

# 2017 AUTUMN BUDGET FACTSHEET



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On Wednesday 22nd November, Chancellor Philip Hammond presented the 2017 Autumn Budget, the first major fiscal statement since the formation of the Conservative-led minority Government. Having moved the country's flagship fiscal statement from spring to November, the Autumn Budget now serves as one of the most important dates in the political and economic calendar, setting out the Government's plan for financial stability and long-term growth.

In March, Philip Hammond's delivery of the final Spring Budget left investors and property experts underwhelmed by the lack of concrete policy reform. For the property sector in particular, Chancellor Hammond's decision to largely overlook the real estate market was criticised by industry leaders as a missed opportunity to address tax measures and relieve some of the financial burden placed on prospective homebuyers and seasoned real estate investors.

A lot has happened since then; after the shocking General Election result in June, the Conservative-led minority Government has faced a series of political setbacks including stalled Brexit negotiations and waning confidence in the hung parliament. Concurrently, while the UK economy has proven resilient in the months following the EU referendum, the recent decision by the Bank of England to increase the interest rate to 0.5% signifies a change in market conditions that will affect investors and savers. As a result, the 2017 Autumn Budget came at a critical time for the UK and held even greater importance than usual.

### The 2017 Autumn Budget

The Autumn Budget also offered the Government a timely opportunity to offer greater clarity, leadership and direction for investors, consumers and businesses through targeted new measures and tax reforms. As the dust settles on the Chancellor's speech, MFS' 2017 Autumn Budget Factsheet lists the key announcements the UK property sector needs to take note of, including specific reforms to the house-buying market and wider measures designed to boost market productivity and economic growth.

In the weeks leading up to the Autumn Budget, the issue of housing was touted by politicians and industry figures as a core focus of the fiscal statement. Prime Minister Theresa May reaffirmed her minority-led Government's commitment to affordable housing, while the Chancellor voiced his desires to see an intervention in the real estate market to ensure the next generation of homeowners have the same property opportunities as previous generations.

As anticipated, housing formed a core pillar of the 2017 Autumn Budget, with a raft of reforms introduced in a bid to support the next wave of property investment. Here is a summary of the key policies and announcements from the Chancellor's statement:

## The economy

- Growth forecast for 2017 downgraded from 2% to 1.5%
- GDP downgraded to 1.4%, 1.3% and 1.5% in subsequent years before rising to 1.6% in 2021-22

## Housing

- Stamp duty to be abolished immediately for first-time buyers purchasing properties worth up to £300,000
- In London and other expensive areas, the first £300,000 of the cost of a £500,000 purchase by first-time buyers will be exempt from stamp duty
- 80% of all first-time buyers will not pay stamp duty
- A long-term goal to build 300,000 homes a year by the mid-2020s
- £44 billion in government support, including loan guarantees, to boost construction skills
- 100% council tax premium on empty properties
- Compulsory purchase of land banked by developers for financial reasons

## Brexit

- £3 billion to be set aside over the next two years to prepare UK for every possible outcome as it leaves the European Union

## Taxation

- Higher-rate tax threshold to increase to £46,350

## Progress, but there is more to do

Paving the way for the country's post-Brexit future, the Government has delivered a Budget geared towards innovation, infrastructure investment and the housing market. Heeding calls from the property industry to address stamp duty, it was positive to see the Government take the step to cut the tax for first-time homebuyers. However, for homeowners looking to upgrade or expand their property portfolio, there was little offered in the way of stamp duty relief. This was an opportunity missed, and something that will need to be addressed soon to support fluid and consistent property transactions over the coming years.

Furthermore, the Government's decision to increase the number of properties available on the market through the construction of new houses is a step forward, but this needs to be supported by the ongoing roll-out of new measures. With recent MFS research revealing that 81% of adults would rather live in an older home than a new-build, the Government should consider policy that encourages the refurbishment of run-down existing homes to boost housing supply.

In this highly competitive marketplace, timely access to finance will remain 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 find out more about MFS' bridging lending options, speak to a member of our team on 020 7060 1234.





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