Department for Communities and Local Government

Evaluation of the Help to Buy Equity Loan Scheme

Authors: Stephen Finlay, Ipsos MORI, in partnership with Peter Williams, Christine Whitehead and the London School of Economics

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Department for Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

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Chapter 1: Executive summary

1.1 Introduction

In April 2013, Help to Buy Equity Loan was introduced with the intention of providing a stimulus to the housebuilding market by increasing the supply of housing through the building of more new homes. This report presents the findings from a programme of research to consider two key objectives:

- to make a robust assessment of the 'additionality' of the Help to Buy Equity Loan scheme, defined as identifying the increase in the production of housing services (either through a greater number of new homes built or through a production of bigger homes) as a result of the policy, over and above what would have been produced in its absence; and
- to provide evidence of the experiences and implementation of the scheme from the perspective of both providers and consumers.

1.2 Assessing additionality of Help to Buy Equity Loan

There are inherent challenges in making an assessment of additionality, the introduction of the policy in April 2013 means it is not possible to establish any meaningful counterfactual and disentangling the effects of the policy from other related policy initiatives add further complication. Furthermore, the assessment of additionality has to be considered in the context of the overall cycle of the scheme as well as changes in the wider economy and housing market. Thus, a best estimate of additionality is produced through the triangulation of various data sources.

Using primary and secondary data the research derived a central estimate that investment in Help to Buy Equity Loan up to January 2015, is estimated to have generated **43% additional new homes** built as a result of the Help to Buy Equity Loan policy, over and above what would have been built in the absence of the policy. This estimate of additonality suggests that for every 100 households that purchased with Help to Buy Equity Loan assistance, 43 lead to new dwellings being built that would not otherwise have been built.This is **equivalent to contributing 14% to total new build output** since the introduction of the policy to June 2015.

This central estimate of additionality is based on the following evidence:

- Analysis of Land Registry Price Paid Data on New Build Transactions and Help to Buy Transaction Data from the Department for Communities and Local Government, indicates that a third (33%) of all new build transactions, once the policy was fully in place, have been supported by Help to Buy Equity Loan;

- Analysis of a representative sample of consumers who have bought with the assistance of Help to Buy Equity Loan shows that 43% would not have been able to afford the same or similar property in the new build or existing markets without the scheme's assistance;
- In interviews, all developers agreed that supply was demand-led so that sales led to starts on at least a one-to-one basis – that is if a Help to Buy Equity Loan sale is additional, there will be an additional new build unit. Therefore 43% is the central estimate of additionality; and
- Applying the central estimate of additionality (43%) to the contribution made by Help to Buy Equity Loan sales to new build transactions (33%) allows us to estimate the direct impact on supply as equivalent to contributing 14% to total new build output.

Developers, based on their own assessment of customer affordability, suggested that up to 50% of all Help to Buy Equity Loan sales could have been added to their sales and therefore to their new starts – this would imply that 16.5% of total new build output was directly related to the scheme.

The analysis has provided a clear indication of the additionality triggered by the Help to Buy Equity Loan scheme. The scheme has made consumer demand more effective which in turn has fed through into an increase in housing supply backed by an expanded and more supportive mortgage market. On this definition, 43% of Help to Buy Equity Loan sales are estimated to be additional, equivalent to contributing to 14% of total new build output up to June 2015.

Allowing for wider market additonality effects, including market confidence, as well as cash flow and capacity, suggests that the policy could have contributed as much as 45% to total new build output initially (2013/14). This partly reflects the fact that developers thought that sales would have declined in 2013 in the absence of this support. Thereafter, the impacts of these wider market additonality effects are expected to be lower - suggesting the proportion of total new build output could fall back to a maximum of 25% from 2015.

This broader total could potentially increase as lender confidence is maintained, mortgage availability for new build sales grows and cash flow and other financial constraints are reduced. However the scale of the impact on output decisions into the future depends on many other factors around the economy and financial markets as well as the continuation of the scheme.

1.3 Provider and consumer perspectives of Help to Buy Equity Loan

Developers are largely positive about the scheme although views and experiences differed, particularly depending on their size. Larger developers tended to recognise the scheme's important role in facilitating increased building programmes and output levels, especially when measured against projected declines pre-implementation.

Smaller developers were generally positive but the impact on their sales was more unpredictable.

In the main, developers have seen improved confidence in the market and see Help to Buy Equity Loan making a strong contribution to the profile and awareness of the new build market. They estimate that between 40-50% of Help to Buy Equity Loan sales would not have happened without the assistance. Increased sales in turn have eased cash flow and enabled developers to buy more land (although high land prices remain a considerable barrier to increasing output levels) and many indicate the scheme's positive impact on their balance sheets as it replaced previous shared equity schemes.

Developer views of their experience of the Help to Buy Equity Loan process were also largely positive. The simple eligibility criteria made it more appealing to potential purchasers and this together with a strong national image had raised the profile of, and subsequent interest in, the new build market. Many also recognised the valuable role the scheme had played in strengthening relations between developers and lenders.

Most developers felt Help to Buy Equity Loan would continue to play a valuable role in helping access to the market, particularly among first-time buyers, with most having little concern were the maximum price limit to be reduced.

Among lenders, although the new build lending market is dominated by a small number of large providers, the introduction of Help to Buy Equity Loan had helped make it more financially viable to enter the new build lending market. In turn this is seen to have built capacity and encouraged lenders back to higher loan to value lending, a trend consistent with wider evidence showing uplifts in the number and value of new mortgage loans (although still remain below pre-crisis levels) and higher loan to value mortgage products since early 2013. Lenders were however less clear on the extent to which it had resulted in increased levels of output although most recognised that if the scheme had not existed, the new build market would have evolved more slowly.

Experience of the process for lenders was again largely positive with perceived concerns principally focussed on consumer understanding of the scheme, particularly around mortgage portability and paying off the equity loan element, although there appears to be little evidence of this from the consumers interviewed (see below).

Among Help to Buy agents, the less restrictive criteria associated with Help to Buy Equity Loan, compared to previous schemes, was seen to be more attractive to developers, creating greater momentum and enabling the scheme to assist more buyers. It was felt that the process was handled as efficiently as possible, in large part reflecting that agents were only paid on completion. Agents also recognised how the scheme had strengthened their relationship with developers.

The survey of consumers, based on those who have successfully purchased using Help to Buy Equity Loan, presents a largely positive picture in terms of experiences and impacts. A lack of consumer understanding of finances is not apparent. A majority (58%) of those surveyed say they had a *great deal* of understanding about the financial commitment when they bought while an overwhelming majority continue to remain confident in their ability to pay mortgage repayment and the equity loan elements. Stated levels of satisfaction with the overall experience are also high, with 70% saying they were *very satisfied*.

The survey showed that the scheme has helped improve access to the homeowner market, and assisted moves within that market. Key findings include:

- Median income levels of first-time buyers using the scheme (who make up the majority of the sample) are in line with national estimates[1], while median deposits are below national estimates[2] and a majority (64%) say they did not use additional sources of finance to help with their deposit;
- A majority (82%) say they would not have been able to buy the same property without assistance, while most agreed the scheme had helped them buy property that was bigger (61%) or in a better area (60%);
- A majority (61%) say they started to look for property to buy sooner than they otherwise would have; and
- A significant minority (36%) say they feel unable to move up the property ladder now, a sentiment that is strongest among those at the lower end of the market (in flats and smaller sized property).

Overall, the scheme has met its objectives in terms of increased housing supply. It has done this via a stimulus to demand which has fed through into an expansion of supply and with little evidence of a serious and destabilising impact on house prices – Help to Buy Equity Loan has typically supported 2% to 3% of total residential property transactions in England on a monthly basis. The scheme helped restore market confidence as shown by consumers, developers and lenders and as expressed in re-invigorated regional and local housing markets.

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[1] See https://www.cml.org.uk/industry-data/ Note this will also include those who have purchased using Help to Buy Equity Loan
[2] See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445547/Chapter_3_Owner_occupiers.pdf

Chapter 2: Introduction

2.1 Policy background

With the slow recovery of both housebuilding and the mortgage market the Help to Buy Equity Loan scheme was announced in the March 2013 Budget as part of a broader range of measures which aimed to increase the supply of low-deposit mortgages for credit-worthy households. These measures also included the Help to Buy: mortgage guarantee scheme. The policy initiatives aimed to offset some of the negative impact of the dearth of higher loan to value (above 70/75%) lending which had significantly decreased since the downturn, and had particularly impacted on first-time buyers.

As well as addressing deposit and affordability issues the Help to Buy Equity Loan scheme also intended to provide a stimulus to the housebuilding industry and the housing market by encouraging developers to build more new homes.

The Help to Buy Equity Loan scheme is funded to a value of £9.7 billion until 2020 and is expected to cover up to 194,000 new home buyers. The specific scheme only applies in England and is administered by the Homes and Communities Agency who work with local Help to Buy Agents. By the end of June 2015 more than 55,000 properties had been bought with the help of this scheme[3].

The Help to Buy Equity Loan scheme was introduced on April 1st 2013 and was open to all those who wanted to buy a new build home. The scheme grants an equity loan worth up to 20 per cent of the value of the new build home. The buyer has to provide a cash deposit of at least five per cent and a main mortgage lender a loan of up to 75 per cent. There are only a few restrictions around eligibility for the scheme - it applies only to property worth up to a value of £600k and the property must be the primary residence.

The equity loan is fully repayable when the owner sells their home or at the end of their mortgage, whichever comes first. The equity loan has a planned term of 25 years and is always longer than the main mortgage. A minimum of 10% of the total property value can be part repaid at any time after the first year of the loan. If the property has increased in value since purchase then the owner will pay back a greater sum than borrowed to cover the equity loan; conversely if the property decreases in value the owner will pay back a lesser amount. This means that the government shares in any capital gain or loss.

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[3] Supplied by Department for Communities and Local Government (via the Home and Communities Agency who have responsibility for administering the scheme)

If, after five years, the equity loan has not been repaid an annual charge of 1.75% of the market value of the property is applied. This fee increases annually by retail price index plus one per cent, if this is positive. The aim of this charge is to encourage borrowers to pay off the equity loan.

2.2 Research objectives

In March 2015, Ipsos MORI, in partnership with Peter Williams, Christine Whitehead and the London School of Economics, were commissioned by the Department of Communities and Local Government to undertake an evaluation of the Help to Buy Equity Loan Scheme.

The primary objective of this study is to provide a comprehensive evidence base to make a robust assessment of the 'additionality' of the Help to Buy Equity Loan scheme – defined as identifying the increase in the production of housing services (either through a greater number of new homes built or through a production of bigger homes) as a result of the policy, over and above what would have been built in the absence of the policy.

The second objective is to provide evidence on the perceived experiences, implementation and reach of the scheme, from the point of view of consumers and those organisations involved in the delivery of the policy (termed providers in this report).

2.3 Research methods

In seeking to address the core objectives we have been mindful of the challenges posed by separating out effects, given the number of relevant interventions in both the housing and finance markets during this period as well as the difficulty of understanding what might have happened without the scheme due to the lack of an appropriate counterfactual.

With these issues in mind the research team developed a programme of research using a range of primary and secondary research methods in order to triangulate results and meet the research objectives. These include:

- **Analysis of existing secondary data sources** – drawing on a range of secondary data sets (including general housing market statistics, mortgage market statistics, housebuilding data and a number of other private sources) to seek to identify any changes in new build housing market conditions pre- and post-implementation;
- **Qualitative in-depth interviews** – covering developers, lenders, agents and wider stakeholder groups (such as Homes and Communities Agency, Council of Mortgage Lenders, Home Builders Federation) a total of 43 interviews have been conducted to capture evidence of actual change in terms of numbers of

homes, relevant mortgage products and additional movement in the housing market as well as any shifts in sentiment in the industries; and
- **Quantitative telephone survey** – conducted by Ipsos MORI with a representative sample of 501 households who had purchased a property with the assistance of Help to Buy Equity Loan[4]. The survey was designed to capture 'demand-side' perspectives, in particular to assess the numbers who in the absence of the policy would not have been able to purchase. The survey also captures evidence on the experience of the Help to Buy Equity Loan process from the 'consumer' perspective.

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

2.4 Acknowledgements

We would like to thank all the organisations and individuals who participated in the in-depth interviews and the survey, without whose valuable input the research would not have been possible. We would also like to thank Suzanne Cooper, Diana Kasparova and Stephanie Kvam at the Department, as well as other members of the Project Board and Steering Group and particularly Professor Michael Ball, University of Reading, for his external academic peer reviewer contributions.

[4] Drawn from a sample frame supplied by the Department (via the Home and Communities Agency who have responsibility for administering the scheme) at January 2015 comprising 44,471 records. Results are representative in terms of first-time buyer status, broad region, property size and time since completion.

Chapter 3: The market – a secondary data analysis

3.1 Introduction

A number of secondary datasets have been explored in relation to this project, both within official and industry statistics. There are a limited number of relevant datasets which can be expected to provide significant value added because the scheme has only been running for just over two years - so most actual Help to Buy Equity Loan activity must inherently come out of the pipeline already in place prior to its introduction.

Furthermore while it is possible to describe what is happening, it is not possible to identify causation. To the extent that the data can be interpreted it is likely mainly to indicate what might be happening in the market now and in the future – e.g. through increased sales activity and growing confidence as activity rates rise – rather than provide any direct measure of additional output simply because of the short period of elapsed time since its introduction. In this context it is important to note, as discussed further in Chapter 4, that Help to Buy Equity Loan is seen as a very different product from immediately preceding products.

Additionally, there have been a number of difficulties in securing relevant data including whether Help to Buy Equity Loan activity was identified in each relevant dataset as well as a reluctance on the part of a number of private sector providers to make data available – partly because of the costs and time involved in extracting the relevant datasets.

The secondary data sets 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 2014 plus a number of other private sources. The latest available aggregated data on Help to Buy Equity Loan purchases are also presented, based on unpublished management information held by the Homes and Communities Agency covering transactions up to 30 June 2015, of which headline official statistics are published by the Department[5].

The project specification set out the expectation that analysis of such datasets would help establish changes in new build housing market conditions - pre- and post-implementation and through the duration of the scheme which we can then

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[5] https://www.gov.uk/government/collections/help-to-buy-equity-loan-and-newbuy-statistics

triangulate with the analysis with the primary data. We note above that any such analysis can at best be indicative.

In the analysis that follows we begin by analysing wider general housing market trends and identifying trends before and after the introduction of Help to Buy Equity Loan. We then present more detailed equity loan statistics in order to establish the main attributes of Help to Buy Equity Loan sales and then move on to look at data at local authority level.

3.2 Help to Buy within the wider market context

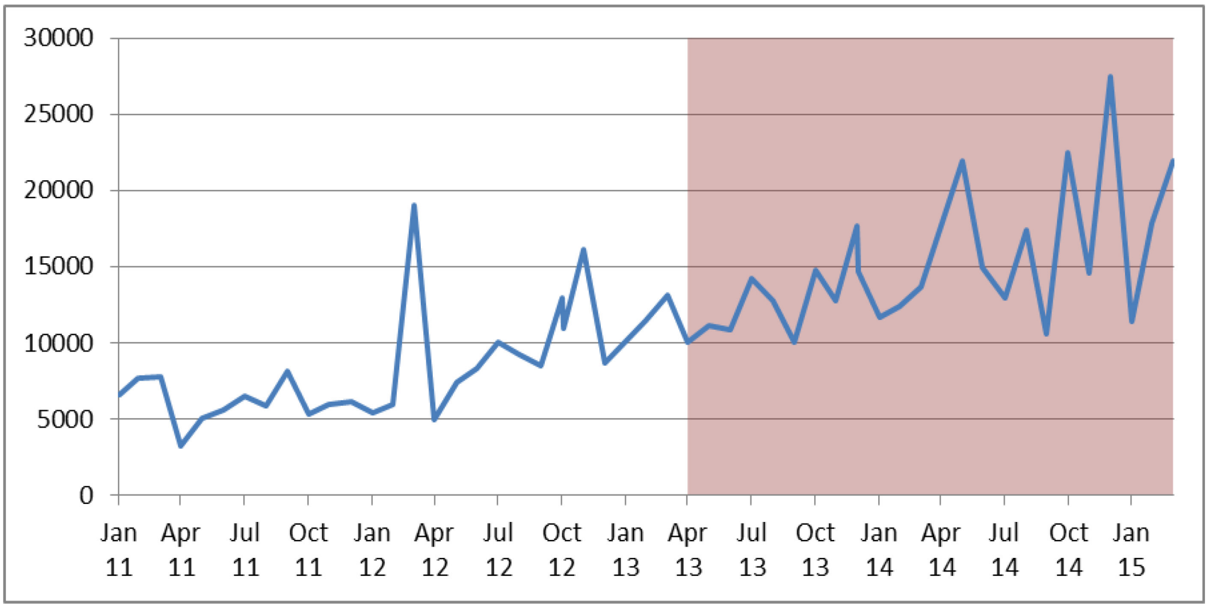
An understanding of the role of Help to Buy Equity Loan must start from the post-global financial crisis recession and the up-turn of private house building from its low points in 2008/9 to 2010/11 (depending upon whether measured by starts or completions). Help to Buy Equity Loan was introduced in April 2013 as a replacement for both government and industry sponsored shared equity products. By that time there was already evidence of expansion in housing starts - although the improvement was fairly hesitant and from a very low base (65,000 in 2009).

In this section we begin by looking at planning permissions, before moving on to starts, completions and transactions data. We then consider house prices, the mortgage market and consumer confidence. Our focus throughout is on the possible impact of Help to Buy Equity Loan.

Planning Permissions in England and in the North, Midlands and South

Figure 3.1 shows changes in the number of private housing units securing detailed planning approval between January 2011 and February 2015. The red shaded portion indicates when Help to Buy has been in place. There is an upward trajectory.

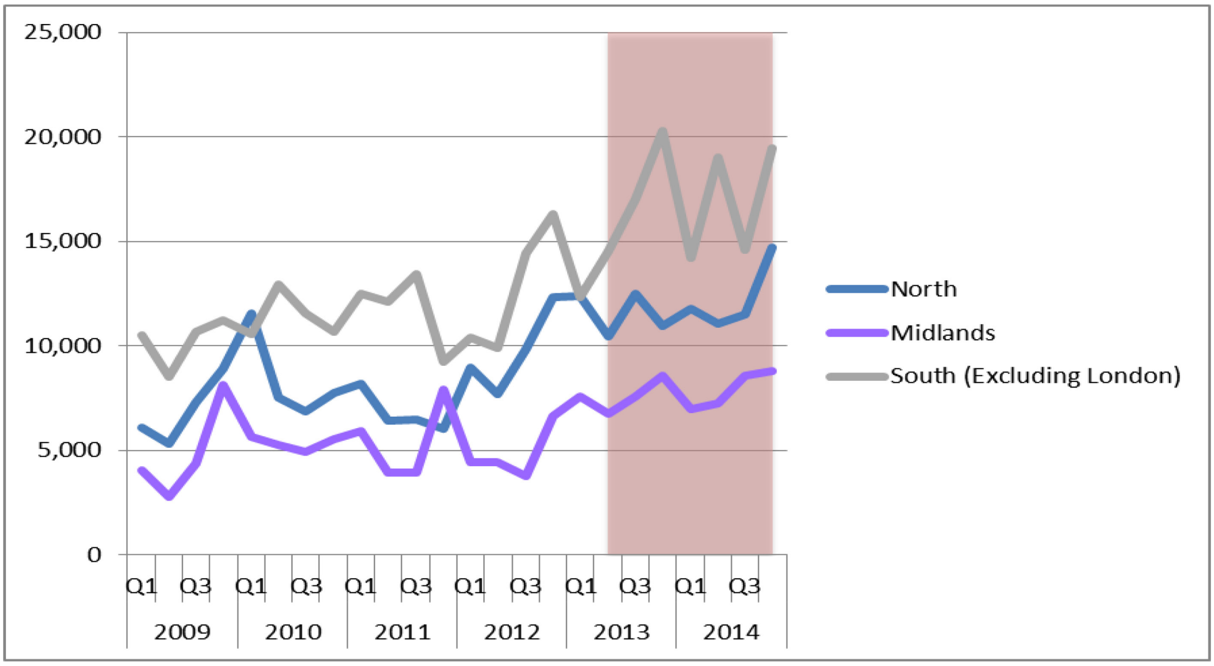
Figure 3.1: Number of residential units securing detailed planning approval, England, January 2011-February 2015



Source: Glenigan, 2015

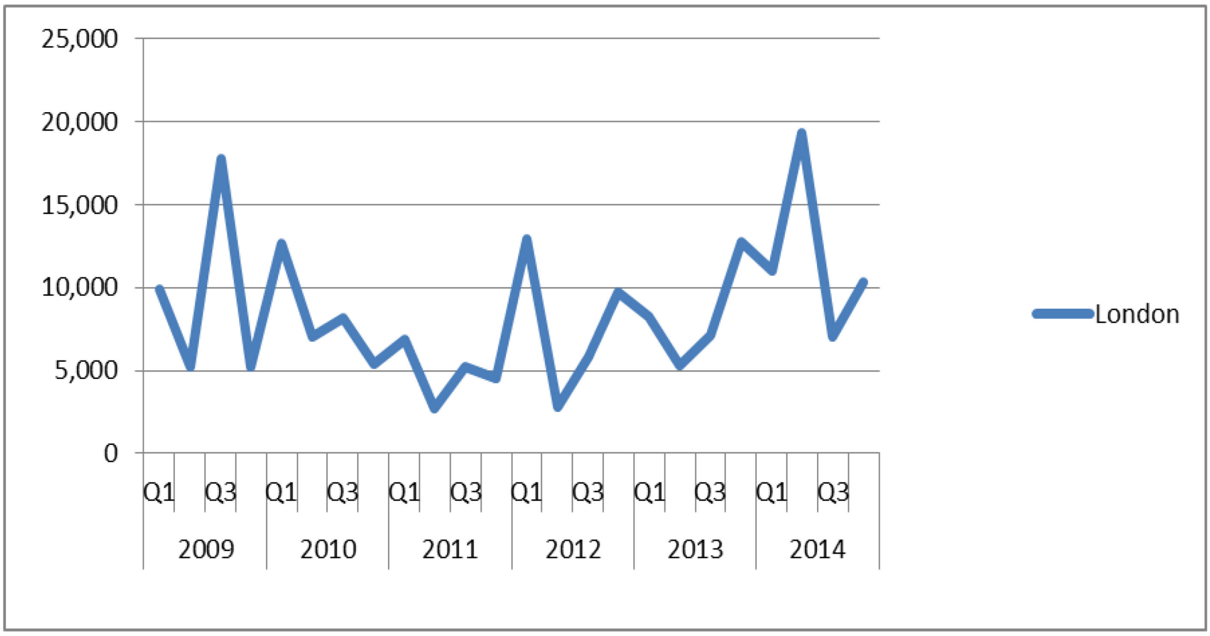
Planning permissions in the North, Midlands and South (excluding London) have seen some growth in the number of private housing units being approved since mid-2012 (Figure 3.2). Planning approvals increased by 58% in the Midlands in 2013, the year Help to Buy Equity Loan was introduced, compared to a year earlier (Glenigan and HBF, 2015). Over the same period, permissions increased by about 20% in the North and South. In London, planning permissions increased considerably between 2012 and mid-2014, but then fell sharply in 2014 Quarter 3 (Figure 3.3).

Figure 3.2: Residential units securing detailed planning approval, North, Midlands and South (excluding London), 2009-2014



Source: Glenigan and Home Builders Federation, 2015

Figure 3.3: Residential units securing detailed planning approval, London, 2009-2014



Source: Glenigan and Home Builders Federation, 2015

Starts and Completions

There is no means of comparing Help to Buy Equity Loan starts with the wider market as these are not identified until sale. We can, however, look at trends in the numbers of starts over time identifying any changes since Quarter 2 2013 when Help to Buy Equity Loan was introduced.

Private developers in England started 99,000 homes in 2013 and 112,000 in 2014. These were strong improvements from the low of 65,000 starts in 2009, but starts have still not yet returned to pre-crisis levels - there were 159,900 private starts in 2007 (Table 3.1). Completions have followed a somewhat similar pattern (Figure 3.4).

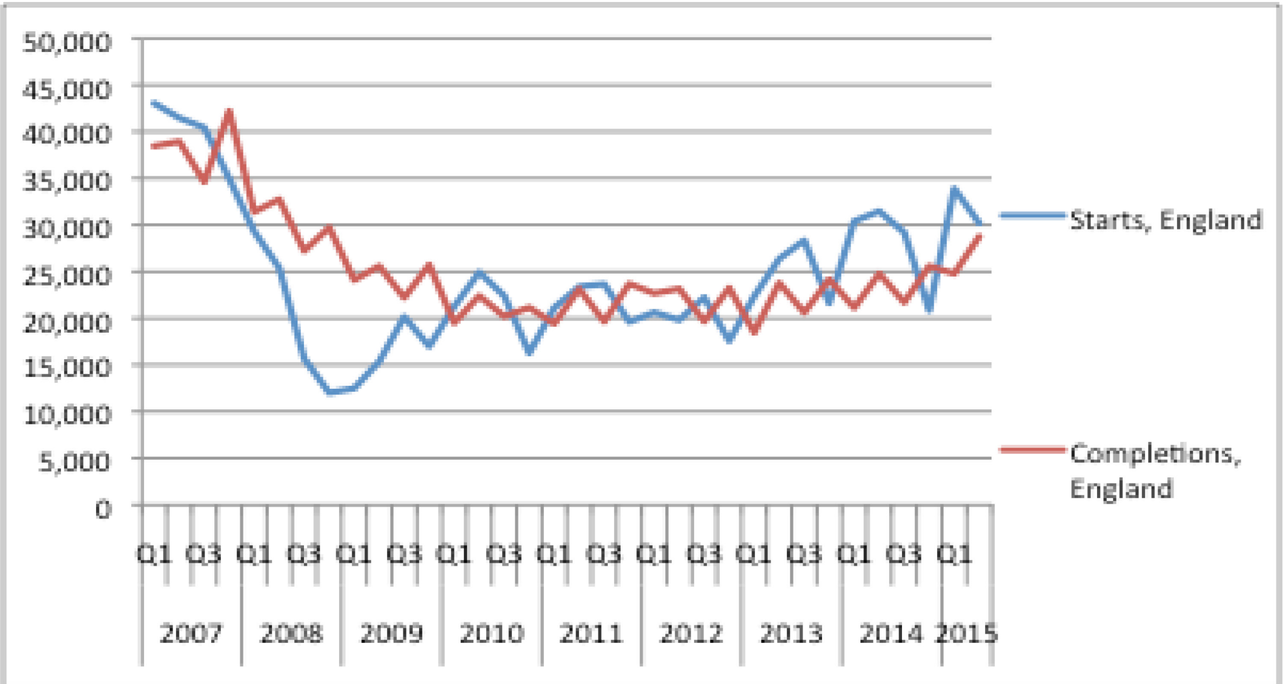
Growth in starts is less well established in London, although the first two quarters of 2015 show strong improvement. In market terms this might seem surprising given that the greatest economic improvement has been centred on London and the South East.

Table 3.1: Private Enterprise Starts and Completions, 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014	2015 (Q1 & Q2)
London starts	16,060	10,660	8,830	10,170	14,200	11,220	13,040	12,850	10,430
London completions	15,230	13,190	14,340	8,870	10,580	12,310	11,460	12,020	6,680
Rest of England starts	143,840	71,710	56,170	74,690	73,590	69,040	85,780	97,060	52,560
Rest of England completions	138,990	107,910	83,280	74,410	75,310	76,440	75,550	80,730	46,320
England starts	***159,900***	***82,370***	***65,000***	***84,860***	***87,790***	***80,260***	***98,820***	***109,910***	***62,990***
England completions	***154,220***	***121,100***	***97,620***	***83,280***	***85,890***	***88,750***	***87,010***	***92,750***	***53,000***

Source: Department for Communities and Local Government 2015a, Live Table 253a (released 20 August 2015 and updated from 19 November 2015 release)

Figure 3.4: Private enterprise starts and completions, England, by quarter, Q1 2007- Q2 2015



Source: Department for Communities and Local Government 2015a, Live Table 253a (released 20 August 2015 and updated from 19 November 2015 release)
Note: Quarterly seasonally unadjusted figures used for direct comparison

As will be discussed later in section 3.3, Help to Buy Equity Loan transactions have been concentrated in lower priced Homes and Communities Agency Operating Areas, with only 24% of transactions occurring in the South East, East and London (See Table 3.17). The stronger growth of starts outside London also suggests that Help to Buy Equity Loan works better in lower priced areas but that in those areas it has also helped stabilise and improve the market in a way that has not occurred in the capital. Table 3.2 below gives England figures for quarterly private enterprise starts, completions and Help to Buy Equity Loan transactions where applicable.

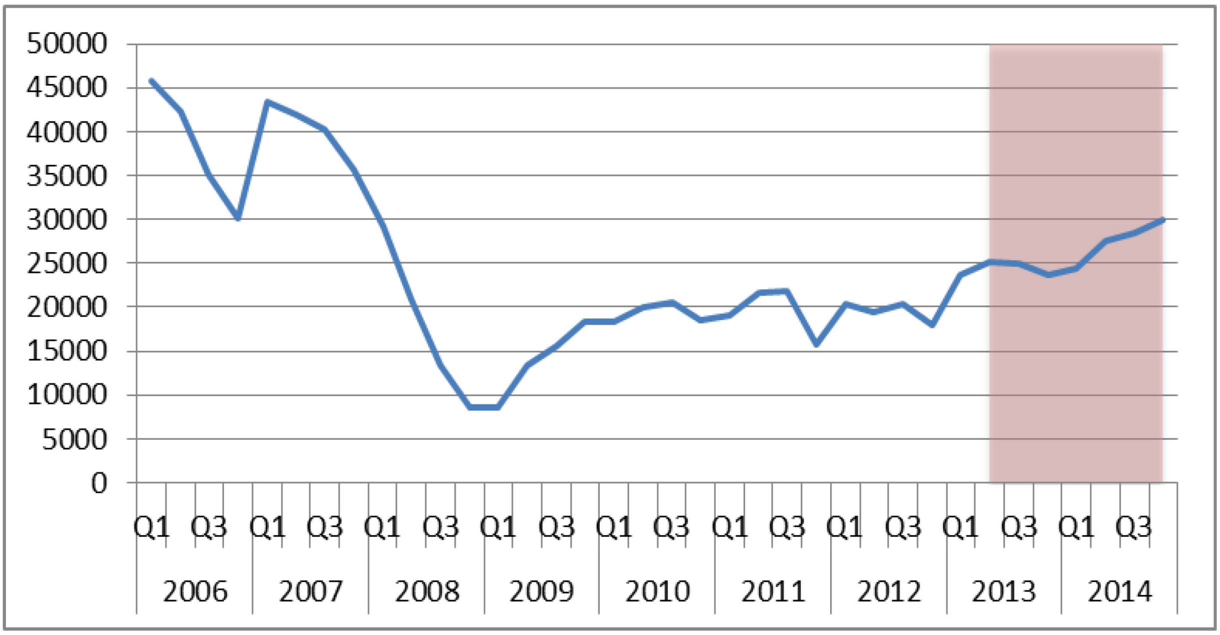
Table 3.2: Private enterprise starts and completions and Help to Buy Equity Loan transactions, England, 2007-2015

Year & Quarter		Private Enterprise starts	Private Enterprise completions	Help to Buy Equity Loan transactions
	Q1	43,040	38,450	--
	Q2	41,470	38,940	--
	Q3	40,440	34,620	--
2007	Q4	34,950	42,210	--
	Q1	29,290	31,410	--
	Q2	25,400	32,750	--
	Q3	15,670	27,230	--
2008	Q4	12,010	29,720	--
	Q1	12,490	24,100	--
	Q2	15,360	25,590	--
	Q3	20,160	22,210	--
2009	Q4	16,990	25,720	--
	Q1	21,260	19,520	--
	Q2	24,930	22,400	--
	Q3	22,400	20,210	--
2010	Q4	16,270	21,150	--
	Q1	21,120	19,430	--
	Q2	23,390	23,120	--
	Q3	23,660	19,650	--
2011	Q4	19,620	23,690	--
	Q1	20,630	22,670	--
	Q2	19,820	23,160	--
	Q3	22,230	19,670	--
2012	Q4	17,580	23,250	--
	Q1	22,350	18,480	--
	Q2	26,420	23,780	2,103
	Q3	28,370	20,610	3,945
2013	Q4	21,680	24,140	7,976
	Q1	30,370	21,110	5,582
	Q2	29,610	24,670	8,777
	Q3	29,150	21,640	5,847
2014	Q4	20,780	25,330	8,181
	Q1	32,760	24,470	4,924
2015	Q2	30,230	28,530	9,067

Sources: Starts and Completions data, Department for Communities and Local Government, 2015e, Live Table 213; Help to Buy data, Department for Communities and Local Government 2015c, data published 09 September 2015 (updated from 19 November 2015 release)

Similarly, Figure 3.5 shows National House-Building Council private sector new build registrations by quarter, with the red shaded area representing when Help to Buy Equity Loan is in operation. There is some evidence of strengthening.

Figure 3.5: Private sector new build registrations, 2006-2014



Source: National House-Building Council, 2015

Help to Buy Equity Loan and market transactions

Help to Buy Equity Loan activity can best be compared with wider market *transactions*. There have been 56,402 Help to Buy Equity Loan transactions in the two years between April 2013 and June 2015 and Help to Buy Equity Loan has typically supported 2 to 3% of total residential property transactions in England on a monthly basis. The peak month was June 2014, when Help to Buy Equity Loan accounted for 6% of total housing transactions (Table 3.3). Around a third of all *new build* transactions once the policy was fully in place have been supported by Help to Buy Equity Loan.

