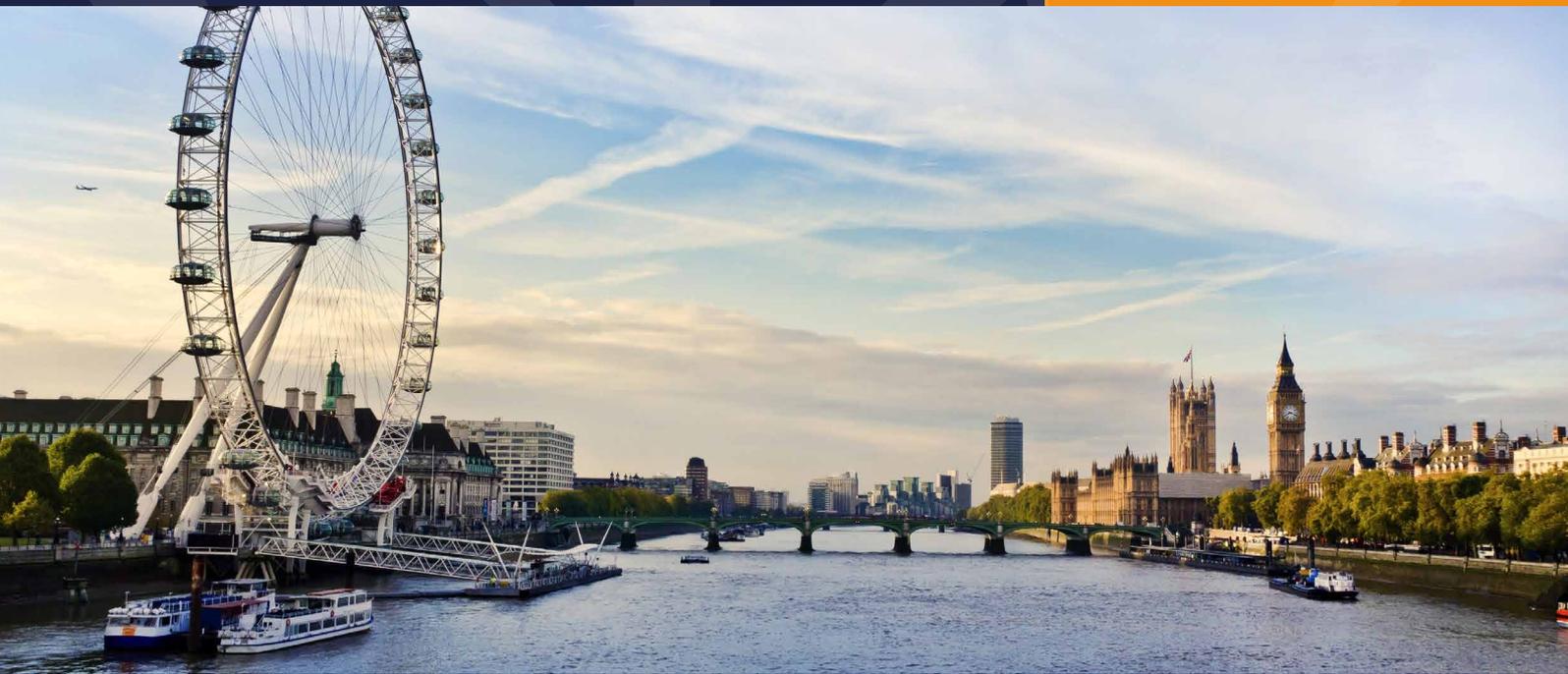




HOW NEW PRIME MINISTER BORIS JOHNSON MAY AFFECT INVESTORS AND THE UK PROPERTY MARKET

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As one of the UK's leading bridging lenders, Market Financial Solutions (MFS) prides itself on being acutely aware of how the latest economic events and political manoeuvrings are impacting the UK's property market. Our clients – property investors, borrowers and brokers who require fast bridging loans – look to us for insight into how industries are performing and which trends they need to be taking into consideration.

Ever since 24 May 2019, when Theresa May announced she would resign as Prime Minister, there have been two questions that have dominated economic and political discourse: who will replace May in 10 Downing Street? And how will they succeed where their predecessor failed in getting a Brexit deal agreed by both the EU and a majority in the House of Commons?

