortgage spread over base rate (percentage points)	LIBOR spread over base rate (percentage points)
October 2009	0.5	3.91	0.53	3.41	0.03
November 2009	0.5	3.98	0.54	3.48	0.04
December 2009	0.5	3.97	0.53	3.47	0.03
January 2010	0.5	4.08	0.53	3.58	0.03
February 2010	0.5	4.05	0.53	3.55	0.03
March 2010	0.5	4.05	0.53	3.55	0.03
One year average	0.5	3.97	0.57	3.47	0.07
Five year average	3.80	6.16	4.00	2.36	0.20
Ten year average	4.19	6.22	4.27	2.04	0.09

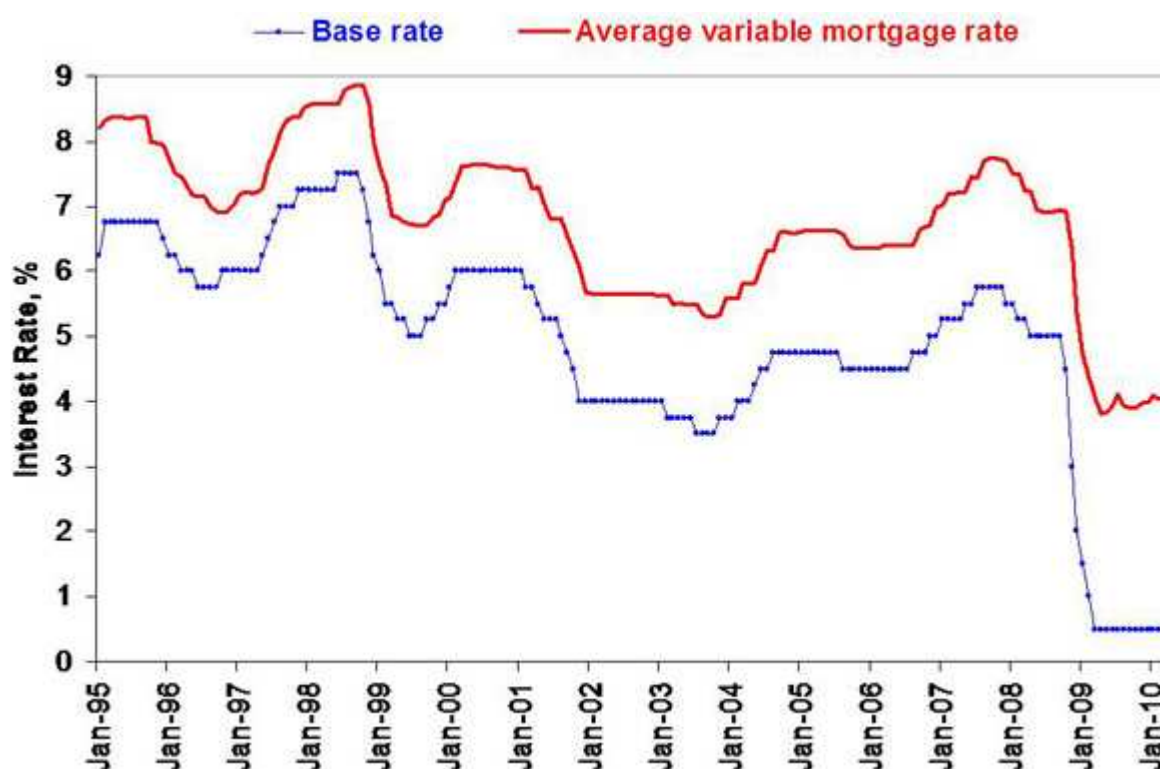
Source: Bank of England

Mortgage spread remains above 3½ percentage points

A 0.5 per cent Base Rate seems to have become something of a permanent fixture. However, inflationary pressures emanating from rising input prices may see the Base Rate edge up sooner rather than later. However, the Bank will continue to have a difficult job in assessing the impact of interest rate changes on the strength of aggregate demand and on the appetite for spending of the corporate and household sectors.

The Libor rate spread – the difference between the Base Rate and the rate at which banks borrow from each other – has been at or below 0.6 percentage points since June last year. But, it is the size of the mortgage spread – the difference between the Base Rate and the average variable mortgage rate - that continues to 'catch the eye' as banks remain cautious in their mortgage lending and look to rebuild their own balance sheets. The mortgage spread remains above 3 ½ percentage points which is considerably above the 2 percentage point average seen over the past ten years.

