# 12 WAYS TO KICK-START THE PROPERTY MARKET

(OR AT LEAST YOUR CORNER OF IT)

MICHAEL BARRETT
BARRETTS SOLICITORS

# 12 ways to kick-start the property market (or at least your corner of it)

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**‘12 ways to kick-start the property market (or at least your corner of it)’**

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# About us

Michael Barrett and John Adler. We run Barretts Solicitors. We do property law. We don't do divorce, litigation or crime. Just property.

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# Our petition

www.realpropertyblog.co.uk.co.uk contains the petition we hope you will sign to get the Government to allow self-administered pension funds to buy residential property to let.

# Our wiki

www.homeandmoney.co.uk is our step-by-step guide to buyers and sellers. The aim is to include absolutely everything a buyer or seller would need to know in the course of a transaction. It's set up on the basis of Wikipedia.

# Our blog

www.realpropertyblog.co.uk is our blog on property matters.

# Our website

www.barrettssolicitors.co.uk is Barretts Solicitors' website

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## Chapter 1

# The problem

We are property solicitors. You are estate agents. We all need the same thing - market activity. From a personal point of view, I would like prices to go up, but from a business point of view that isn't what really matters. In fact, actual increases in property prices have a minimal effect on fees and, as we have seen only too clearly over the past couple of years, if prices go up too fast the result is a crash. I just want to see lots of properties changing hands. The real threat we all face is lack of turnover.

In the financial markets, the Government has taken urgent and quite innovative steps to try to avert a depression. The whole strategy is to do with getting people to spend. Spending is what keeps the whole carousel turning. Some of the Government's actions may help revive the property market. For example, actions to encourage banks to start lending again, and reducing interest rates to make it easier for people to afford their mortgage payments. But it seems to me that there are a lot of other steps the Government could take which would specifically re-energise the residential property market.

I would like to propose some actions which could restore activity to the market. This book is intended to explore these options, and also to make some suggestions on things you could do which would allow you to make the most of your opportunities to get deals agreed and then completed.

What is the biggest missing ingredient in today's property market? - first time buyers. If all things were equal, a market in which prices have dropped 20 to 30% in the last year and a half would be an ideal time for first time buyers. It would have brought the

lowest rung of the property ladder within their grasp. If things had continued as they were in the years up to August 2007, many people would have given up hope of ever getting a toe-hold on the property ladder. But now ought to be a golden opportunity for them to start buying. But they are not buying. Why?

It seems to me that there are two reasons why first time buyers aren't swarming estate agents' windows. First, it's obviously not encouraging to them when the newspapers predict doom and gloom every day. Second, even if they are brave enough to buy, they can't get a big enough mortgage.

I actually don't think the first issue is a major problem. Now that the property market has already fallen 20 to 30% in central London, I think most people don't really expect to see it fall a great deal further. Middle-aged people might worry a lot about how they can afford things, but young people generally don't. That's why they were prepared to take on mortgages at six times their salaries in the early 2000s. So I reckon that if it were possible for someone in their late 20s to buy the flat or house they want, they would just jump in and do it. Since they haven't been in the market before, they haven't been scared off by the experience, and they should have a general optimism that prices are going to go up soon.

So, take the second issue – that a first time buyer can't get a big enough mortgage. The crucial problem here isn't that lenders are reducing the amount they will lend people, based on their salaries. Certainly, if your income is £40,000, you probably can only borrow in the region of £150,000 in 2009, based on your salary (while you could perhaps have borrowed £200,000 in 2006). But that isn't a fatal problem in itself, because the property you want to buy, which was £200,000 in 2006 has now very conveniently come down to £150,000. No, the big problem, is that lenders will no longer lend 100% or more of the value of a property. In 2006,

anyone with a decent salary could borrow the money to buy a home and the money to pay for the fees and stamp duty as well, and probably a holiday on top. But now, lenders aren't prepared to provide much more than 85% of the value of a property and, in many cases, not even that. In fact, to get the best loan terms, buyers have to be able to put down between 20% and 40% of the purchase price from their own funds. This is the major problem. Buyers have to save their deposit once again, and it's not even 10% as it was in earlier decades – it's more like 20%. In fact, according to the Council of Mortgage Lenders the average deposit needed by buyers has doubled since 2007.

Saving money doesn't just go against God's law (as far as most potential buyers are concerned) it is also very hard to do. If you earn £40,000 a year, how many years is it going to take to save £20,000? For a start, you don't actually have a £40,000 a year salary out of which to save; you have a £30,000 salary, after tax.

So, as I see it, the real enemy of the property market – the reason why it could take years for activity to return – is that it's going to take years for first time buyers to save up the money they need to put down a deposit on their first house or flat. If there are no first time buyers, chains can't work.

MICHAEL BARRETT
20th January 2009

## Chapter 2

# Allow pension funds to buy residential property

This is my first proposal to solve the problem of no first time buyers – replace them with pension money.

The Government could actually go a long way towards successfully reinvigorating the property market by a single, simple change in the pension legislation. You may remember that there was a lot of excitement a few years back when the Government announced that it would allow people with self-administered pension schemes to invest in a wider range of assets than had previously been the case, including residential property.

But then came the backlash. It was pointed out that the rich would be able to buy their own homes, and get tax relief in the process (because the money put into their pension schemes escapes income tax). Meanwhile, the less well off would have to fund their mortgages out of their taxed income in the normal way. So the idea was dropped soon after it was first announced in the budget.

The way the current pension rules now work is that you *can* invest your pension fund in residential properties, but you then have to pay the 40% income tax on the money you invest - which totally defeats the purpose of setting up a tax free pension scheme. So everyone invests in shares and commercial property instead, where the money invested remains tax-free.

Small self-administered pension schemes have over £1,000 billion[1] of assets under management. Imagine what the effect would be if even 1% - £10 billion – were to be looking for a home in residential property.

This is my plan. We lobby the Government to change the pension rules to allow pension funds to invest in residential property just as they can in any other investment. The Government could still keep to their principle of forbidding people from using their pension funds to buy their own homes. In fact, that's really essential for this plan to work. What we want is that people should be able to go out and buy houses and flats as investments to let, not to buy their own homes from themselves. Since the whole point of this is to kick-start the property market, it could even be made a condition that the pension fund must buy from an existing owner occupier, or from a developer.

