Inside Access

Residential Market Review

August/September 2011

Beyond your expectations

www.hamptons.co.uk

HAMPTONS INTERNATIONAL

Research

Economic Turbulence Continues

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

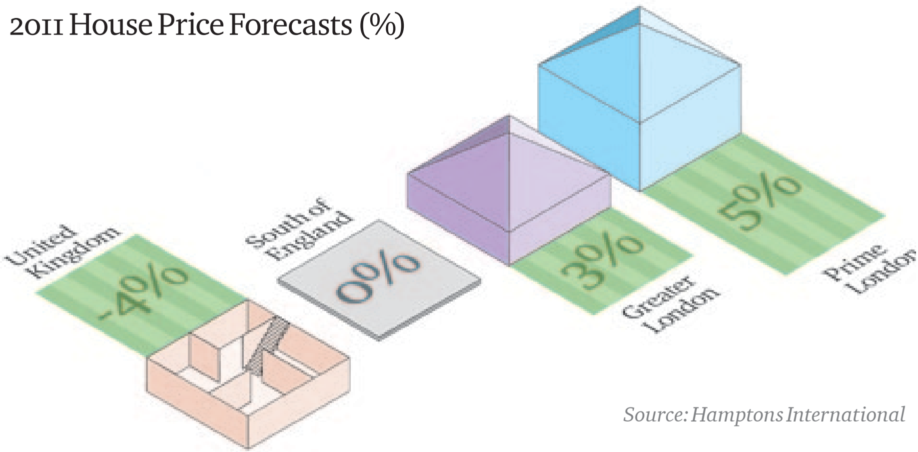
The volatility of the UK economy continues to plague demand in the wider UK residential market, although higher value properties in London and the South of England continue to trade well.

The resurgent sovereign debt crisis in the Eurozone is one of several headline stories that make up the challenging macroeconomic backdrop. Political wrangling over the debt ceiling in the United States and another set of weak quarterly GDP figures for the UK are also among the factors that have cast a worrying pallor over the residential market and are contributing to the weaker market sentiment.

However, the housing market remains split along geographical lines and by affordability levels. The Hamptons International network remains largely insulated from the worst of these impacts, as our clients typically have built up equity levels in existing properties. They are therefore able to access some of the best mortgage rates in a generation.

Our 2011 house price forecasts have remained consistent for nearly a year as the prospect for a sustained improvement in mortgage lending and transactions is proving elusive. Housing market activity and prices are likely to remain subdued into 2012, before a more broad-based improvement takes hold later in the year.

2011 House Price Forecasts (%)



Source: Hamptons International

UK Residential Sales

Healthy Sales Ratio for New Instructions

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

Following on from our record trading performance in June, the Hamptons International sales network had another very positive month in July. This performance reflects the strength of underlying demand for residential property, as well as a marked difference in the perceived strength of the South of England economy in comparison with the rest of the UK.

Despite this, ongoing economic uncertainty is causing a slowdown in new property listings; now nearly one-quarter below July 2010 levels. As a result, the market is currently offering good opportunities for vendors to sell while there is less competition from other properties. The strength of the London market is also having a ripple effect on demand in prime pockets across the South of England.

We anticipate tight supply conditions will persist into the autumn. However, our sales network continues to convert a very high proportion of new property listings into sales, showing that demand remains robust for well-priced property.

