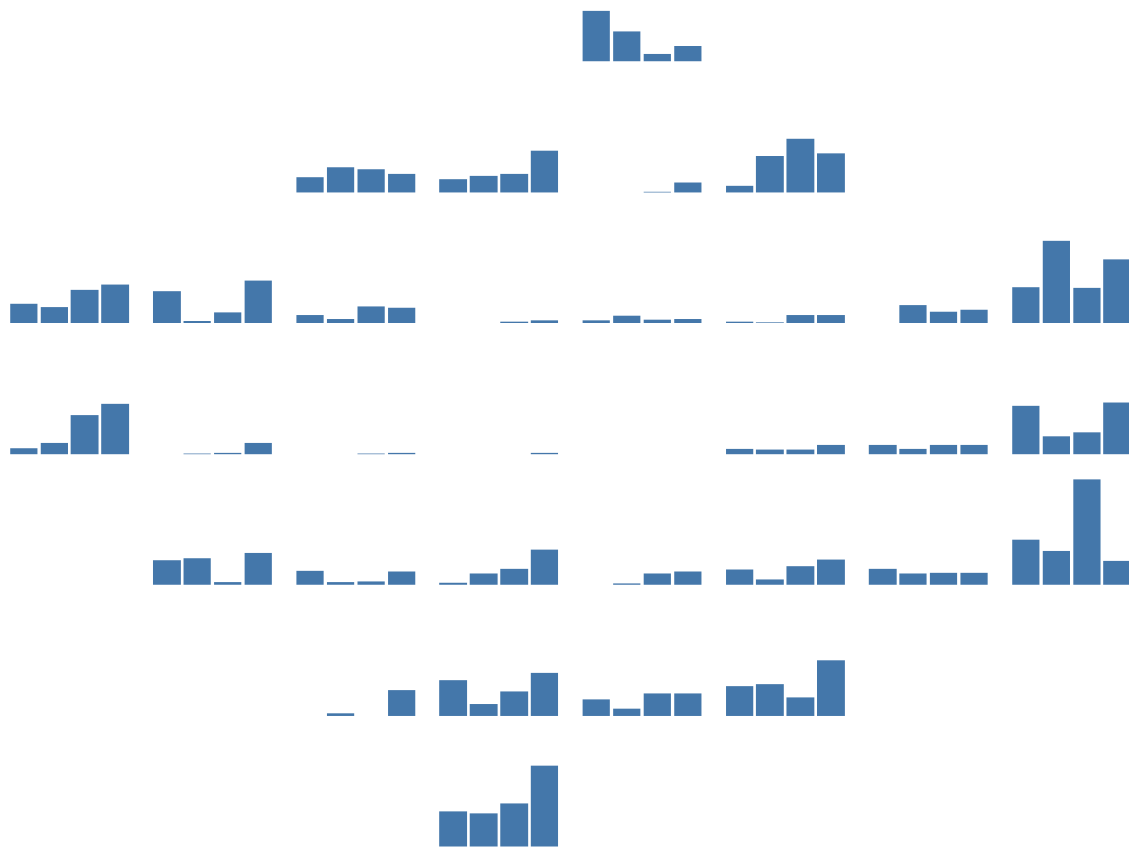


Housing Research Note 2  
**Help to Buy in London**



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Cover image produced using Ministry of Housing, Communities and Local Government (MHCLG) data on Help to Buy equity loans and London Development Database (LDD) data on new housing completions. The heights of bars represent new home purchases funded by Help to Buy equity loans expressed as a share of total new build private completions. See chart 4.11 in [Housing in London 2018](#) for more details.

Copies of this report are available from <http://data.london.gov.uk>

Comments and suggestions are welcomed and should be sent to [housinganalysis@london.gov.uk](mailto:housinganalysis@london.gov.uk).

## **Contents**

Introduction .....	4
The Help to Buy equity loan .....	5
History of the policy.....	5
Significant features of the Help to Buy process .....	6
Analysis.....	8
Policy objectives and evidence on effectiveness .....	18
Annex 1: Geographical categorisation .....	22

## Introduction

The Help to Buy: Equity Loan scheme was introduced by the Government in Spring 2013. The policy has two principal objectives:

- To stimulate additional housing development;
- To improve access to homeownership.

This research note will give an outline of the Help to Buy policy, its history and significant features of its design, before providing a technical analysis of the scheme's impact in London. Using Ministry of Housing, Communities and Local Government (MHCLG) data on the scheme, this analysis encompasses the following themes:

1. Value of all Help to Buy equity loans
2. Number of equity loans issued
3. Average value of individual equity loans
4. Average prices of properties purchased through Help to Buy
5. Average incomes of households purchasing through Help to Buy
6. Importance of Help to Buy equity loans to the new build sales market

The final part of the research note briefly assesses the policy's effectiveness at meeting its two principal objectives.

## Definitions

- In this document, 'Help to Buy' refers to the Help to Buy: Equity Loan scheme, rather than the Help to Buy: Mortgage Guarantee scheme that closed in December 2016.
- The recorded date of a Help to Buy loan is the legal completion date of transaction. It is important to note that Help to Buy loans may be agreed in principle up to six months prior to legal completion.
- Where possible, this data uses the latest available data provided by MHCLG on the Help to Buy scheme (up to the end of 2017/18). However, some analyses involve other datasets that are not updated as frequently; in these instances, analyses may be based on earlier periods of data.
- For the purposes of this analysis, London boroughs have been allocated to three sub-regions: Prime Inner, Inner and Outer London. A full list of boroughs and sub-regions is provided in Annex 1: Geographical categorisation.

## The Help to Buy equity loan

Through the Help to Buy: Equity Loan scheme, the Government lends purchasers of newly built homes a percentage of the new homes' value. This percentage can vary, to a maximum of 40% within London (since February 2016), and 20% elsewhere in England.

Through taking this equity stake (that is, through owning part of the property) the Government enables the purchaser to buy a home with a lower deposit and/or mortgage than would have been possible without the scheme. For example, if the Government owns 40% of the equity in a new home, the purchaser must contribute a deposit of 5% of the home's value and raise a mortgage of 55% of the value. Without the scheme, the purchaser would need to access a mortgage of 95% of the value of the home or contribute a significantly larger deposit.

Once the purchased home is resold, the Government receives a proportion of the price paid, in line with its share of the equity (see *Significant features of the Help to Buy process* below for discussion of the hierarchy between mortgage lenders and the Government).

## History of the policy

In the 2013 Spring Budget, the Chancellor George Osborne announced that the Help to Buy: Equity Loan scheme would replace the FirstBuy scheme<sup>1</sup>, taking effect from 1 April 2013<sup>2</sup>. Help to Buy equity loans would be limited to new build homes with a maximum purchase price of £600,000 in England, and to be eligible house builders had to have a registration agreement with the then-Homes and Communities Agency (now Homes England).

The Help to Buy equity loan scheme was initially intended to be open for three years (closing in 2017), providing £3.5bn of investment in England and supporting up to 74,000 additional home buyers, 'as well as providing a boost to the construction sector'<sup>3</sup>. However, in the 2014 Spring Budget the funding available to support the scheme was increased to £9.7bn, and its life was extended until 2020<sup>4</sup>.

In the 2015 Autumn Statement, the Chancellor announced that the main scheme would be extended until 2021, and that a Help to Buy London scheme would be created 'in recognition of the higher housing costs in the capital'<sup>5</sup>. This scheme, launched in February 2016, increased the maximum percentage of a new home's value that could be covered by an equity loan to 40% within London. The limit in the rest of the country remained at 20%.

