

Martyn Stubbs considers the effect on the property market of an unexpected interest rate rise.

"The property market has started very strongly this year. This is not just in Kent & East Sussex but throughout most of the UK. In fact the strength of interest has been unexpectedly high.

"So, will the surprise lift in interest rates by the Bank of England de-stabilise the market? We think not, or at least not without some further interest rate hikes. Even then we feel there would have to be a sustained series of increases, eventually tipping rates over 6%, before the market would be significantly affected.

"Of course, first time buyers will have to be more careful. The rise to 5.25% takes rates back to a level last seen in 2001. It only adds £15 a month to the typical £100,000 repayment mortgage, but the increase is the third since August. The cumulative increase should be borne in mind, as should potential rises later this year.

"But we should all remember that the cost of borrowing money is still relatively low, especially compared with the amount of interest a decade ago when house buyers struggled with rates as high as 15%.

"We also believe that many buyers and sellers will try to move before 1st June when the threatened Home Information Pack legislation comes into force. The urge to avoid potentially increased transaction charges and complications may prove a strong enough incentive for house movers to keep the market buoyant, and for houses prices increases in 2007 almost to reflect those of last year."