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Real Estate Matters

Spring 2023

Construction & Real Estate Newsletter

Issue 24

Now, for tomorrow

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Welcome to the latest issue of Real Estate Matters from MHA.

The Construction sector continues to face significant challenges and remains the highest contributor to monthly insolvency figures, representing 17% of all insolvencies in April 2023. There is no doubt that inflation, higher interest rates and soaring energy prices, along with skills shortages and supply chain issues are continuing to cause difficulties for businesses in the sector. However, firms that have managed to navigate the inflationary pressures have benefited from this consolidation in the marketplace and we are starting to see a more stable economic environment.

It is imperative that businesses running into problems discuss options at an early stage. The earlier advice is sought, the more options there are available. Professionals can help you recognise the warning signs of insolvency and understand whether your situation is one that you can trade out of.

The housing market is showing signs of stabilisation in April with Nationwide reporting that while house prices are down 2.7% year-on-year, they did rise by 0.5% in April. At the same time, the Halifax House Price Index suggests house prices in April are 0.1% higher than they were at the same time last year.

The build to rent sector has had a tough year, especially for mortgaged investors who have been particularly hard hit by higher interest rates. In 2021, there were only 10,400 completions in the BTR sector, compared to 76,000 mortgage redemptions; leading to a continued shrinking of the rental supply, which in turn is pushing up prices.

It's also a concerning time for those in the commercial property sector, particularly landlords of older office space, that are facing difficult choices around investment to bring up to new standards and compete with newer office buildings that tick more of the green credentials.

In contrast, student accommodation is expecting to see material growth this year with continued record applications for university places and limited supply.

House builders are also feeling more positive, so while the total number of houses being built this year is likely to be significantly less than 2022, demand is starting to pick up. Many developers are maintaining strict work in progress control whilst restricting discretionary spend and limiting land purchases.

Right now, the sector needs strong leadership and stability – Rachel Maclean is the 15th housing minister since 2010, and the 6th in the last 12 months. Such a rapid turnover means none of them have the time (or incentive) to get to grips with the complex and multi-faceted issues the sector is facing.

In this edition of Real Estate Matters, we take a look at several issues which businesses in the construction and real estate sectors should be aware of, such as the implications of changes announced in the Spring Budget, changes to Option to Tax, biodiversity net gain, the Domestic Reverse Charge and a whole host of other topics.

If you would like further information on any of the issues covered, please get in touch.

Best wishes

The MHA Construction & Real Estate team

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The disconnect between policy & housing

Brendan Sharkey
MHA, London

On the 15th March, the Chancellor of the Exchequer, Jeremy Hunt delivered his Spring Budget, accompanied by a full fiscal statement from the Office for Budget Responsibility, setting out the government's plans for tax and spending policy for the year ahead.

Unfortunately, the much touted four "E's" (Enterprise, Education, Employment and Everywhere) fails to deal with one of the key issues facing the economy, namely the lack of housing, particularly affordable housing. Housing is a fundamental human necessity and wherever you look there is a shortage. The growing number of homeless people, the frenzy when accommodation is made available for renting and the increasing cost of renting all bear this out.

For housing, there is a big disconnect between the what the sector needs and government policy. With all of the major house builders publicly stating that they will build fewer houses this year than last year, what we needed from the Chancellor was a stimulus for the housing market. Unless our housing stock increases significantly, the problem will only get worse. Stamp duty reductions and tax relief on mortgage interest for first time buyers would have really helped but the budget did not address these issues at all.

In addition the government wants to see an improvement in the quality of housing stock. However, it is not doing anything to help with supply and the enforcement of Minimum Energy Efficiency Standards (MEES) could mean that some housing becomes unlettable. The lack of incentives for retrofitting such as VAT exemptions and grants and financial support such as soft loans is hard to understand.

Construction, like many sectors, is struggling to find the staff it needs so hopefully the proposals to increase employment and help the economically inactive back to work will bear fruit.

Option to Tax –

HMRC changes will increase risk on property transactions

HMRC have announced that they intend to go ahead with a reduced level of service when dealing with options to tax following a recent trial. This is despite negative feedback from professional bodies and property agents.

Changes to HMRC Option to Tax process

HMRC stopped issuing Option to Tax Notification receipt letters from 1 February 2023 with the only possible acknowledgement being an automated email response. A Notification sent by any other means will not receive an acknowledgement or receipt unless HMRC require further information about the option.

Furthermore, HMRC will stop processing requests confirming the existence of an Option to Tax, except under certain circumstances:

1. The effective opted date is likely to be over 6 years ago, or
2. After the appointment of a Land and Property Act Receiver, or an Insolvency Practitioner to administer the property in question.

If these conditions are met a request to confirm that an Option to Tax is in place on the relevant property must be accompanied by a letter or deed of appointment along with the following details:

- Name of the Business/person who had opted to tax the property
- A VAT Registration Number (if applicable)
- The full address of the land/property in question, including postcode.
- The effective date of the option to tax if known.
- The date you first charged VAT on the opted land/property.
- The date the property was acquired and/or a loan was taken out by the opter on the relevant property.