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<sup>1</sup> FirstBuy was a shared equity scheme announced in the Budget 2011 to support first time buyers onto the property ladder. Note that under FirstBuy, private developers contributed financially to the lending of equity alongside the Government. The programme was expanded in September 2012 and ended 31 March 2013.

<sup>2</sup> HM Treasury, 'Budget 2013', 2013,

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/221885/budget2013\\_complete.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/221885/budget2013_complete.pdf)

<sup>3</sup> HM Treasury, 'Budget 2013', 2013,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/221885/budget2013\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221885/budget2013_complete.pdf)

<sup>4</sup> HM Treasury, 'Budget 2014', 2014,

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/293759/37630\\_Budget\\_2014\\_Web\\_Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/293759/37630_Budget_2014_Web_Accessible.pdf)

<sup>5</sup> HM Treasury, 'Autumn Statement 2015', 2015, <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents>

In February 2016, the then-Department for Communities and Local Government (DCLG) published an evaluation of the policy<sup>6</sup> by Stephen Finlay, Ipsos MORI, in partnership with Peter Williams, Christine Whitehead and the London School of Economics. This evaluation is discussed in greater depth in the *Policy objectives and evidence on effectiveness* section later in this research note.

In the 2017 Housing White Paper, the Government stated that it would ‘work with the sector to consider the future of the scheme’<sup>7</sup>. However, in the 2017 Autumn Budget, the Chancellor announced £10bn of additional funding for the scheme<sup>8</sup>, after growing concern that high take-up would deplete resources before 2021; £2.9bn worth of equity loans was committed across England in 2017, up 39% from 2016 (£2.1bn)<sup>9</sup>.

## Significant features of the Help to Buy process

### 1. 5-year interest-free period

For the first five years, Help to Buy purchasers incur minimal fees due on the equity share held by the Government. However, in year six, purchasers are charged a 1.75% ‘interest fee’ on the original amount of loan assistance.

Due to house price inflation, this original amount may differ from the value of the equity share in year 6, as a valuation is not conducted each year. Instead, house price inflation is proxied by uprating the interest fee of 1.75% by Retail Price Inflation (RPI) +1%, to give interest fee percentages for Year 7, Year 8, and so on. See worked example below<sup>10</sup>, which assumes RPI of 3%.

Table 1: Worked example of Help to Buy equity loan

Start of year	Equity loan value	RPI +1%	Interest fee percentage	Annual interest fee and management fee due	Monthly interest fee and management fee
1	£160,000	4%	0%	£12	£1
2	£160,000	4%	0%	£12	£1
3	£160,000	4%	0%	£12	£1
4	£160,000	4%	0%	£12	£1
5	£160,000	4%	0%	£12	£1
6	£160,000	4%	1.75%	£2,812	£234
7	£160,000	4%	1.82%	£2,924	£244
8	£160,000	4%	1.89%	£3,036	£253
9	£160,000	4%	1.97%	£3,164	£264
10	£160,000	4%	2.05%	£3,292	£274

<sup>6</sup> DCLG, ‘Evaluation of the Help to Buy equity loan scheme’, 2016, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/499701/Evaluation\\_of\\_Help\\_to\\_Buy\\_Equity\\_Loan\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/499701/Evaluation_of_Help_to_Buy_Equity_Loan_FINAL.pdf)

<sup>7</sup> DCLG, ‘Fixing the broken housing market’, 2017, <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

<sup>8</sup> HM Treasury, ‘Autumn Budget 2017’, 2017, <https://www.gov.uk/government/publications/autumn-budget-2017-documents>

<sup>9</sup> Greater London Authority analysis of Ministry of Housing, Communities and Local Government ‘Help to Buy: Equity Loan quarterly statistics’ <https://www.gov.uk/government/collections/help-to-buy-equity-loan-and-newbuy-statistics>

<sup>10</sup> Adapted from Homes England, ‘Help to Buy Buyer’s Guide’, 2018, <https://www.helptobuy.gov.uk/wp-content/uploads/Help-to-Buy-Buyers-Guide-Feb-2018-FINAL.pdf>

## 2. Reservation fee and 6-month deadline for legal completion of purchase

Purchasers using a Help to Buy loan must legally complete on their home purchase within six months of exchanging contracts.<sup>11</sup> When purchasing more than six months in advance, Help to Buy purchasers are only required to pay a reservation fee (maximum of £500) to reserve the plot.

While positive for purchasers, this rule means developers continue to hold sales risk on these plots until close to construction completion, as prospective off-plan buyers can walk away at relatively little financial cost. According to the 2016 evaluation of the Help to Buy scheme<sup>12</sup>, London developers were keen for this six-month period to be extended to nine months, to assist with off-plan sales of flats and apartments. No developer operating outside of London raised the six-month maximum for exchange of contracts as an issue, demonstrating the unique nature of the capital's sales market.<sup>13</sup>

A Molior report in January 2018 noted that some previously 'agreed' sales had been reversed around completion time in several schemes in the Help to Buy price bracket.<sup>14</sup> Molior suggested this may be partly in response to downward valuations. Cancelled sales could therefore become an issue in markets where Help to Buy is particularly prevalent (e.g. parts of Outer London) in the event of wider market difficulty.

## 3. Loan priority

Help to Buy equity loans are ranked second in priority behind an owner's main mortgage. This subordinated position means that if prices fall substantially, and a Help to Buy purchaser wishes to sell, a purchaser will first repay the proportion of the home's value owed to their mortgage lender, and then will seek to repay the government equity. Although this reduces the likelihood of first-time buyers falling into a position of negative equity, it also means that the Government's equity investment is at higher risk of non-repayment.

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<sup>11</sup> Homes England, 'Help to Buy Buyer's Guide', 2018, <https://www.helptobuy.gov.uk/wp-content/uploads/Help-to-Buy-Buyers-Guide-Feb-2018-FINAL.pdf>

<sup>12</sup> DCLG, 'Evaluation of the Help to Buy equity loan scheme', 2016, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/499701/Evaluation\\_of\\_Help\\_to\\_Buy\\_Equity\\_Loan\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/499701/Evaluation_of_Help_to_Buy_Equity_Loan_FINAL.pdf)

<sup>13</sup> Ibid.

<sup>14</sup> Molior, 'Quarterly analysis: Q1 2018 sales', 2018

## Analysis

The following analysis is based on publicly available data, published [quarterly](#) by MHCLG. This data includes information at both borough and Greater London level. The analysis is split into six thematic sections:

