The Rightmove Consumer Confidence Survey

The UK's leading survey of consumers from the UK's leading property website

Consumer Price Forecast

*** UNDER EMBARGO UNTIL 00:01 MONDAY, 29th OCTOBER 2012 ***

OPTIMISM RISES BUT 'NEGATIVE EQUITY CURSE' A 'MARKET MILLSTONE'

- Proportion of price optimists forecasting higher prices in 12 months' time increases from 22% a year ago to 29%, with 'improving mortgage market' a contributory factor
- Diminished equity to trade up remains a drag on market activity, with more than one in five (22%) of 2007-2012 buyers stating their property is now worth less than they paid for it
- 17% of those who have suffered price falls since 2007 hit by 'negative equity curse', rising to 21% amongst those who bought at the peak of the market in 2007

Proportion of price optimists forecasting higher prices increases from 22% a year ago to 29%

Rightmove's latest Consumer Confidence Survey of more than 33,000 home-movers finds that the proportion of respondents expecting average asking prices to be higher a year from now has risen to 29%, up by 7 percentage points on a year ago. Despite an increase in optimism on prices, overall opinion remains divided; while 26% expect average prices to be lower and 29% expect prices to be higher in a years' time, 41% expect prices to be about the same. Many 'price optimists' – those anticipating higher prices – point to an improvement in the mortgage environment as grounds for their view of upwards price movement. Those anticipating an 'improved mortgage market' are up from 28% at the start of 2012 to 32% as we approach the end of the year.

Miles Shipside, director and housing market analyst at Rightmove, comments: "Those predicting a pick-up over the next 12 months will no doubt have hopes that the Funding for Lending Government scheme will provide the seed-corn that will encourage more lenders to scatter more mortgage products onto the volume-barren housing landscape. The mixed bag of local market conditions however, coupled with this patchy picture of sentiment, does nothing to suggest that an overall housing market recovery is looming on the horizon despite the wider economy officially emerging from the double-dip recession."

Diminished equity to trade up remains a drag on market activity

The return of price confidence and mortgage funding are crucial ingredients for a market recovery, especially in light of Rightmove's research into the extent of negative equity in the post-credit-crunch housing market. More than one in five (22%) of home-owners who bought in the six years between 2007 and 2012 believes that their property is now worth less than they paid for it. However, the 'loss' is most acute for those who bought in 2007 when prices peaked and high loan-to-value mortgages were still commonplace. Nearly half of home-owners (49%) who bought in 2007

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believe that their home has fallen in value, limiting their capacity to trade-up in a market driven by equity.

Shipside comments: “While a fall in equity is not necessarily a blocker to a move, with lenders demanding a substantial deposit to unlock their best rates it will deter many from trying to sell and buy again. As long as the sums do not add up to make a move up the market worthwhile we are unlikely to see a substantial recovery in the volume of sales. Many home-owners who are trapped by the falling value of their bricks and mortar will now feel as though they are prisoners of their own mortgage. Five or six years on, many of the first-time buyers of 2007 will be struggling to progress from starter pad to family home.”

