

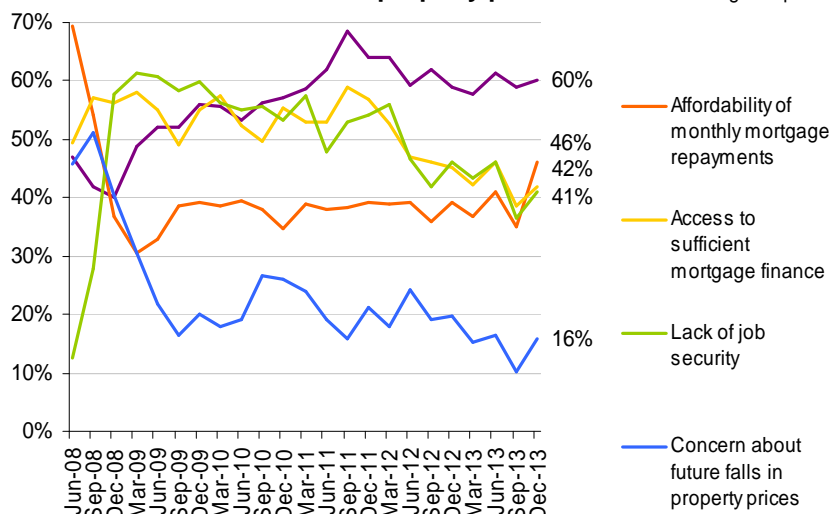
- **Affordability of monthly mortgage repayments worsens against strained household finances**
- **Consumers say rising interest rates are a risk to market in 2014**
- **Raising a deposit becomes easier for first-time buyers due to Help to Buy scheme**
- **Most consumers think house prices will rise next year, by 3.8% on average**

## Affordability of monthly mortgage repayments increases as a barrier to property purchase

Results from the December *Property Tracker* show that consumers view the affordability of monthly mortgage repayments as a greater barrier to property purchase. 46% of respondents cited this as a barrier compared to 35% in September and 39% in December last year.

Household finances have come under significant pressure over the past year with inflation running above average wage growth for the duration. This means households' spending power has reduced.

**Chart 1: Perceived barriers to property purchase**

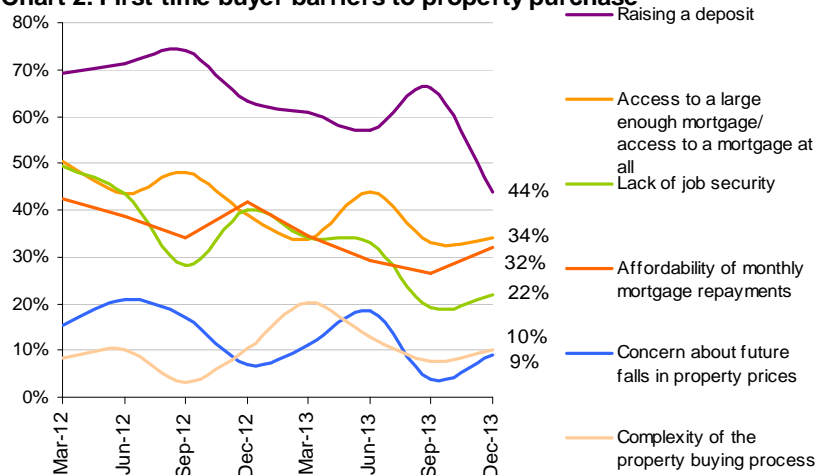


Just over a quarter (27%) of respondents to the *Property Tracker* believed that a rise in interest rates was the biggest risk to the UK housing market in 2014. Despite average mortgage rates being at an all time low (at around 3.69%\*), consumers are still wary of rate rises and the impact this will have on their finances when other costs are rising and wage growth remains weak. Recent announcements by energy companies of forthcoming price rises will put a further strain on consumers. However, if and when the Bank Rate does increase it will do so gradually, hopefully against a background of rising incomes, and so it is unlikely to have a significant impact on household finances in the short term. However, if the economic recovery is sustained mortgage rates could face further pressure.

