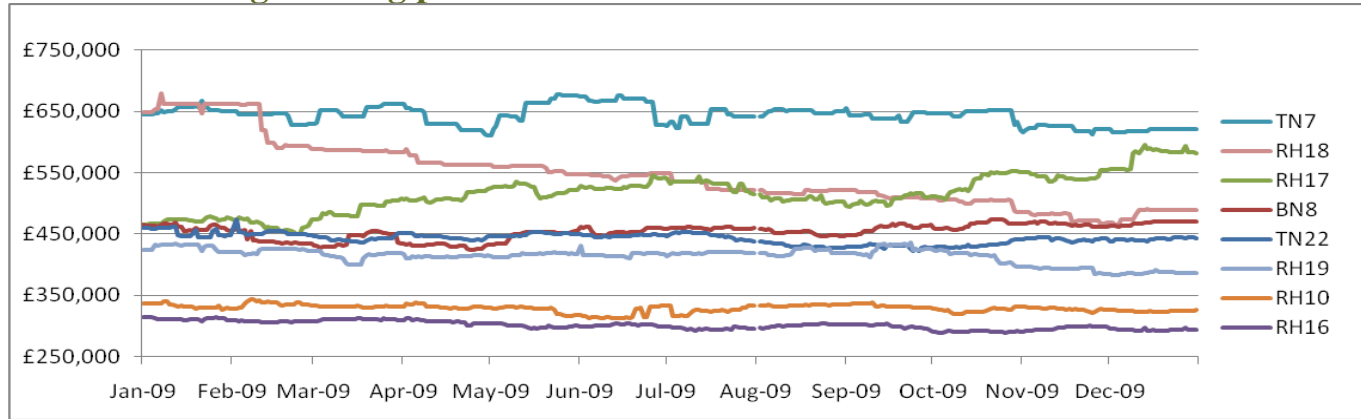
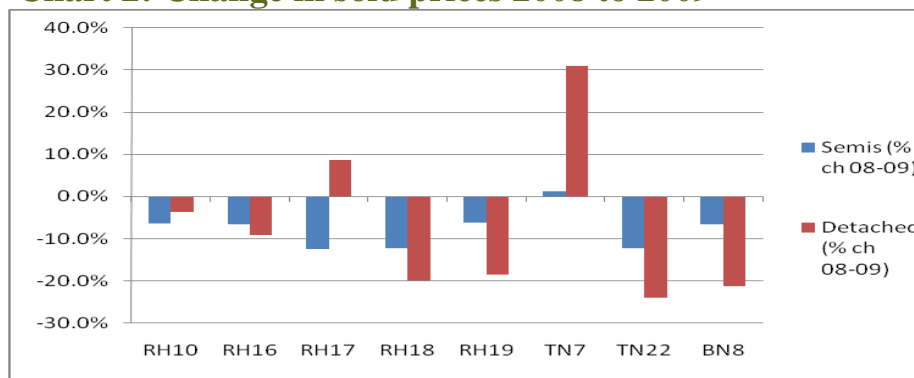


Chart 1: Average Asking prices in 2009



(Source: Prime Location, Findaproperty)

Chart 2: Change in sold prices 2008 to 2009



(Source: HM Land Registry, Ashdown Property)

Comment

- 1. Are we through the worst?** Everyone clearly hopes that 2009 marked the nadir of the recession and we're now on the up, but the parlous state of UK plc's public finances mean there are risks to this recovery. In terms of our local property market, the data just in for last year would confirm that most of us felt some pain unless, as chart 2 suggests, you were lucky enough to be selling something large in RH17 or TN7!
- 2. What's really going on here?** Lack of supply continues to be the major issue. In almost all areas, volumes of available stock have continued to shrink since we reported in the autumn, by up to a third in some areas. Notwithstanding the usual slowdown for Christmas, we start this year with a chronic shortage of people prepared to sell their houses which may be distorting asking prices. Chart 1 shows asking prices last year held up in most areas except RH18 where they fell almost 25%, yet in RH17 asking prices actually appeared to rise over the year by a similar amount – just goes to show asking prices are notoriously difficult to rely on and interpret! The resilience of different postcodes is better borne out by movements in sold prices which, as illustrated in Chart 2, shows that most people had to accept reductions last year in order to do a deal. So the moral of the story is: if you are asking too much or your agent has widened your eyes with over-generous appraisals to win your precious instruction, your house might simply sit around. This is borne out by the fact the average time to sell is continuing to rise quite sharply. Most buyers won't and can't pay over the odds, so opportunistic selling will not really be the name of the game in 2010.
- 3. Where next?** OK, we'll stick our neck out here....The debate is all about inflation/interest rates and hoped for expansion in bank lending. Higher than expected CPI and oil prices doubling in 2009 are balanced by continuing weakness in the economy. The question seems really when, not if, rates start to rise to head off inflation. We think the property market will remain stable but with moderate activity until the election. Despite current political posturing, we think the pain will start in the second half whoever wins – the money tap will be slowly turned off and inflationary pressures on interest rates will return, stunting economic recovery just as public spending hits the wall. Economists are pencilling in the first rate hikes any time from April to the end of the year. Whatever the timing, the reality is that house price to earnings ratios are still historically high in the South East and we fear the market is too expensive to absorb too much fiscal and monetary austerity, especially as the banks are not showing much appetite to lend again.
- 4. So what to do?** Price sensibly for a start. Ask agents to give reasoned evidence to support their appraisal figures and don't necessarily go for the agent who quotes the highest number. Secondly, don't delay if you have near-term plans to move and sell into traditional spring strength. If interest rates start to tick up towards the end of the year (which the market believes) life could get tougher again for us all. Our advice would be to focus more on price differentials between what you're selling and buying than a fixed sale figure alone if you want to successfully conclude a move this year. We look forward to being able to advise and help you on the way.