



Home Information Pack Area Trials – Research Report

Conducted for Communities and Local Government



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Introduction – scope of research

Introduction

This report contains the main findings of a research study undertaken by Ipsos MORI to monitor the Area Trials of Home Information Packs (HIPs) that were set up by Communities and Local Government on 6 November 2006. The study was commissioned to track the sale process, and monitor the perceptions of the stakeholders involved in the sale of properties involved in the Trials, in order to address specific questions about the operation of the HIP. It is important to stress that the Area Trials environment was significantly different from the environment in which HIPs are now operating after full rollout.

This report has been written in collaboration with the Building Research Establishment who were commissioned by Ipsos MORI to assist in the analysis and write-up of the findings of this research.

The report has been organised around the three primary research questions:

- **Chapter 1:** do HIPs improve the home-buying and selling process?
- **Chapter 2:** how can the take-up of Home Condition Reports (HCRs) be maximised to accelerate any benefits associated with HIPs?
- **Chapter 3:** how can the impact of Energy Performance Certificates (EPCs) be maximised?

Background

The Government is committed to making the home buying and selling process in England and Wales more transparent, certain and consumer friendly through the introduction of the HIP. Legislation to introduce HIPs was introduced in the Housing Act 2004 and became law on 18 November 2004. Since 1 August 2007 a HIP has been required for all properties marketed for sale with four or more bedrooms in England and Wales, and for three bedroom properties from 10 September 2007. The introduction of HIPs for the rest of the market was made on 14 December 2007. It should be noted that prior to full implementation changes were made to the packs such that the HIP trialled is not the same product as the one that was introduced to the market from 1 August 2007.

Home Information Packs were introduced for two reasons:

- to improve the effectiveness and efficiency of the home buying and selling process; and
- to cut carbon emissions from homes.

The HIP is made up of the following elements:

- Index
- Terms of Sale
- Evidence of Title
- Replies to Searches of the local land charges register, local search enquiries of the local authority and water and drainage searches
- Lease (for leasehold properties only)
- Energy Performance Certificate (EPC).

A range of other documents may be included on a voluntary basis, including a Home Condition Report (HCR), environmental searches, and other leasehold documents.

The Area Trials

Prior to the national launch of HIPs, Communities and Local Government undertook eight Area Trials of HIPs. The purpose of these Trials was to improve the HIP product and processes, and inform policy. The Trials were rolled out between 6 and 20 November 2006 in six areas: Bath, Newcastle, Southampton, Northampton, Huddersfield and Cambridge. A second set of Trials was added on 12 February 2007 in North West Wales and London (Southwark).

The Trials operated on a voluntary basis with no requirement on estate agents, home owners or other relevant parties in the Area Trials to participate. To encourage participation, the Trials were supported by two phases of incentives:

- Phase 1 – entire HIP, including all mandatory and voluntary documents covered by incentive, and
- Phase 2 – mandatory components only covered by incentive.

In phase 1 of the incentives, sellers were offered a free HIP with the option to include a free Home Condition Report (HCR). In phase 2 of the Trials sellers were offered a free basic HIP without an HCR, with the option to purchase an HCR. Phase 2 ended on 27 April 2007, which concluded the period for take up of HIPs within the Area Trials. The transaction outcomes for all eligible HIPs within the trial period were then tracked until 31 October 2007.

Table 1 shows the number of HIPs taken-up overall by sellers, split out by the incentive phase. It shows that more than two-thirds of sellers opted for the free HIP with the HCR during phase 1, and only a small number purchased the HCR during phase 2.

Table 1: Distribution of HIP incentives tracked and received by phase					
HIP Incentive	Free Basic HIP	Free HCR	Purchase HCR	Number of HIPs	Percentage of HIPs in phase 1 (%)
Phase 1	Yes	Yes		1,279	68
	Yes	No		613	32
Total				1,892	100

HIP Incentive	Free Basic HIP	Free HCR	Purchase HCR	Number of HIPs	Percentage of HIPs in phase 2 (%)
Phase 2	Yes		Yes	34	5
	Yes		No	664	95
Total				698	100
Total where incentive type is known				2,590	
Not stated				26	
<i>Base: 2,616 tracked transactions, information recorded by CLG</i>					

Ipsos MORI was commissioned to track those HIPs provided as part of the Area Trials from commission of the pack to completion of sale in the first six areas from 6 November 2006 and in the two additional areas from 12 February 2007 until 31 October 2007.

In total, 4,319 HIPs were ordered across all eight areas between 6 November 2006 and 27 April 2007. Of these, 3,118 HIPs were ordered during this study's timeframe,¹ and 2,616 were received by estate agents (2,099 in the six original areas and 517 in the two new areas). It is these 2,616 properties that were tracked until 31 October 2007. Half of those HIPs received (1,313) contained an HCR.

¹ HIPs were included in this study if they were ordered within the study timeframe. For the six original areas this means they were ordered between 6 November 2006 and 31 March 2007; in the two new areas they were ordered between 12 February 2007 and 27 April 2007.

Table 2: Area Trial HIPs distributed by area

	HIPs received	% of total
Bath	83	3
Cambridge	115	4
Huddersfield	408	16
Newcastle	636	24
Northampton	579	22
Southampton	278	11
Southwark	89	3
North West Wales	428	16
Total	2,616	100

Base: 2,616 tracked transactions, information recorded by CLG

The table below shows the number of HIPs that were distributed in each of the Area Trials by the phase and type of HIP.

		Phase 1 – Free HIP	Phase 1 – Free HIP & HCR	Phase 2 – Free Basic HIP	Phase 2 – Free Basic HIP & HCR	Incentive unknown	Total
Bath	N	12	43	23	3	2	83
	%	15	52	28	4		
Cambridge	N	68	23	22	0	2	115
	%	59	20	19	–		
Huddersfield	N	201	53	152	2		408
	%	49	13	37	0.5		
Newcastle	N	30	438	146	13	9	636
	%	5	69	23	2		
Northampton	N	217	101	250	10	1	579
	%	38	17	43	2		
Southwark	N	11	75	0	0	3	89
	%	12	84	–	–		
Southampton	N	3	200	70	4	1	278
	%	1	72	25	1		
North West	N	71	346	1	2	8	428
Wales	%	17	81	*	0.5		
Total		613	1,279	664	34	26	2,616

Base: 2,616 tracked transactions, information recorded by CLG
**Indicates less than 0.5%*

The outcome of the transactions

Outcome information was collected from sellers for 1,268 properties. These properties were marketed from 6 November 2006 and were either sold, had been withdrawn from the market, or were still on the market at the end of the data collection process (30 September 2007).

Property outcome	All %	with HCR %	no HCR %
Sold	55	53	59
Withdrawn from market	20	20	21
Still on market	24	27	20

Base: 1,268 interviews with sellers who described the outcome of the transaction at the end of the Area Trials.

Over half of prospective sellers sold their property over the monitoring period, 20 per cent had withdrawn their property from the market, while 24 per cent said their properties remained on the market by the end of the monitoring period.

The research questions

Three main questions were examined in this research study:

1. Whether HIPs improve the home buying and selling process. Specifically, do HIPs:
 - decrease costs through reduced failure rates?
 - increase speed through information up front?
 - increase customer satisfaction, with more certainty of the process by having information up front?
2. Understand how to maximise the impact of Energy Performance Certificates (EPCs) on climate change, primarily through understanding what consumers do with the EPC when they have the information, and
3. Explore how the take-up of Home Condition Reports (HCRs) can be maximised to accelerate any benefits associated with HIPs.

These main questions were broken down into a number of Key Performance Indicators (KPIs) for HIPs, see Appendix B. These KPIs formed the primary drivers for the research, looking in detail at specific issues ranging from exploring differences between leasehold and freehold packs to the length of time it took a Home Inspector to carry out an EPC.

The table below describes the work streams and data collected in this study.

Table 5: Work streams and data collected			
	Quantitative	Qualitative	Main questions answered
Sellers	Sellers 1 telephone interview (once HIP was received)	Online diaries	Do HIPs improve the buying/selling process? Understanding HCR take-up.
	Sellers 2 telephone interview (upon outcome)	8 EPC design depth interviews	Understanding the take-up and impact of the EPC.
Estate agents	Transaction proforma data collection	2-4 depth interviews per area	Take-up rate. Failure rate. Marketing of HIPs by agents.
Buyers	Buyers face-to-face survey (upon completion of sale)	6 discussion groups	Consumer satisfaction with process. Effect of the HIP on their decision.
HIP providers		2 depth interviews per area	Difference between leasehold and freehold packs. Length of time for searches.
Buyers' solicitors		2-5 depth interviews per area	Are solicitors using the EPC to advise clients?
Home Inspectors		2 depth interviews per area	How long does it take to undertake an EPC?

All key HIP stakeholders (both professionals and consumers) were approached in order to address the research questions. Primary stakeholders were those selling their home with a HIP, their estate agents, and those who purchased a home with a HIP. Secondary stakeholders included HIP providers, Home Inspectors and buyers' solicitors.

The primary stakeholders participated in both quantitative and qualitative work-streams; secondary stakeholders participated in qualitative depth interviews only. Information about each property being sold with a HIP was also collected from estate agents using a Property Data Sheet (PDS) that collated basic property details, key dates in the transaction process, e.g. date of marketing, date the HIP was received and date the property was sold, as well as contact details of key stakeholders such as buyers' solicitors.

For full details of the methodology employed with each of these stakeholders – the framework in which this research was conducted, please see Appendix A.

It is important to note that all findings in this report relate to the Area Trials which were conducted prior to and during the implementation of the HIPs legislation. Therefore, all views and perceptions reported are those of stakeholders within this context.

The Area Trials environment and the impact of external events

It is important to stress that the Area Trials environment was significantly different from the environment in which HIPs are now operating after full rollout. Some of these differences were a necessary consequence of the voluntary and subsidised nature of the Trials, whereas others reflect practical changes that have been made to the HIP regulations in light of early feedback from the Trials.

External events, in particular announcements relating to HIPs, as well as media coverage may have impacted on views and perceptions across all the audiences in this study. In order to contextualise the findings, a timeline of external events across the year of study is provided below alongside the timelines of the Area Trials research.

Key external events and study timeline

18 November 2004	Housing Act 2004 received, Royal Assent – Legislation to introduce Home Information Packs was included in this Act
21 September 2006	Yvette Cooper pledged £4 million of funding to support six area trials for the packs in Bath, Newcastle, Southampton, Northampton, Huddersfield and Cambridge in November 2006. The trials took place in partnership with the Association of Home Information Pack Providers (AHIPP) and aim to help test both the packs and full Home Condition Reports
6 November 2006	Area Trials started over a staggered two week period in Bath, Newcastle, Southampton, Northampton, Huddersfield and Cambridge
9 November 2006	Bank of England raises Bank Rate by 0.25 percentage points to 5.0%
November 2007	Collection of Property Data Sheet information from estate agents begins
7 December 2006	Bank of England maintains Bank Rate at 5.0%
2 January 2007	Initial sellers' interviews (Sellers 1) begin
11 January 2007	Bank of England raises Bank Rate by 0.25 percentage points to 5.25%
16 January 2007	First set of depth interviews with Home Inspectors begins
17 January 2007	Depth interviews are run with prospective sellers in relation to the EPC
24 January 2007	First set of depth interviews with Home Inspectors ends
25 January 2007	Announcement that Area Trials will be extended to London (Southwark) from 12 February 2007 and North West Wales (Gwynedd, Conwy and Isle of Anglesey) from 19 February 2007
January 2007	Depth interviews with estate agents begin
8 February 2007	Bank of England maintains Bank Rate at 5.25%
February 2007	Online diaries with prospective sellers begin
21 February 2007	Depth interviews with HIP providers begin

Key external events and study timeline (continued)

March 2007	National HIPs awareness campaign launched
8 March 2007	Bank of England maintains Bank Rate at 5.25%
29 March 2007	Revised Home Information Pack Regulations laid before Parliament
5 April 2007	Bank of England maintains Bank Rate at 5.25%
27 April 2007	End of Area Trial incentives
10 May 2007	Bank of England raises Bank Rate by 0.25 percentage points to 5.5%
14 May 2007	Second set of depth interviews with Home Inspectors begins
15 May 2007	Royal Institution of Chartered Surveyors (RICS) applied for a judicial review of Energy Performance Certificates (EPC)
18 May 2007	Second set of depth interviews with Home Inspectors ends
22 May 2007	Communities Secretary Ruth Kelly made a statement to the House of Commons on the implementation of Home Information Packs and Energy Performance Certificates – she announced revised regulations to the implementation of the HIP. There was a change to the date for implementation, it moved from 1 June to 1 August 2007 and would take place on a phased introduction basis depending on the size of the property
May 2007	Depth interviews with estate agents end
1 June 2007	Second sellers' interviews (Sellers 2) begin
7 June 2007	Bank of England maintains Bank Rate at 5.5%
5 July 2007	Bank of England raises Bank Rate by 0.25 percentage points to 5.75%
17 July 2007	First set of depth interviews with buyers' solicitors begins
1 August 2007	Homes with four or more bedrooms marketed for sale from this date will require a HIP Initial sellers' interviews (Sellers 1) end

Key external events and study timeline (continued)

2 August 2007	Bank of England maintains Bank Rate at 5.75%
9 August 2007	First set of depth interviews with buyers' solicitors ends
17 August 2007	Announcement of the next phase of the roll-out of Home Information Packs. This means that homes with three or more bedrooms marketed for sale from 10 September will require a HIP
6 September 2007	Bank of England maintains Bank Rate at 5.75%
10 September 2007	Home Information Packs rolled out to three or more bedroom properties in England and Wales
12 September 2007	Fieldwork begins for the buyers' interviews
30 September 2007	Second sellers' interviews (Sellers 2) end
4 October 2007	Bank of England maintains Bank Rate at 5.75%
10 October 2007	Second set of depth interviews with buyers' solicitors begins
22 October 2007	Buyers' interviews end
31 October 2007	Online diaries with prospective sellers end Property Data Sheet (PDS) information collection from estate agents ends
8 November 2007	Bank of England maintains Bank Rate at 5.75%
22 November 2007	Yvette Cooper announced a full roll out of HIPs: from 14 December 2007 all homes in England and Wales will need a Home Information Pack
November 2007	Depth interviews with HIP providers end
5 December 2007	Second set of depth interviews with buyers' solicitors ends Discussion groups with buyers begin
6 December 2007	Bank of England reduces Bank Rate by 0.25 percentage points to 5.5%
12 December 2007	Discussion groups with buyers end
14 December 2007	All homes marketed for sale from this date in England and Wales will need a Home Information Pack

Previous studies: The 2006 HIP Baseline Study

In 2006 Communities and Local Government commissioned the Building Research Establishment working in partnership with Ipsos MORI to undertake a baseline study of the housing market prior to the introduction of HIPs. The aim of the study was to provide a picture of the housing market at that time including establishing transaction times and satisfaction with the buying and selling process – which could then be repeated in the future to measure any change following implementation of HIPS in the housing market. It should be noted that any comparisons in findings between the 2006 Baseline Study and this one need to be treated with caution as differences in methodologies of the two studies mean that direct comparisons are not appropriate.

Chapter 1

Does the HIP improve the home buying and selling process?

In order to examine the question of whether the HIP improves the home buying and selling process the following pieces of evidence were analysed:

Overall perceptions and opinion of HIPs – evidence from primary stakeholders

- unprompted awareness and overall impressions of HIPs
- whether sellers and buyers saw the HIP and reviewed it
- first impressions of the pack
- understanding the HIP and satisfaction with the contents
- level of trust in the HIP
- cost of the packs/transaction costs
- use of the HIP by solicitors
- overall satisfaction with the buying and selling process

Transaction/process evidence from estate agents and secondary stakeholders

- length of time to receive the pack
- transaction times – from instruction to completion
- transaction failures

Each of these questions is examined in turn below using evidence from the appropriate stakeholders.

Summary of findings

The following summary highlights the main findings examining whether the HIP improves the home buying and selling process.

The consumers

- Overall awareness of HIPs was high among consumers before they were involved in this research study.
- Three-quarters of sellers and four in ten buyers said they were given the opportunity to see the HIP and nearly all those who saw their HIP read through the document.
- Prospective sellers had positive first impressions of their HIP. Eight in ten felt that it contained everything they expected and the same number understood the HIP.
- Many consumers who took part in the Trials however had little opportunity to see the HIPs produced for their property, and some only saw them late in the selling/buying process. In fact, one-third of buyers said (incorrectly) that their property did not have a HIP at all.
- Consumers who did see the HIP tended to engage with the pack, understanding the contents, recognising the usefulness of the contents, and trusting the information it provided.
- Initially, opinion among sellers about the effect of the HIP was divided; around four in ten agreed that having a HIP would speed up the sale of their property and approximately the same proportion disagreed. Similarly opinions of prospective sellers were divided about whether the HIP would help sell their property, nearly half agreed that this was the case, while just under four in ten disagreed.
- Sellers whose HIP included an HCR were more likely to agree that having the HIP would speed up the sale of their property than those whose HIP did not contain an HCR.
- Once their property had actually sold, sellers were less likely to agree that the HIP helped them to sell their property (22%). Opinion remained more divided among sellers who had withdrawn their property from the market; more than four in ten still agreed that the HIP would have helped the sale and a similar proportion disagreed.
- Buyers were not only less likely than sellers to have seen the HIP, they were also unlikely to feel the HIP made a difference in their decision to purchase the property – although buyers were unlikely to have seen the HIP until later in the buying process.

- However, the majority of buyers (75%) trusted the information contained in the HIP – four in ten (38%) expressed a great deal of trust in the information contained in the pack.
- Buyers were mixed in their impression that the HIP made the buying process more efficient (37% agreed that it had and 41% disagreed), but like sellers, they did not feel the HIP had complicated the buying process.
- Given that few buyers saw their HIP during the Trials, it is perhaps not surprising that the HIP had very little impact on their decision to purchase the property.

The professionals

- Estate agents were pivotal in the role the HIPs played in the buying and selling process for the Area Trials, as estate agents were the main contact point for consumers, and were the ones who effectively offered the HIPs to the sellers. In general, they had mixed attitudes towards marketing HIPs to sellers. During the Trials some estate agents stressed the benefits of HIPs to potential sellers; however most took a neutral stance either by mentioning that a free HIP was an option but not particularly recommending it, or by not mentioning HIPs at all unless the seller asked about them.

The process

- According to HIP providers, most HIPs were completed within ten working days but they generally believe they could be completed within two to five days if they were not delayed by searches and other legal issues (particularly regarding leasehold documents).
- There was very little difference in transaction time between HIPs with an HCR and those without an HCR – a transaction took on average 71 days from offer to exchange for properties without an HCR, and on average 76 days for properties with an HCR.
- The transaction times for properties in the Trials (ie the time between offer and exchange) was 73 days on average.
- There was no difference found between the failure rates of those properties with an HCR and those without.

Overall perceptions and opinion of HIPs

1.1 Unprompted awareness and overall impressions of HIPs

Awareness of HIPs was very high among prospective sellers and buyers. Most sellers (71%) said they had heard about HIPs before getting involved in this research – mainly via news programmes on television/radio and national newspapers. Awareness among buyers was even higher with 85 per cent reporting having heard about HIPs. This difference is unsurprising given the relative timing of the two sets of interviews – prospective sellers were surveyed relatively early in the trial process (starting in January 2007 and running until August 2007) with some being interviewed before the launch of the national awareness campaign in March 2007, while buyers were surveyed in September and October 2007, after HIPs had been rolled-out for three or more bedroom properties.

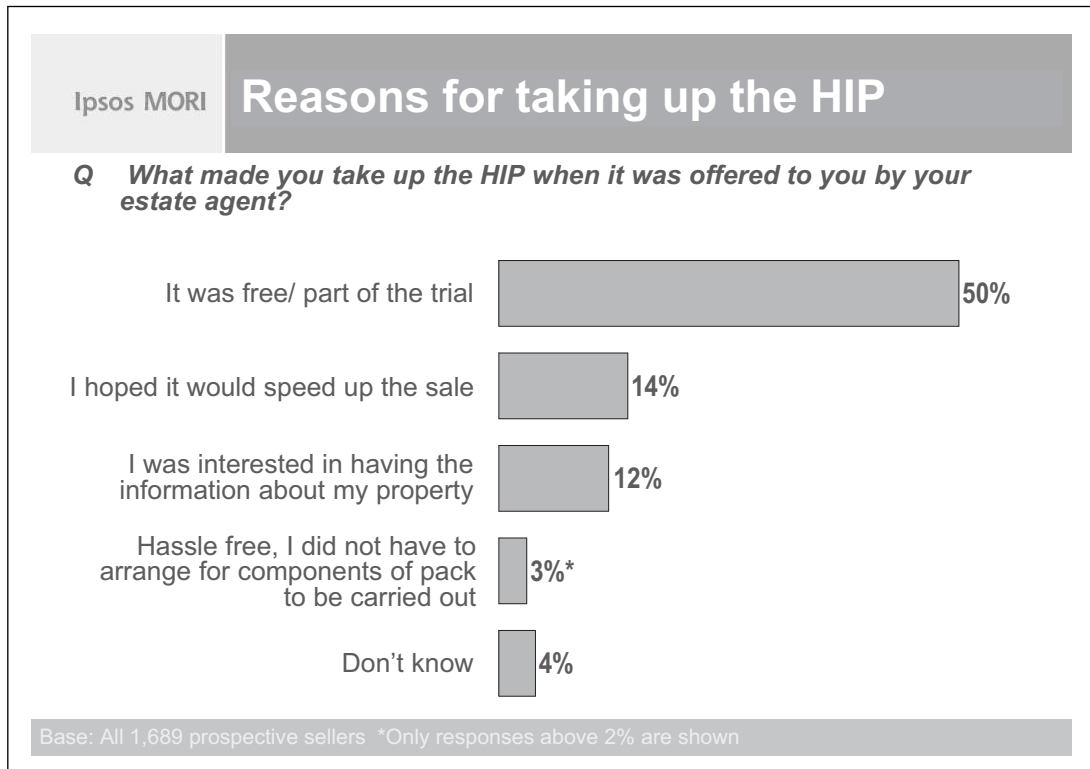
Major announcements about the Home Information Packs had been made, before and during the Trials, and these had been covered extensively by the media. The majority of consumers report that they had knowledge of HIPs before they were recruited to the study.

