

Market View

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Each week TheBusinessDesk.com asks experts from Yorkshire's property community for their views on a burning issue affecting the market.

This week's question is:

Will last week's interest rate cut help the property market or was more drastic action required by the Bank of England to aid the economy?



Matthew Hopkins, investment agent at Gent Visick:

"The recent interest rate cut was in my view intended to help the man on the street with their mortgage payments and had little to do with the difficulties being seen in the commercial property sector.

"Assuming the Bank of England are acting from pressure at government level, it is already evident that Gordon Brown and Alistair Darling have little sympathy to the current plight of the commercial property market, as was seen when they refused to back down over their changes to the vacant rates liabilities as of the start of April this year.

"This significant increase in tax burden will hit developers, property investors and occupiers alike, and comes at a time when the commercial property market is already experiencing its most turbulent period in almost a decade.

"The issue with the recent interest rate cuts is that they are simply not being

passed on by lenders. It would be easy to criticise but with the international credit crunch hitting the UK banking sector hard, these small incremental reductions to the Bank of England base rate are simply not having any significant effect on the LIBOR which is a far more significant figure to the banking sector as it is this rate which dictates the effective cost of money within the sector.

"Until we see the Bank of England reductions being mirrored by the LIBOR we do not expect to see any significant change to the current picture.

"Property investment is being hit not by the lack of interest in the market but by the availability of finance, at least on terms which are attractive to the investors. This is likely to continue until liquidity in the market returns, this is not going to be driven solely by some tentative Bank of England base rate reductions but will be part of a significantly more complicated package of measures, required to increase liquidity and equally importantly confidence in the financial markets.

"Bank of England base rates reductions are not a bad thing for the property investment market but until the government stop trying to use them as a headline grabber whilst increasing the tax burden and stifling development through changes such the new vacant rates bill, then the impact is going to be marginal."