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Evaluation of Scottish Government Shared Equity Schemes

PEOPLE, COMMUNITIES AND PLACES

social research

Evaluation of Scottish Government Shared Equity Schemes

June 2020

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Executive Summary

This report presents the findings of an evaluation of the Scottish Government's three shared equity home ownership schemes; Help to Buy (Scotland) (HtB), New Supply Shared Equity (NSSE) and Open Market Shared Equity (OMSE). This study into the effectiveness of these three schemes was commissioned by the Scottish Government to help inform decisions on the future of the schemes and their approach to supporting homeownership as part of the Housing to 2040 work.

Context and scheme objectives

The Schemes were introduced against a backdrop of key housing market and economic developments in Scotland. In the 10 years to the housing market's peak in 2008, overall housing production increased but net housing stock growth struggled to keep pace with net household growth. This contributed to increasing affordability pressures over the period to 2008. Even before the global financial crisis it was evident that the market was characterised by falling numbers of first-time buyers, with access to homeownership increasingly restricted to more affluent buyers who were in a position to put down a substantial deposit. In the years following the 2008 crisis, severe restrictions were placed on mortgage lending and there was a significant increase in deposit requirements set by lenders.

NSSE and OMSE were introduced to improve equity of access for lower-income households who had been disadvantaged by sustained house price inflation in the run up to the introduction of the schemes. HtB was more specifically focused at supporting the recovery of the new house building industry, by addressing the 'deposit barrier' faced by borrowers who were no longer able to access high loan to value lending due to the sharp increase in risk aversion amongst lenders following the 2008 crisis. The schemes have supported more than 32,000 households since their introduction in 2005[1], nearly half of these via the HtB scheme since 2013/14.

Methodology

The study has made use of a wide variety of data sources to assess the effectiveness and future need of the Scottish Government's three shared equity schemes. This has included analysis of secondary data sources, such as scheme administrative data and housing market statistics, to gauge how the schemes are positioned in the Scottish housing market and their future role. The views of key stakeholder groups were gathered through quantitative survey research with buyers and developers (followed up by qualitative interviews with these groups), and qualitative interviews with lenders and Registered Social Landlords (RSLs). The survey of buyers received 4,063 responses (a response

[1] OMSE and NSSE are part of the Low-Cost Initiative for First-Time Buyers, which originated as 'Homestake' in 2005.

rate of 16%). More detail on the research approach, and its limitations, is provided at Chapter 2 and in the annex to this report.

All fieldwork and analysis was completed in 2019, so does not take into account any potential disruption caused by COVID 19. Fieldwork dates can also be found in Chapter 2.

Characteristics of shared equity buyers

Buyer survey findings suggested that there was some commonality in the profile of buyers across the three schemes. Buyers through the three shared equity schemes were typically relatively young in age profile (71% were under 40), most were first-time buyers (73%), most commonly moving from private (39%) or social renting (12%), and the great majority were in employment (98%).

Differences in buyer characteristics across the three schemes in part reflects their different objectives. HtB buyers were typically younger (72% were under 40), had a higher income (median £41,000), and were less likely to be a first-time buyer (64%) than buyers through OMSE or NSSE. NSSE buyers were older (18% were over 55), had a lower income (median £27,000) and were more likely to be a first-time buyer (71%). OMSE buyers were again slightly younger (71% under 40), had the lowest income (median £24,000) and the vast majority were first-time buyers (94%). This suggests that the schemes have had some success in supporting their respective target groups, for example first-time buyers and lower income households (particularly the NSSE and OMSE schemes).

Buyers' experience and intentions

The majority of buyers had considered home ownership as their only tenure option (91% of HtB, 80% of NSSE and 76% of OMSE). This was consistent with qualitative findings that the decision to use shared equity did not have a significant impact on the types and sizes of properties being considered by buyers. Rather, the option of buying with shared equity appeared to have allowed buyers to bring forward their decision to buy, to consider properties that better suited their needs, and/or to buy in their preferred areas.

Buyer satisfaction was high across all aspects of the shared equity purchase process, particularly on the ease (92% satisfied) and timeliness (91%) of the application process. Qualitative findings emphasised the extent to which buyers' experience was dependent on support and advice from mortgage brokers, estate agents and/or solicitors.

Just over a tenth of respondents (11%) had increased their equity stake since buying with shared equity. Just over half (52%) of all respondents expressed an interest in increasing their equity stake over the next five years, although just under three quarters (73%) of those who would like to increase their stake felt they were likely to do so. This most commonly reflected affordability concerns, although a lack of clarity around the process was evident.

Just over a quarter of all respondents (26%) had re-mortgaged since buying their home. Those respondents who had not re-mortgaged referred to a lack of clarity around requirements on buyers when re-mortgaging, and some concerns regarding potential for shared equity to limit access to lenders and re-mortgage products.

Lenders, developers and Registered Social Landlords

Lenders and developers were clear in their view that the objectives of the shared equity schemes were in line with their own business strategies, and all developer respondents had positive expectations from the outset about the impact of the scheme. This included some lenders with experience of the UK Government scheme (HtB), and developers who were already using low cost home ownership mechanisms in response to the adverse impact of the global financial crisis. For these developers in particular, the Scottish Government's role was important in legitimising the schemes.

Private developers and Registered Social Landlords (RSLs) were generally positive about the schemes' impact in terms of reaching customers who would otherwise have been unable to buy, increasing sales volumes, and increasing demand for new build properties. Nearly all developer respondents (25 of 26) indicated that HtB had met or exceeded their expectations. There was a general view that HtB, particularly under the reduced price cap, has reached customers who would not otherwise have been able to buy a new build property. Developers also indicated that HtB had made a positive contribution to their recovery from the 2008 crisis. However, some conceded that prior to the price cap reduction, substantial proportions of buyers may have been able to buy without assistance. Some developers also noted reduced lending restrictions and deposit requirements had eased market barriers in recent years, leading to HtB playing a smaller role.

Lenders were more cautious about the extent to which the shared equity schemes, and in particular HtB, had supported those who would otherwise have been unable to access the market. Lenders saw HtB buyers as including some who may have been able to buy without assistance in the foreseeable future and suggested that the NSSE and OMSE schemes may have had a greater impact in targeting those unable to buy without assistance.

Overall, developers, RSLs and lenders were mixed in their views on the continuing role of shared equity. Some private developers saw HtB as 'life support' for the sector following the global financial crisis, and recognised the significant change in housing market and economic conditions since its introduction. However, stakeholders were also of the view that there remains a potentially substantially proportion of Scottish households who may struggle to access suitable housing without some form of assistance.

Assessing additionality

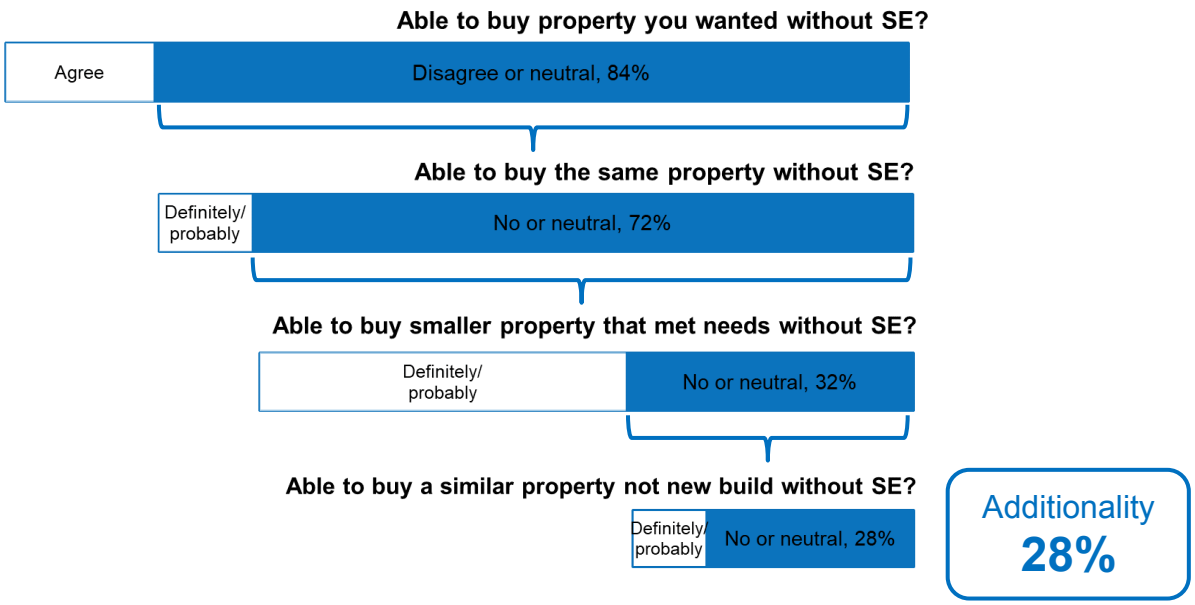
The evaluation has considered the 'additionality' delivered by the three shared equity schemes, in terms of the number of households buying a home who would have been unable to do so in the absence of the three schemes (demand-side additionality) and the number of new homes built as a direct result of the schemes (supply-side additionality). To do so, the evaluation drew on buyer survey responses to the following four statements/questions:

1. I would have been able to buy a property I wanted anyway without the scheme.
2. Without shared equity, would you still have been able to buy the same property?
3. Without shared equity, would you still have been able to buy a smaller property that was still suitable for your needs?
4. Without shared equity, would you still have been able to buy a similar property that was not new build? (HtB/NSSE only)

Estimated additionality can vary significantly depending on what responses to these questions are permitted for a purchase to be considered additional. Our central estimate of additionality counts those households who answered negatively or gave a neutral response to each of the four questions as additional. The main body of the report contains further details, including the reasons for why this is our preferred approach.

Figure A summarises our central estimate of the additionality generated by shared equity schemes. This estimates that the overall proportion of buyers using Scottish Government shared equity schemes who can considered to be 'additional' is 28%.

Figure A: 'Central' estimate of demand-side additionality for shared equity schemes



Our estimate of the demand-side additionality generated by each of the three schemes is:

- **20% of HtB buyers** have been additional (around 3,000 buyers).
- **39% of NSSE buyers** have been additional (around 1,850 buyers).
- **47% of OMSE buyers** have been additional (around 6,000 buyers).

Further analysis shows differences in the 'additionality rate' across key buyer groups. In particular, lower income households, those in social or private rented accommodation, single parents, those buying smaller and lower value homes, those aged 40+ and first-time buyers were most likely to be additional. The profile of additional buyers also suggests that the schemes have had some success in supporting households who typically have more difficulty accessing home ownership.

Even where a purchase is not counted as additional based on the household's answers to the above four questions, the schemes could have had an effect by bringing forward these purchases in time. Indeed, a large majority of non-additional buyers across the three shared equity schemes reported that the schemes allowed them to buy a property sooner than they could otherwise have done (HtB: 82%, OMSE: 89%, NSSE: 73%).

Consideration of supply-side additionality was largely confined to HtB. HtB has comprised a substantial share of overall private sector output, but it remains very difficult to place a figure on the extent to which this supply is additional, primarily due to a lack of available small area house price or construction data. Our estimate of supply-side additionality is therefore based on survey results, and indicated that 5% of all new build sales (around 3,000) from 2013/14 to 2018/19 were 'additional' as a result of HtB.

Looking forward

Scottish Government's three shared equity schemes have had some success in reaching key target groups. Our assessment also suggests that the three schemes as a whole have generated substantial additionality. This is in terms of buyers who would have been unable to access the market without assistance (estimated at c.11,000 of more than 32,000 buyers using the schemes), and bringing forward additional new build supply. However, our assessment is that the NSSE and OMSE schemes have achieved a significantly higher additionality rate than HtB.

The shared equity schemes appear to have had a positive impact on market confidence. For HtB this has been in large part by enabling substantial numbers of households who were able to bring forward their decision to buy, and/or to consider better quality housing or more desirable locations. Qualitative findings suggest that bringing forward demand was important in rejuvenating the new build market, and building developer and lender confidence in the years following introduction of the scheme. However, this aspect of the rationale for

introduction of HtB has been weakened by improving affordability and relaxation of lending conditions in recent years.

A substantial proportion of those supported by the schemes, particularly HtB, may have feasibly been able to access home ownership without assistance. Furthermore, relaxation of lending restrictions and deposit requirements in the last 2-3 years are likely to mean that the HtB scheme as it is currently operating is likely to continue to be accessed by a substantial proportion of households who could feasibly buy without assistance.

The OMSE, and to lesser extent NSSE, schemes appear to have been more effective in enabling lower income households to overcome price and deposit constraints to access homeownership. Qualitative findings suggest that there is substantial scope for improvement in marketing and awareness of the schemes. This has potential to further increase the positive impact of these schemes, by increasing the number of prospective buyers in key target groups considering OMSE or NSSE as part of their housing choices.

In terms of the future of the schemes, these findings suggest that there is a stronger case for continuation of NSSE and OMSE than HtB, in terms of the additionality produced by the three schemes. This is also reflected in stakeholder views which pointed to a potentially substantial group of Scottish households who are likely to continue to require assistance to access home ownership, but recognised scope for assistance to be more targeted to those most in need.

The fieldwork and analysis for this evaluation were completed prior to COVID-19 affecting the Scottish economy. Any future policies would need to consider whether the impact of COVID-19 on the Scottish housing market affects these findings.

1. Introduction

This report presents findings from an evaluation of the Scottish Government's three shared equity home ownership schemes: Help to Buy (Scotland) (HtB); New Supply Shared Equity (NSSE) and Open Market Shared Equity (OMSE). The study was commissioned by the Scottish Government to help inform the decision on the future of HtB and the approach to supporting homeownership as part of the Housing to 2040 work.

This chapter summarises the study context and objectives. The following chapters set out the research methodology and findings across the key themes for the evaluation:

- An overview of sales activity through the three schemes;
- The characteristics of buyers using shared equity schemes;
- Buyers' experience of the shared equity schemes, schemes' impact on housing outcomes for buyers, and future housing intentions;
- Impact of the schemes on the wider housing market in Scotland;
- Impact of the schemes on lending in Scotland; and
- Impact of the schemes for developers and new housing development.

Background

The Scottish Government ambition is to ensure housing costs are affordable for all households and that households in work have a reasonable chance to own a home, if that is their preferred tenure, that offers good access to labour markets. The Scottish Government's three shared equity schemes were all developed to make home ownership more affordable for households unable to buy without financial support. In the wake of the 2008 global financial crisis (GFC) and restricted mortgage availability, the Help to Buy scheme, which was introduced in September 2013, was also specifically designed to boost private house building and support the recovery of the house building industry following the crisis. Together the schemes have supported more than 32,000 households to access home ownership since 2005[2].

The three schemes have similar overall aims in terms of improving access to home ownership, and supporting delivery of Scottish Government policy objectives around tenure mix and social inclusion. They also use similar mechanisms to achieve this, enabling the Scottish Government to acquire an equity share in a property as a means of making the purchase more affordable and facilitating access to mortgage lending, and with the share repaid on subsequent house sale or as buyers choose to increase their equity share.

[2] OMSE commenced in 2005/06, NSSE in 2007/08 and HtB in 2013/14.

However, the schemes are distinctive in terms of their specific market focus and buyer criteria, as is summarised at Table 1.

Table 1: Overview of Scottish Government shared equity schemes

Scheme	Rationale for introduction	Price threshold	Equity provided	Target groups
Open Market Shared Equity Scheme (OMSE)	Support access to home ownership on the open market following a period of decreasing affordability.	Linked to housing market and property size.	Scottish Government acquires an equity stake of 10-40%.	First-time buyers on low to moderate incomes. Priority access for social renters, disabled people, armed forces and veterans, people aged 60.
New Supply Shared Equity Scheme (NSSE)	Support access to new build affordable housing to own following a period of decreasing affordability.	Linked to housing market and property size.	Scottish Government acquires an equity stake of 20-40%.	First-time buyers and those experiencing a change in circumstances, on low to moderate incomes. Priority access for social renters, disabled people, armed forces and veterans, people aged 60.
Help to Buy (Scotland) (HtB)	Support access to new build housing and support recovery of the house-building industry in the context of lending restrictions and increased deposit requirements.	Threshold price initially set at £400k, reduced to £250k in 2014, £230k in 2016 and to £200k since 2017.	Scottish Government acquires an equity stake of up to 15% since 2016/17 (up to 20% prior to April 2016).	First time buyers and existing homeowners wishing to buy an affordable new build home from participating developers.

Study objectives

While monitoring of the three schemes has, to date, drawn on responses from a sales log of buyers, an evaluation was commissioned to provide more information on the schemes' impact for buyers and the wider market. The evaluation was also required to gather evidence of developers' experiences of HtB and NSSE, and on lenders and non-lenders' perspectives on the schemes.

The evaluation sought to address the following research questions.

- How effective have the Scottish Government's shared equity schemes been in helping buyers on low to moderate incomes move into owner occupation?
- What are the characteristics of buyers in the shared equity schemes?
- How satisfied are buyers with the schemes and what are their future housing intentions?
- What has been the effect of HtB and NSSE on developers' recovery and new build development following the financial crisis? This to include an

assessment of the 'additionality'[3] in new housing development supported by the schemes.

- To what extent have the schemes affected mortgage lending since the financial crisis?
- How has the housing market changed since the 2008 crisis, to what extent have the shared equity schemes affected this, and is there still a need for the schemes? This to include consideration of the schemes' direct impact on the housing market, and links with wider Scottish Government policy objectives.

The next chapter summarises the evaluation approach developed to address these questions.

[3] The term additionality refers whether a policy intervention has achieved something that might not otherwise have happened. In this instance what is of specific interest is the extent to which households buying a home through the shared equity schemes would not have been able to do so without this assistance, and whether newly build properties that have been sold through HtB and NSSE would not have been built without the financial support provided by the schemes.

2. Methodology

This chapter summarises the main strands of the evaluation approach and provides an overview of the profile of research participants.

Research design

Quantitative survey research was conducted with buyers and developers, and this was followed up by qualitative interviews with these groups. Qualitative interviews were also conducted with lenders and Registered Social Landlords (RSLs), Research instruments were developed in collaboration with the Scottish Government, drawing on materials used in previous evaluations of UK and Welsh Government shared equity schemes. The buyer survey questionnaire was piloted with a small random sample of buyers to ensure questions were relevant to buyers and would produce findings which accurately reflected their views and experiences.

The buyer survey was issued via email and post on September 13th 2019 and closed on 10th October 2019. Emails with a direct link to the online survey were issued to buyers for whom an email address was held, and a letter providing a short link to the survey was issued to all others. Contact details for all buyers were provided by the Scottish Government from sales log forms. Options to respond via online survey, paper copy and telephone were offered to all buyers. Overall, 66% of surveys were issued via email and 34% by post. A postal reminder was also on issued 14th October 2019 to a random sample of 10,000 non-respondents at the mid-point of survey fieldwork. The mix of email and postal issue varied across the three schemes; postal was used for 44% of HtB, 100% of NSSE and 1% of OMSE buyers. Full buyer response rates are available in the annex to this report.

The developer survey was issued to all developers by email on 5th September 2019, supported by direct communication with developers to encourage response by the Scottish Government and Homes for Scotland. The survey was closed on 16th October 2019.

Telephone interviews with lenders were conducted in parallel with the buyer and developer survey fieldwork, with invites issued to all lenders currently or previously involved in the shared equity schemes and a sample of those not involved in the schemes. Interviews with buyers and private developers were recruited from respondents who volunteered to take part in further research. Interview invites were also issued to all RSLs involved in the NSSE scheme. Most interviews were conducted via telephone, with a small number of developer interviews conducted in person where the participant preferred this option. Qualitative fieldwork began on 21st October 2019 and completed on 10th December 2019.

An overview of the main evaluation fieldwork strands is provided below in table 2.

Table 2: Overview of fieldwork strands

Participant group	Approach	Sample
Buyers	**Survey**: online-based with postal and telephone options, mix of email and postal drive online invites	All buyers using shared equity schemes where a valid email and/or postal address was available: 17,123 HtB 1,059 NSSE 7,106 OMSE
	Qualitative: pre-arranged telephone interviews	Recruited via survey
Developers	**Survey**: online-based with direct email invites, follow-up promotion from Scottish Government and Homes for Scotland	All developers currently or previously involved in HtB or NSSE
	Qualitative: telephone and in-person interviews	Recruited via survey, invites to survey non-respondents
RSLs	**Qualitative**: telephone interviews	RSLs currently or previously involved in NSSE.
Lenders	**Qualitative**: telephone interviews	Lenders currently or previously involved in schemes, sample of lenders not involved

A desk review was conducted alongside the survey and qualitative fieldwork. A wide range of data sources were collated to provide as comprehensive an account as possible of the operation of the three shared equity schemes and their influence on new build development, lending and the wider housing market. The desk review also explored the issue of 'additionality' and thus the extent to which:

- New homes delivered through the HtB and NSSE were over and above what would have been built anyway.
- Households would have been unable to buy without the support offered by the three shared equity products.

The approach to assessing additionality has adapted the approach used in the evaluation of HtB in England (Whitehead et al, 2016 and 2018). This included the triangulation of survey results and qualitative findings for buyers and developers, with available secondary data sources.

Sampling and response rates

The fieldwork approach with buyers, developers, RSLs and lenders was designed to maximise the number and range of participants able to contribute to the evaluation. As noted above, this process was supported by direct communication with developers, RSLs and lenders from the Scottish Government, Homes for Scotland and UK Finance. This approach was vital in ensuring the evaluation could draw on a wide range of stakeholder experience in considering the operation and impact of the shared equity schemes. Table 3 provides an overview of all those who took part in the research.

Table 3: Response by respondent and participant group

		HtB	NSSE	OMSE	ALL
Buyers	Survey of all shared equity buyers	2,473	139	1,451	4,063
	Telephone interviews	19	13	13	45
Developers	Survey of developers				61
	Telephone and in-person interviews				10
RSLs	Telephone interviews				9
Lenders	Telephone interviews				10

A total of 4,063 responses were received to the buyer survey, giving an overall response rate of 16%. Response varied somewhat across the three shared equity schemes; 14% for HtB, 13% for NSSE and 20% for OMSE. This was in part due to the larger proportion of HtB and NSSE buyers for which only postal address details were available – a lower response was achieved to the 'postal drive online' approach. The developer survey achieved a response rate of 17%.

Due to the lower than anticipated response rates achieved, there is likely to be nonresponse bias in the results from the two surveys, especially the developers' survey where weighting has not been applied. Whilst weighting has been applied to the buyers survey, it only accounts for two characteristics – geography and scheme type. It is unlikely that this would fully account for the non-response bias potentially caused by the lower response rate. Given these concerns, the findings from the survey should be treated with caution.

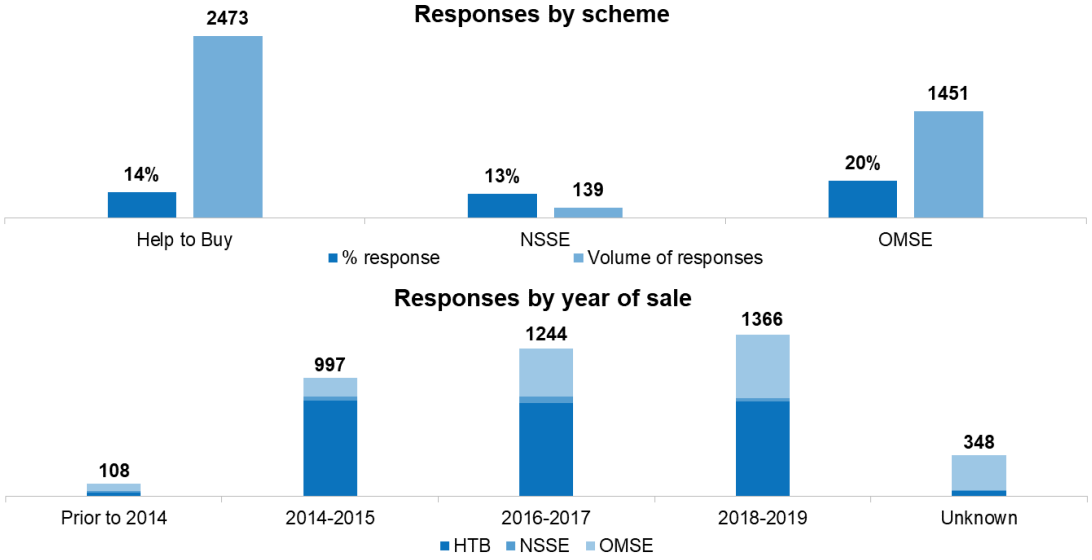
Respondent and participant profiles

The profile of buyer respondents is summarised overleaf. HtB and OMSE buyers were the largest groups, accounting for 61% and 36% of respondents respectively, with NSSE buyers accounting for 3% of respondents. This is broadly consistent with the overall mix of buyers using the three schemes to date, although OMSE buyers were somewhat over-represented (36% of respondents compared with 28% of the survey sample) and HtB under-represented (61% compared with 68% of the sample). NSSE accounted for a larger proportion of buyers in the early years of the schemes, but has accounted for a smaller proportion in recent years such that the 3% share of respondents compares to a 4% share of all buyers in the sample. Buyer survey responses were weighted to be representative of shared equity scheme and the Scottish Government 6-fold urban/rural geography[4].

[4] https://www2.gov.scot/Topics/Statistics/About/Methodology/UrbanRuralClassification

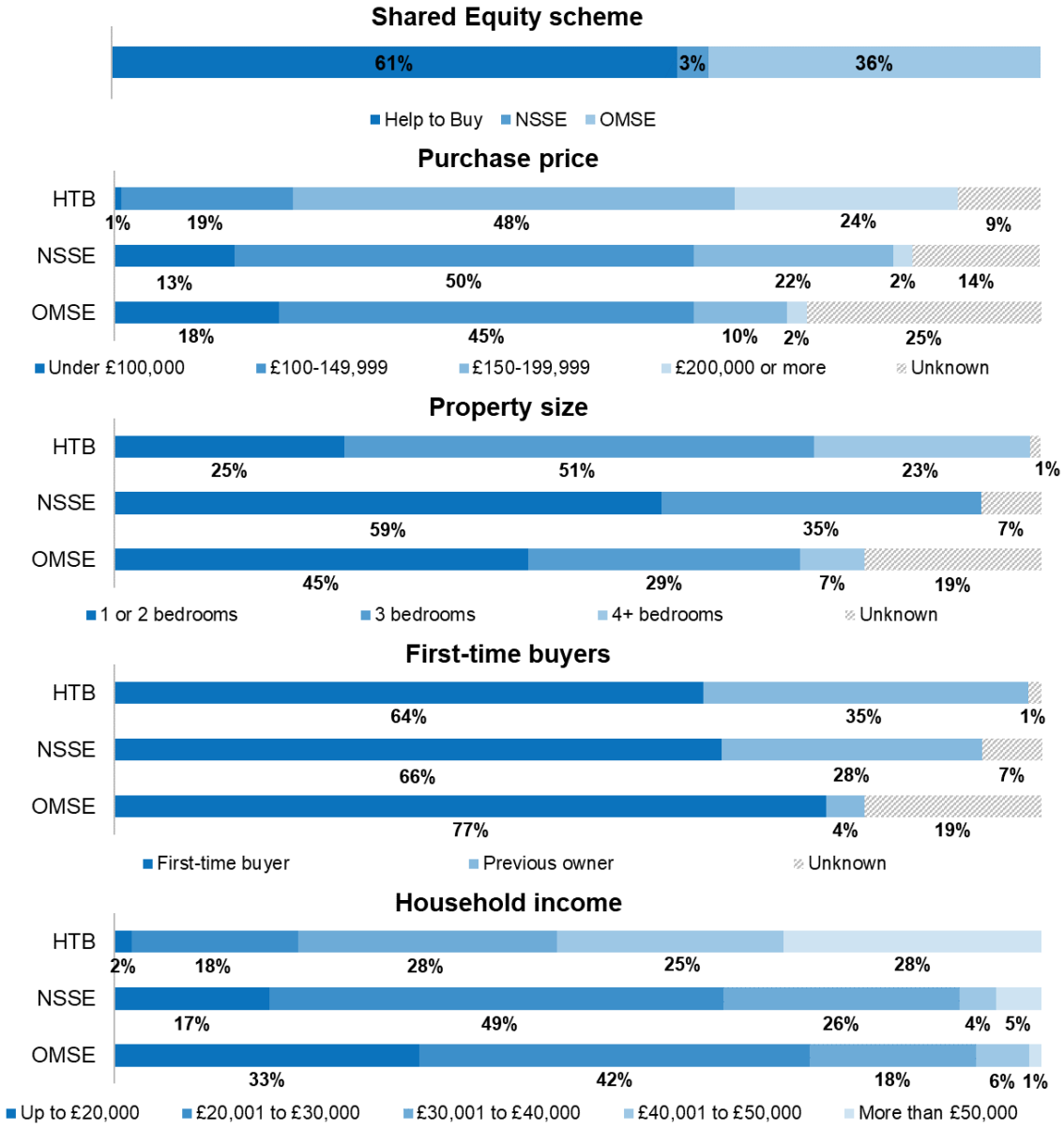
The responses from HtB and OMSE buyers to this survey are similar to sales log form survey data collected and published by the Scottish Government[5]. This comparison indicates that HtB and OMSE respondents are similar to all buyers in terms of household income and property type purchased. However, HtB and OMSE survey respondents include a larger proportion of existing owners (35% of respondents compared with 21% of all buyers for HtB, 4% compared with 1% for OMSE). HtB respondents included a larger proportion of those buying larger (4+ bedroom) properties (23% compared with 13% of all buyers).

Figure 1: Buyer survey response



[5] Scottish Government (2019) Help to Buy (Scotland) monitoring information report 2018-2019, Scottish Government (2019) Open Market Shared Equity Scheme monitoring information on characteristics of households 2016/17, 2017/18 and 2018/19.

Figure 2: Profile of buyer respondents (n=4063)



Study limitations

This evaluation has made use of a range of primary and secondary data sources in considering the operation and impact of the Scottish Government's shared equity schemes. However there are limitations in this assessment, particularly when estimating additionality.

Due to data limitations, there was no robust counterfactual or baseline available for this evaluation. There were also difficulties in disentangling the diverse dynamics of the different local economic and housing markets that function across Scotland, and the influence of other measures to boost housing supply and how these have shaped consumer and develop confidence. The evaluation therefore has drawn extensively on primary research evidence, using the survey of buyers to calculate demand side additionality, and in-depth interviews with developers and lenders to explore supply side additionality.

As previously mentioned, the overall buyer survey response rate (16%) fell below the target of 20%. As a result, caution should be exercised when interpreting results.

Due to the low number of developer interviews achieved (61), findings from this survey have been expressed as numbers rather than percentages.

Unless otherwise stated, mentions of buyers, developers and lenders throughout the report refers to those included in the research, not the wider population.

Where possible, this primary evidence is triangulated (or supplemented) with secondary data to provide a more robust and fine-grained assessment of the schemes. Limitations in available data mean that this is largely based on published statistics derived from administrative data and 'log form' returns from buyers. As such, the assessment of additionality should be considered indicative rather than precise.

Interpreting the survey data

Results presented in this report are based on respondents to each question – i.e. they exclude non-respondents to individual questions unless stated otherwise.

Differences between buyer groups are only included if statistically significant at a 95 per cent level. Differences were examined across the following characteristics:

- Shared equity scheme used;
- First-time buyers;
- Household income;
- Household type;

- Year of purchase;
- Purchase price; and
- Size of Scottish Government equity share.

Applying weights to data, while tending to make the quoted figures more representative of the population of interest, also serves to reduce the statistical reliability of the data. As such the ‘effective’ base size, which is used in any statistical testing, is smaller than the unweighted base size. This effect has been taken into account in determining whether or not differences described throughout the report are statistically significant.

