

Amid several signs of a struggling property market, many homebuyers are unsure whether it is worth investing the time, effort and money into bricks and mortar. IMA Research explores some of the current issues and trends and how best to utilise your real estate in the current climate.

Debt Dependency

The Bank of England raised the Base Rate to 0.75% this month, with at least one further rise expected by the end of 2018.

With property being most people’s highest-value asset and therefore most UK homeowners being dependent on a mortgage, any rise to interest rates can have significant effects on repayment affordability – impacting lifestyles and returns.

However, as the BoE has tightened lending criteria in an attempt to protect borrowers from another 2008-like bubble, borrowers on fixed rate mortgages may be unaffected in the immediate aftermath.

- Just under 9 out of 10 new mortgages taken out since 2014 on fixed rate rather than variable*
- 94% of remortgages fixed rate, May 2017-May 2018* (*Source: UK Finance)

Equally, borrowers must be aware of sudden jumps in their rates when the time comes to refinance and their options at the end of the fixed rate term.

IMA Tip: We can advise on the optimum level of debt for your situation, be it buy to live, let or develop.

Safe Structuring and Exit Strategies

There are more options than ever to aid home ownership, such as Shared Ownership, but buyers must consider what this means with respect to any restrictions over, for example, what they can do with their property, or Housing Associations having first right of refusal on Share resales.

Purchasing a property held within a company can save on Stamp Duty (0.5% rather than 2%+ for a normal residential transaction), but can bring its own complications such as debt rates that are far higher than their residential counterpart.

Ishil Mehta, Managing Director, says: “The sales market is tough right now, with buyers have the upper hand. We have launched our 5 year corporate tenancy solution to ease pressure on those who want to mitigate the costs of ownership and let on a no void basis to a UK Corporate. We have an initial target of 50 units (individual, portfolios, or developments). We will sign contracts before practical completion too, giving you complete piece of mind.”

Traditional high street agents have struggled recently because of both a challenging market and the rise of online and hybrid agents.

- Foxtons made a £2.5m loss in the first half of 2018 (compared to a £3.8m profit in the same period of 2017) and their EBIDTA has dropped from £7.1m to £0.1m
- Countrywide revenue and profit drops led to shares valued at around 14p, a drop of around £1.50 in just 12 months

Yet even homeowners trying to ‘do it yourself’ when it comes to selling or letting must be aware of the consequences if they are inexperienced.

Ultimately, the key is to assess the value of savings between fixed agent fees and percentage based fees compared to what an experienced marketing and negotiating team can do to facilitate sales.

IMA Tip: Have a buy to let? If you have concerns about your tenants, agent or management then ring us to seek a professional opinion.

IMA – Real Estate Redefined

As a Group set up to deal with the entire lifecycle of property ownership (origination, deal structuring, development and management) both for proprietary assets and for clients, we are well placed to adapt to (and advise clients on) changing market conditions.

We consider all options and weigh up likely risks with rewards, allowing us to structure our assets in such a way that we can react to macroeconomic changes and maintain required return profiles.

IMA Tip: Talk to us about our dynamic strategies, such as a recent instance where we were able to completely change direction on a development built to sell by refinancing and renting out.

18 Weeks

Average London & SE Sale Time, Prime London (IMA Research)

82%

IMA Lettings achieved at/over asking price, 2018 (to date)

12 Hours

Time within which IMA Property Management calls attended to