

E-news Content for November 2007 Edition:

Sable Property is the in-house Mortgage broking and Property Investment business for Sable Private Wealth Management. Mike Abbott gives us a quick run down on the latest mortgage and property developments in the UK, Australia and South Africa:

UK Focus: The Mortgage Market Turmoil (continued):

In the post Northern Rock debacle era we are faced with a complex set of factors making decisions around property tough to make. With this level of uncertainty surrounding such a large investment decision it's understandable that a large portion of 'would-be' buyers are finding it hard to make the jump. It's clear the property market is much softer than it has been for a very long time but with credit conditions being much tighter it's the cash rich or the serious investor who can make use of this environment. Our view is this is an opportunity to get your price if you are buying a main residence to live in (i.e. you have a 3 yr or longer time horizon) or if you are an investor looking to snap up the low-hanging fruit. The buy to let market is looking good as prices soften to improve yields; immigration levels keep rising and potential improvements in the capital gains tax regime beckon. The buyers who we think are justified in being cautious are those first time buyers looking for high loan to values (100% and above) and who are uncertain of their time horizon. In that case it might be better to sit tight and wait till the dust settles.

On the funding side it's been interesting to see some of the strong balance sheet lenders like Woolwich, Nationwide and to a lesser extent C&G become very competitive. The constraints around funding in the capital and securitization markets are very evident in the product pricing at the moment. It's also resulted in the Building Society market now being able to compete with the big players on pricing. If the Building Society market could open their criteria to the migratory professional market they could really make use of this opportunity.

South Africa Focus:

The South African property market remains a tough one to call. Like the UK market this market seems to be at a cross roads. That said the downside risk is higher as political uncertainty colours the picture. Recent increases in interest rates (Prime now sitting at 14%) mean the market is possible flirting with a tipping point in overall debt affordability. The Reserve Bank has highlighted that household as a share of disposable income hit 76.5% in Q2 this year. Until now the re-finance market in South Africa has been virtually non-existent. We think this climate will create the right incentives for an aggressive price war between the banks. As long as one of the 'non big 4' is willing to make that first step consumers could be set to benefit.

Australia Focus:

The Australian market is a new focal point at Sable Property as we expand our offering toward whole of market. The Australian property market is benefiting from strong economic fundamentals but these fundamentals are not shared equally across regions. As Australia emerges from a decade of strong growth followed by one year of modest growth (2006); the outlook again looks very positive. 2007 has seen the economy bounce back as it's driven in particular by strong global demand and a commodity boom. However with this growth being very uneven across states the property markets are localised and detached from average countrywide trends. Tight margins in the building sector will cause supply to fall even further behind a lagging housing supply pushing prices up further. With the reserve bank poised to address inflationary fundamentals this market remains one to watch and we feel the decisive investor will be rewarded for venturing in early.

If you have any mortgage enquiries please contact a member of our team at mortgages@sablewealth.com or 0845 373 6865.