

House market is steady in popular areas as prices fall around them



Judith Heywood, Deputy Property Editor

Bleak forecasts for the housing market were further underlined yesterday as data from a leading mortgage lender showed that house prices were continuing to fall throughout the country.

The latest figures from Nationwide revealed that prices have declined by 0.5 per cent in December - the second consecutive monthly fall – to an average of £182,080. Prices are now growing at 4.8 per cent a year, down from 6.9 per cent a month ago. In December 2006 house-price inflation was at 10.5 per cent.

The latest research confirmed that the “flight to quality” prediction by estate agents was under way, as good-quality properties in popular locations held their value at the expense of other areas. A list of hotspots for 2007, compiled by Nationwide, showed that the best-performing towns in England were Oxford and St Albans, both up by 13 per cent. Reading and Bristol rose by 12 per cent.

But some Northern cities, where a glut of apartment schemes have been built on industrial land, are underperforming. Prices have fallen in Newcastle by 3 per cent and Sheffield and Birmingham by 1 per cent.

Fionnuala Earley, the chief economist at Nationwide, said that prices looked like they had farther to fall.

Agents and owners, who are bemoaning the disappearance of buyers, had been hoping for a repeat of 2005 when prices languished for several months, prompting fears of a slump, but rallied from August 2005.

But Ms Earley said: “It seems unlikely that there will be a big recovery in activity and prices mirroring the 2005 experience. This time around lower interest rates are more likely to stabilise market activity rather than reignite it.”

Nationwide gave warning that the first cut in official interest rates in two years, which came earlier this month and reduced the base rate by a quarter point to 5.5 per cent, was unlikely to be enough to

lure out nervous buyers. It expects the Bank of England to cut rates by a further half percentage point, or more, next year.

Ms Earley said that even this might be insufficient. The full implications of the US sub-prime problems, which curtailed the availability of credit in Britain, may yet be felt, she added.

Nationwide predicted at the end of last year that house prices would grow by 5 to 8 per cent in 2007. Ms Earley said that “most indicators now show that demand is responding to the pressures of weak affordability, past increases in interest rates and the lower house price expectations that we had expected to take hold earlier in the year”.

Higher-risk borrowers are finding it more difficult and more expensive to secure mortgages, with lenders reluctant to help those with a poor credit rating or with a small deposit. But rising house prices have made decent deposits more difficult to achieve. The Nationwide data shows that, even as the market slows, the average house price costs £8,334 more than 12 months ago.

Last week the rival lender Halifax revealed that the number of first-time buyers was at its lowest level since 1980. But Nationwide believes that the situation may ease later in 2008.

Nationwide has predicted that house prices will be flat next year across Britain - including in the Midlands and East Anglia. It expects prices to fall by 2 per cent in the North and 1 per cent in Yorkshire and the Humber, Wales and the South West. But it predicts that prices will rise by 1 per cent in Greater London and the South East next year.

The lender expects Scotland to be the great out performer next year, with prices tipped to rise by 4 per cent. Although prices have risen as much as 25 per cent in a year in Aberdeen, the region remains among the most affordable in Britain. Yet, Northern Ireland, where prices have risen by 32 per cent in the past year in Belfast, is tipped to fall by 5 per cent next year.

Best earners in 2007

UK towns with highest house price growth

Town	Average price	% rise
Montrose, Angus	£172,156	39%
Winchester, Hampshire	£399,765	38%
Billericay, Essex	£363,265	35%
Peterhead, Aberdeenshire	£156,875	33%
Stourbridge, West Midlands	£264,130	31%
Ryde, Hampshire	£212,564	30%
Henley-on-Thames, Oxfordshire	£642,672	29%
Inverurie, Aberdeenshire	£231,623	29%
Greenock, Inverclyde	£140,512	29%
Southwark, London	£367,306	26%

Movers and shakers 2007

Towns and cities with big price rises*

	% rise	Price in Q4	Daily increase
Belfast	32%	£306,698	£201
Aberdeen	25%	£234,041	£130
London	16%	£329,007	£125
Oxford	13%	£339,404	£110
St Albans	13%	£347,563	£112
Reading	12%	£256,439	£78
Bristol	12%	£240,850	£69
Brighton	11%	£307,606	£81
Edinburgh	10%	£257,288	£67

*Source: Nationwide survey of 30 towns

Where to buy in 2008

Towns expected to have biggest price rises

Town	Average price	Current % difference to regional average
Lochgelly, Fife	£118,838	-31%
Paisley, Renfrewshire	£140,338	-19%
Greenock, Inverclyde	£140,512	-19%
Aberdeen	£202,755	17%
Hackney, London	£361,179	-2%
Chatham, Kent	£195,211	-31%
Dartford, Kent	£217,279	-24%
Liverpool	£155,353	-11%
Newport, Monmouthshire	£146,467	-11%

Average prices over ten years

