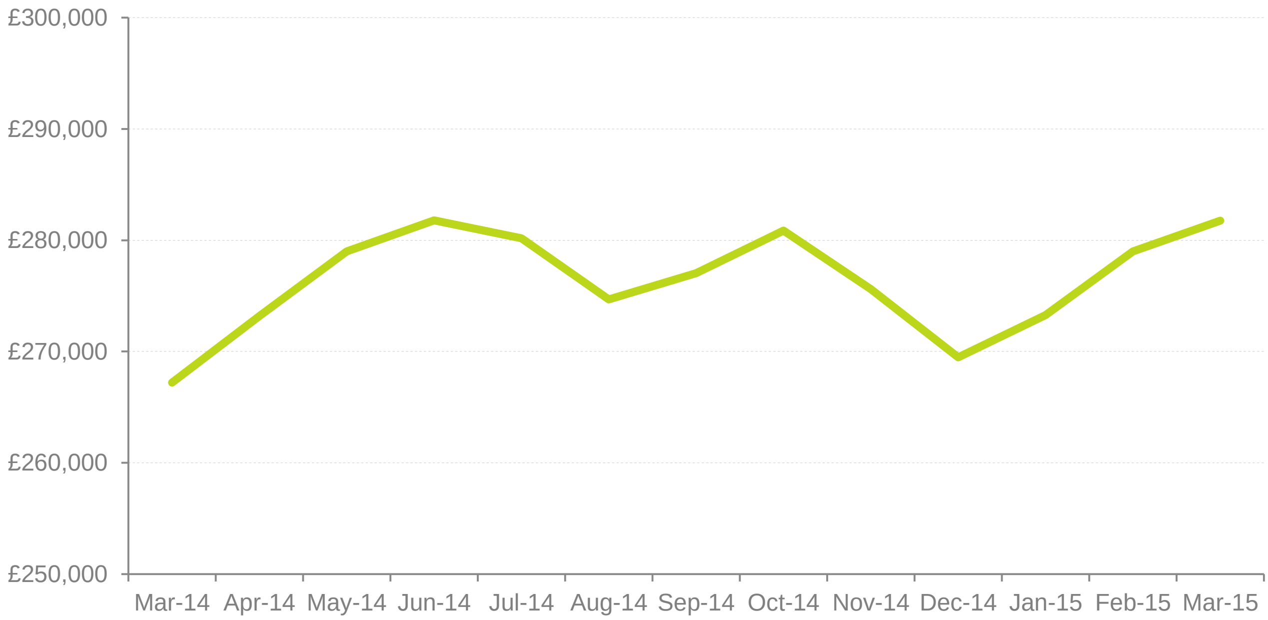
Under embargo for 00:01 hours: Monday, 16th March 2015

House prices close to all-time high – will 'granlords' drive them higher?

- Price of property coming to market up by 1.0% (+£2,748), a more muted rise at this time of year for three years suggesting pre-election slowdown
- Average new seller asking price just £30 below June 2014 record as high demand reduces the impact of tighter lending controls introduced in the April 2014 Mortgage Market Review
- Buy-to-let investors cashing in their pension pots to raise larger deposits may drive prices up further at the low end of the market - agents are reporting uplift in interest ahead of new pension rules
- Number of newly-listed properties up by 3.2% compared to last month, though first-time buyer properties which are likely 'granlord' investor targets, have seen the lowest increase in supply (+2.6%) and are the sector seeing the highest annual price rise (+7.6%)

National average asking prices				
Month	**Mar 2015**	**Monthly change**	**Annual change**	**Index**
March 2015	£281,752	+1.0%	+5.4%	232
February 2015	£279,004	+2.1%	+6.6%	229.7
National average asking prices by market sector (excluding Inner London)				
Sector	**Mar 2015**	**Feb 2015**	**Monthly change**	**Annual change**
First-time buyers	£169,414	£167,107	+1.4%	+7.6%
Second-steppers	£235,205	£231,317	+1.7%	+7.0%
Top of the ladder	£511,354	£505,263	+1.2%	+4.0%

Monthly asking price trend



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Overview

With the distraction of the looming election and one year on from the introduction of tighter lending criteria, this month's 1.0% (+£2,748) rise in the price of property coming to market is more muted than that seen in the strong rebound market of March 2014, and the lowest seen at this time of year for three years. This has resulted in a reduction of the year-on-year rate of increase to 5.4%. However, with prices just £30 below the all-time high of £281,782 set in June 2014, the national average is within a whisker of a new record. It appears that high demand and larger buyer deposits are reducing the impact of the new restrictions on mortgage lending introduced in the Mortgage Market Review (MMR).