On 23 July 2019 we received an answer to that first question; Boris Johnson, the frontrunner throughout the Conservative Party's leadership election, defeated Jeremy Hunt, and the next day was officially appointed as the country's new leader.

This leaves the more pertinent second question – how will Johnson approach the task of making Brexit a reality, and more generally, what are his policies that will affect homeowners, landlords and property investors?

To help outline the key points that those who are invested in the real estate market ought to be aware of, [MFS](#) has compiled a factsheet. Combining important insights gleaned throughout Johnson's leadership campaign, cabinet appointments and political speeches, the following information will help those keen to understand how the coming months may develop.

BREXIT NEGOTIATIONS

Theresa May's failure to pass her Brexit deal through the House of Commons was the fundamental reason for her resignation as Prime Minister. And with a mere three months standing between the announcement of her replacement and the current Brexit deadline (31 October 2019), the UK's separation from the European Union (EU) inevitably dominated the political debates between the Conservative Party leadership hopefuls throughout June and July.

As a figurehead of the original Leave campaign, Johnson's stance on Brexit is clear – unlike many of his colleagues in Westminster, he has been forthright in stating that the UK's future is brighter outside of the EU. His leadership campaign reflected this stance, with the new PM stressing that he will ensure Brexit takes place on 31 October, with or without a deal.

Johnson has said he is committed to "getting rid" of the Irish border backstop

Johnson has said he is committed to "getting rid" of the Irish border backstop, which was central to May's inability to get MPs to agree with her proposed deal. However, the EU's chief Brexit negotiator, Michel Barnier, said removing the backstop guarantee was unacceptable.

One of the most notable elements of Johnson's approach to Brexit is his willingness to leave 'no deal' on the table as a viable option. While this result would cause much more uncertainty than leaving with an agreed deal, Johnson will no doubt hope this position will afford them greater power in negotiations with Brussels.

Amidst wholesale changes in Johnson's cabinet reshuffle upon being appointed PM, Stephen Barclay, Brexit Secretary, was one of the few who kept their job. Barclay, a Brexiteer from the north of England and the son of a Labour trade unionist, remains charged with negotiating the UK's eventual exit deal with the EU.



Stephen Barclay
Secretary of State for Exiting
the European Union

Other notable figures within the cabinet who will have a role to play in executing Johnson's vision for Brexit are Michael Gove, the new Chancellor of the Duchy of Lancaster, and Dominic Raab, Foreign Secretary and de facto deputy PM. Gove is essentially responsible for leading preparation for a no deal Brexit, while Raab – himself a former Brexit Secretary – will likely feature in helping to guide the outcome of this major event.





TAX REFORMS

Away from Brexit, Johnson has also signalled his intent to introduce various tax reforms.

One such reform which has dominated the headlines is that he and his team have outlined plans for a £20 billion income tax cut, which would help higher earners by lifting the threshold at which the 40% upper rate is applied – he wishes to increase the band from £50,000 to £80,000. The new PM stated that he plans to pay for these tax cuts by abolishing limits on National Insurance contributions.

Boris Johnson wishes to increase the higher income tax band from £50,000 to £80,000

Elsewhere, Johnson has suggested he will introduce cuts to **business** rates and **corporation tax**. However, he has refused to be specific on what, how and when such changes will take shape.

Responsible for leading all fiscal reforms and policy is the new Chancellor: Sajid Javid. The latest resident of 11 Downing Street stood against Johnson in the race to replace Theresa May as PM, but when he dropped out of the contest he provided backing to the eventual winner.

Javid, a former investment banker, must find ways to balance Johnson's proposed tax cuts against the UK's budget especially corporation tax, which will prove fundamental for large companies to stay in the UK. Yet, set against a backdrop of Brexit uncertainty, long-term commitments might prove hard to come by.



Sajid Javid
Chancellor of the Exchequer

PROPERTY MARKET

Property, construction and housing have remained largely in the shadows throughout the Tory leadership contest. But there are some notable points to consider.

Johnson has said that he is considering a cut to stamp duty if he takes power, raising the threshold from **£125,000 to £500,000**



Perhaps most significantly, Johnson has said that he is considering a cut to stamp duty if he takes power, raising the threshold from £125,000 to £500,000. However, the new PM has also hinted at a more drastic review of the property-buying tax, suggesting that it could be made payable by the seller rather than the buyer – little detail is available about this, though.

