The Rt. Hon. John Healey MP
Chancellor of the Exchequer
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Dear Chancellor,

Real Estate: UK Autumn Budget Representation

Real Estate: UK (RE:UK) brings together global and domestic capital, developers, advisers and operators, to represent the full breadth and diversity of the real estate market, worth £950bn to the UK economy. Our members support thriving communities across the UK through the investment, delivery and management of purpose-built rental homes; modern and flexible workplaces; critical infrastructure such as logistics and data centres; and retail and leisure centres. Real estate is central to the Government's ambitions to raise living standards, regenerate places, re-industrialise the UK economy, improve the UK's energy security, fix social care and, ultimately, deliver good growth in every postcode.

How the real estate sector can support our public priorities

The real estate sector is calling to work in partnership with the Government. By utilising the expertise of our sector, Government can unlock the potential of the real estate sector to contribute to our national priorities. Recognising the increasing borrowing costs and current fiscal pressures, our Budget submission sets out a number of cost-effective measures which can unlock barriers to investment and ensure tax revenues can be raised without hampering investment and growth.

Housing

Our members invest in, develop and operate professionally managed homes across Build to Rent (BTR), student living, affordable housing and later living. Together, these sectors are raising standards across the private rented sector and accelerating housing delivery. Build to Rent alone has grown from a standing start 15 years ago to deliver 10% of all new homes, building out 30% to 60% faster than non-BTR schemes, according to MHCLG[1]. We also understand the Prime Minister's determination to end rough sleeping. Through LandAid and other industry partnerships, real estate is already playing its part helping to fund homes, support services and practical routes out of homelessness.

[1] Planning Reform Working Paper: Speeding Up Build Out - GOV.UK

Re-industrialisation and growth
Real estate and infrastructure are the backbone of a modern economy. They enable advanced manufacturing, defence, data centres, labs, SME growth and the logistics networks that keep Britain moving. They are essential to the Government's Industrial Strategy and central to its ambition to re-industrialise the economy. Modernising our property stock will also cut energy costs, strengthen climate resilience and make businesses more competitive.

Regeneration of local places
As long-term investors in place – our members have long recognised the value in working collaboratively with local leaders and communities to deliver for local areas. We support greater devolution of powers and authority to local levels – and greater clarity on the transfer of powers, funding and responsibility will give investors more confidence around how major investments and regeneration schemes can be unlocked.

With the right policy environment in place, our members can channel the investment necessary to deliver the workspaces, homes and infrastructure that our economy and communities need to thrive.

Development viability
Real estate is facing a severe viability crisis. Development schemes expected to deliver returns five years ago are now increasingly loss-making. The impact is clear: in the year to June 2026, BTR construction starts fell by 80%[2]. The wider market is also under strain, with the S&P UK Construction PMI at 38.4 in June[3], its second-sharpest monthly contraction since the pandemic (and in negative territory since January 2025).

Of course, macroeconomic pressures have played a part, but viability has been hit hardest by a decade of accumulated tax and regulatory change. The Government has made welcome progress since the General Election: the Mansion House accord should improve access to capital, and planning reform should speed up delivery, reduce risk and support returns. But these reforms will take time to reach businesses on the ground. This Budget must therefore act now to ease viability pressures. Without material intervention, the collapse in BTR starts today risks delivery of far fewer large-scale rental homes by 2029 and beyond.

[2] Starts on site for new BTR homes fall by 79% across the UK | Real Estate:UK
[3] S&P Global UK Construction PMI

A budget to kick-start development

1. **Address viability** – Though we recognise the Exchequer needs to raise revenues, this needs to be done in way which supports economic growth. We recommend several tax changes to provide an immediate impact on viability. Critically, the Budget must avoid the introduction of new or increases to existing levies and, recognising the impact speculation has on investment, the Government must be proactive in quelling unhelpful policy speculation.
2. **Unlock investment** – To support the Government's ambition to crowd in overseas capital and achieve its Mansion House ambitions, the Government should use the Budget to improve the tax and regulatory fund environment.
3. **Place-based decision-making** – Greater longer-term funding certainty and autonomy for Mayoral authorities will better enable interventions best suited to the specifics of the local area. We support the Government's move to integrated settlements, and its ambition and underpinning principles for fiscal devolution. We welcome early clarity of funding and decision-making frameworks to ensure investors and delivery partners have confidence and certainty around how local regeneration projects can be unlocked.

The subsequent annexes provide further detail. Real Estate: UK stands ready to engage and support policy development on the below and any broader areas.

