

Crisis? What crisis?

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In the first in a series, Jeremy Blackburn summarises RICS' residential policy

Successive governments have failed to deliver the 240,000 units identified as the UK's housing need in the [Barker Review](#) .

Consequently, the country is facing a housing emergency. RICS is concerned that policies put in place by both the coalition and Conservative governments are too focused on driving up home ownership rather than increasing supply. Homes across all tenures are needed; not everyone is in a position to buy.

David Cameron, when in post as Prime Minister, said that if he could have found the button in Number 10 to increase housebuilding, he would have pushed it repeatedly; RICS believes there are multiple buttons and each should be pushed.

Market situation

The past 2 years have seen a consistent shortage of new sales instructions; house prices are at record levels in much of the UK, and surveyors expect both these and rents to rise by around 25% over the next 5 years. To abate this, housebuilding needs to rise by around 80% over the next 15 years.

RICS residential property professionals believe the housing situation will worsen due to record full-time employment and low mortgage rates. The average new mortgage is now substantially higher than at any time in recent years and the Bank of England's Financial Policy Committee continually highlights the housing market as one of the biggest risks to financial stability.

Rising house prices mean homeownership will become a distant prospect for many, while rents in the private rented sector are becoming less affordable as demand still outstrips supply.

Property taxation

Government policy in this area affects the economic decisions of stakeholders in the property sector, the character of the market and the economy. RICS makes the following recommendations.

- Council tax is currently based on 1991 property valuations. There should be a nationwide revaluation and higher rate bands introduced. By reducing the burden on houses at the lower end of the market, the system can be made more progressive and revenue-neutrality can be ensured as owners of expensive houses pay more.
- The Treasury has brought forward changes to inheritance tax. RICS argues that this tax hugely influences older people's downsizing decisions; there needs to be an independent review into what will encourage them to downsize, thereby getting larger second-hand property back on to the market.

- Annual piecemeal change and reform to property taxes creates uncertainty and discourages long-term investment. The government has produced a business tax route map, but more clarity is needed in terms of property tax as a whole. RICS is asking the government to scrutinise this in line with the [Montague Review](#) in order to produce forward guidance on property to produce forward guidance on property tax that will give the sector confidence.

Increasing housing supply

RICS members have focused on the 3 components, and they make recommendations on each.

- **Availability of land:** the government should aim to release enough public land for 200,000 homes during this parliament. The Homes and Communities Agency (HCA) should issue a long-term nationwide plan for the disposal of public land, addressing problems identified in the National Audit Office's assessment. Much more private land is needed; government should provide incentives for private landowners.

RICS calls on a future government to introduce 'amberfield', a planning designation that integrates low-quality greenfield and ready-to-use brownfield, which signals that development is feasible and is included in a local authority's subsequent pipeline of land.

More greenfield sites on the urban edge need to be considered and the policy of green belt swaps formalised. RICS welcomes measures for a brownfield register, remediation fund and zonal planning. A future national brownfield map must include private and public sites, and local authorities should produce developer packs and consider better integration of match funding. RICS calls on government to endorse the organisation's guidelines on [Disposal of Land at Less than Best Consideration](#) . This will speed up the process and support local authorities already exploring joint ventures.

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- **Planning:** the [Localism Act 2011](#) and [National Planning Policy Framework \(NPPF\)](#) simplified the planning system and brought forward much-needed housing development. RICS recommends that industry and government independently assess housing need, allowing the devolved governments and local authorities to plan for the relevant developments and tenures. Government should ensure that local authorities are aware of the work of the Local Housing Requirements Assessment Working Groups, which could assist in the formation of local plans.

RICS believes that co-operation across authority boundaries is crucial to increasing housing starts and the government must urgently produce guidance. It welcomes ministers?

comments about streamlining the creation of local plans. The [Department for Communities and Local Government](#) (DCLG) needs to consult quickly on implementing these changes and how corresponding 5-year land supplies can be ensured.

The current housing zone (HZ) concept should focus on different tenures and scales as well as new build for owner occupation to promote mixed-use housing delivery that meets local needs and economic growth.

Developers and landowners who obtain planning consent for schemes exceeding 4 homes should aim to ensure that construction starts within 3 years or they will lose planning permission. The [Community Infrastructure Levy](#) must be reviewed urgently. It has become very complicated and is not uniformly enforced.

RICS wants the government to endorse the organisation's [Financial viability in planning](#) guidance in support of the NPPF, and has collaborated with industry to ensure this guidance works in practice. It encourages the use of planning performance agreements to enable local planning authorities and applicants to agree timescales, actions and resources for particular applications. RICS believes there are options for maximising existing services in planning departments, by, for example, sharing resources and the use of temporary planning consultants.

- **Means of delivery:** housebuilding levels will not improve unless optimum use is made of the private-, public- and third-sector delivery mechanisms. The government should set up a Construction Finance Hub to bring together private and public funding. This would make it easier for small builders to access funds by providing a one-stop shop for development finance.

RICS urges the DCLG to publish the [University of York study into the Northstowe Pilot](#) and turn it into recommendations that empower public bodies to build homes at twice the rate of the private sector.

Local authorities should be enabled to use the prudential borrowing capacity of their asset base to build homes or support other providers. There must be an increase in their previous entitlement to borrow an additional £300m by raising the borrowing cap on housing revenue accounts. The government should announce whether it will pursue the [Elphicke Review's recommendations](#) which could fund council housebuilding.

[Local Enterprise Partnerships](#) and other new entities offer a chance to create pooled Development Delivery Units armed with appropriate powers and expertise and resourced by both public and private finance to speed up delivery.

Building on lessons learnt from Ebbsfleet and Bicester, the next set of garden cities should have remodelled development corporations with significant compulsory purchase order and land assembly powers. These corporations should consider tax increment financing schemes. The HCA and local authorities should identify significant strategic housing need for the location of these new garden cities.

The government should reform the restriction whereby housing associations (HAs) have to value property transferred to them from local authorities at 30-45% of its market worth; allowing them to value at 60% would unlock significant borrowing capacity at no cost to the Treasury. Coupled with the extension of housing guarantees to the refinancing of HA debt, this would mean more low-cost borrowing, which could be channelled into affordable housing.

Central and local governments need to recognise community land trusts as a viable route to delivering more homes. RICS suggests the establishment of a social-investment revolving loan fund, backed by government guarantees, to allow community housing groups to access lower-cost development finance.

The next article will cover existing homes and construction issues.

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Further information

- More detail in the [RICS Residential Policy paper](#)
- Related competencies include [Housing strategy and provision](#) , [Housing management and policy](#) , [Land use and diversification](#) , [Planning](#)
- This feature is taken from the RICS *Property journal* (July/August 2016)