



Ministry of Housing,  
Communities &  
Local Government

# Evaluation of the Help to Buy Equity Loan Scheme 2017



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# Executive Summary

This study provides an updated evaluation of the Help to Buy Equity Loan scheme with the principal aim to provide a comprehensive evidence base focussed on the additionality of the scheme – covering both demand and supply additionality.

The scheme began on 1st April 2013 with the dual aims of improving access and affordability for would-be home owners and encouraging developers to build more homes. It is the biggest government programme for supporting home buyers and since launch, funding has been increased from £3.5 billion to £22.1 billion and extended from 3 to 8 years.

The scheme has attracted considerable comment with a focus on house prices, the recovery of the housebuilding industry and assistance to first-time buyers, all of which are considered further in this report using a combination of research methods.

This report presents the findings from this research, based on detailed analysis of existing secondary sources, in-depth interviews with developers, lenders and other stakeholders and a representative survey of 1,500 buyers using the Help to Buy scheme since June 2015. Key findings from each of these research elements are summarised below.

## How is Help to Buy impacting on the housing market?

A range of existing data sources have been used to consider trends in the overall housing market, and the role of Help to Buy within it. Key findings from this analysis address a number of areas.

### ***The housing market***

The housing market started to pick up before the introduction of the Help to Buy scheme. Planning permissions, starts and completions have all, with some volatility (both over time and between regions), grown throughout the period. For instance, by the second quarter of 2017, there were over 75,000 planning permission registrations, an increase of nearly 40% from the second quarter of 2013.

Prior to early 2013, average new build prices in England were below those for all sales, although they had been increasing more rapidly than those for total sales at least since 2010. Since its introduction, Help to Buy prices have risen in line with new build prices but are consistently below the average new build price region by region, and have at all times remained below average house prices. In the first quarter of 2017 (the last quarter for which both series are available) the overall house price average was £288,000, while the Help to Buy average was £271,000 (rising to £280,000 in Q2 2017) while the new build average was almost £340,000.

### ***The new build premium***

New build prices were rising faster than overall prices when Help to Buy was introduced and have continued to do so thereafter. As shown in Chapter 2, Figure 2.5, at the national level a new build premium began to emerge in early 2013, and had risen to around 19% in the final year of the statistical analysis (Q2, 2016 to Q1 2017). The premium relates mainly to apartment and terraced house prices where quality of new build is likely to be higher than in the existing stock.

### ***Help to Buy performance***

There had been almost 135,000 Help to Buy sales up to June 2017. While Help to Buy sales have generally been below 4% of total sales, for the first two years Help to Buy ran at between 30% and 40% of new build sales. Since then this proportion has risen, especially in late 2016 and early 2017.

Help to Buy has been relatively more popular in the North than in the South. London remains an outlier, even after the introduction of up to 40% Equity Loans, and is the only region where the maximum price limit bites significantly.

Over 80% of Help to Buy purchasers are first-time buyers and most buy detached or semi-detached houses. The average deposit has been around 10% and the mortgage about 68% - some 15% below the Loan to Value ratio for mainstream first-time buyer mortgages where there are very few mortgages offered at 90% or above.

Analysis by local authority suggests that high ratios of Help to Buy to new build transactions are positively associated with higher levels of completions and negatively with house price increases – but the relationships are weak.

### ***Help to Buy - Developer and lender activity***

Of the 1,800 plus developers registered for Help to Buy over 75% have done 10 or fewer transactions accounting for around 3.5% of all transactions. Seventeen developers have done 1,000 plus transactions. The two largest have each sold around 20,000 Help to Buy properties accounting for over 30% of all transactions.

More than 60% of mortgages for Help to Buy purchasers have come from two lenders. However, the number of lenders involved in the Help to Buy market increased to 23 at the time of the study.

## **How is the scheme impacting on developers and lenders?**

Evidence from in-depth interviews with large developers and small builders (26) and lenders (12) is used to provide supply-side perspectives on the impact of the scheme on new build and lending markets. Key findings from this analysis include:

### ***Builder activity***

Interviews highlighted differences between large and small housebuilders in their approach to Help to Buy but all recognised its strengths as a market-led scheme. Developers were clear that sites were being built out more quickly and the improved cash flow helped them to purchase more land to maintain and increase their pipeline. Developers also suggest that while planning delays have been a problem they have been able to maintain their projected pipeline.

### ***Impact of Help to Buy on developers***

The market was focused on first-time buyers (normally over 80% of their sales) but second steppers were also an important element outside London. The majority bought at prices below £250,000. The emphasis was on three to four bedroom houses and it was recognised that many buyers were trying to jump a move.

Developers saw the scheme as having both a direct impact on sales and an important role in building consumer and developer confidence across the whole market. Increasingly consumers have seen Help to Buy as their right so that it has become an integral part of the mainstream market.

Help to Buy was seen as having little direct effect on prices as it was a small part of any local market. However, there were changes in the mix of homes produced to meet Help to Buy requirements. Some developers were also extending their range of areas and choosing to build on larger sites.

Most larger developers were seeing Help to Buy sales of between 35% and 50% of their private sector output. Taking account of those who could have bought anyway they estimated the net additional effect of Help to Buy as up to 20% of their firms' total output.

### ***Lenders attitude and activity***

Lenders were mostly of the view the scheme had led to more homes being built though none had a precise figure. There was concern that builder profits and shareholder returns had also risen sharply, but there was a clear consensus that the recovery had been stronger because of the scheme.

In general, lenders were comfortable with the scheme, which they now saw as low risk. Early concerns about consumer understanding had faded and lenders were pleased with the quality of the borrowers taking out loans under Help to Buy. Borrowers were as good as mainstream first-time buyers and the structure of the scheme and the processes borrowers had to go through with Homes England offered additional assurance.

Lenders viewed Help to Buy as an opportunity to get more involved in the new build market and to deepen their understanding of developers. This was despite this market having been dominated by two national lenders for a number of years.



## ***Remortgaging and interest payments***

As the Help to Buy market matures, with borrowers now coming to the end of their first mortgage terms, lenders were exploring the remortgage market. Subject to the details of an operational agreement with Homes England this is expected to become an important new element in the Help to Buy market.

As of April 1<sup>st</sup> 2018 the earliest entrants to the scheme face interest charges on their Equity Loan. While there has been debate as to how well prepared some borrowers may be to meet extra costs, lenders took comfort from the fact that borrowers had been through the affordability and stress testing which should mean they can cope with the increased costs.

## ***Looking forward***

Both developers and lenders agreed it was essential that the government avoided creating any cliff-edge in terms of the future of the scheme. Decisions and clarity about the future were required soon.

Most developers wanted the scheme to continue in some form at least past 2021 but accepted there might be changes especially to the maximum values outside London. Most lenders wanted a staged exit including targeting the scheme more on lower income households.

Neither developers nor lenders offered a private solution to the scheme – the former constrained by the new rules under the Mortgage Credit Directive and the latter by the tighter affordability assessments now required and the limits on high Loan to Value lending. It was unlikely that on ending the scheme, any substantial unmet demand could be soaked up by the market.

## **How is the scheme impacting on buyers?**

Using evidence collected from a representative survey with 1,500 buyers, consideration is given to their views and attitudes towards the impact that Help to Buy has had on access to, and mobility within, the market. Key findings from this analysis are summarised below.

### ***Who is using the scheme?***

Eighty-one per cent of all buyers using Help to Buy are first-time buyers while 19% had previously owned a property. First-time buyers using Help to Buy are distinguished from previous owners by their younger age profile, smaller household size, lower household income levels and smaller deposit amounts.

There is marked variability in the profile of those using Help to Buy across regions. London stands out with the highest proportion of first-time buyers (96%), the highest average purchase prices and deposit amounts and the highest proportion of flats purchased (71%).

The profile of buyers using Help to Buy in lower demand areas in the North is characterised by below average purchase prices, incomes and deposit amounts despite purchase of larger (3 and 4 bedroom) houses predominating.

### ***Has the scheme helped buyers enter the market?***

A majority (75% of those surveyed) agreed that Help to Buy had enabled buyers to enter the property market at all and those on the lowest incomes (under £25,000 pa) and those living in London were most likely to agree.

Survey evidence suggests that Help to Buy has helped speed up access to the market. Some 79% of buyers agreed it enabled them to buy a property sooner with first-time buyers, those on the lowest incomes and those buying in London, most likely to agree. Fifty-nine per cent of buyers said it would have taken a year or more longer to have bought without assistance. This is against a backdrop of the use of higher deposit amounts (from an average of £17,020 in 2015 to £22,375 currently) and an increase in the average time to save for a deposit.

### ***Has the scheme changed what buyers are buying?***

A majority of buyers (56%) said they would not have bought newly built property without assistance, a significant rise (of nine percentage points) since 2015, suggesting the importance of the scheme to underpinning current levels of demand for new build.

A majority of buyers (82%) agreed Help to Buy enabled them to access the market at a higher level, particularly those in larger (4+ people) households (89%). Some 69% agreed that the scheme had enabled them to buy a larger property, a significant rise since 2015 (61%). Data suggests Help to Buy has assisted some less constrained buyers to move up the property ladder more quickly, although this is least likely to be the case for buyers in London where 59% agreed the scheme had enabled them to buy a larger property.

### ***Buyers – Going forward***

Historic concerns by some lenders around buyers' understanding of the financial commitment appear overstated according to current survey evidence. A majority of buyers said they were *very confident* in their ability to pay mortgage repayments (86%) and interest payments (65%) when they bought, and confidence levels remained strong at the time of interview (86% and 69% were very confident respectively). A majority (54%) were also confident in their current ability to repay the Equity Loan element, although 11% are not and those who bought in London are least confident.

A majority of buyers (55%) also said they feel able to move up the property ladder now, a significant rise since 2015 (at 49%), suggesting that housing mobility has not been unduly hampered by use of the scheme.

## Assessing additionality of Help to Buy

Evidence from existing sources together with supply and demand-side perspectives has been used to update estimates of additionality – defined as the number of new homes built as a direct result of Help to Buy, over and above what would have been built in the absence of the scheme – as well as to clarify how additionality varies across different regions.

Inclusion of new questions in the 2017 evaluation enabled the additionality assessment to account for those who may have been able to afford a smaller property without assistance, something that was not possible in 2015.

### ***Demand additionality***

Demand additionality is defined as the extent to which the scheme has drawn in more buyers.

Replicating the assessment used in 2015 suggests a small reduction in the central additionality estimate from 43% to **41%**. The majority of those buyers identified as additional are younger purchasers (56% under 35), live in smaller (1 or 2 person) households (55%) and largely have come from the rented (private and social) sector (56%).

This assessment has been updated to identify and exclude those who said they could have bought a suitable smaller property and who were, therefore, not dependent on Help to Buy to access the property market at all. This results in a reduction in the central estimate from 41% to **37%**.

Nearly half (49%) of all updated demand additionality arises in the *Midlands* (27%) and the *South & South West* (22%). Relative to all buyers using Help to Buy, demand additionality is highest in more pressured areas of the *South & South West* (43%) and *London* (41%), and lower in the less pressured areas of the North, notably the *North West* where 30% are assessed to be additional.

Additional buyers in *London* were more likely to be first-time buyers (98%) and single person households (32%). Three quarters (76%) of additional buyers in London bought smaller (1 and 2 bedroom) property, and most (83%) of the properties bought using the scheme were flats.

In contrast additional buyers in the *North East, Yorkshire & The Humber* were more likely to be older (18% are aged 45+ compared to 13% overall), and were more likely (82%) to have bought larger (3 and 4+ bedroom) houses.

Additional buyers are more likely than Help to Buy buyers overall to agree that the scheme enabled them to buy sooner (92% compared to 79%) although the impact on future additionality estimates of the scheme bringing forward demand is beyond the scope of this research as it depends on the future pipeline of sales.

## **Supply additionality**

Supply additionality is defined as the extent to which developers have expanded output because of Help to Buy.

Developers suggest that there are two main sources of additionality: direct sales and the impact of increased confidence among consumers, developers and other stakeholders.

Developers with a significant involvement in Help to Buy sales assessed the net direct effect of Help to Buy on their own activity at around or below 20%.

Supply additionality varies across developers and across regions, taking account of both the level of demand additionality and the proportion of private sales that are Help to Buy. Using the demand additionality estimates of 41% and 37% for the evaluation period and applying the Help to Buy proportion of new build transactions generates national supply additionality figures of 16% and 14.5% respectively - both somewhat higher than in the 2015 evaluation because of the higher proportions of Help to Buy sales.

Regionally these supply additionality figures vary from around 7% in *London* mainly because of the low proportions of Help to Buy sales to a high of 18.9% in the *Midlands*.

Developers agreed that confidence in the new housing market as a whole has been stronger because of the Help to Buy scheme. As a result, they were clear they had responded by building more units. If this confidence element is taken into account, the net effect of Help to Buy on output would be considerably higher.

## **Conclusions**

Drawing together the different research strands, a number of core issues arise from the implementation of Help to Buy. Key conclusions include:

### ***Impact of the scheme on the wider housing market***

Help to Buy is the most significant scheme helping increase home ownership. Seventy-five per cent of buyers stated that it had helped them enter the market at all while three in five indicated it speeded up their purchase by a year or more.

The scheme has been successful in boosting both demand and supply. Demand additionality using the central definition, is estimated at 37% for the review period and supply additionality at a minimum of 14.5%.

Demand additionality varies across regions from 30% in the *North West* to 43% in the *South and South West*. Similarly, direct supply additionality varies from 6.6% in *London* to 16.3% in the *Midlands*.

There was no evidence of a significant impact on prices overall but the scheme's effect on overall demand has had some impact on new build prices. There was no evidence of an impact on land prices except perhaps in *London* and the *South East*.

### ***Activity in the scheme***

The proportion of purchasers able to buy 3 and 4 bedroom homes reflects the higher activity in lower priced areas where this type of property is more usual. Buying bigger, better, sooner may mean skipping a rung in the ladder, saving transaction costs but probably reducing transaction numbers in the longer term.

In 2018 early purchasers start to pay interest on their Equity Loans. Relatively few borrowers have repaid their Equity Loans to date but HM Treasury is forecasting a sharp rise in repayments.

Survey evidence suggests most borrowers understand their obligations under Help to Buy, a reflection not least of the advice and guidance processes they go through. The majority of buyers were very confident in their ability to make interest payments, but were somewhat less confident about repaying the Equity Loan.

### ***Impact on developers and lenders***

Help to Buy has become embedded into overall new build supply and all developers are expecting to maintain their current levels of activity while the current scheme is in place. Many developers indicated they were close to meeting their immediate output goals – getting back to 2007 levels - but most were intending to keep expanding output.

Lenders have joined the scheme in increasing numbers and it was recognised as a vehicle for enabling low-risk medium Loan to Value lending, along with the government's Equity Loan, to serve the same purpose as relatively higher risk Loan to Value lending without such support.

### ***Government position***

The government estimates that the scheme will support 360,000 sales by the end of March 2021. Up to June 2017 (and over 17 quarters) 135,000 sales have been supported. Thus 225,000 further sales are forecast over the remaining 15 quarters.

In the last year of the evaluation (four quarters to Q2, 2017) the average house price was some £270,000 with an average Equity Loan of around £60,000 and an average deposit of £27,000 – that is 10% of the house price. This, in part, reflects London Help to Buy but also the emphasis on 3 and 4 bedroom homes and the new build premium (although in all regions average Help to Buy prices were well below average new build prices).

The government is expected to make a return on the scheme although exposure to the weakening London market is a factor that needs to be considered.

### ***The future***

The scheme is particularly attractive to developers, lenders and consumers because it is a market led scheme. There was agreement that the scheme could be modified going forward - with developers focussing on reducing the maximum loan size (except in London) and lenders on targeting lower income households.

# 1. Introduction

In 2015, the Department for Communities and Local Government<sup>1</sup> undertook a formal evaluation of the Help to Buy Equity Loan Scheme with the principal aim of establishing the ‘additionality’ of the scheme: the number of new homes built in addition to what would have been built in the absence of the policy<sup>2</sup>.

Two years on, the scheme is now strongly embedded into the new build market and in light of the significant investment the scheme represents, MHCLG are looking to understand the extent to which the scheme is supporting the housing market and how this might have changed over time. MHCLG has commissioned Ipsos MORI, in partnership with Christine Whitehead, Peter Williams and the London School of Economics to conduct this follow-up evaluation.

## 1.1 Policy and market context

In *Laying the Foundations*<sup>3</sup> published by MHCLG in November 2011 the government set out what it saw as the three main barriers to home ownership:

- Potential home owners not being able to afford mortgage finance;
- Lenders restricting access to mortgages to buyers who needed big deposits; and
- Developers did not build enough new homes, partly because potential buyers could not raise a mortgage.

On March 20th 2013 the Help to Buy Equity Loan scheme was announced as one of several measures to address these concerns and to provide support to the housing market. The Equity Loan scheme was opened to the public 12 days later, on 1 April 2013 with the dual and linked aims of generating effective demand for new homes via improved affordability and better access to mortgage finance and encouraging developers to build more new homes.

MHCLG allocated £3.5 billion to the scheme with the aim of helping 74,000 households across the three years 2013-14 to 2015-16. Subsequently the funding was increased by a further £8.6bn to cover the period up to 2021. The Government also launched the Help to Buy Mortgage Guarantee scheme and most recently a London Help to Buy scheme (as part of Help to Buy@ Equity Loan) in February 2016, in recognition of higher housing costs in the capital.

The Housing White Paper (“Fixing our broken housing market”) issued in February 2017 stated that the Government would “work with the sector to consider the future of the

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<sup>1</sup> The Department became the Ministry of Housing, Communities and Local Government (MHCLG) on 8 January 2018. Throughout this report all current and historical references to the Department are referred to as MHCLG.

<sup>2</sup> See Annex 6 for full list of publications referenced throughout this report

<sup>3</sup> See Annex 6 for full list of publications referenced throughout this report

scheme” beyond 2021. Then in an announcement made on the 2nd October, MHCLG and the Treasury announced a further £10 billion investment and the prospect of helping in total 360,000 households up to March 2021. This took total funding to around £22.1 billion with the scheme having helped around 135,000 households (to June 2017). It was noted demand for the current scheme had exceeded previous expectations, and the expanded financial commitment was aimed at ensuring the scheme can continue without any substantive changes to the offer for homeowners and developers.

Successive governments have worked to increase housing supply and although output has increased it is still well below the 300,000 per annum that Ministers and others have indicated is necessary. The Help to Buy Equity Loan scheme is an important part of the overall plan to supply more homes. Although a demand-led initiative driven through home buyers, it is defined to have supply based consequences as we go on to examine in this report.

Although the low Bank base rate and competition between lenders has meant that mortgage costs in general have come down over the life of this programme, income growth has been slow and house price inflation has continued, though to differing degrees, across England. The upshot is that affordability pressures have remained intense for many not least around raising the deposits. With an expanded private rented sector which is housing ever more younger households, there have been a number of reports highlighting the difficulties these tenants face in trying to enter home ownership and the consequences of not being able to make such moves. These pressures are unlikely to diminish in the short to medium term.

The latest net addition figures for 2016/17 showed around 217,000 added to the housing stock in England. The Office for Budget Responsibility’s (OBR) recent forecast for the UK as a whole<sup>4</sup> suggests UK output increasing from 232,317 net additions in 2016/17 to 249,398 in 2020/21 and then falling to 245,972 in 2022/23. While the OBR does not comment on this, the modest fall coincides with the ending of the existing commitment to the Help to Buy scheme.

The Office for Budget Responsibility has also taken a view on house price growth to 2023 suggesting that the rate of increase would slow through to 2021 (from above 4% now down to around 2.5%) but then rising to 3-3.5% reflecting what OBR has projected for real income growth. Even so, these forecasts are lower than their earlier estimates. Both Savills and JLL have published their forecasts for 2018 onward with prices rising by 1% this year and then increasing to 2022 along with transactions and supply. They have taken a slightly more optimistic view than mortgage lenders who are assuming a somewhat more muted strengthening over the two years. In reality all the forecasts recognise there is considerable uncertainty.

### **1.1.1 Recent commentary on Help to Buy**

Help to Buy has been operational for four and a half years. The scheme has been the subject of considerable scrutiny via the Public Accounts Committee (2014), the National

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<sup>4</sup> See Annex 6 for full list of publications referenced throughout this report

Audit Office (2014) and the market (Morgan Stanley, 2017; Stockdale, 2017; Resolution Foundation, 2017). Attention has focussed on a series of interlinked issues including the impact of the scheme on house prices in general and new build prices in particular, its significance in helping the housebuilding industry recover after the 2008 market crash and to maintain development impetus, its implications for transaction numbers, its role in improving access to the housing market and finally how the scheme interacts with other aspects of housing policy. We offer selective comment here and then pick up some of the issues again in later chapters.

Early suggestions that Help to Buy would lead to a significant increase in overall house prices have not been supported by the evidence at an England level. House prices are mainly driven by the second-hand market. New build may impact on prices over the longer term if high output levels are maintained and if the quality of output is higher. Second-hand house prices would be slowly rebased against this stock of new homes.

OBR's assessment of Help to Buy as set out in its *Fiscal and Economic Outlook* (OBR, 2017)<sup>5</sup> indicated that it did not see the scheme having major effects either on total stock or on prices. However, the recent research by Morgan Stanley, Stockdale and the Resolution Foundation suggested, using a variety of data, that the scheme has boosted the price of new build homes, bringing the new build premium to around 15% after a sustained period of decline post the financial crisis. With Help to Buy such a significant proportion of all new build purchases it would be surprising if it did not have some price effect but the evidence from these reports is that the precise scale of that effect is harder to establish firmly given quality, size and location differences and the lags in capturing current new build price data with the need for regular revisions to the data<sup>6</sup>. The differential between new and second-hand prices has only recently widened to more than it was pre-2007, namely before the scheme existed.

As already noted the Morgan Stanley report focusses on the new build premium, the impact of the Help to Buy Equity Loan scheme on the observed national trends and the potential impacts any policy changes might have on the housebuilding industry. This is a short research note which suggests that the higher price of new homes compared to existing is the Help to Buy premium. In our view we fully understand that the new build premium has been rising (Exhibit 7) but consider this is a misreading of reality (Morgan Stanley Exhibit 5). This is an issue discussed in detail in Chapter 2.

One issue is that the new build data are subject to revision, a point Morgan Stanley notes so the evidence advanced in the report potentially overstates the actual position. Morgan Stanley's focus is more on what it sees as the growing disconnect between new and existing prices and the likely impacts of any market and policy adjustment on housebuilders' share prices.

The Stockdale note argues that as output recovered Help to Buy has taken an increasing share, with the price of Help to Buy homes rising at a faster rate than the underlying market. It also looks in more detail at the risks of policy change asking "will housebuilding's money tree be uprooted?". The report discusses the potential policy

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<sup>5</sup> See Annex 6 for full list of publications referenced throughout this report

<sup>6</sup> It can take up to six months for the price of new build homes to be fully captured in the UK house price index



changes at some length including the impact on housebuilder investment. The note accepts there are challenges in drawing firm conclusions but overall it takes a negative view of the current scheme.

Analysis of government housing assistance schemes (Walker, 2016) highlights the fact that Help to Buy Equity Loan was, in numerical terms, the largest scheme in 2015, much bigger than shared ownership and Right to Buy. However, the research also highlighted the pre-eminent role of Help to Buy in the North and Midlands while shared ownership has dominated in London and South East where affordability problems have been most extreme.

He argues the fact that 'shared ownership is one of the least generous schemes and taken up by those who are affordability-constrained', raising the question as to whether this is fair or progressive. The position has changed somewhat with the introduction of London Help to Buy in February 2016.

Finally, UK Finance (UKF), the mortgage industry trade body published a short review of the scheme (UK Finance, 2017) which highlights the evidence of households buying better homes than might otherwise have been possible and asks questions about the effectiveness of the scheme in terms of helping households get on the housing ladder<sup>7</sup>. However, UKF accepts that this is only a short data led evaluation and that a range of other factors needs to be taken into account.

## 1.2 Research objectives

The principal aim of this evaluation is to provide a comprehensive evidence base to enable a robust assessment of the 'additionality' of the scheme - the number of new homes built as a result of the policy, over and above what would have been built in the absence of the policy.

To achieve this, the specific evaluation objectives include:

- Re-estimate the supply and demand additionality of the scheme, updating the previous estimates using up to date data and incorporating more information on buyer and supplier behaviours;
- Provide demand additionality estimates for housing markets with high and low demand pressures including interviews with buyers in a London-specific sample, and consider what buyer characteristics contribute to additionality;
- Provide supply additionality estimates based on developer behaviours including consideration of any differences in builder behaviour between SMEs and larger builders;
- Assess the extent to which new lending in the new build sector is underpinned by the scheme and assessing the value of lending in the new build market over time; and

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<sup>7</sup> See Annex 6 for full list of publications referenced throughout this report

- Explore the price impact of the scheme, examining any effects Help to Buy has had on prices in local markets.

To address these objectives, the new evaluation seeks to enhance the evidence base around the core issue of additionality together with a range of other potential impacts. These include: how developers have been increasing provision and modifying their future plans in the light of Help to Buy; how lenders are responding to the scheme; whether developers are building different types of homes, in different locations and at different price points as a result of the scheme; and whether there are significant regional variations in how the scheme is operating. We also look to the future, not just in terms of expected output rates but also how modifications in the scheme might affect the market in the longer term.

## 1.3 Methods and approaches

To meet these specific evaluation objectives this study brings together four main strands of evidence: a buyer survey; qualitative interviews with developers; qualitative interviews with lenders and stakeholders; and analysis of existing secondary data sources. The main components of these four strands of evidence include:

- **Analysis of existing secondary data sources** – a detailed picture of the state of the current housing market and the importance of Help to Buy in the new build housing market now the scheme has become established. Sources of data used include; general housing market statistics from MHCLG, the Homes and Communities Agency<sup>8</sup>, Office for National Statistics, Land Registry and Bank of England, mortgage market statistics available from UK Finance and Financial Conduct Authority together with Moneyfacts and other guides to product offerings in the mortgage market, Housebuilding data from the Home Builder Federation New Housing Pipeline Data report in conjunction with Glenigan and National House Building Council annual New Home Statistics Review. A core element is the use of individual Help to Buy Equity Loan transactional data held by Homes England since the scheme's introduction in 2013 to analyse the household and dwelling attributes of buyers who have used the scheme and identify how this has changed over time and compares with market sales;
- **Qualitative in-depth interviews with developers and trade organisations** – A total of 29 interviews were conducted, either in person, or by telephone. These covered 26 large (including eight of the ten largest developers in terms of numbers of Help to Buy transactions), medium and smaller builders, as well as the three representative organisations. In addition, we held group discussions and a survey of small builders. Interviews and discussion captured developer perspectives on the impact of the scheme in terms of changes to the numbers of homes developed, the impact of the scheme on what they have been and expect to build; perceptions of

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<sup>8</sup> The Homes and Communities Agency became Homes England on 11 January 2018. Throughout this report all current and historical references to the Agency are referred to as Homes England.

additionality; as well as shifts in industry sentiment towards Help to Buy and longer term views for the scheme;

- **Qualitative in-depth interviews with lenders** – A total of 12 telephone interviews were undertaken covering ten major Help to Buy lenders, along with two lenders who were not in the market. In addition, there were three interviews with other stakeholders. Interviews captured perspectives on the impact of the scheme on lender behaviour particularly in relation to relevant mortgage products as well as broader impacts such as relationships with developers. Interviews also considered changes in sentiment and longer term views for the scheme; and
- **Buyer survey** – conducted by Ipsos MORI with a representative sample of 1,500 buyers who had purchased their property with the assistance of the Help to Buy Equity Loan scheme since June 2015 (replicating the two-year timeframe of the 2015 evaluation). The 2015 evaluation was based on an achieved sample size of 501 interviews with buyers. The larger sample size for the 2017 evaluation was designed to allow capability to differentiate demand-side additionality estimates across high and low demand regions. The survey captured a range of objective and subjective data from buyers around the role of the scheme in enabling access to the market, which has been used to inform analysis of demand-side perspectives.

Further technical details on these elements of the research programme are provided in Annex 1 and 2 to this report and details of all research materials used for the primary data collection elements are provided in Annex 4.

## 1.4 Challenges and interpretation of data

The evaluation has drawn on an extensive range of existing and primary evidence to provide as comprehensive picture of the market and the role of Help to Buy within it to address the core objectives. It is recognised at the outset, however, that there are inherent challenges in making such an assessment. The 2015 evaluation was conducted nearly two years after the scheme was introduced, meaning it was not possible to establish a full counterfactual. Differences in scope and coverage of existing housing market data sources bring further practical complexity.

Furthermore, the assessment has to be considered in the context of the overall economic cycle as well as continuing modifications of the scheme, notably the potential impacts of additional funding announced during the course of the evaluation<sup>9</sup> as well as the increase in the government equity share, to up to 40%, in London in 2016. There is also the difficulty in disentangling, for example, builder confidence arising from Help to Buy from that arising from other housing and macro-economic policy and overall market confidence more generally. With these challenges in mind, a combination of primary and secondary

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<sup>9</sup> '£10 billion new funding for Help to Buy Equity Loan' see <https://www.gov.uk/government/news/10-billion-new-funding-for-help-to-buy-equity-loan>

data sources has been used to produce a nuanced estimate of the additionality of the scheme.

Estimates of demand-side additionality are based on evidence from the quantitative survey of buyers. It should be remembered here that a sample, rather than the entire population using Help to Buy, has taken part in the survey and in consequence all results presented in the report are subject to sampling tolerances. A further explanation of statistical reliability of the data is included in Annex 1.

Supply-side perspectives are predominantly generated by a series of in-depth interviews covering a range of developers and lenders responsible for delivery within the Help to Buy market together with secondary data. The perceptions of participants together with their own statistical evidence represent the respondents' individual understanding of how they operate in the Help to Buy environment and how they see the impact of the scheme on the market now and in the future.

## 1.5 Report content

The remainder of this report is structured around the four strands of evidence outlined above. Chapter 2 draws on existing secondary data sources setting out the current market context, how this has changed over time and the role Help to Buy has played within the market. Chapter 3, considers supply-side perspectives from the point of view of developers (both large and small), lenders and wider stakeholders. Chapter 4 examines demand-side perspectives through analysis of the interview survey conducted with buyers. Chapter 5 brings the demand and supply-side evidence together to estimate the additionality of the scheme and derive an estimate of the impact of the scheme on total new build output. Chapter 6 provides some concluding comments on the analysis together with a summary of key messages from stakeholders on the future shape of the scheme.

## 1.6 Acknowledgements

We would like to thank all the organisations and individuals who contributed to the in-depth interviews and the buyer survey, without whose valuable input this report would not have been possible. We would also like to thank Chihiro Udagawa who has led on much of the secondary data analysis. Finally, we would like to thank the policy and analytic teams at the MHCLG, as well as other members of the Project Board and Steering Group for their assistance and contributions throughout the project.

## 2. Help to Buy and the housing market

### Summary of key findings

- The housing market started to pick up before the introduction of the Help to Buy programme. Planning permissions, starts and completions have all, with some volatility (both over time and between regions), grown throughout the period.
- There had been almost 135,000 Help to Buy transactions up to June 2017. Help to Buy transactions have been below 4% of total sales of new and existing homes. For the first two years Help to Buy ran at between 30% and 40% of new build sales. Since then this proportion has risen, especially in late 2016 and early 2017.
- House prices have been rising throughout the period. New build prices were rising faster than overall prices when Help to Buy was introduced and have continued to do so thereafter.
- The new build premium had risen to around 17% in the final year of the analysis (Q3, 2016 - Q2 2017). Help to Buy prices have risen in line with new build prices but remain well below overall levels. Equally, Help to Buy prices generally remain below those for all transactions, that is including the second-hand market.
- The new build premium varies across regions but most importantly between dwelling types. It is highest for apartments, which form a disproportionately small element in Help to Buy transactions. Most Help to Buy purchasers buy detached or semi-detached houses where there is much less evidence of a new build premium. Data do not exist to allow us to standardise for quality.
- Over 80% of Help to Buy purchasers are first-time buyers. The average deposit across all Help to Buy purchasers has been around 10% and the average mortgage about 68% of the sales price - some 15% below the average loan to value ratio for mainstream first-time buyer mortgages.
- Since the financial crisis the mortgage market has concentrated on lower Loan to Value mortgages. There are relatively few mortgages issued at above 90% Loan to Value.
- Of the 1,800 plus developers registered for Help to Buy over 75% have done 10 or fewer transactions. Seventeen developers have done 1,000 plus and the two largest have each sold around 20,000 Help to Buy properties.
- More than sixty percent of mortgages for Help to Buy purchasers have come from two lenders. Even so, the number of lenders involved in the Help to Buy market has increased to 23 in the study period.
- Help to Buy has been relatively more popular in the North than in the South. London has been the outlier, even after the introduction of up to 40% Equity Loans. It is the only region where the maximum price limit bites.
- Analysis by local authority suggests that high ratios of Help to Buy to new build transactions are positively associated with higher levels of completions and negatively with house price increases. However, the relationships are weak.

## 2.1 Introduction

In this chapter we explore a number of secondary datasets that help us understand what has been happening both in the overall housing market and the role of Help to Buy.

This second evaluation concentrates on the period from July 2015 to June 2017 and thus extends the first evaluation. That evaluation analysed the initial effects covering the period from the start of the programme in April 2013 to June 2015. By July 2015 the programme had matured and was reasonably well understood by all supply-side stakeholders and becoming well known among potential purchasers.

There are a limited number of relevant datasets which can be expected to provide significant value added. Furthermore, while it is possible to describe what is happening, it is not possible to identify causation. The secondary datasets explored include Help to Buy Equity Loan statistics, more general housing market statistics, mortgage market statistics, housebuilding data including the Home Builders Federation *New Housing Pipeline Data* report produced in conjunction with Glenigan, the National House-Building Council annual *New Home Statistics Review 2017* plus a number of other private sources.

The project specification clarifies that analysis of such datasets would help establish changes in new build housing market conditions through the duration of the scheme which we can then triangulate with the analysis of the primary Help to Buy data to help assess the impact of the programme. We note again that any such analysis can at best be indicative.

We begin by analysing wider general housing market trends, including taking account of evidence from the 2015 evaluation. We then present more detailed Help to Buy Equity Loan statistics in order to establish how the main attributes of Help to Buy sales have changed, including data at regional and local authority level.

## 2.2 Help to Buy within the wider market context

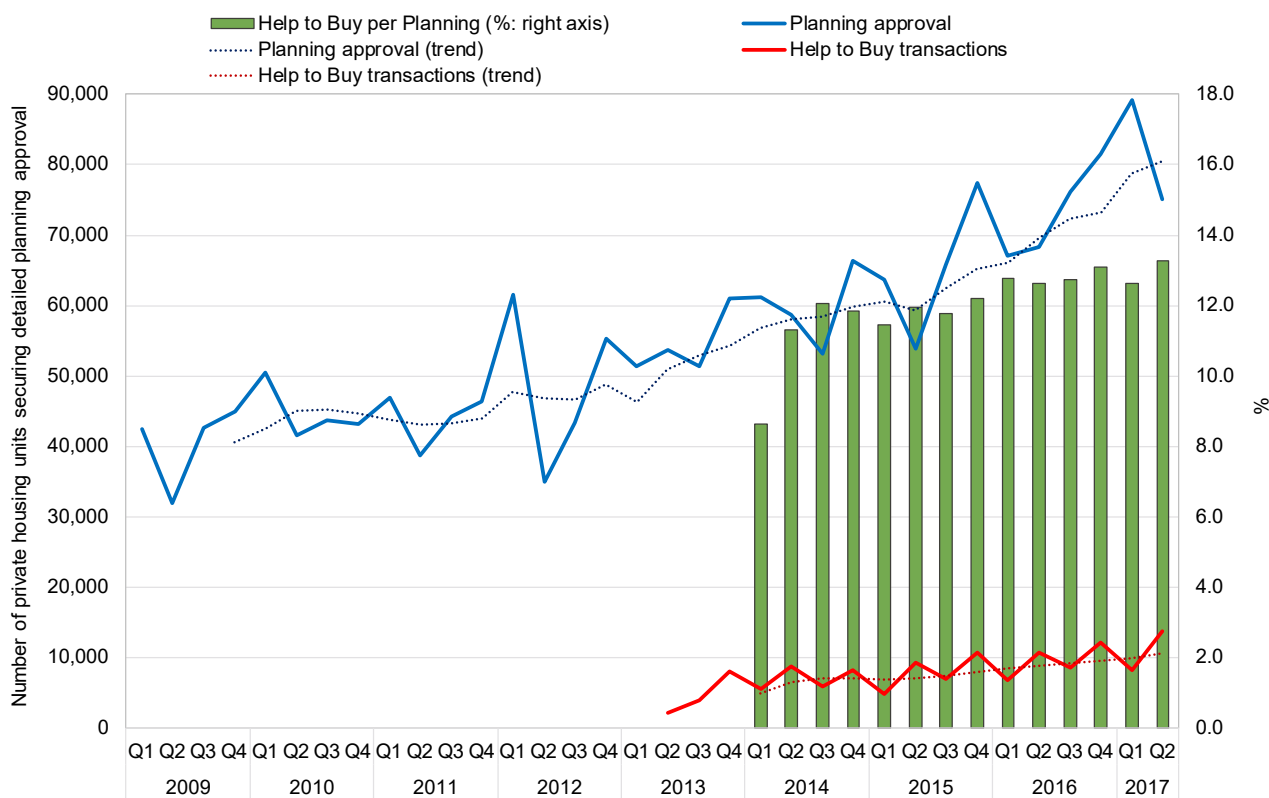
An understanding of the role of the Help to Buy Equity Loan programme must start from the post-Global Financial Crisis recession and the beginning of a recovery in private house building from its low points in 2008/9 to 2010/11 (depending upon whether measured by starts or completions). Help to Buy was introduced in April 2013, well after the market had turned, at least in terms of starts, as a replacement for both government and industry sponsored shared equity products.

In this section we look at data that help explain the housing market context in which Help to Buy has operated. We begin by looking at planning permissions, followed by starts, completions and transactions data before considering house prices, the mortgage market and consumer confidence. Our focus throughout is on helping to understand the impact of Help to Buy.

## 2.2.1 Planning permissions

Figure 2.1 shows changes in the number of private housing units securing detailed planning approval quarterly between 2009 and mid-2017.

**Figure 2.1: Private housing units securing detailed planning approval and Help to Buy transactions: England**



Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 below. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

After remaining fairly flat during the recession and its immediate aftermath, planning approvals have been on an upward trajectory since Q1-2013 although with significant seasonal variations. As the Help to Buy scheme was not announced until March 2013 the start of the upturn was clearly not related to the scheme but rather reflects increasing confidence in the market (from a very low base). Since then the scale of the upward trajectory has been maintained and if anything strengthened. In the second quarter of 2017, there were over 75,000 planning permission registrations. This is an increase of nearly 40% as compared to the second quarter of 2013. The four-quarter moving average was around 80,500 in the second quarter of 2017, nearly 60% above that for the second quarter of 2013.

Figure 2.1 also includes the quarterly numbers of Help to Buy transactions over the period so that it is possible to compare how they have moved in comparison to planning permissions for the same period. This provides a very rough guide to two relationships: first does the trend in planning permissions appear to be responsive specifically to Help to Buy sales? and second, what proportion of planning permissions have been necessary to

maintain the pipeline specifically in relation to Help to Buy sales? This gives some limited indication of whether Help to Buy might be crowding out market production.

Help to Buy transactions have increased consistently over the programme period (again with seasonal variations), more than doubling from quarter two of 2014 to June 2017 on the four quarter trend (see later Table 2.2). Help to Buy transactions have thus increased more rapidly than planning permissions in proportionate terms. However, in absolute terms the increase in planning permissions remains far above that for Help to Buy transactions. Thus while both trends are upward there is no obvious specific causal relationship between the increase in planning permissions at the national level and the number of Help to Buy transactions. Rather overall market demand – including Help to Buy sales - and their impact on confidence in the future is the more likely explanation.

Help to Buy transactions have consistently been around 12% and 14% of all planning permissions since quarter 2, 2014 when this part of the market was beginning to mature. This is a significant proportion, but given the trajectory was upward anyway it is not possible to distinguish a distinct Help to Buy effect. Moreover, it must be remembered that this is not a time-lagged comparison, but simply compares the two variables observed in the same quarter.

In Annex 2, Figures A2.1 to A2.9 repeat the analysis of national trends set out in Figure 2.1 for the eight English regions. As noted above, care must be taken in how these figures are interpreted, notably because there are significant lags between asking for planning permission and receiving that permission. Developer interviews discussed in Chapter 3 provide some insight as to their behaviour in response to Help to Buy sales. They suggest that increased cash flow and confidence have led to developers buying and bringing forward additional land in line with their basic demand-led model, which includes Help to Buy sales in a similar way to market sales.

The regional planning approval figures in the latest quarter (Q2, 2017) (using the 4 quarter moving average) were, in descending order, 15,000 (London), 13,400 (the South East), 12,900 (the North West), 9,300 (the East of England), 7,000 (the South West), 6,500 (the East Midlands), 6,400 (the West Midlands), 6,300 (Yorkshire & The Humber) and 3,400 (the North East).

In all regions we observe long-term upward trends in planning approvals, with some short-term falls and periods of stagnation. In particular, the North West has seen the steadiest rise over the observation period.

Help to Buy transactions have also increased in all regions throughout the programme. However, looking at the number of Help to Buy transactions relative to the approval counts since a year after the programme's introduction (that is after the programme had bedded in), the proportion of approvals that equate to Help to Buy sales in the same period across regions outside London has ranged from around 10% in the North West to over 20% in the North East with most regions around 14 - 16% in quarter 2, 2017. In some regions, notably the East of England, this proportion has declined in the last two years. It is undoubtedly the case that, especially in regions with high proportions of Help to Buy to market sales, there will have been some direct impact on developer decisions to ask for planning permissions. However, the scale of this effect cannot be determined - except to some extent by developers themselves (as suggested in Chapter 3).



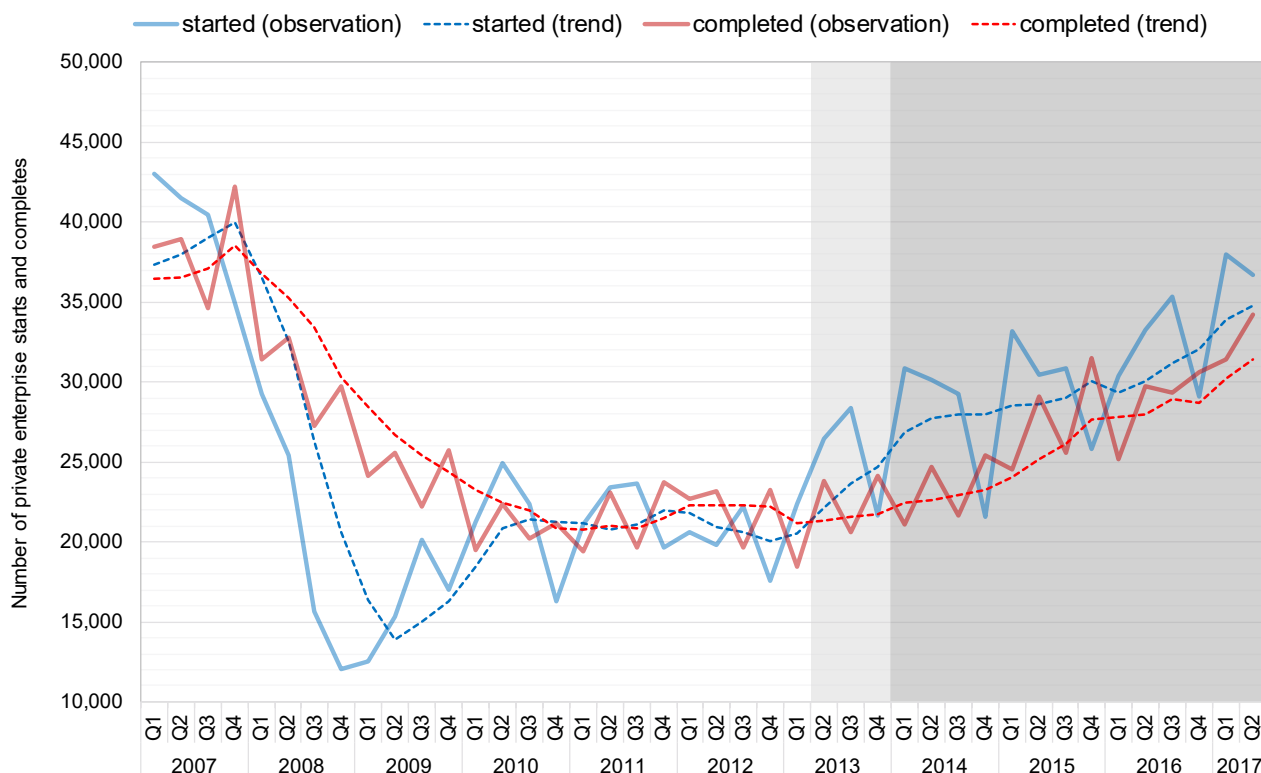
In London this 'replacement' permissions for Help to Buy sales accounted for less than 4% of approvals until 2016, when it increased to nearly 6%, presumably relating to the rise in Help to Buy transactions stimulated by the new London Help to Buy scheme introduced in February 2016. Even at this rate it is unlikely as yet to have had any significant direct impact on the numbers of planning permissions.

## 2.2.2 Starts and completions

There is no such thing as a Help to Buy start because Help to Buy properties are not identified until sale. We can, however, look at trends in the numbers of private sector starts over time, identifying any changes since Q2 2013 when Help to Buy was introduced which might, in principle, be associated with additional Help to Buy sales.

Figure 2.2 shows the quarterly movement in private enterprise starts and completions since 2007. In Q2 2017, the 4 quarter moving average starts and completions figures amounted to around 34,800 and 31,400 respectively.

**Figure 2.2: Private enterprise starts and completions, England**



Source: MHCLG *Live Table 213: permanent dwellings started and completed, by tenure, England (quarterly)* (accessed in November 2017). Note: Trends are 4-Q moving averages, and as Figure 2.1.

Both starts and completions have been increasing fairly consistently over the period of analysis. Even so, they have so far failed to reach pre-recession levels (around 40,000 starts and 39,000 completions in the fourth quarter of 2007). However, the latest net addition figures suggest that currently published figures may be undercounts - so actual levels may be closer to that goal.

Starts, after falling sharply until mid-2009, showed a one-year recovery and then remained steady for the following three years. Beginning in early 2012 (well before the commencement of the Help to Buy scheme but when First Buy - a less generous scheme involving both government and developer equity - was in operation) starts were increasing fairly consistently, allowing for seasonal variations.

Changes in the numbers of completions lagged behind starts by around two years, stabilising in 2010 and starting to rise slowly in 2013 and then more robustly from 2014. Completions have generally fluctuated less than the starts over the observation period<sup>10</sup>.

Turning to variations across regions, Table 2.1 shows private enterprise starts by region from 2011/12. Table A2.1 in Annex 1 summarises the scale of annual changes using the 2011/12 counts as the baseline. Over the period from 2012, starts rose fairly consistently in almost all regions. In proportionate terms, however, there was a clear shift in emphasis from southern towards midland and northern regions, as well as greater instability in start rates in the south.

**Table 2.1: Private enterprise starts by region and year: number (upper row) and % of the total (lower row)**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Q2 2017
<b>North East</b>	3,380	3,560	5,300	5,870	5,900	8,010	1,900
	3.9	4.4	5.0	5.2	5.0	6.0	5.4
<b>North West</b>	8,460	9,270	11,280	11,970	13,750	17,770	4,930
	9.9	11.4	10.6	10.5	11.7	13.4	13.9
<b>Yorkshire &amp; The Humber</b>	6,940	6,600	11,700	10,200	10,060	12,890	3,400
	8.1	8.1	11.0	9.0	8.6	9.7	9.6
<b>East Midlands</b>	6,450	5,590	8,040	9,540	10,450	10,650	2,860
	7.5	6.9	7.5	8.4	8.9	8.0	8.1
<b>West Midlands</b>	6,610	6,770	8,950	10,190	10,880	13,160	3,650
	7.7	8.3	8.4	9.0	9.3	9.9	10.3
<b>East of England</b>	14,180	12,130	15,120	15,190	16,320	19,140	4,930
	16.5	14.9	14.2	13.4	13.9	14.4	13.9
<b>London</b>	13,050	11,580	14,540	16,170	16,380	12,500	3,760
	15.2	14.2	13.6	14.2	13.9	9.4	10.6
<b>South East</b>	15,370	14,860	18,100	20,310	19,710	23,070	6,020
	17.9	18.2	17.0	17.9	16.8	17.4	17.0
<b>South West</b>	11,370	11,070	13,650	14,150	14,070	15,750	3,940
	13.3	13.6	12.8	12.5	12.0	11.8	11.1
<b>Total*</b>	85,810	81,430	106,680	113,590	117,520	132,940	35,390
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors' calculation based on MHCLG *Live Tables 253 & 253a Housebuilding: permanent dwellings started and completed, by tenure and district* (accessed in July 2017).\* The regional figures are the sum of the constituent local authorities' starts rounded to 10 with some imputed data. The totals are not identical to the national figures. Note: Shaded lightly (darkly), since Help to Buy (London-40% Help to Buy) was fully in effect.

<sup>10</sup> An alternative measure - that of new build registrations (reflected in Figure A2.10) which covers the whole of the UK - suggests however that activity has stabilised since 2015.

In 2016/17, England private enterprise starts were running at almost 135,000. Within this total the South East had the highest count of 23,000, 17.3% of the national total; the North West the second highest of 18,000, 13.3%; and the North East the lowest count at 8,000, 5.9%.

Importantly, although the differences are not very great, standardising by population (Table 2.1a) shows that in 2011/12 and 2012/13 only southern regions had starts above the national average but thereafter the North East in particular is consistently above. London on the other hand is well below average except in 2011/12.

**Table 2.1a: Private enterprise starts by region and year: starts per thousand population**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>North East</b>	1.31	1.37	2.04	2.25	2.25	3.05
<b>North West</b>	1.21	1.31	1.59	1.69	1.93	2.48
<b>Yorkshire &amp; The Humber</b>	1.32	1.25	2.20	1.91	1.88	2.39
<b>East Midlands</b>	1.43	1.23	1.76	2.07	2.25	2.28
<b>West Midlands</b>	1.19	1.21	1.59	1.80	1.90	2.29
<b>East of England</b>	2.44	2.07	2.56	2.55	2.71	3.15
<b>London</b>	1.62	1.41	1.75	1.92	1.92	1.44
<b>South East</b>	1.79	1.72	2.07	2.31	2.22	2.58
<b>South West</b>	2.16	2.09	2.56	2.63	2.59	2.88
<b>Total*</b>	<b>1.63</b>	<b>1.53</b>	<b>1.99</b>	<b>2.11</b>	<b>2.16</b>	<b>2.43</b>

Source: Authors' calculation based on DCLG *Live Tables 253 & 253a Housebuilding: permanent dwellings started and completed, by tenure and district* (accessed in July 2017) and ONS Mid-year population estimate.\* The regional figures are the sum of the constituent local authorities' starts rounded to 10 with some imputed data. The totals are not identical to the national figures. Population (denominator) was as of June in the previous calendar year – e.g. for 2011/12, as of June 2010.

Between 2011/12 and 2016/17, starts increased nationally by almost 49,000 or 57%. In numerical terms the North West has seen the largest increase (more than 9,000) over the observation period; the South East had the second largest at 8,000. In percentage terms, the North East has had the highest increase at 136% over the observation period, followed by the North West (112%) and the West Midlands (101%).

London was the only region apparently experiencing a decrease. This is partly because the base year included the Olympic-related over-performance in that year but it also reflects the fact that the capital's output now includes increasing proportions of change of use activity.

To summarise, since Q2 2013 (the quarter when Help to Buy was introduced), private enterprise starts and completions as well as Help to Buy transactions have seen upward trends (see Figure A2.11 in Annex 2). Help to Buy transactions have gradually increased relative to both starts and completions. Help to Buy transactions in relation to both starts and to completions saw record highs in the fourth quarter of 2016 at 29.7% and 33.4% respectively. At a regional level the shift in proportionate terms away from the South is related to changes in the strength of regional markets. As discussed below, this in turn is correlated with the proportions of market sales that are Help to Buy.

### 2.2.3 Help to Buy and market transactions

There have been 134,564 Help to Buy transactions between April 2013 and June 2017. To examine how important these have been in relation to the market, Table 2.2 shows quarterly Help to Buy transactions as well as residential property transactions for all sales (S) and sales of newly built dwellings (NB).

**Table 2.2: Help to Buy Equity Loan transactions and sales: number and percent England**

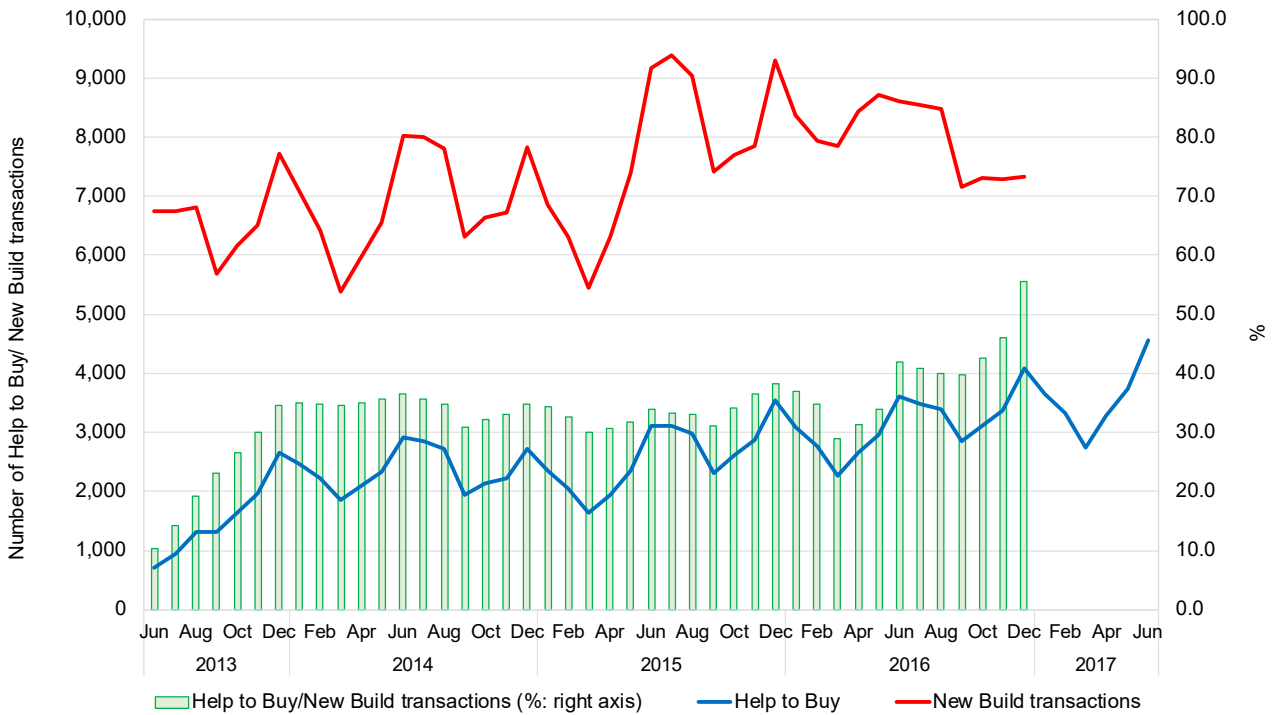
		Help to Buy transactions (H)	All sales (S)	H/S (%)	sales of newly built dwellings (NB)	H/NB (%)
2013	Q2	2,103	175,602	1.20	20,220	10.4
	Q3	3,944	213,252	1.85	17,034	23.2
	Q4	7,976	228,280	3.49	23,134	34.5
2014	Q1	5,581	189,204	2.95	16,154	34.5
	Q2	8,775	218,433	4.02	24,101	36.4
	Q3	5,846	240,416	2.43	18,914	30.9
	Q4	8,174	227,188	3.6	23,492	34.8
2015	Q1	4,929	172,669	2.85	16,373	30.1
	Q2	9,356	208,289	4.49	27,499	34.0
	Q3	6,901	244,451	2.82	22,248	31.0
	Q4	10,652	246,399	4.32	27,892	38.2
2016	Q1	6,814	239,931	2.84	23,574	28.9
	Q2	10,813	182,414	5.93	25,842	41.8
	Q3	8,543	226,879	3.77	21,462	39.8
	Q4	12,240	206,128	5.94	22,004	55.6
2017	Q1	8,211	186,062	4.41	20,297	40.5
	Q2	13,700	-	-	-	-

Source: (H) Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). (S & NB) Office for National Statistics, Land Registry. *House Price Statistics for Small Areas (unpublished) June 2017*

In the latest quarter available (April to June 2017), Help to Buy transactions amounted to 13,700. This is the highest quarterly figure since the programme began and reflects the fact that Help to Buy transactions tend to be highest in the second and fourth quarters each year. The fourth quarter of 2016 saw record-high Help to Buy transactions of over 12,000 and the highest proportion of all new build transactions at over 55% and of all transactions at almost 6%. It is quite likely that the second quarter of 2017 will exceed these proportions of overall transactions.

Figure 2.3 shows the monthly trend in Help to Buy transactions and compares this to new build transactions. It shows that both Help to Buy and all new build transactions have increased over the observation period and also suggests that there were similar seasonal fluctuations (peaking in June and December, and bottoming out in March and September). It also clarifies how the proportion of Help to Buy sales to all new build transactions has varied over time.

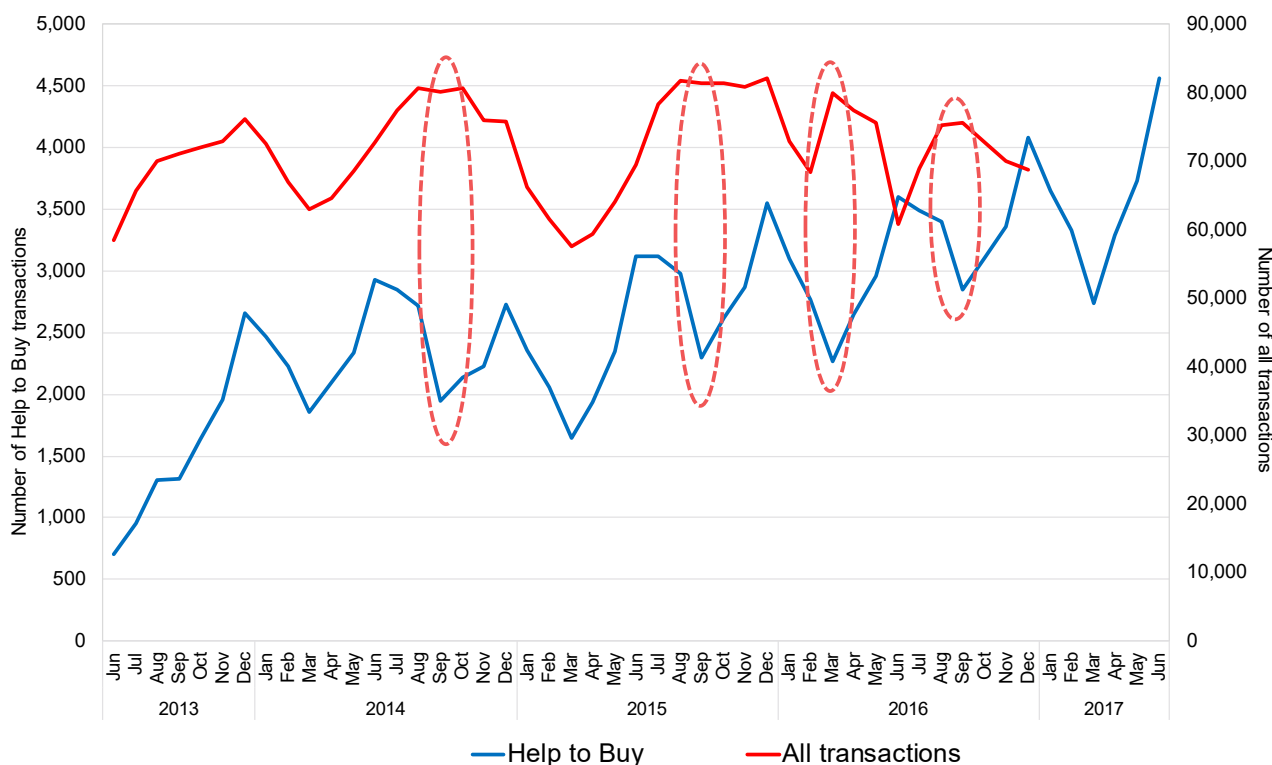
**Figure 2.3: Help to Buy transactions and new build dwellings transactions (3-Month moving average): England**



Source: As Table 2.2.

Figure 2.4 gives similar information, comparing Help to Buy with all transactions – that is including those involving existing dwellings. Over the observation period, Help to Buy transactions have been on an upward trend but all transactions have stayed relatively stable varying around the 70,000 per month level. There is also a different seasonal pattern: Help to Buy transactions tend to be lower around March and September, while all transactions tend to peak around that time (the dotted circles in the chart). Importantly, as Figure A2.13 makes clear, existing sales have varied around 90% of all sales from 2011 throughout the observation period. This does suggest that Help to Buy has had no large effect on the numbers of such sales - which is hardly surprising as they vary around only about 4% of the totals. In Q4 2016 for instance, sales of existing units accounted for almost 90% of the total, while the Help to Buy and the non-Help to Buy new build sales were under 5% and around 6% respectively.

**Figure 2.4: Help to Buy transactions and all transactions (3-month moving average): England**



Source: As Table 2.2

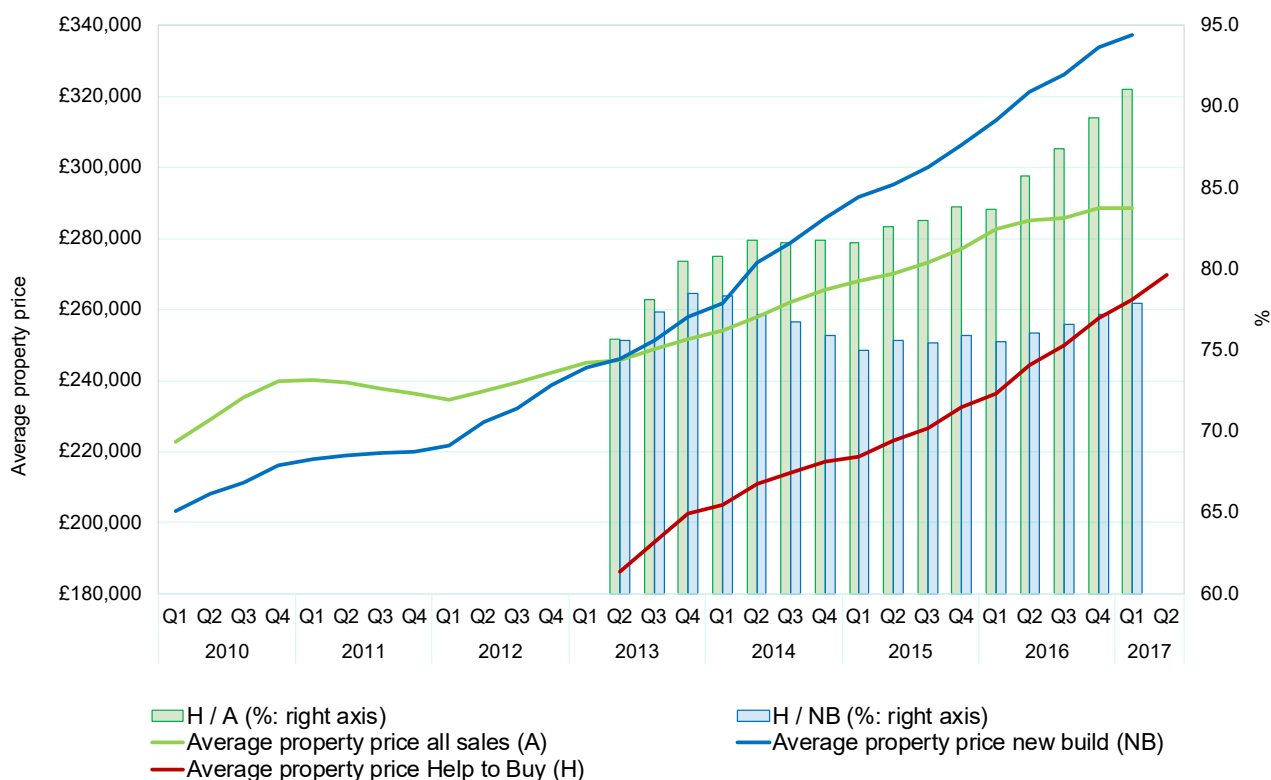
## 2.2.4 House prices - Help to Buy, new build and all transactions

Figure 2.5 shows the average house price for all sales, for new build sales and for Help to Buy properties in England. All are four-quarter moving averages.

Prior to early 2013, average new build prices in England were below those for all sales, although they had been increasing more rapidly than those for total sales at least since 2010. Thereafter a new build premium began to re-emerge at the national level as these trends continued.

Since the beginning of the scheme, average house prices have at all times been higher than the average price of Help to Buy properties. However, the gap has narrowed over time as the prices of Help to Buy properties have moved in line with new build prices in general. In the first quarter of 2017 (the last quarter for which both series are available) the overall house price average was £288,000, while the Help to Buy average was £271,000 (rising to £280,000 in Q2 2017) and the new build average was almost £340,000.

**Figure 2.5: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*; (£): England**



Source: For A & NB; Office for National Statistics, Land Registry. *Price Statistics for Small Areas Mean price paid for administrative geographies House Price Statistics for Small Areas - Datasets 12 & 13. Mean price paid for administrative geographies.* (H) As Table 2.2. Note: 4-Q moving average ending in the quarter. \* Help to Buy figures for Q2 to Q4 2013 are 1Q- to 3-Q moving average respectively.

Between Q1 2014 (the first quarter for which the 4 quarter moving average can be calculated for Help to Buy) and Q1 2017, the Help to Buy average increased by £59,000 (or 28%), while the house price average increased by £35,000 (equivalent to only 14%). Thus the average of Help to Buy properties measured relative to the house price average has been rising fairly consistently. For the most recent four quarters, this relativity narrowed strongly reaching 94% in Q1 2017, probably reflecting London's changed position.

Reference was made in Chapter 1 to the question of the new build premium and Help to Buy. Figure 2.5 makes clear that at a national level this began to emerge in early 2013 at the same time as Help to Buy was introduced.

Importantly, however, there are very significant differences in this pattern between regions (Figures A2.14 to A2.22 in Annex 2).

First, in all regions prices for Help to Buy properties have remained below average new build prices while moving closely in line with them over time. The difference between new build prices and those for Help to Buy properties is largest in the South West region. However, as is clear from Chapter 3, there is no evidence of any difference at the micro level in price between similar market and Help to Buy properties. Thus generally Help to Buy purchasers are buying at the lower price ranges.

In the North, the North West, Yorkshire & The Humber and the East Midlands there was an average 'new build premium' (that is where new build prices were above total transaction prices) well before the Help to Buy programme came into being. In the North East prices for Help to Buy properties are also above total transactions prices for the whole period. In the North West they started at the same level as total transactions but then rose with new build prices and in Yorkshire & The Humber and the West Midlands they rose from late 2013 and 2014 respectively. In all Southern regions, prices for Help to Buy properties have always been below those for all transactions. However new build prices exceed those for total transactions in the East of England and the South East from 2012, while in London and the South West this 'new build premium' does not occur until late 2014.

Table 2.3 provides a more detailed analysis of the new build price premium for the four quarters to March 2017, measured as a ratio of the price of the average newly built home to the equivalent non-newly-built (i.e. existing) home purchased. It shows the variations between regions and property type.

The data suggest that the overall England average new build premium was around 19% in the year ending in March 2017 but that, this premium was heavily concentrated in terraced houses and apartments. The average for newly built detached houses was at or below the equivalent for existing houses in six of the nine regions. Only in Yorkshire & The Humber, the East Midlands and the West Midlands were the prices of new build detached units above those for existing units.

Semi-detached houses on the other hand tended to be priced a little higher than equivalent existing properties in all regions but London, even though at the national average level the ratio was just less than 1. In three regions the difference was only one percent. The largest difference was 18% in the East Midlands.

There is a premium for terraced houses in all regions except London with a national average rate of 15%. The premium is lower in Southern regions. The higher premium may reflect the relative proportion of older properties in this category in the existing stock. It is highest in the North West followed by Yorkshire & The Humber where terraced houses make up a large proportion of the existing stock and are often relatively small and require modernisation.

Finally, new flats command a much more significant price premium which ranges from 12% in the North West and 45% in the North East. Much of the variation is almost certainly around the size and locations of units as well as modernity and quality as compared to flats in the overall market – but that is not something we have the data to test statistically.

It is important to note that in 2014 the national average premium by property type was very similar to that seen in 2016/17; that for terraced housing was lower at only 5% and that for apartments 25%.



**Table 2.3: Estimated new build price premium (the ratio of the average newly built house price to the average existing house price) by region & property type, annual data year ending in March 2017**

	Detached	Semi-detached	Terraced	Flat
North East	1.00	1.08	1.27	1.45
North West	0.95	1.02	1.50	1.12
Yorkshire & The Humber	1.04	1.12	1.38	1.28
East Midlands	1.11	1.18	1.29	1.35
West Midlands	1.02	1.11	1.26	1.27
East of England	0.99	1.01	1.18	1.32
London	0.72	0.95	0.96	1.27
South East	0.90	1.01	1.22	1.32
South West	0.96	1.01	1.15	1.28
<b>England</b>	<b>0.90</b>	<b>0.99</b>	<b>1.15</b>	<b>1.51</b>

Source: Authors' estimation drawing on Office for National Statistics, Land Registry, *Price Statistics for Small Areas September 2017- Dataset 14 (existing dwellings. Mean price paid for administrative geographies and Dataset 13. Mean price paid for administrative geographies (newly built dwellings)*. Note: this comparison is only an approximation as it cannot take account of differences in property size, location and quality.

In the context of Help to Buy the more immediately relevant comparisons are between new build and Help to Buy properties. Looking at England as a whole the new build average price has been well above the average for Help to Buy properties for the whole period since the scheme was introduced. The difference between the two averages increased from £55,000 in 2013 to £77,000 in 2016 (see Table A2.2 in Annex 2).

The averages for Help to Buy properties are below average new build prices in all nine regions (see Table A2.2 in Annex 2). Not surprisingly, given that it is only in this region that the maximum value rule has a considerable impact, the greatest difference (£182,000 in 2016) between the two averages is in London. The ratio was, thus, only 70.8% even in 2016, albeit it rose sharply from 62.5% the year before presumably mainly as a result of the shift to a 40% Equity Loan in February 2016. The East Midlands had the narrowest difference (£7,000) and the highest ratio (97.5%). This can be partly attributed to the fact that the region tends to provide larger-sized Help to Buy properties, compared to the other regions (see Table A2.7 in Annex 2).

Tables A2.3 to A2.6 in Annex 2 provide more detail, setting out the new build averages and the averages for Help to Buy properties for types of property by region. In almost all cases (that is dwelling types by region), Help to Buy properties are cheaper than the average new build price. The exceptions are apartments in the North West and terraced houses in East Midlands where there were just above the average in the latest year. On average, the prices for semi-detached properties are the closest, followed by terraced houses (where there is also more variation between regions), and then detached dwellings. The ratio of prices of Help to Buy apartments as compared to new build apartments in general is typically the lowest with Help to Buy prices little more than 70% of the overall market average in 2016.

At the national level, the average price of Help to Buy properties was £224,000 in 2016, which is £16,000 below the new build average. The ratio of the average price for Help to Buy properties to the new build average was 93.1%. The largest difference was in London

where the Help to Buy average was £117,000 lower than the new build average with a ratio of 79.4%. This reflects the effect of the £600,000 maximum price limit. In the East Midlands, at the other extreme, the two averages are almost identical with a ratio of 99.6%. This reflects the particularly limited range of price points and dwelling types developed in that region.

More generally, the picture with respect to the relative prices of Help to Buy properties in the newly built property market appears to be mainly an outcome of size and property type effects. Averages by property size are not available in the public domain, but those by property type are. The breakdown by type can provide a partial control for size effects – in particular the great majority of semi-detached houses have three bedrooms (see Table A2.7 in Annex 2). Once the figures are disaggregated by dwelling type there is generally very little upward drift in prices for Help to Buy properties as compared to all new build properties. Moreover, the fact that relatively few Help to Buy purchasers buy flats and terrace houses with most buying semi-detached and detached houses means that their purchases are mainly concentrated where the new build premium is lowest.

