

Hips extension to hit flat and small house sales

Judith Heywood – The Times Online 22-11-07

Owners of flats may struggle to sell their homes next year after the extension of the compulsory home information pack (Hip) scheme to one and two-bedroom properties from December 14 2007.

Experts fear that compiling a sellers' pack for smaller homes, many of which are leasehold flats, will prove too great a burden for vendors who are already suffering a market slowdown. A reduced supply of small homes would be to the detriment of already struggling first-time buyers.

The commercial director of Rightmove, the property website, said: "The combination of wider economic uncertainty overlaid with legislative tinkering is an unhealthy mix."

Owners of larger homes, which are already subject to the compulsory pack of legal and energy efficiency information, have reported delays and expense in securing leasehold and legal information from freeholders or managing agents.

Problems have also been reported with legal searches because some lenders have proved reluctant to accept those provided by search companies rather than solicitors. One conveyance firm, Convex, said that leasehold information alone takes at least two, and as many as six, weeks to obtain. Yet the Government contends that a sellers' pack typically takes seven to ten days to prepare, including four days for the energy performance certificate.

The Government announced the extension of the scheme to the final 40 per cent of British homes but detailed a temporary concession that would allow sellers to supply only a lease document, rather than the full set of management and insurance records, for the first six months.

The extension of Hips comes as the market for starter homes looks increasingly bleak. Observers have cautioned that smaller homes, particularly newbuild flats, are likely to bear the brunt of potential falls in prices next year as buy-to-let investors and first-time buyers struggle to secure mortgages amid the global credit crunch. The Royal Institution of Chartered Surveyors said that the supply of houses for sale had dried up because the Hips scheme had discouraged the speculative sellers that make up 20 per cent of the market. A survey by the institution in October found that the supply of three-bedroom or larger homes had fallen 75 per cent in the South West and 72 per cent in the West Midlands. Jeremy Leaf, a spokesman for the institution, said: "Lack of smaller properties for purchase will force first-time buyers to remain in the lettings market, where rents are already climbing at the fastest pace in over eight years."

The staged introduction of the sellers' packs, which became compulsory for four-bedroom homes or larger on August 1 and for three-bedroom homes from September 10,

has failed to dent criticism that the scheme does not help buyers, which was the Government's aim.

But the introduction of the packs, which typically cost £350, may mean a sudden rush to market from some homeowners attempting to beat the deadline (current deadline).

Agents have reported an early start to the traditional Christmas slowdown amid uncertainty about interest rates and the direction of the market. Mr Leaf said: "With prospective buyers and sellers currently taking a 'wait and see' approach to moving, activity in the housing market is grinding to a halt."