## Raising a deposit remains biggest barrier, but first-time buyers think Help to Buy will help

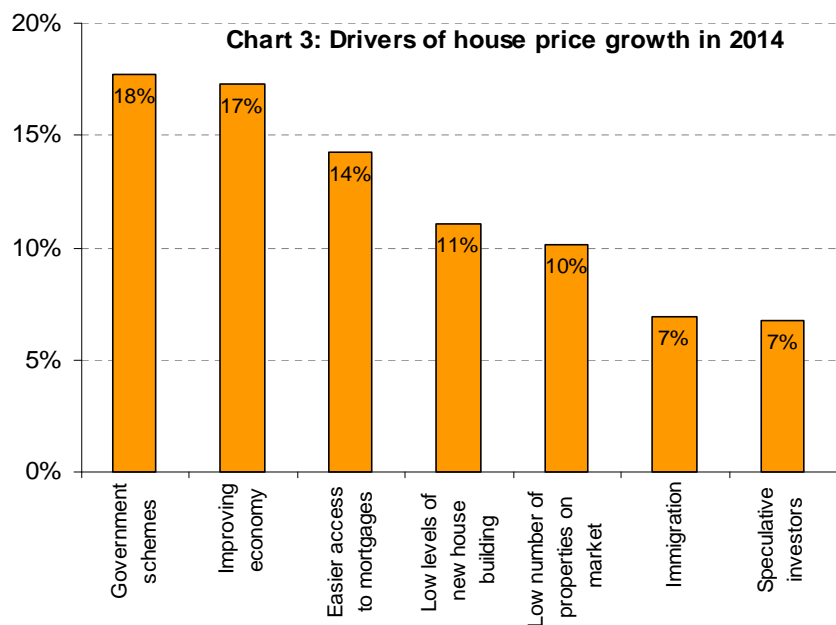
Raising a deposit remains the biggest barrier to property purchase with 60% of consumers citing this in December. Whilst this also remains the biggest barrier for those looking to buy their first home, just 44% of first-time buyers said this was a barrier in December, down from 66% in September and 63% in December last year. The Government's recently introduced Help to Buy schemes are likely to be the main cause of this decline. Since the introduction of the scheme, the BSA *Property Tracker* found that 18% of first-time buyers say they are now in a position to buy a property (or expect to be in the future) as a direct result.

