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UK PROPERTY MARKET SET TO RECOVER – GRADUALLY

UK property market experts were in Guernsey recently to speak at a seminar hosted by Channel Islands law firm Carey Olsen. The team from Savills, a leading property and real estate service provider in the UK, were in agreement that the market in the UK did not have much further to fall and that the signs of recovery were starting to be seen in residential and commercial sales.

The seminar, designed to provide advice and expertise to local investors and fiduciaries was attended by representatives from investment businesses from across the finance sector.

Speaking about residential property particularly, Marcus Dixon, associate director of Residential Research, predicted that the market would bottom out at 25% below the peak seen in 2007, with the recovery starting to increase pace in 2010/2011.

He added that there were signs the market was picking up again. “Spring sales have obviously had an effect, with markets traditionally strong at this time of year as well as the effect of people returning to the market. Those people who left the housing market at the end of 2007 / beginning of 2008 with the market beginning to falter are now looking to ‘get back in’, as their 12 month tenancy agreements run out. In addition, increased activity from overseas buyers and investors has boosted the market.”

All speakers agreed that it is the availability of debt that drives the market, both residential and commercial. Simon Dice, executive director of Savills Private Finance Limited noted that the previous market boom was a result of access to credit, particularly from high street banks driving property sales.

Mr Dice also noted that, perhaps significantly for Guernsey, the competitive rates offered by high street banks resulted in high net worth individuals and other investors taking advantage and moving away from their more traditional sources of finance – private banks.

However Mr Dice had some good news for the sizeable contingent of private bankers at the seminar, that the trend was now reversing, with investors seeking the security and service levels of lending from private banks, particularly as the retail banking sector had largely pulled out of lending at competitive levels.

Steven Lang, from Savills Commercial Research commented that while the UK property scene will continue to be a challenging occupational market, he also forecasts an average of between 8-10% total returns during the period 2009 and 2013 for all commercial sectors.

Savills Capital Advisors provided further anecdotal market observations of investors building up cash deposits and wanting to wait for the bottom of the market to come before investing. Representative Andrew Causer advised that as in some cases, commercial property values have almost halved, investors should look to acquire over the next 12 months.

Russell Clark, deputy managing partner at Carey Olsen, wrapped up the seminar by suggesting that the UK property market, despite adverse coverage from the media and armchair experts, provided plenty of opportunity for Guernsey investors and wealth managers. “As Savills have shown, the UK property market is starting to look up, and whilst it is still premature to be talking about green shoots, prudent investors are looking seriously at the possibilities it presents. Providing this opportunity for our clients and contacts to hear, first hand, real market insight has been fantastic, and we hope everyone has taken away something informative or thought provoking.”

NOTES TO EDITORS:

About Carey Olsen: Carey Olsen is the largest law firm in the Channel Islands and acts for a number of institutional clients in large, multi-jurisdictional transactions, as well as for governments and corporates, professional firms and high-net-worth individuals. With more than 130 lawyers Carey Olsen offers a full range of legal services, including corporate and commercial, funds, banking and finance, trusts and fiduciary, commercial and residential property, employment, restructuring, litigation and dispute resolution. Carey Olsen's position as a top tier provider of legal services is recognised by Chambers UK, Legal 500 and other independent market commentators and reflected by the quality of the transactions and cases they advise on. **Carey Olsen is the Acquisition Finance Offshore Law Firm of the Year 2008 and 2009 and was the highest ranking Channel Islands law firm in The Lawyer Awards 2008.**

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