ADDRESS

2024 at a glance

RESIDENTIAL SALES & LETTINGS

COMMERCIAL

AGRICULTURAL

SURVEYS & VALUATIONS

HOLIDAY LETTINGS

Arnolds | Keys

REASONS TO BE CHEERFUL

Perhaps inevitably, the press has been full of pessimism about the impact of various tax rises on businesses announced in the Budget, but it is important to look at the wider picture – and this gives us much more grounds for optimism.

I am not going to pretend that the economy is not facing challenges, but falling inflation and a resolutely downward (if slower than hoped-for) trend for interest rates is boosting confidence. Despite the best efforts of both this and the previous government, the underlying economy is in fact performing well.

Of course, there are – as often happens – potential storm clouds on the horizon, in the form of global events over which we have no control. We don't yet know what the impact of a second Trump presidency will be; we must hope that the reality is less disruptive than the rhetoric, which was certainly the case last time around.

But in any case, we should focus on those things we can change. To unlock further growth in the economy needs various hurdles to be dismantled. Chief amongst these for us in East Anglia is a long-term solution to the long-running Nutrient Neutrality issue, and a wholesale reform of business rates. Chancellor Rachel Reeves made a vague promise on the latter during her Budget speech, but as yet we have no details. This is a particularly urgent issue for our retail and hospitality businesses.

Nevertheless, there is plenty to be positive about. Major infrastructure projects such as the A47 improvements, the Long Stratton bypass on the A140, and third river crossings at both Great Yarmouth and Lowestoft are either underway, well-advanced, or completed. Our region is benefitting from having largely transitioned to being a knowledge economy, with strong skillsets in areas such as technology and the creative industries.

Local challenges include the restricted supply of new commercial premises (both industrial and grade A offices), and delays in buildings the new homes we need to accommodate the workers who will drive growth.

In the commercial property market, the underlying strength of the local economy is demonstrated by very strong demand for warehousing and industrial units, resulting in an upwards pressure on rents and strong returns for investors. And as Kevins Atkins outlines in this edition of Address, a growing trend for 'return to office' is helping landlords who are prepared to invest in their premises to meet buoyant demand.

The picture in retail is more nuanced: we are undoubtedly feeling the effects of competition from online retail (this is one area where the business rates imbalance is particularly damaging), but as Norwich's continued strength indicates, having a diverse retail offer, including a strong independent, nice sector, can result in a thriving High Street.

The agricultural sector, which was already reeling from the loss of BPS payments, is one of the most affected by the Budget announcements. The severe restriction of Agricultural Property Relief is the measure which is making the most headlines, but the increased costs of employment due to big hikes in the minimum wage and national insurance will arguably have an even more serious impact. Our Agricultural Property team have more to say about this in the following pages.

Whilst food production is a major employer in Norfolk, an even bigger one is tourism. The supply of holiday accommodation is a vital cog in this sector, and is being threatened in various directions, not least the abolition of tax relief for furnished holiday lets from April 2025 (this at least is one thing we can't lay at Rachel Reeves' door; it was Jeremy Hunt who announced this in his spring Budget).

That said, there are still big opportunities for investors in this sector, especially as the demographic profile of visitors to Norfolk tends to be a section of the population who are less affected by high mortgage rates, and more loyal – as Louise Hillman points out in her article in this edition of Address.

Despite the very real challenges, Norfolk is still a great place to do business, and confidence remains generally high. Inevitably it is the negatives which make the headlines; it is time for all of us to be more proactive in telling the positive stories, and talking up our county and the opportunities it affords.

GUY GOWING:
SENIOR PARTNER

DELIVERING AN EXCEPTIONAL PROPERTY SERVICE IS ALL ABOUT THE PEOPLE

As Guy Gowing outlines in his article, the whole property market is in a state of flux, and never before has there been such inter-dependency between commercial, residential sales and lettings, agricultural, and holiday property sectors.

As we demonstrate in this edition of Address, investors are increasingly diversifying their portfolios. Perhaps holiday property owners might be considering whether the end of Furnished Holiday Lets Relief is the time to pivot into longer-term residential letting; or investors in retail properties may be looking to embrace online retail as well by adding warehousing to their portfolios.

This diversification requires advisors who have experience right across all sectors of the market. Specialists in just one field will always promote their own area of expertise; only a multi-disciplinary team can offer an objective view of the best investment choices for each individual.

That was the reason we took the decision a few years ago to concentrate our resources in three regional hubs, each housing experts in the various disciplines which make up a complete property service.

Embracing technology certainly helps us deliver the best service, but I am firmly of the opinion that the property business is not about IT, nor about bricks and mortar; it's about people. We know that a locally-based team equipped with the right skills and experience, but above all with a comprehensive knowledge of the local market, is crucial to delivering a truly exceptional property service.

