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Communities, Equality and Local Government Committee

CELG(4)-23-13 : Paper 2

Inquiry into barriers to home building in Wales

Response from : Royal Institution of Chartered Surveyors

Wales Residential Policy Paper

Foreword

This paper has been produced to reflect the deepening of devolution in Wales that has the potential to take the Welsh residential market in a different direction. Significant factors affecting the market such as policy decisions on Mortgage availability will continue to be heavily driven by decisions taken at a UK Level but with planned Wales specific legislation on Housing, Planning and Sustainability it was clear that a Wales specific paper was needed to complement and build on an earlier RICS RESI policy paper produced in England. It is our hope that this paper will act as a guide and support to policy makers and decision makers as they move forward.

Finance and Mortgage Availability

Although this will be heavily influenced by actions taken by the UK Government moves by Welsh Government where possible to improve access to mortgages are to be very much welcomed. The plan unveiled by Welsh Government in November 2012 for a mortgage guarantee scheme to provide up to 95% mortgages is something we particularly support. We would though suggest a banded structure that could allow for more homes to be supported by the scheme. So rather than just requiring a % deposit from each buyer regardless of circumstances each case should be evaluated so that if a person can contribute say 7% equity and so on that they do so hopefully helping resources go further.

We would also suggest Welsh Government consider the introduction of a guarantee scheme for builders and developers in Wales to help them obtain finance from banks and other institutions. A further possible variation could be for Welsh Government to support the Private Rented Sector by taking a head lease on Housing developments that could then be sublet in particular for Affordable Housing. In essence a residential version of the guarantee that Welsh Government gave to facilitate regeneration in Cardiff Bay.

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Welsh Government has already recognised the importance of the Private Rented Sector by proposing registration of all Private Rented Sector Landlords, and we would like to see Welsh Government continue this by carrying out studies on the viability of guarantees for Landlords over tenants.

Investment

RICS Wales feels Welsh Government could use the proposed new Planning Act for Wales to encourage build to let by adjusting s 106 agreements so Market rent is treated as affordable rent for a minimum of ten years. This will increase site viability. Requiring a proportion of homes to be affordable should provide protection in more expensive areas.

We also recommend that Welsh Government seek the devolution of VAT in respect of new build and refurbishments. In the interim we would like Welsh Government to strongly engage with the UK Government to lower VAT on house repairs. This is especially important in Wales where the vast majority of the current Housing stock will still be with us in 50 years and where the proportion of Housing stock dating prior to 1919 is higher than the UK average.

Tax

Our policy on empty property rates remains the same as it did in the RICS Wales 2011 Assembly Elections Manifesto. In our view it acts as a disincentive to economic development. We would also like to see an extension of property rate relief. We feel that this would be beneficial for mixed use schemes in Wales. If a developer fears being hit by empty property rates on the commercial element of a scheme it is quite likely to affect their calculation on viability concerning any residential element. It must be considered quite likely that whole schemes including any residential elements would potentially be postponed and not just any commercial elements.

Welsh Government has recently raised the idea of extra Council tax charges where residential property is left vacant for some time. RICS Wales feels that while we understand the reasoning in principle it could have unforeseen consequences. In particular we are concerned such a move could prompt some landlords to make properties entirely uninhabitable by removing roofs or walls to avoid the tax. We feel that other measures should be considered first.

Consumer Protection



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As noted the Welsh Government is planning registration of all private rented sector landlords. RICS Wales supports this. However we feel that if registration proceeds in the rented sector it should also apply to sales as well. It would seem quite arbitrary for agents who might be active in both sales and lettings to be registered for one part of their business and not for the other. It could also potentially allow a grey area that could potentially be seen as a loophole that a few could see as a competitive advantage over competitors.

Land

One consequence that maybe anticipated from the consolidation of Government Offices at all levels within Wales is the potential to use the process to boost the supply of Land for Housebuilders. RICS Wales feels it is important that the amount of land being made available at all levels is known. This will need consultation between Welsh Government, UK Government and Local Authorities. RICS Wales would like to see a single list agreed that all levels of Government would add to when they proposed to proceed with property sales or non renewal of leases. We would then like to see this list circulated to developers and other stakeholders on a regular basis. Property could also potentially be sold at below Market rates in return for other benefits such as Business rates being paid quicker on land that might otherwise remain vacant for long periods.

In terms of planning RICS Wales has consistently suggested using the planning system used to encourage conversion of excess retail into residential. We would now like to see the same whenever possible where Government in Wales might be vacating excess office space. Often such offices are centrally located with strong public transport links which are a strong attraction to many looking for accommodation.

Viability

RICS Wales welcomes the development of a Planning Act specific to Wales as an opportunity to make Wales more attractive for House Building and broader economic development. We would say though that a balance needs to be struck between the speed of moves towards a greener low carbon future with Wales leading the way and the geographical proximity of much of Wales to England as opposed say to Scotland. Wales is in a different position to the other devolved regions in terms of relative potential differences between demands and standards being asked of Builders and developers in England as opposed to Wales. There is though an opportunity to give Wales a greater attractiveness to other parts of the UK. For instance allowing greater flexibility to developers in terms of making off site contributions for allowing developments to proceed in order to increase site viability and encourage quicker developments might be one way forward.



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In this vein RICS Wales would like to offer to engage with Welsh Government on RICS research into financial viability in planning to support policy makers.

Construction

We would recommend Welsh Government explore ways to support non traditional forms of Construction by supporting better education of lenders on valuation methods. We feel that if better understanding were achieved of more energy efficiency in buildings this would over the long term do much to support the environmental aims of the Welsh Government.

To this RICS has produced guidance for the valuation of new build properties on which we would be delighted to speak with Policy makers.

Improving existing Housing Stock

We would urge Welsh Government to ensure Local Authorities maintain consistent and publicly available data on a regular basis of Housing stock in their area particularly in relation to empty properties.

We also support innovative Housing schemes such as at Ely Mill and if at all possible would recommend their expansion.

Energy Efficiency

RICS Wales would like to see the continuation and wherever possible expansion of Energy Efficiency schemes such as the Arbed program. This has the benefit of contributing both to economic activity while advancing the Environmental goals of Welsh Government.

RICS Wales strongly supports the goal of a low Carbon economy but urges Welsh Government to consider carefully the impact on other social goals particular in areas very close to the English border of significantly more advanced requirements than in England.

Affordable Housing

There is no single solution to this but some of the options covered in this paper such as public land being made available at less than Market cost in return for other wider social benefits one of which could be requirements for greater levels of Social Housing could begin to make significant inroads into a key social goal.



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