

## Property Investors

Property News&ldquo;Sentiment in the housing market continues to improve&rdquo;

According to the Royal Institute of Chartered Surveyors&rsquo; (RICS) latest UK housing market survey, sentiment in the housing market continues to improve as 8% more chartered surveyors expect prices to rise than fall over the next three months which is the highest reading for this series since April 2007.

The improved optimism for prices can at least partly be attributed to the fact that increased interest from new buyers has not been matched by supply coming onto the market. New-buyer enquiries remained high in July with a net balance of 63% reporting a rise rather than a fall which is marginally lower than the previous month but still indicative of a growing level of interest in the market.

At the same time the levels of stock on estate agents books remains very low. In July, more chartered surveyors reported an increase than a decrease in the number of new instructions for the first time since May 2007. However, the positive net balance of just 2% suggests that vendors are still a little reluctant to put properties on the market.

Housing market activity, in terms of actual transactions, also continued to rise during July. The monthly increase in the agreed sales net balance pushed that measure to its best level in a decade. That is consistent with the further improvements in the average sales per surveyor series. On average, surveyors sold 15 properties over the past three months compared with the previous reading of 13. As a result the sales-to-stock ratio (a measure of market tightness) increased slightly to 25, supporting the argument that the imbalance in stock levels is still providing support for prices.

The regional picture highlights the north/south divide developing in the English market. The sales-to-stock ratio is highest in London and the South East and lowest in the North.

Weak conditions lead to negative commercial sentiment

According to Savills&rsquo; latest commercial development activity index, development activity continued to fall in July, extending the current period of decline to 21 successive months.

Developers commented that bank lending conditions remained unfavourable and underlying market demand was relatively subdued. A fall in activity was recorded by 22.7% of survey respondents, while just 12.7% signalled a rise. At -10% in July, the resultant net balance of the index pointed to a further reduction of overall activity.

However, the rate of contraction eased since June and remained much slower than at the peak of the downturn in Q4 2008.

Business sentiment in the commercial property sector dipped back inside negative territory in July. Data pointed to a moderate degree of pessimism regarding the three-month outlook for activity. At -8.8% in July, the net balance measuring business sentiment was the lowest for four months. However, the latest reading was well above the record lows seen in 2008.

Commercial developers suggested that weak economic conditions and fragile tenant demand had led to negative sentiment about the business outlook in July.

Reductions in activity were recorded across all nine areas of commercial development monitored by the survey. The steepest rates of decline were recorded for public sector new build, followed by private sector new build.

Confusion over landlord registers

Confusion reigns over landlord registers, according to the National Landlords Association (NLA), as currently each of the four countries within the UK has adopted a widely different approach to whether landlords should or should not be on a central database.

In England, the Government is proposing a national register of English landlords which would include not only their names and addresses but also the addresses of their rental properties. Run by an independent organisation, landlords (or their agents) would have to register every year. In return, landlords would receive a unique landlord registration number to be used in tenancy agreements, court proceedings including eviction, and housing benefit claims.

Every council in Scotland already holds a register of landlords and letting agents. If they have not registered, or applied for registration, it is a criminal offence. Since its introduction in 2006 there have been calls for the scheme to be reviewed as 25% of rental properties are not registered. Landlord registration has failed to have sufficient teeth to deal with rogue landlords who have failed to register.

The Executive in Northern Ireland has stated clearly that mandatory registration of landlords "would put an unnecessary and unfair focus on those landlords who are already complying with legislation and acting responsibly. It would not provide the most effective means of targeting those landlords who are not complying with current law, particularly those who are unaware of, or who deliberately decide to operate outside the law". In other words, there will be no register in Northern Ireland.

The Welsh Assembly Government has no immediate plans of its own to introduce any type of landlord register. However, it is possible that if legislation is introduced at Westminster, it could be extended to include all Welsh landlords.

David Salusbury, chairman of the NLA, said: "The question for decision makers now seems to be: are landlord registers going to stop rogue landlords from taking advantage of tenants and bringing the private-rented sector into disrepute? There are diverse answers from the various parts of the UK.

"The NLA has argued for many years that more targeted action, including more effective use by local authorities of existing enforcement powers, is needed to find and successfully prosecute those landlords who continue to flout the regulations governing the letting of private residential property. The Government has now got to be very careful not to penalise good landlords who are already complying with the law."

The NLA has recently made its submission to the Government about the proposed register in England. It does not favour registration of landlords, which would not help to drive out the rogue operators. Resources would be more effectively used implementing and enforcing existing regulation. In addition, the NLA believes the information required for any registration should be kept to an absolute minimum to maximise security and accuracy, with access to stored data tightly controlled.

#### Borrowers now opting for fixed-rate mortgages

According to Paragon Mortgage's survey of mortgage intermediaries, the proportion of borrowers opting for fixed-rate mortgages has hit record levels with 70% of cases submitted by mortgage brokers in the three months to the end of June being fixed-rate deals.

This is the highest level since the Financial Advisor Confidence Tracker (FACT) survey was launched in 1996 and up from 55% in the first quarter of the year and 41% in the final quarter of 2008.

Conversely, the proportion of base-rate tracker mortgages being introduced has fallen over the period, which could be the result of lenders withdrawing or re-pricing tracker mortgages as the Bank of England (BoE) slashed interest rates between December 2008 and March 2009. Tracker mortgages fell from 41% to 26% of cases introduced between the first and second quarters of the year.

Of the fixed-rate mortgages, two-year terms remained the most popular with four out of 10 borrowers opting for this period, followed by three-year fixes (32%), five-year (24%), 10-year (2.5%) and one-year (1.5%) deals.

John Heron, Paragon Mortgage's managing director, said: "With borrowers unsure about the next move for interest rates, they appear to have been opting for the security of fixed rate deals. It is likely that the next move for base rates will be upwards, but it is unclear when that will be.

"However, borrowers' hands may have also been forced a little as lenders withdrew a number of tracker deals when interest rates were falling. The options for borrowers have generally been limited as mortgage finance across the UK market has dried up."

#### CABE says newly-built London homes aren't big enough

Privately developed homes in and around London are not being designed or built to provide enough space for residents, according to new research by the Government's design watchdog, the Commission for Architecture and the Built Environment (Cabe).

The survey found that 47% of residents of new-build housing in the capital and the South-east said they did not have space for the furniture they had or required. More than one-third (35%) said their kitchens were not big enough for the appliances they needed, and 37% said they and their children did not have enough space to entertain guests privately.

One-third of residents said their kitchens had inadequate space for their appliances while over half of did not have enough storage space. Over half of respondents (57%) said they did not have enough storage space, and more than seven in ten (72%) said they did not have enough space for three bins in order to recycle properly.

The results were drawn from a survey of 2,500 residents of homes completed between 2003 and 2006, including flats, bungalows and houses. All of the homes were either in London or within an hour's drive of the capital.

Richard Simmons, CABE's chief executive, said: "This research brings into question the argument that the market will meet the demands of people living in private housing developments. We need local planning authorities to ensure much higher space standards before giving developments the go-ahead."

David Bexon, managing director of SmartNewHomes, added: "House-builders are bound by an ever growing list of requirements, from living space standards to eco credentials, all of which they are expected to deliver at no additional cost for the consumer. At a time when affordability is key and new home starts have fallen considerably, we need to focus on securing the delivery of future homes, not additional guidelines which could result in further costs or delays for the house-building sector.

"Pent-up demand resulting from the credit crunch means that the need for new homes is now greater than ever. However, if developers are expected to build this large number of new homes with significantly increased living space, then more land needs to become available, otherwise the build cost, and ultimately sale prices, will rise substantially."