Yours sincerely,

Vanessa Hale
Chief Executive, Real Estate:UK

Structure of our response:
Annex A: Channelling investment
Annex B: Addressing housing viability
Annex C: Place based regeneration
Annex D: Re-industrialisation and growth

Annex A: Channelling investment

Context

UK pooled investment vehicles and Real Estate Investment Trusts (REITs) enable significant investment into UK real estate. They provide pension schemes, retail, and overseas investors access to real estate investment opportunities, utilisation of fund managers expertise and collectively accounts for over £160 billion of investment[4].

Positively, through both the Mansion House reforms and the creation of the National Housing Bank, Government has rightly identified the need to increase the flow of long-term institutional capital into UK real estate. This Budget, we urge the Government to support this ambition through a number of targeted interventions to modernise and streamline the UK fund tax and regulatory environment and increase its attractiveness and operability relative to other international jurisdictions.

Policy recommendations

1. Extend Stamp Duty Land Tax seeding relief for all property funds

Starting up any new fund often requires seed properties and while SDLT seeding relief exists for certain authorised property fund structures, the current regime remains relatively narrow and complex. In the context of the Mansion House accord and the aspiration to amalgamate our local Government pension schemes into mega funds, the Government should seek to remove the tax frictions involved in bringing property assets from all over the UK into our new mega funds.

2. Modernise and simplify the REIT regime

The REIT regime was one of the earliest dedicated UK property fund structures - introduced in 2007. As a result of evolving practices and the broader tax regime, there are a number of rules which are now are now largely antiquated or superfluous. The following areas should addressed:

a) **Remove the 3-year development rule** – it risks removing liquidity and stifling major refurbishment activity by a significant investor cohort.
b) **Remove the property finance cost restrictions (PFCR)** – this is now unnecessary due to the corporate interest restriction rules applied by most other investors and adds unnecessary compliance and costs.

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[4] Investment Property Forum - The Size & Structure of the UK Property Market Year-end 2023 (March 2025) Report

3. Optional VAT-exempt election for RIF (Reserved Investor Fund) management services

Providing appropriate choice of UK fund vehicles for different types of investors and partnerships is critical to facilitate investment through UK fund vehicles – and it's fantastic that the first RIF was launched this year – with the aim of tackling homelessness in the UK.

As Reserved Investor Funds (RIFs) are a new type of investment fund, they are not currently expected to qualify for the VAT exemption that applies to the management of certain other regulated funds. As a result, fund managers will generally have to charge VAT on their management fees to RIFs. For RIFs investing in residential property in particular, where VAT recovery is generally not available, the VAT on management fees becomes an additional cost that reduces investor returns. This could make UK RIFs less attractive than comparable offshore fund structures – especially for investment in residential property.

It is imperative that our suite of UK fund vehicles are attractive for both investment in commercial and residential property. Rather than making all RIF management services exempt, which would impact their VAT recovery, the Government should allow fund managers the choice to elect for their services to be VAT-exempt where that would benefit the fund.

4. Introduce "RIF 2.0" with CIS/AIF optionality

To qualify as a RIF, a fund must currently meet the requirements of both a Collective Investment Scheme (CIS) and an Alternative Investment Fund (AIF). This adds regulatory complexity, operational requirements and cost. By comparison, offshore structures commonly used for real estate investment, such as Jersey and Guernsey Property Unit Trusts (JPUTs and GPUTs), can achieve similar tax outcomes while only needing to meet the requirements of a CIS. This can make them simpler and cheaper to operate.

International experience from countries such as Australia and Canada shows that large funds, often invest through joint ventures in sectors such as infrastructure, BTR housing, logistics, data centres and regeneration projects. We therefore recommend the Government introduce a new "RIF 2.0" model, which would allow fund managers and investors to choose whether the fund operates solely as a CIS, rather than being required to comply with both CIS and AIF rules. This would reduce costs and make UK-based fund structures more competitive with offshore alternatives.

