



Political Choices

DECEMBER 2019

For anyone with wealth, the upcoming election is being viewed with trepidation. The worst that can happen is really bad - a quasi-Marxist government intent on making the UK into Venezuela - without the sunshine. And the best, a certain Brexit that even the ERG headbangers acknowledge will make Britain poorer in the short term.

Happy Christmas.

But as the manifestos are picked apart, there are characteristics in all of them that reflect the likelihood of the party in question actually having to deliver on what they promise. The Conservatives are the favourites and their manifesto-lite is one of a party that knows it will probably have to deliver. Motherhood and apple pie is on the menu and Brexit is the main course. Most other things are designed to give maximum wriggle room and minimum hostage to fortune and where they are putting some hard numbers down they are ones designed not to scare the voters. An extra 3% Stamp Duty levied on foreign residential buyers is a classic victimless crime with no electoral penalty.

Labour, on the other hand, are doubling down at every opportunity in the hope that enough people believe there is a magic money river flowing from Westminster that will cure every national problem at no cost - at least no cost that anyone will have to pay. What could be a better example of this than the proposed nationalisation of water, mail, railways, energy and broadband - which will cost... nothing. As they will become

government assets they apparently have no cost. Try telling that to the buyers of the Giltts needed to finance this sleight of hand who will be looking at a bleak inflationary outlook and might be expecting some compensation for their generosity. The fact that a serious party can say this should give comfort to the nervous that this is not a party expecting to actually have to deliver.

It is with these filters in place that the manifestos should be viewed in the context of the property market. There are some things on which both the main parties agree and on which you could lay a safe bet that it will actually happen. Residential Shorthold Tenancies for instance. As the pendulum has swung away from ownership towards renting, the issue of insecurity of tenure has become a doorstep issue for all MPs. Both parties are going to take away the landlord's right to terminate the tenancy at the end of the contractual term other than for non-payment of rent or egregious behaviour. Labour have added to this by proposing to limit rent increases to inflation and give cities more powers to regulate rents. Before landlords mount the barricades in protest, it is worth noting that similar limits are in place in such diverse places as New York, Scotland, Berlin, Ireland, Paris and Switzerland - none of these being exactly Cuba or North

Korea. The wider issue is whether private landlords, faced with yet another blow, will simply decide that the game isn't worth the candle and sell up. They will also be faced, under Labour, with licensing for landlords, unions for renters and a much more punitive Capital Gains Tax if they do decide to sell as CGT is proposed to rise to match Income Tax.

As mentioned earlier, the Conservatives are proposing a 3% extra Stamp Duty levy on foreign residential buyers. Labour are going a step further and proposing a 20% levy on top of existing Stamp Duty on overseas trusts and companies – but don't make mention of what they would do with individuals. The Lib Dems are also in on this easy shot. On holiday homes – and the implication is any second home – both Labour and the Lib Dems are proposing to double the current council tax. On Stamp Duty reform, about which both the Prime Minister and Chancellor were recently vocal, there is no mention in the Conservative manifesto. And, with the exception of reducing business rates for certain types of property, they are not proposing any tax changes affecting the commercial market. With international investors awaiting greater political certainty before taking advantage of a weak pound, a Conservative majority's delivering greater stability should create a pick up in commercial investment next year.

Not surprisingly, it is at the bottom end of the residential market that Labour is focusing its efforts – and much of it makes sense given the pressures on housing at the affordable level. They (rightly) point out that the current definition of affordable (80% of the market rental value) is a nonsense in the context of cities like London. They are also behind reform of the leasehold system which has been brought into disrepute by the behaviour of some housebuilders. No doubt some perfectly innocent landlords will get caught in the crossfire in the attempt to put this right – and it should be noted that this is something that has cross-party support. Also, given the shortage of social housing, the Conservative policy of 'Right to Buy' for Housing Association tenants is frankly incoherent and, in Labour's view, this needs to change. There is also a Labour proposal to form an English Sovereign Land Trust 'to buy land more cheaply for low cost housing.' How? Where? At what price? They don't say.

Manifestos are really just the visible tip of the iceberg when it comes to policy and Labour have produced a long and detailed

paper called Land for the Many, edited by George Monbiot, which deserves attention both for how a Labour government might behave once they have got their feet under the desk and also because some of it makes long term sense. Much will be an

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athema to Conservative voters but much will resonate, as the central thesis is that the value of land has risen nearly 550% since 1995 and now represents 70% of the price of a home and that, as 'society' has created this windfall, the benefits should not accrue only to the owner. Good in theory – but difficult in practice and politically a high-wire act, as the desire of existing owners for their property to either maintain or increase in value is directly at odds with those who want more affordable ownership.

What Labour propose, on top of the changes in taxation that have made their way already into their manifesto and progressive property taxes, is the creation of Common Ground Trusts, funded by the government, that would own the land underneath where the purchaser would buy the building and pay a rent to the Trust for the use of the land. In concept, this isn't a million miles away from the long leaseholds that predominated in Central London during the 19th and 20th centuries, the difference being that the lease on the underlying land is not depreciating along with the value of the building. Most of these ideas are unlikely to see the light of day in the foreseeable future but at least there is some constructive thinking going on about a subject that is so core to the UK economy and about which there is agreement that it isn't working for everyone – probably most – at the moment.

Excluding Brexit, this election offers about as stark a choice as this country has seen for decades between two very different economic and philosophical models. Neither will be great for property – but one really won't end well – less because of specific property promises and threats, but more because of the full frontal attack on capitalism in general that will leave collateral property damage in its wake. Luckily, the odds of it coming to pass appear small – but then that's what Theresa May thought.