

It's no resurrection, but the housing market will improve after Easter



making business sense

House prices have less than ten per cent to fall, transactions set to rise

Traditionally, the Easter weekend marks the start of open season in the housing market, with new year plans for a house move turning into some serious action for estate agents. Analysis of housing transactions data shows that July almost always marks the peak month for moving home, and with a typical three to four month lead time from first enquiry to completion we can see that the Easter weekend is one of the most important dates in the estate agent's calendar. **But will this weekend mark the start of the turning point in the housing market, or another crushing disappointment for those estate agents lucky enough to still be in a job?**

The last month has seen the first real encouraging data on the housing market for quite some time. Both the Halifax and Nationwide price indices have recently seen their first monthly rises since the end of 2007, although both can be taken with a large pinch of salt given the vanishingly small sample sizes that these indices are now based upon. However the Halifax index for the first quarter of this year also showed the smallest quarter-on-quarter fall in prices since the first quarter of 2008, which is a little more interesting and a *possible* sign that prices are starting to bottom out. In addition, February saw mortgage approvals 'shoot up' by twenty per cent to 37,000 – but again this is nothing to write home about given a pre-credit crunch monthly average of almost 100,000 per month. **Clearly these data represent the flimsiest of straws to clutch at for the over-optimistic estate agent – but can we expect some real 'green shoots' to arrive in the coming months?**

The reality is that the housing market is on a knife-edge. Despite the banking bail-outs and the onset of quantitative easing bringing slow but steady improvements, credit conditions will remain relatively tough for some time. But with base rates at an all-time low, even a relatively modest rise in mortgage approvals to, say, 60,000-70,000 per month **may be enough to offset the impact of the meagre wage settlements and rapidly rising unemployment that will continue to unfold over the course of the year, and could lead to house prices bottoming out by the third quarter of this year.** However, we think it is more likely that mortgage approvals will only tick up slowly – perhaps hitting 50,000 per month by late summer, and with the worsening labour market conditions prices will continue to slide throughout 2009. But here's the (relatively) good news – **under these circumstances our models suggest that prices only have a further eight to ten per cent to fall**, and are likely to bottom out by the start of 2010, implying a much slower rate of decline than was seen through 2008. It is also highly likely that transactions will start to rise over the coming months as a combination of lower prices, low interest rates and slowly improving credit conditions entice buyers back to the market.

So no golden egg this weekend for our beleaguered estate agents, but perhaps the first real glimpses of spring sunshine after so much gloom. More details to come in our *Consumer and Housing Prospects* report in two weeks, but in the meantime have a great Easter!

Contact:

Ben Read bread@cebr.com 020 7324 2865 or 07525 287 114