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Autumn Statement Wrap Up

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The Chancellor presented the Autumn Statement earlier today with some announcements impacting the property and development markets. Rapleys wraps up the key points below.

Planning

Despite including housing in one of the four key areas to be targeted by the £23bn of spending generated from the NPIF to 2021/22, the Statement failed to deliver a silver bullet for housing delivery. We will await the much anticipated Housing White Paper to deliver the detail.

The focus on investment in traditional and technological infrastructure is, however, welcomed. It is often these areas which act as 'pinch points' in themselves for both economic and residential development capacity. The commitment of £2.3bn investment in infrastructure to unlock potential for 100,00 new homes in areas of high demand, can only be welcomed as a fiscal aid to support viability. However, it's questionable whether the proposed £23,000 per plot is an efficient approach.

Similarly, the support to increase affordable housing delivery is much needed but there was an absence of detail in how this will represent an effective approach in light of the 1m home target over the parliament, which is well short of its objective.

Of potential significance is the commitment to relax restrictions on government grants to allow providers to deliver a wider range of housing, which could translate into a stimulus in starter home delivery and Private Rented Sector accommodation. However, it is the commitment to the balance of budget and investment, with focus on new infrastructure delivery to provide an environment to support economic and residential growth which will be the headline of the statement for the development industry, alongside the requirement for Local Councils to make tough decisions on the location of development.

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Housing

The Chancellor's announcements in relation to the housing market appear to be shifting away from the previous Chancellor's almost entire focus on home ownership, to a more balanced housing market. The RICS have reacted positively to the announcements on increased investment for affordable housing, particularly for affordable rent.

Alongside the £2.3bn to be spent on infrastructure, the government also committed to an additional £1.4bn to be spent on affordable housing, which is in addition to the £4.7bn that was previously announced. The money will help fund an additional 40,000 affordable homes. The Government has also

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Continued >

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lifted the restrictions limiting the funding to homeownership products. This is a clear indication of a shift back towards a more balanced housing market to take into account the decline in home ownership and increasing importance of good quality rental stock.

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Business Rates

For business rates, there were limited announcements from the Chancellor. The most revealing announcement was confirmation that rates bills will go up by a maximum of 43% year on year in 2017/18, and a further 32% the year after for those RVs over £100,000. These were pitched as a saving from 45% and 50% respectively, but these were figures out to consultation only and still represent increases more than 20 times the current rate of inflation—once again leaving businesses short changed.

He confirmed a previously announced scheme offering rate relief to the hard pressed Oil and Gas exploration sector, and a doubling of Rural Rate Relief to 100% from 50%. The announcement that new fibre optic broadband infrastructure will benefit from 100% relief for 5 years will benefit BT Openreach significantly, but very few others.

Alan Watson | 07917 352428

Business Space

The continued focus of the Autumn Statement on the development of housing indicates that the trend of existing office and industrial floorspace and land supply being lost to residential use is set to continue. The consequence will be growth in office and industrial land prices and a strong growth in rents.

Colin Steele | 07860 749034

Scotland

The key impact to the Scottish market will come via the City Deal funding announcement which will bring economic growth and development to infrastructure and strategic projects. A City Deal agreement for Edinburgh is confirmed, proposals from Perth and Dundee are being considered and talks will begin shortly on Stirling.

The Chancellor stating that every city in Scotland will be on course for a City Deal gives local areas greater powers and freedoms to help support economic growth, create jobs or invest in local projects.

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Property Management

The Chancellor stated that insurance premium tax (standard rate) will increase from 10% to 12% which will see this type of tax doubling within 2 years. This will lead to additional expenditure on buildings

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insurance and we expect those with large property portfolios to be significantly hit.

The announced increase in the national living wage to £7.50 from April 2017 will also cause an impact to property management costs as it is highly likely that we will see contractors (receptionist, security, landscaping providers etc) passing this cost onto their customers meaning landlords and tenants should prepare themselves for increased service charge budgets and expenditure.

However, the Carbon Price Support will be capped to 2020 which should reduce the increase seen on energy bills for end consumers, helping reduce the expenditure seen on utilities.

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Please contact a member of the team if you would like more information on the Autumn Statement and the impact it may have on your property or portfolio.