2016 Autumn Statement: What does it mean for the UK property market?

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The 2016 iteration of the Autumn Statement took on greater significance than in previous years. In the aftermath of what has been a year of important economic events, the announcement had the chance to provide clarity, direction and inspiration for the UK property market. In his first Autumn Statement – and also his last, it transpired – Philip Hammond made several notable announcements relevant to the property sector, but there were also some surprising omissions. Market Financial Solutions has examined exactly what the statement means for the UK property market and asks if the Chancellor did enough to ensure the prosperity of this vital industry.

Investing in Infrastructure

One of the Government's key announcements was that it is launching a £2.3 billion fund to deliver infrastructure for up to 100,000 new homes in areas of high demand. It was also revealed that there would be £1.4 billion worth of investment to build 40,000 new affordable homes. London will be receiving an additional £3.15 billion in national affordable housing funds to build over 90,000 homes. These initiatives will go some way to satisfying Britain's need for more than 5 million new homes in the next 25 years – a statement made by the Government itself in July this year in response to greater housing demand.

Further to the building of new homes, the Chancellor's Autumn Statement also included other infrastructure projects. Specifically, the Conservative Party has stated that it is going to invest £1 billion in digital infrastructure to roll-out more full-fibre broadband by 2020, while also trialling 5G mobile communications. This improved digital connectivity will be welcomed by rural parts of the UK, where an inability to access reliable and high-speed internet can hamper property investment; a survey in April 2016 showed that 62% of property buyers believe fast broadband is equal to or more important than an extra bedroom.

Letting Agent Fees Banned

Another noteworthy decision taken by the Government in its 2016 Autumn Statement was to ban letting agent fees. This move will ensure people renting properties will no longer have to pay upfront fees to landlords to cover administrational costs, such as background checks and contract drafting.

Some estate agents have said that the removal of letting agent fees will prompt landlords to simply increase the rent. Lettings and estate agent haart predicted in the immediate aftermath of the statement that the ban could see rents increase by an extra £255 a year. However, this same policy was introduced in Scotland in 2012 where research by housing charity Shelter into the impact of the ban revealed that it has had no noticeable impact on rental prices across the country.

According to Citizens Advice, the fees cost an average of £337 per person – although letting agents themselves put the figure closer to £200; the ban will lessen the financial burden on renters up and down the country. In turn, the move could generate a more fluid and buoyant rental market, encouraging greater levels of private investment in the buy-to-let space.

Stamp Duty Overlooked

Amidst the Chancellor's series of statements regarding the property market, one topic was overlooked – Stamp Duty. In the build-up to the announcement, many industry experts had called for a reversal of the Stamp Duty hike – introduced by George Osborne in 2014 – with some predicting that this tax was going to be cut. However, Stamp Duty did not form part of Philip Hammond's speech; it was instead only briefly mentioned in the Government's official policy paper, in which it stated that the Office for Tax Simplification "is to carry out a review on Stamp Duty on share transactions". A report from Oxford Economics examined the effects of Osborne's increase in Stamp Duty two years ago, which meant that anyone buying a property for more than £1 million had to pay more in tax. The study found that revenue from this property buying tax dropped from an expected £700 million to £370 million.

Nick Leeming, Chairman of estate agent Jackson-Stops & Staff, stated that a reform to this tax would have created greater mobility in all levels of the property market. He said: "Stamp Duty reform would have resulted in a chain reaction up the housing ladder, spurring current home owners to take their next step and freeing up housing suitable for first-time buyers and second steppers." The lack of acknowledgement around this pressing issue is frustrating and one that requires clarification in the near future to ensure the buying market is nurtured as effectively as the rental.

An Underwhelming Autumn Statement

In 2016, the total value of Britain's housing stock has passed the £6 trillion mark for the first time. Furthermore, the value of the private rented sector has reached £1.29 trillion, which is up 55% in five years, while commercial real estate accounts for £94 billion – or 5.4% – of the nation's GDP. The figures demonstrate the huge importance of the entire property sector to the make-up of the UK economy.

In the aftermath of the Brexit announcement, the property market – like most sectors – entered a period of transition. The Autumn Statement offered the Government a chance to offer clear and comprehensive information that would enable investors and consumers to make plans with confidence as Britain prepares for its withdrawal from the EU. As the dust settles on the Chancellor's speech, there is a sense that he failed to achieve this.

While delivering a series of promising intentions regarding letting, affordable homes and infrastructure improvements, constructive changes to benefit the prosperity of property buying in the UK were overlooked. In particular, reforms to Stamp Duty had the potential to incentivise further investment into the UK's already vibrant and in-demand property market.

The omission of this key policy – designed to increase tax income from property purchases – is made more surprising by the fact that it could actually hinder the amount of money the Government receives through real estate deals.

Market Financial Solutions looks to the months ahead with keen interest, in the hope that policy-backed initiatives are put into place, supporting not just the rental economy but also first, second and buy-to-let property purchases.

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