

**Confidence in the UK property market is reaching a crisis point. Concerns amongst potential buyers about job security, the size of deposits needed, mortgage availability, levels of stamp duty and the stability of the market means that overall levels of home ownership are at their lowest rates for twenty years.**

The National Association of Estate Agents believes that urgent action needs to be taken to make it easier for first time buyers to get on the housing ladder, and less expensive for existing homeowners to move. This paper sets out five steps that the Government should take to revive the UK property sector:

1. Introduce government regulation of letting and sales agents
2. Build more homes to increase supply
3. Comprehensively reform Stamp Duty, and rule out any new taxes on residential property – including a proposed ‘mansion tax’ and any further increase to Stamp Duty
4. Provide support for first time buyers looking to save for a deposit by taking action such as:
  - increasing the annual limit for ISAs;
  - setting up a government-backed deposit saving scheme which provides tax breaks for those looking to save towards a deposit; and
  - exempting parental contributions into the proposed government-backed deposit saving scheme from inheritance tax contributions.
5. Work closely with lenders to ensure that lending criteria are appropriate and that sufficient lending is available to those who are looking to buy a home

The Government has taken a number of welcomed steps to encourage the building of new homes, such as reforms of the planning system and the development of the New Homes Bonus. The Government has also developed a number of innovative schemes designed to help potential home owners secure mortgage funding with the need for a significant deposit, such as the NewBuy mortgage indemnity scheme.

However – whilst the NAEA welcomes these schemes – the vast majority are designed to help people looking to buy new build homes rather than existing stock, and many of the schemes operate a shared ownership model. Limiting the schemes to new homes means that they will have a lesser impact in large parts of the country, including some areas of London where the number of new homes is minimal and prices are highest.

We urge the Government to consider our five point action plan as an important step in reviving the UK property sector.



## 1. Introduce government regulation of letting and sales agents

Estate and letting agents are currently unregulated, meaning that anyone can set up an agency without the appropriate qualifications or industry knowledge. The NAEA believes 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 market.

In the absence of a government-run scheme, the NAEA has introduced a licensing scheme for its members. We believe this scheme provides the most effective protection for consumers that is currently on offer. However this means that there are a significant number of unregulated estate and letting agencies, many of which do not adhere to basic standards. **The NAEA therefore calls on the Government to develop a comprehensive nationwide regulatory regime, to ensure that consumers are protected across the UK.**

## 2. Comprehensively reform Stamp Duty

The dampening effect of Stamp Duty on the housing market recovery is recognised across the industry. With first time buyers struggling to get a foot on the ladder, the Government needs to act decisively and conduct a fundamental review of how it operates in both the residential and commercial sectors.

**The current 'slab structure' of Stamp Duty distorts the UK housing market and places a disproportionate burden on first-time buyers. Now is the time for the Government to modernise the duty to move away from the current 'slab' structure to create a fairer, more logical system.**

Crucially, the NAEA believes that any new tax on the property sector – for example the proposed 'mansion tax' – would further harm the market at a time when the recovery is fragile. The NAEA also opposes any further increases to Stamp Duty. Property taxes in the UK are already amongst the highest in the world, and the Government should not risk further dampening the property market at this time.

## 3. Provide tailored help for first time buyers looking to save for a deposit, such as a government-backed deposit saving scheme and a one off stimulus

First-time buyers are vital to a properly functioning housing market – they drive sales and without them the whole market grinds to a halt. However obstacles such as Stamp Duty and the current lack of mortgage finance particularly impact on this group.

In the current economic climate, with historically low rates of saving and high deposits being demanded as part of mortgage lending criteria, the Government should do all it can to stimulate access to homeownership for first-time buyers.

**With 90% of first time buyers now needing support from their family to buy a home, it is vital that the Government find a way to incentivise people to save for a deposit earlier.**

This could include:

- increasing the annual limit for ISAs;
- setting up a government-backed deposit saving scheme which provides tax breaks for those looking to save towards a deposit; and
- exempting parental contributions into the government-backed deposit saving scheme from inheritance tax contributions.