Sollicitors, in particular, will have to get used to accepting more risk when dealing with property transactions, with the need for a greater acceptance that an OTT is in place without proof from HMRC. The decision to refuse to send any acknowledgements to options sent by post is certain to be challenged as it discriminates against the digitally excluded.

If you would like to discuss how the changes to HMRC Option to Tax process will impact you and your property plans, please get in touch.

Biodiversity Net Gain

Biodiversity Net Gain (BNG) is an approach to development and land management that aims to contribute to the recovery of nature. It will apply from November 2023 for all developments in the Town and County Planning Act 1990, unless exempt, and apply to small sites from April 2024.

It is a step-change in how the government seeks to deal with ever-decreasing habitat. The UK has lost almost half of its biodiversity since the 1970s, much of which is due to the loss of habitat to commercial farming and construction. 72% of UK land is managed for agriculture, with a further 8% of land being built on. This has led to a steep decline in the abundance of wildlife and nature.

Developers

With increasing demand for residential housing and commercial property, measures to reverse this biodiversity loss is essential. Under the Environment Act 2021, all planning permissions granted in England (with a few exemptions) will have to deliver at least 10% biodiversity net gain from November 2023. BNG will be measured using Defra's biodiversity metric and habitats will need to be secured for at least 30 years.

This requirement will be in addition to existing habitat and species protections already in place.

Plans will need to show how they will make a net improvement to biodiversity, ultimately leaving the natural environment in a better state than it was before the infrastructure was put in place.

While some developments will be able to enhance biodiversity 'on-site', there will be sites with constraints that mean they will need to consider other arrangements to meet the new criteria, such as 'off-site' BNG, delivered through habitat creation/enhancement via habitat banks, with public and private landowners. In cases where BNG cannot be delivered on-site, or off-site via the market, as a last resort, it may be possible to purchase statutory credits for large-scale habitat projects. However, it is unclear if local planning authorities will require BNG to be delivered within a specified distance or area, or if some local authorities will require a higher percentage of BNG to be achieved.

Landowners and land managers

'Off-site' BNG has created a market for rural landowners to sell biodiversity units to developers, which would also need to meet Defra's biodiversity metric and be maintained for a minimum of 30 years. This does bring some complications for the landowner, as the BNG sites will need to be formally registered, managed, monitored, and reported on for the duration of the net gain agreement.

Calculating the value

Natural England's Biodiversity Metric 4.0 is an accounting tool that can be used by ecologists for the purposes of calculating BNG, which uses habitats as a proxy for biodiversity and compares the habitat found on a site before and after development based on habitat size, type, condition, distinctiveness, and location.

Calculating the value of BNG units

Prices for BNG units will be agreed between landowners and developers, so will likely reflect the local market and depend on factors such as the type of biodiversity that needs to be compensated and the cost of land. Market analysis carried out for Defra in 2021 by Economics for the Environment estimated that mandatory BNG could generate demand for 6,200 off-site units per annum, with a market value of £135m (an average of £22,000 per unit). Other forecasts suggest anywhere between £8,000 to £30,000 per unit.

Considerations

We have seen that there have been a few likely routes to enable these agreements between developers and landowners. From self-managing to using a 'habitat bank'. Each option will require its own consideration by the parties involved, more so for the landowner.

For the developer, they will need to ensure that the BNG uplift can be delivered in line with the proposal in the planning documents. 30 years is a long time and therefore the developers may seek to use an intermediary to manage the BNG sites over this period.

Critically for developers, they will be able to benefit from making use of excess BNG units generated from an existing site and using this excess on new sites.

Habitat banks are being used as a locator tool for developers to help them find local BNG units and are looking to provide management of these schemes for the develop and the landowners.

In terms of the landowners, they may be entering into a lease which will have income and capital gain tax considerations. They may also be taking responsibility for the continued maintenance of the land inline with the prescribed management plan. There remains uncertainty over the Inheritance tax treatment of land within a BNG scheme – currently landowners would usually benefit from Agricultural Property Relief so the potential loss of this relief may make it an unattractive option. The latest budget confirmed that a potential expansion of agricultural property relief to cover certain types of environmental land management is underway, and we would hope this would provide some clarity for those concerned. How long this may take, is unknown.

If you are a developer or a landowner, there are business opportunities that come with this change, which need further consideration. Our Construction & Real Estate team work closely with our Agriculture team, so can provide the specialist support to help you navigate the new rules and maximise any opportunities.

The Construction Reverse Charge

John Rossiter
MHA, Thames Valley

The construction domestic reverse charge ("DRC") came into force over 2 years ago, taking effect from 1 March 2021.

The rationale for introducing the change was to combat VAT 'missing trader' fraud in the construction sector. HMRC considered that there was a significant opportunity for fraud to occur as a result of construction businesses collecting VAT on supplies made but failing to pay the VAT collected to HMRC. It was estimated that this type of fraud cost the Treasury up to £100m per annum. The measure followed the introduction of the Construction Industry Scheme to counter income tax fraud and applies to the same activities.

