

## House prices expected to rise over coming year

- **Property values seen to have fallen at slower pace in July...**
- **... and expected to rise over next 12 months.**
- **Mortgage availability continued to fall, but at weaker rate.**

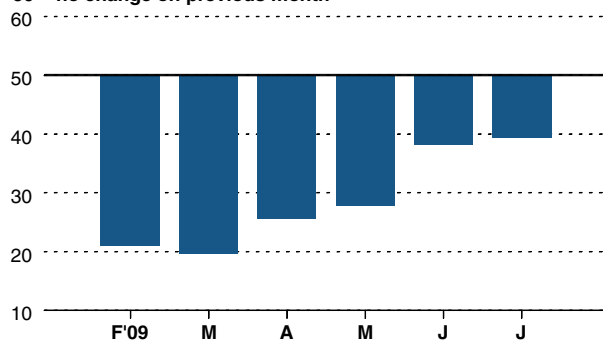
Latest data from the Markit/YouGov Household Finance Index (HFI) pointed to continued optimism in relation to house prices for the year ahead, but also suggests any recovery is likely to be subdued.

Despite upbeat media reporting of signs of a tentative improvement in house prices, based on data from mortgage lenders, households continued to consider that their properties fell in value again in July. Around 29% of survey respondents believed that the value of the property in which they resided had fallen compared to just 8% that considered the value to have risen.

However, although below the 'no change' level of 50.0, at 39.5 the resulting 'diffusion' index based on the July survey responses was the highest in the short series history. This was well above the readings seen in the spring, suggesting that the perceived rate of deterioration of UK house prices among households has eased considerably in recent months.

### Change in current value of property

50 = no change on previous month



House values were considered to have again fallen in all regions of the UK during July, but to varying degrees. The largest month-on-month fall was signalled in the East Midlands, while the neighbouring

West Midlands also registered a steep fall (the third sharpest in the UK). Sandwiched between the Midlands regions was Northern Ireland, where house prices were perceived to have again fallen at a steep rate.

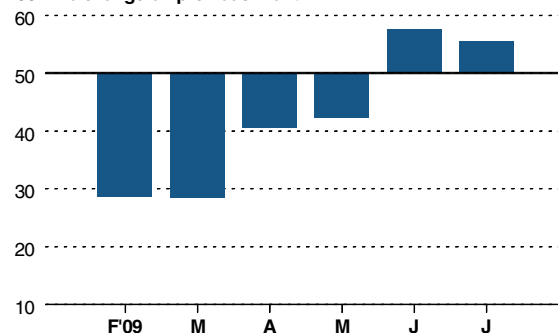
In contrast, Scottish panellists recorded the shallowest decline in house values from a month ago, followed by those living in London.

In addition to house prices falling at a reduced pace in July, a further recovery of the market is supported by expectations of rising property values in the coming year.

Over a third of panellists (35%) expect house prices to increase in the next year, compared to 24% who anticipate a fall. The resulting index reading of 55.5 was above the 50.0 mark for a second successive month. Although slightly down on June's 57.6, expectations of rising prices remained in contrast to the high degree of negative sentiment registered earlier in 2009.

### Outlook for value of property

50 = no change on previous month



Ten out of the twelve UK regions signalled positive expectations for house prices in the latest survey period. Confidence in the outlook for property values was highest amongst residents in the South West, followed by Scotland and the East of England. In contrast, expectations for house prices in the East Midlands turned negative in July, though remained much better than earlier in the year. Respondents in Northern Ireland are forecasting no change in house price values in one year's time.

## Regional house price expectations

### Outlook for house prices by region

(% expecting an increase in 12 months' time minus % expecting a decline)



A key feature of any sustained recovery in the housing market will be the availability of mortgages. Latest data from the HFI survey showed that the availability of secured credit (which includes mortgages and other secured loans) continued to fall in July, albeit at the slowest rate in six months of data collection.

Conditions attached to the availability of secured credit – the deterioration of which has also been a key feature of the downturn in the property market – were meanwhile perceived to have tightened further in July. Although the slowest in the short series history, the rate of deterioration was steep, with some 36% of respondents signalling a perceived tightening of conditions attached to secured credit against 5% reporting a loosening.