As we transition into life under a new government and a new tax regime, and as the market continues to evolve at a pace, our focus at Arnolds Keys continues to be our people. We are proud both of our high retention rate and the way we develop our staff to offer them the best career paths and our clients the best service.

Whether that is offering long-term placements to students, supporting graduates to achieve high-level professional qualifications, or upskilling even our most qualified people so that their skills remain relevant, one of my main focus points as managing partner is to ensure that the Arnolds Keys team is in a position to offer the very best advice in every property sector.

NICK WILLIAMS: MANAGING PARTNER

OUR NEW OFFICE: PRACTISING WHAT WE PREACH

Having been advising clients about changing office trends over the years, Arnolds Keys practised what it preached earlier this year by moving our Norwich head office to a much more modern, open-plan office suite. It is all on one level, with attractive breakout areas and equipped with the latest communications technology.

A car park for visitors, full disabled accessibility, lots of daylight, a city centre shop window: these were all boxes we needed to tick. We count ourselves very fortunate that we found this at 25 King Street, just across the road from our previous premises.

Ever-advancing technology, the need to attract and retain the best talent, and evolving attitudes to work/life balance are all changing the face of work.

Increasingly employers are recognising that collaborative working is the way to get the best value out of their human resources – and that means providing an environment that is conducive to creative thinking and team working.

They say that the only constant is change, and that certainly applies to the world of work. A workplace which is fully adaptable to the constantly evolving way of working is no longer a nice-to-have, but a necessity if you want to attract and retain the best people and get the best out of them.

Our new offices have a great coffee machine as well. Do pop in and take a look for yourselves, and we'll fire it up for you.

50 NOT OUT FOR CLIVE

Past and present colleagues, clients, and business associates gathered at a reception at The Pheasant Hotel in Kelling to mark a remarkable milestone for Coastal branch manager Clive Hedges: 50 years working for the same firm.

Clive Hedges joined Keys – now Arnolds Keys – immediately after leaving school in 1974, and has managed our branch in his home town of Sheringham since 1980.

Under the tutelage of his first boss Tony Bond, Mr Hedges learned quickly, and in 1980 became the firm's youngest ever branch manager, taking over its Sheringham office at the tender age of 22 – a position he has now held for 44 years.

Paying tribute, Arnolds Keys managing partner Nick Williams said, "There is no-one in north Norfolk who knows more about property than Clive, nor who understands the value of building and maintaining personal relationships."

"It is testament to his skills and loyalty that he continues not just to carve out a hugely successful career, but be held in such esteem by generations of house buyers and sellers in north Norfolk, in whose lives he has played such a part."

NEW ASSOCIATE APPOINTED

October saw the appointment of Kevin Atkins as an associate. His new position will see him combine his present role as a valuation surveyor with a wider business development responsibility across the firm's Commercial Property division.

Kevin joined Arnolds Keys last year. A graduate in Property Development and Management from the University of Greenwich, he qualified as a Chartered Surveyor in 2020. Prior to joining Arnolds Keys, his career included time at King's Lynn & West Norfolk Borough Council and at Norwich City Council and its partner organisation NPS, undertaking a variety of property management and valuation roles.

Kevin said, "I am really looking forward to developing our lease advisory and valuation offering as a firm, so we can continue to service our clients in the best possible way. Becoming an associate is an important milestone in my career and demonstrates the opportunities for career progression at a locally based firm."

"All of Arnolds Keys' current partners started here either as graduates or newly-qualified surveyors, which is as good an indication of the firm's commitment to nurturing its people and their careers as you will find."

KEEP ON RUNNING

Five members of Arnolds Keys staff hit the city streets in September for Run Norwich, the Community Sports Foundation's annual 10km road race.

Senior partner Guy Gowing, partner Simon Evans, associate Kevin Atkins, land and development commercial surveyor Harry Downing and commercial agency administrator Natalie Roebuck all completed the course, contributing to the event's fundraising efforts – which looks set to once again pass the £100,000 mark, with money raised distributed to a range of local good causes.

WELCOME

We are delighted to have welcomed the following new members of staff recently:

- Andrew Cusack, Residential Property Valuer (Aylsham)
- Julie Dixon-Claxton, Senior Lettings Negotiator (Norwich)
- Phoebe Richards, Valuations Co-ordinator (Norwich)
- Victoria Steel, Graduate Rural Surveyor (Aylsham)
- Karen Swift, Lettings Viewing Representative (Norwich)
- Glen Whipp Crook, Graduate Placement Student (Norwich)
- Nicole Wylie, Residential Sales Negotiator (Aylsham)

OFFICE INVESTORS MUST SEEK TO INSPIRE

Last month supermarket chain Asda became the latest employer to demand its staff return to the office, insisting that staff at its offices in Leeds and Leicester spend at least three days a week at their desks from the new year.

The supermarket is following a trend which has seen a growing number of businesses mandating a return to office, often with a minimum attendance per week, but with some (such as Amazon) telling their staff they expect them to be in the office full-time.

