



Talking Heads: Labour, Corbyn & the UK property market

Some of the top acquisition, sales, development, and lending specialists in the land share their thoughts on what a British Government led by Jeremy Corbyn could mean for the residential property sector...

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The prospect of Jeremy Corbyn coming to power poses a bigger threat to British business than Brexit, according to a recent warning from top investment bank Morgan Stanley, but is the risk to the UK's property sector being overblown? We asked some of the top acquisition, sales, development, and lending specialists in the land for their thoughts; and while the proverbial crystal ball remains characteristically cloudy, it seems the industry is struggling to see any sort of silver lining...

The Estate Agents

Certainly a 'Mansion Tax' would come as no surprise...and possibly Capital Gains Tax on the profit from sale of a primary residence

- Charles Curran, MD and Data Analyst, Maskells



“At this stage it is almost impossible to determine what action a Labour Government would take, that would impact the Prime Central London Housing Market - but we are sure that there would be additional taxation. This section of society is not part of Labour’s core and therefore any additional taxation would sit well with their grass root supporters.

“We say this, as unlike New Labour, Mr Corbyn’s party is far left of centre and this has caused a great deal of concern with the HN/UHNW community. So what could we expect? It is unlikely that a Corbyn-led Labour Government would substantially increase Stamp Duty, as they still need the income and raising it much further would cause an additional drop in revenue. Certainly a ‘Mansion Tax” would come as no surprise - possibly 1-2% of the value of the property above a threshold (Labour would have to look at their voter demographics and associated house prices in those areas before setting any threshold for obvious reasons), and possibly Capital Gains Tax on the profit from sale of a primary residence.

“We would also expect new legislation to deal with lettings - particularly minimum rental periods for landlords, a cap on rents and rental increases (all known as Rent Control) . There is a great deal of wealth tied up in property and by definition it is an immovable asset, so easy to tax and if taxes are not paid, seize.

“The concerns raised by a potential Labour Government has already driven HNW/UHWN individuals to move what they can off-shore as if they do win, with their business-unfriendly rhetoric, we can expect a drop in the value of sterling and a slow-down in inward investment. We would also assume that the first thing a Labour Government would do, would be to impose capital controls to stop funds leaving the UK and this is why so many are preparing now.

“The only upside we can see is that this Opposition have to date been relatively insulated from the Brexit debacle, and from the side-lines they may decide that remaining in the Single Market may off-set some of the fears that investors and businesses have about them coming to power. Mr Corbyn is a known Eurosceptic, but he may change his tune to win

power : As Henry V said when converting to Catholicism to access Paris and win the Throne of France: “Paris vaut bien une Messe” (Paris is worth a Mass).” This may not help sales under a Corbyn Government, but we would likely see an increase in PCL Lettings”.

Reductions of 25% are being discussed in property circles

- **Marc Schneiderman, Director, Arlington Residential**



“We have several clients who fear a Corbyn led Labour government and have put their homes on the market now, in order to ensure they sell before their concerns become a reality. With taxation on second/holiday homes and a likely wealth/mansion tax on the horizon, their fears are not unfounded. Such is the likely catastrophic effect on property prices, particularly in the Capital, that owners are making provisions to sell now and there is not even a rumour of a General Election! It is likely there will be an almost overnight drop in the stock market and slashing of property prices, with reductions of 25% being discussed in property circles should a Corbyn led Labour government be in power.

“In my 35 years’ experience in property, at no time can I remember such concern and uncertainty in the market. The combination of huge SDLT levies, Brexit and a Corbyn government will cause destruction of the property market as we have known it.

“I should add that two clients we have sold for recently, moved as a direct result of the fear of a Labour government. Both had homes in Central London and both are now renting watching the market carefully”.

It is hard to imagine what more punishment can be inflicted on the London residential market

- **Andrew Langton, Chairman, Aylesford International**



“There is a very strong chance that whatever the outcome of Brexit, it will itself produce a Corbyn government. It’s not ‘either/or’ but one will surely follow the other.

“The causality is at the core of the current Corbyn - McDonnell - Milne strategy on Brexit. Polls show there is no appetite for Corbyn, despite this being the most shambolic government since the war, as living standards are just about bearing up and Jeremy Corbyn is not trusted. The danger is, if Brexit goes ahead, the Conservatives will ‘own’ the undoubtedly negative consequences and a hard line Corbyn Marxist leaning government will win the next election, by effectively ‘slipping in the back door’ and may be set for a long spell in power, unrestrained by EU safeguards.

