



## UK House Price Predictions 2012



**What do housing industry experts predict will happen to the housing market in 2012, and how should you respond whether you're buying for the first time or planning a move?**

By Sarah Warwick

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*Fears over the economy, declines in household income, higher unemployment and difficulty obtaining mortgage finance are all weighing heavily on the housing market. But what of 2012? What are the market experts predicting the year will bring for buyers and sellers, including first-timers, upsizers and downsizers across the UK?*

### **Expert House Price Predictions**

#### **Knight Frank**

#### **Prediction for UK house prices in 2012? -5%**

'Our view is that conditions in the UK mainstream market over the next few years will resemble our "slow correction" scenario, under which the market will experience an extended period of low transaction numbers and price falls in real terms.'

**Regional forecasts?** -3.7% in London; -4.1% in the south east; -6.7% in Wales; -5.9% in Scotland.

## **Capital Economics**

### **Prediction for UK house prices in 2012? -5%**

'We expect prices to decline by 5% in both 2012 and 2013.'

## **Jonathan Davis of Jonathan Davis Wealth Management**

### **Prediction for UK house prices in 2012? -7 to 12%**

'Fall of 7 to 12%. This year will be down a couple or a few per cent but, in real terms, it will be down around 8%. Not insignificant at all.'

### **Regional forecasts?**

'Next year, all regions will fall in price as all regions have already fallen in activity to some 40% of 2006 levels. It's a nonsense to say – as I hear every day – the London market is strong.'

## **Hamptons**

### **Prediction for UK house prices in 2012? -2%**

Regional forecasts? 0% in the south of England; 1% in London; 4% in prime London

## **IHS Global Insight**

### **Prediction for UK house prices in 2012? -5%**

Howard Archer, chief UK and Europe economist at IHS Global Insight, forecasts, 'House prices will fall by around 5% overall from current levels by mid-2012 as weak economic fundamentals outweigh extended low interest rates.'

## **Henry Pryor**

### **Prediction for UK house prices in 2012? -10%**

'Whilst asking prices stubbornly refuse to acknowledge the reality of what is happening in the market (they remain close to their all time highs reached in April 2008) sale prices recorded by HM Land Registry marks prices down 12% since their peak in January that same year. In 2012, I expect asking prices to slide, but average sale prices for many will tumble.'

Nationally, they will be 7% lower but remember that with inflation (falling during the year) at say 3% this means they will be down by around 10% by the end of the year in real terms.'

**Regional forecasts?** 'Whilst London has escaped the ravages suffered by the rest of the country even the prosperous south east will stall in 2012. I expect prices in prime central London (Mayfair on the Monopoly board) to slip 2%. Northern Ireland will continue to suffer as will the north east and Wales, but the largest pain may be reserved for the south west where price could fall by as much as 10%.'

## **Hometrack**

**Prediction for UK house prices in 2012? -2%**

**Neil Monnery, author of Safe as Houses, A Historical Analysis of Property Prices**

**Prediction for UK house prices in 2012?**

'One of the lessons from the Safe as Houses research is that it is very hard to do house price predictions, particularly over short time periods. My guess would be that if interest rates remain low, then house prices will be flat or slightly down in nominal terms, and more significantly down in real terms as they move back to the long term trends. If interest rates rise to "normal" levels (say 2% above inflation), I would expect house prices to fall materially. In part for that reason I expect the government and the Bank of England to continue with their very low interest rate policy.'

**Martin Wade, Director, Your Mortgage Decisions**

**Prediction for house prices in 2012? -5 to 10%**

'I believe we will see great variances in house price movement across the UK with the south and in particular London and the home counties faring considerably better than northern England, Wales and Scotland. It would not surprise me to see some gains as significant as 5% to 10% within a commutable distance to London, as has been the case this year for pockets of desirable housing served well by schools, transport links and good community facilities such as leisure and retail. Other areas are likely to see a more benign outlook with a neutral to 5 to 10% decline in the areas of highest unemployment.'

