Mortgage brokers: www.trinityfinancialgroup.co.uk - 020 7520 9427

Who can solve the great housing conundrum?

- Markus Lista

Anne Ashworth
December 2 2011 12:01AM

Trying to unravel George Osborne's Autumn Statement is a case for Poirot

George Osborne is not an obvious man of mystery. Yet the housing measures in his Autumn Statement were more of a puzzle than a clear strategy. The Chancellor says that he has been watching the boxed set of *The Killing* in his few moments of downtime. Perhaps the opaque nature of his announcements reveal the unconscious influence of this complex Danish detective drama? Whatever the cause, uncertainty surrounds the following issues:

Does the Government believe that first-time buyers deserve incentives?

No, but then again, yes. The £250,000 stamp-duty exemption for this group will be withdrawn in March as it has proved "ineffective" (see pages 6-7). Rising rents may have been the reason why so few young people were able to benefit from the concession. But the Chancellor chose not to share his view of the private rented sector, although the prohibitive cost of homes to let not only makes it difficult to save the deposit on a home, it also impedes labour mobility.

The Chancellor did confirm that a first-time buyer who wishes to acquire a new-build home should find it easier to secure a 95 per cent loan under the mortgage indemnity scheme. Some banks have already indicated their willingness — in principle — to participate in this progamme. But there must be doubt over their involvement in right-to-buy, which Osborne sees as a start on the housing ladder for social tenants who long to be owner-occupiers. At present many lenders would be likely to look askance at former local authority accommodation, although they might not admit to such a discriminatory stance.

Boom or bust? What lies ahead for the housing market?

The Chancellor did not express a view, but the independent Office for Budget Responsibility (OBR) seems almost chipper on this point. In line with some other more optimistic commentators, the OBR forecasts a house price slip of 0.2 per cent in 2012, followed by a rise of 1.2 per cent and 4.3 per cent in 2013 and 2014 respectively. Does this imply that the OBR thinks that, whatever the fortunes of the economy, the demand for homes in affluent equity-rich areas of the South will continue to mask the disastrous performance in the Midlands, the North and Wales? No explanation of the assumptions was forthcoming. But the depth of the North-South divide is an embarrassing subject, as the latest Land Registry numbers identify. There have been large annual price falls in Blackpool, Oldham and other towns, but the impact of these decreases is erased by London's resilience.

Will there be reform of stamp duty?

In the absence of any guidance on this controversial tax, we must again look for clues in the OBR figures. These reveal that the mood in 2014-15 could be so upbeat that stamp-duty receipts will exceed those of the previous year by almost 20 per cent. Others in the property value prediction industry believe that some locations should be reviving by that time. But they also think that the numbers of homes changing hands will continue to be low, with mortgage scarcity having become the "new norm", as Savills puts it. In light of this, the Government may be planning to raise the top rate of stamp duty charged on residences of £1 million and over. It may even be hoping to have found a way to extract some revenue from the deluxe residences placed in offshore companies to avoid stamp duty. As *The Times* disclosed, as much as £1 billion a year may be lost to the Exchequer via this manoeuvre. Osborne did not condemn this practice. Was this out of fear of scaring away the free-spending international set who like to purchase a place in London tax-free, but compensate by splashing their cash in the capital's stores? His reluctance to act will continue to be a source of conjecture.

What will happen to mortgage rates?

Interest rates seem set to stay at their record low, thanks to government action. Mortgage rates are creeping up, however. Quite why, no one is sure. The eurozone crisis does not seem to be to blame.

Aaron Strutt, of Trinity Finance, says that some lenders have become busier so may wish to deter new customers. Woolwich, for example, is no longer accepting applications for buy-to-let loans. This shows that, in a troubled era, people feel confident about investing their cash in property. Uncertainty has inspired another trend — a new interest in the seven or ten-year fixed-rate mortgage deal, ideal if you are staying put for the forseeable future.

Leeds Building Society has cut its ten-year rate to 4.99 per cent. Evidence of this desire to cocoon can also be seen in the popularity of throws (as pictured) and other means of protection against a chilly economic climate. See page 8 for more cold comforts.