It is worth noting, that while there was relatively high awareness of HIPs among the surveyed prospective sellers, evidence from the qualitative depth interviews with sellers conducted in January 2007 about their EPC specifically, suggested that there was little detailed knowledge of the policy, although there were some signs that recognition was growing. There is some evidence to suggest that following the announcement that HCRs were no longer mandatory in 2007 some had assumed that HIPs were also no longer happening. Home Inspectors and HIP providers who took part in depth interviews agreed that an awareness-raising campaign was required and that this would change the way HIPs are viewed.²

² Although this was before the decision was made to change the date of the HIP rollout and the subsequent high level of press that decision received. These interviews were also obtained before a national advertising awareness campaign regarding HIPs had commenced.

REASONS FOR TAKING UP THE HIP

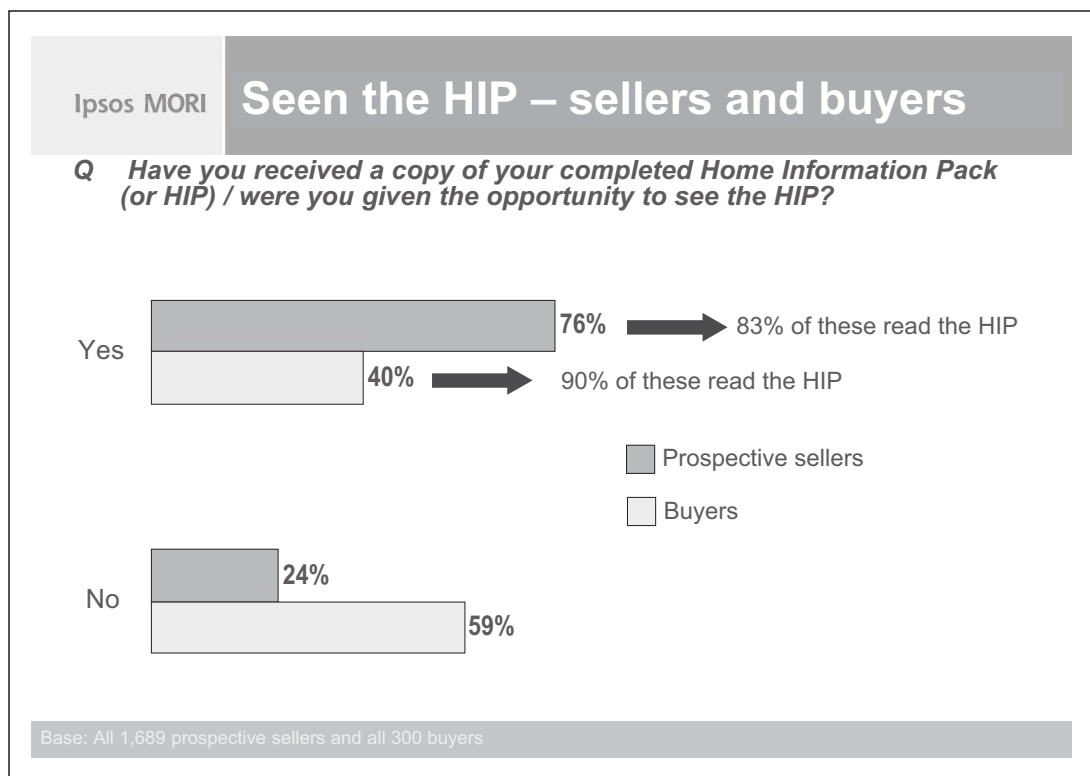
For sellers, the key reason for taking up a HIP was because it was free as part of the Trial (50%); a further one in six (14%) said they took up a HIP as they thought it might speed up the sale of their property. Approximately the same proportion was interested in having the information about their property (12%). Other reasons mentioned for taking up a HIP also included: the recommendation of the estate agent and the desire to commission a HIP before it became mandatory.



1.2 Seeing and reviewing the HIP

One of the main findings of this study was that during the Trials, those selling or buying a home were not necessarily given the opportunity to see the HIP completed for their property despite the fact that every property tracked for this research had a HIP produced for it.

Sellers were more likely to have seen the HIP – three-quarters of sellers (76%) reported having seen the pack. On the other hand, only four in ten buyers (40%) were given the opportunity to see the HIP. In fact, one-third of buyers (32%) reported (incorrectly) that their property did not have a HIP at all. That being said, nearly all sellers and buyers who saw their HIP read through the document (83% and 90%, respectively).



SELLERS

Of those sellers who sold their property during the Trials, half saw their pack before receiving any offers on their property (53%). A quarter of sellers (22%) saw their completed HIP after they had accepted an offer, but before they exchanged.

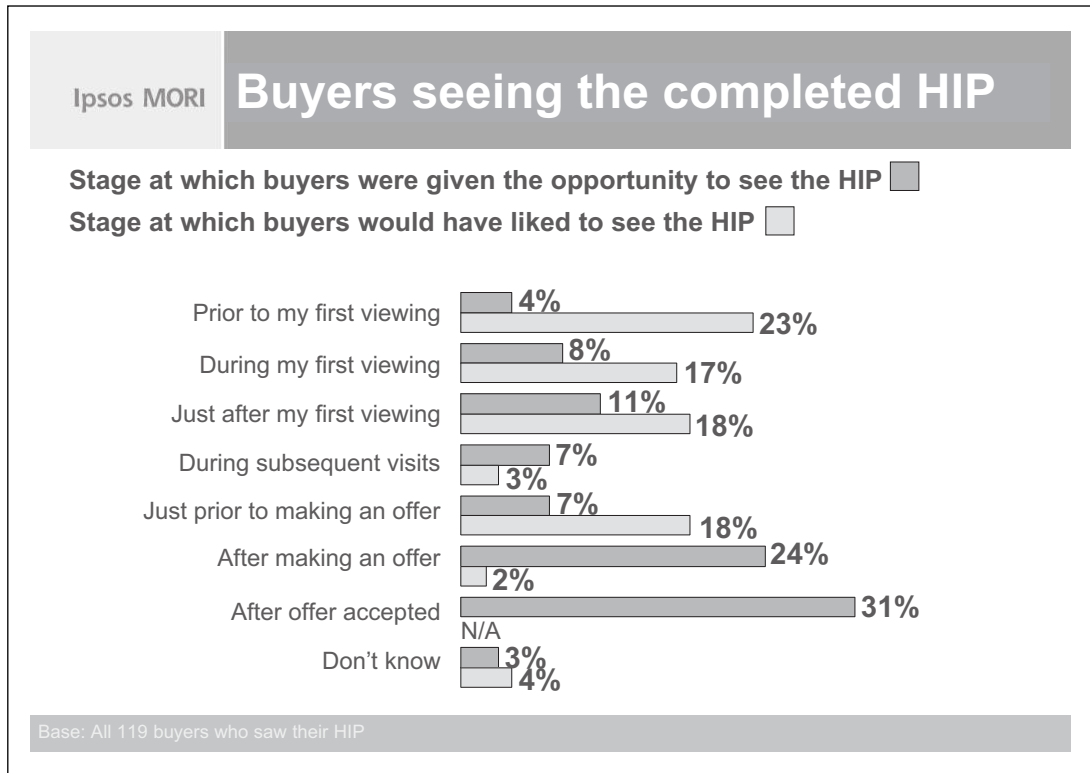
For all those who sold their property and saw their HIP, two-thirds (67%) were automatically provided with a copy. One in five (20%) had to request to see it, with most requesting it from their estate agent.

BUYERS

Among the 40 per cent of buyers who saw their HIP, less than half were shown it by the estate agent (44%) and a third (32%) said their solicitor showed them a copy. A further 18 per cent were shown a copy by the sellers. Findings from the discussion groups with buyers showed that in some cases agents had made the HIP available while in other cases buyers had to ask, sometimes repeatedly to access the HIP. Some buyers were shown the HIP at the estate agents office and were not allowed to take it off the premises.

Overall, over half of buyers who saw their HIP did so after making an offer on their property or after an offer had been accepted (24% and 31%, respectively).

However, six in ten (58%) buyers would have liked to see the HIP earlier in the process – either prior to their first viewing (23%), during their first viewing (17%) or just after (18%). A further one in five (18%) would have liked to see the HIP just prior to making an offer.



1.3 First impressions of the pack

SELLERS

Prospective sellers had positive first impressions of the HIPs. Eight in ten (79%) felt that it contained everything they expected and only nine per cent felt 'something was missing'.

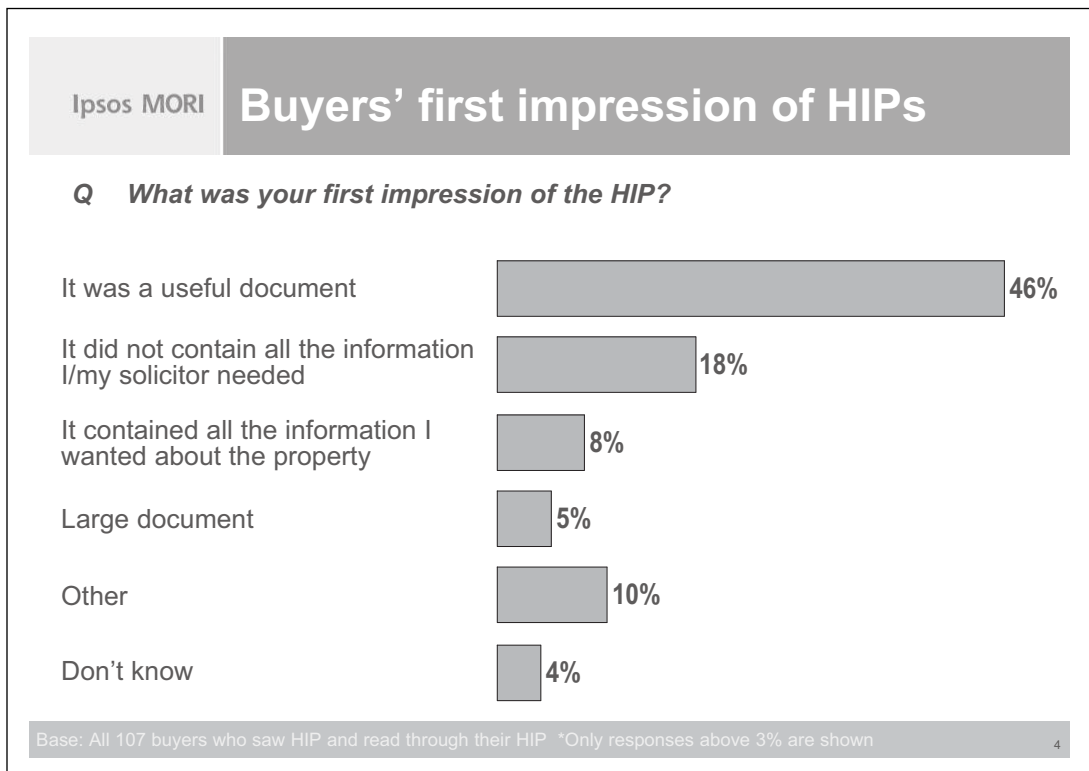
Prospective sellers whose HIP contained a Home Condition Report (HCR) were more likely than those whose packs did not contain one to agree that the pack contained everything they expected (87% of those with an HCR compared with 77% of those without an HCR).

During the depth interviews, prospective sellers naturally focused their attention on the HCR, where present, and the EPC. This was due to the perception of these sections as 'new' and 'interesting' information and containing information they were most concerned about (in particular, whether their house was portrayed in a good or bad light). The fact that they had had a Home Inspector in their property doing the inspection drew their attention to the fact that the HCR and EPC were being produced and therefore ensured that they knew to look for it in the HIP.

BUYERS

For the most part, buyers who read through their HIP had a relatively positive first impression. More than four in ten (46%) of those who read through their HIP felt it was a useful document and more than half reported that it contained everything they expected (55%).

This is further demonstrated in the discussion groups which took place in December 2007 when some buyers described it as an ‘MOT for the home’ with everything you need to know stored in one place.



During the discussion groups many buyers arrived with preconceived ideas about HIPs and openly admitted that these were mainly based on negative press coverage to date, and due to many not seeing their HIP during the property buying process. As buyers had time to engage with the documents as they looked through the HIP during the group discussions, however, they found interesting information relating to their property and generally warmed to the packs.

Buyers thought that if the HIP is a complete document then it would help everyone involved in the transaction. They recognised that it was for sellers (in the sense that sellers are the people paying for them), buyers (because the information can help them make an informed decision about their purchase) and solicitors (because it brings the information they need into one place).

In general, buyers' perceptions of the advantages of the HIPs were:

- reducing the costs of buying a house (not having to do searches on property sales that later fall through)
- easing the process of house buying and removing some of the stress (by revealing more details about the property from the start)
- having everything in once place (which has a fundamental appeal and appears to simplify the process significantly)
- reducing the risks (and reducing the chance of 'nasty surprises')
- increasing the speed of the process (both decision making before putting in an offer and also conveyancing).

Buyers in the group discussions also felt it would be particularly useful for first time buyers who would have less experience of house buying and selling. It was also seen as generally useful for improving communications between the different parties involved.

Where individuals in the discussion groups were negative about the packs, this was largely due to perceived errors. Perceived negative aspects of HIPs included:

- problems with accuracy led many to question whether they can have confidence in the contents of a HIP
- some noted that HIPs don't contain everything a buyer would need when purchasing a property. Therefore, they were concerned that because of the documents *not* included there may still be hold-ups in the process; and
- a few mentioned the time-limited nature of the HIP as a potential drawback – particularly as searches and other documents in the HIP can become outdated. Thinking as potential sellers, if their property does not sell immediately, at what point does this HIP become out of date?

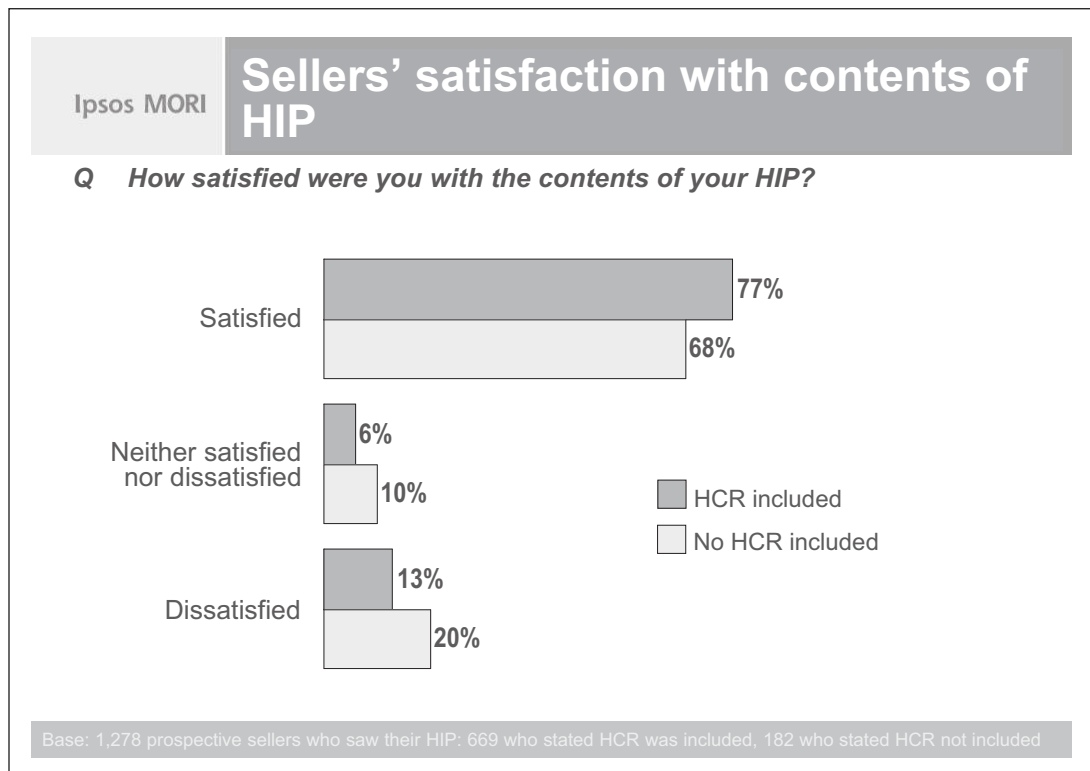
1.4 Understanding the HIP and satisfaction with the contents

The majority of prospective sellers understood the HIP (81%) and very few had difficulty understanding any of the individual parts of the HIP (13%). Buyers were slightly more likely than sellers to report having had difficulty understanding parts of the pack (23%).

The small number of sellers and buyers who had difficulty understanding parts of the HIP (164 sellers and 27 buyers) most commonly reported that they also had problems understanding the EPC (54 and 6, respectively, had difficulty understanding the EPC). Other aspects of the HIP that were singled out as being difficult to understand included the searches, legal terminology, and the general design of forms and charts within the HIP.

SELLERS

As discussed earlier, for more than three-quarters of prospective sellers (79%), the HIP contained everything they expected. Approximately the same proportion (72%) was satisfied with the contents. Sellers whose HIP contained an HCR were more likely than those whose HIP did not to be satisfied with the contents – 77 per cent said they were satisfied with the contents compared with 68 per cent of those whose HIP did not contain an HCR.

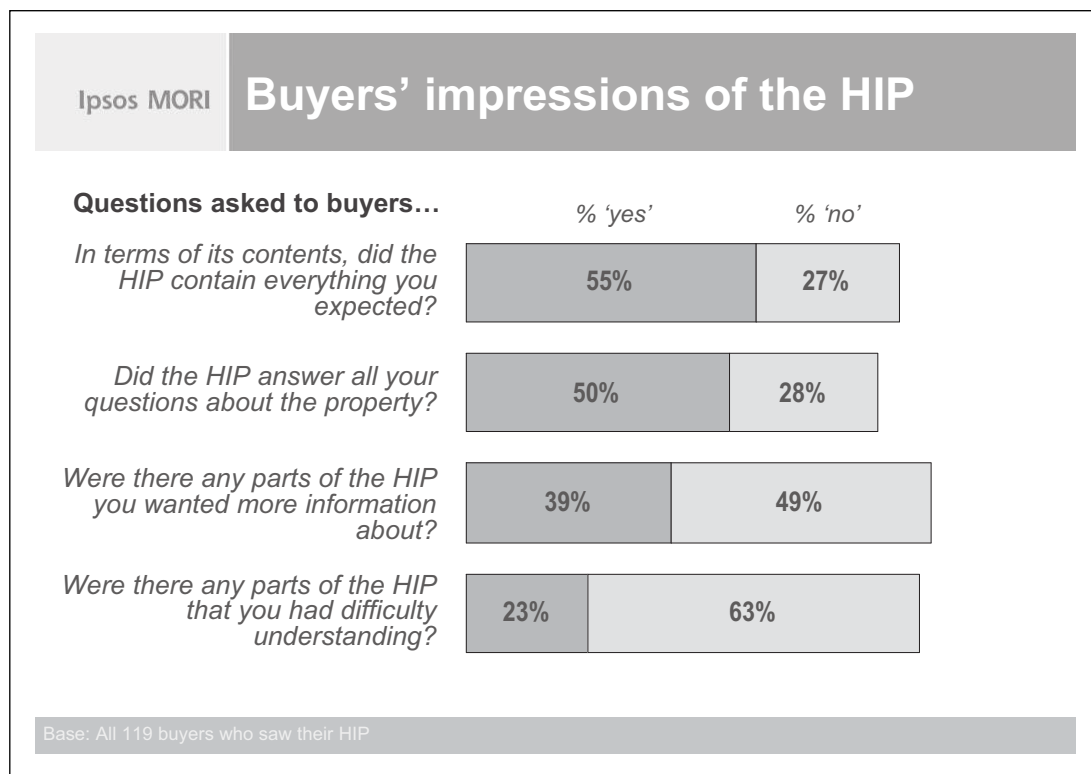


Only one in ten (9%) reported that the pack did not contain everything they expected and, not surprisingly, a similar proportion (13%) were dissatisfied with the contents.