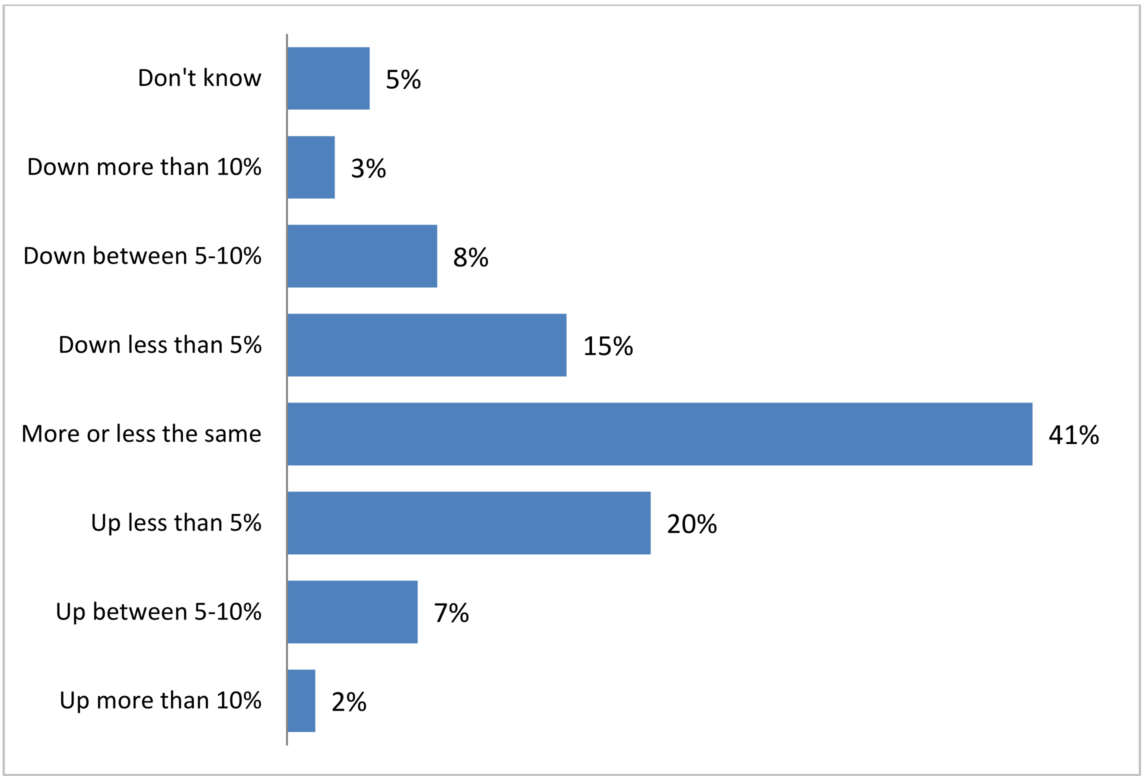
17% of those who have suffered a price fall since 2007 hit by ‘negative equity curse’

17% of those 2007-2012 buyers who believe their property has declined in value since purchase also state that they are currently in negative equity, believing their outstanding mortgage balance to be higher than the current value of their property. This rises to 21% amongst those who bought in the peak year of 2007. The fact that there are more price optimists than this time last year is encouraging news for both those in negative equity and those whose equity pot has shrunk.

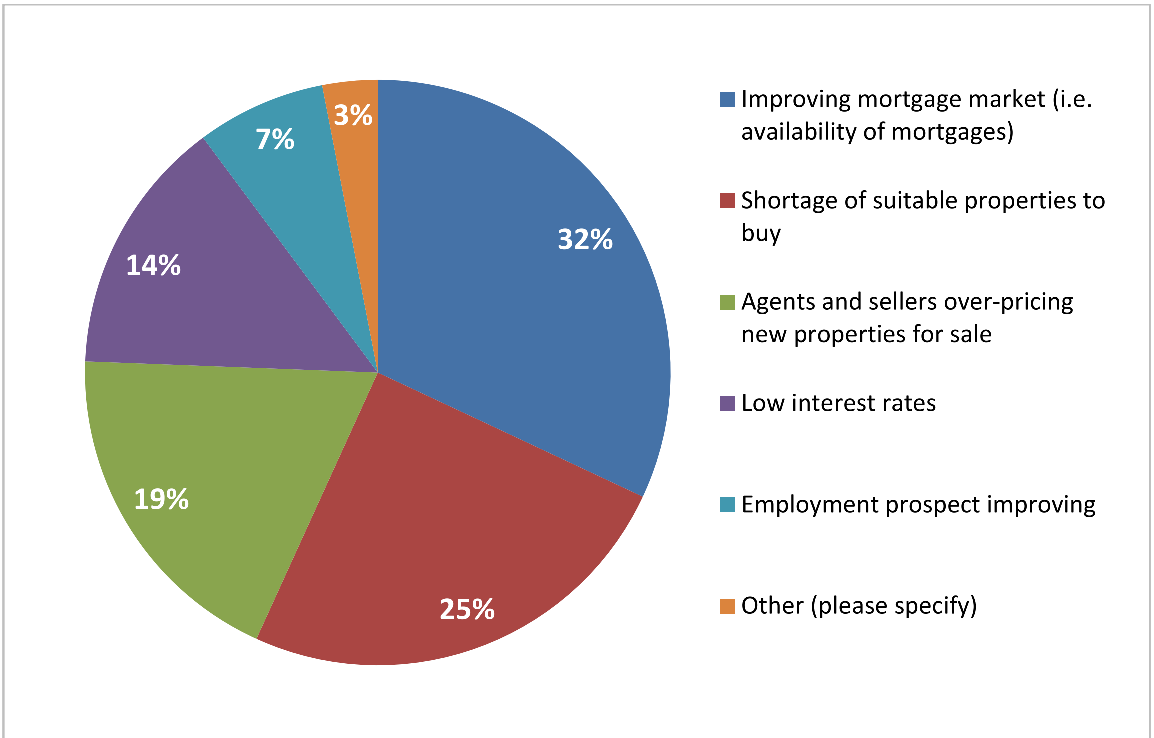
Shipside observes: “In the post-2000 free-for-all, many lenders adopted a policy that assumed negative equity was a phenomenon from a previous age. Many built strategies on the cornerstones of increasing property prices and low or no deposit lending. The result of this approach is a negative equity millstone around the necks of many buyers from that era which will take years to lift. In the current economic climate it will take more than a modest recovery in property prices to help its victims to consider moving home again. Ironically, the market would now benefit from a return to some of the characteristics reminiscent of those lax years that helped cause the problem of falling equity, with a return to increasing property prices on the increase and lower deposit lending. However, the new FSA rules on lending, set for 2014, should ensure that lenders cannot repeat the mistakes of the recent past”.

