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Property investors predict base rate rise in 2010

Property investors believe interest rates will start to creep up in the next year, gaining the best part of a percentage point during the next 12 months.

As widely expected, the Bank of England's Monetary Policy Committee confirmed today the base rate of interest would remain at 0.5 per cent for the next month probably longer.

However, a survey by Young Group has found that residential investors are wary that the current low rate will not last forever, with the shared consensus being that the base rate will increase to 1.2 per cent by the third quarter of next year.

Neil Young, chief executive officer of Young Group, said: "Our index shows that investors expect to see an upward movement in base rate from the current historic low of 0.5 per cent, but that the uplift will be gradual, as you would perhaps expect when emerging from an economic downturn."

Figures also revealed that all but two per cent of investors intend to hold onto their residential property investments for the next 12 months, while over four in ten (44 per cent) intend to so for at least the next decade.

Property investors believe the outlook for property prices in London are better than the rest of the country, with 77 per cent of them believing that prices in the capital will be at the same or a higher level than they are now in 12 months time.

Investors have also echoed various property groups and organisations, with 57 per cent saying that a lack of lending is stifling the mortgage market.