Being able to invest in residential property would, I think, also be very attractive to people with pension money to invest. People understand residential property. They don't mind buying flats and renting them out, but only the most sophisticated would feel happy with buying an office block or a parade of shops and letting them out. Since the property market has already fallen a great deal, and the people in question have experienced nothing but rises over the past 30 years – give or take the odd blip – they should have the confidence to buy. They won't be concerned if the property market goes down another 5% or 10% this year, because their plan is to let the property out long term and they

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[1] £1,065,000,000,000 according to the Association of British Insurers: *Data Bulletin*, September 2008

will be reasonably confident that prices will recover. In the meantime, they're getting their letting income.

This plan should be even more attractive to the investor because the Government has been cutting interest rates to the point that savers earn almost nothing. As a result, there is absolutely no advantage to people with pension funds for the money to be stuck in a deposit account. They want to be earning an income, and rent has always been a reliable source of income.

There will also be a ready pool of renters looking for properties to rent. For the next few years, while many potential buyers are going to have to save large deposits before they can buy a home for themselves, there is going to be an exaggerated number of renters, and this plan will help sop up that excess demand.

Once the pension fund buys the property from the person at the bottom of the chain, the whole chain of transactions can then go through, generating activity for all the estate agents and solicitors involved.

This is surely a win-win situation for everyone. The Government want to prop up the property market and this would certainly help. They were going to allow investment in residential property anyway until 2005, when it ran into political objections. (I doubt there would be the same political objections to it today.) The money in these funds has to be invested somewhere. Stock markets are dangerously volatile and the Government certainly doesn't want money kept in deposit accounts. Residential property is a familiar and relatively safe place for the pension fund owners to invest their money. We call it a crash when property prices fall 20% in a year. Royal Bank of Scotland just lost 80% of its value in two days. There's no question that many investors would still consider investment in the residential property market as relatively safe, and rightly so. When

everything is going down, it's an advantage to invest in whatever is going down the least.

The idea of allowing self administered pension funds to invest freely in residential property seems obvious. A lot of brilliant ideas seem obvious, but only after some genius has come up with it. I wish I could claim it was me. In fact, the idea was given to me by Kelvin Jarvis, one of my partners in a property company.

If you go to the petition we have set up on our website, which is www.realpropertyblog.co.uk you can register your support for the idea. We want to get as many property professionals as possible to support the petition and then we will send it to Gordon Brown.

# Chapter 3

## Borrow the deposit from the seller

This idea is based on a mortgage fraud. That may not sound like a promising start, but hear me out.

This is how the fraud works. It's a fairly new fraud, aimed at getting round the fact that buyers can't borrow 100% mortgages any more. A buyer wants to buy a seller's flat. They both reckon it's worth £200,000. On his income, the buyer can probably raise a mortgage of £200,000, but he doesn't have any savings and the lenders will only lend 90% of the value of the property. So the buyer and the seller agree that, on paper, the purchase price is going to be £220,000. In the current market, no one really quite knows what properties are worth, so the bank's valuer may well accept that value.

Lenders have cottoned on to the risk of values being artificially inflated, so nowadays they make us, the solicitors, confirm how much money is actually changing hands. So this fraud depends on there being an actual £20,000 of cash to change hands at exchange of contracts. The seller does have a bit of money behind him, and he comes up with the £20,000, which he transfers into the buyer's bank account before exchange of contracts. The buyer sends this to his solicitors who pay it to the seller's solicitors at exchange contracts. The seller gets it back at completion. Also at completion, the 'balance' of £200,000 is paid out of the mortgage advance from the bank. The seller is happy because he has got the money he always wanted. The buyer is happy because he's actually succeeded in getting a 100% mortgage (by deceiving the lenders into thinking they are lending £200,000 on a £220,000 property, and that the buyer is putting up £20,000 in cash). There's an element of risk on the seller, but only if the buyer were

to disappear completely. But the buyer is probably much more interested in getting on the property ladder than he is in the prospect of running off with the seller's £20,000, and anyway he has a job, and disappearing isn't that easy or practical.

When one of my clients asked what I thought about it, it made me think of an alternative which actually would work, and be legal.

Take the same facts. The seller is going to sell the property to the buyer for £200,000. Instead of inflating the price, they play it straight, and the buyer borrows 90% - £180,000 - from his bank. This leaves a shortfall of £20,000. The seller agrees to leave this outstanding as a loan to the buyer. In other words, there is a genuine sale going through for £200,000, of which £180,000 – the amount being provided by the bank – is payable at completion, and £20,000 is payable, say, two years later.

The bank lending the mortgage would have to give their consent, but they shouldn't object. The bank isn't trying to make a moral point that buyers must go through the purgatory of saving £20,000. They're just trying to make sure that they have a large margin of security for further drops in value. So if they get the first mortgage on the property for £180,000, they shouldn't much care whether the seller does or doesn't eventually get his remaining £20,000. The way the mortgage system works is that the first mortgage - in this case the bank's mortgage - gets paid off in full before the second mortgage lender - the seller - gets a penny, so it's no skin off the bank's nose to agree to the seller making this loan. In fact, there's no reason why they should even object to the seller taking a second legal charge on the property as protection for his £20,000.

This plan works best for the seller if he does get a second charge on the property from the buyer, because that is security, even if it

is at the most vulnerable end of the property's value. But even if he doesn't - even if all he gets is a personal debt from the buyer, I think it's still attractive. This is why.

You may think it would be crazy for someone to be willing to leave 10% of the value of the property in doubt. But it's already in doubt; the seller could lose £20,000 just by doing nothing and continuing to sit on the property. Anyone who had adopted my scheme in January 2008, would be a lot better off today than still sitting around waiting for a buyer in January 2009. By now, the £20,000 would have been lost anyway, just because what was then a £200,000 property is now only worth £170,000. If he had adopted my scheme, the £20,000 would still be due when the market begins to rise again. The only way in which the buyer can ultimately get out of paying £20,000 is if he goes bankrupt.

Again, you may say that this is too big a risk. But it isn't a case of comparing the risk of lending £20,000 to an individual who might go bankrupt, with the risk of having £20,000 in the bank. The alternative isn't money in the bank, it's holding a decreasing asset. A better comparison is between lending £20,000 to someone who has an income (and has already demonstrated enough financial security to succeed in borrowing mortgage money from a bank), and being stuck holding a property haemorrhaging value in a falling market.

The scheme is very easy to arrange. All the contract needs to say is: '1. No deposit is payable at exchange contracts. 2. At completion, 90% of the purchase price is to be paid by the buyer to the seller, and the balance is to remain outstanding on the terms of the legal charge stapled to this contract.' Then you just need a two-page standard legal charge saying that the money is to be repaid 2 years later. It's as easy as that.

