

Monthly Market Review JANUARY 2013

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GARRINGTON

Despite many parts of the UK experiencing weeks of disruption caused by snow, the property market in January has been reasonably brisk, with data suggesting conditions are once again improving after a sluggish 6 months in the second half of 2012.

House price data has been positive in January, with Nationwide reporting a 0.5% gain during the month, whilst Hometrack recorded stagnant prices for the month after three consecutive months of falls.

With many would-be buyers affected by the snow and not able to leave their own front doors, let alone go through other people's, it has been interesting to see property portal Rightmove reporting that visitor traffic jumped in January by 27% compared to January 2012, and that the weekly new listings rate increased to 11,153 properties; up 22% from 9,108 properties this time last year. This is the highest listing rate for the time of year since 2008 according to the portal, with sellers only increasing asking prices by a modest 0.2% and taking note of the fact the market remains price sensitive.

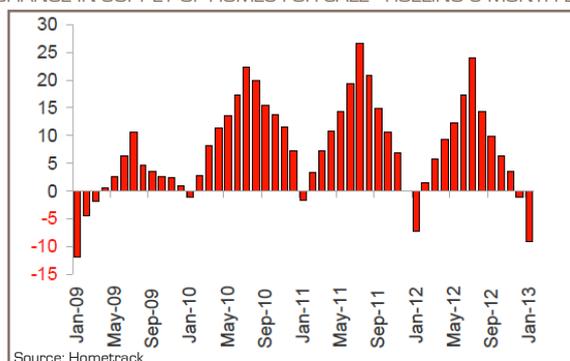
Perception on values starting to align

Whilst an increase in supply of new stock to the market is welcome, it is arguably redressing the balance that has become distorted over the last six months by lethargy in the market. Hometrack record that supply levels are currently still at their lowest levels for three years on a six month rolling basis, thus serving to underpin values.

Within the prime market this trend is more acute, where typically sales take place on a discretionary basis. In recent weeks across Garrington's operating regions we are increasingly being able to access higher levels of 'pre market' and 'off market' opportunities where sellers are preparing for a spring launch but are attracted by achieving early certainty of a sale.

Key to renewed transactional activity in the market is price congruence between sellers and buyers. There is evidence that this is increasingly becoming the case with less ambitious asking prices being set. Research in January from Hometrack reveals that five out of nine UK regions achieved sale prices of at least 93% of asking price.

% CHANGE IN SUPPLY OF HOMES FOR SALE - ROLLING 6 MONTH BASIS



Funding for lending takes hold

Key to any sustained market recovery is the availability and cost of credit. The Bank of England's Funding for Lending scheme appears to be making a difference both in the mortgage and property markets.

As seen from the chart below, mortgage rates relative to loan to value ratios are now starting to fall as lenders make more credit available and compete for new business, albeit higher loan to value ratio mortgages remain disproportionately expensive when contrasted with lower loan to value ones.

In the mainstream property market improved availability and cost of credit is likely to have a positive ripple effect into higher price bands, and has the potential to further drive purchaser demand as we approach the spring market. Private Banks are also now offering sub 3.5% fixed rate deals for higher value loans, as their appetite for credit starts to increase.

London equity trends

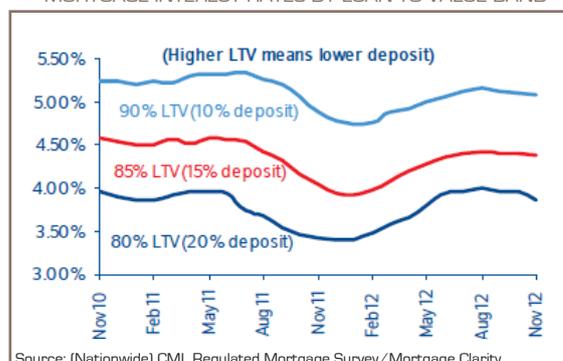
The significant price gains seen in London over the last few years are now starting to affect buyer behaviour in the Capital. Our London team is increasingly being instructed by local purchasers who wish to take advantage of their equity gains and move within the London market, partially reversing the trend seen of late of international purchasers dominating the London market. Garrington has also seen renewed interest from London owners looking to trade on their equity and purchase a country property in the Home Counties, where prices have not risen at anywhere near the same amount as London.

Q1 prospects

As we start to look ahead to spring there appear to be improving fundamentals to support a more active property market; with new stock levels increasing, on-line activity increasing, greater realistic pricing by vendors and increased credit availability.

At this stage of the year it is too early to make accurate predictions as to the extent of any recovery, but there is a growing body of evidence that a number of sellers look ready to action their property plans in 2013, thus potentially creating exciting opportunities for purchasers in the weeks ahead.

MORTGAGE INTEREST RATES BY LOAN TO VALUE BAND



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