

HM Treasury Budget 2021
Representation from ARLA Propertymark
January 2021

Background

1. ARLA Propertymark is the UK's foremost professional and regulatory body for letting agents, representing over 9,500 members. ARLA Propertymark agents are professionals working at all levels of letting agency, from business owners to office employees.
2. Our members operate to professional standards far higher than the law demands, hold Client Money Protection and we campaign for greater regulation in this growing and increasingly important sector of the property market. By using an ARLA Propertymark agent, consumers have the peace of mind that they are protected, and their money is safe.

Representation

Financial Support Package for the private rented sector

Policy rationale

3. The ongoing repercussions of the pandemic means that landlords costs have increased significantly, and many landlords can no longer make ends meet. As the financial fallout continues, the UK Government need to sustain tenancies wherever possible. The best way to ensure this happens is to make sure that tenants can pay their rent, which is why the UK Government must introduce a financial support package to reduce COVID-related rent arrears.

Costs and benefits

4. Further support is needed to help tenants who have built up Covid-19 related arrears through no fault of their own. We recognise that there has been support from the UK Government for many tenants, but this has not always met the full cost of rent and has not reached all tenants. Furthermore, to date there has been no direct financial support for the rental market, with individual landlords unable to access small business grants or bounce back loans. To this end, in September, our Private Rented Sector Report showed an increase in the number of landlords selling their buy-to-let properties and the figures are the highest we have on record for the month of September.¹ Further, our survey figures in October revealed that most letting agents (53%) thought that support from the UK Government in helping with rent arrears and preventing evictions has not been effective, with only 12% thinking it had been very effective. The nature of the coronavirus crisis requires a one-off intervention to address specifically Covid-19 related arrears. This will enable both tenants and landlords to continue the tenancy and support tenants to remain in their homes.

¹ <https://www.arla.co.uk/lobbying/private-rented-sector-reports/september-2020/>

Deliverability of proposals

5. It is vital that the UK Government develops interest free, government guaranteed hardship loans to help tenants pay off rent arrears built because of the Coronavirus pandemic. These should be paid directly to landlords and should cover all arrears accumulated since the start of the pandemic. This can be delivered by providing tenants with a means to pay off Covid-related arrears and help to sustain tenancies by removing any risk of eviction. For instance, an interest-free loan could be administered by a third party such as a credit union or a bank or building society. Furthermore, the UK Government and their intermediaries should ensure that repayments are affordable and proportionate to income. Assessment of affordability should first consider a tenants' essential living costs, for instance by using the Standard Financial Statement. There should also be a limit on the period during which repayments are made. If a tenant refuses, or is unable, to take up a loan then landlords must be able to cover arrears through grants.

Raise Local Housing Allowance

Policy rationale

6. The UK Government must raise and restore the Local Housing Allowance to the fiftieth percentile to cover the average cost of rents in a local area. The housing element of Universal Credit currently only covers the lowest third of market rents in an area, meaning those paying average rents will face a large shortfall. By lifting the Local Housing Allowance rates further this will make more homes affordable to renters and ensure landlords and letting agents have more confidence to let to renters claiming Universal Credit.

Costs and benefits

7. The welfare system is an essential lifeline for many people and the housing elements of social security are a crucial part of the support required by tenants facing financial difficulty or homelessness. However, the gap between rent and Local Housing Allowance has more than doubled in most areas since 2016.² The recent changes made to Local Housing Allowance rates are welcome but fall short of what is needed to provide comprehensive support to people living in rented accommodation. This has been exacerbated for many by the Coronavirus pandemic with 1.5 million Universal Credit claims made between 13 March and 9 April.³ Consequently, the UK Government must do all it can to ensure the benefits people receive cover their cost of living.⁴ Without increasing Local Housing Allowance rates, many households will find a huge shortfall between their income and their housing costs. To this end, the UK Government must continue to raise the Local Housing Allowance to ensure that people get the support they need as well as being able to maintain their tenancies beyond the pandemic.
8. If the gap between benefit support for housing costs and actual rents in the private rented sector continue to increase this will make it difficult for people to maintain tenancies and the

² <https://www.bbc.co.uk/news/uk-england-48038833>

³ <https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-9-april-2020/universal-credit-29-april-2013-to-9-april-2020>

⁴ <https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-9-april-2020/universal-credit-29-april-2013-to-9-april-2020>

UK Government are likely to see an increase in rough sleeping and homelessness. This will impact on welfare expenditure, local authorities, and demand for social housing as well as pressure on other public and community services. From a survey of ARLA Propertymark members nearly all said that up to a quarter of their tenants have missed a rental payment since the Coronavirus outbreak. Furthermore, excluding tenants that have already missed a payment, 70% of members surveyed said that up to a quarter of tenants have contacted them with concerns that they may miss a future payment due to the impact of Coronavirus.⁵ This means that if more privately rented households need to access means-tested benefits they will not receive full housing support and will likely need to supplement rent costs from income intended for day-to-day living. In addition, 52% of landlords have cited higher Local Housing Allowance as the best way to improve their willingness to rent their properties to Universal Credit claimants.⁶ Without supporting those who need it the most they will not be able to find affordable housing and tenancies will not be sustained.

