

Is this reform or a £30bn theft?

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Using retrospective legislation to change the economic value of assets that were lawfully acquired, puts us into very dangerous territory.

It was announced today that ground rents paid to freeholders on existing properties are to be capped at £250pa a year for each property, changing to a “peppercorn” rent after 40 years.

This is an easy political win, “Government intervenes in favour of residents against greedy grasping landlords”

But in truth while there are some bad apples Freeholders are often pension funds looking for long dated income as well as Family offices and private investors allocating to UK real estate for stability.

If we decide, with hindsight, that yesterday’s contracts are politically unacceptable and can be rewritten at will, what message are we sending to capital:

Perhaps: The UK is not as predictable or law driven as you thought.

It undermines the core attraction of the UK as a jurisdiction: legal certainty, contract certainty and a stable environment for long-term investment.

Pension funds have invested more than £15bn in residential ground rents, which are seen as stable, long-term predictable income. They generally have good managing agents and look after the properties. The total value of investment in UK ground rents exceeds £30bn.

M&G Investments Institutional as an example has £722mn of ground rent assets and has said the changes would lead to an estimated £230mn reduction in the value of its holdings.

I am not saying reform wasn’t needed, I am saying it shouldn’t be retrospective without any compensation for the investor.