2013 BUDGET COMMENTS

BNP Paribas Real Estate’s Head of Research, Claire Higgins, comments on the 2013 Budget:

“The best news for the UK property industry, if not for the UK as a whole, would have been if the Chancellor had announced that he would be injecting funds to boost infrastructure projects. Not just large scale, high profile and extremely long term projects such as Crossrail. But the kind of quick-to-get-off-the-ground, small scale projects that can demonstrate near term benefits for communities, local economies and thus, ultimately, all of us.

A whole host of lobby groups, economic think tanks and senior commentators have recently advocated that boosting homebuilding and infrastructure spending should have been the main goal of the Budget.

The Ernst & Young Item Club wanted to see an extra £10bn in spending on infrastructure projects, which it said could boost growth by 0.6% next year. The British Chambers of Commerce advocated a range of measures, including the building of 100,000 new homes, which it estimated could cost almost £30bn over three years. The CBI proposed that money should be spent on "high-growth areas", such as building 50,000 new affordable homes which it stated would create 75,000 jobs. They also wanted more investment in roads and infrastructure. The Economist made the case that "railways and roads, bridges and broadband give growth a bigger boost per pound from the public purse than other sorts of spending."

The Treasury has consistently stated there are few big “shovel-ready” projects, but small less glamorous projects could collectively produce just as much economic stimulus. School building, hospital extensions, road maintenance and rail improvements would all contribute to growth.

Did we get the Item Club’s £10bn? No. We got £3bn extra for new projects, but not until 2015-16 at a time when the OBR has predicted that economic growth will have risen to be above trend. We got, not 50,000 or 100,000 new affordable homes, but 15,000.

We did get the creation of Help to Buy, which aims to stimulate housebuilding, get the mortgage market moving again and improve affordability. It’s more limited predecessor, First Buy, had yet to make much impact on the construction market, so let’s hope Help to Buy demonstrates greater success.

Ultimately, there was a powerful momentum to the argument in favour of increased infrastructure investment but, sadly for the UK property industry (among others), little was actually delivered by the Budget. It feels a wasted opportunity for what might be Mr Osborne’s last truly meaningful Budget before the next election.”

-ends-

About BNP Paribas Real Estate

BNP Paribas Real Estate, leading international real estate provider, offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries with more than 180 offices and 3,400 employees (16 wholly owned subsidiaries and 20 by its Alliance network, that represents today more than 3,000 people).

BNP Paribas Real Estate is a subsidiary of BNP Paribas.

For more information: www.realestate.bnpparibas.com

Real Estate for a changing world

Press contact:

Alex Tucker, UK Press Officer – Tel: +44 (0) 207 338 4086 alex.tucker@bnpparibas.com