

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 07

Inquiry into barriers to home building in Wales

Response from : Savills

I refer to your invitation to submit views on the above inquiry.

Savills is a multidisciplinary supplier of real estate services to the development industry with a regional office in Cardiff and a network of offices throughout the UK. We handle a large volume of housing land transactions for both private and public sector clients, we operate in both England and Wales and as such we are acutely aware that the principality is losing out on investment into housing when compared to other areas of the country.

We believe the reasons for this are as follows.

- Wales has some of the lowest property values in the UK yet the cost of house building is higher here than elsewhere in the country. Code 3 + does not apply to England. In many areas close to the Welsh border such as Avon, Gloucester, Herefordshire development activity is significantly greater attracting a greater number of operators. Wales is perceived as an area where the planning system is unresponsive to market changes this, in addition to a poorly performing economy discourages new operators and investment.
- The proposed introduction of CIL at unrealistic tariffs will kill off investment in marginal locations and we are aware that some preliminary tariffs are being set too high. Tariffs in disadvantaged areas should be set deliberately at low levels in order to attract investment. If a significant amount of development ensues then tariffs can be reviewed. Welsh Government needs to urgently review proposal to introduce CIL in areas of low economic activity.
- The proposed introduction to require sprinkler systems in all new housing in Wales is unfounded and inappropriate. Statistics clearly show that domestic fire fatalities do not occur in newly built property, it is a problem associated with older mainly rented housing stock. There will be no reduction in domestic fire fatalities as a result of this requirement only a reduction in the number of houses built. Sprinklers should only be fitted where there is a multiple risk e.g. new blocks of flats, care homes etc.
- Because of social deprivation, low incomes and lack of economic growth here are already no-go areas for new build housing in the lower value areas, this extends throughout the valleys other industrialised

smaller towns and rural parts of Wales. In North Wales there is a similar pattern and new build housing only becomes viable in major towns along the A55 expressway. Housing priority areas need to be identified such that where viability is proven S106 obligations should be minimal.

- Viability is key to enabling development. There are a significant number unimplemented consents and allocations particularly on brown field land that simply will not be taken up because clean up costs and other development abnormalities are too great. We are involved in many cases where onerous planning obligations and Section 106 requirements compound the problem and make development unviable. Many formulae for calculating planning gain contributions were developed pre crash and assumed much higher rates of sale and higher sales values. Some local authorities are willing to refer scheme viabilities for third party judgement but others are not. We suggest an immediate and comprehensive review of S106 obligations on dormant consents and inappropriate allocations.
- There is a misconception by politicians and council officers that **volume house builders make 'super' profits out of investment in new homes**. The reality is that in Wales net returns are comparable or below or equal to margins in the manufacturing or service sectors.
- Following the credit crisis there are now only a handful of plc house builders active in Wales and nearly all are part of large organisations operating nationally. Many have told us that if the cost of house building in Wales continues to rise disproportionately and values remain as predicted then they will withdraw to other more profitable regions.
- The economic and social effect of new home construction needs to be more fully appreciated by local authorities and politicians. New house building investment creates permanent and temporary jobs and improves communities. Where viable it delivers new schools, improvements to local infrastructure, open spaces and importantly affordable housing. In the past high density residential development has cross subsidised mixed use regeneration in city and town centres. Market demand and mortgage availability is now geared to lower density conventional housing schemes and this pattern of development will continue in Wales for the foreseeable future, it cannot sustain the level of planning gain demanded at the height of the market.
- When negotiating S106 contributions the financial effect of an increase in rates revenue resulting from each new home needs to be taken into consideration as part of an all inclusive appraisal of the effect of the housing investment.

- There is increasing evidence that Welsh Water are using their monopolistic position to extract contributions towards surveys and improvements to existing infrastructure generally. Local authorities need to ensure that Welsh Water prioritise their funding for infrastructure improvements in areas of identified housing growth.
- The reintroduction of Urban Investment Grant for contaminated land would help reduce the burden of in areas of deprivation. Similarly reduced or zero STLT on housing land and domestic house purchases in targeted areas would encourage new investment.
- A housing market recovery in Wales has been hindered by the lack of financial assistance introduce for 1st time buyers similar or duplicating those brought in by central government over two years ago. Wales is again at a disadvantage and another reason for operators to invest in other areas of the UK where there is greater recognition for house building investment.

I hope the above is helpful.

Gareth Carter
Director
Development