

Department for Communities Housing Supply Strategy Consultation

Response from Propertymark

July 2021

Background

Propertymark is the UK's leading professional body for estate and letting agents, inventory providers, commercial agents, auctioneers and valuers, comprising nearly 17,500 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Questions: Introduction

Question: Please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation.

1. This response is made on behalf of Propertymark.

Question: Do you agree that a 'Whole System' approach given the challenges is the right one?

2. Propertymark believes that the 'whole system' approach to housing supply described is appropriate. Housing supply strategies must recognise the complex interaction between different policy areas to correct market failures and avoid unintended consequences. Adoption of a 'whole system' approach has the potential to offer new perspectives on entrenched, historic problems.

Question: Do you agree with the 15-year timeframe proposed for the Housing Supply Strategy?

3. Yes. The proposed timeframe balances the need for a sustained, consistent framework with the contextual uncertainties affecting housing need, demand and supply.

Question: Do you agree with the proposed vision for the Strategy?

4. Yes, Propertymark considers the vision to be well-considered and helpful. As noted in the consultation, unambiguous definitions of the vision's terms will be required to enable policy development and measurement.

Question: Do you agree with the proposed objectives for the Strategy?

5. Propertymark broadly agrees with the objectives. We suggest that the first aim might be rephrased to focus on housing need, or requirement, rather than demand – need being a reflection of undersupply and household growth, as opposed to an individual's ability and

willingness to pay¹. While local housing targets must consider demand, PropertyMark contends that an aim “to meet current and future demand” may be unrealistic, depending on prevailing market forces and income growth.

Question: The terms good quality, sustainable and affordable mean different things to different people – how would you define these terms?

6. PropertyMark considers good quality housing to mean safe, well-designed, constructed and energy efficient homes that meet the needs of the inhabitants. For a home to be sustainable, it must first and foremost be good quality. It must have been designed and built in accordance with agreed sustainability principles such as waste minimisation and energy efficiency and should assist in meeting the objectives set out in the Sixth Carbon Budget. For a home to be affordable in terms of income, an inhabitant must have the ability to pay the rent and/or mortgage payments without sacrificing other essential spending or falling into debt².

Question: What do you believe are the three main barriers to delivering the objectives for the strategy?

7. PropertyMark believes that access to finance is the most critical issue affecting the outcomes of the strategy, as it has the potential to enable and incentivise home building, buying and improvement. The public sector’s increasing reliance on private funding due to dwindling grant rates per unit has hindered the supply of affordable homes³ and up-front investment is required to unblock infrastructure delays on large developments⁴. In Northern Ireland, where housebuilding is commonly undertaken by small-scale developers, the availability of finance is particularly critical, as it not only impacts the overall supply of housing, but the quality as well – developers may cut costs by using cheaper materials or labour. Linked to finance is the price and availability of land, which PropertyMark believes is the second barrier to housing supply. The long-term nature of development and uncertainties of the planning system mean that high land prices can deter quality or prevent development altogether. The issue of ‘planning gain’ has been extensively considered, but PropertyMark considers the availability of public sector land for housing and reforms to the taxation of land to be pivotal in encouraging good quality development. Finally, PropertyMark believes that the planning system must be transparent and consistent. PropertyMark is keen to see what findings are forthcoming from the recently completed Planning Act (NI) 2011 review and hopes that there is now an opportunity to reform the system to provide certainty, minimise risk and facilitate housing supply⁵.

¹ House of Commons Library, January 2021: Tackling the under-supply of housing in England:

www.commonslibrary.parliament.uk/research-briefings/cbp-7671.

² Shelter, August 2015: What is affordable housing: www.blog.shelter.org.uk/2015/08/what-is-affordable-housing.

³ House of Commons Library, January 2021: Tackling the under-supply of housing in England:

www.commonslibrary.parliament.uk/research-briefing/cbp-7671.

⁴ Housing and Finance Institute, November 2017: Housing Infrastructure – Better Connections:

www.thehfi.com/downloads/better-connections-download.pdf.

⁵ Lyons Housing Review, 2014: Mobilising across the Nation to Build the Homes our Children Need:

www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf.

Question: To what extent do you agree that there is a need to establish a more robust understanding of NI housing stock?

8. Propertymark advocates evidence-based policy and believes that analysis of current data can highlight areas where information may be lacking or incomplete. It is vital that decisions are based on reliable evidence so that resultant policies deliver the desired results. The Northern Ireland Housing Condition Survey (NIHCS) is a key source of data but is not continuous, and the postponement of the planned 2021 survey due to the Covid pandemic means that it will be six years since the survey was undertaken last. Though clearly dependent on resources, Propertymark considers a more regular programme of data collection to be beneficial in determining housing stock. The costs of well-targeted housing surveys that inform evidence-based policy are likely to be recovered by economic benefits generated by those policies, rendering them an effective use of Government resources⁶.

