

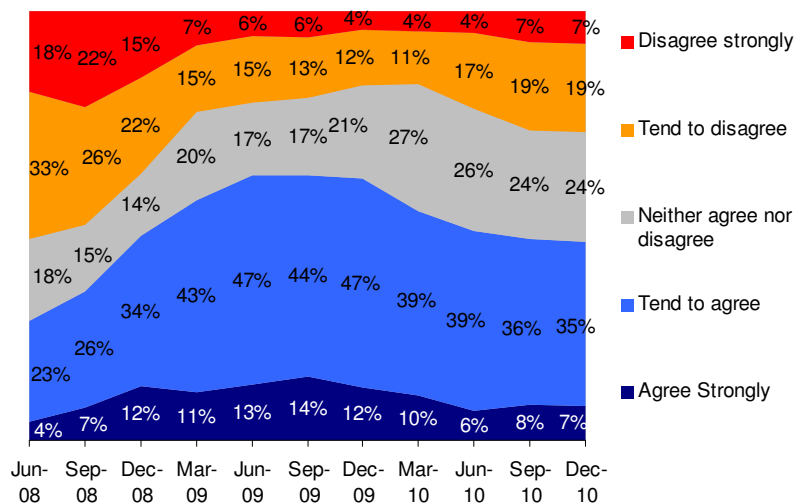
- **Uncertainty over the year ahead remains**
- **On average, property prices are expected to be flat next year**
- **Potential first time buyers are relatively more pessimistic than homeowners**
- **A substantial proportion believe property remains overvalued**
- **The best time to buy property is considered to be within the next year**
- **Constraints on consumers' borrowing capacity are perceived to be the most significant impediments to buying**

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

Just over a quarter, 26%, of respondents to the BSA *Property Tracker* survey in December disagreed that now was a good time to buy property in the UK. This is broadly the same proportion as in September, but is much greater than a year earlier, when just 16% disagreed (see Chart 1).

In contrast, 43% currently believe it is a good time to purchase property, broadly the same as in the previous two quarters, but less than a year ago when 59% thought it was a good time to buy.

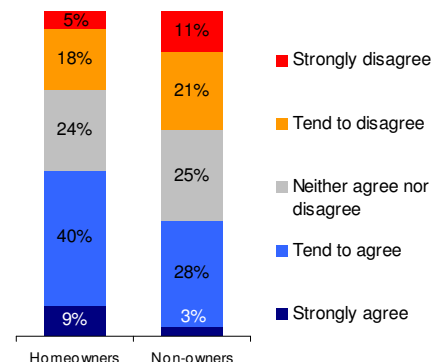
**Chart 1: Now is a good time to buy property in the UK**



As has been the case for the last year or so, about a quarter of respondents did not agree nor disagree, suggesting that considerable uncertainty continues to pervade the UK housing market. Consumer sentiment might have been shaken by the forthcoming public sector cuts, while widely reported house price indices have indicated that property prices have begun to fall in recent months.

Therefore, in this edition of the *Property Tracker*, some additional questions were asked to try to better understand consumers' views on the state of the housing market and the outlook for the year ahead. One of these questions looked at the current living arrangements of respondents. Those that were homeowners (whether they owned their home outright or were still paying their mortgage) were significantly more positive about buying property at the present time than were people who didn't own their own home (whether they were renting or living rent-free, e.g. with parents<sup>1</sup>). Therefore, the people who might be expected to be first-time buyers are relatively more pessimistic about the property market, with 32% disagreeing to some extent that now is a good time to buy (see Chart 2). This compares to just 23% of homeowners. In contrast, nearly half (49%) of homeowners think that it is presently a good time to buy, compared to less than a third (31%) of non-owners.

**Chart 2: Now is a good time to buy by homeownership**



<sup>1</sup> As an indication of the continued high cost of housing in the UK, 38% of those in the 18-24 age group were living rent-free with family or friends, as were 12% of those in the 25-34 age group.

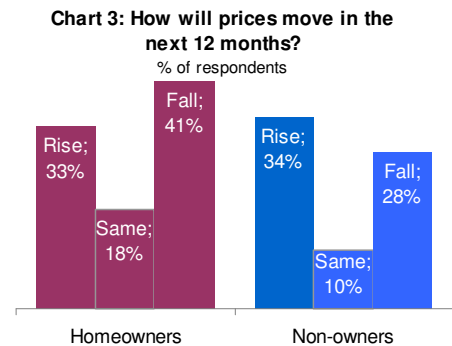
## House price expectations

Just a third (33%) of all respondents to the BSA *Property Tracker* predicted that house prices would rise over the coming 12 months, while 36% thought prices would fall. 15% believed prices would stay the same over the next year.