More broadly, there are transport and infrastructure policies that could impact local property markets. For example, he has promised a review into HS2 – the new high-speed rail line to connect London and Birmingham – as he wishes to “have a look at the business case” for the project and “think about whether and how we proceed”.

Johnson has also said he will aim to speed up the roll out of high-speed broadband across rural parts of the UK, which is currently due to be completed by 2030.

In terms of personnel, Kit Malthouse has been replaced by Esther McVey as Housing Minister. She becomes the Conservative Party’s ninth Housing Minister in nine years.



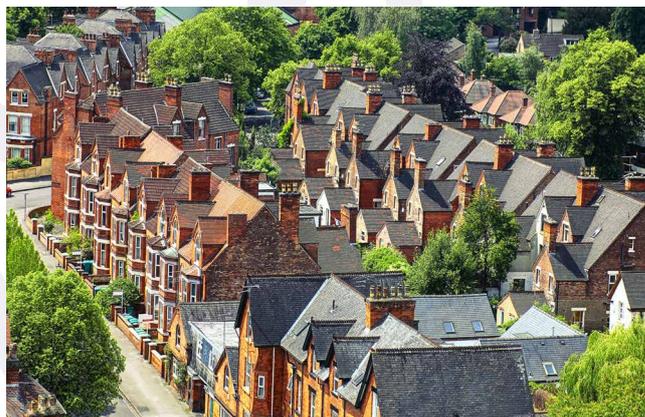
Esther McVey
Minister of State for
Housing and Planning

McVey will be tasked with tackling the Housing Crisis – the UK’s significant shortage in available housing, particularly for first-time buyers and growing families. Statistics show the country requires 300,000 new homes to be built every year by the mid-2020s in order to meet demand for residential living; the newest Housing Minister faces a tall task in meeting these targets, which have been missed by both Labour and Conservative governments over the past two decades.

Alongside McVey sits Robert Jenrick, the new Housing Secretary. Jenrick has said little about housing policy publicly, but in a column for The Times in October 2017 he called for policies to bring smaller builders back into the market and establish development corporations to build new towns.

One of Jenrick’s key policy ideas – albeit not one restated since his appointment as Housing Secretary – was to build homes on disused public land and sell them “at cost” to the under 40s.

More detail is expected in the coming weeks and months of how McVey and Jenrick will look to overcome the challenges facing the UK’s property sector. However, what most investors, homeowners, landlords, renters and prospective buyers will all be hoping for is continuity in strategy. The high turnover in the position of Housing Minister has made consistent policy nearly impossible, so a stable and long-term approach in this space is vital.



MFS REACTS

In the immediate aftermath of Boris Johnson's appointment as Prime Minister, MFS' CEO Paresh Raja spoke with national and trade journalists to offer his perspective on the news.

"Boris Johnson's appointment as Prime Minister poses more questions than answers. The most pressing of all is his strategy towards progressing Brexit. Given the hardships faced by Theresa May in her attempts to get her withdrawal bill through parliament, it remains to be seen how he will be able to achieve this.

"While not downplaying the significance of Brexit, we also cannot let this overshadow some of the pressing issues facing the property market. There's a myriad of challenges that need to be addressed, and so far, creative action to address these has been minimal. That's why it is vital for Boris not to let Brexit continue to dominate the political

landscape. Vision and leadership is needed to ensure we can also address pressing national challenges such as the housing crisis and tax cuts. At the same time, it will likely encourage more investment activity, with investors being able to clearly plan for the future."



Paresh Raja
CEO of MFS





SUPPORT FOR PROPERTY INVESTORS

The UK's political and economic landscape is likely to evolve at pace throughout the remainder of 2019. For property investors, borrowers and brokers who are keen to keep up with the pertinent changes and understand how they may affect them, MFS is committed to continue in the provision of timely, insightful resources.

Having been at the forefront of the UK bridging sector and [providing short term finance](#) for more than a decade, MFS has helped to navigate clients through many significant events, from recessions and general elections to EU referendum and Brexit uncertainty. Importantly, the strength of MFS' funding lines, along with the expertise of its team, has ensured we have been able to keep on delivering fast bridging loans to those requiring finance to complete a property deal.



To find out more about [MFS' bridging loan services](#), for either direct clients or brokers, [click here](#).

Or get in touch with a member of the MFS team by emailing info@mfsuk.com or calling **0207 060 1234**.



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