Chart 5: Base rate and average variable mortgage rate



Source: Bank of England

Economic sentiment

Period	UK economic sentiment index (long-run average = 100)	EU economic sentiment index (long-run average = 100)
October 2009	91.3	90.0
November 2009	88.9	91.5
December 2009	95.0	95.0
January 2010	98.2	97.2
February 2010	98.3	97.6
March 2010	100.9	99.6
One year average	95.4	95.2

Two year average	87.3	87.2
Ten year average	84.9	86.0

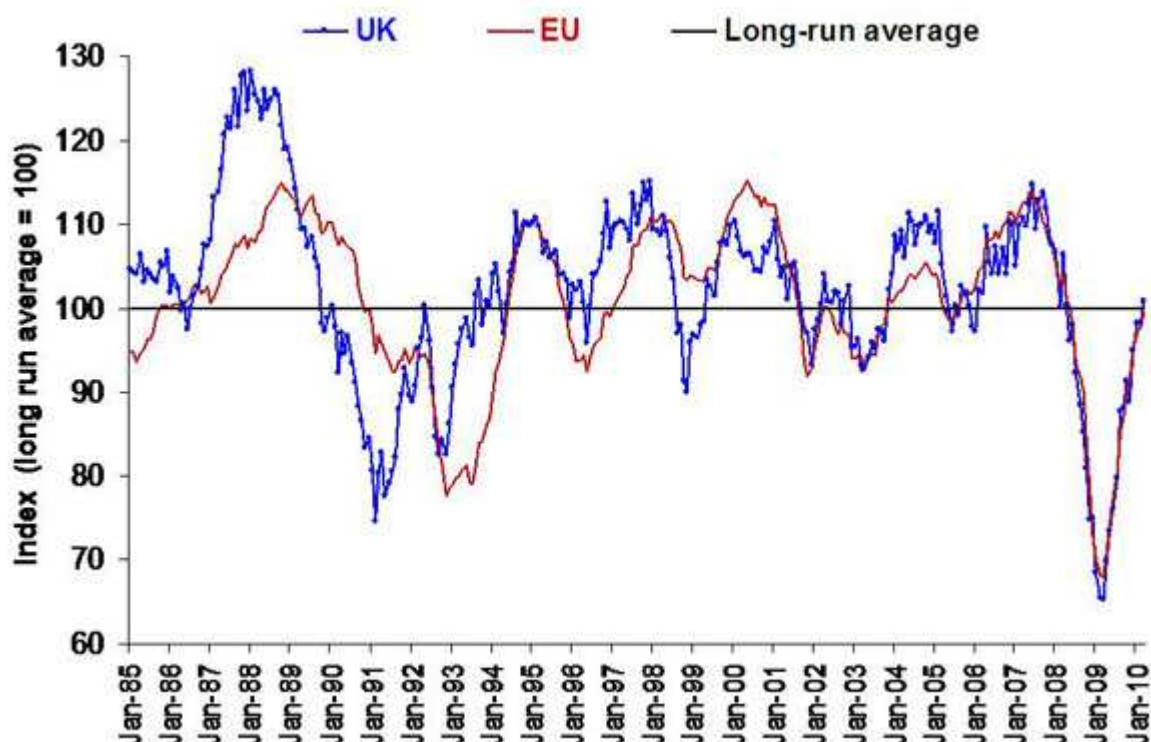
Source: European Commission, Economic and Financial Affairs

UK sentiment higher than normal!

And, finally, some good news! The European Union's measure of economic sentiment amongst households and firms in the UK continues to rise in the UK. We reported last time, that sentiment across 2009 was the lowest since records began in 1985. But, in what appears to be somewhat against-the-odds, the sentiment index is now above its long-term average. Further, sentiment is now at its highest since April 2008.

Since the economic sentiment index tracks economic growth incredibly well, the recent patterns in sentiment are relatively encouraging for the short-term growth prospects of the UK economy.

