

mortgage monitor

tomorrow's mortgage data today

UNDER EMBARGO UNTIL 00:01 HRS ON THURSDAY 11TH SEPTEMBER

HOUSE PURCHASE APPROVALS FALL 5% IN AUGUST

As holiday season causes a summer slowdown from July

- **Monthly house purchase approvals fall 4.6% from July to 63,485 in August**
- **Higher LTV lending forming greatest proportion (18%) of house purchase approvals since 2008**
- **Higher LTV lending growing 51% year-on-year with 11,300 higher LTV loans in August**
- **North West and Yorkshire & Humber home to highest proportion of higher LTV loans – areas where Help to Buy is also needed most**

House purchase approvals slipped 5% in August, as the mortgage market slowed down for summer, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

There were 63,485 house purchase approvals in August, 4.6% lower than 66,569 approvals in July. It was the second consecutive month in which house purchase approvals declined as the holiday season temporarily slowed the lending recovery. Since the start of June, monthly house purchase approvals have fallen 5.4%.

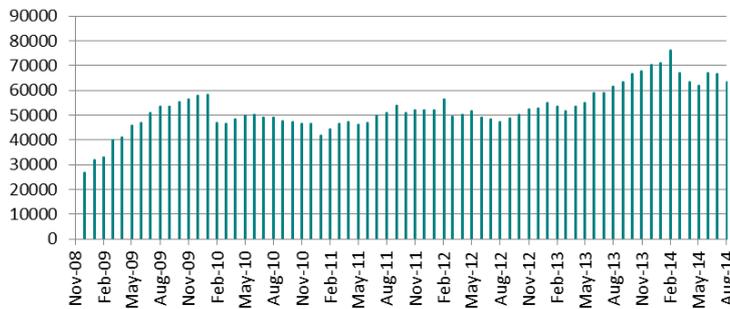
However, a recovery in monthly approvals in June suggests that the recent fall is down to the holiday season, rather than an impact of new regulation. MMR was introduced on 26th April 2014, and after a slight fall in lending in its pilot month, house purchase approvals increased 8.4% between May and June.

On an annual basis, house purchase approvals increased by 0.3% annually, from 63,293 in August 2013.

Richard Sexton, director of e.surv chartered surveyors, explains: *"The summer holiday season has temporarily slowed the mortgage market, as home-movers hang up their property search in exchange for buckets and spades. But this is a seasonal stagnation rather than a sign of a more permanent decline. The new MMR regulations have been fully absorbed into the mortgage application process, the backlog of applications they temporarily caused has all been cleared away, and now the mortgage market is in full health moving forwards.*

"As the seasons change and we move into autumn, we are already anticipating that mortgage approvals will bounce back upwards. Lenders are signalling a desire to pump up lending volume towards the tail end of the year, and there is still a whole host of buyers desperate to get onto the housing ladder, particularly at the bottom of the market."

Loans for house purchase since November 2008 (seasonally adjusted)



LTV RATIO (for home purchases)



Higher LTV lending growing as proportion of overall lending

There were 11,300 house purchase approvals to borrowers with a deposit worth 15% or less of the total value of their property in August, 51.3% higher than 7,469 twelve months ago. It was the third consecutive month in which the number of higher LTV approvals has topped 11,000.

Higher LTV lending now accounts for the largest proportion of house purchase approvals since the financial crisis. Approvals to borrowers with a deposit worth 15% or less of the total value of their property made up 17.8% of all house purchase lending in August – the highest proportion since 20.6% in October 2008, and the fourth consecutive month during which higher LTV approvals have made up a proportion of house purchase approvals above 17%.

Richard Sexton, director of e.surv chartered surveyors, explains: “Higher LTV borrowers are a growing presence in the mortgage market, because it remains extremely difficult for borrowers to save for a significant deposit. Prices remain high, interest rates are still stuck at rock bottom, and real wages are only just starting to show signs of creeping back up. The economic recovery may be blazing forward, but many households are still rebuilding their finances after seven years of struggle. But the wide range of higher LTV options available to borrowers is keeping the door to the market open to them – helping first-timers in particular to purchase property.”

Help to Buy most needed in the North

The latest figures from the DCLG show that to date, the Help to Buy scheme has had the biggest impact outside of London and the South East. The mortgage guarantee scheme and equity loan scheme combined made up the greatest proportion of total mortgage lending in the east of England (6.2%) followed by the North West (3.8%) and Scotland (3.7%).

In both the North West and Yorkshire, 28% of house purchase approvals were to borrowers with a deposit worth 15% or less of the total value of their property in August. The story remains considerably different in London and the South East. In London, high LTV lending accounted for just 7% of house purchase approvals in August, whilst in the South East just 12% of loans were to borrowers with a deposit of 15% or less.

Region	Proportion of loans that are high LTV
North West	28%
Yorkshire	28%
North East & Cumbria	25%
Midlands	24%
UK Average	18%
Northern Ireland	17%
Eastern	17%
South/South Wales	14%
Scotland	13%
South East	12%
London	7%

Richard Sexton, director of e.surv chartered surveyors, explains: *“The Help to Buy scheme is playing a vital part in keeping the market ticking over, by allowing beleaguered borrowers to get onto the property ladder before prices climb permanently out of reach. It is still a crucial cog in the recovery in many areas of the country. The economic revival is starting to fan out from London and the South East, but many regions of the country are yet to feel its full effects. Areas like the North West and Yorkshire & Humber have fewer cash-rich borrowers – and are more reliant on the government scheme. They are in a fragile balance of recovery, and prematurely removing the scheme could set-back their progress. But that’s not to say that Help to Buy is perfect. Regionalising the scheme would further help direct support to the regions where it’s needed the most.”*

LOANS FOR HOUSE PURCHASE - seasonally adjusted

Month	Number	Monthly change	Annual change
March	67034	-3.7%	+25.0%
April	63411	-5.4%	+15.3%
May	61914	-2.4%	+4.8%
June	67085	+8.4%	+14.0%
July	66569	-0.8%	+7.9%
August	63485	-4.6%	+0.3%

– 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

Press contacts

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

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 anytime.