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Half the country' to see house prices fall

Half the country will see house price falls in the next 18 months driven by the knock-on effects of the worldwide squeeze on credit, according to a study out today.

Mortgage lenders are taking a much tougher line on the amounts they will lend and which customers they will accept. Both factors take buyers out of the market.

On top of that, nervous buyers are expected to hold back to see what effect the credit crunch has on property.

Price falls are expected in half of the regions by the middle of 2009.

In fact the UK economy and housing market will become direct casualties of the current worldwide credit crunch.

We expect the economic growth to slow from 3.1% this year to 2.1% in 2008. The downturn in consumer demand is more abrupt, with demand growing by less than 2% year-on-year. Only significant reductions in interest rates bring an upturn from 2009.'

We expect the UK housing market to suffer over the next two years. House prices are forecast to record the lowest annual increase since the mid-1990s, while repossessions are also set to reach 15 year highs..

The City of London bonus culture and property shortages will prop up the market in the capital, with prices expected to rise 6%. The situation could turn out to be even worse. Lenders may come under further intense pressure to curb lending. This could easily spill over into the housing market and result in price falls in all regions.

A number of studies have predicted property market stagnation over the next two years. The International Monetary Fund has gone further and warned of a slump.

There is further evidence of the pressure felt by families hit by interest rate rises and increases in other household bills yesterday.

Daily Mail
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