



### Forge Update

Welcome to our second newsletter. After 3 months of trading I am pleased to be able to report on some of our recent successes and instructions:

- Valuation of hill land in mid Wales for possible wind farm acquisition.
- Securing planning permission for temporary structure near Wrexham despite local opposition.
- Instructed to sell 2.8 acre pony paddock near Wrexham

So, despite difficult trading conditions our business is beginning to grow. Why?

- We are committed to provide the highest possible levels of client service
- Our overheads are low which means we are always competitive on price
- 15 years experience in property and RICS accredited
- We have specialist strategic partners to ensure our Clients always receive the best possible advice.

Please consider us for all your property requirements.

Charles Lawson, Director

## Property Lib-Con

Or is it Con-Lib? We shall see. Anyway, since our April Newsletter we have seen the formation of a new coalition government and we can already see the direction in which policy is likely to take us in the next few years. The scale of our national debt (some £156 billion) will force cost cutting measures across the public sector as well as driving up the tax burden for most of us. There are also indications that the new government wishes to devolve certain powers. As far as property is concerned the following points are relevant.

**Abolition Of HIPs** Home Information Packs (HIPs) never achieved what they promised and thankfully were suspended from 21<sup>st</sup> May 2010. Sellers are still required to commission an Energy Performance Certificate (EPC) before selling their property.

**Taxation On Second Homes** Private Residence Relief usually means that first homes fall outside Capital Gains Tax (CGT) altogether and disposals of second homes are charged at 18%. Proposed changes

could mean that the charge for second homes would be increased in line with income tax rates to 40%, or in some cases 50%.

A recent Aviva survey found that 1 in 10 people over the age of 55 own a second home to help fund their retirement and this change could impact greatly on that part of the population. Our other concern is that such a significant change could force owners to sell their second homes bringing an over-supply of housing stock to the market and driving down prices.

**Changes To Planning System** Proposals for a Localism Bill is on the agenda which will shift power from the state to local communities. Ideas include returning housing and planning decision making powers to local councils by abolishing Regional Spatial Strategies. The Royal Town and Planning Institution has welcomed this proposal but warns against making hasty decisions until a viable alternative planning structure is in place. We would agree with this note of caution.

## Community Infrastructure Levy

The outline for the Community Infrastructure Levy (CIL) was set out in a paper by Baroness Flint MP in August 2008 and is enabled by Part 11 of the Planning Act 2008.

The purpose of the levy is to raise additional funds for improving infrastructure, including public services and social infrastructure, through a tax on development. This will remove the need for individual planning agreements (s106 agreements) which can be time consuming to negotiate and resource intensive for Councils. The CIL should, in theory, simplify this process and provide some transparency on the additional costs a developer might expect for infrastructure.

The legislation empowers Councils to determine a schedule of charge rates payable within a proposed timescale of 28 days of the grant of planning permission.

The regulations governing the CIL came into effect from 6<sup>th</sup> April 2010 and at the time of writing this article it appears that the CIL will be rolled out by Councils in the near future.

The impact could be severe. Developers should expect to receive a profit at the end of the project and clearly CIL will be another cost that needs to be factored in. Will the eventual buyer cover the CIL?, probably not so effectively the CIL will come out of the developer's profit.

As developers try to redress this market in-balance new property will become relatively more expensive compared to existing property which will cause further distortion in the market.

CIL could therefore discourage new development which is contrary to the need to provide more housing for our growing population.

Often property owners will seek to add value to their property by securing a planning permission before offering the property to the market. If CIL is payable within 28 days of planning permission this will discourage owners from bringing development sites forward.

On the basis that CIL will be coming it is tempting to recommend that developers try to beat the levy by bringing property forward at the earliest opportunity. However, the possibility of market saturation and the effect this would have on development sites also has to be considered.

Whilst we can see that in some cases it is reasonable for developers to assist with infrastructure costs we must look to Councils to adopt a sensible and sustainable approach when setting the charge levels for CIL. If charges are set at too high a level the CIL could make many developments unviable which would mean less development opportunities and less new housing stock.

## RICS Awarded Super-Brand Status

Our professional body the Royal Institution Of Chartered Surveyors (RICS) has made it into the Business Super-brands Top 500 for 2010, ranked 113th above huge organisations such as Toshiba, Lloyds TSB and Motorola.

The Business Super-brands and Consumer Super-brands league tables are created via independent research to identify the UK's strongest brands. They are based on the opinions of marketing experts, business professionals and thousands of British consumers. The results are published annually.

RICS was also third in the category of associations and accreditations with the Law Society at 75 and the CBI (Confederation of British Industry) at 86.

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