

Houses became a bit more affordable last year

In the year to February 2019 house prices edged up by just 0.6% nationwide, whilst average earnings advanced by 3.4%. Housing just got a bit more affordable.

There was a north-south divide, with London prices down by 3.8% and South east house prices down by 1.8% whilst prices rose in all other regions bar one. Prices were particularly strong in Wales, Northern Ireland and the North West of England.

Some will say this is good news. We want more people to be able to afford to buy a home of their own. These recent changes make homes a bit more affordable, without pushing recent buyers into heavy losses shortly after buying.

If you live through a house price collapse, as we did in 2009 during the credit crunch, people struggle to take advantage of the fall owing to the general shortage of credit and the risk of losing their job. Others who have recently bought can end up in a bad position. If they lose their job and main income they may have to try to sell their house into a falling market and end up with a nasty capital loss.

The recent squeeze on house prices has come from the tighter rules over mortgage provision. Banks are under instructions to limit the multiple of earnings they can advance and to demand bigger deposits from the buyers. Higher stamp duties have hit dearer houses where the price falls have been largest.

The issue is how far do we want this to go? Whilst it means more affordable homes, it does not necessarily mean more people manage to buy these homes. If house prices fall because of shortage of mortgage credit, that remains an obstacle to more people fulfilling their dream of a home of their own. Meanwhile the government that says it wants homes to be more affordable continues with penal Stamp duties on many buyers. The London market in particular, where the average price is so much higher, is being badly damaged by high transaction taxes. It gets in the way of people downsizing and upsizing, moving to minimise their travel to work, and impedes people buying to restore an renovate.

When will the government listen to the need to cut Stamp duties some more?