

The Rt. Hon. Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

6 October 2025

Dear Chancellor

BPF 2025 BUDGET REPRESENTATION

The British Property Federation (BPF) represents the UK property sector. We are long term investors in communities across the country, investing in all types of commercial property – including retail, offices, logistics hubs, data centres and lab space – as well as professionally managed residential property, notably ‘Build-to-Rent’ (BtR), Purpose-Built Student Accommodation (PBSA), and homes specifically designed for senior living. Our industry contributes £110bn a year to UK GVA and supports 2.5m jobs – one in 13 of all jobs in the UK.

As long-term investors in communities across the country, our members want to harness domestic and global capital to support the delivery of New Towns at pace; and invest in more productive workspaces, new homes for all stages of life, and the buildings and public spaces that underpin modern, cohesive communities. The planning, regulatory, and pension fund reforms undertaken by the Government to date have been welcome moves to encourage this, which we and our members have supported. We encourage Government to continue efforts to speed up the planning system - recognising the crucial role it plays, as gatekeeper to the development of new homes and workspaces we need to see delivered across the country. We particularly welcome the Government’s commitment earlier this year to fund 100 new posts at the Building Safety Regulator, in order to build the specialist capacity needed to address the excessive delays to high rise development applications. It is vital that these roles prioritise technical expertise in building and fire safety to ensure that the additional resource delivers meaningful change in practice.

Despite these positive efforts, however, there remains a fundamental and debilitating viability challenge facing development in all regions of the UK. July’s S&P Global UK Construction Purchasing Managers’ Index¹, showed the sharpest contraction in construction for five years – and follows the Deloitte crane survey² earlier this year which showed that the number of new construction starts in four of our larger cities in the UK was already starting to slow quite significantly in 2024 (47 starts on site in 2024 compared to 63 in 2023). While the viability crisis is being felt across all asset classes, the BPF’s latest [Build-to-Rent \(BTR\) data for Q2 2025](#) illustrates the severity of the viability crisis on the delivery pipeline of new rental homes. BtR construction starts in the first half of 2025 were barely 2,600 homes, compared to over 26,000 in the whole of 2022. This equates to a pro rata fall in BtR housing starts of 80% over the past three years. **This data suggests that the supply of new rental homes being completed in 2028 will be severely constrained.**

The data is stark. Without urgent action, the development viability crisis will jeopardise the Government’s ability to deliver on key priorities, including:

- **Industrial Strategy** – the delivery of the modern workspaces we need to support our growth sectors.
- **1.5 million new homes** – the BtR sector has the potential to contribute 10% of Government’s housing delivery targets, if the viability crisis is addressed.

¹ [S&P Global UK Construction PMI](#)

² [Deloitte Regional Crane Surveys 2025 | Deloitte UK](#)

- **New Towns** – as the Government has acknowledged³, the BtR sector builds out 30-60% faster than traditional build to sell business models – which will be crucial to delivering New Towns at speed.

Fundamentally, addressing the development viability crisis will be crucial to unlocking the economic growth and investment we need to see across the country.

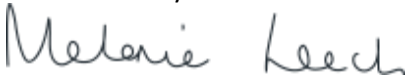
Stability and certainty

Given the long-term investment horizons of investors in property – stability and certainty in the tax and regulatory environment is of utmost importance. Even the suggestion of new taxes or regulations can impact the feasibility of potential development opportunities and more fundamentally it affects investor sentiment, eroding appetite to invest in certain asset classes, or indeed, into the UK at all. An example of this is the reaction from overseas investors to the way the proposed abolition of Upward Only Rent Review clauses was introduced in the English Devolution and Community Empowerment Bill earlier this year. The lack of prior consultation and the pejorative language about property owners used in an impact assessment has led our members and the investors we speak to, to question the Government's commitment to working in partnership with the private sector and undermined the UK's reputation for due process.

The collapse of the residential new build market in London earlier this year – with only 19 new homes sales in May across the whole of our capital city - is a further example of just how fragile investor sentiment is currently. Pre-Budget "kite-flying" and media speculation over the summer, about further property tax and regulatory changes, has been deeply unhelpful and served only to inject further uncertainty and caution in the minds of investors who, despite these miss-steps, remain fundamentally attracted in principle to the UK as an investment destination. Given how challenged development viability is right now, we cannot afford to put further barriers in the way of attracting the capital that is needed at scale to deliver.