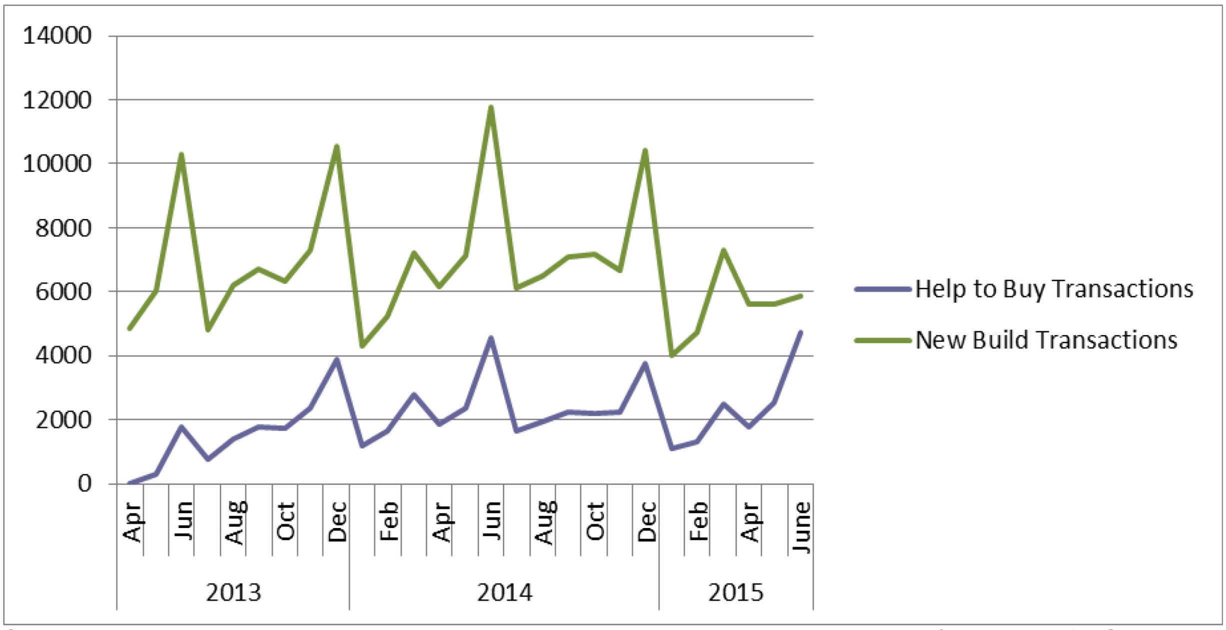
Table 3.3: Help to Buy Equity Loan transactions and total transactions over time, April 2013 – June 2015

	Month	Help to Buy Equity Loan transactions in England	Transactions in England	Help to Buy Equity Loan as percent of total transactions	New Build Transactions	Help to Buy Equity Loan as percent of New Build transactions
	Apr	8	48,769	0%	4,835	0%
	May	318	63,349	1%	6,028	5%
	Jun	1,777	63,011	3%	10,314	17%
	Jul	775	70,450	1%	4,818	16%
	Aug	1,376	75,995	2%	6,190	22%
	Sep	1,794	66,568	3%	6,709	27%
	Oct	1,744	73,179	2%	6,348	27%
	Nov	2,346	78,935	3%	7,310	32%
2013	Dec	3,886	75,864	5%	10,557	37%
	Jan	1,175	62,435	2%	4,318	27%
	Feb	1,628	62,207	3%	5,239	31%
	Mar	2,779	64,284	4%	7,196	39%
	Apr	1,870	67,024	3%	6,166	30%
	May	2,369	73,799	3%	7,112	33%
	Jun	4,538	77,112	6%	11,791	38%
	Jul	1,651	80,680	2%	6,100	27%
	Aug	1,958	83,876	2%	6,492	30%
	Sep	2,238	75,266	3%	7,101	32%
	Oct	2,211	82,259	3%	7,156	31%
	Nov	2,226	69,580	3%	6,647	33%
2014	Dec	3,744	74,015	5%	10,407	36%
	Jan	1,111	53,914	2%	4,029	28%
	Feb	1,328	54,853	2%	4,727	28%
	Mar	2,485	61,134	4%	7,291	34%
	Apr	1,773	57,232	3%	5,614	32%
	May	2,549	64,250	4%	5,593	46%
2015	June	4,745	67,028	7%	5,845	81%*

Sources: Transactions in England, Land Registry, 2015; New Build Transaction Data, Land Registry Price Paid Data, various years (accessed 17 October 2015); Help to Buy Transaction Data, Department for Communities and Local Government, 2015c, data published 09 September 2015
* Figure likely to be amended in future revisions to published data

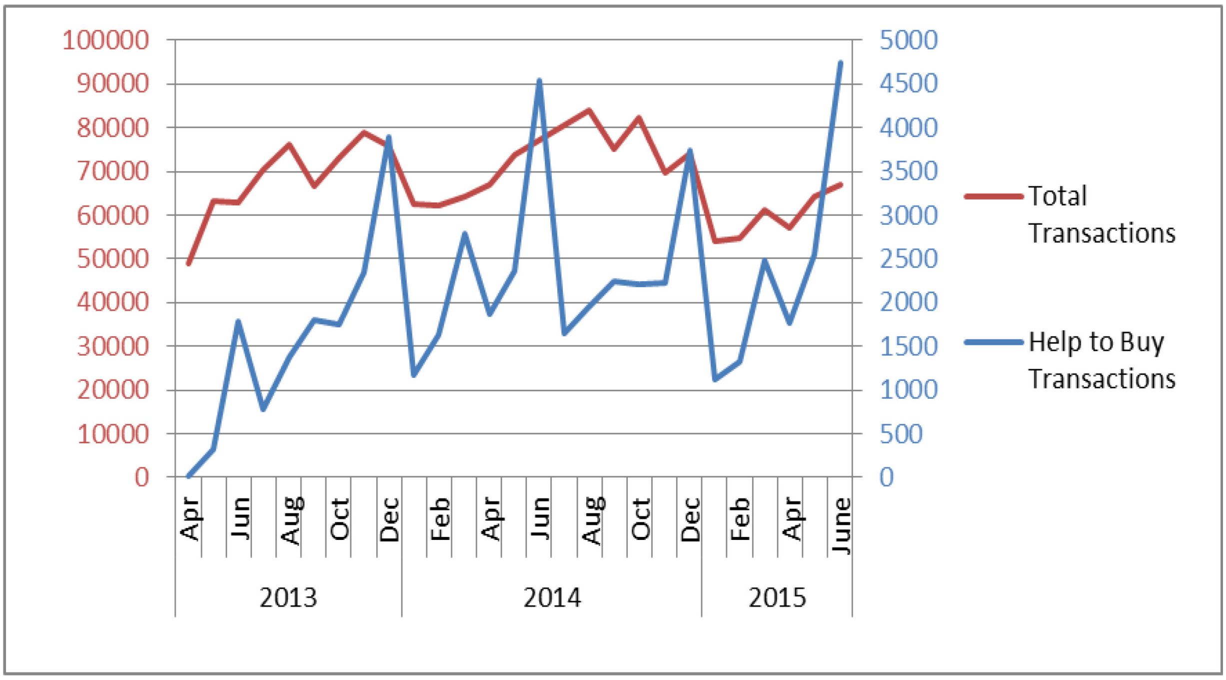
Figure 3.6 compares the trend in new build transactions and the trend in Help to Buy Equity Loan transactions. It clearly shows the seasonality of both, with spikes occurring around June and December (relating to developer reporting requirements), and it shows that after October 2013, Help to Buy Equity Loan transactions usually made up just under a third of all new build transactions in England. Figure 3.7 shows the trend in all property transactions in England over the period since the scheme was introduced (red line and left axis) compared to the trend in Help to Buy Equity Loan transactions over time (blue line and right axis).

Figure 3.6: Help to Buy Equity Loan and new build residential property transactions in England, April 2013-June 2015



Source: New Build Transactions, Land Registry Price Paid Data, various years (accessed 17 October 2015); Help to Buy Transactions, Department for Communities and Local Government, 2015c, data published 09 September 2015

Figure 3.7: Help to Buy Equity Loan and total residential property transactions in England, April 2013-June 2015

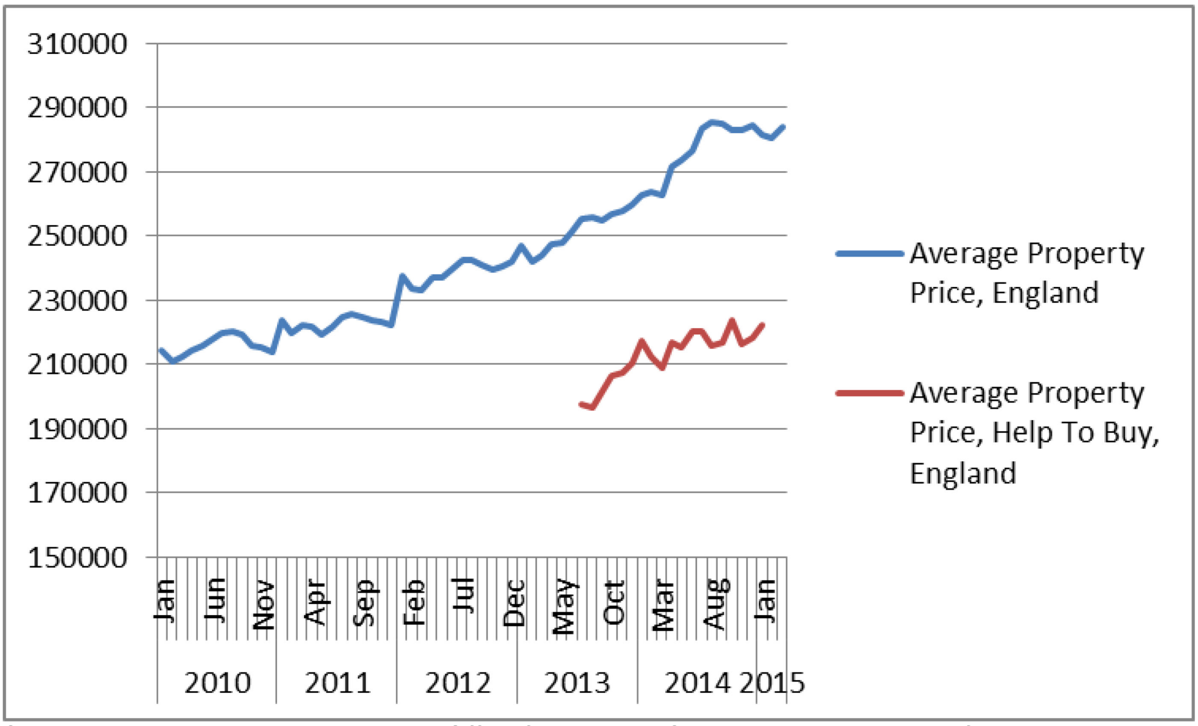


Source: Total Transactions, Land Registry, 2015; Help to Buy Transactions, Department for Communities and Local Government, 2015c, data published 09 September 2015

House prices

Average property prices in England have been steadily rising since January 2010. Figure 3.8 juxtaposes average price trends for all property in England against the average property price of Help to Buy Equity Loan purchases. This shows both the difference in price and the similarity in market trajectory.

Figure 3.8: Average property price in England and average Help to Buy Equity Loan property price, 2010-2015



Source: Average property price data, Office for National Statistics, 2015a, HPI Reference Table 2 (data published 13 October 2015); Help to Buy Equity Loan Average Property Price Data, Homes and Communities Agency, 2015

The price of new build property has been a source of some debate over a number of years although this has subsided since the downturn. However it has resurfaced around Help to Buy Equity Loan with some but not all lenders raising the issue. It is a difficult area to research given it is about comparing the price of new build with existing homes and thus there is a question of equivalence. However, based on market data collected by Esurv (2015) (not reproduced here) the evidence suggests that new flats, semi-detached and terraced properties are more likely to command what are in effect a quite varied price premium than new detached properties across the country. New build price premia are particularly significant in the North of England and in the Midlands.

Table 3.4 shows average prices of new build properties in London and England compared with average Help to Buy Equity Loan prices in 2013, 2014 and 2015.

Table 3.4: Average price of New Build Property and Help to Buy Equity Loan property, London and England, 2010-2015 Q1 (£)

Year	Quarter	England, simple average new dwelling house price (£)	England, Help to Buy Equity Loan average purchase price (£)	London, simple average new dwelling house price (£)	London, Help to Buy Equity Loan average purchase price (£)
2010	Q1	211,000		234,000	
	Q2	218,000		264,000	
	Q3	218,000		272,000	
	Q4	222,000		253,000	
2011	Q1	214,000		257,000	
	Q2	225,000		295,000	
	Q3	235,000		301,000	
	Q4	241,000		349,000	
2012	Q1	232,000		327,000	
	Q2	235,000		335,000	
	Q3	237,000		313,000	
	Q4	237,000		328,000	
2013	Q1	234,000		357,000	
	Q2	250,000	186,093	384,000	263,561
	Q3	250,000	198,870	341,000	273,594
	Q4	250,000	208,714	365,000	296,766
2014	Q1	274,000	211,789	423,000	286,078
	Q2	294,000	218,070	511,000	331,472
	Q3	294,000	217,270	441,000	313,334
	Q4	280,000	219,671	467,000	342,484
2015	Q1	274,000	220,086	477,000	325,671
	Q2	294,000	231,224	527,000	351,126

Source: Simple average new dwelling prices, Office for National Statistics, 2015b House Price Index Reference Table 11; Help to Buy average prices, Homes and Communities Agency, 2015, unpublished management data

There has also been extensive and divergent media discussion around the issue of whether Help to Buy Equity Loan has boosted house prices[6]. As we argue it almost certainly helped to stabilise prices. However the evidence that it led to a house price boom is weak as a simple comparison between the number of Help to Buy Equity Loans and total transactions (see Table 3.3 above) and the total number of mortgage loans would indicate.

[6] For example, see http://www.bbc.co.uk/news/uk-24061897

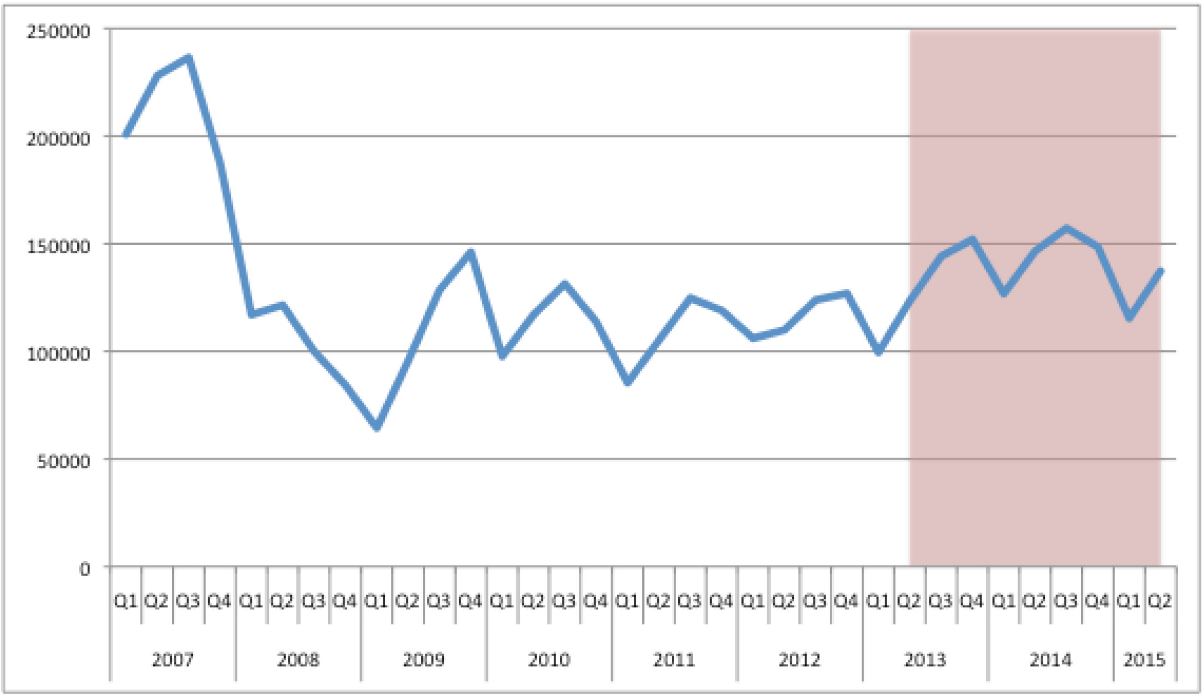
Further, as evidenced later in this chapter, the ten local authority areas with the highest Help to Buy Equity Loan activity saw median house prices between 2013 and 2014 increase by 6.5% on average. This compares to an increase of 10.5% in median house prices between 2013 and 2014 across England as a whole[7].

A recent report from Shelter (2015) as well as other commentary (eg, Savills, 2014a and b) have also noted that the impacts of the scheme vary by region and locality but that it was clear Help to Buy Equity Loan was not driving the market in ways some of the more negative commentaries had suggested. The Financial Policy Committee recently reached the same conclusion with respect to the Help to Buy mortgage guarantee scheme (Financial Policy Committee, 2015).

The mortgage market

Turning to the mortgage market, Figure 3.9 shows the number of new loans for house purchase in England since 2007. It clearly reflects the effects of the global financial crisis, with loan volumes dropping dramatically after mid-2007. Since the low point in early 2009 loan volumes have been on an upward trend, although they are still almost a third below the pre-crisis peak. Figure 3.10, which presents data on the *value* of new mortgage loans, tells a similar story. Both indicate that there was an uplift in early 2013.

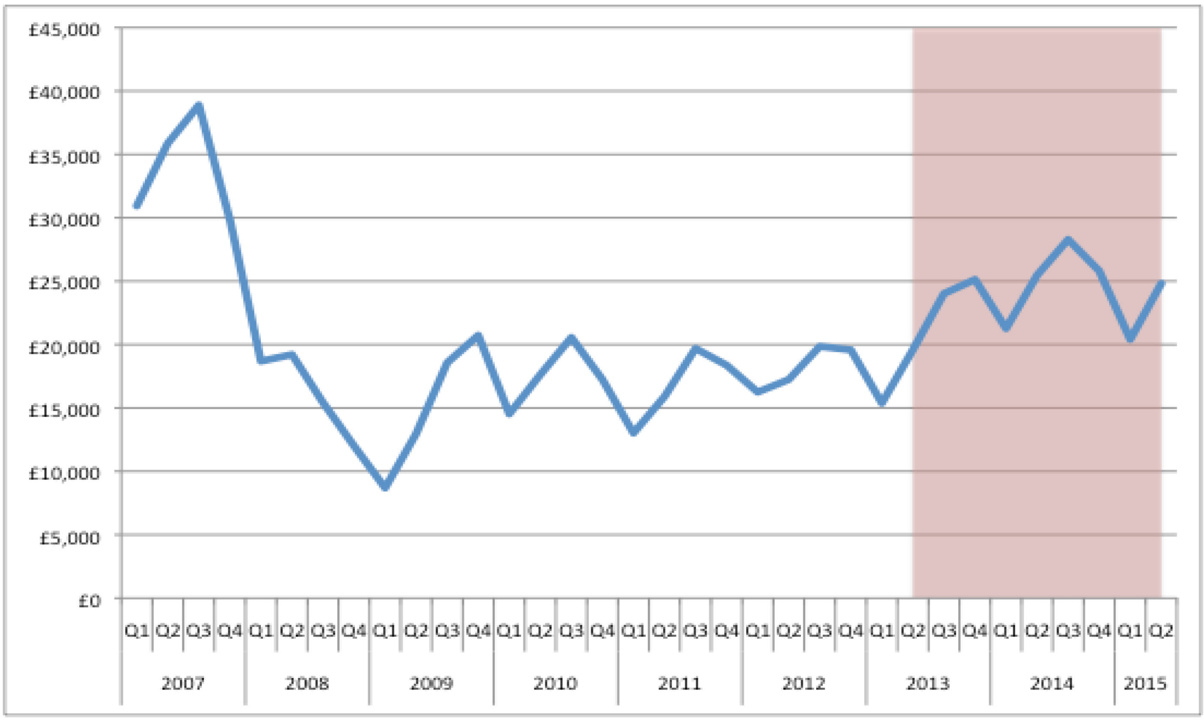
Figure 3.9: Number of new loans for house purchase, England, 2007-2015



Source: Council for Mortgage Lenders Economics, 2015

[7] Office for National Statistics, 2015a, HPI Reference Table 2 (data published 13 October 2015)

Figure 3.10: Value of new loans for house purchase (£m), England, 2007-2015

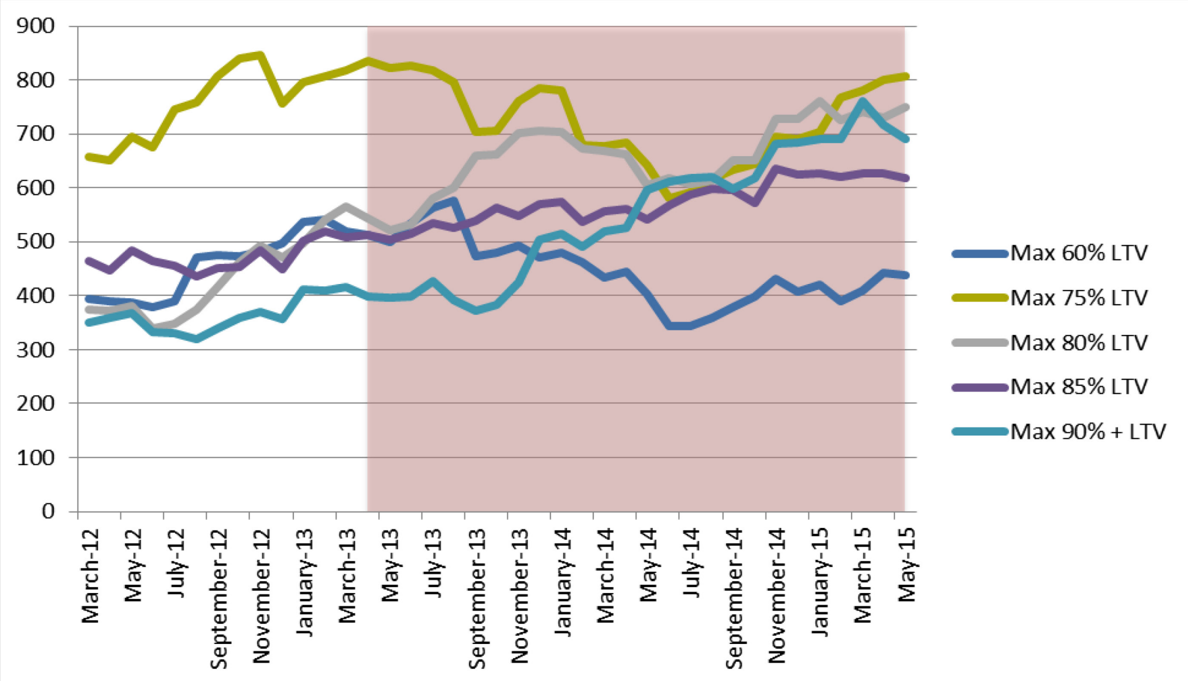


Source: Council for Mortgage Lenders Economics, 2015

High loan to value loans became much less available after the crisis, but in the last few years lenders have increased the number of such products on offer. Figure 3.11 shows that since 2012, the number of loan products with maximum loan to values of 90% has more than doubled, and the numbers of maximum 80% and 85% loan products have also increased.

In this context while it is important to recognise that the vast majority of Help to Buy Equity Loan transactions involve traditional mortgages of around 75%, the programme was also about restoring confidence in the market (commented on further in Chapter 4.2). The recovery of the higher loan to value product market is part of that story. Further it should be noted that not all offers were available for new build properties and this was particularly the case at higher loan to values.

Figure 3.11: Number of new mortgage products by loan to value band by month 2012-2015



Source: Moneyfacts

Consumer confidence

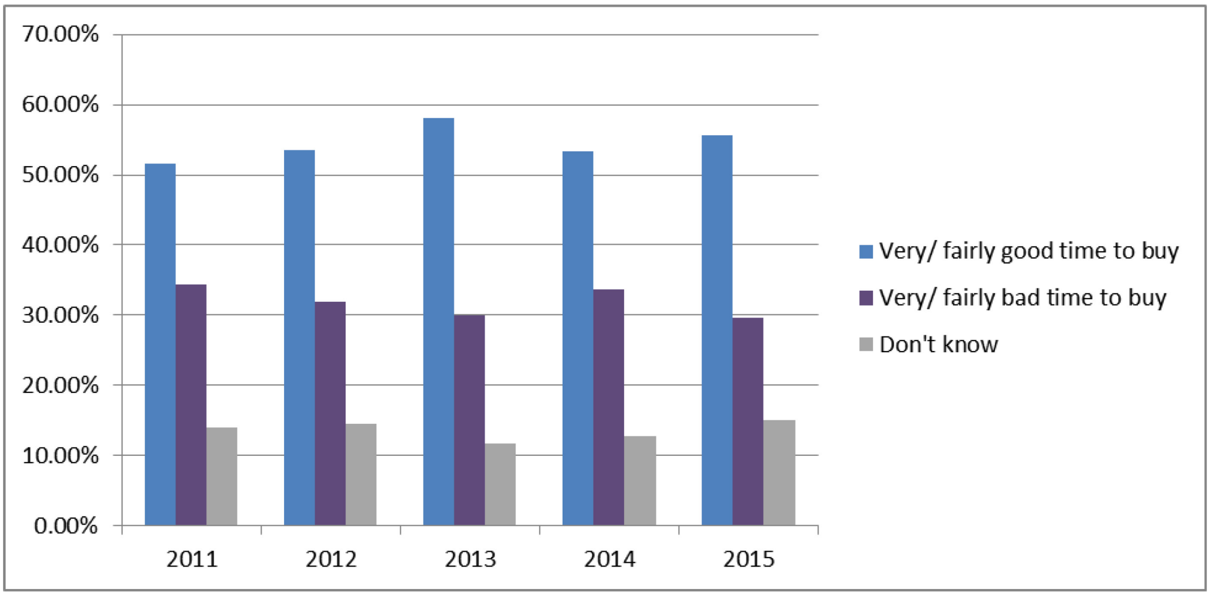
Data on market confidence (Halifax housing market confidence as measured by Ipsos MORI) show some general improvement between 2011 and 2015, with more people believing that it is a fairly good time to buy or sell property (Tables 3.5 and 3.6; Figures 3.12 and 3.13). Since 2013, however, the proportion of people thinking it is a 'very good time to buy' has decreased by over 3% with a corresponding increase in those reporting it is either a 'fairly bad time' or that they are unsure.

Table 3.5: Results, survey question: '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?' (per cent)

	2011	2012	2013	2014	2015
Very good time to buy	11.3%	13.2%	9.7%	6.7%	6.4%
Fairly good time to buy	40.3%	40.4%	48.4%	46.6%	49.2%
Fairly bad time to buy	23.7%	21.9%	23.0%	27.1%	25.0%
Very bad time to buy	10.7%	10.0%	7.0%	6.6%	4.6%
Don't know	14.0%	14.6%	11.7%	12.7%	15.0%

Source: Ipsos MORI, Various years; author's calculation

Figure 3.12: Results, survey question: '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?



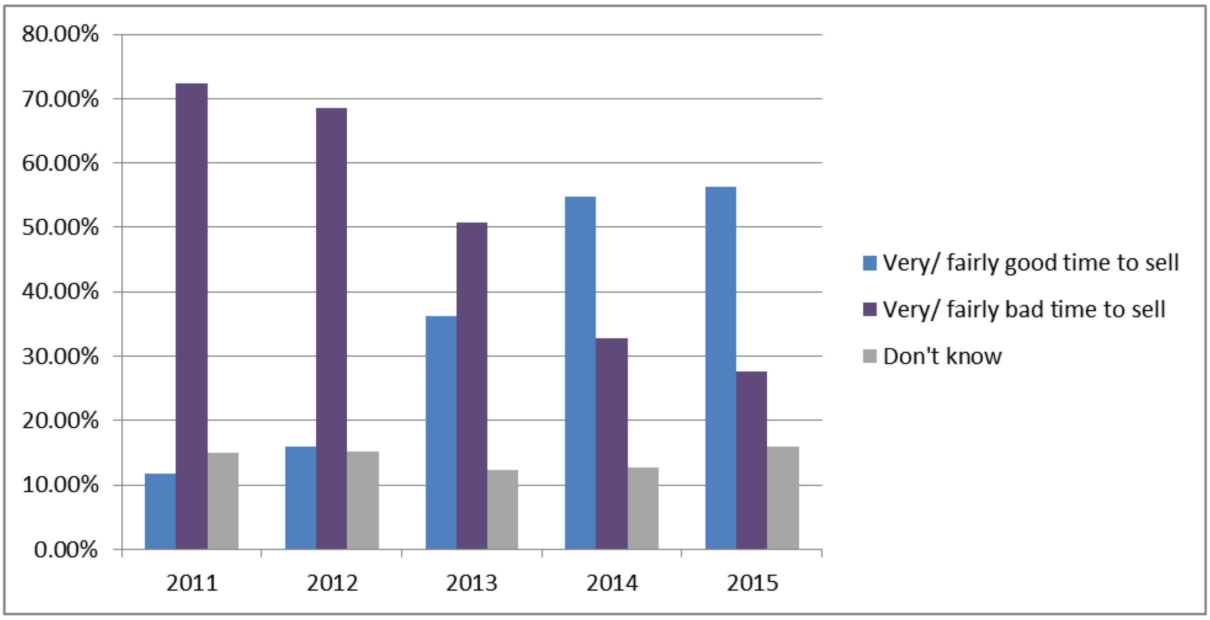
Source: Ipsos MORI, Various years; author's calculations

Table 3.6: Results, survey question: '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?' (per cent)

	2011	2012	2013	2014	2015
Very good time to sell	1.0%	1.6%	3.8%	8.9%	6.6%
Fairly good time to sell	10.7%	14.4%	32.4%	45.9%	49.8%
Fairly bad time to sell	43.3%	45.4%	38.3%	27.3%	24.0%
Very bad time to sell	29.0%	23.1%	12.5%	5.5%	3.6%
Don't know	15.0%	15.2%	12.4%	12.7%	16.0%

Source: Ipsos MORI, Various years; author's calculations

Figure 3.13: Results, survey question: '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: Ipsos MORI, Various years; author's calculations

Conclusions on market context data

These market context data show that Help to Buy Equity Loan was introduced when some signs of an improvement in housing market activity as measured by these different statistics were already in place. Since then that improvement has generally strengthened - although there are notable differences between Homes and Community Agency Operating Areas where Help to Buy Equity Loan covers a larger proportion of new build sales as opposed to in the South where Help to Buy Equity Loan provides less support to making new homes affordable.

It is not possible to say what might have happened without the new policy, although the secondary data on starts suggest that the initial improvement in the housebuilding market prior to the scheme was not robust. Equally we cannot say how much of the upturn and its strength can be explained by the policy. The interviews and other primary data discussed in the next two chapters would generally support the view that it has had a positive effect and we develop this assessment into an overall view of additionality in Chapter 6.

3.3 Help to Buy Equity Loan Statistics – Take-up, property profile, users, and loan information

Analysis of Help to Buy Equity Loan purchaser data indicates that as of end-June 2015, the Help to Buy Equity Loan programme had been responsible for over £2bn of equity loans, supporting the purchase of over £12bn worth of property (Table 3.7).

Table 3.7: Help to Buy Equity Loan figures (as of 30 June 2015)

	Transactions	Value of Equity Loans (£m) at completion	Total value of properties sold (£m)
Cumulative value after two years (March 2013-June 2015)	56,402	£2,424.81	£12,184.53

Source: Department for Communities and Local Government, 2015c

The dwellings purchased using Help to Buy Equity Loan have generally been family-sized properties. Nearly half of all properties purchased under the programme have three bedrooms (Table 3.8). Smaller properties - those with one and two bedrooms - account for about a quarter of homes purchased so far under the programme. The proportion of smaller homes bought with Help to Buy Equity Loan has fallen over the seven quarters for which data are available, from 33% in the second quarter of 2013 to 24% in the first quarter of 2015.

Table 3.8: Property size by number of bedrooms (as of 30 June 2015)

Number of bed-rooms	Q2 2013 (%)	Q3 2013 (%)	Q4 2013 (%)	Q1 2014 (%)	Q2 2014 (%)	Q3 2014 (%)	Q4 2014 (%)	Q1 2015 (%)	Q2 2015 (%)	% of all trans-actions (as of 30 June 2015)	% of all trans-actions in *London* (as of 30 June 2015)
1	6%	5%	5%	4%	3%	4%	3%	3%	3%	4%	24%
2	27%	26%	25%	24%	23%	23%	21%	19%	21%	23%	47%
3	47%	45%	46%	44%	45%	46%	49%	49%	47%	47%	22%
4	20%	22%	22%	25%	25%	25%	25%	27%	27%	25%	6%
5+	1%	1%	2%	2%	2%	2%	2%	2%	2%	2%	0%

Source: Source: Homes and Communities Agency, 2015 unpublished management data

This picture generally reflects the geographical pattern of transactions (Table 3.9). The distribution in London is quite different to the national picture, with over 70% of Help to Buy Equity Loan properties having only one or two bedrooms. There are a variety of factors that may account for this observed difference, including a generally younger age profile across London and a greater proportion of property that are flats[8].

Table 3.9: Property size distribution by Homes and Communities Agency Operating Area (as of 30 June 2015)

HCA Operating Area	1-bed	2-beds	3-beds	4-beds	5+beds
London	24%	47%	22%	6%	0%
East and South East	5%	28%	42%	23%	2%
South and South West	4%	26%	44%	24%	2%
Midlands	2%	19%	47%	29%	3%
North West	2%	15%	55%	27%	2%
North East, Yorkshire and the Humber	1%	17%	56%	24%	2%

Source: Homes and Communities Agency, 2015 unpublished management data

Help to Buy Equity Loan has mainly supported the purchase of houses (Table 3.10). As of June 2015, some 16% of all Help to Buy Equity Loan transactions were for flats and 84% for houses, split fairly equally among detached, semi-detached and terraced houses.

Table 3.10: Property type (as of June 2015)

Type of property		Percentage of all transactions (as of 30 June 2015)
Flats		16%
Houses	Detached	27%
	Semi-Detached	29%
	Terraced	28%

Source: Department for Communities and Local Government, 2015c

[8] Almost half (49%) of the stock in the London area are flats compared with 16% of homes outside of London – see English Housing Survey Profile of English Housing 2013. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445370/EHS_Profile_of_English_housing_2013.pdf

Most Help to Buy Equity Loan users have been first-time buyers. In England as a whole some 82% of recipients were first-time buyers, while in London the proportion was higher, at 95% (Table 3.11).

Table 3.11: Proportion and number of Help to Buy Equity Loan recipients who are first-time buyers (as of 30 June 2015)

Location	First-time buyer	Not first-time buyer	Total number of transactions
London	95%	5%	3,128
Rest of the Country	82%	18%	53,274
England	**82%**	**18%**	**56,402**

Source: Homes and Communities Agency, 2015, unpublished management data

Data on household income show that about half of Help to Buy Equity Loan borrowers had household incomes below £40,000. Some 64% of borrowers had household incomes between £20,000 and £50,000 (Figure 3.14). A small proportion had either lower household incomes (below £20,000) or higher ones (over £100,000) - about 3% in each case.

Figure 3.14: Help to Buy Equity Loan transactions by household income band as of 30 June 2015

Source: Department for Communities and Local Government, 2015c

For the programme to date, the mean applicant household income in the country as a whole was £47,200 (Table 3.12). Incomes were highest in London (average £64,900) and lowest in the Homes and Community Agency Operating Areas of the North East, Yorkshire and the Humber (average £39,000).

Table 3.12: Average Help to Buy Equity Loan applicant household income by Homes and Communities Agency Operating Area (as of 30 June 2015)

HCA Operating Area	Mean household income
London	£64,901
East and South East	£54,448
South and South West	£49,454
Midlands	£44,825
North West	£41,412
North East, Yorkshire and the Humber	£39,006
Overall	***£47,189***

Source: Homes and Communities Agency, 2015, unpublished management data

The average price of a property purchased under the Help to Buy Equity Loan programme to date has been £216,000. The regional distribution of property prices reflected that of incomes: the highest prices were in London (average over £300,000) while the lowest were in the Homes and Community Agency Operating Areas of the North East, Yorkshire and the Humber (average £165,000) (Table 3.13).

Table 3.13: Average purchase prices, deposits, mortgages and loan values of Help to Buy Equity Loan transactions by Homes and Communities Agency Operating Area (as of 30 June 2015)

HCA Operating Area	Average Purchase Price	Average Mortgage	Average Equity Loan	Average Deposit
London	£314,210	£223,897	£62,270	£28,043
East and South East	£258,182	£184,043	£51,383	£22,756
South and South West	£238,709	£169,417	£47,532	£21,760
Midlands	£200,741	£144,427	£39,938	£16,375
North West	£177,722	£128,252	£35,418	£14,052
North East, Yorkshire and The Humber	£164,939	£119,517	£32,852	£12,570
OVERALL	**£216,030**	**£154,726**	**£42,992**	**£18,312**

Source: Homes and Communities Agency, 2015, unpublished management data

About three-quarters of properties bought under the programme cost between £100,000 and £250,000, with only a small percentage costing less than £100,000 or more than £450,000 (Table 3.14). In the first two years of Help to Buy Equity Loan the proportion of higher-value properties increased probably reflecting observed behaviour across the market commented on earlier in this chapter. In 2013 some 11% of purchased properties cost more than £300,000, but by 2014 this percentage had grown to 16%.

Table 3.14: Price distribution (as of 30 June 2015)

Price Band	Percent of transactions by year			Total to 30 June 2015	
	2013	2014	2015 (to 30 June 2015)	Number	%
£50,000-£99,999	4%	3%	2%	1,514	3%
£100,000-£149,999	24%	20%	17%	11,436	20%
£150,000-£199,999	32%	30%	29%	17,149	30%
£200,000-£249,999	21%	21%	20%	11,685	21%
£250,000-£299,999	9%	12%	14%	6,651	12%
£300,000-£349,999	5%	6%	7%	3,243	6%
£350,000-£399,999	3%	4%	4%	2,049	4%
£400,000-£449,999	1%	2%	2%	1,123	2%
£450,000-£499,999	1%	2%	2%	868	2%
£500,000-£549,999	0%	1%	1%	306	1%
£550,000-£600,000	1%	1%	1%	378	1%
Total transactions	**14,024**	**28,387**	**13,991**	**56,402**	

Source: Homes and Communities Agency, 2015, unpublished management data

In more than two years of operation, a total of 838 ***developers*** have made Help to Buy Equity Loan transactions. Of those, the top ten accounted for 70% of transactions (Table 3.15). The most active developers each accounted for around 15% of transactions.