“It is hard to imagine what more punishment can be inflicted on the London residential market that the Conservatives have not managed to do in their two terms in office, but you can bet your bottom rouble the Corbyn team will be planning to dish out more envy taxation than ever before. Both a mansion taxation and capital gains tax on one’s principal residence spring to mind.”

The exodus of wealth creators will be less of a 'brain drain' and more of a lobotomy

- **Trevor Abrahmsohn, Managing Director, Glentree Estates**



“If a Jeremy Corbyn led government was ever to gain power, the exodus of wealth creators from the UK will be less of a ‘brain drain’ from this country and more of a lobotomy

“Corbyn’s Labour Party does not care that there will be a ‘flight of capital’ from the UK, with wealth creators ‘leaving in droves’, since it holds the benign belief that nationalisation cures everything.

“In my view, if Mr. Corbyn becomes PM, the Pound will sink to 80 cents on the Dollar (and the Euro) and the Residential Property Market will be in free fall, with 30 sellers to one buyer (who will be a thief). Inflation will go berserk, which will need much higher Interest Rates to bear down upon it, with the unfortunate impact on rising mortgage rates. Exchange controls will be powerless to stop the capital outflows.

“I can imagine the response of the Labour Party being, ‘What’s wrong with a collapsing

Residential Property Market anyway? It's better for the first-time buyer'. Perhaps we should then ignore the intrinsic link between the property market, retail spending and the growth of the UK consumer led economy?

"As the Brexit negotiations reach their crescendo, is not the spectre of an extreme Labour government and its legendary economic incompetence, the antithesis of what this country needs today? As we try and make headway in the World, confidence is so vital to maintain, allowing us the opportunity to shape our future and destiny for subsequent generations."

Housing markets require a gradual and subtle application of regulation

- **Lee Layton, Associate Director of Research, Cushman and Wakefield**



"While policies such as rent controls have the best of intentions, the unintended consequences can be as damaging as the initial problem itself. We often look to Germany as a 'how to' model for private rental markets, but ignore the severe downsides German housing policy has, in some cases, created.

"Rent controls can result in demand manifesting itself as a queue, rather than rental inflation, and also inhibit the natural movement of people due to tenants being reluctant to move from a rent-controlled property, into a market-priced property. If history teaches us anything, it is that housing markets require a gradual and subtle application of regulation, rather than the two extremes of low regulation with market forces running rampant, and blunt tools being heavy-handedly applied at short notice."

A radical shake up would simply cause more uncertainty

- **Guy Bradshaw, Head of Residential, UK Sotheby's International Realty**



“A Corbyn-led government is highly likely to penalise the Prime Central London market and reduce the amount of valuable investment in property in the capital.

“The party has pledged the next Labour government will be the most radical on housing since the post-war Labour government which in my opinion would be detrimental to the housing market. Whilst we are in need of a stamp duty reform, which Labour would be unlikely to deliver in a way that would aid the prime London market, we are also in need of stability in the run up and after Brexit and a radical shake up would simply cause more uncertainty.

“The proposed levy on second properties used as holiday homes would undoubtedly affect traditional staycation markets across the country, with Cornwall, Norfolk and the Lake District likely to be hit the hardest by this. How the Government would plan to regulate the use of these properties is also unclear.”

Many of our residential clients are very uneasy

- **Paul Cosgrove, Director, Finlay Brewer**



“There’s no doubt that many of our residential clients are very uneasy, especially in light of the impact of the events of the 1970s on the property market.

“Clients are concerned as the current make-up of the Labour Party is much more left-wing than its previous incarnations, and they’re anticipating that there will be heavier taxation on primary residences and on BTL investors.

“The concerns run deeper that a bad Brexit deal followed by a vote of no confidence in the Conservative Party could jettison a general election. A Labour Party Government could deter foreign investors and the movers and shakers of businesses in the UK may look to relocate elsewhere for fear of being too heavily taxed. People are really worried about how this element might impact them.”

The Buying Agents

Investors have a lack of confidence in the market over the next five years because of his hostility

- **Penny Mosgrove, CEO, Quintessentially Estates**



“Undoubtedly the UK has a housing crisis, especially in London and the South-East, it is simple, demand outstrips supply - especially at the affordable end, but solutions put forward by Corbyn will not resolve this. We need policies that encourage development and incentivise housebuilders.

