**Guidance for surveyors on First Homes**

**Background**

First Homes[[1]](#footnote-2)are a form of affordable housing, sold to first-time buyers at a discount of at least 30 percent against market value. The percentage discount remains attached to the property in perpetuity, so that future first-time buyers can also benefit from the scheme. Local authorities can choose to set the discount at 40% or 50% instead of 30%. 50%).

For the first sale, the value of homes after the discount will be capped at £250,000 (or £420,000 inside London)[[2]](#footnote-3) and local authorities can set a lower price cap.

**Eligibility criteria**

* First Homes are only available for first-time buyers.[[3]](#footnote-4) In the case of a joint purchase, both purchasers must meet the first-time buyer definition.
* Purchasers should have a total household annual income below £80,000 (or £90,000 in London), to ensure these homes are bought by those who need support.
* Purchasers will need to use a mortgage or home purchase plan to cover at least 50 percent of the purchase price of a First Home.

The above national eligibility criteria will apply for the first six months of marketing (see First Homes Guidance for more information). Local authorities can use the local plan-making process to set local eligibility criteria applicable for the first three months where applicable this supersedes the national criteria. These could be used to prioritise:

* + people with a local connection,
  + key workers, and/or
  + lower household annual income.

If the property remains unsold in the first three months using the local authority’s criteria, it can be marketed under the national criteria for the next three months, after which point the property can typically be sold without any restrictions. Lenders are also exempt from the eligibility criteria if enforcing the mortgagee exclusion clause.

**Valuation of First Homes**

* Valuers should always be cognisant of their broader requirements and RICS guidance, as stated in the ‘[RICS Valuation - Global Standards’](https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/red-book/) (‘Red Book’), ‘[RICS Valuation - Global Standards 2017: UK national supplement](https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/red-book/red-book-uk/) – ‘UK VPGA 11 Valuation for residential mortgage purposes’ and the [RICS Residential Mortgage Valuation Specification contained in UK Appendix 10](https://www.rics.org/globalassets/rics-website/media/upholding-professional-standards/sector-standards/valuation/valuation-professional-standards-uk-2015-revision-rics.pdf) of the January 2014 (revised April 2015) edition of RICS Valuation – Professional Standards UK.
* In order to protect the integrity of the scheme and ensure eligible buyers receive a discount on a market value, RICS members should be aware their valuation of a First Homes property forms an important aspect of determining a market value in the buying and selling process.
* The final sale price is determined by applying the discount to the opinion of market value provided by the RICS member and used in the subsequent conveyancing process.

|  |  |
| --- | --- |
| **Example based on property outside London (first six months only)** | |
| **Initial sale by a builder** | **At re-sale** |
| market value: £357,143  Discount: 30% (£107,142)  **Buyer pays: £250,000** | market value: £400,000  Discount: 30% (£120,000)  **New buyer pays: £280,000** |

* The discount is applicable for the first six months from marketingby the builder or listed ‘for sale’ by the seller during a re-sale. Both the builder and seller must notify the local authority with evidence of marketing or enlistment through an estate agent.
* In the event of the property remaining unsold in the first six months from marketing, the seller can apply to their local authority to sell the unit at market value.

|  |  |
| --- | --- |
| **Example based on property outside London (if unsold)** | |
| **Initial sale by a builder** | **At re-sale** |
| market value: £357,143  **Buyer pays: £357,143** | New market value: £400,000  **New buyer pays: £**400,000 |

* RICS members should carefully consider the incentives offered by the seller as outlined in the latest RICS ‘[*Valuation of individual newbuild homes’*](https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/rics-material-valuation-uncertainty-leaders-forum-uk/)*,* guidance note, and the UK finance disclosure of incentives form during a first sale. They are also encouraged to thoroughly review the incentives offered on other new build properties in the permitted planning area and include their details in the list of comparable properties.[[4]](#footnote-5)
* The objective is to avoid the possibility of First Homes valuations being influenced by incentives (or any other relevant factors) that might affect the price of comparable properties, but which are not relevant to the First Home itself.
* The discount will not extend to ground rent or service charges for leasehold properties.

1. More information can be found on www.ownyourhome.gov.uk/scheme/first-homes [↑](#footnote-ref-2)
2. As defined by the Office for National Statistics containing [32 London Boroughs](https://www.ons.gov.uk/methodology/geography/ukgeographies/administrativegeography/england#greater-london-and-the-london-boroughs). [↑](#footnote-ref-3)
3. As defined by paragraph 6 of Schedule 6ZA to the [Finance Act 2003](https://www.legislation.gov.uk/ukpga/2003/14/schedule/6ZA?timeline=false) (A first-time buyer is defined as an individual or individuals who have never owned an interest in a residential property in the United Kingdom or anywhere else in the world and who intends to occupy the property as their main residence) [↑](#footnote-ref-4)
4. See RICS guidance note Comparable evidence in real estate valuation ([1st edition](https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/comparable-evidence-in-real-estate-valuation/)), 2019 [↑](#footnote-ref-5)