

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 20

Inquiry into barriers to home building in Wales

Response from : Gower Homes

In a nutshell the over zealous Welsh housing policies will have a massive effect on the delivery of new housing in Wales.

**I've been immensely disappointed by WAG's complete inaction over the last 3 years to our Industry's problems when compared to the huge assistance** that the English government have provided those building houses in England; by our Industry I am referring to the private sector arm of the sector which constructs some 60-80% of all housing, hopefully this enquiry may prove that they are starting to take a real interest. I do think the timescale that we are supposed to respond to this email is absolutely ridiculous, had I been on holiday I would not have had the opportunity to comment. **Its also disappointing that the CELG didn't contact me direct,** luckily I was contacted by Maureen Lee, of Wrexham CBC Housing dept – I suspect there are many housebuilders who have not been alerted to the existence of this enquiry and will therefore not have the opportunity to comment.

Aside from the huge financial issues affecting lack of mortgage finance for potential house buyers and lack of development finance for housebuilders I comment on the areas that those building in Wales are at a disadvantage when compared to those building in England and where WAG can assist, as follows;

1. **The government initiative “help to buy”** which was announced in the March 2013 budget and only applies to England – this is massive boost **to the industry ...for those sites in England.** This initiative exacerbates the already horrendous trading conditions in Wales because it encourages our buyers to purchase over the border – Welsh buyers can buy a house in Whitchurch, Ellesmere and other English towns and other sites and qualify for a 5 year interest free loan of up to 20% of the purchase price. It makes the business of building houses in NEWales extremely difficult. Although this is a recent initiative there have been previous English initiatives Homebuy, Firstbuy and Newbuy **which have been very similar to “help to buy” and have been around for a couple of years so if WAG were committed to a similar scheme they've had sufficient time to get a scheme going.** There is supposed **to be an initiative “Newbuy Cymru” but this “scheme” keeps on getting pushed back,** and Carrie and Bryan cannot give out any detail – so in reality the scheme does not really exist, **it's** more a case of pretending to be working up a scheme so as to deflect criticism for inaction.

2. Enhanced building regs/code. In Wales we are now up to code 3 plus, we are I think a year (maybe more) ahead of the English requirements. The worst affected housetypes are the smallest units - a 2 bed semi for example costs an extra £3,500.00 to build to the enhanced regs this as a percentage of pure build costs (ie not including roads, sewers, development costs, overheads, consultants, land, finance costs etc) is approx 7%. So to build a 2 bed semi in Wrexham costs 7% more to build than a 2 bed semi in Chester say. WAG by arbitrarily imposing these measures that have increased Welsh build costs by up to 7% have provided a huge disincentive for building in Wales. I should point out that the 2bed example is the worst case example - a **1200ft2 detached for example "only" costs an extra £2,000.00, which** is represents about 3% increase of pure build costs.
3. Sprinklers - are set to become mandatory from, I think, September 2013. I do not have a definitive cost for sprinklers - I would think approx £2,000.00 to £3,000.00 per small house (2 bed semi) which will add 5% or so to the cost of a house built in Wales. There are no such plans for sprinklers to be incorporated in houses in England. Likewise sprinklers are not generally required in Europe. **I'm** astonished that sprinklers are even on the agenda - its totally unnecessary given that there are so few fires in new houses, WAG know this because they commissioned BRE in 2012 to carry out a cost/benefit analysis which demonstrated that sprinklers were not cost effective. If there was a real need **I'm sure** the councils be legally obliged to fit sprinklers in all Local Authority housing stock?
4. Additional Monies for affordable housing - I hear that additional monies have been or will be made available which is most welcome, unfortunately a considerable amount of this budget is being snaffled **by the RSL's for either their own pet projects or to fund** the purchase of second hand older properties - not enough is filtering through to the private housebuilder to assist with the affordable element of private schemes. Gower homes were the very fortunate beneficiary of a social housing grant for 6 houses in 2010/11 which enabled us to develop a 31 unit brownfield derelict site on the edge of Wrexham town centre. Had these grant monies not been available we could not have developed the site. We have also benefited from other RSL assistance and in this current climate a little grant money does make a huge difference to kick starting our schemes.

In 2012 housing starts in Wales were down by 39% when compared to the average of new build starts in the years 2003-2007. This is only going to fall further as the majority of the large National housebuilders retreat out of Wales as the above 3 issues start to bite in Wales [although code 3 plus (point 2 above) has been in place since Sept 2012 the vast majority of recently completed houses are on the old regs]. It needs to be appreciated that because new starts have fallen massively in England also that the national housebuilders will be able to achieve all of their organic growth in England in the years to come so why would they bother building in Wales given all the disincentives?

The small and medium Welsh housebuilders will not be able to take up the **slack because 1,finance is so difficult to obtain and 2,the fact that they've all** had a huge reduction in their capital base (ie made significant losses) in the years 2008-2011 - however this serious issue facing small/medium housebuilders is another story altogether!!

Easy and quick measures to help are very straightforward;

1. Bring the Welsh code into line with England, even better lag 12 months behind England.
2. Abolish any thought of sprinklers.
3. Social Housing Grants to be made available more frequently to assist the affordable housing element of Market Housing sites.

Please be mindful that these measures will only provide limited assistance and that housing starts in Wales will almost certainly continue to decline further.

I hope that my comments are taken on board, all too often WAG only listens to public sector/quasi public sector(RSL), although important but nevertheless a smaller part of the housing industry than the private housebuilder.

Gower homes have built 800 houses over the last 22 years, 84% of these are in Wales. The 3 easy measures that I am asking for that will assist our industry will not require any additional WAG monies.

Michael Forgrave