The average\* forecast in December was for house prices to stay at the same level over the next 12 months, which was the same as forecast in September. Nationwide's latest price index showed that in November average house prices, having fallen month on month recently, were approximately the same level as they had been a year earlier. Most do not expect large falls in house prices: just 13% of respondents believed prices would fall by 5% or more.

Homeowners were more likely than those currently renting or living rent-free to believe that house prices would fall over the next 12 months (see Chart 3). 41% of homeowners thought prices would fall, compared to 28% of non-owners. A third of homeowners believed house prices would rise in the next year, and a similar proportion of renters thought likewise.

Over a quarter of those currently renting or living rent-free (27%) said that they did not know what would happen to prices in the next twelve months, compared to just 9% of homeowners. This may be because many of these non-owners have no desire to purchase a property or do not have the means to do so, and therefore take little interest in changes in house prices. Homeowners, in contrast, have a direct interest in changes in house prices as it affects their wealth.

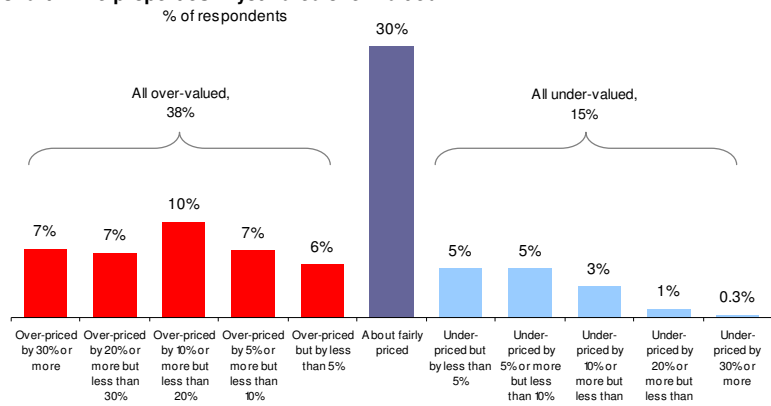


## Are properties over-valued?

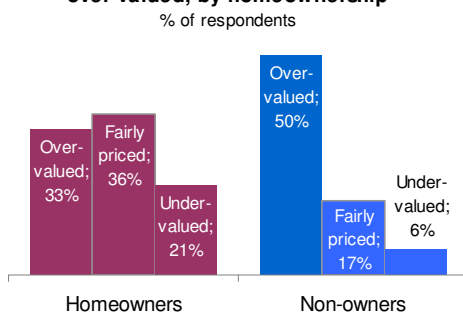
Although average house prices are currently about 12% below their late-2007 peak, based on the Nationwide index, many respondents believe properties in their area are still over-valued.

38% of respondents to the *Property Tracker* survey believed that, on average, properties in their area were over-priced, with 25% thinking them over-priced by 10% or more. In contrast, 15% thought properties were underpriced while 30% believed that properties in their area were about fairly valued.

**Chart 4: Are properties in your area over-valued?**



**Chart 5: Are properties in your area over-valued, by homeownership**

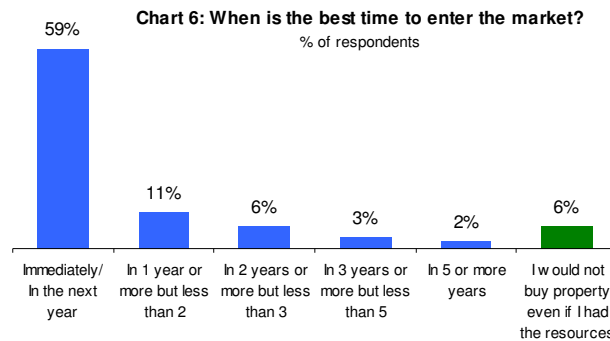


Perhaps unsurprisingly, homeowners were less likely to think that properties were over-valued compared to non-owners. Whereas 50% of those currently renting or living rent-free thought that properties in their area were over-priced to some extent, just a third of homeowners, 33%, held the same opinion (see Chart 5). Instead, 36% of homeowners believed that properties were fairly priced, and 21% thought that properties were under-priced. In comparison 17% of renters thought that prices were about fair, and just 6% thought properties were under-valued. House prices have fallen from their peak in late 2007, and

this may influence how “fair” homeowners perceive the value of properties in their area. As more homeowners thought that prices were due to fall rather than rise in the next year, they may expect that their properties will become more under-valued (or less over-valued) in the year ahead.

### When would be the best time to enter the market?

For this edition of the *Property Tracker*, respondents were also asked when would be the best time to enter the residential property market, supposing they had sufficient money to buy a property. Most would not wait long to enter the market. If they were not constrained by the resources available to them, the majority, 59%, would look to enter the market immediately or within the next year. A further 11% would wait a year, but would enter before the end of the second year, while a combined 12% would wait longer, some for more than five years. Just 6% would not buy property even if they were able to. These results suggest that even if property prices are due to fall, most believe they are likely to bottom out in the next year or two.



