THE EFFECTS OF BREXIT ON PROPERTY

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Unsurprisingly, this month I thought we could consider the effects of the Brexit vote on our individual property plans.

As we prepare to move into unchartered territory many people seem to be transfixed with the potential downsides to the property industry.

There has been anecdotal evidence in the press since the referendum of over £1bn of commercial property deals falling through; estate agents have reported, albeit on a small scale, of purchasers pulling out due to the Brexit decision and one overseas bank has halted UK lending due to our decision to leave the EU. Furthermore we have seen the stock market fall, the pound fall and some inferences of mass job losses.

But is it really all doom and gloom for our independent future?

The key thing is perhaps not to believe all we are told in isolation. The Chancellor stated that house prices could drop 10-18% if we were to vote to leave. Bear in mind he also said an emergency budget would be immediately necessary and that is seemingly now not going to happen. Regardless of the correct sum of money which can be saved from our EU membership, there will clearly be a cash benefit to the UK economy.

I accept prices could wobble in the short term, especially in areas where values are already overheated and during the period in which the timetable for exit is negotiated. This is particularly likely given that the rent coverage on buy-to-let is increasing and a likely reduction in interest rates could certainly impact lender profitability and reduce their motivation to lend.

Prior to Brexit some commentators were calling the top of the market so this concept post referendum is nothing new. Having said that, the EU Mortgage Credit Directive was itself something that was restricting lending so this is one facet from which we will potentially be released. Plenty of others could benefit us too.

That said, a reduction in pricing could increase demand from investors looking to secure a viable deal in what has been a fast-growing marketplace. A reduction in interest rates could see enhanced cash flow for investors on tracker and variable rate deals. With rents seeming reasonably robust or even still rising, investors could see increasing returns during these uncertain times.

Indeed a small scale correction or even a stagnant market while we all get used to the new norm could be a far better consequence than a larger scale correction that unchecked house price growth could cause.

I disagree with those who compare our property proposition with our European neighbours. Culturally we aspire to own property in a way that other countries do not. I see no reason why this will change. It is asserted that 80% of renters aspire to own a property and our population is likely to continue to increase faster than house-building regardless of whether we reduce net immigration. Further, as an investment medium, property is likely to continue to be the first and only choice for many dismayed with alternative pension opportunity.

For those who are involved with "Jet to Let" there could still be opportunities abroad. Although the pound has initially fallen against the euro it is possible, particularly when you look at how European stock markets have reacted, that the euro could fall as a result of Britain's exit from the EU and the ongoing economic challenges that the Union faces. Such a move could make overseas property far more affordable for the UK buyer and surely our European neighbours will still be happy to sell to us.

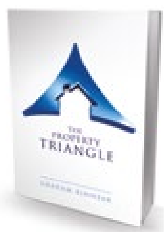
Many have mentioned the ability to make our own laws and the ability to repeal those we would rather do without. This is however likely to be an incredibly time-consuming process, not least as many of them, as in the case of EPCs, originated from a European Directive but were subsequently enshrined in UK law. The vast majority of legislation which impacts property is, as far as I am aware, UK-initiated law and therefore unlikely to change as a result of the referendum vote. The exit process is likely to take two years, so we have the benefit of time to adapt to the new regime. It is clear that an acute shortage of housing remains and that a significant number of employers will retain their base in the UK; therefore it is hard to see how rental demand or, providing mortgage finance remains available, pricing will wane to any significant degree.

The truth is we haven't been here before and being the first country in the EU to leave we cannot know for certain what the future holds. There is however a very good chance Britain will ultimately prosper with its new found autonomy. As it does, the housing market would benefit as a result. The recovery of the economy following the 2007 recession saw significant growth in the housing market both in terms of pricing and the number of homes being built. This was also the case in 1963 and 1968, both coincidentally perhaps, prior to our joining the European Community!

As property people we seem to display a strong entrepreneurial flair and should therefore look at the opportunities that exist. Bear in mind if we decide to stop building our dream we are likely to end up being employed by someone to help build theirs! So let's stay true to our dreams and negotiate our way through these changes.

Graham is author of

"The Property Triangle"



As always, I am happy to assist YPN investors with their plans to maximizing their portfolio performance and can be contacted on **0844 414 8659** or **graham@grahamkinnear.com**