



Llywodraeth Cymru
Welsh Government

RESEARCH, DOCUMENT

Homebuyers needs research and the place of Help to Buy- Wales (summary)

This report provides findings from the homebuyers needs research which focuses on the future needs of prospective homebuyers in Wales and focuses on the place of Help to Buy-Wales in housing affordability schemes.

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Research aims and methodology

Welsh Government's Help to Buy-Wales scheme was opened to applications in January 2014. Now in its third 'phase' and tenth year of operation, Help to Buy-Wales (HtB-W) provides eligible buyers with a shared equity loan up to 20% of the total market value of a property. HtB-W was also developed to help boost the housebuilding industry at a time when the housing market was under particular stress. The current iteration of HtB-W is due to end in March 2025.

This report summarises the research undertaken on behalf of Welsh Government by Opinion Research Services Ltd and Three Dragons. The research explored the needs of homebuyers and the role Help to Buy-Wales plays in meeting this need. The research was intended to:

- Identify the future needs of prospective homebuyers in Wales and understand the place of Help to Buy-Wales in meeting those needs
- Examine the key facilitators of, or obstacles to, success in the current Help to Buy-Wales initiative, both in Wales and of other comparable schemes in other areas of the UK
- Offer recommendations on how to meet the needs of future homebuyers in Wales.

The research consisted of focus groups with current and prospective homebuyers as well as with private renters with no previous contact with HtB-W; interviews with policy stakeholders (including Help to Buy-Wales Ltd, the organisation that administers the scheme), housebuilders and lenders registered with HtB-W. Interviews were also held with Homes England and Scottish Government to explore the comparable schemes that had been operated in England and Scotland; both of which have now ended. The qualitative research was complemented by analysis of data held by Help to Buy-Wales Ltd about the characteristics of purchasers (and potential purchasers), housebuilders and lenders. Full details of the methodology can be found in the final report.

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The data used to inform this report was sought directly by ORS from Help to Buy Wales Ltd. It should be noted that data included in this report may differ from the Official Statistics published by Welsh Government ^[footnote 1]. This is because this report includes data collected in 2013-14, which precedes the data published as Official Statistics. Furthermore, the data collected for this report focuses on a specific timeframe that matches the period when the qualitative research was conducted, rather than the quarterly periods used in the Official Statistics.

Main findings

Help to Buy-Wales

Between January 2014 and September 2023, Help to Buy-Wales has helped 13,885 households to purchase their home. Annual numbers of sales peaked in 2017/18 and have declined since then but with a consistent pattern of sales being concentrated in the south east of Wales. HtB-W has always operated with a price cap. This was initially set at £300,000 but was reduced to £250,000 from 1 April 2021 and then raised to £300,000 from 1 April 2023. At the current price cap of £300,000, newbuild properties are available across Wales for purchase with HtB-W.

Average prices at local authority level (March 2023) ranged from £239,000 in Ceredigion up to £525,000 in Monmouthshire. There were nine authorities with average prices above the current HtB-W price cap and seventeen above the previous price cap (of £250,000). However, price will be only one factor shaping sales locations for the scheme, other factors such as proximity to jobs and transport links are important too and these will in turn influence sales values as will availability of new build homes.

With the exception of Cardiff, the number of general new build properties

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entering the market each year is low, below 320 per authority per year, with some authorities having less than 100 new build completions a year. The figure for Cardiff was 746.

76% of primary purchasers through HtB-W were first time buyers and 74% were households without children. There is evidence that purchasers are buying more space than their immediate requirements.

The median income of current purchasers (i.e. primary applicants) through HtB-W was very similar to the national average and, in the main, first-time buyers with HtB-W had similar incomes to the general cohort of purchasers through HtB-W. With a 5% deposit and a HtB-W equity loan, a household with an income of £50,000 a year would be able to purchase a home valued at £300,000. Without the HtB-W equity loan the same household would be able to purchase a property worth £236,000. This is below the average house price in all Welsh local authority areas.

There is little evidence that HtB-W is linked to particular financial stress for purchasers. Over 90% of loans are settled before they start to accrue interest (i.e. after six years) and less than 1% have been written off or fallen into arrears; a level similar to arrears across the UK house buying market.

