

Confusion Reigns and April Showers

Martyn Stubbs of Phillips and Stubbs takes a look at the property market over the first quarter of 2009 and discovers that, despite conflicting signals, there are sure signs of activity.

April is the month when it is foolhardy to forget one's umbrella. But despite the news that mortgage lending is now on the gentle increase, many of us still think that the real showers this April are the banks for grabbing all that money from the public purse, only to resist recycling it as mortgage funds in the public interest.

But is the downturn in the property market all down to the banks, and to the government for that matter?

John Maynard Keynes, the brilliant Edwardian economist argued that in times of impending recession governments should spend money to stimulate their economies – and even spend money they don't have! They should also urge the public to spend more. As our government seems to embrace this view we may soon know if Keynes was right. If he was, then we may also receive the answer to the question many house owners are anxiously asking: when will the property market turn for the better?

By the same token Keynes may have argued that the public should continue to buy and sell property to keep the sector buoyant, and that it is not solely up to the banks or the government to turn the tide of the property market. It's up to each and every one of us to keep moving. Either we regain confidence, start moving, and begin to see values stabilise and then lift, or we do nothing and watch them continue to fall, thereby adding more losses to the £1.9 trillion we have collectively lost over the past eighteen months.

Of course Keynes had his detractors - most of them anxious to disprove the great man's theories. Winston Churchill famously said of Keynes, "If you put two economists in a room, you get two opinions, unless one of them is Lord Keynes, in which case you get three opinions."

But to be fair Keynes never saw this current market, although he did experience the Great Depression. He never had to grapple with financial institutions falling over themselves not to lend money despite the lowest interest rates ever. Nor did he need to ponder on the law of supply and demand in a property market which has precious little of either.

But we who have lived through such historic events are now much more optimistic. The signs this April are very clear. When the banks have once more slipped into the habit of lending and are urging their customers to borrow – and this is happening - the market will move forward. But canny buyers already know this, which is why property is beginning to move now. These buyers are aware that if they wait too long they will be too late and, although they might make a small short-term loss, in the middle-to-long term theirs will be a good investment.

The message is clear, sit this one out and the sitting could be costly. Get on and make the move into that first home, dream home, larger family home, etc. and you may yet, in this month of showers, be home and dry.