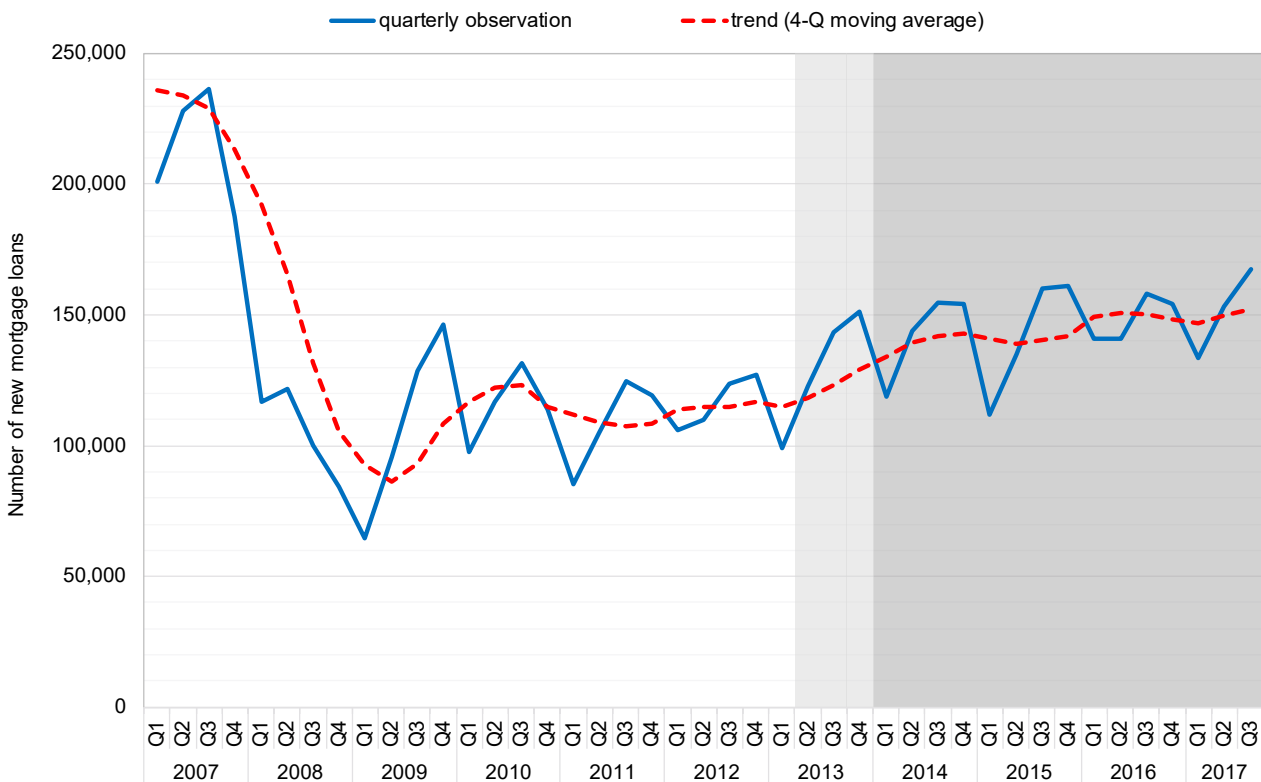
This analysis cannot directly address the extent to which the increased demand arising from Help to Buy has been the cause of any increase in prices that could be charged for new build properties overall. This is an outcome of supply and demand. Demand has clearly been increased by Help to Buy as was the government's intention. The question of the capacity, and willingness of developers to expand supply is addressed in Chapter 3.

Overall these comparisons are consistent with the developers' statements that they do not differentiate between the prices of Help to Buy properties and similar market properties. Equally, the data suggest that the average Help to Buy purchaser has consistently tended to buy lower valued properties than the average new build purchaser. Finally, it suggests that the mix of dwellings has not changed greatly even though Help to Buy now accounts for a larger proportion of all new build sales.

### **2.2.5 The mortgage market**

Figure 2.6 sets out the numbers of new mortgage loans in England since 2007, while Figure 2.7 gives the same information for first-time buyer mortgages (Figures A2.23 and A2.24 in Annex 2 provide equivalent figures in value terms).

**Figure 2.6: The number of new mortgage loans: England**

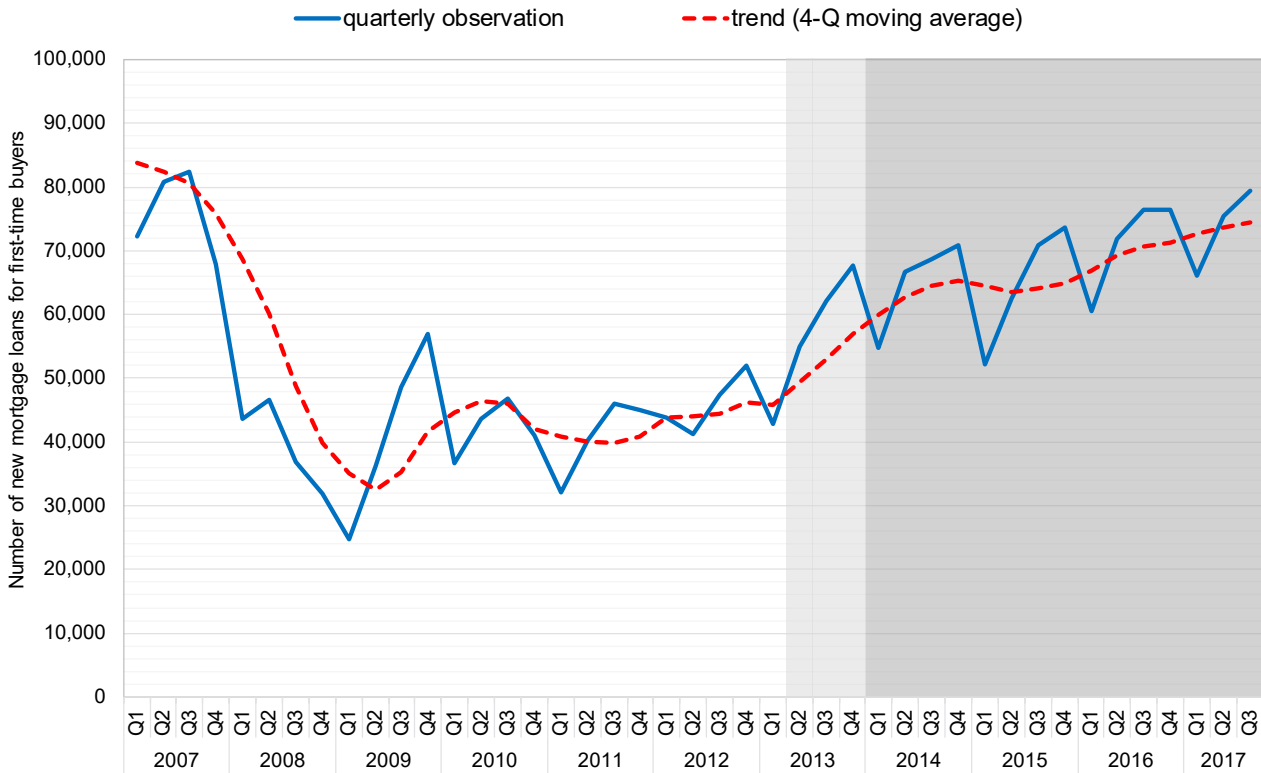


Source: Council of Mortgage Lenders; UK Finance, Table ML1 New mortgages by purpose of loan.

The figures describe a more or less similar pattern: during the recession from 2007 to mid-2009, the volume of new mortgages dropped significantly. After bottoming out in mid-2009, volumes rose for the following four quarters, and then remained fairly steady until around the time of the introduction of Help to Buy, when mortgage completions were beginning to increase (that is the second quarter of 2013). Since the introduction of Help to Buy, on average there has been an upward trend in mortgage volumes, based on market demand and growing confidence.

Since early 2016, however, there is a slightly different picture when the total number of new mortgages and those for first-time buyers are compared. Overall, the market appeared to lose momentum with respect to both the number and the value of new mortgages. The number of mortgages for first-time buyers on the other hand has kept increasing, to the point where values although not volumes now outperform pre-recession levels.

**Figure 2.7: The number of new mortgage loans for first-time buyers: England**



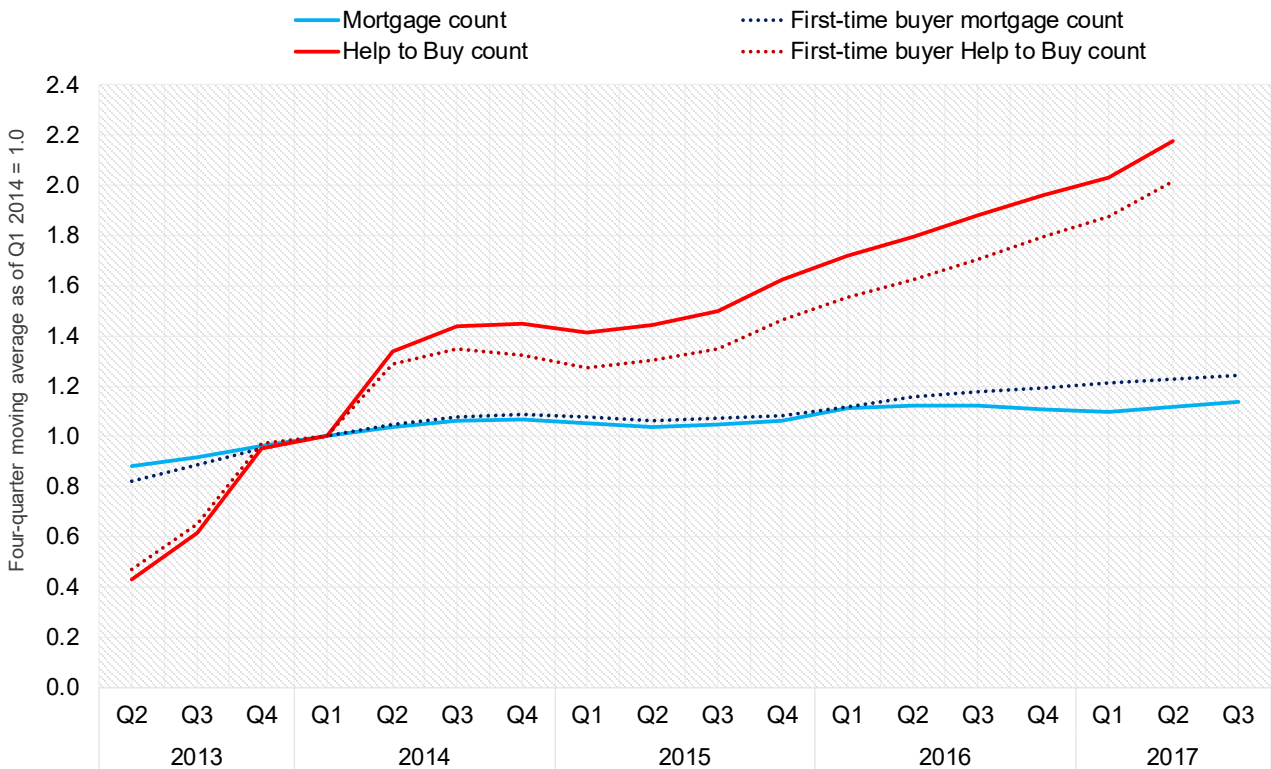
Source: Council of Mortgage Lenders; UK Finance, Table ML2 New mortgages by purpose of loan.

Figure 2.8 shows the four-quarter moving averages for both the total number of mortgages and those for first-time buyers as well as for the total number of Help to Buy transactions and for first-time buyers. All the trends are indexed in relation to Q1 2014 (the first quarter with full four-quarter information on Help to Buy).

At that date there were some 135,000 mortgages of which 60,000 were to first-time buyers. Help to Buy accounted for less than 4% of the total number of loans and some 7% of first-time buyer mortgages.

Thereafter, the total numbers of mortgages and those for first-time buyers grew fairly slowly over the period to around 145,000 (8% above the Q1 2014 base) and 72,000 (20% above) respectively. Help to Buy mortgage transactions increased much more rapidly more than doubling to nearly 10,000 overall of which 8,000 were for first-time buyers. These trends have continued, so that by the latest quarter (Q2 2017) for which comparison is possible Help to Buy mortgages accounted for 9% of total mortgages and 15% of all first-time buyer mortgages.

**Figure 2.8: The number of new mortgage loans, first-time buyer loans and Help to Buy mortgage transactions (Four-quarter moving average as of Q1 2014 = 1.0); England**



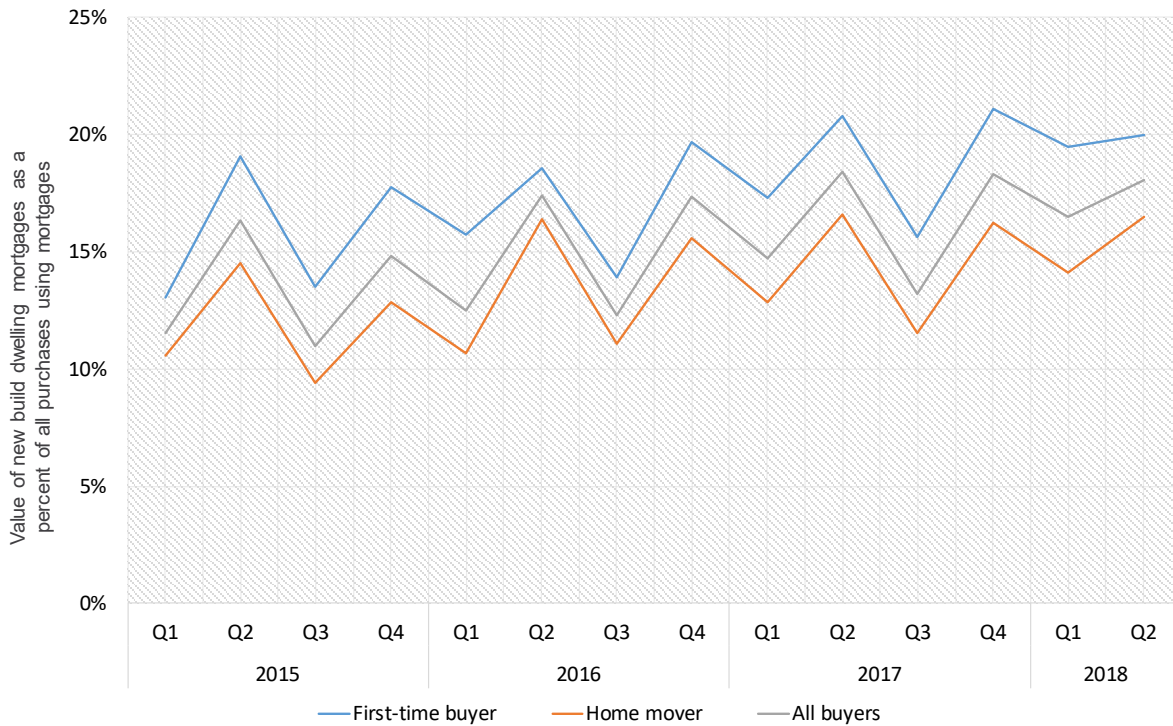
Source: As Figures 2.6 and 2.7.

With the assistance of UK Finance we have been able to access data on new build and second-hand dwellings purchased with mortgages over the period January 2015 to April 2018. No reliable data are available prior to this period. The data are broken down by first-time buyers, existing buyers (home movers) and all buyers.

Focussing on first-time buyers data they show that on an annual basis the share of total lending going to new build increased from 16% in 2015 to 19% in 2017. Obviously this volume data are impacted by the mix of homes and the new build premium but despite that there is clear evidence of increased lending. On a quarterly basis it rises from 13% in Q1 2015 to 20% in Q2, 2018.

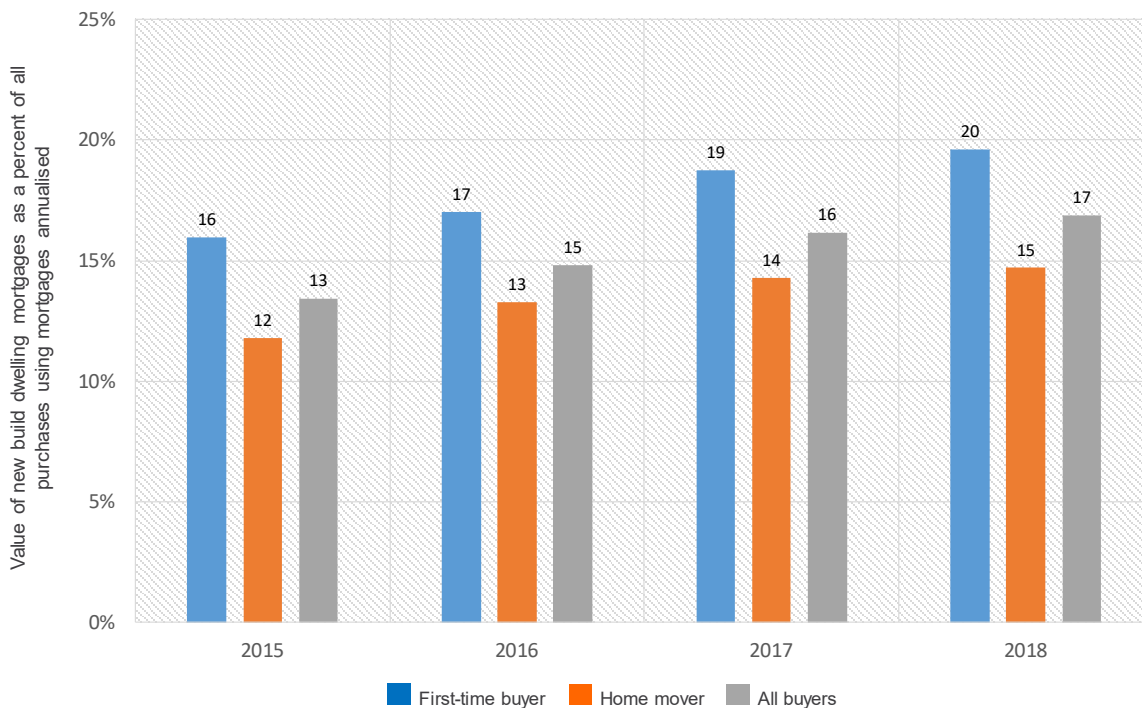
As Figure 2.9 shows there are cyclical variations through each year with the half year months of June and December typically recording the highest share of lending (often 20% or more). Similar but slightly more muted shares are evident when looking at the trends for all buyers. Figure 2.10 offers a simplified annual picture again showing the same trends.

**Figure 2.9: The value of new build dwelling mortgages as a percent of all purchases using mortgages (£m), UK: first-time buyers, home movers and all buyers, Q1 2015 to Q2 2018**



Source: UK Finance; data up to and including April 2018

**Figure 2.10: The value of new build dwelling mortgages as a percent of all purchases using mortgages (£m), UK: first-time buyers, home movers and all buyers, 2015 to 2018 (part year)**

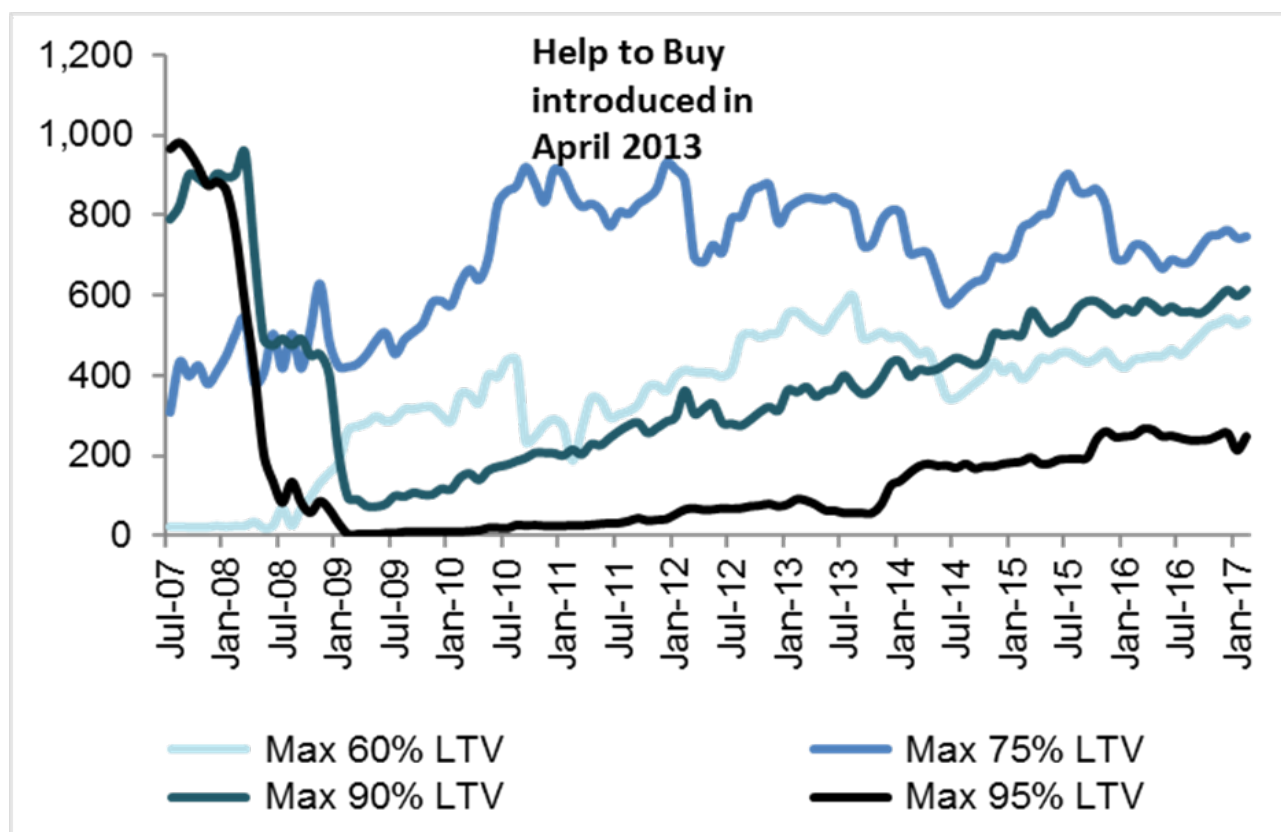


Source: UK Finance; data up to and including April 2018

Although there was no explicit policy focus on Help to Buy as a means of increasing mortgage lending on new build this has been a clear by-product of the scheme. As we show here the number of lenders active in this market has increased and this has impacted on product choice and pricing.

Figure 2.11 describes how the numbers of mortgage products for all mortgages by four Loan to Value categories have changed over the last decade. It shows that the numbers of high Loan to Value mortgage products available fell drastically between 2007 and early 2009. Thereafter, those in the highest category with maximum ratios of 95% hovered near to zero until 2013 and then started to increase very slowly. Those with a 90% maximum recovered more quickly but are still running only at about 50% of the pre-crisis period. Among mortgage products with lower Loan to Values those with a 75% maximum rose quite quickly from 2007 to 2010 and reached a peak around 2011. Since then numbers have been quite volatile but with some downward trend. Mortgage products with a maximum Loan to Value of 60% hardly existed before 2008 and thereafter rose fairly quickly.

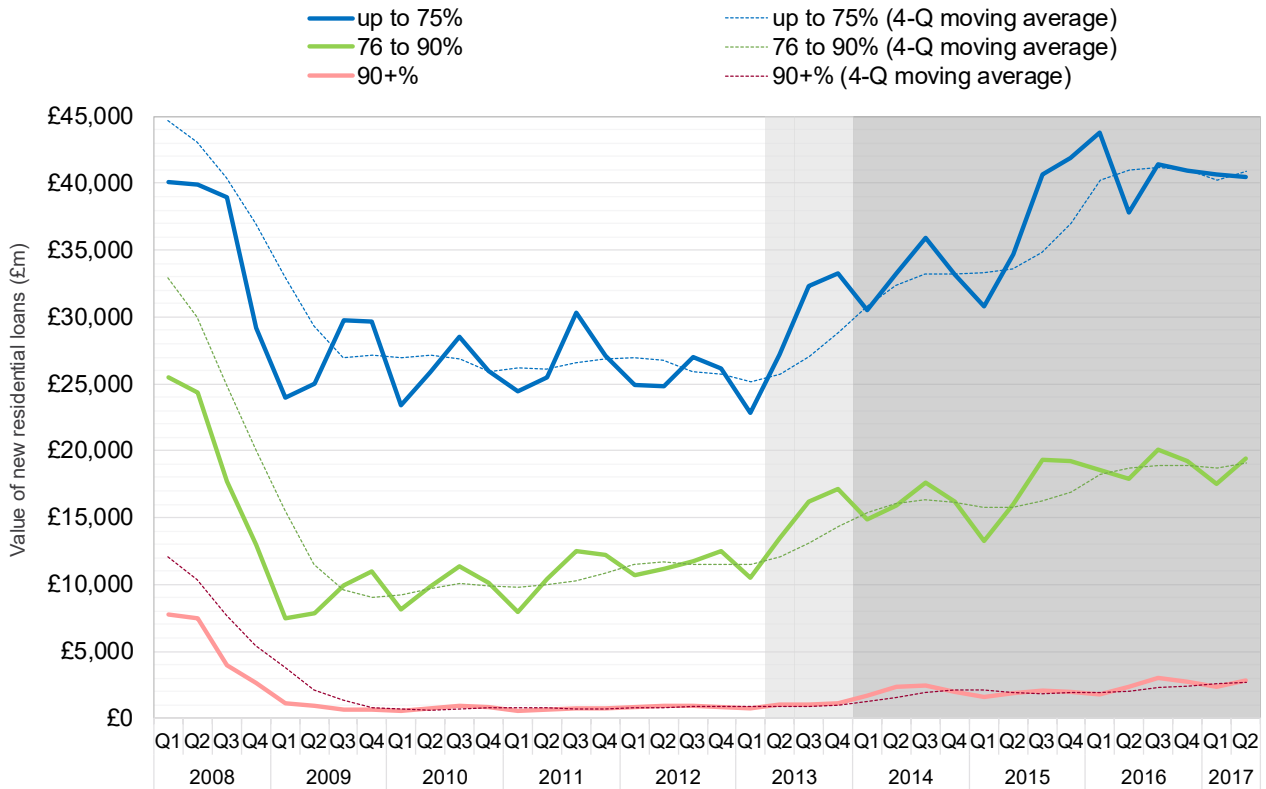
**Figure 2.11: The number of new mortgage products by Loan to Value**



Source: Moneyfacts

Figure 2.12 shows the value of all new residential loans (gross lending) by Loan to Value band. Over the observation period, the lower Loan to Value (up to 75%) category had the largest volumes with a four-quarter moving average of £40 billion in Q1 2017. This category had seen a sharp decline during the recession followed by stagnation in the immediate aftermath. However, since Q2 2013, the value of loans for this category has increased rapidly and outperformed the pre-recession level from Q3 2015. Since early 2016, the value has remained stable at above £40 billion. Mid Loan to Value (75% to 90%) and High Loan to Value ( $\geq 90\%$ ) groups, both of which were generally unaffected by the Help to Buy scheme (although positively affected by the guarantee element), also showed a recovery from Q2 2013 but have so far failed to reach anywhere near their pre-recession levels.

**Figure 2.12: Value of new residential loans (£m) by Loan to Value band: UK**

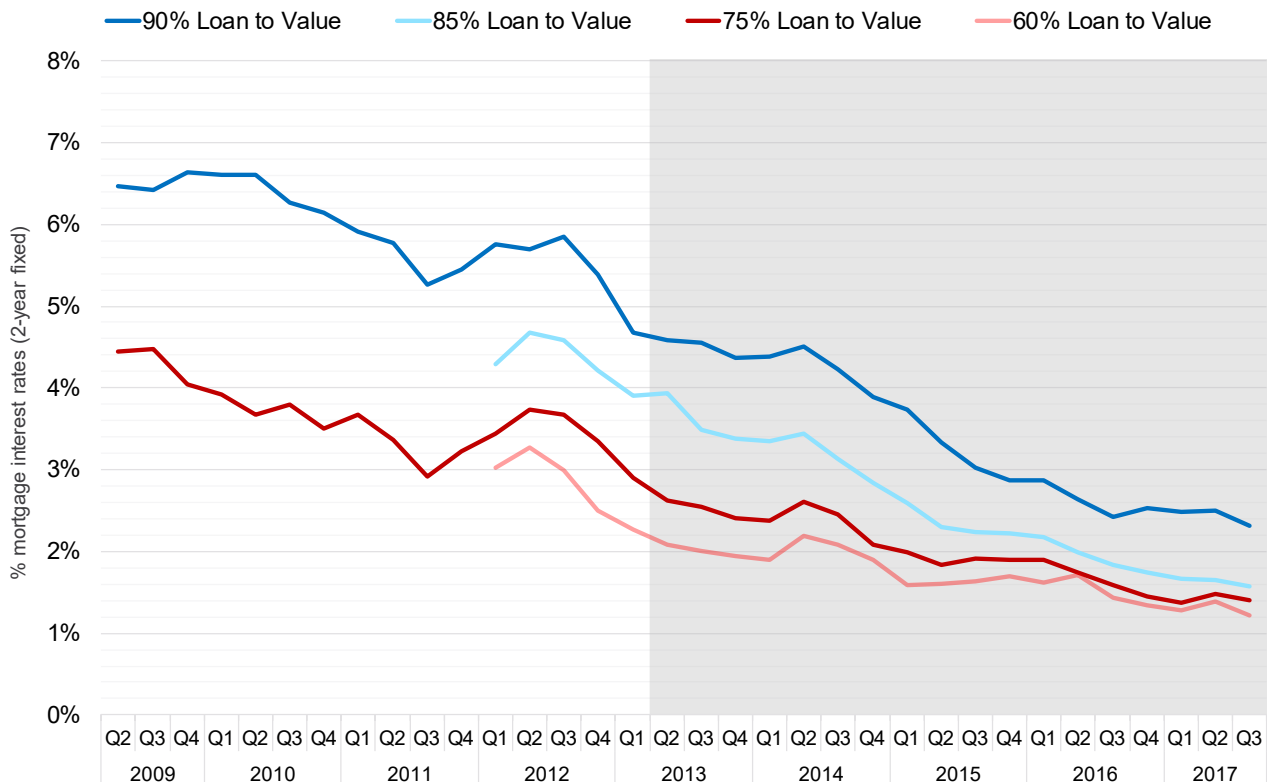


Source: Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA), via Haver.

Figure 2.13 shows the mortgage interest rates for four Loan to Value categories (which cannot be disaggregated to distinguish loans on new build based on data in the public domain). All the rates have fallen fairly consistently, although with short term increases in 2011 and again in 2014. Rates for mortgages with Loan to Values at or below 85% now have very similar interest rates. We discuss the rates charged for Help to Buy related loans in the next chapter based on lender interviews. We do not have loan level data on actual rates.

**Figure 2.13: Mortgage interest rates (2-year fixed) by Loan to Value (%): UK**





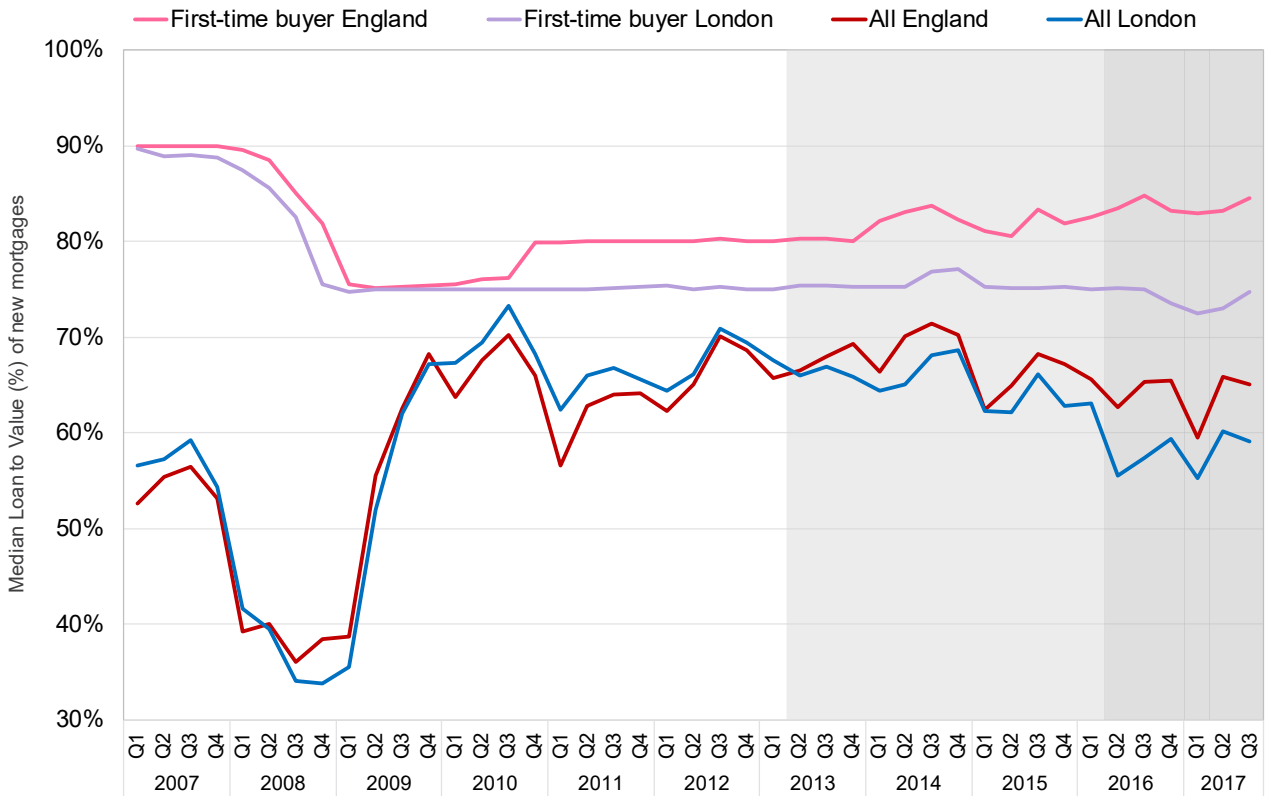
Source: Bank of England Statistical Interactive Database (accessed in July 2017). Note: As of the end month of each quarter. Shaded, after Help to Buy was introduced.

Across England between 2011 and 2013, the median Loan to Value for first-time buyers was around 80%, and has only risen slightly thereafter to around 83% (Figure 2.14). This is partly a result of the series of mortgage interest rate cuts (shown in Figure 2.13).

In London the median first-time buyer Loan to Value has been considerably lower at around 75% up to the first half of 2016. The Loan to Value then declined, despite favourable borrowing costs for buyers.

For all new mortgages the median Loan to Value rose sharply in 2009 but thereafter has rarely been above 70% and is declining in London, reflecting increases in relative prices.

**Figure 2.14: Median Loan to Value of new mortgages by buyer type: England and London**

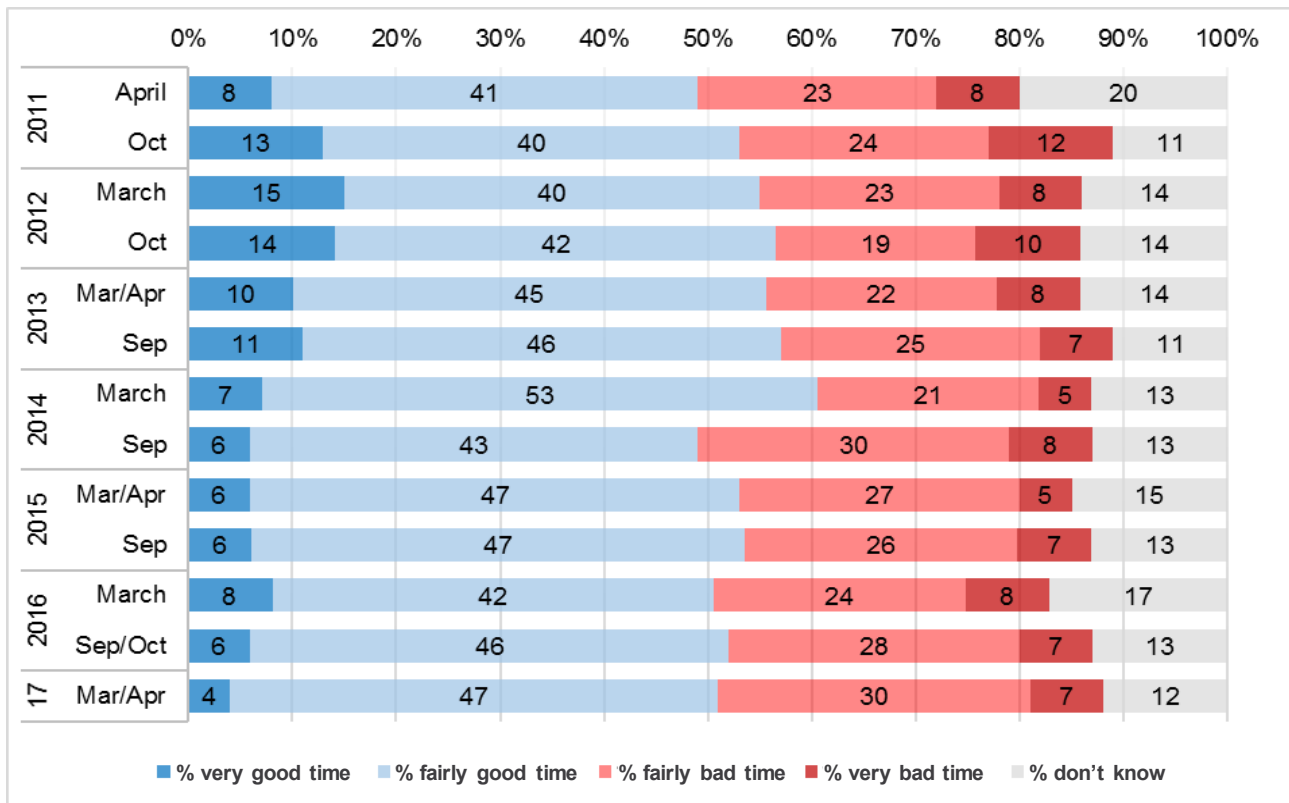


Source: Council of Mortgage Lenders, Table ML1 New mortgages by purpose of loan in *CML Economics* June 2017.  
 Note: Shaded lightly (darkly), since Help to Buy was in effect (London-40% Help to Buy was fully in effect).

### 2.2.6 Confidence

Since 2012, except for a short period in 2014, the majority of potential buyers questioned in an Ipsos MORI survey for the Halifax thought that it was a good or very good time to buy a property (Figure 2.15). The sudden decline in 2014 - from 60% in March to 49% in September may have been related to a small mortgage interest rise in the first half of 2014. This was then followed by a continuing decline to late 2016 and thereafter some stabilisation/uncertainty.

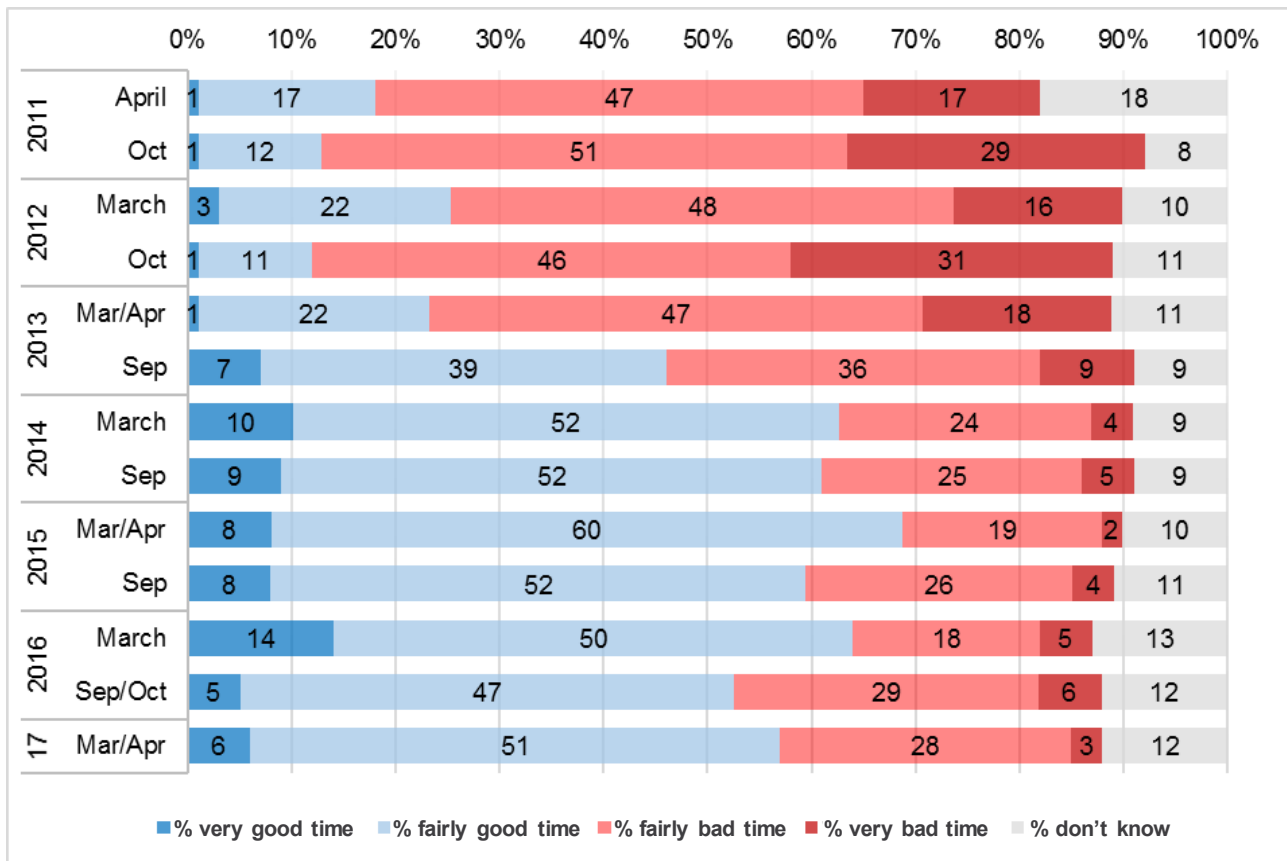
**Figure 2.15: Thinking about the next 12 months, do you think it would be a good time or a bad time for people in general to buy a property?**



Source: Ipsos MORI (various years) *Halifax Housing Market Confidence Tracker - Long Term Trends*. Note: Sampled around 2,000 British adults aged 16+.

Figure 2.16 shows that over the same period, confidence, measured by the proportion of people believing that it is a good time to sell a property, increased sharply from 23% in March/April 2013 (that is at the time of the introduction of the Help to Buy scheme but which by definition did not apply to their properties) to 46% in September and 63% in March 2014. Thereafter, the proportion fell sharply after the Brexit vote but had recovered a bit to 57% in early 2017.

**Figure 2.16: Thinking about the next 12 months, do you think it would be a good time or a bad time for people in general to sell a property?**



Source and note: As Figure 2.15

## 2.3 Help to Buy Equity Loan statistics – Take-up, property profile, users, and loan information

### 2.3.1 The scale of the programme

As of the end of June 2017, the Help to Buy programme has been responsible for almost 135,000 Help to Buy transactions involving nearly £7bn of Equity Loans since its inception, supporting the purchase of over £32bn worth of property (see Table 2.7 below). This implies an average Equity Loan of almost £50,000, some 21% of the average dwelling price. It is perhaps also worth noting that the scale of intervention is tiny at less than 4% - as compared to the total mortgage funding for first-time buyers in England which was nearly £180bn over the same period<sup>11</sup>.

Table 2.4 shows that over the period of the Help to Buy programme, Help to Buy transactions have accounted for less than 4% of all transactions (sales) but nearly 40% of all new build transactions (sales). Table 2.4 also shows the regional breakdown of Help to Buy transactions in relation to total sales and new build sales. While the numbers are highest in the South East as a proportion of total transactions and new build transactions, they are second lowest after London. In both cases only London and the South East are

<sup>11</sup> UK Finance Regulated Mortgage Survey.

below the England average. At the other extreme the North East has the second lowest total numbers of Help to Buy transactions but the highest as compared to both all market sales and new build sales.

**Table 2.4: Help to Buy transactions by region (April 2013 - June 2017\*)**

	Help to Buy transactions		As proportion of all transactions	As proportion of new build transactions
	Count	%	%	%
<b>South East</b>	22,040	16.4	3.5	36.1
<b>North West</b>	17,297	12.9	4.2	46.1
<b>East of England</b>	17,080	12.7	4.0	39.2
<b>South West</b>	16,561	12.3	4.0	38.2
<b>East Midlands</b>	15,971	11.9	5.2	47.0
<b>West Midlands</b>	14,799	11.0	4.7	48.0
<b>Yorkshire &amp; The Humber</b>	12,625	9.4	4.1	43.9
<b>North East</b>	9,372	7.0	6.7	50.3
<b>London</b>	8,813	6.5	2.0	16.7
<b>England</b>	<b>134,558</b>	<b>100.0</b>	<b>3.9</b>	<b>38.4</b>

Source: For Help to Buy figures, as Table 2.2. For the denominators of sales, Office for National Statistics, Land Registry. *House Price Statistics for Small Areas September 2017- Datasets 6 and 7* (for all sales and Newly Built respectively). Note: \* "Proportion of Sales" measures are based on transactions up to Q1 2017.

### 2.3.2 Dwelling attributes

Over the whole programme the most usual type of Help to Buy property was semi-detached at almost 31% followed by detached properties at almost 30%. The proportion of Help to Buy detached homes has been very similar to those for new build overall and higher than for all transactions. Semi-detached Help to Buy transactions were on the other hand 60% higher than for new build overall. The highest proportions of detached dwellings were in the East Midlands (43.3%), the North East (40.1%) and the North West (38.7%) (see Table A2.7 in Annex 2).

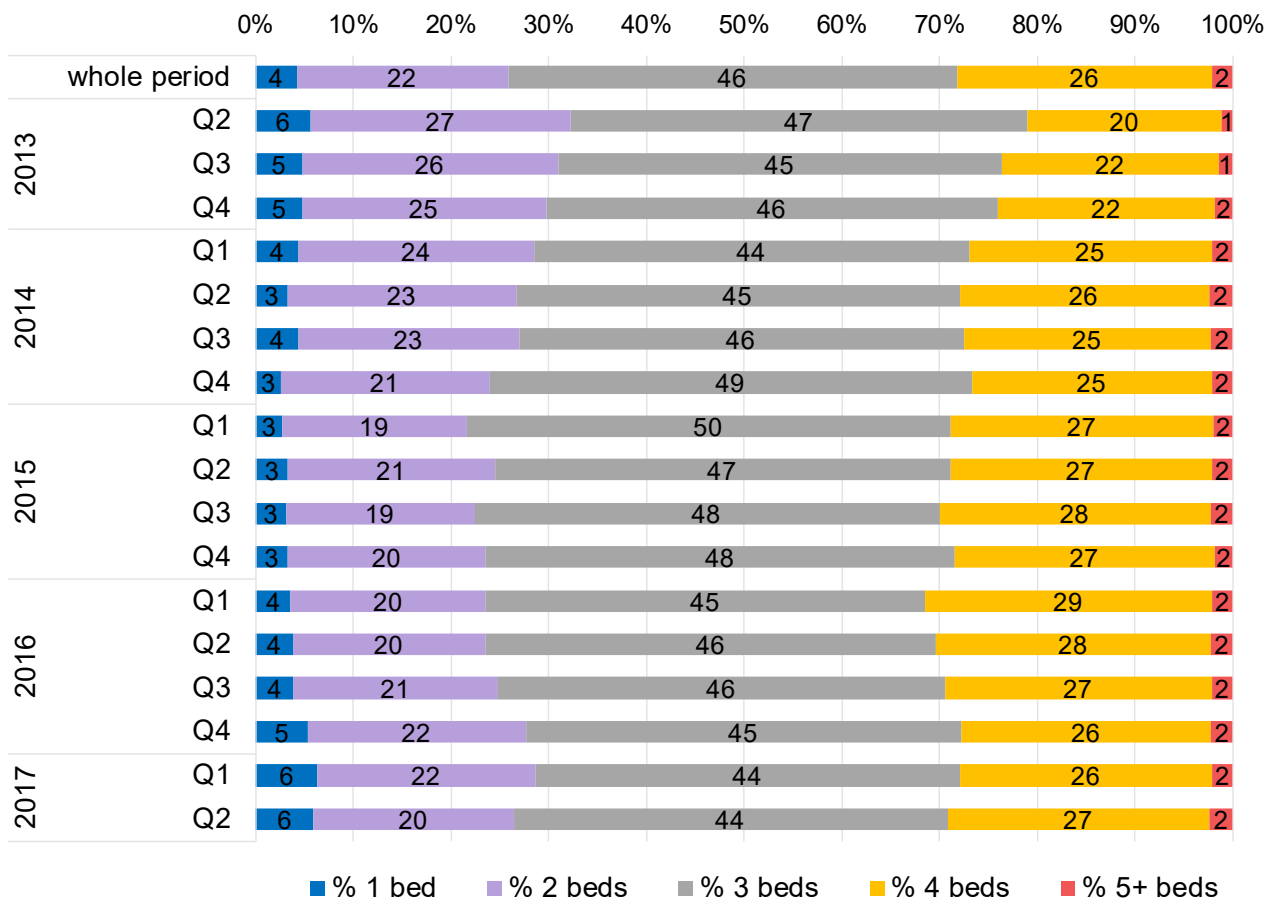
**Table 2.5: Proportions of Help to Buy transactions (%) by property type: England (April 2013 - June 2017)**

Type	Help to Buy (H)	All transactions (S)	H - S	New build transactions (NB)	H - NB
<b>Detached</b>	29.8	24.3	5.4	29.6	0.2
<b>Semi-detached</b>	30.7	26.6	4.1	19.2	11.5
<b>Terraced</b>	24.2	28.8	-4.6	18.8	5.4
<b>Flat</b>	15.3	20.3	-5.0	32.5	-17.2

Source: As Table 2.2. Note: For S & NB, Q2 2013 to Q1 2017.

Only 15% of Help to Buy transactions have involved flats, compared with almost one third of all new build. This in part reflects the extent to which Help to Buy sales are more likely to be in areas where there are also fewer available apartments. London stands out with the predominant share of flats at almost 80%. The next highest proportion has been in the South East at just over 20%.

**Figure 2.17: Proportions of Help to Buy dwellings by number of bedrooms (%)**



Source: As Table 2.2. Note: Numbers for the whole period are 5,683 (1 bed), 29,089 (2 beds), 61,899 (3 beds), 35,050 (4 beds), 2,837(5+ beds).

As Figure 2.17 makes clear, Help to Buy dwellings have generally been family-sized properties. Nearly half (46%) of the properties have had three bedrooms. Over a quarter (26%) of those purchased have been four bedroom dwellings. Two-bedroom dwellings have averaged 22% of those purchased but were higher in the early years.

Looking at the latest few quarters, the share of smaller properties has been increasing with one-bedroom properties reaching a record high of 6% in the last quarter. This is partly about the increase in Help to Buy sales in London where only smaller flatted units generally qualify. Mainly for this reason, London stands out with over three quarters of sales being one or two bedroom units. At the other extreme, in the East Midlands almost 40% of Help to Buy sales were of dwellings with four or more bedrooms (see Figure A2.25 in Annex 2).

### 2.3.3 The proportion of first-time buyers

At the national level, the great majority of Help to Buy buyers (almost 81%) were first-time buyers and in all regions they were the dominant group. London's position is at one extreme at almost 96% followed by the North East where 85% were first-time buyers (see Figure A2.26 in Annex 2). The lowest proportions of first-time buyers were found in the East Midlands with nearly one in four existing owners buying using the scheme. This may be one reason for the high proportion of larger dwellings in that region (as shown in Figure A2.25 in Annex 2) which are more likely to suit families already on the property ladder.

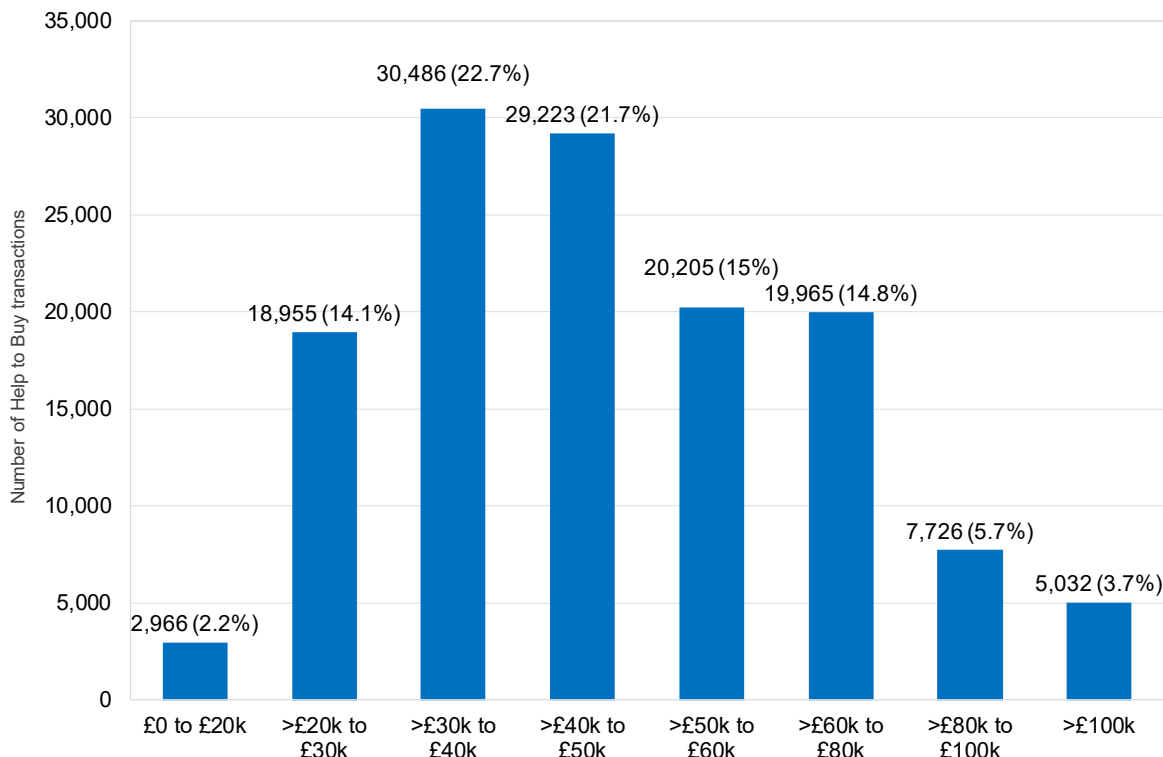
### 2.3.4 The incomes of Help to Buy purchasers

Figure 2.18 shows the distribution of Help to Buy purchases by annual household income band<sup>12</sup>. The most frequent income band was between £30,000 and £40,000, with nearly 23% of all Help to Buy purchaser households. The proportion in the £40,000 to £50,000 band was only slightly less at nearly 22%. Only just over 16% had incomes below £30,000. Taken together just over 60% had incomes below £50,000 per annum. Of the other 40%, 15% had incomes under £60,000 and a further 15% under £80,000. Less than 10% of purchasers had incomes above this level and under 4% had household incomes of over £100,000.

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<sup>12</sup> The data available on the incomes of Help to Buy borrowers are not fully consistent. For some transactions, *household* incomes were recorded, while for others only the income of the *individual* applying for the loan is available. Unfortunately, we do not know the proportions of transactions recorded in the two different ways.

**Figure 2.18: Help to Buy transactions (number & percentage of total transaction count) by applicant annual income band (£)**



Source: As Table 2.2. Note: not inflation adjusted.

Annual figures are shown in Figure A2.27 in Annex 2 and suggest that households with annual incomes below £40,000 have found it more difficult to buy over the period of the programme. The proportion of the mid-cohort (£40,000 to £50,000 band) has been relatively stable – 20.1% in 2013 and 22.3% in 2017. The numbers in the highest four bands (on aggregate, more than £50,000) on the other hand have increased. Notably, the numbers in the £60,000 to £80,000 band increased from 10.6% in 2013 to 18.1% in 2017.

A proportion of this upward shift can be explained by increases in real incomes (see Figure A2.27a). Over the observation period, average earnings rose by around 5.9%<sup>13</sup>. Part of the shift may be the outcome of changes in the geographical mix of purchasers. But part almost certainly reflects a relatively small shift up the income scale.

Incomes by region follow the expected pattern (Table 2.6) with London incomes some 75% above those in the North East and the overall ordering reflecting regional incomes in general. Looking at the last four quarters as compared to the overall programme the only significant difference is with respect to London where, relatively, the average income has declined by over 5% presumably reflecting the impact of introducing a 40% Equity Loan in the capital.

<sup>13</sup> Calculated by Authors based on ONS *EARN01 Average Weekly Earnings - total pay, Great Britain (seasonally adjusted)*. Accessed in November 2017.



**Table 2.6: Buyers' average annual household income by region (£)**

	Whole period		Last 4 quarters	
	£	England=100	£	England=100
<b>London</b>	69,318	138.9	69,754	131.9
<b>South East</b>	60,770	121.8	63,696	120.5
<b>East of England</b>	53,431	107.1	57,060	107.9
<b>South West</b>	46,816	93.8	49,242	93.1
<b>East Midlands</b>	46,227	92.6	48,150	91.1
<b>West Midlands</b>	45,184	90.5	47,265	89.4
<b>North West</b>	44,572	89.3	47,799	90.4
<b>Yorkshire &amp; The Humber</b>	41,810	83.8	44,418	84.0
<b>North East</b>	39,686	79.5	41,439	78.4
<b>England</b>	<b>49,911</b>	<b>100</b>	<b>52,881</b>	<b>100</b>

Source: As Table 2.2. Note: not inflation adjusted.

A final issue is how Help to Buy incomes have related to Help to Buy house prices. Initially house prices were about 4.5 times incomes and this ratio remained fairly constant over the first year. However, since Q2 2014, house prices have risen faster than incomes, resulting in a significant increase in the price income ratio from 4.6 in Q2 2014 to almost 5.2 in Q2 2017 (the details are in Figure A2.28 in Annex 2). Quarter 2 2016 (the quarter when the 40% London Help to Buy was introduced) saw the biggest ratio rise of 0.15 points. London had a record increase in the ratio (0.7) in that quarter which stood at 6.8 in Q2, 2017.

### 2.3.5 Financing Help to Buy purchases

Table 2.7 sets out some basic information about Help to Buy purchases and how they have been financed looking at price, mortgage, Equity Loan and deposit averages by region for the last four quarters up to Q2 2017 – that is the last year for which data are available - earlier years' data can be found in Table A2.8 in Annex 2.

The national average house price for Help to Buy properties was almost £270,000. London had the highest average house price at over £446,000. Excluding London, the average price was £253,000. Outside London, the South East had the highest average at £337,000 followed by the East of England at £297,000. In all other regions the average was below the national average with the average in the North East at just over £180,000, just two thirds of the national average.

Across regions outside London the relationships between prices, the size of the average mortgage, Equity Loan and deposit have all been pretty stable. Prices, mortgage levels and Equity Loans in the South East are between 80% and 87% higher than the average in the North East. The big difference is in the size of deposit, which was 2.4 times larger in the South East as compared to the North East. In London it was over 60% higher.

**Table 2.7: Average purchase-related variables by region (4 quarters to Q2 2017)**

	<b>Purchase price (£)</b>	<b>Mortgage (£)</b>	<b>Equity Loan (£)</b>	<b>Deposit (£)</b>
<b>London</b>	446,216	242,065	160,416	43,735
<b>South East</b>	337,319	234,106	66,851	36,362
<b>East of England</b>	297,634	206,767	58,901	31,967
<b>South West</b>	257,938	179,226	51,121	27,592
<b>East Midlands</b>	233,671	164,008	46,368	23,295
<b>West Midlands</b>	224,819	158,670	44,574	21,575
<b>North West</b>	213,345	151,631	42,495	19,219
<b>Yorkshire &amp; The Humber</b>	200,380	143,148	39,872	17,359
<b>North East</b>	180,497	129,464	35,907	15,127
<b>England</b>	<b>269,719</b>	<b>183,060</b>	<b>59,650</b>	<b>27,009</b>

Source: As Table 2.2. Note: not adjusted for Inflation.

Table 2.8 clarifies the make-up of the different elements by which the average purchase price is paid in each region and nationally. It shows quite high deposit rates are still being provided, even though outside London almost all purchasers take the full Equity Loan (for statistics over the whole period, see Table A2.8 in Annex 2). The specification of the Help to Buy product suggested that the purchaser might only need to provide a 5% deposit; but the actuality has been that buyers are on average providing double that amount.

Partly because, from February 2016, Equity Loans up to 40% were enabled, London stands out with a quite different and much larger Equity Loan proportion (36% of the average house price). This allows the mortgage Loan to Value ratio to be very much lower than in the rest of the country at 54%. Even so, the average London Equity Loan level is well below the upper limit of 40%, whereas all of the other regions have Equity Loan proportions close to the upper limit of 20%. This suggests that London buyers may be showing some caution around Equity Loans.

**Table 2.8: Financing the average purchase price: proportions by region (4 quarters up to Q2 2017)**

	<b>Mortgage*</b>	<b>Equity Loan</b>	<b>Deposit</b>
<b>London</b>	54.2	36.0	9.8
<b>South East</b>	69.4	19.8	10.8
<b>East of England</b>	69.5	19.8	10.7
<b>South West</b>	69.5	19.8	10.7
<b>East Midlands</b>	70.2	19.8	10.0
<b>West Midlands</b>	70.6	19.8	9.6
<b>North West</b>	71.1	19.9	9.0
<b>Yorkshire &amp; The Humber</b>	71.4	19.9	8.7
<b>North East</b>	71.7	19.9	8.4
<b>England</b>	<b>67.9</b>	<b>22.1</b>	<b>10.0</b>

Source & Note: As Table 2.2. Additional note: The numerators and the denominators for these relative figures were the averages in the previous table. Thus, \* was not identical to the average of Loan to Values.

The Equity Loans result in quite similar deposit ratios across regions, with that for London at 9.8% close to the 10% national average (which is around 7% lower than the average first-time buyer deposit). In regions where average prices were below the national average, deposits were not just smaller in absolute terms but also in proportional terms, while Loan to Value ratios were higher than average. This perhaps implies that households in the North find it disproportionately hard to save for the necessary deposit even though the absolute amounts are far below the average.

More detailed evidence over the whole period (see Tables A2.12 to A2.14) shows that the great majority of mortgagors in the Help to Buy scheme used an Equity Loan at or very close to the upper limit - to the point where the median and the upper quartile of the Loan to Value have generally been at its maximum level of 75.0%. Particularly in the first four quarters after the introduction of the scheme, even the lowest quartile was close to 75%. Since Q2 2016, the mean has decreased sharply and the variation in Loan to Value (measured by the standard deviation) has widened. These recent Loan to Value developments are mainly the outcome of the new London Help to Buy scheme introduced in February 2016<sup>14</sup>.

Within these totals first-time buyers generally have somewhat higher mean Loan to Values as compared to existing owners but the median is very similar. What is also clear is that the proportion of existing owners in the Help to Buy scheme has remained fairly stable.

Since Q2 2016, the proportion of Help to Buy purchasers in London has been increasing to a record high level of 10.5% in Q1 2017. Mean, upper and lower quartile and median Loan to Values have fallen significantly reflecting the availability of higher Equity Loans.

### 2.3.6 Developers

As of June 2017, a total of 1,828 developers have sold dwellings under the Help to Buy programme in England. However, the vast majority of such sales have been made by a small number of large developers.

Table 2.9 shows how heavily skewed the numbers are with an average of under 74 sales, a maximum of almost 21,000 and a minimum of one.

**Table 2.9: Key Statistics on transaction counts of Help to Buy developers**

Average (Mean)	Median	Minimum	Maximum	Lower Quartile	Upper Quartile
74	4	1	20,798	2	10

Source: As Table 2.2. Note: The number of developers = 1,828.

Table 2.10 supplements these summary data and shows that over three quarters of active developers have made 10 transactions or fewer while less than 1% have sold 1,000 or more units. Moreover, the 1,398 developers who had done 10 or fewer transactions

<sup>14</sup> Council of Mortgage Lenders first-time buyer data are not strictly comparable, but suggest that the incomes of average first-time buyers are around 10% lower than those for Help to Buy purchasers; that deposits are about twice as large; but average mortgages are lower.

account for only 3.4% of all transactions while the seventeen developers who had done more than 1,000 Help to Buy transactions accounted for over 75% of overall transactions.

**Table 2.10: Help to Buy developers by transaction count**

Transactions per developer	No. of developers active in scheme	Share of total developers (%)	Share of Transaction (%)
1 - 10	1,398	76.5	3.4
11 - 50	280	15.3	4.7
51 - 100	61	3.3	3.2
101 - 250	45	2.5	4.9
251 – 1,000	27	1.5	8.6
>1,000	17	0.9	75.2
<b>Total</b>	<b>1,828</b>	<b>100</b>	<b>100</b>

Source: As Table 2.2.

Table 2.11 lists these seventeen developers with more than 1,000 Help to Buy sales up to June 2017 and their most active region. The developer with the largest number of sales was Persimmon with nearly 21,000 transactions (a Help to Buy market share of 15.5%). The second largest was Barratt (19,700 or 14.7%) followed by Taylor Wimpey (16,700 or 12.4%). The fourth largest accounts for only 6.4%, while the seventeenth largest accounts for considerably less than 1% of sales<sup>15</sup>. Thus the top three developers account for over 40% of all transactions over the whole period, although that proportion has declined somewhat over time.

Nine developers on the list were operating mainly in southern regions although generally outside London. Six concentrate on the North of England. For more detailed regional distributions relating to these developers see Tables A2.13 and A2.14 in Annex 2.

**Table 2.11: Developers with 1,000 or more Help to Buy transactions**

Developer (most active region)	Whole period		2013*	2014	2015	2016	Q1 2017*
	Transactions	%					
Persimmon (SW)	20,798	15.5	16.0	15.5	16.0	15.4	14.4
Barratt (SE)	19,745	14.7	16.3	15.3	14.9	13.2	15.0
Taylor Wimpey (SE)	16,733	12.4	13.1	13.1	13.1	12.4	10.3
Bellway (SE)	8,678	6.4	6.5	6.4	5.8	6.9	6.7
Redrow (NW)	5,137	3.8	3.3	3.9	4.1	3.7	3.9
Keepmoat Plc (Y&H)	4,460	3.3	2.8	3.2	3.3	3.5	3.5
Bovis (SE)	4,171	3.1	5.1	3.9	3.1	2.7	1.5
Galliford (SW)	3,709	2.8	3.1	2.6	2.3	2.9	3.2
Bloor (SW)	3,555	2.6	2.9	2.8	2.4	2.3	3.2
Crest Nicholson (SE)	2,853	2.1	2.6	2.4	2.2	1.9	1.7
Miller Homes (EM)	2,289	1.7	2.3	1.8	1.7	1.6	1.4

<sup>15</sup> Some of the largest builders are missing from this list including Berkeley which has concentrated most of its output in London and McCarthy and Stone which specialises in homes for older people

Developer (most active region)	Whole period		2013*	2014	2015	2016	Q1 2017*
	Transactions	%	%				
<b>Kier Group (EM)</b>	1,967	1.5	1.0	1.0	1.9	1.5	1.7
<b>Gleeson (NE)</b>	1,869	1.4	1.0	1.0	1.4	1.5	1.8
<b>Morris Homes (NW)</b>	1,690	1.3	1.5	1.3	1.4	1.2	1.0
<b>Countryside Properties UK (L)</b>	1,224	0.9	0.9	0.9	0.8	0.7	1.4
<b>Lovell (NW)</b>	1,193	0.9	0.8	0.7	1.0	1.2	0.5
<b>Strata (Y&amp;H)</b>	1,059	0.8	0.9	1.0	0.7	0.7	0.8

Source: as Table 2.2. Note: \* 3 Qs for 2013 and 2 Qs for 2017. The most active region was based on the number of Help to Buy transactions (not on a developer's head office location).

Barratt had the largest share of apartment sales at 15.6%. Their Help to Buy sales also had the highest average prices as compared to all Help to Buy sales (almost 16% above average) mainly reflecting its southern bias.

### 2.3.7 Lenders

Some 23 lenders have made loans under the programme, but most were responsible for only a small number of transactions. Table 2.12 sets out the top ten mortgage providers with respect to Help to Buy transactions (Table A2.15 in Annex 2 provides similar data for total mortgage volumes). On this count, the largest lender was Halifax with over 43,000 transactions, at 32% taking almost one third of the market.

The second largest was Nationwide with just over 40,000 transactions, not far behind at just under 30%. These two lenders have, throughout the programme, been the top ranked, with Nationwide being at the number one position with respect to transactions in 2015 and the first quarter of 2017. The third largest Nat West at 13.5% has lent less than half the number of Help to Buy mortgages as compared to Nationwide.

Even so, the Help to Buy lending market has become more diverse. Looking at the sum of the highest three lenders' shares (a simple measure of market concentration), the index decreased from 95.4% in 2013 to 65.7% in mid-2017. Even so the top two still account for over 60% of total loans.

**Table 2.12: Top ten lenders to Help to Buy by number and percent of transactions**

	Whole period		2013*	2014	2015	2016	2017*
	Transactions	%	%				
<b>Halifax</b>	43,006	32.0	56.8	36.2	28.1	27.1	24.7
<b>Nationwide</b>	40,080	29.8	28.0	32.6	38.6	25.2	22.6
<b>Nat West</b>	18,181	13.5	10.5	11.1	11.9	14.9	18.4
<b>Santander</b>	14,841	11.0	1.7	9.5	10.9	16.0	10.5
<b>Woolwich</b>	5,411	4.0	2.6	4.7	2.7	3.2	7.5
<b>Virgin Money</b>	3,001	2.2	0.0	1.3	1.3	2.4	5.8
<b>Leeds</b>	2,859	2.1	0.0	2.1	2.4	2.9	1.7
<b>Skipton</b>	2,728	2.0	0.0	1.6	1.6	2.8	3.1
<b>TSB</b>	1,694	1.3	0.0	0.0	1.4	2.2	1.8
<b>Precise</b>	1206	0.9	0.0	0.0	0.0	1.7	2.5

Source: As Table 2.2. \* 3 Qs for 2013 and 2 Qs for 2017.

On a mortgage value basis (Table A2.15 in Annex 2) the largest lender was Nationwide which has lent over £7bn up to mid-2017. This accounts for 31% of total lending to Help to Buy sales. The second was Halifax with £6.9bn (30.3%). Nat West and Santander together account for almost another 25%.

Again, however the market is somewhat less concentrated, with the sum of the highest three lenders' shares declining from 95.2% in 2013 to 74% by mid-2017. Even so the top two still account for over 60% of lending by value.

## 2.4 Help to Buy at local authority level

We looked at the twenty local authorities that had the highest totals of Help to Buy transactions (see Table A2.16 in Annex 2) and those which had the highest proportions of Help to Buy transactions as compared to new build sales (see Table A2.17 in Annex 2). In each case we also give the proportions of Help to Buy to new build and total sales. Based on Help to Buy transactions we found that:

- The twenty areas with the highest Help to Buy activity are spread across all regions except for London. Seven are in the North; three in the Midlands and the rest in the South. Wiltshire had the highest transaction count at over 2,200. Just below were Central Bedfordshire, Leeds and Wakefield, all of which had over 1,800 transactions.
- The capital has seven local authorities (five in inner London) in the lowest twenty category.
- Only two local authorities with the highest Help to Buy transaction levels are in the top twenty in terms of new build sales (Northampton and Kingston upon Hull) while four (Bedford, Peterborough, Telford and Wrekin and Kingston upon Hull) are in the top twenty list in terms of the ratio with total sales.

Based on Help to Buy as a proportion of new build sales, we find that:

- Cannock Chase in the West Midlands had the highest ratio with 78% of all new build sales being under the Help to Buy scheme.
- Thirteen other authorities had proportions between 61% and 70%, seven of which are in the North; four in the Midlands and two in the South.
- Three regions (London, the South East and somewhat surprisingly the North East) had no local authorities in the top twenty.

