The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Parade
London
SW1A 2HQ

By email only

13 October 2023

Dear Chancellor,

Re: London Property Alliance representation to the 2023 Autumn Statement

I am writing on behalf of London Property Alliance (LPA), the membership body and advocacy group for the property industry in London's Central Activities Zone. We are the voice of property in central London: working with our members and partners to deliver a more economically, socially and environmentally sustainable future.

The LPA represents over 400 companies involved with investment, ownership, professional advice and development of London's real estate, ranging from FTSE 100 companies and major REITS, to affordable housing charities and small architectural practices. Due to the nature of development in London's core commercial centres (the City and West End), the majority of our members and involved with commercial real estate, namely offices, retail and leisure space.

We are proud to champion central London as a driver for economic growth, prosperity and sustainability for the capital and country:

- Central London supports 3.2mill jobs (ONS, 2022). Its commercial districts house innovative and world-leading business clusters, ranging from fintech, life sciences to specialist creative industries (Central London Forward, 2023)
- The area makes a major contribution to UK public finances. Central London's 12 local authority areas account for 23% of England's business rates revenue (DLUHC, 2022)
- Despite the impact of the pandemic, London generated tax revenue of £18,431 per person in 2021, compared to a UK average of just £11,837 (ONS, 2022).
- Its economy is inextricably linked to regional economies across the country. Every £1 of consumption in the capital generates 24p of production elsewhere in the UK economy (GLA Economics, 2020).
- This means that when central London thrives, the rest of the UK benefits too.
- London has the lowest CO_2 per capita emissions of any UK region (Department for Business, Energy & Industrial Strategy, 2019): it is the most carbon efficient place in the country to live and do business.

Meanwhile, the property industry is a positive force for the UK and London economy:

- The commercial property sector directly or indirectly supports almost 2.5mill jobs (the equivalent of 1 in every 13), delivers 7% of the UK's GDP and contributes over £40bn to the Treasury in taxes every year (BPF, 2020).
- GLA analysis has shown that the real estate sector is the largest single contributor to London's economy, even more than financial services. In 2017, it generated £66bn in GVA – over 16% of the London total (GLA Economics Report, 2018).

The Alliance publishes a quarterly analysis on how London fares on the global stage against our key 'peer' cities of New York, Paris, Berlin and Hong Kong. We are concerned that in our latest Global Cities Survey (available here), London is the only city of those we track to have fewer job vacancies than before the pandemic, potentially signalling a forthcoming slowdown in economic activity. The UK continues to suffer from the highest inflation rate of any country in our sample.

We fully support the Prime Minister's pledges priorities for reducing inflation; growing the economy; creating better paid jobs and opportunities right across the country. Ahead of your Autumn Budget on 22 November, the Alliance is calling for the following tax changes and policy support to help drive London's economic, social and environmental recovery – which is in turn an engine for UK growth and prosperity:

1. **Provide further fiscal devolution to the Greater London Authority and the boroughs to enable London government to have the financial capacity and incentive structures to deliver infrastructure and secure long-term economic growth.**

Measures should include the retention of a greater proportion of business rates revenue (including under any proposed wider reforms) and the ability to consider the adoption of other additional levies or taxes to facilitate the delivery of infrastructure. The Elizabeth line is a good example of how this sort of approach can be used; approximately two-thirds of the project will be paid for by London businesses and the railway's farepayers.[1]

Our recent research *The Crossrail Effect: How the Elizabeth line is transforming the capital*[2] has demonstrated the vital role played by this project in driving economic and social prosperity across the capital and beyond. Office sub-markets close to Elizabeth line stations are outperforming on pre-let transactions. The new transport route has helped create 200,000 new office jobs and the opening of 171 hotels, 2,666 new food and beverage outlets and 12 museums and art galleries.

The ability to levy Tax Increment Financing (TIF), and other innovative private and public finance models, would enable local government and business to invest in much-needed new and improved infrastructure for UK cities.

2. **Progress an urgent review of the business rates system, with changes to make the system fit-for purpose as well as fair and responsive to a 21st century digital economy.**

We urge HM Treasury look again at how to reform business rates to create an even playing field between online and bricks and mortar businesses - which support 416,000 jobs in London (ONS,

[1] https://www.crossrail.co.uk/about-us/funding

[2] https://www.londonpropertyalliance.com/the-crossrail-effect-how-the-elizabeth-line-is-transforming-the-capital/

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Westminster Property Association | City Property Association
London Property Alliance

2021). The burden of disproportionality high rates on businesses based in UK city centres are damaging economic growth and employment.

3. Undertake a comprehensive, independent assessment of the full impact of ending tax-free shopping for international visitors.

The decision to end the VAT RES scheme leaves Britain as the only country in Europe not to offer tax-free shopping at the point of purchase. This has been damaging not only to London but to other regions of the UK.[3] We ask that the OBR is commissioned to undertake an independent analysis of the overall fiscal and economic impact of the impact of restoring tax-free shopping on the UK economy.

We also ask that the Government looks again to allow reform to current Sunday trading laws to allow for extended hours in International Retail Centres, such as London's West End.

4. Remove VAT from retrofit and provide grant funding for a more sustainable built environment.

Given the unique challenges faced by central London owners and occupiers we call on the Government to exempt VAT for retrofit projects in order to accelerate the transition to Net Zero Carbon and to rapidly increase the energy efficiency of both commercial and domestic buildings.

We would call also for the creation of a dedicated capital grant scheme to support the funding of retrofit measures across residential and commercial buildings. The intensive nature of such works often requires full or partial decant, or relocation, which within the central London context adds significant cost and complexity to projects. Furthermore, the very nature of many of our buildings - often historic within the area - adds a level of complexity and risk which makes delivery of such measures extremely challenging.

We urge HM Treasury to help provide the tools for London to grow as a global city: providing jobs, economic growth and tax revenue to support the UK.

Yours sincerely,

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[3] https://internationalretail.co.uk/wp-content/uploads/2022/11/20221110_AIR-TFS-ES_Final.pdf