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PROPERTY LEADERS FORECAST

Leading industry voices came together for a roundtable discussion hosted by *BE News* and sponsored by MRI Software to debate what will happen in the six months to the end of 2024 and in the next six years to 2030

INDUSTRY GUESTS:

Vanessa Davey, partner, Quadrant Estates

Tom Duncan, head of research, strategy and product, Cromwell Property

Zac Goodman, chief executive, TSP

Michael Jenkins, finance director and chief financial officer, Dorrington

James Lavery, vice-president of marketing (EMEA), MRI Software

Melanie Leech, chief executive, British Property Federation

Emma Mackenzie, director, head of asset management and ESG, NewRiver

Dan Mason, co-founder and managing director, Multi Realm

Paul O'Grady, asset management director, Canary Wharf Group

Mat Oakley, head of EME commercial property research, Savills

Sammy Pahal, managing director, UK PropTech Association

Andrew Saunders, equity research analyst, real estate, Shore Capital

Liz Hamson, editor-in-chief, *BE News* (chair)

On 4 July, the Labour Party secured a landslide victory in the general election and wasted no time in starting to implement a swathe of new policies, which ranged from a radical reform of the planning system to "get Britain building" to reintroducing statutory annual housing delivery targets.

In the week following the general election, *BE News* and sponsor MRI Software gathered a panel of leading industry figures to provide their predictions on the short- and medium-term future for the built environment sector, asking what will happen in the second six months of 2024 and in the next six years to 2030.

Optimism is a word that has rarely been heard in the real estate sector over the past few years, but it was repeated often during the roundtable discussion held five days after the election.

The panel of senior industry figures gave their reaction to Labour steamrolling the Conservatives and offered their verdict on the keynote speech new chancellor Rachel Reeves delivered on 8 July, in which planning reform took centre stage.

Summarising Reeves' inaugural speech to the room, the British Property Federation's Melanie Leech said: "She said so much about planning that I've had to write it all down in case I forget something. Now, who could ever remember a time when you could say that? It's just unprecedented and a huge, huge opportunity for our sector."

Growth is Labour's national mission, with the chancellor talking about three pillars – stability, investment and reform – which "are absolute music to our industry ears", said Leech, adding that, particularly with stability, "the industry can plan" without the "revolving door of housing ministers".


Melanie Leech


Sammy Pahal

Greater intervention

Reeves confirmed that the government would reintroduce compulsory housing targets and that it intended to deliver 1.5 million new homes by the end of this parliament. It was also suggested deputy prime minister and housing secretary Angela Rayner would call in more decisions and intervene more regularly – and that both Reeves and Rayner would be looking at any investment opportunities that could be unlocked by planning.

According to Leech, they are going to concentrate on what can they do through guidance, planning notes and ministerial statements. She added: "Labour may resurrect the Renters Reform Bill with whatever measures they decide to put in or take out to make it their own, rather than just the Tory bill that didn't get through."

Leech said that if the new government followed through on its commitments to be much more aggressive around unlocking the planning system, driving development and growth, "that's going to be uncomfortable in local communities". She added: "It's going to be fought, it's going to be contentious, and they can deal with that at one level, but we also must deal with that. Earning our licence to operate and our being responsible and showing that we can play our part in selling that proposition and delivering those results will become more important than ever."

A downside to the speech was that there was no clear message on business rates. But on technology, Leech said: "We're calling on government to digitise, to make things more efficient for us, and we also need to be playing our part."

> ***Reeves said so much about planning that I've had to write it all down in case I forget something.***
>
> *Melanie Leech*

The UK PropTech Association's Sammy Pahal highlighted how much the industry had embraced tech over the last seven years, but said it must keep up with the rate of change. "Technology has made us more productive, but now, because of technology, there's greater demand from consumers, occupiers and tenants," she explained.

More is needed around innovation "and just connecting the dots a bit better", added Pahal. She recognised the work already under way to digitise planning and fund local authorities to procure tech solutions ⊳


Zac Goodman


Emma Mackenzie


Paul O'Grady

in-house, to make better, faster decisions on planning applications.

But Pahal added: "We haven't seen the fruit of that yet – it needs to be done, and they need to connect with the innovation that can happen to the private sector, such as submitting planning applications, which can be more holistic."