We refer to those taking part in the evaluation as ‘respondents’ where their participation was via the buyer or developer survey, and ‘participants’ where this was via semi-structured qualitative interview.

Consideration of qualitative findings is based primarily on evidence from qualitative participants, but also draws on free text written responses from survey respondents.

Direct quotes have been included from buyers and developers where relevant to illustrate key points emerging through the evaluation. These comments have been lightly edited for brevity.

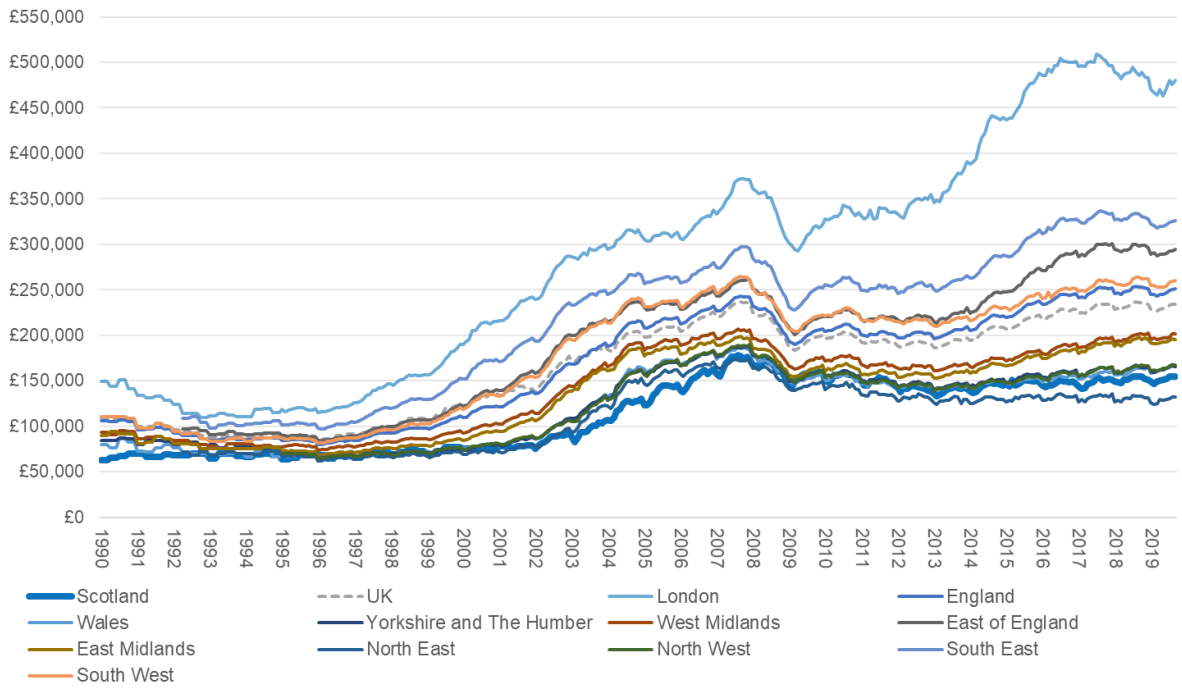
3. Housing market context

This chapter provides an overview of the housing market trends that influenced introduction of the three shared equity schemes. Rates of house price inflation and the affordability of owner occupation are shaped by a mix of cyclical developments and long-term structural changes. This chapter begins by summarising long-run house price movements before focusing in on housing market developments since 2001. It looks at housing market activity in the period to 2008, which saw the introduction of the Scottish Government's Low-cost Initiative for First-Time Buyers (LIFT) programme, which included the launch of OMSE and NSSE. It then details the subsequent adverse housing market conditions that led to the introduction of HtB before looking at market conditions since 2014-2015. This chapter also explores sales activity for the three schemes and how these have been positioned within the housing market, which is particularly important for understanding the role of HtB.

Trends in house prices over recent decades

After adjusting for inflation, real house prices in Scotland have moved in a gradual upward direction for much of the last 30 years (see figure 3 over the page). The main exceptions have been in the boom years from 2003 to 2008 when house prices in Scotland and the rest of the UK increased rapidly and the years from 2009 to 2014 when prices declined as the impacts of the global financial crisis (GFC) took full effect.

Figure 3: Trends in average real house prices, January 1990 to October 2019

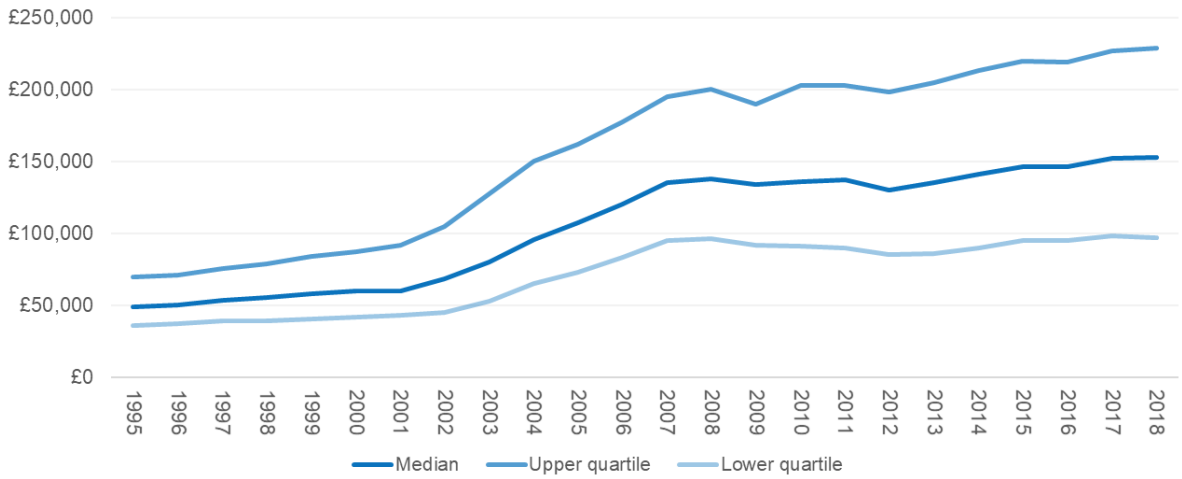


Source: Office of National Statistics (ONS) (2019) House Price Index accessed December 2019, adjusted by study team using GDP deflator, which is a measure of general inflation in the domestic economy. The ONS average price is a geometric mean and is closer to the median than the mean. Note: Price data for some UK regions is only available from April 1992 or later.

Over the long run, real house price inflation in Scotland has been less volatile and house prices have remained closer to the underlying trend path than in several other UK regions, and in particular London. Between 1990 and 2019 real house prices in Scotland more than doubled whereas house prices in London more than trebled. Part of the reason for this is in the 5 years to 2018 real house prices in London increased at faster rate than at any point in the last three decades. This has contributed to a widening of the gap between Scottish and UK house prices. In October 2019 the average (geometric mean) mix adjusted house price for Scotland stood at £153,692, which was 34% below the UK average of £232,944. In October 1995 the comparable gap was 23%.

The gradual increase in real house prices, punctuated by a period of rapid increase followed by a period of downward drift, can also be seen in nominal house prices, including trends at different points of the house price distribution. Nominal house prices for properties at the lower quartile price point are often assumed to approximate entry level house prices. Figure 4 shows that in the five years to 2008, lower quartile prices increased by an average of 14% per annum. This was in line with median prices and only slightly lower than prices at the upper end of the market (15%).

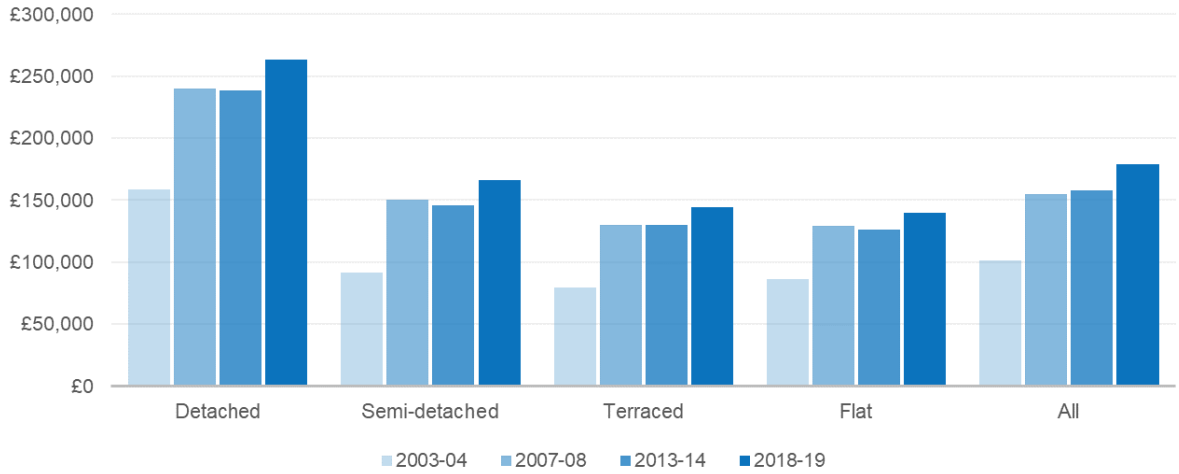
Figure 4: Nominal quartile house prices for Scotland, 1995-2018



Source: Scottish Government (2019) Open Access House Prices; Based on residential property transactions recorded by Registers of Scotland: statistics.gov.scot/data/house-sales-prices

Price data for different types of property is only available from 2003-04 and is not fully robust, mainly due to the proportions of dwellings that cannot be assigned to a specific property type. In 2018-19 10% of dwellings were unassigned, although the comparable proportions prior to 2016-17 are less than 3%, reflecting time lags in data availability, especially in respect on new build properties. However, it appears price movements vary little by dwelling type. Figure 5 shows that nominal house prices for each of the various dwelling types grew by upwards of 50% between 2003/4 and 2007-08 but thereafter grew by just 10-15% in the decade to 2018/19.

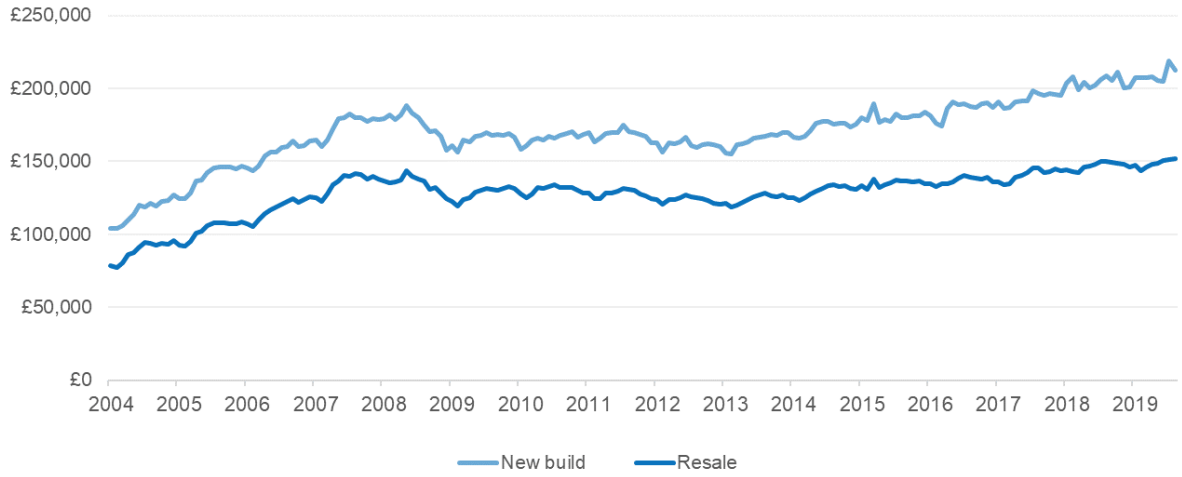
Figure 5: Nominal house price trends by dwelling type, 2003-04 to 2018-19



Source: Registers of Scotland (2019) Property Market Report 2018-19

Over the last three decades average prices for new build properties have exceeded those for resale properties. The Office of National Statistics (ONS) House Price Index reports on nominal house prices for new and resale properties. This data is only available from 2004 but it confirms that the gap between new build and resale prices persisted throughout the period to 2018 (see figure 6). At the peak of the boom in 2007 and the first half of 2008, the average (geometric mean) new build price was 24% higher the average resale house price. Since summer 2013 nominal house price inflation for new build properties has outpaced that for resale properties. However, it is not possible to ascertain whether this has been due to differences in the mix of products sold or to an increase in any price premium attached to new homes.

Figure 6: Nominal new and resale house prices in Scotland, 2004 to October 2019



Source: ONS (2019) House Price Index accessed December 2019.

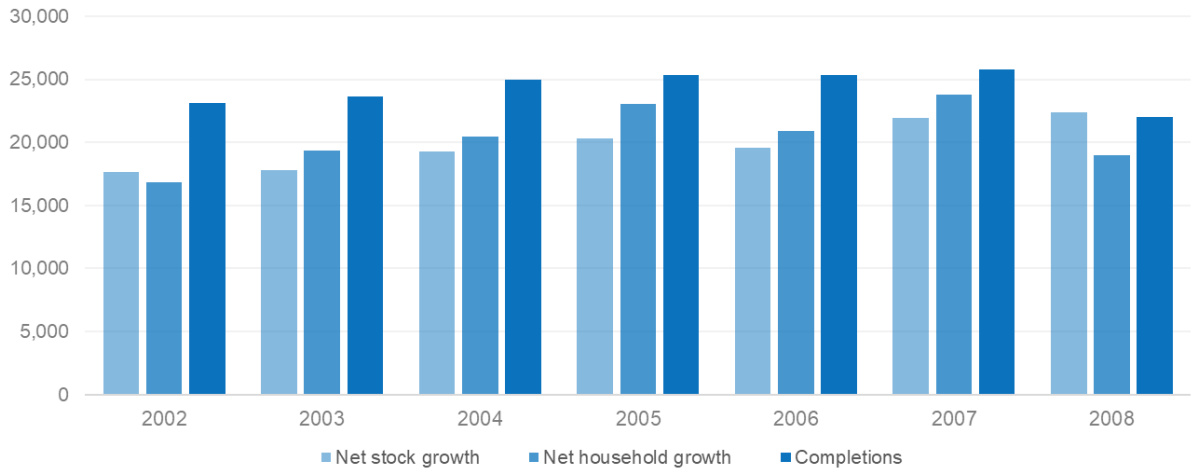
Housing market developments: 2001-2008

As already noted, house prices were rising sharply before the global financial crisis erupted. This development was driven by a combination of demand fundamentals, consumer confidence and supply constraints, although relative

importance of the factors that underpin house price growth and volatility remain contested (Mulheirn, 2019; Meen, 2019; Bramley, 2018).

On the demand side, sustained economic growth in the decade to 2008 increasingly fed through into growth in employment, earnings, household disposable incomes, inward migration and household numbers, especially from 2003 to 2008. At the same time, low interest rates, mortgage market innovation and the increased willingness of lenders to grant large loan-to-income value ratios on new mortgages boosted the borrowing capacity of households. Taxation policies and poor returns on stocks and other assets also saw small scale investors turn to the housing market, often with the expectation the prices would continue to rise (Scottish Government, 2007 & 2010; Maclennan and O'Sullivan, 2008; Stephens, 2011).

Figure 7: Net household growth, net stock growth and house completions 2002-08



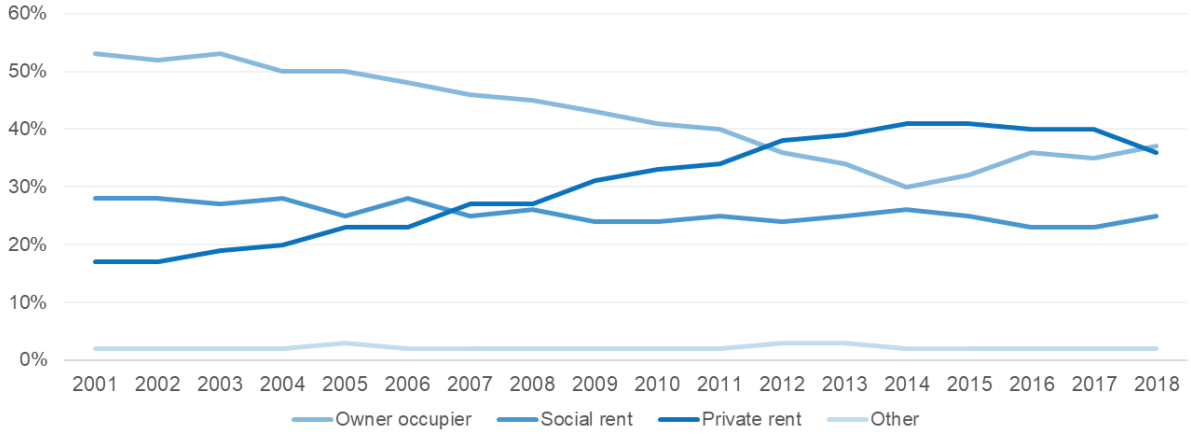
Sources: NRS (2019) Household estimates: Scottish Government (2019) Housing completion statistics and Scottish Government (2019) Stock by tenure estimates.
Note: Net stock figures are derived from the annual change in dwelling stock estimates at March that are based on the NRS dwelling counts which are known to be subject to lags and other errors in data.

On the supply side, overall housing production in Scotland increased. House completions in all tenures increased by 11% from an annual average 22,239 in the 5 years to 2003 to an annual average of 25,064 in the 5 years to 2008. However, as the Scottish Government observed (2007), there was little evidence that this was an adequate supply response to rising house prices, which we estimate increased by 87% in real terms in the 5 years to January 2008 (see figure 3). There were also signs that net growth in the housing stock was potentially lagging behind net household growth in the 5 years to 2008 (see figure 7), although data limitations make it hard to reach firm conclusions. The constraints on new supply have been variously linked to land constraints, rising

land prices, complexities in the planning system, labour shortages in the construction sector and the investment behaviour of private developers.[6]

As the first decade of the 21st Century progressed, growing numbers of households, mainly younger households under the age of 35 years, became increasingly priced out of the house purchase market. Figure 8 shows that even before the financial crisis began, homeownership rates amongst younger households had fallen from 53% in 2001 to 46% in 2007. Over the same period the proportions of younger households renting privately increased from 17% to 27%, indicating that the growth of private renting was partly stimulated by demand from those priced out of the house purchase market.

Figure 8: Tenure of younger households (16-34 years), 2001-2018



Source: Scottish Government (2018) Scottish Household Survey 2018: accompanying tables.

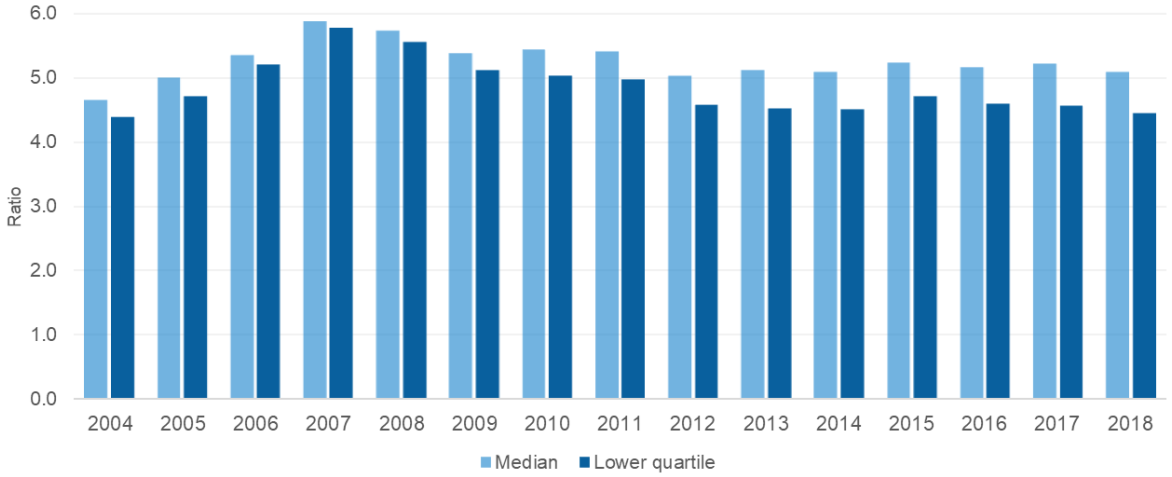
UK Finance statistics also confirm that the surge in housing market activity before the financial recession took effect was progressively driven by demand from existing homeowners and small-scale investors as opposed to first time buyers, such that:

- In 2007 some 35,000 new loans were issued to first time buyers in Scotland, 15,000 fewer than in 2001.
- The proportions of new mortgages to support house purchase issued to first time buyers (as opposed to home movers) in Scotland dropped from 50% in 2001 to 32% in 2007.

Figure 9 reports on affordability ratios based on median house prices to gross median wage for people in full time work. It shows that affordability pressures rose sharply at the height of the housing boom, peaking in 2007 when the average prices were up to 5.9 times higher than the average salary. It also shows that affordability ratios based on lower quartile house prices to lower quartile earnings produced a very similar picture.

[6] Barker et al, 2004 & 2006; Leishman, et al., 2008: Hilber and Vermeulen, 2010; Affordable Housing Commission, 2019.

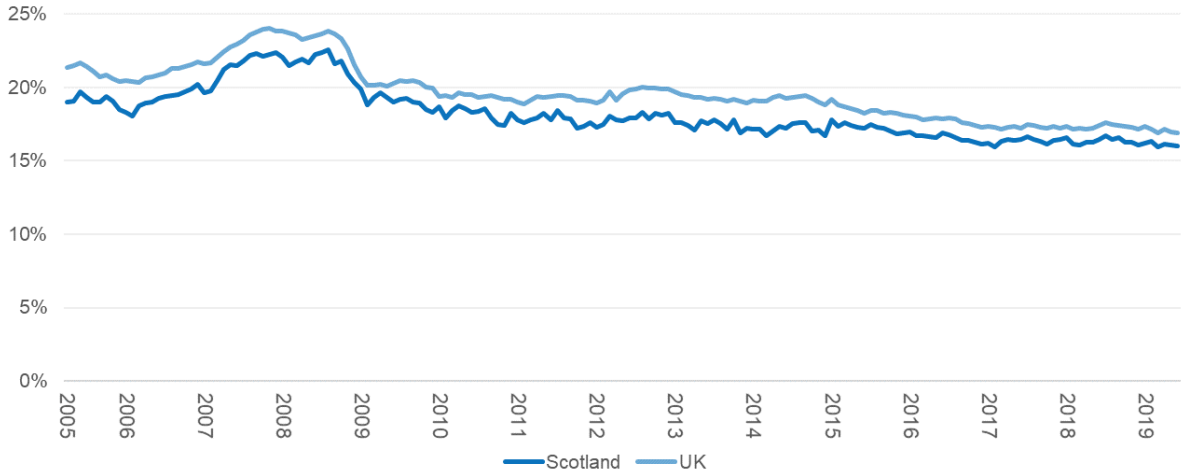
Figure 9: House price to earnings ratios for Scotland, 2004-2018



Sources: Registers of Scotland (RoS) median and lower quartile prices and ASHE median and lower quartile earnings.

The affordability ratios reported in figure 9 overstate the extent of affordability pressures. This is partly because first-time buyers are often dual earner households and partly because they make no allowance for interest rates and how this affects the ability of households to make mortgage payments. Figure 10, therefore compares the mortgage burden of first-time buyers for Scotland and the UK. This term refers to the share of household income the average first-time buyer has to spend on mortgage repayments. It shows that mortgage outgoings for first-time buyers in Scotland peaked at over 22% in 2007 but remained some 2% below the UK average.

Figure 10: Mortgage payments as % of gross income of first-time buyers, 2005-2019



Source: UK Finance (2019) Regulated Mortgage Survey Table RL1: First-time buyers, new mortgages and affordability, UK countries and regions '4-10-2019.

UK Finance figures used to calculate the mortgage burden also suggest that at the height of the boom between 2005 and 2007:

- Average gross incomes for first-time buyers in Scotland increased from £28,000 in May 2005 to £34,200 in June 2007. By way of comparison,

ONS (2010) report that the gross household income of households in the UK at middle of the income distribution was £29,100 in 2008-09.

- The average mortgage deposit fluctuated within a couple of percentage points of 20% of the purchase price, just as they had in the years since 2001, but in cash terms the average deposit increased from £13,200 to over £19,000.
- In 2007 the average first-time buyer would have to save the equivalent of over six months of their gross income for a deposit of £19,000.

Despite the increase in the cash value of the deposits made by first time buyers, UK Finance figures indicate there was no clear upward trend in the age of first-time buyers. Instead, the average age of first-time buyers generally fluctuated around the age of 32 years. One probable reason for this was that rising numbers of first-time buyers drew on parental assistance instead of saving for a longer number of years to build up a deposit. Clarke (2011) reports that the proportions of first-time buyers in Scotland buying unassisted declined from 69% in 2005 to 60% in 2007 and 52% in 2008.

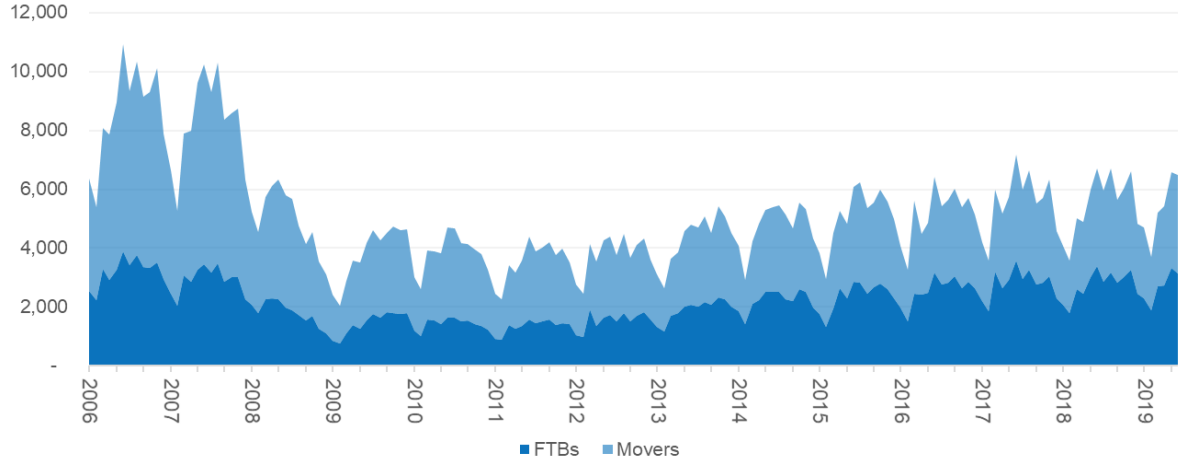
Overall, in the period up to early 2008, there was a growing gap between house prices and the capacity of households to pay. As increasing numbers of prospective first-time buyers were priced out of the market, the Scottish Government concluded that a policy response was required. OMSE and NSSE were therefore introduced to assist households on low to moderate income to enter homeownership. Essentially, both schemes were intended to enable households to overcome the financial barriers that prevented them from buying by reducing the initial costs of purchase.

Housing market developments to 2014

As the global financial crisis deepened, severe restrictions were placed on credit and the UK economy entered recession. The housing market also slumped as finance for both house purchase and new housing development became very difficult (Whitehead and Williams 2011). The evaporation of consumer confidence in the housing market and the sharp fall in real house prices (see figure 3) had an immediate and dramatic impact of the housing market. Between 2007 and 2009:

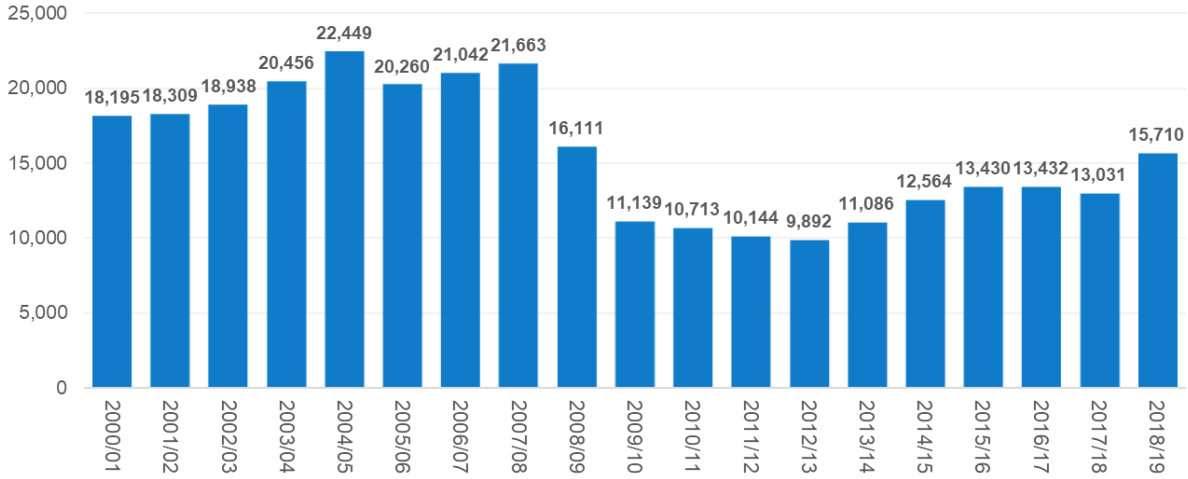
- Annual levels of house sale transactions fell from 154,403 to 69,032 (Registers of Scotland (RoS) statistics).
- Mortgage approvals more than halved from 99,270 to 45,980 and approvals to first-time buyers dropped from 34,980 to 17,580 as more people turned to private renting or opted to live with their parents for longer (figure 11).
- Private sector housing starts more than halved from 20,626 to 9,309 and housing completions followed suite. In 2012 there were just 9,998, down from 21,685 in 2007 (see figure 12).

Figure 21: Loan approvals for first time buyers and movers in Scotland, 2006-2019



Source: UK Finance, first time buyer and mover new mortgages and affordability statistics.

Figure 12: Private sector new build completions in Scotland, 2000/01 to 2018/19



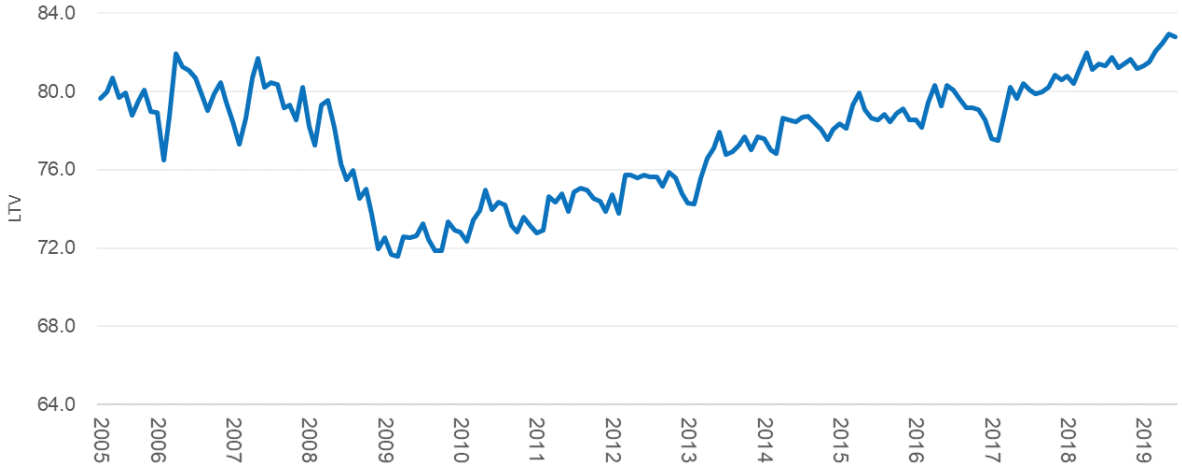
Source: Scottish Government new build statistics.

