COMMENT REGARDING HOUSING POLICIES OUTLINED IN QUEEN’S SPEECH 2015

BNP Paribas Real Estate’s Adrian Owen, Executive Director, UK Residential, comments on the Government’s proposals outlined in the Queen’s Speech:

**Starter Homes scheme**

The Queen’s speech confirmed the Government’s plans for 100,000 first time buyers to be given the chance to buy new homes at a 20% discount, but only if they are under the age of 40. The proposal is planned to be supported with a change to the planning system to free unviable brownfield land from Section 106 and Community Infrastructure levies. In return qualifying buyers would be able to buy homes built on the site at a below market value sale price.

With the average age of first time buyers reported to be 37, the Government’s plans to give 100,000 first time buyers, under the age of 40, the chance to buy new homes at a 20% discount could penalise many potential buyers, particularly in London and the South East who have been unable to buy because of the already high costs of housing in and around the capital.

The question has to be as to how the extra costs associated with development that are normally funded by CIL and Section 106, such as new schools and infrastructure, will be covered?

**Housing Association Tenants’ Right to Buy**

The Queen’s speech confirmed the proposals within the Conservative manifesto that committed to extend the Right to Buy to 1.3m Housing Association tenants, who will be offered discounts of up to £77,900 in England and £103,700 in London. It is proposed that this discount will be paid back to Housing Associations from the proceeds of selling the most expensive 30% of their housing stock.

Using existing stock as security by Housing Associations for loan funding is, over time, likely to weaken balance sheets, impact the ability to secure debt and, ultimately, reduce the associations’ ability to develop.

Any revaluation of stock to reflect lower values may lead to Housing Associations breaching agreed loan covenants and The Chartered Institute of Housing believes that the policy would risk the viability of Housing Associations.

The question also has to be asked whether buyers of shared ownership units would get similar discounts as other tenants? If not there could be an uneasy situation in a mixed affordable block, with social rented tenants - who have already benefited from low rents - getting a windfall, while shared ownership leaseholders watch on and find ‘staircasing’ (buying the remaining share of their
property) unaffordable. Perhaps the ‘staircasing’ element could benefit from a similar structure as the Starter Homes scheme?

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