The solution is relatively simple. Rather than the supplier charging and collecting VAT on the supplies it makes, the customer self-assesses VAT on the supply received, and is entitled to claim the VAT self-assessed as input tax to the extent that the supplies received relate to taxable supplies made or to be made by the customer. Consequently, there is no payment of VAT to the supplier, and the risk of fraud is removed.

What services are affected?

The scope DRC is wide and is based on the definition of "construction operations" for CIS purposes. It encompasses construction services and associated goods supplied by contractors working on the construction, alteration, repair, extension or demolition of buildings and civil engineering works. Supplies of such services supplied to a customer who is VAT registered where the services are required to be included on a CIS return are subject to the DRC.

What services are excluded?

- There are a number of exclusions that apply:
- Professional services of architects and surveyors.
- VAT must continue to be charged on separate supplies of goods alone.
- Supplies made by employment businesses supplying staff and who pay temporary workers.
- Supplies of contractors' services to an "End User".
- Zero rated services (i.e., new dwellings and RRP projects)

What is an 'end user'?

End Users are customers who do not supply building and construction services onwards. This will include occupiers, retailers, developers, and landlords. Whether a customer is an End User may not be obvious to a building contractor. A customer is required to notify a contractor that it is an End User. In the absence of a declaration, contractors should assume that the domestic reverse charge applies whenever their customer is VAT registered.

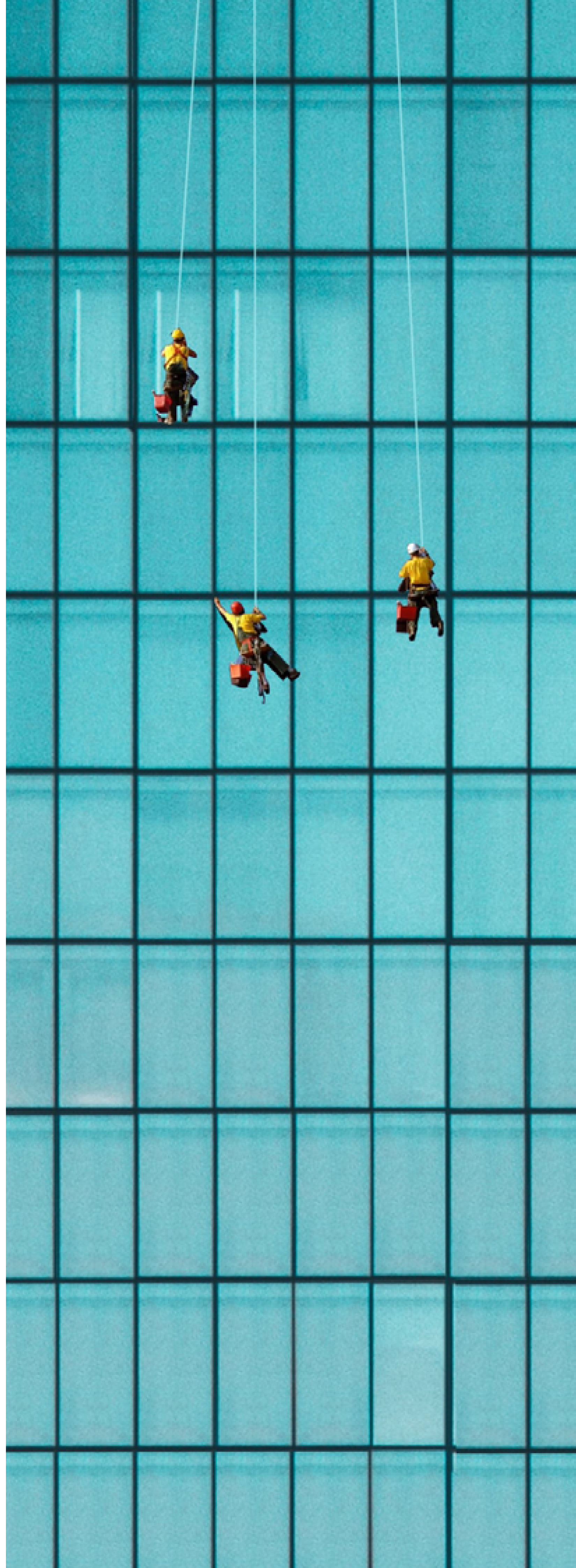
Practical Implications

Aside from the need to change accounting systems and invoicing procedures, and verifying the VAT and CIS registration status of customers, the fact that VAT is not collected on payments means that greater consideration needs to be given to managing cash-flow for sub-contractors.

The right to reclaim VAT on costs is unaffected by the DRC and will result in regular VAT repayments being due from HMRC, monthly VAT returns should be considered as a means to improve the businesses cash position.

There was concern prior to implementation that many businesses were not prepared for the changes and that this would result in significant issues arising. However, after 2 years of operation, the DRC appears to have been adopted across the sector without too many problems being encountered. It may be the case that all businesses in the sector have implemented the requirements with no trouble.

But it may also be the case that some subcontractors have continued to charge VAT where the DRC should have been applied - which could potentially create an input tax issue for the businesses that the subcontractor has supplied. If a subcontractor charges VAT on construction works it recommended that this treatment is questioned before payment of the VAT amount is made.