Our detailed policy recommendations to boost development viability are set out in the subsequent appendices. Please do not hesitate to get in touch to discuss further.

Yours sincerely

A handwritten signature in blue ink that reads 'Melanie Leech'. The signature is written in a cursive, flowing style.

Melanie Leech CBE
Chief Executive, British Property Federation

Structure of our response:

Appendix 1: Prioritise stability and certainty

Appendix 2: Tax reforms to boost development viability – targeted at high density developments and lower value sites

1. **SDLT and levies - support for high density housing and lower value sites**
2. **Business rates – supporting investment**
3. **Council tax – remove council tax on empty units to reduce cost of new developments**
4. **VAT – extend the rules governing VAT on Energy Saving Materials (ESMs)**
5. **Land Remediation Relief – better target the relief at Brownfield sites**

³ [MHCLG Planning Reform Working Paper: Speeding Up Build Out](#)

Appendix 1: Stability and certainty

The private sector capital the Government needs to deliver the homes, modern workplaces of all kinds, and the rejuvenation of our communities, is invested at scale for the long term - and investors have choices. Policy and regulatory uncertainty adds risk - and even the suggestion of new taxes, levies or regulations can make investors look elsewhere, while their imposition can quickly tip a viable project into the red. The UK property sector is already one of the most highly taxed in the OECD⁴ - to deliver the Government's ambitions for growth and housing delivery, there must be no new taxes and a stable policy framework.

Prioritise stability and certainty in the tax and regulatory environment

Development appraisals will typically factor in all the expected income and costs – including regulatory and tax obligations – to assess the net returns which the completed development will deliver over its lifetime. Therefore, changes to the tax and regulatory environment *at any point in a property's lifecycle* can influence development viability.

Changes to the tax and regulatory environment have a compound effect on investor sentiment. As well as changing development viability, constant change gradually erodes investor confidence in the stability of the investment environment. We recommend minimising changes to the tax and regulatory environment. Where change to policy is unavoidable, the Government must consult early with impacted stakeholders and provide clarity and appropriate lead times as quickly as possible to manage disruption and limit uncertainty. Investor reaction to the inclusion of a ban on Upward Only Rent Review clauses in the English Devolution Bill demonstrates how quickly confidence can be dented in the UK's reputation for policy stability.

Thorough consultation and engagement with affected stakeholders also helps to ensure that changes are fit for purpose. We fully support successive governments' focus on building safety but the stalling of the housing market and millions of pounds of lost investment through the delays at the Building Safety Regulator demonstrates the impact of rushing through measures without necessary technical engagement. For this reason, the Government must not rush the introduction of proposed increases to landfill tax rates – in order to ease the imposition of such a significant tax hike – and avoid inadvertently hampering development viability. Similarly, the Government should urgently provide clarity on timelines for implementation of the various provisions within the Renter's Rights Bill and monitor the impact of the Bill once enacted, particularly with respect to the increased court capacity which will be critical to ensure the rental market operates smoothly and efficiently.

A stable policy environment will also be key to attracting private sector investment into making our homes and buildings more energy efficient and cutting bills for homes and businesses. We support the introduction of higher minimum energy efficiency standards (MEES) for the private rented sector (PRS) but the timetable proposed by the Government is unachievable and risks accelerating the exodus of private landlords from the market. The Government needs to work with the sector to ensure lead in times are realistic and that the right balance is struck between improving the quality of homes and supporting a thriving PRS. We also urgently need clarity on the Government's position on MEES for the non-domestic PRS (i.e. leased commercial property). There has been an absence of policy development on decarbonising commercial buildings which has delayed investment into retrofitting our offices and high streets. Clarity on MEES will ensure that future standards and regulations can be factored into investment decisions.

⁴ [Tax on property | OECD](#)

Appendix 2: Tax reforms to boost development viability

Tackling delays and uncertainty in the property investment cycle is vital to improving viability, as it lowers investment risk. While the Government's focus on planning delays is welcome, further action is also needed in the tax system to ensure development viability is supported – especially high-density schemes and developments on lower value sites, like brownfield land, where elements of the tax system currently disproportionately hamper development.

