Property takes stock of shock election result

The hung parliament election result introduced yet more uncertainty at a time when the UK property market was already attempting to steer a course through the choppy waters of Brexit and global instability. How will it cope with this latest wave of indecision?

As always, the property sector thrives on certainty so the murkier forecast is widely regarded as unhelpful – albeit the prospect of a softer Brexit could be viewed as a silver lining. It may keep the door to the single market wedged open.

But the clear downside for both investors and developers - especially in the commercial arena – is greater procrastination in doing deals. A snap survey by Property Week immediately after the election result found that 66.5% of the 260 respondents thought investment deals would tail off due to political uncertainty.

Development decisions also face a bumpy ride and may be put on the back burner, with 63% indicating that this area of the property market would be negatively affected.

While the short-term prognosis is not great, market commentators are generally more positive about the longer-term outlook. There appears to be broad agreement that the commercial property market has proven remarkably resilient in recent times, finding its way back from the global economic collapse 10 years ago and manoeuvring through the fallout of the Brexit vote.

As Colin Wilson, head of UK & Ireland for Cushman & Wakefield, points out: “If there is a lesson from our experiences over the last 12 months, it is that UK business, including the real estate industry, has become accustomed to uncertainty and managing through it – as evidenced by the many significant investment and occupier commitments since last June.”

JLL believes that sectors with long-term structural support, such as logistics and alternatives, will remain strong and that, if the weak pound persists, retail and hotels will benefit, alongside UK manufacturing.

This may be true of investment, especially from overseas, but retailers are under pressure from a combination of expensive imports and rising inflation. Shaky shopper sentiment, precipitated by the floppy election outcome, is the last thing they need.

Tycoon Theo Paphitis warns: “Retail is an incredibly resilient industry, but the one thing we can’t deal with is people not coming into stores and putting money in our tills. The chance of that happening is the highest it’s been in my whole career, including after the crash in 2008.” At the very least, big-ticket purchases are likely to be delayed in the coming months.

In the wider context, a hung parliament could mean a softly-softly approach to decision-making. “On a day-to-day basis, the government will be restricted to putting consensual, not controversial, policies through parliament,” says Knight Frank economist James Roberts. “This probably rules out any more populist taxes on property, or increases in business regulation…[which] will benefit both investment and occupier demand, particularly in office and industrial markets.”

His colleague Peter MacColl, head of capital markets, expects “a quiet reflective summer with a substantial increase in activity in the last four months of the year”.

As is often the case, turmoil and uncertainty can bring their own opportunities. But then again, there is still the vague threat of another general election on the horizon, which would introduce a whole new curve ball to the game.