

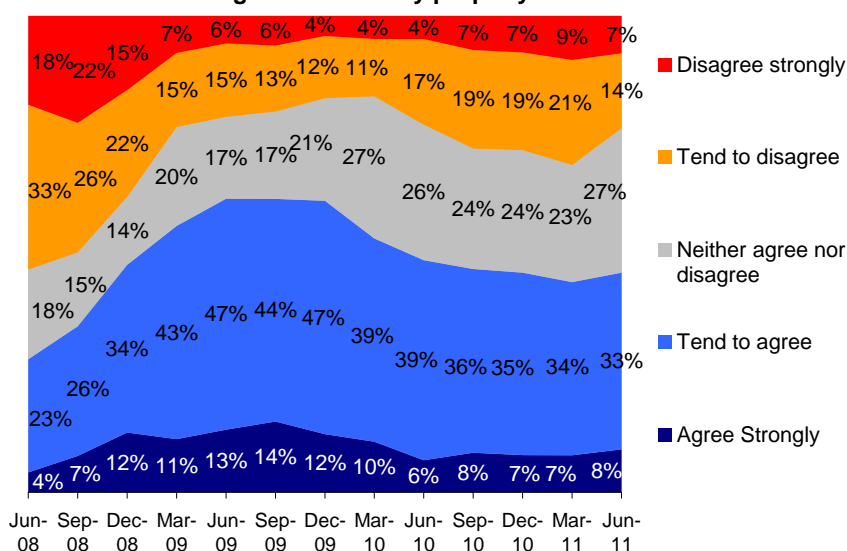
- Consumers are slightly less negative about buying a property in the current environment
- Raising a deposit becomes more of a concern for prospective buyers, but less concern over job security
- Homebuyers less worried about falling prices, but no growth forecast for next 12 months

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

The proportion of respondents to the BSA *Property Tracker* who did not think that it is currently a good time to buy decreased significantly to 21% from 29% in March. The proportion that agreed to some extent that it is currently a good time to buy was 41% in June, the same proportion as in March (See chart 1). Despite low levels of activity in the housing market, prices have remained relatively stable over the past year. Price stability in the near term provides a more conducive environment for property purchase.

There is a noticeable difference in the proportions of those who agreed or disagreed that it is currently a good time to buy based on the respondents' location. In London, 34% of respondents agreed that it was now a good time to buy (the lowest across any region), and only 4% of which agreed strongly. This compares, for example, to the East of England where 46% agreed, of which 17% agreed strongly. Only 15% did not agree it was a good time to buy in the East, compared to 21% in London.

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

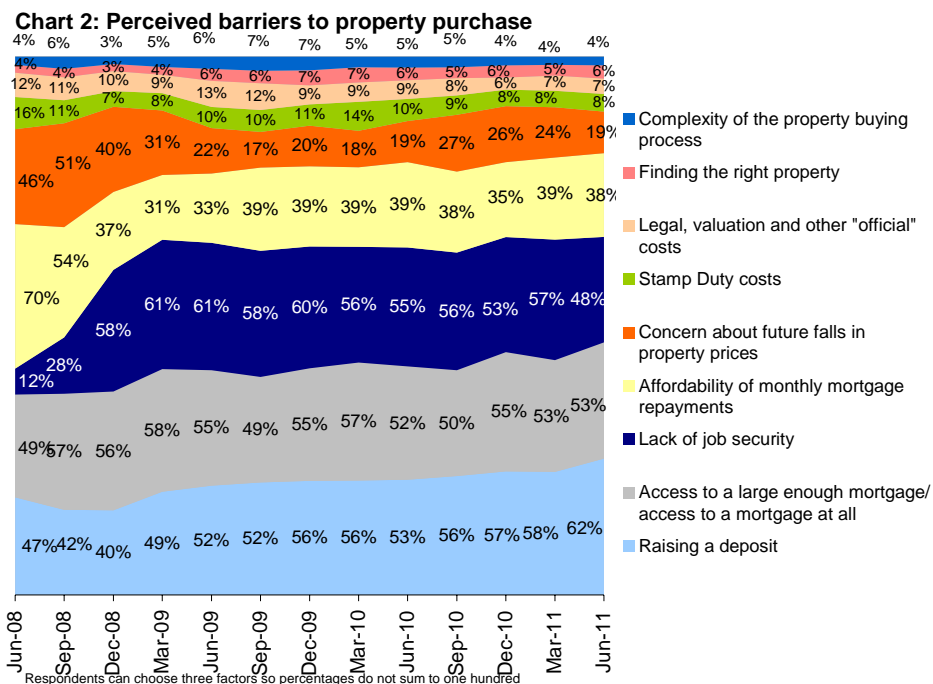


According to the Nationwide Building Society, house prices in London have outperformed the rest of the country with prices up 17% over the last five years compared to just 1% across the UK as a whole. House prices in London are now only 6% below their peak at the end of 2007¹. House price affordability had reached unsustainable levels prior to the recession, with house prices in London were valued over six times average earnings². It is perhaps unsurprising therefore that a lower proportion of respondents in London think that now was a good time to buy especially when securing mortgage at a high LTV ratio and raising a deposit remains challenging for many prospective buyers.

Perceived barriers to property purchase

The proportion of respondents with concerns over the ability to raise a deposit has been rising gradually since June last year, and in the latest survey reached 62% - the highest proportion since the *Property Tracker* began three years ago in June 2008. The number of mortgage products available at higher LTVs is considerably lower than prior to the recession, although more products are becoming available. With the current squeeze on household finances from higher taxes and a rise in consumer prices, it is no wonder that raising a deposit has become more of a challenge for home buyers. This is likely to continue to be a prominent barrier over the next twelve months with inflation likely to remain above target, low growth in average earnings and the impact of the government's fiscal consolidation plans.

