

# Independence Would Lead To Higher Mortgage Rates And A Dampening Of House Prices

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The research department of leading estate agents, Strutt & Parker, has looked into what will happen to the Scottish housing and rural markets if the electorate in Scotland votes for independence on 18th September.

Both Moody's and Standard & Poor have reported that an independent Scotland will be given an A grade rating, similar to that of Czech Republic and two notches below the UK's current AA1 rating which means that borrowing costs for a new government will be higher. The National Institute of Economic and Social Research (NIESR) estimates that an independent Scotland would have an interest rate over gilts of between 0.7-1.65% and the higher sovereign yields may push up mortgage rates. NIESR estimate an extra cost of £1,700 per annum to individual mortgage payments.

Further rises in bank interest rates would occur should Scotland choose not to accept its share of the national debt, potentially leading to an increase of £5,200 per annum on the average mortgage.

The uncertainty over currency means that it is difficult to predict exactly what mortgage lenders will do with existing Scottish customers. A new currency could be volatile and lead to higher interest rates.

Uncertainties around currency and credit risk could deter buyers from entering the market and result in a significant effect on house prices, mostly likely driving them down north of the border.

Farmland and rural businesses will be affected if Scotland is no longer part of the EU. According to DEFRA, Scotland receives about €600 million a year in CAP direct payments and rural development payments, and if lost this could have significant implication for Scottish farmers. However, if under independence Scotland does become a member of the EU and receives CAP payments it could be better off with farmers receiving €196 per hectare compared to the €130 at present.

Stephanie McMahon, Head of Research at Strutt & Parker, says "A crystal ball would be handy, especially when predicting the outcome of a highly emotive and personal vote. Our analysis has instead focused on the facts and figures around the vote and what future independence might mean for the markets".

Andrew Rettie, Partner in charge of Strutt & Parker's estate agency business in Scotland, says "We are now in the final month of campaigning by the politicians in what has been a very long, and at times bitter, process. I believe the Scottish house market will gain strength and momentum in the weeks and months following what I anticipate will be a victory for the Better Together campaign which will secure the United Kingdom. Confidence will return to buyers, lenders, sellers and valuers when the result is known."

Below are examples of some properties that have come on the market this month – if you would like photographs please get in touch.

<http://search.struttandparker.com/residential/aberargie-perth-perthshire-ph2/20610>

<http://search.struttandparker.com/residential/birchwood-chapel-brae-braemar-ballater-ab35/20857>

<http://search.struttandparker.com/residential/brighthouse-park-cross-edinburgh-eh4/20760>

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