Table 3.15: Top ten Help to Buy Equity Loan developers, percent of transactions over time and Homes and Communities Agency Operating Area (HCA OA) where most active (as of 30 June 2015)

	2013			2014				2015		%of all trans-actions to 30 Jan 15	HCA OA where most active
Developer	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
1	27%	14%	15%	12%	21%	10%	16%	13%	20%	16%	Mids
2	18%	10%	18%	9%	18%	11%	21%	11%	19%	16%	Mids
3	12%	13%	13%	13%	12%	14%	13%	14%	13%	13%	Mids
4	3%	10%	6%	9%	6%	8%	4%	8%	4%	6%	Mids
5	4%	4%	3%	5%	3%	5%	3%	5%	4%	4%	NW
6	6%	4%	5%	3%	4%	3%	5%	2%	3%	4%	S & SW
7	3%	4%	2%	5%	2%	4%	3%	6%	2%	3%	NE,Y&H
8	5%	3%	2%	4%	3%	2%	2%	3%	3%	3%	S & SW
9	5%	2%	3%	2%	4%	2%	2%	2%	3%	3%	S & SW
10	1%	3%	3%	2%	2%	3%	2%	2%	2%	2%	E & SE

Source: Homes and Communities Agency, 2015, unpublished management data

Table A3.1 in the Appendix 3 shows the house builders with more than 20 active sites as of May 2015. All of the top ten Help to Buy Equity Loan developers except for Galliford are on this list.

Some 18 ***lenders*** have made loans under the programme, but most were responsible for only a small number of transactions. The top four lenders who are also among the top mortgage lenders in the general market together accounted for over 80% of Help to Buy transactions since the start of the programme (Table 3.16). A major lender's share of loans has fallen since the onset of the programme and in 2015 Quarter 2 was just 23% (down from 85% in the first quarter of Help to Buy). Two other major lenders have grown their Help to Buy Equity Loan business strongly in the last three quarters.

Table 3.16: Top 7 Help to Buy lenders, percentage of transactions by quarter (as of 30 June 2015)

Lender	2013			2014				2015		% of all trans-actions to 30 June 2015	Number of loans to 30 June 2015
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
1	85%	60%	48%	40%	41%	36%	28%	19%	23%	38%	21,279
2	4%	24%	36%	40%	36%	30%	26%	39%	44%	34%	19,121
3	7%	12%	11%	11%	10%	11%	12%	10%	10%	11%	6,087
4	0%	0%	3%	4%	6%	11%	15%	16%	10%	8%	4,600
5	4%	2%	2%	3%	3%	5%	7%	6%	3%	4%	2,281
6	0%	0%	0%	0%	2%	3%	5%	5%	4%	2%	1,291
7	0%	0%	0%	0%	1%	3%	4%	4%	3%	2%	1,032

Source: Homes and Communities Agency, 2015, unpublished management data

3.4 Sub National Analysis

The ‘East and South East’ Homes and Communities Agency Operating Area accounts for the largest number of transactions under the programme, with more than three times as many as London, the region with the fewest (Table 3.17). In the Operating Areas of the Midlands and the North of England, where 56% of all Help to Buy Equity Loan transactions occurred, transactions completed with a Help to Buy Equity Loan represented between 3-4% of all transactions in those areas. This is in contrast to London and the East and South East, where Help to Buy Equity Loan only accounted for 1-2% of all transactions. The Operating Area where Help to Buy Equity Loan transactions represented the largest proportion of total transactions was the South and South West.

Table 3.17: Help to Buy Equity Loan transactions by Homes and Communities Agency Operating Area (as of 30 June 2015)

HCA Operating Area	Number of Transactions	Proportion of all Help to Buy Equity Loan Transactions	Proportion of *all* Transactions in Area*
London	3,128	6%	1%
East and South East	10,398	18%	2%
South and South West	11,168	20%	5%
Midlands	14,817	26%	4%
North West	7,106	13%	3%
North East, Yorkshire and the Humber	9,785	17%	4%
Overall	56,402	100%	3%

Source: Homes and Communities Agency, 2015, unpublished management data, Total Transaction Data, Land Registry 2015

*Land Registry transaction data has been summed to estimate transactions by Homes and Communities Agency Operating Areas; these numbers should be seen as indicative only

The ten local-authority areas with the highest level of Help to Buy Equity Loan activity, in terms of the *number* of transactions, are shown in Table 3.18. Many of these areas are very large, so the actual number of transactions in relation to population size is quite small. Table 3.19 shows high activity areas in terms of number of transactions per thousand inhabitants. Most of these high activity areas are fairly widely spread across the southern half of the country, although not in London or the South East. The concentrations in these local authorities reflect the current pattern of residential development and the availability of Help to Buy Equity Loan-appropriate stock. The areas are small, so the number of housing starts per quarter is also small.

Table 3.18: Ten local authorities with highest Help to Buy Equity Loan activity by numbers of transactions based on mid-2014 population figures (as of 30 June 2015)

Highest-lowest by number of transactions

Local authority	Help to Buy Equity Loan transactions as of 30 June 2015	Transactions per thousand population
Wiltshire	990	2.05
Leeds	911	1.19
Central Bedfordshire	893	3.32
Peterborough	740	3.89
County Durham	726	1.40
Milton Keynes	724	2.79
Birmingham	706	0.64
Bedford	690	4.21
Aylesbury Vale	660	3.58
Manchester	603	1.16

Source: Help to Buy Equity Loan Transaction Data, Homes and Communities Agency, 2015, unpublished management data; Population Figures, Office for National Statistics, 2015c, data published 25 June 2015

Table 3.19: Ten local authorities with highest Help to Buy Equity Loan activity by numbers of transactions per thousand people based on mid-2014 population figures (as of 30 June 2015)

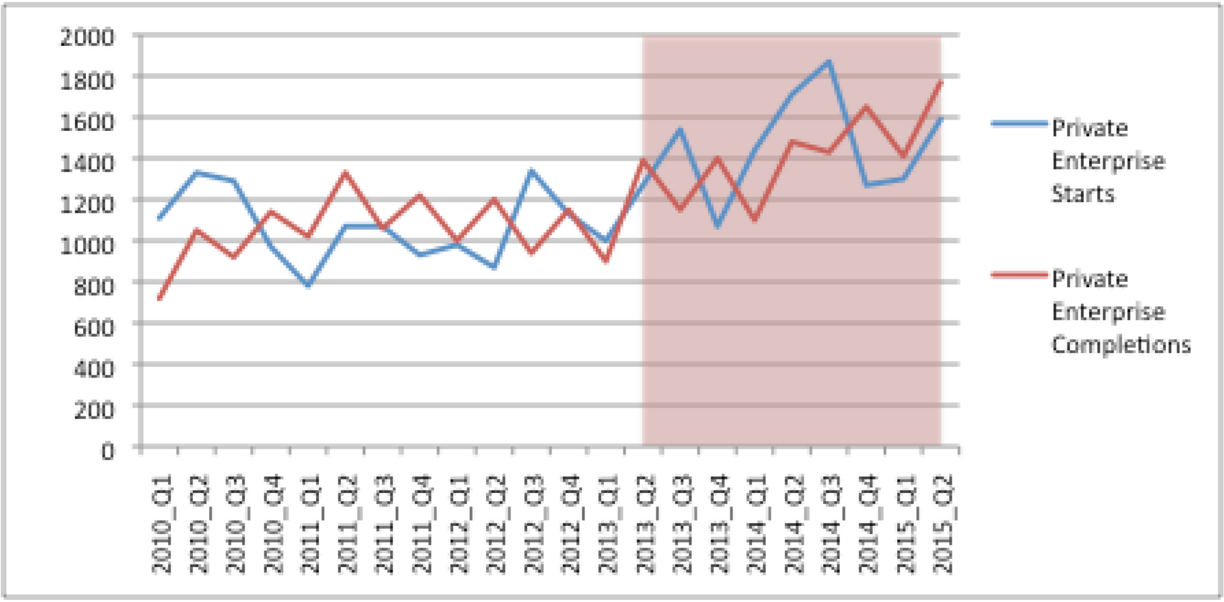
Highest-lowest by transactions per thousand

Local authority	Transactions per thousand population	Help to Buy Equity Loan transactions as of 30 June 2015
Corby	4.25	278
Bedford	4.21	690
Peterborough	3.89	740
Aylesbury Vale	3.58	660
Chorley	3.58	399
South Norfolk	3.56	460
Gloucester	3.52	442
Hinckley and Bosworth	3.41	367
Telford and Wrekin	3.37	571
Dartford	3.35	342

Source: Help to Buy Equity Loan Transaction Data, Homes and Communities Agency, 2015, unpublished management data; Population Figures, Office for National Statistics, 2015c, data published, 25 June 2015

In Figure 3.15, the number of starts has been summed by quarter in these high activity areas to show the trend over time. Since the introduction of Help to Buy Equity Loan, there has been an upward trend in starts generally in these high activity areas, albeit with significant dips around Quarter 4 of both 2013 and 2014, reflecting seasonal patterns.

Figure 3.15: Private enterprise starts and completions in ten local authorities with highest Help to Buy Equity Loan activity by number of transactions per thousand people, 2010-2014



Source: author's calculations based on Help to Buy Equity Loan Transaction Data, Homes and Communities Agency, 2015, unpublished management data; Population Figures, Office for National Statistics, 2015c, data published 25 June 2015; Starts and Completions data, Department for Communities and Local Government Live Table 253a, data published 20 August 2015

A table summarising information on active developments in these high activity local authorities is included in Appendix 3. In general, these local authorities have ambitious growth targets and plans which encourage substantial house building over the next 15 to 20 years. The active sites are mostly being developed by the major developers, and Help to Buy Equity Loan is being widely advertised on most of them. Perhaps surprisingly, the individual sites themselves are not very large, usually less than 150 units and many below 100. Often, however, these smaller sites are being brought forward as phases within larger schemes, including major urban extensions.

Table 3.20 shows trends in median house price in these ten high activity local authorities. Between 2013 and 2014, prices rose on average by 6.5% in these authorities compared with an average price rise of 10.5% over the same period nationally.

Table 3.20: Price trends in ten local authorities with highest Help to Buy Equity Loan activity by number of transactions per thousand people, 2010-2014

	2010	2011	2012	2013	2014
Corby	124,995	119,950	119,850	130,000	132,250
Bedford	183,000	179,000	185,000	187,500	205,000
Peterborough	132,998	130,000	132,000	140,000	150,000
Aylesbury Vale	230,000	230,000	227,500	237,500	250,000
Chorley	150,000	145,475	150,000	147,750	154,000
South Norfolk	184,000	175,000	176,998	182,000	195,000
Gloucester	147,000	140,000	142,000	148,000	158,000
Hinckley and Bosworth	152,000	149,000	145,000	150,000	165,000
Telford and Wrekin	139,995	135,250	139,950	142,495	145,000
Dartford	187,000	185,000	196,625	200,000	220,000
Average across local authorities	*163,099*	*158,868*	*161,492*	*166,525*	*177,425*
Per cent change each year	**6.50%**	**-2.59%**	**1.65%**	**3.12%**	**6.55%**

Source: Office for National Statistics, 2015d, data published 24 June 2015

The Help to Buy Equity Loan data analysis shows clearly how and where Help to Buy Equity Loan has impacted. It has supported the purchase of over 50,000 new homes with a total value of over £12bn. The vast majority of sales (82%) have been to first-time buyers. Most have been family sized homes with nearly 50% of Help to Buy Equity Loan purchases being three bedroom property. There is some evidence to suggest the proportion of family homes purchased under the scheme is growing. The picture with respect to property sizes suggests that Help to Buy Equity Loan may have allowed some first-time buyers to miss out the first step of a smaller home. However in London in particular the emphasis is on smaller units.

Most households buying under Help to Buy Equity Loan had identified household incomes below £50,000 and the average property price was £212,000 some £55,000 below the Office for National Statistics average of £267,000. Three quarters of homes were priced between £100,000 and £250,000 and 87% below £300,000.

Some 838 developers have made transactions under the scheme along with 18 lenders. In both cases a small number of large firms dominate delivery. In the case of lenders there has been some expansion of the market with reliance on the largest mortgage lender falling from 85% of loans in Quarter 2 2013 to 17% in Quarter 1 2015.

3.5 Conclusion

Help to Buy Equity Loan has become a small but significant element of total transactions, albeit with considerable spatial variations. There is evidence to suggest it has boosted total output – starts in 2013 were a long way up on 2012 and in 2014 they were higher than 2013 (starts are chosen as our preferred measure of output over completions which clearly lag).

The extent of the expansion in output varies greatly across the country with the largest growth in the Northern and Southern Homes and Communities Agency Operating Areas (representing between 3-5% of total transactions) where the biggest falls were also seen after 2008 and the least in the London and East and South East Operating Areas, (representing between 1-2% of total transactions) where output levels were less affected. This tends to suggest that Help to Buy Equity Loan take-up has been greatest in generally lower price and demand areas.

The evidence on local authority areas shows how significant Help to Buy Equity Loan has been in specific local authorities, which were often identified growth areas.

Data on new mortgage loans by both number and volume show an upturn in 2013 as do data on the number of loan products with higher loan to value ratios. Although most are not for new build homes this rise has supported an increase in first-time buyers as measured by both the number and value of new loans. Housing market confidence in general also showed a slight increase, although confidence that it is a 'very good' time to buy has waned.

This secondary data analysis can provide some indications of how the Help to Buy Equity Loan policy might evolve as the market changes through to 2020 and beyond. We return to this issue in Chapter 6.

Chapter 4: Supply-side perspectives

4.1 Developer perspectives

We interviewed some fifteen senior executives from fourteen larger developers (in one case we interviewed two people in order to obtain specific information about the London market as well as the national picture) over the period from April to June 2015. These included the six largest developers in terms of the number of transactions (in themselves covering almost 60% of transactions) and six of the largest seven in terms of the number of active sites. 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. As a result we obtained information on developer experience in all regions as well as on the national picture.

During May and June we also interviewed five senior executives from smaller builders who were operating in one or sometimes two regions. One had not done any Help to Buy Equity Loan sales - although they were closely involved in discussions with the Homes and Communities Agency; one had done one sale; the other three had greater experience of Help to Buy Equity Loan transactions.

Interviews covered four main topic areas: 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; and how they saw the future. 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 that of the larger developers with some of these differences reflecting the different views of the trade bodies covered in section 4.4.

Involvement in Help to Buy Equity Loan

All the larger developers had been involved in Help to Buy Equity Loan from its inception (or within a couple of months) and many had been directly involved in discussions on the design and objectives of the policy. They had also been involved in earlier government schemes of similar nature and involvement flowed from this existing position. They had all remained in the scheme and expected to do so until it finished – and to be part of any future policy initiative of a similar type.

All had transactions levels of a scale which made it a core element in their sales strategies. All marketed the scheme using the logo on their web and their local sales drives. They did not directly incentivise their local sales personnel to use the scheme but all were well versed in the details. All had panels of solicitors and Independent

Financial Advisors who were highly experienced in processing applications. One of the things that they most liked about Help to Buy Equity Loan was that there was a strong national image into which they could tap in their own marketing strategies. They almost all took part in road shows and other local and regional activities and were in direct contact with relevant agents on a regular basis. In other words Help to Buy Equity Loan was a core part of their activity; the processes mainly worked well and they had senior executives who specialised in this element of their decision making. (In most cases we were able to talk directly with this specialist).

Among the smaller builders registration tended to be later. This, in part, was driven by their perception that the Homes and Communities Agency 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. They had not been involved in earlier schemes, seeing them as too restrictive and complex for their needs.

All five were positive about registration for Help to Buy Equity Loan and thought that it was potentially worthwhile for their own activities. They did not wait until they had a specific transaction or scheme available before registering.

They used sales agents rather than having their own dedicated team and so were one removed from the initial transactions process.

They remain in the scheme because they see it as valuable even when it has so far yielded little or no direct benefit. This was seen to be 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. They use the logo - which is well recognised and therefore a useful marketing tool. They identify Help to Buy Equity Loan as an option in site specific information. They are not usually heavily involved in additional marketing. They intend to remain in the scheme in some cases mainly because of the feeling of confidence that it generates.

Impact on firms' decisions

Those who had been involved in First Buy had found it quite a difficult product to promote. The restrictions made it more difficult to sell and the benefits were less obvious to consumers. By comparison the Help to Buy Equity Loan scheme was seen as much more desirable because it is simple and has few restrictions; because scale has been built up relatively quickly and is marketed nationally and regionally to a high quality which made it easier to focus their own marketing budgets, etc. These benefits were seen as much greater for the large builders mainly because of scale. 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. Overall this was seen as having the benefits of a market product but with government backing. It was seen as quite distinct from affordable housing initiatives.

In all cases the large developers thought that the scheme had helped their own firm both directly in terms of sales; had led to increasing output levels because production is demand led; and had built confidence to invest in the future. Details of how this worked in individual cases is discussed below. Among smaller firms the direct help to their firm in terms of sales had been unpredictable - and in two cases negligible/zero. However they all noted 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.

An important issue for the larger developers was the extent to which Help to Buy Equity Loan substituted for their own shared equity schemes. The position differed greatly between different developers. A small proportion did not agree with the idea from the point of view of the firm – sometimes using other approaches such as part exchange. A significant majority had either introduced them after the crisis or greatly expanded established schemes. Some of these had already been closed as the backlog of unsold homes reduced; others were looking to close their own scheme when Help to Buy Equity Loan was introduced because of their effect on the balance sheet; still others were continuing but unhappy because of its impact on cash flow and the capacity to buy land. A few have continued with their own schemes but at a much lower level of activity. A number still market their own exchange schemes which are not relevant for Help to Buy Equity Loan.

Among the smaller builders there was one that still ran a post-65 partial ownership scheme but had closed their mainstream scheme. A number were attempting to get people who had bought on their partial ownership schemes in the mid to late-2000s to staircase out and were having considerable success. This they thought was evidence that there might be less of a longer term problem than some commentators suggest.

The most important finding here was that a significant proportion of the large developers argued 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 suggested that the fact that they have increased activity rates should be measured against a projected decline rather than a stable level of output at the introduction of the scheme.

From the point of view of developers the scale of success was measured first in terms of the proportion of sales that were Help to Buy Equity Loan which was stated among larger developers to run mainly between 20% and 40%.

The second measure was the proportion of those purchasing under Help to Buy Equity Loan who would not otherwise have been able to buy. Here, developers perceived that generally around 40 - 50% of Help to Buy Equity Loan sales would not have translated into full market sales – mainly on the basis of deposit requirements rather than income multiples. This is not to say that this proportion would never have bought – rather that they were enabled to do so at that time.

A number of developers also stressed that people were often jumping a move – i.e. buying an additional room which would allow them to get on with their lives, have children, etc. A proportion of these clearly could have purchased without assistance – although there is an issue about the range of sizes available within the new construction sector as many developers did shift towards larger houses as a result of the near closure of the first-time buyer credit market.

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 those wanting to move up to family homes which was in some cases an important part of their market.

Overall the estimates for the net increase in sales ranged from around 10% to 20% of total transactions within each of the larger firms - although these figures were usually hedged around with comments about make-up, etc. These net figures were seen as translating into new build because (except in the apartment market) starts were closely linked to sales experience – i.e. investment was seen as almost entirely demand led.

The impact on smaller firms was perceived to be much less. 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 Equity Loan. The numbers involved were usually small and the learning costs seemed high. Where sales did take place they stated that it had speeded up development activity.

No interviewee mentioned any slow-down in sales with respect to non Help to Buy Equity Loan sales. They all saw the market as generally on the upturn and although there was considerable volatility, thought sales activity of any type helped to generate more activity.

All the larger developers had directly increased their building programme as a result of Help to Buy Equity Loan sales, as had three of the smaller developers. They saw no difference between larger sites and smaller sites – although one smaller builder felt he had the confidence to be involved in a much larger site than usual.

The main constraints were land availability and planning. Material shortages had been relevant but were declining. This was to some extent seen as an outcome of Help to Buy Equity Loan and the confidence it had generated – shortages were felt to have declined more rapidly than expected. Labour shortages were still a major problem in most areas and developers tended to see that as something which they must deal with themselves. They agreed that they were increasing costs and having some negative impact on output levels. Development funding remains an issue especially for smaller builders. One argued that the game changer was not Help to Buy Equity Loan but the Builders Finance Fund and that if this could be more readily accessed, there would be greater impact.

The most positive statement made by the majority of larger developers was with respect to land. They were buying more land because cash flow had eased in part because of increased sales but also the removal or reduction of their own partial equity programmes. They were definitely gearing up to continue expansion at current rates or somewhat more rapidly. However many - large and small - were still building below their 2007 levels and saw reaching this level as their immediate goal.

The biggest problem area was with respect to flats, especially in London. These are generally sold off plan and often a year or more in advance. Three developers stressed that this made it impossible - or nearly so - for Help to Buy Equity Loan to play a major role, although one developer was holding back some units to be marketed nearer the nine months (six for exchange) window.

In terms of prices they argued that Help to Buy Equity Loan had helped to firm up prices rather than significantly to increase them. They did however suggest that prices were now ‘cleaner’ with fewer white goods or other incentives.

There were spatial differences with developers in the North stressing more how important the scheme was in generating sales, additional market activity and particularly the confidence to plan ahead. London developers saw it as an important scheme enabling people to stay in London and buy. They felt that sales were inherently concentrated in some boroughs because the effect on affordability was inadequate in higher priced areas. They also felt that success was limited by the problems around effectively 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 having a greater impact in London than elsewhere in the country.

Overall the developers saw the second round benefits arising from increased sales and the confidence that has been generated in the market as well as in their own firms as starting to build. All expected growth and were making decisions to support that growth. To some extent this clearly reflects pro-cyclical behaviour but there was also a clear understanding among almost all the interviewees that Help to Buy Equity Loan had made a significant contribution to this optimism.

Impact on the market

The interviewees all stressed the extent to which the scheme had improved confidence in the market and therefore provided an incentive to expand both Help to Buy Equity Loan and non- Help to Buy Equity Loan activity - even though the scale of the impact was seen as considerably different between interviewees as noted above (we are aware of one large developer whose view is that it has made no difference at all but he is not an interviewee).

There was considerable agreement that Help to Buy Equity Loan 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 so that they better understood how technology and design had improved. Almost all the interest outside London and the South East was in properties under or around £200,000 and the vast majority were first-time purchasers (this is partly because of inherited knowledge of earlier schemes as there was seen to be a clear market for movers on who would benefit from the equity share principle).

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. They also liked the lack of an income constraint. Almost all were prepared, some 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.

London was seen as different both because of the difficulties associated with off-plan sales of apartments and because of prices. Those working in London would ideally want to see a regional maximum especially as most thought that the numbers helped to remain in London who would not otherwise have been able to do so were significant. No-one outside London was concerned by the nine month reservation and six months exchange requirement.

Most said that they would have defined the scheme in the same way as the government did, except perhaps they would have suggested a lower maximum eligible property value. They felt that it had changed builder/lender relations to some extent. They were critical of the general lack of lender interest in new build and thought Help to Buy Equity Loan had helped to reduce that problem to some extent. The growth in the number of lenders was very helpful and it was rare to find it difficult to obtain a loan because of lender concentration on site.

They mentioned their concern about the problems that arose when the Halifax changed their rules. Some thought Help to Buy Equity Loan had made the lenders more conservative and might have reduced innovation. However most saw the system as working well and becoming more streamlined, so were more comfortable than they had been in 2013. They mainly saw no change in investor builder relationships. There were a couple who had been restructured who were limited in their capacity to grow but this was not Help to Buy Equity Loan related. Mostly Boards saw Help to Buy Equity Loan as an important nationally recognised scheme and wanted involvement. Others were their own masters and therefore happy with the relationship.

Overall, therefore, Help to Buy Equity Loan was an important, although not always an overwhelming, part of the market. Interviewees saw it as difficult to separate its impact from that of more general confidence - but almost all thought there was an important impact most notably on land acquisition, starts and numbers of active sites. They were generally happy with the form of the scheme from the point of view of the market - and certainly as compared to earlier or industry schemes. In particular they liked the simplicity and comparative stability of the scheme.

Looking to the future

There was considerable disagreement about what the longer term future of the scheme should be but far less so in relation to the next five years. Most said they had made plans on the basis of the scheme continuing basically in its current form for the next five years – and one said that 'shivers went down my spine at the thought that post-election it might not'. A number also noted the negative impact in Scotland when financial constraints started to bite.

Concern was not just about their own firm's business planning, notably with respect to land assembly but also because of market confidence. Any changes were seen as likely to have a negative impact. Fundamentally developers saw Help to Buy Equity Loan as helping to stabilise the market by providing a sort of safety net. By implication they would expect the proportion of Help to Buy Equity Loan to be lower in higher demand areas and to decline as a proportion, although not necessarily in total, if the overall housing market continues to pick up.

There were two camps with respect to whether it would continue to be necessary to support the market. A minority suggested that 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 2020/21.

To the extent that there were views about which parts of the market would continue to benefit, these mainly stressed that first-time buyers looking for properties below £300,000 and usually below £200,000 or in some cases even £100,000 would remain the mainstay of the Help to Buy Equity Loan market. At the other extreme there were developers - again a minority - who wanted the scheme to become a mainstream product which effectively shares risk but which should have little net cost to the government (and maybe even make a reasonable rate of return).

The extension to 2020/21 was therefore almost universally welcomed except by a couple who thought that phasing out could begin a little sooner. There was a small group who thought the industry needed to be weaned off government involvement - but gently. The extension had certainly changed decisions and enabled developers to use cash to purchase more land for future development. But the fundamental remains that for most types of development, regions and developer starts are demand driven so it is speeding up new build sales overall thus generating an increased pipeline that is all important.

As a result most developer interviewees wanted to tell the Chancellor or minister to keep everything steady at least during the current Parliament. They wanted more to be done to streamline the planning system and to overcome development funding constraints. Smaller developers intended to continue to take part even though they often felt they had seen little direct benefit. In addition developers saw Help to Buy Equity Loan as potentially a positive element in reducing volatility in demand over the next cycle. This in itself would help to maintain more consistent and higher levels of output.

Finally very few saw significant problems when people move on as they felt that incomes and prices would have risen enough to make it possible. There was some concern that people would have forgotten the specifics of the scheme and therefore would feel they had lost out if prices rose. They therefore thought it extremely important that purchasers were kept fully informed in an easily accessible way on a regular basis.

Conclusions: developers

Developers were generally very positive about the scheme and saw it as having both direct and indirect benefits. Without the scheme it is highly likely that starts would have declined in 2013 and 2014 because larger developers were running out of capacity to fund their own partial equity schemes or indeed to fund land purchase.

Developers regard Help to Buy Equity Loan sales as on a par with market sales. They have accounted for significant proportions of their sales since the scheme's inception. Given the demand led nature of their business a sale generates a start, so the scheme has helped to increase investment by at least the number of sales taking place. Indeed the secondary evidence suggests that starts began to run ahead of sales to a very considerable extent in 2013 and 2014 at least partially as a result of increased confidence and improved cash flow with the result that they had expanded investment more quickly and consistently. Their better cash flow position has also enabled them to buy land further to increase starts into the future.

Smaller developers feel they have found it harder directly to benefit from the scheme but 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. They welcomed the extension until 2020/21 and saw little difficulty for customers in moving on when they chose to do so.

4.2 Lender perspectives

Introduction

Telephone interviews were conducted with 10 lenders - 8 were active participants in the Help to Buy Equity Loan scheme and 2 were lenders who had decided not to participate. Of the 18 lenders currently in the scheme we chose to interview the 8 lenders with the biggest Help to Buy Equity Loan portfolios. In terms of selecting lenders not in the scheme we simply chose the largest lenders who remained outside of the scheme. With assistance from the Council of Mortgage Lenders we were able to identify the key contact inside each lender and to make a request for a phone interview lasting up to 45 minutes. All the lenders approached agreed to participate. A semi structured questionnaire, developed in conjunction with Council of Mortgage Lenders and the Department, was sent in advance of each interview. No individual person or lender is identified in this report.

Why entered and when?

Generally those in the scheme are committed to supporting first-time buyers - especially those with smaller deposits and the home ownership market. A number of participant lenders have a strong track record for supporting government schemes and this has been re-enforced in specific cases by the government's shareholding in the banks concerned.

In terms of giving support to the new build market, the picture was more mixed. Some saw it as helping drive the economy, others as supporting existing strong relationships with developers and others as an opportunity to grow their new build books/exposure in what was likely to be a growing market. There has been a long history of lender concerns about the new build market (new build premia, quality of homes, sales processes). A small group of lenders have embraced this market fully over the decades and appointed staff to service it and developed strong relationships with builders and other lenders have now followed that lead. However some lenders have stood back - with continuing concerns about the valuation of new build homes and the sales process.

This scheme has 18 lenders out of a total of around 120 residential lenders. Some of those other 102 lenders fund new build purchases but very much as part of a business relationship rather than an active attempt to create a new build specialism. Part of this relates to scale and likely market share. New build is a small part of the total housing market (roughly 10% on an annual basis) and this segment is dominated by two national lenders.

All of the broker and advice elements of new build market are aligned to this dominance and given the strong sales incentives that exist in the builder sales offices there is a natural tendency for business to be focussed in the direction of these two lenders. For new lenders entering this market decisions have to be taken as to whether the likely business to be generated can justify the considerable set up costs to secure it. Without doubt the Help to Buy Equity Loan scheme and its predecessors related to new build have helped bridge this gap and generated more positive relationships between the two sectors - increasing lender appetite to fund new build mortgages. Problems remain but substantial progress has been made.

Current participants varied in terms of the speed with which they had signed up to Help to Buy Equity Loan – some joined immediately after the Budget 2013 announcement reflecting their existing engagement with First Buy and NewBuy[9] and existing corporate policy but others took a little longer in order to get the assurances required and to sort out systems requirements. It was also important to get complete clarity from the Prudential Regulation Authority/Financial Conduct Authority regarding how equity loans might be treated in terms of both capital and conduct requirements.

For non-participants, systems and business models dominated the reasoning for not going forward along with the costs associated with overcoming/changing these. One non-participant lender felt that it was easier and quicker to go to the market with

[9] Introduced in 2011 the **Firstbuy scheme** was similar to the previous Homebuy Direct scheme which came to an end in 2011. Qualifying households with an income of less than £60,000 and a deposit of 5%, were given a 20% equity loan co-funded by house builders and the government. The loan was free for the first five years and repaid on the sale of the property. It ran until 2014. NewBuy began in March 2012. It was a mortgage indemnity scheme aimed to assist potential buyers of new build homes, who have less than a 10% deposit but would otherwise be able to afford monthly repayments, and boost housebuilding activity. Lenders entered into agreements with participating builders and advanced indemnified mortgages of between 90-95% loan to value on new-build homes in England. The builder paid 3.5% of the sale price from each property into an indemnity fund, with government providing a further guarantee of 5.5% of the sale price. NewBuy protected the lender in case the borrower falls behind with their mortgage payments and the lender has to repossess the property and sell it. In that event, the scheme covers that lender's losses, up to 95% of the sale price. These mortgages will be underwritten and administered in the usual way and borrowers will still be liable for shortfalls should the lender wish to pursue. The scheme ran until March 2015.

standard products and stay within its current risk appetite and both non participant lenders interviewed felt their organisations processes and policy were more easily aligned with the government's Help to Buy mortgage guarantee scheme.

In terms of restrictions imposed by current participants there was some variation as to how these were applied. For a number there were no limits other than typical new build exposure limits in relation to specific sites, individual developers and new build development overall. Lenders set site limits for lending in general, typically no more than 20/25% of site or a post code though it was hard to enforce these. For some their market share was well below the risk controls in place.

In terms of loan to value caps and other limits this varied by lender – one had limits of 85% on new build houses and 75% on new build flats and another was currently using a 80% limit on houses but was likely to move that upwards. As this suggests competition, experience and confidence all played a part in how individual lenders approached the new build market.

The other obvious variation between lenders was whether they were offering their standard product range to Help to Buy Equity Loan purchasers or had a specialist range of products. As is evident from comparison sites (eg, http://www.money.co.uk/mortgages/help-to-buy-mortgages.htm) this can mean that Help to Buy Equity Loan borrowers may be paying higher rates than if they were buying an equivalent second-hand property using a similar 'mainstream' mortgage and this has been an area of tension with developers.

Some lenders have clear policies about all borrowers having access to all products whereas for other lenders, systems make it easier to offer a special range for these buyers and this also helps on the administration of the scheme. The other factor to weigh in this is how lenders assess the credit risk – typically Help to Buy Equity Loan purchasers are putting in a 5% deposit with the consequence they will be treated as 95% loan to value borrowers even though there is a 20% equity loan in place.

Core concerns

It was quite clear most if not all participant lenders are comfortable with the scheme from a lending point of view, ie, they will get their loan back. However at the outset there was real concern about the complexity of the scheme from a borrower point of view and whether borrowers understood their obligations – moving from interest free loan to one with interest and repaying an equity loan which is based on a % of the sold house price. It was noted that the standard Help to Buy Equity Loan buying process includes a personal worked example for each buyer and their solicitor/conveyancer gives an undertaking that they have explained the scheme to the purchasers. There is also a Homes and Communities Agency buyers guide (see http://www.helptobuy.gov.uk/docs/default-source/default-document-library/help-to-buy-equity-loan-buyers-guide.pdf?sfvrsn=4).

Use of the Help to Buy Equity Loan is promoted by a developer's sales office (with staff getting substantial incentives to sell the home) and is typically advised through a developer- preferred specialist new build Independent Financial Advisor (eg, New Homes Mortgage Helpline, New Homes Mortgage Services) and solicitor both of whom will be expert in this scheme and attuned to the developer's need for a rapid service. Reflecting these arrangements some lenders were concerned that borrowers might not always get the advice they need and might not fully understand what they have signed up to. However solicitors must sign off on the buyer's understanding and in addition borrowers receive an annual statement regarding their outstanding equity loan liability.

Of course the borrower has to be approved via the Help to Buy Equity Loan agent on behalf of the Homes and Communities Agency and that along with other safeguards gave lenders some comfort that the customers would be eligible and thus they were not lending to people who should not be in the scheme. However borrowers did come down what, for most lenders, was an unusual route and there were some concerns that perhaps some of the checks and balances in the normal mortgage advice process were less obvious in this scheme. Moreover, as more than one lender noted, whereas under First Buy the developers had 'skin in the game', (ie, they provided half the equity loan), under Help to Buy Equity Loan they had none.

These concerns then flowed into a wider discussion about the targeting of the scheme and questions whether it was open to abuse with customers taking advantage of a five year interest free equity loan regardless of whether they needed it or not. At the same time, lenders recognised this was about demand and that the focus was on ensuring more homes were built along with delivering increased transactions and vitality to the housing market.

One lender had a longer list of concerns on the set up that included the regulatory treatment of the equity loan (now resolved) and what the lender saw as a fudge in terms of the scheme focus – in the lender's view the scheme was an affordable housing proposition rather than a new build proposition with the equity loan existing to ease access for first-time buyers and providing in his view an extreme stretch in some cases. This lender, like some others, offered access to standard products rather than a special range and as a consequence its loans were super competitive in the market. This meant it had to manage its exposure very carefully.

The same lender felt that NewBuy was a better scheme in that it had the same 5% deposit but without the Help to Buy Equity Loan incentives for the builder to perhaps set a higher price for the property. A third concern was the length of time the scheme was proposed to run for. The view was that the longer any such incentive schemes run for the more they damage the market by creating dependency by both developers and consumers (let alone 'the ticking clock' on the interest due on the equity loans and their repayment).

Some of these issues also acted to deter non-participants. They were also worried about the parallels with interest only loans market and overall complexity of the scheme. It was easier to pursue their goals of support to first-time buyers outside of the Help to Buy Equity Loan scheme.

When asked if any concerns remained, for some lenders, the answer was a clear yes arguing that some of the initial concerns set out above remained. There was a deep concern about shared equity and how that would work out in practice and not least in the context of continued price inflation plus the fact it was excluded from the affordability calculation at the outset.

However this was not universal. Other lenders felt that the quality of the borrowers was good, that they had seen no inappropriate behaviour by developers or their agents and that there had been no obvious price inflation. There were continued misgivings as to possible mis-selling with this centred on the advice given and the perceived lack of borrower understanding of their loan arrangements (even though the consumer survey discussed in Chapter 5 indicates that consumers did not share these concerns when interviewed).

There was also continued concern about when the scheme might be withdrawn. Having said this, most lenders involved in the scheme were also active in Wales/and/or Scotland though this was not universal at present. Some needed to invest in staff and resources to do so. Two lenders had been forced to limit their exposure as they were getting too much business and it was clear from others that there was a strong appetite for funds in both of these countries.