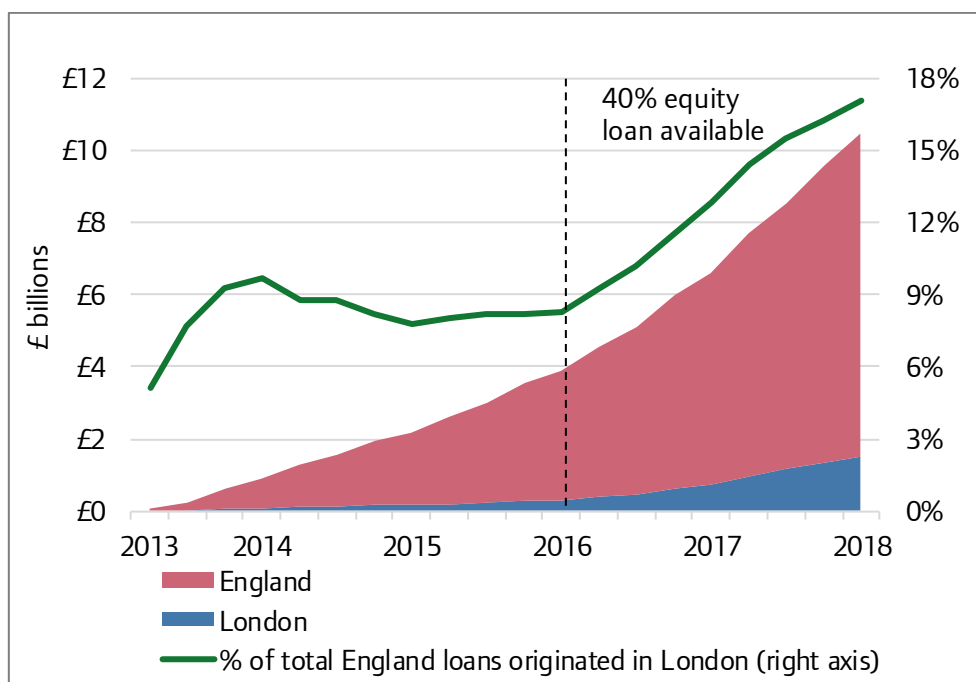
1. Value of all Help to Buy equity loans
2. Number of equity loans issued
3. Average value of individual equity loans
4. Average prices of properties purchased through Help to Buy
5. Average incomes of households purchasing through Help to Buy
6. Importance of Help to Buy equity loans to the new build sales market

### 1. Value of all Help to Buy equity loans

Since the introduction of Help to Buy in 2013, £8.9bn worth of equity loans have been made in England as a whole, and, within this total, £1.5bn worth of equity loans have been made in London. The introduction of Help to Buy London in February 2016 has led to both an increase in the value of equity loans originated in London, and to the London loan book forming a growing share of the cumulative total value of loans issued. At the end of 2017/18, loans made in London formed 17% of the total cumulative value of loans issued in England.

As the London loan book is 'younger' than in the rest of England (see Section 2 below), it is likely to form an even greater share of the total value of outstanding loans (accounting for those loans that have already been paid back) currently and in the coming years<sup>15</sup>. The geographical composition of outstanding loans indicates how exposed the Government is to different parts of England's housing market.

Figure 1: Cumulative value of Help to Buy loans, London and England



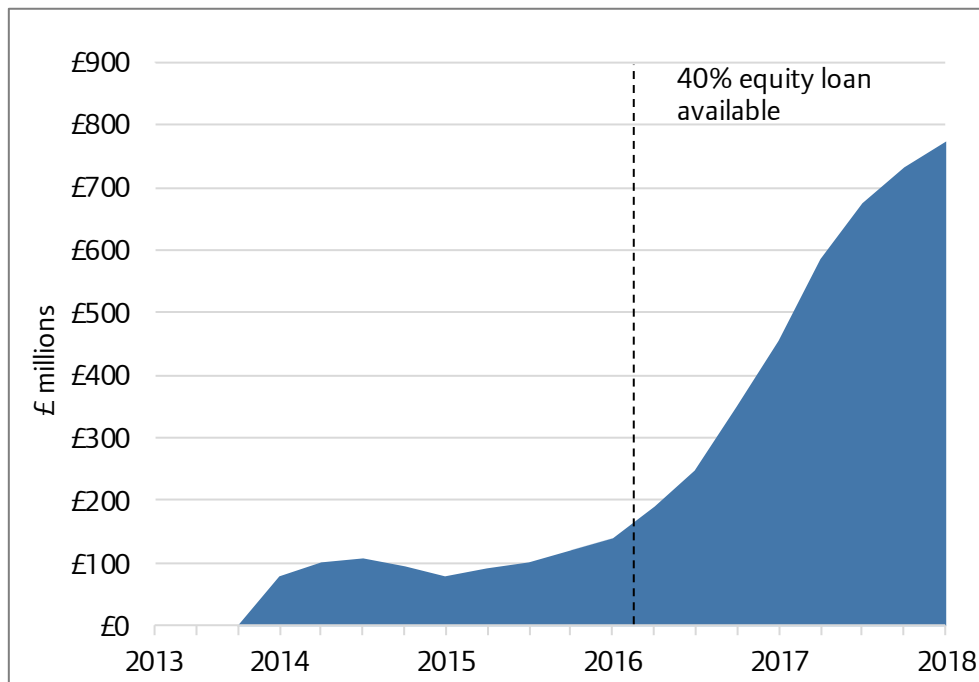
<sup>15</sup> It is not possible to assess the geographical spread of loan repayments using publicly available data.



The introduction of Help to Buy London in February 2016 was a watershed moment. £1.23bn worth of equity loans have been made since its introduction, 81% of the total value of loans issued in London (£1.5bn) since the original policy began in April 2013.

Prior to Help to Buy London's introduction, the annualised value of loans issued in London had never been above £140m. However, in 2017/18 alone, the equity loans issued in London were valued at £775m. Figure 2 below shows that, while the rate of increase has slowed in the last financial year, the annualised value of new loans continues to increase with every quarter.

Figure 2: Value of new loans, London (annualised)



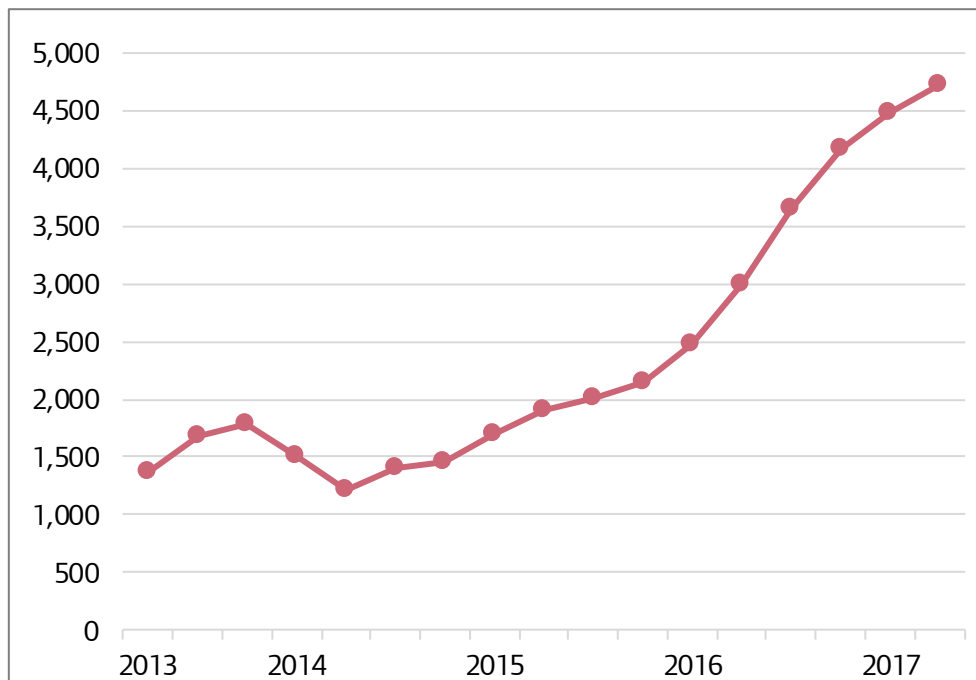
## 2. Number of equity loans issued

Since Help to Buy was launched, 12,200 loans have been made in London; over 7,700 of these have come since Help to Buy London was introduced in February 2016.

