Property Week

Mixed reaction from property industry to Sunak’s Autumn budget

By Riya Makwana, Anviksha PatelWed 27 October 2021

Chancellor Rishi Sunak’s Autumn budget announcement this afternoon has received a mixed reaction from the UK property industry.

The Chancellor announced a £24bn ’multi-year housing settlement’, which comprises £11.5bn for affordable housing announced earlier this year and £1.8bn on homes for brownfield land.

Sunak also announced £5bn for the removal of cladding on unsafe residential buildings, which will be partly funded through a residential property developers tax to be levied on developers with profits above £25m at a rate of 4%.

The Chancellor ruled out abolishing business rates, instead announcing three reforms to the tax.

He announced more frequent revaluations every three years, starting from 2023, and a new green investment relief to encourage businesses to adopt green technologies.

He also announced a 50% business rates discount for the retail, hospitality and F&B sector for 12 months, which will give a maximum of £110,000 tax cut for small businesses - a cut worth almost £1.7bn.

He said: ”We on this side of the house are clear that reckless unfunded promises to abolish a tax which raises 25 billion pounds every year are completely irresponsible. It would be wrong to find 25 billion pounds a year in extra borrowing, cuts to public services or tax rises elsewhere. So we will retain business rates, but with key reforms that ease the burden and create stronger high streets.

”First, we will make the business rate system fairer and timelier down with more frequent revaluations every three years. The new revaluation cycle will be delivered from 2023. Second, as called for by the Federation of Small Business and the British Property Federation, we’re introducing a new investment relief to encourage businesses to adopt green technologies like solar panels. And I’m announcing today that we’ll accept the CBI and the British retail consortium’s recommendation to introduce a new business rates improvement relief. From 2023 every single business will be able to make property improvements and for 12 months pay no extra business rates. That means a hotel adding extra rooms, a manufacturer expanding their factory, and office adding new air conditioning CCTV or bike shelters will pay no extra rates. Together with the new green investment relief, we’re introducing investment incentives totaling £750m.

”Our plan to increase in the multiplier will be canceled. That’s a tax cut for businesses worth over the next five years £4.6bn.”

Industry reaction to Autumn budget

Nick Sanderson, Audley Group chief executive: “The Treasury announcing 160,000 greener homes on brownfield sites again shows that the Government is totally missing the point when it comes to the issues in the housing market. They have no drive to address the root cause of the issue and this will once again do nothing but paper over the cracks, allowing a broken system to remain broken.

“In today’s Budget there is no detail on the types of houses the Government want to see built, yet that’s the real question that needs to be addressed. We have enough homes. That’s never been the problem. The Government’s focus has to shift to specialist housing, and fast. This will both free up homes, while simultaneously taking pressure of stretched care services. It’s never going to be greener to build more, when the solution is to build smart.

“Planning reform is at the centre of this and the announcement that England’s planning system will be digitised is a step in the right direction. It is however essential that this does not replace education and support for planners to facilitate the building of more suitable housing across the UK, particularly specialist housing with care and wellbeing services attached. The knock on effect will be huge: it will create much-needed movement in the market while also taking away some of the intolerable pressure from hospitals and residential care.”

Melanie Leech, chief executive of British Property Federation said: "The Chancellor confirmed again that levelling up is at the core of the Government's policy agenda and gave some indication of how public spending will be used to support critical building blocks such as infrastructure and housing supply.

"The £1.8 billion allocated to brownfield development is a positive commitment to regeneration and will unlock underutilised sites across the country and create new opportunities for SME property investors and developers.

"We will need to see further details in the promised levelling up white paper however to understand how the millions of pounds of investment our sector represents can partner effectively alongside national and local government to deliver the built environment which is critical to levelling up across the country."

"The package of measures the Chancellor has announced on business rates relief will bring some welcome temporary relief to our high streets but demonstrate how badly further, fundamental reform is needed.

"While a move to three-year revaluations is welcome, we continue to urgently call for annual revaluations. Businesses need to see long-term reductions in the rates they pay rather than short term fixes. The current practice of downwards transitions needs to end and would give high streets an £8.5bn boost and enable them to forward plan and protect jobs.

"We are pleased that the Chancellor has also responded directly to the BPF's call for business rates relief to encourage building improvement and to support the transition to net zero. This will give a significant boost to investment in revitalised, more sustainable town centres."