After continuing to decline over 2010–12, real house prices began to outpace inflation in 2013 and 2014, but by December 2014 real house prices remained 17% lower than in December 2007. Likewise, whilst there was an upturn in private sector completions in 2013-14, levels remained below those seen prior to 2008.

The combination of a fall in real house prices and low interest rates improved affordability as measured by price-to-earnings ratios and the cost of servicing the average first-time buyer mortgage. However, housing market activity remained weak and there was only modest recovery in the numbers of loans made to both first time buyers and existing owners moving home. One potential reason for this was that households were uncertain about the prospects for the housing market and were unwilling to risk buying. Another was the significant challenge prospective first-time buyers faced in raising a deposit. As figure 13 illustrates, loan-to-value (LTV) ratios dropped as lenders sought to limit their exposure to possible losses. As a consequence, first-time buyers typically required a deposit of 25%-30% during 2009-2014. The net result was that there

was some increase in the numbers of prospective first-time buyers with sufficient income to service a mortgage but without the means to raise a deposit. This in turn contributed to the continued decline in the rates of younger households in the owner-occupied sector in 2009-2014 (see figure 8).

Figure 13: Loan to Value ratios for first time buyers in Scotland, 2005-2018



Source: UK Finance – first time buyer mortgage and affordability statistics.

The fragility of the housing market lead both the UK and Scottish Governments to introduce measures to support the housing market. In September 2008 the stamp duty threshold was temporarily increased from £125,000 to £175,000 and was then extended in 2010 to £250,000 for first-time buyers for a two-year period. Low interest rates were sustained, in part to ease mortgage payments. There was also an injection of funds to stimulate housing development. The Scottish Government, for example, worked with the National Housing Trust to develop mid-market rented homes.

Most significantly from the perspective of this study, HtB was launched in 2013. As a policy tool intended to provide a short-term economic stimulus to boost housing demand and private housing construction, it offered an interest free 'equity loan' of up to 20% of a newly constructed property's value to both first-time buyers and movers able to provide a 5% deposit. It also initially applied a generous upper price threshold of £400,000, although as noted in chapter 1, this was subsequently reduced.

Housing market developments since 2015

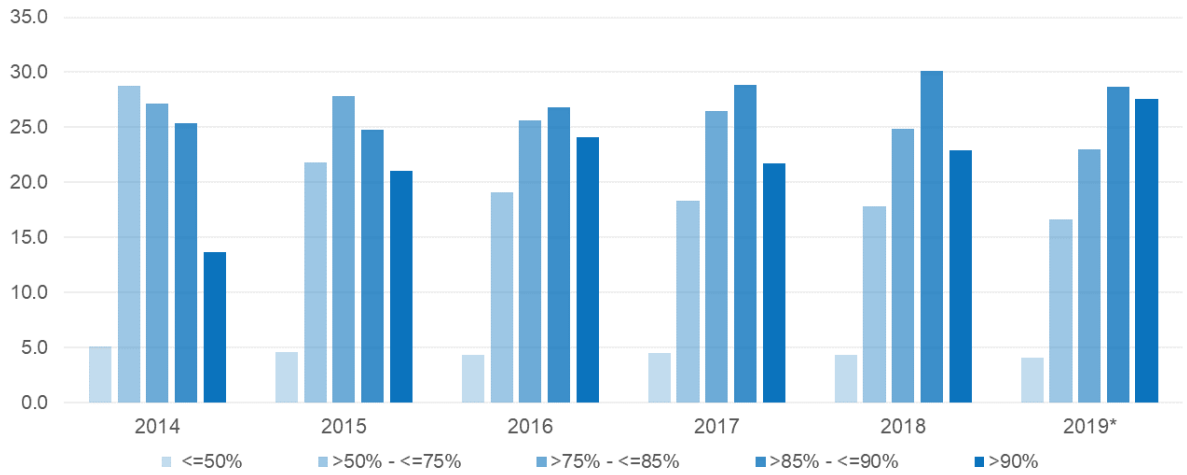
ONS data indicates that between January 2015 and October 2019 the average (geometric mean) nominal house price in Scotland increased by some 12% to £153,692, which was broadly in line with growth in average earnings. Real house prices also fell broadly into line with the underlying price trend since 1990.

With earnings growth (30%) having outstripped nominal house price growth (20%) in the 10 years to 2018, house prices have become more affordable. This

has been most pronounced at the entry level, where price-to-earnings ratios fell from 5.7 in 2007 to 4.4 in 2018. Mortgage burdens have also fallen back. In 2015 first-time buyers spent an average of 19% of their gross income servicing a mortgage. By 2019, this proportion had fallen to 17%.

Access to owner occupation has also been improved by the relaxation of mortgage lending criteria and in particular deposit requirements. UK Finance report that during 2015-2019 the average LTV ratio for first time buyers in Scotland increased from 78% to 83%. More significant still, the Financial Conduct Authority (FCA) report that over 56% of advances to first-time buyers in the first six months of 2019 had an LTV of 85% or above, including 28% that had an LTV of 90% or above. (see figure 14).

Figure 143: First-time Buyer Mortgages in Scotland by size of LTV, 2015-2019



Source: FCA Product sales data - 2019 H1. 2019 based on date for first 6 months only.

In summary, recent improvements in the affordability and accessibility of owner occupation, especially for households with a gross income of £39,000 or above (UK Finance) has been accompanied by a growth in the numbers of first-time buyers and some increase in the proportions of younger households that have become homeowners (see figure 8). FCA (2019) report that in 2018 some 93% of first-time buyers purchased a property with a value of £250,000 or less, including 42% who purchased a property valued at no more than £120,000[7].

Housing market activity has increased, with first-time buyers now accounting for around half of all those buying a home intended for owner-occupation. Private housing construction has also expanded, albeit numbers remain rather lower than at the start of the 21st Century (see figure 12).

[7] Since 2014, the share of first-time buyers paying up to £250,000 has changed little whereas those paying up to £120,00 has declined from 49%, down by 7%.

Position of shared equity products within the market

An important consideration is the extent to which the shared equity products have contributed to improvements in the housing market in recent years, including developer sales. This will be explored further in chapter 8 but first it is necessary to consider how shared equity sales are positioned in the housing market.

Table 4: Completed purchases under each of the three shared equity schemes

	Private new build sales	Resales	HtB	NSSE	OMSE	All sales	HtB as % of new build	All shared equity as % of all sales
2007-08	18,537	130,606		527	654	154,403		0.8
2008-09	11,490	75,046		651	512	102,154		1.1
2009-10	8,546	63,317		721	1459	69,032		3.2
2010-11	7,755	64,288		576	579	73,875		1.6
2011-12	7,585	62,920		566	186	69,375		1.1
2012-13	7,998	65,003		375	533	72,320		1.3
2013-14	8,808	78,584	750	316	1051	84,101	8.5	2.5
2014-15	9,835	82,668	3560	252	1030	93,544	36.2	5.2
2015-16	10,894	88,392	3,690	189	1456	96,630	33.9	5.5
2016-17	11,279	88,591	2,370	177	1653	99,365	21.0	4.2
2017-18	11,895	90,293	2,290	165	1766	103,350	19.3	4.1
2018-19*	12,205	89,423	2,370	175	1797	100,998	19.4	4.3
07/08 to 12/13	**61,911**	**461,180**		**3,416**	**3,923**	**541,159**	**-**	**1.4**
13/14 to 18/19	**64,916**	**517,951**	**15,030**	**1,274**	**8,753**	**577,988**	**23.2**	**4.3**

Sources: Scottish Government administration records (HtB, OMSE & NSSE) and Registers of Scotland (RoS) 2019 Property Market Report, 2018-19.

One important consideration is the proportion of house sales comprised of sales assisted through one of the shared equity products, and the contribution these have made to the volume of sales achieved by private developers. Table 4 reports on shared equity sales volumes and how these compare with property transactions for Scotland as a whole. Likewise, figure 15 illustrates trends in new housing outputs and private new build transactions relative to HtB sales.

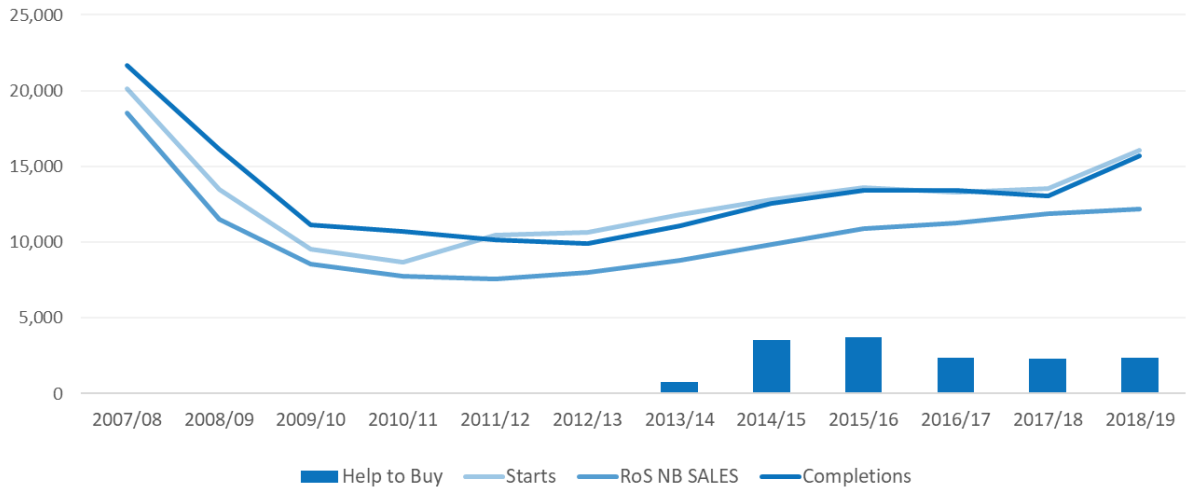
There were over 15,000 HtB sales between 2013-14 and 2018-19. Around 23% of all private new build transactions since the start of 2013/14 have been supported by HtB but this share has fallen over time. In 2014-15 HtB accounted for 36% of private new build transactions but this share had fallen to 19% by 2017-18 and 2018-19. This decline is associated with the reduction on the cap on the eligible house price from £400,000 in October 2014 to £200,000 in April 2017 plus the reduction in the upper limit in the Scottish Government's equity stake from 20% to 15% from April 2016.

Between 2012-13 and 2013-2014 the annual numbers of OMSE sales almost doubled from 533 to 1,051. Although they increased further to 1,797 sales in

2018-19, OMSE accounted for only 1-2% of second-hand sales in each of the six years to 2018-19 inclusive.

In the wake of the introduction of HtB, annual numbers of NSSE sales have fallen back. In the 3 years to the end of 2018/19, NSSE had fallen to an average of 172 each year.

Figure 15: Private completions, new build sales and HtB sales, 2007/08 -2018/19



Sources: Scottish Government (2019) housing statistics, and shared equity administrative data plus ROS 2019 Property Market Report, 2018-19.

Our main interest is in HtB as a share of new build transactions and the extent to which HtB has boosted developer sales but in the interests of transparency figure 15 also includes private housing construction figures. It shows that Registers of Scotland (RoS) new build transaction volumes are typically around 20% lower than private sector completions and that the scale of this gap has varied over time. One reason for this difference is that private sector led completions include some units that are built by the private sector but are not intended for sale to private households, such as self-build and properties transferred to social landlords. Another reason is that the RoS method for identifying new build properties is centred on new homes built by 'major builders' and undercounts small and single unit developments by small-scale builders. However, these two factors do not appear to fully account for the difference between the two datasets.

The launch of HtB and the expansion of the OMSE scheme in 2013-14 occurred when there were already signs of some improvement in new build transactions and private sector led housing starts and completions. The upswing in the sale of newly constructed properties has also continued despite the decline in HtB transactions. This highlights some of the challenges in trying to separate out the effects of HtB on the supply responsiveness of private developers from wider developments in the economy and the housing market.

Table 5: Average prices for shared equity and other mortgage funded sales, 2007-08 to 2018-19

	Average all property price	Average new build price	FTB avg price	Existing owner avg price	Help to Buy	NSSE	OMSE
2007-08	£157,296	£208,000	£110,227	£186,271			
2008-09	£173,301	£225,000	£118,703	£201,350			
2009-10	£167,736	£196,000	£121,357	£195,251			
2010-11	£184,956	£200,000	£129,341	£210,648			
2011-12	£181,846	£215,000	£125,291	£209,621			
2012-13	£179,057	£220,000	£122,453	£209,164			
2013-14	£178,109	£213,000	£128,124	£211,413	£188,000		
2014-15	£189,681	£216,000	£135,631	£221,759	£203,000		
2015-16	£181,220	£211,000	£141,166	£213,780	£185,940		
2016-17	£183,883	£244,000	£137,255	£231,433	£179,400		
2017-18	£182,492	£255,000	£135,736	£232,083	£170,300		
2018-19*	£188,589	£253,000	£145,799	£234,215	£174,900		
Survey (mean)					£183,860	£133,920	£120,362

Source: Scottish Government administrative data, ONS simple average sales prices, which are derived from the Regulated Mortgage Survey (RMS), buyers survey.

In terms of how shared equity products are positioned in the market, it is also helpful to look at the price of properties purchased through shared equity. Table 5 compares simple average prices of properties purchased with a mortgage with simple average prices for HtB derived from administrative records. As similar data for OMSE and NSSE prices are not available, illustrative price estimates have been derived from survey results.

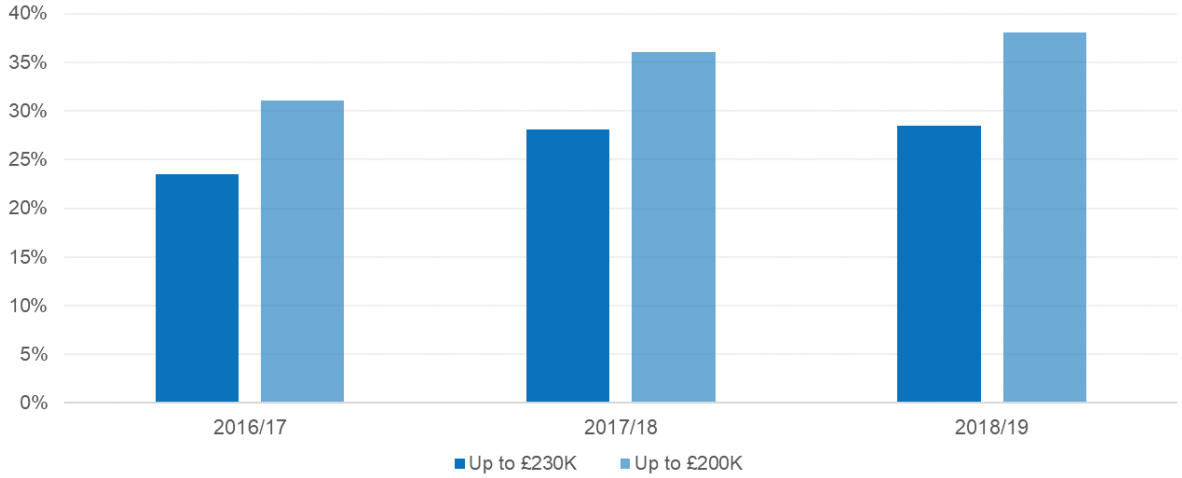
The use of survey data prevents the estimation of year on year price movements, but it supports perceptions that OMSE and NSSE initiatives have, as intended, been targeted at modest income households that struggle to afford owner occupation. Table 5 shows that the average price paid by NSSE buyers (£133,920) has been below the average price paid by all first time buyers since 2014-15. Likewise, the average price paid by OMSE buyers has been below the average price paid by all first time buyers since 2009-10.

Prior to 2015-16 the average HtB sale price was above the average price for all mortgage backed sales in Scotland. However, the imposition of successive lower HtB price caps has had the desired effect of reducing average HtB prices below the average house price for all sales in Scotland. The lowering of the HtB price caps has also increased the price gap between the average HtB price and the average price for all mortgage backed new build sales. In 2013-14 the average HtB price equated to 88% of the average price for all mortgage backed new build sales but by 2018-19 this proportion had fallen to 69%. This reflects

the fact that increasing proportions of new build sales sold for up to £230,000 since 2016/17 and £200,000 since 2017/18 have been assisted HtB purchases (see figure 16).

On the other hand, the average HtB price has continued to exceed the price of mortgage backed first time buyer sales. In 2018-19 HtB prices remained 20% higher than the average house price paid by all first-time buyers.

Figure 16: HtB as share of new build sales under select HtB price thresholds



Sources: ROS house sales transactions and Scottish Government Help to Buy administrative data.

One of the rationales for introducing HtB was to help restore consumer confidence in the housing market. From a household perspective this means that HtB was intended to assist prospective buyers overcome concerns about the affordability of house prices and their ability to sustain high mortgage payments or to overcome access barriers associated with raising the necessary deposit, or a combination of both.

Price comparisons suggest that substantial numbers of HtB buyers may have been in a financial position to afford to buy without assistance. For these households the key benefit from accessing HtB may have been to remove access barriers brought about by the higher mortgage deposit requirements, which as discussed earlier, were imposed in the wake of the financial crisis. As such one of the issues the survey sought to explore was the extent to which HtB assisted households to bring forward their purchase decisions.

The Scottish Government's Help to Buy monitoring report for 2018-19 reports that:

> *"the mean income of purchaser households has dropped from £50,000 in 2014/15 to £42,000 in 2015/16* ***and then £41,000 in 2016/17, after which average incomes have remained at similar levels across 2017/18 and 2018/19****. This is broadly consistent with the timing of the lowering of the purchase price cap from £400,000 to £250,000 in October 2014, and then to £200,000 in April 2016, given that there can typically*

> *be a gap of some months between the issuing of an authority to proceed with a purchase and the entry date following the sale".*
>
> Scottish Government (2019) page 5 (study team emphasis)

At £41,000, the average income is close to the average for all first-time buyers in Scotland which stood at £39,700 in 2018. Assuming a household with a gross income of £41,000 purchased a home valued at £174,000, secured a 15% equity loan and put down a 5% deposit, we estimate that a 30-year mortgage with a 2.3% interest rate would result in a monthly mortgage cost of £615. This implies that the share of gross household income spent on mortgage repayments would be 18.9%.

This lends further support to suggestions that any additionality from a demand perspective is likely to have arisen from enabling households to overcome the access barriers imposed by the imposition of strict lending criteria as opposed to affordability of house prices per se. This is an issue to which we return in chapter 8.

4. Buyer respondent characteristics

This chapter provides an overview of the characteristics of respondents to the survey of buyers using the Help to Buy (Scotland), New Supply Shared Equity (NSSE) and Open Market Shared Equity (OMSE) schemes. Findings are based primarily on survey responses, but include comparisons with Scottish Government published monitoring data on the characteristics of all buyers using the three schemes where available.[8]

Socio-economic profile

Buyers were asked about their age and the composition of their household at the time of buying. There were some differences in household type and age profile of buyers across the three shared equity schemes. Figures 17 and 18 summarise findings.

Most **HtB** respondents were two adult households (64%) and around a third (32%) were single adult households. Just over a quarter (26%) were households with children, which was lower than the corresponding monitoring data[9] (35%). Half (50%) of HtB buyers were aged under 35, including 24% aged under 30 As a comparison, monitoring data suggested only 22% of buyers were aged 35+[10].

NSSE buyers were split between one adult (47%) and two adult households (52%), and 41% of households included children. NSSE respondents were also more likely to be older than HtB respondents; around a fifth (18%) were aged 55+ compared with 2% of HtB respondents

OMSE buyers were evenly divided between one adult (47%) and two adult households (47%). Households with children accounted for a larger proportion of OMSE respondents than HtB (45%, compared with 35%). Nearly half of OMSE respondents (47%) were aged under 35, including 23% aged under 30. As a comparison, monitoring data suggests that 70% of OMSE buyers were aged under 35.

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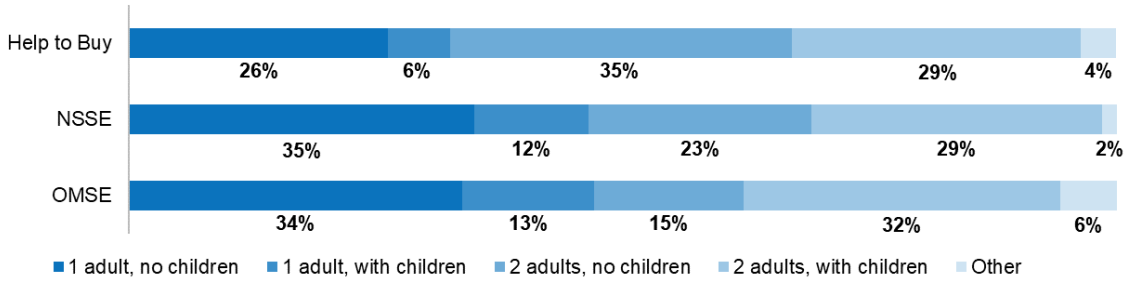
[8] Comparison with all HtB buyers is based on monitoring information reports for 2016/17 to 2018/19 (www.gov.scot/policies/homeowners/help-to-buy). Published data on the characteristics of buyers prior to 2016/17 is based on a minority of cases and is considered to be approximate. Comparison with all OMSE buyers is based on the monitoring report for 2016/17 to 2018/19 (www.gov.scot/publications/open-market-shared-equity-monitoring-characteristics-of-households-report-2016-17-to-2018-19/). Data on the characteristics of all NSSE buyers is not available.

[9] Based on 2017/18 and 2018/19 only – data on the household profile of all HtB buyers is not available for 2016/17.

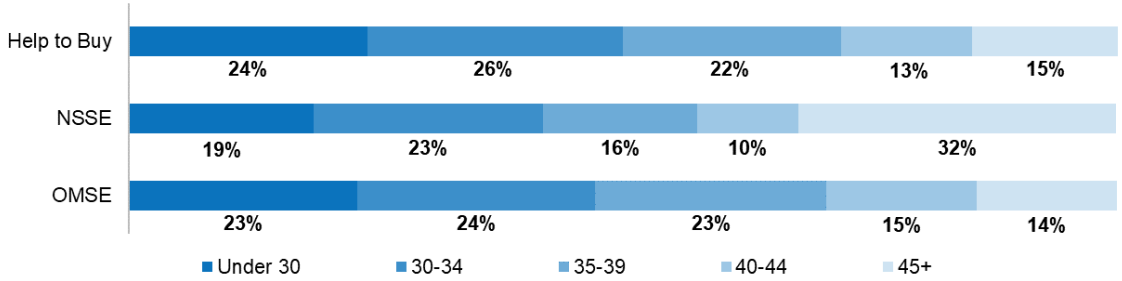
[10] Based on 2017/18 and 2018/19 only – data on the household profile of all HtB buyers is not available for 2016/17.

Figure 17: Household type of buyer respondents



Base: HtB 2039, NSSE 113, OMSE 937.

Figure 18: Age of buyer respondents

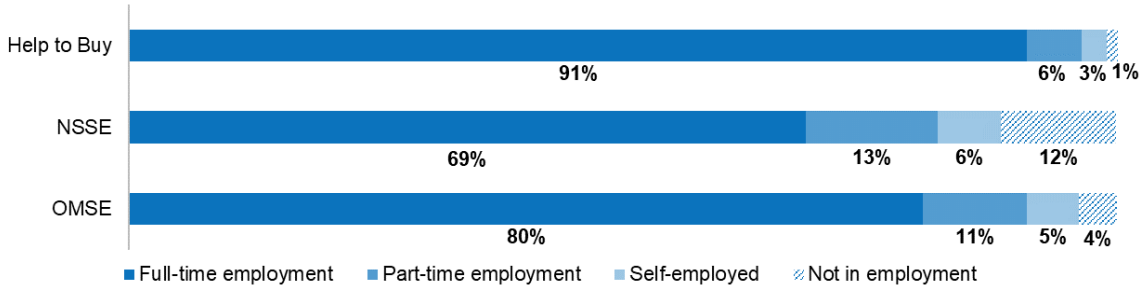


Base: HtB 2049, NSSE 115, OMSE 944.

The survey also asked buyers about their economic status and highest qualification at the time of buying through the shared equity scheme. As shown in figure 19, the vast majority of respondents (98%) were in employment, most in full-time employment (87%). Around half of respondents held a degree qualification (49%).

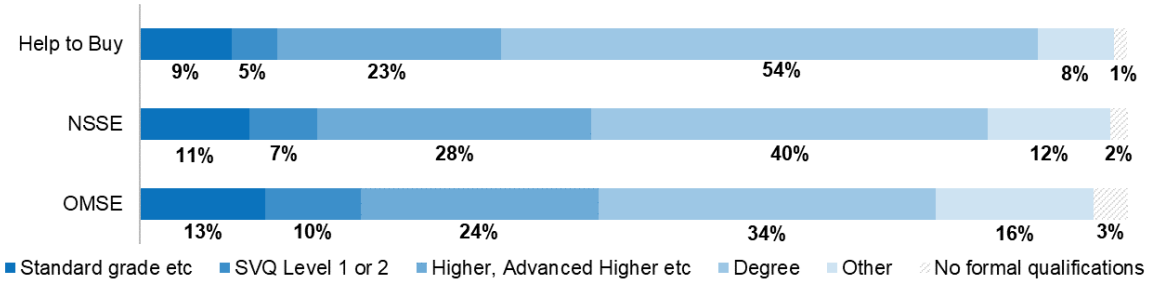
There were differences in the economic status and qualifications of buyers across the three schemes. A larger proportion of HtB respondents were in full-time employment;(91%, compared with 69% of NSSE and 80% of OMSE respondents). Similarly, HtB respondents were more likely to hold a degree qualification (54%, compared with 40% of NSSE and 34% of OMSE respondents).

Figure 19: Economic status of buyer respondents



Base: HtB 2060, NSSE 118, OMSE 955.

Figure 20: Highest qualification of buyer respondents



Base: HtB 2045, NSSE 113, OMSE 947

Buyers were asked to estimate their gross household income (including any benefits received) at the time of buying through the shared equity scheme.

Just over half (52%) of **HtB** respondents reported household incomes of more than £40,000, including more than a quarter (28%) with incomes of more than £50,000. The median income was approximately £41,000. As a comparison, the median income in the monitoring data was in the range £40,000-45,000 since 2015/16.[11]

Two thirds (66%) of **NSSE** respondents reported household incomes of less than £30,000, and 8% had incomes of more than £40,000. The median income was approximately £27,000.

OMSE respondents had the lowest income levels across the three schemes. Around three quarters (74%) reported household incomes of less than £30,000, including a third (33%) with incomes of less than £20,000. The median income was approximately £24,000. As a comparison, 73% of buyers in the monitoring data had an income of less than £30,000.[12]

There were also differences in household income across other buyer groups. First time buyers had a lower median income (£33,000) than other buyers (£43,000). One adult households also had a lower median income than two adult households (£28,000, compared with £42,000).

[11] https://www.gov.scot/publications/help-to-buy-scotland-monitoring-information-report-2018-2019

[12] www.gov.scot/publications/open-market-shared-equity-monitoring-characteristics-of-households-report-2016-17-to-2018-19/.

Table 6: Household income of buyer respondents

Income band	HtB	NSSE	OMSE
Up to £20,000	2%	17%	33%
£20,001 to £30,000	18%	48%	42%
£30,001 to £40,000	28%	26%	18%
£40,001 to £50,000	25%	4%	6%
More than £50,000	28%	4%	1%
Median income (estimated)	**£41,000**	**£27,000**	**£24,000**
Base	1,929	102	906

Note that respondents were asked about their income at the time of buying. Most respondents bought their home between 2016 and 2019, but responses include some who bought prior to 2016. It has not been possible to adjust these incomes to account for inflation over the period since their house purchase. Median income estimated on the basis of income distribution and rounded to nearest £1,000.

Circumstances at the time of buying

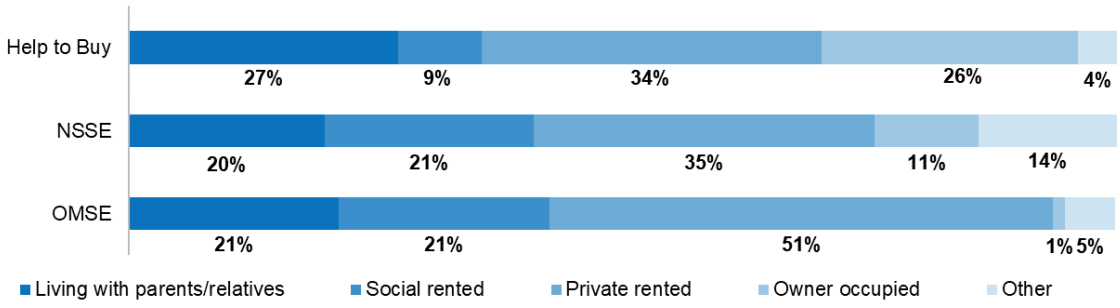
As shown in figure 22, there were differences across the schemes in terms of buyers' living circumstances at the time of purchase.

HtB respondents were varied in their circumstances. Just over a third (34%) rented privately, just over a quarter lived with parents or relatives (27%) or owned their home (26%) and 9% were in social rented housing.

NSSE respondents were also varied in their circumstances. Just over a third (35%) rented privately, 20% lived with parents or relatives. NSSE respondents were less likely than HtB respondents to own their home (11%, compared with 26% of HtB buyers), and were more likely to be living in social rented housing (21%, compared with 9% of HtB buyers).

Just over half (51%) of **OMSE** respondents lived in private rented accommodation at the time of purchase. A further 21% were in social rented housing. Around a fifth (21%) lived with parents or relatives at the time of buying and very few (1%) owned their home.

Figure 21: Living circumstances of buyer respondents



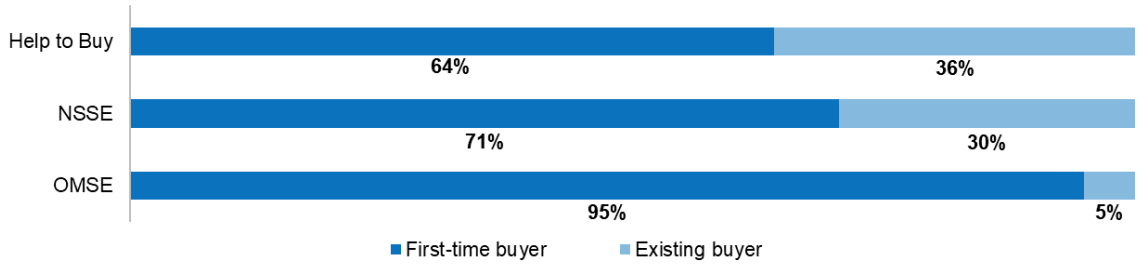
Base: HtB 2240, NSSE 124, OMSE 1074

Target groups

All three schemes include a particular focus on supporting first-time buyers. In addition, OMSE and NSSE include provision for priority access for social renters, disabled people, and members of the armed forces.

The survey included a series of questions relating to buyers' circumstances at the time of purchase, such as whether they were first-time buyers when they purchased through the scheme, and their living circumstances/housing tenure at the time of buying. Just under three quarters (73%) of respondents were first-time buyers, which varied across the three schemes (64% of HtB respondents, 71% of NSSE and 95% of OMSE respondents).

