

First Homes Consultation

I strongly support the aim of the First Homes proposal. More people want to own their own home than currently can afford to do so. We need more affordable homes for sale.

The essence of the proposal is twofold. The first is that some of the large gains that landowners and developers stand to make on the grant of planning permission should be shared with First Home buyers by giving them a discount on the normal market value of these new homes, paid for out of the money that is released by the development. The second is that a buyer of such a home accepts a restrictive covenant on the property that means when they come to sell they need to offer a similar percentage discount to the buyer that they enjoyed on purchase.

I have no problem with the idea that some of the gains on development should be shared with buyers. Currently these gains are effectively taxed to allow the state to spend more money on supporting community infrastructure and on affordable homes to rent. It is no greater distortion of the market to allocate some of the winnings to subsidise affordable homes to buy instead. It has the advantage from the state's point of view that the buyers take responsibility for repairs and maintenance, whereas with rented social housing the obligation remains with the state or Housing Association. Given the strong wish of many people to buy not rent, surely we should do more to help them.

The second proposition is a new intervention in the housing market. It means creating a parallel market to the primary market for buying second hand homes out of a group of people who qualify for the scheme. This will only work if the pool of such people is sufficiently large so a potential vendor of a First Home has enough potential buyers to make a decent market. The Consultation wishes to limit the ability of First Home owners to rent out their property, as it has to be their home that they live in, and asks about reward for improvements. The danger in the scheme is the person will suffer a discount on the improved value of the home, not just on the underlying investment. So if someone bought a two bedroom First Home but was able to add two more bedrooms and extra downstairs accommodation they might not get back all they had spent on such a substantial extension given the application of the discount. The more restrictions that are placed on the First Home buyer the less attractive it is as a proposition, and the less like normal home ownership it becomes.

My view is I would rather share some of the gains with a First Home buyer than with some local Councils and their choice of projects to spend planning gain receipts on. We should not be afraid to help make people a bit better off by allowing them to buy a home at a discount. It is difficult to stop them renting out their homes if they suddenly get a requirement to work abroad for their employer or if an elderly person has to go into a long stay care home.

For this to work the rules need to be flexible. The issue is who should

qualify? There does need to be some means test to stop people with substantial capital or high earnings from cashing in . The aim is to help local people, veterans and key workers like teachers and nurses. There does also need to be a cap on the price of property involved. I suggest this should be done by principal Council area from average prices in that area, where the cap is not above the average price. There will only be a satisfactory secondary market in First Homes if this is done at scale.

www.government.uk/government/Consultation/First-homes