In addition, the Government should consider a one-off stimulus for first time buyers, for example the \$8,000 First Time Home Buyer Tax Credit in the United States which is widely credited with stimulating the US housing market in 2009.

#### 4. Build more homes to increase supply

The NAEA calls on the Government to make housebuilding one of its top priorities, in recognition of the current crisis of supply of homes for sale and rent.

We believe that the Government needs to address the issue of housing supply as a matter of urgency. 2010 saw the lowest number of houses built since the Second World War, and in the region of 250,000 additional homes need to be built per year to meet current demand. While we welcome the Government's new housing stimulus we now want to ensure that real action is taken to build on this announcement.

The New Homes Bonus and changes to the Community Infrastructure Levy will provide welcome incentives for local authorities to approve house building schemes. However, past experience shows us that the Government must use the 'stick' as well as the 'carrot' to encourage the levels of house building required. Early indications show that the financial incentives offered through the New Homes Bonus may not be enough to force local authorities to encourage additional house building in their area.

Furthermore one of the risks of basing housing policy largely on incentives is that urban councils will bring forward sites for development so that they can benefit from the funding available, whereas the more prosperous leafy suburban and rural councils will not. Housing policy should recognise that the housing market is fragmented and highly differentiated across the country – the crisis in supply is significantly more acute in some areas than others.

One step that the Government could take immediately is to consider the option of transforming vacant high street retail property into much-needed housing in certain areas. Commercial property owners are facing high business rates for buildings that no-one occupies. Therefore, in the right circumstances, converting these buildings for residential use could have an aesthetic and economic benefit. The Government has begun to take action on this but more is needed to ensure that the maximum amount of vacant buildings can be used as housing.

**The Government must examine alternative methods to increase supply which will work alongside the measures outlined in the Localism Act.**

#### 5. Work closely with lenders to ensure that lending criteria are appropriate and that sufficient lending is available to those who are looking to buy a home

**NAEA calls on the Government to work closely with lenders to ensure that lending criteria are appropriate and that sufficient lending is available to those who are looking to buy a house for the first time.**

We support and recognise the need for responsible lending. However, this must not be done in a way which curtails sensible lending. Many first time buyers need to borrow substantial amounts of money to get on the housing ladder – the facilities to borrow these significant sums must be available to aspirational buyers; provided the appropriate risk management is in place.

**Despite common mis-conceptions – the UK does not have unusually high rates of home ownership. UK rates of home ownership actually sit in the middle of the EU and other developed countries. The rate of home ownership in the UK is 68%, compared to 97% in Bulgaria, 82% in Spain, 67% in the US, 55% in France and 42% in Germany (although if you only consider the former West Germany levels of home ownership are actually comparable to the UK at 62%).**

## About the National Association of Estate Agents (NAEA)

The National Association of Estate Agents is part of the National Federation of Property Professionals (NFoPP), a membership organisation consisting of approximately 14,000 practitioners working in the property sector. The NFoPP is made up of different member organisations, including:

- NAEA (National Association of Estate Agents)
- ARLA (Association of Residential Letting Agents)
- ICBA (Institution of Commercial and Business Agents)
- NAVA (National Association of Valuers and Auctioneers)
- NAEA International (incorporating the Federation of Overseas Property Developers, Agents and Consultants)

Our overarching aim is to promote the highest standards of professionalism and integrity among those working within the property industry, and to encourage members of the public to proactively seek out our members when involved in any kind of property transaction.

### Bringing a unique perspective from the frontline of the property market

Estate and letting agents are the first port of call for many consumers in the UK looking to move house, whether this is purchasing a property or moving into rented accommodation. This gives NAEA and ARLA members a unique insight into the state of the housing market, how quickly the market is recovering and regional variations in market conditions around the UK. Official government statistics often confirm what estate and letting agents have known for some time – only many months later.

Similarly, our ICBA members specialise in managing the sale, letting or purchase of commercial premises, giving them a great insight on the commercial viability of the UK high street.

For more information, please contact:

Mark Hayward, President, National Association of Estate Agents  
mark@nfopp.co.uk

