

The Property Market's Policy Wish-List

What UK homeowners and landlords
want from the government

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+44 (0)20 7060 1234



info@mfsuk.com



www.mfsuk.com

Introduction

The UK property sector has a broad, diverse range of stakeholders. From landowners and landlords to homebuyers and renters. Architects and property developers, through to lenders and finance brokers.

Creating policies that appease these different groups, let alone furthering their respective interests, has long been a political challenge successive governments have tussled with. We rarely see an election – local or national – that does not have homeownership and housebuilding at its core, nor a major fiscal statement or budget without notable announcements on the property market in some form.

The housing crisis is at the heart of the issue. The shortage of housing across the UK – particularly affordable homes – is a critical societal issue affecting renters as well as those looking to get onto, or move up the property ladder.

However, the 2023 Spring Budget was something of an exception. Chancellor Jeremy Hunt unveiled little in the way of property-related policies during his March announcement. Instead, he focused on prudent marshalling of public finances, means for combatting the impact of the cost-of-living crisis, and incentives to grow the UK workforce.

That the property market was overlooked surprised many. Especially given the wider macroeconomic factors which dominated so much of the discourse over the past 12 months.



Inflation and interest rates impact the property market

Inflation has risen sharply since the start of 2022. Between August last year and March 2023, inflation sat above 10% in the UK, before eventually falling to 8.7% in April.

The increase in the cost of living has, in turn, forced the hand of the Bank of England. The central bank has hiked the base rate 12 consecutive times since December 2021, resulting in a rise from 0.1% to 4.5%. Economists predict two further hikes are on the way, taking the base rate to 5%.

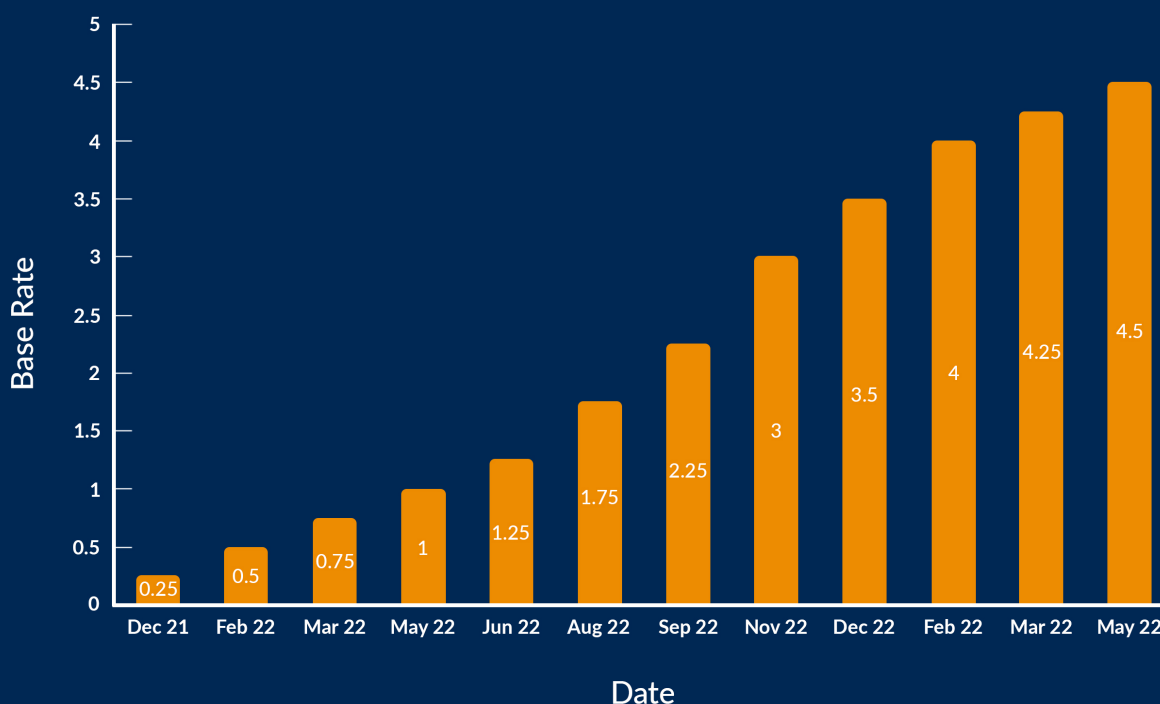
The combination of high inflation and rising interest rates has inevitably impacted the UK property market. The cost-of-living crisis limited how much home buyers can save for deposits, while the rise in interest rates is diminishing their borrowing potential. Consequently, UK house prices dipped slightly in the early months of 2023 before returning to growth in the spring.

