Garrington Market Review

March 2009

GARRINGTON

Mainstream housing market indices

	Latest data	Monthly growth	Annual growth
Nationwide index	February	-1.8%	-17.6%
Land Registry	January	-0.8%	-15.1%
DCLG	December	-2.3%	-10.2%
Rightmove	February	1.2%	-9.1%

Average prices by property type (Land Registry)

England & Wales	January 2009	January 2008	Difference (%)
Detached	£244,657	£278,645	-12.2%
Semi-detached	£145,867	£172,934	-15.7%
Terraced	£121,758	£144,896	-16.0%
Flats/maisonette	£145,384	£175,776	-15.1%

HOUSING MARKET INDICES AND INDICATORS

- There's nothing like a bit of sunshine to lift the spirits. With the dark clouds of economic gloom hanging over us in the last few months, the burst of sunshine experienced by some parts of the country in recent days was very welcome. At the same time there have been reports of a few rays of light appearing in the UK's residential market. Whether or not the recent sunshine represents a transition into spring and the rays of light in the property sector represent signs of recovery is now open to debate.

- Last year saw significant falls in the housing market across the board, making it one of the worst years ever for the sector. Average values in the mainstream housing market fell by around 15% (according to the Nationwide) with East Anglia and South East England posting the biggest declines in value. Average values are now back to mid-2005 levels.

- Land Registry data for January shows a 17th month in a row where the annual rate of change has fallen. This contrasts with the 21 months of uninterrupted increases in the annual rate of change between December 2005 and August 2007.

- Prime housing in London underperformed all other markets with average values having fallen 18% over 2008. However, Rightmove are recording for January 2009 an 11.8% uplift in asking price for Kensington and Chelsea. A bounce back?

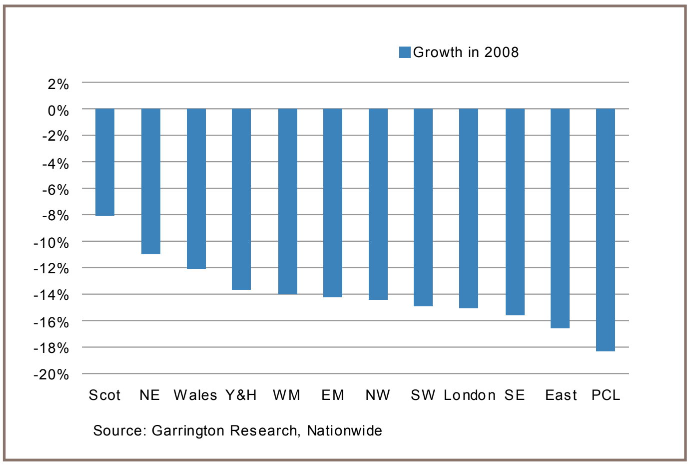
- The latest Housing Market Report from the RICS shows that 'new buyer enquiries' have now posted three successive monthly increases, the first time this has happened since the back end of 2006.

"Early signs of increased interest in housing, as reported by the pick up in new buyer enquiries, have yet to filter into sales, but do suggest that falling prices and interest rates are raising curiosity now, which could flow through quickly once confidence returns."
Nationwide

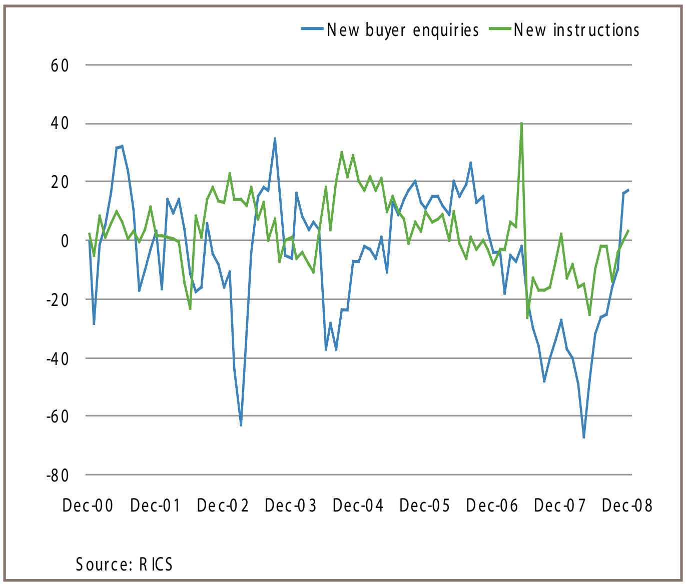
- Continuing lack of fresh stock puts upward pressure on initial asking prices as estate agents bid for Spring listings – agents competed for 75,140 new sellers compared to 137,442 last February (Rightmove).