Question: Are you aware of any specific data sources or methodological approaches to estimating existing housing stock?

9. Propertymark is aware of the NIHCS, Census, Domestic Valuation List and Building Control New Dwelling Statistics as data sources of housing stock in Northern Ireland.

Questions: Land, Property and Planning

Question: Are there changes to land and property legislation, policies, processes or procedures that could transform housing supply for the better?

10. Propertymark's view is that supply of new housing is likely to be predominantly provided by the private sector. In light of this, a plan-led, adequately funded **planning system** that delivers consistent outcomes efficiently is crucial to generating confidence and ensuring the right type of housing is delivered in the right places. In addition to housing supply, planning cuts across other policy areas set out in the Executive's Programme for Government, such as environmental protection and climate objectives, so ensuring it is fit for purpose is vital⁷.
11. Propertymark considers it crucial that local people derive real benefit from development. To existing residents, new development is invariably perceived as a driver of increased costs and fewer services⁸, which goes some way to explain the anti-development stance adopted by many. Furthermore, distrust in the planning system, dissatisfaction with decision times (the average time for a decision during 2020/21 was 61.4 weeks across all councils, more than double the 30-week target⁹) and perceptions of reduced transparency following the transfer

⁶ BRE Trust, February 2020: The Housing Stock of the UK: www.files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom_Report_BRE-Trust.pdf.

⁷ RTPi Northern Ireland, March 2021: Response to the 'New Decade, New Approach' Strategy: www.rtpi.org.uk/consultations/2021/march/northern-ireland-programme-for-government/.

⁸ LSE, April 2015: Understanding the Local Impact of New Residential Development: http://eprints.lse.ac.uk/63390/1/Understanding_the_Local_Impact_of_New_Residential_Development.pdf.

⁹ Department for Infrastructure Northern Ireland Planning Statistics Annual Statical Bulletin 2020/2021: www.infrastructure-ni.gov.uk/system/files/publications/infrastructure/planning-statistics-2020-21-bulletin.pdf

of planning responsibilities to local councils has led to 70% of individuals agreeing that the system in Northern Ireland does not serve the public interest¹⁰. The current regime of **planning obligations** was analysed in 2015 when it was considered that a scheme for affordable housing provision would be unviable in Northern Ireland¹¹. While this may still hold true, Propertymark suggests that the system should be reviewed to confirm that it is providing the maximum services and community amenities possible without detrimentally affecting viability, to make development more appealing and ensure that any development's net impact on the local community is positive.

12. Propertymark believes that **derelict or vacant property** should be identified for sale or redevelopment. A study should be commissioned to understand and ultimately confront the underlying market failures leading to derelict and vacant sites. Tackling empty property can provide regenerative benefits as well as potential savings, for instance in welfare spending, and planning tools such as compulsory purchase and permitted development can help to get property back into use more swiftly. In addressing long-term vacant property, the twelve-month developer exclusion should be amended such that councils can apply up to 100% of the council tax once the exemption period lapses, whether remedial work is complete or not. This approach is adopted in Scotland¹² for vacant and second homes, and subject to some caveats, acts as a motivator for ultimate development or disposal. Though second home figures for domestic residents are thought to be low nationally¹³, in certain areas it appears to be becoming more prevalent, and the increase in Covid pandemic-related 'staycations' is likely to exacerbate this.

13. **Stamp Duty Land Tax (SDLT)** revenue in Northern Ireland amounted to £80m in 2019-20¹⁴ and further consideration could be had as to the benefits of devolving responsibility for the tax to Northern Ireland. SDLT equivalents are devolved in both Scotland and Wales, and although at present levels the revenue generated is relatively minor, research suggests that devolution could provide economic and social advantages including promotion of construction activity and affordable homes¹⁵. Propertymark notes that, upon devolution, both Scotland and Wales increased the minimum threshold for property transaction tax but Wales has not applied the first-time buyer exemption currently in place in England, Northern Ireland and Scotland. Neither did these nations offer such generous terms to tax holidays arising from the Covid pandemic. The matter of second home ownership could also be reviewed in the context of SDLT. Devolution of SDLT to Northern Ireland would permit the tax to be reviewed and better

¹⁰ Queen's University, School of Natural and Built Environment, June 2020: Stakeholder Evaluation of Planning in Northern Ireland: pure.qub.ac.uk/en/activities/stakeholder-evaluation-of-planning-in-northern-ireland-preliminar.

