

1694

Martyn Stubbs of Phillips and Stubbs reflects on the latest interest rate news and comments on the great opportunities offered in the current property market.

Interest rates have now been cut to 1.5 per cent. The last time they were as low as this was 1694 when the Bank of England was established to manage mounting debts. Nothing changes.

In England at that time William III was on the throne – it was the beginning of the William and Mary period. Peter the Great was the Russian Czar. Handel and Bach were young music prodigies, and Isaac Newton was greatly influencing scientific thought. Following the Pilgrim Fathers, British and Dutch settlers were continuing to colonise North America, where two years before 19 women were hung in the Salem Witch Trials in Massachusetts.

If history repeats itself it could be 2324 before interest rates are as low again. This rather suggests that now is as good a time as any to take advantage of these rates and enter the property market. With prices back to 2003 levels - when there was huge activity in the market - this makes even more sense.

When prices are high the media delight in charting the plight of key public sector workers in nursing, the police, the fire brigade and other essential services who are unable to climb on the housing ladder close to their work. Well, now is the chance to end that. Sadly many people are being placed into negative equity by the price downturn - with all the attendant problems this brings. But for the many hundreds of thousands of people waiting for the opportunity to move out of rented property or their parents' homes this could be the perfect moment.

Yet a large hurdle remains – securing a mortgage. Mortgages are available, but deposit demands from the lenders remain high. Wouldn't it be sensible for the government and the lenders to recognise the opportunity this price correction brings, and to start helping first time buyers now through easing mortgage demands or a Stamp Duty moratorium, or preferably both? This would create the best opportunity to kick-start the housing market and, through the knock-on effect, a significant portion of the service and retail economy.