

DeVARGA COMMENTARY – APRIL 2013

Thank You George For The Free Beer!

On 6th March the BBC website ran the headline *Housing market continuing to improve, Halifax says*. According to them, housing sales have continued on a "modest upward trend". In the three months to February 2012, housing sales were up 1.9% from the previous quarter. Halifax housing economist Martin Ellis said *"This was the third successive increase in this measure of the underlying trend. This increase in both house prices and activity in recent months is consistent with evidence of some improvement in market conditions"*. Now we need to look at the Budget. My observations are -

- 1) The Bank of England will be allowed to let inflation rise and is encouraged to indicate the future path of rates. If there is one thing property people like it is a bit of inflation and certainty of interest costs.
- 2) A five-fold increase in Government funding for build to rent schemes and a promise of extra funds to build 15,000 more affordable houses as part of a measure to kick start the housing market.
- 3) A Government pledge to help homebuyers who cannot afford a large enough deposit by underwriting £130bn worth of mortgage loans.

So where is all this heading? I have always held the view that one of the keys to a buoyant and successful property market is the first time buyer. I consider the measures introduced in the Budget will spur those buyers into property ownership. Factor in "Bank of Mum & Dad" and all the indications are a rise in value on the property front. The equity markets think so. Take a look at the price of the shares of the national house builders before and after the Budget.

So now it comes down to where to buy and, on that front, remember the three golden rules of property ownership – location, location location. And, if you are buying Leasehold, watch the length of the Ground Lease and rising ground rents during the term. Ask yourself – how long do I envisage living here, then look ahead and see how many years will be remaining under the Lease – aim for at least 90. What looks like a cheap ground rent today may be expensive in 20 years' time.

One more tip. Another article which hit the BBC website was on 1st April. Was this some cruel April Fool's joke being played on me, I asked myself. It wasn't. It was entitled *No House Survey Is False Economy*. The article said that one in five buyers do not bother with a survey. The survey was undertaken by ComRes for the RICS.

It has never ceased to amaze me that when people are buying a house they are prepared to spend thousands of pounds in legal fees to establish whether the Title is right and yet stop short of spending hundreds of pounds in respect of establishing whether the property is sound. Whichever way you spin it, it is penny wise pound foolish. Don't rely upon the Bank's mortgage valuation. Get a structural survey, now called a building survey. Either way you are buying yourself an insurance policy.

I cannot resist finishing this newsletter without noticing that according to Price Waterhouse Coopers the scrapping of the planned increase in beer duty of 1p per pint works out at one free beer for every 300 consumed. Cheers George - mine is a Peroni.

Matthew S Martin FCI Arb FRICS

STOP PRESS – We have been listening to our clients. Therefore I am delighted to advise we have enlisted the services of Mr A (Adrian) Gibbs and Mr A (Andrew) Stokoe as Consultants. Adrian is a construction lawyer and advocate having an abundance of experience in Adjudication. Andrew is a structural engineer. He has outstanding skills in property structure and subsidence issues. I have used them on many occasions. They are good at what they do.