Figure 22: Proportion of first-time buyer respondents



Base: HtB 2438, NSSE 130, OMSE 1174

Differences in the proportion of first time buyers accessing HtB were also seen depending on income. For buyers with incomes of less than £30,000, three quarters (75%) were first time buyers. This compares with a little more than half (54%) of those HtB buyers whose income was more than £50,000.[13]

For HtB respondents, those that purchased in 2018 and 2019 were more likely to be first-time buyers than those who purchased prior to 2015 (72% in 2018 and 2019, compared with 49% prior to 2015). This is consistent with monitoring data where 82% of buyers in 2018/19 were first time buyers, compared with 66% prior to 2016.

The apparent increase in the proportion of first-time buyers since 2015/16 is also consistent with qualitative findings for developers and lenders (see chapters 6 and 7) regarding the impact of the reduction in the purchase price threshold in 2015. Responses to the survey also suggested a reduction in the proportion of HtB buyers with household incomes of more than £50,000; 19% of respondents buying in 2018 or 2019 compared with 47% of those buying prior to 2015.

[13] Respondent numbers for NSSE and OMSE buyers were too low for further subgroup analysis.

First-time buyers who were supported by one of the shared equity products also appeared to differ from other buyers in terms of socio-economic profile and characteristics of their purchase. As Table 7 shows, first-time buyers were more likely than existing buyers to:

- be single or couple households without children (63% of first-time buyers compared with 44% of existing buyers);
- have a lower income (68% less than £40,000, compared with 41% of existing buyers);
- buy at lower price points (median of £150,000, compared with £190,000 for existing buyers);
- buy a flat (25%, compared with 8% of existing buyers);
- buy a smaller property (42% buying 1 or 2 bed, compared with 14% of existing buyers); and
- take a higher share from the Scottish Government (29% taking a share of 30% or more, compared with 7% of existing buyers).

Table 7: First-time buyers and previous owners compared (based on all respondents)

	First-time buyers	Existing buyers	All buyers
Household type			
1 adult, no children	32%	20%	29%
1 adult, with children	8%	11%	8%
2 adults, no children	31%	24%	29%
2 adults, with children	26%	42%	30%
Other	4%	4%	4%
Household income			
Up to £20,000	12%	5%	10%
£20,001 to £30,000	30%	13%	24%
£30,001 to £40,000	26%	23%	24%
£40,001 to £50,000	17%	25%	18%
More than £50,000	15%	33%	19%
Purchase price			
Median	£150,000	£190,000	£165,000
Property type bought			
Detached house	14%	43%	22%
Semi-detached house	30%	27%	29%
Terrace house	27%	20%	25%
Flat	25%	8%	20%
Other	3%	1%	3%

	First-time buyers	Existing buyers	All buyers
Property size bought			
1 or 2 bedrooms	42%	14%	34%
3 bedrooms	46%	48%	47%
4+ bedrooms	12%	38%	19%
Equity share provided by scheme			
Less than 10%	3%	4%	3%
10-19%	40%	49%	43%
20-29%	28%	40%	31%
30% or more	29%	7%	23%

In terms of the other groups targeted by the NSSE and OMSE schemes:

- Just over a fifth (21%) of both NSSE and OMSE respondents were social tenants at the time of buying.
- 6% of NSSE and OMSE respondents were from a visible minority ethnic background[14] and a further 19% described their ethnicity as White – Polish. This compares with 7% of HtB respondents from a visible minority ethnic background (a further 3% describing their ethnicity as White – Polish).

Properties purchased

Buyers were asked about the size and type of property they purchased through the schemes, and the purchase price. It should be noted that the findings below are based on self-reported information provided by respondents and it has not been possible to cross-reference or verify this with administrative data.

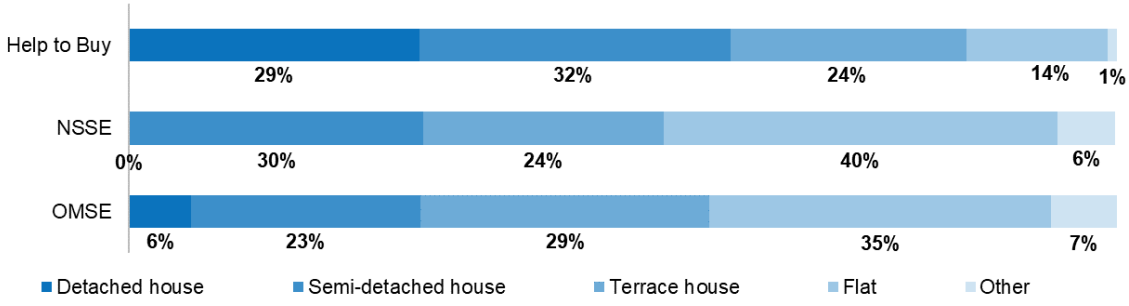
Overall respondents were more like to have purchased houses (77%) than flats (21%). Respondents were also more likely to have purchased 3+ bedroom properties (66%, compared with 34% buying 1 or 2 bedroom properties).

A large majority (85%) of **HtB** respondents purchased a house, and three quarters (75% of all HtB respondents) purchased a property with 3+ bedrooms. This appears to have changed over time as the HtB price cap was reduced. In 2018/19, 18% of buyers purchased a flat compared with 10% prior to 2016. Similarly, 33% those who purchased in 2018/19 bought a 1 or 2 bed property, compared with 17% prior to 2016.

[14] This includes respondents describing their ethnicity as one of the following: Mixed/multiple; Asian, Asian Scottish or Asian British; African; Caribbean or Black; or Other.

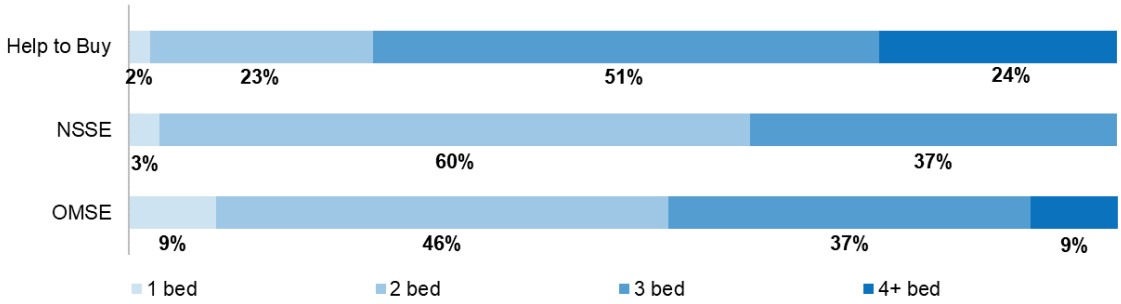
Just over half of **NSSE** respondents (54%) purchased a house and 40% purchased flats. Most NSSE buyers (60%) purchased two bedroom properties. For **OMSE** respondents, 59% purchased a house and 31% purchased a flat. Just under half (46%) of OMSE buyers bought two bedroom properties and a further 37% bought a property with three bedrooms.

Figure 23: Property type purchased by buyer respondents



Base: HtB 2441, NSSE 129, OMSE 1176.

Figure 24: Property size purchased by buyer respondents



Base: HtB 2445, NSSE 130, OMSE 1174.

Buyers were also asked about the sale price of their property.[15]

A median price of £180,000 for **HtB** respondents reflected the substantial proportion (52%) of respondents buying in the £150,000-£199,999 price range. Just over a fifth (21%) reported a purchase price of less than £150,000 while 27% reported a price of more than £200,000 (all bought prior to reduction in the price cap). There also appears to have been a change over time, consistent with the reducing HtB price cap. Prior to 2016, 55% of buyers purchased a property under £200,000, compared with 92% of those buying in 2018/19.

More than half (58%) of **NSSE** respondents bought in the £100,000-£149,999 price range, including 14% who bought at a price of less than £100,000. The median price was £135,000 for NSSE respondents. A large majority (83%) of

[15] Findings are based on self-reported information. However, results provide a useful point of comparison with published data summarised in chapter 3 (see table 5) and is the most reliable price information available for NSSE and OMSE sales. This self-reported price data has also been used in more detailed analysis of differences in buyers' experience of using shared equity schemes in chapter 5.

OMSE respondents bought at less than £150,000, including around a quarter (24%) at less than £100,000. The median price for OMSE buyers was £116,000.

Table 8: Sales prices (self-reported)

Sale price	HtB	NSSE	OMSE
Under £100,000	1%	14%	24%
£100,000-149,000	20%	58%	59%
£150,000-199,000	52%	26%	14%
£200,000 or more	27%	2%	3%
Median	**£180,000**	**£135,000**	**£116,000**
Base	2252	120	1084

5. Buyers' experience of Shared Equity schemes

This chapter summarises buyers' experience of shared equity schemes to date, including the extent to which the schemes had an impact on housing outcomes for buyers. Findings draw on survey results, including written (free text) responses from the buyer survey, and qualitative findings from telephone interviews with buyers.

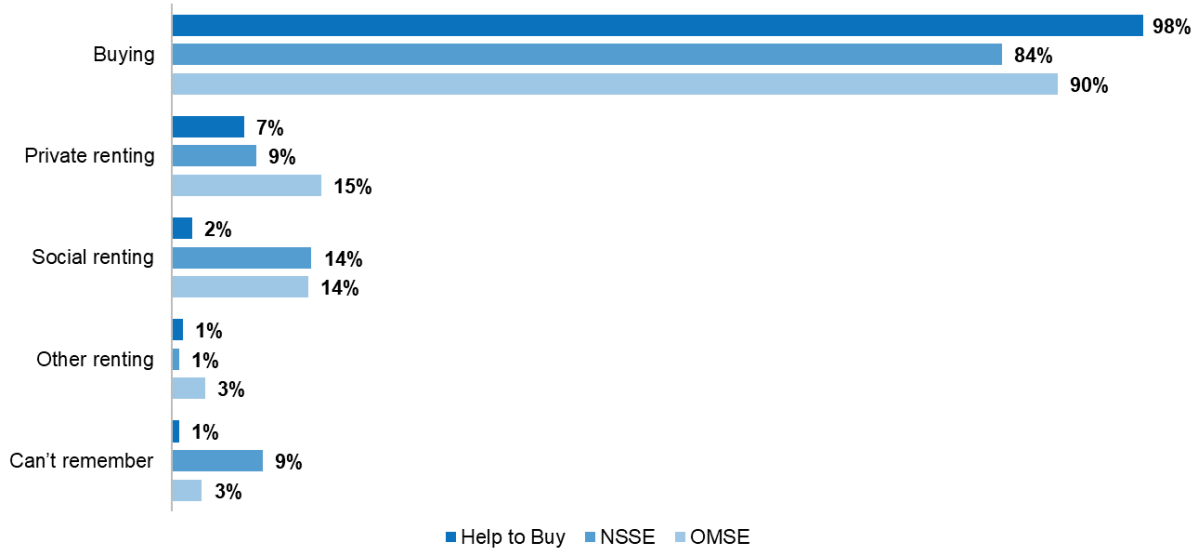
Housing search patterns

Buyers were asked a series of questions around their property search patterns prior to buying through the Scottish Government shared equity scheme, including the range of tenures considered and whether buyers had been mainly looking for a newly built or existing home.

A large majority (95%) of respondents had considered buying. This was higher for those who purchased through HtB; 98%, compared with 84% of NSSE and 90% of OMSE buyers.

The vast majority indicated that home ownership was the only tenure option they had considered; 91% of HtB, 80% of NSSE and 76% of OMSE buyers. For NSSE and OMSE buyers who had considered other tenure options, the most common option was social renting (14% of both NSSE and OMSE buyers). Buyers who lived in the private or social rented sectors when they were first looking to move were more likely to have considered these tenure options; 14% of private renters has considered remaining within the private renting sector (compared with 7% of other buyers), and 11% of social tenants had considered remaining within the social rented sector (compared with 5% of other buyers).

Figure 25: Tenures considered by buyers

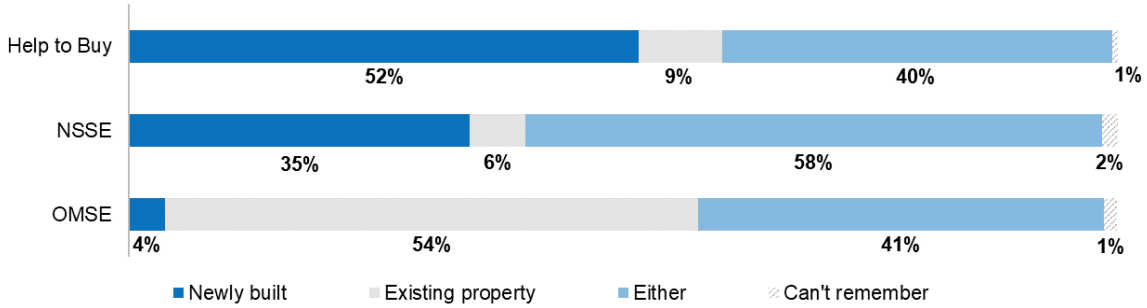


Base: HtB 2238, NSSE 121, OMSE 1072. Note respondents could select multiple options.

Just over four in ten respondents (41%) had considered either a new build or existing property, and a similar proportion (38%) had considered only a new build property. There were differences across the three shared equity schemes:

- **HtB**: Just over half of buyers had considered only new build (52%), although a substantial proportion had considered either new build or existing property (40%).
- **NSSE**: More than half had considered either new build or an existing property (58%), while just over a third (35%) had been considering only new build.
- **OMSE**: Just over half had considered only an existing property on the open market (54%), although a substantial proportion had considered either new build or existing property (41%).

Figure 26: Whether buyers considered new build or existing property



Base: HtB 2239, NSSE 123, OMSE 1074

Qualitative findings were consistent with the survey results outlined above. Most participants felt that they had been clear in their housing search patterns from the outset, such that the decision to use a shared equity scheme did not have a significant impact on the types and sizes of properties being considered. Rather, participants emphasised that the option of buying through a shared equity scheme allowed them to consider better quality properties that were more suitable for their needs. Participants also highlighted the extent to which shared equity schemes enabled them to access ownership in the area or areas they preferred. Some indicated that their choice of specific shared equity scheme was influenced in part by the availability of developments in their preferred location.

Impact on housing outcomes

The impact of the shared equity schemes for buyers' housing outcomes was covered in the survey and interviews with buyers. The survey asked buyers the extent to which use of shared equity had an impact on the kind of property they were able to buy, the kinds of property they may have been able to buy without the shared equity scheme, and whether it would have taken them longer to buy a property without shared equity. Qualitative interviews with buyers explored these issues in further detail.

Buyer survey results

Buyers were asked a series of questions to assess the impact of use of the shared equity schemes on housing outcomes for buyers, including the difference that shared equity had made to their house purchase, the feasibility of alternative housing options if shared equity had not been available, and the impact of shared equity on when they were able to access home ownership.[16]

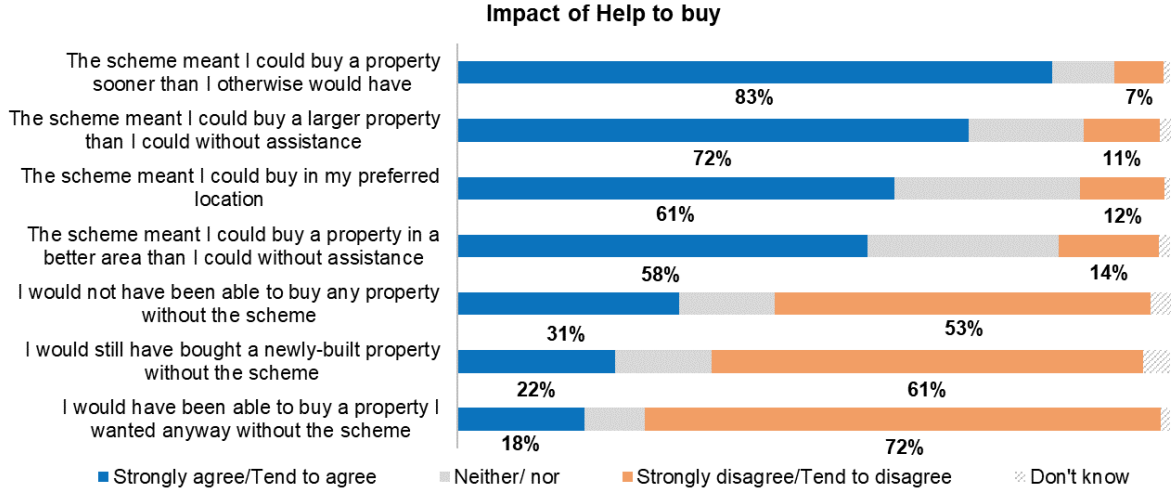
Findings for buyers using **Help to Buy** are summarised below.

- a large majority (83%) agreed that HtB had meant they could buy a property sooner than would have been possible without assistance.
- Most agreed that HtB had enabled them to buy a larger property (72%) or a property in their preferred area (61%).
- Around a fifth (18%) agreed that they may have been able to buy the same property without HtB, although only 3% said they 'definitely' could have done so.
- Around a fifth (18%) of respondents agreed that they could have bought a property they wanted without HtB.
- Most may have been able to buy an alternative property, although a minority felt that they could 'definitely' have accessed alternatives; 28% 'definitely' could have bought a cheaper or smaller property without HtB, or a property in a less desirable area.

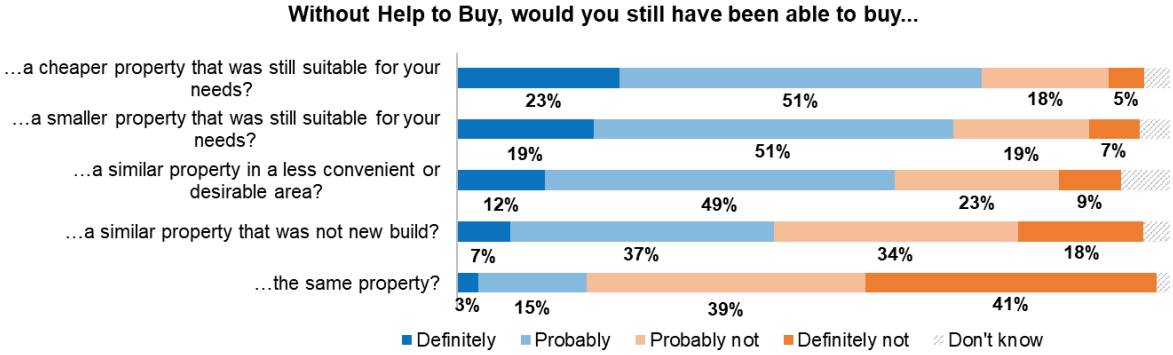
"I was able to get a better property that suited my needs for longer, and with more affordable monthly payments."
HtB Buyer

[16] It was not possible to break down results year by year for NSSE due to insufficient volume of responses. However, for HtB and OMSE there was no significant upward or downward trends by year.

Figure 27: HtB survey respondent views on impact of Shared Equity on housing outcomes



Base: 2203



Base: 2169

Findings for **NSSE** buyers are summarised below.

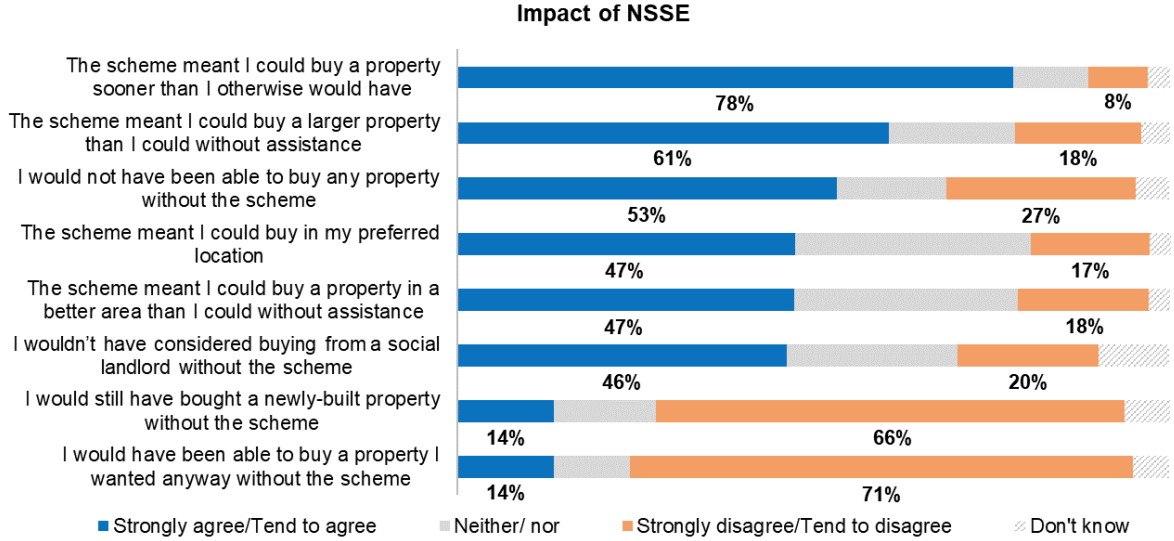
- The majority (78%) agreed that NSSE had meant they could buy a property sooner than would otherwise have been possible.
- Nearly half (46%) agreed that they would not have considered buying from a social landlord without NSSE.
- Most agreed that NSSE had enabled them to buy a larger property (61%), but fewer agreed that NSSE enabled them to buy in their preferred location (47%).

"It was an opportunity to own 60% of something, instead of 0% of nothing."

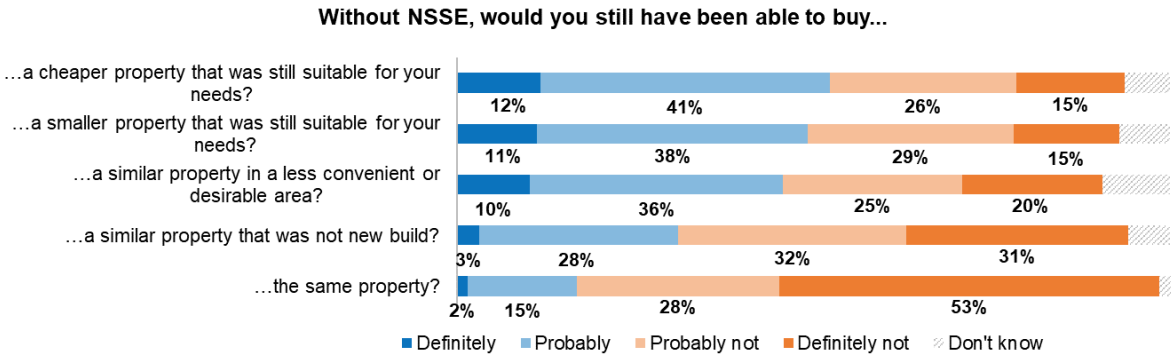
NSSE Buyer

- 17% agreed that they may have been able to buy the same property without NSSE, although only 2% would 'definitely' have been able to do so.
- A minority (14%) agreed that they could buy a property they wanted without NSSE.
- Most buyers may have been able to buy an alternative property without NSSE, although a minority (18%) felt that they could 'definitely' have bought a cheaper or smaller property, or in a less desirable area.

Figure 28: NSSE survey respondent views on impact of Shared Equity on housing outcomes



Base: 121



Base: 121

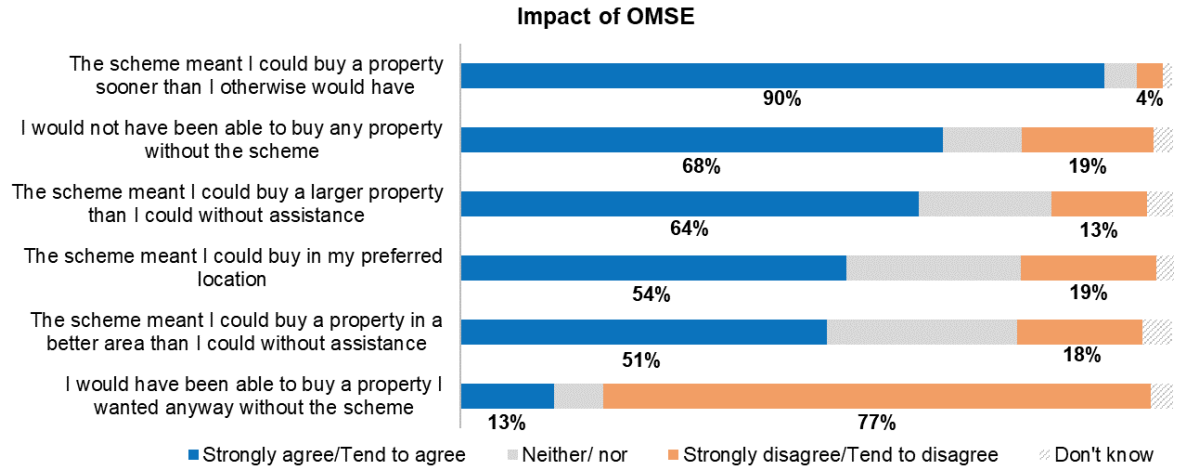
Findings for **OMSE** buyers are summarised below.

- A large majority (90%) agreed that OMSE had enabled them to buy a property sooner than would have been possible without OMSE.
- Most agreed that OMSE had meant they could buy a larger property (64%), and a more than half agreed that OMSE enabled them to buy in their preferred location (54%).
- Around a fifth (19%) agreed they may have been able to buy the same property without HtB, although only 4% indicated that they would 'definitely' have been able to do so.
- A minority (13%) agreed that they could buy a property they wanted without OMSE.
- Less than half felt they may have been able to buy an alternative property without OMSE, and a minority (12%) 'definitely' could have bought a cheaper or smaller property.

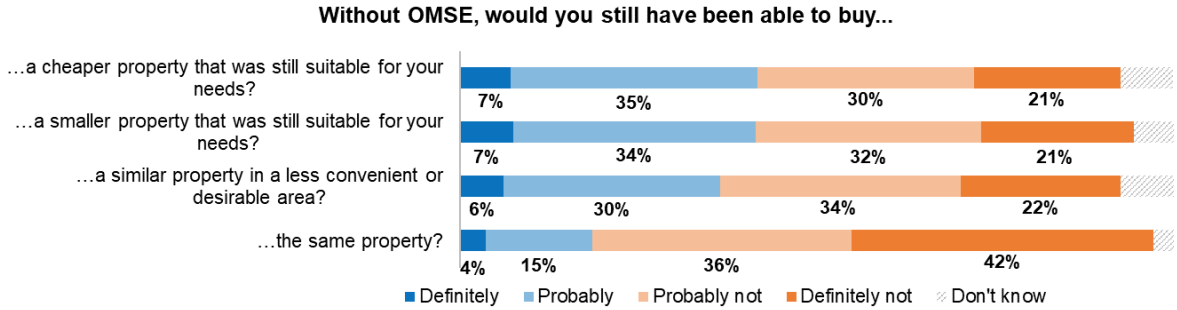
"I worked all my life and had been a homeowner before [a relationship breakdown]. Getting back on the property ladder wasn't an option without the scheme."

OMSE Buyer

Figure 29: OMSE survey respondent views on impact of Shared Equity on housing outcomes



Base: 1043



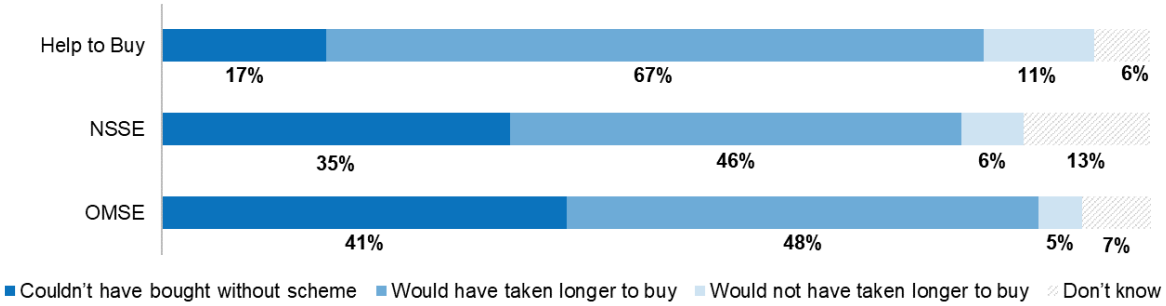
Base: 1027

There were also differences between buyer groups in their views of the impact of the shared equity scheme:

- **First-time buyers** were less likely than others to indicate that they could have bought a smaller or cheaper property that suited their needs without shared equity; 14% could 'definitely' have bought a smaller property (compared with 21% of existing buyers) and 16% could 'definitely' have bought a cheaper property (24% of existing buyers).
- **Lower income households** (up to £20,000) were less likely than others to have been able to buy a smaller property (5% compared with 17% of those with an income of more than £20,000) or a cheaper property (7% compared with 20%) without shared equity. Those where the Scottish Government acquired a larger equity share (30% or more) were also less likely to have been able to buy a similar property in a less convenient area (5% compared with 12% of those with a stake of less than 30%).
- **Single parent households** were less likely than others to have been able to buy the same property (12% could 'definitely' or 'probably' have done so, compared with 19% of those in other household types), a smaller property (53% compared with 66%) or a cheaper property (59% compared with 69%) without shared equity.

As figure 30 shows, a large majority of buyers (85%) felt that they could not have bought without shared equity (24%) or would have taken longer to buy without assistance (61%). This was broadly consistent across the three schemes (83% of HtB, 81% of NSSE and 89% of OMSE buyers). However, buyers using HtB were less likely to feel that they would have been unable to buy without the scheme (17% compared with 35% of NSSE and 41% of OMSE buyers). HtB buyers were more likely to feel that it would have taken them longer to buy (67% compared with 46% of NSSE and 48% of OMSE buyers).

Figure 30: Survey respondent views on impact of Shared Equity schemes on buying timescale



Base: HtB 2168, NSSE 121, OMSE 1027

Impact of shared equity schemes - qualitative findings

The impact of shared equity schemes was also explored through qualitative interviews, and in free text written survey responses.

Buyer participants were very clear that use of the shared equity schemes had a positive impact on their ability to access suitable housing. These buyers indicated that shared equity schemes had enabled them to access a better quality of housing than would otherwise have been possible. This included HtB and NSSE enabling buyers to access new build housing that would otherwise have been out of reach, and OMSE supporting buyers to access better quality resale housing.

