



Conservatives confound the pundits as optimism wins the night.

8th MAY 2015

Over the past 3-4 months the prime residential property market has performed like an engine leaking oil, as the 7th May got ever closer the engine slowed to near seizure. Below the surface of uncertainty lurked a growing fear. The fear was less about messy coalitions or Scottish nationalists, but more connected to memories of the 1970's and a left wing Government who seemed hell bent on revisiting those times.

This morning's election result is truly astounding given the steadfastness of all the polls over the 6 weeks of the formal campaign and for some months before. Political pundits, professional pollsters, book makers and the politicians themselves all expected a tight hung Parliament with no one truly knowing who might lead it. A Tory majority was on no ones mind.

Many argued that there was barely any difference between the two main parties in UK politics, this was seen as being the reason for the electorate's disengagement and low turnouts of around 65% at this and the last general election. However this election has felt different, there was a real fear of a centre right party losing out to an old fashioned left wing party. The electorate have profoundly rejected the latter but in reality the political landscape is still fuzzy with the Tories governing on a projected majority of 6 (as I write) compared to a majority of 77 in coalition through the last term.

So what does this mean?

The good news of course is that the architects of so much of the old fashioned socialist wealth distribution measures have been kicked out by the electorate. Vince Cable the instigator and creator of the Mansion Tax proposals has gone, Ed Balls the advocate of the 50p tax rate has gone, Ed Miliband the despiser of foreign wealth and Non Doms with revisionist policies such as imposing rent controls has his seat but not the leadership of his party for long. The electorate have spoken but so too have the markets with Sterling having rallied over night and the FTSE up around 1.5% or so.

There is no doubt that for our clients a huge sense of relief will be felt and the prime property markets as a whole will be in a far more positive place than 24 hours ago. Given the broadly held view on the expected outcome, the last few months have seen a build up of pent up demand as decisions were put on hold. Our own experience bears this out with our own clients but it also became the single topic of conversation, and frustration, amongst agents over the past couple of months. This could well lead to a significant price rally, something the likes of Knight Frank predicted some months back before the polls implied any discussion of a Tory majority was insanity.

Personally I hope any short term euphoria is limited. The hot potato of excessive property prices, a political issue in many parts of the world, remains and any hint of prices rising unchecked will risk placing this higher up the agenda. George Osborne has already shown his willingness to impose pretty tough new measures to raise revenue on high end property and while the mansion tax should now be consigned to the dustbin, a review of the council tax and property tax system is arguably long overdue.

I doubt we have seen the end of discussions concerning property taxes but perhaps Osborne feels he has done enough for now (overhaul of Stamp Duty, introduction of capital gains tax on foreign owners and the annual taxes for corporate owned flats for personal use). The Tory's stated intention to lower the upper end tax bracket to 40% from the current 45%, their recognition of the role Non Doms play in maintaining London's position as the world's only true global city and their encouragement of the private rental sector, all give reason to face the future with an optimism and quiet confidence that we hardly dared to hope for yesterday.

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