

Professor David Miles

Bank of England Monetary Policy Committee

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Mortgages and Housing in the Near and Long Term



March 2011

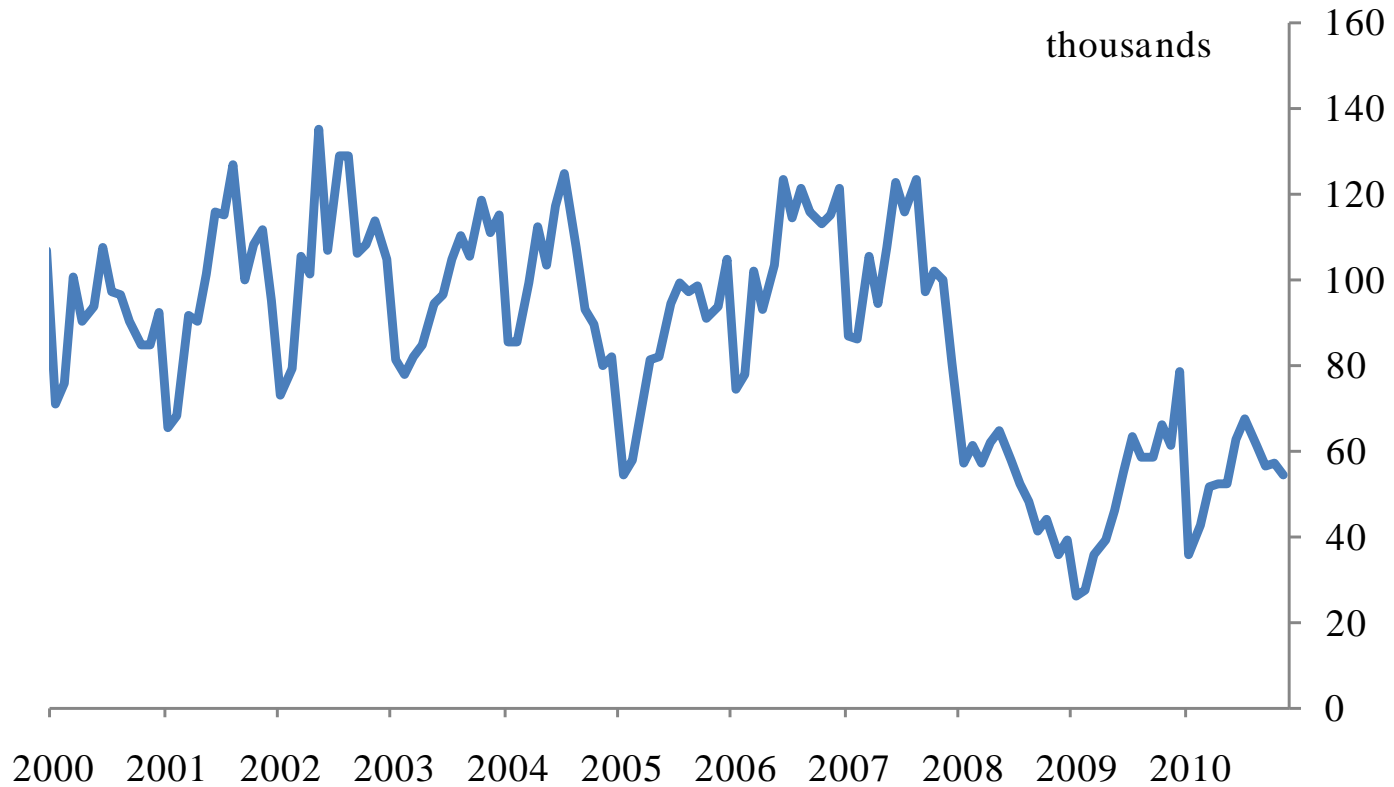


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Monetary Policy Committee, Bank of England



