

# STEPPING UP!



NEW HOMES, NEW HOMEOWNERS AND  
MORE EMPLOYMENT: THE BENEFITS OF  
THE HELP TO BUY EQUITY LOAN SCHEME

OCT 2017

“Budget 2013... announces Help to Buy, a package of measures that will increase the supply of low-deposit mortgages for credit-worthy households, increase the supply of new housing and contribute to economic growth.”

(Budget Red Book 2013)

## HELP TO BUY IN NUMBERS

**228,000**



Estimated number of people to have used the scheme

**£44,000**



£44,000 Median household income for Help to Buy purchasers

**+74%**



Increase in homes granted planning permission 2013-2017

**87%**



Proportion of homes bought for under £350,000

**£217,000**



Average Help to Buy purchase price

**185,000**



Estimated number of first-time buyers getting on the ladder using Help to Buy

## EXECUTIVE SUMMARY

The Help to Buy Equity Loan scheme, since it began in 2013, has been notably successful in achieving its original purpose of supporting buyers who may otherwise be unable to progress on the housing ladder due to the need for large deposits. Using official data, the Stepping Up! report highlights the many benefits of the scheme, including:

- Supporting an estimated 228,000 people to buy a new build home, including 184,654 first-time buyers
- Helping to support and sustain 170,000 jobs on an ongoing basis
- Being a key factor in housing supply increasing by 52% in just three years
- Promoting investment by house builders in land and skills to build more homes with annual planning permissions increasing by 74% in four years.

**170,000**



Number of jobs sustained through Help to Buy completions

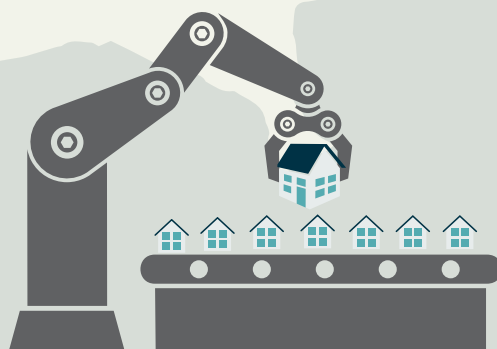
**£60,000**



¾ of purchasers have household incomes of less than £60,000 per year

**+52%**

Increase in net housing supply 2013-2016



## WHERE?

Areas with most Help to Buy completions **Wiltshire, Central Bedfordshire, Leeds, Wakefield, County Durham**

## HELP TO BUY THE IMPORTANCE DRIVING NEW HOUSING SUPPLY

Just four years on from the introduction of the Help to Buy scheme it has already helped more than 228,000 people buy a brand new home, supporting and sustaining around 170,000 jobs and generating massive economic benefits for communities in which new homes are built all over the country.

In an otherwise difficult market, the Help to Buy Equity Loan scheme is successfully supporting a growing number of first-time buyers on to the housing ladder, but with the scheme currently set to end in 2021 there is concern amongst the house building industry about what this will mean for other aspirational first-time buyers and the wider housing market.

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“ Help to Buy Equity Loan scheme has helped more than 134,000 households to buy a brand new home, including 108,620 first-time buyers households. ”

