

Autumn Budget representation to HM Treasury

From NAEA Propertymark

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Background

1. NAEA Propertymark (National Association of Estate Agents) is the UK's leading professional body for estate agency personnel; representing more than 10,000 offices from across the UK property sector. These include residential and commercial sales and lettings, property management, business transfer, auctioneering and land.
2. NAEA Propertymark is dedicated to the goal of professionalism and by appointing an NAEA Propertymark agent to represent them consumers will receive in return the highest level of integrity and service for all property matters. NAEA Propertymark agents are bound by a vigorously enforced Code of Practice and adhere to professional Rules of Conduct. Failure to do so can result in heavy financial penalties and possible expulsion from the organisation.

Suggestions for new policy ideas for inclusion in the Autumn Budget 2017

Exempt first-time buyers from stamp duty

3. Lower incomes for younger people since the 2008 financial crash combined with limited access to mortgage finance means that homeownership rates amongst young people are declining. To encourage more people into home ownership the Government should exempt first-time buyers from paying stamp duty.
4. NAEA Propertymark's monthly Housing Report shows that the proportion of sales made to first-time buyers fell 30 per cent in June 2017 to 23 per cent in July 2017. September 2016 also saw first-time buyer levels at 23 per cent with November 2015 as low as 21 per cent of sales.¹

¹ <http://www.naea.co.uk/media/1046220/naea-housing-report-july-2017.pdf>

5. Furthermore, a report from the Institute of Fiscal Studies in September 2016 said that those born in the early 1980s have started adulthood with no higher incomes than those born in the previous decade. The report outlines that by their early 30s, those born in the early 1980s had average (median) net household wealth of £27,000 per adult – including housing, financial and private pension wealth. This is about half of the average wealth holdings of the 1970s cohort at around the same age who had £53,000 net household wealth. As a result at the age of 30, 40% of those born in the early 1980s were owner-occupiers, compared with 55% of the 1940s and 1970s cohorts, and more than 60% of the 1950s and 1960s cohorts.²

Exempt downsizers from stamp duty or give them incentives to encourage them to move

6. Pensioners wanting to downsize to a smaller home should be exempt from paying stamp duty. Under occupancy is a key element of the housing challenge that the Government faces. In 2015, NAEA Propertymark released the Housing 2025 report which outlines that 1.1 million households in England and Wales (4.5% of the total) were overcrowded. Whereas, 16.1 million households (69.0% of the total) were under occupied. By making it easier for older people to sell their homes it will free up family-sized homes for the next generation and boost housing supply.³
7. One of the main barriers for older people and pensioners wishing to sell their family home and relocate is the lack of suitable choices.⁴ Therefore, any stamp duty exemption for downsizers must be combined with a programme of housing building for older people. For instance, the UK has just 106,000 purpose-built owned retirement homes.⁵ Furthermore, our analysis from the Housing 2025 report reveals that in most regions, the number of larger homes (i.e. those with three or more bedrooms) being built, far exceeds projected growth in households with two or more dependent children.
8. The Government should also explore additional incentives such as access to over-65s bonds with market-beating returns for downsizers. For example, the Government could permit only

² <https://www.ifs.org.uk/uploads/publications/bns/bn187.pdf>

³ <http://www.naea.co.uk/media/1043988/housing-2025.pdf>

⁴ <https://www.cebr.com/reports/uk-last-time-buyer-market-worth-820-billion/>

⁵ <http://www.economist.com/news/britain/21592620-planning-laws-make-it-harder-retirees-downsize-dont-move-old-people>

funds obtained through property downsizing to be converted into the bonds. Given that it has already been proven that there is a strong appetite among the over-65s for bonds such as these, reintroducing them, but with the added qualification tied to downsizing, would boost the supply of properties on the housing market.

