



Mortgage Monitor

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December 2015

Supply issues persist in UK Housing Market

- December sees 68,218 house purchase approvals, down 3.1% from 70,410 house purchase approvals in November
- Average monthly approvals across H2 2015 stand at 69,572, higher than H1 average of 64,047
- On an annual basis, house purchase approvals climb 12.5% – from 60,650 in December 2014
- Small-deposit lending stagnates towards the end of the year, remaining at 16.3% of total lending and comprising just 11,120 loans – as London continues to be a challenge for first-time buyers

House purchase lending dropped towards the end of 2015, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor, and lack of supply in some areas could be a component in these reduced loan numbers.

Overall house purchase approvals, on a seasonally adjusted basis, decreased to 68,218 in December – falling 3.1% month-on-month from 70,410 in November. This slight dip comes as pressures of supply, higher prices and recent legislative measures are thought by some to be impacting upon the property market. However, the second half of the year has seen a strong monthly average of 69,572 approvals, compared to 64,047 across the first six months of 2015 – as lenders show plenty of support for credit-worthy borrowers.

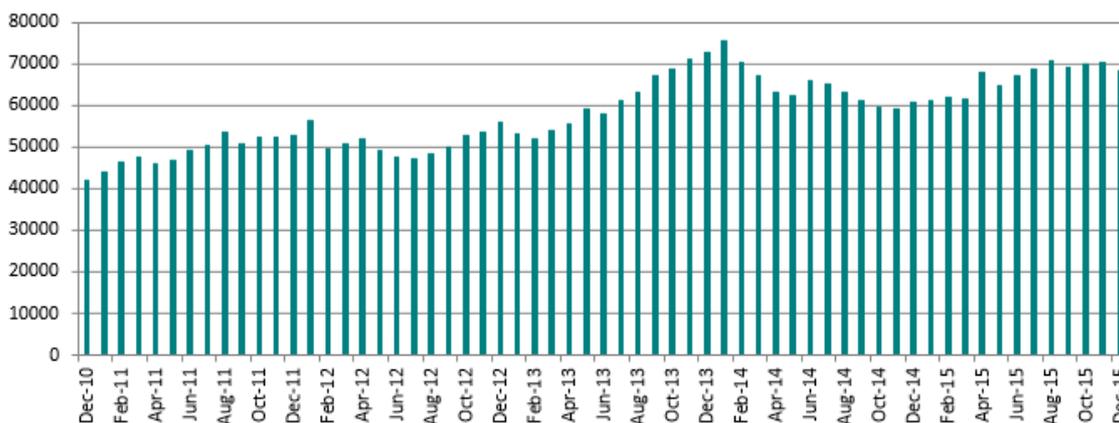
Annually, house purchase lending has risen 12.5% since November 2014 when loans totalled 60,650 – with lending levels fully recovering since last year, alongside a returning confidence.

Richard Sexton, director of e.surv chartered surveyors, comments: *“House purchase lending has been rejuvenated over the past year and with the second half of 2015 looking stronger than the first in lending terms, the trend looks positive. Small-deposit lending has been transformed by a renewed enthusiasm to help first-time buyers cross the threshold of homeownership, as evidenced by the number of higher LTV products available.*

“Supply issues have become more of a factor in some areas as we head towards the turn of the year, as both growing demand and house prices finally get the attention they deserve from the government, but limited choice of affordable homes is certainly proving a challenge to some buyers. Alongside this obstacle, higher stamp duty changes are finally making their mark upon the top end of the market.

“Undoubtedly, 2016 looks set to bring challenges and opportunities for lenders, with the Mortgage Credit Directive and a potential interest rate change on their radar.”

**Loans for house purchase since December 2010
(seasonally adjusted)**



Small-deposit lending lags in the run-up to the end of the year

As further evidence that lenders maintain an appetite for credit-worthy borrowers, including first-time buyers, small-deposit lending (to buyers with a deposit worth 15% or less of their properties' total value) in December stood at the same proportion as last month – forming 16.3% of total house purchase approvals.

The latest First Time Buyer Tracker from Your Move and Reeds Rains reveals that November 2015 saw 31,300 first-time buyer sales, up 4.7% from 29,900 in October. This rise has undoubtedly been strengthened by weakening average deposit costs, which fell 4.2% annually in November to reach £24,598.