To sweeten the pill, Asda has promised to improve the working environment for its staff, equipping its offices with more meeting spaces, quiet-space working pods, new chairs and redecoration, as well as better on-site catering.

We are not immune from this trend here in Norfolk. Whilst we haven't seen many five-day mandates, we are definitely seeing more employers expecting staff to be physically present for at least some of the week.

Providing an attractive and inspirational place to work is part of this, and is perhaps the reason that demand for top-quality office space is outstripping supply – in Norwich at least. This is despite there having been much investment in refurbishment and upgrading, in buildings such as Prospect House in the city centre, and on business parks on the periphery such as Broadland Business Park.

Creating a workplace which staff will feel happy attending is not about gimmicks such as ping-pong tables and slides. Instead, it is the really important stuff which matters, including open plan design, natural light, soft furnishings and comfort (buildings which are warm in winter and cool in summer).

Aesthetics are also increasingly important: an office must inspire rather than just offer functionality. If employees feel uplifted by their physical environment they will want to be in it, and will give their best work when they are there.

This all means that for investors, bringing office buildings up to scratch is a must. A building's ESG credentials will have a direct impact on the potential for its capital and rental value, and it will be increasingly difficult to let lower quality offices to which occupiers will find it hard to attract staff back to work.

It is no longer enough to understand the needs of the occupier; satisfying the aspirations of their staff will play an increasingly important role in determining whether an office building is an attractive proposition or not.

We still don't know what the situation will be when the WFH/RTO pendulum finally stops swinging (if it ever does). But it seems certain that creating inspirational office environments will be a key part in investment success.

KEVIN ATKINS:
ASSOCIATE &
VALUATIONS SURVEYOR

A HIGH STREET RENAISSANCE IN PROSPECT?

Ever since the emergence of online shopping, commentators have been writing off bricks and mortar retail; and yet despite this drip-feed of pessimism, our High Streets are still there, fighting a sometimes uneven battle to stay relevant, and by and large succeeding.

That lack of a level playing field is best demonstrated by the business rates situation, where prime retail units are often valued far higher than the kind of warehouse distribution centres needed by online sellers.

In her Budget speech Rachel Reeves promised a review of business rates, but not until 2026, and with no details given. At the same time she announced the 75% business rates discount enjoyed by smaller retailers would be cut to 40% next April.

With all of these headwinds, how is it that retail is surviving at all, let alone thriving? The answer is in adaptability – those retailers who have grasped the changing needs and aspirations of consumers and which are able to pivot their business to meet them are doing well. Those which have been unable or unwilling to do those things have suffered, and in the case of some big High Street names, disappeared altogether.

It is perhaps no coincidence that many of those which have done best are independently owned businesses, whose owners have more agility in decision-making, and who are probably closer to the coal face and thus have a better handle of what their customers want. That doesn't just apply to smaller retailers; Jarrolds is an excellent example of a large store which has been able to change with the times.

Norwich in particular is still a retail destination, and so has fared better than most.Whilst it has seen several big casualties (Debenhams, Top Shop, BHS among them), the city is equally attracting new operators such as Urban Outfitters, Flannels and Taco Bell.These corporations would not be coming if they believed the city was dying.

Meanwhile, Norwich has built a strong reputation for niche retailers, particularly in The Lanes area. The right offer and strong marketing has meant that occupancy is high in this part of the city; there are few voids, and even these tend to be snapped up quickly.

It is right to acknowledge the good work being done to support the city's retailers by the Norwich BID, which has worked hard to attract shoppers, and to ensure that the wider city environment is conducive to them staying and spending when they get here.

Around the county, several market towns are also thriving, especially Aylsham, Sheringham and Cromer. These tend to attract an older demographic who are less vulnerable to mortgage rate hikes.The successful towns are those which have also broadened their appeal to include more experiential businesses; Aylsham, with its growing food and drink offer, is a good example of what can be achieved.

What does this all mean for investors? Although the High Street continues to be under pressure, it is far from finished.With the right building in the right location, and importantly with the right occupiers and the right covenants, retail can still be a surprisingly good investment opportunity. Certainly an element of flexibility is required, whether

that is shorter leases or stepped rents for start-ups.

It is impossible to say whether the online shopping revolution has plateaued, but there is certainly room for bricks and mortar retailers, provided they can offer the kind of shopping experience which a web-based business never can. If Rachel Reeves is genuine in offering a more level playing field when it comes to business rates, we may yet see something of a renaissance on our High Streets.

HARRY DOWNING:
LAND & DEVELOPMENT
COMMERCIAL SURVEYOR

BUDGET MEASURE THAT WILL HAVE A HUGE IMPACT ON FARMING

Last month's Budget was always going to be painful for businesses, and so it turned out, with a significant change which will have a major impact in the farming world.

