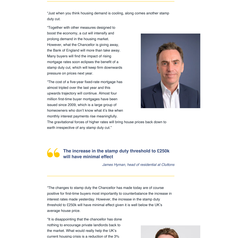
Industry Reactions: Kwarteng's 'mini Budget' & Stamp Duty cut



By PrimeResi Journal

Kwarteng's mini-budget was strongly criticised for the property sector, featuring comments from Savills, Knight Frank, Rightmove, Studio, Chelsea, Jackson-Stops, JLL, Wakefield, Carter Jonas, Chesterton, Black Brick, BPS, Propertymark and more.

Today's tax cut freeze was widely hailed, but the scope and scale of Chancellor Kwarteng's announcements left most in shock.

Top of the list for the property industry – and widely traded beforehand – was a new Stamp Duty, while a raft of other personal and business taxes have also been revised or, Planning reforms are also firmly back on the policy agenda.

Read all about it on PrimeResi here.

Property sector reactions to Stamp Duty cuts and proposed planning reforms have been surprisingly mixed. Pretty much everyone in the industry has been gunning for some kind of SDLT reform for years, and cutting tax always goes down well amongst real estate folk. But there's also concerns that slashing the transaction levy could fan yet more price growth, while others were looking for a more fundamental change to the system.

In light of rising interest rates, spiralling costs of living and two years of economic uncertainty, the Chancellor's decision to cut Stamp Duty ahead of the "big overhaul relationship" suggests Propertymark, while Knight Frank notes that "many buyers will find the impact of rising mortgage rates soon eclipses the benefit of a cut in stamp duty, which will keep firm downwards pressure on prices next year." Savills, Cluttons and others think the change "will have minimal effect" on house prices.

Pine & Country, on the other hand, thinks "this is a huge moment for the UK housing market, it will be remembered as a short-term sugar-rush stimulant" and Ben Kingston, Regeus expects to see average house prices increase "£5,000 to £10,000 as a direct result of the tax cut.

What the Chancellor is giving away, the Bank of England will more than take away

Tom Bill, head of UK residential research at Knight Frank

"Cash when you think homely discussion is needed, strong comes another stamp duty cut.

"Together with other measures designed to boost growth, it will provide a lift to pricing demand in the housing market. However, what the Chancellor is giving away, the Bank of England will more than take away. Many buyers will find the impact of rising mortgage rates soon eclipses the benefit of a stamp duty cut, which will keep firm downwards pressure on prices next year.

"The cost of a five-year fixed rate mortgage has almost tripled over the last year and this certainly impacts will continue. Almost four million first time buyer mortgages have been taken out since the pandemic, leaving homeowners who don't know what it's like when monthly interest payments rise meaningfully. The gravitational forces of higher rates and rising house prices back down to earth irrespective of any stamp duty cut."

The increase in the stamp duty threshold to £250k will have minimal effect

James Hyman, head of residential at Clutterbuck

"The changes to stamp duty the Chancellor has made today are of course positive for first-time buyers most importantly to counterbalance the increase in interest rates made yesterday. However, the increase in the stamp duty threshold to £250k will have minimal effect given it is well below the UK's average house price.

"It is disappointing that the chancellor has done nothing to encourage private landlords back to the market. Instead, the decision to cut the current housing crisis is a reduction of the 3% levy on second home purchases and reintroduction of tax relief for landlords especially on improvements to their properties.

"The main reason why rents have exploded so quickly over the last two years has been lack of supply, which has been driven by so many landlords being forced to exit the market due to the ever increasing tax hogan making it safe to be a private landlord."

This is a huge moment for the UK housing market

Nicky Stevenson, Managing Director at Finch & Country

"Kwasi Kwarteng has swung his axe boldly to cut stamp duty and help homebuyers.

"This is a huge moment for the UK housing market. Stamp duty has long been regarded as the most unpopular tax of all, preventing families from upsizing, downsizing, and in some cases blocking them from getting on the ladder altogether.

"Despite its debilitating effect, no Chancellor until now has been prepared to scrap it which has become a very lucrative cash cow for the Treasury.

