



## **Response to DCLG Technical consultation on Starter Homes Regulations from the National Association of Estate Agents (NAEA)**

**May 2016**

### **Background**

1. National Association of Estate Agents (NAEA) is the UK's leading professional body for estate agency personnel, being part of a group representing more than 16,000 members who practice across all aspects of property services both in the UK and overseas. These include residential and commercial sales and lettings, property management, business transfer, auctioneering and land. The NAEA is a sister organisation to the Association of Residential Letting Agents (ARLA).
2. NAEA is dedicated to the goal of professionalism within all aspects of property, estate agency and land. Its aim is to reassure the general public that by appointing an NAEA member to represent them they will receive in return the highest level of integrity and service for all property matters. Both NAEA and ARLA members 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 Associations.

### **Questions**

#### **Section 2: What is a starter home?**

**Q1. Do you support restrictions on the sale and sub-letting of starter homes for 5 years following initial sale? Do you support allowing individuals to sell at a higher proportion of market value as the number of years they have lived in the home increases? If not, what other approaches can we adopt to meet our objectives?**

3. NAEA believes that the restrictions on the sale and sub-letting of starter homes for 5 years following initial sale should be longer. This is because only the initial purchaser will benefit if the affordability of housing doesn't improve during this period.
4. Although starter homes will offer a discount of 20% on market prices, this is still far from affordable in a market where house prices continue to shoot up on a daily basis – meaning that the majority of buyers wishing to take their first steps on the ladder will continue to feel pushed out. An alternative approach would be to set purchase prices in relation to the average earnings in the local area or region.



## Age 40 eligibility

### **Q2. Do you agree that flexibility over the age 40 restriction should be given when joint purchasers are looking to buy a starter home, one purchaser being under 40 years old but the other older than 40?**

5. Yes we agree that flexibility over the age 40 restriction should be given when joint purchasers are looking to buy a starter home when one purchaser is under 40 years old but the other is older than 40. However, according to the Housing 2025 Report<sup>1</sup> when individuals are in a position to buy their own property, they are now doing so later in life. The Report says that the average age of people borrowing for first home purchase has increased from 34 in 1990 to 37 in 2013.
6. Furthermore, according to the Cost of Renting Report<sup>2</sup> released in February 2016 by our sister organisation ARLA (Association of Residential Letting Agents) the average first time buyer in England this year will have already spent £52,900 on housing through rent. Therefore, NAEA expects the trend of first time buyers purchasing property later in life to continue as homeownership slips further out of reach for more of the population. Consequently to boost home ownership we believe that as long as the status of the purchaser as a first time buyer can be justified, age should be irrelevant.

### **Q3. Do you agree that there should be an exemption from the age 40 restriction for injured military services personnel and those whose partner has died in service?**

7. Yes we agree that there should be an exemption from the age 40 restriction for injured military services personnel and those whose partner has died in service.

## Section 3: The Starter Homes Requirement

### Statutory provisions

- a) Minimum threshold for residential developments subject to the starter home requirement

### **Q4. Would a site size of 10 units or more (or 0.5 ha) be an appropriate minimum threshold for the starter home requirement? If not, what threshold would be appropriate and why?**

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<sup>1</sup> <http://www.naea.co.uk/media/1043988/housing-2025.pdf>

<sup>2</sup> <http://www.arla.co.uk/media/1044306/cost-of-renting-report.pdf>

8. A site size of 10 units or more seems like an appropriate minimum threshold for the starter home requirement. However, we believe that organisations representing the building sector and mortgage lenders would be better placed to determine if this site size would be appropriate.

**b) Percentage requirement for starter homes**

**Q5. Should the minimum percentage requirement be applied uniformly on all sites over 10 units to provide a single requirement across the country?**

9. Based on the information provided on page 13 of the consultation document NAEA believes that the option to set the requirement at a level that is lower than this estimate, for example at 15%, would ensure that most schemes can deliver this requirement alongside other forms of affordable housing.

**Q6. If so, do you agree that 20% represents a reasonable requirement for most areas?**

10. Whilst we acknowledge that a single national minimum requirement of 20% may represent a reasonable requirement for most areas, NAEA believes that there are still not enough homes being built to keep up with demand. We believe the best way to increase housing supply is to encourage the building of every type of home. Therefore as outlined in our response to Question 5, a minimum percentage of 15% may allow for a greater housing mix.

**c) Exemptions to the requirement**

**Q7. Do you support an exemption from the Starter Homes requirement for those developments which would be unviable if they had to deliver any affordable housing including Starter Homes? If so, how prescriptive should the viability test be in the regulations?**

11. NAEA thinks that local authorities and planners would be better placed to respond to this question. However, we would like to make the point that there is no reference in the consultation document to the size of starter homes. We know that approximately 81% of UK households live in urban areas with semi-detached houses being the most common type of home in the UK. Furthermore, first time buyers are no longer in their mid-20s and single. Therefore this policy needs to reflect the changing demographic of first time buyers and ensure that an appropriate number are suitable for families considering that the average age of a first time buyer is increasing.