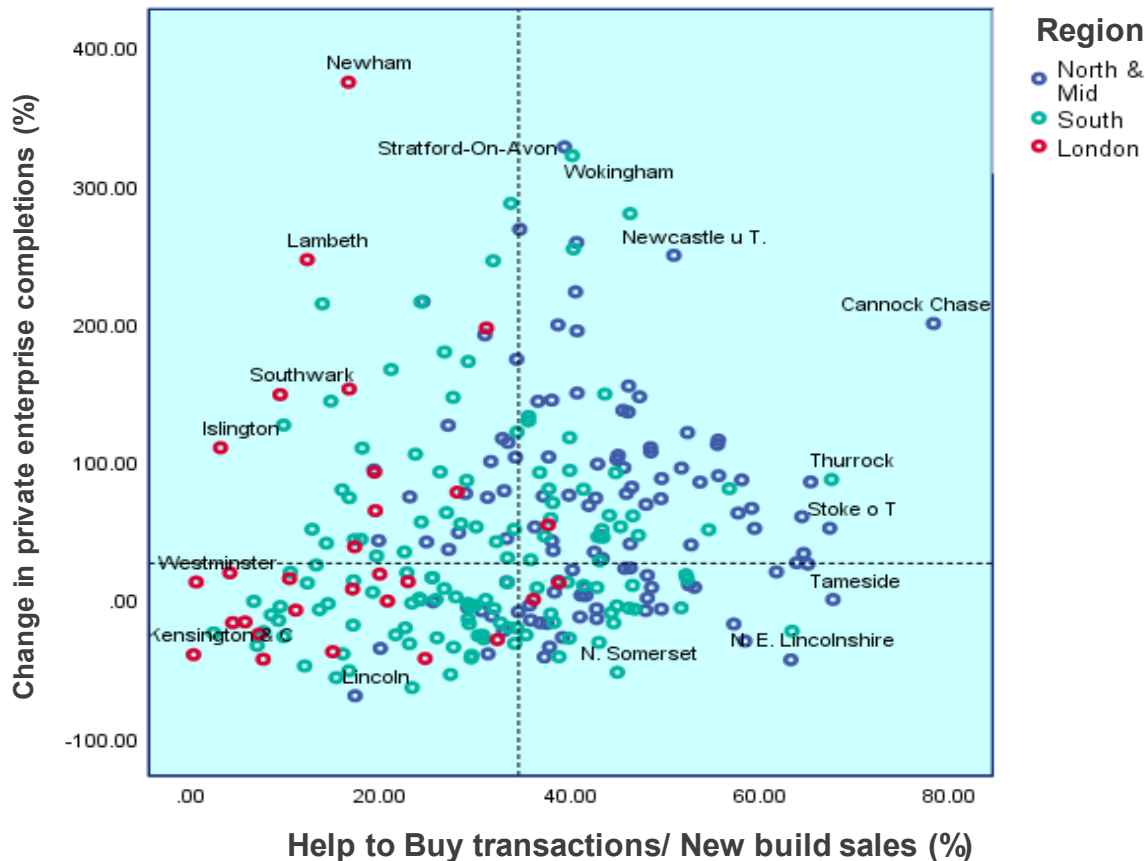
Finally, we look at two analyses which cover all local authorities. Figure 2.19 plots Help to Buy transactions in relation to new build sales in English local authorities as compared to private dwelling completions per annum before and after the introduction of Help to Buy.

The pattern suggests a positive (albeit weak) relationship between the two indicators - in other words the higher the ratio of Help to Buy to new build sales the higher the numbers of completions. Although the cause-and-effect flow cannot be examined here, this suggests that Help to Buy has helped stimulate local house building.



The reference lines in the chart indicate the national averages, which are 34.5% for the Help to Buy per new build sales and 26.2% for completions.

**Figure 2.19: Local authorities by Help to Buy transactions per new build sales\* and change in private enterprise completions\*\***



Source: For Help to Buy and new build as Table 2.2. For completions as Figure 2.2. Note: \* Q2 2013 to Q1 2017. \*\* From the annual average of 2011/12 - 2012/13 to that of 2014/15 - 2016/17. Excludes 52 local authorities, whose completions were fewer than 100 units p.a. in 2011/12 - 2012/13. The reference lines indicate the English averages (34.5% for the Help to Buy and 26.2% for completions).

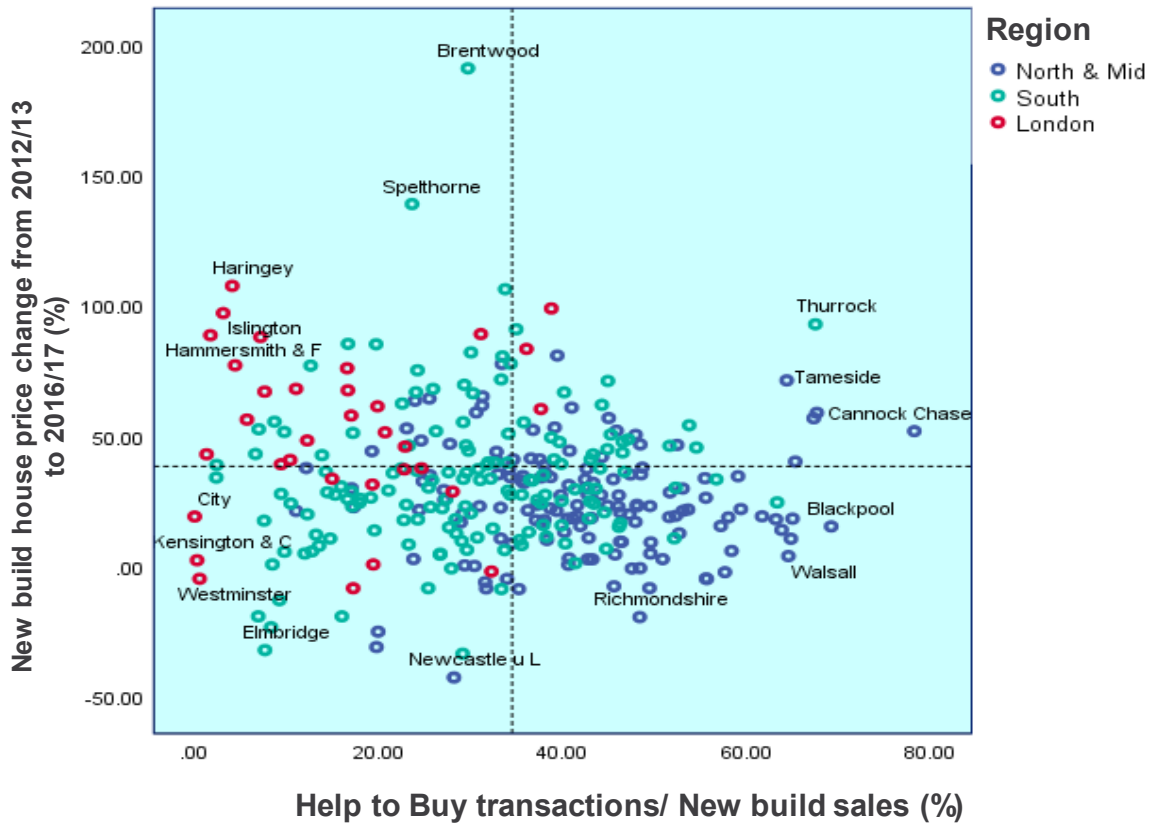
Each of the four quadrants segmented by the two reference lines characterises local activities, relative to the national averages:

- Local Authorities in the north-east quadrant saw high Help to Buy activity ratios and large increases in private dwelling completions.
- Local Authorities in the north-west quadrant saw modest Help to Buy activity ratios but robust increases in dwelling completions.
- Local Authorities in the south-west quadrant had modest Help to Buy activity ratios and limited rises in completions, and sometimes reductions, in dwelling completions. This segment includes nearly half of London Boroughs.
- Local Authorities in the south-east quadrant had higher Help to Buy activity ratios but still low increases in completions.

Figure 2.20 plots Help to Buy transactions as a proportion of new build sales against the change in the average of newly built house prices between 2012/13 and 2016/17. The plot shows a very weak negative relationship between the two variables - in other words larger

changes in new build house prices appear to be associated with lower ratios of Help to Buy and new build sales.

**Figure 2.20: Local authorities by Help to Buy transactions per new build sales\* and change in newly built house price\*\***



Source: For the Help to Buy, as Table 2.2. For house prices as Figure 2.5. Note: \* Q2 2013 to Q1 2017. \*\* From the annual average of 4-Q average ending in Q1 2013 to that ending in Q1 2017. The reference lines indicate the English averages (34.5% for the Help to Buy and 38.4% for the house price change).

The reference lines in the chart indicate the national averages, which are 34.5% for the Help to Buy per new build sales and 38.4% for the house price change.

Each of the four quadrants segmented by the two reference lines characterises local Help to Buy functions, relative to the national averages.

- Local Authorities in the south-east quadrant saw robust Help to Buy activity ratios and quite limited increases in house prices.
- Local Authorities in the north-west quadrant had modest Help to Buy activity ratios with higher house price inflation. This quadrant includes almost three-fifths of London Boroughs.
- In the other two quadrants low levels of Help to Buy activity ratios are related to low house price rises and higher levels of Help to Buy to higher levels of price change respectively.



## 2.5 Conclusions

This analysis of secondary data provides a starting point for our analysis of how consumers, lenders and developers have responded to the Help to Buy programme. It shows that housebuilding was already increasing before the scheme, that output has continued to increase throughout the period of analysis to June 2017 and that Help to Buy has, with significant seasonal variations, continued to grow as a proportion of total new build transactions. It is also clear that lending on new build homes has increased as a proportion of total lending.

Data on Help to Buy purchasers and purchases is very detailed as compared to the data available on the market as a whole. It provides a clear picture of the attributes of both households and dwellings, which suggests that these attributes have not changed significantly as the scale of the programme has increased.

While Help to Buy has grown as a proportion of increasing levels of new build output, it remains a very small part of the total market. Its regional impact varies and is least in London where the maximum price constraint limits available properties.

As Help to Buy has grown as a proportion of the overall new build market it must inherently play a larger role in determining new build prices. The fact that Help to Buy transactions are heavily concentrated among the largest developers is also relevant. The price premium for all new build properties which re-emerged well before the introduction of Help to Buy in some regions has increased fairly consistently over the period of the evaluation.

The national average premium in the year to March 2017 was 19%. However, for detached and semi-detached houses which make up the bulk of Help to Buy sales, the average premium is very small or even negative.

However, differences in the mix of dwelling types and their location are a significant part of the explanation for the relative increase in new build prices as compared to total sales. They also help to explain why average Help to Buy prices are almost always significantly below average new build prices. The programme has enabled purchasers to buy with deposits of only around 10% of value, helping them to overcome the regulatory and market constraints on high Loan to Value mortgages.

Local data do not support the hypothesis that Help to Buy activity is directly increasing new build prices in general but provides, weak support for the hypothesis that higher proportions of Help to Buy are associated with higher levels of completions.

### 3. Supply-side perspectives

#### Summary of key findings

- Evidence from in-depth interviews with large developers and small builders (26) and lenders (12) is used to provide supply-side perspectives on the impact of the scheme on new build and lending markets.

#### ***Developers and small builders***

- Interviews highlighted differences between large and small housebuilders in their approach to Help to Buy but all recognised its strengths as a market-led scheme.
- Developers saw the scheme as having both a direct impact on sales and an important role in building consumer and developer confidence across the whole market. They consistently stated that increasingly consumers have seen Help to Buy as their right so that it has become an integral part of the mainstream market.
- Developers were clear that sites were being built out more quickly and the improved cash flow helped them to purchase more land to maintain and increase their pipeline. Developers also suggest that while planning delays have been a problem they have been able to maintain their projected pipelines.
- The market was focused on first-time buyers (normally over 80% of their Help to Buy sales) but second steppers were also an important element outside London. The majority bought at prices below £250,000. The emphasis was on three to four bedroom houses and it was recognised that many buyers while entering the market later than in the past were now trying to jump a move.
- Developers recognised that Help to Buy had increased demand for new build overall but was seen as having little direct effect on prices as it was a small part of any local market. However, there were changes in the mix of homes produced in order to meet Help to Buy requirements. Some developers were also extending their range of areas and choosing to build on larger sites.
- Most larger developers were seeing Help to Buy sales at between 35% and 50% of their private sector output. Taking account of those who could have bought anyway they estimated the net additional effect of Help to Buy as up to 20% of their firms' total output.

#### ***Lenders***

- In general, lenders were comfortable with the scheme which they now saw as low risk. Early concerns about consumer understanding had faded and lenders were pleased with the quality of the borrowers taking out loans under Help to Buy.
- Borrowers were as good as mainstream first-time buyers and the structure of the scheme and the processes borrowers had to go through with Homes England offered additional assurance.
- Lenders viewed Help to Buy as an opportunity to get more involved in the new build market and to deepen their understanding of developers. This was despite this market having been dominated by two national lenders for a number of years.

- As this market was maturing, with borrowers now coming to the end of their first mortgage terms, lenders were exploring the remortgage market. Subject to the details of an operational agreement with Homes England this is expected to become an important new element in the Help to Buy market.
- As of 1<sup>st</sup> April 2018 the earliest entrants to the scheme will face interest charges on their Equity Loan. While there has been debate as to how well prepared some borrowers may be to meet extra costs, lenders took comfort from the fact that borrowers had been through the affordability and stress testing which should mean they can cope with the increased costs.
- Lenders were generally of the view the scheme had led to more homes being built though none had a precise figure. There was concern that builder profits and shareholder returns had also risen sharply. There was a clear consensus that the recovery had been stronger because of the scheme.

### ***Looking forward***

- Both developers and lenders agreed it was essential that the government avoided creating any cliff-edge in terms of the future of the scheme. Decisions and clarity about the future were required soon.
- Most developers wanted the scheme to continue at least in some form past 2021 but accepted there might need to be changes especially to the maximum values outside London. Most lenders wanted a staged exit, including targeting the scheme more on lower income households.
- Neither developers nor lenders thought they would be able to offer a private solution to the scheme – the former constrained by the new rules under the Mortgage Credit Directive and the latter by the tighter affordability assessments now required and the limits on high Loan to Value lending. It was unlikely that on ending the scheme, any substantial unmet demand could be soaked up by the market.

## **3.1 Introduction**

This chapter considers evidence from in-depth interviews with developers, lenders and wider stakeholders to present supply-side perspectives of the Help to Buy Equity Loan scheme. While by definition these are individual responses they cover a very large part of both the development and the mortgage market and taken together build a clear picture of how the market is seen as operating by the major players and other stakeholders. The findings in Chapter 3 should be read in the context set by the secondary data analysis set out in Chapter 2 and Annex 2.

It considers the impact of the scheme on new build and lending markets with particular emphasis on differentiating developer views by large and small builders and lender views by those participating in the scheme and those that do not. Perspectives on the longer term, and particularly the way forward for the scheme, are also considered in this chapter.

## **3.2 Developer perspectives on Help to Buy**

We interviewed twenty-six senior executives from developers across the size spectrum between August and October 2017, mainly by telephone. These included eight of the ten largest developers in terms of the number of Help to Buy transactions, in themselves covering almost 60% of transactions. It should be noted in this context that Help to Buy sales had become a little less concentrated among the largest developers between 2015 and 2017 (see Chapter 2 Tables 2.9, 2.10 and 2.11 for data on the full range of developers).

Later we requested further information from these respondents about the pattern of sales and their experience in the land market, receiving fifteen detailed replies. We also carried out a short survey of members of the Federation of Master Builders (FMB) with 65 responses of which only 12 builders were actually registered for Help to Buy.

The interviewees included both national and regional developers across England - with the majority covering large parts of the country but including some who specialised in two or three regions and a small number of local providers. As a result, we obtained information on developer experience in all regions as well as on the national picture. The developers included in the survey were all now registered with Homes England but two were very late entrants, one of whom had still not completed its first Help to Buy sale.

Interviews covered six main topic areas<sup>16</sup>:

- general attributes of each firm and their development since the financial crisis;
- the firm's involvement in Help to Buy Equity Loan;
- the impact of the scheme on the firm's own decisions;
- their understanding of the impact of the scheme on the market;
- their own attitudes to how the scheme is defined; and
- how they saw the future of the scheme and the market.

While the responses all reflected the individual circumstances of the firms involved, especially in terms of their experience since the crisis and the extent of restructuring that this had generated and somewhat different attitudes to the specifics of the scheme, the overall picture was generally similar across the larger developers. The involvement and attitudes of smaller builders obviously differed from those of the larger developers with some of these differences reflecting the views of the trade bodies covered in Chapter 3.4. In this part of the chapter we both report on how the developers saw the programme and its role in the new build housing market and bring their different views together to present an overview of how the system is working.

### **3.2.1 The firms interviewed**

Almost all of the firms had either been restructured after the financial crisis or were technically new start-ups immediately after the crisis. A small number had been able to maintain the firm intact but had reduced activity rates very considerably after 2008.

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<sup>16</sup> The semi-structured interview survey is included in Annex 4

Importantly most large developers had shifted away from reliance on debt finance, which had led to significant cash flow difficulties in the crisis period, to greater reliance on their own or shareholder equity. As a result, while continuing to have an organisation-wide line of credit, most larger developers are in a position to make decisions on individual sites without recourse to external debt finance. This position is very different for most smaller builders, who are dependent on obtaining planning permission to access debt finance.

Almost all those interviewed (except a couple of small ones who were happy with their current levels of activity) had been increasing sales quite consistently year by year, in line with or at a rate slightly above their business plans. They were also intending to continue to expand, though usually at a slower rate. However, the majority were not yet back to 2007 levels - although for many that was their immediate objective. Those nearing or above 2007 levels intended to continue to expand output but more slowly. In this context they stressed the need to continue to build financial resilience in order to be in a position to maintain land and development pipelines in the face of market volatility.

Included in the interviews were two developers that had started up after 2009 and who were growing into medium sized organisations and were expecting to grow further. These tended to have a relatively high proportion of Help to Buy sales.

Over a third of those interviewed (and a very much larger proportion in terms of output) defined themselves as national, in some cases including Scotland and Wales where their experience was different. Even national ones tended to concentrate in particular regions. At the other end of the spectrum there were local developers who were expanding their area of activity - often when a good site outside their usual area came up. In between regionally based firms were also expanding in terms of market areas.

The firms in the survey built all types of dwellings although outside London and, to a lesser extent the South East, the concentration was on houses with three or four bedrooms - with limited emphasis on smaller units. This was sometimes blamed on local planners who required higher proportions of family sized homes and has often been an area of tension as developers have seen a larger market for smaller units. London differs from the rest of the country with much of the activity in the form of small apartments (including studios and one bed units). Even so there was concern that they were being asked to provide a higher proportion of larger dwellings than the market suggested was appropriate. Almost all also built affordable housing, often as part of s106 agreements. Some were also building custom-build units.

Almost all interviewees stated that they built for all types of purchasers. Some concentrated mainly on the first-time buyer market but even these said they also built for second steppers and wanted a mix of units and households on their sites. One concentrated on 'right sizers' – that is older households often looking for their retirement home.

Outside London and to a much lesser extent the South East, developers stated they had not changed the mix of units built as a result of Help to Buy, given the sites they were choosing to develop. In terms of price points most built mainly in the average price range for their areas but they also often built some more expensive homes depending on the site and location. In large parts of the country Help to Buy covers almost the whole market so it was market demand of all types that determined what they built. In London and to a lesser

extent the South East, where new market dwelling prices were often above the Help to Buy limit, some developers had moved to provide units that would be eligible for Help to Buy with the aim of attracting first-time buyers in general and Help to Buy purchasers in particular. These tend to be mainly studios and one bed flats but with some more two beds in cheaper areas. Over the last few months, since the interviews were completed, this shift has become more obvious.

### **3.2.2 Involvement in the Help to Buy Equity Loan Scheme**

#### **Larger developers**

Almost all the larger developers had been involved in Help to Buy Equity Loan from its inception (or within a couple of months). Most had been directly involved in discussions on the design and objectives of the policy - as had the Home Builders Federation. They had also been involved in earlier government schemes of similar nature and involvement flowed from this existing position. The exceptions were one housing association and two developers whose activities were concentrated in London.

Most stated that joining the scheme was a 'no brainer' - both because it was seen as a relatively simple market led scheme and because it did not require developers to tie up their own equity. This in itself increased capacity to buy land and to make other up-front investments. In particular, they were clear that this had allowed them to increase land purchases to maintain their future pipelines.

Their reasons for staying in the scheme were simply that it was doing 'what was on the tin' - it was reducing risk for developers; increasing sales; and building confidence among purchasers and developers in the new build housing market overall.

They had all remained in the scheme because of its attractiveness to potential purchasers and expected to remain active in Help to Buy until the programme is withdrawn. Almost all noted that in the last two years as the scheme has become fully embedded, eligible purchasers saw it as their right to have access to the programme. They also all said they would wish to take part in any future policy initiative of a similar type. It is also the case that once registered by Homes England, there is no mechanism for deregistration. Thus the current numbers of registrations include those who have merged or gone out of business as well as currently active participants.

#### **Smaller builders**

Among the smaller builders, registration tended to be later. This, in part, was driven by their perception that Homes England dealt first with FirstBuy conversions and thus the major suppliers, and in part because they were coming new to the scheme and took time fully to clarify whether it was appropriate to join. In the main they had, individually, not been involved in earlier schemes, seeing them as too restrictive and complex for their needs. Currently, as noted in Chapter 2 Table 2.10, some 1,800 builders are registered, of whom nearly 1,400 have made 10 or fewer transactions during the programme.

All the interviewees among smaller builders were positive about the process and thought that it was potentially worthwhile with respect to their own activities. They had not waited until they had a specific transaction or scheme available before registering. However most

had found it was difficult to predict whether they would achieve Help to Buy sales, even on sites that were particularly suitable. Equally many did schemes which did not fit the rules - notably because the properties were more expensive, were for other tenures or involved only custom build units.

They have remained in the scheme because they saw it as valuable even when it had so far yielded little or no direct benefit. As noted above this was in part because they have a small number of sites at any one time, some may not be suitable and some, even though suitable, have not attracted Help to Buy Equity Loan purchasers.

It should be stressed that in the survey we ran through the Federation of Master Builders, fewer than 20% of the 65 respondents were registered for Help to Buy. Those not registered gave as their reason that they worked in a different market or were not looking to expand. Very few blamed Homes England bureaucracy for not registering but, in interviews, builders stressed that they found it hard to use the scheme if they were doing so irregularly.

### **Level of Involvement**

All but three of those interviewed had transactions levels of a scale which made Help to Buy a core element in their sales strategies. Table 3.1 column 2 sets out evidence from a subset of mainly large developers included in the interview programme on their level of Help to Buy activity. It should be read in the context of the statistical material presented in Chapter 2.3.6.

**Table 3.1: Developer Help to Buy and land market activity**

<b>Developer</b>	<b>Level of involvement Help to Buy as proportion of market sales</b>	<b>Are you able to obtain the land you want?</b>	<b>Any difficulties in maintaining pipeline?</b>	<b>Have land prices been affected by Help to Buy?</b>	<b>Do you observe any regional variation?</b>
Local East	Between 30% and 50% of total private sales.	Yes - little interest from national developers	More than met pipeline requirements	Not in this region	
National	Between 43% and 48%.	Yes - mainly regeneration land where little competition	Planning process delays	Help to Buy stimulates sales activity for Help to Buy and market so some effect	London sales over £600,000 very slow. Proportions of Help to Buy low in London and South East.
National	Between 40 and 50% Highest in 2013/14 and 2016/17	Yes able to obtain land mainly through options agreements	Planning delays make keeping the pipeline in line with business plan very challenging	Confidence in part as a result of Help to Buy means land prices have risen in last 4 years- but now (late 2017) levelling off - general economy	Variations within and between regions - demand sensitive to location and price. Midlands less strong
National	Fairly consistently around 40%	Found it possible to obtain required land	Maintaining pipeline is difficult because of planning delays	Land buying margins have been constant - land price changes from difference in house price & cost inflation. No specific Help to Buy effect	No obvious regional differences - parts of South East always more competitive
National	Varies around 40% of private sales. Slightly higher in Midlands/South; lower in North.	Able to increase land purchases because of cash flow and not having to fund Equity Loans.	Planning delays in starting new sites a major problem	House prices rises quite limited but sales higher – Help to Buy not distinct impact from overall market. Land prices are remaining sensible - not overpaying	No significant variations



**Table 3.1: Developer Help to Buy and land market activity (cont.)**

<b>Developer</b>	<b>Level of involvement Help to Buy as proportion of market sales</b>	<b>Are you able to obtain the land you want?</b>	<b>Any difficulties in maintaining pipeline?</b>	<b>Have land prices been affected by Help to Buy?</b>	<b>Do you observe any regional variation?</b>
London and Home Counties	Varies between 32% and 45%. Proportions in 14/15 relatively low	Generally been fine but competition more aggressive in 2017 - will not match these prices	Delays in planning consents the major problem. Great variation between London boroughs	Strong demand for land especially as developers moving out of central London; Housing associations putting on additional pressure. Help to Buy only one factor	Outer London particularly competitive
North East	Around 50% - builds on regeneration site	Little or no interest from others - benign environment	Able to double pipeline with little difficulty	Major builders are very choosy - some vanity sites/overpayment?	Only in one region
National- but concentrated in Midlands North West	Between 35% and 40%	Not able to obtain land in our usual areas	Cannot maintain pipeline	Price of land has increased in line with overall market pressure which includes Help to Buy	Easier in more remote areas but cannot achieve desired land purchase rate in main areas of Midlands/ North West
Local - East	Around 40%	Able to identify and purchase land we require	Planning and red tape - getting more expensive and more complex - also s106 more onerous	Prices have increased since 2012 but stabilised 2016/17 - about overall market pressure and now increasing uncertainty	Only one region
National	Varies from 27% to 40% Bit lower in the last year	Able to obtain land in what has been a robust market throughout	Challenging but no harder than normal	Prices have remained fairly benign - new entrants appear to pay too much. s106/CIL cost inflation etc restraining price increases	Very little variation across regions; variations are site specific

**Table 3.1: Developer Help to Buy and land market activity (cont.)**

<b>Developer</b>	<b>Level of involvement Help to Buy as proportion of market sales</b>	<b>Are you able to obtain the land you want?</b>	<b>Any difficulties in maintaining pipeline?</b>	<b>Have land prices been affected by Help to Buy?</b>	<b>Do you observe any regional variation?</b>
London	Tiny involvement - business approach is based on pre-sales	No change in land availability in London. Help to Buy almost no effect	No - usual problems planning and physical supply of land	Very little direct impact in London where still very limited. But more generally affects confidence and therefore prices developers prepared to pay - not necessarily actual outcome prices	Only one region
National	Once established has risen somewhat from 48% to around 55% - regional year on year variations. West often relatively high	Have been able to obtain land needed	The planning system a major problem in maintaining pipeline	Limited land price inflation	Not much variation across the country - does not concentrate in central London
London	Very limited Help to Buy sales	Have been able to get land needed	Planning system has restricted growth even though pipeline has improved	Help to Buy is part of a buoyant market and so has some impact	Variations across regions appear to be more about numbers of eligible units than other factors
National	Highest proportion in 2014 at over 40% thereafter around 35%	No real difficulty on obtaining land	Planning system has improved, pipeline easier to achieve	No land price inflation	Little regional variation
National	Rising from around 44% in 2014 to 52% in 2017	Generally reasonable but some localised constraints around major cities	Mainly fine but have had to compete more strongly in tension areas	Prices on smaller sites have increased fairly consistently but larger sites more muted because of cost inflation; CIL/ s106 infrastructure costs etc	Does vary depending on local factors - lack of land availability around major cities

Sources: Developer interviews and developer provided statistics

The table above shows the variety of experience among developers. It suggests that the majority had proportions of Help to Buy sales which at the time of the interviews varied from around 35% to sometimes up to 50%. Over the whole period of the scheme the proportions worked out at around one third upward. In the last two years these proportions have tended to rise. The position in London has been more complex, as until early 2016 there was relatively little activity in the new build market below £600,000. This has changed first because the increase to 40% Equity Loan brought more demand into that part of the market but also because developers have lowered their price points in the face of changing market demand.

In all cases there are exceptions. Most did not emphasise regional variations except with respect to London. Individual developers had different experiences even when working in similar areas. There was also some suggestion that proportions of Help to Buy were higher on larger sites - which is in line with the concentration of transactions by the largest builders. The examples in Table 3.1 disproportionately include those who have been most active - so averages across the sector are lower<sup>17</sup>.

Almost all the developers interviewed marketed the scheme on all relevant sites using the logo on their website and in their local sales drives. However, they stated that the scheme was now fully integrated into the selling process and it was the client who determined whether they were interested in using the scheme. A couple of those who had not registered early on had now registered as clients expected that the option would be there.

Smaller builders also stated that they use the logo - which they saw as well recognised and therefore a useful marketing tool that increased buyer confidence across all types of sales. They identify the Help to Buy Equity Loan as an option in site-specific information. They tended to use individual agents rather than their own dedicated sales team and so were one removed from the initial transactions process. They intended to remain in the scheme, in some cases mainly because of the feeling of market confidence that they feel it generates.

Developers stated that they did not directly incentivise their local sales personnel to use the scheme but all staff were well versed in the details. All had panels of solicitors and Independent Financial Advisors (IFAs) who were highly experienced in processing applications as well as sales staff with detailed knowledge of eligibility and other aspects of the scheme.

It remained the case that one of the things that especially larger developers most liked about Help to Buy was that there was a strong national image, supported by government websites for example, into which they could tap in their own marketing strategies. As a result, Help to Buy was a core part of their activity but since 2015 it had become more embedded and potential buyers saw it as their right to use the scheme.

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<sup>17</sup> Chapter 2 and Annex 2 include detailed analysis of the development of Help to buy sales.

## **Scheme administration**

All participants were asked about the administration of the scheme. Most said that this had improved between 2013 and 2016 and that it was very much better than earlier schemes. Smaller builders obviously found it more difficult because they had less experience and used the programme more irregularly, but even so there were few complaints.

Many developers however had perceived a change at the beginning of 2017 when Homes England introduced an enhanced management system which many still did not fully understand. Most respondents felt that the 'new' system was generating greater uncertainty about allocations and needed to communicate more regularly with Homes England.

In this context, contacting the correct person had also often proved difficult. There was even some feeling that there was discrimination between developers, between those who were getting the allocations they requested and those who saw themselves as being given a blanket 50% (or similar proportion) and then being drip fed. Some felt that in some instances this was causing delays and difficulties with potential purchasers who felt the equity mortgage should be automatically available at the appropriate time. However, very few had suffered actual delays in completion of more than a couple of weeks so the impact, except in terms of additional administrative time and cost to the developer - which were mainly short term - was probably being overstated. Moreover, these concerns appeared to have been resolved fairly quickly, especially once the additional money was announced at the beginning of October<sup>18</sup>.

Overall, in comparison with FirstBuy and other earlier schemes, the Help to Buy scheme was seen as much more desirable as a market led product with government backing which helped build confidence across the marketplace. Help to Buy was also seen as clearly quite distinct from affordable home ownership initiatives. Positive aspects included its simplicity and lack of restrictions, and the fact that scale had been built up relatively quickly and the scheme is marketed nationally and regionally to a high quality which made it easier for developers to focus their own marketing. These benefits were seen as much more significant for the large developers. Few small builders had experience of the earlier product and the main comment was about confusion in terms of names, attributes, and regulatory and income constraints.

### **3.2.3 Impact on firms' decisions**

#### **Direct impacts**

In all cases the large developers thought that the scheme had directly helped their own firm in terms of sales, had led to increasing output levels because production is demand-led, and had built confidence to invest in the future through additional land purchases. While there were many differences in the detail, developers all worked to a similar model; as sales speeded up, additional units would be developed and sites completed that much

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<sup>18</sup> See <https://www.gov.uk/government/news/10-billion-new-funding-for-help-to-buy-equity-loan>

quicker. They would then seek to maintain their pipeline of suitable sites with planning permission.

Among smaller firms the direct help to their organisation in terms of sales had been unpredictable - and in a couple of cases negligible or zero. However, they all suggested that the scheme had increased viewing activity, awareness of new build and general confidence in the market so that they felt that their firm had benefited from its existence.

In the 2015 evaluation one of the most important findings was that a significant proportion of the large developers stated that they could not have maintained their Equity Loan schemes and were looking to reduce investment activity at the time that Help to Buy Equity Loan was introduced. They argued strongly that the fact that they had increased activity rates should be measured against a projected decline rather than a stable level of output at the introduction of the scheme even though starts had turned up before the scheme was introduced. Over the period of the scheme as the data in Chapter 2 make clear, starts and completions have increased fairly consistently. Thus what developers have observed has been continuing increases in their overall level of sales of which Help to Buy has been a significant and sometimes increasing part.

Developers were quite clear that the scheme had helped them by providing increased certainty about whether units would be sold, either as Help to Buy or as market sales, by speeding up sales which has meant that there was more money to purchase land and bring forward additional sites more rapidly. Almost all the developers in our survey had increased output year by year throughout the programme period and almost all intended to continue to expand, if somewhat more slowly. While the regional analysis set out in Chapter 2 makes it clear that there are considerable differences with respect to different regional indicators, most had experienced very little difference in market behaviour across regions except in London (See Table 3.1). Their experience, however, reflected their detailed understanding of how to operate in their market areas.

There has been something of an upsurge in demand in the later part of 2016 and 2017 which, at the time of interview, was causing some concern as developers were not clear exactly why this had happened. The main explanation given by developers was that the scheme is now fully embedded in customers' minds and they now were clear when it was an option and, secondly, that the world has got a bit more uncertain so customers were more inclined to ask for and consider the scheme. No-one mentioned the possibility that purchasers thought the programme might be about to end.

Smaller builders perceived a much more limited direct impact although they did see the scheme as increasing overall confidence in the market as a whole. They often only had one or two sites active at a given time and not all sites would have products suitable to Help to Buy. The numbers involved were usually small and the learning costs seemed high. Where sales did take place however they stated that it had speeded up development activity and thus increased output levels.

Perhaps surprisingly it was rare for developer respondents to state that their policy with respect to Help to Buy was formally set out in business plans. Rather it was treated in the context of the drivers of overall demand and the types of unit for which there was demand. This is not to say that they saw it as unimportant, but rather that Help to Buy had become fully embedded in their decision making processes. A number stated, however, that it was

becoming of more immediate and separable importance as concerns grew about what might happen in the future<sup>19</sup>.

## Pricing

In terms of prices developers argued, as in 2015, that Help to Buy had helped to maintain the prices they achieved rather than significantly to increase them. In particular, they noted that implicit discounts had been reduced across both Help to Buy and market sales, with fewer white goods or other incentives built into the price. Some said this was happening anyway because of the Council of Mortgage Lender disclosure requirements that were in place from the beginning of the programme.

Developers interviewed did not think that Help to Buy had had a distinct direct effect on prices, except through the proportion of overall demand that has been Help to Buy. They argued that new build prices were fundamentally determined by the market prices achieved for existing units, which normally account for up to 90% or more of what is on offer in the relevant area. Prices in the market as a whole would therefore be only marginally affected by either new build overall or by the element that is Help to Buy<sup>20</sup>.

In this context both developers and valuers were agreed that the most important factor they take into account when setting prices on a site coming to market is existing market prices. Developers then, it was suggested, take account of 'brand, ensuring clear blue water' within the market, location, running costs and future maintenance, 'the joy of the new' and required sales rate. Valuers placed emphasis on immediately comparable data, including other new build and were inclined to conservatism in the face of a growing new build premium.

Developers agreed that, as Help to Buy had increased total demand, there would be some price effect. They also noted that the fact that government support was now limited to new build shifted some demand towards the new build sector and could affect any new build premium as others have suggested<sup>21</sup>. More fundamentally, prices depend both on these demand factors but also on the capacity and desire of developers to expand supply. Almost all of the developers stated they had expansion plans in place and argued that they responded rapidly to increased sales. Equally taking account of their sales objectives, they can be expected to charge what the market will bear.

The statistical evidence (see Chapter 2 Figure 2.5 and Annex 2 Figures A2.14 - 22) shows clearly that Help to Buy prices are below average new build prices but have risen closely in line with them and that they have both risen more rapidly than those for total sales. Throughout the period starts generally exceeded completions by a considerable degree, so on average builders were definitely increasing the scale of their pipeline. However, there will also have been pressure on prices. At a local level developers have also suggested that their strategy is normally to provide new dwellings at somewhat above

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<sup>19</sup> Initial interviews were completed before the announcement of additional funding.

<sup>20</sup> OBR (2017) Economic and Fiscal outlook, November, OBR, London

<sup>21</sup> See Chapter 1 commentary, Chapter 2 Table 2.3 and additional tables in Annex 2 for evidence on the new build premium. It shows that once dwelling type and region are taken into account the premium tends to be concentrated in apartments and to a lesser extent terraced houses where the quality of new build is often very different to existing units.

average area prices reflecting higher qualities that may not be captured in limited details such as dwelling type and number of rooms (Whitehead et al, 2015).

Finally, every developer stated that the prices charged and any incentives offered were exactly the same for Help to Buy and equivalent new build purchasers. There were sometimes differential prices within a site for apparently similar dwellings where there were actual differences in dwelling attributes – for example because of plot size or the location of the unit in the development - but these differences were never determined by the type of sale.

## **Land**

More developers than in 2015 noted that increases in their land purchases were directly dependent on increased cash flows from sales, including Help to Buy, which helped fund the purchases. They were also dependent on their need to maintain a healthy pipeline in all their areas of activity. More units sold meant that there was more money to look for and purchase land without additional borrowing, while speedier build out rates meant they wanted more sites. So far this simple arithmetic has operated but one or two developers noted that as they start to buy for the 2020s there might be less appetite for expanding (as opposed to simply maintaining) their pipeline because of uncertainties around whether Help to Buy would be continued as well as around Brexit and higher interest rates.

We asked our sample of developers specifically about whether they had been able to obtain the land that they wanted to enable expansion and whether there had been an impact on land prices (see Table 3.1). Most stated that they had found it possible to buy the extra land they wanted although some had had difficulties in particular localities. However, almost all had found it hard to achieve the planning permissions they were looking for and faced uncertainties around whether they would actually be able to start on site in line with their pipeline requirements.

Many suggested that overall market demand was having some impact on land prices. Help to Buy is a significant part of that demand and is seen as having a proportionate effect. Developers in London and the South East agreed that there has been additional pressure among developers to bid for land and that this has raised land prices. They felt this reflected the fact that local authorities did not have the capacity to respond to increased demand for planning permissions generally, rather than there being anything specific about Help to Buy as opposed to overall increases in demand.

There was some evidence of developers changing the sizes of sites that they have purchased in response to the scheme and the general level of activity. Some smaller builders appear to be more prepared to take on larger sites; and there was some evidence of looking further afield and maybe taking on slightly riskier sites. Developers, particularly those who built on large numbers of sites, said sales had generally been higher than planned, and they had therefore accelerated development on all types of site, not particularly on larger sites.

## **Developers understanding of additionality**

While developers all explain their business model in slightly different ways the fundamentals are generally the same. On any given site they set an expected sales rate to which they build. If sales are higher they speed up development. This in turn means sites

are completed more quickly, and as they wish to maintain their pipeline, additional sites are brought into use, which in turn leads to more land purchases. Whether they increase the total number of sites they work on at one time depends on their expectations of the market and their overall business plan. In the main these plans have, during the period of the scheme, included increasing output levels to near or above 2007 levels. The process is therefore demand (and expected demand) led and is often characterised as a 'one out one in' approach even though it is clearly more complex because of their views about the strength of the market into the future.

While in the basic model increased sales lead to at least equivalent increases in starts, confidence clearly plays a major part in determining actual behaviour. When the market appears to be in an upturn, builders will increase the ratio - increasing starts further to meet projected increases in sales. This has been the situation throughout the period of analysis - in part because developers saw Help to Buy as increasing client confidence in the market as a whole.

The general view among developers was that they had responded to increases in demand of all types, and that this overall demand has definitely been supported by Help to Buy, by increasing their pipelines at a greater rate than sales. Obviously this will not necessarily continue if confidence is shaken by external events, notably macro-economic indicators and the impact of Brexit - or indeed by fears that Help to Buy might be significantly modified or removed. If confidence declines, then developers might well decide to slow their response to sales and reduce the ratio even below full replacement. However, over the period of the evaluation they were clear that both Help to Buy and market sales had increased starts and, in part because of Help to Buy, this increase had been considerably more than direct replacement.

Developers put the proportion of those purchasing from that developer under Help to Buy who would not otherwise have been able to buy their property at around 40% to 50% - a very similar proportion to that identified in the 2015 evaluation. This was based on their discussions with individual purchasers about their circumstances, not on any detailed statistical analysis<sup>22</sup>. A fairly standard comment was that 'Around half of those outside London and South East were only able to buy because of Help to Buy; a quarter were buying a larger unit and a smaller proportion did not need the help'.

They saw customers' major constraint as being the deposit requirement, which is most directly impacted by the Help to Buy scheme, rather than income multiples. This is not to say that this proportion of households would never have bought - rather that they were enabled to buy their property at that time. Equally developers stressed that sales rates and confidence in the housing market overall had increased and that this had helped increase confidence in new build and added to the numbers of new build and Help to Buy sales. No interviewee mentioned any slow-down in sales with respect to non-Help to Buy Equity Loan sales.

Developers thought that the net effect on their own sales (taking account of Help to Buy purchasers who might otherwise have bought a new build market unit from the developer)

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<sup>22</sup> Our formal estimates of additionality are set out in Chapter 5.



was, up to the time of the survey, around 20% of their overall private output or perhaps a little less. There were examples of a much lower impact among those who anyway did little Help to Buy and of higher proportions from those who anyway concentrated on properties suitable for Help to Buy and had high proportions of such sales. These net figures were seen as translating into new build activity because individual developer starts are closely linked to sales – that is investment was seen as almost entirely demand (and confidence) led.

The figures given were usually accompanied by discussion of other factors such as location and dwelling type. London was the clear exception where the proportion of sales was very much less than average, even after the increase to a maximum of a 40% share. Particularly in London, where a high proportion of units under £600,000 are apartments, the main problem noted was difficulties in using Help to Buy because Help to Buy purchasers can usually only get a mortgage six months before completion, while most apartments are pre-sold and will not be completed within that period. The second issue noted in London was the extent to which Help to Buy sales were concentrated amongst smaller units which were usually a small part of any given site partly because of local planning requirements<sup>23</sup>.

### **Types of buyer**

All noted that the vast majority of households using Help to Buy Equity Loan were first-time buyers. However, they also saw a role for the scheme for second steppers looking to move up to family homes. For some developers this was an important part of their market. They also mentioned a small number of Help to Buy purchasers who already had experience of the scheme.

A number of developers also noted that people were often trying to miss out a move – buying an additional room to allow them to get on with their lives, and to complete their family (see Chapter 2, Figure 2.17). Partly in response to this demand, developers outside London had continued the trend set after the financial crisis of concentrating more on family homes. Given that many households are buying later than in the past missing out a move, saving the transactions costs and looking to remain in the property for some length of time would seem desirable both to the purchaser and to general welfare. Nevertheless, a number of developers noted that they would like to build more smaller units to meet demands from households earlier in their housing careers but could not do so because of local planning requirements.

An important issue in this context is that the equity mortgage approach reduces the gap in initial costs between purchasing a small unit and one with additional space, making it more financially attractive to buy a somewhat larger unit (an aspect considered further in Chapter 4).

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<sup>23</sup> This last does not apply to permitted development projects which usually involve smaller flats.

## Financing

No developer respondent thought Help to Buy had directly changed their own financing model. The total amount of finance they required was of course affected by increased activity and sales but the financing models used have stayed fairly constant.

Among larger developers this was in part because they had already, to varying degrees, moved away from debt to equity finance. Public Limited Companies and some larger private companies have corporate lines of credit, which are not site or even programme specific. Many smaller builders were almost entirely equity financed and simply bought and built when finance made it possible.

Others could only develop once they had obtained a retail loan, which depended mainly on obtaining planning permission. In this context one developer argued that the game changer was not Help to Buy but the Builders Finance Fund which aims to help mainly smaller builders on smaller sites to obtain development debt finance. They stated that if this was easier to access, there would be greater impact on their capacity to expand.

Respondents were asked whether the Homes England Help to Buy rules caused problems for developers. Almost everyone said it was an effective, market oriented scheme. The only major concern consistently mentioned, especially in London, was around the Homes England six months rule between purchase and completion. This is in line with lenders mortgage offers which usually expire after 6 months<sup>24</sup> and after which offers have to be rescored and re-underwritten (and as interest rates are now moving this may also mean a more expensive mortgage offer).

However the Homes England rule does not fit with the pre-sales model<sup>25</sup>; nor was it easy to apply to apartments more generally<sup>26</sup>. As a result, the range of properties available to Help to Buy purchasers could be limited. One developer who built properties apparently suitable for Help to Buy actually had few Help to Buy sales for this reason. This is mainly a London issue - although it may have impacted on similar dwelling types in other central urban areas.

The other Help to Buy constraint regularly mentioned was uncertainties about the continuation of the scheme after 2021 and, before the announcement of further funding, concerns that the scheme would run out of funds before that date. In a small number of cases that was beginning to impact on land purchases, although in general this was not seen as affecting immediate decisions.

More general constraints on increasing output were to do with land availability and planning. Material shortages were not seen as particularly important. Labour shortages were still a major problem in most areas but developers tended to see that as something which they must deal with themselves. They agreed that all of these elements, but

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<sup>24</sup> Some lenders allow offer extensions but will still rescore, while others ask for a new application. In a rising interest rate environment lenders will need to ensure continued affordability

<sup>25</sup> Many developers use a pre-sales model by which a deposit secures a property well before it has been completed or even started

<sup>26</sup> This is clearly reflected in the low proportion of apartments sold through the Help to Buy scheme as compared to all new build (Chapter 2, Table 2.5)

especially labour, were increasing costs and having some negative impact on output levels.

### **Developer experience across regions**

Generally, developers saw relatively little difference from their own point of view in how Help to Buy was operating in different regions (see Table 3.1). Nevertheless, there were some differences in behaviour, depending on where they operated. In the North developers stressed how helpful the scheme had been in generating sales, additional market activity and particularly the confidence to plan ahead. This is reflected in the relatively high proportion of new build that is Help to Buy in the North. In the East Midlands in particular they were buying rather larger units. As is often the case the figures for the Midlands in general appear to be close to the national average.

London developers saw the shift to a 40% Equity Loan as something of a game changer, enabling developers to build directly for the sub £600,000 segment of the market and they argued that this was enabling people to stay in London and buy. They still saw sales inherently concentrated in certain lower cost boroughs because the effect on affordability was limited in higher priced areas. As the overall market in London has slowed there was some evidence of changes in what and where developers in London were building to enable them to make use of the Help to Buy scheme. They felt, however, that sales remained limited by the problems around including apartments in the programme, because of the emphasis on pre-sales in that market. More generally, shortages of land and skills and the complexities of large-scale development were seen as having a greater impact in London than elsewhere in the country.

### **3.2.4 Perception of market impact**

In general developers held very similar views about the impact of the Help to Buy scheme on the market as a whole, reflecting the impact on their individual decisions as described above. Overall Help to Buy had helped stabilise and then improve the market and output rates had risen quite consistently, in part because of the confidence given to developers but more importantly because of the confidence, as a government sponsored scheme, it had given to both Help to Buy and market purchasers.

### **Property types**

There was fairly general agreement that outside London and to a lesser extent the South East if there had been any significant shift in what was built it had been towards traditional 3 and 4 bed family homes (as had been the case more generally since the financial crisis). Some argued that planners were still requiring a mix of sizes that did not fit market demand as opposed to the local authority's estimate of assessed need.

Secondly there was some shift in demand away from apartments - again continuing past trends - in part because Help to Buy worked less well in that context. Sales of apartments were more likely to be pre-sales and to Buy to Let purchasers.

Overall, developers aim to meet demand as it comes forward and build for the market as a whole – particularly as they have no knowledge (as opposed to expectation) as to which units will be purchased under Help to Buy. However, as Help to Buy has played an

increasing role in the new build market this must inherently incentivise building the types and prices of units that are suitable for that part of the market.

Almost all the interest outside London and the South East was seen to be in properties under or around £250,000 and the vast majority were first-time purchasers. This is consistent with the statistical data set out in Chapter 2 which show that the average sale price outside London was £253,000 in the latest year for which we have data and considerably lower in the Midlands and North, and that over 80% of purchasers have been first-time buyers.

The position in London was very different. As already noted developers in London have been re-evaluating their business plans and as a result there has been a shift towards smaller units and some shift towards areas where developers can get within the Help to Buy £600,000 limit. This is now seen as a more stable part of the market. Help to Buy also fits better with the rapid turnaround permitted development model, which mainly involves smaller units.

### **Consumer attitudes to new build**

There was considerable agreement among developers that Help to Buy had raised the profile of new build as compared to the second-hand market, expanding the proportion of households prepared to consider new build and importantly bringing them on-site. Help to Buy was seen as having a positive impact on consumers' attitudes; as evidence from the buyer survey presented in Chapter 4.6 suggests, sentiment has shifted towards new build since the 2015 evaluation.

As important, the number of lenders has increased and their attitude to new build had changed (see Chapter 2, Table 2.12). As a result, they are more positive towards potential mortgagors and relationships between developers and lenders were better. Developers felt the increased number and range of lenders prepared to lend had helped the market. In this context the Financial Adviser system continued to work well.

### **Direct impact on the market**

Individual developers generally did not think that Help to Buy had significantly affected the structure of market except at the margins - in that there have been small changes in terms of the location and sizes of sites and types of units. What it had done was build consumer and, therefore, developer confidence increasing the ratio of starts to transactions.

### **Regional variations in the market**

At a market level, developers tended to see relatively little regional variation except with respect to the London market versus the rest of the country. More specific comments suggested that there were three main groupings: the North where almost the whole market for new housing was covered by Help to Buy and it was seen as a core element in enabling traditional owner occupier households to overcome deposit constraints and purchase their first, and indeed their second, step home; the Midlands which might be defined as 'average' with varying but usually quite large proportions of new stock eligible for Help to Buy but with a healthier mainstream market for new homes; and London and some parts of the South East where the £600,000 limit means most new housing was not

eligible and there had been an increasing interest in providing smaller flats to meet the constraints. The South West was not mentioned as different, but it was seen as a healthy Help to Buy market.

The biggest change since 2015 has been the introduction of the 40% equity share in London which had opened up new areas for Help to Buy. The result was that many developers with a strong concentration of activity in London had increased the proportion of smaller 1 and 2 bedroom apartments priced at under £600,000 and saw it as an increasingly important part of their market. Thus business plans have changed, even if not in formal documentation.

London was also seen as different because of the difficulties associated with off-plan pre-sales notably of apartments. Those developers that were mainly working in London wanted to see regional maximum prices particularly because they felt that there was more additionality in London than elsewhere by helping people remain in London.

### **3.2.5 Developer views on the scheme's attributes**

Developers all saw it as valuable that it was not only for first-time buyers - in part because it improved the mainstream 'feel' but mainly because it helped support the overall marketplace and second steppers who would otherwise be unable to move to more appropriate accommodation. Move-on was thus seen as an important part of why Help to Buy works to support the market and there were many households who need it to get right sized units. There was an acceptance that many were probably buying an extra bedroom - but some were also buying later in life and so leaving out a move made sense.

They also liked the lack of a maximum income requirement with the emphasis much more clearly on rules about affordability. The current scheme is seen as both stable and effective in ensuring sustainability in the face of changes in personal circumstances.

Most said that they would have defined the scheme in the same way as the government did, except perhaps they might have suggested a lower maximum eligible property value. Almost all were prepared, some were even happy, to see the maximum price limit reduced from £600,000 to say £350,000. They thought this would reduce negative comment and make little difference outside London.

Developers in the survey felt that most purchasers fully understood the scheme at the time of purchase and were aware that they were giving up potential capital gains by taking an Equity Loan. They thought they were also aware of the interest charges payable after 5 years.

They felt the role of Independent Financial Advisers in providing initial advice about mortgage requirements was crucial to the scheme's acceptability and success. Some developers, however, had considerable concern that as time went by Help to Buy purchasers might not fully understand or recall the exact levels of costs they were paying in terms of interest payments and potentially 'lost' capital gains - and that this could impact on attitudes to Help to Buy into the longer term. In particular, they asked whether purchasers understood the impact of giving up 20% (or 34% - the average in London) of these gains when moving on. Clearly these risks must exist but other survey and interview responses in this report offer a degree of comfort as to the scale of the problems. It does

however point to the need to ensure that borrowers receive regular reminders as to the liabilities they have entered into.

Interviewees saw it as difficult fully to separate the impact of Help to Buy from that of more general confidence (which is itself affected by the success of Help to Buy) - but almost all thought there were important positive impacts on their own behaviour, most notably on land acquisition, the numbers of active sites and output levels. They were generally happy with the form of the scheme from the point of view of the market - and certainly as compared to earlier government or industry schemes. They especially liked the simplicity and comparative stability of the scheme.

### 3.3 Lender perspectives on Help to Buy

Lender engagement in the Help to Buy Equity Loan scheme has been crucial. At the outset only a small number of lenders were involved but this has grown over time with still more considering entering. Given the potential cessation of the scheme in 2021 the flow of new entries is likely to start to abate.

Telephone interviews were conducted with the ten major Help to Buy lenders as recorded in 2015/16 (see Table 2.12 Chapter 2) along with two lenders who were not in the market. Here we report first on the top ten lenders. Interviews typically lasted 30 minutes to an hour and were semi structured, following an agreed proforma with 35 questions, some of which were deemed optional to allow the allocated time to be managed effectively. The interviewees were typically the Help to Buy specialists in their organisations though their roles varied from sales and marketing, mortgage proposition and product development, conduct and policy and new build development. Names of those interviewed and their organisations are not given and the commentary provided is a merged narrative of lender reactions and responses.

#### 3.3.1 Views on the benefits and dis-benefits of Help to Buy

At the outset only a small number of lenders were willing and able to join the scheme, partly reflecting systems capacity, previous experience and whether they had previously offered shared equity products (for example, First Buy) and of course the underlying stance of the organisation with respect to both the first-time buyer market and its history of backing government initiatives. Some of the early entrants placed limits in terms of lending via selected intermediaries and /or to existing developer clients. In the main this was to allow the lender to have some control and oversight of an unknown market and to build up an understanding of the borrowers, their experience and the process. As experience grew, typically such limits were withdrawn although lending would still have remained within the defined appetite for new build lending.

All firms do periodic reviews of the markets they are operating in, looking at the performance of borrowers, market conditions and the processes involved. In the case of Help to Buy some supplemented this with surveys of borrowers and one had taken feedback from brokers leading in this case to more refined document collection. In all cases these reviews gave positive results. A market leading lender had experienced levels of demand greater than its defined appetite – this had led to a reining back, reducing

criteria to stem the flow. Once the market became aware of this there was a knock on effect on developer share prices.

Joining the Help to Buy scheme was a natural step for a number of lenders. They were active in the first-time buyer market, they supported government initiatives in housing as far as possible and were involved in lending on new build. In that sense Help to Buy was a natural extension of current activity and was an obvious business opportunity. It made absolute sense to be involved with new build more generally being a market in which there were only a limited number of active lenders. However, a number did express concern that because that market was dominated by two large lenders (see Chapter 2) it was hard to break in given the established nature of the intermediary/lender relationships around new build.

The link with new build was particularly important. Some lenders saw this as an opportunity to expand lending in this market or indeed to enter this market. Given many lenders<sup>27</sup> had restricted new build lending to 80% Loan to Value the Help to Buy scheme effectively allowed 95% Loan to Value lending with 75% Loan to Value asset risk (though possibly 95% Loan to Value credit risk). This meant a cheaper 75% Loan to Value pay rate which helped borrowers (contrast a rate of say 1.5% on a 75% loan and 5% on a 95% loan<sup>28</sup>).

Helping lenders into this market has encouraged some to allow higher Loan to Values on new build. One lender cited five now doing 85% plus on houses and indeed as we comment later there has been a big improvement in the number of lenders offering higher Loan to Values on new build. This more relaxed appetite was especially true where there are trusted suppliers and advisers. Lenders have invested in their capacity to serve the market with dedicated service desks, specialist business development managers and a focus on being competitive in terms of their internal processes. At the same time this has exposed some developer practices to lender scrutiny, for example, the role of property investment companies and the reselling of developers plots and of course the rather restrictive nature of many developer panels for advisers.

In general, the Help to Buy scheme had very positive effects from a lender point of view though it is now evident that some are beginning to look towards the possible end of the scheme in 2021 and asking questions about 'what then?' and the need to avoid a 'cliff-edge'. We return to this point later. When asked about whether they had concerns about the scheme on entry or subsequently it was clear all had overcome their initial worries around the complexities of the scheme and not least around customer understanding and their capacity to pay back the Equity Loan/meet the interest payments after five years (given rate rises).

The scheme rules were seen as inflexible by some, others commented on the potential market distortion effects but in general the scheme was doing what lenders expected it to

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<sup>27</sup> But not all. One major lender has recently moved to 95% loans for a 'select' group of developers and brokers but the group is quite large. It is worth noting this lender also has a large commercial loan book to developers and thus sits on both sides of the funding requirement. Some small building societies do more than 85% as noted. It is probably unrealistic to expect the whole market to move to 95% given both affordability and capital constraints.

<sup>28</sup> See Chapter 2, Tables 2.7 and 2.8 and Figure 2.10 with accompanying text for further details of mortgage lending related to the scheme.

do. A number commented on the very helpful work undertaken by the Council of Mortgage Lenders (now UK Finance) and agreed to by the Financial Conduct Authority in terms of how to deal with taking account of the Equity Loan in the overall assessment of whether the borrower could repay the debt. In essence the Equity Loan repayment could be disregarded if its due date was equal to the related mortgage term. The interest payments due after five years are taken account of conservatively and built into the detailed affordability assessment - a factor that has given lenders considerable comfort as borrowers start to make interest payments on their Equity Loans.

A number of lenders had concerns about the options a customer might have going forward. As we discuss later the re-mortgage market for Help to Buy is small at present. The interest charge after five years plus the possibility of base rate changes within that timescale and some issues with the requirements imposed by Homes England around re-mortgaging meant lenders did have worries about the future alongside what was seen as the looming 2021 deadline.

The re-mortgaging process was seen as cumbersome in that Homes England had to give permission where additional borrowing was required<sup>29</sup>. This necessitated a new valuation which had to be undertaken and paid for prior to that permission coming through. Regardless of the merits of this process it exposed customers to the risk that upfront fees were being paid prior to any successful outcome. Like-for-like transfers and re-mortgages were less problematic as there was no need for a revaluation as far as Homes England was concerned. There have been further clarifications subsequently as this re-mortgaging market moves more fully into focus and an agreed stance between lenders, Homes England and relevant government departments is now close to being finalised.

There was also a concern around borrowers getting used to paying the interest charge. As of 2016 all new borrowers were paying a £1 per annum administration charge by direct debit to Homes England. This would then become the direct debit for paying the interest charge after five years. However, it was not retrospective so older borrowers (and lenders) could face being unprepared for the interest charge but a 6-month and 1-month warning letter approach to alert borrowers that the interest charge was about to become due has been put in place.

Stepping outside the specifics of Help to Buy lenders also expressed some general concerns about the new build market including off plan sales to investors before onward sales to new build customers and the problems of leaseholds with escalator ground rent clauses. Both were seen as unhelpful in terms of building/rebuilding the image of the housebuilding industry and the appetite of lenders to engage with this market.

The biggest direct concern was probably around the future of the scheme. Lenders were conscious of the potential 2021 end date and particularly those who were still to launch. They needed time to recoup their investment and with uncertainty regarding any changes to the end date continuing, become ever less likely to enter the market. They were all very aware of developer timelines and the potential options regarding wind down of the scheme, reducing or replacing it. Many were aware of the difficulties Scotland went

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<sup>29</sup> Given that the Equity Loan is a second charge and potentially more exposed by further borrowing this scrutiny is rightly in place



through in terms of managing the flow when the cash available to lend became limited and were keen to avoid this in England.

Finally, some lenders expressed continuing concerns regarding consumer understanding of their loan arrangements and not least after five years or more. Several lenders had done their own research which had offered some comfort but it remained an issue. Unpublished scheme data shows that, to date, a few thousand households have redeemed their loans, roughly half by staircasing and half by sale so clearly some households have been sufficiently aware of the requirements and been able to undertake this transaction.

Most but not all active lenders were also engaged in Scotland and Wales. Some had considered both countries but stepped back, being aware of their likely market share there and, in one case, reflecting the problems that arose when the Equity Loan fund was temporarily put on hold. The extent to which Help to Buy had grown as a percent of the loan book varied – for some it has remained stable – reflecting not least overall book growth, for others it has grown especially at a regional level (though London was seen as slow) and as part of new build – but this had also grown. For almost all lenders Help to Buy was a small but significant commitment, typically 5% or less of the book. However, there were some more specialist lenders with rather different lending profiles where it was a bigger part of their residential book. This highlights the different roles the scheme plays in terms of the lenders' own positions.

The FCA market study<sup>30</sup> was not seen by lenders as a threat to the scheme. It was generally accepted that the study might question whether the new build sales process was characterised by somewhat limited mortgage and legal advice but if this was opened up it was seen as a potential benefit to consumers and the Help to Buy scheme. In the event the interim report published in May 2018 (and notably Annex 7) found nothing to suggest inappropriate relationships or advice.

### **3.3.2 Influence of Help to Buy on lender activity**

In Chapter 2 we highlighted the scale of the Help to Buy market as a percentage of the new build market. As was evident there the scheme now occupies a very significant position in the new build market. Reflecting this we have seen constant improvements in the mortgage market offerings for Help to Buy (see Figure 2.10 in Chapter 2). The typical mortgage product for Help to Buy was currently a 2 year fixed rate loan with a 25 to 35 year term (see Figure 2.8 in Chapter 2 for further details along with accompanying text). Five year fixed rates had become more popular recently reflecting consumer recognition about possible rate changes which have since become a reality.

Most lenders now had a Help to Buy product range with, in some cases, incentives attached such as 'fee free'. Typically, these loans were 25 basis points to 50 basis points more expensive than the standard 75% loan range reflecting the risk profile of the

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<sup>30</sup> See <https://www.fca.org.uk/news/press-releases/fca-launches-market-study-competition-mortgage-sector>. An interim report has now been published (<https://www.fca.org.uk/publication/market-studies/ms16-2-2-interim-report.pdf>). Annex 7 - Additional findings on commercial relationships (<https://www.fca.org.uk/publication/market-studies/ms16-2-2-annex-7.pdf>) explores commercial relationships between lenders, intermediaries and developers

borrowers but substantially cheaper than the cost of a 95% loan, typically some 2% higher. However, for other lenders operating in different segments of the market the Help to Buy mortgages were cheaper than their standard range of products.<sup>31</sup>

In all cases the existence of the government interest free loan, the required approval process and the ongoing Equity Loan supervision all helped ensure this relatively favourable pricing for what in essence are buyers with a 95% loan in total and only a 5% deposit. Clearly without Help to Buy these borrowers would have been paying a lot more and many might thus have failed the affordability assessment (including the stress test of rates 3% higher) now in place. In technical terms the probability of default (the PD) by these borrowers was equivalent to a 95% Loan to Value borrower but the loss given that default (the LGD) was at the 75% Loan to Value level reflecting the deposit and the Equity Loan.

Lenders were generally very satisfied with the quality of the customers coming through this scheme. Most saw them as typical first-time buyers though some lenders attracted more movers than first-time buyers and thus the profile was slightly different. Most of the business comes via intermediaries. The credit scoring and underwriting was the same as for standard mortgage products. Arrears performance was generally similar to (or in some cases better than) first-time buyers with the checks in place via the agents and lenders helping keep out weaker borrowers.

It was recognised this was an immature market – performance over a full cycle hadn't been seen so there was still more to learn and this was particularly true for lenders with smaller books of Help to Buy loans, and the mix of borrowers across the lenders differs and performance reflects that. Although lenders recognised there was a bigger buffer of protection with Help to Buy some then encouraged borrowers to think further about the size of the deposit they could afford and either get a lower Loan to Value loan and/or reduce their exposure to the Equity Loan.

The process for obtaining an Equity Loan did not present any particular issues for lenders either at origination or post completion. The Help to Buy agents were seen as a positive in that. One lender noted that there were variations in terms of whether the broker collected the Approval To Proceed (ATP) forms or not and there seemed to be other small areas where practice stepped away from the guidance. Another expressed concern about the bureaucratic nature of the process with too much paperwork and difficulties accessing the initial valuation report.

Generally, the Help to Buy London loan at 40% was not a particular concern, not least because it was a small part of the total Help to Buy business to date – though building up as more developers added it to their portfolio. Of course not all borrowers opted for the full 40% and this was welcomed by some lenders who were concerned about how it might be paid back. There was no evidence to date of a noticeable difference in performance between Help to Buy England and Help to Buy London borrowers. However, one lender

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<sup>31</sup> A recent academic presentation (Koblyakova and White, 2018) seems to suggest that the rates charged are closer to higher Loan to Value rates. This is subject to further review.

felt there should be more incentives to pay down the Equity Loan as it was seen as posing a real risk going forward for that borrower.

There were no other comments on the new build market in general beyond one lender noting the market had remained resilient post the Brexit vote and another two commenting again on the 'mess' that was leasehold and the way these headlines impacted on lender attitudes to the new build market, not least from a risk perspective. Other issues around the quality of the new build and the use of incentives were raised with one lender commenting 'builders have to change'.

We have already touched on the question of consumer understanding of the implications of the loan arrangements they have entered into. As mentioned earlier some lenders had undertaken private research on this and drawn comfort from the positive findings, that is, that borrowers understood the arrangements. Others noted that it was evident from additional borrowing requests that some borrowers had not grasped the scheme rules and clearly had not read the detailed terms and conditions.

The challenge for everyone was the level of recall at the point when the Equity Loan has to be repaid. It is clear redemptions have been limited to date, both via staircasing and by sales, though the numbers are increasing. The Treasury has forecast Equity Loan receipts rising from £30 million in 2017/18 to £1.5 billion in 2022/23. It is only with bigger numbers coming through that the real picture of this will emerge. It was suggested the Financial Conduct Authority market study might throw some light on this (in the event it didn't) and also 2018 when interest payments are due was also seen as a first important test of borrower awareness.

To date only three or four of the lenders in the scheme offer re-mortgages to existing Help to Buy borrowers with other lenders. All do, however, offer product transfers – internal 're-mortgages' where borrowers move for example from one 2 year fixed to another as the term on the first mortgage expires. The limited market to date reflects in part the low demand at this stage and not least the limited number of lenders in this market, so a simple product transfer deals with most of that. This is seen as 'stickier' business – that is, most borrowers are content to stay with their current lender and typically the transfer will be on favourable terms and incentives.

Most lenders do, however, recognise that the appetite to re-mortgage will increase as this market matures and a number are now exploring providing such products, albeit there appears to be a need for final clarification of the rules operated by Homes England. Some lenders have insisted on full repayment of the Equity Loan on re-mortgaging, the borrower taking out a bigger loan. For some lenders there were system limitations and given the perceived low demand it was a question of what priority to give it. Alongside this was the point made earlier about the process which involves Homes England granting permission to do so. Clearly that is different and borrowers have no assurance they can re-mortgage until after they have incurred costs. This in itself makes switching via a transfer an easier/less costly choice. Another lender flagged up the risk that bigger lenders would probably take up much of the market and that this could see the better credits migrate to them thus weakening the book of the original lender.

Arrears performance has already been discussed. The issue at the front of many lenders minds was the impact of the upcoming interest charge to be paid by those with an Equity Loan of five or more years in existence. Generally, they took comfort from the work

undertaken by the Council of Mortgage Lenders which led to lenders taking into account the cost of the loan and building this into the initial borrower affordability assessment. This should result in most borrowers being well able to cope with the impact of this charge. However, if RPI (+1) and market rate rises combined to produce a 'perfect storm' then there might be more risks of poor performance. However, in the present relatively benign times there were no substantial problems.

Indeed, lenders saw the start of payments as an opportunity since it was likely to trigger more activity by the borrowers whether in terms of sales and moves, staircasing or re-mortgaging. A number were gearing up their offer to compete for this perceived new appetite. Some lenders thought borrowers would then start to pay down their Equity Loans. There was recognition that because Help to Buy had encouraged and enabled some to buy bigger homes earlier than this would impact on the rate of movement – it might be slower while others suggested that this might mean borrowers had to sell if they wanted to move and thus would repay the Equity Loan. Clearly there are a number of scenarios and a proper analysis of the flows by type of household, property and location would be an essential prerequisite to predicting who might do what and the numbers this can generate.

The costs of moving would remain a barrier alongside the process (as already discussed). It was widely recognised that most borrowers would stay with their existing lender as the benefits of switching were modest (and the payment of retention procurement fees to brokers would add to that). Brokers were readying themselves to develop this market.

Re-mortgaging by internal transfer or externally is likely to see borrowers borrow more to pay down their Equity Loan though this might be impacted by any slowing in house prices. A number of lenders reflected that it would be good if borrowers could overpay on their Equity Loan payments and thus pay it down more quickly. As it stands the process is set up to allow two partial staircasing (two tranches of 10% to pay off the entire 20% loan) moves, though in reality more are possible.

Lenders were keen to see Homes England do more to help borrowers understand their options after five years – including the production of a borrower guide. They welcomed Homes England's decision to put in place the £1 administration charge direct debit as a 'wake-up' call but as noted earlier this is only in place for borrowers from September 2016 onwards. It will not help earlier borrowers.

There were no concerns about increased arrears with lenders taking the view that the stress test already built into the affordability assessment gave considerable comfort. Of course there were concerns about the broader environment in terms of wages, incomes and interest rates but this was for the market as a whole and not just Help to Buy borrowers.

### **3.3.3 Broader impacts of Help to Buy**

Most lenders impose new build site exposure limits (typically 20 - 25% of a site) which might capture Help to Buy borrowers though this was unlikely to be met in practice for most lenders given normal market share. It was for valuers to advise on exposures with some lenders taking a flexible approach depending upon location, developer and market.

There was rarely any specific Help to Buy limits set other than overall appetite for the scheme.

Asked whether the Help to Buy scheme had encouraged lenders to do more in the new build market the answer was typically yes. Some were already active in this market prior to 2013 but others were less involved. Some had commercial relationships with builders but weren't active in the new build mortgage market; others had little involvement at all. Help to Buy encouraged conversations between lenders, brokers and developers and helped open doors – this was particularly true for those entering the market. Help to Buy had also encouraged further development – recruiting new build managers, setting up processes and procedures and having a clearer presence in this market. Words such as 'accelerated' and 'changed the dynamic' were frequently used.

A few lenders commented on the negatives alongside these positive outcomes. There were some continuing concerns regarding price inflation effects and the switch by developers towards family homes rather than starter homes.

In general terms the existence of Help to Buy agents was viewed positively as a check and balance in the system. Lenders drew comfort from their role as 'gatekeepers' for access to this government scheme. One lender was clear that the agent did not substitute for the lender's own processes.

There was little evidence that doing more Help to Buy lending meant less elsewhere in the affordable home ownership sphere, assuming of course the lender was active in that sphere anyway (not all were). Indeed, the costs of entry to shared ownership were seen as high by some lenders given likely market shares (though there were lenders now exploring the shared ownership market) whereas they had entered Help to Buy which of course had the allied advantage of deepening their share of new build lending in general and developing business relationships with mainstream developers. For lenders active in both shared ownership and new build Help to Buy markets, the growth of the latter had outpaced shared ownership. However, they were seen as different markets and lenders had not reduced their lending on shared ownership to compensate for increased lending on Help to Buy.

On the question of whether Help to Buy has led to more homes being built, the typical answer was it must have done but most respondents found it difficult to say by how much. Partly this was a product of the counterfactual – what would have happened if the scheme had not existed. All agreed the rate of recovery would have been slower. There were concerns that the biggest growth had been in developer profits and shareholder return although it was accepted this was necessary to a degree to get that industry back on an even keel.

Several lenders flagged up the issue that the scheme existed in part because of the failure of lenders and developers to settle their differences over the new build market. The gap between what was often seen as the typical new build maximum Loan to Value (75%<sup>32</sup>)

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<sup>32</sup> However as touched on earlier more lenders are offering higher Loan to Value loans on new build. Five are offering 95% loans on new build houses and a further 16 do 90% loans on new build houses. The position is not quite as positive on flats but still much improved. We return to this issue of how the market is developing and what implications that may have for the scheme in a later section.

and the typical maximum second-hand Loan to Value (85-90% plus) was, in some senses, what was being filled by the Equity Loan. This gap reflected continuing concerns by lenders and their valuers around the following;

- The behaviour of developers in terms of the focus simply on sales volumes and shareholder return. The recent failure by one major developer to properly complete homes before selling was noted;
- The continuing need for greater transparency regarding the price of a new home and all the incentives that might be applied;
- The new build premium remains a source of contention and was soon lost on resale;
- The absence of a strong consumer focus with all the incentives directed to volume and profit. It was suggested by one lender we not only need to sort out leasehold but the whole issue of consumers, advice and new build. The Financial Conduct Authority market study was seen as a step in that direction; and
- Proper and sustained dialogue between the two industries rather than periodic roundtables with little real progress and often talks about talks.

Lenders unanimously agreed that without Help to Buy they would have made much slower progress on restarting the new build market and getting supply numbers up. Indeed, that without it the market might have collapsed. It was suggested that developers might have been forced back to offering Equity Loans (though this seems unlikely from their interviews) and that lenders would have to revert to more first-time buyer 95% Loan to Value loans backed by insurance but in the second-hand rather than the new build market.

The point was made that the chain effects of new build Help to Buy could be quite limited (new household/new home and this might have contributed to the decline in transactions) though of course if it was an existing owner that would be different. It was also suggested more should be made of lower running costs and how that impacts on affordability with the view that lenders could do more to promote this by taking such savings into account in their assessments (see the 2015 report by the UK Green Building Council and the subsequent Lender Core report<sup>33</sup>).

### **3.3.4 Perspectives of lenders outside Help to Buy**

Two lenders were interviewed who were not in the scheme – both at the outset and now. Of these one was getting closer to joining the scheme and the other having moved forward with other developments in the market was now better placed to do so but was still out and 2021 was looming. The reality for the first lender was that it was engaged in major systems re-engineering in 2013 and this has taken longer than planned. It has kept the Help to Buy scheme under review and was regularly asked if a short term system fix could be applied to allow it to participate even using the old system. If it was possible it might enter in mid-2018 which would give it 2½ years or so to be active. The lender concerned is keen to develop its first-time buyer and new build propositions further. It is active in the latter and has been working to enhance what it does there by adjusting criteria and improving

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<sup>33</sup> See <https://www.ukgbc.org/ukgbc-work/lenders-core-report/>

processes. It has subsequently announced a new range of products but to date this does not include participation in the Help to Buy Equity Loan scheme.

