

HIP, HIP, Hooray



Words by
David Nicholson

Despite fierce opposition from the real estate industry, on the 14 December 2007, the controversial Home Information Packs (HIPs) became compulsory for all residential properties up for sale in the UK.

The government's decade-old pledge to reform home buying and selling, the force behind HIPs, has intensified as Ministers have come under pressure to implement the scheme for all residential properties, due in part to demands from HIP providers, keen to recover their investments in training assessors.

Legislation proposals on HIPs faced constant challenges, leading to the process being delayed twice already, due to a lack of available assessors,

which pushed back the start date. The packs were first introduced for four-bedroom houses in August 2007, and extended to three-bedroom properties in September. The government has apparently overlooked widespread bafflement and criticism over the packs, considered an unnecessary and inefficient layer of bureaucracy.

While attempts to speed up the process of buying and selling are clearly welcome, questions over the ability of HIPs to provide this remain. As evidence from part-stage trials led to criticism, the government faced a series of wrangles, which left the original conception of HIPs altered. A watered-down version, very different to its original form will go now through, prompting fresh questions about the skeletal HIPs relevance and value.

The move to roll-out the full HIPs signals further problems for an increasingly frustrated property industry, struggling with a messy string of attempts to implement the

unpopular legislation. 'In giving such short notice for this final phase', says Stewart Lilly, President at the NAEA, 'the CLG [the Department of Communities and Local Government] has demonstrated its total lack of respect for the industry and the home owner alike.'

There are now fears that this next stage will reinforce a downward trend, already seen in the first wave of HIP implementation. Sellers, facing a further estimated cost of £350-£600 for a HIP might stay out of the market, reducing the supply of real estate for first-time buyers and everyone else. Agents have been reporting delays in the time taken to put the packs together and a general lack of interest from consumers who see them as a nuisance. Jeremy Leaf, spokesman for the Royal Institution of Chartered Surveyors (RICS), claims HIPs have not eased the situation for buyers. 'Activity in the housing market is grinding to a halt', he says.

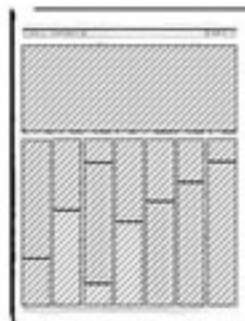
Fears that HIPs will slow the market have been denied by the government which claims that it has evidence to suggest implementation has had little effect on the market. Housing minister Yvette Cooper told Parliament that the staggered roll-out of the seller's packs had been a 'smooth transition.'

Others are sceptical. Figures released by RICS showed a 26 per cent fall in the number of three-bedroom or larger properties coming up for sale in October 2007, compared with the previous year. A further survey, conducted in November 2007 by the National Association of Estate Agents, shows 83 per cent of agents found requests for market appraisals have dropped with nine per cent of respondents finding a reduction of more than 50 per cent. This change could however, be more to do with an economic slowdown caused by the credit crunch and a consequent tightening of mortgage approvals.

Peter Bolton-King, chief executive of NAEA,

claims a direct link between consumer hesitation and the introduction of HIPs. 'The vast majority of people putting houses on the market are those testing the water', he says. He argues it is this group who are being put off by HIPs. 'I have heard of many examples where potential sellers have decided against putting their property up for sale because they do not want to risk wasting £300 or more if they decide not to sell.'

It is thought that house sales could be held up by shortages of home inspectors in certain areas. Whilst the Association of Home Information Pack Providers offer more optimistic figures than the government, estimates from RICS show the regional differences in provision. The area with the smallest number of fully qualified and approved assessors, for example, is the North East, where there are just 79. The South East has 387,



but London – where there are 170 accredited assessors – is a particular pressure point.’

Added to this is the strain of implementing searches. The majority of HIP searches are carried out are ‘personal’, rather than ‘full’, and Bolton-King claims there will be dire consequences ‘If the problems are not sorted out when it comes to local searches.’ He points out that whilst many may have adequate provision, some local authorities limit the amount of searches permitted per day.

Mr Bolton-King expresses further concern over cases where solicitors are refusing to proceed on the basis of a personal search. This claim is supported by Peter Ambrose director of The Partnership, a HIP provider who predicts a backlash as sellers paying for HIPs containing local searches find their buyer’s solicitors rejecting them. It seems that as due diligence still lies with the buyer, and that HIPs are not providing them with adequate coverage. This is echoed by solicitor and estate agent Michael Garson, who advises the Law Society on the packs, and continues to advise clients to do a full search irrespective of whether the house comes with an HIP.

Particular demands made of leaseholders through HIP legislation bode ill for the near future too. HIPs require owners to provide details of service charge accounts for the last three years, and requests for payments for the last 12 months. But, as Roger Southam, chief executive of the residential property management firm Chainbow points out: ‘Managing agents are not legally obliged to give the lease holder the information they need.’ He claims that leaseholders will therefore be seriously disadvantaged as HIPs will ‘create delays and render some properties un-sellable.’

A key proposal incorporated into HIP legislation is the enforcement of an EU directive which has made it compulsory for all properties sold after January 2009 to hold an Energy Performance certificate. As 27 per cent of all carbon emissions are estimated to come from homes, the government opted to include EPCs in HIPs in an attempt to reduce this. Homeowners will be provided with an energy efficiency rating graded A-G, an assessment which forms a primary function of HIPs.

The upshot is that after the series of back-tracking policies, the main focus of the packs remains the drive to bring the

property market in line with the government’s target for greener housing. Despite calls for the EPCs to be separated from HIPs and to find instead a quick way of enabling EPCs on all properties, the government has used HIPs as a means to make homes more energy-efficient.

It is hoped that EPCs will encourage sellers to carry out work to increase their energy score and to make a quicker sale. However, just as there have been problems implementing other aspects of HIPs, the environmental ambitions of the government may not be best served, and could even become frustrated by, their status as part of HIPs.

In assuming that HIPs will mean an efficient answer to environmental housing problem, the government may be overlooking some important factors. We have already seen that the packs simply are not being read, understood and digested by buyers. RICS claims there is still ‘widespread confusion out there in the marketplace.’ These basic problems are likely to also occur with EPCs, and are exacerbated at the root level by a shortage of domestic energy assessors. Environmental improvement will only trickle through a selective group – hous-

es up for sale – and of those, only the ones on which people have taken action.

‘When you have dug yourself into a hole, you should stop digging,’ says Paul March, Law Society deputy Vice President. ‘All the government seem to be doing is buying more shovels.’ The fact that the latest is a green shovel won’t help. Whilst the property market embraces what is an important directive, it seems the eco-agenda does not benefit from being attached to HIPs in their present state. Perhaps it is this issue that will spell further change for HIPs: If they prove inefficient, even as a means to pursuing such limited aims, they may become redundant altogether.

Questions remain as to whether the government will further adapt HIPs. As this latest stage is put into practice, it will be played out in the housing market’s already volatile environment. Whether, at the market level, HIPs will become successfully integrated to the genuine benefit of the consumer remains to be seen. It is not looking likely, but it is still possible that the ever-weakening HIP emerges healed, before it needs a complete replacement.