Feedback from depth interviews with prospective sellers in January 2007, suggested that views on the quality of HIPs were variable. Some described their HIP as ‘very professional’ whereas others were very disappointed with the quality of their pack. In particular, whereas some were fully typed into templates, others included just photocopies or scanned copies of documents that the seller had completed by hand, in some cases including comments or questions that were scribbled in the margins for the attention of their solicitor and not intended for the final version. This is perhaps not surprising given the fact that these interviews were conducted very early in the process – these prospective sellers were viewing the first packs produced by HIP providers and the results of the first inspections conducted by Home Inspectors.

BUYERS

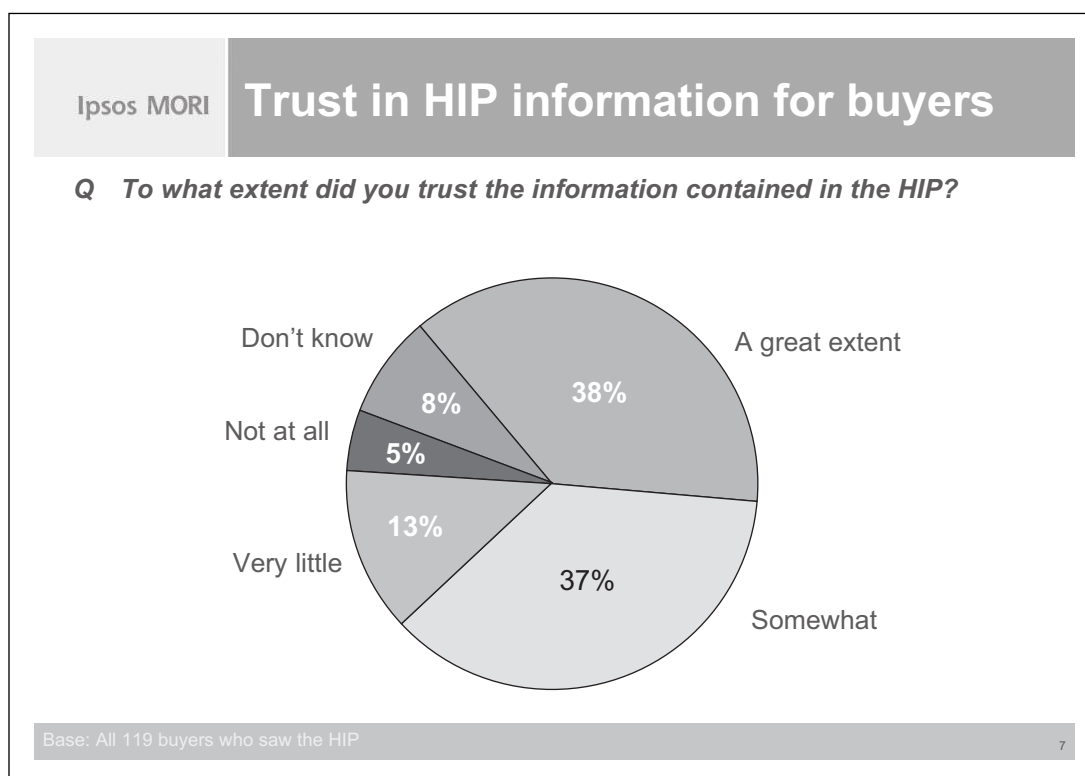
In general, buyers were content with the information contained in the HIP. Over half of buyers (55%) agreed that the HIP contained everything they expected and half (50%) reported that the HIP answered all their questions about the property. Half of buyers (49%) did not want additional information about any of the individual parts and nearly two-thirds (63%) reported that they had no difficulty understanding the HIP. Whether the HIP contained an HCR or not had little impact on their overall impression of the contents.



Buyers who reported that the HIP did not contain everything they expected (27%) felt the pack would have benefited from the inclusion of information on the condition of the dwelling, on the structure, searches, and a ‘fuller survey.’

1.5 Level of trust in the HIP

The majority of buyers (75%) trusted the information contained in the HIP – four in ten (38%) expressed a great deal of trust in the information contained in the pack. Buyers who trusted the HIP did so because it was viewed as something ‘coming from the Government or an official source’, or their solicitors approved its contents.



Those few buyers who were more cautious had either a dim view of the HIP generally – it was perceived to be biased in favour of the seller, lacked detail, contained inaccuracies, and was unprofessional – or they were directed by third parties not to accept the contents of the HIP.

1.6 Cost of packs/transaction costs

SELLERS

Sellers were asked whether or not they had to incur any costs in relation to their HIP. Of the 1,689 sellers interviews, 11 reported that they were charged a fee for their HIP (seven were charged during phase 1 of the HIP incentive³ and four during phase 2). Most (6 sellers) were charged less than £50, two were charged between £100 and £200, and two were charged between £200 and £500.

Three sellers were expected to pay this charge as part of their estate agent fees, six were to make a separate payment to the HIP provider, and two were unsure about how they were paying this charge.

³ The HIP was provided free of charge in phase 1 of the Area Trials. It is, therefore, unclear what these charges were incurred for.

1.7 Use of the HIP by solicitors

BUYERS' SOLICITORS

Thirty-four depth interviews were undertaken with solicitors whose clients were buying a property for which a HIP was produced as part of the Trials. These interviews took place between July and December 2007. However, not all solicitors had seen the HIP for the properties in the Trials. It was rare for any solicitors to have seen a HIP with an HCR, particularly those involved in the conveyancing of properties which went on the market in phase 2 of the Trials (when HCRs were not incentivised).

When considering views of buyers' solicitors a couple of points should be considered. Firstly, the views of buyer's solicitors are generally based on seeing a very limited number of HIPs – during the trials each solicitor may have seen only one or two HIPs in total. Equally, during the trials, solicitors were learning what to expect from HIPs and this may have influenced their views.

Most solicitors interviewed who had seen at least one HIP felt that the majority of HIPs they had seen were of an acceptable standard but some said that a large amount of information relevant to transaction was not included in the HIP. 'Missing' information was generally location specific, such as environmental, mining, water, and Chancel Repair searches. Several respondents suggested that HIPs would be improved if they required a full copy of title rather than the initial copy that was included at the time of the Trials, because the former would reveal important information such as restrictive covenants.

Some of the solicitors interviewed who had seen a HIP felt that a 'good quality' HIP with all the non-mandatory documents appropriate to the area was rarely produced because it was too expensive. Speed of compilation and relevant content are the two main constituents of a 'good quality' HIP. It was usually the case that HIPs only had the mandatory documents attached.

A major issue amongst buyers' solicitors was the acceptability of personal searches. A significant majority did not think they would accept personal searches because they felt their quality could not be trusted. More generally, many commented that searches become outdated very quickly, so that searches included in the HIP may not be accepted by a mortgage company by the time the paperwork is ready for exchange.⁴ Some solicitors speculated that even if they were willing to accept the personal searches, many mortgage companies were not willing to accept them, and some of the smaller solicitors were particularly averse to indemnity insurance on the grounds that they feel it does not offer their client sufficient protection.

⁴ Council of Mortgage Lenders and Law Society guidance to their members is that searches must be no older than six months at the point of exchange.

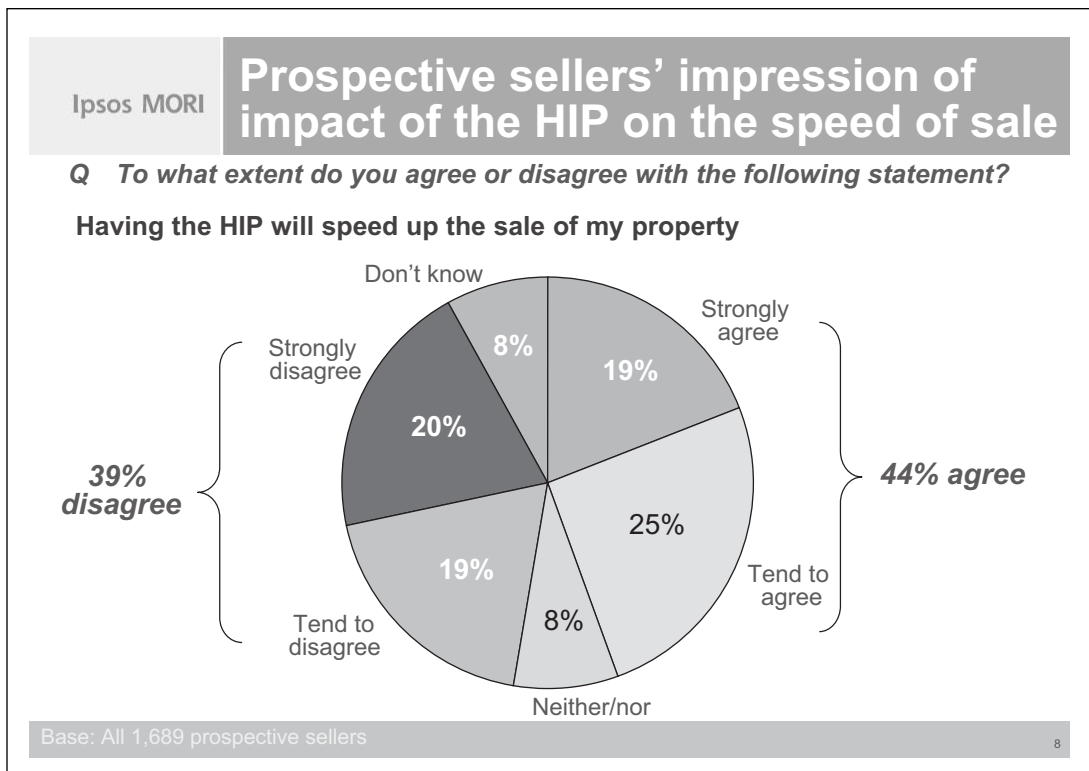
Some solicitors reported that they believed that waiting for a HIP could delay the processing of a transaction. When a HIP failed to arrive, solicitors either considered it redundant because the transaction proceeded without it and the solicitor collected all the relevant documentation themselves, or the absence of the HIP delayed the process while they waited for it to be sent to them.

1.8 Overall satisfaction with the buying and selling process – impact of the HIP

SELLERS

Prospective sellers were asked a series of questions about the expected impact of the HIP on the sale of their property. They were initially asked these questions at the point when the properties were first marketed with a HIP, then again after their property had either sold or been withdrawn from the market (or was still on the market after 1 October 2007).

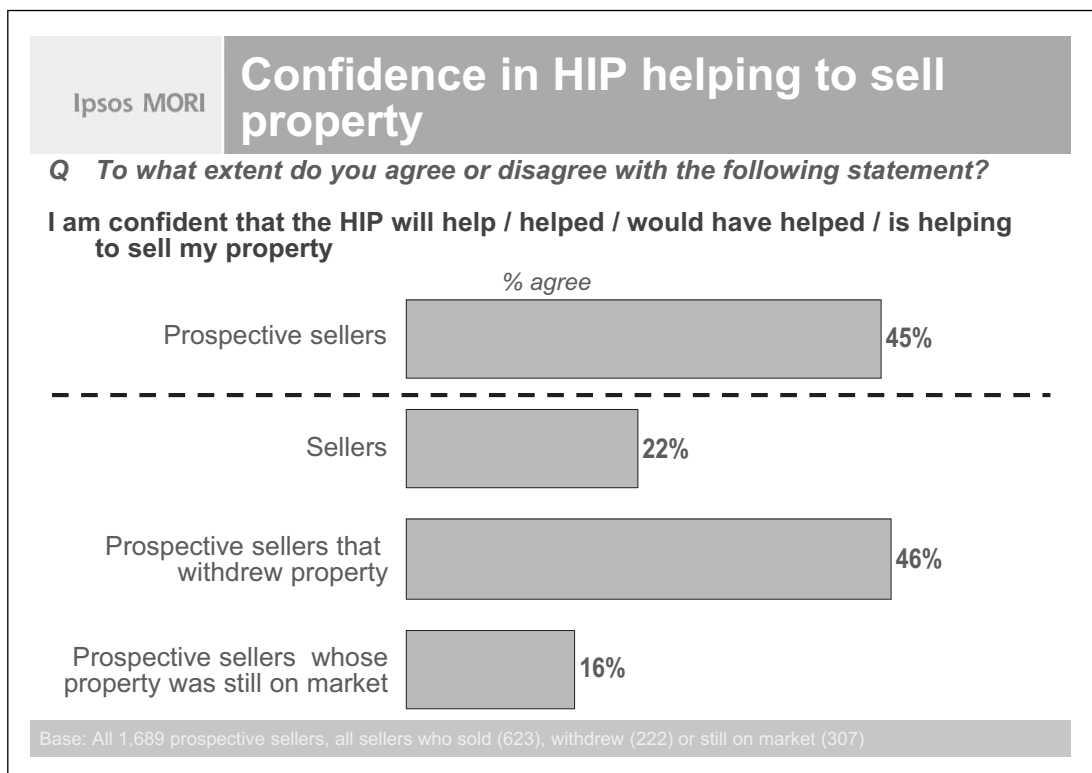
Initially, opinion among sellers about the effect of the HIP was divided: around four in ten (44%) agreed that having the HIP would speed up the sale of their property, and approximately the same proportion disagreed (39%).



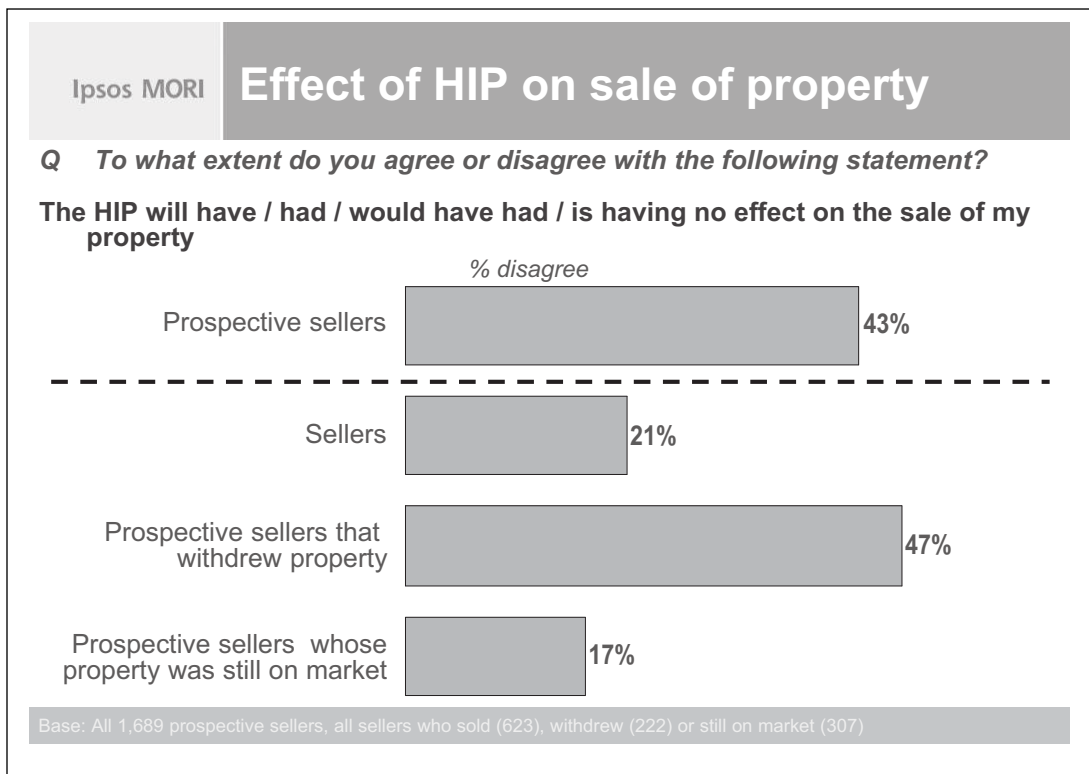
Sellers whose HIP included an HCR were more likely to agree that having the HIP would speed up the sale of their property (50% compared with 40%, respectively).

Opinions of prospective sellers were divided about whether the HIP would help sell their property, nearly half (45%) agreed that this was the case, while just under four in ten (38%) disagreed.

Once their property had actually sold, sellers were less likely to agree that the HIP had helped them to sell the property (22%). Opinion remained more divided among sellers who had withdrawn their property from the market: more than four in ten (46%) still agreed that the HIP would have helped the sale and a similar proportion disagreed.

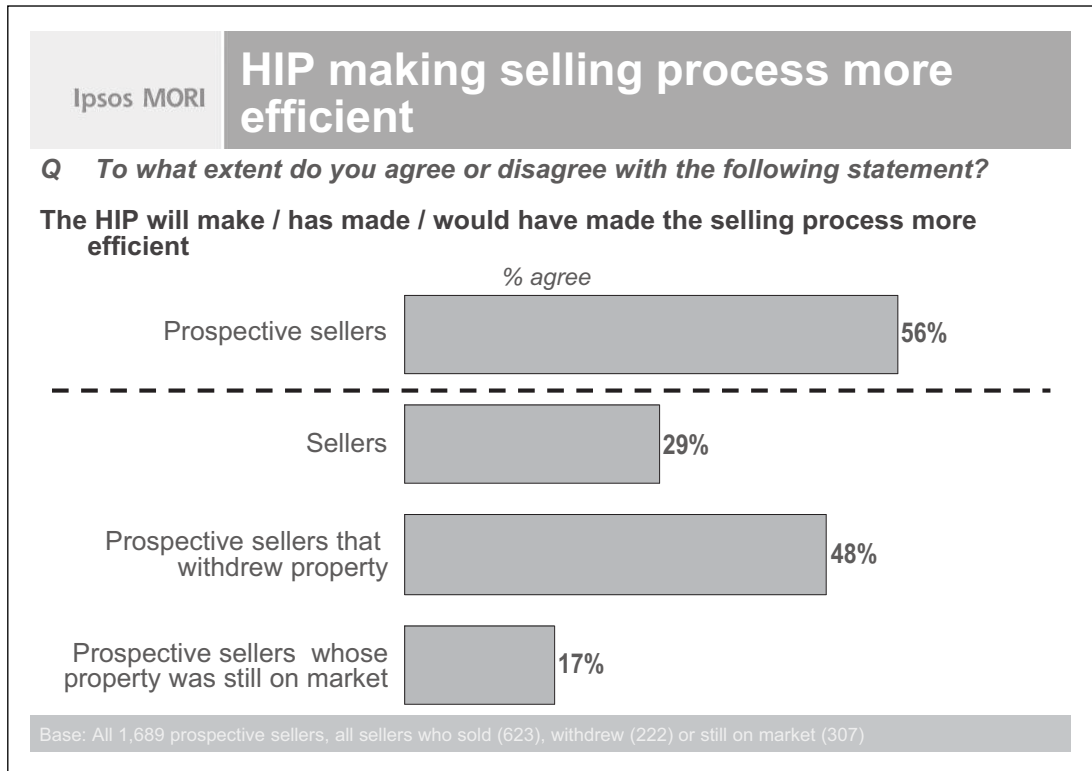


Opinions among prospective sellers were also divided when they were asked whether the HIP would have an effect on the sale of their property: 42 per cent agreed that the HIP would have no effect on the sale, while 43 per cent disagreed. Once properties had actually sold, however, the perceived impact of the HIP declined: only 21 per cent of sellers and 17 per cent of those whose property was still on the market felt the HIP had no impact on the sale. Again, the same shift in opinion did not occur among those sellers who had withdrawn their property from the market – 47 per cent of this group felt that the HIP would have had no effect.

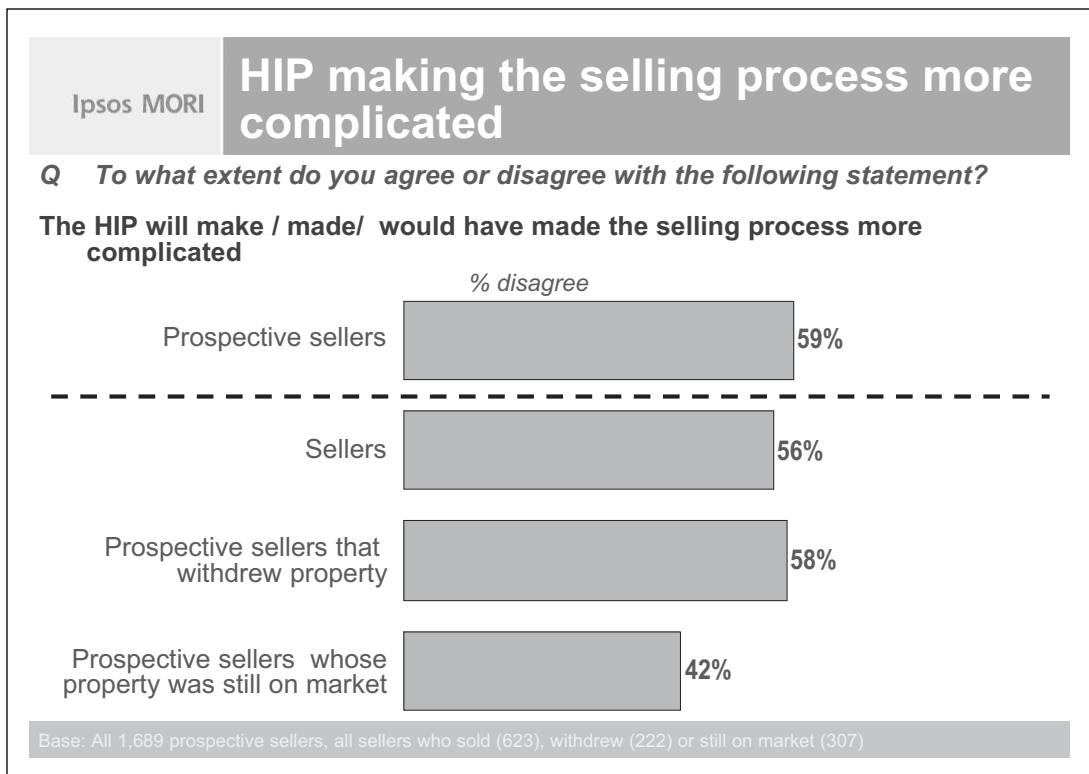


Sellers were more optimistic about the effect of the HIP on the efficiency of the selling process. When they first marketed their property with a HIP, more than half (56%) expected that the HIP would make the selling process more efficient and less than one-third (30%) disagreed.