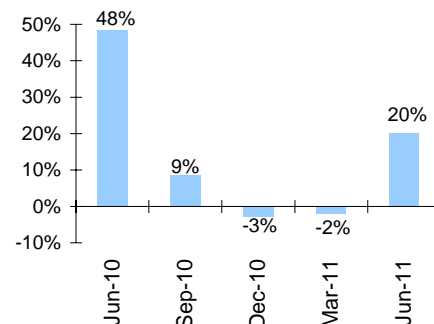
The perceived barriers to property purchase had been broadly stable up until the end of 2010 (see Chart 2). However, in the latest survey there was a marked fall in the proportion who viewed a lack of job security as a barrier. The proportion selecting this factor fell to 48% in June from 57% in March. This fall corresponds with improvements in the labour market in the second quarter of this year. The unemployment rate has reduced to 7.7% during the period, down from its recent peak of 7.9%. The proportion of respondents who were concerned over future falls in property prices also reduced in June, to 19% from 24% in March. Over the past year, respondents to the BSA *Property Tracker* have forecast house price growth to remain flat, which is broadly what has transpired, and prices are expected to remain stable.



House price expectations

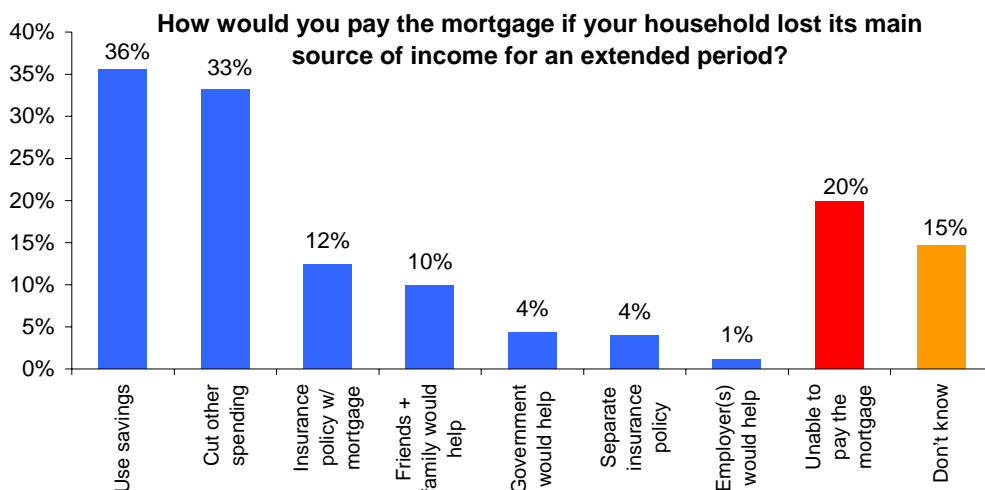
41% of respondents thought property prices would rise over the coming twelve months, 22% thought prices would fall, and 18% thought they would stay the same. This is the first time since September 2010 that the *Property Tracker* has recorded a positive net balance. However, whilst a greater proportion of respondents thought prices would rise compared to those who thought prices would fall, they predicted only modest rises in prices over the period, and the median³ change is for house prices to remain flat, which was the case in March 2011 and December 2010 survey.

Proportion of respondents expecting house prices to rise (net balance)



Paying your mortgage in a time of financial strain

Despite the Bank Rate being at a historic low of 0.5%, household finances currently face significant pressures. Although the employment rate has stabilized over the last year the outlook for growth is weak, and the Government's plans for fiscal consolidation may result in added unemployment in the public sector. Lenders have increased their capacity to offer forbearance over the past two years, and the



Excludes respondents who do not have a mortgage. Respondents could select more than one answer (unless they chose 'unable to pay mortgage' or 'don't know') therefore the results do not sum to 100%

previous government had introduced various schemes to help struggling homeowners. However, conditions look set to remain difficult for households, and repossessions are forecast to rise in 2012. We therefore asked consumers how they would pay their mortgage if their household lost its main source of income for an extended period.

Of the respondents which had a mortgage, a fifth said they would be unable to meet their repayment obligations if their household was to lose its main source of income. A further 15% said they did not know how they would repay their mortgage under these circumstances.

Over a third of respondents said they would use savings and a further third would cut back on other spending. Growth in household savings has been weak over the past 18 months, and consumers have already have been using their savings to supplement their incomes and repay debt. It is unlikely that many households will be able to rely on their savings to repay their mortgage for a prolonged period, especially whilst the rise in consumer prices is above the rate received on most savings products. Furthermore, just 16% of respondents were protected by an insurance policy which would help them with their repayments. This demonstrates the need for industry, government and advice agencies to work together to provide options for those with no place to turn for help.

Full data tables can be downloaded here: www.bsa.org.uk/docs/presspdfs/PTjun11trend.xls

The next BSA *Property Tracker* survey will be published on 21 September 2011.

1. Source: Nationwide Quarterly Review Q1 2011: www.nationwide.co.uk/hpi/historical/Q1_2011.pdf

2. Source: Lloyds banking group: www.lloydsbankinggroup.com/media/excel/2011/HPI_Quarterly/140411Affordability.xls

3. 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 June 2011 was 2,023 adults. Fieldwork was undertaken between 3-6 June 2011. 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 48 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.