Michael Voges, Executive Director of ARCO said: "Today's budget represents yet another missed opportunity for social care.

"Ensuring that older people are properly supported and can remain healthy and active will require significant funding for some forms of provision and significant reform for others, such as ours. The budget contained little of the former and nothing of the latter. Some of this can be explained by the challenges the Government continues to face with Covid but that does not make the need for reform any less urgent.

"Britain has a chance to become a world leader in the fast-emerging and innovative housing-with-care sector which integrates care, support, community, lifestyle and independence for older people.

"Older people have been waiting a long-time for genuine reform and innovation in social care. After today they are still waiting."

Gavin Taylor, executive director at Far East Consortium: "The government's housing and levelling up ambitions cannot be realised without significant brownfield regeneration, so today's near £2bn commitment will be welcomed by devolved powers and developers alike. That said, those authorities will still need to develop a strategic vision and proposition that attracts the investment – often inward – to transform and integrate what are often sprawling but disjointed landbanks for the benefit of local communities. This demands a long-term coordinated approach not just in relation to the delivery of housing numbers but also in ensuring regeneration addresses the climate emergency and societal inequality in the next decade."

Rory Stracey, partner at Trowers & Hamlins: "In allocating £1.8bn for building around 160,000 new homes on derelict or unused land the Government continues to prioritise new housing within existing urban areas, avoiding incursion into greenbelt or greenfield land. The allocation of funds for "pocket parks" in urban areas also highlights the emphasis of redeveloping and regenerating urban areas."

The Government has also indicated that it wishes to pursue the idea of digitising the planning system. Critics will query whether investing in an expense IT system is money well spent at a time when local planning authority budgets and stretched and struggling to cope with their planning application caseloads."

Sam Le Pard, co-founder of LEXI Finance: "Solving both the housing and climate crises requires the government and lenders to create an environment where it is sustainable, both financially and environmentally, for SME developers to deliver greener homes on brownfield land. A lack of competitive options in green finance is restricting SMEs from playing a key role in tackling the chronic undersupply of homes in a sustainable manner."

Bruce Dear, Head of London Real Estate at Eversheds Sutherland: "No one is against building on brownfield land or financing housing, it would be like opposing pet dogs. So this new money and its aims are a move in the right direction as we strive to combat our housing crisis. But, like one snowflake in the Sahara, they don't have the scale or reach to affect the UK's housing climate alone. Time will tell if the Chancellor's wider housing settlement achieves that."

Jordan Rosenhaus, chief executive at Goldman Sachs-backed modular housing firm TopHat: "The Government's new £1.8 billion brownfield fund proves that sweeping planning reforms are anything but dead under Gove. Today's announcement proves that ministers still see the benefit of redeveloping vacant or derelict sites to bring new investment into areas and increase housing delivery.

“The Treasury reckons that 160,000 homes could be built on brownfield land across the UK. However, if anything, these estimations are too conservative.

“Either way the Government is rightly providing an opportunity for developers to transform neglected urban spaces. What’s more, the transport infrastructure often required for new housing developments already exists on most brownfield sites, bringing down capital costs and accelerating construction programmes.

“However, in order to reduce disruptions to local communities, policymakers should be pushing for a requirement that would mean more of the homes being built on brownfield sites are manufactured off site. With 90 percent of the build stage taking place in a factory, companies such as ourselves can drastically reduce vehicular movements to site and consequential emissions.”

Chris Dietz, Executive Vice President, Global Operations of Leading Real Estate Companies Of The World: It was fantastic to see the government take decisive action on business rates, with the case for reform stronger than ever. A sensible policy, which balances the considerations of local councils with the businesses required to inject life into our town centres, is an essential part of a strategic rethink for the retail sector, and we feel today’s announcement is a step in the right direction.”

The developer tax is an interesting one because the cladding crisis is going to require a cohesive, joined-up approach on the part of government and industry, but I’m not sure whether the sort of income that is being quoted will have any meaningful impact. We’re talking a matter of years before the levy can begin being distributed to solve a crisis almost at breaking point today and one that needs action now. We also need to consider the impact on stock levels given that the market is suffering from a huge supply/demand imbalance at present.

