MONKEY BUSINESS/REX/SHUTTERSTOCK

No crash, but expect prices to be squeezed

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The Christmas holidays are but a distant memory and as the real estate world gears up for MIPIM people want to know what is going on in resi, and is there going to be opportunity coming out of distress?

What is as clear as day is that every sector of the market is overpriced; the general public has finally realised this with even Help to Buy sales slowing. Help to Buy has over-inflated values, but across all markets if your product and price isn't right, you are going to have a major league problem.

Political turmoil isn't helping. But good Brexit or bad Brexit, we still have a huge oversupply of stock in many locations and more money flooding in, looking for returns. The land market is hot, when technically it should be cooling. If something even looks close to working, you can fund it.

Over the past five years every high net worth individual on the planet has come into the property business. They have turned their hand to development, backed developers or invested in P2P lenders, bridging and mezzanine finance funds, or even started their own lending platforms.

A lot of this money is coming from "challenger banks", many of which don't have banking licences so are technically funds and are throwing money at anyone with a personality, pulse and a reasonable idea – this was my favourite saying in 2007.

For the first time since the last crash the receivers and administrators are getting busy again, as some of those who do know what's going on are getting nervous. Take, for example, the widely reported administration of Amicus. However, as so much money has been raised looking for a home, the majority of lenders are more focused on lending the new money they've raised than the money they have out.

There are two things that seem to get the alarms bells really ringing:

1. Where the developer/contractor runs out of money or goes bust and they go back to the investors/lender looking for more cash
2. More prevalent, where a finished scheme isn't sold because the market is poor, the agents are terrible and Brexit. But the real problem is you have a scheme that is not fit for purpose and is overpriced.

We have already reported on seven cases this year and have two appointments from receivers, and on that basis the bigger, more important people must be looking at more, so I know there's more to come. A number of the lenders are now also employing asset managers, which is normally the first realisation of problems ahead.

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Is the market going to crash? Definitely not, there's far too much money around. There are new funds springing up on a daily basis looking to purchase distressed stock at discounts for long-term hold, value add and yield. But you have to give people a reason to buy – and that's price.

The biggest battle for us as agents is finding realistic vendors, who are willing and able to see that their assets are only worth what someone is prepared to pay for them at a point in time. Sadly many can't, as they have overpaid. This means the lender will take charge, as most have had cash of their own and others wiped out, and they are clinging on for dear life.

We must also remember that property is a cyclical business and the last crash was 10 years ago. Investment can be a high-risk business – even if you know what you're doing, two in every 10 deals will have issues.

If you are a lender with a first charge you are probably safe, but if I had invested equity, mezzanine, bridging, stretch senior or any of the other terms used for expensive high risk money, I would be having a long hard look at the developer and market they are in, as my gut feeling tells me like a bad Brexit, there may be trouble ahead.