In 2017/18, 4,700 Help to Buy loans were made in London, 6.5% of all mortgaged transactions in 2017/18 as recorded by UK Finance<sup>16</sup>. Before the introduction of Help to Buy London, the highest number of equity loans granted in London in a 12-month period was 1,900 (Figure 3 below).

Around three times more loans were granted in 2017/18 than in 2015 (the final 12-month period before Help to Buy London was introduced). However, the value of loans granted in 2017/18 was over six times greater than those granted in 2015. This indicates that the increase in the total value of loans granted is not solely due to increased take-up, but also a rise in the average loan per home.

Figure 3: Number of loans issued in London (annualised)



<sup>16</sup> GLA analysis of UK Finance data

In 28 of 33 London boroughs, 50% or more of the equity loans granted since the policy's inception were originated in the eight quarters from April 2016 onwards (i.e. after the introduction of the Help to Buy London scheme). Across London, 63% of equity loans made have been granted since April 2016.

Table 2: Loans granted since Help to Buy policy began, by borough

	<b>Sub-region</b>	<b>Number of loans since policy began</b>	<b>Number of loans since April 2016</b>	<b>Loans granted since April 2016 as a proportion of all loans (%)</b>
Camden	Prime Inner	55	50	91%
City of London	Prime Inner	3	3	100%
Hammersmith and Fulham	Prime Inner	36	33	92%
Islington	Prime Inner	58	20	34%
Kensington and Chelsea	Prime Inner	2	1	50%
Westminster	Prime Inner	32	32	100%
Greenwich	Inner	732	463	63%
Hackney	Inner	276	219	79%
Lambeth	Inner	405	278	69%
Lewisham	Inner	723	529	73%
Newham	Inner	450	281	62%
Southwark	Inner	468	387	83%
Tower Hamlets	Inner	644	519	81%
Wandsworth	Inner	313	176	56%
Barking and Dagenham	Outer	534	350	66%
Barnet	Outer	914	619	68%
Bexley	Outer	532	171	32%
Brent	Outer	342	219	64%
Bromley	Outer	540	299	55%
Croydon	Outer	710	469	66%
Ealing	Outer	391	277	71%
Enfield	Outer	227	85	37%
Haringey	Outer	35	34	97%
Harrow	Outer	322	187	58%
Havering	Outer	785	271	35%
Hillingdon	Outer	726	492	68%
Hounslow	Outer	499	302	61%
Kingston upon Thames	Outer	128	57	45%
Merton	Outer	254	131	52%
Redbridge	Outer	277	218	79%
Richmond upon Thames	Outer	115	114	99%
Sutton	Outer	382	259	68%
Waltham Forest	Outer	295	177	60%
<b>London</b>		<b>12,205</b>	<b>7,722</b>	<b>63%</b>

### 3. Average value of individual equity loans

The mean average value of equity loans granted in London in 2017/18 was £164,000. This was more than double the mean average value of equity loans in 2015/16 (£73,600). The increase is directly related to the introduction of Help to Buy London in February 2016. The mean average value of equity loans issued in most Prime Inner and Inner London boroughs in 2017/18 was over £180,000 (30+% of the maximum purchase price); only Bexley in Outer London had a mean average value of less than £100,000 per equity loan in 2017 (£84,100 or 14% of the maximum purchase price).

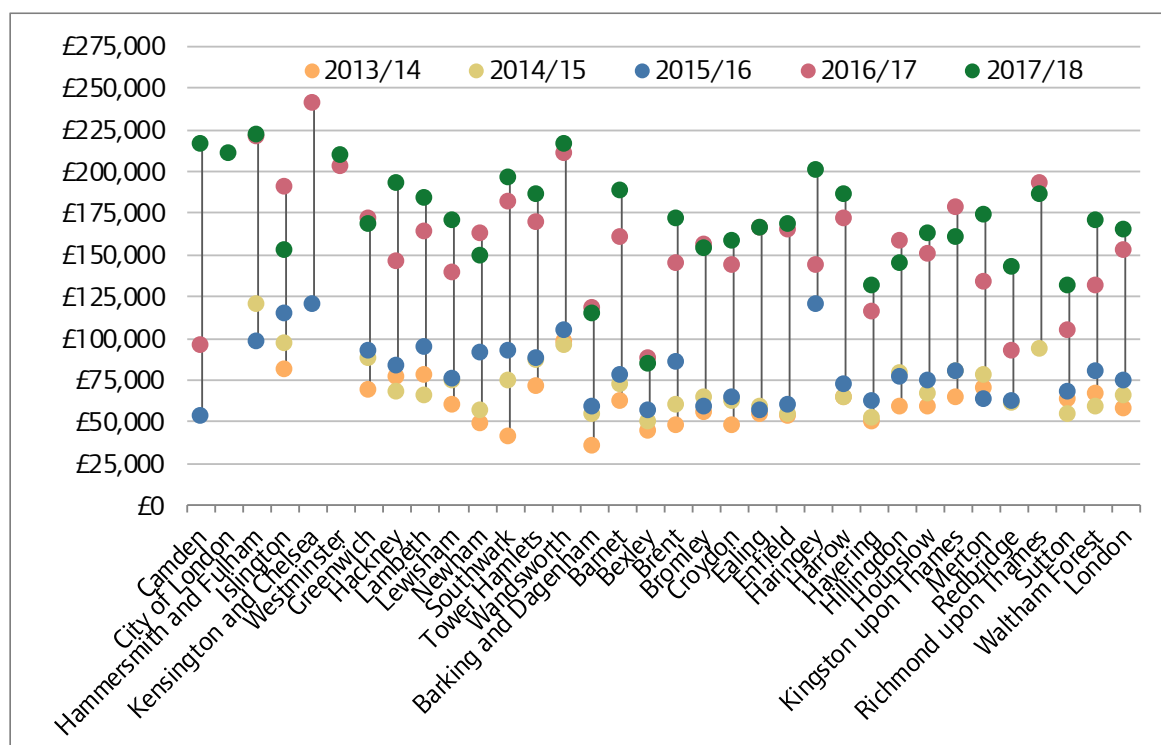
Table 3: Mean average value of Help to Buy loans, 2013/14 to 2017/18, by borough

