

Property Market Ups and Downs

Edward Gailey of Phillips and Stubbs comments on the recent spate of national newspaper surveys that ask if readers would prefer property prices to rise or fall.

It is understandable that those who possess their own home feel good when they see the value of their investment rising. Conversely, those anxious to get their feet on the bottom rung of the property ladder are keen to see values fall as their first step would be made much easier.

However, most would equate rising property values with a booming economy that strongly adds to a feel-good factor about the country generally.

In reality, whether prices go up or go down makes little difference to most home movers as, unless they are significantly trading down or leaving the market altogether, the differentials largely cancel each other out.

What is probably more important in our current market is that there is so little turnover, with sales in some parts of the country down roughly fifty per cent on last year. In many ways this is far more damaging than price fluctuations, as the knock-on effect is harshly felt in the overall economy.

Some people may not feel much sympathy for estate agents. But agents really are the tip of an iceberg that, for the time being, is melting. Removal companies, builders, decorators, kitchen and bathroom fitters, carpet suppliers and fitters, DIY shops, furniture shops, electrical appliance retailers and hundreds of other allied suppliers, professionals and trades people up and down the country rely for their livelihoods on a reasonable turnover of property.

The property market is cyclical and higher turnover will return - the big question is when? In the meantime a downturn in this sector damages the economy, not just in real terms but also in overall national confidence. National newspaper and magazine surveys may show that different people may have wildly differing views on whether it is better for the market to go up or come down, but ask Gordon Brown. In the real dark night of his soul he probably could do with a buoyant and rising market right now. For him the way the property market performs in the coming months could be the last chancellor's saloon.