

With the looming possibility of a socialist government in a few weeks' time, how will it affect the residential property market?



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Well, well, well, who would have 'thunk' it? In December 2019, when Boris Johnson came storming in on a white charger, with an 80-seat majority, in statistical terms, it looked as though the Tories should have been in power for not just one, but two electoral terms.

After four and a half years and three Prime Ministers later, having squandered this golden opportunity, the Tories are looking down the barrel of a shotgun which is primed, cocked and ready for ritual slaughter at the hands of Sir Kier Starmer. Not only does he not need to play on the pitch, nor don his football kit, but just has to turn up at the ground, to win the match.

Familiar, distant, memories of Joe Biden being holed up in his Delaware home at the last US presidential election in 2020, spring to mind. He didn't even need to trumpet his wares by active electioneering, since he left his opponent, Mr. Trump, to do the losing for him.

Less Titanic, more the Mary Celeste

Our well-intentioned Prime Minister is going to take an electoral beating in a few weeks' time, but this is the price you pay for having so persistently and mercilessly abused the electorate for fourteen years. He may be a decent man but non the less, a provincial bank manager who has maneuvered himself to the top job, which is way beyond his station. Less Jamie Dimon, the swash buckling deal guru of JP Morgan and more Captain Mainwaring of Dad's Army fame, I would argue. He surrounds himself with 'wet behind the ears' sycophants who constantly tell him 'What a good job he is doing'.

The unedifying spectacle of him getting drenched in front of Number Ten was bad enough, but his conspicuous absence from the D-Day ceremonies was beyond the pale and has evidently disenfranchised the 'grey vote' which is just the demographic sector he was trying to court, for much needed votes.

As for the renegades who used inside information about the July 4th Election, to make a few grubby coppers in the betting office, well, it beggars' belief. Clearly, there is no control anymore in the wheelhouse, which is not even the Titanic, more the Mary Celeste.

Medicine worse than the ailment

Now let's look at the offerings of our Labour government in waiting. Whilst they have bound themselves to the mast on Income Tax, VAT, National Insurance Contributions and Council Tax, they have been fiendishly circumspect about Capital Gains Tax, Inheritance Tax, private pensions and have been similarly obscure about a possible Mansion Tax.

Although they have tried to make their manifesto as judiciously 'plain vanilla' as any socialist led government can tolerate, nevertheless, the invasive tentacles of left-wing activists interfering in markets and trying to exacerbate a class war, has not gone away.

Angela Rayner is the Deputy Prime Minister for a reason and whilst she may be the new age 'John Prescott', she will no doubt be 'thumping her clunking fists' at the Cabinet table, urged on by all the left-wing unions and other zealots in the party.

By the first Budget, in November 2024, they will inevitably raise Capital Gains Tax, in parity with Income Tax levels, and immediately drop the higher tax allowance for private pensions, just before they crank the thumb screw on Inheritance Tax and possibly Mansion Tax.

One can't ignore the theatrical whispers by giving more power to tenants in the rental sector which will scare off private landlords, even more so than at present, and low and behold, the supply of rental properties will shrink, and prices will rise exponentially, further disenfranchising the vulnerable.

The Labour Party's instinctive and insatiable desire to interfere in markets usually means that the 'medicine is far worse than the ailment'.

Property paradox

Housing was conspicuous by its absence in the Labour leaders six pledges. Although both Party's have promised more new homes, paradoxically, I think that the Labour Party will do more than their predecessors to reform Nimbyism in the planning system, which should release a greater number of new homes on the market, which hopefully will stabilise prices.

Despite their rhetoric, the Tories have failed to build appreciably more than 150,000 homes per annum and frankly, although reviving Help-to-Buy and eliminating Stamp Duty for first time buyers may be a good thing, it will non the less stimulate demand, which will drive up prices if the supply of new homes doesn't increase commensurably.

Whilst the supply of properties in the higher range brackets has been reasonably constrained, the number of cash buyers around has been steadily reducing and all the more so in view of the non-Dom changes that have been put in place by the Tories, as a feeble attempt to 'steal the Labour Party's clothes'.

If the supply of properties increases, then I would imagine values must drop in a market which is already very price sensitive.

Although there have been some notable asking price reductions in prime central London, frankly this is an adjustment to marketing froth, since the underlying values have so far, remained reasonably resilient. However, this may change if the trend continues.

There are fewer uber tenant enquiries but very few properties for them to rent and therefore values are fairly stable. Today, we are presiding over two significant deals. One of £30,000 and the other, £20,000 per week.

Having said this, in the micro markets in north west London there have been some interesting sales which have exceeded our expectations and in one particular case, after two rounds of a bidding war, a notable property is about to be sold for 10% more than value.

As the Election result is pretty well 'baked in' to people's expectations, there isn't a stampede of buyers or sellers looking for the exit doors and for the moment few exchanges of contracts are being delayed until after the General Election date of July 4th, which would normally be the case where a change of political direction is about to take place.

VAT quandary

Already middle-class parents are in a quandary about VAT on school fees, come September 2024. The wealthy will have no problem paying the higher rates, but it is the conspicuously un-wealthy that will be hit by this scourge. The State schools have no capacity for the tsunami of displaced, former, private school entrants and the wealth of the nation will inevitably suffer for this foolish class warrior act, that is 'red meat to their supporters'.

Let's hope and pray that Mr. Starmer, who is being covertly mentored by Tony Blair, continues to aspire to the left of center of the political spectrum where, let's face it, sustainable power is always assured.

The UK, as a whole, does not respond well to extremes of political views and this is why the Reform Party, who may be momentarily in the ascendancy, fueled by Mr. Farage and his rhetoric will, in the end, precipitate very few MPs at the General Election and in the aftermath, will be a 'busted flush'.

Just my views from a pensive estate agent with 50 years in the saddle.