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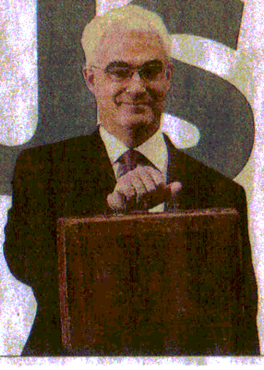

BUDGET > 4
Vhat to expect
n Wednesday

MAMMON > 7
Best Buy boss poised
for UK shopping spree

MEDIA > 12
How TV licence fee can
keep newspapers alive

Question of the week

Should first-time buyers get on to the housing ladder now?

YES

says Peter Rollings
Managing director of estate agent Marsh & Parsons

Before any of you roll your eyes... yes, I am an estate agent. So, presumably, I would say house prices have reached the bottom?

Wrong. Contrary to popular opinion, being an estate agent does not automatically mean I want house prices to go up. I am interested in selling houses, which means I want a stable property market – not one where people have to borrow nine times their income to afford their first home. That's not conducive to good business and, as has been proven, is unsustainable.

Being an estate agent does mean I'm at the coal face of our property market, giving me a head start on the publicly available statistics, which are often months behind reality. And, in recent weeks, I have been more and more convinced that we're beginning to scrape the bottom of this curve. The facts and figures all point in one direction, and it's no longer down. If you're looking for your first home, more than 20 years' experience – and working through two previous "busts" – tells me now is a good time to buy.

The banks are beginning to lend more money – official figures from the Bank of England are encouraging for the start of the year. Not only is there more money to lend, it's gradually becoming more affordable. Just last week HSBC began offering first-time buyers 90% loans again. In lieu of the credit crunch, its decision to award a mortgage to a borrower with a 10% deposit is significant – it means the banks believe prices are stabilising.

Increased mortgage finance feeds through into the number of homes sold, and, consequently, helps to support prices that have already fallen between 25% and 35% from their peak in July 2007. Although not a trend yet, Nationwide's latest house price index indicated prices rose slightly in March. Property isn't a short-term punt: it's a home, an investment for the future, or both. Whichever way you cut it, the discounts on offer at the moment make property an attractive place to put your cash. With interest rates virtually nil, it's also cost-effective.

Conditions won't always conspire to make it the best time to take the plunge. London has seen a huge increase in the number of people interested in buying in the first quarter of 2009 – more than 3,000 new buyers have walked into our offices since January. The number of properties on the market is simultaneously down 50%.

With mortgage finance beginning to recover, the simple law of supply and demand will support house prices. London is historically a good litmus test for the rest of the UK – it was the first to go when property prices started to slump – and I believe we're beginning to see the first signs of stability.

For first-time buyers, now is the best opportunity in years. House prices are back where they were in 2004 and mortgage finance is affordable for people with a deposit. Calling the bottom of the market is no mean feat, but the crucial thing for first-time buyers to remember is that it really doesn't matter if they manage to buy *at* the bottom or just *near* the bottom. People keep their homes for several years. A further dip in house prices for the next three months isn't going to affect your financial stability three years down the line.

There's light at the end of the tunnel – and it's not an oncoming train.

The key to deciding when to buy? Timing is crucial for first-time buyers. Getty Images

NO

says Jonathan Davis
Managing director of financial advisers Armstrong Davis

Can you hear the siren songs calling you to buy property?

Interest rates are low. The banks have been bailed out. Barack Obama will save the world. It's spring and the sun's out. Prices are down. There will never be a better time to buy property.

But wait. Isn't that the same thing they said last year, and the year before last, and the year before that one?

My advice is: don't buy property – yet. Look at history. In the early 90s, the property recession lasted around five years. What are the differences this time?

Where does one start? Last time we didn't have the biggest global

WHAT DO YOU THINK?

Is now the time for first-time buyers to strike while house prices are at a five-year low? Or do you think the market has further still to fall?

Write to Cash, The Observer, Kings Place, 90 York Way, London N1 9GU, email cash@observer.co.uk or join the debate online at guardian.co.uk/money financial and economic collapse in about 80 years. Last time we didn't see unemployment potentially rising from 1.7m to well over 3m. Last time we didn't have 10% or so of the housing stock owned by buy-to-letters who are struggling to find tenants to pay their mortgages. According to estate agents Knight Frank, during the past year demand for renting has increased by 20% – however the supply has increased by 67%.

Prices will carry on falling. "What's that?" you say, "Nationwide reported a 0.9% rise last month." Well, Halifax reported a 1.9% fall.

Inevitably, after about a year and a half of monthly falls, there will be the odd statistical aberration in the trend. But I contend you do not have a 15-year bull market, ended by the biggest financial crisis since before the second world war, and a house price crash that lasts only 18 months.

Last time we didn't have nearly the same problems as now (not even close) and that crash lasted from around 1989 to around 1994, depending on what part of the country you were in.

This crash has at least a couple of years to go. In other words, prices, which have fallen around 25% since the autumn 2007 highs, have roughly a further 20% to go. So, for example, a house sellable at £450,000 then is now sellable at £340,000. (Sellable is entirely different to marketable – I despair sometimes when I still see ridiculously high asking prices that bear absolutely no relation to economic realities.) I expect that sellable price (ie the true market worth) to go down to £250,000 by perhaps late 2010 to late 2011.

Whatever market you're in, whether it's central or outer London, the home counties, Scotland, Northern Ireland or south Wales, prices will continue falling. There are huge bank lending restrictions and this will continue for many years – we have only seen some of the bank bailouts we are going to see.

To get the best mortgage rates you need a deposit of 30-40%. There will be a huge rise in unemployment. There will be large numbers of buy-to-let repossessions, which will be sold for far, far less than bought for.

So, if you're a first-time buyer, I suggest you wait at least a year (preferably two) before buying. The caveat is, if you can get 30-40% off the current asking price (down around 10% from the highs), sure, go for it.

If you're uncomfortable living in your folks' house, then find a rental (there are plenty out there) and get a two-year lease.

Not buying now could be the best financial decision of your life – allowing you ultimately to pay off your eventual mortgage early and retire early.