It is clear, particularly from wider planning policy (like the National Planning Policy Framework), that the Government sees huge benefit in making the most of high-density developments on brownfield sites where possible. We fully support this approach – high density developments on brownfield sites offer huge potential to capitalise on the existing infrastructure and transport links which are typically already available in these previously developed sites – and at the same time, ease pressure for development on our Green Belt.

Our submission sets out our priority policy reforms to better support developments across our country – but especially focuses on current aspects of the tax rules which currently disproportionately hamper high-density development on low-value land. High-density developments that can be rolled out at pace will be crucial for delivering New Towns and meeting the Government's housing targets – and it is vital that the tax system does not inadvertently hinder these objectives.

The following reforms are taken in turn – setting out how the Government can better encourage investment in our towns and cities – and specifically, better support high-density developments on brownfield land.

- 1. Stamp Duty Land Tax (SDLT) and levies - support for high density housing**
- 2. Business rates – supporting investment**
- 3. Council tax – remove council tax on newly developed empty units**
- 4. VAT – target lower rate of VAT on sustainability improvements.**
- 5. Land Remediation Relief – better target the relief at brownfield sites.**

1. SDLT and levies - support for high-density housing

The BtR sector will naturally complement the Government's objectives around high-density development – the sector's business model is designed for long-term investment in high-quality homes designed specifically for rent – and development will typically be of significant scale (normally in the hundreds of units per development). Furthermore, given the sector typically builds out developments 30-60% faster than traditional build to sell developments as was acknowledged in the Government's recent paper on accelerating build-out rates, the BtR sector has historically acted as a catalyst for many regeneration projects.

The sector has grown considerably in the UK in the last decade, delivering almost 18,000 new homes last year. However, numbers in UK are still well behind a number of our international peers in terms of the contribution of BtR as a proportion of the total PRS. With the appropriate tax and regulatory environment, we believe the BtR sector has the potential to grow more - and deliver 30,000 new homes a year by the end of the Parliament – amounting to 10% of the Government's 1.5m target.

However, counterintuitively, there are currently some elements of the tax system which inadvertently disincentivise high-density developments – notably, upfront costs like SDLT and other development levies. By ensuring the tax system is actively supporting wider Government policy around high-density development, particularly on low-value sites – the BtR sector has the potential to play a much bigger role in both supporting the Government’s housing delivery targets – and rolling out New Towns at speed.

How does SDLT and other upfront costs affect development viability?

While all property investment and development costs affect viability, up-front costs—incurred before any sale or lease takes place—generally add the most risk, so are most damaging to viability. These costs will generally affect the price a developer can offer for land – which disproportionately hampers low-value areas, where land values are not able to absorb taxes and levies.

It is important to note that ***even transaction taxes which will become due on a completed development*** affect the net proceeds available on sale of the development (i.e. the net return on a possible sale) – and are therefore also factored into the land value. In low-value areas this can result in negative land values – which can prevent development in lower value areas.

This issue is compounded for higher-density developments - because transaction taxes, like SDLT and other levies, will generally be higher on higher-density developments when completed, and often significantly more relative to the original land value. This generally makes it harder for higher-density schemes to be viable – and to compete for land against other types of developments – especially in low-value areas.

Given higher density developments will be crucial to meeting the Government's housing delivery targets, making the most of brownfield sites, and rolling out New Towns at speed – the Government should seek to redress the disproportionate impact of taxes and levies on low-value land and high-density developments.

Our specific asks are:

a. SDLT – reintroduce support for high density housing developments

Multiple Dwellings Relief (MDR), which was abolished last year, was widely regarded as one of the key policies which supported the growth of the BtR sector across the country over the last decade. MDR allowed for the appropriate rate of SDLT to apply based on the average price of a home in a large-scale residential development. This was a big boon to BtR development viability in lower value areas, including brownfield land and regeneration sites – and was regarded as a key catalyst for growth of the BtR sector outside of London. We estimate that the abolition of MDR last year stalled or delayed the delivery of up to 25,000 new homes – and has permanently eroded the valuation of the BTR asset class - which in turn has hampered viability in the sector, and particularly harmed BtR housing viability in all but our largest cities.