Many homebuyers, homeowners, and property investors will likely move cautiously forward in the current economic climate. Until confidence returns, government policy will remain in the spotlight. What could Rishi Sunak and his government do to ensure a buoyant, progressive property market? Is the state doing enough to address the challenges at hand?

To gauge the property market's sentiment to these critical questions, Market Financial Solutions (MFS) has commissioned a new, independent survey of 1,323 UK homeowners, landlords and real estate investors.

In this report we explore the findings, revealing the level of faith homeowners and investors have in the government's handling of the property market, and the policies – existing and prospective – they are most in favour of.

Base rate hikes between December 2021 and May 2022



Key findings at a glance...

Between 1 and 9 May 2023, we surveyed 1,323 UK adults and the respondents, at the time of questioning, were either single homeowners, multiple property owners but with no rental properties, or landlords.

The Housing Crisis

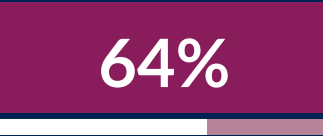


of respondents feel the housing crisis is one of the most pressing social issues in the UK at present.

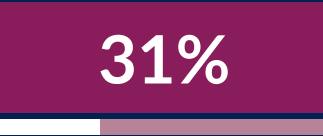


think the Government is doing enough to tackle the issue.

Tax, Inflation and Interest Rates



of homeowners and property investors believe stamp duty rates are too high.

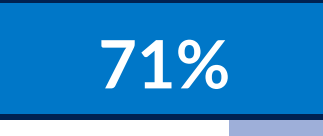


consider the market to be at risk of crashing due to high inflation and rising interest rates.

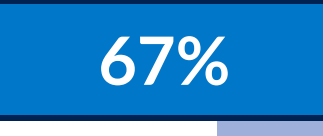


consider real estate to be a safe investment in the current climate, rising to 59% among landlords.

Policy Wish-List



would like to see action taken to improve the quality of rental properties in the UK.



would be in favour of higher taxes or controls on holiday lets and investments in tourism hotspots.



want higher stamp duty for non-UK residents buying UK property.

Addressing the Housing Crisis

The housing crisis was a central theme within MFS's research. This longstanding issue is driven by a combination of dwindling housebuilding, a growing population, and increases in both rents and house prices.

Shortages in housing can be traced back to the middle of the 20th century. Housebuilding rates in England and Wales dropped by more than a third after the introduction of the Town and Country Planning Act 1947, from 2% annual growth between 1856 and 1939 to 1.2% between 1947 and 2019.

The country's housing deficit would take at least half a century to fill even if the government's current target to build 300,000 homes a year is reached. Tackling the problem sooner would require 442,000 homes per year over the next 25 years or 654,000 per year over the next decade in England alone.

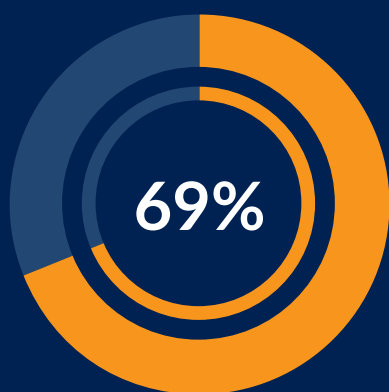
But, those government targets were recently watered down. Despite the Conservative Party pledging in its 2019 manifesto that 300,000 new homes would be built each year by the mid-2020s, Michael Gove announced in December 2022 that the government would soften the commitment from 'mandatory' to 'advisory' in a bid to quell a backbench rebellion.

On this topic, the vast majority (69%) of the stakeholders we surveyed said they believed the housing crisis to be one of the most pressing social issues in the UK at present. Yet just 21% think the Government is doing enough to tackle the issue.

