Property Prices ‘Decrease For First Time in 2007'

House prices have fallen for the first time this year, new figures show.

October 7, 2007 (FPRC) -- In research released by Halifax, the typical value of a property decreased by some 0.6 per cent over the course of September, which in turn has seen the annual rate of growth fall to 10.7 per cent for the month - down from the 11.4 per cent recorded during August. As a result, the third quarter of 2007 has witnessed property growth of some 0.9 per cent. This compares to increases of three and 2.3 per cent recorded in the first and second quarters respectively. According to the financial services firm, the average home now costs £198,500. With such a fall in prices noted, the news could be welcomed by first-time buyers concerned about their ability to make loan repayments upon entering the property sector.

Commenting on the figures, Martin Ellis, chief economist for the financial services firm, said: "September’s price fall is consistent with the normal behaviour of the market during a slowdown. A mixed pattern of monthly price rises and falls is a typical feature of a more subdued housing market. The UK economy is in a strong position. Sound market fundamentals, including high levels of employment and a shortage in the number of properties available for sale, will continue to support house prices."

Despite the fall in September house prices, homes in most regions across the country were shown to have risen in value over the course of the third quarter of 2007, with the largest increases noted in the Greater London region and the south-east at 2.3 and 1.8 per cent respectively. On the other hand, Northern Ireland saw a decrease of 3.2 per cent during the same three-month period. However, the region witnessed a year-on-year house prices increase of 47 per cent in the second quarter of this year.

Research from the firm showed that over the last 12 months the number of people in employment has surged by some 132,000 to stand at a record of 29.07 million. Meanwhile, the three-month period leading up until July saw those in work increase by 84,000, compared to the previous three months. Halifax claimed that this, in addition to shortages in new housebuilding and second-hand homes, is set to continue to drive property prices. And with the firm revealing that house prices have "risen strongly" over the last two years, new borrowers have been provided with an "equity cushion", which could prove useful should they want to use their equity to take out a secured loan on their home in the future.

Meanwhile, it was suggested that many homeowners could be set for a rise in financial difficulties within the next few months. As they come off their fixed-rate deals they could witness a rise in mortgage repayments, which in turn could affect their ability to service other demands on their spending, such as utility bills and loans.

The news comes as recent findings by the National Centre for Social Research and the International Longevity Centre show that young homeowners are accruing increasing levels of debt. In 1995, those aged 25 to 34 had a typical mortgage debt of about £50,000, however this has nearly doubled in the following ten years to stand at £94,000 in 2005, which could impact on money management in other areas such as loans and utility bills. Such consumers are also shown to have an average personal debt of £4,600 owed on credit cards, secured personal loans and other forms of borrowing.

As a result, taking out a low-rate loan as a means of consolidation may be an effective way of paying off existing debts quickly.

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