Our experts’ reactions on the Chancellor’s Budget 2012

OVERVIEW

Claire Higgins, head of research

The Chancellor announced today’s budget as being one that “backed business”, stating that Britain would be more competitive for business than any other country in the world and will earn its way to recovery.

The forecasts from the OBR as to when this recovery will occur remain largely unchanged, and the plan for achieving this is still centred around a fiscally neutral budget.

Giveaways on the personal tax threshold, corporation tax and small business investment will be paid for by taxing the rich. Partly this will occur through clampdowns on loopholes and tax avoidance – which Mr Osborne described as “morally repugnant” – but a further key driver will be the introduction of the so-called mansion tax, levying 7% stamp duty on homes of over £2 million. With the introduction of punitive measures on buying homes via a corporate or overseas envelope, the volume of transactions in London’s prime residential market – which has been predominantly propped up by foreign investors – must surely be under threat.

While commercial property appears to have escaped any similarly drastic measures, notable by its absence was any reference to a change in the Government’s stance on empty rates.

However, there were indeed numerous business friendly measures including:

- support for infrastructure improvements in the North and in London,
- extra funding for housing construction,
- a reaffirmation that next week’s new planning framework will be predisposed towards sustainable development,
- a raft of measures intended to support the UK’s burgeoning TMT sector, and
- a reduction from April 2013 in the top rate of personal tax from 50 to 45 pence.
A strengthening of Britain’s business and its competitiveness is undoubtedly good for property occupiers and owners. It is hoped that a reduction in top rate tax will enable the UK and particularly the City to attract the best talent from overseas. Let’s just hope that, when they get here, they don’t have any plans to buy a house.

RETAIL

Ian Parish, head of retail

For the eight weeks covering the Olympic period we can make the most of the tourism pound. After all, our economy and our retailers could do with an extra boost! The tourist related retailers will benefit most of course and supermarkets – people buying beer, pizzas and BBQs to cook at home.

However, the real test is whether consumers like it and retailers can obtain real benefit from it. I think of the Olympics area as being a bit like a theme park for retail - direct spend related to the games is going to be mostly contained in the area immediately surrounding the Olympic Village and Stratford. Central London, in particular the West End, will undoubtedly see some benefits from the increased level of tourists during the Olympic period. Finally, depending on how successful our athletes are, there may be boosts to sporting clothing/equipment spend too.

LONDON

Dan Bayley, head of Central London

From London's perspective the budget has been generally favourable. The chancellor's announcement of the creation of a £70 million development fund for London and the Government's stated aim of making the country Europe's technology centre will be a further boost for the capital's TMT sector. The tax credits for digital entertainment industries announced by the chancellor are also good news and should boost growth in this important sector.

In addition, Mr Osborne's support for a new river crossing in East London can only enhance the ongoing regeneration of the area and a further boost the benefits that the Olympics will bring. The announcement that the top rate of tax will be cut will be welcomed by the business community and help maintain the capital's reputation as one of the world's leading business centres.

RESIDENTIAL

Crispin Topping, head of London residential agency & Sam Blake, residential director

Except where people are so rich that they wouldn't notice at least £140,000 leaving their pockets it will be a big disincentive to transact property over the £2m threshold. In addition to much of London, there are many parts of the south east, in particular Surrey where a typical new build executive home costs £3m+, and these areas will be hardest hit - prices may have to fall to allow for the higher tax.'
'As we saw with the existing SDLT regime, more and more homes are captured by higher rates due to house price inflation. With the government effectively printing money, inflation is unlikely to go away any time soon. Come 2022 real house prices may not have changed much, but with sustained inflation at current levels, a house currently worth £1.2M would be subject to 7 per cent tax. By 2032, houses currently worth £750k will be subject to the tax.'

'A flat rate or proportional approach to SDLT, where there are no ‘jumps’, particularly at lower levels, would limit distortion of the market - house builders in many areas stick rigidly to £250k cap, which in real terms is getting lower and lower, effectively handicapping what they can provide'

If there are 80,000 properties over £2m in the UK and 5% currently change hands each year, this has the potential to affect up to 4,000 transactions, but realistically those likely to be affected will be on the margins and therefore we’ll see some prices fall under £2m, as well as restrict refurbishment for the £1m+ market.

When in opposition the Conservatives were opposed to the changes made by the previous Government back in 2008 on empty rates relief. Yet now they are in power they have chosen to retain the legislation. Increasing the rateable value threshold when empty rates become chargeable is something that would at least provide some assistance especially for struggling small businesses.

TRANSPORT AND LOGISTICS

Chris Selway, consulting director

As we have major transport sector clientele we very much welcome continued investment in rail and electrification in particular, along with the prioritisation of 40 key UK schemes one of which, the Hastings to Bexhill link road, we’re working on for East Sussex County Council which will facilitate the construction of up to 2000 new homes and 3000 new jobs, so naturally we are very happy indeed!

Rail proposals are passenger led and we do welcome these in particular the recognition of the need to invest outside of London.

On HS2, I sincerely hope that the imminent consultation on Blight and safeguarding delivers meaningful changes in the compensation regime particularly recovery of pre acquisition costs.

Bottlenecking on the motorways we of course welcome but we’d like to see some more encouragement for the transfer of goods via rail which in itself could take considerable traffic of the road network.

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