



# UK PROPERTY INVESTOR INDEX



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## The UK Property Investor Index: How are UK investors managing Brexit?

On Wednesday 29 March 2017, exactly 280 days after the referendum, Prime Minister Theresa May triggered Article 50 and formally commenced Britain's withdrawal from the European Union (EU). As a consequence of this historic event, the UK has now entered a 24-month negotiation period with the European Commission to agree upon the final terms that will define the country's Brexit path. The Government has already begun to lay down the legal foundations for this process; on 30 March the Great Repeal Bill white paper was released, outlining how the country will transfer, and if necessary repeal, existing European legislation, fortifying its newly defined governance as an independent entity.

Despite the country's progression into uncharted territory charging much speculation, the general consensus surrounding the far-reaching implications of Brexit is resounding, not only for the critical mass of society, but for the investors that define financial momentum in times of such critical transition. To that end, in the nine months since the EU referendum vote, the country has proven its resolve; in Q4 2016, the UK economy grew by an impressive 2% as a consequence of private sector productivity and robust consumer spending. Looking to the year ahead, industry bodies are confident the economy will maintain this positive momentum – the British Chambers of Commerce forecasts that UK GDP will expand by 1.4% in 2017.

Amidst a period of transformation and change, investor confidence remains high – a [report in February 2017](#) revealed that 44% of UK investors believe that leaving the EU will have a positive impact on their investment strategies this year, with a further 22% predicting no notable effect. The results defy initial speculation that Brexit would negatively impact financial plans. Backed by buoyant investor confidence, Britain is positioned on the cusp of significant opportunity, now charged with forging a new global identity that champions its strengths as an international hub for innovation and growth, as well as its renowned industries and investment markets. Within the property sector, these investment markets extend from residential and commercial real estate opportunities to large-scale development projects – both in London and equally in the regional hotbeds holding lucrative, not to mention increasingly competitive, investor interest across the British Isles.

To understand how the country's private investors are approaching their financial strategies in light of Britain's pending withdrawal from the EU, Market Financial Solutions (MFS) has surveyed a nationally representative sample of 1,000 UK investors to find out how Brexit will affect their financial plans over the coming 24 months. The results are enlightening, revealing a responsive, adaptable and progressive investor community that will not let the onset of Brexit negotiations derail their investment plans.

## Key Breakdown of Research Statistics

We asked 1,000 British investors about their investment strategies during the two-year Brexit negotiation period, revealing:

- A mere 9% of UK investors think the onset of Brexit negotiations will derail their investment plans over the next two years
- 39% of respondents – equivalent to 11.5 million investors – see the next 24 months as ample opportunity to execute a short-term investment strategy
- With rental prices forecast to rise by 20% over the next five years, almost two fifths (37%) of investors currently view buy-to-let as an attractive investment
- 45% have adopted a more open-minded attitude to other investment classes because of record-low interest rates
- A third (33%) are taking a short-term approach to investments as a result of the dramatic political and economic events of the past year
- 30% of investors said that during the next 24 months of Brexit negotiations they will consider alternative finance and short-term lending to execute a responsive investment strategy

## Brexit: A Period of Investment Opportunity

Immediately following the EU referendum vote in June 2016, there were claims that investors would be much more risk averse in their financial planning, opting for a cautious investment strategy that mitigated against any uncertain conditions arising from Brexit. In reality, British investors have continued to propel the UK economy forward through a positive outlook and confident approach. According to a [recent survey](#), 2.21 million investors across Britain have moved into 2017 with a greater risk appetite and are seeking new investment classes.

In a sign of resounding confidence, our research found that the initiation of Brexit negotiations has caused minimal concern among the UK's investor community. Of those surveyed, only 9% of investors were worried that the onset of Brexit negotiations would derail their investment plans over the coming 24 months. Moreover, following the triggering of Article 50 on Wednesday 29 March, 39% of investors – equating to 11.5 million people across the UK – said they see the two-year negotiation period as an ample opportunity to execute a short-term investment strategy that will provide returns prior to the formal completion of Brexit.