Miles Shipside, Rightmove director and housing market analyst comments: *"The distraction and uncertainty of an election typically force sellers to price more keenly, though this is often short-lived. The MMR introduced in April 2014 laid out a much needed longer-term framework for responsible lending, but within a year its dampening effects have been muted by high demand outstripping supply in many locations, and by buyers putting down larger deposits. The price of property coming to market is now just £30 off the record set nine months ago. The MMR has been a positive restraint on what buyers can afford to pay and has assisted in lessening the price rise pace. However, with new-build levels remaining low and only a small increase in properties coming to market compared to last month, the supply side is still a critical but missing part of the jigsaw if pent-up demand is to be satisfied."*

The 1.0% increase in the price of property marketed this month compares with a 2.1% rise in March 2014, as the slowing pace of price rises from the highs of last year continues. Yet interest in property searching is at an all-time high, with a record eight million enquiries sent to Rightmove agents in the first two months of 2015, and Rightmove's busiest ever day for activity being recorded towards the end of February.

Shipside adds: *"There is still high demand for the right property at the right price with agents reporting that quality stock is selling well despite some election jitters. Rightmove recording nearly 59 million page views in one day suggests that home-movers have a confident outlook, while remaining choosy about what they will buy. Stunningly attractive long fixed-term mortgage rates are obviously another great boost to positive sentiment."*

While some of the heat has been taken out of the market by limiting loan criteria and size through the MMR and the subsequent actions of the Bank of England's Prudential Regulation Authority, controls limiting buyer affordability appear not to be restraining the more cash-rich buy-to-let sector. This active area of the market, with mortgage loan numbers up by 23% in 2014 compared to 2013[1], is set to receive a further injection of investment as the new pension rules come into force next month.

Shipside says: *"Agents report a high level of interest from new landlords, or 'granlords', who are typically first time, retirement age, buy-to-let investors. With the highest returns for the lowest investment being at the lower end of the market, the first-time buyer property sector will be the greatest recipient of any increase in demand from investors with substantial pension pots. Unfortunately flats and terraced houses with two bedrooms or fewer are coming to the market in smaller numbers than the middle and upper tier sectors, so are the least prepared for an up-surge in demand."*

The first-time buyer sector seems to be showing the effects of the growing imbalance between supply and demand with prices up 7.6% compared to last year, and the number of properties coming to market in this sector is up by a modest 2.6% this month compared to last. In contrast, the second-stepper sector has seen an increase of 5.3% in fresh stock and a 7.0% year-on-year price rise, with the top of the ladder sector stock up by 5.4%, and a 4.0% annual price change.

Shipside observes: *"The lower-end properties favoured by first-time buyers and investors are in short supply in many locations due to increased competition among mortgage lenders, who are also chasing landlords with offers of low rates for lower risk. Some cash-rich pension pot buy-to-let investors will also be tempted by those tax-deductible mortgage rates, creating further upwards price pressure in a market sector that is already out-stripping the higher-priced ones. While many pension pots may not fund a sufficiently large tax-free lump sum to facilitate a property purchase, for some it will provide enough for a mortgage deposit and others may feel it worth paying some income tax now to release more money. For example, someone aged over 55 with £120,000 in their pension pot and £10,000 in an ISA can raise up to £40,000 tax free for a buy-to-let mortgage deposit, which can be topped up further if required by paying their marginal rate of tax on a larger withdrawal from their pension. When the realities of the possible tax penalties on larger withdrawals are better understood by aspiring new landlords, their appetite for buy-to-let may diminish and anticipated demand may be less than speculated. It's a hard one to call."*

