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PRESS RELEASE

The mist has cleared

Only a fortnight has passed since the creation of a new government formed by the Lib Con Alliance and we are already beginning to see the consequences of some of their new policies.

The biggest change is the early suspension of the Home Information Pack. Although widely publicised by both the Conservatives and Lib Dems before the election the speed of the suspension caught the industry by surprise. Not only the industry but those unfortunate people who had only just commissioned a HIP, and paid their £300 or thereabouts, only to find they had been ditched.

From the outset we argued that the majority of the contents of a HIP were an irrelevance. The greatest cost was the provision of the local search and in the vast majority of cases the contents were either out of date or not accepted by a buyer's solicitor or lender making their inclusion irrelevant. We applaud and welcome the decision which was an obstacle for homeowners wishing to bring their property to the market, with little or no consumer benefit.

The Energy Performance Certificate remains but this has a cost which is likely to be less than £100. Under the new regulations it is the seller's responsibility to ensure an EPC is ordered prior to marketing their property and this must be available to purchasers within 28 days.

The most likely result of the abolition of HIPS will be an increase in the number of properties for sale and this increase in supply may bring with it less pressure on prices. There is little doubt that the index of property prices rose in the second half of 2009 as a result of the scarcity of properties for sale and with more houses being marketed this is less likely in the future.

The Chancellor's statement with regard to tax leaves us with the view that Capital Gains Tax on short term investment properties is likely to rise significantly. We have recently experienced high demand in the rental sector with pressure on rents and yields on capital values of 4%-5% not uncommon. Historically the private rental sector has been driven by the anticipation of capital appreciation on the value of the houses as much as by the yield. If the suggested rises in CGT become a reality then we believe that private investors will be less inclined to enter the rental sector, pushing rents higher still.

One challenge the politicians must face up to is the availability of funding. Mortgages have never been a problem for those people with more than 20% deposit. However, the market needs an active first time buyer sector and currently loans for people requiring 80%-90% mortgages are scarce and often prohibitively expensive. These are now the people who are active in the private rental sector with consequential pressure on rents. The self employed have also been, often unreasonably, hit hard by the tightening of available funds and we hope that this too will be addressed as we move forward.

Notwithstanding the above we have seen an acceptance by the general public of the necessity of the cuts and taxes we are to face and optimism that at least we are rolling up our sleeves and tackling the country's problems. This optimism has brought with it added confidence and I am pleased to report that we continue to have an active property market in this and surrounding areas and I too look forward with some optimism to the future. At least we can plan for the future now the uncertainty of the pre-election period has been removed.

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