BNP PARIBAS REAL ESTATE COMMENTS ON THE
CHANCELLOR’S AUTUMN STATEMENT

BNP Paribas Real Estate looks at the impact of the Government’s Autumn Statement on the UK’s property industry. Overall, The Chancellor’s statement contained no real surprises. As expected, on balance, changes affecting the property sector were positive but limited in scope.

On Business Rates
Jim Ruthven, Head of Rating at BNP Paribas Real Estate says: “On reflection, in terms of Business Rates and from the occupier’s point of view, the Autumn Statement was not as exciting as first impressions may have seemed. There were lots of pledges but, in reality, real benefits will be felt by very few, with the exception of the rates to be capped at 2% from April 2015, which is below the September RPI increase. This is to be applauded as it will affect all business ratepayers.

“Currently an appeal to challenge a rateable value may result in a reduction in liability from 1 April 2010, but in the next financial year rateable value reductions will be restricted from 1 April 2015. As a result it will encourage occupiers to appeal before 31 March 2015 in order to secure up to five years’ worth of potential savings something the government may not like.

“On the subject of appeals, it could be argued that the Chancellor missed a trick as he could have blown his own trumpet. We understand that the Valuation Office Agency is on course to hit the July 2015 target set in the 2013 Autumn Statement of clearing 161,500 appeals received before September 2013. Earlier this year Eric Pickles announced that £4.2bn has been set aside for rates rebates and the Chancellor could have used today’s statement speech to demonstrate that the government has assisted business.”

On Stamp Duty
Adrian Owen, Head of Residential at BNP Paribas Real Estate says: “I think this is long over-due. It never seemed fair that the same percentage was paid by purchasers in each threshold irrelevant of their purchase price and that there was no benefit from the zero rated threshold. To align it with income tax methodology is not only sensible but very clever electioneering. Yes some may say that it is only the government’s version of a mansion tax but the vast majority will make savings and overall I see it as a positive move.”
On the deficit

Kallum Pickering, UK Economist at BNP Paribas Real Estate says: “What was striking was how improvements in the economy have not transpired into improvements in tax revenue, which would have enabled more support to key areas of the economy such as the property sector. These latest estimates show Government is facing real problems defusing the fiscal time bomb under the economy.

“Despite the Chancellor’s best efforts to suggest otherwise, the OBR’s report, published alongside the Statement, reveals that the deficit plan has been set back yet again. Borrowing will be higher than anticipated in the 2014 Budget by £14.9 billion over the forecast period. The OBR estimates that the deficit will be around £90 billion in 2014, or 5% of GDP, down on last year by just 0.6%. Although the OBR has forecast that the deficit will be eliminated by 2018, it rests on the potentially dangerous assumption of economic growth above 2.0% in each fiscal year until then.

“If markets begin to react negatively to the stubbornly high deficit it could have implications for both the economy and Government borrowing costs which act as a benchmark for market rates. Deterioration in the economic outlook and subsequent rise in borrowing costs could dampen real estate investment activity.

On Devolution

Kallum Pickering, UK Economist at BNP Paribas Real Estate says: “The Chancellor announced a number of ‘devolutions’ in the statement. A highlight was the announcement of corporation tax devolution to Northern Ireland, which will almost certainly lead to lowering the tax from the current rate of 21% to something more in line with The Republic which stands at 12.5%. This could provide a boost to commercial and industrial activity in Northern Ireland, but it also raises the prospect of internal business migration within the UK; if Northern Ireland is seen as a tax haven.

“The particulars around devolvement to England, Wales and Scotland were more ambiguous. The questions around the potential upsides resulting from more targeted taxing and spending against the potential downsides from increased bureaucracy and loss of fiscal autonomy for central government have not yet been answered.”

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