Agents' Views

David Blythman, Managing Director of Scottfraser in Oxfordshire says: *"Since the beginning of the year there has been no let-up in demand for properties across Oxfordshire and our investment search division are now receiving a significant uplift in enquiries including many from 'granlords' - first time, retirement age, buy-to-let investors diversifying their pension investments. We foresee these buyers having a positive impact on the quality of the private rental sector as they have no intention of squandering their hard earned funds on anything other than the best properties."*

Ken Hume of James Alexander in Norbury, South West London, says: *"The market in South West London is currently suffering from some pre-election jitters, however the lack of supply is pushing prices up, especially for mid-range houses. We've had enquiries from a number of older people considering buy-to-let which is likely to have an effect this year, with interest expressed particularly in smaller flats where yields are higher. As this end of the market is not as busy in our local area, these buyers are a welcome addition, especially as they are often 100% cash. The bank of Mum & Dad continues to be an important resource for many of our younger buyers, some not so young as well who just do not have the resources to fund a deposit without this assistance. Post-election we expect to see a return to business as usual and for the market to rise on the back of the low interest rate environment."*

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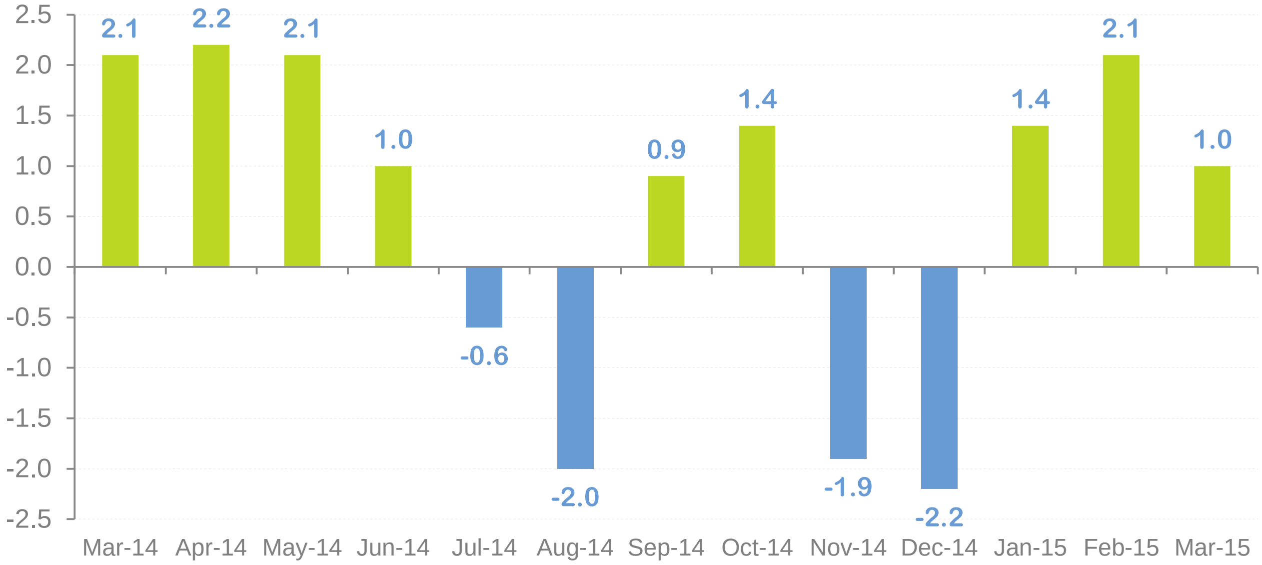
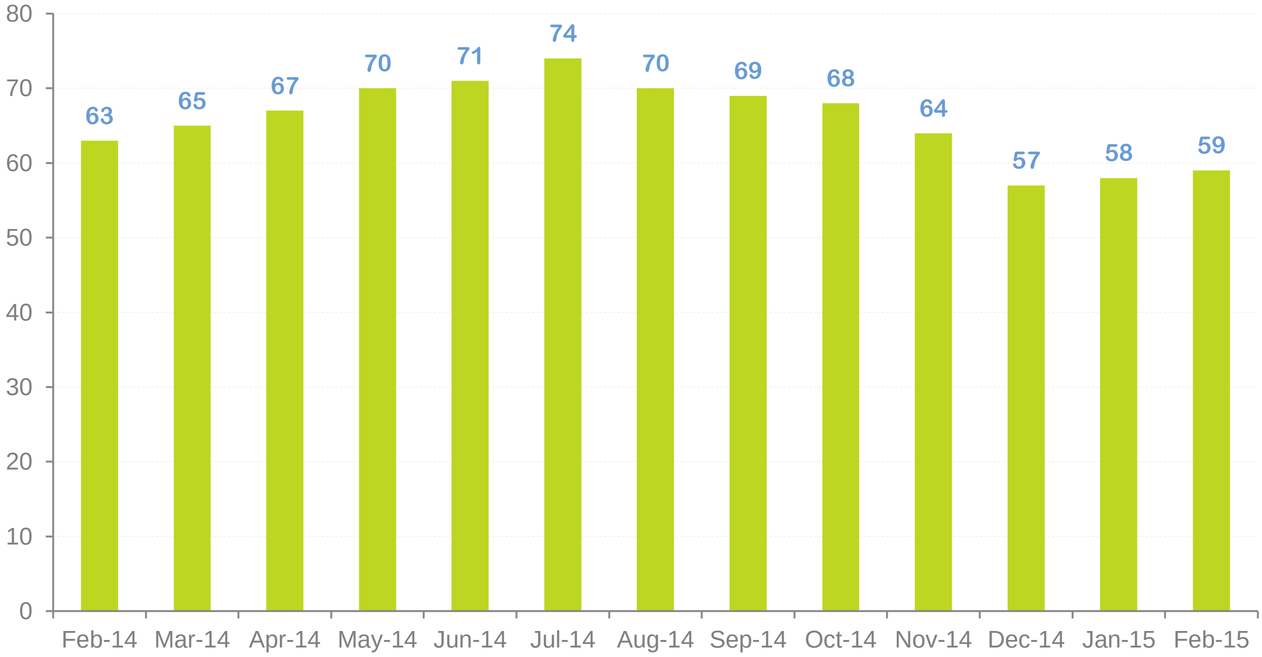
% monthly change in average asking prices



