

DCLG HIP announcement prepares the ground for a successful launch in 2007

Introduction

Yvette Cooper, the Housing Minister announced on 18 July that the property survey in the HCR is to be a voluntary rather than a mandatory document in HIPs from 1 June 2007. This is being seen in what was already a highly charged and highly politicised environment as a major U turn.

Depending on their stance, parties either feel betrayed or vindicated by the announcement. It has certainly put the cat amongst the pigeons.

Cynics see this as an attempt by government to lance the media boil, and to a considerable extent the pressure on the Government has been relieved by the announcement. The market however has been left to manage the fall out and consider what the practical implications of Ruth Kelly's hypodermic needle are.

So where do we stand? This note is designed to set out our position and anticipate the concerns of our clients and prospects.

Understanding the Changes

The fundamental change is that the survey is now an optional document. However, the Energy Performance Certificate (EPC) which has always been part of the HCR remains a mandatory document.

What this means is that the marginal cost of the HCR comes down because the costs associated with the visit to the property are now part of the cost of the EPC - and at the same time we still need a central aggregation of this data which means the government portal and database requirements are likely to proceed although they are subject to review.

Importantly, but overlooked by many commentators, the DCLG have also floated in the announcement the idea that agents may be able to start marketing properties once the HIP has been ordered rather than prepared. This would remove one of the main bugbears of the opponents of HIPs and one of the biggest risks that could have paralysed

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the housing market if the supply of HIPs wasn't functioning. This will almost certainly address the reported concerns of the Treasury.

Our Position

We believe, based on the facts and our interpretation of the government's motives and industry's likely response that the announcement on 18 July actually clears the way for the successful delivery of HIPs, but deals a potential body blow to the widespread adoption of the HCR.

This has mixed implications for those businesses lining up to supply HIPs and for those businesses and individuals entering the Home Inspector market.

Likely scenario – the market absorbs and adjusts

The DCLG announcement will not suit all players. Rightmove and Spicer Haart have both signalled their exit from the market. Others who no longer have an interest in one of the components (and this could now include surveyors) or one of the associated services (eg conveyancing) will need the strongest of stomachs to stay in the game.

For others however, the picture is more appealing. Search providers, panel managers and conveyancers in particular are seeing their stock rise as their core business becomes a more important part of a Pack that itself is coming down in price and hopefully has a smoother ride to launch.

Arguably, some corporates with a suitable field force who hitherto have stayed out of the market might be attracted in at the prospect of using this field force to supply EPCs.

To state the obvious, much now depends on what the government does. AHIPP has announced it is pushing ahead with a series of regional dry runs in the winter that will include HCRs and has effectively challenged the government to build the confidence of the fledgling Home Inspector industry by giving a firm commitment to a timescale for the mandatory introduction of HCRs.

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There is a clear consensus that without this, or without a healthy government 'pump priming' subsidy, sellers and their agents will not voluntarily include HCRs in their HIPs.

Also pivotal is how the government treats the registration of EPC inspectors. If they pursue the certification and licensing arrangements being built for HCIs and reserve EPC surveys to HCIs then there is a chance the industry will not be stillborn. However, the temptation might be to look at the 7,700 SAP qualified inspectors that are already in place doing energy reports as a quick, ready made solution.

Whilst these changes have the potential to destabilise the market, it seems clear that we will still have mandatory HIPs on 1 June 2007 which will still require a physical inspection of each property and there is still a competitive market for their supply which will reward the successful.

Key Questions

Surely the weight of media opinion is going to bury the whole scheme?

We don't think so. In fact, the announcement takes the wind out of the opponent's sails and leaves the majority of corporate HIP providers to get on with what they've quietly been doing – marshalling sufficient resource at a competitive price to produce compelling propositions

Without an HCR, what is a HIP?

A HIP is still a collection of relevant documents that will have a beneficial impact without threatening the stability of the market. It promotes best practice that the market hasn't voluntarily adopted on a universal basis. It also has the benefit of the EPC which satisfies a binding commitment of the government.

But supposing we do have these new HIPs – what are the technology implications?

Minimal. There is still going to be an Energy Performance Certificate which as a piece of data will arrive as an output from exactly the same process as the HCR. Including the HCR just makes the sourced package of data slightly bigger.

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Isn't the whole market going to switch off? How am I going to stimulate any interest now?

Don't forget HIPs are still going to be imposed from 1 June 2007. Whilst this announcement changes the mandatory requirements, as it stands today, an agent's lifeblood is still going to be threatened if they don't have arrangements in place to produce HIPs. The stakes are too high to ignore.

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