Borough	Region	2013/14	2014/15	2015/16	2016/17	2017/18
Camden	Prime Inner	No loans	No loans	£52,600	£94,700	£215,600
City of London	Prime Inner	No loans	No loans	No loans	No loans	£210,000
Hammersmith and Fulham	Prime Inner	No loans	£120,000	£96,800	£220,200	£221,100
Islington	Prime Inner	£80,500	£96,600	£113,600	£189,700	£152,100
Kensington and Chelsea	Prime Inner	No loans	No loans	£120,000	£240,000	No loans
Westminster	Prime Inner	No loans	No loans	No loans	£202,100	£209,400
Greenwich	Inner	£68,100	£87,400	£92,200	£170,800	£167,400
Hackney	Inner	£76,100	£67,600	£82,300	£145,400	£191,900
Lambeth	Inner	£77,600	£64,400	£94,400	£163,300	£183,700
Lewisham	Inner	£59,300	£73,900	£75,300	£138,100	£170,300
Newham	Inner	£48,300	£56,300	£90,700	£162,000	£148,200
Southwark	Inner	£40,300	£73,800	£91,500	£181,500	£195,900
Tower Hamlets	Inner	£70,900	£86,700	£87,200	£168,700	£185,900
Wandsworth	Inner	£96,800	£94,800	£103,900	£210,400	£215,600
Barking and Dagenham	Outer	£34,600	£54,300	£57,700	£117,500	£114,300
Barnet	Outer	£61,400	£72,000	£77,600	£159,900	£187,300
Bexley	Outer	£43,900	£49,200	£55,600	£86,700	£84,100
Brent	Outer	£47,600	£59,600	£84,600	£144,300	£171,300
Bromley	Outer	£55,200	£63,900	£58,600	£155,300	£152,900
Croydon	Outer	£46,500	£62,000	£63,500	£142,600	£157,500
Ealing	Outer	£54,200	£57,600	£56,000	£165,700	£165,400
Enfield	Outer	£52,300	£53,700	£59,200	£163,800	£167,300
Haringey	Outer	No loans	No loans	£120,000	£142,600	£199,900
Harrow	Outer	£63,600	£63,700	£71,700	£171,400	£185,500
Havering	Outer	£49,500	£51,600	£61,100	£115,700	£130,300
Hillingdon	Outer	£57,700	£78,200	£76,400	£158,000	£144,700
Hounslow	Outer	£58,300	£66,200	£73,400	£150,400	£162,200
Kingston upon Thames	Outer	£63,900	£79,500	£79,000	£178,000	£159,900
Merton	Outer	£69,200	£76,800	£62,200	£133,500	£173,500
Redbridge	Outer	No loans	£60,500	£61,600	£91,900	£142,000
Richmond upon Thames	Outer	No loans	£93,000	No loans	£192,800	£185,500
Sutton	Outer	£62,700	£53,700	£66,600	£104,000	£130,500
Waltham Forest	Outer	£66,000	£58,100	£79,500	£131,400	£169,900
<b>London</b>		£56,900	£65,100	£73,600	£152,300	£164,000

[Key: White = Mean average loan less than £120,000; Orange = Mean average loan between £120,000 and £180,000; Red = Mean average loan over £180,000]

The chart below demonstrates that while the average loan value changed only marginally between 2013/14 and 2015/16, the mean average values of loans increased significantly between 2015/16 and 2016/17. Most boroughs saw further, smaller increases between 2016/17 and 2017/18.

Figure 4: Mean average value of Help to Buy loans, 2013/14 to 2017/18, by borough



#### 4. Average prices of properties purchased through Help to Buy<sup>17</sup>

Help to Buy properties are, on average, priced below that of the median new build home in both London and in England as a whole. In the case of London, this is in part due to the property value cap of £600,000 in place for the Help to Buy scheme.

The median purchase price of Help to Buy properties in London increased sharply as a percentage of the overall new build median price in 2016, likely due to the increase in the maximum Government equity share. However, this percentage fell back from 92% to 86% of the new build median price in 2017.

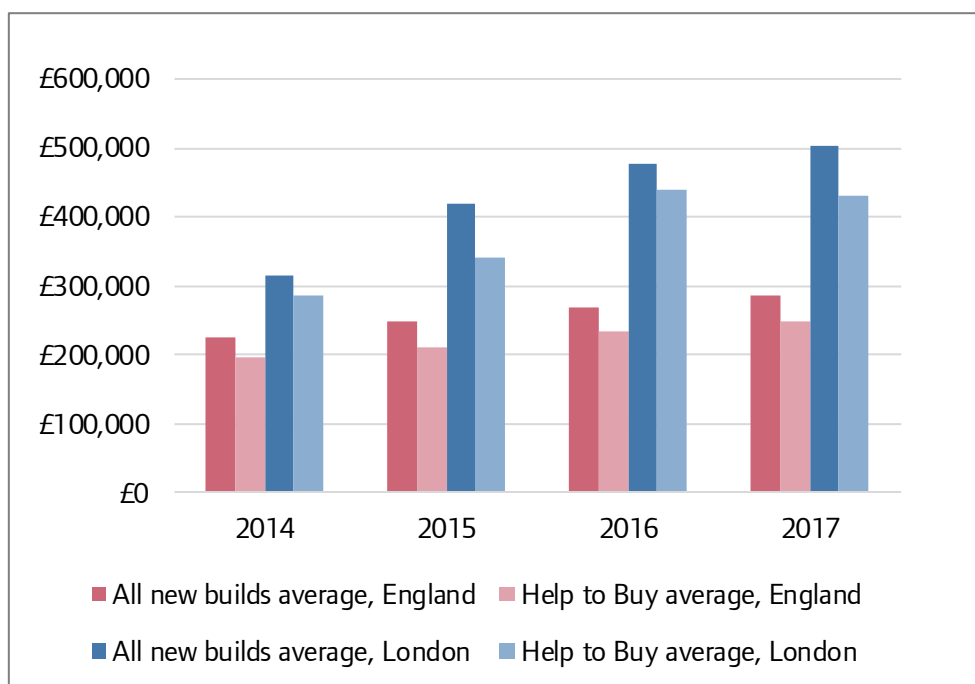
Table 4: Median prices of all new builds, and of properties purchased through Help to Buy, England and London

		2014	2015	2016	2017
All new build median price	England	£225,000	£249,500	£269,995	£285,000
	London	£315,000	£419,000	£477,113	£501,813
Help to Buy median price	England	£195,000	£210,950	£234,995	£247,500
	London	£285,000	£340,000	£440,000	£431,000
Help to Buy average price as % of average new build price	England	87%	85%	87%	87%
	London	90%	81%	92%	86%

<sup>17</sup> 2017/18 data was not available at the time of publication.

The ratio of the Help to Buy median price to the median for all new build homes is more stable in England as a whole compared to London. However, comparing London Development Database (LDD) data<sup>18</sup> and the ONS House Price Statistics for Small Areas (HPSSA) dataset<sup>19</sup> used for this analysis suggests that the HPSSA dataset does not capture all new build sales in London. Therefore, this volatility may be as much due to undercounts in key data sources as to actual additional volatility in the relationship between median London new build prices and median Help to Buy London prices.

Figure 5: Median prices of all new builds and of properties purchased through Help to Buy, England and London



##### 5. Annual incomes of households purchasing through Help to Buy

The median household income for London buyers using Help to Buy has been consistently higher than the median household income for all working-age London households<sup>20</sup>. The median income for London Help to Buy purchasers and all first-time buyer households in London have been very similar over the last five years.

The median income for London Help to Buy purchasers in 2013 was 41% higher than for all working age London households; this rose to 72% higher in 2016. The median income for Help to Buy purchasers in 2016 was around the 75<sup>th</sup> percentile of the income distribution for all working age London households, indicating that Help to Buy predominantly assists London households on high incomes e.g. at least half of Help to Buy purchasers in 2016 were in the top 25% of the working age income distribution.

<sup>18</sup> Greater London Authority, London Development Database

<sup>19</sup> ONS, House Price Statistics for Small Areas (HPSSA) dataset 10

<sup>20</sup> GLA analysis of Households Below Average Incomes data 2016/17. Working age households are defined as those with a household head aged under 65

The median incomes of London Help to Buy purchasers and of all first-time buyers in London have been very similar over the last five years. Between 2013 and 2016, the median income for London Help to Buy purchasers was slightly higher than the median income for all London first-time buyer households. In 2017, the median income for London Help to Buy purchasers fell to £64,300, leading the median income of all London first-time buyer households to be slightly higher at £66,100. This fall in the median income for Help to Buy purchasers in London coincides with the introduction of Help to Buy London, suggesting relatively more middle-income households have been able to access the scheme since the maximum Government equity share increased to 40%.