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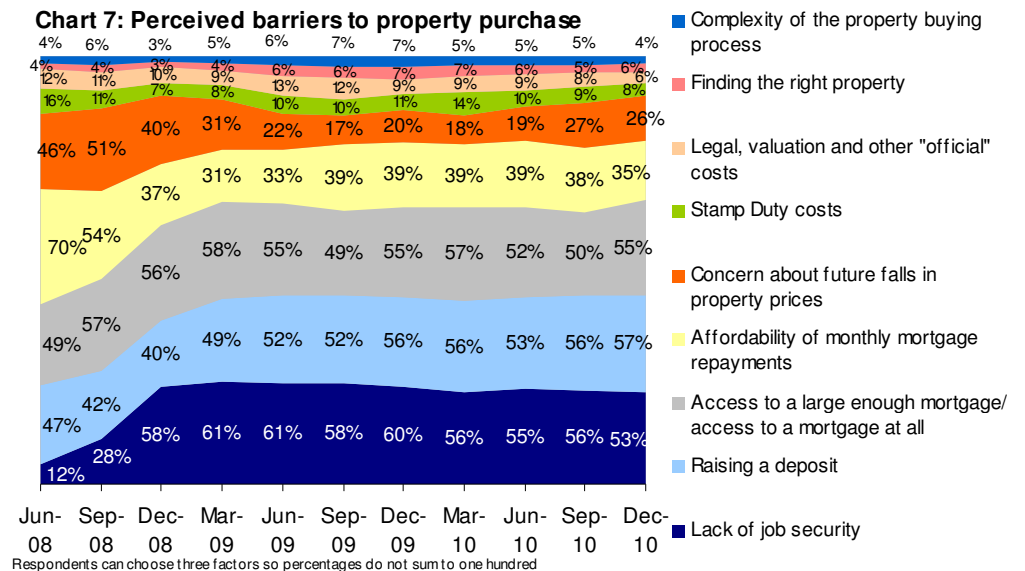
As might be expected, these answers correlate to whether respondents believe it is currently a good time to buy property in the UK. For example, 92% of those that think it is currently a good time to buy would buy immediately or in the next year if they had the resources. 19% of those who disagree strongly that now is a good time to buy would wait a year, but less than two years, before entering the market, while 36% of this group of respondents would wait longer than 2 years.

Existing homeowners were more likely to think that the best time to enter the market was soon, with 63% saying they would buy immediately or in the next year. This compares to those renting or living rent-free, where just 49% said that if they had the resources they would look to buy property immediately or in the next year.

However, those renting from the local authority or from a housing association were less likely to want to buy at all. 16% of this group said that they would not buy property even if they had the resources. This compares to an average of 5% across all other groups.

### Perceived barriers to property purchase

Respondents were asked what they currently perceive to be the main barriers to house purchase. The three main barriers selected in December are the same as have been chosen over last eighteen months to two years: raising a deposit, obtaining a large enough mortgage, and a lack of job security. These perceived impediments indicate that consumers broadly consider their capacity to borrow to be the main hindrance to buying property.



Concerns over future falls in property prices remain elevated compared to the first half of 2010. This factor was selected by 26% of respondents. However, this is substantially lower than two years ago when 40% thought future price declines were a reason not to buy. At that time, average house prices were falling sharply, by 16% on the prior year, according to Nationwide's index.

Those that strongly disagreed that it was currently a good time to buy were more concerned about future price falls (43% selected it as an impediment) than those that strongly agreed that it is a good time to buy (where just 15% considered this a barrier).

Homeowners were particularly likely to cite a lack of job security as a barrier to property purchase. 58% of those that owned their home selected this as a factor, which was similar to the 56% renting from the council or a housing association, but much greater than the 38% of those currently renting privately that were concerned about job security. Those renting privately tend to be younger, so may be more flexible or mobile in the labour market.

Homeowners were also more likely to consider future falls in property prices a barrier to making a purchase. 28% of homeowners considered this a barrier, compared to 21% of those that don't own their home.

Full data tables can be downloaded here: [www.bsa.org.uk/docs/presspdfs/PTDec10trend.xls](http://www.bsa.org.uk/docs/presspdfs/PTDec10trend.xls)

The next BSA *Property Tracker* survey will be published on 16 March 2011.

\* 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 2010 was 2,047 adults. Fieldwork was undertaken between 3-6 December 2010. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Additional questions were asked in the December 2010 *Property Tracker*.

The Building Societies Association (BSA) represents mutual lenders and deposit takers in the UK, including all 49 building societies. Mutual lenders and deposit takers have total assets of over £365 billion and, together with their subsidiaries, hold residential mortgages of almost £235 billion, 19% of the total outstanding in the UK.