Patterns of Lending

The number of completions by lender varied considerably reflecting the time they joined, market shares and the size of the organisation. The detailed lending figures are already available to Department for Communities and Local Government /Homes and Communities Agency. Given that diversity, averages are a little misleading but the data suggests the following;

Table 4.1 – Detailed lending figures

	Ave loan to value	Ave income	% First-time buyer	Ave loan
Lender 1	73%	£48k	73%	n/a
Lender 2	72%	n/a	72%	£168k
Lender 3	75%	n/a	78%	n/a
Lender 4	72%	n/a	n/a	£156k
Lender 5	76%	n/a	70%	n/a
Lender 6	71%	£45k	87%	£145k
Lender 7	75%	n/a	50%	£190k
Lender 8	70%	£42.5	87%	£143k

Source: Lender Survey; spring 2015

Typically borrowers have a 2 year fixed rate mortgage. Some lenders are concerned they are ‘overweight’ in new build and Help to Buy Equity Loan relative to their overall market shares. There is some degree of concentration in London and the South East.

Most participant lenders felt the quality of the Help to Buy Equity Loan borrowers were very similar to their general first-time buyer borrowers while noting there was a higher application to completion ratio – ie, more completed.

Lenders were generally very satisfied with the quality of the Help to Buy Equity Loan customers. One lender noted that the quality was ‘very good as priced close to 75% loan to value products rather than 95%’ while another commented ‘quality was slightly lower but overall very similar from a pricing perspective’. Because of the mix of bigger homes and the weight of second time buyers this lender also noted the potential loss given default would be higher. A number of lenders held the view that there were households in the scheme who could have afforded to buy without it – at least as measured by their own credit assessment processes. Some borrowers had clearly moved to take advantage of these 5 year interest free equity loans.

The general view was that the scheme didn’t pose any major problems aside from the concerns about understanding and the quality of the advice given. Lenders were clearly tracking performance closely, partly aided by the data collection underway as part of the Homes and Communities Agency lender dashboard data. For lenders it was still early days in the life of the scheme and the equity loans.

However, one lender noted that Help to Buy Equity Loan arrears were twice as high as standard business and this reinforces concerns around the sustainability of the price of the homes. It was argued by one lender the scheme was a sales mechanism supporting new build and as such was a price maker generating a false market.

Though cover for the lender was deep it raised questions about cover for the government and the buyer. Another lender had undertaken a full review of its lending at the end of 2014 and was very confident as to quality and its alignment to the overall risk appetite of the organisation. A number of lenders flagged up the difficulties re-mortgaging may pose and not least when the borrowers want to borrow more to pay off the equity loan (see below).

The question of consumer understanding was a central concern for lenders which may be allayed by the results of the consumer survey in Chapter 5 albeit this was focussed on current understanding. Issues raised included conduct risk around lenders agreeing a plausible repayment plan after the first charge was repaid and whether borrowers have any recall of the mortgage interview (with one lender recalling the sale of endowment policies where customers agreed and then said they had no knowledge of the discussion) and/or get whole of market advice. Despite all the mechanisms and processes in place, the fact that many loans may be in place for a long time and the equity loan liability could be substantial was sufficient to remain a deep seated cause for concern not least because the lender would the obvious party to blame.

The tie in between the developers and specialist Independent Financial Advisors was mentioned more than once. It was clear a lot of thinking had gone into this area but a number of lenders did feel it was possible that borrowers did not fully understand the scheme, a view point at clear odds with the results of the consumer survey as already noted. The burden of ensuring good advice was given was felt to sit with the Independent Financial Advisor and the Help to Buy Equity Loan agent (though that was not the view of the Help to Buy Equity Loan agents). Lenders were re-assured the Help to Buy Equity Loan agents covered off the risk that the wrong people were in the scheme and that more than one suggested they played a key role in helping ensure borrowers understood it.

However another made the point that, at the end of the day, they were still customers of the lender. One lender did independent customer research on this and fine-tuned its literature as a consequence. Another was planning to call customers on the maturity of their loan to discuss their loan arrangements. A third worked through an extensive checklist of the issues including;

- Do borrowers understand the risks related to buying new homes –if they try to sell soon after purchase – new build premium etc ?
- Were borrowers aware of the difficulties of re-mortgaging with another lender?
- Will borrowers be able to borrow more/make improvements?
- Has the borrower considered buying out the Equity Loan and if so how?
- Does the borrower understand the Equity Loan may make it harder to move to a larger home in a rising market?
- How careful was the borrower to ensure the price was not inflated by the scheme arrangements?

Finally, though an exemption was granted by the Financial Conduct Authority under Mortgage Market Review to allow lenders to ignore the equity loan in their affordability assessments the issue of its repayment resurfaces under the new European Mortgage Credit Directive. Although public sector schemes are exempt under Mortgage Credit Directive lenders remain concerned about possible public outcry when these equity loans start being repaid and the reality and scale of the obligation becomes clear and how that might shape regulatory responses at that time.

The question of re-mortgaging and portability was one lenders recognised. Some suggested it would not be possible to re-mortgage with other lenders as they would not accept the equity loan and the borrowers would not pass their affordability tests. Some might deal with requests on an exceptions basis and might do like for like though only if the equity loan was paid off.

At the time of the survey a number of lenders were not offering to re-mortgage Help to Buy Equity Loan clients from other lenders – some were not ready in systems or policy terms (having made amendments for Help to Buy Equity Loan they then had to revisit this and question of time/priorities; in policy terms the re-mortgage had to meet standard re-mortgage/equity loan thresholds (< 15% of value) that have been set) rather than not wanting to and indeed some of these were already re-mortgaging on the guarantee scheme. There was an appetite for scheme guidelines around re-mortgaging and one lender had already worked with the Homes and Communities Agency to understand the process and put in place the options. Recent evidence suggests more lenders are moving to accept remortaging customers from other lenders.

On arrears it was early days though these were happening but because the loans were recent the exposure was modest.

As noted earlier, lenders varied in the extent to which they had created specific products or allowed Help to Buy Equity Loan borrowers to access their full range of products. Most had developed specific ranges and all had incentives of one sort or another including no application fee, free valuation, cashbacks and free legals. Where a lender simply offered access to the full range of products it often meant these were very competitive with the rest of the Help to Buy Equity Loan market. This did mean they had to manage demand carefully.

Views on what has been achieved

Responses varied on this. One lender saw the benefit more about lending to low deposit customers than lending on new build but others were more positive seeing it as both or indeed principally about new build. It has led to lending firms building stronger capacity for working in the new build market which was recognised by some lenders to have been underserved. This has rolled out to the wider new build market. With greater activity has come greater understanding and one lender felt this had eroded some of the concerns about new build valuations. Some noted they had extended their offer period for loans to 6 months from 3 months to help developers and borrowers.

With respect to the Help to Buy Equity Loan agents these were a considerable source of comfort as this dealt with eligibility questions and thus removed one source of risk. There was some indication lenders felt that customers were also better informed as a consequence. There was considerable satisfaction with the role played by the Homes and Communities Agency.

In terms of whether participation in this scheme impacted upon other schemes supported by the lender, generally the response to this was no. Some lenders were not involved in the shared ownership market but it was recognised that Help to Buy Equity Loan will impact upon that market as it would, for some customers, be seen as an affordable housing option. However lenders generally saw this as a market product rather than an affordable housing product so the clash was avoided. One lender suggested it has reduced its appetite to do NewBuy loans.

On the question of whether it had led to more new homes being built some lenders opined that we will never fully know. There was general recognition that the scheme had assisted the credit market and consumer confidence. Some felt that Help to Buy Mortgage Guarantee had the bigger impact.

Others suggested that though there was limited evidence of a large uplift in output but then posed the counterfactual of what if it hadn't existed? It was recognised developers had rebalanced books and become profitable and this had fed into more expansive plans, albeit the market was still 'fragile'. However was there a pro rata increase reflecting the investment? And should developers have done more regarding supply rather than boosting profitability? It was suggested it had also helped lenders back into higher Loan to Value lending.

One lender was firmly of the view the scheme worked on the demand side but not the supply side. Another asked whether it has influenced the type of properties being built (and how many were sold to investors rather than home buyers).

The estimates as to how much new build development had increased varied greatly from 0 through 10% of new supply, (reflecting views of resource constraints – materials, labour, land) with most but not all thinking 25% was too high. It was argued that it would be difficult for the top 3 developers to sustain the growth they had achieved and thus a question as to what might happen in the future?

Broadly what had happened to date was in line with what might be seen as a typical five year plan for a recovering market – slow but steady growth. Some developers were refinancing their own Shared Equity loan books. The recent reduction in output was noted and it was suggested that what we had been seeing was in part simply bringing forward plans rather than an overall sustained increase in output. If output increased too quickly prices would stabilise/fall so why would developers do this? We return to this question of additionality in Chapter 6 where we summarise developer and lender views alongside further assessments of the impact of the scheme.

How important is it that the scheme is extended to 2020[10]?

Lenders noted the considerable dependency many developers had on this scheme (up to 50% of sales) so early withdrawal could have negative consequences for home owners and the market. Others asked why 2020 and not 2025 or even does it need an end date? It could be managed by incremental changes in policy and criteria – the top 20 developers are already less dependent (?) and it would seem the market was ending up with a 'hard core' group of developer users.

This prompted one lender to ask the question do we need the scheme – who needs it? Does the market need it anymore? Why should buying be favoured over renting? Developers have stepped back from their own shared equity programme and Help to Buy Equity Loan was not seen as a vote winner. There was a need for an Equity Loan repayment vehicle and there was concern there was no 'drop dead' date for exit from the Equity Loan. It was argued the scheme should not be permanent and the government needed to be much clearer as to what the needs are?

Another lender suggested we might need to keep it going though he saw that as a question for developers. In terms of lending the market was heading back to 95% Loan to Value mortgages to a degree and even though that would not be all lenders some were going there. A Mortgage Insurance Guarantee scheme or government scheme would help here – without it 90% loan to values would be the market maximum for many (but not all) lenders on second hand homes.

The risk of withdrawal of Help to Buy Equity Loan was the cliff edge effect which saw transactions brought forward to qualify and then a period with very few transactions.

[10] Interviews were conducted before the announcement to extend the scheme to 2021 and thus asked respondents about extension to 2020

A third lender argued it should not be extended and that there should be a proper discussion as to why lenders will not lend to low deposit borrowers and new build. This lender did not like the scheme's impact upon developer/consumer behaviour and the distortions it generates. The lender suggested that the whole area of new build needed rethinking and not least its dependence upon commission. He wanted to see a much more professionalised market. Finally another lender argued the priority was to invest in capacity to build – confidence was back but capacity wasn't.

All lenders expected to stay in the scheme to conclusion though with some marked variations in enthusiasm and subject to the performance of the portfolio. Two major lenders had previously reduced their scheme appetite and overnight this had impacted on quoted stock market valuations of developers. These had since been restored but it did highlight the sensitivities that exist.

On the question of 'If this scheme hadn't existed how might the new build market have evolved/', 'painfully slowly' was one response - a view echoed by many of the respondents. This would have meant more reliance on developer shared equity schemes and all the balance sheet constraints that involved though as another lender suggested the equity loans could be packaged up and sold off. However such schemes would now be caught by the new second charge regulations and this was now a regulated market so this would affect market appetite/capacity.

There was concern that Help to Buy Equity Loan lending was very concentrated amongst a few lenders and that it was difficult to break in as the broker panels were controlled by developers and they had well established favourites where they put the business. Another lender suggested it was no longer needed and preferred simple mortgage guarantees for high loan to value loans which could be properly priced and volume controlled via the credit score. The scheme had certainly helped get some lenders into the new build market and without it that would have been slower and more cautious.

It was suggested the scheme had resulted in more family homes instead of one or two bed homes and this slowed increasing overall output. There was a concern about staircasing and the equity loan and questions around whether the scheme was raising a question about whether you owned your home if government had a 20% stake.

Mention was made that First Buy was a better scheme – well targeted and more sustainable while another lender preferred NewBuy which he felt achieved better sales standards. The lender felt Help to Buy Equity Loan had done nothing to encourage a better new build market and though it gave lenders protection an opportunity had been missed – citing, for example, the fact that buyers did not see service charge details despite the Office of Fair Trading code of conduct on this.

For the lenders not in the scheme both accepted that in terms of whether they could be involved was wrapped up in issues around timing and stage of business development (bearing in mind this is a broker led market). Both firms had other priorities at present and in one case preferred shared ownership to shared equity. Both did lend on new build homes (aside from studios in one case). There were concerns about the new build premium and one lender valued new build on a second hand basis.

Their experience suggested the new build market performed slightly worse than existing homes. Both agreed increasing supply was important. One was concerned about policy consistency and market volatility with the continuous mismatch between demand and supply. The other was exploring the broker market. Both had a positive outlook on the scheme and in combination with the guarantee scheme. They agreed there had been a boost to supply and confidence though one thought the guarantee scheme had the bigger impact.

Conclusions: lenders

The lender interviews certainly provide a mix of messages. They were clear that the scheme has had positive effects but like all schemes there were both initial and to a degree continuing concerns. There can be little doubt that it has helped progress lending into the new build market and perhaps one question for the future is how that process can be further enhanced and developed. Given that new supply is a clear priority then so to should be the question as to how to make that well supported by a fully functioning new build mortgage market. There is a case for further thinking around this point.

4.3 Help to Buy Equity Loan Agent perspective

As part of the programme of research we interviewed all the pre-sales agents (although not the post-sales agent). Responses to these interviews are summarised in the following section.

Original contracts

Most had previously been agents in the First Buy/HomeBuy Direct schemes from earlier in the 2000s. Some saw it as prestigious; others more simply ‘what they do for the association’. They already had established links with developers, local authorities and others (eg Armed Forces) with teams in place and saw it as a mainstream activity which was commercially driven and which they wished to continue.

There had been some streamlining especially in the last bidding round and a number felt that the margins were now very tight. Most were positive about the level of activity - which helped spread their costs. However one agent mentioned sales had been lower than expected, although this might have been a region specific comment and possibly related to weather.

The agents surveyed expressed some concern about how the initial bidding process to become an agent had worked and the limited time they had had to gear up, especially when the area covered by their contract had changed. Costs were more tightly controlled, making it more difficult to do more than the basic minima and there were often only a few days to put everything in place. This has now improved, although it was noted often how difficult it was to deal with seasonal volatility at the same time as keeping costs down.

One agent added that their contract (the agent's) was only for two years. This inhibited investment in IT/Website, etc. There was an option to extend but it was suggested it would be better to give a five year contract at the outset (although it was recognised this was not possible because the extension of the Help to Buy Equity Loan scheme itself was a post-election issue).

The role of agents

In the main their business was via the developer/developers' Independent Financial Advisor. Most agents did roadshows usually with developers (attracting considerable attendance – one agent stated that 1,000 people attended an event) and thus had direct contact with potential customers (and with lenders/developers/ Independent Financial Advisors etc). One agent said that half of their customers phoned them or otherwise contacted them directly, but this appeared unusual.

One agent had surveyed roadshow attendees and of the 800 surveyed, a third were interested in all schemes, 15% wanted only an equity loan, and 28% wanted shared ownership. The agent aimed at generating 50% new buyers, and 66% of clients were not previously registered with the association. The agent estimated that 70% of buyers came via developers and 30% via shows.

Most agents saw the process of marketing as a national one through TV, the logo and other identifiers as well as through the developers themselves. Agents marketed to the association's existing client base. One agent undertook a tailored 'e-marketing' campaign aimed at all the people on their shared ownership waiting list and to their tenants. The agent also did Facebook advertising and held a big one-day show. Another had an animated film and a number had put their own resources into additional marketing. Even so, all saw it as a predominantly developer led process with the open nature of the scheme making it far easier and less bureaucratic than earlier initiatives.

In terms of their role with consumers most said it was a straightforward bureaucratic process with very limited consumer contact – basically the agents were checking/processing applications for eligibility. The face to face contact was mainly at the shows. Agents agreed that most consumers had no idea about the agent/association role, nor about what information should be sought from the agent. Some agents said that they checked the consumers' understanding of the suitability of the scheme for their individual circumstances and tried to supplement information where appropriate. All Agents provide the Homes and Communities Agency buyers guide and a personal worked example to each applicant.

There was some concern about the process by which consumers obtain information which was seen as a bit hit and miss – most consumers were informed about the attributes of the scheme via the Buyers Guide but in terms of options and choices, the agent view was that not all consumers may have a full market picture via their interaction with Independent Financial Advisor. This was seen as the solicitor's role, although it was not clear to agents how well that worked. A number stressed that things went much better when the solicitor had experience with the scheme. One agent sent out a follow-up survey post completion to see how it had gone for the consumer and the feedback from consumers was very positive.

The Independent Financial Advisor sends the agent the forms and the agent confirms authority to proceed or not back to the Independent Financial Advisor and the solicitor. The solicitor then comes back after the mortgage offer and the agent gives permission to proceed (authority to exchange). Agents noted there were often mistakes by the solicitors in the paperwork. However all commented that there was only a small drop off in applications following the Authority to Proceed. It was agreed that although there was no obligation to use the developer's Independent Financial Advisor or recommended solicitor many consumers did partly because these firms knew the scheme and the developers often provided information, making it easier to use that option.

As one agent commented this scheme has allowed some households to move one rung higher up the ladder –'instead of buying a three-bed and moving in five years' time, they can buy a four-bed and avoid the cost of moving' (the secondary data suggests that purchasers are much more likely to buy a three-bed property; almost half of the transactions were for a three-bed home, while just under a quarter were for two-bed properties).

The links between agents and developers were closer, talking all the time via stakeholder managers (at least with those with larger numbers of units). Agents noted the process was led by the developer and their sales teams. A number of agents commented on the trust built up with the developers and the newsletter/seminars they ran for them. On the other hand the agents found the performance of the Independent Financial Advisors and solicitors quite varied. Links with lenders were limited – 'remote' in the words of one agent. It was mainly via the Independent Financial Advisor.

The strengths and weaknesses of the scheme

In marketing terms the central promotion was seen as powerful and high profile. There was good brand awareness. National TV advertising had been helpful especially because of the simplicity and consistency of the scheme. However, labelling two distinct products as Help to Buy has caused confusion for many and it has been difficult to ensure everyone understands.

The use of e-marketing and social media (twitter/Facebook) increased quickly as most customers were between 20 and 40 years old. Having a total of seven Help to Buy Equity Loan agents worked well as did the use of more traditional marketing. One agent had a Help to Buy Equity Loan magazine which was mailed to all Help to Buy Equity Loan users, shared owners, local authorities and associations. Others stressed the consistency of the advertising and its value. It was clear some agents felt not all customers understood what options/choices they had and that some might have chosen shared ownership if there had been available options.

The sales process was seen as robust but sometimes agents felt it was too strict with numerous references back to Independent Financial Advisors, solicitors or developers – one cited that 46% of errors were due to solicitors. Developers' recommended solicitors were often better than the open market choice – they made fewer mistakes as they had more experience and understood the process better. The situation was similar with builder panel Independent Financial Advisors– although here there was less direct contact. Another agent noted it was difficult to get solicitors to understand the importance of accuracy. The date of the Authority to Proceed was often missing, not cross checked and there was lots of 'to-ing and fro-ing'. One agent ran seminars to help the solicitors.

There were also post completion paperwork delays at the Land Registry/solicitors, and agents had to have a full set of documents – Land Registry document, Equity loan document, etc. – before their job was completed and they were paid. Another agent sent all buyers a welcome letter setting out terms and details, as did the post-sales agent.

A third agreed that agents were not heavily involved in sales. That agent noted that developers push the applicants for deposits (minimum £500 – if applicant does not qualify they get it back –but it also helps the affordability calculation).This was not mentioned by others.

The success of the scheme

Agents gave a mix of responses from 'very successful' to rather more qualified positions. All agreed it had helped first-time buyers and others, although there was some concern it had allowed people to buy bigger homes sooner. Completions had ramped up compared to previous schemes – particularly because of less restrictive criteria and because more promotion was in place. It had brought stalled sites back to the market and it had generated wider interest in other new build schemes as well.

It was estimated that typically between 1% and 10% drop out at the agent stage – normally as a result of a change in circumstances. One agent had had 144 cancellations out of 800 applications in 2014, but this was clearly not the norm. In this case it reflected developer activity to promote other properties and the use of part-exchange to close the sale which is not permitted with Help to Buy. Overall cancellations are low and much lower than "conventional" new build sales.

The 6 months constraint (maximum period allowed between exchange and completion) was not seen as a problem by the agents. They saw it as a necessary control mechanism and part of the monitoring process. One saw it as a benefit to smaller developers. Unofficially some developers put through cases knowing they would not meet the six-month rule and that the Homes and Communities Agency would consider an extension. The agents were only paid on completion so there was no incentive for agents to delay. On big sites delays were commonplace so extensions (only after consideration by the Homes and Communications Agency) were a practical solution.

In the London context the six month rule did make it hard for households to purchase flats and there was at least one example of a developer holding back some units to enable Help to Buy Equity Loan sales. It was suggested the Help to Buy Equity Loan can only work at any scale in a small number of mainly outer boroughs, but it was still seen as a particularly valuable tool to help those who could not otherwise have stayed in London.

An agent commented it was rare to get six-figure salaries, most applicants bought lower priced homes (£150-£250,000) and rarely at the highest prices. Moreover the number of 'outliers' had declined over time. In London the prices were higher and the properties were smaller; many were flats, leading to the problems of completion noted above.

There was an appetite to involve social tenants in the scheme, but this was rare. It was not Low Cost Home Ownership but a market scheme, and this was seen as its great strength by some agents. It was a targeted economic stimulus programme and that was what they thought it has done.

There was some disquiet that incomes up to £120,000 were involved – often above in London – but it was more seen as filling a gap and the numbers were very small in comparison to all Help to Buy Equity Loan sales. The scheme has not just attracted first-time buyers, even though it was focussed on them. The scheme was generous in that price could be up to £600k and with no income restriction. One agent noted their average applicant income was £41,385.

The affordability checks were based on a standard format tested via the Homes and Communities Agency calculator. As part of the affordability check agents also looked forward to ensure the applicant could afford it in the future. It was very clear the focus was on getting more new build. There was some concern about what might happen in five years from taking out the Equity Loan although most felt that this would be reasonably easily managed.

It was felt that this was a better scheme than New Buy. First Buy had an income limit and the agent was more involved. Help to Buy Equity Loan included 'second steppers', including Shared Ownership first-time buyers.

As it is a bigger scheme, there has been more momentum (agents pleaded – please do not change the name again!). The fact that the scheme was market driven made it more acceptable - Help to Buy Equity Loan had reduced the snobbery issue as this was clearly a market product. One agent was clear there had been no negative impact on Shared Ownership as it was a different, specifically affordable housing product. Another was worried that perhaps Shared Ownership was suffering because all the funds had gone into Help to Buy Equity Loan (which turned out to be incorrect). Shared Ownership was seen as very different, particularly in that it does not always require a mortgage. In Help to Buy Equity Loan a mortgage is needed.

Another agent commented that if buyers read what was sent they would be fully informed – it was clear in the Help to Buy Equity Loan Guide and they had a personal worked example. But most queried whether buyers actually read the paperwork/loan document. This was seen as the Independent Financial Advisor/solicitor's responsibility, with both securing a signed undertaking regarding borrower understanding.

The evidence suggests agents were concerned that it was the process dominating rather than ensuring understanding. Even so the general perception was that almost all buyers understood what they were signing up for at the time - but there was concern as to whether this understanding would remain in place over time.

There was also concern about paying off the equity loan (which can only be done in 10% chunks or the whole loan). The website gives advice but agents were not sure whether this was used; some buyers appear to have been distracted by it being a government scheme and thus assuming there were no risks. One agent said it was 50/50 – some understood it all, others did not and it was simply a matter of processing.

Conclusions: agents

One of the main benefits of the scheme is seen to have been the effective branding at the national and local level and the range of media employed and the commitment of developers to widely market the scheme. Other strengths have been its market orientation, simplicity and the lack of restrictions - although it is recognised that this has generated some waste. The main process concerns are around less experienced solicitors and developers with few Help to Buy Equity Loan sales - and whether all the bureaucracy was necessary. However the greatest concern is around consumer understanding over time and whether there will be problems of perceived mis-selling when people come to repay.

Most agents felt that the scheme was very positive. One agent felt that by 2020 the scheme would have served its purpose. Others saw it as a scheme with continued value.

4.4 Wider stakeholder perspective

We undertook interviews with five stakeholders with involvement in the Help to Buy Equity Loan programme: Homes and Communities Agency, the Council of Mortgage Lenders, Home Builders Federation, Federation of Master Builders and National Housing Federation. We asked about the role they played and their level of involvement; any issues they had had in getting their members on board; their views of the scheme; and the case for extension and/or modification.

Scale of engagement

The trade bodies had varying levels of involvement in the scheme development:

- The **Homes and Communities Agency** was of course closely involved at an operational level. The scheme has very open criteria.
- The **Council of Mortgage Lenders** was closely involved in developing the scheme. They were particularly involved around the treatment of the equity loan under the new Mortgage Market Review rules. Council of Mortgage Lenders negotiated with the Financial Conduct Authority/ Prudential

Regulation Authority to secure treatment that allowed lenders to disregard in affordability terms the repayment of the equity loan albeit that the interest payable after 5 years is taken into account.

- The **Home Builders Federation** were not involved in the design of the scheme although they input via their modelling of earlier schemes. Their extensive role was in the practicalities. There had been monthly meetings on earlier schemes and these were continued for Help to Buy Equity Loan. These have now been reduced to quarterly as most issues are now clarified.
- The **Federation of Master Builders** was in a very different position and felt that they had no involvement in the design or inception of the scheme. They felt that the scheme was aimed at larger developers and little notice was taken of the concerns of Small and Medium Enterprises.
- The **National Housing Federation** had little involvement although it had been more directly involved in the First Buy and Homebuy Direct schemes.

The Council of Mortgage Lenders had found that members were keen to engage with this scheme, at least in so far as they were involved in the New Build market. For the National Housing Federation some members were involved as agents but their main concern was around the possible impact on the shared ownership market in which many members were engaged. However in reality these were two very different markets and these concerns faded.

The Home Builders Federation had no trouble in involving their members, many of whom had schemes of their own which they were keen to discontinue and had been involved in earlier government schemes. Most of the problems were around specific details. Members were pleased with the market orientation of the scheme and felt that the government was trusting the private sector in a new and valuable way. They also liked the fact that there were few restrictions and it was not limited to first-time buyers.

The Federation of Master Builders on the other hand faced problems because many members felt unclear about how much value the scheme would be for them. They had less experience of earlier schemes and were concerned about details. Based in part on past experience their view was that the set up costs relating to understanding the scheme were too high for many Small and Medium Enterprise developers. All welcomed the scheme but still found the scheme difficult to understand - in part because many had had very few or indeed no sales under the scheme.

For the Homes and Communities Agency the challenge was the pace of the introduction of Help to Buy Equity Loan. First Buy was stopped and the switch was immediate.

Homes and Communities Agency had to move contracted First Buy builders to Help to Buy Equity Loan and to encourage lenders to join the scheme. Weekly meetings were held with the Council of Mortgage Lenders and lenders to get this process completed as soon as possible.

With respect to the developers Homes and Communities Agency had a contractual control via the sales process and the legal agreements associated with that via the agents. The Homes and Communities Agency also mentioned that the Financial

Conduct Authority exchanged letters with the Council of Mortgage Lenders laying out the parameters of the equity loan arrangements and specifically the main lender responsibilities.

Strengths and weaknesses

From a Council of Mortgage Lenders perspective a clear strength of the scheme is its engagement with the new build market and that it is getting more lenders into this market (18 are now signed up). Some lenders have taken steps to control the flow of business coming to them and the addition of new lenders into the market has been helpful. They believe that the scheme is helping those with lower deposits and increasing new build activity. The perceived weaknesses centre around whether borrowers understand the scheme and not least the equity repayment. If new supply does not increase then we could expect higher prices - this was seen as a direct concern (which they felt the developers were exploiting) as well as the fact that it would mean the equity loan repayments become more substantial. The benefits will be in the longer term if increases in output are maintained.

The core concerns were how to get supply moving as quickly as possible and the extent to which Help to Buy Equity Loan was helping those who could have purchased without help. The Council of Mortgage Lenders also agreed that the existence of a successful scheme might have reduced the need for innovation on the part of lenders.

The Home Builders Federation saw the main strengths as the relative simplicity of the scheme, the effective national marketing, the freedom builders have to market, the lack of complicated rules and a reasonably effective processing mechanism. It has helped speed up the process of rebuilding capacity and has helped to reduce capital constraints - thus enabling expansion, more land purchase and more active sites. The core strength is that it is market based. The main weakness is that developers need ultimately to stand alone and not be dependent on government support.

The Federation of Master Builders saw it as a scheme for larger developers helping them to clear the backlog and get back on track even though many smaller developers had signed up. They were concerned about the constraints on expansion, land availability and the capacity to compete for that land; the planning mechanism; and shortages of labour and materials. They did think it had helped the market pick up and increased confidence but they felt that compared to the larger developers the scheme had only helped Small and Medium sized developers to a limited extent. It has helped planning for the future and the big requirement is for a more certain environment. Agents have sometimes been frustrated by the sudden upswings and downswings in activity especially in the early stages of the scheme.

The National Housing Federation saw the scheme as building confidence, not least because of the scale of it. However there were concerns around targeting and questions about whether it meant in practice some people are buying bigger/better homes rather than just buying a first home. Shelter's research on *Fliers and Triers* was cited as evidence that the 20% contribution was not enough for many households.

The Homes and Communities Agency noted that demand was strong, that the mechanisms in place work and that they had managed to involve both small and large developers. Indications were that scheme strength was growing. The Homes and Communities Agency was managing out the Equity Loan portfolio and had learned from the Home Buy Direct scheme, but there were concerns about what people might remember after five years (particularly if their circumstances change).

In terms of the scheme's contribution Council of Mortgage Lenders agreed the scheme had helped deal with the backlog of unsold new homes and with improving market sentiment but was less clear about its impact in increasing output. Home Builders Federation was sure that it was speeding up development, enabling land assembly and generating higher levels of output because of higher demand and lower risks. The Federation of Master Builders also saw some improvement, mainly as an outcome of greater confidence. The National Housing Federation asked whether any increase was proportionate to the investment made? The Homes and Communities Agency noted an increase in sites opening up (from feedback offered by developers) along with the evidence on scheme numbers.

Both of the house builder trade bodies felt that the scheme has bedded down and that the stability of the scheme has been of great value. Council of Mortgage Lenders felt the mood music had changed and had become more positive while National Housing Federation asked what impact had there been on prices? The Homes and Communities Agency felt the Help to Buy Agent arrangements had gone well with the transition from 11 or 12 to seven organisations who were now in the first year of an initial two-year contract.

The case for extension and modification

The Council of Mortgage Lenders felt the extension would be good for business and noted there would be a hiatus if it were stopped. They and others noted the negative impacts when the most important lender changed their rules and when the equivalent scheme in Scotland temporarily ran out of money.

The Home Builders Federation noted that some builders generated large proportions of their sales from Help to Buy Equity Loan and thought that this presented a major challenge in 'tapering down' the initiative. They noted the Scottish experience and were concerned about there being enough flexibility to move allocations forward. They did not however want it to go on forever as the industry should stand on its own feet. It was challenging from a Homes and Communities Agency programme management perspective.

The Federation of Master Builders also wanted the scheme to continue. Both bodies however noted that there was a case for a market based shared equity scheme to become part of the mainstream.

The National Housing Federation felt continuation could be justified if there was clear evidence regarding increased output – although Help to Buy equity loans were not defined as affordable housing in official statistics. The National Housing Federation also asked about the role of Shared Ownership.

Most stakeholders felt that one of the big benefits of the scheme is that it is relatively simple and stable. They were not pushing for change. Most would be reasonably happy to reduce the maximum value or to set regionalised maxima (London or London/South East versus the rest of the country). The specifics of the six-month constraint (maximum time from exchange to legal completion) were seen as difficult only in the context of London flats – but here it did generate limitations. Some wanted to focus on first-time buyers and defined income thresholds. The developers were totally against such restrictions, while the Homes and Communities Agency noted the mixed views that existed. The Council of Mortgage Lenders reminded us why the scheme exists – to get the market moving.

Conclusions

The stakeholders inherently reflected their own constituencies and the extent to which the Help to buy Equity Loan scheme had impacted on their activities. Most were positive – although it is worth noting the very different views of those speaking for smaller as compared to larger developers.

All of the stakeholders saw the scheme as a considerable improvement on earlier schemes – in particular because it was simpler and more market oriented. Some were concerned about negative impacts on prices and other products, and about how and when the policy should be phased out. Most were also concerned about consumer understanding going forward.

Chapter 5: Demand-side perspectives

5.1 Introduction

This chapter presents evidence collected from the representative telephone interview survey[11] with households that have bought with the assistance of Help to Buy Equity Loan (from April 2013 to January 2015) to consider consumer perspectives in relation to awareness of the policy as well as the potential impacts on access to the homeowner market, changes to living circumstances and future housing careers. It also assesses the perceived experiences of purchasing with the assistance of Help to Buy Equity Loan (addressing a key objective of the study).

It is important to note that data presented in this chapter is based on those who have been through the entire purchase process using Help to Buy Equity Loan assistance. It does not include those who may have been interested or started but did not complete the purchase with assistance. This group was outside the scope of the survey and may hold different perspectives to those presented in this chapter.

Analysis of sub-groups presented in this Chapter is based on information collected in the survey about the respondent during the interview, or further information held by the Homes and Communities Agency that the respondent has provided consent to match to their responses. Where spatial differences are commented on, these are based on the Homes and Communities Agency Operating Areas provided with the sample.

A key consideration for the design of the survey was to build in the capability for respondents to recall experiences that, for many (more than half the sample), would have occurred more than a year ago. To minimise any recollection difficulties around the purchase process, the questionnaire was carefully designed to follow a sequential progression (from pre-move, through their experiences to rating of the property purchased). To further assist, where appropriate questions explicitly referred to the relevant address of the Help to Buy Equity Loan property purchased, ensuring that questions were clearly framed to assist cognitive recall when responding.

[11] Further details of the survey approach can be found in Appendix 1 of this report, and the telephone survey questionnaire can be found in Appendix 2.2

5.2 Who is using Help to Buy Equity Loan?

Those using Help to Buy Equity Loan are typically young, first-time buyers who either previously lived with their parents or rented (largely from a private landlord). More than three in five (62%) of those using Help to Buy Equity Loan are under the age of 35 compared to nine per cent who are aged 45 and above. Furthermore, around a fifth of this population are either single person households or live in households with four or more people, while two in five live in two person households.

A majority (95%) bought property with assistance outside of London and the average (mean) gross household income at the time of the Help to Buy Equity Loan purchase was £47,050[12] (and the median income was £41,323).

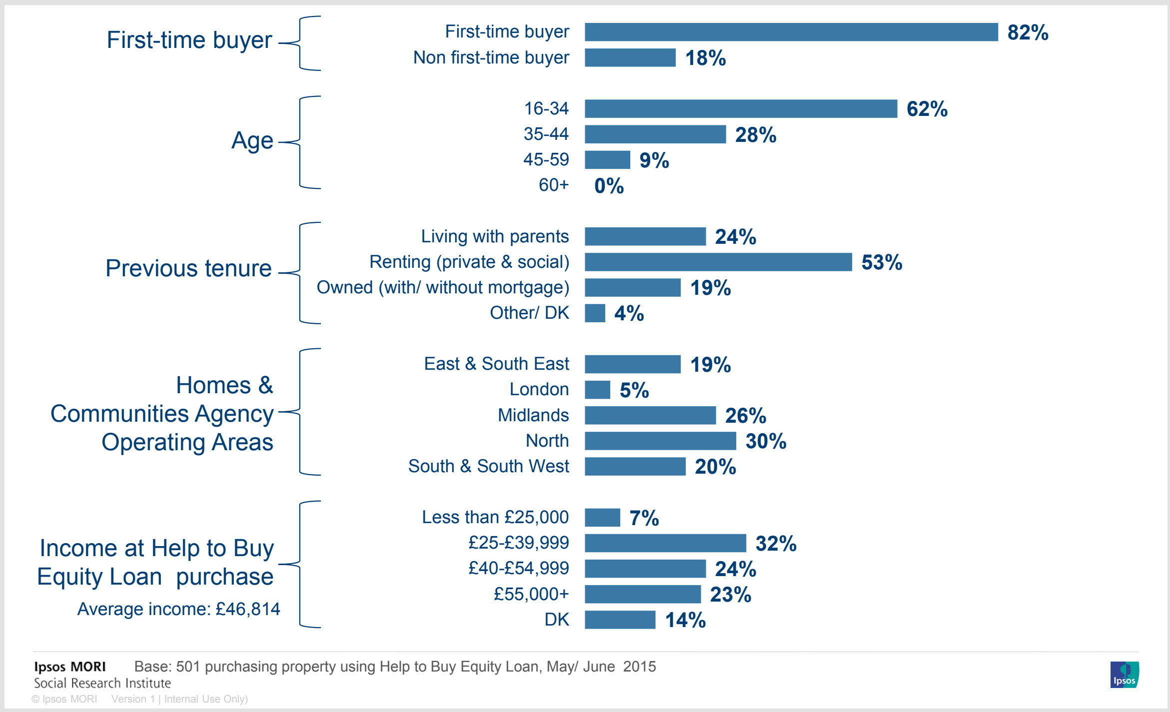
To place income levels of those using Help to Buy Equity Loan into wider, national, context it is possible to compare with a number of other existing data sources. It is important to recognise that the survey estimates are based on a very specific group of the owner-occupied population (those with a mortgage and who are predominantly first-time buyers) and use total income assessed for mortgage purposes at the time of purchasing their Help to Buy Equity Loan property. As such we draw on existing sources that provide the best basis for making like-for-like comparisons, although even here differences in approaches, definitions and timeframes mean comparisons should be treated with the necessary caution.