“A Corbyn-led Government would be detrimental to the housebuilding and property industry. His comments on rent-caps, if acted out, would see the demise of rental accommodation. It is already putting off buy-to-let investors, as long-term they fear his leadership. The housebuilding industry is slowing down, as investors have a lack of confidence in the market over the next five years because of his hostility.

“Corbyn has already suggested that he would double stamp duty on second homes, and introduce a land value tax which would again hit those in properties worth over £500,000. If elected, Corbyn would persecute those who are able to invest in the UK and help grow the economy. His rhetoric to this point has been anti-business and hard-work, which would see the mass exodus of entrepreneurs and business leaders.”

What is stated in a manifesto, more than often doesn't become reality

- **Matthew Turner, Director, Astute Property Search**



“The prospect of a hard left government would no doubt initially increase the sentiment of market uncertainty. Though in reality the market will react to direct policies whichever government is in power. Labour, as recently as September have said they will bring in a second home tax to raise money for homelessness. Popular seaside counties such as Cornwall & Norfolk would no doubt be affected but the same will apply to owners of pied-a-terres in London. For those that stay in London Monday to Friday, it may prove most cost effective to commute daily rather than having two homes. Capital gains tax (CGT) is also thought to increase under a Labour government which could encourage landlords to reduce portfolio sizes to mitigate larger tax bills.

“In reality though, the property market will absorb and react to direct policies whichever government is in power. What is stated in a manifesto, more than often doesn't become reality. The real bad news is that there seems to be a negative stance towards the property investor from all main parties at present. At the recent conservative party conference, Theresa May proposed that overseas investors will have to pay additional stamp duty. This policy would no doubt have significant impact on the London market. To this policy, one of my American investors called it 'insane and full on Trumpian'. Expanding further by saying 'free market capitalism is king, it seems you (UK Government) are trying to over regulate the market but in reality you are just strangling a dragon'. No doubt a sentiment felt by all would-be overseas investors.

“And do we really want to discourage investment into London? Brexit is already causing investors to sit on the fence. An Italian client of mine said this to me in September 'there has to be a competitive edge for me to invest in London, I am also considering other cities such as Zurich'. We have to remember that the property market is truly global with alternatives to the UK. Further taxes will only deter and the government will have to strike a

balance with pleasing voters as well as maintaining investment.”

Most of my clients worry less about Corbyn, and more about what Brexit will look like

- **Saul Empson, Owner, Haringtons UK**



“Corbyn is a concern, but it should be remembered that at the last, snap-election, where there was a surge in the youth vote for Corbyn, what was represented as a ‘Huge victory for the Labour party under Corbyn’ was actually an election lost by 60 seats. The up-tick in the vote required to continue the swing towards even a minority Labour Government would need to be huge.

“Frankly, most of my clients worry less about Corbyn, and more about what Brexit will look like. But let’s assume that the nightmare happens, and you get a hard-left Corbynist government, coupled with a “No-Deal” hard Brexit, the economic possibilities are quite scary: harking back to a similar period in the 1970s under Wilson and Callaghan, when we had rampant inflation, huge industrial unrest and high interest rates, people ran to take money out of the banks and buy instead ‘hard-assets’ and a hedge against inflation, and property prices boomed.

“Historically speaking, property generally does better under Labour - usually for the reasons listed above, so no-one should be surprised if things don’t quite pan out in the way that one would expect (from a property perspective anyway).

“Personally, I think that the likely outcome of the next election will be a hung parliament, where no one can make any big decisions without the buy-in of a strong cross-party consensus; In a way, what’s not to like about that? It’s what happens in the rest of Europe?

“For the property market though, for many, buying a house is not really ‘optional’ but compulsory: we need to house ourselves, our families and dependents. For the 20% of the market for whom I think buying property is more ‘discretionary’, what we have learnt over

recent years is that this end of the market is reluctant to swallow what it perceives to be a loss and if the market conditions are not favourable, it will simply cease to trade.”

There has been a flurry of activity at the top end of the market

- **Jess Simpson, Founder, Jess Simpson Property Search**



“The biggest risk of a Corbyn-led Labour government is increased taxation and interest rates. With a Corbyn government, inflation will rocket (due to increases in government spending) and therefore interest rates will rise.

