

Potential property buyers are currently more optimistic than they were a year ago, but there is less certainty than there was earlier this year. Most respondents expect house prices to rise over the next twelve months, but a lack of job security and perceived difficulties in raising a deposit and obtaining a mortgage are considered the main barriers to buying property.

Is now a good time to buy property in the UK?

58% of people responding to the BSA *Property Tracker* agree to some extent that now is a good time to buy residential property in the UK, broadly the same proportion as in September and June. This is a much greater proportion than in 2008, with just 46% agreeing to some extent that it was a good time to buy property in December last year. Just 4% of respondents strongly disagreed that now was a good time to buy property, compared to 15% a year earlier.

This increased optimism is likely to be a reflection of the stabilisation of house prices in recent quarters. However, there is currently more uncertainty than in previous surveys, with a smaller proportion strongly agreeing or strongly disagreeing that now is a good time to buy property. This may be due to the stabilisation in house prices occurring simultaneously with continued weakness in the labour market.

Chart 1: Now is a good time to buy property in the UK

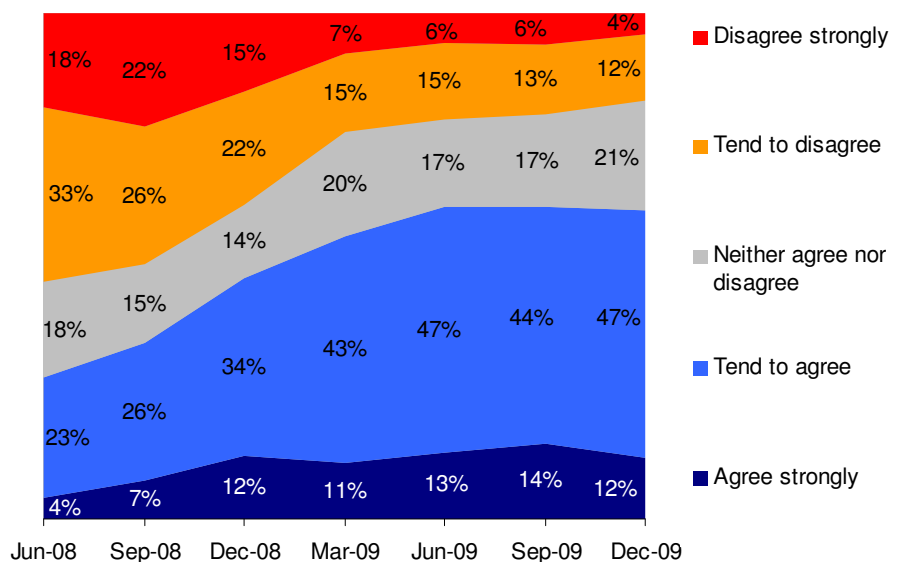
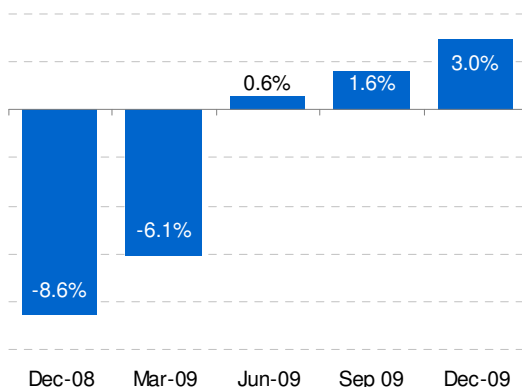


Chart 2: Average 12 month property price predictions over time

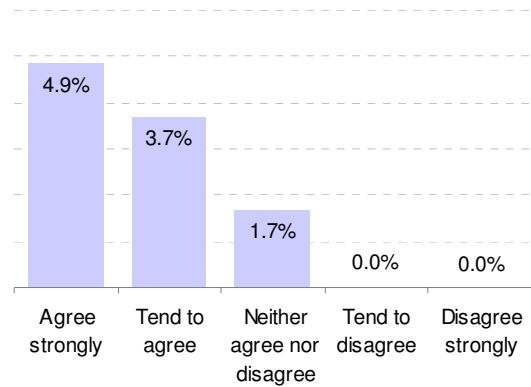


House price expectations

Two thirds of respondents to the *Property Tracker* in December expected house prices to rise over the next twelve months. Just one in ten thought that prices would fall. The average expectation for house prices to rise strengthened slightly in December, to an increase of 3.0% over the next 12 months*. This compares to a predicted rise of 1.6% in the year after September. A year ago, respondents thought that house prices would fall by 8.6% in the subsequent 12 months.

Chart 3: Average 12 month property price predictions by whether currently a good time to buy (December '09)

As might be expected, respondents who thought that it was currently a good time to buy property were more likely to think that prices would rise in the next 12 months. The average property price increase predicted by those that strongly agree now is a good time to buy was 4.6%. Those that agreed less strongly that now was a good time to buy thought prices would rise by 3.7%, on average. Those that disagreed that it was a good time to buy did not believe that prices would rise, on average, over the next 12 months. All groups are more positive than they have been in previous quarters.

