

Making the most of opportunities in a challenging property market



We reflect on the headwinds in the residential property development and lettings market – and spotlight the allowances and incentives available to help businesses navigate the right course.

Eye-watering interest rate rises over the past year have put pressure on many businesses operating in the UK's residential property development and lettings sector.

This has prompted lenders to review their commercial loan strategies and, in some cases, interest rates on finance products have gone into double digits, while other products are being withdrawn. This all means affordable finance options are more limited.

Economic indicators from the Royal Institute of Chartered Surveyors suggest falling residential property sales over the coming months but to then stabilise.

Housebuilding has also been negatively impacted: in September, Barratt reported that overall house price inflation was running below inflation in building costs and weighing on profitability.

Land and stock demand

The general slowdown is prompting land values to fall and making so-called land banking less attractive. As a result, for those with the financial capacity, there are potential bargains to be had in acquiring certain development sites.

In the residential lettings sector, a reduction in stock has caused rents to rise as demand outstrips supply.

National Statistics reported that residential rental costs were rising at their fastest annual rate rise since records began.

There is, however, speculation that this may spur more first-time buyers to step onto the property ladder as house prices soften – good news for developers catering for this buyer segment. It also shows that for landlords looking to increase their portfolios, there is likely to be demand for additional stock.

A helping hand

While the general picture is sobering, there is still demand for property stock in the rental and first-time buyer markets.

Given how tight profit margins are proving, it's important to make the most of available reliefs such as:

- reclaiming VAT costs on new-builds
- getting up to 150% tax relief on the cost of cleaning up contaminated land
- claiming wear and tear costs via the renewals basis
- claiming allowances on communal areas for multiple dwelling properties
- saving on stamp duty if your business buys six or more dwellings and can qualify for commercial stamp duty rates, or multiple dwellings relief.

It's also advisable to be mindful of business group sizes to avoid hitting the £2m corporate interest restriction for total interest expenses.

In his Autumn Statement, the Chancellor promised to improve the current planning process and backlog to aid development. He also pledged £110m over the next two years for nutrient-mitigation schemes to boost residential property building.

At Shipleys, our property specialists help businesses with tax planning, VAT claims, valuations, forecasting, debt and business restructuring, as well as routine compliance.

We also have access to specialist advisers and lenders, for example, to help businesses to find alternative sources of finance.

What new rental legislation will mean for landlords

Landlords in England will need to adapt to a range of significant new rules if the proposed Renters' (Reform) Bill becomes law in 2024.

The bill, which was outlined in the King's Speech in November, includes the abolition of 'no-fault' evictions but will also make it easier for landlords to recover properties if they wish to sell, move in a family member or evict tenants who "wilfully" fail to pay their rent. The bill will also:

- make it illegal for landlords to refuse to rent to recipients of government benefits
- give landlords greater powers to evict anti-social tenants and reduce notice periods to remove occupiers who breach tenancy agreements or cause damage
- introduce a database of residential landlords and privately rented properties in England
- ensure the Decent Homes Standard is applied to the private rented sector for the first time
- give landlords the right to refuse pets at a property if the tenant doesn't have insurance to cover the cost of damage to the premises
- digitise the process of legal disputes and appoint a new ombudsman.