“In truth, property normally performs very well under a Labour government. However, under Corbyn, the wealthy will be heavily taxed - we are already seeing caution in the market dictated by the threat of his Labour government and whether these potential buyers see a long-term future in the UK. It is highly possible that buyers in banking or fund management are bringing forward dividend and bonus payments now before any increase in taxes are introduced as well as moving funds into a lower risk asset class.

“That said, there has been a flurry of activity at the top-end of the market from those who are heavily invested in the UK and committed to purchasing property here, because high-net-worth-individuals are inflation-proofing. They are taking a 10-year view of the market and putting their cash into assets including country estates and land.

“This is also more symbolic of the lifestyle view that high net worth individuals are taking as they spread risk. These assets also provide long-term business opportunities for their owners - farmland and cottage portfolios all provide useful income, and often buyers only using their homes a few times a year run discrete high end fully serviced rentals. This diversification of assets is seen as a useful buffer against economic malaise.”

The Developers

Even the prospect would lead to the pulling back of more investment decisions

- **Will Herrmann, Managing Director, West Eleven**



“A Jeremy Corbyn government or even the prospect of one would lead to the pulling back of more investment decisions and as a consequence, a slow-down in the economy.

“Jeremy Corbyn and John McDonald have made numerous threats about what they would do once in power, and this freeze would happen until industry and the markets were able to properly assess what it really meant.

“The effects of this slow down would be marked and rapid.”

The implications for the UK property sector could be the most debilitating threat for the nation’s economy

- **Dean Clifford, Co-founder, Great Marlborough Estates**



“There’s a reason why British businesses fear a Corbyn-led government, with promises of hikes in corporation tax and nationalisation sparking real concern that the party could derail private sector investment. Above all, the implications for the UK property sector could be the most debilitating threat for the nation’s economy.

“For the prime residential market, investment from abroad is vital to the country’s long-term economic growth. Yet the radical economic plans put forward within Labour’s manifesto could scare off foreign investment and signal a drop in stability at the higher end of the market.

“Ultimately, the housing crisis cannot simply be solved through the Corbyn mantra of nationalisation and re-nationalisation. It requires a combined effort between the public and private sector.”

His bark may be stronger than his bite

- **Alan Waxman, Founder and Chief Executive, Landmass**



“A Corbyn-led Labour Government will have an impact on the prime property market in three ways:

1. Corbyn has already proposed changes to stamp duty tax and the introduction of a garden tax - which would have a detrimental impact on all properties over £500k
2. There are rumours of further changes to tax for foreign nationals - which may reduce investment in the UK, which could be damaging long-term
3. Overall there may be less confidence in the economy overall. The language Corbyn and his comrades speak is fundamentally anti-business. And with Brexit on the horizon, plus other global forces at play, our country could lose out

“That said, the irony is that, under previous Labour governments the economy has performed better. The last Conservative administrations changes to non-dom status, capital gains and stamp duty tax really shook up the market in a negative way. There is no crystal ball; Corbyn’s bark may be stronger than his bite.”

The Lender

Buyers are already pulling out of transactions and hoping and praying that the nightmare does not become a reality

- **Jonathan Harris, Director, Anderson Harris**



“Property markets are typically driven by confidence – of buyers and sellers, developers and lenders. The prospect of a Corbyn-led government instils fear with talk about the demonisation of the ‘rich’. But the definition of ‘rich’, if we are to take Labour’s 2017 manifesto ‘for the many not the few’ as a guideline is those earning more than £80,000 per annum, which it proposes to hit with a wealth tax. It is these earners who drive the UK’s prime and mainstream property markets, these are the buyers and sellers who fuel activity and create a market for developers, housebuilders and suppliers. If the axe falls here, where is the impetus?”

“Other increases in taxes are likely to follow – income tax, inheritance tax, capital gains and of course, stamp duty. The market is already adversely impacted by hard-line Tory policies but these would be nothing compared to a Corbyn/McDonnell assault on perceived high earners and ‘property rich’ individuals.

“Job security would be threatened across all sectors from large multi-national s to SMEs, with property acquisition becoming a risky, unattractive and unlikely option for many.

“Clients are viewing the prospect of a Labour government with fear and trepidation. What was once viewed as an unlikely nightmare is now seen as a real possibility. Buyers are already pulling out of transactions and hoping and praying that the nightmare does not become a reality.”