Plastic Packaging Tax: One year on

Plastic packaging is still widely used in the construction sector for all manner of building products & the new tax system is extremely complex!

Having just passed the one-year anniversary of the Plastic Packaging Tax (PPT) being introduced in the UK, we thought is was an opportune moment to review our experiences of PPT.

In an announcement issued on the 27th January 2023, HMRC have finally decided not to impose a legal requirement to provide wording on invoices in relation to any applicable Plastic Packaging Tax.

Firstly, there were also some issues with the registration process in the early months, with the way that the tax start date was generated by the online application changing. These were subsequently verified by HMRC after questioning the applicable tax start date, so we had numerous discussions with HMRC regarding this matter to resolve their queries. In some cases the date did not change but, in others, the date had to moved backward. This was not an ideal start to the new tax, but was a minor bump in the road.

Generally, our experiences with PPT have been positive. Clients who've engaged MHA have accepted that they need to register and have made all efforts to have the necessary records in place. However, there are a number of businesses that are still unaware they may be within the scope of the legislation, such as construction firms, due to the plastic packaging used for all manner of building products.

Currently, only a small number of our clients have the need to claim exemption on the 30% recycled content, but this is partly due to constraints on influence over the sourcing of plastic packaging, not the best intentions to reduce virgin plastic in their supply chain. Hopefully, as many other countries apply similar taxes, the pressure to change to more sustainable packaging will increase the number of products meeting the 30% exemption.

We've seen a steady stream of businesses requiring our assistance on this new tax and we helped companies

review their records, confirm their registration requirements, and compile and submit the quarterly PPT returns to HMRC.

HMRC are already reviewing Plastic Packaging Tax and have staff engaged in reviewing the registration dates to ascertain whether the correct tax has been paid. These high-level audits will increase as HMRC look to police this tax more vehemently in the coming months, so it is important for businesses, who import goods containing plastic packaging, to be vigilant and review their obligations under PPT, otherwise they could face penalties.

It is important to highlight that this tax is not just applicable to UK businesses. In fact, a number of our PPT clients are overseas companies who have had to register due to their status as the UK importer. As the importer is accountable for the PPT, the commercial terms agreed between parties will affect who is liable to PPT registration.

For overseas businesses who sell goods under the Delivered Duty Paid (DDP) Incoterm, they will be required to register for PPT and pay the tax if they meet the 10MT threshold.

At MHA, we are concerned that this is not highlighted sufficiently as overseas businesses may not be fully aware of these new requirements. In our experience, HMRC have not been issuing penalties for late registration, but this policy is likely to end with the expectation that businesses should be aware of their obligations and be registered at the correct time.

Finally, the recent Spring Budget announced that PPT will increase, in line with the CPI, from the 1st April 2023 to £210.82 per metric tonne.

If you would like to discuss the Plastic Packaging Tax and how this impacts your business, pleaseplease get in touch.

Making Tax Digital Deferred – yet again

Joe Spencer
MHA, London & the South East

Despite repeated statements to the contrary, it was confirmed by HMRC on 19th December that the introduction of Making Tax Digital (MTD) for Income Tax, originally proposed in 2015 for 2018 introduction, will not now become mandatory until 5th April 2026, rather than 2024 as previously stated.

In addition to the deferral, HMRC has also announced changes to the scope of the initiative. The new rules will initially only apply to businesses with turnover in excess of £50,000, with those having turnover of between £30,000 and £50,000 given a further year to comply. It is unclear what will happen for businesses with turnover between £10,000 and £30,000.

This sector is probably the most lucrative in terms of "closing the tax gap" but is also likely to be the least IT literate and compliant.

HMRC have stated that there will be a "review into the needs of smaller businesses" – so it would appear that implementation here will not take place for at least three more years and that there will be some relaxation in the turnover rules. In line with previous announcements, the introduction of the new regime for partnerships will follow later than individuals, but no date has been given other than that it will not now be 2025 as previously planned.

It is interesting to speculate on why this initiative has been deferred. The most obvious answer is probably simply that it has become clear that either the technology isn't yet reliable, or the feedback from trials and pilots shows that businesses are not yet willing or able to comply.

In an HMRC survey carried out earlier this year they found that 58% of those surveyed were either "disengaged", "lacking confidence" or "Resistant and less capable".

Other possible reasons might be:

1. Continuing uncertainties with the interaction between MTD and PAYE for those with multiple sources of income
2. Problems in the early trials of the system (it appears unlikely that any effective pilot schemes will have concluded before the 2024 implementation date)
3. Lack of available free software and inability of some software packages to deal with more complex MTD scenarios including the "one business /multiple trades" situation.
4. The fear that introducing a major change in a period of "challenging economic environment" might cause economic damage as some smaller businesses decide to close or accelerate retirement plans rather than comply.

The statement is silent on whether the switch to a fiscal year basis of assessment will also be deferred – or it may be that HMRC recognise it needs to be fully concluded before MTD starts.

It is even possible that HMRC are considering the suggestion from the Country Landowners Association (CLA) and others that the concept of a diversified rural business unit could be recognised for tax purposes. This is a key lobbying issue for the CLA this year, and if adopted could remove some of the more complex MTD issues.

