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Confidence in UK housing stuck at lowest levels for five years

- Half (50%) expect house prices to rise, down from 58% a year ago
- Despite November Base Rate rise, fewer mortgage holders now concerned by potential rate increases than six months ago
- Deposits and job security remain the main barriers to buying a home

Confidence in UK house prices remains at the lowest levels seen since 2013, according to the latest Halifax Housing Market Confidence Tracker.

The survey, which tracks House Price Optimism (HPO¹) – consumer sentiment on whether average house prices will be higher or lower in a year's time – has failed to break through the 2013 score despite climbing three points from October 2017 to +33.

Half of those surveyed expect house prices to rise over the next year, the same as autumn 2017 and remaining at the lowest level since April 2013 (45%). However, fewer people are now negative about the housing market, with 17% predicting a fall in prices over the next year, down from 20% six months ago, with 26% expecting prices to stay flat.

Base Rate increases not a major concern for mortgage holders

Less than a third of existing mortgage borrowers (29%) are concerned about the possibility of rising interest rates affecting their ability to meet their monthly repayments. This has fallen from 42% in 2014 and, despite the base rate increase in November 2017, compares with 36% expressing concern about affordability six months ago.²

On being asked how much monthly mortgage payments would have to increase by before they would struggle to meet them, almost half (47%) said above £150 or that they would face no difficulties. Only 5% felt that an increase of £24 or less a month would be an issue, with a quarter point increase on the average mortgage (£156,000) equating to around a £17 rise in average monthly payment.³

Similarly, interest rates are not considered a major obstacle by those surveyed when it comes to buying a home. Instead, the ability to raise a deposit continues to be the main issue buyers face, followed by concerns around job security and rising property prices.

HALIFAX PRESS TEAM:

Conor Gaffney: 07717785314 conor.gaffney@lloydsbanking.com

Caroline Cody: 07775644312 caroline.cody@lloydsbanking.com

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Russell Galley, Halifax Managing Director, said:

“With mortgages the most affordable they have been in a decade, it is perhaps unsurprising that a proportion of people remain unconcerned by the prospects of a base rate rise. This research suggests that for the majority of mortgage holders, there would need to be multiple rate increases before the affordability of their repayments becomes an issue.”

“Housing market optimism remains at a five year low and this echoes the subdued house price performance and activity levels we have seen since the end of last year, albeit set against a positive outlook for the majority who believe house prices will increase over the next 12 months. Indeed, it’s encouraging to see fewer people now predicting a fall in house prices compared with six months ago. Overall, we still expect house prices to rise in line with our forecasts for the rest of the year.”

Prospects for the economy considered gloomy

Levels of confidence in the housing market come against a backdrop of recent public concerns around the health of the UK economy. The Economic Optimism Index⁴, a separate survey by Ipsos MORI, has the balance of people who believe that Britain’s general economic conditions will improve over the next 12 months at -32 in March 2018, down one point from six months ago (-31). While the labour market has remained robust, the unemployment rate is at a 42-year low and employment rose by a further 55,000 in the three months to February, household finances have been under pressure with inflation outstripping wage growth for most of the last year.

Baby Boomers and Midlanders most confident

When it comes to the balance of people who think the next 12 months would be a good time to buy or sell, those living in the Midlands are more positive than the rest of the country. Scots are the next most optimistic around buying (+24), whilst those in the South of England are evenly split (0).

Those under-25 are the only age group with a negative buying outlook (-14), compared with +24 among 55-64 year olds.

Across the country, selling sentiment is up by five points to +11, with both Wales (+11) and Scotland (+8) moving to a positive outlook. Only Londoners (-10) now believe that the next 12 months would not be a good time to sell a property.

