



Mortgage Monitor

Under embargo until 00:01 Thursday 15th January 2015

January 2015

Home purchase lending stalls in second half of 2014

- H2 2014 sees 18.4% fewer home purchase mortgages than H1 2014
- December approvals stabilise after six months of slow decline – monthly mortgage volumes up 2.0%
- Higher LTV loans up 5.0% in December – the first monthly rise in five months

There were nearly 34,000 fewer home purchase mortgage approvals in the second half of 2014 than the first half as the lending recovery stalled following regulatory change, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

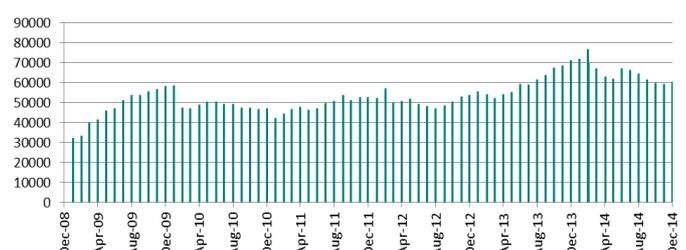
Though the first half of 2014 showed a marginal increase on the post-recession highs of H2 2013, the purchase mortgage market hasn't remained stable at that level. In total, there were 370,184 house purchase approvals in H2, 2014 – a fall of 8.1% from the H1 2013 when there were 402,808 house purchase approvals, and an even larger decrease of 8.4% from 404,058 in H1 2014.

On a monthly basis, total house purchase lending for December stood at 60,217, a 16.6% year-on-year fall from 71,504 in December 2013. It was in January 2014 that fears of an overheating housing market caused the Bank of England to reform Funding for Lending to exclude home purchase mortgages – this accounts for this steep annual decline.

Month-on-month, December saw a 2.0% increase from 59,029 house purchase approvals in November. This continues a trend of month to month stabilisation seen since September, when there was a month-on-month change of -4.4%. The rate of decline in approvals improved in October (-2.9%) and November (-0.8%), before showing this December increase, the first for five months.

Richard Sexton, director of e.surv chartered surveyors, explains: "2014 was a tale of two halves – with strong lending in the first half and a more subdued second. The important thing to remember is that seasonal trends are far from the only ones that affect the mortgage market. The market doesn't always split itself easily into quarters and halves, so a wide-angle view is required to identify

Loans for house purchase since December 2008 (seasonally adjusted)



Mortgage Monitor

the prevailing trends.

“While the second half of 2014 is clearly not operating at the peak levels seen in 2013, it seems that the home purchase market has found a resting point well above pre-recession levels, with mortgage volumes dropping at a slower rate towards this monthly pickup in December.”

“In the longer term, we can see that purchase mortgage lending was heading for a peak in January 2014. The reasons for the subsequent drop are clear in light of changes to Funding for Lending. In January, the scheme ceased to apply to home purchase mortgages. The changes were implemented because house purchase approvals in the last half of 2013 provoked fears of an overheated market. With this in mind, the year-on-year decrease combined with improving month-on-month figures seems like an ideal outcome.”

First-time buyers bounce back in December

Lending to borrowers with deposits worth 15% or less of their property’s value showed a strong 5% month-on-month increase in December. There were 8,370 loan approvals made for higher LTV borrowers (typically first-time buyers), which represents a 0.9% year-on-year improvement compared to 8,294 in December 2013.

As a proportion of total home purchase approvals, the number of borrowers in the higher LTV bracket has risen slightly month-on-month to 13.59% from November (13.5%). Despite this, they still have not returned to the highs of Q3 2014 when they occupied 17.6% of the market on average.

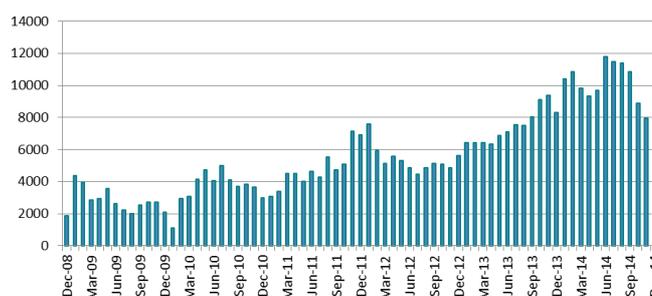
The most recent Your Move and Reeds Rains First Time Buyer Tracker found that the average first-time buyer’s deposit in November had fallen 4% year-on-year to just £25,991 from £27,173 in November 2013. This drove a November sales surge in sales to first-time buyers. An increase in higher LTV lending in December suggests that this trend may have continued.

At the other end of the market, borrowers with deposits worth 40% or more of their property’s value fell back in December. Just 17,824 such loans were made, a 3.5% decrease from November (18,476) and a 16.6% reduction from 21,381 in December 2013.

Richard Sexton, director of e.surv chartered surveyors, comments: *“First-time buyers are not the powerhouse they were earlier this year. Nevertheless, the reform of the Stamp Duty Land Tax in December is reflected in this monthly uptick for lower-LTV borrowers as inexpensive became cheaper.”*

“Meanwhile, at higher LTVs, first-time buyers are still receiving the help they need from Help-to-Buy in a way that doesn’t overheat the market. Amid all the policy implementations we’ve experienced in the past few years – both preventative and stimulating – annual figures need to be looked at with proper perspective.”

Higher LTV Loans for house purchase since December 2008 (seasonally adjusted)



Mortgage Monitor

LOANS FOR HOUSE PURCHASE - seasonally adjusted

Month	Number	Monthly change	Annual change
July	66,010	-1.1%	+7.8%
August	64,105	-2.9%	+1.1%
September	61,312	-4.4%	-8.7%
October	59,511	-2.9%	-13.0%
November	59,029	+0.8%	-16.9%
December	60,217	+2.0%	-15.8%

– 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.

The Mortgage Monitor is prepared by The Wriglesworth Consultancy for e.surv. The copyright and all other intellectual property rights in the Mortgage Monitor belong to e.surv. Reproduction in whole or part is not permitted unless an acknowledgement to e.surv as the source is included. No modification is permitted without e.surv's prior written consent.

Whilst care is taken in the compilation of the report, no representation or assurances are made as to its accuracy or completeness. e.surv reserves the right to vary the methodology and to edit or discontinue the report in whole or in part at any time.

About e.surv

e.surv is a national firm of valuers, directly employing over 450 qualified chartered surveyors, supported by a network of consultants across the country. 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.

Press contacts

Tora Turton, The Wriglesworth Consultancy, v.turton@wriglesworth.com, 020 7427 1445

Justin Blanchard, The Wriglesworth Consultancy, j.blanchard@wriglesworth.com, 020 7427 1407