I'm not saying this is a solution everyone should adopt. But if the seller can't find a buyer, and if the major problem facing buyers at the moment is that they haven't got the 10% deposit to put towards a purchase, this does give a way out which may be practical in a lot of cases. In reality, what really is the risk of lending money to a newly qualified accountant, for example? (For the time being, one might avoid bankers though!)

## Chapter 4

# Let the family fund the mortgage

This idea is based on *offset mortgages*. If you have an offset mortgage, your bank account credit balances and your savings are all 'offset' against your mortgage debt to arrive at a single net balance, which is the amount on which you pay mortgage interest each month.

In case you are not familiar with offset mortgages, this is why they are attractive to people with savings. If you have savings and you also have a mortgage, then overall you have a bad deal. You always receive a lot less interest on your savings account than you have to pay out on your mortgage account – particularly now! With an offset mortgage, you put your savings with the same company that lends you your mortgage money. Each month they only charge you interest on the difference. As an example, imagine you have a mortgage of £200,000 but you also have £20,000 in a savings account. With an offset mortgage you will only be charged interest on £180,000. You will receive no interest on your £20,000. What you are doing is making a saving of the differential between the savings rate and the mortgage rate. It's as if the lender were paying you the same rate of interest on a savings account as they charge you on the mortgage account. You won't be able to find any bank offering you such a rate of interest on your savings. So generally this has got to be a good arrangement for anyone with savings.

All of that is fine for someone with savings. But the whole problem for most first time buyers is that they don't have savings and can't get mortgages. So, 'what is the point of talking about offsetting savings?' you may ask.

How this all becomes potentially useful is when you consider a variant of the basic offset mortgage – the *family* offset mortgage. This offers a way for first time buyers, who don't have savings, to afford a mortgage, by involving family members who do have savings.

If, instead of taking a plain offset mortgage, you take out a family offset mortgage, then you have a set-up which offers real benefits all round. Other members of your family can offset their savings accounts against your mortgage debt. This is a great way for parents or other relatives to help a first time buyer to get a mortgage and pay the interest on it. You may object: 'If you are lucky enough to have relatives with money they are willing to pay towards your monthly mortgage payments, let them set up a standing order; why make it so complicated?'

Many people do rely on cash help from parents and family to cover part of their outgoings. But it is not a particularly tax effective way to go. It means that the family member has to earn the money (or receive it as investment income), pay tax on it, and then provide the net amount to the buyer. Let's assume it's a father wanting to help his son out with his purchase. The son is going to take out a £200,000 mortgage loan at 6% interest, which will cost him £12,000 a year. In fact, it will cost him nearer £17,000 a year because that is roughly what he has to earn gross to be left with £12,000 after tax to pay to the mortgage company. The father has £100,000 in a deposit account earning 4% interest, which will bring him £4,000 a year gross, but only about £2,600 net. That £2,600 won't make much of a dent in his son's mortgage payments.

But see what happens if, instead, the father and son enter into a family offset mortgage with a lender. The father doesn't get any interest on his £100,000 deposit (and therefore the Revenue aren't taking their cut out of the arrangement). But the son's overall loan

is now a net £100,000 (because his father's deposit account with the same lender is offset against the son's £200,000 loan), and so his annual interest cost has been reduced from £12,000 to £6,000. Instead of saving his son £2,600 a year, the father has saved his son £6,000 a year.

There are two reasons for this huge saving. By avoiding receiving interest himself, the father avoids the Revenue taking their 40% tax on the interest. But tax only accounted for about £1,600 on £4,000 interest and the saving is £6,000. So you can see that something more is at work here. That something more is the fact that the lenders are *not* charging interest at 6% on £100,000 of the son's mortgage loan. Because of the offset with the father's deposit, the loan on which the son is paying interest is now £100,000, not £200,000. So instead of getting 4% interest and then losing 40% in tax and then paying the balance to the son to pay towards his £12,000 a year liability (6% interest on £200,000), the father has reduced the liability itself to £6,000 (6% interest on £100,000).

So the father clearly loses in terms of cash received, but gains in terms of benefits provided to the son, which is maybe far more attractive to him than cash in the account.

In fact, with the recent dramatic reductions in interest rates, there is even more incentive for a father to use his capital to offset mortgage costs of his son. The interest the son pays on his mortgage may be 7%[2]. But the father may be getting less than 1% on his deposit account. With an offset mortgage arrangement the two of them could save 6% between them.

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[2] Halifax are offering fixed rate loans at 7.14% at the time of writing.

Family offset mortgages used to be readily available before the credit crunch. In these tougher times, you can see that lenders might not be so keen on them. After all, paying 1% on deposits, and receiving 7% on loans would seem like good business. But they are not then guaranteed to attract the father's deposit. Hopefully, the benefit of receiving the father's £100,000 deposit which they can use, will continue to be seen as a worthwhile arrangement by banks.

But it is also a model that the Government could take advantage of. The Government is desperate for lenders to lend. They have cut the Bank of England base rate nearly to zero to encourage lending. Still the banks insist on lending at high rates, because they claim that they have to borrow at LIBOR, which is a much higher interest rate than the Bank of England rate. One of the downsides of the Bank of England's rate cuts is that it's hardly worth having money in a deposit account any more. But the offset model solves both problems. It gives banks an opportunity to obtain money cheaply, by taking deposits, and it gives the deposit holder an opportunity to get some real value from the deposit by reducing the interest on a family member's loan. It will only work in the specific case of a first in time buyer fortunate enough to have a family member with deposits to put against the mortgage costs, but a lot of first-time buyers start out by relying on help from their families, and it is at least another weapon that can be used in the battle to get credit moving again.

## Chapter 5

# Give capital gains tax relief for investing in a relative's home

If you buy a home and you live in it, you don't have to pay any tax on the profit when you sell it. Your home is free of capital gains tax. This is quite a concession. The Government taxes just about everything else. In fact with commercial property, if you buy a building for £10 million and pay VAT on it of £1,500,000, you then have to pay stamp duty at 4% not just on the price but also on the VAT. It's tax on tax, which I think is pretty outrageous. (That just happens to be my own private bugbear, as a commercial property investor.)

But back to residential property. The one thing the Government has never touched is the tax-free status of our homes. But that only applies to someone's principal private residence. My plan is that this tax concession should be extended to members of a buyer's family who contribute to a relation's first time purchase.