Chart 6: Economic sentiment index



Source: European Commission, Economic and Financial Affairs

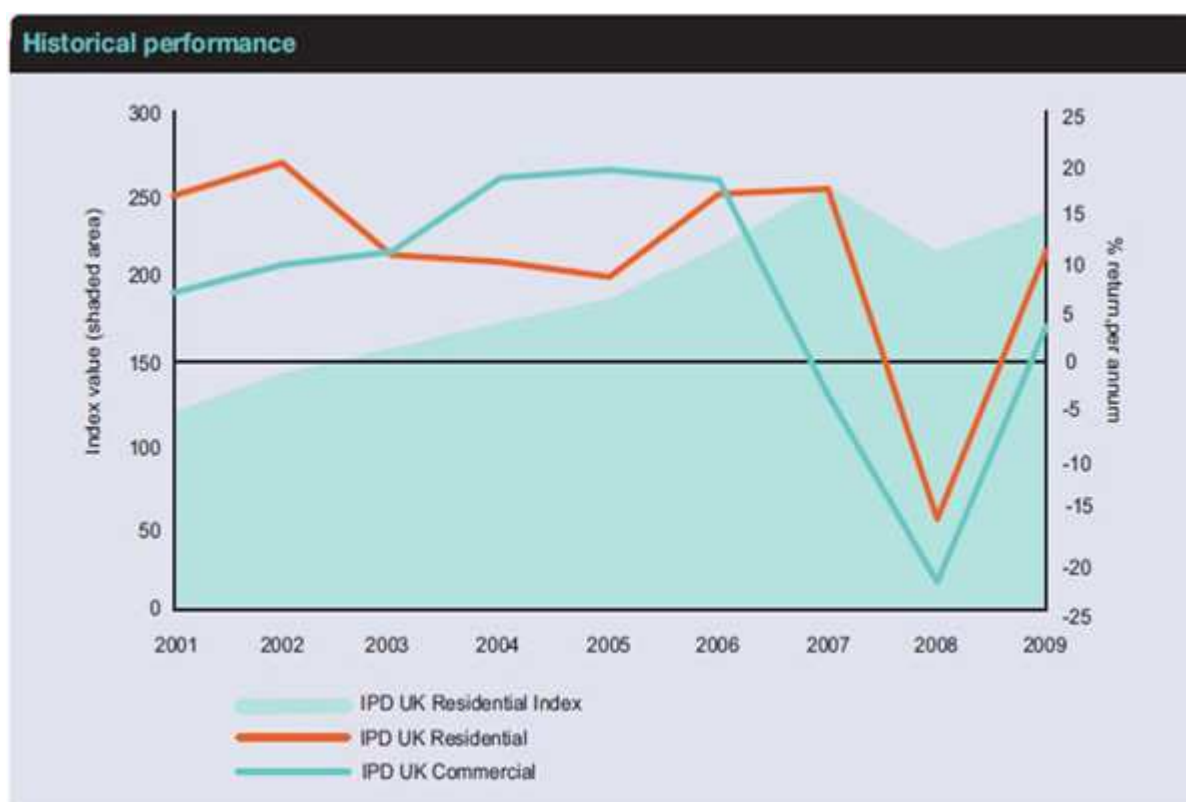
Investment

Residential investment returns – the latest IPD figures

The latest Investment Property Databank (IPD) UK Residential Index data has been released in the last few days. The index is annual and the figures apply to the year up to the end of December 2009.

As the chart and table below show, total returns for residential investments were 11% for the calendar year. This is a very healthy return particularly when compared to inflation which was at 1% - 3% across the period. It is also clear from Chart 1 that residential returns have consistently outperformed the returns from commercial property investment since 2006.

Chart 1: Residential and commercial property : Total returns % pa



Source: Investment Property Databank

What is driving residential returns? It should come as no surprise that the biggest influence on the total return is the rebound in house prices which commenced in the second quarter of 2009. This capital growth contributes 8.1% of the total return. The income return is a relatively poor 2.7%; around the level of inflation but nowhere near high enough to accommodate debt servicing costs for highly geared investors.

It is important to reiterate (as we have in previous newsletters) that the IPD index is not attempting to reflect an average small buy-to-let portfolio. The index is based on a portfolio of around eight thousand properties held by large investors across the country but with a bias towards London and the south-east (about half of the sample, by value, is in central London). Whilst it may not replicate returns for the average buy-to-let portfolio it does provide data from a large sample that is directly relevant for the increasing number of large institutional investors that are either considering or have dipped their toes into residential investment. It also provides a good benchmark to compare with the other major investment asset classes.

Table 1: Asset Classes: Annualised Total Return %			
	One year	Five years	Eight years
Residential	-15.3	6.6	9.9
Commercial	-22.1	4.6	6.3
Equities	-29.9	3.5	-0.5
Bonds	15.0	6.9	6.3

Source: Investment Property Databank

Residential investment provides highest long term returns

Last year equities was the best performing asset class and they have continued to perform well for the first part of this year. As we know equity markets are much more volatile than residential investment markets. Some commentators now believe that the equity market has moved ahead of itself in pricing-in rebounding economic activity and that the FTSE index is overdue a correction. That may or may not be the case, but irrespective of short term performance what stands out for residential investment is its performance over longer time periods. Table 1 clearly illustrates that it has outperformed all other major asset classes when five or nine year historical annualised returns are considered. This is a significant reason for the recent interest in the asset class from large institutional investors who have traditionally shied away from any involvement.