Abolish the 3% surcharge on additional residential property

9. To boost housing delivery the Government should remove the 3% surcharge on additional homes and buy-to-let properties. Whilst the policy has brought in significant income for the Treasury we have not seen any evidence that the policy has prompted an increase in first-time buyers.

10. In addition, by failing to offer exemptions to institutional investors, the policy has stifled the private rented sector where rents are rising. Furthermore, increasing the taxation burden on landlords' results in these costs being passed back to tenants through higher rents. ARLA Propertymark (Association of Residential Letting Agents) report that more than a quarter (27 per cent) of agents saw rent costs rise for tenants in May – the highest level since July 2016, when the figure was 28 per cent.⁶ This means that people have less money to save and it is harder for them to get on the housing ladder.

Extend Help to Buy beyond 2021

11. The Help to Buy equity loan scheme should be extended beyond 2021 just for first-time buyers. The scheme allows buyers to pay smaller deposits and according to the Home Builders Federation (HBF) it has been hugely successful in boosting output. Since the launch in April 2013 to 31 December 2016, HBF report that 112,338 properties were bought (legal completions) with the support of the scheme.⁷ We would also like to see a scheme introduced to support the purchasing of pre-owned property.

⁶ <http://www.arla.co.uk/media/1045979/arla-propertymark-prs-report-may-2017.pdf>

⁷ <http://www.hbf.co.uk/policy-activities/help-to-buy/>

Comments on existing Government policy

Consumer Protection Regulations

12. The National Trading Standards Estate Agency Team of Powys County Council in its role as the UK's lead enforcement authority for the Estate Agents Act 1979 has updated its guidance to help property sales businesses to comply with the Consumer Protection from Unfair Trading Regulations 2008 (CPRs) and the Business Protection from Misleading Marketing Regulations 2008 (BPRs) when carrying out activities in the UK. NAEA Propertymark supports the move towards the Guidance being presented in a way that consumers will find easier to understand. However, we believe that the Guidance should go further in including specific examples which will help agents to understand what they should and should not say when dealing with consumers.

13. Working examples could include the need for agents to tell an individual or couple looking to buy a house for retirement that there is a school nearby with increased noise and traffic levels at certain times; a self-employed consumer looking to purchase a property should be made aware of any parking restrictions surrounding commercial vehicles. By including detailed instances relevant to the buying and selling process we believe that the Guidance would be more descriptive and allow agents to clearly understand what they can and cannot do.

Events fees

14. NAEA Propertymark is working with the Law Commission in its quest for the introduction of stringent codes of practice to require developers, operators and managing agents to bring 'event' fees to the attention of prospective buyers. The fees are common in specialist housing for older people. For instance, when someone moves to retirement housing residents can make use of services provided for the accommodation. Many older people can afford to pay for these services, but some older people (despite being able to purchase specialist retirement housing) are income-poor and unable to pay service charges. Consequently, they might prefer to defer payment until after the property is sold, rather than paying the whole cost through annual service charges. To defer payment developers and the companies who manage this type of retirement or specialist property allow people to buy a long lease. This lease will

include a clause that says when the property is sold a certain percentage of the proceeds of the sale must be paid back, either to the developer or into a fund for the upkeep of the accommodation as a whole. The Law Commission is in the process of producing a disclosure document. A recommendation has gone to the Government and we believe that it should be supported widely to increase consumer confidence in this specialist housing market and improve the purchasing process.⁸

Regulation of estate agents

15. There is no overarching statutory regulation of estate agents. We believe that full mandatory government regulation of sales and letting agents is the quickest and most effective method to eliminate unprofessional, unqualified and unethical agents from the property sector the Government cannot simply go on trying to legislate for every eventuality because this is unmanageable to enforce. We are concerned that there is no statutory regulation to ensure agents are suitably qualified. Additionally, agents who are not members of a professional body do not have to meet minimum competency standards.

⁸ <http://www.naea.co.uk/news/january-2016/naea-supports-law-commission-proposals-on-event-fees/>