

# BRIGHTER THINKING FOR PROPERTY & CONSTRUCTION

**Menzies is a top 20 firm of accountants, finance and business advisors. We operate out of a network of offices across Surrey, Hampshire and London, providing our clients with easy access and local knowledge. Many of our clients are expanding overseas and benefit from the outward perspective we can provide via our active membership of HLB International.**

Our key strength is focus. We focus on our clients – understanding your business via our in-depth sector expertise, which enables us to provide you with insights that add real value.

Our Relationship Partners focus on getting to know you. We use a consultancy-led approach and a variety of diagnostic tools we've developed to challenge your objectives and guide your business growth.

Clients also benefit from our diversity, we offer the full range of services you'd expect from your accountants, plus some you might not – like strategic consultancy, outsourced HR and FD support and business valuations.

And it's not just about your business. Our subsidiary company, Menzies Wealth Management, provides independent financial advice to both private and corporate clients, to reduce your tax exposure and meet your financial goals.

## CONTACT US

**CARDIFF** +44 (0) 29 2049 5444  
**FARNBOROUGH** +44 (0) 1252 541244  
**HEATHROW** +44 (0) 1784 497100  
**LEATHERHEAD** +44 (0) 1372 360130

**LONDON - CENTRAL** +44 (0) 20 7387 5868  
**LONDON - NORTH** +44 (0) 20 8446 9000  
**SOLENT** +44 (0) 1489 566700  
**WOKING** +44 (0) 1483 755000

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BRIGHTER THINKING

# AFFORDABILITY AND RED TAPE ARE CHALLENGES

Franklin D Roosevelt said: “Purchased with common sense, paid for in full, and managed with reasonable care, real estate is about the safest investment in the world.” Well, long-term, few would argue with that but this sector has experienced real challenges. Growth has been subdued, with issues of housing supply, scarcity of affordable land, tax changes, and planning approvals remaining a problem.

## KEY CHALLENGES FOR THE PROPERTY & CONSTRUCTION SECTOR

### SUPPLY OF LAND/PROPERTY

New-build home targets of 240,000 completions per annum keep being missed (with only 141,000 houses built in 2014). Meanwhile, urbanisation continues, with a trend towards shorter commutes and 'live work' campuses, creating a greater emphasis on using brownfield land.

Relaxed planning permission is expected to help, though brownfield land values are increasing at 10% pa, compared with greenfield at 4%. The SME business sector appears confident, leading to an increased demand for commercial/office space. Companies who are strategically aware and able to quickly adapt are likely to succeed.

### AFFORDABILITY

Global economics and politics mean UK property is seen as a safe investment, which affects demand and increases prices. House prices are expected to rise by 5% pa over the next two years, and there is an increasing issue of affordability among the migrant and young population. For developers, it will be essential to keep costs down to maintain margins, whilst still providing an affordable product.

### TAX CHANGES

Changes in capital allowances have increased the cost of acquisition, changes in SDLT are impacting on residential developers planning to build £1m-plus properties, IHT changes will also hit high value properties held by offshore vehicles, and the residential rental market may slow as the reduction in mortgage interest relief for buy-to-let landlords forces rentals higher or creates a shortage of units.

It is ever more important for companies to review their tax position, including indirect taxes such as SDLT and VAT, and consider structures such as Special Purpose Vehicles to help minimise the tax burden.

### REGULATION

Whilst planning for brownfield sites may prove easier, developers point to increasingly stringent government demands related to planning, innovation, sustainability and flood management as impacting on their success.

### FUNDING/FINANCE

Despite interest rates being low, there are still issues with credit supply, which are preventing certain projects from being undertaken. Whilst the high street lenders are very risk averse (aided by valuations that continue to be on the low side), there has been a growth in mezzanine finance and specialist funders. Lenders are more in favour of student accommodation and private rented sector developments, where greater margins can be achieved.

### INNOVATION

There is a government focus on encouraging innovation in the construction sector and we have made a number of successful R&D tax credit claims for clients including architects, glass manufacturers and contractors, as a result of increased rates and relaxed qualifying conditions.