This is the third deferral, and some believe that the whole initiative is starting to lack credibility. However, it seems unlikely that the project will be abandoned since too much has been invested and HMRC undoubtedly feel that the initiative will produce results. A more likely scenario is that voluntary early adoption will be encouraged before entry becomes mandatory. During the next few years, the changing age profile of taxpayers may also remove some of those least able to participate.

According to MHA agricultural partner Joe Spencer "The continued deferrals have somewhat undermined the need for urgency, but I do not believe the project is dead. Businesses now have a strictly defined and realistic target date to introduce digital systems and ensure they are in good working order for when MTD really does happen."

If you would like further information, or have any questions, please get in touch.

Housing Associations – value for money reporting 10 years on

Liz Newell
MHA, Central Region

Ten years on from the introduction of the Value for Money (VFM) Standard, we look at how the regulations have been implemented, what it has meant for Housing Associations and whether the desired impact has been achieved.

We also look the challenges facing the sector in the current economic climate, and how the VFM regulations can continue to deliver for both Housing Associations and tenants alike.

The VFM standard, introduced in 2012, is one of the economic standards that the Regulator of Social Housing expects registered providers to comply with. It looks at whether a provider is making the best use of the resources that it has, to meet it objectives. From 2013, HA's have been required to report on VFM in the annual accounts.

The VFM regulatory framework is about transparency and accountability, focussing on the efficiency and effectiveness of the organisation as a whole, rather than just efficiency and service delivery. When the regulations were first introduced, the aim was to ensure that social housing providers were focussed on how value for money would be achieved in the short, medium and long term, through service delivery and collaboration with other partners. The hope was that these strands would filter through the whole entity, at all levels. Housing providers needed to demonstrate how they were listening to their tenants, whether they were utilising their housing assets to the full and how the associations could potentially work collaboratively to provide best service and value.

It took a few years, but most HAs have embraced the regulations in the way they were intended. There have been some modifications to the requirements along the way, most recently when the Regulator of Social Housing issued the VFM Standard 2018. This allowed HAs to integrate the requirements into a long term strategy, and provide public visibility on that process by incorporating it into their reporting.

That being said, there have been some high-profile cases recently in the media, where a number of Housing Associations have been found to fall short of the standard of providing value for money. These include cases where the HA has not undertaken essential, timely maintenance or repairs.

In response to rising complaints, the Housing Ombudsman is preparing to undertake over 10,000 investigations in 2023-24 to meet increased demand.

When investigating the VFM reporting of those associations, it is clear that, ten years on, reporting is being taking more seriously and strategy is being influenced by the requirements. In these cases however, the impact of the regulations was slow, change did not come quickly enough, and the outcomes show how vital the requirements are.

It takes time for new regulations to bed in, and many housing associations are only now fully onboard with strategies to meet the VFM across their organisations.

So, what now for the future of the regulations, in the current economic crisis?

Housing Associations support some of the most vulnerable people in our society, including those on low incomes, people with welfare or medical issues, victims of domestic violence or abuse and elderly people in need of supported accommodation. Their services are needed now more than ever, as the cost-of living crisis and skyrocketing energy prices are putting increased pressure on tenants' financial stability and resilience.

Housing Associations themselves are also facing multiple challenges in the current economic climate, with rising inflation, higher borrowing costs and a shortage of skilled labour to undertake repair and maintenance work. The sector is also under pressure to make significant investments in existing homes to meet quality, building safety, and decarbonisation commitments; at the same time as rent increases have been capped at 7% and tenants are struggling with bills.

This is an ideal time for HAs to revisit their strategies, and consider where priorities need to change, certainly in the short term. Prioritising 'value for money' and VFM reporting is more crucial now, ten years on from inception, than it has ever been.

We have experienced specialists spanning both housing associations and other not for profit organisations that can support you to review your value for money strategy and reporting.

Accounting for ESG: the when, where & what

Keeley Lund
MHA, Northern Region

Task Force on Climate-related Financial Disclosures (TCFD):

TCFD reporting is a minefield for Finance Directors; it's far more than just climate related disclosures, and it's more than just carbon reporting.

In the UK, the Financial Conduct Authority (FCA) and the UK Government have set us on a path towards mandatory TCFD reporting.

From 1st January 2021 all Premium Listed companies have been required to state in their annual report whether their disclosures are consistent with TCFD recommendations (or explain why not). They will have already reported under the Listing Rules, essentially having had to report against the TCFD disclosures as well as the Companies Act 2006 requirements.

For periods commencing 6th April 2022, the next tranche of entities including PIEs, certain AIM-listed companies and other large private companies, plus certain LLPs have had to content with two statutory instruments amended the Companies Act 2066 and related LLP legislation:

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and The Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022.

From 2025 we expect all companies will need to make climate-related disclosures, with the emphasis on materiality and further guidance is expected from the Government and the FRC in due course.

To provide some much needed clarity, Keeley Lund presented on this topic at our last FD Update Course, providing practical guidance for finance directors, setting out the 'when, where and what' when it comes to making climate related disclosures.

