

# Inside Access

Residential Market Review

July/August 2011



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INTERNATIONAL

Research

# Market Divide Widening

Adam Challis, *Head of Research*  
[challisa@hamptons-int.com](mailto:challisa@hamptons-int.com)

In terms of market headlines June was a month of records. This included the first dip in real earnings for 30 years, which was countered by the largest drop in the number of unemployed for over 10 years and record low mortgage rates. Such extremes, both negative and positive, can make it difficult to know which way to turn to understand how the residential market is likely to perform going forward.

Hamptons International can lay claim to a few records of its own in June, having achieved the all-time best sales performance in the company's 140+ year history. Some market commentators have sought to talk down the trajectory of house prices over the next 12-18 months, but as market participants on the front-line of activity, our network continues to see strong demand.

Our current stock levels are up, but only by seven percent compared with last year. Tight levels of supply have placed some pressure

on purchasers to complete transactions once they have identified the right property, but they remain sensitive to optimistic selling prices. Rightmove has for some time been reporting a widening disconnect between vendor price expectations and the willingness of buyers to pay premium prices.

Across the wider UK housing market, weak consumer sentiment and falling real household budgets will continue to be the hallmarks that restrain market demand for the rest of 2011. Although mortgage lending volumes are not likely to substantively improve until well into 2012, the Bank of England base rate is widely expected to remain at 0.5 percent. This will ensure that very competitive mortgage rates will remain on offer for some time. The resilience of the residential market, as attested to by the Hamptons International June figures, suggests demand is robust and market activity will be well supported once confidence improves. ■



UK Residential Sales

# Best-Ever Trading Month in June

Marc Goldberg, *Head of Sales*  
[goldbergm@hamptons-int.com](mailto:goldbergm@hamptons-int.com)

The busy late-Spring selling season carried straight on into June, helping the Hamptons International network to its best-ever trading month. The volume of sales was up 11 percent over June 2010 and in combination with higher average selling prices, contributed to net sales values being up by 33 percent over the year.

This astonishing performance was ahead of expectations. While our branch network continues to report better trading conditions than is often featured in the press, the surge in June was surprisingly welcome news for the market.

Despite these strong results, there remains a tone of cautious determinism among buyers. Price sensitivity is everywhere, but the moment that buyers believe a property is correctly priced, there is very little hesitation. As evidence of this, the rate at which transactions go bad after the sale is agreed, the 'fall through' rate, has decreased by 21 percent in the past year.

With the market continuing to trade at volumes more than 50 percent below 2007 levels, setting the right price can sometimes be a challenge. However, with demand frustrated by a lack of properties on the market, it remains a fantastic time to consider selling. ■



Mortgages

# Good Rates but Tough Terms

Dean Spendiff, *Head of Financial Services*  
[spendiffd@hamptons-int.com](mailto:spendiffd@hamptons-int.com)



Frustrating for many high loan-to-value (LTV) purchasers, mortgage rates below 70 percent LTV are currently being offered at extremely competitive levels. Although many of these purchasers continue to be held back by high deposit requirements, there is good news as a stream of higher-LTV mortgage products continues to be introduced.

There is some debate about whether it is appropriate for lenders to be offering mortgages at 90 percent and higher. As a major contributor to the market downturn, many would suggest that high LTV lending should remain firmly in the past. However, when managed responsibly, it provides an important tool for participants in the lower rungs of the housing ladder to gain access to owner occupation. A lack of liquidity in the starter home segment is a major contributor to the market malaise across all levels.

Finally, we are pleased to announce the launch of a new financial service brand to the UK market; Capital Private Finance. This will be a joint venture between Hamptons International's parent company Countrywide and Mortgage Advice Bureau.

This unique new organisation will present the UK with an unparalleled high net worth financial services offering. It will provide specialist advice for high-net worth clients on all financial matters including new property purchases, remortgages, buy-to-let, commercial, international, agricultural, new build, renovation and development. We are excited by the new opportunities created by the formation of Capital Private Finance and look forward to working with the new team in due course. ■

UK Residential Lettings

# Rental Market is Beginning to Rebalance

Lesley Cairns, *Head of Lettings*  
[cairnsl@hamptons-int.com](mailto:cairnsl@hamptons-int.com)

Transaction levels continued to increase in June, in line with seasonal trends and seven percent ahead of June 2010. Stock levels have slowly improved throughout the first half of 2011, now 20 percent higher in London and 28 percent higher across the South East compared with last year.

Although demand remains strong in most areas, stock increases are now having a real impact on rents. Year over year average rents are now up 6.7 percent across our network, but the rate of growth has slowed in recent months.

Improvements in stock levels have also taken some of the heat out of the transaction process,

which until recently was regularly seeing multiple offers on the same day and very few deals going for much below asking price. It is certainly still a landlord's market, but tenants are starting to get a taste for choice again. Average viewings per deal have increased from 10 to 12 over the year, with the index a little higher in London than outside the Capital.

Taken together, the lettings market continues to perform strongly and while we are seeing the heat coming out of some areas, fundamentals remain sound and we anticipate the market to remain vibrant for the rest of 2011. ■



# Country House Market Improvements

John A W Denney, *Director of Country House*  
[denneyj@hamptons-int.com](mailto:denneyj@hamptons-int.com)

The high-end Country House market proved challenging in the first six months of 2011. Despite this, it appears that confidence is returning and we have noticed a definite shift in attitude from both buyers and sellers.

Early on in 2011 a shortage of quality stock combined with bad weather and poor economic fundamentals weakened buyer demand. By March a pattern had emerged of vendors expecting to achieve high prices, while potential purchasers were hoping to drive a hard bargain.

Buyers have remained constant in their opinion on price, forcing sellers to accept more realistic

pricing in order to complete a sale. As a result, viewings numbers are up and we are encouraged by a number of new, top end properties coming onto the market. London buyers have also re-emerged in larger numbers.

We are encouraged by a number of recent successes, where vendor expectations have been managed to narrow the gap with buyer opinions in order to secure a successful sale. With an increased transaction rate predicted for the second half of 2011, we can expect to see an improvement in the quality of instructions and therefore more stock. This will inevitably result in drawing in new, more pro-active buyers. ■





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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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