Given Labour's promise for greater clarity, and stability, the panel was then asked about putting confidence back in the market, and how that could play out over the next six months. In response, TSP's Zac Goodman said there were some very big promises and some great words and "if Labour unlocks planning, they'll be doing a favour for multiple generations to come". However, he added: "I get the excitement around planning, but actions speak louder than words, and there are fundamental questions over capital gains tax and residential building targets."

Referring to Labour's determination to build 1.5 million homes within six years, Goodman said: "I stop these days [when there's talk] about mandatory targets." As an example, he pointed to people who do not conform to EPC legislation and suffer no consequences.

'Demand is there'

Canary Wharf Group's Paul O'Grady focused on confidence coming back into the market. Pointing to statistics for Q1 and Q2 on take-up, he said: "The weight of demand is there, and everyone just wants the doors to open and for that to come through, rather than hanging back [for the election and rate cuts].

"Hopefully, [the election] has happened in a definitive enough way to give confidence to the market so that deals will now pick up pace, and that it will provide the stability that everyone has been waiting for."

NewRiver's Emma Mackenzie agreed that the UK now had certainty. She said from NewRiver's perspective, it focused on what it could control and do "because uncertainty has been so prevalent in the last three years".

She added: "An election has been hanging over everybody for months. Now we've got a party that's won by a vast majority and then I think time will tell."

> ***Hopefully, [the election] has happened in a definitive enough way to give confidence to the market***
>
> *Paul O'Grady*


Michael Jenkins


Vanessa Davey


Matt Oakley

According to Mackenzie, the spotlight is now on what Labour tries to deliver. "Anything to help people who are working and living and spending must truly be a priority for living better," she said. "People not having enough, not spending enough, affects our industry – the consumer spending industry."

Dorrington's Michael Jenkins said the industry must wait and see "what runs on the board and what they actually do" for the first 100 days, adding: "They've been out of power for such a long time that we don't really know what they're going to do or how they will behave."

Slow and steady

Vanessa Davey of Quadrant Estates urged Labour "not to rush decisions". She said the new government must "figure out how it works, slow down and calm down", and that no one wants it to rush into doing things. "Planning, yes, needs to be sorted," she added. "We've got so many schemes that have gone through a ridiculous situation, and so I'm delighted to hear they want to fix it. But I don't think they're going to fix it that quickly."

For Davey, the issue is that local politicians ultimately make the decisions: "If some of that local aspect can be taken out once the local planners have made a positive recommendation, [that] becomes less political and more business oriented."

Savills' Matt Oakley threw some sobering comments on to the table. Talking about his experience working in the sector since the late 1980s, he said he had never met a developer who was happy with the planning system. "We do surveys asking developers what's the barrier to development and it's always planning, and with every government and within governments, there have been ideas to tear up the planning system," he added.

"It's not going to change, and it's delusional to imagine they can change it. Developers aren't developing because they can't make enough profit," explained Oakley, adding that planning isn't "really the problem here" – rather it is investment, specifically in commercial.

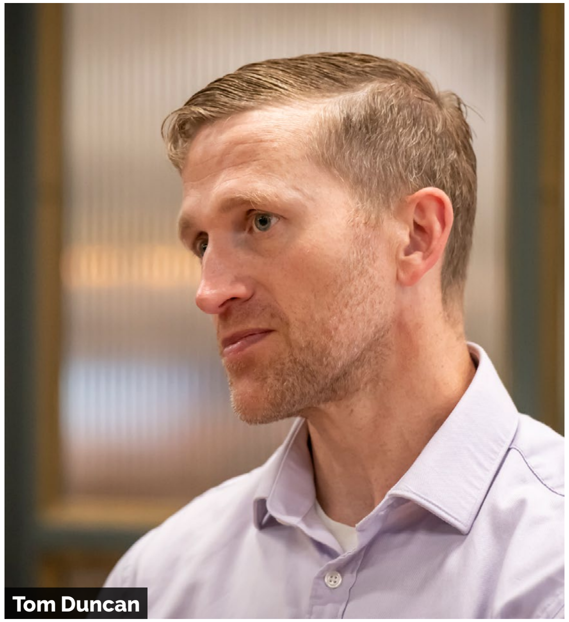
"People aren't investing in real estate because real estate isn't very attractive now and people aren't developing because they can't get a high enough rent to justify the costs going into it to take a profit out," he said. "The exit yield isn't low enough, and government policy isn't going to affect whether real estate is financeable."