The other lender had focussed on direct business and did not have a strong presence in the intermediary market which it deemed essential to the Help to Buy scheme. It chose instead to focus on the Help to Buy mortgage guarantee scheme. The lender had a relatively small new build exposure. Moving forward the lender had increased its intermediary presence substantially and was now much better placed to be in the scheme though it was not yet in any formal plan. In terms of new build, it was offering similar criteria to other lenders (up to 85% Loan to Value) and business was being generated via intermediaries. Very little came direct but the lender was firmly open for new business.

Both lenders were of the view that the Help to Buy scheme had been helpful in terms of restoring market activity though there was a divergence on the impact on confidence – one thought it had helped do that, the other was less certain. Both recognised the benefits the scheme brought to first-time buyers in terms of easing deposit constraints and aiding affordability - not least giving access to lower Loan to Value loans. One lender thought the scheme was far more effective than NewBuy reflecting, not least, the difficulties developers had with offering Equity Loans (though of course lenders were probably better protected under this scheme (see IMLA, 2017))<sup>34</sup>.

Both agreed that without Help to Buy supply would have been lower, though it was hard to put precise figures on this. Without it lenders would have had to offer higher Loan to Value loans which of course attract a higher capital charge and are more expensive for borrowers and they would have had less confidence in this market.

There was a shared concern about new build premia – and not least the impact on price of white goods and other incentives. It was suggested by one lender that perhaps this problem had diminished over the last three to four years as developers were now more consistent regarding quality and disclosure. It was agreed lenders had significantly improved their stance on new build, there was more confidence in the process and there were moves to level the playing field between new build and existing homes. However, market confidence generally was weaker and with house prices slowing down some of these tensions might re-appear.

### 3.4 Other stakeholder perspectives on Help to Buy

Qualitative interviews were conducted with a number of stakeholders able to offer a broader, strategic view of the impact of the scheme on the market covering both larger and smaller developer perspectives and lender perspectives. This included interviews with senior representatives of the Home Builders Federation (HBF), the Federation of Master Builders (FMB), the National Federation of Builders (NFB) and the Council of Mortgage Lenders (CML – now UK Finance).

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<sup>34</sup> See <http://www.imla.org.uk/resources/171030-imla-white-paper-keeping-britain-building.pdf>

The HBF had found the continuing involvement with Homes England very helpful and saw the policy as the most market oriented and friendly of government policies. They felt it was a 'no brainer' to register and to participate in, ensuring the scheme was well known and properly understood. The scheme was, and is, seen as demand-led; simple; helping to support first-time buyers; and with the supply-side effect hard wired into the scheme (unlike the Help to buy guarantee scheme). There has been no difficulty in keeping developers interested, indeed, as potential purchasers became more aware of the scheme, they found it an increasingly necessary part of the marketing.

Those representing smaller builders (the FMB and the NFB) were much less enthusiastic. While the bureaucracy was simpler than earlier schemes it is still much harder work if you are going to make only one or two sales now and then. An early survey showed only 5% of FMB members registered and 20% intending to do so. The survey undertaken for this evaluation showed that around 20% were registered, with half of those registered having sold more than 10 units under Help to Buy. The main reason for the limited involvement was that many schemes were not seen as likely to appeal to Help to Buy purchasers and they were anyway satisfied with their levels of activity. Administrative costs were not seen as a major constraint.

The professional bodies recognised Help to Buy as a 'Life Support' scheme for developers and a significant factor in increasing confidence across the market, not just for those who used the scheme. It had in their view undoubtedly speeded up and increased delivery. They accepted that there had been pressure on new build prices - but they felt that in the main this was an outcome of general increased confidence and demand. New build remains a small part of the overall market, which fundamentally determines prices in the shorter term. They noted that developers' pricing takes into account the valuations provided, which in turn take account of the whole market.

A particularly valuable element of the scheme was seen to be that lenders were now in a different place with respect to new build. As a result, there were more lenders and more choice for purchasers as well as more interaction between lenders and developers, both seen as beneficial. Overall new build was seen as becoming relatively more attractive.

However, they noted a number of problems:

- The planning system had not responded adequately to increased demand - a view held especially among smaller builders where land supply was seen as the most important issue which Help to Buy could not directly address;
- The scheme mainly helped larger developers who would always have developments that were appropriate for Help to Buy. Smaller builders were generally unlikely to use it on a regular basis;
- In early 2017 there were some practical concerns about how Homes England had modified their working processes which had generated uncertainties around availability and timing. Some members had more general concerns about reporting methods and about the model Homes England was using to predict sales; and
- There was widespread perception of deadweight losses arising from support to higher earners and movers on. Yet, they noted that the purpose of the scheme was to help the overall market to function and to ensure a healthier new build development industry, which would increase output. They argued that there were many 'second steppers' who were in unsuitable housing and who could benefit themselves and the market by using Help to Buy. Basically the scheme was seen to



have done 'what it said on the tin' and significantly because it is market led and simple to understand.

Overall, the professional bodies reflected the views of developers that Help to Buy had increasingly become simply an element of the overall market. As the market had improved more units were sold, more sites were opened up sooner (and there was therefore pressure on ensuring planning permissions were in place), and replacement and sometimes additional land was bought as cash flow became available.

Interviews were also conducted with other key stakeholders covering the Help to Buy Market including the Council of Mortgage Lenders (CML) and the National Housing Federation (NHF). From a consumer perspective the scheme was seen as simple and easy to understand while from a lender's perspective the scheme worked well and the business generated was of an appropriate quality. Indeed, as another stakeholder noted one of the benefits of the Help to Buy scheme was that it had normalised such assistance – users were mainstream borrowers not the 'disadvantaged' and it was accessible via the market rather than via a social housing provider. There were lessons here for shared ownership, which needed to be more like a market product.

Typically, these stakeholders are involved in a monitoring role, receiving annual updates from Homes England and reviewing progress with members, alongside involvement in periodic programme meeting reviews and running a contact group of members involved in the scheme. In the case of the NHF their involvement was limited at the outset and subsequently as housing associations are not the primary audience. This might change if members who are developing outright sale programmes start to get more involved in the scheme. Fewer than 20% of NHF members are in this market and they might only consider Help to Buy if the units proved difficult to sell or consumers demand it.

Overall, the scheme was generally viewed positively as having stimulated housing supply along with developer and consumer confidence. Inevitably there were questions regarding how much additional supply had been built (it was recognised this was difficult to assess) and on whether it could have been more tightly targeted.

## 3.5 Looking forward

### 3.5.1 Preparing for 2021

Most developers and lenders said that they had made plans on the basis that the scheme would continue basically in its current form through to 2021. Some did, however, raise concerns about the strength of the market overall in the light of Brexit and stagnant incomes. While the existence of the scheme undoubtedly helped support confidence, external factors could be enough to limit additional delivery, especially given that many developers were reaching their initial goal of expanding to 2007 output levels.

Many of their specific concerns about the scheme up to 2021 related to fears that funding would be inadequate to reach 2021. However, these concerns have now been removed by the addition of £10bn to cover the full period. The extension was almost universally welcomed - except by a few interviewees who wanted to see the scheme running down slowly even before the current end date. The extension has maintained confidence and enabled developers to purchase more land for future development.

Nevertheless, there was some more general concern that the funding made available suggested a further growth in Help to Buy activity and, therefore, potentially left developers more exposed in 2021 than had been predicted. Thus they stressed the benefits of clarity about what might happen in 2021.

Some, but not all, lenders were happy for the scheme to continue. It was seen as a demand-led programme dealing with a supply-side issue. Others wanted it to end taking the view that 8 years of market intervention was quite sufficient; it has done what was needed, and the focus should now be on exit. They wanted the terms of this exit settled quickly while accepting this might be phased in over a period that extends beyond 2021.

### **3.5.2 After 2021**

#### **Developers**

The majority of developers wanted the scheme to continue past the current end date in much its current form. Most, however, accepted that it needed to be wound down even though they argued that Help to Buy is doing the job it was set up to do of expanding output. The one thing everyone wanted to avoid is a cliff-edge.

A small minority suggested that as long as the economy and confidence grew the demand for partial ownership products would diminish and there would be a natural end to the product. None thought this position had yet been reached, and few thought it would be reached by 2021.

Looking to the attributes of a continuing or replacement scheme, developers made a number of suggestions:

- Second steppers and other existing owners should continue to be eligible. Developers felt there were many people who need some assistance to move to more suitable accommodation;
- The upper limit outside London could well be reduced to £400,000 or £300,000 and in some cases even less. However, enabling Londoners to buy was important so the limit might even need to be increased in the capital;
- No maximum income limit should be introduced. Although developers recognised the case for limits, this would complicate the scheme and create uncertainty for purchasers and developers alike in part because they would have to be regional and change quite often;
- They could not even in part replace Help to Buy by their own partial ownership schemes because of the changes in the regulatory environment since 2013;
- Equally they did not see significant potential for 90%- 95% loans filling any gap left by the reduction or removal of Help to Buy because, although they are increasingly available, they required deposits and stress tests that would continue to rule out large numbers of potential purchasers; and
- There should be more incentives to purchasers to repay the loan even if they did not move. This would need greater clarity about current repayment rules, and better information about options and possibly an increased range of options.

Some developers saw the potential for the scheme to become a mainstream product which effectively shares risk between government and the purchaser. In this context they felt that it would better be seen as ultimately a self-financing scheme that could help stabilise the market and offered a good return to both government and consumers.

Overall supply-side stakeholders saw Help to Buy as the most effective and market oriented scheme that had been put in place since the financial crisis. They accepted that it could not continue in its current form but were very clear that cutbacks would affect not just Help to Buy sales but more general market confidence. They saw ways forward which would ensure there was no cliff-edge - but generally did not want changes which would complicate the programme such as excluding existing owners or introducing an income cap.

## Lenders

All lenders were clear they did not want a cliff-edge ending to the Help to Buy scheme in 2021. A minority of lenders posed the question of whether it could or should be made permanent if there were no credible alternatives.

Given that most wanted a staged exit then lenders argued that the scheme criteria would need to be revised downward to reduce demand. A number of lenders felt this would bring Help to Buy back closer to what it was always intended to achieve. A number of options were offered during the interviews, some of which were similar to those suggested by developers; some were directly opposed. They included;

- Reduce the price cap as already done in Scotland (to £200,000);
- Restrict usage to defined first-time buyers only and potentially taper that down by value and number;
- Introduce an income cap;
- Remove the five-year interest free loan period and require payments from Day 1;
- Reduce the amount of the Equity Loan – again Scotland has reduced it to 15%;
- Tighter limits on developer access to the scheme;
- Allow Help to Buy to be used to buy second-hand homes;
- Substitute Help to Buy with the Starter Homes scheme where developers make a contribution or reinstating the requirement for a builder Equity Loan as in New Buy, better use of the Help to Buy ISA or flex other schemes; and
- In the context of the scheme running out of funds prior to the proposed end date, it was suggested that it might be possible to sell the Equity Loan books and recycle the funds back into the scheme. At present redemptions simply pass to HM Treasury – this cash could be put back into the fund.

There was little appetite to see the scheme made permanent although this partly depended upon local market conditions. It was accepted that there might be an alternative successor scheme. There was a suggestion that Help to Buy had crowded out shared ownership in some areas leading to a suggestion that perhaps different schemes should be targeted at different areas. Help to Buy was a demand-led programme whereas shared ownership was supplier led.

Lenders wanted Help to Buy to be phased out slowly - with no cliff-edge - with the aid of a taper. But they also felt that if the market turned down this might need to be reviewed. There was also discussion about whether a self-financing longer term scheme could be put in place - reflecting the government's position as an investor.

Consideration was given to whether the lending market could now more easily provide more 90% loans (most did not think it could be more than this) and so whether the 20% could be cut as part of the adjustment process - but possibly only for existing owners. There was also concern about whether there was enough incentive for households to staircase out, as had been the norm with earlier schemes. More generally there were also concerns about the practicalities of repayments given the rules currently only allow either one repayment or repayments of multiple repayments of at least 10% in part, because of the administration fees.

### 3.6 Conclusions

Developers were generally very positive about the scheme and saw it as having both direct and indirect benefits. They were clear that it has directly increased their output levels by on average up to 20%, but also as having impacted strongly on general consumer and market confidence. The effect on their overall output levels was, therefore, seen as significantly greater as a result of both increased demand for Help to Buy and for market housing – with significant spillover effects into the market as a whole arising from the government commitment as well as market factors.

Developers do not now regard Help to Buy Equity Loan sales as different from market sales but rather see them as an outcome of consumer choice. Help to Buy has accounted for significant and often increasing proportions of their sales since the scheme's inception. Given the demand-led nature of their business, sales generate starts, so the scheme has helped to increase investment by at least the number of sales taking place. Confidence in the housing market (see Chapter 2, Figures 2.15 and 2.16) has helped boost further sales. Improved cash flow has meant that developers have expanded investment more quickly and consistently. Their better cash flow position has also enabled them to buy more land so that they are in a position to increase starts into the future and to improve resilience - which is significantly associated with higher profitability.

As discussed earlier, smaller builders have found it harder directly to benefit from the scheme partly because they are less used to being involved in government schemes and partly because of financing issues. Where they have made sales this has generated higher output levels and some expansion in capacity.

Developers particularly liked the Help to Buy Equity Loan because it was simple and market led. They were happy to see it continued in its current form, although most thought a lower maximum value, especially outside London would be acceptable or even desirable. They welcomed the extension until 2021 and saw little difficulty for customers in moving on when they chose to do so.

In terms of the scheme's impact, developers accepted that the significant increase in demand arising from Help to Buy had put some pressure on house prices as well as leading to consistent and continuing increases in output. However, they argued that in this

context, a Help to Buy sale was no different than any other new build sale where demand had also increased. Most importantly at the local level new build prices remained constrained by prices in the much larger existing housing market. Developers therefore felt that the direct impact on prices was quite limited and could mainly be explained by housing attributes. Equally they had been able to purchase additional land to maintain their pipeline without significant pressure on land prices except in some parts of the South East.

As we have shown, lenders would echo many of the positive views expressed by developers. In general terms the scheme was seen as successful and some of the early fears expressed in the previous report about lack of customer understanding seemed to have been assuaged. The scheme has brought many more lenders to the new build table and this was now a much more active and competitive market. Although some concerns remained about new build premia and the recent problems with leaseholds and ground rents, lenders had established good relationships with developers and levels of mutual understanding had increased.

Though all lenders noted 2018 would usher in charges for Equity Loans this was not generally seen as a problematic issue for customers as these costs had been taken into account in the affordability assessment. There would of course be individual cases and it is important both that these are treated with care and that all Help to Buy purchasers are regularly informed of their liabilities and options.

Far more significant were the questions of underfunding of the scheme to 2021 and its longer term future. On the former the announcement of more funding to 2021 was generally welcomed and has settled immediate concerns on that front. There are, however, concerns about further embedding dependence on the scheme. The big issue remaining is the future of the scheme and the need to avoid a so called 'cliff-edge'. Given their investment, lenders did not wish to see the new build market disrupted and were now seeking certainty regarding future plans.

## 4. Demand-side perspectives

### Summary of key findings

- Demand-side perspectives have been captured by a representative telephone interview survey of 1,500 buyers using Help to Buy Equity Loan since June 2015.
- Eighty-one per cent of all buyers using Help to Buy are first-time buyers while 19% had previously owned a property. First-time buyers using Help to Buy are distinguished from previous owners by their younger age profile, smaller household size, lower household income levels and smaller deposit amounts.
- There is marked variability in the profile of those using Help to Buy across regions. London stands out with the highest proportion of first-time buyers (96%), the highest average purchase prices and deposit amounts as well as the highest proportion of flats purchased (71%).
- The profile of buyers using Help to Buy in lower demand areas in the North is characterised by below average purchase prices, incomes and deposit amounts despite purchase of larger (3 and 4 bedroom) houses predominating.
- A majority (75%) agreed that Help to Buy had enabled buyers to enter the property market at all and those on the lowest incomes (under £25,000 pa) and those living in London were most likely to agree.
- Survey data suggests that Help to Buy has helped speed up access to the market. Some 79% of buyers agreed it enabled them to buy a property sooner, with first-time buyers, those on the lowest incomes and those buying in London most likely to agree. 59% of buyers said it would have taken a year or more longer to have bought without assistance. This is against a backdrop of higher deposit amounts (from an average of £17,020 in 2015 to £22,375 currently) and an increase in the average time to save for a deposit.
- A majority of buyers (56%) said they would not have bought newly built property without assistance, a significant rise (of nine percentage points) since 2015, suggesting the importance of the scheme to underpinning current levels of demand for new build.
- A majority of buyers (82%) agreed Help to Buy enabled them to access the market at a higher level, particularly those in larger (4+ people) households (89%). Some 69% agreed that the scheme had enabled them to buy larger property, a significant rise since 2015 (61%). Data suggest that Help to Buy has assisted some less constrained buyers to move up the property ladder more quickly, although this is least likely to be the case for buyers in London where 59% agreed the scheme had enabled them to buy a larger property, compared to 69% of all Help to Buy buyers surveyed.
- Historic concerns by some lenders around buyers' understanding of the financial commitment appear overstated according to current survey evidence. A majority of buyers said they were *very confident* in their ability to pay mortgage repayments (86%) and interest payments (65%) when they bought, and confidence levels remained strong at the time of interview (86% and 69% were very confident respectively). A majority

(54%) were also confident in their current ability to repay the Equity Loan element, although 11% are not and those who bought in London are least confident (14%).

- A majority of buyers (55%) also said they feel able to move up the property ladder now, a significant rise since 2015 (at 49%), suggesting that housing mobility has not been unduly hampered by use of the scheme.

## 4.1 Introduction

As analysis in Chapter 2 has indicated, take up of the scheme has increased year-on-year since introduction in 2013 and now accounts for an average of around 33,000 transactions annually. As the analysis in this chapter shows, users of the scheme exhibit some common characteristics in relation to their buyer status (typically first-time), their income levels and property purchases (largely family-sized) although there is some variability in these characteristics across different parts of the country.

In this chapter the impact of Help to Buy Equity Loan is considered from the buyer perspective. Using evidence collected from a representative interview survey, consideration is given to buyer views and attitudes towards the impact that Help to Buy has had on access to, and mobility within the market. The 2015 evaluation identified some evidence that the scheme had facilitated quicker access into the market and for some at least, entry at a higher level than would have been possible without assistance. This chapter revisits the issue of market access as well as giving consideration to buyer's understanding of, and attitudes towards, the financial commitment of the scheme.

## 4.2 Survey approach

Between 2<sup>nd</sup> – 20<sup>th</sup> August 2017 a telephone interview survey was conducted with a representative sample of 1,500 buyers using Help to Buy Equity Loan, three times the sample size of the original 2015 evaluation (based on a sample of 501 buyers). The sample was drawn from administrative records maintained by Homes England covering all Help to Buy transactions since the scheme's inception. The sample was selected from all those who had bought using Help to Buy since June 2015, replicating the approximate two-year time frame used for the 2015 evaluation. This approach enables a true like-for-like comparison to be made with the 2015 evaluation as well as minimising practical issues such as recall bias among respondents (namely the increasing difficulty of recalling events and circumstances beyond a few years ago).

A random, non-proportional sampling approach was used, stratified by Homes England Operating Area, first-time buyer status and property size purchased, again replicating the approach of the 2015 evaluation. Reflecting the lower incidence of Help to Buy transactions in London, this Operating Area was oversampled relative to the proportion of transactions to ensure a sufficient number of responses were achieved to allow London-wide analysis.

Targets were set by Operating Area, first-time buyer status and property size purchased with data weighted to be representative, based on the known population of those using

Help to Buy. Sample sizes for the analysis are shown in brackets in the tables and charts below.

Prior to the survey being conducted, all those sampled were written to informing them about the research and providing the opportunity to opt out. Within the two week opt-out period before interviews started, fewer than 1% of the total sample contacted us to opt out. Further details of the interview approach can be found in Annex A1.2.

It is important to note here that data presented in this and subsequent chapters is based on those who have successfully gone through the purchase process using Help to Buy. Although the focus of this evaluation is on the assessment of additionality, and thus, those that have used the scheme to access the market, perceptions of the financial commitment of the scheme are also considered and here it is recognised that the views of survey respondents may differ to those that may have started the process of buying using Help to Buy but did not finish. Such groups are outside the scope of this study and would require separate, targeted research to understand more fully.

## 4.3 Who is using Help to Buy?

Analysis in Chapter 2 has presented profile information of buyers using Help to Buy based on cumulative transactional information since the introduction of the scheme. This analysis has highlighted that property bought using Help to Buy has largely been semi-detached and family-sized properties that has been bought mainly by first-time buyers. The national average price of Help to Buy properties bought was £262,000 with most buyers falling within the £30-£40,000 and £40-£50,000 gross household income bands.

To provide context and help understand some of the variability in buyer-side perspectives seen later in this chapter, a more detailed examination of buyer characteristics, specifically in relation to buyer status and region (using Homes England Operating Area), is undertaken using interview survey evidence.

### 4.3.1 Variations by buyer status

The overwhelming majority of buyers using Help to Buy are first-time buyers, accounting for 81% of all purchases, while around one in five have previously owned a property with a mortgage or outright. These two groups of buyers are quite distinct in relation to their household and property characteristics as Table 4.1 indicates.



**Table 4.1: Profile of buyers using Help to Buy Equity Loan by buyer status**

	<b>% All (1,500)</b>	<b>% First-time buyers (1,216)</b>	<b>% Non first- time buyers (284)</b>
<b>Age</b>			
16-24	4	6	0
25-34	53	57	37
35-44	32	30	41
45+	11	8	23
Total	100	100	100
<b>Household size</b>			
1 person	17	19	10
2 people	37	39	27
3 people	22	22	22
4+ people	23	19	41
Total	100	100	100
<b>Ethnicity</b>			
White	79	75	92
Asian	13	16	4
Black	5	6	3
Other inc mixed	3	3	1
Total	100	100	100
<b>Mean gross hh income (£)</b>	50,400	49,180	55,590
<b>Mean purchase price (£)</b>	241,100	230,430	286,470
<b>Mean deposit amount (£)</b>	22,370	18,600	38,420
<b>Mean Equity Loan amount (£)</b>	47,860	45,810	56,570
<b>Previous tenure</b>			
Living with parents	27	32	6
Rented (Private & Social)	54	64	11
Owned (with/ without mortgage)	14	0	75
Other	4	4	8
Total	100	100	100
<b>Property type purchased</b>			
Flat	15	18	3
House – detached	31	24	63
House – semi-detached	31	33	18
House - terrace	23	25	16
Total	100	100	100
<b>Property size (number of bedrooms) purchased</b>			
1-2 bedrooms	25	30	4
3 bedrooms	46	48	36
4+ bedrooms	29	22	60
Total	100	100	100
<b>Tenure</b>			
Freehold	77	75	89
Leasehold	23	25	11
Total	100	100	100

Source: Ipsos MORI, Buyer survey 2nd – 20th August 2017 Base sizes in brackets. NOTE: Financial figures relating to income, purchase price, deposit and Equity Loan amounts have been rounded

First-time buyers using Help to Buy were generally younger than non first-time buyers, live in smaller sized households (typically comprised of one or two people) and without dependent children. They were more likely to come from a Black or Minority Ethnic background than non first-time buyers (25% of all first-time buyers compared to 8% of non first-time buyers). Before buying their property using Help to Buy, first-time buyers were more likely than non first-time buyers to have previously been living with parents (32%) or come from the private rented sector (64%).

Likely reflecting their younger age profile, first-time buyers using Help to Buy had lower average gross annual household incomes (around £49,200 compared to around £55,600 among non first-time buyers) while on average the deposit amounts used by non first-time buyers to purchase their property was twice that of first-time buyers. Consequently, among first-time buyers the average price of property bought using Help to Buy was lower – around £230,400 compared to around £286,500 for non first-time buyers.

The types of property purchased also differ markedly with those previously owning much more likely than first-time buyers to be buying larger and detached properties as well as buying largely on a freehold ownership basis. The higher proportion of leasehold purchases by first-time buyers is likely to reflect the higher incidence of flats being bought among this group.

First-time buyers are more likely to have used Help to Buy to purchase smaller property and are six times as likely as those owning previously to have bought a flat (18% compared to 3%). The variations in type, size and cost of property purchased using Help to Buy are all consistent with entering the property market for the first-time or, in the case of previous owners, moving up the property ladder.

The profile of buyers using Help to Buy has remained stable over time, with around eight in ten using the scheme being first-time buyers and one in five being existing or previous owners. Comparison of survey evidence suggests that the age profile of first-time buyers has increased slightly since 2015 when 68% were under 35 compared to 63% currently.

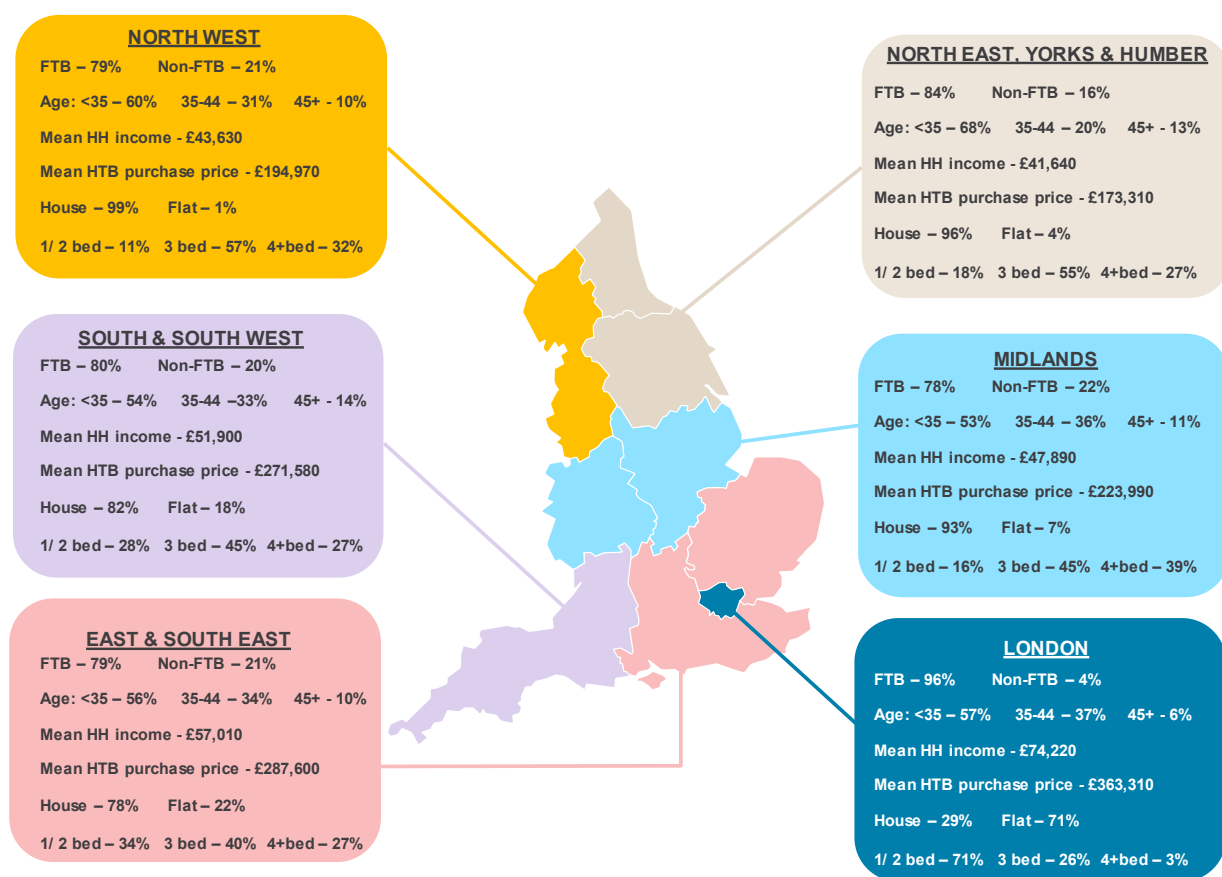
Household income levels of first-time buyers using the scheme have also risen from an average of around £44,400 in 2015 to around £49,200 currently. Similar rises in deposit and Equity Loan amounts likely reflect property price rises over the intervening two years.

In contrast, those using the scheme that were existing or previously owning were generally older (23% are aged 45 and above compared to an estimated 14% in 2015) while average household income levels were marginally lower now (around £55,600 compared to £57,960 in 2015).

### **4.3.2 Variations across regions**

Variation in Help to Buy buyer profiles is also evident when looking at regions across England, with London in particular standing out as having markedly different buyer profiles to the rest of the country. Data are summarised in Figure 4.1 below and fuller details can be found in Annex 3 (Table A3.1).

**Figure 4.1: Help to Buy buyer profiles across regions**



Among higher demand areas, *London* stands apart from the *East & South East* and *South & South West* as the region where the overwhelming majority of scheme users are first-time buyers (96%), who are buying smaller, flat type property (71% compared to 22% of Help to Buy purchases of flats in the *East & South East* and 15% nationally). Those using the scheme in London have the highest purchase price of any region as well as the highest deposit and Equity Loan amounts. The average price of those buying in London using Help to Buy is nearly £363,500, some 50% higher than the average purchase price nationally.

In contrast to *London*, those using the scheme in the *East & South East* and *South & South West* are more likely to be buying detached and semi-detached property although as with London, the average purchase price, deposit and Equity Loan amounts of those using Help to Buy in these areas are all above national averages.

Help to Buy buyers in the *Midlands* are most likely to have purchased larger (4 or more bedroom) property although their average purchase price, deposit and Equity Loan amounts are each below the national averages of all scheme users across the country.

Across the lower demand areas of the *North West* and the *North East, Yorkshire & The Humber*, a similar pattern to the *Midlands* is evident. Among those using Help to Buy in these areas, the purchase of larger three and four bedroom and detached and semi-detached property predominates. Despite the use of Help to Buy to buy larger property in these areas, average purchase prices, deposit and Equity Loan amounts are, however, each below the national averages of all scheme users.

The analysis suggests that the profile of Help to Buy use across these broader regions are closely linked to the current state of the housing market in each. In the most constrained housing markets, London, for example, use of Help to Buy is particularly concentrated among first-time buyers who are buying flats rather than houses. In the least constrained markets of the North, Help to Buy is particularly supporting the purchase of larger detached and semi-detached houses.

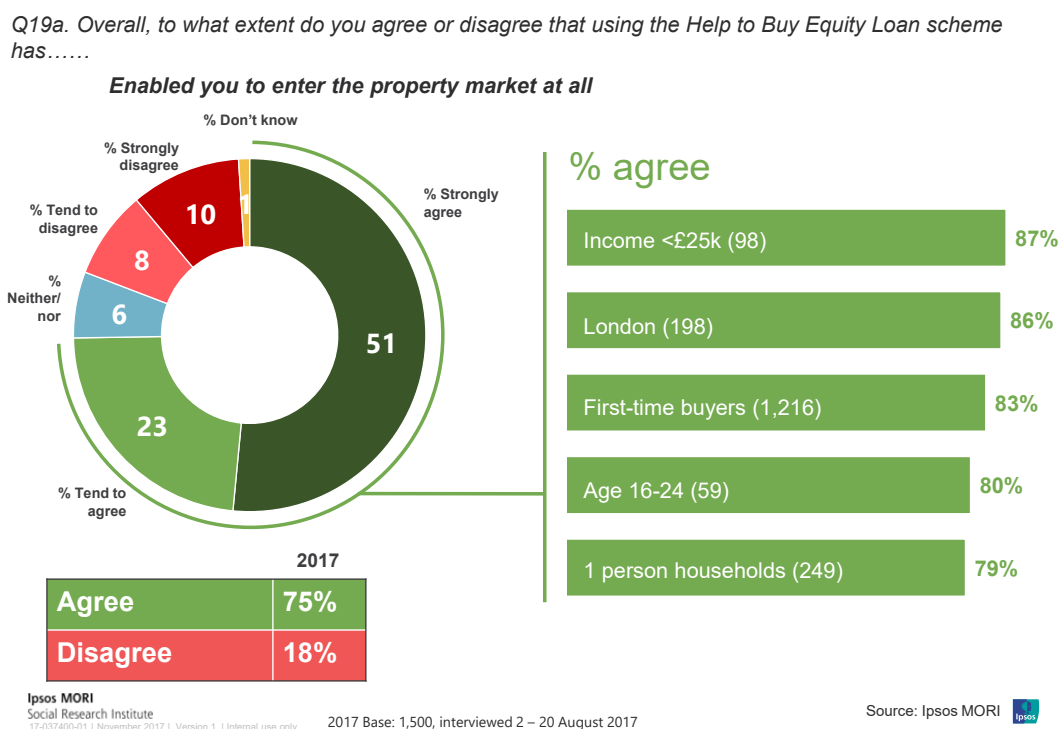
## 4.4 The impact of Help to Buy on market access

A core objective of Help to Buy is to enable access to the property market by those who otherwise would not have been able to access it. The 2015 evaluation report highlighted evidence that the scheme had assisted a significant percentage who, without the scheme wouldn't have been able to have purchased when they did. It also found evidence that the scheme was bringing forward some purchases, for example by reducing the time it took to save for a deposit, thereby speeding up access to the market. The current evaluation revisits these issues to explore whether there has been any change, drawing on buyer perspectives on the role of the scheme in facilitating market access derived from the telephone interview survey.

### 4.4.1 Enabling access to the property market at all

To better understand the role of the scheme in assisting buyers to access the housing market at all, a new question was added in 2017. This was introduced to address a potential concern that respondents may have been conflating aspirations when thinking about a 'property they wanted' (commented on further below). Further details of the question used can be found in Annex 4 and results are summarised below.

**Figure 4.2: Ability of buyers using Help to Buy to enter the property market at all**



A majority of buyers using Help to Buy believed they would not have been able to have entered the market at all without the assistance of the scheme. Three-quarters of buyers agreed that Help to Buy enabled them to enter the *market at all*, while fewer than one in five (18%) disagreed.

The capability of the scheme to facilitate access to the market appears most effective among the most constrained purchasers, including first-time buyers, those on the lowest incomes, and younger purchasers. Furthermore, nearly nine in ten buyers using Help to Buy in *London* say they would not have been able to access the market at all without assistance, suggesting Help to Buy has had some notable effects on market access in this particularly high demand, high pressure area.

While a majority of Help to Buy buyers consider the scheme has enabled them to access the market at all, for many it has also provided an opportunity to access the market at a 'higher' level. Of those who agree it enabled them to access the property market at all, 69% also agreed that the scheme enabled them to buy a larger property for example. The issue of 'second-stepping' is returned to later in this chapter and in Chapter 5 when looking at the implications for demand-side additionality estimates.

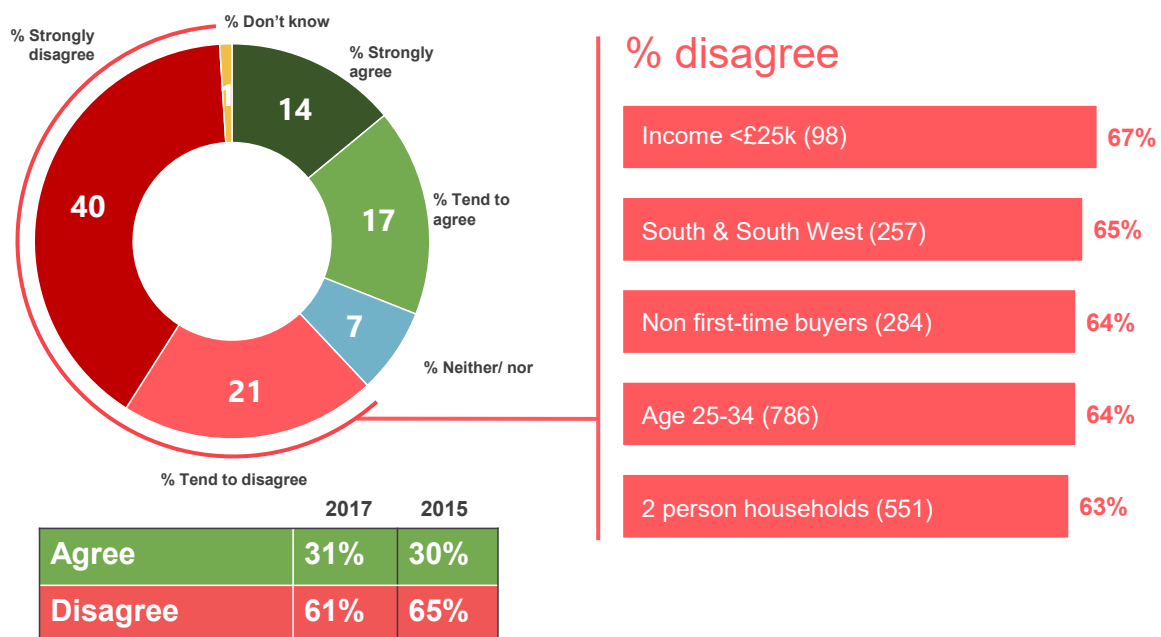
#### 4.4.2 Buying a property they wanted

Consistent with the 2015 evaluation, the 2017 evaluation asked buyers to indicate the extent to which they agreed or disagreed that they '*would have been able to buy a property they wanted anyway*' without the assistance of Help to Buy. Current results are presented in the figure below.

**Figure 4.3: Ability of buyers using Help to Buy to buy a property they wanted**

Q17a. To what extent do you agree or disagree.....

*I would have been able to buy a property I wanted anyway without this assistance*



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Source: Ipsos MORI

A majority of buyers (61%) said they would not have been able to buy any property they wanted without the assistance of Help to Buy, while three in ten said they would have.

Those who say they were unable to buy without assistance represent additional demand in the broadest sense as it identifies those who believed they would not have been able to buy *any* property they wanted (that is it is non-specific to size, type, location of property). This represents a slight, but not statistically significant, decrease since the 2015 evaluation (where 65% of buyers using Help to Buy reported they would have been unable to buy any property they wanted without assistance).

One possible hypothesis is that, as the Help to Buy scheme has become more established, it has attracted more capable buyers although the proportion of buyers who say they would have been able to buy without assistance has remained the same since 2015 (30% in 2015 compared to 31% in the 2017 evaluation).

Those buyers living in the *South & South West* region were most likely to say they were unable to buy any property they wanted without assistance while those who bought in the *North West* were most likely to agree (36%) they would have been able to buy a property they wanted without assistance.

## 4.5 The impact of Help to Buy on speeding up access to the market

It is possible that those attributing access to the property market as a result of Help to Buy may well have accessed the market without assistance but simply at a later point in time. From a supply-side perspective (as commented on further in Chapters 3 and 5), speeding up access to the market, effectively bringing forward demand, is considered central to builder confidence and is thus an important element in achieving overall policy objectives. In this section the views of buyers using Help to Buy are considered to assess the impacts of the scheme on speeding up access to the market using both attitudinal statements and more objective measures relating to the search duration, speed of purchase and time spent saving for a deposit.

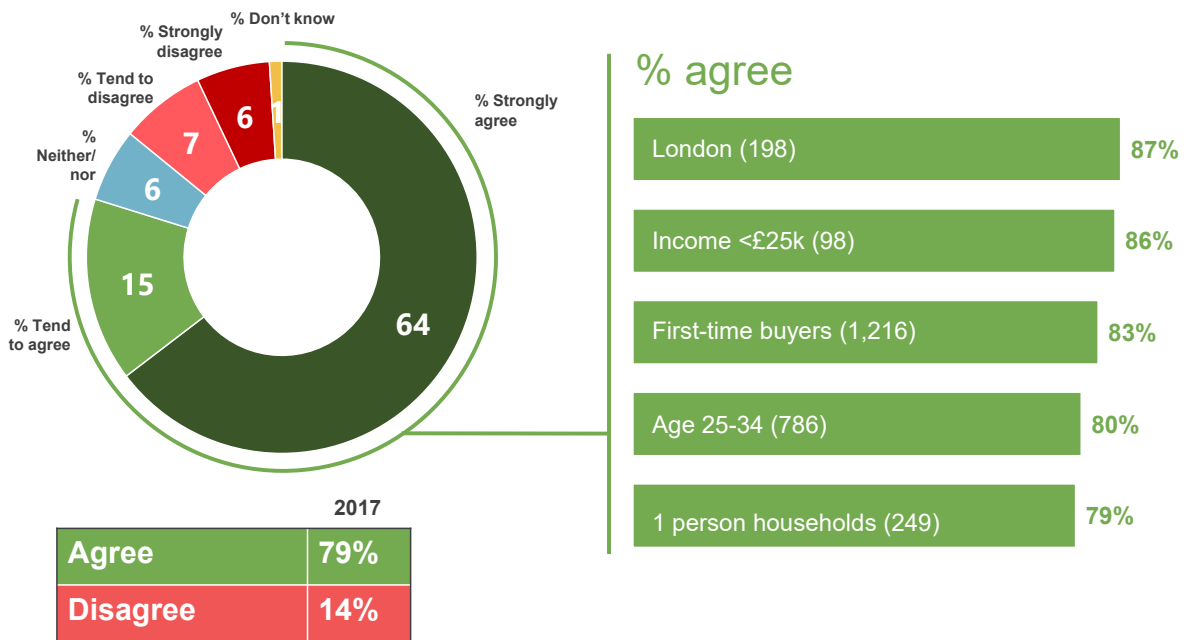
### 4.5.1 Enabling purchase of the property sooner

It is entirely possible for buyers to delay purchase, saving a sufficient amount such that they may not need to rely on the assistance of Help to Buy to purchase. However, over recent years the rapid price rises seen across many parts of the market, coupled with subdued wage rises, means that in practice delaying access to the market can be compounded as price rises outstrip the capability to save for a sufficient deposit. With this in mind buyers were asked to indicate the extent to which they agreed or disagreed that Help to Buy had enabled them *'to buy a property sooner than they otherwise would have'*. Results are summarised in the figure below.

**Figure 4.4: Ability of buyers using Help to Buy to buy sooner**

Q17d. To what extent do you agree or disagree.....

*It enabled me to buy a property sooner than I otherwise would have*



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Source: Ipsos MORI

There was strong agreement among buyers that Help to Buy had enabled them to buy a property sooner than they otherwise would have been able to. Nearly eight in ten buyers (79%) agreed, while one in eight (14%) disagreed.

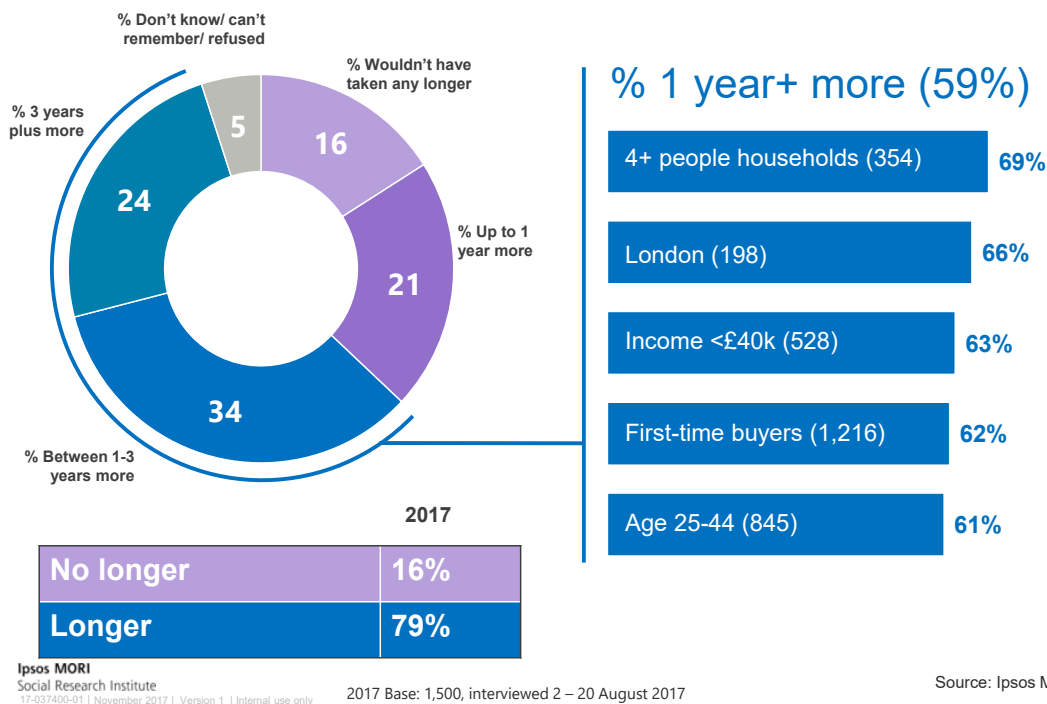
Generally, it is first-time and younger buyers as well as those on the lowest incomes who are more likely than the buyer population overall to attribute the scheme to buying sooner. The impact appears most marked for those buying in *London*, where nearly nine in ten (86%) say Help to Buy enabled them to buy sooner. Those buying property in the North were generally less likely to agree, although even within these regions a majority of purchasers agreed (76%-78%) Help to Buy had enabled them to buy sooner.

#### 4.5.2 Additional time required to buy without Help to Buy assistance

New to the 2017 evaluation, participant buyers were asked to assess ‘*How much more time, if at all, do you think it would have taken you to buy a property without the assistance of the Help to Buy Equity Loan scheme?*’ Results are summarised in the figure below.

## Figure 4.5: Additional time required to buy without the assistance of Help to Buy

Q20. How much more time, if at all, do you think it would have taken you to buy a property without the assistance of the Help to Buy Equity Loan scheme?



Around one in six buyers considered it would not have taken any longer to buy without assistance and these buyers are characterised by being existing or previous owners, older (45+ years of age) and more affluent (gross household income of £55,000 and above) purchasers. Those who purchased property in the *North West* were most likely to have said it wouldn't have taken any longer to buy without assistance (21% compared to 16% of buyers overall).

The overwhelming majority (79%) however, considered it would have taken longer to buy without assistance with a fifth (21%) estimating up to a year longer, a third (34%) between one and three years longer and a quarter (24%) more than three years longer. Of the 79% of buyers who agreed that Help to Buy had enabled them to buy sooner (noted above), six in ten estimate it would have taken between one and three years more time to buy without assistance and over a quarter (28%) estimate it would have taken over three years more.

Buyers living in larger households (with four or more people) are significantly more likely to have said that it would have taken a year or more longer to have bought without assistance, and indicatively the scheme appears to have made more of a difference for those entering the market for the first-time as well as those living in higher demand areas covering *London, East & South East* (58%) and the *Midlands* (63%).

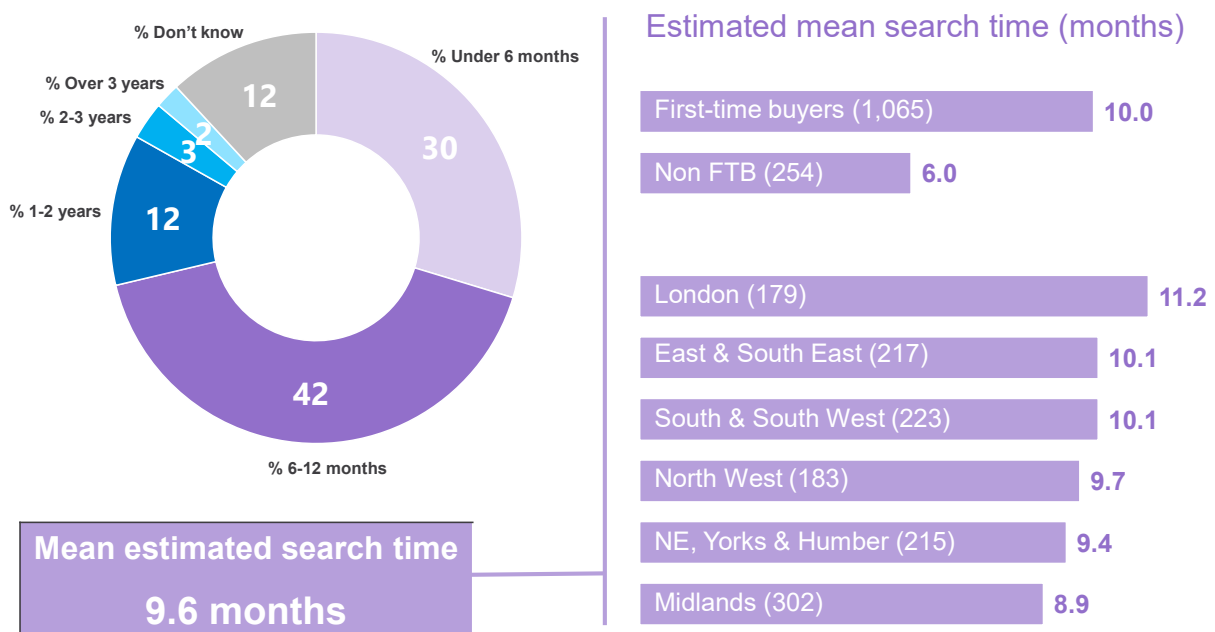


### 4.5.3 Duration of search and speed of purchase

As in the 2015 evaluation, the 2017 evaluation considered the impact of Help to Buy on the time spent searching for a property. Participant buyers were asked 'When did you first start looking to move? By looking I mean searching and viewing properties.' (see Annex 4 for further details). Results are presented in the figure below.

**Figure 4.6: Length of time looking for property**

Q10. When did you first start looking to move? By looking I mean searching and viewing properties. Combined with date of completion (from sample)



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Source: Ipsos MORI

The estimated average length between first starting to look to move and buying the property they did using Help to Buy was 9.6 months. This compares to an estimated 9.4 months in the 2015 evaluation, suggesting that the average access time to the market has remained largely unchanged over time among those using the scheme.

Current survey evidence highlights that existing or previous owners, arguably with more experience of accessing the market and greater capability afforded by the likely availability of equity, demonstrate the shortest average search to completion time (an average of 6.0 months compared to 10 months for all first-time buyers). This is consistent with findings from the 2015 evaluation.

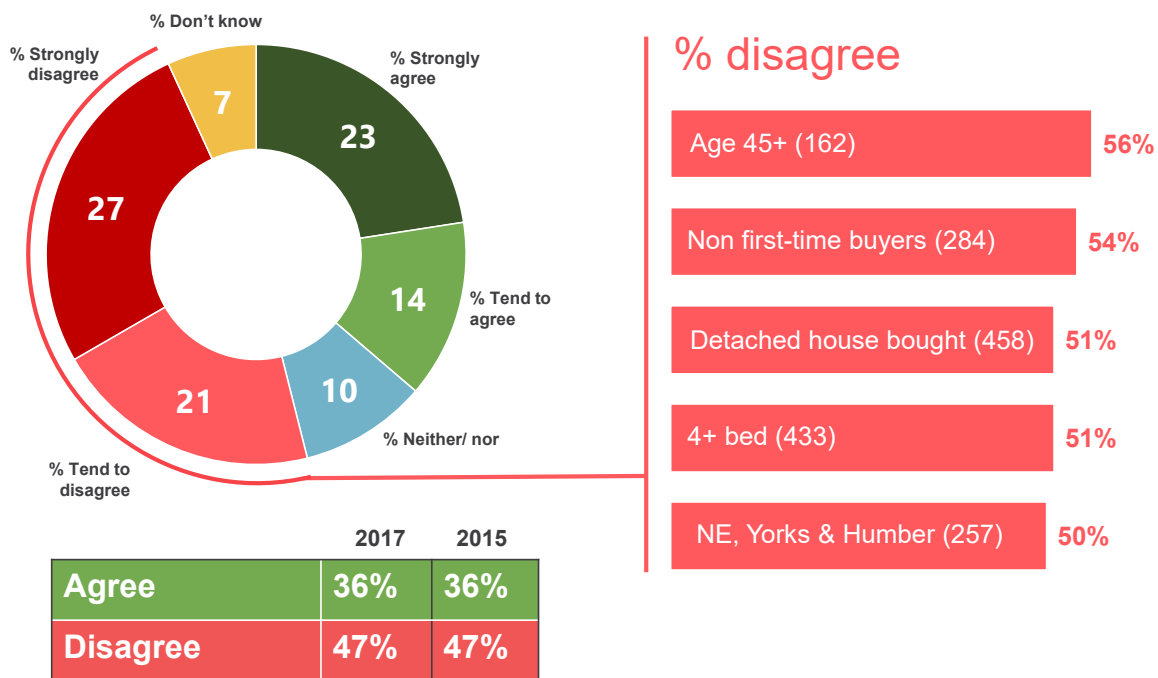
Average search times also appear closely linked to wider housing market conditions with mean search times for property highest in the more constrained, higher demand areas of *London* (11.2 months) and the *East & South East* (10.1 months) and shorter in the lower demand areas such as the *Midlands* (8.9 months).

Related to speed of access to the market, the 2015 evaluation asked participant buyers to assess whether ‘*The time taken to buy was slower than it would have been without this assistance?*’. This question was replicated in the 2017 evaluation and results are summarised in the figure below.

**Figure 4.7: Impact of Help to Buy on speed of purchase**

Q17b. To what extent do you agree or disagree.....

*The time taken to buy was slower than it would have been without this assistance*



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2015 Base: 501 interviewed 11 May – 1 June 2015

Source: Ipsos MORI

Purchasers using Help to Buy do not generally attribute a slower buying process to the operation of the scheme. Just under half (47%) disagree that the time taken to buy was slower than it would have been without assistance, although a significant minority (37%) agree the buying process was slower. This pattern of response mirrors that seen in the 2015 evaluation, suggesting that those who have bought using Help to Buy within the last two years are no more or less likely to view it as having a detrimental impact on the time taken to buy.

Among sub-groups of the population, older buyers and those with previous purchase experience were least likely to consider the purchase process to be slower as a result of using the scheme, as too were those using the scheme in the North (particularly the *North East, Yorkshire & The Humber*). Those using the scheme to buy in *London* were more likely to agree that buying with Help to Buy assistance was slower than without it.

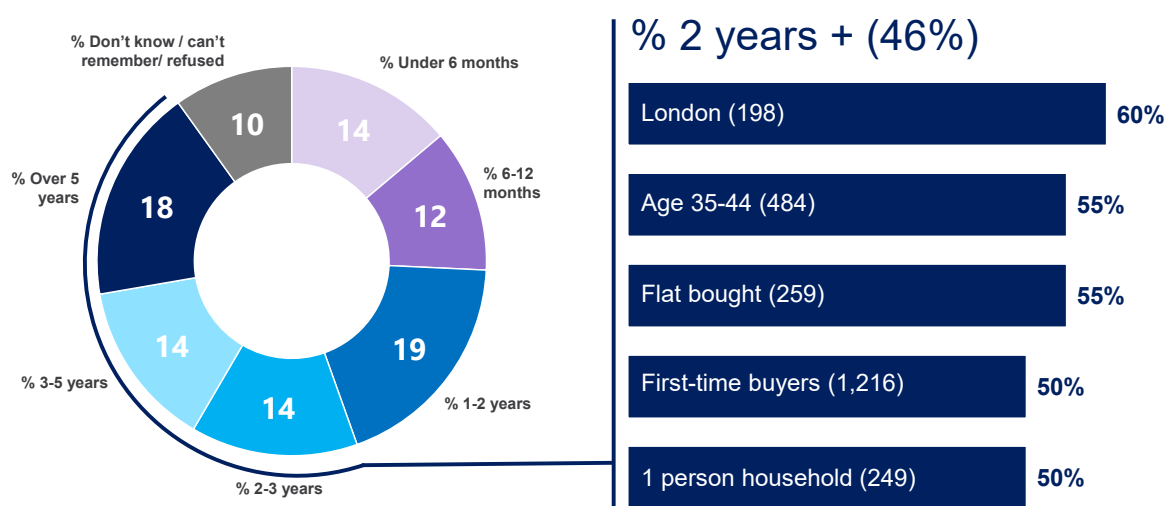
#### 4.5.4 Time spent saving for a deposit

In seeking to improve access and speed of access to the housing market, a core feature of Help to Buy was to address what was increasingly identified as one of the main barriers, namely raising sufficient funds for a deposit. This grew in prominence as house price rises continued apace during the early years of the new millennium and took on greater prominence following the Global Financial Crisis when financial institutions subsequently tightened their lending requirements (see Chapter 3 for further details).

The 2015 evaluation asked participant buyers 'Up to the point where you first started to look to move, how long had you (and/ or your partner) been saving for a deposit?' and this question was replicated in the 2017 evaluation (see Annex 4 for further details). Current results are summarised in the figure below.

**Figure 4.8: Length of time saving for a deposit**

Q13. Up to the point when you first started to look to move, how long had you (and/ or your partner) been saving for a deposit?



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2017 Base: 1,500, interviewed 2 – 20 August 2017

Source: Ipsos MORI 

Around two-thirds (65%) of all those buying using Help to Buy had saved for a deposit for at least a year or more which compares to an estimated 57% of buyers who had been saving for a deposit for at least a year when surveyed in the 2015 evaluation. This suggests that those using the scheme are typically saving longer for a deposit now than they were two years ago although it is important to recognise that the introduction of Help to Buy criteria specific to London (and where higher purchase and deposit amounts are likely to manifest in longer savings periods) will be having some impact on the 2017 findings. Survey evidence highlights for example that 60% of those buying with Help to Buy in *London* were saving for two years or more to raise a deposit compared to 46% of the Help to Buy population overall.

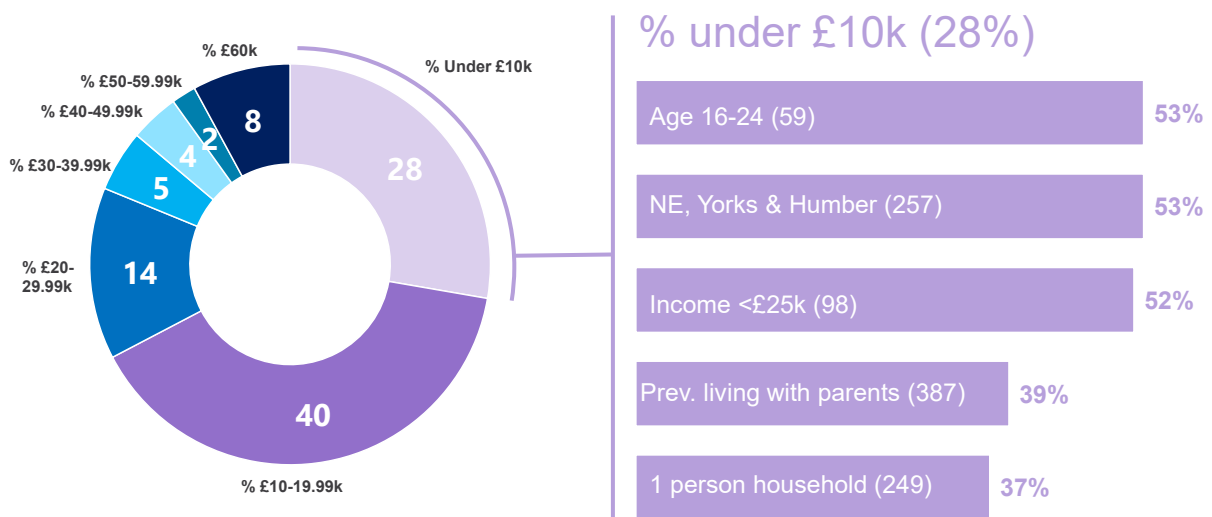
First-time buyers and those living alone in a single person household also show a greater tendency to save for longer periods to raise a deposit while existing or previous owners, as well as those buying in lower demand areas (notably *North East, Yorkshire & The Humber*) are more likely than the Help to Buy population overall to have saved the deposit in a year or less.

### 4.5.5 Savings amount

As in the 2015 evaluation, administrative data held on the sample frame included information about the amount of deposit paid by buyers using the scheme to purchase their property. Results of this analysis are summarised in the figure below.

**Figure 4.9: Amount of deposit used at the point of purchase**

*Amount of deposit at point of purchase (from Sample)*



At the time of purchase, the average deposit amount to buy with the assistance of Help to Buy was around £22,375, a figure which compares with an average of around £17,020 in the 2015 evaluation.

Variability in deposit amounts is most marked between first-time buyers and existing or previous owners, with the average deposit amount of first-time buyers around £18,595 compared with around £38,420 among existing or previous owners. Comparison over time suggests that the average deposit amount has increased by 31% since 2015 overall. To a large extent, higher property prices brought about by a rising market will feed through into rising deposit amounts and survey evidence presented earlier demonstrates that deposit amounts are closely linked to high and low demand areas. For example, average deposit amounts range from a high of just over £31,800 among those using Help to Buy in *London*

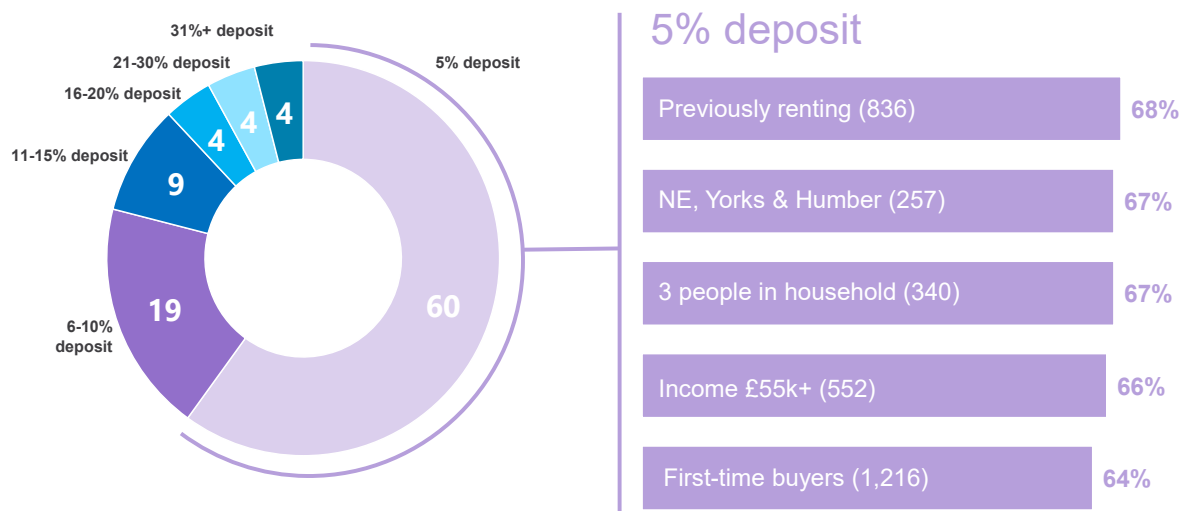
to a low of nearly £13,500 among those buying in the *North East, Yorkshire & The Humber* (see Table A3.1 in Annex 3).

While there is evidence that average deposit amounts used by Help to Buy purchasers have increased over time, current survey results also suggest that the scheme has supported more constrained buyers into the market using lower than average deposit amounts. For example, while just over a quarter (28%) of all those buying using Help to Buy used a deposit of less than £10,000, over half of all those aged under 25 and with gross annual income of less than £25,000 per year were able to purchase a property with less than £10,000 for their deposit. As is explored later in this chapter, such access does not appear to have been at the expense of either the size or the quality of the property.

Using administrative information on the sample frame about the amount of deposit and the total purchase price, it has been possible to derive estimates of the proportion of the purchase price covered by the deposit expressed as a percentage. Results of this analysis are summarised in the figure below.

**Figure 4.10: Proportion of the purchase price covered by the deposit**

*Proportion of purchase price covered by deposit (from Sample)*



A majority (60%) who have bought using Help to buy have used deposit amounts that account for no more than 5% of the overall purchase price, reinforcing suggestions of the capability of the scheme to enable access to the ownership market with limited deposit amounts. Those who were previously renting a property were significantly more likely to have accessed the ownership market with a 5% deposit, suggesting Help to Buy has played a role in facilitating access to the home ownership market by more constrained buyers. That said, notably, even some less constrained purchasers, namely those on household incomes of £55,000 and above, are significantly more likely to have purchased

using a 5% deposit, thereby placing greater reliance on the Equity Loan element to support the purchase. It is unclear whether this is a conscious decision or a lack of understanding around the financial commitment, but at the very least highlights the universal appeal of the scheme.

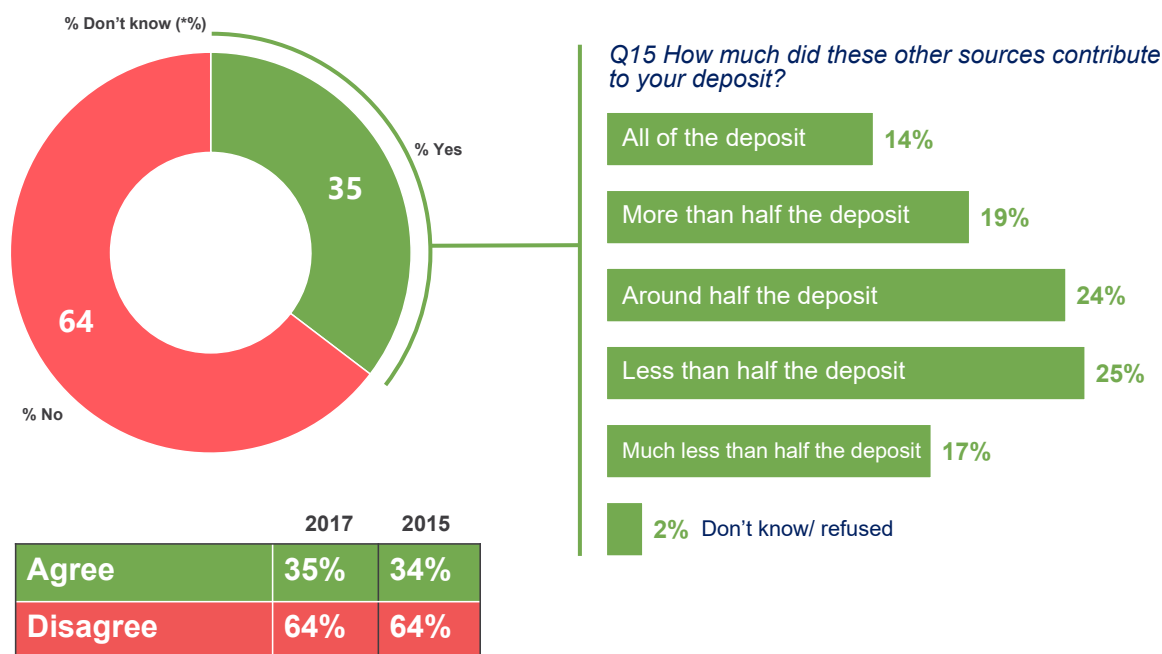
#### 4.5.6 Sources of finance for a deposit

An area of interest in the 2015 evaluation was the growing prominence of informal sources of finance (such as financial support from family and/ or friends) to assist access to the home ownership market. In 2015 it was estimated that around a third of Help to Buy purchasers used additional sources of finance (such as a loan or 'gift from the family') for their deposit and it was those living alone as a single person household who were most likely to have used such additional sources.

The 2017 evaluation asked participant buyers a modified question in two stages to assess whether or not they had used other sources of finance (*such as a loan or 'gift' from the family*) to contribute towards their deposit, and if so to assess the proportion that these other sources contributed to their deposit. Further details can be found in Annex 4, and results are summarised in the figure below.

**Figure 4.11: Other sources of finances to contribute towards the deposit**

Q14. Aside from the savings derived from you and your partner's income and investments, or equity released from the sale of a previous property, did you use any other sources of finance, such as a loan or 'gift' from the family, to contribute towards the deposit when you bought



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Source: Ipsos MORI

The proportion of buyers making use of informal finance sources has remained consistent since 2015 with around one in three (35%) saying they have used other sources of finance to contribute to a deposit (compared to 34% in 2015). Latest data from the English

Housing Survey<sup>35</sup> indicates that 35% of first-time buyers funded the purchase of their first home with help from family or friends while 10% used an inheritance.

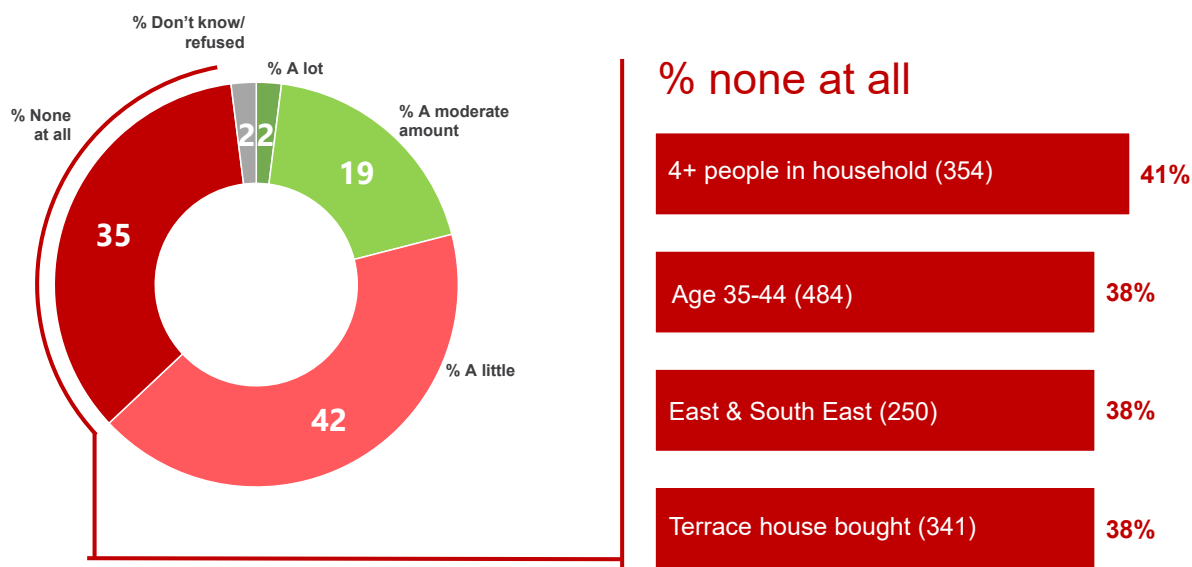
Of those that indicated the use of other sources, nearly three in five (57%) said that these sources contributed around half or more towards the total deposit amount, equivalent to 20% of all buyers using Help to Buy.

Those using informal sources for a significant proportion (50% or more) of their deposit appear more likely to use this to increase the proportion of the purchase price covered by the deposit and reduce reliance on the Equity Loan amount. Among those using informal sources for a significant proportion of their deposit, a quarter (26%) used their deposit to cover 11% or more of the total purchase price, compared to 21% of the buyer population overall. The average Equity Loan amount of those using informal savings for a significant proportion of their deposit was around £44,075, compared to around £49,280 for those buyers who say they did not use any other sources of finance for their deposit.

Participant buyers were also asked to quantify how much if any savings they had left over immediately after buying with the assistance of Help to Buy and results are summarised in the figure below.

**Figure 4.12: Amount of savings left over after property purchase**

Q16. Immediately after you bought [your property], how much, if any savings did you and your household have left over? Please include savings from all sources. Was it....?



<sup>35</sup> See Annex 6 for full list of publications referenced throughout this report

More than a third of buyers (35%) said they had *no savings* at all while around two in five (42%) said they had a *little* savings left over. Buyers living in larger households (with 4 or more people) and those buying in higher demand areas (particularly *East and South East*) were more likely than the buyer population overall to have little or no savings left over.

Those claiming to have a *lot* of savings left over after their purchase are characterised by above average household income levels (£59,125 compared to £50,400 overall) and above average deposit amounts (£31,895 compared to £22,370 overall). Clearly such buyers have high levels of financial capability and are likely to have been capable of accessing the market without the assistance of Help to Buy, although this group in particular represent a very small proportion (2%) of the overall buyer population. For the majority, the scheme appears to have supported access to the market.

## 4.6 The impact of Help to Buy on the point of market access

In this section consideration is given to the impact of the scheme on affecting how buyers decide to access the housing market. Many buyers using the scheme will have been able to exercise choice within the existing (second-hand) market so consideration is given to the extent to which the scheme has encouraged that potential demand to be exercised in the new build market. It also considers the point at which buyers enter the market, building on suggestions in the 2015 evaluation that the scheme may have facilitated some 'second-stepping' – whereby a first-time buyer by-passes the first step on to the housing ladder and instead purchases a larger property, or one in a better area for example.

### 4.6.1 Impact on access to the new build market

Consistent with question wording used in the 2015 evaluation, participant buyers were asked the extent to which they would agree or disagree that they '*would still have bought a newly built property without this assistance*'. Further details can be found in Annex 4, and results are summarised in the figure below.

While a significant minority (32%) of buyers indicated they still would have bought a newly built property without the assistance of the scheme, a majority (56%) said they would not have. This represents a significant (nine percentage point) rise from 47% in 2015.

