

Jonathan Davis speaks to aboutproperty

Thursday, 08 Jan 2009



Jonathan Davis

By Sarah Garrod

Jonathan Davis, of Armstrong Davis Chartered Financial Planners, has arguably been the most accurate forecaster of the economy and markets in the last few years.

Jonathan has precisely and consistently predicted the markets, a talent which recently saw him appear on Tonight with Trevor MacDonald.

As interest rates were cut to 1.5 per cent today, their lowest rate since the establishment of the Bank of England in 1694, aboutproperty.co.uk interviewed Jonathan for his views on the announcement and for what his predictions might be for 2009.

So what is Jonathan Davis's take on today's events?

"The interest rate cut won't help the housing market, although those with tracker mortgages will be helped a bit.

"The big picture is that every major central bank in the world is out to try and help get economies going, and it was inevitable that interest rates were going to implode.

"Tax will rise after the next election, inflation will rise after the next election, and the economy is in a dreadful state. It is just not a good time to buy a property."

What does the forecast for 2009 look like then?

"With fast rising unemployment and continued restricted (and worsening) lending, prices will fall at least as far and possibly further in 2009 as in 2008 with a forecast 15 to 20 per cent fall in 2009.

"Rents are falling – this is good for renters. But I forecast two thirds of estate agents will go out of business or branches close.

"There will be something of a return to, not a housing based economy, but a manufacturing one. This will take a long time to happen. There will also be a huge numbers of repossessions."

What would you say to first-time buyers hoping to purchase this year?

"Don't. Not for perhaps two years at least. Unless you can get 30 per cent off from normal asking prices. It is not a property ladder right now – it is a snake. Even when it is a ladder it requires more and more debt, which is not prudent unless you get out at the top."

So what are the positives in all this?

“Renters will be able to buy in a couple of years at more realistic prices. Those who wish to move to a bigger or more expensive property will see them get closer to the opportunity. House prices from 2003 or 2004 have been unrealistic. It was fuelled by easy lending. This level of lending will not return for many years, if at all. Prices will return to 2003 levels definitely, 2002 probably, and possibly 1999.

Finally, any advice for our readers?

“People should not follow the herd in finance. They should buy low and sell high – whatever they are investing in. They should seek sound impartial advice and not from commission-taking snake oil salesmen. Also, they should say to themselves – if it seems too good to be true, it probably is.”