9. There are two main benefits to raising the Local Housing Allowance. Firstly, it will more accurately reflect the cost of renting. Secondly, it will improve recipient's ability to obtain good quality and well managed accommodation. Many people lose their homes when the rising pressure from high rents and low incomes becomes too much. By increasing Local Housing Allowance, it will provide a greater safety net for anyone who loses a job or falls ill. It will also mean that for most private renters who are reliant on housing benefit to pay their rent, there will be more properties in their area that they can afford.

Deliverability of the proposals

10. The UK Government can deliver these proposals by committing to keep rates at the thirtieth percentile before raising further to the fiftieth percentile. It is imperative that as a minimum the rates continue to reflect the bottom thirty percent of rents in each rental area. By only maintaining the rates 'in cash terms'⁷ this means that the Local Housing Allowance rates will not hold their value against rental inflation and as a consequence this will mean a cut to many household budgets to ensure they can keep up with rent payments.

Ensure Universal Credit is adequate and more effective

Policy rationale

11. To sustain tenancies and support renters, the UK Government must do three things to ensure Universal Credit is adequate and more effective. Firstly, tenants should have choice over whether the housing element of their Universal Credit is paid direct to their landlord. Secondly, all claimants should be able to choose whether to have Universal Credit paid monthly or twice monthly to assist with budgeting. Thirdly, to tackle rent arrears the Universal Credit advance should be turned into a non-repayable grant from the first day of the claim. Through these changes Universal Credit can provide more flexibility and better reflect the

⁵ <https://www.arla.co.uk/media/1048797/impact-of-covid-19-on-homelessness-and-the-prs.pdf>

⁶ <https://research.rla.org.uk/wp-content/uploads/2019-Q1-State-of-the-PRS-Report-FINAL.pdf>

⁷ <https://www.gov.uk/government/publications/spending-review-2020-documents>

reality of claimants' lives, particularly those on low incomes and better support tenancies in the private rented sector.

Costs and benefits

12. The rollout of Universal Credit has drastically impacted on private landlords' willingness to let to those in receipt of the benefit and the five-week wait for the first Universal Credit payment is the main cause of insecurity for claimants. In March 2019, all ARLA Propertymark letting agents who took part in our survey said that UK welfare reform measures had negatively impacted willingness to take on tenants receiving benefits. Under the current arrangements, paying awards monthly does not reflect the lived experiences of many claimants. It forces people to fit to the rigid requirements of the system and causes unnecessary budget and cashflow problems both for those out of work and for those who are used to receiving wages more frequently. By making improvements to how Universal Credit works, and ensuring it is more flexible, and accommodates a diverse range of personal circumstances, the UK Government can provide stronger support to those that need it the most as well as ensuring that Universal Credit works for the private rented sector.

Deliverability of proposals

13. Given the lack of social housing, the main benefit to ensuring Universal Credit is adequate and more effective is that landlords and letting agents would have more confidence to offer tenancies to those receiving Universal Credit. The UK Government can do this by giving the choice to tenants to decide whether the housing element of their Universal Credit is paid direct to their landlord. Currently for an Alternative Payment Arrangement to be made, the claimant must be two months or more behind on rent, after which the landlord can apply to have the housing element paid to them directly. A managed payment of the housing element of Universal Credit can only be made directly to a private landlord automatically when a tenant has reached at least two months' worth of rent arrears. The problem with this is that the average waiting time for a direct payment to a landlord under an Alternative Payments Arrangement is eight and a half weeks⁸ and for many landlords mortgage payments are due monthly. To fix this issue, UK Government must amend the process to reduce the wait time and make the process of delivering rent straight to the landlord much easier.
14. To deliver a Universal Credit system which is adequate and more effective, the UK Government should give claimants the choice as to whether they want to have the benefit paid monthly or twice monthly. Whilst being paid weekly for many workers has declined there are still many workers who have no experience of monthly pay cycles. In the lowest decile of weekly earnings, 17% of employees are still paid weekly.⁹ This policy is in operation in Scotland and allows greater flexibility for claimants. However, it is important to note that although the Scottish system makes it easier for claimants to budget on an ongoing basis according to their needs, it does not mitigate the fact that the initial waiting period is still long, as claimants can only make their choice after they have received their first

⁸ <https://committees.parliament.uk/writtenevidence/818/html/>

⁹ <https://committees.parliament.uk/publications/2224/documents/20325/default/>

payment. Consequently, the UK Government must recognise that there are people who would benefit from a more flexible and frequent payment structure than the current system allows.

