



CIH Response to: Stepping on to the property ladder

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Submitted by email to: starterhomesconsultation@communities.gsi.gov.uk

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‘Stepping on to the property ladder’



1. Introduction

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse and growing membership of more than 22,000 people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org

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2. Answers to consultation questions

Thank you for providing an opportunity for CIH to respond to the proposals to build 100,000 starter homes.

Overall comments (question 1)

It is positive that government is looking to address issues around affordability and access to homeownership. The country is experiencing a chronic undersupply of new homes and for many years levels of house building have consistently fallen well short of the numbers needed to keep pace with demand. Consequently (and despite substantial regional variations) house prices have risen out of the reach of many first time buyers, and we are now seeing a decline in the proportion of households who own their home, an increase in long term renting and a growing reliance among those who do manage to access homeownership on the 'Bank of Mum and Dad'.

We therefore welcome the fact the Government is looking at new ways to increase housing supply and to bring forward more homes for development. However, it is important to recognise that schemes of this type will not, on their own, produce enough new homes to address the current shortfall and must instead form part of a wider, long term plan aimed at fully addressing the housing crisis within a generation.



We also have some concerns about the approach which is being proposed. In particular, it is vital that both the homes and communities established by this scheme are likely to remain attractive and desirable places to live over the long term. In summary our concerns are that:

- the need to deliver discounts for purchasers may encourage developments which are high density and/or low spec, and which may not remain attractive places to live in the long term
- any development intended entirely for first time buyers will not have the usual mix of property sizes and tenures normally associated with successful communities
- the proposal to exempt developments from S106 contributions and the Community Infrastructure Levy (CIL) could have a negative impact on existing communities and/or place a greater burden on future developments in the area
- rather than supporting owner occupation, some homes purchased under the scheme may end up being rented out for a profit
- it may be difficult to identify sufficient sites for starter homes which are both financially viable and suitable for residential use.

Land supply (questions 2 & 3)

The proposals assume that land released for starter homes will be brownfield sites, available at low cost (in order to enable the 20% discount for the purchaser) and not already earmarked for development. However in practice, it may be very difficult to identify sufficient land of this type to build the number of homes envisaged, as many brownfield sites which are not already optioned for development require expensive work to make them suitable.

There is also a danger that many of those sites which could be viable financially may be unattractive to potential homeowners and/or may be better suited (in terms of location, the existing infrastructure etc) to commercial or industrial use - for which there may also be a local need.

Eligibility (questions 6 & 7)

It is sensible to limit eligibility to first time buyers, however the proposed age limit feels like an arbitrary and unnecessary restriction on eligibility and there is no reason why any first time buyer should not be able to benefit from the scheme.



The mechanisms to restrict access to first time buyers and to prohibit onward sales at a market price for a period of time seem reasonable. However for the scheme to function effectively it is essential that potential purchasers are able to access mortgage finance. We would encourage the government to consider the views of lenders and to take reasonable steps to ensure that these restrictions do not adversely affect their willingness to lend. It is also unclear from the consultation document whether the government currently intends to apply the proposed age limit to resales, and we would welcome further clarity on this point. Removing the age restriction would widen the potential market for resales, which would both benefit the original purchaser and help to reassure lenders.

It is also a concern that despite restrictions relating to onward sales, properties purchased under this scheme could still immediately be rented out for a profit.

Exemptions from S106 contributions and the CIL (questions 9 & 10)

There is already a mechanism to allow developers to negotiate a reduction or removal of S106 requirements on the grounds of viability. Therefore the blanket removal proposed here is unnecessary and would run counter to the principle of localism, by preventing individual local authorities from making their own decisions about what is best for their area on a case-by-case basis.

These developments will generate demands on the local infrastructure. Therefore exempting them entirely from S106 and the CIL could have a negative impact on the existing community and/or result in an 'infrastructure shortfall' which would need to be recovered at the expense of future development.

3. Additional comments

Quality of homes and sustainability of communities

When the policy was originally announced, it was suggested that starter homes would be exempt from zero carbon requirements (due to be introduced via the building regulations from 2016). Although not explicitly mentioned in the consultation document, it appears as though this proposal may have been dropped. If so, this is positive as it is vital that the need to build a greater quantity of new homes doesn't lead to a drop in quality. Furthermore building to higher environmental standards also reduces the living costs of



future occupants, improving the long term affordability of those homes. We would, however, welcome further clarity on this issue.

We are concerned that the need to deliver 20% discounts for purchasers may encourage developments which are high density and/or low spec, and which may therefore not remain attractive places to live in the long term. We note the proposal to establish a Design Advisory Panel but remain concerned that they may not have the necessary powers to insist upon and enforce sufficiently high standards.

Furthermore, there may also be problems created by developments which are intended entirely for first time buyers and which do not have the usual mix of property sizes and tenures normally associated with successful, sustainable communities.

Practicalities of calculating discounts

It is not clear how the minimum 20% discount will be calculated. It will be essential for some form of independent assessment to take place in order to ensure that discounts are always passed on to the purchaser in full. However in order to ensure the viability of the scheme, it is likely that this will need to take place before work has begun. We would welcome some further clarity on how this would operate in practice.