**Chart 2: First-time buyer barriers to property purchase**



**The UK housing market continues to recover**

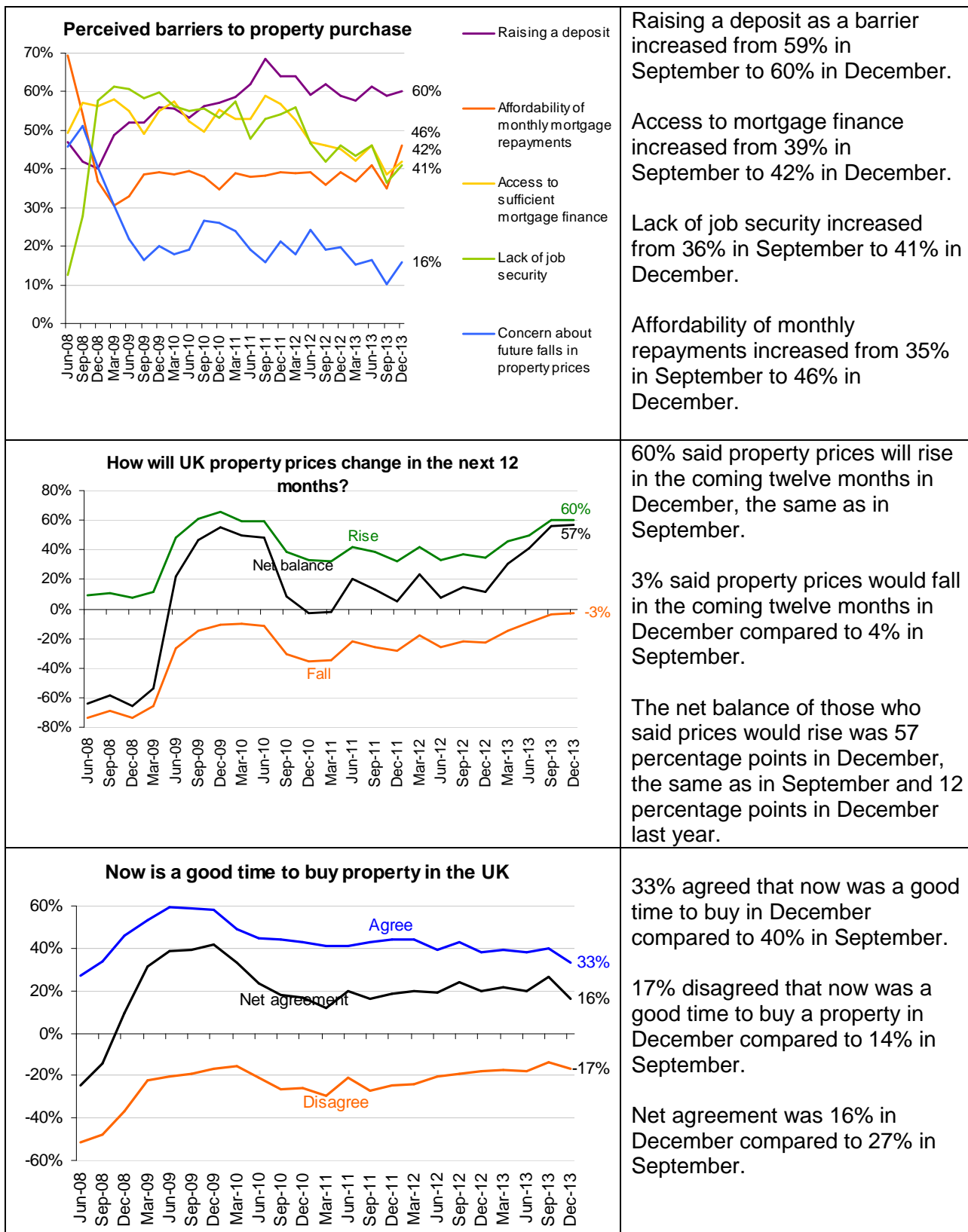
In December the BSA *Property Tracker* asked consumers if they believed house prices would rise in 2014. 60% of respondents thought house prices would rise in the coming year compared to just 34% in December 2012. The average predicted price rise for 2014 by *Property Tracker* respondents was 3.8%, which is lower than the average forecast by city analysts of 6.6%. First-time buyers were not so convinced. Just 34% thought prices would rise in the coming year with an average house price prediction of just 0.8%.



Consumers were also asked what they believed would be the biggest driver of house price growth in the coming year. Nearly one in five (18%) of those who believed house prices would rise in 2014 said Government housing schemes such as Help to Buy would be the main driver. But other fundamental drivers of house prices are also believed to be important. A further 17% believed it would be down to improving economic conditions and 14% said it would be due to easier access to mortgage finance. Consumers did not believe that there was one stand out driver of house price growth, and a number of factors were thought likely to contribute. With the number of property transactions still low compared to history, and prices lower than their peaks in many regions, rather than a bubble the housing market appears to be on its way to recovery.

The December *Property Tracker* found further evidence that activity is picking up in the housing market. In December 16% of respondents said that finding the right property was a barrier to property purchase. This is up from 9% in December last year and is the highest value registered since the *Property Tracker* survey begun in 2008. This result suggests that homebuyers are now more concerned with the practicalities of buying a property.

\*Source: Moneyfacts



Data tables can be downloaded here [www.bsa.org.uk/information/statistics/bsa-property-tracker/](http://www.bsa.org.uk/information/statistics/bsa-property-tracker/)

The *Property Tracker* survey is conducted quarterly by Canadean Consumer for the Building Societies Association. Figures prior to June 2012 are from YouGov Plc. Total sample size September 2013 was 2,000 adults. Fieldwork was undertaken between 29 November - 1 December 2013. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

The proportion agreeing 'now is a good time to buy' includes those who agree strongly and those who tend to agree, while the proportion disagreeing includes those who disagree strongly and those who tend to disagree. Excludes respondents who answered 'don't know' so percentages do not sum to one hundred

The Building Societies Association (BSA) represents mutual lenders and deposit takers in the UK including all 45 UK building societies. Mutual lenders and deposit takers have total assets of nearly £380 billion and, together with their subsidiaries, hold residential mortgages of over £250 billion, 20% of the total outstanding in the UK.