

The local residential property market

20 mile radius of Milton Keynes

- Prices rose in the first half of the year by between 5% and 7% due to low supply and high demand
- Increased supply resulted in house prices being largely unchanged over the whole of 2010
- The election, changes in taxation, concern over the economy and most recently snow have all slowed the market over the year but numerous positive signs including good growth have helped the market
- Agents and vendors have been very inventive in devising chain breaking techniques
- There has been a substantial decline in overall market activity in the last 24 months to about half peak 2007 levels
- Nationally repossessions were around 36,000 in 2010 and are predicted to be slightly lower (RICS) at around 33,000 in 2011
- Mortgage lending has been at its lowest since 2000 and is expected to remain at these levels for 2011 according to the Council for Mortgage Lenders
- Predictions for 2011 are for very modest falls in value. The RICS are suggesting around 2% over the year and Nationwide see “..little evidence to suggest house price declines are likely to accelerate”
- Long term predictions suggest a 12% increase in values over a 5 year period but an increase in the “north/south” divide with prime London prices leading the market by a considerable level

[Full report >](#)



The Residential Property Market within a 20 mile radius of Milton Keynes

Introduction

Michael Hornsby and Co are specialist residential surveyors carrying out survey and valuation throughout the area. This report is based on their experience in 2010 and utilises many years of local experience to predict into 2011.

2010

Milton Keynes and the local area have always benefited from their excellent location. Transport links continue to improve with the widening of the next phase of the M1, opening of the A421 dual carriageway from Junction 13 to Bedford, the new bus station and improved rail links. These benefits will always help the local economy and be particularly important when times are difficult.

The local residential property market has not however been easy going throughout 2010. Good property has sold well, particularly in the early part of the year. Increasing prices as a larger number of buyers competed for a relatively small supply of property came to an end with the increasing quantity of houses coming to the market in June and July. One agent described this as "the cream being taken off the market"

The removal of the requirement for a Home Information Pack has had very little obvious effect on the market. They were not really a disincentive to sale and the information contained within them still has to be gathered.

Vendors and agents however took some time to realise that supply had overtaken demand with the result that the market slowed considerably before prices began to fall back to their earlier levels. Chatting to one agent in August they confided that "I've got a book which needs 10% taking off its asking price".

We have also seen a high proportion of sales between cash rich parties and those who don't need mortgages. This has enabled a number of "chain breaking" options with properties being swapped, vendors taking property in part exchange and other schemes. Many vendors and purchasers do not have to move and this has caused a hardening in prices which is likely to continue into 2011.

We have ended the year with property prices largely unchanged. Nationwide reported a national average house price of £163,398 in their December report. This compares with the latest county figures from the Land Registry (November 2010) for Bedford £156,523, Central Bedfordshire £175,948, Luton £132,938, Milton Keynes £154,189, and Northamptonshire £138,767.

House purchase activity locally and nationally has been substantially reduced down to about half of 2007 levels.

The residential market is now quite sophisticated with very many prospective purchasers registering their interest on-line and receiving updates as soon as property comes to the market. Good presentation and high quality photography by agents becomes increasingly important to encourage

“virtual” interest and early viewings. Sales can therefore be very quick for some types of house, particularly in the upper price ranges.

The new homes market started the year well with many schemes starting building again. However deals have been available through most of the year including discounts, part exchange and other incentives. A number of new schemes have started. Planning for the continued expansion of Milton Keynes continues.

In real terms prices at the end of 2010 are about 19% lower than their 2007 peak. By comparison at the equivalent point in the 1990's downturn prices had fallen by 31%. The main beneficial difference for homeowners in the current downturn is probably the low interest rates compared with the high rates in the early 1990's.

2011

2010 was going to be statistically a better year for the UK economy simply because 2009 recorded the sharpest falls in output in the developed economies in the 65 years since the end of the second world war. In consequence and as 2010 progressed the growth rate accelerated and Gross Domestic Product (GDP) showed an above average rise of 2.8%.

