

Uk property investment

[Finance](#), [Investment](#)



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Executive Summary

This report looks at trends experienced by the UK property investment market, with particular reference to the way in which individuals entering into the property investment market can highlight the opportunities for new graduates in the area and can ensure that property investment is made with the underlying conditions reflected, so that a profit can be made. Particular areas of opportunity exist in relation to purchasing properties that have been repossessed at below market prices and offering rental premises to those businesses and individuals who are not able to purchase properties, due to more stringent lending conditions.

Introduction

Despite a period of substantial volatility within the UK property market, UK property investment is now achieving a large amount of interest from both current and prospective investors. The aim of this report is to undertake an analysis that will give an overview of the industry, as well as analysing the

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way in which the trend is going, with a view to looking at opportunities that may exist within the industry for new graduates, as well as any other individual looking to achieve an income from the property investment market. Finally, a Gap analysis will be undertaken which will look at the likely future development trends and identify any gaps that exist in the skills' set of the graduate and how these can then be resolved, in order to ensure that investors have a prosperous career within the industry (British Property Federation 2011).

It is stated here that the property investment industry is relatively variable; therefore, where one investor may achieve substantial profits, another may not. Key trends and an overall analysis will offer valuable information in relation to the industry and will enable those who are looking to enter the industry to ascertain how they can improve their own skills' set to make the most of the trends that are emerging.

Overview of Industry

Firstly, it is noted that UK economic trends, generally, are looking a little more positive and encouraging, in 2013, than they were in previous years. Furthermore, although there is still economic stagnation, certain industry sectors such as the services sector are now experiencing growth. The construction sector, however, is still seeing output falling and this may go some way to explaining the reason why the property industry is somewhat holding its own, showing stagnation, but not decline (Chegut, et al 2011). The commercial property industry operates in a slightly different way from the residential property investment industry. Therefore, for the purpose of

this analysis, the overall property industry is looked at, with differentiations drawn between the commercial and residential property investment being made where appropriate (Pyhrr, et al 1999)

Property investors, essentially, will make their money from either purchasing properties, renovating them in some way and then selling them on for a profit, or from purchasing an investment property and renting it to another on a weekly, monthly or annual return. More properties are finding themselves within the rental market and this is particularly common when it comes to commercial property, where a business may find it more advisable to rent a property so they will not have the initial capital outlay, or the risks associated with purchasing property, particularly the new start-up businesses. Businesses, in general, particularly those on the high street or smaller businesses looking to expand are nervous in the current economic climate and will therefore look towards mitigating their risks by renting property that they can release in the event that funds are not forthcoming. Approximately one half of foreclosure properties are rented, as opposed to one third of all residential property, and when individuals find it hard to purchase property, the rental industry naturally booms.

Trends have suggested that certain areas of prime property locations remain very much in demand, despite the economic conditions. For example, property in central London remains popular and buoyant for both residential and commercial purposes (Sing 2004).

It is suggested that, overall, while the property market and, in particular, property prices have been relatively stagnant, over the years, there are still

positive trends available for investors, with certain regions such as house prices in central London experiencing value growth, and rental income of commercial premises in popular areas also seeing periods of growth as organisations look towards reducing their costs by renting properties, rather than purchasing.

Analysis of Industry

By undertaking the PEST analysis looking at political, economic, social and technological issues in order to gain a greater understanding can be had of the ways in which the industry is operating. The PEST overview is contained in the appendix and is discussed here, in more detail, and an overview analysis is also provided.

It can be seen that, despite the recent economic difficulty that has emerged, with many individuals being forced to sell property due to their inability to meet with mortgage demands, this has actually provided an opportunity for property investors (Lizieri, 2009). Many properties come to the market at below market prices and therefore make perfect targets for the investors. This also creates a broad range of individuals looking to rent properties, as they are unable to purchase. The more stringent lending conditions have therefore provided the property investment market with a growing target group of potential investors who are likely to be able to make the most of the trends in the property market, to ensure that their own investment business is buoyant (RICS. 1993).