15. The quickest and simplest solution to rent arrears would be to turn the Universal Credit advance into a non-repayable grant from day one, removing the five-week waiting period. It is estimated that this would cost the Department for Work and Pensions between £1-2 billion a year.¹⁰ The five-week wait is the reason that claimants find themselves with an income that is less than their outgoings for essential bills, due to the fact that requesting an advance payment means that deductions are taken (at a very high rate) for the next 12 months. Many tenants in the private rented sector have very limited savings and the UK Government must introduce measures that ensure they can access support straight away.

Reopen courts to deal with the backlog of housing cases

Policy rationale

16. The UK Government must adequately resource and reform the existing courts system to ensure that courts in England and Wales can deal with the volume of possession hearings following the stay on evictions. It is vital that there are an adequate number of courts to deal with hearings lodged before and during the pandemic as well as hearings since the stay on evictions was lifted.

Costs and benefits

17. There are not enough courts to deal with housing cases. Half of the magistrates' courts open in 2010 have been closed (162 out of 323) and Her Majesty's Courts and Tribunals Service spending was 18% lower in real terms in 2018/19 than it was in 2010/11.¹¹ This has left both tenants and landlords without swift access to justice. We estimated that when the stay on possession claims was lifted in September 2020 there was a potential backlog of over 62,000 "business as usual" landlord possession claims to be processed across England and Wales. This does not include claims for possession that may have arisen directly because of the Coronavirus pandemic. Defunct courts must be brought back into use to clear a crippling backlog in delayed cases and ensure the system is fit for purpose.

Deliverability of proposals

18. Failure to fund the courts properly means a lack of justice for landlords and tenants. Without sufficient court infrastructure this leads to delays and inefficiencies. Furthermore, the cost of legal action and potential court costs can discourage individuals from seeking legal redress. In addition, landlords wishing to bring cases can face the potential of the costs of action being greater than the benefit of taking action. This damages court user's confidence in the system due to delays and court users having no certainty on how long processes should take. The UK

¹⁰https://www.instituteforgovernment.org.uk/sites/default/files/publications/universal-credit-getting-it-to-work-better_1.pdf

¹¹<https://www.instituteforgovernment.org.uk/publication/performance-tracker-2019/criminal-courts>

Government must reopen courts that have been closed and commission a review into how a specialist housing tribunal would operate.

19. The ability for landlords to access a swift, efficient, and cost-effective justice system is a key component of a successful lettings industry. While most tenancies are ended by the tenant, landlords need to be confident that a property can be recovered quickly if the tenant has caused damage, stopped paying the rent or if the landlord's circumstances change. Through adequately resourcing and reforming the existing courts system this will speed up the system, increase expertise in the decision-making process and ensure greater consistency with reduced costs.
20. The majority of landlord and tenant disputes (including possession cases and disrepair) are currently split between the County Court and the First-tier Tribunal (Property Chamber). A specialist housing tribunal would allow for an easier and streamlined process for housing claims, which will subsequently provide faster justice, and make the process more cost effective. A new housing tribunal would take over a large range of cases currently heard by the County Court, property tribunal and Magistrates' Court. The tribunal can hold hearings in existing court buildings but also local public buildings, such as schools, making it physically easier to access and reduce the pressures on busier court locations. The UK Government must also look to integrate with the new online courts so that the majority of paperwork and case management can be dealt with online. The more informal operation of a tribunal, compared to a County Court for example, would make it much less daunting for tenants and landlords allowing easier access for unrepresented parties.

Support investment in the private rented sector

Policy rationale

21. Landlords have faced significant legislative change, costs and tax increases in recent years and the UK Government should be looking at reviewing the impact of these changes and introducing financial incentives to encourage landlords to continue to invest in the sector. This can be done by removing the 3% surcharge on second homes, revoking the mortgage interest relief changes, unifying Capital Gains Tax rates for property with those relating to other types of investment and tax reductions for landlords using regulated letting agents.

Costs and benefits

22. The UK Government must do more to support professional landlords and letting agents to continue to provide homes for people. The phasing out of tax relief on mortgage interest for landlords, the additional Stamp Duty Land Tax surcharge on buy-to-let property, the Tenant Fees Act and the repercussions of the Coronavirus pandemic means that landlords costs have significantly increased, and many landlords can no longer make ends meet. Through a review, the UK Government will be better placed to introduce policies that reduce costs for those wishing to invest in the sector, which in turn will help reduce rent for tenants, lead to longer-term tenancies and make it more affordable for renters.

23. To increase the support for landlords to invest in their property and make energy-efficient home improvements, the UK Government must increase the value for improvements under the Green Homes Grant as well as reintroduce the Landlord's Energy Saving Allowance and extend it to include anything contained within the Recommendations Report of an Energy Performance Certificate. Outside of the Green Homes Grant scheme, private landlords have little access to funding other than their own income to make energy efficiency improvements to their properties. The UK Government must provide more support for landlords to improve their property and ensure that tenants can benefit from warmer homes and cheaper energy costs.

