

CIH Response to: Starter homes regulations, technical consultation



About CIH

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 and their organisations 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 membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

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Overall comments about starter homes

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 have seen a decline in the proportion of households who own their home, from a peak of 71 per cent in 2003 to 64 per cent today. In particular rates of home ownership have fallen sharply among 25-34 year olds, with the proportion who own with a mortgage having dropped from 54 per cent to 34 per cent over the last decade. We support the government's ambition to reverse this trend and to help more people become home owners.

However it is clear that even with a 20 per cent discount starter homes are likely to remain out of reach for many people. [Savills and the Local Government Association](#) have estimated that in more than half of all council areas in England an average earner with a 5 per cent deposit would be unable to afford to buy an average home with a 20 per cent discount. Even with a 20 per cent deposit and a 20 per cent discount, an average starter home would still remain unaffordable in around a quarter of all areas. Similarly [analysis carried out by Shelter](#) suggests that in England you would need, on average, an income of £50,000 and a deposit of £40,000 to afford a starter home. In London this rises to an income of £77,000 and a deposit of £98,000.

Therefore while starter homes will certainly benefit some people, they will not be affordable for all. In some cases other affordable home ownership options may be more appropriate. For example [the average income of someone purchasing via shared ownership is £27,000](#), much closer to the national average. However in most developed economies there are usually at least around 20-25 per cent of people who can't afford a home at market prices and it is important that these people are also able to access adequate housing. Therefore to provide for everyone, we need to make sure we are building a range of new homes which are affordable to people on different incomes, including shared ownership and affordable options to rent.

It is therefore vital that starter homes are provided alongside, rather than instead of, other affordable housing options for people on lower incomes. Local housing markets vary hugely across the country and we feel that the right 'mix' of starter homes and other forms of affordable housing will be best determined at a local level. This would be consistent with the government's commitment to localism and would allow councils to take local housing markets and the wishes of the community, via local plans, into account.

Finally, we are also clear that in the drive to build new homes in greater quantities it is vital that we do not sacrifice quality. Although the 20 per cent discount is likely to ensure that starter homes will be desirable to first time buyers in the first instance, it is vital that they also remain suitable and attractive homes over the longer term, including for subsequent owners who will not benefit from the discount. We would therefore welcome more clarity on how government will ensure that starter homes are built to highest standards, in terms of size, energy efficiency and adaptability, and that discounts are not achieved by reducing standards in any of these areas.

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Answers to specific consultation questions

We have not provided answers to every question contained in the consultation, but have instead focused on the areas where we feel the expertise and experience of our members enables us to make a valuable contribution.

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?

We support the principle of restrictions being placed on the resale of starter homes. These will be vital in ensuring that the scheme helps to promote sustainable home ownership, rather than encouraging speculative investment.

In determining the period over which restrictions should last, it will be important to particularly consider the views of mortgage lenders and house builders. We are concerned that if restrictions are too short they could distort the market, which would affect both lender and developer confidence. There is also a risk that if house prices fall in the future, the need to repay a discount based on a percentage of the original purchase price could push many owners of starter homes into negative equity. This risk will need to be managed by mortgage lenders and we would encourage government to work with them in developing the detail of the scheme.

A further issue is how restrictions will be enforced. We would favour a system where the property is resold at full price but the discount (or a proportion of the discount) returned. This would be a simpler system, in terms of valuing starter homes which are being resold, than reducing the sales price and would also have the benefit of generating revenue which can be recycled to support the development of more affordable housing. However we would welcome some further clarity about how this (and other elements of the scheme) will be administered. For example, who will be responsible for enforcing resale restrictions and for calculating and collecting any discounts which need to be repaid?

We welcome the proposal to also restrict the sub-letting of starter homes. In a recent poll of our members, 97 per cent agreed with this proposal. We would suggest this restriction should last for the same period as the discount protection, including any taper period.

Q2 and Q3: 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? 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?

We feel, more generally, that the proposed age limit (as well as the recently announced minimum age of 23) represents an arbitrary and unnecessary restriction on eligibility. We see no reason why any first time buyer should not be able to benefit from the scheme.

