

“Light at the End of the Tunnel?”

Despite the fact that homeowners were hoping for a cut in interest rates, the fact that The Bank of England’s Monetary Policy Committee decided to leave interest rates on hold on 10th July is not necessarily bad news for the property market, and could even herald falls in the future.

The intense pressure on interest rates due to the rise in inflation to 3.3%, (the target is just 2%) might have reasonably prompted a corrective rise in UK interest rates. However, as Bank of England Governor Mervyn King suggested, “the sharp slowdown that is already under way will bring prices back under control within the next 18 months or so” and his colleagues have even suggested that inflation could ultimately undershoot the target in the not-too-distant future as a result of the slump.

The fact that international oil and food price inflation has had a greater effect on UK inflation than home-grown factors also suggests that we may be experiencing a peak in UK interest rates, as they have little bearing on such things.

As soon as the media decides that such positive messages are actually more newsworthy than negative ones, the sooner buyers will pile back into the market; not that they have gone away completely, although the poor availability of mortgages has certainly dampened activity. However, there is light at the end of the tunnel here as well, with specialist lenders offering increasingly creative, albeit expensive deals.

So if you are buying, take advantage of the fact that the market is slower than it was and that the price of homes being sold by committed sellers has in some cases dropped dramatically (as a guide, prices fell by 2% last month). If you are selling, remember that there are buyers out there but they will only ever buy the property that offers them the best value available in their price range at the time. So what’s new?!