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New housing boom 'would create lost generation'

By Nick Collins and Myra Butterworth

BRITAIN cannot afford to allow another housing boom, the housing minister said yesterday.

Grant Shapps said the country was in need of long-term stability in the housing market, and warned that another sharp rise in prices would result in "a lost generation of home buyers".

He also attacked the previous Labour government for overseeing a 10-year surge in the cost of homes.

Mr Shapps told *Channel 4 News*: "If you allow a housing boom as they [Labour] did between 1997 and 2007 to get out of control, this is the kind of mess you end up in.

"It is in everyone's interest to have stable house prices for a long time, because the only way we can make sure housing is more affordable for future generations is not to have these crazy housing booms."

Research published yesterday suggested 200,000 first-time buyers – a key component of the housing market – had been excluded from the market during the past four years.

The findings by insurer Genworth Financial blamed

banks' tighter lending criteria and suggested it would take a decade to fix the problems in the mortgage market.

Meanwhile it emerged that tracker mortgages were offering the lowest rates on record as borrowers chose fixed deals because of fears about the economy.

The average rate on a new tracker, which goes up and down in line with Bank of England interest rates, has dropped to 3.55 per cent from 6.32 per cent at the start of the credit crisis in August 2007.

However, new borrowers are preferring to pay more for fixed-rate deals, which guard against future rises in the Bank Rate. The rate has been held at 0.5 per cent for the past 19 months.

Just over half of new mortgages are fixed-rate deals – typically held for five years at 5.06 per cent – according to the latest figures from the Bank of England.

Less than a third are trackers. New figures tomorrow are expected to show the gap widening further. "Borrowers are aware that interest rates are not going to stay where they are forever and are opting for the security of a fixed rate," said Jonathan Cornell, of First Action Finance.