Charles Begley, Executive Director, London Property Alliance: “Following the recent publication of our joint report on ‘City Region Connectivity’, and engagement with a range of senior political figures during the party conferences, we welcome the Chancellor’s announcement today.

“The confirmation of a £6.9bn funding package, which takes forward many of our recommendations on improving inter-city connectivity across city regions, will provide a boost to our cities and help enable them to fulfil the potential of the talent and skills of businesses and people throughout the country. Continued investment in all cities, including London, is critical to the economic and social prosperity of the UK, particularly as we continue to recover from the pandemic."

Mary-Anne Bowring, group managing director at leading property management consultancy, Ringley Group: "A blanket tax on developers is fairer than leaving leaseholders to shoulder the burden but it is still a blunt instrument to use to fix the cladding crisis.

"Fundamentally, accountability should fall squarely on those who overlooked the potential hazards of unsafe cladding in the first place.

"That those responsible should cover the costs of what is ultimately a multi-billion pound myriad of mistakes is an obvious resolution to anyone, and it's frankly bizarre that we're still debating this when recent fire safety legislation provided the perfect opportunity to protect vulnerable leaseholders.

"Instead, those most affected are more unclear than ever as to their obligations, or who to turn to, and are increasingly sidelined in discussions about fire and building safety. Replacing unfit cladding systems continues to eat away at the Building Safety Fund at an alarming rate of £30m a month, and these allocations only cover high-risk buildings. Empowering leaseholders and occupiers with a voice should be at the forefront of future Government action."

Joseph Daniels, an independent net-zero adviser to the Government, and chief executive and founder of technology and modular housing firm Etopia Group: "We support the continued priority shown to brownfield land for new housing, but in solving one problem, it's important that ministers don't add to another.

"The Office for Budget Responsibility estimates that the total cost of making the UK's 29 million homes net-zero by 2050 currently stands at £250bn. However, this figure increases with every day that we build homes that will require retrofitting when new building regulations come into play by 2026 as part of the Future Homes Standard.

"Therefore, ministers must mandate that homes being delivered as part of this fund are some of the country's most energy-efficient in order to avoid future retrofit costs. In practice, that means new homes should achieve nothing less than a 'B' Energy Performance Certificate rating. Innovators - such as Etopia Group - already have the capabilities, resources and experience to deliver zero-carbon homes today, as is evidenced via our partnership with Homes England.

"It is often possible to deliver homes on vacant, brownfield land, and often such land sits close-by existing housing, permitting synergies with local amenity and infrastructure. Brownfield land remediation does entail some additional costs, and the success of the Brownfield Land Release Fund shows how support for those costs can help to unblock housing supply. Today's announcement of further funding is welcome, but it is important that it is spread geographically in support of green growth and sustainable housing delivery in areas of need."

Dean Clifford, co-founder, Great Marlborough Estates said: "Funding to unlock brownfield sites and a digitised planning system are welcome initiatives but they are only a small step towards delivering what is needed to meet the government's own ambitious house building targets.

"Recent reports suggest that the government is no longer looking for a planning overhaul through moving to a zonal system used in much of Europe. However, significant reforms are needed if we are to deliver the much needed homes the country requires. Subsidies for first-time buyers are only part of the solution but without supply-side reforms there is a real risk that the gap will continue to widen and the lack of good quality housing will remain.

"Boosting supply is not simply about more certainty and speed in the planning process but also investing in the planning capabilities of local authorities to help make delivery a reality. The government should also be taking advantage of record-low interest rates to invest in the delivery of affordable housing"

Peter Hardy, Partner at Addleshaw Goddard, said: "The levy on developers with profits of more than £25m to help pay for cladding will need to be very carefully worked out.

"It's not always obvious who the developer is or was on a property, particularly if it was built a long time ago, so I'm not sure how the government is going to enforce this levy. Housing associations, too, may well fall within this tax—what will this mean for them? They often rely on recycling profits into their businesses as a means to build out essential housing for people on low incomes.

"I imagine the announcement will make developers think carefully about how they structure themselves as a way to try and avoid or offset some of the tax. The announcement could also slow down progress in the sector for a short time whilst potential taxpayers work out what this means for them.

"There are still a lot of unanswered questions."

