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Four thoughts on what's next for the property market

As a morsel of certainty emerges from the maelstrom – in the form of a new PM – here's some measured musings on how the UK, London and PCL markets currently stand, and where we go from here...

There is an awful lot for sale at yesterday's prices...

Saul Empson of Haringtons UK on PCL: It's an extremely fragmented market right now, with three very different pictures emerging, all at the same time.

Firstly, you have what I might term the 'indigenous' marketplace; this comprises people who live and work in London, who need to house themselves and their families – this is a market similar to that for food, where people still need to house themselves in the same way that they need to feed themselves. Whether it is £2 million houses in North Kensington or £6 million houses in Notting Hill, life still goes on.

Secondly, you have the investment market place – which is dead as a doornail, as buyers wait to see which way the Brexit leads us, if anywhere at all, and developers who have churned out barrow-loads of nasty flats in unlovely parts of London start to get nervous.

Thirdly, you have the discretionary marketplace for multi-million pound mansions and flats, that are almost akin to fashion statements, and are proving to be about as durable in terms of investment. There is an awful lot for sale at yesterday's prices, and very little for sale at attractive figures. In this market, finding the man who REALLY wants to sell is the key.

As for the future, I think in all likelihood, more of the same. And the levels of SDLT introduced by Osborne last year continue to really stifle the supply of good property. I have one search running for a good 4-5,000 square foot house in Notting Hill where there literally is nothing good for sale.

Uncertainty tends to breed increased demand in the rental sector…

Clare Betteridge of RFR on the London market: Whilst we do not want to overplay the positive impact of Sterling's fall to its lowest level against the US Dollar in 31 years, certainly this may encourage investment from foreign domiciled individuals who hold cash or portfolios denominated in another currency (and we have seen early signs of renewed interest in the London market from clients based in North and South America).

Uncertainty tends to breed increased demand in the rental sector and many market commentators are saying that this is unlikely to be matched by supply but we remain to be convinced since we are seeing many homeowners opting to rent out their properties in the short to medium term. One other effect of the recent political environment (in particular the increased transactional costs of moving) has been a significant upsurge in home improvements as Londoners seek to maximise their existing space. London is now the third most expensive city in the world for construction, with good contractors able to pick and choose their projects and prices rising on the back of labour inflation and increased profit margins.

If you can be certain in an uncertain world, you can take advantage of the situation

James Greenwood of Stacks Property Search on the national market: Uncertainty has been the enemy of those wanting to buy and sell property in 2016. The lead up to the Referendum was a quiet time in the UK property market as potential buyers and sellers sat on their hands waiting for the decision.

While the future of the UK is far from certain post-Referendum, every day brings a little more certainty. We know that the commercial property funds are suffering; we know that interest rates are more likely to go down than up; we know that the Stock Market is more robust than many anticipated. Housebuilders that have been hammered by uncertainty about the economy have, at the time of writing, started to regain some ground.

We also know that estate agents are reporting some fall-throughs where buyers have been specifically affected by the Brexit decision, for instance relocation decisions being reversed, but that largely, deals are progressing, demand has increased a little, and that overseas buyers are taking advantage of a weak pound to snap up investment property.

In our view, if you can be certain in an uncertain world, you can take advantage of the situation. A collapse in property prices is not on the cards – Mark Carney has taken care of that. Equally there is no expectation of any great increase in prices. Before the Referendum it was agreed by many that price growth was slowing. At Stacks we held the belief that prices were overvalued from 3% – 12%. Our expectation is that, depending on the level of growth that different regions have experienced in recent years, we will see some dampening of prices.

As a buyer, you can take advantage of this non-volatile market. Our advice to buyers is:

- Explore finance options early, avoid high levels of debt and don't over-borrow.
- If you can be a chain-free buyer you will be in a very strong position
- Don't overpay, there will be good opportunities for negotiation
- Don't be seduced by 'fire sales' – as always, don't buy anything that you wouldn't buy if it wasn't cheap!
- Buy sensibly for the long term. Short term property moves rarely make financial sense.

Finally, if you've been putting off a decision to move for months, now is the time to get active. Take advantage of a climate of opportunity, but, as always, be obsessive about your due diligence.

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Anita Mehra of Benham & Reeves on the outlook for London's rental market: Prior to the referendum, the lettings market was facing considerable headwinds. A 3% increase in stamp duty on investment properties was deterring many landlords from adding to their portfolios while rents in prime central London (PCL) had fallen by 2.3% as demand finally abated. Since the referendum, that market has changed considerably. Our analysts have seen strong interest from overseas investors keen to capitalise on the falling pound and anticipate strong demand from tenants.

PCL was one of the few areas of the country where stock levels increased in the first two quarters of 2016. Rather than sell, most property owners here can afford to hold onto their properties and let them out. This has led to a steady supply that has softened rental returns. The good news, for tenants at least, was that they had a good choice of properties.

In the advent of the Brexit vote, Benham & Reeves Lettings branches have fielded a multitude of enquiries from applicants currently living and working in Europe but keen to move to the UK before secession is complete. In the first quarter of 2016, one in four applicants was from Europe. Since the referendum result was announced, the number of applicants from Europe has leapt up and now constitute 47% of all new enquiries. The number of new applicants has risen by 17.2% with that figure anticipated to increase further over the forthcoming weeks.

Demand has been strongest in the City, Canary Wharf and east London offices, although there has been very strong European demand near international schools like the French Lycees in South Kensington and Kentish Town. Most of the new enquiries have been from professionals in the finance sector with many expressing the view that if they relocate to the UK and secure a job before secession is negotiated, they will be able to continue working here. If the free movement of labour is withdrawn, then it is highly unlikely that Europeans already working in financial services will have any problems with work permits. Like many in this country, we initially felt that Brexit would have an adverse effect on the property market. While it may still prove to have a negative effect on the wider property market, the initial reports from our branches indicate that it could potentially benefit the London lettings market.