

Housing market 'unlikely to recover', says Bank of England expert

The housing market is unlikely to ever recover from the financial crisis and it may prove economically beneficial for fewer people to own property, a senior Bank of England expert warned yesterday.

David Miles, a member of the Bank's Monetary Policy Committee, suggested that people may have to wait until they are in their forties to buy a home as banks will not offer large mortgages.

His remarks raise the possibility that house prices will not return to pre-recession levels as house buyers will be unable to take out the necessary home loans to trigger another boom. Mr Miles added that he did not "think we should regret" the fundamental transformation of the housing market caused by the credit crisis.

The comments may undermine David Cameron and other ministers, who earlier this week unveiled proposals designed to boost housing ownership as part of the Government's growth strategy.

Yesterday the Prime Minister told the Cabinet that housing reforms would act like "Dyno-Rod" to unblock the problems preventing economic growth.

But Mr Miles, who previously led an official inquiry into the mortgage market, cautioned against a return to banks offering mortgages with small deposits. He said: "Housing markets and mortgage markets have been close to the centre of the economic and financial turmoil we have lived through over the past four years.

"I do not believe that the housing market and the mortgage market will get back to where we were in the years leading up to the crisis. I also do not think we should regret that."

Mr Miles suggested that the economy may "become more stable" if Britons were less dependent on changes in house prices and mortgage rates.

He also said that those renting, rather than buying homes, "can move more easily to take up new jobs" and therefore "the risks of structural unemployment are lower".

"It will take time for first-time buyers to accumulate larger deposits, so they will typically buy later and the share of home ownership will be lower," he said.

"But in the longer run it is not at all clear that a lower rate of home ownership represents a big loss to society."

Mr Miles spoke out about the housing market as a Bank of England survey found that experts were warning that

the risks facing the economy may be as great as on the eve of the credit crisis in 2008.

A survey of City experts found that more than half believe the probability of a short-term high-impact event was “very high” or “high”. “The specific concerns ... related mainly to the euro area or countries in the euro area,” the Bank’s survey said.

Yesterday, there were renewed fears over the eurozone after the borrowing costs faced by the Spanish government for short-term loans almost doubled.

There are also growing concerns that France may lose its triple A credit rating.

Germany warned that the world must accept the current plan to solve the eurozone crisis as the EU prepares to announce proposals for continent-wide bonds. “We don’t have any new bazooka to pull out of the bag,” Michael Meister, the finance spokesman for Angela Merkel’s party said. “We see no alternative to the policy we are following.”