Mortgages

Managing the Options

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

A recent report from the Council of Mortgage Lenders (CML) has suggested that 827,000 homeowners are in negative equity across the UK. This represents just below five percent of households. In comparison, it is estimated that nearly twice as many households were in negative equity back in the early 1990s. Furthermore, the rate of foreclosure has remained well below previous levels. The much improved performance this time around can be explained by three key differences:

- Record low Bank of England base rates have meant that a high proportion of existing mortgagors have been able to benefit from relatively cheaper repayments;

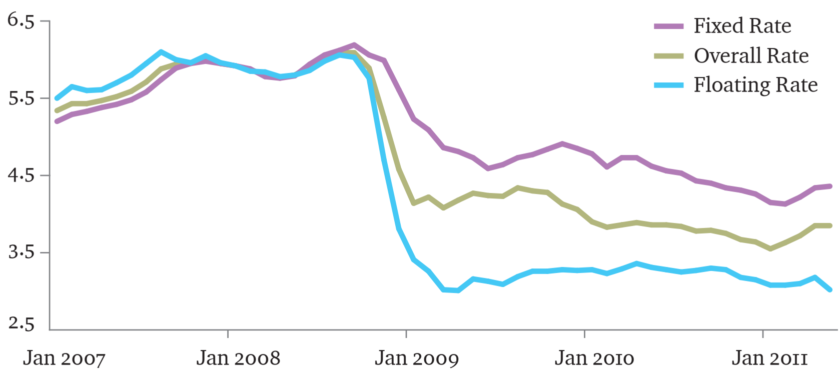
- Lenders have been far more focussed on forbearance, recognising that working with homeowners in difficulty is a more effective way of protecting the likelihood of receiving future mortgage repayments; and

- Employers have similarly sought to reduce hours and pay before considering outright redundancy, ensuring more people stay in paid employment.

For most homeowners, the other concern has been to decide when to revert from their lender's Standard Variable Rate (SVR) to either a fixed or tracker mortgage. Given the likelihood that Bank of England base rates will remain at 0.5 percent for the rest of 2011 and into 2012, this decision has become less pressing.

In the meantime, lenders continue to offer increasingly attractive rates. This reduces the risk of sharply increasing foreclosure rates over the next couple years and will provide households with time to adjust budgets for the eventual rate rises.

Effective Mortgage Rates



Source: Bank of England

UK Residential Lettings

Supply Surge is Moderating Rental Growth

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

The Hamptons International lettings network followed directly on the heels of last month's record sales performance with a record month of its own. The continued growth in supply of new rental stock contributed to this strong performance, now up 27 percent since July 2010.

The growing availability of rental properties is also good news for renters, as there is much more choice on offer. However it is still very much a landlord's market, so we would recommend moving quickly once the right property has been identified.

A higher supply environment has begun to arrest the rental growth we have seen over the past 18 months. This will provide some stability in the market with increasing transaction volumes in most areas. However, strong demand would imply that rents are unlikely to lose any of the gains of the past year.

In London, one of the by-products of the recent strong rental growth has been the displacement of many renters into Zones 2 & 3. As renters are confronted with premium rents in Central London, they are often choosing to compromise on location rather than on size or specification of property. This is increasing demand in some sub-markets of London such as Chiswick, Putney, Sheen and St John's Wood.

Comment

Capital Private Finance

Ian Baker
Sales Director, Capital Private Finance

I am delighted to announce that as of 1st August Hamptons International has a new, dedicated group of specialist mortgage and financial services brokers with the formation of Capital Private Finance. This exclusive joint-venture combines the respective expertise and market-leading capabilities of Countrywide and Mortgage Advice Bureau.

The aim of Capital Private Finance is to ensure that premium brands such as Hamptons International have a dedicated mortgage broker service to meet all mortgage financing, protection and insurance needs. The new service will provide specialist advice for clients on all on all financial matters including:

- new property purchases
- remortgages
- buy-to-let
- commercial
- international
- agricultural
- new build
- renovation
- development

I am absolutely delighted to be heading up this new venture and I am convinced that Capital Private Finance will be a premier mortgage and financial services proposition for the UK residential market.


£20
LONDON
FOR THE GOVERNOR AND COMPANY OF
THE BANK OF ENGLAND
CHIEF CASHIER
I PROMISE TO PAY THE BEARER ON DEMAND THE SUM OF
Twenty

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
- Valuation

HAMPTONS INTERNATIONAL

www.hamptons.co.uk