Building Societies Association

Property Tracker

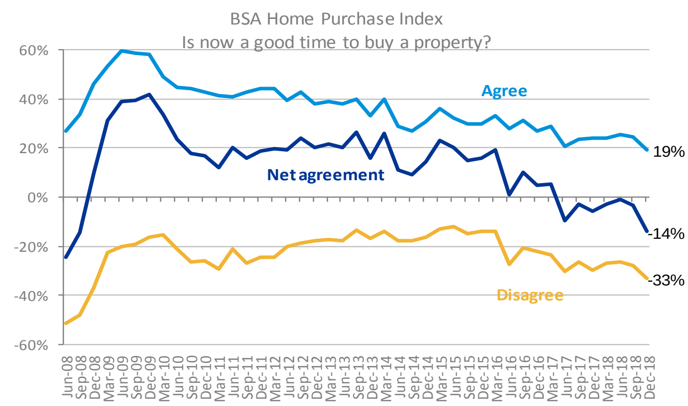
December 2018

Brexit uncertainty causes sharp fall in housing market confidence

- Brexit uncertainty adds to underlying weakness in housing market confidence
- Concerns over falling house prices becomes bigger barrier to property purchase
- Raising a deposit remains biggest barrier to property purchase

Brexit uncertainty hits housing market confidence

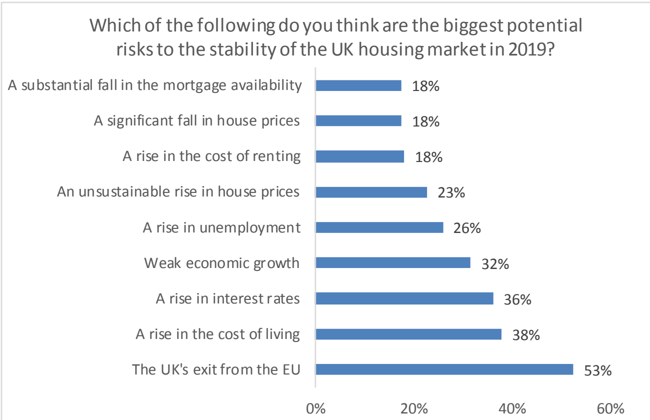
The December *Property Tracker* shows a significant drop in housing market confidence, caused by uncertainty over the UK's future trading arrangement with the EU. Housing market sentiment first dropped prior to the EU referendum two and a half years ago in June 2018. It recovered somewhat in subsequent quarters, but in June 2017, the *Property Tracker* confidence index turned negative with more people disagreeing that now was a good time to buy a property than those who agreed. Since then the index has remained in negative territory, and in December fell to its lowest level since the financial crisis over 10 years ago.



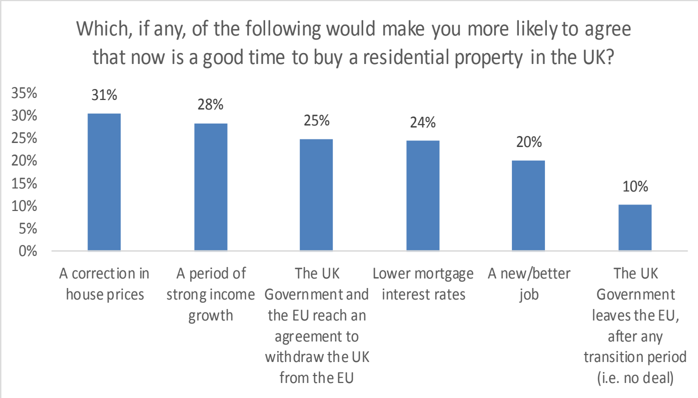
Just 19% agreed that now was a good time to buy a property, down from 24% in September. A third (33%) disagreed that now was a good time to buy, up from 28% in September. This gives a net score of minus 14 percentage points, down from minus 4 in September.

UK's exit from EU seen as biggest risk to housing market stability in 2019

It is no surprise therefore that when asked what the biggest risk to the stability of the housing market in 2019 was, over half (53%) said it was the UK's exit from the EU. This was followed by a rise in the cost of living (38%) and a rise in interest rates (36%).



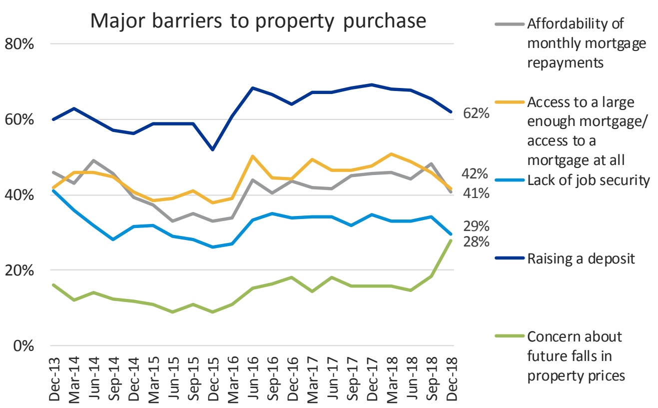
We asked those who disagreed that it was a good time to buy a property to tell us what would make them more likely to say it was a good time to buy.