Unsurprisingly, it is the measures that will add immediate cost to employing people which initially attracted the greatest attention. A rise in the National Living Wage of 6.7% (and one of 16.3% for 18-20 year-olds), coupled with a 1.2% hike in employer's national insurance contributions and a huge cut in the threshold at which employers start to pay NI, means that employing someone on full-time minimum wage is going to cost over £2,500 a year more in April 2025 than it does now.

But it is changes to Agricultural Property Relief which may have the biggest impact on rural businesses. Introduced in 1984, APR allows family farms to be passed from one generation to the next with certain exemptions limiting inheritance tax. Rachel Reeves announced in her Budget speech that from 2026, only the first £1 million in value will be exempt; everything after that will be taxed at 20% (as opposed to the full IHT rate of 40%).

Her claim that APR 'will continue to protect small family farms' is self-evidently not true except for the very tiniest concerns: £1 million equates to only around 50 acres and a farmhouse, not including any equipment.

Given that you can't plan for when you die, this means that every farmer should be thinking about their succession plan right now, and not trusting to luck that the farm won't have to be broken up and sold when they are no longer about. Whether it's putting life insurance in place to pay for any inheritance tax liability or making exempt lifetime gifts at least seven years before they die, it is suddenly time to go to work on succession.The new tax regime comes into effect in just 16 months, which is little enough time to mitigate its effects.

Just to make things worse, Business Asset Disposal Relief, often called 'Entrepreneur's Relief', was also in the Chancellor's crosshairs. Currently this allows business owners to pay just 10% capital taxes on the first £1 million when they dispose of their business; from April next year the figure will be 14%, and from April 2026 it will be equalised with the basic rate of capital gains tax, at 18%.

Amid all this doom and gloom, there were just two glimmers of good news. The first is that fuel duty has been frozen for another year, including the additional 5p a litre discount which was due to come to an end in April. And if all this economic misery is too much for you, at least you can drown your sorrows with a pint, which now costs a whole penny less than it did before the Budget.

SIMON EVANS: AGRICULTURAL PARTNER

TIME TO UPDATE A 42 YEAR OLD TAX BASELINE

It is inevitable that the farming world's attention is focussed on inheritance tax following last month's Budget, but we shouldn't forget that Rachel Reevs also announced an increase in capital gains tax, from 10% to 18% for basic rate taxpayers and from 20% to 24% for higher rate taxpayers – with immediate effect.

A rather less well publicised issue around CGT is that it is now 42 years since there was a 'rebasing'. Given that much farming land won't have changed hands since then, this is a major issue for the agricultural sector.

Essentially, in March 1982, any property held as of that date was considered to have been sold and reacquired at its market value on that day. Hence any CGT liability is calculated on the gains made since 1982, unless the property has changed hands in the interim.

This historic rebasing is now very out of date, and it is time HMRC based their calculations on a more recent – and relevant - reference point.

In 1982 terraced cottages were selling for around £12,000, a modest size house was valued at £25,000-£30,000 and agricultural land at £1,500-£2,000 per acre. Accurately valuing land and property retrospectively is increasingly difficult, not least because there is a decreasing level of experience of the 1982 market – and it is almost impossible to obtain accurate information on the condition of the subject property more than four decades on.

Instead, I turn to our archive of sales information and hope that this will be sufficient.

What's more, in 1982 we had a very different, more restrictive planning policy. This means that land which at that time had no development potential was likely to be valued relatively low; if today's policy means that land has achieved development potential, the increase in value is likely to be disproportionately high. No-one would suggest that a gain shouldn't be taxed, but the level of that gain has to be realistic, and not inflated by a historic undervaluing of land by today's standards.

It is high time to bring things up to date, and a new rebasing date is required. I would suggest March 2000: far enough back to calculate any gains made, but based on a more relevant planning environment, and close enough for us to be able to make a realistic base valuation on which to calculate any gains.

The retention of the CGT annual allowance at £3,000 in the Budget was something at least, but that level is still far less generous than the £12,300 allowance of just two years ago. As with the arbitrary £1 million allowance the Chancellor has set for inheritance tax, the CGT allowance simply doesn't reflect the true position on the land.

TOM CORFIELD:
AGRICULTURAL PARTNER

A SUSTAINABLE RESIDENTIAL MARKET DRIVEN BY INCREASED CERTAINTY

Given the prolonged period of uncertainty between the General Election and the Budget, which might have been expected to put the dampers on the residential market, the level of confidence has remained surprisingly high – and with further interest rate cuts and at least some certainty about taxation following the Budget, we can now expect a more settled period, which can only be a good thing.

Concerns about a potential increase in the capital gains tax paid on residential property is one thing that did have an impact in the weeks and months leading up to Rachel Reeves' speech. The second home market was more or less non-existent in September and October.

The surprise announcement that residential CGT was to remain at 24% has allayed those fears, and things are moving again in this sector of the market.