Chris Druce, Senior Research Analyst at Knight Frank, said: "Today's Budget set out the road beyond the pandemic against an improving UK economic picture. It did so without introducing any significant speed bumps for the UK housing sector, which should continue its journey back to normality in the coming months, with the frenzy of the stamp duty holiday fading in the rear-view mirror. After what is set to be a record year for UK property transactions, supply should gradually improve in the coming months as sellers capitalise on the market's current strength, and incremental interest rate rises help to moderate the high demand that has persisted since the market reopened. We expect house price growth to finish 2021 in the single digit range, as the property market returns to more seasonal patterns."

Vivienne King, Chair of the Shopkeepers' Campaign, said: "Today, the Chancellor has betrayed the high street. He has broken the Conservative Manifesto pledge by not reducing business rates as promised.

"The pledge on more frequent revaluations is simply a reannouncement of what Philip Hammond promised in 2017. We are deeply disappointed that there is no commitment to annual revaluations so that tax bills reflect the market property values.

"The Conservative Manifesto did not say that the Government would cut business rates for one year only - it said it would cut the burden of business rates through a fundamental review of the system, and it would protect the high street from excessive tax hikes. At this rate, they face an excessive tax hike in April 2024 when the 50% discount is removed.

"Moreover, the limiting of the 50% reduction up to a cap of £110,000 will only support individual or small groups of retail outlets; the brand multiples will not benefit from this reduction.

Raoul Veevers, head of planning at Cluttons, said: "The confirmation of the £1.8bn fund to support the development of more sustainable brownfield land for 1m homes is welcomed, even if this only works out at just under £12k per property. This will hopefully be achieved in conjunction with significant public transport funding to boost the accessibility of these locations, which will possibly address at least one of reasons why this land has not been developed to date. There is of course some scepticism as to how house builders have not been able to unlock these sites before now, but digitisation will make it easier to identify this land and its potential across the UK. Fundamentally we need these homes to be built in the right locations with the appropriate supporting infrastructure."

Dominic Agace, chief executive of Winkworth, with 60 offices in the capital, part of a nationwide network of 100 offices, said: "It is really positive news to see business rates are being cut by 50 per cent to help local retailers compete with their online only peers. This initiative will help to ensure that we have thriving local communities."

BCLP Partner and Global Practice Group Leader – Tax, Employee Benefits and Private Client, Elizabeth Bradley: “The Chancellor has finally announced the rate of the new residential property developer tax to be 4%. It will apply from April 2022.

”Rumours had been circulating that the rate would be set between 3-5%, so it is within the expected range.

”The Chancellor has had to pitch the rate at a level that he believes will not deter residential developments. At the outset, the Chancellor said that the tax would be time-limited to ten years and aim to raise at least £2bn. No doubt, the Chancellor will keep this rate under review during the ten-year period the tax is intended to run. Will he (or future Chancellors) increase the rate if it looks likely that the aimed for £2bn is unlikely to be met over that period, or if costs of cladding remediation work increase?

”The annual allowance of £25m targets the tax at large corporate residential property developers, so if a developer has residential property developer profits below £25m it will not pay the tax.”

Russell Pedley, co-founder and director of Assael Architecture, said: “It should come as no great surprise to anyone familiar with the planning process that it needs a highly skilled and experienced team to deal with the unnecessarily complex, inflexible, and difficult-to-navigate procedure. A minefield of regulation and challenging policy has for a long time served to alienate communities from engaging with change within their local area, and the result has been a severe dislocation between people and place.

“We welcome any digitisation that simplifies planning, preferably with a zonal approach that would make it more transparent and easier to hear a range of voices representative of local communities. It would also, in our view, attract more national and international funding by providing certainty to investors. In promoting digital means of consultation, we’d expect to see genuine engagement that takes us out of the Stone Age and into the sensible, modern use of planning technology.”

Olivia Harris, chief executive of Dolphin Living, said: “Whilst we very much welcome the government’s continued focus on housing delivery, and on supporting London’s economic recovery, it remains absolutely vital that our city’s crucial key workers have continued access to affordable housing close to their place of work. As part of this we need a firm commitment to not only deliver more of this housing, but also ensure that a significant proportion of it is intermediate rental housing for those unable to afford local market rents and who have been unable to save for a deposit to get onto the housing ladder.”

Read the article here.