



Department for Communities and Local Government

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National Assembly for Wales

By email

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Thank you for your letter of 15 May. It is a matter of fact that the Welsh Government is increasing the cumulative burden on regulation on the housing market in Wales.

- Steve Morgan, the Chairman of Redrow, has remarked: 'The areas that will be hit by the increasing cost of building arising from more onerous rules will be the less affluent areas where the development finances no longer add up. In Wales, for example, by 2016 it will cost £13,000 more to build a 1,000 sq ft house than in England because of the over-zealous interpretation of zero carbon and the introduction of sprinklers' (Knight Frank, *Housebuilding Report 2012*, May 2012).
- The Housebuilders Federation have warned: 'The cost and regulation on housing development seems to be increasing... For example, proposed change to Part L of building regulations on energy and carbon efficiency could potentially add nearly £20,000 to the build cost of each new home in Wales. This change is due to be implemented in 2013 and has the potential to wipe out the positive land values needed to undertake development in many areas of Wales, particularly those areas that require regeneration and wider investment. In this context, it also important to note that such a requirement within such a short timescale is not proposed for England and could therefore put investment in housebuilding, and indeed the economy, in Wales at a clear competitive disadvantage. A further example can be seen with the current proposal to require the installation of fire sprinklers in all new homes, which has the potential to add more than £5,000 to the build cost of each new home in Wales. The proposal makes the assumption that there would be little impact on development viability, despite not properly considering the costs associated with delivery and also not making any attempt to ascertain how the cost might impact on development viability in light of the plethora of other regulatory requirements and their associated costs. For information, again this is another requirement on housing development that is not being proposed in England' (HBF, *Consultation response to Welsh Government Inquiry into the provision of affordable housing*, CELG(4) Hsg 34, November 2011).
- The Federation of Master Builders have stated that the Welsh Government's site waste management plans are 'counter-productive... It's going to drive the industry further into the doldrums' (*BBC News Online*, 'Builders fear waste plans will backfire and harm industry', 26 April 2013).
- On building regulations, the Residential Landlords Association have asserted: 'The Welsh Government proposals are deeply troubling at a time when across the UK there is a need to greatly increase the supply of new housing, as well as kick start the

construction industry. These proposals, if adopted, would have the opposite effect because they would significantly increase the cost of building a new property. The point is rapidly being reached, if we are not already there, where it is simply not economic to build new properties and only the very well off will be able to buy new homes' (Residential Landlords Association, *Response to Welsh Government consultation on Part L of the Building Regulations*, November 2012).

By contrast, the Coalition Government in England is removing excessive and unnecessary regulation across housing standards, building regulations and planning.

The growing distance in relative building costs between England and Wales will place Welsh at a competitive disadvantage, diverting housing investment away from Wales. Whatever the intentions, I fear this burden of red tape will mean less house building, fewer first time buyers and more expensive rents and mortgages in Wales.

Given your letter relates to my comments in the House of Commons, I am placing this letter in the public domain.

RT HON ERIC PICKLES MP