Demand from investors for holiday letting properties is still slightly dented, not by anything announced by Mrs Reeves, but by the measure unveiled in Jeremy Hunt's last Budget in the spring that will see the removal of Furnished Holiday Lets relief from April 2025.

However, these are two relatively specialist areas of the market (albeit the second homes market is important in north Norfolk). It is people buying and selling their principal residences which is the main factor which drives the market, and here we are seeing a different picture depending on where in the county you look.

In Norwich, the last few months have seen a resurgence of demand from first-time buyers, helped by a downward trend in interest rates across 2024.

Apartments in particular are selling well (especially those with parking and a balcony), while the perennially popular Golden Triangle remains in demand.

More notable is the huge growth in demand for homes in the north Norwich postcode of NR3, where the combination of getting more house for your money and an explosion of lifestyle facilities such as pubs and coffee shops has made this area more desirable.

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As ever, suburbs with good schools, such as Taverham and Drayton, are attracting families.

In the more rural parts of the county, the two types of property most in demand are bungalows (reflecting Norfolk's older demographic) and two/three bedroom new-build family homes. Older style cottages will sell, but condition is more important than character for today's buyers.

On the coast, the picture is slightly different. Here there are far fewer first-time buyers, balanced by more retired and early-retiring relocators and downsizers. These buyers want facilities such as a railway station, restaurants, even a golf course – and they want to live somewhere which doesn't shut up for the winter.

Again bungalows and new/nearly-new properties are in demand, and in locations popular with tourists, off-road parking is a desirable feature.

Despite the hike in stamp duty for second homes, the combination of falling interest rates and no increase in residential CGT means there is currently a sustainable market out there, with as good a balance between supply and demand as we have seen for some time, coupled with a healthy viewings to sale ratio.

The main factors which will determine whether that market stability continues will be the health of the wider economy, the continuation of interest rate decreases, and a lack of shocks from external factors outside of our control.

Certainty is the mother of confidence, and after a year of political and economic turmoil, we could all do with 2025 to be a bit more boring!

CLIVE HEDGES:
BRANCH MANAGER - COASTAL

NATASHA WRIGHT:
SALES MANAGER - COUNTY

CHANGE IS COMING – WE ALL HAVE TO LIVE WITH IT

October saw the second reading of the Renters Rights Bill (RRB) in the House of Commons, and in reality it was a rather one-sided affair. It is clear that this piece of legislation is a political priority for a government which is looking for some quick wins, and the RRB is a broadly popular piece of legislation which doesn't require an injection of public spending, so it delivers that low-hanging fruit for a new government which is struggling to make its mark.

Therefore, not only is it a racing certainty that the Bill will become law with few amendments, but its passage through Parliament is unlikely to be a drawn-out affair. The time for debating its rights and wrongs are over; now we must concentrate on what we have to do to make it work for landlords and tenants in reality when it comes into force – something which could well happen as early as the spring.

The abolition of Section 21 'no fault' evictions has been the attention-grabber, but sensible landlords will be looking beyond the headlines and seeing for themselves what the Bill actually involves. For example, whilst Section 21 will indeed be abolished, landlords will still be able to get their properties back via a beefed up Section 8 process, should they want to sell the property, live in it themselves, or if their tenants have breached the terms of their agreement.

That said, not all of the changes to Section 8 are in the landlord's favour. Evictions for non-payment of rent will only be possible after three months of arrears (currently two months), and then the tenant will be entitled to four weeks' notice (currently two). So landlords may want to reconsider their need for Rent Guarantee Insurance, especially if they have a mortgage to pay.

Major legislative changes like the RRB are not uncommon when there is a new government, and it is important not to look back at the debate which has happened, but instead to look forward to how we can make the new situation work. Despite predictions of the sky falling in, that never really happens; as a country we are actually pretty adept at adapting to change, even if we don't like it.

The crucial thing is that landlords really understand what the new legislation means for them so that they are prepared for it and don't get caught out. That means actually reading the Bill (which is available on the Parliament website), and taking advice from an expert letting agent who can walk you through the actual implications of the legislation.

PHIL COOPER:
LETTINGS PARTNER

THE BUDGET: IT COULD HAVE BEEN WORSE FOR LANDLORDS

Whilst there has been much to mull over following October's Budget, for those involved in the residential lettings market, the feeling is: it could have been worse. Which is not to say that the cumulative effect of the Chancellor's announcements, those of the previous government, and, of course, the Renters Rights Bill don't combine to present landlords and investors with significant challenges.

The good news first: most were pleasantly surprised that the rate of Capital Gains Tax for profits made on non-primary residences was left alone at 24%.

That is not to say that this rate is set in stone for the whole five years of this Parliament, but at least it has not been increased – yet.