The most recently available data from the English Housing Survey (2013-14) indicates that the average (mean) gross household income of all owner-occupiers with a mortgage was £51,688[13] and compares to an average of £47,050 among those purchasing using Help to Buy Equity Loan. This suggests that those accessing the homeowner market using Help to Buy Equity Loan have significantly lower income levels than the population of owner-occupiers with a mortgage in England at large. However, it is important to recognise that the majority of those using Help to Buy Equity Loan are first-time buyers and as such would be expected to demonstrate lower income levels.

Comparisons of the income levels of first-time buyers specifically against national estimates are commented on further below. Figure 5.1 summarises some of the key characteristics of those buying a property using Help to Buy Equity Loan.

[12] Estimates based on administrative data (held by the Homes and Communities Agency) collected as part of the Help to Buy Equity Loan application process where participants have given permission for this information to be matched.
[13] Based on household reference person and partner at £994 per week - See https://www.gov.uk/government/statistical-data-sets/tenure-trends-and-cross-tenure-analysis

Figure 5.1 – Characteristics of those using Help to Buy Equity Loan



More than eight in ten respondents (82%) were first-time buyers when they purchased their Help to Buy Equity Loan property. This group are more likely than non-first-time buyers to be younger (68% are under the age of 35 compared to 38% of non first-time buyers), live in smaller households (62% live in single or two person households compared to 38% of all non first-time buyers), have previously been living with parents (28% vs 8%) or renting from a private landlord (58% vs 13%), and have lower average gross household incomes (£44,395 at the time of the Help to Buy Equity Loan purchased compared to £57,959 for non first-time buyers).

Data available from the most recently available English Housing Survey (2013-14 so not directly comparable) indicates that the average gross household income of owner-occupiers with a mortgage in England who were first-time buyers (and resident for less than 5 years) was £47,528[14], significantly higher than first-time buyers who have used Help to Buy Equity Loan.

However a comparison of first-time buyer income data from the Council of Mortgage Lenders[15] indicates no significant difference between the median income of first-time buyers purchasing property in England between Quarter 2 2013 and Quarter 1 2015 (broadly equivalent to the period covered by the current survey sample), estimated

[14] Based on household reference person and partner at £914 per week - See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445547/Chapter_3_Owner_occupiers.pdf
[15] See https://www.cml.org.uk/industry-data/ Note this will also include those who have purchased using Help to Buy Equity Loan

at £38,019, and all first-time buyers across the sample at £39,834[16].

Further analysis indicates that eight in ten (80%) of those who purchased properties for less than £250,000 were first-time buyers, compared with 46% of those who bought properties for more than £400,000. As first-time buyers are more likely to have purchased lower value properties, they are also more likely to have smaller equity loan amounts – the average Equity Loan amount for first-time buyers is £39,907 compared to £52,833 for non first-time buyers. Table 5.1 below summarises the profile of first-time and non first-time buyers in relation to key characteristics.

Table 5.1 – Profile of first-time and non first-time buyers

	Help to Buy Equity Loan first-time buyer profile	Help to Buy Equity Loan non first-time buyer profile
Age		
16-34	68%	38%
35-44	23%	47%
45+	9%	14%
Previous tenure		
Living with parents	28%	8%
Renting (private and social)	62%	13%
Owned (with and without mortgage)	7%	76%
Other/ DK	4%	3%
Household size		
Single person	20%	7%
Two persons	42%	32%
Three or more persons	38%	61%
Income and Equity Loan amount		
Average income at purchase	£44,395	£57,959
Average Equity Loan amount	£39,907	£52,833

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015

[16] Although not statistically significantly different, there are a number of reasons that may help to explain a higher first-time buyer income estimate from the Help to Buy Equity Loan sample. The Council of Mortgage Lenders estimate is based on a crude average of quarterly median income estimates to cover the policy from which the Help to Buy Equity Loan sample covers. As such it gives equal weight to estimated income at the start of the period (Q2 2013) as at the end (Q1 2015). In contrast, nearly half of the Help to Buy Equity Loan sample completed within the last year, and less than a quarter completed 18 months + ago and as such the median estimate is based on more recent buyers who are more likely to have higher income levels. Further, Council of Mortgage Lenders data cover all loan to value purchases, and as such will include some lower income, higher loan to value borrowers, whereas the Help to Buy Equity Loan sample will be 80% loan to value and thus include a higher proportion of higher income borrowers.

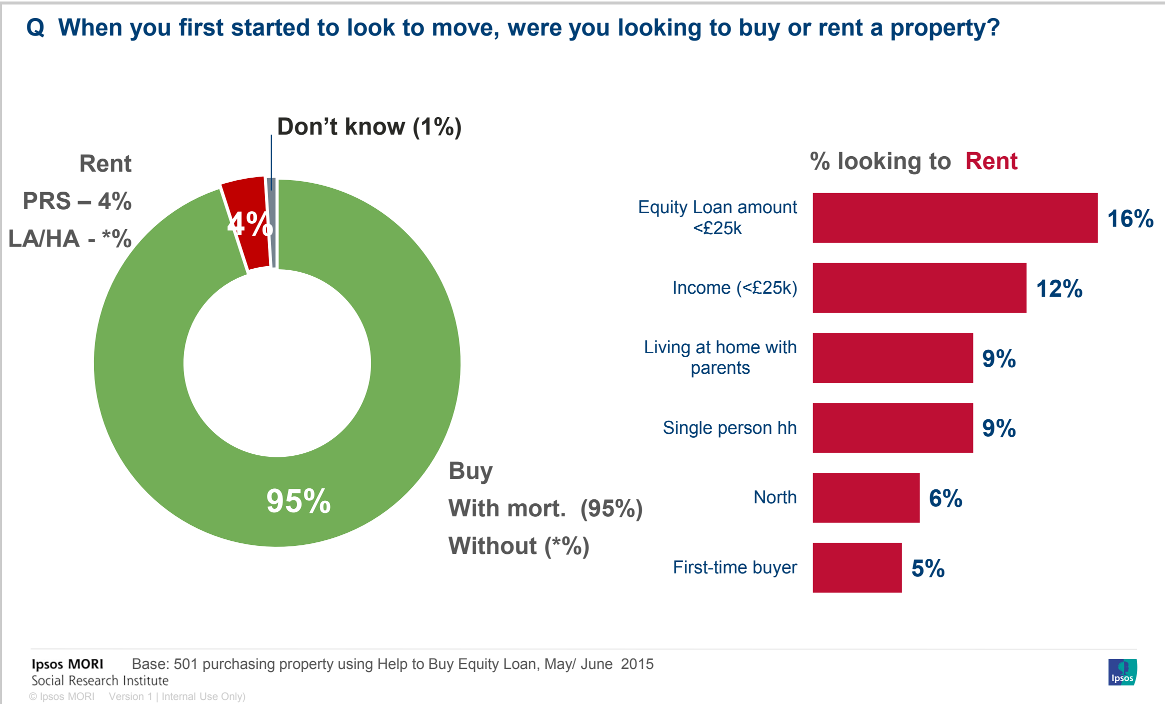
5.3 Has Help to Buy Equity Loan encouraged home ownership?

A key ambition of the policy is to make access to the homeowner market easier and encourage owner occupation. Drawing on the survey data this section considers whether there is any evidence of a shift in tenure preferences towards owner occupation, whether it has enabled faster access to and progression through the homeowner market. It also considers the wider views and perceptions of the Help to Buy Equity Loan process from the perspective of those who have been assisted by the policy.

Tenure preferences

There is limited evidence that the policy has resulted in a significant shift towards owner-occupation with the overwhelming majority of those purchasing using Help to Buy Equity Loan initially looking to buy a property. As Figure 5.2 below indicates, some 95% of respondents say that they were looking to buy when they first started to look to move whereas four per cent say they were looking to rent a property.

Figure 5.2 – Tenure preferences when first starting to look to move



The data does however suggest that the policy has had more impact in shifting tenure preferences among particular groups of the population. First-time buyers and those living in single person households are more likely than non first-time buyers and those living in larger households to have originally been looking to rent (five and nine per cent respectively).

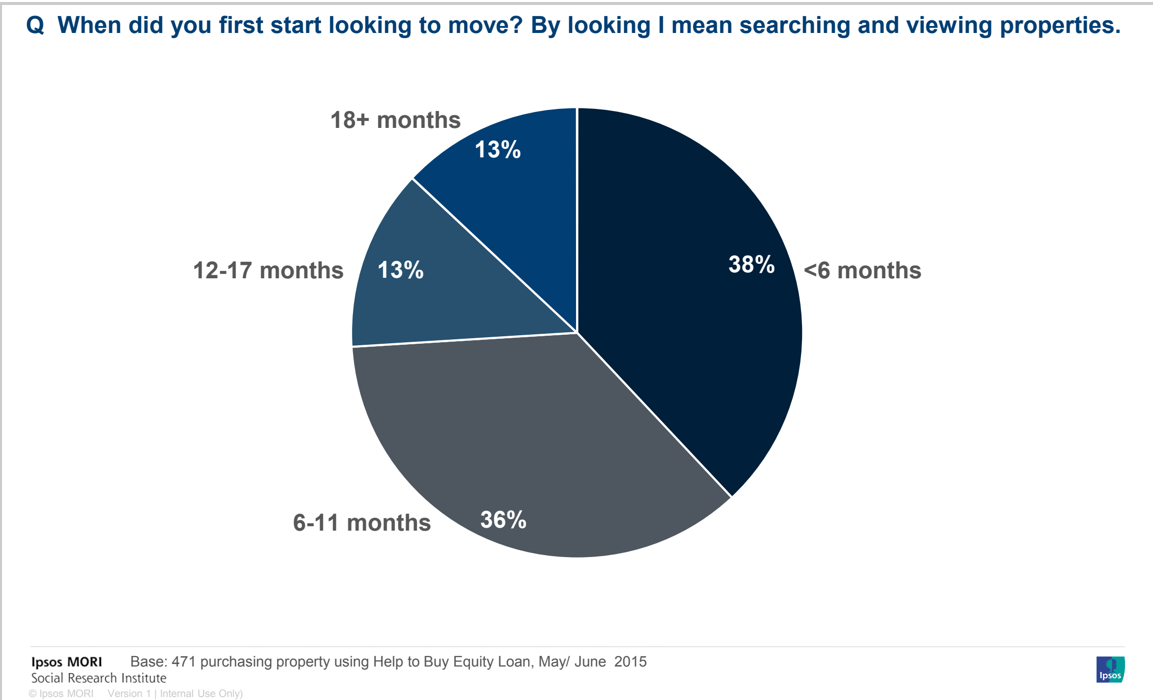
Further, and likely reflecting Help to Buy Equity Loan disproportionately assisting more first-time buyer and single person households into owner-occupation, those with the lowest levels of household income at the time of the Help to Buy Equity Loan purchase (less than £25,000) and those with the smallest Equity Loan amounts (less than £25,000) are more likely than the population overall to have originally been looking to rent (12% and 16% respectively).

Access to the home owner market

One potential consequence of the policy is that it has enabled those looking to access the home ownership market to do so more quickly than otherwise would have been possible. The survey considered this in further detail by capturing the length of time respondents had been looking before moving into the property they bought with the assistance of Help to Buy Equity Loan, as well as a number of perception based questions around when they started their search and the speed of the buying process.

On average respondents spent 9.4 months looking for a property before moving into the property they bought with the assistance of Help to Buy Equity Loan. As Figure 5.3 below indicates, nearly three quarters (74%) of respondents first started looking less than 12 months before they moved in, with two in five (38%) first starting to look less than six months before. Around one in eight respondents reported that they first started to look 18 months or more before moving the property they bought with assistance.

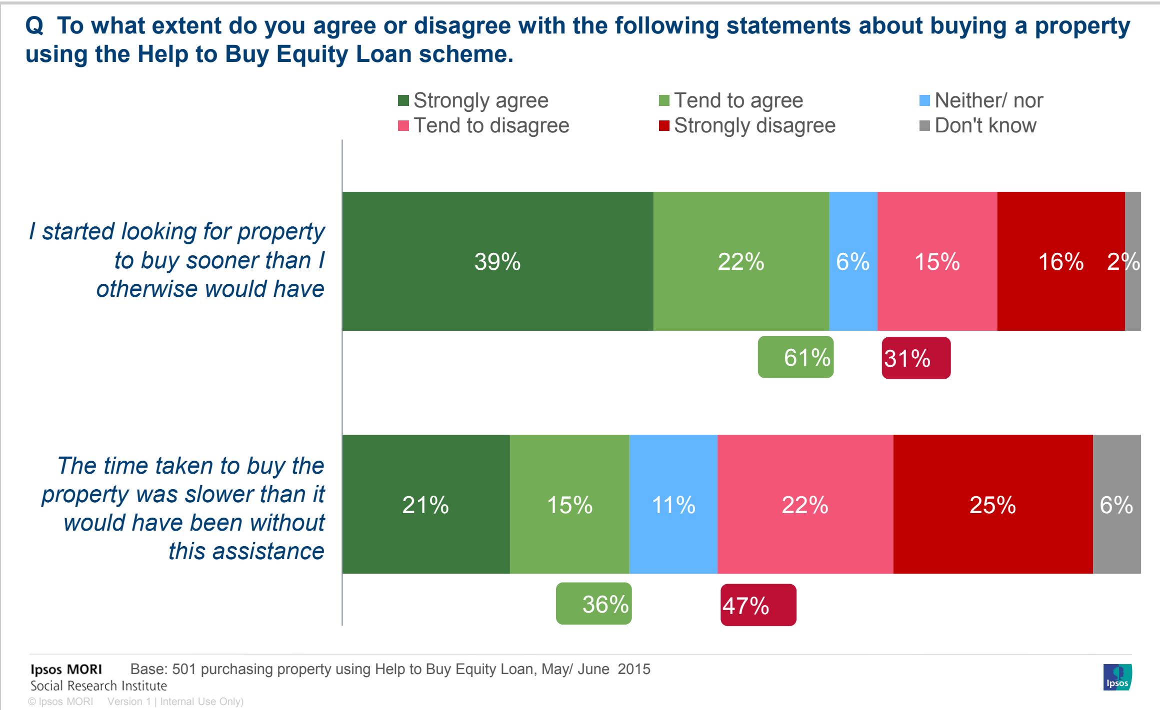
Figure 5.3 – Length of time between starting to search and moving into the property purchased using Help to Buy Equity Loan



There is little variability in time spent looking for property before moving by sub-groups of the population, although those living in larger household sizes and those living in London tended to spend longer, on average, looking before moving into the property they bought with assistance.

Respondents were also asked a number of perception based questions around access to the market, results from which are summarised in Figure 5.4 below. By a margin of two to one, respondents were more likely to agree (61%) than disagree (31%) that using Help to Buy Equity Loan had meant they started to look for property to buy sooner than they otherwise would have. Respondents were also less likely to agree (36%) than disagree (47%) that the time taken to buy the property was slower than it would have been without the assistance of Help to Buy Equity Loan.

Figure 5.4 – Perceptions of speed of access to the homeowner market



Further analysis suggests that in particular it is younger buyers (under 25) and those with the lowest available deposit amounts at the time of purchase who have been able to access the homeownership market quicker as a result of the policy. As Table 5.2 below shows, those aged under 25 and those with the lowest deposit amounts were nearly four times as likely to agree as disagree that using Help to Buy Equity Loan meant they started looking for a property to buy sooner.

Among those that agree that using Help to Buy Equity Loan had meant they started to look for property to buy sooner than they otherwise would have, the average time spent looking to move was 8.8 months, compared to an average of 10.7 months among those who disagree.

Table 5.2 – Variations in response to 'I started looking for a property to buy sooner than I otherwise would have'

	Agree	Disagree	Ratio of agree to disagree
Overall (501)	61%	31%	1.9 : 1
Age			
16-24	75%	20%	3.8 : 1
25-44	61%	31%	2.0 : 1
45-59	48%	40%	1.2 : 1
First-time buyer			
Yes	64%	29%	2.2 : 1
No	48%	39%	1.2 : 1
Previous tenure			
Living at home with parents	70%	26%	2.7 : 1
Rented (Social or Private)	62%	30%	2.1 : 1
Owned (with or without mortgage)	48%	39%	1.2 : 1
Help to Buy Equity Loan deposit amount			
<£9,000	73%	19%	3.8 : 1
£9,000-£14,999	62%	28%	2.2 : 1
£15,000-£39,999	52%	38%	1.4 : 1
£40,000+	28%	69%	0.4 : 1

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015

There are few significant differences between perceptions of the impact of Help to Buy Equity Loan on the speed of the property buying process although further analysis indicates that those living in households with children are significantly more likely than the sample population overall to agree that the property buying process was slower than it would have been without assistance.

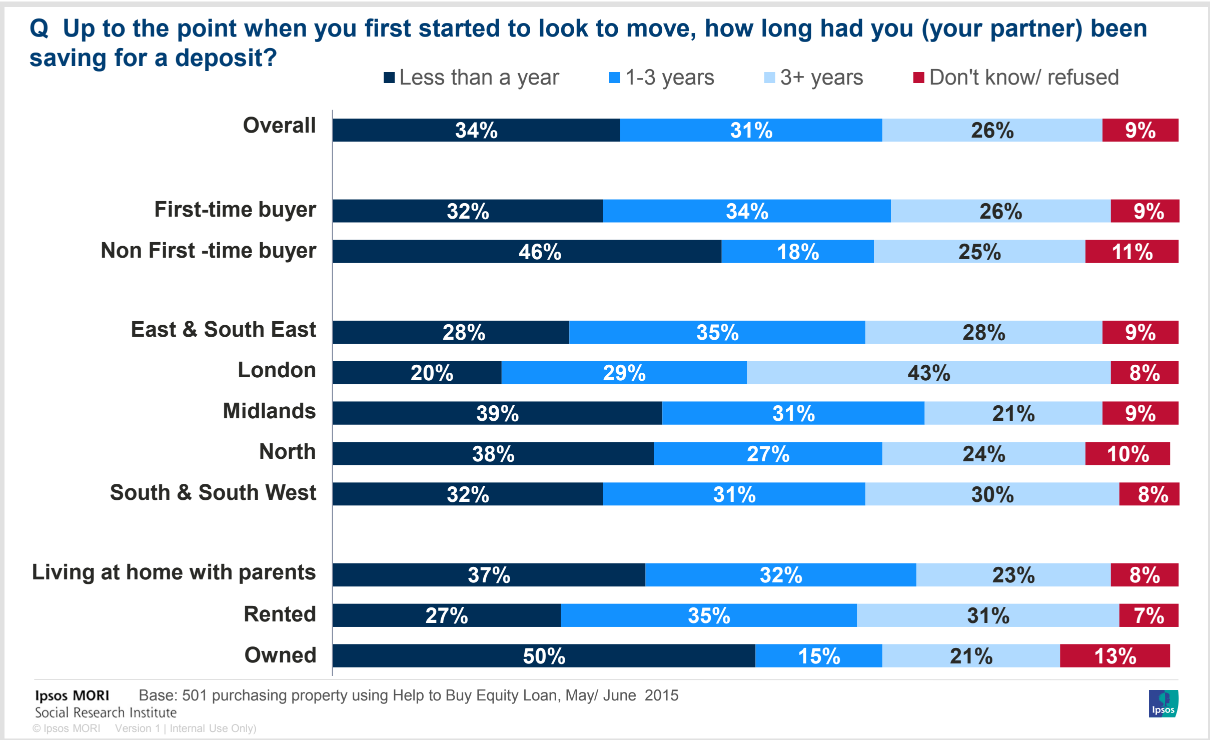
Saving for a deposit

It is increasingly recognised by the sector and the public alike, that raising a deposit is one of the key barriers to entry to the homeownership market[17]. By reducing the time needed to save for a sufficient deposit Help to Buy Equity Loan can potentially help to speed up entry to the homeowner market. The survey provided an opportunity to consider the impact of Help to Buy Equity Loan on saving for a deposit which is considered further below.

Time spent saving for a deposit

Figure 5.5 below shows that around a quarter (26%) of respondents say that up to the point when they first started to look to move, they had been saving for a deposit for three years or more whereas around a third (34%) say they had been saving for less than a year.

Figure 5.5 – Variations in length of time spent saving for a deposit



Non first-time buyers are significantly more likely than first-time buyers to have been saving for a deposit for less than a year (46% compared to 32%), as too are those previously living in owner-occupied property when compared to those previously living in rented accommodation (50% compared to 27%).

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[17] The latest data from the Halifax/ Ipsos MORI Housing Market Confidence Tracker indicate that 55% of the British public identify raising a deposit as the main barrier to being able to buy a property (Quarter 2 2015). See https://www.ipsos-mori.com/researchpublications/researcharchive/3167/Halifax-Housing-Market-Confidence-Tracker.aspx

Those previously living in owner-occupied accommodation are characterised by having higher incomes and in many cases significant deposits from the sale of the previous property and so the role of Help to Buy Equity Loan in helping to speed up entry to the homeowner market is less evident among this group.

However, results also suggest that more than a third (37%) of those previously living at home with parents had been saving for a deposit for less than a year before starting to look. These households are predominantly young, first-time buyers with relatively lower incomes who are more likely to be restricted from the homeowner market by a lack of savings for a deposit.

There is also some evidence of spatial variability with those living in the Homes and Communities Agency Operating Areas of the Midlands and the North significantly more likely than those living in the East & South East and London to have been saving for less than a year. This may suggest that Help to Buy Equity Loan is having more of an effect in the less pressurised markets outside London and the South East in assisting the speed of entry into the homeowner market.

Savings amount

Respondents were also asked about the total amount of savings they had when they first started to look to move and, for those agreeing to have data matched in, information about the amount of deposit used at the time of the Help to Buy Equity Loan purchase (provided by Help to Buy Agents).

Table 5.3 below summarises results and indicates that the average amount of savings available for a deposit when respondents first started to look to move was £15,283[18]. At the time of purchase, the average amount of deposit used was £17,019. The respective median amounts of savings available for a deposit were £10,000 and £11,750.

The median amount of savings available for a deposit for first-time buyer respondents when they first started to look to move was £10,000 and rising to £11,000 at the time of purchase. In the latest English Housing Survey for 2013-14, the median deposit paid by recent first-time buyers in England (defined as those who had bought for the first time within the last three years) was £17,745[19]. This suggests that Help to Buy Equity Loan is relieving some of the pressure on deposit amounts, enabling access to the market with lower than average deposit amounts.

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[18] Average is indicative only as 68% of respondents providing a response estimated the amount of savings they had at the time they first started to look

[19] See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445547/Chapter_3_Owner_occupiers.pdf

As has been noted earlier, the average time between first starting to look and moving into property bought with the assistance of Help to Buy Equity Loan is 9.4 months. Whilst this can be treated as indicative only, this suggests that households using the scheme are making relatively modest increases in deposit amounts while searching for a property and as data in the table below indicates, this is more pronounced for first-time buyers.

Table 5.3 – Variations in available deposit amounts by first-time buyer status

	(a) Ave savings when first started to look (447)	(b) Ave Deposit at time of Help to Buy Equity Loan purchase (426)	Difference (b)-(a)
Overall	£15,283	£17,019	£1,736
First-time buyer			
Yes	£14,765	£15,117	£352
No	£17,855	£24,833	£6,987

Base: 447 purchasing property using Help to Buy Equity Loan, May/ June 2015

Sources of finance for a deposit

With more stringent deposit requirements, use of ‘informal’ sources of finance (such as a family loan for example) to contribute towards a deposit has become an increasingly prominent approach to gain access to the homeowner market[20].

Respondents were asked whether they had used any other sources of finance, such as a loan or ‘gift’ from the family to help contribute to the deposit paid when they bought their property with the assistance of Help to Buy Equity Loan. Results are summarised in Table 5.4 below and indicate that a third (34%) say they did use other sources of finance, such as a loan or ‘gift’ from the family, for the deposit, while a majority (64%) say they did not.

Those more likely to have used additional sources of finance include those living in single person household (47%), while non first-time buyers and those previously living in owner-occupied property are less likely to have used additional sources.

[20] According to the latest English Housing Survey household report, first-time buyers who have been living in their property for less than 5 years, the proportion who financed the purchase of their home with the help from a gift or loan from family or friends increased from 20% to 27% between 2003-04 and 2013-14. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445547/Chapter_3_Owner_occupiers.pdf

Table 5.4 – Variations in use of other sources of finance for a deposit

	Yes	No	Don't know	TOTAL
Overall	**34%**	**64%**	**3%**	**100%**
First-time buyer				
Yes	37%	59%	3%	100%
No	16%	83%	1%	100%
Previous tenure				
Living at home with parents	39%	55%	5%	100%
Rented (Social or Private)	37%	60%	2%	100%
Owned (with or without mortgage)	16%	82%	2%	100%
Household size				
Single person	47%	47%	6%	100%
Two persons	34%	64%	2%	100%
Three persons	25%	73%	2%	100%
Four or more persons	28%	68%	3%	100%

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015

The analysis of savings information suggests that the majority of those using Help to Buy Equity Loan took less than three years to save for a deposit, did not add significantly to their deposit amount in between the time when they first started to look for a property and moving in and, in the main, were not reliant on other sources of finance to contribute towards their deposit (although were more likely to than first-time buyers across England).

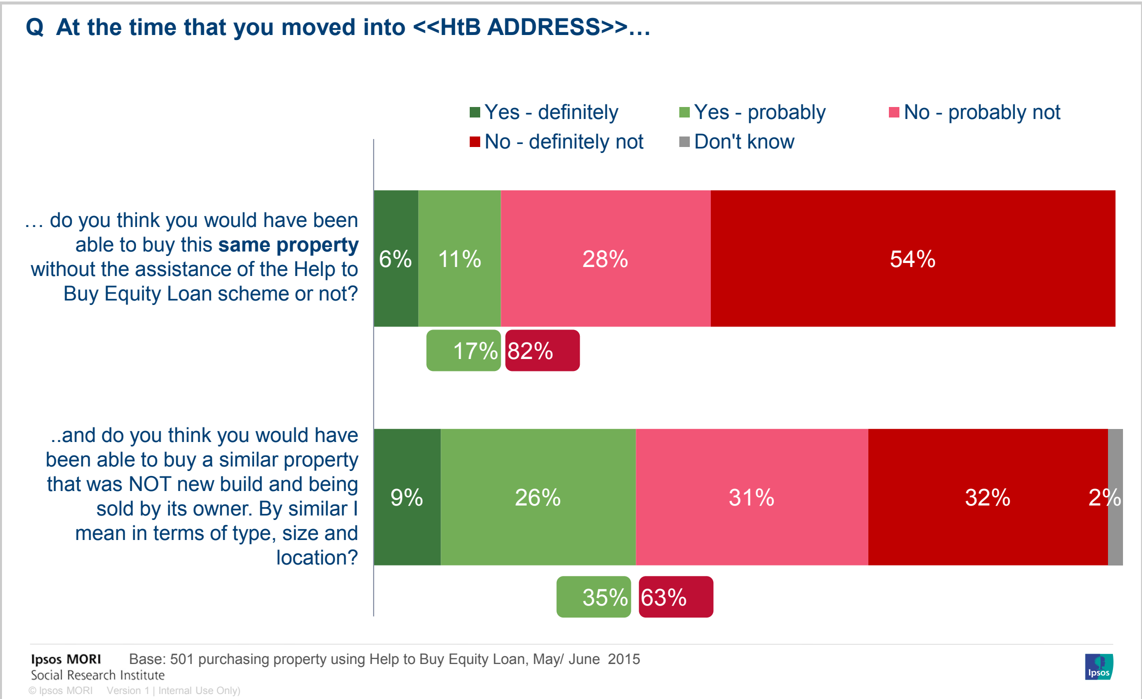
5.4 Has Help to Buy Equity Loan impacted on 'housing careers'?

A key question considered in more detail in the following chapter is the extent to which Help to Buy Equity Loan has enabled a purchase to take place that otherwise would not have been able to. Respondents were asked a number of questions relating to their capability to be able to afford to purchase property without the assistance of Help to Buy Equity Loan. It is important to recognise that the analysis of these perception-based questions assumes that respondents are answering from a position of knowledge about the housing market, the mortgage market and their own personal finances.

When respondents were asked about their ability to purchase the same type of new build property or similar property in the existing (second-hand) market without the assistance of Help to Buy Equity Loan, a majority in both cases stated that they would not. Figure 5.6 below indicates that less than one in five respondents (17%) stated that they would definitely or probably be able to purchase the same new-build property without assistance compared to 82% who say they would not. A majority also state that they would not be able to purchase a similar property in the existing market although here the difference between those that would and would not is reduced – 63% say they wouldn't be able to, while 35% say they would.

There is little variation in responses across the sub-groups of the population although those with the highest deposit amounts for the purchase of their Help to Buy Equity Loan property (£40,000+) and those receiving the lowest Equity Loan amounts (less than £25,000) are significantly more likely than the population overall to say they would be able to buy the same property without assistance (32% and 33% respectively compared to 17% overall).

Figure 5.6 – Ability to buy property without Help to Buy Equity Loan assistance



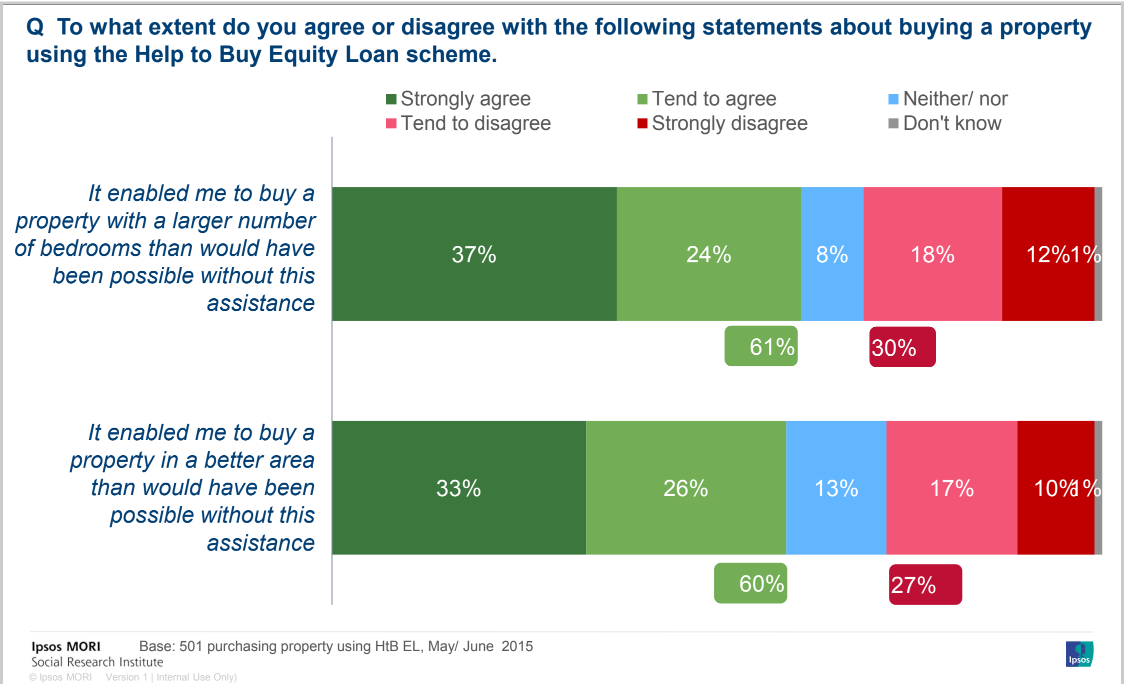
Respondents were also asked the extent to which they agreed that they would have been able to buy a 'property they wanted' and specifically 'newly built' property without the assistance of Help to Buy Equity Loan. By a margin of two to one, more respondents disagreed than agreed that they would be able to buy a property they wanted without assistance (65% disagreed compared to 29% who agreed). Fewer respondents (58%) disagreed that they would still have bought a newly-built property without assistance compared to a third who said they agreed.

Again it is those with the highest amount of deposit available when purchasing their Help to Buy Equity Loan property (£40,000 or more) who are significantly more likely than the population overall to agree that they would have been able to buy without assistance.

Progression up the property ladder

One of the potential impacts of the policy highlighted from the supply-side interviews was to enable those buying with the assistance of Help to Buy Equity Loan to progress more quickly up the housing ladder. As shown in Figure 5.7 below, survey results suggest some evidence of this with around three in five respondents agreeing that the Help to Buy Equity Loan scheme had enabled them to buy a larger property (61%) or to buy a property in a better area (60%). In contrast, less than one in three say that the Help to Buy Equity Loan did not enable them to purchase a house with a larger number of bedrooms (30%) or in a better area (27%).

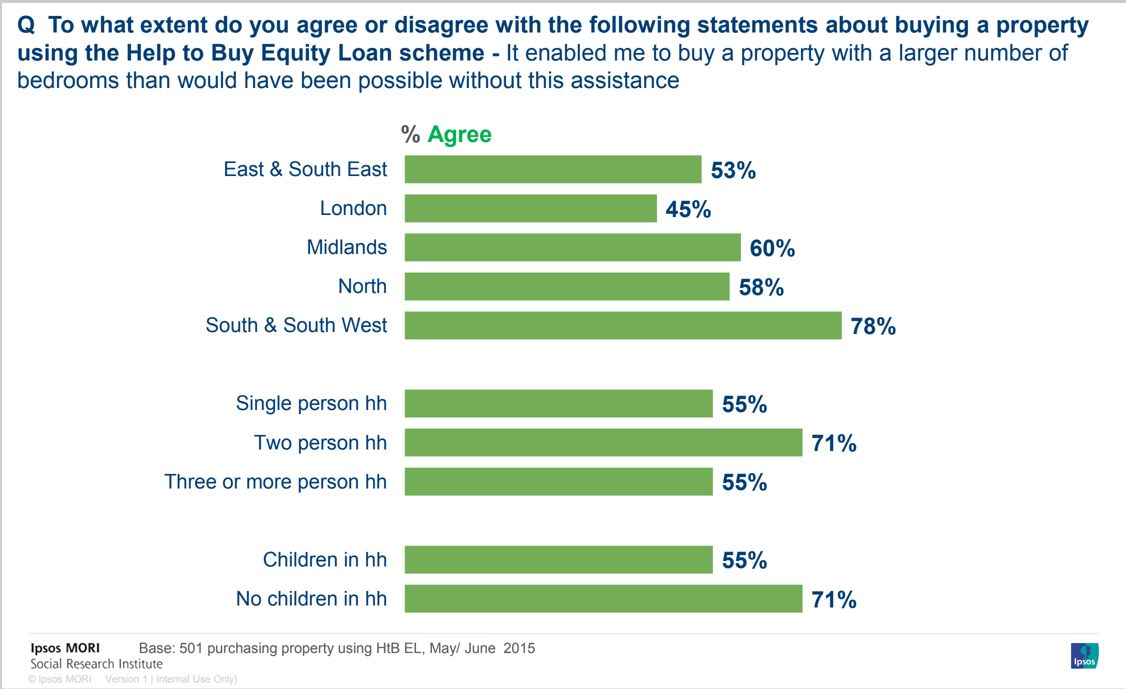
Figure 5.7 – The role of Help to Buy Equity Loan and progression up the property ladder



Further analysis, summarised in Figure 5.8 below, does however suggest some variability among sub-groups. In particular, those living in the Homes and Communities Agency Operating Area of South & South-West are most likely to say that Help to Buy Equity Loan has enabled them to buy a property with a larger number of bedrooms (78%) and to purchase a property in a better area (74%).

