Inside Access

Residential Market Review

April/May 2011

Beyond your expectations

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HAMPTONS INTERNATIONAL

Research

Budget all About Managing Expectations

Adam Challis
Head of Research
challisa@hamptons-int.com

The March 23rd budget provided very few surprises for the UK's troubled residential market. With Government austerity measures now in full swing, there is little left in the kitty for spending surprises. HM Treasury also made sure that most of the key points had been leaked in advanced, leaving very little left to be publicised on the day. However, the key highlights were:

- First-time buyers were handed further support with the introduction of the £250 million First Buy Scheme to provide a no-interest loan for up to 80 percent of the deposit, provided the property is new-build.

- Conversion of obsolete commercial property to residential may be made easier and will go out for further consultation. Town centre regeneration could be given a boost as blighted properties are replaced with new residents and activity.

- Additional measures to streamline the planning process and improve the availability of surplus public land for residential development.

In addition, the new Stamp Duty Land Tax of five percent for £1 million plus homes came into force on April 6th, affecting 8,500 homes per anum across the UK and between 4,600 and 4,900 in London. Our research shows that nearly 1,000 homes were affected by the 'margin shift'; properties previously priced just above the threshold that have been adjusted down in order to attract buyers.

UK Residential Sales

Early Start to Spring Buying Season

Marc Goldberg
Head of Sales
goldbergm@hamptons-int.com

Following on from strong activity since the beginning of the year, sales rates surged in March. We have seen the number of houses on our books increase by 16 percent over the year, with the number of new buyers nearing a 12-month high. In fact, March was the strongest month for sales across the Hamptons International network in over a year. A desire to avoid the increasing Stamp Duty Land Tax for £1 million plus properties has certainly played a part, but the market, emanating out from high value properties in London, is very well supported.

Average house prices across the UK increased by one percent in the first quarter of 2011 and up 0.5 percent in March alone according to Nationwide. Although moderate, this is good news for the broader housing market. However, as we continue to point out in the press, national averages sell short the much stronger housing markets in London and the South of England.

For Hamptons International clients, this difference is one of the most important issues to be aware of in the current market. National press stories miss this distinction and in reality the housing market in London and the South of England is proving to be much more resilient. Based on what we have experienced so far this year, the market may have some positive surprises in store for Spring house sellers.

Mortgages

Lending is Gaining Traction

Dean Spendiff
Head of Financial Services
spendiffd@hamptons-int.com

Net mortgage lending continues to fluctuate but remains fundamentally subdued. We remain cautious about any significant increases this year as lenders are constrained by repayments to the Special Liquidity Scheme, which are due in March 2012. Until these debts to Government are dealt with, significant volumes of new mortgage lending will remain elusive.

However, as we noted last month lending terms continue to improve, with a number of new products at higher loan-to-value ratios being introduced. Although good news, prospective mortgagees are continually frustrated by the tight lending terms that are limiting access to some of these products. This is particularly true for anything beyond 'plain vanilla' lending, including first-time buyers, the self-employed and interest-only requirements.

Recognising this opportunity, Hamptons International is excited by the recent acquisition of Mortgage Intelligence by our parent company Countrywide, a business that strengthens the direct link between Hamptons International and the UK's market-leading mortgage brokerage. This provides extra firepower in a market where scale has a significant influence on the ability to source the best deals with lenders for our clients.