After having gone through the entire selling process, however, impressions of the capacity of the HIP to make the process more efficient was muted, with fewer than a third of sellers agreeing that it had done so (29% of those who sold their property agreed it had made the process more efficient, and 17% of those whose property was still on the market agreed). Again, opinion remained more divided amongst those sellers who had withdrawn their property from the market (48% agreed that HIPs had made the selling process more efficient).



Interestingly, these findings do not necessarily mean that sellers felt the HIP made the selling process more complicated. Six in ten (59%) initially did not think that the HIP would make the selling process more complicated. Whether the property had sold, been withdrawn or was still on the market, approximately the same proportion continued to feel that the HIP had not complicated the selling process (56% of those who sold, 58% of those who withdrew their property, and 42% of those whose property was still on the market).

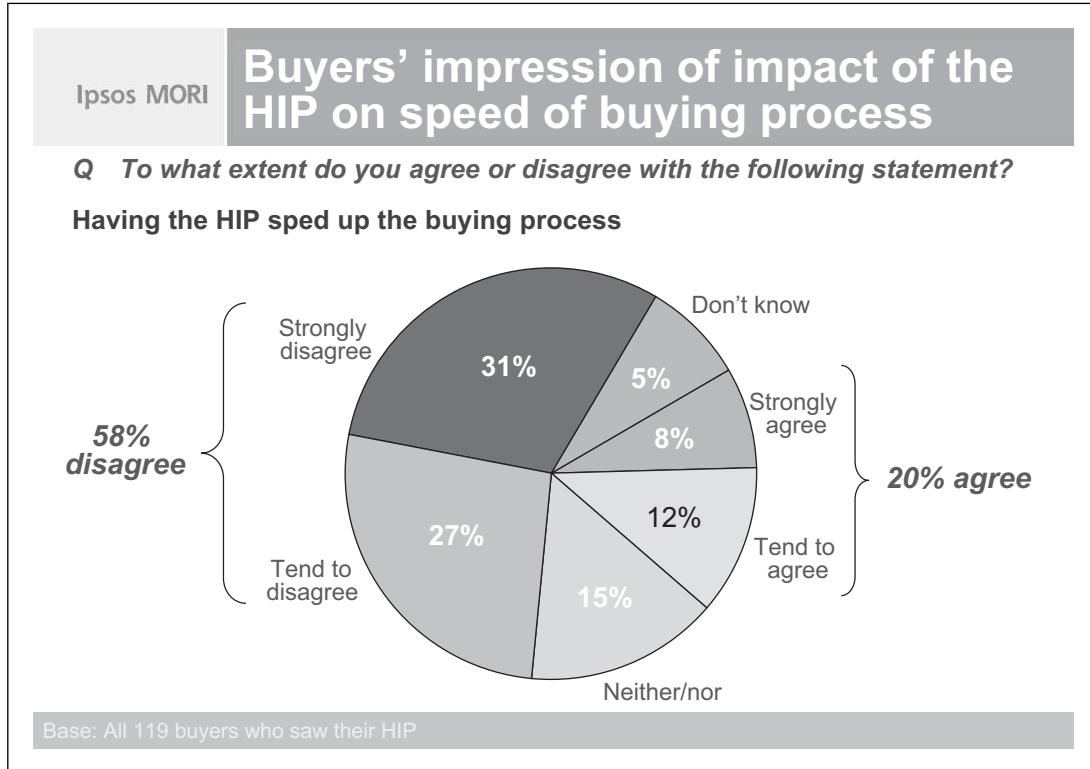


VIEWS OF SELLERS COMPLETING ONLINE DIARIES

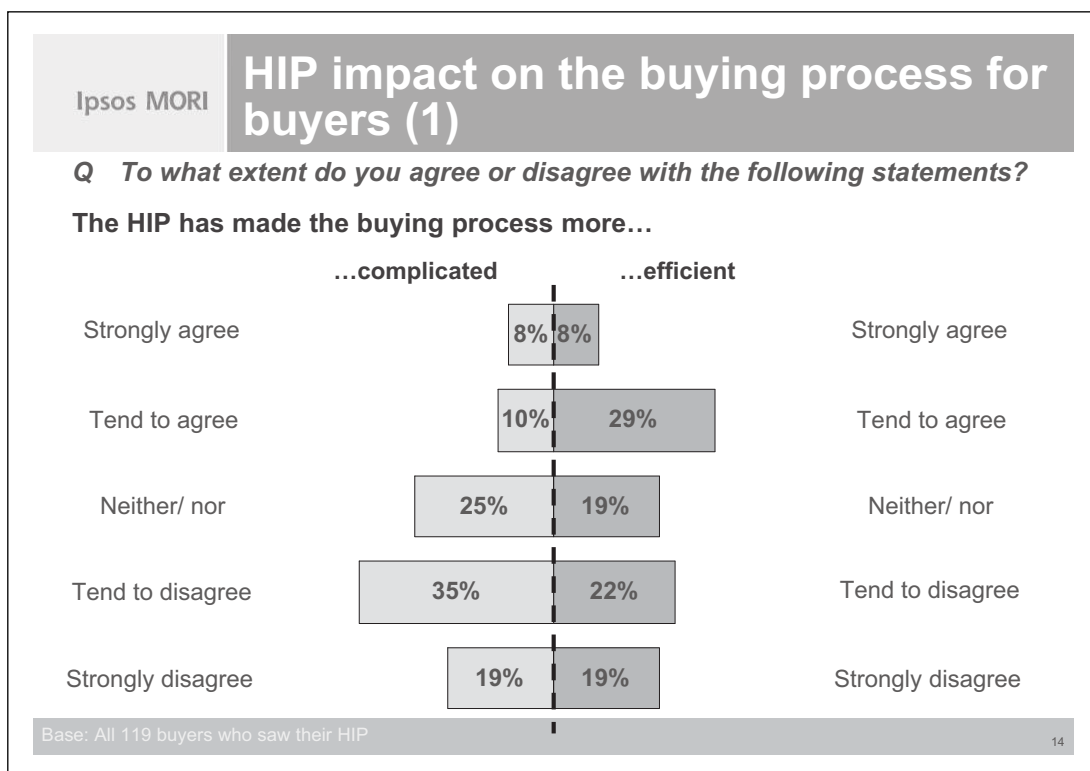
Opinion was generally divided among sellers who completed online diaries during the selling process. Many felt that the HIP had little impact on the sale of their property despite being satisfied with the presentation and detail of the HIP. Some had a particularly positive experience reporting that the HIP helped their sale by reducing the time it took to produce searches or highlighting areas of their home that needed work. On the other hand, some completing the diaries were more negative about the HIP. Generally, they were dissatisfied with the EPC and HCR ratings for their property.

BUYERS

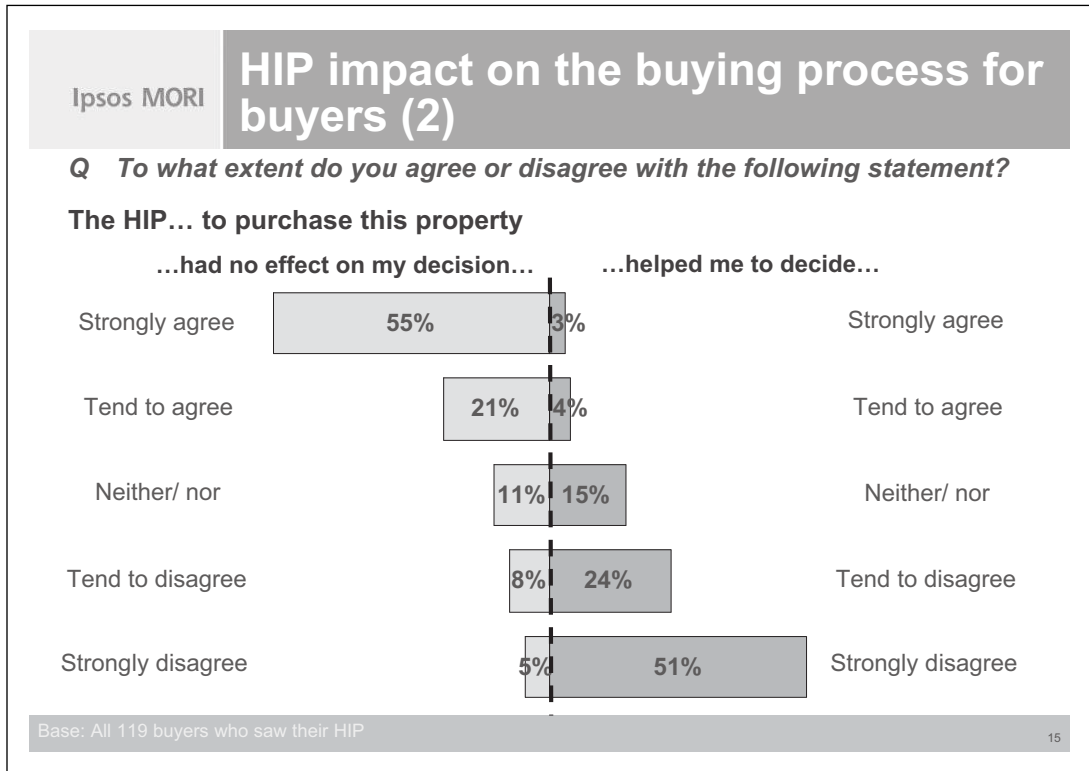
Buyers who had seen their HIP did not generally think it had sped up the buying process (20% agreed it did versus 58% who disagreed).



Similarly, buyers did not necessarily agree that the HIP had made the selling process more efficient (41% disagreed). However like sellers, the majority (54% disagreed) felt the HIP did not make the buying process more complicated.



All in all, however, the HIP had very little impact on buyers’ decisions to purchase their property. Fewer than one in ten (7%) agreed that the HIP helped them to decide to purchase the property they did, and three-quarters (76%) said that it had no effect on their decision.



BUYERS’ SOLICITORS

Many of the solicitors interviewed reported that it was difficult to judge whether HIPs have had an impact on transactions or the property market, as any individual solicitor had dealt with so few properties being bought with a HIP.

A number of solicitors interviewed between October and December 2007 speculated that HIPs were having a ‘detrimental’ effect on the market as a whole because the public may be ‘daunted’ by the prospect of putting property on the market. Many also mentioned the effect of HIPs in conjunction with other factors such as tightening credit and the ‘Northern Rock fiasco’ as significantly endangering the property market. Some solicitors expected HIPs to slow the market or ‘stall’ it.

While solicitors speculated that HIPs would have an impact on the overall housing market, they were clear that at present there were generally five main reasons for failures in transactions. Problems with transactions stemmed from surveys revealing problems with properties, chains collapsing, financial difficulties, waiting for a mortgage offer and people changing their minds. These issues were not seen to be linked to the HIP (particularly as the HCR is not mandatory and, as discussed elsewhere, many solicitors would not necessarily trust their content anyway).

ESTATE AGENTS

One of the most significant criticisms levelled towards HIPs by the estate agents interviewed as part of the Trials was that they did not believe that HIPs would help sell houses more quickly. This is because their perceptions of the causes of delays (people changing their minds, chains forming and falling through, achieving finance) were not being addressed by HIPs. This is particularly likely to be the case during the Trials, where buyers often did not see the HIP until after they have bought the property subject to contract and, therefore, the documents contained were unable to influence the offer made.

In many cases estate agents were not actually encouraging buyers to view their HIP, which contributed to buyers seeing the HIP very late in the process.

Process/transaction times

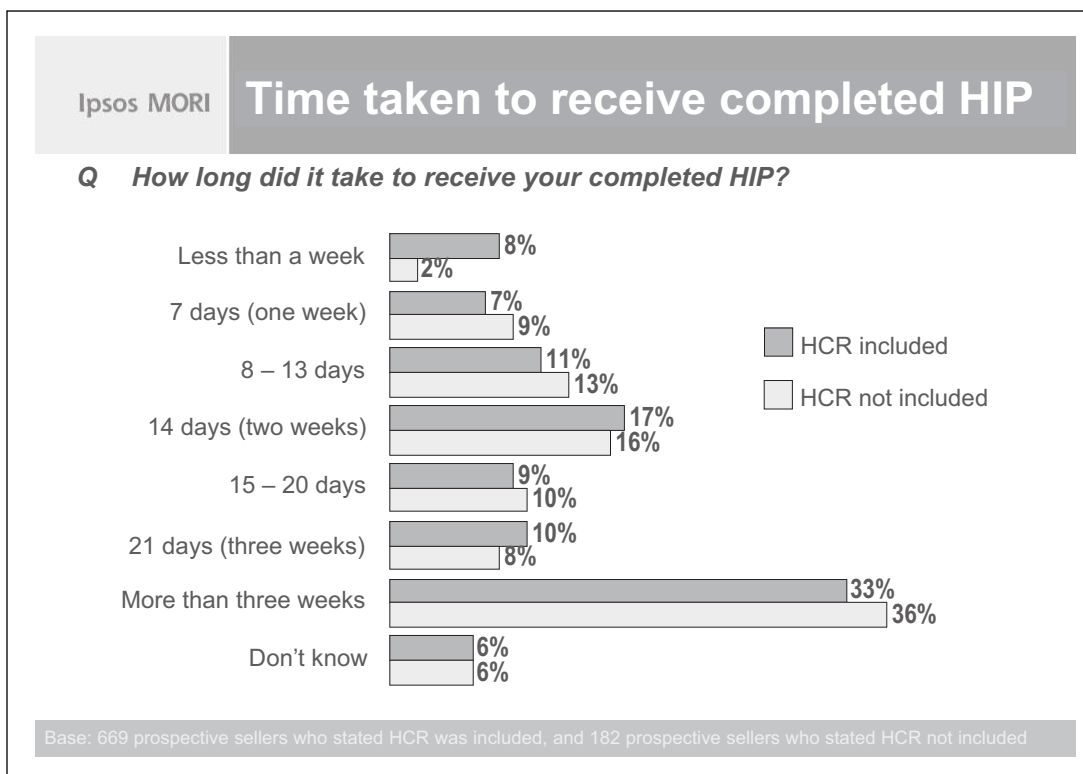
Length of time to acquire the pack**SELLERS**

As the following chart indicates, the length of time taken for prospective sellers to receive their completed HIP varied, but just under half said they received their HIP from their estate agent in the first two weeks after it was commissioned (42%). Seven per cent said that it took less than a week to receive their HIP, whereas 33 per cent said it took more than three weeks.

Three-quarters of prospective sellers (75%) received their HIP before accepting an offer on their property. However, around half of prospective sellers (46%) had not received an offer on their property at time of interview.

Prospective sellers who said they were ultimately dissatisfied with the contents of their completed HIP were more likely than those who were satisfied with the contents of their HIP to have waited more than three weeks to receive their completed HIP (51% of those who were dissatisfied compared with 30% of those who were satisfied).

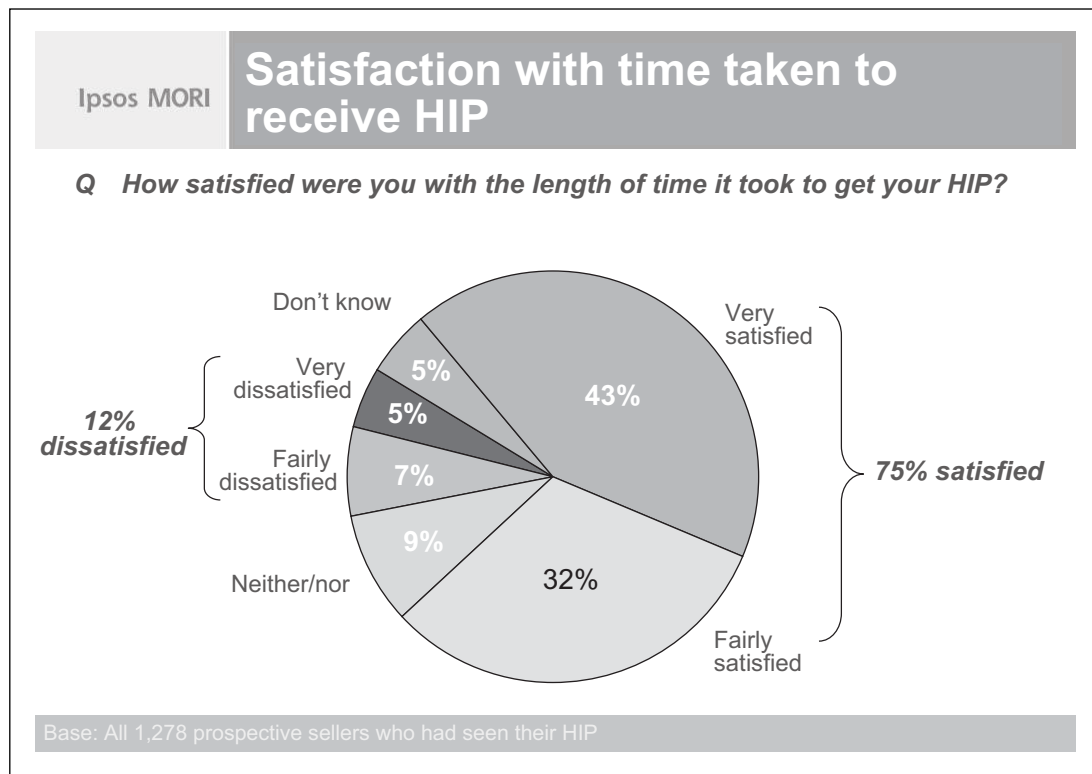
The inclusion of an HCR in the HIP did not seem to significantly impact on the time taken to receive the completed HIP. Both types of HIP (inclusive of an HCR or not) were received by around four in ten prospective sellers within the first two weeks of commissioning (43% with HCR vs 40% without HCR).



For most leaseholders it would appear that it took longer to get a HIP than for freeholders. Just under half of leaseholders said it took more than three weeks to get their HIP (45%) compared to only 31 per cent of freeholders.

It should be noted that in light of these findings and in order to enable the market to operate freely now that HIPs are mandatory for all properties, home owners will be able to proceed their property to market provided they have commissioned property searches without requiring them to wait until the search has been returned. Similarly, provisions regarding leasehold properties have also been amended.

Most sellers (75%) were satisfied with the time it took to receive their HIP, including 43 per cent who were very satisfied.



ESTATE AGENTS

Depth interviews were conducted among 23 estate agents, all of whom had been involved in marketing a property with a HIP as part of the Area Trials. In many cases, due to the time it took to produce a HIP or because properties sold quickly, estate agents said the HIP had only been available once the property had sold subject to contract. When this occurred the buyer would only see a copy of the HIP immediately before contracts were exchanged; towards the end of the process.

Even when HIPs were available more quickly, estate agents said that they had not been asked by buyers to show them copies of the HIP, although they stated that they would have been happy to do so and most mentioned that a HIP was available among the property's particulars. However, given the relatively low profile of HIPs early in the Trials when estate agents were interviewed, it is perhaps unsurprising that they assumed buyers were not sure what a HIP was or what it would include – making it unlikely that they would actively request to see their HIP. Later in the Trials when buyers were interviewed, however, their unprompted awareness of HIPs was high, but this does not necessarily mean that they were aware of the HIP produced for their property or given a chance to see it.

HIP PROVIDERS

According to HIP providers participating in the Trials, most HIPs were completed within ten working days (two weeks), although this was highly dependent on how quickly the searches were received. The main causes of delay in producing a HIP were searches or any other legal issues and (for leasehold properties) getting the relevant leasehold documentation. Without the delays due to searches, most providers thought that they would be able to compile a HIP in two to five days.

The 16 HIP providers interviewed between February and November 2007 used personal searches as opposed to local authority searches because they were cheaper, although the majority felt that local authority searches were of a better quality than personal searches. There was also general concern that, in some cases, searches could be outdated and needed renewing by the time the seller was ready to exchange contracts.⁵ Some were considering a two-tiered approach: a premium service including local authority searches for the higher end of the market and personal searches for the lower end. Some HIP providers were concerned that a minority of Local Authorities might take a particularly long time to complete searches and this would delay the production of HIPs when they are launched nationally.

Many of the HIP providers interviewed had not compiled any HIPs for leasehold properties. They speculated that they would cost more and take more time to do than freehold HIPs due to the extra legal work. Where HIP providers were producing HIPs for leasehold properties they found the process broadly similar to that of producing freehold HIPs, but with more risk of delay. In particular, it could take longer to collate legal documents for leasehold properties, especially the lease and management documents. Some HIP providers felt that additional pressure could be put on management companies holding leases to ensure that they did not take too long to release information, or charge what HIP providers believe are 'exorbitant rates'.