Further, those living in smaller, two-person households (71%), are more likely than the population overall to say that Help to Buy Equity Loan has enabled them to buy a property with a larger number of bedrooms while non first-time buyers are more likely to say it has enabled them to purchase a property in a better area (72%).

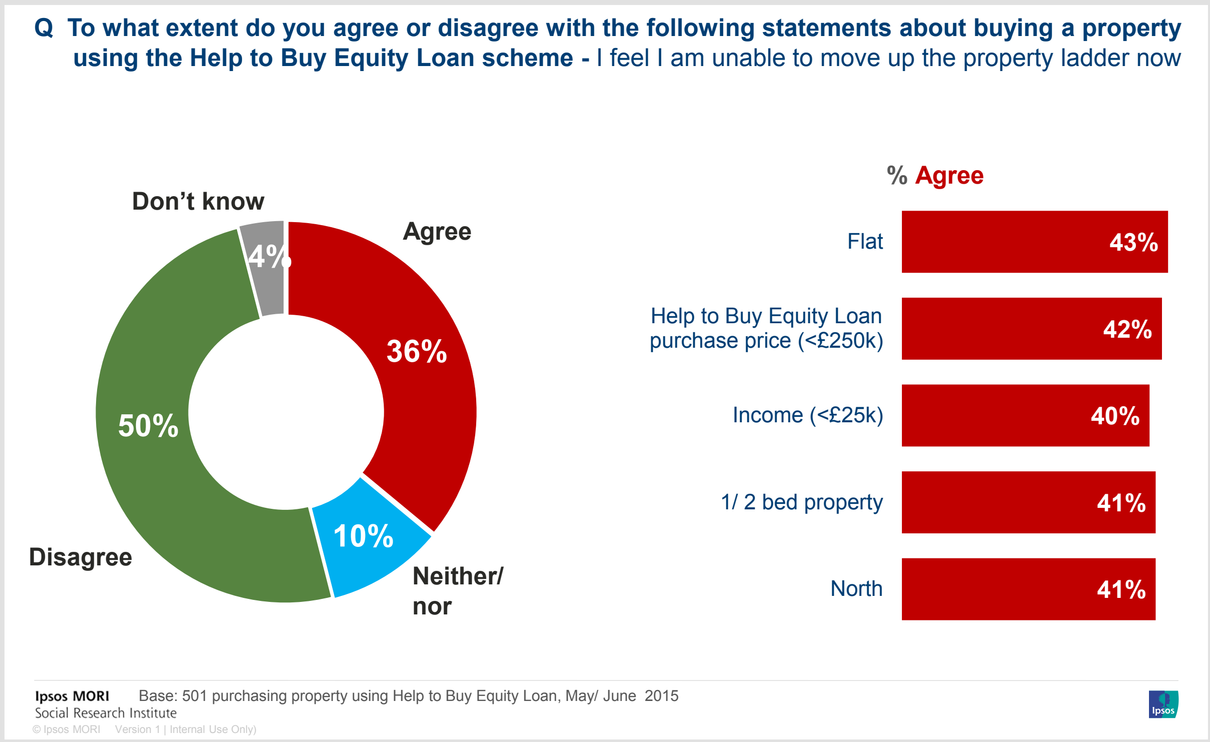
Figure 5.8 – Variations in progression up the property ladder



Respondents were also asked to indicate the extent to which they agree or disagree that they felt unable to move up the property ladder now and results are summarised in Figure 5.9 below. Despite the relative recency of the Help to Buy Equity Loan policy, half of respondents disagreed that they felt unable to move up at the time of the interview, while more than one in three (36%) agreed.

Further analysis suggests that it is those who have accessed at the lower end of the market who are most likely to feel unable to move up the property ladder. This includes those purchasing smaller and flat type property as well as those on lower incomes (below £25,000 in gross annual household income) as indicated in the figure below.

Figure 5.9 – Perception of impact of Help to Buy Equity Loan on moving up the property ladder



Future moving intentions

The survey indicates that only a very small proportion of respondents had subsequently moved to different property at the time of interview (just two out of a sample of 501), while a majority (66%) say they do not intend to move within the next five years. This is to be expected given the recency with which the policy was introduced and when most moves have taken place.

As indicated in Table 5.5 below, moving intentions do however vary markedly across sub-groups with first-time buyers significantly more likely than non first-time buyers to say they intend to move within the next two to five years (31% compared to 14%). There are also some spatial variations. For example those in the Homes and Communities Agency Operating Area of the East & South East / London, as well as those in the South & South-West are more likely to say they are intending to move in the next two to five years, than those in the North (30% and 38% vs. 19%).

Those living in smaller households and smaller property sizes are also significantly more likely to say they intend to move within the next five years than those living in larger households or properties.

Table 5.5 – Which of the following statements best describes your current attitude to moving to different property in the future?

	I intend to move within the next year	I intend to move within the next 2 to 5 years	I do not intend to move within the next 5 years	Don't know	TOTAL
Overall	**3%**	**28%**	**66%**	**3%**	**100%**
First-time buyer					
Yes	3%	31%	62%	4%	100%
No	5%	14%	82%	0%	100%
Homes & Communities Operating Areas					
East & South East	6%	27%	63%	4%	100%
London	3%	44%	50%	4%	100%
Midlands	2%	29%	66%	3%	100%
North	2%	19%	76%	3%	100%
South & South West	4%	38%	56%	2%	100%
Property size					
1/ 2bed	7%	43%	46%	4%	100%
3 beds	2%	27%	68%	3%	100%
4+ beds	2%	15%	81%	2%	100%

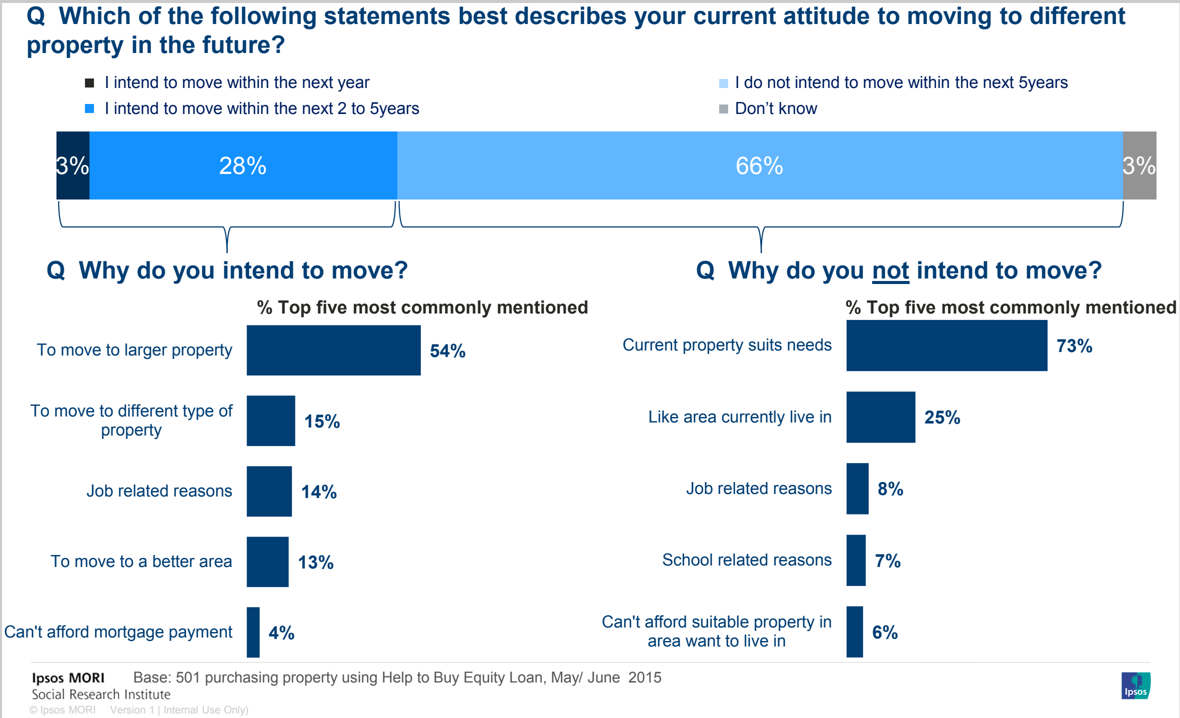
Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015

As indicated in Figure 5.10 below, around three in ten (31%) say they intend to move within the next five years. Of those who say they do intend to move, the most common reasons given are to move to a larger property (54%), to move to a different type of property (15%) or for job related reasons (14%). Very few (4%) say they are intending to move because they can't afford the mortgage payments.

For the majority (73%) of those who say they are not intending to move, the main reason given is that their current property suits their needs. A quarter like the area that they currently live in and one in twelve cite job related reasons such as proximity to work place.

Only a small proportion of respondents cite financial reasons as a reason for not intending to move and very few (3%) spontaneously mention repayment of the Equity Loan in a rising market as a reason for not moving.

Figure 5.10 – Intention to move and reasons



Impacts on living circumstances

Respondents were also asked to indicate whether the purchase of a property using Help to Buy Equity Loan had improved or made worse their living circumstances, or whether it made no difference and results are summarised in Figure 5.11 below.

Almost three quarters of respondents agree that the quality of the property (72%) and the space they have within the property (73%) was better in the property they purchased with the assistance of Help to Buy Equity Loan compared to the property they lived in immediately before this.

Just over half agree that the location of the property was better (53%), whereas around three in ten said it made no difference.

Figure 5.11 – Impacts of Help to Buy Equity Loan on living circumstances

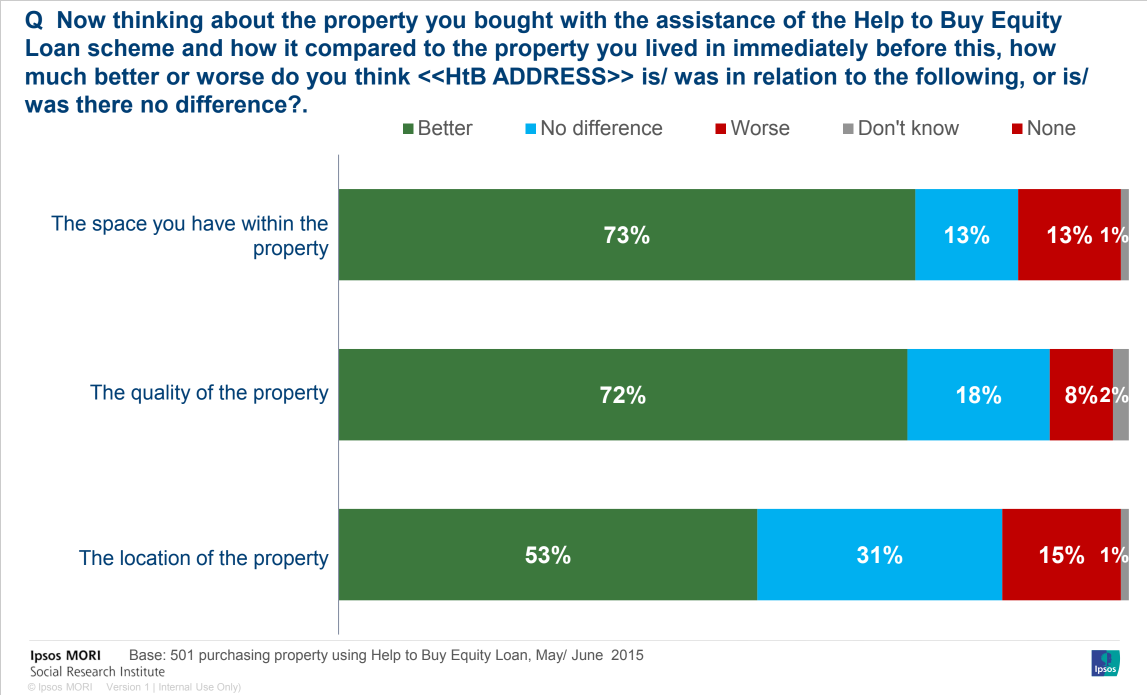


Table 5.6 below summarises variations in these property ratings by a range of sub-groups. Those living in larger (three or more person) households are significantly more likely than those living in smaller households to agree that the quality of the property is better (87% of three person households said this compared to 55% of single person households). Those households with children are also significantly more likely to say the quality of the property is better (82% compared to 69% of those living in households with no children).

Ratings of the quality of the property also vary by previous tenure. Those previously living at home with parents are significantly less likely than the sample population overall to say the quality of the property is better, whereas those previously renting (especially from a private landlord) are significantly more likely to say the quality of the property has got better.

Those with higher incomes and larger Help to Buy Equity Loan deposits are also more likely to say the quality of the property is better than those on lower incomes or with smaller deposit amounts.

This is a similar case for those who believe that the space they have within the property is better. Those with higher incomes are more likely than those on lower incomes to say the space within the property has improved. Those with higher incomes are also more likely to consider they have moved to a better location (61% of those with income of £55,000+ compared with 53% overall). An improvement in the location of the property is also more likely for those households with children (66% vs. 45%).

In contrast first-time buyers and those who have previously been living at home are less likely than the population overall to say they moved to a better location (48% and 33% respectively compared to 53% overall). In addition, those who are in the Homes and Communities Agency Operating Area of the East & South East (22%) are more likely than those in the Midlands (10%) and South & South West (9%) to say they have moved to a worse location.

Table 5.6 – Variations in relation to quality, space and location of property

	The quality of the property % better	The space you have within the property % better	The location of the property % better
Overall	72%	73%	53%
First-time buyer			
Yes	70%	70%	48%
No	81%	86%	71%
Homes & Communities Agency Operating Areas			
East & South East	65%	74%	46%
London	78%	70%	46%
Midlands	80%	78%	57%
North	70%	70%	55%
South & South West	71%	70%	50%
Previous tenure			
Living at home with parents	48%	50%	33%
Rented (Social or Private)	81%	80%	55%
Owned (with or without mortgage)	77%	83%	68%

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015

5.5 Perceptions of the Help to Buy Equity Loan process

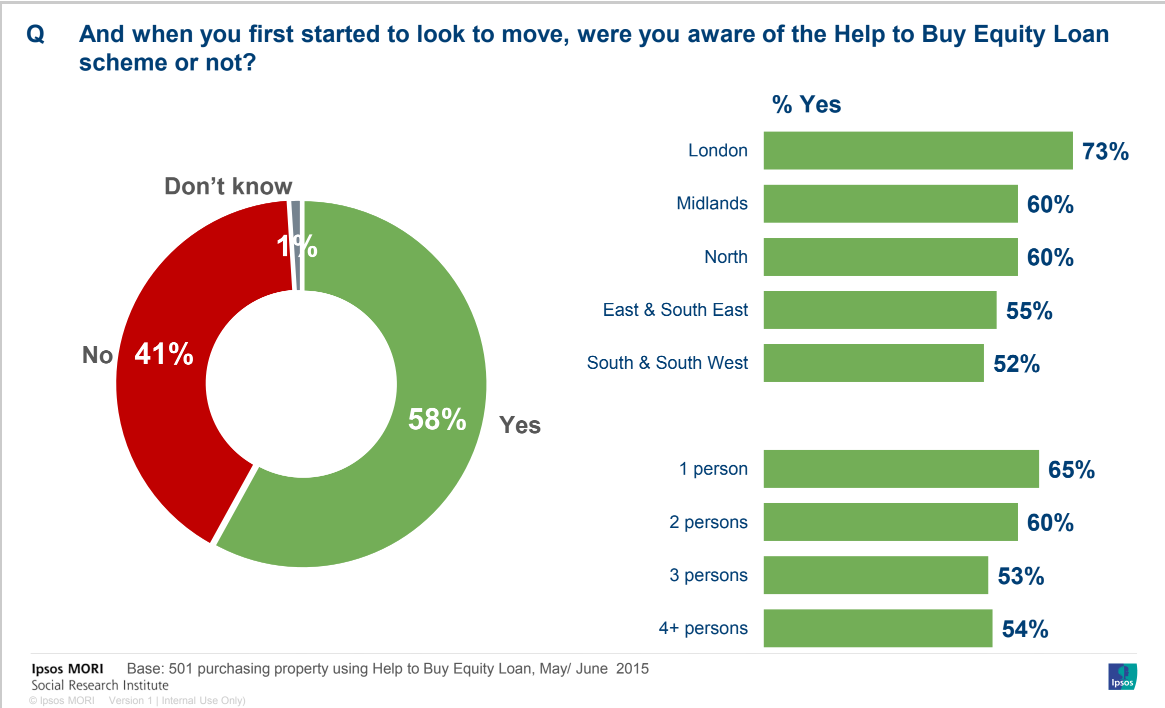
The survey also provided the opportunity to capture perception based data to provide evidence on the perceived experiences of the Help to Buy Equity Loan scheme from the consumer perspective - one of the key objectives of the study. This section considers these experiences in further detail and considers awareness levels, sources of information and contact, the understanding of the financial commitment and their overall satisfaction with the process.

It is important to reiterate that data presented in this section is based on those who have been through the process and successfully purchased using Help to Buy Equity Loan. It does not consider the views of those who may have started but not completed the transaction and who may share different perceptions and experiences. This group were beyond the scope of this study.

Awareness of Help to Buy Equity Loan

As shown in Figure 5.12 below, nearly three in five respondents (58%) said that they were aware of the Help to Buy Equity Loan scheme when they first started to look to move while around two in five indicated they were not (41%).

Figure 5.12 – Awareness of Help to Buy Equity Loan when first started to look to move



There are no significant variations in awareness by age of respondent nor between first-time and non first-time buyers although awareness levels are higher among single person households (65% say they were aware compared to 54% of those with 4 or more people in the household) as well as by broad region.

In particular awareness of Help to Buy Equity Loan is significantly higher among those living in the Homes and Communities Agency Operating Area of London (73%) than those living in the South & South West – which in part at least may be explained by the household size profile of purchasers in these locations. The Operating Area of London has the highest proportion of single person households who have purchased using Help to Buy Equity Loan (32%), whereas the Operating Area of the South & South West has the lowest (14%).

Awareness levels also vary by date of completion, with those most recently completing on their Help to Buy Equity Loan property most likely to be aware of the policy when they first started to look to move. Of those completing within the last 6 months, more than two-thirds (68%) say they were aware of the policy, compared to 43% who completed on their Help to Buy Equity Loan property 18 months or more ago.

Sources of information about Help to Buy Equity Loan

Table 5.7 below summarises the main sources of information about Help to Buy Equity Loan. For nearly half (49%) of all respondents house builders were identified as the main source of information, likely reflecting the lead responsibility house builders have in marketing Help To Buy Equity Loan property. Other commonly mentioned sources included online/ website sources, Help to Buy agents and mortgage lenders/ advisors. Around one in ten mention these as their main source of information.

Table 5.7 – Who was your main source of further information about the assistance available through the help to Buy Equity Loan scheme?

	Percentage
A house builder	49%
Online / website	14%
A Help to Buy agent	10%
Mortgage lender / advisor / broker / Independent Financial Adviser	9%
Family / Friends / Colleagues	5%
Other media – press, TV, radio	3%
Myself	2%
Estate agent	2%
Solicitor	1%
Bank	1%
Other	3%
Not specified	2%
Don’t know	*%

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015

Further analysis highlights some spatial variability in information sources with, in particular, those living in London more likely than the population overall to get their information from the internet (33%) or from a mortgage lender / advisor / broker or independent financial advisor (19%), and less likely to get information from a house builder (31%). Further, those who had no awareness of the Help to Buy Equity Loan scheme when they first started to look to move were more likely than those were aware to have got most of their information from a house builder (59%).

Who is initiating first contact?

Overall, the majority (84%) of respondents were pro-active in initiating contact to find out more about the scheme, while one in ten (11%) say they were approached by the organisation or individual who was the main source of information.

Respondents were most likely to take the lead in initiating contact regardless of who was the main source of information as indicated in Table 5.8 below. There is no evidence to suggest that house builders are any more likely to have initiated contact than other sources (12% compared to 11% overall).

Table 5.8 – Sources of information and initiating contact

Main source of information: Base size in brackets	I first contacted them before they contacted me	They first contacted me before I contacted them	Don't know	TOTAL
A house builder (241)	86%	12%	3%	100%
A Help to Buy Agent (49)	83%	8%	8%	100%

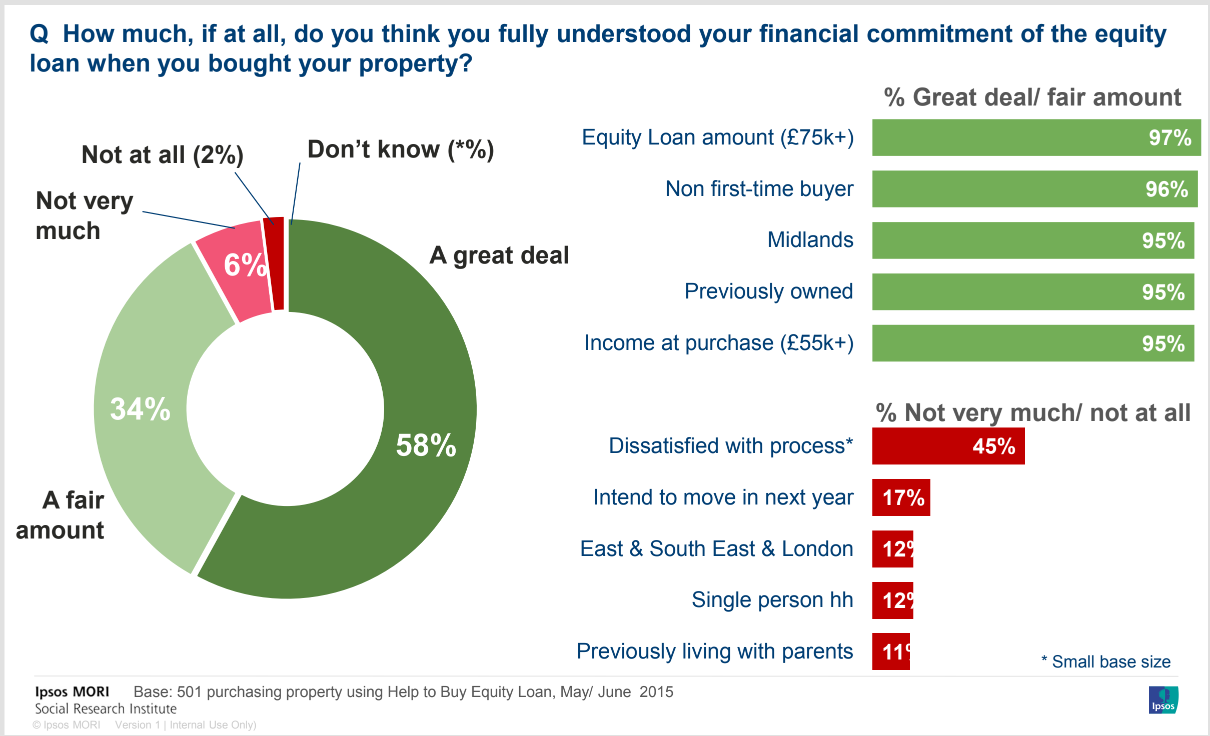
Base: 241 purchasing property using Help to Buy Equity Loan, May/ June 2015

Understanding the financial commitment

An issue raised in the supply-side interviews, particularly by lenders and Help to Buy Agents, is that those using Help to Buy Equity Loan do not have a full understanding of the financial commitment involved. However when respondents were asked directly about their understanding, as shown in Figure 5.13 below, a majority (58%) say they understand a great deal about the financial commitment of the equity loan while a third (34%) say they understood a fair amount about this. Less than one in ten (8%) say they knew 'not very much' or 'nothing at all'.

Possibly reflecting their previous experience, those who are not first-time buyers, who have previously owned and who have higher incomes are more likely to say they know a great deal or fair amount about the financial commitments. Analysis also highlights some spatial differences with those in the Homes and Communities Agency Operating Areas covering East & South East / London (12%) more likely than those in the Operating Area of the Midlands (5%) to say they know not very much / nothing at all.

Figure 5.13 – Understanding of the equity loan financial commitment



Respondents are also confident in their ability to pay mortgage payments and the equity loan element both when thinking back to the time of the purchase and at the time of the interview. As indicated in Table 5.9 below, nearly nine in ten respondents (87%) said they were very confident in their ability to pay mortgage repayments at the time of the purchase and 88% say they feel very confident now.

Respondents are less confident in being able to repay the equity loan element, although more than nine in ten respondents say they are either very or fairly confident both at the time they bought and now. In contrast, around one in twenty respondents say they are either not very or not at all confident in repaying the equity loan element.

Table 5.9 – Confidence in ability to pay mortgage payments and the equity loan element at the time of purchase and at the time of the interview

	Your ability to pay the mortgage repayments (then - 501)	Your ability to pay the mortgage repayments (now – 499)	Being able to repay the equity loan element (then - 501)	Being able to repay the equity loan element (now - 499)
Very confident	87%	88%	60%	63%
Fairly confident	12%	11%	32%	29%
Not very confident	*	*	5%	4%
Not at all confident	-	-	1%	1%
Don't know	-	*	2%	3%
None	-	-	-	-
TOTAL	100%	100%	100%	100%

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015
* Indicates a value greater than 0 but less than 1%

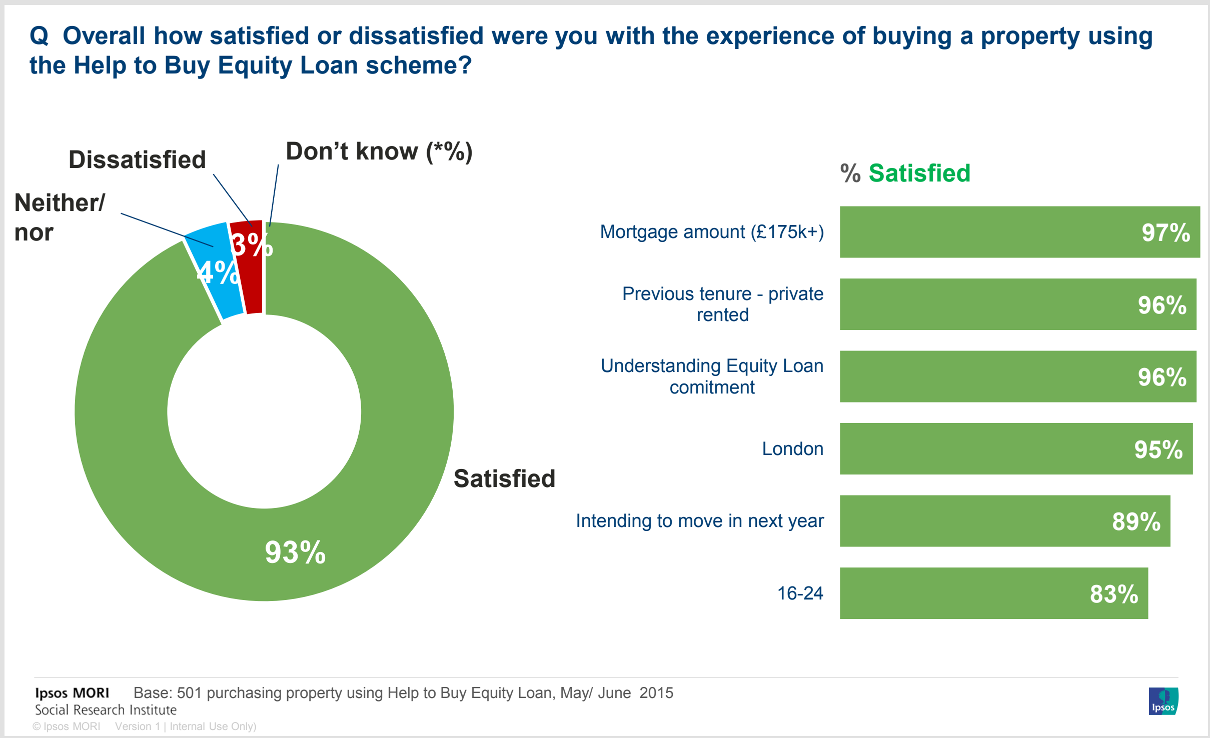
There is some spatial variability in confidence levels for both aspects, with those living in the Homes and Communities Agency Operating Areas covering the East & South East / London more likely to be confident than those living in the Operating Area covering the North for example. Understanding of the Help to Buy Equity Loan commitment is also associated with increased confidence; those who understand a great deal (91%) are significantly more likely than the population overall to be very confident.

Rating the Help to Buy Equity Loan process

Respondents were asked to rate the overall experience of buying a property using Help to Buy Equity Loan as well as the extent to which they felt the scheme was more beneficial to the house builder than to them. Results are presented in Figure 5.14 below.

Respondents are very positive about the experience of buying using Help to Buy Equity Loan. Seven in ten (70%) are very satisfied, and a further quarter (23%) are fairly satisfied while three per cent say they are either very or fairly dissatisfied.

Figure 5.14 – Overall satisfaction with the Help to Buy Equity Loan process



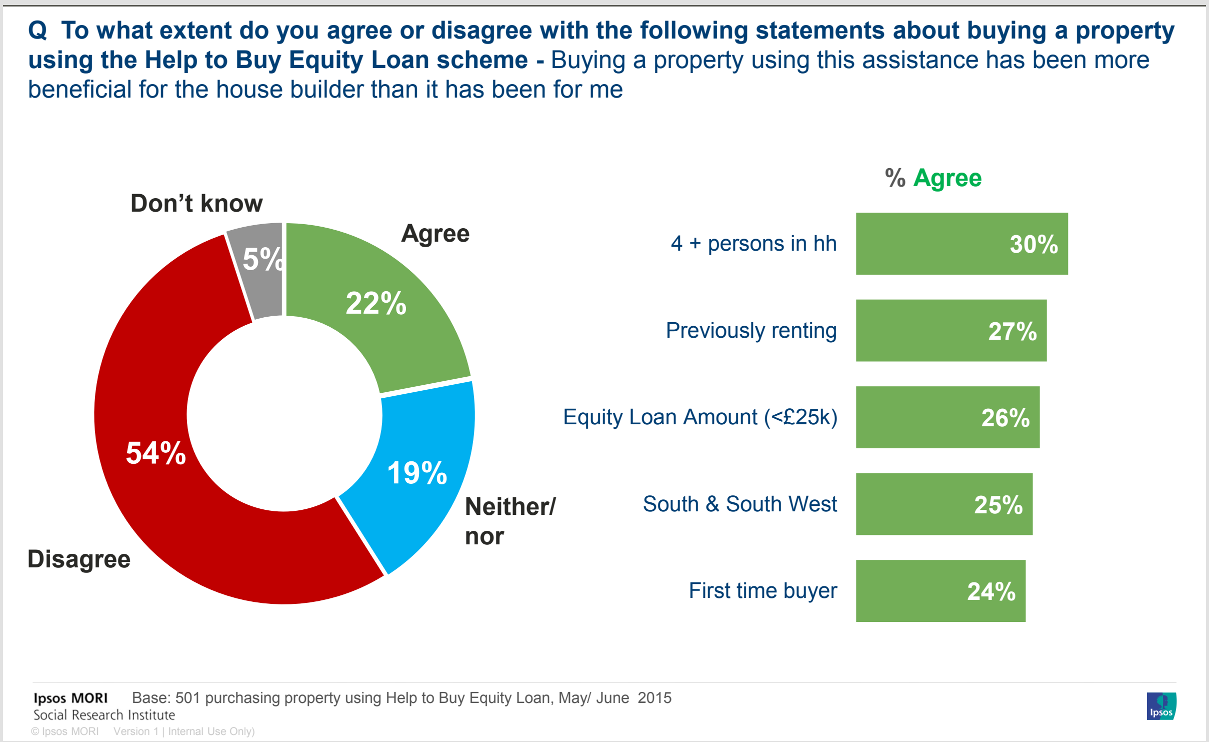
Satisfaction levels are consistently high across the population although those purchasing more expensive property and those with higher mortgage amounts (£175,000+) are most likely to be satisfied, as too are those who previously rented accommodation and those who say they have a good understanding of the Equity Loan commitment.

In contrast, younger respondents (under the age of 25) are significantly less likely to be satisfied than the population overall (83% compared to 93%), although satisfaction ratings remain high.

As is indicated in Figure 5.15 below, a majority of respondents (54%) also disagree that 'buying a property using this assistance has been more beneficial for the house builder than it has for me' while just over a fifth (22%) agree.

Further analysis indicates that first-time buyers are significantly more likely to agree that Help to Buy Equity Loan has been more beneficial for the house builder (24%) as too are those living in larger (four or more person) households (30%) and those who previously lived in rented accommodation (27%).

Figure 5.15 – Who has benefitted more from Help to Buy Equity Loan?



5.6 Conclusions

Analysis of survey results provides evidence that Help to Buy Equity Loan has helped to improve access to the homeowner market. While a significant majority were already looking to buy property, the tenure expectations of first-time buyers and single person households in particular show a greater tendency to have shifted from renting to buying.

A majority say they started to look for property to buy sooner than they otherwise would have and younger purchasers and those with the lowest deposit amounts were more likely to agree that access to homeownership was quicker. The average deposit amounts of those using the scheme are below national estimates, which at the very least suggest Help to Buy Equity Loan is relieving some of the pressure on deposit amounts, and most are not using additional sources of finance to help with their deposit. There is though some variability: non first-time buyers and those living outside of London, the South East and East, are less likely to have saved for longer to raise a deposit.

The survey also provides evidence that Help to Buy Equity Loan has also assisted progression in the homeownership market. The majority said that they would not have been able to buy the same property without assistance and most agreed the scheme had helped them to buy property that was bigger or in a better area. A majority indicate that the property they moved in to with the assistance of Help to Buy Equity Loan was better than their previous accommodation both in relation to quality and space.

There remains, however, a significant minority who say they feel unable to move up the property ladder now and it is those at the lower end of the market (living in flats, in smaller sized property and with lower household incomes) where this sentiment is most apparent.

The experience of buying a property with the assistance of Help to Buy Equity Loan is largely positive among this group who have successfully been through the process. A majority were aware of the scheme when they first started to look for a property and most say they were satisfied with the experience (seven in ten say they were *very satisfied*).

Concerns expressed by some lenders and agents about a lack of consumer understanding about the scheme are in limited evidence among this group of respondents. A majority said they had a *great deal* of understanding about the financial commitment of the equity loan when they bought and they continue to remain confident in their ability to pay mortgage repayment and the equity loan elements. Only one per cent of the total sample say they intend to move within the next five years because of mortgage affordability concerns.

House builders were the main source of information about the scheme and most respondents said they, themselves, initiated contact when looking to find out more. The sentiment that the scheme has been of more benefit to house builders than to consumers is not widely held, although it is a view more commonly held among first-time buyers, those living in larger households and those living in the Homes and Communities Agency Operating Area covering the South & South West.

Chapter 6: Assessing additionality

This chapter draws on the demand and supply-side perspectives presented earlier to make an assessment of the additionality provided by the scheme to date. Here ‘additionality’ has been defined as the number of extra new homes built as a result of the Help to Buy Equity Loan policy, over and above what would have been built in the absence of the policy. This will include helping people buy a bigger home than they might otherwise have afforded. Thus, in terms of value for government money, additionality is the proportion of new homes built since the introduction of the scheme that can be said to be a direct result of the policy.

It is recognised at the outset that there are inherent challenges in making such an assessment. Introduction of the policy in April 2013 means it is not possible to establish any meaningful counterfactual and disentangling the effects of the policy from other related policy initiatives adds further complication. Furthermore the current assessment of additionality has to be considered in the context of the overall cycle of the scheme as well as changes in the wider economy and housing market (including the housing market cycle).

With these challenges in mind, the analysis seeks to produce a best estimate of additionality through the triangulation of primary and secondary data sources presented in earlier chapters. This chapter also considers wider market additionality and thus the potential impacts on new build output. It also discusses other factors likely to impact on the overall market and Help to Buy Equity Loan market over the longer term, to offer some predictions on future housing output.

6.1 Defining additionality

On the demand side, additionality is defined as allowing a purchase that would not otherwise have taken place. Whilst this focused definition of additionality is one which lenders and developers are most likely to identify with, it is also important to recognise that additionality in its broader sense can be much more than the identification of people who faced a binding (in this case financial) constraint. For example, there will be those who have used Help to Buy Equity Loan even though they do not face a binding financial constraint but otherwise may not have entered the market because of their perception of other risk factors such as unemployment or risk of indebtedness for example.

