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PROPERTY - The Return of the Property Market

It is fair to say that the past 18 months have been a truly torrid time for both homeowners hoping to sell and estate agents hoping to sell their houses for them. Average prices have fallen 16 to 20% (depending on who you ask) from their peak in 2007 and sales volumes have plummeted by 60% or more. But is there light at the end of the tunnel?

We wanted to know how the housing market in our local area has been bearing up so we took a closer look at what has been happening in two of the larger towns, Southwell and Bingham. The signs were encouraging.

Southwell has traditionally been an area with strong demand, largely driven by good schools, resulting in higher than average prices and a rapid turnover of housing as people move into the area and up and down the property ladder. This has been borne out through the downturn, with prices estimated to have dropped 8 to 10%, half the national average. More importantly, they have been rising slightly since the beginning of the year. Where the damage was really done was in sales volumes, with the number of properties sold in 2008 being less than half that for 2007.

Bingham tells a similar story. It is a popular market town with good transport links and a high proportion of detached homes. Detached homes have weathered the recession considerably better than other forms of property, particularly flats and apartments, and average price falls in Bingham have been considerably less than for the nation as a whole. Prices have continued to fall since the beginning of the year but only slightly and there is some evidence to suggest that they have now stabilised. It's the same story for sales volumes; they plummeted in 2008 and, for the existing housing stock, were not helped by a large number of new builds coming onto the market.

Now for the good news! Sales volumes have recovered dramatically, at least according to local estate agents. Richard Watkinson in Bingham report that they sold about 30 houses in June; compare that to the average in 2008 of around 8 per estate agent. Rachel Grange of Richard Watkinson in Southwell says that the market is "manic" at the moment, though she cautions that some of the activity might be driven by the "school transfer window" with families trying to complete their moves into the area before October. The staff at Gascoines in Southwell are also extremely positive about the current market, reporting sales volumes in some recent months to be close to their peak in 2007. Some of the high ticket houses with asking prices in excess of £500,000 have started to sell again, a key indicator of optimism in the market.

On a national scale, mortgage approvals are rising but that only tells part of the story. If property prices are forecast to continue to fall, mortgage lenders typically constrain their lending and demand higher deposits. As soon as there is strong evidence that prices are rising again, mortgage lending will increase and deposits will fall. This, in turn, fuels demand causing further price rises.

So, to answer our original question, there's plenty of evidence to suggest that the worst is over and it's okay to get back into the property market again. With prices close to the bottom of the trough and interest rates set to stay low for some time to come, now might be the time to do it.

With thanks to Amy Hart, our work experience student, for researching this article.