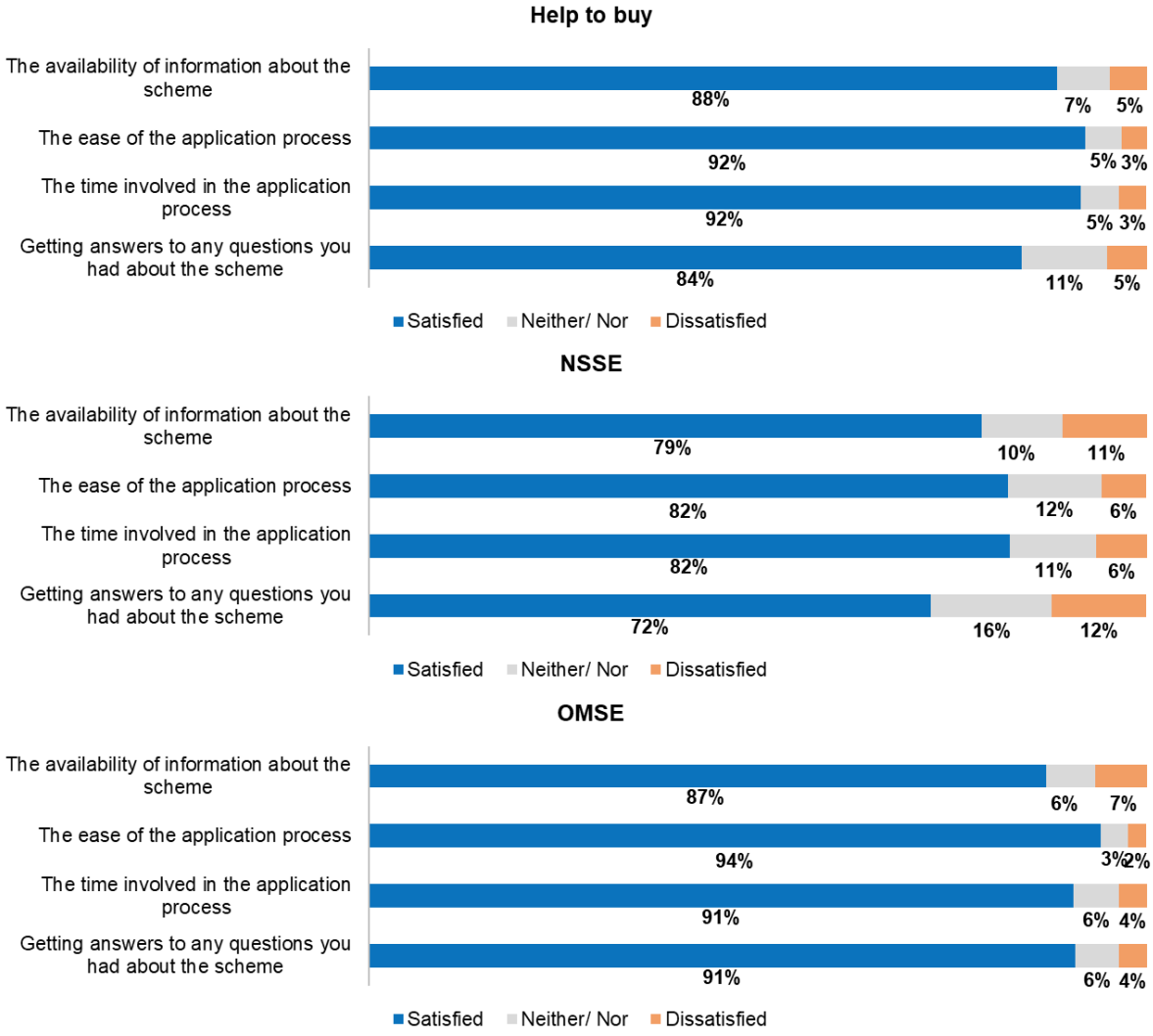
In discussing the quality of housing they were able to access, buyers referred to the suitability of housing for their needs (including size, layout, level of disrepair) and location (including with reference to schooling and family support networks). Buyers also emphasised that use of shared equity schemes had made home ownership a more sustainable housing option for them. This included reference to more affordable mortgage repayments, and some participants were of the view that the only feasible ownership options available to them without shared equity would require improvement works that they could not finance.

Satisfaction with shared equity schemes

Buyers were asked whether they had been satisfied with key aspects of their experience of buying through the shared equity schemes. Buyer satisfaction was high across all aspects of the process and highest for the application process in terms of its ease (92% satisfied) and the time involved (91%).

These findings were broadly consistent across the three schemes, although buyers who used HtB and OMSE were overall more likely to be satisfied than NSSE buyers. This was particularly the case for availability of information (where 88% of HtB, 87% of OMSE and 79% of NSSE buyers were satisfied) and getting answers to questions (where 84% of HtB, 91% of OMSE and 72% of NSSE buyers were satisfied). However, it should be noted that a majority of NSSE buyers were satisfied with all aspects of the process.

Figure 31: Buyer satisfaction with Shared Equity schemes



Base: HtB 2141, NSSE 121, OMSE 1011

Qualitative findings (based on interviews with buyers and free text written responses from survey respondents) were consistent with this positive picture of buyer experience. Participants typically referred to the process of purchasing

with shared equity as “simple” and “straightforward”. However, participants also suggested that their experience was dependent on support and advice provided by mortgage brokers, estate agents and/or solicitors. Survey respondents (via written comments) and qualitative participants referred to the mortgage broker and/or solicitor as crucial in ensuring they had a good understanding of the shared equity scheme and the requirements it placed on buyers. Many participants also noted that use of a broker and/or solicitor had minimised the burden on the buyer associated with the shared equity scheme. Others expressed frustration where they felt that their solicitor or broker’s lack of awareness or understanding of shared equity had caused difficulties. This included some who noted that use of shared equity had increased their legal costs associated with the purchase.

The buyer survey and qualitative interviews both covered aspects of buyers’ experience that had been difficult. The survey asked buyers to describe their experience in their own words, and a substantial proportion of respondents used this as an opportunity to reiterate their satisfaction with the shared equity scheme. Similarly, most qualitative participants commented positively on their experience of the shared equity scheme, and particularly the positive impact in terms of their access to the housing market.

However, written comments gathered through the survey, and qualitative findings from interviews highlighted common challenges or areas of concern across the shared equity schemes.

A perceived lack of clarity around the process of repaying the Scottish Government’s equity share, including subsequent resale of the property. This included reference to fees and charging of interest on the equity share – there appeared to be some lack of clarity here around differences between the Scottish Government and UK Government Help to Buy schemes[17]. Some suggested that information provided in advance of purchase could include a stronger focus on subsequent resale and repayment.

“I am a little concerned about paying the scheme back and when the most appropriate time to do this is. It would help if you could make small regular repayments without having an assessment each time.”

HtB Buyer

Some buyers felt they had difficulty accessing clear information on shared equity schemes when first looking to buy. This included reference to eligibility criteria, how use of shared equity schemes affected the purchase process, and arrangements for repayment and resale.

[17] Note that interest is not charged on equity shares provided through the Scottish Government scheme, but is charged after 5 years under the UK Government scheme.

Buyers also referred specifically to a lack of clarity, and some frustration, around the requirement for buyers to seek permission prior to undertaking improvements or other changes to their home. This included some who had not appreciated these restrictions prior to buying, and others who had encountered difficulty securing permission for subsequent improvements to their home.

A number of buyers raised concerns around potential for use of shared equity to limit their options for re-mortgaging. This included some with experience of re-mortgaging who referred to limited lender options and suggested that use of shared equity had increased the cost of re-mortgaging (in terms of interest rates and admin fees).

"Better info in advance about the process [of re-mortgaging]. I have stayed with the same provider as the process to switch seems complicated, time consuming and costly."
HtB Buyer

Reported difficulties re-mortgaging reflected wider concerns regarding access to lenders through shared equity schemes. Some buyers, particularly those buying earlier in the operation of the shared equity schemes, suggested that choice of lenders (and mortgage deals) had been very limited. Others reported difficulty identifying which mortgages were available to buyers using shared equity schemes, and had experienced some frustration at their inability to access the 'best' deals.

Some buyers reported difficulties associated with scheme timescales. This was most commonly HtB or NSSE buyers where development delays had extended the completion date beyond the deadline for the shared equity application - including cases where a new application had to be made. Some suggested that more flexibility was required in the procedures and timescales associated with shared equity schemes, to recognise the realities of the house purchase process (particularly when buying new build property).

"There were several [developer] delays. This impacted us financially as it meant that two provisional mortgage offers expired, leaving us with less competitive rates."
NSSE Buyer

A few buyers, particularly those using the NSSE scheme, referred to difficulties with the quality of their home. This was most commonly associated with challenges in resolving 'snagging' repairs.

Some buyers expressed frustration around the specification of the shared equity schemes, and limitations on the price points and market sector(s) available to buyers. This included some HtB buyers frustrated that the scheme was limited to new build properties only, including some who had become aware of the OMSE scheme only after completing their purchase. These participants suggested that buying an existing property may have improved the housing options available to them, and secured better value for money (for the buyer and Scottish Government). Others suggested that the price cap had presented challenges in accessing a home that met their needs. This included HtB buyers who had been limited in the range of new build properties available within the

price cap, and OMSE buyers who had been repeatedly outbid for properties by a small amount due to the fixed price cap. A few HtB participants referred to having been required to defer their scheme application due to funding having been exhausted for that financial year.

OMSE buyers also noted limitations on property sizes that buyers can access through shared equity schemes. It was suggested that schemes could be more flexible to allow households to buy a larger property if they have a valid use for an additional bedroom and can afford the additional cost.

Several buyers saw a need for the shared equity schemes to be advertised more widely to ensure potentially eligible buyers are aware of available options. This appeared to reflect the experience of some buyers who had been unaware of the shared equity option during their initial house search – particularly those searching on the open market.

"It's had a big impact for us. More people would like this opportunity."
NSSE Buyer

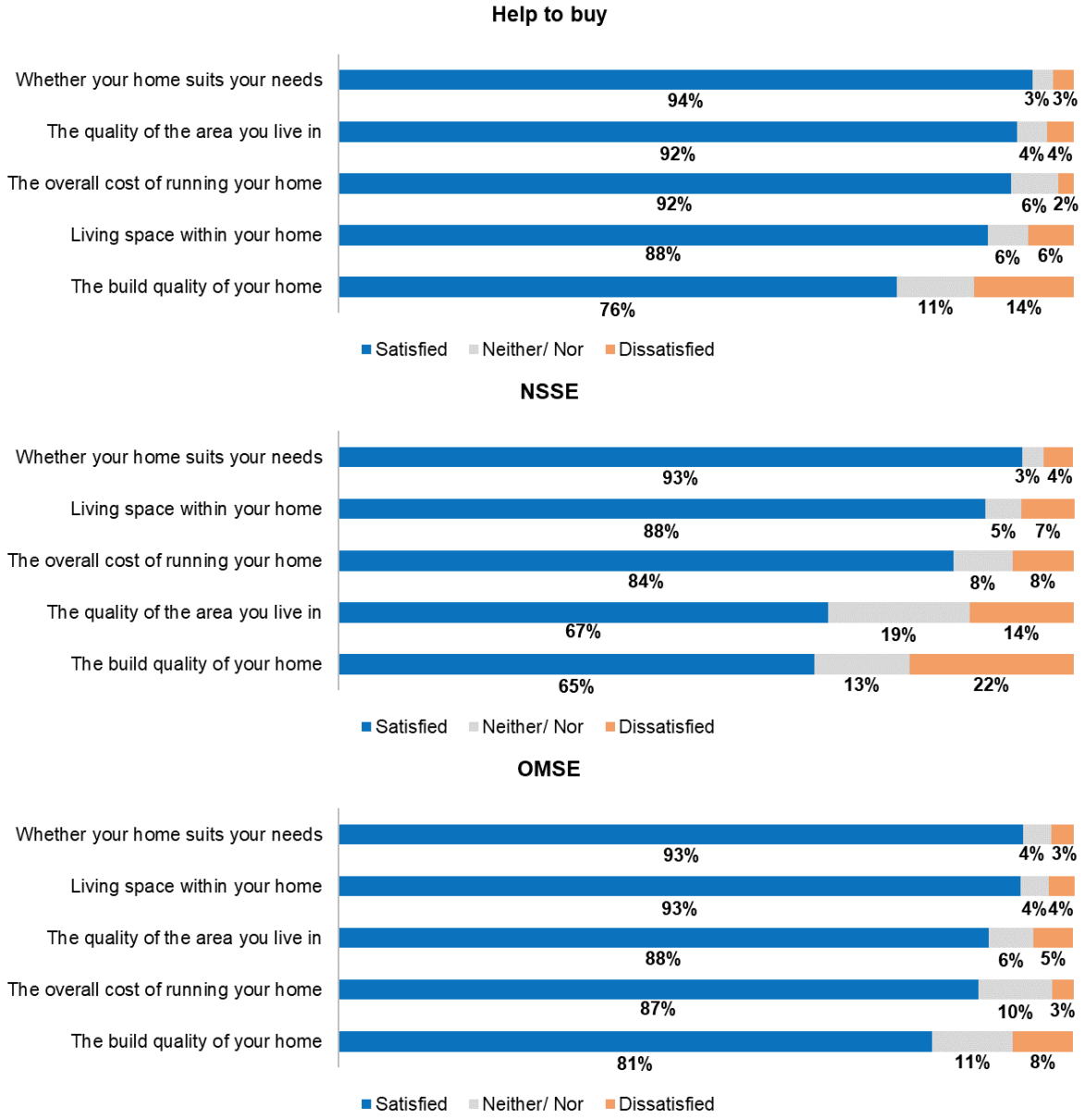
Satisfaction with homes bought with shared equity

The buyers' survey asked about the extent to which buyers were satisfied with key aspects of the property they bought with shared equity. Views were generally very positive, particularly in terms of suiting buyers' needs (94% satisfied), living space (89% satisfied) and running costs (90% satisfied). Satisfaction levels were consistently high across all three schemes.

Buyers appeared to be less satisfied in relation to build quality. Around three quarters (77%) of all buyers were satisfied with the build quality of their home, views being least positive amongst NSSE buyers (65% satisfied and 22% dissatisfied). NSSE buyers were also less satisfied than others with the quality of the area they live in (67% satisfied and 14% dissatisfied).

There were a few differences in satisfaction levels across other buyer groups. First-time buyers were less satisfied with the quality of the area they live in (89% were satisfied compared with 94% of existing buyers) and their home's build quality (75% were satisfied compared with 81% of existing buyers). Those with a purchase price of less than £100,000 were less satisfied with the quality of the area they live in (86% were satisfied, compared with 92% of those with a sale price of £150,000 or more).

Figure 32: Buyer satisfaction with property bought through Shared Equity schemes



Base: HtB 2067, NSSE 120, OMSE 964

Resale, increasing equity stake and re-mortgaging equity

Buyers were asked a series of questions around experiences of re-selling a home bought through the Scottish Government shared equity schemes, their awareness and potential interest in options to increase their equity stake, and any experience of re-mortgaging their home since buying with shared equity.

Reselling properties bought through shared equity schemes

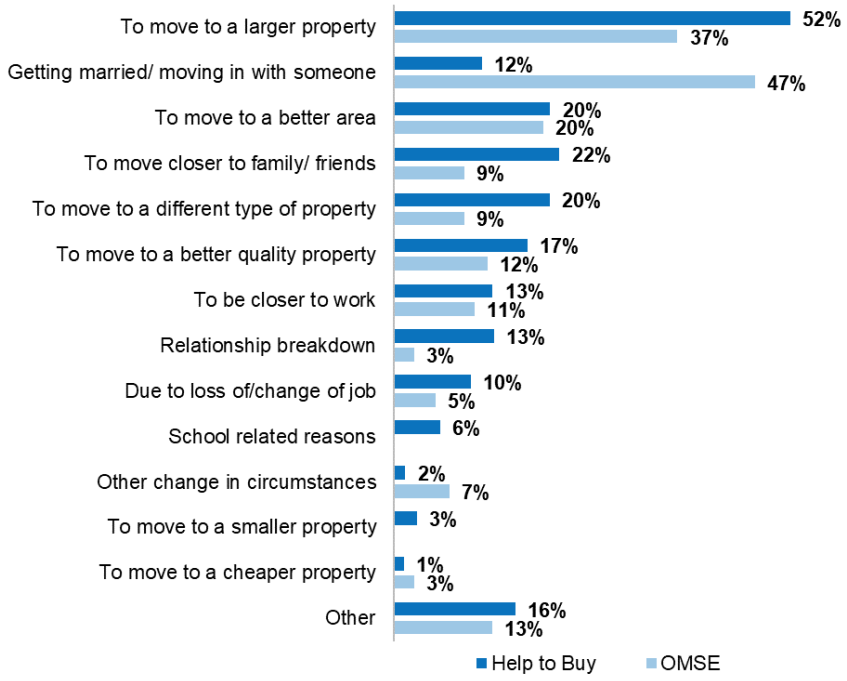
The vast majority (97%) of respondents were still living in the home bought with shared equity (97% of HtB, 99% of NSSE and 97% of OMSE buyers). However, this is likely to reflect some response bias as the postal survey was sent to the address of the property bought with shared equity only.

Amongst the small number of buyers who had sold the home bought with shared equity, most were still in owner occupation (71%) although 16% had moved into the private rented sector.

Buyers were presented with a range of factors that may have contributed to their decision to move from the property bought with shared equity and asked to choose all that applied (see Figure 33). Moving to a larger property was the most common reason chosen; this was mentioned by just over half (52%) of all those who had moved, and was a particularly common factor for HtB buyers. Other common factors included:

- Getting married or moving in with someone (mentioned by 23% of all those who had moved, and the most common factor for OMSE buyers);
- Moving to a better area (20% of all those moving);
- Moving closer to family or friends (18%, and more common for HtB buyers); and
- Moving to a different property type (17%, and more common for HtB buyers).

Figure 33: Shared equity buyer reasons for selling home bought through Shared Equity schemes



Base: HtB 69, OMSE 40. Multiple selections allowed. Insufficient NSSE respondents to present results.

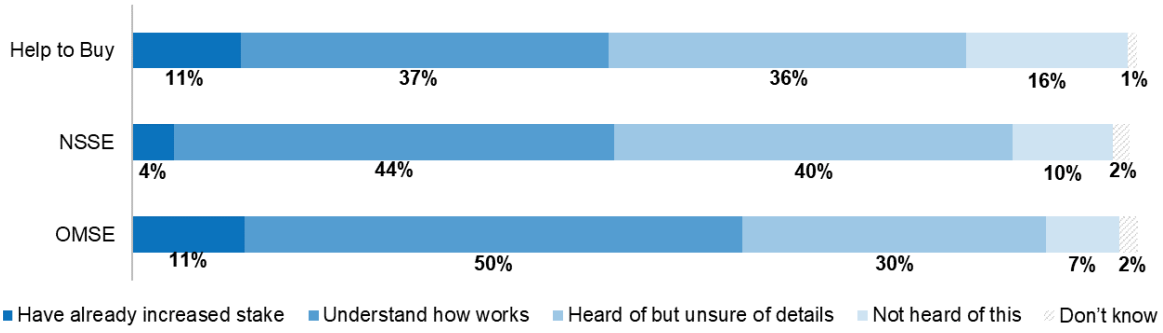
Increasing buyers' equity stake

All three shared equity schemes provide a facility for buyers to repay the Scottish Government to increase their equity share. Buyers can increase their equity share up to 100% ownership, but must do so by at least 5% each time. The buyer survey asked about awareness and use of this facility, and whether buyers had re-mortgaged since first buying their home with shared equity (for example to get a better mortgage deal).

Around one in ten (11%) respondents had increased their equity stake since buying with shared equity. Those who had been in their home for longer appeared more likely to have increased their equity stake; 13% of those buying prior to 2016 had done so, compared with 7% of those buying in 2018/19. Nearly half (46%) of those who had increased their equity stake had increased to 90% or more, including just over a quarter (26%) who had increased their share to 100%.[18]

In addition to the 11% who had increased their equity stake, 40% understood how it works. There were some differences across shared equity schemes, with OMSE buyers more likely to understand how the option to increase their equity stake works (61% compared with 47% of HtB and 49% of NSSE buyers). There were also differences by year of purchase (57% of those buying in 2018 or 2019 understood how increasing their equity stake works, compared with 47% of those buying prior to 2018).

Figure 34: Buyer awareness of option to increase equity stake

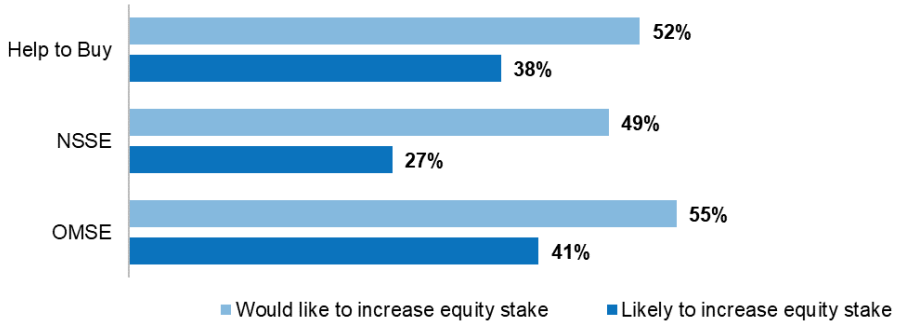


Base: HtB 2043, NSSE 116, OMSE 948

Around half (52%) of respondents expressed an interest in increasing their equity stake over the next five years, and this was broadly consistent across the three schemes. However, just under three quarters (73%) of those who would like to increase their equity stake felt they were likely to do so (equivalent to 38% of all respondents). A higher proportion of HtB and OMSE buyers were likely to increase their stake (38% of HtB and 41% OMSE buyers, compared with 27% of NSSE respondents).

[18] Estimates based on survey respondents who have increased their equity share and were able to provide information on their current equity share.

Figure 35: Shared equity buyer interest in increasing equity stake in the next five years



Base: HtB 2044, NSSE 118, OMSE 947

The survey asked buyers an open question on why they felt they would be unlikely to increase their equity stake. These views were also explored through buyer interviews.

Written responses from survey respondents and qualitative interview findings indicated that those who would be unlikely to increase their equity stake included buyers who did not yet wish to increase their equity stake. For example, some preferred to focus on reducing other (higher interest) debts. Some specifically noted that the "security" offered by the shared equity schemes was in part linked to buyers not being required to repay the Scottish Government's equity stake until they sell their home.

"It's peace of mind that I won't have to pay back the equity share until I move."
HtB Buyer

However, a number of buyers who wished to increase their equity stake cited a range of reasons that may limit their ability to do so.

Affordability was the most common reason, and was mentioned by more than half of those providing comment. This included respondents prioritising other financial commitments, including a focus on reducing mortgage and/or other debts, and starting a family. Some also raised concerns around current economic uncertainty and/or job insecurity as affecting their ability to save towards increasing their equity stake.

"Not sure if I will have the money to increase my stake in the next 5 years, not completely sure of how much it costs and how I go about it."
HtB Buyer

A number of buyers were unclear on how the process of increasing their equity stake worked. This included some who wished to see more information on how they can increase their stake, and others who felt that they were unclear on the potential benefits of doing so. Some buyers also raised concerns around the potential costs associated with what was perceived as a potentially complicated process to increase their equity stake. These

"Like to, now I can afford extra on the mortgage but unsure of overall pros/cons."
HtB Buyer

buyers suggested that these costs undermined the potential benefits of increasing their stake.

"I would be curious what the increase in costs would be, how much fees would be to get surveyed etc... Is it worth it?"
HtB Buyer

The other common factor raised by those who felt they would be unlikely to increase their equity stake was the requirement for buyers to repay a minimum of 5% of the property value. Some buyers suggested that this was an unrealistic sum for them to save, particularly in the context of wider financial pressures. There appeared to be some interest in a facility for buyers to increase their equity stake through smaller repayments.

Re-mortgaging a property bought through shared equity schemes

Just over a quarter (26%) of all respondents had re-mortgaged since buying their home. HtB respondents were more likely to have re-mortgaged (30% compared with 22% of NSSE and 15% of OMSE buyers). There were differences across other buyer groups with the following being less likely to have re-mortgaged: first-time buyers (23% had re-mortgaged compared with 33% of existing buyers), those where the Scottish Government took an equity share of 30% or more (16% compared with 29% of those with a higher share), those in rural areas (19% compared with 28% of those in urban or small town areas) and single parents (17% compared with 27% of those in other household types). Respondents were also more likely to have re-mortgaged where they had been in their home for more than 2 years; 42% of those buying prior to 2016 had re-mortgaged, compared to just 3% of those buying in 2018 or 2019.

Buyers who had not re-mortgaged since buying their home were asked an open question about their reasons for this. A substantial number were still within their initial deal period and so re-mortgaging would not enable them to access a better deal. However, some expressed concerns regarding scope to re-mortgage once their current deal ended. These buyers would have liked more information following completion of their purchase on subsequent re-mortgaging and resale.

"Rules are unclear, unsure if permission is required if only wanting a preferential interest rate."
HtB Buyer

Others providing written comment referred to a range of factors that had affected their ability to re-mortgage since buying their home. A lack of clarity around restrictions or requirements on buyers when re-mortgaging appeared to be an issue for some. This included queries around whether buyers were required to secure Scottish Government permission before re-mortgaging, any associated fees, and whether buyers were able to switch lender (or were limited to securing a better deal with their current lender). Some suggested that the process could be made simpler to enable shared equity buyers to re-mortgage without incurring mortgage broker costs.

Some also felt that using shared equity had limited their access to lenders and products when re-mortgaging. These products were seen as higher cost than those available to 'standard' buyers, and some felt that re-mortgaging was unlikely to improve their financial circumstances.

"Limited to HtB mortgages with additional fees which we were not made aware of at the time."
HtB Buyer

Some buyers referred to other requirements or restrictions on their ability to re-mortgage. Some reported that lenders had required them to repay the Scottish Government stake as part of any switching, noting that this had not been an option for them. Some had also been advised by mortgage brokers that switching lender is likely to be a complicated and costly process.

"Considered it but was told that changing mortgage provider would involve buying out the HtB equity."
HtB Buyer

Future housing intentions

The survey asked about buyers' future intentions in terms of interest in moving home, their reasons for wishing to move, and the likelihood of their being able to move home in the next five years.

Just over a third (36%) of respondents would like to move home in the next five years. HtB and NSSE buyers were most likely to want to move; 38% and 37% respectively compared with 31% of OMSE respondents. A large majority (84%) of those who wanted to move felt that they were likely to do so in the next five years. A higher proportion of HtB buyers who wanted to move felt they were likely to do so; 86%, compared with 73% of NSSE and 77% of OMSE buyers who wanted to move.

Some buyer groups were more likely to want to move home in the next five years. First-time buyers, those who had bought flats and smaller (1 or 2 bed) properties, those who had been in their home for three or more years, and those without children were most likely to wish to move home:

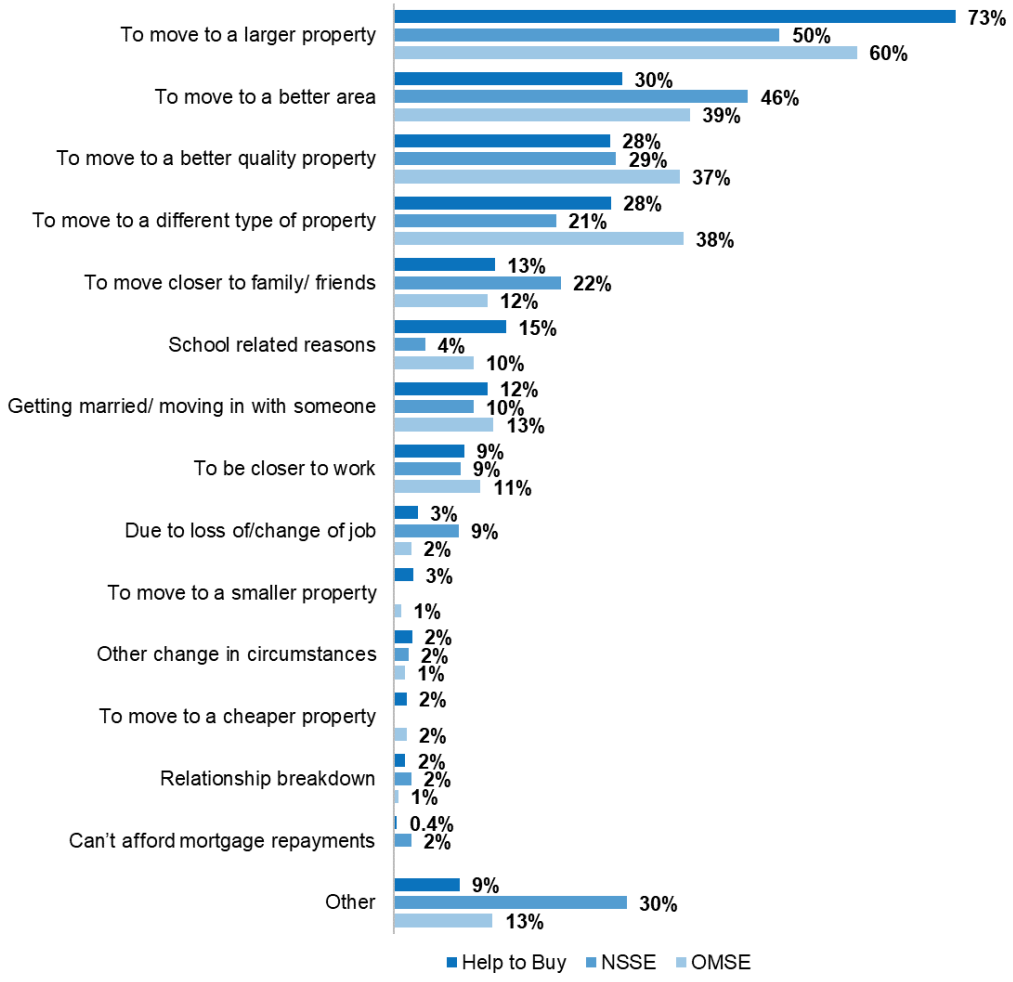
- 55% of those who bought a smaller (1 or 2 bed) property would like to move, compared with 23% of those in a 4+ bedroom property.
- 55% of those who bought a flat would like to move, compared with 36% of those in a house.
- 45% of first-time buyers would like to move, compared with 27% of others.
- 46% of those who bought their home prior to 2017 would like to move, compared with 31% of those who bought in the last two years.
- 46% of those without children would like to move, compared with 32% of those with children.

Moving to a larger property was the most common reason for those wishing to move home, consistent with the larger proportion of households in smaller and

flatted properties who wish to move (see figure 36). Moving to a larger property was a particular priority for HtB buyers, mentioned by 73% of those who wish to move.

A substantial proportion of those wishing to move mentioned moving to a different type of property (30%), to a better quality property (30%) or to a better area (32%). OMSE buyers were more likely than others to be seeking a move to a different type or better quality of property, while OMSE and NSSE buyers were more likely than HtB to wish to move to a better area. Comparison with the reasons given for buyers who have already moved shows some commonality, with moving to a larger property and to a better area amongst the main motivations for both groups.

Figure 36: Shared equity buyer motivations for those wishing to move home



Base: HtB 783, NSSE 45, OMSE 298

A small proportion of buyers (10%) would like to move but felt unlikely to be able to do so in the next five years. For these respondents, difficulty affording a better or more suitable property was the most common barrier (67%). This was more common for HtB respondents (71% compared with 62% of NSSE and OMSE buyers[19]). Other common reasons were that they could not afford a suitable property in the area they wanted to live (41% of all respondents) and that they did not feel it was a good time to sell (21% of all respondents).

[19] Respondent numbers were insufficient to produce results separately for NSSE and OMSE buyers.

6. Lender perspectives

This chapter considers lenders' perspectives on the Scottish Government's shared equity schemes, including their views on the impact of the schemes for housing markets and access to lending in Scotland.

Lender support has been a key factor for the operation of the three shared equity schemes, particularly in the context of the HtB scheme having been introduced in part to facilitate access to mortgage lending following the 2008 global financial crisis. The number and range of lenders involved in the schemes has expanded over time, with a total of 16 lenders having supported the HtB and/or OMSE schemes at the time of the evaluation (14 with HtB and 7 with OMSE). Interviews were conducted with 8 of these 16 lenders, with the representative body of the banking and finance industry, and with one international lender who had not worked with the Scottish Government schemes.

Research participants were drawn from a range of organisations of different types and sizes, from large international banks to a credit union. This included some lenders who had been working with the UK Government shared equity schemes for a number of years, and there was some variation in the extent to which UK-wide lenders were able to offer Scotland-specific observations and/or break down their market intelligence specific to Scotland. However it is notable that there were common views and experiences across lenders.

Scheme objectives and expectations

A clear point of agreement across lenders was that the objectives of the Scottish Government's shared equity schemes are in line with their own business strategy. Lenders' focus here was on supporting buyers – particularly first-time buyers - into the market in a way that was affordable and sustainable for the customer. This, in turn, was seen as feeding into financial sustainability for the wider market and the individual lender. In this context, lenders generally described the decision to work with the schemes as consistent with their wider lending.

