



SOCIAL RESEARCH NUMBER:

13/2016

PUBLICATION DATE:

09/03/2016

HELP TO BUY WALES

Evaluation Report

Executive Summary

1. Introduction

1.1 The Help to Buy – Wales scheme was introduced in January 2014 in order to boost the house building sector in Wales and support home ownership. This interim evaluation measures the impact of Help to Buy - Wales on buyers and developers, considering how the existence of the scheme has influenced buyer and developer behaviour.

2. Methodology

2.1 The approach included a comprehensive survey of both buyers and developers (response rates of 23 per cent (n=682) and 39 per cent (n=49) were achieved) and a comparative analysis of the scheme across Wales and vis-à-vis a similar scheme in England.

2.2 The response rates achieved for the surveys mean that the conclusions drawn cannot be

said to be definitive, but analysis of the responses shows that the samples achieved for both buyers and developers are representative of both groups and so the conclusions drawn as part of this research are broadly indicative of the buyers and developers experience of the Help to Buy – Wales Scheme.

3. Key Findings

3.1 The analysis of the programme management information, survey results and interviews with buyers, developers and key stakeholders finds that:

From the buyers perspective

- 75 per cent (n=494) of all beneficiaries purchasing properties through the scheme are first-time-buyers.
- 57 per cent (n=281) of first time buyers stated that they entered the property market sooner as a result of the scheme.
- 89 per cent (n=439) of first time buyer respondents reported that the scheme had an influence on their decision to buy a property.
- 80 per cent (n=532) of respondents stated that the scheme had an influence on the type of property they purchased with:
 - 42 per cent (n=222) buying a larger house (than they would have without the scheme)
 - 42 per cent (n=225) buying a more expensive house (than they would have without the scheme)
- 73 per cent (n=389) buying a house in a new rather than existing development specifically because of the scheme.
 - There was a positive view on the administrative process of the scheme, with between 77 per cent (n=514) and 86 per cent (n=571) of respondents citing various aspects of the process as good.
 - Only 43 per cent (n=280) of overall respondents found the scheme's Welsh language service good. Of the seven that provided feedback in Welsh; three rated the service as 'Good', with one saying it was 'fair', two being 'Not sure' and the final Welsh speaking buyer rating the service as 'Poor'.

From the developers perspective:

- Fifty-nine per cent of developers (n=26) reported that the scheme has influenced their
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development plans. Of these:

- 62 per cent (n=16) stated that they were building more houses in Wales due to the scheme
- 80 per cent (n=20) stated that they would have built less houses in Wales without the scheme
- 27 per cent (n=7) actively sought new locations within Wales for development, which they may not have without the scheme.
- Only 8 per cent (n=2) stated that the scheme had an influence on the size of units they were developing.
- 75 per cent (n=30) of respondents stated that the scheme had increased sales and 84 per cent (n=36) noted an increased demand for housing in Wales.
- 92 per cent (n=39) of respondents stated that they had actively promoted the Help to Buy Scheme.
- 21 per cent (n=9) of respondents stated that buyers were not aware of the scheme before developers identified it.
- 70 per cent (n=41) of respondents were happy with all aspects of the administrative process for the scheme.

3.5 A cumulative analysis of survey responses suggest at least 126 jobs were created by developers directly because of the scheme (additional) with the remaining 34 jobs being partially additional (may have been created without the Scheme). Other developers indicated an increase in the working hours of their existing workforce, as opposed to the direct creation of new jobs.

3.6 The Help to Buy – Wales scheme was benchmarked against the similar scheme in England¹. The Help to Buy – England scheme began nine months before the Help to Buy – Wales scheme and so although not directly comparable, the analysis suggests:

- A proportionately larger percentage of developers registered for the scheme in Wales;
- A wider range of buyer types are using the scheme in Wales than in England (85 per

¹ www.helptobuy.gov.uk

cent of all users are FTB in England, compared to 75 per cent in Wales);and

- Up to June 2015, Help to Buy - Wales loans accounted for 5% of all loans in Wales, while Help to Buy – England accounted for 11% in England. However, precise comparisons cannot be made given that in England the scheme has been in operation for a longer period.

4. Conclusions

- 4.1 The research concluded that the Help to Buy - Wales scheme has had a positive impact on the Welsh housing market as 75 per cent were First Time Buyers. Furthermore, 89 per cent of survey respondents stated that scheme influenced them in purchasing a property, including 84 per cent of repeat buyers who reported that they bought a larger or more expensive house because of the scheme. This evidence shows additionality in terms of the purchasing of a greater quantity of new properties than would have occurred without the scheme.
- 4.2 The evidence suggests there has been some displacement impact on buyer activity, with some buyers suggesting they altered their behaviour due to the scheme – such as purchasing a bigger house or bringing forward their timeframe. There is some evidence, although limited, that it is now more difficult to sell smaller properties that could be marketed as ‘starter homes’ as the scheme is encouraging first time buyers to purchase larger and more expensive homes than they would have done otherwise.
- 4.3 The analysis does suggest there is room for improvement. In particular, qualitative feedback from buyers suggests a need to enhance the provision of the Welsh speaking service and a need for further promotion of the scheme, not only to buyers but also to developers and solicitors.
- 4.4 This research also concluded that the cap applied in the Help to Buy -Wales scheme is appropriate across Wales, with only Cardiff and The Vale of Glamorgan having average new-build house prices close to the cap. (We acknowledge that a sub-regional cap is not possible in this context). The majority of buyers and developers also reported no issues with the price cap.

5. Recommendations

- 5.1 In all, the interim evaluation is positive, but the following recommendations are made (in no particular order).

With regards to the Process evaluation:

- 5.3 The Welsh Government should put in place an improvement programme to enhance the Welsh language offering of Help to Buy – Wales.
- 5.4 A marketing strategy (and associated budget) should be developed (allocated) and implemented to promote Help to Buy – Wales. In particular, a focus should be on promoting it to buyers, solicitors and financial institutions.
- 5.5 In order to ensure that the application process remains efficient and timely Help to Buy (Wales) Ltd should offer training/re-fresher training to all solicitors and Independent Financial Advisors on the Help to Buy - Wales processes.

With regards to the Impact of Help to Buy:

- 5.6 The Welsh Government should consider additional research on the impact of Help to Buy – Wales on those seeking to sell a property (particularly those wishing to move up the housing ladder). This could take the form of a survey with house sellers and / or estate agents and would provide supplementary evidence of displacement on the second-hand market.
- 5.7 The Welsh Government should work with developers and other stakeholders to increase the availability of land available for development. This should have a sub-regional focus, concentrating on those areas with the highest house prices (Cardiff, The Vale of Glamorgan and Monmouthshire) and will ensure continued success of the Help to Buy – Wales scheme and the housing market going forward.
- 5.8 The sub-regional impact of the Help to Buy - Wales scheme should be monitored closely, as it is unlikely the full impact of the scheme has been fully felt across all local authorities. Given that property prices vary sub-regionally, there is potential for spatial bias in the longer term. Monitoring this can ensure that, if a bias does become apparent, mitigating actions could be considered to address it. (Although it is noted that a price cap that varies
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across Wales is unfeasible).

- 5.9 The results of this analysis should be kept up-to-date and tracked against official statistics when they become available. The quality / robustness of official statistical estimates on – for example house prices by local authority - should also be reviewed to ensure accuracy.

Full Research Report available at: <http://gov.wales/statistics-and-research/evaluation-help-to-buy-wales-scheme/?lang=en>

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

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