



ELECTION SPECIAL

THE CLOUDS DISPERSE AS BLUE SKY RETURNS TO LONDON

The UK's General Election results are in and London's residential property market promises to be one of the night's surprise winners.

To the left, the Labour Party (snatching defeat from the jaws of a predicted victory) had placed taxation of wealth and property centre stage in the election debate, proposing a "mansion tax" on all property worth more than £2m (the vast majority of which is in London), rent controls, abolition of the UK's non-domicile rule and an increase in the top rate of income tax.

To the right, the Conservatives (in a bid to counter the widely held belief they favour the rich) had imposed a bracing pre-election hike in Stamp Duty with a new top rate of 12% (on the value of property over £1.5m).

All in all, our market was feeling very bruised and stagnation had set in pending the outcome.



Few pundits, let alone pollsters, predicted an outright Conservative win. Most anticipated long-drawn out coalition negotiations and ultimately a coalition between Labour and the socialist Scottish National Party. Out of the blue suddenly we have clarity, political stability and a Conservative government that is business friendly and in favour of wealth creation and creators.

The government's slim majority means it won't all be plain sailing but the prevailing winds bode well at this stage.



London's sales agents have woken up with post-election fever - across the capital they are revving up the market with talk of double digit growth in a matter of months. Whilst undoubtedly the election result is good news for owners and buyers of London residential property, there is a note of caution: Sterling will strengthen on the result (a factor for many foreign investors), the recent Stamp Duty reforms mean transaction costs remain high,

capital gains tax is now a factor for everyone and, most importantly of all, much of the current stock is relatively poor (over-priced, recycled, compromised and/or illiquid).

The bull market assumption that all property has a pure £ per square foot value should not fool buyers into rushing into the market and sweeping up bad stock. We expect much more quality stock to hit the market in the next few weeks as would-be sellers who had adopted a "wait and see" approach pre-election now advance with their sales.

Looking forwards, there may be some challenges, the most obvious being the inevitable in/out European Union referendum (pledged by the Conservatives). Whilst few fear an exit from the EU, the referendum in itself will stall the London market (as did Scotland's referendum back in September). We will have to wait and see how David Cameron interprets his promise on this front.

We should also expect a reorganisation of the council tax bands as the Conservatives look to negate any future talk of a mansion tax. This is set to be a fair and progressive government and the resulting return to a more stable residential market in London is welcome.



Figures are being released by all major sales agents (some predicting growth of 5-6% this year, others 10% in next few weeks!). Overall Savills seem more conservative, standing by their current five year forecast of 22.7%.

If you would like to discuss the post-election London market or a potential purchase of a home or investment property, please do give us a call. We act solely for buyers and are proud of our reputation as one of London's leading buy-side advisory firms.

