UK HOUSING MARKET - REACTION TO GENERAL ELECTION RESULT

Adrian Owen, Executive Director, UK Residential at BNP Paribas Real Estate, comments:

“Although their pledges were ‘not set in stone’, the result of the 2015 General Election, with a majority Conservative government, could see some proposed policies as well as the continuation of controversial measures (ostensibly aimed to kick starting growth) create heated debate.

“Whilst these policies relating to housing will engender much debate, the clear benefit to the country is that there is a majority party to govern which will settle the financial markets and the view of large scale investment into the housing sector. This ‘settling’ and the continuation of the government in only a small alteration should allow for much needed growth in the delivery of housing and confidence in the real estate sector generally.

“The proposals that had been made by the Labour party regarding Non-dom status and a Mansion Tax have been having an impact on the market, particularly in London, over recent weeks. The fact that this is unlikely to be introduced under David Cameron will help London’s reputation as a global city.”

Housing Association Tenants’ Right to Buy

“The Conservative’s manifesto committed to extend the Right to Buy (RTB) to 1.3m Housing Association (HA) tenants, who will be offered discounts of up to £77,900 in England and £103,700 in London. It is proposed that this discount will be paid back to Housing Associations from the proceeds of selling the most expensive 30% of their housing stock.

“As Housing Associations use existing stock as security for loan funding this may impact on their ability to raise new finance, with Standard & Poors stating that ‘The scale of the proposed discount would imply a weakening of HA balance sheets over the long term that may affect their creditworthiness, and hence their capacity to develop.’ Any revaluation of stock to reflect lower values may lead to Housing Associations breaching agreed loan covenants. The Chartered Institute of Housing believe that the policy would risk the viability of Housing Associations.

“The question has to be asked whether buyers of shared ownership units get similar discounts? If not there could be an uneasy situation in a mixed affordable block, with social rented tenants - who have already benefited from low rents - getting a windfall, while shared ownership leaseholders watch on and find ‘staircasing’ (buying the remaining share of their property) unaffordable.”
Benefit cap cut to £23k

“With average rents and council tax in London now over £1,500 per month, a family qualifying for maximum benefits will need to live off the £400 per month that would be left. In reality most families will qualify for less, this could mean a further migration of London for households with no income who, funded by housing benefit, rent privately.

“Landlords that have relied on housing benefit to pay the rent could find themselves re-letting to working tenants albeit with increased risk.”

Starter Homes scheme

“The Tory manifesto set out plans for 100,000 first time buyers getting the change to buy new homes at a 20% discount, but only if they are under 40. This was to be supported with a change to the planning system to free unviable brownfield land from Section 106 and Community Infrastructure levies. In return qualifying buyers would be able to buy homes built on the site at a below market value sale price.

“This policy could penalise many in their 40s in London and South East who have been unable to buy because of the already high costs of housing in and around the capital.

“The question has to be asked as to how the extra costs associated with development that are normally funded by CIL and Section 106, such as new schools and infrastructure will be covered?”

Vacant Building Credit

“The Vacant Building Credit (VBC), which was aimed at facilitating development on brownfield development, has had little impact in terms of improving land supply. However, VBC has been utilised extensively by developers to reduce affordable housing on sites that would have come forward anyway.”

Permitted Development

“Office to residential Permitted Development (PD) rights, which were due to expire in May 2016, are set to be continued. These rights have enhanced underlying land values of secondary office sites and although the unintended consequence adversely impacts on the percentage of affordable housing that new build schemes can provide, it has sped up the delivery of much needed housing.
In general, the surprise outcome of this election perhaps allows for some continuity and confidence in the economy, which can only be a positive for the much needed investment into housing to increase delivery.”

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About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers 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 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 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

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