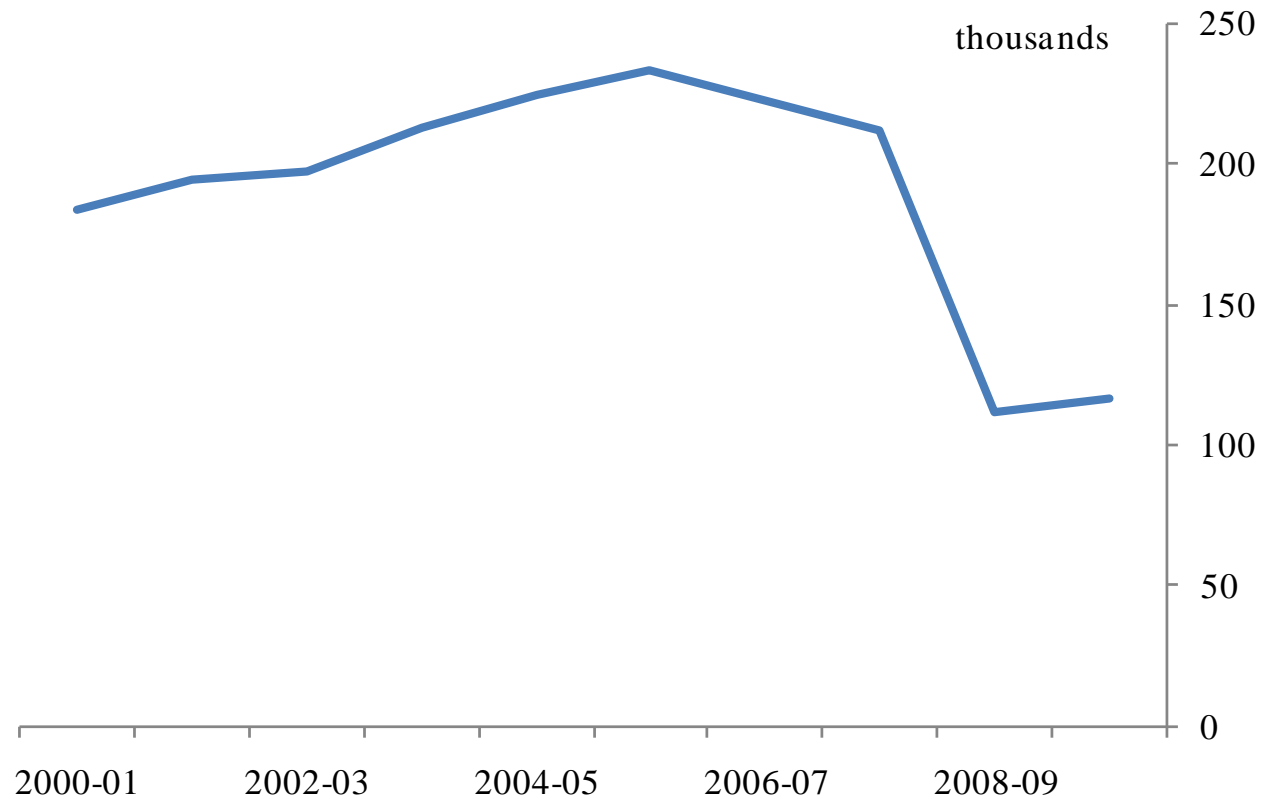
Monthly Number of Houses Sold



Source: HM Land Registry



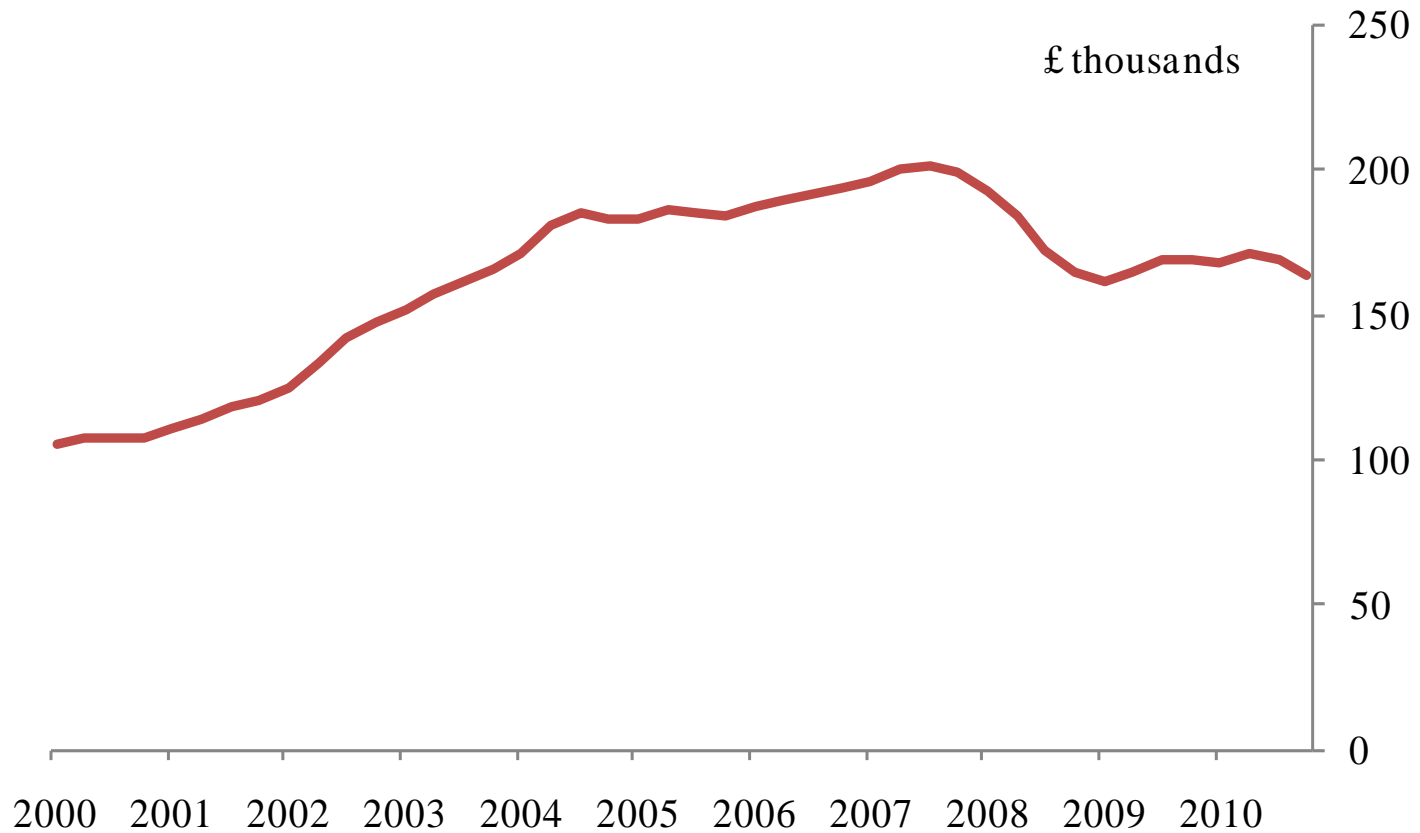
Number of Housing Starts



Source: DCLG



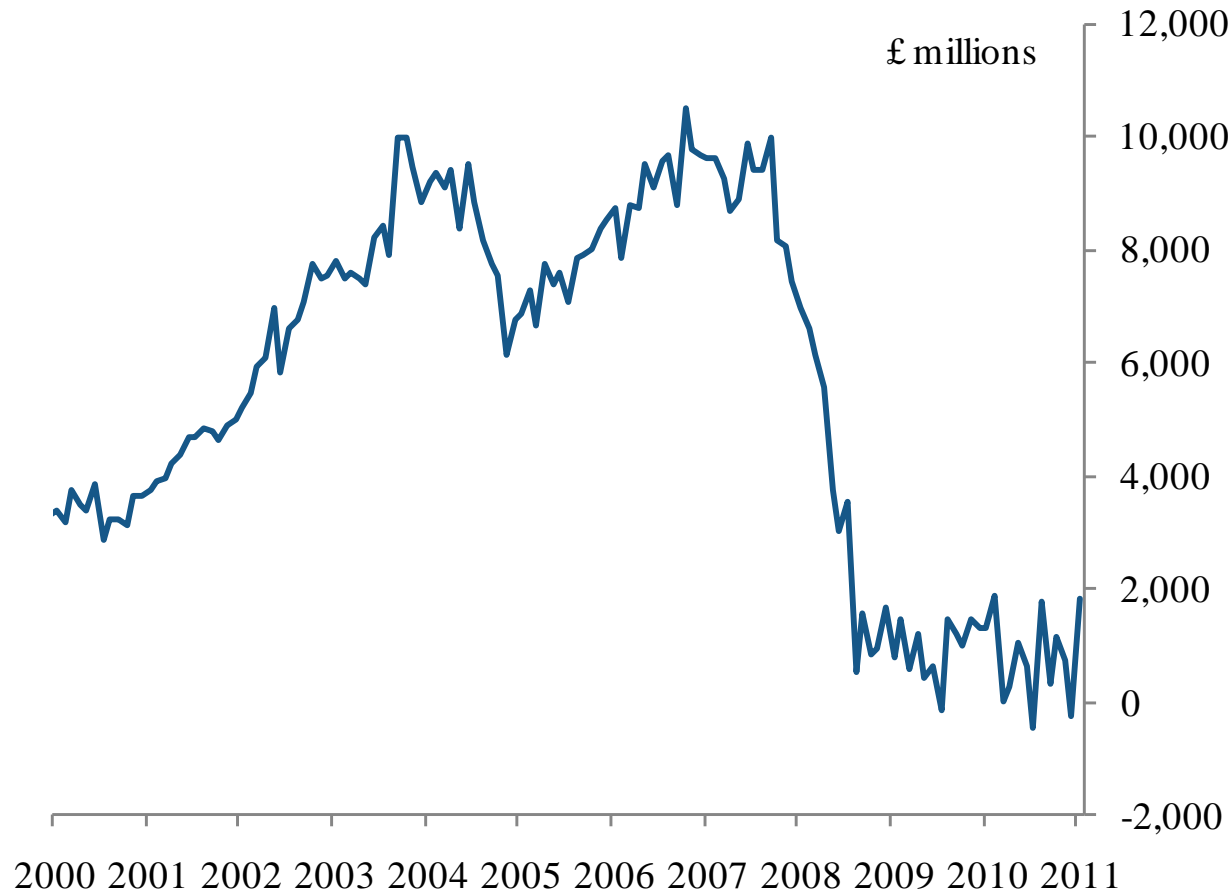
Real House Prices



Source: *Nationwide*

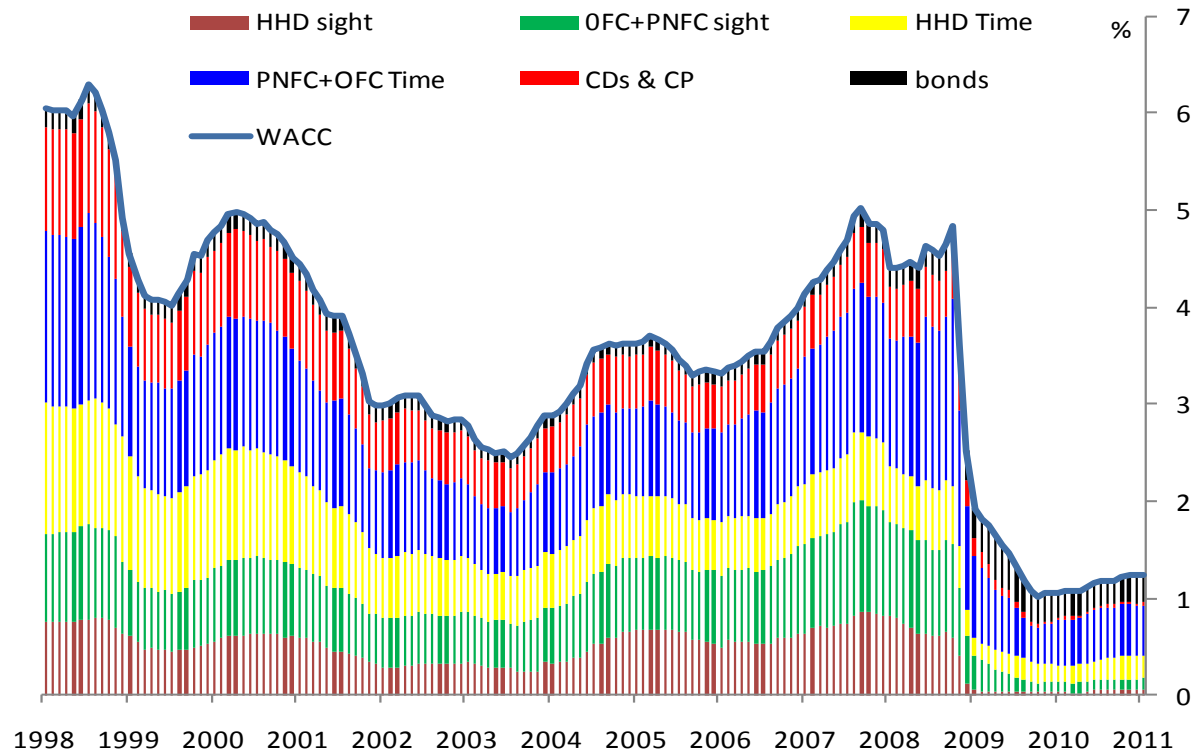
Note: Average nominal house prices deflated using the ONS Retail Price Index (RPI).

Net Flow of Mortgage Lending



Source: Bank of England

Estimate of the Debt Funding Costs of UK Banks (1)



Source: Bank of England, Markit and own calculations

(1) I assume that banks' funding cost is a weighted average of the cost of several types of debt: sight deposits by households; sight deposits by private non-financial corporations (PNFC) and other financial corporations (OFC); time deposits by households; time deposits by PNFCs and OFCs; certificate of deposits and commercial paper; longer-term bonds. The weights for these different sources of funding reflect their relative size on MFIs balance sheet. I approximate the cost of each funding source by using the following interest rates series: Bank of England data on households interest bearing sight deposits; 3-month Libor for sight deposits by PNFCs and OFCs; Bank of England data on time deposits by households; 1-year Libor for time deposits by PNFCs and OFCs; 3-month Libor for CDs and commercial paper; the yield on the Markit iBoxx Sterling Bank Senior Bond index for longer-dated bonds.

