



## House Price Gloom.

The number of new mortgage approvals for house purchase has fallen to a record low, according to the Bank of England. Last week, statistics from the British Bankers Association (BBA) revealed mortgage approvals by banks had fallen 20% during May to less than 30,000.

The Bank of England's figures, which include lending by all types of lenders, have fallen to just 42,000 loans for house purchase in May, down 28% since April. The number of approvals has fallen by 64% since May 2008 as lenders have become increasingly nervous of mortgage customers.

The number of loans for remortgaging purposes fell 10% to 90,000. The figures are the lowest since the Bank of England began recording mortgage approvals in 1993.

Three quarters of people now believe that house prices will fall over the next twelve months, according to the Building Societies Association's (BSA)

Half of all respondents to the survey also believe now is a bad time to buy property in the UK, 74% of people believe prices will fall over the next year, with the average respondent forecasting a fall of 7.1%.

Property prices have already fallen by between 6% and 7% since the beginning of 2008, and nationwide figures, due for release this week, are likely to confirm the situation is worsening.

It is clear that the positive outlook that has characterised the property market for the last few years is now a thing of the past, and people expect prices to fall over the next year.

However, this must be kept in perspective. Property price inflation has been so great over recent years that a 7.1% fall in prices means that most people still have considerable equity in their property.

The survey's finding that monthly mortgage payments are currently seen as the main barrier to house purchase demonstrates the extent to which household finances are being stretched, as well as a reflection of the increased price of risk now incorporated into mortgage rates.

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