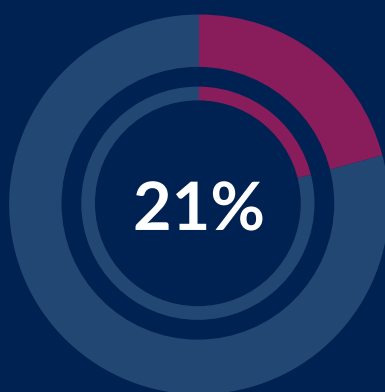
Further, 58% of homeowners and 61% of landlords believe the government is prioritising property taxation and regulation, rather than building new homes.

Indeed, in the days following MFS' survey, the government confirmed the long-awaited Renters' Reform Bill was to enter parliament. The bill, which carries out the government's 2019 commitment to eliminate Section 21 no-fault evictions, has sparked controversy.

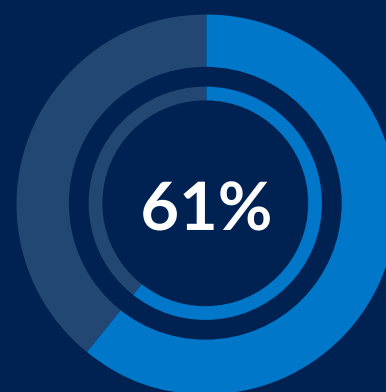
One of the main arguments put forward by many, including the Labour Party, is that the reforms will not tackle the underlying issue of limited housing, which in turn drives up rental prices. There may be little to gain from supporting demand, if there is no additional supply.



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Navigating the economic climate

Looking at how homeowners and landlords are responding to these macroeconomic challenges, MFS' research revealed just under a third (31%) of respondents feel that inflation and rising interest rates will result in a property market crash in the next 12 months.

Those expecting a downturn in prices remain in the minority, though. A slim majority (52%) of homeowners consider real estate to be a safe investment in the current climate, with this view more common among landlords (59%).

Elsewhere, only 27% of homeowners think the government has done enough to support people with mortgages over the past 18 months, in which the base rate has risen by 4.4%. This figure jumps to 39% among landlords.

Indeed, a previous study by MFS, carried out in late 2022, revealed how 48% of UK landlords had already been forced to increase rental prices to cover higher mortgage repayments.

With four base rate hikes since then – and more expected – this issue will likely have been compounded. Data on rental prices underlines this point: in April 2023, the average rental price for a new tenancy in the UK was £1,199 per calendar month, up 9.9% annually.



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The UK's property policy wish-list

Amid notable socioeconomic challenges, the pertinent question is what policy reforms could be introduced to alleviate the issues confronting renters, buyers, homeowners, and landlords?

MFS delved deeper into this topic. Firstly, the respondents were quizzed on whether they could name the current housing minister – only 20% could.

Rachel Maclean was confirmed as the new housing minister in February 2023, making her the sixth person to hold the role in a 12-month and the 15th since 2010. Many in the property sector criticise the “revolving door” or “merry-go-round” of housing ministers, stressing that such frequent changes in leadership will make consistent and successful property policies hard to come by.

To that end, MFS can reveal which potential policies would attract greatest support from the UK's homeowners and property investors:

Would you be in favour of or opposed to the following reforms in the UK property market?	In Favour
Legislation to improve the minimum quality standards for rental properties	71%
Introducing controls (or higher taxes) on holiday-lets or second homes in tourist hotspots	67%
Higher stamp duty taxes to be paid by non-UK residents	65%
Scrapping inheritance tax for properties passed on after someone's death	63%
Higher stamp duty taxes to be paid by landlords or those buying second homes	60%
Removing stamp duty for the purchase of any property that has been derelict for 12 months or longer	59%
Reforming the planning system to make housing development more straightforward	58%
Introducing another stamp duty holiday for the next 12 months to help the property market amidst the cost-of-living crisis	49%
Re-introducing mandatory house building targets	48%
Scrapping the current stamp duty land tax in favour of annual taxes based on the value of land people own	34%
Making stamp duty payable by the seller, not the buyer	23%

Where stamp duty land tax (SDLT) is concerned, the research revealed 64% of homeowners and landlords think the tax is too high in the UK.

