

PRESS RELEASE

Property values set to hold firm

There is a new factor which is having a major effect on the market value of our homes.

Traditionally the activities of the first time buyer have formed the bedrock of the property market. When mortgages were cheap and easy to obtain, money flowed into the market through the first time buyer, enabling other sectors of the market at higher levels to accelerate.

The last three years have seen an unprecedented reduction in the number of housing transactions. One of the primary reasons for this has been the lack of mortgage finance for the first time buyer at anything other than what might be regarded as penal rates of interest.

As a consequence, the private rental sector has never been more active and our own rental department has quadrupled in size over the course of the last three years. Currently properties are letting within a matter of days, if not hours, in the majority of cases and there seems to be no end to this high level of activity. For many first time buyers or couples joining together for the first time, this is the only choice of accommodation that is available to them whilst lending criteria remains difficult and in the absence of capital growth to the market.

The result has been that yields have increased with properties now showing a return on investment of between 4 and 6%. Investor landlords are increasing their portfolio and there are a number of new private individuals entering the buy to let market, seeing it as a better return than that which can be obtained in the bank/building society or stock market given its performance over the last year.

Consequently, this yield return is providing the basis of valuation for properties, especially at the lower end of the market. Once this level of values has been established other larger houses in higher price bands will have their values linked to this base. We find that many of the people moving at the higher end of the market do not have the same requirement for high loan to value mortgages and, therefore, sales at this level can be easier to agree providing the first time buyer end of the market is secure.

It is for this reason that we can see no further reduction in the lowering of property values over the coming year. Indeed, many of the new investor landlords are hoping that they may see some capital appreciation in the medium term. In the light of the current economic woes and further talk of a double dip recession it would be a brave man to suggest that property values are likely to rise at a rate above inflation in the short term.

In order to assist the increasing number of people who are speaking to us with questions about the buy to let market, my company will be arranging a set of seminars through the

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winter throughout our area. These will be advertised in the local press and on our website so keep a look out as there is sure to be one near you.

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John Halman is Managing Director of Gascoigne Halman, an estate agent with 18 offices in South Manchester and is the North West Regional Residential Spokesman for the Royal Institution of Chartered Surveyors.

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