Average properties for sale per estate agent



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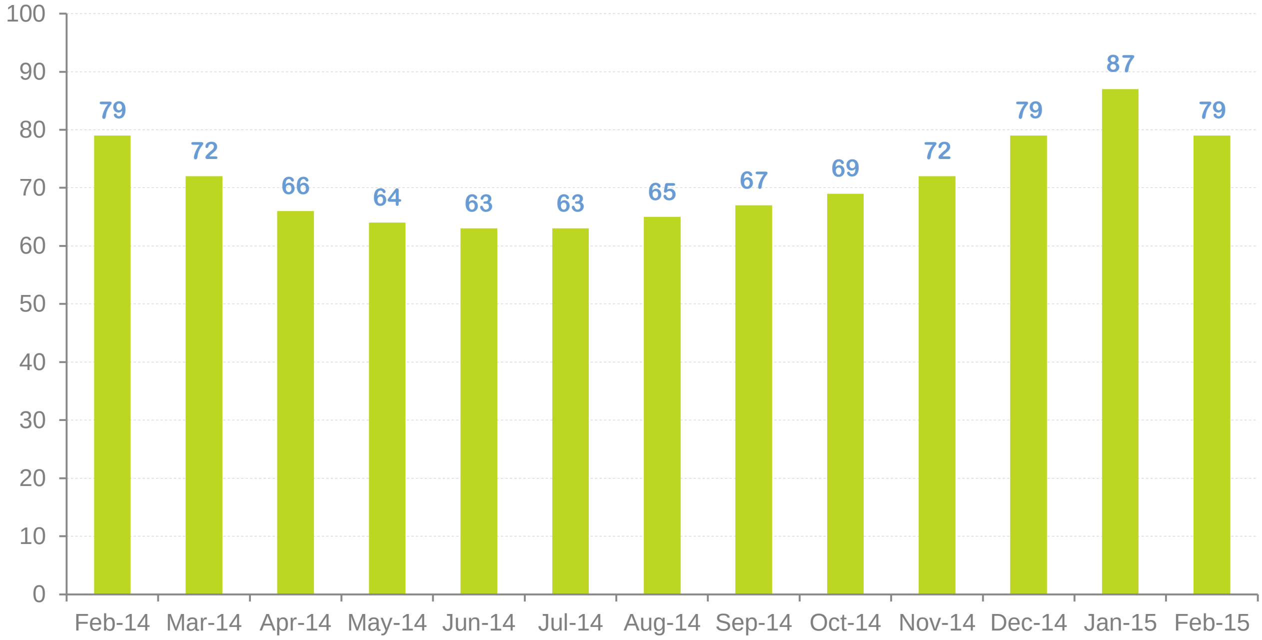
Average 'time to sell' (no. of days) - National



