



BRISTOL RESEARCH

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RESIDENTIAL MARKET REPORT



NIMBYISM IN BRISTOL IS DEAD – LONG LIVE THE PLANNING PERMISSION RULE CHANGES

How will this affect the 227,730 Bristol Property Owners?

The 1st July 1948 heralded a new dawn in how property was built, as the Town & Country Planning Act 1947 came into force, meaning no property could be built without the say so of the local authority. Now, Boris Johnson has announced a substantial change to that, by in effect, ending planning permission.

The decision of what gets built (and what doesn't) will be removed from Bristol City Council and replaced by Westminster governed 'Zoning Commissions'. The anticipated reform will give presumptive building rights to any piece of land outside areas of outstanding natural beauty, green belt and national parks, although in the press release there was mention of protection for the countryside.

Travel to Europe and it's common to see out of place haphazard development of new households or commercial buildings, surrounded by open countryside ... so, I hope these new regulations protect us against that.

The principles of the planning rule changes are a departure away from looking at each planning application as a standalone application to a 'zone-system' of planning. Land will be divided into three classes: 1st for growth, 2nd for protection and 3rd for renewal. Anyone applying for planning permission to develop homes, offices and shops on land zoned for growth, will automatically be granted planning permission; whilst land zoned for renewal planning permission will be granted in principle while Government officers perform checks. Local authorities have until 2024 to designate areas for the three classes and once agreed, planning departments will have little or no say over individual applications that fit the rules.

Interestingly, these changes come on top of new planning regulations coming into force this September which gives implied rights to demolish any office building and replace with a block of flats, and the right to build extra floors/storeys on your home.

The Housing Secretary has specified the motive behind the changes to the planning system is not to make planning permissions easier to get (although 88% per cent of planning applications are approved by local authority's already). Instead, they have been done to make the planning process quicker, less expensive and less likely to be held up by special 'interest' groups.

87% of planning permissions in Bristol City Council were approved last year (compared to the national average of 88%)

Noteworthy, the planning rules were changed in 2016 to turn disused shops and office space into residential homes (called 'permitted development' rights), yet these new regulations about to be announced by Boris will take that right even further. This is important because in 2019, there were 241,340 new households created in the country, yet 29,260 of those households came from turning disused shops and office space into residential homes (i.e. the planning permission rule changes made in 2016).

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My concern is that the new planning rule changes do not make shop or redundant space into the new 21st Century ghettos. An RICS report in 2018 showed a massive difference between the conversion of office blocks with planning permission and those without (i.e. permitted development). What was interesting is that only 1 in 5 properties met the national space standards, a non-legally binding suggestion on the minimum size of home, minimum dimensions of bedrooms, natural light, storage & floor to ceiling height, whilst 3 in 4 of office block conversions that did obtain planning permission met the standard.

These planning changes cannot be a charter for cowboy builders or developers, otherwise your children or grandchildren could end up renting one of these sub-standard homes, thus stealing human dignity from thousands of youngsters who will end up renting these homes.

So, what does this all mean to Bristol homeowners and Bristol landlords? If you have been reading my articles you will know that one of the most important factors holding back the Bristol property market is the lack of new properties being constructed and when they are, the lack of infrastructure surrounding them.

ARE BUY TO LET LANDLORDS REALLY TO BLAME FOR BRISTOL'S HOUSING CRISIS?

Yet, these new planning changes will also introduce a new method of taking a lot more money off landowners and builders, as the Government will take a larger share of uplift in land value (i.e. the increase in value from farmland to building land) to finance infrastructure around the development. This would mean new housing developments would come with upgraded roads, GP surgeries, primary schools and shops that these new communities need to be viable. Also, communities will be asked to decide on their own standards on style and design for new developments in their area, allowing residents a greater say on the development in their locality.

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Like all things, the devil is in the detail. All of us in Bristol cannot deny that we need to build more homes to keep up with the ever-growing population and the fact that people are living longer. This new planning system should lead to more housebuilding, which in turn would increase the supply of property for those trying to get on the property ladder. Also, in the proposed legislation is the new 'First Homes' scheme, which would allow key workers, first time buyers and people who live or work in the Bristol area to purchase their new home at 30% less than its market value and when they come to sell it, that 30% discount would be passed on to the new buyer (if they also met the criteria).

With regard to what can be built and where, Bristol people will have a say upfront (i.e. between now and 2024 when the zoning rules are drawn up) but once the zoning has been established, then 'nimbyism' will become a thing of the past and hopefully we can construct the Bristol homes we are proud of for our children and for Bristol generations to come.

Please do let me have your thoughts on this matter.

BRISTOL OAP HOMEOWNERS TO FACE CORONAVIRUS TAX BILL?