Let's suppose our first time buyer wants to buy a property for £200,000, but he can only raise £150,000 on mortgage. It would be a good idea if his parents, or even an uncle or aunt, could put £50,000 into the property and make a tax-free profit on their investment when it is sold. At the moment, when the house is sold, the buyer himself wouldn't pay any tax, but the relative would pay capital gains tax on the profit he makes on his quarter share. So if the £50,000 has gone up by £20,000, he would have to pay £3,600 in tax.

The Government is always going on about family values. They should be delighted to encourage relatives to come up with the

capital to allow someone in the family to buy their first home. They can make a loan already, of course, but what about making it more interesting for them by allowing them to have a tax break? This would encourage them to come up with the money.

A cash injection by a relative is really only needed to kick-start the process for a first time buyer. Property values go up (and unfortunately, down sometimes, but usually up) but mortgage loans don't ever change. So if our buyer had to borrow £150,000, and get a £50,000 cash injection from his uncle to pay for a £200,000 property, the £200,000 property will in due course become a £300,000 property. At that point, he can pay off the £150,000 loan, he could pay £70,000 to his uncle, and be left with £80,000 to put into the next property, at which point he shouldn't need any more help from his family. He will be able to borrow more money at that point anyway, hopefully, because his income will have gone up over a few years. So the need for a cash injection is usually a short-term problem only.

The problem we are facing at the moment is that first time buyers cannot raise mortgages unless they have substantial savings. It may take years for them to save up the 15% needed as a minimum. Meanwhile the market is stalled. A father might lend his son or daughter that 15% out of love alone. But if you gave family members a tax benefit, you could widen the pool of potential helpers to uncles and aunts, brothers and sisters, and cousins. Any one of them might have money to spare, while a buyer's father might not. They can only get a pittance of interest in a deposit account. But if you allowed them to invest in a property and receive the resulting profit tax free, it would encourage them to take the risk – and take the profit.

I am sure there are a lot of potential first time buyers out there, who would be able to buy if they could offer their relatives a reason to invest a bit of money in the property.

## Chapter 6

# Pool the stamp duty to fund the first time buyer's deposit

The Government is already giving tax concessions to try to kick-start the economy, such as the reduction of the VAT rate to 15%, and the rather small increase in the nil-rate band for stamp duty. My proposal would use tax money to help kick-start the residential property market. But the Government wouldn't have to find any money for it; it would be self-financing.

Let's imagine that there is a chain of transactions with a first time buyer at the bottom of the chain hoping to buy for £200,000. Let's say also that there are five transactions above that in the chain and that the last two are for £1,500,000 and £1,800,000. Stamp duty on those last two transactions alone will be £132,000. Why not use that money to help fund the first time buyer's deposit - even the deposit of the next person up the chain. This is how I see it working.

My proposal is that instead of paying the full stamp duty to the Inland Revenue, anyone should be able to lend the stamp duty money, on behalf of the Inland Revenue, to a buyer further down the same chain who has a savings shortfall. After a fixed period – three years or five years, or whatever – the Government can say that that money must be paid back and the stamp duty paid to them.

The Government can require that the first time buyer has to pay a very reduced rate of interest on the loan, equivalent to a savings rate which, of course, is all the Government would have got on the money if they had received it immediately anyway.

The Government should take the eventual repayment risk. There is always the risk of the buyer at the bottom of the chain going bankrupt and not being able to repay the deferred stamp duty money. But that is a very small risk for a Government to take. Statistically, not that many people go bankrupt. Governments already take risks with loans for university students. Why shouldn't they take some risk related to first time buyers and stamp duty?

Hiking the stamp duty up to 4% was an expedient to cool the property market. I think the market is cooled quite enough now. So the Government could cut the tax rate as a way of stimulating the market. But that just helps people who already have money. People with money don't need that particular type of help. What they actually need is for first time buyers to get a chain moving so that they can sell their own properties at the top of the chain. My scheme works a lot better in that respect than cutting the stamp duty rate.

The Government would not be losing tax revenue; in fact this plan would increase tax revenue! Without this help there would be no first time buyer, so no transactions in the chain, and therefore no stamp duty at all. This way the Government gets its stamp duty, just deferred. In addition, market activity starts up again, which has the overall effect of increasing stamp duty revenue. So it's a 'no lose' situation for the Treasury.

## CHAPTER 7

# Have a 'dating agency' for buyers and sellers

Every buyer looks for a property in their own way, because they have no-one acting for them. They get the idea to buy a property, look up all the agents' details for properties in the area, and then start arranging viewings of the ones that look suitable. Every other buyer quite independently does the same. Up to now, this vast duplication of effort hasn't mattered. The estate agents have a property to sell. Certainly they are eager to find a buyer. But they're not much bothered about how the buyer then finds a buyer for his own property because, until recently, that wasn't a big problem – buyers' own properties were snapped up quickly. Now, if you succeed in finding a buyer for your client's property, your problems have only just begun. The buyer still has to find a buyer for his property; perhaps the buyer's buyer also has to find a buyer. And the buyers are all just individuals doing their own thing in a haphazard way. My idea is: why not set up a property 'dating agency' to coordinate buyers?

Why not get together with all the other local agents and create a single database of what buyers are looking for? Each buyer who approaches an agent will fill in a questionnaire for the database, which everyone can access. From that, it may be possible to start trying intelligently to match buyers with properties on the market. In other words, the estate agents will also become buyers' agents.

The other ingredient you need for this to work is for the various agents to agree to split commission. That way, instead of always trying to sell just the properties on your books, you can also try and sell suitable property on another agent's books to your

buyer's buyer. If you can get the chain together, then suddenly there are some big fees to be had for everyone. Not only do you get the fee from your own sale but you stand to get several half fees and, once you get above two half fees you would be making more money than you would get from just your own original client's sale.

This may look very much like the usual business of selling properties which are on a multiple agency basis, and splitting commissions, but you would be acting for buyers, not sellers.

## Chapter 8

# Persuade buyers that now is the time to buy

Is the property market still falling? Should I wait a few months before buying? Is it going to fall another 10% this year like they say in the newspapers? So should I wait till 2010 before buying? These are typical questions I am always being asked.

I have a couple of stories. An investor hears of a guru in Tibet who can predict the future. He spends months travelling the Himalayas on foot and finally comes across the guru's cave. The guru agrees to answer just one question. The investor thinks for a while and then asks: 'What is the secret of making guaranteed profitable investments?". The guru sips his yak butter tea for a moment and answers: "Buy low, sell high." The investor frowns. "Yes, but how do you know when it's exactly the best time to buy or sell?" "Sorry, you've had your one question." The investor comes back to England. He becomes obsessed with picking the precise bottom of a market in order to buy. The market always seemed to be going down – so he waits – or going up – so he doesn't buy because he feels he had missed the boat. As a result, he never buys anything.