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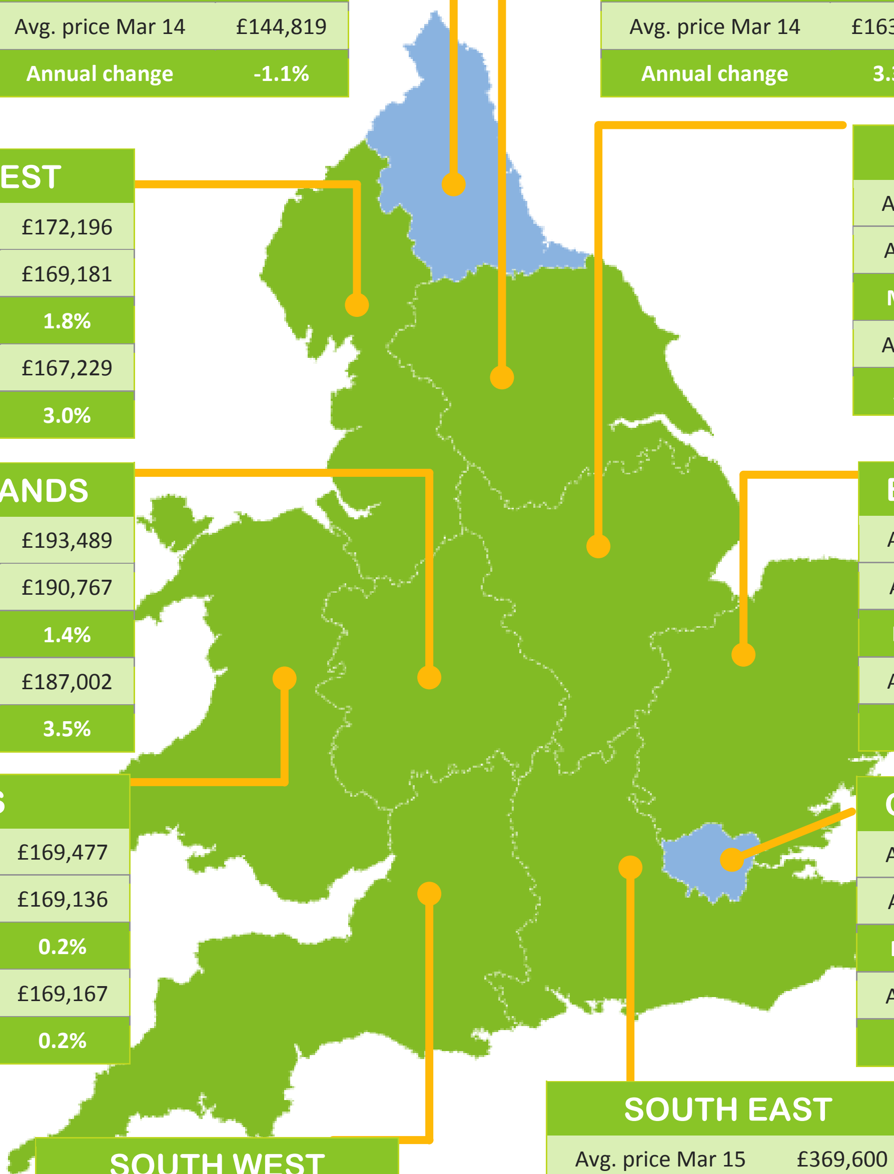
Regions of England and Wales

