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HOME - MONEY - YOURMONEY - Housing market is stifled by election

## YourMoney

Edited by Chris Torney  
PERSONAL FINANCE TEAM OF THE YEAR

### HOUSING MARKET IS STIFLED BY ELECTION



Despite the stamp duty holiday, first-time buyers are struggling to get a cheap mortgage

Wednesday April 28, 2010

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Fears grow over a hung Parliament, reports Harvey Jones

THE tight election campaign has thrown Britain into political and financial uncertainty and the housing market has not escaped the confusion.

Some homeowners have been rushing to offload their properties in case a hung Parliament destroys already fragile buyer confidence, while others have put off their sale to see what happens when the dust settles. So what impact will the election have on your property?

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The growing chance that we will have a hung Parliament could prove disastrous for homeowners, particularly if they're struggling to pay their mortgage, says Jonathan Moore.

Moore says that even if there is a clear Election winner, it won't help [first-time buyers](#). "All three parties have failed to tackle the lack of affordable mortgages, which is the fundamental barrier facing first-timers. Until finance becomes more easily available, they will struggle to buy a property. I don't see the market picking up even after the election."

There is clearly plenty of nervousness out there. The past three months have seen the lowest level of mortgage lending for 10 years, according to new figures from the Council of Mortgage Lenders.

Advances declined by a dramatic 24 per cent from the last three months of 2009.

Whoever heads the next Government must set out a robust plan for tackling the UK's fiscal deficit otherwise interest rates will rise and house prices will slide, warns Ian Baker, group managing director for housebuilding at Galliford Try Homes. "This will hit homeowners, whose mortgage repayments will increase and first-time buyers, who may struggle to meet higher repayments, especially when taxes are being raised."

However, there is some good news for first-time buyers, who have benefited from the scramble for votes, says David Bexon, managing director of property website SmartNewHomes.com.

"Alistair Darling recently suspended stamp duty on first-time buyer properties up to £250,000 for two years, while the Tories have promised to scrap stamp duty altogether on first-time buyer homes worth less than £250,000.

"This should tempt more buyers into the market, provided they can find affordable finance."

Don't expect politicians to take further action to help homeowners. "All three parties say they want to encourage a healthy housing market," Bexon says, "but they aren't doing much to create one. We would like to see them pressure State-owned banks to offer higher loan-to-value mortgages, and at cheaper rates. The difficulty of obtaining a mortgage is now the main thing stopping people entering the housing market."

Until banks start lending at competitive rates, the housing market will continue to struggle, says James Moss, director at Curzon Investment Property.

He says: "Mortgage lending is the core driver of the housing market. Without access to affordable finance, it doesn't matter what gimmicks ministers bring in. Recent Government initiatives have done little to help the market. The stamp duty holiday doesn't mean anything if you can't get a mortgage."

Whatever next week's Election result, things could get worse next year, when a £300 billion Bank of England funding programme to support mortgage lending comes to an end, and banks need to start repaying money lent by the State.

"This could mean an even tighter supply of financing, which, combined with higher interest rates, could cripple the market further," Moss warns.

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