Furthermore, almost half (45%) of the respondents said that they are taking a more open-minded attitude to other investment classes as a result of record-low interest rates – which have been held at 0.25% since August 2016. With little indication of change, the Bank of England's monetary policy committee meeting in March 2017 saw eight out of the nine committee members vote to keep interest rates at the base level of 0.25%, which is the lowest in history.

As a sign of the responsive strategy investors are currently adopting, a third (33%) of respondents in MFS' survey said they are taking a short-term approach to investments as a result of the dramatic political and economic events of the past year. What's more, to help them execute an effective and flexible investment strategy in the next two years of Brexit negotiations, 37% of investors said they are considering alternative finance and short-term lending options. This preference for short-term lending routes reflects a broader shift in investor preferences, favouring efficient finance solutions for loans that are fast and readily accessible in what is an appropriate period for strategic, timely decision-making. Recent industry statistics show demand for short-term loans rose in Q4 2016, with more property investors turning to bridging finance in order to fund their property acquisitions. Figures compiled by [The Association of Short Term Lenders](#) also show that the value of bridging loans issued rose by 26% in the final quarter of 2016, in comparison to Q3. Overall lending in 2016 totalled £2.83 billion, up from £2.59 billion in 2015, and representing a five-fold increase from [2011's figures](#).

## Investors Look to Buy-to-Let

The MFS survey found that interest in buy-to-let investments remains high in the current market. Early indicators since the result of the EU referendum have showed that the UK's property market has held up resiliently, with property prices increasing 6.2% in the 12 months to January 2017. Meanwhile, the [Royal Institute of Chartered Surveyors](#) has said that rents in the UK will increase by 20% over the next five years.

For UK investors interested in short-term investment options, the UK property market is renowned for its competitive and diverse range of residential and commercial real estate opportunities. With demand for rental properties continuing to rise, data and analysis from [BM Solutions](#) found that the average gross rental yield across England, Wales and Northern Ireland in Q3 and Q4 2016 was 5.3%. So far, Brexit has also had little impact on the property investment portfolio of buy-to-let landlords; the size of the average portfolio remains at 13 properties, while the average value of property portfolios is peaking at £1.7million.

As a consequence of these positive growth forecasts, almost two fifths (37%) of investors surveyed said that they currently view buy-to-let as an attractive investment opportunity. For Londoners and millennials (those aged between 18 and 34), this percentage rises to approximately 55% – revealing a new generation of property investors seeking to take advantage of the current real estate opportunities on offer during the Brexit negotiation period.

## Looking to 2019: Embracing New Opportunities

The MFS Property Investor Index has illustrated that real estate continues to be a desirable asset class in the current climate. Specifically, despite tax and legislation reforms directed at the country's landlords, interest in buy-to-let investments remains high – something spurred on by the health of the property market and unrelenting rental demand. With property prices, rental yields and demand across both sides of the market predicted to rise in the months and years ahead, real estate has been identified in the study as an area of significant interest among the UK's investors.

Importantly, the appetite of Britain's investor community to adopt a more responsive and short-term strategy that incorporates buy-to-let opportunities is not solely driven by the onset of Brexit negotiations; MFS' research has shown that interest rates residing at 0.25% is also influencing the decisions of the country's private investors, with almost half stating that they are embracing a more open-minded attitude to other investment classes because of record-low interest rates. In the 24 months of Brexit negotiations that lie ahead, it is essential the UK Government recognises the sentiments of private investors, particularly those in the property sector who form such an integral part of the nation's fiscal make-up. Recognising the demand for investment opportunities during this period, and the potential of alternative finance and short-term lending options to assist in the execution of timely and strategic investment strategies, will be integral if the country's economy is to grow – leveraged by what is a buoyant property industry – during this time of significant transition.





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