■= increase from previous month ■= decrease from previous month



NORTH EAST

Avg. price Mar 15	£143,238
Avg. price Feb 15	£143,661
Monthly change	**-0.3%**
Avg. price Mar 14	£144,819
Annual change	**-1.1%**

YORKS & HUMBER

Avg. price Mar 15	£168,482
Avg. price Feb 15	£165,193
Monthly change	**2.0%**
Avg. price Mar 14	£163,140
Annual change	**3.3%**

NORTH WEST

Avg. price Mar 15	£172,196
Avg. price Feb 15	£169,181
Monthly change	**1.8%**
Avg. price Mar 14	£167,229
Annual change	**3.0%**

EAST MIDLANDS

Avg. price Mar 15	£183,234
Avg. price Feb 15	£181,177
Monthly change	**1.1%**
Avg. price Mar 14	£174,418
Annual change	**5.1%**

WEST MIDLANDS

Avg. price Mar 15	£193,489
Avg. price Feb 15	£190,767
Monthly change	**1.4%**
Avg. price Mar 14	£187,002
Annual change	**3.5%**

EAST OF ENGLAND

Avg. price Mar 15	£297,863
Avg. price Feb 15	£290,534
Monthly change	**2.5%**
Avg. price Mar 14	£273,785
Annual change	**8.8%**

WALES

Avg. price Mar 15	£169,477
Avg. price Feb 15	£169,136
Monthly change	**0.2%**
Avg. price Mar 14	£169,167
Annual change	**0.2%**

GREATER LONDON

Avg. price Mar 15	£580,308
Avg. price Feb 15	£582,438
Monthly change	**-0.4%**
Avg. price Mar 14	£550,245
Annual change	**5.5%**

SOUTH EAST

Avg. price Mar 15	£369,600
Avg. price Feb 15	£363,992
Monthly change	**1.5%**
Avg. price Mar 14	£341,735
Annual change	**8.2%**

SOUTH WEST

Avg. price Mar 15	£273,516
Avg. price Feb 15	£268,580
Monthly change	**1.8%**
Avg. price Mar 14	£261,144
Annual change	**4.7%**

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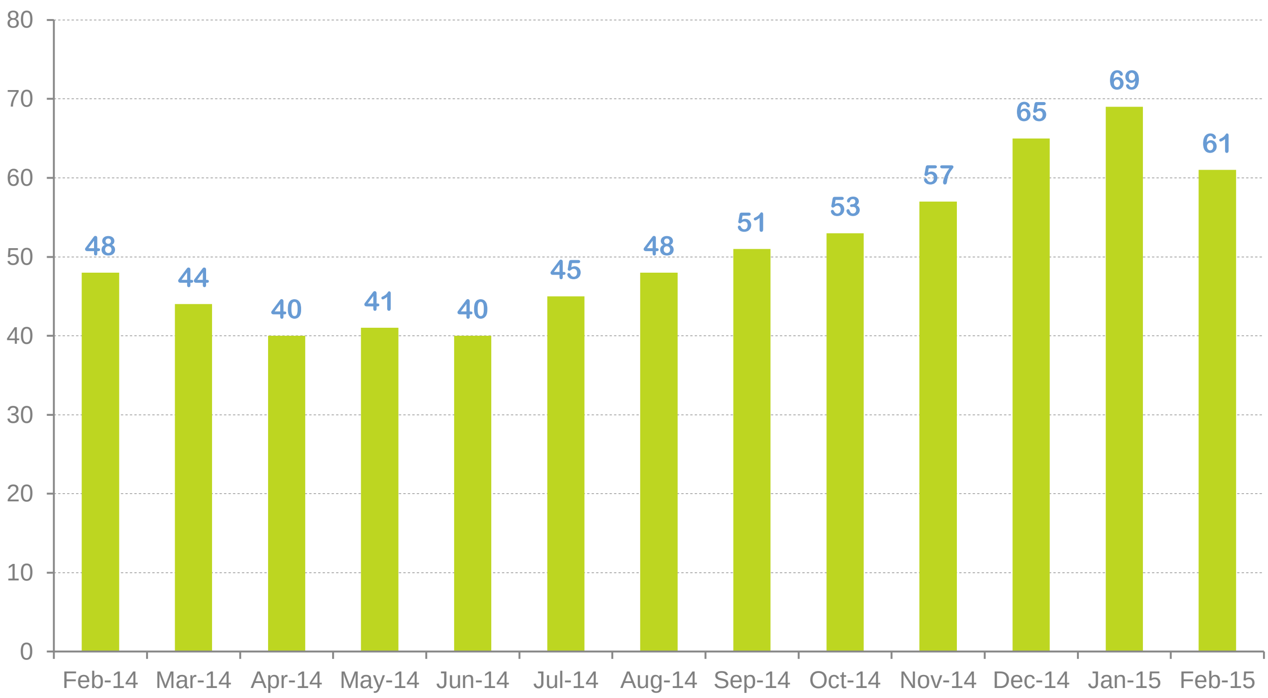
London's best performers: March 2015

