

R3 MARKET INSIGHTS August 2024

R3 RESIDENTIAL SALES DASHBOARD

A rosebush full of thorns?

In his recent speech, delivered in the rose garden of Downing Street behind a lectern with the usual hollow three word message (this time "Fixing the foundations" – aren't we all a bit fed up of this tired, old format?), Sir Kier Starmer told us all to prepare for some pain as part of the October budget. Will it be more thorns than roses? Difficult to predict at this early stage but we look here at possible implications of it on the property market.

- **Possible increase in Capital Gains Tax (CGT):** Anticipation of increased CGT rate, possibly more aligned to income tax rate, may well provide an incentive for Landlords to sell prime London properties before the rate hike, crystallising losses at a lower rate, and potentially leading to a temporary surge in listings and downward pressure on prices. Equally, a higher CGT rate may well incentivise owners to keep their assets for much longer so as not to crystallise gains. Lower stock would put upward pressure on prices.
- **Wealth taxes:** the possible introduction of wealth taxes and redistribution policies may deter High Net Worth Individuals looking to relocate and buy in London, reducing demand and possibly leading to a cooling of the market. Equally, higher taxes on assets such as pensions and inheritance may push affluent UK residents to invest in prime London real estate as a stable and appreciating asset, increasing property values.
- **Rent controls:** Proposed rent controls could deter investment in high-end rental properties, decreasing the attractiveness of investing in prime areas, potentially leading to reduced property values and lower rental stock.

It is still too early to predict which direction a market that moves slowly, at the best of times will go. Whether you will end up seeing a rosebush full of thorns, or a thornbush full of roses will very much depend on your personal circumstances. Either way, we're here to help clients buy or rent property in the UK.

FIGURE 1 - R3 Residential Indices

Average property prices as at the end of the month of the date of this Newsletter

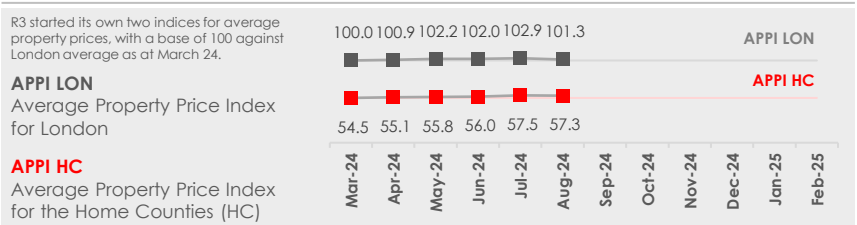


FIGURE 2 - R3 Average SOLD Price per Square Foot (PSF) Indices

Based on average property values as at the end of the month of the date of this Newsletter

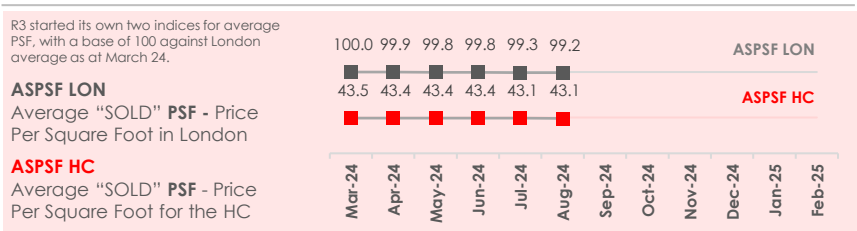


FIGURE 3 – Market Key Performance Indicators

Average property values and average ask and sold PSF, including inherent market discount on sales

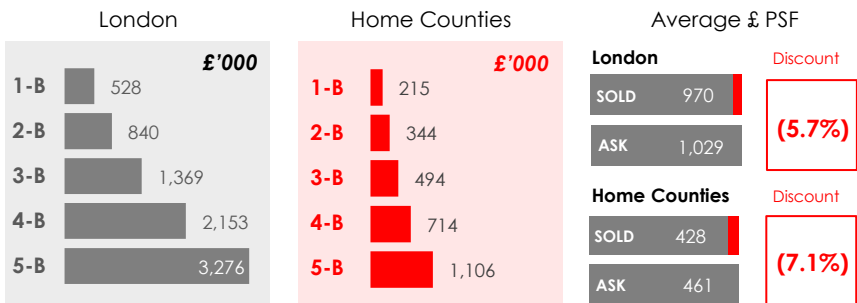
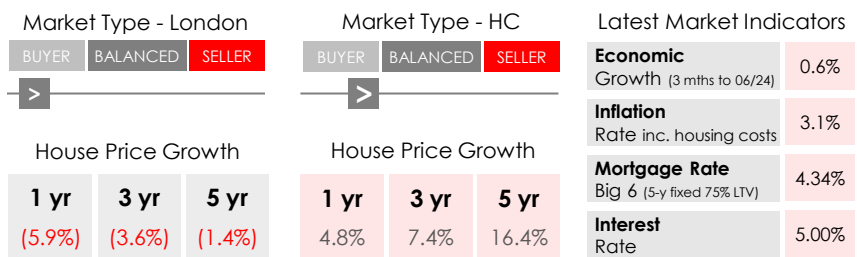


FIGURE 4 – The nature of the market

Market Type and directional trend in London and the Home Counties, and average growth over 1-3 years



Marco Previero

Director and Research Lead at R3

"The PM urged preparation for challenges in the October budget. Potential tax changes and their impact on the property market loom large – but change also brings opportunities if you can play your cards right."

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