A few applicants for a HtB-W purchase do not proceed with their purchase but these are limited in number, with no clear or consistent reason why households withdrew.

Homebuyers

The clearest message from all the focus groups was that HtB-W allowed households to purchase a home with only a 5% deposit, when the alternative routes into home ownership would require a 20% deposit. This allowed homebuyers to purchase a property when they otherwise would not be able to

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do, or to buy a bigger property or one in a better location. Focus group participants generally found that accessing information about HtB-W and then completing the application process was relatively straightforward.

However, there was criticism from some participants that it was difficult to compare the cost of buying through HtB-W with the cost of other schemes such as Shared Ownership and Rent to Buy. Others also found issues with the application process e.g. the need for income guarantees because of zero hour contracts, or they were moving to take up new jobs. A further issue raised by participants was that there were inconsistencies in what was considered to be a debt and therefore limiting borrowing capacity e.g. HtB-W considered car finance to be an existing debt, but not credit card debt. This suggests the need for some improvements in the HtB-W website and application process.

The use of price caps with HtB-W was discussed extensively in the focus groups. Several participants questioned the caps, feeling that £300,000 was insufficient for the large cities and more expensive areas. Other participants cited the issue of HtB-W only being available for newbuild properties and often limited to specific schemes. This was particularly an issue for those who lived in North Wales or more rural areas, where there is little new development, limiting opportunities to make use of a HtB-W equity loan.

Several participants were looking at directly repaying the equity loan from savings or remortgaging so that they could remain in the house with just a standard mortgage. Some were concerned about the increase in the equity loan because of the growth in house prices. However, others saw the growth in house prices as an opportunity to make a profit on their property.

Housebuilders

At some point since the start of the scheme, 294 housebuilders have registered with Help to Buy-Wales Ltd, with varying levels of involvement. Over 60% of

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those registered have undertaken four or fewer HtB-W sales, while the ten most active HtB-W housebuilders have delivered 76% (or more than 10,500) of all HtB-W purchases. HtB-W sales represented a significant level of sales for many housebuilders, with some commenting that the scheme accounted for 25-35% or even up to 50% of sales – these comments were current during the summer of 2023. While most HtB-W sales were concentrated in the south east of Wales and the south west of Wales, smaller HtB-W schemes were more important in Mid and North Wales.

Housebuilders had a positive view of HtB-W and its role in helping to get “...*people on the housing ladder*”. This was a phrase repeated by several housebuilders interviewed.

Housebuilders reported that the operation of HtB-W price cap can affect the types of newbuild properties built, with more smaller units said to be brought forward, particularly in higher value areas. Changes to price caps at short notice was one of the main housebuilder criticisms of HtB-W, with a need to replace promotional literature and sometimes revisions to development proposals.

HtB-W was thought to be well run and simple to follow. The single price cap across Wales was seen as one of HtB-W’s advantages. Although introducing price caps that varied across Wales was not universally supported, in areas of higher house prices (notably in the south east of Wales), there were calls for the current cap of £300,000 to be increased. The other main concern expressed was that marketing information could be stronger and address on-going consumer misconceptions e.g. that HtB-W was only open to first time buyers.

There was a general consensus that HtB-W should continue beyond March 2025, (the current end date). Some housebuilders may be able to introduce their own equity share scheme to ‘fill the gap’ but there were concerns that such schemes may not be as good as the current HtB-W scheme.

Lenders

While there continues to be a wide range of lenders participating in the scheme with 20 current participating lenders, the overall number has fallen from 32 in phase 3. There is no single reason identified by the research for this.

HtB-W was generally praised for its simplicity and this was very important to lenders, as complexity or short notice changes to processes or requirements was difficult for them to adjust to. HtB-W was considered to accelerate the journey to home ownership for those purchasing through the scheme. The low deposit was a positive for the scheme but lenders did report concerns from some applicants, even about raising that deposit. Lenders did not, however, support any reduction in the deposit required as it would increase risk and therefore lending costs.

As with the housebuilders, there were mixed views about using 'regional' price caps and about the level of the overall price cap. There was, however, universal recognition that ending the scheme would leave a gap in the market.

