Property that is for sale in the Island continues to fly off the shelves, fuelled by the lowest mortgage rates ever, it will likely continue to do so.

Demand over supply may result in ever increasing sale prices, which could prevent the majority of First Time Buyers from achieving their dream of owning their own home. So where will this end and how can the problem be cured?

FIRST TIME BUYERS

New apartments currently under construction have attracted a lot of attention from first time Not too long ago, First Time Buyers may have aspired to own a three-bed house, with a garden and several parking spaces. While this may not currently be achievable, they might need to adjust their expectations, to the reality of a two-bedroom flat.

BUILD UPWARDS

Responding to this need, the Government might need to build more homes – maybe in St Helier on the sites of empty office and commercial spaces (avoiding the Green Zones). While this might break the golden rule to not construct high rise – all four high rise blocks at Le Marais have been a success, so they might need to consider continuing the theme. One possible solution could be to restrict the development to just one part of the Island, rather than peppering high rise blocks everywhere.

PRIVATE ENTERPRISE

To avoid the need to involve the Taxpayer, maybe these new projects could be funded by private entrepreneurs and builders. With a requirement to work to a standard, which would dictate floor area and fit out quality, so as to keep the sale price within First Time Buyer affordability.

OVERVIEW NEEDED

Rather than curing the problem, any plan should to be run in conjunction with a robust policy that embraced population control, car ownership, training and apprenticeship schemes for young local people. Not only in agriculture, tourism and the building industries, but also in banking, law, trust and accountancy.

INTEREST RATE INCREASE

Many of the buyers who are contributing to the current surge are able to do so due to the exceptionally low cost of borrowing. It is important to remember that interest rates, like many things, are cyclical, and if and when the Bank of England feels the need to increase Base Rate, it is possible that the brakes will start to be put on property prices. This can be best illustrated by the cost of a typical mortgage of £500,000 over a 25-year term, where at an interest rate of 1%, the monthly repayment will be an acceptable £1885. However, should that rate creep up to 5%, then the monthly cost would increase to £2929, which may well be too expensive for many purchasers. Should these higher costs result in future first time buyers or homemakers being put off from buying, it may in turn result in prices levelling out or even falling slightly, but, as ever, this remains impossible to predict.

The Best Rates...

Pick of the Bunch
(% loan to property value/price)

60%	2 year fixed	1.09%
60%	5 year fixed	1.33%
60%	7 year fixed	1.49%
60%	2 year tracker	0.94%
85%	2 year tracker	1.39%
85%	2 year fixed	1.44%
85%	5 year fixed	1.73%
90%	2 year tracker	1.94%
90%	2 year fixed	1.94%
90%	5 year fixed	2.09%
60%	BTL 2 year fixed	1.64%
60%	BTL 5 year fixed	2.08%

* Rates correct at time of printing | BTL = Buy to let mortgage.

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