

Events

Jason Stubbs of Phillips and Stubbs looks at the options presented by the property market this coming year.

Harold Macmillan famously said that the greatest obstacle to political achievement was, “Events, dear boy, events”. He may well have been speaking about the greatest obstacle to stability in the property market.

Whilst the political classes reflect on the events of last year, and indeed on an *annus horribilis*, the property classes look back at 2009 with a more benevolent view. Unlike 2008, the property market has performed reasonably well, considering what might have been. At a time when our MPs struggled with the aftermath of duck house construction, moat clearing and bell tower maintenance, and made into an art form the cynical habit of second home flipping (an advantage not generally exploited by those more scrupulous second home owners who have earned this benefit rather than had it given to them by the tax payer) the property market rallied to a reasonable extent in some areas and to a remarkable extent in others.

Prices in some regions have returned to their pre 2007 levels: a trend not anticipated, but then nor were the numbers of properties coming onto – or rather not coming onto – the market. This alone has kept prices buoyant despite a real worry about rising unemployment and the prevailing dearth of mortgage funds.

In a year dominated by political scandal and shame, almost weekly reminders of the awful and tragic reality of war, rising concerns about climate change, desperation in Dubai and yet more stories of banking incompetence and greed, the property market was one area that was quietly left alone by the headline writers who had other fish to fry.

Over the year we also loved to read the nonsense spouted by some industry ‘experts’ and armchair generals, all anxious to grab a headline or two for themselves. Some predicted that property values would drop, some that values would rise and some that values would stay the same. Some even managed to predict all three in the same sentence!

However, despite the lack of any lead from the press the mood in the property sector seems to have changed and is changing still. Buyers appear to be altering their spending habits. Overt demonstrations of wealth and signs of conspicuous consumption appear to be on the wane. Modesty seems back in vogue. Value is the key to a new home. Whilst not perhaps behaving with sackcloth-and-ashes remorse, buyers seem to be showing more restraint than in past years. The bonus boys and girls have more things on their minds than the purchase of a palace to house their collections of expensive toys and gadgets – the threatened one-off bonus tax and higher rate income tax have seen to that.

Reviewing events of the past year is easy, but anticipating the next is more of a challenge. A general election always adds some turbulence to the market and the coming vote should be no exception. If the Tories get in we are told that we can expect the demise of HIPs – a badly conceived and woefully executed piece of legislation, even if the initial intent was a worthy one. If Labour wins we can probably expect the tenth housing minister since the party came to power twelve years ago – not perhaps the most ringing endorsement of a strong commitment to the housing sector that some would wish for, or indeed expect.

Despite long awaited signs of improving access to mortgage funds there is still the threat of a double dip in the property market if the economy does not continue to improve. Also of concern is a sudden glut of available property on the market that could yet stall recovery. However, many would argue that we have lived under this shadow for over a year and Armageddon hasn’t happened yet.

Many in the industry will also be looking closely at the property portals - where the vast majority of homebuyers now begin window-shopping. These people could be in for an exciting year. For those intrigued by this unfolding drama it is a fascinating prospect. Will the UK industry giant, Rightmove, be sidelined by the global internet giant Google? The latter plans a mega property search engine which could offer the property industry here the tantalising prospect of saving millions of pounds in resented expenditure? Could the way the public search for property change forever? How will this affect the industry? All this and much more may be revealed in 2010.

But one thing is certain, what will affect the market more than anything next year will be “Events, dear boy, events”.