

Government to cut the cost of new homes by a third

- Housing Secretary announces plans to cut costs of a proportion of new homes by a third for first-time buyers – turning the dial on affordability
- The First Homes scheme will give people the opportunity to buy a home in their local area – saving eligible first-time buyers on average around £100,000
- The discount will be prioritised for veterans and key workers such as nurses, police officers and firefighters

A new generation of homeowners will be able to take their first step on to the housing ladder thanks to a scheme cutting the cost of some new homes by a third, Housing Secretary Robert Jenrick has announced today (7 February 2020).

First Homes will see a discount locked into the property to ensure more first-time buyers benefit in years to come. Local people unable to afford a home will be able to buy in their area, rather than be forced to look elsewhere by rising prices.

The scheme will lower deposit and mortgage requirements for local first-time buyers in England – shaking up the housing market and making the dream of home ownership a reality. The discount will apply to a proportion of new homes, with the government consulting on how this will be delivered.

Veterans will be prioritised as part of Armed Forces Covenant and councils will also be able to use the scheme for front-line workers in their area such as police, nurses, prison officers and teachers.

Housing Secretary Rt Hon Robert Jenrick MP said:

First Homes will be genuinely life-changing for people all over the country looking to buy their first home.

I know that many who are seeking to buy their own home in their local areas have been forced out due to rising prices. A proportion of new homes will be made available at a 30% market discount rate – turning the dial on the dream of home ownership.

The discount will be passed on with the sale of the property to future first-time buyers, helping thousands more people in years to come and ensuring local communities can stick together.

The average price of a newly-built home in England is £314,000. Under First Homes, a property sold with 30% off this price would deliver a £94,000 saving

and enable first-time buyers to get on the ladder faster by taking more than £18,000 off a 20% deposit.

The average newly-built home in Cornwall costs £246,000, meaning a 30% discount delivers a saving worth more than £73,000. Areas with particular affordability pressures will see even greater savings with a 30% discount.

The government is committed to delivering more than one million new homes over the next 5 years to further improve the affordability of housing.

The proposals published today, which could see tens of thousands of First Homes being built, include measures to help release more land.

More than 240,000 new homes were delivered in 2018-19 – more new homes than at any point in the last 30 years.

And the latest figures show more than 250,000 energy performance certificates being issued to new homes in 2019 – the highest number ever, suggesting further progress being made.

The government is determined to rebalance the housing market to support homeownership through new schemes such as First Homes, building on existing support including Help to Buy equity loans which have helped more than 190,000 people take their first step on the property ladder.

The latest figures show the number of first-time buyers reaching 357,090 – an 11-year annual high and an increase of 84% since 2010 – and the percentage of home owning 25 to 34-year-olds has grown from 36% to 41% over the last 5 years.

Paula Higgins, Chief Executive of the Homeowners Alliance, said:

We know that first-time buyers will welcome the opportunity to buy a good quality home at a discount in their local area.

We look forward to contributing to the consultation and working with the government to ensure that the scheme does what it says on the tin – more high quality and affordable local homes for current and future first-time buyers.

The scheme will apply the discount in perpetuity, so when the home is sold in years to come the new local buyer will be able to purchase it at a discount as well.

The measures build on action from the government to make it easier for people across the country to take their first step on the property ladder, including:

- Consulting on a new national model for shared ownership enabling more people to take their first step on to the housing ladder by reducing the

initial share that has to be bought, and then enabling them to take further steps in 1% increments. Instead of having to purchase chunks of 10%. A consultation on these new measures was published in August and the Government will respond in due course with further details.

- Extending the Help to Buy: equity loan scheme to 2023 and ensuring that developers who work with us meet the standards and quality that customers expect and deserve.

The government has today launched a consultation on the design of the new First Homes scheme.

To ensure the scheme helps those who would benefit the most, the government is consulting on a price cap on properties available through the scheme, as it has done for Stamp Duty cuts and the new Help to Buy equity loan scheme.

The consultation proposes that current and recent Armed Forces personnel will be taken to have met the local eligibility criteria for First Homes in any local area under any circumstances.

The discount will be paid for through the contributions that housing developers routinely provide through the planning system. These contributions are an established mechanism for ensuring that new developments deliver benefits for local communities. This means that the First Homes scheme will not result in extra building costs.