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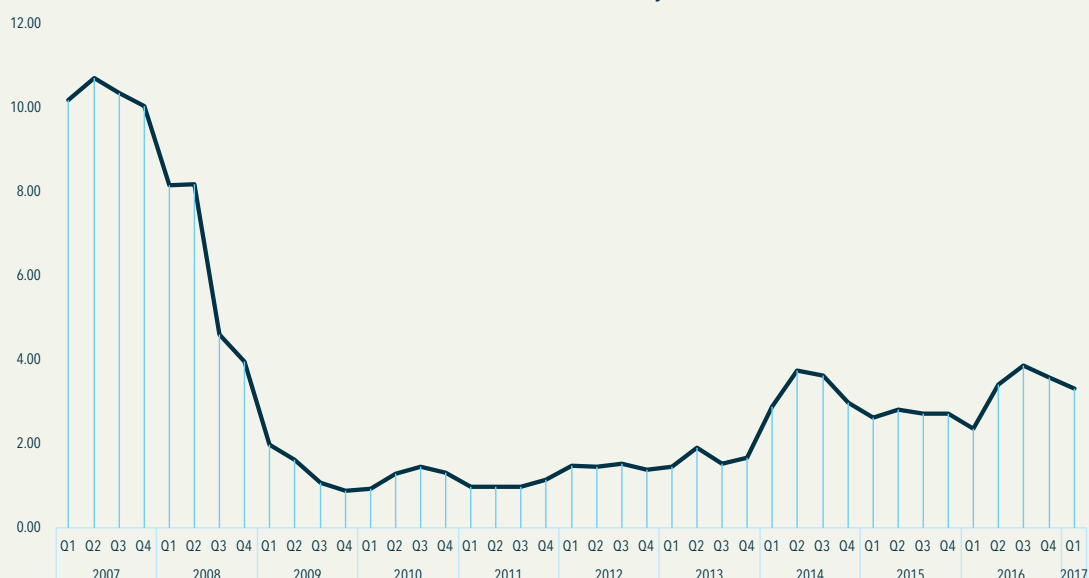
The benefits of the scheme far exceed anything achieved with previous home ownership programmes, extending to the Exchequer too, which is already beginning to see strong returns on equity investments made through the scheme since it began in 2013. In addition to supporting so many households to get on the housing ladder, the policy's new build exclusivity generates a very direct supply-side response, as demonstrated by the 50% increase in housing supply since Help to Buy was introduced in 2013. This trend looks set to continue in the immediate future following huge increases in house builders' investment in new sites for housing, with current figures for planning permissions outstripping anything on record.

Between the scheme's opening in April 2013 and June 2017, the Help to Buy Equity Loan scheme has helped more than 134,000 households to buy a brand new home, including 108,620 first-time buyers households. Based on the average number of homebuyers per household we can estimate that this equates to an estimated 228,000 individual homebuyers and an estimated 184,654 first-time buyer adults.

The scheme has been enormously successful, accounting for 7.8 per cent of all first-time purchases with a mortgage in the four years since the scheme began and stimulating activity amongst first-time buyers and in the new build sector during a sustained period of suppressed housing transactions more generally. To place this in context, 1 in 12 first-time

buyers in recent years have bought a new build home with support from this highly successful programme, generating significant economic and community benefits in the process. This far exceeds the achievements of any predecessor schemes that shared the dual aims of promoting home ownership and stimulating house building activity with Help to Buy, unlike earlier schemes, being notable for helping both housing demand and supply on a significant scale. In particular, the scheme has increased the industry’s confidence in the market which has ensured ongoing investment in new sites ultimately leading to a rapid rise in new homes being completed and, with about 3,000 builders signed up to scheme, has also provided scope for the industry to diversify by giving SMEs the opportunity to become established in the market and grow their businesses as well as their output.

Percentage of mortgages at >90% LTV and higher income multiples (>3.5x individuals, >2.75% joint)



Housing market activity remains at stubbornly low levels by historical standards, and in this context the increases in housing supply achieved over the last four years are even more remarkable. Statistics from the Bank of England show that although improving, the availability of mortgages products for households seeking to borrow more than 90% of a property’s value are still extremely limited compared with pre-financial crisis levels. Lending on Help to Buy is inherently less risky for lenders and as a result buyers are benefiting from very attractive rates. For first-time buyers with limited savings and no existing housing equity, this makes home ownership much more attainable.

