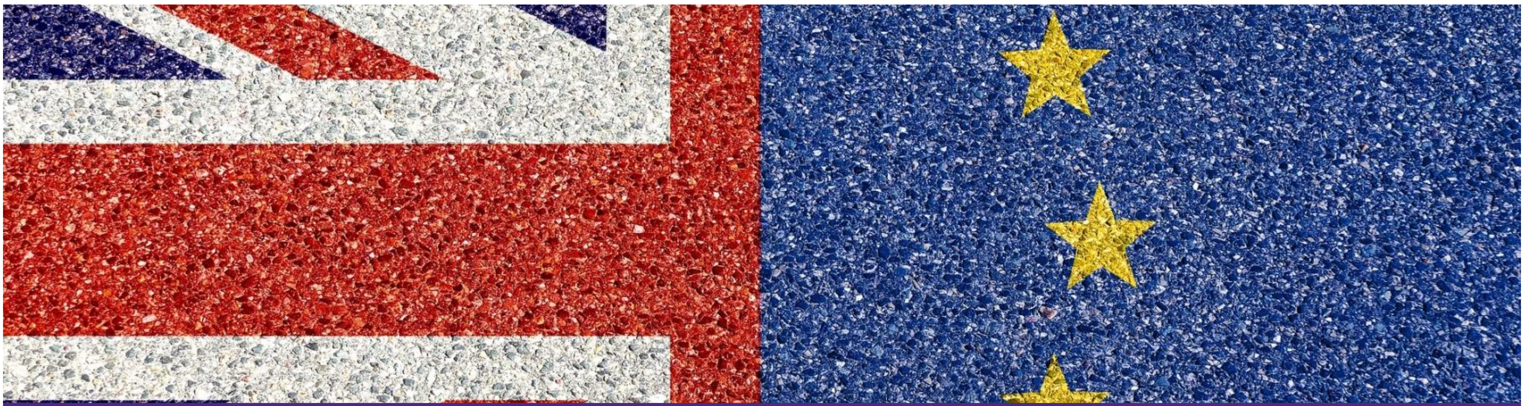

The housing market pre and post Brexit

Brexit. There, I have said it. A word guaranteed to provoke at least an inward groan from anyone who hears it. Despite the fact that the referendum was only three years ago, the issue of whether the United Kingdom leaves the European Union, and upon what terms, seems to have been dominating political debate for at least a decade.

The purpose of this article is to shed some light on what impact Brexit is already having on the housing market and what impact it will have on the market if and when it finally becomes a reality.

This is not the easiest thing to do. Brexit is like a book missing its concluding chapter or an opera where the fat lady has only just started to warm up her vocal chords. Nobody knows how this drama will play out. All options are still on the table, from leaving with no deal to staying in the European Union and all points in between.

However, we can assess what has happened to the housing market since the date of the referendum, and the government also commissioned an analysis of how Brexit would affect the economy as a whole. This is probably the best place to start.

Government analysis of the impact of Brexit on the economy.

In November 2018, the government commissioned a report to look at the potential impact of different types of Brexit upon the economy. The analysts who compiled the report considered two separate types of exit deals or, at the risk of sounding like Noel Edmonds, no deal. The three scenarios considered within the analysis were leaving with no deal, leaving with a deal incorporating a Free Trade Agreement with the European Union and leaving with a deal incorporating membership of the Customs Union and the European Economic Area.

The headline predictions were that gross domestic production figures would fall by between 7.6% and 9.3% if Britain left with no deal, between 4.9% and 6.7% if Britain left with a deal incorporating a Free Trade Agreement and by 1.4% if Britain remained part of the Customs Union and the European Economic Area.

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What does this mean for the housing market?

It is obviously not possible to make definitive predictions while so many variables remain in flux. What we and the many estate agents and mortgage brokers with whom we work, are certainly seeing is that the housing markets in different areas of the country are being affected in different ways.

London and the South-East have been hardest hit, whilst the Northern and Midland cities have taken full advantage. It would appear that many are selling in the South East and re-investing money in the booming cities of the North and the Midlands.

Such a strategy makes sound financial sense. It has been known for some time that the property market in London and the South-East has been overheated, with house prices beyond the reach of those seeking to make their way on the property ladder for the first time. In London, in particular, there has been significant foreign investment in the property market over many years, which has only served to push prices higher.

On the other hand, the cities of the Midlands and the North offer a much healthier proposition. Prices are lower and, therefore, yields are higher for investors whether national or international.

The housing market should also be assisted by projects such as The Northern Powerhouse and HS2. Greater Manchester has already seen enormous benefits from the BBC's decision to move a number of departments from London to Salford.

When HS2 is completed it will take just over an hour to travel by train from Manchester Piccadilly to London Euston. The expectation is that this will increase the numbers of workers commuting on a daily basis from Manchester to London and the same is likely to be true of Birmingham.

It is not just anecdotal evidence that suggests the South East is being hardest hit. Figures published by H.M. Land Registry show that, since the date of the Brexit referendum in 2016, property prices in London have risen by 1% and those in Oxford by 2%, while in Cambridge prices have fallen by 4%.

Matters seem to be getting worse, with average London property prices having fallen in the last 14 consecutive months. Prices had fallen on average by 1.9% from March 2018 to March 2019 and the rate by which prices are falling increases in relation to the property price: higher-value properties are declining in value more rapidly than lower-value properties.

In contrast, the same figures show that since the referendum property prices have increased by 16% in Birmingham, by 15% in both Manchester and Leicester, by 14% in Nottingham, by 12% in Leeds and by 11% in both Liverpool and Sheffield.

Does this spell the end for the London housing market?

The answer to this is most definitely not. If Brexit happens, in the short to medium term it is likely that the London market will be more severely affected than those in other areas of the country. However, a falling or stagnating market creates its own opportunities.

Those taking a longer-term view, may well see the value in investing now to profit in the future. As Del Boy was wont to say, “Who dares wins, the world is your lobster”.

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