The rumblings about how the Bank of England is going to handle galloping inflation continue to grow louder, although the Bank is convinced that this will be only short term and that inflation will fall back again in 2022, without the need to increase Base Rate.

PREDICTIONS OF HIGH INFLATION
Economists don't appear to be convinced however, with latest predictions being that inflation will reach 3.9% in early 2022, almost double the Bank of England target, and then falling back to 2% only once the Bank has begun to raise interest rates.

BIGGEST ECONOMIC SLUMP IN 300 YEARS
After suffering the biggest economic slump in over 300 years in 2020 due to the Coronavirus pandemic, Britain's economy has been recovering rapidly this year. It is inevitable that increases in inflation will follow, with the additional burden of sharp rises on oil prices and bottlenecks in supply chains, and this is the reason for future concerns about Base Rate, having to rise to help stabilise the economy.

MAJOR CHANGES IN BANK UNDERWRITING CRITERIA
Exceptionally low mortgage interest rates, increased income multiples and improvements to their mortgage underwriting criteria from most mortgage providers, coupled with exceptional demand from high salaried buyers has resulted in the recent boom in house prices in Jersey to the extent that Estate Agents are now desperate for new instructions.

CAN HOUSE PRICES CONTINUE TO RISE?
So where does this all end – can house prices continue to rise to the extent that the belief exists that a house is worth whatever someone is willing to pay; are banks mere spectators or are they fanning the flames with their more than generous lending?

In Jersey, we cannot indulge in the luxury of buying in the next town if we find house prices too high, and for most, they cannot purchase in a lower price bracket, because one doesn't usually exist, which means that house prices will probably remain at the current high level for the foreseeable future, although market activity may reduce due to a lack of new instructions to agents.

INTEREST RATES
The most effective brake, however, will be an increase in mortgage interest rates - a necessary evil perhaps, but one which could reduce the appetite of purchasers if the cost of their borrowing starts to impact on their overall household expenditure. For ten years, the cost of a mortgage, whilst still being the main monthly outlay, may have not prevented many families from still buying new cars, household equipment, taking holidays and going to restaurants, and if that is taken away, then it is inevitable that many people may chose to remain in their current property, rather than contemplating a trade up.

Should you wish to receive a copy of our First Time Buyers' Guide, or to know how much you could borrow, please contact our offices to arrange a free initial consultation on 789830 or email info@mortgageshop.je

Fixed or tracker

These remain exceptionally low with little change since July.

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

60%	2 year fixed	0.99%
60%	5 year fixed	1.29%
60%	7 year fixed	1.49%
60%	2 year tracker	0.99%
85%	2 year tracker	1.34%
85%	2 year fixed	1.39%
85%	5 year fixed	1.73%
80%	10 year fixed	2.50%
90%	2 year tracker	1.94%
90%	2 year fixed	1.89%
90%	5 year fixed	2.04%
95%	2 year fixed	3.79%
95%	5 year fixed	3.89%
100%	5 year fixed	4.24%
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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