The success of Help to Buy, means that proportionally, first-time buyers are today making up a larger share of housing transactions than a decade ago driven by the attractiveness of the Help to Buy scheme and the relative paucity of second-hand stock (mortgaged home movers accounted for 43 per cent of transactions in 2006 compared with just 29 per cent in 2016).<sup>1</sup>

This boost for first-time buyers is particularly important in a housing market that has seen a sharp decline in homeownership amongst younger people. While young people have historically always been less likely to own their own home than older people, the most recent Labour Force Survey shows that the gap between generational home ownership has increased significantly over the last two decades with the number of 16-34 year olds home owners decreasing from 54 per cent in 1996 to 34 per cent by 2016 while homeownership by households led by someone aged 65 or over increased from 63 per cent to 77 per cent in the same period.<sup>2</sup>

The long-term repercussions of a generation largely being excluded from homeownership, especially those not able to rely on the increasingly important 'Bank of Mum and Dad', who are also the first cohort since the Second World War to earn less than those born 15 years earlier, recent and future graduates have unprecedented levels of student debt. All of this is already affecting their present living standards and future pension positions, are already being recognised by commentators for their likely impact on future financing of housing cost and social care.

1. Missing Movers, CML (2017)

2. Home ownership and renting: demographics, House of Commons Library (2017)

## ECONOMIC BENEFITS

In the long-run additional housing supply helps to support a healthier housing market by relieving pressures on affordability. However, there are also more immediate benefits brought about by the Help to Buy scheme. The year to June 2017 saw 42,693 new home buyers taking advantage of the scheme to buy new build. Based on research by Lichfields into the economic benefits derived from house building, we can estimate that this construction activity generated vast benefits for communities around the country, including:

- Supporting and sustaining 171,000 jobs
- Supporting additional construction of up to 9,000 affordable homes
- Generating £63m towards spending on education facilities - enough to provide around 15,000 classroom places
- £37m for local authorities to spend on open spaces, leisure and sports facilities
- More than £70m in Stamp Duty receipts for the Exchequer
- More than £51m in Council Tax on new dwellings

## FIRST-TIME BUYERS

A key impact of the scheme is evident amongst first-time buyers, many of whom will have been able to realise home ownership solely because of the availability of the scheme. Indeed, DCLG data shows that as the scheme has been progressing the proportion of those using it being first-time buyers has steadily increased by small increments every quarter over the most recent years rising to 81 per cent in Q2 2017, up from 78 per cent a year earlier. In total, first-time buyers accounted for 108,620 or 81 per cent of total purchases. With the most recent English Homes Survey data demonstrating that in 2015-16, three quarters (74 per cent) of first time buyers were couple households (rising from 66 per cent a decade earlier) these 108,620 first-time buyer households could account for close to 184,654 adult individuals being able to become homeowners due to the scheme.<sup>3</sup>

Proportion of Help to Buy completions made by first-time buyers by year

Year	%
2013 (Q2-4)	88.9%
2014	79.7%
2015	78.8%
2016	79.9%
2017 (Q1-2)	81.1%

<sup>3</sup>The Help to Buy ISA enables savers to benefit from a 25 per cent top up of their savings from the government up to the value of £3,000 for homes with a purchase price of up to £250,000 (or up to £450,000 in London).

This will be related to a variety of factors including the increasing awareness of the scheme amongst first-time buyers, lower mortgage rates and the increasing availability of suitably-priced new build homes. It is also likely that the availability of the scheme has begun to encourage first-time buyers to pursue homeownership aspirations which, without Help to Buy, may have been deemed unrealisable. The introduction of the scheme, therefore, may have meant that first-time buyers have more incentive to focus on saving for more achievable deposits than when the scheme was first introduced which is now translating into households being able to purchase their own homes. The saving efforts of first-time buyers have been further supported by the also successful Help to Buy ISA scheme which has been used by one million first-time buyers since December 2015.<sup>4</sup> The buyers, which can be individuals as well as households, have saved a total of £1.8bn using the ISA scheme towards buying their first home.

Likely reflecting their more limited resources and potentially less complex requirements, overall, first-time buyers are more likely to use the scheme to buy different types of property with lower purchase prices than their non-first-time buyer counterparts, in turn requiring smaller Help to Buy equity loans. For example, in total the mean equity loan for first-time buyers since the scheme began has been £48,448 compared to £56,301 for non-first-time buyers. However, first-time buyers were also less likely to be able to contribute additional deposits with a marked difference between first-time buyers (9 per cent) and non-first-time buyers (23 per cent) using a deposit of 15.1 per cent or more. Nearly two-thirds of first-time buyers utilising the Help to Buy scheme had a total household income below £50,000 while among non-first-time buyers 46 per cent, had a total income of less than £50,000.