You can download and watch the recording from our FD Update Course **here** (part 5 of 7)

House Prices!!

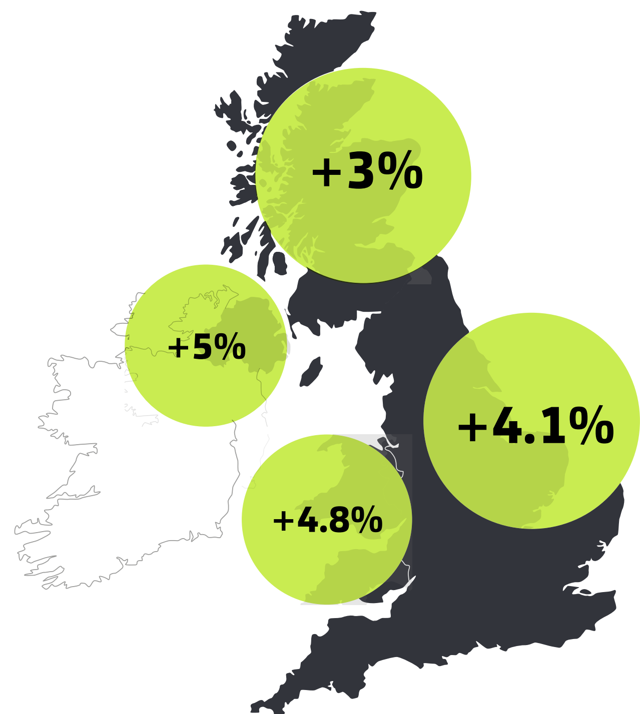
The latest house price data was published on 24th May 2023 by HM Land Registry on GOV.UK which provides data up to March 2023. It reveals that average house prices in the UK increased by **4.1%** over the year to March 23, down from **5.8%** in February 2023. The average price of a house now stands at **£304k** in England, **£214k** in Wales, **£185k** in Scotland and **£172k** in Northern Ireland.

Monthly house prices changes across the UK and Ireland

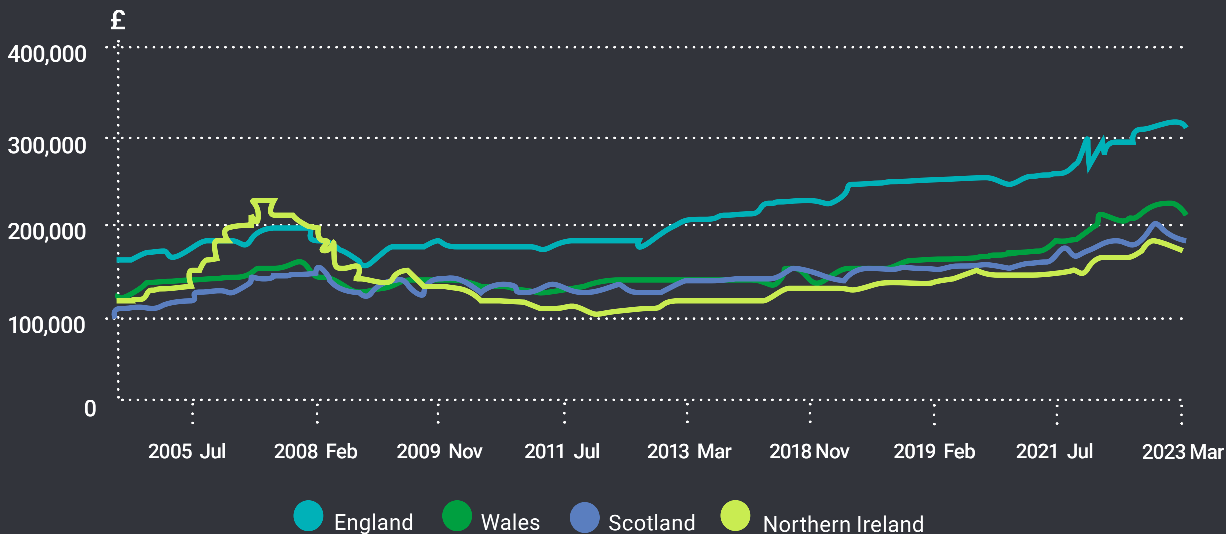
The UK average house price has fallen for the fourth consecutive month, standing at £285,000 in March 2023, which is £11,000 higher than at the same point last year, but £8,000 below the recent peak in November 2022.

Average house prices across the UK

- **England** increased by 4.1% over the year to March 2023, with the average house price in England now at £304,000.
- **Wales** increased by 4.8% over the year to March 2023, with the average house price in Wales now at £214,000.
- **Scotland** increased by 3% over the year to March 2023, with the average house price in Scotland now at £185,000.
- **Northern Ireland** remains the cheapest UK country to purchase a property in, with the average house price at £172,000, having increased by 5% over the year to March 2023.