"In the short-term, slashing buyers' moving costs will help mitigate the pain of higher interest rates. In the long-term, it will encourage homeowners who want to move to exercise more cost-effectively, while also incentivising housebuilders to get more spades in the ground for first time buyers take advantage of the increased no-duty threshold.

"The government is on record as saying it doesn't mind making unpopular decisions, but actually this is one decision that may prove very popular indeed."

Unlikely to result in a further spate of house price growth

Lucian Cook, head of residential research at Savills

"The biggest beneficiaries of the stamp duty changes are likely to be first time buyers in London and the more expensive parts of South East England, where the savings on offer will make their deposit requirements look a little less daunting. However, given a combination of recent house price growth and increases in interest rate rates this is not going to magically result in a surge of first time buyer home buying activity.

"Similarly, a maximum up-front stamp duty saving of £15,000 will be relatively small in relation to the additional annual mortgage costs seen since the beginning of the year. And as the cut is permanent it is unlikely to bring the same urgency to the market as the recent stamp duty holiday.

"The changes will undoubtedly be welcomed by those who are in a position to take advantage of them, they are unlikely to result in a further spate of house price growth and instead are more likely to temper the effect of the wider economic headwinds facing the housing market."

The tax cut could boost the existing imbalance of supply and demand which consequently leads to an initial spike in property prices

Richard Downes, MD of Chesterton

"As the nation is facing rising interest rates and a cost of living crisis, we welcome the government's cut of stamp duty which will enable many house hunters to pursue their property purchase.

"With Help to Buy coming to an end, the tax cut will be of particular importance to first-time buyers who have always been facing challenging market conditions in London.

However, despite the overall positive gesture of cutting stamp duty, the taxing could trigger a surge in demand which would inevitably lead to sustain so hard to secure their subsidy. If this added demand isn't met swiftly, the tax cut could boost the existing imbalance of supply and demand which consequently leads to an initial spike in property prices."

I expect to see average house prices increase £5,000 – £10,000 as a direct result of this

Brett Spencer, Tax Partner at Kingsley Napley LLP

"Everyone paying over £250k for a home is going to save £2,000 in SDLT. It's safe to assume sellers will increase their sale price now they know their buyers have £2,000 more to spend. Thanks to mortgage leverage, I expect to see average house prices increase £5,000 – £10,000 as a direct result of this.

"Whilst further SDLT changes are targeted specifically at first time buyers, the package announced today will be welcome news to the whole housing market as they will help create momentum and demand from the bottom up."

Not bad. Could do better

Jamie Hope, Mishcefe

"As we listened to the Chancellor deliver his mini-budget, the office was also watching the USD / GBP exchange rate. Sterling weakened. An open the red was 1.135 and by the time the chancellor finished the rate was 1.110. As I write, the rate is ticking up to 1.120 as the markets digest the impact of the new measures. Clearly the Government wants to deliver a message of growth and growing the economy and as the Chancellor said, this will not happen overnight. The Bank of England will be watching the data and the markets will need to be seen to be helping the nation with the cost of living crisis and on the other hand ensuring that our debt burden and the cost of servicing that debt remains manageable.

"Whether it does not remains to be seen but certainly the Chancellor clearly committed the country to further borrowing and we are curious to see what happens to gilt yields today.

"We take the view that a cut of the basic rate of stamp duty is a good thing, albeit the removal of the 4% additional rate, but attempting this is hugely popular and a political move given that Prime Minister has indicated that she might call a general election sooner than is required. Capping energy costs was important and has been done across Europe, with France and Spain, Germany and Italy intervening to achieve the same objective. We consider that the government's plans to allow businesses to invest in new zones and benefit from cut business rates, no NIC contributions (up to £50,000) and 100% tax deductions on plant and machinery investments is bold. We also welcome the decision to cancel the IR35 changes which would have been a disaster for contractors. It is not clear how this growing our business and making further hires.

"We also consider the removal of VAT for overseas shoppers a stroke of genius for the London retail market – overseas tourists will want to buy on-line when in the UK and the additional incentive of a sweet pound and the ability to redeem VAT, will benefit both shops, hotels and the hospitality sector in the South East.