The strength of this recovery masks two problems for the UK. The first is that the economy remains in a relatively depressed state. For all its recent growth, the level of output is still nearly 4% below its peak and, some estimates would suggest, up to 10% below its potential capacity. The second is that the pace of the recovery cannot be sustained at its recent high level. Most forecasters are expecting a very sluggish growth in output in the first half of 2011. This is partly because the beneficial impact of companies restocking will wane, partly because the reductions in public spending will begin to take effect but most significantly because the pressures on household incomes will limit growth in consumer spending.

Household incomes have been under pressure for some time. Earnings have been rising only slowly as, at least in the private sector, workers adopt flexible attitudes to pay and hours as a means of limiting redundancies. Consumer price inflation, on the other hand, has proved stubbornly high and the rise in the VAT rate to 20% from the beginning of January will only add to the pressure on spending power. Over the past year, households have managed to maintain their spending by reducing savings. During the recession, the savings ratio rose from under 2% to over 7%. But since then, it has declined back to around 3%. Clearly, the scope for households to continue to support spending in this way has become more limited and their propensity to do so will have diminished as confidence has eroded.

In the absence of any change in these trends to stimulate activity, mortgage lending must be expected to maintain its current modest level through much of 2011.

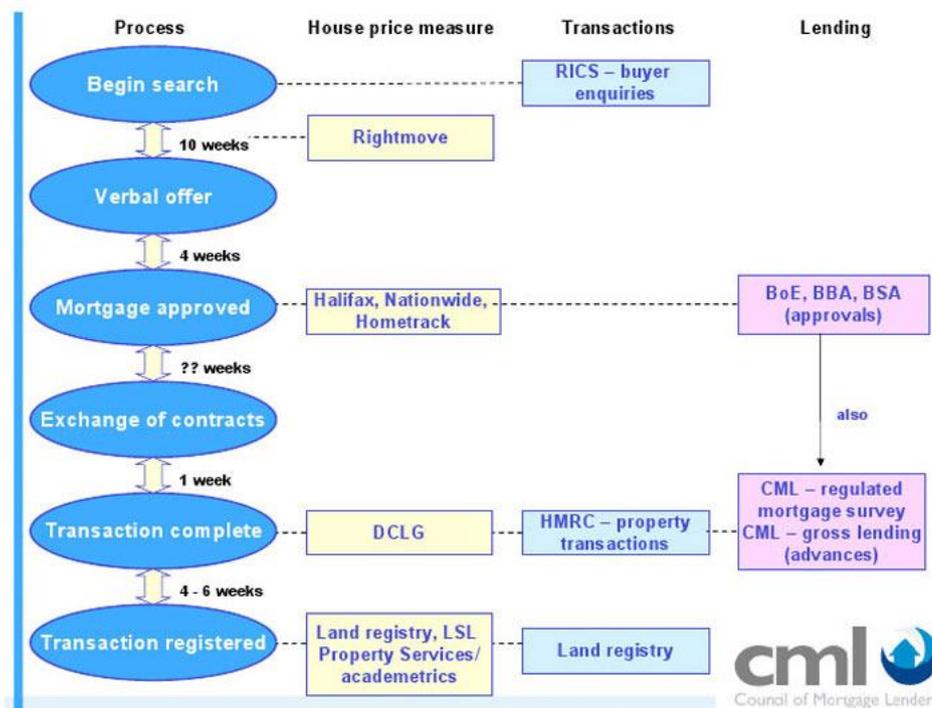
House prices are expected to be static or to decline slightly. The RICS prediction is of a 2% decline, Nationwide and others are similar. All stress that increasing inflation, higher interest rates or increasing unemployment could all have a more negative effect on these figures.

In particular worsening of any of the above could have a negative effect on the level of repossessions. An increase in the level of forced sales will tend to result in a reduction in values. Interestingly though the RICS reported in November 2010 that interest in repossessed sales had doubled as buy to let investors came back to the market. If this tendency continues then it could be possible for the market to absorb increased numbers of repossessed property.