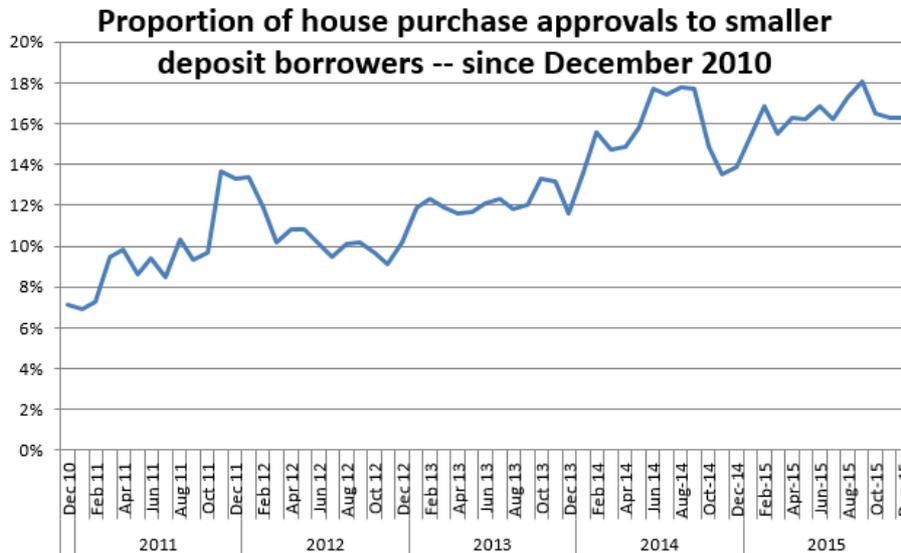
In absolute terms there were 11,120 small-deposit loans approved in December – marginally lower than 11,477 approved in November. Despite small-deposit lending slowing overall towards the end of the year, on an annual basis there has been a substantial rise of 32% since December 2014, which saw 8,430 of such loan approvals granted. This follows the consistent long-term rise in small-deposit lending evident across the past five years.

Richard Sexton, a director of [e.surv chartered surveyors](#), comments: *“Figures suggest that small-deposit lending has slowed towards the end of the year compared to H1, but year-on-year numbers are up as first-time buyers have increasingly been seen as valuable customers by the lending industry. These first-timers still need help though, and initiatives tackling supply are a crucial first step.*

“In order to properly address supply shortages and champion first-time buyers, new entry-level homes need to be built – and as quickly as possible. Any new approach from the government is a move in the right direction, with for example, the unlocked potential of brownfield sites now being fully investigated. Planning is now also coming under scrutiny, often cited as a common culprit for causing housebuilding delays. It's greatly encouraging to see attention turning towards proactive ways to help first-timers cross the threshold of homeownership.

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“More can always be done but these measures are a positive – and necessary move.”



Regional snapshot: London’s small-deposit lending lags behind the rest of the UK

London lived up to its reputation as a challenging place for first-time buyers in December – with small-deposit borrowing constituting just 7% of total house purchase lending. However, the Midlands, the South and South Wales all saw the proportion of small-deposit loans rise this month.

| Region | Proportion of small-deposit loans (December 2015) | Proportion of small-deposit loans (November 2015) |
|-------------------|---|---|
| Yorkshire | 26% | 27% |
| Northwest | 26% | 26% |
| Northern Ireland | 23% | 25% |
| Midlands | 21% | 20% |
| UK Average | 16% | 16% |
| South/South Wales | 15% | 14% |
| Eastern England | 15% | 15% |
| Scotland | 11% | 12% |
| South East | 11% | 11% |
| London | 7% | 7% |

The Midlands saw the proportion of small-deposit loans increase to 21%, up 1% from a fifth in November, as the region begins to challenge northern ascendancy for small-deposit borrowing. However, the region still significantly lags behind Yorkshire – which continues to see the highest proportion of small deposit lending in the UK. The South and South Wales also saw a 1% increase, with small-deposit lending forming 15% of total house purchase borrowing. The Northwest and Northern Ireland similarly saw high proportions – of 26% and 23% respectively.

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However, these represented a decline in Northern Ireland and no change in the Northwest.

LOANS FOR HOUSE PURCHASE - seasonally adjusted

| Month | Number | Monthly change | Annual change |
|-----------|--------|----------------|---------------|
| July | 68,906 | +2.7% | +5.5% |
| August | 70,864 | +2.8% | +12.6% |
| September | 69,168 | -2.4% | +13.2% |
| October | 69,867 | +1.0% | +17.6% |
| November | 70,410 | +0.8% | +18.8% |
| December | 68,218 | -3.1% | +12.5% |

– ENDS –

Notes to Editors

Methodology

e.surv analyses detailed data on over one million mortgage valuations the firm carried out between August 2006 and today. Each month, the researchers analyse tens of thousands of valuations and use these trends to extrapolate from the Bank of England's mortgage data to publish mortgage approval numbers for the whole of the UK, weeks before the BBA, CML and Bank of England.

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About e.surv

e.surv is one of the UK's largest valuation providers, directly employing surveyors across the UK, supported by a network of consultant valuers. The business is the largest distributor and manager of valuation instructions in the UK and is appointed as Panel Manager for more than 20 mortgage lenders and other entities with interests in residential property. The business also provides a number of private survey products direct to the home-buying public. e.surv is a subsidiary of LSL Property Services plc. For further information, see www.lslps.co.uk.

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