"From a property perspective, it was only natural for the first-time buyer bride to be increased – the saving in stamp duty will help offset the additional mortgage costs that they will face from interest rate increases. We felt however that the Chancellor could have done more for the property market. The Help to Buy scheme incentives anyone to move home, keeping large houses occupied by older couples off the market which could lead to younger families in town seeking large accommodation. High SDLT is also a major mobility issue and we hope that this does not impact the attractiveness of the new investment zones. Nevertheless, we are deeply concerned that the Chancellor has failed to help the Prime Minister Sector (PRS), having spent a decade in PRS sector we know that the sector is in a state of flux and there is a need for more rental stock and more rental reforms. In our opinion a reversal of Section 24 thereby income tax is paid on the rental income prior to the payment of any mortgage, and a lower tax rate which is then claimed, is now even more important given that the lower tax rate of 19% will be in place from April 2023. Thereby increasing the tax burden on landlords. We also believe that the Chancellor should have considered particularly for London as with a potential hybrid working now with unoccupied bonuses – where are they going to be?

"Our overall view of the mini-budget is also in a standard school report: "Not bad. Could do better."

With less money in buyers' pockets post-acquisition, one would wonder how this will assist the economy in the long run

Sarah Cookesley, Partner at Fladgate

"The changes to stamp duty announced in this morning's fiscal statement are definitely designed to keep the housing market moving and more importantly help first time buyers get on the property ladder.

"Increasing the nil percent band for first time buyers up to £500,000 effects a more realistic house price for around the whole of the UK and increasing the nil percent band for most other purchasers up to £250,000 will mean a small saving for the majority of transactions compared with the cost of living crisis at the moment. However whilst interest rates are continuing to rise the cost of mortgage payments will quickly start to cancel out these savings so will people actually see more money in their pocket?

"The concern with creating an immediate stamp duty holiday is that it will result in a rushed years with stamp duty holidays). A that the demand and prices of housing will become artificially inflated and any so called saving wiped out by not only this but also the increasing cost of borrowing which doesn't seem to be abating anytime soon. With less money in buyers' pockets post-acquisition, one would wonder how this will assist the economy in the long run."

History proves just how impactful a market wide cut to stamp duty can be

Nick Leeming, Chairman of Jackson-Stops

"There was nothing mini about the Chancellors Budget this morning, which sends a clear message for the UK to pursue economic growth. History proves just how impactful a market-wide cut to stamp duty can be. The rush to complete on a sale, to secure the lowest possible stamp duty liability, will boost the economy the rewards as house prices reached record highs. Today's move will gently stimulate the lower end of the market, which in turn will create positive ripples up and down the many chains currently in motion.

"The consequences of stamp duty reform, however, will need to be addressed by the government too. Any spikes in transaction activity, coupled with the current Conveyancing backlog, risk overwhelming, like cut in tax create a backlog of completions. Transactions are already taking much longer than normal. The rise of not addressing this in the coming weeks as the results of further market stimulation take effect, could see delays increase.

"At present, across our national network of offices, current pricing levels continue to tempt buyers back into the market, with transaction levels up by 17% year on year, according to the latest HMRC data. Demand and supply levels also remain buoyant, with Jackson-Stops' own data showing a 27% uptick in new instructions in August. We are seeing more sellers than buyers, which is creating a healthy balance, with increased costs of moving, with muted stamp duty liability to incentivise swift footfall. It remains to be seed however, that for many, quality of the remains the leading driver for moving home."

A long-overdue rebalancing

Nathan Emerson, CEO of Propertymark

"The rebalancing of the thresholds for which stamp duty is paid, in particular for first time buyers is long overdue to catch up with house prices which have risen at an extraordinary rate.

"We did hope that stamp duty for downsizers or last time movers would have been reduced or abolished, to encourage the movement of people who have accepted steep increases further down for second steppers and first-time buyers, causing stagnation as buyers have nothing to move on to."

Today's announcement is likely to stimulate some more demand

Tim Bannister, Rightmove's housing expert

"Demand has been softening over the last few months but today's announcement is likely to stimulate some more demand. It's down to half a big pump in prospective buyers competing for the constrained number of properties to take them it could lead to some unseasonal price rises over the long term.