This included some lenders with a specific focus on first-time buyers and the more affordable segments of the housing market, and with previous experience of other low-cost home ownership options. The extent to which the Scottish Government's schemes were perceived to fit with this 'ethos' was seen as a positive for these lenders.

The extent to which lenders had previous experience of the UK Government Help to Buy scheme was also an important factor for those choosing to join Help to Buy (Scotland). This was particularly the case for lenders who were later in joining HtB. The UK Government scheme was described as an

established model with no significant issues emerging and nothing to suggest, for example, that Scotland would be a significantly higher risk market.

Several lenders with experience of the UK Government scheme already had systems in place for shared equity products, and required little or no significant changes to adapt to the Scottish Government schemes. Compatibility of systems and minimising the need for information and communications technology (ICT) changes were a significant factor for lenders when joining the schemes, and qualitative findings suggest that these will continue to be significant in any future changes to shared equity schemes. Lenders made clear that, for most, shared equity is likely to comprise a small proportion of their lending, such that it would be difficult to make the business case for significant investment in ICT, training etc. This is especially the case when any funding commitments are relatively short-term as lenders require time to recoup their initial investment.

The importance of systems and ICT was also evident in the experience of the participant who had not been involved in any of the Scottish Government shared equity schemes. This lender indicated that the lead-in time and resources necessary to adapt systems had been the key factor in their choosing not to lend through the schemes. The time-limit on the schemes also contributed to this decision.

Experience to date and perceived impact

Lenders indicated that the Scottish Government's shared equity schemes had broadly met expectations in terms of the level of lending and impact for buyers – albeit lenders had not expected the schemes to represent a substantial share of their lending.

Views were positive on the administration of the schemes. Again this included reference to the extent to which lenders were able to easily adapt existing systems to fit scheme requirements, and lenders also noted the value of support from the Scottish Government team. Some referred to (relatively minor) concerns that the rationale for the reduction in the HtB price cap had not been communicated to lenders, and that this had limited their ability to deal with queries from buyers and brokers. However, participants felt that the Scottish Government had been accessible and knowledgeable in dealing with any queries from lenders.

Lenders indicated that they had particular products for shared equity customers and most offer re-mortgage products (for those moving from other lenders, for buyers to move to another product by the same lender, and to repay the equity share). Participants noted that shared equity products are typified by slightly higher interest rates. However, these higher rates were associated with additional administration requirements (including underwriting) and/or the level

of equity provided by the customer, rather than any perception of higher risk associated with those buying through shared equity schemes.

Lenders were generally satisfied with the profile of buyers coming through the schemes. These customers were not seen as significantly different in their profile or payment record to others not using shared equity schemes. Participants varied in the extent to which they felt able to comment on the specific profile of shared equity buyers in Scotland (as distinct from shared equity buyers across the UK as a whole). However, in terms of profile and the potential impact of shared equity schemes, key findings are summarised below.

Lenders suggested that the schemes may have helped buyers to enter the market slightly earlier than would have been feasible without assistance, because they do not need to wait as long to save a deposit. Participants suggested this may be particularly the case for those who do not have access to 'the bank of Mum and Dad' and/or are living in high cost private rental markets.

Buyers using Help to Buy (Scotland) in particular were seen as including some who may have been able to buy without assistance in the foreseeable future, and/or who may have been supported to access new build when they would otherwise have started in the lower end of the resale market. Some also suggested that HtB customers may be more likely to enter the market at the 'second rung' of the property ladder, for example buying a larger property or a house rather than flat.

Participants suggested that the NSSE and OMSE schemes may have had a greater impact in terms of the proportion of buyers who would otherwise have been unable to access the market. These schemes were described as being more specifically focused on those with limited housing options. HtB was generally described as having an impact by bringing forward demand.

In terms of maximising impact, there was broad support for the reduction in the price cap and equity share limit for HtB, and more generally an approach that focuses on those who most need support. Participants lending through the NSSE and OMSE schemes saw real value in these schemes targeting key buyer groups. However, the tension between very small volumes of lending and the type of 'standardised/high volume' approaches used by the larger lenders was highlighted.

In terms of issues or potential constraints limiting impact of the schemes, some expressed concerns regarding a potential lack of clarity for buyers on the detail of shared equity loans. This included medium to longer-term considerations such as limitations on resale and repayment of the equity stake. However, this was not seen as a significant issue – indeed some contrasted the 'simplicity' of Scottish Government schemes with buyer confusion around interest charges for the UK Government scheme. Participants also saw HtB as having a strong profile with buyers, in part due to promotion by larger developers. It was

suggested that more could have been done to promote the NSSE and OMSE schemes and raise awareness for buyers and mortgage brokers.

Participants did not express concerns around the potential for negative housing market impacts associated with the schemes. The schemes were seen as having minimal risk of displacing open market sales while there continues to be a shortfall in affordable housing supply. However, some did suggest that price caps can limit the impact of schemes in higher value markets, with Edinburgh and Aberdeen cited as examples. OMSE lending being limited to the Home Report value was also seen as restricting access for buyers in more competitive markets; it was suggested that OMSE buyers are in effect restricted to fixed price purchases in these areas.

Participants did not offer a clear view on the scale of the schemes' impact on lending, and most appeared to be of the view that shared equity schemes had not been of sufficient scale to have a significant impact on their overall level of lending. However, some referred to smaller or less quantifiable impacts such as boosting lender confidence. This was seen as particularly important in the years following the 2008 global financial crisis. Some also felt that there may have been an element of lenders reducing their exposure in other areas as a result of their shared equity lending, but again this was not seen as a significant change.

Future role

In terms of the future of shared equity schemes in Scotland, some expressed the view that there remains a group of buyers who can benefit from the product. This view appeared to be reflected in support for a clear focus on those most in need of support, including reference to the NSSE and OMSE schemes as more effectively targeting buyers in need to assistance. However, lenders also suggested that decisions around how this benefit is to be weighed against potential for investment to be used to support other housing products or sectors, should be a matter for Scottish Government policy.

Lenders were also clear in their view that any continuation of shared equity in Scotland should retain broad alignment with UK Government schemes. Qualitative findings indicated that there is limited tolerance across lenders for any additional investment in ICT or systems to support what is expected to remain a small proportion of their total lending.

Participants also expressed a view that, if the Scottish Government chooses to end one or more of the schemes, time may be required for the housing and lending markets to adjust. It was noted that ending the schemes would effectively reduce demand from some buyer groups, and that sufficient notice would be required to allow lenders and developers to adapt.

7. Developer and Registered Social Landlord perspectives

This chapter considers developer and Registered Social Landlord (RSL) perspectives on the Scottish Government's shared equity schemes, including views on the impact of the schemes on new build housing development.

As is noted in relation to lenders at chapter 6, developer support has been crucial to the operation of the HtB and NSSE schemes. The range of developers working with the schemes has evolved over time. A total of 353 private developers have sold properties through the HtB scheme (219 were active at the time of the evaluation), and 50 RSLs have sold properties through the NSSE scheme.

Findings presented within this chapter are based on a survey of private developers with experience of HtB (61 responses)[20], and qualitative interviews with private developers and RSLs. Qualitative participants included a range of organisations in terms of scale and focus of housing development, such as private developers operating across the UK, national RSLs developing across Scotland, and private developers and RSLs with a relatively narrow focus in terms of geographic area and housing market (including some with a specific focus in regeneration areas). While this diversity was evident in participants' experience of shared equity schemes, a number of common themes did emerge.

Scheme objectives and expectations

Findings on organisations' initial choice to participate in the two schemes indicated that most saw this as a relatively straightforward decision. This is reflected in all HtB survey respondents having 'very' or 'fairly' positive expectations about the potential impact of the scheme. Qualitative findings indicate that private developers and RSLs alike welcomed the two shared equity schemes.

"We introduced a range of schemes after 2008, not something we had to do before. HtB fit well with what we were already having to do in recovering from the financial crisis."

Positive attitudes towards the schemes also reflected a recognition from developers that intervention was required to support housing development and enable buyers to access lending. This was a particular priority for private developers who had been significantly affected by the global financial crisis. The focus of the two schemes was also in line with developers' and RSLs' business planning. This included a number of organisations with previous experience of

[20] Quantitative findings in this chapter have been reported as actual numbers, rather than percentages, because of the low base size.

shared equity and other low cost home ownership schemes. These developers and RSLs saw joining the Scottish Government's schemes as an obvious decision to strengthen their focus on providing affordable home ownership options.

Qualitative participants also highlighted the role of the Scottish Government in legitimising the schemes. Several developers and RSLs suggested there had been limited uptake of shared equity and other mechanisms operating prior to the introduction of HtB and NSSE. Participants noted that the Scottish Government schemes rapidly overtook existing mechanisms, in terms of sales volume and impact. Scottish Government backing was seen as crucial in encouraging take-up of the schemes by building confidence for developers, buyers and lenders.

The 2008 global financial crisis was also a key aspect of the context for private developers' decision to join the HtB scheme following its introduction in 2013/14. For example, nearly all respondents who provided information on the impact of the crisis (17 of 19) indicated that they had been adversely affected, with 12 of 19 having been 'very significantly' adversely affected. Survey results indicated that larger developers were more likely to have been significantly affected by the 2008 crisis (8 of 9 larger developer respondents compared with 4 of 10 smaller developers).

This negative impact was most commonly in terms of decreases in the volume of sales (14 of 19 reported a significant decrease), buyer demand (12 of 19), profitability (10 of 19) and sale prices (7 of 19). Several private developer qualitative participants noted that their use of other low cost home ownership initiatives prior to HtB had been a direct response to the global financial crisis. Qualitative findings also suggest that the impact of the global financial crisis and experience of other low cost home ownership mechanisms were important aspects of developers' reasons for joining HtB.

The most common reason for joining the scheme was to attract customers who could not afford new build without shared equity. For 28 of 31 respondents answering the question this had been an important factor. Survey results and qualitative findings suggested that this was particularly important for smaller developers (all 18 smaller developers indicated this, compared with 10 of 13 larger developers).

"HtB came in and built confidence for consumers, developers and lenders. Government backing 'legitimised' the scheme, gave the confidence that it would be longer-term."

Giving developers confidence to bring forward new developments and build in new areas was also a key factor (mentioned by 16 of 31 respondents answering the question). This included 7 of 31 respondents who hoped to use the scheme to scale up their operations. As noted earlier, HtB was seen by qualitative participants as fitting well with developers' existing business strategy, and improving the

viability of and demand for developments were key elements. As such, participants generally indicated that take up of HtB did not require a significant change in the profile of their development (including for those using the scheme to support moves into new areas).

Qualitative findings for RSLs suggested there was some commonality in the motivations of private developers and RSLs choosing to join shared equity schemes. In particular, most RSL participants indicated that NSSE had been a good fit with their wider business strategy, and in some cases replaced or ran alongside other tenure options (such as Shared Ownership and Mid-Market Rent). This included cases where RSLs had already identified an unmet need for low cost home ownership and had tailored their development programme accordingly. For these RSLs, NSSE was seen as an opportunity to support their wider development programme, and for some to move into development for sale for the first time.

While RSLs generally indicated that they had seen a clear role for NSSE as part of their wider development, few had clear expectations regarding the potential scale of shared equity development. This reflected a lack of robust evidence on the potential scale of demand. Some RSLs had used evidence on housing list demand and wider housing market dynamics to consider potential demand, but participants generally indicated that buyer demand had been somewhat of an unknown for initial NSSE developments.

Despite the positive expectations of private developers and RSLs, some appear to have remained sceptical around the potential for shared equity schemes to support a significant upturn in development. This is consistent with low cost home ownership not being core to the business of many survey respondents and qualitative participants. For example, several private developer and RSL participants indicated that they expected shared equity to remain a relatively small part of their development programme.

"Our initial NSSE developments were in areas where we felt more comfortable on buyer demand – we've been able to use experience and local knowledge to expand into other areas."

Several participants referred to having 'tested' use of the schemes with initial developments to assess their impact in terms of financial viability and buyer demand. Positive experiences around these initial developments appear to have been important in developers and RSLs having the confidence to use the schemes more widely. Participants cited examples of subsequent use of shared equity in developments where demand is typically more 'fragile', including a mix of urban regeneration areas and higher value rural areas.

Experience to date

Survey respondents and qualitative participants suggested that the HtB and NSSE schemes had met or exceeded the expectations of most developers and RSLs.

Nearly all private developers (25 of 26) indicated that HtB had met their expectations, and 9 respondents answering the question felt the scheme had exceeded expectations. This was the case across larger and smaller developers. Views were particularly positive on the running of the scheme (27 of 28 were content with the administration process) and provision of operational guidance (27 of 28 agreed that clear guidance was available). Qualitative findings also highlighted the simplicity of the scheme as a key positive; developers referred to simplicity in terms of marketing to buyers (e.g. simple eligibility criteria enabling easy identification of potential buyers) and acceptability for lenders. However, some noted that the administration requirements of the scheme can seem excessive. This is consistent with comments from lenders considered in the previous chapter.

A relatively small subset of HtB survey respondents (18 of 61) provided detailed information on the volume of sales delivered through the scheme relative to their wider development. This limited dataset was consistent with qualitative findings that there has been variation across developers in the proportion of sales delivered via HtB (from less than 5% to 50% or more), but indicated that the scheme has most commonly accounted for 15-20% of sales. This is also broadly consistent with the secondary data presented earlier (see table 4 and figure 15) which indicates that HtB has accounted for around 20% of all new build sales since 2016. Survey responses also suggested that smaller developer respondents include a number for whom HtB has accounted for a substantial proportion of all sales (4 of the 11 smaller developers who provided information reported that HtB had accounted for more than a third of all sales).

Qualitative findings indicated that RSLs were also generally positive on the extent to which NSSE had met expectations. Most participants indicated that buyer response to NSSE developments had been positive, and that RSLs' confidence in buyer demand had grown over time. This was reflected in some examples of RSLs choosing to expand NSSE to areas with lower or more 'fragile' demand. Good working relationships with local authorities in specifying NSSE developments, and effective marketing and financial assessment to identify potential buyers were identified as key factors in the success of NSSE developments to date.

Qualitative findings also identified some examples where weaker demand had contributed to difficulties selling NSSE properties. These examples reflected a mismatch with demand in terms of the profile and price of properties developed with NSSE, in some cases affected by higher development costs. However, while RSLs did not indicate difficulties associated with the specification or operation of NSSE, it was suggested that greater flexibility in the application of

eligibility criteria could assist RSLs where they are having difficulties selling NSSE properties.

Qualitative findings for private developers and RSLs highlighted the role of marketing in supporting uptake of the schemes. This included some, particularly smaller private developers and some RSLs, who had experienced a 'steep learning curve' in developing their approach to marketing but who now had an effective approach to marketing in place. However, participants were clear that uptake of the schemes has also been affected by growing buyer awareness.

Several HtB developers noted that awareness of the scheme is such that a substantial proportion of potential buyers mention the scheme unprompted, although it was also noted that consideration of the scheme is integrated as part of the sales and marketing process. These developers also commented on the acceptability of HtB for buyers. Some reported buyer resistance to the principle of a third party taking a share in their home, but most indicated that buyers have typically seen the scheme as an attractive means of improving their prospects of accessing home ownership. This was particularly the case for purchases under the reduced £200,000 price cap, where developers were of the view that buyers were more likely to require assistance to access the new build market.

RSLs were less positive about awareness of the NSSE scheme. This included some who directly contrasted their experience with the increasing profile of HtB in the private sector in Scotland. RSLs indicated that they had to take a more pro-active approach in identifying buyers who may be eligible for the scheme, including from current housing list applicants. Some also noted that substantial staff time can be required to take potential buyers through the scheme in detail, to ensure buyers are clear on how NSSE works for them (RSLs cited some examples of buyer confusion regarding how NSSE compares with shared ownership schemes) and to address any concerns (most commonly around the requirement to secure Scottish Government permission before reselling).

Impact of shared equity schemes

Survey results and qualitative findings indicated that developers and RSLs were positive about the impact of the HtB and NSSE schemes. This included those for whom the schemes had played a relatively limited role in their development programme.

Views were positive on the impact of HtB and NSSE in terms of reaching customers who would otherwise have been unable to buy a new build property (26 of 27 agreed that the schemes had achieved this), increasing sales volume (24 of 26 agreed), and increasing demand for new build properties (21 of 26 agreed). Respondents were less likely to indicate that the scheme has helped them to increase staffing levels (10 of 26 agreed) or to build in new locations (13 of 26 agreed). Survey results and qualitative findings suggested that smaller developers were more positive than larger developers on the impact of HtB,

particularly in terms of increasing demand, supporting an increase in sales, and reaching customers who could not have otherwise accessed the new build market (14 of 17 smaller developers agreed that HtB had delivered all of these impacts, compared with 6 of 13 larger developers).

Consistent with survey results, qualitative findings suggested a general view that HtB has had some success in reaching customers who would not otherwise have been able to buy a new build property, and increasing demand for new build by supporting access to lending. Some participants noted that the initial £400,000 price cap had meant that a larger proportion of those using the scheme were likely to have capacity to access ownership without assistance. However, developers were generally of the view that under the current price cap a majority of those buying through the scheme would have been unable to access suitable housing without assistance. This is also reflected in qualitative participants suggesting that the proportion of first-time buyers using the scheme had increased since introduction of the £200,000 price cap (consistent with published data showing a 13 point increase in the proportion of first-time buyers since 2016).

"Early years were influenced by the higher price cap, but sales from 2015/16 have been targeted at clients who would have been unable to buy without assistance."

Qualitative findings for RSLs also indicated very positive views regarding the impact of NSSE in terms of supporting buyers who would have been unable to access the market without assistance. Participants suggested that buyers using NSSE are most commonly those with insufficient income or equity to buy, and insufficient priority to access social rented housing (and estimate that around half of NSSE buyers are likely to have been housing list applicants). RSL participants also noted that use of affordability assessments as part of the application process has ensured the scheme is supporting those most in need.

In terms of impact for private developers, survey results and qualitative findings suggested that developers typically see HtB as having enabled them to deliver more and larger developments (24 of 26 agreed that HtB had supported an increase in sales, and 11 of 26 agreed that HtB had enabled them to deliver larger developments). While few qualitative participants suggested that the financial viability of developments was dependent on the scheme, the ability to sequence HtB sales to support cashflow early in the build process had allowed developers to bring developments forward more quickly. Smaller developers reported having benefitted from this in particular.

"The scheme has not really affected which projects are brought forward, but has influenced the sequencing of builds."

Survey results also suggested that most developers were of the view that HtB had contributed to their recovery from the 2008 crisis. Few developers indicated that their organisation had recovered fully (5 of 19 indicated that most aspects

of their business had fully recovered), but 18 of 26 answering the question agreed that the scheme had supported their recovery. This experience was similar across smaller and larger developers, although as noted earlier, survey results suggested that larger developers were typically more significantly affected by the crisis than smaller developers (8 of 9 having been very significantly affected by the crisis, compared with 4 of 10 smaller developers).

"The scheme has been an incredible positive for the area. It has provided confidence for us to build in greater numbers, enabling us to retain lower costs and more affordable sale prices."

RSL participants were also generally positive on the impact of NSSE for them as an organisation. As noted earlier, for some the scheme had been a good fit with their business strategy and development programme. These RSLs indicated that NSSE had been a clear positive in supporting their programme, even where NSSE had remained a relatively small proportion of their overall development. Some participants also cited a positive impact on their reputation in local communities where NSSE has helped RSLs to meet a wider range of housing needs, and supported regeneration of local communities.

In relation to wider housing market impacts, only one private developer survey respondent felt that HtB had resulted in an increase in sale prices, and a minority indicated that use of the scheme had changed the property type or size profile of their developments (7 of 26). This is consistent with comments noted earlier that the objectives of the scheme fit well with developers' existing business strategy and development programme.

"Specification of HtB has been tightened and works better, but the price cap is too restrictive for some areas."

However, some qualitative participants suggested that the HtB price cap of £200,000 is now limiting scope to use shared equity in higher value markets in Scotland. Consistent with comments from lenders (see Chapter 6), developers broadly described an east/west divide where the role of HtB in the west is focused in regeneration areas where the price cap not a constraint, while use of HtB is constrained in higher value markets in the east. These developers suggested that this has become a factor in the last one to two years as a result of continuing house price inflation. Some participants suggested that HtB may have effectively been placing artificial downward pressure on the pricing of parts of the new build market to meet the £200,000 threshold.

Looking forward

Looking forward, private developers identified a number of constraints or concerns for their development programme, primarily relating to planning regulations and housing market dynamics. Survey results suggested that the main concerns for private developers were planning systems and regulations (a

significant concern for 18 of 26), the UK exit from the EU (17 of 26) and wider economic uncertainty (16 of 26). Few developers highlighted constraints related specifically to the objectives of HtB – for example only two survey respondents suggested that shortage of customer demand was a major concern for them.

RSL participants also identified a number of potential constraints on their use of NSSE. These were typically more directly related to the purpose and operation of the scheme. Key constraints highlighted by participants were limited buyer awareness and understanding of NSSE, suggestions that the scheme's administrative requirements can be onerous (particularly given the potential diversity of buyers and the need for RSLs to tailor their approach accordingly), a lack of information on which lenders offer mortgage products suitable for NSSE, and inconsistency in access to solicitors and mortgage brokers with a good understanding of the scheme. Some RSLs also noted cases where high development costs in some areas had limited their scope to use NSSE and/or led to returns from development being lower than anticipated.

Qualitative participants were mixed in their views on the continuing role of shared equity. This appeared to reflect differences in the role of HtB in their development programme over recent years. For example some smaller developers for whom HtB had supported a substantial proportion of sales suggested that they would require a period of adjustment if the scheme ceased. This appeared to be less of a concern for larger developers for whom HtB accounted for a small proportion of sales.

"The key question is how to move to developers being more self-sustaining, without disadvantaging buyers who need assistance."

These comments were also consistent with suggestions from participants that a managed withdrawal of the scheme may be required. This included private developers who referred to the HtB scheme as having played the role of 'life support' for the industry following the global financial crisis, and recognised there had been a significant change in housing market and economic conditions since the scheme was introduced. However, some participants also saw a need to retain alignment with the UK Government Help to Buy scheme, for example in the timing of any withdrawal of the scheme, to ensure households in Scotland are not disadvantaged.

"HtB has played a role in market recovery for some time, but markets are still fragile. We feel it remains an effective use of public money for those who need assistance."

Qualitative participants – both private developers and RSLs - also reflected on the positive impact of the scheme in enabling customers to access home ownership. It was suggested that there remains a potentially substantial proportion of Scottish households who may struggle to access suitable housing without some form of assistance.

8. Additionality

This chapter assesses the 'additionality' delivered by the three shared equity schemes. For the purposes of this study, additionality has been defined as including the following elements:

- **Demand-side additionality** being the number of households buying a home with a shared equity scheme, who would not have been able to do so in the same broad area in the absence of the scheme; and
- **Supply-side additionality** being the number of new homes built as a direct result of the schemes that would not otherwise have come forward in a given time period.

The assessment of additionality draws on demand and supply-side evidence considered over the preceding chapters of the report. This chapter also draws on more detailed survey analysis to consider any differences in additionality across key buyer groups and over the life of the shared equity schemes, and the extent to which 'additional' buyers are distinct in terms of their characteristics and purchase choices.

Our approach to assessing additionality has been adapted from that used in the evaluations of Help to Buy in England and Wales that were commissioned by the UK Government and Welsh Government respectively. This assessment approach is primarily focused on identifying direct effects of shared equity schemes in terms of the proportion of sales that would not have taken place otherwise. It is important to note that this may not fully capture 'indirect' effects of the schemes, such as any additional sales as a result of increasing confidence amongst buyers, developers and lenders.

Context to the assessment of additionality

The Scottish Government's three shared equity schemes were introduced at different points in the housing market and economic cycle and were developed to address different barriers to home ownership. NSSE and OMSE were introduced in 2007 to improve equity of access to home ownership for moderate-income households who had been disadvantaged by house price inflation, whereas HtB was introduced in 2013/14 to support the recovery of the house building industry and help households to overcome increased deposit requirements introduced following the 2008 global financial crisis.

As noted in chapter 4, access to home ownership in Scotland has improved in the period since 2015 with less restrictive mortgage lending criteria and deposit requirements. This means it is important to consider the continuing case for the Scottish Government's shared equity schemes as they are currently operating. This is particularly so for HtB, given the upturn in new build activity and improvements in mortgage availability and affordability, factors that were a key part of the rationale for its introduction. Estimates of additionality and any

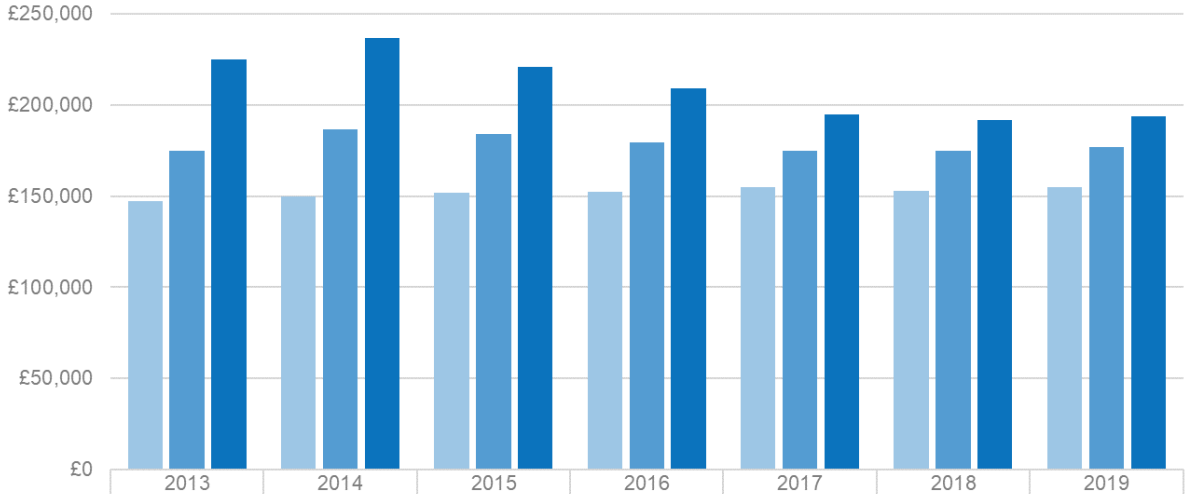
evidence of changes over time in the level of additionality generated by the schemes, are important aspects of the evidence base which will inform decisions on the future of the schemes.

Evidence on operation of Help to Buy

Programme information supplied by the Scottish Government included usable records for 15,984 HtB completed purchases. As outputs in appendix 2 show:

- Around 70% of HtB completed sales were in 10 local authority areas. The five local authorities with the largest number of HtB completed sales were North Lanarkshire (12%), Glasgow (12%) South Lanarkshire (9%), Edinburgh (8%) and Renfrewshire (6%).
- Two thirds of HtB sales were developed by a pool of 12 private developers, with close to half being developed by three major builders; namely Persimmon Homes Limited, Taylor Wimpey UK Limited and BDW Trading Limited (Barratt).
- Between 2013-14 and 2018-19, equity loans totalled more than £490 million, supporting the purchase of over £2.8 billion worth of property. Unlike the UK Government scheme, interest is not charged on HtB equity loans. As a result, the Scottish Government may be more exposed to the risk of another downturn in the housing market, although this would be mitigated if Scottish Government loans are based on a smaller equity share.

Figure 37: Lower quartile, median and upper quartile HtB prices for Scotland, 2013 to 2019



	2013	2014	2015	2016	2017	2018	2019
25	£147,495	£149,995	£152,000	£152,498	£154,995	£153,000	£154,995
50	£174,995	£186,500	£183,995	£179,500	£175,000	£175,000	£177,000
75	£225,145	£236,995	£220,995	£208,995	£194,995	£192,000	£193,995

Source: Scottish Government HtB administrative records

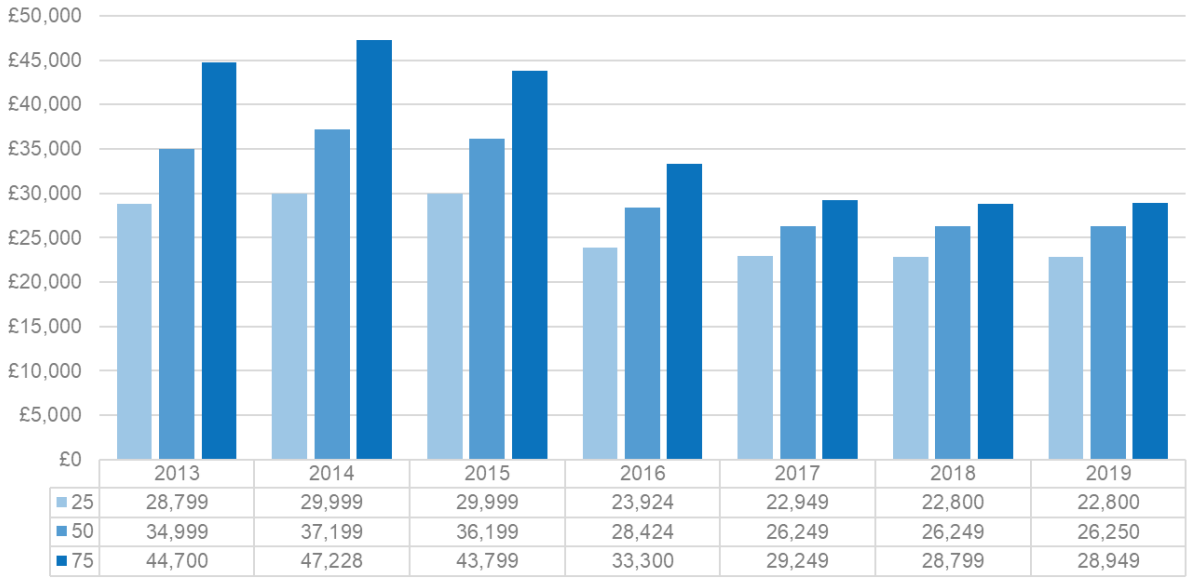
Reliable price data for NSSE and OMSE is not available but Figure 37 summarises prices for HtB sales. It confirms that prices for HtB sales have reduced over time, consistent with the lowering of the house price cap. It also

shows that the range of HtB sale prices in any given year have also reduced over time, again largely influenced by the lowering of the price threshold. For instance, the difference between the lower and upper quartile HtB price in 2016/19 was £39,000, down from £77,650 in 2013/14. The variation is likely to reflect differences in the size, composition and location of the properties bought with a HtB equity loan, but data limitations preclude analysis to document this.

As HtB was intended to reduce the barriers to homeownership caused by restrictive deposit requirements, it was not surprising to find that just under half (48%) of HtB purchasers had secured an equity loan of 20%, most of whom had accessed HtB in its first two and a half years of operation. A similar proportion had an equity loan of 15%, most of whom had secured the loan from April 2016 onwards, reflecting changes made since 2016. This suggests that the majority of buyers have opted to take the maximum value of equity loan possible.

Correspondingly, the average cash value of the equity loan secured has fallen back whilst variations in the cash value of the equity loans issued in any given year have narrowed (see figure 38). In the first half of 2019, for instance, the median equity loan stood at £26,250, down from a peak of £37,199 in 2014. Over the same period the 'gap' between equity loans in the lower and upper quartile of the distribution fell from £17,200 to £6,150. By way of comparison, evidence from UK Finance indicate that the average deposit made by first time buyers between June 2015 and June 2019 declined from £29,500 to £27,000. This suggests changes to the HtB price cap have brought the scheme more closely into line with 'market practice' in respect of first-time buyers, albeit HtB purchasers must make a 5% deposit in addition to the equity loan.