England house prices remain the highest in the UK

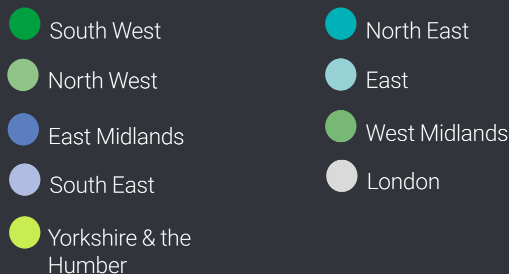


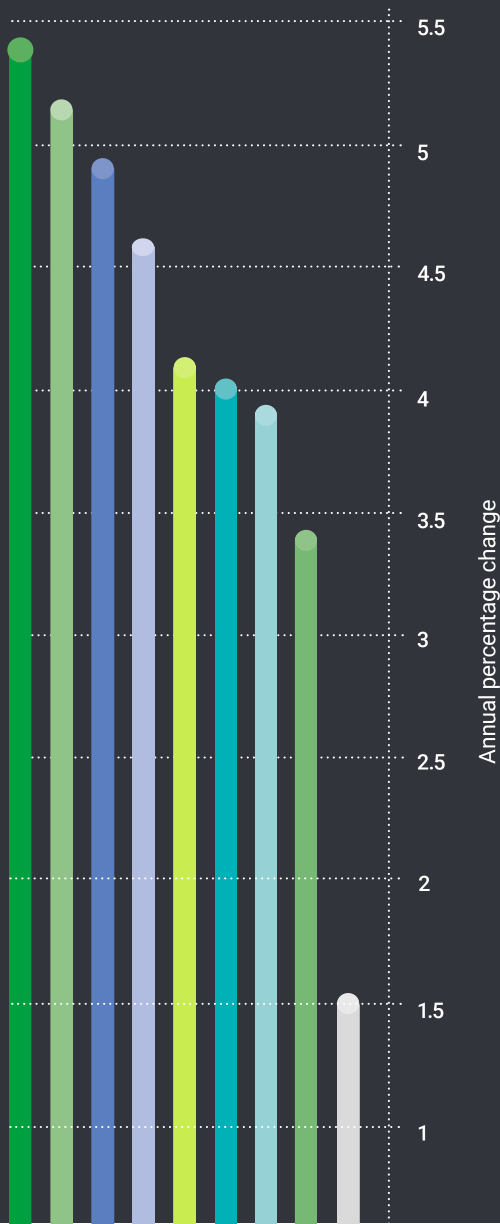
Regional variation

- The North East continued to have the lowest average house price of all English regions, at £157,000.
- The South West was the region with the highest annual house price growth, with average prices increasing by 5.4% in the year to March 2023.
- The lowest annual growth was in London, where average prices increased by 1.5% over the year to March 2023, down from 2.9% in February 2023.
- Despite seeing the lowest annual growth, with house price inflation at 1.5%, the average house price in London is still the most expensive in the UK at £523,000 in March 2023.

London is the region with the lowest annual house price Percentage change

All dwellings annual house price changes, by English region, 12 months to March 2023





News bites

Holiday lets may need planning permission in future

The Housing Secretary, Michael Gove has announced plans to reform planning laws to allow local authorities to ban future holiday and short-term lets in areas that have a shortage of affordable housing. Under the plans, second home-owners will need to secure planning permission in order to let out their property. Michael Gove stated that he is "determined that we ensure that more people have access to local homes at affordable prices, and that we prioritise families desperate to rent or buy a home of their own close to where they work", and that while tourism "brings many benefits to our economy", local people are too often "pushed out of cherished towns, cities and villages by huge numbers of short-term lets". The new proposals are expected to become law by the end of the year. There is a further consultation taking place on a new registration scheme for short-term lets.

What happened to "Build, build, build"!?

The conservative manifesto pledge to build 300,000 new homes a year by the mid 2020's seems like a distant memory, but it was only three years ago that Rishi Sunak and Boris Johnsons delivered their 'Build, build, build' speech. With the mandatory target being scrapped, around 50 local authorities have abandoned their planning targets for new homes, leading to a collapse in planning approvals.

Minimum Energy Efficiency Standards (MEES): changes from 1 April 2023

The Minimum Energy Efficiency Standards (MEES) for buildings aims to ensure all non-domestic buildings in England & Wales, with new and existing leases, achieve an Energy Performance Certificate (EPC) 'B' rating by April 2030.

The regulatory framework imposes incremental steps to reach this target, so from 1st April 2023, landlords should no longer have any lettings at a property below a band E rating, unless a valid exemption applies.

An EPC has been a legal requirement for residential and commercial property in England, Wales, and Northern Ireland since 2008, and in Scotland since 2009 whenever a property is built, sold, or rented. It is valid for 10 years and gives a property an energy efficiency rating from A (most efficient) to G (least efficient). An accredited assessor will need to assess your property and produce the EPC certificate. However, the assessor will generally only evaluate what can be seen without destructive investigation, or proven with relevant documentation. Therefore, without evidence, walls that have been insulated and then skimmed over wouldn't be considered in the assessment, but boilers, windows and light bulbs would.

Renters' Reform Bill

The Renters' Reform Bill is intended to redress the balance between landlords and tenants in the private rental sector. The Government released its white paper on "a fairer private rented sector" in 2022 and is expected to be introduced towards the end of 2023 / 2024.