Annex B: Housing – unleashing the potential of institutional capital

Context

For-sale housing, while making up the core of housing market, has not typically delivered at the scale required. Delivering on the Government's housing ambitions requires diversity of tenure and unlocking funding from a variety of sources. The purpose-built rented housing sectors, including Built to Rent (BTR), provide high-quality, professionally managed homes that are well aligned to the Governments pursuit of increased standards, professionalism and tenancy protections. Critically, these sectors play a significant role in housing delivery – BTR now accounts for nearly 1 in 10 new homes – and builds out at a significantly faster rate than non-BTR schemes, which makes them a useful catalyst for wider regeneration projects. Moreover, because investment in rental homes delivers returns over the very long term, the sector continues to attract institutional investment even in challenging market conditions – the sector could therefore help to contribute to more consistent housing delivery in the UK, which is less prone to 'boom and bust' cycles. Attracting institutional investment into purpose-built rental housing should therefore be a critical part of the Governments housing delivery ambition[5].

The primary barrier to growth for the purpose-built rented sectors is the ongoing development viability crisis - the extent and drivers of which are set out in more detail in our earlier paper[6]. Without immediate intervention, there is a risk that the current significant contraction in constriction of new rental homes will lead to very low numbers of new rental housing being delivered in 2028 and 2029.

Policy recommendations

1. Reintroduce targeted Stamp Duty Land Tax support for high-density housing

The last Government's abrupt abolition of Multiple Dwellings Relief wiped an estimated £4 billion from BTR portfolio values, adversely impacting the sectors' ability to invest and worsening viability assessments for new developments.

Reintroduction of targeted MDR relief for high-density housing would cost Government approximately £155m. However, by unlocking the estimated 25,000 homes stalled by the earlier abolition, we estimate the policy could generate wider economic activity producing tax revenues in the region of £650m – vastly exceeding the cost of reintroducing the relief. This should be the first step of a broader review of SDLT and wider tax treatment of high-density housing.

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[5] RE: UK - Build-to-Rent's Role in UK Housing Supply | RE:UK | Real Estate:UK

[6] RE:UK - Boosting Development Viability | Real Estate:UK

2. Zero rate VAT on rents

VAT on investment in residential property is irrecoverable – while for investment in most commercial property, VAT costs are broadly recoverable. This serves as to further worsen the relative viability of residential property investment. The Government should use this Budget to zero rate VAT on rents and broader residential operating costs. Doing so would have a transformative impact on viability and, consequently, investment.

3. Remove council tax on newly developed, vacant units

A high-density residential development of scale can take 1-2 years to fully lease. Currently, council tax is chargeable on empty units until they are leased which adds significant and unknown costs to the development. Removal of this requirement would reduce lease-up risk and improve viability, particularly for large-scale and higher density schemes with longer absorption periods.

4. Remove grant uplift treatment

Homes England applies an uplift payment when partly grant-funded properties owned by Institutionally-Backed Registered Providers (IBRPs) change ownership, requiring them to repay the original grant alongside a high proportion of any increase in the property's value. For IBRPs, this can create a significant additional cost when homes are subsequently transferred to other Registered Providers (RPs). As many IBRPs dispose of stock to traditional RPs, the cost of the uplift is factored into the sale price which increases the sale price for RPs and reduces the capacity of RPs to acquire new homes. Removal of the uplift would ensure that institutional investment continues to provide genuine additionality of new homes and improve capacity of traditional RPs to acquire them.

5. Selective Licencing exemption for BTR and PBSA

Selective licencing sought to enable local authorities to tackle deep-seated issues with rental markets in their areas, requiring a per-home licence which carries an application cost. Critically, at the time of the regime's introduction, the BTR sector did not exist and the PBSA sector was nascent, and its application to these homes makes little sense given they are unlikely to fail property or management standards due to their high-quality and professional management. Indeed, a 2019 Government-commissioned review found that licensing was redundant for PBSA given providers' membership of the Government-approved ANUK/Unipol Codes of Management. Furthermore, service provision across multiple units within a development is unlikely to vary to any material degree because they are under single management

Licencing an average development can cost in excess of £250,000. Moreover, as licences are attached to the individual applicant, organisations often have to reapply (at the same repeat cost) every time the relevant person within the organisation changes.

Recognising viability pressures and the positive impact exemptions have had on development volumes in local areas, we urge the Government take forward a nationwide selective licencing exemption for BTR and PBSA properties. In a similar vein, we would urge consideration of an exemption or tailored approach for large scale housing providers from the annual per property registration fee as part of the forthcoming PRS Database / 'Register your rental property' service as provided for in the Renters' Right Act – this is similarly redundant, expensive, and resource-consuming for BTR schemes.