The tax system should be actively encouraging higher density housing developments which are rolled out quickly – not penalising them. As such, targeted SDLT support should be reinstated for large-scale residential housing transactions such as BtR. It is important that this new targeted support should also avoid such transactions incurring SDLT surcharges, which were never intended to hamper the supply of new rental homes.

b. Other upfront taxes and levies

In addition, the Government should commit to no new developer contributions or levies. As well as introducing complexity in the planning process, up front levies can be particularly damaging to development viability for low-value areas and high-density schemes. To incentivise much needed development, we would highlight the following:

- Consideration should be given to flexibility in the level or timing of developer contribution payments, especially when viability is particularly constrained – even a deferral of the payment of the contribution could help de-risk some developments.
- The Building Safety Levy (BSL) has introduced a discount for brownfield land, in recognition of the challenges around development viability on these lower value sites. However, the definition of brownfield land (or previously developed land) in the current draft regulations is too restrictive and will mean that many brownfield sites simply won't qualify for the relief. If the Government wants to support viability of housing delivery on brownfield sites, this definition needs to be urgently redrafted - ideally moving closer to the definition within the National Planning Policy Framework, which was the intention per the original consultation.

2. Business rates

We welcomed the Government's commitment to transform business rates, and better support investment in our commercial property stock. From best-in-class retail and leisure destinations; to productive offices spaces; to delivering our growing network of modern logistics facilities across the country – our commercial property stock underpins every community in the country and supports the success of every sector of our economy. And as our economy changes our commercial property sector needs to respond, to deliver the new workspaces needed to support our modern economy – from lab spaces to advanced manufacturing sites, to data centres.

On top of this, our commercial property stock faces a huge challenge to decarbonise and make energy efficiency improvements. Our research indicates that 83%⁵ of commercial buildings in seven of our major cities are below EPC B. Significant investment is needed in our commercial property stock to improve energy efficiency standards and reduce energy bills for business.

Given the huge investment needed by the commercial property sector, we were disappointed by the Government's recent interim report on Transforming Business Rates. We also remain concerned that the Government's proposals to introduce higher multipliers for properties with rateable values of >£500k will have a detrimental impact on our economy, especially on the growth sectors in our Industrial Strategy, and on jobs. **It's fundamental that Government publishes a thorough impact assessment on these proposals without delay.**

Our full response to the Transforming Business Rates consultation can be found [here](#) - and we draw out priority measures which should be introduced in the short term to better support investment and growth:

- a. **The business rates burden should not be increased further:** the UK has a property tax burden which is over double the OECD average⁶, and a business rates tax rate currently standing at 55%, which is well above most other business tax rates – it is wholly uncompetitive. We conducted research this year: Business Rates: The Wider Economic Impact⁷ - to examine the impact of an increase or decrease in business rates on our wider

⁵ [bpf_epc-commercial-real-estate.pdf](#)

⁶ [Tax on property | OECD](#)

⁷ [ay-business-rates-economic-impact-final-report-with-foreword-17-march-2025-003.pdf](#)

economy. If the Government chose to increase the business rates burden by £1.7bn (which was an approximate estimate of how much the current Retail, Hospitality and Leisure (RHL) temporary relief costs), our research shows that this would have the following ramifications for our wider economy: **£2.3bn of lost output; £1.5bn reduction in Gross Value Add; circa £170m of wider Government tax revenues lost; and up to 22,000 jobs potentially at risk in the wider economy.**

In light of the risk to jobs and growth in our wider economy, the **Government should not increase the business rates burden further.** Furthermore, a thorough impact assessment should be carried out to determine whether the impact on jobs, investment and growth outweigh the possible benefits of introducing higher rate multiplier to fund a lower multiplier for RHL, within the business rates system. Any measure which risks jobs, investment and growth will ultimately impact on the health of our high streets.

- b. Empty Property Relief must be reformed to reflect actual re-occupation periods** – the current 3 month period of Empty Property Relief (and 6 months for logistics) is woefully inadequate and, as our research⁸ shows, does not reflect the time it typically takes to re-let a vacant property to a new tenant (which typically takes over 12 months for retail) – let alone carry out refits and energy efficiency improvement works. Imposing a 100% business rates charge on empty units after a 3-month period is penal and makes investment riskier and development less viable - especially in less thriving areas where vacancy rates are already high. **We suggest extending the initial Empty Property Relief period to at least 6 months and ideally 12 months, for all properties, to better reflect actual vacancy periods - followed by a 50% discount thereafter.** As with council tax (see point 3 below), at the very least this reform should be introduced without delay for new developments and refurbishments - to help support development viability.