Deliverability of the proposals

24. To boost the supply of private rented housing and increase long term investment in the sector, the UK Government must provide financial support for tenants and landlords. This should include two things. Firstly, analysis of the impact of recent costs, tax, and legislative change on buy-to-let investments in order to commit to launching a review of all taxes relating to private landlords. Secondly, increase the support for landlords to invest in their property and make energy-efficient home improvements. The UK Government must recognise the contribution that the private rented sector is making, and it must provide more support so confidence and investment in the sector is maintained.
25. Removing the 3% surcharge on second homes would encourage landlords to continue to invest in the sector and provide the homes that people need. Under the changes brought in under Section 24 of the Finance Act 2015 to restrict mortgage interest relief for residential landlords to the basic rate of income tax, thousands of landlords now pay more tax. The changes mean that landlords have been pushed up a tax band despite their income not increasing as tax will be applied to turnover instead of profit. To cover the additional taxes landlords will increase rents for new and existing tenancies. They will also cut back on other expenses such as property maintenance. As the extra tax mounts up some landlords could sell up altogether and leave the sector. Over the long term this will impact on the value and quality of property tenants rent. By revoking the mortgage interest relief changes and removing the surcharge on buy-to-let investment, landlords will be able to reduce the costs that they pass on to tenants. It will also ensure that landlords remain in the sector and provide long term affordable homes for tenants.
26. To further encourage more investment in the private rented sector the UK Government should unify Capitals Gains Tax rates for property with those relating to other types of investment. In March 2016, Capital Gains Tax rates were cut significantly from 28 per cent and 18 per cent, for top rate taxpayers, to 20 per cent and 10 per cent for lower earners. However, landlords were excluded from this cut and means that while sale of shares in a company that owns property would incur Capitals Gains Tax at 20 per cent, individuals making reasonable gains on the sale of a second property would face the existing 28 per cent. The move ignores the positive contribution made by landlords and property companies as the incentive is to invest in companies over property. However, residential lettings activity provides 58,000 jobs, which generate employee taxes in the order of £400 million for the Exchequer each year.¹²

¹² <https://www.arla.co.uk/media/1045728/letting-the-market-down-assessing-the-economic-impacts-of-the-proposed-ban-on-letting-agents-fees.pdf>

Excluding landlords from Capitals Gains Tax cuts makes this asset class less attractive at a time when the supply of rented homes is tight.

27. Letting agents have an important role to play in making sure tenants receive a professional service. With the announcement that the UK Government will regulate letting agents with minimum qualifications and a code of practice, the UK Government should make it a requirement for agents to make tenants aware of the full range of tenancy options available, and, where appropriate, to broker discussions about tenancy length between landlords and tenants.¹³ Where landlords use regulated agents, who are facilitating longer tenancies the UK Government could offer them tax reductions. This would not only increase the number of longer tenancies but ensure that landlords use professional agents who can provide high management standards and a good service to tenants.
28. Energy efficient homes can reduce overall costs for the UK Government by improving health and reducing household bills. The benefits mean the UK Government can improve the country's housing stock, tackle fuel poverty, and reduce carbon emissions. This can be done in two ways. Firstly, by increasing the value of the Green Homes Grant from £5,000 to £10,000 and extending the measures to include more home improvements. The average amount spent by a landlord to bring a property to Energy Performance rating of E is £6,781.¹⁴ Furthermore, it is only a year since rules came into force to ensure all private rented tenancies meet EPC Band E, but the UK Government has now proposed going to Band C within five years.¹⁵ Therefore, more support is needed to help landlords improve the energy efficiency of the property they let. Secondly, reintroducing the Landlord's Energy Saving Allowance and extending it to include anything contained within the Recommendations Report of an Energy Performance Certificate. This will help landlords with the cost of energy efficiency improvements and ensure that tenants benefit from lower fuel bills. The Landlord's Energy Saving Allowance encouraged landlords to invest in energy efficiency improvements by permitting them to offset up to £1,500 per dwelling against income tax or corporation tax for installing energy efficiency measures. Consequently, tenants spend less money on energy bills and their homes are more energy efficient.

Build more social housing

Policy rationale

29. The long-term solution to address the lack of affordability in the private rented sector is to ensure that more social housing is built to reduce housing need. The demand for social housing has far outstripped availability, meaning that many people who most need affordability now live in the private rented sector. To improve their circumstances and ensure that renting is more affordable and secure for renters in all tenures, the UK Government must commit to a significant programme of building social housing.

