

General Election 2019 Manifesto Analysis

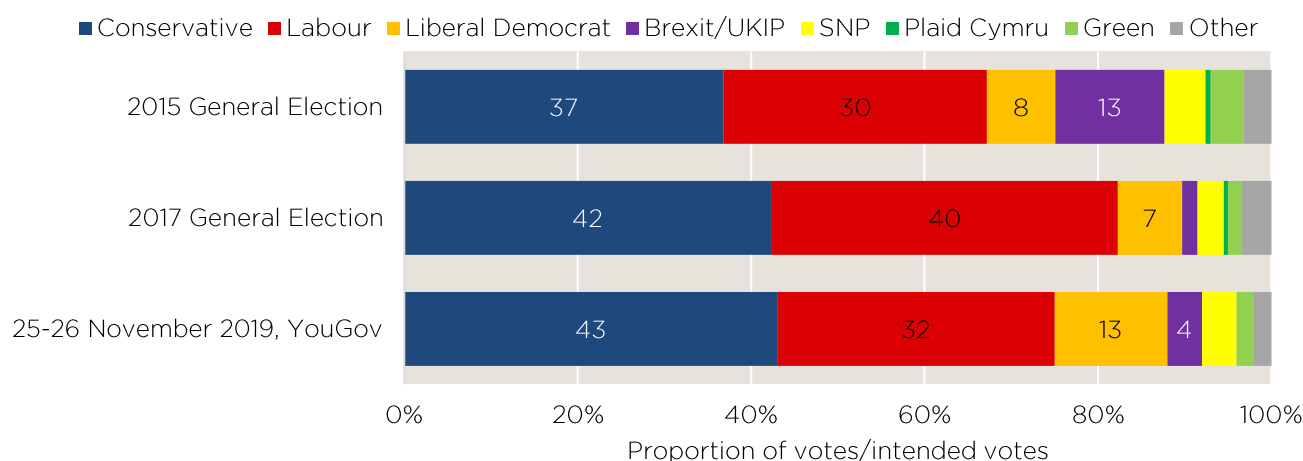
Conservative and Labour party manifestos

The next UK General Election will be held on 12th December 2019. Based on current polling, the Conservative party has the largest vote share, with Labour in second place. In this document, we take an initial view on these two parties' policies on housing.

There are some areas where both manifestos are clear and in agreement. Both major parties have pledged to end Section 21

(“no fault”) evictions, effectively creating lifetime tenancies. And both major parties have reaffirmed their commitment to some form of the Help to Buy scheme until at least 2023.

Very broadly, the big difference between the two parties on housing is their focus on what homes to build: the Conservatives have firmly pledged their support for more home ownership, whereas Labour is focusing on social rent.



Source: YouGov (as at 28th November 2019), BBC News

Help for first-time buyers

The Conservatives have pledged to build more homes for local people by allowing councils to use developer contributions to fund a 1/3 price discount. Unlike the failed Starter Homes policy, this discount would apply in perpetuity, which takes away one of the key obstacles to valuing and mortgaging these homes. However, it remains unclear how much demand there will be from banks to lend on these properties, particularly if they are restricted to local people if they need to sell the property on. We have also yet to learn what the Conservatives define as “local”.

The Conservatives have also pledged to encourage long-term fixed rate mortgages with low deposits. There is currently very little take up of 10 year fixed rate mortgages, which would suggest demand for even longer terms would be similarly small. However, rates for 10 year mortgages currently average 2.76%, which puts them just 0.36% above the average two year fix.

Labour has pledged to build discounted homes for first time buyers, with values set such that mortgage payments are no more than a third of average local household incomes. This discount, which could be up to 50%, will be applied in perpetuity. It is unclear what mortgage terms will be applied when calculating this discount (the repayments will vary based on deposit size and the length of fixed term), or how these discounts would be funded.

Housebuilding

The Conservative party has reaffirmed its target of building 300,000 homes per year in England, but has only pledged to

build 1 million homes by the end of the next parliament (or 200,000 homes per year). This is less than current delivery (241,000 in 2018/19).

The Conservatives have also promised to support self- and custom-build, for those who wish to build their home themselves, as well as support for modern methods of construction.

Labour’s housebuilding pledges are focused on affordable housing delivery, rather than overall housebuilding.