Table 5: Median annual income of London Help to Buy purchasers and of London households

	<b>Median annual income, working age London households</b>	<b>Median annual income, London households using Help to Buy</b>	<b>Median annual income, all London first-time buyer households</b>
2013	£38,600	£54,400	£52,000
2014	£41,200	£57,700	£55,600
2015	£43,300	£65,000	£60,000
2016	£40,000	£68,800	£64,400
2017	Data not available	£64,300	£66,100

[Note: The median income data for all London households applies to financial years. The median income for all London households in 2013/14 is therefore compared to the median income in 2013 of Help to Buy purchasers in London.]

The proximity between the average income of Help to Buy purchasers in London and the average income of London first-time buyers in general, suggests that the Help to Buy scheme tends to assist similar types of households to those who are accessing homeownership without the scheme's assistance (although these two groups are not necessarily purchasing the same types of homes).

In contrast, Shared Ownership is known to assist many households with significantly lower incomes than the average for all first-time buyers; for instance, in 2015/16, the median income for households purchasing Shared Ownership properties was £41,000<sup>21</sup>, similar to the median income for all working age London households and around a third lower than the median income for all London first-time buyer households.

## 6. Contribution of Help to Buy equity loans to the new build sales market

As the maximum government equity that can be held in a property is 40% in London and 20% in the rest of England, the theoretical maxima for the proportion of total new build residential property value composed of Help to Buy equity in London and the rest of England are around 40% and 20% respectively. This means that the percentages of total value below should be assessed by their proximity to these theoretical maxima, rather than 100%.

In 2016/17, Help to Buy equity loans made up 4.9% of the total value of new build home sales in the rest of England, against a benchmark of around 20%. This is a substantially greater value share than in London, where they comprised 3.4% of the total value of new build sales (against a benchmark of around 40%). However, the gap in value share between London and the rest of

<sup>21</sup> Greater London Authority, 2018 London Housing Strategy, 2018, <https://www.london.gov.uk/what-we-do/housing-and-land/tackling-londons-housing-crisis>

England narrowed between 2015/16 and 2016/17, likely due to the increase in the maximum government equity share available.

Given these figures, Help to Buy is unlikely to be the primary factor influencing new build house prices in London. However, Help to Buy equity unlocks a larger amount of capital through additional mortgage lending, so both the original equity and this extra leverage can be expected to support some increases in the prices of new build homes.

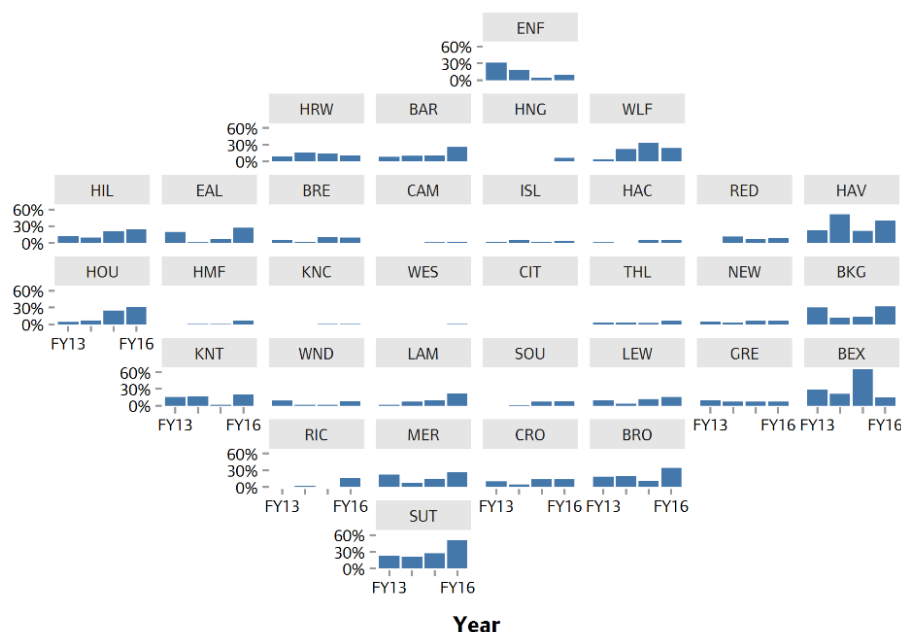
Table 6: Estimated value of new build sales and Help to Buy equity loans, England and London

	London			Rest of England		
	Estimated total value of new build sales (£bn)	Help to Buy equity (£bn)	Help to Buy equity as % of total value	Estimated total value of new build sales (£bn)	Help to Buy equity (£bn)	Help to Buy equity as % of total value
2013/14	£6.8	£0.1	1.1%	£20.4	£0.7	3.5%
2014/15	£9.8	£0.1	0.8%	£25.2	£1.1	4.5%
2015/16	£11.5	£0.1	1.2%	£29.4	£1.4	4.9%
2016/17	£13.3	£0.5	3.4%	£37.1	£1.8	4.9%

It is possible to estimate the proportion of new build housing development that is being supported by Help to Buy in individual boroughs, by comparing the number of Help to Buy loans with the number of new build private completions as measured by the LDD<sup>22</sup>.

Based on this analysis, the GLA estimates that in 2016/17 several Outer London boroughs had more than 30% of their new build private completions supported by Help to Buy (Barking and Dagenham – 32%; Bromley – 35%; Havering – 40%; Sutton – 51%). Comparatively few Inner London developments offer Help to Buy London because of the high market price level in these areas.

Figure 6: Purchases funded by Help to Buy equity loans as a share of total new build private completions, 2013/14 to 2016/17, by borough



<sup>22</sup> Note that comparing transactions data (MHCLG) and completions data (LDD) may lead to completions and transactions of units occurring in different financial years. Therefore, this evidence should be seen as indicative.



Table 7: Purchases funded by Help to Buy equity loans as a share of total new build private completions, 2013/14 to 2016/17, by borough

Local Authority	Sub-Region	2013/14	2014/15	2015/16	2016/17
Camden	Prime Inner	0%	0%	1%	2%
City of London	Prime Inner	0%	0%	0%	0%
Hammersmith and Fulham	Prime Inner	0%	0%	1%	7%
Islington	Prime Inner	2%	5%	2%	3%
Kensington and Chelsea	Prime Inner	0%	0%	0%	1%
Westminster	Prime Inner	0%	0%	0%	1%
Greenwich	Inner	10%	7%	8%	7%
Hackney	Inner	1%	0%	5%	5%
Lambeth	Inner	2%	7%	10%	22%
Lewisham	Inner	10%	4%	12%	16%
Newham	Inner	6%	3%	6%	6%
Southwark	Inner	0%	1%	7%	8%
Tower Hamlets	Inner	3%	3%	3%	6%
Wandsworth	Inner	9%	2%	2%	8%
Barking and Dagenham	Outer	30%	11%	13%	32%
Barnet	Outer	8%	10%	11%	26%
Bexley	Outer	28%	21%	66%	15%
Brent	Outer	5%	2%	10%	10%
Bromley	Outer	18%	20%	11%	35%
Croydon	Outer	10%	5%	14%	14%
Ealing	Outer	20%	1%	7%	27%
Enfield	Outer	31%	19%	5%	9%
Haringey	Outer	0%	0%	0%	6%
Harrow	Outer	9%	16%	14%	11%
Havering	Outer	22%	51%	22%	40%
Hillingdon	Outer	12%	10%	21%	24%
Hounslow	Outer	4%	7%	24%	31%
Kingston upon Thames	Outer	15%	17%	2%	20%
Merton	Outer	22%	7%	15%	27%
Redbridge	Outer	0%	11%	7%	8%
Richmond upon Thames	Outer	0%	2%	0%	16%
Sutton	Outer	22%	21%	27%	51%
Waltham Forest	Outer	4%	22%	33%	24%
London total		8%	7%	9%	13%

[Key: Green = Less than 10% of new build private completions involve Help to Buy; Orange = 10-20% of new build private completions involve Help to Buy; Red = 20+% of new build private completions involve Help to Buy].