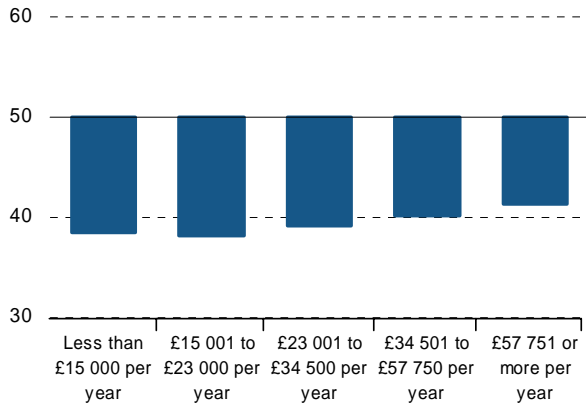
So, although house prices are expected to rise in the coming year, poor mortgage availability is likely to restrain the recovery. Moreover, with property owners continuing to perceive that the values of their homes continued to fall in July, the supply of new property on to the market is likely to have remained weak in July, with homeowners likely to refrain from selling until an increase in perceived prices is evident.

### Value of property

July data: Compared to one month ago, how do you think prices generally for goods and services that you buy have changed?

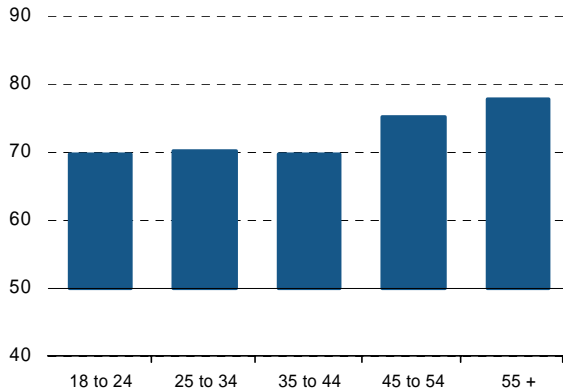
#### By Income

50 = no change on previous month



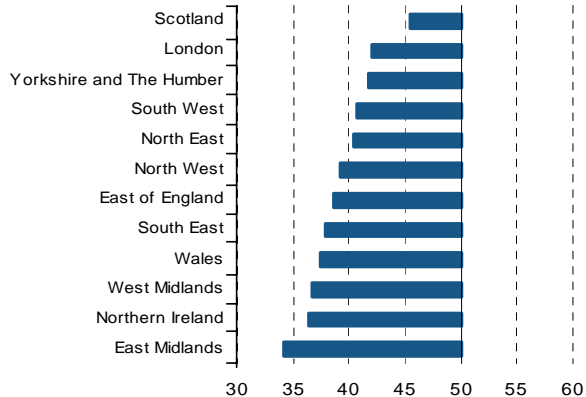
#### By Age

50 = no change on previous month



#### By Region

50 = no change on previous month

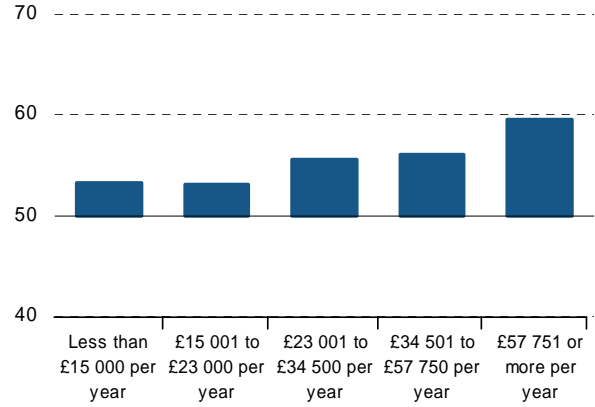


### Outlook for value of property

July data: How do you think prices generally for goods and services that you buy will have changed 12 months from now?

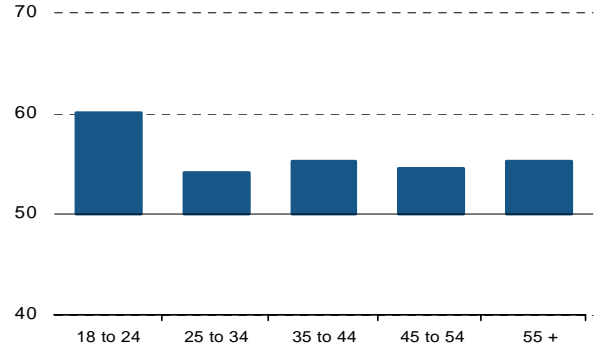
#### By Income

50 = no change on previous month



#### By Age

50 = no change on previous month



#### By Region

50 = no change on previous month

