What affect could the autumn budget have on developers and landowners?

Blog

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Chancellor Rishi Sunak presented the 2021 Autumn Budget on Wednesday 27 October 2021. Overall, the budget heavily focused on support and strategy for UK industries in a bid to reboot the economy post Covid-19. This was a far cry from the low taxes and spending restraint previously exercised.

Amidst the rollout of changes to the likes of public finances, taxes, wages, government spending, and education were shifts that could have an impact on developers and landowners. Below, we share details on how the Chancellor's budget is shaping housing and green space going forward.

Residential Property Developer Tax

Before the budget announcement, the rumour mill had been churning and an RPDT rate between 3-5% was expected. The Chancellor revealed this was to be set at 4% for a period of time (currently 10 years) until "sufficient revenue has been raised". The money from this tax will be used to fund the removal of unsafe cladding from high-rise buildings as a result of the Grenfell Tower tragedy in 2017. This will be effective as of February 2022.

However, with the need for more homes in the UK, the government stated this 4% will only affect large commercial residential developers with annual profits over £25 million. If a developer has residential property developer profits below £25m, it will not pay the tax. However, this is not applicable for built to rent developments.

Levelling Up Fund

Available to the whole of the UK, the Levelling Up Fund is a £4.8 billion investment in public services. The plan begins with a £1.7 million investment in local infrastructure, focusing on developing town centres and high streets, as well as heritage sites and locations of cultural importance.

On the surface, it may not be clear as to why this would be of benefit to developers and landowners. However, this cash injection will help rejuvenate different UK areas – predominantly coastal towns, deprived areas, and ex-industrial towns. With this comes new homes, new jobs, and a new lease of life which will boost the population and economy. Property prices will be set to increase in locations invested in and present opportunities for developers and buy to let landlords.

Planning system changes

With this comes alterations to the planning system. Amongst other changes, councils being encouraged to enable developers to build out sites in a timely manner. Furthermore, a traffic light system for land development has also been introduced. The simplification of the rules (which were outlined in the Queen's Speech in May) means land will be classed as an opportunity for growth, renewal, or protection. This has made land, particularly in town centres, more readily available. Securing a land bridge loan to help facilitate development will allow for quick regeneration in growth areas which can benefit from automatic planning permission for landowners and developers.

Affordable Homes Programme

Part of the budget has been allocated to the development of affordable housing. Sunak has siphoned £11.5 million into this venture with the aim of addressing the UK housing crisis. Over half of this allocation will be used to create homes outside of London, primarily on brownfield sites with a focus on greener builds.

The programme aims to create 130,000 new homes by 2026. While housing associations currently have a monopoly on funding to build these properties, local authorities, developers, and community-led organisations can also apply for funding. However, developers will need to be qualified investment partners of Homes England or another organization that is.

For developers who do not have access to government funding, property development finance can be an efficient route to capital to help build affordable homes.

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