

# New Homes and Help to Buy



## Adapting to sell

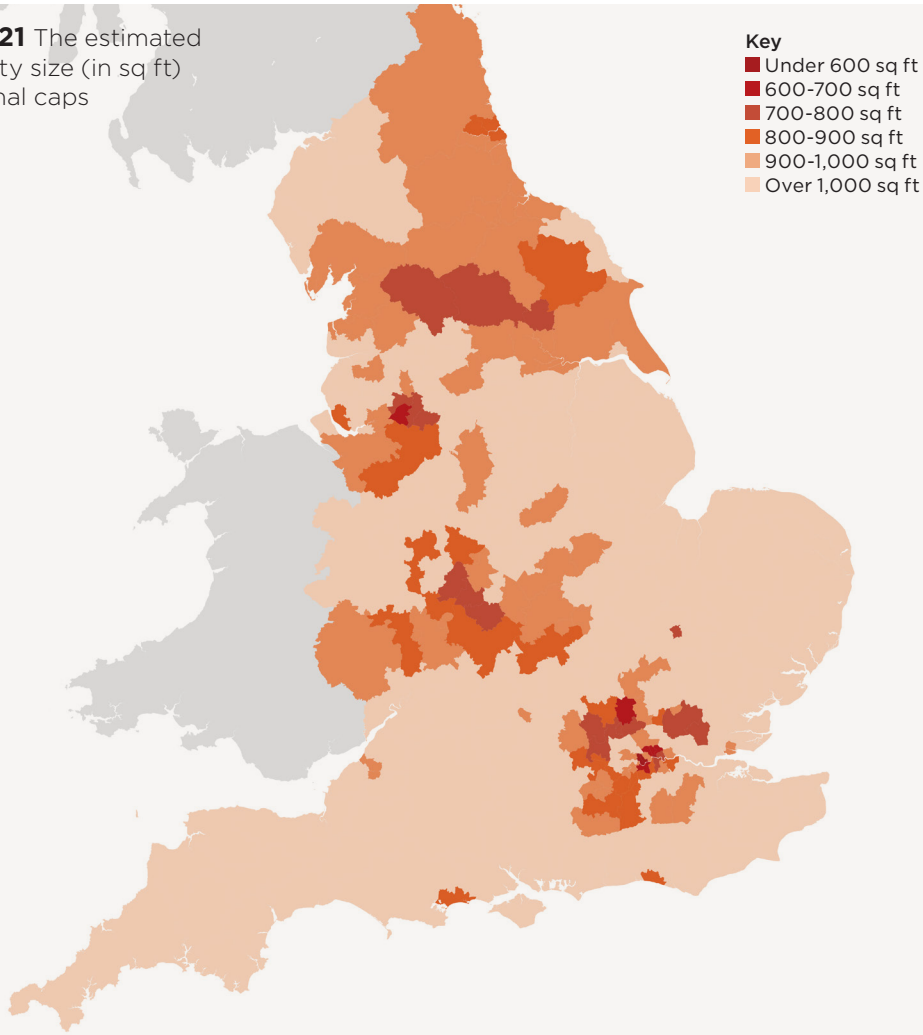
Changes to Help to Buy are approaching rapidly. From April 2021, the programme will be limited only to first-time buyers, who currently make up 81% of users. In addition, regional value caps will be introduced to better reflect regional variance in house prices. This will reduce the current value cap from £600,000 to as little as £186,100 in the North East.

The popularity of Help to Buy continues to rise. There were 52,404 Help to Buy loans issued in England in 2018/19, a 9% increase on the previous year and accounting for 34% of open market, new build delivery.

Outside London, limiting the scheme to first-time buyers has a fairly uniform impact, with 15 to 25% of current Help to Buy sales being excluded. But the impact of the price caps are more varied, with the greatest impact in high-value areas of the North and Midlands.

Under the current criteria, the first long stop date for practical completion (build completion) is 31 December 2020 and buyers need to exchange and complete by 31 March 2021, so developers will need to act now to adapt their product.

