

Residential & development

Have ministers resolved the key starter homes concerns?

■ Government's long-awaited consultation seeks to address concerns over how scheme will work in practice

BY ANDREW DON

It was a long time coming, but late last month the government finally published the consultation on its much-vaunted 'starter homes' programme.

Under the scheme, which was first unveiled by George Osborne in the Autumn Statement last November, developers will sell homes at a minimum 20% discount on the market value to first-time buyers aged under 40. The value of the homes will be capped at £450,000 in London and £250,000 outside the capital.

The programme, which is based on the US model of discounted properties, will see the government commit £2.3bn over this parliament, with the aim of delivering 200,000 low-cost homes by 2020.

The chancellor has claimed that the scheme will bring about no less than "a revolution" in the UK housing market that will help open up home ownership to 'generation rent'.

But there have been major concerns about how it will operate in practice and the impact it will have on local housing markets. So has the government's consultation addressed the key issues?

One flashpoint centred on plans to allow buyers to sell on their discounted property at full market price after just five years, enabling them to potentially cash in at the taxpayer's expense. Instead, critics have called for a covenant that would ensure the homes can only ever be resold at a discount.

To address this, the government now proposes extending the five-year restriction to up to eight years, during which period the properties can only be sold at a discount, to other qualifying first-time buyers.

A tapering system is also proposed, so a buyer can sell the home for an increasing proportion of the market



Strong start: the government aims to deliver 200,000 homes by 2020

value, which steps up over time.

The government believes longer than eight years would unreasonably limit people's ability to move on, but some in the industry still have concerns.

Thorny issues

Nick Whitten, JLL associate director, says reversion to an open-market unit at the end of the discount period is "an affordable home lost forever".

Neal Hudson, Savills associate director, says determining a starter home's open-market value, in order to determine its sale value, may not be straightforward, particularly when there are sites with a mixture of starter homes with varying

amounts of the discount period left.

"What if it's a street of just starter homes and there's no benchmark as to what the open-market value is?" he asks.

The suggested tapering mechanism could help, depending on how it works in practice. But Hudson believes a discount in perpetuity is the most sensible solution.

David O'Leary, policy director at the Home Builders Federation, which represents housebuilders, says moving to "something more like eight years with a taper" is a reasonable compromise.

But he also harbours concerns about overall site viability. "I think there needs to be guidance for local authorities and developers on the types of starter

homes that are expected," he adds.

A four-bedroom starter home competing with a standard four-bedroom home for sale creates an uneven playing field, O'Leary says. "I think some kind of guidance on what a starter home looks like would help."

The requirement that 20% of new homes will be starter homes will apply to sites of 10 units or more - although the government is prepared to consider a higher threshold at 25 or 50 units.

Concern over exemption

The government has proposed a general exemption from this requirement for sites where it can be "clearly demonstrated that the starter homes requirement would render sites unviable".

The consultation stipulates that this could apply to sites that have "exceptionally high infrastructure costs" or where there is "particularly low demand". However, it says a developer must provide "clear evidence" that a scheme could not support the starter homes requirement and that "no other affordable housing contributions are being provided".

Ghislaine Halpenny, director of communications at the British Property Federation, says that in practice the exemption could cause problems and delays. "It demands a very prescriptive test - a test that has got to be worked out very clearly to stop canny lawyers and their consultants finding ways around it," she warns.

Halpenny says the practicalities and mechanics of how it would work are tricky, "and you run the risk of delaying things if that's not set out very clearly, which, with the government's drive to get 200,000 homes, is the last thing it wants".

As always the devil is in the detail - and with starter homes it seems much of the detail of how the scheme will work in practice is still to be worked through. ■

Starter homes: key proposals

- Starter homes can only be sold at a discount to qualifying first-time buyers for the first five to eight years - with a tapering system enabling the home to be sold at an increasing proportion of the market rate over time during that period
- Starter homes must be included on sites of 10 units or more or 0.5 ha or more
- 20% of new homes on a development must be starter homes
- A general exemption will be

applied where it can be "clearly demonstrated that the starter homes requirement would render sites unviable"

- Other exemptions may be applied to certain forms of housing development, such as supported housing, estate regeneration and student accommodation
- Build-to-rent and retirement housing schemes will be able to make off-site contributions to starter homes