The second story is personal one. When I first started doing residential conveyancing as a newly qualified solicitor, I remember looking at the price my clients had paid for a property they were selling and thinking, 'Wow, they bought this terraced house for £600!' and then I sat wondering how I was ever going to get on the property ladder at current market prices. Fortunately, my father came to my aid with the 10% deposit, and I managed to buy my first terraced house – for £12,500! (That was 1977.) Since

then, we've had several slumps in the property market. Did they affect me? No – because I could afford the mortgage payments.

The reason why it turned out fine for me was that I wasn't hung up about buying at the precise bottom of the market. Buying wasn't an investment decision. I didn't make a judgement about the property market as part of an investment portfolio. I just wanted somewhere to live, and I wanted to own it. Now, it doesn't matter to me whether I bought my first property at the top or the bottom of the market back in 1977. I can't remember. It was near enough, in the long run. Exact timing didn't matter. What counted was that I got into the market and stayed in the market. The investor in the story would have been a lot better off if he had not got obsessed with trying to pick the bottom of the market.

So when clients ask me how much further the market has to fall, and whether they should wait six months, my answer is that no one knows, and what seems certain is that we are getting somewhere near the bottom of the market, and if they want to buy because they want a place to live, then they should buy. All the doom and gloom in the Press about the property market shouldn't necessarily be all that important to first time buyers, if they were to think about it.

I qualified that last statement by saying 'shouldn't necessarily' be important, so let me get out of the way the situation in which timing would be a very important factor. It is important if a buyer can't comfortably afford the mortgage payments.

The crucial question is whether the buyers can meet their mortgage payments over the next couple of years. If they are not absolutely confident of that, then they are taking a risk by buying a property at the moment, when there is no clear upward

movement in property prices. It means that if the worst happens, and they are forced to sell, then they may be selling at a loss.

But if they can comfortably afford their mortgage payments (with some margin for interest rate rises) and they are planning to remain in the property market for the medium to long term (although not necessarily in the same property), then the current market conditions now or at any particular time shouldn't matter to them.

Personally, I'm glad I got on the bandwagon at £12,500, even though perhaps I could have bought it for £12,000 if I'd waited six months (but equally it might have gone up to £13,000!) The point is that I was a long-term property owner and, over the long term, fluctuations in the market, including slumps and periods of stagnation, don't really matter - as long as you are capable of surviving the periodic bad stretches.

It may seem obvious that if you buy a property today for £500,000 and then by the end of the year its value has dropped to £480,000, then you have made a thoroughly bad decision. My answer would be to say, 'See what the situation is like in five years time.' If the past is anything to go by, then the market will have recovered, and property values will again have resumed their inexorable long-term rise. They didn't buy at the bottom of the market, but whoever does? The important thing is that they now have a home which they are enjoying and they are not wasting money on rent. They are going to stay in property (but not necessarily that one) for the next few decades, so they have not really got much to worry about. Unless, that is, the property market is going to take a long-term nosedive. I can't say I believe that myself. But if that is someone's mindset, then he should still buy a property, but it should be self-sustaining land with a nuclear fallout shelter in the depths of Wales.

The only precaution, as I have already said, is that before someone gets into the market for the first time, he must be confident he can afford mortgage payments, with a comfortable margin for interest rate increases. If he can't, that's when he is at risk from short term market movements, and that's the situation in which he should wait before buying.

I keep saying that this applies to anyone who intends to stay in the property market, but not necessarily in the same property. The next chapter explains how anyone who changes properties should actually benefit even more.

## Chapter 9

# Persuade sellers it pays to lower their prices

A falling market is good news for sellers. An absence of buyers is bad news. But a falling market in itself is good news for people selling properties.

Let's assume we're talking about a couple who have owned a house for several years and now want to buy a bigger or better one. Their outstanding mortgage is probably much less than the value of their property, even after recent falls in property values. This isn't because they have been paying off lots of capital. This isn't how mortgages work. The way they work is that most of the payments in the first few years go towards interest, and it's only in the later years that capital starts to be reduced. The real reason why mortgages become a much smaller proportion of the value of a home as the years pass isn't capital repayments, it's the fact that the mortgage amount was fixed forever at the start, but the house has been going up in value. Even recent drops in the property market have done little more than wipe out the paper profits of recent years. Nearly half the property owners in the country have paid off their mortgages altogether.

So, in the case of someone who has owned a property for many years, their 'LTV' or 'loan to value' – the proportion the mortgage loan bears to the property's value – is probably quite small. As long as they can comfortably afford the mortgage payments on the mortgage loan on their new home, there's nothing stopping them from selling and buying. People trading up are insulated from property market movements because whatever they are losing on the house they are selling (compared with values a year

or so ago) they are gaining on the property they are buying (because it will be going for correspondingly less than its price a year or so ago). When you are just switching commodities in the same market, it doesn't much matter where the market is when the switch occurs.

In actual fact, they should gain from the situation, if they are trading up. If the property which they are selling was worth £500,000 a year ago, but they are now having to sell it for £450,000, they have (on paper) lost 10% - £50,000. If the property they are buying was worth £1 million a year or so ago, but they are buying it for £900,000, that is also a 10% reduction, but they will be saving £100,000 on that property, against losing £50,000 on their own sale. In other words, they are actually gaining a net £50,000 benefit from the transaction over what would have been the case the year previously.

Actually it's even better than that. If larger properties in an area have fallen 30%, smaller properties have fallen 20%[3].

So the short term ups and downs of the market should not matter to existing property owners when they change homes – in fact, a downturn at the time is a positive benefit to them! For them, there is a silver lining to the current dismal property market.

Of course, anyone selling their home to 'down size' is losing out, in the sense that they missed the top of the market. My argument also doesn't work for a seller who is not also a buyer. So if there is a chain, the seller at the top of the chain (who is going into

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[3] Financial Times, 17th January 2009.

residential care, moving in with their family, or moving abroad) is clearly not profiting from the falling market.

But that still leaves all the other seller-buyers in the chain who should be merrily trading up while they can. From their point of view, the benefit of the situation isn't just that the difference in value between the new dream property and their existing property has narrowed, it is also the fact that they don't have to borrow as much to buy the new property because the reduced price means a reduced loan. Once the market picks up again, the property they dream of buying may become so expensive that they cannot raise a big enough mortgage to buy it.

