

Sneeze, Freeze or Squeeze?

Martyn Stubbs of Phillips and Stubbs assesses the current state of the property market and offers a few words of advice for buyers and sellers.

No comment about the property market in autumn 2007 can look at the situation in regional isolation. This autumn the property news is dominated by the international banking sector and how it will affect the entire UK property market over the next twelve months.

The saying goes that if America sneezes the rest of the world catches a cold. The US has certainly sent a virus to the UK property market. The big question now is whether we in the UK will have a sneeze, freeze or squeeze, or a combination of all three.

The banks will now be looking very carefully at their lending criteria and this will give fewer opportunities for borrowers, and certainly hard pressed first time buyers. At the other end of the market the City is looking at a £2 billion loss in bonuses this year. This will affect the very top end of the market.

The market so often provides an accurate weather gauge to the financial well being of a region or the UK as a whole. For many the problems of the US property market seemed quite a long way off until the repercussions hit Northern Rock. Now all UK homeowners and buyers are being affected by a credit squeeze and falling market confidence.

Perhaps the UK government guaranteeing investors' funds in Northern Rock, and the US bringing down interest rates by 0.5 per cent will help, but there seems little doubt that the UK is in line for a period when house prices have to settle to a level that reflects the banks' and building societies' new, harsher and, in some cases, more responsible attitude to lending.

So after a fairly long period of property inflation and a buoyant market what should we expect from these new market conditions? Each of us looks for a good result when we are active in the property market, but the reality is that most of us buy well in a slow market and sell well in a buoyant one. Rarely do we get the best of both worlds. This market will favour buyers.

Yet all is not lost for sellers. This is not the 1980s. Employment is relatively high. Interest rates are still relatively low. Industry leaders don't foresee a hard landing in the property market, rather a soft one.

But sellers will have to realise that any gains they make will most likely be in buying their next property, and that they will have to be sensible with their own asking price to avoid a prolonged and frustrating period on the market. They will also have to make every effort to ensure that their property looks at its most appealing, and certainly more appealing than other comparable properties being sold locally. Then, with some flexibility in negotiating, even in a challenging market the chances are good that they will be able to move on, while their neighbour's For Sale board remains - familiar and weather-beaten.