¹¹ Department for Social Development, December 2015: Developer Contributions for Affordable Housing in Northern Ireland: www.communities-ni.gov.uk/publications/developer-contributions-affordable-housing-northern-ireland.

¹² Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012: www.legislation.gov.uk/asp/2012/11/contents/enacted.

¹³ NISRA Census 2011: www.nisra.gov.uk/statistics/2011-census/results.

¹⁴ HMRC, October 2020: Stamp Tax Statistics 2019-20.

¹⁵ PwC, June 2013: A Review of Fiscal Powers of the Northern Ireland Assembly: www.nicva.org/resource/review-fiscal-powers-northern-ireland-assembly.

targeted to the specific needs and circumstances of the nation, balancing revenue maximisation with wider policy goals.

14. In order to supply good quality homes in the places where they are needed, large-scale capital **investment** is required from the outset. Propertymark is encouraged by the increased funding being made available through the Social Housing Development Programme (SHDP), but the supply of market housing has dwindled since 2008 and lags behind social housing provision¹⁶. Finance, risk and access to land are the most commonly cited barriers to market housing supply. The long-term nature of housing supply and renewal, which requires a commitment to funding over time, has also been problematic for the private sector. A mix of private and public sector investment is likely to be necessary to overcome these barriers.
15. Propertymark believes that increasing the supply of housing must be carried out in tandem with **improvements in quality**. We welcome the inclusion of minimum energy efficiency standards in the Private Tenancies Bill and are supportive of proposals set out in the Energy Strategy 2050 consultation to extend these to owner-occupied and commercial property. Given that less than half of Northern Ireland's housing stock has an EER of band C or higher, there is clearly significant scope for improvement. However, adequate funding must be made available to cover the costs of improvement. Tax rebates for developers could also be considered to prevent any costs incurred by raising standards being passed on to purchasers.
16. Supply-side measures should be pursued alongside demand-side mechanisms aimed at **home ownership**. The Co-Ownership and FairShare models have proven successful in fostering home ownership, particularly for first time buyers, and Propertymark believes that funding must continue to be directed at these schemes. Offering a route to home ownership that would otherwise be unavailable and providing clear private benefits, they also generate wider economic and societal benefits that can help underperforming areas to re-establish their investment appeal¹⁷. Other models of support for home ownership could be considered in an effort to satisfy differing needs. For example, the First Home Fund in Scotland has recently been piloted and appears to have been extremely popular, with the latest round of funding fully committed. It provides first time buyers with an interest-free equity loan of up to £25,000 to purchase a new build or existing property.

Question: Should the options for making public sector land (local and central government) available to support a wider variety of housing options be explored?

17. Yes. In Propertymark's view, land availability is one of the main hinderances to housing supply, so all options should be considered to make public sector land available for housing. The Consultation acknowledges that public sector land is limited in areas of particular housing

¹⁶ Department for Communities Northern Ireland Housing Statistics: www.communities-ni.gov.uk/topics/housing-statistics.

¹⁷ Knight Frank, November 2020: Keeping the Housing Market Moving Key to Economic Recovery: www.knightfrank.com/research/article/2020-11-18-keeping-the-housing-market-moving-key-to-economic-recovery.

stress, but both the Housing Executive and Department for Communities possess legislative powers to acquire land for sale to developers or housing associations. Opportunities to use these powers should be considered wherever feasible.

18. The Covid pandemic has had an impact on households' decision making, with city centres less appealing due to outdoor space availability. Access to outdoor space has become as important a factor as parking in purchasing decisions¹⁸, and depending on the longevity of this trend, housing within city centres may be less in demand. Data should be analysed to establish local patterns so that urban public sector land can be allocated in the most appropriate way.
19. The public sector has a vital role to play in unlocking sites, both by assembling land and controlling its development¹⁹. Larger publicly owned sites should be master-planned and sold to developers in smaller parcels to minimise risk and encourage faster build-out rates. This approach would also enable smaller-scale developers to continue to participate in housing delivery. Smaller sites should have permission in principle to make the process more efficient and improve the responsiveness of housing supply.

Question: Are there land and property practices adopted in other UK or European jurisdictions that you believe would transform supply if adopted here?