### SKILLS & RESOURCES SHORTAGES

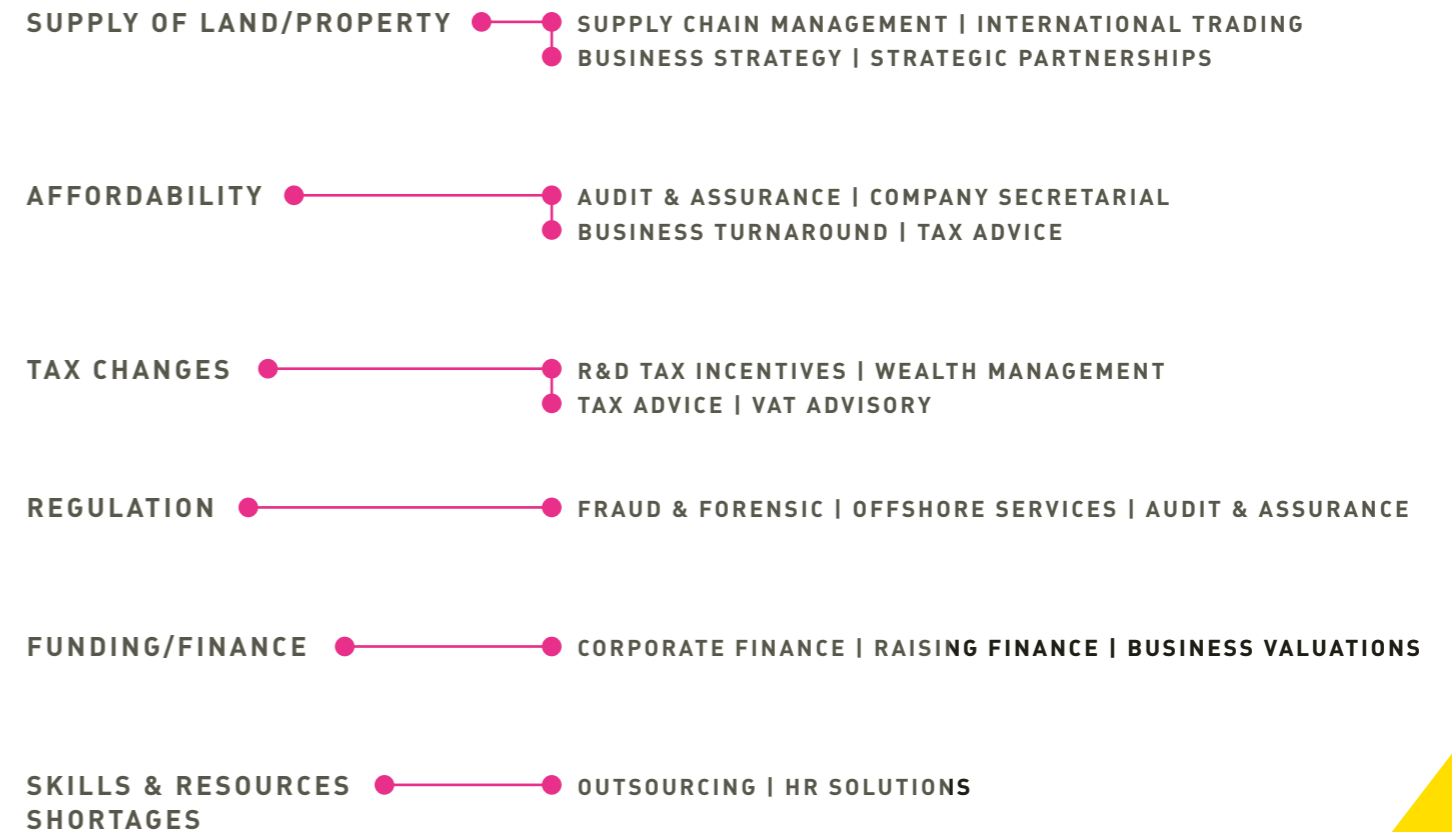
The construction sector continues to face skills shortages, although the influx of migrant EU workers has helped somewhat. The increase in the national minimum wage is expected to push up costs and reduce margins for the sector. Meanwhile, the cost of raw materials is also pushing up prices – of bricks in particular.

# HELPING YOU MEET YOUR CHALLENGES

We advise commercial and residential developers, contractors, owners and investors, as well as sector-dependent clients. We work closely to find solutions to industry issues, utilising our expertise in everything from business strategy and corporate finance, to audit and tax advice.

## KEY CHALLENGES

## OUR SERVICES



*“Menzies have been involved in the property sector for many years and have developed a fantastic understanding of the issues that relate to my business from a commercial and accountancy perspective.”*

JOE JELLEY, MANAGING DIRECTOR  
ASPEN HOMES LTD