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The Budget 2013

Curzon Investment Property commentary in the Financial Times.

£12bn aims to underpin mortgage sector

Property industry

By Ed Hammond, Property Correspondent

Having been among the hardest-hit groups in last year's budget, the residential property industry was one of the biggest winners yesterday, with high hopes that the chancellor's promise to invest £12bn in underpinning up to £130bn of mortgages would stimulate transactions across the country.

The initiative is a positive change after a grim 12 months for estate agents and property developers, which have seen trading damaged by the uncertainty stemming from the government's tough stamp duty measures and the spectre of a mansion tax.

"We started the day with no news being the best we could have hoped for and we got a little bit better than that with this mortgage support," said Charles McDowell, an independent estate agent in central London.

Lucian Cook, director of research for Savills, the estate agent, added that the Budget was a reversal of last year. "It will help a lot of people get on the housing ladder but it won't reverse ... the long-term trend towards more renting," he said. "The last Budget was bad for the top end of the housing market. This one was good for the bottom end."

The main difference with the government's latest mortgage-support scheme is that it will extend beyond new-build property to include all houses valued at under £600,000.

The decision to support the wider residential market is one that the property industry has long sought, reflecting the fact that new houses account for only a fraction of the country's £5tn of residential property.

Some estate agents and economists criticised the measure as one that will create a false floor for house prices and do little to encourage more bank lending. "If someone goes in with a 5 per cent deposit alongside the government's 20 per cent equity loan, many banks will be nervous," said James Moss, managing director of Curzon Investment Property, the estate agency. "It doesn't install the confidence to turn on the taps."

Capital Economics said most first-time buyers were waiting for house prices to fall. "By saddling them with more mortgage debt, that is an outcome this policy will help prevent," it said.

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