HIP providers explained that during the Trials they were only complying with the minimum requirements for the HIP using personal searches and including only mandatory documentation in the HIP. They were generally not including non-mandatory documents as standard (although some were considering offering to provide these as part of a higher priced product). The decision to only include mandatory documents in a basic HIP was essentially a business decision to reduce costs, especially as many felt that price would be the major consideration for many of those who are commissioning HIPs. Many of the HIP providers also maintained that to include more than the minimum standard HIP will lead to delay on property transactions.

It should be noted that in the 'fixed incentive' environment of the Area Trials, HIP providers would be expected to seek to minimise cost with little chance to recoup the additional cost of offering a higher quality product. In the live market environment, once HIPs become mandatory, it is possible that competition will lead to greater product differentiation.

⁵ Council of Mortgage Lenders and Law Society guidance to their members is that searches must be no older than six months at the point of exchange.

1.9 Transaction times – from instruction to completion

The transaction times for properties in the Trials between offer and exchange was on average 73 days. It is very difficult to say whether this is longer or shorter than transaction times for properties sold without a HIP, since there was not a dedicated control sample in this research.

The table below shows the transaction times for properties that sold within the timeframe of the Area Trials. It took on average 122 days for the transaction process which was measured from the day the property was instructed to market through to completion.

Key stages	Key Stages for sellers	Transactions Area Trials	
		Days (mean)	Sample Size
1	Instruction to Offer agreed	46	481
2	Offer agreed to Mortgage valuation	18	205
3	Mortgage valuation to Exchange	61	171
4	Exchange to Completion	10	474
A	Instruction to Exchange	112	464
B	Offer agreed to Exchange	73	384
D	Offer agreed to Completion	79	464
All	Instruction to Completion	122	538

Base: 538 properties where part 1 and 2 of the PDS was completed and the transaction resulted in a sale

TRANSACTION WITH AN HCR COMPARED WITH NO HCR

There was very little difference in transaction time between HIPs with an HCR and those without an HCR – a transaction took on average 71 days from offer to exchange for properties without an HCR, and on average 76 days for properties with an HCR, making it unlikely that transaction times were increased because of the HCR.

Area Trials	No HCR		HCR	
	No. of properties	Mean no. of days	No. of properties	Mean no. of days
0 Instruction to Offer (days)	282	45	191	50
1 Offer to Mortgage Valuation (days)	109	18	92	18
2 Mortgage Valuation to Exchange (days)	77	64	89	58
3 Exchange to Completion (days)	273	11	180	8
A Instruction to Exchange (days)	262	110	180	116
B Offer to Exchange (days)	218	71	158	76
C Instruction to Completion (days)	264	77	189	81
D Offer to Completion (days)	306	120	208	126

(a) Base: 306 properties where part 1 and 2 of the PDS was completed and the transaction resulted in a sale and the property did not have an HCR

(b) Base: 208 properties where part 1 and 2 of the PDS was completed and the transaction resulted in a sale and the property had an HCR

FREEHOLD VS LEASEHOLD

Whether a property was freehold or leasehold also made a small difference to the overall transaction time. On average, freehold properties took 72 days from offer to exchange with leasehold properties taking on average an extra 10 days.

Table 8: Transaction times by freehold/leasehold

Area Trials	Freehold		Leasehold*	
	N	Mean	M	Mean
0 Instruction to Offer (days)	407	45	66	57
1 Offer to Mortgage Valuation (days)	158	17	46	20
2 Mortgage Valuation to Exchange (days)	130	58	38	68
3 Exchange to Completion (days)	407	11	57	8
A Instruction to Exchange (days)	394	110	60	127
B Offer to Exchange (days)	322	72	52	82
C Instruction to Completion (days)	394	78	60	83
D Offer to Completion (days)	460	122	67	130

(a) Base: 460 freehold properties were tracked with all or partial information on the key transaction dates

(b) Base: 67 leasehold properties were tracked with all or partial information on the key transaction dates

*please note small base sizes. Please treat data with caution

In assessing the impact of the HIP on transactions that took place within the Area Trials it is important to note that the study took place within a housing market where HIPs were not established and where new players such as HIP providers and Home Inspectors were being initiated. The Trials were reliant in many ways on the enthusiasm of the stakeholders and the fluidity of the processes involved. The transaction times reported must be viewed in light of the specific nature of the study.

1.10 The promotion of HIPs by the professionals

ESTATE AGENTS

Estate agents are pivotal to the home buying and selling process with only six per cent of those selling a home not using an agent⁶. The HIP Area Trials relied on estate agents promoting HIPs to sellers and showing completed HIPs to buyers and passing them on to buyers' solicitors. As part of this study 23 depth interviews were undertaken with estate agents in January 2007.

Some of the estate agents involved in the study were enthusiastic about their role (and the value of HIPs *per se*) while others were less so. Differences in agents' attitudes towards HIPs affected the way that they 'promoted' the HIPs to their client and, consequently, the expectations of buyers and sellers regarding HIPs.

In general, estate agents who took part in the Area Trials had mixed attitudes towards marketing HIPs to sellers. During the Trials some estate agents were actively 'promoting' HIPs to potential sellers; however most took a 'neutral' stance either by mentioning that a free HIP was an option but not particularly recommending it, or by not mentioning HIPs at all unless the seller asked about them. Some estate agents said they informed sellers about the option of having a HIP but without particularly recommending it.

Even those estate agents who were most active in marketing HIPs tended to recommend them because they were free, rather than because the estate agent necessarily believed the HIP would have an effect on the sale of the property. When the estate agents were asked why more people had not signed up for HIPs, the most common reason given was that sellers did not believe it would speed up their house sale or add value to the house. Therefore, sellers only signed up to the Trials out of curiosity about what a HIP looked like and because it was free 'so [they] may as well'.

As discussed above, estate agents said that they had generally not been asked by buyers to show them copies of the HIP, although they stated that they would have been happy to do so and most mentioned that a HIP was available among the property's particulars.

⁶ Office of Fair Trading (2004) Estate agency market in England and Wales OFT693

Chapter 2

How can the take-up of the HCR be maximised to accelerate its benefits?

In order to examine the question of whether the take-up of Home Condition Reports (HCRs) can be maximised, the following pieces of evidence were analysed:

Overall perceptions and opinion of HCRs

- unprompted awareness of the HCR
- take-up of the HCR
- use of the HCR
- surveys undertaken by buyers
- perceived impact of the HCR on the selling process

Transaction/process evidence from estate agents and secondary stakeholders

- length of time to produce the pack
- overall views of the professionals

Summary of findings

The following summarises the main findings on how the take-up of HCRs can be maximised.

The consumers

- The number of packs taken up in each area and whether an HCR was included, was dependent upon the incentive offered. The majority of HIPs produced in phase 1 included an HCR (68%) where an HCR was included free of charge, and only five per cent of HIPs produced in phase 2 included an HCR.
- Around half of the HIPs received by estate agents within the Area Trials were commissioned with an HCR.
- Generally, prospective sellers took up the offer of an HCR because it was part of the incentive or free. Those sellers whose HIPs did not include an HCR generally reported that it was not actually offered to them.
- Awareness of the HCR was low among prospective sellers – only a third said they had heard of an HCR before this research study. This compares with around half of buyers being aware of HCRs.
- Where an HCR was included, it identified problems in around one-third of properties (according to sellers) around half of which they planned to address before they sold their property. Four in ten planned to undertake work on their property as a result and two per cent planned to reduce their asking price as a result. Half, however, planned to take no action.
- Nearly all buyers (regardless of whether or not they had an HCR included in their HIP) had a survey completed on their property – half of buyers had a Mortgage Lenders Survey completed.
- Prospective sellers were more likely than buyers to be optimistic about the benefits of the HCR and their impact on the selling process.
- Furthermore the prospective sellers who commissioned an HCR were more likely to believe in the positive impact of the HIP on the sale than those who had not commissioned an HCR.
- Once given the chance to spend time reviewing the HCR, buyers who took part in focus groups were relatively favourable towards them, saying in general that they added to the checks and balances of the decision-making process.

The professionals

- Interviews with estate agents and Home Inspectors who took part in the Area Trials suggested that sellers were unlikely to commission an HCR if they had to pay because at the time of the Area Trials, it was perceived as risky to do so as it could find problems with the property that may deter prospective buyers. However, they suggested that, in time, including an HCR might be seen to be an indicator of a good property and equally a property without an HCR might be seen as having 'something to hide', at which point they felt uptake would increase.
- That being said, in general, Home Inspectors felt that HCRs were 'very good products' and represented 'excellent value for money.'
- There were mixed reactions to HCRs from those buyers' solicitors who had been involved in properties with a HIP – few explicitly rejected HCRs, however several said that they would advise buyers to ensure a home survey was undertaken even if an HCR had already been included in the HIP, or at least include a 'buyer beware' caveat in their advice to their client.

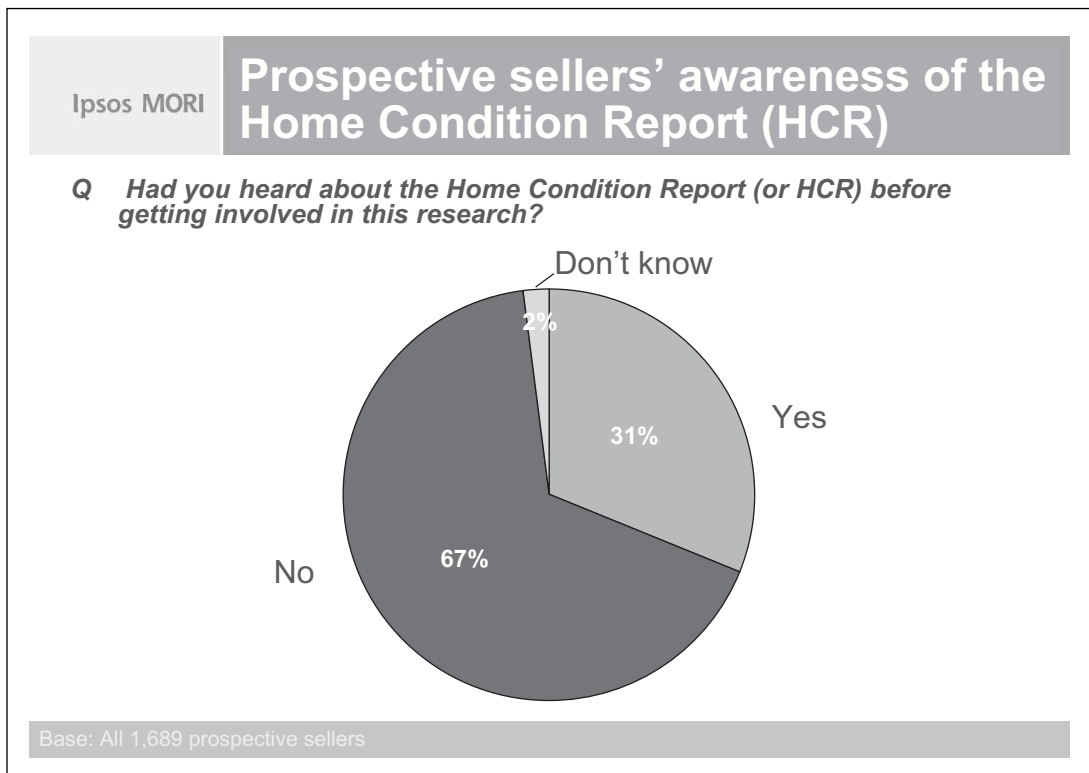
The process

- Home Inspectors reported that they could complete approximately 1.6 HCRs on an average day.

Perceptions and overall opinion of the HCR

Unprompted awareness of the HCR

Awareness of the Home Condition Report (HCR) was relatively low among prospective sellers during the Area Trials. Less than a third said they had heard about the HCR before getting involved in this research (31%). However, anecdotally from the qualitative interviews people did associate HIPs with ‘some sort of survey’ – but perhaps did not recognise the particular name or acronym ‘Home Condition Report’.

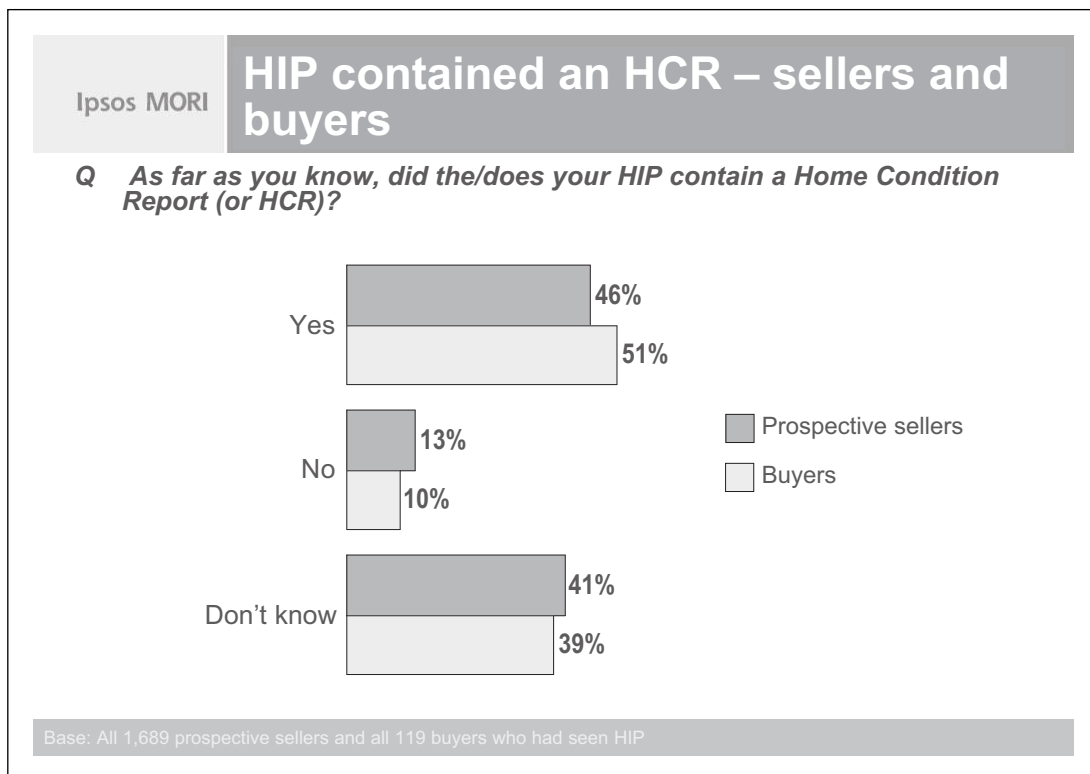


Buyers who had seen their HIP were slightly more aware of the HCR than the prospective sellers (45% compared to 32% of prospective sellers said that they had heard about the HCR before getting involved in the Area Trials).

Take-up of the HCR

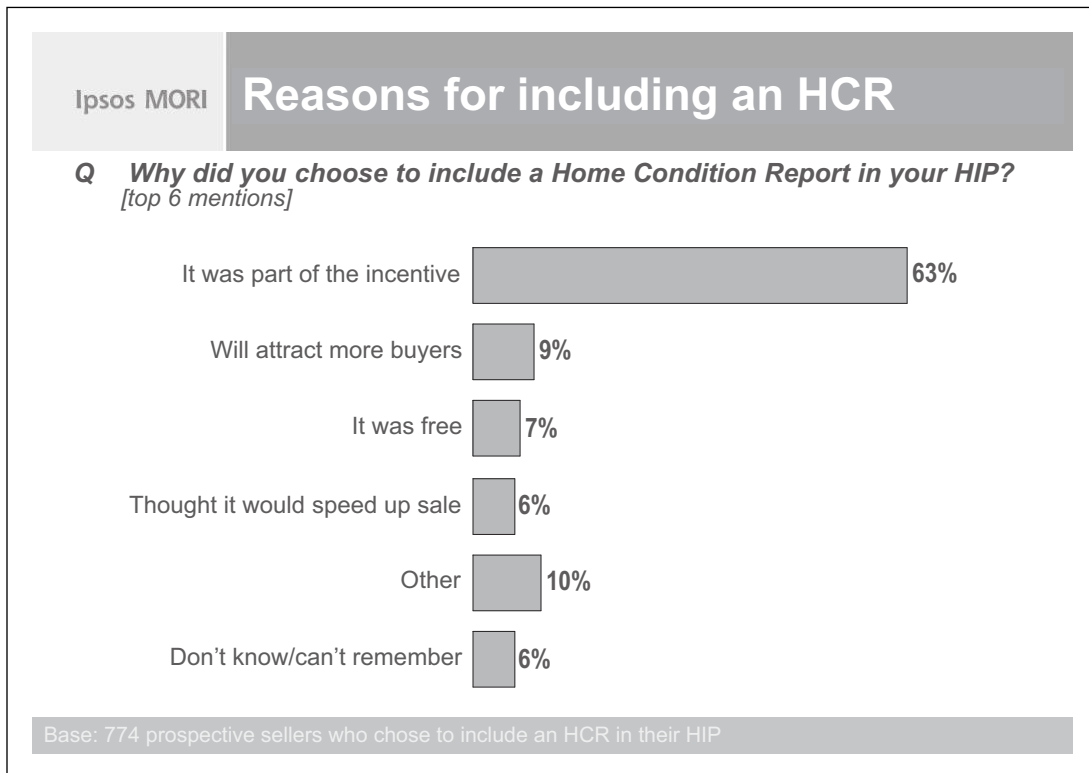
Overall, half (50%) of HIPs received in the Area Trials had an HCR commissioned for them. The number of packs taken up in each area and whether a Home Condition Report (HCR) was included, was dependent upon the incentive offered. The majority of HCRs were taken up in phase 1 (where the HCR was included free of charge), with only 34 of the 698 sellers who took up a HIP in phase 2 purchasing a HCR. Take-up rates of HCRs by Area can be found in the Introduction of this report.

This take-up rate was reflected in the sellers' survey – half of prospective sellers reported that their HIP contained an HCR (46%), however, lack of awareness and knowledge of the HCR is highlighted by the fact that four in ten said they did not know whether or not their HIP contained an HCR (41%). Buyers too showed a lack of awareness of the HCR, with four in ten (39%) saying they did not know if their HIP contained an HCR or not.



REASONS FOR INCLUDING AN HCR

The 46 per cent of prospective sellers who reported that their HIP contained an HCR said they chose to include it because it was part of the incentive (63%). A further nine per cent said they included it because they felt it would attract more buyers.



REASONS FOR NOT INCLUDING AN HCR

Among the one in eight (13%) prospective sellers who stated their HIP did not include an HCR, the majority stated it was because it was not offered to them, or that they 'don't know' why it was not included.

Even during the early stages of the Area Trials where prospective sellers could include an HCR in their HIP free of charge, not all chose to include one. In the depth interviews conducted with Home Inspectors, many felt that the main reason for this was that the HCR was not offered – in some areas this was because estate agents were not encouraging prospective sellers to take HCRs. In other areas, some HIP providers were declining to provide HCRs for older or more non-standard properties.

Other reasons for not including an HCR in the HIP included: sellers were concerned that the results would make the property look bad or were concerned that it may slow down the sale if they had to wait for it to be completed.

2.1 Use of the HCR

A third of prospective sellers who chose to include an HCR in their HIP (34%) stated that their HCR highlighted issues with the condition of their property. Three quarters of these prospective sellers (74%) reported that these issues were minor repairs, with 21% saying the HCR highlighted a number of urgent defects.

SELLERS

Two-fifths (40%) of prospective sellers whose HCR highlighted particular problems with their property said they planned to undertake work on their property as a result and only two per cent planned to reduce their asking price.

Just over half (51%) of sellers whose HCR indicated the need for minor repairs said they planned to take no action as a result. A similar proportion of sellers whose HCR indicated the need for urgent repairs said they planned to take no action (25 out of 55).