6. Time-limited CIL relief and broader developer contribution flexibility

Community Infrastructure Levy (CIL), Section 106, Building Safety Levy (BSL) and Biodiversity Net Gain all add significant upfront costs and complexity. **Government must stop adding new levies on developing and operating homes** – and provide greater flexibility on existing levies, particularly in lower-value areas. Building on measures progressing in London, we urge Government to consider a nationwide time-limited CIL relief to ease viability pressures and encourage development, as part of a broader review of developer contributions. Furthermore, the Building Safety Levy is widely anticipated to have a further detrimental impact on housing supply – especially affordable housing contributions. We would urge Government to abolish the levy and seek to raise revenues for cladding remediation in a way which is less detrimental to new housing delivery. Alternatively, the levy should be deferred for at least 12 months, or until the viability situation has improved.

7. Extend capital allowances to large-scale residential investment

BTR is competing for capital against other investment asset classes – across the world. Domestically, the capital allowances regime provides less advantageous tax treatment to residential investment relative to commercial investment. As such, capital allowances should be considered as part of a wider review on the tax system, to ensure that we are able to attract professional and institutional investment into large scale residential housing developments.

8. **VAT treatment of land for social housing**

We welcome the Government's consultation on removing VAT on the on sales of land intended for social housing - this pragmatic and low-cost intervention will improve both the viability and timing of housing delivery. We would urge Government to conclude on their consultation and give an indication of timeframes for implementation as soon as possible, to avoid the risk that transactions are deferred in anticipation of the new rules. Furthermore, we would reiterate the need for very clear principles and criteria to be set out in legislation and guidance – to provide confidence to taxpayers and reduce the scope for disputes.

Annex C: Place based regeneration

Context

We support the Government's focus on place-based regeneration and the importance of diverse, mixed use destinations in driving the success of high streets. RE:UK has long argued that our strongest and most resilient high streets are supported by a diverse ecosystem of workspaces, retail and amenity space, leisure, healthcare and homes – each feeding off each other and contributing to each other's success. While this spirit is well reflected and articulated in the Government's New Towns programme work, the tax and broader regulatory system frequently undermines this ambition by imposing costs, worsening viability pressures and stifling diversity.

Policy recommendations

1. Business Rates reforms to support investment

Against the level of ambition set out in its manifesto, business rates reform remains an area where Government action to date has fallen materially short of its commitments. Worse, changes pursued are actively creating a barrier to the diversity of business we need to see – by pitting off large vs small – or retail vs non-retail. The Government must:

a. **Meaningfully reduce the overall burden** - The UK property tax burden is the highest in the OECD[7] and double the OECD average. Business rates are a key driver for this – they are uncompetitive by international standards and should be reduced.
b. **Address inherent uncertainty by fixing the tax rate** - businesses are invariably unable to predict future business rates liabilities and plan business and investment decisions. The only meaningful way to provide sufficient predictability is to fix the tax rate – like all other taxes.
c. **Reform Empty Property Relief –** Empty Property Relief (EPR) fails to reflect the current market reality of reoccupation periods[8] or that many property owners will typically look to make investments in their properties between tenants - including significant energy efficiency and sustainability improvements. The limited relief further increases the commercial risk attached to taking on the high street investments undermining the necessary regeneration of commercial property in many UK town centres. Government should extend EPR to 12

[7] Tax on property | OECD
[8] BPF/Local Data Company Local Retail Reoccupation Report | Real Estate:UK

months, to better align with typical reoccupation periods, and reduce the rate on empty properties to 50% thereafter.

2. Removing the barriers to greater private sector NHS estates support

The UK's healthcare estates are not fit for purpose and suffer from a £37 billion capital underspend compared to peer countries[9]. For the Government to deliver meaningful NHS reform, it must ensure sufficient investment in its estate, to ensure sufficient capacity, productivity, patient outcomes, and staff wellbeing. With constrained public finances, private capital has an important role to play, but is under-utilised due to unnecessary constraints. To realise its potential, the Government must:

a) **Review spending limits and capital constraints** – The IFRS16 international accounting rule requires NHS Trusts taking on multi-year leases to capitalise the *entire cost* in the year the lease is signed. Combined with the legal obligation on Trusts not to breach the annual capital spending limits, these rules mean projects often stall as lease capitalisation would breach capital capacity limits. The spending limits on capital expenditure should be updated to ensure that capital expenditure can be spread over the life of the lease.

b) **Reviewing viable rent agreements** – Generally, the NHS looks backwards when assessing acceptable rental values and compares the cost of very different physical assets. This ignores cost inflation and fails to account for broader factors that generate wider savings and better overall taxpayer value for money. The calculations to determine viable rent agreements should be updated to factor in forward looking costs and rental values.

c) **Encouraging third party partnerships** – Government support for stronger local authority, Trust, and private sector coordination will drive greater investment.