Cumulative number of legal completions to 31 March 2017, by purchase price, England

Source: DCLG

Purchase price	Cumulative completions (first-time buyers)	Percentage of completions (first-time buyers)	Cumulative completions (all)	Percentage of completions (all)
£0 - £125,000	9,320	9%	9,793	7%
£125,001 - £150,000	12,734	12%	13,684	10%
£150,001 - £200,000	31,291	29%	35,858	27%
£200,001 - £250,000	21,671	20%	27,388	20%
£250,001 - £350,000	21,268	20%	29,950	22%
£350,001 - £500,000	9,447	9%	14,098	10%
£500,001 - £600,000	2,889	3%	3,787	3%
<b>All properties</b>	<b>108,620</b>		<b>134,558</b>	

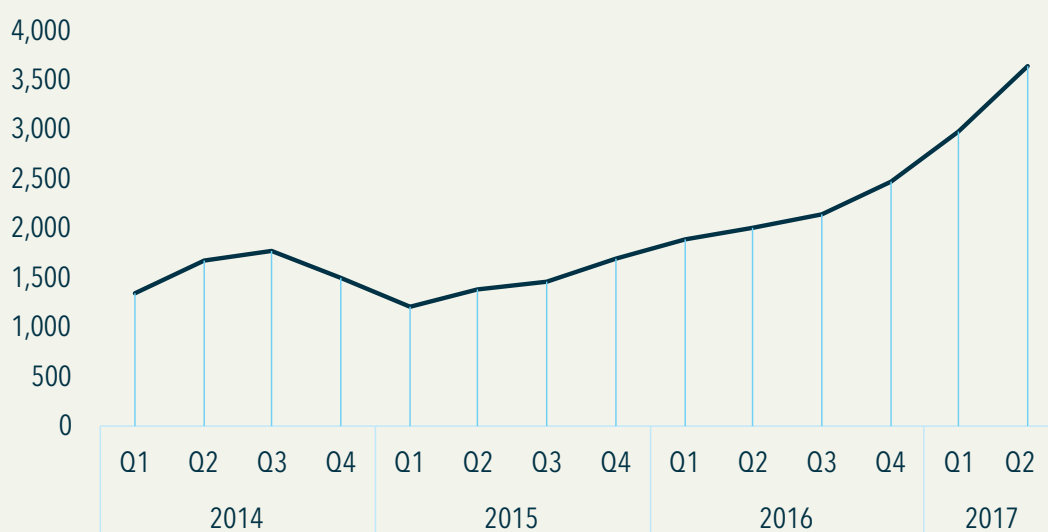
1. Purchases under Help to Buy: Equity Loan scheme are subject to Stamp Duty Land Tax on the same basis as other residential dwellings. The Help to Buy: Equity Loan scheme has a property price cap of £600,000.



## LONDON

Acknowledging the greater disparity in London between house prices and household incomes the scheme, since February 2016, has enabled home buyers in Greater London to access Help to Buy equity loans for up to 40 per cent of the purchase price. This policy change has had a significant positive effect on the uptake of Help to Buy in the capital.

