

mortgage monitor

tomorrow's mortgage data today

UNDER EMBARGO UNTIL 00:01 HRS ON THURSDAY 12TH JUNE 2014

HOME LENDING COOLS IN MAY

- **House purchase lending falls to lowest monthly level since June 2013**
- **Home lending down 19% in the last four months**
- **High LTV lending climbing with 9,670 high LTV loans in May**
- **First-time buyer revival continues, while lending to home-movers declines**

House purchase lending has fallen to an eleven month low, as demand slows among home-movers, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

There were 61,202 house purchase approvals in May 2014, 3% lower than in April and the lowest number since 59,260 in June 2013, after house purchase lending fell for the fourth consecutive month in May.

Since the start of the year, house purchase approvals have fallen 19%, with 14,600 fewer loans in May than in January 2014. However, on an annual basis, May saw a marginal increase in lending, with only 4% more house purchase approvals than in May 2013, when there were 59,075.

Richard Sexton, director of e.surv chartered surveyors, explains: *"The mortgage market is losing some steam and undergoing a gentle cooling, as demand begins to simmer among homeowners. Uncertainty is one factor affecting home-movers. Some buyers are waiting to see if the market will begin to plateau before agreeing to pay the high price tag on new property. And that's before adding in other moving expenses such as stamp duty.*

"MMR triggered the beginning of the slowdown. It took time to integrate the rigorous financial tests into the mortgage application process, and to train staff in the new procedures. But as MMR becomes further bedded down into the lending process, it is having less of an impact. The continued slowdown comes off the back of falling demand among buyers further up the ladder – some of whom now see the home-buying process as too costly. This is not a cause for concern and the figures do not support recent media hype regarding a property bubble."

More lending to first-time buyers

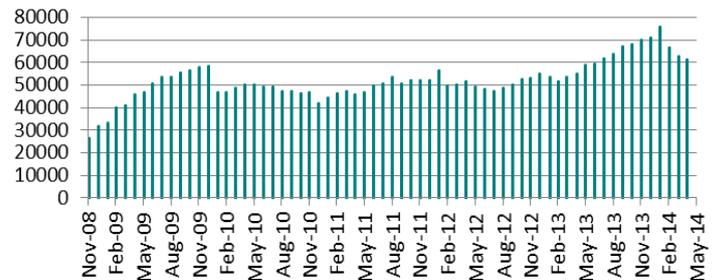
First-time buyer lending continued to pick up pace, despite the overall decline in house purchase approvals. There were 9,670 loans to borrowers with a deposit worth 15% or less of the total value of their property in May 2014, 3% more than in April (9,375) and 40% higher than a year before (6,912).

The number of first-time buyers rose 47% year-on-year in April aided by Help to Buy, according to the latest First Time Buyer Opinion Barometer from LSL Property Services.

LTV RATIO (for home purchases)

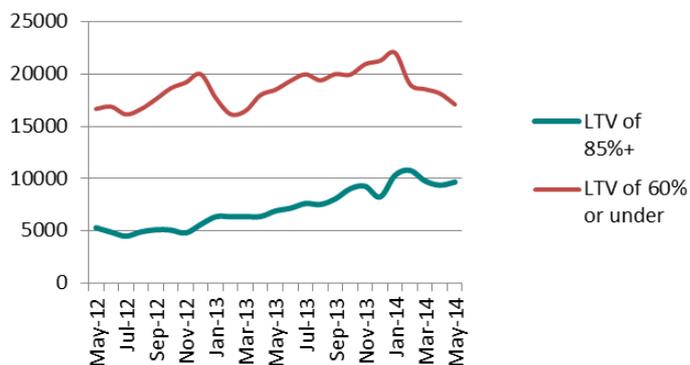


Loans for house purchase since November 2008 (seasonally adjusted)



At the same time, fewer home-owners with equity already built into property are choosing to move. There were 17,086 loans to borrowers with a deposit of at least 40% of the total value of their property in May 2014, 6% fewer than in April and 8% fewer than in May 2013.

High LTV Loans for house purchase vs Low LTV loans for house purchase (seasonally adjusted)



Richard Sexton, director of e.surv chartered surveyors, explains: "Despite MMR, home loans are still accessible to first-time buyers. Demand isn't letting up at the bottom of the market, as first-time buyers still have an unwavering appetite to own their own property."

"But the wind may be changing in the mortgage market. Last week, RBS became the second lender to impose additional restrictions on high LTV mortgages – which are typically the mainstay of first-time buyers. The extra measures are designed to reduce the fever in the market,

but they may have some negative side-effects. While MMR demands individual investigation into each home-loan application, income multiple methods are a simplistic way of testing borrowers, and may rule out many deserving aspiring home-owners."

London and the Help to Buy effect

Contrary to some reports, Help to Buy is not the catalyst behind the heat in the London property market. Statistics released by the Treasury on Help to Buy 2 – the Mortgage Guarantee Scheme – show just 5% of mortgages completed under the scheme since its launch in October 2013, were in London.

Overall, the capital is home to a far slimmer proportion of high LTV borrowers than the rest of the country. Only one in twenty home loans (5%) in the capital were to borrowers with a deposit of 15% or less of the total value of their property in May, compared to over a quarter of all home loans in Yorkshire (27%), the North West (25%) and the North East and Cumbria (25%).

Region	Proportion of loans that are high LTV
Yorkshire	27%
Northwest	25%
North East & Cumbria	25%
Northern Ireland	20%
Midlands	19%
UK Average	16%
Eastern	16%
South/South Wales	14%
Scotland	11%
South East	10%
London	5%

Richard Sexton, director of e.surv chartered surveyors, explains: “Help to Buy isn’t the engine behind price-rises in the capital, where it has contributed to less than one in a hundred mortgage-funded house sales. London’s market is being fuelled by demand from foreign investors and buy-to-let landlords looking to expand their portfolios, not just first-time buyers. Migration from workers taking advantage of the recovering local economy and accompanying job opportunities is adding further pressure on the housing market.

“The lure of London continues to attract workers, all of whom need somewhere to live. In fact, the ONS predict London’s population to top 10 million in the next 15 years. We need new homes now to help alleviate the strain on those looking to buy in the capital, and to prevent the problem growing as London’s population booms. We must act now by easing planning regulation, freeing up more land, and stimulating a large scale revival of building in and around London – or face a future property market short of accommodation. Axing Help to Buy would generate publicity, but it wouldn’t solve the real problem which is embedded far deeper into the fabric of the capital.”

LOANS FOR HOUSE PURCHASE - seasonally adjusted

Month	Number	Monthly change	Annual change
December	71104	1.2%	29.1%
January	75838	6.7%	41.9%
February	69145	-8.8%	33.6%
March	66563	-3.7%	24.1%
April	62918	-5.5%	14.4%
May	61202	-2.7%	3.6%

– 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.

About e.surv

e.surv is a firm of chartered surveyors, directly employing over 380 chartered surveyors, a similar number of consultants, and over 50 graduate surveyors in training. The business is the largest distributor and manager of valuation instructions in the UK and is appointed as panel manager for more than 25 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 owned by LSL Property Services plc. For further information, see www.lslps.co.uk

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