Other jurisdictions

Help to Buy equity support schemes with recognisably similar characteristics were started at about the same time in Wales, England and Scotland. Only the scheme in Wales is still operational, along with a smaller more targeted scheme in Scotland and the long running scheme in Northern Ireland with a focus on lower incomes. The Northern Ireland and Scotland scheme objectives had less emphasis on catalysing new housing development than was the case in Wales and England. In England, the now discontinued Help to Buy scheme, has been followed by the current First Homes initiative which provides a 30%-50% discount on market sale dwellings for first time buyers instead of public equity support.

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In England, the [Help to Buy: Equity Loan scheme – progress review of 2019 by the National Audit Office](#) and, in Scotland, the [Evaluation of the Scottish Government Shared Equity Schemes by the Scottish Government](#) in 2020 suggest that Help to Buy schemes in other jurisdictions have been effective in delivering positive home ownership and industry support outcomes. However, the schemes were said to have benefitted a substantial proportion of people who did not require assistance to buy a dwelling; and that there is an opportunity cost for the funds used for the schemes. Constraining schemes through stricter eligibility or lower price caps has helped to target schemes to those most in need of assistance.

Conclusions and recommendations

Within the general conclusion that HtB-W has been a success in terms of house buyers' participation and support provided for large and small housebuilders, the research has highlighted three structural criticisms.

- HtB-W does not address the housing needs of those in most pressing housing need. But it was never intended to do so. The scheme was always designed to assist households on the cusp of becoming home owners and to support the housebuilding industry and the research suggests that HtB-W has generally achieved its objectives.
- HtB-W was not available for properties other than newbuild. Many purchasers and potential purchasers were critical of the quality of newbuild dwellings and believed that older stock is higher quality, with greater choice in property type and location. However, including second-hand properties would not support the housebuilding industry and it would mean that both the scale of the scheme and associated risks would increase.
- There was a general recognition of the purpose and application of a price cap but with an argument about whether a single price cap is the best solution. An all-Wales price cap is a simple mechanism that is clear for all,

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but it doesn't really reflect the wide variation in house prices across Wales and limits purchasers in the more expensive areas. A move to differentiated price caps would better reflect the Wales housing market but might not be acceptable to lenders or housebuilders and would require further research before being implemented.

There have been other more detailed criticisms about the way HtB-W has operated and suggestions for strengthening how it is publicised and its web presence.

There are choices now open to Welsh Government in determining the future of Help to Buy-Wales after March 2025. The choices are somewhat co-dependent but the first clear-cut decision is simply whether to end the scheme in March 2025. In Scotland and England, where their schemes have been closed, some limited other support for purchasers is available such as First Homes in England and Open Market Shared Equity and New Supply Shared Equity in Scotland. In coming to a decision about the future of Help to Buy-Wales, it would be advisable for Welsh Government to keep under review the level of take up of the Scheme since the date of the analysis in this report.

If the decision is to continue with some form of assistance for house purchasers, the next choice is whether the current Help to Buy-Wales scheme should continue as now, with no restrictions on potential purchasers (other than they should not have sufficient income to purchase a newbuild property without the scheme). The other key option would be to limit availability of HtB-W loans to specific groups of purchasers, with first time buyers (and other household types e.g. purchasers leaving a partnership/marriage break up) as the main option to consider. On the evidence of the research, following this course might limit potential purchasers by about 25%.

The other key option for consideration is whether there should be more than one price cap across Wales. An overly complex system of price caps is not recommended but consideration could be given to introducing some limited

flexibility and a higher cap in the highest price areas. This could include a limit on 'spare' bedrooms to keep the focus on the lower end of the market.

Another option for a future HtB-W scheme but which is not being recommended is to include second-hand homes, i.e. resales of existing properties. This would be welcomed by many prospective purchasers but there would need to be a comprehensive mechanism to include only homes that met certain standards; and this approach would not provide any support to the housebuilding industry.

Whatever decisions are made, it will be important that the housebuilding industry and lenders are fully engaged with the decision and given adequate time to plan their operations post March 2025.

Footnotes

[1] [Help to Buy \(StatsWales\)](#)

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government.

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