20. Propertymark contends that access to land and a lack of construction finance are two of the biggest barriers to increasing housing supply²⁰. In the absence of alternative lending, the Executive must make funding available across the full spectrum of tenures to avoid exacerbating the housing shortage. Tenures such as build to rent could play an important role in Northern Ireland²¹, and consideration should be given as to how this could be encouraged or incentivised.
21. Across Europe, land policies are more actively managed, and Propertymark suggests that there might be lessons to learn. Public bodies in the Netherlands²², for example, have historically acquired land to hold until such time as it is required for housing. In the interim, basic infrastructure is invested in so that plots can be sold with planning permission to housebuilders who are ready to develop them without the often debilitating upfront costs involved. Though private developers have begun to assemble land directly due to improved returns, more often development involves an extent of public ownership. One of the key benefits to this method is that the local authority equivalents control the development, acquiring suitable land, planning the type of development needed and releasing it at the

¹⁸ RICS, June 2020: Housing Market Survey: www.rics.org/uk/news-insight/latest-news/press/press-releases/new-buyers-looking-for-outside-areas-and-green-spaces-as-interest-in-new-homes-revives/.

¹⁹ Homes England, March 2019: Unlocking Land for Development: www.gov.uk/guidance/how-homes-england-sells-land-for-housing-led-developments#unlocking-land-for-development.

²⁰ Savills, 2017: Releasing Untapped Potential for More Housing: pdf.euro.savills.co.uk/uk/spotlight-on/spotlight-releasing-untapped-potential-for-more-housing.pdf.

²¹ LSE, January 2017: Making the Most of Build to Rent: www.lse.ac.uk/business-and-consultancy/consulting/assets/documents/making-the-most-of-build-to-rent.pdf.

²² Shahab, Hartmann & Jonkman, *European Planning Studies*, September 2020: Strategies of Municipal Land Policies: www.tandfonline.com/doi/full/10.1080/09654313.2020.1817867.

appropriate time to fulfil need, ensuring it suits local purposes rather than those of the developer. This model might be particularly helpful in Northern Ireland, where development is carried out by small-scale builders.

22. The Executive recognises the limitations of its drainage and wastewater infrastructure. Improvements are crucial if housing supply is to be increased, and Propertymark is hopeful that the earmarked funding materialises. However, it would seem appropriate given wider budgetary pressures to reconsider the funding model and assess the costs and benefits of charging domestic users for the service. Whilst unlikely to be well-received, water and sewerage are valuable services that are paid for by residential households in all other Devolved Nations and creation of an additional revenue stream that could be used to upgrade and improve the service would benefit all.
23. In England, proposed reforms to the planning system²³ would see a system of zoning adopted which is considered to have significant benefits for housing delivery. The reforms are anticipated to involve identification of sites for protection, renewal and growth which will streamline and modernise the planning process, enabling clarity for developers. Growth zones will have outline planning in principle which would allow developers to focus on practical details of rather than debate the merits of development per se. Though details are still scarce, the proposed replacement for Section 106 contributions is expected to be payable upon occupation, which Propertymark considers positive, given its consequences for reducing a significant barrier to private development in the form of upfront costs.

Questions: Climate Change and Net Zero

Question: Transitioning to low carbon homes will require significant behavioural changes by householders. Is support required to aid the necessary behavioural changes?

24. Yes. Propertymark feels that adapting behaviours in the shift towards low carbon will not be achievable unless a package of support is implemented to incentivise change, and suggests that legislation should also be considered, given the devolved nature of energy policy. Research²⁴ highlights a number of characteristics that potentially make decarbonisation in Northern Ireland less problematic than in other Devolved Nations – these include its size, making the practicalities of electric vehicles more straightforward, and its lack of reliance on gas heating. But, despite having the most modern housing stock in the UK²⁵, residential building accounted for 13% of total emissions in 2016 compared with 12% for industry²⁶, illustrating the scale of adaptations required. Mechanisms such as the boiler replacement

²³ Ministry of Housing, Communities and Local Government, August 2020: Planning for the Future White Paper: www.gov.uk/government/consultations/planning-for-the-future.

²⁴ Committee on Climate Change, February 2019: Reducing Emissions in Northern Ireland: www.theccc.org.uk/publication/reducing-emissions-in-northern-ireland/.

²⁵ BRE Trust, February 2020: The Housing Stock of the UK: www.files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom-Report-BRE-Trust.pdf.

²⁶ Committee on Climate Change, February 2019: Reducing Emissions in Northern Ireland: www.theccc.org.uk/publication/reducing-emissions-in-northern-ireland/.

scheme have proved effective, but Propertymark has concerns that replacing an inefficient gas boiler with a more efficient gas boiler simply does not go far enough to meet the targets set out in the Sixth Carbon Budget: more ambitious schemes to encourage low-carbon heat are required. In Scotland, the Heat in Buildings Strategy²⁷ sets out the Government's intention to legislate on standards required to improve energy efficiency and a series of regulations are due to come into force in the near future, covering all tenures. The Government recognises that energy efficiency benefits are long-term and that regulation provides a mandate for investment and behavioural change.

²⁷ Scottish Government, February 2021: Heat in Buildings Strategy: www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings-consultation/.