

UNDER EMBARGO UNTIL 00:01 HRS FRIDAY 15<sup>TH</sup> JULY 2011

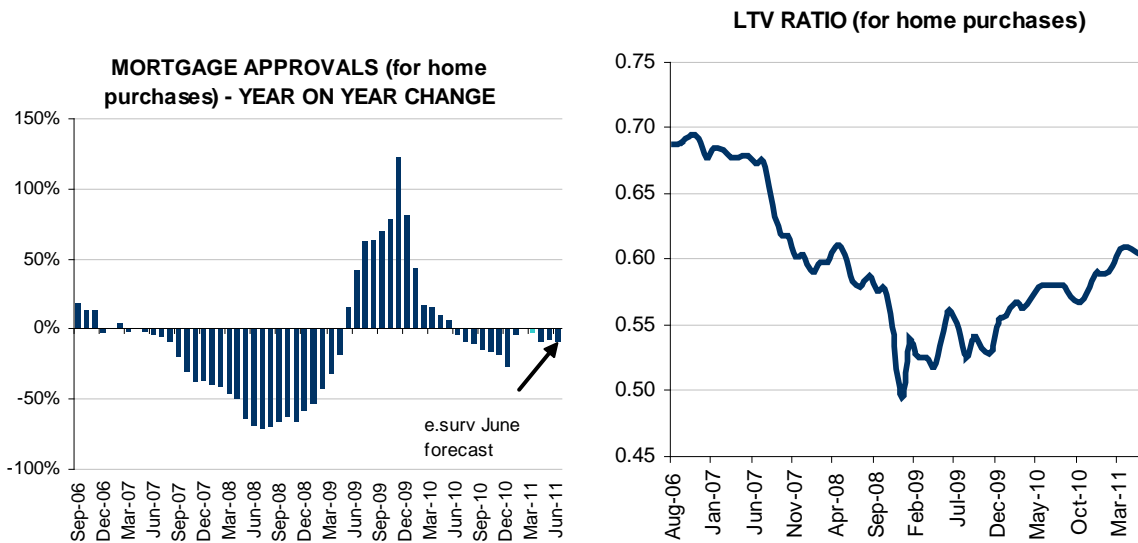
### MORTGAGE APPROVALS SURGE IN JUNE AS LENDERS RUSH TO MEET MID-YEAR TARGETS

- Approvals up 6.7% in June as lenders increase activity to meet half-year targets
- Lending criteria remains tight at the bottom of the market
- First timers suffer as June becomes worst month in 2011 for approvals on cheapest property
- London sees greatest increase in activity. Approvals up 12.3% in June

Purchase approvals rose 6.7% in June, in part as lenders increased activity to meet planned half-year lending targets. Approvals on all property over £125,000 increased as those buying property over £125,000, typically on higher incomes, were able to secure mortgages. Approvals rose fastest in London, which saw a 12.3% increase, reinforcing the capital's increasing disconnect from the rest of the UK market.

Purchase approvals with LTVs over 85% rose in June to 9.4%, up from 8.3% thanks to the wider availability of high LTV products (for comparison, this is still well down on 2008 when approvals with LTVs over 85% accounted for 20.2% of all approvals). Overall lending conditions remained static, with the average LTV steady at 60.4%, as a consequence of an increase in lower LTV lending to wealthier buyers, which offset the very slight increase in the uptake of high LTV products.

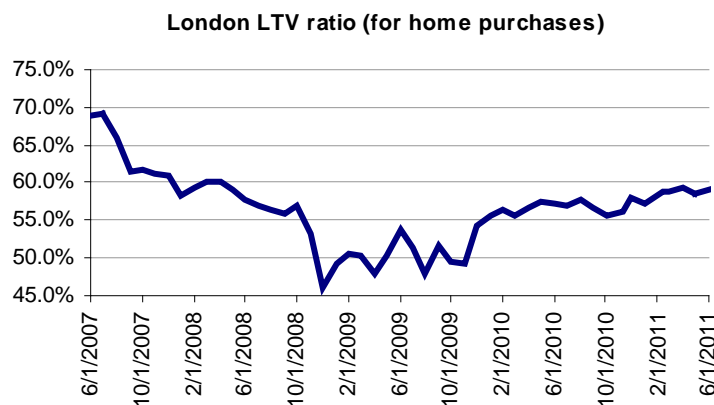
The restrictive criteria on these new high LTV products meant few low-income buyers were able to qualify, and this was reflected in continued subdued activity at the bottom of the market. Fewer first time buyers got onto the ladder in June as approvals for homes under £125,000 – typical first time buyer property - accounted for only 22% of total approvals in June, down from 23% in May, and the lowest level since November 2010. This contrasts to early 2008 when purchases of the cheapest property accounted for 30% of all approvals. Purchase approvals increased in the higher price brackets, with wealthier buyers more easily able to meet tight lending criteria. Seasonally adjusted approvals fell by 3.6% in June.



On a regional basis, the South saw a greater increase in purchase approvals than the North. Approvals for house purchase in London increased 12.3% in June, and 6.9% in the South-East. By contrast, activity in the North was slower, particularly in Scotland where purchase approvals fell 1.4%, while activity was also relatively subdued in Cumbria and the North-East, where approvals increased by only 2.8%.

The upsurge in London activity included an increase in the number of first time buyers. Although first-timer numbers fell nationally, approvals for properties up to £250,000 – typical first-timer property in the capital – accounted for 43% of all approvals in June, up from 40% in May. However, this is still well below the figure for June 2009, when 50% of all approvals were for typical first-timer property.

Overall first time buyer numbers in London remain relatively low. This is reflected in the average LTV, which is well below the national average. The average LTV in London since June 2008 is 56.1% - the lowest of any region in England and Wales. By contrast, in May 2007, at the height of the boom, LTVs in London were 68.5%, just above the national average of 67.9%. This also reflects the larger pool of wealthier buyers who don't require mortgage finance. As a result they continue to represent a disproportionate share of the market in the capital.



Richard Sexton, business development director of e.surv said: *“There has been a great deal of recent chatter about 95% LTV products hitting the market, but if you delve beyond the headline loan-to-value ratio it is clear criteria remain too restrictive for the majority of lower income buyers. With average rents now at £696 according to LSL, buying is undoubtedly the cheaper long term option, so there is greater incentive than ever for potential buyers to roll up their sleeves and piece together a deposit if they can.”*

*“Lenders are stuck between the devil and the deep blue sea. On the one hand, they are bound by tighter regulatory standards and a commitment to improve their capital, while on the other they are being put under political pressure to offer more appropriate mortgage products to match the financial situations of consumers. They cannot do both - these contrasting pressures are entirely incompatible bedfellows. Lenders still have to deal with significant risks to their balance sheets so, after a concerted effort to meet lending targets for the first half of the year, the next few months could see a return to a lower level of activity as they ration funds cautiously in the third quarter.”*

- 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](http://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.