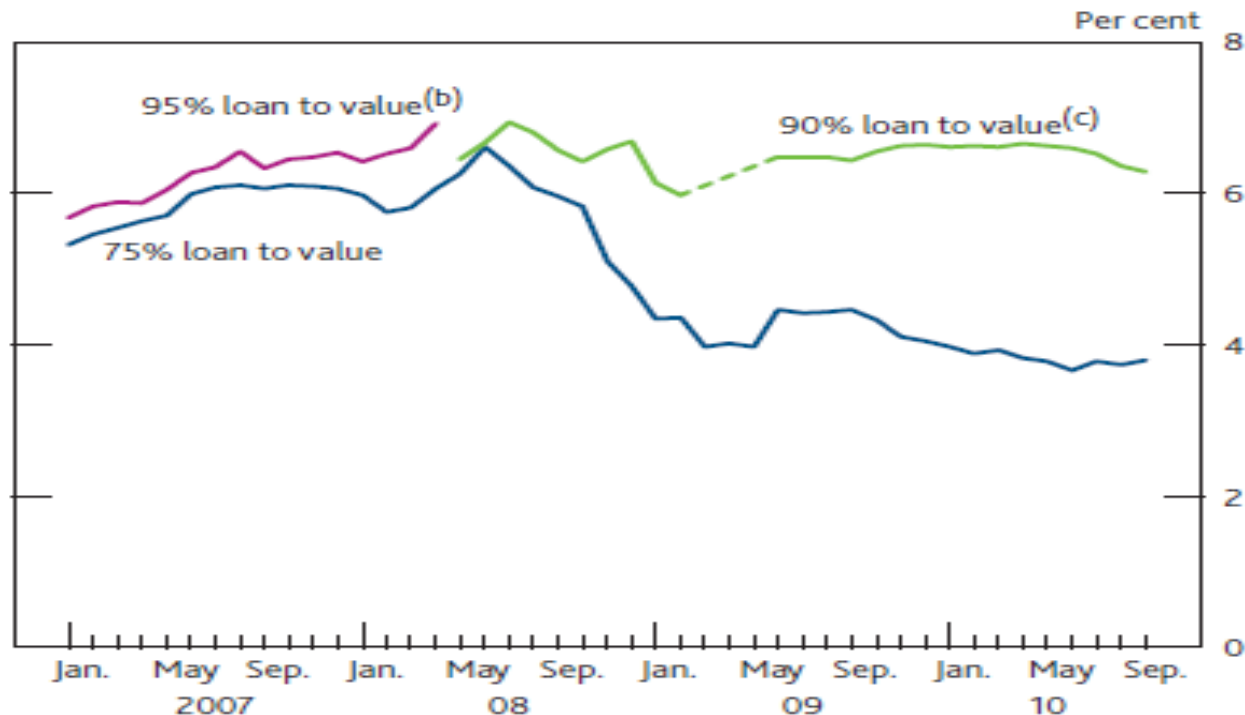


Spread of Quoted Tracker Mortgages over Reference Rates



Source: Bank of England and Bank calculations

Quoted Interest Rates on Two-Year Fixed-Rate Mortgages

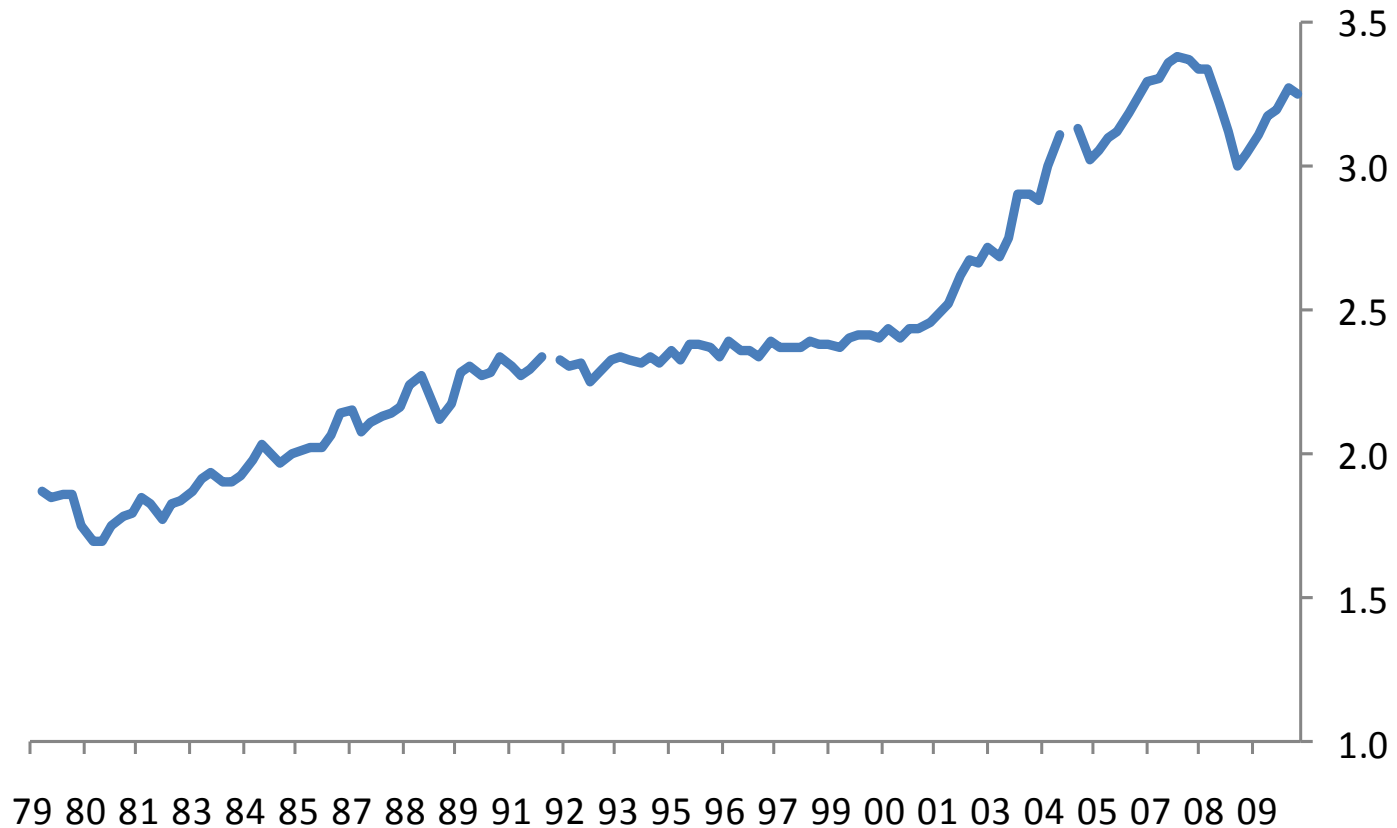


- (a) Sterling only. The Bank's quoted interest rates series is currently compiled using data from up to 23 UK monetary financial institutions. End-month rates. Non seasonally adjusted.
- (b) Series finishes in April 2008, as thereafter only two or fewer products are offered.
- (c) Series is only available on a consistent basis back to May 2008, as earlier periods require a greater degree of estimation, and is not published for March-May 2009 as only two or fewer products were offered in that period.

