

Key Facts:

- House prices continue to fall at a modest rate, with house prices 0.6% lower in Q1 of 2011 than in Q4 of 2010, highlighting the continuing impact of the current economic climate, restrictive lending criteria and individual financial circumstance is having on housing demand in the UK¹.
- In the current economic climate, property companies are prioritising resources to focus on strategies that need particular skills. There is evidence to suggest that there has been a shift in employer demand from property professionals experienced in buying, selling or leasing to property managers that can manage a company's assets effectively.
- Recent research by the Halifax indicates that 77% of all non-homeowners still aspire to own their own home. However, 64% of non-homeowners believe they have no prospect of buying a home and only 5% of respondents were found to be making sacrifices to save for a deposit².
- According to the Royal Institution of Chartered Surveyors³ (RICS), residential property rents are continuing to rise due to supply constraints and strong demand from potential buyers moving into the rental sector because they are unable to gain a foothold on the property ladder.

House Prices:

House prices continue to fall at a modest rate, according to the quarterly rate of change, with house prices 0.6% lower in Q1 of 2011 than in Q4 of 2010. According to the Halifax⁴, this underlying trend of marginal price decline has continued through to April, with house prices 1.4% lower than the previous month. This is an indicator of the continuing constraints the current economic climate, restrictive lending criteria and individual financial circumstance is having on housing demand.

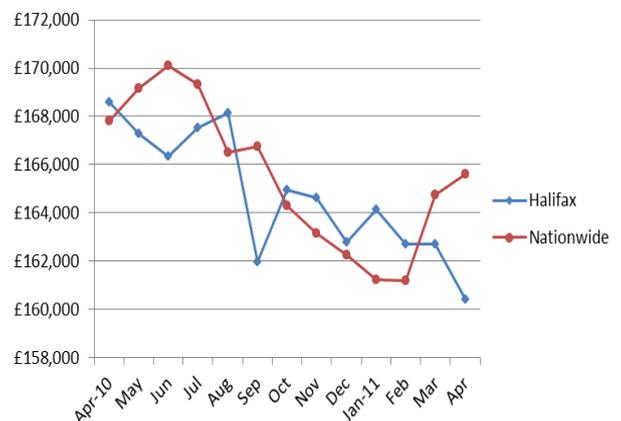
However, there is an expectation amongst property professionals that low interest rates on mortgages and increasing employment (which rose by 143,000 in the three months to February 2011⁵), particularly full-time employment, will bring some stability to the market. Despite this, experts continue to forecast a 2% decline in house prices during 2011.

To counter future market decline and ensure job security property professionals will need to be flexible and innovative, with strong leadership and management skills, interpersonal and communication skills, organisational skills and property management skills.

Figure 1 indicates that:

- **Nationwide:** Across the UK, house prices rose by 1.0% in the Q1 of 2011. However, in April, prices fell by 0.2% to average £165,609; this is 1.3% lower than 12 months ago.
- **Halifax:** House prices in Q1 of 2011 were 0.6% lower than Q4 of 2010. In April, the average price of £160,395 was 4% higher than April last year, but remained 20% lower than the house price peak in August 2007.

Figure 1: Monthly change in the average UK house prices over the past twelve months, Halifax and Nationwide



Source: Halifax, House Price Index, 2011; Nationwide, House Price Index, 2011

¹ Negotiator-Magazine, Weak household income growth continues to slow housing demand, April 2011

² Halifax, Half predict Britain could become nation of renters within a generation: credit crunch has created 'generation rent' in Britain, May 2011

³ Royal Institution of Chartered Surveyors, Residential lettings survey GB, April 2011

⁴ Halifax, House Price Index, April 2011

⁵ Office for National Statistics, Labour market statistics, April 2011

Regional House Prices:

The gap between the least and most expensive regions has widened significantly over the last 5 years, and in Q1 2011, average prices in London, the most expensive region, were two and a half times higher than those in the North, the cheapest region⁶. During April, there were indications of significant divergence in performance between London and other areas of the country, with house prices in London rising to 3% in April to an average of £352,187, while prices in the North East of England fell by 8%⁷.

