Potential Benefits of the 2024 UK Budget for

Residential Property Developers

1. CAPITAL GAINS TAX (CGT) ADJUSTMENTS: ENCOURAGING PROPERTY INVESTMENTS

One of the most significant changes property companies are anticipating in the 2024 UK budget is around Capital Gains Tax (CGT). CGT is levied on the profit made from selling assets, including properties. Currently, CGT rates for landlords stand at 18% for basic-rate taxpayers and 28% for higher-rate taxpayers. With the potential introduction of new thresholds and adjustments to CGT, the government could incentivize more property transactions.

A potential reduction in CGT rates would not only reduce the financial burden on landlords and companies looking to sell properties but would also encourage reinvestment in the housing market. Property companies with large portfolios could take advantage of this change by selling properties in regions with peak prices and reinvesting in areas with better growth potential, capitalizing on a more favorable tax environment.

Expansion and Long-Term Growth

For property companies, the ability to reinvest more profits means they can grow their portfolios more rapidly. This is particularly important for companies looking to expand into **Convert-to-Rent (CtR)** schemes, affordable housing, or even higher-end developments. A favorable CGT adjustment could drive these companies to explore new areas of investment and development, offering both flexibility and financial advantage.

Companies specializing in property management and lettings will also benefit, as landlords who are not deterred by high CGT rates may feel more comfortable selling and upgrading properties, leading to increased business for management firms that handle these transactions.

2. STAMP DUTY RELIEF FOR MULTIPLE PROPERTY PURCHASES: REDUCING ACQUISITION COSTS

Stamp duty, a tax paid when purchasing property, has long been a point of contention for landlords and property companies. With the additional 3% surcharge on second home and buy-to-let property purchases, this tax adds a significant cost to property acquisitions. In the upcoming budget, there is speculation that stamp duty relief could be extended for multiple property purchases.

Enhancing Portfolio Expansion

If this measure is introduced, property companies would benefit from reduced acquisition costs, enabling more aggressive expansion of rental portfolios. Particularly for companies managing multiple properties, this would make large-scale purchases far more affordable. This relief could further stimulate activity in the buy-to-let market, as companies would be more inclined to invest in new properties without facing the financial burden of high stamp duty costs.

The **National Residential Landlords Association (NRLA)** and other housing industry organizations have been vocal about the need for changes to stamp duty. Reducing or eliminating the 3% surcharge would not only increase the attractiveness of buy-to-let investments but also make it easier for companies to manage cash flow during expansion.

By easing upfront financial obligations, companies could reallocate funds toward property improvements, energy efficiency upgrades, or tenant management technologies, ultimately driving higher profitability in the long term.

3. SUPPORT FOR ENERGY EFFICIENCY UPGRADES: INCENTIVIZING SUSTAINABILITY

With the UK government's commitment to achieving net-zero emissions by 2050, energy efficiency remains a top priority. The 2024 budget is expected to extend support for Energy **Performance Certificate (EPC)** improvements. Landlords and property companies must comply with stricter regulations, with all rental properties required to meet a minimum EPC rating of C by 2030.

Grants and Tax Reliefs for Property Companies

Property companies that own older buildings or properties in need of energy upgrades can expect grants or tax reliefs that would reduce the cost of compliance with these new standards. Companies that proactively upgrade properties can benefit from reduced operational costs in the long run, as energy-efficient buildings tend to have lower utility expenses. Additionally, improved EPC ratings make properties more attractive to environmentally conscious tenants and investors.

Incentives for energy-efficient improvements may include grants to cover a portion of the renovation costs, as well as tax deductions for companies that invest in sustainable technology and building materials. Property companies that specialize in refurbishing older homes could see increased demand for their services, as landlords and investors look to meet new regulatory requirements.

4. ENCOURAGEMENT OF BUILD-TO-RENT (CTR) SCHEMES: BOOSTING LONG-TERM RENTAL INCOME

The **Convert-to-Rent (CtR)** sector continues to thrive in the UK as demand for rental housing remains strong, particularly in urban areas. The 2024 budget may include additional support for CtR projects, incentivising property developers and companies to invest in purpose-built rental properties.

Steady Rental Income Streams

CtR schemes provide property companies with long-term rental income, which is generally more stable compared to other forms of property investment. With the government's focus on boosting housing supply in key metropolitan areas, companies that are already involved in CtR developments may benefit from grants, tax reliefs, and preferential lending rates that could reduce development costs.

CtR schemes are seen as a sustainable solution to the UK's housing shortage, particularly in cities like London, Manchester, and Birmingham, where rental demand far outpaces supply. Companies that specialize in large-scale developments are well-positioned to take advantage of favorable policy changes and the growing trend toward rental housing.

Furthermore, CtR developments tend to attract higher-end renters, allowing companies to command premium rental rates while offering modern, amenity-rich living spaces. The upcoming budget's support for CtR could accelerate growth in this sector, further stabilizing property companies' revenue streams.

5. INCREASED INVESTMENT IN SOCIAL HOUSING: OPPORTUNITIES IN PUBLIC-PRIVATE PARTNERSHIPS

Another significant focus of the 2024 budget may be on increasing investment in social housing. The government aims to address the affordable housing crisis by working closely with the private sector to deliver new homes. Property companies that partner with local authorities and housing associations could benefit from additional funding and subsidies aimed at building and managing social housing.

Public-Private Partnerships: A Win-Win

For property companies, social housing represents a stable, long-term investment opportunity with guaranteed rental income through government-backed schemes. By partnering with the public sector, companies can diversify their portfolios while contributing to a vital social cause. In addition, companies involved in social housing projects may qualify for tax reliefs or grants aimed at reducing construction costs, making these projects financially viable.

The social housing sector is expected to grow in the coming years as the government seeks to address the chronic undersupply of affordable homes. For companies with experience in managing large-scale residential developments, this presents an opportunity to expand into new markets while benefiting from government incentives.

CONCLUSION: A BRIGHT OUTLOOK FOR PROPERTY COMPANIES IN 2024

The upcoming 2024 UK budget offers numerous opportunities for property companies managing residential rental portfolios. From tax reliefs and energy efficiency grants to the expansion of the Build-to-Rent sector and social housing initiatives, companies can expect to benefit from policies aimed at addressing the housing crisis and boosting investment in the property market.

By staying informed and prepared, property companies can position themselves to capitalize on these potential changes, ensuring growth and profitability in the coming years. The government's focus on housing issues—combined with the sustained demand for rental properties—will likely make 2024 a pivotal year for property investors, landlords, and property management companies alike.