In response to Philip Hammond’s first Autumn Statement as Chancellor, market experts at BNP Paribas Real Estate comment on issues such as the UK economy, infrastructure spending and connectivity, business rates and affordable housing.

**UK Economy**

Sukhdeep Dhillon, Senior Economist, BNP Paribas Real Estate, said:

“The UK economy has shown resilience since the EU referendum; however as the Chancellor alluded there will now be a period of economic uncertainty as the UK negotiates its departure from the EU. This may well be the reason why there were no ‘rabbits out the hat’ during his speech. The Office for Budget Responsibility (OBR) expects a sharp slowdown in 2017, but not a recession, with growth back to trend thereafter.

“In terms of real estate, key to overseas investors will be whether the fall in the value of sterling is attractive enough to offset the expected economic slowdown and questions over market access that have resulted from the referendum vote. Despite this, property still delivers an income return that compares favourably with other assets so this may work in its favour in coming years.”

**Innovation and Infrastructure**

Chris Selway, Head of CPO and Infrastructure, BNP Paribas Real Estate said:

“The Chancellor’s confirmation of £23bn to be spent on innovation and infrastructure over five years is highly welcome as there is empirical evidence to support the case for improving our road and rail network. It is essential for
improved connectivity and generates a range of economic benefits in further investment, job creation and demand for materials and expertise, as well as unlocking development and regeneration schemes.

“In addition, the Chancellor today announced that the Infrastructure and Projects Authority will lead a review to improve the quality, cost and performance of UK infrastructure. Unfortunately, the IPA’s review will uncover a lack of skills and expertise, with little in the way of recent project legacy at regional and local level that public bodies can replicate or build upon.

“Not since the days of Michael Heseltine’s Development Corporations have the regions seen much in the way of regeneration or infrastructure investment. The issue is not just about funding, it’s about programme and strategy. Forward funding infrastructure schemes de-risks and shortens timescales – nothing gets built without securing the land and rights to accommodate it and that’s where money can be saved by spending sooner to save in the long run.

“It is disappointing that neither the Chancellor nor Secretary of State last week saw fit to announce any improvement in the HS2 compensation regime for affected businesses. We would also urge the Chancellor and Mr Grayling to address the unstoppable march of expenditure on London, the Midlands and North compared to the South West, which is still being short changed in terms of infrastructure spending, most recently in the deferral of the Great Western Mainline Electrification Project.”

**Business rates**

Ian Allison, Director in Business Rates, BNP Paribas Real Estate said:

“The proposed transitional ‘relief’ is indeed complicated but the Chancellor presented this bad news very well, by implying that the level of rates increases that many businesses are set to endure next year will be lower than expected. The government consulted on proposed caps of 45% in 2017/18 and 50% in 2018/19. The chancellor today confirmed caps of 43% and 32%. This is still bad news, albeit not quite as bad as feared.

“We await further information and in particular, detail about downwards transitional phasing that will affect many businesses outside of London who are expecting a decrease to their rates liability.

“In regards to the Chancellor’s announcement of 100% business rate relief on new fibre optic infrastructure, the UK’s fibre optic network is rateable, with the business rates bill picked up by the utility company. Some businesses with their own network may have this included in the assessment of their premises. This pledge, aimed at assisting the
chancellor’s goal of making the UK a leader in 5G, could be subject to EU state aid rules and therefore worth up to €200,000 over a three-year period. I’m sure a utility company would be hoping for significantly more relief than this.”

Affordable Housing

Anthony Lee, Joint Head of Residential Advisory & Consulting, BNP Paribas Real Estate said:

“While any additional funding towards affordable housing is welcome, as is more flexibility on how funds can be used, the £1.4bn proposed is unlikely to achieve the delivery of 40,000 new rented homes that the government suggests.

“Before 2010, when grant funding was previously available to fund affordable housing in private-sector led developments it was typically provided at around £30,000 per bed space, or £130,000 for a three-bed unit. However, since that time, house prices in many parts of London have almost doubled, so any grant funding has to work harder to achieve the same outcome that would have been possible in 2010.”

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). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

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