

May 2012

## The Rightmove Consumer Confidence Survey

The UK's leading survey of consumers from the UK's leading property website

# Consumer Price Forecast

**\* UNDER EMBARGO UNTIL 00:01h ON FRIDAY, 11<sup>th</sup> MAY 2012 \***

## Home-movers deliver most upbeat price forecast for nearly two years

- House price optimism on the up as more than a third (35%) of home-movers expect house prices to be higher in 12 months' time, the highest level since the third quarter of 2010
- House price confidence is strongly influenced by the mortgage market as both 'price optimists' (who expect house prices to rise) and 'price pessimists' (who expect prices to fall) cite mortgage-related issues as being the main reason behind their views
- Suitable stock has emerged as a major issue for buyers with half of home purchasers (50%) stating this is their single biggest concern about buying
- Prices still considered 'above fair and reasonable' by just under half (46%) of home-movers

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### HOUSE PRICE OPTIMISM ON THE UP

House price optimism is at its highest for seven quarters, Rightmove's latest quarterly Consumer Confidence Survey of over 40,000 home-movers finds. More than a third of respondents (35%) expect house prices to be higher one year from now, the highest level since the third quarter of 2010. The survey also finds that the proportion of those expecting house prices to be lower in 12 months' time is also at its lowest level (20%) for seven quarters.

Miles Shipside, director at Rightmove, comments: "While the most common view remains that property prices will be about the same one year from now, this is the most upbeat price forecast Britain's home-movers have delivered in nearly two years. Confidence plays an important role in motivating those who can afford to buy to actually go ahead and transact. By self-selection, many of them are hunting in the same better-heeled locations which in turn builds greater momentum and price rise expectation in these more affluent areas. Conversely, lower levels of activity in less well-off areas spreads negative sentiment fuelling falling price confidence."

### HOUSE PRICE CONFIDENCE IS STRONGLY INFLUENCED BY MORTGAGE-RELATED FACTORS

Respondents were asked to explain the main reason for their price predictions and, interestingly, mortgage-related issues feature prominently in both the price optimist and price pessimist camps. Among price-optimists, 35% report an improving mortgage market and a further 14% identify continued low interest rates as the main reason for their view that prices will be higher 12 months from now. Mortgage-related concerns are even more prevalent amongst price pessimists with nearly two-thirds (64%) collectively citing the following reasons for their negative price outlook: little or no improvement in

mortgage availability (33%), high deposits required by lenders (16%) and fear of interest rates rising (15%).

Shipside comments: "The mortgage market continues to occupy home-movers' thoughts and there is evidence here that house price confidence is steered by their interpretation of mortgage availability. How you read it, which probably depends on whether you are 'included' or 'excluded' as mortgage-worthy by the lenders, seems to determine what you think will happen to prices. Those with larger deposits will naturally have a more positive interpretation of access to finance and, therefore, prices."

### **SUITABLE STOCK EMERGES AS THE MAJOR BUYER CONCERN**

Half of those intending to buy in the next 12 months state that finding a suitable property to buy is their single biggest concern. This has risen consistently from 36% two years ago and 44% a year ago to 50% now. Rightmove has previously reported that fresh property choice coming to market remains subdued at around 35% below 2007 pre-credit-crunch levels. The most active buyer markets tend to be those where the cash-rich wish to live, leading to suitable property shortages and rising prices.

Shipside, observes: "Those looking to buy this year say their biggest concern is finding a suitable property to buy. This is leading a big chunk of those at the sharp-end of the property market to forecast higher prices as the lack of suitable choice will encourage them to pay a bit more to secure the right home when they find it. Those who can proceed will often be competing in the same locations as other deposit-rich buyers which could lead to increased rivalry for the most appealing properties."

### **MANY BELIEVE PRICES STILL ABOVE 'FAIR AND REASONABLE' LEVELS**

One of the features of this downturn is that property prices have held up or recovered better than many anticipated. This has not aided a return to the levels of affordability seen in previous downturns, which has been one of the factors in keeping sales transaction volumes muted. Indeed, nearly half (46%) of those surveyed state they felt property prices in their local area are above fair and reasonable levels.

Shipside adds: "In spite nearly half of people stating they think property prices are top heavy in their local area, the overwhelming view is that property prices will be the same or higher in a years' time. Those that are active in the market are perhaps looking in the better areas so their view is likely to be influenced by more buoyant conditions in cash rich locations. The less active deposit-poor areas will be those where prices will have to be dropped if a seller is keen to sell."

