

June/July 2010

Inside Access

UK Market News, New Developments
& International Sales

“ The market received a welcome boost with the suspension of HIPs in May, but the austerity measures announced in the recent emergency budget mean buyers and sellers will need to review changes in their household budget before making property decisions. ”

Shakeel Barok *Acting Managing Director*



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UK Residential Sales

Realistic pricing key to achieving sales

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The UK property market is entering a new phase following a 14 month period of strong recovery in which prices have returned to the peak levels last seen in 2007.

More homes are now coming on the market and our stock of available property has increased by 32 per cent since the start of the year. The suspension of HIPs has contributed to this boost in supply as the financial barrier to 'testing the market' has now been removed. The increase in supply has removed inflationary pressure on prices which are now likely to remain flat for the remainder of the year.

With more choice in the market, buyers can be selective and they are now resistant to adventurous

pricing. As such there is an increasing need for vendors to apply realism to their pricing expectations in order to achieve a sale.

Whilst the balance of power has shifted in favour of buyers, demand remains healthy and the number of sales we have agreed is up 3 per cent year on year. The economic backdrop has become slightly more turbulent in recent weeks however, the key market drivers of low interest rates and a weak pound continue to stimulate demand from both UK and overseas purchasers.

It remains a good time to sell although it is important that those looking to do so apply a realistic approach. ■

UK Residential Lettings

Demand strong as we move into the busy summer lettings period

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Demand continues to be strong as we move towards the traditionally busy summer period for lettings. Over 3,000 new applicants were registered in May 2010 and the total stock of applicants now stands at over 5,600.

Corporate applicants have slowly started to return to the market with increased budgets, which is a positive sign as we move towards the summer. The lettings team will now be working closely with our corporate services team to maximise opportunities and ensure our offering continues to be attractive to the corporate market.

Stock levels have increased slightly month on month but are still 44 per cent lower than this time last year. As a result, rents continue to rise. This situation continues to lessen the bargaining power of tenants who no longer have the option to view large selections of property and rather need to make quick decisions once they find something suitable.

Landlords are also benefiting from rental increases at renewal stage. In May 2010, 45 per cent of tenancies renewed with an increase in rent, which is five per cent up on April. The average rental price has also slightly increased at 4.66 per cent in May of this year. ■



Development, Investment & New Homes

Increasing interest from the Far East, Middle East and continental Europe

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As we enter the summer months the development market remains strong, particularly for completed and higher value units where scarcity of stock remains an issue. We are seeing international buyers coming to the fore with increasing interest from traditional overseas markets in the Far East, Middle East and continental Europe. We are also seeing interest from areas such as the Lebanon and Malaysia where there is a strong appetite for higher value stock.

London development stock remains not only a sound investment option but also a very prestigious purchase to applicants in these markets. The recent economic downturn has done nothing to diminish this view. Domestically, the off-plan market is strengthening, particularly outside of London

where housing led schemes continue to sell ahead of completions. Apartments in established locations are also selling well prior to completion.

Land transaction levels continue to increase and the appetite for development land, both with and without planning permission, remains strong.

The expansion of Hamptons International Development division continues with the recent appointment of James Brown into the Residential development and Investment division. James will add affordable housing consultancy to the existing disciplines within the development consultancy division and further broaden Hamptons' offering to public and private developers. ■

International Markets

Improving Sterling good news for British buyers looking to purchase in Europe

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With the summer season under way, traditional holiday hot spots such as Italy and Portugal are where we are seeing an increase in buyer enquiries.

Industry figures out this month have recorded yet another increase in sales enquiry levels however, conversions are still further from what we were experiencing at the height of the market in 2006-07. All signs are nevertheless pointing towards continued recovery.

The one major factor of late has been the weakness of Sterling, back in 2006-07 the pound was trading in the region of $\pounds 1.45-\pounds 1$; compared with the last six months where we saw the pound drop to under $\pounds 1.10$. We have now started to see

Sterling recover; it is trading at $\pounds 1.20$ which is comforting news to the British buyer looking to purchase within Europe.