So it seems to me that there are a lot of positive things to be said about the current market to encourage people who are sitting on their hands to get out there and start looking for things to buy.

This all brings me back to what this chapter was meant to be about: that sellers should drop their asking prices to attract buyers. Sellers can't buy unless they sell their existing properties. So they should be willing to drop their asking price to make their property particularly inviting. They are not losing money, because they should be getting more off the property they buy than they are giving away on the property they are selling.

## Chapter 10

# Help your sellers get reductions on their purchases

If you agree with the arguments in the last chapter, you can certainly make the intellectual case to sellers that they are not losing money by dropping the price on their existing property, because they achieve the same benefit on their purchase - in fact, an even greater benefit if they're buying for more money. That may work in theory, but for any particular seller to actually make money - or at least not lose money - on his sale and purchase, he does have to do the right deal on the property he is buying, to offset whatever he's losing on the property he's selling. Turning the theory into practice, requires the seller to be a good negotiator.

People who aren't in the estate agency business themselves usually just aren't much good at negotiating. If you've ever been on holiday in the Middle East and seen English people haggling at a bazaar, you will know what I mean. Attempts at buying a rug usually end up with the holiday maker roundly insulting the quality of the item he is trying to buy, and getting angrier by the minute. Of course, if it really was the piece of tat he is claiming, one wonders why he is still bidding on it. The professional negotiator / stall owner refuses to get drawn into an eyeballing contest and simply keeps praising the quality of the item, how cheap it already is, and what marvellous taste the man has for so obviously wanting it. In the end, the tourist buys it for a lot more than it's worth - and for a lot more than the shop owner would have accepted if the buyer had been negotiating properly.

In the English property system, there is a huge imbalance in the property owner's negotiating muscle. On his sale, he has you, a professional negotiator, acting for him. You're going to pitch the property price as high as you realistically can, and then you're going to use your skills to limit the reductions you have to concede to the buyer. But when your client sets about buying a replacement property, he's on his own. He lacks the skill or knowledge to know whether the price asked for the new property is pitched at the top or lower end of the spectrum. It's even more difficult for him to know this in the current, uncertain market.

People generally assume that, at the moment, buyers can call the shots. But that really isn't quite the case in practice. Certainly, buyers have more power now than they have had in the past. But, unless the seller is a distressed seller, he's not going to be forced to part with his property at a price he doesn't think is acceptable. So a buyer can't just turn up, quote a figure, and get a deal.

Usually, buyers are just as desperate to secure the property they want as the seller is to get rid of it. There are some professional property dealers out there who will only buy if they can get a property at an extreme bargain, but most buyers still fall in love with the property they want to buy. They then make all the usual mistakes in handling a negotiating position which they would make if they were buying that rug. They give away to the seller or to the agent at the viewing how much they want the property. They may even start confiding in the selling agent and start asking him things like 'How much do you think the seller would drop his price?' and 'Please offer the seller this much, but we can go a bit higher if we have to.' You know from experience that if you keep a straight face and say that the seller won't budge on the price, there's a good chance that the buyer will blink first.

The buyer may then discover that, despite all the theoretical arguments put forward as to why he should make more on his

purchase than he loses on his sale when trading up in a falling market, in fact he is losing more on the property he is selling than he is gaining on the property he is buying – and all because he didn't have a professional acting for him and negotiating the price on his purchase.

So this is my proposal. You should step into the picture. I think you should propose to your seller that you will act as his buying agent in respect of his purchase. (This may not be practical if he's moving to Dorset, but it should be practical if he is buying in central London.) You then do the haggling with the seller's agents.

I'm sure that you will achieve far better results than your client could achieve himself. In fact, you have a clear benchmark to achieve. You can agree with your client how much he is losing in value on his own property from a predetermined point - let's say June 2007. Then you can demonstrate that you have saved the same percentage – or at worst, the same sterling amount – off the purchase price of the new property, compared with the same value point in June 2007.

There is no real reason for your client to turn this down. He would already have instructed you as his agent for the sale and all that is happening is that your agency function is being expanded to include buying as well as selling. He is instructing you to be his property professional in connection with all his property transactions.

This has potential benefits for you in the future, because he can come to see you as his agent in a general sense, just as he regards his solicitor as being his solicitor for all his property deals, not just linked to a particular property. It increases your chance of getting instructed when he sells the property he purchases, because in his mind you are already connected to it.

This is an opportunity for you to negotiate a second, possibly quite substantial, commission for you out of your client's property move.

## Chapter 11

# Mail shots, particulars and adverts

I open up my personal mail at home about once every other month. The brown envelopes are only going to be bad news for me. Anything in clear plastic is going to be an unwanted magazine from Sky, Comet Warehouse or, God forbid, Saga. And all the white envelopes with sticky labels addressed to 'the owner/occupier' are letters from estate agents assuring me that they have applicants for my property. It all goes in the bin unopened (except for the brown envelopes which go to my accountant unopened).

The traditional 'to the owner/occupier' mail shot from estate agents is often just not very inspiring. We home owners have read it all before. Surely no home owner thinks, 'Gosh, they've got an applicant for my property, I must ring them up immediately.' A mail shot like that isn't going to make anyone suddenly think that they want to sell their property. The people who want to sell their property have already approached estate agents about it. There is nothing about that sort of mail shot which would cause them to keep it and remember to ring that particular agent rather than others when they finally do decide to sell.

So what I would suggest is a mail shot which actually gives the property owner something interesting to think about. Hopefully, something which will make them say to themselves: 'I was resigned to just sitting the recession out, but now I see that I really could benefit from trading up.' You have to shake property owners out of the mindset of concentrating on what they are losing. Instead, you want them concentrating on what they are gaining - a bigger reduction on the property they're buying than they will be giving up on the property they are selling.

Estate agents firms produce very attractive glossy magazines, but in some cases the contents sometimes don't do much of a selling job. They display a beautiful property, but that is only going to work on people who are already convinced they should be buying. This approach misses out the essential step of convincing the reader that he should be buying in the first place. Over the last few years, nobody saw that as a necessary first step in the selling process, because everybody did want to buy - it went without saying. But now the readers needs to be convinced that buying right now is what they really want to do before they see the glossy magazine as anything other than a coffee mat.