UK Residential Lettings

London is Driving Rental Market Growth

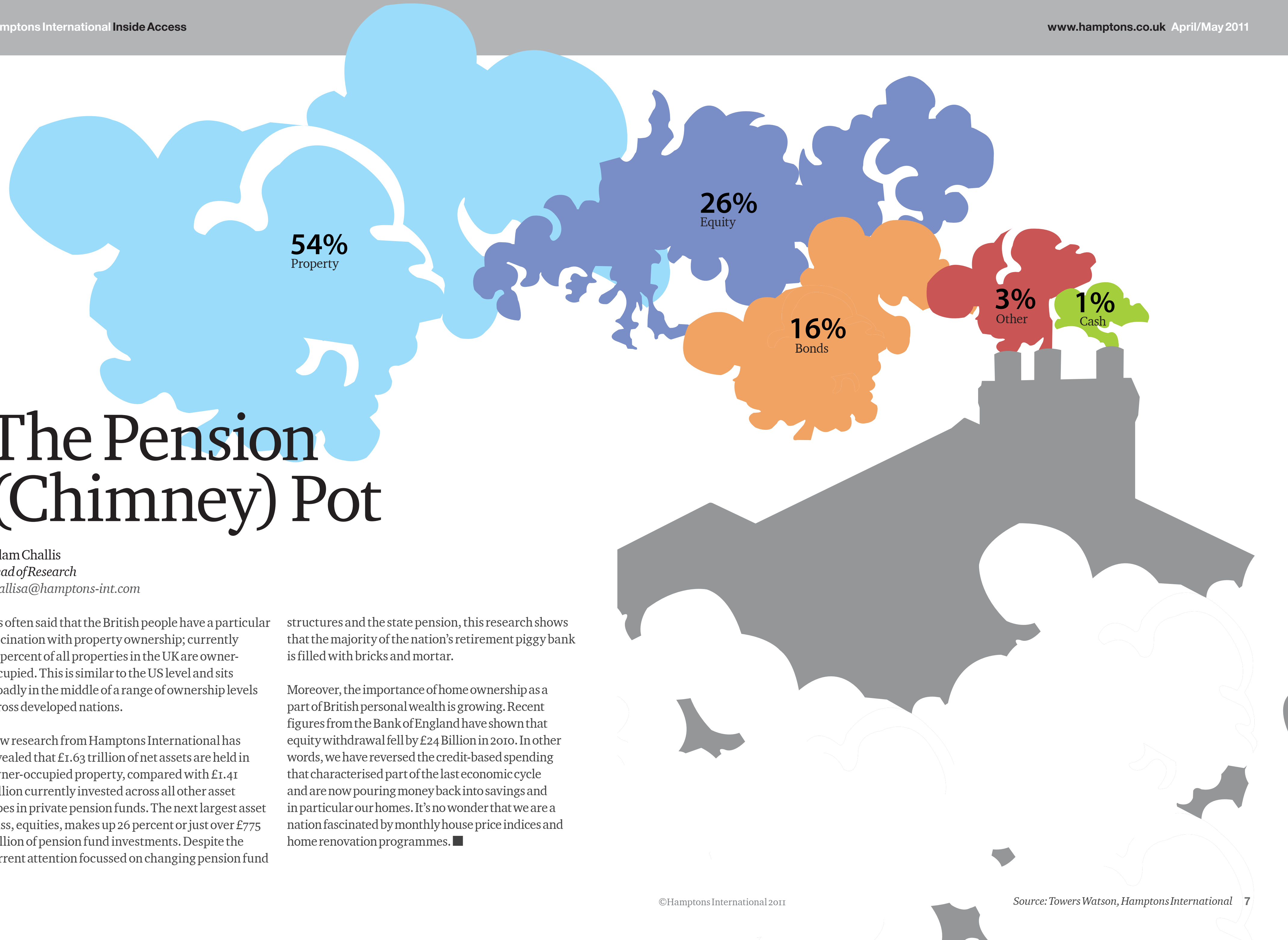
Lesley Cairns
Head of Lettings
cairnsl@hamptons-int.com

The lettings market remains very active across London and the South of England. Demand continues to support rents and has ensured a quick turnover for vacant properties.

Across the Hamptons International network lettings transactions were up by six percent in the first quarter of 2011 compared with Q1 2010. Higher average rents are taking some of the heat out of the market and the increase in new applicants - 15 percent over March 2010 - is now more than offset by the 17 percent increase in new properties on our books.

Our London lettings network is experiencing particularly high demand. London continues to shrug off problems seen in the wider economy and with house prices and deposits remaining very difficult for first-time buyers, the rental market stands to benefit.

A good example of this is in our Corporate Services team, where we are seeing requirements to place increasingly senior professionals; the Energy and Finance sectors are both showing particularly strong activity. This is a testament to the belief in London's resurgent economic strength and implies that the rental market will remain under significant demand pressure throughout 2011.



The Pension (Chimney) Pot

Adam Challis
Head of Research
challisa@hamptons-int.com

It is often said that the British people have a particular fascination with property ownership; currently 68 percent of all properties in the UK are owner-occupied. This is similar to the US level and sits broadly in the middle of a range of ownership levels across developed nations.

New research from Hamptons International has revealed that £1.63 trillion of net assets are held in owner-occupied property, compared with £1.41 trillion currently invested across all other asset types in private pension funds. The next largest asset class, equities, makes up 26 percent or just over £775 million of pension fund investments. Despite the current attention focussed on changing pension fund structures and the state pension, this research shows that the majority of the nation's retirement piggy bank is filled with bricks and mortar.

Moreover, the importance of home ownership as a part of British personal wealth is growing. Recent figures from the Bank of England have shown that equity withdrawal fell by £24 Billion in 2010. In other words, we have reversed the credit-based spending that characterised part of the last economic cycle and are now pouring money back into savings and in particular our homes. It's no wonder that we are a nation fascinated by monthly house price indices and home renovation programmes. ■

Source: Towers Watson, Hamptons International

Drawing on over 140 years' experience, Hamptons International is one of the premier international residential agents – with a network of more than 80 offices in the UK and key overseas markets.

We continue to expand to be one of the most valuable and innovative residential property groups in the world.

Our name is synonymous with an unrivalled level of expertise and the finest properties. Our services include:

- Sales
- Lettings
- Residential Development
- Interior Solutions
- Property Management
- Mortgage Finance

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