IPD announces development of Quarterly Residential Index

Investment Property Databank, partly in recognition of this increasing interest from large investors in the sector, are to bring forward the release date of the next index. The returns for the calendar year 2010 should be available by early March next year. They are also developing a quarterly index and this will also of course help to provide a more immediate and regular snapshot of market performance movements.

Lending to buy-to-let investors increases

The latest Council of Mortgage Lenders (CML) figures for the number of buy-to-let mortgages agreed has increased again. In the last quarter of 2009, 25,800 new loans were taken out compared with 23,700 for Q3 and 21,600 for Q2.

Whilst the short term trend is upwards total lending to buy-to-let investors is still a long way off the peak levels witnessed until two years ago. The total number of new loans advanced in 2009 at 93,500 was less than half the number advanced in 2008 (222,700) and less than one-third of advances in 2007 (346,000). The decline in the value of lending is even more dramatic with a total of £8.5 billion advanced. That's an 80% fall since 2007.

One notable feature of the boom years was that buy-to-let investors were able to quickly expand their portfolios by re-mortgaging existing properties on the back of rapidly rises prices. The reversal in prices coupled with the withdrawal of buy-to-let mortgages and the application of more stringent lending criteria has meant that most landlords have consolidated and concentrated on servicing their debt rather than expanding and taking on higher levels of debt.

We await the lending figures for the first quarter of 2010. It is worth noting that CML reports that monthly lending for all mortgages increased by 24% in March. If as we suspect recent house prices rises have encouraged some landlords to go back on the expansion trail then the next batch of buy-to-let lending figures should show a further rise.

Green houses

Is your house Listed or in a Conservation Area? Are you involved in a development project that has heritage assets? Are you proposing to retrofit energy efficiency measures into a heritage asset?

The government launched a new Planning Policy Statement (PPS) called "Planning for the Historic Environment" on the 15th March 2010. This replaces Planning Policy Guidance Notes 15: Planning and Historic Environment 1994 and 16: Archaeology and Planning 1990. A PPS is a statement of Government planning policy and is a material consideration in the determination of a planning application and listed building consent.

The new PPS puts forward an integrated approach, bringing together historic buildings, archaeological remains and landscapes. Heritage conservation is recognised as part of building and maintaining sustainable communities. It emphasises that listed buildings should be seen as heritage assets not barriers to development. The PPS also sets out how to consider the impact on heritage assets of planning applications. To see the PPS5 see the Communities document.

One of the key parts of the PPS which didn't feature previously is the interaction of heritage assets and climate change. Policy HE1 advises local authorities to consider the opportunities to adapt and mitigate the effects of climate change when making decisions about heritage assets and their reuse or modification. It actively promotes keeping heritage assets to avoid the consumption of building materials, energy and waste from building replacement buildings. The importance of finding solutions in pre application discussions is also emphasised.

One example of how this PPS and the accompanying English Heritage Practice Guide can help an owner of a heritage asset is the detail about a Heritage Partnership agreement. Such an agreement sets out both what is significant about an asset and what isn't of special interest to the Listed building. In other words what can be changed without requiring Listed Building Consent. This should save both the owner and the Local Authority time and money.

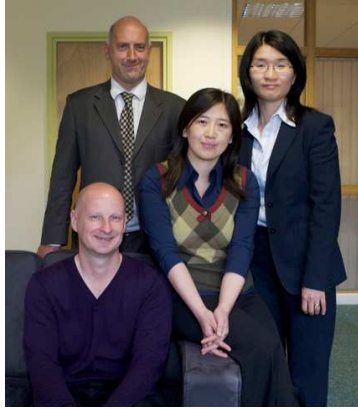
English Heritage produced the Practice Guide, which is also a material consideration, and are organising free workshops to help private sector developers, local authorities, heritage officers and Civic Amenity Groups understand the new PPS through the discussion of case studies. The dates are:

- 26 April - Gloucester
- 27 April - Basingstoke

The Practice Guide and more information including frequently asked questions are available on the English Heritage website.

For advice on retrofitting energy efficiency measures into Listed Buildings there is a document available from the climate change and your home website entitled 'Energy conservation in traditional buildings'.

Meet the HOUSES! team



The HOUSES! Team would like to acknowledge the following data sources:

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- Nationwide Building Society
- Land Registry

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