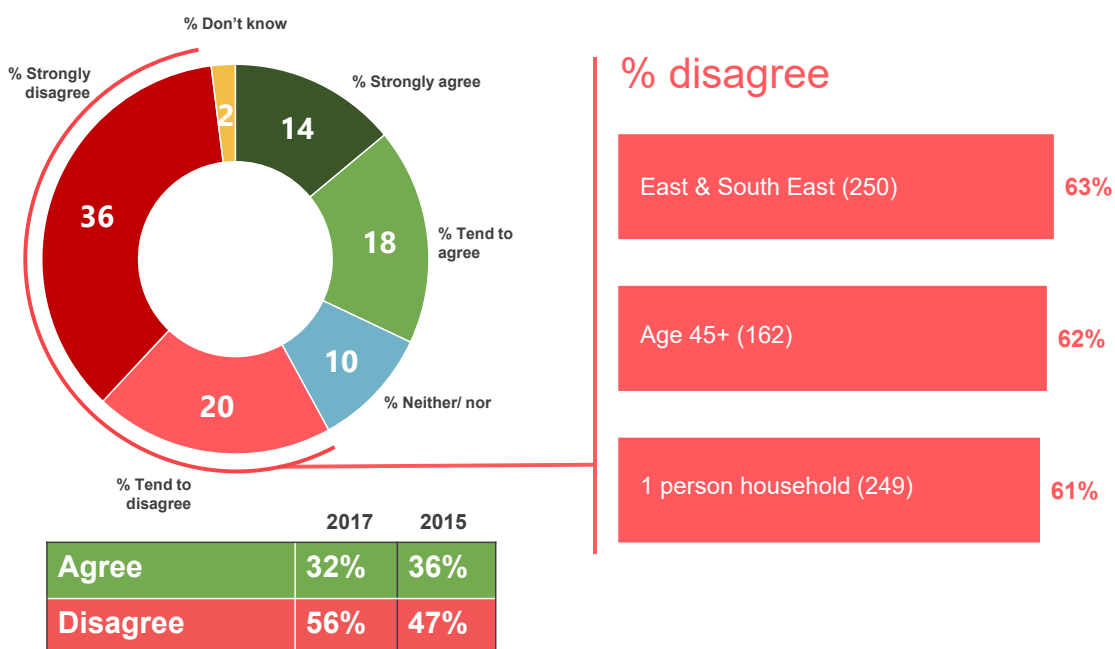
It is not possible to differentiate from survey evidence whether buyer perceptions are being driven by cost and affordability factors, or other factors such as size or design for example. The new build 'price premium' noted in Chapter 2, and which was in evidence in 2015, may in combination with continued house price rises and stable wage inflation in recent years help to account for a perceived affordability gap for new build property.



**Figure 4.13: Ability to have bought a newly built property without Help to Buy**

Q17c. To what extent do you agree or disagree.....

*I would still have bought a newly built property without this assistance*



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Source: Ipsos MORI

Variability in buyer responses suggest that affordability is an important factor with those on middle to higher incomes and those buying in the lower demand areas of the North (particularly the *North East, Yorkshire & The Humber*) more likely than buyers overall to agree they would have accessed the new build market without assistance – 38% compared to 32% overall.

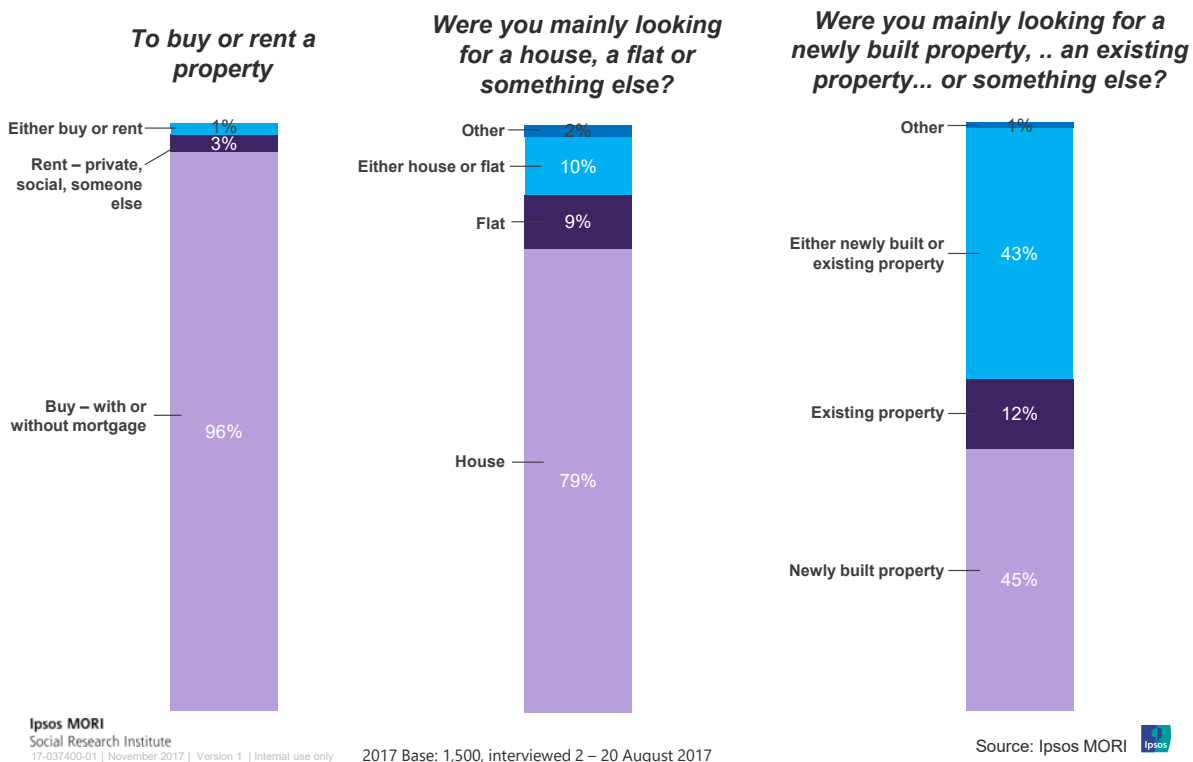
Further, as highlighted in Chapter 3, developers also continue to report high levels of consumer confidence in the new build market. At the very least these findings may point to the significance of Help to Buy in maintaining and underpinning current levels of demand for new build, something developers are keenly aware of in their desire to retain the policy.

#### 4.6.2 Impact on choice of property

Participant buyers were asked to recall their property preferences at the time they first started to look to move to establish their initial preferences in terms of buying or renting, a house or a flat and whether they were looking for a new build or existing property. Further details can be found in Annex 4, and results are summarised in the figure below.

**Figure 4.14: Property preferences among buyers using Help to Buy when they first started to look**

Q11. When you first started looking to move, were you mainly looking.....



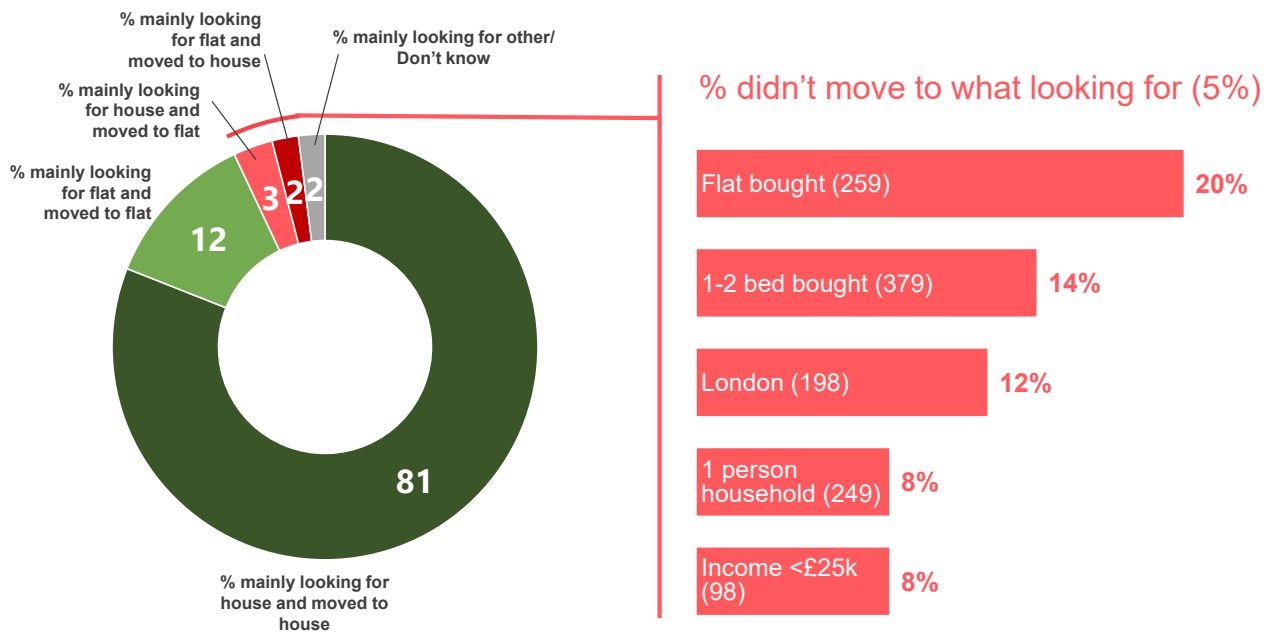
Despite a majority of buyers (56%) saying they would not have been able to buy a new build property without the assistance of Help to Buy (see Figure 4.13), a sizeable minority (45%) said they were looking for a new build property when they first started looking to move, while 43% said they were mainly looking for either new build or an existing property. It is possible that for some of these buyers, awareness of Help to Buy and favourable terms towards new build may have influenced their stated preferences for new build over and above the existing market.

Few buyers (12%) said that when they first started looking to move, they were mainly looking for an existing (second-hand) property, suggesting that any transfer of demand from the existing market to the new build market as a result of Help to Buy is relatively modest.

The 2017 evaluation, as in 2015, suggests limited evidence that the policy has resulted in a significant shift towards owner-occupation, with the overwhelming majority (96%) of buyers looking to own (with or without a mortgage) when they first started looking. Most buyers (79%) were mainly looking for a house when they first started to look to move and comparison with administrative data on the type of Help to Buy property purchased (summarised in the figure below), show that the overwhelming majority (93%) moved in to the broad (house or flat) property type they were originally looking for.

**Figure 4.15: Property type preferences among buyers using Help to Buy when they first started to look**

Q11b. When you first started looking to move, were you mainly looking for...  
*a house, a flat or something else*



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Source: Ipsos MORI

Among the one in twenty that didn't buy the property type they were originally looking for, most were originally looking to buy a house but ended up in a flat. It is the most constrained buyers (including those with the lowest incomes and those living alone) as well as those buying in the most constrained markets (particularly *London*) who are most likely not to have bought the type of property they were originally looking for.

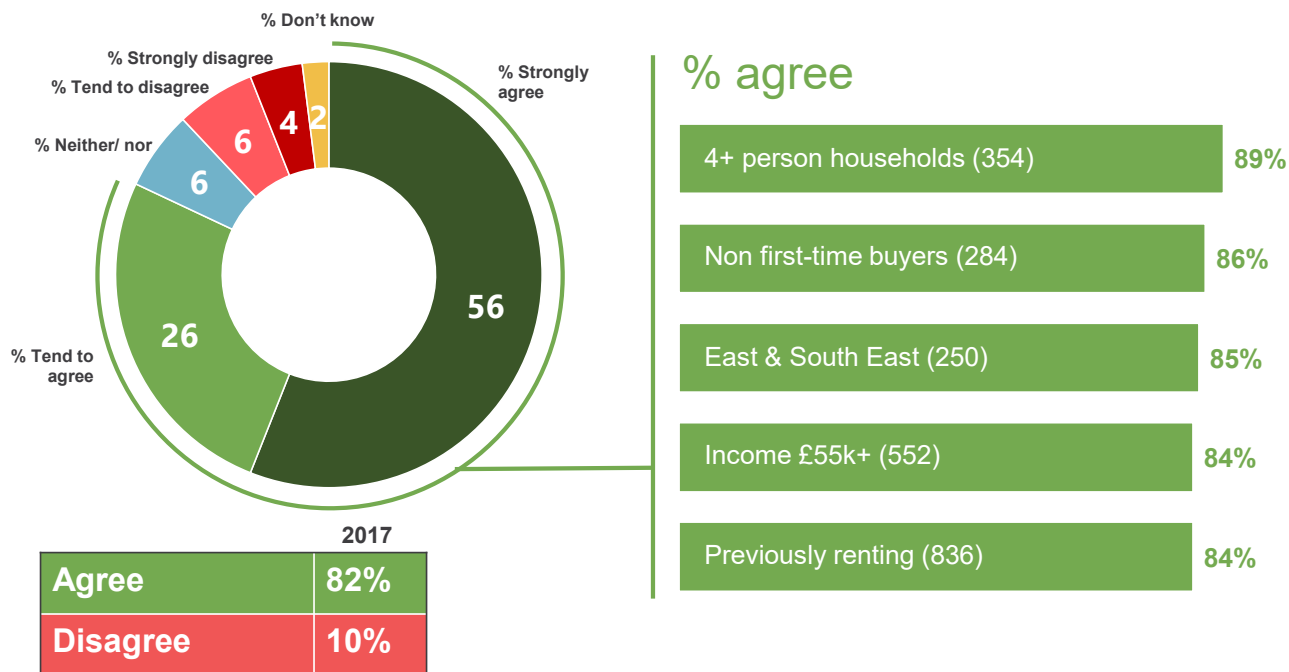
### 4.6.3 Impact on accessing the homeownership market at a higher level

Earlier analysis in this chapter has highlighted a relatively small group of capable buyers that have used Help to Buy but who otherwise could have accessed the property market without this assistance – 18% disagreed that Help to Buy had enabled them to enter the property market at all (while 75% agreed). This analysis also highlighted that for nearly seven in ten (69%) of those who agreed Help to Buy had enabled them to access the market at all, the scheme had also enabled them to buy a larger property than would have been possible, suggesting the scheme has assisted buyers in entering the market at a higher level.

New to the 2017 evaluation, buyers were asked to indicate the extent to which they considered Help to Buy had enabled them to *'enter the property market at a higher level than otherwise would have been possible...'* with results summarised in the figure below.

**Figure 4.16: Ability of buyers using Help to Buy to enter the property market at a higher level**

Q19b. And overall, to what extent do you agree or disagree that using the Help to Buy Equity Loan scheme has...? ...enabled you to enter the property market at a higher level than would have been possible without this assistance? A higher level could mean, for example, a larger property, a house rather than a flat or in a more desirable area for you.



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2017 Base: 1,500, interviewed 2 – 20 August 2017

Source: Ipsos MORI

More than eight in ten (82%) buyers agree Help to Buy enabled them to enter the property market at a higher level, a higher proportion than those who agreed Help to Buy had enabled them to enter the property market at all (75%). This suggests that while the scheme has been important in facilitating market access for many, it has also supported both more and less constrained buyers to by-pass some rungs of the housing ladder through entry at a higher point in the market.

Further analysis of participant responses suggests that entry at a higher level generally meant purchase of a larger property. Among those who considered Help to Buy had enabled them to enter the property market at a higher level, three quarters agreed that the scheme had enabled them to buy larger while 64% agreed the scheme had enabled them to buy in a better area. Size of property and location are considered further in the sections that follow.

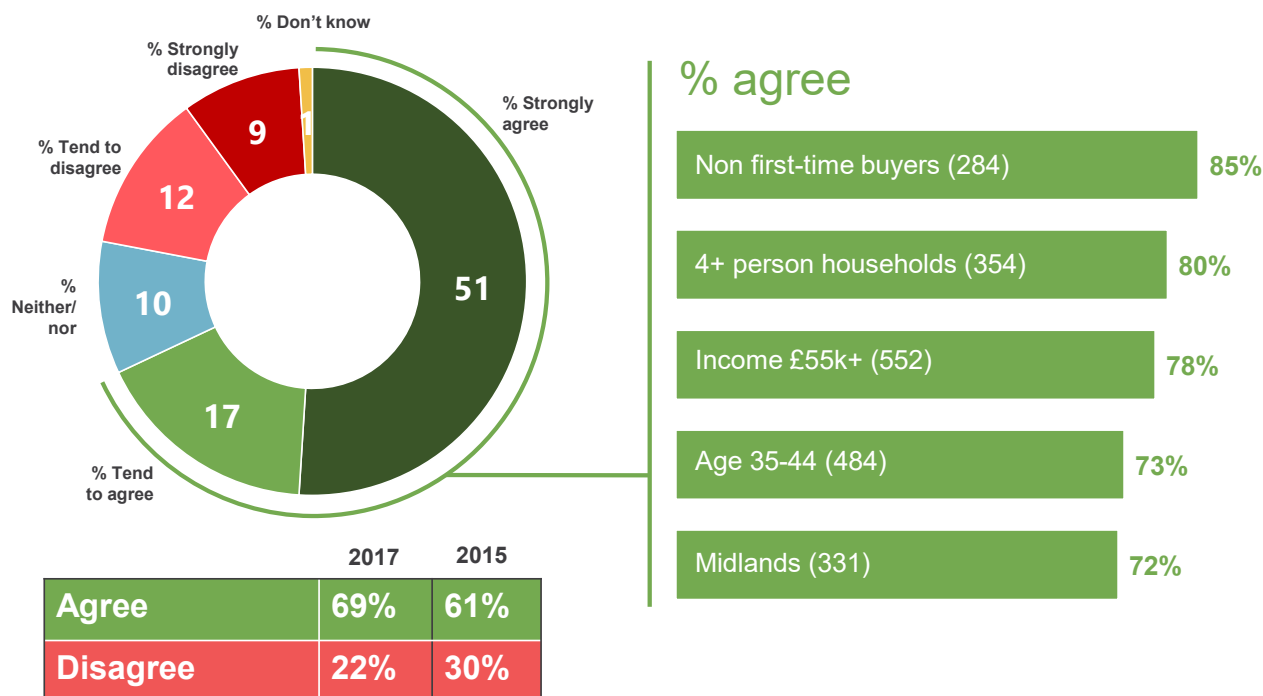
#### 4.6.4 Impact on choice of size of property

Consistent with questions used in the 2015 evaluation, participant buyers were asked the extent to which they agreed or disagreed that they were enabled 'to buy a larger property, for example with more bedrooms, than would have been possible without assistance'. Results are summarised in the figure below.

**Figure 4.17: Ability of buyers using Help to Buy to buy a larger property**

Q17e. To what extent do you agree or disagree.....

*It enabled me to buy a larger property, for example with more bedrooms, than would have been possible without this assistance*



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2017 Base: 1,500, interviewed 2 – 20 August 2017  
2015 Base: 501 interviewed 11 May – 1 June 2015

Source: Ipsos MORI



More than two-thirds (69%) of buyers agree that Help to Buy enabled them to purchase a larger property, a significant increase since 2015 when 61% agreed. It is possible that this rise is a reflection of a more financially capable set of buyers who are making use of the scheme to by-pass earlier rungs of the ladder, although the similarity in buyer profiles between 2015 and 2017 (see Annex 1), provides limited support for this. Alternatively, given continued price rises within the market over the last two years, together with modest wage increases, property size expectations may have dampened while Help to Buy is still seen as an effective way to exercise choice for larger property.

Analysis by buyer sub-groups suggests that for some, notably those in larger households, Help to Buy may have enabled the purchase of property more suitable for their needs (80% agreed the scheme enabled them to buy larger). For others, including existing or previous owners and those on the highest incomes, it is possible that the scheme is being used to move up the property ladder more quickly.

It is also evident from this analysis that the capability of the scheme to assist the purchase of larger properties is more diminished in London, where 59% of buyers agreed it enabled them to buy a larger property. The high price of purchase and the predominance of Help to Buy sales composed of flats in London is likely to account for this.

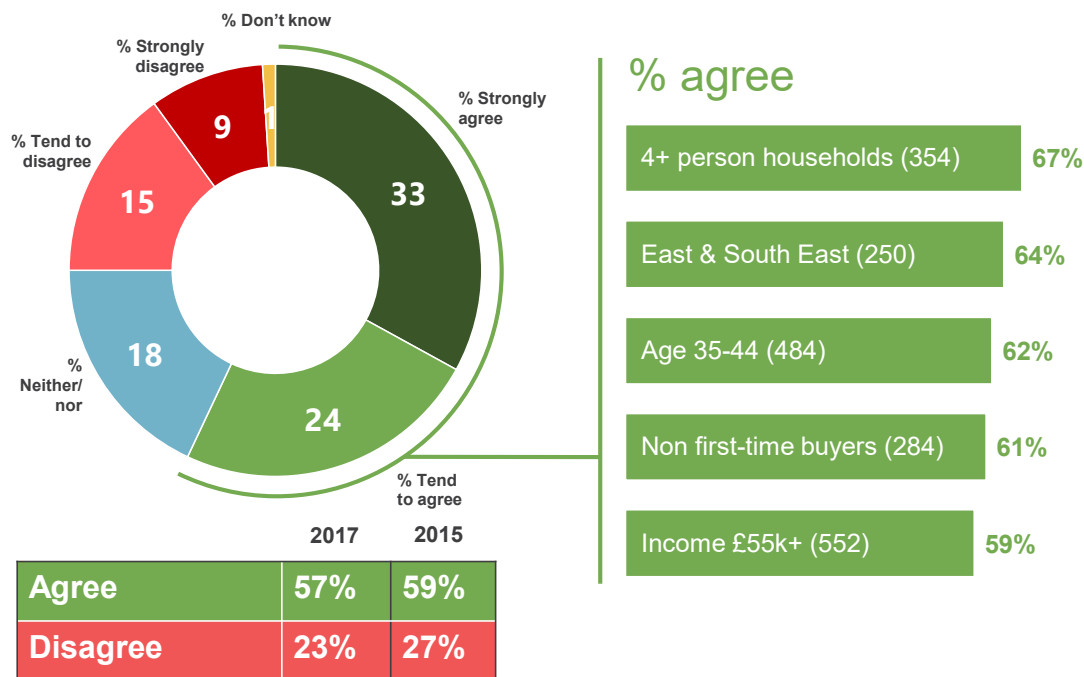
#### 4.6.5 Impact on location of property purchase

The 2017 evaluation also replicated a question used in the 2015 evaluation to assess the extent to which Help to Buy had enabled the buyer to 'buy a property in a better area than would have been possible without assistance.' Current results are summarised in the figure below.

**Figure 4.18: Ability of buyers using Help to Buy to buy a property in a better area**

Q17f. To what extent do you agree or disagree.....

**It enabled me to buy a property in a better area than would have been possible without this assistance**



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2017 Base: 1,500, interviewed 2 – 20 August 2017  
2015 Base: 501 interviewed 11 May – 1 June 2015

Source: Ipsos MORI

In contrast to the observed rise in the proportion of Help to Buy buyers who agreed the scheme had enabled them to buy larger property, perceptions of the scheme enabling them to buy in better areas has remained largely unchanged since 2015. Some 57% of buyers agreed that Help to Buy enabled them to buy a property in a better area while nearly a quarter (23%) disagreed.

Again there is evidence that the scheme has benefitted buyers living in larger households (67% of all those with four or more people in the household agree), although there is also indicative evidence that some more capable buyer groups (including existing or previous owners and those with the highest household incomes) have used the scheme to support higher level property purchases in terms of location.

## 4.7 The impact of Help to Buy on mobility within the market

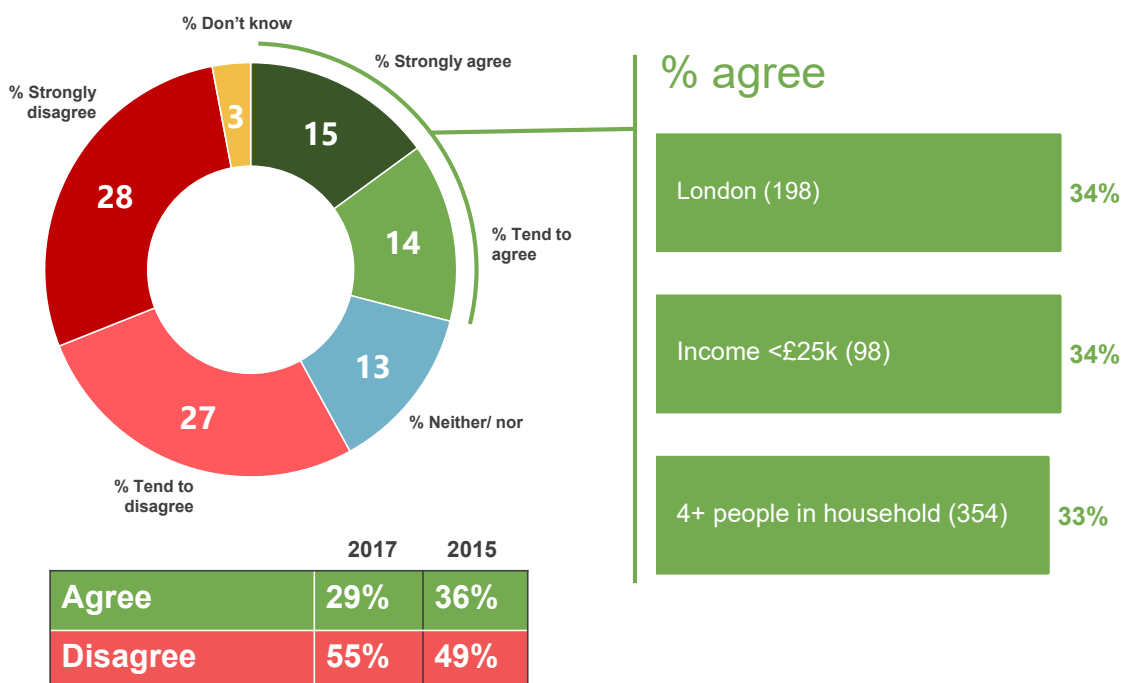
As indicated above, evidence suggests that one consequence of the policy is to enable at least some buyers to access the property market at a higher level than they otherwise would have, whether to a larger property or one in a better area for example. One concern is that enabling access at a higher level initially will inhibit subsequent moves.

This was an issue explored in the 2015 evaluation and replicated in 2017 by asking buyers the extent to which they felt they were 'unable to move up the property ladder now'. Current results are summarised in the figure below.

**Figure 4.19: Ability of buyers using Help to Buy to move up the property ladder**

Q17g. To what extent do you agree or disagree.....

*I feel I am unable to move up the property ladder now*



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2017 Base: 1,500, interviewed 2 – 20 August 2017  
2015 Base: 501 interviewed 11 May – 1 June 2015

Source: Ipsos MORI

A majority (55%) of buyers say they feel able to move up the property ladder now, a statistically significant rise since 2015 (49%), and suggesting that the confidence of buyers to move up the property ladder has strengthened over the last two years.

Concern about the ability to move up the property ladder appears strongest within the most constrained housing markets (notably *London* where a third of buyers feel unable to move up the property ladder) and among more constrained buyers, notably those with the lowest household incomes.

Confidence to move up the property ladder now also appears closely associated with the point at which the buyer accessed the market. The majority (83%) of those who feel unable to move up the property ladder now indicated they accessed the market at a higher

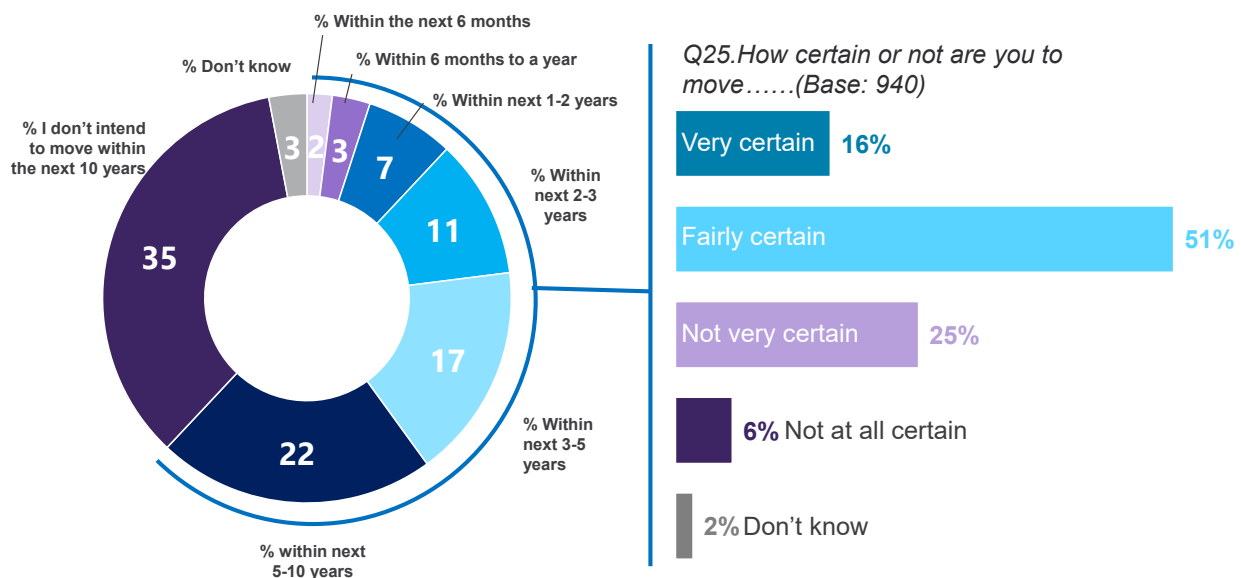
level than would have been possible without assistance. Further, a majority (55%) of those who feel unable to move up the property ladder also said they did not intend to move within the next five years or more (explored further in the section below).

### 4.7.1 Future moving intentions

Participant buyers were asked about their plans for moving in the future, identifying when, if at all, within the next ten years they intended to move to a different property. Those who indicated an intention to move within the next ten years were also asked about the certainty of that intended move (recognising that stated future intended moves are often a weak predictor of actual moves). Results are summarised in the figure below.

**Figure 4.20: Intentions to move to a different property in the future**

Q24. Which of the following statements best describes your current plan about moving to different property in the future? I intend to move.....



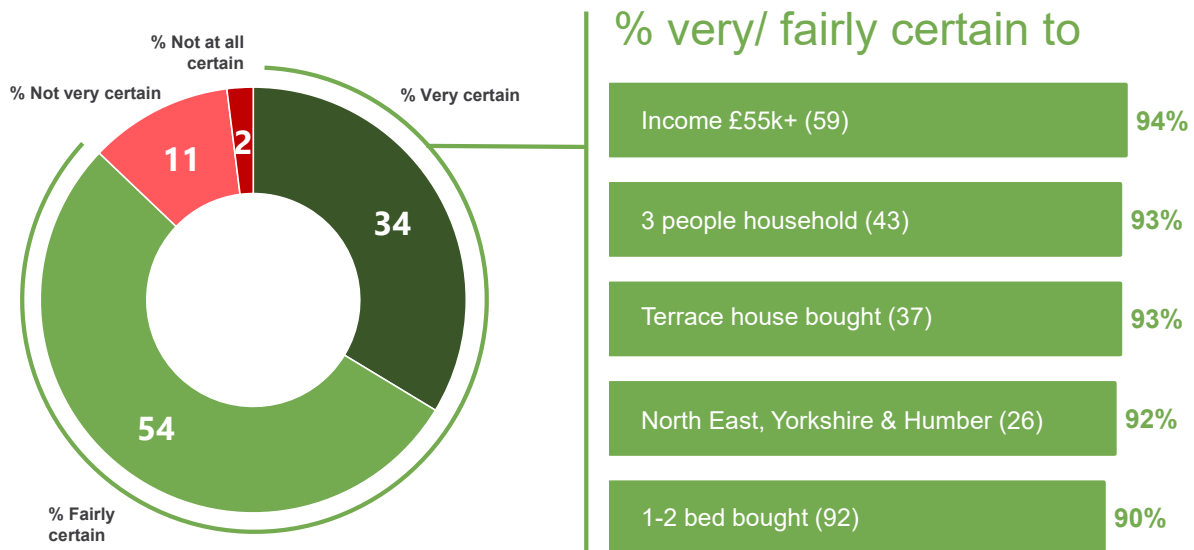
Most (57%) buyers that have bought using Help to Buy within the last two years said that they do not intend to move within the next five years. One in twenty buyers said they intend to move within the next year, a figure that compares to 3% in 2015, while 7% said they intend to move within the next 1 to 2 years.

While it is recognised that future intended moves are often a poor predictor of actual moves, of those intending to move within the short term, the majority are certain of doing so. Of those intending to move within the next two years, 90% of those intending to move within the year said they are very or fairly certain to, while 88% of those intending to move within 1 to 2 years said they are certain to. Those intending to move within two years and who are very or fairly certain of doing so account for 11% of the Help to Buy buyer population, and some of their key characteristics are summarised in the figure below.



**Figure 4.21: Certainty to move of those intending to move to a different property in the next two years**

Q25. How certain or not are you to move within the next two years?



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2017 Base: 187 planning to move within next two years, interviewed 2 – 20 August 2017

Source: Ipsos MORI 

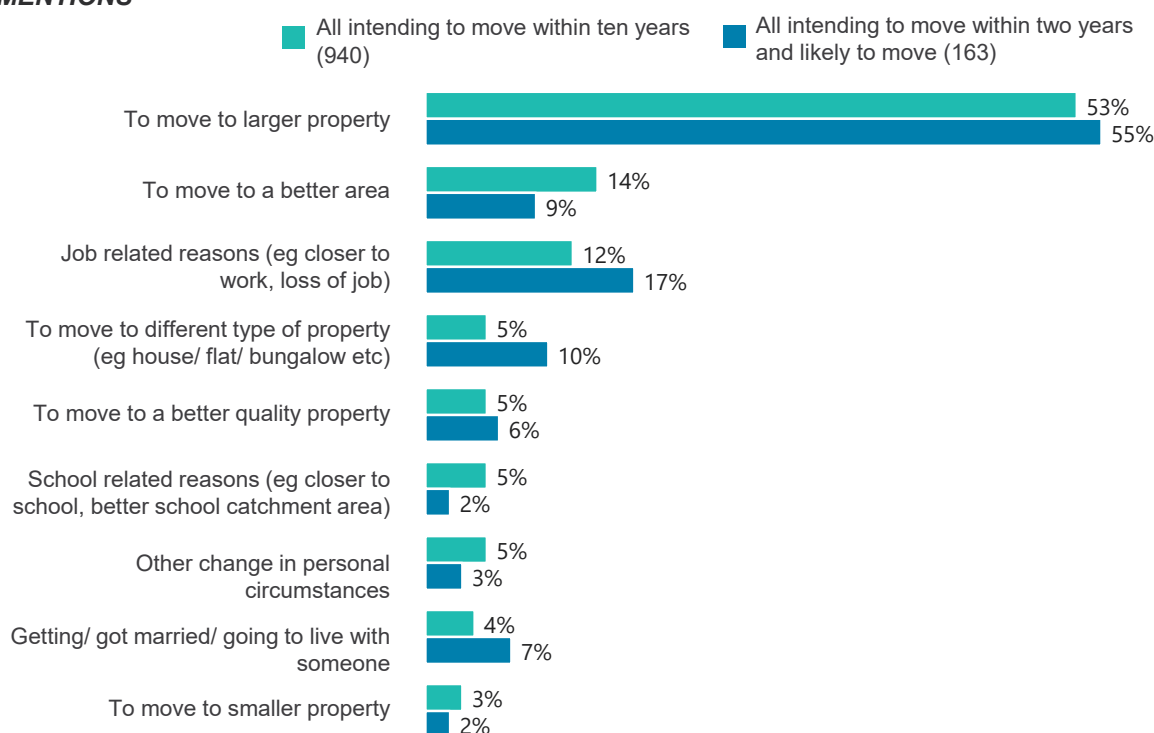
Further sub-group analysis indicates that those on the highest incomes (£55,000+), those in larger, three-person households, and those currently living in a terrace house, are more likely than the population overall to be certain to move within the next two years.

For participant buyers who indicated an intention to move, they were asked ‘*Why do you intend to move within the next ten years?*’ This was an unprompted question with responses categorised by interviewers based on an agreed set of likely responses. Current results are summarised in the figure below.

**Figure 4.22: Reasons for intending to move**

Q26. Why do you intend to move within the next ten years?

**TOP MENTIONS**



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2017 Base: 940 and 163, interviewed 2 – 20 August 2017



The main driving factor behind moving is the desire for larger property which is consistent whether looking at those intending to move within ten years or specifically those intending to move within two years and who are certain of moving. Those intending to move to larger property are predominantly younger (aged 25-34) first-time buyers, living in two-person households and with middle to high household incomes (£25-40,000) and for this sub-group at least, suggests that Help to Buy has not hampered future mobility within the market.

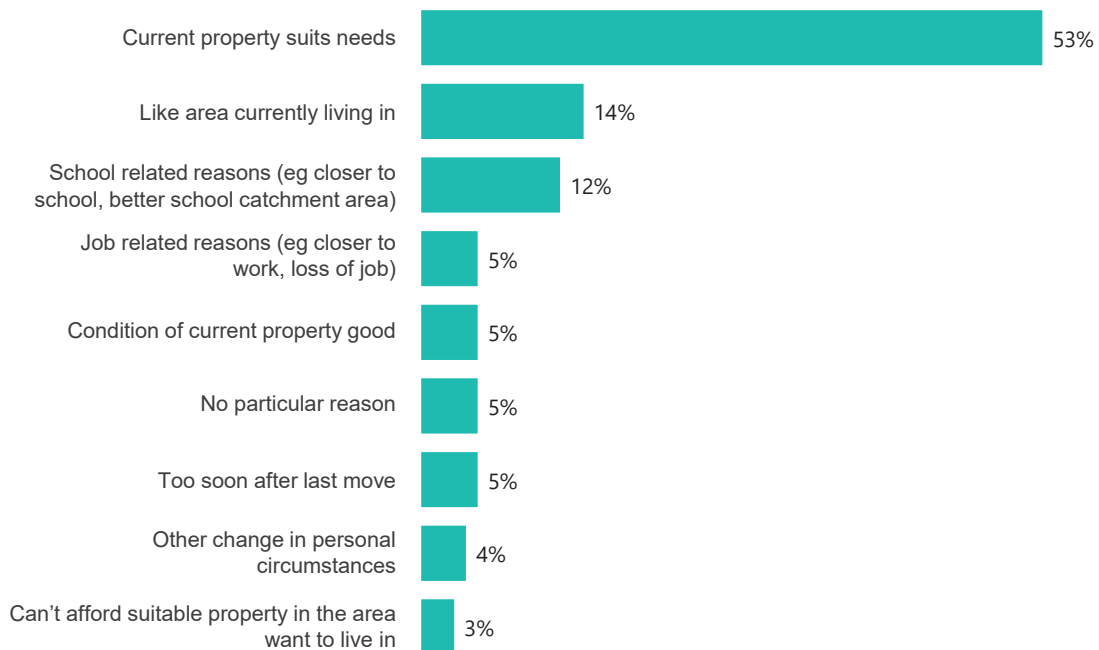
Other commonly mentioned drivers include moving to a better area and for job-related reasons, although these are far less frequently mentioned than size of property. Very few buyers who intend to move either within two years or ten years mentioned affordability of the mortgage payment or interest charges when the ‘5-year interest-free period’ ends. Only 1% mentioned these respectively and only 2% spontaneously mentioned paying off the Equity Loan component as a reason for intending to move. Despite some concerns raised by lenders (commented on further in Chapter 3), the financial mechanics of the scheme do not appear to be a concern for buyers at this stage, supporting analysis later in this chapter that buyers have a strong understanding of the financial commitment of the scheme.

For those participant buyers who did not intend to move within the next ten years, they were asked, again unprompted, ‘Why do you not intend to move within the next ten years?’. Results are summarised in the figure below.

## Figure 4.23: Reasons for not intending to move

Q26. Why do you not intend to move within the next ten years?

### TOP MENTIONS



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2017 Base: 517 not intending to move, interviewed 2 – 20 August 2017



Around a third (35%) of the buyer population said they did not intend to move within the next ten years, and the most commonly mentioned reason given for not moving is because their current property meets their needs (53%). Favourability of the current area they live in and family-related reasons (notably school related reasons) are spontaneously mentioned by around one in eight buyers.

One in twenty consider it would be too soon after the last move while fewer still (3%) suggest their motivation for not moving is driven by a lack of ability to afford an area they would like to live in.

## 4.8 Buyer views on the financial commitment

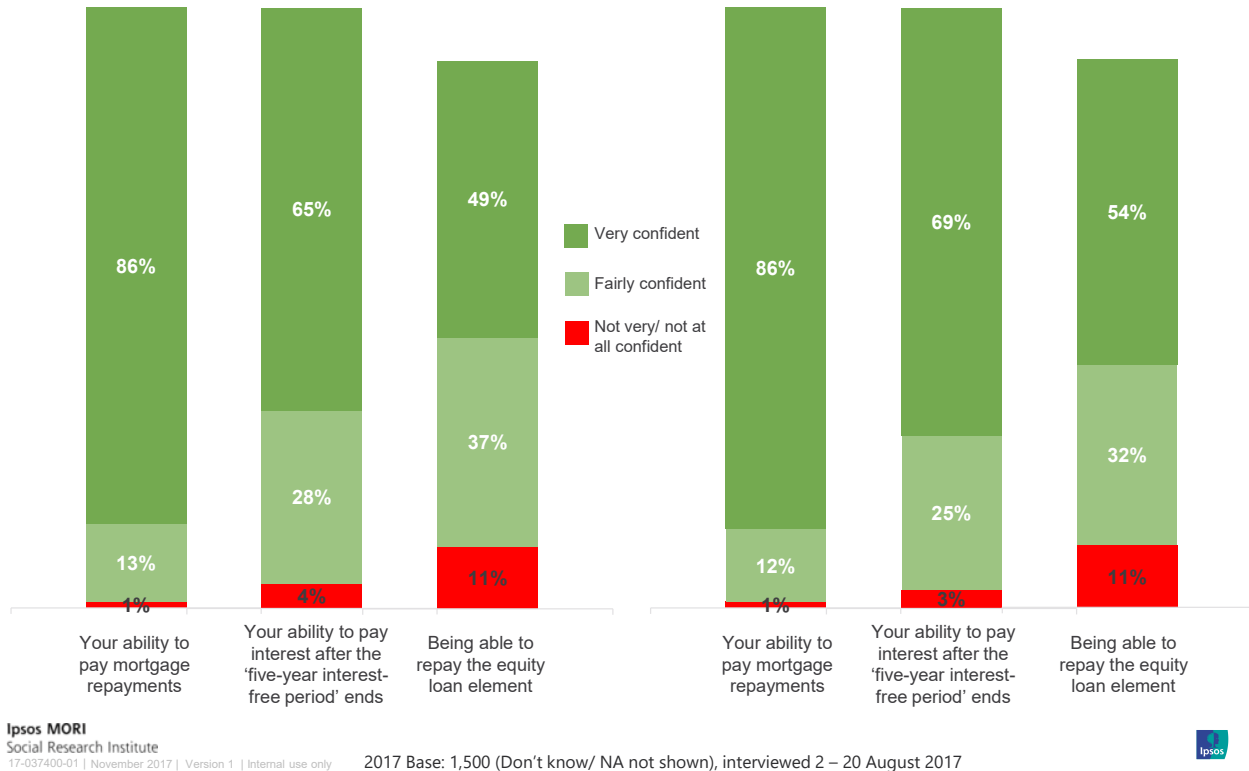
Comments from lender interviews presented in Chapter 3 highlight a continuing concern among some lenders, as there was in 2015, that the financial commitment of the Equity Loan is not fully understood by buyers. Analysis above around motivations to move indicate that perceived affordability of the mortgage, interest charges or Equity Loan components do not feature prominently as reasons for moving.

The 2017 evaluation replicated questions included in the 2015 evaluation to explore the issue of buyer confidence at the time of purchase and at the time of interview, as well as their understanding of the financial commitment when they bought. Taking buyer confidence first, current results are summarised in the figure below.

**Figure 4.24: Confidence in the ability to meet Help to Buy financial commitments**

Q21. At the **time when you bought**, how confident, if at all were you with.....?

Q22. And thinking about your situation **now**, how confident, if at all are you with.....?



A majority of buyers said they were *very confident* in their ability to pay mortgage repayments (86%) and interest payments (65%) when they bought and confidence levels remained strong at the time of interview differing little in strength of sentiment (86% and 69% respectively).

While a majority of buyers were also confident in their ability to repay the Equity Loan element at present (86% *very* or *fairly* confident), around one in ten (11%) said they were not. The proportion who said they were not confident has significantly increased since the 2015 evaluation (where five per cent said this), possibly reflecting a dampening of expectations around house price growth in recent years<sup>36</sup>.

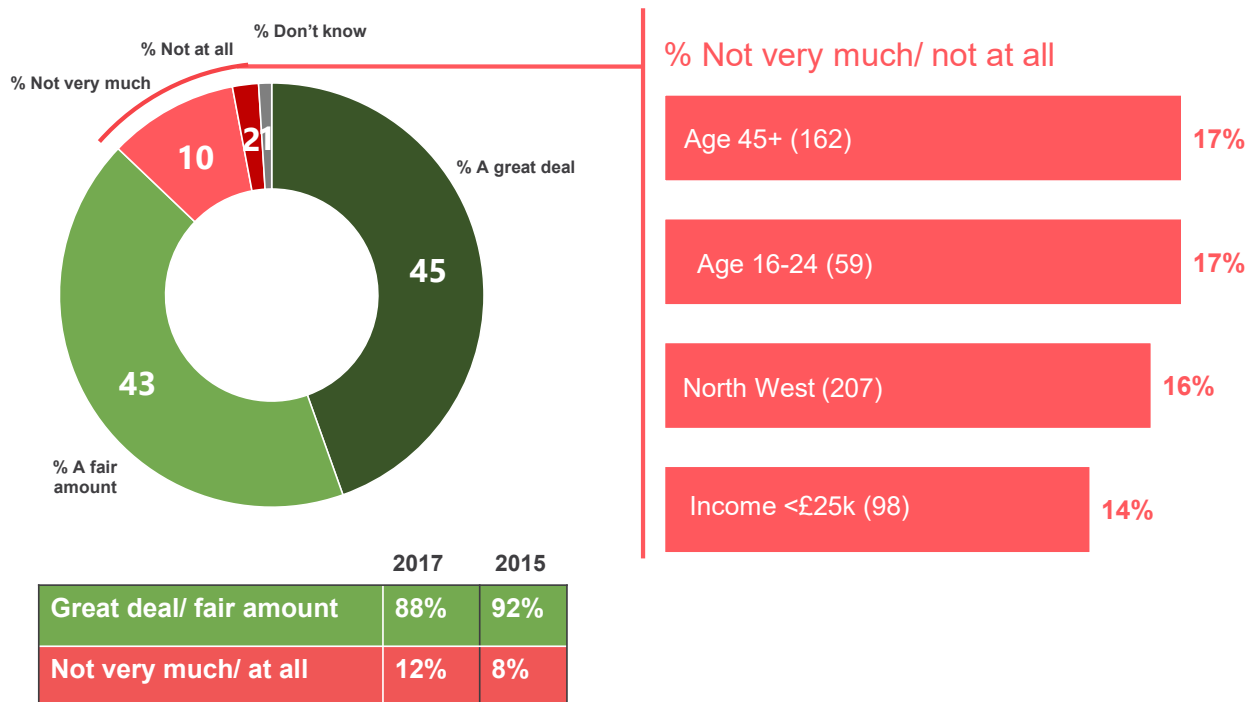
Furthermore, those who bought using Help to Buy in *London* were least confident in their current ability to repay the Equity Loan element (14% said they are not very or not at all confident).

<sup>36</sup> Analysis of the House Price Outlook as measured by the Housing Market Confidence Tracker conducted by Halifax/ Ipsos MORI, indicates a downward trend in confidence since May 2015 – falling from a high of +68% to +30% at October 2017.

As in the 2015 evaluation, participant buyers in 2017 were also asked to assess when they bought their property 'how much, if at all, do you think you understood the financial commitment the Equity Loan required of you?'. Results are summarised in the figure below.

**Figure 4.25: Understanding the financial commitment of Help to Buy at the time of purchase**

Q23. Thinking back to when you bought your property, how much, if at all, do you think you understood the financial commitment the Equity Loan required of you?



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2017 Base: 1,500, interviewed 2 – 20 August 2017  
2015 Base: 501 interviewed 11 May – 1 June 2015

Source: Ipsos MORI

While the overwhelming majority (88%) of buyers considered they had a great deal or fair amount of understanding about the financial commitment, comparison with 2015 evaluation results suggest that this sentiment has softened. The proportion of buyers who said they did not understand the financial commitment *very much* or *at all*, has risen significantly since 2015 – by four percentage points from 8% to 12%.

Among sub-groups of the buyer population it is older buyers (aged 45 and above) in particular who appear least likely to have understood the financial commitment although across the buyer population as a whole, the Help to Buy Equity Loan product appears strongly understood.

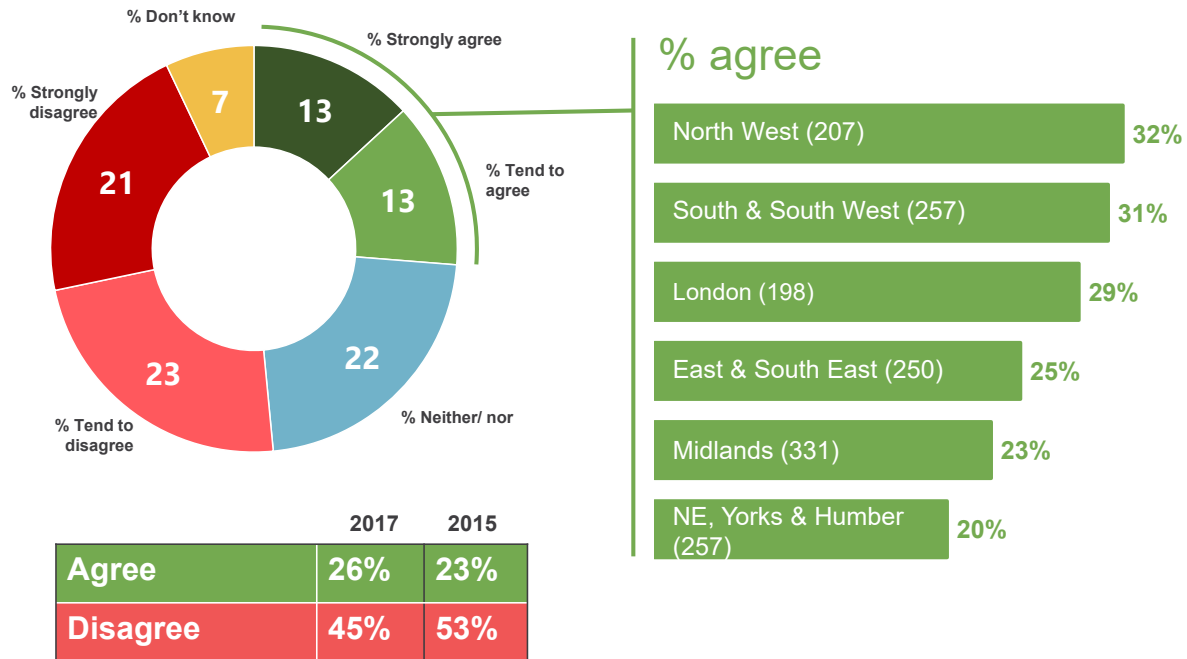
Despite a strong sense from buyers that the financial commitments around Help to Buy are well understood and confidence to make required payments is high, current results also suggest a weakening in sentiment in relation to who benefits most from the scheme. Replicating the same question asked in the 2015 evaluation, current participant buyers were asked to assess the extent of agreement with the statement 'Buying a property using

*this assistance has been more beneficial for the house builder than it has been for me.'*  
 Current results are summarised in the figure below.

**Figure 4.26: Perceived beneficiary of Help to Buy**

Q17h. To what extent do you agree or disagree.....

**Buying a property using this assistance has been more beneficial for the house builder than it has been for me**



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2017 Base: 1,500, interviewed 2 – 20 August 2017  
 2015 Base: 501 interviewed 11 May – 1 June 2015

Source: Ipsos MORI

Results indicate a weakening in sentiment in relation to who benefits most from the scheme. In 2015, more than half of buyers (53%) did not agree that the scheme was more beneficial for builders than it was for the buyer, a figure that has significantly dropped (by eight percentage points to 45%) in the 2017 evaluation.

Around a quarter of buyers agree the scheme has been more beneficial for builders and those buying in the *North West* are significantly more likely than the buyer population overall to agree this is the case. This sentiment is less commonly held in other low demand areas, notably *North East, Yorkshire & The Humber*, where just one in five buyers agree.

Among the higher demand areas of London, the South East and South West, perceptions that Help to Buy has benefitted builders more than buyers is no more prevalent than seen across the buyer population as a whole.

## 4.9 Conclusions

Survey data suggests that Help to Buy is predominantly being used by buyers who would typically be seen as more constrained within the homeownership market. They are largely younger and first-time buyers, the majority of whom have previously been living with

parents or renting. To a lesser degree, the scheme has also been used by more capable buyers including existing or previous owners and those with significant household income and deposit amounts.

The current survey evidence points to a strong role for the scheme in supporting access to the market with a majority of buyers saying that Help to Buy had enabled them to enter the property market at all.

Supporting 2015 evaluation findings, current survey results also show strong evidence that the scheme continues to help speed up access to the market. Nearly three in five using the scheme said they would have taken a year or more longer to have bought without assistance, and larger households in particular, together with more constrained buyers (including first-time buyers, the young and those on the lowest household incomes) are more likely than the buyer population overall to say it has enabled access to the market more quickly.

Quicker access to the market is against a backdrop of a continued increase in market prices as well as evidence from the current survey of a rise in the length of time buyers are taking to save for a deposit and use of higher deposit amounts (among both first-time and existing buyers) when buying. Here most buyers have bought using a minimum 5% deposit amount, and even among less constrained buyers, it appears that higher Equity Loan amounts are being used to offset lower deposit amounts.

A majority of buyers agreed the scheme enabled them to access the market at a higher level, particularly larger households, and seven in ten agreed the scheme had enabled them to buy a larger property. This is a significant rise since 2015 and suggests that not only is the scheme assisting access to the market, it is also being used by some to move up the property ladder more quickly. The exception to this is in London, where the capability to enable access at a higher level is much more constrained, while those buying in lower demand areas of the North were more likely to agree that the scheme had enabled access to the new build market. While many buyers felt the scheme had enabled access to the market at a higher level, a majority still felt able to move up the property ladder now, although those in larger households were much less likely to say this.

As in 2015, survey evidence also suggests that the financial commitments of Help to Buy are well understood, likely reflecting the prominent role of lenders and financial advisors mentioned in Chapter 3. Confidence in the ability to make mortgage and interest repayments is also strong, although this weakens for repayment of the Equity Loan component.

Of particular note from all of this buyer analysis is the difference in profile, characteristics and perceptions of those using the scheme in London versus elsewhere across the country, something we consider further in the additionality assessment that follows.

## 5. Assessing additionality of Help to Buy

### Summary of key findings

- Replicating the assessment used in 2015 suggests a small reduction in the central additionality estimate from 43% to **41%**. The majority of additional buyers are younger purchasers (56% under 35), live in smaller (1 or 2 person) households (55%) and have largely come from the rented (private and social) sector (56%).
- Inclusion of new questions in the 2017 evaluation enabled the additionality assessment to account for those who may have been able to have afforded a smaller property without assistance, something that was not possible in 2015.
- Demand-side additionality was updated to identify and exclude those who said they could have bought a suitable smaller property and who were not dependent on Help to Buy to access the property market at all. This results in a reduction in the central estimate from 41% to **37%**. It is this measure that we regard as the central estimate in the current evaluation.
- Nearly half (49%) of all updated demand additionality arises in the *Midlands* (27%) and the *South & South West* (22%). Relative to all buyers using Help to Buy, demand additionality is highest in more pressured areas of the *South & South West* (43%) and *London* (41%), and lower in the less pressured areas of the North, notably the *North West* where 30% are assessed to be additional.
- Additional buyers in *London* were more likely to be first-time buyers (98%) and single person households (32%). Three quarters (76%) of additional buyers in London bought smaller (1 and 2 bedroom) property and most (83%) of the properties bought using the scheme were flats.
- On average, additional buyers tended to use lower deposit amounts and higher Equity Loan amounts than the overall buyer population. Additional buyers are more likely than Help to Buy buyers overall to agree that the scheme enabled them to buy sooner (92% compared to 79%), although the impact on future additionality estimates of the scheme bringing forward demand is beyond the scope of this research as it depends on the future pipeline of sales.
- Developers suggest that there are two main sources of additionality: direct sales and the impact of more robust confidence among consumers, developers and others.
- Developers with a significant involvement in Help to Buy sales assess the net direct effect of Help to Buy as a maximum of 20%.
- Supply additionality (that is the likely net increase in output arising from Help to Buy sales) varies both with demand additionality and the proportion of private sales that are Help to Buy. Using the demand additionality estimates of 41% and 37% for the evaluation period and applying the Help to Buy proportion of new build transactions generates national supply additionality figures of between 16% and 14.5% respectively - both somewhat higher than in the 2015 evaluation because of the higher proportions of Help to Buy sales.



- Regionally, supply additionality varied from around 7% in *London* because of the low proportions of Help to Buy sales to a high of 18.9% and 16.3% respectively in the *Midlands*.
- Developers agreed that confidence in the new housing market as a whole has been stronger because of the Help to Buy scheme. As a result, they have responded by building more units. If this is taken into account, the net effect of Help to Buy on output would be considerably higher than these central estimates.

## 5.1 Introduction

A principal aim of the current evaluation is to re-visit demand and supply-side estimates of additionality as a result of the Help to Buy Equity Loan policy. For the purposes of the evaluation, the additionality of the scheme is defined as the number of new homes built as a direct result of the policy, over and above what would have been built in the absence of the policy. This chapter draws on demand and supply-side evidence presented in preceding chapters to, ultimately, derive a current estimate of the total additional contribution that the scheme has made to total new build output. Further, it looks to differentiate variability in additionality across different (high and low demand) regions as well as subsequent impacts on total new build output. It also provides further evidence around some of the buyer attributes that are driving demand-side additionality.

Since the time of the 2015 evaluation, Help to Buy has become an established part of the market and the current evaluation is now able to draw on a range of longer-term evidence to assess more robustly its impact on the market. That said, as in 2015, there remain some inherent challenges in evaluating the impact of the policy, particularly in establishing any meaningful counterfactual and disentangling the effects of the policy from other related policy initiatives.

The current additionality assessment also has to be considered in the wider economic context of a 'pre-Brexit' Britain and its impact on the housing market, including the housing market cycle. For example, the uncertainty over the status of current EU citizens, and the pre-emptive loss of many back to Europe following the referendum result, will have important implications for the current and future supply capacity of the British house building industry who have considerable reliance on a skilled European workforce.

The principal focus of demand-side additionality is to estimate the proportion of purchases using the scheme that, otherwise, would not have taken place and thus is primarily based around financial constraint. While interviewed developers and lenders all recognise this as the primary driver, it is unlikely to account for all additional purchases – for example some buyers may have had the financial capability to purchase a new home but otherwise would not have entered the market due to perceptions of other risk factors like job instability, indebtedness or changes in family circumstances.

Second-round effects (that is positive and negative consequences arising from the initial consequences of the intervention, and in particular increased confidence amongst consumers, developers and lenders alike), are also likely to be a factor as rising confidence translates into more demand and greater supply (although some of this

increased demand may come at the expense of demand for property in the existing market). The primary focus here is on assessing additionality driven by financial constraint drawing on both subjective responses from the buyer survey together with transactional data derived from analysis of existing data sources. The current evaluation also takes the opportunity to make further refinements to the approach since 2015 to enable fuller consideration of some of these issues.

## 5.2 Assessing demand-side additionality

The 2015 evaluation developed a central estimate of demand-side additionality. The model identified that 65% of buyers who bought with the assistance of the scheme said '*they would not have been able to buy a property they wanted anyway without assistance*', in essence demand-additionality in its broadest sense. Taking more specific account of buyers' capability to buy new<sup>37</sup> as well as allowance for some purchases of a new home that may have come at the expense of demand for property within the existing market<sup>38</sup>, resulted in an estimated 43% of buyers using Help to Buy identified to be additional.

Replicating this model using the 2017 sample of 1,500 buyers who have purchased within the last two years indicates that **41%** of buyers are assessed to be additional. These are buyers who stated they would not have been able to buy all three of the following without the assistance of the Help to Buy Equity Loan scheme:

- ..a property they wanted anyway (Q17a); **AND**
- ..the same property (which they purchased) (Q18a); **AND**
- ..a similar property in the existing (second-hand) market (Q18b).

The model indicates a small, but not statistically significant, reduction in the central additionality estimate from 43% to 41%, with the components contributing to this summarised in the figure below.

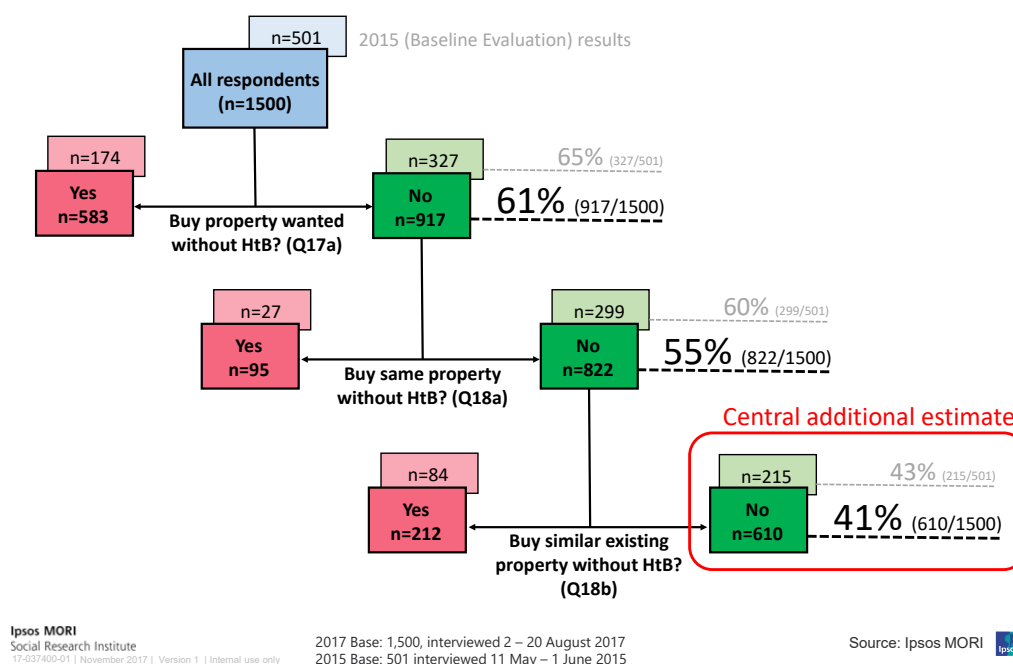
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<sup>37</sup> Based on responses to the question '*Do you think you would have been able to buy this same property without the assistance of the Help to Buy Equity Loan scheme or not?*'

<sup>38</sup> Based on responses to the question '*Do you think you would have been able to buy a similar property that was NOT new build without this assistance. By similar I mean in terms of type, size and location*'

**Figure 5.1: Summary of central demand-side additionality assessment**

*Attributes of the central demand-side additionality assessment (2015 and 2017)*



Around three in five (61%) of all buyers said they would not have been able to buy the property they wanted anyway without the assistance of Help to Buy, a slight but not significant reduction since the 2015 evaluation (where 65% of buyers said this). Of the buyers who were unable to buy the property they wanted, 90% said they would be unable to buy the same property they bought without assistance (equivalent to just over half (55%) of all buyers, and lower than the proportion identified in 2015 (60%)). Of these, nearly three quarters also said they would not have been able to buy a similar property in the existing (second-hand) market without the assistance of Help to Buy (equivalent to 41% of all buyers surveyed).

Although indicative, a reduction in the proportion of buyers who are additional since 2015 (from 43% to 41%) may be unsurprising as the scheme has become more prominent within the market and potentially attracting more capable buyers to the scheme.

Further analysis of the buyers identified to be additional (see Table 3.2 in Annex 3 for further details) indicate that a majority (56%) are under the age of 35, live in smaller, one or two person, households (55%) and were previously renting accommodation (either private or social renting).

### 5.2.1 Updating central demand-side additionality estimates

While the 2015 evaluation identified a significant proportion (61%) of buyers who indicated the scheme had enabled them to buy a larger property than otherwise would have been possible, it was not possible to distinguish whether or not they could have actually afforded a smaller property without assistance. The central estimate did, therefore, assume that additional buyers, whether they bought a larger property or not, were still contributing to additional demand, just for a larger property unit than otherwise would have been possible.

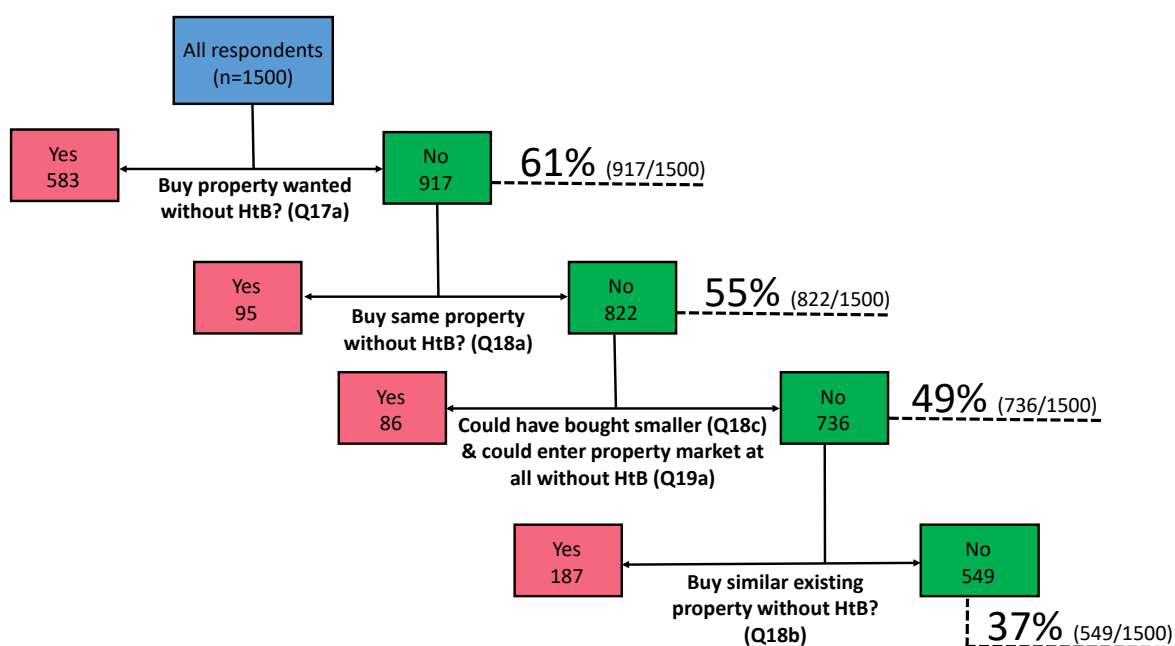
The 2017 evaluation provided the opportunity to include a number of further subjective questions both about the capability to buy smaller property suitable for their needs (Q18c), as well as the capability of the scheme to enable access to the property market at all (Q19a).

To update the demand-side additionality estimate, those buyers who said they could have bought a suitable smaller property and who were not dependent on the scheme to access the property market at all have been identified and excluded from the additionality estimate. The effect of this is to reduce the demand-side additionality estimate from **41%** to **37%** of all buyers surveyed.

Results of this analysis are summarised in the figure below. We use this estimate to assess the variability in central demand-side additionality across regions and by buyer characteristics, before comparing with supply-side additionality estimates to inform estimates of the impact on total new build output.

**Figure 5.2: Summary of revised central demand-side additionality assessment (2017)**

*Revised demand-side additionality assessment allowing for size of property purchased (2017)*



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Source: Ipsos MORI

## 5.2.2 Variation in central demand-side additionality by region

The profile of additional buyers across different regions is shown in Table 5.1 and indicates that central demand-side additionality is proportionally higher in more pressured housing market areas, notably the *South & South West* and *London*, and lower in the less pressured market areas of the North (and notably the *North West*). Of all buyers using Help to Buy to purchase in the *South & South West* and *London*, 43% and 41%

respectively were assessed to be additional in contrast to 30% of all buyers in the *North West*.

The distribution of additional purchases across these regions reflects the overall profile of all buyers using Help to Buy, with the highest proportion of additional purchases in the *Midlands* (27%) and the lowest proportion in *London* (7%).

**Table 5.1: Profile of additional buyers using Help to Buy Equity Loan by region**

	% of region that are additional (549)	% of all additional (549)	% All buyers in region (1,500)
<b>Additional</b>	<b>37%</b>	<b>100%</b>	<b>-</b>
<b>Region</b>			
South & South West	43	22	19
London	41	7	7
Midlands	37	27	26
East & South East	34	17	18
North East, Yorkshire & The Humber	34	16	17
North West	30	11	13

Source: Ipsos MORI, Buyer survey 2nd – 20th August 2017 Base sizes in brackets

Variability in central demand-side additionality across the different regions will reflect the nature and characteristics of buyers using the scheme as well as the wider market context. Evidence presented in Chapter 4 highlights that buyers using the scheme in London are predominantly first-time buyers who, although demonstrating some of the highest household incomes levels are also, on average, buying the most expensive property.

Market affordability also appears to be a significant issue for those using Help to Buy in the *South & South West* where the average property price to income ratio is, at 5.2 (average purchase price of £271,576 and average income of £51,901), the highest of any region and contrasting to a differential of 4.2 in the *North East, Yorkshire & The Humber* (average purchase price of £173,311 and average of income of £41,643).

The buyer characteristics of those assessed to be additional is considered further below.

### **5.2.3 Variation in central demand-side additionality by buyer characteristics**

Table 5.2 summarises key characteristics of those identified to be additional buyers and compares their profile to that of the overall buyer population using Help to Buy.

**Table 5.2: Profile of additional buyers using Help to Buy Equity Loan by other characteristics**

	<b>% of sub-group that are additional (549)</b>	<b>% of all additional (549)</b>	<b>% All buyers in sub-group (1,500)</b>
<b>Additional</b>	<b>37%</b>	<b>100%</b>	<b>-</b>
<b>Buyer status</b>			
First-time buyers	38	83	81
Non first-time buyers	33	17	19
<b>Age</b>			
16-24	30	4	4
25-34	36	52	53
35-44	36	31	32
45+	42	13	11
<b>Household size</b>			
1 person	40	19	17
2 people	37	38	37
3 people	34	20	22
4+ people	36	23	23
<b>Ethnicity</b>			
White	39	83	79
Asian	28	10	13
Black	29	4	5
Other inc mixed	35	3	3
<b>Financial</b>			
<b>Mean income (Gross hh £)</b>	50,300	-	50,400
<b>Mean purchase price (£)</b>	241,200	-	241,100
<b>Mean deposit amount (£)</b>	20,560	-	22,370
<b>Mean Equity Loan amount (£)</b>	48,190	-	47,860
<b>Previous tenure</b>			
Living with parents	34	26	27
Rented (Private & Social)	40	59	54
Owned (with/ without mortgage)	30	12	14
Other	33	4	4
<b>Property type purchased</b>			
Flat	39	16	15
House – detached	35	30	31
House – semi-detached	37	31	31
House – terrace	37	23	23
<b>Property size (number of bedrooms) purchased</b>			
1-2 bedrooms	39	27	25
3 bedrooms	37	46	46
4+ bedrooms	34	27	29

Source: Ipsos MORI, Buyer survey 2nd – 20th August 2017 Base sizes in brackets NOTE: Financial figures relating to income, purchase price, deposit and Equity Loan amounts have been rounded

When compared to the overall buyer population using Help to Buy, it is first-time buyers, older buyers, those living in smaller households and those coming from the rented sectors and moving into flats who are more likely to be additional. Although older buyers represent a relatively small proportion of all scheme users (11%), more than two in five (42%) aged 45 or above are assessed to be additional, while 40% of those previously living in rented accommodation are additional. This suggests that, to some degree, the scheme has assisted those who conventionally had a more limited capability to access the homeownership market (particularly renters who may have struggled to raise a sufficient deposit).

Furthermore, although average income levels and the average purchase prices of additional buyers differs little to the overall buyer population, those identified to be additional have, on average, used lower deposit amounts and higher Equity Loan amounts to enter the market. Relative to the overall Help to buy population, those identified to be additional are also more likely to be first-time buyers (83% compared to 81% overall).

Those assessed to be additional are also more likely than the buyer population overall to have taken longer to buy a property without assistance. Eight in ten (80%) of those assessed to be additional said it would have taken them a year or more to have bought a property without assistance, compared to 59% of all buyers using the scheme. Nearly two in five (39%) of additional buyers said it would have taken three or more years to have accessed the market without assistance, compared to just under a quarter (24%) of all buyers.

While this evidence suggests that additional buyers have been enabled to access the market sooner than otherwise would have been possible, they also demonstrate very similar future moving intentions to the buyer population overall. An estimated 42% of additional buyers say they intend to move to a different property in the next five years, compared to 41% of all buyers. This suggests that those using the scheme do not appear to be anymore hampered in their capability to move through the market than the buyer population overall.

A more detailed breakdown of the profile of additional buyers by region is presented in Table 5.3 below.

