

HIP R.I.P.

Martyn Stubbs of Phillips & Stubbs comments on the autumn market

It has been a tough few months for many of the larger corporate estate agency chains and for some major house-builders. The double whammy of an unexpected quarter point on interest rates and the government U-turn on HIPs has not gone down well with shareholders.

Some form of HIPs may yet be brought into force – at present the government are continuing to make compulsory the energy efficiency report which has become a European directive but, in the main, the proposed legislation has been watered down to a level which makes it largely irrelevant.

Some of the larger estate agency chains banked on undiluted HIPs legislation - and lost. Far from proving a money spinner the proposed legislation unravelled in a spectacular fashion to leave a trail of broken dreams, frustration and financial loss.

No such complaints, however, from the independent estate agency sector who are rather more interested in clients than shareholders. No home condition reports and no large extra expense for homeowners can only be good things.

As it is, the cost of moving home is significant and has increased greatly over the past six years. According to a recent Woolwich report the cost of moving from a three bedroomed semi-detached house (national average £174,744) to a detached house (national average £293,248) has risen from £4,535 in 2000 to £12,535 today. This is an increase of 176% compared to 70% in the growth of house prices over the same period.

The considerable price of a home information pack would have greatly increased the cost of moving home at a time when house owners are already seeing substantial diminution of their disposable income through higher household bills and added taxes.

Had HIPs, in its intended form, come into force, there is little doubt that home-owners would have tended to stay put and spent on improvements to their existing property rather than trade up. The market would then have stalled.

The early evidence is that this will now not happen, despite the latest interest rate hike which will certainly put an extra squeeze on any badly indebted households. If unemployment rises this clearly would be a major concern but the feedback from our associated offices across the length and breadth of the country is that there has been no let up in activity – perhaps a slight lull during the World Cup and while July temperatures reached the 90s – and no shortage of buyers and sellers.

So our rare period of balanced market continues and looks set to continue into the late summer and autumn period. Barring the unforeseen this should be a stable environment in which to enter the housing market.

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