Budget tax changes earn cautious stamp of approval

Evidently the housing market still has a pulse, albeit a slow one. After falling in February, house prices rose in March, according to the Nationwide. The increase was only by 0.7 per cent, but it was enough to show that we're not in freefall.

However, with the election a matter of weeks away, a thick haze of uncertainty is hanging over the market. There were fewer mortgage approvals in February – a sure sign that buyers are waiting to see which way the wind will blow.

With so much up in the air, property pundits found it difficult to know what to make of the Robin Hood-style stamp duty changes announced in last week's Budget. The bottom part of the market is exonerated altogether (no stamp duty for properties priced less than £250,000), while the tax for homes priced more than £1million rises from four per cent to five per cent.

The announcement is likely to act as an immediate stimulus to the market

Initially, those with anything to do with the top tier of the market threw up their arms in dismay. "This was a cynical move by the Chancellor and one that could have wide-ranging effects on the rest of the economy," says Robert Bailey, a buying agent for the rich and famous in London.

The bottom end of the market welcomed the changes, claiming they would increase sales at the lower end and push activity upwards.

Then everyone slept on it for a couple of days and changed their minds. The stamp duty holiday came to be seen as a sinister attempt by the Government to curry favour with voters, rather than a tax break that would make a difference to first-time buyers in the long term. "There are still massive mortgage restraints at that end of the market," says Lucian Cook of estate agency Savills. "It won't be market shifting."

Meanwhile, those at the top end of the market concluded that the changes would in fact boost the market. "With the higher threshold not due to come into effect until April 2011, the announcement is in fact likely to act as an immediate stimulus to the market," says Andrew Smith of property portal Primelocation.com. "Activity will pick up among high-end buyers and sellers, keen to avoid the higher levy or ensure that they are not forced to drop their asking price if their home is valued on or just above the threshold."

Yolande Barnes of Savills believes the higher stamp duty band may prevent price falls as buyers and sellers rush to complete deals in the 2010-11 tax year. Even the eternally pessimistic Capital Economics believes the stamp duty changes could produce a rise in buyer demand over the next few months.

At the moment the property market is patchy. In some areas (East Anglia, the South East) there is strong demand and a healthy number of sales, while in other parts of Britain (northern England, Northern Ireland) prices are falling. Even in London the market is disjointed. Price growth has slowed in prime central areas, Fulham, Wandsworth and Barnes, which led last year's recovery. But Putney and Richmond, which were slower to pick up last year, are witnessing healthy price growth.

There is one thing missing from the equation – bonus money. "We've yet to see any significant influx of bonus money, which suggests buyers are still keeping their options open," Barnes says.

And are we likely to see it? The jury's out, according to Cook. "It's difficult to say but personally I don't think there's going to be the volume of bonus money that usually drives the market forward between March and September," he says.