APPENDIX

Q. In your opinion, where do you think average house prices will be one year from now?



Q. You indicated that you expect average house prices to be higher in 12 months' time than they are currently. Which of the following is the main reason for this view?



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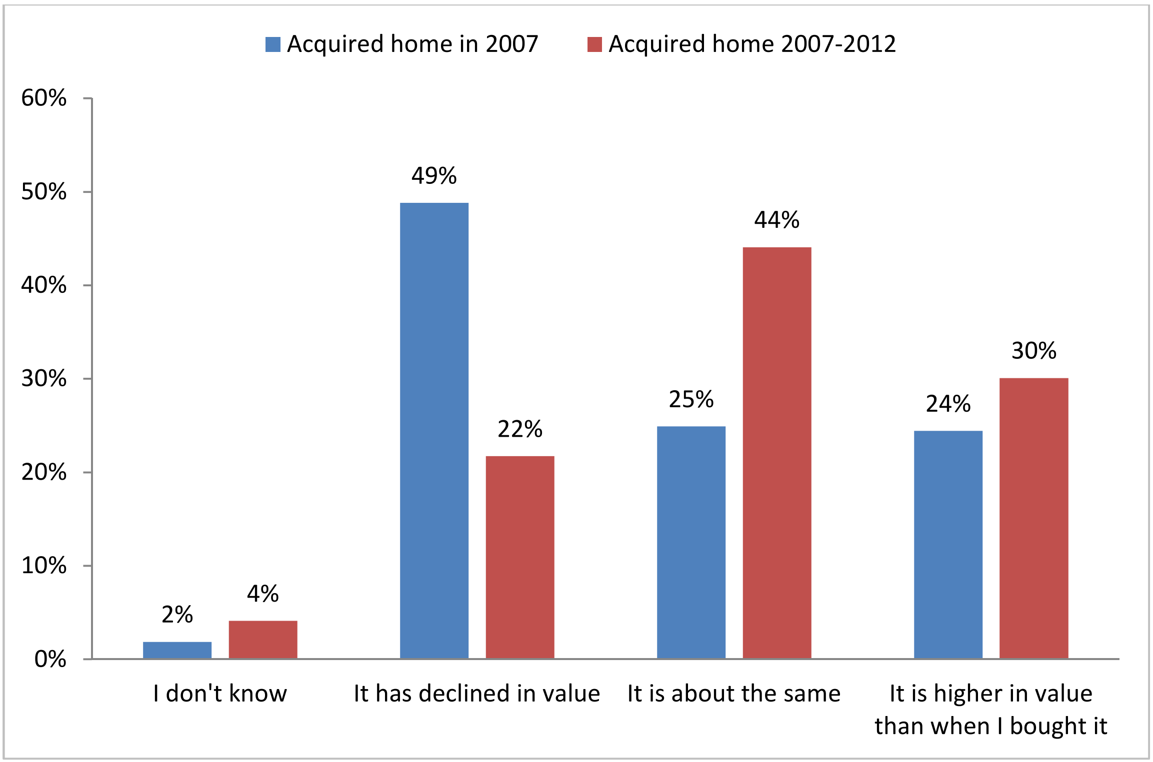
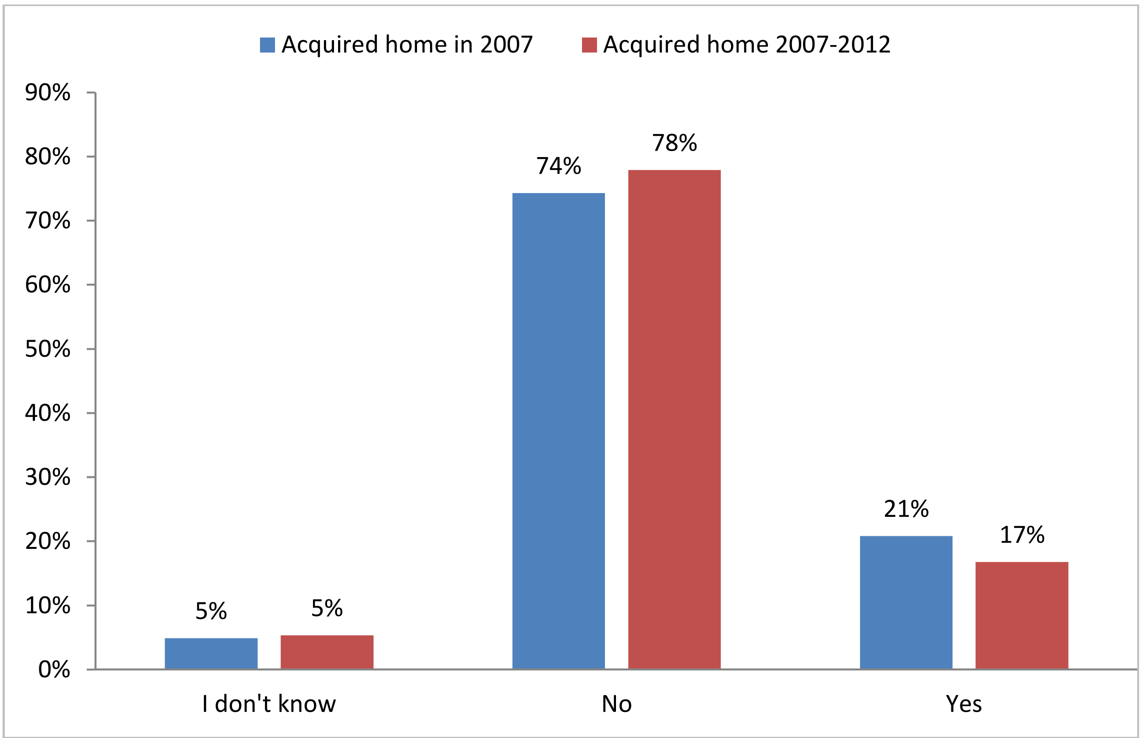
Q. How do you think the CURRENT value of the property compares with when you acquired it?

[Sample: All home-owners who purchased 2007-2012]



Q. Are you in negative equity (i.e. the mortgage outstanding is now greater than the property value) as a result of the decline in the value of your property?

[Sample: All home-owners who purchased 2007-2012 and stated their home has declined in value]



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About this survey

The data presented as part of this release is taken from the quarterly Rightmove Consumer Confidence Survey. The survey seeks the views and attitudes of home-movers towards a key British obsession – the housing market. Started in early 2009, more than 120,000 people responded to the survey in its first year alone.

All responses were completed via an online questionnaire Monday, 1st of October and Monday, 15th of October 2012. A total of 33,278 responses were received from respondents during this time.

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