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Mortgages: move quick for the best deals

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Interest payments are likely to rise in the summer so get a bargain now - there are plenty to choose from

Brokers have for months been warning buyers and homeowners that interest rates could rise in the next month or two. But this week economists frantically revised their rate rise predictions as it was revealed that a supermarket price war has forced inflation down for the first time in eight months.

Experts now say that the Bank of England is unlikely to raise rates until late summer, and some lenders have already started to lower their fixed and tracker rates. Indeed, many had already begun to do so in recent weeks, in order to balance their books by luring buyers away from the five-year fixes and on to two-year fixes and trackers. So is now the time to remortgage — a small window of opportunity for those who were worried that they had missed the boat on historically low rates? Or have all the best deals already gone?

When will interest rates rise?

BNP Paribas and JP Morgan were among those who pushed back their predictions this week, from May to August. However, Melanie Bien, director of Private Finance, an independent mortgage broker, says that it is “only a matter of time” and that she still expects rates to hit 2 per cent by the end of next year. A hike of just 0.5 per cent would add £39 to monthly repayments on an average £150,000 loan.

So is now the time to remortgage?

A number of lenders have reduced their fixed and tracker rates in the past couple of weeks, perhaps because they want to encourage more people on to two-year fixes. Bien says that there are plenty of competitively priced options for those considering remortgaging in the short term, particularly for borrowers with sizeable amounts of equity in their homes. Abbey has cut its two-year fix at 60 per cent loan-to-value (LTV) by 0.1 per cent to 3.44 per cent. At 75 per cent LTV it has cut its two-year fix to 3.79 per cent and its five year-fix to 5.19 per cent.

Should I get a fixed or a tracker?

There are some excellent fixed rates around, according to Aaron Strutt, of Trinity Financial, a broker. For example, the two-year fix at National Counties Building Society at 3.09 per cent with a 25 per cent deposit and £495 fee. Some trackers have also fallen, as more people opt for fixed rates in anticipation of rises. However, the real deals are to be found where penalty fees and early redemption charges (ERCs) have been lowered or removed, for example on some of the ING Direct fixed-rate deals. HSBC has also dropped all of its tracker fees and early repayment charges, while Newcastle Building Society has launched an early redemption charge-free two-year fix.

Bien says: “Many borrowers are opting for this at the moment, as it gives you the best of both worlds. But remember you will pay a higher rate if you wait until rates are rising before opting for a fix.”

Market quotes

“I’ve noticed in the past two weeks a change of sentiment. The sun is shining, the budget is behind us and people are coming to the conclusion that they may as well get on with their lives. There is activity in the lower end to middle market, with properties between £150,000 and £400,000 beginning to show signs of movement — not in price but in sales.

“There had been a downward drift in prices but I hope that has now been arrested. The top end of the market tends to be fuelled by bonuses, and that has been very quiet. There are a few first-time buyers with deposits from their parents but it is 10 per cent of what it was, and what it needs to be, to have a properly active market. The banks are still not lending, or taking their time lending, and creating obstacles.”

Clive Rutland of Rutland Chartered Surveyors in Southampton
“Things have picked up again, the market is very up and down, there is no pattern to it. The market is very active at the moment and pretty much everything is attracting interest. Considering the year we have been through, it is very good. There are a few first-time buyers too. But let’s just say that vendors have to be realistic about pricing. Easter is often a disappointment because people go away, so I don’t hold out much hope for Easter, but hopefully it will pick back up afterwards.”

Martin Pendered of Martin Pendered & Co in Wellingborough, Northamptonshire

"The year started off promisingly but that momentum has just dropped away over the past month to six weeks. There has been an awful lot of bad publicity about austerity measures and people are still very concerned about job prospects. It is encouraging to see that there are more mortgage products now but there is still an absence of first-time buyers, and with deposits so high we have a generation of renters. Rentals here have increased and the quality of properties to rent has improved because there are more reluctant landlords, people who can't sell and have made the decision to rent. We've even had the odd situation of a bidding war on rental properties.

"There are still very few new houses being built as builders are still delaying until conditions get better. There is a lag between us and London and so if the market is moving in London and the South East we might start to see things pick up in 6 to 12 months' time."

Alex McNeil of Bramleys in Halifax and Huddersfield

"We are seeing steady movement in the market and as long as prices are kept realistic we are making sales, albeit not in the volumes we would like. Although if we have decent weather over Easter, the royal wedding and May Day, people would rather go on holiday than look at properties. If the weather is bad we will probably get more hits on our websites.

"On the positive side, Easter is a time when all the family gets together and makes decisions so we might find we are busy in the period afterwards. How things pan out in the longer term will depend on how hard the [public sector] cuts bite. The good thing is that mortgage funds are looking more available than they were. It will be interesting to see what happens when the assistance for first-time buyers starts to filter down; it would be good to see a return to that market. We are letting an awful lot of property at the moment which suggests that many people just don't want to commit to buying."

John Andrews of Doolittle & Dalley in North Worcestershire and South Shropshire

"The early spring market has been surprisingly strong in prime Central London, where prices are once again rising at a substantial rate. But was this was due to the rush to beat higher rates of stamp duty or whether it will continue beyond April? Our market strength indicator is positive, so this may not be a blip.

“The austerity economy is discouraging risk and for now bonus money is “trading up” in town rather than risking a lifestyle change to the country in these times of economic uncertainty. We expect that the country markets will once again follow where London leads — and there are signs of increased buyer activity — but that there will be a longer delay and the upturn may not be properly seen until 2012, driven as much by an improving economy in the South East as London’s growth.
“Meanwhile, the mainstream housing markets beyond London continue to languish. We are not in the camp forecasting another house-price crash, but it does seem increasingly likely that there will be no growth or small nominal falls throughout 2011.

Yolande Barnes of Savills

“March and April are quieter than January and February and quieter than we would like, viewings are down and we are not seeing the same level of instructions come to market. The bad world and economic news has taken the heat out of the market. The properties that are selling are the real gems — the typical Devon farmhouse with five acres for £500,000 to £600,000. “We don’t see many first-time buyers. But what is interesting is that five years ago I would say that 80 per cent of people were buying bigger homes — now 80 per cent are selling to buy smaller homes. People in their fifties and sixties who want to retire and take things easier and not be so leveraged.
“We had a downward chain recently. Someone sold for £3 million and bought for £1.2 million, the £1.2 million seller then bought for £600,000, the £600,000 seller then bought for £250,000; these used to be rare but they are becoming more common.”

David Lewis of Stags estate agents in Totnes, South Devon
We rate the latest reports from the property market, from doom-laden to optimistic

Prices fell in 10 out of the 12 regions of the UK in March, according to the Chesterton Humberts’ Poll of Polls. This survey shows an increasing divergence between the top 20 per cent of homes and the lowest 20 per cent. The growing inequality of borrowing opportunities could further accentuate this hierarchy.