¹³ <https://www.gov.uk/government/publications/regulation-of-property-agents-working-group-report>

¹⁴ <https://news.rla.org.uk/rla-secures-1-5million-energy-funding-pot-for-members/>

¹⁵ <https://www.gov.uk/government/consultations/improving-the-energy-performance-of-privately-rented-homes>

30. Due to a shortage in social homes this means that many people on lower incomes who cannot access the social rented sector are having to live in private rented property. In 2019, less than 7,000 social rent homes were built, despite evidence that England needs around 90,000 more social rent homes a year for the next fifteen years. This is impacting the housing market in three ways. Firstly, it increases demand for properties in the private rented sector. Secondly, it is putting pressure on rents in some areas. Thirdly, people are living in properties that do not meet their needs. As the country recovers from the Coronavirus pandemic a significant programme to build social housing will provide jobs, boost the economy, and help the UK Government meet its 300,000 homes a year target.¹⁶

Costs and benefits

31. The main cost of not starting a programme of social house building is the continued impact on housing benefit as many people on lower incomes need support to live in the private rented sector. The private rented sector has always accommodated a proportion of renters on welfare to pay rent. However, over the past ten years there have been a rising proportion of people claiming housing benefit living in private rented property which has cost nearly £14 billion in additional benefits and rental payments in real terms. For households in receipt of help with payments there are likely to be shortfalls between the benefits received and the rent charged. However, these shortfalls are more apparent for tenants in the private rented sector because rents and living costs are much higher. Increasing the number of social homes would help to alleviate the rise in benefit claimants living in the private rented sector and deliver savings in welfare payments as social rented housing can better support their needs.

Deliverability of the proposals

32. A large-scale programme of building social homes would have four main benefits. Firstly, it will help to significantly reduce the number of people suffering from homelessness. Private rented housing can provide a sustainable housing option for people moving on from homelessness, but many homeless people struggle to get access to homes let by private landlords and rents are unaffordable. Secondly it will reduce the number of families in overcrowded homes. For instance, people with the least purchasing power are often pushed into poor quality accommodation and their situation can be exploited by criminal landlords. Thirdly, it will help people reduce their housing costs. On average, in England, those buying their home with a mortgage spent 18% of their household income on mortgage payments, whereas rent payments were 27% for social renters and 33% of household income for private renters.¹⁷ Fourthly, it will reduce pressures elsewhere in the housing system. The role of social housing is vital in ensuring that the country provides for young people, families, and the elderly. Social housing includes low cost rental and low-cost home ownership accommodation. Consequently, these options should be reflected in a diverse housing mix that caters for all and helps to alleviate pressure on the private rented sector.
33. As well as central UK Government funding, to deliver a large-scale programme of social homes the UK Government can do four things. Firstly, publicise and set a national target for building

¹⁶ <https://www.gov.uk/government/speeches/robert-jenricks-speech-on-planning-for-the-future>

¹⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860076/2018-19_EHS_Headline_Report.pdf

homes at social rent levels. Secondly, make greater use of public land to build these homes. Thirdly, give additional powers to local authorities to build social housing. Fourthly, reintroduce the Empty Homes Community Grants Programme to bring empty properties back into use as affordable housing. The UK Government must use all avenues available to it to develop and deliver a long-term plan for building social rented homes and make housing more affordable and accessible for all.

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Background

1. NAEA Propertymark is the UK's leading professional body for estate agency personnel, representing more than 11,000 offices from across the UK property sector. These include residential and commercial sales and lettings, property management, business transfer, auctioneering and land.
2. NAEA Propertymark is dedicated to the goal of professionalism and by appointing an NAEA Propertymark agent to represent them consumers will receive in return the highest level of integrity and service for all property matters. NAEA Propertymark agents are bound by a vigorously enforced Code of Practice and adhere to professional Rules of Conduct. Failure to do so can result in heavy financial penalties and possible expulsion from the organisation.

Extend the cut to Stamp Duty Land Tax

Policy rationale

3. To further support home ownership and the economy, the UK Government should do two things. Firstly, ensure and clarify that those who have an offer formally accepted prior to the end of the current cut to stamp duty or any further extension qualify for the relief. To this end, the UK Government should confirm that any transaction where an offer has been accepted, for example in 'solicitors hands' would be able to benefit from the relief despite the set cut-off date. Due to the ongoing impact of the Coronavirus pandemic many potential buyers are in a proceedable position but waiting for conveyancing, mortgage offers and searches from overstretched local authorities to be returned. Secondly, extend beyond 31 March 2021 the temporary increase in the stamp duty threshold to £500,000 for property sales in England and Northern Ireland. In order to remove the cliff edge currently facing the property sector these measures are imperative to avoid transactions falling through, price falls and a sudden loss of momentum in the market.