A quarter (25%) said the UK Government and EU reaching an agreement to leave the EU would change their mind, suggesting that confidence would be restored to some extent in the event of a smooth transition out of the EU. However, the biggest response was 'a correction in house prices' chosen by 31%. This shows that for many of those who don't think its's a good time to buy there is an underlying issue with housing market confidence that even a smooth exit from the EU will not restore.

Raising a deposit remains biggest barrier to property purchase

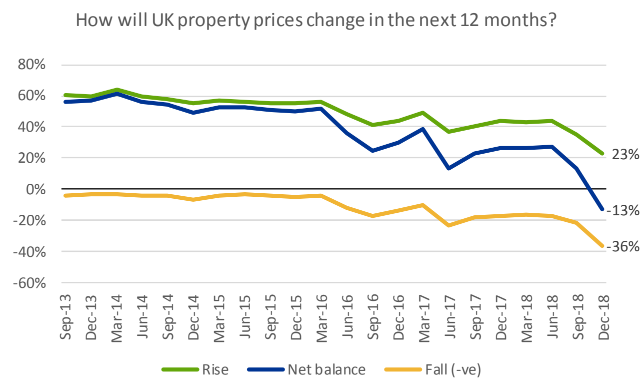
62% of respondents said raising a deposit was a barrier to property purchase in December. This is down from 65% in September, but has been the biggest barrier since June 2010. The second largest barrier was access to mortgage finance, cited by 42%, down from 46% in September.

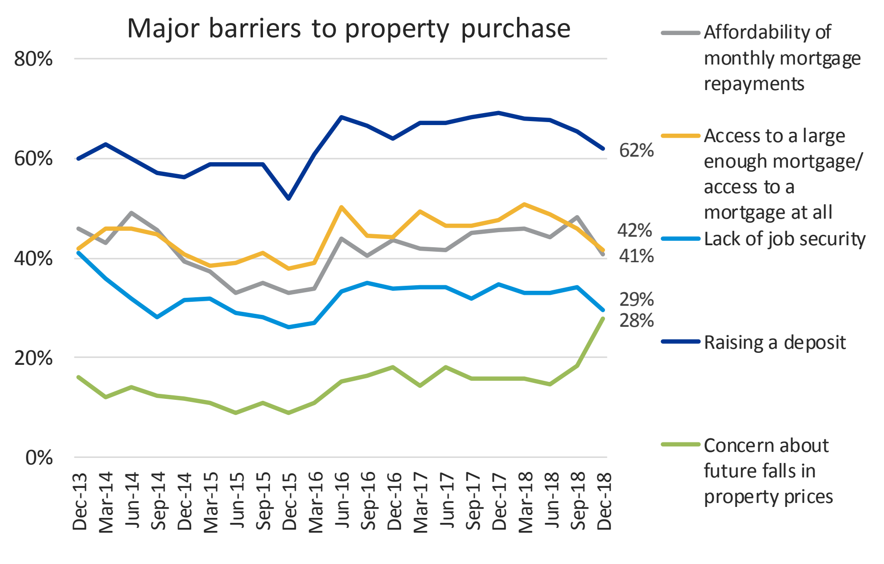


In fact there has been a small decline across nearly all barriers as respondents focused their attention on concerns about future falls in property prices which was a significant as barrier in December at 28%, up from 18% in September.

At the time of the *Property Tracker* survey there were numerous negative media reports citing the impact of a disorderly exit from the EU its potential impact on property prices. It is likely this has influenced the December results somewhat.

It is therefore no surprise that there was a drop in house price expectations in December. Just under a quarter (23%) said house prices would rise over the coming 12 months, down from 36% in September. Over a third (36%) said house prices would fall, up from 22% in September. This gives a net score of minus 13 percentage points, down from plus 14 percentage points in September and the lowest since March 2009.



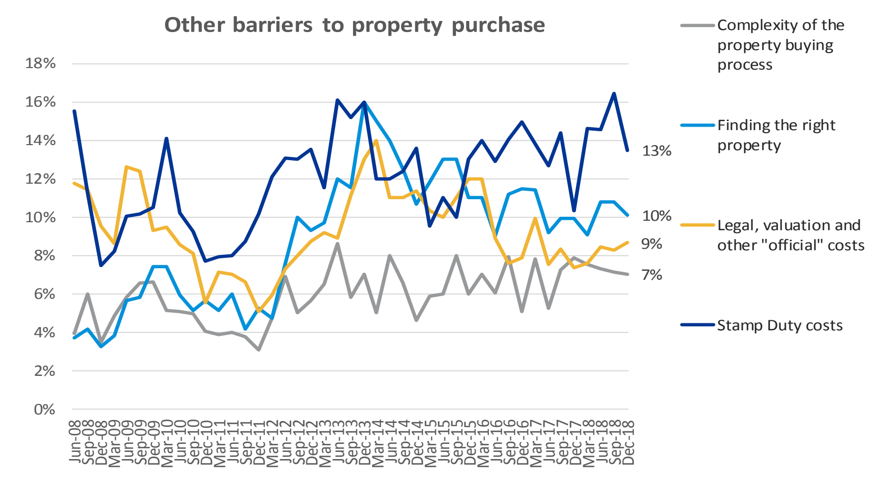


Raising a deposit was a barrier to 62% of people in December 2018, down from 65% in September.

