



HARINGTONS

THE INDEPENDENT PROPERTY BUYING SERVICE

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Clear as Mud

A year ago, I wrote a piece titled “London Gravity” where we talked about how it felt as if we had rung a bell to signal the bottom of the market for London residential property, and the big question was how long it would take before the excess supply got mopped up and prices firmed up again.

Sure enough, the excess supply of property has either been bought, let or come off the market, and this spring the agents are beginning to find it tough to persuade vendors to bring their houses to the market in the nice parts of town. An awful lot of buyers who, having expected prices to fall like an anvil out of a window in a Tom and Jerry cartoon, are finding the choice of houses disappointing and prices far firmer than they had hoped.

It seems to me that unless one’s hand is forced, it’s always easier to do nothing than do something, especially when that ‘something’ is likely to involve having to ‘fess-up to having made a error in front of a group of friends around a dinner table.

All too commonly, having missed “un moment critique”, it is tempting to point at the next bogeyman and say that the time is still not right, and the next crash is just around the corner.

So it is that I now know two otherwise quite sensible people who - having taken fright at the spectre of Scottish devolution, two general elections, brexit and now the distant prospect of a Corbyn coalition government now no longer need a family house as their children have left to go to university.

Does that make them right? To have stayed in rather disappointing rental houses in which to raise their children, instead of buying a home? Not to most people, although the chief advantage of being one of life’s perpetual Cassandra’s is that - by the law of averages - at some point you’ll be right.

A charming German, who I saw earlier in the year as a potential client wanting to rent and then later perhaps buy a London house, looked genuinely puzzled when I talked about the dynamics of the London residential property market over the last 30 years. He asked “why do you British care so much about owning your own homes, instead of just renting them like we do in Germany?” I chose not to answer on the spot as firstly I wanted a chance to think my answer through properly and secondly, because without realising it he had just told me that he wasn’t that serious about buying.

The easy answer to the first part of the question, from the point of view of the micro-market that is prime central London, is that home ownership gives

the occupants the chance to live in exactly the house they want, where they want it and with the kitchen and décor of their dreams.

Contrast this with the experience of the typical tenant where everything has been chosen by the landlord (usually nailed down to a squeakily tight budget), served up with horrible carpets, dodgy bathrooms, an Ikea kitchen and developer-magnolia décor. Woe betide the tenant who marks the walls by putting up pictures or drops a pot of coffee on the living room carpet.

Secondly, I hadn’t appreciated rental practices in Europe are very different to here. My friends who have taken long-term rentals in German cities tell me that it is quite usual for an incoming tenant to rent what is a shell of an apartment in which to install their own kitchen and redecorate at their own expense. Very often, a tenant will elect to take their kitchen with them when they leave.

Thirdly, the way in which the UK is structured vis-à-vis credit and credit-worthiness is quite different to mainland Europe. If you want to buy a car on H/P in Germany, the questions you will typically be asked are “where do you live, how long have you been there, where do you work, how long have you worked there, how much do you earn?”

If you want the same car on H/P in Britain, the first question you will be asked is “where do you live, how long have you been there, do you own your own home?” If the answer to the last part of the British question is “yes”, the chances are that you’ll be able to buy the car. That is because unlike Europe, where generations of people can live without ever owning the roof over their heads, in this country home-ownership forms the cornerstone of all credit.

That is one of the principal reasons as to why a horrible - and quite unfair - gap is opening up between those people invested in this system, and those who are not. Now of course if you are a City Moghul whose wealth is measured in seven or eight figures, whether or not you own a home is immaterial and what I have written does not apply.

But for the rest of us, to a greater or lesser extent, this is an important distinction, and it is for all these reasons that the property market continues to tick along relatively robustly. Indeed, as I write this, I know at least three property professionals who are trying to buy properties for their children; rather like locals electing to eat in their local restaurant, isn’t this a good market barometer?

MARKET COMMENT