Figure 38: Cash value of HtB equity loan in year it was secured, 2013-2019



	2013	2014	2015	2016	2017	2018	2019
25	28,799	29,999	29,999	23,924	22,949	22,800	22,800
50	34,999	37,199	36,199	28,424	26,249	26,249	26,250
75	44,700	47,228	43,799	33,300	29,249	28,799	28,949

Source: Scottish Government HtB administrative records.

Assessing demand-side additionality

Chapters 7 and 8 considered qualitative findings for private developers, RSLs and lenders involved in the three shared equity schemes. This included some findings which point to the additionality generated by the schemes.

Private developers involved in the HtB scheme and RSLs involved in the NSSE scheme indicated a common perception that most buyers using these schemes would have been unable to buy a suitable home without some assistance. Private developers generally felt that most households buying under the current HtB £200,000 price cap would have been unable to access the new build market otherwise, especially those buying in higher value markets. In support of this, some referred to an increase in the proportion of first-time buyers using the scheme in recent years.[21] RSLs also generally perceived that means testing and economic assessment had ensured that the great majority of NSSE buyers could not have accessed the market otherwise. RSLs typically suggested that NSSE had supported households 'caught' in a position of having insufficient priority to access social rented housing, and insufficient income or equity to buy.

On the other hand, lenders and some developers were more cautious about the extent to which HtB had generated demand-side additionality. Lenders tended to observe that HtB purchasers included households that were likely to have been able to buy without assistance in the foreseeable future, or could have otherwise purchased a home in the resale market. Some developers also conceded that prior to the first price cap reduction in October 2014, substantial proportions of buyers may have been able to buy without assistance especially in lower value markets in the west of Scotland. Some also suggested that easier access to mortgage finance in the last 1-2 years may have increased the proportion of buyers that could have accessed the housing market without assistance. This perception is supported by evidence set out in chapter 4, showing an increase in Loan-to-Value ratios since 2015.

The views of housing developers, RSLs and lenders were compared to survey results regarding buyers' views on how their use of a shared equity scheme had shaped their housing outcomes. Drawing on the approach used in evaluation of schemes in England and Wales, our assessment of additionality was based on buyer agreement or disagreement with the following statements:

- I would have been able to buy a property I wanted anyway without the scheme
- I would have been able to buy the same property without the scheme
- I would have been able to buy a smaller property that was still suitable for my needs without the scheme

[21] The share of sales to first time buyers using Help to Buy increased from 66% in 2013-16 to 82% in 2018/19.

- I would have been able to buy a similar property that was not new build without the scheme (for HtB and NSSE buyers only)

Although our approach to the assessment of demand-side additionality is necessarily based on the views of those using the schemes, this brings a risk of over or under-estimation of the impact of shared equity schemes. For example, those who have used the schemes may feel an obligation to report that they benefited from the assistance provided. Buyers may also be unaware of wider systemic market impacts, such as whether their own improved access to the market had limited access for others, or if schemes have improved lender and/or developer confidence and thus improved access more widely. Consequently, we drew on outputs from our earlier analysis of housing market activity and the profile of shared equity buyers to refine our assessment of the scale of additionality.

Considering the options

The statements noted above can be used to develop various approaches to assessing additionality, dependent on the interpretation of additionality used and how confident we can be that survey responses accurately describe buyers' ability to access the market without assistance. For example, a 'strict' interpretation of additionality would be to assume that only buyers who felt that they 'definitely' could not have bought without assistance are genuinely additional. The most 'generous' interpretation would be to assume that only those who felt that they 'definitely' could have bought without assistance should be considered non-additional (i.e. those who felt that they 'probably' could have bought without assistance would still be counted as additional).

The approach used by the UK Government falls between these extremes; those who felt that they 'definitely' or 'probably' could not have bought without assistance were counted as additional. Our assessment introduced a fourth option, which also counted those who gave a neutral or unclear view as additional. This recognised that buyers are likely to vary in how well they recall the circumstances around their house purchase, and may also vary in terms of how 'optimistic' they are about their ability to buy without assistance.

The additionality estimates calculated using these four methods are summarised in Table 9 over the page. As this shows, there is considerable variation between the 'strict' (option 1 estimating additionality at 6% of those using schemes) and 'generous' (option 4 estimating 76%) estimates. The scale of the difference between these options is also broadly consistent across the three schemes.

Option 2 (the UK Government approach) and option 3 (option 2 plus 'neutral' answers) provide similar additionality estimates, of 23% and 28% respectively. However, the difference between these two estimates is larger for NSSE and OMSE buyers; an 8% and 7% difference respectively, compared to a 4% difference for HtB buyers.

Table 9: Overview of alternate additionality estimates

	Option 1	Option 2	Option 3	Option 4
Help to Buy	3%	16%	20%	73%
NSSE	9%	31%	39%	82%
OMSE	14%	40%	47%	83%
ALL	**6%**	**23%**	**28%**	**76%**

Option 1: Only those who answered 'definitely not' (or 'strongly disagree') to questions about whether they could have bought without assistance.
Option 2: Option 1 plus 'probably not' or 'tend to disagree' answers.
Option 3: Option 2 plus neutral or unclear answers.
Option 4: Option 3 plus thus who answered 'probably' (or 'tend to agree') to questions about whether they could have bought without assistance.

Our assessment is that options 1 and 4 above provide unrealistic estimates of additionality. In part this reflects that neither option is consistent with qualitative findings discussed in previous sections on developer and lender estimates of additionality. More detailed analysis of the profile of additional buyers as identified by the more 'generous' option 4 also suggests that a substantial proportion of these buyers are likely to have been able to access the market without assistance in the foreseeable future. This analysis suggests that option 4 over-estimates additionality for HtB buyers in particular, but that the NSSE and OMSE schemes have been more effectively targeted at households who would otherwise be unable to buy:

- Nearly half (48%) of additional buyers (based on option 4) may have been able to **buy a similar property in a less convenient or desirable area**. Those buying through HtB were most likely to have indicated this (56% compared with 41% for NSSE and 32% for OMSE).
- 17% of additional buyers (based on option 4) were **homeowners at the time of buying**. Nearly all of these buyers used HtB scheme, accounting for 24% of the option 4 additionality estimate for HtB. Some of these buyers may have been moving due to relationship breakdown or other changes in their personal circumstances, but this group also appears to include some owners using the schemes to access better housing options within the sector and who would not be considered additional.
- Survey results suggested considerable **overlap in the income distribution of additional and non-additional buyers**. In the case of HtB, the median income of additional buyers (based on option 4) was only 2% lower than the median income for non-additional HtB buyers. By comparison, for OMSE the median incomes of additional buyers were 7% lower than for non-additional OMSE buyers.
- A large majority of additional HtB buyers (based on option 4) **paid upwards of £150,000** for their current home. This was above the average price paid by all first-time buyers in Scotland; in the five years to the end of

2018 the average price paid by first time buyers fluctuated between £137,400 and £145,200. In contrast, the majority of additional NSSE and OMSE buyers paid less than £150,000, and often considerably less.

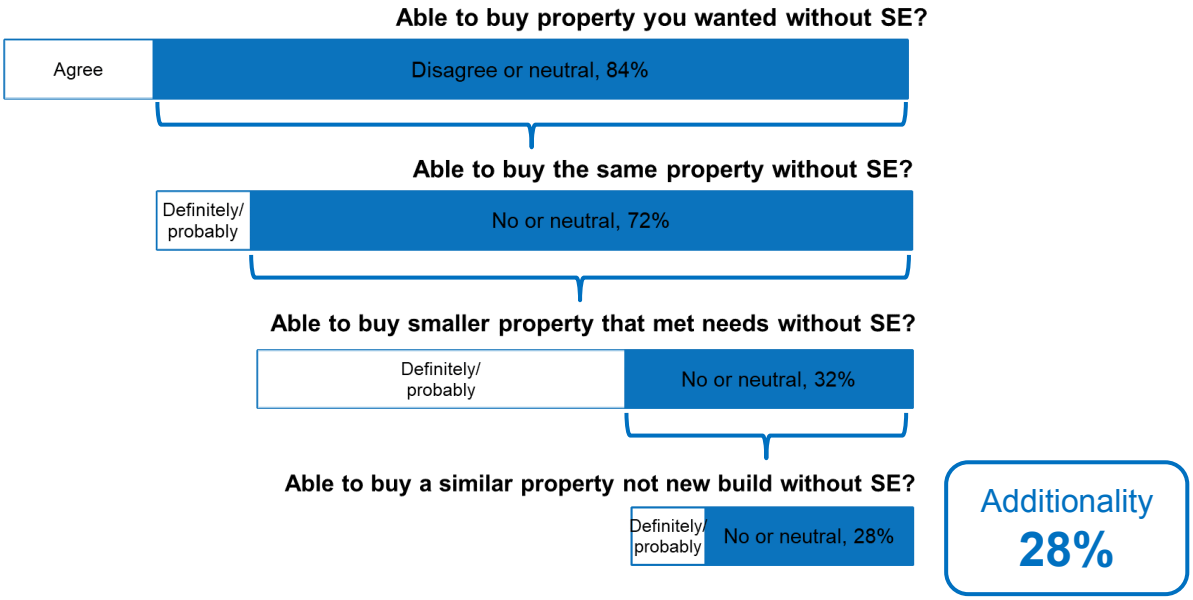
Options 2 and 3 provide broadly similar estimates, and our analysis suggests that both are reasonable overall estimates of additionality. However, the more significant differences in option 2 and 3 estimates for NSSE and OMSE buyers raise some concerns regarding the extent to which option 2 accurately describes the impact of these schemes.

A larger proportion of NSSE and OMSE buyers provided neutral or unclear responses to the additionality statements than was the case for HtB buyers. This is likely to be due at least in part to the larger proportion of NSSE and OMSE buyers who bought their property three or more years ago, including some who bought their property more than five years ago. For these buyers, neutral responses may reflect a lack of recall, and are not necessarily a reliable indicator that buyers would have been able to access the market without assistance. This is supported by survey findings which suggested that these 'neutral' respondents do not differ significantly in profile when compared with buyers identified as additional under option 2. On this basis, we have taken option 3 as our 'central' estimate of demand-side additionality.

'Central' estimate of demand-side additionality

Figure 39 summarises our central estimate of the additionality generated by shared equity schemes. This estimates that the overall proportion of buyers using Scottish Government shared equity schemes who can considered to be 'additional' is 28%.

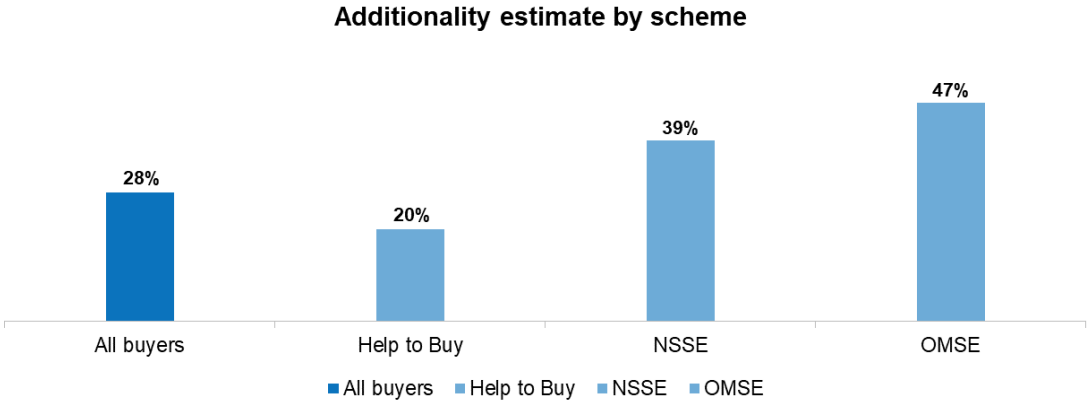
Figure 39: 'Central' estimate of demand-side additionality for shared equity schemes



Source: Survey of buyers. Note: the final statement ("I would have been able to buy a similar property that was not new build without the scheme") was presented only to HtB and NSSE buyers.

Within this overall estimate, the proportion of 'additional' buyers is estimated to be considerably smaller for HtB buyers (20%) than for NSSE (39%) and OMSE buyers (47%). The smaller proportion of HtB buyers assessed as additional is primarily due to a larger proportion of buyers indicating they would have been able to buy a smaller property that met their needs without assistance; 70% of all HtB buyer respondents indicated this, compared with 49% of NSSE and 41% of OMSE buyers.

Figure 40: Estimate of demand-side additionality by scheme

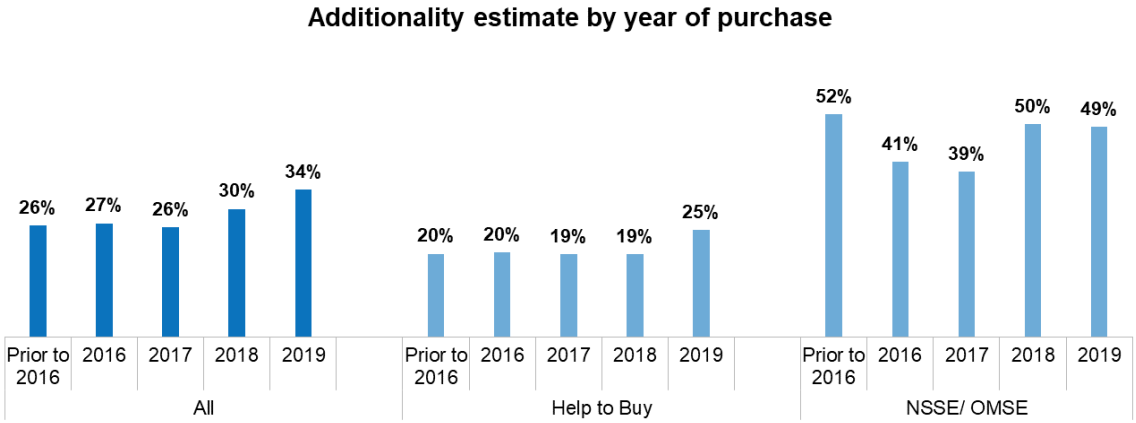


Source: Survey of buyers.

Survey results indicate that the rate of additionality has been fairly stable for HtB over the scheme's lifetime at around 20%, with a small jump to 25% in 2019 (see Figure 41). There has been greater volatility in the additionality rate for OMSE and NSSE, with no apparent upward or downward trend.

To control for change in the HtB price cap, the assessment was restricted to apply only to those buying properties under £200,000 throughout the life of the scheme. This group of HtB buyers also show an apparent increase in additionality, from 19% of those buying under £200,000 prior to 2018 to 26% of those buying in 2019. However, this increase is only evident for those buying in 2019, and survey evidence is insufficient to assess whether this is a genuine ongoing upward trend.

Figure 41: Estimate of demand-side additionality by year of purchase



Source: Survey of buyers.

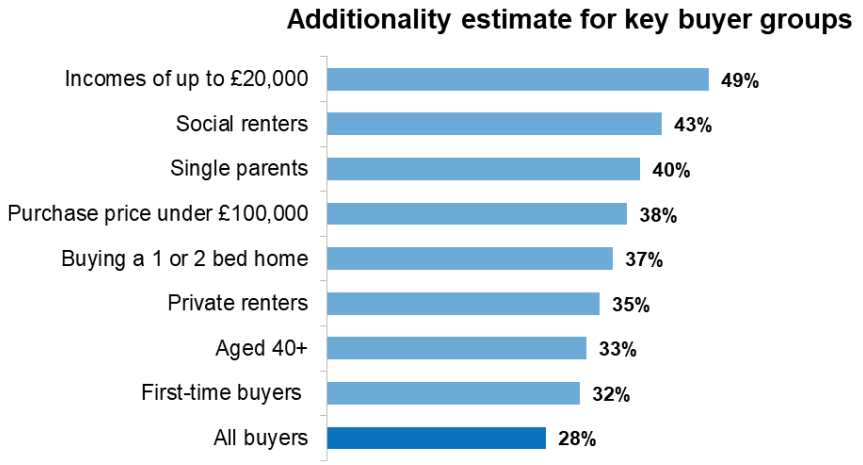
Even for buyers who are not counted as additional based on answers to the four statements, the schemes could have had an effect by bringing forward these purchases in time. Indeed, a large majority of non-additional buyers across the three shared equity schemes reported that the schemes allowed them to buy a property sooner than they could otherwise have done (HtB: 82%, OMSE: 89%, NSSE: 73%).

Profile of additional buyers

Table 10 over the page summarises the profile of additional buyers based on our central estimate. This includes all additional buyers across the three schemes; additional tables for individual schemes are provided at the annex to this report.

This profile indicates differences in the 'additionality rate' across key buyer groups. Lower income households, those in social or private rented accommodation, single parents, those buying smaller and lower value homes, those aged 40+ and first-time buyers were most likely to be additional. Figure 42 summarises the estimated additionality rates for each of these groups. This shows that the additionality rate is over 30% for each of these groups.

Figure 42: Estimate of demand-side additionality for key buyer groups



Source: Survey of buyers.

The profile of additional buyers also suggests that the shared equity schemes have had some success in supporting households who typically have more difficulty accessing home ownership. For example, the larger proportion of low income households and those living in rented accommodation classed as 'additional' is consistent with the schemes assisting those who commonly struggle to raise the deposit required to access the market.

Table 10: Profile of additional buyers (central estimate)

	Additionality rate[1]	% of additional buyers[2]	% of non-additional buyers[3]
Shared equity scheme			
Help to Buy	**20%**	50%	78%
NSSE	**39%**	5%	3%
OMSE	**47%**	45%	19%
First-time buyers			
First-time buyer	**32%**	78%	70%
Existing owner	**24%**	22%	30%
Age of respondent			
Under 30	**25%**	20%	25%
30-34	**27%**	24%	26%
35-39	**30%**	23%	22%
40-44	**32%**	15%	13%
45+	**34%**	18%	14%
Household type			
1 adult, no children	**31%**	30%	28%
1 adult, with children	**40%**	11%	7%
2 adults, no children	**22%**	22%	32%
2 adults, with children	**31%**	32%	29%
Other	**34%**	5%	4%
Tenure prior to buying			
With parent/relative	**24%**	20%	28%
Social renting	**43%**	17%	10%
Private renting	**35%**	45%	36%
Owner occupier	**20%**	13%	22%
Other	**31%**	5%	5%
Household income			
Up to £20,000	**49%**	18%	8%
£20,001 to £30,000	**34%**	30%	24%
£30,001 to £40,000	**30%**	26%	25%
£40,001 to £50,000	**23%**	15%	21%
More than £50,000	**17%**	12%	23%
Purchase price			
Under £100,000	**38%**	12%	6%
£100,000-149,999	**30%**	39%	30%
£150,000-199,999	**20%**	33%	43%
£200,000 or more	**21%**	17%	21%
Property type bought			
House	**28%**	70%	80%
Flat	**37%**	25%	19%
Other	**52%**	4%	2%
Property size bought			
1 or 2 bedrooms	**37%**	41%	31%
3 bedrooms	**28%**	43%	49%
4+ bedrooms	**25%**	16%	21%

[1] Buyers in category who are additional as a % of all buyers in category.
[2] Buyers in category who are additional as % of all additional buyers.
[3] Buyers in category who are non-additional as a % of all non-additional buyers.

Supply-side additionality

Consideration of supply side additionality was confined to HtB. This was partly due to the small numbers of NSSE sales at the Scotland wide level and partly because the survey of developers was focused on those participating in the HtB scheme. The main elements to our assessment of supply-side additionality were based on:

- The views of developers on the impact of shared equity schemes on new build development brought forward and the ability of households to access the housing market; and
- Applying our demand-side additionality estimate to new build output over the period of the shared equity schemes, in order to estimate the proportion of new build completions that can be considered additional.

The developer survey found that:

- 21 of 26 developers agreed that HtB had increased demand for new build, rising to 24 of 26 who agreed it had increased sales,
- 13 of 26 concurred that HtB had enabled them to build in new locations whilst 11 of 26 said it had enabled them to deliver larger developments.

Qualitative findings indicated that developers typically felt that in the initial years, HtB had played an important role in unlocking buyer demand by supporting access to lending and boosting the confidence of developers to bring developments forward. In contrast, developers felt that HtB had played a smaller if still significant role in sustaining consumer demand in the last two to three years, although it continued to have a positive impact on developer confidence, partly by easing cashflow constraints. In particular, developers said that HtB had enabled sites to be built out more quickly and that the resulting improved cash flow had boosted their pipeline programme.

In terms of impact on the wider housing market, none of the developers that completed the survey felt that HtB had increased new build sale prices, although these responses appeared to be influenced by the lowering of HtB price cap in 2014 and again in 2016.

Developers and other participants were not always able to offer a view on impact of HtB on local house prices and the housing market in general. Amongst those who did express a view, HtB was felt to have exerted downward pressure on new build house prices in some localities where properties built for the entry level of the market would otherwise sell at around £200,000-£250,000. In such instances, developers said they had to make a decision whether to bring new units under the price cap to ensure demand.

In terms of the perceived impact on built form, construction prices and land prices:

- Only 25% of developers indicated that HtB had affected the property type and size profile of their developments. This was supported by qualitative findings, which indicated developers were mainly building semi-detached and terraced houses for the HtB market, especially outside of city locations.
- Some suggested that the current £200,000 HtB price cap had started to limit options for houses in last 1-2 years, particularly in higher value markets – in those areas, some suggested that flats are the only feasible option.
- Few developers had looked to develop alternative products for the lower end of the market either before the crash or in an attempt to unlock the market before HtB was introduced.
- There was little perception that HtB had played a significant role in inflating land or construction costs. Aside from the reality that HtB units tended to have been built on sites developers had already acquired, those who expressed a view pointed to the difficulties of separating out the impact of HtB from the impact of the Scottish Government's Affordable Housing Supply Programme on the price of new land acquisitions and construction costs.

The views of developers suggest that HtB has generated supply-side additionality benefits. On the other hand, the qualitative nature of this evidence does not support the estimation of supply additionality. Indeed, it remains very difficult to place a figure on the extent to which HtB sales have been additional in spite of the fact they comprised a large share of new build sales, especially in its first 3 full years of operation (see chapter 4). As with demand, it had initially been hoped to examine whether "hard" data supported the views of developers and other stakeholders. For the most part, however, small area house price and construction data would be required to assess whether HtB supply had been additional and had not crowded out other development. In the absence of access to such data, we drew on survey results to derive an estimate of supply additionality.

Our analysis involved combining the estimated demand side additionality rates for HtB with data on the volume of new build sales delivered through the scheme. This measure does not take account of, for example, 'indirect' additionality generated through increased developer confidence in bringing forward development. Likewise, it does not take account of any negative effects such as HtB displacing private sector development that would have occurred without the scheme, or whether the scheme has inflated prices thereby reducing access for other prospective buyers.

On the basis of our 'central' demand-side additionality estimate for HtB (20%), we estimate the direct impact of HtB on new build supply at 5% of all private new build completions from 2013/14 to 2018/19. This is equivalent to around 3,000 new build sales.

Table 11: Modelling supply-side additionality

	Number (% of all new build)
All private new build completions 2013/14 to 2018/19	64,118
Help to Buy transactions 2013/14 to 2018/19	15,030 (23%)
Central estimate of 'additional' Help to Buy (20% of all Help to Buy transactions)	**3,006 (5%)**

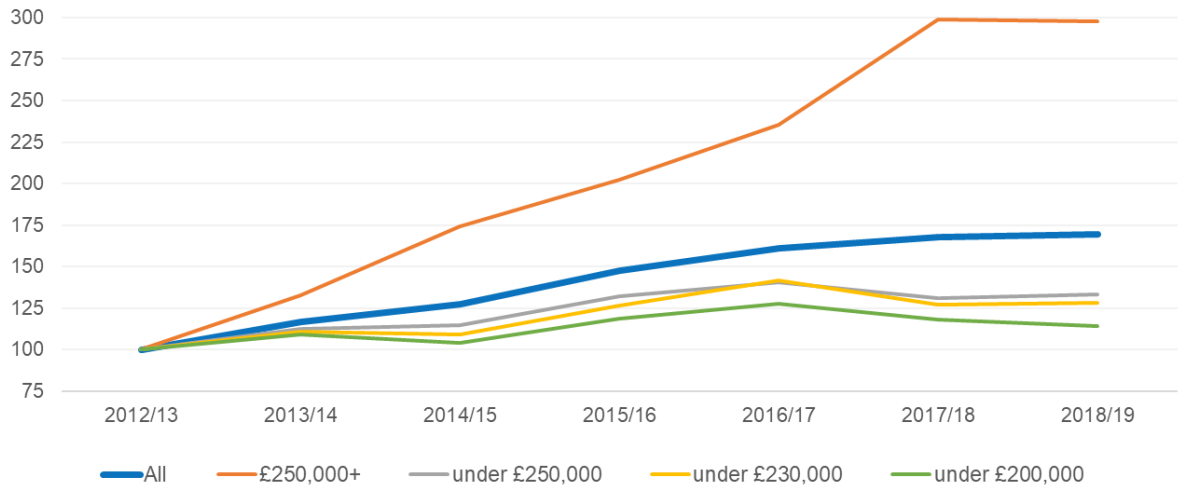
Housing market indicators of additionality

In order to contextualise and these estimates, further analysis of housing market activity was carried out in relation to a number of key market indicators.

To begin, we looked at whether HtB had led to a significant shift in housing construction away from properties above the price threshold, towards properties below the threshold. Figure 43 measures changes in new build transactions by selected upper price thresholds from 2012/13 (index 100), the year prior to the introduction of HtB. It shows that:

- There has been a growth in new build transactions across the price distribution but the growth in sales has been much more pronounced above £250,000 than in sales with a value of under £250,000.
- Since 2016/17 new build transactions under £230,000 have fallen back slightly, suggesting developers are increasingly developing larger and more expensive homes, in more desirable areas or a combination of both.
- New build sales suggest that lowering of the HtB price threshold in the period to 2014/15 -2016/17 may have encouraged more development at levels close to the HtB thresholds that might otherwise been case.

Figure 43: Growth in New Build transactions in Scotland, 2012/13 to 2018/19



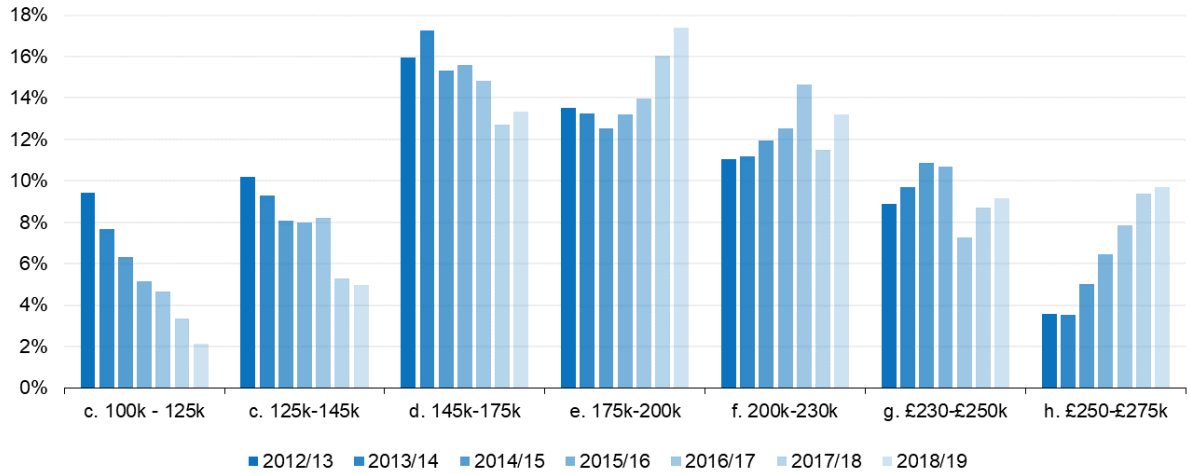
Source: Analysis of residential property transactions recorded by Registers of Scotland.

One anticipated consequence of the lowering of the price cap would be the bunching of new build transactions around the price threshold. To explore this further, Figure 44 over the page looks at the share of new build transactions in selected price bands over the period since 2012/13. It shows:

- An increase in number and share of sales in the £175,000-£200,000 price band in the last 2 years, consistent with lowering of the price threshold to £200,000. However, transaction levels in the adjacent price bands suggest this has at least in part been driven by a decline in sales under £175,000.
- Sales in the £230,000-£250,000 price band declined and £200,000-£230,000 sales increased coinciding with the short period where the price cap was £230,000.
- Comparison of new build sales and open market resales indicates that the proportion of new build sales under £200,000 decreased from 58% in 2012/13 to 39% in 2018/19. In contrast, the proportion of resales under £200,000 fell by only 5 percentage points over the same period. This suggests that new build transaction prices have been increasing rather more rapidly than resale prices, although some of this increase is likely to be due to changes in the mix of new homes being transacted.

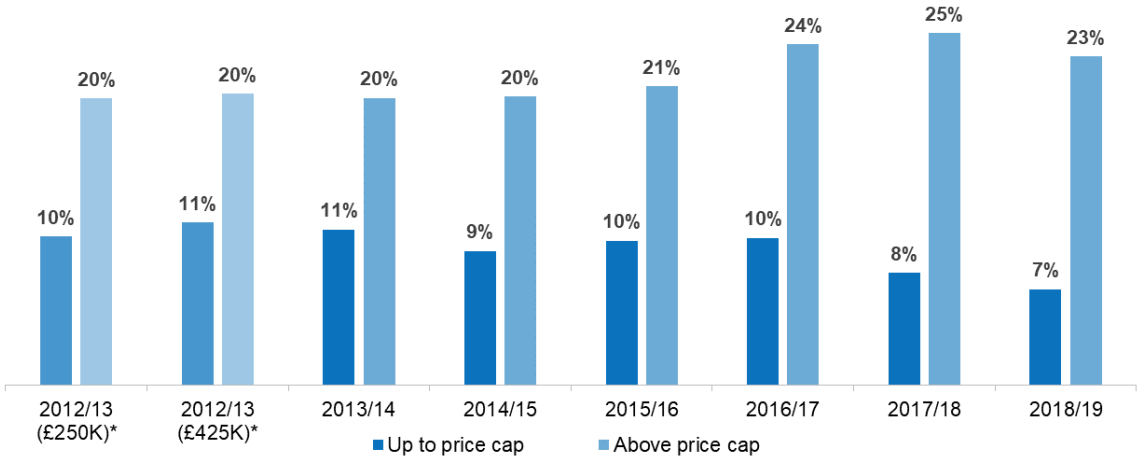
Housing market trends also indicate that new build sales as a share of all sales over the HtB price cap have typically increased at a more consistent rate than the share under the price cap. This is evident in consistent growth in new build sales as a share of all sales within the £250,000-£275,000 price band. Figure 45 also shows new build sales as a share of all sales under and over the HtB price cap, taking account of the reduction in the price cap between 2012/13 and 2016/17. This shows a small increase in the share of new build sales over the price cap (from 20% of all sales prior to 2016, to 24% from 2016/17 onwards), alongside a fall in the relative role of new build sales under the price cap (from 10% of all sales prior to 2017, to 7% in 2018/19). That suggests that the new build market not targeted by HtB has been performing similarly, and potentially more strongly, than the section of the market that has been supported by HtB.

Figure 44: Trends in new build sales volume, as a share of all sales



Source: Analysis of residential property transactions recorded by Registers of Scotland.

Figure 45: Trends in new build sales as a share of all sales, up to HtB price cap



Source: Analysis of residential property transactions recorded by Registers of Scotland.

9. Conclusions

Previous chapters present evaluation findings in relation to the Scottish Government's three shared equity home ownership schemes; Help to Buy (Scotland) (HtB), New Supply Shared Equity (NSSE) and Open Market Shared Equity (OMSE). This concluding chapter brings together key findings to consider the three schemes in the context of their stated objectives.