Affordability of mortgage repayments was a barrier to 41% in December 2018 compared to 48% in September 2018.

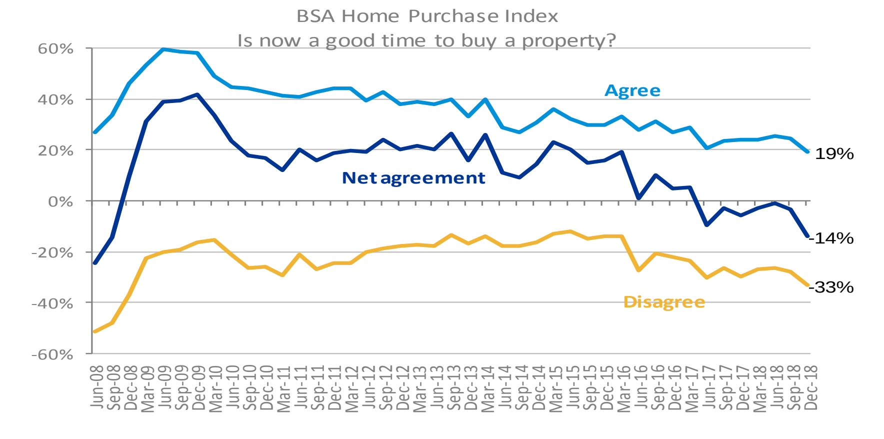
Access to mortgage finance was a barrier to 42% of people in December 2018 compared to 46% in September 2018.

Concerns about future falls in property prices was a barrier to 28% of people in December, up from 18% in September.



Stamp duty was a barrier to 13% of people in December, down from 16% in September.

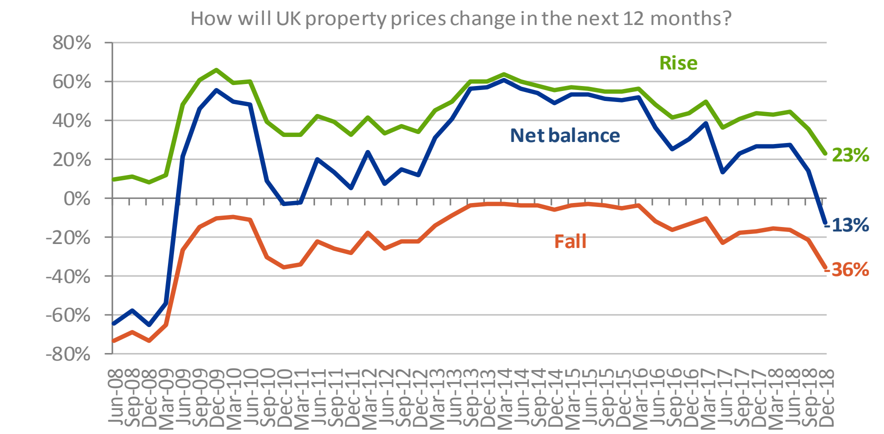
Other minor barriers were little changed quarter on quarter.



In December 2018 19% of consumers agreed that it is currently a good time to buy property in the UK; down from 24% in September.

In December 2018 33% disagreed, up from 28% in September 2018.

As a result, the net agreement decreased, to minus 14 percentage points in December 2018, from minus 4 percentage points in September 2018.



23% thought house prices would rise in the next 12 months in December 2018, down from 36% in September 2018.

36% thought prices would fall in December 2018, compared to 22% in September 2018.

The net balance therefore fell to minus 13 percentage points in December from 14 percentage points in September.

The Property Tracker survey is conducted quarterly by YouGov Plc for the Building Societies Association.

Total sample size was 2,023 adults. Fieldwork was undertaken between 30th November – 3rd December 2018. Surveys are carried out online. Figures have been weighted and are representative of all GB adults (aged 18+). All figures, unless otherwise stated, are from YouGov Plc.

Figures between June 2012 to March 2016 are from Canadean Consumer. For all other dates research was carried out by YouGov. Therefore, caution should be taken when comparing results across these periods.

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. Respondents who answered 'don't know' are not shown, so percentages do not sum to one hundred.

Net agreement represents the proportion who agree with a statement minus the proportion who disagree. Net balance figures represents those who said house prices would rise to some extent minus those who said prices would fall. These figures are calculated by the Building Societies Association using YouGov data.

The Building Societies Association (BSA) represents all 43 UK building societies, as well as 4 credit unions. Building societies have total assets of over £400 billion and, together with their subsidiaries, hold residential mortgages of over £315 billion, 23% of the total outstanding in the UK. They hold almost £280 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 37% of all cash ISA balances. They employ approximately 42,500 full and part-time staff and operate through approximately 1,470 branches.

Data tables for the standard questions can be downloaded here: www.bsa.org.uk/information/statistics/bsa-property-tracker/

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