



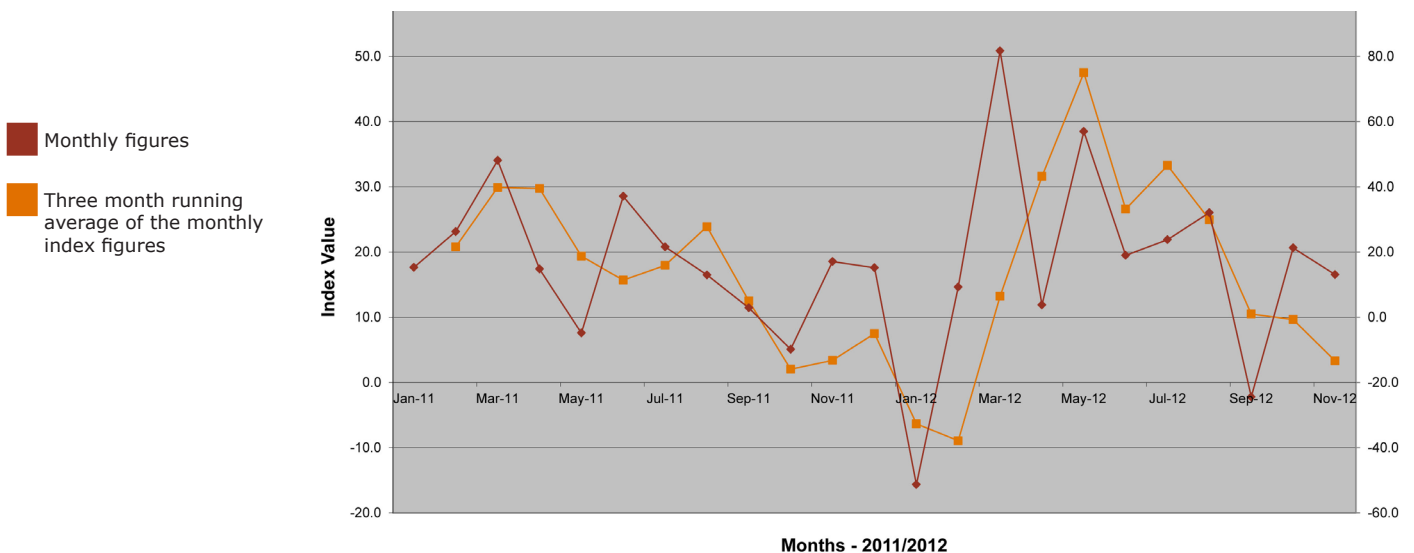
The Developer Recovery Index (DRI): 2013 start of year review

Property Development

The principal dynamics which have been affecting the residential property development market for the past couple of years are job security, availability of mortgages and a concern over house prices.

The Developer Recovery Index (DRI) over the past two years has shown how volatile the market has been from month to month. Behind that volatility, the 3 month rolling index has shown a decline over the course of 2011 with the Index commencing 2012 as a negative figure. The Index enjoyed the traditional start of year pick up which in 2012 was very substantial, before again falling back and ending the year close to a zero figure.

Developer Recovery Index (DRI)



November 2012 saw a 8.6% increase in mortgage loans but it is still too early to say whether the Index does or does not confirm that the Government's measures to encourage mortgage loans have yet begun to be successful. If those measures are taking effect this should begin to encourage back into the market those people who do not actually need to buy or move. During 2012 the market has been left to investors, those who have had to sell and first time buyers with sufficient funds to provide the substantial deposit which has been required by lenders.

House prices nationally have remained stubbornly static and ended 2012 slightly lower. They will end 2012 more or less around values in existence 2 years earlier at the start of 2011.

The overall fragility in the residential development market is reflected by the continuing historically low number of starts in the construction of new buildings which for the first 9 months of 2012 is lower than the same period in 2011. This is despite some national house-builders having increased their work levels which highlights the withdrawal of many developers from the house-building sector.

Looking forward into 2013

Peter Foskett, Head of Withy King's Developer Team remarks: *'There is increasing optimism that we will see an improvement in the residential property market during 2013. Mortgage terms and the availability of mortgages have been improving now for many months which in turn should lead to an increased demand for houses. This should lead through into more house building and house prices beginning to rise. All this though rests upon the wider economy improving.'*

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