The Government is on track to borrow £400bn because of Coronavirus and that needs to be paid back at some stage. Last year alone, before Coronavirus, the Government brought in £824 billion in taxes whilst they spent £887 billion, meaning they had to borrow £63 billion. In fact, the last time taxes were higher than spending in the UK was 1998, meaning since then the country has been living beyond its means.

Interestingly, whilst these are certainly eye watering numbers (£400bn is a lot of money in anyone's book) most people aren't too concerned in the short term. Because interest rates are so low, the Government are able to borrow this money at 0.39 percent per annum over a 10-year period on the Gilt Markets. There are even 3-year Government gilts at a negative interest rate. This is because the UK has been considered (and still is considered to be) a monetary sanctuary/safe haven for the last 20 years because of the country's robust credit worthiness. Cheap money – yet it still needs paying back in the years to come and that can only be funded by taxpayers.

Ultimately, the Government will have to try to balance the books and that means increasing taxation. I know many will say there is waste in the NHS and MoD procurement, but that has already been squeezed quite hard during the Credit Crunch crisis and years of austerity. Some have suggested stopping the triple lock on pensions, which costs the Exchequer £6bn a year more than if pensions had risen at pre triple lock rates, so that isn't going to make much of a dent in the debt. Some have suggested we could enter into a second wave of austerity, like we saw from 2010, yet neither the voters nor the wage frozen public sector would accept that. That leaves tax rises as the only option for leaders who claim to take a responsible long-term view of the economy.

The Government could raise tax on spending with VAT increases, but they did that in 2011 when it rose to 20% (from 17.5%). Also, increases in VAT affect the poor more than the rich. Then they could raise it from earnings (Corporation Tax, Income Tax and National Insurance) yet it's been proved raising these 'earning taxes' ends up being counter-productive to the economy, resulting in tax receipts going down (even though the tax rate went up). Both are unsatisfactory, not least because big rises end up being unfair to someone.

So, some 'think tank' groups have suggested that we look to unearned wealth and the equity people, especially the older generation are sitting on in their homes, to pay for Coronavirus. Whilst I am in no way promoting and advocating that idea, I thought it was a fascinating suggestion and wanted to know what that would mean for Bristol homeowners if such a fanciful idea took hold?

OAPs in Britain sit on £1.425 trillion in housing equity in their own homes

The average length of time an OAP homeowner has been in their property, according to official figures, is 24.7 years, meaning on average, 75.8% of that equity is profit. So, if say a capital gains tax of 10% was placed on any profit, it would raise £107.84bn over the next 20 to 25 years. So, what would that mean to Bristol OAP homeowners?

So, is this the answer to pay for Coronavirus? There needs to be tax reforms to protect the public finances yet is it fair to tax previous capital gains? Many people say no. Let's not forget people buy their homes out of taxed income, then pay Stamp Duty, VAT on any improvements and inheritance tax if the property value is more than £675,000, so is it fair the Government want another slice of pie?

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The older generation who bought these homes saw mortgage rates of 19% in the late 1970's and 16%+ in the early 1990's, meaning for every pound borrowed, they ended paying back £3 to £4 when you added up the interest. Also, let's not forget all the money spent on keeping up the maintenance - money that has already been taxed. The upshot will be this would stop OAP's selling their homes because it would discourage older people from trading down to a smaller home in retirement, making it even harder for younger families to find a big enough home to live in. Also, many people use the equity in their home to pay for retirement care, so if some of that is going to keep the debts down, that means the Government will have a larger social care bill in future years.

One school of thought could be taxing future tax-free gains for ALL homeowners, although given the Tory's dependence on the more mature middle class (homeowning) voters, this might be a step too far for the Conservatives, so some have said this will be kicked down the road for Labour to sort. Sir Keir Starmer, who appears to be quite a straight-talking and even monetarily responsible Labour leader, is certainly a lot more voter friendly to the British electorate than Corbyn.

At the 2024 General Election, he could introduce what appeared to be a smart agenda of tax increases on unearned property capital gains and as long as it was presented in a clearly defined way, maybe turning the tables on the famous Tory General Election poster from 2010, when the Tory's mocked Gordon Brown for doubling the national debt, implying it was Labour's fault for the increase in national debt when in fact it was the Credit Crunch that caused it.

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Starmer could soberly state Labour were the only party that could be trusted to make hard decisions to avoid burdening future generations with the £400bn 'Tory' coronavirus debt

One way or another, this £400bn (or £14,440.43 per household) is going to need to be paid back eventually; that means a rise in taxes. Nobody likes paying more tax - yet the truth of the matter is there is a lot of wealth tied up in property, especially with the older generation and so I suppose its introduction is inevitable in the future.

Please tell me your thoughts on the matter...



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