Again, buyer security lies with developments that are advanced in construction or ready for completion and it is these projects that Hamptons International will be continuing to work with in the short term.

Coming soon to Hamptons International will be two new projects, the first along Portugal's Silver Coast and the second in the Tremblant region of Quebec in Canada. All details will be available via www.hamptons-international.com ■



Mortgages

Available mortgage schemes climb to highest level in 18 months

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We have seen a number of lenders reducing their rates over the past month with Northern Rock, Alliance and Leicester, Woolwich, Accord and Abbey all making significant cuts to their mortgage ranges. We have also seen Accord increase the maximum loan to value on second hand flats up to 85 per cent and Woolwich launch a 90 per cent LTV mortgage for people purchasing a new home with the house builders, Bovis Homes.

According to figures from the mortgage sourcing system “Mortgage Brain”, the number of mortgage schemes available to brokers has climbed to its highest level in over 18 months. The total number of live mortgage schemes listed increased by 22 per cent in the past month. Current figures as of 31 May 2010 list 5,805 products, up from 4,753 on 5 May

2010 and brings the number of live mortgage schemes available to the strongest level since November 2008, when figures stood at 6,899. The latest figures represent a 103 per cent increase in overall product availability compared with 12 months ago.

The news that the Financial Services Authority (FSA) is to be broken up could have an impact on the availability of high LTV mortgages, already scarce in the market. In its new role, the Bank of England will be keen to avoid another housing market bubble fuelled by the kind of lending seen before the credit crisis. The Committee could therefore restrict lenders’ offerings by, for example, banning 100 per cent LTV and high income multiple deals, should they be deemed to be detrimental to the wider economy. ■



Valuation

Rising stock levels continue to impact property values

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Renewed uncertainty prior to the 'emergency Budget' has dampened enthusiasm in the investor market in recent weeks. Although the widely predicted rise in Capital Gains Tax was less than expected, we wait with interest to see how many properties are withdrawn from the sales market. We anticipate that many investors who had previously marketed property at aspirational prices in the hope of trading out of stock before the 22nd June and avoiding higher CGT will withdraw their properties from the sales market, return stock to the rental market and hold their positions.

This decrease in supply could bring to an end the stalling in

value growth seen over recent months as the effects of rising stock levels continue to take their toll on property values.

We are still hearing positive noises from banks at the coal face of developer lending; finance is available to those developers with good reputations, track records of delivery and equity to put into deals. However, from the other side of the fence it is the last of these, equity, which is the barrier to deals being done. Many developers cannot bring the required equity to site purchases and therefore are missing out on sites that make good financial sense to develop. ■

Country House

New instructions at Country House increase by 24 per cent

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Spring proved to be a very active time of year in the Country House market, with year to date statistics looking very positive for both new instructions and sales. New instructions for Country House are up 24 per cent on this time last year, despite market appraisals being down 29 per cent in May overall.

Although we are seeing an increase in housing stock, applicant registrations were down 10 per cent in May. This fall indicates that some of the recent upheaval in the wider property market has had an impact on the confidence of new

buyers entering the market. In spite of this, the volume of exchanged contracts is well up on last year with an increase of nearly 200 per cent. This rise would indicate a greater level of commitment to actually moving house by both buyers and sellers alike and we expect this trend to continue now that the financial hurdle to putting your house on the market has been removed with the suspension of HIPs.

Since the May General Election, we have seen a worrying return to caution and uneasiness about the future of the housing market. This has led to some

speculation that prices are likely to come under downward pressure, leading to a more unstable market in the months to come. Could this be the beginning of 'the double dip' that some have predicted? Even if it is, I predict that the prevailing shortage of quality house stock in the country market will mitigate against the more dramatic price reductions.

As is always the case in the country market, the best homes will continue to be sought after by buyers regardless of market conditions. ■

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