SPRING BUDGET FACTSHEET 2017

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2017 Spring Budget: What will it mean for the UK's property market?

The Spring Budget is a perennial highlight on the political and economic calendar, but the 2017 iteration stood out as one of the most important in recent history. It was Chancellor Philip Hammond's first and last Budget to take place in March, with the annual announcement moving to the autumn as of this year. Moreover, the speech took on added significance due to the momentous events of the past 12 months and, in particular, the fact that Article 50 is due to be triggered at the end of the month, thereby officially commencing Brexit negotiations.

It was surprising that, unlike the Budgets of recent years, the UK's globally-renowned property industry did not feature as prominently as usual within the fiscal statement. The total value of the UK's housing stock has increased to an impressive £6.79 trillion, which is nearly four times the size of national GDP. Furthermore, with the real estate industry contributing more than £94 billion to the UK economy, it was of the utmost importance that the Government provided a clear and directed agenda to further the long-term prospects of this sector – particularly as the country prepares to part ways with the European Union (EU). In February 2017, the Government laid down the foundations for its long-term property strategy in its Housing White Paper, which pledges to increase housing supply across the nation. However, in the Spring Budget, the Chancellor failed to address a number of pertinent industry issues.

Recent research by Market Financial Solutions (MFS) earlier this year unveiled one such pressing issue for the Chancellor to address in the Spring Budget – the prevalence of gazumping in the property industry. MFS's study showed that 1.5 million property investors have lost out on key investments because a property purchase fell through after an offer had been accepted, with an inability to secure timely finance emerging as a common reason why. Prior to the announcement, our CEO Paresh Raja commented on the need for the Chancellor to act to eradicate this problem, while also advocating the need to reform Stamp Duty taxes which threaten to burden property investors to the detriment of the market as a whole.

To review exactly what policies and initiatives Philip Hammond took out of his red briefcase on Wednesday 8 March, MFS has launched the 2017 Spring Budget Factsheet. Providing an overview of the key announcements made on the day, the Factsheet breaks down the most important developments that will impact the UK property market, including investors, borrowers and developers.

Below is a summary of the key policies, initiatives and reforms announced in the 2017 Spring Budget that will impact the UK's property market and investors:

The economy

- The UK had the second-fastest growing economy in the G7 in 2016, behind Germany
- The OBR's growth forecast for the country's economy in 2017 has been upgraded from 1.4% to 2%
- Inflation was forecast to rise to 2.4% in 2017-18, before falling to 2.3% and 2.0% in subsequent years

Housing and infrastructure

- Transport infrastructure across the UK is to be improved, with £90 million invested in the North of England and £23 million for the Midlands to address pinch points on roads
- £16 million was allocated to the development of 5G mobile technology and £200 million to further improve local broadband networks

Tax

- The main rate of Class 4 National Insurance contributions will increase from the current rate of 9% to 10% in April 2018 and again to 11% in April 2019
- There were no changes to income tax, VAT or other National Insurance categories
- Personal tax-free allowance was confirmed to rise as planned to £11,500 this year and to £12,500 by 2020

Business rates

- The Government announced that £435 million would be set aside for firms affected by increases in business rates

Taking advantage of Britain's prime property investment opportunities

In a Budget that was very light on policies and reforms affecting the property industry, it seems clear that the Government is focused on the contents of its Housing White Paper, which was released in February 2017. The White Paper focuses on meeting demand for building 250,000 new homes each year through a number of new initiatives, such as: forcing councils to produce an up-to-date plan for housing demand; encouraging the extension of buildings upwards in urban areas; and using a £3 billion fund to help smaller building firms challenge major developers.

With little further action taken by the Chancellor in the 2017 Spring Budget to bolster the UK's already vibrant property market, pressure will continue to mount on the Government to address industry issues.

Most notably, property investors will be keen for the Autumn Statement later this year to include reforms to Stamp Duty. Figures released earlier this year have shown that the number of first-time buyers having to pay Stamp Duty on property purchases has hit a ten-year high. As such, the decision to leave this tax untouched in the Chancellor's speech will not only disappoint property investors keen to expand their portfolio, but also those trying to make their first steps onto the property market.

Nevertheless, as Brexit negotiations are due to start at the end of March, the property industry carries great momentum into this transitional period for the British economy. Property demand and prices have remained stable since the EU referendum eight months ago, with both domestic and foreign investors keen to take advantage of the world-leading real estate investment opportunities Britain has to offer.

In this highly competitive marketplace, timely access to finance will become increasingly vital for those looking to execute their investment strategies efficiently. MFS will play its role to ensure investors are made aware of alternative lending options and are therefore able to take full advantage of the wealth of prime opportunities on offer across the UK's residential and commercial property markets.

To speak to a member of our team and find out more, contact MFS on 0845 303 8686.

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