MoneyMarketing

The only way is up

Nicola York | 16-Apr-2009

After months of bad news the mortgage markets received some respite last month.

The Bank of England released figures showing that approvals for house purchases in February were up by 38,000 - almost a fifth higher than in January. This is the first improvement in approvals since mid-2008. Lending also rose from £1.2bn in January to £1.3bn in February.

Council of Mortgage Lenders economist Paul Samter says: "This is welcome news but we will need to see a few more months' figures before we can say with any confidence that market conditions are showing a fundamental improvement. Transactions remain historically weak and this makes it harder than usual to adjust the figures for the normal spring upturn."

Nationwide also released its house price figures for March which show a 0.9 per cent increase in house prices on last month, the first price increase recorded by this survey since October 2007.

In addition, the Royal Institution of Chartered Surveyors recently reported figures showing buyer interest in the market increased for the fourth consecutive month in February.

It reported that 20 per cent more chartered surveyors saw a rise in new buyer enquiries, up from 15 per cent in January.

But it says this demand has not yet translated into sales. In fact, transaction levels fell to its lowest figure since the survey began in 1978.

On the plus side, Mortgage Brain says the number of mortgages has increased for the first time in eight months. It says the number of options listed on its sourcing system was up by 13 per cent during March, with trackers witnessing the biggest rise of 21 per cent, followed by fixed rates and variable rates both increasing by 11 per cent. But, to put this in context, there are still 80 per cent fewer products compared with this time last year.

London & Country Mortgages head of communications David Hollingworth says he thinks sentiment is generally more positive than it has been, particularly regarding new buyer enquiries.

He says: "We must be careful not to get too excited and try to run before we can walk. We are seeing increased interest from new buyers but that is only enquiries. We need these enquiries to come through as actual transactions."

Higher loan-to-value mortgages are still difficult to get hold of, but Hollingworth says the fact that RBS has just released a 90 per cent LTV product and Abbey an 85 per cent LTV is encouraging.

"Rates are still high but lenders are showing a bit more appetite by opening up access to intermediaries. There is a bit more cheer about but we must not get too carried away as it will be a very slow recovery."

John Charcol senior technical manager Ray Boulger says he does not think these latest figures are a blip and believes they are encouraging.

He says John Charcol is seeing an increase in the number of first-time buyer enquiries filtering through.

Boulger says: "The starting point has to be that people actually want to buy and that is what we are seeing. However, you still have to pay a huge premium if you want to borrow 75 per cent or more."

He says there are some higher-LTV deals coming through because lenders have all been fishing in the 60 per cent LTV market where there are not so many customers.

CBK Colchester financial adviser Peter Wright says investor sentiment makes no difference if lenders are making it difficult to get funding approved.

He says: "There are still massive issues in terms of processing and criteria, and getting through underwriting. None of that has changed. In fact, I would say it is getting worse."

He feels that lenders are still lacking confidence and are reluctant to lend even to clients with decent credit scorings and high salaries.

Brentchase Financial Services managing director Mike Fitzgerald says: "One swallow does not make a summer. However, as more liquidity slowly comes back into the market, we are seeing more enquiries and more business.

"There are very small signs of improvement and if we get the same signs next month, then that will show things are gradually recovering."

But RICS chief economist Simon Rubinsohn says that while March brought some positive figures to the housing market, it is too early to celebrate a return to business as usual. He says: "The housing market may now be out of intensive care it is some way off a return to normality. The rise in mortgage app- rovals from the depths touched in the latter part of 2007 still leaves the level of mortgage activity way down on anything experienced in previous recessions.

"Meanwhile, despite the modest increase in prices in March there remains a general expectation that the bottom of the price cycle has yet to be reached."

Source: Money Marketing