So I believe that everyone in the business needs to be actively putting forward all the arguments, in every medium possible. They say that markets (including the property market) are like oil tankers, and once they have got up a head of steam in one direction, they just tend to keep going, and it takes a huge amount of effort and time to turn them round in the opposite direction. (Others of the 'they' family say that markets are like oil tankers because they crash and burn, but I'm not that pessimistic - I think we should believe we can turn the tanker round.) But if everyone just carries on as if it was 'business as usual', and keep turning out glossy magazines as if the pictures themselves will turn readers into buyers, that will do nothing to get the market back on track.

I also think that it is possible to do a lot more with the information given about a property, to spark the reader's interest. For example, rooms are shown or described with sizes. Why just have details of the room sizes, and leave it at that? Why not make a big point of the fact that it's £X a square foot, and that is down 30% from the price per square foot in 2007? It gives the buyer something to latch onto which he can actually get excited about.

Potential buyers need something to get excited about; something to them off the sidelines and onto the dance floor. In fact, they are desperate for a 'clue' which would tell them that they are about to get a bargain. You can see quite how desperate they are - and how willing to be persuaded by often the most ludicrously pointless information, if it's wrapped up appropriately - by looking at how auctions are sold to the public. In the auction catalogue, every property comes with a guide price. The guide price is really almost completely meaningless. But everyone latches onto it. I am frequently a victim of this psychological error myself. If I click through a catalogue online and then suddenly come across a dilapidated house with a guide price of £100,000, my interest suddenly perks up. I carefully read the description and discover that it seems to have a lot of development potential, which is exactly what I'm after. So I then go to the viewing. At which point I realise that everyone else in the world has had the same reaction and the place is crammed with people with clipboards and mobile phones. At that point, I do know to drop out. But I keep an interest, just to see what happens, and often to my amazement I find that the property eventually went for a price far higher than the guide price; in fact it went for a price so high it would be just impossible for anyone to make a profit even if they did the refurbishment with their own hands.

I'm not talking about people who are somehow naive enough to think that the guide price is the same as the reserve price. I'm sure that everyone who was around at the viewing, and who went to the auction to bid, knew that this wasn't the case. We all know that the reserve price is actually fixed on the day of the auction, so it doesn't really matter what the seller intended two months earlier when the catalogue was printed along with the guide prices. A guide price obviously has genuine uses - it puts you off properties which are completely outside your price range - but a low guide price has a totally mesmerising effect on anyone who is

in that price range. It creates the same excitement that gets people buying lottery tickets.

I think that estate agents should take advantage of this mentality. In fact, we have actually seen this in action in the last few weeks before Christmas. Some estate agents announced a 'sale' of properties, just like the 'up to 50% off' sale at Woolworths, which had thousands of people trampling over each other to get items what actually turned out not to be particularly good bargains - they even took away shelving. I don't know how many properties the agents actually sold through their promotion, but they got a huge amount of publicity in the Press. I was cutting out articles on it from the FT for days. I think all they were really doing was re-packaging exactly the same properties they already had on the market, but merely emphasising the extent to which the prices were reduced from where they originally started, or from what the properties were worth back at the top of the market. Just pointing these facts out to the public galvanised people's interest.

I don't think potential buyers are sitting on the sidelines saying, 'I've been burnt. Never again.' My experience from talking to friends and clients is that they're more like enthusiastic football managers, having to be actively restrained from rushing onto the pitch again. What they usually say is: 'Do you think the market has reached the bottom yet?' or 'I think April is going to be the time to buy'. They are ready to be persuaded, and they just need the right kind of marketing to persuade them.

So, what I am suggesting is that, rather than presenting facts, you should be presenting bargains.

## Chapter 12

# Mass promotion in the Middle East

We need first-time buyers. But even better than first-time buyers (who after all still have to raise mortgages) we need foreign buyers. Foreign buyers usually have a lot more money to spend, and they often don't need a loan at all. An invasion of rich overseas buyers could create some much needed turnover in the central London market.

London has suddenly become a very attractive market to overseas buyers. Take a sheikh whose money is in dollars. Two years ago, if he had wanted to buy a house in Kensington, it might have cost him $10 million, because it was a £5 million house and the conversion rate was $2 to £1. But if he decided to keep his money in the bank at the time, the prospect for him now is truly salivating. In sterling terms, the property has probably dropped 20% to £4 million. But now he only needs $5.6 million at today's conversion rate[4]. So, from his perspective, the price of a house in London has dropped from $10 million to $5.6 million in a matter of months. That is obviously a far greater drop in value than we perceive in the property market, because we are only looking at things in terms of sterling. Prime London property has probably never been so cheap to anyone in another country with money to spend. This golden opportunity can't last forever.

Changing the subject slightly, consider Berlin. If you like cities - I mean cities, not quaint little towns - then you will like Berlin, just

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[4] 20th January 2009: £1 costs $1.40 dollars.

as much as you'll like Prague, Rome or Vienna. Have you ever thought of buying a flat there? The amazing fact is that flats in Berlin are one-tenth of the price of flats in equivalent areas of London. When prices were £1,000 a square foot London, they were £1,000 a square *metre* in Berlin. (This disparity has changed because of the movement in the pound against the euro in recent weeks, of course.) Added to that, Berlin is a mature economy with a proper land registration system, so buying property was going to be safe. (No second cousins of the seller appearing after you have moved in, and claiming to own a share of the house). But you don't really hear much about Berlin as a good property destination.

Now compare that with Bulgaria. Bulgaria is a fairly basic, third rate country, with high levels of corruption and crime, where they are throwing up low grade apartments along the coast, much like they did in Spain (and probably with the same results). But if you happened to get in the path of a group of investors making their way to the departure gate for flights to Sophia any time over the last five years, you would probably have been trampled to death. Today, anyone who bought a flat in Bulgaria, is probably praying the bank manager isn't going to want the money back any time in the next decade or so.

What is the difference? The difference is that no one in Berlin bothered to push Berlin as a property market in England. But in Bulgaria, development companies were setting up by the thousand, all turning up at overseas property exhibitions at Olympia, taking out ads in the Sunday magazines, and promoting programs on the Travel Channel. As usual, marketing did the trick.

So getting back to the subject in hand, my argument is that if we want to get overseas buyers to part with their cash, the property industry needs to promote London as the ideal buying and

investment opportunity of the moment, and that means not just sitting back and waiting for people to turn up.

In practical terms, I suggest that London estate agents should jointly put on a proper marketing promotion in the countries where the right sort of buyers are likely to come from. We have to do what they did with Bulgaria. Any you have got a much better product!

