

Property Tracker



20 June 2015

Mortgage affordability improves to highest level for six years

- Mortgage affordability as a barrier to property purchase falls to lowest levels since June 2009
- Raising a deposit remains biggest barrier to property purchase
- Housing market optimism remains, but uncertainty grows

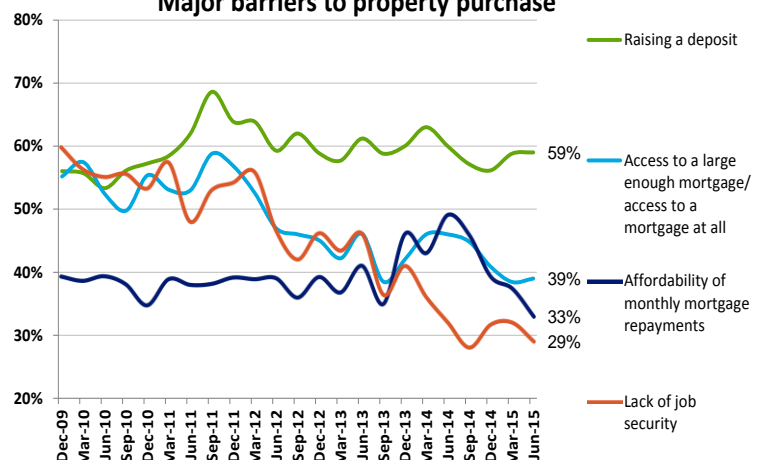
Mortgage affordability improves in low interest rate environment

Results from the June *Property Tracker* show that the affordability of monthly mortgage repayments is a barrier to property purchase for just a third (33%) of consumers. This is down from 37% in March, and the lowest level since June 2009. The low interest rate environment has seen average mortgage rates fall, making mortgage repayments more affordable for new borrowers and those on variable rate mortgages. Lenders' appetite to lend has also increased, creating more competition in the mortgage market and putting further downward pressure on market rates. In May the average mortgage rate fell to 3.19%, down from 3.82% a year ago.

The UK economic outlook is improving and this has had a positive effect on households, and helping further to increase mortgage affordability. More people are now in employment than a year ago, and the unemployment rate in March was just 5.5%, down from 6.8% a year earlier. Towards the end of 2014 households also began to experience wage growth in real terms for the first time in many years. Consumer price inflation has faced downwards pressure from falling oil prices and in April the consumer price index turned negative for the first time since 1960. At the

same time average earnings have grown, albeit modestly.

Major barriers to property purchase

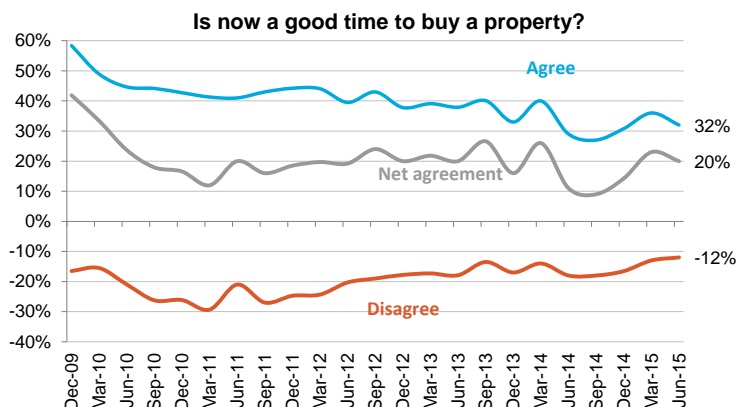


House price growth across the UK has moderated in recent months, but it is still higher than growth in average earnings. This is because the demand for housing outstrips the supply coming onto the market. Demand has picked up in recent months and 70,000 loans for house purchase were approved in April, up 6% compared to the 66,000 in April last year. This means there will be continued pressure on deposit requirements. Raising a deposit remained the greatest barrier to property purchase in June. 59% of respondents cited this as a barrier, unchanged from March and on par with the 60% in June last year.

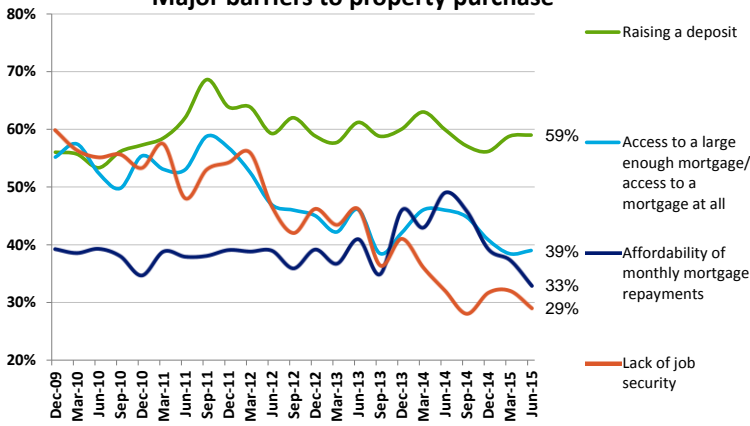
Housing market optimism remains, but uncertainty grows.

The *Property Tracker* shows that consumers are generally optimistic about the prospects of the housing market. In June, nearly a third (32%) said now was a good time to buy a property, but this is down compared to March (36%). Only 12% said they did not think now was a good time to buy a property, the lowest on record since the *Property Tracker* began, seven years ago, in June 2008. This corresponds with a record low (9%) of those who said that concerns about future falls in property prices was a barrier to property purchase. Over half (56%) of consumers believe house prices will rise over the coming twelve months by an average of 2.7%.

