

JANUARY CREDIT CARD DEBT DRIVES SPIKE IN DISTRESSED SELLER ENQUIRIES

Property Portfolio Rescue (PPR), the UK based property recovery specialist, produces a quarterly forecaster, using its enquiry levels from distressed sellers to measure the current situation and forecast future mortgage possessions, liquidations and unemployment

Key findings:

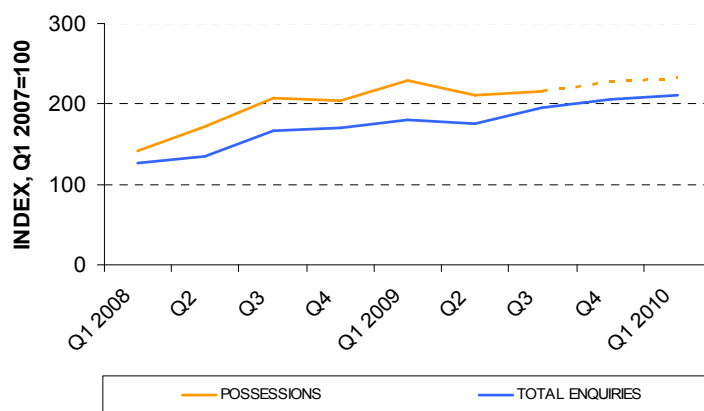
- PPR's distressed seller enquiries for Q4 2009 remain at Q3 levels, but are up 17% on Q4 2008
- Enquiries in up and coming parts of South East London surge by 55% year on year in January
- Repossessions rose in Q3 2009 and over 15,000 new possessions are forecast for Q1 2010
- Unemployment surged by 33% between Q3 2008 and Q3 2009 and is set to dip in Q4 2009 before rising to exceed 2.9 million in Q2 2010

PPR enquiries remained at a historic high in Q4 2009, but have jumped higher in January 2010 as homeowners in less affluent areas of London and the main Midlands and Northern cities face up to the reality of mounting mortgage arrears and huge January credit card debt. This indicates that repossessions are set to increase at a faster rate over the next few months. (Graph 1)

Q2 and Q3 2009 saw a decline in company liquidations as cost cutting and further redundancies kept small businesses afloat. However, a recent increase in PPR enquiries from companies with critical difficulties indicates that liquidations are set to rise in the first half of 2010, with margins now squeezed to their limits and funding constraints still an issue (Graph 2).

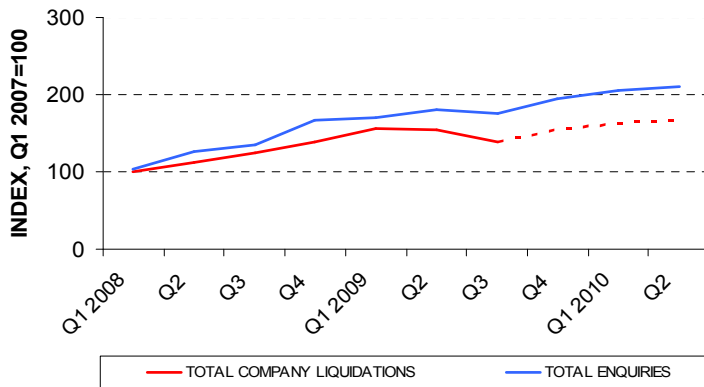
Having risen steadily since Q4 2007, unemployment is set to dip in Q4 2009 before increasing again in 2010, as repossessions and company failures grow. This pattern follows the forecast set by PPR enquiries, which continue to be a reliable indicator of unemployment three quarters on (Graph 3).

Graph 1: PPR Enquiries & Possessions



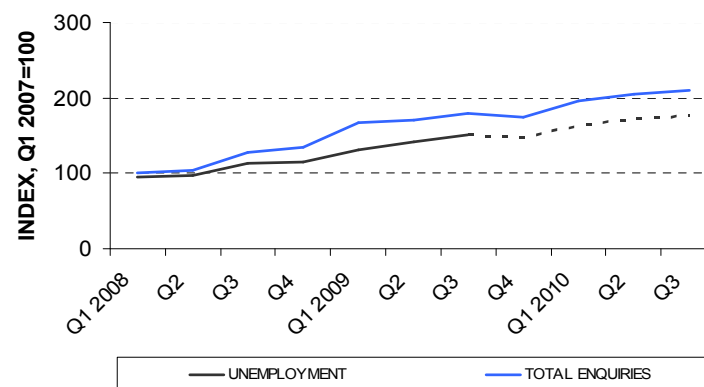
*PPR Enquiries predict possessions one quarter on

Graph 2: PPR Enquiries & Liquidations



*PPR Enquiries predict liquidations two quarters on

Graph 3: PPR Enquiries and Unemployment



*PPR Enquiries predict unemployment three quarters on

Enquiry levels from distressed sellers jump in January as homeowners face up to the reality of their debts. Individuals, landlords and small businesses are being forced to sell their home or residential property assets to avoid future repossession or bankruptcy.

Nick Hopkinson, Director of Property Portfolio Rescue, comments:

Post-Christmas credit card debt drives spike in enquiries as repossession looms

“The number of enquiries received by PPR remained at Q3 levels at the end of last year, despite repossessions picking up again, as low interest rates helped some homeowners to meet their mortgage repayments when they would otherwise be struggling.

