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## Optimism rising

When it comes to the fortunes of the economy, confidence is an oft-used word. Talk of low levels of this sentiment among businesses or consumers spells trouble for the economy, since this deters investment and spending.

The same may be said of the property market. If there is a positive expectation of things getting better, then investors will be more likely to part with their money in anticipation of success.

For this reason, any positive signs are bound to be welcomed as a likely precursor to a market recovery. After all, nothing is more likely to boost a market more than increased investment and demand, both of which are the result of improved confidence. Such a factor may have been evident recently in figures showing an increase in house buyer enquiries, since when this has begun translating into increased sales, with Bank of England figures out yesterday showing a 19 per cent increase in mortgage lending between January and February, the first such rise since the middle of last year.

But if sentiment is recognised as a self-fulfilling economic indicator, good news is clearly important. For this reason, it may be heartening to see the results of a survey in the buy-to-let sector in the first quarter of 2009 showing a rise in positive thinking.

The Young Group of property portfolio managers noted a change for the better between the first three months of 2009 and the final quarter of 2008 when it came to the views of investors. Concerning prices, 49 per cent said these will rise in London during the next 12 months, up from 36 per cent in the previous poll. Those anticipating a turnaround in prices elsewhere in the UK increased from ten per cent to 24 per cent over the same period.

Such optimism has led to increased buyer intentions. 40 per cent said they plan to make purchases in the capital over the next year, up from 33 per cent, while the number for the remainder of the country more than doubled to 24 per cent.

This optimism about rising prices needs to be based on a belief that things will get better, not on the immediate and recent state of affairs. For instance, the latest house price figures have shown no indication of a recovery in prices. Far from indicating rising values, the Land Registry figures for February showed the London average to have dropped below £300,000. Instead, a sunny outlook requires the belief that lenders will soon start to recover, the market will reach its bottom and that measures such as government stimulus packages and interest rate cuts will have an effect over time.

If the positive buyer sentiment is indeed translated into more investment, it could just be that the market is reignited. Should this be accompanied by a loosening of credit conditions, an easing of wider economic circumstances and a growing sense that the worst has passed, a real recovery could follow.