Overall, experts predict that London will experience a 5% price increase this year, compared to a 2% decline in the Midlands and North of England, reflecting a widening gap between investment hotspots and less stable or lucrative property markets⁸.

Evidence suggests that this two-tier property market has forced property companies to prioritise resources and focus on strategies that need particular skills, such as property management, as property companies concentrate on managing their assets effectively. In contrast, those property professionals experienced in buying, selling or leasing are only in demand in high performance areas like London⁹.

Housing Demand¹¹:

Hometrack recorded both an increase in housing demand (rose by 22%) and number of sales (rose by 46%) indicating a boost in market confidence easing the downward pressure of prices over the first four months of the year. The return of buyer interest to the market over the past quarter is thought to be the result of constrained demand returning to the market after the weak final half of 2010. However, while this has produced a modest improvement in market conditions, experts predict that these conditions will deteriorate over the rest of the year as; consumer confidence weakens, housing supply remains limited and household incomes stay constrained.

The early signs of a change in market conditions are evident in the proportion of the asking price being achieved. The proportion of asking price

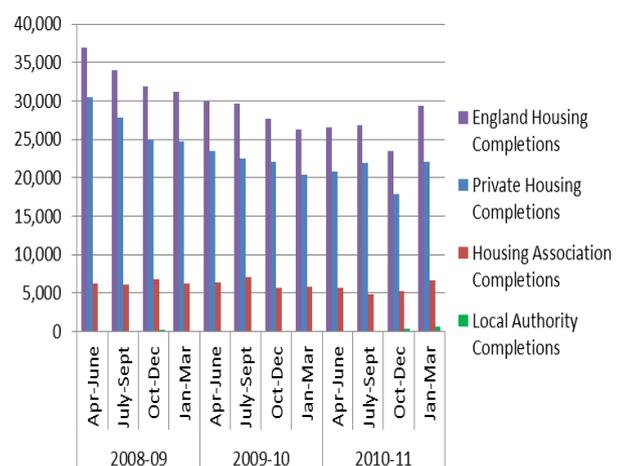
achieved increased during both February and March as levels of demand increased, but over April the proportion of asking price achieved declined to 92.6% – with the average house price, according to Hometrack, now standing at £153,100 and the average time on the market now standing at 9.6 weeks.

Housing Supply¹⁰:

During Q1 of 2011, there were 29,140 house building starts across England. Of these, private housing accounted for 23,580 starts, 24% higher than the previous quarter; and social housing built by housing associations accounted for 5,180 starts, 37% higher than the previous quarter. Meanwhile, housing completions rose by 25% across England to 23,500 (see Figure 2).

Experts argue that tackling the underlying shortage of housing will reduce the likelihood of unsustainable residential property price booms and market volatility.

Figure 2: Quarterly housing completions by tenure, England



Source: Department of Communities and Local Government, House building March Quarter, 2011

Note: Housing completions have been seasonally adjusted

Trends in Lending:

Gross mortgage lending during Q1 of 2011 was an estimated £30.1 billion, an 11% decline from Q4 of 2010 (£33.9 billion), indicating that the trend towards falling levels of mortgage lending that began during Q3 of 2010 is continuing (see Figure 3)¹².

⁶ Nationwide, Mixed picture across UK regions in first quarter, 2011

⁷ BBC, House prices edging lower, Land registry figures show, May 2011

⁸ Relocate Magazine, Property news, March 2011

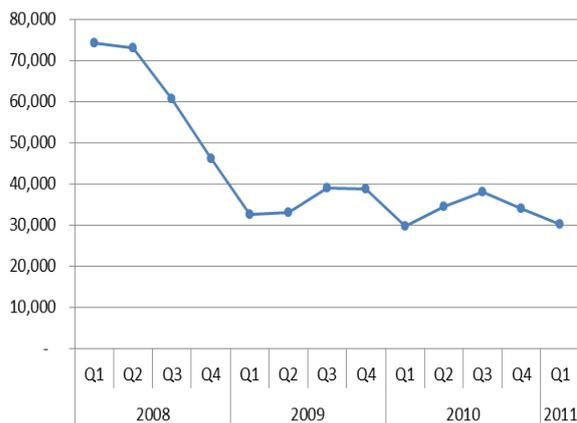
⁹ Recruiter, Property recruitment market looking up, February 2011