On finance, it was notable that capital gains was absent from Reeves' speech. According to Shore Capital's Andrew Saunders, the REIT regime is there to shield companies from paying tax, and the challenge in the equity market is promoting the attractions of the REIT regime as there is no liability to corporation tax with rental income models inside REIT structures.

He added: "Perhaps there are incentives ⊳


Andrew Saunders

> ***We don't live in a bubble and that will affect the deliverability of what we can do here***
>
> *Tom Duncan*


Tom Duncan

that Rachel Reeves can come up with? Reducing or removing stamp duty on buying and selling shares would help. She's going to be the chancellor that gets the nice job of presiding over the rate cuts when they finally materialise".

The panel was then asked when there would be rates cuts, as some commentators were touting August or September. Multi Realm's Dan Mason said "not in August – the fundamentals aren't there yet" and they may not be for the rest of this year.

While acknowledging inflation was "down to the government's 2% target", Mason said that "slightly masks some underlying factors, and that some inflation measures including housing and certain service costs are still above the target, and until those are sorted, I can't see them rushing to bring rates down".

On the subject of foreign direct investment (FDI), Goodman said there was one positive to come from the election: that the UK now "looks again like the most stable democracy in the west". He called on Reeves to "be intelligent and take that to the Bank [of England] and convert that goodwill into FDI".

He added: "We all get a sense there's been people outside our borders who have had their foot raised off the accelerator, [and] we need that cash coming into this country. We need that global attractiveness."

Agreeing, Cromwell Property's, Tom Duncan said it was important for Labour to go outside the UK and build bridges with other countries to restore the confidence.

Macroeconomic factors

Duncan called it a "priority" and added that macroeconomic factors were going to influence Labour's ability to deliver its agenda, "particularly if our western allies such as the US and parts of Europe move rightwards – if that occurs, the new centre-left UK government could start to look rather ideologically isolated".

"It's about seeing the UK in a broader context after what's happened in the context of what's going on elsewhere, because we ⊳


Dan Mason


James Lavery

don't live in a bubble and that will affect the deliverability of what we can do here."

Finally, panellists were asked how optimistic they were for the sector between now and 2030, and what the top priority for Labour should be.

For Leech, in the short term, it essential to cement the UK's reputation as being a place to put your money. She added: "The six-year priority [must be for] the rhetoric to translate into action. We must be seeing a meaningful difference in terms of what they have been able to do with the planning system and what they have been able to do in terms of digitalisation."

Mason summed up his answer in 11 words: "Six months – confidence. Six years – consistency. Done. And I'm very optimistic."

'Structurally' optimistic

Goodman said the industry was in for a bumpy ride over the next six to 12 months: "We should be realistic about that. Real estate works on a time lag. In six years' time, I'm uber-confident because Rule Britannia really is the best nation in the world and we're an island and you buy land because they don't make any more of it, and so I'm 'structurally' optimistic about real estate."

For Jenkins, the next six months should be about "putting flesh on the bones of the manifest, letting us all know in more detail what they're going be doing, and then in six years, if you look beyond our industry, it's about actually getting the economy moving and let's see if we can have some value growth for once". He added: "I am cautiously optimistic."

O'Grady said sometimes the property industry "needs to give itself some credit, because through the past few years, we have adapted and changed", adding: "We've been hit with Covid, and all kinds of external changes, shocks and tech advances. We have [modified] our business models to them, and [a new government] is potentially another change. We are getting better at adapting."

MRI Software's James Lavery agreed about "breaking some eggs, doing something different", adding that more awareness was required on the tech front nationally, particularly to support with huge challenges like sustainability measures. "There's a lot of education to do in the property industry about technology," he said. However, he added he was optimistic because: "How could you not be hearing all this optimism [here]?" □

> ***There's a lot of education to do in the property industry about technology***
>
> *James Lavery*