Costs and benefits

4. Homeownership provides an increased sense of stability and security to people's lives and the local communities in which they live. Since the introduction of the cut to Stamp Duty Land Tax the housing market has excelled. Latest figures from our member survey in November show that an average of 13 sales were agreed per branch, which is the highest figure recorded for the month of November since 2002. In addition, year-on-year, the average number of sales agreed per branch has increased by 86 per cent.¹ Even before the cut to Stamp Duty Land Tax, more than one million homes are bought and sold every year in the UK, which means at least a million buyers, each working with professional support from estate agents, solicitors,

¹ <https://www.naea.co.uk/media/1049069/housing-report-november-2020.pdf>

conveyancers and mortgage lenders. Additionally, property sales have a knock-on effect on the wider economy as people buy white goods and furniture as well as spend on decorating and home improvements. By extending the temporary increase to Stamp Duty Land Tax, the UK Government can support home ownership as well as the wider economy and aid the country's recovery from the Coronavirus pandemic.

5. History shows that when the UK Government take decisive action to support home ownership more people take advantage of this and the measures support economic recovery. In 2008, following the financial crisis, the UK Government introduced a Stamp Duty holiday. The cut to Stamp Duty was intended to last for 12 months but was extended to all properties until the end of 2009. As a result, this increased property transactions by eight per cent.² Consequently, by having a sustained period of reduced Stamp Duty Land Tax the UK Government can ensure that more people get on the housing ladder and the property sector plays its part in supporting the economy.
6. Extending the cut to Stamp Duty Land Tax would have two benefits. Firstly, it would continue to support jobs in the sector and the wider economy. Our research tells us that commercial and residential lettings and sales, as well as management, support 240,000 jobs and add £13 billion of value added to the UK economy.³ Furthermore, it is estimated that the average cost of moving in the UK is around £8,885.⁴ Importantly, this amount includes costs of valuing and surveys, legal fees, building insurance, estate agent fees, mortgage costs and broker fees. Other costs can include use of a removal company or temporary storage. Secondly, the cut to Stamp Duty Land Tax is reducing the time taken to buy and sell property. Data from property portal Zoopla shows that between 13 May and 13 August 2020 properties were selling nearly two weeks faster in comparison to the same period last year. Furthermore, they say that the time to sell a home has reduced across all regions and the average time to sell a property since the lockdown restrictions were lifted is now 31 per cent lower than the same period 12 months before.⁵ Additionally, in November, the average number of prospective buyers registered per estate agent branch rose by 29 per cent from October. This is the highest number recorded since August 2004.⁶ To this end, regardless of Covid-19, many families still want a bigger home, empty nesters still want to downsize, and first-home buyers still want to make the most of record-low interest rates. Extending the cut to Stamp Duty Land Tax will provide more people with the dream of home ownership and help maintain employment in this vital sector of the economy.

² http://eprints.lse.ac.uk/59637/1/Besley_Incidence%20transaction_2016.pdf

³ <https://www.arla.co.uk/media/1045728/letting-the-market-down-assessing-the-economic-impacts-of-the-proposed-ban-on-letting-agents-fees.pdf>

⁴ <https://www.barclays.co.uk/mortgages/guides/real-cost-of-moving/#:~:text=The%20estimated%20average%20cost%20of,on%20where%20you%20live1.>

⁵ <https://www.zoopla.co.uk/press/releases/home-buyers-shrug-off-recession-fears-as-time-to-sell-falls-by-almost-two-weeks/>

⁶ <https://www.naea.co.uk/media/1049069/housing-report-november-2020.pdf>

Deliverability of proposals

9. To deliver these proposals the UK Government should extend the cut to Stamp Duty Land Tax for at least another period of six months and clarify the qualifying criteria for the relief at the end of any set period. Further support for the housing market will be essential to restarting the economy when the social distancing measures are lifted fully following the latest national lockdown measures announced by the Prime Minister. Moving to a new home has enormous knock-on benefits for the wider economy and a continued holiday on property tax would increase consumer confidence and encourage both upsizing and downsizing.

Expand Help to Buy to the second-hand homes market

Policy rationale

7. The UK Government should extend the Help to Buy scheme to the second-hand homes market to boost house sales and allow more first-time buyers to get onto the property ladder.

Costs and benefits

8. By extending Help to Buy to second-hand homes, the UK Government can support more first-time buyers to get on the housing ladder. Since the introduction of the cut to Stamp Duty Land Tax, NAEA PropertyMark members have seen the highest sales figures on record since 2007. However, in November 2020 the number of sales to first-time buyers stood at 24 per cent and year-on-year this is down from 28 per cent in November 2019.⁷ This is significant because on average home buyers move every 23 years, whereas, first-time buyers move home every 10 to 12 years.⁸ Furthermore, the Resolution Foundation estimate that it would currently take a first-time buyer in their late 20s around 18 years to save for a deposit if they relied solely on savings from their own disposable income.⁹ Consequently, without additional support and extending Help to Buy to the second-hand homes market, many first-time buyers will struggle to become homeowners.
9. Since its launch in 2013, under the Help to Buy Equity Loan scheme, 272,852 properties have been sold, using a total value of equity loans of £16.05 billion, which has supported the purchase of £73.28 billion worth of property.¹⁰ A similar, significant, investment will be required to support the extension of Help to Buy to the second-hand homes market. However, in return the UK Government will receive the knock-on impact of additional sales through chains and not just the economic impact of purchases of new build property.
10. The main benefit of extending Help to Buy to second-hand homes is that it would create demand and further stimulate the housing market. It can work because it would increase a