Additionality is also about extending the choices available in the market which in turn results in additional demand of all types and notably in this case, transactions involving new homes. Further it is about loosening the financial and other constraints facing developers which may have limited the capacity to expand in the face of projected demand.

There are also likely to be a range of second round and indirect effects which are likely to impact on a broader view of additionality. In particular increased confidence amongst consumers, house builders, lenders and others is an important consideration impacting upon both demand and supply. Consumer confidence to enter the market engendered by this being a government sponsored scheme as well as through the creation of a more active sales market driving up the appetite to enter the market are all part of this. It is these factors that are considered when wider market additionality is referred to in this analysis. On the other hand increased demand for new homes may come, in part, at the expense of demand for existing homes.

In thinking about additionality we have to be mindful of what was happening anyway in the cycle. While developers were less than optimistic and saw themselves facing financial and other constraints that could have further reduced investment, recovery was slowly getting underway at the time the policy was introduced and this upturn, while anything but robust in itself, would have led to some increased confidence and thus more demand and greater supply. In assessing additionality of the Help to Buy Equity Loan policy we seek to separate out and give further consideration to these effects in the sections that follow.

6.2 Demand-side additionality

To make an assessment of demand-side additionality we draw on primary data collected through the telephone interview survey of 501 respondents who have purchased property with the assistance of Help to Buy Equity Loan. A random sample was selected from a sample frame of all Help to Buy Equity Loan purchasers held by the Homes and Communities Agency up to January 2015. The assessment of demand-side additionality therefore covers a representative sample of those that have bought their property with the assistance of Help to Buy Equity Loan between April 2013, when the policy was introduced, and January 2015.

Interviews were completed in a three week fieldwork period between 11th May and 1st June 2015 and data has been weighted to be representative of this population in relation to key characteristics such as first-time buyer status, Homes and Communities Operating Areas, property size and date of completion. As such survey data provides robust data to make an assessment of the characteristics, perceptions and experiences of the population of purchasers who have used Help to Buy Equity Loan. Fuller details of the telephone interview approach are in Appendix 1.

The assessment of demand-side additionality uses survey responses to estimate the proportion of purchasers who would not have been able to buy their property without the assistance of Help to Buy Equity Loan. As indicated above, this approach does not take account of wider market additionality factors, which are not considered as part of the demand-side assessment.

Respondents were asked a number of questions relating to their ability to afford to purchase property without the assistance of Help to Buy Equity Loan. It is important to recognise that the analysis of these perception-based questions assumes that respondents are answering from a position of knowledge about the housing market, the mortgage market and their own personal finances, and have accurately recalled their position at the time of purchase.

To limit the risk of over-stating additionality the assessment draws on a combination of responses to a number of survey questions to identify the proportion of the survey sample that say they would have been unable to have purchased a property without the assistance of Help to Buy Equity Loan. These questions include:

- Q18a - I would have been able to buy a property I wanted anyway without this assistance (Agree/ Disagree[21]);
- Q19a - 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? (Yes/ No[22]); and
- Q19b - and do you think you would have been able to buy a similar property that was NOT new build and being sold by its owner. By similar I mean in terms of type, size and location? (Yes/ No).

The assessment of demand-side additionality includes any respondent that said they would not have been able to buy a property anyway without Help to Buy Equity Loan assistance, and also who would not have been able to buy the same property they moved into without assistance and who also would not have been able to buy a similar property in the existing (second-hand) market without assistance.

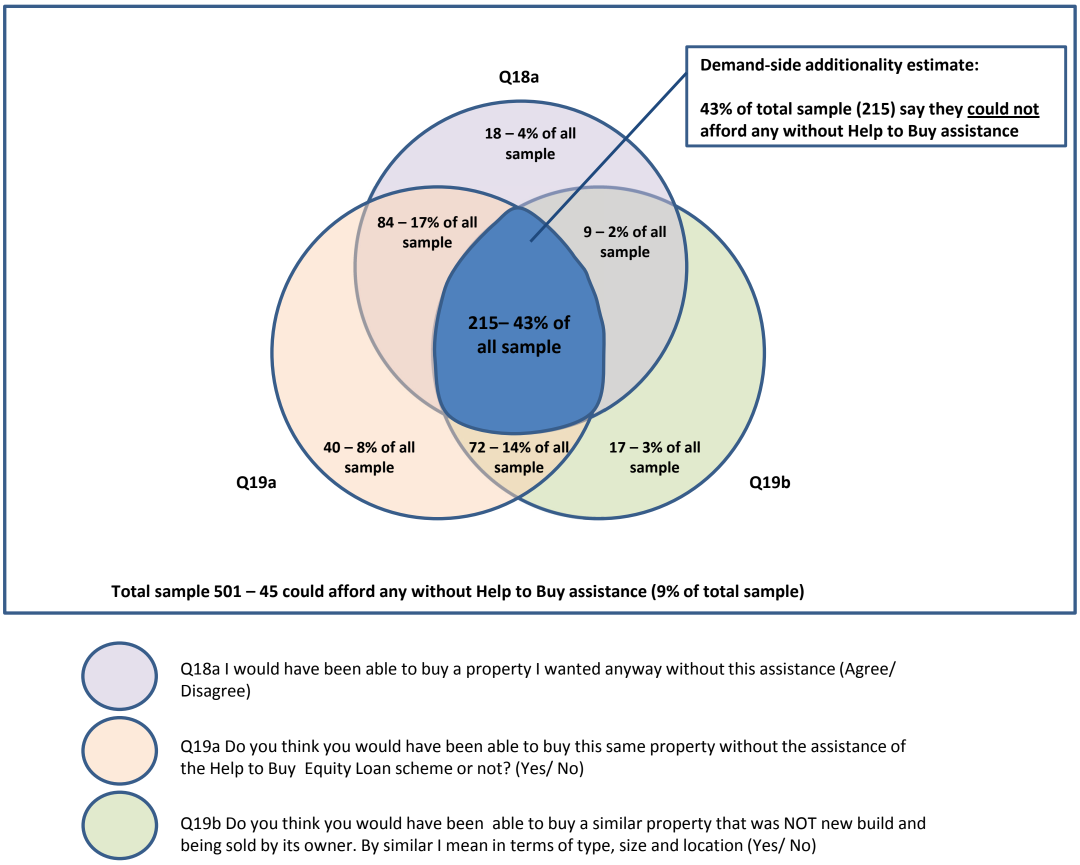
Analysis presented earlier in this report has shown that a majority of the survey sample indicated that the scheme enabled them to buy a larger property than otherwise would have been possible without assistance. However, the assessment does not filter out those who, in theory, could have afforded a smaller property either in the new build or existing market without assistance. It is assumed that those moving to larger property who could have afforded smaller property without assistance are still making a contribution to additional demand just for a larger property unit than otherwise would have been possible.

The analysis indicates that a total of 43% of the respondents in the sample survey say they would not have been able to afford, without assistance, the property they wanted and moved into, nor a similar property in the existing market.

This provides the best central estimate of additionality, while recognising that accounting for some who might have bought smaller new built property would lower this estimate. Figure 6.1 below summarises the results of this assessment.

[21] Includes those who say 'neither/ nor' and 'don't know'
[22] Includes those who say 'don't know'

Figure 6.1: Assessment of demand-side additionality



This analysis indicates that of the total sample of 501 respondents:

- **43%** (215) say they **could not** have afforded any without assistance.
- **17%** (84) say they **could not** afford a property they wanted or new build without assistance, but could afford a similar property in the existing market.
- **14%** (72) say they **could not** afford the new build property they moved into or similar property in the existing market without assistance but could afford a property they wanted.
- **8%** (40) say they **could not** afford the new build property they moved into without assistance, but could afford a property they wanted and a similar property in the existing market.
- **4%** (18) say they **could not** afford a property they wanted without assistance but could afford new build or similar property in the existing market.
- **3%** (17) say they **could not** afford a similar property in the existing market without assistance but could afford the new build property they moved into and could afford a property they wanted.
- **2%** (9) say they **could not** afford a property they wanted or a similar property in the existing market without assistance but could afford new build.
- **9%** (45) say they could have afforded all without assistance.

Table 6.1 below shows the characteristics of those identified to be contributing to demand-side additionality compared to those not identified to be additional as well as the survey population overall.

A key consideration here is whether the policy has enabled those contributing to additional demand to access the new build market with lower deposit and income amounts. For this analysis income, deposit and purchase price information captured as part of the purchase process have been matched to survey responses where permission to match data has been given.

Results indicate that those identified to be additional used significantly lower deposit amounts to purchase their property with the assistance of Help to Buy Equity Loan than those not identified to be additional. However, comparisons of average (mean) gross household income levels at the time of purchase indicate no statistically significant differences. Among those identified to be additional the average gross household income at the time of purchase was £46,658, compared to £47,339 for those not identified to be additional and £47,050 across the sample population as a whole.

Looking specifically at first-time buyers identified to be additional, their average (mean) gross household income was £43,483 at the time of purchase, lower than the national average of all owner-occupiers with a mortgage who were first-time buyers and resident for less than 5 years (estimated to be £47,528[23] by the most recent English Housing Survey covering 2013-14 which is therefore not totally comparable).

The median income at the time of purchase of all first-time buyers identified to be additional was £39,827, which is not greatly different to national estimates of median income of all first-time buyers (estimated to be £38,019 from the latest available data from the Council of Mortgage Lenders covering Quarter 2 2013 to Quarter 1 2015[24]).

Those identified to be additional are also significantly less likely to be aged under 25, significantly more likely to have purchased a detached property, and significantly less likely to have purchased a flat, than those not identified to be additional. There are no other discernible differences in relation to other characteristics presented, although to some extent this is to be expected given that the focus of the analysis is on a specific cohort of the population (those assisted by Help to Buy Equity Loan) who in many respects already share similar characteristics.

[23] Based on household reference person and partner at £914 per week - See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/445547/Chapter_3_Owner_occupiers.pdf

[24] Derived from data produced by the Council of Mortgage Lenders based on a crude average of median incomes between Quarter 2 2013 and Quarter 1 2015. See https://www.cml.org.uk/industry-data/ Note this will also include those who have purchased using Help to Buy Equity Loan

Table 6.1: Characteristics of those identified to constitute additionality

Characteristics	*Additionality group*	*Non-additionality group*	*All*
Ave (mean) gross income at purchase	£46,658	£47,339	**£47,050**
Ave (mean) deposit amount	£15,550*	£18,103	**£17,019**
Ave (mean) purchase price	£214,651	£211,540	**£212,860**
First-time buyer			
Yes	81%	83%	**82%**
No	19%	17%	**18%**
Work status			
Working full-time	91%	94%	**93%**
Other	9%	6%	**7%**
Age			
16-24	6%*	12%	**9%**
25-34	54%	52%	**53%**
35-44	28%	27%	**28%**
55-59	11%	9%	**10%**
Previous tenure			
Living at home with parents	23%	25%	**24%**
Previously renting (Social or Private)	54%	52%	**53%**
Previously owning (outright or with mortgage)	20%	18%	**19%**
Household size			
1 person	16%	19%	**18%**
2 persons	40%	40%	**40%**
3 persons	23%	21%	**22%**
4+ persons	21%	20%	**20%**
Ave household size	2.5	2.4	**2.4**
Homes & Communities Agency Operating Areas			
East & South East	19%	19%	**19%**
London	4%	6%	**5%**
Midlands	26%	26%	**26%**
North	30%	30%	**30%**
South & South West	21%	19%	**20%**
Property size			
1 or 2 beds	27%	27%	**27%**
3 beds	43%	50%	**47%**
4+ beds	30%	23%	**26%**
Property type			
Flat	11%*	18%	**15%**
Terraced	31%	31%	**31%**
Semi-detached	26%	27%	**27%**
Detached	32%*	25%	**28%**

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015
* Indicates statistically significant difference between additionality and non-additionality group

6.3 Developer and lender perspectives on additionality

Turning to the supply side, developer and lender perspectives are considered further in this section. These are based on in-depth semi-structured interviews with senior representatives from developers covering the vast majority of the Help to Buy Equity Loan market together with representatives from all the major lenders involved (see Appendix 1 for further details). The focus is very much on the developers as the funders are in large part responding to the demand generated by the former.

Supply additionality from the point of view of developers

Large developers were all very positive about the scheme and have used Help to Buy Equity Loan from the beginning. Small and medium sized developers saw it as positive but among those interviewed there were relatively few sales.

The large developers see additionality mainly in terms of whether they undertook more investment as a result of their sales. Using this definition they saw four main sources of additionality:

(i) Stopping possible falls in activity rates after April 2013

(ii) Increases in the demand for new build properties including Help to Buy Equity Loan sales which lead directly to higher levels of output;

(iii) The confidence that Help to Buy Equity Loan has added to the general market (including more interest in new build rather than existing units) which has led developers to increase starts above pure 1 sale to 1 start levels; and

(iv) As a result of greater confidence and cash flow the capacity to buy land and to increase activity levels in line with expanding business plans and in some cases above these levels.

The small and medium sized developers were to some degree also affected by (i). With respect to (ii) in the main they have had relatively little direct experience – although some had been successful on particular sites and stated this has speeded up development; (iii) is seen as particularly important and very positive; while (iv) depends on involvement. These sources of increased investment and therefore starts are considered in further detail below.

In the analysis that follows, source (ii) relates to the estimate of additionality (43%) discussed above, whereas the remaining sources relate to wider market additionality elements.

(i) Stopping possible falls in activity after April 2013; the position in April 2013

Almost all large developers who were interviewed stated that they had their own partial equity schemes running before Help to Buy Equity Loan **but** they would not have been able to continue these schemes. Some gave estimates of the effect on their balance sheets of between £8m and £50m. These are not enormous numbers but their balance sheets were under particular strain, so it is reasonable to assume that, as they stated, in the face of the lack of an effective government scheme plus the rundown/closure of their own schemes, their development decisions would have been more conservative.

Some large developers simply stated that they would have reduced output without the scheme. Two quotes highlight this; ‘output would have ground to a halt’ and ‘output levels would have been at least 50% below current levels’. These may be extreme views but more generally developers saw no reason for optimism in April 2013 other than the introduction of the Help to Buy Equity Loan scheme, which they welcomed as market led and relatively straightforward.

The evidence in Table 6.2 below with respect to 2012/13 versus 2011/12 is that private starts were falling quite rapidly – by around 5,300, not far short of 5%. The implication of developer comments is that this fall would have continued and more rapidly. Instead what was observed was a very rapid increase in starts especially in the first year.

Table 6.2 Private Enterprise Starts and Completions in England 2007/08 to 2014/15

Financial Year	Private Enterprise Starts in England	Private Enterprise Completions in England
2007-08	146,160	147,170
2008-09	65,560	113,800
2009-10	73,770	93,030
2010-11	84,710	83,180
2011-12	87,300	89,120
2012-13	81,980	84,550
2013-14	106,750	89,690
2014-15	115,410	96,870

Source: Department for Communities and Local Government Live Table 231 and 232 (unpublished management information)

(ii) Increases in the demand for new property leading directly to additional housing output

Large developers all saw Help to Buy Equity Loan as adding to demand and suggested that they were selling from **15% to over 50% to Help to Buy Equity Loan purchasers. Most stated they were closer to the upper end.**

Table 6.3 below shows the proportion of new build and total transactions that were Help to Buy Equity Loan using national Land Registry data. They suggest there is a lot of volatility and seasonality but once the scheme was fully operational the proportion of Help to Buy Equity Loan ranged from around **27% to over 40% of new build transactions** (June 2015 is clearly an outlier - and will probably be revised) as the proportions generally vary systematically with overall new transaction rates, reflecting capacity.

Excluding the early months of the programme and June 2015 as an outlier, we take as a reasonable average for the Help to Buy Equity Loan contribution to all new build transactions around one third, i.e. **33%.**

Table 6.3 The Contribution of Help to Buy Equity Loans to total transactions and New Build Transactions in England over time, April 2013 – June 2015

	Month	Help to Buy Equity Loan trans-actions in England	Trans-actions in England	Help to Buy Equity Loan as percent of total trans-actions	New Build Trans-actions	Help to Buy Equity Loan as percent of New Build trans-actions
2013	Apr	8	48,769	0%	4,835	0%
	May	318	63,349	1%	6,028	5%
	Jun	1,777	63,011	3%	10,314	17%
	Jul	775	70,450	1%	4,818	16%
	Aug	1,376	75,995	2%	6,190	22%
	Sep	1,794	66,568	3%	6,709	27%
	Oct	1,744	73,179	2%	6,348	27%
	Nov	2,346	78,935	3%	7,310	32%
	Dec	3,886	75,864	5%	10,557	37%
2014	Jan	1,175	62,435	2%	4,318	27%
	Feb	1,628	62,207	3%	5,239	31%
	Mar	2,779	64,284	4%	7,196	39%
	Apr	1,870	67,024	3%	6,166	30%
	May	2,369	73,799	3%	7,112	33%
	Jun	4,538	77,112	6%	11,791	38%
	Jul	1,651	80,680	2%	6,100	27%
	Aug	1,958	83,876	2%	6,492	30%
	Sep	2,238	75,266	3%	7,101	32%
	Oct	2,211	82,259	3%	7,156	31%
	Nov	2,226	69,580	3%	6,647	33%
	Dec	3,744	74,015	5%	10,407	36%
2015	Jan	1,111	53,914	2%	4,029	28%
	Feb	1,328	54,853	2%	4,727	28%
	Mar	2,485	61,134	4%	7,291	34%
	Apr	1,773	57,232	3%	5,614	32%
	May	2,549	64,250	4%	5,593	46%
	June	4,745	67,028	7%	5,845	81%*

Sources: Transactions in England, Land Registry, 2015; New Build Transaction Data, Land Registry Price Paid Data, various years (accessed 17 October 2015); Help to Buy Transaction Data, Department for Communities and Local Government, 2015c, data published 09 September 2015
* Figure likely to be amended in future revisions to published data

Within this total, the developers were asked what proportion of Help to Buy Equity Loan buyers needed the assistance of Help to Buy to purchase the dwelling. **Figures ranged from around 20% to over 50% with many saying perhaps around half**. Clearly this is their own perception based on evidence from their understanding of their customers. The developers were aware of the difficulty of interpreting these figures in that those who could have done without might well still have purchased a new build property. The figure is used only to show that purchasers' (assessed using the interview survey) and developers' views are broadly comparable.

All agreed that supply was demand led so that sales lead to starts on at the least a one to one basis – so **if an Help to Buy Equity Loan sale is additional there will be an additional new build unit. It is therefore appropriate to use the demand-side estimate based on purchasers' own understanding of their position as the definition of additionality spelt out at the beginning of this chapter.**

On this basis (thus excluding the three wider market additionality elements mentioned above), we use the demand-side figure of 43% as a central estimate of additionality.

Then looking at this definition of additionality in terms of new transactions (and therefore as a proportion of housing output) we then apply this to the average 33% contribution made by Help to Buy Equity Loan sales to total new build transactions. **This allows us to estimate the direct impact on supply as equivalent to contributing 14% to new build output** (0.43 x 33% = 14.2) since the introduction of the policy in April 2013 to June 2015.

Applying the slightly higher estimates from most major developers of about half would raise the proportion of total new build units that they saw as additional to **16.5%** (0.50 x 33%) to June 2015.

(iii) Increased market confidence generated by Help to Buy

Again looking at the potential impact on new housebuilding, the developers agreed that Help to Buy Equity Loan had increased the preparedness to buy among buyers in general – including for new units. Total transactions had therefore increased. Developers' confidence was thus also increased leading to more starts by a proportion that cannot be directly estimated but was seen as undoubtedly more than one to one.

The 24,000 rise in starts from 2012/13 to 2013/14 can be regarded as a major shift in confidence in the market especially as completions only rose by 5,000. This suggests that, at the margin, up to 5 new units were being started for each completed unit in the year after the introduction of the scheme. This implies that developers' confidence in the market overall increased so they were prepared to expand production across the market. Without Help to Buy Equity Loan the numbers of units started would therefore be likely to have been considerably fewer than the observed levels of market sales.

By 2014/15 there is a closer relationship between private sector starts and completions with starts growing by almost 9,000 and completions, which now include some of these earlier starts, increasing by around 7,000 units. This suggests that:

- the initial very large impact on starts was associated at least in part with the Help to Buy Equity Loan scheme;
- this impact has diminished over time as activity levels have risen; and
- even though starts are leading to completions quite slowly, there is still an appetite for increasing starts by more than sales based upon the developers expectations of growing market demand.

(iv) Increases in house builder capacity in longer term

Most developers clarified that they were now in a much stronger position to buy land and to work towards expanding output as a result of the Help to Buy Equity Loan programme. They also indicated that they would have cut output levels were the scheme to be phased out – as had occurred to an extent in Scotland when the money was exhausted for a period. Some talked of aiming to reach 2007 activity levels over the next two years; a small number had already done so and intended to continue to expand.

At the present time the data on starts and completions suggest some continued although not very robust expansion - Starts in Quarter 4 2014 were down (to 25,180), Quarter 1 2015 showed a significant recovery (to 39,430) but Quarter 2 was somewhat down again (to 35,960). Completions have increased somewhat in all three quarters and were 36,890 in Quarter 2 2015, a figure not reached since 2008.

The information drawn from the annual reports from a selection of the largest developers supports the view that we have seen a significant ramping up over the period and that plot acquisition and land banks have grown substantially enabling continued growth over the next few years. The outlook seems positive (see Table A3.3. in Appendix 3). Evidence from across all types of developer drawn together by Lloyds research team is also positive with up to a third of turnover being reinvested in their businesses (Lloyds Bank, 2015).

Lenders views on additionality

This is based on in-depth, semi-structured interviews with senior representatives of lenders selected from a list of lenders participating in Help to Buy Equity Loan provided by the department. The top eight lenders were selected as measured by their lending volume to the programme. Between them this covered the vast majority of loans made. A further two of the largest lenders, as measured by the annual Council of Mortgage Lenders list of the 20 largest lenders, who were not participating in the scheme were selected and interviewed.

Lenders did not feel this scheme had negatively impacted upon other government supported schemes, like shared ownership. However, specifically with respect to more new homes there was general recognition that the scheme had assisted the credit market and consumer confidence. A number of lenders suggested that there was limited evidence of a large uplift in new build output but then posed the counterfactual of what if it hadn’t existed.

There was a view that the scheme had reinforced an already existing, but not well entrenched, improvement in the market and thus might be seen as pro-cyclical. It had eased the return to higher loan to value lending and also may have influenced the type of homes being built as well as the mix in transactions between new and existing dwellings. Moreover, it was recognised that developers had rebalanced books and become profitable and this had fed into more expansive plans, albeit that the market was still ‘fragile’.

The estimates as to how much new development had increased varied greatly from 0 through 10% increase in starts, (reflecting resource constraints, like materials, labour, land etc) with most but not all thinking a 25% increase was too high. It was argued that it would be difficult for the top 3 developers to sustain the growth they had achieved and thus a question as to what might happen in the future? Broadly it was felt what had happened to date was aligned to a typical 5 year plan for any recovering market – a cautious return to growth – so the question was whether this would have actually occurred without Help to Buy Equity Loan.

The entry of more lenders into the new build market is an important development and one which helps underpin market capacity discussed above in the developer assessment. This is a demand led market and mortgages make that demand effective. Lender activity is a re-enforcing mechanism, helping to support and sustain the operating environment. Prior to the Help to Buy Equity Loan policy new build lending was concentrated amongst a very few of the largest lenders (Lloyds Banking Group and Nationwide dominated with Barclays, Royal Bank of Scotland and Santander as secondary). Since the introduction of Help to Buy Equity Loan, this market has expanded to 18 lenders, with more considering entering, and the dominance of the biggest two lenders being eroded over time. It has become a more competitive and effective market as a consequence with both product and process improvements reflecting the entry of more lenders seeking market share.

6.4 Bringing the evidence together

While this chapter attempts to quantify the direct additionality impact on supply, it is not possible to give detailed quantification of the three wider market additionality elements identified (offsetting decline, market confidence, developer financial capacity) which are not related directly to actual Help to Buy Equity Loan sales. However developers were very clear they were extremely important – particularly with respect to overcoming the fragility of the market in 2013.

Table 6.4 below provides a summary assessment of these elements alongside some potential scenarios of the impact of Help to Buy Equity Loan.

Table 6.4: Likely additional impacts of Help to Buy Equity Loan on new starts

	Direct impacts	Offsetting decline	Additional market confidence	Increased developer capacity
(i) Stopping decline		Offsetting continued decline – 5% to10% of total starts		
(ii) Direct demand impact	14% - 16.5% of new starts			
(iii) Market confidence			Increase in starts rising to 5 x sales in 2013/14 but not all as a result of Help to Buy Equity Loan. Assume - 20% in first two years falling back to 10% in the third year as confidence stabilises.	
(iv) Longer term capacity				Financial stability is already allowing more optimistic 5 year and longer business plans based in part on the continuation of the scheme.

As there does not appear to be much double counting of these elements, especially as (iv) has, in the main, yet to occur, it is possible to combine these elements to develop an overall picture of the dynamics of additionality from the Help to Buy Equity Loan scheme.

In terms of timing more generally, the first impact, (i) offsetting decline, occurs in the first year. The second (ii) is an estimate based on secondary data and takes only a proportion as directly related to Help to Buy Equity Loan. The third (iii) applies to starts in 2013 and thereafter can be expected to decline. The fourth (iv) is largely yet to occur.

An estimate of the impact on new housing starts in 2013/14 might range from a minimum of 14% (ie, including only the lower estimate of (ii)) and no other impact) to a maximum of over 45%, taking account of the offset in decline of 10% (from i) the higher estimate of 16.5% from (ii) and an estimated 20% from the increase in confidence from (iii)).

In 2014/15 we assume no offset in decline but a continued impact on confidence generating 20% more starts - so the range is from 14% assuming only the lower level of direct impacts to a maximum of 16.5% direct effect plus 20% from increased confidence ie 36.5%.

Thereafter the impact of (iii) on starts is assumed to decline to around 10%. So, taking the lower direct effect of 14% plus 10% for confidence suggests a figure around 24% for 2015. This might rise further as capacity (iv) increases but could also decline if direct impacts are dampened. Table 6.5 below summarises the dynamics of all these elements of additionality over time.

Table 6.5: Summary of the dynamics of additionality from the Help to Buy Equity Loan Scheme over time

Additionality range	2013/14	2014/15	2015-
Minimum impact on increase in new build output	14%	14%	14%
Maximum impact on increase in new build output	45%	37%	24%

6.5 A longer term view

Predicting how either the overall market or the Help to Buy Equity Loan market might develop over the economic cycle and specifically to 2020/21 is highly challenging, given the number of variables at work. All that can be done is to suggest possibilities built around our view of what might happen in terms of certain key market factors.

We have taken the view that the important elements in the scenarios to 2020/21 are:

(i) what happens to interest rates;
(ii) how credit availability changes;
(iii) the likely course of economic growth;
(iv) market confidence as expressed by consumers, developers and lenders; and
(v) arising from these factors, the possible trajectory of house prices

On the demand side, economic growth, sustained house price increases in at least parts of the country and greater confidence can be expected to increase the numbers of households (especially first-time buyers) who wish to buy and are able to do so. History suggests that households, given the choice, would be more likely to choose traditional debt financing products as their way of entering the market as compared to partial equity so the proportions of buyers who choose partial equity may decline - especially because of potential capital gains.

Against this, the higher interest rates that are likely to be associated with economic growth, will reduce affordability and may make it harder to meet deposit requirements and to pass the affordability tests associated with higher loan to value mortgages that they may require. Both make Help to Buy Equity Loan more attractive. The higher any interest rate rise however the more likely that Help to Buy Equity Loan would be relatively more popular.

This demand could be increased by further tightening in the mortgage market as a consequence of the rules now in place following the Financial Conduct Authority's Mortgage Market Review and the Financial Policy Committee's macroprudential tools in relation to loan to value and debt to income ratios (both of these aimed at curbing an expansionary credit cycle).

Taken together, the best guess, given continued recovery in the economy, is that we will see higher levels of housing output and transactions overall to 2020/21. Within this total there is likely to be a smaller proportion of Help to Buy Equity Loan sales. However, especially given the evidence from developers and funders that the housing market remains fairly fragile at least for the next couple of years, Help to Buy Equity Loan market will continue to be a significant proportion of new build sales overall and a key factor in carrying the market forward to a more stable state.

Taking the central estimate of additionality (the 43% of new build transactions/ output that government has supported through Help to Buy Equity Loan), this will decline as a proportion although not as an absolute number – because Help to Buy Equity Loan becomes a smaller proportion of a larger total (ie the 43% is based on a given level of overall transactions and the assumption is that households move away from Help to Buy Equity Loan to buying with a normal mortgage).

If we take a fairly extreme trajectory of an increase in overall sales of 40% of which only 20% were additional sales of Help to Buy Equity Loans, the additionality figure would drop from 43% to 36% (43% of 100 plus 20% of 40 taken together gives 51/140 or 36%). It would take far more extreme changes in the market to reduce additionality to 20%. For instance if total sales doubled but none of that increase was Help to Buy Equity Loan, additionality would halve dropping to 21.5% while in numerical terms it would have remained constant.

One of the big unknowns remains how the mortgage market might evolve in the light of the regulatory changes now in place. Informal discussions with the regulator would suggest the Financial Conduct Authority's view is that the market will only fully return to a new normality by 2019 (ie, that all the changes would have worked through and been absorbed into lending policy and practice) and that to date the new Mortgage Market Review rules have had only a limited 'braking' effect because the market is not in a strongly expansionary phase. That would not be the view of the industry which would cite the cautious movement back up the loan to value curve and continued pressure for higher deposits. Gross mortgage lending in 2014 was £203 billion, up on the £178 billion in 2013 but still well below the £357 billion of mortgage lending in 2007. The Council of Mortgage Lenders forecast for 2015 is £222 billion and for 2016 £230 billion, both revised down in their latest forecast. The Bank and others note the more subdued market in 2015 but expect this to recover in 2016/17. The Council of Mortgage Lenders suggests (Market Commentary, July 2015) that:

> *Although activity levels are likely to remain narrowly constrained this year and next, we expect total mortgage lending to increase by £21 billion to £230 billion in 2016. Some of this reflects increasing loan sizes alongside stronger house prices, but about half of the increase reflects the modest turn-round we envisage in the numbers of first-time buyers and movers.*

We would concur with the view that there will be modest growth in activity which will continue through to 2020/21. It implies a continuing role for equity loans (in the absence of other measures such as public or private guarantees for higher loan to value loans). Any further tightening for more marginal buyers would make Help to Buy Equity Loan an essential product to fill part of that gap.

In terms of the additionality estimates above, the expectations around the possible growth in the market suggests that a sharp increase in either mortgage credit or housing output is very unlikely to occur. Moreover any further tightening of credit conditions would be likely to bring the proportion of households assisted by Help to Buy Equity Loan back towards the current 43% of buyers who could not have achieved what they bought without this support.

A more negative economic environment with falling output and declining house prices along with concerns about the future market would reduce overall demand and probably shift a proportion of underlying demand towards Help to Buy Equity Loan. Even so, under this scenario the overall decline in demand would probably suggest lower absolute levels of Help to Buy Equity Loan sales. However these lower absolute levels of Help to Buy Equity Loan would still be a higher proportion so technically additionality would increase.

On the supply side, we note development is demand led and therefore under the more optimistic scenarios new output levels would continue to increase. From the developer point of view they build to satisfy the market overall so the proportions of Help to Buy Equity Loan do not matter greatly, except to the extent that they impact on market confidence and support new entrants.

There is reason to believe that developers have the capacity to expand although many business plans are still focussed on getting back to pre-crisis levels of output rather than looking to a further expansionary phase. This reinforces the suggestion that output expansion will continue but at a modest rate.

Importantly, developers are extremely conscious that any economic downturn would put expansion in investment at risk. Help to Buy Equity Loans provide considerable comfort by insulating developers from any retreat by lenders from higher loan to value lending, ensures some support for demand if the market waivers and provides a clear signal that the government is backing the housing market and housing supply.

If in 2019 there was uncertainty about the continuation of the Help to Buy Equity Loan scheme there would probably be a significant cutback in starts, except in areas where the market is anyway very buoyant.

Among developers there were divergent views as to the desirable future with some wanting to see a structured phasing out of the policy after 2020 while others thought it should be a continuing part of the offer - especially because of its risk reduction attributes.

Currently output of new homes in England is running at 136,300 starts and 131,000 completions in the 12 months to June 2015. This is roughly where we were at the start of the 2000s. Then, output rose until 2007 and then declined to the end of the decade before beginning a slow recovery. Five years into that recovery output is now back to where it was some six years before the peak and then the collapse. While there were exceptional features in the last cycle if the current cycle follows the earlier pattern it would certainly support the view that we can expect continued growth to 2020/21.

Weighing up the balance of factors shaping the future market we would highlight;

(i) The housing market cycle is still moving in an upward trajectory;
(ii) Continued mortgage market constraints that will limit access to mortgages;
(iii) Continued house price inflation alongside an expanding economy with wage growth helping to offset the impact of price rises and potential interest rate increases;
(iv) Continued slow growth in housing supply and mortgages;
(v) In this ‘steady’ state scenario Help to Buy Equity Loans would continue to play an important role;
(vi) The situation post 2020 could be markedly different were Help to Buy to be withdrawn alongside the possible ending of upswing in the housing cycle. This will require careful handling; and
(vii) At the heart of this is the continued need to reduce market volatility and establish the basis for sound growth in both housing supply and mortgage credit over a sustained period.

6.6 Conclusion

The analysis has provided a clear indication of the additionality triggered by Help to Buy Equity Loan scheme. The scheme has made consumer demand more effective which in turn has fed through into an increase in new housing supply backed by an expanded and more supportive mortgage market. On this definition, 43% of Help to Buy Equity Loan sales are additional, equivalent to contributing to 14% of total new build output up to June 2015. Allowing for wider market additionality factors this proportion (of total new build output) could have been as high as 45% in 2013/14 falling back to maybe 25% in 2015.

Although there were some signs of recovery in the wider housing market it is evident that the scheme coincided with a large increase in starts which continued, if at a slower and sometimes variable rate, and is now feeding through to completions. Disentangling the cyclical effects from the scheme specific effects is difficult but our estimates of additionality do point to what this scheme has achieved.

The analysis suggests that these effects will continue as starts turn into completions lender confidence is maintained and financial constraints are reduced. However this depends on many other factors around the economy and financial markets as well as the continuation of the scheme.

There is a view that the residential mortgage market will have fully adjusted to regulatory change only by around 2019. However the impact of the raft of interventions in the financial system and their withdrawal (Quantitative Easing, Funding for Lending Scheme, Special Liquidity Scheme as well as the prolonged low Base Rate) will take longer to work through and this will be material to issues around development finance and the cost of funds, both of which are important to the developers.

The greater interest among lenders with respect to new build can be expected to have a positive effect although constraints on high loan to value ratios may well remain making the Help to Buy Equity Loan scheme the relatively affordable option (much here also turns on the future of the Help to Buy mortgage guarantee scheme ending in 2016). The policy measures now in place via the Financial Policy Committee are designed to limit lender activity as the market strengthens. At present we can expect the ‘braking’ effects to intensify if the market moves ahead strongly thus limiting the expansionary nature of the market and any unduly strong return to higher loan to value lending.

The recent Knight Frank survey of the House-Building industry noted (Knight Frank, 2015, p 7)

> *The introduction of the Help to Buy Equity Loan had an immediate impact on the housebuilding industry in an era of relatively high price to income ratios. The scheme, which helps buyers access better mortgage deals, resulted in developers and housebuilders submitting higher numbers of planning applications and taking on larger schemes. In the last year, the total number of units in planning or under construction is up nearly 10%, according to data prepared for Knight Frank from Glenigan. ……While the housebuilding industry has made it clear that maintaining the extension of Help to Buy to 2020 is key, only 37% of respondents to our survey said that extending the scheme beyond 2020 should be a priority for policymakers*

With a growing economy and relatively healthy housing market there is every prospect that the economic cycle will remain positive at least to the end of this decade. Interest rate policy will be key but rates may well change very slowly allowing markets to adjust. We would thus expect to see fairly steadily rising housing output probably with some hiccups alongside a slowly expanding mortgage market. If mortgage funding constraints remain in place alongside increased house prices and expanded housing supply we can probably expect to see increased demand for Help to Buy Equity Loans as a relatively affordable way of accessing the market. This has the potential to increase the demand for new build homes because of their favoured status in the Help to Buy Equity Loans programme and should help support increasing output levels overall.

