Upward extensions in London

Response by the Council of Mortgage Lenders
to the Department of Communities and Local Government and Mayor of London consultation paper

Introduction

1. The CML is the representative trade body for the residential mortgage lender industry that includes banks, building societies and specialist lenders. Our 134 members currently hold around 95% of the assets of the UK mortgage market. In addition to lending for home-ownership, the CML members also lend to support the social housing and private rental markets.

2. The CML welcomes the opportunity to respond to this consultation. We are providing a brief response which focused on the areas of the consultation of most relevance to our members.

Delivering upward extensions

3. In principle, greater freedom to build upwards, on existing premises could be a viable option to increase housing supply.

Options to support upward extensions

4. While we have no strong views on delivery options, our members highlighted the need to consider impacts of proposed extension such as loss of amenity; the need to monitor building quality and space standards, and the method of construction. All of these could have an impact on both the value of the new property (and the sustainability of that value) but also the value of existing properties beneath, which is particularly relevant where those properties are mortgaged.

5. We would therefore support some form of neighbourhood consultation or process which can consider these issues, as well as consideration of the impact of additional residential housing on the surrounding infrastructure.

Considerations for upward extensions

Type of premises

6. The range of premises proposed as suitable for upward extensions seems broadly sensible. However it is important to highlight several points for consideration.

7. As the consultation notes, since 2014 there have been a large number of office to residential conversions and retail to residential conversions under permitted development rights. We have had anecdotal feedback from some members, who are in a unique position of seeing a range of these developments during the course of lending. They have seen vastly varying standards of office to residential conversions in particular, and in some cases, especially where the conversion is not in a traditionally residential area, the sustainability of the value of such developments was a concern. We recognise that these proposals will seek to deliver homes by increasing density in areas already well-served by infrastructure and transport.

8. Some lenders had also noted that in some of these conversion developments, service charges were kept artificially low in early years to encourage investment, but then could rise exponentially and create affordability issues later on. It will therefore be important to avoid creating unintended consequences, if sub-optimal developments are created. In the worst case, there could be impacts for purchasers, and their lenders who find that the value of the property is not sustainable over time; and for those who own or live in surrounding properties, if the development is not sensitive to the surrounding area.
9. Finally, in cases where a development occurs above retail/high street premises, individual lenders may have in place policies which limit or restrict any lending to properties above certain types of retail premises. These premises will typically be those which are most likely to have a negative impact on the residential property, for example, a restaurant or fast food outlet emitting strong smells.

10. Lenders, depending on their individual policies are likely to class units within an upward extension as a new build, so would expect an acceptable building warranty to be in place and the CML’s Disclosure of Incentive Form to be completed.

Locations for upward extensions

11. We have no strong views on locations for upward extensions, but agree in principle that an additional prior approval to protect conservation areas and protected views is a sensible proposal.

Height of upward extensions

12. We have no strong views on the height of upward extensions, but agree in principle that limiting the number of additional storeys to two is sensible, to manage the impact to the surrounding area.

Construction

13. We agree that a prior approval should consider the method and hours of construction.

Implementing the proposals

14. We have no specific views on the implementation or uptake of the delivery options, as this is outside our area of expertise.

Responses to consultation questions

15. We have addressed relevant consultation questions within the body of this response.

16. This response has been prepared in consultation with members. For queries, please contact jennifer.bourne@cml.org.uk.

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