"But because the change is permanent, and because of gathering headwinds such as rising mortgage rates, we expect to see a more gradual increase in demand compared with the surge when the temporary stamp duty holiday was announced in 2020. Plus, buyers could seek up to £15,000 during the temporary stamp duty holiday, while the savings are less with this change.

"The first-time buyer threshold change means we could see more first-time buyers jumping into the market, but it's important to bear in mind that they will find more buyer demand we would also expect that the current trend of more properties coming to market will continue, offering more choice for buyers."

Reviewing how residential properties are taxed in the UK has been long, long overdue

Nick Whitten, Head of Residential and Living Research at JLL UK

"A number of indications have been pointing to a cooling UK housing market with transactions down 41% against the previous quarter and mortgage lending down 3.7%.

"However, just as the Covid stamp duty holiday did, the new reduction in SDLT will boost homebuyer confidence and mortgage confidence in the coming months.

"Despite the increase in the First Time Buyer stamp duty exemption level, the reduction in SDLT will still be a big help to the majority of first time buyers and purchasers more than it helps them. And the increased stamp duty provisions comes at a time when their main support product Help to Buy is coming to an end.

"The UK is facing an acute housing shortfall – we build far too few homes to meet demand. The stamp duty reduction is unlikely to be the policy silver bullet to fix that.

"However, reviewing how residential properties are taxed in the UK has been long, long overdue.

"Stamp Duty is a hugely ineffectual tax which is ultimately a potential hindrance to the future economic prosperity of the UK.

"It makes no sense for people to find themselves 'locked in' to their current home because of the tax burden of moving. People need to be able to migrate to better opportunities as easily as possible in the 4th Industrial Age and as part of the levelling up agenda.

"We have an opportunity now to scrap SDLT has been a hugely positive tax for those looking to descend the housing ladder and right-size in later life.

"Instead of taxing people for moving, we should be taxing the wealth generated by the ever increasing value of residential property. Taxes on property wealth are the most fair and efficient taxes and are the most difficult to avoid. Taxes on property wealth would also be a great way to fund the NHS and social care."

Chancellor Rachel Reeves has ruled out any tax increases in her first Budget, but she will come under pressure from Conservative MPs to increase Government's tax revenue to increase expenditure on health and social care."

Some big and welcome changes initiated with a long overdue reduction of the extremely negative stamp duty

Dominic Agace, chief executive of Winkworth

"At a time when the BOE has announced we are already in recession, it is welcome to have a promptly presented agenda for growth.

"Some big and welcome changes initiated with a long overdue reduction of the extremely negative stamp duty, which hopefully now will allow a better functioning housing ladder. It is vital we get new buyers on to the housing ladder.

"Other initiatives to encourage investment in special zones are also welcome and can help much needed regeneration in these areas, creating better local environments and higher quality housing stock for people to enjoy.

"It's important we invest in the UK to make it retain its international status and appeal. Measures encouraging businesses to set up in the UK and, in particular, London which was most affected by the Brexit vote looks well for the long term outlook. Even the controversial review of bankers has to be seen in the light of attracting global talent against the competition in the New York, and reap the benefits of innovation and growth they can generate.

"It has got to the point with the highest tax rates in 70 years that our beloved public services have to be paid for and with no room for more taxes growth apparus our best bet to ensure we can continue to support them."

A welcome boost in a tough market

Brian Berry, Chief Executive of the Federation of Master Builders

"The strong focus to 'get Britain building' by unlocking government surplus land and extending the stamp duty threshold to help prospective house buyers is a welcome boost in a tough market. However, at a time when we are building fewer homes than needed, more action is required to boost delivery of more high quality homes from small, local builders.

"Although not announced by the Chancellor in his statement, we're pleased to see a small step forward in improving the energy efficiency of homes in the Chancellor's 'Growth Plan', which will incentivise energy companies to help customers upgrade their homes. However, what's really needed now to boost local growth and skills is a fully fledged national retrofit strategy focusing on the UK's 29 million leaky homes."

