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Rate stays at 0.5% but 1.2% rise predicted

The Bank of England's Monetary Policy Committee (MPC) elected to hold the base rate at its current level of 0.5 per cent during October, but property investors are preparing themselves for a rise.

Neil Young, CEO of Young Group, said: "Today's announcement comes as no surprise. Base rate is unlikely to change until the Bank of England's Quantitative Easing policy has ceased and, as expected, the Monetary Policy Committee has delayed making any decision regarding changes to its Quantitative Easing programme until after next month's quarterly inflation report."

However, residential property investors are mindful that rates will not remain at the current historic low forever. Results from Young Group's latest Young Index investor sentiment survey show that residential property investors expect the base rate to rise over the coming year to stand at just over one per cent by Q3 2010.

Neil Young continued: "Our Young Index results show that investors expect to see an upward movement in base rate from the current historic low of 0.5%, but that the uplift will be gradual, as you would perhaps expect when emerging from an economic downturn."

The results of the survey showed 98 per cent of investors intend to hold their residential property investments for the next 12 months, with 44 per cent saying they intended to hold their assets for at least 10 years, up from 41 per cent in Q2 2009. Of those surveyed, 27 per cent of private residential property investors intend to retain their property investments for the next 20 years or more, up from 25 per cent last quarter. On average, residential property investors now intend to hold their investment assets for the next 12 years, two years more than this time last year, according to Young Group figures.

In London, 53 per cent of investors are considering purchasing additional residential property assets within London during the next 12 months, compared to 26 per cent who are looking at opportunities in the UK outside of the capital. The outlook for London property prices is also stronger than for the rest of the UK and 77 per cent of investors believe that London prices will be at current levels or higher by this time next year, which is up from a low of 36 per cent in Q4 2008.

Expectations remain conservative over the pace of property price recovery. Landlords forecast an average property price rise of 0.73 per cent for London property - and a fall of 1.62 per cent for UK property outside the capital.

But overall, 51 per cent expect UK property prices outside of the capital to be at current levels or higher within 12 months. This is the first time since the start of the credit crunch that the majority of respondents point to a UK-wide positive price sentiment.

Just over a fifth of respondents expect the Bank of England base rate to be at the current all time low of 0.5 per cent in 12 months time and 98 per cent believe that it will remain below two per cent, well below the long term average of five per cent. According to latest Young Index results, the average 12 month base rate outlook is 1.2 per cent.

Over half, or 57 per cent of respondents cite a lack of lending in the mortgage market as the principal barrier to investment property acquisitions.