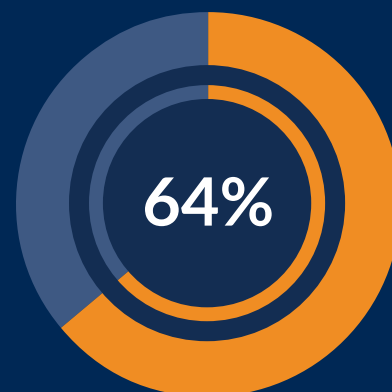
When asked on specific ways of reforming SDLT within the policy options provided, there were several notable findings. Two thirds (65%) of respondents are in favour of making non-UK residents pay more stamp duty, compared to just 15% who would be against it.

Three in five (60%) are in favour of higher stamp duty for those buying second homes. However, this figure is far higher among homeowners (65%) than it is among landlords (32%).

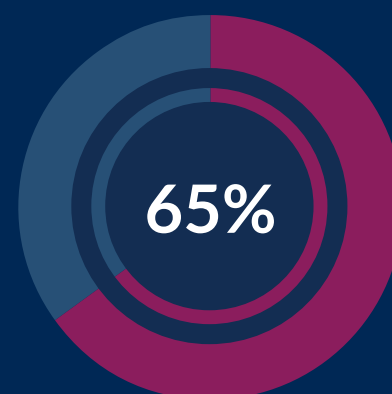
More radical reforms garnered less support. Just 34% would like to see the government scrap the current stamp duty land tax in favour of annual taxes based on the value of land people own. Even fewer (23%) want to see SDLT be made payable by the seller, not the buyer.

Elsewhere, homeowners and landlords were largely (67%) in favour of the introduction of controls (or higher taxes) on holiday-lets or second homes in tourist hotspots, an area already attracting government attention.

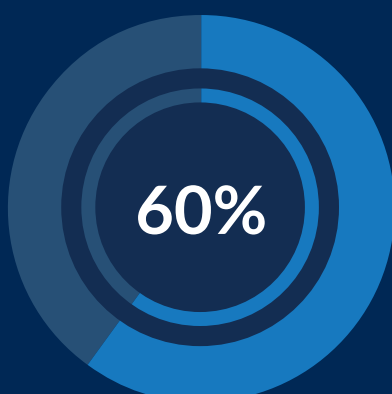
Where the housing crisis is concerned, the policy that received the highest level of backing is legislation to improve the minimum quality standards for rental properties, which 71% would be in favour of. Most (59%) would like to see stamp duty removed for the purchase of any property that has been derelict for 12 months or longer. Meanwhile, 48% want the government to re-introduce mandatory housebuilding targets.



64% of homeowners and landlords think the stamp duty land tax (SDLT) is too high in the UK



65% of respondents are in favour of making non-UK residents pay more stamp duty



60% are in favour of higher stamp duty for those buying second homes

The view of our CEO

“The UK has a love affair with bricks and mortar. Whether it’s media coverage of the many monthly house price indices that are published, political discourse around housebuilding and taxation, or discussions in the pub about mortgages and rental prices – property is an everyday conversation for many.

“It is emotive, too. The housing crisis is a major issue in the UK, and our research provides timely insight into how homeowners and landlords feel about these big topics. Not to mention the government’s handling of the property market at this testing time.

“One of the key insights from our study is undoubtedly that there is a lack of confidence among property owners about how the government is addressing the housing crisis. This is likely, in part, a reflection of the turbulence Westminster has experienced in the last year, with changes of leadership bringing about new priorities.

“Rachel Maclean MP has survived 100 days as housing minister; a rare feat in the past two years. And our study clearly highlights those with mortgages are looking for more government support, while most want to see greater action on housebuilding and stamp duty.

“Undoubtedly, the government has a lot to juggle – not just across the country, but in the property market alone. So, it is interesting to note what people want to see government policy focus on.

“In the meantime, it is encouraging that, despite some fears of a crash in the next 12 months, most homeowners continue to see the property market as a safe investment in the current climate. Indeed, as prices begin to rise again, it is important for lenders to provide buyers with flexible products that enable the market to continue its resurgence in the months to come.”

- *Paresh Raja, CEO, Market Financial Solutions*

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