Source: Bank of England



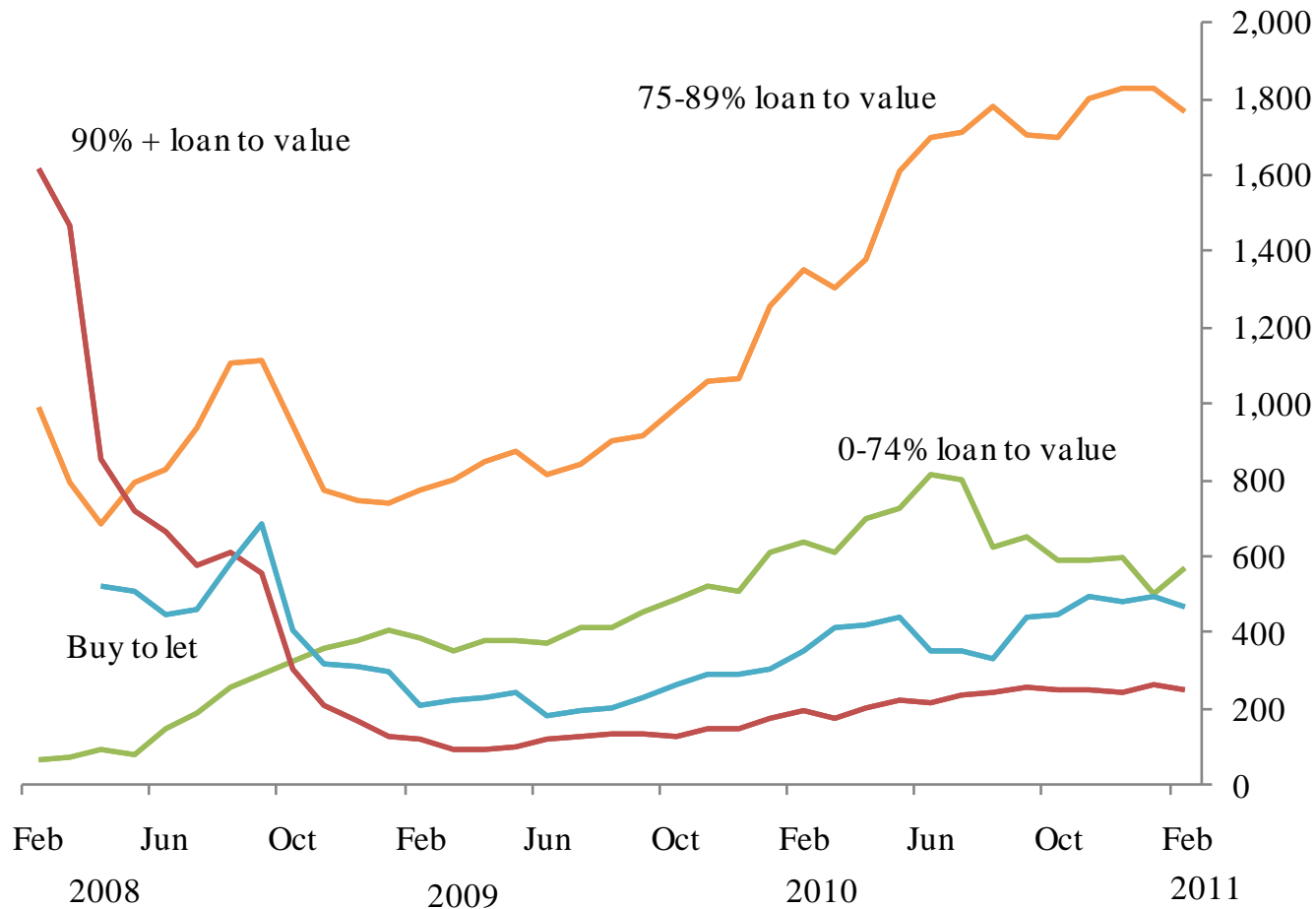
Median LTI for First Time Buyers



Source: CML

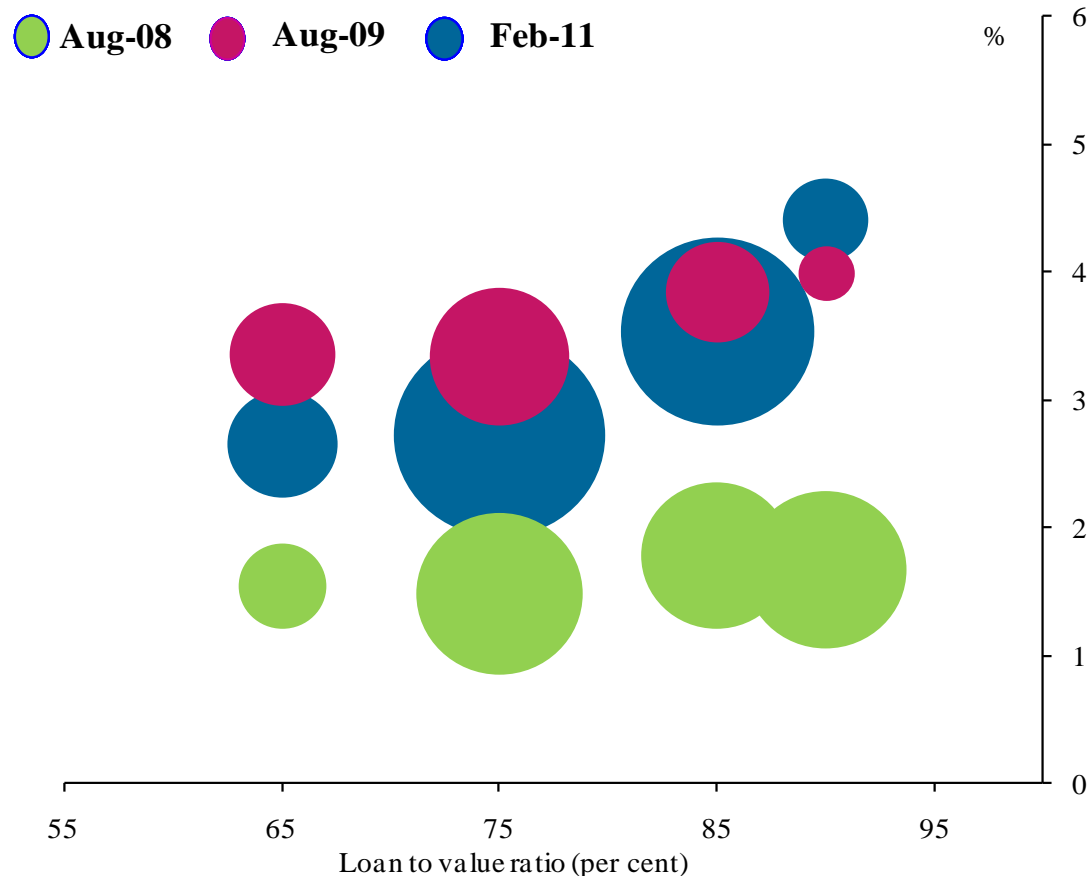


Number of Mortgage Products Available by Loan to Value Ratio^(a)



Source: Moneyfacts Group and Bank calculations