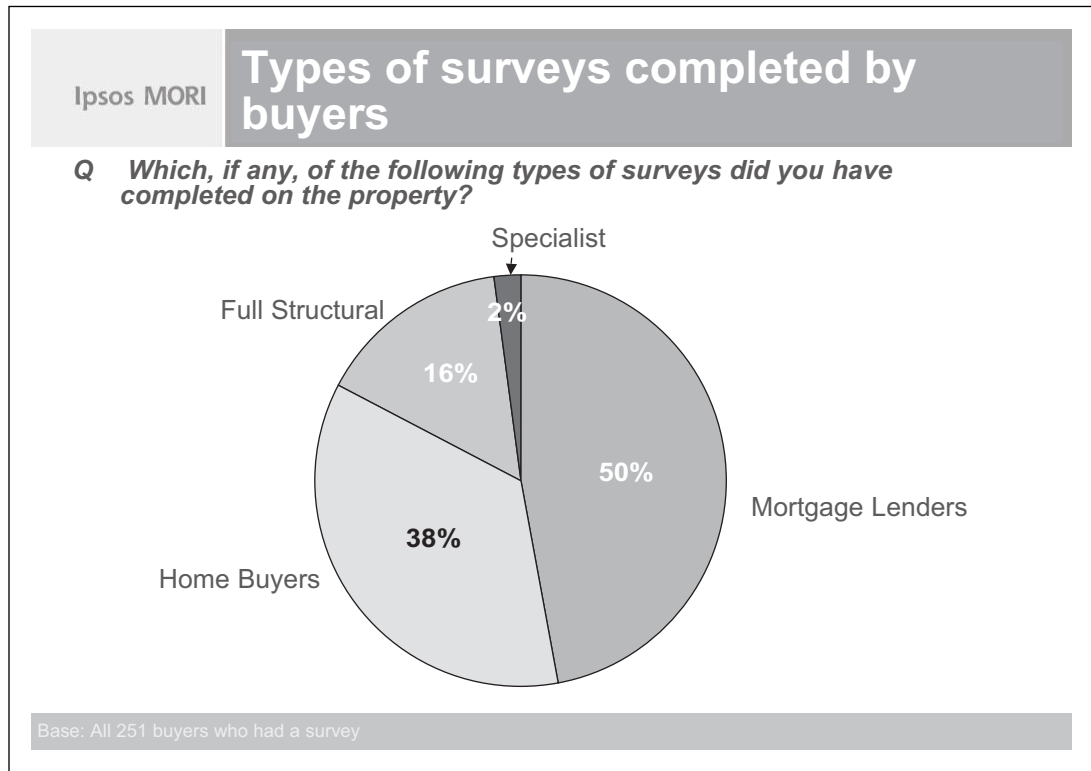
BUYERS

Forty-one per cent of buyers who stated they had a HCR in their HIP said the HCR highlighted issues about the property they were purchasing. The issues generally related to minor repairs, checking utility facilities and dampness in the property. Around half of these buyers (11 out of the 25 whose HCR highlighted issues) did not take any further action, however a small number of buyers decided to lower their offer or have a survey completed as a result of the HCR (five buyers and three buyers, respectively).

In the qualitative work with buyers only a few said they had bought properties with HIPs that included an HCR. They did, however view the HCR as interesting and generally useful. In particular they thought they could use it in price negotiations for the property. Many were surprised that the HCR was not mandatory and thought it was an important component of the HIP, although they were concerned about how much this might cost. Some also noticed that there is no valuation in the HCR and that therefore they would still have to get this done separately – they felt it would be better if a valuation could also be included as part of the HIP.

2.2 Surveys undertaken by buyers

The majority of buyers (84%) had a survey completed on the property they purchased, regardless of whether they saw the HIP or whether an HCR was included. Half (50%) had a Mortgage Lenders Survey (Valuation), just over a third commissioned a Home Buyers Survey, and 16 per cent ordered a Full Structural Survey.



The majority of buyers who had an HCR included in their HIP (50 out of 61 buyers) had a survey completed on the property they purchased – although in 22 instances buyers commissioned a Mortgage Lenders Survey (Valuation) (ie producing information not available in the HCR). Approximately the same number (23 buyers) had a Home Buyers Survey completed, and four buyers commissioned a Full Structural Survey.

According to buyers in the discussion groups they saw the HCR as an extra layer of checks and balances but some described the contents as ‘ambiguous’ and generally felt that they had more confidence in a survey that they personally commissioned.

Table 9: Type of survey undertaken by buyers

Type of survey	HRC included	HCR not included	Don't know whether HCR included or not
Mortgage Lenders Survey	22	7	24
Home Buyers Survey	23	2	9
Full Structural Survey	4	1	8
Specialist Survey	1	2	0
Total	50	12	41

Base: All 102 buyers who saw their HP and had a survey.

The key people to recommend to buyers that they have a survey on their property were mortgage lenders (39%), solicitors (24%) and estate agents (16%).

COST OF SURVEYS

On average, those buyers who had a survey conducted paid around £300.

Whether the buyer saw the HIP or not made no significant difference when it came to what they paid for a survey. Likewise, whether the HIP contained an HCR or not had no significant impact on how much was paid for a survey.

Table 10a: Buyers' survey costs

Type of buyer	Valid cases	Mean costs
Buyer who saw their HIP	108	£302
Buyers who did not see their HIP	167	£290
Total	275	£294

Base: All buyers who had a survey completed

Table 10b: Buyers' survey costs		
Type of HIP	Valid cases	Mean costs
HIP with HCR	53	£296
HIP without HCR	12	£356
Total	65	£302
<i>Base: All buyers who saw their HIP and had a survey completed</i>		

2.3 Perceived impact of the HCR on the selling process

In order to determine whether or not the HCR in the Area Trials had a positive impact on the home buying and selling process a comparison of prospective seller and buyer attitudes can be made between those properties with an HCR included as part of their HIP and those without an HCR.

SELLERS

Generally, prospective sellers who stated their HIP contained an HCR were *more* likely than those who did not to:

- be very satisfied with the contents of their HIP (46% vs 31% respectively)
- strongly agree that the HIP will make the process more efficient (34% vs 22% respectively)
- strongly agree that the HIP will speed up the sale of their property (22% vs 16% respectively)
- be confident that the HIP will help sell their property (26% vs 16% respectively)
- strongly disagree that the HIP will have no effect on the sale of their property (23% vs 13% respectively).

Prospective sellers with an HCR across these issues showed stronger support for the HIP and its impact on the selling process than prospective sellers who did not have an HCR.

BUYERS

From the buyers' perspective, the support for the benefits of the HCR and the HIP were mixed. This may also have been influenced by large number of buyers not seeing their HIP during the buying process. Compared with sellers, buyers who had an HCR were only more likely than those who did not to:

- agree that the HIP had made the buying process more efficient (24% vs 17% respectively).

As previously outlined, a key message from buyers was that (regardless of if their HIP had an HCR or not), their purchase decision was not generally influenced by the HIP and its contents. For example, buyers that had an HCR were more likely than those who did not to agree that the HIP had no effect on their decision to purchase their property (64% vs. 50% respectively).

Process/transaction times

2.4 Length of time to produce the pack

Home Inspectors said that they could complete approximately 1.6 HCRs or 4.5 EPCs on an average day. For HCRs the most important factors affecting the time it took to inspect a property were the size and condition and age of the property. It was also suggested that a complicated property could take twice as long to inspect and report on as a simpler one of a similar size.

Generally Inspectors said that report writing for HCRs was far more time-consuming than that for EPCs. Some Inspectors felt that the use of technology, such as laptops with Bluetooth could significantly cut down the time it took to make EPC inspections, by allowing Inspectors to write the reports as they went along, although it would not result in a substantial time saving for HCRs.

2.5 Overall views of the professionals

HIP PROVIDERS

Early in this research, the HCR was offered as part of the HIP when the HIP provider considered an HCR a 'good thing' or when HIP providers felt the need for experience in providing the HCR in readiness for mandatory HIPs and therefore encouraged the estate agent to offer them. Some HIP providers reported that estate agents were reluctant to include an HCR because they felt it put their client, the seller, at a disadvantage in comparison with other vendors. Estate agents did not want to jeopardise a successful transaction because the HCR highlighted something negative about the condition of a property. One interviewee did point out that this could be remedied if an HCR was made mandatory for every property, and some felt that HCRs may eventually become more popular as sellers see them as adding value to their property (ie once some sellers commission HCRs as a signal that they have 'nothing to hide' it is likely that more and more sellers will choose to do so). However, they are unclear what the initial trigger of this 'chain reaction' might be.

One HIP provider did not offer HCRs because of difficulties in finding Home Inspectors to do the work especially when 'a Home Inspector can do five EPCs a day or two HCRs.' Equally, early in the Area Trials, some HIP providers said that although they could find Home Inspectors easily, the Inspectors wanted to charge variable rates. For some properties, therefore, this meant the HIP provider believed they would not make a profit given the level of incentive available during the Area Trials. Other HIP providers had initial problems finding Home Inspectors at the beginning of the Trial period although this was resolved later in the Trials.

BUYERS' SOLICITORS

Buyers' solicitors' reactions to HCRs were mixed: few solicitors explicitly rejected HCRs, however several said that they would advise buyers to ensure an independent survey was undertaken even if an HCR had already been included in the HIP, or at least include a 'buyer beware' caveat in their advice to their client.

HOME INSPECTORS

The Home Inspectors interviewed as part of the Trials were keen to be doing HCRs and felt that not all estate agents had a good understanding of what the HCR entailed and consequently were not selling it as well as they could. More generally, they felt that estate agents were not spending the time explaining the HIP, and the process of getting one to prospective sellers up-front.

Because within the Area Trial HIPs were new and not compulsory, Home Inspectors felt that buyers were not particularly aware of the HCR. Some speculated that once HIPs become the norm, and people are aware that a good HCR can make a house look more appealing, a tipping point will be reached where houses without an HCR are seen as ones with 'something to hide'. However, this was only speculation and would depend on estate agents actively selling HCRs in order for the tipping point to be reached.

In general, Home Inspectors felt HCRs were 'very good products' and represented 'excellent value for money'. However, some suggested minor amendments which may improve the inspection and reporting process. Many felt confident that the process would be improved over time, and were continually seeing developments as the Trials progressed. For example, some of the more experienced Home Inspectors felt that the reporting system had improved as time progressed. Some felt the reporting system would benefit from striking a balance between standardisation and enabling them to include comments to explain any assumptions they had based their views on.

ESTATE AGENTS

Estate agents were not recommending particular types of properties for HIPs over others, although some believed that at the time it could have been a disadvantage to get an HCR for a property in a bad condition. In late January, some estate agents started to offer HIPs to sellers of properties that had been on the market since November and that had previously not been offered the opportunity to enter the Trials, therefore providing an additional piece of marketing, to make it look as if they were doing everything they could to sell the property. While HCRs were offered free as part of the Trial, agents said that most people who signed up for HIPs also signed up for an HCR. However, in many cases estate agents felt that sellers were opting for HCRs to be included simply because they were free of charge. None of the estate agents interviewed had included an HCR in their packs from the time since sellers had had to pay for them (although a few sellers did choose to do so or may have done so without realising they would have to pay).

Chapter 3

How can the impact of Energy Performance Certificates be maximised?

In order to examine the question of how the impact of the Energy Performance Certificates can be maximised, the following pieces of evidence were analysed:

Overall perceptions and opinion of the EPC – evidence from primary stakeholders

- unprompted awareness and overall impressions of the EPC
- understanding the EPC ratings
- use of the EPC by primary stakeholders
- perceived impact of the EPC on the buying and selling process

Transaction/process evidence from estate agents and secondary stakeholders

- length of time to produce an EPC
- overall views of the professionals

Summary of findings

The following summary highlights the main findings around the EPC and how they relate to the initial questions asked in this study.

The consumers

- Awareness and understanding of the EPC was high and over half of buyers who saw their HIP agreed that the HIP helped them know what they need to do to make their property more energy efficient.
- Sellers were unlikely to act on the information provided in the EPC prior to or during marketing. According to the qualitative interviews this is because making the changes was not expected to have a major impact on whether or not a buyer decided to purchase the property. They did, however, feel that if they moved into a property with a HIP then they would consider making at least some of the recommended changes.
- In the group discussions with buyers, very few felt that an EPC would impact on their decision to buy (with the exception of some who were particularly interested in either environmental issues or cost savings). However, some felt that if they received the HIP before they placed their offer they may use it to negotiate on price.
- Around one third of buyers said they planned to undertake at least one of the recommendations made in the EPC.
- Sellers who took part in depth interviews in January 2007 felt the EPC would have a minimal effect on a buyers' decision to purchase their property. Its real value was seen as providing buyers with money-saving advice once they move into their new home.

The professionals

- In the qualitative research, sellers' and buyers' solicitors both thought that the EPC would have little or no impact on the transaction itself and thought it was unlikely to influence buying decisions. However they thought it might be useful in terms of 'giving pointers' to make improvements to properties.

The process

- The Home Inspectors interviewed reported that they could complete 4.5 EPCs on average a day.

Overall perceptions and opinion of the EPC

3.1 Unprompted awareness and overall impressions of the EPC

Prospective sellers were more aware of the EPC than the HCR prior to participating in this research. Forty-three per cent said they had heard of EPCs before receiving their HIP (compared with 31% who had heard of the HCR), with most having heard about it from national newspapers and news programmes on the television or radio. This was also true of buyers, 60 per cent of whom had heard of EPCs before seeing their HIP (compared with 45% who had heard of the HCR) from news programmes on television or radio and national newspapers.

SELLERS

In relation to the content of the HIP, nearly three-quarters of prospective sellers (73%) were aware that their HIP contained an EPC.

Based on the qualitative interviews conducted with 12 sellers in January 2007 about their EPC specifically, sellers generally concentrated solely on the charts and tables and had not read the sections towards the end 'About this energy inspection' and 'About this home's performance ratings'. These later sections were generally passed over as 'too text heavy' and 'not directly relating to my house'.

Some were unclear whether ratings provided in the EPC for their home were 'typical' or whether it was something to be concerned about. None of those interviewed felt their rating was too high but some of the more energy conscious sellers felt that their ratings were lower than (ie not as good as) they might have expected. Equally, the scale used on the 'Summary of this home's energy performance related features' – very poor to very good – was felt to be potentially unhelpful without some indication of how many houses could expect to achieve a 'very good' score (mainly because sellers thought the current lay-out portrays their property in an unduly negative way).

There were mixed feelings about the level of detail the certificate aimed to provide. Most felt that the information was adequate. Issues raised by sellers included not accurately representing improvements made to the home (such as level of insulation) because of the method of averaging data when there was partial insulation in the roof space, for example. Sellers with older properties wanted the EPC to point out that the type of dwelling rather than a lack of investment drove the low rating.

Sellers were also concerned about the impact of a secondary heating source on their energy rating and thought including secondary sources in the rating would potentially be misleading.

BUYERS

In relation to the content of the HIP two-thirds of buyers (68%) were aware that their HIP contained an EPC.

Opinions about the value of the EPC in the discussion groups with buyers were mixed. Many connected the charts to those they saw on electrical appliance ratings and therefore felt relatively familiar with that style of presenting information. During the Trials buyers felt they could not contextualise the information (ie 'what would I expect my property to be like given its age?') but they acknowledged that a greater understanding of the ratings would come with time (particularly as in the future all properties would have an EPC). All HIPs reviewed during the discussion groups contained an EPC, and buyers found it interesting to compare the relative energy ratings of their different properties.

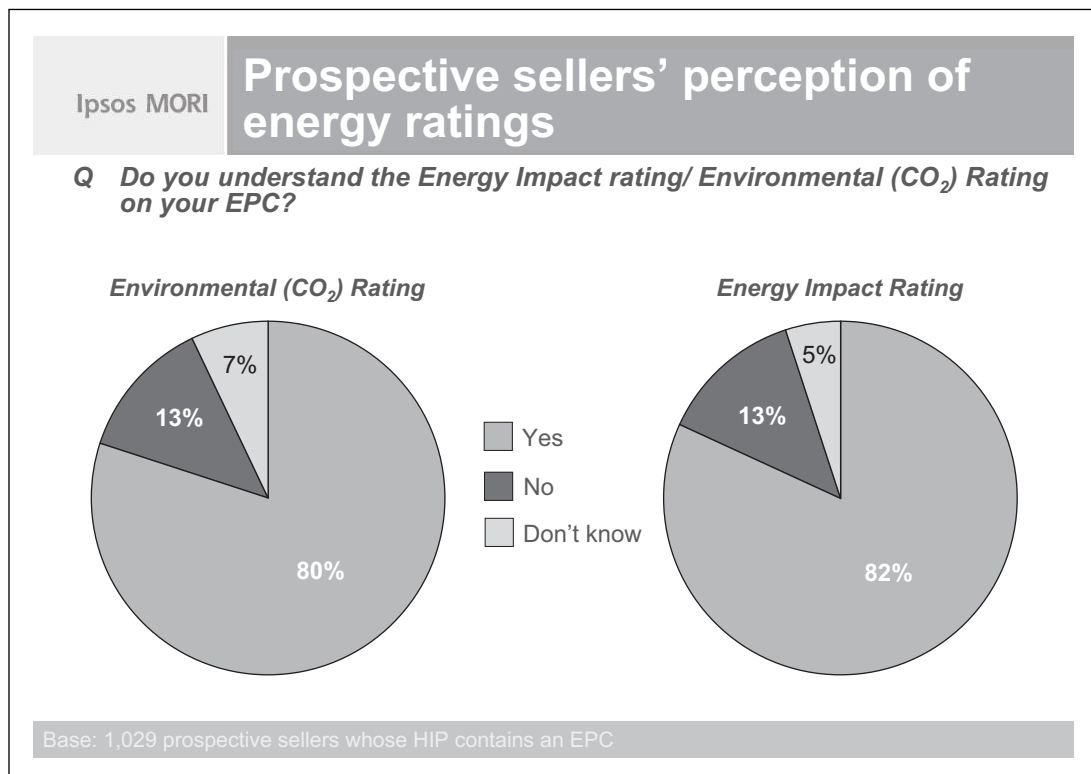
A minority of buyers in the discussion groups felt that the EPC was relatively superficial and that it was telling them things they already knew. Very few felt that an EPC would influence their purchasing decision, although some felt it was yet another potential tool for negotiating on price.

Buyers did not have strong opinions on how long an EPC should remain valid. They felt that a year sounded relatively sensible as they thought most properties sold within six months and very few take over a year. They felt it would be important that, if a seller chose to, they should be able to commission a second EPC before a year had elapsed if they had done significant work and wanted this reflected in the energy rating. They were unclear about how fast a property's energy rating might deteriorate but felt that this was unlikely to happen within a year.

3.2 Understanding the EPC ratings

SELLERS

The majority of prospective sellers understood both EPC ratings: 82 per cent said they understand their Energy Efficiency rating and 80 per cent said they understood their Environmental Impact (CO₂) rating.



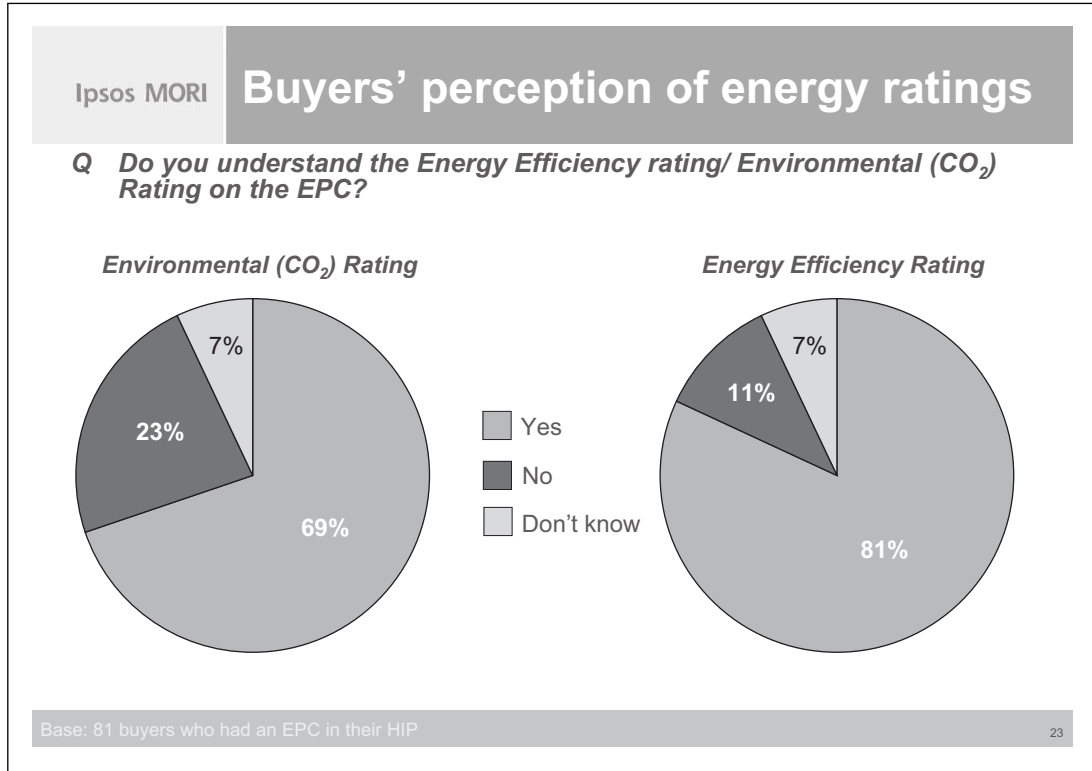
On the whole, sellers who participated in the depth interviews in January found the EPC layout clear and easy to read. The language was straightforward and the energy efficiency charts were familiar to anyone who had recently purchased an electrical appliance such as a washing machine or fridge, although not everyone was clear why both an Energy Efficiency Rating (EER) and Environmental Impact Rating (EIR) were required.

The interviews also suggested that awareness of the EPC was high (particularly for properties without an HCR) as the Home Inspector's visit drew attention to it and people were curious to see what it entailed. Also, because it was information they did not already know about their house they were curious to see what had been reported and how well the property performed.

Of the few who had difficulty understanding the ratings, their suggestions for improvement included having an option to be guided through the CO₂ rating and its implications. They felt that increasing their knowledge through a discussion or through further written information that highlighted any areas they could improve would help increase their understanding.

BUYERS⁷

Buyers who said their HIP contained an EPC were just as likely as sellers to have understood their Energy Efficiency rating (81%), although fewer understood their Environmental Impact (CO₂) rating (69%).



