THE UK'S PROPERTY INVESTOR INTENTIONS 2018

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After an eventful 2017, UK investors currently find themselves amidst a political and economic backdrop few would have anticipated 18 months ago. Overseas, US President Donald Trump has continued in his eccentric pursuit of a protectionist foreign and trade policy in an attempt to improve the country's productivity. At the same time, Theresa May's Conservative Party was compelled into an alliance with Northern Ireland's Democratic Unionist Party (DUP) following a shocking General Election result in June – an alliance now responsible for negotiating Britain's terms of withdrawal from the EU.

2017 was also a breakout year for cryptocurrency trading. Referred to by some as the digital gold rush of the 21st century, market demand for digital currencies that employ the principles of cryptography to ensure security and privacy surged at a remarkable, and sometimes volatile, rate. In amongst the rise of alternative asset classes, the UK economy also demonstrated its resilience as an established hub for investment activity and productivity – the National Institute of Economic and Social Research forecasts a 0.6% expansion of GDP in Q4 2017, representing a 0.2% increase on Q3's figures.

Taking into account the contextual circumstances facing investors in 2018, a financial strategy well placed to take advantage of this year's unfolding trends is vital. To uncover the intentions of UK investors over the coming 12 months, MFS has surveyed a nationally representative sample of more than 2,000 UK adults to reveal their views towards the political and economic events set to shape 2018, and the assets they plan to consider as part of their investment strategies. The findings are resoundingly positive, unveiling an investor community optimistic in the UK's future as a centre for investment, while also demonstrating a preference for safe and secure assets such as property.

A summary of the key research statistics

MFS surveyed a nationally representative sample of more than 2,000 UK adults to shed light on their financial strategies for 2018. The investors quizzed in the sample all had investable assets – not including property, pensions or SIPPs – worth at least £10,000. The research found:

- 77% of investors think Brexit is unlikely to affect their long-term investment strategy and say the way they have invested since June 2016 has not been impacted by the EU referendum result
- However, 58% of investors have less confidence now in the strength and unity of the UK Government than they did at the beginning of 2017
- 53% would rather invest in traditional asset classes such as property in 2018 instead of investing in newer asset classes, such as cryptocurrencies
    - 63% regard property as a safe and secure asset in the current market
    - 18% will consider investing in one or more properties over the next 12 months
- A quarter (23%) believe their investment decisions in 2018 are more likely to take account of international politics than UK-based events

Wavering faith in the UK Government

At the beginning of 2017, the UK found itself at a critical juncture. Theresa May's appointment as Prime Minister following David Cameron's resignation signified a new era of British politics, with the Government asserting a strong and committed approach to Brexit negotiations. Following the triggering of Article 50 in March last year, a snap General Election was called in a bid for the Conservative Party to bolster its ruling majority in Westminster. The outcome was unexpected – faced with a hung parliament, the Conservative Party formed a minority government through a confidence and supply agreement with the DUP. Now conducting Brexit negotiations with a weakened hand, the snap General Election was a significant blow for the Conservative Party and argued by some as a vote of no confidence in Theresa May.

To measure how investor sentiment towards the Conservative Party has changed, MFS asked investors whether, at the start of 2018, they are now more or less confident in the strength and unity of the Conservative Party than they were at the beginning of 2017. Over half (58%) said they had less faith in Theresa May and her party – equivalent to 4 million people across the country. Of all age demographics, millennials were the most disheartened, with two out of three investors aged between 18 and 35 noting that they have lost confidence in the UK Government.

Investors shrug off Brexit concerns

Now 18 months since the EU referendum, Brexit has become an accepted reality. Over nine months into Brexit negotiations, government and industry bodies are beginning to put in place new policies and plans to ensure they are adequately prepared for the future. When asked about the potential impact of Brexit on the UK's financial landscape, the overwhelming majority of investors are optimistic – 77% of investors do not think Brexit will affect their long-term investment strategy, with this number rising to 88% for those aged 55 and over. As a result, investors said that have not changed the way they have invested their money since the EU referendum in June 2016.

To understand the factors that are influencing investment decisions in 2018, the MFS research found that some investors are more concerned about the impact of global events on the UK's financial landscape as opposed to domestic events. Almost a quarter of investors – 23% or 1.58 million – said they were more likely to take into account global events and the actions of international leaders such as Donald Trump, Vladimir Putin, and Kim Jong-un rather than UK-based politics.

Traditional assets trump new-age investments

When it comes to specific asset classes, despite the rise of alternative investment opportunities such as SME investment and cryptocurrencies, the survey showed that investors still prefer traditional asset classes; the MFS research found that 53% of investors are directing their capital into traditional asset classes over the coming 12 months, compared to just 15% actively looking to invest in newer, alternative asset classes – the remaining 32% were undecided.

Property has proven to be a particularly popular asset class for those seeking safe and secure returns. According to Halifax, the average UK house price rose by 2.4% in 2017, backed by consistent market demand. Delving into this specific point, with house prices growing in the UK, albeit at a slower rate, the MFS survey found that almost two thirds (63%) of investors still consider property as a safe and secure asset in the current market. Taking advantage of investment opportunities on offer, MFS also revealed that 18% of investors – the equivalent of 1.23 million people across the UK – will consider investing in at least one property over the next 12 months.

The Government's stamp duty cut for first-time homebuyers in the 2018 Autumn Budget has also been positively received, with just 25% of the investor community saying they do not believe the removal of this tax will help the property industry. Looking to the upcoming Spring Statement on 13th March, it is important for the Government to act on this positive sentiment and weigh up further policy reforms that ensure existing homeowners are also effectively positioned to develop a property portfolio or upgrade their current home.

Taking full advantage of investment opportunities in 2018

While confidence towards the Government has evidently been shaken by the shock General Election result, multiple Cabinet reshuffles and slow pace of Brexit negotiations in 2017, investors still have a positive long-term view for the year ahead. Interestingly, despite the general hype surrounding new asset classes such as cryptocurrencies, the majority of investors are still placing traditional investments – such as property – at the top of their list in 2018.

House prices may not be growing at the same rate they previously have, but with projections suggesting prices will see double figure growth in the next five years, investors are clearly considering a strategy for capitalising on potential real estate opportunities. Moreover, beyond the residential market, there remains an interest in investment opportunities in the commercial real estate sector, which performed well in 2017. Last year, the sector experienced a record-breaking £55 billion worth of transactions – the fifth consecutive year transaction volumes have exceeded £50 billion.

With investors holding a positive long-term outlook for the UK property market, largely unperturbed by Brexit uncertainty, MFS' research has revealed an investor community confident in the future growth prospects of the UK economy. In light of this, it is important for the Government to ensure investors are in a position to access available opportunities, particularly when it comes to investment into bricks and mortar. In the coming months, it will be interesting to see how events both in the UK and overseas impact investors' intentions, particularly in terms of their willingness to embrace risk or adopt a more conservative approach.

Offering tailored bridging solutions to those seeking residential and commercial property investments, MFS will continue to provide investors with access to fast and effective finance over the course of 2018 so they can execute their financial strategies effectively.

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