Some of the key features of the bill include:

- Section 21 'no fault' evictions would be banned by repealing section 21 of the Housing Act 1988
- Revised section 8 grounds would allow for landlords to be able to give a tenant two months' notice should they wish to sell or move into their rental property
- Periodic tenancies to become standard, with tenants required to give at least two months notice to end a tenancy
- Notice periods for rent increases to be extended and limited to once a year
- Decent Homes Standard to be introduced to ensure properties are free of serious health and safety hazards and kept in a good state of repair
- Tenants to be given new rights to keep pets
- Bans on renting properties to families with children, or those in receipt of benefits to be outlawed
- A new 'Private Renters' Ombudsman and a new property portal to be established to provide advice and support.

IR35 - Off payroll working requirements are here to stay

The Chancellor announced that the off payroll working rules (IR35) will continue. Businesses engaging contractors should continue to apply IR35 and ensure they keep the necessary records of their checks to determine the correct tax status.

Buy to Let crisis - opportunity for cash rich investors

With thousands of landlords selling up in the face of falling house prices, rising mortgage costs, growing regulatory burden and less favourable tax rates, rents have shot up. With demand continuing to outstrip supply, rents across the UK jumped by 4.3% in December and 4.4% in January.

According to RICS and Capital Economics, rents are expected to peak at 5.3% this year, whilst the forecast that house prices will see a 12% 'peak-to-trough' decline.

'Cash-rich' investors are therefore finding market conditions and yield forecasts extremely favourable.

Mortgage affordability

The Bank of England raised interest rates in May to 4.5%, the highest level in 15 years in its continuing efforts to bring down inflation to the target level of 2%. The base rate has increased 12 times in a row, rising by 4.4 percentage points from a historic low of 0.1% in December 2021.

This marks the sharpest series of hikes since 1989. So far, the increases have added £9,564 a year, or £797 a month, for homeowners with a standard variable rate mortgage of £300,000, according to broker L&C Mortgages.

Official ONS figures indicates average UK house prices have risen by 73% over the last decade, which has inevitably led to higher household debt, with families spending a greater proportion of their income on mortgages.

Social value

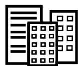
Peabody joins a growing number of property and construction firms in applying a social value weighting when scoring potential suppliers for contracts. The housing firm awards £1bn in contracts every year and has set their social value weighting at 20% following a successful trial.

100% mortgages are back!

Skipton Building Society has launched a new five-year fixed-rate mortgage specifically aimed at renters wanting to get on the property ladder, which doesn't require a deposit or a guarantor. To be eligible, renters will need a good credit history and be able to provide evidence of 12 months of on-time rent payments.

It has been a challenge for renters to save a sufficient deposit, whilst paying out an equivalent, or similar amount to a mortgage repayment in rent every month.

According to Moneyfacts, there are currently 15 other providers offering 100% mortgages, however, they require a friend or family member to act as a financial guarantor. All mortgages of this type come with above average interest rates and there is still the concern around the impact of negative equity.



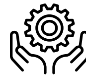
Vacant office space on the rise

Vacant office space across the UK has risen 65% over the past three years to 102 million square feet, according to data from the real estate analytics group CoStar. Approximately a third of that space is in London.

The commercial office space is a mixed picture dependent on City, build quality and environmental credentials, with some landlords opting to convert office space into housing under permitted development rights.

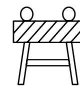
Construction firms default on bounce-back loans

Around 46,000 businesses in the construction sector have defaulted, or entered arrears on their repayments. The business support scheme was launched in April 2020 in response to the pandemic and was available until April 2021.



London keeps its Green Finance Crown

London has been named the world's number one centre for Green Finance for the fourth year in row. New York was second in the ranking, followed by Stockholm, Geneva and Luxembourg. The Z/Yen Group looked at 150 indicators and surveyed 633 financial professional to compile the report. London was deemed most supportive of green finance and outperformed rivals in most categories including talent pool, built infrastructure and quality of life, however New York came out slightly ahead in terms of regulatory environment and capital markets were thought to be more liquid.



Taylor Wimpey job losses

Taylor Wimpey have revealed plans to cut 450 jobs and focus on strict work in progress control, restrict discretionary spend and reduce land-buying after targeted completions were down 23% on last year.

Chief Executive Jennie Daly said that the business had seen an incremental improvement in sales rates so far this year, compared to the end of 2022 and that they continue to expect 2023 completions to be broadly equivalent to an annual net sales rate assumption of 0.5 to 0.7, but with completions more weighted to the second half of the year.

Covid & Brexit leads to the closure of thousands of pubs and clubs

According to a report by the Independent, Britain now has 13,793 fewer pubs, bars, hotels, restaurants, nightclubs and other licensed premises than it had three years ago, representing a 12% contraction of the UK hospitality sector. The report attributes this decline largely to the impact of Brexit, noting that the number of closures is more than twice the 6,400 net closures recorded in the three-year period before Britain's withdrawal from the EU on 31 January 2020 and the onset of the Covid pandemic.

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1152

Staff

106

Partners

19

Offices nationwide

£124

Million turnover

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