⁷ <https://www.naea.co.uk/media/1049069/housing-report-november-2020.pdf>

⁸ <https://www.which.co.uk/news/2019/11/first-time-buyers-heres-how-you-can-buy-a-three-bedroom-house-rather-than-a-flat/>

⁹ <https://www.resolutionfoundation.org/press-releases/first-rise-in-home-ownership-for-young-families-for-30-years-but-generation-rent-is-here-to-stay/>

¹⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/903024/Help_To_Buy_Equity_Loan_2020_Q1_Statistical_Release.pdf

housing sale chain from one, to at least three and possibly five other transactions. For example, if a couple buy a house under the current Help to Buy scheme, that is the end of the chain, given Help to Buy is only applicable to first new homes. Whereas, if Help to Buy was extended to second-hand homes, there will be a chain. So a couple having a baby could be looking to move out of a new build flat, to a small three bed house, the people in the three bed house could be looking to upsize to a four bed house, and the occupants of the four bed could be looking to move into a five bed. All these extra transactions are enabled by the first home being purchased with Help to Buy, thus generating additional house moves, compared to just one with the current Help to Buy only applying to new build property.

Deliverability of the proposals

11. To deliver this proposal Help to Buy should be extended to older property and new build property which have been lived in and put up for resale.

Establish a mortgage guarantee scheme for key workers

Policy rationale

9. The UK Government should establish a government backed mortgage guarantee scheme for key workers. This will help more key workers to get onto the property ladder. It will also ensure that key workers can live in high price areas and they are provided with additional support in appreciation for their dedication to public safety during the Coronavirus pandemic.
10. Key workers are essential to the country's success and a mortgage guarantee scheme would provide support for key workers in local areas who are struggling to own property. This is important because key workers on average earn less than the rest of the population and are therefore at an economic disadvantage when applying for mortgages. For instance, a third of key worker employees earn £10 an hour or less, which is below the long-term target for the national living wage. Moreover, key workers' hourly wages are 8 per cent lower on average than other employees.¹¹ Consequently, key workers are likely to have less savings to purchase property. The mortgage guarantee scheme would provide more support for key workers and allow them to purchase homes with smaller deposits as well as give them access to low deposit mortgages.

Costs and benefits

11. The cost of the mortgage guarantee scheme would be a government guarantee to lenders for providing loans to borrowers up to 95 per cent Loan to Value. This means that lenders can offer small deposit mortgages, with the UK Government taking on some of the risk if borrowers default. Based on statistics from a similar Help to Buy mortgage guarantee scheme which ran between 2013 and 2016, over 86,000 households used the guarantee to buy a home.¹² The scheme would not ensure payments, but the guarantee would protect the lender against losses. Alternatively, a similar scheme was in existence in 2001 to support key workers to buy or rent a home. This enabled access to affordable housing specifically provided for

¹¹ <https://www.ifs.org.uk/uploads/BN285-Differences-between-key-workers.pdf>

¹² <https://www.moneysavingexpert.com/news/2016/09/government-to-scrap-help-to-buy-mortgage-guarantee-scheme/>

them by housing associations and other providers. This policy cost £250 million in 2001 through government loans.¹³

13. There is one main benefit to introducing a mortgage guarantee scheme and three other positive impacts. The main benefit is that the scheme would help key workers who are unable to access property in high price areas and where key workers are also in high demand. This is important because previous schemes, notably the Starter Home Initiative to help 10,000 key workers in 2000 and the Challenge Fund in 2003 suffered from problems because some of the schemes could not be afforded by key workers and the definition of key workers eligible for the schemes was too restrictive. By introducing a mortgage guarantee scheme the UK Government can maximise the benefits of home ownership by not just providing one-off gains to the initial purchasers, which in some cases would mean that the level of subsidy does not sufficiently reduce the total housing costs, and make the overall costs of purchasing property more affordable. Consequently, by introducing a mortgage guarantee scheme for key workers we believe this will have a positive impact in three ways.¹⁴ Firstly, it would help more people onto the housing market by improving affordability and giving them financial flexibility. Secondly, key workers will receive additional support as they continue to support the country through the Coronavirus pandemic. Thirdly, the scheme would help with the recruitment and retainment of staff for public sector organisations.