I gather that Russian money seems to have dried up, but there are plenty of people in the Middle East who wouldn't take a lot of urging to realise the benefits of buying a property in prime central London, at today's prices and exchange rates. However jaundiced a view they may have of our economy as an industrial and financial entity, I'm sure they see London itself as a good store of value, as well as being somewhere where they would like to be spending several months a year.

You may say that all these things are obvious. That's true. But it's amazing how targeted marketing and advertising are necessary to make potential buyers realise things which are obvious.

Some of the larger estate agencies already have a presence in the Middle East, but an individual firm's advertising is bound to have very patchy results. Once someone becomes interested in buying in London, he is likely then to start looking at all estate agents' sites; he's not going to remain wedded to the firm he first came across. It seems to me that it's best to accept that it is the property rather than the firm which is going to attract a buyer in the end - in other words, it's a bit of a lottery for individual firms. So surely the best strategy would be for a large number of firms to club together to fund a promotion of London as the best possible property investment opportunity at the moment, given the unique conjunction of a low property market and low sterling. If that results in a lot of extra interest from Middle East buyers, no firm

can guarantee that it will be one of its properties that a particular buyer buys, but it has increased its chances of doing so because there will be more buyers around, and it will only have had to contribute a small part of the overall costs to achieve that. It seems to me, that this is better than no investment in marketing abroad, and it's more productive than undertaking an expensive individual campaign.

While I am on the subject of promoting the benefits of buying in London, and taking advantage of the once-in-a-generation currency benefits, what I think certainly needs to be produced as part of a proper marketing effort for London property is a decent website.

Most estate agents have websites promoting properties they have on their books. And there is Right Move. But Right Move is also aimed at simply selling individual properties. The same applies to Prime Location. What is needed is a website promoting the London market as a whole, not just the attractions of individual properties.

Taking my Berlin example, when I was idly researching flats there, I was sitting at my computer at home, half watching the TV, and half concentrating on putting different combinations of words into Google: ‘Berlin property’, ‘flats in Germany’, ‘cheapest flat in Berlin’, etc. If I ever came across a website which actually gave me some insight into how the Berlin property market worked, I would immediately bookmark it and read it carefully.

I've tried that on London property, and you just don't really come up with much that is useful[5]. There is nothing to easily give the overseas investor all the basic facts he would need to know about the London market, how it works, how you buy, what you get - all the things someone who knows nothing about it would need to know to feel confident about taking the next step of looking for property.

So it seems to me that it would be a good investment for estate agents to get together to commission a website which tells overseas buyers everything they need to know about buying in London. I'm not talking about some hugely complicated website, and definitely not something with lots of swirling lights and Flash animation. If you do away with all that razzmatazz, which sophisticated users sneer at anyway, you are left with something with simplicity like the Apple site, rather than something that looks like a shampoo advert. It shouldn't cost much at all to put together, especially if the cost is spread.

So I'm not suggesting some bottomless pit of an advertising budget, simply a good informative website, which could then have links to every one of the participating estate agents. Since it appears to be an information site, not a marketing site for a particular estate agent, it has the benefit of being credible. Most sophisticated users of the Internet are much more likely to trust information on a neutral site.

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[5] I think our sites are helpful though. See: www.homeandmoney.co.uk and www.barrettssolicitors.co.uk which also has a downloadable e-book called 'Buying in London: a guide for overseas buyers'.

The website probably needs to be in Arabic and English, and it probably needs to have several domain names, ending in .ae (for Arab Emirates) and .sa (for Saudi Arabia), because if you are in Saudi Arabia, Google results will favour local web addresses (the same way that, if you do a search here, most of the results are .co.uk addresses) because Google gives you what it assumes you want - local websites.

## Chapter 13

# Bring back tax relief on mortgages for first-time buyers

Everyone used to get tax relief on the interest they paid on their mortgages up to £30,000. That's £30,000 of loan not £30,000 of interest - this was back in the 1980s! But in those days that was a significant proportion of the cost of a mortgage. The Government gradually got rid of it. It would obviously help first-time buyers, and struggling property owners, if this was reintroduced.

All the economists quoted in the Press seem to be saying that there needs to be a fiscal stimulus - reducing tax or giving tax money back to us. The idea of the fiscal stimulus is to encourage people to spend money because, if they spend money, then the people they are spending money with are making money, and then they spend money .... and so on. A depression happens when everyone keeps their money in their wallets.

Having a cash tax refund, like they tried in the States, is fine provided that people then spend the windfall on new DVD recorders and plasma screens. But if they are worried about the future and stick the money in a deposit account for a rainy day, then the plan has failed, because the Government has given away the money, but the money hasn't been used. Tax relief on mortgage interest would be a perfectly targeted 'magic bullet', rather than just chucking tax money indiscriminately at the public and hoping they spend it.

My plan of reintroducing tax relief on interest payments for first-time buyers achieves the Government's aim perfectly because it helps the market and can't be stuck away in savings accounts. If

you give tax relief on interest payments, the recipient has to buy a property in order to have a loan on which to make interest payments, on which to have tax relief. There is no money for staying in rented accommodation.

If a potential buyer takes the plunge, and buys a house or a flat, then the Government chips in and pays a proportion of the interest cost. This could be up to 40% for higher rate taxpayers, and that could make all the difference between being able to buy not being able to.

Everyone wins. The Government achieves a fiscal stimulus which is guaranteed to be employed in expenditure, not placed in a savings account, because you have to buy a house or flat to get it. People who would like to buy homes can buy homes. And everyone else in the chain can also buy homes. Estate agents, solicitors, removal companies, department stores, insurance companies ... the list goes on … would all be making money again, and all that activity would generate more tax for the Government in income tax on the profits they are making, and VAT on the money everyone spends in the process.

If this principle was extended to people who are getting into arrears, that would also stop a lot of repossessions. Repossessions don't happen because of negative equity. The lender isn't calling in the loan just because the property value has dipped below the loan value. It's only when the borrower falls behind on interest payments that there is a problem. The Government has already taken some steps to support people whose properties might otherwise be repossessed, but proper tax relief on interest payments would give people a much better chance of surviving the downturn.

## Chapter 14

# A final word

One way or another, the property market is going to recover at some point. It always does. I would prefer it to be sooner rather than later. The assumption behind this book is that something can be done about the situation now, and it is up to all of us to do what we can to make it happen.

Please give me a ring if you would like to discuss anything in this book, any ideas you have for improving things in the property market, or just business generally.

I would be delighted to help if you have any problems on a deal where you would like a bit of friendly input.

As the advert says, 'It's good to talk'.

You can email me direct on michael_barrett@btconnect.com.

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