Borough	Avg. price Mar 2015	Avg. price Feb 2015	Monthly change	Avg. price Mar 2014	Annual change
Islington	£757,433	£706,453	7.2%	£679,295	11.5%
Greenwich	£411,492	£386,078	6.6%	£362,182	13.6%
Waltham Forest	£389,176	£370,646	5.0%	£348,777	11.6%
Ealing	£603,252	£577,101	4.5%	£531,526	13.5%
Haringey	£581,314	£560,981	3.6%	£556,539	4.5%

London's worst performers: March 2015

Borough	Avg. price Mar 2015	Avg. price Feb 2015	Monthly change	Avg. price Mar 2014	Annual change
City of Westminster	£1,756,851	£2,118,353	-17.1%	£1,858,783	-5.5%
Barnet	£617,535	£707,364	-12.7%	£652,650	-5.4%
Hounslow	£484,253	£513,973	-5.8%	£436,703	10.9%
Hackney	£593,439	£618,709	-4.1%	£525,439	12.9%
Tower Hamlets	£544,893	£563,726	-3.3%	£493,095	10.5%

Average 'time to sell' (days) - London



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London boroughs

Borough	Avg. price Mar 2015	Avg. price Feb 2015	Monthly change	Avg. price Mar 2014	Annual change
Kensington and Chelsea	£2,358,524	£2,317,078	1.8%	£2,568,950	-8.2%
City of Westminster	£1,756,851	£2,118,353	-17.1%	£1,858,783	-5.5%
Camden	£1,044,045	£1,019,586	2.4%	£1,021,997	2.2%
Hammersmith and Fulham	£1,012,875	£1,018,270	-0.5%	£966,063	4.8%
Richmond upon Thames	£827,131	£844,606	-2.1%	£893,951	-7.5%
Wandsworth	£808,680	£789,317	2.5%	£747,398	8.2%
Islington	£757,433	£706,453	7.2%	£679,295	11.5%
Barnet	£617,535	£707,364	-12.7%	£652,650	-5.4%
Merton	£ 613,208	£604,531	1.4%	£536,249	14.4%
Southwark	£612,291	£613,228	-0.2%	£541,856	13.0%
Ealing	£603,252	£577,101	4.5%	£531,526	13.5%
Brent	£598,042	£599,824	-0.3%	£501,023	19.4%
Lambeth	£597,032	£590,435	1.1%	£557,224	7.1%
Hackney	£593,439	£618,709	-4.1%	£525,439	12.9%
Kingston upon Thames	£583,500	£573,079	1.8%	£521,117	12.0%
Haringey	£581,314	£560,981	3.6%	£556,539	4.5%
Tower Hamlets	£544,893	£563,726	-3.3%	£493,095	10.5%
Harrow	£495,499	£499,888	-0.9%	£432,140	14.7%
Hounslow	£484,253	£513,973	-5.8%	£436,703	10.9%
Bromley	£466,996	£475,985	-1.9%	£424,240	10.1%
Lewisham	£415,152	£406,577	2.1%	£369,687	12.3%
Hillingdon	£414,329	£414,076	0.1%	£361,226	14.7%
Enfield	£411,595	£403,055	2.1%	£382,995	7.5%
Greenwich	£411,492	£386,078	6.6%	£362,182	13.6%
Waltham Forest	£389,176	£370,646	5.0%	£348,777	11.6%
Redbridge	£386,290	£387,811	-0.4%	£349,422	10.6%
Sutton	£384,102	£372,639	3.1%	£350,329	9.6%
Croydon	£364,351	£360,498	1.1%	£324,159	12.4%
Newham	£340,933	£338,643	0.7%	£285,191	19.5%
Havering	£331,526	£330,095	0.4%	£293,466	13.0%
Bexley	£310,473	£305,518	1.6%	£269,248	15.3%
Barking and Dagenham	£240,829	£236,639	1.8%	£212,372	13.4%

