PrimeResi

Spring Budget 2017: Prime resi industry reactions

"A very modest Budget"

by PrimeResi March 8, 2017

Philip Hammond's first and last Spring Budget may have not mentioned housing or stamp duty, but the prime resi industry still has opinions…

Modest

Nilesh Shah, CEO of Blick Rothenberg

"This was very modest Budget. The Chancellor is keeping his powder dry for post Brexit challenges."

Not even a mention!

Edward Heaton, Founder and Managing Partner of Heaton & Partners

"I cannot believe that there wasn't even a mention of housing in today's Budget! I would have loved to see the Chancellor get rid of the 3% surcharge for second homes and reduce the overall stamp duty rate for high end properties by making it a flat rate today, but sadly I think this is a pipe dream of those operating in the prime market, who are witnessing it continue to be stifled by stamp duty. What the Chancellor doesn't seem to realise is the profound effect that it is having on the rest of the market."

It is a mystery as to why the Government persists in hindering the crucial property sector

David Hannah, Principal Consultant at Cornerstone Tax

"The Chancellor has once again failed to reverse the detrimental impact his imposing property tax regime is having on households up and down and the country. With real estate representing 21% of the UK economy, it is a mystery as to why the Government persists in hindering a crucial sector, by creating an unnecessary burden on tenants, landlords and homeowners.

"The 'double blow' effect wiping out the buy-to-let economy, namely the restricted mortgage interest relief for landlords from April 2017 to the Basic Rate of income tax (20%), and the 3% SDLT surcharge on additional properties, certainly doesn't chime with the current socio-economic needs of the UK.

"The demand for rental accommodation is set to rise by one million households in the next five years – a combination of restricted access to mortgage finance, unaffordability created through eyewatering SDLT rates, and a shift in labour market trends towards a more mobile workforce. Yet the Government continues to breakdown the very sector that has absorbed change and provided homes for those who simply either cannot afford or do not wish to commit to homeownership. With the sector currently in its fourth consecutive quarter of decline, paired with a fall in homeownership rates, we are fast approaching a new type of housing crisis.

"I would urge the Government to stop their obsession with homeownership and think carefully about what our country really needs – an accessible, flexible and affordable housing supply. The private rental sector, where buy-to-let landlords are a major contributor, provides just that.

"As for future challenges, the growing popularity of zero hour contracts where it is near impossible to obtain a mortgage, will impose further pressure on the rental market. Interestingly as the UK Government is the widest user of these contracts, it remains to be seen where they anticipate our public-sector workers will be able to live."

A very dull budget

James Bailey, Chief Executive of Henry & James

"It is a shame they haven't addressed the issues facing the property market in Prime Central London, but that is very much as expected. From a property point of view, it was a very dull budget.

"The positive news we can take from it is that the Chancellor is trying to be realistic and retain as much stability in the economy as possible as we head for Brexit."

Talk of 'stamp duty might go down' will stop for now

Nina Harrison of Haringtons

"For now the talk of 'stamp duty might go down' will stop. If we know that it just won't change then the market will give up complaining, settle down and buyers at the top end of the market will naturally readjust."

Noticeably lacking in its address to housing in any significant way

Paul Cook, Managing Director of Dukelease Properties

"This was an opportunity for the government to embellish on the recent housing white paper and provide clarity around how they plan to tackle the ongoing challenges facing the industry. However, much like last year, the Budget was noticeably lacking in its address to housing in any significant way.

"With that said, investment in associated industries, such as roads and transport, is a welcome move, specifically in the north of England and the Midlands. Good infrastructure is the keystone to successful regeneration, and a catalyst for investment. We also welcome the devolution of power to regional centres and the introduction of the Midlands Engine Strategy. These centres are best informed to make significant decisions to benefit the local community and boost economic growth."

Slightly disappointing, if not overly surprising

Randeesh Sandhu, CEO of Urban Exposure

"It was slightly disappointing, if not overly surprising, not to hear more from the Chancellor on housing in his Budget statement. With details of the Housing White Paper only announced last month, we will be looking closely at the implementation of those initiatives in coming months – in particular on brownfield development and supporting new housebuilding methodologies.

"There was also little additional on the Government's regional investment strategy, although we have taken previous encouragement from signs of support in this area such as the Northern Powerhouse Investment Fund and Midlands Engine Investment Fund that were announced in the Autumn. While the South East and London remain key drivers of growth in the housing market and wider economy, supporting the development of other regions of the UK is absolutely key to both deliver on housebuilding targets and sustainable economic growth in the future. Indeed, we recently funded our first development in Birmingham, in recognition of the growth, development and potential of the midlands region and we hope this is just the start."