¹⁰ Department of Communities and Local Government, House building March Quarter, 2011

¹¹ Hometrack, Demand for housing falls – as do prices: markets outside London see reversal in market conditions, May 2011

¹² Council of Mortgage Lenders, Gross mortgage lending up 21% in March, April 2011

Figure 3: Quarterly Gross Mortgage Lending



Source: Council of Mortgage Lenders; Bank of England

According to the Council of Mortgage Lenders (CML), gross mortgage lending continued to decline in April to an estimated £9.8 billion, 14% lower than the previous month¹³.

In contrast, re-mortgaging activity picked up at the start of 2011 accounting for 37% of all lending activity during Q1 of 2011, compared to 30% during the previous quarter. Some major UK lenders have attributed this increase in re-mortgaging to¹⁴:

- New mortgage products
- Greater competition
- Media coverage about future rises in Bank Rate prompting some households to re-mortgage away from variable-rate mortgages to fixed-rate mortgages

Experts predict that the rate of re-mortgaging could increase in the coming months if further increases to Bank Rate occur.

The CML is currently forecasting 40,000 repossessions and 180,000 arrears cases of 2.5% or over by the end of 2011 despite low interest rates on mortgage debt due to pressures on household finances, such as increased tax and

inflation. The number of repossessions is expected to increase by a further 5,000 in 2012 (see Table 1).

Experts argue that these forecasts indicate that property professionals will increasingly require knowledge related to the buying and selling of distressed property (property under a foreclosure order or advertised for sale with the lenders permission when a property owner can no longer afford the mortgage).

First-time Buyers:

First-time buyers play a crucial role in housing market dynamics. With the supply of housing fixed in the short-term, the flow of new buyers into the market has a major impact on prices and activity. Property professionals increasingly need knowledge related to Government low-cost ownership schemes targeted at first-time buyers such as shared ownership.

Recent research by the Halifax¹⁵ indicates that 77% of all non-homeowners still aspire to own their own home. However, 64% of non-homeowners believe they have no prospect of buying a home and only 5% of respondents were found to be making sacrifices to save for a deposit.

Evidence suggests that first-time buyers are failing to make significant attempts to purchase a house for a number of reasons. These include:

- **The perception that banks are not lending:** 84% of first-time buyers are discouraged by the belief that banks do not want to lend to them and find excuses to turn them down.
- **The size of mortgage deposits necessary:** 47% of respondents stated that they would like to save for a deposit but had no spare cash to do so (the latest figures from the CML indicate that first-time buyers continued to put down deposits averaging 20% in February¹⁶).

Table 1: Council of Mortgage Lenders Forecasts

	2008	2009	2010	2011 forecast	2012 forecast
Residential property transactions, UK	901,000	859,000	886,000	840,000	900,000
Arrears, 2.5% or more of outstanding balance at end period:					
Number	182,600	196,400	170,000	180,000	180,000
% of all mortgages	1.57	1.72	1.54	1.58	1.58
Repossessions in period:					
Number	40,000	47,700	36,000	40,000	45,000
% of all mortgages	0.34	0.42	0.32	0.35	0.40

Source: Council of Mortgage Lenders, CML publishes updated mortgage and housing market forecasts, June 2011

¹³ Council of Mortgage Lenders, Gross mortgage lending declines in April, May 2011

¹⁴ Bank of England, Trends in Lending, April 2011

¹⁵ Halifax, Half predict Britain could become nation of renters within a generation: credit crunch has created 'generation rent' in Britain, May 2011

¹⁶ Council of Mortgage Lenders, Small improvement for mortgage market in February, April 2011

- **A fear rejection by mortgage lenders after completing the application process:** 61% of first-time buyers do not want the stress and anxiety of applying for a mortgage.

