

Uncertain property market: Is now the time to fix?

House prices climbed 4.5 per cent over the last year, leaving the average property in the UK worth $\pounds 163,166,587$.

That's according to the March Halifax House Price Index, which also reported that prices actually fell in February by 1.5 per cent. But does a monthly fall mean further declines are likely?

'No', says David Newnes of Your Move Estate Agents. "We always knew the recovery in the housing market would have bumps along the way, but don't assume this heralds the start of a new downturn.

The arctic weather conditions and the hangover from ending the stamp-duty holiday have taken a temporary toll on prices," he said. And that's likely to be the story of the year.

Election hampers housing market

Property expert, Nigel Lewis of FindaProperty.com says: "With an election coming up and buyers waiting to see who will be in charge, it's bound to be a stop-start year for lending."

"This means we'll see monthly rises and falls in house prices as demand and supply fight for supremacy - but we're likely to end the year in the same position we started."

So anyone thinking of buying or selling their home this spring is going to have great difficulty getting the timing right. The ideal situation, of course, is to sell on a wave and buy on a trough, but trying to play that game and guess the right conditions is a gamble which is easy to lose.

In fact, the rise in property prices since last year has led to an increase in the number of people remortgaging, says Ray Boulger of John Charcol, the mortgage advisory firm.

"The bounce in property prices since the low nadir early last year has increased some borrowers' equity sufficiently to make remortgaging worthwhile," he says. "On top of that, more competition and a modest reduction in some funding costs for lenders has resulted in lower rates for both new fixed and tracker [mortgages](#)."

Remortgage or wait for better deals?

The question, then, for many borrowers is whether to remortgage now or wait for potentially better deals, but that may depend on what happens to base rates. They have remained at 0.5 per cent for a year but a May general election could be the catalyst for interest rates rising.

The next monthly rates decision is due on 8 April, but most experts agree that the Bank of England will make no changes at that time. In fact, a poll of economists in February predicted that a rise in the base rate to 0.75 per cent won't happen until the fourth quarter, so around October to December 2010.

The uncertainty surrounding interest rates could be an argument for fixing your mortgage now, says Martijn van der Heijden, head of mortgages at HSBC. "The next few years are going to be difficult to predict in terms of mortgage rates and some volatility for borrowers may well be unavoidable," he says. "The message for borrowers is that if you couldn't afford an increase of up to three per cent on your mortgage, you should seriously look to fix your payments."

People opting to fix

Mortgage broker Countrywide says it has noticed an increase in the number of people opting for fixed rate loans "As speculation mounts over house prices and inflation we've seen a marginal uplift in the volume of fixed mortgage applications," says Grenville Turner, Countrywide's chief executive. "The forthcoming election could unsettle the market and impact any economic recovery and customers are increasingly looking for the certainty of a fixed rate mortgage."

Although fixing your mortgage can add certainty to your monthly outgoings, you should still look carefully at the costs and penalties attached. Application fees on the best deals are high, and many lenders look to tie you in with high penalties if you decide to switch before the fixed rate period has ended. It means it's essential to do your sums before signing up for a new deal.

About the Author

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