^(a): Sterling only. Excludes self-certified mortgages.

Floating Rate Mortgage Spreads and Product Availability Across LTV Ratios^{(a)(b)}

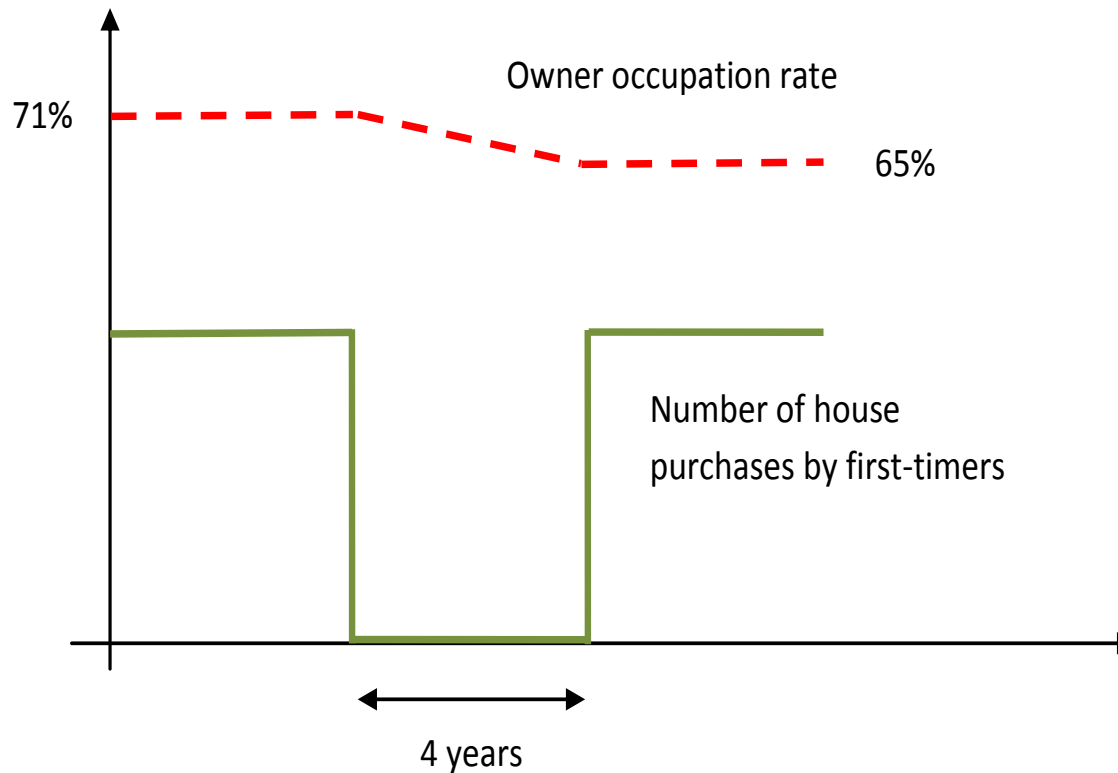


Source: Moneyfacts and Bank calculations

(a): End-month advertised rates for products with different LTV ratios.