Affordable housing

The Labour party has committed to building an additional 150,000 affordable homes per year by the end of the next parliament, with a broader ambition of building 1 million affordable homes over the next ten years, paid for with £37.5 bn of funding from Labour’s “Social Transformation Fund”. Of this annual supply, 100,000 will be built by councils for social rent. Increasing the supply of social rented housing would have a significantly positive impact on housing affordability. However, most councils have not had a significant housebuilding programme for decades. Finding the staff, expertise, and land required to build these homes will be challenging.

Labour has also pledged to scrap Affordable Rent (an affordable housing tenure with rents priced at or below 80% of local market rent) in favour of rents linked to local incomes. Without more generous levels of grant funding, this could have an adverse effect on the value of these affordable homes, which could make

new developments less viable and limit housing associations' ability to borrow against their assets to develop new homes.

Labour has said it would scrap the Right to Buy and end conversion of homes from Social Rent to Affordable Rent. They have pledged to raise the Local Housing Allowance (LHA) in line with the 30th percentile of local rents. For context, LHA rates have been frozen since 2016.

The Conservatives have committed to renewal of the Affordable Homes Programme, "in order to support the delivery of hundreds of thousands of affordable homes". They have reaffirmed their support for Right to Buy and pledged to extend the Voluntary Right to Buy pilot to other regions, though this relies on housing associations agreeing to participate. The Conservative manifesto pledges support for communities living on council estates to take ownership of the land and buildings they live in, which appears to be over and above the Right to Buy programme.

While there is no mention of the Right to Buy Shared Ownership policy in the Conservative manifesto, it does pledge to reform shared ownership to make it "fairer and more transparent" and to simplify lease structures.

Private rented sector

As stated above, both major parties have committed to ending Section 21 "no fault" evictions. This policy's impact will depend on what changes we see to the Section 8 eviction process: the Conservatives have previously consulted on introducing additional eviction grounds, such as the landlord wanting to sell the property.

The Labour party has pledged to cap rents with inflation and to give cities the power to cap rents further. While investors may feel relatively comfortable with rental growth capped at inflation, more draconian limits could discourage investment in homes for private rent.

Labour has also pledged to give local authorities greater funding to "buy back" homes from private landlords, which suggests this policy is aimed at former council homes. Proposals to introduce a right to buy for private tenants have been dropped.

The Conservatives have promised to allow renters to transfer their deposit directly between properties. It is not yet clear how this policy would be implemented to account for deductions from the deposit.

The environment

The Conservative manifesto pledges to "support the creation of new kinds of homes that have low energy bills and which support our environmental targets". They have not made any specific

pledge on new homes being zero-carbon. Labour has pledged to introduce a zero-carbon homes standard for all new homes.

Leasehold

The Labour manifesto pledges to end the sale of new leasehold properties and to "abolish unfair fees and conditions", presumably referring to ground rents. They promise to give leaseholders the right to buy their freehold "at a price they can afford".

The Conservatives reaffirm their policy of "a ban on the sale of new leasehold homes" and restricting ground rents to zero.

Land and Green Belt

In contrast to articles written by Conservative ministers in the lead up to the election, the Conservatives pledge to improve poor quality Green Belt land rather than making it available for development.

Labour has pledged to set up a new English Sovereign Land Trust, which will have powers to buy land "more cheaply for low-cost housing". The manifesto then goes on to talk about using public land for low-cost housebuilding, suggesting this could be the focus of this new land trust.

The Labour manifesto pledges to prioritise brownfield sites for development and to protect the Green Belt. Labour would review planning guidance for developments in flood risk areas.

Tax

Both parties have pledged an increase in property taxes for overseas purchasers. The Conservatives are planning a 3% stamp duty surcharge for overseas home buyers, while Labour has proposed a 20% tax on overseas companies buying homes. It is not clear whether this Labour policy would apply to institutional investors in Build to Rent homes or just individual property transactions.

The Labour manifesto also proposes an additional levy on those who own holiday homes, set at double the council tax liability for that property. Second homes owned for work (for example, a regional MP who owns a flat in Westminster) would not be liable.

Summary

The manifestos provide an indication of what the major parties intend to focus on, but in most areas they raise more questions than they answer. Until we know exactly how much funding the next Government is willing to commit to these programmes and the finer detail of the policies, it will remain difficult to assess their impact. And until these parties can provide firm answers to the many questions these policy ambitions raise, they will be impossible to implement.

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