Press Release

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Lucian Cook, director of Savills residential research comments on the key residential market indicators issued this week and believes that "all point towards price falls this autumn, but not at the rate suggested by some of the bears".

The Nationwide's house price index for July shows a 0.5% fall, following yesterday's 0.1% increase in June from the Land Registry.

Clearly the indices are pretty volatile at the moment, but the fact that prices haven't shown any growth according to the Nationwide in the last three months points to a slowing market, in stark contrast to 3.8% growth in the same three month period last year.

Today's figures from the Bank of England show that mortgage approval numbers for June this year were 3.6% lower than in June 2009 (-6.9% on a seasonally adjusted basis) and that mortgage approvals in the first six months of the year were over 10% lower than in the second half of last year (-10.8% and -13.7% on a seasonally adjusted basis).

This clearly tells us that we still only have a partially functioning market. Not only have mortgage constraints not lifted, but buyer sentiment has weakened in the face of an uncertain economic outlook.

This evidence all raises the question of price falls in the second half of the year and seems to have drawn some of the house price doomsters back out of the woodwork. Our view is that house prices will fall over the next six to nine months but the extent of those falls is likely to be capped by the fact that, for those able to access the market, mortgage affordability is high.

This is backed up by the Council of Mortgage Lenders' recent calculation that home movers' mortgage payments, calculated as a percentage of income, are at their lowest for the past 35 years. Although this affordability is underpinned by historically low interest rates, our calculations suggest a significant inbuilt cushion , not just in terms of lenders' margins.

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