However, in the long-term, fewer first-time buyers being able to qualify for mortgages to buy a house and therefore fund the construction of new houses to meet demand will inevitably slow the housing market.

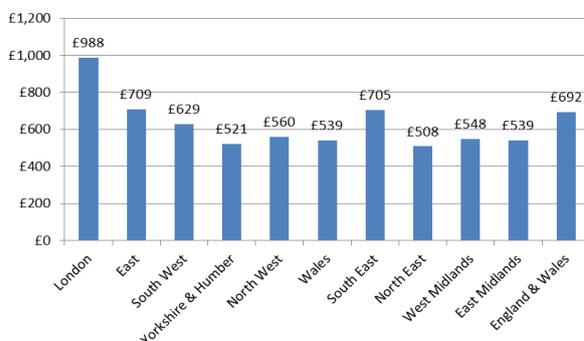
Renting Residential Property:

Residential property rents are continuing to rise due to supply constraints and strong demand from potential buyers moving into the rental sector because they are unable to gain a foothold on the property ladder. This rising demand for residential rental property has increased the likelihood that property professionals will need skills and knowledge related to renting and leasing.

According to the Royal Institution of Chartered Surveyors (RICS)¹⁷, 35% more surveyors reported a rise in demand rather than a fall during the three months to April – the highest levels in over two years. During the same period, 42% more surveyors reported rents rising rather than falling with the most noticeable increases occurring in London and the South East.

These findings are supported by figures released by LSL Property Services¹⁸ which identified London, the East and the South East as having the highest average residential property rents in England and Wales (see Figure 4).

Figure 4: Average rent for residential property in April 2011, by region and in England and Wales



Source: LSL Property Services plc. Buy-to-let index, May 2011

Overall, the average rent in England and Wales rose by 0.8% to £692 per month, 44% higher than a year ago. This equates to a landlord charging approximately £30 more per month.

Quarterly Feature:

The International Profile of the Property Industry

In order to gain a clearer picture of how the UK property industry is performing, the state of the industry has been compared with property industries from a number of different regions including; Asia, Europe, the US and the Middle East.

Evidence suggests that the profile of the international property industry varies according to the extent to which a country has been affected by the financial crisis and the pressures facing the industry in 2011 as a result.

For example, experts predict that pressures from increased regulation, “austerity Europe”, the sovereign debt crisis and credit constraints will hinder any further property industry recovery in the US and Europe. In contrast, emerging markets such as China, Hong Kong and Singapore are now experiencing faster growth than the developed economies of the US, Europe and the UK with investment in Asian property reaching €294 billion in 2010, 50% of all global property investment¹⁹.

Experts argue that the impact of the financial crisis has facilitated a shift in the skills demanded by employers. Within investment hotspots, such as London and parts of Asia, employers are finding that to serve an increasingly diverse global customer base, property professionals will need to continuously develop their skills, update their knowledge of property legislation and must be willing to take on more complex deals or specialised buildings to meet customer demand.

In Middle East, employers are providing higher average wages than any other global region to attract expats to fill vacancies for valuation professionals, strategic consultants and project managers because the local population does not have the skills or experience to fill these vacancies.

In contrast, across the UK and US, there is more emphasis on property management skills as employers adopt a “make do and mend” approach where they adapt to the current economic climate rather than waiting for recovery²⁰.

For further information access the full article at:

<http://www.assetskills.org/Research/LabourMarketInformation/IntelligencePapers.aspx>

¹⁷ Royal Institution of Chartered Surveyors, Residential lettings survey GB, April 2011

¹⁸ LSL Property Services plc. Buy-to-let index, May 2011

¹⁹ Europe Real Estate, MIPIIM 2011: real estate builds on recovery foundation, March 2011

²⁰ Property Week, Europe’s pressure points, February 2011