

## In Briefings: Assessing the potential impact of Brexit on the Private Rented Sector

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**With investors rushing around to get established in the UK before Brexit, increasing rents in the short term, cutting ties with Europe represents a huge shift for the Private Rented Sector. It is, however, a complete misconception that leaving the EU will cut regulation for landlords, argues Jason Hunter...**

Understandably almost everyone has a view about Brexit, how it will affect their way of life, their work, their income and future. The problem for the majority of us is that it is mostly speculation at the moment.

Nonetheless we jump on that bandwagon and ruminate about the possible impact of Brexit of the day to day workings of the Private Rented Sector, which is an ever more important element of the country's housing provision.

Aside from the bricks and mortar, the principal component of the PRS is the Assured Shorthold Tenancy created when lettings are agreed.

When first devised, the AST was intended to be a simple way for landlords and tenants to enter into a non-permanent relationship, not giving the tenant security of tenure but at least some basic entitlements about when and how possession of the property might be recovered.



The original procedure for creating an AST appeared to not to be simple enough, so was made more simple in 1997. But since then, and certainly since the Housing Act 2004, things have become anything but straightforward with, in effect, greater regulation imposed about who can enter into a tenancy and how it can be brought to an end. Will Brexit mean some of that regulation will be rolled back, or might it be extended?

As a preliminary observation, there is said to be a shortage of good quality property available to be privately rented. That is one of the drivers for the Build to Rent sub-sector of the PRS. But there have already been reports that construction generally is slowing, or will, and that might suggest the pipeline of new Build to Rent schemes could dry up. The mini-boom in Build to Rent might not be sustainable if a) there is less investment due to the economic uncertainty, b) there is a reduced workforce available here to build the properties and c) there are fewer potential tenants around to live in those properties that are built.

One can say with some confidence that a healthy proportion of the demand for rental property, in particular in

London, comes from people from EU member states. At the moment there are signs there might be increased demand arising out of people trying to get established in the UK before we leave the EU, so one might see a continuation of increasing rents in the short term, followed by them dropping off once we have left (assuming some limitation on freedom of movement).

Assuming there is a healthy and viable PRS, there are regulatory conditions to be met if one wants to let property. Introduced recently are what are known as the Right to Rent rules under which prospective landlords are to carry out checks, in effect about the immigration status of proposed tenants. If limitations on freedom of movement are introduced, might the Right to Rent rules be extended to EU nationals. Could the rules for landlords vary depending on where in the country their property is? For example, a "London Visa" has been mooted by some. It might be that certain parts of the UK remain open to freedom of movement, whilst others don't. Might there also have to be laws introduced to give landlords the right to evict EU nationals once we have left the EU? That would seem very harsh to many, but there is a view that we are going that way with non-EU nationals so not beyond realms of possibility.

When a landlord wants to recover possession of a property let on an AST, it has to serve a notice giving at least two months' notice of the intention to seek possession. As a result of other recent changes to the law, there are now a range of conditions that have to be met if that notice is to be valid. One in particular is a result of EU influence – the need to have in place an Energy Performance Certificate (EPC). Might it be the case that Brexit will mean that the requirement to have an EPC in place to be able to serve a valid notice would be relaxed? Perhaps not. Even if the government wanted to (and surely it would be a backward step, environmentally) repealing the EPC legislation probably is unlikely to be a priority.

One might think there are other areas of regulation of the day to business of lettings in the PRS that might be eased as a result of Brexit, but it has to be acknowledged that the majority of regulation affecting the PRS was conceived in Westminster so unlikely to be reversed.

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