**Table 5.3: Profile of additional buyers using Help to Buy Equity Loan by region**

	% of all additional (549)	% East & South East (91)	% London (41)	% Midlands (147)	% NE, Y&H (88)	% North West (60)	% South & South West (122)
<b>First-time buyer status</b>							
First-time buyers	83	79	98	82	83	86	80
Non first-time buyers	17	21	2	18	17	14	20
<b>Age</b>							
16-24	4	3	0	7	2	7	0
25-34	52	47	59	48	61	55	52
35-44	31	36	34	34	18	30	34
45+	13	14	7	12	18	8	14
<b>Household size</b>							
1 person	19	16	32	14	21	28	16
2 people	38	29	37	40	41	35	41
3 people	20	23	19	17	23	15	24
4+ people	23	32	12	29	15	22	19
<b>Ethnicity</b>							
White	83	84	50	78	97	82	89
Asian	10	8	38	12	2	7	8
Black	4	4	7	6	0	7	2
Other inc mixed	3	3	5	3	1	5	1
<b>Financial</b>							
Mean income (Gross hh £)	50,300	56,650	74,550	47,880	42,140	40,050	51,180
Mean purchase price (£)	241,200	289,930	368,610	215,140	179,340	186,160	264,520
Mean deposit amount (£)	20,560	27,630	34,010	14,700	12,690	15,660	25,810
Mean Equity Loan amount (£)	48,190	57,990	74,160	42,820	35,870	37,230	52,760
<b>Previous tenure</b>							
Living with parents	26	30	12	24	35	37	17
Rented	59	54	81	59	52	52	62
Owned	12	12	2	13	9	10	16
Other	4	3	5	5	3	2	5
<b>Property type purchased</b>							
Flat	16	23	83	9	0	2	16
Detached house	30	23	2	34	39	39	29
Semi-detached	31	32	12	35	32	36	27
Terrace	23	22	2	23	29	24	29
<b>Size (Number of bedrooms) purchased</b>							
1-2 bedrooms	27	35	76	19	18	13	25
3 bedrooms	46	37	24	46	52	62	48
4+ bedrooms	27	28	0	35	30	25	26

Source: Ipsos MORI, Buyer survey 2nd – 20th August 2017 Base sizes in brackets NOTE: Financial figures relating to income, purchase price, deposit and Equity Loan amounts have been rounded



Given the small base sizes for this analysis, data can only be treated as indicative, but highlights the notable difference in profile of additional buyers in *London* compared to the lower demand regions of the North. Additional buyers in London are more likely to be first-time buyers (98%), single person households (32%) and come from the rented sectors (81%). They generally have higher incomes (average of c£74,500) and they use the highest average deposit and Equity Loan amounts to purchase the most expensive property (c£368,500). Three-quarters of the additional buyers in London are buying smaller (one and two bedroom) property and most (83%) of the properties bought using the scheme are flats.

#### **5.2.4 Bringing forward demand**

The central estimate of demand-side additionality identified 37% of Help to Buy purchasers who, at the time of their purchase, would not have been able to buy a new build property without this assistance. The vast majority of these additional buyers (92%) agreed that Help to Buy enabled them to buy a property sooner than would have been possible in the absence of the scheme, suggesting a significant proportion of the additional demand has been brought-forward.

The extent to which this brought-forward demand will impact on future additionality estimates will depend on the extent to which we can expect a pipeline of similar buyers into future years. This in turn will be influenced by both household (including income and savings levels for example) and market (including house prices and interest rates for example) factors. The similarity in demand-side additionality estimates between the 2015 and 2017 evaluations and the rising numbers of purchasers suggests the pipeline of future buyers is likely, at least, to be maintained in future years and possibly to increase if the trend of stagnating incomes and rising property prices (as well as, potentially, interest rates rises) continue. Further consideration of the dynamics of these factors in relation to additionality is beyond the scope of this research.

### **5.3 Assessing supply-side additionality and its impact on new build output**

There are two ways of estimating additionality in terms of new build output (supply-side additionality). The first is to analyse how developers have responded to the opportunities presented by Help to Buy; the second is to ask purchasers. The first is qualitative and must be treated with care as inherently suppliers can be expected to be positive about the scheme. The second can be used to provide a statistical analysis based on the demand-side estimates that use the large survey of Help to Buy purchasers (set out in Chapter 5.2) together with assumptions about supplier responses based on our evaluation of developer behaviour.

Chapter 3.2 explains how developers have viewed their own experience of Help to Buy. They have clearly given considerable thought to what might have happened without the introduction of Help to Buy.

All developer interviewees agreed that not all their sales were additional as many purchasers would have been able to buy another dwelling without assistance. Most

suggested that the major constraint that Help to Buy had helped overcome was the deposit constraint. Based on their understanding of their own sales, they suggested that it was a minority, but a large minority often close to 50%, who would not have been able to buy the home they were buying without Help to Buy (see Chapter 3.2.3).

On average the assessment from those who sold a relatively high proportion of their overall units under the scheme was that up to 20% of their private sales would not have happened without Help to Buy. However, they also noted that Help to Buy, both because of its direct effect on the market, but also because of the fact it was government sponsored, had had a very significant and positive effect on confidence and, therefore, on the scale of the market overall and their own preparedness and capacity to respond. Together this had meant that overall sales had expanded considerably further than implied by their direct Help to Buy additionality estimates.

Developer estimates are not directly comparable to those based on demand side statistics. They reflect mainly their understanding of the decisions of their own customers to purchase a new unit from that specific developer but also on their more general assessment of the strength of demand. The responses are, therefore, the developers' own perceptions based on evidence from their understanding of their customers and their own market.

The developers were aware of the difficulty of interpreting their figures, noting that among those who used Help to Buy but could have purchased without, some might well still have purchased a new build property.

### **5.3.1 Making our own estimates of supply additionality**

We define supply additionality as the increase in output arising directly from the Help to Buy Equity Loan scheme. To measure this we need to know both the proportion of all new build transactions which has been sold under the Help to Buy scheme and the proportion of these sales estimated as additional based on the central demand-side estimates set out in Chapter 5.2. We also need to make an additional assumption about how sales feed into starts and thus future output levels.

Table 5.4 shows the proportion of overall new build transactions that have sold under Help to Buy over the seven quarters included in this evaluation<sup>39</sup>. The average for this seven quarter period is somewhat over 39% but with very large variations quarter by quarter and month by month - in part because of the developers' incentives to complete around reporting dates. This average is considerably higher than the proportion of 33% that applied in 2015 - or indeed the average over the whole period from January 2014 (leaving out 2013 as the programme was only just getting underway) to March 2017, which is 36% (see Table 2.2 for more detail). This and other qualitative evidence from interviewed developers suggests that, there is a continuing upward trend in proportions purchased under the Help to Buy scheme.

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<sup>39</sup> Help to Buy transactions are counted at the point that the equity mortgage is signed. They are most readily comparable to new build and total housing market activity (as set out in Chapter 2). Completions over the same seven quarter period were higher than private new build transactions at over 200,000.

**Table 5.4: Seven quarter aggregated transactions (Q3 2015 to Q1 2017)**

Help to Buy transactions (H)	All transactions (S)	H/S (%)	New build transactions (NB)	H/NB (%)
64,174	1,532,264	4.2	163,319	39.3

Source: (H) Authors' analysis drawing on Ipsos MORI (2017) Help to Buy Apr13-Mar17 (on behalf of MHCLG). (S & NB) Office for National Statistics, Land Registry. House Price Statistics for Small Areas (unpublished) June 2017. ONS, House Price Statistics for Small Areas (HPSSAs) September 2017.

As noted in Chapter 5.2, the buyer survey suggests that, using the definition employed in the 2015 evaluation, the best estimate of demand-side additionality for the period from Q3 2015 to Q1, 2017 is **41%**.

However, in the current evaluation we included additional questions, which allow us to estimate demand additionality based on a narrower definition that removes those who stated they could have bought a smaller property (and so were implicitly not dependent on Help to Buy to access the market at all). This refinement gives a demand-side additionality estimate of **37%**. This is the central estimate of demand additionality in this second evaluation.

As clarified in Chapter 3 the developers' usual business model is based on sales leading to additional output, so that when sales increase they seek to speed up delivery on sites already in the pipeline and to add sites to enable output levels to be maintained in line with increased demand. They were also clear that the Help to Buy scheme was now mature, so they treat such sales as a consumer led part of the overall market.

On this basis Help to Buy Equity Loan sales and market sales on average impact on decisions in the same way and suggest that additional sales whether market or Help to Buy will consistently lead to the same numbers of additional starts and thus future output. This process works by the site manager noting additional sales and increasing build out rates on the site to reflect the higher demand; opening new sites earlier as current ones near completion more quickly; and buying land to enable the now higher pipeline to be maintained. This ratio takes account of actual sales which depend on many factors, including confidence, but no separate account of the wider impact of confidence generated by the Help to Buy programme, which developers suggest has been a significant positive effect on the growth in overall sales (see Chapter 5.4 below).

We thus use the figures of **41%** (as the direct comparison with the 2015 evaluation) and **37%** (as the best estimate given the information in the 2017 survey) as the central estimates of demand-side additionality. We then apply the demand-side figures to the average **39.3%** proportion of private new build transactions that have been made using the Help to Buy Equity Loan scheme during the seven quarter period. This gives us estimates of the proportion of total private new build transactions that can be defined as additional at the national level.

Using the 41% figure of demand additionality we estimate the direct impact on supply as equivalent to contributing **16%** to new build output ( $0.41 \times 39.3\% = 16\%$ ) over the period from July 2015 - March 2017. This compares to the 2015 estimate of **14%**. Thus on this basis supply additionality is higher even though demand additionality has fallen slightly. The increase is accounted for by the increasing proportion of Help to Buy sales over time offsetting the somewhat lower demand additionality figure.

If instead we use the demand additionality figure of **37%** that excludes those who could have bought a smaller property, the proportion of total private new build transactions which is additional as a direct result of the Help to Buy scheme is **14.5%** ( $0.37 \times 39.3\%$ ).

We can compare this to the qualitative estimates from most major developers of between 40% and 50% of their Help to Buy sales being additional (see Chapter 3.2.3) which produces a higher range from **15.7%** ( $0.40 \times 39.3\%$ ) to **19.7%** ( $0.50 \times 39.3\%$ ) of sales that they saw as additional. While in the same ballpark, we feel that this is likely to be an overestimate as they are looking only at their own sales and have no direct experience of whether consumers might have bought elsewhere.

### 5.3.2 Supply-side additionality at regional level

Again we measure supply-side additionality using the regional demand-side estimates and the proportions of private new build transactions which have been sold under the Help to Buy scheme.

The buyer survey shows considerable variation in demand-side additionality across regions (based on Homes England Operating Areas). Table 5.5 sets out the regional estimates that lie behind the two national estimates of 37% and 41% and shows quite considerable differences in demand additionality under this measure as compared to the original (41%) estimate.

Demand-side additionality is lowest in the Northern regions where house prices are generally lower and affordable opportunities in the market therefore greater; slightly above average additionality in the Midlands and the highest rates in the South & South West. Average demand-side additionality in London is, perhaps surprisingly, similar to the Midlands on the higher average estimate although lower on the tighter definition, and lower in both cases than in the South.

**Table 5.5: Central measures of demand-side additionality by region**

Region	Average demand additionality (37%)	Average demand additionality (41%)
South & South West	43	48
London	41	43
Midlands	37	43
East & South East	34	38
North East, Yorkshire & The Humber	34	36
North West	30	35

Source: Ipsos MORI, Buyer survey 2<sup>nd</sup> – 20<sup>th</sup> August 2017

Table 5.6 shows how the proportion of Help to Buy sales varies across regions. The highest proportions are indeed in the lower priced North but the proportion is also relatively high in the Midlands. The regions in the South East and South West have very similar proportions of Help to Buy transactions but quite different demand additionality. London is the outlier with low proportions of Help to Buy sales and above average - but not the highest - demand additionality.

**Table 5.6: Help to Buy transactions as a proportion of new build transactions by region**

Region	Help to Buy transactions (H) as proportion of new build transactions (NB)
North West	48%
North East, Yorkshire & The Humber	46%
Midlands	44%
East & South East	38%
South & South West	37%
London	16%

Source: (H) Authors' analysis drawing on Ipsos MORI (2017) Help to Buy Apr13-Mar17 (on behalf of MHCLG). (NB) Office for National Statistics, Land Registry.

Bringing this evidence together, Tables 5.7 and 5.8 show the impact of these two distinct elements on regional supply additionality. On the higher demand additionality figure of 41%, and taking account of the proportion of transactions that were Help to Buy, London and the East & South East are the only regions that are below the national average supply additionality estimate of 16%.

In London this mainly reflects the very low proportion of Help to Buy sales but in the East & South East the reasons relate also to the relatively low demand additionality as well as possibly the narrower range of properties available as compared to the rest of the country outside London. Elsewhere the Midlands in particular has higher supply additionality in part because of higher demand additionality but also because of relatively high proportions of Help to Buy sales. The South and South West has the second highest supply additionality but mainly because of relatively high Help to Buy sales. The Northern regions, on the other hand, are only slightly above the national average despite the highest Help to Buy transactions rates because of their relatively low demand additionality.

**Table 5.7: Supply additionality by region (2015 equivalent central estimate definition)**

Region	(a) Demand additionality	(b) Proportion of new build transactions that are Help to Buy	(c) Supply additionality ((a) x (b))
<b>England</b>	<b>41%</b>	<b>39%</b>	<b>16.0%</b>
Midlands	43%	44%	18.9%
South & South West	48%	37%	17.8%
North West	35%	48%	16.8%
North East, Yorkshire & The Humber	36%	46%	16.6%
East & South East	38%	38%	14.4%
London	43%	16%	6.9%

Source: Ipsos MORI, Buyer survey 2<sup>nd</sup> – 20<sup>th</sup> August 2017, Authors' analysis drawing on Ipsos MORI (2017) Help to Buy Apr13-Mar17 (on behalf of MHCLG), Office for National Statistics, Land Registry.

Table 5.8 sets out the estimates of supply additionality based on the lower central demand-side additionality estimate of 37% which takes account of the possibility of buying a smaller home. All are, as expected, lower - but the extent of that difference is least in London (where financial constraints are highest) but also in the North East, which is at the other end of the scale in terms of market pressure but has the lowest incomes and thus faces strong affordability constraints in the open market.

The proportions of Help to Buy transactions by region (Table 5.6 above) are then applied to the demand additionality figures to give the regional estimates of supply additionality, remembering that the national figure is 14.5% (Table 5.8).

The regions with the highest supply additionality in terms of private sector transactions are the Midlands and the South/South West, followed by the North East. Again London, and to a lesser degree, the East and South East are below the national average.

**Table 5.8: Supply additionality by region (2017 central estimate definition)**

Region	(a) Demand additionality	(b) Proportion of new build transactions that are Help to Buy	(c) Supply additionality ((a) x (b))
<b>England</b>	<b>37%</b>	<b>39%</b>	<b>14.5%</b>
Midlands	37%	44%	16.3%
South & South West	43%	37%	15.9%
North East, Yorkshire & The Humber	34%	46%	15.6%
North West	30%	48%	14.4%
East & South East	34%	38%	12.9%
London	41%	16%	6.6%

Source: Ipsos MORI, Buyer survey 2<sup>nd</sup> – 20<sup>th</sup> August 2017, Authors' analysis drawing on Ipsos MORI (2017) Help to Buy Apr13-Mar17 (on behalf of MHCLG), Office for National Statistics, Land Registry.

## 5.4 The impact of developer confidence on decisions

The estimates above are based on the assumption that supply responds proportionately to additional demand.

However, at the time of the 2015 evaluation developers stated that they were more confident about the future than they had been in 2013 and that this was partly the result of overall new housing market conditions and partly the impact of Help to Buy on sales. In particular, some felt that their customers regarded government involvement in Help to Buy as providing an endorsement, not just of the scheme, but also of the benefits of homeownership more generally and the need for a stronger market. This had helped bring more purchasers into the market as a whole.

If developer confidence in the future leads to decisions to expand supply to meet this expected demand, one would expect to see starts remaining above completions. In the 2015 evaluation we noted that starts were rising very much faster than completions in the

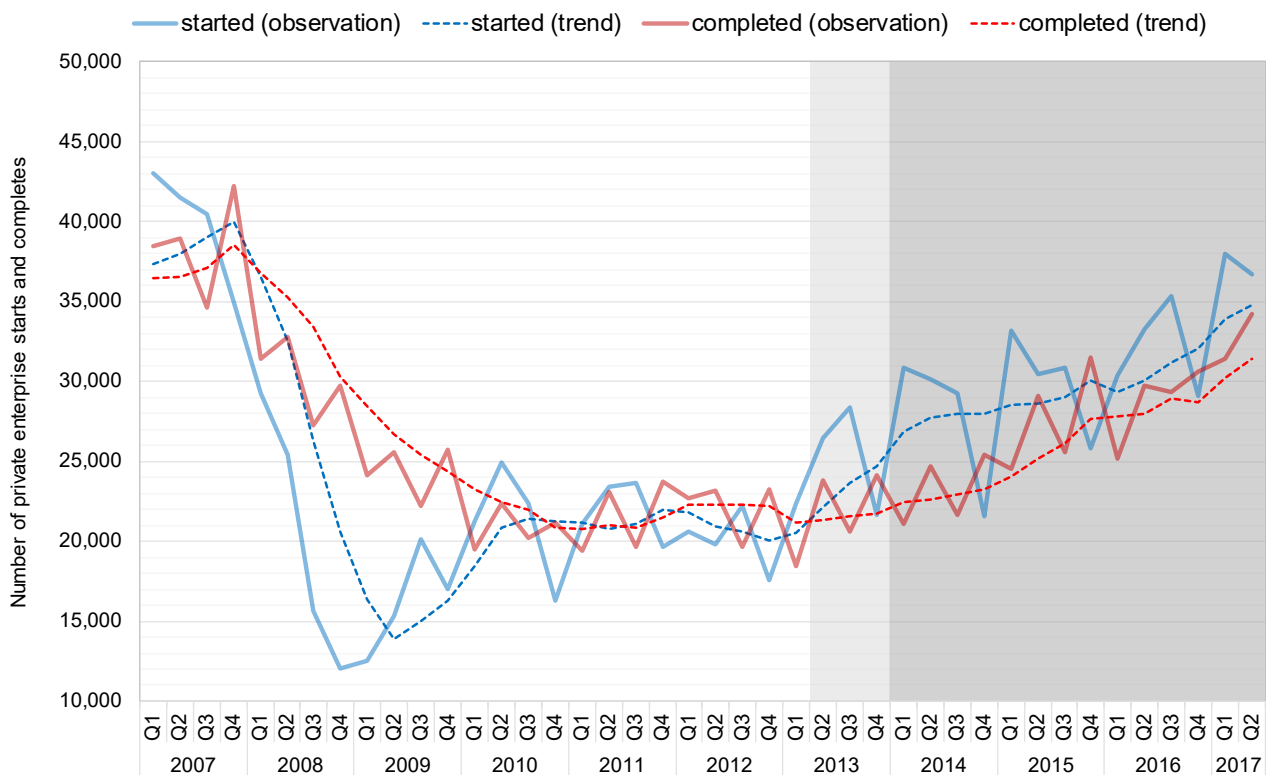
early stages of the Help to Buy scheme reflecting increasing demand although, from late 2014, the difference between the two was beginning to narrow.

Figure 5.3 (which repeats Figure 2.2 from Chapter 2 for ease of reference) shows clearly first that the trend in starts through to mid-2017 has been consistently above that for completions starting from the second quarter of 2013 - something that had not been observed since before the financial crisis. This suggests continued developer confidence during the current evaluation period. Moreover, the announcement of £10bn additional funding in October 2017 can be expected to have increased that confidence although there is no way of formally substantiating the scale of this effect.

On the basis of the stylised model set out in Chapter 3, increased confidence suggests a dynamic by which sales could be expected to lead to a more than proportionate increase in starts which is exactly what Figure 5.3 shows.

The figure also shows that the gap between starts and completions continued to narrow after the first evaluation until 2016, suggesting that developers had become more conservative about future growth. However, thereafter, the gap has somewhat widened. This period coincides with increases in the proportion of sales that were Help to Buy. This could be an indication that overall market confidence is somewhat less (perhaps reflecting Brexit and falling real incomes) and Help to Buy is helping to maintain the market - although this may be over-interpreting small and sometimes volatile changes (especially as starts data tend to be revised more than completions).

**Figure 5.3: Private enterprise starts and completions, England**



Source: MHCLG Live Table 213: permanent dwellings started and completed, by tenure, England (quarterly) (accessed in November 2017). Note: Trends are 4-Q moving averages.

Given the continuing pattern of starts ahead of completions it is reasonable to draw similar conclusions about the current evaluation period to those in the 2015 evaluation: developers have been prepared to increase or maintain starts at a higher level than completions and that this suggests that confidence had helped add more than proportionately to investment rather than the constant replacement assumption implicit in the calculations of supply additionality estimates set out above. Nevertheless, as it is not possible to separate confidence arising from Help to Buy as compared to the total market it is best to maintain the conservative assumption of an additional sale resulting in an additional start. We therefore see our estimates of supply additionality as the minima for the evaluation period. We also note, however, that confidence may have been more dependent on Help to Buy during this second evaluation period than during the period up to mid-2015 which was one of relatively strong market confidence (as reflected especially in Figure 2.15).

It should, however, be noted that in some circumstances changes in overall confidence could outweigh the positive impact of Help to Buy resulting in starts falling behind completions. In particular, if the macro economy worsened and there were increased concerns about incomes and employment, and in which case house prices, confidence could decline to a point where overall output starts to fall. Equally, changes in other policies could negatively impact on confidence. Thus while Help to Buy sales can, under almost all circumstances, be expected to have a positive impact on confidence, it is not a panacea which can offset all potential negativities – including, for example, a poor Brexit outcome.

## 5.5 Additional complexities

In interpreting these findings there are some additional complexities that should be taken into account.

First the government's announcement of additional funding in October 2017<sup>40</sup> clearly assuaged developer concerns and can be expected to increase development during the remaining period of the scheme. However, most interviews were carried out before that announcement, at a time when there was concern that money might be running out, and some developers were beginning to take this into account. The balance of responses was that developers were becoming more cautious both because of the fear of funds running out but also more generally because of concerns around the economy and Brexit.

Secondly, developers were concerned about the medium term future were Help to Buy to be withdrawn or heavily modified as they thought this would have a negative impact on consumer attitudes to market sales as well as removing Help to Buy sales. So even if they measured the direct impact on output as 'up to 50% of Help to Buy sales' they feared that a downturn could be greater than implied by the supply additionality figures presented in Tables 5.7 and 5.8 above were there to be a cliff-edge withdrawal.

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<sup>40</sup> See for example <https://www.gov.uk/government/news/10-billion-new-funding-for-help-to-buy-equity-loan>



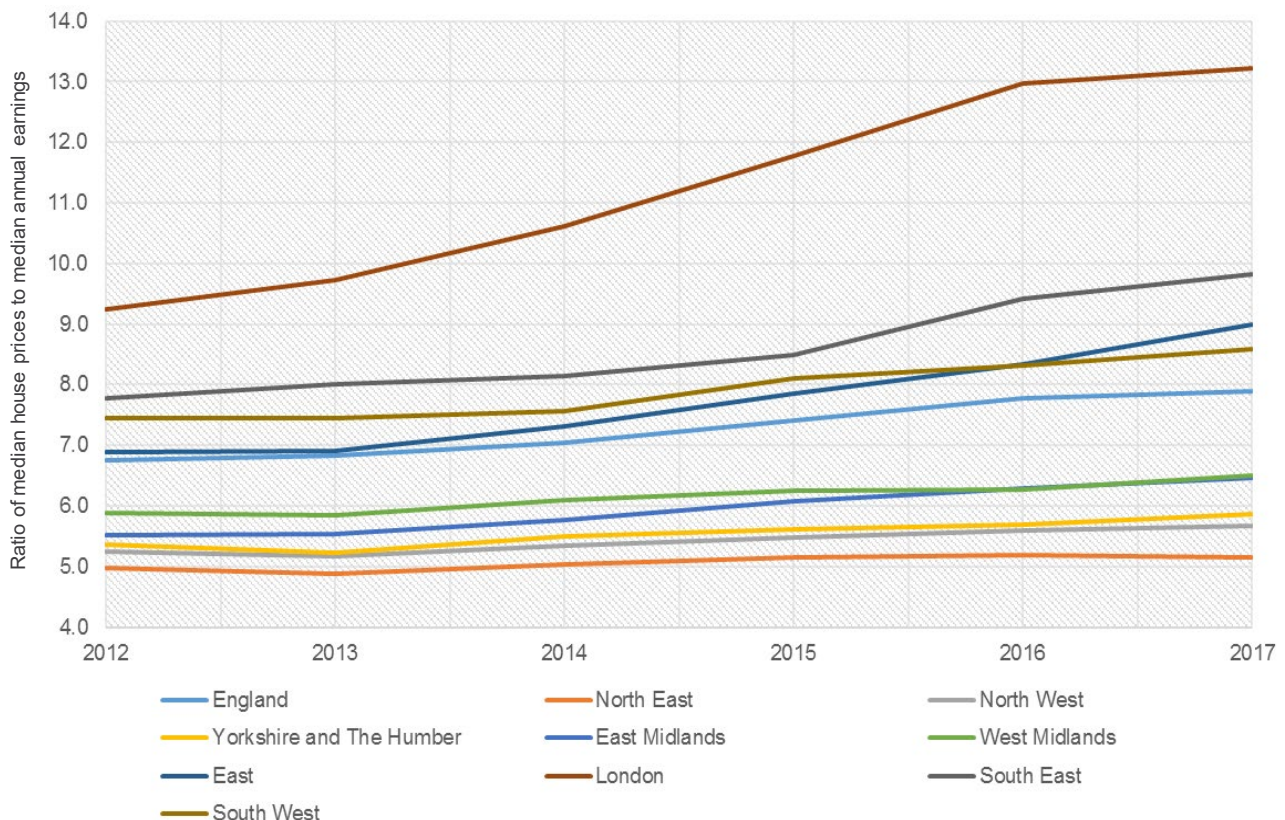
Thirdly, there is the issue of whether Help to Buy generates offsetting costs - in particular whether it increases house prices. This has been discussed in detail in Chapters 2 and 3. Help to Buy is consistently a small part of the overall market as are, to a lesser extent, new build units in total, so any impact is accepted to be small. While the price of newly built units is mainly determined by the existing market, a new build premium re-emerged at the national level from early 2013 and has continued to increase (see Chapter 2, Figure 2.5). Help to Buy prices, while almost without exception running below average new build prices by region and house type, have followed the same new build price trend (See Figures A2.14 – 2.22 in Annex 2).

What is also important to note is that there has been a new build premium with new build prices above overall transactions prices in the North and the Midlands since well before the start of the programme; that they also went above in 2012 in the South outside London; but only went above in London in late 2014. The existence of the premium therefore often pre-dates the Help to Buy scheme.

Major reasons for the premium are around the location, type and quality of new build housing, notably with respect to apartments and terraced houses. However, it is also the case that, to the extent Help to Buy has added to net demand and if supply cannot immediately adjust there will have been upward pressure on prices. This has perhaps been exacerbated by the removal of the Help to Buy mortgage guarantee scheme which helped those buying existing units until the end of 2016, as now only new build units receive direct government assistance.

Another issue relates to whether Help to Buy is operating more effectively in areas where there are the worst affordability issues or which appears sometimes to be the case, better in areas where affordability is relatively easier. Figure 5.4, which compares median price earning ratios across regions, together with sales evidence provides some indication that it is generally areas with lower price earnings ratios that have higher Help to Buy sales. The most obvious explanation, to some extent reflected in the rise in sales in London when the Equity Loan was raised to 40%, is simply that in regions with the worst affordability problems a higher proportion of people either still cannot afford to buy even with support or they feel that the risks of extending themselves financially are too great especially for a shared equity product. Equally, in lower income areas Help to Buy helps both to reduce risks and make housing more affordable.

**Figure 5.4: Median house prices to median annual earnings**



Source: Authors' calculation drawing on ONS House Price Statistics for Small Areas (HPSSAs), and Annual Survey Hours and Earnings - residence based earnings. Note: House prices are prices in a year ending in June of each year. Earnings are full-time workers' gross pay as of April in each year.

Finally, and perhaps most importantly, have developers actually been able to implement their output plans given that these depend on maintaining an appropriate flow of land with planning permission?

Table 3.1 in Chapter 3 gives examples of developer responses to a specific question as to whether their pipeline had been delayed by issues around land and planning permission. Almost all stated that, while it has often been difficult to obtain planning permission, with one or two exceptions it had proved possible to increase their pipelines. Other developers who we interviewed concurred with this view. This suggests that planned additionality had been realised, even though some developers, especially in London and the South East, suggested that planning delays have been a problem. In these areas they also suggested that there had been some pressure on land prices as a result of developers' wish to expand.

Taken together none of these complications significantly modify the estimates of supply additionality set out in Chapter 5.4. Indeed these estimates are minima because the evaluation period has been one of relatively strong confidence levels and starts have exceeded completions throughout the period.

## 5.6 Conclusions

Replicating the 2015 evaluation assessment of demand-side additionality (based on those who could not have purchased without assistance a property they wanted, the property they purchased or a similar property in the existing market) indicates a small, but not statistically significant reduction in the central estimate from 43% to 41%. Updating this estimate to exclude those buyers who could have bought a smaller property without assistance (something that could not be done in the 2015 evaluation) results in a central demand-side additionality estimate of 37%.

On this basis nearly half of demand-side additionality arises in the *Midlands* and the *South & South West* while, relative to all Help to Buy buyers, demand-side additionality is highest in the more pressured housing market areas of the *South & South West* (43%) and *London* (41%). Further the profile of buyers identified to be additional in *London* is very different to other regions. They are more likely to be first-time buyers and single person households and more likely to have bought smaller flats.

Supply (output) additionality is defined as the proportion of private sector output that is directly the outcome of additional demand arising from the Help to Buy programme. A further assumption is made about how developers respond to that additional demand. All the qualitative evidence suggests that, in a generally positive environment, developers wish at least to maintain their pipeline both nationally and locally and, therefore, they will at least follow their basic demand-led business model and add at least an additional start for each and every new build sale. As long as the Help to Buy programme is in place as currently structured they have no reason to treat such sales differently from the market as a whole.

On this basis, our estimates of supply additionality at the national level, range from 14.5% - 16% of total market output. Regionally they vary from 7% in *London* where the proportion of Help to Buy sales has been very small as compared to the country as a whole to 16% - 18% in the *South and South West*.

These are almost certainly minimum estimates because they take no account of the positive impact of Help to Buy on market confidence during the evaluation period when starts have consistently remained above completion levels. Looking to the future however, while Help to Buy sales can always be expected to have a positive effect on output, this effect could be offset by declining confidence in the market overall.

## 6. Conclusions

In this conclusion we draw together different strands from across the report. After a brief recap on the objectives of the scheme we move on to consider how developers and lenders have approached it and the role Help to Buy has played over the period under review. We take up a number of core issues, national and regional additionality, property types, house prices, land prices, and purchaser costs. We then consider the impact and consequences for the government in terms of benefits from the scheme and access to home ownership. Finally, we offer up views derived from the study on how government might manage the scheme going forward.

### 6.1 Help to Buy to 2021

As was noted in the 2014 National Audit Office report<sup>41</sup> the Help to Buy Equity Loan scheme has two objectives: ‘to turn the desire for home ownership into demand for new homes, by improving the affordability of, and access to, mortgage finance and to encourage developers to build more new homes’.

The evidence presented in this report suggests that the scheme has been successful on both counts: central demand additionality is estimated at 37%<sup>42</sup> for the period from July 2015 – June 2017; supply additionality is estimated at a minimum of 14.5% of private sector output; and overall new build output has been growing over the whole programme period.

Developers have been increasingly drawn to the Help to Buy scheme as it has become more embedded in the overall new build housing market. They see it as a necessary part of their marketing and sales because consumers increasingly expect it to be available. All developers interviewed were intending to continue at least their current level of Help to Buy activity and to maintain and almost always increase overall levels of output.

For some developers, notably in London and involved mainly in the apartment market, it was a small element in their business; for most it involved a significant and often growing element in their overall sales. Lenders have joined the scheme in increasing numbers recognising its merits as both an instrument to assist first-time buyers and to improve housing supply. It has been recognised as an instrument that allows relatively low risk higher Loan to Value lending.

Initially the government expected the average Equity Loan would be around £47,000 and the average deposit would be some £12,000. These have both proved to be underestimates – with the average Equity Loan in the final year of the evaluation at £60,000 (in part because of the increase of the Equity Loan to a maximum of 40% in London) while the average deposit has been very much higher at around £27,000. This in part reflects the increasing importance of the new build premium (evident in most regions

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<sup>41</sup> National Audit Office (2014) The Help to Buy equity loan scheme, HC1099,

<sup>42</sup> Using the definition in the 2015 evaluation gives a higher figure of 41%.

before Help to Buy was introduced) and the emphasis on buying semi and detached 3 and 4 bedroom dwellings that have been sold to Help to Buy purchasers – even though these types of units have much lower premia. The larger deposit may also be one reason why there has been lower uptake in regions where affordability, measured by price earnings ratios, is most difficult because of the problems around saving that scale of deposit.

Help to Buy is seen as a major support to housebuilding not just directly in terms of Help to Buy sales but also in terms of its positive impact on the overall market. It is seen as boosting confidence amongst consumer and lenders (as well as developers) and has helped ensure much stronger lender support for the new build market. Some developers suggested that they were close to meeting their immediate output goals – usually that of getting back to 2007 levels - but in the main they were expecting to continue to expand output if sometimes at a slower rate, at least while the Help to Buy programme remains in place.

Up to June 2017 the programme has supported some 135,000 Help to Buy sales over a 17 quarter period. The government's estimate is that the scheme will support some 360,000 sales overall – which implies a further 225,000 in the remaining 15 quarters of the scheme (July 2017 – March 2021). The government's financial commitment to the scheme is some £22.4bn of which less than £7bn had been used by June 2017<sup>43</sup>.

There has been some acceleration in Help to Buy sales (see Table 2.2, Chapter 2) which will have to be maintained if these funds are to be fully spent, even with the added spending momentum provided by London Help to Buy. There is some suggestion from the data that Help to Buy helped to limit the negative effect on confidence arising from the uncertainties generated by the Brexit referendum vote. However, even if current sales rates are maintained it is possible that the Help to Buy estimates might not be met before the planned end of the scheme.

## 6.2 Impact of the Help to Buy scheme

### 6.2.1 National and regional additionality

The main impacts of the Help to Buy scheme have been on overall housing output but also: on its differential effects across regions; on the mix of units developed; and on prices of housing and land. Our analysis has focussed on demand additionality, that is the extent to which the scheme has drawn in more buyers, and supply additionality, the extent to which developers have expanded output because of Help to Buy. Clearly these two measures are related.

Taking our central estimate of 37% demand additionality over the country as a whole, demand additionality varies significantly across regions from as little as 30% in the *North West* to 43% in the *South and South West*. These variations are not directly related to

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<sup>43</sup> See <https://www.gov.uk/government/collections/help-to-buy-equity-loan-and-newbuy-statistics> for the latest statistics

affordability (note for instance that *East and South East* and the *North East* both have the same measure at 34%).

Supply additionality (based on the proportion of new build transactions that are Help to Buy and demand additionality estimates) also varies but in a different way because of the large differences in the proportion of new build sales that are Help to Buy across the regions. Thus while the national average effect on output is measured at 14.5% of total private market output, Help to Buy has the least effect in *London* at 6.6% while the *Midlands* has the largest supply effect at 16.3%. These estimates take no account of the positive impact of Help to Buy on confidence in the market overall throughout the evaluation period. This has clearly been seen as a material factor on all sides, from developers, to lenders to consumers, although that effect is difficult to quantify.

### 6.2.2 Property types

The second issue is the type of property purchased. It is particularly noteworthy that while apartments make up some 20% of new build output, they are a much smaller proportion of Help to Buy purchases. This is undoubtedly primarily a matter of consumer choice and the spatial pattern of dwelling mix. However, it also suggests that the Homes England rule by which the developer has to state that they expect the property to be available for purchase within six months together with the lender's mortgage offer being usually for a similar period has made it more difficult to use the Help to Buy scheme to purchase apartments. Because offsite/ pre-sales are a much larger part of the apartment market as compared to that for houses, this constraint impacts only on this part of the market.

The extent to which Help to Buy purchasers have been able to buy three and four bedroom dwellings undoubtedly reflects the disproportionate levels of sales in lower priced regions. The emphasis on larger units is also positively related to the proportions of households who would have been able to buy another property without Help to Buy assistance.

It is important to understand the consequences for households of buying bigger sooner. Survey evidence indicates that 79% of buyers said the scheme enabled them to buy sooner and 69% said it enabled them to buy larger property. This has allowed some households to skip a rung on the ladder thus saving transaction costs (even if no Stamp Duty was to be paid it still saves legal and other costs). It also carries with it the probable implication that the households concerned will remain in that home longer, thus further reducing transactions. Survey evidence suggests that 55% of buyers have no stated intention to move within the next five years.

For some households and perhaps particularly for those who were only able to buy any type of home because of the scheme, there is the possibility that when they wish to move on, the repayment of their Equity Loan will mean they have insufficient equity to buy the home they wish to move to. Much turns on the rate of house price inflation in the area alongside movements in incomes and mortgage costs. Forecasts would suggest slow house price inflation, modestly rising mortgage costs and low wage inflation over the next 3 to 5 years. Even so, both developers and lenders thought that those who wanted to move would be able to do so.

The issue also links to the question of second steppers. The scheme has been criticised for enabling existing owners to purchase using Help to Buy. However, many such households do need additional rooms as they start or extend their family. As survey evidence highlighted, those buyers living in larger households with four or more people were more likely than the buyer population overall to agree that Help to Buy had enabled them to buy larger (80% compared to 69% overall). It also helps to increase overall mobility, allowing other households to buy existing dwellings at lower prices. Most developers and indeed other stakeholders saw this as a desirable outcome.

### 6.2.3 House prices

The third main issue is price - both price points and price increases. Much of the public comment on Help to Buy has focussed upon the view that it increases house prices in general. We can find no evidence that the scheme has had any significant impact on general house price inflation mainly because Help to Buy is a small proportion of the overall market. The question about the price of new build homes and particularly Help to Buy homes is a different issue which we discuss below.

We focus on three distinct issues: first, have households bought more expensive units as a result of the scheme? The answer to that is almost certainly yes, even among those who said that they could not have bought any property without assistance, partly because in many areas there are relatively small differentials between properties of different sizes. But what is clear from the regional figures (Figures A2.14 – A2.22 in Annex 2) is that in all regions Help to Buy prices are well below average new build prices and in southern England well below overall average prices.

Secondly Help to Buy prices, while considerably lower than average new build prices for all property types and regions, have risen in line with new build prices overall. This is almost inherent in the fact that prices are set before it is known whether the property will become a Help to Buy sale. It is also consistent with the fact that all developers interviewed stated that they do not distinguish in price terms. Have new build prices overall increased more rapidly because of Help to Buy? The fact that Help to Buy support is only available on new build means more demand has been brought into the new build market while new supply is not completely elastic. Thus there must have been some effect on how new build house prices have increased.

This then takes us to the issue of the new build premium. This is difficult to measure with any accuracy given the number of variables that have to be considered. The premium has been a long running source of contention, not least between developers and lenders, and is one which poses challenges to the valuations that underpin the security of mortgages.

The premium is highly cyclical depending upon the state of the housing market. It was in place and rising in most regions before the Help to Buy scheme was introduced and generally continued to grow at a similar rate once the scheme was in place. For the two regions where this was not the case – *London* and the *West Midlands* - the rate slowed from 2016 when proportions of Help to Buy sales rose. On balance, therefore, it is demand for new build overall rather than Help to Buy that has led the growth in the premium, although some analyses cited in Chapter 1 argue otherwise. Probably more importantly the premium appears to be closely related to quality and dwelling type, and is least for semi-detached and particularly detached property.

This is consistent with what developers state that they aim to do in a locality - which is to build somewhat better quality to a price point somewhere above the local average<sup>44</sup>. This inherently then feeds the premium debate. General new supply inelasticity and the fact that once the Equity Loan mortgage guarantee scheme was ended the main support for home owners has been the new build Help to Buy Equity Loan are also contributory factors. Without undertaking much more detailed econometric analysis it is not possible to assess whether there are other causes. It is a complex and contentious area.

#### 6.2.4 Land prices

Evidence on land prices is both poor and patchy. Most commentators and developers suggest that land prices have been relatively stable over the evaluation period except in *London* and parts of the *South East*. Developers were clear that to maintain prices and pipelines they had often moved away from their core areas of activity but also that, in the main, they had been able to purchase land reasonably easily without forcing prices up.

The evidence in the more highly pressured areas in the South was that competition had increased but that cost inflation had also increased generating some downward pressure on land prices. Even so in these areas land prices had almost certainly risen as a result of a buoyant overall housing market which includes Help to Buy. The core objective stated by developers is to maintain their pipeline at national, regional and local level, in line with their business plans. Their core concern in this context is planning delays. However, all of this must have some effect on land prices.

#### 6.2.5 Help to Buy purchaser costs

As of April 2018 households who joined the scheme five years previously will have started paying interest on their Equity Loans at an initial interest rate/fee of 1.75% on the amount of the Equity Loan at the time the property was purchased. This then rises annually by the increase (if any) in the Retail Price Index (RPI) plus 1%. Assuming RPI + 1 will equal around 4% and an Equity Loan of £40,000 in England outside London and £160,000 in London the charge will add between around £750 to £3,000 per annum<sup>45</sup>. As noted earlier this increased cost has been factored in by lenders. Even so, it is likely to have some effect on consumer attitudes and in some cases their wish to repay.

We should not forget that alongside this fee there is the actual cost of repaying the Equity Loan including capital gains foregone. Mortgage industry estimates give the overall effective rate of interest, including the interest charge, as being between 4% and 5% taking into account the likely house price inflation. This is higher than the cost of an equivalent mortgage. Nevertheless, it is important to remember that households would have been unlikely to be able to afford those extra payments or passed the lender affordability assessments for a larger loan. So far, data suggest that relatively few Help to

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<sup>44</sup> Whitehead, C.M.E. and Sagor, E. with Edge, A. and Walker, B. [Understanding the local impact of new residential development](#). Barratt and the NHBC Foundation. June 2015.

<sup>45</sup> And to which those not paying by direct debit will also be charged a further additional administration charge (currently £4 per month) or £48 per annum.



Buy borrowers have redeemed their Equity Loans in full or in part<sup>46</sup> but HM Treasury is expecting repayments to increase significantly over the next five years.

Current survey evidence, as it did in 2015, suggests that the financial commitments of Help to Buy are well understood by buyers using the scheme. Despite a slight softening of sentiment since 2015, the overwhelming majority of buyers (88%) considered they had a great deal or fair amount of understanding about the financial commitment around the Equity Loan. As commented on in Chapter 3, this strength of sentiment almost certainly reflects the prominent role of lenders and financial advisors in the Help to Buy buying process.

Confidence in the ability to make mortgage and interest repayments is also strong – a majority of buyers said they were *very confident* in their ability to pay mortgage repayments (86%) and interest payments (65%) when they bought their property and confidence levels remained strong when interviewed, differing little in strength of sentiment (86% and 69% respectively). However, confidence does weaken somewhat when buyers think about repayment of the Equity Loan component. Although a majority of buyers were confident in their ability to repay the Equity Loan element at the time of interview (86% said they were *very* or *fairly confident*), one in ten (11%) buyers were not, with those buying in London least likely to be confident in their ability to repay the Equity Loan element.

## 6.3 Impacts and consequences for the Government

All the evidence suggests that the government will make a profit on the Equity Loan scheme. According to the National Audit Office report (NAO, 2014);

*The Department expects to make back its investment in cash terms after 15 years. In its central estimate the Department expects a gross return in cash terms of £4.8 billion by 2040-41. Once it has invested in the scheme, the Department's return will depend on market factors which it has limited ways to influence. The Department's financial modelling indicates that the scale and timing of the cash return will vary substantially based on when buyers pay off their equity loans and the value of the Department's equity loans at the time*

As the report makes clear, much turns on the timing and volume of sales in any one year, how property prices change and the scale of defaults – given MHCLG has a second charge and so will only recover what remains of its equity investment after the mortgage lender has been repaid and covered its own costs.

Government has clearly benefitted from the uplift in housing supply not only in a direct policy sense but also in terms of the increased taxation generated whether it be VAT, Stamp Duty Land Tax and other income taxes. The recent Stamp Duty Land Tax reforms will obviously remove stamp duty from many Help to Buy transactions. Government estimates that in total 205,000 first-time buyers will benefit in 2018/19 from the reductions.

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<sup>46</sup> For which there is a fee of £200. The 2017 Budget statement gives receipts as £30 million in 2017/18 rising to £1.5 billion in 2022/23. See section 2.19 Financial Transactions, Table 1.9 in <https://www.gov.uk/government/publications/autumn-budget-2017-documents/autumn-budget-2017#housing>

Buyers will also benefit in other ways as many developers paid for the stamp duty as an incentive. With the reduction in stamp duty, some developers are now paying a cash incentive equivalent as an alternative.

Holding a second charge means that the government is exposed to significant risks were house prices to fall especially early on in the life of the loan. However, it is also the case that owners in negative equity generally tend only to sell when their personal circumstances make it imperative – so losses are typically not crystallised for either the purchaser or government. One issue, therefore, is whether any such fall in prices is related to wider recession and increased unemployment and possible default. Another is that credit worthy households in the face of falling house prices could remortgage and repay the Equity Loan at this lower value – thus crystallising the loss for the government but not for the purchaser. As noted above it is evident in the Autumn Budget 2017 that HM Treasury is estimating a growing flow of receipts from the repayment of Help to Buy Equity Loans (Table 1.9) with these expected to rise from just £30 million in 2017-18 to £1.5 billion in 2022-23.

The issue with respect to Help to Buy in London is rather more complicated - and perhaps significantly more risky. An average 34% Equity Loan stake is a much larger commitment than elsewhere in the country and it will take much longer for households to be in a position to move on to buy a market priced home unless they move away from the capital. Equally there has been concern that house prices are unsustainably high in London and the London economy is sometimes seen as being more exposed to volatility after Brexit. Finally, the projected increases in Help to Buy implicit in the funding suggest a larger proportion of loans will be in London. Overall this may imply higher risks and possibly lower returns to government from loans made in the capital.

## 6.4 Help to Buy and access to homeownership

Help to Buy is only one element in the Government's efforts to increase access to home ownership and affordable housing. In England in 2016/17 there were 2,060 affordable home ownership homes and 8,810 shared ownership homes provided alongside the c39,800 Help to Buy homes. In addition, there were 5,380 social rented homes, 24,380 affordable rented homes and 940 intermediate affordable rented homes. As noted above, around 80% of Help to Buy homes go to first-time buyers so the scheme is clearly helping increase the supply of homes that are affordable to those on moderate incomes.

Survey evidence points to a scheme that has not only facilitated access to the market (75% of buyers agreed that Help to Buy had enabled them to enter the property market at all), but also one that has helped speed up access to that market (nearly three in five using the scheme said it would have taken a year or more longer to have bought without assistance). Buyers identified as additional are even more likely to agree that the scheme enabled them to buy sooner (92%), so the likely impact on future additionality estimates of bringing forward demand requires further investigation.

In addition, a considerable number of the new schemes of which Help to Buy will be a part are also subject to Section 106 agreements – these will support additional new affordable homes for both rent and sale.

## 6.5 Going forward

It is evident from the interviews with developers, small builders, mortgage lenders and other stakeholders that there was a lot of common ground in terms of where next for the Help to Buy scheme. Universally there was a desire to avoid any sudden cliff-edge which would occur if the scheme were to be ended without a period in which the market could properly adjust. Views as to the length of this adjustment period varied depending upon the respondent but all were keen to avoid disruption in terms of the supply of new homes, house prices and the demand for mortgages. While some wanted to see the scheme retained in perpetuity, there was an expectation that funds would be reduced.

There was wide recognition that one of the advantages of Help to Buy was that it was seen as a market led rather than an affordable housing scheme. This was important in that it allowed lenders and others to see it in that wider context with households having a spread of incomes and being mainstream customers. It reduced perceptions of risk and widened appetite to engage with house purchase. It has made new build more acceptable and supported the wider new build market. There was a general desire to see the scheme retain this position. The scheme had also drawn more lenders into the new build market and this had enhanced competition and choice. Lending on new build had increased as a proportion of total lending.

While there was fairly general agreement that the scheme could be refined there were considerable differences between developers and lenders about the forms such refinement should take. All were aware of adjustments to the scheme made in Scotland and Wales in relation to the price of new homes that qualified under the scheme (Scotland 15% Equity Loan on a home up to a value of £200,000 and Wales 20% and £300,000).

These adjustments were often mentioned by developers and lenders as possible ways forward in amending the scheme – as was restricting the scheme to first-time buyers – essentially all going down the path of tighter targeting. This was not a universal view however, particularly as some felt that more should be done to support second steppers; others argued that Help to Buy purchasers might need help to move on; and still others felt that tighter targeting would damage the perceptions of this as a market product. There were many other detailed suggestions about how to wind the scheme down over shorter or longer periods.

Developers in particular stressed the need for simplicity and predictability but were usually comfortable with reducing the maximum loan significantly except in London. Lenders put greater emphasis on targeting lower income households. The concerns here must be that lowering the maximum would have little immediate impact while much of the evidence suggests that lower income households are still finding it difficult to access the scheme in most regions.

Some lenders suggested that there should be tighter limits on builder access to the scheme and that there might be a switch to the Starter Homes scheme with developers providing an Equity Loan as in New Buy. Clearly the latter was not the view on the developer side where some argued that the scheme should be retained in perpetuity and/or that lenders should offer more 95% loans.

While it is clear that high Loan to Value loans at 95% or more are much less common now than they were before 2007, they have been expanding (see UK Housing Review, 2017, p72). However, it is unlikely that such loans could be a significant replacement for the Help to Buy scheme. In reality the stress tests and affordability checks now applied to borrowers would prevent many of the current Help to Buy users getting a 95% or even a 90% mortgage. The Equity Loan gives the cushion that allows them to access lower cost 75% Loan to Value loans.

Finally, there was also considerable appetite to see more incentives built into the system to encourage staircasing and full repayment. A number of respondents suggested that the receipts could be recycled potentially enabling the development of a self-financing scheme for the longer term. In this context a number argued that Equity Loans were an important means of risk sharing which has been favoured by the Bank of England for many years and that there was now a well operating system in place which it would be 'foolish to lose'. They thought that it should be possible to treat it as a government investment product which over the longer term should provide a healthy rate of return.

This evaluation has involved both qualitative and quantitative analysis bringing together the views of individual consumers and providers as well as market statistics. At this point data are not adequate to undertake econometric modelling which could help clarify interactions more formally.

Overall it is clear that the Help to Buy Equity Loan scheme continues to deliver within the policy terms set for it. It has undoubtedly added significantly to the demand for new build homes; enabled large numbers of households to enter owner-occupation and incentivised developers and some smaller builders to increase output more rapidly. The scheme has meant that the house building sector is stronger and has also had some impact on the property types being developed; their location and the amount of land being brought into the market. To the extent that new build has not fully adjusted to increased demand there will have been some impact on new build prices. Inevitably, there are divergent views not just around the impact of the scheme but also on the ways it might be modified. However, given the importance attached to new supply and the clear role the scheme has played in delivering more homes, any alternative would need to deliver both more and better outcomes.

# Annex 1: Technical details

## A1.1 Qualitative depth interviews with developers, lenders and stakeholders

A total of 26 in-depth semi-structured telephone or face-to-face interviews were conducted with senior representatives of developers covering the vast majority of the Help to Buy Equity Loan market. These included eight of the ten largest developers in terms of the number of Help to Buy transactions, in themselves covering almost 60% of transactions.

The interviewees included both national and regional developers across England - with the majority covering large parts of the country but including some who specialised in two or three regions and a few smaller developers who were operating in one or sometimes two regions. As a result, we obtained information on developer experience in all regions as well as on the national picture. The developers included in the survey were all registered with Homes England but two were very late entrants, one of whom had still not completed its first Help to Buy sale at the time of interview.

To achieve the target number of interviews a total of 32 developers were contacted with interviews taking place between August and September 2017. The discussion guide used for the developer interviews can be found in Annex 4.

Following completion of the developer interviews further information was then requested from respondents about the pattern of sales and their experience in the land market. A total of 15 detailed replies were received. We also carried out a short survey of members of the Federation of Master Builders (with 65 responses of which only 12 were registered for Help to Buy).

A total of 12 in-depth, semi-structured telephone interviews were conducted with senior representatives of lenders, 10 of which were with major Help to Buy lenders together with two lenders who were not in the market.

The major Help to Buy lenders were selected on the basis of their size of lending to the programme and covered the vast majority of loans made. A further two of the largest lenders, as measured by the annual UK Finance list of the 20 largest lenders, who were not participating in the scheme were selected and interviewed.

UK Finance assisted in the set-up of telephone interviews with the selected lenders. The interviewees were typically the Help to Buy specialists in their organisations though their roles varied from sales and marketing, mortgage proposition and product development, conduct and policy and new build development.

The rationale for selection of lender interviews was to capture a good proportion of the market but also to ensure coverage by operating area and by type of organisation. Small building societies were not specifically targeted for interview as they represent a very small proportion of the market and it was felt that very little more could be learned from their inclusion.

Lender interviews took place between July and September 2017 and a copy of the discussion guide used for the interviews can be found in Annex 4.

A further five additional in-depth interviews were conducted with senior representatives of stakeholder organisations able to offer a broader strategic view of the impact of the scheme on the market. These included interviews with the following organisations:

- The Home Builders Federation;
- The Federation of Master Builders;
- The National Federation of Builders;
- UK Finance; and
- The National Housing Federation.

Stakeholder interviews took place between July and September 2017.

## A1.2 Buyer survey – Telephone interview survey

To conduct the telephone interview survey, a representative sample of households who had purchased a property using Help to Buy Equity Loan between June 2015 and March 2017 (replicating the two-year timeframe used in the 2015 evaluation) was selected from an anonymised sample frame held by Homes England (who have responsibility for administering the scheme). The sample frame included a total of 68,979 records.

A key requirement for the 2017 evaluation was to disaggregate additionality estimates at lower-level geographies (in this case Homes England Operating Areas), including London which, since inception, has accounted for 6% of all transactions. To ensure a sufficient number of responses for robust estimates in each area, sampling has been based on a non-proportional random selection approach stratified, principally, by Homes England Operating Area. To retain consistency with the 2015 evaluation, the sample was also stratified by:

- ‘First-time buyer/ non first-time buyer status’; and
- Property-size purchased (number of bedrooms), as a proxy for house prices and household income which were unknown at the sampling stage.

A total of 7,500 records were selected for the main sample and a further 1,500 reserve sample records were selected. The inclusion of a reserve sample was precautionary, reflecting data protection requirements to notify all potential sampled respondents in advance about the survey and offering them the opportunity to opt-out of they wished.

Prior to the conduct of fieldwork advance letters were sent to all 9,000 selected sample (including both main and reserve samples) and a two-week window was provided to opt-out (although in practice late returning opt-outs were accounted for up to the day before fieldwork began). Potential participants were given the option to opt-out by means of telephone, email or written communication.

In total, 21 potential respondents opted out from the survey and a further 126 advance letters were returned as undeliverable (and were also excluded from the survey). In total 147 selected sample were excluded from the survey prior to the start of fieldwork, accounting for less than 2% of the initial selected sample.

Following the opt-out period, there were a total of 7,367 sample records in the main sample and 1,486 in the reserve sample. The profile of the remaining sample matched the overall profile of the sampling frame in relation to the key stratification variables identified above.

Interviews were carried out using Computer-Assisted Telephone Interviewing (CATI) with interviews lasting an average of 15 minutes. Fieldwork was conducted between 2 August and 20 August 2017.

Table A1.1 summarises the outcomes achieved from the main sample (no reserve sample was used). Taking account of bad telephone numbers (predominantly incorrect numbers provided at the point of application) and those where no contact was established at all during the fieldwork period, a total of 1,500 completed interviews represents an adjusted response rate of 65%.

**Table A1.1: Telephone interview survey sample outcomes**

	<b>Number</b>	<b>Percent</b>
(a) Main sample issued after opt-out	7,367	100%
(b) Bad telephone numbers	1,035	14.0%
(c) Refused	418	5.7%
<b>(d) Completed interviews</b>	<b>1,500</b>	<b>20.4%</b>
(e) Appointment made outside fieldwork period	122	1.7%
(f) No reply during fieldwork period	4,042	54.9%
<b>Adjusted response rate (d/ (a-(b+f)))</b>		<b>65.5%</b>

Source: Ipsos MORI, Buyer survey 2<sup>nd</sup> – 20<sup>th</sup> August 2017

Data from completed interviews have been weighted using: (i) a design weight to account for the non-proportional sample design by Operating Area and (ii) calibration weights to align the sample to the Help to Buy population profile of those purchasing a property using Help to Buy Equity Loan between June 2015 and March 2017 taking into account location, first-time buyer status and property sized purchased.

The table below shows the weighted and unweighted profiles for these characteristics and demonstrates a close fit between the achieved sample and the overall population. Comparison of the 2017 weighted profile with the 2015 evaluation shows very close alignment across these key variables. All results presented in this report are based on weighted survey data only.

**Table A1.2: Weighted and unweighted response profiles**

	% Unweighted (2017)	% Weighted (2017)	% Weighted (2015)
<b>First-time buyer</b>			
Yes	81	81	82
No	19	19	18
<b>Region (Homes England Operating Area)</b>			
East & South East	17	18	19
London	13	7	5
Midlands	22	26	26
North East, Yorkshire & The Humber	17	17	30
North West	14	13	
South & South West	17	19	20
<b>Property size purchased</b>			
1 or 2 bedrooms	25	25	27
3 bedrooms	46	46	47
4+ bedrooms	29	29	26

Source: Ipsos MORI, Buyer survey 2<sup>nd</sup> – 20<sup>th</sup> August 2017

### A1.2.1 Statistical reliability

The participants who took part in the survey are only a sample and as such it cannot be certain that the figures obtained are exactly those that would have if everybody had responded (the "true" values).

It is, however, possible to predict the variation between the sample results and the "true" values from knowledge of the size of the samples on which the results are based and the number of times a particular answer is given. The confidence with which this prediction can be made is usually chosen to be 95 per cent - that is, the chances are 95 in 100 that the "true" value will fall within a specified range.

Table A1.3 below illustrates the predicted ranges for different sample sizes and percentage results at the "95 per cent confidence interval". Please note that this method of calculating statistical reliability assumes a random probability survey, but still serves as a good predictor of likely confidence intervals for interpreting results.

**Table A1.3: Sample tolerances for different sample sizes**

Size of sample on which survey result is based	Approximate sampling tolerances applicable to percentages at or near these levels		
	10% / 90%	30% / 70%	50% / 50%
100 responses	6	9	10
200 responses	4	6	7
500 responses	3	4	4
750 responses	2	3	4
1,500 responses	2	2	3



For example, with a sample size of 1,500 where 30 per cent give a particular answer, the chances are, 19 in 20, the "true" value (which would have been obtained if the whole population had been interviewed) will fall within the range of  $\pm 2$  percentage points from the survey result (that is between 28% and 32%).

When results are compared between separate groups within a sample, different results may be obtained. The difference may be "real," or it may occur by chance (because not everyone in the population has been surveyed).

To test if the difference is a real one, that is it is "statistically significant", we again have to know the size of the samples, the percentage giving a certain answer and the degree of confidence chosen. If we assume "95 per cent confidence interval", the differences between the results of two separate groups must be greater than the values given in Table A1.4 below:

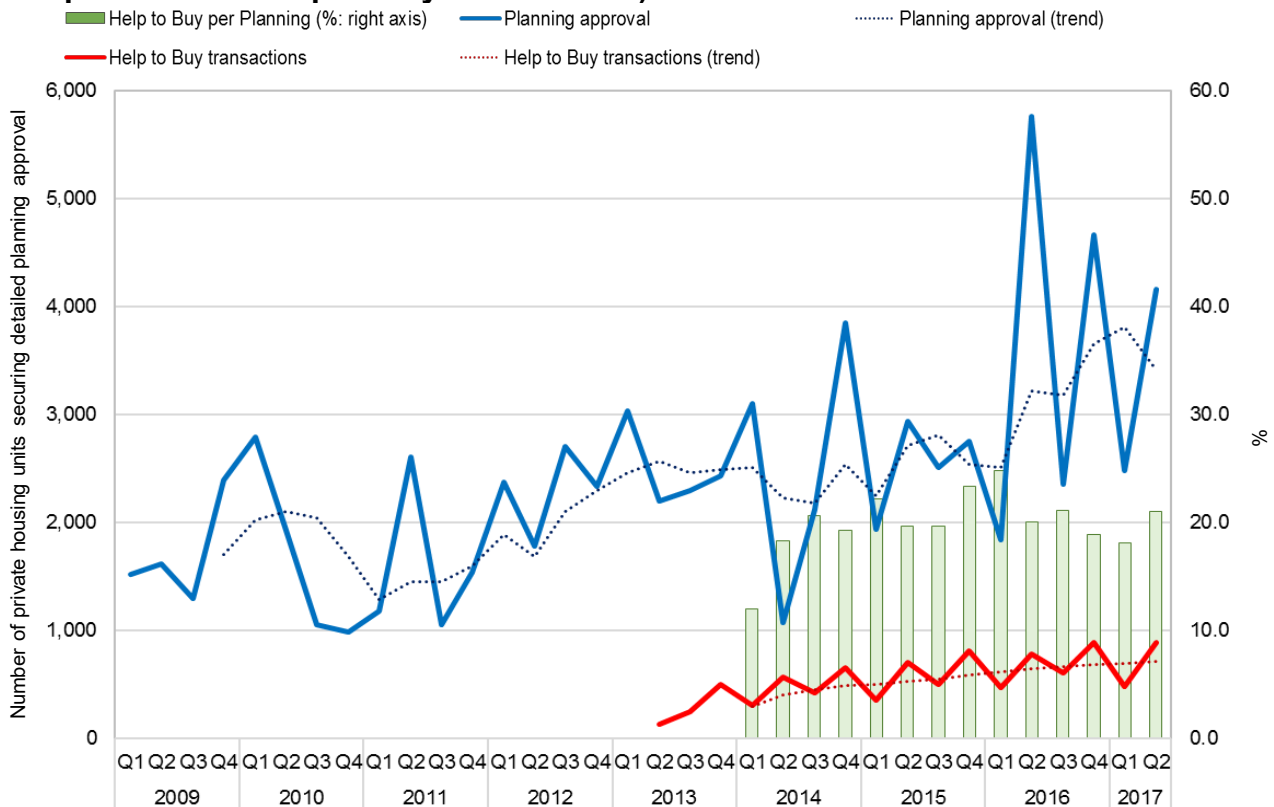
**Table A1.4: Differences required for significance when comparing sub-groups**

Size of sample compared	Differences required for significance at or near these levels		
	10% / 90%	30% / 70%	50% / 50%
100 and 100	8	13	14
250 and 250	5	8	9
500 and 500	4	6	6
750 and 750	3	5	5
1,000 and 500	3	5	5

# Annex 2: Additional secondary data analysis

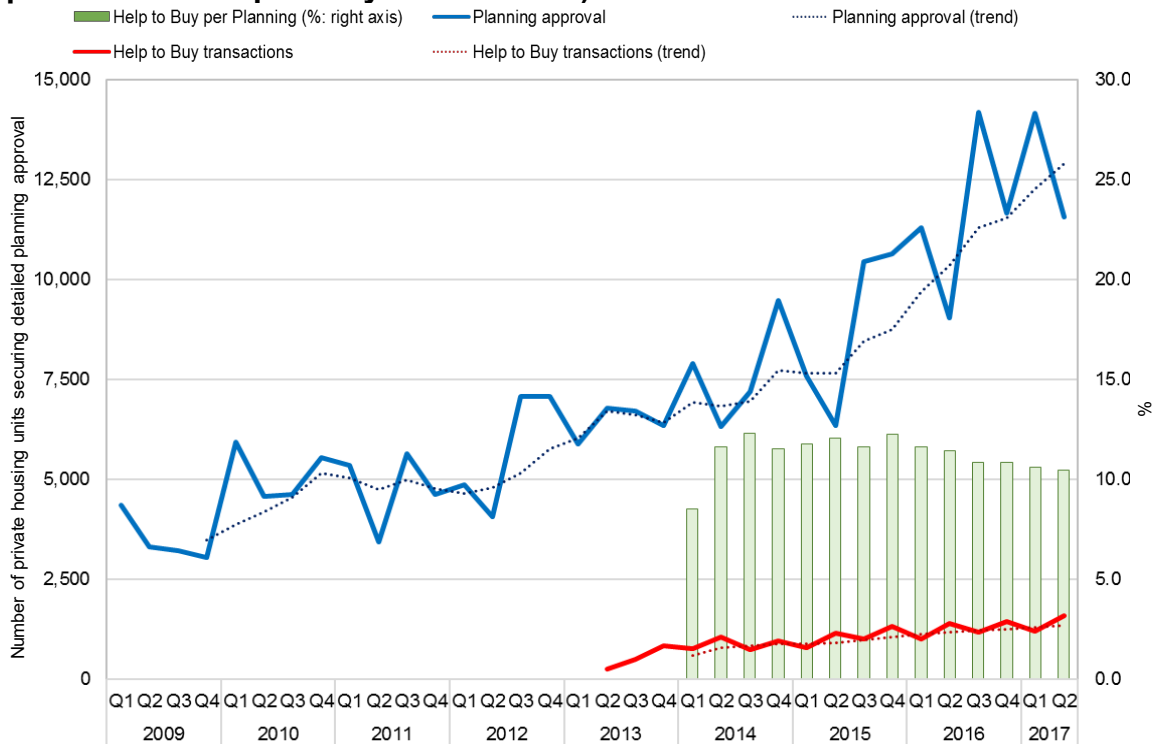
This Annex includes more detailed analysis of existing secondary data sources referred to in Chapter 2 of this report.