**Q8. Do you support the proposed exemptions from the starter homes requirement? If not, why not?**

12. Yes NAEA supports the proposed exemptions from the starter homes requirement, which include residential care homes and specialist accommodation for a particular group.

**Q9. Should group custom build developments and developments with a very high level of affordable housing such as estate regeneration schemes be exempt? If not, why not?**

13. If starter homes can be provided to estates to help regenerate areas then they should not be exempt from the requirements. Furthermore, in relation to custom build developments we know that in London for example they could become more common as people outpriced by the mainstream market see them as a viable option.

**Q10. Are any further exemptions from the starter homes requirement warranted, and why?**

14. NAEA believes that purpose built student housing should be exempt from the start homes requirement because this type of accommodation is designed and built for a specific purpose.

**The starter homes requirement and off site commuted sums**

**Q11. Do you support the use of commuted sums to deliver starter homes where the local planning authority agrees?**

15. Yes we support the use of commuted sums to deliver starter homes where the local planning authority agrees because this could solve issues around viability. However, as outlined in the consultation document it would leave the local authority with a need to build starter homes somewhere else. Research from Savills in April 2016 says that local authorities are under resourced and many have made little progress in spending commuted sums paid in lieu of affordable housing contributions.<sup>3</sup> Therefore we also think that a more flexible approach may be needed to ensure that the commuted sum is spent in local authority boundaries and not just in higher value areas where there may not be enough land to develop viable starter homes.

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<sup>3</sup> <http://pdf.euro.savills.co.uk/uk/residential---other/policy-response-starter-homes-2016.pdf>



**Q12. Do you support the proposal that private rented sector housing (for institutional investment) and specialist older people’s housing should meet the requirement through off-site contributions?**

16. Local authorities will be best placed to answer this question. However, if private rented sector housing and specialist older people’s housing can be justified then the proposal should be supported. Considering that there are 200,000 long term empty properties in England, the need to make improvements to existing stock should also be taken into consideration by local authorities and developers.

**Section 4: Monitoring and reporting**

**Q13. Do you agree that Starter Homes monitoring reports should be an annex to the Authority Monitoring Report?**

17. We agree that Starter Homes monitoring reports should be published alongside the Authority Monitoring Report.

**Q14. Do you agree that these reports establish the key actions taken to support starter home delivery and the outcomes in terms of permissions granted and completions?**

18. As outlined in our response to Question 7 there is no reference to the size of these starter homes and we would like to see this included.

**Q15. Do you agree that April 2017 is a reasonable date for the first report to be published? If not, do you have alternative suggestions and why?**

19. If this provides local planning authorities with enough time to adapt to the changes then we agree that April 2017 is a reasonable date for the first report to be published.

**Transitional considerations**

**Q16. Do you support a transitional provision for the starter home regulations?**

20. NAEA agrees that the regulations should not apply retrospectively to planning applications. However, we believe that local planning authorities would be better placed to determine whether they will have enough time to consider the regulations and their application.

## Equalities considerations

### **Q17. Is there further evidence we should be considering in our assessment of equalities implications?**

21. We have nothing further to add other than the points we raised when answering Question 2.

### **Q 18 (i): How do you anticipate the open market value of Starter Homes would compare to other affordable housing products such as social rent, affordable rent and affordable home ownership?**

22. NAEA anticipates that unless starter homes can be separated from other types of affordable home ownership we could see a range of options available on development sites that only appeal to first time buyers but all within a small price range.

### **(ii): How do you envisage the market value of Starter Homes when compared to the market value of full priced new build homes bought by first time buyers?**

23. The discount offered by starter homes means that they are likely to be more sought-after by first time buyers. However, the Help to Buy ISA is also a strong initiative allowing first time buyers to raise a deposit. Therefore we could see a reduction in sales on full market sale homes.

### **(iii): What is your view on the proportion of sites that would be able to deliver 20% Starter Homes without viability being affected? How would this affect other developer contributions?**

24. If starter homes become a more sought-after option for first time buyers and impact on the sales of full market sale homes then we could see a reduction in the number of affordable homes being viably delivered alongside starter homes.

### **(iv): Do you agree that in most instances s106 negotiations occur on residential sites of 10 or more units, regardless of whether a s106 agreement is ultimately put in place? And do you agree that before the April 2015 pooling restrictions on Section 106, infrastructure contributions (as a proportion of development activity) tended to be higher in authorities that secured relatively low s106 affordable housing contributions?**



25. NAEA does not hold relevant information to answer this question. However, we believe that local planning authorities should continue to have the flexibility to impose Section 106 affordable housing as an additional requirement to starter homes where there is demand and it is viable to do so.

**(v) To what extent do you think the starter home requirement and associated exemptions will affect site viability, if at all?**

26. We think this will depend on existing affordable housing policy and how well this has been enforced.

**(vi) We would welcome (a) any estimates of the costs incurred by developers in negotiating s106 agreements on sites of different sizes, for example time costs, consultants or legal fees, and (b) views on the extent these costs might change as a result of the 20% starter homes requirement.**

27. NAEA is not a developer or involved in the negotiation process that developers engage in and therefore it is not appropriate that we answer this question.