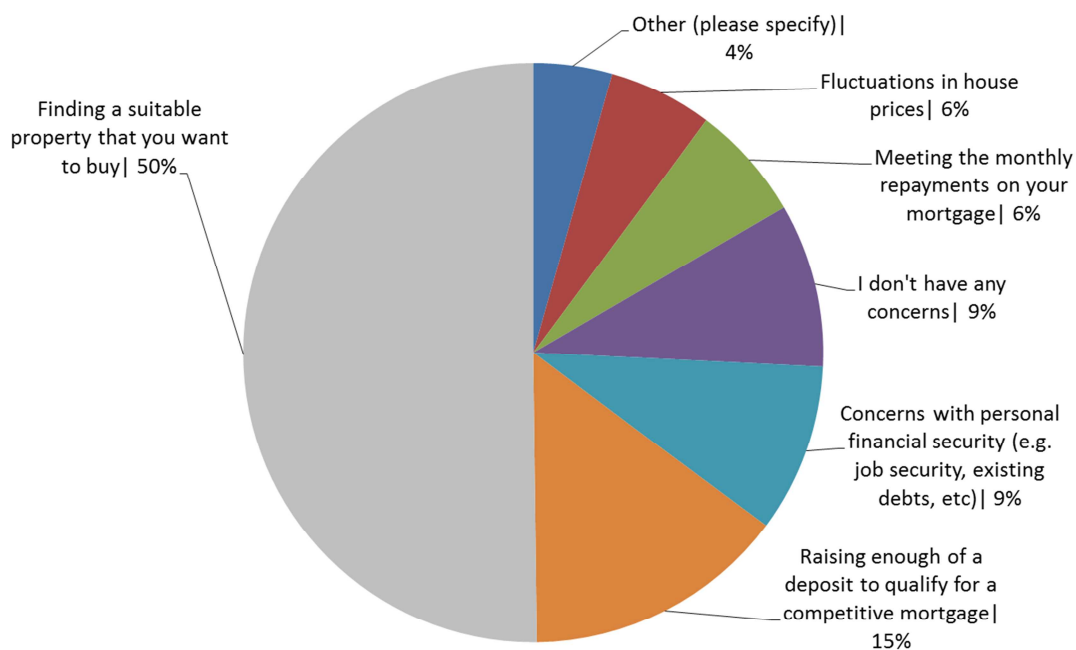
## APPENDIX 1

Q. In your opinion, where do you think average house prices will be one year from now?

		Down more than 10%	Down less than 10%	About the same as now	Up less than 10%	Up more than 10%	Don't know
2012	2	2.0%	18.4%	40.1%	32.9%	1.6%	5.1%
	1	4.1%	25.7%	40.6%	23.4%	1.7%	4.4%
2011	4	7.9%	23.3%	41.4%	18.8%	3.2%	5.4%
	3	3.2%	23.7%	41.1%	18.8%	7.4%	5.9%
	2	6.9%	18.0%	40.3%	25.0%	3.3%	6.5%
	1	8.1%	24.2%	38.0%	21.2%	3.0%	5.5%
2010	4	10.7%	21.2%	35.9%	23.1%	3.8%	5.8%
	3	7.0%	12.9%	34.0%	35.4%	5.5%	5.2%
	2	4.2%	8.0%	32.7%	44.1%	6.4%	4.6%
	1	4.3%	8.3%	30.0%	46.8%	6.7%	3.8%
2009	4	3.6%	7.4%	29.1%	48.9%	7.4%	3.7%
	3	5.7%	13.0%	33.6%	39.4%	4.5%	3.8%
	2	13.8%	21.2%	28.4%	28.3%	3.8%	4.6%
	1	36.5%	32.8%	17.7%	8.4%	1.4%	3.3%

## APPENDIX 2

Q. Which of the options below, if any, would you say represents your single biggest concern in making your purchase?



## About this survey

The data presented as part of this release is taken from the quarterly Rightmove Consumer Confidence Survey. The survey seeks the views and attitudes of home-movers towards a key British obsession – the housing market. Started in early 2009, more than 120,000 people responded to the survey in its first year alone.

All responses were completed via an online questionnaire Monday, 2nd of April and Monday, 16th of January 2012. A total of 41,421 responses were received from respondents during this time.