Chapter 7: Conclusions

7.1 The study

The evidence assembled in this report suggests the Help to Buy Equity Loan scheme, introduced in April 2013, has been an important intervention in the housing and mortgage markets in England. Whilst it is a policy that has attracted some criticism from analysts, politicians and the media, the empirical evidence would support the view that it has provided an important stimulus to generate a not insignificant increased output in the housebuilding sector as well as a stronger recovery in the mortgage market along with higher confidence amongst all these players and consumers.

Moreover, in terms of additionality, and the specific contribution of the policy to housing output over and above what might have happened anyway through the general upturn in the economy and the housing market, we can evidence that it increased demand and, through that, supply rose above what it would otherwise have been. We estimate that since introduction it has generated **43% additional new homes**, over and above what would have been built in the absence of the policy, **equivalent to contributing 14% to total new build output to June 2015**.

Accounting for wider market additionality effects on the total new build output, like market confidence, suggests the policy could have contributed as much as 45% to total new build output initially (2013/14) and up to a maximum of 25% of total new build output subsequently.

Trying to disentangle the effects of a specific policy intervention in an economy with a number of stimulus measures still in place and in a housing market with a range of support mechanism to assist developers, lenders and purchasers is a considerable challenge. In addition with a recovery in both the economy and the housing market underway since around the turn of the decade we have to factor in what might be a consequence of the upturn as distinct from the specific policy measure in question, Help to Buy Equity Loans.

To achieve this we brought together, in a rounded assessment, a variety of sources of published and unpublished data, including primary survey data from households using Help to Buy Equity Loan, developer, lender and agent interviews, analysis of secondary data on the market and the programme itself. The project did not encompass building a formal model to assess the impact and our understanding of work elsewhere is that the limited data available means this is not currently possible.

Since the evaluation project began earlier this year, the government has made several important housing related announcements and not least the extension of the scheme to 2020, and then most recently in the Autumn Statement and Spending

Review to 2021, the announcement of changes to the Help to Buy scheme in London.

Based on our analysis we would draw the following conclusions:

The success of the scheme overall

Overall this scheme has been a success. It has delivered on the objectives set out for it. Supply has increased along with builder, lender and market confidence.

Though there were divergent views about the success of the scheme both within and between developers and lenders in the main they were positive. There was general agreement that Help to Buy Equity Loan was a better scheme than earlier efforts, and that it had been good for the housing market. Similarly consumers using the scheme gave a generally positive picture of Help to Buy.

Impact

The impact of the scheme is inevitably lagged just as house building process is itself. Having been introduced in April 2013 it was inevitable that we would only see measurable impact emerge towards the end of our study period. However we conclude that developers saw it as providing a source of new demand, making a contribution to confidence and potentially adding to housebuilding activity more in the future as momentum builds. With up to half of Help to Buy Equity Loan loans driving sales that would not have happened without the scheme we can see its impact is quite considerable.

We recognise that it is difficult to distinguish those who bought earlier/bigger/new build units from those who without it could not have bought at all. However our detailed work on consumer demand has allowed us to arrive at a sound estimate of additionality, defined in terms of the proportion of new build activity directly supported by the government policy (and thus paid for by government) and wider market additionality estimates taking account of other factors such as offsetting decline, market confidence and developer financial capacity.

Bearing in mind the caveats already raised a central conclusion from this study is that the additionality achieved directly as a result of the government intervention is estimated to be 43%. However accounting for wider market additionality factors taking account of increased activity in the market overall arising from the existence of Help to Buy Equity Loan and its impact on behaviour, the benefits to the industry, market and government are higher.

Evidence on sales across Homes and Communities Agency Operating Areas and the variations in the extent of decline in output after 2008, as well as the speed of expansion of the housing supply suggest important spatial variations in terms of the take-up of Help to Buy Equity Loan - with greater take-up outside London and the East and South East. London in particular is simply a very expensive market which the Help to Buy Equity Loan scheme can only partially mitigate. Elsewhere we conclude the scheme has been much more effective at kick starting markets which were in the doldrums.

Given only two years and the lead times for planning permission and starts we would expect the full evidence of the importance of the Help to Buy Equity Loan scheme to emerge over the next two or more years. On a number of measures we can identify trend inflexions post April 2013 - notably with respect to private housing starts in 2013/14 - but given seasonality and the cycle there are quite a few factors to take into account.

Consequences over the longer term

Inevitably the question will be asked who will benefit from the Help to Buy Equity Loan scheme and what the overall balance of costs and benefits is. Again this study does not provide a detailed cost/benefit analysis – that was beyond the scope of the brief. It does however provide some indications.

Looked at costs and value from a government perspective we would offer a number of conclusions of the likely consequences of the scheme over the longer term;

- It is likely that the cost to the government will be limited given that their equity loans will be returned with house price appreciation added (the government estimates of the returns on the scheme are discussed in the National Audit Office report (National Audit Office,2014). Clearly much turns on the course of house prices but over the long term the return could well be positive. Obviously there is an opportunity cost here even if this were the case – the £10 billion could have been spent in a different way;
- Help to Buy Equity Loan has worked to improve the overall housing market with more activity in terms of development and sales, all of which generate income to government, more confidence and wider impacts on economic growth. We conclude this will continue;
- Housing supply continues to edge up and Help to Buy Equity Loan has played a part in that expansion. This is a demand led market and Help to Buy Equity Loan has assisted in making demand effective. With continuing mortgage market constraints as a consequence of a range of regulatory interventions the policy has been a timely and helpful mitigating factor;
- Somewhat speculatively we take the view the programme has also helped shift preference between new and existing homes so that we are seeing more activity around the former in terms of the balance of overall transactions. This poses questions about whether more could and should be done to stimulate the appetite for new build homes more generally (eg among older households who need low running costs) especially given that the housebuilding industry is demand led;
- A core benefit to government is the extent to which the Help to Buy Equity Loan policy has specifically supported first-time buyers helping them to realise their tenure of choice and into the longer term potentially to reduce government welfare expenditure. The fact that over 80% of Help to Buy Equity

Loan purchasers have been first-time buyers suggests that the programme has been generally well targeted;

- We would argue that a further potential benefit for government is the impact of Help to Buy Equity Loan scheme on volatility in housing activity over the economic cycle. Initial results suggest that Help to Buy Equity Loan improves developer capacity to finance land purchase and maintain output levels as well as providing greater certainty around demand. Thus while the impact so far has been pro-cyclical - reinforcing a fragile expansion in the new build market there is potential for the scheme to offset some downward pressures and so help to dampen the cycle; and
- Finally we note the divergence of views between lenders and consumers in terms of whether buyers understood the equity loan arrangement. While we can take some comfort from our consumer research showing borrowers were confident they understood their obligations, recent Financial Conduct Authority research on consumer understanding of the mortgage sales process suggests not all consumers are as confident.[25].

Going forward

The Chancellor's recent announcement of a scheme extension 'to at least 2020' does somewhat overtake this evaluation of the arguments for and against an extension. However, it is still important to draw conclusions and point to issues that should be addressed over the coming years - not least because he added 'at least'. This became material in the Spending Review when the scheme was extended to 2021.

By 2021 this scheme will be 8 years old and we would expect to see numbers of Help to Buy Equity Loan consumers moving on. Our estimates of additionality suggest that as the market improves Help to Buy Equity Loan is likely to decline as a proportion of total sales. Thus although in numbers terms additionality may increase, in proportional terms as measured in this report additionality will decline. Our best estimate is that the market will continue to recover but only relatively slowly – so the decline in that proportion is likely to be limited.

However, a more negative economic environment with falling output and declining house prices along with concerns about the future market would reduce overall demand and probably shift a proportion of underlying demand towards Help to Buy Equity Loan. Under this scenario the overall decline in demand would probably suggest lower absolute levels of Help to Buy Equity Loan sales, although these would still be a higher proportion of overall sales so technically additionality would increase.

[25] See (see https://www.fca.org.uk/your-fca/documents/research/understanding-consumer-expectations-of-the-mortgage-sales-process-esro).

It is worth reiterating that the central estimate of additionally (43%) which is the subject of this report refers to the proportion of households that bought a new build home but would not have been able to do so in the absence of the policy. Since these additional sales led to additional starts on a one-to-one basis, this additional supply is equivalent to contributing 14% to the total new build output since the introduction of the policy to June 2015.

However, in addition to these new starts directly related to the scheme, there are benefits to market supply as a whole, and a wider market definition of additionality would include additional new build starts arising from general market confidence, as well as cash flow and capacity. As such, this report suggests that Help to Buy Equity Loan supports an expansion in the overall market.

Going forward, the stronger the growth in housing provision and the fewer the other constraints (such as credit availability) the lower the proportion of buyers that would not have been able to buy a new build home in the absence of the policy – but the better the market operates and the more homes are built overall.

The extent to which Help to Buy Equity Loan is used into the future depends significantly on what happens to the mortgage credit market. There are reasons to suggest that the finance market may tighten further for first-time and other more marginal buyers. In addition any increase in interest rates will adversely affect affordability. Both of these possible modifications to the market place will make the Help to Buy Equity Loan scheme a more valuable tool.

The research indicated there was in general, support for extension amongst developers and lenders. But views were mixed with some arguing it was essential while others were concerned that it created market dependence on government intervention. Above all else, all wanted certainty so that they could develop business plans accordingly – and all wanted the scheme to continue with a clear steer no later than 2018 about what might happen thereafter. Developers and lenders are already coping with a volatile housing market and policy volatility adds to those pressures. If we are to secure sustained growth over a period of years with some prospect of getting supply up to required levels and dealing with the backlog of unmet demand then ensuring a stable policy environment is fundamental.

If and when the policy is to be withdrawn then this suggests there needs to be a phased approach with a long lead into that so that plans can be modified accordingly. One way to phase the withdrawal of Help to Buy Equity Loan scheme would be to adjust the value limits downward over time. This would be in line with the only major criticism of the scheme made by many interviewees.

The London and South East limit would need to remain higher than in the rest of the country to allow purchasers to find suitable new build properties. One possibility would be to reduce the limit to £500,000 in London and the South East and to £350,000 elsewhere in the country. Another policy shift could be around lengthening the 6 month rule (maximum time from exchange to legal completion) which has proved problematic with respect to sales of flats especially in London but purchasers could be exposed to risk if their mortgage offers lapse over this extended time scale.

However, in making any changes, it is extremely important to maintain the core attributes of the scheme as simple, stable and market led.

Finally, it is important that we develop a more rounded set of market statistics and performance indicators so that this scheme can be properly tracked over time. This should include more data on buyer options and choices and on the flows from enquiry through to completion. Given the recent 5 year extension of the scheme this becomes an important priority. It also suggests that while such statistics should provide a reasonable basis for assessing performance over time it might also be sensible to return to primary data collection including further consumer surveys in 2018, well in advance of any decision to extend or discontinue the scheme beyond 2021.

Appendix 1

A1 Technical details

A1.1 Telephone interview survey

To conduct the telephone interview survey with a representative sample of households who had purchased a property using Help to Buy Equity Loan, the department (via the Homes and Communities Agency who have responsibility for administering the scheme) provided an anonymised sampling frame for all those who had used the scheme from its introduction in April 2013 to January 2015. The sample frame included a total of 44,471 records.

A random sample selection approach using a simple ‘one in n’ selection procedure was used to select a sub-sample (and reserve) for the survey. To do this the sample frame was stratified by the following:

- First-time buyer/ non first-time buyer;
- Location (based on grouped Homes and Communities Agency Operating Area);
- Property size purchased (number of bedrooms), as a proxy for house prices and income bands which were unknown at the sampling stage.

A total of 2,500 records were selected for the main sample and a further 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 3,000 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, 112 potential respondents opted out from the survey and a further 74 advance letters were returned as undeliverable (and were also excluded from the survey). In total 186 selected sample were excluded from the survey prior to the start of fieldwork, accounting for 6% of the initial selected sample. Following the opt-out period, there were a total of 2,342 sample records in the main sample and 472 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 11 May and 1 June 2015.

No reserve sample was used to achieve the required 500 completed interviews and the table below summarises outcomes from the main sample. Table A1.1 below indicates that after taking account of bad telephone numbers (predominantly incorrect numbers provided or captured at the point of application) and those where no contact was established at all during the fieldwork period, a total of 501 completed interviews represent an adjusted response rate of 52%.

Table A1.1 – Telephone interview survey sample outcomes

	Number	Percent
Main sample issued	**2,342**	**100%**
Bad telephone numbers	346	14.8%
Refused	149	6.4%
Completed interviews	501	21.4%
Appointment made outside fieldwork period	320	13.7%
No reply during fieldwork period	1,026	43.8%

Data from completed interviews have been weighted to be representative of the population of those purchasing a property using Help to Buy Equity Loan up to January 2015 taking into account first-time buyer status, location, property sized purchased and time of completion.

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. The biggest difference occur by location, where the survey marginally under-represented those in the Homes and Communities Agency Operating Areas of the North and over-represented those in London and the South & South West. Results presented in the report are based on weighted survey data only.

Table A1.2 – Weighted and unweighted response profiles

	Weighted	Unweighted	Difference (weighted – unweighted)
First-time buyer			
Yes	82%	80%	+2
No	18%	20%	-2
Homes & Communities Agency Operating Area			
East and South East	19%	18%	+1
London	5%	7%	-2
Midlands	26%	27%	-1
North	30%	26%	+4
South and South West	20%	22%	-2
Property size			
1 or 2 bedrooms	27%	27%	0
3 bedrooms	47%	47%	0
4+ bedrooms	26%	26%	0
Completion date			
Last 6 months	10%	8%	+2
6-12 months	34%	36%	-2
12-18 months	32%	33%	-1
18 months +	24%	23%	+1

Base: 501 purchasing property using Help to Buy Equity Loan, May/ June 2015

Statistical reliability

The respondents 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% or 90% ±	30% or 70% ±	50% ±
100 responses	6	9	9
200 responses	4	6	6
501 responses	3	4	4

For example, with a sample size of 501 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 ±4 percentage points from the survey result (i.e. between 26% and 34%).

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, i.e. if 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% or 90% ±	30% or 70% ±	50% ±
100 and 100	8	13	14
250 and 250	5	8	9
300 and 200	5	8	9

A1.2 Developer and lender interviews

A total of 20 in-depth semi-structured face-to-face or telephone interviews were conducted with senior representatives of developers covering the vast majority of the Help to Buy Equity Loan market. To achieve the target number of interviews a total of 23 developers were contacted. There were no refusals but three could not complete the interviews within the fieldwork period. Interviews took place in late April and May 2015.

Table A1.5 below summarises the profile of the developers interviewed.

Table A1.5 – Developer interview profile

	Notes
Large developers	
Total firms	14
Total interviews completed	15
Top six	Cover 58% of all Help to Buy Equity Loan transactions
Top 7 active sites	85% of top 7 in terms of active sites
London specific	1 regional director – included London specific questions in interviews where London active
Small and medium sized developers	
Total interviews	5
Active in Help to Buy Equity Loan	3
One Help to Buy Equity Loan sale	1
No Help to Buy Equity Loan sale	1

Interviews included fifteen senior executives from fourteen larger developers (in one case we interviewed two people in order to obtain specific information about the London market as well as the national picture). These included the six largest developers in terms of the number of transactions (in themselves covering 58% of transactions) and six of the largest seven in terms of active sites.

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. As a result we obtained information on developer experience in all regions as well as on the national picture.

We also interviewed five senior executives from smaller developers who were operating in one or sometimes two regions. One had not done any Help to Buy Equity Loan sales - although they were closely involved in discussions with the Homes and Communities Agency; one had done one sale; the other three had greater experience of Help to Buy Equity Loan transactions.

A total of 10 in-depth, semi-structured telephone interviews were conducted with senior representatives of lenders selected from a list of lenders participating in Help to Buy Equity Loan provided by the department.

The top eight lenders were selected as measured by their lending to the programme. Between them this covered the vast majority of loans made. A further two of the largest lenders, as measured by the annual Council of Mortgage Lenders list of the 20 largest lenders, who were not participating in the scheme were selected and interviewed. The Council of Mortgage Lenders assisted in the set-up of telephone interviews with the selected lenders.

The rationale for selection of developer and lender interviews throughout was to capture a good proportion of the market but also to ensure coverage by operating area and by type of organisation. For developers regional coverage was ensured.

For lenders 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.

A further five additional in-depth interviews were conducted with individuals in organisations representing wider developer and lender interests. These included interviews with senior representatives within:

- The Homes and Communities Agency;
- The Council of Mortgage Lenders;
- The Home Builders Federation;
- The Federation of Master Builders; and
- The National Housing Federation

A2 Research materials

A2.1 Lender, Developers, Agents questions

Lenders

Background

1. When did you join the Help to Buy Equity Loan scheme? Did you place any limits on your engagement? Some only lent to builders they already had a relationship with , loan to value caps etc?

2. Why did you join the scheme?

3. Did you have any concerns about the scheme from a lending point of view at the outset?

4. Do you still have any concerns?

5. How has your engagement with Help to Buy Equity Loan developed over the years? Is your firm involved in scheme elsewhere in the UK?

Activity

6. How many loans have you made under Help to Buy Equity Loan? Average loan to value, average income, main types of property/area/regions; typical mortgage type?

7. How do these compare with your typical first time buyer lending?

8. Are you comfortable with the quality of the borrowers coming forward under Help to Buy Equity Loan?

9. As a lender, has the modest size of the deposit or the complexity of the loan arrangement (deposit, mortgage and equity loan) raised any issues?

10. Do you have any concerns as to whether customers fully understand the implications of the loan arrangements they have entered into?

11. Have any issues arisen on remortgaging/portability/ arrears? Again does this have any notable geographic distribution?

12. Do you have particular products and rates for Help to Buy Equity Loan customers? Are there any Help to Buy Equity Loan buyer incentives?

Impact

13. Did you set exposure limits per site?
14. Has the scheme helped encourage your firm to lend on new build homes? Has the agency arrangement given you greater comfort?
15. Has the focus on Help to Buy Equity Loan resulted in your firm reducing its exposure in other areas of lending, eg, shared ownership?
16. Do you think the scheme has led to more new homes being built?
17. If yes, do you have any feeling for how much do you think it has increased supply?
18. How important is it that the scheme is extended to 2020?
19. Do you expect to stay involved to 2020?
20. If this scheme hadn't existed how do you think the new build market might have evolved?

For Lenders not in the scheme

21. Why didn't you join the scheme? What are/were your central concerns?
22. How might these be overcome?
23. Does your firm lend on newly built homes?
24. If not could you explain why not?
25. Do you think increasing housing supply is important?
26. Do you think the scheme has helped restore confidence and market activity?

Developers

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 you stayed in for same reasons?
4. Did you market the scheme heavily/ordinarily /not at all?

Impact on firm decisions

5. Did the scheme help your firm –how?
6. Did you use FirstBuy when it was available? If so did you find it useful?
7. Did you have your own shared equity loan programme in operation before the scheme began? If so how important was it in terms of sales?
8. Do you still offer your own equity loans? If so how does it compare to Help to Buy Equity Loan?
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 over what timescale?
11. Have you directly increased your building programme as a result? - or speeded up production? Can you estimate by how much and over what timescale?
12. Overall, would you have built more/fewer homes/different types of homes if it had not existed?
13. In particular have you accelerated development on larger sites as a result of the scheme?
14. Are there any constraints on your capacity to build - eg the 6 month exchange to completion rule?
15. Are there any regional differences in your response to the scheme – is it helping you build in more areas/larger sites/overall output?
16. What would you have done if this scheme had not existed?

Impact on the market

17. Has scheme participation increased confidence to expand?

18. Has the scheme raised the profile and appeal of new build over second hand homes?

19. 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 generous limits affected the market?

20. Are there factors in the design that have driven participation?

21. How would you have defined the scheme?

22. Has the scheme changed builder/lender relationships in any way?

23. Has the scheme changed builder/investor relationships in any way?

The future

24. How do you see the importance of the scheme into the future - which parts of the market does it help/or is it now not important

25. How important is the extension to 2020 for your future plans? - Has this extension already changed decisions? Do you expect it to do so into the future? How?

26. Are you concerned that there may be further changes to the scheme - or even withdrawal?

27. With respect to Help to Buy Equity Loan, what would you like to say to the new Minister/Chancellor if you were able to meet him/her?

28. Do you anticipate any difficulties for the purchasers to move on –given they must repay their equity loans?

Agents

1. Why did your organisation want to become/remain an agent?
2. How do you view the success of the scheme?
3. What proportion of purchasers come to you directly to obtain information/understand what the Help to Buy Equity Loan scheme offers?
4. How would you describe your relationships with (i) the purchaser (ii) the builder and (iii) the lender?
5. Is the 6 months rule on exchange to completion rule a constraint?
6. Do many purchasers fall out during the process?
7. What are the strengths and weaknesses of the marketing process?
8. What are the strengths and weaknesses of the sales process?
9. Do you have concerns about the targeting of the scheme? Have the fairly open criteria helped draw in more households?
10. How does this compare with other similar schemes such as First Buy and New Buy?
11. How well do you think households understand the finances of the scheme and their future financial commitments?

A2.2 Household telephone interview survey questionnaire

Ipsos MORI for Department for Communities and Local Government
Help to Buy Equity Loan Beneficiaries Survey
15-008507
FINAL2 – 07 May 2015

- Telephone survey with 500 beneficiaries of Help to Buy
- Targets set by first-time buyer status, broad geographic region and property size
- Average interview length of 15 mins
- Key objectives: contribute to demand-side additionality assessment, segment beneficiaries and provide evidence on the perceived experiences of Help to Buy process.

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 are contacting 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 since its introduction in April 2013. We would like to find out more about your views and experiences 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

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.

Before we begin, I'd also like to inform you that Ipsos MORI is a member of the Market Research Society.

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, [NAME], appropriate time	CONTINUE TO SURVEY
2. Yes, [NAME], but need to call back	MAKE APPOINTMENT
3. Yes, [NAME], but refused	THANK & CLOSE
4. No, not named person [NAME]	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 and previous accommodation

Q1. Can I confirm that <<HtB 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 in this property or not?
ASK ALL // SC

1. Yes
2. No
3. Don't know

Q4. When did you move into the property that you currently live in?
ASK ALL // RECORD MONTH AND YEAR // SOFT CHECK IF BEFORE APRIL 2013 // INTERVIEWER CODE MONTH AND YEAR

1. Don't know
2. Refused

Q5. How would you describe the property you currently live in?
ASK IF Q3=2 // SC // READ OUT

1. Detached
2. Semi-detached
3. Terrace or end of terrace
4. Purpose-built flat
5. Converted flat
6. Other
7. Refused (DO NOT READ OUT)

Q6. Which one of these applies to the property you currently live in?
ASK IF Q3=2 // SC // READ OUT

1. It is being bought on a mortgage
2. It is owned outright
3. It is rented from a local authority
4. It is rented from a housing association
5. It is rented from a private landlord
6. Other
7. Refused (DO NOT READ OUT)

Q7. How many bedrooms does your current property have?
ASK IF Q3=2 // SC // READ OUT

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)

Q8. 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)

Q9. 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

Q10. How would you describe the property you previously lived in immediately before you moved into <<HtB ADDRESS>>?
ASK ALL // SC // READ OUT

1. I was living at home with parents
2. I was renting from a local authority/ housing association landlord
3. I was renting from a private landlord
4. I was living in a home that I owned outright without a mortgage
5. I was living in a home that I owned with a mortgage
6. Other
7. Don't know/ refused (DO NOT READ OUT)

Preparing to move

Now thinking about the time before you moved into <<HtB ADDRESS>>….

Q11. 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

Q12. When you **first started to look to move**, were you looking to buy or rent a property?
ASK ALL // SC // 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. Don't know/ can't remember (DO NOT READ OUT)
7. Refused (DO NOT READ OUT)

Q13. And when you **first started to look to move**, were you aware of the Help to Buy Equity Loan scheme or not?
ASK ALL // SC

1. Yes
2. No
3. Don't know (DO NOT READ OUT)

Q14a. Who was your **main source** of further information about the assistance available through the Help to Buy Equity Loan scheme?
ASK ALL // SC // READ OUT

1. A house builder
2. A Help to Buy agent
3. Someone else (SPECIFY)
4. Don't know (DO NOT READ OUT)

Q14b. Which of the following statements best describes who first made contact?
ASK ALL // SC // READ OUT

1. I first contacted them before they contacted me
2. They first contacted me before I contacted them
3. Don't know/ can't remember (DO NOT READ OUT)

Q15. 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? 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

Q16. Up to the point when you **first started to look to move**, how long had you (your partner) been saving for a deposit?
ASK ALL // SC // READ OUT

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 (DO NOT READ OUT)
8. Refused (DO NOT READ OUT)

Q17. 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 // READ OUT

1. Yes
2. No
3. Don't know (DO NOT READ OUT)

Impact of Help to Buy Equity Loan

Q18. 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) I started looking for property to buy sooner than I otherwise would have
c) The time taken to buy the property was slower than it would have been without this assistance
d) I would still have bought a newly-built property without this assistance
e) It enabled me to buy a property with a larger number of 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)

Q19. At the time that you moved into <<HtB ADDRESS>>…
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 and being sold by its owner. By similar I mean in terms of type, size and location?

1. Yes – Definitely
2. Yes – Probably
3. No – Probably not
4. No – Definitely not
5. Don't know (DO NOT READ OUT)

Perceived experiences of the process

Q20. At the time when you bought <<HtB 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) 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)

Q21. And 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) 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. How much, if at all, do you think you fully understood your financial commitment of the equity loan when you bought your property?
ASK ALL // SC // READ OUT

1. A great deal

2. A fair amount
3. Not very much
4. Not at all
5. Don’t know (DO NOT READ OUT)

Q23. Overall how satisfied or dissatisfied were you with the experience of buying a property using the Help to Buy Equity Loan scheme?
ASK ALL // SC // READ OUT

1. Very satisfied
2. Fairly satisfied
3. Neither satisfied nor dissatisfied
4. Fairly dissatisfied
5. Very dissatisfied
6. Don’t know (DO NOT READ OUT)

Rating of the HtB property

Q24. Now thinking about the property you bought with the assistance of the Help to Buy Equity Loan scheme and how it compared to the property you lived in immediately before this, how much better or worse do you think <<HtB ADDRESS>> is/ was in relation to the following, or is/ was there no difference?
ASK ALL // SC FOR EACH // READ OUT // ROTATE STATEMENTS

a) The quality of the property
b) The space you have within the property
c) The location of the property

1. Better
2. No difference
3. Worse
4. Don’t know (DO NOT READ OUT)
5. Not applicable (DO NOT READ OUT)

Future moving intentions

Q25. Which of the following statements best describes your current attitude to moving to different property in the future?
ASK ALL // SC // READ OUT

1. I intend to move within the next year
2. I intend to move within the next 2 to 5 years
3. I do not intend to move within the next 5 years
4. Don’t know (DO NOT READ OUT)

Q26. Why do you intend to move?
ASK IF Q25=1 OR 2 // MC // DO NOT READ OUT PROBE FULLY

1. Can’t afford the mortgage payment
2. To move to smaller property
3. To move to larger property
4. To move to different type of property (eg house/ flat/ bungalow, specialist sheltered/ supported)
5. Condition of current property poor
6. To move to a better area
7. To move closer to family/ friends
8. Job related reasons (eg closer to work, loss of job)
9. School related reasons (eg closer to school, better school catchment area)
10. Divorce or separation
11. Getting/ got married/ going to live with someone
12. Other change in personal circumstances (eg health issue, giving care/ support)
13. Other (SPECIFY)
14. Don’t’ know
15. Refused

Q27. Why do you not intend to move?
ASK IF Q25=3 // 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 purchasing a 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, CODE AS APPROPRIATE

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. 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

Q31. 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 Q30>1

INTERVIEWER TYPE IN NUMBER
1. Don't know
2. Refused

Q32. 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 Q30>1 OR Q30-Q31>1

INTERVIEWER TYPE IN NUMBER
1. Don't know
2. Refused

Data matching and final comments

Q33. As part of this research project, we would like to be able to match other information captured during your 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 Department for Communities and Local Government, to add information about your Help to Buy application to your responses to this survey?
ASK ALL // SC

1. Yes
2. No

Q34. 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

A3 Additional tables and references

Table A3.1: Developers with More than 20 Active Sites as of May 2015

Developer	Number of Active Sites
Taylor Wimpey	319
Persimmon	257
Barratt Homes	239
David Wilson Homes	168
Bellway	164
Redrow	126
Bovis Homes	102
Charles Church	101
Linden Homes	81
Miller Homes	77
Bloor	63
HA Keepmoat Homes	61
Crest Nicholson	44
Cala Homes	40
Wainhomes	38
Morris Homes	37
Gleeson Homes	36
Kier Homes	34
Berkeley Group Berkeley	30
Jones Homes	28
Stewart Milne Homes	24
Galliard Homes Ltd	21
Countryside Properties	21
Lovell Homes	21

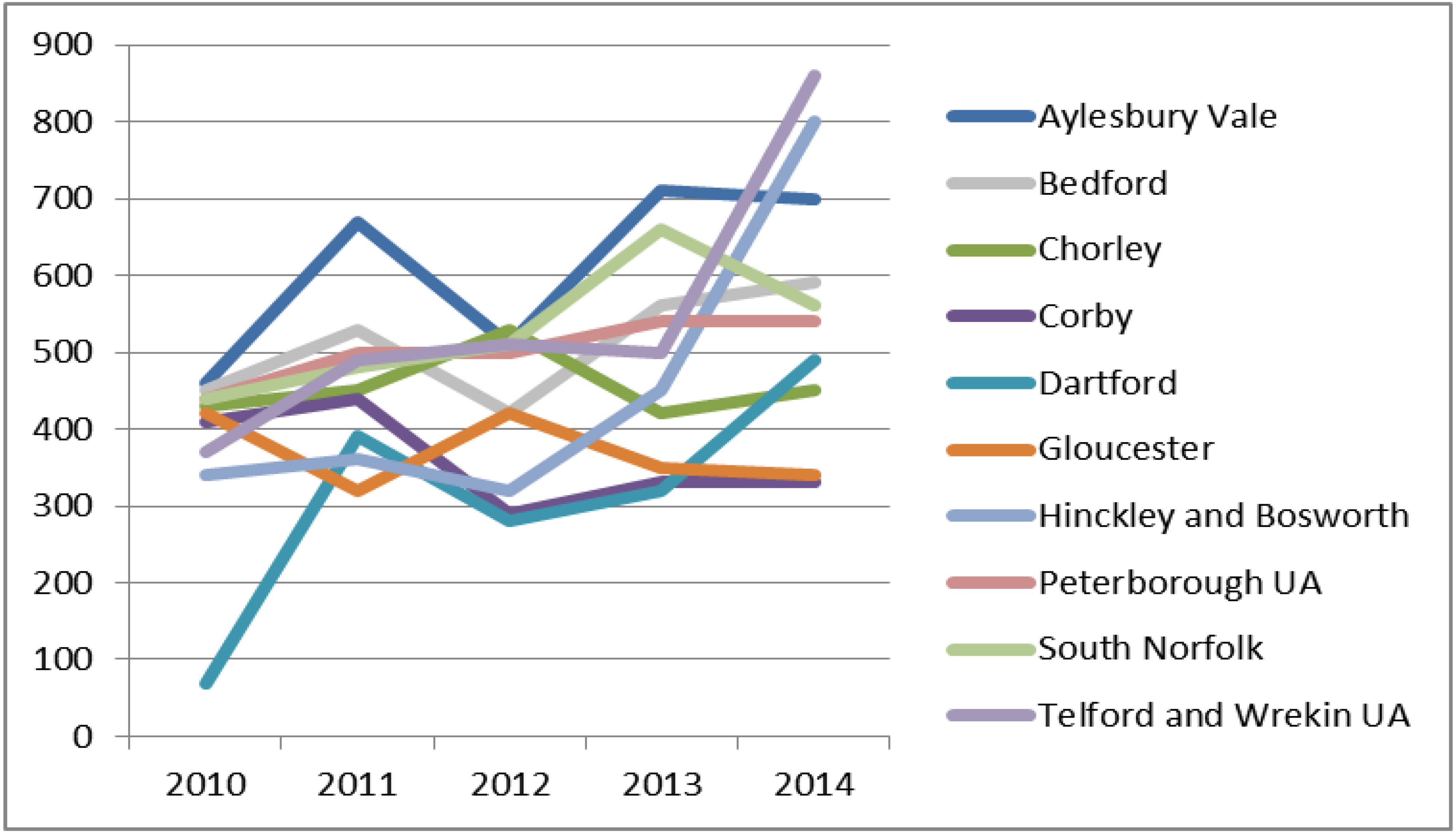
Source: Esurv, unpublished data

Table A3.2: Quarterly Completions in Local Authority High Activity Areas

	2010				2011				2012				2013				2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Aylesbury Vale	90	110	120	140	100	170	140	260	90	130	130	160	100	210	180	220	110	170	170	250	140	240
Bedford	80	130	110	130	110	130	120	170	100	110	110	100	140	140	120	160	120	160	140	170	180	220
Chorley	80	100	130	120	120	130	100	100	100	220	90	120	90	140	100	90	70	110	130	140	180	180
Corby	70	80	90	170	140	110	130	60	60	90	70	70	60	60	90	120	70	90	90	80	70	110
Dartford	10	0	20	40	130	100	60	100	70	70	50	90	60	40	150	70	150	120	140	80	100	130
Gloucester	90	140	110	80	60	50	100	110	120	110	100	90	100	120	80	50	60	80	70	130	90	140
Hinckley & Bosworth	50	90	80	120	100	140	50	70	70	90	90	70	60	120	120	150	130	250	160	260	180	250
Peterborough UA	100	140	70	130	50	190	140	120	130	130	90	150	90	190	110	150	130	130	140	140	150	150
South Norfolk	90	140	90	120	110	140	100	130	100	130	110	170	120	240	120	180	110	160	150	140	110	150
Telford and Wrekin UA	60	120	100	90	100	170	120	100	160	120	100	130	80	130	80	210	150	210	240	260	210	200

Source: Department for Communities and Local Government 2015d, Live Table 253a (data published 20 August 2015)

Figure A3.1: Annual Completions in Local Authority High Activity Areas



Source: Department for Communities and Local Government 2015d, Live Table 253a (data published 20 August 2015)

Table A3.3: Large developers activity 2012-2014 (source annual reports)

Developer	Number of homes completed in period			Number of Help to Buy sales			No. of plots acquired			Current Land Bank (plots/years to build out)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Barratt	12,637	13,246	14,191	N/A (1,694 under HomeBuy Direct and FirstBuy)	c. 530	c. 4,400	12,085	18,536	21,478	54,209 plots/4.3 years	57,654 plots/4.4 years	66,570 plots/4.7 years
Taylor Wimpey	10,866	11,696	12,454	NA (1,749 NewBuy and FirstBuy)	2,928 (in 2013 in total, not financial year)	4,400	14,172	18,770	17,371	65,409 plots/6.1 years in short term land bank; strategic landbank includes 100,340	70,628 plots in short term land bank; strategic land bank includes 109,174	c. 75,000 plots in short term land bank; strategic land bank includes c. 110k
Persimmon	9,903	11,528	13,509	N/A (c.1980 NewBuy and FirstBuy)	2,203	4,374 (in E; 984 in W and S)	c. 14,800	11,447	26,822	68,200 plots/6.9 years	74,407 plots/7.2 years	87,720 plots/6.5 years

Bellway	5,226	5,652	6,851	N/A (446 NewBuy up to 31 July 2012)	Not Reported	c. 2,120	4,776	7,007	7,294	31,136 plots	32,991 plots	35,434 plots/5.2 years

Table A3.3 cont.: Large developers activity 2012-2014 (source annual reports)

Developer	Number of homes completed in period			Number of Help to Buy sales			No. of plots acquired			Current Land Bank (plots/years to build out)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Redrow	2,458	2,827	3,597	N/A (63 NewBuy)	82	1,023	4,100	4,729	6,092	12,356 plots in current land bank; 22,800 in forward land bank	14,162 plots in current land bank; 26,024 in forward land bank	16,724 plots in current land bank; 28,250 in forward land bank
Bovis	2,355	2,813	3,635	N/A (c. 185 NewBuy)	872 (all sales to customers using shared equity scheme, including Help to Buy Equity Loan)	NA	3,501	3,737	7,300	13,776 plots in consented land bank; 19,318 in strategic land bank	9,197 plots in consented land bank; 20,108 in strategic land bank	18,062 plots in consented land bank/ c.5 years; 21,350 in strategic land bank

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