The Government has once again turned to the housing market to become a catalyst for economic growth

Iain McKenzie, CEO of The Guild of Property Professionals

"Rising inflation, interest rate hikes and the cost-of-living crisis have taken their toll on the economy and the new chancellor is betting on tax cuts to stimulate growth.

"This mini-Budget comes after the Bank of England announced that Britain was now in recession, so the Government has once again turned to the housing market to become a catalyst for economic growth.

"The cut to Stamp Duty announced today will be welcomed by people currently buying a house, but this will not solve the wider issue of affordability in the property market.

"As we saw during the pandemic, when you create incentives to buy, you see demand soar. As demand increases, the number of available properties falls, pushing house prices up. An increase in demand now would come at a time when the supply of housing is already low, with house prices already inflated beyond the budgets of many buyers.

"The housing market is intrinsically tied to the health of the economy. Home-movers spend an average of £12 billion a year on home-related purchases such as furnishings and renovation. Moving can benefit other aspects of the economy, so it is good to see action taken to energise the property market.

"The Government needs to address the issue of housing supply by making home-building a priority. The review on planning systems for infrastructure announced today could go some way towards easing the supply issue, but it relies on the Chancellor's pledge to 'get Britain building'."

Stamp duty will always be a sticking plaster placed over the failure to address an imbalance of demand and supply

Trevor Morriss, Principal at architecture studio SPPARC

"The introduction of investment zones with more flexible rules to support planning and development is a positive indication that the government wants to get Britain building, however, we desperately need consistency in policy and approach to ensure delivery.

"Over the last 12 years we've had 13 housing ministers. This is the fourth in 2022. New legislation like the Levelling Up Bill has fallen off the statute books faster than the time it takes to receive permission for new development. The revolving door of new decision-makers and doubt that casts on promises of change is damaging to our economic growth and long-term prosperity — so we must see the government act swiftly to deliver in the months ahead to fulfil the much needed outcome.

"Cutting stamp duty is a welcome move for those at either end of the housing market, whether you are a first-time buyer struggling to put your first foot on the housing ladder or a homeowner looking to downsize. At a time when housing supply is shockingly low, policy must serve to make the availability of housing of all types and tenures more fluid for all demographics.

"The fly in the ointment is that stamp duty will always be a sticking plaster placed over the failure to address an imbalance of demand and supply. Discarding the 300,000 homes-per-year target set by previous governments will only widen the gap between the haves and the have nots.

"A dual approach is needed to help put the wheels back on the housing market while committing to new supply to meet overwhelming demand whilst prioritising those homes being delivered are of the highest and mix that are actually most required."

Given the importance of international buyers to London's prime markets, currency may yet have the biggest impact on demand in the final quarter of 2022

Richard Rogerson, CEO, RFR Property

"For our prime markets, the stamp duty announcement is unlikely to have any impact given the quantum. However, some of the other announcements might, for example reduction in corporation tax, abolition of the top rate of income tax (45%) and scrapping the cap on bankers' bonuses:

"The Chancellor has stated that 'a strong UK economy has always depended on a strong financial services sector. We need global banks to create jobs here, attract here, and pay taxes here in London, not Paris, not Frankfurt, not New York.'; There is a clear focus on ensuring London remains the global leader in financial services.

"As someone just said on the BBC, this budget is either 'brilliant or bonkers', given there is an election looming in 2024 (maybe even earlier if my sources are right) we may never know the answer to that.

"It is clear though that until we have an election, this government is going to reduce tax and red tape to turbo charge investment and growth.

"We will now see what the markets make of it and crucially the impact it has on sterling. Given the importance of international buyers to London's prime markets, currency may yet have the biggest impact on demand in the final quarter of 2022."

In reality, this will not make the blind bit of difference to the majority of prime central London buyers

Camilla Dell, Managing Partner at Black Brick

"I feel this change may be good news, as these stamp duty changes are very much targeted towards first time buyers. We welcome anything that supports first time buyers, but we don't believe that the entire market needs stamp duty to be cut in order to support and grow the UK economy.

"It is nice to see a little benefit in there for all buyers to stamp duty for all buyers up to £250,000 but in reality, this will not make the blind bit of difference to the majority of prime central London buyers.