3.3 Use of the EPC by primary stakeholders

SELLERS

A quarter of the prospective sellers (27%) were concerned about their property's energy rating, compared with 17 per cent of buyers. Both prospective sellers and buyers were asked whether or not they would act on the recommendations made in their EPC. Prospective sellers were less likely than buyers to say they would act, with 82 per cent saying they had no plans to undertake the recommendations made in the EPC, while only a half (49%) of buyers who said they had an EPC with their HIP said they have no plans to undertake any of the recommendations.

Sellers in the qualitative interviews generally welcomed the recommendations section; the presence of typical financial savings was a particular focus and enabled sellers to see the benefit of undertaking these actions. Sellers welcomed the way the recommendations were split into three sections – sometimes paraphrased as: 'easy things I can do', 'things I might need a builder's help with', 'things I'll probably never do.'

⁷ NB Only 81 buyers saw their HIP and could confirm it contained an EPC so the base sizes for this section are small.

Some prospective sellers considered undertaking some of the simpler measures such as 'change light bulbs' or 'thicker insulation in the loft'. Others planned on acting if their property failed to sell: 'if the property doesn't sell I will look at those things like windows and cavity wall insulation'. Additionally, some felt they may act on some of the generic recommendations at the back of the report once their attention was drawn to them (such as turning down their thermostat). However, beyond making very minor changes (e.g. replacing light bulbs), the investment in making the home more efficient would not sufficiently improve the potential for selling their house so they would be unlikely to take action. The only possible exception would be in an area with many identical houses where efficiency might become a deciding factor.

A number of prospective sellers took on board the suggestions in the EPC but were likely to apply them to their future homes. Most felt that if they moved into a house with an EPC they would certainly look carefully at the recommendations once they had moved in and would then choose the most appropriate actions to take. However, it was felt that in order for people to properly consider the more expensive options they would also need a more accurate indication of the cost, so that they could judge how quickly their investment would pay for itself.

BUYERS

Over half of buyers who said they had an EPC with their HIP (65%) agreed that the HIP helped them know what they needed to do to make their property more efficient. Now that they own the property, one-third (32%) said they planned to undertake at least one of the EPC recommendations.

It should be noted that only 40% of buyers (119 out of 300 interviewed) saw the HIP before purchasing their property and only two-thirds of those (81) recognised the inclusion of the EPC in the pack they saw.

3.4 Perceived impact of EPC on the buying and selling process

SELLERS

The sellers who took part in depth interviews in January 2007 believed that the EPC would have a minimal effect on buyers' decision-making process. Its real value was seen to be in providing buyers with money-saving advice when they move into their new home.

BUYERS

In the group discussions, very few buyers felt that an EPC would impact on their decision to buy (with the exception of some who were particularly interested in either environmental issues or cost savings). However, some felt that if they had received the HIP before they placed their offer, they may have used it to negotiate on price.

Process/transaction times

3.5 Length of time to produce an EPC

According to Home Inspectors, EPCs took between 30 minutes and one hour to conduct the inspection and a further twenty minutes to an hour to write up. Home Inspectors were confident they could complete around four and a half EPCs per day including travel, inspection and write-up.

For EPCs, the biggest factor in determining the length of time Home Inspectors took to conduct the inspection was the size of the property. Complex dwelling shape could also add to the time (as this makes measuring its area harder), so too if there had been a number of extensions, or if the heating system was complex (ie different forms of heating in different rooms or the particular type of boiler did not immediately appear on their standard list).

3.6 Overall views of the professionals

BUYERS' SOLICITORS

Generally, solicitors thought that the EPC had no impact on the transaction itself and thought it was unlikely to influence buying decisions although it might be useful in terms of 'giving pointers' to make improvements to properties. When interviewed some solicitors argued that the EPC was not for them to comment on because they are not energy experts. They argue that that the EPC is the one standard part of the HIP that is for the buyers rather than for themselves.

HOME INSPECTORS

Like HCRs, Home Inspectors felt that the EPC was a 'very good product' and represents 'excellent value for money'. As with HCRs, some suggested minor amendments which may improve the inspection and reporting process. Many felt confident that the process would be improved over time, and were continually seeing developments. For example, some of the more experienced Home Inspectors felt that the reporting system had improved throughout the Area Trials which they had been involved in.

Some Inspectors also felt that the EPCs were a little restrictive and did not allow for a full picture of the property to be drawn from the forms alone – the concern here was that the EPC may be misleading, most particularly in non-standard properties. For example, deciding whether forms of heating were primary or secondary could have a large impact on the results of the survey.

It was also suggested that the EPCs should allow Inspectors to say when energy efficiency measures might be inappropriate. For example, PVC windows or solar panels might not be appropriate in a listed building.

Appendix A

Methodology

Methodology outline

This research was designed to monitor and evaluate the performance of properties for sale with a HIP from commission of the pack itself to outcome in the following six areas between 6 November 2006 and 31 October 2007 (via sellers interviews and Property Data Sheets from estate agents):

- Bath
- Cambridge
- Huddersfield
- Newcastle
- Northampton
- Southampton

Two additional areas (Southwark and North West Wales) were added in January 2007 and property outcomes were tracked between 12 February and 31 October 2007.

Within the eight areas, information was collected from the following stakeholders using both quantitative and qualitative methods. All participation by stakeholders in the eight area trials was voluntary:

- Individuals selling their property with a HIP
- Estate agents
- Those purchasing a property with a HIP
- HIP providers
- Buyers' solicitors
- Home Inspectors

The table below describes the methods used to collect information from each stakeholder.

	Quantitative	Dates	Qualitative	Dates
Sellers	1,689 Sellers 1 telephone interviews	2 Jan – 30 Aug 2007	46 online diaries (15 of whom sold their property)	Feb – Oct 2007
	1,268 Sellers 2 telephone interviews	1 Jun – 30 Sept 2007	8 depth interviews (EPC)	17-18 Jan 2007
Estate agents	Property Data Sheet	Nov 2006 – 31 Oct 2007	23 depth interviews	Jan – May 2007
Buyers	300 face-to-face interviews	12 Sept – 22 Oct 2007	6 group discussions	5-12 Dec 2007
HIP providers			16 depth interviews	Feb to Nov 2007
Buyers' solicitors			34 depth interviews	17 Jul – 9 Aug 2007 & 10 Oct – 5 Dec 2007
Home Inspectors			16 depth interviews	16-24 Jan & 14-18 May 2007

Sellers

TELEPHONE INTERVIEWS

Contact details for those selling their home with a HIP during the Area Trials research were collected by estate agents as properties were marketed. Each prospective seller was then obliged to participate in the research and their details were collected via a Communities and Local Government consent form. These details were regularly passed on to Communities and Local Government who provided names and telephone contact details to Ipsos MORI. Additional details and updated information for the prospective sellers, where appropriate, were also supplied to Ipsos MORI during the research period.

When prospective sellers were offered a HIP from their estate agent, they were invited to participate in two telephone interviews – the first to be conducted as soon as possible after they received their completed HIP or had seen a copy of it; and the second following the sale of their property, (or at the end of the selling processes if the property is withdrawn or the sale has failed). If, when they were called for the first interview, they had not yet seen the HIP, they were encouraged to obtain or view a copy, given two weeks to do so, and then recalled.

Of the 3,118 HIPs ordered during the study timeframe, 2,616 completed HIPs were received by those estate agents who commissioned them, and 2,333 sellers were eligible for the first interview (see Appendix C for detailed breakdown of this sample).

First interviews were conducted with 1,689 sellers between 2 January and 30 August 2007.

Once a property had sold or was withdrawn from the market, a second interview was conducted⁸. Only sellers who had completed the first interview were eligible to complete this interview. From 1 June until 30 September 2007, 959 interviews were conducted with those whose properties had sold (701 properties) or been withdrawn (258 properties). From 1 October until 31 October an additional 307 interviews were conducted with those whose properties were still on the market (see Appendix D for detailed breakdown of property outcomes by area).

DEPTH INTERVIEWS ABOUT EPC DESIGN

In addition to these quantitative surveys, eight telephone depth interviews were also conducted with prospective sellers who had taken part in the first telephone interview and agreed to be contacted with respect to this aspect of their HIP. These interviews were undertaken early on in the research to help the policy of Communities and Local Government in relation to the EPC design. The interviews were conducted on the 17 and 18 January, 2007.

ONLINE DIARIES

In order to take advantage of an increasingly web-literate population Ipsos MORI developed a web-based information portal to collect instant feedback on sellers' perceptions of the selling process. Designed as a type of 'blog', prospective sellers could log on at regular intervals as they sell their property, respond to pre-set questions about where they are in the process, and comment on various aspects of the day-to-day issues that arise when selling your home.

⁸ Initially this interview was triggered by receipt of the second part of a Property Data Sheet received from the Estate Agent. From 1 October 2007 sellers were telephoned directly to ask them the current status of their property sale, and if withdrawn or complete.

Each prospective seller was expected to make an entry at least once per week, and would receive an email to remind them to do so. Once on the system, they would only see their own diary entry and questions pertaining to which stage of process they were in (recently marketed, first viewing, first offer received, offer accepted, etc). They were prompted with questions regarding their stage each week, asked whether any particular issues had arisen, specifically in relation to the HIP, and whether they felt the HIP was having any impact on the selling process. They were also encouraged to write as much or as little detail as they liked, provide feedback (positive or negative) on the process as a whole, and vent their frustrations. At the end of the process, each diarist was sent a series of follow-up questions to clarify aspects of their entries. A total of 46 prospective sellers submitted online diaries (of whom 15 had sold their property when the diaries closed on 31 October 2007).

Estate agents

PROPERTY DATA SHEET

Estate agents were recruited by Communities and Local Government to participate in the Area Trials by marketing properties with a HIP. One hundred and fifty estate agents across all eight areas participated fully in the research study and were asked to complete two sections of a Property Data Sheet (PDS) for each property they marketed with a HIP during the Area Trials.

The first part of the PDS required estate agents to collate information such as: full address, whether the HIP included an HCR, the type of property, the original construction date, and a number of key transaction dates – date instructed to market, date started marketing, date HIP commissioned, and date HIP received.

Once the prospective seller had received their HIP, estate agents were instructed to return this first part to Ipsos MORI. In total, 1,590 first parts were returned out of 2,616 eligible properties in the Trials.

Once a definite outcome was registered for each property (if the property had either sold or been withdrawn from the market) estate agents were instructed to complete the second part of the PDS. If the property sold, estate agents were asked to provide information about: original and final asking prices, solicitors' contact details, date of first viewing, date of first offer, date offer agreed, and any information about failed sales, if applicable.

If the property had been withdrawn from the market, estate agents were asked to provide the date it was withdrawn, the reason for withdrawal, whether or not the property was withdrawn before or after an offer had been made, and whether any sales had fallen through before it was withdrawn.

Information about any properties that were still on the books after 30 September 2007 was limited to why the property was still on the books and whether there had been any failed sales.

Of the 1,590 first parts, Ipsos MORI received information about 1,109 property transaction outcomes (629 properties had sold, 416 properties had been withdrawn, and 64 were still on the books when the research was closed).

Throughout the process Ipsos MORI provided support to estate agents in completing the forms to maximise the response rate. This support took the form of telephone discussions and face-to-face visits where the Ipsos MORI team helped to complete Property Data Sheets if estate agents had a large back-log of forms to fill in. Receptiveness to completing the Property Data Sheets was variable, as was the level of detail estate agents were able to provide – therefore the exact proportion and number of Property Data Sheets collected in each area vary significantly.

DEPTH INTERVIEWS

Twenty-three depth interviews were also conducted with estate agents over the course of the research (from January to May 2007). These interviews were designed to ascertain their general opinion and understanding of HIPs and of the trial in their area; how they marketed the HIPs to prospective sellers; the success of their marketing; and the advice they give to sellers and buyers.

All the estate agents recruited for these interviews had marketed at least one property with a HIP but not necessarily sold any properties with HIPs at the time of the interview.

Buyers

FACE-TO-FACE INTERVIEWS

Once a property in the Area Trials sold, Ipsos MORI contacted the buyer in face-to-face interviews. Interviews with 300 buyers took place from 12 September to 22 October 2007. The interview asked buyers about the influence of the HIP on the selling process, the buyers' attitude and understanding of the HIP, and their opinion of the success of the HIP as a tool to help them to decide to purchase the property. Buyers were interviewed regardless of whether or not they had seen the HIP completed for their property.

GROUP DISCUSSIONS

Six group discussions with 26 buyers in total were conducted between 5 and 12 December 2007. During these groups buyers discussed their views and knowledge about HIPs; the impact of HIPs on the buying process (during the Trials and in the future); the different elements of a HIP (including EPCs, HCRs and searches); and the impact of HIPs on property sales. The groups also allowed further in-depth discussion of key issues from the buyers' face-to-face interviews

such as buyers being able to access their HIP, and buyers' personal experiences of the buying process. Not all buyers who attended the groups were able to view their HIP during their property transaction.

Home Inspectors

DEPTH INTERVIEWS

Home Inspectors who had produced HCRs/EPCs for HIPs in the first six trial areas were invited to take part in depth interviews about the EPC and HCR. The aim of the interviews was to establish how Home Inspectors were approaching the job; the training programme and certification process; the timing and cost of the HCR and EPC inspections; inspections and suggestions for improvements; and the future of HCRs.

These interviews took place between the 16 and 24 January, 2007 – before the announcement that the roll out of HIPs had been postponed from June to August 2007.

HIP providers

DEPTH INTERVIEWS

These depth interviews focussed on what HIP providers included within the packs, the difference between putting together a leasehold pack compared with a freehold pack, the length of time taken to conduct searches and collect other information required for the HIP. All HIP providers interviewed had completed at least 30 HIPs each.

The 16 interviews took place over three waves, with the first 12 (in the original six trial areas) taking place between the 21 and the 27 February 2007, two in May 2007 (before the announcement that implementation was postponed) and the remaining two in November 2007. It is important to note that the interviews in February took place before the original launch of HIPs was delayed, and before a number of amendments were made to the HIP regulations detailed in the introduction.

Limitation of findings

The research strategy chosen was adopted to maximise the level of information that could be gathered from the various stakeholders. It is important to note that there are some limitations in the findings. Three key limitations relate to tracking transactions, area comparisons, and the lack of control data. Every effort was made to mitigate the effects of these through the research design.

Tracking

The findings presented in the report do not present a full evaluation of transactions that received an incentive during the trial period. While 3,118 HIPs were taken up, complete details of transactions were received from estate agents in just over 1,000 cases.

Area comparisons

The number of incentives taken up in each area varied considerably. This makes it difficult to analyse results across trial areas. For example, in some areas there were a very small number of properties sold, which means robust comparisons by area is limited. Southwark and North West Wales were included in the study from February, which again limits the number of potential transaction outcomes that were possible during the research period.

No control data – limited comparisons with 2006 HIPs Baseline Study⁹

It is not possible to measure changes in transaction times for those properties within the trial compared with sales without a HIP as no control sample was included in this study; as a result, it is not always possible to make a direct comparison of transaction times in each area, or generally with other non-HIP properties during the period of the trial.

The 2006 HIPs Baseline Study provides some indication of the transaction times prior to the Area Trials and some comparisons have been included in Appendix E. Since the 2006 Baseline Study considers a sample of transactions all of which completed within a certain time period, the data collection process is not the same between these two studies – the baseline only considers completed transactions, some of which took longer than the whole length of time available in the Area Trials; and the Area Trials data were compared with data from a limited selection of sales from the baseline dataset.

Property that went on the market in April 2007, the last month of the Area Trials, only had six months before the data collection process was terminated. These sales were compared against sales in the 2006 Baseline Study that completed within six months from marketing. Similarly, Area Trial sales that went on the market in March 2007 were compared with properties with transaction times below seven months, and so on through to properties that went on the market in November 2006. It should be noted that the baseline data will be expected to be more biased towards longer transaction times, as this is an inclusive cut off, not a time based event.

⁹ In 2006 Communities and Local Government commissioned the Building Research Establishment working in partnership with Ipsos MORI to undertake a national baseline study of the housing market prior to the introduction of Home Information Packs.

General reliability of quantitative and qualitative findings

It should be noted that all quantitative survey findings are subject to margins of error. As we conducted what was effectively a census of HIPs in the Area Trials, the results are not subject to any sampling error. However, as we did not achieve a 100% response rate in every case, the results may be subject to non-response bias which cannot be statistically measured. These results, therefore, should be interpreted with caution.

Qualitative findings are based on a small number of respondents. Therefore, by their nature, they are subjective and should not be interpreted as definitive or statistically representative of the larger target population. For the reader's ease, these findings are depicted to some extent as definitive and projectable. The findings are designed to give you a detailed insight into what people think and what is driving their opinions, but does not provide robust evidence as to the proportion of people who think or act in a particular way.

Appendix B

Key Performance Indicators

HIP Area Trials Key Performance Indicators (KPIs)

Do HIPs improve the home buying/selling process?

- Unprompted awareness of HIPs, HCRs and EPCs amongst consumers and industry
- Knowledge of content and purpose of HIPs, HCRs and EPCs amongst consumers
- Consumer understanding and usefulness of contents of HIPs, HCRs, forms etc.
- How long does it take to acquire pack components?
- Do leasehold packs take longer to put together than freehold packs?
Reasons for delay
- What does a pack, and its component parts, cost to produce?
- How are sellers paying for packs?
- How long does it take local authorities to respond to search requests?
- Are conveyancers re-requesting information?
- What is the failure rate of properties marketed with and without HCRs under the trials?
- Why do they fail?
- What are the transaction times with and without HCRs for properties in the trial between key stages of the process?
- What are the transaction costs?
- Consumer satisfaction with buying and selling process

Understanding the take up of Home Condition Reports (HCRs)

- Number of packs taken up in each area; by type (eg HCR or not) and incentive offered
- Why consumers choose to buy HCRs (or why not)
- What buyers and sellers use HCR for

Understanding the take-up and impact of Energy Performance Certificates (EPCs)

- Did sellers understand the EPC?
- Did the seller act on the EPC prior to/during marketing?
- Did the EPC affect the decision to purchase the property?
- Did the buyer conduct any negotiations with the seller based on the EPC?
- Did the buyer take any action or intend to take action to improve the energy efficiency of the property following the EPC?
- How long does it take a Home Inspector to undertake the EPC?
- How are estate agents using the EPC in marketing of properties?
- Are solicitors using the EPC to advise clients?

Appendix C

Final number of properties and response rates

Total number of HIPs tracked

In total, 4,329 HIPs were ordered across all eight areas between 6 November 2006 and 5 September 2007. Of these, 3,118 HIPs were ordered during this study's timeframe, and 2,616 were received by estate agents – it is these HIPs that were tracked until they were either sold, withdrawn or were still on the market as of 31 October 2007. In total, Ipsos MORI tracked all properties for which a HIP was commissioned within this study's timeframe (84% of the total number commissioned).

Property Data Sheets

Of the 2,616 properties tracked, the first part of Property Data Sheet information was provided by estate agents in 1,590 cases. Estate agents provided information for 61% of the properties for which a HIP had been received.

Outcome information was provided in 1,109 cases (for 70% of properties for which a first part was provided) – 629 properties had sold over the course of the Area Trials, 416 had been withdrawn, and 64 were still on the market. Outcome information was unavailable for 481 properties when fieldwork closed.

Sellers' interviews

Of the 2,616 properties for which a HIP was received, 2,333 numbers were eligible to be called for a first sellers' interview. First interviews were completed with 1,689 sellers – a 72% response rate.

Second interviews conducted once the property had either sold, was withdrawn from the market, or was still on the market as of 1 October, were completed with 1,268 sellers. As sellers were only eligible to complete the second interview if their property fell into one of the categories defined above and if they had already completed the first interview, the response rate is determined using 1,689 as the maximum and is calculated to be 75%.

Buyers' interviews

Once a property had sold (information provided by the estate agent via the Property Data Sheets) the property was visited and the buyer interviewed. Of the 629 properties that had sold during the trial, interviews were completed with 300 buyers. While a response rate of 48% is comparatively low, there were 157 properties that were ineligible due to: the buyer was renovating and had not yet moved in, the property had been purchased to let, the property was not yet occupied or the buyer was not living there (had let the property). When these 157 properties where no interview was possible are no longer taken into account, the response rate is recalculated to 64%.

The table below highlights a breakdown of the commissioned HIP sample and subsequent response rates for the Area Trials research.

Source: Transaction tracking spreadsheet Number (N)		
Total Ordered	3,118	
Cancelled	40	
Rejected	9	
Other	17	
Unknown outcome	436	
Total received	2,616	84% tracked
No phone details/incorrect phone details	157	
Duplicate sellers	47	
Not real numbers	53	
No names	26	
Final used by MTS for sellers 1	2,333	89% eligible

Sellers 1	2,333	
Bad numbers	393	
No reply	83	
Ineligible (wrong language, business number, moved, etc)	49	
Refused	115	
Soft appts	4	
Completed interviews	1,689	72% response rate
Sellers 2	1,689	
Bad numbers	243	
No reply	15	
Ineligible (wrong language, business number, moved etc)	3	
Refused	111	
Other	49	
Completed interviews	1,268	75% response rate
Buyers	628	
Ineligible	157	
No contact after four visits	95	
Refused	76	
Completed Interviews	300	48% response rate

Property Data Sheets		
Part 1s collected	1,590	61% of tracked
Part 2s outcome	1,109	
Sold	629	
Withdrawn	416	
Still on market	64	
Outstanding	481	

Appendix D

Profile of properties in Area Trials

Of the 2,616 properties tracked in the Area Trials, additional information was provided by participating estate agents for 1,590 properties. This was provided using a Property Data Sheet (PDS) designed by Ipsos MORI and the Building Research Establishment. The first part of the PDS required estate agents to collate information such as the following: full address, whether the HIP included an HCR, the type of property etc. Once a definite outcome was registered for each property (if the property had either sold or been withdrawn from the market) estate agents were instructed to complete the second part of the PDS. If the property sold, estate agents were asked to provide information about: original and final asking prices, solicitors' contact details, date of first viewing, date of first offer, date offer agreed, and any information about failed sales, if applicable.