Beyond the local economy there is some evidence that London markets will continue to perform better than the rest of the country. This is clearly bad news for buyers moving south but tends to have a generally positive effect on the local market as the prices are drawn up by increases elsewhere.

House price indices

One of the features of 2010 was the differing views of the various house price surveys. The Nationwide and HBOS indices in particular were often at variance with each other. Much of this is due to the different points at which data is utilised as well as what the figures are based on. The Council of Mortgage Lenders produced a useful diagram showing the various differences which is reproduced below



Michael Hornsby
31st December 2010

STATISTICS

Last revised December 2010

	2008	2009	2010 estimate	2011 forecast
Residential property transactions, UK, million	0.90	0.86	0.89	0.86
Gross advances, £bn	253	143	135	135
Net advances, £bn	40	12	9	6
Arrears, 2.5% or more of outstanding balance at end period:				
Number	182,600	196,400	175,000	180,000
% of all mortgages	1.57	1.72	1.54	1.58
Possessions in period:				
Number	40,000	47,700	36,000	40,000
% of all mortgages	0.34	0.42	0.32	0.35

Source: Bank of England, National Statistics, HM Revenue and Customs, CML

Notes: 1. Transactions are based on Her Majesty's Revenue and Customs' series for UK residential transactions valued at £40,000 or over.
2. Figures for arrears and possessions relate only to first charge mortgages.

References

The Royal Institution of Chartered Surveyors (RICS) www.rics.org

Nationwide House Price Index www.nationwide.co.uk/hpi/

The Land Registry www.landreg.gov.uk/houseprices/

Council of Mortgage Lenders (CML) www.cml.org.uk

Savilles Research www.savills.co.uk/research/

The Times www.thetimes.co.uk

MICHAEL HORNSBY & CO

We are independent experts in the survey and valuation of all types of residential property including Listed and period property, timber frame and thatched, old and new, large and small.

Our main field of operation is the area enclosed by the M40, M25, A1 and A14/M6. We have contacts throughout the UK if you are moving further afield.

If you are buying any kind of residential property, require a survey valuation for any purpose or have problems with a residential property we will be happy to help. Our website at www.michaelhornsby.co.uk contains detail on our services and advice on your property

SERVICES

- Valuation – We prepare valuation reports for all purposes including Purchase or Sale, Capital Gains Tax, Inheritance Tax and Probate, Matrimonial and Family, Part Exchange, Housing Association purposes and Investment
- Survey - Homebuyer Report, Condition Report and Building Survey on all types of property
- Expert Witness – For valuation and building defect cases involving residential property
- Charities Act - Section 36 Reports
- Boundary Disputes
- Reinstatement Cost Advice for Insurance Purposes

CHOOSING YOUR SURVEYOR

Experience—there is no substitute for excellence and experience. Our surveyors have been in practice carrying out valuation and survey work for many years. We know the problems that a house will have, where to look and how to resolve those defects.

Local Knowledge—Ensure your surveyor knows the area. We have been in practice locally for almost 30 years and have looked at thousands of properties in that time.

Make sure your surveyor is independent—some of the larger Estate Agency firms own or are connected to surveying companies. You need a surveyor who is completely independent to give you impartial advice.

Cost of the Survey—house buying is an expensive process. Don't make it more costly by choosing an inexperienced surveyor. Cost is important and we will always be competitive but cheapest is not best when it could cost you tens of thousands of pounds in the future.

Regulated by RICS—Choose a firm which is Regulated by RICS. The RICS is the surveyors governing body who set rigorous standards of entry and continuing professional development for the profession. A Regulated by RICS firm will comply fully with RICS Regulations for Professional Indemnity insurance and complaints handling

Pre survey discussion—make sure you can speak to the surveyor before you instruct. It is vital the surveyor knows your concerns.

Post survey discussions—equally you will probably want to speak to the surveyor after the inspection, you may want to do this on site, by email or by phone.

Speak to Michael Hornsby & Co