(b): The size of the bubble reflects product availability. The spread is calculated over Bank Rate at the end-month for the relevant period. The first observation on the left is for products up to 65 LTV, the second is for products in the 66-75% range, the third is for products in the 76-85% range and the final observation on the right is for products above 86%

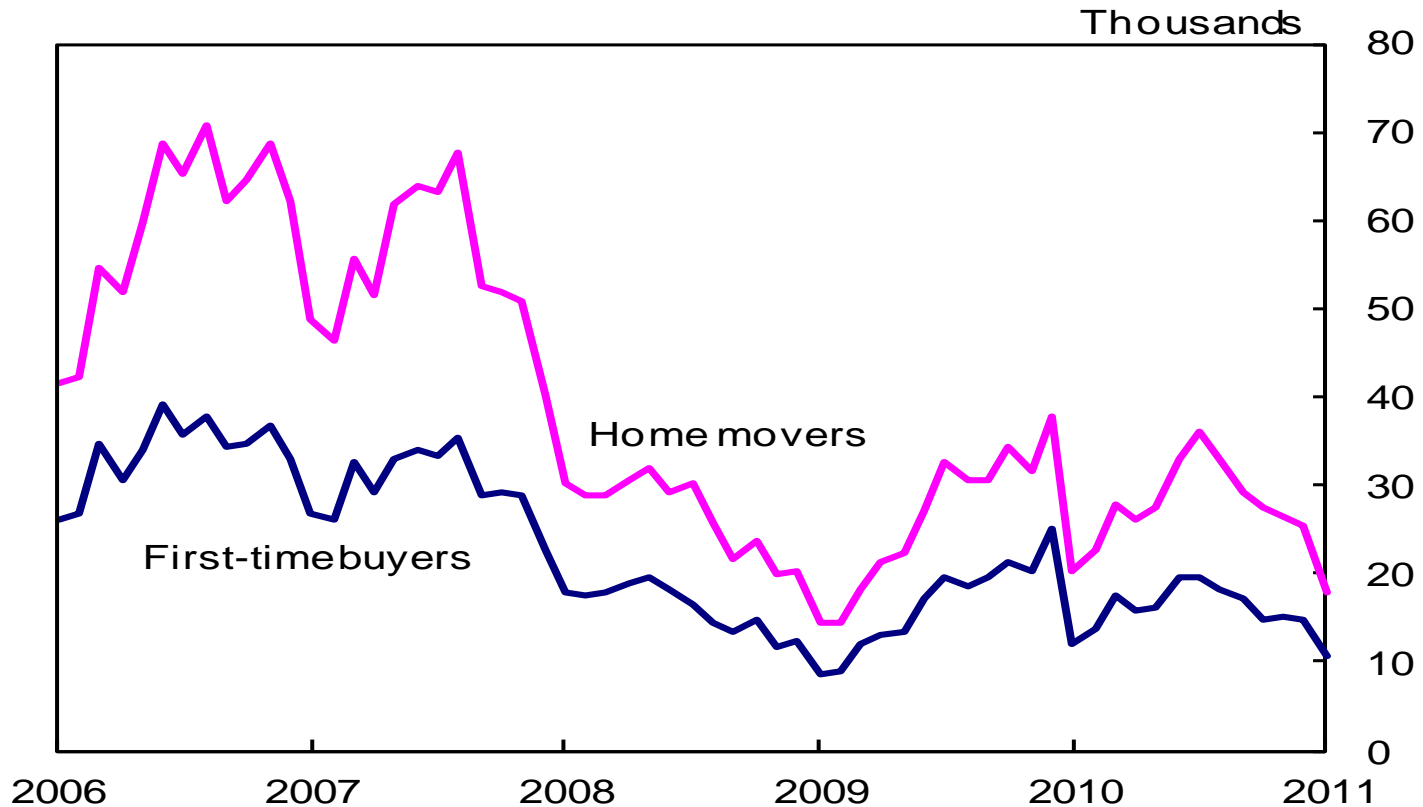
Impact of Lower LTV Ratios: A Stylised Model



Source: own calculations



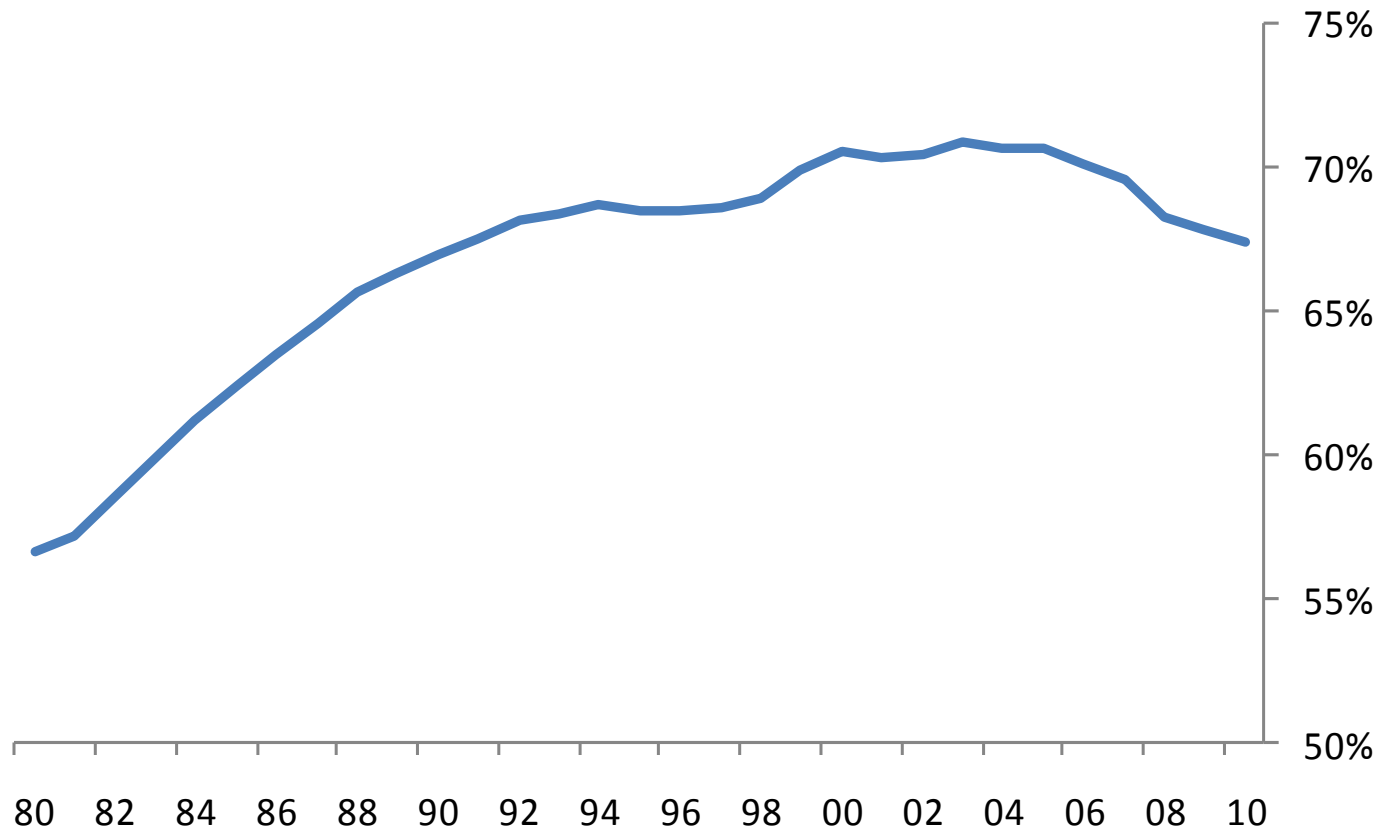
Number of Loans to First-Time Buyers and Home Movers