**Help to Buy 2021** The estimated maximum property size (in sq ft) under 2021 regional caps



Source Savills Research, MHCLG, EPC, Land Registry

### WHERE WILL PRICE CAPS HAVE THE MOST IMPACT?

Taking the average £psf value for current Help to Buy eligible sales and applying the new regional value caps, we can work out the maximum square footage developers can build to fit under the new value caps.

Considering the square footage of current new build sales, in 32% of local authorities the average size of Help to Buy properties would need to be reduced to fit under the new value cap, subject to minimum standards of space. The

region most affected is the North East, where at current pricing in every local authority, the average size of Help to Buy properties needs to be reduced to fit under the new cap.

The regional caps will also have a large impact

on higher-value markets of the Midlands and North, where the £psf values are at a premium to the regional average. Harrogate, for example, will need to see properties reduce in size by 500 sq ft to get the average value below the cap.

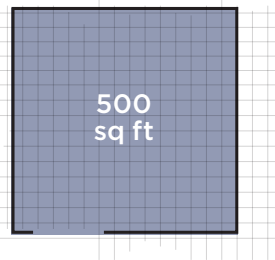
### Market monitor

Key data for the UK's new homes sector

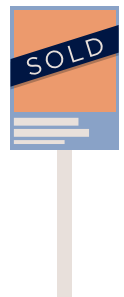


**32%**

The proportion of local authorities across England that will need to decrease the square footage of Help to Buy properties to fit within 2021 value caps.



The reduction in property size that high-value markets, such as Harrogate, will need to see post-2021.



**36%**

The proportion of Help to Buy sales across England that could be lost if developers do not adapt to the 2021 changes.

Source Savills Research

## North-south divide

In contrast with the North East, markets in the South East, South West and East of England will be less affected by the value caps. Fewer than 10% of local authorities across these regions will see a reduction in the size of Help to Buy property they can build. However, the exclusion of home movers will likely prompt developers to focus

on smaller homes suitable for first-time buyers.

But, again, more expensive markets, such as Cambridge and St Albans, are likely to feel the limits with only properties up to 750 sq ft meeting that value cap. This will particularly constrain markets which are already undersupplied in family housing.

**Regional variation** Size adjustments will be most needed in the North and Midlands

Region	Post-2021 value cap	Proportion of local authorities with average new build sq ft above 2021 value cap	Proportion of current Help to Buy sales that are to home movers
North East	£186,100	100%	15%
West Midlands	£255,600	60%	24%
East Midlands	£261,900	58%	24%
North West	£224,400	56%	18%
Yorkshire and the Humber	£228,100	48%	19%
East of England	£407,400	20%	20%
South West	£349,000	14%	20%
South East	£437,600	6%	19%
London	£600,000	0%	5%

Source Savills Research, MHCLG, EPC, Land Registry

👉 Some higher value markets, such as York, currently have 80% of Help to Buy eligible properties sitting above their 2021 value caps 👈

## Is there a risk to future sales?

If developers fail to adapt the size of homes they deliver, 36% of current Help to Buy sales across England could be lost once the new caps are introduced. Again, it is markets in the North and Midlands which will feel this most, with 61% of sales in the North East at risk of being lost.

Higher value markets, such as Daventry, Warwick, Stratford-upon-Avon and York, currently have more than 80% of properties eligible for Help to Buy sitting above their 2021 value cap. Post-2021, Daventry would only be able to deliver properties up

to 1,000 sq ft in size – a significant change from its current delivery of larger family houses.

In terms of the proposed limitations to buyers, the East Midlands and West Midlands currently have the highest proportion of home movers utilising Help to Buy – 24% of users. In contrast, just 5% of users in London are home movers, perhaps reflecting the larger price gap between first home and second home purchases in the capital.

By introducing limits to both home movers and values, upsizing families are going to be those

who lose out. A quarter of Savills new homes buyers purchasing under £600,000 over the past two years had two or more children. And, post-2021, almost a quarter of local authorities across England will be limited to delivering a maximum of 1,000 sq ft properties through Help to Buy.

With first-time buyers increasing their share of the market, the question remains as to what will support financially stretched home movers in the housing market – particularly in areas already undersupplied in family housing.

## Savills team

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