

## Cooling Housing Market

"The Bank of England will be comforted by today's news which shows its monetary tightening is taking effect," said Thushani Gajasinghe, an economist at the Centre for Economic and Business Research.

"With a further quarter-point rate increase possible in the third quarter, consumer lending may cool further."

But now, after a fourth quarter-point interest rate rise in just nine months – and another seemingly on the horizon – are the bears among the property commentators finally about to be proved right?

So what does this all mean for the property market at the moment?

It would seem to reconfirm that we are essentially in a flat market still, except London who are experiencing double digit growth still. All this may change off course if interest rates rise any further, as those with the largest mortgages will be hit the hardest. This could mean a transition in the market as people downsize to cheaper properties creating a demand for first time buyer properties. It all boils down to the old fashioned fundamentals of affordability.

Property indices suggest growth had already started to cool off in the months preceding last week's base rate rise.

Research from Nationwide, for example, showed that average house price growth between February and April fell to just 2 per cent – the lowest three-monthly increase since last August, when the recent cycle of rate rises began.

Prime locations such as London are also more immune to interest rate rises because of a high level of cash buyers and overseas investors. But other areas – such as the north-west and the East Midlands – are more vulnerable. Although wages have also increased, homeowners are having to set aside a higher proportion of income to cover their mortgage.

According to research at Experian, the housing markets in the south west and midlands will see the steepest corrections. The East Midlands is forecasted to for a 3.7% decline to mid 2009. With the West Midlands expected to see a 4.0% decline in house prices.

If you are having difficulties with servicing your mortgage debt, Sell Your Home Quick are happy to provide advice on getting your payments back on track. And we will endeavour to help those unfortunate to have repossession orders up until the last few days of eviction. We will also rent the property back for a desired period of time at a rent you can afford.

James is the founder of Sell And Rent Back. The site exists to help people to sell their house quickly, normally within 4 weeks, at a fair price and with minimum hassle.

### About the Author

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