However 41% of respondents said they neither agreed nor disagreed that now was a good time to buy a property, up from 36% in March and 40% in June last year. The growing uncertainty could be due to the prospect of a rise in Bank Rate which is expected to take place in 2016, or even at the end of this year.



Major barriers to property purchase



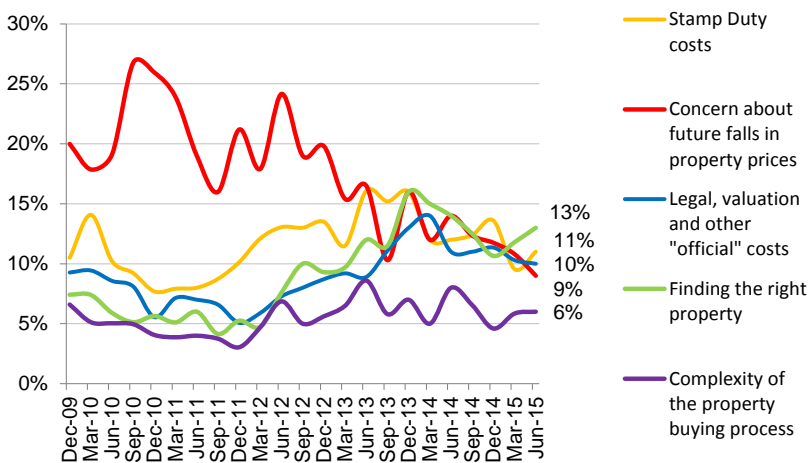
Raising a deposit as a barrier to property purchase remained at 59% in June.

Affordability of monthly repayments fell from 37% in March to 33% in June.

Access to mortgage finance increased slightly from 38% in March to 39% in June.

Lack of job security fell from 32% in March to 29% in June.

Other barriers to property purchase



Stamp duty as a barrier to property purchase increased marginally from 10% in March to 11% in June.

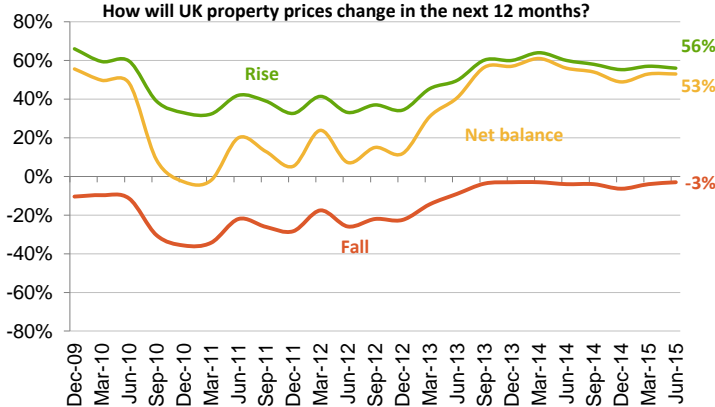
Finding the right property increased marginally from 12% in March to 13% in June.

Concerns about falls in future property prices fell from 11% in March to 9% in June. The lowest on record.

Legal, valuation and other official costs remained at 10% in June.

Complexity of the property buying process remained at 6% in June.

How will UK property prices change in the next 12 months?

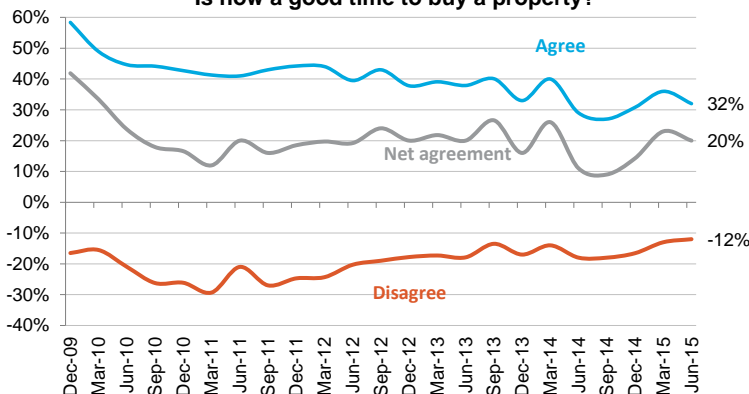


56% said property prices will rise in the coming 12 months in June, compared to 57% in March.

3% said property prices would fall in the coming 12 months in June, compared to 5% in March.

The net balance of those who said prices would rise was 53 percentage points in June, unchanged from March.

Is now a good time to buy a property?



32% agreed that now was a good time to buy in June compared to 36% in March.

12% disagreed that now was a good time to buy a property in June compared to 13% in March.

Net agreement was 20 percentage points in June compared to 23 percentage points in March.

The *Property Tracker* survey is conducted quarterly by Canadean Consumer for the Building Societies Association. Figures prior to June 2012 are from YouGov Plc. Total sample size was 2,000 adults. Fieldwork was undertaken between 29 – 31 May 2015. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

The proportion agreeing 'now is a good time to buy' includes those who agree strongly and those who tend to agree, while the proportion disagreeing includes those who disagree strongly and those who tend to disagree. Excludes respondents who answered 'don't know' so percentages do not sum to one hundred.

The Building Societies Association (BSA) represents all 44 UK building societies. Building societies have total assets of over £330 billion and,

together with their subsidiaries, hold residential mortgages of over £250 billion, 19% of the total outstanding in the UK. They hold almost £240 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for about 28% of all cash ISA balances. They employ approximately 39,000 full and part-time staff and operate through approximately 1,550 branches

*Based on figures from the Nationwide House Price Index

Data tables can be downloaded here

www.bsa.org.uk/information/statistics/bsa-property-tracker/