

Date: 27th July 2015

Does the UK Election Result Mean Boom or Bust for London Property?

Published on 2015-07-27

On 21 July, the British Chamber Shanghai hosted a presentation by Marc von Grundherr and Anita Mehra, both directors at [Benham and Reeves Residential Lettings](#), on the effects of the general election results in May on the London housing market.

Anita began by outlining that property prices had dropped 8% in London in the first quarter of the year, which she then contrasted with newspaper reports in May that property prices in London were set to double in the next fifteen years. She spoke of how, on the morning of May 8th (the day after the general election), property purchases rose significantly with £100,000,000 being spent on London real estate on that Friday alone, triggering an uplift in prices, which is predicted as a 10% increase in this year alone.

There was doubt that the election would result in a hung parliament or that the opposition Labour Party, which proposed changes to the housing market such as rent controls and a mansion tax, would lead the government after the general election. Such an outcome was viewed as a threat to the property market so there was relief when it was announced that the Conservative Party had won a majority and this led to feelings of business as usual in the property market. However, there remain some challenges in the housing market such as the housing crisis in London and the South East.

As a result, the Conservatives have promised to extend Help-to-Buy and double the number of first-time buyers, which will require 40,000 new starter homes at a time when affording properties is increasingly more difficult. Anita used a headline from the London Evening Standard to argue that homes earn us more than our jobs. Nevertheless, Benham and Reeves believe the outlook is optimistic with the demand for rental apartments continuing to rise and property still earning a lot of money for those buying to let and those selling their homes.

London in particular is seen as an appealing city given its cultural attractions and its recent hosting of the Olympic Games. Moreover, 215,000 new businesses have been created there in the last five years and the city has the lowest corporation tax in Europe at a time when the Eurozone economy is struggling. Meanwhile, the property price has increased by 120% in the last ten years with demand having increased from Europe, the Middle East and Asia, with projections that £1 invested today will increase by 80% in the next ten years.

Marc von Grundherr then outlined that London has thirty-two boroughs, each with their own unique character, and that location does matter as some are safer bets than others. Property yields are higher in East London and lower in Central London, with prices rising when they are within 1km of public transport. Therefore, the Crossrail project currently being constructed will have a big effect on property prices. Moreover, boroughs such as Kilburn, Hammersmith and Southall are seen as good investments in the property market as these are likely to undergo regeneration in the near future and are also surrounded by affluent boroughs.

However, it is worth noting that tax changes were proposed in the Chancellor's budget after the election and it is recommended that if selling your home, your home is re-valued, especially due to changes in Capital Gains Tax that came into force on the 6th April this year. Furthermore, the regulation for stamp duty has changed,

meaning stamp duty is now lower if your property is worth less than £937,000. Government consultation is ongoing so it is worthwhile to consult a qualified tax advisor when buying or selling London property.

The British Chamber would like to thank Anita and Marc for giving the presentation at the Chamber offices. The presentation was highly enlightening for those wanting to know more about the London property market and those interested to see the effects of the general election upon it.