"Any changes or cuts to stamp duty must be carefully considered; as previous cuts to stamp duty haven't really worked. For example, the previous cut during Covid benefitted all buyers; everyone from first time buyers to second home owners, investors and overseas buyers. However, the end result was that house prices rose, higher than the actual cut in stamp duty. An unintended consequence, and proof that simplistic cuts to tax don't work or benefit those who need them most. Let's hope that this time, this change from Kwasi Kwarteng has the desired effect and doesn't cause prices to rise as dramatically."

It has been supply rather than demand which has been largely responsible for suffocating the market and driving house prices

Lisa Simon, Head of Residential, Carter Jonas

"A cut to the stamp duty land tax (SDLT) is undoubtedly a welcome tax break and should help stimulate confidence amongst consumers and households and boost market activity. This has been seen before when the government imposed a temporary SDLT holiday (most recently July 2020 – September 2021) as residential property sales increased rapidly in the months during the break.

"A permanent tax cut however may bring about a slower response, but we expect it will still generate more buyer interest. This would not just increase the rate of buyers coming to the market, but vendors too may be motivated to list their property sooner if there is an increase in demand. However, it is unlikely to increase the rate of housebuilding, and over the last few years, it has been supply rather than demand which has been largely responsible for suffocating the market and driving house prices.

"The much welcomed cut to SDLT for first-time buyers – a cut deemed necessary for some years now – means there will be one source of demand that remains robust and growing, and it is this particular cohort of buyers who will undoubtedly benefit most from the tax breaks. This group have also been disadvantaged by the large-scale removal of higher LTV mortgages that we have seen over the last few years, and these are the products that many FTBs would normally need.

"Another area where a specific stamp duty cut would have been welcome is the buy-to-let (BTL) investor market – as opposed to second homeowners. The private rented sector is currently suffering from a severe shortage of stock which has in turn caused very high rental growth over the last 18 months. Again, this has disproportionately disadvantaged first-time buyers who are normally in the rental market while they try to gather a deposit together or look for a home in a chronically under-supplied sales market. While this would be controversial, and indeed recent government policies have tended to reduce the attractiveness of the market to BTL investors, nevertheless it would stimulate this part of the sector.

"Given the benefit that a strong housing market has on many other parts of the economy, and at a time when the economy is on the brink of recession, it makes sense that this sector is incentivised and encouraged to help improve confidence and activity."

The Stamp Duty Announcement will have very little tangible impact on the property market

Nina Harrison, London Specialist of Harrington's

"The Stamp Duty Announcement will have very little tangible impact on the property market, especially in the South East where there is a shortage of homes on the market and where the average value is £463,192. The bottleneck will remain, as downsizers aren't incentivised to move, and the families wanting to buy their homes will have no relief from burdensome stamp duty.

"We expect property prices to rise at the lower end, making that market more competitive. In London, a family wanting to buy an ordinary terrace house for £1m have had their hopes dashed as they will only see a saving on around £2,000 which won't even cover their legal costs."

The government have given with one hand but taken with another

Jonathan Bramwell Head of The Buying Solution

"The government have given with one hand but taken with another – whilst the stamp duty news gives a very small glimmer particularly to first time buyers the interest rate hike will have a detrimental impact. Currency wise though the pound against the US dollar is one which is already proving positive for prime purchases in both London and key country hotspots. We expect more international purchasers to snap up top end homes over the coming months."

We expect buyer demand to increase, along with declivenesses and commitment to a purchase

Marc Goldberg, Head of Sales at Marsh & Parsons

"There is no doubt that the stamp duty changes announced today will have a positive impact for some, especially at a time when buyers have been acting with greater caution and less urgency due to increased concerns about the rise in the cost of living and interest rates. The extra money saved from these stamp duty reductions will assist with a small degree of affordability and off-setting the increased cost of mortgage finance from higher interest rates. We expect buyer demand to increase, along with declivenesses and commitment to a purchase. With prices having settled in recent weeks following a period of house price inflation, there is likely to be a greater degree of stability with ongoing pricing and hopefully an increase in transaction levels, particularly from first-time buyers."

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