

# Improved affordability sparks positive market mood.

There continues to be a marked change of mood on the housing front particularly for first-time-buyers, with house prices now considerably more affordable than they have been in recent years.

The latest Halifax First-time-Buyer Affordability Review reported that house prices compared to earnings (which is a key measure of affordability) has fallen to its lowest level in six years. At their peak in July 2007 the average house price to earnings ratio was 5.84 but this figure is now estimated at just 4.34. This is a significant sign that the market is stabilising as house prices are clearly edging their way back towards the long-term borrowing average of 4 x buyers income.



Another key affordability measure is the proportion of disposable earnings committed to mortgage payments which has also reduced significantly due to record low interest rates and the decline in house prices. Mortgage payments relative to earnings are now at an average of 31% - well below the long-term twenty five year average of 37%.

Plus for homebuyers with large deposits mortgage costs are at their lowest since 2004, as reported by the latest data from the Council of Mortgage Lenders. And if you are in the market to remortgage, you will be likely to benefit from the continuing low interest rates which have also hit a five-year low.

While there is no doubt that tightened lending criteria and the reduction of mortgages at high loan to value ratios available has led to stifled movement in the market over recent months, this too seems to be changing. Estate agents have been reporting increased interest from both first-time-buyers and movers since the beginning of the year with this interest now beginning to translate into sales. Over recent weeks we are certainly beginning to see an increase in mortgages of up to 80% and 85% loan to value and there are some competitive deals to be had which The Mortgage Store have access to, speak to us today to find out more.

So with first-time-buyers looking to enter the market and the conditions for them doing so being increasingly favorable and canny investors snapping up some bargains there is more blue sky ahead!

