

Comprehensive Spending Review 2020
Representation from NAEA Propertymark
September 2020

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.

Representation

In order to level up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation, and people the UK Government must:

- Extend the cut to Stamp Duty Land Tax
- Expand Help to Buy to the second-hand homes market
- Establish a mortgage guarantee scheme for key workers
- Restart the Empty Homes Community Grants Programme

Extend the cut to Stamp Duty Land Tax

Desired outcome

3. To further support home ownership and the economy, the UK Government should extend beyond 31 March 2021 the temporary increase in the stamp duty threshold to £500,000 for property sales in England and Northern Ireland.

Policy rationale

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 July show that an average of 13 sales were agreed per branch, which is the highest figure recorded since June 2007.¹ Furthermore, year-on-year, housing demand for August was up by 33 per cent and an average of 12 sales were agreed per branch, the highest figure recorded for August in 13 years.² Even before the cut to Stamp Duty Land Tax, more than one million homes are bought

¹ <https://www.naea.co.uk/media/1048954/housing-report-july-2020.pdf>

² <https://www.naea.co.uk/media/1048997/housing-report-august-2020.pdf>

and sold every year in the UK, which means at least a million buyers, each working with professional support from estate agents, solicitors, 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.

Costs, benefits, and deliverability of proposals

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.³ 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 tell 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.⁴ Furthermore, it is estimated that the average cost of moving in the UK is around £8,885.⁵ 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.⁶ 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.
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. Further support for the housing market will be essential to restarting the economy when the social distancing measures are lifted fully.

³ http://eprints.lse.ac.uk/59637/1/Besley_Incidence%20transaction_2016.pdf

⁴ <https://www.arla.co.uk/media/1045728/letting-the-market-down-assessing-the-economic-impacts-of-the-proposed-ban-on-letting-agents-fees.pdf>

⁵ <https://www.barclays.co.uk/mortgages/guides/real-cost-of-moving/#:~:text=The%20estimated%20average%20cost%20of,on%20where%20you%20live1.>

⁶ <https://www.zoopla.co.uk/press/releases/home-buyers-shrug-off-recession-fears-as-time-to-sell-falls-by-almost-two-weeks/>

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

Desired outcome

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.

Policy rationale

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 July the number of sales to first-time buyers fell to 25 per cent and in August the number of sales made to first-time buyers stood at 23 per cent. This is significant because on average home buyers move every 23 years, whereas, first-time buyers move home every 10 to 12 years.⁷ 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.⁸ Consequently, without additional support and extending Help to Buy to the second-hand homes market, many first-time buyers will struggle to become homeowners.

Costs, benefits, and deliverability of proposals

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.⁹ 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 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

⁷ <https://www.which.co.uk/news/2019/11/first-time-buyers-heres-how-you-can-buy-a-three-bedroom-house-rather-than-a-flat/>

⁸ <https://www.resolutionfoundation.org/press-releases/first-rise-in-home-ownership-for-young-families-for-30-years-but-generation-rent-is-here-to-stay/>

⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/903024/Help_To_Buy_Equity_Loan_2020_Q1_Statistical_Release.pdf

bed house could upsizing 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.

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

Desired outcome

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.

Policy Rationale

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.¹⁰ 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, benefits, deliverability of proposals

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.¹¹ 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 them by housing associations and other providers. This policy cost £250 million in 2001 through government loans.¹²

¹⁰ <https://www.ifs.org.uk/uploads/BN285-Differences-between-key-workers.pdf>

¹¹ <https://www.moneysavingexpert.com/news/2016/09/government-to-scrap-help-to-buy-mortgage-guarantee-scheme/>

¹² <https://policyexchange.org.uk/wp-content/uploads/2019/11/Revitalising-Key-Worker-Housing.pdf>

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.¹³ 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 retention of staff for public sector organisations.

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.¹⁴ 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 £323,532, whereas an existing resold property is £243,890.¹⁵ 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

Desired outcome

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.

Policy Rationale

9. 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 per year.¹⁶ 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

¹³ <https://publications.parliament.uk/pa/cm200203/cmselect/cmmodpm/75/7506.htm>

¹⁴ <https://www.gov.uk/government/news/government-to-cut-the-cost-of-new-homes-by-a-third>

¹⁵ <https://www.gov.uk/government/news/uk-house-price-index-for-march-2020>

¹⁶ <https://www.actiononemptyhomes.org/why-empty-homes-matter>

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, benefits, deliverability of proposals

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.¹⁷ 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 2017.¹⁸ 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 in March 2020, the average property in the UK was valued at £231,855.¹⁹ However, this is much lower in certain regions across England. For instance, the average price of a property in the North East is £126,945 and this compares to £159,208 in Yorkshire and the Humber and £166,202 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.²⁰ 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 perceived as having been 'left behind'. Overall, dealing with empty properties has social, regenerative, financial, and strategic benefits.

¹⁷ <https://questions-statements.parliament.uk/written-questions/detail/2015-10-22/12962>

¹⁸ <https://commonslibrary.parliament.uk/research-briefings/sn03012/>

¹⁹ <https://www.gov.uk/government/news/uk-house-price-index-for-march-2020>

²⁰ <https://www.tenancydepositscheme.com/expertview-tackling-englands-empty-homes/>

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.