

PROPERTY COMMENTARY – SEPTEMBER 2011

Last time it was 1987 – will it be 2011?

On 26th August 2011 the BBC News website ran an interesting article. It was entitled 'House prices: NE England leads falls says Land Registry'. In an earlier newsletter I spoke to you about the impact of negative headlines or, as in this case, choosing the downside of the statement without giving the opposing view. I bow to superior knowledge at the Land Registry, but the headline is a little bit one-sided. The article gave a monthly and annual house price change. Barring the north-east, every sector in England showed an increase for the month of July 2011. I admit that all, barring London, annual figures showed a negative growth with figures ranging from 4.5% (Yorkshire Humber) to 1.1% (south-east). It is interesting to note that London showed an increase of +1.3% over the year.

Now, let's stay with that thought and look at another article which was linked to that, entitled 'Slump in planning approvals for new Scottish homes'. I am not suggesting that Scotland will lead the march in terms of property recovery, but given that Scotland's planning applications have slumped and that two years ago Scotland accounted for 18% of the number of UK approvals, then it is reasonable to say that housing approvals have slumped in England. That view is confirmed by The National Housing Federation which says the number of new houses built last year dropped to 134,000, the lowest number in peace time since 1923. Part of the problem has to lie with the Local Authorities. Some planners are being forced to make decisions based on the political agendas of Local Councillors, many of whom do not understand proper planning principles. There is also the imposition of unreasonable and unrealistic Section 106 Agreements.

Now, this information is leading to an interesting observation. I think anybody who takes a punt as to when this property market is going to recover is a brave person. I am not an economist; I am simply observing having operated in the marketplace for a few years. I know that these circumstances are different than the hitherto recession, but the principles are the same and that is, prices are determined with reference to the law of supply and demand. It doesn't matter whether you are in a recession, depression, or otherwise. Cast your mind back to 2002 - 2005. The market was rising at an accelerating rate fuelled by two things. Firstly, the availability of money (remember the days of 125% mortgages) but it was also being fuelled by the lack of supply. I believe demand is more reactive to time and adjusts faster than supply. As a result, I believe that the rise in value which was experienced in the early to mid 2000s was more to do with the availability or, more precisely, the relative lack of stock numbers (supply) versus the number of buyers (demand).

That is why I believe that when things return to a degree of normality there is going to be a surge in values. If you factor in 'the Bank of Mum & Dad', inheritances and limited supply of stock, then you are leading to the perfect recipe, ie price rises on the residential front. If you want to get a better idea of the date of the turn, keep it simple. Watch out for the television shows about house renovation. The more you see the more you will notice the market picking up. Come back Sara – all is forgiven!

So, my advice is to put on your overcoat or (as the Scottish people may do) your kilt, and get out there and start looking, because when this property market takes off (as it inevitably will) we are going to see some increase in values.

It only remains to wish the English rugby team good luck with their RWC adventure 'down under'. Being a Kiwi, I regret I am unable to support the men in white shirts (albeit 'all black' shirts in the opening game). Then again, the All Blacks alternative strip is all white. Who will win depends on the turn of the game on the day but I'm not yet dusting off the black armbands worn by me when the All Blacks have been knocked out of previous tournaments. Last time we won was 1987!

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