Looking beyond Brexit

In the months that followed the UK's decision to leave the European Union (EU), the housing market has been impacted by a rise in consumer inflation, a deflated sterling and higher stamp duty. We've seen property buyers, investors and developers exercising greater caution with their spending.

As Theresa May kicks off Brexit proceedings with the triggering of Article 50, property investors are looking for clarity on the potential impact on their investments. The unprecedented nature of Brexit makes it difficult to be certain of the future, but we can say with certainty that a thriving property market needs a healthy economy. If Brexit negotiations progress well, the market should remain strong and house prices could rise at a faster rate than expected. However, if extracting the UK from its web of long-standing, complex agreements and EU deals proves problematic, house prices could falter.

The latest Halifax Price Index shows that house price growth has increased by 5.1% in the year to February, the lowest since July 2013. Although this outlines the slowing growth rate, property prices are still rising. This continuous rise in the cost of housing has not only made it difficult for people to get on the property ladder but also increasingly harder for investors to be sure of where they should be putting their money.

Despite this, property investors have a number of reasons to be cautiously optimistic about the future, given how resilient the market has been since the referendum. This is partly due to foreign investors taking advantage of the fluctuating pound, renewed interest in regional cities and continuing investment in the UK as an international business hub.

Opportunities for foreign investors

The pound is at its lowest value since 2007, depreciating 18 percent against the American dollar and 12 per cent against the euro. The pounds post-Brexit vote slump has triggered a wave of interest from overseas buyers in London's property market.

Beauchamp Estates' 2017 Wealth Report showed that the number of dollar-based buyers from America and the Middle East looking to spend between £2m – £6m on London property in neighbourhoods like Kensington and Chelsea, is rising swiftly. The sterling drop has meant that the average house price of a Mayfair flat has decreased by approximately 10.6 percent.
The surge in demand from overseas buyers and investors reinforces the recognition that property will be a stable and safe market over the next few years. No longer the elephant in the room, the boom in foreign investment will not only make up for any absence of domestic demand but will help anchor the sustained growth of the nation's property market.

Regional hotspots

As prices increase in London's property market, investors will start to look elsewhere for markets that can yield stronger returns. This has created regional investment hotspots like Reading and Manchester.

Reading has exceptional infrastructure making the area an attractive place to buy property. Trains generally take only half an hour to reach Paddington station, making it a popular destination for buyers priced out of London. As a result, Reading has seen one of the biggest house price increases, with the average price rising by 18.5% within the last year.

After Theresa May pledged a £556m cash boost for the North, Manchester has seen an uptick in investor demand for property. This investment has put Manchester in the spotlight, which has had a positive impact on its property market. At the same time, Manchester's low levels of property supply has meant that it's not meeting the rising demand, which in turn is pushing prices up. According to Hometrack, Manchester has seen a house price increase year-on-year of around 8.3 per cent, superseding London by 1.9 per cent. The pledge from the Prime Minister and the lack of housing supply makes Manchester a prime location for investors looking to expand their property portfolio outside of London.

It's important to note that the lack of housing supply is an issue across the UK. This shortage of housing, alongside ultra-cheap borrowing rates means we'll continue to see house prices rise and defy the doom-mongers and doubters.

Growing investor interest in cities across the UK helps paint a more optimistic picture about the post-Brexit property market. Property investors are now looking beyond London for properties that will offer higher yields and lower rates of stamp duty.

The UK is an international business hub

Even though the Brexit vote and subsequent negotiations may dampen enthusiasm for the UK in the short-term, the country is still a popular nation for investment. The UK remains one of the top three countries to invest in (only behind the US and China).

Multinational corporations, such as Dyson and Apple, have given the UK a vote of confidence with recent expansions of their business presence in the UK. Such moves signify that fears of Brexit leading to many jobs being moved to other European cities are overblown. Business ventures like this will increase the number of regional locations seeking to attract foreign and local investment in the future.

A rise in the number of corporations investing in the UK is indicative of the ongoing strength of our economy. The UK's reaffirmed status as a leading global business nation means investors can be certain that their property assets whether in London or other areas of the country will be a stable source of returns for years to come.

Beyond Brexit

There can be no doubt that the next two years of Brexit negotiations will be characterised by market volatility and uncertainty. The property market will not be immune to this turbulence. However, property investors can find assurances in the sound economic foundations of the market that have underpinned its strength thus far. Forward-thinking investors will consider Brexit an opportunity to invest in a market that has naturally been the nation's most resilient.