**Figure A2.1: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): North East**



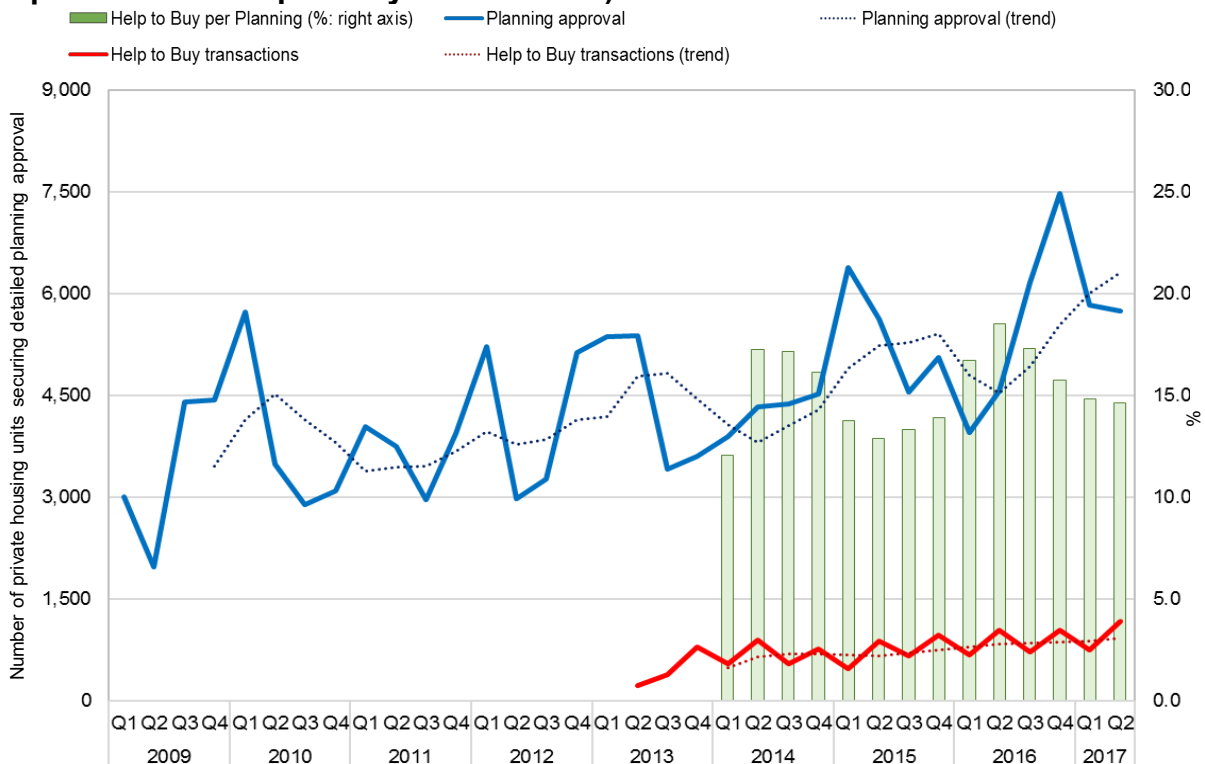
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.2: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): North West**



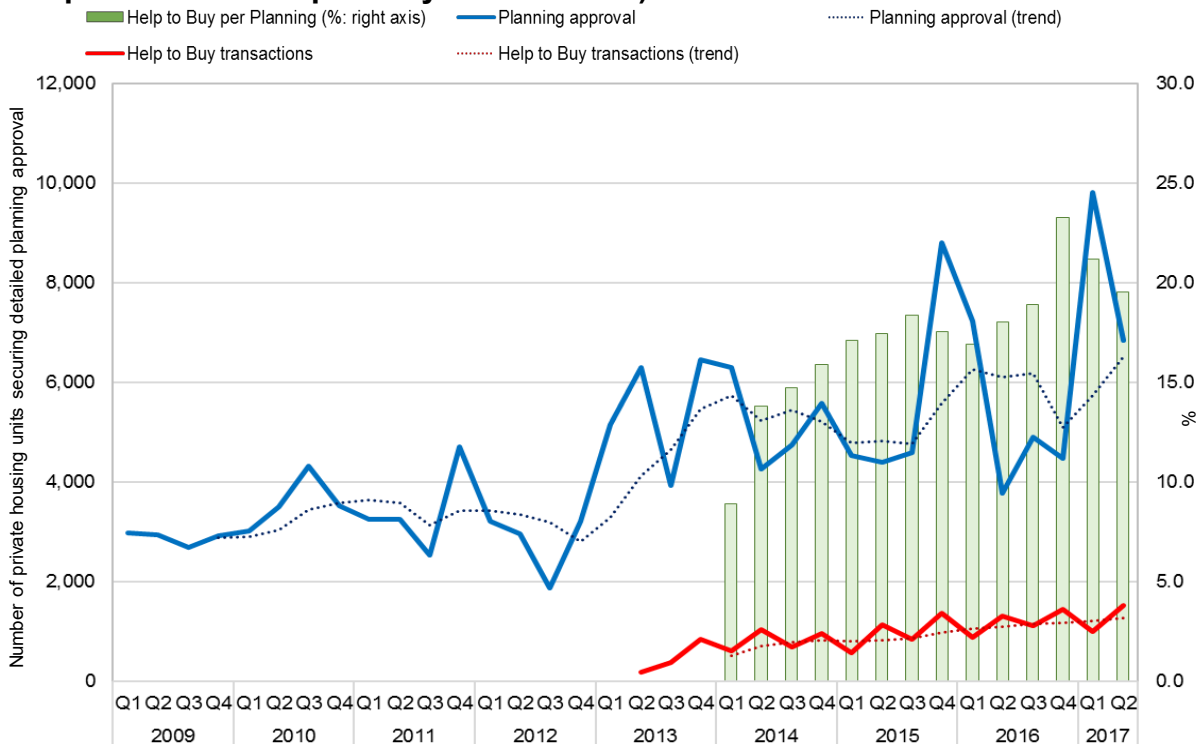
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.3: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): Yorkshire & The Humber**



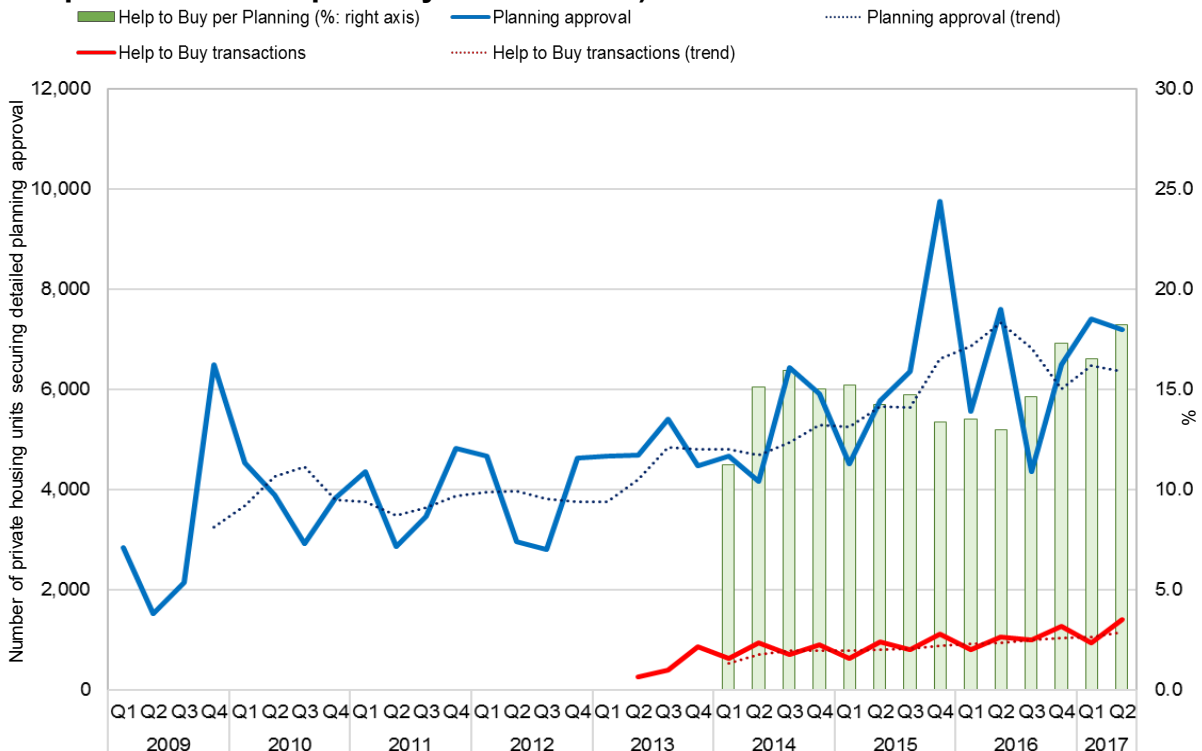
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.4: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): East Midlands**



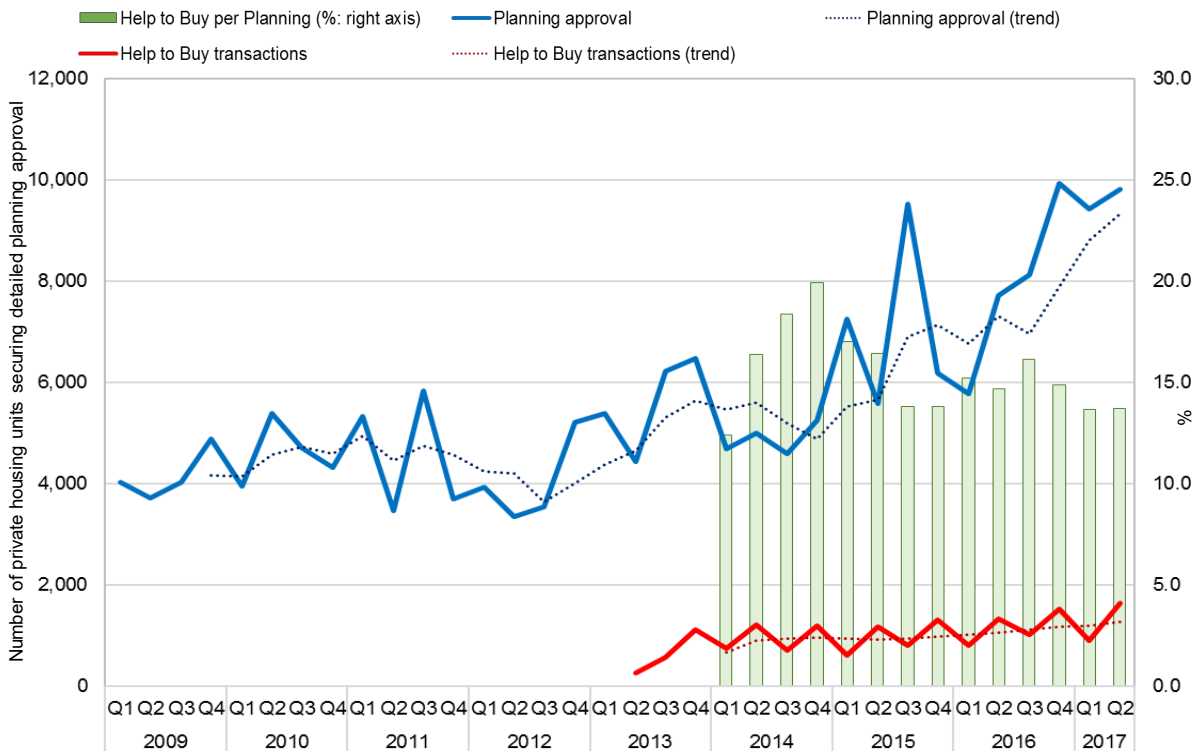
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.5: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): West Midlands**



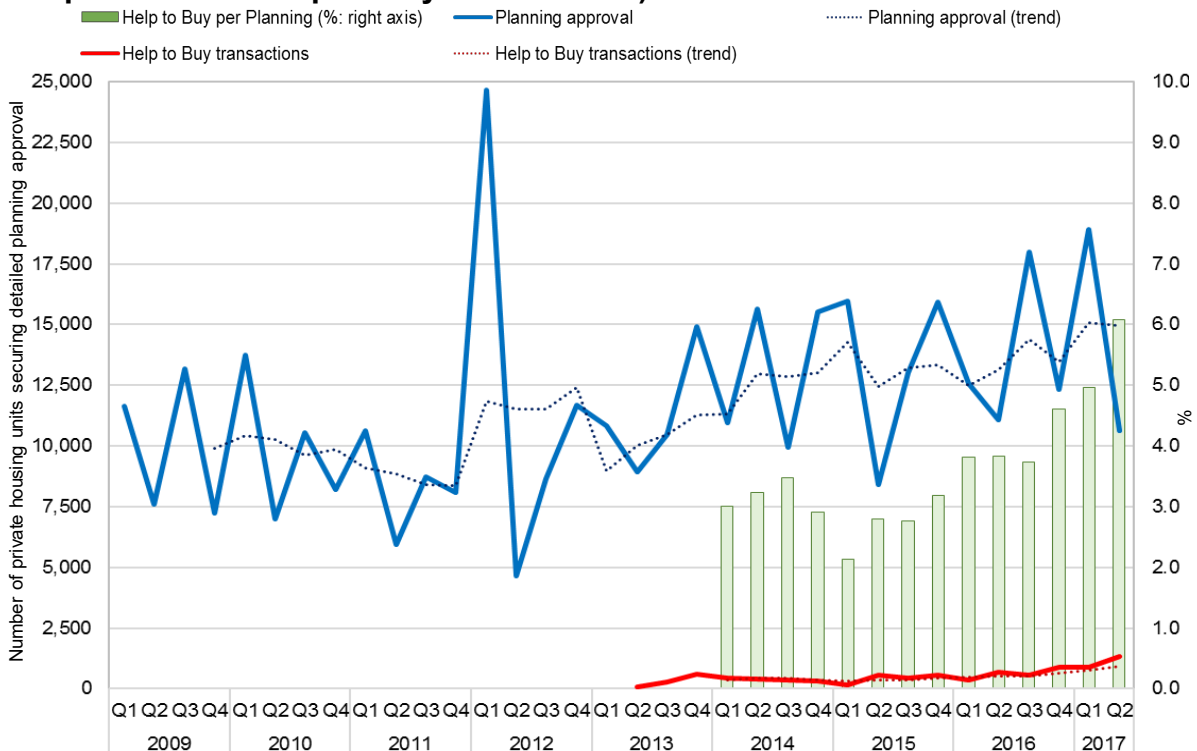
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.6: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): East of England**



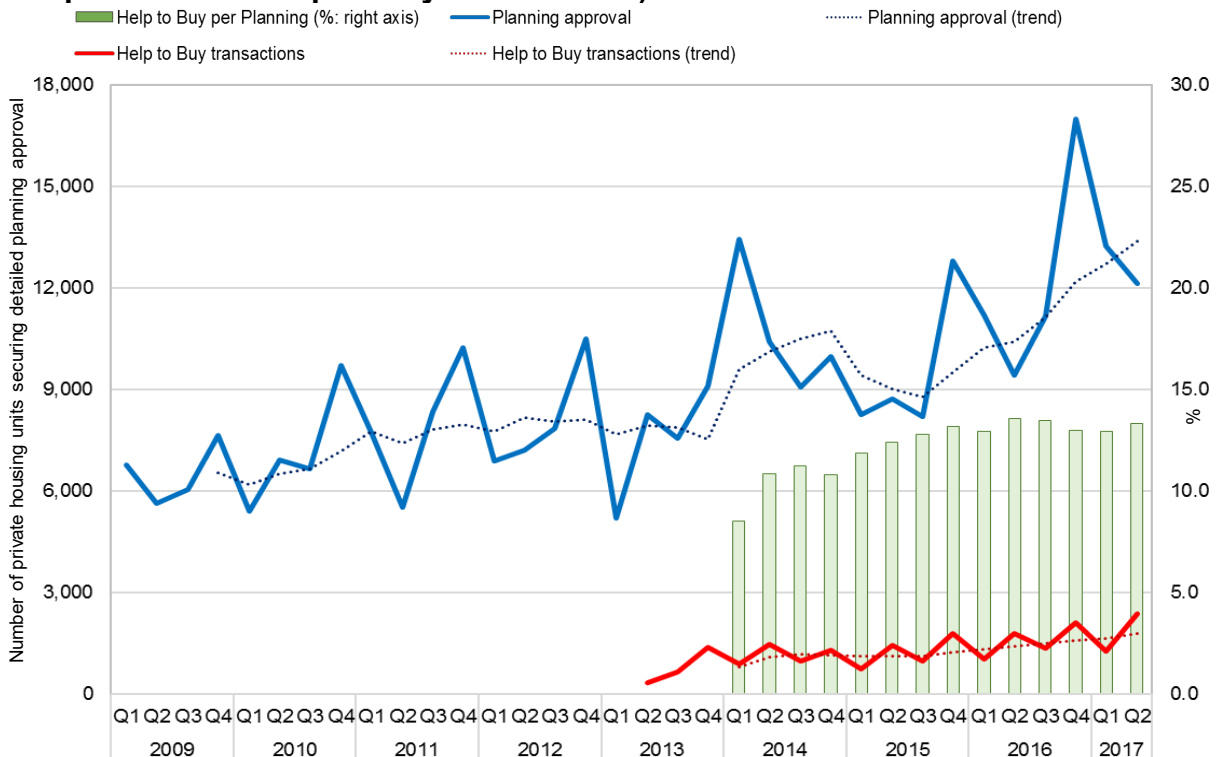
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.7: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): London**



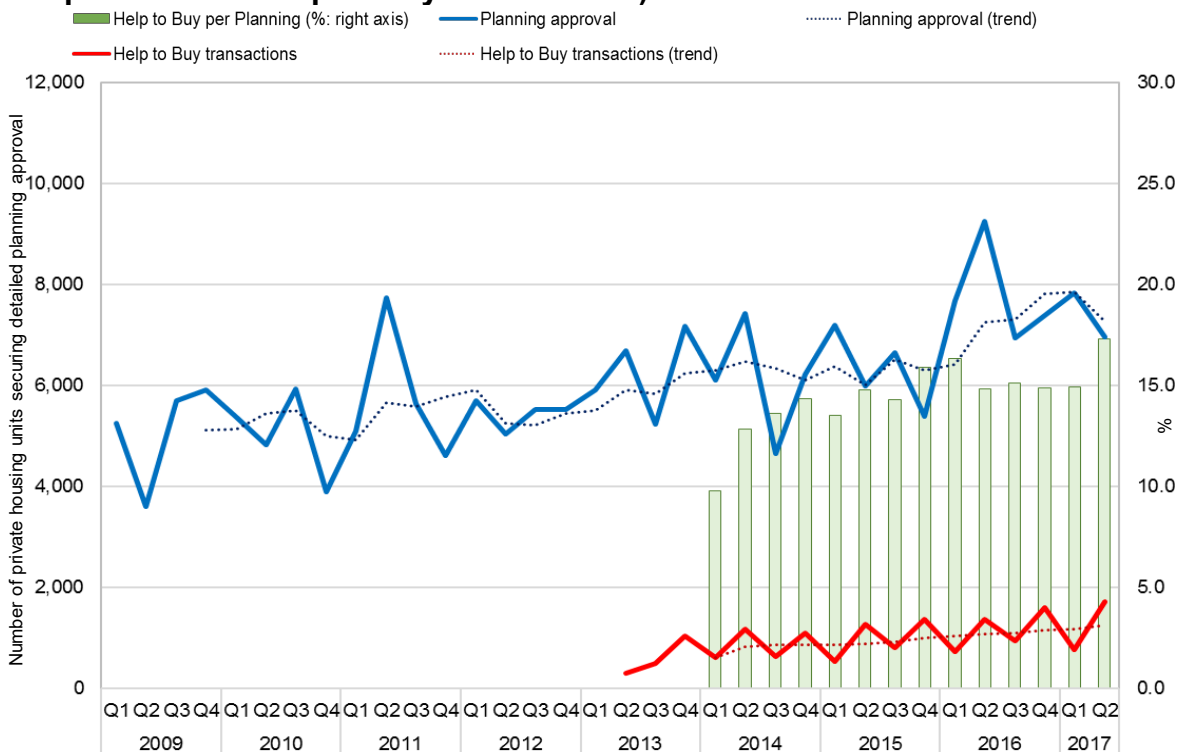
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.8: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): South East**



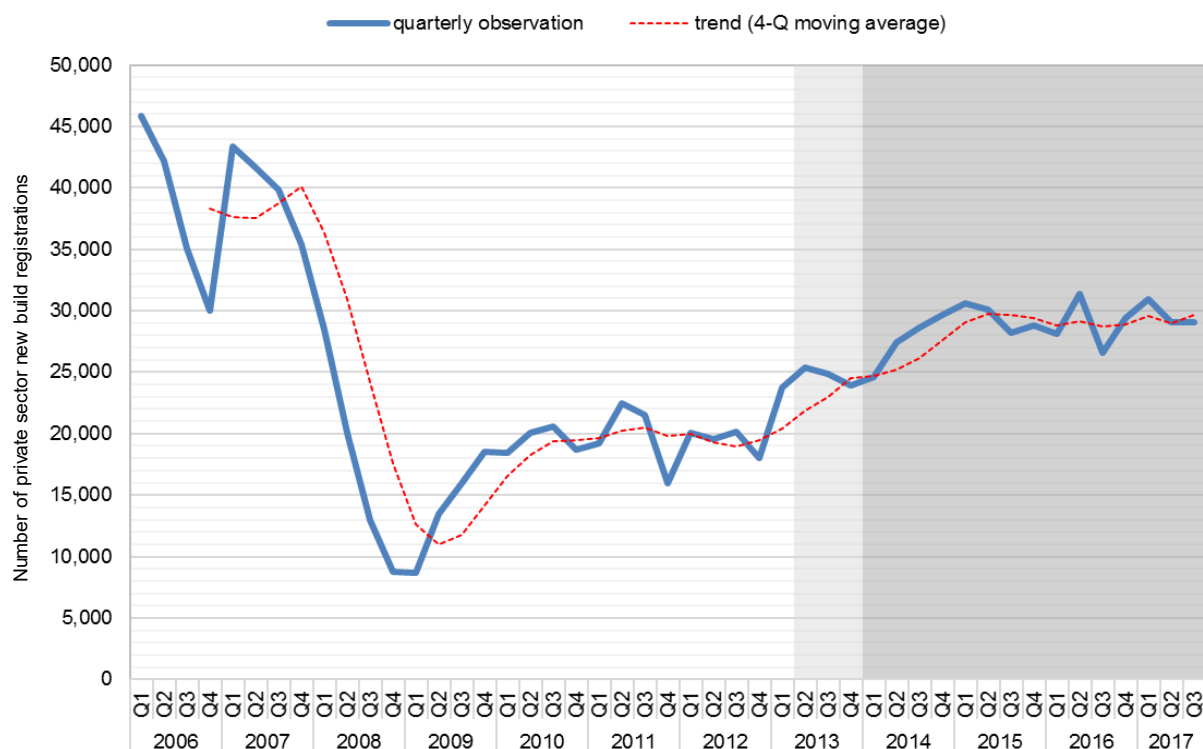
Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.9: Private housing units securing detailed planning approval (including comparison with Help to Buy transactions): South West**



Source: Planning: Glenigan and Home Builders Federation. *NEW HOUSING PIPELINE Q4 2016 REPORT*. For Help to Buy: as Table 2.2 in the main report. Note: Trend was 4-Q moving average. Help to Buy per Planning was drawn from the trend figures.

**Figure A2.10: Private sector new build registrations: UK**



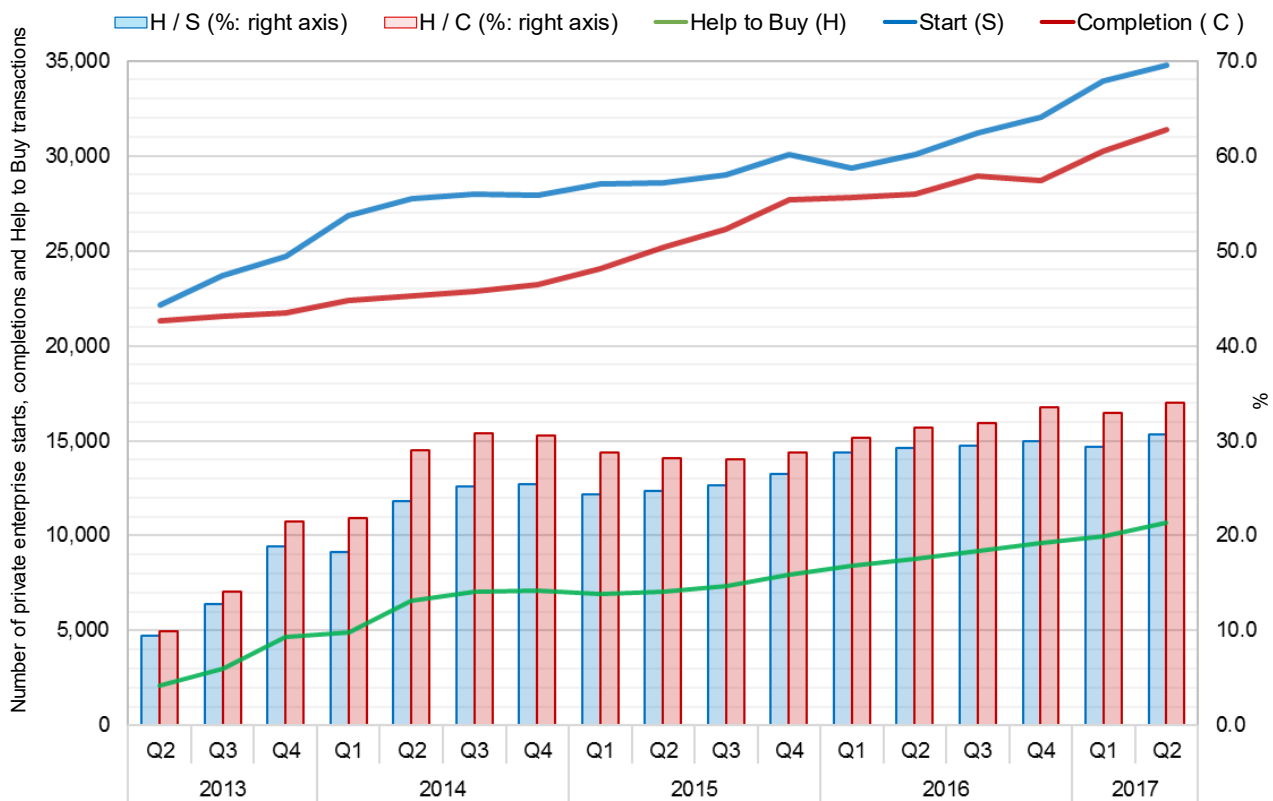
Source: NHBC. *NEW HOME STATISTICS REVIEW Q3 2017*. Note: Trends are 4-Q moving averages,

**Table A2.1: Private enterprise starts – change from 2011/12 (upper row) and relative to 2011/12 =1.00 (lower row)**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Q2 2017 <sup>^</sup>
<b>North East</b>	0	180	1,920	2,490	2,520	4,630	1,055
	1.00	1.05	1.57	1.74	1.75	2.37	2.25
<b>North West</b>	0	810	2,820	3,510	5,290	9,310	2,815
	1.00	1.10	1.33	1.41	1.63	2.10	2.33
<b>Yorkshire &amp; The Humber</b>	0	-340	4,760	3,260	3,120	5,950	1,665
	1.00	0.95	1.69	1.47	1.45	1.86	1.96
<b>East Midlands</b>	0	-860	1,590	3,090	4,000	4,200	1,248
	1.00	0.87	1.25	1.48	1.62	1.65	1.77
<b>West Midlands</b>	0	160	2,340	3,580	4,270	6,550	1,998
	1.00	1.02	1.35	1.54	1.65	1.99	2.21
<b>East of England</b>	0	-2,050	940	1,010	2,140	4,960	1,385
	1.00	0.86	1.07	1.07	1.15	1.35	1.39
<b>London</b>	0	-1,470	1,490	3,120	3,330	-550	498
	1.00	0.89	1.11	1.24	1.26	0.96	1.15
<b>South East</b>	0	-510	2,730	4,940	4,340	7,700	2,178
	1.00	0.97	1.18	1.32	1.28	1.50	1.57
<b>South West</b>	0	-300	2,280	2,780	2,700	4,380	1,098
	1.00	0.97	1.20	1.24	1.24	1.39	1.39
<b>Total*</b>	0	-4,380	20,870	27,780	31,710	47,130	13,938
	1.00	0.95	1.24	1.32	1.37	1.55	1.65

Source: Authors' calculation based on MHCLG *Live Tables 253 & 253a Housebuilding: permanent dwellings started and completed, by tenure and district* (accessed in July 2017).\* The regional figures are the sum of the constituent local authorities' starts rounded to 10 with some imputed data. The totals are not identical to the national figures. <sup>^</sup> Compared with a quarter of the 2011/12 figures. Note: Shaded lightly (darkly), since Help to Buy (London-40% Help to Buy) was fully in effect.

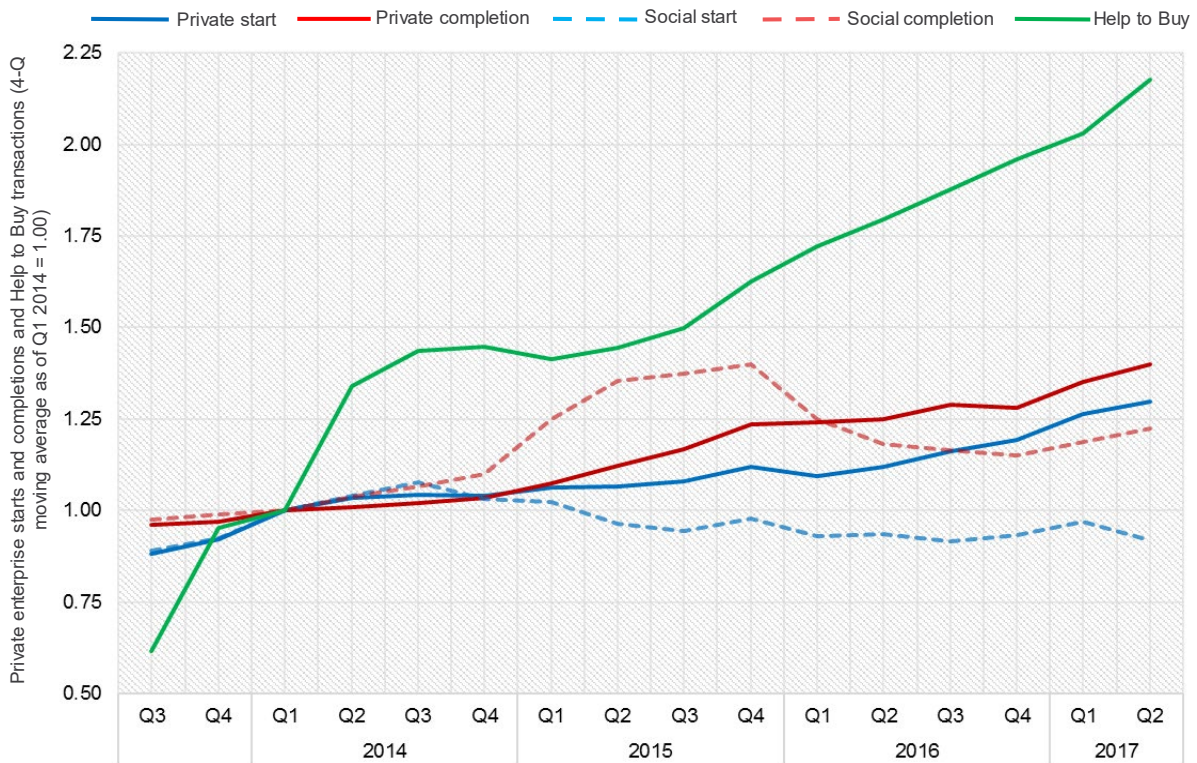
**Figure A2.11: Private enterprise starts and completions and Help to Buy transactions (4-Q moving average\*): England**



Source: For Private enterprise starts and completions, MHCLG *Live Table 213: permanent dwellings started and completed, by tenure, England (quarterly)* (accessed in November 2017). Note: Trends are 4-Q moving averages. For Help to Buy transactions Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). Note: \* Help to Buy figures for Q2 to Q4 2013 are 1 to 3-Q moving average.

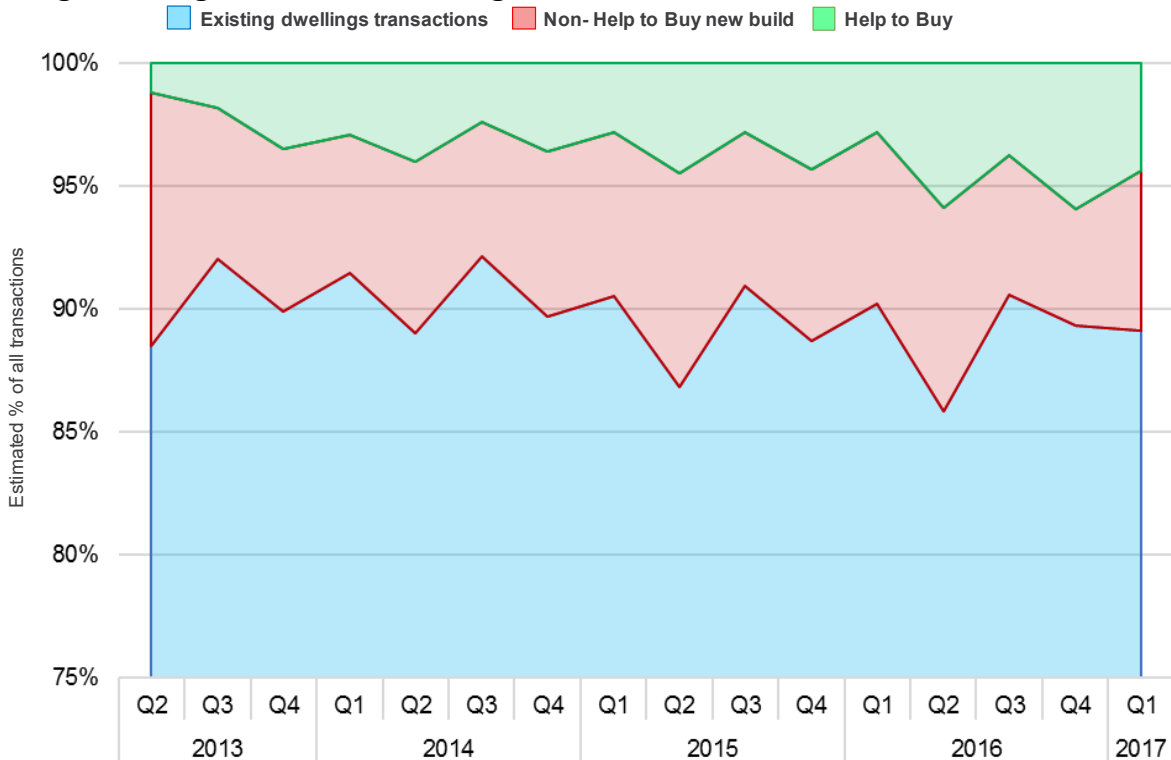


**Figure A2.12: Private enterprise starts and completions and Help to Buy transactions (4-Q moving average as of Q1 2014 = 1.00): England**



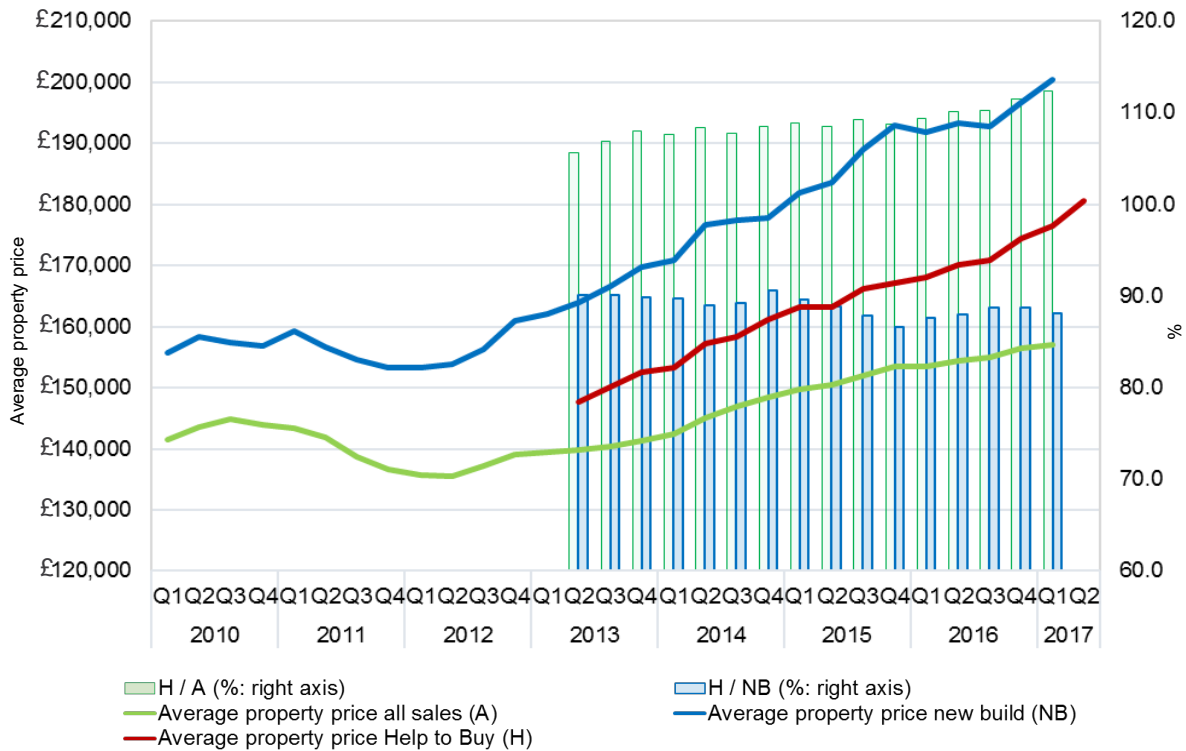
Source: For Private enterprise starts and completes, MHCLG *Live Table 213: permanent dwellings started and completed, by tenure, England (quarterly)* (accessed in November 2017). For Help to Buy transactions, authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). Note: Trends are 4-Q moving averages.

**Figure A2.13: Estimated proportions of Help to Buy, non-Help to Buy, new build and existing dwellings transactions: England**



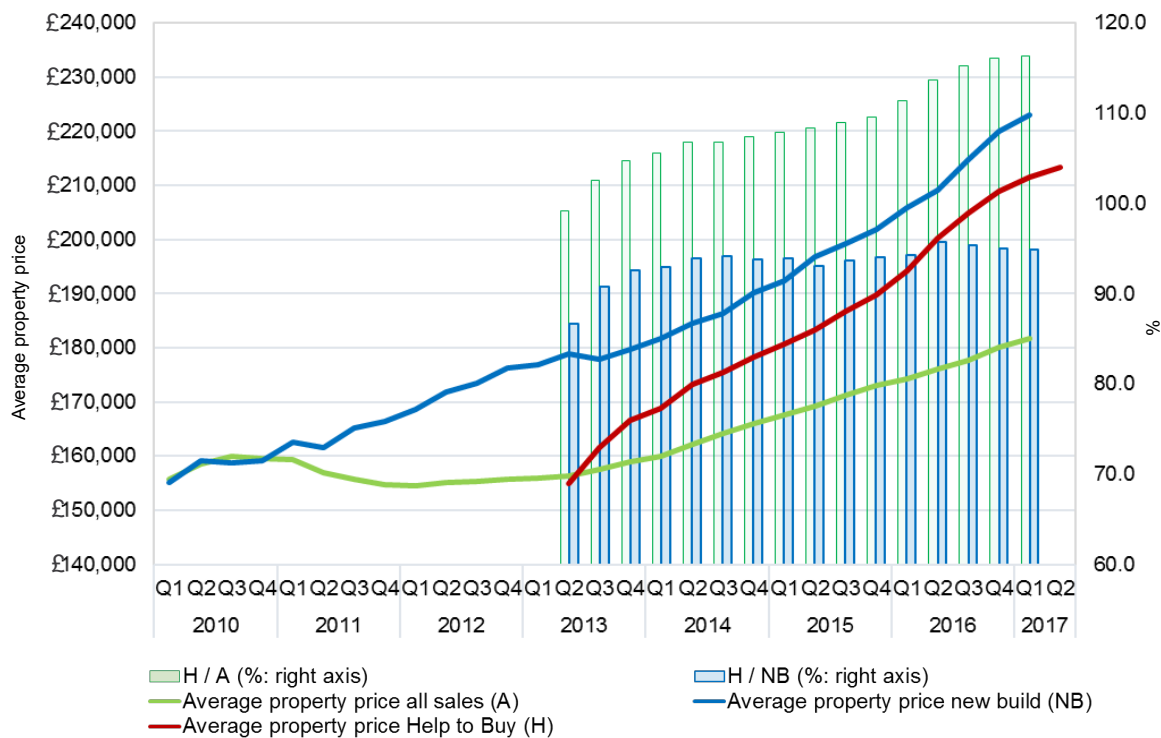
Source: (H) Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG), Office for National Statistics, Land Registry. *House Price Statistics for Small Areas (unpublished) June 2017*

**Figure A2.14: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): North East**



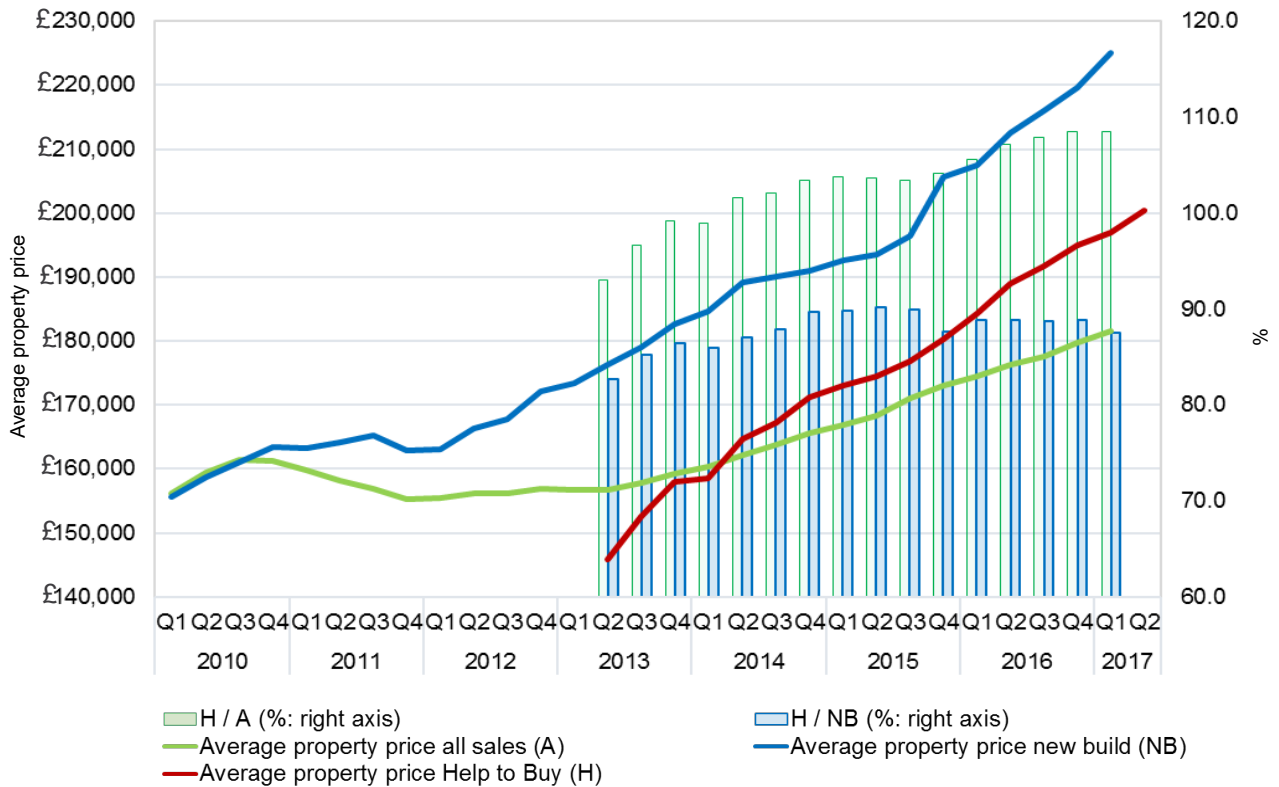
Source: For A & NB; Office for National Statistics, Land Registry. *Price Statistics for Small Areas Mean price paid for administrative geographies House Price Statistics for Small Areas - Datasets 12 & 13. Mean price paid for administrative geographies.* (H) Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG. Note: 4-Q moving average ending in the quarter. Help to Buy figures for Q2 to Q4 2013 are 1Q- to 3Q moving average respectively).

**Figure A2.15: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): North West**



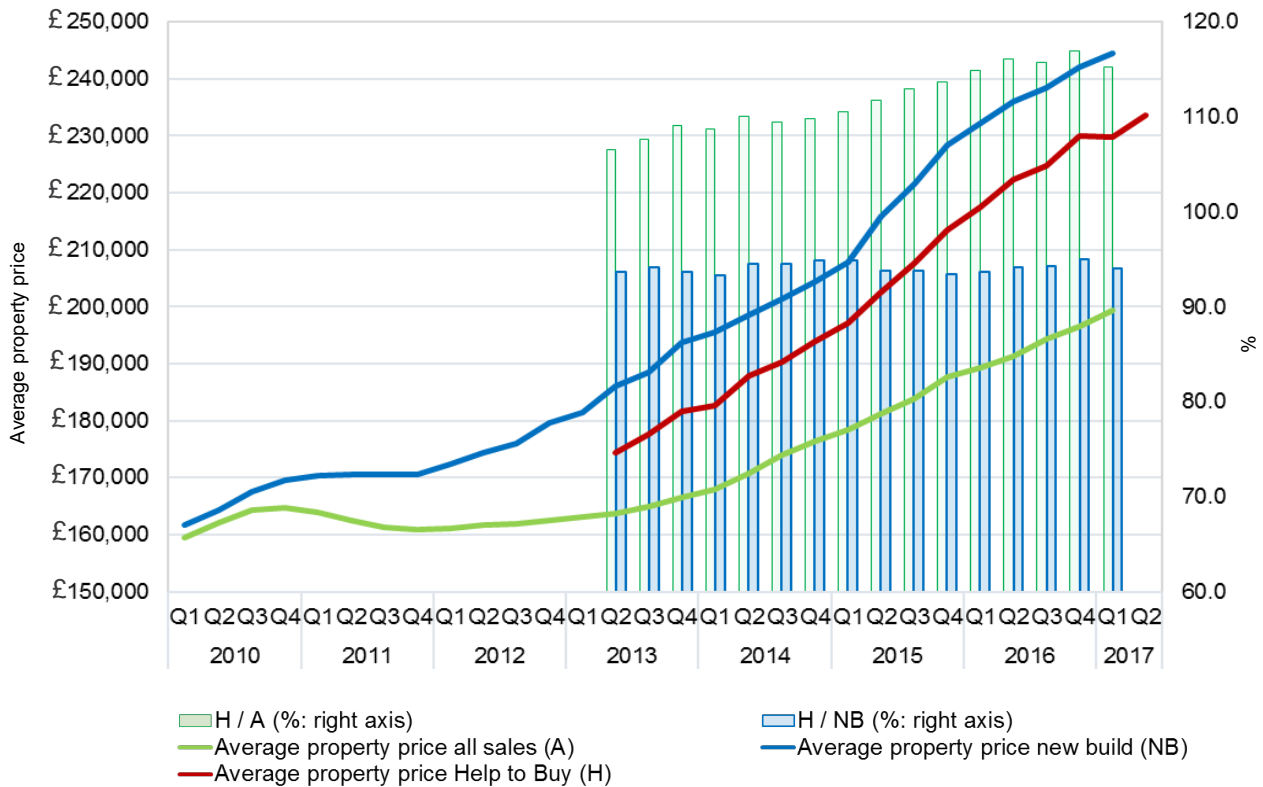
Source: As Figure A2.14

**Figure A2.16: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): Yorkshire & The Humber**



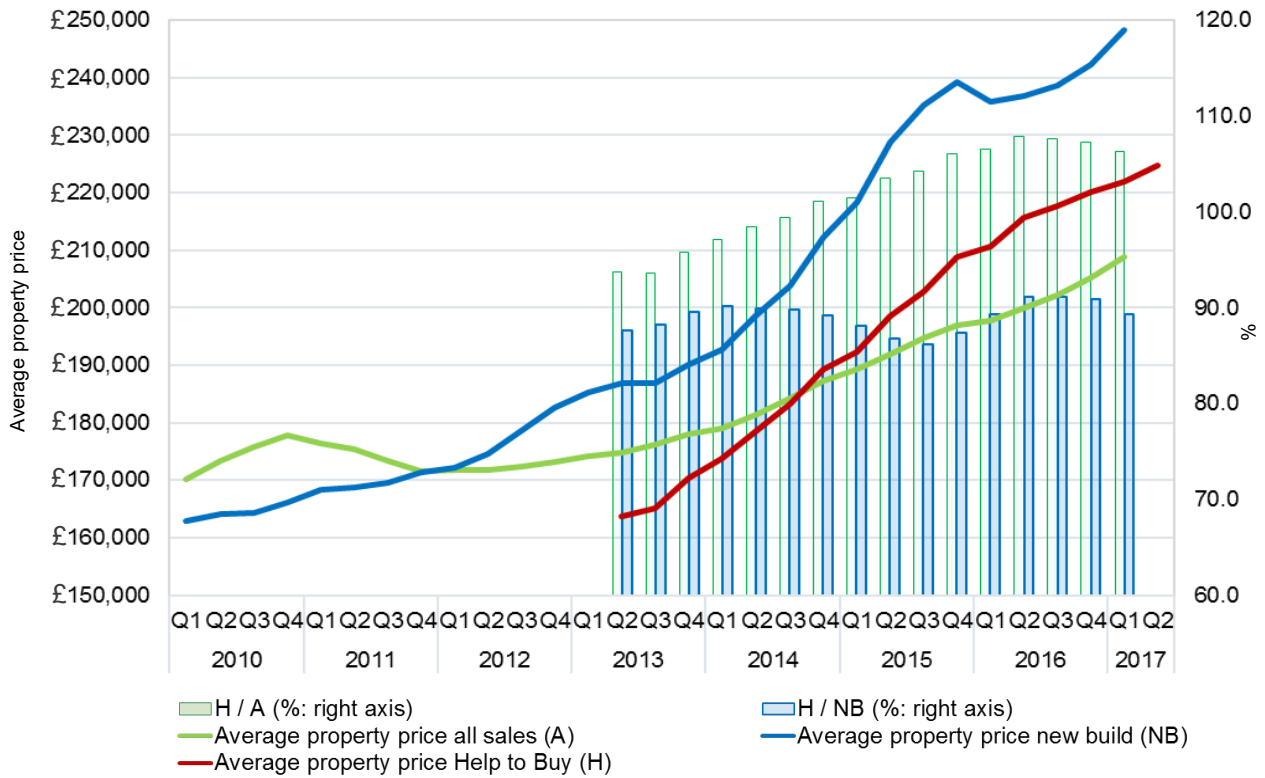
Source: As Figure A2.14

**Figure A2.17: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): East Midlands**



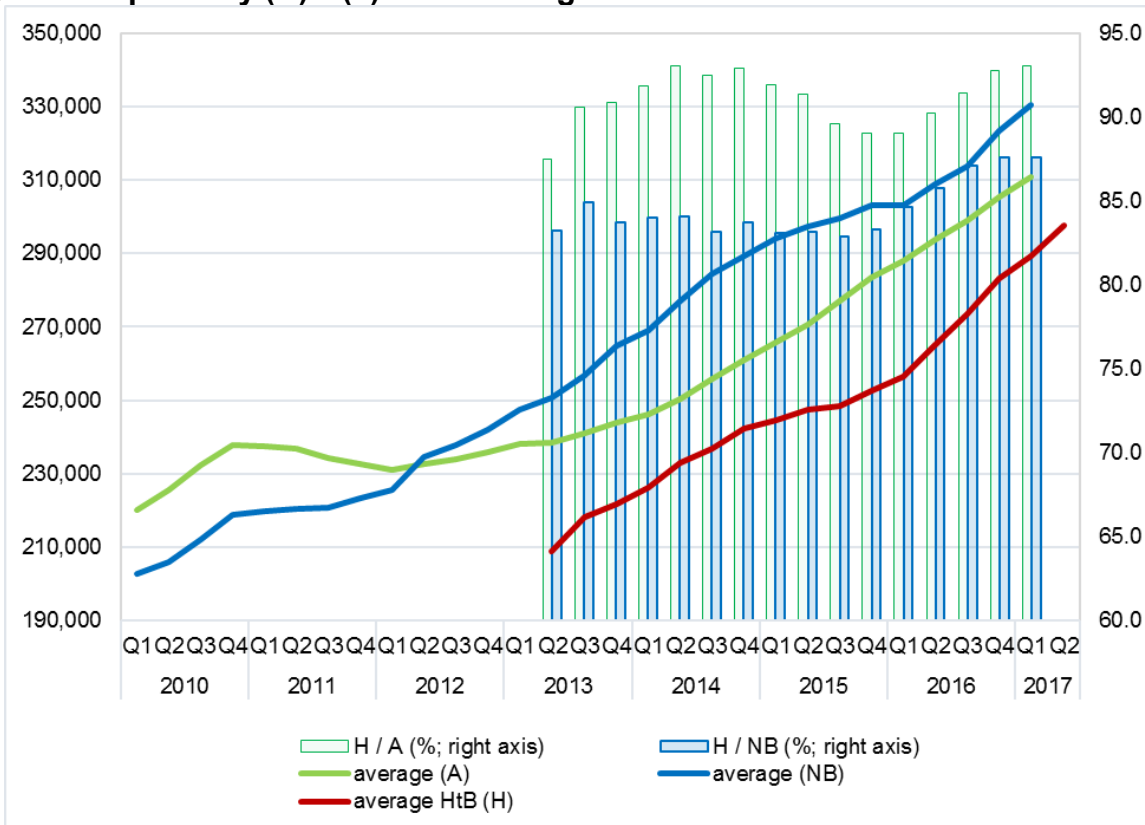
Source: As Figure A2.14

**Figure A2.18: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): West Midlands**



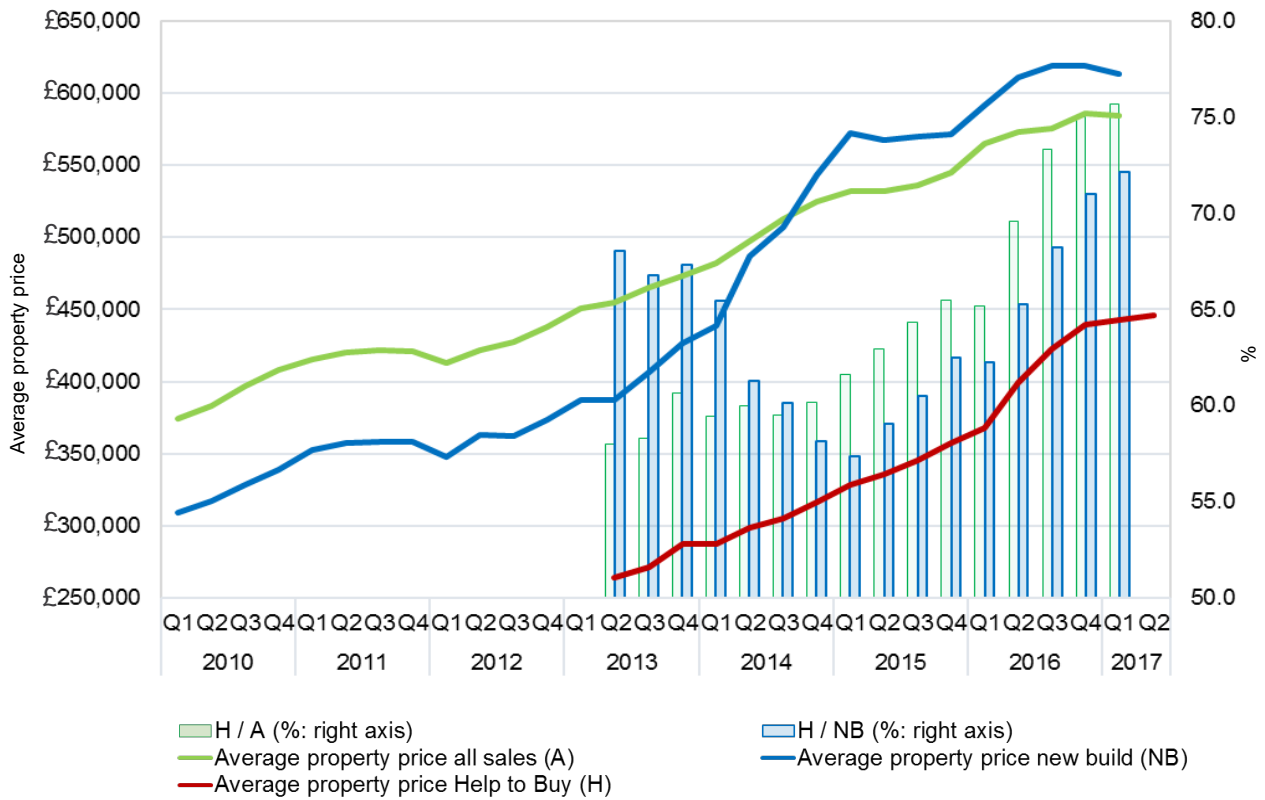
Source: As Figure A2.14

**Figure A2.19: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): East of England**



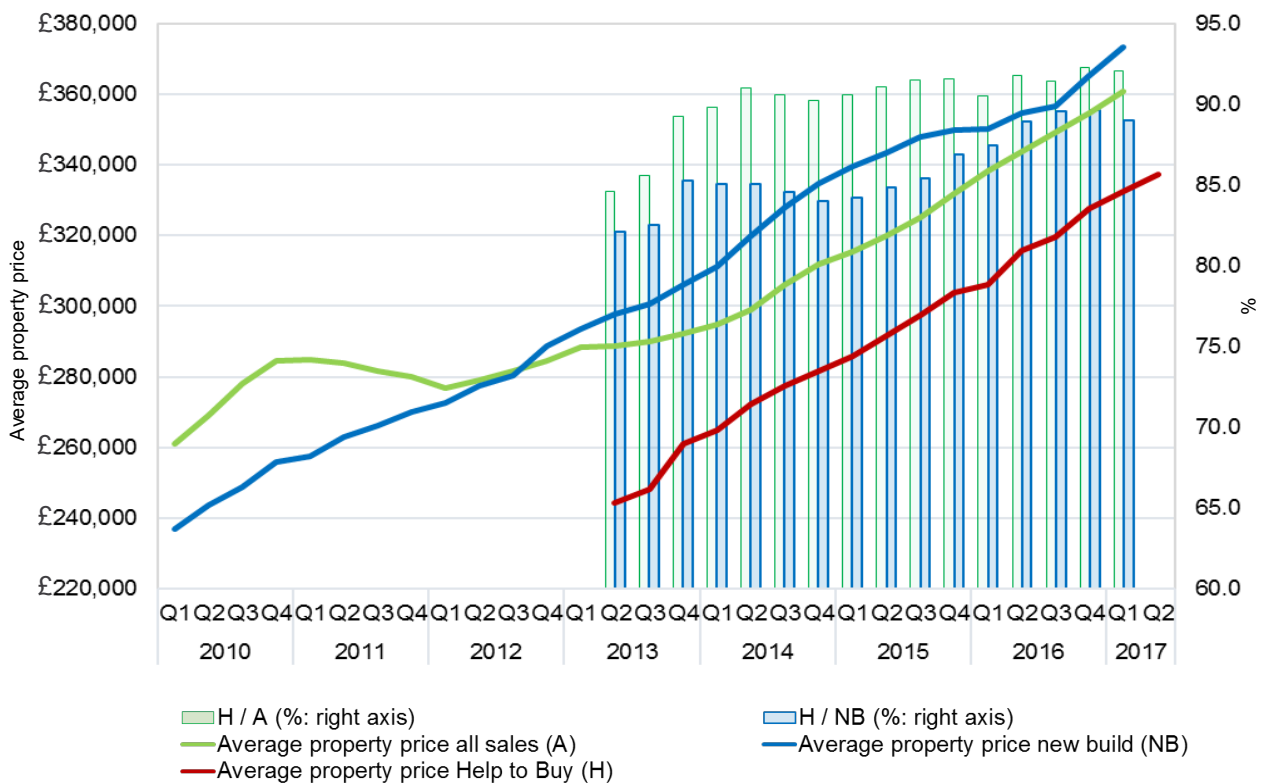
Source: As Figure A2.14

**Figure A2.20: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): London**



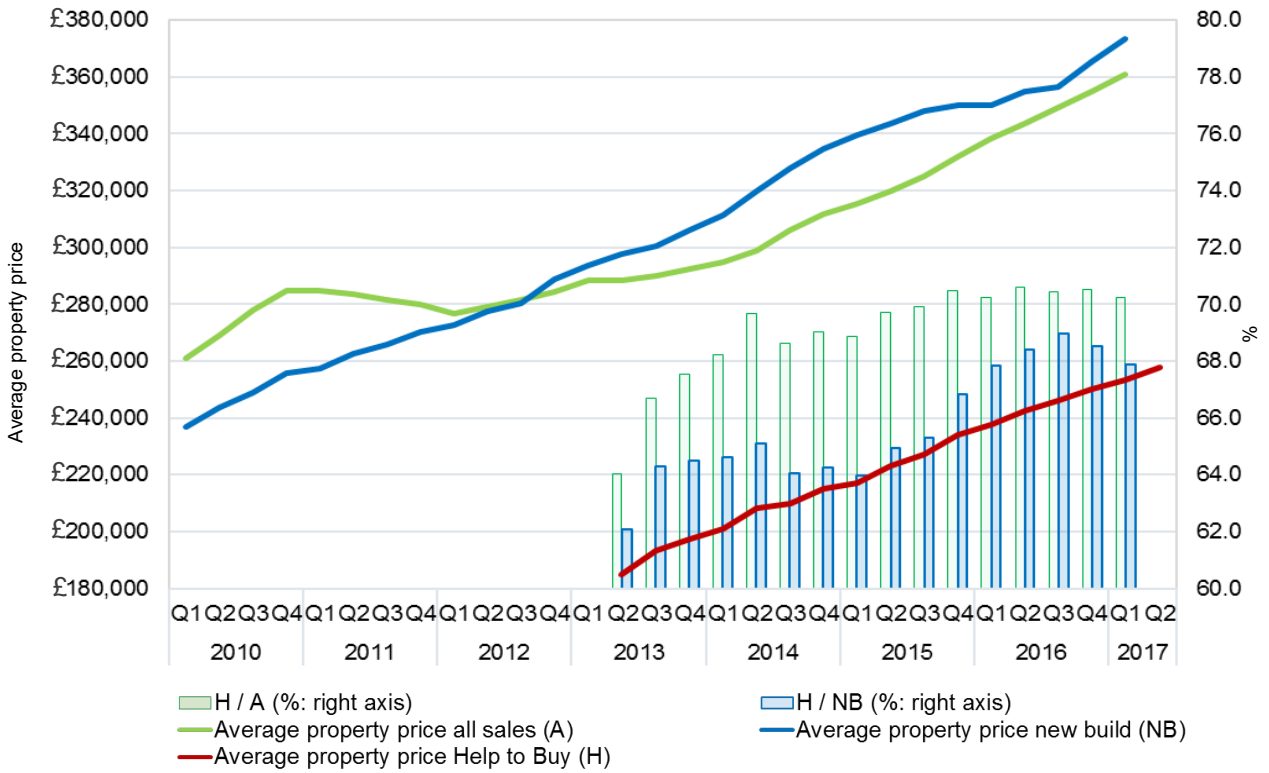
Source: As Figure A2.14

**Figure A2.21: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): South East**



Source: As Figure A2.14

**Figure A2.22: Average property price for all sales (A), sales of newly built homes (NB) and Help to Buy (H)\*: (£): South West**



Source: As Figure A2.14



**Table A2.2: Average price (£) of new build property (NB) and Help to Buy property (H) by region and year**

		2010	2011	2012	2013*	2014	2015	2016	2017*
North East	NB	156,889	153,337	160,872	169,687	177,869	192,861	196,581	-
	H				152,545	161,130	167,059	174,373	184,364
	H/NB (%)				89.9	90.6	86.6	88.7	-
North West	NB	159,227	166,476	176,206	179,807	190,185	201,791	219,985	-
	H				166,588	178,311	189,746	209,025	215,904
	H/NB (%)				92.6	93.8	94.0	95.0	-
Yorkshire & The Humber	NB	163,485	162,927	172,076	182,705	190,889	205,648	219,603	-
	H				157,917	171,249	180,337	195,000	203,301
	H/NB (%)				86.4	89.7	87.7	88.8	-
East Midlands	NB	169,687	170,573	179,565	193,815	204,388	228,478	242,133	-
	H				181,676	193,911	213,391	230,034	235,318
	H/NB (%)				93.7	94.9	93.4	95.0	-
West Midlands	NB	166,239	171,334	182,752	190,227	212,270	239,172	242,229	-
	H				170,461	189,290	208,952	220,185	227,393
	H/NB (%)				89.6	89.2	87.4	90.9	-
East of England	NB	218,721	223,157	241,953	264,693	289,488	303,245	323,483	-
	H				221,636	242,312	252,590	283,352	306,422
	H/NB (%)				83.7	83.7	83.3	87.6	-
London	NB	339,006	358,523	373,828	426,797	543,408	571,693	619,077	-
	H				287,439	316,034	357,216	439,717	445,316
	H/NB (%)				67.3	58.2	62.5	71.0	-
South East	NB	255,981	270,141	288,813	306,115	334,927	349,885	365,252	-
	H				260,982	281,491	303,958	327,556	343,739
	H/NB (%)				85.3	84.0	86.9	89.7	-
South West	NB	204,314	202,028	208,557	220,850	243,449	260,363	280,622	-
	H				197,497	215,249	233,928	250,266	264,524
	H/NB (%)				89.4	88.4	89.8	89.2	-
England	NB	216,038	220,038	238,938	257,904	285,968	306,390	333,834	-
	H				202,551	217,100	232,482	257,687	276,800
	H/NB (%)				78.5	75.9	75.9	77.2	-

Source: For (NB): House Price Statistics for Small Areas - Dataset 13. Mean price paid for administrative geographies (newly built dwellings) September 2017. For (H) Authors' analysis drawing on Ipsos MORI (2017) Help to Buy Apr13-Mar17 (on behalf of MHCLG). Note: (NB) 4-Q moving average in the 4<sup>th</sup> Q of each year. (H) \* 3 Qs for 2013 & 2 Qs for 2017. Not inflation adjusted.

**Table A2.3: Average price (£) of new build property (NB) and Help to Buy property (H) by region and year: Detached**

		2013*	2014	2015	2016	2017*
North East	NB	223,826	228,463	238,965	249,525	-
	H	199,259	198,577	206,158	214,979	226,213
	H/NB (%)	89.0	86.9	86.3	86.2	-
North West	NB	252,860	261,950	275,923	288,188	-
	H	217,655	231,395	245,434	260,921	269,360
	H/NB (%)	86.1	88.3	89.0	90.5	-
Yorkshire & The Humber	NB	261,519	265,506	282,067	291,794	-
	H	221,686	237,823	238,944	254,819	267,799
	H/NB (%)	84.8	89.6	84.7	87.3	-
East Midlands	NB	253,848	266,777	286,913	301,967	-
	H	226,370	247,439	258,966	284,352	290,084
	H/NB (%)	89.2	92.8	90.3	94.2	-
West Midlands	NB	264,416	293,646	316,394	326,730	-
	H	227,926	253,172	272,830	288,491	294,068
	H/NB (%)	86.2	86.2	86.2	88.3	-
East of England	NB	356,603	375,546	400,305	422,616	-
	H	282,562	304,439	315,070	344,589	367,855
	H/NB (%)	79.2	81.1	78.7	81.5	-
London	NB	687,340	830,295	1,017,112	789,601	-
	H	385,779	396,855	421,154	544,883	566,650
	H/NB (%)	56.1	47.8	41.4	69.0	-
South East	NB	478,393	497,362	501,853	514,908	-
	H	351,730	375,192	392,186	412,205	431,135
	H/NB (%)	73.5	75.4	78.1	80.1	-
South West	NB	302,710	324,761	342,570	365,948	-
	H	255,155	275,548	294,944	318,350	332,230
	H/NB (%)	84.3	84.8	86.1	87.0	-
England	NB	313,298	326,866	343,431	355,524	-
	H	250,761	266,898	277,045	296,850	311,194
	H/NB (%)	80.0	81.7	80.7	83.5	-

Source & Note: As Table A2.2 above.



**Table A2.4: Average price (£) of new build property (NB) and Help to Buy property (H) by region and year: Semi-Detached**

		2013*	2014	2015	2016	2017*
North East	NB	139,403	148,700	155,150	152,252	-
	H	136,479	142,831	143,963	149,052	155,320
	H/NB (%)	97.9	96.1	92.8	97.9	-
North West	NB	158,802	162,058	170,486	174,945	-
	H	153,546	155,569	165,904	170,553	174,407
	H/NB (%)	96.7	96.0	97.3	97.5	-
Yorkshire & The Humber	NB	159,624	161,998	170,167	178,274	-
	H	148,023	151,673	155,880	166,722	166,280
	H/NB (%)	92.7	93.6	91.6	93.5	-
East Midlands	NB	159,958	168,651	183,892	192,838	-
	H	164,021	167,795	180,177	189,442	199,256
	H/NB (%)	102.5	99.5	98.0	98.2	-
West Midlands	NB	167,335	178,288	189,545	196,770	-
	H	162,749	170,585	181,580	188,937	196,415
	H/NB (%)	97.3	95.7	95.8	96.0	-
East of England	NB	246,418	261,107	272,416	297,540	-
	H	220,647	234,025	243,641	278,548	292,473
	H/NB (%)	89.5	89.6	89.4	93.6	-
London	NB	534,325	568,367	556,954	571,672	-
	H	314,987	358,815	376,022	450,804	506,333
	H/NB (%)	59.0	63.1	67.5	78.9	-
South East	NB	295,932	320,350	331,202	350,108	-
	H	275,628	284,054	308,941	332,593	343,295
	H/NB (%)	93.1	88.7	93.3	95.0	-
South West	NB	211,841	217,733	227,171	250,621	-
	H	196,603	206,172	219,933	242,028	253,086
	H/NB (%)	92.8	94.7	96.8	96.6	-
England	NB	212,828	219,285	228,665	240,775	-
	H	191,784	197,578	206,470	223,824	230,541
	H/NB (%)	90.1	90.1	90.3	93.0	-

Source & Note: As Table A2.2 above.

**Table A2.5: Average price (£) of new build property (NB) and Help to Buy property (H) by region and year: Terraced**

		2013*	2014	2015	2016	2017*
North East	NB	139,737	139,528	149,094	145,589	-
	H	132,561	136,819	136,087	140,120	143,678
	H/NB (%)	94.9	98.1	91.3	96.2	-
North West	NB	155,976	159,993	166,625	181,262	-
	H	148,989	151,090	153,531	167,211	173,430
	H/NB (%)	95.5	94.4	92.1	92.2	-
Yorkshire & The Humber	NB	154,675	159,920	167,983	186,603	-
	H	139,854	150,160	159,691	171,222	172,116
	H/NB (%)	90.4	93.9	95.1	91.8	-
East Midlands	NB	152,400	158,128	170,095	177,663	-
	H	158,590	159,496	173,226	182,637	193,724
	H/NB (%)	104.1	100.9	101.8	102.8	-
West Midlands	NB	162,240	172,579	181,670	188,399	-
	H	161,487	166,381	171,428	176,943	179,741
	H/NB (%)	99.5	96.4	94.4	93.9	-
East of England	NB	236,505	260,053	280,230	297,753	-
	H	218,723	230,770	243,066	269,768	287,985
	H/NB (%)	92.5	88.7	86.7	90.6	-
London	NB	479,000	540,196	586,627	617,016	-
	H	326,864	341,943	376,861	420,279	495,489
	H/NB (%)	68.2	63.3	64.2	68.1	-
South East	NB	278,671	300,935	324,725	347,376	-
	H	253,223	267,875	293,680	318,557	337,970
	H/NB (%)	90.9	89.0	90.4	91.7	-
South West	NB	198,764	215,988	226,540	250,880	-
	H	188,665	197,247	207,174	224,738	233,262
	H/NB (%)	94.9	91.3	91.5	89.6	-
England	NB	217,868	232,717	248,336	269,606	-
	H	188,493	198,065	209,372	231,189	248,197
	H/NB (%)	86.5	85.1	84.3	85.8	-

Source & Note: As Table A2.2 above.

**Table A2.6: Average price (£) of new build property (NB) and Help to Buy property (H) by region and year: Flat**

		2013*	2014	2015	2016	2017*
North East	NB	110,411	104,495	128,738	142,916	-
	H	105,009	117,718	121,694	124,760	121,044
	H/NB (%)	95.1	112.7	94.5	87.3	-
North West	NB	117,405	132,055	135,267	159,675	-
	H	109,778	125,652	135,592	160,425	150,511
	H/NB (%)	93.5	95.2	100.2	100.5	-
Yorkshire & The Humber	NB	122,086	112,984	140,235	158,550	-
	H	108,151	109,439	116,379	130,305	154,070
	H/NB (%)	88.6	96.9	83.0	82.2	-
East Midlands	NB	108,542	122,209	136,621	154,278	-
	H	110,748	113,437	126,154	127,540	138,589
	H/NB (%)	102.0	92.8	92.3	82.7	-
West Midlands	NB	130,007	154,079	185,062	163,082	-
	H	120,538	123,065	130,787	136,691	160,263
	H/NB (%)	92.7	79.9	70.7	83.8	-
East of England	NB	213,188	235,799	229,380	251,361	-
	H	180,631	189,289	195,636	228,039	243,269
	H/NB (%)	84.7	80.3	85.3	90.7	-
London	NB	412,935	537,023	562,277	617,711	-
	H	274,104	302,044	350,990	438,791	437,173
	H/NB (%)	66.4	56.2	62.4	71.0	-
South East	NB	211,555	239,165	253,090	270,469	-
	H	183,969	199,066	208,816	241,571	253,368
	H/NB (%)	87.0	83.2	82.5	89.3	-
South West	NB	178,084	206,980	218,228	221,688	-
	H	146,975	157,800	165,039	174,457	191,483
	H/NB (%)	82.5	76.2	75.6	78.7	-
England	NB	267,514	324,627	353,854	394,873	-
	H	184,049	198,667	233,451	285,089	329,821
	H/NB (%)	68.8	61.2	66.0	72.2	-

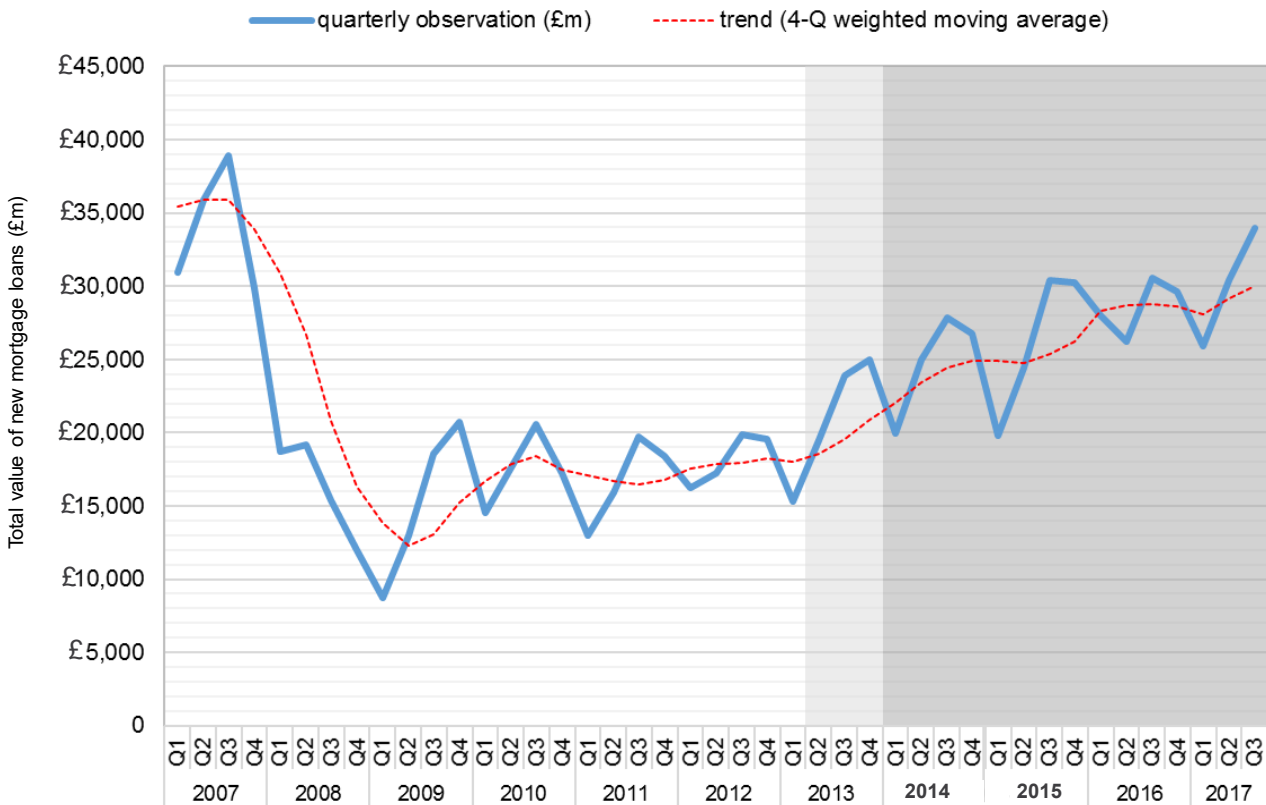
Source & Note: As Table A2.2 above.

