



UK House Sellers In Denial About The Property Crisis - Energy Too?

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A recent article in the UK's *Independent* newspaper suggests that house sellers in the UK are unable or unwilling to accept the fact that we are in a new housing paradigm. House prices have fallen drastically over the last year, but the sellers are still asking for pre-credit crunch prices. This article looks at a specific example of this unwillingness to accept that circumstances have changed, and asks what are the implications for the coming energy crises.

At the end of April this year, our landlady, somewhere in Scotland, let's call her Kate, decided she wanted to sell her flat. Before we left, a selling agent told me that Kate bought the flat for £162,000 in 2005 (we were considering buying the flat at that time). House prices in Aberdeen subsequently rose an average of almost 30% in 2006. When Kate put her flat on the market it was 'offers over' £195,000, which implied she was expecting something like £230-240,000. My immediate reaction was - how much? This was the price Kate might have got before the financial problems started August 2007, but was sure she did not have a hope of selling at that price. As it turned out, she didn't. Whereas before onset of the sub-prime scam / credit crunch she might have expected 20-30 people to at least view the flat in the first week, after two months only a handful had turned up for a look, and nobody put in an offer. So Kate took the flat off the market and rented it again.

Now you might think she had learned a lesson from this. Even back in April average house prices had fallen a few percent from the peak, but the writing was on the wall. Banks were being considerably more careful about lending money, buyers were becoming scarce and house prices were falling fast. It turns out that the reason Kate took her flat off the market was because she thought the price she was asking was too low. So presumably she thinks that next year, or later, property prices are going to rise again.

The sad point about this affair is that it is not just our ex-landlady that is overly optimistic about property prices. An article in Monday's *Independent* ([Rightmove: Housing market 'on its knees'](#)) would strongly suggest that this is in fact a national problem:

... Rightmove said asking prices fell by 1 per cent during the first three weeks of September, an improvement on the 2.3 per cent drop seen in August, but still leaving prices 3.3 per cent down on the same month last year.

While the sale price of the average home has fallen by about 12 per cent over the past year, asking prices have fallen at a slower pace, suggesting that sellers have still not fully realised the realities of the market, at least when they first put their properties up for sale.

If I am interpreting this article correctly, actual house prices have fallen by 12% since a year ago, but the asking prices have fallen only by 3.3%. In other words, the sellers don't actually seem to be aware that there is a housing crisis on at the moment, and are still asking for pre-credit crunch prices. Surely this has got to be a major factor in why UK property sales are reaching record low levels? The sellers prices are too high, and it is blatantly obvious where the prices are headed, over the next 1-2 years. Most forecasts in the media currently forecast a drop from peak to trough of 25-35%, with one or two suggesting falls of as much as 50%.

What has all this got to do with energy? I would guess that 95-99% of people I know do not know much, if anything at all, about peak oil, peak gas and peak coal. Worse, they do not care, yet. If we are to get through the down slopes of the peaks without anarchy and chaos, we have to collectively become very energy-aware. At the very least we need to have some inkling of what peak oil or gas or coal implies so that we can, for example, start voting for politicians, locally and nationally, who are willing to tackle the issues head on (politicians that actually show some leadership skills), changing our lifestyles and attitudes, and in general taking remedial if not emergency actions.

But the example above of house asking prices being out of sync with actual selling prices does not ogre well for our ability to act before the horse has bolted. The particular example above was not a one off act of over optimism, or more accurately perhaps, denial of a new reality, it seems to be endemic to most property sellers, and by implication, most people. It is not as though these same people are not aware that house prices are falling fast. Every month for the last 8 months or so, once or twice a month when the they are announced, the number of sales and prices of properties make the evening headline news because they are reaching new lows, on the downside of peak house prices. And yet we collectively pretend there is no problem. If we continue with this attitude regarding the coming energy crises, we are in trouble.



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