



Budget 2017: Housing

Given this Governments' track record in Stamp Duty increases, there is always a moment of nervous trepidation when the Chancellor stands to deliver his Budget Speech. Thankfully, this year we were left unscathed.

Housing was always going to be central to this Budget – new homes are desperately needed and it is sound politics, in so far as it is appealing to the younger vote which the Government so desperately needs. We welcome the new homes target, the new Homes England agency, further Government investment and Loan Guarantees. We are also delighted to see £44bn allocated against the £50bn Construction Fund Mr Javid was looking for. A 100% increase in council tax for empty homes was also announced but we will have to wait for the detail from HMRC to see what qualifies.

We also welcome the cut in stamp duty to First Time Buyers on properties up to £300,000 and the extension of this policy to the first £300,000 out of a maximum property price of £500,000 in more expensive areas, such as London.

We remain however deeply disappointed, but hardly surprised, that the rest of the stamp duty spectrum was not also reduced. There are a few points here to consider:

- 1) Will this £300,000 and £500,000 maximum limit produce a cliff edge (not unlike the previous SDLT regime) creating dead zones and property price chasms which many will find hard to breach. You can be sure that any property advertised this morning for £280,000 or £320,000 has been miraculously re-priced in the last hour to £300,000
- 2) Downsizers (older couples living in family homes), whom we so desperately need to move, in order to free up larger house stocks, are now at a competitive disadvantage as they may be looking at the same property stock as a FTB to downsize into – but will have to pay SDLT. This hardly seems fair, but it is very political as it benefits the Millennials.
- 3) Whilst we have the promise of new homes, which we welcome, what are First Time Buyers going to buy today (given we still have a shortage of affordable property) when those they are seeking to buy from, will face the full impact of SDLT on their new purchase.
- 4) Lastly – what is a First Time Buyer? In the Help to Buy declaration, anyone owning or having a right to occupy property or an interest in Land is excluded; as is anyone having received a bonus from a Help to Buy ISA. However in 2010 (when a stamp duty holiday was being considered by Alistair Darling) HMRC also sought to exclude anyone whose partner was a property owner. This is crucial and we await HMRC's budget notes which will have more detail on these new policies and may well answer our FTB qualification question. Not all those who think they qualify, actually will.

The other question we have is that the OBR anticipates that inflation will increase by 3% over the next year and then 2% per annum thereafter. Will the FTB limits increase in line with this?

Whilst we wholeheartedly welcome the Housing measures in this budget, the Government must also consider what will happen when FTB's cannot find homes to buy or cannot afford them under more stringent mortgage regulations and in an increasing (albeit slow) interest rate environment. Will their patience wane before the next election?

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