To not even mention housing at all was totally bizarre

Steven Way, Practice Principal at Collier Stevens Chartered Surveyors

"I would have liked to see the Chancellor address the inequality in VAT between new builds (0%) and renovations (rated at 20%) in today's Budget, but to not even mention housing at all was totally bizarre. The VAT system as it stands, is a complete muddle, particularly from a building practitioners point of view.

"For new builds, it is clear cut, but when it comes to listed buildings and accessibility projects, there seems to be no hard and fast rules for professionals on those which are rated at 0% and those which are not. George Osborne made the peculiar decision to increase the amount of VAT relief on maintenance work to listed buildings in 2012, but not to any new work. We are still reeling from this. If we want to maintain the country's built environment and heritage, the Chancellor should be looking at a new VAT regime.

"As it stands, there is still lots of building work going on, but if the economy changes I'm sure many people will decide not to build simply because of the cost. Or much of this work will start to be fuelled by the black economy, with plenty of cash being exchanged for domestic building work, extensions and alterations."

Our optimism is dwindling that Philip Hammond will ever work to create a more favourable environment for residential real estate

Rory O'Neill, Head of Residential at Carter Jonas

"A reduction in stamp duty is the final catalyst the property market needs to boost transactions, yet the Chancellor has again missed an opportunity to make the necessary reforms with the Spring Budget.

"Current Stamp Duty rates are stifling the top end of the market, which was of course the intention, but it is worth considering that multimillion pound properties do not operate in isolation. If they are not selling, there will be – and in part already is – a ripple effect that reduces the availability of entry level properties, precluding first and second time buyers from embarking on their journey up the ladder.

"This is even more pronounced in London with its accidental property millionaires, who frequently have to pay £200,000 to upsize from a three-bed to a four-bed home, but who lack the cashflow to absorb SDLT fees, creating a perceptible slowdown in volume of transactions.

"As it stands, Stamp Duty is prohibitively high. A £1,500,000 purchase commands over £93,000 in SDLT charges, and it is the only negative stalling the market – even the attractiveness of the Pound to Dollar based buyers, affordable borrowing and pent up demand cannot counterbalance the weight of transactional costs on homeowners.

"With vendor reluctance to adjust asking prices and an emerging reliance on overseas money to inject liquidity into the market, we are willingly cultivating a precarious residential property market.

"Which leads us to question why our new Chancellor, who reportedly made his fortune through property, has bypassed yet another opportunity in the Budget to revise stamp duty thresholds – both on properties priced over £937,000 and on buy-to-let investments.

"George Osborne attacked the residential market two and a half years' ago with stringent SDLT reforms and, after two missed opportunities, our optimism is dwindling that Philip Hammond will ever work to create a more favourable environment for residential real estate."

Private landlords remain in the government's firing line

Graham Davidson, Managing Director of Sequre Property Investment

"Private landlords, who are vital to providing rental accommodation for our population, continue to remain in the Government's firing line thanks to the lack of review or reconsideration of the additional 3% stamp duty on second properties and incoming reduction on mortgage interest rate relief, which we would have liked to see some reform on. However, the reality is that bricks & mortar remains a stable and rewarding investment, with savvy investors able to easily overcome the changes if purchasing the right type of property in the right location."

We hope that the 3% SDLT surcharge and buy-to-let mortgage interest tax relief will be considered in future

Richie Tramontana of Red Property Partnership

"Whilst we are not surprised that the Chancellor failed to reverse the additional 3% SDLT on second home purchases nor reinstate the mortgage interest tax relief for buy-to-let landlords in today's Budget, we hope that this will be considered in future as it has dramatically reduced the number of small / individual buy-to-let investors. Many have been deterred from investing, and the looming ban on estate agent's fees to tenants is likely to lead to another charge being pushed towards landlords.

"We're also currently discussing the effects of ATED (Annual Tax on Enveloped Dwellings) with a number of landlords, most of whom are looking to offload their investment properties with a view to taking their money out of the UK. Most of these landlords had bought property using a Special Purpose Vehicle (SPV). Capital growth is down, and investors are no longer willing to ride out the storm, particularly whilst paying higher tax rates. However, there is currently strong demand from first time buyers with plenty in the market looking to purchase property up to £2m, so now is a good time for those investors who have made capital gains to exit.

"I do think we will see more institutional investor landlords coming into the market from overseas, particularly with the weaker pound which has seen more US dollars and euros coming into UK. However, these institutional buyers are looking for large discounts of up to 20%. The upcoming elections in Holland and France may see a more right-wing regime for both countries. If this does happen, it could well push the euro down which will mean investors trying to negotiate prices down as a result."

Another missed opportunity

Paul Smith, CEO of haart estate agents

"Today's Budget marks another missed opportunity to create fundamental reform to the UK's long-suffering property market.

