

Caught by the Tide

Jason Stubbs of Phillips and Stubbs offers a timely warning for those playing the UK property market in the UK this summer.

Anyone caught by a fast incoming tide will know the feeling. The children went off exploring caves and rock pools, and it was so nice sunbathing on the beach. There seemed plenty of time to get to safe ground before the tide turned. But really there wasn't. The tide is no respecter of the tardy, the forgetful or the ignorant. It is a game of chicken with only one winner. King Canute taught us that in the 11th century.

The same has just happened in the UK property market. Those who were cleverly waiting for the market to bottom out may now be too late. In certain parts of the market the tide appears to have turned. Right now it seems as if many of the 'steals' have been stolen. The snips have been snapped up. Property going for a song has sung. The tide has turned and - like many who wait until the ebb's final retreat - they may be taken aback by the speed and strength of the flood.

Those who wait for the bottom of the market are invariably too late. It is never a good plan to try and second-guess the property market. What nobody could have possibly foreseen was that there would be a dearth of good quality homes coming on to the market this summer. This has put a premium on the price of some of those that have come on. This must not be mistaken for an increase in property prices generally. We are too early for that. Indeed figures show a slight dip in prices in May. But sellers of really good homes in very popular locations are in the driving seat for the first time in a couple of years. It is the first real sign of any sort of market recovery.

Much of the unsold property that has been on the market for some time is now changing hands. Figures show that asking prices and selling prices are converging. Sellers pricing their homes correctly and buyers with cash or increasing access to mortgage funds are clearing the backlog. Inevitably the banks will get round to mainstream lending again – once they have capitalised sufficiently. Then first time buyers will pick off moribund new-build flats and houses that were caught at the high water mark of 2008. Then the market will really move from slow to full ahead.

So what should opportunist buyers do now that the market tide may be past its nadir? Well there may be fresh chances in the autumn if the market does a double bounce - this is a possibility as reduced public spending and higher unemployment and taxes seem unavoidable. But to be on firm ground buyers need to act quickly before the tide does come in. After all, as any seaside holidaymaker will tell you, it is always better to be damp than drowned.