Of course, it wasn't all pain-free, and the major announcement for the lettings market was the increase in the Higher Rate for Additional Dwellings (HRAD) stamp duty from 3% to 5%, with immediate effect. This presents an additional barrier to entry to the market for residential investors, especially as there is less scope to pass these additional costs onto tenants in the form of increased rents than there may have been a year or two ago.

Ultimately, though, these are relatively peripheral factors in determining whether investors will take the plunge and enter the market to provide more homes to rent in the private sector. Rather more important is the overall state of the economy, and especially the impact on interest rates, and the jury is still out on how the Budget will contribute to that bigger picture.

We have since seen a further reduction in interest rates by 0.25%, although this was accompanied by a warning from the Bank of England's Monetary Policy Committee that the rate of future reductions is likely to be slightly slower as a result of the Budget.

Reducing the cost of financing private rented accommodation is the single biggest thing that the Government (or rather, the Bank of England) can do to improve the residential lettings situation. Ultimately lower costs for landlords will mean a greater supply of homes, and less pressure to increase rents.

Finally, the shifting balance between capital taxes, business taxes and inheritance taxes (with the proposal to bring pensions – which can include investment properties held in SIPPs – into the scope of IHT) means that many investors are taking a long, hard look at the structure in which they hold their portfolios.

It is far from a cut-and-dry equation, with factors such as the erosion over the next 16 months of Business Asset Disposal Relief meaning the sands are constantly shifting. Taking expert advice has never been more important.

CATHERINE HUNT:
ASSOCIATE -
LETTINGS PROPERTY MANAGER

A CHALLENGING YEAR FOR HOLIDAY LETTINGS

2024 has been a challenging year for the holiday lettings market, with the continuing cost of living crisis, ever-increasing regulation and extra tax burdens all impacting on owners. But the good news is that for Norfolk at least, demand is holding up for 2025.

Even before October's Budget, owners were facing a constant stream of regulatory and tax challenges, from new fire safety rules, bigger business rates liability to the forthcoming removal of the Furnished Holiday Lettings relief which was announced in Jeremy Hunt's last Budget in the spring.

Alongside all of that, demand has been dampened by decreased consumer spending power, as holidaymakers juggled higher mortgage payments, the ever-growing cost of living, and a squeeze on their incomes.

The result has not so much been a fall in overall bookings, but rather a significant trend towards shorter breaks, with the result that overall rental income has been down from their 2023 levels for many.

This has been exacerbated by the need to drive demand through discounting, further eroding margins.

So it was with some trepidation that the sector approached Rachel Reeves' first Budget in October. But that wasn't all bad news: the widely-anticipated hike in the residential rate of capital gains tax didn't happen, although the increase in the additional property stamp duty levy from 3% to 5% may form a barrier to entry for new investors.

So where does that leave us for 2025? Lower inflation rates (not withstanding this month's blip) and lower interest rates will both make consumers feel more confident.

The other piece of good news is that given north Norfolk's holidaymaker demographic (older, less affected by mortgage rate changes, and less price-sensitive), the cost of living will be less of a factor.

However, holidaymakers will be looking for more flexibility from owners, especially with regards to length of break and arrival/leaving days. Price conscious customers are always looking for value, and the highest quality for their spend.

After a less than stellar summer weather-wise, they also want to know that their accommodation offers them entertainment should the sun not be shining, with features such as Netflix and Amazon Prime, games consoles and board games all appreciated.

After a year of political and economic flux, next year will give us more certainty. For owners, cultivating loyalty and repeat custom is crucial to success, and because of this we are already seeing strong advanced bookings for next year.

Professional marketing, coupled with having to navigate ever-changing regulations, means professional advice and support has never been more important; this is not the time for most owners to try and go it alone.

LOUISE HILLMAN:
KEYS HOLIDAY COTTAGES MANAGER

VIEW FROM THE BOUNDARY

ADDRESS ASKED FOUR LEADING NORFOLK PROFESSIONALS FOR THEIR VIEWS ON A RANGE OF TOPICAL BUSINESS ISSUES

SIMON WATSON (SW): SENIOR PARTNER AT LOVEWELL BLAKE

DAVID THROWER (DT): BUSINESS RELATIONSHIP DIRECTOR (EAST ANGLIA), AT BARCLAYS

MARK NOLAN (MN): MANAGING DIRECTOR AT CHAPLIN FARRANT

LUCY WHIPPS (LW): PARTNER AT LEATHES PRIOR

TO WHAT EXTENT DO YOU THINK THE BUDGET WILL IMPACT EMPLOYMENT PROSPECTS FOR OUR REGION?

SW: The Budget has set some difficult challenges for businesses in the region, with the bulk of the tax needing to be raised by the new Government being firmly put on the shoulders of employers in the form of the employer's national insurance increases. This will likely put pressure on employment prospects in the region in the short term as businesses work on how they are going to carry this additional cost.

