

March Winds

Martyn Stubbs of Phillips and Stubbs takes a fresh look at the property market and suggests that all is not quite so depressed as many commentators would have us believe.

March is traditionally the month of high winds: and already there is some wind of change in the market. The recent half a point interest rate reduction presages another record low and is the sixth time that UK borrowing costs have fallen since October, when rates were still five per cent. With its rate-cutting ammunition all but exhausted, the Bank of England may now be left with only one card to play - quantitative easing – better known as printing money. Homeowners have rather enjoyed a licence to print money for over a decade, and although this has stalled now there are signs that new opportunities are opening up again. Yet both lenders and government seem to be out of step with reality – along with some reporters.

The recent announcement that Northern Rock will, once again, offer mortgages came as good news. However the caveat that this £14 billion lending spree - to be spread over the next two years - is not targeted at first time buyers, but will primarily serve to provide 'relatively small loans to unlock chains', came as a bit of a kick in the teeth to those wanting to climb onto the housing ladder. Surely, it makes more sense to unfreeze the market by initially helping first time buyers and getting the market moving from the bottom rather than trying to kick start it in the middle. Nothing ever started in the middle.

In line with Gordon Brown's wish to ban mortgages for one hundred per cent of a property's value, 'The Rock' will be lending no more than ninety per cent of value. This seems to be shutting the stable door after the horse has bolted. Few would argue that the one hundred per cent mortgage was always a dangerous policy but what is galling for most of us is, that having encouraged everyone to borrow, borrow, borrow - whether they could afford it or not - the political and banking classes are now busy lecturing everyone on how irresponsible maximum value mortgages are. To my mind this is institutional hypocrisy as the advice is given without hint of irony, and as if they would or could never dream of suggesting such a stupid course of action.

Clearly, any measure to improve the supply of lending is good but the aid should be targeted at where it will be most beneficial for everyone. It should also be introduced within a mix of other measures designed to take advantage of the market position we are in. A moratorium on Stamp Duty, key worker mortgages, the reintroduction of local authority housing and imaginative joint ownership schemes could all help to provide new, exciting and affordable homes for many that have been locked out of the market through spiraling prices over the past five years. If this group were helped the rest of the market would surely follow on. If they are not we will only increase our housing problems.

On their own the Northern Rock mortgages will not be enough to help the housing market but it is a start: and perhaps, along with greater activity in the market, a sign that we are entering the first stage of recovery. Our Rye office is showing clear indications that there is a fresh wind this March and that it is blowing a certain amount of good.