"The Housing Minister merry-go-round has left housing issues at the periphery of government thinking and strategy. Continually kept at an arm's length, they're incapable of tackling the deeper seated issues within housing market – leading to a plethora of initiatives that that tamper with rather than tactically reform the market.

"Whilst it's good to see the government committing to increase funding for infrastructure, including more school places, which will certainty increase housebuilders appetites – what we really need to see are stamp duty holidays and tax reliefs to increase investment opportunities, expanding the pipelines of housebuilders and introducing fluidity into the market.

"The Chancellor today said he wanted to ensure the next generation have the same opportunities to fulfil their aspirations – but clearly this does not extend to home ownership. Until the foundations of the market are rectified housing numbers will not improve and the plight of the first-time buyer will never be cured. Bold and brave reform is needed to make a mark on generations to come, and a Housing Minister who sticks around long enough to see the fruits of his labour would also not go amiss."

Tax rules for offshore property developers won't help deliver more housing

James Allen, Head of Walker Crips Alternative Investments

"In the summer of 2016 the Government introduced legislation that ensured offshore developers did not have an unfair tax advantage over their onshore competitors. Anti-forestalling rules applied to transactions after March 2016, but it now looks as though the government will introduce an amendment so that earlier contracts are also caught by the new taxation system. The simplest way to effect this would be to add the disposal date as one of the tests of whether the new rules apply, but too often legislation is not as simple as it could be.

"Although I support the levelling of the taxation playing field, the Chancellor should have focused on forcing developers to develop land within the time limit granted by planning permission or face penalties for inaction.

"There has been an increasingly significant drop off between the amount of housing that is granted planning permission and the amount that actually gets built. It is the provision of new housing and implementation of affordable housing within larger development schemes which could address under supply, but instead the Government is consulting on a 'rent a room' scheme to encourage Britons to become long term lodgers.

"This was an opportunity to address the under supply of housing without having to make major changes to existing frameworks, so it is a shame that today's measures tinker around the edges."

The greatest no Budget-Budget of them all

Trevor Abrahmsohn, Glentree International

"The greatest no Budget-Budget of them all, with the quips of the feckless Labour leader being the star of the show.

"It was evident that Chancellor Hammond wanted to get rid of the Spring Budget since, for instance, its absence of anything to assist the housing market, was very noticeable.

"There was a golden opportunity to do something about the higher rate of stamp duty which was conspicuously missed and lets hope and pray he is storing up some reforms for the autumn.

"There was no reference to extending the scope of Help-to-Buy and Right-to-Buy, or in fact, anything to assist house building across the UK, which will be woefully inadequate to meet the needs of the growing population of this country. Less than 125,000 new homes will be built this year and yet we require more than double this, to satisfy demand.

"London generates 50% of the growth of this country and parts of the Property Market, in the Capital, have been greatly distorted and put into recession by the SDLT rates imposed by the last Chancellor. This doesn't affect just estate agents, but all ancillary businesses connected with the residential property market, many of which are teetering on recession and are closing down. Our pleas for reforms here have fallen on deaf ears, or so it appears.

"I do hope that the Chancellor will 'wake up and smell coffee' when he looks at the Stamp Duty receipts, which according to the OBR, will be down by £10billion across the electoral term, ending in 2020. A full year of these receipts from April 2016-2017 will be known by this autumn, which will be absent from the surge up to March 2016, due to the buy-to-let tax change watershed.

"Let's see how much it has cost the Exchequer by these foolhardy tax impositions and perhaps then the 'penny will drop' and he will do something about it.

"When you double a tax what do you expect to happen as a result, and what was the former Chancellor Osborne thinking when he conjured up this dastardly plan?

"In the post Brexit era, we need to attract as many entrepreneurs and corporations to this country as possible and look after those who are already here. By the UK having one of the lowest rates of Corporation Tax in the world, does no harm to us, but frankly, he could have dropped it even further. It is no secret why Ireland, with its 12% Corporation Tax, is growing between 3-5% today and why so many corporations want their head offices in Dublin.

“With President Trump threatening to drop Corporation Tax in the USA, which at present is at an ‘eye-watering’ 35%, there are more reasons than ever for the UK to be a low Corporation Tax zone for the world’s businesses, particularly as we prepare to leave Europe.

“The reform of Business Rates is a nightmare to a great number of commercial entities and it is of no solace that there are some 2,500 of unresolved appeals from the last time that these rates were reviewed in 2010. I hope they expand the business rates complaints division, with the same gusto as other departments.

“The Budget told us a great deal about nothing and perhaps Chancellor Hammond should have saved up some of his reforming innovations for autumn and skipped the Spring Budget altogether.

“I must say that the quips against the Labour leader and his Party, were very amusing and a welcome break to the tedium of the Budget itself. This is a skill that his predecessor did not display with any prowess.”