Source: CML



Share of Owner-Occupied Housing



Source: English Housing Survey 2009/2010

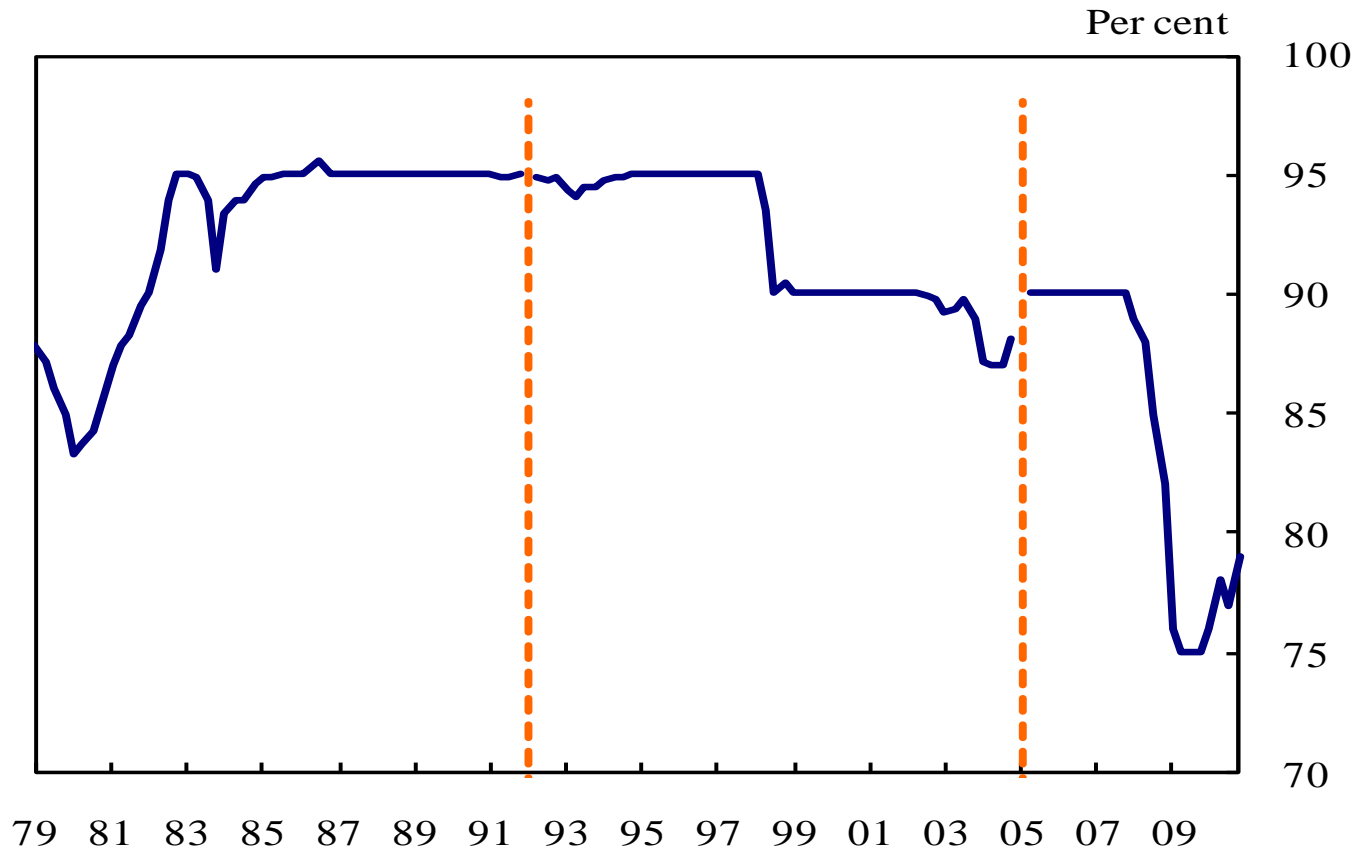


Proportion of Assisted FTB's

	FTBs aged under 30 who required financial assistance	FTBs aged under 30 who required financial assistance
	(% of FTBs aged under 30)	(% of all FTBs)
2005 (Q2-4)	38%	20%
2006	41%	22%
2007	47%	26%
2008	61%	34%
2009	84%	47%
2010 (Jan-Oct)	84%	45%

Source: *CML*

Median LTV Ratio of First-Time Buyers



Source: CML

Note: The vertical dashed lines represent breaks in the series.