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Editors' notes

About the Index:
The Rightmove House Price Index methodology has been refined as of January 2015. The Index now uses new mapping technology to define regions at a postcode rather than postcode district or area level, and the mix adjustment has been updated to reflect the current proportion of stock by property type in each area, to provide even more accurate data. All regional breakdowns are now reported in line with ONS regions. For the purpose of historical comparisons, the historical figures have been restated based on the new methodology.

The Index can now include further breakdowns in the housing market to offer trends at three different sectors of the market: first-time buyer, second-stepper and top of the ladder. Inner London prices have been excluded from this categorisation as the normal housing ladder is not really applicable.

Advertising property for over 90% of all UK estate agents, Rightmove is in a unique position to identify any immediate changes in the market. Rightmove's House Price Index is compiled from the asking prices of properties coming onto the market via over 13,000 estate agency branches listing on Rightmove.co.uk. Rather than being a survey of opinions as with some other indices, it is produced from factual data of actual asking prices of properties currently on the market. The sample includes up to 200,000 homes each month – representing circa 90% of the market, the largest and most up-to-date monthly sample of any house price indicator in the UK. 95% of properties are sold via an agent, whilst only 75% are purchased with a mortgage. The Index differs from other house price indicators in that it reflects asking prices when properties first come onto the market, rather than those recorded by lenders during the mortgage application process or final sales prices reported to the Land Registry. In essence, Rightmove's Index measures prices at the very beginning of the home buying and selling process while other indices measure prices at points later in the process. Having a large sample size and being very up-to-date, the Rightmove Index has established itself as a reliable indicator of current and future trends in the housing market.

Rightmove measured 119,605 asking prices – circa 90% of the UK market. The properties were put on sale by estate agents from 8th February 2015 to 7th March 2015 and advertised on Rightmove.co.uk. This month 6,055 properties have been excluded due to being anomalies.

1 Council of Mortgage Lenders.

Market sectors explained:

First-time buyer: This figure represents the typical property a first-time buyer would purchase, covering all two bed properties and smaller that come to market (houses and flats).

Second-stepper: This figure represents the typical property of a person moving from their first home, covering all three and four bed properties that come to market (houses and flats) excluding four bed detached houses.

Top of the ladder: This figure represents asking prices at the top end of the market, covering all five bed properties and above (houses and flats), as well as four bed detached houses.

About Rightmove.co.uk:
Rightmove.co.uk is the UK's leading property website, displaying details of homes for sale or rent to the largest online audience. It is consistently ranked the number one property website in the UK (source: Experian Hitwise). It has around 90% of all properties for sale and at any time displays a stock of over one million properties to buy or rent, worth around £270 billion. The Rightmove.co.uk site attracts over 90 million visits from home movers each month who view in excess of one billion pages (Rightmove data, October 2014).

 Released 16th March. |
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