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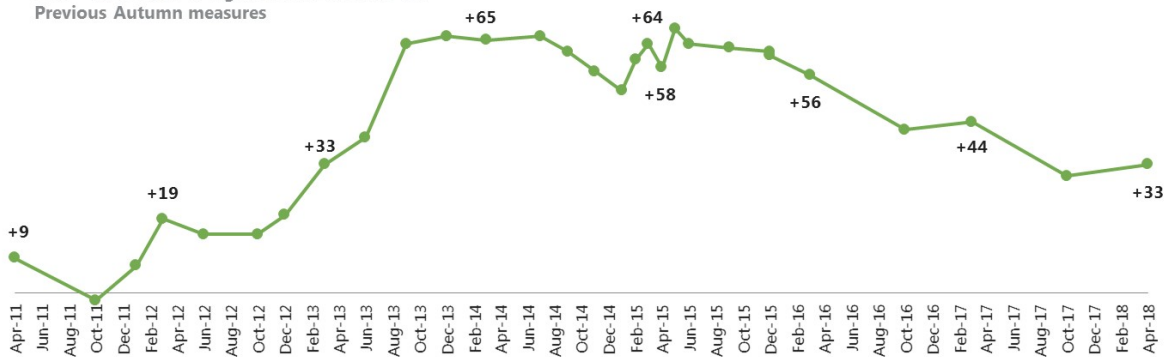
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House Price Outlook trend

Do you think the average property price in the UK will be higher or lower in 12 months time or will it be the same? [respondents given average UK house price sourced from Halifax HPO]

HPO – balance of % higher minus % lower (±)
Previous Autumn measures

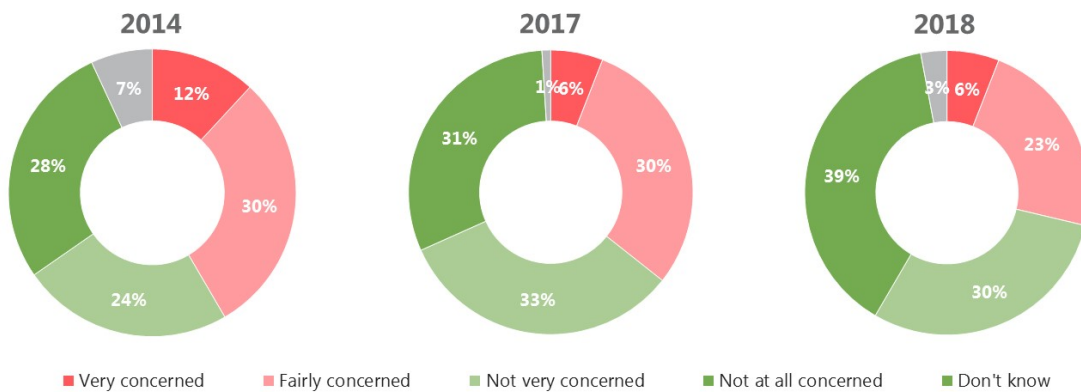


Base: 1,993 GB adults 16+, interviewed between 16 March – 11 April 2018

Source: Halifax/Ipsos MORI Housing Market Confidence Tracker

Mortgage rates

Thinking about the next 12 months, to what extent, if at all, are you concerned about any rise in rates affecting your mortgage payments?*



Base: 527 mortgage holders, interviewed between 16 March – 11 April 2018

Source: Halifax/Ipsos MORI Housing Market Confidence Tracker

*Question in 2017: Thinking about the next 12 months, to what extent, if at all, are you concerned about any rise in interest rates affecting your ability to afford your mortgage payments?

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Notes to editors

¹ HPO is calculated as the net balance of the % of respondents who expect the average UK house price to rise over the next 12 months less those who expect house prices to fall.

² Question asked in 2014 and 2018: Thinking about the next 12 months, to what extent, if at all, are you concerned about any rise in rates affecting your mortgage payments

Question asked in 2017: Thinking about the next 12 months, to what extent, if at all, are you concerned about any rise in interest rates affecting your ability to afford your mortgage payments?

³ Average advance data from UK Finance Q4 2017

⁴ EOI: Economic Optimism Index (collected via a separate Ipsos MORI survey) is calculated as the net balance of the % of respondents who think the general economic condition of the country will improve over the next 12 months less those who expect it to get worse.

Methodology: The Halifax Housing Market Confidence tracker monitors public sentiment towards the housing market. The latest wave of the survey, conducted by Ipsos MORI on behalf of Halifax, was undertaken in-home between 16 March and 11 April 2018 across Britain.

Survey respondents were asked about property, defined as "houses, flats, apartments and all types of accommodation". Interviews were undertaken face to face with a representative sample of 1,968 British adults aged 16+ across Britain. Data are weighted to the national population profile by age, sex, working status, social grade, region, ethnicity, and tenure.

The survey interviewed 1,993 British adults aged 16+, of which 527 are mortgage holders.

Results are subject to sampling tolerances e.g. +/-2 for a 50% finding based on 1,993 adults. Data has been weighted to reflect the known population profile.

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