

UNDER EMBARGO UNTIL 00:01 HRS TUESDAY 16TH AUGUST 2011

MORTGAGE APPROVALS STUMBLE IN JULY AS LENDERS RETREAT FROM MARKET

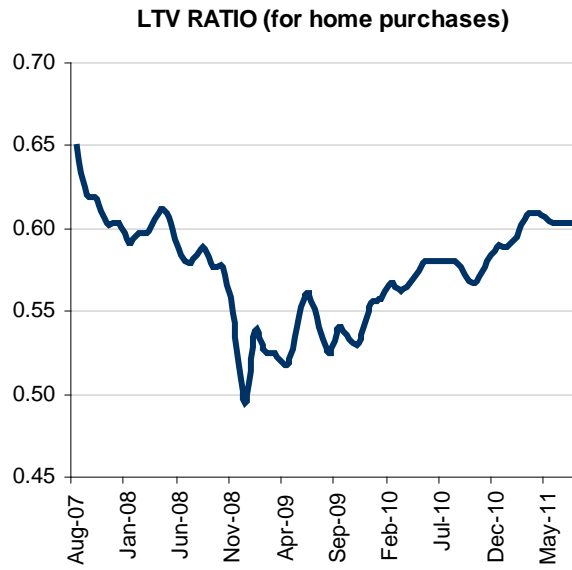
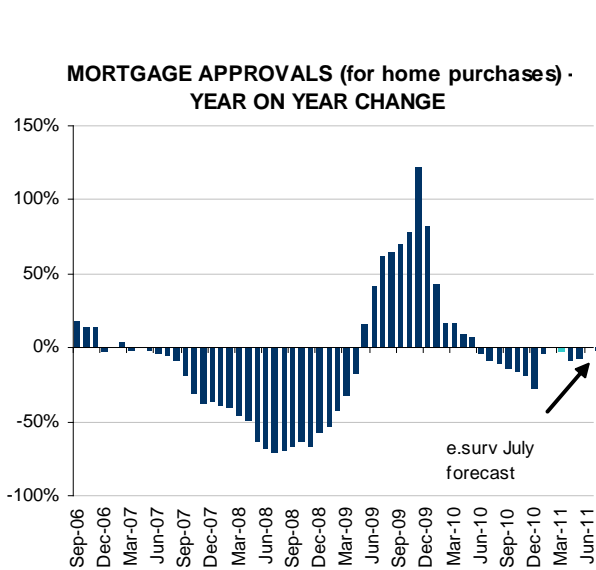
- Purchase approvals fall 2.5% in July as lenders pull back in Q3
- LTVs at their lowest for six months as high LTV lending declines after recent boost
- Lower income buyers hit as lending conditions tighten at bottom of market
- Approvals fall sharpest in London after red hot June

Purchase approvals dropped 2.5% in July, down from 48,421 in June to a seasonally adjusted 47,228, as lenders retreated from the market to nurse balance sheets after a concerted push to meet mid-year lending targets. Approvals fell on all price brackets below £750,000, with lower income buyers in particular struggling to secure mortgage finance against a backdrop of tighter lending conditions.

This was reflected in LTVs, which fell to a sixth-month low. Despite more high LTV products entering the market this summer, high LTV lending declined because tight qualifying criteria excluded too many borrowers. Purchase approvals with an LTV over 85% were the lowest since February, accounting for only 8.5% of all approvals in July, down from 9.4% in June. By way of comparison, in August 2008 this figure was 22.2%. The average LTV fell to 60.3%, again the lowest since February.

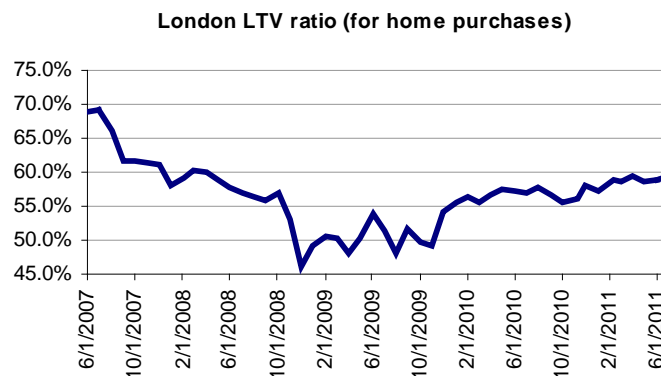
Lower income buyers were the hardest hit. Despite more high LTV products entering the market, lending criteria tightened most at the lowest end of the property ladder. Approvals on homes below £250,000 fell to their lowest level this year. Approvals on typical first-timer property (under £125,000) accounted for just 23% of all approvals in July, well below the highs of 30% seen in August 2008. LTVs fell fastest in the cheapest price brackets. LTVs on typical first timer property were at the lowest for six months (67%), meaning low income buyers required larger deposits to qualify for mortgage finance. Before the economic downturn in 2008, the average LTV for first-timer property was 76%.

Purchase approvals increased marginally in the highest price brackets, because wealthier buyers have better access to mortgage finance. As a result, these wealthier buyers continue to represent a disproportionate share of the market.



The regional breakdown told a tale of an unusually poor month for London. Month-on-month purchase approvals fell across the board, apart from in Cumbria and the North East where they rose 3% (non-seasonally adjusted). London saw the greatest fall (13%), although this did come after a particularly strong June when purchase approvals rose by 12%. The other regions which saw the biggest falls in approvals were the South and South Wales (10%) and the East (4%).

The decline in London activity included a fall in the number of lower income buyers. Although first-timer numbers remained static nationally, approvals for properties up to £250,000 – typical first-timer property in the capital – accounted for only 40% of all approvals in July, down from 43% in June, highlighting the ongoing struggles of lower income buyers in the capital city. This is reflected in the average LTV in London, which was 59.5%, below the national average of 60.3%, due largely to the pool of wealthier buyers in the capital who have greater equity.



Richard Sexton, business development director of e.surv said: "Weak growth has handcuffed banks and given them almost no margin to increase mortgage lending. Given the economic backdrop, the uptick in lending seen in June seems to have been a flash in the pan. We expect lenders will now focus on consolidating balance sheets

and recouping equity in the third quarter. They only upped the ante of their lending in a bid to meet mid-year targets, so the next few months should see a return to a more subdued trend.

“For those who can access mortgage finance, the good news is that fixed rate deals seem certain to remain particularly cheap, meaning now is a good time to lock in low repayments. The UK resembles an island of calm amid the international economic turmoil, which great news for borrowers as it means repayment rates will remain low for the foreseeable future.”

- Ends -

Notes to Editors

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About e.surv

e.surv are Chartered Surveyors, directly employing over 350 chartered surveyors and a similar number of consultants. The business is the largest distributor and manager of valuation instructions in the UK and is appointed as Panel Manager for more than 25 mortgage lenders and other entities with interests in Residential Property. The business also provides a number of Private Survey products direct to the Homebuying public.

e.surv is owned by LSL Property Services plc. For further information, see www.lslps.co.uk

Methodology

e.surv analysed detailed data on over one million mortgage valuations the firm carried out between August 2006 and today. Each month, the researchers analyse tens of thousands of valuations and use these trends to extrapolate from the Bank of England's mortgage data to publish mortgage approval numbers weeks before the BBA, CML and Bank of England. The typical margin of error on a monthly basis is 1% compared to the Bank of England final approvals data.