Opportunities for Graduates

Drawing on the above analysis, it can be seen that there are multiple opportunities available to graduates looking to enter into property investment or, indeed, any other individual who may potentially be considering it as a real career option. Firstly, there are the opportunities available within the commercial property investment market, and in particular, looking toward facilitating the demand for the new small businesses which are emerging with government support and grants. As individuals become more likely to set up small businesses following unemployment, facilitating this by offering shared office space provides a good opportunity for new individuals entering the market. Secondly, there are opportunities within the residential property investment market, in terms of making the most of foreclosure properties by purchasing them at a low price and then selling them on, or renting them within the market (Harvey et al 2004).

The real opportunities that exist for new graduates are in identifying where the growth areas are going to be both geographically and in terms of the types of properties, and then being able to claim the properties at below market prices. In order to achieve this, the individual will need to be astute and may be able to draw together a large amount of property data, in a relatively short space of time.

Gap Analysis

The key skills which will be vital for success within the property investment market include the ability to group together economically and to ascertain the likely ways in which prices are going to change, in this area, both

geographically and in terms of the property types. This involves the ability to undertake strong economic analysis, including the use of simulation models, which will be a key skill that will enable young graduates to gain a competitive advantage, when entering the industry. Graduates also need to be able to analyse the surrounding sectors, as demand for commercial property, in particular, will reflect how other industries, are performing (Leone and Leger 2008). For example, if the retail industry is weak, then the demand for retail premises is also likely to reflect this. Using economic tools will enable a graduate, to identify potential growth areas and to ensure that they have property available, ahead of the competition.

Conclusions

The property investment market has generally been showing stagnation, in recent years; yet, the trends also indicate that certain areas of the property investment market are showing opportunities, with some of the negative factors driving the property market downwards, allowing property investors to benefit, such as by purchasing properties that are being sold by mortgage companies, following the failure to meet with lending requirements.

Bearing this in mind, individuals looking to enter the property investment market need to have a particularly astute ability to analyse economic conditions; they will also need to understand the driving trends, rather than necessarily being merely knowledgeable in the area of property, in terms of bricks and mortar.

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Appendix

Political

The government and political situation is definitely looking towards stimulating growth within the property market and, as such, is considering ways of making it easier for developers to establish new property, both residential and commercial. In particular, there is evidence of political movements towards ensuring that the lower end of the market is revitalised to encourage first-time buyers. This will have an impact on property investors focusing on rental opportunities, as the easier it becomes to purchase, the less likely they will be to obtain rental income. There are also political efforts being made to encourage new businesses and this can be seen to be a positive option for commercial property investors, as new businesses will be more inclined to rent property and this will be more cost-effective, initially, and will allow the opportunity to grow rapidly, if they so choose.

Economic

The economic availability of mortgages and the reduction in the ability of individuals to borrow money, in order to purchase property, either residential

or commercial will have a direct bearing on the property investment market. Property investors will have a much more willing customer base, as they have been unable to obtain sufficient finance to purchase their own property and are therefore looking towards rental property as an alternative. The more difficult economic times have resulted in many residential and commercial owners losing their premises, as a result of their inability to pay their mortgages and this also offers the opportunity for property investors who have sufficient cash reserves to purchase property at below market prices (Acclimatise 2009).

Social

Social changes and, more specifically, changes within the employment market also tend to encourage individuals to go into businesses and become self-employed, which ultimately provides an opportunity for the commercial property investors who are able to purchase premises that may be suitable for the new small start businesses. There is also a changing demographic trend for more single-parent families that are smaller and the increase in independent living within the older generation, thus placing a greater demand on rental premises that are smaller and will reflect the changing demographic (RICS 1993).

Technological

Technological drivers provide both opportunities and progress within the property investment market. Whilst this allows property investors to have a much greater access to potential customers, it also means that their customers have much greater access to the competition. Therefore, there is

a need for organisations offering property investment services, such as rental property, to utilise technology in order to capture the broadest possible audience. Technology has also shifted the way which organisations are operating this has resulted in many cases of individuals working from home, or working from shared spaces, thus reducing the demand for traditional commercial premises (Simpson et al 2008).