The number of Help to Buy equity loan purchases in 2016/17 was equivalent to 13% of the number of new build private completions in London in that year (up from 9% in 2015/16). The Help to Buy London share of the homeowner market is probably larger as some new build completions would have been bought by investors and rented out.

## Policy objectives and evidence on effectiveness

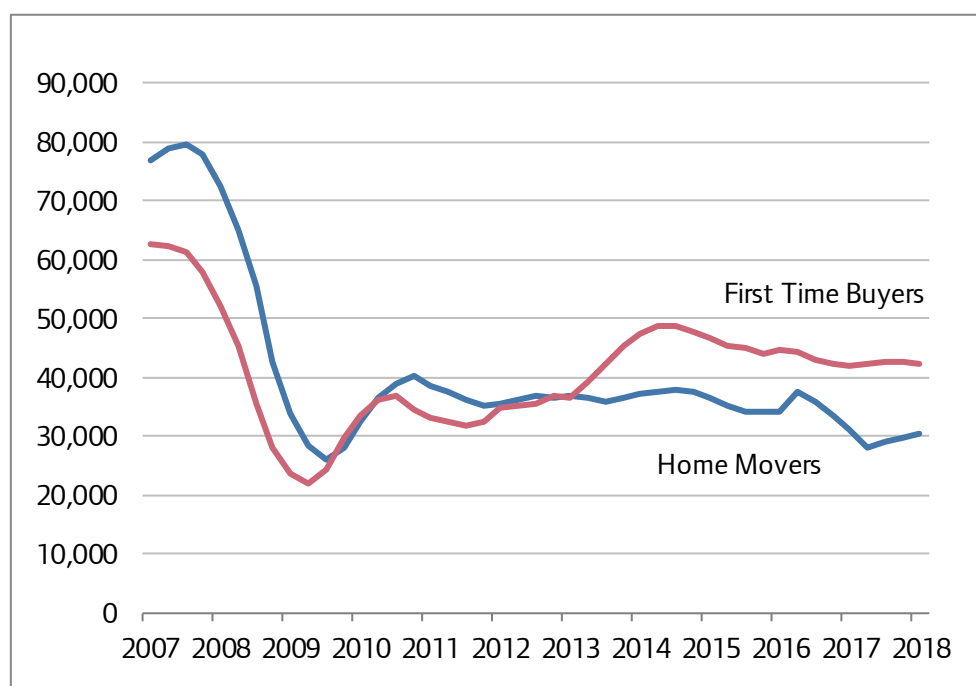
The Help to Buy policy has two principal objectives: to stimulate additional housing development, and to improve access to homeownership. This section assesses the policy's effectiveness at meeting these objectives.

### Access to homeownership: First-time buyers

By the end of 2017/18, 12,200 Help to Buy loans had been issued in London, the vast majority of them to first-time buyer households; since the introduction of Help to Buy London in 2016, MHCLG data shows that 95% of purchases have involved first-time buyers.

The share of London's housing transactions accounted for by first-time buyers has been higher over the last five years compared to a decade ago, and Help to Buy is be one factor contributing to this. However, over the same period, other policies may have had a greater impact upon the buyer profile of all housing transactions; for example, the introduction of the 3% Stamp Duty Land Tax (SDLT) surcharge on additional property purchases in April 2016 was followed by reductions in the number of moves by non-first-time buyers, likely due in part to high transaction costs and reduced landlord demand (see below chart).

Figure 7: New mortgage advances to first-time buyers and home movers, 2007-18, London (annualised)



According to the 2016 DCLG evaluation, there is limited evidence that Help to Buy resulted in a significant shift towards owner-occupation, with 95% of purchasers who used it saying they were already looking to buy<sup>23</sup>. The evaluation does however suggest that 43% of purchasers would not have been able to purchase 'the same property, a similar property or a property they

<sup>23</sup> DCLG, 'Evaluation of the Help to Buy equity loan scheme', 2016, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/499701/Evaluation\\_of\\_Help\\_to\\_Buy\\_Equity\\_Loan\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/499701/Evaluation_of_Help_to_Buy_Equity_Loan_FINAL.pdf)

wanted' without assistance<sup>24</sup>. Further, the policy has enabled households to purchase properties that they otherwise would not have been able to e.g. larger homes, or homes in more expensive areas<sup>25</sup>.

Looking at the overall homeownership rate in London, in 2012 (the year before Help to Buy was launched), 51.5% of households in London owned their home; in 2017, 51.2% of households in London owned their home<sup>26</sup>. Looking at the proportion of households who owned their homes with a mortgage (as opposed to outright), 29.4% of London households in 2012 owned with a mortgage, and in 2017 29.2% of households owned with a mortgage. Therefore, although Help to Buy has assisted some households, its introduction has not coincided with an increase in either the overall homeownership rate, or in the proportion of London households owning with a mortgage.

#### Access to homeownership: Price effect

When considering Help to Buy's impact on access to homeownership, it is important to consider its effect upon the pricing of new build homes (as covered by section 4); for example, if the policy inflates new build home prices, this would reduce access to homeownership for some prospective first-time buyer households.

A 2015 report by Shelter<sup>27</sup> estimated that the extra leveraging of credit enabled by the Help to Buy policy had added around £8,250 to the price of the average UK home. The same report however states that as the Help to Buy had less take-up in London and the South East in 2015, this upward pressure on prices may have been weaker (in percentage terms) in London. This picture may have changed following the introduction of Help to Buy London in February 2016.

Forthcoming London School of Economics (LSE) research<sup>28</sup> compares the sales prices of new build properties on either side of the GLA boundary. The researchers' interim findings estimate that the availability of Help to Buy London has increased the price of a new build home by between 4% and 6% in Greater London. This covers all new build homes in Greater London, not just those offering Help to Buy, and any such effect would reduce the accessibility of homeownership to potential first-time buyer households. It is important to weigh this reduction in access against the first-time buyer households assisted by the policy.

#### Stimulating housing development: Additionality

The Government's own evaluation in 2016<sup>29</sup> estimated that up to January 2015, 43% of the new homes built as a consequence of the Help to Buy Equity Loan policy were 'additional homes'. In other words, for every 100 Help to Buy Equity Loans granted, 43 led to new build dwellings that would not otherwise have been built.