- c. Improvement Relief – extended to property owners** - while we were pleased to see the Government's commitment in the interim report to review the efficacy of Improvement Relief – we are concerned that waiting for data on its efficacy in its current form will simply delay much needed changes to this relief to ensure it can be effective at stimulating investment in the whole of our commercial property stock. Improvement Relief is currently only available where the occupier of a property is the same before and after the works have been carried out. However, a landlord would ordinarily seek to carry out improvement works between tenants – and given over 50% of commercial property is leased⁹, we suggest at the very least that this relief is reformed without delay to enable landlords to access the relief. Given the vast decarbonisation challenge facing commercial property, it is important that this relief is available to the whole of our commercial property stock. Furthermore, we also suggest that the period in which the uplift in rates bills is delayed, is extended from 1 to 5 years, so that the relief can have a more meaningful impact on investment decisions.

3. Council tax – remove council tax on newly developed or refurbished empty units

As with business rates, council tax currently applies on newly developed buildings from 3 months after completion. This is wholly unrealistic for high density schemes - for very large BtR developments, it can take well over a year to lease all the homes and units once a development is complete – and sometimes closer to two years. This cost of council tax on empty units adds significant cost and risk for large scale developments – and this cost is more material on a lower

⁸ [vacancy-period-data-summary-of-ldc-analysis.pdf](#)

⁹ [PIA Property Data Report 2023](#)

value site. This approach to council tax actively penalises high-density construction and quick build out rates – the opposite of what the Government is seeking to encourage.

Removing council tax on empty units would reduce upfront costs and therefore boost viability on higher density developments and refurbishments – and would avoid penalising developments with quicker build out rates.

4. VAT - target lower rate of VAT on sustainability improvements.

The Government is committed to raising MEES in the private rented sector, and although Ministers are proposing a “cost cap” to limit how much landlords will need to spend on improving homes, this will still come at a significant cost to the sector. This is exacerbated by the fact that VAT on any repairs, maintenance or refurbishment/retrofit (including those that enhance energy efficiency or environmental sustainability) can't be reclaimed and is therefore a real cost for the property owner.

While the Government did change the rules in recent years, such that the installation of certain ESMs (Energy Saving Materials) and heating equipment (specified by a list) is zero-rated, these changes are limited and the reality of how residential buildings are typically retrofitted. In practice, this means that this zero-rate relief is often not available (because the rules only allow access to the zero rating where the works are ‘stand alone’ i.e. not carried out alongside other works – which is wholly unrealistic for a landlord completing works on a vacant unit between tenants).

To shift the dial, we propose that that **the rules governing VAT on ESMs should allow for apportionment where the supply and installation of ESMs are part of a wider programme of retrofit or refurbishment.** In other words, the proportion of that wider refurbishment that is attributable to ESMs should be zero-rated, with the remainder being standard-rated. This would reduce the cost of measures to improve the energy efficiency of buildings.

In the longer run, we would encourage the Government to consider a broader application of zero-rating for VAT on residential repairs and maintenance. Given that constructing a new home is already zero-rated, allowing a level playing field in tax treatment for repairing and maintaining our existing housing stock will better support our sustainability endeavours - to reuse and recycle what we have. It would also support the viability of the BtR sector by reducing the VAT costs associated with providing homes for rent.

5. Land Remediation Relief (LRR) – better target the relief at brownfield sites.

In relation to the Government’s recent consultation on Land Remediation Relief, we agree that an effective relief for brownfield sites would be very welcome, given the current viability challenges for lower value sites in particular. Some reforms are needed to this relief to remove unnecessary or antiquated criteria; to ensure the relief is equally effective for all taxpayers; and to better target it at the development that Government want to see – notably brownfield sites. Our full response on this issue can be found here¹⁰.

We would note that reforming LRR should not be seen as a silver bullet for stimulating investment in brownfield land. The Government should prioritise addressing the existing systemic disadvantages in the tax system affecting high density developments and lower value sites – such as through reforms to existing upfront costs - like SDLT, levies and council tax, as set out in our submission.

¹⁰ [bpf lrr-response 17-sept-25.pdf](#)