Employers will think more carefully about their future recruitment requirements in the short term and will likely look at ways of becoming less reliant on people and exploit more of the efficiencies which technology can bring to their business operations. Machine automation, AI and robotic process automation are being considered by a number of businesses in the region, and this could create positive employment prospects for those possessing skills in these fields.

The increase in the minimum wage will put pressure on the demand for unskilled workers and this will also push wage pressure on businesses employing semi-skilled workers. Nonetheless, businesses will always play with the cards they are dealt and will find a way through.

LW: The immediate reaction that we have seen from clients is for them to take a breath, as many had not (rightly or wrongly) planned for the national insurance increase. Where clients were looking to expand we have seen these plans placed on hold whilst they reconsider their increased costs and cashflow.

I really feel for our hospitality and retail clients who continue to be battered by increased operational costs; it is often really tricky for them to recover these from their end users. We're seeing some great entrepreneurial ideas to differentiate businesses and educate their customers to retain their market share, which is great, however make no mistake these business owners are feeling the strain. They don't want to consider pay freezes and redundancies. Does 1p off a pint help? Only time will tell, but if there ever was a time to support your high street – that time is now.

DT: Norfolk has a lot of hospitality and leisure businesses, and these are the sectors of the economy which are likely to be hardest hit by both the national insurance rises and the minimum wage lift. We are already seeing businesses which are struggling to find a way through that.

My advice would be that if you are going to have to pay more to employ people, they have to be worth more. That means boosting productivity by hiring the right people in the first place, than through staff development and training. But it is also about looking at automation, in manufacturing but also in service roles as well.

That kind of structural change takes time to filter through, so employers can't wait until the NI and NLW changes come about in April, but need to be taking action now. It's a question of how quickly employers will be able to go through that change curve to boost productivity.

MN: The region has a lot of lower paid jobs, and the Budget will particularly affect those employers. The leisure sector, which is very important to our economy, could be particularly hard hit, not just by the national insurance and minimum wage, but also by the reduction in the business rates discount from 75% to 40%. I think we may see employers hit by these extra costs trying to reduce the number of staff they employ.

Even relatively small measures such as increasing the bus fare cap from £2 to £3 could harm the leisure sector; places like north Norfolk have benefitted from more day-trippers from Norwich because of the cap.

VIEW FROM THE BOUNDARY...

WHAT NEEDS TO HAPPEN TO ACCELERATE THE DELIVERY OF NEW HOUSING IN THE REGION?

MN: The starting point is a reduction in red tape, making it easier for developers to bring new home schemes through the planning process. One of the biggest issues is Nutrient Neutrality. We know there is a problem, and we know it needs to be resolved. But if it takes two years to do so, we could end up with a decimated construction sector, which will only serve to slow down, not accelerate, the delivery of new housing.

As it stands, developers cannot take the risk of credits not being available before they start building, because they can't take the risk of having money tied up in completed plots if there are not going to be credits available when they need to be occupied. We must find a way to deliver more certainty for developers.

DT: Speeding up the planning process is the big one here, but it goes wider than that: it is also about funding for developers, which has become increasingly difficult because of the risks involved in completing a development.

Lenders have been able to support growth in contractors through using the Growth Guarantee Scheme loan, which has helped to mitigate the shortage of tradespeople on sites - but there is perhaps a need for a government guarantee for the top-line funding of developments overall.

One of the biggest things which will drive the demand side of the equation is the continued decrease in interest rates. We have actually seen an uptick in interest from first-time buyers as mortgage rates have edged down; the last thing we need is an interruption or even a delay in interest rates coming down still further.

LW: This isn't the simplest one to unlock as many will know. If I could wave my magic wand I would suggest four possible solutions.

On a very basic level, our clients would love it if the planning authorities had additional resource to cope with the applications, discharges and pre application advice needed to provide desperately required housing (and unlock the delays that we are seeing on other applications).

On a related note, Nutrient Neutrality has been a headache for many. We are seeing Nutrient Neutrality agreements in our practice and these are not the simplest; clarity as to approach and consistency as to terms and form would be great to see.

It would also be useful to see a central register of credits for transparency (and perhaps controversially some sort of regulation as to pricing!).

Thirdly, development finance continues to be a challenge. We are seeing increased levels of private finance on sites due to the difficulties and costs of commercial funding. Increased availability of affordable funding would open up the market.

Finally, as in most sectors, recruiting and retaining talent to drive forward the next generation is tricky. Continuing to train and engage people in all aspects of planning, environmental and real estate development is critical.

SW: The rate of delivery of new housing in the region faces the same challenges as any other region in the UK. It all starts at government level with the New Homes Accelerator programme and flows down from there. Essential to this is the collaboration between all the parties involved at local level.

We need to accept that it is entrepreneurial property developers who ultimately deliver new homes. This needs to be acknowledged by all parties involved as no-one is going to build new homes if they cannot make money doing so.

VIEW FROM THE BOUNDARY...

HOW MIGHT A TRUMP PRESIDENCY AFFECT EAST ANGLIA'S ECONOMY?