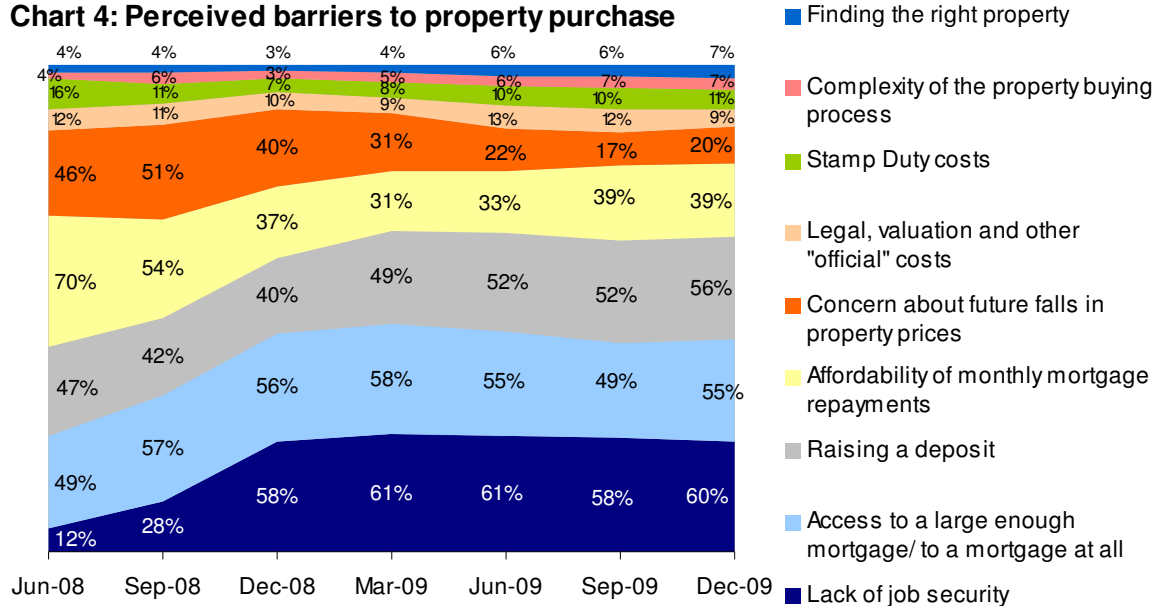


Perceived barriers to property purchase

The *Property Tracker* asks respondents what they currently perceive to be the barriers to house purchase. Respondents can choose up to three factors that they consider to be impediments to buying property. The responses are summarised in Chart 4.

The greatest perceived barrier is a lack of job security, as has been the case for the last year. This was considered a barrier by 60% of respondents to the latest survey. This is hardly surprising as unemployment continues to rise. Many potential buyers may be deterred from buying property until their employment and earnings prospects become more secure.

Chart 4: Perceived barriers to property purchase



Respondents can choose three factors so percentages do not sum to one hundred

Other barriers may also be frustrating potential buyers' efforts to purchase property. Raising a deposit is considered a barrier by the largest proportion of respondents since the survey began in summer 2008, at 56%. This might reflect a pick up in the demand for property purchase following the stabilisation of house prices in recent months.

Well over half, 55%, perceive difficulties in obtaining a sufficiently large mortgage or a mortgage at all, reversing the decline in importance attributed to this factor in September, when the proportion citing it as a barrier dropped to 49%.

Although mortgage interest rates are relatively low for new borrowers, with, for example, the average quoted tracker mortgage rate standing at 3.9% compared to 5.8% a year earlier, 39% of respondents to the *Property Tracker* reported that affording the monthly mortgage payment was a barrier to house purchase.

In line with the change in property price predictions described above, concerns about the path for future property prices are considered a less significant barrier than it had been in 2008 when property prices were falling and expected to continue to decline.

Other costs and barriers remain relatively minor concerns for potential buyers.

Perceptions of barriers held by different groups

Those that disagreed to some extent that now was a good time to purchase property were more likely to consider that the affordability of mortgage payments was a barrier, with 47% selecting this as a issue, than were those that thought that it was a good time to purchase, of which 36% thought this was a barrier.

Also, 37% of those that thought to some extent that it was not a good time to buy were concerned about future falls in property prices, while just 14% that believed now was a good time thought this way.

Those that thought now was a good time to buy property gave greater weight to barriers relating to the availability of credit, relative to respondents that didn't think it was a good time to buy at the moment. Whereas 62% of people that thought it a good time to buy considered raising a deposit a barrier to house purchase, just 46% of those that disagreed viewed this as an issue. Also, 61% of those thinking it is a good time to buy thought that obtaining a large enough mortgage (or a mortgage at all) was a barrier, while 50% of those that believed it wasn't a good time to buy thought likewise.

Full data tables can be downloaded here: www.bsa.org.uk/docs/presspdfs/PTDec09trend.xls

The next BSA *Property Tracker* survey will be published on 17 March 2010.

www.bsa.org.uk

* These averages are medians calculated by the BSA from YouGov data, excluding those that replied "don't know" and assuming responses are evenly distributed through each range of price changes that could be chosen.

Totals may not equal the sum of the constituent parts due to rounding.

The Property Tracker survey is conducted quarterly by YouGov plc for the Building Societies Association. All figures, unless otherwise stated, are from YouGov Plc. Total sample size in December 2009 was 2,027 adults. Fieldwork was undertaken between 4 - 7 December 2009. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

The Building Societies Association (BSA) represents mutual lenders and deposit takers in the UK, including all 52 building societies. Building societies have total assets of £370 billion and, together with their subsidiaries, hold residential mortgages of almost £240 billion, approximately 20% of the total outstanding in the UK.