Scheme objectives and context

The three shared equity schemes were established with a common aim of making home ownership more affordable for households unable to buy without assistance. The schemes were introduced at different points in the housing market and economic cycle and were developed to address different barriers to home ownership. NSSE and OMSE were introduced in 2005/06 to improve equity of access to home ownership for moderate-income households who had been disadvantaged by house price inflation, whereas HtB was introduced in 2013/14 to support the recovery of the house building industry and help households to overcome increased deposit requirements introduced following the 2008 global financial crisis.

In terms of the role played in the wider housing market, the imposition of lower price caps has brought average HtB prices below the average for all sales in Scotland. However, HtB prices were still 20% higher than the average house price paid by all first-time buyers in 2018/19. This suggests a substantial share of HtB buyers might have been in a position to buy without assistance, although if HtB encouraged households to bring forward purchase decisions this may have played a role in restoring market confidence. NSSE, and more especially OMSE, prices appear to be significantly lower than the average price paid by first-time buyers. This suggests that these initiatives may be better targeted at modest income households that struggle to access the homeownership market.

Buyers supported by Scottish Government shared equity schemes

The findings suggest that the schemes have had some success in supporting their respective target groups, for example first-time buyers and lower income households. Differences in the profile of buyers across the three schemes in part reflects their specific objectives, but also suggests that the NSSE and OMSE schemes may have been more effective in targeting lower income households; median incomes of £24,000 for OMSE and £27,000 for NSSE compare with £41,000 for HtB. As noted later in this chapter, there remain wider questions around the proportion of those supported by the schemes who could have accessed suitable housing without financial assistance.

Survey results and qualitative findings suggest that the decision to use shared equity did not have a significant impact on the types and sizes of properties being considered by buyers. Rather, the option of buying with shared equity appeared to have been seen as allowing buyers to bring their purchase decision

forward, and to consider better quality properties that were more suitable for their needs and/or in the areas they preferred.

Survey results also suggested that most buyers felt that they may have been able to buy an alternative property, including a minority who felt that they could 'definitely' have accessed a suitable alternative without assistance. This was particularly the case for HtB buyers; 28% felt that they could 'definitely' have accessed a suitable alternative, compared with 18% of NSSE and 12% of OMSE buyers. Again this suggests that the NSSE and OMSE schemes may have been better targeted at households that would otherwise struggle to access the market.

Lenders, developers and RSLs

Lenders and developers were clear in their view that the objectives of the shared equity schemes were in line with their own business strategies. This included some lenders with experience of the UK Government scheme, and developers who were already using alternative shared equity and other low cost home ownership mechanisms in response to the adverse impact of the global financial crisis. For these developers in particular, the Scottish Government's role was important in legitimising the schemes.

Private developers and RSLs were generally positive about the schemes' impact in terms of reaching customers who would otherwise have been unable to buy, increasing sales volumes, and increasing demand for new build properties. There was a general view that HtB, particularly under the reduced price cap, has reached customers who would not otherwise have been able to buy a new build property. This was particularly the case for smaller private developers. While some experienced a 'steep learning curve' around the introduction of HtB, these smaller developers had typically seen a more significant impact on buyer demand and new build sales than was reported by larger developers. This included a group of smaller developers for whom HtB had accounted for a substantial proportion of all new build sales.

Developers also indicated that HtB had made a positive contribution to their recovery from the 2008 crisis. However, some conceded that prior to the first price cap reduction, substantial proportions of buyers may have been able to buy without assistance. Some developers also noted that reduced lending restrictions and deposit requirements had eased market barriers in recent years, such that HtB had played a smaller role.

Lenders were more cautious about the extent to which the shared equity schemes, and in particular HtB, had supported those who would otherwise have been unable to access the market. Lenders saw HtB buyers as including some who may have been able to buy without assistance in the foreseeable future and suggested that the NSSE and OMSE schemes may have had a greater impact in targeting those unable to buy without assistance.

Developers, RSLs and lenders were mixed in their views on the continuing role of shared equity. Some private developers saw HtB as having been a form of 'life support' for the sector in the years following the global financial crisis, but recognised the significant change in housing market and economic conditions since its introduction. However, stakeholders were also of the view that there remains a potentially substantially proportion of Scottish households who may struggle to access suitable housing without some form of assistance.

Additionality generated by the schemes

The evaluation has considered the 'additionality' delivered by the three shared equity schemes, in terms of the number of households buying a home who would have been unable to do so in the absence of the three schemes and the number of new homes built as a direct result of the schemes.

Assessment of demand-side additionalit**y** used buyer survey results to compare findings noted above on the potential impact of the schemes. On this basis, our overall estimate of the demand-side additionality generated by the schemes is:

- **20% of HtB buyers** have been additional (around 3,000 buyers).
- **39% of NSSE buyers** have been additional (around 1,850 buyers).
- **47% of OMSE buyers** have been additional (around 6,000 buyers).

Further analysis shows differences in the 'additionality rate' across key buyer groups. Lower income households, social or private renters, single parents, those buying smaller and lower value homes, those aged 40+ and first-time buyers were most likely to be additional. The profile of additional buyers also suggests that the schemes have had some success in supporting households who typically have more difficulty accessing home ownership.

Consideration of supply-side additionality was largely confined to HtB. HtB has comprised a substantial share of overall private sector output, but it remains very difficult to place a figure on the extent to which this supply is additional, primarily due to a lack of available small area house price or construction data. Our estimate of supply-side additionality is therefore based on survey results, and indicates that 5% of all new build sales (around 3,000) from 2013/14 to 2018/19 were 'additional' as a result of HtB.

Looking forward

Evaluation findings make clear that the Scottish Government's three shared equity schemes have had some success in reaching key target groups. These include lower income households and first-time buyers as a specific focus for the schemes, and others who typically struggle to access the market.

Our assessment also suggests that the three schemes as a whole have generated substantial additionality. This is in terms of buyers who would have been unable to access the market without assistance (estimated at around 9,000-11,000 of the 32,000+ buyers using the schemes), and bringing forward

additional new build supply. However, our assessment is that the NSSE and OMSE schemes have achieved a significantly higher additionality rate than HtB.

Evaluation findings also suggest that the shared equity schemes have had a positive impact on market confidence. For HtB this has been in large part by enabling substantial numbers of households to bring forward their decision to buy, and/or to consider better quality housing or more desirable locations. Qualitative findings make clear that bringing forward demand in this was important in rejuvenating the new build market, and building developer and lender confidence in the years following introduction of the scheme. Market trends also suggest that HtB encouraged developers to continue to focus on entry level new build housing, at least under the reduced price cap introduced in 2016/17. However, this aspect of the rationale for introduction of HtB (supporting developers and building market confidence) has been weakened in recent years by improving affordability and relaxation of lending conditions.

Evidence also suggests that a substantial proportion of those supported by the schemes could have feasibly accessed home ownership without assistance. This is particularly the case for HtB; our assessment indicates that 53% to 80% of HtB buyers may have been able to access home ownership without assistance. The proportion of HtB buyers able to buy without assistance is likely to have fallen since the reduction in the HtB price cap. Nevertheless, relaxation of lending restrictions and deposit requirements in recent years are likely to mean that the HtB scheme as it is currently operating is likely to continue to be accessed by a substantial proportion of households who could feasibly buy without assistance in the foreseeable future.

The OMSE and to lesser extent NSSE schemes appear to have been more effective in enabling lower income households to overcome price and deposit constraints to become a homeowner. Qualitative findings suggest that there is substantial scope for improvement in marketing and raising awareness of the schemes to increase their positive impact.

In terms of the future of the schemes, these findings suggest that there is a stronger case for continuation of the NSSE and OMSE schemes than HtB, in terms of the additionality produced by the three schemes. This is also reflected in stakeholder views which point to a potentially substantial group of Scottish households who are likely to continue to require assistance to access home ownership, but recognised scope for assistance to be more targeted to those most in need. In this context, it is also important to note a common view across developers and lenders regarding the importance of a planned approach to any reduction or withdrawal of support, particularly for some smaller developers for whom HtB has accounted for a substantial proportion of all sales.

The fieldwork and analysis for this evaluation were completed prior to COVID-19 affecting the Scottish economy. Any future policies would need to consider whether the impact of COVID-19 on the Scottish housing market affects these findings.

Annex

Buyer survey methodology

The buyer survey was issued to all buyers using HtB, NSSE or OMSE for whom contact details were available. Buyer survey fieldwork incorporated two strands; email survey invites issued to buyers for whom an email address was held, and a 'postal web drive' comprising a letter with a short link to the websurvey issued to all buyers for whom an email address was not recorded. Options to respond via online survey, paper copy and telephone were offered to all buyers.

Table 12 provides an overview of the survey sample structure and response. Of the total of 25,288 surveys issued, 16,622 (66%) were issued via email and 8,666 (34%) by post. This mix of email and postal web drive surveys varied across the three schemes; postal web drive was used for 44% of HtB, 100% of NSSE and 1% of OMSE buyers. A postal reminder letter was also issued to a random sample of 10,000 non-respondents at the mid-point of survey fieldwork, equivalent to 46% of non-respondents at the time.

A total of 4,063 survey responses were received, representing an overall response rate of 16%. The response rate varied across the three schemes (14% for HtB, 13% for NSSE and 20% for OMSE). Response rates also varied dependent on survey method, being higher for those who initially received the survey by email (20% response) and lower for those who initially received the survey by postal web drive (9%). This appears to have contributed to differences in response across the shared equity schemes; response rates were highest for OMSE buyers (with the largest proportion of surveys issued via email) and lowest for NSSE buyers (all of whom received the postal web drive).

Table 12: Buyer survey sample and response

	Total shared equity sales	Surveys issued	Achieved response (returns prior to postal reminder)		Margin of error (based on 95% Confidence Interval)
			Num	% response	
All buyers	**32,396**	**25,288**	**4,063 (3,503)**	**16% (14%)**	**±1.5%**
Email		*16,622*	*3,252*	*20%*	
Postal web drive		*8,666*	*811*	*9%*	
HtB buyers	**15,030**	**17,123**	**2,473 (2,112)**	**14% (12%)**	**±2.0%**
Email	-	*9,558*	*1,899*	*20%*	
Postal web drive	-	*7,565*	*574*	*8%*	
NSSE buyers	**4,690**	**1,059**	**139 (78)**	**13% (7%)**	**±8.3%**
Email	-	-	-	-	
Postal web drive	-	*1059*	*139*	*13%*	
OMSE buyers	**12,676**	**7,106**	**1,451 (1,313)**	**20% (18%)**	**±2.6%**
Email	-	*7,064*	*1,353*	*19%*	
Postal web drive	-	*42*	*98*	*	

* The 'postal web drive' response includes those from buyers included in the initial email sample who received a postal reminder at the mid-point of survey fieldwork.

Applying weights to data, while tending to make the quoted figures more representative of the population of interest, also serves to reduce the statistical reliability of the data. As such the 'effective' base size, which is used in any statistical testing, is smaller than the unweighted base size. This effect has been taken into account in determining whether or not differences described throughout the report are statistically significant.

Table 13 compares the profile of survey respondents with all buyers who received the survey, based on shared equity scheme and urban/rural geography (using the Scottish Government's 6-fold urban/rural geography[22]). As a result of differences in response rates across the three shared equity schemes, survey responses under-represent HtB buyers (by 7 points) and over-represent OMSE buyers (by 8 points). Areas of more limited over and under-representation are also evident across some geographic groupings. Survey responses were weighted by shared equity scheme and the Scottish Government's 6-fold urban/rural geography to correct for this.

Table 13: Profile of buyer survey respondents

	ALL		HtB buyers		NSSE buyers		OMSE buyers	
	Survey	All buyers	Survey	All buyers	Survey	All buyers	Survey	All buyers
ALL	**100%**	**100%**	**61%**	**68%**	**3%**	**4%**	**36%**	**28%**
1. Large Urban	36%	33%	33%	31%	44%	45%	39%	35%
2. Other Urban	39%	41%	38%	40%	27%	23%	42%	45%
3. Accessible Small Towns	7%	8%	7%	7%	4%	6%	8%	9%
4. Remote Small Towns	2%	2%	1%	1%	7%	8%	3%	2%
5. Accessible Rural	14%	15%	20%	19%	9%	10%	6%	7%
6. Remote Rural	2%	1%	1%	1%	9%	9%	2%	2%

Survey analysis involved producing frequency results for all survey questions. This included cross-tabulation of all questions by the following key buyer groups: shared equity scheme used, first-time buyers, purchase price, initial equity share, year of purchase, urban/rural geography and household type.

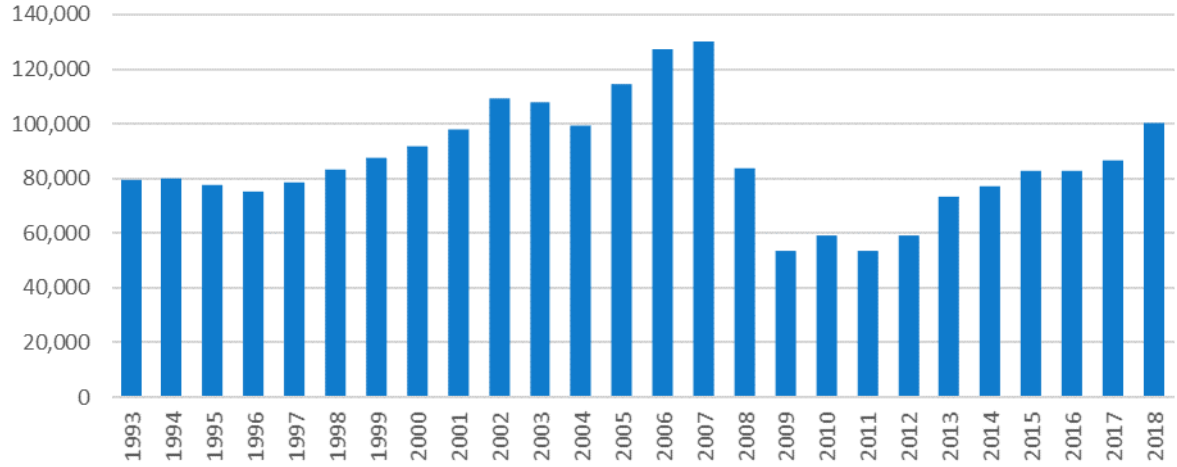
Differences across respondent groups are only included in the body of the report if statistically significant at a 95 per cent confidence level.

[22] https://www2.gov.scot/Topics/Statistics/About/Methodology/UrbanRuralClassification

Supplementary figures and tables

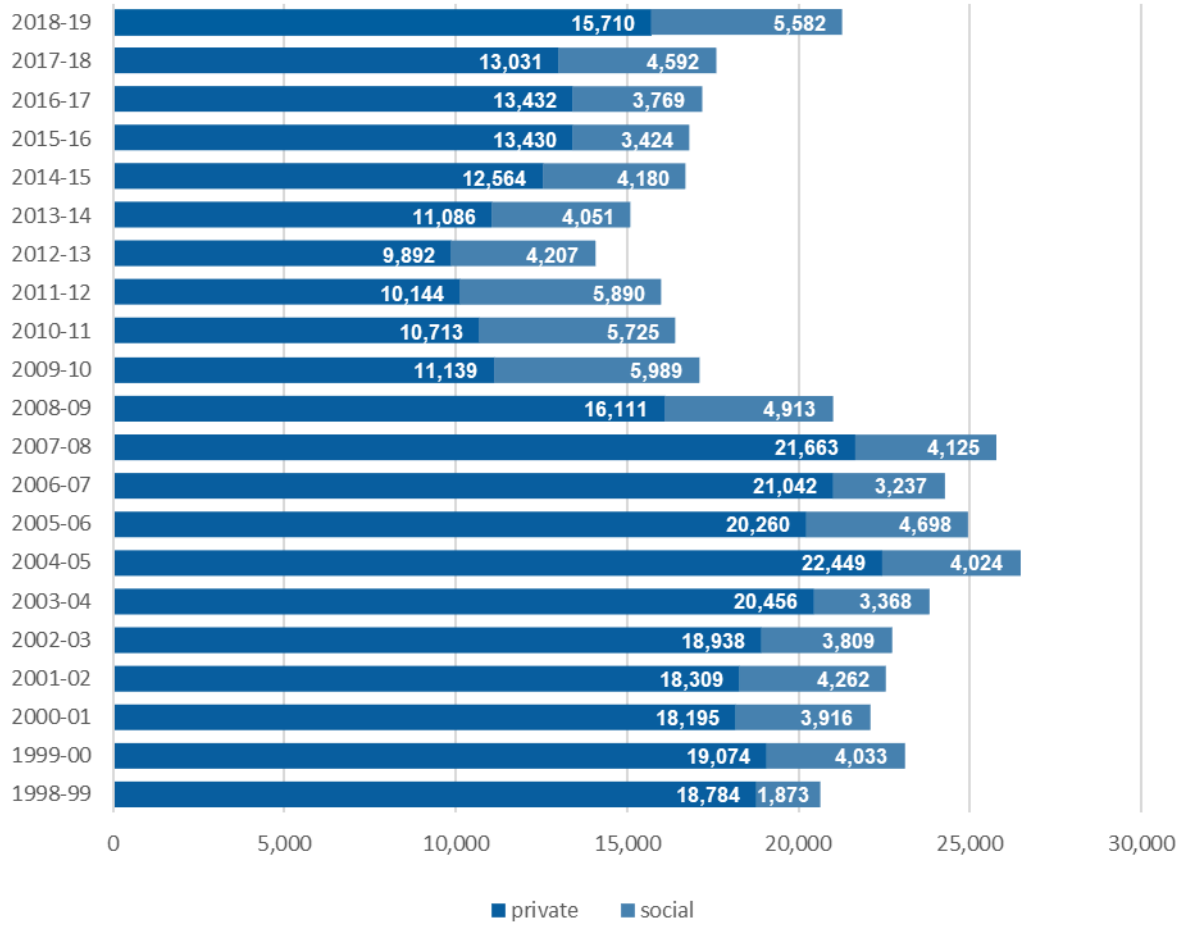
Chapter 3: Housing market context

Figure 46: House sales transactions in Scotland, 1993 to 2018



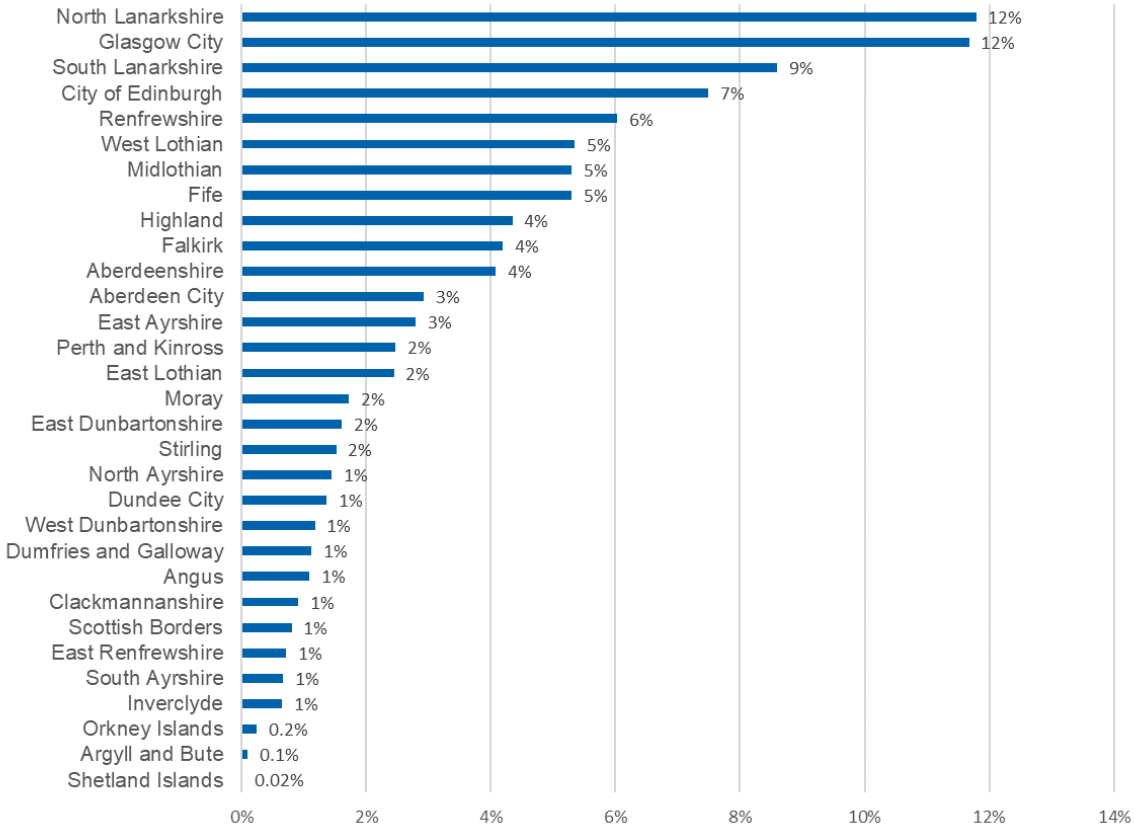
Source: ROS 2019 accessed NOV 2019 via SG Open Access

Figure 47: Housing Completions in Scotland, 1998-99 to 2018-19



Source: Scottish Government (2019) Housing Completions updated September 2019

Figure 48: Local authority setting of HtB sales



Source: Scottish Government HtB administrative records.

Table 14: Top 20 developers by HtB sales volume

Rank	Company (grouped)	Sales	% of all HtB
1	Persimmon Homes Limited	3,320	20.8%
2	Taylor Wimpey UK Limited	2,211	13.8%
3	BDW Trading Limited (Barratt)	1,830	11.4%
4	Bellway Homes Limited	1,090	6.8%
5	Miller Homes Limited	754	4.7%
6	Springfield Properties	474	3.0%
7	Tulloch Homes Limited	370	2.3%
8	Keepmoat Homes Limited	341	2.1%
9	Cruden	299	1.9%
10	Ogilvie Homes Limited	294	1.8%
11	Stewart Milne Group Limited	294	1.8%
12	Avant Homes (Scotland) Ltd	288	1.8%
13	Dundas Estates and Development Company Limited	250	1.6%
14	Scotia Homes Limited	220	1.4%
15	Muir Homes Limited	199	1.2%
16	MacTaggart & Mickel Homes Limited	182	1.1%
17	Robertson Homes Limited	179	1.1%
18	Barratt Homes Limited	167	1.0%
19	Walker Group Limited	162	1.0%
20	Bett Homes Limited	152	1.0%

Source: Scottish Government HtB administrative records.

Chapter 5: Buyers' experience of shared equity schemes

Table 15: HtB survey respondent views on impact on housing outcomes

	Strongly agree	Tend to agree	Neither/ nor	Tend to disagree	Strongly disagree	Don't know	Base
I would have been able to buy a property I wanted anyway without the scheme	4%	14%	9%	28%	45%	1%	2197
I would still have bought a newly-built property without the scheme	7%	16%	14%	26%	34%	4%	2195
The scheme meant I could buy a property sooner than I otherwise would have	59%	25%	9%	4%	3%	1%	2200
The scheme meant I could buy a larger property than I could without assistance	48%	24%	16%	7%	4%	2%	2196
The scheme meant I could buy a property in a better area than I could without assistance	34%	24%	27%	9%	5%	2%	2195
The scheme meant I could buy in my preferred location	34%	27%	26%	8%	4%	1%	2192
I would not have been able to buy any property without the scheme	16%	15%	13%	26%	27%	3%	2201

Without shared equity, would you still have been able to buy…	Definitely	Probably	Probably not	Definitely not	Don't know	Base
…the same property?	3%	15%	39%	41%	2%	2149
…a similar property that was not new build?	7%	37%	34%	18%	4%	2152
…a similar property in a less convenient or desirable area?	12%	49%	23%	9%	7%	2162
…a smaller property that was still suitable for your needs?	19%	51%	19%	7%	4%	2162
…a cheaper property that was still suitable for your needs?	23%	51%	18%	5%	4%	2160

Table 16: NSSE survey respondent views on impact on housing outcomes

	Strongly agree	Tend to agree	Neither/ nor	Tend to disagree	Strongly disagree	Don't know	Base
I would have been able to buy a property I wanted anyway without the scheme	4%	10%	11%	19%	52%	5%	121
I would still have bought a newly-built property without the scheme	6%	8%	14%	17%	48%	6%	121
I wouldn't have considered buying from a social landlord without the scheme	19%	27%	24%	10%	10%	10%	120
The scheme meant I could buy a property sooner than I otherwise would have	55%	23%	11%	6%	2%	3%	119
The scheme meant I could buy a larger property than I could without assistance	36%	25%	18%	12%	6%	4%	121
The scheme meant I could buy a property in a better area than I could without assistance	28%	20%	31%	8%	11%	3%	121
The scheme meant I could buy in my preferred location	29%	19%	33%	11%	5%	3%	121
I would not have been able to buy any property without the scheme	35%	19%	15%	18%	9%	5%	121

Without shared equity, would you still have been able to buy…	Definitely	Probably	Probably not	Definitely not	Don't know	Base
…the same property?	2%	15%	28%	53%	2%	121
…a similar property that was not new build?	3%	28%	32%	31%	6%	117
…a similar property in a less convenient or desirable area?	10%	36%	25%	20%	10%	119
…a smaller property that was still suitable for your needs?	11%	38%	29%	15%	7%	119
…a cheaper property that was still suitable for your needs?	12%	41%	26%	15%	6%	120

Table 17: OMSE survey respondent views on impact on housing outcomes

	Strongly agree	Tend to agree	Neither/ nor	Tend to disagree	Strongly disagree	Don't know	Base
I would have been able to buy a property I wanted anyway without the scheme	6%	7%	7%	21%	56%	3%	1040
The scheme meant I could buy a property sooner than I otherwise would have	73%	18%	5%	2%	2%	1%	1041
The scheme meant I could buy a larger property than I could without assistance	45%	20%	19%	7%	6%	4%	1041
The scheme meant I could buy a property in a better area than I could without assistance	33%	19%	27%	11%	6%	4%	1038
The scheme meant I could buy in my preferred location	30%	24%	25%	11%	8%	3%	1039
I would not have been able to buy any property without the scheme	44%	24%	11%	11%	7%	3%	1042

Without shared equity, would you still have been able to buy…	Definitely	Probably	Probably not	Definitely not	Don't know	Base
…the same property?	4%	15%	36%	42%	3%	1006
…a similar property in a less convenient or desirable area?	6%	30%	34%	22%	8%	1024
…a smaller property that was still suitable for your needs?	7%	34%	32%	21%	6%	1023
…a cheaper property that was still suitable for your needs?	7%	35%	30%	21%	7%	1024

Chapter 8: Assessing additionality

Table 18: Profile of Help to Buy additional buyers

	Additionality rate	% of additional buyers	% of non-additional buyers
Shared equity scheme			
Help to Buy	**20%**	100%	100%
NSSE	**-**	-	-
OMSE	**-**	-	-
First-time buyers			
First-time buyer	**22%**	66%	64%
Existing owner	**21%**	34%	36%
Age of respondent			
Under 30	**17%**	20%	25%
30-34	**20%**	25%	26%
35-39	**22%**	24%	22%
40-44	**23%**	15%	13%
45+	**23%**	16%	14%
Household type			
1 adult, no children	**21%**	26%	26%
1 adult, with children	**30%**	9%	6%
2 adults, no children	**18%**	30%	36%
2 adults, with children	**22%**	32%	29%
Other	**18%**	3%	4%
Tenure prior to buying			
With parent/relative	**17%**	21%	29%
Social renting	**29%**	11%	8%
Private renting	**26%**	42%	33%
Owner occupier	**19%**	22%	27%
Other	**20%**	4%	4%
Household income			
Up to £20,000	**16%**	1%	2%
£20,001 to £30,000	**23%**	20%	17%
£30,001 to £40,000	**23%**	32%	27%
£40,001 to £50,000	**20%**	24%	25%
More than £50,000	**16%**	22%	29%
Purchase price			
Under £100,000	**22%**	1%	2%
£100,000-149,999	**18%**	21%	66%
£150,000-199,999	**16%**	48%	170%
£200,000 or more	**19%**	29%	86%
Property type bought			
House	**21%**	83%	85%
Flat	**24%**	16%	14%
Other	**33%**	1%	1%
Property size bought			
1 or 2 bedrooms	**25%**	28%	24%
3 bedrooms	**21%**	50%	52%
4+ bedrooms	**20%**	22%	25%

Table 19: Profile of NSSE/OMSE additional buyers[23]

	Additionality rate	% of additional buyers	% of non-additional buyers
Shared equity scheme			
Help to Buy	-	-	-
NSSE	**39%**	11%	14%
OMSE	**47%**	89%	86%
First-time buyers			
First-time buyer	**48%**	91%	93%
Existing owner	**56%**	9%	6%
Age of respondent			
Under 30	**44%**	21%	25%
30-34	**46%**	23%	25%
35-39	**49%**	22%	22%
40-44	**51%**	15%	14%
45+	**58%**	19%	3%
Household type			
1 adult, no children	**50%**	34%	33%
1 adult, with children	**51%**	14%	13%
2 adults, no children	**44%**	14%	18%
2 adults, with children	**48%**	31%	32%
Other	**60%**	6%	4%
Tenure prior to buying			
With parent/relative	**44%**	19%	23%
Social renting	**56%**	24%	18%
Private renting	**49%**	49%	50%
Owner occupier	**48%**	2%	2%
Other	**45%**	6%	7%
Household income			
Up to £20,000	**53%**	34%	28%
£20,001 to £30,000	**44%**	39%	46%
£30,001 to £40,000	**51%**	20%	18%
£40,001 to £50,000	**49%**	6%	6%
More than £50,000	**44%**	2%	2%
Purchase price			
Under £100,000	**40%**	22%	23%
£100,000-149,999	**39%**	57%	62%
£150,000-199,999	**48%**	17%	13%
£200,000 or more	**61%**	4%	2%
Property type bought			
House	**48%**	58%	60%
Flat	**49%**	35%	35%
Other	**57%**	8%	6%
Property size bought			
1 or 2 bedrooms	**48%**	54%	56%
3 bedrooms	**47%**	36%	39%
4+ bedrooms	**58%**	9%	6%

[23] Numbers of NSSE survey respondents are insufficient to present detailed analysis.

Key data sources

The evaluation has made use of a range of primary and secondary data sources in considering the operation and impact of the Scottish Government's shared equity schemes. Key data sources include:

- Results of the survey of buyers
- Results of the survey of developers
- Scottish Government administration records for HtB, OMSE & NSSE
- ONS House Price Index (accessed December 2019)
- Scottish Government Open Access House Prices, based on residential property transactions recorded by Registers of Scotland
- Registers of Scotland Property Market Report 2018-19
- Scottish Government (2019) housing statistics
- Scottish Government (2019) Housing completion statistics
- Scottish Government (2019) Stock by tenure estimates
- Scottish Government Scottish Household Survey 2018
- NRS (2019) Household estimates
- ASHE earnings data 2018
- UK Finance (2019) Regulated Mortgage Survey
- FCA Product sales data 2019

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This document is also available from our website at www.gov.scot.
ISBN: 978-1-83960-794-3

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

Produced for
the Scottish Government
by APS Group Scotland
PPDAS737926 (06/20)
Published by
the Scottish Government,
June 2020

GSR
GOVERNMENT SOCIAL RESEARCH
Social Science in Government

Social Research series
ISSN 2045 - 6964
ISBN 978-1-83960-794-3

Web Publication
www.gov.scot/
socialresearch
PPDAS737926 (06/20)