

## **Alert** | UK Real Estate



June 2024

### **UK Real Estate Law: Survivors and Casualties of Snap 4 July General Election**

On 22 May, UK Prime Minister Rishi Sunak called a surprise general election for 4 July, leaving limited time for certain laws to be passed before Parliament was dissolved on 30 May.

This GT Alert summarises both the survivors and the casualties of that “wash-up” process (the period of completing unfinished business before a general election) in terms of laws that impact, or would have impacted, the UK real estate sector.

#### **Renter’s (Reform) Bill**

The Renter’s (Reform) Bill fell, creating more uncertainty for the future of the private rented sector.

Originally introduced to Parliament on 17 May 2023, the Bill’s aim was to deliver on the Government’s commitment to “bring in a better deal for renters”.

This included abolishing section 21 ‘no-fault’ evictions after a fixed-term tenancy ended if there was a written contract or during a ‘periodic’ tenancy and replacing with increased statutory rights of possession for a landlord. However, concerns over how the courts would cope with an increased workload led to the Government announcing on 23 October 2023 that there would be an indefinite delay to the ban on ‘no-fault’ evictions due to the need to tackle and reform the efficiency of the court system first. The Government also stated it would not commence the abolition until “stronger possession grounds” were in place.

Other provisions included abolishing ASTs (assured shorthold tenancies) and replacing them with an entirely flexible (for the tenant) periodic tenancy arrangement, a ban on rent escalator/review provisions, with rent increases being limited to once a year via the section 13 process, the setup of a new, digital ‘Property Portal’ supported by the new ‘Private Rented Sector Database’ and the introduction of a new ‘landlord redress scheme’ and Ombudsman to resolve disputes between landlord and tenants.

If elected, Labour have committed to passing this legislation and abolishing the ‘no-fault’ evictions “*immediately and decisively*”; however, whether they would honour the Government’s promise to tackle and reform the efficiency of the court system first is unknown.

### **Leasehold and Freehold Reform Act 2024**

The Leasehold and Freehold Reform Bill made it through Parliament, receiving Royal Assent on 24 May.

The Leasehold and Freehold Reform Act 2024 aims to deliver on the Government’s commitment to leasehold reform by providing leaseholders with more rights and protections. Provisions include:

- standard lease extension term increased to 990 years for both houses and flats (increased from 50 years for houses and 90 years for flats).
- removal of the requirement for a new leaseholder to have owned their house or flat for two years before they can extend their lease or buy their freehold.
- ban on the sale of new leasehold houses other than in exceptional circumstances.
- greater transparency over service charges.
- extending access to redress schemes for leaseholders to challenge poor practice from freeholders.
- increasing the 25% ‘non-residential’ limit which prevented leaseholders in mixed-use buildings from buying their freehold or taking over management to allow leaseholders in buildings with up to 50% non-residential floorspace to buy their freehold or take over its management.
- replacing opaque and excessive buildings insurance commissions for freeholders and managing agents with transparent and fair handling fees.

One of the main omissions from the legislation was the removal or implementation of a cap on ground rents in existing residential long leases – something the Government had said they would aim to do. The fast implementation of the legislation meant this proposal had to be dropped along with provisions around forfeiture and estate management. Concerns had been raised over the potential adverse impact caps might have on investors (often pension funds), with ground rent portfolios generating a significant income stream as well as retrospectively altering commercially entered into agreements without compensation.

The ramifications of fast-tracking this legislation (with no amendments) remains to be seen, and secondary legislation will be required to be implemented to ensure the legislation is workable.

Labour have said, if elected, they will “*finish the job of finally bringing the archaic and iniquitous leasehold system to an end.*”

### **High Street Rental Auctions**

The Levelling-up and Regeneration Act 2023 introduced the concept of high street rental auctions to help “revitalise the high street”. Local authorities have a discretionary power to mandate auctions of certain empty high street premises such that a landlord would be obliged to grant a tenancy to a successful bidder. See [GT Alert](#).

On 14 May the Government published a response to its consultation on high street rental auctions, announcing they were planning to work on the secondary legislation required to bring the relevant powers into effect by mid-2024, with the first auctions taking place by Autumn.

That ambitious timetable now appears less likely to be attained with the impending election. Further, there is no certainty that Labour would proceed with this, if elected.

### **Finance (No.2) Act 2024 & Multiple Dwellings Relief**

On 1 June, Multiple Dwellings Relief (MDR) was abolished by virtue of the Finance (No.2) Bill receiving Royal Assent on 24 May. The Finance (No.2) Act 2024 provides for measures announced in the Spring Budget 2024 to become law.

MDR is the bulk purchase relief from Stamp Duty Land Tax (SDLT) on the acquisition of two or more dwellings in a single transaction or linked transactions which allows a purchaser to calculate SDLT based on the average value of the dwellings rather than their aggregate value.

Originally introduced in 2011, the aim of MDR was to encourage investment in residential property and promote private rented sector (PRS) housing supply. However, following an evaluation of MDR carried out as part of HMRC’s Tax Reliefs Evaluation Programme it was decided MDR was neither achieving this objective nor cost-effective.

Transitional provisions apply to purchasers who exchanged contracts on or before 6 March 2024 who remain eligible for MDR regardless of the date of completion, provided there is no variation of the contract after this date. MDR will also continue to apply to contracts which have exchanged and are “substantially performed” before 1 June 2024.

### **Building Safety Levy**

A consultation seeking views on the design and implementation of the building safety levy, which will apply to certain new residential buildings requiring building control approval in England, closed on 20 February 2024. The Building Safety Act 2022 introduced powers to impose this levy on developers to raise revenue to be spent on remediating building safety defects. The consultation (which followed on from an earlier consultation) focused on methodology for levy calculation, the collection process, disputes, appeals and further potential exclusions from the levy.

The final parameters and rates for the levy had not yet been published and will require a statutory instrument – something the new Government will have to pick back up.

### **Zoological Society of London (Leases) Act 2024**

One final piece of legislation to have made it through was the Zoological Society of London (Leases) Bill, which amends the Crown Estate Act 1961 by extending the maximum term of the lease that may be granted to the Zoological Society of London in respect of London Zoo, from 60 years to 150 years.

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