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<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Greater London Authority, Housing in London 2018, 2018, <https://data.london.gov.uk/dataset/housing-london>

<sup>27</sup> Shelter, 'How much help is Help to Buy', 2015, [https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0010/1188073/2015\\_09\\_how\\_much\\_help\\_is\\_Help\\_to\\_Buy.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0010/1188073/2015_09_how_much_help_is_Help_to_Buy.pdf)

<sup>28</sup> Hilber, Carozzi and Yu, 'Help to Buy research paper', forthcoming

<sup>29</sup> DCLG, 'Evaluation of the Help to Buy equity loan Scheme', 2016, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/499701/Evaluation\\_of\\_Help\\_to\\_Buy\\_Equity\\_Loan\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499701/Evaluation_of_Help_to_Buy_Equity_Loan_FINAL.pdf)

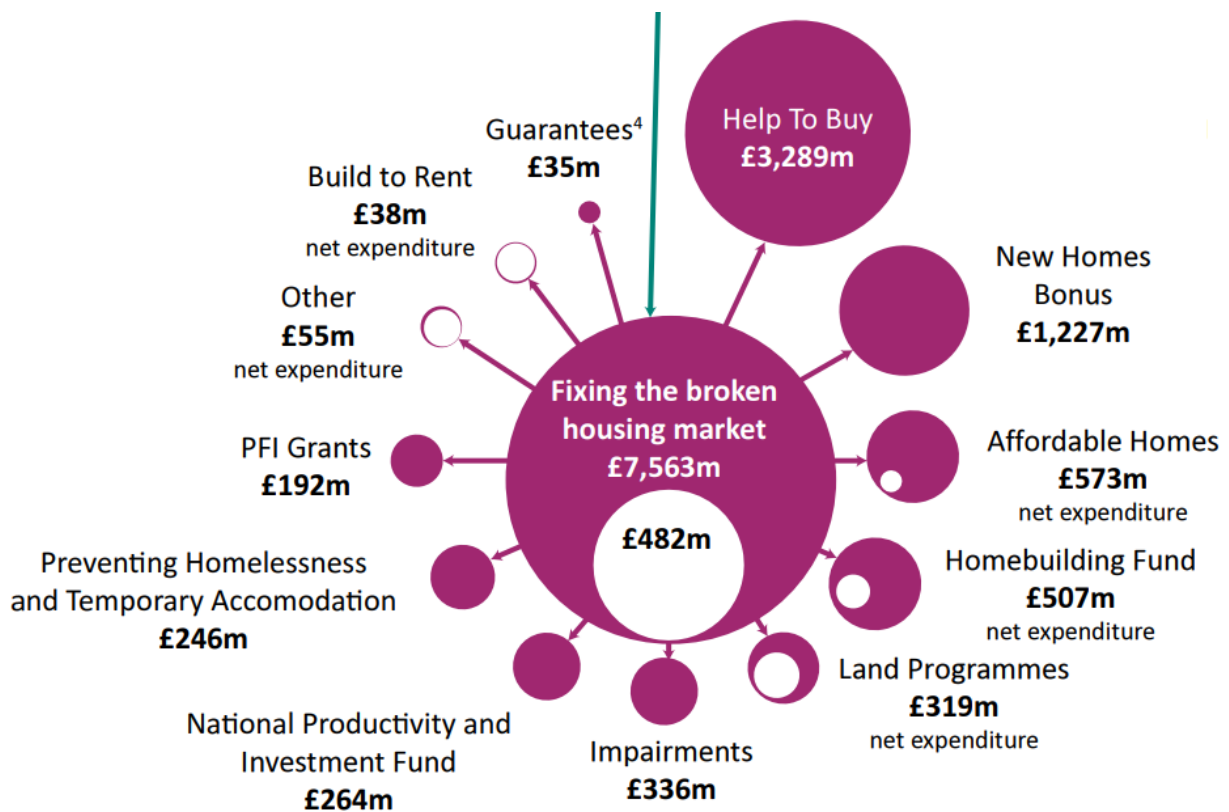
The evaluation notes that this assessment of additionality does not filter out those who, in theory, could have afforded a smaller property either in the new build or existing market without assistance; the evidence provided in Section 5 above supports this assessment, with the average income of London Help to Buy purchasers similar to that of those households accessing homeownership without the scheme's assistance. Therefore while 43% is the best central estimate of additionality, accounting for some households who would have bought smaller new build properties without Help to Buy assistance would lower this estimate.

For comparison, 43% is a lower level of additionality than has been assumed by the Government for grant-funded affordable housing (50%)<sup>30</sup>.

Stimulating housing development: Interplay with affordable housing

The latest MHCLG annual report and accounts (2017/18) charts its expenditure on policies to 'Fix the broken housing market'<sup>31</sup> (Figure 8).

Figure 8: MHCLG net expenditure on policies to 'Fix the broken housing market'



This demonstrates the sizeable proportion of MHCLG housing expenditure dedicated to Help to Buy, estimated at several multiples of that dedicated to capital expenditure in new Affordable Homes (note that the chart shows Affordable Homes expenditure net of returns and does not include the London settlement for annual Affordable Homes expenditure).

<sup>30</sup> DCLG, 'Impact assessment for affordable housing', 2011, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6021/1918816.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/6021/1918816.pdf)

<sup>31</sup> MHCLG, 'Annual report and accounts 2017 to 2018', 2018, <https://www.gov.uk/government/publications/mhclg-annual-report-and-accounts-2017-to-2018>

While the average incomes of households using Help to Buy London are substantially higher than those accessing Shared Ownership (£41,000 in 2015/16)<sup>32</sup>, there is some overlap between the two prospective groups. Given the advantages of Help to Buy London (e.g. full homeownership, minimal fees incurred on portion owned by Government), anecdotally some developers of Shared Ownership schemes have noted a fall in demand when Help to Buy London is offered on the same or comparable schemes in their area. Any such 'crowding out' of affordable homeownership schemes (schemes which involve significantly lower public cash injections per home) would reduce the effective additionality of Help to Buy London.

### Stimulating housing development: Volumes

A 2017 Home Builders Federation report<sup>33</sup> argued that Help to Buy supports housebuilders' confidence in the market overall and is sustaining an increase in new housebuilding. Recent evidence from Molior London<sup>34</sup> also suggests that in a weaker London sales market, the availability of Help to Buy is encouraging housebuilders to continue completing new homes.

In contrast to this qualitative evidence, while LSE researchers Hilber, Carozzi and Yu found evidence of the Help to Buy increasing housing construction outside of London, their interim findings did not identify a systematic effect of Help to Buy London on housing construction. However, this may be due to construction lags, which cannot be fully accounted for given the introduction of the 40% equity loan scheme only two and a half years ago<sup>35</sup>.

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<sup>32</sup> GLA, 'London Housing Strategy 2018', 2018,

[https://www.london.gov.uk/sites/default/files/2018\\_lhs\\_london\\_housing\\_strategy.pdf](https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf)

<sup>33</sup> Home Builders Federation, 'Stepping up', 2017,

[http://www.hbf.co.uk/?eID=dam\\_frontend\\_push&docID=25707&filename=HBF\\_Report\\_-\\_Stepping\\_up\\_HtB\\_2017.pdf](http://www.hbf.co.uk/?eID=dam_frontend_push&docID=25707&filename=HBF_Report_-_Stepping_up_HtB_2017.pdf)

<sup>34</sup> Molior, 'Quarterly analysis: Q2 2018 sales', 2018

<sup>35</sup> Hilber, Carozzi and Yu, 'Help to Buy research paper', forthcoming (2018)

## **Annex 1: Geographical categorisation**

**Prime Inner:** Camden, City of London, Hammersmith and Fulham, Islington, Kensington and Chelsea, Westminster.

**Inner:** Hackney, Haringey, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets, Wandsworth.

**Outer:** Barking and Dagenham, Barnet, Bexley, Brent, Bromley, Croydon, Ealing, Enfield, Greenwich Harrow, Havering, Hillingdon, Hounslow, Kingston upon Thames, Merton Redbridge, Richmond upon Thames, Sutton, Waltham Forest