



Compass House, E1W – £490,000 – cluttons.com

London – 22 November 2017

## 2017 AUTUMN STATEMENT RESPONSE

### STAMP DUTY RELIEF LEAVES THE LONDON MARKET STUCK IN A RUT, WHILE BUSINESS RATES CHANGES DISAPPOINT

#### STAMP DUTY CHANGES

In a landmark change to the residential property market, the Chancellor has today announced the abolishing of Stamp Duty for first time buyers across the UK, for residential property purchases up to £300,000. With the average house price in Greater London being £478,000, the higher threshold of £500,000, where the first £300,000 is still exempt from Stamp Duty, will likely be of great value.

In prime Central London, however, where average property values are just shy of £3 million, today's announcement is unlikely to be a game changer as transactions below £500,000 account for just 15% of the market.

Within Central London, 23 of the 47 submarkets we track, may see an increased interest from first time buyers, however this will be limited for the most part to studio flats as this is the only market segment that would qualify for the Stamp Duty relief. It is, therefore, unlikely that we will see a rush of buying activity.

Markets like Canary Wharf, where both studio's and one-bedroom flats can be bought for under £500,000 may emerge as one of the beneficiaries of today's stamp duty changes.

#### BUDGET STATEMENT AT A GLANCE

- £44bn capital funding to boost the housing market, over the next five years
- Adding 300,000 homes to the existing housing supply each year
- £204m of funding for innovation and skills in the construction sector
- £1.1bn for new Land Assembly Fund funded from the National Productivity Investment Fund to work alongside private developers to develop strategic sites, including new settlements and urban regeneration schemes
- Additional £2.7bn towards the housing infrastructure fund
- Tougher consequences where planned homes are not being built
- Rates indexing switched from RPI to CPI as of April 2018

This will also be well received by developers in the area aligning with the Government's longer term vision of an intensification of development in east London, which is quickly emerging as the 'London of tomorrow'. In fact, we had our first enquiry just minutes after the Chancellor finished his speech.

On the doubling of council tax rates for empty properties, we believe that for wealthy international buyers, an extra £2,000 in annual Council Tax, the highest rate for the Royal Borough of Kensington and Chelsea, one of London's regular magnets for international investors, the change is unlikely to make a material difference to the attractiveness of London as an investment destination.

International buyers who invest in London's golden postcodes are unlikely to be dissuaded by a doubling in Council Tax rates. Sadly, this appears to be an attempt at garnering political goodwill, rather than addressing the root problem in London's broken housing market – affordability.

## BUSINESS RATES

On Business Rates changes, based on the September RPI figure the UBR is projected to increase by 3.9%. Many business organisations, including the CBI, have for some time called for this to change to CPI which the Government has announced will happen in April 2018. Businesses will still see an increase of 3% on their rates bill next year instead of 4%. This is also critical in light of the way in which the nation is heading.

It was also announced that there will be an increase in frequency of VOA revaluations from five years to three. The impact on rate payers will be the requirement for more regular information gathered for the Valuation Office to assess.

On a more positive note, ratepayers will be able to see a stronger link between the rates they pay and their property value.

## Stamp Duty savings on studio flat purchases in some of London's most desirable areas

### CANARY WHARF



Average price

£335,000



Average deposit

£83,080



Change in Stamp Duty charges  
(before and after 22 November)

£6,750 → £1,750

### NOTTING HILL



Average price

£450,000



Average deposit

£111,600



Change in Stamp Duty charges  
(before and after 22 November)

£12,500 → £7,500

### HAMMERSMITH



Average price

£345,000



Average deposit

£85,560



Change in Stamp Duty charges  
(before and after 22 November)

£7,250 → £2,250

Average deposit assumed to be 24.8% of property purchase price

Source: Cluttons, CML

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