**Table A2.7 Percent of Help to Buy transactions by region and property type (April 2013-June 2017)**

	Type	Help to Buy	All sales		Newly built sales	
		(H)	(S)	H - S	(NB)	H - NB
East Midlands	Detached	43.3	36.7	6.6	47.9	-4.5
	Semi-detached	32.7	31.3	1.4	23.2	9.4
	Terraced	19.8	25.6	-5.8	18.8	1.0
	Flat	4.2	6.4	-2.2	10.1	-5.9
East of England	Detached	24.5	29.5	-4.9	30.6	-6.1
	Semi-detached	30.4	25.6	4.8	19.8	10.6
	Terraced	26.8	27.8	-1.0	22.4	4.5
	Flat	18.2	17.1	1.1	27.2	-9.0
London	Detached	2.0	4.7	-2.7	1.5	0.5
	Semi-detached	5.8	13.3	-7.5	2.3	3.5
	Terraced	12.7	26.0	-13.3	7.1	5.6
	Flat	79.5	56.0	23.5	89.1	-9.6
North East	Detached	40.1	22.3	17.8	45.7	-5.6
	Semi-detached	34.2	33.8	0.4	25.8	8.5
	Terraced	22.4	33.2	-10.8	20.5	1.9
	Flat	3.3	10.7	-7.4	8.0	-4.8
North West	Detached	38.7	21.2	17.5	37.8	0.8
	Semi-detached	33.0	34.1	-1.1	22.8	10.2
	Terraced	23.3	32.8	-9.4	17.0	6.3
	Flat	5.0	12.0	-7.0	22.3	-17.3
South East	Detached	21.9	26.3	-4.4	25.6	-3.7
	Semi-detached	29.2	23.5	5.6	19.6	9.5
	Terraced	28.3	27.3	1.0	22.2	6.1
	Flat	20.7	22.9	-2.3	32.5	-11.9
South West	Detached	28.2	29.6	-1.4	29.4	-1.2
	Semi-detached	30.2	22.5	7.7	21.0	9.1
	Terraced	28.7	29.6	-0.9	23.4	5.4
	Flat	12.9	18.3	-5.4	26.2	-13.3
West Midlands	Detached	33.8	27.2	6.6	38.0	-4.2
	Semi-detached	35.9	32.8	3.1	25.2	10.6
	Terraced	22.0	28.7	-6.7	18.5	3.5
	Flat	8.3	11.3	-3.0	18.2	-9.9
Yorkshire & The Humber	Detached	30.2	24.2	6.0	36.0	-5.8
	Semi-detached	37.9	34.5	3.4	25.6	12.3
	Terraced	26.4	32.0	-5.6	21.7	4.7
	Flat	5.5	9.3	-3.8	16.7	-11.2

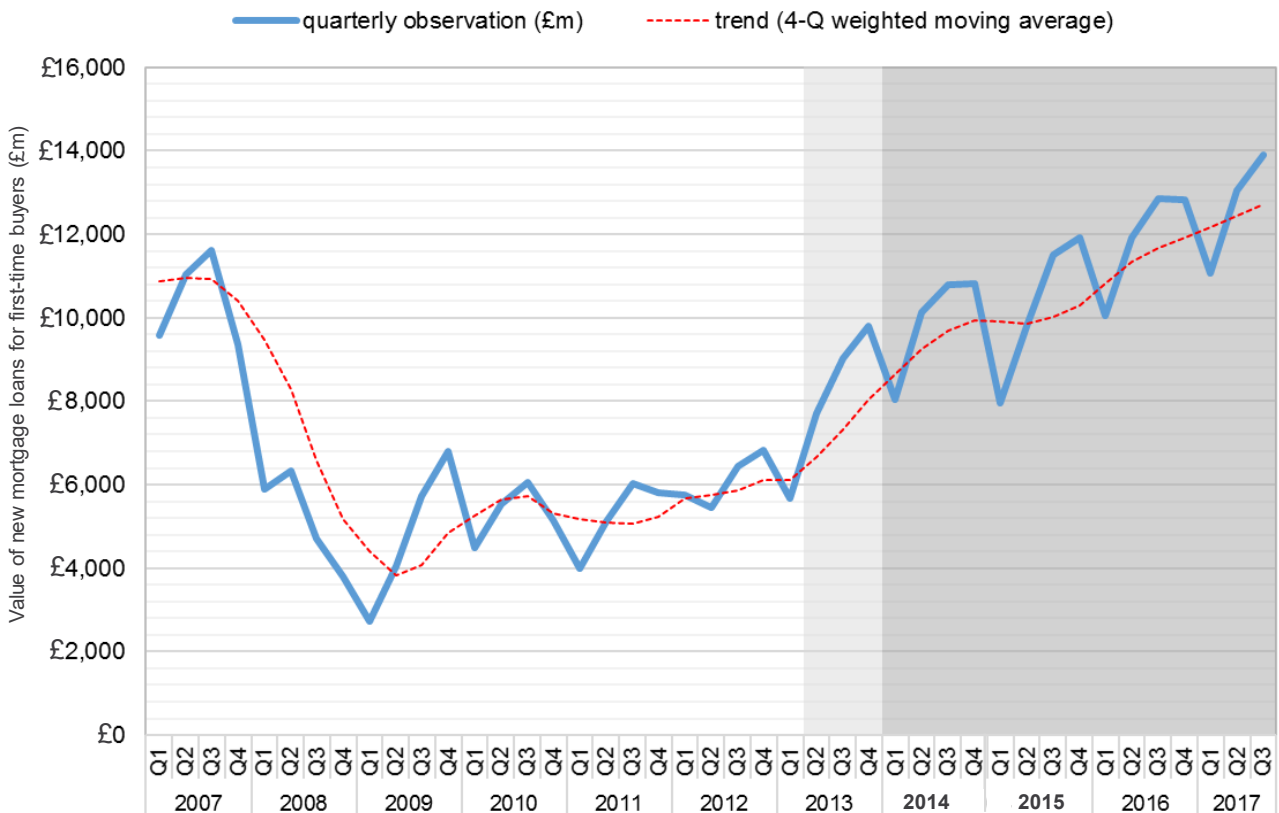
Source & Note: As Table A2.2 above.

**Figure A2.23: Total value of new mortgage loans (£m): England**



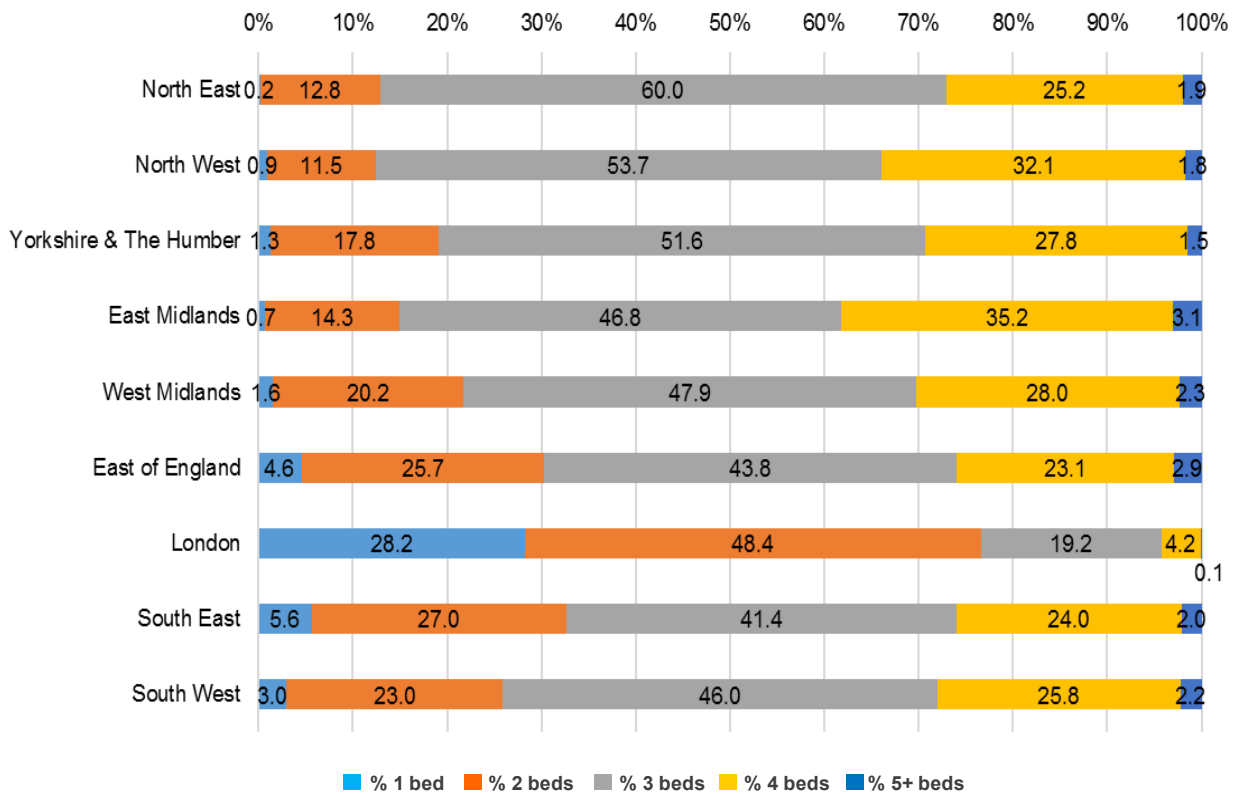
Source: Council of Mortgage Lenders; UK Finance, Table ML1 New mortgages by purpose of loan.

**Figure A2.24: Value of new mortgage loans for first-time buyers (£m): England**



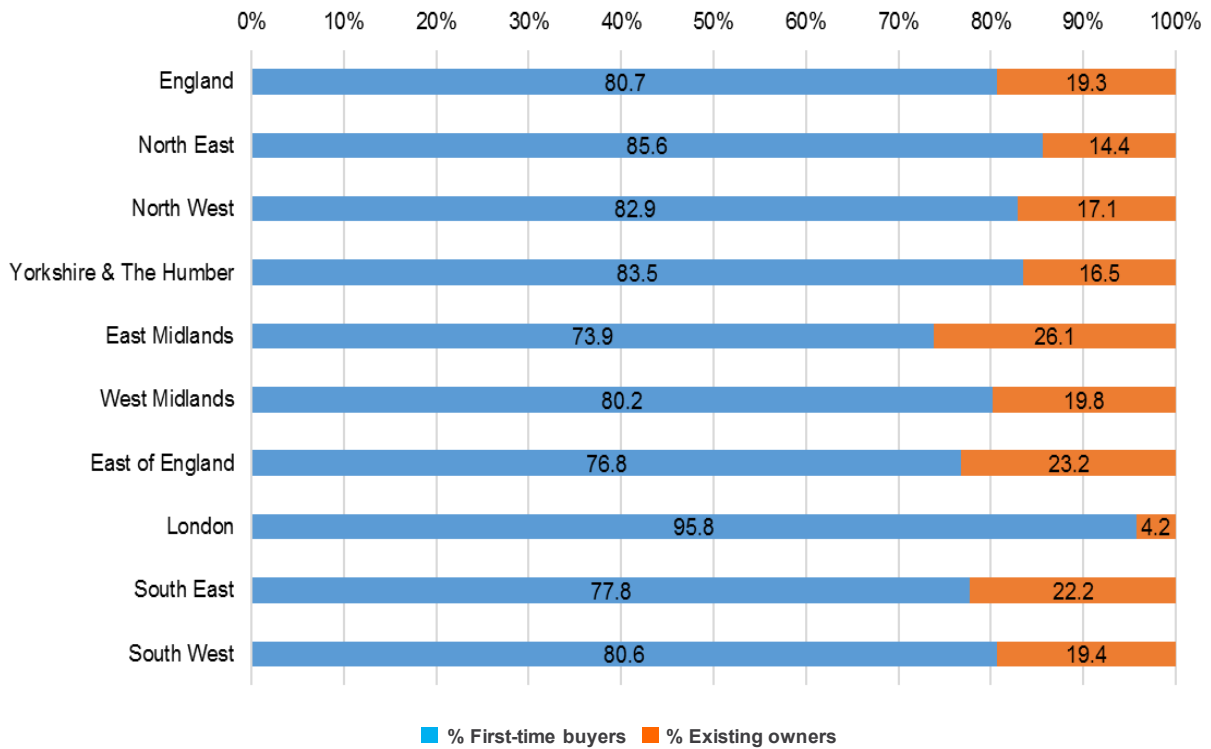
Source: Council of Mortgage Lenders; UK Finance, Table ML2 New mortgages by purpose of loan.

**Figure A2.25: Regional proportions of Help to Buy properties by number of bedrooms (%) (April 2013-June 2017)**



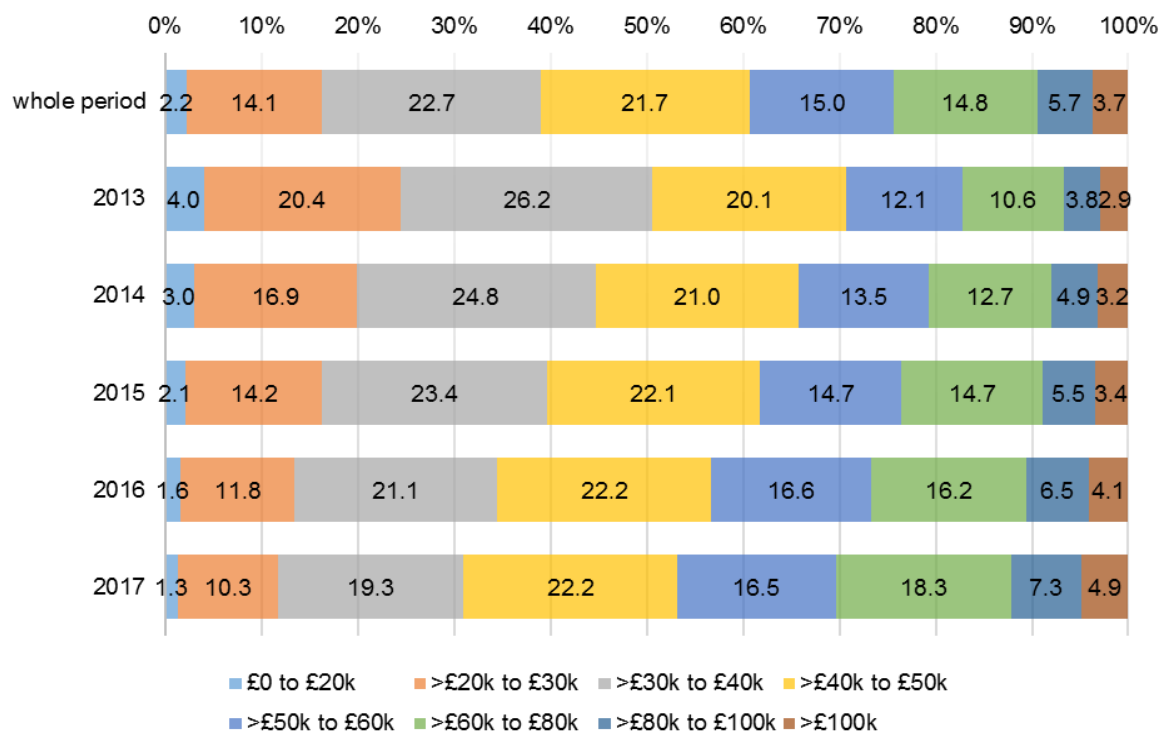
Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG).

**Figure A2.26: Proportion of buyers of Help to Buy properties by buyer status and region (April 2013-June 2017)**



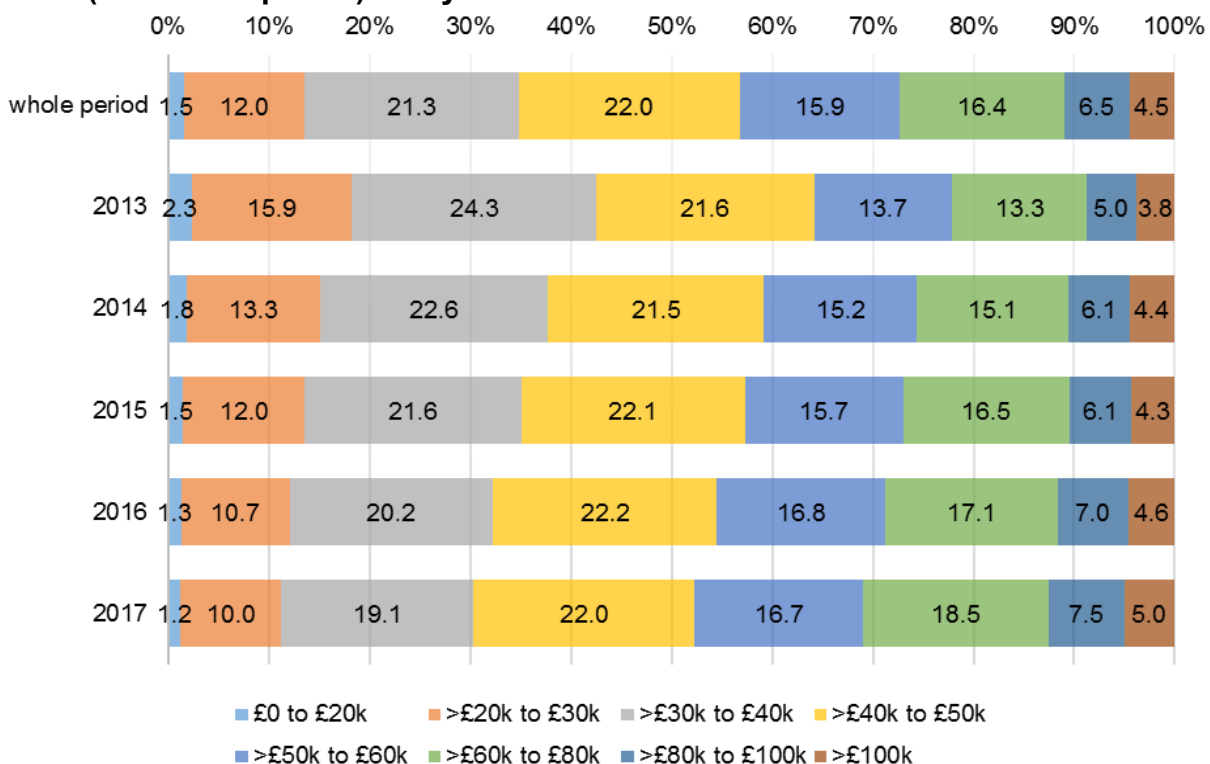
Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG).  
 Note: The English counts are 108,620 (First-time buyers) 25,938 (Existing owners).

**Figure A2.27: Proportions of Help to Buy transactions by applicant annual income band and year\***



Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). \*Note: not inflation adjusted. 3 Qs for 2013 and 2 Qs for 2017.

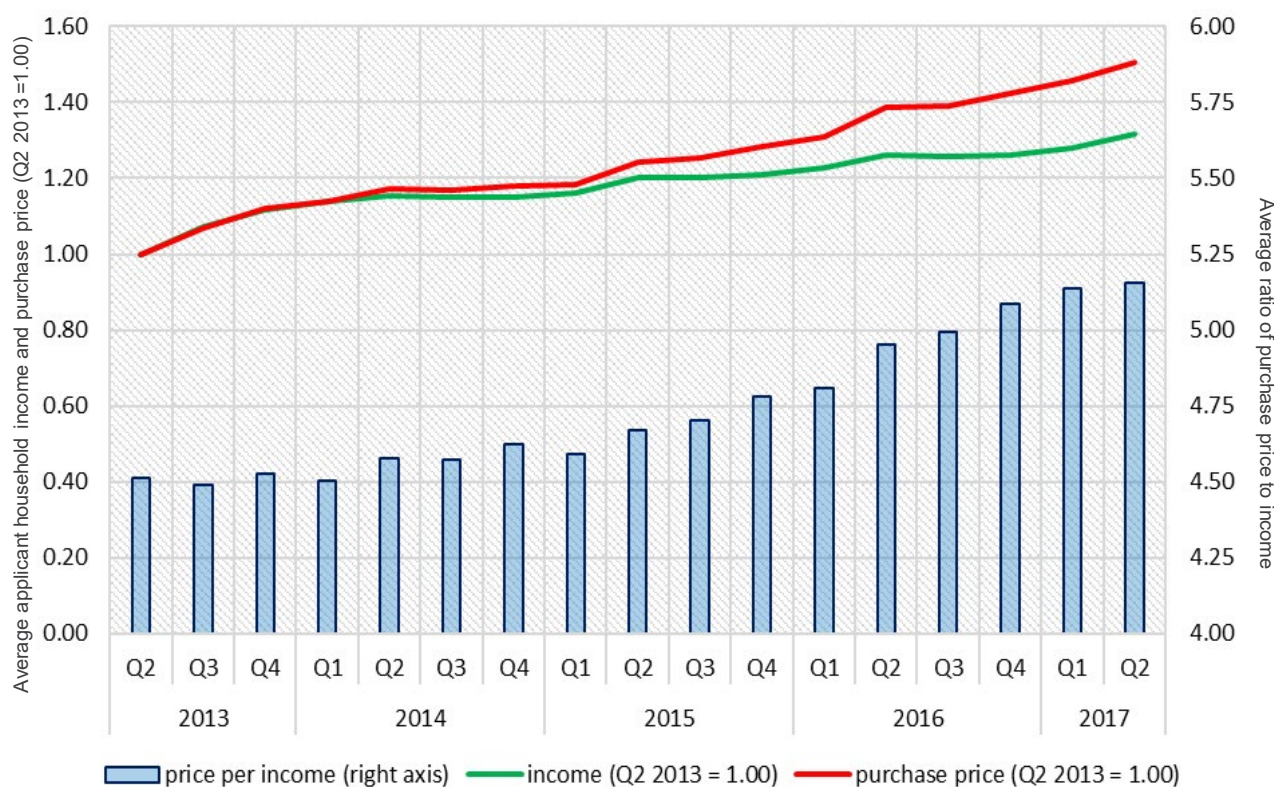
**Figure A2.27a: Proportions of Help to Buy transactions by applicant annual income band (June 2017 prices) and year\***



Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). \*Note: Income was inflationary adjusted to June 2017 price, drawing on ONS *EARN01 Average Weekly Earnings - total pay, Great Britain (seasonally adjusted)*. Accessed in March 2018. 3 Qs for 2013 and 2 Qs for 2017.

**Figure A2.28: Average applicant household income: purchase price (Q2 2013 = 1.00) and average ratio of price to income: England**





Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG).

**Table A2.8: Mean purchase-related values (£) of Help to Buy transactions by region (April 2013-June 2017)**

	Purchase price (£)	Mortgage (£)	Equity Loan (£)	Deposit (£)
<b>London</b>	388,140	240,944	110,306	36,890
<b>South East</b>	307,965	215,712	61,175	31,078
<b>East of England</b>	263,251	185,894	52,246	25,111
<b>South West</b>	235,086	165,199	46,684	23,203
<b>East Midlands</b>	214,919	152,407	42,647	19,865
<b>West Midlands</b>	206,809	147,646	41,059	18,104
<b>North West</b>	195,057	139,647	38,840	16,570
<b>Yorkshire &amp; The Humber</b>	183,386	131,772	36,503	15,112
<b>North East</b>	169,150	122,044	33,668	13,438
<b>England</b>	<b>240,530</b>	<b>168,185</b>	<b>49,963</b>	<b>22,383</b>

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG).

**Table A2.9: Purchase-related values (as a proportion of mean purchase price; %): Help to Buy transactions by region (April 2013-June 2017)**



	Mortgage*	Equity Loan	Deposit
<b>North East</b>	72.2	19.9	7.9
<b>Yorkshire &amp; The Humber</b>	71.9	19.9	8.2
<b>North West</b>	71.6	19.9	8.5
<b>West Midlands</b>	71.4	19.9	8.8
<b>East Midlands</b>	70.9	19.8	9.2
<b>East of England</b>	70.6	19.8	9.5
<b>South West</b>	70.3	19.9	9.9
<b>South East</b>	70.0	19.9	10.1
<b>London</b>	62.1	28.4	9.5
<b>England</b>	<b>69.9</b>	<b>20.8</b>	<b>9.3</b>

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). Note: The numerators and the denominators for these relative figures were the averages in the previous table. Thus, \* was not identical to the average of Loan to Values.

**Table A2.10: Loan to Value (%) of mortgages for Help to Buy transactions**

		Mean	Median	Lower Quartile	Upper Quartile	Std. Deviation
<b>2013</b>	<b>Q2</b>	73.4	75.0	75.0	75.0	4.7
	<b>Q3</b>	73.0	75.0	74.5	75.0	5.6
	<b>Q4</b>	72.5	75.0	73.6	75.0	6.3
<b>2014</b>	<b>Q1</b>	72.5	75.0	73.2	75.0	6.2
	<b>Q2</b>	71.9	75.0	71.9	75.0	7.0
	<b>Q3</b>	71.8	75.0	71.6	75.0	7.3
	<b>Q4</b>	71.8	75.0	71.4	75.0	7.3
<b>2015</b>	<b>Q1</b>	71.8	75.0	72.0	75.0	7.4
	<b>Q2</b>	71.5	75.0	71.3	75.0	7.9
	<b>Q3</b>	71.5	75.0	71.2	75.0	7.6
	<b>Q4</b>	71.4	75.0	70.6	75.0	7.7
<b>2016</b>	<b>Q1</b>	71.2	75.0	70.5	75.0	8.1
	<b>Q2</b>	70.3	75.0	69.9	75.0	8.9
	<b>Q3</b>	70.1	75.0	69.8	75.0	9.1
	<b>Q4</b>	69.6	75.0	68.9	75.0	9.8
<b>2017</b>	<b>Q1</b>	68.9	75.0	67.1	75.0	10.4
	<b>Q2</b>	69.0	74.9	67.2	75.0	10.1

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG).

**Table A2.11: Loan to Value (%) of mortgages for Help to Buy transactions by buyer status**

		Mean		Median		Lower Quartile		Upper Quartile		Std.Deviation		Transactions		%	
		FTB	EO	FTB	EO	FTB	EO	FTB	EO	FTB	EO	FTB	EO	FTB	EO
2013	Q2	73.5	71.7	75.0	75.0	75.0	72.0	75.0	75.0	4.4	7.9	2,004	99	95.3	4.7
	Q3	73.3	70.5	75.0	75.0	74.8	70.0	75.0	75.0	5.1	9.1	3,564	380	90.4	9.6
	Q4	72.9	70.0	75.0	75.0	74.3	69.4	75.0	75.0	5.5	9.6	6,899	1,077	86.5	13.5
2014	Q1	73.0	70.3	75.0	75.0	74.3	69.8	75.0	75.0	5.4	8.9	4,645	936	83.2	16.8
	Q2	72.5	69.8	75.0	75.0	72.7	69.2	75.0	75.0	6.1	9.4	6,943	1,832	79.1	20.9
	Q3	72.6	69.1	75.0	75.0	72.8	68.0	75.0	75.0	6.0	10.2	4,588	1,258	78.5	21.5
	Q4	72.3	69.6	75.0	75.0	72.4	68.3	75.0	75.0	6.4	9.5	6,442	1,732	78.8	21.2
2015	Q1	72.3	70.0	75.0	75.0	72.8	68.5	75.0	75.0	6.7	9.2	3,841	1,088	77.9	22.1
	Q2	72.1	69.0	75.0	74.9	72.3	67.2	75.0	75.0	6.9	10.3	7,384	1,972	78.9	21.1
	Q3	72.3	68.7	75.0	74.7	72.3	65.7	75.0	75.0	6.5	10.3	5,442	1,459	78.9	21.1
	Q4	72.1	68.4	75.0	74.0	72.0	66.0	75.0	75.0	6.6	10.4	8,410	2,242	79.0	21.0
2016	Q1	72.0	68.1	75.0	73.2	72.1	65.2	75.0	75.0	6.9	10.8	5,335	1,479	78.3	21.7
	Q2	71.1	67.2	75.0	72.0	70.2	63.1	75.0	75.0	8.2	10.9	8,590	2,223	79.4	20.6
	Q3	70.8	67.7	75.0	72.5	70.1	64.2	75.0	75.0	8.5	10.6	6,794	1,749	79.5	20.5
	Q4	70.2	66.8	75.0	71.6	70.0	62.5	75.0	75.0	9.3	11.3	9,975	2,265	81.5	18.5
2017	Q1	69.5	66.6	75.0	71.5	69.0	61.8	75.0	75.0	10.0	11.6	6,695	1,516	81.5	18.5
	Q2	69.7	65.9	75.0	70.6	69.3	60.0	75.0	75.0	9.5	11.8	11,069	2,631	80.8	19.2

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). Note: FTB (First-time buyer), EO (Existing owner)

**Table A2.12: Loan to Value (%) of mortgages for Help to Buy transactions: London and the rest of England**

		Mean		Median		Lower Quartile		Upper Quartile		Std.Deviation		No.		%	
		Rest	LDN	Rest	LDN	Rest	LDN	Rest	LDN	Rest	LDN	Rest	LDN	Rest	LDN
2013	Q2	73.5	72.5	75.0	75.0	75.0	72.9	75.0	75.0	4.5	6.9	2,027	76	96.4	3.6
	Q3	73.0	72.7	75.0	75.0	74.7	73.1	75.0	75.0	5.7	5.3	3,683	261	93.4	6.6
	Q4	72.6	71.4	75.0	75.0	73.8	70.7	75.0	75.0	6.2	8.0	7,394	582	92.7	7.3
2014	Q1	72.6	72.3	75.0	75.0	73.2	72.5	75.0	75.0	6.2	6.3	5,139	442	92.1	7.9
	Q2	71.9	72.0	75.0	75.0	71.9	71.9	75.0	75.0	7.0	6.8	8,381	394	95.5	4.5
	Q3	71.8	71.9	75.0	75.0	71.6	71.9	75.0	75.0	7.3	6.9	5,479	367	93.7	6.3
	Q4	71.8	70.8	75.0	75.0	71.5	70.0	75.0	75.0	7.2	9.0	7,865	309	96.2	3.8
2015	Q1	71.8	71.0	75.0	75.0	72.0	70.0	75.0	75.0	7.3	8.2	4,779	150	97.0	3.0
	Q2	71.5	70.3	75.0	75.0	71.5	70.0	75.0	75.0	7.8	9.1	8,786	570	93.9	6.1
	Q3	71.6	70.7	75.0	75.0	71.3	70.0	75.0	75.0	7.5	8.3	6,470	431	93.8	6.2
	Q4	71.4	71.1	75.0	75.0	70.7	70.0	75.0	75.0	7.7	7.7	10,107	545	94.9	5.1
2016	Q1	71.3	69.5	75.0	75.0	70.8	68.3	75.0	75.0	8.0	9.7	6,458	356	94.8	5.2
	Q2	70.9	61.3	75.0	59.9	70.0	54.6	75.0	75.0	8.3	12.9	10,129	684	93.7	6.3
	Q3	71.1	56.9	75.0	55.0	70.0	52.3	75.0	64.9	8.1	11.3	7,979	564	93.4	6.6
	Q4	70.8	53.4	75.0	55.0	70.0	48.9	75.0	55.0	8.5	11.0	11,359	881	92.8	7.2
2017	Q1	70.7	53.6	75.0	55.0	70.0	48.9	75.0	55.0	8.7	11.0	7,347	864	89.5	10.5
	Q2	70.6	54.4	75.0	55.0	70.0	50.7	75.0	55.0	8.7	10.1	12,363	1,337	90.2	9.8

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). Note: LDN (London). In gothic italic, since London-40% Help to Buy was fully in effect.

**Table A2.13: Regional distribution of developers with 1,000+ Help to Buy transactions (count; whole period)**

	EM	East	LDN	NE	NW	SE	SW	WM	Y&H	Total
Persimmon	2,342	3,187	543	2,748	1,778	2,562	3,687	2,335	1,616	20,798
Barratt	2,829	1,946	1,941	855	1,989	3,522	2,703	2,074	1,886	19,745
Taylor Wimpey	1,198	2,525	273	1,240	1,745	3,901	1,906	2,767	1,178	16,733
Bellway	1,231	1,142	657	1,169	1,272	1,485	402	958	362	8,678
Redrow	542	128	251	0	1,350	722	972	609	563	5,137
Keepmoat Plc	392	133	0	955	990	0	0	728	1,262	4,460
Bovis	222	715	15	0	236	1,263	1,033	603	84	4,171
Galliford	350	759	230	59	31	699	941	198	442	3,709
Bloor	336	864	1	0	302	589	944	519	0	3,555
Crest Nicholson	163	522	204	0	0	1,235	518	211	0	2,853
Miller Homes	562	137	0	400	408	213	23	223	323	2,289
Kier Group	557	440	0	0	0	310	123	480	57	1,967
Gleeson	244	0	0	634	433	0	0	0	558	1,869
Morris Homes	285	204	0	0	925	13	0	263	0	1,690
Countryside Properties UK	0	195	643	0	0	386	0	0	0	1,224
Lovell	54	56	199	0	348	77	54	337	68	1,193
Strata	328	0	0	0	0	0	0	3	728	1,059
<b>Total</b>	<b>11,635</b>	<b>12,953</b>	<b>4,957</b>	<b>8,060</b>	<b>11,807</b>	<b>16,977</b>	<b>13,306</b>	<b>12,308</b>	<b>9,127</b>	<b>101,130</b>

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG).

**Table A2.14: Regional distribution of developers with 1,000+ Help to Buy transactions (% by developer; whole period)**

	EM	East	LDN	NE	NW	SE	SW	WM	Y&H	Total
Persimmon	11.3	15.3	2.6	13.2	8.5	12.3	17.7	11.2	7.8	100.0
Barratt	14.3	9.9	9.8	4.3	10.1	17.8	13.7	10.5	9.6	100.0
Taylor Wimpey	7.2	15.1	1.6	7.4	10.4	23.3	11.4	16.5	7.0	100.0
Bellway	14.2	13.2	7.6	13.5	14.7	17.1	4.6	11.0	4.2	100.0
Redrow	10.6	2.5	4.9	0.0	26.3	14.1	18.9	11.9	11.0	100.0
Keepmoat Plc	8.8	3.0	0.0	21.4	22.2	0.0	0.0	16.3	28.3	100.0
Bovis	5.3	17.1	0.4	0.0	5.7	30.3	24.8	14.5	2.0	100.0
Galliford	9.4	20.5	6.2	1.6	0.8	18.8	25.4	5.3	11.9	100.0
Bloor	9.5	24.3	0.0	0.0	8.5	16.6	26.6	14.6	0.0	100.0
Crest Nicholson	5.7	18.3	7.2	0.0	0.0	43.3	18.2	7.4	0.0	100.0
Miller Homes	24.6	6.0	0.0	17.5	17.8	9.3	1.0	9.7	14.1	100.0
Kier Group	28.3	22.4	0.0	0.0	0.0	15.8	6.3	24.4	2.9	100.0
Gleeson	13.1	0.0	0.0	33.9	23.2	0.0	0.0	0.0	29.9	100.0
Morris Homes	16.9	12.1	0.0	0.0	54.7	0.8	0.0	15.6	0.0	100.0
Countryside Properties UK	0.0	15.9	52.5	0.0	0.0	31.5	0.0	0.0	0.0	100.0
Lovell	4.5	4.7	16.7	0.0	29.2	6.5	4.5	28.2	5.7	100.0
Strata	31.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	68.7	100.0
<b>Total</b>	<b>11.5</b>	<b>12.8</b>	<b>4.9</b>	<b>8.0</b>	<b>11.7</b>	<b>16.8</b>	<b>13.2</b>	<b>12.2</b>	<b>9.0</b>	<b>100.0</b>

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG).

**Table A2.15: Top ten Help to Buy lenders, by value and percentage**

	Whole period	2013*	2014	2015	2016	2017*
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	£m <sup>†</sup>	%	% (2013)				
<b>Nationwide</b>	7,006	31.0	30.9	34.7	41.2	25.7	22.6
<b>Halifax</b>	6,851	30.3	54.1	34.1	25.8	27.1	25.2
<b>Nat West</b>	2,867	12.7	10.3	10.9	11.6	13.1	16.5
<b>Santander</b>	2,732	12.1	1.7	9.5	11.3	17.6	11.9
<b>Woolwich</b>	998	4.4	2.6	4.9	2.6	3.7	8.3
<b>Virgin Money</b>	551	2.4	0.0	1.4	1.4	2.5	6.1
<b>Skipton</b>	468	2.1	0.0	1.8	1.7	2.7	2.9
<b>Leeds</b>	442	2.0	0.1	2.0	2.1	2.7	1.5
<b>TSB</b>	255	1.1	0.0	0.0	1.2	1.8	1.6
<b>Precise</b>	205	0.9	0.0	0.0	0.0	1.6	2.3

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). \* 3 Qs for 2013 and 2Qs for 2017.

Additional Note: <sup>†</sup> Simple sum of mortgage amounts at transactions. Not inflation adjusted.

**Table A2.16: Twenty local authorities with the most Help to Buy transactions (as of June 2017\*)**

LA (Region)	Transactions		As proportion of total sales		As proportion of new build sales	
	Count	Rank	(%)	Rank	(%)	Rank
Wiltshire (SW)	2,211	1	5.76	57	43.39	83
Central Bedfordshire (E)	1,913	2	7.60	27	43.29	85
Leeds (Y&H)	1,846	3	3.59	138	36.21	147
Wakefield (Y&H)	1,812	4	8.42	16	47.24	55
County Durham (NE)	1,740	5	5.62	60	43.11	87
Bedford (E)	1,658	6	12.38	1	56.70	21
Milton Keynes (SE)	1,618	7	8.01	23	46.51	59
Aylesbury Vale (SE)	1,437	8	8.77	13	45.23	71
Peterborough (E)	1,360	9	10.42	5	52.13	35
Telford and Wrekin (WM)	1,304	10	11.29	3	53.62	28
Birmingham (WM)	1,299	11	2.48	187	35.66	151
Manchester (NW)	1,272	12	4.65	90	36.78	142
Liverpool (NW)	1,260	13	5.10	76	37.10	141
Cheshire West and Chester (NW)	1,243	14	4.91	81	40.67	107
South Gloucestershire (SW)	1,222	15	5.62	61	41.34	102
Kingston Upon Hull (Y&H)	1,187	16	9.24	8	63.80	11
Cheshire East (NW)	1,175	17	3.71	128	40.68	106
Swindon (SW)	1,153	18	6.05	50	47.12	56
Northampton (EM)	1,110	19	6.25	48	64.98	7
Cornwall (SW)	1,083	20	2.33	197	22.74	252

Source: Authors' analysis drawing on Ipsos MORI (2017) *Help to Buy Apr13-Mar17* (on behalf of MHCLG). Note: Ranked in descending order. \* "as proportion of Sales" measures are based on transactions up to Q1 2017.

**Table A2.17: Twenty local authorities with the highest Help to Buy transactions in relation to new build transactions (as of July 2017)**

LA (Region)	Transactions		Help to Buy as proportion of all transactions		Help to Buy as proportion of new	
	Count	Rank	(%)	Rank	(%)	Rank
Cannock Chase (WM)	477	108	6.75	39	78.22	1
Blackpool (NW)	121	256	1.46	253	69.18	2
Tameside (NW)	626	67	5.02	77	67.63	3
Thurrock (E)	1,004	26	8.27	19	67.46	4
Stoke-on-Trent (WM)	635	66	4.34	99	67.29	5
Knowsley (NW)	533	90	7.91	25	65.28	6
Northampton (EM)	1,110	19	6.25	48	64.98	7
Burnley (NW)	243	190	4.43	95	64.80	8
Walsall (WM)	779	49	6.02	51	64.53	9
Nuneaton and Bedworth (WM)	470	110	5.31	71	64.35	10
Kingston Upon Hull (Y&H)	1,187	16	9.24	8	63.80	11
Gloucester (SW)	827	40	8.21	22	63.31	12
North East Lincolnshire (Y&H)	373	139	3.96	117	63.19	13
Halton (NW)	497	105	7.00	36	61.67	14
Wigan (NW)	819	42	4.34	98	59.36	15
Wolverhampton (WM)	813	45	6.87	38	59.06	16
North Lincolnshire (Y&H)	324	151	3.29	152	58.35	17
South Holland (EM)	296	169	3.95	118	58.01	18
Oldham (NW)	406	124	3.86	120	57.63	19
Sandwell (WM)	765	52	5.45	64	57.18	20

Source & Note: As Table A2.16.

## Annex 3: Additional primary data analysis

This Annex includes more detailed analysis of primary data collected as part of the Buyer telephone interview survey referred to in Chapter 4 of this report.

**Table A3.1: Profile of buyers using Help to Buy Equity Loan by region (Homes England Operating Area)**

	% All (1,500)	% East & South East (250)	% London (198)	% Midlands (331)	% NE, Y&H (257)	% North West (207)	% South & South West (257)
<b>First-time buyer status</b>							
First-time buyers	81	79	96	78	84	79	80
Non first-time buyers	19	21	4	22	16	21	20
Total	100	100	100	100	100	100	100
<b>Age</b>							
16-24	5	3	1	7	7	5	1
25-34	53	53	56	46	61	55	53
35-44	32	34	37	36	20	31	33
45+	11	10	6	11	13	10	14
Total	100	100	100	100	100	100	100
<b>Household size</b>							
1 person	17	13	21	19	20	19	16
2 people	37	37	41	35	37	35	40
3 people	22	24	24	21	23	20	22
4+ people	23	26	14	26	20	26	22
Total	100	100	100	100	100	100	100
<b>Ethnicity</b>							
White	79	76	46	75	93	82	82
Asian	13	14	41	14	5	9	14
Black	5	7	6	8	1	6	1
Mixed & other	3	3	7	3	2	3	3
Total	100	100	100	100	100	100	100
<b>Mean income (Gross hh £)</b>	50,400	57,010	74,220	47,890	41,640	43,630	51,900
<b>Mean purchase price (£)</b>	241,100	287,600	363,310	223,990	173,310	194,970	271,580
<b>Mean deposit amount (£)</b>	22,370	27,750	31,810	19,520	13,490	16,840	29,850
<b>Mean Equity Loan amount (£)</b>	47,860	56,760	72,850	44,440	34,580	38,820	53,750

**Table A3.1: Profile of buyers using Help to Buy Equity Loan by region (Homes England Operating Area) cont.**

	% All (1,500)	% East & South East (250)	% London (198)	% Midlands (331)	% NE, Y&H (257)	% North West (207)	% South & South West (257)
<b>Previous tenure</b>							
Living with parents	27	31	14	25	38	28	22
Rented (Private & Social)	54	53	79	54	46	50	56
Owned (with/without mortgage)	14	14	4	17	10	17	16
Other	5	2	3	4	6	5	6
Total	100	100	100	100	100	100	100
<b>Property type purchased</b>							
Flat	15	22	71	7	4	1	18
House – detached	31	25	1	39	35	39	29
House – semi-detached	31	30	13	34	36	36	24
House - terrace	23	23	15	21	25	25	28
Total	100	100	100	100	100	100	100
<b>Property size (Number of bedrooms) purchased</b>							
1-2 bedrooms	25	34	71	16	18	11	28
3 bedrooms	46	40	26	45	55	57	45
4+ bedrooms	29	27	3	39	27	32	27
Total	100	100	100	100	100	100	100
<b>Tenure</b>							
Freehold	77	80	26	90	89	54	82
Leasehold	23	20	74	10	11	46	18
Total	100	100	100	100	100	100	100

Source: Ipsos MORI, Buyer survey 2nd – 20th August 2017 Base sizes in brackets NOTE: Financial figures relating to income, purchase price, deposit and Equity Loan amounts have been rounded.

**Table A3.2: Profiles of 2017 central demand-side additionality estimates**

	2017 central demand-side additionality estimates			
	% of sub-group that are additional	% of all additional	% of sub-group that are additional	% of all additional
<b>Additional</b>	<b>37</b>	<b>100</b>	<b>41</b>	<b>100</b>
<b>Region</b>				
South & South West	43	22	48	22
Midlands	37	27	43	28
London	41	7	43	7
East & South East	34	17	38	17
North East, Yorkshire & The Humber	34	16	36	15
North West	30	11	35	11
<b>Age</b>				
16-24	30	4	33	4
25-34	36	52	40	52
35-44	36	31	41	32
45+	42	13	46	12
<b>Household size</b>				
1 person	40	19	42	18
2 people	37	38	41	37
3 people	34	20	38	21
4+ people	36	23	43	24
<b>Household income</b>				
<£25,000	43	9	44	8
£25-39,999	37	31	41	31
£40-54,999	33	26	37	26
£55,000+	37	34	43	35
<b>Previous tenure</b>				
Owned – with/ without mortgage	31	12	44	15
Rented (private & social)	40	59	42	56
Other	33	4	39	4
Living with parents	34	25	37	25

Source: Ipsos MORI, Buyer survey 2nd – 20th August 2017.



# Annex 4: Research materials

## A4.1 Developer depth interview discussion guide

**Please note these are semi-structured interviews which will mainly be conducted by telephone directly to address the issues of additionality and broader benefits of Help to Buy Equity Loans as well as its impact on the overall market and what might happen in the future.**

### **General information about the firm**

- a. Were you affected badly by the financial crisis of 2008/9
- b. What numbers have you been building over the past 4 years?
- c. Where do you build - national/regional/local?
- d. What mix of sizes/types of units?
- e. Usual customer type (First-time buyers; movers on; established buyers)
- f. What price points?

### **Involvement in Help to Buy Equity Loan**

1. When did you join the Help to Buy Equity Loan scheme?
2. Why did you join the scheme?
3. Have the reasons for staying in the scheme changed over time? If so how?
4. Did you find the administration of the scheme easy/challenging? Why?
5. Have you marketed the scheme heavily/ordinarily /not at all? Do you vary how you market the scheme depending on the local housing market conditions (price, volume of new supply etc)? Have you varied how you market over the period you have been involved in the scheme?

### **Impact on firm decisions**

6. Has the scheme been a consideration within your business plans? In what way?
7. Did the scheme help your firm and in what way? How long before it made any difference? Has its importance changed? How? How important do you see it now?
8. Has it modified your land purchase strategy - if so how?
9. Has the Help to Buy Equity Loan scheme been a success from your point of view? How would you define that success?

10. Has it increased your sales? If so by what proportion (and proportion of total sales)? Has its role increased/stayed constant/declined over time? How much of the sales increase is related to unit volumes and how much to unit prices? Can you clarify any differences between your average price of a new build home sold through Help to Buy and outside the scheme? Do you offer the same level of “incentives” on a Help to Buy home?

(For those working in more than one region/area type) How does your experience vary between areas (repeating q 8)

(For those working in London - how much did the shift from 20% to 40% maximum equity share impact on Help to Buy Equity Loan’s importance to the firm?

11. Have you directly increased your building programme as a result? - or speeded up production? Can you estimate by how much, over what timescale and how it has varied over time? (regional questions as above)

12. Has the availability of the scheme influenced where or what you build – for instance allowed you to access higher value areas, or build larger homes than you would otherwise have built? (or in London to enter the Help to Buy market)

13. Did scheme participation increase your confidence to expand? Is this still the case?

14. Overall, would you have built more/fewer homes/different types of homes if it had not existed? (PROBE) Are there any regional differences in your response to the scheme – is it helping you to build in more areas or more types of site?

15. In particular, have you accelerated development on larger sites as a result of the scheme?

16. Has the Help to Buy programme impacted on how you have funded your development programme? Do you depend mainly on debt finance?

17. Are there any constraints on your capacity to use Help to Buy - eg the 6 month exchange to completion rule? How do these constraints work alongside non-scheme sales in the same markets?

18. Do you use pre-sales? How important are they to your business model? How does this impact on what is available to Help to Buy buyers? Is the issue of mortgages a problem because of pre-sales?

19. Do you plan to keep using Help to Buy to the same extent (or more or less)?

20. Do you price or incentivise Help to Buy sales in the same way as non- Help to Buy sales?

## **Perception of market impact**

21. What effect, if any, do you think the scheme has had on other housebuilders and the overall market? What variation has there been over time?
22. Has Help to Buy impacted significantly on what types and sizes of homes that are being built?
23. Has the scheme raised the consumer/lender profile and appeal of new build over second-hand homes or not?
24. What do you think of the way the scheme is defined – (eg not just first-time buyers; up to £600,000 etc). How have these limits affected the market?
25. Are there elements in the design of the scheme that have driven/restricted participation?
26. How would you have defined the scheme?
27. Has the scheme changed builder/lender relationships in any way?
28. Has the scheme changed builder/investor relationships in any way?
29. Has Help to Buy had any impact on the use of leaseholds and ground rent and have the debates on leasehold houses and ground rent clauses on the Help to Buy scheme had an impact?

## **The future**

30. How do you see the importance of the scheme in the future - which parts of the market does it help? Are there other parts that are hindered?
31. Do you anticipate changes to the scheme such as: limiting to first-time buyers; reduction in maximum price limit; limits on income? What impact might such changes have on you?
32. Do you think the Help to Buy scheme should be available to help existing owner-occupiers move on?
33. The scheme is committed until 2021 – are you planning on that basis? What does your current five year (or other) business plan assume regarding the scheme and yearly forecast volumes?
34. Are you concerned that funding might run out before 2021? If yes, what does this mean in respect of your business planning? What do you expect to happen to the scheme in 2021?
35. Do you envisage introducing your own incentive schemes?

36. Would you want the scheme to become permanent? If not, how best should its withdrawal be phased?
37. Do you anticipate any difficulties for the purchasers in paying the interest on the equity element – given some will soon be paying interest on their Equity Loans? Do you anticipate difficulties for purchasers in moving on given they must repay their Equity Loans out of the proceeds of the sale of their Help to Buy sale?

**Interviews/survey with those not registered**

Modified versions of a - f

Did you ever think of joining the scheme?

Why did you not join the scheme?

How, if at all, do you think Help to Buy has impacted on your own business?

Have you changed what you build /where or not?

Do you think Help to Buy has helped the overall market to expand or not?

Has it changed attitudes to new build or not?

What would you like to happen after 2021?

## A4.2 Lender depth interview discussion guide

**Please note these are semi- structured interviews which will be conducted by telephone. Questions marked with an asterisk (\*) will not be asked of all respondents to allow some flexibility given the length of the interview schedule.**

### **Background**

1. How soon after its introduction in April 2013 did you join the Help to Buy Equity Loan scheme? Did you place any initial limits on your engagement? Were these subsequently revised?
2. Why did you join the scheme? Have you subsequently reviewed your involvement?
3. How does this scheme fit with your lending into the new build market outside the scheme?
4. Did you have any concerns about the scheme, or about the wider impacts of the scheme, from a lending point of view at the outset? Do you still have any concerns?
5. How has your involvement in Help to Buy Equity Loan developed over the years? Is your firm involved in schemes elsewhere in the UK (Wales and Scotland)? How has the balance of Help to Buy Equity Loan lending within your total lending shifted over time?
6. Are you concerned about how the Financial Conduct Authority Market Study might impact on the running of the Help to Buy scheme from the point of view of builder relationships with brokers/valuers/conveyancers?

### **Activity**

7. We will be collecting lending information via existing sources but it would be helpful to know what is the typical mortgage product and the average mortgage term for Help to Buy Equity Loan customers?
8. Can you describe how lending under the scheme compares with lending to similar buyers on standard 75%/95% Loan to Value loans? Is there a difference between the rates charged to Help to Buy compared to others on comparable Loan to Values? And if so why? How do you think this might have evolved if Help to Buy Equity Loan hadn't been introduced?
9. How would you characterise Help to Buy Equity Loan borrowers? At this stage are you comfortable with the quality of the borrowers coming forward under Help to Buy Equity Loan and with their performance over time? Has this changed over time?
10. Does the added complexity of the Equity Loan present any issues at origination or post completion?

11. Do you have any particular concerns about the 40% Equity Loan in Help to Buy London?
12. Are there any other aspects of the new build market that you wish to comment on?
13. Do you have any concerns or not as to whether customers fully understand the implications of the loan arrangements they have entered into?
14. Do you provide re-mortgage products to existing Equity Loan borrowers and if not, why not?
15. Do you have particular products and rates for Help to Buy Equity Loan customers? Do you apply a different underwriting and credit score approach to these customers? How has this changed over time?
16. What is your experience as to the arrears performance of these borrowers? Has your experience identified any particular concerns over the scheme, the customer understanding or the customer response?
17. Borrowers will soon start paying interest on their loans (from 2018). Do you think this will trigger increased activity (eg movement to another property - new build or existing, repayment of the Equity Loan, re-mortgaging) or not?
18. Do you expect an increase in mortgage arrears and how do you believe those in payment difficulty should prioritise payments? Have you begun to prepare for this, and if so how?

## **Impact**

19. Do you set exposure limits per site? Do they apply to new build lending overall or to Equity Loan sales specifically?
20. Has the scheme design helped encourage your firm to lend more on new build homes? Have there been any other positive (or negative) lending market effects?
21. \*Did the existence of Help to Buy agents encourage or discourage you to take part in the scheme?'
22. Has your volume of Help to Buy Equity Loan lending resulted in your firm reducing its exposure in other areas of lending, eg, shared ownership or new build without Help to Buy Equity Loan?
23. Do you think the scheme has led to more new homes being built or not? If yes, do you have any feeling for how much you think it has increased supply? If no, why is that?

24. Do you have any views on the future of the scheme? For example, would you like to see the scheme extended? Would you like to see the scheme revised? If it were to end in 2021, do you have any views on the ending of this scheme and how it might best be managed from a lending/market perspective?
25. If this scheme hadn't existed how do you think the new build market might have evolved? Do you have any views on what may need to change for lenders to adopt a consistent approach to the new build and second-hand markets?

### **For Lenders not in the scheme**

26. Why didn't you join the scheme at the outset and since? Have you reviewed that decision, and if so have your reasons for non-participation and your likelihood of participating changed? With hindsight would you have chosen to participate given how events have turned out?
27. Whilst not in the scheme, does your firm lend on newly built homes, and if not why not?
28. Do you think the scheme has helped restore confidence and market activity in the new build sector and / or in the housing market more widely?
29. If this scheme hadn't existed how do you think the new build market might have evolved? Do you have any views on what may need to change for lenders to adopt a consistent approach to the new build and second-hand markets?

## A4.3 Buyer survey - telephone interview survey questionnaire

### Survey introduction

Good morning / afternoon / evening.

My name is .....and I am calling you from Ipsos MORI, the research organisation, on behalf of the Department for Communities and Local Government.

Can I please speak to [\[insert name of resident from sample\]](#).

*INTERVIEWER: If transferred to another person, repeat "My name is \_\_\_\_\_ from Ipsos MORI...the Department for Communities and Local Government".*

We recently wrote to you about some research we are conducting on the Help to Buy Equity Loan Scheme and understand you have purchased a new build home using this scheme within the last two years. We would like to find out more about your views of this scheme to understand how it has impacted on the housing market as well as people's actions and attitudes to buying a home.

We are contacting you for research purposes only, and any views you give will be treated completely confidentially.

### READ REASSURANCE ON CONFIDENTIALITY

Ipsos MORI is a member of the Market Research Society and before we begin I would like to assure you that any information you provide will be held in the strictest of confidence and will be handled securely throughout the study. The research findings will not identify you and no personal information will be shared with any third parties. Further, helping with this study will never affect any contact you have with a government department or agency, now or in the future.

### QA. Are you available to discuss this briefly now? (Arrange a call back if necessary – the interview takes around 15 minutes)

*INTERVIEWER: Check with the caller they are the named person. If it is not [NAME] code as 4 'No, not named person...'*

[ASK ALL // SC](#)

- |  |                    |
|--|--------------------|
| 1. Yes, <a href="#">[NAME]</a> , appropriate time      | CONTINUE TO SURVEY |
| 2. Yes, <a href="#">[NAME]</a> , but need to call back | MAKE APPOINTMENT   |
| 3. Yes, <a href="#">[NAME]</a> , but refused           | THANK & CLOSE      |
| 4. No, not named person <a href="#">[NAME]</a>         | THANK & CLOSE      |

The survey is about the Help to Buy Equity Loan scheme which was introduced in April 2013 and was designed to support potential buyers with limited deposits to buy a new build property by helping access to mortgage finance.

I'd like to begin by asking you about your current and previous accommodation.



## Current accommodation

Q1. Can I confirm that <<HiB ADDRESS>> is the property that you bought with the assistance of the Help to Buy Equity Loan scheme?

ASK ALL // SC

- |               |               |
|---------------|---------------|
| 1. Yes        | GO TO Q2      |
| 2. No         | THANK & CLOSE |
| 3. Don't know | THANK & CLOSE |

Q2. Was this the first time you ever bought a property or had you bought another property previously, either outright or with a mortgage?

ASK ALL // SC

1. Yes, this was the first time ever I bought a property
2. No, I had bought another property previously
3. Don't know

Q3. Are you still living at <<HiB ADDRESS>> or not?

ASK ALL // SC

1. Yes
2. No
3. Don't know

Q4. Is the current property you live in....?

ASK IF Q3=2 // SC // READ OUT

1. A detached house
2. A semi-detached house
3. A terrace or end of terrace house
4. A purpose-built flat
5. A converted flat
6. Other
7. Refused (DO NOT READ OUT)

Q5. And is the current property you live in...?

ASK IF Q3=2 // SC // READ OUT

1. Being bought on a mortgage
2. Owned outright
3. Rented from a local authority
4. Rented from a housing association
5. Rented from a private landlord
6. Other
7. Refused (DO NOT READ OUT)

Q6. How many bedrooms does your current property have?

ASK IF Q3=2 // SC // READ OUT IF NECESSARY

1. One bedroom or bedsit
2. Two bedrooms
3. Three bedrooms
4. Four or more bedrooms
5. Don't know (DO NOT READ OUT)
6. Refused (DO NOT READ OUT)

Q7. Is the current property you live in....?

ASK IF Q3=2 // SC // READ OUT

1. A newly built property (by which I mean you were the first to occupy it)
2. An existing property that had previously been occupied before you moved in
3. Something else
4. Don't know (DO NOT READ OUT)
5. Refused (DO NOT READ OUT)

Q8. What was the main reason for moving away from <<HtB ADDRESS>>?

ASK IF Q3=2 // MC // DO NOT READ OUT PROBE FULLY

1. To move to cheaper property
2. To move to more expensive property
3. To move to a larger property
4. To move to smaller property
5. To move to different type of property
6. To move to a better quality property
7. To move to a better area
8. To move closer to family/ friends
9. To move closer to job
10. To move closer to schools for children
11. Change or loss of job
12. Family breakup
13. Other change in personal circumstances (eg health issue, giving care/ support)
14. Other (SPECIFY)
15. Don't know
16. Refused

## Previous accommodation

Q9. **Immediately** before you moved into <<HtB ADDRESS>> were you...?

ASK ALL // SC // READ OUT

1. Living at home with parents
2. Renting from a local authority or housing association
3. Renting from a private landlord
4. Living in a home that you owned outright without a mortgage
5. Living in a home that you owned with a mortgage
6. Or did you have another living arrangement
7. Don't know/ refused (DO NOT READ OUT)

## Preparing to move

Now thinking about the time before you moved into <<HtB ADDRESS>>....

Q10. When did you **first start** looking to move? By looking I mean searching and viewing properties.

ASK ALL // RECORD MONTH AND YEAR // INTERVIEWER CODE MONTH AND YEAR

1. Don't know
2. Refused

Q11. When you **first started to look to move**, were you mainly looking.....

a) to buy or rent a property?

ASK ALL // MC 1-2 or MC 3-5 // PROBE FULLY

1. Buy - with a mortgage
2. Buy - outright without a mortgage
3. Rent - from a private landlord
4. Rent - from a social landlord (such as a council or housing association)
5. Rent - from someone else
6. Either buy or rent
7. Don't know/ can't remember
8. Refused

b) Were you mainly looking for a house, a flat or something else?

ASK ALL // MC 1-3 or MC 4-5 // PROBE FULLY

1. House - detached
2. House - semi-detached
3. House - terrace or end of terrace house
4. Flat - purpose-built
5. Flat - converted flat
6. Either house or flat
7. Other
8. Don't know/ can't remember
9. Refused

c) And when you first started to look to move, were you mainly looking for a newly built property (by which I mean you were the first to occupy it), an existing property (by which I mean one that had been previously occupied) or something else?

ASK ALL // SC

1. A newly built property which you were the first to occupy
2. An existing property that had previously been occupied before you moved in
3. Either newly built or an existing property
4. Other
5. Don't know/ can't remember
6. Refused

Q12. When you **first started to look to move**, what was the total amount of savings available to you to contribute to the deposit, including your partners' savings if you jointly applied for a mortgage and any equity released from the sale of a previous property? This may have been less than the total savings you eventually used for the deposit for <<HtB ADDRESS>>.

ASK ALL // IF RESPONDENT DOES NOT KNOW THE EXACT AMOUNT, RECORD THEIR ESTIMATED AMOUNT £

£

1. Don't know
2. Refused

Q13. Up to the point when you **first started to look to move**, how long had you (and/ or your partner) been saving for a deposit? ASK ALL // SC // PROBE FULLY

1. Less than six months
2. Between six months and a year
3. Between one and two years
4. Between two and three years
5. Between three and five years
6. Five years or more
7. Don't know/ Can't remember
8. Refused

Q14. Aside from the savings derived from you and your partner's income and investments, or equity released from the sale of a previous property, did you use any other sources of finance, such as a loan or 'gift' from the family, to contribute towards the deposit when you bought <<HtB ADDRESS>>? ASK ALL // SC

1. Yes
2. No
3. Don't know

Q15. How much did these other sources of finance contribute towards the deposit when you bought <<HtB ADDRESS>>?

ASK IF Q14=1 // SC // READ OUT // REVERSE CODES 1-5 FOR 50% OF SAMPLE.

1. All of the deposit
2. More than half of the deposit
3. Around half of the deposit
4. Less than half of the deposit
5. Much less than half of the deposit
6. Don't know (DO NOT READ OUT)
7. Refused (DO NOT READ OUT)

Q16. Immediately after you bought <<HtB ADDRESS>>, how much, if any, savings did you and your household have left over? Please include savings from all sources. Was it...?

ASK ALL // SC // READ OUT // REVERSE CODES 1-4 FOR 50% OF SAMPLE.

1. A lot
2. A moderate amount
3. A little
4. None at all
5. Don't know (DO NOT READ OUT)
6. Refused (DO NOT READ OUT)

## Impact of Help to Buy Equity Loan

Q17. To what extent do you agree or disagree with the following statements about buying a property using the Help to Buy Equity Loan scheme?

ASK ALL // SC FOR EACH // READ OUT

- a) I would have been able to buy a property I wanted anyway without this assistance
- b) The time taken to buy was slower than it would have been without this assistance
- c) I would still have bought a newly-built property without this assistance
- d) It enabled me to buy a property sooner than I otherwise would have
- e) It enabled me to buy a larger property, for example with more bedrooms, than would have been possible without this assistance
- f) It enabled me to buy a property in a better area than would have been possible without this assistance
- g) I feel I am unable to move up the property ladder now
- h) Buying a property using this assistance has been more beneficial for the house builder than it has been for me

- 1. Strongly agree
- 2. Tend to agree
- 3. Neither agree nor disagree
- 4. Tend to disagree
- 5. Strongly disagree
- 6. Don't know (DO NOT READ OUT)

Q18. At the time that you were buying <<HiB ADDRESS>>, and thinking about the amount of savings and household income you had...

ASK ALL // SC FOR EACH STATEMENT // READ OUT // PROBE DEFINITELY OR PROBABLY

- a) ... do you think you would have been able to buy this **same property** without the assistance of the Help to Buy Equity Loan scheme or not?
- b) ...and do you think you would have been able to buy a similar property that was NOT new build without this assistance. By similar I mean in terms of type, size and location?
- c) ...and do you think you would have been able to buy a **smaller property or one in need of more work**, either new build or not, that was suitable for you and your households' needs, without this assistance?

- 1. Yes – Definitely
- 2. Yes – Probably
- 3. No – Probably not
- 4. No – Definitely not
- 5. Don't know

Q19. And overall, to what extent do you agree or disagree that using the Help to Buy Equity Loan scheme has....?

- a) enabled you to enter the property market at all
- b) has enabled you to enter the property market at a higher level than would have been possible without this assistance? A higher level could mean, for example, a larger property, a house rather than a flat or in a more desirable area for you.

ASK ALL // SC

1. Strongly agree
2. Tend to agree
3. Neither agree nor disagree
4. Tend to disagree
5. Strongly disagree
6. Don't know (DO NOT READ OUT)

Q20. How much more time, if at all, do you think it would have taken you to buy a property without the assistance of the help to Buy Equity Loan scheme?

ASK ALL // SC // PROBE FULLY

1. It wouldn't have taken any longer to buy a property without assistance
2. Up to 6 months more
3. Between six months to a year more
4. Between one and two years more
5. Between two and three years more
6. Between three and five years more
7. Five years or above more
8. Don't know/ Can't remember
9. Refused

## Financial commitment

Q21. At the **time when you bought** <<HiB ADDRESS>>, how confident, if at all were you with....

ASK ALL // SC FOR EACH // READ OUT

- a) Your ability to pay the mortgage repayments?
  - b) Your ability to pay interest after the 'five-year interest-free period' ends?
  - c) Being able to repay the Equity Loan element?
1. Very confident
  2. Fairly confident
  3. Not very confident
  4. Not at all confident
  5. Don't know (DO NOT READ OUT)
  6. Not applicable (DO NOT READ OUT)

Q22. And thinking about your situation **now**, how confident, if at all are you with....?

ASK IF Q3=1 // SC FOR EACH // READ OUT

- a) Your ability to pay the mortgage repayments?
  - b) Your ability to pay interest after the 'five-year interest-free period' ends?
  - c) Being able to repay the Equity Loan element?
1. Very confident
  2. Fairly confident
  3. Not very confident
  4. Not at all confident
  5. Don't know (DO NOT READ OUT)
  6. Not applicable (DO NOT READ OUT)

Q23. Thinking back to when you bought your property, how much, if at all, do you think you understood the financial commitment the Equity Loan required of you?

ASK ALL // SC // READ OUT// REVERSE CODES 1-4 FOR 50% OF SAMPLE.

1. A great deal
2. A fair amount
3. Not very much
4. Not at all
5. Don't know (DO NOT READ OUT)

## Future moving intentions

Q24. Which of the following statements best describes your current plan about moving to different property in the future? I intend to move...

ASK ALL // SC // READ OUT //

1. Within the next six months
2. Within six months to a year
3. Within the next 1 to 2 years
4. Within the next 2 to 3 years
5. Within the next 3 to 5 years
6. Within the next 5 to 10 years
7. I do not intend to move within the next 10 years
8. Don't know (DO NOT READ OUT)

Q25. How certain or not are you to move <<Q24 response code>>? ,?

ASK IF Q24=1 TO 6 // SC // READ OUT// REVERSE CODES 1-4 FOR 50% OF SAMPLE.

1. Very certain
2. Fairly certain
3. Not very certain
4. Not at all certain
5. Don't know (DO NOT READ OUT)

Q26. Why do you intend to move?

ASK IF Q24=1 TO 6 // MC // DO NOT READ OUT PROBE FULLY

1. Can't afford the mortgage payment
2. Won't be able to afford the interest charges when the '5-year interest-free period' ends
3. To move to smaller property
4. To move to larger property
5. To move to different type of property (eg house/ flat/ bungalow, specialist sheltered/ supported)
6. To move to a better quality property
7. To move to a better area
8. To move closer to family/ friends
9. Job related reasons (eg closer to work, loss of job)
10. School related reasons (eg closer to school, better school catchment area)
11. Divorce or separation
12. Getting/ got married/ going to live with someone
13. Other change in personal circumstances (eg health issue, giving care/ support)
14. Other (SPECIFY)
15. Don't know
16. Refused

Q27. Why do you not intend to move?

ASK IF Q24=7 // MC // DO NOT READ OUT PROBE FULLY

1. Current property suits needs
2. Condition of current property good
3. Like area currently live in
4. Too soon after last move
5. Can't afford suitable property in the area want to live in
6. The overall cost of the property too high
7. Not a good time to sell property
8. Can't find a mortgage lender willing to lend/ remortgage under this scheme
9. Repaying the Equity Loan in a rising market
10. Job related reasons (eg close to work, employment uncertainties)
11. School related reasons (eg close to school, better school catchment area)
12. Divorce or separation
13. Getting/ got married/ living with someone
14. Other change in personal circumstances (eg health issue, giving care/ support)
15. No particular reason
16. Other (SPECIFY)
17. Don't know
18. Refused

## Demographics

And lastly I'd like to ask some general questions about you. As with the rest of the questionnaire, I would like to assure you that your answers are completely confidential.

Q28. What was your age last birthday? ASK ALL // SC // DO NOT READ OUT

1. 16-24
2. 25-34
3. 35-44
4. 45-54
5. 55-59
6. 60-64
7. 65+
8. Don't know
9. Refused

Q29. How would you best describe your current work status?

ASK ALL // SC // DO NOT READ OUT, PROBE WHERE NECESSARY

1. Working full-time (30 hours a week or more)
2. Working part-time (less than 29 hours a week)
3. Self-employed
4. Unemployed – seeking work
5. Unemployed – not seeking work
6. Fully retired
7. Long term sick or disabled
8. Full-time education, training scheme/ apprenticeship
9. Other
10. Don't know/ refused



Q30. Which, if any, is the highest educational or professional qualification you have obtained? (IF STILL STUDYING, CHECK FOR HIGHEST ACHIEVED SO FAR)

ASK ALL // SC EXCEPT CODE 8// READ OUT

1. GCSE / O-level / CSE
2. Vocational qualifications (=NVQ1+2)
3. A-Level or equivalent (=NVQ3)
4. Bachelor Degree or equivalent (=NVQ4)
5. Masters / PhD or equivalent
6. Other
7. No formal qualifications
8. Still studying
9. Don't know
10. Prefer not to say/ refused

Q31. What is your ethnic group?

ASK ALL // SC // DO NOT READ OUT, PROBE WHERE NECESSARY

**White**

1. English / Welsh / Scottish / Northern Irish / British
2. Irish
3. Gypsy or Irish Traveller
4. Any other white background (SPECIFY)

**Mixed / multiple ethnic group**

5. White and Black Caribbean
6. White and Black African
7. White and Asian
8. Any other mixed/multiple ethnic background (SPECIFY)

**Asian / Asian British**

9. Asian/Asian British - Indian
10. Asian/Asian British - Pakistani
11. Asian/Asian British - Bangladeshi
12. Asian/Asian British - Chinese
13. Any other Asian background (SPECIFY)

**Black / African / Caribbean / Black British**

14. African
15. Caribbean
16. Any other Black/African/Caribbean background (SPECIFY)

**Other ethnic group**

17. Arab
18. Any other ethnic group (SPECIFY)
19. Refused

Q32. How would you describe your national identity?

ASK ALL // SC // READ OUT

1. English
2. Welsh
3. Scottish
4. Northern Irish
5. British
6. Other (specify)
7. Don't know
8. Prefer not to say/ refused

Q33. What is the total number of people living in your household including yourself and any children?

ASK ALL

INTERVIEWER TYPE IN NUMBER

1. Don't know
2. Refused

Q34. How many dependent children are there living with you? That is those under the age of 16 or those aged 16-18 unmarried and in full-time education.

ASK IF Q33>1

INTERVIEWER TYPE IN NUMBER

1. Don't know
2. Refused

Q35. And how many couples are there living in your property? **IF NECESSARY** One couple is two people in a relationship and living together.

ASK IF Q33>1 OR Q33-Q34>1

INTERVIEWER TYPE IN NUMBER

1. Don't know
2. Refused

## Data matching and final comments

Q36. As part of this research project, we would like to be able to match other information captured during your Help to Buy Equity Loan application to this survey to conduct further analysis. As before, all information will be used for research and statistical purposes only. Your personal details will be kept completely confidential and will not be shared with any third party.

Are you happy for Ipsos MORI, on behalf of DCLG, to add information about your Help to Buy application to your responses to this survey?

ASK ALL // SC

1. Yes
2. No

Q37. Finally, are there any other comments you would like to make about the Help to Buy policy or the process you went through?

ASK ALL

WRITE IN

None

**THANK AND CLOSE**

# Annex 5: Overview of Help to Buy Equity Loan

## A5.1 Purpose

The Government's objective for the Help to Buy: Equity Loan is to help people into home ownership and to promote housing supply. More information on the scheme can be found at: <https://www.helptobuy.gov.uk/equity-loan/equity-loans/>.

## A5.2 How it works

Help to Buy: Equity Loan offers an Equity Loan of up to 20% (up to 40% in London) on new build homes, enabling buyers to purchase with a deposit as low as 5%. The buyer must contribute 80% of the purchase price, which could comprise a 5% deposit and 75% mortgage.

The Equity Loan can be re-paid at any time, but must be re-paid after 25 years or when the home is sold, whichever occurs sooner. The loan will usually be re-paid in one payment (1 x 20%) or two half-payments (2 x 10%).

There is no interest fee for the first five years. From Year 6, an interest fee of 1.75% of the original Equity Loan value is charged. For subsequent years, the interest fee is multiplied by any increase in RPI plus 1%.

## A5.3 Who runs Help to Buy Equity Loan?

**MHCLG (formerly DCLG)** is responsible for policy on Help to Buy: Equity Loan.

**Homes England (formerly Homes and Communities Agency)** run the operations of Help to Buy: Equity Loan. They contract out work to Help to Buy agents<sup>47</sup> for the sales process, and to the post-sales mortgage administrator<sup>48</sup> for administration of loans once the sale is completed.

## A5.4 History of Help to Buy and predecessor schemes

Since 2010, the government has run a number of equity share and guarantee schemes on new build homes:

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<sup>47</sup> <https://www.helptobuy.gov.uk/equity-loan/find-helptobuy-agent/>

<sup>48</sup> <https://www.myfirsthome.org.uk/>

**FirstBuy (2011-13)** and **HomeBuy Direct (2010-13)** offered Equity Loans of up to 20% and 30% respectively. The loans were shared equally between the builder and the government. It was restricted to first-time buyers, with an income limit of £60,000 and a property price cap of £280,000.

**NewBuy (2012-15)** offered 90-95% mortgages on new build homes. The builder and government each made guarantees, of 3.5% and 5.5% respectively, against lenders' losses. It was run jointly by the Home Builders' Federation, the Council of Mortgage Lenders (now part of UK Finance) and MHCLG.

**Help to Buy: Equity Loan** has run since April 2013, and offers Equity Loans of up to 20%, entirely from the government. It is not restricted to first-time buyers and has no income limit; however, there is a property price cap across England of £600,000.

Help to Buy: Equity Loan was initially launched, to run for three years from April 2013 to March 2016, with a budget of £3.5bn to support the purchase of up to 74,000 homes. Over the period it actually supported the purchase of 81,000 homes from a final budget of £3.7bn.

In November 2015, Help to Buy: Equity Loan was extended for a further five years, from April 2016 to March 2021, with a budget of £8.6bn to support the purchase of up to 145,000 homes. London Help to Buy was launched in February 2016, offering Equity Loans in London of up to 40%.

In October 2017, a further £10bn funding was announced for the remaining period to March 2021, to support the purchase of a further 135,000 homes. Together with funding already committed, this will bring the total number of home purchases supported to around 360,000.

Between April 2013 to September 2017, Help to Buy: Equity Loan has supported the purchase of over 144,000 homes.

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