

11 August 2010

PPR Q3 'DISTRESS INDEX' CONFIRMS HOUSING MARKET MOOD SWING

Property Portfolio Rescue (PPR), the UK-based residential property landlord, has today published the results of its quarterly Distress Index. The Distress Index uses data on the latest PPR enquiries from distressed sellers to forecast future mortgage possessions, company liquidations and UK unemployment.

Key findings for Q3 2010 (full table and methodology below)

- PPR reveal record distressed seller enquiries for Q2 2010 (12% higher than Q2 2009) as buyers lose confidence in the market and the mortgage famine worsens.
- New possessions per quarter are forecast to remain close to double pre-credit crunch levels at around 12,000 per quarter for the remainder of 2010.
- Total company liquidations are projected to rise again in next three quarters as business confidence dwindles and Government austerity measures hit home.
- Unemployment projected to increase again through the remainder of 2010, as public sector cuts hit home.

PPR saw record enquiries from distressed homeowners, landlords and businesses looking to sell their property in Q.2 2010. The latest data confirms a clear trend of sellers losing buyers, having to drop prices and struggling with debt. Without the record low interest rates, many more property owners would be imminently facing repossession. For many it seems only a matter of time as loan costs can only go up from here.

While new repossession levels were falling from their Q1 2009 high, PPR now forecast repossessions to rise again later this year as the overall economy weakens and inflation continues to drive up the cost of living for hard pressed homeowners. PPR anticipate a total of over 45,000 possessions in 2010 and many more if interest rates increase.

Nick Hopkinson, Director of Property Portfolio Rescue, said:

“The latest Distress Index data highlights a significant shift in market sentiment and is a lead indicator of the mood swing away from positivity within the overall housing market. Our seller enquiries have dramatically increased year-on-year which directly correlates to buyers losing confidence in the market and their own future financial security following the Election result, the inevitable cuts and tax

rises to come and the 'austerity Britain' we are all now getting accustomed to. The mortgage famine is getting worse; homebuyers need a perfect credit rating, huge deposits and are already being charged more than ever for loans as the lending banks struggle to repair their balance sheets.

"Ironically, the number of properties for sale has increased at exactly the same time. The removal of HIPs and the increasing number of sellers trying to catch the growing market of earlier this year has contributed to the current 'tipping point' where prices will inevitably fall over for the remainder of the year.

"While 'official repossessions' have remained lower than many experts previously predicted this is mainly due to interest rates remaining low and political pressure on the banks to show forbearance. Our increased distressed seller enquiries clearly highlight the growing number of struggling homeowners who see no way out of their financial problems without a fast sale. Both company liquidations and unemployment are likely to increase significantly throughout the rest of 2010 which will feed into further borrower difficulty and a growing number of possessions. Government spending cuts have only just begun and the public sector will see significant job losses in the near future.

"It is also unsustainable for Bank of England Base Rate to stay at 0.5% for much longer than six to nine months more given that real inflation is going up by at least 5%, way beyond the Bank's 2% target. Eventually, interest rate increases will have to be used to bring inflation down and it is at this point that those borrowers who have only managed to pay their mortgage because rates are historically low will begin to experience severe payment difficulty."

Detailed Analysis

Date	PPR Enquiries ¹	New possessions in quarter ²	Total Company Liquidations ³	Unemployment (1,000s) ⁴
Q2: 2007	1,458	6,476	3,191	1,621
Q3: 2007	1,493	6,838	3,113	1,731
Q4: 2007	1,835	8,135	2,929	1,563
Q1: 2008	1,949	9,174	3,262	1,610
Q2: 2008	2,402	11,074	3,689	1,643
Q3: 2008	2,455	13,469	4,059	1,922
Q4: 2008	2,599	13,235	4,525	1,956
Q1: 2009	2,527	14,838	5,110	2,219
Q2: 2009	2,816	13,602	5,059	2,405
Q3: 2009	2,960	13,842	4,536	2,552
Q4: 2009	3,032	11,736	4,372	2,397
Q1: 2010	3,025	10,452	4,196	2,472
Q2: 2010	3,176	11,389	4,179	2,460
Q3: 2010	3,210	12,043	4,208	2,520
Q4: 2010	3,150	12,107	4,256	2,645
Q1: 2011	3,197	13,045	4,481	2,728

* Actual

*Forecast based on actual PPR enquiry index

*Forecast based on last quarter's trend

Notes on Distress Index

Property Portfolio Rescue's Distress Index has been compiled using data from PPR enquiry levels between 2007 and 2010, currently running at a rate of over 3,000 per quarter. PPR enquiries are an accurate, lead indicator of property repossessions one quarter on, company liquidations two quarters on and unemployment three quarters on.

¹**PPR enquiries** are based on the total number of individuals and companies per quarter contacting PPR in order to sell property or portfolio of properties quickly.

²**Possession** and arrears figures are taken from the FSA and are based on new possessions per quarter, as reported in latest statistics on mortgage lending:

http://www.fsa.gov.uk/pages/Doing/Regulated>Returns/IRR/pdf/mlar1_stats_jun10.xls

³**Total Company Liquidations** are based on quarterly figures produced by The Insolvency Service, published on its website:

<http://www.insolvency.gov.uk/otherinformation/statistics/historicdata/CompanyLiquidations.xls>

⁴**Unemployment** figures are taken from the National Statistics Labour Market Statistics latest quarterly data (non-seasonally adjusted): <http://www.statistics.gov.uk>

For full information on Property Portfolio Rescue please visit:
www.propertyportfoliorescue.com