“However, as predicted, the surge in January enquiries reveals that a large number of homeowners, hit by unemployment and diminishing household incomes, were burying their heads in the sand pre-Christmas. Having continued to fall into mortgage arrears and overspent on credit cards, they are now faced with large January bills and, on the brink of repossession, are finally contacting PPR for help.”

Deprived South East London home to latest casualties

“Last year, very few of our enquiries came from Greater London and the South East, with homeowners in the Midlands and Northern cities the worst affected by the recession. However, in January 2010 we are seeing new enquiries from distressed sellers in key regeneration areas of South East London, such as Peckham and Lewisham, for the first time. This is a worrying sign of future problems with unemployment and repossessions in these strategic regeneration zones.

Frozen January market not ready to thaw

“The housing market remains frozen in January, with an acute shortage of stock, extremely low transaction levels and minimal lending to those with a large deposit. House price indices showing positive growth therefore reflect only a tiny portion of the market and mask the fact that many areas of the country still experiencing price falls.

“We are expecting average house prices to end the year between 0% and 5% down and some homeowners, finding themselves in negative equity and having trouble remortgaging, are contacting PPR to explore a prompt sale before the value of their property falls even further.

Official end to recession will not stem flow of repossessions

“While official statistics now confirm that the UK is no longer in a recession, many economic and political factors are not conducive to a recovery and we expect the real downturn to be prolonged into 2011 and maybe beyond. The UK has a massive public debt and this will add to the burden of homeowners. Regardless of which Government comes to power following the General Election, further public spending cuts and tax hikes on top of those already implemented are inevitable.

“The Index suggests that the number of unemployed will continue to move towards the 3 million mark throughout the course of 2010, as another wave of small and medium sized businesses run out of options. The only reason this may not happen is if many thousands of people are forced into part time work, artificially reducing the “official unemployment figures” but doing little to improve struggling household incomes. If interest rates are increased to curb inflation as predicted, we expect to see further growth in enquiries from distressed sellers as mortgage repayments become unaffordable.”

Detailed Analysis

| Date | PPR Enquiries ¹ | New possessions in quarter ² | Total Company Liquidations ³ | Unemployment (1,000s) ⁴ |
|----------|----------------------------|---|---|------------------------------------|
| Q1: 2007 | 1,444 | 6,472 | 3,274 | 1,691 |
| Q2: 2007 | 1,458 | 6,476 | 3,191 | 1,621 |
| Q3: 2007 | 1,493 | 6,838 | 3,113 | 1,731 |
| Q4: 2007 | 1,835 | 8,135 | 2,929 | 1,563 |
| Q1: 2008 | 1,949 | 9,174 | 3,262 | 1,610 |
| Q2: 2008 | 2,402 | 11,074 | 3,689 | 1,643 |
| Q3: 2008 | 2,455 | 13,469 | 4,059 | 1,922 |
| Q4: 2008 | 2,599 | 13,235 | 4,525 | 1,956 |
| Q1: 2009 | 2,527 | 14,814 | 5,110 | 2,219 |
| Q2: 2009 | 2,816 | 13,603 | 5,059 | 2,405 |
| Q3: 2009 | 2,960 | 13,987 | 4,536 | 2,552 |
| Q4: 2009 | 3,032 | 14,704 | 5,054 | 2,481 |
| Q1: 2010 | 3,105 | 15,063 | 5,314 | 2,765 |
| Q2: 2010 | 3,197 | 15,422 | 5,443 | 2,906 |
| Q3: 2010 | 3,285 | 15,881 | 5,573 | 2,977 |

* Actual

*Forecast based on actual PPR enquiry index

* Forecast based on last quarter's trend

Notes to Editors

Property Portfolio Rescue's Distress Index has been compiled using data from their enquiry levels between 2007 and 2009, currently running at a rate of over 3,000 per quarter.

¹**PPR Enquiries** are based on the total number of individuals and companies per quarter contacting Property Portfolio Rescue in order to sell their property or portfolio of properties quickly.

²**Possession** and arrears figures are taken from the FSA and are based on new possessions per quarter, as reported in its September statistics on mortgage lending:

http://www.fsa.gov.uk/pages/Doing/Regulated>Returns/IRR/pdf/mlar1_stats_dec09.xls

³**Total Company Liquidations** are based on quarterly figures produced by The Insolvency Service, published in August 2009:

<http://www.insolvency.gov.uk/otherinformation/statistics/historicdata/CompanyLiquidations.xls>

⁴**Unemployment** figures are taken from the National Statistics Labour Market Statistics September 2009 (non seasonally adjusted):

http://www.statistics.gov.uk/downloads/theme_labour/LMS_FR_HS/WebTable09_age.xls

About Property Portfolio Rescue

Property Portfolio Rescue is a UK based residential property recovery specialist, offering a lifeline to small business owners, buy to let landlords, residential owners and developers wishing to divest their property portfolio quickly and discreetly. The company aims to grow the portfolio to £100million of assets, to become one of the UK's leading residential landlords.

Visit www.propertyportfoliorescue.com