



FJP Investment

# 2020 POLITICAL OUTLOOK CHARTING INVESTOR SENTIMENT TOWARDS THE NEW CONSERVATIVE GOVERNMENT





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UK politics has experienced a turbulent four years. In early 2016, then Prime Minister David Cameron announced there would be a referendum on the country's future membership of the European Union (EU); since then, as well as the Brexit vote, there has been two General Elections and two new Prime Ministers.

In December 2019, Boris Johnson succeeded where his predecessor Theresa May had failed. He significantly strengthened the Conservative Party's position in the House of Commons, winning an overwhelming majority in an election that ought to enable him to deliver on his promise to "get Brexit done".

Consequently, despite uncertainty remaining over the UK's departure from the EU, the country enters 2020 in notably different conditions. But how are investors feeling about the year ahead? More specifically, what is their sentiment towards the Conservative Party and the potential policy reforms it presented during the recent election campaign?

To find the answers to these important questions, FJP Investment has commissioned a piece of research. Between 21st and 30th December 2019, an independent survey was carried out among more than 750 UK investors – each of whom has at least £10,000 worth of investments, not including savings, pensions, SIPPs or property.

In this report, FJP Investment shares the findings of this survey. As such, it acts as a valuable resource to gauge investors' outlook on the new Conservative majority government, as well as their broader investment plans for 2020.

# SENTIMENT TOWARDS POLICY ANNOUNCEMENTS

The December 2019 General Election was dominated by Brexit. However, all parties also campaigned on a wide range of spending commitments and policy reforms.

FJP Investment's research examined how UK investors felt about some of the main policies put forward by the Conservative Party, either in its manifesto or during election speeches and debates. This is what the survey revealed:

**Introducing a stamp duty "surcharge" of 3% for non-UK residents buying UK properties (70% are in favour of this policy)**



**Allowing residents greater say in the style and development of new-builds in their local area (69%)**



**Building at least one million homes over the next five years (61%)**



**Banning the sale of new homes as leaseholds (60%)**



**Not raising the rate of income tax for the next five years (59%)**



**Not raising capital gains tax for the next five years (54%)**



**Leaving the European Union by 31st January 2020 (50%)**



**Reducing the qualifying period for principal private residence relief from 18 months to 9 months (34%)**



The findings illustrate that investors are in favour of many of the key policies promoted by Boris Johnson et al in the run-up to the general election in December 2019. In fact, only one of the plans failed to attract much support; just 34% of investors said they support the move to reduce the qualifying period for principal private residence relief from 18 months to nine months. Elsewhere, the survey found that 70% are in favour of the Conservative Party's proposed plans to introduce a 3% stamp duty surcharge for non-UK property buyers. A similar number (68%) back the move to give residents more say in the style of new-builds in their local area, while 60% support banning the sale of new homes as leaseholds.

Evidently, Boris Johnson and his cabinet have the support of UK investors when it comes to their party's main property policies. From increasing stamp duty for overseas buyers through to both boosting new-build numbers and giving locals greater input into these developments, investors are keen to see improvement made within the real estate sector as a means of increasing the UK's housing supply.

Of the other election promises, 59% would be happy to see income tax rates frozen for the next five years, and just over half (54%) are in favour of not raising capital gains tax between now and 2025. Again, there is support from most for the Conservatives' proposed fiscal reform. The question of whether the Government will actually commit to these reforms will be revealed once the 2020 budget is unveiled on 11th March.







## FAITH IN THE GOVERNMENT TO DELIVER

However, the picture shifts somewhat when investors were quizzed on the extent to which they believe the Government will come good on its election promises.

Indeed, over two fifths (41%) of the UK investors surveyed as part of FJP Investment's research said that they believe Boris Johnson will fail to get Brexit done by 31st January 2020. Given that this promise was fundamental to his campaign, there clearly remains notable doubt as to whether the Prime Minister can achieve this goal.

Importantly, the research also showed that the majority (58%) of investors are concerned the Government is ignoring important domestic issues in favour of Brexit. The challenge, it would seem, is for the new government to balance managing the UK's departure from the EU with making much-needed progress when it comes to domestic affairs.

Turning to the Government's aforementioned promise to build one million new homes by 2025, there was even higher levels of scepticism. More than three fifths (61%) of investors expect the Government to miss this target. Meanwhile,

36% are calling on Boris Johnson to soften the Government's stance on property investors and buy-to-let (BTL) landlords in terms of regulation and tax.

In the real estate sector, there have been several notable trends that have shaped the past decade. One has been the tightening regulation of the BTL market, as well as tougher taxes for landlords; another has been the failure of successive governments to reach their stated targets for new-builds. FJP Investment's research suggests that both these trends have shaped investor sentiment as the look to 2020.

More generally, 43% said that they do not think the new Conservative majority government will bring stability to the UK economy. This statistic is a reflection of the uncertainty that remains about the coming months, and how events like Brexit will impact the political and economic landscape.





## INSIGHTS FROM FJP INVESTMENT'S CEO

"As most will have predicted, the December 2019 General Election was dominated by Brexit. Indeed, the Labour Party attributed their poor performance to the fact that the election campaigns and debates focused on little else.

However, in its manifesto and when on the road trying to win people's votes, the Conservative Party also promised many potential reforms during the campaign.

Our research shows that when it comes to the property market, the majority of UK investors are in favour of the key policy ideas. This includes the proposed stamp duty surcharge for overseas buyers as well as giving local residents greater say in new-build developments in their area.

As we head into 2020, the question now is whether Boris Johnson and his team can deliver on their promises.

At present, many property investors in the UK doubt that they can – particularly when it comes to 'getting Brexit done', building more new homes and stabilising the economy. Evidently, in these opening weeks of 2020, the Government must instil greater confidence and start to act on its campaign promises."



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