3. Review SDLT treatment of commercial property

SDLT on commercial lease renewals and changes in occupation can create a tax cost without any meaningful transfer of economic ownership. We believe the Government should review whether SDLT is acting as a barrier to lease restructuring, business flexibility and investment in commercial property, particularly where transactions are intended to support occupation, renewal or redevelopment rather than represent a new acquisition.

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[9] Lord Darzi - Independent investigation of the NHS in England - GOV.UK

Annex D: Re-industrialisation and growth

Context

As our economy adapts – so too must our real estate and infrastructure – from the provision of advanced manufacturing, logistics and defence facilities to data centres and lab space, to flexible offices incubating our SME businesses - as well as our network of modern logistics space which quite literally keeps our economy moving. Real estate underpins the Government's Industrial Strategy priority sectors and will play a key role in the Government's priority to re-industrialise the economy and stimulate economic growth. Furthermore, through modernisation and sustainability improvements to our property stock we can increase climate resilience across our property stock and reduce energy bills for businesses.

In addition, the UK has one of the highest concentrations of Property Technology ("PropTech") firms in Europe, with London widely recognised as Europe's leading PropTech hub. This sector should be championed in its own right – and in turn will deliver opportunities for innovation in the way we invest in, develop and operate buildings – to the benefit of Government and UK Plc.

Policy recommendations

1. **Business rates – reverse the introduction of the high-value property multiplier –** The high value multiplier was introduced without a meaningful impact assessment. What little analysis was provided, makes clear that while positioned as a tax on online giants, the charge indiscriminately impacts properties across all Industrial Strategy priority eight sectors, as well as the industrial and logistics properties servicing IS8 sectors and supporting high street supply chains. At the Budget, the Government should remove the high value multiplier – at the very least until sufficient assessment has been carried out to understand the impact on our IS8 sectors and economic growth.

2. **Planning for employment uses**
   Our members provide the industrial and logistics real estate that keeps the UK economy moving. The sector supports 4.5 million jobs, contributes £287 billion to UK GDP and generates more than £84 billion a year in tax revenues. From manufacturing and data centres to e-commerce, life sciences, defence and retail supply chains, they develop and manage the facilities that enable businesses to produce, store and distribute goods.

We welcome the stronger recognition of employment needs in the revised NPPF, including the greater emphasis on market signals when planning for employment land. Government should now build on these reforms by ensuring that historic suppressed demand is properly reflected in assessments of future need and that sufficient employment land is allocated in the right locations, including through the new Spatial Development Strategies.

3. **Power to support industrial infrastructure**
   Government must accelerate investment in grid capacity and improve connection speeds – which will be critical to unlocking new development. Government can also do more to unlock barriers to generating renewable energy within our buildings – especially the potential of logistics sites to deliver solar power. For example:
   a. **Clarify the treatment of solar within the REIT (Real Estate Investment Trust) rules, and broaden the REIT regime to include renewable energy generation.**
   b. **Extend the business rates exemption on solar panels beyond 2035 – to give investors long term certainty.**

4. **Decarbonising buildings to deliver lower bills, energy security and climate resilience**
   Around 90% of homes still rely on fossil fuel heating and over 80% of commercial buildings with EPC ratings are EPC C or below. Accelerating investment in energy efficiency is essential to reduce bills, tackle fuel poverty and ease pressure on the grid. We also need to accelerate the adaptation of buildings and places to withstand the impacts of climate change. Government can support sustainability improvements and adaptions to improve the climate resilience of our property stock – and at the same time, support new green retrofit industries to grow and scale, by:
   a. **Reducing VAT on retrofitting work to accelerate sustainability improvements** (or at the very least address the current shortfalls with apportioning costs on energy efficiency improvement works within the Energy Savings Materials Rules).
   b. **Reviewing the capital allowances regime and introduce additional reliefs for energy-related investment - or equivalent support for tax-exempt investors.**

5. **Championing the UK's PropTech sector**
   Over the past decade, UK PropTech firms have transformed everything from property search and transactions to building management, energy efficiency, and are increasingly providing services that help developers and local authorities make faster and better-informed planning decisions. To build on this success and help the PropTech sector scale further, we need more collaboration between Government and industry, more public and private investment, more access to data and the wider adoption of common data standards, and regulatory frameworks that support and reward innovation.