



UK TO CAP ANNUAL GROUND RENTS

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The UK Government has launched a consultation on ground rents on new build residential leasehold properties. The proposal will cap annual ground rents at £10 per annum and if accepted, the limit will significantly reduce ongoing costs for buyers of residential property.

This consultation addresses the rise in houses being sold on long leasehold terms, often unnecessarily and with rising annual ground rents. According to official figures, around 1.3 million houses in the UK are leasehold and the average annual ground rent is between £300 and £700, with some figures as much as £1000, and higher in London. This results in buyers and owners facing a steeply rising ground rent which can affect affordability and impact heavily on the marketability of the property.

Secretary of State for Communities, James Brokenshire explains, "Unfair ground rents can turn a homeowner's dream into a nightmare by hitting them in the back pocket, and making their property harder to sell."

However, there is a caveat to the positivity. The reform proposals anticipate some exclusions as "appropriate and fair exemptions", for example, shared ownership schemes and retirement developments where there are often communal facilities.

The proposals are part of a six-week consultation and it will be interesting to discover the outcome.

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