LW: Who would have thought we would see 'Trump 2: back with a vengeance'? Those with US linked or reliant businesses are no doubt bracing themselves for all manner of possibilities.

We don't yet know Donald's policies for his second term so, forever the optimist, I am hoping that he takes the opportunity to reflect on his environmental stance generally. An about change in his view could stimulate global markets and speed up the transition to renewable energy. It would be great to see more funding and investment in green energy projects.

We have seen an increase in investment over the last few years various sectors in our region, including logistics, from our friends across the pond. It would be great to unlock more US investment opportunities, particularly in agri and food tech as we do rather excel at these in our region (and these technologies are valuable and have the ability to change the world for the better).

Perhaps otherwise he could open a golf course in East Anglia - are we ready for Trump International Norfolk?

MN: The only way of avoiding tariffs is seemingly a free trade agreement, but this will result in American meat – produced at much lower welfare standards than we enjoy in the UK (and Europe), and hence at lower cost. Will our region's food producers be able to compete on that unlevel playing field?

A Trump presidency could mean money poured into the military, and that could be good news for the construction sector in our region, especially if it means refurbishing, improving or replacing facilities in Lakenheath and Mildenhall, where many of our key contractors (such as Morgan Sindall, Kier and RG Carter) do business, as well as the significant local supply chains which come behind them.

The Trump presidency does pose threats for our region's economy, but could also bring opportunities.

SW: Concerns have already been aired that Trump's new approach to tariffs could stifle economic growth in the UK, and locally this could impact on local producers and manufacturers who are reliant on the USA as a destination for their products. Pharmaceuticals and medical goods are large UK exports to the USA and there are a number of businesses in the sector based in East Anglia.

Time will tell as to what extent trade tariffs are imposed by the new President, but with the USA being the UK's largest single export destination, local exporters should already be thinking about alternative export destinations as part of their plans.

DT: A lot of people underestimate the value of the USAF bases (Lakenheath and Mildenhall) to East Anglia's economy. Will we see an increase in US defence spending, or a pulling back from overseas bases? We just don't know; so that could be a positive or a negative for our region.

There has been media speculation that Trump's proposed tariffs could cost the UK economy as much as £20 billion a year. Given how important the food sector is in this part of the world, tariffs could have a big impact. But tariffs work two ways: it might be more difficult to export, but if we're not importing stuff, then there will be opportunities to plug that gap domestically.

The government may have to decide whether we are going to be closer to the US or Europe; what is clear is that we will not be able to sit on the fence.

VIEW FROM THE BOUNDARY...

WHAT WOULD YOU LIKE SANTA TO BRING NORFOLK THIS CHRISTMAS?

DT: I would like the county to be given a larger slice of the national infrastructure pie, especially as we are a conduit to Europe, which may become even more important with an increasingly isolationist US. So things like the dualling of the A47 being finished, investment in our ports, especially as Felixstowe reaches capacity.

And maybe next Christmas the Wash Barrage, which would put our county 100 miles closer to the Midlands.

MN: I just hope that the government starts delivering what they promised to do, which is to ease the planning red tape and actually resolve issues such as Nutrient Neutrality.

SW: Some help with improving infrastructure to make Norfolk a sustainable year round holiday destination, and support with the continued development of our local clean energy sector to take it to the next level.

LW: So, getting my wand out again, I would love for some of our amazing Norfolk charities to get a real boost this Christmas. There are so many out there doing quite incredible things; however, the ones listed below are particularly close to my heart. It would be great to see them benefit from some Santa magic (or perhaps magic from the readers of Address?):

- **The Waterstones gift tree**: this is a great initiative where you can buy a book for a child in care for Christmas. Just grab a tag off the tree and head to the cash desk to add some sparkle under the tree for a child who might need it.
- **Future Projects** run a fantastic campaign that provides Christmas hampers to vulnerable households who are struggling so they can enjoy Christmas. You can donate online - £60 funds a full hamper for a family of 4, which includes wrapped presents for children.
- **The Benjamin Foundation** runs a Christmas Gift appeal. You can donate cash or gifts for children and young carers to ensure that the young people supported by the Benjamin Foundation have a gift to open this Christmas.
- **The Feed:** Not a Christmas one but a great organisation who are helping so many people. We shouldn't need them but we do.
- Closer to home, we sadly lost our valued colleague Dawn Lossau very recently. For those who don't know Dawn, she was a force of nature – bright, funny, compassionate and just #awesome. Dawn and her husband Darrell established a Special Named Fund with Children's Cancer and Leukaemia Group (called **#bemoremaisie**) in memory of their daughter Maisie. It would be great to see this fund swell as we remember and celebrate Dawn, who we miss every day, and the incredible Maisie.
- Lastly, can we please sort out the traffic around the N&N and a white Christmas? Cheers, Santa.

OUR LOCATIONS

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