

Analysts hedge their bets on house prices

The future direction of house prices looks uncertain as contradictory reports on the status of the market continue to emerge.

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[The Guardian](#)

The rise in house prices is slowing, according to an announcement by the Land Registry this week. "The average house price in England and Wales was £145,897 in the first three months of the year. That is an increase of just 0.2% from the previous quarter," said the Sunday Times

However, reports are contradictory. The latest word from the Royal Institute of Chartered Surveyors (RICS) was that prices could rise by 10%, and that houses will continue to be a "safe bet" for investors. But it also said first-time buyers will need a deposit of at least £40,000.

"The report does little to dispel the general gloom that has settled over the housing market since a raft of anaemic house-price data in March," said Henry Tricks in the Financial Times . "But it does indicate that some of the despondency may have been war-related."

In the Guardian , Sean Coughlan was reluctant to make a prediction. "We're in that anxious lull before we know how bad it's going to get," he said. "We've seen prices stumble, but we're not sure if it's going to be a brief moment of pain or whether we're heading for the fall waterworks, where we'll be sobbing about negative equity for years to come _ If there's agreement that the full-speed ahead phase of the housing market is coming to an end, there's no consensus on what's going to follow."

In the Daily Telegraph , George Trefgarne sought to explain the mixed messages. "Accurate data on the current state of the housing market is hard to come by, as transactions take months to negotiate. For instance, the most recent survey from Nationwide, based on mortgage approvals, found the market ground to a halt in March, as buyers balked at high prices in the economic lull before the Iraq war," he said. "But some estate agents are now reporting an improvement in activity, especially in the bellwether London market, where prices had declined by as much as 15% to 20% in upmarket areas, thanks to the City downturn of the past two years."

The Telegraph's City editor, Neil Collins, was confident that the market's foundations remained solid. "So far, the crash in house prices predicted by some economists and cited by others as the reason for the dramatic decline in sterling in the past few weeks hasn't happened," it said. "Sure, there was a slowdown in the winter, when Nationwide and others said the market had ground to a halt ...

But history tells us that only two things really move house prices: interest rates and unemployment. And, at the moment, interest rates are still at their lowest since the mid-1950s and unemployment is at its lowest rate since the late 1970s. Unless or until the cost of borrowing goes up, or unemployment rises, a big drop in house prices looks pretty unlikely. Rather plodding growth is on the cards for this year."

But Andrew Farlow, a tutor in economics at Oriel College, Oxford, who specialises in asset bubbles, "believes economic fundamentals simply did not justify the recent price surge", reported the Independent . Farlow was speaking at a conference on the British housing market - "when several hundred investment bankers, fund managers and asset managers devote a whole morning to a conference on the UK housing market, it is a sure sign the City is getting distinctly worried", said the paper. Views "ranged from an optimistic prediction of a gentle slowdown to annual growth of about 4% all the way to a doomsday scenario of a 40% slump in prices".

The house-price boom seems to have had a significant effect on the financial status of southerners, who are now worse off than northerners, it was revealed this week. "While people in the south may have higher salaries, northerners enjoy bigger disposable incomes because of lower house prices and living costs," said the Independent. The research conducted by Barclays "helps explain why house prices in the north, where people have more cash to spend in real terms, are rising so quickly", added the Daily Express .

According to the RICS, "property prices in the north of England are still clinging to the last days of the boom that saw prices leap by more than 20% in 2002", reported the Times . "When properties are priced correctly, the time between listing and sale is still better in the north than in other parts of the country. In London and the south east, it takes an average of six weeks to sell a property, according to figures from Hometrack, the property data company. In the north, it takes just three."