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HOUSING MARKET EFFICIENCY IN CRISIS

The LMS Market Efficiency Monitor for Q2 '07 shows that the housing market remains in a crisis of inefficiency.

The average number of days between notification of sale and exchange of contracts in Q2 '07 was 53 days. Although this is slightly down on the record-breaking peaks of earlier this year (inefficiency was at an average of 57 days), it still represents a considerable length of time, increasing the chances that a transaction could fall through. (See Graph 1). During 2005 and 2006, the average of number of days between notification of sale and exchange was 47 which is already 17% lower than for 2007 to date.

The same data also reveals cancellations to be on the rise with well over one in ten instructions being cancelled. This represents a 4% increase since January 2007 and, if this trend continues, we will be witnessing a massive 20% cancellation rate by the end of the year. (See Graph 2).

Dominic Toller, Director of Marketing & New Business, LMS, commenting on this latest research, said:

"Any improvement over the inefficient months of earlier this year is worth holding on to, but we are confident that this is because of a dip in the volume of transactions and not an indication of overall efficiency savings. As we have said before, what appears to be the case is that a buoyant market in terms of numbers invariably means a slow market in terms of efficiency. This slight improvement is symptomatic of this."

Toller goes on to say:

"This August there is a good opportunity for the nation's home buyers and sellers to begin to save time and money with the launch of HIPs for four bedroom and above properties. LMS believes that although the benefits of HIPs will be wide-ranging, they won't be instantaneous; they will take some months to bed in. Notwithstanding, as HIPs are rolled out across three bedroom properties and then two beds and below, the comprehensive information provided at the beginning of the process should go a long way to improving efficiency and reducing cancellations."