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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We believe that developers of smaller sites should be required to make an affordable homes contribution, on site where possible or via a commuted sum.

We note that amendments have now been made to the Housing and Planning Act to ensure that affordable homes are still provided on smaller sites in national parks and areas of outstanding natural beauty. We welcome that change but would have preferred to see all sites make an affordable homes contribution of some kind.

However, we believe that it should be for individual local authorities to determine the mix of different forms of affordable housing (eg: starter homes, shared ownership, affordable rent) which is right for their area. This is discussed further in our answer to questions five and six.

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

We feel that specific requirements for the provision of starter homes should be set by councils at a local level. Councils in different parts of the country are operating in extremely different housing markets and both the level of demand for affordable home ownership and the impact of providing affordable housing on scheme viability will vary considerably. We would therefore strongly prefer government not to set a specific minimum percentage requirement for starter homes, to be applied uniformly across the country.

Q6: If so, do you agree that 20 per cent represents a reasonable requirement for most areas?

We also feel strongly that any requirement should allow for affordable rented homes to be provided alongside starter homes on most sites, as part of developers' S106 contributions. As set out earlier in our response (see 'overall comments about starter homes'), in many areas starter homes will still only be affordable to those on above average incomes and so it is vital that we provide a range of different housing options to cater for households with different incomes.

85 per cent of surveyed CIH members agree with the statement "*government should aim to provide starter homes alongside other forms of affordable housing on each site*" and sample comments from members included:

"Whilst the principle of helping people get on the housing ladder is to be applauded, this proposal will have a detrimental impact on the provision of affordable rental properties"

"We need a mix of affordable housing products including social rent"

"(Starter homes) need to be delivered alongside all other tenures as part of a mixed development"

Scheme viability also varies considerably from one site to another and so we consider that local authorities will be best placed to assess this and to set requirements for the provision of starter homes and for other forms of affordable housing in their area.

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We are also concerned that that the options for a proposed single, national starter homes requirement are very high. The consultation paper itself suggests that government's preferred option of a 20 per cent requirement would be close to the limits of viability on an average site, leaving little scope for other forms of affordable housing to also be included. This is backed up by [research carried out by Savills](#) which suggests that it will only be possible to provide both 20 per cent starter homes and a significant quantity of affordable rented housing in areas where there has previously been relatively high (more than 30 per cent) delivery of traditional affordable housing.

Q8, Q9 and Q10: Do you support the proposed exemptions from the starter home requirement? If not, why not? 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? Are any further exemptions from the starter home requirement warranted, and why?

We strongly support a number of the proposed exemptions put forward in the consultation paper, specifically those for:

- developments of new supported housing, provided this covers not only residential care homes but also all other housing models that support independent living (such as extra care schemes)
- estate regeneration schemes
- other affordable housing-led developments, although we would welcome more clarity on how this will be defined.

We agree that it would not be appropriate to include starter homes on these sites and that a requirement would be likely to affect viability.

Similarly, we also support an exemption for developments on rural exception sites (this is not referred to in the consultation paper but has subsequently been introduced as an amendment to the Housing and Planning Act in the House of Lords), and would like to see this extended to all developments in settlements under 3,000.

Gaining community support is vital to getting developments in smaller, rural communities off the ground and the guarantee that some properties will remain affordable in perpetuity, providing a benefit for future generations of local people, is often critical to achieving this. There is also a particular shortage of affordable rented homes in rural communities, with [Hastoe Group estimating](#) that only one in 10 homes are currently considered affordable, compared to one in five in urban areas. And there is a much greater reliance on S106 to provide affordable housing in these communities, with 55 per cent of all affordable homes built in villages last year being funded in this way.

It is unlikely that it will be viable on most village sites to both meet the proposed requirement for starter homes and to also provide affordable homes to rent. Therefore we believe that the starter homes requirement could reduce community support for developments in small settlements.

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?

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We agree that this is a sensible approach as it is unlikely that it would be appropriate to develop starter homes on site in these kinds of developments.