Deliverability of the proposals

13. The scheme would need to develop a central definition of key workers to clarify who is accessible for it. The scheme should also build on the UK Government's plans to introduce a 30 per cent discount on new homes for key workers.¹⁵ A mortgage guarantee would assist the 30 per cent discount because it only applies to new build property, and some key workers may choose not to purchase a new build home. Furthermore, on average new build properties cost £302,927, whereas an existing resold property is £239,417.¹⁶ Moreover, while the 30 per cent discount is excellent for lower repayments over the course of the mortgage, it might not help to get approval for the mortgage in the first place, especially if a key workers' income is low. So, a guaranteed mortgage scheme would complement the 30 per cent discount scheme, ensuring it can be taken advantage of in the first place and support more key workers to become homeowners.

Restart the Empty Homes Community Grants Programme

Policy rationale

9. The UK Government should restart the Empty Homes Community Grants Programme, which was in place until 2015, to community groups to bring empty homes back into use. Empty homes are a wasted resource and more needs to be done to get vacant properties back on the market for would-be home buyers. Latest UK Government data shows that over 216,000 homes in England have been empty for over six months. In all, over 600,000 homes are currently vacant in England, more than the UK Government's housebuilding target of 300,000

¹³ <https://policyexchange.org.uk/wp-content/uploads/2019/11/Revitalising-Key-Worker-Housing.pdf>

¹⁴ <https://publications.parliament.uk/pa/cm200203/cmselect/cmodpm/75/7506.htm>

¹⁵ <https://www.gov.uk/government/news/government-to-cut-the-cost-of-new-homes-by-a-third>

¹⁶ <https://www.gov.uk/government/publications/uk-house-price-index-summary-november-2020/uk-house-price-index-summary-november-2020>

per year.¹⁷ If some of these houses were brought into use, it could reduce the need for more new homes which in turn would save substantial amounts of material compared to building new homes. Consequently, this would help to minimise the amount of land used for development and avoid wasting embedded carbon; helping to combat climate change and reach the UK Government's net zero carbon target by 2050.

Costs and benefits

10. To effectively reduce the number of long-term vacant properties the UK Government should establish a £200 million Empty Homes Fund. This would build on previous successful funding initiatives. For instance, between 2010-2015, the Coalition Government spent £216 million on direct funding for local authorities and community groups working to bring empty homes back into use, of which £156 million was spent via two rounds of the Empty Homes Programme. The funding resulted in 9,044 homes being brought back into use.¹⁸ Since the closure of the funding, the problem has escalated significantly. In 2018, long-term empty homes' numbers rose significantly with nearly 11,000 additional long-term empty homes, which was double the increase in 2017.¹⁹ By investing again in an Empty Homes Fund the UK Government can reduce the number of empty homes and increase housing supply.
11. By reducing the number of empty properties, the UK Government can improve the viability of communities by regenerating blighted areas, improve housing conditions, increase the Council Tax collection rate, and produce savings on temporary accommodation expenditure. In addition, we know that 97 per cent of local authorities with generally high levels of empty homes cite owners' inability to fund repairs as a reason homes remain empty and over 80,000 empty homes are in the Band A Council Tax Band. This is significant because UK average house prices increased by 7.6% over the year to November 2020, up from 5.9% in October 2020, to stand at £249,633.²⁰ However, this is much lower in certain regions across England. For instance, the average price of a property in the North East is £140,248 and this compares to £180,856 in Yorkshire and the Humber and £180,280 in the North West. Therefore, dedicated funding targeting property of low value based on Council Tax Bands can mean that the incentives to bring empty homes back into use are affordable and people take action. In addition to these regenerative benefits, bringing empty homes back into use can also ensure potential savings for the UK Government. It can reduce temporary accommodation costs, saving on housing benefit spent in the private rented sector, and reduce the social and economic costs of the poor health, educational, and family outcomes associated with living in poor quality and insecure accommodation. Furthermore, 57 per cent of Councils with high levels of long-term empty homes say there should be a speedier process for obtaining compulsory purchase orders and more must be done to ensure local authorities can work with owners to bring properties back into use.²¹ Putting measures in place would not only support a healthy housing market which must be at the core of the country's long term economic recovery, but it can also play a vital role in the UK Government's 'levelling up' agenda, addressing the need for a greater supply of affordable housing in parts of the country that are

¹⁷ <https://www.actiononemptyhomes.org/why-empty-homes-matter>

¹⁸ <https://questions-statements.parliament.uk/written-questions/detail/2015-10-22/12962>

¹⁹ <https://commonslibrary.parliament.uk/research-briefings/sn03012/>

²⁰ <https://www.gov.uk/government/publications/uk-house-price-index-summary-november-2020/uk-house-price-index-summary-november-2020>

²¹ <https://www.tenancydepositscheme.com/expertview-tackling-englands-empty-homes/>

perceived as having been 'left behind'. Overall, dealing with empty properties has social, regenerative, financial, and strategic benefits.

Deliverability of the proposals

12. The UK Government can deliver these proposals by re-establishing dedicated funding programmes to support local authorities, housing providers and community-based organisations to create affordable housing from long-term empty homes.