The following section provides a profile outline of the properties, and PDS information received during the research.

Table 1: Highlights the number of part 1 forms from the property data sheet that were received within each area, and the proportion of part 1 forms received in each area overall.

Table 1: Number of part 1 forms from the PDS received in each area		
Trial areas	Number of part 1 forms received	% of part 1 forms in total
Bath	55	3
Cambridge	85	5
Huddersfield	347	22
Newcastle	295	19
NW Wales	227	14
Northampton	368	23
Southampton	192	12
Southwark	21	1
Total	1,590	100
<i>Base: 1,590 properties where part 1 of the property data sheet (PDS) was completed</i>		

Table 2: The proportion of dwelling type as stated within part 1 of the PDS received.

Table 2: Dwelling types	
Dwelling type	% of properties with part 1 PDS
Terrace house	31
Semi-detached house	25
Detached house	19
Bungalow/chalet	10
Converted flat	2
Purpose-built flat	7
Other	6
Total	100
<i>Area Trials base: 1,580 properties where part 1 of the PDS was completed and information on dwelling type was provided</i>	

Table 3: Dwelling age as stated within part 1 of the PDS received.

Table 3: Dwelling age	
Dwelling age	% of properties with part 1 PDS
Pre 1919	18
1919-1945	15
1946-1964	15
1965-1980	21
Post 1980	31
Total	100
<i>Area Trials base: 1,290 properties where part 1 of the PDS was completed and information on the dwelling age was provided</i>	

Table 4: The proportional spread of dwelling age by the number of bedrooms as recorded within part 1 of the PDS received.

Table 4: Dwelling age by number of bedrooms							
Dwelling age	% with each number of bedrooms						Total %
	1	2	3	4	5+	Don't know	
Pre 1919	22	24	15	14	29	17	18
1919-1945	9	15	15	12	19	33	15
1946-1964	11	18	18	6	15	0	15
1965-1980	26	15	26	20	15	17	21
Post 1980	30	20	20	40	8	33	24
New Build	2	8	5	8	13	0	7
Total	100	100	100	100	100	100	100

Base: 1,276 properties where part 1 of the PDS was completed and information on dwelling age and number of bedrooms was provided

Table 5: The proportion of dwelling age in relation to the freehold/leasehold status for properties with part 1 of the PDS.

Table 5: Dwelling age by freehold/leasehold					
Dwelling age	% with each type of tenure				Total %
	Freehold	Leasehold	Other	Don't know	
Pre 1919	17	20	30	42	18
1919-1945	16	8	10	10	15
1946-1964	15	14	30	26	15
1965-1980	21	22	20	10	21
Post 1980	25	23	0	8	24
New Build	6	11	10	4	7
Total	100	100	100	100	100

Base: 1,290 properties where part 1 of the PDS was completed and information on dwelling age and tenure was provided

Table 6: The proportion of dwelling type in relation to the age of the property for properties with part 1 of the PDS received.

Table 6: Dwelling type by age							
Dwelling type	% of each dwelling age						Total %
	Pre 1919	1919 - 1945	1946 - 1964	1965 - 1980	Post 1980	New Build	
Terrace house	61	27	21	34	21	15	32
Semi-detached house	11	43	35	26	21	16	26
Detached house	11	12	12	16	36	33	20
Bungalow/chalet	0	9	24	14	8	1	10
Converted flat	5	1	1	1	1	1	2
Purpose-built flat	0	4	8	8	7	23	7
Other	11	3	1	1	6	10	5
Total	100	100	100	100	100	100	100
<i>Base: 1,290 properties where part 1 of the PDS was completed and info was provided on dwelling type and age</i>							

Table 7: The proportion of dwelling type in relation to the dwelling tenure for properties with part 1 of the PDS received.

Table 7: Dwelling type by tenure					
Dwelling type by tenure	% freehold/leasehold all				Total %
	Freehold	Leasehold	Other	Don't know	
Terrace house	33	22	15	38	31
Semi-detached house	27	11	7	27	25
Detached house	22	4	4	3	19
Bungalow/chalet	11	2	7	11	10
Converted flat	0	11	11	1	2
Purpose-built flat	1	42	15	6	7
Other	5	8	41	14	6
Total	1,268	214	27	71	1,580

Base: 1,580 properties where part 1 of the PDS was completed and information was provided on dwelling type and tenure

The Area Trial transactions and their outcomes

Findings that relate to sold properties are gathered from either the property data sheet or from the sellers survey, in the case of property data sheets, the number of properties that contribute to this sample are properties marketed from 6 November 2006 and completed by the end of the data collection process which was 31 October 2007.

The following transaction profile information is presented according to the two different sources of information that confirmed the outcome of the property – Sellers survey or Property Data Sheet.

Sellers' survey transaction profile

Forty two per cent of prospective sellers who were contacted in the Area Trials surveys sold their property over the monitoring period, 15% had withdrawn their property from the market, while 18% said their properties remained on the market by the end of the monitoring period.

Table 8: Outcome of transactions from sellers' survey

Table 8: Outcome for seller	
Sellers status	%
Sold	55
Withdrawn from market	20
Still on market	24
Total	100
<i>Base: 1,268 interviews with sellers who described the outcome of the transaction at the end of the Area Trials.</i>	

Property Data Sheet transaction profile

Table 9: The transaction outcome for properties as recorded on the PDS.

Table 9: Transaction Outcome from Property Data Sheet information	
Property status	%
Sold	40
Withdrawn from market	26
Still on market	4
Outcome unknown	30
Total	100
<i>Base: 1,590 properties where part 2 of the PDS was completed, or where part 1s only were completed the status of the property is coded as 'outcome unknown'.</i>	

Table 10: The transaction status of all properties by area as recorded on the PDS.

Table 10: Status of all properties by area from Property Data Sheet information					
Status of all properties by area	Sold %	Withdrawn %	Still on books %	Outcome unknown %	Total %
Bath	3	3	2	5	3
Cambridge	7	4	0	5	5
Huddersfield	14	17	23	35	22
Newcastle	20	13	2	23	19
North West Wales	10	10	36	21	14
Northampton	31	35	25	3	23
Southampton	14	17	13	5	12
Southwark	1	1	0	2	1
Total	100	100	100	100	100

Base: 1,590 properties where part 2 of the PDS was completed, or where part 1s only were completed the status of the property is coded as 'outcome unknown'

Profile of properties that sold during the Trials

Table 11: The HCR status of sold properties with complete part 1 and part 2 PDS.

Table 11: HCR status of sold property	
Does HIP include an HCR?	%
Yes	38
No	57
Missing/unknown information	5
Total	100

Base: 538 properties where part 1 and 2 of the PDS was completed and the transaction resulted in a sale

Table 12: The proportion of dwelling age by the number of bedrooms as recorded on the PDS.

Table 12: Dwelling age by number of bedrooms for sold properties							
Dwelling age	Number of bedrooms (%)					Don't know	Total %
	1	2	3	4	5+		
Pre 1919	9	26	11	11	0	0	15
1919-1945	9	15	17	13	45	67	17
1946-1964	18	19	17	5	9	0	16
1965-1980	18	16	31	20	18	0	24
Post 1980	45	21	18	43	18	33	23
New Build	0	5	6	9	9	0	6
Total	100	100	100	100	100	100	100

Base: 440 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was sold and where information was provided on dwelling age and number of bedrooms

Table 13: The proportion of dwelling age by the dwelling tenure as recorded on the PDS.

Table 13: Dwelling age by tenure for sold properties					
Dwelling age	Tenure (%)			Don't know	Total %
	Freehold	Leasehold	Other		
Pre 1919	15	15	33	33	16
1919-1945	18	13	0	0	17
1946-1964	14	19	33	67	15
1965-1980	23	22	33	0	23
Post 1980	24	20	0	0	23
New Build	5	11	0	0	6
Total	100	100	100	100	100

Base: 446 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was sold and where information was provided on dwelling age and tenure

Table 14: The proportion of dwelling type by the dwelling age as recorded on the PDS.

Table 14: Dwelling type by age for sold properties							
Dwelling type	Dwelling age (%)						Total %
	Pre 1919	1919-1945	1946-1964	1965-1980	Post 1980	New Build	
Terrace house	70	32	26	38	29	23	37
Semi-detached house	10	43	36	36	25	12	29
Detached house	3	11	6	13	30	42	15
Bungalow/chalet	0	5	16	8	8	0	
Converted flat	6	0	1	2	0	0	2
Purpose-built flat	1	7	13	3	4	23	6
Other	10	3	1	2	4	0	4
Total	100	100	100	100	100	100	100

Base: 446 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was sold and where information was provided on dwelling age and type

Table 15: The proportion of dwelling type by the dwelling tenure as recorded on the PDS.

Table 15: Dwelling type by tenure					
Dwelling type by tenure	Freehold/leasehold all (%)				Total %
	Freehold	Leasehold	Other	Don't know	
Terrace house	39	19	22	0	36
Semi-detached house	32	15	0	0	29
Detached house	16	3	0	0	14
Bungalow/chalet	8	4	11	33	8
Converted flat	0	10	33	0	2
Purpose-built flat	1	43	22	0	6
Other	4	4	11	67	5
Total	100	100	100	100	100

Base: 538 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was sold and where information was provided on dwelling type and tenure

Profile of withdrawn properties

Table 16: The proportion of dwelling age by the number of bedrooms as recorded on the PDS.

Table 16: Dwelling age by number of bedrooms for withdrawn properties						
Dwelling age	Number of bedrooms (%)					Total %
	1	2	3	4	5+	
Pre 1919	20	15	11	11	20	12
1919-1945	10	12	14	7	10	11
1946-1964	10	22	21	8	20	17
1965-1980	40	21	24	17	30	22
Post 1980	20	21	24	48	10	29
New Build	0	10	6	10	10	8
Total	100	100	100	100	100	100

Base: 333 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was withdrawn and where information was provided on dwelling age and number of bedrooms

Table 17: The proportion of dwelling age by the dwelling tenure as recorded on the PDS.

Table 17: Dwelling age by tenure for withdrawn properties					
Dwelling age	Tenure (%)			Don't know	Total %
	Freehold	Leasehold	Other		
Pre 1919	11	17	0	25	12
1919-1945	12	6	0	13	11
1946-1964	18	8	50	25	18
1965-1980	21	36	0	13	22
Post 1980	31	19	0	25	29
New Build	7	14	50	0	8
Total	100	100	100	100	100

Base: 337 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was withdrawn and where information was provided on dwelling age and tenure

Table 18: The proportion of dwelling type by the dwelling age as recorded on the PDS.

Table 18: Dwelling type by age for withdrawn properties							
Dwelling type	Dwelling age (%)						Total %
	Pre 1919	1919 1945	1946 1964	1965 1980	Post 1980	New Build	
Terrace house	73	16	20	32	20	15	28
Semi-detached house	7	47	29	22	17	8	22
Detached house	7	13	15	19	49	38	27
Bungalow/chalet	0	16	32	14	5	4	12
Converted flat	2	5	0	0	1	0	1
Purpose-built flat	0	0	3	12	5	15	6
Other	10	3	0	1	2	19	4
Total	100	100	100	100	100	100	100

Base: 337 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was withdrawn and where information was provided on dwelling type and age

Table 19: The proportion of dwelling type by the dwelling tenure as recorded on the PDS.

Table 19: Dwelling type by tenure for withdrawn properties					
Dwelling type by tenure	Freehold/leasehold all (%)				Total %
	Freehold	Leasehold	Other	Don't know	
Terrace house	30	15	7	33	27
Semi-detached house	22	13	7	44	21
Detached house	30	4	7	0	25
Bungalow/chalet	13	0	7	22	11
Converted flat	1	10	0	0	2
Purpose-built flat	0	48	7	0	7
Other	4	10	67	0	7
Total	100	100	100	100	100

Base: 415 properties where part 1 of the PDS was completed and the outcome of the transaction in part 2 of the PDS was withdrawn and where information was provided on dwelling type and tenure

Appendix E

Comparison with 2006 Baseline Study

Results from the 2006 Baseline Study have been compared with caution to results from the Area Trials.

The 2006 Baseline Study only considers completed transactions, some of which took longer than the Area Trials monitoring period. For example, properties that went on the market in April 2007, the last month of the Area Trials, only had six months before the data collection process was terminated (e.g. transaction data is only available for those properties that either sold or were withdrawn from the market before 31 October 2007).

The Area Trials data were compared with data from a limited selection of sales from the 2006 Baseline Study dataset. These sales were compared against 2006 Baseline Study sales that completed within six months from marketing. Similarly Area Trial sales that went on the market in March 2007 were compared with properties with transaction times below seven months, and so on through to properties that went on the market in November 2006. It should be noted that the 2006 Baseline Study data will be expected to be more biased towards longer transaction times, as this is an inclusive cut off, not a time based event.

HIP Baseline – instruction to completion	Area Trials – instructed to market
11 months	November
10 months	December
9 months	January
8 months	February
7 months	March
6 months	April

The transaction times for properties in the Area Trials between offer and exchange was on average 73 days. It is very difficult to say whether this is longer or shorter than transaction times for properties sold without a HIP, since there was not a dedicated control sample in this research. However, comparisons have been made with the 2006 Baseline Study, which had an offer to exchange transaction time of 81 days.

The table below shows a comparison of the Area Trials findings, and the 2006 Baseline Study at three key stages of the transaction.

Table 1: Comparison of three key stages (in days)				
	Instruction to offer agreed	Offer agreed to exchange	Instruction to completion	Sample size
Baseline				
6 months or less	31	73	111	543
Area Trials				
April	39	63	110	20
Baseline				
7 months or less	39	75	122	618
Area Trials				
March	34	77	116	60
Baseline				
9 months or less	49	77	134	700
Area Trials				
February	28	70	105	80
Baseline				
8 months or less	56	78	143	756
Area Trials				
January	37	72	114	106
Baseline				
10 months or less	66	79	153	815
Area Trials				
December	62	78	123	41
Baseline				
11 months or less	72	79	160	854
Area Trials				
November	51	76	132	59
<i>Bold numbers are significantly longer than the associated comparison (significantly different $p < 0.05$)</i>				

From the table above it is clear that some of the key stages have a smaller sample size than others, and this is exacerbated when carrying out comparisons with the data taken in the 2006 Baseline Study as estate agents did not always provide a full set of dates. For this reason, when carrying out comparisons only three stages are investigated, the instruction to offer agreed, offer agreed to exchange, and instruction to completion. It was also found that the data that the estate agents provided was not always accurate, with some offers being agreed

before the instruction had been received. For this reason the data sets were further filtered to exclude: negative ‘number of days’ between the instruction to offer agreed, and durations of less than five days between the offer agreed and the exchange. In addition, there had to be data provided for all three dates to be included in the investigation.

As can also be seen in Table 1, the Area Trials values are consistently shorter than the data collected during the 2006 Baseline Study. Caution should be taken with these comparisons, however, since the number of completed transactions in the Area Trials is often small. All the data for the Baseline Study is derived from the whole of England and Wales, whereas the Area Trials relates to only eight areas, which are unlikely to represent the whole housing market. The time period, and hence the state of the housing market, were also different in both cases.

With these caveats in mind, the differences at the start of the trial were only found in the overall length of time between instruction and completion. As the Area Trials progressed into January and February the differences are mainly found in the pre-offer stage, reflecting a difference in the instruction to completion values. The difference in offer agreed to exchange, in January, may be mainly due to the increased number of properties included in the analysis.

Table 2: Comparison of three key stages for Area Trials sample, with and without HCR (in days)

Mean number of days	Instruction to offer agreed	Offer agreed to exchange	Instruction to completion	Sample size
No HCR	36	71	113	205
HCR	40	76	120	153

Within the Area Trials there were no significant differences in the timescales for the three measures investigated, between sales where the HIP contained an HCR and those which did not.

Table 3: Comparison of three key stages, baseline against Area Trials with an HCR

Mean number of days	Instruction to offer agreed	Offer agreed to exchange	Instruction to completion	Sample size
Baseline				
6 months or less	31	73	111	543
Area Trials				
April	44	53	106	11
Baseline				
7 months or less	39	75	122	618
Area Trials				
March	77	76	158	10
Baseline				
8 months or less	49	77	134	700
Area Trials				
February	21	74	98	18
Baseline				
9 months or less	56	78	143	756
Area Trials				
January	31	84	112	37
Baseline				
10 months or less	66	79	153	815
Area Trials				
December	50	76	124	11
Baseline				
11 months or less	72	79	160	854
Area Trials				
November	38	74	117	28

Bold numbers are significantly longer than the associated comparison (significantly different $p < 0.05$)

Table 4 compares the 2006 Baseline Data with the data from the Area Trials where the property did not have an HCR. Data which are significantly different are in bold. Where there is a significant difference the Area Trials properties without an HCR are again shorter than the data collected during the baseline study.

Table 4: Comparison of three key stages, baseline against Area Trials without an HCR				
Mean number of days	Instruction to offer agreed	Offer agreed to exchange	Instruction to completion	Sample size
Baseline				
6 months or less	31	73	111	543
Area Trials				
April	27	48	80	2
Baseline				
7 months or less	39	75	122	618
Area Trials				
March	22	71	96	23
Baseline				
8 months or less	49	77	134	700
Area Trials				
February	28	70	106	40
Baseline				
9 months or less	56	78	143	756
Area Trials				
January	29	66	103	49
Baseline				
10 months or less	66	79	153	815
Area Trials				
December	43	76	122	29
Baseline				
11 months or less	72	79	160	854
Area Trials				
November	68	79	152	27
<i>Bold numbers are significantly longer than the associated comparison (significantly different $p < 0.05$)</i>				

With the same caveats in mind as described above, differences are again apparent, but the small number of cases, particularly for those with an HCR makes these comparisons less reliable. Interestingly, the difference in the January Area Trials data, for offer agreed to exchange is clearly related to those

properties sold without an HCR, since in the same time period the properties with a HCR took longer than expected from the 2006 Baseline Study (though not significantly). It is impossible to determine whether this difference is due to the presence of the HCR, but it is likely that the time at this stage was governed by the slowest property in the respective chains, and it is also likely that no other properties in the chain had an HCR, or a HIP. It is likely that the effect of HIPs, with or without an HCR can only be seen once all properties in the chain require a HIP before marketing. These differences are therefore more likely to be due to differences in the market conditions either due to time or location.

Transaction failures

According to buyers' solicitors, there were five main reasons for failures in transactions:

- surveys revealing problems with properties
- chains collapsing
- financial difficulties
- waiting for a mortgage offer
- people changing their minds.

For the purposes of this study, a transaction failure rate is described as 'failure rate by purchases' as: *'the number of purchases that had offers accepted, which subsequently fell through, as a percentage of the total number of purchases, whether completed or failed.'*

Failure rates were determined as a percentage of all purchases with an accepted offer that failed to complete. This determines the 'purchase based failure rate' which was calculated to be 23 per cent for the Area Trials. There was very little difference between this failure rate and that recorded in the baseline report, which had a purchase based failure rate of 21 per cent.

The number of failed purchases was recorded within the sellers' survey. From the 701 sellers that sold their property during the Area Trials, most sellers (80%) who had experienced failure had only one offer accepted without a purchase being completed.

Table 5: Failed transactions for each type of buyer

Number of offers accepted other than purchaser						Sellers who responded	Total		Failure rate %
	1	2	3	4	5		Failed transactions	Completed transactions	
Sold dwellings	138	27	6	0	1	172	215	701	23
Sold dwellings with a HCR	70	13	4	0	0	87	108	367	23
Sold dwellings without a HCR	25	4	0	0	0	29	33	93	26

Failures with an HCR compared with no HCR

As can be seen in the table below, there were no significant differences between properties that sold with an HCR and those that sold without an HCR. This suggests that the presence of an HCR had no effect on the likelihood of a transaction failing, or that the HCRs (or any part of the HIPs) were not seen at the time of the offers, and hence they could not affect the offers being made. Those that later failed because the property was not as expected and a new offer could not be negotiated, may have done so when the HCR and/or HIP were seen by the buyer, but there is no evidence to suggest that this occurred.

Table 6: Failed transactions by inclusion of HCR

	Failed (%)	Succeeded (%)	Totals
HCR	23	77	475
No HCR	26	74	126
Total	23	77	601

The 'purchase based failure rate' for properties with an HCR was 23 per cent, the same as for all properties. This is unsurprising given that most properties in the Trials had an HCR. It is unclear at what stage the HIP and HCR were seen by the buyer, and whether this would have affected the likelihood of failure.

The failure rate for properties without an HCR seemed to be a little higher with a 'purchase based failure rate' of 26 per cent.