### Annualised Help to Buy completions in London, 2014-2017



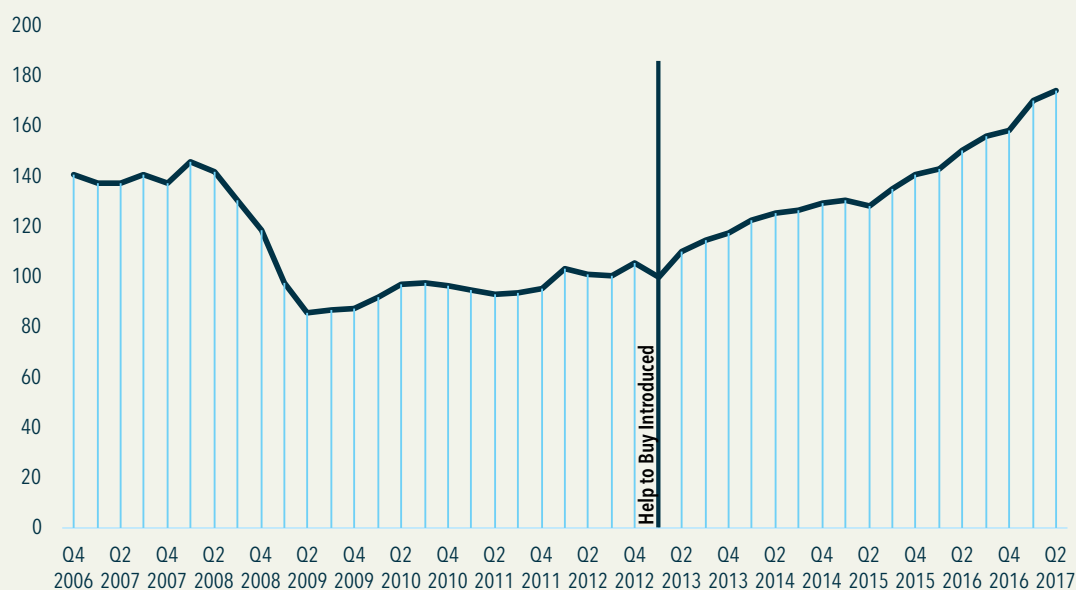
Since the introduction of the 40% equity loan via London Help to Buy in 2016, 4,586 completions have been recorded in the capital, of which 4,412 were first time buyers. 3,487 of these were made with an equity loan higher than 20 per cent of which the mean price was £451,712.

## PLANNING

The confidence brought to the house building industry by Help to Buy has driven a marked increase in new home building activity since its introduction in 2013. This is best illustrated by looking at the investment that house builders are making in the land and labour necessary to increase output even more. Data on planning permissions captures the significant ongoing rate of increase that is evident in planning permissions since the beginning of scheme. This reflects the growing confidence that house builders have to invest in a market in which people, especially first-time buyers, have more ability to buy due to the scheme addressing the key issues of restricted mortgage availability and large deposits.

The Help to Buy equity loan scheme has provided a significant opportunity for aspirational households, particularly first-time buyers seeking to get a foot on the housing ladder, and, in turn, has given the house building industry the confidence it lacked after the crash of 2008 to invest in new sites and projects. This has led to more houses as well as jobs and local economic activity.

**Annualised planning permissions indexed at pre-Help to Buy levels (100=Q1 2013)**



However, in order for this confidence to continue to have an impact on supply and the industry to continue to grow and diversify it is essential that the Help to Buy scheme's future beyond 2021 is considered and addressed so that the house building industry and future buyers can continue their future planning.

## THE FUTURE

The uncertain future of the Help to Buy scheme means there is uncertainty as to what extent the industry will be able to maintain its current investment and housing delivery should the scheme end in 2021. While an extension of the scheme would be favoured at this stage, the priority must be to ensure that any eventual closure of the scheme is achieved on a phased basis that allows for the market and purchasers to adjust in good time to minimise the impact on housing delivery. Modifications to the current eligibility and parameters of the Help to Buy scheme could be explored in order to ensure the longer-term effectiveness of the policy.

No matter how the Government chooses to progress with the scheme, it is essential that it publicises its plans for the scheme's future, whether this involves a modification to the scheme's current eligibility and parameters, using funds from redemptions to make the scheme self-sufficient or simply ensuring the scheme has sufficient resourcing to allow it to continue as is until March 2021, without delay and with thorough industry consultation and input.

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## ABOUT HBF

The Home Builders Federation is the representative body for home builders in England and Wales. HBF's membership of more than 300 companies build most of the market sale homes completed in England and Wales, and encompasses private developers and Registered Providers.

The vast majority of home builder members of the HBF are small and medium-sized companies.

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