## **Robert Sinclair, Director, Association of Mortgage Intermediaries**

### **Prediction for house prices in 2012?**

'2012 will be another challenging year on house prices, where we will continue to see significant regional variations. Overall prices will reflect consumers' mood on the wider economy. The next six months are liable to see reduced demand and a fall in prices caused by the excess of sellers over buyers. Stock at estate agents is increasing. However, as we move into next spring we expect a seasonal upturn that will leave national prices similar to now on a full 12 month cycle.

**Regional forecasts?** 'London will continue to display a robust performance and we expect the west of Scotland, the north east, and north west to have a difficult period. One of the main problems facing the UK is that the new jobs are not being created in the same parts of the country where we are seeing increases in unemployment. Because of the difficulties in the mortgage market, and the incidence of property and mortgage prisoners, there is and will be significant pent-up demand to move home when confidence and financial markets improve.'

### **What Should You Do?**

The availability of mortgage finance during 2012 will have a huge influence on the housing market in 2012, both for first time buyers and upsizers. Without this, first timers can't enter the market, while homemovers are stuck if the amount of equity in their home has fallen to a percentage that doesn't allow them to remortgage. This is, of course, despite continued low interest rates, which many commentators expect to persist.

Likewise, the impact of the economy on your own household finances during the year may mean that a move onto the property ladder, or to a larger home may not be possible. For the market as whole, this will prolong the current low transaction levels with downward pressure on prices.

Your own personal position and outlook will of course determine how you view these forecast changes in house prices. We asked housing market experts to offer their advice for buyers and movers.

### **Expert Advice**

**Jonathan Davis of Jonathan Davis Wealth Management** advises:

- Don't buy. Wait for prices to fall further over the next couple or few years.
- For existing homeowners, extend your house. Tradesmen's prices are lower than the boom years.
- If in London, where rents are high, rent in the home counties where rents are not so high.

**Marc Goldberg, Head of Sales, Hamptons**, comments:

- If it suits somebody to move, then why hold back? Hopefully in the years ahead we'll see some positive movement.
- For first time buyers, get finance arranged before going out to look and put yourself in a position where you can act very quickly.
- In a similar way, for upsizers, before you negotiate, make sure you have your own sale well under way.

**Housing expert Henry Pryor** says:

- Buying in a falling market is hard for all buyers, but first time buyers with no experience of estate agents may not be confident in negotiating.
- Asking prices illustrate the greed of the seller or the optimism of the selling agent. Never bid 'ticket price' and be prepared to walk away if you don't get the price you want.
- 'Second timers' (the majority of buyers) should remember that it is only the price difference that matters – what you pay and what you accept for your home are relative numbers.
- Worried you are not getting enough for your home? Don't. What you want to buy will be equally effected.
- "Downsizers", don't assume that your home is more special than the one next door or down the road. Prepare for the fact that your property isn't worth what it was four years ago and if you have decided to sell, pay attention to the three Ps – price, presentation and promotion. Quote a sane asking price that demonstrates you are serious about selling. Make sure the house looks its best. Don't assume that buyers can see past the ring around the bath!
- Finally, be prepared to make an effort to attract a buyer. A small ad on a property website isn't going to ensure you hook the biggest fish. Make a splash and don't be afraid to splash out on a variety of adverts and promotions.

**Neil Monnery, author of Safe as Houses, A Historical Analysis of Property Prices** says:

- The key lesson at this point in the cycle is to be very cautious about debt. It's hard to be certain where house prices will go, but there is at least a significant chance they will fall – either abruptly or more gradually for several years.
- Under these circumstances, being caught owning a house with very high levels of debt means you may very well have negative equity. In the UK with recourse loans this can cause problems. So my advice would be to be very careful about debt at a time when house prices are at a historical high. They may go higher, but the odds are more likely that in general they will fall.

**Martin Wade, Director, Your Mortgage Decisions, comments:**

- Property remains a good long term investment but my advice to anyone thinking of buying now is to view your purchase as a home and not a potential investment.
- We are likely to see a continuation in the softening of home ownership and this will continue to fuel demand in the residential lettings sector that will serve long term investors well.
- We have seen buy to let mortgage criteria become more attractive and while I do not expect there to be spectacular gains available over the short to medium term, people buying for the long term and taking the sensible option of using a repayment mortgage as opposed to an interest-only one will be able to build an important financial asset for the long term future.