- Around 10,400 properties were taken into possession by first charge mortgage lenders in the fourth quarter of 2008, down from 11,100 in the previous quarter but up from 6,900 in the fourth quarter of 2007, according to the Council of Mortgage Lenders. The total number of first-charge repossessions in the year was an estimated 40,000. This was 5,000 lower than the CML's original forecast for the year.

- There were 516,000 house purchase loans in 2008, a decline of 49% from 2007 and the lowest level of activity since 1974.



	Latest data	Value	Previous year	% y/y change
Mortgage approvals (new)	Dec	32,000	63,000	-49%
Gross mortgage lending	Jan	£12.4bn	£25.9bn	-52%
Residential transactions	Nov	33,404	100,730	-67%
Source: CML, Bank of England, Land Registry				



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ECONOMIC ROUNDUP

The economic backdrop is still far from rosy and every day seems to bring with it another tale of corporate woe. The IMF has forecast a 2.8% fall in UK economic growth this year, with the Governor of the Bank of England, Mervyn King stating that he expects growth to fall by more than 3.5% in 2009. Equity markets across the globe are still very depressed with continued sell offs being seen as investors lack confidence in the various governments' rescue plans. Deflation is still a real concern and interest rates have been reduced radically in an attempt to combat this. At 0.5%, the Base Rate in the UK is now the lowest rate seen since the central Bank's creation in 1694. Despite the drastic reductions in the Base Rate, LIBOR remains stubbornly high and banks still appear reluctant to lend.

	Date	Change (%)	Previous mth/qtr*
GDP	Q4 08	-1.5%	-0.7%*
Unemployment	December	6.3%	5.9%*
Inflation (CPI)	January	3.0%	3.1%
Average Earnings	December	3.2%	3.2%
Source: ONS			

MARKET COMMENTARY

Despite the faint rays of light seen in the property market, it is too early to be confident about the timing of a sustained recovery. Certainly there are people out there who are ready to buy – they may have been renting for some time and just want to go ahead and buy a home and may now be able to achieve a discount that would justify stepping back into the market. We are seeing evidence that investor interest is stepping up. As well as investment funds, private individuals are also interested in property given the very poor investment alternatives available just now. Yields on residential property are beginning to look compelling and could well start to entice investors in. On the whole, however, with many people feeling insecure regarding employment prospects and witnessing redundancies around them, there may well be few considering making a big property purchase this year - spelling potential opportunity for those that do. As a result, we would fully expect transaction levels to be subdued again this year.

With interest rates falling to such low levels, certain existing borrowers have benefited hugely from a drastic reduction in their mortgage payments. Some borrowers on tracker rates are now even lucky enough to be receiving cheques from their lender each month as the borrowing rate has fallen to below zero! However, for those looking to take out a new mortgage, lending rates are still very high and the terms being offered by banks can be punitive. As such, the frozen mortgage market is still a significant hurdle for the recovery of the property market. The recent announcement from the Northern Rock that it will begin lending again is the first positive sign we have seen from lenders.

In the early 1990s (the last significant downturn in the market) the national market fell 18% over 3 years and then took 5 years to recover. This time values have fallen more rapidly (15% in one year alone) and given that the supply of housing is even more restricted than ever, there is a chance that the recovery in values could be swift. Needless to say we are observing all the developments in the housing market closely through our network of search consultants and extensive contacts within the industry and will continue to feed back our latest thoughts.

THE TEAM - a focus on the East region

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For over a decade, the Garrington name has been synonymous with quality, independent property search consultancy for private buyers ensuring they make the most favourable and well-informed purchase decisions.

Building on those foundations the company seeks constantly to enhance its reputation for providing straightforward, commercially sound and objective advice. Coupled with its considerable access to contacts and information this gives clients buying power far in excess of unrepresented individuals.

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